HB

334

SFIN

FILE

REPORTED OUT
MAY 0 5 2006
SENATE FINANCE COMMITTEE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/27/06

FURTHER:

DATE TURNED IN TO OFFICE: 5 May 2006

Finance Committee considered CS FOR HOUSE BILL NO. 334(FIN)

HB 334 MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

and recommends:

[✓] be **replaced** with S CS CS HB 334 (FIN)

[ ] adopt **previous** _____ CS CS Forthcoming (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[✓] Same Title
[ ] Technical Title Change
[✓] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
All	4/17/06			✓	#2
Commerce	1/30/06			✓	#1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
	✓			
			✓	
COCHAIR:	✓			
COCHAIR:	✓			

REPORTED OUT
MAY 0 5 2006
SENATE FINANCE COMMITTEE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/27/06

FURTHER:

DATE TURNED IN TO OFFICE: 5 May 2006

Finance Committee considered CS FOR HOUSE BILL NO. 334(FIN)

HB 334 MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

and recommends:

[✓] be **replaced** with S CS CS HB 334 (FIN)

[ ] adopt **previous** _____ CS CS Forthcoming (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[✓] Same Title
[ ] Technical Title Change
[✓] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
All	3/17/06			✓	#2
Commerce	1/30/06			✓	#1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
	✓			
			✓	
COCHAIR:	✓			
COCHAIR:	✓			

REPORTED OUT
MAY 0 5 2006
SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 334(FIN)
(H) Publish Date: 2/22/06

Revision Date/Time (Note if correction):
Title: Deferral of municipal property taxes
Sponsor: Rep. Ramras
Requester: House Finance Committee

Dept. Affected: All
RDU
Component
Component No.

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This legislation would not have a significant fiscal impact on any state agency.

Prepared by: Jack Kreinheder, Senior Analyst — Phone 465-4676
Division: Office of Management and Budget — Date/Time 2/17/06 4:22 PM
Approved by: Cheryl Frasca, Director — Date 2/17/2006
Agency: Office of Management and Budget

(Revised 9/7/2005 OMB)

COMMITTEE COPY

REPORTED OUT
MAY 0 5 2006
SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 334
(H) Publish Date: 2/1/06

Revision Date/Time (Note if correction):
Title: Municipal Property Tax Deferral/Exemption
Sponsor: Ramras
Requester: House Community & Regional Affairs

Dept. Affected: Commerce
RDU: Comm Assist & Ec Dev (405)
Component: Community Advocacy
Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This legislation relates to an exemption from and deferral of municipal property taxes for certain types of deteriorated property. It does not impact the operations of the department.

Prepared by: Mike Black, Director
Phone 269-4535
Division: Community Advocacy
Date/Time 1/30/06 3 34 PM
Approved by: William C. Noll, Commissioner
Date 1/30/2006
Agency: Commerce, Community and Economic Development

(Revised 9/7/2005 OMB)

COMMITTEE COPY

SENATE FINANCE COMMITTEE
Amendment # #1
To Bill Number: HB 13
Sponsor: Green
Date: 5/5/06 Logged by: Mindy

AMENDMENT

OFFERED IN THE SENATE BY SENATOR GREEN

TO: SCS CSHB 334(FIN)

Insert a new section to read:

AS 29.45.030(b) is amended to read:

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of **an educator in a private religious or parochial school or** a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization; **for purposes of this paragraph, "minister" means an individual who is**

(A) ordained, commissioned, or licensed as a minister according to standards of the religious organization for its ministers; and

(B) employed by the religious organization to carry out a ministry of that religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

24-LS1353\Y
Cook
5/5/06

SENATE CS FOR CS FOR HOUSE BILL NO. 334(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES RAMRAS, Foster, Croft

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to an exemption from and deferral of municipal property taxes for**
2 **certain types of deteriorated property and to an optional deferral of municipal property**
3 **taxes on certain primary residences owned and occupied by individuals with incomes at**
4 **or below federal poverty guidelines for the state."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 *** Section 1.** AS 29.45.050(o) is amended to read:
7 (o) A municipality may by ordinance partially or totally exempt all or some
8 types of deteriorated property from taxation for up to 10 years beginning on or any
9 time after the day substantial rehabilitation, renovation, demolition, removal, or
10 replacement of any structure on the property begins. A municipality may by ordinance
11 permit deferral of payment of taxes on all or some types of deteriorated property for
12 up to five years beginning on or any time after the day substantial rehabilitation,
13 renovation, demolition, removal, or replacement of any structure on the property
14 begins. However, if the <u>entire</u> ownership of property for which a deferral has been

granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral ends. **Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted** [, OR, IF OWNERSHIP OF ANY PART OF THE PROPERTY IS TRANSFERRED, ALL TAX PAYMENTS ARE IMMEDIATELY DUE]. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. **An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality.** In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

* **Sec. 2.** AS 29.45 is amended by adding a new section to read:

Sec. 29.45.052. Tax deferral for primary residences. (a) A municipality may by ordinance provide for the deferral of all taxes on property that is owned, in whole or in part, by an individual

(1) who occupies and has occupied the property for at least 10 consecutive years as the individual's primary residence; and

1 (2) whose income is at or below federal poverty guidelines for the state
2 set by the United States Department of Health and Human Services.
3 (b) An individual must apply for each year that a deferral is sought and supply
4 proof of eligibility for the deferral for that year in accordance with requirements set
5 out in the ordinance that authorizes the deferral. Taxes for a year that are deferred do
6 not become payable until ownership of the property is transferred from the individual
7 who obtained the deferral. A municipality that provides for a deferral of property
8 taxes under this subsection may not impose interest on the taxes deferred between the
9 time the deferral is granted and the time the taxes become payable.
10 * **Sec. 3.** Section 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, and by sec.
11 4, ch. 140, SLA 2004, is repealed.

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAY 0 5 2006
SENATE FINANCE COMMITTEE

DATE: 4/27/06

FURTHER:

DATE TURNED IN TO OFFICE: 5 May 2006

Finance Committee considered CS FOR HOUSE BILL NO. 334(FIN)

HB 334 MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

and recommends:

[✓] be replaced with S CS CS HB 334 (FIN)

[ ] adopt previous _____ CS CS Forthcoming (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[✓] Same Title
[ ] Technical Title Change
[✓] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
All	3/17/06			✓	#2
Commerce	1/30/06			✓	#1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
	✓			
			✓	
COCHAIR:	✓			
COCHAIR:	✓			

SENATE FINANCE COMMITTEE
Amendment # #1
To Bill Number: HB 334
Sponsor: Green
Date: 5/5/06 Logged by: Mindy

AMENDMENT

OFFERED IN THE SENATE BY SENATOR GREEN

TO: SCS CSHB 334(FIN)

Insert a new section to read:

AS 29.45.030(b) is amended to read:

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of **an educator in a private religious or parochial school or** a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization; **for purposes of this paragraph, "minister" means an individual who is**

(A) ordained, commissioned, or licensed as a minister according to standards of the religious organization for its ministers; and

(B) employed by the religious organization to carry out a ministry of that religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

Proof

24-LS1353\I

SENATE CS FOR CS FOR HOUSE BILL NO. 334(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES RAMRAS, Foster, Croft

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a mandatory exemption for certain residences owned by a religious** Amendmnt #1
2 **organization, to an exemption from and deferral of municipal property taxes for certain**
3 **types of deteriorated property, and to an optional deferral of municipal property taxes**
4 **on certain primary residences owned and occupied by individuals with incomes at or**
5 **below federal poverty guidelines for the state."**

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 *** Section 1.** AS 29.45.030(b) is amended to read:
8 (b) In (a) of this section, "property used exclusively for religious purposes" #1
9 includes the following property owned by a religious organization:
10 (1) the residence of **an educator in a private religious or parochial**
11 **school or** a bishop, pastor, priest, rabbi, minister, or religious order of a recognized
12 religious organization; **for purposes of this paragraph, "minister" means an**
13 **individual who is**

New Text Underlined [DELETED TEXT BRACKETED]

#1

(A) ordained, commissioned, or licensed as a minister according to standards of the religious organization for its ministers; and

(B) employed by the religious organization to carry out a ministry of that religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

* **Sec. 2.** AS 29.45.050(o) is amended to read:

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. However, if the **entire** ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral ends. **Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted** [, OR, IF OWNERSHIP OF ANY PART OF THE PROPERTY IS TRANSFERRED, ALL TAX PAYMENTS ARE IMMEDIATELY DUE]. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. **An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality.** In this

subsection. "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

* **Sec. 3.** AS 29.45 is amended by adding a new section to read:

Sec. 29.45.052. Tax deferral for primary residences. (a) A municipality may by ordinance provide for the deferral of all taxes on property that is owned, in whole or in part, by an individual

(1) who occupies and has occupied the property for at least 10 consecutive years as the individual's primary residence; and

(2) whose income is at or below federal poverty guidelines for the state set by the United States Department of Health and Human Services.

(b) An individual must apply for each year that a deferral is sought and supply proof of eligibility for the deferral for that year in accordance with requirements set out in the ordinance that authorizes the deferral. Taxes for a year that are deferred do not become payable until ownership of the property is transferred from the individual who obtained the deferral. A municipality that provides for a deferral of property taxes under this subsection may not impose interest on the taxes deferred between the time the deferral is granted and the time the taxes become payable.

* **Sec. 4.** Section 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, and by sec. 4, ch. 140, SLA 2004, is repealed.

Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 5 May 2006 TIME: 6:40pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
SCS CS HB 334 (FIN) 24-LS1353\Y
Cook 5/5/06
plus 1 amendment - attached

Thanks
Mindy

Adopted

24-LS1353\Y
Cook
5/5/06

SENATE CS FOR CS FOR HOUSE BILL NO. 334(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES RAMRAS, Foster, Croft

A BILL

FOR AN ACT ENTITLED

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property and to an optional deferral of municipal property taxes on certain primary residences owned and occupied by individuals with incomes at or below federal poverty guidelines for the state."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 29.45.050(o) is amended to read:

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. However, if the **entire** ownership of property for which a deferral has been

New Text Underlined [DELETED TEXT BRACKETED]

granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral ends. **Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted** [, OR, IF OWNERSHIP OF ANY PART OF THE PROPERTY IS TRANSFERRED, ALL TAX PAYMENTS ARE IMMEDIATELY DUE]. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. **An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality.** In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

* **Sec. 2.** AS 29.45 is amended by adding a new section to read:

Sec. 29.45.052. Tax deferral for primary residences. (a) A municipality may by ordinance provide for the deferral of all taxes on property that is owned, in whole or in part, by an individual

(1) who occupies and has occupied the property for at least 10 consecutive years as the individual's primary residence; and

1 (2) whose income is at or below federal poverty guidelines for the state
2 set by the United States Department of Health and Human Services.
3 (b) An individual must apply for each year that a deferral is sought and supply
4 proof of eligibility for the deferral for that year in accordance with requirements set
5 out in the ordinance that authorizes the deferral. Taxes for a year that are deferred do
6 not become payable until ownership of the property is transferred from the individual
7 who obtained the deferral. A municipality that provides for a deferral of property
8 taxes under this subsection may not impose interest on the taxes deferred between the
9 time the deferral is granted and the time the taxes become payable.
10 * **Sec. 3.** Section 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, and by sec.
11 4, ch. 140, SLA 2004, is repealed.

Representative Jay Ramras
Co-Chair, House Resources
V-Chair, Economic Develop.
Tourism & Trade
House State Affairs
119 N. Cushman St. Suite 207
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature

While in Session
State Capitol, Room 104
Juneau, Alaska 99801-1182
(907) 465- 3004
Fax: 465-2070
Toll Free: (877) 465-3004

House District 10

House of Representatives

Sponsor Statement
CSHB 334(Fin)

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

In several communities around the state we have seen private properties go from prosperous offices and residential building in the boom cycle to empty eyesores in our busts. Today, our economy is returning, on a more stable footing than ever before, and new developers are looking as the shells of a building as an opportunity to refurbish without complete reconstruction, revitalizing neighborhoods and cities.

How CSHB 334 will help with this plan is by revising existing tax deferral language, making it clearer. It also places a deadline on the exemption that coincides with existing tax deferral sunsets.

The primary difference in the language allows for the development of condominium or office type buildings to be established in what are currently referred to as deteriorated structures. At the discretion of the local government the tax deferral is spelled out. The deferral ends either when the developer transfers ownership of all of the property or on a previously agreed upon date. This clearer language allows a developer more stability and an ability to secure the necessary loans for the reconstruction.

Representative_Jay_Ramras@legis.state.ak.us

Representative Jay Ramras
Co-Chair, House Resources
V-Chair, Economic Develop.
Tourism & Trade
House State Affairs
119 N. Cushman St. Suite 207
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature

While in Session
State Capitol, Room 104
Juneau, Alaska 99801-1182
(907) 465- 3004
Fax: 465-2070
Toll Free: (877) 465-3004

House District 10

House of Representatives

Changes HB 334 will make

Page 1, Line 12

Inserts the word "entire." If the owner holding the exemption and/or the deferral transfers ownership of the property the delay payment ends and taxes become due.

Page 1, Line 14- Page 2, Line 1

Establishes that the municipality and the developer set a timeline for the exemption and/or the deferral to end.

Page 2, Line 9

Adds language that the exemption and/or deferral timeline must be spelled out in the application with an explanation of those timelines.

Representative_Jay_Ramras@legis.state.ak.us

Sec. 29.45.050. Optional exemptions and exclusions.

Statute text

(a) A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. An exclusion or exemption authorized by this subsection may be applied with respect to taxes levied in a service area to fund the special services. An exclusion or exemption authorized by this subsection may not exceed the assessed value of $20,000 for any one residence.

(b) A municipality may by ordinance

(1) classify and exempt from taxation

(A) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter;

(B) historic sites, buildings, and monuments;

(C) land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS 38.05.069(c);

(D) all or any portion of private ownership interests in property that, based upon a written agreement with the University of Alaska, is used exclusively for student housing for the University of Alaska; property may be exempted from taxation under this subparagraph for no longer than 30 years unless the exemption is specifically extended by ordinance adopted within the six months before the expiration of that period;

(2) classify as to type and exempt or partially exempt some or all types of personal property from ad valorem taxes.

(c) The provisions of (a) of this section notwithstanding,

(1) a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city in the borough, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;

(2) a home rule or first class city has the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes if

(A) the exemptions or exclusions have been adopted as to city taxes; and

(B) the city appropriates to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly;

(3) a city in a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.

(d) Exemptions or exclusions from property tax that have been granted by a home rule municipality in addition to exemptions authorized or required by law, and that are in effect on September 10, 1972, and not later withdrawn, are not affected by this chapter.

(e) A municipality may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. The easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property, so that the property owner is compensated at a rate that does not reflect the easement grant. The

municipality may provide by ordinance that, if the area subject to the easement is sold, leased. or otherwise disposed of for uses incompatible with the easement or if the easement is conveyed to the owner of the property, the owner must pay to the municipality all or a portion of the amount of the tax exempted, with interest.

(f) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of the natural features of the land, or new maintenance, repair, or renovation of an existing structure, and if the alteration, maintenance, repair, or renovation, when completed, enhances the exterior appearance or aesthetic quality of the land or structure. An exemption may not be allowed under this subsection for the construction of an improvement to a structure if the principal purpose of the improvement is to increase the amount of space for occupancy or nonresidential use in the structure or for the alteration of land as a consequence of construction activity. An exemption provided in this subsection may continue for up to four years from the date the improvement is completed, or from the date of approval for the exemption by the local assessor, whichever is later.

(g) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to a single-family dwelling if the principal purpose of the improvement is to increase the amount of space for occupancy. An exemption provided in this subsection may continue for up to two years from the date the improvement is completed, or from the date of approval of an application for the exemption by the local assessor, whichever is later.

(h) A municipality may by ordinance partially or wholly exempt land from a tax for fire protection service and fire protection facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

(i) A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds $150,000 of real property owned and occupied as a permanent place of abode by a resident who is

(1) 65 years of age or older;

(2) a disabled veteran, including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

(j) A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 75 percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration. In this subsection "taxing unit" means a municipality and includes

(1) a service area in a unified municipality or borough;

(2) the entire area outside cities in a borough; and

(3) a differential tax zone in a city.

(k) A municipality may by ordinance approved by the voters exempt from taxation pollution control facilities that meet requirements of the United States Environmental Protection Agency or the Department of Environmental Conservation. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

(l) A municipality may by ordinance exempt from taxation an interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or

managed as low-income housing by the Alaska Housing Finance Corporation under AS 18.55.100 - 18.55.960 or by a regional housing authority formed under AS 18.55.996. However, the corporation may make payments to the municipality or political subdivision for improvements, services, and facilities furnished by it for the benefit of a housing project, and this subsection does not prohibit a municipality from receiving those payments or any payments in lieu of taxes authorized under federal law.

(m) A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for up to five years. The municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under a renewal, a municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for up to five years. The municipality may provide for renewal of the deferral under conditions established in the ordinance. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act), that

(1) has not previously been taxed as real or personal property by the municipality;

(2) is used in a trade or business in a way that

(A) creates employment in the municipality;

(B) generates sales outside of the municipality of goods or services produced in the municipality; or

(C) materially reduces the importation of goods or services from outside the municipality; and

(3) has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed; this paragraph does not apply if the property was used in the same trade or business in an area that has been annexed to the municipality within six months before the application for deferral or exemption is filed; this paragraph does not apply to inventories.

(n) A municipality may by ordinance classify as to type inventories intended for export outside the state and partially or totally exempt all or some types of those inventories from taxation. The ordinance may provide for different levels of exemption for different classifications of inventories. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application, which shall be a public document, for each exemption.

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal or replacement of any structure on the property begins. However, if the ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral

ends, or, if ownership of any part of the property is transferred, all tax payments are immediately due. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:
(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;
(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or
(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.
(p) A municipality may by ordinance partially or totally exempt from taxation a private leasehold, contract, or other interest held by or through an applicant or proposed applicant in any property, assets, project, or development project owned by the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in this subsection prohibits a municipality from entering into an agreement and receiving payments in lieu of taxes authorized under AS 44.88.140(b).
(q) A municipality may by ordinance partially or totally exempt from taxation land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located. A municipality may provide that an exemption for land under this subsection applies only to increases in assessed value that result from the timber harvest. A municipality may by ordinance partially or totally exempt from taxation improvements to real property, including personal property affixed to the improvements, if the improvements are
(1) located on land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located; and
(2) used for or necessary to the harvest of the timber that is infested by insects or in danger of insect infestation.
(r) A municipality may by ordinance exempt from taxation an amount not to exceed $10,000 of the assessed value of real property owned and occupied as a permanent place of abode by a resident who provides in the municipality volunteer (1) fire fighting services and is certified as a fire fighter by the Department of Public Safety, or (2) emergency medical services and is certified under AS 18.08.082. If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.
History
(§ 12 ch 74 SLA 1985; am § 1 ch 103 SLA 1985; am § 5 ch 70 SLA 1986; am § 1 ch 151 SLA 1988; am § 2 ch 73 SLA 1989; am § 1 ch 98 SLA 1989; am § 15 ch 93 SLA 1991; am § 107 ch 4 FSSLA 1992; am § 1 ch 66 SLA 1993; am § 1 ch 7 SLA 1994; am § 1 ch 65 SLA 1994; am § 1 ch 40 SLA 1995; am § 1 ch 70 SLA 1998; am §§ 1, 2 ch 8 SLA 1999; am § 4 ch 117 SLA 2000;

am § 1 ch 54 SLA 2002; am § 1 ch 64 SLA 2002; am §§ 2, 3 ch 140 SLA 2004; am § 40 ch 56 SLA 2005)

Annotations

Delayed repeal of subsection (o). Under sec. 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, and sec. 4, ch. 140, SLA 2004, subsection (o) is repealed July 1, 2010.

Revisor's notes. Subsection (h) of this section was enacted as AS 29.53.025(h). Renumbered in 1985. Chapter 103, SLA 1985 also enacted, in § 2, AS 29.63.066, which provides an exemption identical to that set out in (h) of this section from taxes levied under former AS 29.63, repealed by § 88, ch. 74, SLA 1985. The provisions of former AS 29.63 were substantially incorporated in AS 29.45, and the addition of subsection (h) to AS 29.45.050 makes it unnecessary to codify § 2, ch. 103, SLA 1985 to achieve the legislature's purpose.

Subsection (q) was enacted as (q); relettered in 2002.

Cross references. For authority to make an ordinance adopted under subsection (q) retroactive to January 1, 2001, see § 2, ch. 64, SLA 2002.

Effect of amendments. The 1992 amendment, effective July 1, 1992, rewrote subsection (l).

The 1993 amendment, effective September 22, 1993, in subsection (n), deleted the former second and third sentences.

The first 1994 amendment, effective July 5, 1994, added paragraphs (b)(6)-(b)(9) and made a related stylistic change.

The second 1994 amendment, effective August 23, 1994, added former subparagraph (b)(2)(D).

The 1995 amendment, effective August 23, 1995, rewrote subsection (b).

The 1998 amendment, effective July 1, 1998, added subsection (o).

The 1999 amendment, effective July 1, 1999, in subsection (o), inserted "or totally" in the first sentence, inserted "beginning on or any time" in the first and second sentences, substituted "any" for "only", deleted "attributable to that part" following "tax payments" near the end of the third sentence, substituted "The amount deferred each year is a lien on that property for that year" for "and the deferral attributable to that part ends", added "and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time" at the end of the fifth sentence, and added the next-to-last sentence.

The 2000 amendment, effective July 1, 2000, added subsection (p).

The first 2002 amendment, effective January 1, 2003, added subsection (r).

The second 2002 amendment, effective June 20, 2002, added subsection (q).

The 2004 amendment, effective September 28, 2004, in subsection (a), inserted the second sentence, and substituted "subsection" for "section" and "$20,000" for "$10,000" in the last sentence; and, in subsection (o), substituted "10 years" for "five years" in the first sentence, inserted "demolition, removal" three times, added "meets one of the following requirements:" at the end of the introductory language, and inserted "within the last five years" and "environmental remediation of the property or requiring" in paragraph (1).

The 2005 amendment, effective June 25, 2005, updated a federal reference near the end of the introductory language in subsection (m).

Editor's notes. Section 3, ch. 64, SLA 2002, provides that subsection (q) is retroactive to January 1, 2001.

Legislative history reports. For legislative letter of intent in connection with the enactment of (m) and (n) of this section by ch. 98, SLA 1989 (SCS CSHB 272(Fin) am S), see 1989 Senate Journal 1866.

NOTES TO DECISIONS

City may not exempt property without express authority. - The authority of a municipal corporation to allow exemptions of particular property from taxation, unless expressly conferred by law, has very generally been denied. Valentine v. City of Juneau, 36 F.2d 904 (9th Cir. 1929), decided under former, similar law.

Ordinance definition of "residential property" reasonable. - Definition of "residential property," imposed by an ordinance, that residential property meant the owner's primary residence, was a narrow but reasonable interpretation of subsection (a) of this section. Stanek v. Kenai Peninsula Borough, 81 P.3d 268 (Alaska 2003).

Cited in City of Valdez v. State, Dep't of Community & Regional Affairs, 793 P.2d 532 (Alaska 1990).

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January 19, 2006

Jay Ramras
House Representative
State Capital, Room 104
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

As a business owner in the downtown area, and a longtime resident of Fairbanks. I am in support of House Bill 334, "An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property". If this bill will help to improve the core downtown area the benefits to the community will be substantial. Having the Polaris building apartments will help keep downtown vital.

Your support of this bill will be a benefit to the downtown residents and businesses.

Sincerely,

Mark Thomas
748 Gaffney Rd. Suite 206
Fairbanks, AK 99701
Compensation Risk Consultants
JC

MARC A.MARLOW
229 Whitney Road
Anchorage, AK 99501
1-907-229-8176

January 13, 2006

Rep. Jay Ramras
State Capitol
Room 104
Juneau, AK 99801

RE: HB 334

Dear Representative Ramras,

Last year I began investigating the possibility of renovating the Polaris Building in Fairbanks using the same process that I am using to renovate the McKinley Tower (MacKay Building) in Anchorage. The plan is to make the Polaris Building apartments again.

I asked the Fairbanks Northstar Borough to pass legislation that would provide a ten year property tax exemption followed by a five year property tax deferral using the authority the borough has per AS 29.45. An ordinance was passed that accomplished such a property tax package except the ordinance requires that the deferred tax would need to be paid within 180 days from the end of the deferral period. The borough attorney felt that AS 29.45.O was not clear when any deferred tax needed to be paid.

When AS 29.45 was amended in 1998 by adding subsection O the intent was for the deferred tax to be paid the next time the property sells or is transferred. Requiring the deferred tax to be paid any sooner is very problematic because the renovated property would very likely still have a mortgage encumbering the property and there would be no way to get to the equity developed to that point to pay the tax.

The logical time to pay the deferred tax is when the property sells the next time, which is when the equity would be harvested.

I have included excerpts from testimony offered by myself and Steve Van Sant. Mr. Van Sant was the state assessor at the time. This testimony establishes the intent. HB 334 would make the intent clear and allow me to continue my effort to renovate the blighted property known as the Polaris Building.

Sincerely,

Marc A. Marlow

Pamela Throop
748 Gaffney Road Suite 203
Fairbanks, Alaska 99701
907•456•6008
Fax: 456•6474
E-mail: pam@realtyalaska.com

January 13, 2006

Jay Ramras
House Representative
State Capital, Room 104
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been a blight in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the \the entire downtown area. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

Shawn C. Evans

Shawn Evans
Alaska Commercial Properties, Inc.
748 Gaffney Road, Ste 203
Fairbanks, Alaska 99701

January 18, 2006

Jay Ramras
House Representative
State Capital, Room 104
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a Realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been an eye sore in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the entire downtown area with jobs and a more pleasant appearing building. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

Andrea Barker
Fairbanks, Alaska

January 18, 2006

Jay Ramras
House Representative
State Capital, Room 104
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a Realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been an eye sore in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the entire downtown area with jobs and a more pleasant appearing building. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

Lila Nash
Fairbanks Alaska

January 18, 2006

Jay Ramras
House Representative
State Capital, Room 104
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a Realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been an eye sore in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the entire downtown area with jobs and a more pleasant appearing building. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

Mariann De Heus
North Pole, Alaska

House Minute

Feb 25, 1999

HB 76 - MUNICIPAL TAXES ON DETERIORATED PROPERTY

CO-CHAIRMAN HARRIS announced the first order of business before the committee would be HOUSE BILL NO. 76, "An Act relating to an exemption from and deferral of payment on municipal taxes on deteriorated property; and providing for an effective date."

CO-CHAIRMAN HALCRO, Sponsor of HB 76, stated that HB 76 makes technical changes to HB 399 which was passed last year. HB 399 authorized municipal governments to exempt or defer municipal property taxes on deteriorated property in the hope that developers would redevelop deteriorated properties into productive properties ultimately placed on the tax rolls. Co-Chairman Halcro explained that HB 76 clarifies the following areas: whether a municipality may either partially or totally exempt a property from property taxes; provide an exemption that may begin any time on or before substantial rehabilitation begins; and prohibit an exemption and deferral of property taxes from being in effect simultaneously.

CO-CHAIRMAN HALCRO noted that Representative Dyson had signed on as a co-sponsor of HB 76. The legislation has also been introduced in the Senate. The packet includes letters of support from the Anchorage Assembly, the Downtown Partnership, and the United Brotherhood of Carpenters and Joiners of America Local Union 1281. The intent of HB 399 was to allow municipalities to renovate or encourage development of dilapidated properties. One much discussed such property is the McKay Building. The packet includes photos of the proposed renovation of the McKay Building(ph).

Number 0337

REPRESENTATIVE JOULE noted that when HB 399 left Senate Rules last year, the language "totally" was deleted. He asked if Co-Chairman Halcro knew why "totally" was deleted.

CO-CHAIRMAN HALCRO pointed out that the committee packet contains testimony from Attorney Margaret Rawitz, who helped draft HB 76. There is confusion as to why "totally" was deleted. If a developer is allowed to have a total exemption or deferral of property taxes, then the developer does not pay taxes on the dilapidated property while doing rehabilitation.

CO-CHAIRMAN HARRIS asked if the exemption would exempt the building or would it include the property as well.

CO-CHAIRMAN HALCRO said that the exemption would apply to the land as well as the building.

Number 490

REPRESENTATIVE MURKOWSKI referred to the inserted language "beginning on or any time" which she understood from Ms. Rawitz's letter that the language was inserted in order to provide the municipality flexibility. Does this language provide the municipality the option to grant a referral three years after the beginning of renovation?

CO-CHAIRMAN HALCRO explained that most municipalities are required begin tax referrals/exemptions on the first day of the year. If the rehabilitation does not begin until June, six months is lost. This language provides the municipality with the flexibility to begin the tax deferral any time during the calendar year.

REPRESENTATIVE MURKOWSKI believed that the language left it very open. The language does not limit the referral/exemption to any time in that given tax year.

CO-CHAIRMAN HALCRO referred to Ms. Rawitz's testimony which says, "The new language would allow a municipality to delay the exemption and/or deferral until the renovation work has been substantially completed." He noted that there is a tremendous amount of local control in this area. The technical changes in HB 76 would allow the municipality the flexibility, but approval at the city council or assembly level would be necessary.

REPRESENTATIVE MURKOWSKI expressed the need to make Ms. Rawitz's comments clear in the language of the legislation. Representative Murkowski understood that this is an option given to the municipalities, but she expressed concern that this language is an open-ended provision.

CO-CHAIRMAN HALCRO referred to page 1, lines 8 through 10 which reads: "A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, or replacement of any structure on the property begins." Co-Chairman Halcro said although the state statute may be open-ended, the municipalities are the local control in this case.

Number 0876

MARC MARLOW, Marlow Development Corporation, informed the committee that last year HB 399 received 11-0 resolutional support from the Anchorage Assembly, passed the House of Representatives 40-0, passed the Senate 19-0, and subsequently the Governor signed it into law. The Anchorage Assembly passed an ordinance amending Municipal Code to reflect HB 399. Mr. Marlow explained that the municipal attorney requested clarification of some points which resulted in HB 76. Mr. Marlow noted that he originally requested that HB 76 be considered due to his opinion that Alaska has buildings that are deteriorating and aging. This law, which many

states have in order to facilitate redevelopment of areas that would not otherwise be redeveloped, is patterned after a Pennsylvania law. The McKay Building is an example of the benefit of passing HB 76. Mr. Marlow acknowledged that it could be some time before this law would be utilized again since there are not a tremendous amount of older buildings, but dealing with just the McKay Building would be worth the effort.

With regards to the McKay Building, the design is finished, the plans have been turned into building safety, the building permit number has been assigned to the project, and the plan review should require eight to ten weeks in the process. Mr. Marlow expressed appreciation in making these amendments to afford the municipal attorney more comfort with the language.

Number 1109

MR. MARLOW explained that the McKay Building could not move forward as a straight business deal without this law. Even with the property tax exemption and deferral, the McKay Building project is having difficulties. This will help the municipality have more funds in the treasury for property taxes long-term. Currently, the McKay Building does not provide any revenue and would cost approximately $3 million of tax payer money to tear down the building. Under this scenario, the McKay Building would create many jobs and in 10 years the municipality would receive approximately $200,000 per year in property taxes. The area surrounding the building would increase in value; this would be the beginning of a renewal on the east end of downtown Anchorage.

REPRESENTATIVE MURKOWSKI mentioned her specific interest in the McKay Building since it is a blight in her personal skyline. She asked if the July 1, 1999 effective date of HB 76 would affect the development process.

Number 1221

MR. MARLOW replied no. He explained that the property tax exemption and deferral that any municipality may pass does not go into effect until there is performance. This prevents municipalities from extending property tax exemptions and deferrals on property that is never renovated. Mr. Marlow said that the performance on the McKay Building would not be completed until well into 2000.

MR. MARLOW said that it does not matter when the exemption and deferral begin. The language was inserted to allow the exemption and deferral to begin the next tax year after completion of the project, after the performance was accomplished. Mr. Marlow pointed out that if the exemption and/or deferral began three years after the completion of the project, the property would be paying property taxes in between.

MR. MARLOW, in further response to Representative Murkowski, reiterated that the redevelopment design for the McKay Building is complete and has been turned into Building Safety in Anchorage and that process would take approximately eight weeks. The financing vehicle is in the third phase of a four phase period of consideration which would not be completed any earlier than 60 days from now. Mr. Marlow hoped the renovation would be

started in July or early August and would require approximately 11 months to complete. By the summer of 2000, people should be able to move into a safe and renovated McKay Building.

MR. MARLOW informed the committee that last year a market study by a Seattle research firm concluded that the McKay Building's 123 unit apartments would be filled within four months of its completion. The target market for these apartments is anyone, but Mr. Marlow believed that it would be appealing to the young, 20 something person, who works downtown. The marketing will take place in the newspaper and the Internet. In response to Co-Chairman Harris, Mr. Marlow felt the McKay Building would be renamed.

Number 1475

STEVE VAN SANT, State Assessor, Department of Community & Regional Affairs, testified via teleconference from Anchorage. He noted that he did not have a chance to testify on HB 399 last year and had not talked with Representative Halcro about HB 76, but had discussed SB 54 with Senator Kelly. Mr. Van Sant directed the committee to the language on page 1, lines 9-10 which Co-Chairman Halcro said was intended to allow the exemption to begin any time during the year. To date, all exemptions in Alaska begin the first day of the tax year, January 1, and the supreme court has ruled on that matter. Therefore, Mr. Van Sant expressed concern with allowing partial year exemptions. With regard to the McKay Building, Mr. Van Sant would recommend to Anchorage that the exemption begin January 1 which seemed to be what Mr. Marlow indicated.

MR. VAN SANT referred to page 1, lines 13-14 which does not indicate that the municipality may collect interest on deferred taxes. Currently, only one statute allows deferment of taxes which is the agricultural exemption and deferment. The agricultural exemption and deferment allows the municipality to collect deferred taxes with interest at eight percent. Mr. Van Sant suggested language specifying that the municipality would not lose interest on deferred taxes should be added. He believed it would be almost administratively impossible to as lines 13-14 say, "if ownership of only part of the property is transferred, all tax payments attributable to that part are immediately due ...." If ownership is transferred, Mr. Van Sant wanted all deferred tax payments to be due and payable at that time, including the eight percent interest. Mr. Van Sant noted that as a state assessor he is typically opposed to exemptions and deferments. However, in the case of the McKay Building, Mr. Van Sant applauded Mr. Marlow's plans and reluctantly backed down from his usual stance understanding this would be for the good of the community and would like for the project to move forward.

Number 1689

CO-CHAIRMAN HARRIS asked if Mr. Van Sant suggested on page 1, line 13 after "immediately due" insert "interest".

MR. VAN SANT clarified that on page 1, line 13 delete "only" and insert "any" and on line 14 after "payments" insert "including interest at eight percent" and delete "to that part". On page 2, line 1 delete "attributable to that part". In further response to Co-Chairman Harris, Mr. Van Sant explained that eight percent interest is desirable because that is consistent with the statutes

for agricultural deferments.

Number 1800

MR. MARLOW agreed with Mr. Van Sant that once the property is transferred, the deferred portion of the taxes should be paid. However, the interest on this type of exemption or deferral was specifically avoided. Mr. Marlow explained, "When a person applies for and receives a farm deferral, what they are saying is: I have a piece of property that in the open market place might be worth many, many more dollars than than what I'm using it for. And so, I want that, you know, it might be assessed at a value that's much higher than its use as a farm. And so, a person applies for the farm deferral and the taxes back seven years are counted at the lower rate, but the interest that -- the interest accrues so that when that farmer decides I'm going to sell my property now on the open market place and collect all this money that I wasn't paying taxes for here; kind of recompensates the municipality for the taxes that they weren't paying on a higher value back seven years." In this case, Mr. Marlow explained this addresses property that without this incentive would have no hope of being renovated. Such a property would then be placed back in the market place and made taxable at its highest value. Mr. Marlow emphasized that applying interest to a deferred portion would be a disincentive to those goals.

REPRESENTATIVE MURKOWSKI asked if the issue regarding interest had surfaced during prior discussions.

MR. MARLOW could not testify if the issue of interest publicly surfaced in the past. Certainly, the issue of interest was considered during the creation of the legislation. Interest was specifically avoided with respect to the deferred portion.

Number 1992

CO-CHAIRMAN HARRIS restated Mr. Van Sant's point that state statute only allows tax deferrals to begin January 1 which would seem to be at odds with the language on page 1, line 9. Co-Chairman Harris asked if Mr. Marlow would have a problem with including language indicating the deferral would begin at the beginning of the tax year.

MR. MARLOW believed that the language in HB 76 was used in order to allow the municipality to begin the deferral and/or exemption the following tax year after performance to be compliant with state law. Mr. Marlow did not recall any discussion or intent to allow the exemption in July or August. Mr. Marlow said that whatever would be necessary to ensure clarity on that issue would be fine.

CO-CHAIRMAN HALCRO noted that Ms. Rawitz drafted an ordinance for the Municipality of Anchorage which created a tax exemption and deferral program. Co-Chairman Halcro read the following from Ms. Rawitz's testimony: "Since most municipalities would prefer to (or are required to) begin a period of exemption or deferral on the first day of the tax year, it is appropriate to permit an exemption to begin at any time on or after the beginning of renovation, since renovation is not likely to begin on the first day of the tax year."

CO-CHAIRMAN HARRIS inquired as to the legality of the language.

MR. MARLOW said that he believed that was the intent.

MR. VAN SANT stated that he was comfortable with the language, as long as the record reflects that the intent of the committee was not to change the manner in which exemptions are attached as of January 1. From working with the municipality and its attorney on this ordinance, the day Mr. Marlow broke ground would be the day the exemption would begin. Mr. Van Sant further understood the intent was to have a delay of a year until more substantial completion was accomplished which is what Mr. Van Sant understood the reasoning to be for this language.

Number 2182

MR. MARLOW agreed. The exemption should not be initiated until the performance or substantial completion has been accomplished and the next tax year begins. Mr. Marlow agreed with Mr. Van Sant's assessment of the intent of the language regarding the beginning of the exemption or deferral.

CO-CHAIRMAN HALCRO said that HB 76 is a win-win situation for all communities. Co-Chairman Halcro used the McKay Building project as an example of how this legislation would be beneficial. This legislation would allow a developer to invest money in the McKay Building which once on the property tax rolls would reduce everyone's property taxes in Anchorage, employ people, and create a foundation in the neighborhood. Co-Chairman Halcro said he would appreciate support on HB 76.

Number 2310

REPRESENTATIVE DYSON moved to report HB 76 out of committee with individual recommendations and the accompanying fiscal notes.
There being no objection, it was so ordered.

BILL ID: HB 76

00 **CS FOR HOUSE BILL NO. 76(CRA)**

01 "An Act relating to an exemption from and deferral of payment on municipal

02 taxes on deteriorated property; and providing for an effective date."

03 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

04 *** Section 1.** AS 29.45.050(o) is amended to read:

05 (o) A municipality may by ordinance partially **or totally** exempt all or some

06 types of deteriorated property from taxation for up to five years **beginning on or any**

07 time after the day substantial rehabilitation, renovation, or replacement of any structure

08 on the property begins. A municipality may by ordinance permit deferral of payment

09 of taxes on all or some types of deteriorated property for up to five years **beginning**

10 on or any time after the day substantial rehabilitation, renovation, or replacement of

11 any structure on the property begins. However, if the ownership of property for which

12 a deferral has been granted is transferred, all tax payments deferred under this

13 subsection are immediately due and the deferral ends, or, if ownership of **any** [ONLY]

14 part of the property is transferred, all tax payments [ATTRIBUTABLE TO THAT

01 PART] are immediately due [AND THE DEFERRAL ATTRIBUTABLE TO THAT

02 PART ENDS]. Only one exemption and only one deferral may be granted to the same

03 property under this subsection **, and, if an exemption and a deferral are granted to**

04 the same property, both may not be in effect during the same time . In this

05 subsection, "deteriorated property" means real property that is commercial property not

06 used for residential purposes or that is multi-unit residential property with at least eight

07 residential units, and that

08 (1) has been the subject of an order by a government agency requiring

09 the property to be vacated, condemned, or demolished by reason of noncompliance

10 with laws, ordinances, or regulations;

11 (2) has a structure on it not less than 15 years of age that has

12 undergone substantial rehabilitation, renovation, or replacement, subject to any

13 conditions prescribed in the ordinance; or

14 (3) is located in a deteriorating or deteriorated area with boundaries that

15 have been determined by the municipality.

16 *** Sec. 2.** This Act takes effect July 1, 1999.

BILL ID: HB 76

00 **CS FOR HOUSE BILL NO. 76(RLS) am S**

01 "An Act relating to an exemption from and deferral of payment on municipal
02 taxes on deteriorated property; and providing for an effective date."

03 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

04 *** Section 1.** AS 29.45.050(o) is amended to read:

05 (o) A municipality may by ordinance partially **or totally** exempt all or some
06 types of deteriorated property from taxation for up to five years **beginning on or any**
07 **time** after the day substantial rehabilitation, renovation, or replacement of any structure
08 on the property begins. A municipality may by ordinance permit deferral of payment
09 of taxes on all or some types of deteriorated property for up to five years **beginning**
10 **on or any time** after the day substantial rehabilitation, renovation, or replacement of
11 any structure on the property begins. However, if the ownership of property for which
12 a deferral has been granted is transferred, all tax payments deferred under this
13 subsection are immediately due and the deferral ends, or, if ownership of **any** [ONLY]
14 part of the property is transferred, all tax payments [ATTRIBUTABLE TO THAT
01 PART] are immediately due . **The amount deferred each year is a lien on that**
02 **property for that year** [AND THE DEFERRAL ATTRIBUTABLE TO THAT PART
03 ENDS]. Only one exemption and only one deferral may be granted to the same
04 property under this subsection **, and, if an exemption and a deferral are granted to**
05 **the same property, both may not be in effect on the same portion of the property**
06 **during the same time. An ordinance adopted under this subsection must include**
07 **specific eligibility requirements and require a written application for each**
08 **exemption or deferral** . In this subsection, "deteriorated property" means real property
09 that is commercial property not used for residential purposes or that is multi-unit
10 residential property with at least eight residential units, and that

11 (1) has been the subject of an order by a government agency requiring
12 the property to be vacated, condemned, or demolished by reason of noncompliance
13 with laws, ordinances, or regulations;

14 (2) has a structure on it not less than 15 years of age that has
15 undergone substantial rehabilitation, renovation, or replacement, subject to any
16 conditions prescribed in the ordinance; or

17 (3) is located in a deteriorating or deteriorated area with boundaries that
18 have been determined by the municipality.

19 *** Sec. 2.** AS 29.45.050(o) is repealed July 1, 2002.

20 *** Sec. 3.** This Act takes effect July 1, 1999.

SENATE COMMITTEE REPORT

DATE: 4/7/06

FURTHER: Finance

DATE TURNED IN TO OFFICE: 4/26/06

Community and Regional Affairs Committee considered CS FOR HOUSE BILL NO. 334(FIN)

HB 334 MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

and recommends:

[ ] be replaced with _____ CS _____ (_____)

[ ] adopt previous _____ CS _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Gov/All depts	2/17			✓	2
DCCED	1/30			✓	1

[ ] **APPROPRIATION - no fiscal note**

	SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Wagoner	[signature]	✓			
G.Stevens	[signature]			✗	
Kookesh	[signature]	✓			
Stedman	CHAIR: [signature]			✓	