

HB

264

<TARGET><BILL>HB 264</BILL><SUBJECT>HB
264</SUBJECT><COMM>HFIN27</COMM></TARGET>

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 17, 2012

FURTHER REFERRALS:

Date of Committee Action: 2/22/12

The FINANCE Committee considered:

HB 264

HOUSE BILL NO. 264

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

HB 264-MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

Recommends it be replaced with [] HCS or [] CS for HB 264 (GRA)
 For Senate Bills with new title: [] Technical Title [] New Title: HCR _____ [] Same Title [] New Title

- [] attach amendments
- [] add new referral to _____ Committee
- [] Letter of Intent _____ Committee

- List of Abbrev for Depts.:
- ADM
 - CED
 - COR
 - CRT
 - EED
 - DEC
 - DFG
 - GOV
 - DHS
 - LWF
 - LAW
 - LEG
 - MVA
 - DNR
 - DPS
 - REV
 - DOT
 - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	CED			✓

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	NEUMAN	✓			
Anna L. Fairclough	FAIRCLOUGH			X	
	T. Wilson			X	
Bye Edgman	Edgman	✓			
Nick Doogan	DOOGAN			✓	
Chair:	Stalder	✓			
Chair:	Thomas	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 264 (CRA)
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB264-DCCED-DCRA-02-17-12 Dept. Affected DCCED
 Title MUNI PROPERTY TAX EXEMPTION: SUBDIVISIONS Appropriation Community and Regional Affairs
 Allocation Community and Regional Affairs
 Sponsor Representative Munoz
 Requester House Finance OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time	0		0	0	0	0	0
Part-time	0		0	0	0	0	0
Temporary	0		0	0	0	0	0

CHANGE IN REVENUES							
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The CS made changes to allow increase to the types of improvements that are eligible for the exemption.

Prepared by Scott Ruby, Director
 Division Community and Regional Affairs
 Approved by JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development

Phone 269-4569
 Date/Time 2/17/2012 9:00am
 Date 2/20/2012

FISCAL NOTE

**STATE OF ALASKA
2012 LEGISLATIVE SESSION**

BILL NO. CSHB 264 (CRA)

Analysis

HB 264 authorizes municipalities to adopt by ordinance a program to defer tax payments on certain newly subdivided properties. The CS made changes to allow increase to the types of improvements that are eligible for the exemption.

This legislation allows for deferral, not exemption from property taxes. It seeks to ease the short term cost of subdivision and development of properties, which could provide an incentive for local development and result in a net increase in property values. The property tax that is deferred is the portion attributable to the increase in assessed value. The deferral is up to 5 years.

There would be no fiscal impact to the Department if this legislation was enacted.

(updated)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 264(CRA)
Fiscal Note Number 1
(H) Publish Date 2/17/12

Identifier (file name) HB264-DCCED-DCRA-02-10-12 Dept. Affected DCCED
Title MUNI PROPERTY TAX EXEMPTION: SUBDIVISIONS Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
Sponsor Representative Munoz
Requester House Community & Regional Affairs OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by Scott Ruby
Division Community and Regional Affairs
Approved by JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development

Phone 269-4569
Date/Time 2/10/2012 9:45am
Date 2/10/2012

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 264(CRA)

Analysis

HB 264 authorizes municipalities to adopt by ordinance a program to defer tax payments on certain newly subdivided properties.

This legislation allows for a deferral – up to five years, not an exemption from property taxes. It seeks to ease the short term cost of subdivision and development of properties, which could provide an incentive for local development and result in a net increase in property values. The property tax that is deferred is the portion attributable to the increase in assessed value.

There would be no fiscal impact to the Department if this legislation was enacted.



REPRESENTATIVE CATHY MUÑOZ

SPONSOR STATEMENT
CSHB 264 (COMMUNITY AND REGIONAL AFFAIRS)
VERSION I

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

Passage of Committee Substitute for House Bill 264 (Community and Regional Affairs) will give municipalities the option to provide an incentive to develop land for housing by deferring for up to five years a property tax increase directly attributable to subdividing a piece of property into three or more parcels.

A tax deferral would apply to surveying and platting as well as making improvements necessitated by subdividing – for things such as putting in access roads, drainage ditches, and utility corridors.

The measure would give municipalities the flexibility to defer increases in property taxes on subdivided parcels until a lot is sold or until a residential or commercial building is constructed on a plot of land. It would allow a local government to adopt the optional deferral for all or a portion of a subdivided property and let it decide the terms of paying the tax deferral and when those payments are due.

Supporters of this measure say it would remove a disincentive for developing privately owned property by holding taxes at the undeveloped land value until improvements occur that lead to a parcel's being developed and sold – thus becoming more valuable and capable of generating more revenues for local governments that choose to exercise this option.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether a property tax deferral will benefit them.

CSHB 264 (CRA) is supported by the Alaska State Home Building Association, the Alaska Association of Realtors, and the Juneau Affordable Housing Commission.

Helen Phillips

From: sctd@alaska.com on behalf of Joseph R. Henri <sctd@alaska.com>
Sent: Tuesday, February 21, 2012 3:27 PM
To: Helen Phillips
Cc: Rep. Cathy Munoz
Subject: Support for HB 264

To: House Finance Committee

Re: HB 264

Ladies and Gentlemen:

I was very pleased to learn of Rep. Munoz' bill allowing a deferral of municipal property taxes on the added-value of the property due to the work of subdivision until a more appropriate time in the subdivision cycle. This is a valuable concept to be added to Alaska municipal law.

Taken as a whole, the Alaska law and practice applicable to subdividing constitute a pretty formidable array menacing the success of the subdivider. Allowing a municipality the option to grant a little assistance and encouragement to the subdivider is enlightened public policy, which will enable the orderly expansion of our cities and boroughs. As a subdivider myself, I can attest that the bill will allow the developer to put his scarce capital dollars into the project itself instead of into a premature deposit of added tax money into the municipal treasury. A well executed and capitalized development/project is what ultimately gives the municipality a chance of more property tax revenue and an expansion of its buildable land. Municipalities seldom subdivide and improve land themselves; they rely upon the private sector. HB 264 will bring aid to the developer when it is most needed. A bankrupt subdivider is an unproductive subdivider. Encouragement is in order.

Thank you,

Joe Henri

*Joseph R. Henri
PO Box 210556
Anchorage, AK 99521-0556
(907) 279-1493 phone
(907) 279-4785 fax*

"Let us develop the resources of our land, call forth its powers, build up its institutions, promote all its great interests, and see whether we also, in our day and generation may not perform something worthy to be remembered."

Daniel Webster

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REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

To: Members of the House Finance Committee

From: Christopher Clark, Aide
Rep. Cathy Muñoz

Date: February 17, 2012

Re: Sectional analysis of CSHB 264 (CRA), relating to a property tax deferral

Kindly note that a sectional analysis of a bill or resolution should not be considered an authoritative interpretation of the measure itself. The legislation is the best statement of its contents.

Section 1. Amends Chapter 29.45, Municipal Taxation, by adding a new section, 29.45.051, that gives a municipality the option to allow a land owner to defer paying all or a portion of a property tax increase that is directly attributable to:

- 1) subdividing a piece of property into three or more parcels; and,
- 2) making improvements necessitated by subdividing land for things such as access roads, drainage ditches, and utility corridors.

A property tax deferral could last up to five years.

The property tax deferral would end after a subdivided parcel is sold or a residential or commercial building is constructed on it.

A municipality would be allowed to set up a way to apply a property tax deferral.

Section 2. Provides for an effective date of July 1, 2012.



REPRESENTATIVE CATHY MUÑOZ

**THE DIFFERENCES BETWEEN
HB 264 AND CSHB 264 (CRA)**

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

February 17, 2012

The House Community and Regional Affairs Committee made the following changes February 16, 2012, to House Bill 264:

- (1) On page 1, line 9, of the original bill, following "parcels," it inserted "any improvements made to the property necessitated by its subdivision."

Explanation: The original language in HB 264 may have limited a property tax deferral to only those costs that are directly attributable to subdividing a parcel such as surveying and platting. Some municipalities in Alaska, such as Juneau, require subdivision developers to make improvements for things like access roads, drainage ditches, and utility corridors. Adding the words "any improvements made to the property necessitated by its subdivision" will allow improvement costs to be part of a property tax deferral.

- (2) On page 2, line 1, and page 2, line 7, of the original bill, it replaced "the municipality grants a building permit for all or a portion of" with "on which a residential or commercial is constructed."

Explanation: This amendment is aimed at fulfilling the intent of the bill to end a property tax deferral when a property is improved and a building is constructed on it – so long as that happens within five years. The original language ended a deferral when a municipality grants a building permit for all or a portion of a subdivided parcel. There were two concerns over that:

- 1. Some municipalities don't issue building permits; and,*
- 2. No improvements may have been done at the time a permit is issued.*

This amendment ends a tax deferral when a building is constructed on the property.



ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
Telephone (907) 563-7133 Fax (907) 561-1779
www.alaskarealtors.com

February 4, 2012

The Honorable Cathy Munoz
Alaska State Legislature
State Capitol, Room 3
Juneau, Alaska 99801-1182

RE: House Bill 264

Dear Representative Munoz:

The Alaska Association of REALTORS® with over 1,600 member's statewide wishes to indicate our support for House Bill 264. HB 264 addresses the cost of subdividing land for future sales that can be a significant obstacle in encouraging the use of available land for building needed homes.

This bill will defer some development costs until the property is actually prepared for use and sale. The savings on "front-end" costs will encourage making more land available for home building. Such an increase in the inventory of land that can be used for home building will improve the housing market for all Alaskans.

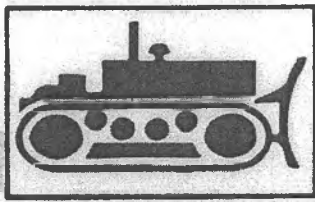
Thank you for addressing this important issue.

Sincerely,

A handwritten signature in cursive script that reads 'Joni Schneider'.

Joni Schneider, ABR, GRI
2012 President





5165 Glacier Highway
Juneau, Alaska 99801
(907) 780-4566 Fax 780-6646

D.J.G. DEVELOPMENT

January 19, 2012

Representative Cathy Munoz
State Capitol Room 403
Juneau AK, 99801

RE: House Bill 264

Dear Representative Munoz:

I support your House Bill 264 allowing for the deferral of municipal property taxes.

Considering the cost of construction and the economics of the market place HB 264 should assist construction in the Juneau promoting the increase in long term available housing for the community.

If you require any assistance, please contact me. Thank you for all the work you are doing for our community.

Sincerely,


Hugh N. Grant

D.J.G. DEVELOPMENT



Alaska State Home Building Association

Resolution in Support of HB264, Property Tax Increase Deferral

WHEREAS the cost of land development is constantly increasing due to requirements for permitting, planning, zoning; and

WHEREAS local municipal governments normally require payment up front for all the necessary costs to properly subdivide land into lots available for home building; and

WHEREAS after a parcel of land has been subdivided, the property taxes are immediately increased due to the higher assessment value of the new lots; and

WHEREAS the sale of newly subdivided lots may sometimes take years due to market conditions and other unpredictable variables; and

WHEREAS the impact and cost for local government services do not occur until a home is constructed on a new lot; and

WHEREAS the 27th Alaska Legislature is considering House Bill 264, sponsored by Representative Cathy Muñoz, to provide municipal governments the option and flexibility to defer property tax increases on new subdivided lots for up to five years;

BE IT THEREFORE RESOLVED that the Alaska State Home Building Association supports and encourages the passage of House Bill 264 by the 27th Alaska Legislature as way to help local municipal governments encourage land development; and

BE IT FURTHER RESOLVED that the Alaska State Home Building Association supports efforts by local government efforts to expand their tax base by encouraging land development.

ADOPTED by the Board of Directors of the Alaska State Home Building Association, a quorum being present, on this 20 of January, 2012.

Chad Edworthy

President

[Signature]

Witness

1-20-12

Juneau Affordable Housing Commission

Commissioners

Alan Wilson, Chair
Norton Gregory
Stephen Sorensen
Shari Partin
Honey Bee Anderson
Rosemary Hagevig
Justin Shearer
Tamara Rowcroft

January 17, 2012

Mayor Bruce Botelho & Assembly
City and Borough of Juneau
155 S. Seward Street
Juneau, AK 99801

Re: Support for House Bill 264, "An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

Dear Mayor Botelho and Assembly Members:

Juneau's Representative Cathy Munoz has offered the above legislation, which would fix tax assessments at the undeveloped land value for up to five years from the date of subdivision through development, subject to limitations which can be imposed by local governments to fit community needs. A copy of the bill just filed, is attached. The Affordable Housing Commission believes the bill will remove an important disincentive for development of privately owned land by reducing the carrying cost of property taxes on land before it can be effectively sold or become revenue producing.

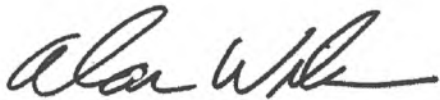
High housing costs have been part of Juneau's reputation for a long time. The ACCRA Cost of Living Index compares living costs in various U.S. cities, including several in Alaska. As of the third quarter of 2011, Alaska's Capital City is about 40 percent more expensive to live in than the "average" US city, and about 9 percent more expensive than Anchorage. Our housing costs are about 79% higher than in the average US city and this dramatically inflates Juneau's cost of living overall. In a 2010 economic climate survey, completed by the Juneau Economic Development Council, Juneau business owners ranked high housing costs third on the list of most significant barriers to operating their businesses. Housing is especially burdensome for lower income residents. Forty-five percent of renters in Juneau spend more than 30% of their income on rent (2005-2007 American Community Survey 3-Year Estimates Survey). While there are many contractors capable of building residential housing units in Juneau, over the past several years, only 2 are building more than 2 units per year.

Mayor Bruce Botelho & Assembly
January 17, 2012
Re: Support for House Bill #264
Page 2

The City and Borough of Juneau has taken steps to address affordable housing. Since 2007, the CBJ established an Affordable Housing Commission, amended the Title 49 Land Use Code to include an affordable housing overlay zone and a permitting option for the creation of Single-Room Occupancy apartments, updated the Comprehensive Plan to identify buildable lands within the Urban Service Area, and provided gravel at cost as well as buildable land to developers for affordable housing projects, amongst other initiatives.

The Juneau Affordable Housing Commission supports the concept of tax deferral to remove a disincentive for real estate development. House Bill #264 offers a new tool to help make Juneau's housing more affordable. We respectfully request the City and Borough of Juneau adopt a resolution in support of its passage and enactment. Please let me know if you have questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Wilson". The signature is fluid and cursive, with the first name "Alan" being more prominent than the last name "Wilson".

Alan Wilson
Chair, Affordable Housing Commission

cc:

Representative Beth Kerttula
Representative Cathy Munoz

Juneau Empire Editorial: City's Top 10 goals: Tricks or Treats?

Posted: November 13, 2011 - 12:06 a.m.

The City and Borough of Juneau Assembly finalized its list of top 10 goals for 2011-12 at its Halloween meeting of the Committee of the Whole.

While the list offered some treats, it was a bit scary to see aiding affordable housing efforts left off the list.

The issue is important enough the League of Women Voters made it its No. 1 question for Assembly candidates to answer in its pre-election questionnaire.

Each Assembly candidate touched on it during conversations with the Empire's editorial board. Yet, when it came time to pick priorities for the year, there was no definite commitment to this issue.

The best the Assembly could muster was to try to "(f)ind ways to reach out not only to our neighboring Southeast communities, but all Alaska communities to enhance Juneau as the Capital City and an important regional economic and transportation hub," a pledge that could be fulfilled by ensuring the name Juneau is spelled correctly on state maps and shipping charts.

The problem is obvious.

The average cost of a single-family home in Juneau is \$321,391, according to a recent report by the Juneau Economic Development Council.

The U.S. Census Bureau puts the national number at \$243,900.

Juneau's rental vacancy and homeowner vacancy rates were at 3.2 and 1.4 percent, respectively, well below the 5 percent threshold needed for a healthy balance between profitability for landlords and sellers and affordability for renters and buyers.

The JEDC report concludes Juneau needs 360 more single-family residential units for our housing market to be healthy. And that's with Juneau's trend of nearly-flat population growth.

When Juneau grows — as it must to enhance its role as a leading city in Alaska and Southeast — the problem will only be compounded if not addressed now.

Obvious problems do not always present apparent causes or lead to easy solutions, which is why we look to the Assembly for guidance.

When we spoke to candidates to get their takes on the housing issue, some reasons presented for Juneau's housing predicament — illogical demands and inexplicable delays in obtain building permits and a property tax system that can instantly increase the assessed value of a newly-subdivided lot several fold — are obstacles the Assembly can take the lead on addressing. Are building codes addressing the needs to foster safe construction and protect Juneau's environment, or are there some that are either outdated or designed as solutions in search of a problem?

A thorough review of Juneau's permitting requirements would answer those questions and could clear the way for developers exasperated with delays and denials to give building a fresh look. A property tax structure that doesn't punish an owner who subdivides his lot with a sudden spike in assessed value would also help.

Then-candidate Jesse Kiehl suggested delaying the tax increase for five years so the subdivider would have time to improve the land, build a house and sell it so the tax burden could be shared, an idea with significant merit.

Juneau's lack of affordable housing has been an issue for several years, and no action taken has significantly alleviated it. The time has come for the Assembly to take affirmative action to address this problem, both in the short term and the long term. We're hopeful the Assembly will revise its top 10 list and make a firm commitment to ensure this obstacle to Juneau's growth is, eventually, removed.