

HB

264

<TARGET><BILL>HB 264</BILL><SUBJECT>HB
264</SUBJECT><COMM>SCRA27</COMM></TARGET>

27-LS1090\E
Bullard
4/11/12

SENATE CS FOR CS FOR HOUSE BILL NO. 264(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Chenault, Gara, Kerttula, Thompson, Kawasaki, Millett, Petersen, Johansen, Johnson, Gardner, Tuck

SENATORS Dyson, Huggins, Menard, Egan

A BILL

FOR AN ACT ENTITLED

1 **"An Act allowing a deferral of municipal property taxes on the increase in the value of**
2 **real property attributable to subdivision of that property; relating to municipal taxation**
3 **of oil and gas production and pipeline property; and providing for an effective date."**

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

5 *** Section 1.** AS 29.45 is amended by adding a new section to read:

6 **Sec. 29.45.051. Tax deferral for certain subdivided property.** (a) A
7 municipality may by ordinance permit deferral of payment of taxes on all or a portion
8 of the increase in assessed value directly attributable to

9 (1) the subdivision of a single parcel of property into three or more
10 parcels; and

11 (2) any improvements made to the property necessitated by its
12 subdivision.

13 (b) A deferral from taxation allowed under (a) of this section shall be limited
14 to a maximum period of five years. A municipality may by ordinance provide for the
15 deferral of payment of taxes permitted under (a) of this section to be of a shorter

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duration.

(c) Subject to (b) of this section, a municipality may also by ordinance provide that

(1) the deferral is terminated when

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is built on a lot in the subdivision; or

(2) the deferral continues for the unsold lots in the subdivision after

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is constructed on a lot in the subdivision.

* **Sec. 2.** AS 29.45.080(a) is amended to read:

(a) A municipality may levy and collect taxes on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue [ONLY BY USING ONE OF THE METHODS SET OUT IN (b) OR (c) OF THIS SECTION].

* **Sec. 3.** AS 29.45.080(b), 29.45.080(c), 29.45.080(d), 29.45.080(e), 29.45.090(b), 29.45.090(c), 29.45.090(d); and AS 43.56.010(c) are repealed.

* **Sec. 4.** This Act takes effect July 1, 2012.

27-LS1090\D
Bullard
4/4/12

SENATE CS FOR CS FOR HOUSE BILL NO. 264(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

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Petersen, Johansen, Johnson, Gardner, Tuck**

SENATORS Dyson, Huggins, Menard

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14 to a maximum period of five years. A municipality may by ordinance provide for the

1 deferral of payment of taxes permitted under (a) of this section to be of a shorter
2 duration.

3 (c) Subject to (b) of this section, a municipality may also by ordinance provide
4 that

5 (1) the deferral is terminated when
6 (A) a lot in the subdivision is sold; or
7 (B) a residential or commercial building is built on a lot in the
8 subdivision; or

9 (2) the deferral continues for the unsold lots in the subdivision after
10 (A) a lot in the subdivision is sold; or
11 (B) a residential or commercial building is constructed on a lot
12 in the subdivision.

13 * **Sec. 2.** This Act takes effect July 1, 2012.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 4, 2012

SUBJECT: Single Subject Rule; Title Change
Amendment to SCS CSHB 264(CRA)
(Work Order No. 27-LS1090\D.1)

TO: Senator Donald Olson

FROM: Alpheus Bullard *AB*
Legislative Counsel

Enclosed please find the requested amendment adding language to SCS CSHB 264(CRA), which would amend statutes relating to municipal taxation of oil and gas production and pipeline property. Because both SCS CSHB 264(CRA) and the amendment relate to municipal taxes, the amendment will probably not raise a single subject question. However, I am enclosing this memo to flag the potential issue for you.

The single subject rule requires that all matters in an act "fall under some one general idea, be so connected with or related to each other, either logically or in popular understanding, as to be parts of, or germane to, one general subject."¹ Historically, the Alaska Supreme Court has interpreted Alaska's single subject rule to permit very broad subject matter in one bill without violating the single subject requirement. For example, the Court has held that bills relating to such broad themes as "development of water resources,"² "taxation,"³ "land,"⁴ "intoxicating liquor,"⁵ and "criminal law"⁶ are acceptable.⁷ However, there was a strong dissent in one case against allowing broad

¹ State v. First Nat'l Bank of Anchorage, 660 P.2d 406 (Alaska 1982).

² Gellert v. State, 522 P.2d 1120 (Alaska 1974).

³ North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534, 545 (Alaska 1978).

⁴ State v. First Nat'l Bank of Anchorage, 660 P.2d 406 (Alaska 1982).

⁵ Van Brunt v. State, 646 P.2d 872 (Alaska App. 1982).

⁶ Galbraith v. State, 693 P.2d 880 (Alaska App. 1985).

⁷ Evans v. State, 56 P.3d 1046, 1070 (Alaska 2002).

Senator Donald Olson
April 4, 2012
Page 2

subject matter in a single bill.⁸ And in 2010, for the first time, the Alaska Supreme Court invalidated a piece of proposed legislation for failure to satisfy the single subject requirement.^{9,10} Failure to comply with the single subject requirement -- although unlikely -- could jeopardize your bill if it were ever challenged.

Please also note that adoption of the amendment to the bill will require a title change resolution.

If I may be of further assistance, please advise.

TLAB:plm
12-208.plm

Enclosed

⁸ Yute Air Alaska, Inc. v. McAlpine, 698 P.2d 1173 (Alaska 1985). In his dissent, at page 1182, Justice Moore stated: "This court has mistakenly continued to give the rule such an extremely liberal interpretation that the rule has become a farce."

⁹ Croft v. Parnell, 236 P.3d 369 (Alaska 2010).

¹⁰ The Croft ruling and the Yute Air dissent may indicate that the Alaska Supreme Court is moving toward a more stringent single subject standard by adding a dimension to the rule expounded in Harbor v. Deukmejian, 742 P.2d 1290 (Cal. 1987). Harbor interprets California's single subject rule to prohibit excessive generality because it violates the purpose and intent of the single subject rule.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: SCS CSHB 264(CRA), Draft Version "D"

1 Page 1, line 2, following "**property**";:

2 Insert "**relating to municipal taxation of oil and gas production and pipeline**
3 **property**";

4

5 Page 2, following line 12:

6 Insert new bill sections to read:

7 **"* Sec. 2.** AS 29.45.080(a) is amended to read:

8 (a) A municipality may levy and collect taxes on **the full and true value of**
9 **taxable property taxable under AS 43.56 as valued by the Department of Revenue**
10 **[ONLY BY USING ONE OF THE METHODS SET OUT IN (b) OR (c) OF THIS**
11 **SECTION].**

12 *** Sec. 3.** AS 29.45.100 is amended to read:

13 **Sec. 29.45.100. No limitations on taxes to pay bonds.** [THE LIMITATIONS
14 PROVIDED FOR IN AS 29.45.080 - 29.45.090 DO NOT APPLY TO TAXES
15 LEVIED OR PLEDGED TO PAY OR SECURE THE PAYMENT OF THE
16 PRINCIPAL AND INTEREST ON BONDS.] Taxes to pay or secure the payment of
17 principal and interest on bonds may be levied without limitation as to rate or amount,
18 regardless of whether the bonds are in default or in danger of default.

19 *** Sec. 4.** AS 29.45.080(b), 29.45.080(c), 29.45.080(d), 29.45.080(e), 29.45.090(b),
20 29.45.090(c), 29.45.090(d); and AS 43.56.010(c) are repealed."

21

22 Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE
TO: CSHB 264(CRA)

1 Page 1, line 13, through page 2, line 11:

2 Delete all material and insert:

3 "(b) A deferral from taxation allowed under (a) of this section shall be limited
4 to a maximum period of five years. A municipality may by ordinance provide for the
5 deferral of payment of taxes permitted under (a) of this section to be of a shorter
6 duration.

7 (c) Subject to (b) of this section, a municipality may also by ordinance provide
8 that

9 (1) the deferral is terminated when

10 (A) a lot in the subdivision is sold; or

11 (B) a residential or commercial building is built on a lot in the
12 subdivision; or

13 (2) the deferral continues for the unsold lots in the subdivision after

14 (A) a lot in the subdivision is sold; or

15 (B) a residential or commercial building is constructed on a lot
16 in the subdivision."



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.



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.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HB 264
 Fiscal Note Number _____
 () Publish Date _____

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								
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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)

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

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 264

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.

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.



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.

Chris Edstrom
President

[Signature] 1-20-12
Witness



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





217 Second Street, Suite 200 • Juneau, Alaska 99801

Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 13, 2012

House C&RA
Representative Cathy Munoz
Room 403
State Capitol
Juneau, Alaska 99801

RE: HB 264

Dear Representative Munoz,

The Alaska Municipal League is opposed to HB 264, as one of our main policies is our opposition to all property tax exemptions and/or bills that divide property tax owners into different classes and shift the tax burden. While we understand this deferral is an option, the pressure from developers to enact this deferral might be so great as to make it mandatory. Since this deferral is not funded by the state, these taxes are simply shifted to other taxpayers, requiring them to subsidize developers for the deferral.

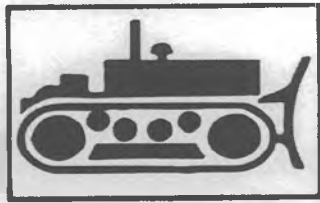
The intent of the bill appears to be to offer incentives to developers by keeping taxes low until the property is improved or sold. However, developers now have that ability by not subdividing the property until there is a demand for the subdivision. By offering these types of tax incentives, the state would be creating a special category of property owner who gets a tax break unlike other property owners who do not wish to subdivide, can't subdivide, or those who subdivide their property into less than three parcels.

For this reason, the members of AML are opposed to this bill. Thank you for the opportunity to comment.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director
Alaska Municipal League



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

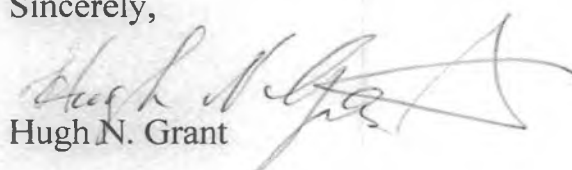
Dear Representative Munoz:

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

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

-----Original Message-----

From: Billie Bob Allen [<mailto:bballen@mtaonline.net>]

Sent: Monday, March 19, 2012 12:04 PM

To: Rep. Cathy Munoz

Cc: Michael Paschall

Subject: Support for HB366

The Honorable Cathy Munoz
Alaska State House of Representatives
Chair, House Community and Regional Affairs Committee

Dear Representative Munoz:

Please accept this letter as support for HB366 which would establish an intrastate mutual aid system in Alaska. I have been authorized by my client, Alaska State Fair, Inc., (ASF) to notify you of their support for HB366. We have also issued a letter of support for the companion Bill SB208 to Senator Joe Paskvan sponsor of the proposed legislation through the Senate State Affairs Committee.

ASF management has been working with the Matanuska-Susitna Borough EMS and the State Homeland Security and Emergency Management Division in regards to emergency planning in the event of a disaster. Signatory to an Agreement to develop an initial plan to create shelter for the people of the Mat-Su Borough in the event of a disaster are the Mat-Su Borough, State of Alaska, Department of Corrections, Mat-Su Borough School District, American Red Cross, City of Palmer and Mat-Su Regional Medical Center. The purpose of the Agreement (MOU) is to form a partnership to plan, prepare, and implement mass sheltering protocol for use on the Alaska State Fair grounds.

To that end, Madam Chair, the ASF has pledged it's assets, where needed to benefit the people of the State of Alaska in the event of a disaster in any fashion that they can. ASF has approximately 130,000 sf under roof and is accessible by surface, rail, and air.

The commitment to assist by the Alaska State Fair supports their pledge and agreement to be a part of an intrastate mutual aid system, thus their favor to the passage of HB366.

Madam Chair, should you have any questions please do not hesitate to contact me.

Yours Truly,

Bill Allen
Legislative Consultant

cc: Michael Paschall

Sent from my iPad



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 Schoon Street • Anchorage, Alaska 99518
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

February 20, 2012

Representative Cathy Munoz
State Capitol, Room 403
Juneau, AK 99801-1182

Re: HB 264

Dear Representative ~~Munoz~~: *Cathy*

On behalf of the Associated General Contractors of Alaska, a construction trade association of over 650 business members, representing the majority of the construction industry in Alaska, I thank you for sponsoring HB 264.

The cost of land development adds significantly to the cost of providing new housing in a community. Quite often the land development costs are increased with the carrying costs of unsold but subdivided and developed lots. This legislation will give municipalities the option to provide assistance to develop land for housing by deferring the property tax increase associated with the increased value of subdividing a piece of property.

It can benefit the municipalities by making it a little more cost effective to subdivide land for the housing market and it benefits developers by allowing some of the cost of the improvements to be deferred until the property is sold. It embodies two necessary qualities that make this type of legislation good: it is optional, not mandated and it defers taxes but does not forgive them.

Thank you again for your sponsorship and support for HB 264

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska

From: **Jamey Young** <jamey907@gmail.com>

Date: Wed, Feb 22, 2012 at 1:07 PM

Subject: HB264

To: Representative Cathy Munoz@legis.state.ak.us

Dear Representative Munoz,

I was hoping to be able to speak to this issue in person but find myself "under the weather". Thank goodness for modern technology.

As you are aware from previous conversations with you regarding this bill, I strongly support this piece of legislation. I speak today in my capacity as a board member for the Southeast Building Industry Association, as well as my experience and background in banking with various financial institutions locally.

I have had the wonderful opportunity to be the construction lender for two different residential subdivision projects as well as several individual commercial and residential construction loans. One of the greatest risks associated especially with subdivision development is the high cost of up-front fees, permits, development costs and the impact of property taxes being assessed on the individual lots when the subdivision is recorded.

In the rough example of a 10 acre parcel being subdivided in to 40 individual building lots, it is possible that the property taxes could go from \$5,000 for the \$500,000 large parcel to \$40,000 if 40 lots were created valued at \$100,000 each at a 10 mil rate. This new liability is born by the developer no matter when the lots sell.

It is essentially the same as requiring a retailer to pay the sales tax on their inventory based on the retail price when they receive it, not when it is sold.

These additional costs and risks have the consequences of driving costs up through developer having to give up greater economies of scale by phasing in developments. It is much less expensive to put in the infrastructure for 40 lots at one time instead of 20 lots at two different times.

From a lending perspective, the increased cash outflow needed to carry the property taxes on the full final value of the lots without being matched to the timing of the cash inflow when the lots are sold creates greater risk to the lender. Risk is compensated in two ways, higher rates for borrowing and/or lower loan amounts, each of which adds to the costs to the end purchaser of the lot and higher housing (or commercial) prices without real increased benefit to the developer or lender. Through the higher costs and reductions in the amount of development that could have been done, the taxing authority is, in my opinion, ultimately getting less revenue through less eventual development.

Given that bill offers local taxing authorities flexibility in their implementation, local circumstances can be factored in to meet the overall best benefit for the community at large.

I thank you for your support of this bill and request that my thoughts and concerns be shared with other legislators that will be making their own decision on this legislation. I would also be pleased to discuss this matter with you or others in greater detail should that prove to be helpful.

Sincerely,

James M. (Jamey) Young
4923 Wren Drive
Juneau, AK 99801
907-723-1222 cell
907-789-7148 home

Darrell Bourne

From: "Jerry Koerner" <jeriko@gci.net>
Date: Friday, March 09, 2012 1:53 PM
To: "Darrell Bourne" <bourne@alaska.net>
Subject: David H. Ainley Trust; land development
Darrell, Below is a statement from myself, Trustee of the Ainley Trust:

The Trustees of the David H. Ainley Trust are studying the development costs to develop our remaining 200 acres of land within the City of North Pole. It is believed the Trust is the single largest land holder of undeveloped premier property with city utilities available. The City of Fairbanks does not have similar premier property left. The area is set up with numerous 'nature reserves' around the creeks and the recreational lake is nearly complete. Once all utilities are in place this will be a premier subdivision with emphasis on the natural beauty, creeks and a lake.

A huge reservation the Trustees have in subdividing the already approved 80 lots is this; Once the plat is approved the taxes go through the roof. We simply cannot afford to sit on lots for an extended period of time while the taxes eat up any hope of breaking even. Developing land in the North Pole/Fairbanks area is very costly and has to be done with slow increments. If approved, a grace period of 'tax relief' would be a big incentive for us to move forward with development of this next phase of lots. We have spoken to the City of North Pole and are looking at options to make utility development cost realistic.

We look forward to continuing to subdivide and make lots available for present and future generations to come. If you have any questions feel free to contact my office.

Thank you,

Jerry Koerner, Real Estate Developer and Real Estate Broker, JeriKo Real Estate

Jerry Koerner
Trustee, David H. Ainley Trust
Broker, JeriKo Real Estate

HB 264

My name is Darrell Bourne.

I represent the Interior Alaska Building Association

I am a 30 year Fairbanks building contractor

I support HB264

I am a partner in a 52 Acre subdivision, on a paved road, ten minutes-drive from Fairbanks, and is located between the highway on the South and the Chena River on the North. All the roads and most of the power were completed 5 years ago. There are 18 river lots. Our goal is not to sale individual lots, only new home/lot package sales.

In 2007 we subdivided 10 lots on a cross street that travels through the subdivision. Our intention was to build on each of those ten lots and then subdivide 10 more. The reasoning was to "not have to pay the higher tax on the divided individual lots. In 2009 and 2010 the local new home market started into a steady decline. In 5 years we have sold 3 homes, directly attributed to the flat economy.

There are two kinds of buyers: Most home buyers are on a fixed and limited income. They want an economical nice home, but aren't real particular where it is located.

Then there are those that only want to live on the Chena River. The extra cost is not a factor, even in a tight building market. In the last 5 years, I have missed 5 or 6 new home sales, simply because I have not had a River Lot to build on.

If our borough would adopt this amendment as proposed, we could move forward easily to provide a more saleable home. I have a short waiting list of buyers that have said “please notify me when those lots are ready. We want a house on the Chena”.

The passage of this bill would be a great thing for Fairbanks builders and developers. It would also have a positive effect for local governments. Our North Star Borough would now have at least several more upper-end homes to include in their tax base. As it is, they have only raw land to tax. This bill could be a key to breaking up a financial log-jamb. Let’s make a move, and help our communities begin to recover.

Please pass HB 264

March 6, 2012

Representative Cathy Engstrom Munoz
State Capital, Room 403
Juneau, Alaska

Dear Representative Munoz,

I am writing to express my 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."

Since 2005, Anchorage has seen a significant decline in multifamily and single family home construction. Looking back over a ten year period, the year 2003 saw the highest number of units constructed with a total of 2,028. Now compare that to last year when only 317 units were constructed. Most of the new construction today is being done by affordable housing organizations who rely on federal, state, and municipal programs to subsidize the construction of rent restricted units. Compounding the situation is that rental properties are scarce, with a less than 2% vacancy rate across the city.

There are several factors contributing to the decline in housing construction. Most significant is the state of the nation and the decline in housing values. Buyers are increasingly reluctant to purchase a home with the prospect of losing value, despite low interest rates. But in Anchorage, according to a local mortgage company, the number of applications for qualified buyers is on the rise. Finding a home to meet their needs is the problem. Additionally, for developers finding financing and increased regulatory requirements have contributed to the decline in housing construction.

In today's market, houses will sell, but it will take time. Housing developers need tools like HB 264 which will help with holding costs while they build and market homes.

House Bill 264 is important for Anchorage and for all Alaskan communities. We as a state need to do everything possible to stimulate the construction of new housing units for our citizens.

Sincerely,

Mary Jane Michael
2421 Wellington Court
Anchorage, Alaska
(907) 440-1707

Tax deferral passes House

By Rosemarie Alexander, KTOO

March 26, 2012 3:16 pm

Legislation aimed at encouraging affordable housing has passed the Alaska House.

Juneau Rep. Cathy Muñoz sponsored HB 264 at the request of local contractors and the Alaska State Home Building Association who say current tax laws hinder development.

The bill would allow municipalities to defer property tax increases on subdivided lots until they are sold or have commercial value. Munoz says taxes can be five to 10 times higher as soon as the land is subdivided.

"In communities like Juneau that experience a limited land base and high housing costs, that extra carrying cost is a huge deterrent to new subdivision and housing development," Munoz says. "So this is meant to defer the increasing tax burden, but ultimately the cities benefit because they get that tax burden back, plus extra tax due to new housing in their communities."

The legislation also allows local governments to negotiate payment terms when the deferred taxes are due.

HB 264 is on its way to the Senate.

House passes Muñoz' subdivisions bill

New housing could get tax deferrals while being built

Posted: March 27, 2012 - 12:14am

By Pat Forgey

JUNEAU EMPIRE

The Alaska House of Representatives Monday approved and sent to the Senate a bill aimed at reducing the cost to develop new housing.

Sponsored by Rep. Cathy Muñoz, R-Juneau, and others, House Bill 264 would allow cities to defer collection of increased property taxes on new subdivisions until the homes are built and sold.

As it is now, subdividing significantly increases land values and the accompanying property taxes for developers.

"As soon as that process is initiated and finalized, the tax burden goes through the roof, sometimes five times — sometimes 10 times — the pre-filing rate," Muñoz said.

Muñoz said local homebuilders and the Alaska State Home Building Association brought the bill to her hoping to lower the cost of development.

"In communities like Juneau that are experiencing a limited land base and high housing cost, that extra carrying cost is a huge deterrent to new subdivisions and new housing development," Muñoz said, speaking at a press conference before the bill passed overwhelmingly on the House floor.

Helping out the bill were its co-sponsors, including House Speaker Mike Chenault, R-Nikiski, and Minority Leader Beth Kerttula, D-Juneau.

"This helps us have more development in Juneau, and we need it — we need more housing," Kerttula said.

It is difficult for developers to pay the ongoing higher costs during the development process, but, when the houses are later sold, the money to pay the deferred taxes is then available.

Developer Hugh Grant, as well the Juneau Affordable Housing Commission, endorsed the bill.

Commission Chairman Alan Wilson said the bill removes a disincentive for real estate development and offers a new tool to help make housing more affordable.

Sen. Dennis Egan, D-Juneau, said he thinks the bill has a good chance to pass the Senate as well, despite the short time left in the legislative session.

"It's a good idea," he said, but it took some changes to get municipal endorsement. There's now a deadline of five years for the deferred taxes to be paid.

"There were concerns, but with the cities' endorsement I think it has a good chance of action this year," he said.

It would be up to cities to decide whether to offer the property tax deferral, according to the bill. Muñoz said the cities will not only get all the deferred taxes, they'll also get the additional taxes from any development the bill spurs.

The session ends April 15, and the House will stop committee action on its own bills next week and consider only Senate bills after that, said House Majority Leader Alan Austerman, R-Kodiak. The Senate is expected to take reciprocal action.

- Contact reporter Pat Forgey at 523-2250 or at patrick.forgey@juneauempire.com.

27-LS1419E
Nauman
3/30/12

CS FOR SENATE BILL NO. 223(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a credit against the net income tax for a contribution made by a
2 taxpayer to a nonprofit organization that provides an emergency shelter for the
3 homeless or a facility for alcohol or drug detoxification."

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

5 * **Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

6 **Sec. 43.20.048. Homeless shelter and drug and alcohol treatment facility**
7 **contribution credit.** (a) A taxpayer is allowed a credit against the tax due under this
8 chapter for cash contributions accepted by a nonprofit organization in existence on
9 January 1, 2012, that qualifies for exemption from taxation under 26 U.S.C. 501(c)(3)
10 (Internal Revenue Code) and that operates principally to provide

- 11 (1) an emergency shelter for the homeless;
- 12 (2) a facility for alcohol or drug detoxification; or
- 13 (3) a combination of the programs described in (1) and (2) of this
- 14 subsection.

1 (b) The amount of the credit is the lesser of 50 percent of the amount of the
2 cash contribution or \$200,000.

3 (c) The department shall develop and implement procedures by which a
4 taxpayer may submit information regarding the taxpayer's proposed contribution to the
5 department and request a preliminary determination of whether the contribution
6 qualifies for the tax credit under this section. A preliminary determination by the
7 department that the contribution qualifies for the credit is binding, unless the
8 department determines that the taxpayer has made a material misrepresentation in the
9 taxpayer's submission.

10 (d) The commissioner shall, by January 1 of each year, provide to the
11 legislature a list of recipients of contributions, the total amount of contributions
12 reported, and the total amount of credit claimed under this section during the previous
13 calendar year.

14 (e) A contribution claimed as a credit under this section may not

15 (1) be the basis for a credit claimed under another provision of this
16 title; or

17 (2) also be allowed as a deduction under 26 U.S.C. 170 against the tax
18 imposed by this chapter.

19 (f) The credit under this section may not reduce a person's tax liability under
20 this chapter to below zero for any tax year. An unused credit or portion of a credit not
21 used under this section for a tax year may not be sold, traded, transferred, or applied in
22 a subsequent tax year.

23 * **Sec. 2.** AS 43.20.048 is repealed January 1, 2018.