

**HB 264**

**2017**

<TARGET><BILL>HB 264</BILL><SUBJECT>HB  
264</SUBJECT><COMM>SF IN27</COMM></TARGET>

**SENATE FINANCE COMMITTEE REPORT**

DATE: 4/14/12

FURTHER: Revised  
 DATE TURNED INTO OFFICE: 4/14/12

**Finance Committee** considered CS FOR HOUSE BILL NO. 264(CRA)

HB 264-MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

"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."

and recommends:

be replaced with SCS CS HB264 (FIN)  Same Title  Technical Title Change

New Title/SCR No. \_\_\_\_\_

adopt previous SCS \_\_\_\_\_ (        )  Same Title  Technical Title Change

New Title/SCR No. \_\_\_\_\_

attached amendment(s)

adopt \_\_\_\_\_ Letter of Intent


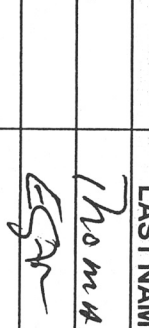




further referral to \_\_\_\_\_ Committee

Dept Abbr.
ADM LEG
CED LAW
COR LWF
CRT MVA
EED DNR
DEC DPS
DFG REV
GOV DOT
DHS UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/REV			X	3

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CTD			X	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
		Thomas	<input checked="" type="checkbox"/>			
		Egan	<input checked="" type="checkbox"/>			
		Olson	<input checked="" type="checkbox"/>			
		Ellison	<input checked="" type="checkbox"/>			
CO-CHAIR 		Hoffman	<input checked="" type="checkbox"/>			
CO-CHAIR 		Stedman	<input checked="" type="checkbox"/>			

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version CSHB 264(CRA)  
Fiscal Note Number 2  
(H) Publish Date 2/24/12

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

OMB Component Number 2879

Requester House Finance

**Expenditures/Revenues** (Thousands of Dollars)

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

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

POSITIONS									
Full-time		0		0		0		0	
Part-time		0		0		0		0	
Temporary		0		0		0		0	
<b>CHANGE IN REVENUES</b>									

**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 Phone 269-4569  
Division Community and Regional Affairs Date/Time 2/17/2012 9:00am  
Approved by JoEllen Hanrahan, Director Administrative Services Date 2/20/2012  
Commerce, Community, and Economic Development

FISCAL NOTE #2

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.

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

cost # codes

Bill Version  
Fiscal Note Number  
Publish Date

SCS CSHB 264(FIN)

Identifier (file name) HB 264 -DOR-TAX-04-13-12

Title Muni Property Tax Deferral: Subdivisions

Dept. Affected  
Appropriation  
Allocation

Revenue  
Taxation and Treasury  
Tax Division

Sponsor Representative Munoz  
Requester Senate Finance Committee

OMB Component Number

2476

**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
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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)								
	<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS									
Full-time									
Part-time									
Temporary									
<b>CHANGE IN REVENUES</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**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)**

Prepared by  
Division  
Approved by

Darwin Peterson  
Senate Finance Committee  
Senator Hoffman, Co-Chair  
Senator Stedman, Co-Chair

Phone 907-465-3873  
Date/Time 4/14/12 4:30pm  
Date 4/14/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. SCS CSHB 264(FIN)

Analysis



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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE 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 relating to municipal taxation of interests in property owned by the Alaska  
2 Industrial Development and Export Authority and to the effect of the tax status of that  
3 property on the local contribution for public education; allowing a deferral of municipal  
4 property taxes on the increase in the value of real property attributable to subdivision of  
5 that property; relating to municipal taxation of oil and gas production and pipeline  
6 property; and providing for an effective date."

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

8 \* Section 1. AS 14.17.410(b) is amended to read:

9 (b) Public school funding consists of state aid, a required local contribution,  
10 and eligible federal impact aid determined as follows:

11 (1) state aid equals basic need minus a required local contribution and  
12 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum  
13 obtained under (D) of this paragraph, multiplied by the base student allocation set out  
14 in AS 14.17.470; district adjusted ADM is calculated as follows:

1 (A) the ADM of each school in the district is calculated by  
2 applying the school size factor to the student count as set out in AS 14.17.450;

3 (B) the number obtained under (A) of this paragraph is  
4 multiplied by the district cost factor described in AS 14.17.460;

5 (C) the ADMs of each school in a district, as adjusted  
6 according to (A) and (B) of this paragraph, are added; the sum is then  
7 multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the  
8 high school vocational education factor set out in AS 14.17.420(a)(3);

9 (D) the number obtained for intensive services under  
10 AS 14.17.420(a)(2) and the number obtained for correspondence study under  
11 AS 14.17.430 are added to the number obtained under (C) of this paragraph;

12 (E) notwithstanding (A) - (C) of this paragraph, if a school  
13 district's ADM adjusted for school size under (A) of this paragraph decreases  
14 by five percent or more from one fiscal year to the next fiscal year, the school  
15 district may use the last fiscal year before the decrease as a base fiscal year to  
16 offset the decrease, according to the following method:

17 (i) for the first fiscal year after the base fiscal year  
18 determined under this subparagraph, the school district's ADM adjusted  
19 for school size determined under (A) of this paragraph is calculated as  
20 the district's ADM adjusted for school size, plus 75 percent of the  
21 difference in the district's ADM adjusted for school size between the  
22 base fiscal year and the first fiscal year after the base fiscal year;

23 (ii) for the second fiscal year after the base fiscal year  
24 determined under this subparagraph, the school district's ADM adjusted  
25 for school size determined under (A) of this paragraph is calculated as  
26 the district's ADM adjusted for school size, plus 50 percent of the  
27 difference in the district's ADM adjusted for school size between the  
28 base fiscal year and the second fiscal year after the base fiscal year;

29 (iii) for the third fiscal year after the base fiscal year  
30 determined under this subparagraph, the school district's ADM adjusted  
31 for school size determined under (A) of this paragraph is calculated as

1 the district's ADM adjusted for school size, plus 25 percent of the  
2 difference in the district's ADM adjusted for school size between the  
3 base fiscal year and the third fiscal year after the base fiscal year;

4 (F) the method established in (E) of this paragraph is available  
5 to a school district for the three fiscal years following the base fiscal year  
6 determined under (E) of this paragraph only if the district's ADM adjusted for  
7 school size determined under (A) of this paragraph for each fiscal year is less  
8 than the district's ADM adjusted for school size in the base fiscal year;

9 (G) the method established in (E) of this paragraph does not  
10 apply to a decrease in the district's ADM adjusted for school size resulting  
11 from a loss of enrollment that occurs as a result of a boundary change under  
12 AS 29;

13 (2) the required local contribution of a city or borough school district is  
14 the equivalent of a four mill tax levy on the full and true value of the taxable real and  
15 personal property in the district, excluding property owned by the Alaska  
16 Industrial Development and Export Authority that is exempt from city or  
17 borough tax, as of January 1 of the second preceding fiscal year, as determined by the  
18 Department of Commerce, Community, and Economic Development under  
19 AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for  
20 the preceding fiscal year as determined under (1) of this subsection.

21 \* Sec. 2. AS 14.17.410(c) is amended to read:

22 (c) In addition to the local contribution required under (b)(2) of this section, a  
23 city or borough school district in a fiscal year may make a local contribution of not  
24 more than the greater of

25 (1) the equivalent of a two mill tax levy on the full and true value of  
26 the taxable real and personal property in the district, excluding property owned by  
27 the Alaska Industrial Development and Export Authority that is exempt from  
28 city or borough tax, as of January 1 of the second preceding fiscal year, as  
29 determined by the Department of Commerce, Community, and Economic  
30 Development under AS 14.17.510 and AS 29.45.110; or

31 (2) 23 percent of the district's basic need for the fiscal year under

(b)(1) of this section.

\* **Sec. 3.** AS 14.17.490(b) is amended to read:

(b) A city or borough school district is not eligible for additional funding authorized under (a) of this section unless, during the fiscal year in which the district receives funding under (a) of this section, the district received a local contribution equal to at least the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district, excluding property owned by the Alaska Industrial Development and Export Authority that is exempt from city or borough tax, as of January 1 of the second preceding fiscal year as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110.

\* **Sec. 4.** AS 29.45 is amended by adding a new section to read:

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

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

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

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

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

3 \* **Sec. 5.** AS 29.45.080(a) is amended to read:

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

8 \* **Sec. 6.** AS 29.45.080(b), 29.45.080(c), 29.45.080(d), 29.45.080(e), 29.45.090(b),  
9 29.45.090(c), 29.45.090(d); and AS 43.56.010(c) are repealed.

10 \* **Sec. 7.** This Act takes effect July 1, 2012.



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

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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.

# Juneau Affordable Housing Commission

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## 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.

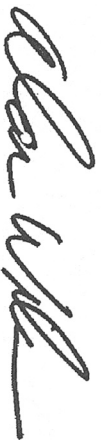
High housing costs have been part of Juneau's reputation for a long time. The ACCRA Cost of Living Index compares living costs in various U.S. cities, including several in Alaska. As of the third quarter of 2011, Alaska's Capital City is about 40 percent more expensive to live in than the "average" US 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,



Alan Wilson  
Chair, Affordable Housing Commission

cc:  
Representative Beth Kerttula  
Representative Cathy Munoz



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

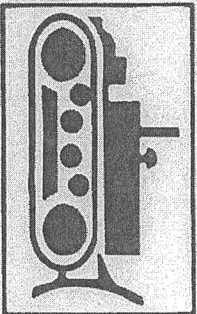
Joni Schneider, ABR, GRI  
2012 President

*The Voice of Real Estate in Alaska*

REALTOR is a registered mark which identifies a professional in real estate who subscribes to a strict Code of Ethics as a member of the NATIONAL ASSOCIATION OF REALTORS.



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

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## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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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](mailto: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](tel:907-789-7148) home

**Darrell Bourne**

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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.

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### **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.

Munoz 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.

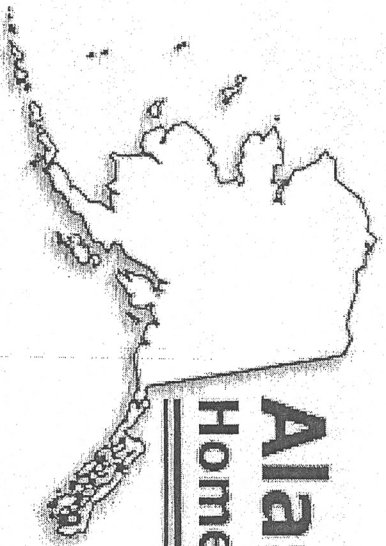
"It's a good idea," he said, but it took some changes to get municipal endorsement. There's now a deadline of five years for the deferred taxes to be paid.

"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](mailto:patrick.forgey@juneauempire.com).



# 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 Eubank  
President

EW  
Witness  
1-20-12

## 2 steps towards tackling Juneau's housing problems

Posted: March 29, 2012 - 12:08am

By Charles Ward, *Juneau Empire*

It seems Juneau may soon have an opportunity to move beyond the talking and hand-wringing phases of addressing its affordable housing problem, and take concrete steps toward new homes in the capital city.

Part of the reason for this is House Bill 264's recent passage in the Legislature's lower chamber with wide support. This measure — if it clears the Senate and is signed into law by Gov. Sean Parnell — would allow cities to change the timing in how they collect taxes on newly subdivided parcels of land.

Currently, if a large plot goes through the process of being subdivided, its value in the eyes of both the real estate market and the tax assessor's office goes up — often way up, because it can now legally hold more homes. As state law is written now, the prospective developer is on the hook for that increase in taxes at the start of the next year, even though improving the land, building houses or commercial buildings and selling it is a process that can take much longer.

Under HB 264 — championed by Republican Juneau Rep. Cathy Muñoz and House Speaker Mike Chenault, R-Nikiski, and later co-sponsored by Juneau's Democratic Rep. Beth Kerttula — the would-be builder can put off that increase in taxes while his or her subdivision is being built and the homes therein are sold. Here, "put off" doesn't mean "not pay." The developer still must keep current with paying the levy at the previously assessed value, and must make good on the difference when the property is sold. The difference is that, instead of being liable for the increase as soon as the property is reassessed, the developer can make those payments as the smaller pieces of land are sold. This breaks the payment up over the number of parcels the property is subdivided into, and defers them until they are sold — presumably when the builder is in a much better cash position to make them. A five-year limit on deferrals helps prevent this from becoming a tax haven for land speculators instead of the encouragement for building housing and commercial space Juneau needs.

Finally, the bill leaves the decision up to individual municipalities as to whether or not to create this incentive to build. If a city believes its coffers will suffer too much, or it doesn't need to boost housing construction, then that town can choose to opt out. For a city and borough like Juneau, however, it may just give it a powerful tool to spur much-needed housing and commercial construction.

"This helps us have more development in Juneau, and we need it — we need more housing," Kerttula said after the bill passed the house, and she's right.

The other development that may lead to new housing took place at City Hall on Tuesday, when the Juneau Planning Commission approved new building height and housing density requirements in certain areas of town. Under that plan, buildings in three zoning areas — General Commercial, Light Commercial and Multi-Use 2 — could add many more housing units per acre, and could grow by one story to help accommodate that

growth. Under the ordinance, General Commercial zones could hold 50 residential units per acre, up from the current 18, while Light Commercial zones would max out at 30 units, also up from 18 (Multi Use 2 zones would also see an increase in the maximum number of units they can hold, 80 instead of the current 60).

One intent of the plan is to make construction of new apartments and condominiums in those areas commercially viable. City planner Ben Lyman on Tuesday described the proposed maximum of 30 units an acre in Light Commercial areas as a minimum level needed to spur development.

“Right now residential development isn’t happening in our commercial zones because 18 units per acre just doesn’t work financially,” he said, based on his discussions with architects, developers, engineers and so on. “But at 30 units per acre, something changes. It allows them to build unsubsidized, affordable housing in Juneau.” If this proposal seems like a big change, that’s because it is. Planning Commission Vice Chairman Dennis Watson praised the plan Tuesday, calling it one of the most progressive in some time in Juneau.

Let’s hope it proves to be, because progress is needed when it comes to affordable housing in the capital city. At the end of the first half of 2011, the average cost of a new home in Juneau was \$321,391, according to the Juneau Economic Development Council. The Census Bureau reported national average home price in June of 2011 was \$273,100. Juneau’s rental vacancy rate in 2011 stood at 3.2 percent, compared to a national rate of 9.2 percent (again, according to the JEDC). And all of those numbers come at a time of flat population growth in Juneau, and doesn’t account for the growth the capital city will need in the coming years.

The housing issue in Juneau has been a problem sparking much discussion and little action for a long time. However, the city and state this week took practical and meaningful action to help the problem. The housing height and density ordinance will soon be in front of the City Assembly, and it’s likely, given Sen. Dennis Egan’s supportive comments about HB 264’s chances in the Senate, the tax deferral plan will be there as well. The Assembly needs to support these practical ways to alleviate Juneau’s housing crunch.

• *Ward is deputy managing editor of the Juneau Empire. The views he expresses are his alone, and do not necessarily reflect the views of the Empire’s editorial board.*

## 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.