

HB

146

<TARGET><BILL>HB 146</BILL><SUBJECT>HB
146</SUBJECT><COMM>HCRA29</COMM></TARGET>



ALASKA STATE LEGISLATURE

House Community and Regional Affairs Committee

REP. CATHY TILTON
Chairman
State Capitol, Rm. 411
Juneau, AK 99801

Rep. Paul Seaton, Vice-Chair
Rep. Shelley Hughes
Rep. Benjamin Nageak
907.465.2199

Rep. Lora Reinbold
Rep. Harriet Drummond
Rep. Dan Ortiz

MEMORANDUM

TO: Legal Services

FROM: Heath E. Hilyard, Committee Aide
House Community and Regional Affairs Committee

DATE: March 20, 2015

RE: Drafting Request – CRA CS for HB 146 (29-LS0048\A)

Please provide me a CRA CS for HB 146 incorporating the attached amendment.

Thank you.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

TO: HB 146

Page 1, line 12

Following **“commercial”**:

Delete **“building is built”**

Insert **“use is established”**

Page 2, line 2

Following **“commercial”**:

Delete **“building is constructed”**

Insert **“use is established”**

29-LS0048\W
Shutts
3/20/15

CS FOR HOUSE BILL NO. 146(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE MUÑOZ

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a municipal tax exemption for certain subdivided property."**

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

3 *** Section 1.** AS 29.45.050 is amended by adding a new subsection to read:

4 (x) A municipality may by ordinance partially or wholly exempt from taxation
5 all or a portion of the increase in assessed value directly attributable to the subdivision
6 of a single parcel of property into three or more parcels and any improvements made
7 to the property necessitated by its subdivision. An ordinance adopted under this
8 subsection may not provide for an exemption that exceeds five years in duration. A
9 municipality may also by ordinance provide that

10 (1) the exemption is terminated when

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

12 (B) a residential or commercial use is established on a lot in the
13 subdivision; or

14 (2) the exemption continues for the unsold lots in the subdivision after

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

1
2

(B) a residential or commercial use is established on a lot in the
subdivision.

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 146
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB146-DCCED-DCRA-03-20-15
Title: MUNICIPAL TAX EXEMPTION
Sponsor: MUNOZ
Requester: (H) COMMUNITY AND REGIONAL AFFAIRS

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
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 (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Katherine Eldemar, Division Director
Division: Community and Regional Affairs
Approved By: Catherine Reardon, Director
Agency: Division of Administrative Services, DCCED

Phone: (907)465-8249
Date: 03/20/2015 10:30 AM
Date: 03/20/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 146

Analysis

HB146 gives municipalities the option to partially or wholly exempt the assessed value increase for all or a portion of newly subdivided parcels.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs from this bill.

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

March 20, 2015

SUBJECT: Sectional Summary of HB 146 (Work Order No. 29-LS0048\A)

TO: Representative Cathy Muñoz
Attn: Terry Harvey

FROM: Susie L. Shutts *Susie Shutts*
Legislative Counsel

You requested a sectional summary of HB 146.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. Please let me know if you would like an interpretation of the bill as it may apply to a particular set of circumstances.

Section 1. Amends AS 29.45.050 by adding a new subsection that allows a municipality to partially or wholly exempt from taxation an increase in the assessed value of property that results when the owner subdivides a single parcel into three or more parcels. This exemption extends to improvements made to the property because of the subdivision. The municipality may create the exemption by ordinance and may either terminate or continue the exemption when a lot in the subdivision is sold or a residential or commercial building is built on a lot in the subdivision.

Please let me know if you have any additional questions.

SLS:lnd
15-245.lnd

CITY OF UNALASKA
P.O. Box 610
Unalaska, AK 99685-0610
(907) 581-1251 Fax (907) 581-4469



March 17, 2015

Representative Cathy Munoz
Alaska House of Representatives
State Capitol, Room 501
Juneau, AK 99801

RE: HB 146

Dear Representative Munoz:

On behalf of the City of Unalaska, I wish to extend our support regarding changes to AS 29.45.041 as it pertains to tax exemption/deferral of certain subdivision property.

HB 146 would give municipalities the flexibility to abate increases in property taxes on subdivided parcels until a lot is sold or a city grants a building permit for that piece of property. It would allow local governments to adopt optional abatement for all or a portion of a subdivided portion. It would let a municipality decide the terms of paying the tax abatement and when those payments would be due.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether property tax abatement will benefit them. This is an important issue in Unalaska and would help us address our ongoing housing shortage.

I urge the legislature to pass this bill.

Sincerely,


Mayor Shirley Marquardt
City of Unalaska



OFFICE OF THE MAYOR

Telephone: (907) 586-5240, Facsimile: (907) 586-5385

Mayor@ci.juneau.ak.us

March 2, 2015

Representative Cathy Muñoz
Alaska House of Representatives
State Capitol, Room 501
Juneau, AK 99801

Dear Representative Muñoz:

On behalf of the City and Borough of Juneau Borough Assembly, I wish to extend our support regarding changes to AS 29.45.041 as it pertains to tax deferral of certain subdivision property.

The Assembly Lands Committee and the Juneau Affordable Housing Commission reviewed requests brought forth from the Southeast Alaska Building Industry Association and the Alaska State Home Building Association requesting changing the tax deferral law to a tax abatement law. Assemblymember Kiehl, as the Lands Committee Chair, brought this request forward to the Assembly, and the Assembly, at its February 23, 2015 meeting, recommended forwarding a letter of support to your office.

As you are aware, affordable housing is one of the Assembly's stated goals. If legislation you are introducing regarding AS 29.45.041 helps create an incentive for builders within our community to develop more affordable housing that seems like a win-win for everyone in our community.

Thank you for moving this legislation forward, and for your dedicated service to the citizens of Juneau.

Sincerely,

Merrill Sanford
Mayor

cc: Senator Dennis Egan
Representative Sam Kito III
Borough Assembly
Affordable Housing Commission



Southeast Alaska Building Industry Association

9085 Glacier Hwy., Ste. 202 • Juneau AK 99801 • (907) 463-5774 • Fax (907) 463-5821
E-mail: seabia@gcl.net • Web site: www.seabia.com

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City & Borough of Juneau

Mike Ban
Associate Director
EXIT Realty

Staff

Laura Baker
Executive Officer
SE Alaska BIA

February 4, 2015

The Honorable Mayor Sanford
Assembly Members
City and Borough of Juneau
155 S. Seward Street
Juneau, AK 99801

Dear Mayor and Assembly Members:

I am writing to ask for your support for a legislative change to AS 29.45.051 pertaining to tax deferral for certain subdivision property.

Representative Munoz introduced legislation to defer increased property tax on newly created subdivisions for a period of five years or until sold. This legislation was at the request of members of the Southeast Alaska Building Industry Association (SEABIA) and the Juneau Affordable Housing Commission as well as the Alaska State Home Building Association (ASHBA). Representative Munoz was well aware of the housing issues facing Juneau as she is a past Chairwomen of the Juneau Affordable Housing Commission. The legislation passed and was put into law locally the following year with City Ordinance #2013-20(b).

Since passage of the property tax deferral legislation and local acceptance of it few builders/developers have used the deferral. Reports from these people to Representative Munoz' office have stated that the incentive is not enough for the work to take advantage of a deferral given that the added tax liability created when subdividing raw land is still owed. Developer's experience across the state has shown that lots created have been lost due to unpaid property taxes given the ups and downs of the state economy.

A tax exemption of the increased tax amount due when creating additional lots will put more buildable lots on to the real-estate market. This exemption will not affect local government revenue as it is an exemption of only the increase in value of the property. The tax amount on a property would remain the same until the new lots for a period of five years or until lots are sold. It is the belief of ASHBA, SEABIA and members of the Juneau Affordable Housing Commission that the exemption will in fact create additional property tax income. As new lots become available homes will be built, thus increasing the purchased/developed lots value 100 fold.

The proposed change from a deferral to an exemption was brought to the attention of the Affordable Housing Commission and the Mayor almost a year ago, with SEABIA's understanding that a letter of support would be sent from the Mayor to Representative Munoz last spring. At this time, it is our understanding that Representative Munoz is waiting on a signed letter from the mayor. With support

from the Mayor, Representative Munoz is in a position to facilitate introduction of legislation for the proposed change to AS 29.45.041.

Time is of essence on this matter as the legislative session is underway and time is short for introduction of legislation.

We appreciate your support on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Stopher", with a long horizontal line extending to the right.

Greg Stopher
President
Southeast Alaska Building Industry Association

cc: Representative Cathy Munoz
CBJ Affordable Housing Commission
Alaska State Home Building Association
SEABIA Board of Directors

Russell McDougal
Mac's Design & Construction
P.O. Box 32335
Juneau, AK 99803

February 4, 2015

To: Mayor Merrill Sanford
City and Borough of Juneau Assembly Members

Re: Support of Land Development Tax Deferral Change to Exemption

The City and Borough of Juneau (CBJ) residents are suffering from a housing shortage. The 2008 CBJ Comprehensive Plan documents the following:

- Insufficient supply of housing to provide residents adequate choice in housing size, location and price.
- Many residents live in overcrowded and/or unsafe and unsanitary conditions.
- Many households are paying more than 30% of their household income for shelter.

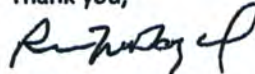
Providing affordable housing has been a top priority for the CBJ for quite some time.

I am writing in regard to AS 29.45.051 tax deferral for certain subdivision property. The Alaska Legislature passed this statutory change in response to builders across the state through the Alaska State Home Building Association (ASHBA), including the local Southeast Alaska Building Association (SEABIA) here in Juneau. In response to the building community, the City and Borough of Juneau passed a city ordinance, #2013-20(b) on the 19th of August 2013 to implement the tax deferral program.

This tax deferral was adopted to help construction contractors develop and make available more property in the borough to meet the housing needs in our area, including affordable housing. However, the deferral law has not provided the incentive hoped for in the original legislation.

The Juneau Affordable Housing Commission and the ASHBA are asking the City and Borough of Juneau to support a change to AS 29.45.051 for a tax exemption in order to provide land owners and developers the kind of incentive they need to build more subdivisions. By writing a letter of support of this legislative change to our local delegation, we can build a better capital city.

Thank you,



Russ McDougal
Owner, Mac's Design & Construction
Member, Juneau Affordable Housing Commission
Builder Director, ASHBA & SEABIA



**Alaska State
Home Building Association**

March 15, 2015

Representative Cathy Muñoz
Alaska House of Representatives
State Capitol, Room 501
Juneau, AK 99801

Dear Representative Muñoz:

On behalf of the members of the Alaska State Home Building Association, I would like to express our support for HB146 regarding newly subdivided properties.

Our state association is made up of six local homebuilder associations that include Kenai Peninsula, Interior Alaska, Matsu, Anchorage, Northern Southeast and Southern Southeast.

Building affordable housing in Alaska is our most formidable challenge with the few building materials available locally, high costs of land development, increasing regulatory codes and the cost of extending infrastructure like roads and utilities.

Alaska is the 4th most expensive state to live in; mostly due to housing costs. The median list price of homes in the state is \$252,000. Homes cost more in Juneau (where the median is around \$315,000) than in Kenai (where the median sits at around \$200,000).

This legislation could provide some relief for the tremendous risk and cost of land development and will directly impact the end cost of a development lot, and the final cost of a new home.

Thank you for introducing this legislation and for your dedicated service to Alaskan citizens.

Sincerely,

Chuck Homan, President
Alaska State Home Building Association

P.O. Box 91444 • Anchorage, Alaska 99509
Phone (907) 644-4190 • FAX (888) 732-1401
Website: www.buildersofalaska.com
E-mail: alaskastatehomebuildingassoc@gmail.com



LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@akleg.gov

Research Brief

TO: Representative Cathy Muñoz
FROM: Susan Haymes, Legislative Analyst
DATE: March 23, 2015
RE: Property Tax Deferral and Exemption for Subdivided Property
LRS Report 15.336

You asked which municipalities have adopted the property tax deferral option for subdivided property under AS § 29.45.051. Additionally, you asked which other states have enacted property tax exemptions for subdivided property.

In 2012, Alaska lawmakers authorized municipalities to allow the payment of taxes on the increase in the assessed value of subdivided land to be deferred for a maximum of five years (AS § 29.45.051).¹ According to Ron Brown, State Assessor, Juneau is the only municipality to have adopted such an ordinance.²

We identified three states—California, Idaho, and Illinois—that have enacted some type of property tax exemption related to subdivided property.³ In California, under the “builder’s exclusion” provision, property owners may apply for an exemption from payment of supplemental taxes for new construction.⁴ In 2005, the law was amended such that developers of single-family subdivisions of five lots or more no longer have to apply for the builder’s exemption. Rather, upon the recording of the subdivision map, eligible developers are automatically exempted from paying the supplemental tax.⁵ The builder’s exclusion applies only to the supplemental assessment for new construction, not to the property’s annual property tax.

In 2012, Idaho lawmakers passed a site improvement exemption, also known as the “developer’s discount,” which provides a tax exemption for improvements such as streets, curbs, gutters, and utilities on land held in subdivisions.⁶ The lots are appraised as undeveloped land using values from current raw land sales. The exemption extends only to those parcels that have not been built upon. According to the Idaho State Tax Commission, the intent of the law is to provide some tax relief to land developers that have incurred the expense of building roads and bringing in utilities and other infrastructure and have been left with an inventory of buildable lots that they are unable to sell.

Illinois enacted a “developer’s exemption,” which provides that in counties with fewer than 3 million residents, the subdivision of property into separate lots and the development of the property with streets, sidewalks, curbs, gutters, and utilities will not increase the assessed value of the property.⁷ Essentially, the law provides that qualifying subdivided land is to be valued according to its use at the time the subdivision was recorded. For example, if the underlying land was assessed as farmland at the time of platting, the subdivision’s lots will be assessed as farmland. The assessed valuation of the subdivided property is

¹ Ch 64 SLA 2012.

² We include, as Attachment A, Juneau Municipal Code § 69.10.022, which authorizes a property tax deferral for subdivided land allowed under AS § 29.45.051. Mr. Brown can be reached at 907.269.4605.

³ We conducted a search of numerous sources including *LexisNexis*. While we believe our research to be thorough, given the variations of wording regarding this topic, we may have missed other states that allow some kind of exemption for subdivided property.

⁴ Cal Rev & Tax Code §75.12.

⁵ Builders of four or fewer single-family residences may also be exempted from a supplemental assessment on new construction that is built for sale, but are required to file a claim for exclusion within 30 days of starting construction.

⁶ Idaho Code § 63-602W.

⁷ 35 ILCS 200/10-30.

determined each year based on the estimated price the property would bring at fair market value for use by the buyer for the same purposes. The exemption is intended to encourage real estate development by providing a tax incentive that protects a developer from paying increased taxes until a return on the investment can be made.

We hope this is helpful. If you have questions or need additional information, please let us know.

69.10.022 - Deferral for certain subdivided property.

All borough property taxes, including areawide, non-areawide, solid-waste collection district, and service area taxes derived from the increase in assessed value and directly attributable to the subdivision of a single parcel of property into three or more lots and any improvements made to the property necessitated by its subdivision may be deferred for a maximum of five years. This deferral is subject to the following conditions and restrictions:

- (a) The deferred value shall be the difference between the annually assessed value of each lot and the apportioned value of the original parcel allocated to each lot at the time of subdivision.
- (b) "Improvements made to the property necessitated by its subdivision" is limited to improvements required by Title 49 of the City and Borough of Juneau Code of Ordinances.
- (c) The deferral shall only apply to property for which a subdivision application was submitted in accordance with CBJ Title 49 on or after July 1, 2013.
- (d) A signed application on a form approved by the Assessor must be submitted prior to April 30 of each year a deferral is requested. The applicant must provide all relevant information and documents requested by the Assessor's Office.
- (e) The amount deferred each year is a lien upon the lot assessed. Lien recording costs shall be submitted with the application.
- (f) The deferral shall terminate for each lot when the lot's ownership is transferred, a residential or commercial structure has been completed on the lot and a certificate of occupancy or a temporary certificate of occupancy has been issued in accordance with CBJ Title 19, or taxes have been deferred for the maximum five-year period. When the deferral terminates, the deferred tax amounts shall be paid within 30 days of written notice. Failure to pay the amount due within 30 days of the date notice was mailed will result in interest accruing as provided by CBJ Code 69.10.080(3), and the property will be subject to the provisions of CBJ Chapter 69.10. The Treasurer or the Treasurer's designee shall sign a notarized release of lien upon payment of the deferred amounts but shall not be responsible for recording the release.
- (g) Definitions, for purposes of this section:
 - (1) "*Deferred value*" is defined as the increase in assessed value, if any, that is directly attributable to the subdivision of a single parcel of property into three or more lots and any improvements required by CBJ Title 49
 - (2) "*Assessed value*" is defined as the full and true value as of January 1 after recording of the final plat and before application of any other exemptions and/or deferrals.

(Serial No. 2013-20(b), § 2, 8-19-2013, eff. 9-18-2013)

Juneau Affordable Housing Commission

2015 Commissioners

Tamara Rowcroft, Chair
 Mandy O'Neal Cole, Vice Chair
 Norton Gregory
 Russ McDougal
 Honey Bee Anderson
 Wayne Coogan
 Justin Shearer
 Margaret O'Neal

February 04, 2015

Jesse Kiehl, Chair
 Lands and Resources Committee
 City and Borough of Juneau
 155 S. Seward Street
 Juneau, AK 99801

Re: Subdivision Tax Deferral vs. Abatement

Dear Mr. Kiehl and the Lands and Resources Committee,

The Juneau Affordable Housing Commission (AHC) supports the concept of subdivision tax abatement as an incentive for the development of affordable housing in our community. At our April 01, 2014 meeting we passed a unanimous motion to ask the City of Borough of Juneau to support state legislation that would change the current tax deferral law to a tax abatement law. This concept is supported by the local Southeast Alaska Building Industry Association (SEABIA)

We are asking the Lands and Resources committee to support this concept and move it forward for review and approval by the Assembly.

Sincerely,



Tamara Rowcroft, Chair
 Juneau Affordable Housing Commission