

HB

146

<TARGET><BILL>HB 146</BILL><SUBJECT>HB
146</SUBJECT><COMM>SCRA29</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 3/30/15

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 4/11/15

Community and Regional Affairs Committee considered CS FOR HOUSE BILL NO. 146(CRA)

HB 146 MUNICIPAL TAX EXEMPTION

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

and recommends:

be replaced with SCS CS HB 146 (CRA) [] 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

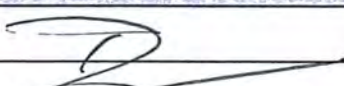
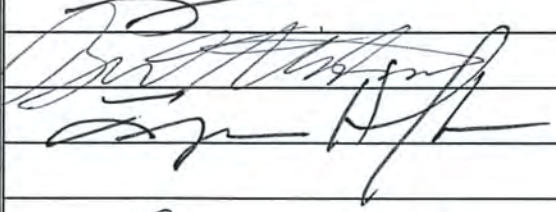
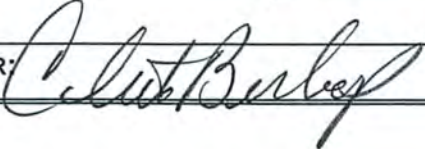
[] further referral to _____ Committee

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

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
<u>LED</u>			✓	<u>2</u>

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

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Egan ✓	✓			
	Hoffman			✓	
	Bishop ✓	✓			
CHAIR:					



REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

TO: Sen. Click Bishop, Chair, (S) Community & Regional Affairs

FROM: Rep. Cathy Muñoz

DATE: March 31, 2015

A handwritten signature in blue ink that reads "Cathy Muñoz".

RE: Hearing Request for HB 146 - " An act relating to a municipal tax exemption for certain subdivided property."

Attached are:

1. HB146 Sponsor Statement
2. HB146 Current Version W
3. HB146 V Explanation of change made in (H)CRA
4. HB146 Fiscal Note
5. HB146 Sectional
6. HB146 Leg Research
7. HB146 Supporting Documents

If you have questions regarding this request, you can also contact our staff members Crystal Koeneman 465 4712 or Terry Harvey, 465 5392.



REPRESENTATIVE CATHY MUÑOZ

House Bill 146

SPONSOR STATEMENT

"An Act allowing an abatement 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 House Bill 146 will give municipalities the option to provide an incentive to develop land for housing by exempting for up to five years a property tax increase associated with subdividing a piece of property into three or more parcels.

The measure 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 a local government to adopt the 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.

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 abatement will benefit them.

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: 3/25/15

Referred: Rules

Sponsor(s): REPRESENTATIVES MUÑOZ, Kito, Chenault, Josephson

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



REPRESENTATIVE CATHY MUÑOZ

CSHB 146 Version W

Explanation of change(s) made in (H) CRA

In the original language, in two references, the exemption is to be terminated when a residential or commercial 'building is built'.

After a discussion with the State Assessors office it was determined more inclusive language would better address situations where residential or commercial use can be established even though a building is not built. Examples that were discussed included parking or automobile sales lots, mobile home courts, and farming and grazing land.

Therefore the sponsor offered the following suggested change and it was adopted by the committee in the form committee substitute version W.

The two references were changed from "a residential or commercial **'building is built'**" to

"a residential or commercial **'use is established'**"

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 146(CRA)
Fiscal Note Number:	1
(H) Publish Date:	3/25/2015

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					
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							
---------------------------	--	--	--	--	--	--	--

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

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.

SENATE CONCURRENT RESOLUTION NO. 12
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Introduced: 4/13/15

Referred: Secretary's Desk

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 146, relating to a municipal tax exemption for**
3 **certain subdivided property.**

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

5 That under Rules 49(a) and 54, Uniform Rules of the Alaska State Legislature, the
6 provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State
7 Legislature, regarding changes to the title of a bill, are suspended in consideration of House
8 Bill No. 146, relating to a municipal tax exemption for certain subdivided property.

SENATE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 146, relating to a municipal tax exemption for**
3 **certain subdivided property.**

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

5 That under Rules 49(a) and 54, Uniform Rules of the Alaska State Legislature, the
6 provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State
7 Legislature, regarding changes to the title of a bill, are suspended in consideration of House
8 Bill No. 146, relating to a municipal tax exemption for certain subdivided property.

29-LS0048\H
Shutts
3/31/15

SENATE CS FOR CS FOR HOUSE BILL NO. 146()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Kito, Chenault, Josephson

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the optional exemption from and deferral of payment of municipal
2 taxes on deteriorated property; and relating to a municipal tax exemption for certain
3 subdivided property."

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

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

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

1 due, and the deferral ends. Otherwise, deferred tax payments become due as specified
 2 by the municipality at the time the deferral is granted. The amount deferred each year
 3 is a lien on that property for that year. Only one exemption and only one deferral may
 4 be granted to the same property under this subsection, and, if an exemption and a
 5 deferral are granted to the same property, both may not be in effect on the same
 6 portion of the property during the same time. An ordinance adopted under this
 7 subsection must include specific eligibility requirements and require a written
 8 application for each exemption or deferral. An application for a deferral must specify
 9 when payment of taxes for each year of deferral will become due, together with an
 10 explanation of the reasons for each proposed date for consideration by the
 11 municipality. In this subsection, "deteriorated property" means real property that,
 12 **either at the time of application for exemption or deferral or at the time of**
 13 **completion of the project for which an exemption or deferral is requested,** is

14 **(1) residential property located in a deteriorating or deteriorated**
 15 **area with boundaries that have been determined by the municipality, if the**
 16 **property is owned by an entity that owns at least two residential properties and**
 17 **eight or more residential units among those properties in that deteriorating or**
 18 **deteriorated area; or**

19 **(2) commercial property not used for residential purposes or that is**
 20 **multi-unit residential property with at least eight residential units, and that meets one**
 21 **of the following requirements:**

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

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

29 **(C) [(3)] is located in a deteriorating or deteriorated area with**
 30 **boundaries that have been determined by the municipality.**

31 * **Sec. 2.** AS 29.45.050 is amended by adding a new subsection to read:

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

7 (1) the exemption is terminated when

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

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

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

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

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

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



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.

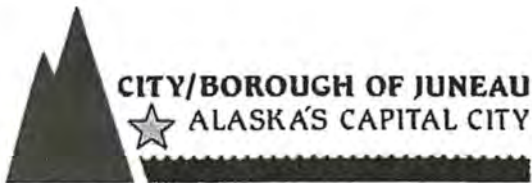
We hope this is helpful. If you have questions or need additional information, please let us know.

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)



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,

A handwritten signature in black ink, appearing to read "Merrill Sanford".

Merrill Sanford
Mayor

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

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,

A handwritten signature in black ink, appearing to read "Shirley Marquardt".

Mayor Shirley Marquardt
City of Unalaska

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

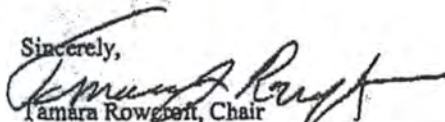
Re: Subdivision Tax Deferral vs. Abatement

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



March 26, 2015

Representative Cathy Muñoz
State Capitol Room 501
Juneau AK, 99801

Ref: HB 146 "Municipal tax exemption for certain subdivided property"

Dear Representative Muñoz:

HB 146 was reviewed by the Alaska Association of REALTORS® Legislative Issues Committee today and received unanimous support for adoption by the Alaska Legislature. This bill clarifies the language in a previous statute adopted in 2012. With this passage of HB 146, municipalities will have the authority to exempt property taxes to be levied on certain subdivided property. This legislation will help hold down development costs in a multi-lot subdivision and increase the availability of housing for Alaskans across the State.

Sincerely,

A handwritten signature in cursive script that reads 'Errol Champion'.

Errol Champion
Chairman, Legislative Issues Committee
Alaska Association of REALTORS®





Southeast Alaska Building Industry Association

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

2015 Board of Directors

February 4, 2015

Greg Stopher
Vice-President
Stopher Construction

Victor Banaszak
Vice President
VRB Construction, LLC

Jamey Young
Treasurer
True North FCU

Alec Mesdag
Secretary
AEL&P

Tom Sullivan
Associate Vice-President
Northrim Bank

Rich Harris
Past President
RH Development

Russ McDougal
Builder Director
Mac's Design & Construction

Don Nowlin
Builder Director
Juneau Excavation

Adam Brown
Builder Director
*Alpine Construction
Enterprises*

Charlie Ford
Associate Director
City & Borough of Juneau

Mike Ban
Associate Director
EXIT Realty

Staff

Laura Baker
Executive Officer
SE Alaska BIA

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.

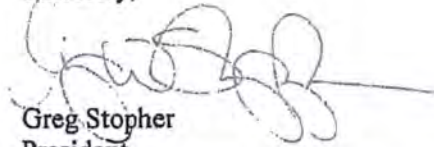
The proposed change from a deferral to an exemption was brought to the attention of the Affordable Housing Commission and the Mayor almost a year ago, with SEABIA's understanding that a letter of support would be sent from the Mayor to Representative Munoz last spring. At this time, it is our understanding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



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



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,

A handwritten signature in cursive script that reads "Chuck Homan".

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

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.

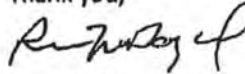
Providing affordable housing has been a top priority for the CBJ for quite some time.

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

From: Ryan Strong

Sent: Tuesday, March 24, 2015 7:49 AM

To: 'representative.laura.reinbold@akleg.gov'; Rep. Cathy Tilton; Rep. Cathy Munoz

Subject: HB 146

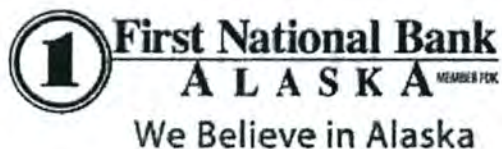
Dear Rep. Reinbold,

My name is Ryan Strong, and I am one of your constituents from Eagle River. I work as a banker and serve on the state board of the Alaska home building association.

Please support HB146, an Act creating an option for local governments to encourage land development through tax policy. As a local option, HB146 is a tool for local governments to use at their discretion. It can be used in areas where development costs are high and hinder opportunities to expand housing opportunities.

Sincerely,

Ryan Strong | Senior Vice President



ALASKA STATE LEGISLATURE
Senate Community & Regional Affairs Committee

Senator Click Bishop
Chair

Room 115
Phone (907) 465-2327
Sen.click.bishop@akleg.gov



Members:
Sen. Bert Stedman –Vice Chair
Sen. Anna MacKinnon
Sen. Lyman Hoffman
Sen. Dennis Egan

Agenda

April 7, 2015

HB 146 – Municipal Tax Exemption by Representative Munoz

CSHB 75 - Marijuana regulation; clubs, municipalities, local option election by the House Community and Regional Affairs Committee

Fiscal Note

State of Alaska
2015 Legislative Session

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

Identifier: HB146SCSCS(CRA)-DCCED-CRA-04-10-15
Title: MUNICIPAL TAX EXEMPTION
Sponsor: MUNOZ
Requester: (S) Finance

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 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
---------------------------	--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (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:

Updated in response to the combination of SB87 and HB146.

Prepared By:	Katherine Eldemar, Director	Phone:	(907)465-8256
Division:	Division of Community and Regional Affairs	Date:	04/10/2015 10:55 AM
Approved By:	Catherine Reardon, Director	Date:	04/10/15
Agency:	Division of Administrative Services, DCCED		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. SCS CSHB 146(CRA)

Analysis

HB 146 amends AS 29.45.050 (o) to allow municipalities the option to partially or wholly exempt, and/or defer, the property taxes for all or a portion of specific deteriorated residential property. The exemption is restricted to property located in a deteriorating or deteriorated area within the municipality and is limited to ten years. The amendment adds a definition for deteriorated [residential] property such that it may be composed of more than one property as long as it is owned by the same entity and has eight or more residential units in that deteriorating or deteriorated area. The bill also gives municipalities the option to partially or wholly exempt the assessed value increase for all or a portion of newly subdivided parcels.

The Division does not anticipate a fiscal impact from passage of this bill.

29-LS0048\H
Shutts
3/31/15

SENATE CS FOR CS FOR HOUSE BILL NO. 146()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Kito, Chenault, Josephson

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the optional exemption from and deferral of payment of municipal
2 taxes on deteriorated property; and relating to a municipal tax exemption for certain
3 subdivided property."

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

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

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

1 due, and the deferral ends. Otherwise, deferred tax payments become due as specified
2 by the municipality at the time the deferral is granted. The amount deferred each year
3 is a lien on that property for that year. Only one exemption and only one deferral may
4 be granted to the same property under this subsection, and, if an exemption and a
5 deferral are granted to the same property, both may not be in effect on the same
6 portion of the property during the same time. An ordinance adopted under this
7 subsection must include specific eligibility requirements and require a written
8 application for each exemption or deferral. An application for a deferral must specify
9 when payment of taxes for each year of deferral will become due, together with an
10 explanation of the reasons for each proposed date for consideration by the
11 municipality. In this subsection, "deteriorated property" means real property that,
12 **either at the time of application for exemption or deferral or at the time of**
13 **completion of the project for which an exemption or deferral is requested,** is

14 **(1) residential property located in a deteriorating or deteriorated**
15 **area with boundaries that have been determined by the municipality, if the**
16 **property is owned by an entity that owns at least two residential properties and**
17 **eight or more residential units among those properties in that deteriorating or**
18 **deteriorated area; or**

19 **(2) commercial property not used for residential purposes or that is**
20 **multi-unit residential property with at least eight residential units, and that meets one**
21 **of the following requirements:**

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

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

29 **(C) [(3)] is located in a deteriorating or deteriorated area with**
30 **boundaries that have been determined by the municipality.**

31 * **Sec. 2.** AS 29.45.050 is amended by adding a new subsection to read:

1
2
3
4
5
6
7
8
9
10
11
12
13
14

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

(1) the exemption is terminated when

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

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

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

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

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

29-LS0824A
Shutts
3/31/15

SENATE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 146, relating to a municipal tax exemption for**
3 **certain subdivided property.**

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

5 That under Rules 49(a) and 54, Uniform Rules of the Alaska State Legislature, the
6 provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State
7 Legislature, regarding changes to the title of a bill, are suspended in consideration of House
8 Bill No. 146, relating to a municipal tax exemption for certain subdivided property.