

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSHB 555 thru HB 561 409

C S H B

5 5 5

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 5/6/88

4/30/88  
Mr. President:

Finance Committee considered CSHB 555 (FIN)

authorizing the Alasak Housing Finance Corporation to stabilize the market price of and the demand for residential housing in the state; efd and recommended

replace with S CS CSHB 555 (Fin)  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

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

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous

zero  fiscal impact

MEMBERS SIGNING DO PASS

[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

OTHER RECOMMENDATIONS

[Signature] No Rec  
[Signature] No Rec  
[Signature] No Rec  
[Signature] No Rec  
\_\_\_\_\_  
\_\_\_\_\_

[Signature] No Rec  
Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act authorizing the Alaska Housing Finance Corporation to fund disposal of substandard publicly owned housing; effective date."  
Sponsor: house rules  
Requestor: house State Affairs

Agency Affected: Revenue  
bku: Alaska Housing Finance Corp.

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		*	*	*	*	*
TOTAL						

POSITIONS:

FULL TIME						
PART TIME						
TEMPORARY						

ANALYSIS:

\* Proposal may not exceed \$10,000,000

Prepared by: Margaret Nelson Phone: 561-1900  
Division: Alaska Housing Finance Corporation Date: 04/18/88

Approved by Commissioner: Hugh Malone Date: 04/18/88  
Agency: Department of Revenue

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Original sponsor: Rules/House Members  
of the Joint Committee  
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 555 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-  
7 ration to stabilize the market price of and the  
8 demand for residential housing in the state; and  
9 providing for an effective date."

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

11 \* Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature  
12 finds that

13 (1) the Alaska Housing Finance Corporation and other financial  
14 institutions currently hold large portfolios of foreclosed residential  
15 housing;

16 (2) these financial institutions should be permitted to cooper-  
17 ate in administering foreclosed properties to avoid further adverse effects  
18 on the state's real estate markets and to stabilize the state's banking  
19 system;

20 (3) it is in the state's best interests in certain instances to  
21 reduce the supply of residential housing in the state by demolishing sub-  
22 standard publicly owned residential housing;

23 (4) residential housing situated in condominium projects with  
24 high vacancy rates caused by defaults and foreclosures presents special  
25 problems because mortgage investors and insurers have established con-  
26 ditions relating to owner-occupancy that adversely affect the ability to  
27 sell or finance a mortgage loan secured by a condominium unit; and

28 (5) the maintenance of stable and orderly markets for the pur-  
29 chase and sale of residential housing in the state is essential to the

1 economy of the state and the welfare of its citizens.

2 (b) The legislature intends to improve the stability of the state's  
3 market for residential housing. It is desirable to prevent a precipitous  
4 decline in the price of available housing that will erode the tax base of  
5 municipalities and further weaken the state's financial institutions. The  
6 legislature intends to accomplish these ends by government regulation of  
7 matters relating to the sale and disposition of residential housing held by  
8 financial institutions, the Alaska Housing Finance Corporation, and federal  
9 agencies. By authorizing the Alaska Housing Finance Corporation to exer-  
10 cise the market stabilization powers enacted in sec. 2 of this Act, the  
11 legislature intends to immunize to the fullest extent possible the board of  
12 directors of the Alaska Housing Finance Corporation against potential  
13 liability under federal antitrust and state antitrust, competition, and  
14 trade practices laws arising from the exercise of stabilization powers.

15 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

16 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board  
17 of directors determines that it is in the best interest of the corpo-  
18 ration, the corporation may take appropriate action under this sec-  
19 tion to stabilize the market price of and demand for residential  
20 housing in the state. To accomplish the purposes of this section, the  
21 corporation may

22 (1) make and execute necessary agreements and conveyances  
23 under which a borrower may exchange residential housing securing a  
24 mortgage loan owned, held, or sold by the corporation for other res-  
25 idential housing owned by the corporation;

26 (2) repurchase a mortgage loan sold or pledged by the  
27 corporation for the purpose of exercising a power conferred by this  
28 section;

29 (3) for the purpose of qualifying residential housing

1 situated in a condominium project for the best available financing for  
2 mortgage loans, make and execute agreements and contracts necessary to  
3 encourage all owners who occupy units in a condominium project that is  
4 not eligible for financing under this chapter to exchange their owner-  
5 ship interest for a condominium unit owned by the corporation in  
6 another project;

7 (4) make and execute appropriate agreements with insurers,  
8 investors, and guarantors concerning the temporary removal of residen-  
9 tial housing owned by the corporation from the resale market;

10 (5) convert residential housing owned by the corporation  
11 that is designed and constructed for owner occupancy to another bene-  
12 ficial use;

13 (6) make bulk sales of property owned by the corporation  
14 under procedures and terms the corporation determines are in the best  
15 interests of the corporation;

16 (7) after giving due consideration to the interests of  
17 competing individual sellers of residential housing, provide financing  
18 under terms established by the board to promote the sale of residen-  
19 tial housing owned by the corporation;

20 (8) invest funds of the corporation in the removal and  
21 disposal of substandard publicly owned residential housing if the  
22 board of directors determines that the investment is prudent, properly  
23 secured, and in the long-term best interests of the corporation;

24 (9) create subsidiary entities to implement a power con-  
25 ferred by this section and to provide insurance under AS 18.56.093 and  
26 18.56.095; and

27 (10) establish the interest rate on a mortgage loan for  
28 residential housing in the rural areas of the state at one percent  
29 less than the interest rate determined under AS 18.56.098(g)(1) - (4);

1 (11) take other actions necessary, convenient, or desirable  
2 to carry out the powers granted in this subsection.

3 (b) The corporation shall implement the powers conferred by (a)  
4 of this section by adopting regulations under AS 18.56.088.

5 \* Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

6 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the  
7 Alaska Housing Finance Corporation to stabilize the market price of  
8 and demand for residential housing in the state under AS 18.56.210.

9 \* Sec. 4. (a) The stabilization fund is established in the Alaska  
10 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(8), the fund  
11 may be expended by the corporation to make a grant to a state agency to  
12 finance the cost of demolishing state-owned residential housing.

13 (b) It is the intent of the legislature that the board of directors  
14 of the Alaska Housing Finance Corporation transfer \$2,700,000 from the  
15 Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization  
16 fund established in (a) of this section.

17 \* Sec. 5. Section 4 of this Act is repealed July 1, 1991.

18 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).  
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5-209/Xa  
Bradley  
5/4/88

5/6/88

Rv: Adopted  
SFC/pm

Original sponsor: Rules/House Members  
of the Joint Committee  
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 555 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 ration to stabilize the market price of and the  
8 demand for residential housing in the state; and  
9 providing for an effective date."

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11 \* Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature  
12 finds that

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14 institutions currently hold large portfolios of foreclosed residential  
15 housing;

16 (2) these financial institutions should be permitted to cooper-  
17 ate in administering foreclosed properties to avoid further adverse effects  
18 on the state's real estate markets and to stabilize the state's banking  
19 system;

20 (3) it is in the state's best interests in certain instances to  
21 reduce the supply of residential housing in the state by demolishing sub-  
22 standard publicly owned residential housing;

23 (4) residential housing situated in condominium projects with  
24 high vacancy rates caused by defaults and foreclosures presents special  
25 problems because mortgage investors and insurers have established con-  
26 ditions relating to owner-occupancy that adversely affect the ability to  
27 sell or finance a mortgage loan secured by a condominium unit; and

28 (5) the maintenance of stable and orderly markets for the pur-  
29 chase and sale of residential housing in the state is essential to the

1 economy of the state and the welfare of its citizens.

2 (b). The legislature intends to improve the stability of the state's  
3 market for residential housing. It is desirable to prevent a precipitous  
4 decline in the price of available housing that will erode the tax base of  
5 municipalities and further weaken the state's financial institutions. The  
6 legislature intends to accomplish these ends by government regulation of  
7 matters relating to the sale and disposition of residential housing held by  
8 financial institutions, the Alaska Housing Finance Corporation, and federal  
9 agencies. By authorizing the Alaska Housing Finance Corporation to exer-  
10 cise the market stabilization powers enacted in sec. 2 of this Act, the  
11 legislature intends to immunize to the fullest extent possible the board of  
12 directors of the Alaska Housing Finance Corporation against potential  
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14 trade practices laws arising from the exercise of stabilization powers.

15 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

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17 of directors determines that it is in the best interest of the corpo-  
18 ration, the corporation may take appropriate action under this sec-  
19 tion to stabilize the market price of and demand for residential  
20 housing in the state. To accomplish the purposes of this section, the  
21 corporation may

22 (1) make and execute necessary agreements and conveyances  
23 under which a borrower may exchange residential housing securing a  
24 mortgage loan owned, held, or sold by the corporation for other res-  
25 idential housing owned by the corporation;

26 (2) repurchase a mortgage loan sold or pledged by the  
27 corporation for the purpose of exercising a power conferred by this  
28 section;

29 (3) for the purpose of qualifying residential housing

1 situated in a condominium project for the best available financing for  
 2 mortgage loans, make and execute agreements and contracts necessary to  
 3 encourage all owners who occupy units in a condominium project that is  
 4 not eligible for financing under this chapter to exchange their owner-  
 5 ship interest for a condominium unit owned by the corporation in  
 6 another project;

7 (4) make and execute appropriate agreements with insurers,  
 8 investors, and guarantors concerning the temporary removal of residen-  
 9 tial housing owned by the corporation from the resale market;

10 (5) demolish residential housing owned by the corporation  
 11 if the corporation determines that

12 (A) the housing is substandard compared to housing  
 13 available on the open market;

14 (B) the housing cannot be converted to a public or  
 15 charitable use; or

16 (C) there is a substantial oversupply of similar  
 17 housing on the open market;

18 (6)<sup>5</sup> convert residential housing owned by the corporation  
 19 that is designed and constructed for owner occupancy to another bene-  
 20 ficial use;

21 (7)<sup>6</sup> make bulk sales of property owned by the corporation  
 22 under procedures and terms the corporation determines are in the best  
 23 interests of the corporation;

24 (8)<sup>7</sup> after giving due consideration to the interests of  
 25 competing individual sellers of residential housing, provide financing  
 26 under terms established by the board to promote the sale of residen-  
 27 tial housing owned by the corporation,  
 28  
 29

5-2091Xa  
Bradley

5/6/88

RU: g; → Ob

Adopted

A M E N D M E N T

Offered in the SENATE

By Uehling

TO: SCS CSHB 555(Finance)

Page 4, line 7, after "18.56.095;":

Insert a new paragraph to read:

"(10) establish the interest rate on a mortgage loan for residential housing in the rural areas of the state at one percent less than the interest rate determined under AS 18.56.098(g)(1) - (4);"

Renumber remaining paragraph accordingly.

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(9)<sup>8</sup> invest funds of the corporation in the removal and disposal of substandard publicly owned residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(10)<sup>9</sup> create subsidiary entities to implement a power conferred by this section and to provide insurance under AS 18.56.093 and 18.56.095; and

→ INSERT NEW SUBSECTION (10)

(11) take other actions necessary, convenient, or desirable to carry out the powers granted in this subsection.

(b) The corporation shall implement the powers conferred by (a) of this section by adopting regulations under AS 18.56.081.

\* Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not prohibit activities of the Alaska Housing Finance Corporation to stabilize the market price of and demand for residential housing in the state under AS 18.56.210.

\* Sec. 4. (a) The stabilization fund is established in the Alaska Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(9), the fund may be expended by the corporation to make a grant to a state agency to finance the cost of demolishing state-owned residential housing;

(b) It is the intent of the legislature that the board of directors of the Alaska Housing Finance Corporation transfer \$2,700,000 from the Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization fund established in (a) of this section.

\* Sec. 5. Section 4 of this Act is repealed July 1, 1991.

\* Sec. 6. This Act takes effect immediately under AS 01.10.170(c).

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 555(SA)  
PUBLISH DATE: HOUSE 4/25/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act authorizing the Alaska Housing Finance Corporation to fund disposal of substandard publicly owned housing; effective date."  
Sponsor: house rules  
Requestor: house State Affairs

Agency Affected: Revenue  
bku: Alaska housing Finance Corp.  
  
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		*	*	*	*	*
TOTAL						

POSITIONS:

FULL TIME						
PART TIME						
TEMPORARY						

ANALYSIS:

\* Proposal may not exceed \$10,000,000

Prepared By: Margaret Nelson Phone: 561-1900  
Division: Alaska Housing Finance Corporation Date: 04/18/88

Approved by Commissioner: Hugh Malone Date: 04/18/88  
Agency: Department of Revenue

Distribution: (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

5-2091X  
Bradley  
5/4/88

5/5/88  
Pulled from  
Committee  
files

Original sponsor: Rules/House Members  
of the Joint Committee  
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 555 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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18 on the state's real estate markets and to stabilize the state's banking  
19 system;

20 (3) it is in the state's best interests in certain instances to  
21 reduce the supply of residential housing in the state by demolishing sub-  
22 standard publicly owned residential housing;

23 (4) residential housing situated in condominium projects with  
24 high vacancy rates caused by defaults and foreclosures presents special  
25 problems because mortgage investors and insurers have established con-  
26 ditions relating to owner-occupancy that adversely affect the ability to  
27 sell or finance a mortgage loan secured by a condominium unit; and

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29 chase and sale of residential housing in the state is essential to the

1 economy of the state and the welfare of its citizens.

2 (b) The legislature intends to improve the stability of the state's  
3 market for residential housing. It is desirable to prevent a precipitous  
4 decline in the price of available housing that will erode the tax base of  
5 municipalities and further weaken the state's financial institutions. The  
6 legislature intends to accomplish these ends by government regulation of  
7 matters relating to the sale and disposition of residential housing held by  
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9 agencies. By authorizing the Alaska Housing Finance Corporation to exer-  
10 cise the market stabilization powers enacted in sec. 2 of this Act, the  
11 legislature intends to immunize to the fullest extent possible the board of  
12 directors of the Alaska Housing Finance Corporation against potential  
13 liability under federal antitrust and state antitrust, competition, and  
14 trade practices laws arising from the exercise of stabilization powers.

15 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

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17 of directors determines that it is in the best interest of the corpo-  
18 ration, the corporation may take appropriate action under this sec-  
19 tion to stabilize the market price of and demand for residential  
20 housing in the state. To accomplish the purposes of this section, the  
21 corporation may

22 (1) make and execute necessary agreements and conveyances  
23 under which a borrower may exchange residential housing securing a  
24 mortgage loan owned, held, or sold by the corporation for other res-  
25 idential housing owned by the corporation;

26 (2) repurchase a mortgage loan sold or pledged by the  
27 corporation for the purpose of exercising a power conferred by this  
28 section;

29 (3) for the purpose of qualifying residential housing

1 situated in a condominium project for the best available financing for  
2 mortgage loans, make and execute agreements and contracts necessary to  
3 encourage all owners who occupy units in a condominium project that is  
4 not eligible for financing under this chapter to exchange their owner-  
5 ship interest for a condominium unit owned by the corporation in  
6 another project;

7 (4) make and execute appropriate agreements with insurers,  
8 investors, and guarantors concerning the temporary removal of residen-  
9 tial housing owned by the corporation from the resale market;

10 (5) demolish residential housing owned by the corporation  
11 if the corporation determines that

12 (A) the housing is substandard compared to housing  
13 available on the open market;

14 (B) the housing cannot be converted to a public or  
15 charitable use; or

16 (C) there is a substantial oversupply of similar  
17 housing on the open market;

18 (6) convert residential housing owned by the corporation  
19 that is designed and constructed for owner occupancy to another bene-  
20 ficial use;

21 (7) make bulk sales of property owned by the corporation  
22 under procedures and terms the corporation determines are in the best  
23 interests of the corporation;

24 (8) after giving due consideration to the interests of  
25 competing individual sellers of residential housing, provide financing  
26 under terms established by the board to promote the sale of residen-  
27 tial housing owned by the corporation if the board of directors deter-  
28 mines that the terms of financing will help stabilize the housing  
29 market;

1 (9) invest funds of the corporation in the removal and  
2 disposal of substandard publicly owned residential housing if the  
3 board of directors determines that the investment is prudent, properly  
4 secured, and in the long-term best interests of the corporation;

5 (10) create subsidiary entities to implement a power con-  
6 ferred by this section and to provide insurance under AS 18.56.093 and  
7 18.56.095; and

8 (11) take other actions necessary, convenient, or desirable  
9 to carry out the powers granted in this subsection.

10 (b) The corporation shall implement the powers conferred by (a)  
11 of this section by adopting regulations under AS 18.56.088.

12 \* Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

13 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the  
14 Alaska Housing Finance Corporation to stabilize the market price of  
15 and demand for residential housing in the state under AS 18.56.210.

16 \* Sec. 4. (a) The stabilization fund is established in the Alaska  
17 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(9), the fund  
18 may be expended by the corporation to make a grant to a state agency to  
19 finance the cost of demolishing state-owned residential housing.

20 (b) It is the intent of the legislature that the board of directors  
21 of the Alaska Housing Finance Corporation transfer \$2,700,000 from the  
22 Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization  
23 fund established in (a) of this section.

24 \* Sec. 5. Section 4 of this Act is repealed July 1, 1991.

25 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).  
26  
27  
28  
29



Official Business

# Alaska State Legislature

## House of Representatives

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Members of the Senate Finance Committee

FROM: Representative Steve Rieger, Co-Chair  
Representative Kay Brown, Co-Chair  
Subcommittee on Housing and Banking of the  
House Joint Economic Recovery Committee

DATE: May 4, 1988

RE: SCSCSHB 555 (Fin) - Authorizing AHFC to stabilize the  
market price of and the demand for residential housing  
in the state; and providing for an effective date.

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The following is an overview of the above referenced bill:

Section 1:

Findings:

Relating to what AHFC and government agencies should do to stabilize the current residential real estate market. Also discusses immunity of AHFC from potential liability under federal and state anti-trust laws in exercising stabilization powers.

Sec. 1 AS 18.56 is amended by adding a new section to read:

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 am - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, or for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) after giving due consideration to the interests of competing individual sellers of residential housing, provide financing under terms established by the board to promote the sale of residential housing owned by the corporation.

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET. WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING AND OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in removal and disposal of substandard publicly owned residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 3 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 4 (a) The stabilization fund is established in the Alaska Housing Finance corporation. Notwithstanding AS 18.56.210 (a) (9), the fund may be expended by the corporation to make a

grant to a state agency to finance the cost of demolishing state-owned residential housing.

(PARTICIPATE IN THE DEMOLITION OF LOW QUALITY SUBSTANDARD HOUSING UNITS BY MAKING A GRANT TO FINANCE COSTS)

(b) It is the intent of the legislature that the board of directors of the Alaska Housing Finance Corporation transfer \$2,700,000 from the Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization fund established in (a) of this section.

(IT IS INTENDED THAT THESE FUNDS WILL BE UTILIZED TO PARTICIPATE IN THE DEMOLITION OF THE WILLOW PARK HOUSING PROJECT.)

Sec. 5 Section 4 of this Act is repealed July 1, 1991.

Sec. 6 This act takes effect immediately under AS 01.10.070 (c).



Official Business

# Alaska State Legislature

## House

HB 555

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Members of the House State Affairs Committee

FROM: Representative Steve Rieger, Co-Chair *SR*  
Representative Kay Brown, Co-Chair *Kay*  
Subcommittee on Housing and Banking of the  
House Joint Economic Recovery Committee

DATE: April 18, 1988

RE: HB 555 - Authorizing AHFC to stabilize the market price  
of and the demand for residential housing in the state.

-----

The following is an overview of the above referenced bill. Suggested amendments are noted below and comments to each section are included in boldfaced type for your review. These changes were recommended by Alaska Housing Finance Corporation after their April 11, 1988 board meeting, and most changes have also been discussed by the Subcommittee on Housing and Banking.

-----

Sec. 1 AS 18.56 is amended by adding a new section to read:

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the [state's] corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, and for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation, if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET) (NEW LANGUAGE ADDED WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE

ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING/OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in publicly-owned projects involving the destruction of substandard residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 3 This act takes effect immediately under AS 01.10.070 (c).

HB555

*Alaska* HOUSING  FINANCE CORPORATION

April 15, 1988

The Joint Committee on Economic Recovery  
Alaska State Legislature  
Juneau, AK 99811

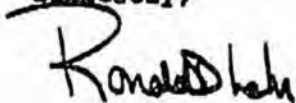
On April 15 the Alaska Housing Finance Corporation staff presented to the Board of Directors suggested legislation to help AHFC in its efforts to stabilize the Alaska residential real estate market. The Board made some changes and unanimously approved the proposal which is attached.

I recommended this proposed legislation to the Board because I believe it has the potential for helping us deal with a particularly hard-hit part of the Alaska housing market - the condominium market.

I want to stress that even if AHFC had all of the powers specified in the proposed legislation, we cannot guarantee success in our proposed market stabilization efforts since any actions involve a number of other institutions (e.g. Federal National Mortgage Association, Mortgage Guaranty Insurance Corporation, and Federal Housing Administration). However, I believe that it is far preferable to try and mitigate the severe problems facing condo owners and the condo market, rather than continuing a "business as usual" approach, with its associated difficulties of large losses, unsuitable properties, and so forth.

I realize that we are proposing a major departure from our past programs; however, it seems that extraordinary problems require extraordinary solutions.

Sincerely,



Dr. Ronald D. Lehr  
Executive Director

su

Attachment

RESOLUTION OF THE ALASKA STATE BUILDING  
AUTHORITY URGING GUBERNATORIAL AND LEGISLATIVE  
SUPPORT FOR THE FUNDING OF ASBESTOS ABATEMENT  
AT WILLOW PARK IN ANCHORAGE, ALASKA

Resolution No. 122

WHEREAS, the Willow Park housing complex in Anchorage, Alaska has been declared substandard and is under a municipal abatement notice; and

WHEREAS, the Alaska State Building Authority has sought a direct appropriation of \$2.6 million to initiate project disposition and finance the removal of hazardous materials from Willow Park; and

WHEREAS, the Alaska State Building Authority has applied to the U.S. Department of Housing and Urban Development for up to \$16.2 million in federal funds to replace this public housing; and

WHEREAS, failure to address the condition of Willow Park may result in certain life and safety issues which this Authority does not have sufficient funds to address; and

WHEREAS, current market conditions offer an opportunity to provide public housing recipients with decent, safe and sanitary housing in replacement for units at Willow Park; and

WHEREAS, replacement purchases made at this time will result in significant long-term savings to the government; and

WHEREAS, a variety of new jobs in accomplishing this property disposition are anticipated; and

WHEREAS, this funding is our highest priority capital project and has been supported by our entire Congressional delegation, the Alaska Housing Market Council, the House Joint Committee on Economic Recovery; and

WHEREAS, in order to prevent severe financial losses to the agency if vacation of the property is forced through unplanned means; and

WHEREAS, we have consistently requested through both Gubernatorial and Legislative channels an appropriation be included for this project in the current legislative session; and

WHEREAS, in order to secure federal funds that will only be available during the current federal funding cycle the State must initiate the process by committing State dollars to the project,

NOW, THEREFORE, BE IT RESOLVED, that the Alaska State Building Authority Board strongly urges that \$2.6 million in general funds be submitted by the Governor for appropriation by the 1988 Alaska State Legislature; and

BE IT FURTHER RESOLVED THAT, absent Gubernatorial submission of this item to the Alaska State Legislature, that members of the Legislature convene for the purposes of including these funds in 1988 appropriations before them for passage to the Governor.

PASSED AND APPROVED by the Board of the Alaska State Building Authority this 21st day of April, 1988.

**DON YOUNG**  
CONGRESSMAN FOR ALL ALASKA  
  
**WASHINGTON OFFICE**  
231 RAYBURN BUILDING  
TELEPHONE 202-225-5765

COMMITTEES:  
INTERIOR AND INSULAR  
AFFAIRS  
MERCHANT MARINE AND  
FISHERIES  
POST OFFICE AND  
CIVIL SERVICE



**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

DISTRICT OFFICES  
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FAIRBANKS, ALASKA 99701  
TELEPHONE 907/488-0210  
  
401 FEDERAL BUILDING  
P.O. BOX 1247  
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TELEPHONE 907/586-7400  
  
501 FEDERAL BUILDING  
KETCHIKAN, ALASKA 99902  
TELEPHONE 907/225-6880  
  
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KENAI, ALASKA 99611  
  
BOX 177  
KODIAK, ALASKA 99615  
  
P.O. BOX 1860  
NOME, ALASKA 99762

March 1, 1988

The Honorable Samuel R. Pierce, Jr.  
Secretary  
U.S. Department of Housing and Urban  
Development  
451 Seventh Street, S.W.  
Washington, D.C. 20410

Dear Secretary Pierce:

The Alaska Congressional Delegation joins in advising you of a priority request for funds from your department. The Alaska State Building Authority is in the process of seeking approximately \$9 million in new acquisition funds. Concurrently, they seek HUD's permission to demolish Anchorage's oldest public housing property - Willow Park. The award of these funds will represent the first new funds for family size units to the public housing authority since 1980. More importantly, they will serve to upgrade the lifestyle of some 150 public housing families while actively assisting in market absorption of 150 foreclosed properties now available in Anchorage.

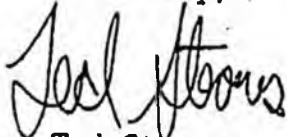
The federal, state and local partners that have built Alaska's public housing have worked for over a year to deliver a proposal of mutual benefit. This Alaska Delegation is proud to recommend this second-year effort to you as an outstanding example of federal funding being well-spent. This application is our highest public housing priority and has the full support of Alaska Governor Steve Cowper and Anchorage Mayor Tom Fink for their housing agendas.

We look to you to advise us of HUD's time frame for funding decisions and any questions you may have regarding the successful outcome of this request. The PHA and other state housing officials are expected in Washington, D.C. the week of March 21 to meet with us and appropriate members of your staff. The PHA officials have advised both the Anchorage and Region X offices of the unanimous support for this year's request and will continue to work through these offices during the application review process.

March 1, 1988  
Page 2

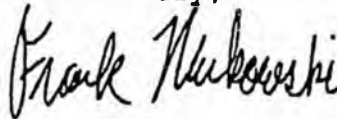
Thank you for your attention to this request and for your assistance in keeping us informed of its progress.

Sincerely,



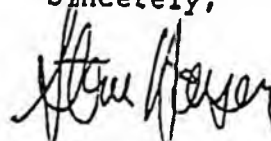
Ted Stevens  
U.S. Senator

Sincerely,



Frank Murkowski  
U.S. Senator

Sincerely,



Don Young  
U.S. Representative

cc: Distribution List

Original sponsor: Rules/House Members  
of the Joint Committee  
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 555 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act authorizing the Alaska Housing Finance Corporation to stabilize the market price of and the demand for residential housing in the state; and providing for an effective date."

7

8

9

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

11

\* Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature

12

finds that

13

(1) the Alaska Housing Finance Corporation and federal agencies

14

currently hold large portfolios of foreclosed residential housing;

15

(2) these governmental agencies should be permitted to cooperate

16

in administering foreclosed properties to avoid further adverse effects on

17

the state's real estate markets and to stabilize the state's banking system;

18

19

(3) it is in the state's best interests in certain instances to

20

reduce the supply of residential housing in the state by demolishing sub-

21

standard publicly owned residential housing;

22

(4) residential housing situated in condominium projects with

23

high vacancy rates caused by defaults and foreclosures presents special

24

problems because mortgage investors and insurers have established con-

25

ditions relating to owner-occupancy that adversely affect the ability to

26

sell or finance a mortgage loan secured by a condominium unit; and

27

(5) the maintenance of stable and orderly markets for the purchase and sale of residential housing in the state is essential to the

28

economy of the state and the welfare of its citizens.

29

1 mortgage loans, make and execute agreements and contracts necessary to  
2 encourage all owners who occupy units in a condominium project that is  
3 not eligible for financing under this chapter to exchange their owner-  
4 ship interest for a condominium unit owned by the corporation in  
5 another project;

6 (4) make and execute appropriate agreements with insurers,  
7 investors, and guarantors concerning the temporary removal of residen-  
8 tial housing owned by the corporation from the resale market;

9 (5) demolish residential housing owned by the corporation  
10 if the corporation determines that

11 (A) the housing is substandard compared to housing  
12 available on the open market;

13 (B) the housing cannot be converted to a public or  
14 charitable use; and

15 (C) there is a substantial oversupply of similar  
16 housing on the open market;

17 (6) convert residential housing owned by the corporation  
18 that is designed and constructed for owner occupancy to another bene-  
19 ficial use;

20 (7) make bulk sales of property owned by the corporation  
21 under procedures and terms the corporation determines are in the best  
22 interests of the corporation;

23 (8) provide financing under terms established by the board  
24 to promote the sale of residential housing owned by the corporation if  
25 the board of directors determines that the terms of financing do not  
26 work an excessive hardship on competing individual sellers of residen-  
27 tial housing;

28 (9) invest funds of the corporation in the removal and  
29 disposal of substandard publicly owned residential housing if the

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

Original sponsor: Rules/House Members  
of the Joint Committee  
on Economic Recovery

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 CS FOR HOUSE BILL NO. 555 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-  
7 ration to stabilize the market price of and the  
8 demand for residential housing in the state; and  
9 providing for an effective date."  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
11 \* Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature  
12 finds that  
13 (1) the Alaska Housing Finance Corporation and federal agencies  
14 currently hold large portfolios of foreclosed residential housing;  
15 (2) these governmental agencies should be permitted to cooperate  
16 in administering foreclosed properties to avoid further adverse effects on  
17 the state's real estate markets and to stabilize the state's banking sys-  
18 tem;  
19 (3) it is in the state's best interests in certain instances to  
20 reduce the supply of residential housing in the state by demolishing sub-  
21 standard publicly owned residential housing;  
22 (4) residential housing situated in condominium projects with  
23 high vacancy rates caused by defaults and foreclosures presents special  
24 problems because mortgage investors and insurers have established con-  
25 ditions relating to owner-occupancy that adversely affect the ability to  
26 sell or finance a mortgage loan secured by a condominium unit; and  
27 (5) the maintenance of stable and orderly markets for the pur-  
28 chase and sale of residential housing in the state is essential to the  
29 economy of the state and the welfare of its citizens.

1 (b) The legislature intends to improve the stability of the state's  
2 market for residential housing. It is desirable to prevent a precipitous  
3 decline in the price of available housing that will erode the tax base of  
4 municipalities and further weaken the state's financial institutions. The  
5 legislature intends to accomplish these ends by government regulation of  
6 matters relating to the sale and disposition of residential housing held by  
7 financial institutions, the Alaska Housing Finance Corporation, and federal  
8 agencies. By authorizing the Alaska Housing Finance Corporation to exer-  
9 cise the market stabilization powers enacted in sec. 2 of this Act, the  
10 legislature intends to immunize to the fullest extent possible the board of  
11 directors of the Alaska Housing Finance Corporation against potential  
12 liability under federal antitrust and state antitrust, competition, and  
13 trade practices laws arising from the exercise of stabilization powers.

14 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

15 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board  
16 of directors determines that it is in the best interest of the corpo-  
17 ration, the corporation may take appropriate action under this sec-  
18 tion to stabilize the market price of and demand for residential  
19 housing in the state. To accomplish the purposes of this section, the  
20 corporation may

21 (1) make and execute necessary agreements and conveyances  
22 under which a borrower may exchange residential housing securing a  
23 mortgage loan owned, held, or sold by the corporation for other res-  
24 idential housing owned by the corporation;

25 (2) repurchase a mortgage loan sold or pledged by the  
26 corporation for the purpose of exercising a power conferred by this  
27 section;

28 (3) for the purpose of qualifying residential housing  
29 situated in a condominium project for the best available financing for

1 mortgage loans, make and execute agreements and contracts necessary to  
2 encourage all owners who occupy units in a condominium project that is  
3 not eligible for financing under this chapter to exchange their owner-  
4 ship interest for a condominium unit owned by the corporation in  
5 another project;

6 (4) make and execute appropriate agreements with insurers,  
7 investors, and guarantors concerning the temporary removal of residen-  
8 tial housing owned by the corporation from the resale market;

9 (5) demolish residential housing owned by the corporation  
10 if the corporation determines that

11 (A) the housing is substandard compared to housing  
12 available on the open market;

13 (B) the housing cannot be converted to a public or  
14 charitable use; and

15 (C) there is a substantial oversupply of similar  
16 housing on the open market;

17 (6) convert residential housing owned by the corporation  
18 that is designed and constructed for owner occupancy to another bene-  
19 ficial use;

20 (7) make bulk sales of property owned by the corporation  
21 under procedures and terms the corporation determines are in the best  
22 interests of the corporation;

23 (8) provide financing under terms established by the board  
24 to promote the sale of residential housing owned by the corporation if  
25 the board of directors determines that the terms of financing do not  
26 work an excessive hardship on competing individual sellers of residen-  
27 tial housing;

28 (9) invest funds of the corporation in the removal and  
29 disposal of substandard publicly owned residential housing if the

1 board of directors determines that the investment is prudent, properly  
2 secured, and in the long-term best interests of the corporation;

3 (10) create subsidiary entities to implement a power con-  
4 ferred by this section and to provide insurance under AS 18.56.093 and  
5 18.56.095; and

6 (11) take other actions necessary, convenient, or desirable  
7 to carry out the powers granted in this subsection.

8 (b) The corporation shall implement the powers conferred by (a)  
9 of this section by adopting regulations under AS 18.56.088.

10 \* Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

11 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the  
12 Alaska Housing Finance Corporation to stabilize the market price of  
13 and demand for residential housing in the state under AS 18.56.210.

14 \* Sec. 4. (a) The stabilization fund is established in the Alaska  
15 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(9), the fund  
16 may be expended by the corporation to make a grant to a state agency to  
17 finance the cost of demolishing state-owned residential housing.

18 (b) It is the intent of the legislature that the board of directors  
19 of the Alaska Housing Finance Corporation transfer \$2,700,000 from the  
20 Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization  
21 fund established in (a) of this section.

22 \* Sec. 5. Section 4 of this Act is repealed July 1, 1991.

23 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

H B

5 5 7

# HOUSE COMMITTEE REPORT

(11)

Date referred: 4/21/88

FURTHER REFERRALS:

DATE: 5-3-88

The Finance Committee has considered HB 557

"An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

**RECOMMENDS:**

- replace with CS HB 557 (FIN)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published 4/21/88
- zero with analysis

**SIGNING DO PASS:**

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

Adams Al Adams - No Rec

Pourchet Pat Pourchet no rec

Larson Ron Larson No Rec

Swack Cliff Swack NO Rec

Boyer Mark Boyer no rec.

Rieger Steve Rieger

Frank Frank no rec.

Wallis Kay Wallis

Brown Taylor Brown No Rec

Al Adams  
Chairman's signature

Davis Mike Davis No Rec

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: "An Act..exemption..municipal taxation..economic development property.."  
 Sponsor: Rules Committee  
 Requestor: House Members of the Joint Committee on Economic Recovery

Agency Affected: Community & Regional Affairs  
 BRU: \_\_\_\_\_

Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

\_\_\_\_\_

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
 Division: Municipal & Regional Assistance Date: 4/14/88

Approved by Commissioner: M.K. Rutherford Date: 4/14/88  
 Agency: Community & Regional Affairs

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Rules/House Members of  
the Joint Committee on  
Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 557 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an exemption or deferral from  
7 municipal taxation for economic development property;  
8 and providing for an effective date."

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

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

12 (1) A municipality may by ordinance exempt or defer from taxa-  
13 tion, in whole or in part, economic development property. An ordi-  
14 nance adopted under this subsection may not provide for an exemption  
15 or deferral that exceeds five years in duration, must establish spe-  
16 cific eligibility requirements for the exemption or deferral, must  
17 require a written application for each exemption or deferral demon-  
18 strating eligibility, and must subject each exemption or deferral to  
19 approval by the governing body after a public hearing. The governing  
20 body may not provide an exemption or deferral under this subsection if  
21 the exemption or deferral would result in a competitive disadvantage  
22 to other businesses in the municipality. In this subsection "economic  
23 development property" means real or personal property that may be  
24 depreciated for federal income tax purposes and is used in a trade or  
25 business in a way that

26 (1) creates new employment in the municipality by generat-  
27 ing sales outside of the municipality of goods or services produced in  
28 the municipality; or

29 (2) materially reduces the importation of goods or services

1 from suppliers outside the municipality.

2 \* Sec. 2. This Act takes effect January 1, 1989.

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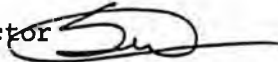
29

*Alaska*  
**MUNICIPAL**  
*League*

TELEPHONE  
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301  
JUNEAU, ALASKA 99801

TO: Representative Al Adams, Chair  
Members of the House Finance Committee

FROM: Scott A. Burgess, Executive Director 

DATE: May 3, 1988

SUBJECT: HB 557 - Optional exemption or deferral from municipal taxes for economic development property

On behalf of its municipal members, the Alaska Municipal League supports HB 557, allowing municipalities to exempt or defer municipal taxes on economic development property.

The AML's support is based on the 1988 AML Policy Statement language below:

**PART X - ECONOMIC DEVELOPMENT, B. INCENTIVES:**

1. Local Incentives: The League urges the Legislature to adopt legislation which would allow local municipalities greater flexibility through the use of local options in offering property tax incentives to new and expanding industry and business.

The bill would accomplish this policy in the area of optional exemptions or deferrals on economic development property, in whole or part, for up to five years. The proposed legislation would allow a municipality to provide an incentive to a specific or type of industry or business it wishes to attract or support. Allowing optional tax exemptions or deferrals for economic development property will provide municipalities with another option in carrying out community development strategies which fit their unique circumstances. Adequate safeguards exist by requiring an ordinance; a five year limitation; eligibility criteria; and, findings of no "unreasonable competitive disadvantage" and of benefit to the community.

While tax advantages may be only one, and in some cases a less significant, criteria for a business or industry locating in a community, it could also be the deciding factor. The AML supports HB 557. Thank you.

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

April 15, 1988

## POSITION PAPER

RE: House Bill 557 "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

SPONSOR: House Joint Committee on Economic Recovery

### Program Summary

This bill relates to property taxes and adds a section to the optional exemptions that municipalities may adopt under AS 29.45.050. An ordinance adopted under this section would allow municipalities to exempt or partially exempt or defer or partially defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferment the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or, exported from the municipality.

### Comments

The language in HB 557 is consistent with existing statutes, serves a positive public purpose and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.

  
\_\_\_\_\_  
Marty Rutherford  
Acting Deputy Commissioner

# State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
HOUSE JUDICIARY  
HOUSE RULES



Representative Max F. Gruenberg, Jr.  
District 11  
Spennard, Upper Midtown Anchorage

P.O. BOX V  
UNIVERSITY ALASKA 99811  
(907) 465-3718  
465-4968/4986

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6844

MEMORANDUM

TO: REPRESENTATIVE ALBERT ADAMS, CHAIR  
HOUSE FINANCE COMMITTEE

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR  
JOINT COMMITTEE ON ECONOMIC RECOVERY

DATE: APRIL 20, 1988

RE: JOINT COMMITTEE LEGISLATION

I would appreciate your consideration of CSHB 557 at your earliest convenience. CSHB 557, "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date" was developed by the Anchorage Economic Development Corporation and considered by the members of the House side of the Joint Committee on Economic Recovery at our April 8 and 9 meetings. This bill was then introduced at the House members' request by the House Rules Committee.

CSHB 557 would allow the governing body of a municipality to provide a limited exemption or deferral of local taxes for economic development property. The purpose of this legislation is to encourage economic growth and investment as well as provide greater opportunities for employment within those municipalities that choose to provide this exemption or deferral. Again, this bill simply enables local governments to use this economic development tool, if they so choose.

This bill was heard and passed by the Community and Regional Affairs Committee. The changes reflected in the Committee substitute were technical and stylistic in nature.

I have also attached correspondence from the Alaska Economic Development Corporation regarding this legislation.

I hope you can speedily schedule this bill before your committee to enhance its chance of passage this session.

If you have any questions please give Tom Begich of my staff a call at 465-3718 or 465-4968.

Thanks.

attachments



# Alaska State Legislature

## House of Representatives

### Committee on Community & Regional Affairs

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4833

Date: April 18, 1988  
TO: Rep. Henry Springer, Chairman HCRA  
FROM: David C. Harrison, HCRA Staff  
SUBJECT: HB 557 "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

\*\*\*\*\*

Section 1. AS 29.45.050 is amended by adding a new section under municipal statutes concerning optional tax exemptions.

REVIEW:

This bill would allow the governing body of a municipality to provide a limited exemption or deferral from municipal taxation for (delete comma and add the word) new economic development property. (by adding the word new before economic development property restricts allowable exemptions or deferrals thereby encouraging new economic developments.)

Conditions for exemptions may be in whole or in part for economic development property and cannot exceed five years duration.

Municipality must establish specific eligibility requirements for the exemptions and deferrals whereby written applications show need or demonstrate eligibility subjecting each exemption or deferral to approval by the governing body after a public hearing.

Emphasis is that strong local control in municipal tax exemption or deferrals is assured. Denial of application would be based upon determination that such tax exemptions or deferrals would result in unreasonable competitive disadvantage to other businesses in the municipality.

Definition of "economic development property" is that:

1. Property that may be depreciated for federal income tax purposes;

2. Is used in a trade or business in a way that creates employment in the municipality (delete coma generates) and add by generating sales outside of the municipality of goods or services produced in the municipality, or materially reduces the importation of goods or services from suppliers outside the municipality.

Allowing municipalities an option to assist in economic recovery and investment through tax exemption and deferrals, if they so choose, provides both private and public sectors an avenue to work together in stimulating economic opportunities locally.

The process, specifics and conditions placed in the bill should prevent over shifting of the tax burden to property owners. No doubt, municipalities, the private sector and state level efforts are necessary to speed and enhance economic recovery in the State of Alaska.



**ANCHORAGE**  
ECONOMIC  
DEVELOPMENT  
CORPORATION

March 31, 1988

Honorable Max Gruenberg  
House of Representatives  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Gruenberg:

Recently you received from my office two pieces of draft legislation regarding economic development incentives. Specifically, one would give local governments the authority to offer property tax abatements and the other would allow utilities to offer economic development incentive rates. Both bills contain strong provisions for local control and oversight and strong safeguards that ensure public process.

This letter is to reconvey those bills to you with some slight improvements. Those passages that are underlined have been added or redrafted. However, none of the changes are substantive, just some fine tuning.

The support for this legislation is broad and growing. Groups as diverse as the Alaska Municipal League, the Anchorage Chamber of Commerce and the Anchorage Board of Realtors have endorsed it specifically or in concept. These groups understand the real need for some tools with which to conduct economic development.

Again, we would welcome any comments on these bills and appreciate your time and support.

Respectfully submitted,

Scott E. Hawkins  
President and CEO

Attachments:

- 1) Revised Bills
- 2) Position Statements from Various Organizations
- 3) Survey of U.S. Cities' Use of Economic Development Tools

550 West 7th Avenue  
Suite 850  
Anchorage, AK 99501  
Telephone (907) 258-3700



ANCHORAGE  
ECONOMIC  
DEVELOPMENT  
CORPORATION

March 23, 1988

Honorable Max Gruenberg  
House of Representatives  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Gruenberg:

Although the 1988 Legislative session is more than half over, I am forwarding for your consideration two pieces of draft legislation that, if adopted, will significantly enhance the ability of local areas to conduct economic development. One allows local governments to offer tax incentives to businesses that locate or expand in their jurisdictions. The other allows utilities to offer economic development incentive rates to new or expanding businesses.

The best phrase to describe both of these initiatives is "local control." At present, the clear statutory authority to offer these incentives is lacking. Our intent is to make these tools available to those local areas that choose to use them.

The need for this legislation is painfully clear. In just a few short months of operation, the A.E.D.C. has found that it has precious few tools with which to conduct economic development. In conversations or correspondence with firms that have some interest in locating or expanding in Anchorage, we find that we bring very little to the table. In most cases we are reduced to being cheerleaders, or promoters, while similar organizations in other U.S. cities offer attractive inducements that add credence to their promotions and give businesses a clear signal that they are welcome there.

550 West 7th Avenue  
Suite 850  
Anchorage, AK 99501  
Telephone (907) 258-3700

Neither of these draft bills are designed to increase the burden on taxpayers or consumers. Both are oriented toward generating new revenue, albeit at a lower rate in the early years. Further, both are targeted at "export" businesses, which means businesses that primarily serve customers outside of the local jurisdiction. This will avoid simply intensifying the competition in "support" industries such as retail trade, wholesale trade and services.

You probably have found during your years in Juneau that opportunities to support legislation that truly improves Alaska's competitive position are rare. The enclosed bills are two such opportunities.

We would welcome your support and, as always, encourage your comments.

Respectfully submitted,



Scott E. Hawkins  
President & CEO

Enclosures

HB 557  
SBB 12

By: Howard "Buzz" Ollis + Walt Johnson  
Introduced: 04/14/88  
Amended: 04/19/88  
Adopted: 04/19/88

RESOLUTION NO. 88-059

A RESOLUTION IN SUPPORT OF CHANGES TO STATE LAW  
TO PERMIT CREATING MUNICIPAL INCENTIVES TO  
FOSTER ECONOMIC DEVELOPMENT

WHEREAS, economic development and diversification are necessary  
to pull the Alaska economy from its current doldrums; and

WHEREAS, a method of fostering economic develop is for local  
governments to offer incentives to develop; and

WHEREAS, this body has supported enactment of legislation to  
enact granting of tax incentives; and

WHEREAS, the Alaska Municipal League has urged the Alaska  
Legislature to adopt legislation which would allow municipalities to offer for  
a five year period property tax incentives to new and expanding industry  
and businesses; and

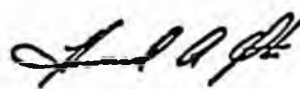
WHEREAS appropriate legislation to accomplish these ends has  
been proposed by Anchorage Economic Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the  
Fairbanks North Star Borough that the draft act entitled "An Act relating  
to exemption from taxation by a municipality of economic development; and  
providing for an effective date", attached hereto as attachment 1, and a  
draft entitled "An Act relating to reduce utility rates, fees and charges  
for qualified economic development projects and providing for an effective  
date" attached hereto as attachment 2, are endorsed.

BE IT FURTHER RESOLVED, that these proposed statutory  
changes should be enacted during this session.

BE IT FURTHER RESOLVED, that copies of this resolution shall  
be forwarded to the Legislature and Governor.

PASSED AND APPROVED THIS 19TH DAY OF APRIL, 1988.

  
\_\_\_\_\_  
Presiding Officer

ATTEST:

  
\_\_\_\_\_  
Clerk of the Assembly

BY THE RULES COMMITTEE  
BY REQUEST OF THE HOUSE MEMBERS  
OF THE JOINT COMMITTEE ON  
ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO. 557

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an exemption or deferral from  
7 municipal taxation for economic development property;  
8 and providing for an effective date."

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

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

12 (1) A municipality may by ordinance exempt or defer from taxa-  
13 tion, in whole or in part, economic development property. An ordi-  
14 nance adopted under this subsection may not provide for an exemption  
15 or deferral that exceeds five years in duration, must establish spe-  
16 cific eligibility requirements for the exemption or deferral, must  
17 require a written application for each exemption or deferral demon-  
18 strating eligibility, and must subject each exemption or deferral to  
19 approval by the governing body after a public hearing. The governing  
20 body may deny an exemption or deferral under this subsection if it  
21 finds that the exemption or deferral would result in an unreasonable  
22 competitive disadvantage to other businesses in the municipality. In  
23 this subsection "economic development property" means real or personal  
24 property that may be depreciated for federal income tax purposes and  
25 is used in a trade or business in a way that creates employment in the  
26 municipality, generates sales outside of the municipality of goods or  
27 services produced in the municipality, or materially reduces the  
28 importation of goods or services from suppliers outside the municipal-  
29 ity.

1 \* Sec. 2. This Act takes effect January 1, 1989.

H B

5 6 1

# HOUSE COMMITTEE REPORT

(11)

Date referred: 4/21/88

FURTHER REFERRALS:

DATE: 4/30/88

The Finance Committee has considered HB 561

"An Act relating to the termination date, members, and reports of the Alaska Minerals Commission; and providing for an effective date."

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s) \_\_\_\_\_  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

POURCHOT [Signature]

LARSON [Signature]

RIEGER [Signature]

BOYER [Signature]

SWACK [Signature]

DAVIS [Signature]

ADAMS [Signature] No Rec

GOLL [Signature] No Rec

BROWN [Signature] No Rec

[Signature]  
Chairman's signature

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HB 561  
PUBLISH DATE: 4/21/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce and Econ. Dev.  
Title: An act relating to the termination BRU: Business Development  
date, members and reports of the Alaska Minerals Commission  
Sponsor: Resources Committee Components: \_\_\_\_\_  
Requester: Finance Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		21.0	21.0	21.0	21.0	21.0
CONTRACTUAL		1.5	1.5	1.5	1.5	1.5
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		22.5	22.5	22.5	22.5	22.5

CAPITAL		0	0	0	0	0
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REVENUE		0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND		22.5	22.5	22.5	22.5	22.5
FEDERAL FUNDS		0	0	0	0	0
OTHER		0	0	0	0	0
TOTAL		22.5	22.5	22.5	22.5	22.5

POSITIONS:

FULLTIME		0	0	0	0	0
PARTTIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Thyes Shaub, Project Manager Phone: 465-2094  
Division: Business Development Date: 4/25/88

Approved by Commissioner: J. Anthony Smith Date: 4/25/88  
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

1512D-2/042588a

RECEIVED

APR 26 1988

page 1 of 1

LEGISLATIVE FINANCE

ANALYSIS:

The Alaska Minerals Commission was created by the 14th Legislature with the mandate to make recommendations to the Governor and to the Legislature on ways to mitigate constraints on the development of the minerals in the State. House Bill 561 extends the life of the Minerals Commission from its current sunset date of February 1, 1989 to February 1, 1994.

The travel funds in this fiscal note will cover travel and per diem for the 11-member commission for the purpose of attending commission meetings. The contractual funds will cover the costs of phone, postage and printing of the annual report to the Governor and Legislature.

The first two reports of the Alaska Minerals Commission are attached.

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

HOUSE BILL NO. 561

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the termination date, members,  
7 and reports of the Alaska Minerals Commission; and  
8 providing for an effective date."

9

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

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\* Section 1. Section 2(b), ch. 98, SLA 1986, is amended to read:

11

(b) The commission is composed of 11 members. The commission

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shall be composed of individuals who have at least five years' experi-

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ence in the various aspects of the minerals industries in the state.

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The governor shall appoint five members of the commission. The presi-

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dent of the Senate shall appoint three members of the commission. The

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speaker of the House of Representatives shall appoint three members of

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the commission. Each member serves at the pleasure of the appointing

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authority.

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\* Sec. 2. Section 2(d), ch. 98, SLA 1986, is repealed and reenacted to

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read:

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(d) The commission shall report its recommendations each year to

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the governor and the legislature during the first 10 days of the

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regular session of the legislature.

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\* Sec. 3. Section 3, ch. 98, SLA 1986, is amended to read:

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Sec. 3. This Act is repealed February 1, 1994 [1989].

26

\* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

HB 561: "An Act relating to the termination date, members, and reports of the Alaska Minerals Commission; and providing for an effective date."

Background: The Minerals Commission was created by the 1986 Legislature and established in the Department of Commerce and Economic Development. Administrative support for the commission is provided by the Division of Business Development.

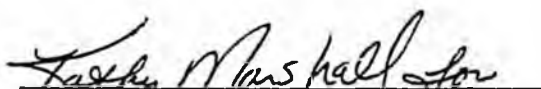
The commission was charged under statute to make recommendations to the Legislature and the Governor on ways to mitigate constraints on the development of minerals in the state. The commission has complied with that legislative mandate by drafting and submitting two reports to the Governor and the Legislature.

Many of the commission's legislative recommendations have been introduced in bills during the 1987 and 1988 legislative sessions and many of the commission's administrative recommendations have been the subject of review and adoption by state agencies. The legislative and administrative response to the commission's recommendations is strong evidence that the commission has taken its statutory directive seriously and responded effectively.

Alaska's mineral industry has begun a recovery and there is enormous potential for the emergence of a dramatically expanded and productive mining sector over the next five to ten years: a time when the state's economy critically needs growth in its nonpetroleum sectors. The advisory role of the Alaska Minerals Commission will continue to be valuable to the Legislature and the administration during this period.

Position: While the department has provided support through personal services, it is not capable of supporting travel and contractual services for commission members and staff. A Fiscal Note for \$22.5 for contractual and travel has been submitted. It is also noteworthy that the commission has been partially supported by the private sector as individual commission members and their companies have often funded travel and per diem of members.

The Department of Commerce and Economic Development feels the Minerals Commission has served the state well and supports HB 561 to extend the commission's time of service.

  
\_\_\_\_\_  
J. Anthony Smith, Commissioner  
Department of Commerce and  
Economic Development

4/25/88  
\_\_\_\_\_  
Date

## FOREWORD

The Alaska Minerals Commission was created by the 14th Legislature through the enactment of Chapter 98 of the 1986 Session Laws of Alaska. The source of the Act was Senate Bill 418 (Appendix B) which was passed by the Legislature and signed into law on June 6, 1986.

The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate the constraints, including governmental constraints, on the development of minerals, including coal, in the state.

The Commission presented its initial report to the Governor and the Legislature in January 1987 at the outset of the first session of the 15th Legislature. The Commission is also charged with making a final report to the first session of the 16th Legislature in January 1989 after which the Commission will expire.

This interim report contains recommendations for the consideration of the Governor and the Legislature during the 1988 legislative session.

Commission members are appointed by the Governor, the President of the Senate and the Speaker of the House. The current members include representatives of the placer, hard rock and coal mining industries and come from diverse areas of the state. Administrative and staff support to the Commission is provided by the Division of Business Development, Department of Commerce and Economic Development.

I would like to thank all members of the Commission, staff and those members of the public who have provided their comments and worked on committees for their contributions in preparing this report. I would also like to thank Governor Cowper for the support his office has provided the Commission.

Earl H. Beistline  
Chairman

## ALASKA MINERALS COMMISSION

### Chairman

Earl Beistline  
Mining Consultant  
Fairbanks, Alaska

### Vice Chairman

Joseph E. Usibelli, Chairman  
Usibelli Coal Mine, Inc.  
Healy, Alaska

Del Ackels, Owner-Operator  
Goldust Mines  
Fairbanks, Alaska

Don Finney, Ketchikan Manager  
U.S. Borax and Chemical Corp.  
Ketchikan, Alaska

G.G. (Jerry) Booth  
Manager Alaska Operations  
Cominco Alaska, Inc.  
Anchorage, Alaska

Karl Hanneman, President  
Alaska Placer Development, Inc.  
Fairbanks, Alaska

Roger Burggraf, Chairman  
Fairbanks Branch  
Alaska Miners Association  
Fairbanks, Alaska

Jenny Hawley, Vice President  
Hawley Resource Group, Inc.  
Anchorage, Alaska

Joe Davis  
Mining Investment Corp.  
Tucson, Arizona  
(Resigned, January 1988)

Peter Richardson  
Mgr. Project Administration  
Greens Creek Mining Company  
(Deceased, August 1987)

Ernest N. Wolff  
Mining Consultant  
Fairbanks, Alaska

### Staff

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Department of Commerce and  
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Juneau, Alaska 99811

Charlie Green  
Division of Business Development  
Department of Commerce and  
Economic Development  
1001 Noble, Suite 420  
Fairbanks, Alaska 99701

## EXECUTIVE SUMMARY

In its initial report to the Governor and the Legislature in January 1987, the Alaska Minerals Commission made 39 recommendations for legislative and administrative actions that would mitigate constraints on the development of minerals. The Commission continues to support those recommendations as the basis for promoting the development of a viable long-term mining industry in the state.

This interim report focuses on some of the original recommendations and several new recommendations which are of the greatest urgency and which, if implemented, will provide the greatest benefits to the industry and to the state in the short-term by enhancing Alaska's business climate and by sending a signal to the international mining community that the state favors continued development of its mineral resources.

### Legislative Priorities

As its highest priority, the Commission urges the enactment of a mineral policy act that will provide a clear statutory policy supporting the responsible development of Alaska's mineral resources.

The Commission has also identified as priorities the need for passage of legislation in the following four areas:

- allowing flexible work week schedules;
- extending the number of hours underground miners may work at the face;
- amending the state's workmen's compensation laws; and
- supporting the inventory of sand and gravel resources.

### Administrative Priorities

The state must work to preserve the greatest amount of flexibility in the U.S. Corps of Engineers' implementation of wetlands permitting through the state's certification of the Corps' proposed permitting program.

In the management of its lands, the Department of Natural Resources must emphasize multiple use rather than the present system which designates single or primary land uses and closes lands to mineral entry because of incompatibility perceived in the land planning process.

In the management of its waters, the state should pursue the introduction of increased flexibility in the six regulatory areas identified by the Alaska Miners Association/Department of Environmental Conservation Water Committee.

### Support for Mining Programs and Services

The Department of Education should budget for teacher training and the implementation of the mineral and energy resource educational kits to match private sector support through AMEREF.

The Division of Geological and Geophysical Surveys should be funded at a level sufficient to allow its existing professional staff to work on a full-time basis and to provide operating funds for field mapping and other essential services provided to the citizens of the state.

Additional recommendations have been made in the legislative, administrative, and mining program and service areas, and are included in the body of the report.

## INTRODUCTION

In its initial report to the Governor and Legislature in January 1987, the Alaska Minerals Commission made 39 recommendations for changes in administrative policies and for the enactment of legislation that would encourage and promote the growth of the mining industry in Alaska. During the intervening year, many positive actions have been taken.

The new administration of Governor Steve Cowper has taken many steps to support the state's existing industry and to promote new growth. During the legislative session, the administration supported enactment of a mineral policy act and several other key pieces of legislation addressing mining issues. On March 30, 1987, Governor Cowper issued a directive instructing state agencies to take progressive steps to resolve water quality issues impacting the placer mining industry.

The administration has demonstrated a new aggressiveness in several areas affecting the state's authority to manage its resources including negotiations with federal agencies on assertion of RS2477 rights-of-way on federal lands and intervention in legal challenges to the state's mining laws.

The administration has also made several important and positive decisions on specific mining projects including the issuance of two coal mine permits and the favorable resolution of the state's position on mine development plans for the U.S. Borax Quartz Hill project.

During the first session of the 15th Legislature, bills were introduced that addressed nearly all the legislative concerns of the Minerals Commission. While none of these bills have passed, the Commission expects that during the current legislative session, many of the Commission's recommendations will be signed into law.

Continued progress, both in legislative and administrative actions, will be critical to the future of Alaska's mineral industry. The international mining industry has begun to make a strong recovery as commodity prices have strengthened and provided renewed profitability to an industry hit hard by economic recession in the first half of the 1980's.

The mining industry has once again become aware of the enormous geologic potential for the discovery of commercial ore deposits in Alaska. The ongoing construction of the Greens Creek and Red Dog mines has served to focus world attention on Alaska as having potential for world class deposits. Actions to be taken by state government over the next year that demonstrate Alaska's desire to expand its mineral industry and to provide a reasonable, competitive climate for business, will do much to attract exploration and development investment in the short-term. In turn, the discovery and development of new mines will provide widespread economic benefits to the state over the long-term.

## RECOMMENDATIONS OF THE ALASKA MINERALS COMMISSION

### I. Legislative Priorities

Action on the following five recommendations for passage of needed legislation should be a priority of the 1988 Legislature.

#### Mineral Policy Act

- Many of the problems facing the mineral industry stem from the lack of a clear statutory policy supporting the responsible development of Alaska's mineral resources. The Commission members remain unanimous in their belief that the greatest immediate need is the enactment of a mineral policy act that will further the economic stability of the state through the development of Alaska's abundant metal, industrial mineral and coal resources.

#### Flexible Work Week

- The passage of legislation allowing work schedules to be set on the basis of project specific considerations will allow for more efficient use of labor and provide more desirable time off patterns for employees. This will be particularly significant for mines in remote locations with employees who reside in communities distant from the work site.

#### Work in Underground Mines

- Legislation is required to amend current statutes limiting shifts at the work face of underground mines from eight to ten hours. The antiquated statute presently in effect does not recognize the implementation of modern safety programs and penalizes mine efficiency and employee time off schedules on remote mining projects.

#### Workmen's Compensation

- Amendments to Alaska's worker's compensation laws are urgently needed to stem rapidly rising costs to Alaska businesses. Alaska mines compete in an international market place for the sale of their products and cannot pass on inflationary workmen's compensation costs to consumers.

#### Industrial Minerals Inventory

- The Legislature should enact SB 71 (or companion legislation HB 69), Senate Concurrent Resolution 4, and House Concurrent Resolution 5, addressing the need for systematic identification, inventory and reserve of sand and gravel resources by the state with particular emphasis on meeting the present and future needs of transportation systems, populated areas, and large scale developments within the state.

The Commission also recommends that the following actions be taken on a number of other issues before the Legislature during the 1988 session.

Legislation should be passed requiring agencies proposing regulations to estimate the economic impacts of those regulations including probable costs and benefits.

The Alaska Statutes should be amended to grant to department commissioners the power to waive any regulation when that regulation can be shown to be inappropriate for a particular operation or site specific situation.

Alaska Statute 38.05.300(a) should be amended to require legislative concurrence before areas greater than 640 acres can be closed to mineral entry.

The Commission recommends passage of Senate Bill 137, which requires the Department of Natural Resources to annually report on state lands closed to mineral entry.

The Commission does not recommend passage of proposed legislation which closes large acreages of state land to mineral entry (HB 93, Recreational Rivers; SB 55, Minto Flats State Game Refuge; SB 18, Anchorage Coastal Wildlife Refuge) and which ignores present regulatory flexibility to manage those lands and protect special resources and uses without making mineral closures.

The Commission recommends passage of Senate Bill 114 which will provide legislative oversight of Coastal Management Plans and which will ensure that uses of state concern are protected.

The Commission recommends passage of House Bill 212 or Senate Bill 280 which designates the Department of Natural Resources as lead agency for permitting of resource development projects. Furthermore, the agency should be granted authority for stream classification and habitat management.

The Commission recommends passage of Senate Bill 98 which prohibits the state from requiring water users to discharge water of higher quality than background levels.

## II. Administrative Priorities

Action by the Governor and the administration in the following three areas should be a priority for 1988.

### Wetlands Permitting

- The requirement, beginning in 1988, that placer mines receive "404" wetland permits from U.S. Army Corps of Engineers before conducting operations, poses the potential for shutting down the state's placer mining industry depending upon the degree of complexity and level of requirements imposed. The Governor should direct all state agencies to ensure that the maximum flexibility in the "404" permit is retained by certifying that the general permit and the abbreviated permit processes being proposed by the Corps are in concordance with State Water Quality and Coastal Zone Management programs.

### Multiple Use of Alaska Lands

- Restrictive land classifications and closures of lands to mineral entry because of perceived surface use conflicts are contradictory to professional land management practices and are detrimental to the economic well-being of the state. The Department of Natural Resources must return to a system of multiple use land management that uses existing authority and regulatory flexibility to manage state lands for the potential use of all its natural resources.

### Flexibility of Water Quality Regulations

- As recommended by the Alaska Miners Association/Department of Environmental Conservation Water Committee, the state should examine the use of mixing zones, the use of start-up variances, the reclassification of drainages, the restructuring of water uses, the revision of water quality criteria and the assumption of the NPDES program as potential areas where increased regulatory flexibility can be introduced into the state's water quality management while complying with the Clean Water Act and protecting downstream users.

The Commission also recommends that the Governor and administration continue to address recommendations in several other areas during 1988.

Actions of state agencies should continue to be guided by the progressive policies and instructions set out in the Governor's March 30, 1987 directive. The water quality regulation changes proposed on October 27, 1987 by the Department of Environmental Conservation addressing mixing zones and start-up variances do not meet the objectives of this directive. The Department of Environmental Conservation should continue to aggressively pursue a workable solution by maintaining communication with the industry.

The Department of Environmental Conservation should aggressively pursue the development of appropriate reclassification procedures and take action on specific streams for which reclassification requests have been submitted.

The state should continue to work toward assuming management of the National Pollutant Discharge Elimination System (NPDES) permit program.

State agencies issuing regulations and permits should base compliance upon attainment of performance standards, rather than requiring operators to use design and engineering specifications which often prove to be inefficient, costly and ineffective.

### III. Support for Mineral Programs and Services

The following two priority recommendations are made to both the Governor and the Legislature to ensure continuation of state programs and services critical to the future of the mining industry.

#### Mineral Resource Education

- The "Alaska Resources Kit: Minerals" is an established and effective educational program that was jointly developed and implemented by industry and the state. The Department of Education should formalize this ongoing cooperative effort by budgeting annually for support of teacher orientation, training, and distribution of educational materials in the schools, to match ongoing industry contributions by the Alaska Mineral and Energy Resource Education Fund (AMEREF) for the production of the teaching kits.

#### Division of Geological and Geophysical Surveys

- Geological mapping, geologic surveys, mineral assessments and the publication of geologic reports are critical to the state's ability to maintain and expand its mining industry as well as providing for the health and benefit of the residents of the state. The Division of Geological and Geophysical Surveys should be funded at a level sufficient to allow its existing professional staff to work on a full-time basis and to provide operating funds for the performance of field mapping projects and other essential services.

The Commission also recommends appropriate support be provided for as follows:

The basic level of services provided by the Division of Mining be supported, and budgetary increments be provided to reinstitute the coal leasing and prospecting program, and to support research for coal drying technology.

The mineral services and functions within the Department of Commerce and Economic Development, Division of Business Development, be supported and the division further be directed and supported to research and publish a report — in cooperation with the Department of Natural Resources and the Mineral Industry Research Laboratory of the School of Mineral Engineering — on potential export markets for Alaska industrial minerals and products and on the availability of industrial mineral resources in Alaska.

State programs for professional education and for vocational and technical training services should continue to be supported in order that the maximum number of Alaskans are eligible to fill and hold jobs in the mining industry.