

ALASKA LEGISLATURE

1983

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

So why is the construction of affordable housing important to Anchorage? In the last couple of years we have seen numerous fires in old apartment houses with the loss of life and personal property. Additionally we read about crime and juvenile problems often concentrated in neighborhoods with older substandard properties. In Mt. View for instance it is not uncommon to find 12 plexes located on 6000 square foot lots with inadequate parking, no common area space for children to play, and poor maintenance. These conditions can not lead to a healthy life style for the children or residents of these neighborhoods. The majority of our apartment stock was built over 25 years ago, do not meet modern building or fire codes, and were designed to house construction workers.

It is evident to national lenders that our multi-family housing stock is substandard. Freddie Mac and Fannie Mae are the two largest multi-family lenders in the country and they do not lend money on multi-family housing in Alaska. Only sporadically does HUD insure a multi-family mortgage and they moved their loan origination office to Seattle. Pension funds and thrifts are not lending in Anchorage. Alaska Housing Finance and the few local banks are the only financial institutions willing to take the risk, but it is the overall quality of the rental housing stock that keeps lenders away.

The residents are changing with more families, fewer singles, and a deterioration in real wages. Frankly, many of the older properties are obsolete and will not survive the test of time. What is evident to the financial community and creative housing developers that work with low income individuals is that today we have the means to improve the housing stock in Anchorage to modern standards by the use of LIHTC's. Government programs change so if we want to take advantage of this opportunity we should do it now. Alaska is the only state that is not using all of it's allowed tax credits and that is due solely to the Municipal Tax Assessor.

No investor is going to put his funds at risk while the current situation exists. California for instance is the major user of tax credits, and it charges no taxes on affordable housing owned by non profits and charges taxes based on the restricted rents on properties owned by others. Hawaii and Montana generally do not charge taxes to non profits owning affordable housing properties, and the Washington State Legislature just past a law restricting taxation on affordable housing properties owned by non profits. It seems various tax assessors in Washington were playing the same game, and the Washington legislature voted 97-3 for the property tax exemption. The Oregon Supreme Court decided that tax assessors must consider restricted rents when valuing properties.

A reasonable taxation policy by the Municipality will bring about the creation of better housing conditions for the lower income citizens of our community and they are growing as a class. While we talk of the expanding tourist industry, new hotels, possible convention center, and new retail sector we should consider the wages to be paid in these industries. And how is modern affordable housing going to fit into the

Municipality's new land use plan? The creation of new, safer housing will also create construction jobs and help local business. We have the ability to improve our affordable housing stock and the well being of our citizens, and we should bring the tax assessor along with us.

We have talked to a number of assembly members on the issue and they have been very supportive, but are not sure an ordinance would not be vetoed by the Mayor. The Mayor has not been supportive. This is not just an NBA issue. You can talk to Mike Burns at Key Bank, David Lawer at First National Bank, and the various non profits who developed the properties. Feel free to contact me any time at 265-2991.

Sincerely yours,



Jan Sieberts
Senior Vice President



First National Bank
of Anchorage

January 26, 2000

Representative Andrew Halcro
House of Representatives
State Capital, room 418
Juneau, AK 99801-1182

Dear Representative Halcro:

On behalf of The First National Bank of Anchorage, I wish to thank you for your sponsorship of HB272. The Municipality of Anchorage's insistence upon assessing rent restricted housing projects as if such restrictions did not exist, and the uncertainty about whether the same treatment of them might occur elsewhere in the State of Alaska, will prevent further development of such projects.

We have participated in two such projects that are presently in jeopardy by reason of the intransigence of the Municipality of Anchorage, and we will not participate in any other such project unless we can be certain that it will not suffer the same fate.

By all accounts the Low Income Housing Tax Credit program is the most successful housing program in the nation for low to moderate - income families. And until the Municipality of Anchorage brought an end to further such development in Anchorage, it was the most successful program for that purpose in the State of Alaska. Now, Alaska is the only state that does not fully utilize its federal tax credit allocation.

Particularly in the western portion of the US, state legislatures are choosing to completely exempt such projects from ad valorem taxation. Your bill, which we enthusiastically support, would require only that the assessment of each such project for ad valorem tax purposes be based upon the economic value of the project, not its cost or its imagined value free of rent restrictions.

We commend your leadership in this matter, and if I can personally be of assistance by providing additional information that may be necessary or desirable to bring about passage of this legislation, please let me know.

Very truly yours,



David A. Lawer
Senior Vice President & General Counsel

Anchorage
Neighborhood
Housing
Services, Inc.
3700 Woodland Drive
Suite 500
Anchorage, AK 99517
(907) 243-1558
FAX (907) 243-3214

January 27, 2000

Representative Andrew Halcro
Alaska State Legislature
State Capitol, Suite 418
Juneau, Alaska 99801-1182



Dear Representative Halcro,

Thank you for introducing House Bill 272. This is very important legislation and I applaud your efforts. I would like to offer one recommendation to your bill. As you know, we have been working locally with Assemblyman Alan Tesche and Melissa Taylor to introduce an ordinance addressing the same issue. I have attached a copy.

I would recommend that you include "other financing that requires legally binding rental restrictions through long-term deed restrictions".

Not all of the properties involved in the tax appeal are low income tax credit properties, but do have legally binding rental restrictions through long-term deed restrictions, such as AHFC Tax Exempt Program and HOME Program.

If you would like more information or if I can be of any assistance in your efforts regarding this bill, please do not hesitate to contact myself or Jeff Judd, Executive Director of Alaska Mutual Housing Association at 243-1558.

Sincerely,

Mary Jare Michael
Executive Director

January 27, 2000

Representative Andrew Halcro
Alaska State Legislature
State Capitol, Suite 418
Juneau, Alaska 99801-1182



Anchorage
Neighborhood
Housing
Services, Inc.
3700 Woodland Drive
Suite 500
Anchorage, AK 99517
(907) 243-1558
FAX (907) 243-3214

Dear Representative Halcro,

I am writing to express my support of House Bill 272, legislation that would require local governments to assess housing which qualifies for a low-income housing credit under 26 USC 42 on the actual income derived from the property and not the value that would result from a "market", or unrestricted property.

For the past two years, a number of non-profit agencies providing low-income affordable housing for individuals and families, many of whom are elderly, disabled, or previously homeless have been subjected to radically inflated property taxes by the Municipality of Anchorage Tax Assessor. In some cases, as much as a 180% increase in one year. These organizations have repeatedly filed appeals and spent thousands of dollars on attorney fees.

Clearly the mission of these organizations is to increase the quality of living in our communities for those less fortunate. They have contributed to solving the problem of homelessness in our community; revitalized neighborhoods through the renovation of previously deteriorated properties; and destigmatized "low income" properties by creating quality, affordable housing throughout a diversity of neighborhoods.

Nationally, 60% of all multi-family affordable housing in the United States is created through Federal Low Income Housing Tax Credits. Without consideration given to the actual income derived from these properties when assessing them, no future development will occur. Further, these properties left to meet the higher property taxes, will overtime deteriorate or face foreclosure.

Thank you Representative Halcro, for introducing House Bill 272. Your efforts will help guide the Municipality towards not only a more permanent solution, but one that will contribute to the overall health and development of our citizens and our community.

Sincerely,


Mary Jane Michael
Executive Director



AMHA
*Anchorage Mutual
Housing Association*

Extra's

January 27, 2000

Representative Andrew Halero
Alaska State Legislature
State Capitol, Suite 418
Juneau, Alaska 99801-1182

Dear Representative Halero,

Thank you very much for your sponsorship of House Bill No.272 regarding the tax assessment of quality, affordable housing properties funded in part with federal tax credits through the Low Income Housing Tax Credit (LIHTC) Program. This program and other affordable housing programs available through the Alaska Housing Finance Corporation, provide critical funding that is necessary for the development and rehabilitation of multi-family properties that serve low-income families.

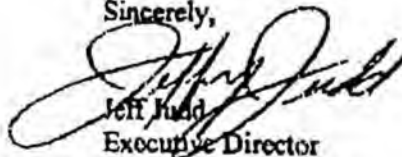
In return for these federal sources of funding, the owner must agree to legally binding long term deed restrictions (15 - 30 years) restricting the use of the property to lower income families at restricted rent levels. Generally, these restricted rent levels are below the "market" rents in the area. This "affordable" rent enables the lower income family to have the same basic opportunities of life, food and clothing for instance, that higher income families perhaps take for granted. In doing so, we create a healthier community for all Alaskans.

Due to the restricted revenue generated by these affordable housing properties, the market value of the restricted property is less than it would be if the project were at "market rate" or unrestricted property. And that is the very crux of why HB 272 is needed. HB 272 would specify more clearly that local governments must consider the deed restrictions that apply to such properties when determining the "full and true" value.

Failure to pass HB 272 jeopardizes future investment in affordable housing in our communities; may likely cause at least some existing owners to default on obligations secured by existing affordable housing properties; and will lead to the deterioration of our neighborhoods. It is due to these concerns that I strongly support your effort to pass HB 272.

Thank you again for your efforts in this regard.

Sincerely,



Jeff Judd
Executive Director

P.O. Box 100600

Alaska Bankers Association
Anchorage, Alaska 99510-0600

(907) 265-2920

January 26, 2000

Representative Andrew Halcro
House of Representatives
State Capital, room 418
Juneau, AK 99801-1182

Dear Representative Halcro:

On behalf of the Alaska Bankers Association, I wish to thank you for your sponsorship of HB272. As you are well aware, the Municipality of Anchorage's insistence, despite repeated reversals by the Board of Equalization, upon assessing the rent restricted housing projects as if these restrictions did not exist, will bring about the demise of these projects.

The financial structure of these projects varies somewhat from situation to situation. In general terms, Alaskan banks (NBA, First National, Key) became the limited partner in partnership with a non-profit (locally, Anchorage Neighborhood Housing). The banks, in return for federal tax credits, invest the equity capital, AHFC provides the mortgage, and ANHS the management of the project. The financial partner's only return on investment is from the tax credits. In fact, in a time certain, set forth in the partnership agreement, the bank gives its interest in the project to ANHS.

It is indeed a tragedy that, by almost any measure, the most successful housing program for low to moderate-income families will flourish everywhere across the nation except Alaska. Alaska was the only state that did not fully utilize its federal tax credit allocation. This can be blamed on nothing but the actions of the Municipality. Many states completely exempt projects such as these from taxation altogether. Your bill, with which we highly concur, requires that the assessment be based upon the economic value of the project, not its construction cost or imagined value. This approach is very similar to the existing State statute that requires assessors take into consideration any diminishment of value based upon a conservation easement. (AS 29.45.062)

Again, our thanks to you for your leadership on this issue, and if there is any additional information that either the Alaska Bankers Association or its members can provide you, please give me a call at (907) 777-3028.

Sincerely,



David A. Lawer
President



Michael J. Burns
District President

KeyBank
P.O. Box 100420
Anchorage, AK 99510

Tel: 907-564-0250
Fax: 907-563-1764

VIA FACSIMILE: 907-465-2418

January 28, 2000

Representative Andrew Halcro
House of Representatives
State Capitol, Room 418
Juneau, Alaska 9801-1182

Re: HB272

Dear Representative Halcro:

Your commitment to understanding the unique partnership of the Federal government, the non-profit developers, Alaska Housing Finance Corporation, and the financial institutions of the state that are (jointly) developing low and moderate-income housing, is to be saluted. This is not a simple structure and the time that you have spent in discerning how the program works is most appreciated.

I have been in the banking business for 27 years and have seen many housing programs come and go, and collapse of their own weight. This tax credit-based private development is, by far, the most successful. It is a tragedy that last year Alaska was the only state to not fully utilize its Federal allocation. These programs cannot work when taxed under the unique theory of the Municipality of Anchorage.

Your legislation will allow all of us to change the quality of the housing stock in Alaska. Thank you for your support and the time you have taken to understand this complex issue.

Sincerely,

Michael J. Burns

HOUSING FIRST

Affordable Housing for Individuals and Families

e-mail hstreet@alaska.com

(907)364-3573

FAX: (907)364-2674

1801 Douglas Highway, No. 16, Douglas, AK 99824

Rep. Andrew Halcro
Via fax: 465-2418

Jan. 27, 2000

Dear Rep. Halcro,

Thank you for sponsoring House Bill 272. We are very appreciative of any effort to resolve the on-going property tax problem we've encountered with our apartments for low-income tenants.

Housing First, Inc., is one of the non-profit housing organizations that has used tax credits to build affordable rental apartments in Alaska. Using this source of funding, along with funds from a number of other sources, including conventional loans, we have built two buildings, with 21 units total, in Juneau and Douglas.

Each year since construction of each property, we have appealed our property taxes to the City and Borough of Juneau. Each year, we are glad to say, we have received some relief from these taxes. Some years, the appeal has gone to the Board of Equalization; in other years, our appeal has been settled administratively. We have tried to persuade our city assessor to take an income-based approach to assessing the buildings, but have been unsuccessful. Generally, we reach a tax agreement that is between our request, based on an income-based approach, and the full market-based assessment we receive from the city.

It is clear to us that without a legislative solution to this problem, we will have to commit resources, time and energy to each year's appeal, and each year accept something less than what we believe is a fair assessment.

For us, property tax relief has made the difference between owning buildings that are operating in the black or in the red. As a non-profit organization that has one part-time staff person and an active board of volunteers, it is vitally important that our buildings are able to pay for themselves. We have no other source of operating funds, since 100 percent of our units have rent ceilings attached.

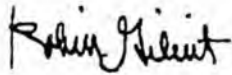
These rent ceilings are in place for 30 years from construction of the building; our oldest building has 24 years remaining on these ceilings. As a non-profit organization, even after the 30 years are up, we are obligated (and feel it our duty) to continue operating these buildings for low-income tenants for the remaining life of the structures.

These rent ceilings are attached via deed restrictions, therefore, any owner of the building would face the same financial crunch we have faced. These lengthy restrictions are another excellent reason to grant property tax relief. The value of our buildings is affected by these ceilings.

We have taken the risk and responsibility of building these apartments for the public good. In return, we would like a fair assessment of the value of our properties.

Again, we thank you for sponsoring this important legislation.

Sincerely,



Robin Gilcrist
President, Housing First, Inc.

ANCHORAGE HOUSING INITIATIVES, INC

Post Office Box 202222 - Anchorage, Alaska 99520-2222

January 31, 2000

Representative Andrew Halcro
Alaska State Capitol
Juneau, AK 99801

Dear Representative Halcro:

Subject: HB 272 - Low Income Housing Tax Assessments

On behalf of Anchorage Housing Initiatives, Inc. I pledge our wholehearted support to the passage of HB 272. This legislation is critical to the continuation of the development of safe, decent, and affordable housing in Anchorage and throughout Alaska. Anchorage Housing Initiative is a designated Community Housing Development Organization in Anchorage that provides community integrated housing to persons who experience disabilities.

One major means of providing such housing is through the development of new, accessible multifamily housing through the Low Income Housing Tax Credit (LIHTC) program. This program has been the source for the development of 66 units of multifamily housing by Anchorage Housing Initiatives that are accessible, affordable and would not have been possible had it not been for the LIHTC program. These units are currently at imminent risk of default due to the excessively high and unwarranted property tax assessments imposed by the Municipality of Anchorage. The property tax assessment policy of the Municipality of Anchorage will not only result in the loss of current affordable housing units such as Hillpoint Park and Access, it has resulted in the suspension of development in Anchorage of any new LIHTC projects.

While our units are located in Anchorage, this is a statewide issue in that LIHTC are available statewide and a consistent, fair and equitable tax assessment policy is required to promote development in areas most at need of affordable housing. The passage of HB 272 will be landmark legislation for Alaska in recognizing the need for safe, decent and affordable housing for all communities. You have our complete support for this legislation.

Sincerely,



Shannon Wilks

President, Board of Directors

COMMUNITY INTEGRATED HOUSING FOR PERSONS WHO EXPERIENCE DISABILITIES



Southcentral Counseling Center

a division of Anchorage Community Mental Health Services, Inc.

4020 Folker Street • Anchorage, Alaska 99508 • (907) 563-1000 • Fax (907) 563-2045 • e-mail: sccdir@alaska.net

January 31, 2000

Representative Andrew Halcro
Alaska State Capitol
Juneau, AK 99801

Dear Representative Halcro:

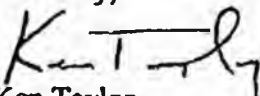
Subject: HB 272 - Low Income Housing Tax Assessments

On behalf of Anchorage Community Mental health Services, Inc. I lend our wholehearted support to the passage of HB 272. This legislation is critical to the continuation of the development of safe, decent, and affordable housing in Anchorage and throughout Alaska. The individuals and families we serve are primarily low and moderate income and may are people who experience disabilities. Safe, decent and affordable housing is critical to their stability in the community and their quality of life. The development of new, accessible multifamily housing through the Low Income Housing Tax Credit (LIHTC) program is a major means of providing such housing.

This program has been the source for the development of 1,235 units of multifamily housing in Anchorage through rehabilitation of existing housing and new that would not have been possible had it not been for the LIHTC program. These units are currently at imminent risk of default due to the excessively high and unwarranted property tax assessments imposed by the Municipality of Anchorage. The property tax assessment policy of the Municipality of Anchorage will not only result in the loss of current affordable housing units, it has resulted in the suspension of development in Anchorage of any new LIHTC projects.

The need for safe, decent and affordable housing in Anchorage and throughout Alaska is critical and it can only be developed if there is a consistent and equable means of assessing these properties. The passage of HB 272 will accomplish this and clear the way for additional development that can only have positive effects for those who will benefit from safe and affordable housing for themselves and their families. You have our complete support for this legislation.

Sincerely,


Ken Taylor
Executive Director

Continued Care
2735 Tudor Rd.
907-7900

Senior Services
Day Break
9210 Jupiter Dr.
346-2231

Downtown Annex
610 E. Fifth Ave.
271-0352

Family Services
4045 Lake Otis Pkwy.
361-6971

Adult Services
4020 Folker Street
907-5650

Emergency Services
24 hrs
563-3200



Alaska Pacific Bank



January 31, 2000

The Honorable Representative Andrew Halcro
Alaska House of Representatives
State Capitol, Room 418
Juneau AK 99801 1182

Via Facsimile to (907) 465-2418

RE: HB 272

Dear Representative Halcro:

I am writing to express my thanks for your sponsorship of HB272 and to lend my endorsement to this important legislation, which will allow financial institutions to continue supporting new low income housing projects in partnership with non-profit housing groups.

Since federal tax credits are the only incentive financial institutions currently receive for their participation in this type of partnership, it is imperative that municipalities base tax assessments solely on the income derived from the property, without consideration of the value of any subsidy. The illogical tax treatment of these subsidies by the Municipality of Anchorage is a major factor in distinguishing Alaska as the only state that has not fully utilized its federal income tax credit allocation. It is a shame that, in a vast state with a desperate need for more low- and moderate-income housing for its residents, a municipality would act to discourage investment by willing partners.

Your efforts to support affordable housing for Alaskans are appreciated by the banking industry, to which I add my personal thanks.

Sincerely,

LISA C. BELL
SVP & Chief Operating Officer
Alaska Pacific Bank

Serving Southeast Alaska Since 1935

ADMINISTRATIVE OFFICES • 2094 JORDAN AVENUE • JUNEAU, ALASKA 99801-8046
(907) 789-4844 • FAX: (907) 790-5110 • WEBSITE: www.alaskapacificbank.com

Member
FDIC



CORDES DEVELOPMENT, INC.
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16421 25th Street
Sunset Beach, California 90742
(562) 592-1518 Fax: (562) 592-2049
teamcordes@earthlink.net
January 31, 2000

Representative Andrew Halcro
State Capitol Building – M/S 3100
Juneau, Alaska 99801-1182

Re: House Bill 272

Dear Representative Halcro:

We have participated in the development of affordable housing in rural Alaska using low income housing tax credits for several years. Affordable housing is a much-needed commodity throughout Alaska, particularly the rural areas where much of the existing housing is substandard, without indoor plumbing and/or overcrowded. Affordable housing not only benefits the families that are fortunate enough to live there, but also provides a secondary economic benefit to the local economy where the housing is located in that the tenants will have more disposable income to spend on goods and services other than housing.

However, the cost of construction and the cost of living is so high in Alaska that it is cost prohibitive to construct housing that is decent, safe and affordable without subsidies from public and private institutions – including reductions or waivers of property taxes. There are two solid grounds that warrant property tax allowances for affordable housing properties. One is economic: the real value of such a property is, truly, less than that of a “market rate” (unrestricted income) property. The other is social: a restricted income (affordable) housing project cannot be financially feasible without subsidies or concessions at several levels, and lowered property taxes is the most reasonable and beneficial means for a subsidy or concession to be given at the local community level – which is the level that is benefiting the most from the housing.

The definition of “affordable housing” is housing in which the rents are restricted to amounts that are affordable to those citizens whose income is below the median income level in the area in which they live (called Area Median Income, or “AMI”). In order to be eligible to participate in the low income housing tax credit program, (1) the housing units must only be rented to families with incomes that are at or below 60% (or, in most cases, lower than 60%) of the median income for the area in which they live, and (2) the rents must be restricted to 30% of the income of the targeted income level.

What this means is that there is a very precise, defined, and enforced (by the government agencies that provide the funding) limit on the amount of income that can be generated by an affordable housing property. However, the general costs of operating and maintaining an affordable housing

Representative Andrew Halcro
January 31, 2000
Page 2

project are identical to those of unrestricted, "market" rate housing. Without any subsidies or government concessions, these projects are not financially feasible. With subsidies and/or government concessions – that have the effect of lowering the debt service and the property taxes – such restricted income properties are financially feasible (but only minimally, by design) but they are not profitable. The value of such a property is, therefore, obviously substantially less than its unrestricted-income neighbor. If offered for sale, the restricted income property would never sell for the same price as the unrestricted-income property, all other things being equal. This reality is reflected in appraisals of restricted income properties – which always have a much lower value when using an "income approach" as compared to a "market approach."

As noted above, affordable housing projects are not possible without government assistance or concessions. Income-based property tax assessments for affordable housing properties provide the most logical means for the local level community and government – which are the ones most benefiting from the presence of affordable housing in their community – to participate and do its share to assure the financial feasibility of the project. In order for a restricted income, affordable housing project to be financially feasible it must have means to reduce its costs of operation. The two means that are available are (1) reduced debt service (as compared to market rate housing), and (2) some sort of reduction of property taxes.

There seems to have been some confusion in the discussions of this proposed House Bill concerning what "low income housing tax credits" are and how they enable a housing project to be affordable. The Low Income Housing Tax Credit program is a federal program and it only applies to federal taxes – not state taxes. Tax credits enable a project to reduce its debt service to an amount – hopefully – that the project can afford. If a project is awarded tax credits, the tax credits allow it to be able to generate large sums of equity from investors (generally large corporations) that are used to build the project (the equity investment generally finances anywhere from 30% to 50% of the total development cost), and the project then has less that it has to borrow as a permanent loan and pay debt service on. However, there is a pre-determined limit on how much tax credit a project can be awarded, and therefore a limit on how much of the cost of the project can be financed in this manner.

The tax credit program has been an excellent tool to facilitate private investment funds in affordable housing, thereby reducing the reliance on government – but that program, and those equity funds, alone are not sufficient to make such properties financially feasible. In exchange for the equity money that the investors put into the project to build it (or, in the case of older, existing properties, to rehabilitate it), the investors get to take a pre-determined amount of tax credit on an annual basis against the investors' ordinary income for a period of ten years. It is very important to note that the motivation for the investors to contribute the equity into the project is not for any "project income" they might receive; in most cases there is no income that ever flows to the investors, or if there is any, it is quite small. They make the investment so that they can take a credit against their federal (not state) taxes due on their primary income. For Alaska based taxpayers who purchase these credits, this means more money stays in Alaska, and more tax

Representative Andrew Halcro
January 31, 2000
Page 3

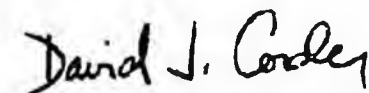
revenues go to Alaska. For out of state investors, they are contributing large upfront sums to receive tax credits over ten years and their investment funds effectively reduce the project's debt service and its interest, which in turn is passed on to tenants as lower rent. Lower rents mean larger amounts of disposable income to spend locally, since those families who are at or below 60% of the Area Median Income rarely spend outside of Alaska. This increase in local expenditures not only generates more local taxes, but also circulates money locally rather than paying banks higher mortgage payments. Thus tax credits do, indeed, generate money locally and these affordable housing complexes deserve to be taxed no higher than what their restricted rents generate in income and definitely not as if they were market units.

Moreover, it is the investor, not the developer that receives the tax credits. These tax credits are against federal income tax (i.e.,

The budget for any affordable housing project is a delicate one. There are limits to the subsidies and the equity it can generate to reduce its debt service. It has a very real limitation on the amount of income it can receive while it is operating under the income restrictions of the funding programs (most of the programs require that the income restrictions remain in place for at least 30 years – some are as long as 50 years). It is hyper-sensitive to ever-increasing costs. It is dependent upon the goodwill of others to be financially feasible.

A property tax assessment based upon an "income approach" valuation is the correct approach economically for a restricted income property. It is also the socially correct approach for a property whose purpose is to promote the welfare of the less advantaged citizens of Alaska.

Sincerely,



David J. Cordes
President



K O O N C E P F E F F E R B E T T I S

Representative Andrew Halcro
716 W. 4th Avenue
Anchorage AK 99501

January 31, 2000

VIA FAX 907-465-2418

Dear Representative Halcro,

Thank you for focusing attention on the issue of taxation for affordable housing.

Since 1995 I have been involved in Anchorage as a participant in providing affordable housing. These properties serve a significant need in our community.

Architecture
Development
Interior design
Planning

Today's methods of providing for this need calls on private sector, for profit, entities to partner with non-profits and local public sector housing agencies. We do this to achieve higher quality living environments than have been possible in the past under 100% government subsidized housing programs.

This privatization/partnership results in housing which is available only to qualifying low-income tenants. The rents that can be charged to these tenants are restricted by the deeds on the property.

Regardless of these restrictions the Anchorage tax assessor has insisted on taxation without consideration for the amount of rent that can be collected based on the restrictions choosing instead to tax these properties as though they could collect market rate rents.

The effect of this policy has had a devastating impact on these properties, which threatens their immediate survival. We are not asking to forego property taxes as is done for similar properties in other states. We are simply asking for fair taxation based on actual rents received.

Once again, thank you for giving this issue your attention. I am in full support of your House Bill 272.

Sincerely,

Mark Pfeffer, AIA
President

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Suite 800
Anchorage
Alaska 99501
907.274.7443
907.274.7407
kpb@alaska.nc



K O O N C E P F E F F E R B E T T I S

Representative Andrew Halcro
716 W. 4th Avenue
Anchorage AK 99501

January 31, 2000

VIA FAX 907-465-2418

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Once again, thank you for giving this issue your attention. I am in full support of your House Bill 272.

Sincerely,

Jeffrey A. Koonce, AIA

INCORPORATED
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K O O N C E P F E F F E R B E T T I S

Representative Andrew Halcro
716 W. 4th Avenue
Anchorage AK 99501

January 31, 2000

VIA FAX 907-465-2418

Dear Representative Halcro,

Thank you for focusing attention on the issue of taxation for affordable housing.

Since 1995 I have been involved in Anchorage as a participant in providing affordable housing. These properties serve a significant need in our community.

architecture
development
interior design
planning

Today's methods of providing for this need calls on private sector, for profit, entities to partner with non-profits and local public sector housing agencies. We do this to achieve higher quality living environments than have been possible in the past under 100% government subsidized housing programs.

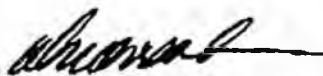
This privatization/partnership results in housing which is available only to qualifying low-income tenants. The rents that can be charged to these tenants are restricted by the deeds on the property.

Regardless of these restrictions the Anchorage tax assessor has insisted on taxation without consideration for the amount of rent that can be collected based on the restrictions choosing instead to tax these properties as though they could collect market rate rents.

The effect of this policy has had a devastating impact on these properties, which threatens their immediate survival. We are not asking to forego property taxes as is done for similar properties in other states. We are simply asking for fair taxation based on actual rents received.

Once again, thank you for giving this issue your attention. I am in full support of your House Bill 272.

Sincerely,

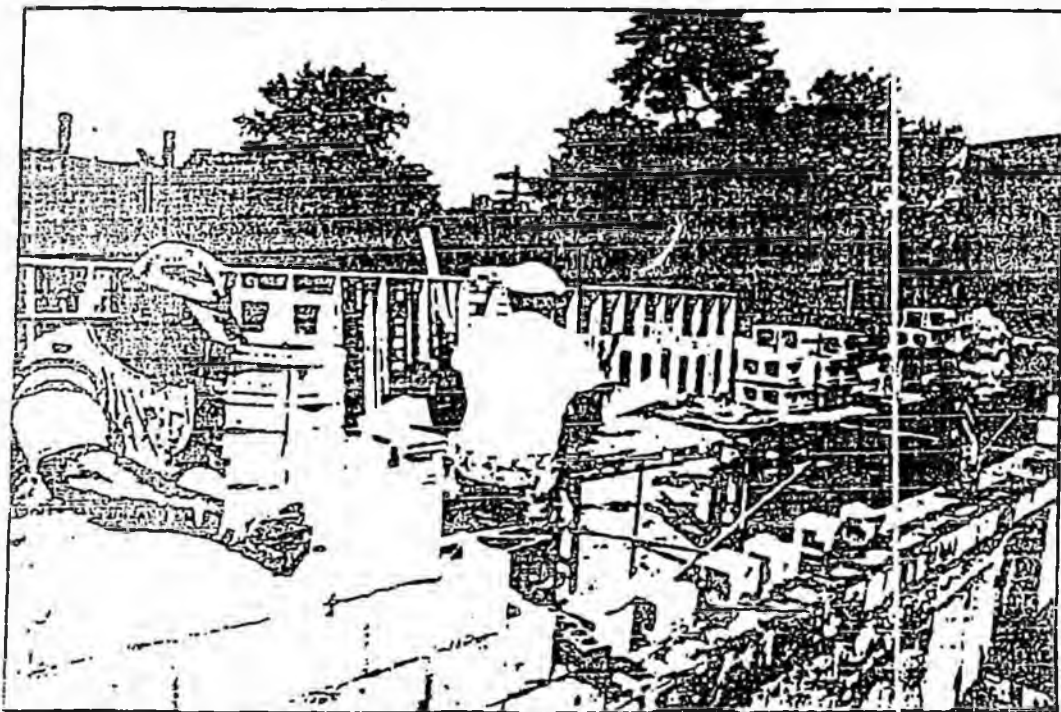

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The Low Income Housing Tax Credit:

How It Can Be Used By Non-Profit Developers

The interests of the non-profit as developer of affordable housing and the investor's interest in return on investment are married through the creation of limited partnerships.



Tax credit financing will make these new Chicago townhouses, developed by the Neighborhood Institute, affordable to low income tenants.

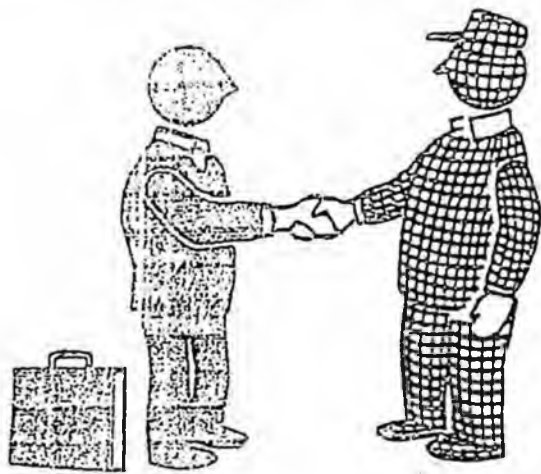
BY JANE BLUMENFELD

The 1986 Tax Reform Act created a tax credit that provides about \$3 billion in annual subsidy for low income rental housing development. The credit is a dollar-for-dollar reduction in federal taxes for investment in low-income rental housing, providing a

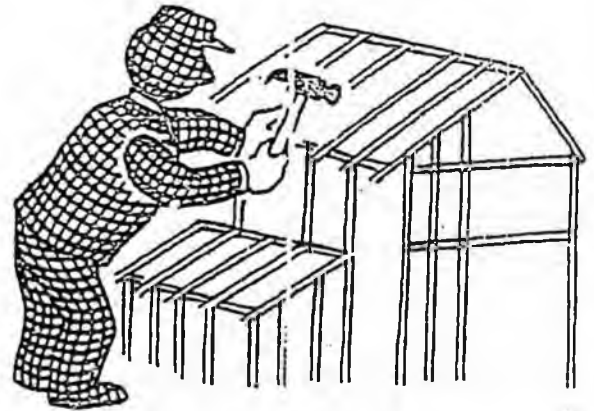
catalyst for private sector investment. The credit can be used for up to 50 percent (sometimes more) of the cost of building affordable housing. Despite their tax exempt status, non-profit developers can use this valuable program to raise capital from private investors through syndication for the construction and rehabilitation of low income rental housing.

Eachs a/c receives an allocation of \$1.25 per resident, which is allocated to development projects through the State Housing Finance Agency or another designated state office. The legislation provides for a 10 percent set-aside for projects sponsored by non-profit developers. This article will deal with how a non-profit developer can take advantage of the low income housing tax

6 □ NOVEMBER/DECEMBER 1991



PARTNERSHIP OF INVESTORS AND NON-PROFIT ORGANIZATION.



NON-PROFIT ORGANIZATION IS ABLE TO BUILD HOUSING.



INVESTORS TAKE TAX CREDITS EACH YEAR FOR TEN YEARS.



AFTER 15 YEARS, THE PARTNERSHIP ENDS.

GOFF

credit and how a typical tax credit deal is structured.

I. The Partnership

Non-profit housing developers are exempt from federal income taxes, and therefore they have no direct interest in receiving an annual tax credit. To private investors, however, a tax credit (i.e. a reduction in their tax liability) provides an annual cash return on their investment. The

interests of the non-profit as developer of affordable housing and the investor's interest in return on investment are married through the creation of limited partnerships.

What is a Limited Partnership?

A limited partnership is a partnership with limited and general partners. One or more general partner(s) run the business of the partnership and the limited partner(s) put in equity in exchange for part of the

returns generated by the partnership. Limited partnerships allow "passive" investors to participate in real estate investment with risk limited to the amount of their investment. Limited partnerships allow developers to raise equity for development projects.

Why are Limited Partnerships used?

Limited partnerships are created for a single purpose or project and are designed

to dissolve after that purpose is fulfilled. They limit investor liability. They allow the "pass through" of tax benefits, unlike corporations. They allow centralization of management, through the general partner. They allow sponsors/developers to maintain control of their projects while raising new equity.

Who makes decisions in a Limited Partnership?

The terms of the partnership agreement, governing the on-going relationship, are set jointly by the general and limited partner(s). Once the partnership is established, the general partner makes all day to day operating decisions. Limited partner(s) may only take drastic action if the general partner defaults on the terms of the partnership agreement or is grossly negligent, events that can lead to removal of the general partner.

Who owns what?

Ownership interests of the Limited Partnership are split between the limited and general partners according to a negotiated formula. Limited partner(s) can buy up to 99 percent ownership of profits/losses and

cash flow (excluding fees to the general partner). The general partner retains the 1 percent or more remaining ownership of profits, losses, and cash flow (plus any agreed upon fees). The limited and general partners split any profits from sale or refinance of partnership assets. The split generally provides an incentive to the general partners who may receive up to 50 percent of profits. To guarantee long-term affordability, many limited partners are bought out after 15 years by the non-profit. The non-profit retains ownership of the project and can maintain low income tenancy.

The General Partner's Rights:

The specific rights of each party are negotiated in the Partnership Agreement. In general, the general partner has the right to make all the day-to-day and development decisions, to determine how much cash to distribute (to the limited partner(s)) versus how much to hold in reserve, and to assess possible sales proposals.

The General Partner's Obligations:

The general partner must complete the project as proposed, must manage the part-

nership and the business as agreed upon in the partnership agreement, and must, generally, guarantee any additional funding needed to complete the project (repayable with interest). In addition, the general partner oversees construction, leasing, property management, and maintains the books and records of the partnership. It must submit periodic reports to the limited partner(s) on the project's financial condition and status, including analyses of the property's sale potential. The general partner may not withdraw without the approval of the limited partner.

The Limited Partner's Rights:

The limited partner's rights are few: to be informed of operating conditions; to approve a sale or refinancing; and to remove the general partner for gross negligence or breach of contract.

The Limited Partner's Obligations:

The limited partner(s) have the obligation to contribute equity in the form of either land and improvements and/or dollars.

General Partner Fees:

The general partner should receive the following fees:

- Developer Fee—for developing the project
- Property Management Fee—for managing the on-going operations of the property
- Partnership Management Fee—for overseeing the operations of the partnership
- Incentive Management Fee—structured as up to one third of net cash flow

Distribution of Cash Among the Partners:

There are three ways in which the partnership receives cash which is to be distributed, which are (1) development financing proceeds, (2) general operations and cash flow, (3) and through sale or refinance of assets. Below is a preferred method of use of partnership cash and a description of how it will benefit a non-profit general partner. However, these points are all negotiable.

Don't even think of using tax credits without owning...

"Tax Credits for Low Income Housing"

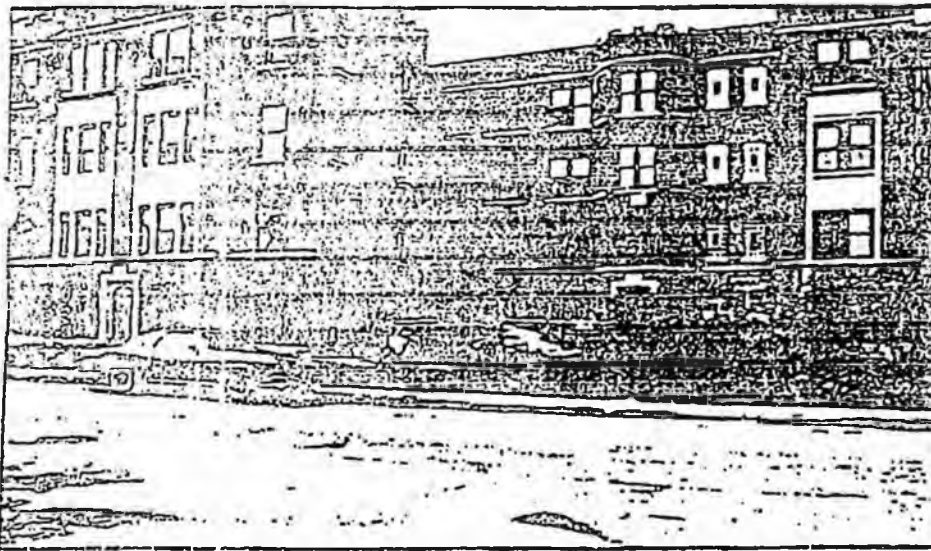
by Joseph Guggenheim,
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NATIONAL EQUITY FUND

Substantial rehabilitation of this Chicago apartment building for low income rentals was financed by tax credit proceeds through the National Equity Fund.

Development Financing Proceeds (Loans, Subsidies, Investments):

1. Development costs except for General Partner fees
2. Budgeted reserves
3. Loan from the General Partner
4. Fees due to the General Partners

Operating Income:

1. Operating expenses and debt service except for General Partner fees and loans
2. Operating and replacement reserves
3. General Partner fees except incentive management fee
4. General Partner loans
5. General Partner incentive management fee
6. 1 percent to General Partner, 99 percent to Limited Partners

Proceeds of Capital Transactions:

1. Sale expenses and pay off of third party loans
2. General Partner loans
3. General Partner fees
4. Partners' tax liabilities
5. Return of partner's capital
6. 50 percent to General Partner, 50 percent to Limited Partner (or negotiated split)

Transfer of Interests:

Neither party may admit any new party without the other's prior written approval. Neither the limited partner's interest nor any beneficial interest therein may be transferred or pledged without the general partner's consent, which can be withheld arbitrarily.

II. How to Calculate a Potential Limited Partner Investment

Calculating the value of the limited partnership investment will determine how much cash the non-profit can generate from the sale of limited partnership interests. The value of the investment depends on the investor's own tax situation and the value

that the tax credits will provide them. The tax credit legislation is most favorable to corporations, as investors, because it permits them to deduct depreciation and interest as business expenses, whereas individuals are not eligible for those deductions. In Table I is the calculation of the tax credit, which provides a guideline for determining whether the price is in the ballpark. Each investor will value the investment differently based on their own tax situation.

The amount of annual tax credit to be awarded is calculated as a percentage of the acquisition cost, and a different percentage of the construction costs added together times the percentage of units available for low income use. See Tax Credit Formulas for special restrictions.

The final figure equals the annual amount of tax credit that investors will receive for ten years.

Tax Credit Formulas

The *acquisition credit* is calculated as approximately 4%¹ of the eligible basis² attributable to building acquisition costs, with a minimum rehabilitation cost of \$3,000 per unit or 10% of the adjusted basis of the acquired building, whichever is greater. The 10% test does not apply to projects acquired from government entities, those projects use a 4% acquisition and a 4% rehab credit. Land costs are ineligible.

PLUS

The *construction credit* is the greater of:

i. Approximately 9% (see footnote 1) of the portion of "eligible basis" attributable to construction or rehab costs which is not financed with federal funds (except CDBG).

OR

ii. Approximately 4% of the total "eligible basis" attributable to construction or rehab costs if the project is financed with over 5/9ths federal funds. (except CDBG).

TIMES

The "*applicable fraction*" of total residential rental units or floor space which are rented to qualified low income tenants at affordable rents.

¹ The 4% and 9% are approximations of the actual percentages which are determined by the IRS on a monthly basis as a percentage of a Federal Index.

² Eligible basis is defined the same as depreciable basis which includes costs attributable to the existing building and improvements. For example, costs associated with construction financing are included in basis. Costs associated with the permanent financing are not included.

TABLE 1

Calculating the Annual Tax Credit

Project Development Cost ¹	X	Applicable Percentage to Calculated Credit	=	Annual Tax Credit
Acquisition:				
Land	10,000	ineligible		-0-
Building	90,000	4%		3600
Hard Construction Costs	765,000	9%		68,650
Soft Costs ²	135,000	9%		12,150
Total	\$1,000,000			\$ 84,600³

¹ Only low income units are eligible for the tax credit—in this example 100 percent are low income.

² All soft costs may not be eligible. For this calculation they are not separated out but as the calculation is refined each line item must be reviewed.

³ If the project is in a qualified census tract or "difficult to develop area" as defined by HUD, the project will be eligible for a "basis boost" of 130 percent. The annual tax credit will be 30 percent higher. In this case it would be \$109,980.

To exemplify this calculation, assume a project has a total development cost of \$1,000,000, broken down as follows:

In today's market, an investor would multiply the credit by 10 years and by \$.45, which is today's average market price for tax credits (see Table 2). Again, the dollar value assigned to the tax credit will vary from investor to investor. The \$.45 is an average market price. Some investors will be willing to pay more for the credit while others will pay less. The price takes into account the present value of the 10 year flow of income and rate of return expected by the investors.

credits. Those sophisticated in real estate often make direct investments. Banks can earn tax credits and can use the investments to meet CRA requirements. Insurance companies have also been major investors in tax credits. Most corporations, however, choose to invest through pools or syndications where they play a limited role and have experts who can negotiate the deals for them. These investment pools are managed by several investment banks as well as The Local Initiative Support Corporation (The National Equity Fund), The Enterprise Foundation, and several smaller, regional investment pools.

III. Who Is Investing?

The 1986 legislation was drafted with an obvious bias toward corporate investors. There are specified limits to the amount of passive income that individuals can claim on their tax returns. Although some individuals are willing to invest, the returns are not yet significant enough to generate an active retail market for tax credits and make individual investors a strong force in the market place.

Corporations are the most active users of low income housing tax

TABLE 2

Calculating the Value of the Tax Credit

Annual Tax Credit	\$ 84,600
Credits Continue For 10 Years	X 10
Total Amount of Tax Credits	\$ 846,000
Current Market Price: 45¢ /\$1	X .45
Total Proceeds to the Project	\$ 380,700

When looking for investors, most developers begin looking first to local companies who might have an interest in the project. If there are no local candidates, then the larger investment pools are contacted directly. The investment pools will want to know basic information about the deal, including location, number of units designed for low income residents, development costs, rent structure, operating expenses, sources of financing, and marketing plans.

IV. Long Term Ownership and Affordability

Non-profit developers are concerned with maintaining long term affordability of the housing. According to the tax laws, if the units are converted to market rate units within the first 15 years of the project, the tax credits can be "recaptured." In addition the allocating agency now must sign a deed covenant which remains with the property and requires continued use as low income housing for an additional 15 years after the "recapture" period has expired. In general, most investors will look to have their equity returned through tax benefits rather than through property value appreciation (sale). Therefore, investors should be willing to negotiate a purchase option for the non-profit developer to purchase the property at the end of the "recapture" period at a formula price, an arrangement which is now allowed by law. This would return ownership of the property to the non-profit developer who would then be able to maintain the project for low income tenancy in perpetuity. ☐

June Blumenfeld is a managing associate with Shorebank Advisory Services, Inc. (SAS), a wholly owned subsidiary of Shorebank Corporation, the holding company for South Shore Bank in Chicago. Prior to joining SAS, Ms. Blumenfeld served as the National Fund Manager of the LISC/National Equity Fund, a wholly owned subsidiary of the Local Initiative Support Corporation, which is one of the country's leading investors in low-income housing tax credits.



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Anchorage Daily News

Wednesday, March 1, 2000

Decent housing

Cut through debate to the purpose

The state House has passed by a 29-5 vote a bill to keep quality, low-income housing available to Alaskans.

Rep. Andrew Halcro sponsored the measure, which would:

- * Require cities to tax low-income properties based on their actual rents, not what such properties might be worth on the open market.
- * Prohibit cities from including federal tax credits in property values when doing assessments.

Why is this important?

Without it, Anchorage could lose quality, low-income housing for the disabled, mentally ill, seniors on fixed incomes, poor families struggling to make ends meet and people who would otherwise have only the street or the Brother Francis Shelter. That's because the city, since 1993, has tried to assess these properties at fair market value, even though they're not free to compete in the open market, even though their primary purpose is not to make money but to provide quality, safe housing.

Here's how low-income housing tax credits generally work. A nonprofit group comes up with a plan for a building. It applies for tax credits to the Alaska Housing Finance Corporation, which runs the program in Alaska for the federal government. AHFC may grant tax credits up to 9 percent of the value of the project.

Let's say the project will cost \$1 million. AHFC likes the plan and provides \$90,000 in tax credits. A bank or other investor then buys those credits at a discount, usually about 75 cents on the dollar. Because the tax credits are good for 10 years, that means the bank buys \$900,000 in federal tax credits for \$675,000. It puts that \$675,000 up front to finance the building, and then qualifies to take \$90,000 off its federal tax bill for the next 10 years.

That leaves the nonprofit needing \$325,000. Usually that comes from AHFC loans, other programs or grants.

Without substantial private investment, the housing doesn't happen.

And without the tax incentive, private investment doesn't happen.

What does an Anchorage property tax assessment have to do with this? If Anchorage can tax these properties to the max - rather than accept the \$500,000 in property taxes they now provide - it can put them out of business and preclude any new projects.

There are 15 tax-credit properties in Anchorage. They provide 1,235 units. Some of these properties face a \$50,000 tax increase, according to Jeff Judd of Anchorage Mutual Housing, which operates several of them. Fifty thousand is enough to bankrupt "a property that's penciled down to the gnat's eyebrow." That's how Eleanor Andrews describes the finances of these projects. Ms. Andrews works with both Anchorage Mutual Housing and Anchorage Neighborhood Housing.

Banks could stand to lose their investments and their tax breaks. If the properties reverted to AHFC, they would become public housing and not pay a penny to the city treasury.

Banks and other major investors won't put up a dime if they have to worry about the city changing its rules.

City executive manager Elaine Christian says the city's position is that it's complying with state law requiring full and true assessments of property. Let assessors and lawyers tangle in the legal thicket that now faces the Board of Equalization, which is still trying to settle the appeals on these properties.

Rep. Halcro's bill cuts right through the thicket to common sense. The Senate should join the House in passing it. And if banks and private investors are willing to finance low-income housing in Anchorage, city officials should applaud, not get in the way.

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Submitted by: Assemblymember TESCHE
Prepared by: Assembly Office
For reading: FEBRUARY 15, 2000

ANCHORAGE, ALASKA
AR NO. 2000-41

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING HB 272, "AN ACT RELATING TO THE TAX ASSESSMENT BY A HOME RULE OR GENERAL LAW MUNICIPALITY OF HOUSING THAT QUALIFIES FOR THE LOW-INCOME HOUSING CREDIT UNDER THE INTERNAL REVENUE CODE, AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, affordable housing in Anchorage which serves senior citizens, residents with special needs, and low income families is now at substantial risk of fiscal default because the Municipal Assessor no longer recognizes recorded deed covenants which limit rents received from tenants; and

WHEREAS, upon default, these properties will likely become tax-exempt public housing projects, thereby reducing annual property tax revenues by as much as \$486,000; and

WHEREAS, the state's largest investors have stated that investment in affordable housing in Anchorage will not resume without a consistent assessment policy that recognizes limits imposed on rents the properties collect, and a policy that does not treat federal low income housing tax credits used to build affordable housing as "real property"; and

WHEREAS, Federal officials have stated that the Assessor's practice, if not corrected by prompt action, could jeopardize continued receipt of more than \$3 million in Community Block Grants made available to the Municipality of Anchorage.

NOW, THEREFORE, the Anchorage Assembly hereby resolves:

Section 1: That the Assembly supports HB 272 and commends the Alaska State House of Representatives for its passage of HB 272 and urges the Alaska State Senate to enact this legislation without delay.

Section 2: This resolution shall take effect upon passage and approval.

PASSED AND APPROVED by the Anchorage Municipal Assembly this _____ day of _____, 2000.

Chair

ATTEST:

Municipal Clerk

April 3, 2000

Senator Sean Pamell
Senator John Torgerson
Co-chairs Senate Finance Committee
Alaska State Senate

Re: Legal Services responses to proposed changes to HB 272. Jack Chenoweth letter of 3/24/2000

Dear Senators:

My first recommendation is House Bill 272 should not be passed. It is special interest legislation that in no way benefits the low income renters it purports to help. The portion of the rent they pay is based upon their ability to pay and has no relation to the overall cost of the rental. Their's is a fixed amount unless unless their income changes.

The changes I have suggested to HB 272 only an attempt to make this bill a little less onerous to the unsubsidized providers of rental income in this state.

House Bill 272 has been sold to both the Anchorage assembly and the Alaska State House on the basis that there is a dire shortage of low income housing, without this legislation the existing tax credit housing units will default, upon default these projects will go off the municipal tax rolls and the banks will no longer participate in these programs. As some of you are aware from my previous correspondence, I believe all of these representations to be false. That is why I believe the books of participants in any tax forgiveness program should be required to prove the necessity and public benefit of their being assessed at a lower rate than the rest of us. Mr. Chenoweth has hit the crux of this problem and that is that the only requirement contained in HB 272 is that the property owners have received up front tax credits to develop the projects and that the low income tax credit program is not limited to subsidizing only low income people. The people occupying most, if not all, of these units already have their rents subsidized under other government programs. I don't think there would be any support at all among the voters if they understood that this bill will subsidize municipal services for people that are not low income and have rent subsidies available that are adequate to allow rents sufficient to cover municipal assessment. My proposed additions to the bill are intended to add further requirements than contained in the bill in its original form.

The second from last sentence of paragraph 2 of Mr. Chenoweth's analysis indicates (d) of the original draft allows sufficient leeway for assessors to require additional information to determine applicants eligibility. From the bill as it now stands:

"The property owner shall submit the application forms prescribed by the assessor and shall include information that may reasonably be required to determine the entitlement of the applicant"

You don't have to have a law degree to understand that in its present form the only thing the assessor can require is proof that the "property qualifies for a low income housing credit (there's that "low income" again that Mr. Chenoweth has pointed out is not the standard on which the entitlement is based) under 26 U.S.C. 42". As for the terminology in the present form, line 8 says "...must be based..." a clearly defined requirement in legislation and law. While lines 13 and 14 say "...that may reasonably be required..." (perhaps Mr. Chenoweth could clarify the legal significance of this terminology in clarifying the assessor's rights under this bill).

As for the citation of AS 29.45.130(b), I fail to see its relevance. Passage of HB 272 in its present form renders it meaningless. What would be the point of a physical inspection of the premises if the assessor is required by law to base the assessment solely on the actual income derived (lines 6.7.8 of HB272)?

This raises another question: Does "actual income derived" refer to a gross income or a net income? Is this defined in law somewhere?

Page 2 of the commentary indicates there is sufficient authority to verify if a property qualifies under the proposed legislation. That is true only if the sole criteria used is the receipt of tax credits under 26 U.S.C.42.

Under "Suggested Change..." Mr. Chenoweth indicates that whether or not future projects would enjoy the benefit of the special assessment method is a "policy decision". This statement is hard to fathom when the proposed law allows for no such differentiation.

I won't attempt to address the comments on (g) as this is getting to long. The purpose of the changes suggested in effective dates is for the sole purpose of giving the special consideration on assessments only to those people that the municipality may have had some culpibility in confusing regarding the assessment requirements (one would have to assume a great deal of ignorance on the part of several bankers and developers to believe they didn't understand state assessment laws). They would have no basis for pleading stupidity in the future and receiving this subsidy.

As for the final paragraph in the assessment: Does the magnitude of the gift to the bankers and developers of these projects have anything to do with a legal assessment of a bill? Perchance there is more information contained in this paragraph regarding the analysis than in all the other paragraphs.

Sincerely,

Jerome Pape

cc: Senators Dave Donley
Lyda Green

Pete Kelly
Loren Lemar
Randy Phillips
Gary Wilken

National Bank of Alaska



March 23, 2000

Corporate Headquarters
P.O. Box 100600
Anchorage, AK 99510-0600
Phone (907) 522-8888

Senator John Torgerson
Alaska State Senate
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Subject: Property Taxation of Affordable Housing

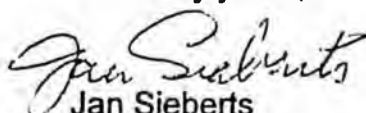
Dear Senator Torgerson;

We appreciate the time you have given us to listen to property taxation problems with the Municipality of Anchorage and its probable effect statewide. We support HB 272 which deals with the problem as described by the Municipality and the State assessor. The Municipal Administration says the problem is a State law problem even though in *Hoblit v. Greater Anchorage Area Borough (1970)* the Alaska Supreme Court held that real property may be valued by the assessor by whatever recognized method it chooses. So to many of us involved the real issue is that we are faced with changing political whims which are damaging our ability to construct quality affordable housing for low income people.

I have discussed this issue with experts from all over the United States and the problem has even been discussed with members of Congress, and their general reaction is dismay to the problem we have been dealing with for the past three years. The actions of the Municipality are a clear deterrent to the free flow of capital into our State. Attracting capital into Alaska for real estate development and housing has been difficult at best, and we do not have the financial resources that most states do to precipitate development. Creating additional barriers to commerce and the quality of life of our citizens is beyond the belief of most of whom I discuss the subject.

After discussing this issue with Ben Hecht of the Enterprise Foundation, the nations leader in affordable housing development, his reaction was that most communities in the country will consider total tax exemption to get these funds. Most Western states offer total property tax exemption for Affordable Housing developed by Non Profits. I am told that Senator Ted Stevens is working at this time to increase the program nationwide. So in summary, we request your support of this bill

Sincerely yours,


Jan Sieberts

HOUSING FIRST

Affordable Housing for Individuals and Families

1801 Douglas Highway, No. 16, Douglas, AK 99824

phone:(907)364-3573 fax: (907)364-2674 e-mail bstreet@alaska.com

Senator Torgerson
Via fax: 465-4779

March 23, 2000

Dear Senator Torgerson

We are asking for your support for House Bill 272. We are very appreciative of any effort to resolve the on-going property tax problem we've encountered with our apartments for low-income tenants.

Housing First, Inc., is one of the non-profit housing organizations that has used tax credits to build affordable rental apartments in Alaska. Using this source of funding, along with funds from a number of other sources, including conventional loans, we have built two buildings, with 21 units total, in Juneau and Douglas.

Each year since construction of each property, we have appealed our property taxes to the City and Borough of Juneau. Each year, we are glad to say, we have received some relief from these taxes. Some years, the appeal has gone to the Board of Equalization; in other years, our appeal has been settled administratively. We have tried to persuade our city assessor to take an income-based approach to assessing the buildings, but have been unsuccessful. Generally, we reach a tax agreement that is between our request, based on an income-based approach, and the full market-based assessment we receive from the city.

It is clear to us that without a legislative solution to this problem, we will have to commit resources, time and energy to each year's appeal, and each year accept something less than what we believe is a fair assessment.

For us, property tax relief has made the difference between owning buildings that are operating in the black or in the red. As a non-profit organization that has one part-time staff person and an active board of volunteers, it is vitally important that our buildings are able to pay for themselves. We have no other source of operating funds, since 100 percent of our units have rent ceilings attached.

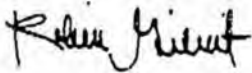
These rent ceilings are in place for 30 years from construction of the building; our oldest building has 24 years remaining on these ceilings. As a non-profit organization, even after the 30 years are up, we are obligated (and feel it our duty) to continue operating these buildings for low-income tenants for the remaining life of the structures.

These rent ceilings are attached via deed restrictions, therefore, any owner of the building would face the same financial crunch we have faced. These lengthy restrictions are another excellent reason to grant property tax relief. The value of our buildings is affected by these ceilings.

We have taken the risk and responsibility of building these apartments for the public good. In return, we would like a fair assessment of the value of our properties.

Again, we hope we can count on your support for this important legislation.

Sincerely,



Robin Gilcrist
President, Housing First, Inc.

cc: Senators Adams, Donley, Green, Kelly, Leman, Phillips, Wilkins

Memo

To: Sen John Torgerson
From: Glenn Gellert, Alpine Partners
Date: 2/15/00
Subject: HB No. 272

Sen. Torgerson, I wanted to take this opportunity to comment on HB 272.

I support it.

Tax credit projects must adhere to rigid standards outlined in Section 42 of the IRS tax code. Tax credit property operators must agree to charge HUD established rents that allow tenants making 60% of median income or less to afford decent housing. These deed restrictions, which are similar to easements, run with the land for up to 30 years.

During this time the operator will never be able to raise rents above the HUD established levels. In the case of a Girdwood project that I am developing and Anchorage Mutual Housing is operating, this could be as much as \$150 to \$200 per unit each month that the operator can not realize.

On the subject of the tax credits themselves, it is a common misconception that they add value to a project. The reality is that they only serve to bridge the gap between the cost of construction and the value of the project. Our Girdwood project will cost in the neighborhood of \$3 million to build but the rents, using the income approach, would indicate that the project is only worth \$1.5 million. Without the equity generated from the tax credits, this \$1.5 million gap does not get filled and housing for service sector workers in Girdwood does not get built.

Assessing tax credit projects based on the rental income generated is the only fair way to value these developments. The positives of this approach far outweigh the negatives. It is true that the Municipality of Anchorage will lose out on some revenue, but by sacrificing this relatively small amount of money, the whole Anchorage community benefits as lower wage earners have affordable, well maintained housing available to them.

Please call me at (907) 277-2663 or e-mail me at gellert@alaska.net if I can answer any questions.

2000-09-2 2/15/00

Supp. to HB 272

Submitted by: Assemblymember TESCHE
Prepared by: Assembly Office
For reading: FEBRUARY 15, 2000

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**ANCHORAGE, ALASKA
AR NO. 2000-41**

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING HB 272, "AN ACT RELATING TO THE TAX ASSESSMENT BY A HOME RULE OR GENERAL LAW MUNICIPALITY OF HOUSING THAT QUALIFIES FOR THE LOW-INCOME HOUSING CREDIT UNDER THE INTERNAL REVENUE CODE, AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, affordable housing in Anchorage which serves senior citizens, residents with special needs, and low income families is now at substantial risk of fiscal default because the Municipal Assessor no longer recognizes recorded deed covenants which limit rents received from tenants; and

WHEREAS, upon default, these properties will likely become tax-exempt public housing projects, thereby reducing annual property tax revenues by as much as \$486,000; and

WHEREAS, the state's largest investors have stated that investment in affordable housing in Anchorage will not resume without a consistent assessment policy that recognizes limits imposed on rents the properties collect, and a policy that does not treat federal low income housing tax credits used to build affordable housing as "real property"; and

WHEREAS, Federal officials have stated that the Assessor's practice, if not corrected by prompt action, could jeopardize continued receipt of more than \$3 million in Community Block Grants made available to the Municipality of Anchorage.

NOW, THEREFORE, the Anchorage Assembly hereby resolves:

Section 1: That the Assembly supports HB 272 and commends the Alaska State House of Representatives for its passage of HB 272 and urges the Alaska State Senate to enact this legislation without delay.

Section 2: This resolution shall take effect upon passage and approval.

PASSED AND APPROVED by the Anchorage Municipal Assembly this _____ day of _____, 2000.

Chair

ATTEST:

Municipal Clerk

Subject: HB272 (tax assessment of affordable housing properties)

Date: Thu, 17 Feb 2000 14:29:02 -0900

From: "Jeff Judd" <jeffju@akamha.org>

To: <Senator_Sean_Parnell@legis.state.ak.us>, <Senator_John_Torgerson@legis.state.ak.us>, <Senator_Dave_Donley@legis.state.ak.us>, <Senator_Randy_Phillips@legis.state.ak.us>, <Senator_Pete_Kelly@legis.state.ak.us>, <Senator_Lyda_Green@legis.state.ak.us>, <Senator_Gary_Wilken@legis.state.ak.us>, <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Jerry_Mackie@legis.state.ak.us>, <Senator_Jerry_Ward@legis.state.ak.us>, <Senator_Lyman_Hoffman@legis.state.ak.us>, <Senator_Mike_Miller@legis.state.ak.us>, <Senator_Johnny_Ellis@legis.state.ak.us>, <Senator_Drue_Pearce@legis.state.ak.us>

Dear Senator, I wanted to take a few minutes of your time to encourage you to support HB272 sponsored by Representative Halcro and recently passed by the House by a vote of 29-5. This legislation would clarify state law regarding assessment practices for "affordable housing properties" that serve our communities lower income families, and would ensure that such practices are consistent and appropriate throughout our state. This "clarification" is necessary as a result of what affordable housing providers believe is the misinterpretation by at least some local assessors of state assessment law. At a minimum, the opinion of many reasonable persons varies on what existing state law requires local assessors to consider when assessing affordable housing properties.

First it is important to understand the nature of the properties that are the subject of this legislation. Such properties are limited to those that serve lower income families and that have long term (generally 30 years), legally binding deed restrictions recorded against the property in favor of the State of Alaska and the Federal government. These deed restrictions, which limit the income of tenants to generally 60% or less of the area median income, and in some cases considerably less, also restrict the amount of rent that can be charged to the lower income family to a specific amount dictated by the federal government, i.e., a formula driven amount that is based on the income level of the lower income family. These deed restrictions also require that the owners of such properties maintain the properties to a high quality level per minimum federal quality standards.

As a result of these deed restrictions the (rental) income is specifically limited, and as a result of other program requirements, operating expenses are in some cases higher. For instance, there are severe penalties imposed by the IRS for non-compliance with income and rent restrictions and quality requirements, and as a result, owners must take additional administrative steps to ensure that persons meet specific income requirements prior to moving in to a unit within the property. Properties are required to have audited financial statements annually, and tenants can not pay for certain utility expenses (electric and heat for instance) as the maximum tenant charge (rent and tenant paid utilities) may not exceed 30% of the qualifying income level (an amount that the federal government defines as the affordable standard). The point is, that these types of properties are subject to a variety of very specific requirements that restrict the amount of income that is generated from them. These deed restrictions can not be removed through the sale of the properties during the 30 year compliance period. An honestly, a sale of such a property has never taken place in our state, and has only happened extremely rarely throughout the entire U.S. due to the nature of these properties. That is, very little if any income is derived from such properties. They are generally owned by non-profit organizations, guided by community minded persons, whose purpose is to provide a valuable and essential service to their communities.

This legislation is especially critical at this time due to a significant change in the assessment practice of Anchorage's assessor and the opinion that has been expressed publicly by the city's Mayor. In 1995 and 1996 after developing affordable housing that met specific housing needs in our

community as stated in the city's housing and community development plan (HCD plan), the local assessor assessed these properties as if they were "market rate" properties. That is, as if they could charge "market" or unrestricted rents. As I mentioned above, these properties can not do this.

We successfully appealed this assessment approach before the city's Board of Equalization. In 1997, once again the local assessor increased the assessment value to that of a "market rate" project, and in an attempt to resolve this matter on a more permanent basis, we negotiated with the City in good faith to arrive at an assessment methodology that was acceptable to both parties. We accomplished this goal in 1997. However, shortly thereafter, a new assessor hired by the Mayor disregarded the 1997 methodology and in fact increased the assessment values far beyond what had ever been assessed in the history of these properties. In 1998, in one case the assessment value went up 184%. And this is not the exception, numerous other properties assessments increased over 100% in a single year. These devastating increases remain in effect today, and although we have appealed them (the Board of Equalization that only recently met to hear this matter several months ago), the BOE has yet to conclude this matter. Because this matter is clearly one that centers on the interpretation of state law, it is critical that this matter be resolved by the legislature. The legislation before the Senate would simply require that local assessors assess value to such properties based on the deed restrictions that they are subject to and that the assessor not attribute a value to the low income housing tax credits that were received by the owner to assist in building or renovating the project in the first place. Our research has shown that this is the practice that is standardly recognized throughout most of the western states (Montana, Hawaii, California, Washington). In fact, these states actually exempt completely such properties from paying any property tax due to their value to the community in providing critical housing that is no longer provided by the federal government.

We have not asked to be exempted, only to pay a reasonable, consistent and appropriate rate based on the actual income that can be generated by these properties. The practice of recognizing legally binding deed restrictions and other encumbrances (something the local assessor is unwilling to do) is the common and universally recognized valuation method in this country per USPAP (Uniform Standards of Professional Practice). This standard includes procedures for mass appraisals such as tax assessments and requires appraisers to "consider known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature." Yet the local assessor has year after year failed to follow this standard because in his opinion State law requires him to assess the property to "market value", i.e., unencumbered value.

However, nowhere in state law does require such a "market value" approach. State law requires an assessor to assess property at it's "Full and True Value" which is defined in AS 29.45.110 as "the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels". Why would a knowledgeable person purchase a property that is subject to these deed restrictions at "market value" when in fact they could never charge such market rents? The simple fact is that no one would. Most of the properties that would be covered by HB272 received Federal low income housing tax credits under Section 42 of the IRS code. These tax credits are sold by the non-profit organization generally to a bank (or any other person or business that has a federal tax liability that is interested). The proceeds from the sale of the tax credits is used by the non-profit organization to cover the difference between the amount of mortgage debt that the properties restricted income will support and the cost to build the property. Generally, this difference is significant. This "gap" is not unlike the gap that also exists for "market rate" properties. The simple fact is that virtually all new multi-family

construction in our state in the last 10 years has occurred because of the availability of the low income housing tax credit program. Development of multi-family housing of any type is just simply not economic in our state without such investment incentives. The local assessor has taken the position that these federal tax credits should be assessed as "real property" under Title 29 of our State law. Yet nowhere in this Title does it describe such tax credits as real property. These tax credits are a form of security, or investment incentive provided by the federal government at no expense to our state, that encourages quality, affordable housing for lower income families. Although the local assessor would have you believe that the banks that buy these credits are "making a killing" through this investment, the simple truth is that their investment value is extremely limited, is at significant risk due to severe compliance penalties and the whims of assessment methodology interpretation, and in fact, the banks could in most cases earn a greater return on the investment through less risky investment alternatives. Banks have chosen to become our community partners in this regard because they too see the value of having quality, affordable housing in our communities.

The current practice by Anchorage's local assessor has severe consequences for our communities. First, the increased taxes will default existing properties already developed in our community. In numerous cases, the tax bill on properties have gone up approximately \$50,000 (each property) and these properties are simply unable to pay this increase due to the inability to raise the rent levels. Upon default these properties will become state (AHFC)-owned properties (AHFC is the primary lender and has approximately \$40 million in mortgage debt at risk due to the local assessors practice) and will likely be converted to public housing. When this happens the city will not receive any property taxes from these properties as public housing properties. Using the income restricted value that we have historically paid prior to 1998, the properties contribute over \$27 million to the local tax base to which we pay approximately \$.5 million in property tax to the city annually. This is property tax revenue that the city would never have received had we not developed these properties to meet the specific needs that are identified in the HCD plan and that were specifically supported by the city administration. The city administration's public statements that the income restricted value that we are requesting will result in a decrease in property taxes that must be made up from other taxpayers is untrue. For this statement to be true you must first assume that we have historically paid this higher tax rate, which prior to the 1998 assessment we have not. Our approach to the proper assessed valuation would simply continue the rate of taxation that we have successfully appealed repeatedly prior to 1998. Even if you buy into the administrations "increase" statement, the direct effect to other tax payers is only about \$1.33 per \$100,000 in value. The indirect cost to other taxpayers if HB272 is not passed by the Senate will be significantly greater due to the loss of existing and future tax base (and other indirect social costs).

Secondly, our state's largest financial partners (NBA, FNBA, KeyBank) have publicly indicated that they will not invest any further capital in affordable housing in our community unless this issue is satisfactorily resolved. The current local practice jeopardizes their initial investments in existing properties (you must be an owner to claim the tax credits which they have already paid for), and clearly they are unwilling to risk any further investment towards such properties given the current practice. The loss of this investment will mean that no further development, and its economic impact value, will take place in our community. Perhaps even the entire state. Jobs will be lost, future tax base will never be realized, and local and state government will have to directly pay for the cost of providing affordable housing and the social costs of not having it.

Third, officials from the Department of Housing and Urban Development have in writing and verbally expressed that the assessor's current practice jeopardizes the receipt of over \$3 million annually in federal housing funds received by the city through the CDBG and HOME programs. In fact, in a July

20, 1999 letter to the city, HUD officials indicate that they "find that the Municipal Assessor's treatment of annual assessments of the value of affordable housing projects in Anchorage is inconsistent with the Municipality's pledge to increase the stock of affordable housing within the jurisdiction. Annually increasing the assessed value of these properties based on the mistaken assumption that they are capable of generating revenue at the level of market rents has the impact of driving affordable housing projects into default of the terms of financing." In addition, HUD officials indicated that in their view "the Municipality's tax policy disregarding the rent restrictions on these properties is the single greatest threat to the preservation of existing stock, and future development of affordable housing in Anchorage today. The Municipality cannot, on the one hand, pledge to foster affordable housing, and on the other, penalize and discourage its development. A permanent solution is necessary to create the economic climate required to grow affordable housing in Anchorage."

In summary, the value that affordable housing properties bring to a community is tremendous and multi-faceted. Although this issue at first appears very complex and involves many people, what we truly seek and encouraging the Senate to do through passage of HB272 is very simple - that is, to simply clarify state assessment law and the resulting assessment practices that will sustain the efforts of affordable housing providers to maintain existing properties and to encourage the development of new ones. In doing so, all residents of our state will benefit.

I am happy to answer any additional questions or clarify these issues further if you desire. Additionally, I would welcome the opportunity to take you on a tour of our properties the next time you are in Anchorage. Thank you for your time.

Sincerely,
Jeff Judd, Executive Director, Anchorage Mutual Housing Association



First National Bank
of Anchorage

March 3, 2000

Senator John Torgerson
Co-Chairman, Senate Finance Committee
Alaska State Legislature
State Capitol
Room 516
Juneau, AK 99801-1182

Re: HB 272

Dear Co-Chair Torgerson:

On behalf of the Alaska Banker's Association, as President, and on behalf of The First National Bank of Anchorage, I am voicing our support for HB 272, and respectfully request your support of that proposed legislation as well.

We think that after careful consideration you will find that enactment of HB 272 is the only means to assure further development in Alaska of quality housing projects specifically designed and limited to use by low income individuals.

The low income housing projects in issue are the product of a federal government program that enables low income housing developers to sell "tax credits" to investors and use the proceeds together with money borrowed from Alaska Housing Finance Corporation to pay the cost of constructing the projects. In Alaska, the developer is most often a non-profit group seeking to provide specially designed low income housing to individuals who cannot find suitable substitute housing that meets their needs. As part of the arrangement with the government and AHFC, the developer agrees to limit the amount of rent that will be charged to tenants and confirm that tenants are the low income individuals the project is intended to serve. Rental paid by tenants is used to repay AHFC's loan with interest, the operating costs of the project, and real property taxes assessed by local government. The purchaser of the tax credits does not receive any portion of the rental. Instead, the purchaser receives the right to reduce the amount of federal income tax it would otherwise be required to pay by the amount of dollars of tax credit it purchased from the developer.

So far, low income housing developers in Anchorage who have taken advantage of the program have been able to keep the projects more or less filled; pay when due the installments they owe to AHFC; pay operating expenses; and pay property taxes based on a valuation of the project according to the limited rental that may be charged; not the cost or replacement value of the project. But there isn't enough income from the projects to enable developers to pay any more, whether it be for mortgage loan interest, operating expenses, or additional real property taxes.

The virtue of these projects is that they can be developed with special facilities for the handicapped or others with special needs, with more amenities, and to a higher standard than would be possible if the Federal government did not offer up the tax credits for sale. The money used to build in the additional amenities and make the projects desirable additions to the neighborhoods where they are constructed wouldn't be available if developers had to borrow it. The maximum amount of rental that may be charged by agreement with AHFC isn't enough to enable the developer to pay additional mortgage debt, no less additional taxes.

Historically, the projects in Alaska have been assessed for real property tax purposes at a value commensurate with the amount of rental they can generate, not the cost of constructing them or their replacement cost. Recently, the Anchorage assessor has chosen to assess the projects at higher value than is warranted by the limited amount of rental they can generate. Moreover, the current administration has expressed the view that a return to the historical treatment of them would be contrary to State law. Therefore developers sought resolution of the matter through the legislature.

For the most part, local banks have purchased the tax credits offered for sale to help finance existing low income housing projects. On their behalf I observe that unless there is certainty by way of legislation like HB 272 that there will be no change from historical tax treatment of these projects, there will be no further investment by local banks in such projects. Making additional investments at below market rates of return is an investment local banks have been willing to make to do their part to bring about successful low income housing. Making such an investment without the prospect of any return is not one any will bear.

Exemption of such projects from taxation is the action that has been taken most recently by the legislatures of Washington, Hawaii, Montana and California. That's far more in assistance than developers have sought by way of HB 272.

HB 272, besides making it possible for existing projects to continue and new ones to be developed, has an additional benefit. By making the tax treatment of such projects the same throughout Alaska, developers statewide can compete for the limited amount of money and tax credits available for such projects on the basis of the merit and need for the project they propose, not the personal views of the current administration of the local government where the project may be located.

I'd be pleased to address the matter more fully in person in any forum you might choose. Moreover, I'd be pleased to arrange for you and anyone else you might choose to view existing projects and see what a valuable opportunity for Alaska communities will be lost if the historical tax treatment of these projects is not preserved by HB 272.

Very truly yours,



David A. Lawer
Senior Vice President & General Counsel

President, Alaska Bankers' Association

373-5635

Wednesday, March 1, 2000

B-7

ice of The Times

'Low-income' housing is a misnomer

By JEROME PAPE

At a time when Anchorage is facing reduced municipal assistance and a vote on a tax cap, the Legislature and the Assembly are rushing ahead to assure one segment of the housing market is given special treatment in how its property is assessed. This segment is comprised of the "non-profit" organizations that build and manage housing for supposedly low-income families.

This group wants state and municipal laws changed so municipal tax assessors will be required to use a method of evaluating low-income property differently than that used for the rest of us. The non-profits and bank lobbyists are pushing for these changes on a fast track.

To put this issue into perspective, there are a few things one needs to know:

First, the term "non-profit" does not mean the same thing as "charity." Non-profit means the IRS has exempted the corporation's income from federal taxes. It can still amass wealth. Although a non-profit gets a lot of taxpayer money, its books are not open to public review. The public is not entitled to information on how a non-profit's funds are actually spent, what kind of payroll and perks they are paying or how much wealth it may have amassed.

Ask the politicians why they support these tax changes and they usually respond in terms of helping the low-income people. However, only some of these units are strictly low-income. Many have been approved for low-to-moderate income. By this criteria, a family of four can make somewhere around \$50,000 a year and live in this housing. A family of three, earning \$40,000, could do so.

Some of these units have two-car garages, two baths, fireplaces and many supply cable TV as part of the rent. The units are Alaska State Housing Authority approved, getting preference for ASHA certificates. Many are part of a deal with base housing for a military set-aside, and some can be rented to people with moderate incomes. This means we are using tax subsidies to fund someone in direct competition with private enterprise. Truly low-income people couldn't qualify to get into the nicer units of subsidized housing.

Second, we are told that HUD won't allow the non-profits to raise rents to cover higher property taxes and that doing so will somehow affect municipal funding. I've asked to see this rule, but so far no one



has come up with it.

Many HUD-financed projects have only a percentage of the units that are revenue restricted. If rents are tied to HUD criteria, they are annually adjusted for cost-of-living changes. At present, HUD sets monthly rents at: no bedrooms — \$500; one bedroom — \$591; two bedrooms — \$783; three bedrooms — \$1,090; and four bedrooms — \$1,285. These rent prices are quite a bit higher than much of the rental market presently available to low-income people in the unsubsidized market.

Third, when the House recently passed its version of a bill to provide lower tax assessments for low-income housing, the majority caucus press release said: "Banks are now refusing to finance these properties because they are no longer feasible under the market assessment approach." Rep. Lisa Murkowski was quoted saying that if the projects go into default, Alaska Housing Finance Corp. would take possession and pay no property taxes. Let's look at the facts.

Once these non-profits tie in with HUD, they get tax credits for building supposedly needed housing. A tax credit is a direct write-off against taxes owed. The developer may discount the credits and sell them to a bank. Non-profit developers are often given loan interest rates below what others paying full taxes get. Non-profits also get grants.

To summarize: The bank gives a loan that is secured by property, AHFC or

HUD secures the loan and the bank buys the tax credits, probably at a discounted rate. Now we are told that if the non-profits are assessed like other property owners in town they will default and the whole house of cards will come tumbling down. And banks won't fund these projects.

Are we to believe that if an experienced business person goes to his banker with a package showing that he has an almost guaranteed clientele base and that AHFC will guarantee the loan, the banker will say "no"?

Somebody must believe the politicians and the taxpayers are pretty stupid to believe this.

AHFC is worth billions, and every year the Legislature tries to get money from it to help in state budget problems. If it truly doesn't pay property taxes, legislation should be passed to remove this exemption. It would result in direct assistance to municipalities at a time state municipal assistance is being cut. And if some non-profit developers go under because they have to pay their fair share of taxes — with all the advantages they are given — I would suggest we let them go under and allow ASHA to resell the property to someone competent.

Finally, the Legislature justifies its action based on "a dire shortage of low-income housing in Anchorage." Most of last year, one of these projects was offering a full month's rent free as a move-in bonus with a six-month lease. Currently, Anchorage Neighborhood Housing is offering a half-month's rent free, and will take pets in some of its units. These are not the signs of a dire shortage — these are signs of someone who cannot fill his units. If there really is a shortage, let's start out by converting all of the moderate-income subsidized housing to low-income units.

The vast majority of the low-income people in Anchorage are being housed by the unsubsidized property owner at rates cheaper than HUD rental scales. Along with the rest of us, these low-income renters are subsidizing the non-profits. It is reprehensible to have someone who is truly low income subsidizing the lifestyle of a moderate-income wage earner.

If the Legislature and Assembly are interested in fairness, I would suggest they make everyone's assessment adhere to the same criteria.

Jerome Pape is an Anchorage landlord who rents to low- and moderate-income tenants without receiving tax credits.

Handwritten: HB 272

Subject: property tax for low-income housing

Date: Tue, 14 Mar 2000 15:15:35 -0900

From: "Matt & Wanda Reams" <panhead@ideafamilies.org>

To: <Senator_Sean_Parnell@legis.state.ak.us>

CC: <Senator_John_Torgerson@legis.state.ak.us>, <Senator_Dave_Donley@legis.state.ak.us>, <Senator_Randy_Phillips@legis.state.ak.us>, <Senator_Gary_Wilkin@legis.state.ak.us>, <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Al_Adams@legis.state.ak.us>, <Senator_Tim_Kelly@legis.state.ak.us>, <Senator_Jerry_Ward@legis.state.ak.us>, <Senator_Lyman_Hoffman@legis.state.ak.us>, <Senator_Mike_Miller@legis.state.ak.us>, <Senator_Johnny_Ellis@legis.state.ak.us>, <Senator_Drue_Pearce@legis.state.ak.us>, <Senator_Jerry_Mackie@legis.state.ak.us>

We have enjoyed living at Spruceview Apartments, an Anchorage Mutual Housing Complex, for the last five years.

We have a three bedroom unit, double car garage and a walk-in closet. I have looked several times in the past years at similar units, all of which were nearly double what we pay here.

Spruceview has provided our family with quality, spacious housing that we would not have otherwise been able to afford. My family, which includes my husband, myself and three children, would have needed to live in a much less desirable apartment and neighborhood if it were not for this low-income family dwelling.

My husband was employed with Harley Davidson for the past six years. Two of those years he was their Service Manager.

I have been able to stay at home with my little boys to provide a solid, loving family unit.

By describing our home situation I am hoping to paint a picture for you that we are citizens who are caring, and hard-working. We are not in this neighborhood because we are

trying to somehow live off the system. This affordable housing has enabled our family to be a strong, cohesive family unit.

We have, following the Anchorage Mutual Housing framework reached out to our neighbors in friendship, and we have participated in the resident council meetings and gatherings. This low-income apartment has benefited our family, and 81 other families as well. As you well know, strong families help to build strong communities, and strong nations.

I am hoping that you will consider us and the families that have been helped by this low-income family dwelling by passing the Bill 272 (a bill supporting fair property taxation for low-income housing.)

Sincerely,
Matt and Wanda Reams
10601 Ridgemont Dr. #14
Anchorage, AK 99507
(907) 522-8286

**National
Bank of Alaska**

March 23, 2000

Senator John Torgerson
Alaska State Senate
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Corporate Headquarters
P.O. Box 100600
Anchorage, AK 99510-0600
Phone (907) 522-8888

Subject: Property Taxation of Affordable Housing

Dear Senator Torgerson;

We appreciate the time you have given us to listen to property taxation problems with the Municipality of Anchorage and its probable effect statewide. We support HB 272 which deals with the problem as described by the Municipality and the State assessor. The Municipal Administration says the problem is a State law problem even though in *Hoblit v. Greater Anchorage Area Borough* (1970) the Alaska Supreme Court held that real property may be valued by the assessor by whatever recognized method it chooses. So to many of us involved the real issue is that we are faced with changing political whims which are damaging our ability to construct quality affordable housing for low income people.

I have discussed this issue with experts from all over the United States and the problem has even been discussed with members of Congress, and their general reaction is dismay to the problem we have been dealing with for the past three years. The actions of the Municipality are a clear deterrent to the free flow of capital into our State. Attracting capital into Alaska for real estate development and housing has been difficult at best, and we do not have the financial resources that most states do to precipitate development. Creating additional barriers to commerce and the quality of life of our citizens is beyond the belief of most of whom I discuss the subject.

After discussing this issue with Ben Hecht of the Enterprise Foundation, the nations leader in affordable housing development, his reaction was that most communities in the country will consider total tax exemption to get these funds. Most Western states offer total property tax exemption for Affordable Housing developed by Non Profits. I am told that Senator Ted Stevens is working at this time to increase the program nation wide. So in summary, we request your support of this bill

Sincerely yours,

A handwritten signature in cursive script that reads "Jan Sieberts".

Jan Sieberts

Anchorage Daily News



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Decent housing

Cut through debate to the purpose

The state House has passed by a 29-5 vote a bill to keep quality, low-income housing available to Alaskans.

Rep. Andrew Halero sponsored the measure, which would:

- Require cities to tax low-income properties based on their actual rents, not what such properties might be worth on the open market.
- Prohibit cities from including federal tax credits in property values when doing assessments.

Why is this important?

Without it, Anchorage could lose quality, low-income housing for the disabled, mentally ill, seniors on fixed incomes, poor families struggling to make ends meet and people who would otherwise have only the street or the Brother Francis Shelter. That's because the city, since 1998, has tried to assess these properties at fair market value, even though they're not free to compete in the open market, even though their primary purpose is not to make money but to provide quality, safe housing.

Here's how low-income housing tax credits generally work. A nonprofit group comes up with a plan for a building. It applies for tax credits to the Alaska Housing Finance Corporation, which runs the program in Alaska for the federal government. AHFC may grant tax credits up to 9 percent of the value of the project.

Let's say the project will cost \$1 million. AHFC likes the plan and provides \$90,000 in tax credits. A bank or other investor then buys those credits at a discount, usually about 75 cents on the dollar. Because the tax credits are good for 10 years, that means the bank buys \$900,000 in federal tax credits for \$675,000. It puts that \$675,000 up front to finance the building, and then qualifies to take \$90,000 off its federal tax bill for the next 10 years.

That leaves the nonprofit needing \$375,000. Usually, that



Hawaii ruling holds

WASHINGTON — The Fifteenth Amendment, which was ratified in 1870 for the protection of freed slaves and says that the right to vote may not be denied on the basis of race, is a sword not often unsheathed these days. However, last week it was sharp enough when wielded by the Supreme Court to cut down a Hawaii law, which the Clinton administration defended, that said Harold F. Rice and others like him could not vote in a certain statewide election.

Under Hawaii's constitution, only "Hawaiians" are el-



GEORGE WILL

Age Neighborhood Housing.

Banks could stand to lose their investments and their tax breaks. If the properties reverted to AHHC, they would become public housing and not pay a penny to the city treasury.

Banks and other major investors won't put up a dime if they have to worry about the city changing its rules.

City executive manager Elaine Christian says the city's position is that it's complying with state law requiring full and true assessments of property. Let assessors and lawyers tangle in the legal thicket that now faces the Board of Equalization, which is still trying to settle the appeals on these properties.

Rep. Halcro's bill cuts right through the thicket to common sense. The Senate should join the House in passing it. And if banks and private investors are willing to finance low-income housing in Anchorage, city officials should applaud, not get in the way.

Safe boating

provided that the term identically refers to" — herewith begins the definition of a "Hawaiian" — "the descendants of such blood quantum of such aboriginal peoples which exercised sovereignty and subsisted in the Hawaiian Islands in 1778 and which peoples thereafter continued to reside in Hawaii." The

joined by Chief Justice William Rehnquist and Justice Sandra Day O'Connor. Antonin Scalia and Clarence Thomas (Stephen Breyer and David Souter concurred in the judgment, but wrote separately), said the Fifteenth Amendment "is cast in fundamental terms" that grant "protection to all persons,

Want to help the po

WASHINGTON — Two years ago at a Texas convention, the president of a large petroleum company walked up to me and said, "I just bought gasoline for 68 cents a gallon."

I asked him how he man-



comes from AIFC loans, other programs or grants.

Without substantial private investment, the housing doesn't happen. And without the tax incentive, private investment doesn't happen.

What does an Anchorage property tax assessment have to do with this? If Anchorage can tax these properties to the max — rather than accept the \$500,000 in property taxes they now provide — it can put them out of business and preclude any new projects.

There are 15 tax-credit properties in Anchorage. They provide 1,235 units. Some of these properties face a \$50,000 tax increase, according to Jeff Judd of Anchorage Mutual Housing, which operates several of them. Fifty thousand is enough to bankrupt "a property that's penciled down to the gnat's eyebrow." That's how Eleanor Andrews describes the finances of these projects. Ms. Andrews works with both Anchorage Mutual Housing and Anchor-
age Neighborhood Housing

eligible to vote for the nine trustees who administer programs restricted for the benefit of "Hawaiians" and "native Hawaiians." Rice, a Caucasian whose ancestors came to Hawaii in 1831, was not eligible, even though, as Justice Anthony Kennedy dryly noted, Rice is "a citizen of Hawaii and thus himself a Hawaiian in a well-accepted sense of the term."

The text of the pertinent statute should make any American wince. It defines a "native Hawaiian" as "any descendant of not less than one-half part of the races inhabiting the Hawaiian Is-
lands

year 1778 is seminal because it was then that James Cook, the British captain, arrived, beginning the opening of the islands to novel and disastrous diseases and, eventually, tourists.

Denied the right to vote for the trustees, Rice went to a federal court, arguing that the denial violated the Fourteenth Amendment's guarantee of equal protection of the laws, and the Fifteenth Amendment. Rice lost in that court, and an appeals court, but the Supreme Court, finding the Fifteenth Amendment sufficient ground for deciding, ruled 7-2 for Rice.

Writing for the majority

Subject: Affordable Housing Assessments (HB 272)

Date: Mon, 20 Mar 2000 15:55:26 -0900

From: "Jeff Judd" <jeffju@akamha.org>

To: <Senator_Sean_Parnell@legis.state.ak.us>, <Senator_John_Torgerson@legis.state.ak.us>, <Senator_Dave_Donely@legis.state.ak.us>, <Senator_Randy_Phillips@legis.state.ak.us>, <Senator_Pete_Kelly@legis.state.ak.us>, <Senator_Lyda_Green@legis.state.ak.us>, <Senator_Gary_Wilken@legis.state.ak.us>, <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Al_Adams@legis.state.ak.us>

Dear Senators, this Friday, March 24, the Senate Finance Committee is scheduled to hear public testimony to consider the merits of House Bill 272 sponsored by Representative Halcro and others. As I believe you may be aware, HB 272 deals with the method in which "affordable housing properties," that is housing that serves low income families, special needs persons, and homeless persons, are assessed by local governments. As a condition of the financing and receipt of Federal low income housing tax credits, long term (generally 30 years) legally binding deed restrictions are placed on the property that restrict its use to low income persons and families at restricted rent levels. This program is essentially a State program, although funded by the Federal government. As a State-wide program it is incumbent that the Legislature protect and preserve the integrity and use of this program. In doing so great things are accomplished for the entire State (quality affordable housing is created, new tax base is created, economic benefits are derived, reduction in social program costs are achieved, etc.). And in doing so, we generally do not use one single dollar from the state's general fund. To preserve, protect, and promote this valuable program the legislature must apply a state-wide approach to how such properties should be assessed. An approach that already is recognized as the universal appraisal standard throughout this country. The standard that recognizes that the "true and full value" of such properties, that is the "market value", is that value that can be derived as a result of the legally binding deed restrictions. A value that a willing and knowledgeable buyer and seller would be willing to exchange the property for. By passing an amendment that allows local governments to perhaps choose not to use such deed restrictions when deriving the property's value would violate state law in that the "true and full value" will not be the value that would be derived. This argument has already been supported by the findings of Anchorage's Board of Equalization in 1995, 1996, and 1997. They determined that the full and true value was in fact the deed restricted value. What we are asking the legislature to do through this bill is to memorialize this finding so that the arbitrary and capricious opinions of a single person can not bankrupt these properties. I would encourage you not to support an amendment that sends back to a local government the option of choosing a method that diminishes the integrity of this State program, wastes State resources by increasing the amount of the development GAP that would result from such a decision, and quite possibly would result in additional court litigation involving the definition of "full and true" value. If I may answer any questions please feel free to contact me at 248-1321, or email me at jeffju@akamha.org. Thanks for your time. Jeff Judd, Executive Director, Anchorage Mutual Housing Association.

March 22, 2000

To: The Alaska Senate Finance Committee

I may have sent you a previous email regarding rent levels in Low Income Housing Tax Credit (LIHTC) projects that contain the following:

"Rent payment is guaranteed by AHFC - no worry about loss rent revenues by non-paying tenants. The tenant pays an amount they can afford based on income with AHFC paying the remaining contract amount. The rent level is determined by an annual HUD survey of the market. Presently these rent levels are: one bedrooms - \$591, two bedrooms - \$783, three bedrooms - \$1,090."

That statement is incorrect for the LIHTC projects and I wish to correct it. The subsidy programs I have experiences with had contract rents based on the annual HUD survey of the market. Those rental rates are really higher than market according to the charting I do on the rates found in the classified of the Anchorage Daily News. There are a number of programs by HUD and AHFC. You really have to do a lot of study to understand how an investor benefits or fails to benefit from each. I don't want to be a party to giving out erroneous information as the proponents of this legislation have done. Andrew Halcrow brought the error to my attention that forced me to do some more *homework*. I'll provide you the correct information below.

After having looked further into the matter, my opposition to HB 272 has been strengthened.

My primary objection to HB 272 is that ***it is special interest legislation***. Its purpose is to provide special favor to the banks and a select few investors at the expense of all other property owners. I am not opposed to providing affordable housing for those who need assistance. But there must be a better way than making exceptions to the state statutes that relate to taxation. I'm sure you are aware that nationally there are movements to simplify the income tax codes. There are 33,000 pages of federal tax codes that no one understands which have been enacted over the years to provide favor to certain interest groups. We don't need to follow down that route. If there is a need to change statutes, it should be to benefit all property owners.

I made a trip to the Municipality of Anchorage Assessors office and read AS 29.45.110(a), which states *"properties must be assessed at full and true value"*. I talked to the appraisers who believe they are in compliance with the statute and have no other alternative but to assess the LIHTC projects like all other income properties. There have been court cases around the country that support their interpretation. They stress virtually all tax assessors in the state support their position.

The owners of low-income housing projects failed in their attempts with the MOA Board of Equalization to have the LIHTC projects assessed on an actual income basis. Having failed in those attempts, they turned their efforts to having AS 29.45.110 amended to force a change in the methodology of appraising. They were successful in gaining the support of Andrew

Halcrow and Norm Rokeberg to sponsor HB 272, which has been successfully passed out of the House into your trusted hands.

It's important you know that some of the information that was provided to Halcrow by the bills proponents, for the House to use in making their decision, was false. In my brief investigation I learned the below:

They were given a letter from the Alaska HUD office dated 7/20/00 and signed by the Acting Director, Community Planning and Development Division. Among the erroneous information in that letter was *"the Municipal Assessor's treatment of annual assessments of the value of affordable housing projects in Anchorage is inconsistent with the Municipality's pledge to increase the stock of affordable housing within the jurisdiction."* Yesterday, I visited with Paul Johnson, Acting Director of the Alaska HUD office and asked him about that letter. He said he has had to explain to a number of people that the information contained in that letter regarding HUD's view of the Municipality's tax policy is in error. Mr. Johnson explained that the information was the author's opinion and not a HUD policy position. He further explained HUD does not take a position on local assessment matters. In fact, he pointed out that when Roosevelt's National Housing Act was passed in 1937 it specifically prohibited interference with local tax policies.

The House was told that if a LIHTC project were foreclosed on it would become tax-exempt. An editorial in the Anchorage Daily News states: *"If the properties reverted to AHFC, they would become public housing and not pay a penny to the city treasury."* **That is not entirely true.** It is true that AHFC owned & operated projects do not pay property taxes just as property taxes are not paid on state owned property. I don't know the statute, but state law determines that. My experience is that if a property is financed under a program that requires them to pay taxes they continue to pay taxes during the foreclosed period. AS 29.45.030 sheds light on exemptions. During the late '80's my firm managed a significant number of foreclosed properties that had AHFC and FHA loans. Management contracted by the servicing banks was authorized to continue paying property taxes during the foreclosed period.

I do not have time to make a study of all LIHTC projects nor do I have access to information. I was given some information of the Brighton Park project and will share some of what I learned.

For tenants to qualify to rent in a LIHTC project their family income must not exceed, either 50% or 60% of the Median Area Annual Income (HUD Tables). Rents are restricted to 30% of that figure. Brighton Park is a 3 bedroom project with carports, so I'll use a 4 member family to show what that means:

	<u>Income Limit</u>	<u>Rent</u>
Very Low Income (50%) Limit	\$29,650	\$771
Low Income (60%) Limit	\$35,400	\$925

My charting of monthly rental rates for 3 bedroom unfurnished units in Anchorage indicates an average of \$904. So, the restricted rates are not that far below market. These units are larger, have garages and have more amenities than the average Anchorage 3 bedroom apartment. My information indicates Brighton Park only accepts those that meet the 60% limit. Though they were built for families requiring 3 bedrooms, a friend told me that when they called the project, the resident manager there told them were only 25 children housed in the project.

Another reason I object to special treatment is that the developers went into these projects with their eyes wide open. They did their projections. There were appraisals. They knew what the rules were and they should have padded their projections for rule changes & operating costs increases. The numbers indicate significant front-end profits were made on this project. According to information from the AHFC financing document, the total development costs were \$10.02 million. Listed in the development costs, were over \$2.3 million in General/Contingency, Developer's Fees and Overhead, Architect fees and Engineering. With over \$10 million in costs, Black-Smith & Richards only appraised it for \$5.7 million. The total debt service according to my source was to be as follows:

AHFC 1 st DOT to NBA @ 6.5%	\$4,800,000
AHFC 2 nd DOT to NBA @ 1.5%	475,000
-Deferred Developer's Fee (3 rd DOT)	1,300,000
-Land Subordination (4 th DOT)	<u>500,000</u>
Total	\$7,075,000

That's a 124% loan to value. If you take away the 3rd and 4th DOT's, which I understand is "soft loans" to be paid only if there's cash flow, there is still a 93% LTV. No investor would go into these projects expecting to enjoy a cash flow. **Developers build these projects because they make their money up front and the banks finance them because the tax credits are lucrative.** I quote from my AHFC document - "this project will be eligible for \$528,612 in low income housing tax credits per annum, for ten years". With almost \$5.3 million in tax credits and loans underwritten by AHFC, it's hard to feel sorry for NBA. I have concern that the financing on these projects are designed for the projects to go into default when the tax credits expire at the end of 10 years.

The AHFC document indicates the 1st DOT was based on a debt service coverage ratio of 1.25%. The coverage is to provide the mortgagee mortgage payment protection in event the net operating income turns out to be 25% lower than projected. With a 2nd, 3rd and 4th DOT, should anyone expect a cash flow when the project appraised for only 57% of its development cost? You will also note the 3rd DOT is the developer fee. Spreading the fee over 10 years has obvious tax advantages, and; what is the interest rate paid on the 3rd DOT? I learned at the municipality that Brighton Park has an assessed value this year of \$4.9 million. That is \$800,000 less than a 1996 appraisal by Black-Smith & Richards. So, there is tax relief already.

One should ask why the construction cost are so much more than the appraised value. The HUD manual has the answer - "*Credits are based on the actual construction, rehabilitation or acquisition with rehabilitation costs associated with the number of units set-aside for low-income use.*" Using the \$10.02 development costs, this project's per apartment cost was over \$125,000 when you could have brought decent well maintained apartment buildings (of admitted lesser quality) in the \$30 - \$40,000 range.

The LIHTC projects are already heavily subsidized. First, some of them are set up as non-profit. Second, the financing is provided by tax-exempt bond funds. Third, some of the tenants living in the projects have been issued vouchers with rents paid by taxpayers. Fourth, are the tax credits provided. Now they want property tax relief. How much subsidy is enough?

Those knowledgeable in real estate investing understand that the ability to cash flow does not determine the real value of the investment. Because of the complexity of the federal tax codes, most people who invest or counsel in RE investing have computer software to calculate the real rate of returns. I paid over \$2,000 for such a program. If you provide me detailed information to include: all development costs, depreciation schedules set up by their CPA, loan amounts with terms, amounts invested by each investor, marginal tax brackets of each investor, income & expenses for each year operated, I'll provide a complete analysis to include each investors Internal Rate of Return. Then one can better judge whether additional taxpayer subsidy is needed.

The property tax initiative capping the mill rate at 10% that will be on the ballot in Nov if it passes, will provide significantly more tax relief than will HB 272. That's another reason I think the bill should be shelved, at least until the outcome of the initiative is known.

I want to re-emphasize that I do not oppose in general the need to provide affordable housing to people who qualify in the low to moderate income level. What I do oppose are efforts to provide special benefits to a select few. Between federal, state, municipality and native corporations there are numerous programs to provide affordable housing. The AHFC provides financing for a number of programs. It appears there is limited coordination and communication between the entities. There should be a state level blueprint on providing affordable housing for all Alaskans. Should the State of Alaska continue to exempt the Alaska Railroad and other state owned real estate from local taxation, or, should the state adopt the federal approach of taking a more hands off of local tax policy? Does the governor have a policy on housing? Should the legislature take the lead crafting a policy? I don't have the answers - perhaps you do. If you do not have answers, I urge you to shelve HB 272.

Respectively, Wiley Brooks

April 11,2000

Senator Sean Pamell
Senator John Torgerson
Co-Chairs Senate Finance Committee

Re; HB 272 "Dire Need"

Dear Senators;

Sponsors of HB 272 claim there is a "dire need " for construction of more of this housing and that special tax consideration is needed because they cannot raise rents to accomodate increasede tax assessments.

From AHFC loan request May 16,1996 Three bedroom units rents "will be established at \$860 per month."

Same project Anchorage Daily News classified ads:

Feb. 8,2000 Three bedroom rents includes basic cable \$750 per month

April 11, 2000 Three bedroom rents includes basic cable \$800 per month

Rents are below the projected level.

If there is a dire need for this housing the law of supply and demand must have been rescinded.

Signed,

Jerome Pape

Mr. Speaker, I rise in support of HB 272. This legislation would set in state law the formula for assessing federally qualified low-income housing.

Until 1998, local governments throughout the state of Alaska were assessing low-income housing based on its federally restricted rental income.

In 1998, the Municipality of Anchorage changed its formula for assessing low-income housing. The formula is now based on the market value of the units. Unfortunately, ^{with out any consideration of the} deed restrictions _{restrictions} because these units have deed restrictions on the amount of rent they can charge, the non-profit organizations who sponsor these housing units cannot raise rents to compensate for the increase in property taxes.

This places these low income housing units in jeopardy.

This also places all the units throughout Alaska at risk.

Banks state wide are refusing to finance these projects anywhere in the state without a uniform taxation policy.

Additionally, the City and Borough of Juneau has tried to change its assessment policy in the past. Fortunately, the non-profits here in Juneau were successful in their appeal to the local board of equalization. The threat to low-income housing is out there.

This is the standard approved by the Uniform Standards of Professional Appraisal Practice.

All other local governments are currently assessing low-income housing based on their deed restricted rental income.

While all communities are effected by the Municipality of Anchorage policy, Anchorage is the only city affected by this legislation because all other communities properly assess their federally qualified low-income housing.

We need to support low-income housing projects. Most of the rental housing in Alaska was built during the pipeline boom and targeted at single men and women.

We now have more small families looking for housing. Low paying service industry jobs are replacing high wage oil field jobs now require we support affordable housing initiatives.

Other states have entirely exempted low-income housing from local property taxes. Washington, Oregon, California, and Hawaii all have done so. HB 272 does not go that far.

This bill only requires the assessor take into consideration the rent restrictions on these properties.

HB 272 fills the need for affordable housing and I would ask the members to support passage of this important legislation.

HB 272

ASSESSMENT COMPARISONS FOR RENT RESTRICTED AFFORDABLE APARTMENTS

APPEAL #	PROPERTY	1996 B.O.E. VALUE	1997 ASSESSMENT	INITIAL 1998 ASSESSMENT	1997 TO 1998 INCREASE	REVISED 1998 ASSESSMENT	FINAL INCREASE	INCREASE OVER BOE
152	Southside Seniors	N/A	N/A	\$2,066,600	N/A	\$1,730,000	N/A	N/A
1469	Spruce View Apts.	3,122,000	3,600,000	7,975,600	121.54%	6,800,000	88.89%	117.81%
1470	Adelaide SRO	N/A	1,182,700	1,286,200	8.75%	1,215,000	2.73%	N/A
1473	Hampstead Heath Apts.	3,522,000	3,322,600	6,357,800	91.35%	4,760,000	43.26%	35.15%
1474	Merrill Crossing	1,281,000	1,319,200	2,919,400	121.30%	1,634,000	23.86%	27.56%
1475	Panoramic View Apts.	3,240,000	2,683,200	5,727,200	113.45%	4,894,000	82.39%	51.05%
1478	Stephens Park Apts.	N/A	5,945,200	6,511,500	9.53%	6,490,000	9.16%	N/A
1480	Garden Villa Apts.	N/A	2,102,500	2,386,100	13.49%	1,732,000	-17.62%	N/A
1800	Access Apts.	1,427,000	1,748,700	3,210,500	83.59%	2,310,000	32.10%	61.88%
1801	Hillpoint Apts.	N/A	745,200	2,117,700	184.18%	843,000	13.12%	N/A
2205	Brighton Park Apts.	N/A	N/A	5,983,000	N/A	4,900,000	N/A	N/A
	TOTALS			\$46,541,600		\$37,308,000		
	AVERAGE INCREASE		\$22,649,300		83.02%		30.88%	58.69%

Difference Between 1997 & 1998 Assessments + \$14,658,700
 or approximately \$266,000 in property taxes.

SENATE FINANCE COMMITTEE

SIGN-IN

HB 272-MUNICIPAL TAX: LOW INCOME HOUSING

NAME: Robin Gilchrist Subject/Bill No: HB 272

Co./Dept./Title: President - Housing First Phone: 907-586-2757

Address: 130 Seward St #204 Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: Dan Fauske Subject/Bill No: HB 272

Co./Dept./Title: AHEC Phone: 330-8449

Address: 4300 Boniface Anchorage Zip: 99510

Do you wish to testify? Yes No Respond To Questions

NAME: Jeff Judd Subject/Bill No: HB 272

Co./Dept./Title: Anchorage Mutual Housing Assoc. Phone: 248-1321

Address: 3700 Woodland Dr Suite 500 Zip: 99517

Do you wish to testify? Yes No Respond To Questions

NAME: Marjorie Michael Subject/Bill No: HB 272

Co./Dept./Title: Anchorage Neighborhood Homes Phone: 248-1558

Address: 3700 Woodland Dr. Suite 500 Zip: 99517

Do you wish to testify? Yes No Respond To Questions

NAME: TAMARA Rowcroft Subject/Bill No: HB 242

Co./Dept./Title: AAFC - Gruening Park Phone: 780-6666

Address: 1300 Hathwood Dr. Seward, AK Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: John Bitney Subject/Bill No: AB 272

Co./Dept./Title: AAFC Phone: 330-8445 / 586-3587

Address: 4300 Boniface Zip: 99510

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions



Teleconference Participants

TCN: 10761

Participant Lists

View List for

Participants

Unidentified Testifiers: Unidentified Observers:

ANCHORAGE (ANC)

1 Name: Mr. Tim Bundy Ans ?'s SB 261 Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill:

2 ✓ Name: Mr. Jerome Pape Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

3 ✓ Name: Mr. Lric Dyrud Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

4 ✓ Name: Mr. Wiley Brooks Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

David Garrison - Anch

SENATE FINANCE COMMITTEE

SIGN-IN

HB 272-MUNICIPAL TAX: LOW INCOME HOUSING

NAME: Jeff Judd Subject/Bill No: HB272
Co./Dept./Title: Anchorage Mutual Hsg Assoc. Phone: 248-1321
Address: 3200 Woodland Dr Suite 400 Zip: 99517
Do you wish to testify? Yes No Respond To Questions

NAME: Jan Sieberts Subject/Bill No: 272
Co./Dept./Title: NBA - Senior VP Phone: 907 265-2941
Address: PO Box 100600 Anch Zip: 99510
Do you wish to testify? Yes No Respond To Questions

NAME: Lloyd Johnson Subject/Bill No: 272
Co./Dept./Title: First National Bank - V.P Phone: 907-790-8008
Address: PO Box 35494 Juneau Zip: 99808
Do you wish to testify? Yes No Respond To Questions

NAME: Mary Jane Michael Subject/Bill No: 272
Co./Dept./Title: Anchorage Neighborhood Housing Services Phone: 243-1558
Address: 3200 Woodland Dr. Suite 506 Zip: 99517
Do you wish to testify? Yes No Respond To Questions



Teleconference Participants

TCN: 10690

Participant Lists
 View List for

Participants
 Unidentified Testifiers: Unidentified Observers:

ANCHORAGE (ANC)

1 Name: Lt David Hudson Phone:
 Address: Affiliation: DPS
 City /St /Zip: Type: Testifier
 Bill: HB 3: DRUGS: POSSESSION OF LISTED CHEMICALS

2 Name: Kevin Delaney Ans ? HB 301 Phone:
 Address: Affiliation: ADFG
 City /St /Zip: Type: Testifier
 Bill:

3 Name: Mr. David Gundacker Sr Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

4 Name: Mr. Kneeland Taylor Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

5 Name: Mr. Wiloy Brooks Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

6 Name: Mr. Mike Burns Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

7 Name: Mr. Jan Sieberts Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

8 Name: Mr. Jerome Page Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

9 Name: Mr. Hubert Gellert Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

10 Name:Ms. Shannon Wilks Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

11 Name:Mr. Matt Reams Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

BETHEL (BET)

1 ✓ Name:Mr. James Berlin Jr Phone: 543-7342
 Address: PO Box 219 Affiliation: AVCP
 City /St /Zip: Bethel AK 99559 Type: Testifier
 Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

FAIRBANKS (FBX)

1 ✓ Name:Mr. Stan Bloom Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

2 ✓ ✓ Name:Mr. Dick Bishop (hjr56) Phone:
 Address: Affiliation: Ak Outdoor
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

3 ✓ ✓ Name:Mr. Mike Tinker Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

4 ✓ ✓ Name:Ms. Mary Bishop Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

5 ✓ Name:Mr. Joe Mattie Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

6 ✓ Name:Mr. Mac Minard Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

7 ✓ ✓ Name:Mr. Greg Machacek Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: SB 301: CHITINA DIPNET FISHING PERMIT

8 ✓ Name:Mr. Pete Buist Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

GLENNALLEN (GLN)

1 ✓ Name:Mr. Joseph Hart Phone:

Message

Date: Friday Apr 07, 2000

Time: 9:03 AM

To: JUNEAU

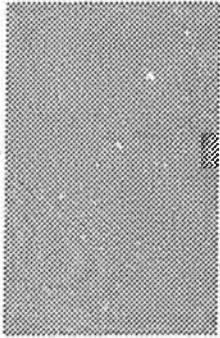
From: JEAN MILLER

TC Number: 10690

Message: Ben Hopson Jr./Barrow is on line to testify on HJR 56. Janice Adair/DEC/Anchorage is on line to testify on SB 271. Jean/Bridge

Close Window

Print



Address:
City /St /Zip:
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

Affiliation:
Type: Testifier

MATSU (MAT)

1

Name: Mr. Rod Arno
Address:
City /St /Zip:
Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

Phone:
Affiliation:
Type: Testifier



Teleconference Participants

TCN: 10690

Participant Lists

View List for

ALL

Testifiers

Go >>>

Close Window

Participants

Unidentified Testifiers: 0

Unidentified Observers: 0

ANCHORAGE (ANC)

- | | | |
|---|---|--|
| 1 | Name: Lt David Hudson
Address:
City /St /Zip:
Bill: HB 3: DRUGS: POSSESSION OF LISTED CHEMICALS | Phone:
Affiliation: DPS
Type: Testifier |
| 2 | ✓ Name: Kevin Delaney Ans ? HB 301
Address:
City /St /Zip:
Bill: | Phone:
Affiliation: ADFG
Type: Testifier |
| 3 | Name: Mr. David Gundacker Sr
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |
| 4 | Name: Mr. Kneeland Taylor
Address:
City /St /Zip:
Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES | Phone:
Affiliation:
Type: Testifier |
| 5 | Name: Mr. Wiley Brooks
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |
| 6 | Name: Mr. Mike Burns
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |
| 7 | Name: Mr. Jan Sieberts
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |
| 8 | Name: Mr. Jerome Page
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |
| 9 | Name: Mr. Hubert Gellert
Address:
City /St /Zip:
Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING | Phone:
Affiliation:
Type: Testifier |

FAIRBANKS (FBX)

1 ✓ Name:Mr. Stan Bloom Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

2 ✓ Name:Mr. Dick Bishop (hjr56) Phone:
Address: Affiliation: Ak Outdoor
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

3 ✓ Name:Mr. Mike Tinker Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

4 ✓ Name:Ms. Mary Bishop Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

5 Name:Mr. Joe Mattie Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

6 ✓ Name:Mr. Mac Minard Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

7 ✓ Name:Mr. Greg Machacek Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

8 Name:Mr. Pete Buist Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES

GLENNALLEN (GLN)

1 ✓ Name:Mr. Joseph Hart Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: SB 301: CHITINA DIPNET FISHING PERMIT

MATSU (MAT)

1 Name:Mr. Rod Arno Phone:
Address: Affiliation:
City /St /Zip: Type: Testifier
Bill: HJR 56: CONST. AM: WILDLIFE INITIATIVES



Teleconference Participants

TCN: 10761

Participant Lists

View List for

Participants

Unidentified Testifiers:

Unidentified Observers:

ANCHORAGE (ANC)

1 Name: Mr. Tim Bundy Ans ?'s SB 261 Phone:
 Address: Affiliation:
 City /St /Zip: Type: Testifier
 Bill:

2 ✓ Name: Mr. Jerome Pape Phone:
 ✓ Address: Affiliation:
 ✓ City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

3 ✓ Name: Mr. Eric Dyrud Phone:
 ✓ Address: Affiliation:
 ✓ City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

4 ✓ Name: Mr. Wiley Brooks Phone:
 ✓ Address: Affiliation:
 ✓ City /St /Zip: Type: Testifier
 Bill: HB 272: MUNICIPAL TAX: LOW INCOME HOUSING

David Garrison

HB

277

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 15, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/7/00

The FINANCE Committee considered:

HB 277

HOUSE BILL NO. 277

RETIREMENT BENEFITS FOR REHIRED TEACHERS

"An Act relating to payment of retirement benefits for subsequently reemployed retired members of the teachers' retirement system."

recommends it be replaced with the following committee substitute CS HB 277 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) DOA 2-15-00

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	X			
<i>Alan Mulder</i>	Mulder	X			
<i>Carl Bunde</i>	Bunde	✓			
<i>Allen Auster</i>	Austerman			X	
<i>Ben Grossendyck</i>	Grossendyck	X			
<i>Tom Davis</i>	Davis	X			
<i>W.K. Williams</i>	Williams	X			
<i>Gail Phillips</i>	Phillips	✓			
<i>[Signature]</i>	Foster	X			

CHAIR'S SIGNATURE *Gene Theriault* *Alan Mulder*

FISCAL NOTE

No: 1

Bill Version: HB 277
 (H) Publish Date: 2/15/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date <u>2/9/00</u>	Dept. Affected <u>Administration</u>
Title <u>An act relating to payment of retirement benefits for subsequently reemployed retired members</u>	BRU <u>Centralized Administrative Services</u>
Sponsor <u>Representative Halcro</u>	Component <u>Retirement and Benefits</u>
Requester <u>(H) HESS</u>	Component No. <u>64</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: <u>Guy Bell</u>	Phone <u>465-4471</u>
Division <u>Retirement and Benefits</u>	Date/Time <u>2/9/00</u>
Approved by Commissioner <u>Robert Poe</u>	Date <u>2/9/00</u>
Agency <u>Department of Administration</u>	

House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

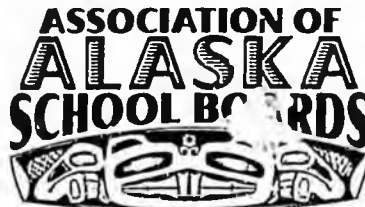
1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if all employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.



Advocates for Alaska's Youth

POSTION PAPER IN SUPPORT OF HB 277

The Association of Alaska School Boards (AASB) supports House Bill 277, sponsored by Rep. Halcro. The proposal addresses a priority issue of AASB—urging the state and university to address the severe shortage of teachers, specialists, and administrators in Alaska.

AASB believes this proposal is a necessary step to entice experienced, retired teachers back into the classroom. It adds another tool to address Alaska's teacher shortage.

Specifically, the proposal allows retired educators to continue to receive retirement benefits after they've been rehired. Current law requires benefit payments be suspended for one year when a retired teacher is rehired.

BACKGROUND

There is a national debate going on right now over whether or not there is, indeed, a teacher shortage. "According to the National Commission on Teaching and America's Future, the U.S. is not facing a teacher shortage...IF you're in the right geographical area and IF you need teachers that are not in the high demand areas," says Mary Ellen LaBerge, University of Alaska/Fairbanks' Alaska Teacher Placement Office. "That's good for districts in the Seattle area or for districts looking for elementary level teachers. It's not good if you're in Alaska and looking for mathematics teachers, special education teachers, counselors, administrators, English teachers and science teachers."

Alaska's recent Retirement Incentive Programs gave school districts short-term financial relief, but at a price. It exasperated the teacher shortage in Alaska.

Some additional issues and remedies to consider:

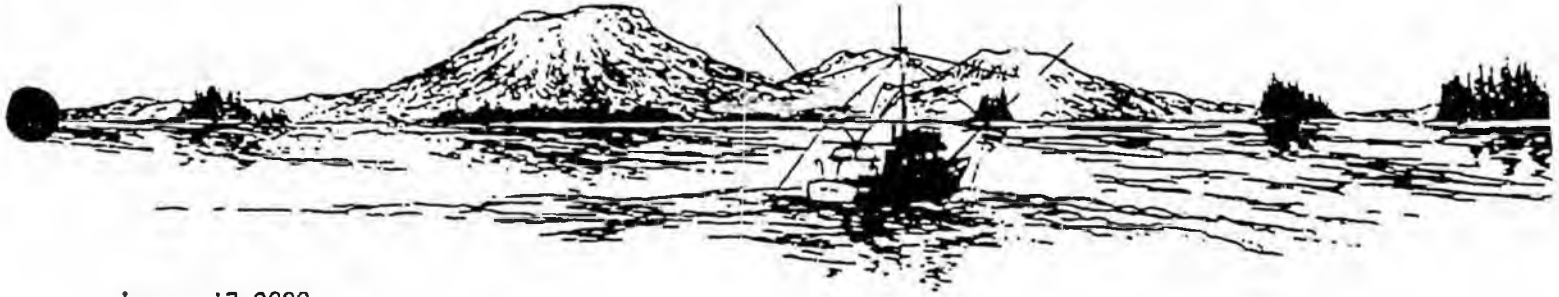
--establishing licensing reciprocity across states. Alaska recently signed the NASDTEC Interstate Contract, an agreement which facilitates the movement of educators among the various states which have signed the contract. Goes into effect in June 2000.

--alternatives to licensure.

--signing bonuses, raising salaries, or at least compensating educators for years of experience when they arrive in a district.

--national recruitment initiatives, streamlined hiring procedures, online information technologies to speed up hiring, scholarship programs and forgivable loans to prepare candidates in shortage fields, teacher education programs.

SITKA SCHOOL DISTRICT



January 17, 2000

Representative Andrew Halcro
State Capitol, Suite 418
Juneau, AK 99801-1182

Dear Representative Halcro:

Thank you for taking the time to send your proposed legislation to me for comment. I appreciate the opportunity.

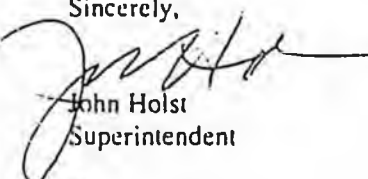
The whole area of certification is fraught with huge implications. Both of your bills do address the need for additional teachers and provide potential avenues to solve the problem short-term, but weakening the requirements for certification could have long-term implications that are very dangerous, relegating teaching to those who just cannot get employment elsewhere. I know that isn't your intention, but the outcome needs serious consideration.

Yes, we are experiencing a nation-wide teacher shortage, but Alaska has taken the problem to a new level by capping salaries since 1985. Flat funding of education has had a huge affect on what districts can pay their teachers. We are now nearing a crisis but we are still refusing to face this reality. In Sitka, which is one of the more attractive locations to recruit teachers, we are having a very difficult time finding quality teachers. In the past, we could expect to hire only those in the top 10% of the profession, and in times of shortage, at least in the top half. This past year, we had a more difficult time finding quality teachers, even though we did almost all of our hiring by the end of May! I can only imagine what other districts, hiring in the summer, to much less attractive school districts, must have experienced.

The Legislature must begin a dialog of how to resolve this problem. Yes, in this case, more money will matter. For the past 15 years, we have all said it is not a matter of money. Now it is becoming exactly that! This will become a crisis in Alaska during the next 2-3 years, and will eventually require draconian solutions, at least for those of us who want to see public education survive. I have come to believe that many who are currently making these decisions do not have the best interest of public education in mind and are doing their very best to make it collapse. We may be seeing the beginning to that right now!

Please continue to do what you are doing, to solve the short-term problems. Both bills do that pretty well, with the HB 271 doing some questionable things with the quality of teacher candidates. But please also begin to talk about the real problem, salaries that are too low to attract competent people, either to prepare for the profession or to come here to teach after they have the certification. A yearly adjustment to the per pupil expenditure in the new formula would be a good place to start. Yes, the crisis is nearly upon us. Help!

Sincerely,


John Holst
Superintendent

C: Board
Representative Ben Grussendorf
Senator Robin Taylor

BERING STRAIT SCHOOL DISTRICT

DISTRICT OFFICE • P.O. BOX 225 • UNALAKLEET, ALASKA 99684-0225 • (907) 624-3611 • FAX 624-3099

BREVIG MISSION • DIOMEDE • ELIM • GAMBELL
SHAKTOOLIK • SHISHMAREF • STEBBINS TELLER



GOLOVIN • KOYUK • SAINT MICHAEL • SAVOONGA
UNALAKLEET • WALES • WHITE MOUNTAIN

24 January, 2000

The Honorable Andrew Halcro
State Capitol, Room 418
Juneau, AK 99801-1182

Re: HB 277: Retirement benefits re-employed teachers

Dear Representative Halcro,

Thank you listening to me regarding HB 277. I feel this is productive legislation and should enjoy the support of your colleagues. As stated in my comments to you, I feel certain issues, if addressed, would make this more productive for everyone. Here are a few ideas for your consideration.

- Allow retired TRS members to return to the classroom, and continue to collect their retirement stipend.
- Do not make TRS contribution - contribute to Social Security.
- Let school districts decide how to pay - do not legislate.
- Retired TRS members should not earn tenure.
- Allow Districts to issue multi-year (two) contracts.
- Returning TRS members should not earn additional years in TRS.

These changes will allow the teacher pool to increase and save Districts money.

Your efforts with issues addressing education are important and should you require information or assistance, please instruct your staff to contact me as needed. I hope this session is productive for you and I look forward to meeting you again.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Davis".

Dr. John A. Davis
Superintendent

cc. J. Walsh

"OUR MISSION"

The Mission of the Bering Strait School District is to educate students to become self-sufficient productive citizens in a changing world, recognized for their social, academic, and marketable skills, by providing standards of excellence.



Alaska Association of Elementary Schools Principals
 Alaska Association of Secondary School Principals
 Alaska Association of School Administrators
 Sponsor of the Alaska Staff Development Network

326 Fourth St. Suite 404 • Juneau, Alaska 99801-1101
 Phone: (907) 586-9702 (800) 478-9702 Fax: (907) 586-5679
 E-mail: acsa@ptialaska.net • HOME PAGE: www.ptialaska.net/~acsa

Alaska Council of School Administrators

Excerpt from the *ACSA Education Bulletin* January 2000 Issue

Where are the Teachers?

WE NEED A MORE POWERFUL MAGNET!

By Darroll Hargraves,
 Executive Director, ACSA

What's the problem?

What's getting the attention?

Interesting isn't it? During the past few years, public attention has been focused on funding, construction, standards, and testing. Each of these issues is important. However, whenever superintendents get together to talk about immediate and future concerns, another issue tops the agenda—the need to recruit, hire, and keep certified and qualified teachers and administrators.

The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Alaska is not alone. In fact, teacher shortages are entering a critical stage across the nation. U.S. Secretary of Education Richard Riley consistently expresses a concern about the ability of our schools to attract the very brightest and best into education careers. As student enrollments continue to climb nationally, demand is outstripping supply at a time when the hurdles are being lifted even higher. For example, the shortage is becoming even more acute because many states are increasing their standards

for teachers and some are requiring them to have majors in the subjects they teach or to pass qualifying tests. The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Salaries have not kept pace with what talented people can make outside the classroom. A recent Quality Counts 2000, 50-state survey, conducted by *Education Week*, found that one in five college graduates who began teaching in 1993-94 left within three years. The brightest novice teachers, as measured by their college-entrance exams, were the most likely to leave, the study revealed.

There was a time,
 not so long ago, when Alaska
 was a magnet for educators.

What's at stake here? The immediate concern for many educators is having excellent teachers in the classroom—preparing students to pass exit exams that are looming in their future. Even more importantly, they are concerned about preparing students for life in the 21st century.

There was a time, not so long ago, when Alaska was a magnet for educators. Our salaries were the highest in the nation. Our recruiters could promise adventure, good hunting and fishing, and a lifestyle that attracted exceptional talent. Let's face it. What worked in the past is not getting us the number and level of certified, qualified educators we need today and will need in the future.

While average teacher salaries in Alaska are still above the national average, we are now caught in what the *New York Times* calls a bidding war. That war has spread from coast to coast, and we are not winning. In fact, we are being out-manuevered as never before. Take, for example, the incentives being offered in several states. California is offering \$10,000

interest-free loans for buying a home, \$30,000 bonuses for attaining advanced certification, and \$11,000 to repay college loans. In Texas, \$2,000 signing bonuses are becoming commonplace. Southern states such as Florida, Georgia and Mississippi have districts paying bonuses of up to \$6,000 to retain quality teachers.

As crises show signs of becoming catastrophes, some state legislatures and state departments of education have gotten the ball rolling on bringing retired teachers and administrators back into the system. Those early retirement incentives that were sold, in some case, as a way to remove the "dead wood" are now looking more like they've caused a "brain drain."

Salaries are a major problem, both for teachers and administrators. Alaska's largest districts provide an example of how noncompetitive our salaries are. These districts have budgets, enrollments, numbers of employees, physical plants, and demands comparable to large districts outside the state that are paying their superintendents nearly double. In fact, an Alaska board member recently admitted to the media that their superintendent is underpaid and speculated that if the present superintendent left and had to be replaced, it would require an additional \$50,000. Even that level of an increase would be low compared to salaries paid in comparable districts outside.

Granted, we need to pay attention to standards, facilities, and a number of other critical issues. At the same time, let's not forget that our ability to attract and keep outstanding teachers and administrators is basic to everything we hope to accomplish. Alaska needs a constant flow of quality, certifiable educators. While the problem may not be completely solved during this session of the Legislature, we simply must make sure that it receives the attention it deserves. The future of our kids depends on it.

4.5 ADDRESSING TEACHER, SPECIALIST, AND ADMINISTRATION SHORTAGE

The Association of Alaska School Boards does hereby urge the Alaska State Legislature, Alaska State Board of Education, and Teacher Education Programs in Alaska's universities to address the severe shortage of teachers, specialists, and administrators in the State of Alaska.

Rationale. It has been painfully demonstrated that a severe shortage of teachers, specialists, and administrators is being experienced in the school districts in every region of Alaska. Because of the "flat" funding of school districts imposed by the Alaska State Legislature, districts have been forced to hold salary levels of teachers and administrators at an equally "flat" level, resulting in actual decreases in salary levels. Such decreasing salary levels are highly detrimental to attracting new teachers to Alaska and detrimental to recruiting people into education.

It is equally difficult under the funding structure imposed over the last 10 years to offer district incentives to attract teachers and administrators. At the same time, standards for teachers have been raised significantly, making it more difficult for prospective teacher to gain certification in Alaska. Incentives need to be provided by universities to attract new candidates and by the State Board of Education to attract new teachers to the state, both to be funded by the State Legislature. In addition, the State Legislature needs to provide funding for district incentives to attract new teachers.

Adopted 1999



Wisconsin Department of Employee Trust Funds

Returning to Work After Retirement

ET 4105, Rev. 3/98

Private Employment

As a retiree you can work in private employment and your benefits administered by this Department (retirement and health/life insurance) will not be affected.

Employment With Any WRS Employer After Retirement

To be eligible to receive your retirement benefit, if your new Wisconsin Retirement System (WRS) employment is in a WRS covered position, it cannot begin until 30 days after your termination date, your annuity effective date, or the date you filed your application, whichever is latest after your return.

NOTE: If your re-employment is with the same employer you retired from, the 30 day requirement applies regardless of whether the new employment is covered under WRS or not.

Re-employment Covered by the WRS

If you are rehired in a position that meets WRS participation standards after the 30-day requirement, you will have a choice of:

- Remaining an annuitant. If you decide to remain an annuitant, you do not have to take any action.
- Electing coverage under the WRS. If you choose to be covered by the WRS again, you must file an election form with your employer. Your employer will forward your election to the Department. Your annuity will be terminated and your WRS coverage will begin effective on the first of the month after the Department receives your completed election form. You can elect coverage at any time.

WRS Participation Standards

A position meets WRS participation standards if you are expected to work at least one-third of full-time during one or more years. For example, if you return to work for the state in a project or limited term employment (LTE) appointment, and are expected to work at least one-third of full-time during at least one year, your position will meet WRS participation standards.

Employment Not Covered by the WRS

- Employment with a private employer.
- Employment with a public employer that does not participate in the WRS. (All Wisconsin state employees and most local government employees are covered under the WRS, except for non-teaching employees of the City and County of Milwaukee.)

- Employment with a WRS participating employer in a position that does not meet WRS participation standards.

Election of WRS Participation

If you file an election to participate in the WRS, your retirement annuity is terminated effective with the beginning of the month after the Department receives your election to participate. Upon terminating WRS employment you can reapply for a retirement annuity. At that time you can select any annuity option for which you are eligible, regardless of the option you chose when you originally retired.

Your retirement annuity will be recalculated using your new final average monthly earnings (if applicable) for all of your WRS employment, including your covered employment after you return to work. The portion of your annuity based on the additional creditable service earned after your return to work will be calculated according to the laws in effect on your most recent termination date.

Your benefit based on the service earned prior to your original retirement will be calculated according to the laws in effect when you originally retired. There is one exception; if you have WRS creditable service in at least three continuous years since your return to work, the benefit based on a number of "old" years of creditable service, equal to the years of service you have earned since your return to work, can be calculated under the laws in effect on your most recent termination date. After it has been recalculated, your annuity will be reduced by the value of the payments you received before your normal retirement age. The value of your recalculated retirement benefit may be larger than your original benefit, but it can never be less.

Impact on Health Insurance

The following information applies to annuitants insured under the State Group Health Insurance Program, the Wisconsin Public Employers Group Health Insurance Program, and the Local Annuitant Health Program.

NOTE: If your new employer offers coverage through the State or Wisconsin Public Employers Group Health Insurance and you were not previously covered, you must elect WRS participation to be eligible for coverage.

If you do not elect to participate in the WRS, your health insurance coverage will not be affected.

If you elect to participate in the WRS, you become eligible for the coverage offered to active employees by your employer, and you cease to be eligible for the coverage you had as an annuitant (if different). Federal law provides that you have the right to continue coverage for a maximum of 36 months by paying the entire premium. When you elect to participate in the WRS, this Department will notify you of your right to continue your old coverage for an additional 36 months. However, continuation coverage does NOT make you eligible to return to your old group coverage when you terminate employment. Therefore, it may be in your best interest to enroll in your employer's group coverage as an active employee and review that employer's coverage available to you upon subsequent retirement.

FOR STATE EMPLOYEES ONLY

If your health insurance premiums are being paid from a sick leave credit account and you subsequently elect to participate in the WRS, the dollar amount of your unused sick leave account is frozen until you retire again.

Re-employment as a State Employee:

Any additional sick leave accrued after you elect to participate in the WRS is added to your existing sick leave balance when you retire again.

Re-employment with a Local Employer:

When you retire again, you will be considered a local government retiree and will no longer be eligible for coverage under the State of Wisconsin Employee's Group Health Plan. Any unused sick leave you may have remaining under the state plan is not available for use.

When you again terminate employment and are insured under your new employer's group plan, you are eligible for whatever coverage your employer offers to retirees. If you terminate from a WRS employer other than the state, you are also eligible for the Local Annuitant Health Program. Open enrollment is available if you apply for both your annuity and for this health coverage within 60 days of termination. If you were a retired state employee who became a covered WRS employee for a local employer, you

may be eligible to re-enroll in state group coverage by providing evidence of insurability.

Impact on Life Insurance

If you are insured under the Wisconsin Public Employers Group Life Insurance program as a retiree and you return to work prior to age 70 for an employer who participates in the program, you will continue coverage as a retiree. If you elect to participate in the WRS, you will have a choice of continuing your retiree coverage or of applying for coverage as an active employee.

If you apply for coverage as an active employee your coverage will be based on estimated earnings at the time you elect WRS participation, and that coverage will decrease when you again terminate employment in accordance with applicable state statutes. You can also apply for Age 70 and Over coverage through Evidence of Insurability if you are age 70 or more at the time you elect WRS participation.

Premiums due as an active employee can be deducted from your salary through a participating employer, or they may be paid directly to the insurance company. If you are not continuing coverage as a retiree (annuity premium deduction) and your premium is not paid when due, your coverage will lapse.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call (608) 266-3285 or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

Always include your name, Social Security number and date of birth on all correspondence to this Department.

ALASKA STATE LEGISLATURE

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REPRESENTATIVE ANDREW HALCRO
District 12

April 7, 2000

The Honorable Gene Therriault
Co-Chairman
House Finance Committee
State Capitol Building
Juneau, Alaska 99801

Re: HB 277 Teacher Retirement

Dear Gene:

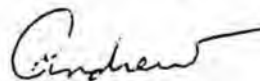
The subcommittee you assigned to review potential changes to HB 277 has arrived at a solution. It is embodied in version "I" of the bill. I have attached a copy of the proposed committee substitute for your review.

It was the intent of the subcommittee that the individual school districts would establish policies and standards for determining when a shortage in a teaching discipline or specialty occurs. Once those standards have been fulfilled, the school district could then self-certify a need and rehire retired teachers to fulfill that need.

The subcommittee also agreed that school districts will annually report to the Teachers Retirement System the number of retired teachers who are rehired under the provisions of HB 277. The report should, at a minimum, include the following information for each rehired retiree: 1) the specialty or discipline of the teaching position to be filled, 2) the salary at retirement, 3) the salary upon rehire, 4) the rehire date, 5) the re-retirement date if applicable, and 6) a description of efforts made to otherwise fill openings. Each school district taking advantage of the provisions in HB 277 shall also provide a copy of their rehire policy to the Division of Retirement and Benefits. Version "I" of the bill provides that the Teachers Retirement System shall report to the legislature within the first 30 days of session any effect of HB 277 on the Teachers Retirement System.

Version "I" also includes a sunset clause that takes effect on July 1, 2003 so the legislature will be required to review any effect HB 277 may have on the Teachers Retirement System.

Sincerely yours,



Andrew Halcro