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HOUSE

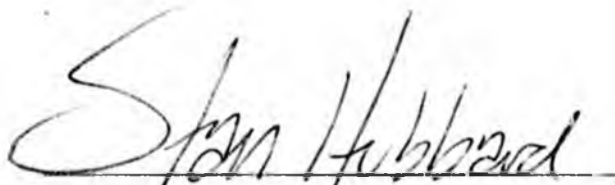
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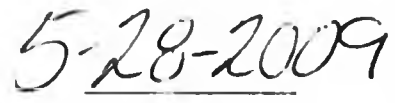


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HB

23

ALASKA STATE LEGISLATURE

Vice Chair:
House Finance Committee

Chair:
House Finance Subcommittees for,
Department of Public Safety
Department of Law



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-4958
Fax: (907) 465-4928

Interim:
PO Box 464
Chugiak, AK 99567

BILL STOLTZE State Representative

Representative_Bill_Stoltze@legis.state.ak.us

House Bill 23

Limit Annual Increase of Muni Prop Assess

"An Act relating to a limit on the amount by which the assessed value of property may be increased for purposes of municipal property taxation."

More and more people are becoming concerned about the rate the assessed value of their homes are increasing. These large increases create financial hardship for older Alaskans and deter potential homeowners.

House Bill 23 will limit the increase a municipality can raise the assessed value of a person's home from the preceding year to the current year to two percent.

I believe this is a modest step towards homeowner property tax relief.

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

ALASKA STATE LEGISLATURE

Vice-Chair:
House Finance Committee

Member:
House Finance Subcommittees for,
Department of Public Safety
Department of Law



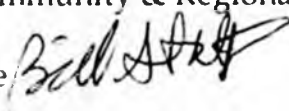
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Chugiak, AK 99567

BILL STOLTZE
State Representative
Representative: Bill_Stoltze@legis.state.ak.us

MEMORANDUM

TO: Representative Anna Fairclough, Co-Chairman
Representative Gabrielle LeDoux, Co-Chairman
House Community & Regional Affairs Committee

FROM: Bill Stoltze 

DATE: February 8, 2007

SUBJECT: Intent of HB 23

It was always my intent to have House Bill 23, related to limiting the amount by which the assessed value of property may be increased for purposes of municipal property taxation, only apply to the assessed value of "residential" property. Right now it applies to the assessed value of all property.

Should you decide to move the bill out of committee it would be my desire that the committee amend the title and language of HB 23 to reflect my original intentions.

Thank you for your consideration.

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

Assembly votes to raise property tax rate for homes

BILLS COMING: Decision made not to wait for state to give financial relief.

By KYLE HOPKINS
Anchorage Daily News

The Anchorage Assembly voted to raise residential property tax rates about 5 percent Tuesday night, rather than delaying the decision to see whether the state gives the city millions in property tax relief.

The Legislature and governor haven't decided yet whether to share

state revenue with Anchorage — money the mayor has promised to use to lower property taxes.

Homeowners will still benefit if the state decides to give the city the cash. The property tax savings would likely show up on next year's tax bills, rather than this year's.

The city plans to mail tax bills May 15, and waiting to see what the Legislature does would have cost Anchorage more than \$22,000 a day, said chief fiscal officer Jeff Smith. That's partly because every day the city waits to receive property tax payments, it loses

interest accumulated by those payments.

Assemblyman Dan Coffey wanted to wait and set the tax rate later, saying the \$30 million or more the city may get from the state could be used for tax relief this year if lawmakers act soon.

But Mayor Mark Begich told the Assembly that while the legislative session is almost over, Gov. Frank Murkowski doesn't necessarily have to sign off on any revenue sharing right away.

"His likelihood of supporting this right now is a mixed bag," Begich said.

The Assembly made minor changes

as Tuesday to the tax by the mayor's office. Total amount of taxes to roughly \$150,000 — to

That's more than \$ the tax cap, according but about \$18 million more paid last year.

The extra \$150,000 w people who live in sewer service areas, where rates to pay for things li nance and to save for m

Property tax rate for homes by 5 percent

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"His likelihood of supporting this right now is a mixed bag," Begich said.

The Assembly made minor changes

as Tuesday to the tax rates proposed by the mayor's office, raising the total amount of taxes to be collected by roughly \$150,000 — to about \$303.8 million.

That's more than \$4 million under the tax cap, according to city figures, but about \$18 million more than taxpayers paid last year.

The extra \$150,000 will be paid for by people who live in several Hillside road service areas, where local volunteer boards asked for slightly higher tax rates to pay for things like road maintenance and to save for major repairs.

The combined tax rate — or mill rate — that Anchorage will use to pay for the city and school budgets is nearly 18 mills, compared with almost 16 last year. The reason property taxes go up even as the tax rate goes down is because the assessed value of homes rises so fast.

The assessed value of Anchorage residential property went up about 12.8 percent last year, according to the city.

The city will collect about \$184.4 million in property taxes to pay for schools, an increase of \$14.3 million over last year.

Property taxes likely to rise 5% next year

PROPOSAL: Total rate is the least in 10 years; Assembly to vote Tuesday.

By **KYLE HOPKINS**
Anchorage Daily News

The mayor is proposing a roughly 5 percent property tax increase for residential properties to cover the city and school budgets, with the Assembly set to vote on the tax rate Tuesday night.

The proposal was presented to Assembly members at a work session Friday afternoon. It sets citywide tax collections about \$8.4 million under the city tax cap.

Assemblywoman Anna Fairclough, chairwoman of the Finance Committee, said Friday that she didn't foresee the Assembly making any major changes to the budget.

The city plans to mail tax bills May 18, said chief fiscal officer Jeffrey Sims.

Property taxes would account

See Page B-2, TAXES

TAXES: Bill pays for city, schools

Continued from B-1

for about \$301.7 million of the \$300 million city budget, which pays for things such as firefighters and roads. Taxpayers will be asked to fund an additional \$184.4 million to cover the local share of the School District budget.

Sims estimates that taxes on residential property, such as houses, trailers and condos, would increase about 5.2 percent, while commercial property taxes would go up roughly 6.3 percent if the Assembly approves the mayor's proposal.

Property taxes are figured by a combination of the assessed value of your home and the tax rate — or mill rate — for the area of town you live in. It varies from Eagle River, to the Anchorage Bowl, to Girdwood.

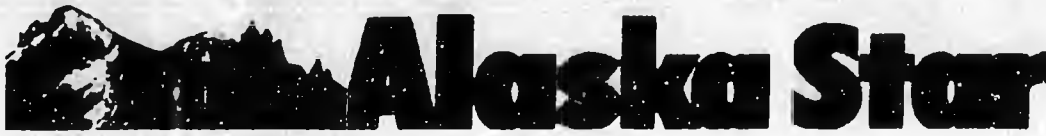
The tax rate proposed to pay for the city and school budgets is 14.97 mills, compared with 15.97 mills last year.

That combined rate is the lowest in at least 10 years according to a city news release. But Anchorage's hot housing market — the city estimates that assessed values of residential property increased 12.3 percent last year — means individual property taxes will generally go up even if the tax rate goes down.

Someone with a home with a taxable value of \$200,000, would pay \$2,994 under the proposed rate.

The Assembly meets at 8 p.m. Tuesday at the Loussac Library.





A WEEKLY NEWSPAPER
SERVING EAGLE RIVER,
CHUGIAK AND EKLAKA

letters to the editor

Alaska Star
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Story Last modified at 5:30 p.m. on Thursday, March 30, 2006

It's about rising property values, not so much taxes

Whenever I open my property-tax assessment or bill, I brace myself. By the end of the day, I stop wringing my hands over property tax increases. Municipal government isn't wasting money on superfluous projects, nor is it rife with costly inefficiencies. I don't fault Mayor Begich for higher taxes.

In 2003, my land assessment went up 40 percent. I was shocked, but prior to 2003, the tax assessor's office was swamped. Many assessments, including mine, did not reflect market value and hadn't increased for several years. Assessments were just catching up in 2003.

Since 2003, my assessment has increased about 13 percent each year. Last year the \$20,000 residential exemption made my net increase 8 percent. A yearly printout I get from the municipality of sales for comparable properties in my area shows assessment increases closely match my home's increasing value. Before complaining about high property taxes, homeowners should ask themselves, "Would I rather live in a city where property values stagnate because of a tanked local economy?"

In every election, voters pass bonds for public improvements. The municipality does not pass these bonds. Voters choose higher taxes because

Birchwood Weather

Last updated: Fri, 3/30/2006 14:32

Temperature: 3
Rel. Humidity: 51
Wind: C
Pressure: 29.9 H
Visibility: 8
Conditions: C

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Calendar

March						
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26	27	28	29	30	31	

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they want to invest in their community. This is a great town, and I'm glad voters pass bonds to make Anchorage better.

- Chuck Woodfin

Chugiak

This article published in The Alaska Star on Thursday, March 30, 2006.

[E-MAIL STORY TO FRIEND](#)

[PRINTER FRIENDLY FORMAT](#)

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Ben Mulligan

From: jlmob@alaska.net
Sent: Monday, March 27, 2006 7:26 AM
To: Rep. Bill Stoltze
Subject: Thank you for introducing HB 391

Email For: Representative Bill Stoltze
From: jlmob@alaska.net
Name: Type Your Name
Street: Po Box 1144
City: Palmer
Zip Code: 99645

Subject: Thank you for introducing HB 391

Thank you for introducing HB 391 it is much needed

Otto & Geri Binder
Po Box 1144
Palmer Ak 99645

Please Support HB 391

I would like to bring to your attention some facts on how Borough assessments and taxes effect me.

I have lived in the Mat Su Valley since 1974, I purchased 10 acres in 1976 on which I cleared and built a small log cabin by hand.
I later built a modest home for my family using the pay day to pay day method without a mortgage.

My wife and I have worked in public service and have earned our retirement. We have a modest fixed income, approximately half of the median income of the Borough we live in, and are debit free with no mortgage.

Since 1995 to 2005 I have had an actual tax increase of 51.5%

My house assessed value has increased 18% and land 36.5% this year

On a fixed retirement income (Pers / Ters) I have not had an increase and do not see an increase happening in the near future.

Ten years ago property tax took 4% of my income, last year it was almost 11% with the increasing assessment and the same mill rate for 2006 it will be almost 13.5% of my income.

I pay 180% more in property tax than my Federal income tax. It takes almost 2 1/2 months of my retirement, to pay the property tax.

In the past ten years I have paid more in taxes than I paid for my land.

Because someone can afford to pay more for a property is it fair that I should have to pay more in taxes? That is what happens with out a cap on assessments.

Most of the older residents of the State do own bigger lots or acreage's. This is putting a bigger tax burden on them when they have no impact on education cost.

Over the years I have witnessed people move from other places demanding things we did not have, some of which they succeeded in having built with our local tax dollars. Then in a few years they move on leaving us to pay. I had to pay for a natural gas lid so my new

neighbor could get gas service for his house. He then sold it a year later at a profit . The assessor then figures my house is worth as much as the one that sold, so I end up paying increased taxes. He made the profit but I'm stuck paying the taxes. That's not fair as I see it.

After all the years it took to secure a home for my retirement years, I'm faced with the reality that I will no longer be able to live in it and continue to pay the increasing taxes. I'm not alone others I worked with are facing the same.

The invested cost in my home and property is about 25% of what it is appraised at. That's true cost not a guess, which assessments are although an educated one.

I have a few more years before I qualify for the senior deduction , that is if I live that long with my family history.

With a limit on assessed value I'll have some Idea of what I have to give up to stay in my home. Without a cap on assessments it is only time before I'm forced to sell because we can't afford the taxes.

Then again maybe Pers / Ters COLA increases should be judged by assessment increases, I could use a 50% gain every ten years.

Please Seniors need your HELP make HB 391 reality.

Otto & Geri Binder
Palmer

Please Add My Email Address to your distribution list. Thank You.

Mat-Su Valley Frontiersman

Valley property values soar

KRISTEN SEINE/For the Frontiersman

The sign on the door reads like this: "Obscene language or coarse behavior will not be tolerated."

The location? It's not a bar, or a racetrack, or even a sixth-grade classroom. It's the Mat-Su Borough Administration building. Specifically, the assessments office; the place where they determine, in large part, how much you are going to pay in property taxes.

And this week, the sign is well placed, if not always complied with. On Monday, the borough mailed out approximately 69,000 postcards stating the newly appraised value of homes, lots and other properties across the Valley. By 9 a.m. Tuesday, people started showing up at the office to protest that theirs had been valued too high.

"Most people are just a bit grumpy or stubborn," said Kathi Johns, an appraisal technician whose desk, as you walk in the office, is right in the line of fire. Most people, she said, stay within the realm of acceptable behavior.

However, in February, when the final tax payments for 2004 were due, the borough actually had to post a guard outside the finance office. "There is one person who has been denied access to this building," she said.

For many people, especially those whose property is situated in one of the Valley's real estate "hot spots," this year's property valuation came as something of a shock. While overall, the borough's total property valuation rose by about 24 percent, some individual properties doubled and even tripled in value.

Allen Black, borough assessor, said he understands that "there will be some upset people." However, he said what many people do not understand is that his office is required by law to determine and assess values based on what a property is worth on Jan. 1 of that year. Every year. And as more people move to the Valley and land becomes more scarce, it becomes more valuable.

A hot market

Right now, the Valley real estate market is hot. It's no secret that this is the fastest-growing area in the state — "by a long shot," says Black. "We had about 2,000 newly improved properties this year. That means a building, a house or some improvement on

the lot that it didn't have last year, and that number's up by about 15 percent over the year before."

To put the numbers in perspective, Black said that in 2002, new construction accounted for about \$126 million in property valuation. The next year, it was \$170 million. In 2004, that figure had risen to \$223 million. This year, Black said, it was \$357 million.

And that, Black said, "is huge, in my mind. That is showing an awful lot of growth."

But the new construction only accounted for a little more than a third of the 24-percent increase over last year's valuations. Black said the rest is due to rising real estate prices. There are certain areas of town - around the construction site of the new hospital, for example - where home values have skyrocketed.

Helga Larson, a realtor in the Valley for 21 years and chair of the borough's planning commission, said she has seen home and land prices go up as sales have gone up, and has noticed that property valuations have risen as well. "And I don't see any relief coming," she said. "It's not going to get any better."

"A lot of people are moving here, retired people, and young families who have no other choice as they can't afford anything in Anchorage," she said.

Larson said she remembers that not long ago, you could buy a lot in a subdivision for \$10,000-\$15,000. "Now, it's more around \$35,000 to \$45,000," she said. "Some are even asking \$60,000 to \$80,000."

"It's pretty hot everywhere right now," Larson said. "I haven't seen the real impact of the hospital yet, personally, but I'm sure it's right around the corner. I've been told that a lot of the land in the surrounding areas has been purchased - I don't know by who - but purchased with the intent of probably building doctors' offices, that sort of thing."

Larson said she's been taught that the idea behind value assessments is that "they should be right up there with the market value. However, that isn't always the case. At least not here, not yet I don't think," she said.

Wealth, not cash

As Black explains, "property taxes were originally meant to tax wealth, not income."

In other words, a person might be "wealthy" because their assets are very valuable, and still not have a lot of money in the bank. And while Black said he sympathizes with the plight of those who will have a hard time paying their property taxes now, he said, "We cannot take that into account. Otherwise, I'm put into the position of assessing taxpayers based on their ability to pay, and I can't do that."

Ronald Stocker of Palmer is one of the Valley residents who found himself quite a bit "wealthier" Wednesday after looking at his home's newly assessed value. His home and land increased in value by about 20 percent, but his yearly tax bill - if the mill rate remains unchanged - will be a whopping 22 times higher.

That's because Stocker, a 63-year-old disabled Army veteran, is eligible for the senior citizen/disabled veteran property tax exemption application, which means the first \$150,000 of his home's assessed value is tax-free.

Last year, the value of his home was only a few thousand dollars over that amount. But not this year. "My house went up by about \$30,000," he said.

"I'm on a fixed income," Stocker said. "I am 60-percent disabled. I'm 63 years old. There is no way I'm going to be able to go back to work and make any more money to pay my bills. What are they trying to do, run us out of our homes?"

Stocker lives near North Star Speedway, which is also near the site of the new Mat-Su Regional Medical Center. "The irony here is that a few years ago, an appraiser knocked on my door and said they were lowering my appraised value because of the racetrack and the noise. They lowered it! Well, the racetrack is still here and it is just as noisy as ever. And now, in their great wisdom, the borough has gone and put up a hospital a mile away."

Seventy-year-old Gordon Benedict and his wife, Annie, are also on a fixed income. He said they never took out a loan to build their Wasilla home, but "built it out of our own pocket, back in the early '80s, going a bit at a time, as we could."

The assessed value of the Benedicts' home rose by about \$10,000 - not nearly as high as some others, but high enough to bump up their tax payments by about \$35 a month if mill rates remain unchanged. When you're on a fixed income, Gordon said, \$35 a month is a lot of money.

"Every year it gets harder and harder to keep up (with property taxes)," he said. "It's getting way out of hand. Pretty soon, between the cost of maintenance and repairs and the higher taxes, if it gets much worse, we're going to have to sell the place. We won't be able to afford it."

You can fight City Hall, sometimes

Stocker, for one, said he plans to challenge his valuation.

"This can't be allowed to stand," he said. "They can't be allowed to continue to raise property values and mill rates on us like this." Stocker said he doesn't know if he will be successful in his attempt, but he has to try.

Black points out that Alaska is the only state in the country that gives seniors and disabled veterans a \$150,000 break on valuations. "There's no deal like it." The next-best deal is in Florida, he said, where senior citizens who make less than \$20,000 are not taxed on the first \$50,000 of their assessed values.

And he adds that nationwide, the average amount property tax payers pay is around 2 to 3 percent of the value of their properties. "Here, it's more like one and a half percent," he said.

Black also said the \$150,000 exempted from seniors and disabled veterans is made up

by the rest of the taxpayers in the borough. Last year, he said, non-exempted taxpayers paid about an additional eight percent more in property taxes to make up the difference.

While Black says with a sigh that "it's going to be a long March" as challenges pour into his office, he welcomes tax payers who want to call or come in with any problems or questions they might have regarding their valuations. People have through March 30 to officially protest their valuations, he said.

And Black has advice for those who want to do so. "First," he said, "you should carefully look over how we've described your property and make sure everything is correct. We do make mistakes, no doubt about it. And if we haven't done our job right you don't really have to fight us, we'll be happy to say we blew it and correct the problem."

If everything is correct, the next thing is to come up with evidence, Black said.

"Bring in some paperwork showing the values of homes that have recently sold in your area," he suggested. "Some real estate agents are happy to assist you with that. Show us a concrete reason why your home was valued incorrectly."

Black said usually a few thousand people contest their valuations. In most cases, they talk with someone at the assessor's office and that clears it up. Last year, Black said only about 140 people actually brought their cases before the Board of Equalization. Of those, only a handful won.

It won't be until after the board has heard all appeals that the current valuations are finalized and tax revenues will be determined and sent to the borough Assembly. Once that happens, and once the Assembly has set its budget for the year, Black said, the mill rate will be set for 2005.

"That won't happen until the end of May," Black said. "Then we'll have a better idea of what our taxes are going to be."

Valley property values soar

KRISTEN SEINE/For the Frontiersman

Budget focus of Assembly conclave with school board

DAWN De BUSK/Frontiersman reporter

CBM issues discussed at workshop

DAWN De BUSK/Frontiersman reporter

Man convicted of contempt, harassment in Palmer court

KATE GOLDEN/Frontiersman reporter

Wasilla man charged with sexual abuse of girl

KATE GOLDEN/Frontiersman reporter

Red Cross appeals to mayors for donations

BOB MARTINSON/Frontiersman reporter

Palmer officials want to use video to tout city

KATE GOLDEN/Frontiersman reporter

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Local property values keep on rising

10 PERCENT JUMP: City begins mailing its 2006 appraisal notices.

PETER PORCO
Anchorage Daily News

Staff

The **value** of all private and business **property** in the city jumped 10 percent in the past year, according to the city's **Property** Appraisal Division, which began mailing its 2006 appraisal notices Friday. The notices function as a heads-up to home and **property** owners, because **property** taxes are based partly on appraised **value**. Taxes generally follow **values** up. Officials, however, say there's no direct link between the change in **value** and the tax rate, which will be set this spring by the Anchorage Assembly.

The increase in assessed **value** varies greatly from **property** to **property** across the city. Some **properties** have fallen in appraised **value**, but the great mass of the city's 93,800 residential and commercial parcels have gained **value**, said municipal assessor Marty McGee.

The total taxable valuation of real **property** in the city has risen this year to \$23.9 billion, from \$21.7 billion the year before.

Some **properties** have appreciated by 20 percent or more -- including one owned by an assemblyman -- but most increases are in the mid-range of 10 percent to 11 percent, McGee said.

Assemblyman Kenneth Stout, who was one of five Assembly members to hear McGee and other officials discuss the latest evaluations at a work session Friday, learned that his own home in East Anchorage has risen in appraised **value** by 18 percent, to nearly \$360,000.

"I'm not real happy with it, of course," Stout said. "It went up considerably last year, so I thought it would level off."

Stout accepted McGee's explanation that higher-quality homes generally saw the largest increases in **value**.

"I can't complain too loudly," he said. "We have a little complex there that has just a few houses in it, and the houses are all fairly good size and well kept."

The division sets a dollar figure for a **property** -- what it considers the fair market **value** -- based on actual sales of similar **properties**, according to McGee.

Appraisers track the sale price of roughly one-third of the city's **properties** sold in a given period, he said. Based on price and characteristics of the **property** sold, they construct a model to predict the **values** of similar **properties**.

"We know what goes on in the marketplace," McGee said. The city believes its appraisals are at 98 percent of the actual market **value**, he added.

Location plays a role in **property values** but not a major one, he said. Some areas of the city are

responding to the market as a whole. The South Addition, for example -- the neighborhood south of the Park Strip -- is booming because lots of people want to live near downtown, McGee said.

"There's a lot going on there, a lot of high-**value** sales, and we reflect that in our valuation," he said.

"The predominant thing going on now," he said, "is people doing remodeling and additions. People are upgrading all over the city. We're more affluent, interest rates are low, they can refinance and add **value** to their houses."

People who live in older, smaller homes that are not changing complain that their **properties** should not be rising on a par with the other homes, according to McGee.

His answer to them is that there's a strong market for homes just like theirs because buyers want to take those smaller homes and remodel them.

Anchorage has relatively few homogeneous neighborhoods, which are likely to be subdivisions built in recent years. Its more typical neighborhood profile is a hodge-podge of housing -- the older homes side by side with larger, newer houses and maybe fixer-uppers on the other side of the street.

"Anchorage has not developed systematically," McGee said. That's why comparing type of **property** rather than relying on location "does a good job in predicting individual **property values**" based on the **property** description.

The much-discussed housing bubble that appears to be leveling off Outside is not much in play in Anchorage, according to McGee. The speculation that leads to "hyper **value**" elsewhere does not hold true here, he said. Anchorage is still riding a general economic rise and few better investments exist here than a house.

"What we're seeing now and expect to see in the next year is a slowdown in the number of sales but not in price."

Stout thought otherwise.

"My personal assessment is that this market will (soon) flatten out," Stout said.

Property owners have 30 days from the date of the notice to appeal their evaluation. Both the evaluation and appeal forms are available on the city's Web site (www.muni.org).

The city does change appraisals when it learns something about a **property** it did not know before, McGee said.

Meanwhile, the city is again offering exemptions for up to \$20,000 of assessed **value** to qualifying taxpayers -- chiefly, to those who live in their own homes.

Those who applied last year do not have to reapply, the city said.

New homeowners will find information and tax exemption forms on the Web site.

Daily News reporter Peter Porco can be reached at pporco@adn.com or 257-4582.

Mat-Su Valley Frontiersman

Hot market drives property values

March 27, 2005

JOEL DAVIDSON/Frontiersman reporter

MAT-SU - The average single-family home in the Valley is now worth \$187,000. That's an increase of 15 percent over last year, but it's hard to find homeowners who are pleased with their increased property values.

Many residents are shocked and upset by the new assessments. Mat-Su Borough Assessor Alan Black is at the center of property assessment debates, but he said his office is just doing a job mandated by state statute.

The law requires the borough, each year, to reassess all properties by Jan. 1. Black said this year's assessments, while substantially higher, are just reflections of the market.

"My office mimics the market," he said in a phone interview this week. "Really it is the property owners that dictate what I do. It's a hot market out there and a lot of people are moving here to buy reasonably priced homes."

Black said properties may also have been undervalued in past years, but the greatest influence on rising property values, he said, is the market. With people moving from Anchorage and elsewhere in the past two years, the demand for land and homes has increased. The less land available, the more valuable it becomes.

"Competition drives the market," Black said.

In the two years Black has been the borough assessor, property values have risen dramatically. Black said his office uses some different techniques than were previously used in assessing property and, as a result, he said assessments are probably more accurate.

With so many new building projects and subdivisions under construction, Black said borough appraisers are now focused more on evaluating new constructions rather than



Nearly 2,000 properties within the Mat-Su Borough received some type of improvement in 2004, a 15-percent increase over the preceding year. Improvements range from new buildings and houses to entryways and decks.

JOEL DAVIDSON/Frontiersman

looking for accuracy in existing structures.

While establishing this year's assessments, a team of nine borough appraisers drove down every single road in the borough looking for new constructions and property improvements.

In addition, Black said his office looked at sales of 1,800 properties with structures on them, along with another 2,000 vacant property sales.

To evaluate individual properties, the assessment office looks at the average sales of similar properties in a general area, while also taking into account improvements and descriptions of individual lots.

Other factors that influence property assessments are the age of the houses, the cost to build a similar house, brand-new, and any rental income the house might generate.

"We have an inventory of every property in the borough," Black said. "We go out and measure buildings. We evaluate them during construction and go into homes if people invite us in."

The borough's description of each property is entitled property characteristics. Unlike legal descriptions, which contain only the physical location of the property, the borough's property characteristics include information, when available, on garages, bathrooms and other structural additions and improvements. If appraisers see changes to a property, they update the borough's record.

In the past, Black said the assessment department attempted to get more accurate sales information from local realtors, but he said realtors have generally not been open to sharing information.

If people think their property is described inaccurately by the borough, Black said there is still time, through March 30, to file an appeal. Borough residents can access the descriptions of their property by going to the borough's Web site at www.cohasset.ma.us/ and clicking on "my property." Black said every home should be on the Web site.

If people want more information than what is provided online, Black said they are welcome to come down to the assessor's office directly.

Since mailing out the new assessments earlier this month, Black said more people than usual have come in to protest their property assessments. When people come in, Black said he tries to work with them to get things right.

"The first thing we do is check and make sure we have your property described accurately," he said.

If there are discrepancies, they will be adjusted and the property re-assessed.

Despite the drastic increases, Black said property assessments are still probably a few percentage points lower than the market values, but at this point he said they are as

accurate as he can get them.

"They're as accurate as the budget will allow," he said. "We can make them extremely accurate, but my budget would have to go up."

Despite increased assessments, taxes on individual properties are still uncertain. Those numbers depend on how the borough Assembly decides to set the mill level. Last year, the mill rate was set at 11.8 or \$1,180 per \$100,000 of property value, a slight increase from the 2003 rate of 11.483.

Borough Finance Director Tammy Clayton said the increased mill rate last year was due largely to new debt the borough incurred from school bonds for new schools, land and building renovation projects. Those bonds were approved in 2003 and the first payment was due in October 2004.

In 2004, the typical Mat-Su homeowner paid an average of \$1,947 in property taxes. If the mill rate remains steady, borough taxes on the average single-family home could increase by more than \$250.

With a group of borough citizens working to get a tax-cap initiative on the October ballot, Assembly Member Mary Kvalheim said the borough is in a real pickle.

"We have a huge increase in assessed property values, but if we lower the mill rate and the tax-cap initiative passes, then we are stuck with that mill rate," she said. "Although the assessments are high, that doesn't mean your property taxes will go up, but people see the assessments and they panic and I understand."

Kvalheim said she would like to see a severance tax ordinance on the October ballot this year, which would require companies to pay taxes on raw materials such as timber, gravel, coal and gas that are taken from the borough.

"I'm going to ask to get that on the ballot," she said. "Everything we do is put on the backs of the property owners and there are a lot of other people who enjoy the benefits."

As borough Assembly members wrestle over setting mill rates and ironing out next year's budget, one thing appears certain - property values will likely continue their long climb for the foreseeable future.

In 2002, property valuations from new construction in the borough were \$126 million. This year, that number climbed to \$357 million. According to Black, the last time borough records showed a drop in overall property value was between 1985 and 1988.

"It's been climbing ever since then," he said.

Contact Joel Davidson at 352-2266, or joel.davidson@frontiersman.com.

Hot market drives property values

March 27, 2005

Hearing set for murder suspect

March 27, 2005

Houston opens its own animal shelter

March 27, 2005

From hookworms to snowboards

March 27, 2005

Plan would lure legislators to office space in Mat-Su

March 27, 2005

Palmer seeks more money for utility project

March 27, 2005

People thought to be 'vegetables' can be rehabilitated

March 27, 2005

Members to vote MEA board April 2

March 27, 2005

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Mat-Su Valley Frontiersman

Assessments rocket, shocking Mat-Su property owners

March 8, 2005

Frontiersman editorial board

Tremors were felt throughout the Mat-Su Borough last week. No, it wasn't a series of earthquakes causing the ground to shake, but rather, many Mat-Su property owners shaking in their shoes as they got the first glimpse of the 2005 assessed value the borough placed on their homes and land.

Some property assessments tripled and many others more than doubled, leaving several Mat-Su property owners wondering how they will be able to pay their tax bills. Overall, the borough's total property valuation rose by about 24 percent.

Senior citizens who have come to count on the tax exemption of the first \$150,000 of assessed value to help stretch their limited fixed income may now find it necessary to sell a home they can no longer afford.

And, there is no relief on the immediate horizon for Mat-Su property owners as the real estate market continues to heat up and the borough attracts more and more new residents each year.

Property taxes are the primary source of income for the borough and as we continue to see the huge influx of new residents to our community, increased funding to our schools, roads, emergency services, water, sewer and other basic services will be needed. The borough will have little choice but to recoup the extra money it needs to cover the extra expenses through increased assessments or by raising the mill rate.

A group calling itself Tax Cap Yes has organized to gather enough signatures for a tax cap initiative to be placed on the 2005 general election ballot.

While this initiative would provide needed relief to property owners, it doesn't address where future funding for essential services will come from.

It's past time to implement a boroughwide sales tax, whether it's year-round or seasonal, that would help shoulder the burden Mat-Su property owners have wholly carried thus far.

Assessments rocket, shocking Mat-Su property owners

March 8, 2005

Life is precious: Appreciate every meticulous snowflake, and learn CPR

March 8, 2005

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Ballooning property values put crutch on seniors in the Valley

TAXES: Officials say they are starting to investigate additional exemption options.

Mat-Su focus

RINDI WHITE
Anchorage Daily News

Staff

Property values are on the rise in the Valley, and some members of the Matanuska-Susitna Borough Assembly are looking for ways to help seniors on fixed incomes who, despite tax exemptions, face growing tax bills. Two Valley seniors in the past two months have asked the Matanuska-Susitna Borough Assembly to reduce their **property** taxes, saying their assessments have increased beyond what they can afford.

It wasn't easy to ask the Assembly to forgive her nearly \$1,240 tax bill, said Wasilla resident Eleanor Riendl, who on Jan. 4 asked for an extreme hardship exemption.

"When I found out this was an option, I really had to think about it," Riendl said. "I don't ask for help."

Riendl has been out of work since her state job as a Palmer Superior Court bailiff, shepherding jurors during trials, was reduced from full time to a few hours a week, she said.

She's looking for work but is finding her age, which she declined to state, an impediment to re-entering the job market. Riendl said she's hoping for something more stimulating than a job as a department-store greeter. She's had a few interviews for office positions, but nothing has come through yet. Riendl said she's confident she'll be back on her feet but hoped for an exemption to help her until she does.

By state mandate, senior citizens and disabled veterans are exempt from paying taxes on the first \$150,000 of the assessed **value** of their primary home. State law also provides other options for seniors and disabled veterans -- a hardship exemption, an extreme hardship exemption and a blanket reduction in assessments for all **property** owners. Cities or municipalities can exercise the three options at their discretion, according to state assessor Steve Van Sant. Or they can, like Kenai, go a step further and eliminate taxes on **property** owned by seniors altogether, he said.

Van Sant said five municipalities have turned to blanket exemptions in an effort to make **property** taxes more fair, and the Municipality of Anchorage is considering its own blanket exemption program. Van Sant said municipalities around the state have granted hardship and extreme hardship exemptions on a case-by-case basis to address each **property** owner's request. An extreme hardship exemption forgives all **property** taxes owed after the first \$150,000 of assessed **property value**. A hardship exemption caps the amount of **property** tax due at 2 percent of the applicant's income.

Riendl said she completed paperwork verifying her income, and borough assessor Allen Black verified the information before sending it to the Assembly. An extreme-hardship-exemption request is not a well-publicized option, and it's something the Assembly has never been asked to consider

before, borough finance director Tammy Clayton said. The Assembly in December dealt with its first hardship exemption request in borough history.

It came from Grouse Ridge **property** owner Kendall Gardner, and the Assembly unanimously denied his request to pay 2 percent of his owed tax bill. Gardner listed his income as exceeding \$60,000. His **property** is valued at \$277,900, and he would pay taxes on about \$127,900 of that, or about \$1,900.

Riendl's plea for assistance was also denied, by a 3-2 vote, but the issue is something borough leaders are continuing to discuss. Riendl's Assembly representative, Mary Kvalheim, was traveling Outside at the time of the vote. She said she was surprised Riendl's request was denied and followed up the decision with calls to borough administrators, asking that they work on finding options for seniors whose **property values** have risen above levels they can afford to pay.

"I feel very strongly that seniors are a gift to our community," Kvalheim said.

Kvalheim isn't the only Assembly member concerned that growth in the Valley may be leaving seniors behind. Borough Mayor Tim Anderson said Riendl's case opened his eyes to the possibility that the \$150,000 exemption for some seniors may soon not be enough to release them from tax obligations.

For the first time, in 2005, the average **property value** in Mat-Su Borough rose above \$150,000. Clayton said the average assessed **value** of a home is nearly \$160,000, up nearly \$20,000 from last year.

"As our assessments **value** continues to grow, unfortunately, their incomes don't generally increase at the same level," Anderson said. "We could see real problems for people with fixed incomes."

Black said he hears plenty of complaints after assessments are mailed out each March -- that's just par for the course. Some of the appeals he deals with each year come from seniors, but as many come from others who believe his office erred when estimating their **property value**.

Appealing the assessment, Riendl said, was her first response. She's appealed her assessment the last few years and said the borough assessment office has in the past reduced the **value** of her home and **property** by a few hundred dollars to an amount she's been able to pay. This year, that didn't happen.

Riendl's home needs repair. By itself, it's worth less than \$20,000. But her **property** is conducive to development. One side borders Bogard Road, a busy and increasingly commercial thoroughfare.

"It's very desirable land," Black said. "Her assessment went up with the 2004 assessment year."

Leapt is more like it. Riendl's assessment went up \$20,800 in 2003 and another \$62,100 in 2004. She qualifies for the senior-citizen tax exemption on the first \$150,000 in assessed **value**, but her nearly \$1,240 tax bill constitutes a large chunk of her income, which comes from Social Security checks alone.

The average Mat-Su **property** owner in 2004 paid about \$2,730 in **pr_roperty** taxes. Boroughwide, **property** owners pay 11.8 mills, plus about 0.38 mills for local road and fire service area funds. In the cities, the service area funds are replaced by a citywide mill levy: 3 mills in Palmer, 3 mills in Houston and 0.4 of 1 mill in Wasilla.

One option for hard-pressed seniors may be a program used in other states that places a lien on the **property**, allowing seniors to defer tax payments until their land is sold or the **property** owner dies and the taxes are paid by the deceased's estate. Mat-Su Borough assistant manager Marian Romano said borough staff members are evaluating programs elsewhere but that the process is in its early stages.

"We don't want to necessarily reduce the borough's ability to provide services," Romano said. "But we do want to be fair to the residents of our community. We're looking to see what's out there."

Van Sant said that to expand **property**-tax exemptions may be a state-level task that requires

action by the Legislature. He said that the Legislature has discussed deferral programs before, but some aspects seemed problematic. When the matter was discussed in the 1980s, he said, seniors weighed in, saying they'd be reluctant to have a lien placed on their **property** just to avoid paying taxes. And legislators were reluctant to approve a program that could saddle municipalities with unwanted residential **property**.

Depending on how long someone lives, the taxes owed on a **property** could amount to more than the **property** is actually worth, leading the municipality to take a loss or hold on to the **property** for future sale. And, at a time when many municipalities are clamoring for the return of revenue sharing and of funds to offset the state-mandated exemptions, adding a new exemption may prove difficult.

"Anytime they expand those exemptions, they're asking other taxpayers to pay more also," Van Sant said.

Daily News reporter Rindi White can be reached at 1-907-352-6709 or at white@adn.com.

Anchorage Daily News (AK)
January 15, 2005
Section: Main
Edition: Final
Page: A1

Value of land continues to rise

TAXES: An exemption, if approved in April, could shave off 10 percent.

ANNE AURAND
Anchorage Daily News

Staff

Property values are up all over town, but a proposed **property** tax exemption could save many homeowners from stiff tax bill increases this year. The taxable **value** of homes in Anchorage rose an average of 12.8 percent for 2005, according to Assessor Marty McGee, who discussed **property values** with the Assembly on Friday.

Single-family homes averaged \$241,800 for 2005, an 11 percent change from last year.

Of the residential areas in the Anchorage Bowl, downtown and Mountain View saw the biggest jumps in assessed **values**: an average of 21.5 percent and 17.6 percent respectively.

Historically, these areas have been undervalued, said McGee, so the city focused on getting as much information as possible about sales prices in the area. Assessed **values** are based largely on comparable **property** sales.

Also, inspections have been inadequate over the past decade, said McGee. Fewer appeals, resulting from an overhaul of the appeals process, coupled with additional staff opened up more time for inspecting **properties** and updating valuations, he said.

A proposed **property** tax exemption would shave off 10 percent of the assessed **value**, up to \$20,000, of owner-occupied homes. That could actually lower many people's taxes, said Mayor Mark Begich. The exemption is subject to voter approval in April.

Actual tax bills will be determined after city finance officials calculate the mill rate necessary to support the school and city budgets passed by the Assembly last fall.

Begich passed out a list of Assembly members' **property values** at their meeting Friday. Assemblyman Ken Stout, whose home on 34th Avenue is now worth \$303,600, said with a smile: "I want to know why mine went up more than the mayor's!"

Stout's **property value** rose 19 percent. Begich's home on Colgate Drive, worth \$315,300, went up 10 percent this year but increased 33 percent last year.

"Yours is a very nice home. I'll buy it for this," Begich said, pointing to Stout's assessed **value** and returning the smile.

Said downtown Assemblyman Allan Tesche: "Mr. Mayor, while you're in the mood to buy ..."
Tesche's home on G Street is worth \$409,100, 15 percent more than it was assessed at last year.

South Anchorage Assemblywoman Janice Shamberg's home on McDonnell Road jumped only 10 percent to \$289,600.

"I'm coming in the slum category," she joked.

When the assessor includes the **value** of new homes built last year, the overall assessed **value** of the city's residential **properties** is \$15.2 billion, a 14 percent jump from 2004 **values**.

Commercial property values, including new construction, total \$6.5 billion for 2005, a 16 percent increase from 2004.

Market **values** in Anchorage, over the past four or five years, have caught up with prices in the Lower 48, said Niel Thomas, real estate agent at Coldwell Banker Fortune.

One reason is that more people are moving here from Outside, creating a demand for homes that surpasses the rate of new construction.

The cost of materials has also gone up, Thomas said, which makes new buildings more expensive. That causes other homes, which may be a couple of years old, to increase in price too, he said.

"It's good news for the people who were fortunate enough to buy at the right time," he said. "What we really have to face is how many are going to find it hard to find anything they can afford."

Daily News reporter Anne Aurand can be reached at aurand@adn.com or 257-4591.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB23-COM-DCA-02-12-07
 Bill Version: HB 23
 () Publish Date: _____

Revision Date/Time (Note if correction): _____
 Title Limit Annual Increase of Muni Prop Assess
 Sponsor Stoltze, Neuman, Lynn
 Requester House Community & Regional Affairs

Dept. Affected: Commerce
 RDU Community Assist & Ec Dev (405)
 Component Community Advocacy
 Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation limits the amount of increases on municipal property assessments to 2% per year. The legislation does not impact the operations of the Division, however, there would be an impact to local municipalities. The legislation restricts a municipality's ability to reflect the full and true value of property by limiting any increase in the assessed value to no more than 2% of the previous year's assessed value. In the short term, the fiscal impact to a municipality which can increase the mill rate to make up for any revenue loss may be minimal. Over time, this will become more difficult but it is difficult to provide an accurate estimate of any municipal revenue loss.

Prepared by: Mike Black, Director
 Division: Community Advocacy
 Approved by: Emil Notti, Commissioner
 Agency: Commerce, Community and Economic Development

Phone 907.269.4535
 Date/Time 2/12/07 5:47 PM
 Date 2/12/2007

Sonya Hymer

From: Sonya Hymer
Sent: Monday, February 12, 2007 10:13 AM
To: 'jeffcurrier'; 'Linda Freed (lfreed@city.kodiak.ak.us)'; 'rgifford@kib.co.kodiak.ak.us'
Subject: Upcoming bills of interest to District 36

Greetings from the Capitol,

The House Community & Regional Affairs Committee will be hearing several bills this week that may be of interest to your communities.

Tuesday 2/13/07:
HB 23: Limit annual increase of municipal property assessments
HB 24: Property assessment appeal fee

Thursday 2/15/07:
HB 56 Hydrogen Energy Research Program
HB 101 Uniform Traffic Laws

The Committee meets from 8 to 10 am on Tuesdays and Thursdays in Room 124 of the Capitol and the meetings are teleconferenced. Please send us your comments!

For bill text and sponsor statements, please visit the following websites:

http://www.legis.state.ak.us/basis/get_bill.asp?session=25&bill=hb23
http://www.legis.state.ak.us/basis/get_bill.asp?session=25&bill=hb24
http://www.legis.state.ak.us/basis/get_bill.asp?session=25&bill=hb56
http://www.legis.state.ak.us/basis/get_bill.asp?session=25&bill=hb101

Best regards,
Sonya

Sonya Hymer, Legislative Aide
Representative Gabrielle LeDoux
State Capitol
District 36
phone: (907) 465-2487
fax: (907) 465-4956

HB 23 Impacts

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Tax Year	A V with 2% annual incr.	2%	Diff. between Mkt. & A/V.	% of Mkt Value.	Tax Year	Mkt. Value w/5% annual incr.	5%
2006	\$ 200,000	\$4,000	\$ -	100%	2006	\$ 200,000	\$10,000
2007	\$ 204,000	\$4,080	\$ 6,000	97%	2007	\$ 210,000	\$10,500
2008	\$ 208,080	\$4,162	\$ 12,420	94%	2008	\$ 220,500	\$11,025
2009	\$ 212,242	\$4,245	\$ 19,283	92%	2009	\$ 231,525	\$11,576
2010	\$ 216,486	\$4,330	\$ 26,615	89%	2010	\$ 243,101	\$12,155
2011	\$ 220,816	\$4,416	\$ 34,440	87%	2011	\$ 255,256	\$12,763
2012	\$ 225,232	\$4,505	\$ 42,787	84%	2012	\$ 268,019	\$13,401
2013	\$ 229,737	\$4,595	\$ 51,683	82%	2013	\$ 281,420	\$14,071
2014	\$ 234,332	\$4,687	\$ 61,159	79%	2014	\$ 295,491	\$14,775
2015	\$ 239,019	\$4,780	\$ 71,247	77%	2 15	\$ 310,266	\$15,513
2016	\$ 243,799		\$ 81,980	75%	2016	\$ 325,779	

- By the year 2016, a home with a market value of \$325,779 is only assessed at \$243,799. A new home constructed in 2016 would be assessed at the current market value of \$325,779.
- What constitutes an improvement? (Paint job, new addition, new siding, etc.?)
- What goes up 2%? Land, building, outbuildings?
- If an improvement made, would total assessed value be brought to current market?
- Remodeling or new home construction could be discouraged.
- If the market increases 20% in 4 years and goes down 2% in the 5th year, does the value stay the same that 5th year? Can it still increase 2% in the 5th year?
- The assessed value is no longer at market value. Will 29.45.110(a) be restructured?
- Would HB 23 promote full disclosure?
- Currently, it takes KPB Assessing 5 years to complete the valuation and inspection cycle. What cycle becomes the base year for HB 23?
- The Full Value Determination, which is used in the school funding formula is supposed to equalize values by reflecting the total market value. Under a 2% cap, there is no reflection of market value. If tax rates are limited to 2% and market value increases 5%, will the State make up the difference or will municipality be required to make contribution from other sources?
- This may force municipalities to look at other revenue sources – sales tax, user fees, etc..
- What does a 2% increase in value do to a municipality's ability to bond? Bond ratings are partly based upon a municipality's ability to pay the debt based on the full faith and credit of the municipality. If you have a dip in the market, like we did in the late 1980's, the municipality can never catch up to its actual market value, which will be sorely lacking in equitability too.
- How does a municipality correct obvious errors in its assessments if the assessments are tied to only a 2% increase? For example, if it is found that a property should have been assessed at \$200,000 but was only assessed at, say, \$125,000, the equity issue is simply magnified.

Sonja Hymer

From: Renee Limoge [Renee_Limoge@legis.state.ak.us]
Sent: Tuesday, February 13, 2007 2:22 PM
To: lhscrml+cra@legis.state.ak.us
Subject: FW: Horan HCRA 2-13 testimony
Attachments: HB 23 Impact Spreadsheet and Bullets - 2% cap.doc

For the Committee's request this morning you will find a copy of Shane Horan's testimony on HB 23.

Thanks,

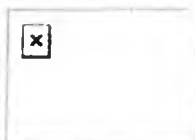
Renee

From: MaryBea Byrne
Sent: Tuesday, February 13, 2007 2:13 PM
To: Renee Limoge
Cc: Horan, Shane
Subject: Horan HCRA 2-13 testimony

Hello Renee,

Per the request of Chair LeDoux at this morning's HCRA meeting I am forwarding a copy of Mr. Shane Horan's (KPB Assessor) testimony (HB 23) to you for distribution to all committee members.

DONE



Thank you, in advance, for your help with this.

Sincerely,
Mary Bea
Kenai LIO
283-2030

Sonya Hymer

From: Rep. Anna Fairclough
Sent: Tuesday, February 13, 2007 9:42 AM
To: Rep. Bill Stoltze
Cc: Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon
Subject: HB23 & HB24

Representative Stoltze,

Thank you for presenting HB23 & HB24 to the Community and Regional Affairs Committee. We appreciate your willingness to answer questions and your consideration in our committee suggestions. As stated in our committee meeting this morning I will formulate questions regarding your proposals, submit them to committee members, allow one day for committee feed back to me and then forward discussion points to you later this week.

Again, thank you for representing all of our constituents and bring forward this discussion to our committee.

Representative Anna Fairclough

State Capitol: 907.465.3777
Eagle River: 907.694.8944
Representative_Anna_Fairclough@legis.state.ak.us

Sonya Hymer

From: Rep. Gabrielle LeDoux
Sent: Tuesday, February 13, 2007 11:21 AM
To: sonya_hymer@legis.state.ak.us
Subject: FW: HB23 & HB24

fyi and print for her

Suzanne Hancock, Chief of Staff
Representative Gabrielle LeDoux
State Capitol
District 36
Juneau, AK 99801-1121
phone: (907) 465-2487 (office)
(907) 465-4230 (direct)
fax: (907) 465-4956

From: Rep. Anna Fairclough
Sent: Tuesday, February 13, 2007 11:05 AM
To: Rep. Anna Fairclough
Cc: Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon
Subject: RE: HB23 & HB24

Good Morning Community and Regional Affairs Committee Members,

Below is a list of questions for your review. I will forward these questions to Representative Stoltze after 24 hours have elapsed. Please provide any additional clarification or additions to the informational request as soon as possible. I will compile all of the questions and forward them to Representative Stoltze for continued dialogue. If this process is not helpful please let me know.

HB23

1. How would you further define residential and commercial property?
Discussion: The current bill currently would cap property tax growth on North Slope (pipeline) properties as well as commercial and farm land.
2. How would the sponsor propose to address the impact of "true value" from the state assessor's perspective and the repressed value from the cap?
Discussion: The foundation formula is adversely affected by property tax exemptions/reductions that are not equally reduced under the state assessor statutes.
3. Does the sponsor agree with a trigger mechanism to bring the property at some point in time to "true value"?
Discussion: Prop. 13 in CA gives the government a "trigger" for market value when a home is sold. I am unsure on major renovations or damage to the property.
4. Is your proposed bill limited to new construction?
Discussion: One person who testified intimated that this bill is limited to new construction.
5. Does the sponsor have any comments in regard to similar homes being taxed at different rates?
Discussion: Same house, same street, different tax bills.
6. In a fluctuating market (up/down) does the sponsor support continued recoup of the cap amount if "true value" is not achieved?
Discussion: If we have capped a property and we see a down turn in the market and the property has increased as an example 12% over the past 3 years but the cap had head the increase to 6% (3 years times 2% cap as proposed) in a down turned market could a municipality still collect the 2% cap in an attempt to achieve "true value"?

7. What is the base year for calculating "true value"?

8. What would the sponsor suggest as a way to address an inaccurate assessment from the beginning of this law being implemented?

Discussion: Assessors typically visit a property once every 5-7 years. "True Value" may not be actually reviewed, appealed and settled for many years after this bill was passed into law.

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Discussion: Bond ratings are affected by a municipality's ability to repay loans and the stability/growth of its taxing ability.

10. Is it the sponsor's intention to cap all that is being assessed on a property?

Discussion: Buildings/Land/Improvements

HB24

1. What comments would the sponsor provide the committee in regard to the assertion that this bill limits local control of local issues?

Discussion: This was asked by Larry Semmens.

2. If those who appeal are receiving all of there filing fee back, does the sponsor desire to continue forward with this bill?

Discussion: Three local communities are charging filing fees; it appears that a majority of the fees are being returned if the appeal has the homeowner present at the appeal.

Representative Anna Fairclough

State Capitol: 907.465.3777

Eagle River: 907.694.8944

Representative_Anna_Fairclough@legis.state.ak.us

From: Rep. Anna Fairclough

Sent: Tuesday, February 13, 2007 9:42 AM

To: Rep. Bill Stoltze

Cc: Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon

Subject: HB23 & HB24

Representative Stoltze,

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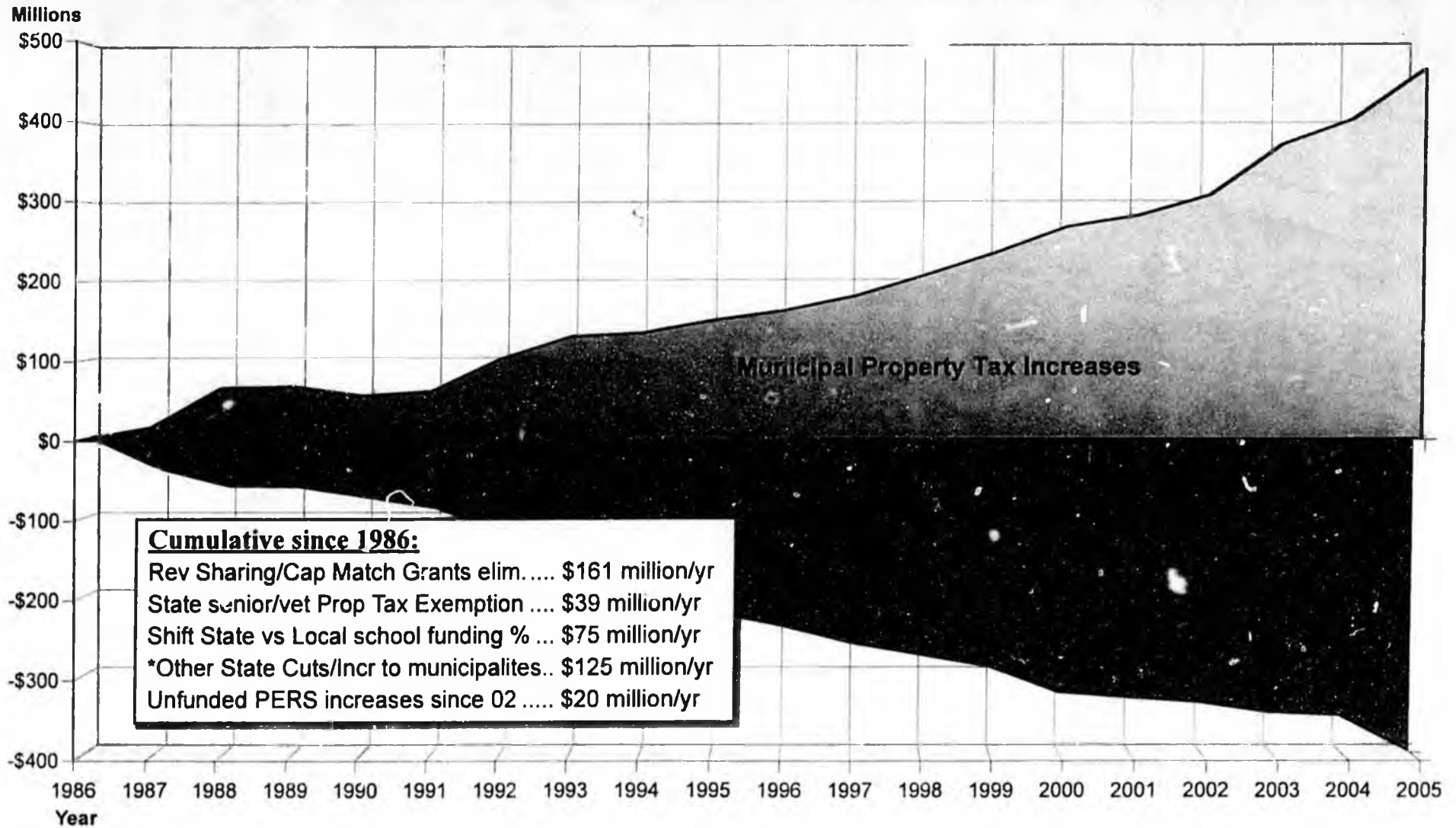
Representative Anna Fairclough

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Eagle River: 907.694.8944

Representative_Anna_Fairclough@legis.state.ak.us

Why Property Taxes Have Gone Up for Businesses and Homeowners State Cuts/Cost Increases to Municipalities vs Local Property Tax



Source: property tax increase: "Alaska Taxable." State DCED 1986 - 2003

* "Other State cuts/etc" include: assistance for libraries, fire services, road maintenance, school bond debt 90% to 70/60%; public safety officers, community jails, alcohol/mental health treatment, community schools, new state fees, etc.

"Revenue sharing" includes state revenue sharing, safe communities, & municipal capital matching grants



Alaska Municipal League
217 Second Street, Suite 200
Juneau, Alaska 99801
(907) 586-1325
www.akml.org

HB

24

ALASKA STATE LEGISLATURE

Vice Chair:
House Finance Committee

Chair:
House Finance Subcommittees for,
Department of Public Safety
Department of Law



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-4958
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PO Box 464
Chugach, AK 99567

BILL STOLTZE **State Representative**

Representative_Bill_Stoltze@legis.state.ak.us

House Bill 24

Property Assessment Appeal Fee

"An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization."

Often time homeowners feel the value of their home has been wrongly assessed. In order to challenge that assessment an appeal must be filed with their municipality's board of equalization. Currently, municipalities charge a variety of fees associated with an assessment appeal. HB 24 will remove the fee a municipality can charge for a homeowner to appeal the assessment on their home.

This legislation is an attempt to allow homeowners due process in having their home assessed by their local government.

DISTRICT 16

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Anchorage Daily News

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Assessments spark record 700 appeals**PROPERTY VALUES: As they go up, so do the number of folks protesting numbers.**By S.J. KOMARNITSKY
Anchorage Daily News*(Published: April 19, 2006)*

PALMER -- Property values aren't the only thing skyrocketing in the Matanuska-Susitna Borough these days.

Property owners by the March deadline this year filed a record 704 appeals of their property assessments, on which tax bills are based. That's more than double the number two years ago, and 200 more than last year.

Borough assessor Allen Black attributes the surge in appeals in part to sticker shock brought on by the booming real estate market in the Valley. Some property values more than doubled in the past two years, although most have not risen that much.

The average sale price for a Valley home jumped from \$169,000 in 2003 to \$205,000 last year, according to borough records.

The 704 appeals represent a fraction -- about 1 percent -- of more than 65,000 taxed properties in the borough. But that doesn't make those contesting their assessments any less passionate.

This year's list includes a wide range of property and property owners, including an Anchorage company seeking a \$4 million break on property assessed at more than \$5 million to a Willow man wanting just few thousand dollars off a lot valued at \$21,500.

Allan Kelley of Wasilla said his \$15,000 Meadow Lakes lot should be reduced to \$10,000. He has no water or septic and is living in a bus, he wrote.

Some appellants are fairly sophisticated. Talkeetna Realtor Nikolaus Steigler attached a long list of comparable land sales in arguing for breaks on two properties.

Others submitted homey, handwritten notes that asked for reductions based more on sympathy than empirical evidence.

"This is all very unfair," wrote Barbara Shake, an Anchorage retiree referring to a three-quarters of an acre lot her family owns on Big Lake. She and her husband bought the property more than 30 years ago, but the value has almost tripled in the past two years from \$55,000 to more than



Matanuska-Susitna Borough senior appraiser Jennifer Carper talks with Wasilla resident Brendan McCann during a visit to McCann's home Thursday. McCann is contesting his 2005 assessment. *(Photo by STEPHEN NOWERS / Anchorage Daily News)*



Wasilla resident Brendan McCann contested the borough's 2005 assessment of \$192,000 on his Wasilla-area home. Senior appraiser Jennifer Carper met with McCann on Thursday and, after inspecting the property and doing some research, reduced the assessment to \$187,900. *(Photo by STEPHEN NOWERS / Anchorage Daily News)*

\$134,000. The land includes 100 feet of lakefront, but there's no road access or fire service, she said.

"We just object to it going up so much," she said.

Many cite problems with swampy land or steep terrain that makes their property unsuitable for building. Eugena Reutov said her Wasilla area property isn't fit to grow potatoes.

Technically, taxpayers can appeal their assessments on four grounds: they feel the value is excessive, improper, undervalued or unequal to comparable properties. But not everybody sticks to the form.

Larre Noyes of Wasilla in his appeal quoted Scripture in a rambling diatribe that questioned the borough's right to place a value on his 7.5-acres near Wasilla.

"THERE IS ONLY 'ONE' LAWGIVER AND JUDGE...." Noyes wrote. "HIS LAND IS NOT YOURS TO ASSESS OR TRY TO POSSESS FROM OTHERS OR INFLICT THEM WITH TAXES FOR YOUR GAIN."

All the appeals get the same treatment. They are numbered and placed in a cardboard box. They are then split among a dozen borough appraisers, Black said.

Some are easy to deal with, such as the homeowner with an unfinished basement listed instead as finished, or land too swampy to build on, Black said.

In other cases, the two sides sometimes just have to agree to disagree, he said. At that point, the case is forwarded to the borough Board of Equalization, a seven-member volunteer body appointed by the Assembly.

Typically about a quarter of the cases make it to the board, Black said. Of those, about 10 percent typically win their cases, he said.

Most are settled beforehand, he said.

The borough has resolved about 100 appeals either because homeowners dropped the case or came to an agreement on a lower value, Black said.

Brendan McCann managed to win a lower assessment. A single father of two, McCann, 43, said he loves the two-story wood home he owns off Wasilla-Fishhook Road. It's a refuge after years of apartment living in Chugiak. But he doesn't think the house is worth \$192,000, especially in light of the auto salvage yard he can see from his back deck, the noise from the nearby road and other problems, including poorly stained siding and cheap appliances.

He also doesn't want to pay what will be about \$400 more a year in taxes compared with last year, he said.

Last week, he made his case in person to senior appraiser Jennifer Carper.

McCann told her he's not opposed to taxes but hasn't gotten a raise in the past three years and isn't looking to sell his home. He noted the home last year was valued at just less than \$160,000.

Carper said she sympathized but had to base the home value on what others were willing to pay for similar properties.

"It's called an opinion of value and boy, howdy, do we have difference of opinions of value," she told him.

Carper left without making any promises but later called McCann and offered to reduce the value to \$187,900 based on what she said was the recent sale of a slightly nicer nearby home for \$205,000.

McCann said Monday he decided to take the offer.

"I still think they're charging too much taxes," he said.

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Assembly votes to raise property tax rate for h

BILLS COMING: Decision made not to wait for state to give financial relief.

By KYLE HOPKINS
Anchorage Daily News

The Anchorage Assembly voted to raise residential property tax rates about 8 percent Tuesday night, rather than delaying the decision to see whether the state gives the city millions in property tax relief.

The Legislature and governor haven't decided yet whether to share

state revenue with Anchorage — money the mayor has promised to use to lower property taxes.

Homeowners will still benefit if the state decides to give the city the cash. The property tax savings would likely show up on next year's tax bills, rather than this year's.

The city plans to mail tax bills May 15, and waiting to see what the Legislature does would have cost Anchorage more than \$21,000 a day, said chief fiscal officer Jeff Stewart. That's partly because every day the city waits to receive property tax payments, it lo-

ses interest accumulated by those payments.

Assemblyman Dan Coffey wanted to wait and set the tax rate later, saying the \$30 million or more the city may get from the state could be used for tax relief this year if lawmakers act soon.

But Mayor Mark Begich told the Assembly that while the legislative session is almost over, Gov. Frank Murkowski doesn't necessarily have to sign off on any revenue sharing right away. "His likelihood of supporting this right now is a mixed bag," Begich said. The Assembly made minor changes Tuesday to the total amount of taxes — roughly \$180,000 — to the tax cap, according to city figures, but about \$15 million more than taxpayers paid last year. The extra \$180,000 goes to service areas, where rates to pay for things like road maintenance and to save for

Property tax rate for homes by 5 percent

as interest accumulated by those payments.

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"His likelihood of supporting this right now is a mixed bag," Begich said. The Assembly made minor changes

Tuesday to the tax rates proposed by the mayor's office, raising the total amount of taxes to be collected by roughly \$180,000 — to about \$302.3 million.

That's more than \$6 million under the tax cap, according to city figures, but about \$15 million more than taxpayers paid last year.

The extra \$180,000 will be paid for by people who live in several Hillside road service areas, where local volunteer boards asked for slightly higher tax rates to pay for things like road maintenance and to save for major repairs.

The combined tax rate — or mill rate — that Anchorage will use to pay for the city and school budgets is nearly 15 mill's, compared with almost 16 last year. The reason property taxes go up even as the tax rate goes down is because the assessed value of homes rises so fast.

The assessed value of Anchorage residential property went up about 12.5 percent last year, according to the city.

The city will collect about \$184.3 million in property taxes to pay for schools, an increase of \$14.3 million over last year.

Anchorage Daily News (AK)
January 14, 2006
Section: Alaska
Edition: Final
Page: B1

Local property values keep on rising

10 PERCENT JUMP: City begins mailing its 2006 appraisal notices.

PETER PORCO
Anchorage Daily News

Staff

The **value** of all private and business **property** in the city jumped 10 percent in the past year, according to the city's **Property Appraisal Division**, which began mailing its 2006 appraisal notices Friday. The notices function as a heads-up to home and **property** owners, because **property** taxes are based partly on appraised **value**. Taxes generally follow **values** up. Officials, however, say there's no direct link between the change in **value** and the tax rate, which will be set this spring by the Anchorage Assembly.

The increase in assessed **value** varies greatly from **property** to **property** across the city. Some **properties** have fallen in appraised **value**, but the great mass of the city's 93,800 residential and commercial parcels have gained **value**, said municipal assessor Marty McGee.

The total taxable valuation of real **property** in the city has risen this year to \$23.9 billion, from \$21.7 billion the year before.

Some **properties** have appreciated by 20 percent or more -- including one owned by an assemblyman -- but most increases are in the mid-range of 10 percent to 11 percent, McGee said.

Assemblyman Kenneth Stout, who was one of five Assembly members to hear McGee and other officials discuss the latest evaluations at a work session Friday, learned that his own home in East Anchorage has risen in appraised **value** by 18 percent, to nearly \$360,000.

"I'm not real happy with it, of course," Stout said. "It went up considerably last year, so I thought it would level off."

Stout accepted McGee's explanation that higher-quality homes generally saw the largest increases in **value**.

"I can't complain too loudly," he said. "We have a little complex there that has just a few houses in it, and the houses are all fairly good size and well kept."

The division sets a dollar figure for a **property** -- what it considers the fair market **value** -- based on actual sales of similar **properties**, according to McGee.

Appraisers track the sale price of roughly one-third of the city's **properties** over a given period, he said. Based on price and characteristics of the **property** sold, they construct a model to predict the **values** of similar **properties**.

"We know what goes on in the marketplace," McGee said. The city believes its appraisals are at 98 percent of the actual market **value**, he added.

Location plays a role in **property values** but not always in the way you think. Some of the most valuable

responding to the market as a whole. The South Addition, for example -- the neighborhood south of the Park Strip -- is booming because lots of people want to live near downtown, McGee said.

"There's a lot going on there, a lot of high-value sales, and we reflect that in our valuation," he said.

"The predominant thing going on now," he said, "is people doing remodeling and additions. People are upgrading all over the city. We're more affluent, interest rates are low, they can refinance and add value to their houses."

People who live in older, smaller homes that are not changing complain that their properties should not be rising on a par with the other homes, according to McGee.

His answer to them is that there's a strong market for homes just like theirs because buyers want to take those smaller homes and remodel them.

Anchorage has relatively few homogeneous neighborhoods, which are likely to be subdivisions built in recent years. Its more typical neighborhood profile is a hodge-podge of housing -- the older homes side by side with larger, newer houses and maybe fixer-uppers on the other side of the street.

"Anchorage has not developed systematically," McGee said. That's why comparing type of property rather than relying on location "does a good job in predicting individual property values" based on the property description.

The much-discussed housing bubble that appears to be leveling off Outside is not much in play in Anchorage, according to McGee. The speculation that leads to "hyper value" elsewhere does not hold true here, he said. Anchorage is still riding a general economic rise and few better investments exist here than a house.

"What we're seeing now and expect to see in the next year is a slowdown in the number of sales but not in price."

Stout thought otherwise.

"My personal assessment is that this market will (soon) flatten out," Stout said.

Property owners have 30 days from the date of the notice to appeal their evaluation. Both the evaluation and appeal forms are available on the city's Web site (www.muni.org).

The city does change appraisals when it learns something about a **property** it did not know before, McGee said.

Meanwhile, the city is again offering exemptions for up to \$20,000 of assessed **value** to qualifying taxpayers -- chiefly, to those who live in their own homes.

Those who applied last year do not have to reapply, the city said.

New homeowners will find information and tax exemption forms on the Web site.

Daily News reporter Peter Porco can be reached at pporco@adn.com or 267-4663.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB24-COM-DCA-02-12-07
 Bill Version: HB 24
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Property Assessment Appeal Fee RDU Community Assist & Ec Dev (405)
 Component Community Advocacy
 Sponsor Stoltze, Neuman, Lynn
 Requester House Community & Regional Affairs Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation restricts a municipality's ability to charge any fee for filing an appeal from the assessor's determination of market value for residential property. This legislation does not impact the operations of the division.

When Anchorage implemented the appeal filing fee in 2004 the number of appeals fell from 1,300 to about 302. In 2005 and 2006 the numbers fell to 210 and 214, respectively. The appeal filing fee reduced a number of appeals due to a cost to the property owner. The Municipality of Anchorage and the Kenai Peninsula Borough refund fees if the appeal is followed through and in some cases, if a reduction is made. In Anchorage, more than 70% of the fees are returned. In Kenai, about 80% of the fees are returned. It costs municipalities several hundred dollars to complete each appeal.

Prepared by: Mike Black, Director Phone 907.269.4535
 Division: Community Advocacy Date/Time 2/12/07 5:52 PM
 Approved by: Emil Notti, Commissioner Date 2/12/2007
 Agency: Commerce, Community, and Economic Development

Sonya Hymer

From: Rep. Anna Fairclough
Sent: Tuesday, February 13, 2007 9:42 AM
To: Rep. Bill Stoltze
Cc: Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon
Subject: HB23 & HB24

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Eagle River: 907.694.8944
Representative_Anna_Fairclough@legis.state.ak.us

Sonya Hymer

From: Rep. Gabrielle LeDoux
Sent: Tuesday, February 13, 2007 11:21 AM
To: sonya_hymer@legis.state.ak.us
Subject: FW: HB23 & HB24

fyi and print for her

Suzanne Hancock, Chief of Staff
Representative Gabrielle LeDoux
State Capitol
District 36
Juneau, AK 99801-1121
phone: (907) 465-2487 (office)
(907) 465-4230 (direct)
fax: (907) 465-4953

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Cc: Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon
Subject: RE: HB23 & HB24

Good Morning Community and Regional Affairs Committee Members,

Below is a list of questions for your review. I will forward these questions to Representative Stoltze after 24 hours have elapsed. Please provide any additional clarification or additions to the informational request as soon as possible. I will compile all of the questions and forward them to Representative Stoltze for continued dialogue. If this process is not helpful please let me know.

HB23

1. How would you further define residential and commercial property?

Discussion: The current bill currently would cap property tax growth on North Slope (pipeline) properties as well as commercial and farm land.

2. How would the sponsor propose to address the impact of "true value" from the state assessor's perspective and the repressed value from the cap?

Discussion: The foundation formula is adversely affected by property tax exemptions/reductions that are not equally reduced under the state assessor statutes.

3. Does the sponsor agree with a trigger mechanism to bring the property at some point in time to "true value"?

Discussion: Prop. 13 in CA gives the government a "trigger" for market value when a home is sold. I am unsure on major renovations or damage to the property.

4. Is your proposed bill limited to new construction?

Discussion: One person who testified intimated that this bill is limited to new construction.

5. Does the sponsor have any comments in regard to similar homes being taxed at different rates?

Discussion: Same house, same street, different tax bills.

6. In a fluctuating market (up/down) does the sponsor support continued recoup of the cap amount if "true value" is not achieved?

Discussion: If we have capped a property and we see a down turn in the market and the property has increased as an example 12% over the past 3 years but the cap had held the increase to 6% (3 years times 2% cap as proposed) in a down turned market could a municipality still collect the 2% cap in an attempt to achieve "true value"?

7. What is the base year for calculating "true value"?

8. What would the sponsor suggest as a way to address an inaccurate assessment from the beginning of this law being implemented?

Discussion: Assessors typically visit a property once every 5-7 years. "True Value" may not be actually reviewed, appealed and settled for many years after this bill was passed into law.

9. How would the sponsor respond to the assertion that bond rating may be affected by a cap in assessment growth?

Discussion: Bond ratings are affected by a municipality's ability to repay loans and the stability/growth of its taxing authority.

10. Is it the sponsor's intention to cap all that is being assessed on a property?

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1. What comments would the sponsor provide the committee in regard to the assertion that this bill limits local control of local issues?

Discussion: This was asked by Larry Semmens.

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HB

56

Alaska State Legislature
House of Representatives

Alaska State Capitol
Juneau, Alaska 99801-1182
1-907-465-3438 (phone)
1-888-478-3438 (toll free)
1-907-465-4565 (fax)



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(fax) 1-907-269-0105

Representative Harry Crawford
District 21

SPONSOR STATEMENT FOR HB 56

House Bill 56 establishes a hydrogen energy partnership within the Department of Community and Economic Development. The partnership is tasked with facilitating the development of a hydrogen fuel industry in Alaska.

Hawaii has already established a similar commission in preparation for potentially using their geothermal energy resource for producing hydrogen for dispersal throughout the Pacific Rim. If Alaska is going to remain competitive in the field of energy in the United States and throughout the world, we must prepare for the possibility that hydrogen will become a viable fuel.

House Bill 56 addresses this eventuality and establishes the structure necessary for the State of Alaska to accept funding for a hydrogen project in the state.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 17, 2007

SUBJECT: Section Summary of HB 56 (Work Order No. 25-LS0291)

TO: Representative Harry Crawford

FROM: Brian J. Kane *BJK*
Legislative Counsel

You have requested a sectional summary of HB 56, a bill establishing the Hydrogen Energy Partnership in the Department of Commerce, Community, and Economic Development; requiring the commissioner of Commerce, Community, and Economic Development to seek public and private funding for the partnership.

Please note that a sectional summary of a bill is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill lists the legislative findings regarding hydrogen research.

Section 2 of the bill establishes the Hydrogen Energy Partnership in the Department of Commerce, Community, and Economic Development (DCCED) and lists the entities that will be represented in the partnership. Subsection (c) states that the members will serve without compensation but will receive travel expenses and a per diem. Subsection (d) states the means by which the partnership will facilitate the development of a hydrogen fuel industry in Alaska.

Section 3 of the bill amends AS 44.33.020(a) by adding a paragraph relating to the department's obligation to provide staff support for the Hydrogen Energy Partnership and to the assistance to be provided by the University of Alaska.

Section 4 of the bill states that the commissioner of DCCED shall seek funding from federal and private sources for the costs of establishing and operating the partnership.

Section 5 of the bill states that sections 2 and 3 of the bill only take effect if sufficient funding is obtained.

Sections 6 and 7 of this bill state that if sections 2 and 3 have not taken effect by June 30, 2012, then sections 1 - 5 and 8 of the bill are repealed.

Representative Harry Crawford

January 17, 2007

Page 2

Section 8 of this bill states that sections 2 and 3 of the bill will take effect 30 days after the commissioner of DCCED informs the revisor of statutes that funding has been obtained.

Section 9 of this bill provides an immediate effective date for the provisions in the bill directing the commissioner to seek funding to make the partnership operative.

BJK:ljw

07-015.ljw



Quick Links: [HHRRP](#) | [Hawaii H2 Partnerships](#) | [Hawaii Fuel Cell Test Facility](#) | [HEET](#)

[HNEI](#) > [R&D](#) > [Hydrogen](#) > [Hydrogen Partnerships](#)

Hawaii Hydrogen Partnerships

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[HNEI Employee Site](#)



In 2000 the Hawaii Legislature passed a joint House-Senate resolution tasking the Department of Business, Economic Development & Tourism (DBEDT) to conduct a feasibility study to assess the potential for large-scale use of hydrogen, fuel cells, and renewable energy in Hawaii. HNEI, in collaboration with Sentech Inc., presented preliminary results to the Legislature in January 2001. The final report, "[Nurturing a Clean Energy Future in Hawaii: Assessing the Feasibility of the Large-Scale Utilization of Hydrogen and Fuel Cells in Hawaii](#)," was completed in June 2001. In addition to identifying areas where hydrogen and fuel cells have the potential to contribute to Hawaii's energy mix, the study recommended the development of public-private partnerships to develop the necessary hydrogen infrastructure. The means to move forward with these partnerships was benefited by the passage of Act 283 by the 2001 Legislature, providing initial funding for the development of hydrogen partnerships in Hawaii.

HNEI, in collaboration with our state energy office (DBEDT) and other government and industrial partners, has made significant progress in identifying projects and partnerships to move forward with the development of hydrogen infrastructure in Hawaii. Partnerships will involve relationships with UTC Fuel Cells, Stuart Energy Systems, Hawaiian Electric Company, Hawaii Electric Light Company, Sentech, Inc., The Gas Company, Sunline Services Group, the California Energy Commission, and National Renewable Energy Laboratory. Initial successes include the selection of the Hydrogen Power Park proposal by the U.S. DOE for funding under the State Energy Partnership program. Another partnering project under development is the Photovoltaic Energy Park. In August 2002, a Hydrogen Partnering Meeting, attended by DOD, DOE, industry, and local utilities, was held on the Big Island to provide additional focus and coordination. The partners are actively seeking several multimillion-dollar systems application projects in the areas of hydrogen, fuel cells, and renewable energy. These projects are designed to take advantage of Hawaii's unique energy situation, including a vast array of potential renewable energy resources and high costs for conventional energy. Generous State of Hawaii research and development tax incentives contribute to the positive climate for developing new energy technologies and products.

Hydrogen Power Park

The Hydrogen Power Park is an effort to bring hydrogen systems into the marketplace by establishing a hydrogen infrastructure and concurrently advancing the goals of the U.S. Department of Energy's (DOE's) hydrogen program. Project plans call for deployment and demonstration of an integrated system comprising electrolysis for hydrogen production, hydrogen storage, and a 50 to 75kW grid-connected fuel cell. Phase 1A has already been funded for \$150,000 and will involve design of the hydrogen production and storage infrastructure. Phase 1B will focus on installation of the hydrogen production and storage systems, and the second phase will combine a fuel cell with these systems.

The project is slated to be located on one of the Hawaiian Islands, where :

renewable energy source would be used for hydrogen production. The entire system will be portable, so it can be tested in various sites on the original island or transported to other islands. Later phases will consist of experiments for system optimization, market development activities, and expansion of the state's hydrogen outreach and education efforts.

Participants include local and national industry and government partners, including the California Energy Commission, Stuart Energy Systems, Sentech, Inc., SunLine Services Group, UTC Fuel Cells, The Gas Company, Hawaiian Electric Company, and Hawaiian Electric Light Company. Funded by DOE under the State Energy Partnership Program, the Hawaii Department of Business, Economic Development & Tourism serves as the lead agency with HNEI serving as the implementing partner and providing technical coordination and support.

Contact: Richard E. Rocheleau, HNEI Director

Photovoltaic Energy Park

HNEI is joining the Hawaiian Electric Company, the Office of Naval Research, and Navy Hawaii to develop a photovoltaic (PV) energy park. Initial plans call for development of a 200-kilowatt solar-powered generation system. The Navy selected a 34.5-acre plot in the Ewa plains as the potential site, one large enough to accommodate a 2-3 megawatt, utility-scale PV facility. Future efforts will seek to develop related hydrogen and fuel cell projects.

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This page last updated on Friday, December 20, 2002
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Key text

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Which way ahead for hydrogen cars?

Rising petrol prices and diminishing oil supplies may drive motorists to demand alternative forms of fuel – such as hydrogen.

BACK TO



You will get more from this topic if you have mastered the basics of energy – this link will take you to an annotated list of sites with helpful background information.

BASICS



Printer-friendly version of complete topic

Competitors in the men's and women's marathons at the 2000 Sydney Olympics had an exciting glimpse of the future. The pace vehicle that led them round the 42-kilometre circuit looked like a typical family wagon, but looks were deceptive. Under the bonnet was a stack of fuel cells, not an internal combustion engine. And as the car glided silently forward it emitted no smelly fumes or greenhouse gases – just a little water vapour.

The car was powered by hydrogen, the simplest and most abundant of all chemical elements. The fuel cells under the bonnet converted the hydrogen directly into electricity.

Many experts think hydrogen will replace petrol, diesel and natural gas as the main fuel for cars, buses and trucks over the next few decades. Already car manufacturers around the world have invested billions of dollars in research and development.

The advantages of hydrogen are enormous: no more smog-forming exhaust gases, no more carbon dioxide emissions that contribute to global warming, no more worries about diminishing oil supplies and rising prices.

But some tricky questions need to be answered before mass-produced hydrogen cars start appearing on the streets:

- Where will the hydrogen come from?
- How will motorists fill up?
- How will cars store the fuel?

And there's also the question of how best to tap the energy in the fuel for

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good on-road performance.

The choice – combustion or fuel cells?

Two kinds of engines can use hydrogen as a fuel – those that have an internal combustion engine converted to use hydrogen and those that are made up of a stack of fuel cells.

Internal combustion engines

Internal combustion engines have powered cars since they first began to replace horse-drawn carriages more than 100 years ago. These engines can be converted to run on a variety of fuels, including hydrogen. When hydrogen burns, the only by-product is water – not the polluting cocktail given off by burning petrol and other fossil fuels.

BMW successfully demonstrated this technology in a fleet of 15 sedans used to ferry people to and from EXPO 2000, the world fair in Hanover, Germany. The fact that no major changes need to be made to the basic internal combustion engine design is a major attraction.

Fuel cell engines

However, most car makers think that fuel cells powering an electric motor offer a better alternative. Electric cars are hardly a new idea, but the need to recharge heavy stacks of batteries after relatively short journeys has stopped them becoming popular. Now fuel cells have made electric cars practical.

Unlike batteries, which store electricity, fuel cells make electricity as they go. Recent developments in technology have greatly increased the amount of power that a stack of cells – small enough to fit under a car's bonnet – can provide. This has opened up the prospect of non-polluting electric cars with the levels of performance we expect from conventional vehicles.

Fuel cell technology sounds simple. The hydrogen fuel reacts with oxygen from the air to produce water and electricity – the reverse of the familiar electrolysis process that releases oxygen and hydrogen from water. In reality it's much more complicated. Box 1 outlines how fuel cells will power our cars.

The big advantage of a fuel cell engine over an internal combustion engine running on hydrogen is its greater efficiency. The same amount of hydrogen will take a fuel cell car at least twice as far as one with a converted internal combustion engine.

Fill 'er up please

Hydrogen has many advantages as a fuel for vehicles, but a big disadvantage is that it is difficult to store. This is because at normal temperatures hydrogen is a gas. The hydrogen must be packed tightly into a car's tank, otherwise a filling stop will be needed every few kilometres.

The obvious solution is to strongly compress the hydrogen, or liquefy it. However, large amounts of energy are needed for this – an estimated 20–40 per cent of the energy content of the fuel. Also, tanks designed to hold hydrogen at extremely high pressures, or at temperatures approaching absolute zero, are heavy and expensive.

A futuristic filling station kept EXPO 2000's fleet of converted BMWs running. Drivers pulled up at the pump, pressed a button on their dashboard, and watched from inside the car as a laser-guided robotic arm connected the store of liquid hydrogen to their tank. Filling took about 3 minutes. It was wise to keep well out of the way – at minus 253°C, liquid hydrogen is unimaginably cold.

The special insulated tanks in the BMWs held 140 litres of hydrogen, enough to drive at least 300 kilometres. (That's a reasonable range, although a 95 litre tank of petrol would take the same cars twice as far.) The hydrogen-powered marathon car at the Sydney Olympics also ran on liquid hydrogen. Its much smaller tank (75 litres) gave it a range of about 400 kilometres, a sign of the greater efficiency of fuel cell cars.

High cost and the large amount of energy needed to liquefy the fuel are likely to be the main problems with refuelling with liquid hydrogen. Filling up with compressed hydrogen gas will probably prove more practical, even though it may reduce the distance between fills. Cars could store the hydrogen in high pressure tanks similar to those used for compressed natural gas. Or, if current research proves successful, some high-tech alternatives could be employed.

Scientists have found that various metals can absorb up to a thousand times their own volume of hydrogen gas. Specially treated carbon may also hold large amounts. These discoveries could shape the fuel tanks of the future (Box 2).

But where will the hydrogen come from?

There's no risk that we'll ever run out of hydrogen, it's by far the most plentiful element in the universe. On Earth, however, it exists naturally only

Hydrogen cars - Key text Page 4 of 5

in chemical compounds, not as hydrogen gas. Water and the main components of coal, oil and natural gas are prime examples of these compounds.

Natural gas currently provides most of the hydrogen used in industry. The relatively simple technology employed – **steam reforming** – could also produce hydrogen gas for cars at central plants or filling stations. Alternatively fuel tanks could be filled with petrol or methanol, with the cars using on-board 'reformers' to generate hydrogen for their fuel cells. This shows promise as a transitional measure while research proceeds on the problems of storing hydrogen.

In steam reforming the hydrocarbon fuel reacts with water at high temperatures to produce hydrogen gas. A major drawback is that carbon dioxide and smog-causing gases such as nitrogen oxides are given off too, although emissions per kilometre of car travel would be less than from petrol-burning vehicles.

An alternative approach now under development, **autoreforming**, should increase the attractiveness of on-board hydrogen production. Use of a catalyst will allow the reforming to occur at much lower temperatures – too low for the production of nitrogen oxides.

Water is the only potentially pollution-free source of hydrogen. Researchers are looking at new ways of producing hydrogen – using algae, bacteria or photovoltaic cells to absorb sunlight and split water into hydrogen and oxygen. But the technology most likely to be adopted on a large scale is electrolysis, which uses an electric current to split water into oxygen and hydrogen.

Is it safe?

'Remember the Hindenburg' – that's a phrase often heard when hydrogen is discussed. This German passenger airship, kept aloft by hydrogen, crashed in flames as it came in to land at Lakehurst, New Jersey, USA in May 1937. Thirty-five people died. Nowadays helium, which can't burn, is the gas of choice for lighter-than-air craft.

Hydrogen is highly flammable, but recent research has indicated that the airship's fabric, not hydrogen, was the culprit in the Hindenburg disaster. Properly handled, there's no reason to think hydrogen is any more dangerous as a fuel than petrol, the explosive liquid now carried safely in the tanks of untold millions of motor vehicles.

Looking forward

Recent technological advances, particularly in fuel cell design, have made hydrogen-powered cars a practical proposition, and car makers expect to start mass-producing them within the next decade or so. Their power and acceleration should match those of today's petrol-powered vehicles, but they may have to be refuelled more often.

The best ways to produce, distribute and store the hydrogen still have to be sorted out. In the short term fossil fuels may remain in demand as a hydrogen source. However, the idea that in the not too distant future most of us will be driving non-polluting cars fuelled by hydrogen from a clean, renewable source is no longer a flight of fantasy.

Boxes

1. Plenty of power from fuel cells
2. Alternative hydrogen storage systems

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Hydrogen Cars May Hit Showrooms by 2005

Janet Ginsburg
for National Geographic Today
January 29, 2003 (Originally published on October 16, 2001)

Viewers of National Geographic Today in the United States can watch an update on hydrogen-car technology in tonight's broadcast, which follows yesterday's announcement by President Bush that he proposes U.S. \$1.2 billion in funding for this research over the next few years.

In the clean, "green" future envisioned by energy expert Amory Lovins, cars not only get 99 miles per gallon emissions-free, but they may also play a key role in providing electricity to a power-hungry world.

The solution, according to Lovins, is a "hypercar"—a lightweight vehicle powered by a hydrogen fuel cell, with enough style and space to compete with luxury sport utility vehicles (SUVs). Lovins is with the Rocky Mountain Institute, a think tank in Colorado, and chairman of its corporate spin-off venture Hypercar, Inc.,. Some of the giant car companies are also designing hydrogen-powered cars. Hypercar Inc. hopes to have its first model



Future Transportation

The Revolution, a lightweight powered by a hydrogen fuel cell as much as eight times as fast as most standard cars, according to its designers.

Photograph
Clasen/Hypercar, Inc.

National Geographic

This story airs on our U.S. television daily news show *Geographic Today*. For more information on how to get the show, tune in weekdays at 7 p.m. ET/PT, visit the Channel Web page.

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ready to roll off the production line by 2005.

Today, an estimated 210 million vehicles are stuck in traffic on America's roadways. Collectively they spew nearly a billion and a half tons of greenhouse gases into the atmosphere each year. According to a recent EPA report, the latest conventional models average a little more than 20 miles per gallon—the worst showing since 1980.

While some blame America's love affair with the fuel-hungry SUVs, Lovins says the problem comes down to design.

A decade ago, Lovins was asked to address a National Academy of Sciences meeting about how to build cars with greater fuel efficiency. The general thinking was that fuel efficiency could be increased by only 10 percent because otherwise the car would become too expensive, says Lovins.

He was unconvinced of that assertion, however, and set up an informal team to rethink the automobile from the tires up. "I'm not a car guy, which actually was a bit of an advantage because I didn't know too much about how it ought to be done," said Lovins.

The result is a car that is as much as eight times as efficient as most standard models.

Lightweight Parts, Heavy Results

How did the Lovins team do it? They began by "lightweighting" the car.

They started with the body, which is made from a composite of carbon fibers set in a plastic matrix. It's a stronger version of the material used in skis and tennis rackets—and, per pound, five times as strong as steel.

Although carbon composites are a lot more expensive than steel, a smaller quantity is needed. Even more important, Lovins pointed out, "it's cheaper to manufacture."

While the Hypercar weighs less than 2,000 pounds (907

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Hydrogen Safe

For many peopl
hydrogen as a fi

kilograms), it is still tough enough to meet federal safety standards, based on a computer-simulated 30-miles-per-hour fixed barrier crash. In a cyber smash-up with a Ford Explorer—a vehicle twice the weight—all the damage to the Hypercar occurred in the front end.

There are other, less obvious, ways to lightweight. Special low-rolling resistance tires developed with Michelin, not only cut down on friction—which can use up to a third of a car's fuel energy—but are also designed to run flat. If a tire blows, the car can still be driven for another 100 miles, more than enough to get to a gas station. The need to carry a spare is eliminated, further reducing weight.

Soon the savings in weight starts to snowball. A lighter car requires a smaller engine to power it, less braking to stop it, and less suspension to hold it up. And because the Hypercar runs on an electricity-producing fuel cell rather than an internal combustion engine, certain parts, including the starter, alternator, clutch, and transmission, are eliminated.

"The car gets radically simplified. And then it costs less to make," said Lovins.

David Cole, president of the Center for Automotive Research in Ann Arbor, Michigan, said it's important to be cautious about expectations. "The potential on paper looks awfully good," he said. "But getting it into production—things don't necessarily turn out as you might expect."

"If you think of this as a ten-step program, the first step is showing technical feasibility," said Cole. "They still need to do this. Then it's nine more steps to commercial feasibility."

"Brains," Not Bulk

Brains replace bulk in a Hypercar. "Think of it like a computer with wheels, not a car with chips," Lovins explained.

The car can diagnose, upgrade, and, to a certain extent, fix itself. It can also be programmed for a variety of new features, such as recording everything that happened at the time of a

images of the H exploding into fl hydrogen is actu than gasoline ar nothing to do wi disaster. Instea has shown that membrane of th which was made volatile combina aluminum and ii coating, caught spark—possibly lightning or ever electricity. Beca hydrogen is ligh it flowed up and harm's way.

Likewise, recent have shown tha gas tank leak w much less risky gasoline leak. TI dissipates quick disperses upwar gasoline tends t ready fuel for ar

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crash, like an airplane's "black box."

Two years ago, Hypercar, Inc., was spun off from the Rocky Mountain Institute. The nine-person start-up team, based in Basalt, Colorado, intends to "create the DNA of the next generation of vehicles," according to Hypercar's Michael Brylawski.

To do that, they're trying to sell not only the Hypercar itself, but also the ideas that make it run so efficiently—the "intellectual property." By working with automakers and suppliers, the company hopes to get the technologies on the road faster.

While none of its fuel-efficient, smart features are unique to Hypercar, what's special is how they're combined and optimized.

For example, at least half a dozen automakers, including Ford, Daimler-Chrysler, and BMW, are developing fuel cell-powered cars. But because those vehicles are still fairly heavy, they need fuel cells, which are about three times bigger and heavier—and three times more expensive—as that used by the Hypercar.

Cole thinks the Hypercar is "a huge step" in the right direction. "My guess is where they [Hypercar Inc.] would make the most contribution is in a few of the ideas," said Cole. "The real role of the Hypercar is unleashing the imagination—that's one of the real values of it."

Double Duty

Perhaps the biggest hurdle to overcome with fuel cell-powered cars is setting up a distribution network to supply the hydrogen gas that runs them.

A fuel cell works by combining hydrogen with oxygen from the air in a chemical process to generate electricity. The only by-products are heat and pure water. Hydrogen can be extracted from natural gas, using a device called a reformer, or through a process called "electrolysis," which splits water

into hydrogen and oxygen atoms.

While there are only a handful of hydrogen gas stations in the world, Lovins has a plan for making it easy to fill up. "Many people assume that before you can sell the first hydrogen car, you have to put in \$100 billion worth of hydrogen generating and delivery stations and pipelines," said Lovins. "That's not correct."

He says the first Hypercars should be leased to people who work in buildings where fuel cells have already been installed. The Hypercars could tap into the buildings' supply of hydrogen to refuel. But they could also be hooked up to the grid.

As "portable power plants on wheels," the cars' fuel cells could be put to work during the day when they're parked, generating—and selling—electricity.

"It doesn't take many people wanting to be paid to park, rather than the other way around...to put the coal and nuclear people out of business," said Lovins. And of course, using fuel cells would dramatically decrease the need for oil.

Cole disagrees with Lovins' conclusions, arguing that the hydrogen infrastructure would take billions of dollars to establish. But he does support the direction of the project. "I say, 'More power to them.' My only reservation is to be careful about generating unrealistic expectations," he said.

"It does get people to think out of the box," said Cole. "You don't want to clamp down on these people who are dreaming at the edge."

Eventually, the Hypercar could change ideas about what people come to expect from automobiles. Fittingly, the first model to come off the drawing boards is called the Revolution.

Watch continued television coverage of this event on National Geographic Today, only on the National Geographic Channel, at 7 p.m. ET/PT in the United States. [Click here to request it.](#)



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Related Websites

- [Hypercar](#)
- [Rocky Mountain Institute](#)

- National Hydrogen Association

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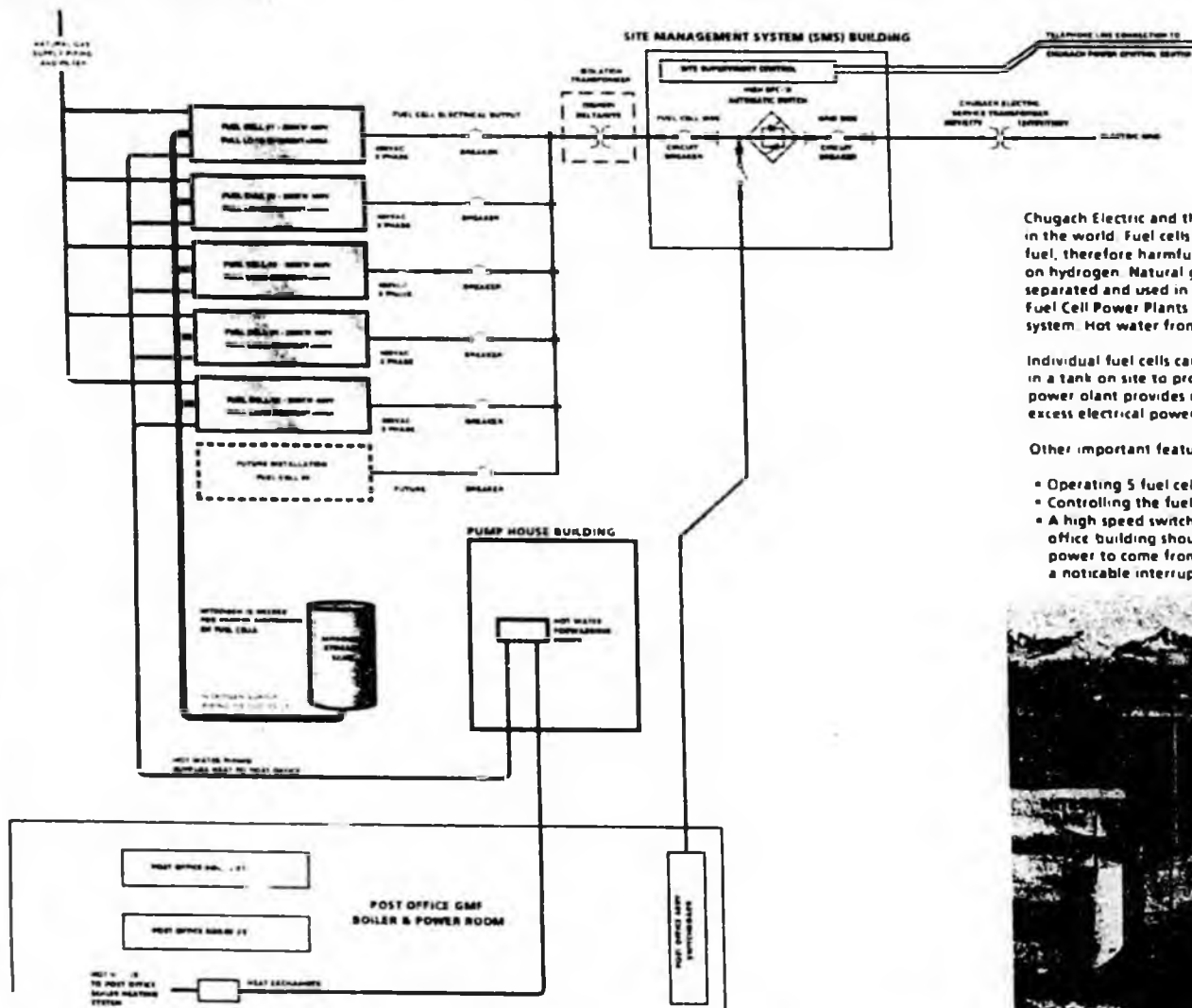
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1 Megawatt Fuel Cell Demonstration Project

Chugach Electric and US Postal Service



1 MW FUEL CELL PROJECT - JUNE 2000

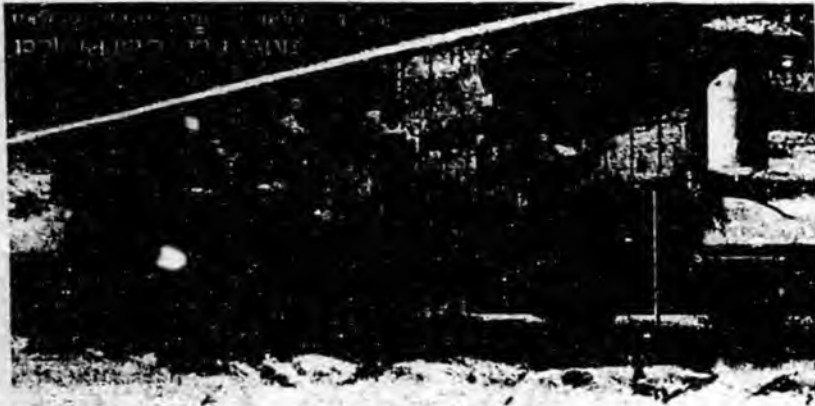
Chugach Electric and the US Postal Service have teamed to install one of the largest fuel cell projects in the world. Fuel cells produce electricity and heat with few moving parts and virtually no burning of fuel, therefore harmful emissions released into the atmosphere are very low. Fuel cells actually operate on hydrogen. Natural gas, a hydrogen rich fuel, is supplied to the fuel cells where the hydrogen is separated and used in the fuel cell process. This fuel cell system includes 5 IFCONSTM Model C Fuel Cell Power Plants connected to the Chugach electric grid and the post office 480V building power system. Hot water from the fuel cells is pumped to the post office building heating system.

Individual fuel cells can be isolated for maintenance one at a time. Nitrogen, an inert gas, is stored in a tank on site to provide proper shutdown of the fuel cells for maintenance. Currently the fuel cell power plant provides more electrical power than the Post Office general mail facility will use, so excess electrical power flows to the Chugach electric grid.

Other important features of this project include:

- Operating 5 fuel cells as a single unit
- Controlling the fuel cell power plant from Chugach's power control center
- A high speed switching system that allows the fuel cell power plant to continue to carry the post office building should grid power be unavailable. The high speed switching system allows electric power to come from the Chugach grid or from the fuel cell power plant seamlessly. That is, without a noticeable interruption in power to the post office building.





Congratulations to the Sponsors of the Project:

- US DOD
- US DOE
- US Army Corps of Engineers, CERL
- US Postal Service
- Chugach Electric Association, Inc.
- Electric Power Research Institute
- NRECA, Cooperative Research Network

Suppliers:

- IFC / ONSI, supplier of fuel cells
- Sub-Contractors to IFC / ONSI:
 - Magnetek, supplier of fuel cell controller
 - GE Zenith Controls, supplier of site control system
 - PDI, supplier of static switch

One of the world's largest fuel cell projects is in operation in the service territory of Chugach Electric Association, Inc. The project is located at the US Postal Service general mail facility in Anchorage, Alaska. This project includes many features never offered in an onsite fuel cell system and required several years of significant effort on the part of the sponsors and engineers responsible for its development.

One Megawatt Fuel Cell Project Anchorage, Alaska



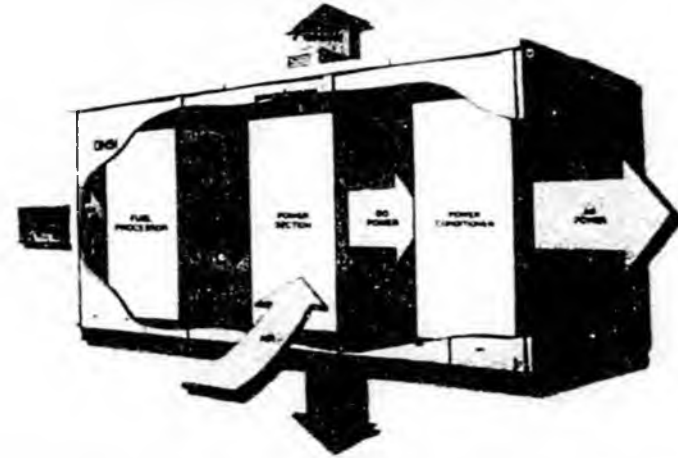
PC25™ Fuel Cell Power Plant Description

The PC25™ Model C is a packaged, self-contained, 200 kW fuel cell power plant which operates unattended using pipeline natural gas fuel and provides on-site electricity and heat in connection with the utility grid.

The power plant consists of three major subsystems

- 1) The Fuel Processing section converts natural gas into a hydrogen rich fuel gas. The process, known as steam reforming, passes a mixture of natural gas and steam through a heated catalyst bed that promotes the reaction to hydrogen. Hydrogen is the actual fuel source used by the fuel cells.
- 2) The Power Section is where the fuel cell reaction occurs, similar to that in a battery. The process reacts hydrogen atoms from the fuel gas and oxygen atoms from air to produce electricity and pure water. This direct, electrochemical conversion of energy generates electricity without combustion and is clean, quiet and efficient.
- 3) The Power Conditioner converts the direct current (DC) power from the power section to regulated, three phase, AC power. This conversion process uses solid state DC to AC inverters to provide high quality AC power output suitable for use in typical commercial and industrial buildings, including electronic computer equipment power loads.

Basic Fuel Cell Schematic



For more information concerning this project please feel free to contact us at

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www.chugachelectric.com

Fuel Cells Provide Reliable Power to U.S. Postal Service Facility in Anchorage, Alaska

Combined heat and power project provides reliable power at reduced cost

Overview

Working together, the U.S. Postal Service (USPS) and Chugach Electric Association, partnering with the Department of Defense (DOD), Department of Energy (DOE), US Army Corps of Engineers Construction Engineering Research Laboratories (USACE CERL), Electric Power Research Institute (EPRI), and National Rural Electric Cooperative Association (NRECA), developed and installed one of the largest fuel cell installations in the world.

The one-megawatt fuel cell combined heat and power plant sits behind the Anchorage U.S. Postal Service Mail Processing and Distribution Facility. Chugach Electric owns, operates, and maintains the fuel cell power plant, which provides clean, reliable power to the USPS facility. In addition, heat recovered from the fuel cells, in the form of hot water, is used to heat the USPS Mail Processing and Distribution Facility. By taking a leadership role, the USPS will save over \$800,000 in electricity and natural gas costs over the 5 1/2-year contract term with Chugach Electric

"Fuel cells solved a handful of problems."

—Cathe Grosshandler, Alaska District Environmental Coordinator, U.S. Postal Service

Background

The U.S. Postal Service Mail Processing and Distribution Facility, adjacent to the Anchorage International Airport, serves as the postal hub for all of Alaska. The facility processes, on average, over one million pieces of mail every day,

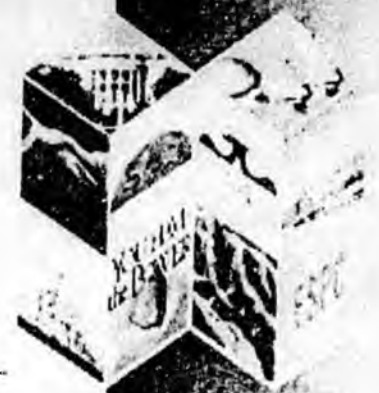
operating 24 hours per day, 365 days per year. Annual energy costs for the 270,000-square-foot facility exceeded \$300,000 for electricity and \$35,000 for natural gas.

The facility faced a series of issues that needed to be addressed. To meet new environmental codes, the facility needed to upgrade an existing underground fuel oil tank serving the facility's 600-kW emergency generator. As a result of an expansion to the facility and adding new optical mail processing equipment, the facility's peak electric demand had grown larger than the existing emergency generator could support. Upgrades were also needed to the UPS (uninterruptible power supply). In addition, the two 80-horsepower boilers (2,700,000 Btu/h), which heat the facility, also needed some improvements.



The Mail Processing and Distribution Facility, adjacent to the Anchorage International Airport, is key to the Alaska mail system.

Rather than solving each issue separately, the District Environmental Coordinator wanted a comprehensive solution. The answer seemed to lie in a highly reliable, highly efficient combined heat and power plant.



Combined Heat and Power

Case Study

Proposition concerned



Project Summary

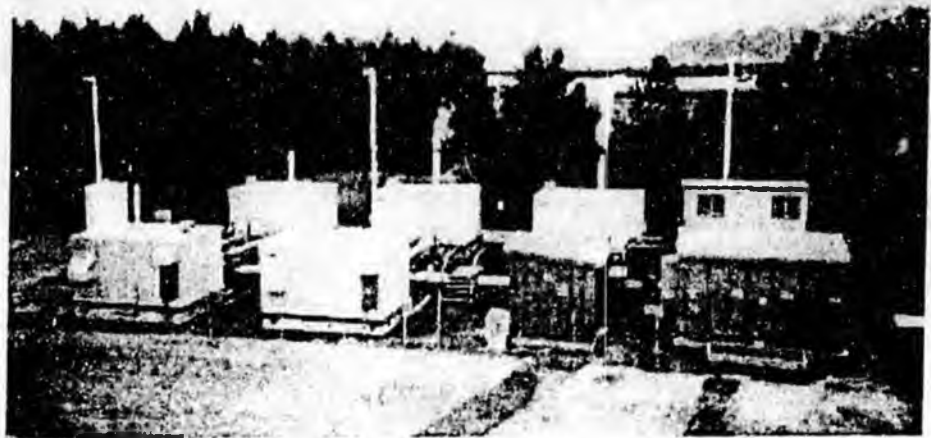
Initially, a combined heat and power plant using natural gas engine generators was proposed. However, after attending a local energy technology show, the USPS began to consider fuel cells. By coincidence Chugach Electric Association, the serving electric utility, was developing expertise in fuel cell technology and supported the USPS interest in the emerging technology.

Fuel cells produce electricity through an electrochemical reaction rather than combustion. While more expensive than conventional power generating equipment, fuel cells provide efficient, reliable power with minimal emissions. (For more information on fuel cells, see FEMP's Federal Technology Alert, "Natural Gas Fuel Cells," at http://www.eren.doe.gov/femp/prodtech/fed_techalert.html.)

To increase overall reliability, the combined heat and power plant consists of five fuel cells with room for a future sixth unit. Thus, the system can meet the facility's peak 800-kW demand even when one fuel cell is off-line. The resulting one-megawatt (1,000-kW) combined heat and power plant consists of five fuel cells, a nitrogen tank, heat recovery equipment, a pump house, and the site management system (SMS).

The fuel cells, manufactured by International Fuel Cells, Inc. (formerly ONSI), are rated at 200 kW each and are fueled by natural gas. Nitrogen is used to purge the fuel cells during startup and shutdown cycles. The pump house is used to move the heat generated by the fuel cells to either the facility for space heating or to the cooling modules, where the excess heat is rejected.

What makes the system a success is the site management system. The SMS



Set against the Chugach Mountains, five fuel cells supply reliable and clean power to the USPS facility.

includes fuel cell load control, grid interconnection, and a high-speed switching system. The SMS allows the multiple fuel cell system to transfer between grid-parallel and grid-independent in under 4 milliseconds ($1/4$ cycle in a 60-Hz system), fast enough that the highly sensitive computer systems in the USPS facility are not interrupted by the transfer. Normally, the fuel cells operate in parallel with the Chugach electric grid. Excess power generated by the fuel cells flows out into the Chugach grid. However, in the case of a grid outage, the SMS identifies the outage, isolates the USPS facility from the grid and allows the fuel cells to transfer to grid-independent mode seamlessly. The SMS was developed under this project but is now commercially available and being specified for use in other fuel cell power systems.

The entire project cost \$5.5 million, including the research and development for the SMS. Funding for the project came from the many partners involved in the effort. What made the project work economically for the U.S. Postal Service is a special contract between the USPS and Chugach

Electric. Chugach Electric owns, operates, and maintains the fuel cell power plant, which is located on the USPS property. The plant is remotely operated by Chugach Electric. The only cost to the USPS was the \$1 million up-front cost as part of a 5 $1/2$ -year contract for baseline electrical service. In return, Chugach Electric provides electricity to the mail processing facility for the 5 $1/2$ -year term. If electricity requirements at the USPS facility grow above the set baseline, which the USPS believes is unlikely, additional electricity is purchased at standard rates.

In addition, the USPS facility owns the use of the heat recovered from the fuel cells. Heat energy from the fuel cells is available in the form of hot water at two temperatures: 240°F and 140°F. At this time, the higher temperature water is used for heating the facility. The lower temperature heat is rejected through the cooling modules.

Benefits

The fuel cell CHP plant provides a number of benefits to the USPS. The most significant benefit has been the increased reliability of electric service.

Restarting the mail processing equipment after a power outage requires a significant level of effort. The increased reliability results in fewer power outages, thereby avoiding unscheduled shutdowns and restarts. The fuel cell and SMS have worked flawlessly since commissioned. In fact, the week before Christmas, on one of the busiest days of the year, construction at the airport caused a local power outage. The entire area was without power for over 4 hours. All, except the U.S. Postal Service, that is. The SMS system automatically switched the facility to operate grid-independent with no interruption. The USPS facility went on to set records, processing over 1.4 million letters and parcels that day, while the neighbors were sitting in the dark.

While the combined heat and power project does not reduce electricity consumption at the USPS facility, it does significantly reduce USPS energy costs. The contract between the USPS

and Chugach Electric provides baseline electrical service to the USPS facility for 5½ years at a cost of \$1 million. Previously, electricity for the USPS facility averaged over \$300,000 per year.

Heat recovered from the fuel cells is being used for space heating in the mail processing facility, thereby displacing the load on the original boiler heating system. In fact, savings have exceeded the original estimate. Initially, it was determined that the fuel cell heat energy could meet around 50% of the total facility space heating needs. During the first year of operation, the heat recovered has satisfied all the space heating needs. Although the winter of 2000-2001 was milder than average, heat recovered from the fuel cells has exceeded expectations.

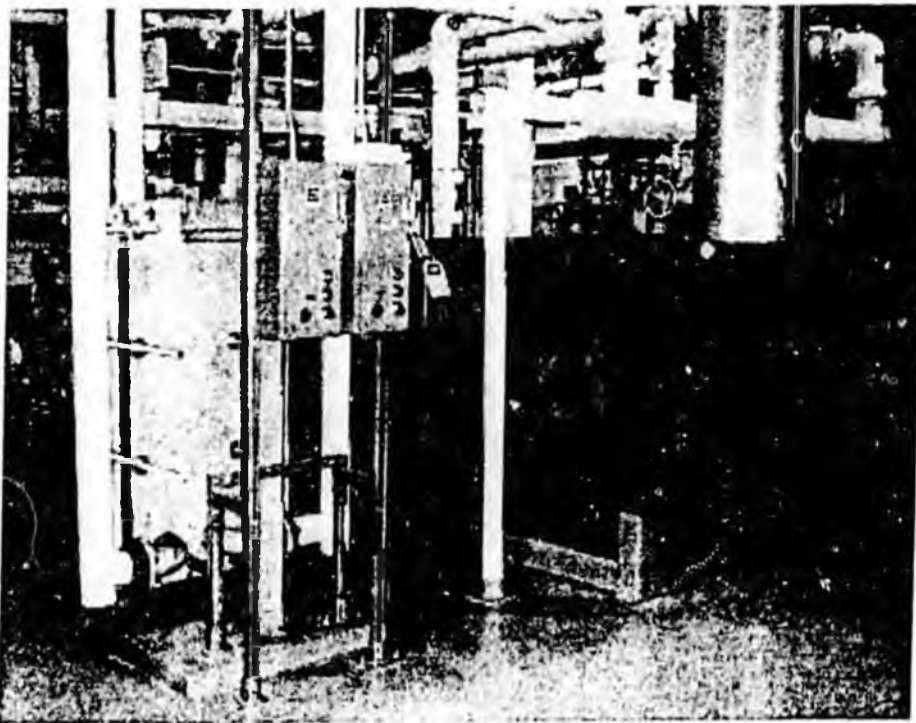
Some capital cost reductions were also achieved. The demonstrated reliability of the fuel cell and site management system has eliminated the need to upgrade

the existing emergency generator. However, the old 1000-gallon, single-wall, below-grade fuel oil tank still needed to be replaced. A new dual-wall, 500-gallon, above-ground fuel oil tank was determined to be sufficient because of the increased reliability of the new power supply system. In addition to the cost reduction from the less expensive, smaller tank, the environmental code features were also less expensive for the smaller tank size. Avoiding the need to upgrade the emergency generator and installing a smaller fuel oil tank saved the USPS an estimated \$500,000 in capital costs.

Lessons Learned

The USPS recommends that any site thinking about a similar project should consider the following:

- Projects of this nature require "champions." Each of the parties involved in the project recognized the value of local champions who could think outside the box, overcome barriers, and push the project through.
- Consult with the local utility, DOE regional office, and other organizations to investigate potential partnerships. Both the USPS and Chugach Electric Association believe a more effective solution was achieved as a result of the partnership.
- Take a holistic approach to solving facility needs. The USPS had to address a series of issues. Although each facility need could have been solved individually, the fuel cell combined heat and power plant solved several of the needs simultaneously and at a lower cost.



Heat recovered from the fuel cells offsets heat supplied by the boiler system. The boilers were not needed during the winter of 2000-2001.

Being the largest fuel cell installation of its time made this a distinctive installation. However, it will not remain unique. The development of the SMS will lead to more multi-unit fuel cell power plants with high-speed reliability.

Looking Ahead

The USPS facility is looking for additional uses for the heat recovered from the fuel cells. While the high temperature heat recovered is perfect for space heating, there is still significant heat energy available at 140°F, which has yet to be utilized. The USPS is still investigating several potential uses for this valuable heat energy.

The SMS has additional capabilities that the USPS may use in the future. In addition to controlling fuel cell operation, the SMS is also capable of controlling peak electrical demand through load shedding. This feature could be used to prevent overloading the power plant when the electric grid is down and the fuel cells are operating independent of the electric grid. The ability to load shed while operating grid-independent could prevent a shutdown of the fuel cell power plant as a result of an overload condition.

At the end of the contract period, the USPS and Chugach Electric will renegotiate the future of the fuel cell combined heat and power plant. No one knows what the future may bring, but all agree the project has been a success.

For More Information

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(800) 363-3732
International calling: (703) 287-8399
Web site: www.eren.doe.gov

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Produced for the U.S. Department
of Energy (DOE) by the
Northwest National Laboratory

PNNL-SA-35038

February 2002

D. Recommendations

1. Workforce

Provide proper and focused workforce training to meet the challenges of 21st century energy industries.

Executive:

Perform an assessment of the opportunities for Alaska workers in the resource development and energy sectors and, based upon these opportunities, examine the deployment of a portion of Alaska's resources toward training and retraining of the workforce in these sectors.

Amend Department of Labor/Workforce Development (DOL/WD) regulations to facilitate the ability to develop training and internship programs, with an emphasis on jobs for Alaskans.

Fund education to ensure that Alaska workers have the education and skills required to maintain the vital role energy plays in our economy.

Update certificate of fitness requirements for utility linemen to enhance workforce availability and better track the successful practices of the other 49 states.

Ensure that Alaska workforce regulatory practices conform to national practices.

Private Sector:

Work with the DOL/WD in its assessment of opportunities for the Alaska workforce in the energy and utility sectors.

Maximize internship programs that will allow entry into the Alaskan workforce.

Encourage development of new energy and energy related businesses in Alaska.

2. Energy Generation

Alaska must be active in its pursuit of improving existing technologies and developing new generation technologies to increase efficiencies of present and future energy generation facilities.

Assist the private sector in its efforts to develop energy generation capacity

Executive:

Enhance the ability of public bodies, such as the Denali Commission and the Alaska Energy Authority (AEA), to assist the private sector and communities in efforts to develop adequate energy generation capacity, funded through conduit bonds and grants, to provide cost-effective electricity for all Alaskans.

Explore utilization of Alaska's abundant renewable resources in the production of hydrogen, which is a fuel for the emerging fuel cell technology

Executive:

Convene a workshop to discuss the potential for Alaska's leadership in hydrogen production. Such a workshop could serve as an educational tool and a platform for discussion between public, university research and private sector individuals and organizations.

Direct the University of Alaska and executive agencies to inventory ideal locations for future renewable energy generation sites that could be used as a source of hydrogen for in-state use and export.

3. Energy Infrastructure

The Task Force's goals and strategies focused on matters including, but not limited to: (1) generation infrastructure; (2) transmission and distribution; and (3) economic efficiency. As the electrical system ages, there will be increased concerns about reliability, sustainability and stability. Technology-driven system improvements will be required. There must exist within the State the capacity to deliver resources and energy to end-users.

Stimulate private-sector participation in Alaska's energy infrastructure to allow greater energy export capability to meet state, regional, and national energy demands.

Executive:

Provide tax-exempt bonding to fund projects, with the State retaining only the obligations that cannot be transferred to the participating utilities.

Work with Alaska's Congressional delegation to provide financing or economic incentives to promote energy infrastructure development.

Encourage adequate transmission infrastructure to increase economic development activity.

Conduct an assessment to identify the State's energy infrastructure security needs.

Executive:

The RCA should include in their deliberations the issue of cyber-security.

Private Sector:

Continue in the joint planning process to identify the State's energy infrastructure needs.

Encourage adequate and secure transmission infrastructure to increase economic development activity.

Continue to promote adequate fuel delivery infrastructure.

Assess the potential for the development of a locality into a sustainable energy community that utilizes novel distributed and/or renewable energy systems for residences and commercial enterprises.

Executive:

Examine the potential for the development of an Alaska locality into a sustainable energy community.

Legislative:

Examine opportunities to provide support for the development of such a community.

Alaska regional transmission planners should work to become leaders in energy infrastructure development.

Establish energy infrastructure development projects that will promote the reliable transportation of electricity throughout the entire State that meets the State's energy, environmental and economic needs.

Revised by Bill Leighty, The Leighty Foundation, 15 Feb 07

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HOUSE BILL NO. 56

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION
BY REPRESENTATIVES CRAWFORD AND DOLL, Nelson, Gara

Introduced: 1/16/07

Referred: Community and Regional Affairs, Resources, Finance

A BILL FOR AN ACT ENTITLED

"An Act establishing the Hydrogen Energy Partnership in the Department of Commerce, Community, and Economic Development; requiring the commissioner of commerce, community, and economic development to seek public and private funding for the partnership; providing for the contingent repeal of an effective date; and providing for an effective date."

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

* Section 1. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE FINDINGS. The legislature finds that

- (1) scientists recognize hydrogen as a potentially-useful energy carrier and energy storage medium; Deleted: potential source of fuel;
- (2) with further research and development, hydrogen could competitively serve as an alternative fuel for vehicles and for generating electricity; Deleted: source of energy for fueling
- (3) if the hydrogen is produced from renewable, non-carbon-emitting, energy sources it eliminates greenhouse gas emissions and helps reduce dangerous rapid climate change from global warming; Deleted: Deleted: 1
- (4) there is significant federal government and private sector investment in hydrogen research and development programs; and Deleted: 3
- (5) Alaska is an excellent site to attract federal government and industry investment in hydrogen because of the following advantages: Deleted: 4
 - (A) the availability of indigenous, large-scale, stranded, renewable energy resources, including sufficient geothermal energy for producing hydrogen at an industrial scale; Deleted: 1
Deleted: processing
 - (B) a source of zeolites for gaseous hydrogen storage; and Deleted: and handling

(C) Alaska's location for export of hydrogen and valuable products produced from hydrogen, such as anhydrous ammonia (NH3) and Fischer-Tropsch Liquid (FTL) fuels, around the Pacific Rim;

Deleted: hydrogen transport

(6) with its traditional high fuel costs and significant, diverse, renewable energy resources, Alaska could attract advanced technology development companies for research and development, testing, and deployment of hydrogen and products produced from hydrogen; these factors can lead to the development of a hydrogen industry resulting in job growth and a more robust long-term state economy.

Deleted: 5

Deleted: a

Deleted: source of

Deleted: as a fuel source

Deleted: fuel

* Sec. 2. AS 41.98 is amended by adding a new section to read:

Sec. 41.98.190. Hydrogen energy partnership. (a) There is established in the Department of Commerce, Community, and Economic Development the hydrogen energy partnership.

(b) Members of the partnership shall be appointed by the commissioner of commerce, community, and economic development to represent

- (1) the federal government;
- (2) state government;
- (3) the University of Alaska;
- (4) political subdivisions of the state;
- (5) tribal organizations of the state;
- (6) the electric utility industry;
- (7) the fossil fuel industry;
- (8) nonfossil fuel energy industry; and
- (9) non-profit environmental conservation and protection groups.

Deleted: private

(c) The partnership members shall serve without compensation but are entitled to transportation expenses and per diem as authorized for members of boards and commissions under AS 39.20.180.

(d) The hydrogen energy partnership shall facilitate the development of a hydrogen fuel and hydrogen-source products industry, based on non-carbon-emitting energy sources, in Alaska by means including

- (1) meeting with hydrogen energy interests to plan hydrogen energy research and development and demonstration projects;
- (2) proposing policy to promote federal and private industry investment in hydrogen energy research and development and demonstration projects;
- (3) evaluating the market for hydrogen energy and hydrogen-source products production, Alaska utilization, and export;

(4) proposing tax incentives for investment in a hydrogen energy infrastructure; and

(5) reporting annually to the legislature on or before the 20th day of each regular session on the development of hydrogen energy and hydrogen-source products production in the state.

* Sec. 3. AS 44.33.020(a) is amended by adding a new paragraph to read:

(45) provide staff support for the hydrogen energy partnership established under AS 41.98.190, and the University of Alaska shall provide assistance to the commissioner on request.

* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

FUNDING FOR HYDROGEN ENERGY PARTNERSHIP. The commissioner of commerce, community, and economic development shall seek federal and private sources of funding to cover the costs of the establishment of and operation of the hydrogen energy partnership established in sec. 2 of this Act.

* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. Sections 2 and 3 of this Act take effect only if the Department of Commerce, Community, and Economic Development obtains sufficient funding under sec. 4 of this Act.

* Sec. 6. If secs. 2 and 3 of this Act have not taken effect under sec. 5 of this Act by June 30, 2012, secs. 1, 2, 3, 4, and 5 of this Act are repealed June 30, 2012.

* Sec. 7. If secs. 2 and 3 of this Act have not taken effect under sec. 5 of this act by June 30, 2012, sec. 8 of this Act is repealed on June 30, 2012.

* Sec. 8. Sections 2 and 3 of this Act take effect 30 days after the commissioner of commerce, community, and economic development notifies the revisor of statutes that sufficient funding required under sec. 4 of this Act has been obtained.

* Sec. 9. Section 4 of this Act takes effect immediately under AS 01.10.070(c).

LARGE STRANDED RENEWABLES:

the International Renewable Hydrogen Transmission Demonstration Facility (IRHTDF)

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JACQUES BENOIT, Regional Director - Quebec, AMEC Earth & Environmental
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A pilot-scale gaseous hydrogen (GH2) transmission pipeline system optimized to bring large-scale, remote, diverse, dispersed, stranded, renewable resources to distant markets, in "renewables-hydrogen service"

- No pipelines for renewables-hydrogen service exist.
- Major new industrial processes require pilot plants like IRHTDF.
- Electricity lines and GH2 pipelines are comparable in capital and O&M cost.
- GH2 transmission provides valuable storage, in the pipeline and in geologic formations.
- New underground GH2 pipelines may be more secure, socially acceptable, permissible, and bankable than new overhead electric lines.

Global Energy Strategy Challenge

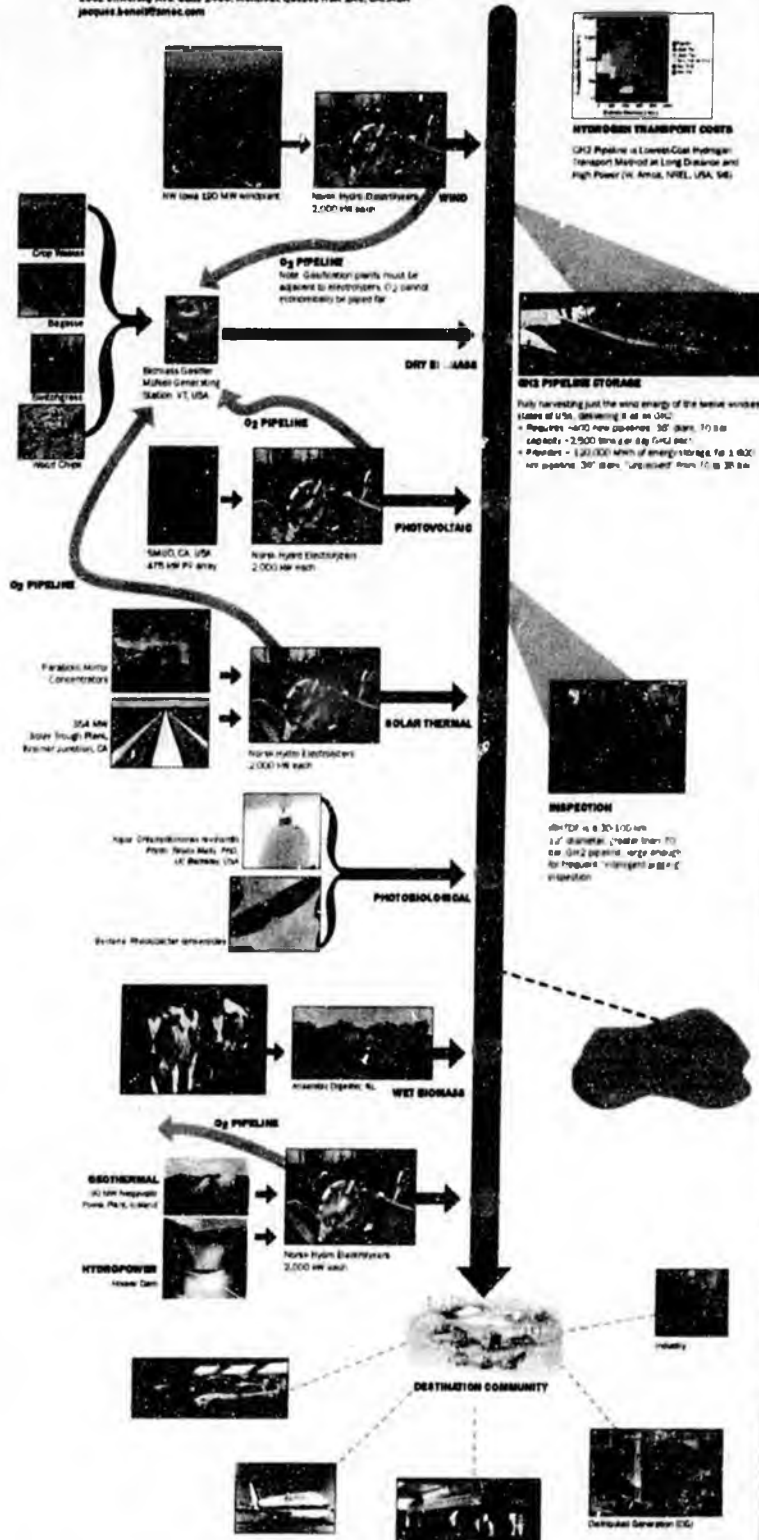
- How shall we bring Earth's large, stranded, renewable resources to distant markets? Transmission options for large-scale stranded renewables
 - o New high voltage direct current (HVDC) electric lines
 - o New gaseous hydrogen (GH2) transmission pipelines
 - o Synthetic liquid hydrocarbons, with net-zero C emissions
 - o Superconducting "Energy Pipeline" (EPR1 USA concept)
- Pipelining GH2 is costly, ~ 1.5 - 2 x that of natural gas
 - o Low volumetric energy density of hydrogen: one-third that of natural gas
 - o Pipeline systems must be safe from hydrogen attack: corrosion, cracking, embrittlement
 - o Special compressors, valves, and meters required
- Will gaseous hydrogen (GH2) transmission pipelines be a major part of humanity's sustainable energy future? Under what circumstances? Can pipelined renewable source hydrogen compete with hydrogen from other sources?
- To discover, quantify, and demonstrate answers, we should begin, now, to
 - o Assemble and fund an international consortium
 - o Design, build, and operate the IRHTDF
 - o Operate IRHTDF first as an R&D lab, then as a test facility, then as a demonstration facility
 - o Guide our global energy strategy

Rationale, purpose

- We need to rebuild humanity's energy system for all-renewable resources
- Earth's largest, richest renewable resources are stranded
 - o Far from population and load centers
 - o Without gathering and transmission systems to deliver their energy
- Many costly, new, high-capacity transmission systems will be needed, worldwide, for these large, remote, stranded resources
- GH2 pipelines compete with HVDC electric transmission lines, in capital and O&M costs, conversion and transmission losses
- GH2 pipeline is the lowest-cost hydrogen transport mode for long distance and high power (flowrate)
- GH2 pipeline transmission systems must be optimized for renewables-hydrogen service
 - o High capacity, high pressure, large diameter, long distance
 - o Accommodate frequent, large pressure cycles
 - o Avoid hydrogen attack: corrosion, cracking, embrittlement
 - o Provide storage in pipeline and in geologic formations
 - o Deliver renewable-source GH2 at competitive cost
 - o Add value from synergies among diverse renewable resources
 - o Use valuable O2 byproduct of electrolysis for adjacent dry-biomass gasification plants
- No GH2 pipelines for renewables-hydrogen service exist. The extensive, existing industrial GH2 pipeline system is not capable of renewables-hydrogen service
- All major new processes require pilot plants
 - o Benefits, costs, synergies, technical obstacles must be identified and quantified, IRR and NPV predicted for full-scale facilities
 - o IRHTDF is the ideal test and demonstration facility for renewables-hydrogen service, for GH2
- Will GH2 pipelines have a major role in humanity's sustainable energy future? Under what circumstances? IRHTDF is on the critical path to finding these answers

IRHTDF status

- Concept only, no detailed engineering or economics studies
- No funding or consortium in place, now a leadership opportunity
- Probable \$US 80 - 100M cost, 5 years, requires international effort
- Ideal project for:
 - o IPHE (International Partnership for the Hydrogen Economy)
 - o IEA Hydrogen Implementation Agreement (HIA)
 - o EC PATH (Partnership Advancing Transition to Hydrogen)



Opportunity: Proposed Northeast Asia Natural Gas Pipelines

- Shall we build this large, new, natural gas pipeline system of hydrogen-carriage line pipe, so that we may transition to 100% GH2 transmission, from abundant renewable sources along the pipeline route as the natural gas is dispersed?
- What is the incremental cost, if any, of building a new natural gas pipeline as 100% GH2, with application?
- What line pipe materials are capable of renewables-hydrogen service?



Opportunity: Great Plains, North America

Total annual wind energy, fully harvested on half the land area of the best Great Plains states, would equal the TOTAL annual energy consumption of the USA. Delivering all the energy as GH2 would require ~ 400 new pipelines, 30" diameter, 10 mi.

Abundant wet and dry biomass, and other (waste) solar-thermal energy conversion, could supply more GH2 to these transmission pipelines, in transport and technical energy.



Opportunities: Global

- Every continent has large, diverse, dispersed, renewable resources, enough for humanity's needs, but stranded and inaccessible in output. How shall we bring the energy to distant markets, at large scale, at competitive cost?

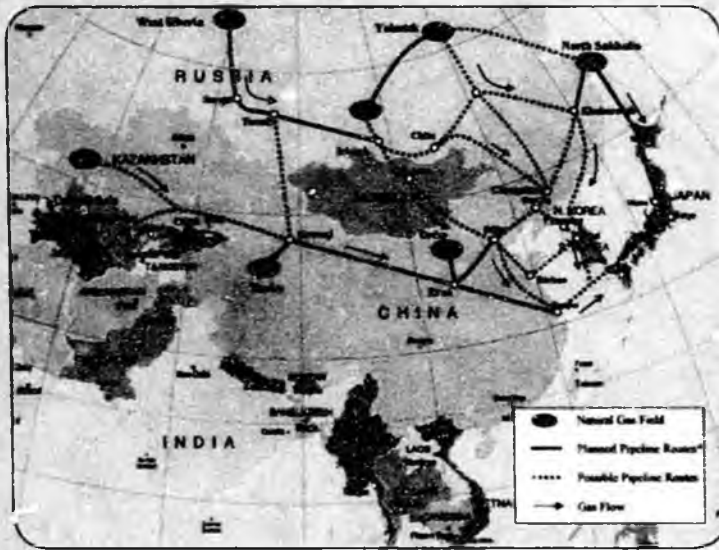
Dist. Rep. Crawford

Proposal for a Northeast Asian Hydrogen Highway From a Natural-gas-based to a Hydrogen-based Society

K. Ohtsuki, D. Eng
General Manager, Nippon Steel Corporation
Tokyo, Japan

M. Hirata, D. Eng
President, Shibaura Institute of Technology
Tokyo, Japan

W. Leighty
Director, The Leighty Foundation
Houston, TX, USA



Capacity of Gaseous Hydrogen (GH₂) Pipelines

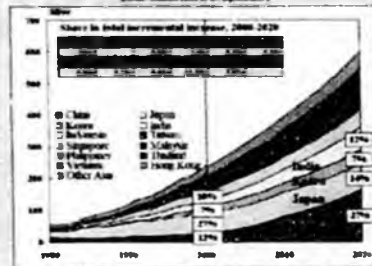
- Without input or midline compressors
- At 100 bar pipeline input pressure, 35 bar delivery pressure

Distance km	Nominal Diameter Inches	Capacity GW	Capacity MMscfd	Capacity Million Nm ³ / day	Capacity Tons per day	Storage Capacity MMscfd	Storage Capacity Tons
320	20	2.8	702	18.1	1,869	141	374
320	36	12.3	3,100	80.1	8,253	450	1,199
480	20	2.3	573	14.8	1,526	211	562
480	36	10.2	2,580	66.7	6,869	675	1,798
800	20	1.8	444	11.5	1,182	352	936
800	36	7.9	1,998	51.7	5,319	1,126	2,997
1,600	20	1.2	313	8.1	833	703	1,872
1,600	36	5.6	1,413	36.5	3,762	2,251	5,994



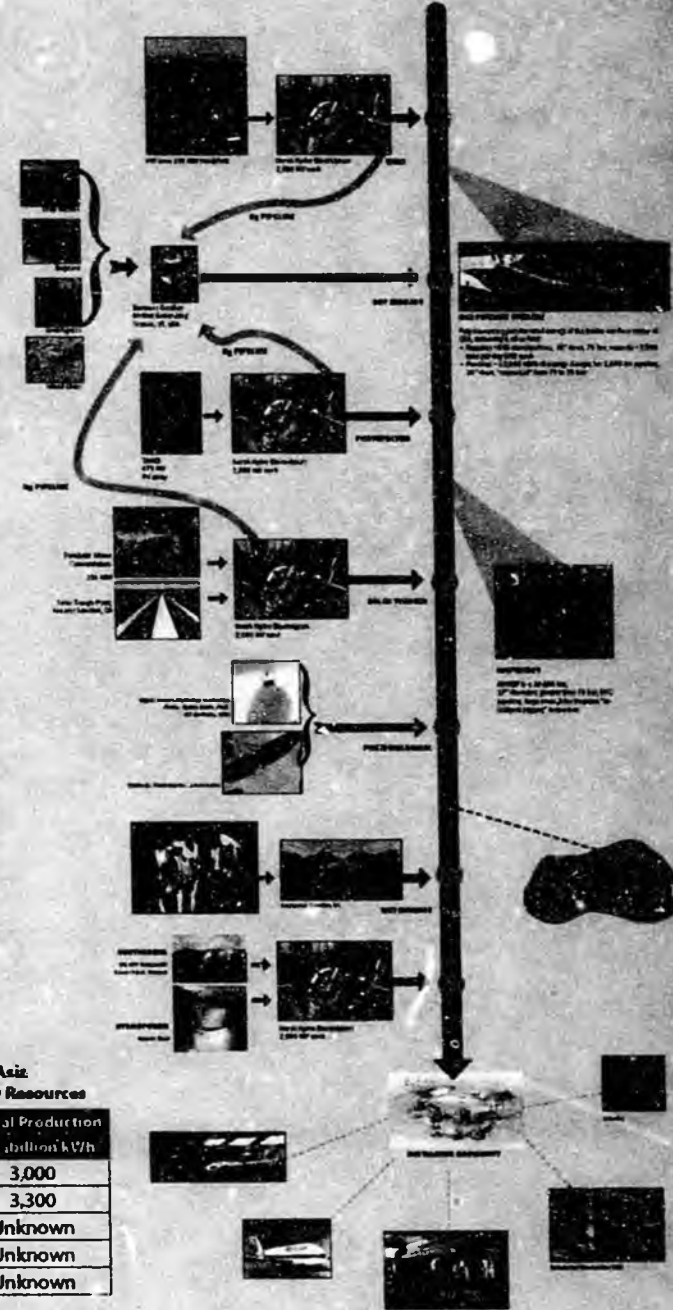
- Diverse, large, rich, renewable energy resources can be synergistically generated, converted, transmitted, and stored at seasonal scale as GH₂ in pipelines, and perhaps stored in geologic formations
 - East Siberia and Sakhalin are rich in natural gas
 - Most of Russia's untapped hydroelectricity is in East Siberia
 - Kamchatka, Chishima (Kuril) islands, and Sakhalin: have rich coastal and offshore wind
 - West China has abundant solar
 - Kamchatka has large geothermal
 - The extent and intensity of these renewables has not been accurately assessed
- Northeast Asia's environmental protection and energy security require a large, new pipeline system to gather and transport, throughout the region, natural gas in the short term and renewable-source hydrogen in the long term
- European Commission's (EC) "NaturalHy" program is assessing technical and economic aspects of adding renewable-source GH₂ into Europe's extant natural gas pipeline system

Predicted Asian Countries Demand for Natural Gas (Billion tons of oil equivalent)



Estimated Asia Renewable Energy Resources

Renewable Resource	Annual Production TWh (billion kWh)
Hydro	3,000
Geothermal	3,300
Wind	Unknown
Solar	Unknown
Total	Unknown



Dist by Rep. Crawford

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 23, 2007

SUBJECT: Draft CSHB 56(CRA) (Work Order No. 25-LS02911C)

TO: Representative Gabrielle LeDoux
Co-Chair of House Community and Regional Affairs Committee

FROM: Jack Chenoweth
Assistant Revisor

With your decision to shift the lead responsibility for the proposed Hydrogen Energy Partnership from the line agency, the Department of Commerce, Community, and Economic Development, to a public corporation, the Alaska Energy Authority, we have made significant, although largely nonsubstantive, amendments to the bill. The changes are identified in this memo.

We've made the language changes and insertions that your office specifically requested based on language provided in the February 21 memo of Representative Harry Crawford.

In addition,

-- the principal operative provision of the measure, bearing the section catchline "Hydrogen Energy Partnership," has been renumbered and relocated out of AS 41.98 and into AS 44.83, the chapter that sets out provisions of law applicable to the Alaska Energy Authority; this renumbering necessitates a reordering of the bill sections to maintain numerical order of codified provisions and conforming changes to cross-references;

-- bill section 2 of the accompanying bill draft adds a new subsection, AS 14.40.040(c), to pick up and locate appropriately the University of Alaska's obligation to support the proposed project; in the last previous version, the only reference to the University's obligation to be involved in the project appears as a tag on to a paragraph adding to the duties of the Department of Commerce, Community, and Economic Development; had that remained the only reference, in our judgment, the obligation might have been too easily overlooked by University officials, faculty, and students;

-- sections have been renumbered and material common to *former* sections 7 and 8 has been combined in bill section 7 of the accompanying draft.

I trust that the version that accompanies this memo well serves the committee's purposes.

JBC:med
07-122.med

Enclosure

25-LS0291C
Kane
2/23/07

CS FOR HOUSE BILL NO. 56(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CRAWFORD AND DOLL, Nelson, Gara

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Hydrogen Energy Partnership in the Alaska Energy Authority**
2 **and relating to assistance and support for the partnership; requiring the executive**
3 **director of the Alaska Energy Authority to seek public and private funding for the**
4 **partnership; providing for the contingent repeal of an effective date; and providing for**
5 **an effective date."**

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

7 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 **LEGISLATIVE FINDINGS.** The legislature finds that

10 (1) scientists recognize hydrogen as a potentially useful energy carrier and
11 energy storage medium;

12 (2) with further research and development, hydrogen could competitively
13 serve as an alternative fuel for vehicles and for generating electricity;

1 (3) there is significant federal government and private sector investment in
2 hydrogen research and development programs; and

3 (4) Alaska is an excellent site to attract federal government and industry
4 investment in hydrogen because of the following advantages:

5 (A) the availability of indigenous, large scale, stranded renewable
6 energy resources, including sufficient geothermal energy for producing hydrogen at an
7 industrial scale;

8 (B) a source of zeolites for gaseous hydrogen storage; and

9 (C) Alaska's location for export of hydrogen and valuable products
10 from hydrogen around the Pacific Rim;

11 (5) with its traditional high fuel costs and significant diverse renewable energy
12 resources, Alaska could attract advanced technology development companies for research and
13 development, testing, and deployment of hydrogen and products produced from hydrogen;
14 these factors can lead to the development of a hydrogen industry resulting in job growth and a
15 more robust state economy.

16 * **Sec. 2.** AS 14.40.040 is amended by adding a new subsection to read:

17 (c) The University of Alaska shall provide assistance to the executive director
18 of the hydrogen energy project established under AS 44.83.540 upon request.

19 * **Sec. 3.** AS 44.33.020(a) is amended by adding a new paragraph to read:

20 (45) provide staff support for the hydrogen energy partnership
21 established under AS 44.83.540.

22 * **Sec. 4.** AS 44.83 is amended by adding a new section to read:

23 **Article 5A. Hydrogen Energy.**

24 **Sec. 44.83.540. Hydrogen energy partnership.** (a) There is established in the
25 Alaska Energy Authority the hydrogen energy partnership.

26 (b) Members of the partnership shall be appointed by the board of directors of
27 the authority to represent

28 (1) the federal government;

29 (2) state government;

30 (3) the University of Alaska;

31 (4) an Alaska regional development organization;