



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Emil Notti, Commissioner
Tara Jollie, Director

Division of Community and Regional Affairs

MEMORANDUM

DATE: April 9, 2010
TO: Ted Madsen, Legislative Aide
FROM: Ronald Brown, Asst. State Assessor *REB*
RE: HB 10 Fiscal Impact Estimates (Amended 4/9/2010)

Per your request, here is a short synopsis of the estimated fiscal impacts, by section, for HB 10.

Sections 1 & 2: The immediate impact of section one would be zero, since it extends an exemption that is already in place. However, the estimated value of the assets currently exempted is estimated at \$200,000,000. The four mill equivalency on the possessory interest of these assets is estimated at \$400,000 per year in state education funds. The extension of the exemption to November 30, 2012 would mean that these assets would not appear on the full value determination until the year 2013. Thus the four mill equivalency payments would not commence until the 2015 cycle.

Section 3: The impact of this section should be limited primarily to Fairbanks and Anchorage due to the military emphasis, however there may be some limited impact in other communities. Estimated costs to Fairbanks and Anchorage should be less than \$50,000 each, per year. The fiscal impact to other municipalities would be far less if any at all.

Sections 4 & 5: The current 2010 valuation of the APU/ASI property is \$14,704,200 for land and building. Using last year's millage rate of 15.5, this equates to approximately \$227,915 in taxes for the year.

The version of the bill introduced today (26-LS0063\Z) provides for a total, mandatory exemption of APU property at Section 1, page 3, lines 10 thru 13. At Section 3, page 6, lines 18 to 23 it provides for the taxability of any private leasehold on the property. However, Section 9 on page 8 states that the taxability of that leasehold does not take effect until December 31, 2035.

Consequently, under the latest version of HB 10, both the APU and ASI interests would be exempted and the fiscal impact to the Municipality of Anchorage would be the entire \$227,915 for 2010. Of course, the revenue loss would be incurred annually thru the year 2035. Also note that these numbers concern only the APU/ASI parcel and do not include any potential impacts from other parcels that may qualify under this exemption now, or in the future. For example, another parcel owned by APU is presently developed with a Marriott hotel that is valued at \$5,413,500 for 2010. At the same rate of 15.5 mills, the taxes on this parcel would be \$83,909.

Section 6: If adopted by a municipality, the estimated impact should be less than \$30,000 in the Anchorage area and it is estimated it would be less than \$100,000 statewide.

Please let me know if there is any other information you require.