



Municipality of Anchorage

Office of Economic Community Development

April 1, 2016

Representative Charisse Millett, Majority Leader
Representative Chris Tuck, Minority Leader
Representative Matt Claman
Representative Harriet Drummond
Representative Les Gara
Representative Mike Hawker
Representative Craig Johnson
Representative Andy Josephson
Representative Gabrielle Ledoux
Representative Bob Lynn
Representative Lance Pruitt
Representative Ivy Spohnholz
Representative Geran Tarr
Representative Liz Vasquez
State Capitol
Juneau AK, 99801

Anchorage Caucus members,

On behalf of the Office of Economic & Community Development for the Municipality of Anchorage, I am writing to you today to encourage your support for CS HB 370 when it is brought to the House floor by Rep. Cathy Tilton.

This important piece of legislation modifies the existing tax abatement tool available to municipalities contained within Alaska Statute 29.45.050 (m) in a way that will make the tool more flexible and responsive to the specific needs of Alaska's individual communities.

Currently, AS 29.45.050 (m) gives municipalities the power to pursue economic development opportunities via tax abatement, which can include either exemption or deferral of all or part of real and personal property taxes. However, the incentives are only available for five years with renewals and the criteria for qualification are overly stringent – so much so, in fact, that there are no known qualifying economic development projects in the 20+ years since this provision was created.

CS HB 370 modifies AS 29.45.050 (m) by removing the five-year limitation on tax abatement-based economic development incentives. With the current budget deficit, the State's ability to invest in economic development initiatives is evaporating and municipalities must rely upon their own means to



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facilitate those projects. The current five-year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects.

CS HB 370 modifies AS 29.45.050 (m) by easing the narrowly focused criteria of the current statute. This will move away from a “one size fits all” approach to economic development incentives and instead allows municipalities the flexibility that they need to craft criteria specific to their local economic development needs.

In addition, CS HB 370 modifies AS 29.45.050 (m) augments the current eligibility criteria by adding economic development property that involves a “significant capital investment in physical infrastructure,” provided the property expands the tax base of the municipality and will generate property tax revenue after the exemption expires.

It is important to note that HB 370 does not change current law regarding abatement of the portion of local property taxes allocated to a school district for the municipal match of education funding. Only after the education requirement is met can property tax revenue be exempted or deferred for economic development.

Thank you for your consideration of this important economic development tool. Feel free to contact me with any questions.

Sincerely,

Christopher M. Schutte, Director
Office of Economic & Community Development
Municipality of Anchorage