



March 15, 2017

Representative Cathy Tilton
Alaska House of Representatives
State Capitol, Room 400
Juneau, AK 99801

Representative Jason Grenn
Alaska House of Representatives
State Capitol, Room 418
Juneau, AK 99801

Re: Letter of Support, HB 156

Dear Representatives Tilton and Grenn:

The Anchorage Economic Development Corporation (AEDC) has nearly 30 years' experience in providing economic research, business assistance, and economic development initiatives to the Southcentral region. Our Investor companies represent over 250 of the largest businesses in Alaska across every sector of the economy and are some of the largest employers in the state.

I would like to encourage passage of Senate companion bill to House Bill 156 ("An Act relating to a municipal tax exemption or deferral for economic development property"). This bill, which proposes meaningful amendments to Alaska Statute 29.45.050 ("Optional exemptions and exclusions") subsection (m), could be tremendously helpful for local economic and community development throughout all of Alaska.

AS 29.45.050.m grants local jurisdictions the ability to "partially or totally exempt all or some types of economic development property from taxation for up to five years," giving local jurisdictions a tool to incentivize new economic activity and industry in Alaska communities.

While on its face this sounds like a useful tool for communities to pursue their economic and community development objectives, the definition of "economic development property" within this statute is limited to property that:

1. has not previously been taxed as real or personal property by the municipality;
2. is used in a trade or business in a way that
 - a. creates employment in the municipality;
 - b. generates sales outside of the municipality of goods or services produced in the municipality; or



- c. materially reduces the importation of goods or services from outside the municipality; and
3. has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed.

These criteria are overly onerous for cities and is the primary reason that no local jurisdiction, to my knowledge, has ever used this tax abatement tool. In fact, the requirements of AS 29.45.050(m) creates an unnecessary roadblock to creative economic development municipal incentives precisely when Alaska communities need it most.

For example, imagine that a company wants to buy an old warehouse building, tear it down, and build a new high-tech jet engine repair facility that will employ 60 people. Despite the positive economic benefits of a project like this, the current statute does not allow a city to provide property tax incentives because the property (a) was previously taxed; (b) does not generate sales outside of the city; (c) requires importing high-tech engine parts (goods) from outside Alaska; and (d) while it may be the only "jet" engine repair facility, it would not be the only "aircraft" engine repair facility and would not be able to meet criteria #3 of the statute.

AS 29.45.050(m) in its current form is overly onerous, too narrowly constructed, and takes a "one-size-fits-all" approach to economic and community development. Our communities are all different, and a truly effective tool would be one that provides local control over property tax-based incentives. Alaska's local communities know their own economic and community development objectives, so Alaska's local communities should have the power to determine how to achieve those objectives.

Modifying AS 29.45.050 (m) has the potential to give Alaska cities the flexibility they need to create local incentives that encourage the economic and community development goals specific to that community. In times of economic downturn like Alaska is experiencing now, tools like this provide communities with a way to invest in themselves that can pay dividends in the future. And best of all, this tool comes at no cost to the State of Alaska.

HB 156 will make important changes to AS 29.45.050.m that have the potential to give communities one more tool to use in their economic development (and self-sufficiency) efforts. HB 156 is necessary legislation if the Legislature truly desires to empower Alaska municipalities to be more self-sufficient and successful in the face of the economic headwinds they face in the coming years.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Popp", written over a circular scribble.

Bill Popp
President & CEO