

HB

521

ALASKA STATE LEGISLATURE

Representative Lisa Murkowski Chair
Representative Andrew Halcro Vice-Chair
Representative Pete Kott
Representative Kevin Meyer
Representative Norman Rokeberg
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HOUSE LABOR AND COMMERCE COMMITTEE

Sponsor Statement House Bill 521 Municipal Improvement Areas

Tax increment financing (TIF) is a well accepted municipal planning and financial tool used to facilitate revitalization of blighted areas. Alaska adopted this tool for municipalities in 1988 with the adoption of AS 29.47.460. Essentially the statute allows municipalities to issue bonds for improvement of blighted areas funded only by tax revenues generated by the increased tax base that occurs as a result of the development. Consequently, other portions of the tax base are not called upon to subsidize such improvement and the risk that the tax base will not increase is passed on to bondholders rather than to taxpayers when the bond is issued as a revenue bond.

House Bill 521 fine tunes the current Alaska statute and makes it more useful under real life Alaska conditions. This language clarifies whether TIF can be used only with general obligation bonds or as revenue bonds. The current provision is silent, leaving the matter to judicial interpretation. House Bill 521 makes clear that both methods can be used, and can be used in combination with the other.

House Bill 521 also allows TIF to be used in public-private partnership ventures where the bond proceeds can be used to improve both public and private improvements through the use of loans or grants. This provides greater flexibility to municipalities that wish to improve blighted areas without relying solely on new public improvements, which, without private renovation, may not be sufficient to spur the renewal of an area. House Bill 521 furthers the belief that successful urban renewal projects are most successful when the private market commits its resources to new development.

Finally, House Bill 521 newly defines "improvement area" to broaden the earlier restriction that TIF be used only with blighted areas. Blighted areas, as defined in existing law, are more of a "Rust Belt" concept of abandoned and vacant buildings, substandard structures, and tax delinquencies. In Alaska, some municipalities, like Anchorage, with its 2020 Comprehensive Plan, wish to shape development of town centers. The current definition of improvement area is too restrictive for such use. Anchorage's blighted areas are often areas of substandard improvement surrounded by vacant land or inappropriate grandfathered development. The new definition will give municipalities a better and more flexible financial tool to guide positive development into the future.

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Current Statute Municipal Programs

Sec. 29.47.460. Debt for development and redevelopment projects. (a) In undertaking a development or redevelopment project, a municipality may issue bonds to finance public improvements for the project, including bonds for development or redevelopment purposes in blighted areas. In this subsection

(1) "blighted area" means an area that the municipality determines to be a blighted area on the basis of the substantial presence of factors such as excessive vacant land on which structures were previously located, abandoned or vacant buildings, substandard structures, and delinquencies in payment of real property taxes;

(2) "redevelopment purposes" means the

(A) acquisition by the municipality of real property located in a blighted area;

(B) clearing and preparation for redevelopment of land acquired under (A) of this paragraph;

(C) rehabilitation of real property acquired under (A) of this paragraph; in this subparagraph, "rehabilitation" does not include construction, other than rehabilitation, of property or the enlargement of an existing building; and

(D) relocation of occupants of the real property acquired under (A) of this paragraph.

(b) A municipality may provide by ordinance that the tax increment from the taxes levied each year by or on behalf of the municipality on the property in an area described in the ordinance shall be used to repay the principal and interest on bonds, notes, or other indebtedness that is incurred for a development or redevelopment project, and may irrevocably pledge the tax increment from the area for that purpose. The area described in the ordinance may be a service area. In this subsection "tax increment" means the portion of the tax that is attributable to the difference between the value of the property shown on the taxing agency's assessment roll for the year when the taxes are levied and the value of the property shown on the taxing agency's last assessment roll that was equalized before the project was authorized.

**Municipality
of
Anchorage**



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George P. Wuerch, Mayor

HERITAGE LAND BANK

April 17, 2002

Representative Kevin Meyer
Chair Community & Regional Affairs Committee
Alaska State House of Representatives

Senator Ben Stevens
Chair Labor and Commerce Committee
Alaska State Senate

Dear Representative Meyer/Senator Stevens

The existing Tax Increment Financing (TIF) laws are a current tool that municipalities can use to redevelop blighted areas. Anchorage is interested considering this tool for this purpose.

The current law would better serve this purpose if two basic concepts were incorporated into law.

The first change would remove ambiguity with regard to TIF financings in terms of whether they are done using revenue bonds versus General Obligation Bonds. The new language would allow the local government to choose the most appropriate method.

The second change addresses the physical areas, which can be improved through the TIF law. The new language would allow the TIF law to apply to those areas within a specific geographic area that include blighted areas as well as adjacent areas that are currently undeveloped or poorly developed. This would allow for a comprehensive development of a given generally blighted area.

The Municipality is in support of these changes as they allow greater flexibility in utilizing the TIF tool for neighborhood redevelopment.

Sincerely,


George Canelos,
Executive Director, Heritage Land Bank

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 521
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title An Act relating to municipal improvement areas BRU Community Asst & Econ.Dev (405)
 Component Community & Business Development
 Sponsor House Labor & Commerce
 Requester House Community & Regional Affairs Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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						
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CHANGE IN REVENUES ()						
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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 (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would have no fiscal impact on this division.

Prepared by: Pat Poland, Director Phone 907-269-4580
 Division Community & Business Development Date/Time 4/22/02 11:33 AM
 Approved by: Deborah B. Sedwick, Commissioner Date 4/22/2002
 Agency Department of Community & Economic Development