

HB

156

Alaska State Legislature



Session
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Chair, House Special Committee
on Economic Development, Trade
and Tourism

Chair, Joint House and Senate
Administrative Regulation and
Review Committee

Member
Resources Committee
Rules Committee

Representative Lesil McGuire House District 17

Sponsor Statement

HB 156

"An Act relating to municipal debt for development and redevelopment projects."

AS 29.47.460(b) states that a municipality "may irrevocably pledge the tax increment from the area for that purpose [*only if additional security in the form of a letter of credit or equal security is also pledged*]." In deleting this language, a potential cloud is removed from financing requirements under the statute. Each project financed through the use of a tax increment has its own analysis done by the bond underwriters and rating agencies as they determine creditworthiness and reserve requirements. Removing the existing language will remove a potential cloud on the tax increment bond issue.

AS 29.47.460 authorizes municipalities to create redevelopment agencies for the purpose of developing and redeveloping land or building within a specified project area. To assist in the development or redevelopment, "tax increment" bonds or tax allocation bond financing is utilized to generate revenue to pay for improvements authorized under Title 29. Tax increment financing or tax allocation bonds are made possible by capturing assessed value growth within the specified project area.

The mechanics of capturing assessed valuation growth are straightforward. The redevelopment agency delineates a project area and declares a "base" year. Once an improvement is made within the project area, the additional assessed valuation is added to the tax rolls over the "base" year. The "base" year and the "increment" increase from the new development are taxed at the same rate. The "increment" tax revenues are remitted to the redevelopment authority and used to pay debt service on the tax increment bonds used to pay for the development or redevelopment improvements.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-5480

March 14, 2001

Representative Lesil McGuire
Alaska State Capitol, Room 418
Juneau, AK 99811

Dear Representative McGuire:

We are writing in support HB 156, relating to municipal debt for development projects. Passage of this legislation would make it easier to use the existing option of "Tax Increment Financing (TIF). TIF is a common tool used for economic development in cities.

The *Alaska Municipal League 2001 Policy Statement* states: "The League supports state policies and legislation to provide maximum local authority for economic development activities and methods to accomplish those activities." (Chapter IV, Economic Development and Resource Management, page 23)

We appreciate your interest and if we can help with this or any other municipal issue, please call on me at any time.

Sincerely,

Kevin Ritchie
Executive Director

cc: Land Use, Economic Development & Resource Management Committee

M U N I C I P A L I T Y O F A N C H O R A G E



Municipal Light & Power

GENERAL MANAGER

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March 13, 2001

The Honorable Kevin Meyer, Co-Chair
The Honorable Carl Morgan, Co-Chair
Alaska State Legislature
State Capitol
Juneau, Alaska 99811

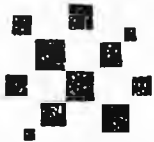
Dear Representatives Meyer and Morgan:

Anchorage's Municipal Light and Power supports the effort of the Anchorage business community and government to make a minor revision to the statute to allow bond underwriters and rating agencies to evaluate appropriate security on tax increment bonds as provided in House Bill 156.

The passage of this legislation would allow Alaskans communities to effectively utilize tax increment financing as an additional development tool to spur local economic development.

Sincerely,

Michael J. Scott
General Manager



Anchorage Economic Development Corporation
The Center of Opportunity

March 14, 2001

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

The Honorable Brian S. Porter
Speaker of the House of Representatives
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear President Halford and Speaker Porter:

The Anchorage Economic Development Corporation (AEDC) supports the efforts of the Municipality of Anchorage to revise existing State statutes to allow for the creation and implementation of local tax increment financing districts.

House Bill 156, an Act relating to municipal debt for development and redevelopment projects, would change existing State statutes and would make Tax Increment Financing available as an additional development tool to Alaska communities.

Sincerely,



LARRY D. CRAWFORD
President & CEO

c.c. Anchorage Caucus members

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 156
 (H) Publish Date: 3/15/01

Revision Date/Time (Note if correction): 03/14/2001 5:35p.m. Dept. Affected: DCED
 Title: Act related to municipal debt for development and redevelopment projects BRU: Comm.Asst & Econ. Dev.
 Sponsor: Representative McGuire Component: Community & Business Development
 Requester: House Community & Regional Affairs Component Number: 2486

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This legislation would have no fiscal impact on this department.

Prepared by: Pat Poland, Director Phone 907-269-4580
 Division: Division Community and Business Development Date/Time 03/14/2001 5:35p.m.
 Approved by: Commissioner Deborah B. Sedwick Date 03/14/01
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

HOUSE BILL NO. 156

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES MCGUIRE, Croft

Introduced: 2/28/01

Referred: Community and Regional Affairs

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to municipal debt for development and redevelopment projects."

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

3 * Section 1. AS 29.47.460(b) is amended to read:

4 (b) A municipality may provide by ordinance that the tax increment from the
5 taxes levied each year by or on behalf of the municipality on the property in an area
6 described in the ordinance shall be used to repay the principal and interest on bonds,
7 notes, or other indebtedness that is incurred for a development or redevelopment
8 project, and may irrevocably pledge the tax increment from the area for that purpose
9 [BUT ONLY IF ADDITIONAL SECURITY IN THE FORM OF A LETTER OF
10 CREDIT OR EQUAL SECURITY IS ALSO PLEDGED]. The area described in the
11 ordinance may be a service area. In this subsection "tax increment" means the portion
12 of the tax that is attributable to the difference between the value of the property shown
13 on the taxing agency's assessment roll for the year when the taxes are levied and the
14 value of the property shown on the taxing agency's last assessment roll that was
15 equalized before the project was authorized.