

HB

370

<TARGET><BILL>HB 370</BILL><SUBJECT>HB
370</SUBJECT><COMM>HCRA29</COMM></TARGET>

Representative Cathy Tilton

Alaska State Legislature – House District 12



SPONSOR STATEMENT – HB 370 (29-LS1551\A) *"An Act relating to municipal tax exemptions."*

AS 29.45.050m authorizes municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes. This bill would remove the time limitation mandated by statute and authorize local governments to determine time periods appropriate for specific projects and according to their own needs and objectives.

The section presently allows a municipality to grant the exemption or deferral for up to five years, with options for renewal, and contains provisions for property eligibility, public notice, hearing and referendum, project goals, preserving mandated school funding tax equivalency, and criteria regarding previous use or taxation in the subject municipality or another municipality.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. The current initial five year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects.

HB 370 (Municipal Tax Exemptions) amends AS 29.45.050(m) to remove the requirement that a full or partial property tax exemption or deferral for economic development property be limited to five years, with possible renewals. This legislation would authorize a municipality's discretion to establish a full or partial property tax exemption or deferral over a designated period of time without limitation in state law, and to designate a period of time for an exemption or deferral that differs based on the type of economic development property. In addition, AS 29.45.050(m) would be amended to augment the requirements for eligibility for a full or partial property tax exemption or deferral for economic development property by including economic development property that involves a "significant capital investment in physical infrastructure" that expands the tax base of the municipality and that will generate property tax revenue after the exemption expires.

HB 370 also does not change current law in that the portion of property tax designated by a local government for a school district municipal match for education cannot be affected. Only property tax revenue remaining after the education requirement is met can be exempted or deferred, for an economic development purpose.

State Capitol Rm. 411
907.465.2199
Rep.Cathy.Tilton@akleg.gov

Representative Cathy Tilton

Alaska State Legislature – House District 12



SUMMARY OF CHANGES – CSHB 370 (CRA)am

(29-LS1551\E.A)

"An Act relating to military facility zones; and relating to a municipal tax exemption or deferral for economic development property."

In the original version of the bill (29-LS1551\A), current statutory language was included pertaining to renewals of exemptions or deferrals in AS 29.45.050. Current statute stipulates that initial exemptions or deferrals for economic development properties may not exceed five (5) years and further allows municipalities to renew those exemptions or deferrals (Page 1, lines 7-13 of the "A" version.)

Because CSHB 370 (CRA)am significantly expands the time limit (20 years), thus allowing municipalities to far greater flexibility; the language pertaining to renewals was removed because it was no longer necessary.

The practical effect of the changes in CSHB 370(CRA)am is that local assemblies/councils will determine, through local ordinance:

- The length of these optional exemptions or deferrals up to 20 years;
- The amount of the value of the property to be exempted (all or partial); and
- The manner in which that exempted or deferred tax revenue will otherwise be paid.

Furthermore, floor amendments made to the bill in the House also allowed municipalities the flexibility to determine if proposed military facility zones (MFZ) are consistent with their comprehensive economic plans through local zoning ordinances.

Lastly, there was amendment adopted that stipulated that assemblies may not exempt or defer property taxes for those levied to fund special services in a service area.

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Rep.Cathy.Tilton@akleg.gov

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SPONSOR STATEMENT – SCSCSHB 370 (CRA)

(29-LS1551\?)

"An Act relating to military facility zones; and relating to a municipal tax exemption or deferral for economic development property."

AS 29.45.050(m) authorizes municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes. This bill would remove the time limitation mandated by statute and authorize local governments to determine time periods appropriate for specific projects and according to their own needs and objectives.

The section presently allows a municipality to grant the exemption or deferral for up to five years, with options for renewal, and contains provisions for property eligibility, public notice, hearing and referendum, project goals, preserving mandated school funding tax equivalency, and criteria regarding previous use or taxation in the subject municipality or another municipality.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. The current initial five year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects.

HB 370 (Municipal Tax Exemptions) amends AS 29.45.050(m) to remove the requirement that a full or partial property tax exemption or deferral for economic development property be limited to five years, with possible renewals. This legislation would authorize a municipality's discretion to establish a full or partial property tax exemption or deferral for up to 30 years. In addition, AS 29.45.050(m) would be amended to augment the requirements for eligibility for a full or partial property tax exemption or deferral for economic development property by including economic development property that involves a "significant capital investment in physical infrastructure" that expands the tax base of the municipality and that will generate property tax revenue after the exemption expires.

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SUMMARY OF CHANGES – SCSCSHB 370 (CRA)

(29-LS1551\??)

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In the original version of the bill (29-LS1551\A), current statutory language was included pertaining to renewals of exemptions or deferrals in AS 29.45.050. Current statute stipulates that initial exemptions or deferrals for economic development properties may not exceed five (5) years and further allows municipalities to renew those exemptions or deferrals (Page 1, lines 7-13 of the "A" version.)

Because SCSCSHB 370 (CRA) significantly expands the time limit (30 years), thus allowing municipalities to far greater flexibility; the language pertaining to renewals was removed because it was no longer necessary.

The practical effect of the changes in SCSCSHB 370(CRA) is that local assemblies/councils will determine, through local ordinance:

- The length of these optional exemptions or deferrals up to 30 years;
- The amount of the value of the property to be exempted (all or partial); and
- The manner in which that exempted or deferred tax revenue will otherwise be paid by the rest of the tax base.
-

Furthermore, floor amendments made to the bill in the House also allowed municipalities the flexibility to allow the creation military facility zones (MFZ) through local zoning ordinances rather amending a comprehensive development plan.

Lastly, new language provides a formal role for service area boards to approve exemptions or deferrals in the service areas they manage. If no service area board exists then the decision remains solely the discretion of the assembly/council.

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SPONSOR STATEMENT – CSHB 370 (CRA)

(29-LS1551\E)

"An Act relating to a municipal tax exemption or deferral for economic development property."

AS 29.45.050m authorizes municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes. This bill would remove the time limitation mandated by statute and authorize local governments to determine time periods appropriate for specific projects and according to their own needs and objectives.

The section presently allows a municipality to grant the exemption or deferral for up to five years, with options for renewal, and contains provisions for property eligibility, public notice, hearing and referendum, project goals, preserving mandated school funding tax equivalency, and criteria regarding previous use or taxation in the subject municipality or another municipality.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. The current initial five year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects.

HB 370 (Municipal Tax Exemptions) amends AS 29.45.050(m) to remove the requirement that a full or partial property tax exemption or deferral for economic development property be limited to five years, with possible renewals. This legislation would authorize a municipality's discretion to establish a full or partial property tax exemption or deferral over a designated period of time without limitation in state law, and to designate a period of time for an exemption or deferral that differs based on the type of economic development property. In addition, AS 29.45.050(m) would be amended to augment the requirements for eligibility for a full or partial property tax exemption or deferral for economic development property by including economic development property that involves a "significant capital investment in physical infrastructure" that expands the tax base of the municipality and that will generate property tax revenue after the exemption expires.

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(29-LS1551\E)

"An Act relating to a municipal tax exemption or deferral for economic development property."

In the original version of the bill (29-LS1551\A), current statutory language was included pertaining to renewals of exemptions or deferrals in AS 29.45.050. Current statute stipulates that initial exemptions or deferrals for economic development properties may not exceed five (5) years and further allows municipalities to renew those exemptions or deferrals (Page 1, lines 7-13 of the "A" version.)

Because HB 370 eliminates a specified time limit, instead allowing municipalities to determine the necessary length, through ordinance; the language pertaining to renewals was removed because it was no longer necessary.

The practical effect of the changes in CSHB 370(CRA) is that local assemblies/councils will determine, through local ordinance:

- The length of these optional exemptions or deferrals;
- The mills to be exempted or deferred (all or partial); and
- The manner in which that exempted or deferred tax revenue will otherwise be paid.

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907.465.2199
Rep.Cathy.Tilton@akleg.gov

Part 3 - Property Taxation

Table 5
HISTORICAL SUMMARY OF MUNICIPAL PROPERTY TAX RATES
Tax Years 2013-2015

Mill levies are listed for the cities located within the municipality. The mill rates will not be listed for all service areas; however, a range of mill rates is presented for each municipality. For a specific service area mill rate, contact the local municipal assessment office. An assessment jurisdiction mailing list can be found at the end of this publication.

Municipality	MILL RATES		
	2013	2014	2015
Municipality of Anchorage: (Unified Home Rule)			
General Government	(0.43) *	(0.48) *	(0.14) *
Education	7.35	7.06	6.84 <i>May not be exempted after year 5</i>
Fire	2.21	2.44	2.22
Roads/Drainage	2.60	2.36	2.31
Police	3.23	3.01	2.93
Parks & Recreation	0.60	0.59	0.54
Total	15.56	14.98	14.70 <i>Total exemption possible for year 1-5</i>
Smallest Mill Rate Reported:	6.7		7.86 <i>Total exemption possible after year 5</i>
Largest Mill Rate Reported:	15.14		
Total Number of Service Areas Reported:	43		

*Areawide mill rate credit represents property tax relief based on additional State Revenue Sharing approved by the 2015 Alaska Legislature. Revenue cap set at previous year's revenue plus Consumer Price Index, new construction, bonding, voter approved services, taxes for new judgments, and special appropriations on an emergency basis.

Bristol Bay Borough: (Second Class)

General Government	8.50 *	8.50 *	8.50 *
Education	4.50	4.50	4.50
Total	13.00	13.00	13.00

No tax cap. Mill rate is areawide. *No further breakdown.

Fairbanks North Star Borough: (Second Class)

City of Fairbanks: (Home Rule)

School & Library Bonds	0.5900	0.6690	0.7810
General Government (Boro)	4.7100	4.8560	4.3020
General Government (City)	5.7160	5.5490	5.6780
Education	5.9160	5.8310	6.5160
Total	16.9320	16.9050	17.2770

Smallest Mill Rate Reported:	5.6780	North Pole:	16.4490 (Includes Boro)
Largest Mill Rate Reported:	35.9940	Borough Levy:	13.4560
Total Number of Service Areas Reported:	156		

Revenue cap set at previous year's revenue plus CPI, new construction, bonding, voter approved services, taxes for new judgments and special appropriations on an emergency basis.



ALASKA STATE LEGISLATURE

House Community and Regional Affairs Committee

REP. CATHY TILTON
Chairman
State Capitol, Rm. 411
Juneau, AK 99801

Rep. Paul Seaton, Vice-Chair
Rep. Shelley Hughes
Rep. Benjamin Nageak
907.465.2199

Rep. Lora Reinbold
Rep. Harriet Drummond
Rep. Dan Ortiz

MEMORANDUM

TO: Legal Services

FROM: Heath E. Hilyard, Committee Aide
House Community and Regional Affairs Committee

DATE: March 17, 2016

RE: Request for legal opinion

I am requesting a formal legal opinion responsive to the following question:

Is there a constitutional time limitation preventing municipalities from exempting or deferring property tax payments?

To explain, current state law places a five-year cap on local deferrals or exemptions. HB 370 would remove the cap in its entirety.

Please, feel free to contact me with any questions regarding this request. My direct line is 465.6580

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 19, 2016

SUBJECT: Constitutionality of duration of tax exemption
(CSHB 370(CRA); Work Order No. 29-LS1551\W)

TO: Representative Cathy Tilton
Chair of the House Community and Regional Affairs Committee
Attn: Heath Hilyard

FROM: Susie Shutts *Susie Shutts*
Legislative Counsel

You requested an opinion on whether a constitutional issue is raised by the amendment of AS 29.45.050(m) by CSHB 370(CRA) to permit a municipality to exempt economic development property from taxation "for a designated period of time" instead of "for up to five years," as the subsection currently reads.

There is no constitutional requirement that the legislature include a set time period when authorizing a municipal tax exemption. Under art. IX, sec. 4, Constitution of the State of Alaska, tax exemptions may be granted by law. And under art. X, sec. 2, Constitution of the State of Alaska, the state may delegate taxing powers to municipalities.

Currently, some of the tax exemptions permitted under AS 29.45.050 do have specific time limitations,¹ while other exemptions under AS 29.45.050 do not.²

SLS:dla
16-304.dla

¹ See, e.g., AS 29.45.050(b)(1)(D), (f), (g), (j), (k), (o), (v), and (w).

² See, e.g., AS 29.45.050(b)(1)(A) - (C) and (E), (b)(2), (e), (h), (i), (l), (n), (p), (q), (r), (s), (t), and (u).

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MEMORANDUM

March 30, 2016

SUBJECT: Limitation on a municipality that is also a school district
(CSHB 370(CRA), Draft Version "H"; Work Order No. 29-LS1551\H.2)

TO: Representative Cathy Tilton
Attn: Heath Hilyard

FROM: Susie Shutts *Susie Shutts*
Legislative Counsel

Attached is the amendment you requested to CSHB 370(CRA), Draft Version "H." This amendment aims to clarify the limitation on a municipality that is also a school district to offer an economic development property tax exemption for more than five years.

As I discussed with Mr. Hilyard, I could not find any case law or attorney general opinions that discuss the language that creates this limitation. Unfortunately, there was no discussion regarding this language during committee hearings on ch. 98, SLA 1989 (SCSCSHB272(FIN)AM S), which added subsection (m) to AS 29.45.050, from the 16th Legislature. The language creating the limitation on a municipality that is a school district was adopted as a floor amendment proposed by Senator Jay Kerttula on May 9, 1989.¹

However, ch. 98, SLA 1989, also added subsection (n) to AS 29.45.050, and the floor amendment adding the limitation for a municipality that is a school district to AS 29.45.050(m) also added this language to AS 29.45.050(n). This language was deleted from AS 29.45.050(n) by ch. 66, SLA 1993 (HB 211 am S), and during an April 1, 1993, House Community and Regional Affairs Committee hearing on HB 211, Scott Hawkins, President of the Anchorage Economic Development Corporation, testified that the language in AS 29.45.050(m) regarding school districts was created by:

A bill [that] went through actually in 1989. It hit the floor of the Senate in the last day or two of session. Somebody had a feeling in their heart that schools districts should always be able to levy taxes on any inventory whether it is held for export or otherwise and it was pulled off the floor and forcibly amended and we had to live with it until now. That is what we are going back and trying to clean up.

¹ 1989 Senate Journal 1866.

Representative Cathy Tilton
March 30, 2016
Page 2

It appears that the purpose of the limitation on a municipality that is a school district in AS 29.45.050(m) is to ensure that an exemption on economic development property will not result in taxation on that economic development property falling below taxation on other property that is taxed specifically for schools.

SLS:dla
16-361.dla

Attachment

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MEMORANDUM

March 30, 2016

SUBJECT: Renewal of a tax exemption (CSHB 370(CRA), Draft Version "H";
Work Order No. 29-LS1551\H.1)

TO: Representative Cathy Tilton
Attn: Heath Hilyard

FROM: Susie Shutts *Susie Shutts*
Legislative Counsel

Attached is the amendment you requested removing the authority of a municipality to provide for the renewal of an exemption after a designated time period under conditions established in the ordinance.

As I discussed with Mr. Hilyard, this amendment will remove municipal authority to provide for renewal of an exemption or deferral in the same ordinance that creates the exemption or deferral. With the changes made by this amendment, a municipality would need to enact a new ordinance in order to extend an exemption or deferral for economic development property after the designated time period for the exemption or deferral ends.

Under the language currently in statute, a municipality could renew an exemption under a simple process created in the same ordinance that creates the economic development property exemption. However, if this amendment is adopted, a municipality would no longer be able to renew under the existing ordinance that create the exemption or deferral. Instead, the municipality would need to enact a new ordinance to extend an exemption or deferral.

SLS:dla
16-362.dla

Attachment

Current Law

5 year cap with option for renewal.

Education funding (*Required Local Contribution*) may be exempted from new property tax revenue from new project for first 5 years. After that, must be accounted for before the remaining property tax revenue can be exempted or deferred under a renewal.



HB 370

5 year cap removed. Length of property tax credit up to local government.



Education funding (*Required Local Contribution*) must still be funded but it is up to local government to decide what source of revenue to use, not required to use property tax revenue.

Adds new language in statute:

An exemption or deferral on the property enables a significant capital investment in physical infrastructure that expands the tax base of the municipality; and will generate property tax revenue after the exemption expires.

AS 29.45.050 (m)

Optional exemption for economic development property.

Italic are comments by the state assessor

Bold and underline areas are new language added by the bill.

Capitals inside brackets are language removed by the bill.

Section 1

Line 4: ...partially or totally exempt all or some types of economic development property from taxation for **a designated period of time** [UP TO FIVE YEARS].

This is the operative change desired by this legislation removal of the five year limit.

Line 6: The Municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under renewal, a municipality that is a school district may only exempt for more than five years all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district (current language in statute).

This is talking about an exemption from taxes and indicates that the property should be taxed at the same rate (mill rate for schools) as all other taxable property, if the exemption is extended beyond the first five years.

First problem, the language mixes up exemption of property (the assessed value) with exemption from tax (or levy), and additionally confuses an exemption from a portion of the tax rate (mill rate for schools also referred to as a levy). Most of the exemptions in 29.45.050 exempt property value from taxation. They do not speak to the tax rate or the amount of tax exempted.

The tax equation is: 1) assessed value X 2) tax rate=3) tax --- three distinct parts.

The original language of the bill protected the tax rate and associated tax revenue related to schools

The stated objective of the bill is to eliminate the required limitation of 5 years.

Per comments made at the hearing by committee members there appears to be support to remove any mention of renewal because with a longer original term, the exemption does not need to be renewed after five years.

Line 8 to 10 **Potential Solution: (Delete the following entirely)** [THE MUNICIPALITY MAY PROVIDE FOR RENEWAL OF THE EXEMPTION UNDER CONDITIONS ESTABLISHED IN THE ORDINANCE. HOWEVER, UNDER A RENEWAL, A MUNICIPALITY THAT IS A SCHOOL DISTRICT MAY ONLY EXEMPT ALL OR A

PORTION OF THE AMOUNT OF TAXES THAT EXCEED THE AMOUNT LEVIED ON OTHER PROPERTY FOR THE SCHOOL DISTRICT.]

This would entirely eliminate the renewal language from the statute. This does not protect the revenue going to the school district.

Under the school funding formula all value exempted by local option ordinance is added back to the Full Value Determination. However, the Required Local Contribution is calculated using a low mill rate of 2.65 mills.

As an example If a sample municipality has a mill rate associated with general government of 8.5 mills and a school district mill rate of 4.5 mills for a total mill rate of 13 mills. The current language in AS 29.45.050(m) would allow the whole value of the property to be exempted from taxation for the first 5 years. The whole value would be added back to the FVD and the RLC would be calculated based on 2.65 mills (an obligation of about half of the intended school mill levy). Under renewal it would be required to tax the whole value (including any improvements made in the five years) at 4.5 mills to support the schools.

Anchorage Schools 2015	6.84 mills
Bristol Bay Borough Schools 2015	4.5 mills
Fairbanks North Star Borough Education 2015	6.516 mills
Required local support for schools	2.65 mills

If the statute as amended makes no reference to five years or to the tax rate or revenue associated with schools then the local support for schools for optionally exempt property is reduced to the minimum required under the RLC (AS 14.17.510).

The local government gets to create code that specifies the exemption. The local government can restrict the exemption criteria they cannot expand the exemption beyond the statute. Therefore, a local government can set up the exemption so that the school mill rate is applied and the property is exempt from taxation only for general government millage. This has been done with the senior hardship exemption in different areas of the state (AS 29.45.030 (e)).

April 1, 2015

Representative Cathy Tilton
Chair, Community & Regional Affairs Committee
Alaska State House of Representatives

Re: House Bill 370, an Act Relating to Municipal Tax Exemptions

Mme. Chairwoman,

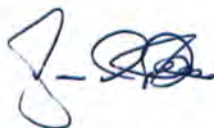
As President and CEO of the Fairbanks Economic Development Corporation (FEDC), I write to express FEDC's support for House Bill 370, an Act Relating to Municipal Tax Exemptions.

As noted by the sponsor, HB 370, by removing the current statutory limit, grants municipalities greater discretion in setting the time horizons for property tax exemptions or deferrals they and their residents may offer as incentive to economic development properties within their jurisdictions, and the latitude to set differing exemption or deferral timelines for different types of economic development properties.

In these challenging times, as the Legislature contemplates transferring increased levels of responsibility and cost down onto municipal governments and their residents, it is only right that the State should allow Alaska communities enhanced tools, and greater flexibility, to meet these challenges.

FEDC supports HB 370 and, therefore, asks that you move it expeditiously through the remaining legislative process with votes of approval.

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation



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



Municipality of Anchorage

Office of Economic Community Development

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



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Pacific Northwest Regional Council of Carpenters Scott Hansen
Premiera Blue Cross Blue Shield of Alaska Lynn Ruth Henderson
Professional Growth Systems William Durr
Providence Health & Services Alaska Kristen Schultz
Stantec Timothy Vig
The Wilson Agency, LLC Lon Wilson
TOTE Maritime Grace Green
Walsh Sheppard Jack Sheppard
Weidner Apartment Homes Gregory Corbin
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RIM Architects Larry Cash
Solid Waste Services Paul Alcantara
State of Alaska, DCCED Chris Hladick
Ted Stevens Anchorage International Airport John Parratt
University of Alaska Anchorage Thomas Case
University of Alaska Board of Regents Mary Hughes
Visit Anchorage Julie Saube

April 6, 2016

House Community & Regional Affairs Committee
State Capitol, Room 124
Juneau AK 99801

Re: Support for HB 370

Dear Representative Tilton,

I am writing on behalf of Anchorage Economic Development Corporation (AEDC) in support of HB 370, an act relating to municipal tax exemptions. The ability of local governments to design their own tax exemption incentives in order to promote targeted growth in their regions is going to be a key tool in the economic development efforts statewide.

Anchorage would benefit from the passage of this legislation by allowing the Municipality to craft tax exemptions that would incentivize the development of land parcels that are currently uneconomic to develop, unlocking new development opportunities and in the long run increasing the Municipality's revenue streams through new properties on the tax roll.

I urge you to support the passage of this bill. Please feel free to contact me should you have any questions about AEDC's support.

Sincerely,

Bill Popp
President & CEO
Anchorage Economic Development Corp.

CITY OF SEWARD

P.O. Box 167
410 Adams Street
Seward, Alaska 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

28 March 2016

Honorable Representative Cathy Tilton,
Chair, House Community and Regional Affairs Committee

We write to support HB 370, an Act relating to municipal tax exemptions.

As State capital and operating budgets are reduced, local governments will have to find more creative ways to facilitate economic development projects. Tax exemption or deferral, with some restrictions, is a tool currently available to local governments, but is currently limited by statute (AS 29.45.050-m), to an initial five year term.

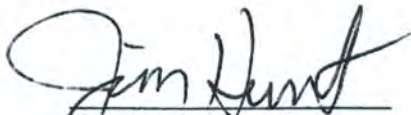
That may have worked well enough for some smaller projects, but today's larger and more capital intensive developments can't find enough certainty in a five year agreement that might not be renewed as part of a viable business plan. We believe that municipalities acting in their own interest would be better served by removing the five year restriction.

This bill removes the five year mandate, and adds protections requiring that the significant capital investment expand the tax base of the municipality and thereby increases tax revenues after the exemption or deferral expires.

The City of Seward has enjoyed tremendous State support in developing the Seward Marine Industrial Center Phase One. As we get nearer to Phase Two and beyond, we recognize that private capital will have to play a bigger role, and believe a broader range of options such as this bill will help us and local governments across the state in finding solutions.

Thank you for your consideration.

Respectfully yours,


Jim Hunt, City Manager