

Sponsor Statement for HB 156

Municipal Debt for Development Projects

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

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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.