

Sponsor Statement for SB 365

Municipal Improvement Areas

An Act relating to municipal improvement areas.

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Contact: Senator Ben Stevens's office at (907) 465-5078

Tax increment financing (“TIF”) is a well accepted municipal planning and financial tool used nationwide to facilitate the revitalization of blighted areas. Alaska adopted this tool for municipalities to use with its 1988 adoption of AS 29.47.460. Essentially, it allows a municipality to issue bonds for the improvement of blighted areas funded only by the tax revenues generated by the increased tax base that occurs as a result of the development. The result is that 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 onto the bondholders rather than the taxpayers when the bond is issued as a revenue bond.

Senate Bill 365 fine tunes this tool and makes it more useful under real life Alaska conditions. The language in section 1, second sentence, clarifies the current ambiguity of whether TIF’s can be used only with general obligation bonds or as revenue bonds. The current provision is silent, leaving the matter to judicial interpretation. The language makes clear that both methods can be used, as well as in combination.

Senate Bill 365 also creates the definition of “improvement area” and broadens the earlier restriction that TIF be used only with blighted areas. “Blighted areas” as defined in the existing law, is more of a Rust Belt concept of abandoned and vacant buildings, substandard structures, and tax delinquencies. In Alaska, some municipalities, such as Anchorage with its 2020 Comprehensive Plan, wish to shape development of town centers. The current definition is too restrictive for such use. Our “blighted areas” are often areas of substandard improvement, surrounded by vacant land, or inappropriate “grand fathered” development. The new definition will give municipalities a better and more flexible financial tool to guide positive development into the future.