

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 14, 2012
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Corder, Vice Chairman Johnson, Senators Hill, McKenzie, Siddoway, Rice, Werk, and Bilyeu
ABSENT/ EXCUSED: Senator Hammond

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

Chairman Corder called the meeting to order at 3 pm. **Chairman Corder** said the SOP has been changed to reflect the earlier presentation.

H 519 To Provide that Certain Site Improvements Shall be Exempt from Property Taxation. Continuation of testimony. **Chairman Corder** introduced **Gerald Martens** of EHM Engineers, who spoke in support. **Mr. Martens** said they are required to master-plan develop and plat the entire ownership. There has been a greater decrease in prices in the Treasure Valley than Twin Falls, but there is not a market now for this land. It is not farmable.

Chairman Corder asked if an exemption on partially-developed land allows developers to make long-term planning. **Mr. Martens** said a sale of 5-8 lots a year is a good year and that is 2-3 acres, but the community planners require the developers to master-plan the entire parcel which could be 10 acres or 40 acres.

Chairman Corder introduced **Steve Cope**, of SKC, Inc, who spoke in support. **Mr. Cope** said in 2006 his company sold 100 lots; since then his company has sold five lots. There are currently 54 residential lots that were in existence at the end of 2006, or under construction in 2007. The property taxes from 2007-2011 exceeded \$200,000. The property tax in 2011 was \$32,000. Prior to the crash, property taxes were an expense, but not a burden. If Idaho has a policy not to tax inventory, then lots builders own should not be taxed either.

Senator Bilyeu asked if the five lots sold since 2006 were residential or commercial. **Mr. Cope** said they were residential. More could have been sold, but it would have been at greatly reduced prices. The prices from 2006 have dropped 50-60%. Lots that were selling in 2006 at \$90,000, are currently selling at \$35,000. **Senator Bilyeu** asked what the lots are assessed at. **Mr. Cope** said most of the lots are in the low-mid 30,000's, some are in the high 20,000's. The assessor has looked at what the lots are actually selling for and adjusted the values. The subdivision is ready for people to move into. **Senator Bilyeu** asked what the lots would be assessed at if the legislation passes. **Mr. Cope** said the lots that are assessed at \$30,000 would be \$3,000-\$4,000.

Chairman Corder introduced **Ben Davenport**, Risch Pisca Law Firm, representing Idaho Building Contractors Association, who spoke in support. **Mr. Davenport** said the association has been working on legislation like this for a long time and appreciate the work Mr. Wills has done.

Senator Werk asked if the Building Contractors Association would be willing to work with the legislature to make any necessary changes in the future. **Mr. Davenport** said this bill is the right way to go and would be willing to work with others.

Chairman Corder introduced **Brad Miller**, of Van Auker Company, who spoke in support. **Mr. Miller** said his company is a developer of large, industrial warehouses. They do not subdivide property, but will subdivide it at a later date if necessary. The problem is there is no shovel ready ground available. There was a long-term tenant interested in the property, but the land would not be ready in time. There needs to be shovel-ready ground, but the carrying costs with the tax rate prohibit maintaining inventory. Very few services are needed on undeveloped lots. The utilities are extended there, but not used.

Senator Rice asked if the tax structure currently discouraging shovel-ready ground hurts economic development. **Mr. Miller** said it is a factor. Companies have come to explore the area and could not relocate because of power needs and the lack of shovel-ready ground. The public and private sector do not work well together.

Chairman Corder said since the property is not now being subdivided, it falls under the agriculture exemption and with this new legislation, the county would actually receive more property tax funds. **Mr. Miller** said sometimes the agriculture exemption is used, sometimes not; but the net result would be more taxes being paid. It takes 6-9 months to get land ready for development; which usually is too long for a tenant to wait.

Senator Rice asked how much time would be taken from the project if the ground is shovel ready. **Mr. Miller** said through the city of Nampa, a building permit can be ready in two weeks.

Chairman Corder introduced **David Turnbull**, President of Brighton Corporation, who spoke in support. **Mr. Turnbull** said there have been a lot of discussions on how to bring the economy of Idaho back; this legislation would help with the economy rebounding. DirecTV approached the Brighton Corporation in December, 1995. The facility they were interested in creating had to be built and open by November of the following year. If this land had not been developed for DirecTV, the Brighton Corporation would have paid approximately \$580,000 in property tax on the land. Since the land was shovel ready, DirecTV has paid approximately \$250,000 in property taxes in addition to employing 1500 people.

Chairman Corder introduced **Miguel Legarreta**, of the County Association of Realtors, who spoke in support.

In conclusion, **Brad Wills** said this is a good bill and it has taken a year to put it together. The bill will be easy to administer for the county assessors. This is a business issue, not a developer issue.

Senator Werk said there was a discussion about some of the language in the portion related to transferring the land from one party to another. **Mr. Wills** said there was a lot of work done in the language and the conveying by title intends there is a sale involved. Further defining could be done in the rules. **Senator Werk** said if land developer X sold their land to land developer Y as a whole, is that considered a conveyance of title. **Mr. Wills** said different scenarios were examined; there are many different structures for real estate deals. A land developer would be the person who, in the course of the business, developed the land, got the entitlements and got the final approval.

Chairman Corder introduced **Dan John**, of the State Tax Commission. **Mr. John** said if a land developer sells to anyone, even another land developer, title will transfer and the land status will change then. The Tax Commission will write the rules related to this legislation.

Senator Bilyeu asked who approves the application for the exemption. **Mr. Wills** said the Board of Equalization or County Commissioners approve all applications. **Senator Bilyeu** asked for a walk-through of the process this exemption will take. **Mr. Wills** said there would be developed land, an application would be completed, the county or Board of Equalization may ask questions and then some counties would use fair-market value; others would determine a finished-lot value, then use the discounting factor of 90%. Stage 2 would be the lower assessed value. The look back time frame is only five years; anything developed before that would not count for this exemption. The property value would be evaluated quarterly. **Senator Bilyeu** asked if the land would then be on the tax roles at 10% of market value until it was sold. **Mr. Wills** said if the lots are sold or a structure is started on the land.

Vice Chairman Johnson asked how this would affect the counties this year when the effective date is January 1, 2012. **Mr. Wills** said if the effective date was July 1, this would go into effect in the following year, since the assessments are based on value as of January 1. Budgets have not been set on the value for this year, so this would not affect budgets. With new construction, the counties will have the same amount of money available, but they will not have as much new money.

Chairman Corder thanked **Mr. Wills** for making the effort to bring this bill to the legislature and proving that any citizen can bring legislation, if they are willing to expend the effort.

MOTION: **Senator Siddoway** made a motion to send H 519 to the floor with a Do Pass recommendation. **Senator Rice** seconded. **Vice Chairman Johnson** said based on conversations with the assessor's office in Nez Perce County, the county does not want this legislation this year.

ROLL CALL VOTE: Aye Votes: **Senators Bilyeu, Werk, Rice, Siddoway, McKenzie, Hill** and **Chairman Corder**. Nay Votes: **Vice Chairman Johnson**. Absent: Senator Hammond.

Motion carried; **Senator Heider** will be the floor sponsor.

ADJOURNMENT: **Chairman Corder** adjourned the meeting at 3:55 p.m.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary