

MINUTES
HOUSE LOCAL GOVERNMENT COMMITTEE

DATE: Thursday, February 14, 2013

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Barrett, Vice Chairman Sims, Representatives Barbieri, Luker, Perry, Clow, Hancey, Harris, Holtzclaw, Horman, Malek, Chew, Kloc, Meline

**ABSENT/
EXCUSED:** Representative Chew

GUESTS: The sign-in sheet will be retained in the Committee Secretary's office until the end of the Session. Following the end of the Session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Chairman Barrett called the meeting to order at 1:31 p.m.

MOTION: **Rep. Horman** made a motion to approve the minutes of February 8, 2013. **Motion carried by voice vote.**

H 135: **Rep. Sims** presented **H 135**, which she stated provides an election for the creation of a new revenue allocation area. She said this would help assure that plans and areas are created with voter approval. She stated that the State of Idaho spends hundreds of millions of tax dollars on urban renewal projects, which were originally designed to remove blight. Urban renewal agency boards are selected by city councils. Once an agency is established, the agency selects revenue allocation areas, which are specific plots of land within city boundaries. Tax increments on the original price (which can simply be the land) go to necessities like police, fire, ambulance, and schools, but tax increments on any improvements and growth in a revenue allocation area, whether from new building or from enhanced value, go to urban renewal. To illustrate, she submitted a Kootenai County Tax Statement for the Committee's review. It showed that in the specific revenue allocation area, Emergency Medical Services receives \$0.16 and the community college receives \$1.14, while the Coeur d'Alene River Urban Renewal District receives \$3423.98. She outlined projects in her community that have been paid for by urban renewal tax dollars: \$686,000 for art, \$3,750,000 for a park, and \$230,000 for an ice rink. She reminded the Committee that urban renewal is supposed to remove blight. She stated that for twenty years this process has bypassed voters.

In response to questions, **Rep. Sims** stated that the Supreme Court has said that urban renewal boards are their own entities. Once established, urban renewal boards take direction only from themselves. There is no process she is aware of that would allow the public to remove members from these boards, however, she believes that mayors or city councils can remove these board members. **H 135** requires a vote for the creation of a new revenue allocation area. Currently boards can open as many revocation areas as they would like. Developers benefit from urban renewal. There are no term limits for urban renewal board members. The Lake District and the River District are two different revenue allocation areas. The bill would require an election to set up new revenue allocation areas, but does not require a vote for specific plans. She believes revenue allocation areas must not be more than 10% of a city, however, if a city has six revenue allocation areas that each represent 10%, 60% of the city would be revenue allocation areas. Additionally, due to growth, a revenue allocation area that represented 10% ten years earlier could represent more than 10% in future years as the city grows and changes. There are not separate boards for each revenue allocation area.

Ryan Woodings, Capital City Development Corporation (CCDC), stated that he is a local business owner who moved his business to downtown Boise due to Boise's vibrancy. He sits on the Board of Directors of CCDC and has a five-year term. He said that he is part of the 30th Street Plan, which will revitalize a decaying area to make it more attractive to new businesses.

In response to questions, **Mr. Woodings** stated that the taxing district and project area are the same. He believes that the revenue allocation area extends from 17th or 18th street to 30th Street, and from the I184 onramp to State Street. Only the business areas are to be revitalized. The residential portion of that area will not be revitalized. The mission statement of CCDC includes removal of blight and decay, and assisting with development. He believes that all revenue allocation areas combined cannot be more than 10% of a city. The development of the 30th Street Plan was timed to work alongside the Ada County Highway District's (ACHD's) 30th Street extension plan. He believes that CCDC began in the late 1960s and that they have an annual budget of approximately \$12,000,000.

Erik Makrush, Idaho Freedom Foundation, lives in the Caldwell East Urban Renewal District. He stated that 85.6% of his property tax dollars currently go to urban renewal. Approximately \$240,000,000 in bonding for urban renewal around the State takes place with no vote of the taxpayers. The Canyon County Administration Building was built with urban renewal dollars after a jail expansion was denied by voters for three years in a row. To solve the problem, the urban renewal district elected to build a new administration building using urban renewal tax dollars so that the jail expansion could take place in the old building.

In response to questions, **Mr. Makrush** stated that tax dollars are sent to counties, and counties distribute monies. If a revenue allocation area is not maximizing, all other constituents pay into that area due to increased budgets for counties. If a new business was opened inside an urban renewal district and the business did not accept any urban renewal money for the project, there would still be a positive impact on the area due to the new business's presence. Many businesses open in urban renewal districts without urban renewal dollars. If, for example, a building was worth \$20,000 at purchase and was renovated to become worth \$1,000,000, the taxes on the difference in value would be dedicated to urban renewal; taxes go up all around but no tax money is dedicated to services such as Emergency Medical Services, police, or fire. Surrounding property values may rise, resulting in owners paying increased taxes which also go to urban renewal agencies rather than services. This bill does not address the problem identified by the questions. It would allow individuals in areas to state that yes, the area in question is blighted, or no, it is not. To build a fire station or library, a vote and bond are required, however, to build virtually anything in revenue allocation areas, no vote is required. Blight and public safety are reasons for urban renewal, however, economic development is also part of urban renewal and should have a say of the people. Other states have begun to restrict urban renewal law due to money being drained from necessary services.

Ryan Armbruster, Elam and Burke, stated that he represents several urban renewal agencies. He speaks today on behalf of the City of Jerome and the City of Idaho Falls. He stated that the bill requires a citywide vote and not just a vote of citizens in revenue allocation areas. City councils have the authority to approve or deny urban renewal plans. Board members serve five-year terms but do not have term limits and may be reappointed by the mayor and city council. The base value of a proposed project area cannot exceed 10% of the overall value of the city, but as those project areas are renewed and grow, their value may exceed 10%. Bondholders or noteholders who have already extended loans based on current Statute would be negatively impacted by this proposed legislation.

In response to questions, **Mr. Armbruster** stated that if an area is undeveloped or underdeveloped and is targeted for urban renewal, owners of undeveloped or underdeveloped property are welcome to participate in the urban renewal projects. Most urban renewal plans have specific items in their proposals that outline what should or should not be developed over the lifespan of a project. In the current process, plans are in place and are formally transmitted to the city for consideration, and are also transmitted to taxing entities. Plans are described "in generic category if nothing else." Urban renewal dollars pay for roads, water, sewer, sidewalks, streetscapes and other improvements. Notices of public hearings are given as required by statute. Cities are entities that lose most of the tax dollars taken by urban renewal. Urban renewal agencies undertake budget meetings like any other entity and taxpayers are welcome to attend and give input.

Ken McClure, Givens Pursley, on behalf of Chobani, stated that currently Chobani is the most recent high-profile beneficiary of the urban renewal process. When Chobani was looking at locations for its plant, it was drawn to Twin Falls because of the infrastructure already in place. Tax increment financing was an important aspect of bringing this new company to Idaho. Requiring interested companies to wait for an election, and if the election went well, to then wait for the creation of a new revenue allocation area, could dissuade companies from seriously looking at Idaho due to the time and uncertainty involved. Cities could fund upgrades from their general revenue dollars, however, that could be prohibitive. He says that there may be problems with urban renewal but this is not the solution.

In response to questions, **Mr. McClure** stated that other states are more nimble and can offer assurances in advance. Chobani was only able to have sewer service in Twin Falls through urban renewal tax increment financing.

Melinda Anderson, City of Twin Falls and the Redevelopment Association of Idaho, stated that requiring an election would be an unnecessary impediment to urban development. Currently all plans and amendments are subject to public hearings through city councils. She said that this bill does not clarify when elections would occur, or if elections would be required for plan amendments.

In response to questions, **Ms. Anderson** stated that in the City of Twin Falls, board members can serve a total of six years before they must step down.

John Watts, Idaho Chamber Alliance, stated that per Idaho Code, elections would only be held every other year. He stated that the bill language directs changes to take effect on July 1, 2013, however, it also requests an emergency clause.

Rep. Moyle stated that the House of Representatives heard a bill requiring a vote during a previous legislative session. Current statute allowing expansion by 10% would have covered the Chobani project. When an urban renewal district is created and that increment is taken away, people are affected by changes and deserve to have a say in how they are affected.

In response to questions, **Rep. Moyle** stated that if a vote had been required in Twin Falls for Chobani to build their plant, he is certain the citizens would have voted to welcome them. He believes that even without a vote, they could have had their needs met due to the allowance of a 10% expansion.

Rep. Sims stated that revenue allocation areas, once established, are not plan-specific any longer. Funds can easily exceed the requirements for original project plans and the area boards can then spend that money any way they choose.

MOTION:

Rep. Barbieri made a motion to send **H 135** to the floor with a **DO PASS** recommendation. He spoke to his motion, saying that taxpayers deserve to have a voice in how their money is spent.

Rep. Clow stated that he believes this is bad law. He said that we think of ourselves as a democracy but we are a representative government, and while there are many things on which we would like to have votes, our local people on city councils and other entities are entrusted with making decisions. He stated that Chobani's project involved a huge number of acres and is a stand-alone entity on their revenue allocation area. He believes the project exceeds the 10% limitation. He stated that this law is too restrictive and complicates one of the few tools that remain for economic growth.

Rep. Hancey stated that the mayor and city council can remove board members if there is a problem with spending. The mayor and city council answer to citizens, which allows citizens a voice.

Rep. Kloc stated that the Idaho Legislature is a perfect example of a representative government in which citizens entrust their voices to their representatives.

Chairman Barrett stated that America was founded as a republic based on a constitution. We have a form of representative government because we elect representatives to conduct our business. This bill would allow people an election, a vote. Chairman Barrett stated that America is all about giving the people a right that they should not have to ask for. She **supports H 135**.

Rep. Luker said that he recognizes some impairment of obligation that is a serious problem, and the frequency of elections is a matter he would like to study.

Rep. Barbieri spoke to his motion. He said he understands that urban renewal districts have become primarily used to avoid votes that are required for bonding. Tax bases have increased for outlying areas and that is a concern.

**ROLL CALL
VOTE:**

Chairman Barrett requested a roll call vote on the motion to send **H 135** to the floor with a **DO PASS** recommendation. **Motion failed on a vote of 4 AYE, 9 NAY, 1 ABSENT/EXCUSED. Voting in favor** of the motion: **Reps. Barrett, Sims, Harris and Barbieri. Voting in opposition** to the motion: **Reps. Luker, Perry, Clow, Hancey, Holtzclaw, Horman, Malek, Kloc and Meline. Rep. Chew was Absent/Excused.**

**UNANIMOUS
CONSENT
REQUEST:**

Rep. Barbieri made a unanimous consent request to **HOLD H 136** in committee. There being no objection, the request was granted.

H 137:

Rep. Malek presented **H 137**. He stated that urban renewal agencies currently have the power to enter any building or property in any urban renewal area, including private residences. **H 137** would remove that power.

Erik Makrush, Idaho Freedom Foundation, stated that he **supports H 137**.

MOTION:

Rep. Sims made a motion to send **H 137** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Malek** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 3:38 p.m.

Representative Barrett
Chair

Mary Tipps
Secretary