

CORRECTED MINUTES
Approved by the Committee
Urban Renewal Interim Committee
Monday, August 10, 2015
9:00 A.M.
Room WW17--State Capitol
Boise, Idaho

Co-chair Senator Dan Johnson called the meeting to order at 9:00 a.m. and requested a silent roll call. Members present were: Co-chair Senator Dan Johnson, Senators Jeff Siddoway, Chuck Winder, Mary Souza, and Maryanne Jordan; Representatives Kathleen Sims, Robert Anderst, Lance Clow, and Hy Kloc. Co-chair Representative Rick Youngblood was absent and excused. Legislative Services Offices (LSO) staff members present were Mike Nugent, Keith Bybee, and Charmi Arregui.

Others in attendance: Ryan Armbruster and Meghan Conrad, Redevelopment Association and other urban renewal agencies; Jim Clark, Frontier Communication; Russell Westerberg, Capital City Development Corp., Scott Turlington, Meridian Development Corp.; Wayne Hoffman, Idaho Freedom Foundation; Hubert Osborne and Ronalee Linsenmann, Tax Accountability Committee; Ray Stark, Boise Metro Chamber of Commerce; Roger Seiber and Jerry Deckard, Ada County Highway District; Ken McClure, Givens Pursley; Cameron Arial, Zions Bank; and Dan Blocksom, Idaho Association of Counties.

NOTE: Copies of presentations, handouts, and reference materials can be found at: www.legislature.idaho.gov and are also on file at the Legislative Services Office.

Co-chair Johnson explained that the purpose of this committee is to undertake and complete a study of the statutes and laws regarding urban renewal agencies, revenue allocation areas, and the Economic Development Act contained in Title 50, Chapters 20 and 29, Idaho Code. Upon completion of its work, the committee is directed to make recommendations for necessary changes to those and other related statutes. He thanked the members for their interest and willingness to serve. He pointed out that fifty years ago, in 1965, the first Idaho urban renewal law was signed and he read an article from the Idaho Statesman dated March 3, 1965. He shared this with the committee since he found it interesting and said that Idaho had come a long way in fifty years with changes to the law, as well as at the federal level. In Idaho, the local Economic Development Act was added in 1988, which is where we are at today. The original urban renewal law was amended 10-15 times, as was the local Economic Development Act.

The first presenter was Representative Robert Anderst who reminded members that during the last session, he and Representative Youngblood met on a weekly basis with a large group of participants to talk about urban renewal current uses and possible changes. To lay groundwork for this committee, he shared a letter from Representative Youngblood containing comments about that work group. He commented that the original goal was to identify what could be improved in urban renewal statutes, while preserving urban renewal as a significant and potential economic development tool. Areas of concern identified were how urban renewal works with the Idaho Constitution, making sure that we haven't migrated outside what that allows. Lack of definitions as to what qualifies as an urban renewal project, what is the difference between economic development, blight rehabilitation and community development were issues identified. Should we have a one-size-fits-all approach to the process of all these different uses for urban renewal, or should we have a different process for different types of projects? Who should sit on these agencies? Who holds agencies accountable now and what penalties are associated with agencies that don't follow current law? What are the impacts to other taxing districts within the revenue allocation areas? These are all areas that were discussed in the work group, but it was determined that further study was necessary, which led to the creation of this committee. He hoped that this

committee can identify places within statutes that do need to be firmed up so that Idaho has a tool that works well, with taxpayers' best interests in mind.

In the resolution establishing this committee, Co-chair Johnson stated that non-legislative members could be appointed by the co-chairs; however, he and Co-chair Youngblood discussed this at length and made the decision not to take advantage of that.

Mr. Mike Nugent, LSO Manager, Research and Legislation, presented a document entitled "Utah vs. Idaho Urban Renewal Laws" which was a review of Title 50, Chapters 20 and 29, Idaho Code, from 1965 to 2011, and also pointed out Utah law and differences between Utah and Idaho. He stated that during the 2014 interim the Speaker and Pro Tem appointed an ad hoc group to visit Utah to review their urban renewal laws; Senator Winder and Representative Youngblood were part of that group. Mr. Nugent was then asked to compare the two statutes for this committee, and he cautioned that we can't copy statute from another state because they have different state constitutions than Idaho. Idaho has a state constitutional prohibition of the state or political subdivisions lending their full faith and credit to private entities, and there are some things in Utah statute he didn't think that Idaho could do. Utah also has a local option tax that Idaho generally does not, with the exception of some Idaho resort cities. One big difference between Utah and Idaho is the community development part, which Utah added in 2006 to Utah Urban Renewal. Utah law allows tax increment financing for community development. Another difference is the TEC (Tax Entity Committee) being involved and approving the budget, and the duration of tax increment financing. Community development could be included in Idaho's urban blight portion of the Economic Development Chapter, he thought. Utah has broader public hearings and comments and the use of eminent domain appears to be more liberal than Idaho law allows. If the current urban renewal law is amended significantly or recodified, Mr. Nugent said he would recommend that it be put into one chapter for ease of reference. Also, some Idaho terms could be saved for definitional purposes. It also appeared that there was no prohibition from using urban renewal for public buildings in Utah.

Senator Winder asked about the community development part of this meeting, believing there to be three parts: (1) blight, (2) infrastructure development of public buildings, and (3) economic development. He asked Mr. Nugent to explain what he considered as "community." Mr. Nugent replied that would be parks, buildings, public housing or quasi-public/private housing, which a community could lease or eventually get into a lease/purchase option. A Recent news show talked about how public cities curb many homeless problems with the use of that type of program. Blight is addressed by tearing down slums, economic development would be a tool to attract new businesses, and community development would be an amalgamation of the two. Senator Winder asked Mr. Nugent to identify those three areas and then see where Utah has certain levels of votes required for certain things to occur, other cases where an urban renewal agency could make decisions without the vote of the people, and see that they were separated into three distinct areas with certain types of established standards. He thought it would be helpful to have those three things outlined in simple terms, and Mr. Nugent agreed to have that available for the members at the next meeting.

Representative Anderst commented that there were so many specific requirements in statute. He asked who has the responsibility or the ability to hold urban renewal agencies accountable to follow statute. Mr. Nugent answered that it was up to the city council, with the mayor, to create accountability, and the county assessor also has to sign off on any levy. A rogue urban renewal entity would ultimately be accountable to a county prosecutor, if something rises to the level of a criminal action. Mr. Nugent had been asked by a member of this committee to get as many urban renewal plans as he could gather, and he assumed there was a central repository, which did not exist. A public records request resulted in receipt of two boxes full of urban renewal plans. Representative Anderst said he was referring to reporting, per statute, in a specific time frame to a city council. Those types of situations have requirements, but those are often not taking place. These are areas that can be reworked for more consistency, in his opinion. He wondered if other states have dealt with accountability and transparency. Senator Winder said this did come up, and he thinks

that Utah's very extensive public hearing process and various steps for participation, including the requirement of a super majority vote as opposed to a majority vote, were all of interest. Mr. Nugent mentioned that the Taxing Entity Committee added transparency, and he thought that Washington had more transparency. Senator Jordan asked Mr. Nugent, in the breakdown requested by Senator Winder, to identify the three different areas in Utah, if there is an opportunity for local option to be employed by cities. Mr. Nugent clarified that Utah does have a local option tax, but he wasn't sure if that extends to urban renewal agencies.

Senator Winder asked for clarification about the statement that urban renewal may not be liked very much, believing that there are areas of the state where there have been issues. However, he said there are many good things as a result of urban renewal, and that issues being dealt with by this committee may include how to go forward to make sure that the public has input, and that the public is protected, based on constitutional requirements. How do we reign in those that have gone astray without penalizing those who have done a good job? He did not want to leave the impression that the members of this committee think that urban renewal in all cases has been bad, because in many cases, urban renewal has done good things, especially downtown Boise today. Co-chair Johnson added that was why the newspaper article from fifty years ago was so interesting to him, talking about a blanket condemnation. There may be some things that people have not liked, but a lot of good has happened with urban renewal. This committee needs to find out what improvements can be made, which might mean changes to the law. Hopefully, he said, the process can be improved. Senator Souza commented that there have been massive changes since the 1960s in terms of the cultural and business attitude with reluctance to take government money. Now, she said, that seems to be an expectation before development, and she thought perhaps that kind of attitude change needed to be addressed because of the accountability to taxpaying citizens of the entire municipality, not just the urban renewal district.

Mr. Ryan Armbruster, attorney with Elam & Burke, P.A., handed out a presentation entitled "Urban Renewal in Idaho" and he said his law firm represents the Redevelopment Association of Idaho (RAI) and members include a majority of urban renewal redevelopment agencies throughout Idaho. He said that RAI was formed in 2010 for the purpose of, and is committed to, the facilitation of communication between and among redevelopment practitioners, education, encouragement of best practices and the redevelopment enterprise facilitation of compliance with applicable state laws and improvement of accountability and advancement of the effectiveness of the redevelopment tool. Urban renewal is one of the very few tools available to local government in Idaho to encourage economic development in order to retain existing development, attract new development, and remediate deteriorating areas. Projects often require substantial infrastructure that cities or counties are not able to provide on their own. Increment financing is key to setting up an environment which could persuade existing development to remain or new development to locate. He said that the words *tax increment financing* are used interchangeably with the more defined term of *revenue allocation*. Mr. Armbruster gave examples of urban or municipal infrastructure as including streets, water distribution, sewers, waste water treatment facilities, power, gas & communication as "hard infrastructure." Parks, recreation facilities, libraries and public buildings (fire stations, law enforcement facilities, city halls, courthouses) were referred to as "soft infrastructure." He added that there is a great amount of activity by urban renewal agencies in what he called the "site preparation state" which is elimination of blighting conditions that retard economic development, including demolition, environmental remediation and site clearance; that has been an important tool for many communities. Senator Winder said this was one area of great public concern, where a project started out to be blight-related, now has gone into other areas, which he believes this committee needs to deal with. How do you have transparency and honesty with the public to deal with different types of issues that really are not urban renewal or blighted area renewal? Mr. Armbruster suggested that creating a definitive difference between the two may be helpful. He referred to a straightforward economic development in Twin Falls which has worked quite well for

Chobani, Clif Bar and other projects. Looking at the two chapters is also something worthy of this committee's attention, he thought.

Mr. Armbruster provided details of the urban renewal planning process. He referred to the Local Economic Development Act, Title 50, Chapter 29, Idaho Code; Idaho Constitution -- Article VIII, Section 4, Art. XII, Section 4; Separate and distinct legal entity with independent authority -- *Yick Kong v. BRA*, (entirely layperson board) *Hart v. Rexburg URA* (mix of laypersons and council members); Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code; models throughout the state vary widely. He thinks it is important from a legal standpoint that there not be the city council serving solely as the urban renewal agency because he thinks that creates additional constitutional issues that would have to be dealt with by the Idaho Supreme Court.

Representative Anderst asked if current statute allows for just city council members to govern a revenue allocation area. Mr. Armbruster said the statute does allow that, but it has never been brought to the Idaho Supreme Court on constitutional issues; that is a concern, he said. Senator Souza said that during the last session, she asked for an attorney general opinion on that very topic that Representative Anderst just brought forward, and it is the opinion of this attorney general's office that there is no conflict with the constitution or the statute if the city council is the entirety of the urban renewal board. She added that Mr. Armbruster, obviously, did not agree with that, but she asked if the city council was on the urban renewal board as the majority, mixed with people who were non-elected, how would that make it less of a conflict? Mr. Armbruster replied that his advice was that city council members not be a majority of that particular body. He believes it is a conflict and that there is a theory of alter ego where there has been no distinction between the two bodies and a city has very limited ability to issue debt. An urban renewal agency, by the two cases cited, has been adjudicated by the Idaho Supreme Court as being allowed the opportunity to issue debt without a vote. He admitted that lawyers do disagree. Mr. Armbruster said he may agree with the attorney general opinion. The problem is that bond counsel, without a decision from the Idaho Supreme Court, would be reluctant to issue an unqualified opinion that *that* governing body does not create constitutional infirmities. Senator Souza asked if bond counsel would be more comfortable if the urban renewal agency board was made up entirely of non-city council members who were publicly elected. Mr. Armbruster answered that he wasn't sure that they posed that specific question, adding that he didn't know the answer to that question. He thought the issue of publicly elected urban renewal agency members raises other issues that would need to be addressed.

Mr. Armbruster went over how urban renewal areas are formed, steps to create a revenue allocation area (RAA) and definitions of *deteriorated area*. Senator Jordan asked about his reference that the city receives the plan and refers the plan to the planning and zoning commission, for a full public hearing process that is noticed, asking if that was correct. Mr. Armbruster replied that the current statute does not require a formal public hearing at the planning and zoning commission level, but it does require it to be at a properly noticed meeting of the planning and zoning commission, and they must make a specific finding that the urban renewal plan conforms with the comprehensive plan. Senator Jordan said in her experience, it is automatically addressed as a public hearing, which she thinks is a much more transparent way to go, asking if any cities were referring to planning and zoning urban renewal plans but not holding public hearings on those plans. Mr. Armbruster answered that because statute does not formally require a public hearing at the planning and zoning commission level, several cities do not; it is really up to the city itself. He said some cities do conduct a full-blown public hearing. He believes the reason that sometimes it is not formally a public hearing is that the finding that the planning and zoning commission must make is a fairly narrow finding on applicability of the comprehensive plan and that almost every urban renewal plan would not be prepared if the planning and zoning commission did not believe that it already complied with the comprehensive land use plan. Mr. Armbruster explained urban renewal plans, generally, and what powers urban renewal agencies have, including project financing options. Representative Kloc asked about developer reimbursement agreements. Does that mean a project

can start with a developer and then he gets reimbursed after the project is over? Mr. Armbruster said "yes" and he gave an example of a housing project in Garden City where a developer funded all necessary upgrades to water and sewer infrastructure, as well as other utilities, in the amount of about \$500,000, and that developer will be paid back over time as increment is generated from that particular project. Senator Jordan commented that if the developer had not advanced the funds to implement those infrastructure upgrades, the city would have been responsible for those upgrades eventually, as individual development was done in that area, and not the larger project. Mr. Armbruster replied that had the urban renewal agency not stepped up to the plate, that project would not have gone forward. The ability to have the developer show the Idaho Housing and Finance Association that it had this commitment from the local entity, provided its competitive advantage when it was vying for those tax credits that are used in housing projects. Senator Jordan said she understood that the particular project would not have gone forward, so Garden City would then have had a large piece of undeveloped property in their boundary with inadequate infrastructure. Would it then have fallen on Garden City to upgrade that infrastructure in an effort to bring some type of development to that piece of property? Mr. Armbruster answered in all probability, in all likelihood, yes, because that particular piece of property was an abandoned mobile home park and there would have had to have been some sort of public investment in order to provide the infrastructure for any type of future economic development.

Representative Clow gave another example about ten years ago when Jayco came to Twin Falls and, as part of that process, Jayco put up all the infrastructure money and then was reimbursed over a period of years as money came in, so there was no indebtedness undertaken for that project. Any agency decision regarding financing, especially those related to any long-term obligation, must be shown to be economically feasible. Any decision by an agency concerning financing documents is made in open meetings, properly noticed before the body, and as a public entity it must comply with audited financial statements, budgets, annual reports, public bidding and contract compliance. The new portal (HB 560) requires agencies to file that information.

Mr. Armbruster talked about board composition and limitations, and there are statutory compliance issues. Agencies have their own conflict of interest laws, and an agency does not have any role in terms of the assessment process or the levying process. Twenty years is now the maximum amount for increment, and funds received by the agency must be spent in that particular revenue allocation area. As that investment is made on the public side, there would be a tremendous amount of investment on the private side as well.

Senator Souza asked about the schools not being impacted as much as they used to be, due to bonds and levies, because the increment isn't taken from them. She asked about safety bonds, such as Coeur d'Alene just passed for fire and police, and any other taxing entities that may bring forward a bond or levy, asking if the payment increment amount from the district goes to the urban renewal agency in that municipality? Mr. Armbruster replied that since 2008 any voter approved levy does not go to the urban renewal agency, unless one slipped through the cracks. That has been a consistent interpretation by the Tax Commission.

Representative Clow said that a bill last session with regard to emergency levies had been an overlooked area where money was going to urban renewal, but that was discontinued; he asked that to be addressed. Mr. Armbruster said that bill did pass, so beginning this year urban renewal agencies will not receive emergency levies imposed by school districts.

Representative Sims asked if urban renewal agencies were allowed to give grants not contained within their plan. Mr. Armbruster answered that essentially the plan is supposed to be a guidebook; if plans were perused throughout the state, each is different in terms of how they describe how money is spent. Statutory provisions state that any incidental costs related to a project area are supposed to include flexibility in the process, but specifics would have to be examined to figure that out, he said. Representative Sims asked if there were any restrictions on what an urban renewal

agency can spend the money on. Mr. Armbruster said he thought that was a mischaracterization; he said that there are limitations. The limitations are the plan, the annually approved budget, and there are also constitutional limitations concerning direct funding of specific, private uses, private for-profit corporations, so it's not just a blank check. Representative Sims said she realized that was all in place now, but she said there is no enforcement in any way, and the taxpayers are now looking at laws that are supposed to govern these agencies; how do taxpayers get control?

Senator Souza asked Mr. Armbruster for clarification about the approved uses of urban renewal money which she thought he said are not for private industry or private corporations. Mr. Armbruster pointed out that the situation with private companies is really a constitutional issue; he thought it would be inappropriate for the Capital City Development Corporation (CCDC) to have paid the hotel developer in Boise to build its lobby, but it was appropriate to build the public plaza that surrounds the building. Senator Souza asked if he would agree that the proper use of urban renewal money is on items, equipment, or public buildings or plazas that will always be owned by the public. Mr. Armbruster replied, in his opinion, that is the way things should work in order to justify the payment of public dollars; it must be a public investment for the benefit of the public. That is the rule his law firm follows when providing legal opinions to clients. Senator Souza said, according to Representative Sims, there are concerns because in many northern parts of the state especially, there is no enforcement on Mr. Armbruster's view of what the proper use is of these monies, so in many instances funds go to promote or subsidize (things or buildings?) that will never be owned by the public.

Senator Winder asked to be refreshed about consideration of Boise's urban renewal. He thought that taxing districts that benefited from the property tax discussed the impact of what would happen as properties were developed and new revenues were generated under tax increment financing. He thought that even the school districts agreed that it was worth the effort to not receive at least a portion at that time, which subsequently changed, but he thinks the collaborative effort of the taxing districts was a good communicative effort and it allowed the public to see a transparent process. Mr. Armbruster said his recollection was that in 1986-1987 that was the case in terms of the Boise central district that would never have been developed without the tax increment authority. Over many months, representatives of the city and agency met with every local taxing district to first get the support in order to petition the legislature for a statutory change. He said he thought there are great examples in the state where that sort of collaboration continues.

Representative Anderst asked about the closeout of an area; he hoped that amendments could be made with regard to closing out revenue allocation areas, specifically dealing with when an area has exceeded its projected revenues and how that money is carried over or reinvested within the same program, or not, in a situation where the revenue has not been met and there is still money that ultimately needs to be paid by somebody. Mr. Armbruster said he would cover the closeout process later in his presentation. He pointed out additional benefits of the urban renewal tax increment program; at termination several things happen. Any new construction value in that geographic area, since 2007, is available for the other taxing districts, should they so choose to increase their budgets by that collective value. The Tax Commission is keeping painstakingly detailed information on what those values are from 2007, into the future. Additionally, he said that when closeout occurs, the assessed values of that project area are now available for the taxing districts. In the few that he said he'd closed out, the impact typically is that it will drop the levy rate the year after closeout, so that is the impact.

Mr. Armbruster addressed issues that have arisen since the year 2000 which included things that have come before the legislature or been considered in the last 10-15 years; those issues cover a wide array of topics. He pointed out that in the 2008 Legislative Session HB 470 provided what the levy rate for allocation purposes excludes. He said that 2010 legislation that did not get passed may be a place to take a second look, if the committee is so inclined. House Bill 567 was over 100 pages long, and he said that Mr. Nugent may have ways to shorten that bill by combining chapters,

but it proposed reform and modernization, having looked at Utah laws, and tried to bring some of what made sense, without causing other issues. That bill was kicked to a subcommittee, and he said that House Bill 672 basically was a reform bill that didn't have modernization, believing that to be one reason that the bill had no legs. The volume and complexity of that bill is something that may need to be addressed, since there may be good ideas still in that legislation. Much of what was talked about on the reform side was eventually passed by the legislature in 2011 and beyond, he said. Several bills were printed in 2015, but did not get all the way through the process, and HCR 17 created this interim committee.

Mr. Armbruster shared some successful urban renewal projects in Idaho. Representative Anderst asked for a brief description of exactly what the urban renewal agency did in the River Commons District (Snake River Landing) in Idaho Falls. Mr. Armbruster said it provided some assistance for the actual remediation of that old gravel pit, it provided public streets and sidewalks, infrastructure, utilities, drainage, and all that was primary use. Ultimately, the amount committed to the developer over time was between \$6-8 million in infrastructure; nothing was borrowed, and a bond was not issued. Representative Anderst asked if there was any vertical construction, and the answer was that there was no public building in that project, just a storm drainage facility. Mr. Armbruster believes that project was successful in eliminating blight, strengthened the tax base, and provided infrastructure that leveled the playing field for development. He ended by saying that project areas do close; sometimes we forget that most plans that were adopted since 1988 when tax increment was first allowed went through the approval process in the early 1990s, when you could have up to thirty-year plans. So, many of those plans are now beginning to close out. The closeout process itself was actually an amendment made, and he believes that it works and determines that either work has been completed or that there is no need for additional work. Urban renewal activities follow the process as set in statute, directed by the Tax Commission, to provide notice to other taxing entities to take advantage of the turnover of funds or the assessed values and the new construction value. Going into the plan, you have to have a specific section that addresses what happens when you come out of the plan. Co-chair Johnson asked about the but-for test and issues dealt with in the past, and he said he didn't see the but-for test included, adding that this gets asked about a lot, as well as the feasibility study. Does it really capture the information that is being gathered, to actually measure a but-for test? He asked for comments on that, moving forward, in order to address those concerns. Mr. Armbruster replied that the change mentioned by Mr. Nugent in 2008 really did put more teeth in Section 50-2905, Idaho Code, on the feasibility study that has to be a part of the plan. The but-for test is a little more difficult to articulate, he said, because typically not every plan is directly related to a particular project that is being currently courted, such as Chobani or Clif bar was. There are other projects, a downtown project particularly, where there is not necessarily someone coming in right away. Boise has taken more than twenty years to reach closeout. It would be difficult, he said, to articulate that but-for requirement for a downtown project. Changes previously made help in trying to provide more feasibility and at least the plan itself should have some specificity.

Senator Souza asked about a Boise parking garage, assuming it was a public building and no property tax is paid on that building; she asked if this would not have been a project that could have gone to a public bond vote in order to convince voters in Boise that this would really help Boise, rather than the tax increment being taken from the voters, without their vote. She asked Mr. Armbruster to address that issue, and he said that this photo in his presentation was a public building, owned by CCDC, so property taxes are not paid. His recollection was that when a developer is willing to invest funds and needs immediate attention, it is decided where those limited funds will be invested, and it is extremely difficult to tell that developer to get back to them in 6-8 months when the next election cycle can be gotten through because we can only take this to voters twice yearly, with a required vote of two-thirds. Up until the most recent bond election, there have not been many successful bond elections in Boise city. He thinks that developer would have run away quickly. Senator Jordan commented that these decisions need to be made fairly quickly, but she thinks that it must be considered that, were the theory floated to put these items to a vote, in addition to the opportunity

being lost, because no developer is going to wait for that cycle to happen, the cost of those elections would fall to the taxpayers of that community as well. So, that amount of money can be significant, probably would mitigate any perceived savings there might be to funds that go into TIF, so going forward as a committee, she thought it might be helpful to get information about what the average cost would be for an election in each of the communities that have urban renewal districts.

Representative Anderst asked for clarification regarding parking structures and property tax assessment; he thought he had read with a Nampa parking lot, also owned by an urban renewal agency, that the county assessor made the determination that it would be taxed. He wondered if that is an ambiguity in statute or what the difference would be between that decision in Canyon County versus the decision made in Ada County regarding property taxes. Mr. Armbruster explained that he didn't fully understand how the assessor in Canyon County reached his conclusion; he didn't believe there was ambiguity in the current statute that basically says that any property owned by an urban renewal agency is deemed tax exempt. Representative Anderst said the argument made publicly by the county assessor was that it was potentially in competition with the private sector; he wondered if there was a loophole in statute that isn't clear and whether this area needs more clarification. If a property is potentially in competition with the private sector, maybe we need to establish some sort of exemption to that provision. Mr. Armbruster said it might be worthwhile to look at that. Representative Clow said it was his understanding of some of these issues that an urban renewal agency might build a building or parking garage and then lease it to a private entity; sometimes assessors have looked at who the lessee is, in which case it triggers whether the structure is taxable or not. Mr. Armbruster said that a parking garage would be more difficult, but certainly public buildings that are then leased to a private developer, would make the leasehold interest itself taxable. He explained that for a while in Boise, there was an idea that rather than disposing of property through sale, the redevelopment agency should hold on to it through a ground lease so the value of the dirt was tax exempt, but when it conveyed the building or improvements to the developer, that was taxed by the assessor.

Senator Winder asked about the charge of this committee, having talked about the makeup of the board, whether council members or non-members, the confusion between Chapters 20 and 29, Idaho Code, and if there is a conflict with city council, whether there should be a conflict with city employees providing staff services. He asked about that and if there are other areas in code that need to be corrected or other approaches around the country that would provide the balance of approach to protect the taxpayer and honor the Idaho Constitution, as well as to try to give local governments tools. He said that we hear that government closest to the people is the best government; we don't see that carried out often, and local option taxing and other things where people have the right to vote on these types of issues don't seem to get very far around this building. Mr. Armbruster said he would appreciate the opportunity to ponder that and come back with ideas. With regard to city employees, he said it was difficult to create a one-size-fits-all approach because every community is different. When an urban renewal area is established, there are no funds; even if there was a developer there on day one, it takes two years through the property tax system before the first dollar comes in the door. There is a need to provide some administrative services in order to comply with regard to annual reporting, budgets, audits, and there must be a way to try to fund that. Cities have contributed in-kind services from time to time; some cities and agencies have formal contracts where an agency does pay a portion or more to that city providing them a service, but each city is different. Senator Winder asked if there would be a time frame in which Mr. Armbruster could respond to the committee, and he said that he could provide an outline at the next meeting of some appropriate issues. Co-chair Johnson invited everyone to submit information to Mr. Nugent or Mr. Bybee in LSO, for distribution to members.

Co-chair Johnson recessed the committee at 10:50 and reconvened the meeting at 11:05 a.m.

The next presenter was Mr. Cameron Arial, Vice President of Public Finance, Zions Bank, and his handout was entitled "Idaho and Utah Public Finance Options." Co-chair Youngblood had asked Mr.

Arial to address the Utah model, as well as make observations, having done urban renewal work, particularly financing urban renewal bonds in Idaho, and to give perspective on the market and credit of urban renewal and how that works. Mr. Arial pointed out the positives and negatives of different methods for financing capital projects. He said that generational equity, when invested in a community, is an investment specifically financed to benefit the people who paid for it, and who also get the use of it. Other tools may allow funds to be hoarded for a period of time, and if a person passes away or moves, that citizen derives no benefit from that taxed money, whereas if that money is deployed and used for a benefit, then a citizen gets the benefit of their tax dollar being used in the economy.

Mr. Arial showed tools available in Idaho and Utah and how they are authorized, what the security and collateral is that supports financing, the repayment method and types of projects funded. Mr. Arial said that Utah has more tools and certainly more flexible tools, such as general obligation bonds which are backed by property taxes. Utah has a simple majority, 50% approval for that, any municipality, schools, counties, cities compared to Idaho's 66 2/3% for approval, which is a hurdle and the only other state with that high a threshold is Kentucky. Utah has sterling credit with six AAA rated credits; Idaho has no AAA rated credits. Idaho cannot issue long-term debt, so even if the legislature wanted to invest and bond for that, it cannot be done constitutionally. He pointed out long-term bonds issued per capita for ten years in Idaho and Utah; bond issuance by category; education, utility, and transportation bonds issued per capita. He pointed out that per capita, Idaho is far behind in basic functions of government to provide utilities, transportation and education. Looking at education from an investment perspective, one could say that Idaho cares half as much about education as Utah, which he said is not true. If you lowered even to a 60% threshold, Idaho would exceed Utah per capita in investment in education, so it is a function of our policy that we see this. He said that Idaho's annual GDP (gross domestic product) averages about 1.4% compared to Utah's 3.9%. Idaho lags in economic growth. Mr. Arial said that Utah has three different silos with no public vote required for any of them, and there is a Taxing Entity Committee (TEC). The three types of project areas include: (1) urban renewal area (URA) dealing with blight; (2) economic development area (EDA) dealing with job creation; and (3) community development area (CDA) which encourages a wide variety of community projects, with no taxing entity committee approval, but an opt-in, interlocal agreement. He said there is no statutory requirement to exclude schools, but it's essentially a hard "no" from schools, and they don't participate. Representative Anderst asked if Utah has bonding authority under community development, since eminent domain was eliminated, and Mr. Arial answered that it does. He said that the average length of a URA in Utah is 15 years and up to 69 years, with a minimum of 5 years. Projects are very plan driven, defined projects, with the idea of getting in and then out, bringing in the economy to capture that increased tax revenue. The TEC is made up of 2 (from local school district); 2 (county); 2 (city/town); 1 (State Board of Education); and 1 (all other taxing entities). Mr. Arial gave a definition and conditions of blight.

Mr. Arial noted that municipal buildings may not be paid for with tax increment unless the TEC waives this requirement, mainly because municipalities have other tools; GO and revenue bonds are used. Representative Clow asked about the Geneva URA Project pictured in Mr. Arial's presentation, wondering how police and fire would be funded, but then later when a percent of increment was referenced, he asked if these communities when set up can still pay for base needs of citizens, such as Geneva having over 7,000 residential units. Mr. Arial answered that the increment process, especially on a large project, is very much a collaborative effort. You will see a municipality bonding, putting in significant portions of infrastructure, school districts will bond to put in schools, and with regard to percent of total increment, it is up to the body how much they are willing to make developments occur. Representative Clow said that if a single family residence is built, could you have 20% of that increment go to the district and then choose retail or industrial property at a different level? Do they break it out due to class of property? Mr. Arial replied that was correct; the TEC has authority to make that determination and how they break up the use of those funds. He showed a slide of growth in Utah's tax increment from \$2 million in 1979 to \$180 million in 2014.

The consistency and predictability of the tools in Utah, as well as flexibility and timing of the use of tools, and lowering the corporate income tax to 5%, were what contributed to that explosion in growth. Utah does have a model that he said speaks for itself. Senator Souza asked about the "get in/get out" idea and the impact of quick development with the reduction to 5% in corporate tax, and probably other Utah taxing policies, as compared to Idaho, and asked if that is a major reason that the tax increment went up and how can one distinguish whether this is to be given credit to urban renewal or whether it is due to the overall tax policy in the state of Utah. Mr. Arial said he thought it was "all of the above," adding that Utah has the ability to invest and that has pushed the economy to a place that is attractive to big companies and taxpayers, combined with the ability to flexibly and quickly respond to economic development opportunities.

Mr. Arial next addressed how Idaho's tax increment credit works and the market. Any kind of financing is based on where the revenue is going and if there is enough revenue to support the debt payments, which he said was critical. Mr. Arial said the broader the tax base, the more the increment. Diversification and projected values of properties are also critical. There are also coverage and reserve requirements, and authorization. Mr. Arial covered limitations on financing. Representative Anderst asked if we know as a state, looking at a majority of revenue allocation areas and the plan, is there a sense of how Idaho is doing as it relates to what the anticipated revenues were in the increment versus what has either actually happened or what is happening? Mr. Arial answered that certainly occurs when bonds are issued. When a bank lends money for infrastructure, if that project is not completed, there is a problem, so that is very much observed in the financing element. In bond agreements, there are reporting requirements imposed by the investor to make sure things are on track. He said he could not address a situation with a developer. Representative Anderst said he was concerned that once the money is spent, it is gone. In a situation where decisions are being made regarding libraries and public service buildings, if the actual increment in the area surrounding the project doesn't pick up, then what do you do? He was not sure that Idaho has a good idea about where we stand as it relates to authorized projects and the money spent. Mr. Arial said he had observed that URA is one of only a few practical tools that work; it is very difficult to get a super majority vote approved and to justify even a simple majority for sewer and water, with unseen tangible benefits, so urban renewal is often used for things for which other tools are available. A general obligation bond backed by property taxes is going to be much cheaper from an interest rate and issuance cost than what is a very difficult product in the form of urban renewal. From a taxpayer perspective, the more reasonable tools are more difficult to use. Credit can be based on projected TIF revenues, and are thus hard to market. Mr. Arial pointed out different projects around the state, stressing that Idaho needs urban renewal, but it certainly can be improved from a policy perspective, at least from the financial side of things, in order to reap the benefits from that. Representative Anderst asked about the difference in rate margin between a typical GO bond and where there was a single bidder. Mr. Arial said it was hard to say, since it is all so credit driven, but added that it was not uncommon to see 200 to 400 basis point swings in interest costs, depending on the credit. It speaks to the overall finance portfolio of the state. When you are forced to use a tool for a situation that another tool may better address, due to inflexibility or unavailability, that is something he thought the committee can consider.

Mr. Arial said he had been asked to address industrial development revenue bonds and the way they work, since there have been misconceptions about using those instead of urban renewal. It's important to distinguish that there are private, commercial loans, so it is not a municipal credit and there is no public entity revenue securing them. Credit is based on the lending bank; that will be a huge determination on whether that business can accomplish its goals. There is a limitation of \$10 million in a calendar year, so the benefit of an industrial revenue bond is that you take a taxable commercial loan and by meeting certain IRS requirements such as job creation, tax exempt status is the result. The lender does not have to pay taxes on the interest income that they derive, so that tax exemption is passed back to the company. There is real value, but also restrictions, he said. The security is the company, the assets being pledged, and the source of repayment is the

ability of that business to repay. He said there is no voter authorization for industrial revenue bonds, but allocation must be applied for and the Department of Commerce (DOC) holds the allocation. It may not be used due to not qualifying under IRS guidelines or that jobs may not be produced, or they are not good credits and banks won't lend to them. Mr. Arial summarized that Idaho has fewer tools at higher authorization thresholds than Utah, yet Utah has more AAA rated credits and superior economic statistics. Idaho URA is used in place of other efficient options because those options don't exist or are inflexible. Idaho invests approximately 1/4 as much in infrastructure as Utah per capita. Idaho reduced its investment during the recession, while Utah increased its investment to take advantage of historically low interest rates and construction costs. Utah URA policy is flexible (URA, EDA, CDA), performance based and predictable. Idaho URA policy is in constant flux, difficult to market, but remains one of only a few tools. Mr. Arial said he applauds legislators and stakeholders for trying to strike the right balance between debt constraint and economic investment. Senator Winder asked Mr. Arial to produce a list of things that he thinks would help to improve financing in Idaho and still maintain the integrity of the Idaho Constitution and the protection of the taxpayer, and Mr. Arial agreed to do so.

Co-chair Johnson recessed the committee for lunch at 12:00 noon and they reconvened at 1:30 p.m.

Mr. Wayne Hoffman, President, Idaho Freedom Foundation, addressed "Alternatives to Urban Renewal" and he said that in 2010 they had conducted a study on urban renewal in Idaho and they were involved in reform efforts in 2011 which brought forth the requirement that the public be allowed to vote on new urban renewal agencies. More recently, they advocated for the removal of the unlimited urban renewal inspection authority, approved by the legislature in 2014, and signed by the Governor. Mr. Hoffman said that his foundation points out wasted urban renewal dollars, as well as where taxpayer dollars have been converted to private use or put onto projects for economic development that actually never materialized. More broadly, he said they try to educate legislators and other policy makers on the benefits of the importance of the free market and the demerits of a state-run economy. Mr. Hoffman stated that urban renewal had been used to take over farm fields and pave over them, calling that urban renewal, which he disagrees with and thinks is starting to happen. He doesn't think that developers should benefit because they are well connected, while others cannot, and some developers get special deals. The biggest problem, he thinks, is lack of transparency where money is taken off the top, put into an urban renewal district, and officials have told him they paid for a multimillion dollar project without any taxpayer dollars, and he said that is not true. The other substantial problem, he thinks, is that city and county governments are scrambling for money, and urban renewal is exacerbating that problem. Mr. Hoffman said that transparency is not helped by what is going on in Coeur d'Alene where an urban renewal agency that renamed itself "Ignite CDA" makes it impossible for taxpayers to actually realize that "Ignite CDA" is a government agency and gets and spends taxpayer dollars. He thinks this is something that this committee could do something about. He thinks that the primary beneficiary of urban renewal is big business. Mr. Hoffman tells people to trust the free market and entrepreneurs to do what is right, and that includes robust activity, as well as periods of lethargy. Everyone should be treated equally in the eyes of the government, whether big or small entities.

Mr. Hoffman said he believes that the urban renewal law needs to be repealed, believing that it can be fixed and made better, since he thinks it is not working. He thinks things could be made marginally better, with the caveat that no matter what is done, problems will remain. He thinks urban renewal needs to be limited to public hazard or nuisance remediation, blighted property falling down, and not to call it something it's not. He thinks that urban renewal should be prohibited from lending credit and from converting taxpayer dollars into private use. Senator Winder asked for more insight about extending credit to a private party. Mr. Hoffman explained that there were businesses in Pocatello that approached the urban renewal agency for a loan. One of them was around \$200,000, the terms of the note were put into the agreement, it was supposed to be repaid, it never got repaid, as well as 3-4 other notes outstanding. Senator Winder asked if the loan was used to pay

for public improvements or to pay for improvements that went into private ownership. Mr. Hoffman replied that he did not remember, but offered to get that information. Mr. Hoffman said the details are in the Pocatello Urban Renewal Agency's audit report, and the most recent one is posted on their website. Mr. Hoffman agreed to get that information to Mr. Nugent for the members.

He suggested limiting the amount of money, the percentage of the increment that urban renewal gets, since there is a question about whether an agency should get 100% of the increment. He thought not, especially when taxing districts are there still being expected to pay for the services provided to those urban renewal agencies. He thought that might be a subject of debate as to what that could be limited to. Mr. Hoffman referred to statute that allows owners of agriculture and timber land who can provide consent, but then why should they be part of urban renewal, believing that to be a huge question which makes it more likely that urban renewal agencies will look at a vacant lot or piece of timber or agriculture property rather than deteriorated property, because you get a bigger increment if you pave over and put a building on farm land than if you take deteriorated office buildings downtown, for example.

Mr. Hoffman believes that urban renewal should not be allowed to avoid debt finance votes, adding that he couldn't remember the last time he saw a local government go out and vote on a project, so government entities have figured out they can avoid a vote. Senator Jordan clarified, for the record, that the city of Boise took a bond to the voters last November on fire station improvements and a new training center, which did pass. Mr. Hoffman said that in 2013, Canyon County was \$240 million in debt, spread across eight different districts in Idaho; he said other districts were similar. Voters are valuable, and he said that they have been extremely discounted ever since urban renewal and debt financing. Taxing districts could be allowed to opt out of urban renewal, and that would force urban renewal agencies to design projects that benefit other taxing districts; Mr. Hoffman believed that Utah has some type of variation of that. For the sake of discussion, he floated the idea of a transparent state-funded, state-directed economic development fund, adding that he was not a fan of the opportunity fund, picking winners and losers. Programs are already engaged in local government infrastructure; if a portion of the 11.5% revenue sharing was taken for economic development with a fair, equal, above-board process for who gets money for what projects, with transparency, that may be a way to accomplish things outside of urban renewal. Urban renewal has been expanded to the point that Mr. Hoffman doesn't think that it can be fixed. Every state is coming up with new ways to involve government in economic development; he thinks that Idaho should stand apart and lower taxes and eliminate government red tape and regulation, get rid of special deals which allow some to get ahead, at the expense of others, to allow the free market to work. This would be innovative, novel, and would be a change of direction from what has been done the last several decades, according to Mr. Hoffman.

Senator Souza said she appreciated Mr. Hoffman's ideas; she asked for clarification on a point he made on unfair competition, or rolling out the red carpet. She said she and her husband had owned a small business for 31 years and it is not within an urban renewal district, and nobody rolled out any red carpets for them, and they continue to add jobs as years go by, even in spite of the economy. She thinks it is unfair competition, in her eyes, if a business locates itself within the urban renewal district, and if that business is politically well connected, then that business could get the red carpet, funding, and subsidies offered to them. Those that may be in the same industry, who choose to locate themselves just outside that district, do not have that opportunity, and she asked Mr. Hoffman to comment about whether urban renewal districts increase in economic value but the municipality as a whole decreases, asking if that had been researched. Mr. Hoffman responded that when Cabela's came to Post Falls, another local company did basically the same thing that Cabela's was doing, and ended up going out of business. When Chobani came to Twin Falls, local Twin Falls city government basically put the Chobani permits at the top of the stack, and there was a small business person who had been waiting a long time for action on her building request, according to Mr. Hoffman, which he said was unfair. There is the appearance that government favors big

business over small business, and each time it's done, real people are impacted, he said. He thinks that this is a moral hazard, believing that government has an obligation to stay as far away from the marketplace and manipulating outcomes as it possibly can.

Representative Clow commented that when Chobani came to Twin Falls, one of the commitments the city did make to Chobani was that they would assign an employee to cut through all the red tape and regulation; it was a huge construction project. He clarified that the amount of work in the building and public works departments can be voluminous, but emphasized that they try not to overstaff and to do things fairly, even though actions may not be perceived that way by some parties. Mr. Hoffman said that when there is an actual player engaging in economic outcomes, that entity is exposed to criticism. Representative Anderst asked, if we are getting away from free market principles from an economic development recruiting perspective, is it the business or the government? Mr. Hoffman said he believed that it was both; businesses have come to expect they can get some kind of benefit from the government, in the form of a tax credit, if they behave in a certain way. At the same time, governments compete against each other for support to allure businesses. All that infrastructure built around a business is affected when another incentive is offered for that business to move elsewhere. It's a race to the bottom, in his opinion; he thinks what you want is a stable, tax-predictable tax structure that treats everybody fairly.

Representative Clow asked about a reference to Nampa where a developer requested a one-block wide urban renewal area, wondering if this was a new revenue allocation area. Mr. Hoffman explained that it was a new revenue allocation area; there was an old hospital that became a nursing home which had been closed for 17-18 years. A developer asked for that to become urban renewal in order to put in apartments or special housing for senior citizens, so the revenue allocation was supposed to support that. Representative Clow asked if that had been approved, and it was Representative Anderst's understanding that it was ultimately voted in favor, but then the plan was not executed.

Senator Souza referred to the increment and whether communities should limit the percentage of increment that goes on an ongoing basis throughout the urban renewal process; she found that to be a fascinating option, which she had not thought about until Mr. Arial brought it up. She asked if the possibility had been considered that the increment should be capped at a certain percentage of growth. Once the assessed value is established at 10%, in order to start the revenue allocation area, there is no limit as to how high that increment can grow; is it reasonable to think, she asked, that a cap could be put on that, say at 15% or some number that is reasonable and then, after that point, those additional revenues would then go to the municipality. Mr. Hoffman said he thought that was a great idea and another variation that would be appropriate. Another idea, he said, was to delineate exactly how much money is going to be spent and, once you get to that point, the rest of it goes back to agencies. It happens frequently that urban renewal agencies look for other projects on which to spend money, versus the rest of government usually looking for money.

Representative Sims asked about how to put properties that some urban renewal agencies acquire back on the tax rolls, to prevent them from competing with private enterprise, asking if that is something that Mr. Hoffman favored. Mr. Hoffman said "absolutely, but I want to qualify my statement." He explained that he heard from people in the development industry who are frustrated that urban renewal competes with them at all; he didn't think they would take favorably that their competition is tax exempt when they are being subsidized by government in the first place. Maybe a step back should be taken, he said, and perhaps say that before an urban renewal agency finances something, there cannot be any competing businesses, and he said he saw problems with even that kind of arrangement.

Mr. Hubert Osborne, Tax Accountability Committee of Idaho, handed out information entitled "TAC Item 4. Termination established for URDs and RAA." He stated that he and his wife reside in Nampa, and he thinks that a termination date should be established for projects which, in addition to scope

of work, include a termination time when the project is done. His second issue was "TAC Item 5" concerning the transfer of land to taxpaying entities, and he referred to three illustrations with portions of the contracts in his handout. He asked that auction be required, as the city or county must do, when disposing of property. He cited a property that was valued by the title company policy at \$425,000 and it was transferred to the Gardner Company for one dollar. Pocatello, he said, purchased a 67-acre site, a 100-year lease was consummated with Hoku Materials for one dollar per year, and the total cost to taxpayers was over \$1.3 million; Hoku Materials went bankrupt. Mr. Osborne gave several other examples, which he believes are unfair. He believes that the law should be changed and he gave suggestions in his handout.

Senator Souza asked for clarification on the term "scope of work" and how that differs from what is in the law currently. Mr. Osborne explained that usually when a contractor takes on a job, time frame, financing, etc. are parts of the process. According to Mr. Herriman, who was unable to attend today's meeting, Mr. Osborne said that not all of those things are done before an urban renewal project is passed.

Co-chair Johnson pointed out to the committee that Mr. Max Vaughn, Minidoka County Assessor, was unable to present at this meeting today.

Co-chair Johnson invited Mr. Nugent to hand out to the members some "homework" entitled "What's the Tiff about TIF?: An incremental approach to improving the perception, awareness, and effectiveness of urban renewal in Idaho." Mr. Nugent explained that this article had been written in the University of Idaho - *Idaho Law Review* within the last six months, detailing urban renewal in Idaho, and said that Mr. Armbruster had contributed to the article. It talks about successes, as well as "trainwrecks" that have occurred, and is a relatively detailed history.

Senator Souza asked about the larger scope of this committee, will there be time set aside as a committee to simply talk over various options, choices, and presentations. Co-chair Johnson replied that he thought that would be very appropriate in future meetings, believing that he and Co-chair Youngblood were very open to whatever agenda needed to be put together to accomplish goals. Senator Siddoway wondered how many meetings might take place with this committee prior to the next session, asking how detailed the committee was going to get. Senator Souza said it seemed to her that serious discussion needed to take place between members about content of what had been heard and researched to see if the committee was ready to "take the bumps off" or if something more dramatic needed to be done. Her personal opinion was that she wanted to see something substantial come out of this committee. Co-chair Johnson replied that he thought there would be 2-3 more meetings, prior to January, and he thought that the last meeting could be held just after the start of session to arrive at final decisions or recommendations. Representative Kloc asked if this committee was concentrating on anything specific, as in Title 50, Chapters 20 and 29, Idaho Code, or looking at urban renewal totally, everything in statute. Co-chair Johnson replied that HCR 17 references Title 50, Chapters 20 and 29, Idaho Code. Representative Sims said she thought this committee was going to work on everything, hoping to achieve results from both bodies of the legislature, and she thought at least four meetings would be necessary in order to achieve agreement.

Senator Winder commented that the legislative history shows that things slowed down in about 2011-2012, explaining that the Senate took the position that yearly piecemeal picking at urban renewal was not working, and that a comprehensive look needed to take place. Senator Winder thought that everything should be on the table for discussion and potential action or recommendations by this committee; he thought it the charge to balance out the good and bad to figure out a path forward. Co-chair Johnson said he had reread the history, old laws, amendments in order to be as prepared as possible, so he wondered if Senator Winder thought this committee was dealing with Title 50, Chapters 20 and 29, Idaho Code, or is there material in addition to that. Senator Winder said he wasn't sure how far it goes, but he did know there is confusion between those chapters so, at a minimum, those need to be addressed; he thought the committee's task

should be broader than just that. If the taxpayers are looked after, the Constitution, credibility and transparency, then all those issues need to be examined. He didn't think that would be insurmountable prior to session, adding that public testimony needed to be part of that, in order to provide direction. Representative Anderst said it seemed to him that meeting in September, October and November could prepare the committee for making recommendations in January. Senator Jordan thanked Senator Winder for the history he had shared to date; she thought there might be value in combining the two chapters which would lessen confusion. She wanted to clarify two things, from data driven standpoints, where the issues are that led the members to this committee, where there might have been abuses, errors, or different applications of statute. She also wanted to clearly articulate the successes and where this can be a real tool for cities and for the state. She expressed appreciation to Mr. Arial for his data-driven presentation. The more data and specifics provided to this committee in presentations, the better the end product will be. Representative Anderst asked if public testimony would be heard from outside the Boise area. Co-chair Johnson suggested that technology could be used to expand the committee's outreach and public testimony could be heard via televideo conferencing by possibly setting up sites in cities such as Coeur d'Alene or Pocatello. He thought that would work, rather than having the committee move around the state. Representative Kloc agreed that technology should be used for gathering essential public testimony from other parts of the state. Representative Clow commented that he wanted to formulate what direction the committee was going, prior to public testimony, so that potential changes could be addressed in that testimony.

Co-chair Johnson suggested that LSO staff capture what had been presented at this meeting and to circulate that in order to formulate suggestions from members for presentation at the next meeting. He thought that public testimony should be heard earlier, rather than later in the process, believing that citizens are well informed, and then those concerns can be addressed by this committee.

Representative Sims said she believes that one huge problem is enforcement of current laws, so perhaps somebody from the attorney general's office might join this committee at some point to ask about enforcement issues. Co-chair Johnson said that the Idaho Tax Commission would be on the agenda at the next meeting.

The committee discussed possible future meeting days and dates that were best for members. The future meeting dates were announced as being on Monday, September 21st; Monday, October 19th; and Monday, November 16th.

Senator Souza suggested that the committee discuss the general scope of what members might want to accomplish in this committee, since the agenda items were completed early. Co-chair Johnson agreed that would be appropriate. Senator Souza said that she agreed with people who had pointed out confusion between Title 50, Chapters 20 and 29, Idaho Code, and she thought the comparison with Utah in Mr. Arial's presentation was interesting, understanding that the Utah Constitution is different than Idaho's, but she thought there were a number of items that could possibly work for Idaho. She asked if members were open to the idea of rewriting some economic development opportunity tools and starting over, allowing Chapters 20 and 29 to fall by the wayside.

Representative Clow said that suggestions heard today stem from the fact that members around the state all have different urban renewal agencies and they all operate differently. He said he has wondered how it is that the full increment is given to urban renewal when maybe there should be some formula, perhaps 50% of retail goes to urban renewal, or 80% of industrial, or maybe only 20-30% of residential taxes go there, so that leaves something for the service requirement to the community. There are so many complexities around the state, many think that a fix for one may not work for another party. He said that in a recent discussion with a mayor, they were discussing an urban renewal area and revenue allocation areas, and the two parties were talking about two different things. In Twin Falls, he said that there is an urban renewal area which had been amended several times, and the revenue allocation areas are small pieces within that urban renewal area; in

some communities, the revenue allocation boundaries appear to be virtually identical with the urban renewal boundaries, so virtually all development ends up within those areas. Once we understand differences in communities, he thinks that things can be fixed or rewritten. How do we deal with Chobani, Clif bar versus somebody that needs housing, pointing out that every community is unique. He thinks that the two sections of code are so intertwined that it's easy to say "oh, you're taking farmland and turning it into an industry, and why is that urban renewal?" Maybe we need to look at both chapters, he said, or write new chapters dealing with economic development, but he was ready to start working seriously on solutions to determine what may be good or bad.

Senator Jordan said she was open to conversation about whether both chapters need to be combined or rewritten; she said she needed to push back about the statement of there not being blight any longer, because she does believe that there are areas that are blighted. She thought that definitions of economic development may need to be clarified, and how the economic development tool is used; whatever name is used, she didn't think that the blight provision should be eliminated, believing that blight remains in some pockets. She said she would be open to a conversation about some type of increment sharing and that it would be important for it to not be a one-size-fits-all kind of thing. It would depend very much on project locations, the size of communities, and existing services. In a downtown location, safety doesn't need to be addressed as much as in another location, since firefighters are already there. She thought that scopes needed to be broad in order to apply properly in differently sized and built locations, at the same time addressing concerns some have about questionable calls made in the past.

Representative Sims pointed out that Chapters 20 and 29 do not specifically handle economic development and she thinks that is what most cities are looking for; she agreed, however, that we are messing with the free market and might be building things that cities do or do not need, and they may or may not stay, so she said she wanted to never forget that it is the voters' money being spent and that voters were never asked about how money was being spent. She thinks that urban renewal agencies are being allowed to spend taxpayers' money any way they see fit. In her town she said that they finance parades, flower buckets, they gave \$500,000 to a church, and this needs to be examined seriously, and there must be an enforcement mechanism. If there is not enforcement, she said she would not vote for urban renewal, but would vote to kill it.

Co-chair Johnson asked Mr. Nugent about his public information records request for all of the urban renewal plans in the state of Idaho, and he asked how many urban renewal agencies there currently are in Idaho, and the number of plans, asking if was possible to consolidate that data for the committee. Mr. Nugent replied that he had received two large boxes full, 800 pages alone from the city of Boise, with some cities having 40-80 pages of plans. In each instance, a plan was designed to solve a local problem. There are about 60 cities in Idaho that have urban renewal, but not all have an agency that has a plan, or plans have been dissolved. Mr. Nugent agreed to summarize what the plans do, prior to the next meeting of this committee. Co-chair Johnson asked Representative Clow if that seemed reasonable to him, based on comments he made. Representative Clow said that it was his nature to talk about what can be changed, and the direction of the committee, and he thought a direction was important before taking public testimony. He thought sorting through all the plans would be a challenge.

Representative Anderst said that last year legislation was drafted and it was passed in the House, when potential changes were being discussed, all geared around the different uses of urban renewal, specifically honing in on areas where there was the largest potential for misuse or misappropriation. In that bill, anything under \$1 million did not need to be voted upon by taxpayers; certain types of structures were identified (city halls, libraries, etc.) and he said he would be happy to pick up the conversation from that point, knowing full well the difficulty in that bill was establishing definitions. If something is going to come off the tax roll, then if it's going to be used in an urban renewal setting, the taxpayers should have a say. He said that 2014 House Bill 490 was a bill sponsored by himself and Co-chair Youngblood.

Senator Souza said she had requested that Mr. Nugent get the urban renewal plans from cities, her reasoning being that even current statutes had clear and fairly specific language and requirements of the plans and what needs to be shown to accommodate statutes, and the city council should be reviewing statute to know what is required, before approval of any plan. She suggested that there is a huge variation of how urban renewal is used across Idaho, adding that there is not a central repository or oversight of plans. In Coeur d'Alene, the URA has made decisions based on over \$50 million, and are an unelected group with no significant, direct oversight, according to the Idaho Supreme Court a few years ago. She pointed out that in Utah, that board was made up of already elected officials from various different taxing entities. This brings up alternative possibilities, she said, in order to build in accountability and transparency. These plans might give insight into how URAs are being used in Idaho. When talking about transparency, the original URA in Coeur d'Alene had a name that made it clear as to what it was; now over \$100,000 of taxpayers' money is being spent to change the name and image to "Ignite CDA" and this is their method to educate the public on what they do, so their name was clear and understandable at the beginning, now changed to a name that would confuse anyone who might think that this is a public agency, using public taxpayers' money to offer incentives for economic growth. There is a dramatic difference between parts of Idaho and how other cities use URAs.

Representative Clow said that in Twin Falls they addressed what to call the URA, since most projects are not urban renewal, but rather economic development. State law says that a URA shall be known as "urban renewal agency," and that is already in code. Representative Kloc said he was trying to clarify the difference between urban renewal districts and economic development; if the committee tries to determine what economic development is, are we expanding the charge of this committee? Should we not be talking to the people in charge of economic development, if the committee goes down that path? Co-chair Johnson said that in the language of the resolution, it makes reference to studying Title 50, Chapters 20 and 29, and also references other statutes, including the Idaho State Constitution, so he thought that anything dealing with economic development was fair game for the committee to take into consideration.

Representative Clow asked about Mr. Arial's reference to a committee in Utah called the "Taxing Entity Committee (TEC)" with a 2/3 vote required, and he asked if that was a separate group from the urban renewal board. Mr. Arial clarified that there is the urban renewal agency, but TEC is a separate authorizing body to approve a plan and to set requirements accordingly toward that. Representative Clow asked if that was somewhat like an oversight committee, which Mr. Arial confirmed, adding that TEC is an elected body, so the authority rests with them as to the execution of the plan and allocation of the revenue.

Senator Siddoway said he had been a stickler on this issue, believing that the government closest to the people is the most responsive and the best government, and that which governs least, governs best. He said he did want to consolidate, refine and clarify the statutes on the books in Idaho, and that must be a major effort of this committee, in his opinion. Small towns around Idaho also use urban renewal, and in small communities in order to promote growth, he admitted being hesitant to tell any size city what is best for them. Each city has different needs, and he wanted to be very careful when looking at economic development to try not to pick winners and losers, but rather offer incentives to encourage everyone to participate fairly. He said he was willing to be educated and that he hoped in the end that code, guidelines and standards could be enhanced so that citizens in all communities in Idaho could benefit.

Representative Anderst pointed out that during the last session, an ad hoc group met and 8-10 areas of concern or that needed to be further studied, were identified. He asked if it would be helpful if those 8-10 areas of concern were distributed to members, in order for them to be prioritized. He said that members could make comments in order to get further direction for this committee; at the very least, he asked to distribute the list to see if there is something missing from that list, in order to get sideboards around this discussion. Co-chair Johnson said he would like

to review that information, make notes, as well as to look at Title 50, Chapters 20 and 29, Idaho Code; he said it does make sense to him combining those two chapters into one. In doing those exercises, he thought there might be new insights into economic development in the state in order to benefit everyone, as well as to respect different communities in the state. He thought that the 8-10 areas of concern addressed could be a foundation or a starting point for discussion. He invited Representative Anderst to provide that information to Mr. Nugent to put into a document for distribution to the committee members. Co-chair Johnson said he did want to hear from the public. He said he believed that all members were starting from the same place, with everyone working for the constituents they represent. He said he thinks that everyone wants economic development and good things for Idaho, keeping in mind accountability and transparency. He thought this would eventually lead to reasonable recommendations from the committee for the legislature. Mr. Nugent agreed to gather the information requested, prior to the next meeting.

Senator Winder also asked LSO staff to go through Mr. Hoffman's points of concern in order to itemize priorities for the committee. Representative Anderst stated that Mr. Arial and Mr. Armbruster had also been asked to incorporate information for the members, prior to the next meeting. Co-chair Johnson committed to working hard with Representative Youngblood in order to get better direction by the next meeting on September 21st. He invited everyone to get information to the members through the co-chairs or Mr. Nugent and Mr. Bybee in LSO.

Co-chair Johnson adjourned the meeting at 3:10 p.m.