

MINUTES
Approved by the Committee
Urban Renewal Interim Committee
Monday, October 19, 2015
9:00 A.M.
Capitol Building - WW 55
Boise, Idaho

Co-chair Senator 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; Co-chair Representative Rick Youngblood, Representatives Kathleen Sims, Robert Anderst, Lance Clow, and Hy Kloc. Legislative Services Offices (LSO) staff members present were Mike Nugent, Keith Bybee, and Charmi Arregui.

Others in attendance: Doug Havens, Nez Perce County; Brian Blad and Lon Crowell, City of Pocatello; Ashley Squyres, Meridian Development Corp.; Andrew Mitzel, Idaho Realtors; Tahri Molifua, Eric Isom, and Cortney Liddiard, Ball Ventures; Aaron Gunderson; John Evans, Garden City/AIC; Caitlin Ruscki, IAC; Mary Hasenoehrl, Port of Lewiston; Ken McClure and Christopher Meyer, Givens Pursley; Jason Kreizenbeck, Lobby Idaho; Tyler Mallard, Risch Pisca; Renee Magee, Idaho Falls Redevelopment Agency; Russell Westerberg, CCDC; Ryan Armbruster, RAI; Teresa Molitor, Ignite CDA/Jerome URA; Kent Rock, Development Planning and Financing Group (DPFG); Jonathan Parker and Brian Billingsley, City of Caldwell; Amber Pence, City of Boise; Geoff Wardle and Tommy Ahlquist, Gardner Company; Jerry Deckard, ACHD/CapitolWest; and Seth Grigg, Idaho Association of Idaho Cities (AIC).

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

Co-chair Johnson called for approval of the minutes from September 21, 2015, and Senator Souza requested a correction on page 1, paragraph 2, where the minutes stated that Denny Davis, Ignite CDA, was in attendance at the previous meeting, and he actually participated via conference telephone call. Co-chair Johnson requested a correction on page 3, paragraph 4, 2nd sentence, "Anders" was corrected to read "Representative Anderst" and, with those two corrections, **Senator Souza moved that the minutes from September 21, 2015 be approved, as amended, and Senator Siddoway seconded her motion. The motion passed unanimously by voice vote.**

Pocatello Mayor Brian Blad began the public testimony by handing out a booklet entitled "Urban Renewal, Pocatello." Mayor Blad stated that Pocatello had used urban renewal to benefit the entire community, not just a few citizens. He said that since 1988, Pocatello has closed eight different urban renewal districts (URDs), believing that closing the URDs is important to add that taxable valuation onto the tax rolls. Since 1988, the closure of TIF (Tax Increment Financing) districts has added \$168,500,000 of taxable valuation to the rolls in Pocatello. Since 2010, the TIF district, central corridor district, was closed adding \$84 million to the tax rolls; when that valuation was added, the levy rate dropped drastically, so the entire community experienced a property tax decrease. Private investment in Pocatello, because of TIF, amounts to \$540 million; jobs created over the last five years total 1,850 with this tool. Private investment within Pocatello amounts to an additional \$250 million. If urban renewal is not available, potential businesses do not show up. Jobs created in Pocatello, with the demand, total 2,000. Mayor Blad pointed out various businesses in Pocatello, because of TIF, that have profited greatly, added taxable valuation and created jobs. Three to four years were cut off some loans, saving URDs \$1.8 million. Ten million dollars in value has been added to a URD, because of TIF, plus jobs. Pocatello is not willing to go into debt, preferring to reimburse a company making an investment. Mayor Blad mentioned that it will cost \$4 million to move power to the airport, and the city is putting in a much-needed water tank, a part of the city's infrastructure, that has been neglected for years. Pocatello will then wait for an investor, who will

be reimbursed. It is so important at the airport, he said, to have this urban renewal tool because it brings people to the table. Mayor Blad said he has watched \$1.3 billion worth of added valuation and 4,000 jobs leave Idaho because there was not power at the Pocatello airport. Hoku Materials, Inc. invested \$450 million, adding 500 employees, before the economy dropped; Mayor Blad said he didn't think Hoku was a failure, since there is now an empty lot with all the amenities, waiting for a tenant. He asked the committee not to hurt or destroy urban renewal, but urged them to make urban renewal easier to use. He believes that employment and wages have risen, unemployment decreased, all as a direct result of urban renewal.

Senator Souza asked what suggestions for improvement could Mayor Blad offer, after working with this urban renewal tool. Mayor Blad replied that he would send Senator Souza an email with his suggestions. Mayor Blad suggested that if there is misuse, then a penalty could be imposed. Public hearings are held, votes are taken, annual reports are created, and Mayor Blad said he wasn't sure if urban renewal was broken, believing that there could be improvement.

Representative Anderst asked Mayor Blad to give the committee an idea if there was a use of TIF that wasn't in keeping with the original intent of urban renewal; is there an improper use? Mayor Blad replied that an example of misuse would be using money to take care of friends and their interests.

Garden City Mayor John Evans testified next, and he said he thought that urban renewal was a vital component, one of the very few tools available to encourage economic development by revitalizing and improving blighted and deteriorating areas. The Garden City Urban Renewal Agency (URA) is composed of two council members and three community volunteers, and each member was chosen due to his or her professional expertise. The Mayor, with the advice and consent of the city council, approved these members who are held directly accountable by the voters for decisions. Garden City maintains close contact with the URA, and there has never been a complaint against the agency or any board member. In this small city of 12,000 residents, Mayor Evans assured the committee that none of this economic development would have happened without urban renewal and TIF dollars. The Garden City River Front District was approved by the city council after public hearings in 1996, the district was closed in 2013, after 17 years - 13 years early. During those 17 years, the market value of the URD achieved twice the growth rate of the city itself. Instead of \$25 million in value for this area, Garden City has over \$67 million in value on the books. This URA is a pay-as-you-go agency and because of this flexibility, Garden City saved up for projects that would never have been accomplished without a significant financial burden on all residences and businesses. The URA received total tax increment revenue of nearly \$8 million during the course of its existence; that \$8 million was spent almost entirely on in-the-ground projects including 66.5% in public facilities, new water and sewer lines, a new well, the city's first water reservoir, and street improvements that were nonexistent before. Twenty-four percent was in parks and greenbelts, the first such amenities in this older part of town. Of the remaining 9%, 5% was spent on senior and youth facilities and public safety projects; only 4% was utilized for administrative overhead. The 91% of dollars for public facilities and parks benefit every property taxpayer in Garden City. Revitalization of Garden City, he said, has reduced crime, improved fire protection, and provided affordable housing to citizens.

Mayor Evans emphasized that every community in Idaho is unique, and one size does not fit all, and he asked the committee to allow flexibility that allows communities to be revitalized in a manner that best suits its citizens. He thought it would place undue burden on small communities for URA members to be elected to an unpaid, volunteer position; that would make it more difficult to find qualified individuals to serve. He said that each community should deal with its own URA. In Garden City, virtually nothing goes on of any substance in the URA that isn't reported to the city council in a public meeting. Any URA project requires some sort of permission, and there is open communication between the URA, the mayor and the city council. Mayor Evans left a handout for the committee entitled "Garden City Urban Renewal Agency River Front District Final Report FY1996 - FY2014."

Representative Clow asked Mayor Evans about the URA board mix in Garden City, and the response was that there is a five-member board, two from the city council and three are community citizens.

Co-chair Youngblood asked Mayor Evans if the Garden City URA had issued any grants or loans; if so, please describe, and, if not, why. Mayor Evans responded that the URA is a pay-as-you-go agency, and there is not a formal grant program. They do have a reimbursement arrangement with a large developer, such as on the 64-unit affordable housing project. The developer frontloads those expenses for portions of the infrastructure, then the URA reimburses the developer over time. Scopes of projects vary, depending on many variables, and he said that Garden City's philosophy is to not issue bonds or borrow money. Garden City accumulates money over several years, then funds projects which can be closed out when goals are achieved. Mayor Evans said he hoped the legislature would allow that flexibility to remain, since this works for his community.

Representative Kloc inquired about the market value amount mentioned as being around \$66 million, asking what the market value was prior to URA projects. Mayor Evans replied that the increase went from \$25 million to \$67 million. Representative Kloc asked about the time period, and Mayor Evans said the URA was formed in 1996, explaining that it took 4-5 years to accrue enough increment to begin projects, which reinforces the value of the ability to carry money over from year to year.

Mr. Tommy Ahlquist, COO, Gardner Company, testified next, and began by saying that he believes there is a crisis brewing in Idaho involving investment in infrastructure, and that urban renewal is just one piece of that puzzle. Instead of having modernized investment tools that allow the state to underwrite and invest in projects and infrastructure, the current limited tools are stretched, and taxes are raised to cover the gap. He said he didn't think this was a conservative way to govern the state, even though looking out for taxpayers is a noble idea. Mr. Ahlquist stated that investment tools are sometimes perceived as bad, and the idea that these tools somehow lead to increased state taxes is a confusing concept. If adequate tools were available for investment, taxes would be kept low and projects could be underwritten in a very conservative way, much like a private sector business does. He believes this is a statewide problem, and the argument could be made that small communities need these tools even more than larger cities need them.

Mr. Ahlquist said that a group of leaders had been assembled throughout the state, meeting regularly, to analyze the current tools available, how Idaho's tools compare to surrounding states, and what recommendations could be made. This group hired the Hoover Institution, a conservative think tank out of Stanford, and employed them to help with an analysis. Those results and that data are currently streaming in and Mr. Ahlquist said it has been very informative how other states have accomplished investment in infrastructure in a conservative way. Mr. Ahlquist said that part of Hoover Institution's analysis has highlighted the lack of tools available in Idaho. General obligation bonds, with the threshold of majority vote, is not much of a tool, which is what Idaho has. Revenue bonds from enterprise funds that act as collateral in most surrounding states can be approved by governing bodies; in Idaho, that requires a majority vote. Tax increment bonds, urban renewal bonds, special assessment and local improvement district bonds, certificates of participation, excise tax, local option tax, revenue bonds, lease revenue bonds, tax anticipation notes, private activity bonds, severance tax bonds, industrial revenue bonds, general improvement districts and infrastructure bonds are tools available in surrounding states to invest in infrastructure and grow the economy. Using the right tool prevents the need to raise taxes, as the only means to cover that investment. His fear, he said, was that if there is not a clear vision in the future in investment and modernizing investment tools, Idaho will continue to tweak the current tool, making it even more difficult to invest in infrastructure to drive the economy and meet the needs of citizens. Urban renewal works very well in many communities, he believes, and he commented on some of those successful projects. Mr. Ahlquist emphasized that he wanted taxes lowered, but if the bigger picture is not figured out and why Idaho has problems, trying to simply treat a symptom, he thought, would be a disaster.

Senator Souza asked if Mr. Ahlquist saw a benefit to having urban renewal in its classic form have a different set of rules than perhaps economic development for the infrastructure needs he mentioned, since public infrastructure seemed to be the focus of what he thought was needed, and whether there could be alternative tools available for economic development and infrastructure, in his opinion. Mr. Ahlquist expressed his concern that with urban renewal being *the tool* now, he urged caution that other tools needed to be available, so as not to get the cart before the horse if urban renewal was "fixed" in a way that does not allow it to be underwritten, which could cause problems. Senator Souza said she understood that, which is why the entire package and laws are being examined for a comprehensive view.

Cortney Liddiard, CEO, Ball Ventures, Idaho Falls, testified next, and he pointed out that Ball Ventures owns and manages over 3.2 million square feet of property, over 100 projects in 13 states. He shared that to convey that Ball Ventures has seen many urban renewal tools in other states, and he was eager to participate in this discussion. The ideal scenario for a URD is one that gives the developer just the right amount of incentive to mitigate various risks of undertaking what is probably a high-risk project. URDs are not intended to provide a windfall for anyone; the goal is to encourage development, such as in Idaho Falls in a blighted area, an eyesore which was a rundown gravel pit.

Mr. Eric Isom, Chief Development Officer, Ball Ventures, continued testimony, adding that the tool worked in the redevelopment of Snake River Landing, and he shared a PowerPoint [Ball Ventures](#). Mr. Isom shared this project as an example of how redevelopment has been used as a tool for economic development. This 450-acre project was purchased in 2001, the plan was approved in 2004; in 2005 the owner participation agreement was signed between the agency and Ball Ventures and in 2006 construction began with infrastructure, streets and two initial buildings. Originally, the agency approved \$10 million, and to date \$9.5 million has been spent and all but several hundred thousand dollars was spent by Ball Ventures by buying their own bonds, and they will be reimbursed over time. The base tax value when the district was created was approximately \$300,000, and in 2014 the value was \$54,612,071, producing \$456,955 in annual revenue to the district. With additions, that \$54,612,071 he predicted will double soon, adding to the tax base. This project includes 35 businesses, 350 new jobs and 900 employees, and this area has attracted many new surrounding businesses.

Mr. Liddiard summarized the testimony by saying that this project would not have worked out without urban renewal, which provided the right amount of incentive, not a guarantee. Ball Ventures practically purchased their own bonds, he said, making their own investment in incentives to create value. URDs should offer flexibility, since every project is different and offers its own challenges and opportunities. He believes that urban renewal is a great tool for cities, allowing for amazing results, and he proposed that the things that are not working be fixed; do just enough to get interested parties on the same page, without weakening the effectiveness of this tool. Strengthen the tool, do not weaken it, and, if you amend, do it with an eye toward preserving local autonomy, providing enough time for the return to stabilize and the project to become successful. Flexibility must be maintained, and tools and policies need to make Idaho a haven for economic growth, and URDs can help with that.

Representative Youngblood asked if Ball Ventures had taken the Snake River Landing plan to the public; he asked if Mr. Isom thought the public would have supported the plan, and what would have been the challenges. Mr. Isom said the Idaho Falls area was blighted, and he thought that the general public would have had trouble envisioning the goal. Even the URD had trouble getting local authorities on board with beautifying this stagnant land, and he said he didn't think the public would have supported the plan. Also, he said that he thought the 66 2/3 for approval needed to be changed. There was no money available to make this project happen; Ball Ventures bought their own bonds, basically.

Ms. Sandi Bloem, former mayor of Coeur d'Alene (12 years), was elected three times, and she participated in testimony by conference phone. She said that urban renewal was always an item for discussion, and that urban renewal has been accountable to the citizens of Coeur d'Alene and the city council and that members were appointed by, and reported to, the council in open meetings several times annually. She believed that the system in place currently works well, allowing a wide variety of expertise that gives government the ability to function at its highest level. Ms. Bloem believed that the urban renewal committee had been a strong partner, a catalyst in quality public places she pointed out. She said that urban renewal had a positive impact in Coeur d'Alene, adding that increased taxable values had been added in land around every project. She thinks that urban renewal is a valuable tool, and that flexibility is necessary. She believes that the Coeur d'Alene urban renewal committee has been instrumental in guaranteeing that they can compete in attracting jobs and businesses.

Senator Siddoway inquired about selection of urban renewal members who were qualified by expertise and dedicated to seeing that urban renewal efforts move forward. He asked Ms. Bloem to explain complaints that there is no accountability or transparency in urban renewal, and the benefits of appointing people to a URD versus having elections to fill those positions. Ms. Bloem said that elected officials are elected to do certain things, and one is responsibility to make sure the commissions and committees are functioning at the highest level. She said that members with expertise are placed on commissions and committees, urban renewal being a good example. As far as transparency, Ms. Bloem said she didn't think the URD could have been any more transparent since they meet in open, televised sessions, information is online, the URD meets with the council twice annually and reports to the council more often than that, and she thinks that the goals of the council and urban renewal are meshed to represent the taxpayers. The taxpayers have total control, in her mind, with regard to electing council members every two years who are accountable to make appointments. Senator Siddoway pointed out that there are always two discussions with regard to urban renewal developments, going forward or stopping projects or developments. He asked Ms. Bloem if she agreed that there were two discussions if elections were held for URD members. Ms. Bloem said she understood the debate, but competition is great, and other cities have tools they use, and she believes that the race will be lost for competitive jobs if URD positions are not filled by people with specialized expertise. The taxpayer gets to choose the council members who appoint URD members every two years.

Representative Clow asked about whether URD members should have term limits, and he asked Ms. Bloem to address that. Ms. Bloem answered that she was not aware if there were term limits, adding that she was not in favor of term limits overall. If someone is doing the job well, they deserve a position on that committee, adding that there is normal turnover. She believes that history and accountability of the past is important to retain, and filling positions can be difficult.

Mr. John Stone, Coeur d'Alene, was next to testify via conference phone and he said he was in support of the URA as it exists in Coeur d'Alene today. He believes that since the URA began in Coeur d'Alene in 2005 or 2006, people have used the URA concept as a political axe in elections and to confuse people. URAs have been challenged many times, in many ways, but people do recognize what they have done for the community, which has evolved from an extraction economy (timber/mining) to a modern business community, and much of that support is from the URD. He pointed out the success of Riverstone, approaching \$500 million worth of redevelopment. There is constant feedback about community pride in this project; 2,700 construction jobs were created, there are 3,600 employees to date, and 1,536 people live at Riverstone, this project being a prime example of what urban renewal can do. Low income housing was included in Riverstone, as well as housing for upper income citizens. There is no better tool that exists in Idaho than urban renewal to change economic conditions. Mr. Stone supports urban renewal, even if minor alterations need to be made, since too much has been accomplished with urban renewal. Most citizens that understand the complexity of urban renewal also recognize that this is a great tool for communities. He stated

that not one dollar of tax increment financing money had been used on private property. He said that ten acres had been given to urban renewal, as well as a six-acre lake, plus roads, so all money received had gone into the public domain.

Representative Anderst emphasized that it would be beneficial to the committee to spend more time focusing on the little fixes, as opposed to the fears of losing urban renewal as a tool or showing support. The purpose of this committee is to deal with issues that need to be addressed, and he invited everyone testifying to deal with those issues. Representative Anderst pointed out that public input was the intention as to whether changes would be beneficial in the implementation of urban renewal. Mr. Stone answered that the URA in Coeur d'Alene had high standards and that he had not seen anything in the last ten years that needed to be changed.

Mr. Ron Harriman, Chairman, Tax Accountability Committee (TAC), testified next, and his presentation [Ron Harriman](#) is on the LSO website. Mr. Harriman stated that the cost of urban renewal is not entirely paid by created money, but rather, is in substantial part a cost transferred to the taxpayers of the counties and cities wherein the urban renewal agency is located. He said that the TAC recommended that the 1964 Urban Renewal Act should be repealed and that the economic development act and the industrial development act should be combined into a single bill. He challenged the committee to become familiar with the Nez Perce County lawsuit against the City of Lewiston and the URA in Lewiston, adding that this case will be heard on January 8, 2016, and the decision could answer some concerns and questions of this committee. Mr. Harriman said he was in favor of URA board elections.

Senator Souza said that Mr. Harriman's list of suggestions was quite extensive and very specific, and she expressed appreciation for that, about how to improve this law. Under Mr. Harriman's point #4, he was talking about a bond fund exceeding \$700 million that he said needed to be used or it would be lost; Senator Souza asked Mr. Harriman to explain that. Mr. Harriman stated that the Department of Commerce gets a bond cap fund, an allocation of revenue bonds issued by the federal government to the state of Idaho each year, and the fund this past year was around \$296 million; very little of that fund has been used, perhaps only \$26 million. The rest of it, after September, goes into a fund and is kept for three years (from now). If the fund that was issued this past year is not used, then it goes away. Idaho has, in the past ten years, lost about \$1.4 billion from this fund. What Idaho is using to provide to developers, cannot get funded to the developer to have a self development on it, because revenue bonds are only attached to the particular private entity. The URD cannot use those revenue bonds to develop to that point. That is why he brought up the community development act; if the community development act can use funding to get to the point that bonds can be issued to a building such as Chobani in Twin Falls, then the plant could borrow the money from that bond fund and all that tax money would not be wound up in the URD; it would go back to the public.

Representative Anderst asked if Mr. Harriman's list was prioritized, and Mr. Harriman said the list had been developed by the interim ad hoc committee during the last legislative session, and they tried to address issues. He suggested that no further buildings be built with urban renewal funds that are tax exempt. His TAC committee wants to see the people on those URD boards be able to be reached by the public to elect them out of office, or keep them in office.

Senator Jordan asked about election of the urban renewal board members; under the current system, if there is poor behavior by a board member, doesn't the council have the opportunity to remove that member right away? Mr. Harriman replied that at the present time, it is up to the commission in the URA to remove an individual. He said that non-elected people on that board are spending taxpayer dollars. Senator Jordan said that currently a board member can be removed right away if an issue arose; having members elected, the only recourse if a member was abusing authority, would be to wait for the next election (2-4 years out) before something could be done, or a recall, which is a difficult process, so in terms of Mr. Harriman's recommendation for elections, she asked if there was a mechanism for dealing with problem members. Mr. Harriman explained

that at first a general election was preferred, but when the law was examined, they decided that the city council and perhaps one county commissioner on that particular board, voting members, could be elected or removed at the next election.

Representative Clow asked about using funds to build public facilities, such as a library or city hall. Mr. Harriman had suggested that be put to a public vote. Representative Clow asked if that would still be paid out of tax increment financing funds, or was he talking about a public vote where it would be paid by a general obligation bond, and what percentage would that vote require, 50% plus one or two-thirds. Mr. Harriman answered that the TAC did not want any public building paid for with tax increment financing. That has happened in Canyon County, specifically in Nampa, where there is now a debt in the amount of \$158 million imposed upon citizens. Consequently, the tax rate is averaging about 2% and Caldwell is even higher. The TAC wants to see public buildings be approved by voters. He said that the committee might want to require less than two-thirds, but the TAC would oppose any bill having those types of buildings on it because of debts placed on the people. When a URD is created, the entire cost of that URD, as it develops, is pushed back onto the people, and taxes are raised by that amount.

Nez Perce County Commissioner Doug Havens was the next to testify, and he said he personally came to this meeting so that the committee could put a face on what was going on in Nez Perce County, a county supportive of the concepts of urban renewal. He informed the members that a lawsuit had been filed and will be in court on January 8, 2016. He said he could not be specific, under legal advisement, adding that he had been a county commissioner for five years and prior to that, he served on the city council for four years, two years as mayor and representative on the urban renewal board. He has been on that board now for five years, and the board is made up of seven members, three are elected officials, and two citizens at large. There is a lifetime appointment position of the city's CFO, serving as secretary on that board. Regarding closure of an area, once a goal has been achieved, he had not heard much about, except how much revenue came back to the taxing districts when closed. He said that his area was not having that kind of success.

Commissioner Havens said that the purpose of urban renewal is for economic development and to create jobs. However, those goals are not reached until a revenue allocation area is closed and those increased values are put back on the tax rolls. In his area, projects are incomplete, with big gaps in between, which is not how urban renewal was envisioned to work. The goal is for success so that when an area is closed, the taxing districts reap benefits. He said that an increment would start when values were captured early on, rather than waiting a number of years, which was a good idea. However, then those values cannot be taken and factored in to a success story, when those returns were not counted. Commissioner Havens ended by saying that he thought urban renewal was a good idea, with benefits and success stories. He thinks changes need to be made, believing that board elections would be a good idea, especially because board members are responsible to citizens who elected them. An appointed citizen brings a citizen's point of view to the board, but that person does not represent the people. He added that he thought there should be a clawback agreement, meaning that a developer is loaned the money for an extended period of time, to be paid back as that project becomes successful. If a project does not answer the question of economic development or job creation, then what is being done with the people's money? Is somebody's personal property being improved, or is the city improving an infrastructure need. To him, a project must answer those two questions.

Senator Souza complimented Commissioner Havens on his vision and honesty and the clarification about how some percentages and numbers are presented by URAs when they are expressing values, sometimes before projects are even underway. She asked if it should always be factored in a normal cycle of growth that would have happened within a certain area, without urban renewal, so that urban renewal doesn't take credit for everything including natural organic growth that would have happened, even without urban renewal. She said she was in favor of proper, responsible urban renewal, but it seemed to her, she said, that urban renewal takes credit for everything that is done

within that district over the life of the district. It seemed to her there would be some growth, even without urban renewal. She asked if there would be any drawbacks to electing board members. Commissioner Havens responded that he agreed that there is a certain amount of growth value that should be factored in, but he did not know how that would be done. He said that there needs to be honesty with the taxpayers. He admitted that in smaller communities there could be issues about qualified members being elected, rather than appointed.

Representative Kloc asked if an election for URA members would require a special election and, aside from the cost, how many people usually turn out for special elections? Commissioner Havens said he thought perhaps that an election for URA members could be run with other elections, so the cost would be ballot printing, as far as he could tell. He didn't see that as being a burden. He thought that school districts also had dates set aside, at least twice annually, for elections within the county.

Representative Clow asked about Commissioner Havens' comment that in his URD the base was back-dated; if a URA was being formed in 2015, creating a revenue allocation area, did Commissioner Havens mean that they went back and chose the base date as 2013, asking for clarification. Commissioner Havens explained that the plan for his area was adopted in December, 2005, so the plan and ordinance by the city council took place then. The base was set as January 1, 2005, and he didn't know if one could legally go back further than that to a different calendar year. In his situation, going back even then captured several projects in the works that had not yet gotten on the tax rolls. That is one of the reasons the agency was created like it was. He said it was helpful to have seed money, especially in smaller areas, and it does take time for plans to be developed and for the increment to start. If money can be brought to the table ahead of time, this is a great advantage.

Co-chair Johnson pointed out that in Title 50, Chapter 29, when talking about a revenue allocation financing mechanism, that provision is effective retroactively to January 1st of the year it was created.

Co-chair Youngblood asked for clarification on the lawsuit, and Commissioner Havens said that Nez Perce County brought the lawsuit against the City of Lewiston and the Urban Renewal Agency of the City of Lewiston, Idaho.

Mr. Art Macomber participated in testimony by conference phone, and he said he was a real property attorney in Coeur d'Alene (CDA), was very involved in land use and eminent domain proceedings. Mr. Macomber expressed concern about the constitutionality of urban renewal, as an alter ego to the city, or otherwise, the concern being that urban renewal be seen in a larger context, not only in society in general but the proper role of government, in this case fixing things or stimulating economic growth. He believes there is a place for urban renewal, especially as regards the original statutory terms and, from a land use perspective, cleaning up titles and fixing parcels, in other words where private enterprise abandons parcels of land. However, over the years, he stated that it has morphed into an economic development tool, presenting a question of but/for urban renewal, would the private sector accomplish this same growth. He believes that the proper question is if a city already has the power to do these things, why would it need a separate entity? If the public entity can do these things without the URA entity, then, in his view, it should, as a matter of public policy, because the URA has features that make it less accountable than the city, in terms of voter accountability for its tax dollars specifically. He believes that urban renewal is good for fixing deteriorating areas, but with regard to economic development, the real question instead of the but/for question, in his view, is "should the government of Idaho or its municipalities and counties be using urban renewal to pick winners and losers?" He thinks that is essentially its function today, or should the public policy of Idaho be to generally do things to the economic environment in terms of rulemaking, taxation, etc. to stimulate broad growth. If Idaho lowered the corporate tax rate or if an urban renewal district made it into one of Jack Kemp's enterprise zones, it would make an attractive private investment enterprise.

Mr. Macomber wondered if that wouldn't be a better methodology. Mr. Macomber referred to the Hart court case, pointing out that the court only ruled on the holding that the URA was not an alter

ego of the city. That state constitutional section says that URAs are arms or subdivisions of the state of Idaho. He thought it was important for this committee to recognize that the Idaho Supreme Court decisions were not sweeping, they are specific, and targeted municipalities only, and not other things mentioned in the constitutional provision. He added that he did not think the constitutional provision that actually limits URAs had been presented to the Idaho Supreme Court, in his view. With regard to accountability within a URA district, the legislature could allow a limited taxpayer standing to challenge a URA board's use of funds or decision making, similar to a derivative suit in the corporate world by a shareholder. Citizens could challenge a URA in a class action lawsuit, he said. He pointed out that in Coeur d'Alene almost all public and non-public officials do not want the URA board members to be elected, so how does the legislature account for what these URA boards do, even though they are audited, as are municipalities, which is good. If a plan is too vague and changes midway, what are options for disgruntled citizens, and what are the other taxing districts to do? He suggested that various taxing districts, whose revenues are impacted and lowered by tax increment financing, could have an outright veto on the plan itself; without that veto power, it would not have what some people are looking for in northern Idaho.

Senator Souza thanked Mr. Macomber for his legal views, and she asked him about plans submitted that veer away from the original intention, an example being the Sandpoint URA being listed as one of NIC's top donors to the North Idaho College (NIC) Foundation, which is a private foundation. The URA says that \$160,000 was donated to NIC for support of educational opportunities in Sandpoint, apparently paying for an outreach center and the operational expenses for four years. A well-known attorney had cited in a letter that this was okay, even though this NIC outreach was not within the revenue allocation area. There was no language in the original plan, but in the updated version of the plan there was language that said "support educational opportunities." Senator Souza emphasized therein lies the conundrum for taxpayers because legal interpretations can take plans in any direction. She asked Mr. Macomber if that fits with the concern he was expressing, and would electing the board change that ability in any way? Mr. Macomber said that was the type of situation he had alluded to in his comments; generally, he thought there were two problems. In the legal interpretation of URA statutes, on behalf of governmental agencies, the legal interpretation should be made narrowly, rather than broadly. If it continues to be interpreted broadly, the same thing will happen to the definition of deteriorating areas, just as with the definition of blight; those definitions turned into a speed bump, he said, and the power of the government to determine the economic future of the citizens, instead of the citizens themselves, will continue to grow. He emphasized that, in his opinion, the public policy in Idaho should be that it is narrowly construed. If a URA is giving funds to a college district, the state of Idaho spends about 60% on schools from the budget, and how does the state track this? He thought that type of a gift would overcomplicate the administration of the educational establishment in the state of Idaho by the legislature. Senator Souza stated the URA money was being donated to the NIC private foundation, not to the college directly.

Mr. Ken McClure, lobbyist for Chobani and Clif Bar, next testified on their behalf and he said he wanted to focus on urban renewal as an economic tool. Idaho, he thinks, had an attitude of "growth can pay for itself" regarding funding public infrastructure; taxpayers are not very eager to pay for infrastructure that will serve future taxpayers. Mr. McClure pointed out that urban renewal was a key factor for Chobani and Clif Bar locating in Idaho, and he urged the committee to do no more than make small changes to statute, and urged them to recognize urban renewal as a very potent economic development tool. Utah has suitable property already zoned for businesses, has transportation infrastructure in place, with power, sewer and water in place to the site, and plans can be quickly developed. New Mexico may not have that development, but they do offer checks to businesses to build plants. Idaho offers locations (not yet zoned), workforce and infrastructure that would go directly into the cost of construction. If there is not a mechanism for payment of the infrastructure that is necessary for building a facility, a site consultant would recommend taking a closer look at locating in Utah, New Mexico or elsewhere. Urban renewal is absolutely key to site

location, in his opinion, for larger companies who need a lot of new public infrastructure. If that tool is taken away, a significant disadvantage for business location in Idaho would result.

Mr. McClure urged the committee to distinguish between things necessary to repair blighted areas and things that will help create good jobs so that future generations will not have to leave the state. That requires flexibility, to move with the speed of business, and if procedural requirements impair the ability to move quickly, he thinks that would create a significant disincentive for business location decisions. Votes for expenditure of funds would delay and impede progress. Mr. McClure cautioned about repealing the entire chapter and then relying on revenue bonds; for federal tax reasons, he said those do not work, and those cannot be used to build public infrastructure. He said that was not a solution; he added that if small changes are made, to be careful that the economic development component for site location decisions be such that urban renewal city interests be very nimble and very quick. Mr. McClure also cautioned about saying that urban renewal should not be used for construction of facilities that don't go on tax rolls because, by definition, urban renewal can be used for public infrastructure, which doesn't go on tax rolls. He pointed out that there are some occasions in which the construction of buildings might be necessary for a site location decision, such as a manufacturing facility needing quicker access for fire protection. He urged in those cases that urban renewal funds be allowed to be used for a necessary building. In this way, growth can pay for itself for taxpayers, if it is done intelligently. He asked the committee to separate out the economic development tool from the urban blight tool and, if urban renewal is allowed for economic development, that it be said so directly, not under the guise of urban blight or remediation.

Mr. Greg Johnson testified next by conference phone from Coeur d'Alene, representing Midtown Matters, a group of Coeur d'Alene residents. He addressed the beginning of a project with LCDC (Lake City Development Corporation) in Coeur d'Alene, an off and on-again deal for the last twelve years. In the last two years, it has been in the news that the neighbors were enthusiastic about this project, and he said that could not be further from the truth. Residents began meeting, and there are 15-20 who meet regularly, and he said that this project does not work for their neighborhood. They went to LCDC meetings to better understand the process, a petition was circulated, which over 150 residents and businesses signed and presented at an LCDC meeting, along with a PowerPoint presentation, with suggestions of what would be a perfect fit for this area. Mr. Greg Johnson thought all this fell on deaf ears, including the city council and LCDC. Flyers were put on homes to inform neighbors about the LCDC project, and the mayor wrote a letter to LCDC, giving them a way out of their project, getting out of Midtown and suggesting another idea, agreeing that the LCDC project was the wrong fit for Midtown. That was months ago, with no response from LCDC, and he said that a lot of money had been spent with no plan, or plans changed, and Midtown neighbors not being updated. When there was an update, he said it was a whole different project, with a whole different set of rules. There has been twelve years of too much money, time, and not a clear plan, in his opinion, with a total lack of oversight or input from neighbors. Now, Mr. Greg Johnson reported that LCDC has spent \$80,000 for rebranding themselves on a billboard, with still no results, when updates are requested. Mr. Greg Johnson expressed total frustration over tax dollars being spent and not having a say in those expenditures.

Mr. Chip Dalvini testified next by conference phone from Coeur d'Alene, and he said he was representing his neighborhood of Midtown in Coeur d'Alene, and he wanted to talk about LCDC (now known as Ignite CDA) and what has happened there in the last twelve years. He is also a member of the Midtown Matters group, and he reiterated that LCDC started out buying land, initially presenting a project with much fanfare and meetings, and then the depression hit. That slowed down progress, but 2-3 years later, rumors circulated about a new project, and no announcements or meetings were held, with no communication. The new project was not a good fit, in his opinion, for Midtown, and he thought LCDC kept information on the down-low. There was much confusion and many changes about what the project actually was, and then Midtown residents presented LCDC with information, which stopped communication, and he said that was 6-8 months ago. Co-chair Johnson asked Mr.

Dalvini for any suggestions to improve such situations. Mr. Dalvini replied that LCDC interests are trumping taxpayer interests, who are paying for this project, and that is extremely wrong and leads to many problems. He wanted that addressed, because urban renewal is to serve taxpayers of that district, not to serve members of a URA, which he thinks is being done in Coeur d'Alene.

Mr. David Lyons was the next to testify by conference phone from Coeur d'Alene, and he said that many Idaho urban renewal agencies lobby the legislature, either individually or jointly, through the Redevelopment Association of Idaho (RAI), using Boise lobbyists. In Coeur d'Alene, LCDC is paying RAI \$10,000 in 2016, after paying them \$8,000 in 2015, that being on top of \$22,000, all taxpayer money, paid annually to lobbyist Teresa Molitor. Tax increment money is the URA's only source of money and RAI's only source of money from its URA members. The Idaho Constitution prohibits public bodies, such as URAs, from spending taxpayer dollars on anything that is not a "public purpose." The Idaho Supreme Court defined that as something that "serves to benefit the community as a whole." Lobbying by RAI and URAs does not impartially provide information; it is advocacy to manipulate events toward a particular outcome.

Mr. Lyons gave an example of a March 12, 2015 email from Mr. Armbruster to RAI members, in which he virtually "high fives them," after the defeat of HB239. This, he thinks, is advocacy for one point of view, for one faction of the public, greatly opposed by other factions of the public. It is not on behalf of the community, as a whole, so it is not a public purpose, in his opinion, and he believes this to be in violation of the law. He thinks this is bad policy, which violates the right of taxpayers who disagree with the RAI/URA position by forcing residents to pay, through taxes, for political speech to which they object. He thinks this gives an unfair advantage (a megaphone), the use of taxpayer money, to one side of the political debate, and there is no counterpart speaking on behalf of the public, certainly none financed by taxpayer dollars. He thinks that this should not be happening, and he asked the legislative members to prohibit this. He thinks this should extend to traditional, overt political activity, such as giving money to a candidate or someone on one side of an issue, or endorsing a candidate.

Mr. Lyons thinks that the legislators should also extend this prohibition to advertising by a URA which can frequently be thinly disguised as political propaganda. Urban renewal in Coeur d'Alene has been a big issue in local elections in recent years. Many people want LCDC substantially reformed, if not abolished. With city council elections coming up this November, he said that LCDC began a few months ago an \$85,000 advertising campaign including television commercials, newspaper ads, and internet pop-ups, all touting the wonders of itself (LCDC) and urban renewal. He asked the committee to think about this. Advertising campaigns by a URA try to influence the public's attitude about LCDC. LCDC is not a business; it doesn't sell a product or a service, and it has no reason to advertise to persuade people to buy what it sells. It is doing this to influence members of the public, not as consumers, but to influence them as voters. He gave an example of an email dated June 3, 2015, from Eden Irgens, the principal at the advertising firm who originated this ad campaign and runs it, and she knows LCDC's thinking better than anyone. The email was to Tony Berns, LCDC's executive director. "I just locked up a billboard on NW Blvd. The start date is 8/10/15. You can have it for two months, but we will likely want to use it during the month of November for the city council election. Cost is \$1120/mo. You in?" Mr. Lyons said that Tony Berns forwarded that email to LCDC's communication committee recommending that they " ... chat more about this opportunity at next Tuesday's committee meeting ..." Mr. Lyons thought this would be like someone standing for reelection using taxpayer dollars to put up billboards, and run television commercials, to keep them in power. He thinks this advertising is wrong, the overt activity and lobbying is wrong, and he asked the members to prohibit this. Mr. Lyons stated that Amy Lyons, on the agenda to testify, would pass. The link to Mr. Lyons' testimony can be found at [David Lyons](#).

Mr. Lon Crowell had signed in with "no" to testify, but he changed his mind, and he was given permission to speak. Mr. Crowell said he was the Planning and Development Director for the city of Pocatello, and also the Interim Director for the Pocatello Development Authority, which is the

urban renewal agency, and he wears other hats with regard to economic development. He said that testimony today, on the negative side, is that economic development will just come to Idaho. After being in his position for 4 1/2 years, he said it was very obvious in Pocatello that is just not the case. He said there are many things that Pocatello needs, adding that urban renewal has been an excellent tool. He suggested that transparency can be accomplished through a clearinghouse at the state level where plans can be submitted, providing access to plans, budgets, and all information. He expressed concern about efficiency when it comes to economic development, an opportunity to move quickly in case a large company wants to locate. In Utah, there is a Taxing Entity Committee (TEC) made up of government officials, and he thought it would be great for Idaho to use a similar process to move quickly. Pocatello focuses on economic development because manufacturing is a big deal and has an economic development multiplier effect, meaning that for every manufacturing job that comes to Idaho, 1.5 to fifteen jobs are created by every one job in manufacturing.

Mr. Crowell thinks that locally elected officials should determine how they want to use urban renewal; one size does not fit all, and it should remain local to remain effective. Accountability can be accomplished without electing boards, he believes, perhaps putting a cap on an infrastructure project if the city is to receive so many dollars worth of infrastructure; maybe the city council would have a say in that. If there is a project not specifically spelled out in the plan, being more general, perhaps a cap could be placed on it so that the local legislative body could monitor it. Term limits should be flexible, he said, since in Pocatello getting the airport where it needs to be has cost around \$12 million in order for businesses to build, and 7 out of 10 companies want to be near the airport. Mr. Crowell thinks that growth should pay for itself; companies building and bringing jobs should pay for infrastructure through taxes, so that his own property taxes are not paying for a particular project. He said there are many different options to bond, which he thinks is comparatively difficult in Idaho, adding that they are constantly competing with Utah and other states, as well as globally. There must be growth to provide jobs, and new business creates growth. Mr. Crowell wants to make sure that Idaho is moving forward and that Idaho is competitive. He said that Idaho needs as many options as possible, with the intent to make Idaho better, and he hoped that it would not become more difficult.

Co-chair Johnson recessed the committee at 12:05 for lunch and called the committee back to order at 1:14 p.m.

Mr. Mike Nugent, LSO Manager, Research & Legislation, spoke next and said that an attorney of record, Mr. Chris Meyer, was in attendance at this meeting and could address any questions on the decision handed down by the Idaho Supreme Court last week in the matter of Greater Boise Auditorium District v. David R. Frazier. Mr. Nugent explained that Mr. Frazier was challenging a judicial confirmation proceeding in a relatively complicated transaction between the Boise Auditorium District, Wells Fargo Bank, and the Capital City Development Corporation (CCDC). They wanted judicial confirmation to allow the Boise Auditorium District to provide facilities for the new convention center. Judicial confirmation is a proceeding, and rather than going to bondholders, a political subdivision, city, county or district can go before a court to determine if an expense is ordinary and necessary. If the court agrees, then the proceeding can take place without a vote of the people. Mr. Nugent said that, earlier this summer, a case was handed down dealing with the city of Challis where a taxpayer challenged whether renovation of a water/sewer system was an ordinary, necessary expense, and in that case the Idaho Supreme Court denied that. The case was about a year-to-year lease between the Boise Auditorium District and the URA with an appropriations clause in the lease; eventually the Idaho Supreme Court looked upon that asking "is that debt?" The court opined that as long as it was a year-to-year situation, it was not debt within the meaning of Article 8, Section III. Mr. Nugent thought this could open up new avenues as to how public infrastructure buildings could get funded outside urban renewal or economic development. This is how the Capitol Renovation took place, after having been bonded, there was a lease back and, if the state didn't pay it off, the building authority would be able to repossess it.

Senator Souza asked if the lease was year-to-year and whether the technicality was that the Auditorium District could walk away from this project at any time. Mr. Nugent said it was subject to moneys being available, so if money was not available, they could walk away. A lease payment was not viewed as debt by the court. Senator Souza said if money was coming from a URA and the Auditorium District was leasing, if the Auditorium District walked away, say three years into a ten-year lease agreement, would that put the financial stability of the urban renewal district in jeopardy and make them a greater bonding risk, or would bankers and bond attorneys look at them differently with this financial liability? Mr. Nugent said he thought that the bond rating could be downgraded, but the flip side is that they would have possession of what had currently been constructed.

Representative Kloc asked Mr. Chris Meyer the same question, and Mr. Meyer, attorney at Givens Pursley, said he represented the Greater Boise Auditorium District in the litigation being discussed. He explained that there would be no liability to either party, the reason being that CCDC is simply a pass-through entity, and the ultimate financial backer is Wells Fargo Bank. If for any reason the Greater Boise Auditorium District does not have funds available, or elects not to continue with the endeavor, then those funds do not pass through and the contract specifically provides that the CCDC has no liability and Wells Fargo has no recourse against either the Greater Boise Auditorium District or CCDC. He added that this sort of arrangement is not new, but is currently employed throughout the state of Idaho, and relied upon by virtually every county and city as a routine matter. This is how the Ada County Courthouse was built in Boise, which is now fully paid off.

Co-chair Johnson pointed out the importance of this decision to the committee, since these agreements are not necessarily new to governments, but pass-through URAs may be seen again in the state. He thought it was important for the members to have knowledge of this to understand what the decision of the court was, specifically, and not simply whether this should be done or not. The court upheld this case, and it gave insight into how URAs in Idaho can accomplish economic development.

Mr. Brian Kane, Assistant Chief Deputy Attorney General, representing the Idaho Attorney General, said he was here at the request of this committee and the question posed to him was oversight of urban renewal. He said that the primary oversight of urban renewal was probably found in Section 50-207, Idaho Code, the ability to challenge the actions of a URA, but it has to be done within thirty days, based on financial arrangements that they undertake. Another question posed to him was whether or not some external entity should have oversight over URAs, and Mr. Kane said that he didn't know. He said that was based on the complexities of URAs and the fact that they are independent bodies corporate and politic. As oversight is created over those sorts of entities, their independence then deteriorates; as independence is lost, that entity is at risk for reasons pertaining to independent bodies corporate and politic. For example, he said, you wouldn't want debts to be converted to state or municipal debt. Whatever oversight is created, the entity should be allowed to retain its independence.

Mr. Kane said that there are four areas of oversight that can be contemplated, one of which has not yet come into being in Idaho: (1) county or prosecutorial oversight, a local unit, the first level of oversight that applies. Senator Winder asked about a prosecutor, wouldn't that indicate criminal activity requiring due process? He wondered if Mr. Kane's other options would be more citizen oriented, through a city council, county commissioners, or within a body? Mr. Kane replied this is an important point, whether the committee contemplates oversight to be civil or criminal in nature; definitely a prosecutor is probably trending more toward the criminal side of things, but there are provisions in different parts of code with regard to civil penalties and civil oversight. Mr. Kane gave the example of civil penalty oversight at the prosecutor level, that being Idaho's open meeting law; there are civil penalties there, so the legislature does have the ability to define civilly or criminally the type of oversight being sought. Mr. Kane said that another area in which the committee might want to evaluate oversight is perhaps with the State Tax Commission, having a great deal of expertise in these allocation areas, overlap of areas, and taxing districts. The Tax Commission would

know how moneys should be used within and without those areas, that being the second step (2). Mr. Kane said that the third step (3) could potentially be the Office of the Attorney General, since it is naturally an oversight spot, but the question arises as to resources, which at present are not available. Civilly, Mr. Kane thought that the Consumer Protection Division or deputies at the State Tax Commission could provide oversight, but they are already short-handed, so the thought of adding on another layer of oversight is a resource question for the committee. The fourth (4) possibility rests in legislation introduced previously and maybe in the future, with regard to an Inspector General. Is this the sort of function that folks want to take to an Inspector General to see if something is performing the way it was anticipated and the way it was considered as a legislature. Is government functioning the way it should be? Mr. Kane said those are the primary thoughts he had, with regard to oversight. There is secondary oversight available, starting with the municipality that creates the URA, some ancillary oversight performed by the legislature, as entities are reviewed, and whether an entity is complying with directives to statutes. There are options for oversight, he said, some of which are already functioning. The fact that this committee is meeting and addressing these issues is a great example of ancillary oversight of the legislature with regard to these entities.

Senator Winder asked if Mr. Kane was aware of any third-party oversight set up with citizens, council members, or people with interests in taxing districts. Mr. Kane replied that the best example was in the City of Rexburg v. Kenneth W. Hart case. Mr. Hart was a citizen of Rexburg and he brought suit to challenge the actions of the urban renewal entity. Most recently, Mr. Kane cited the Greater Boise Auditorium District v. David R. Frazier case. Within everything that goes on here, Mr. Kane said there is the citizen ability to ask if something is performing in accordance with both the statutes and constitutions, within certain time limits, based on financial obligations, but the ability is present within the code in the existing framework.

Senator Jordan asked about the history of any potential criminal complaints and if the Office of the Attorney General had been contacted in terms of potential investigations regarding criminal complaints about URDs in Idaho. Mr. Kane replied that he could not recall any, in his tenure, adding that there have been situations such as issuance of debt in violation of Article 8, Section III, and the AG doesn't have any entry point into that sort of complaint. The second situation would be in some sort of public corruption context, meaning that somebody has some connection to some project, and the AG doesn't have any primary authority within that situation, so that type of complaint would be referred to a county prosecutor for investigation. Senator Jordan asked Mr. Kane, to the best of his knowledge, if those sorts of complaints existed at this time. He answered "yes," and added that it was hard to pinpoint because a complaint can sometimes require a quick phone call to be referred elsewhere.

Representative Anderst inquired about the AG's office having an oversight role, as well as an Inspector General; he asked which of those two would function better than the other, if funding was taken out of the equation. Mr. Kane responded that, to him, the devil is in the details, meaning that depending on the authority given to the entity, the functionality of that is really going to depend on what the authority is and how the designations of that authority look, in comparison. In the Office of the Attorney General, there is a huge workload, and one advantage of an Inspector General would be that this would be new, so that would begin within their primary authority, for example, rather than being an add-on competing for priorities. Those are policy decisions for this committee or the legislature, and impossible for him to consider, without text, to speak to whether one is better than the other. Representative Anderst asked about URA board configuration, asking Mr. Kane to comment on whether or not boards entirely made up of a city council would, in his mind, be constitutional. Mr. Kane answered that the court has identified that to be constitutional, provided they retain that independence, adding that he didn't have the authority to say more, so that is the law of the land at this point in time.

Senator Souza asked about oversight and the City of Rexburg v. Kenneth W. Hart case and the other case; those individual citizens, she assumed, had to pay a great deal of money to take a case to court.

She asked about citizens taking a case to court and whether that might be helpful in establishing a certain level of citizen oversight, also wondering about pro bono services. Mr. Kane answered that this already exists; Mr. Frazier could have had pro bono assistance in his case, or Mr. Hart, but the key is finding an attorney willing to offer that pro bono service. Mr. Kane cited Coke v. Canyon County; in that case, the court said that a taxpayer for purposes of Article 8, Section III, does have standing because for a citizen not to have standing under Article 8, Section III, would render that provision of the constitution a nullity. That is not a result that either the court or the state has in its best interest, so standing exists. The desire to make a more affirmative statement of the ability of the citizen within an area or municipality removes that potential question mark, but is a determination for legislators. The current status of the law is that arguably those folks already do have that standing, and the question is whether or not they can find a pro bono attorney. There is always a resource, whenever legal action is involved, he said, even within his office, when the state gets sued.

Senator Souza said if rewriting part of the law is contemplated, would Mr. Kane think it important, in terms of oversight, to add in specifications for enforcement, jurisdiction, and penalties so that the law actually states the chain of command for jurisdiction. On a very basic level, oversight by having boards stand for public election, she thought, would create oversight by the citizens of that community of taxpayers, and is the most direct oversight, in her opinion. Mr. Kane said that those are policy questions, which is why legislators are elected to these positions, and he said there is the age-old, philosophical question of whether the government closest to the people governs best. As an attorney, Mr. Kane advised that the more clarity in statute, the better for the system, because it takes a lot of the guesswork out. Mr. Kane said when he looks at the urban renewal code, it could definitely use a reorganization. Code is ordinarily structured with definitions first, but urban renewal code has definitions toward the bottom, just looking at the index of the contents and little things like that. He also noticed that the code has two severability provisions. So, he thought that revisions could help with accessibility, readability, and approachability of those provisions, not just for urban renewal entities, but for ordinary citizens as well.

Co-chair Johnson asked if Co-chair Youngblood had any comments on the remaining agenda items for discussion. Co-chair Youngblood said that two pages of action items had been sent to the committee members previously, items discussed in the prior two meetings, mailed out September 25, 2015 from Co-chair Johnson. Co-chair Youngblood said that, as a committee, at some point the members really needed to dig further into those action items and whether the items should be addressed from a policy perspective, or whether they had been addressed. He thought that, for example, one item, such as the makeup of a URA board, and oversight of that board, should be opened up for discussion. He asked if the committee wanted to discuss that further.

Senator Jordan said that with regard to the makeup of boards, given testimony from communities small to large, she thinks it is very important for each community to be able to make that determination. Each community has special needs, and combining that with the difficulty of finding qualified people to fill boards and commissions, she thinks this should be left up to each community.

Senator Souza elaborated on Senator Jordan's comment that each community has different needs, by adding that she thought there could be a way to embrace the individuality of a community by allowing them to choose whether the board is made up of the city council, all elected, or choose to have the URA board stand for public election, that being a choice a municipality could make, depending upon their desires. The end result would be the same, to have direct oversight for the citizens who are paying the tax increment financing and to have direct accountability by the board to the people. She said she had heard that an elected board would have trouble with bonding, and in Mr. Kane's response to a letter, he wrote that it would not affect the board's ability to bond. She also heard that it might decrease the willingness of a bank to work in a financial bond situation with an elected board, since there might be some turnover on the board. However, bankers in her community told her that would not have any weight, since taking out a bond requires papers to be signed that secure the funding mechanism. This would offer direct oversight and could be

customized, whether the entire city council or an independently elected URA board is then directly accountable. Senator Souza thinks that if a board is elected, they would be more compelled, in her opinion, to care about neighbors and the community, and be forced to communicate better, because of their constituents for reelection. She thinks elections would enhance accountability.

Representative Anderst said he thought there could be potential good and bad with regard to elections for URA boards, as opposed to appointments. He said he thought the underlying benefits of transparency and accountability should run through everything being discussed.

Representative Clow said that many URAs are larger than the size of a city council, such as Twin Falls, with a seven-member city council, but many have only five members. One advantage of the appointment process has been the ability to get members with specific talents, experience and knowledge who would be beneficial to the URA. He said that in Twin Falls, a city council member has never been on a URA board, wanting that board to maintain total independence. If that were to change, Twin Falls would still want to have the option of appointing members to that process. With regard to standing for election, the question arises as to where they must live, and where would members have to live, in order to be elected. He thinks local issues and problems should be dealt with locally.

Representative Sims said she liked keeping choices as close to the city as possible, adding that the appointment process had pretty much gone by the wayside, since it was determined by the Idaho Supreme Court that it's a separate entity. The city council, she said, no longer appoints the people who serve on the board; the board itself appoints its replacements. She said she thought that oversight could be accomplished by the city choosing to have the city council elect people to the board, or have separate people stand for election.

Representative Clow clarified that while it may be the way things are in Coeur d'Alene, in Twin Falls the city ordinances have an appointment process by the city council; the mayor appoints, that appointment is confirmed, according to city code. Twin Falls also has term limits; anybody appointed to a URA can complete an unexpired term, plus two more terms. After that, they could come back at a later time, but those decisions were made in the city, for Twin Falls. He believed that they were not in violation of any state laws.

Senator Souza stated that she thought it was important that URAs could still get expert advice, without appointing experts to the board. Elected URA boards could get experts to come talk to them about specialized needs, even as a consultant, if need be. She said she had met with the executive director of the Post Falls URA, and that he supports election of the board, with no barriers, since experts would stand for election.

Representative Kloc said he assumed that if there was an election for URAs, it would be a special election. He expressed concern about a low turnout, pointing out that at least a city council is elected by a greater number of people. He said he would personally rather see the city council appoint URA board members, rather than having a special election, if that would be required.

Senator Souza responded that she didn't think there would need to be a special election, since there are four consolidated dates for elections, two for the school system, and two for other elections each year. The urban renewal board makes decisions over large sums of taxpayer money, and she believes that these URA members should be elected at the local level, adding that members would not have to live within the URD, simply within the municipality or the county.

Senator Jordan clarified that when she talked about the makeup of the board, she was addressing whether or not that should be a city council or an appointed board; she was not supporting elections of these boards. It was her belief that accountability comes with the mayor and city council appointing members to the urban renewal boards, as they appoint to other boards. There is the ability to address any problems quickly, in terms of removing people. The council is also responsible for establishing urban renewal areas in the first place, and that is where communities have the

opportunity to weigh in on this process in the earliest stages, through public hearings and outreach. She said she finds irony, especially in Idaho, about frustrations of too much government, then discussion ensues about adding another layer to the mix. She believes there is more accountability having appointments, rather than elections; she supports cities determining the makeup of their boards, but that they should be appointed.

Co-chair Youngblood said that this had been a significant topic of discussion during last session's ad hoc working group's meetings, ending with suggestions of a mix of the urban renewal board being elected officials, whether from the city council, commissioners, highway people, etc. Co-chair Youngblood asked the committee to move forward on another action item, that being whether URAs should or should not be funding public buildings and whether a public vote is needed on larger projects.

Representative Anderst commented that in Canyon County, this has been a sore subject for a long time, and the genesis of several pieces of legislation, with the underlying premise being that utilizing urban renewal, which he believes is an economic development tool for certain elements of blight, for the purposes of community development, becomes a stretch, especially when talking about properties that are constructed and never placed on a tax roll. He said the way statute exists currently, it becomes the path of least resistance for some municipalities to do some things they would otherwise never be able to get passed. In his opinion, this is not what urban renewal should be used for.

Senator Siddoway said that if there are public structures that need to be built, there are bonding rules and regulations for that, and to do that under urban renewal doesn't necessarily fit. He thinks that having infrastructure available is good, but when you start building schools and then leasing those out to skirt the intent, just because a bond may not pass, then those kind of actions do not fit, and those situations are a valid concern. He said there is a need for some public buildings, but he thought the urban renewal laws were being taken above and beyond the original intent of those laws.

Co-chair Youngblood said that a possibility might exist to finance public-type buildings under another pathway, and could be done with a public vote, not requiring a super majority vote, but simply a majority. He said the committee might want to contemplate that, as well as possibly draft legislation that would include the ability to finance those public buildings with a public vote.

Senator Souza asked a procedural question: when the co-chair states that "we will come back to these issues, before we adjourn," she wondered if this meant today, at this meeting? Co-chair Youngblood answered "yes." She also mentioned that at the last meeting she had asked if she could present a condensed version of the public feedback she had gotten from those in her community, suggestions to improve urban renewal. She had a two-page handout entitled "Suggested Improvements for Urban Renewal Laws in Idaho" which the co-chairs gave her permission to hand out and is available in the Legislative Services Office. Senator Souza said the top five categories included: (1) increase accountability; (2) require more transparency; (3) define proper and improper use of TIF money; (4) better oversight; (5) provide an enforcement mechanism.

Co-chair Youngblood said that urban renewal moneys are being used for many things. When a plan is developed, he asked, are communities following the plan, is the plan complete, and is the language so broad that plans can be changed again and again, and were there any thoughts as to tightening up statute, when the plan ends, and when to start a new revenue allocation area.

Representative Sims said what she heard most at a town hall meeting was that the plans must be more specific, not so vague and so broad, allowing for ongoing changes, just to hang on to available moneys, which she believes has happened in her community. There is a big pot of cash that everybody can go to on a monthly basis, as plans are changed, and she thinks that plans need to be specific, and with an ending date for closure, and not be unending.

Senator Siddoway asked Representative Sims about testimony that URA boards need to be flexible and able to act quickly, so if she wants boards structured rigidly, how does that fit with those scouting teams when they show up in communities. Representative Sims replied that there should be flexibility in revenue allocation areas, not in the URA itself.

Senator Souza replied to Senator Siddoway's question by saying that in Coeur d'Alene there are two giant districts and their plans are very vague, and not specific in any way. Post Falls has six smaller districts, and Post Falls recruits for businesses to set up in those districts, and the use can be general, but when the business arrives, the zoning and infrastructure are in place.

Senator Winder suggested that there may be a three-tiered approach to this, perhaps a very specific plan for blight, but not as specific for economic development. He urged members to remain open-minded about various approaches to such complex issues.

Co-chair Youngblood said that there had been discussions about three specific pieces of blight-defined economic development, and what is really meant by economic development, creating jobs and increasing revenue. If there was an option for a community piece, would that piece include things like grants, public buildings, and other things that might be immediate needs for that community, and could those be voted upon by a simple majority vote. He invited comments on that.

Representative Kloc asked if the simple majority vote would be 50% plus one, and Co-chair Youngblood replied "correct."

Senator Winder commented that he thought the circumstance needed to be looked at; for the community piece, the public's concern is that a public entity, like a city council, can go around the bonding requirements of the state constitution and other code provisions to develop fire stations, a city hall, a library, under the pretext of urban renewal. To him, if that is the purpose, then maybe a super majority should be required, as there is a distinct difference, when that occurs.

Senator Jordan said she agreed with the urge for caution, believing there to be instances that raised concerns and that there be opportunities to address those. She realized that this committee was trying to figure out its direction, but she wanted to make sure that they also wanted to look at what other opportunities might be available, such as tools that other states may use, or suggestions from the Hoover Institution about additional tools, which might enhance Idaho's ability to respond more rapidly to new businesses. She wanted to make sure that opportunities were not being eliminated in the urban renewal arena, so that communities still have the ability to meet their needs in some way. Senator Jordan added that with regard to community buildings, she wanted to make sure that a city hall is not being defined the same as a fire station, since some buildings provide critical emergency support.

Representative Anderst suggested putting other options on the table for consideration, such as a limited role for a limited local option tax, geared toward those types of projects.

Representative Clow said he was fascinated with Utah's Taxing Entity Committee (TEC), which he believed was made up of all elected officials of the taxing districts impacted by urban renewal activities, and who give final approval as to whether a project is worth bonding, and he urged discussion on that. He commented that he was nervous about having an entire city council on the urban renewal board, since they make decisions beyond urban renewal, such as zoning decisions, which might pose potential conflicts of interest.

Co-chair Youngblood added that Utah's TEC, primarily elected officials, picks a committee of about eight from the revenue allocation area involved, and then a super majority vote is required to approve a plan.

Representative Anderst said that there had been original discussions around the idea of creating a repository or singular location where all plans could be sent, he assumed digitally, somewhere within

state government, and he thought that could be a simple step to create opportunity for better information sharing and would eliminate confusion and allow better access.

Co-chair Johnson referred to a handout [URA Law Spreadsheet](#) which he thought would help the committee in making decisions. With regard to accountability, city councils that might approve an urban renewal plan are elected, so Co-chair Johnson thought that would be the time to voice opposition or concerns with an urban renewal plan, and citizens did not have to wait until it reached a URA that was not elected. Groups around the state have the ability to submit plans to a URA, or they can be taken to a city council to be reviewed, and public hearings are held. If a plan is modified, it has to go back for approval, so commissioners can be contacted. Council members are held accountable through elections, and he thinks that communities can take advantage of what is already within code, even if changes need to be made. If there are real problems, there needs to be a remedy to those, whether legal or otherwise. Co-chair Johnson thinks there is already quite a bit of opportunity existing in statute, and we need to make these opportunities better known.

Senator Souza said that these definitions and specifics have been in place, in terms of accountability, and yet the problems exist all over the state, in her opinion, and the number one request is accountability, so she thinks that some simple, basic accountability standards need to be added that would not be onerous or burdensome. She thinks if URA boards stood independently for election, there would be direct accountability to the voters. She asked Co-chair Johnson if he thought there was any negative to electing board members to a URA.

Co-chair Johnson said he thought elections would complicate the process. He thinks the city council, the mayor and the local governing body and other folks active in the community, should be able to make good decisions, find good people to represent them on the URA, and he thinks elections could cause more problems and add cost. He thinks current statute includes many things that work, but added that we need to make them work better. Where there are problems, local governing bodies need to work with those URAs and the members to be effective and solve issues. He did not want to complicate things as long as he believes that we are doing all that can be done with existing statutes, with possibly minor changes.

Senator Siddoway said he shared many of the sentiments stated by Co-chair Johnson, adding that he had concern about open elections for urban renewal boards and commissions. It is so difficult to get qualified people to serve on boards, and economic development could really be affected if people get elected who don't have a vision for future growth. He doesn't want authority taken away from the local governing agencies. He said he could not visualize what the debate would be, to become a commissioner on a URA board.

Senator Souza said if she were running for a URA, she would tout her record on the board, or she would campaign, as in any election, as to the good things she had in mind for the community, educating the electorate. She thinks this would improve community relations between urban renewal and the citizens. The increased accountability with elections, she thought, would be helpful.

Senator Siddoway commented that it was very difficult to get people to attend meetings until there is a real problem, which could then be too late. He said he thought there were a few problems around the state and, therefore, was very hesitant to change statute, possibly taking local authority away and implementing statutes that might restrict the ability to be flexible and address their own local concerns, and to correct their own mistakes. He thinks that URA members need to be appointed, rather than elected.

Senator Jordan shared that in Ada County, the highway district board is the only independently elected highway district board in the country. As a single purpose district, they are focused on a very narrow mission, whereas in every other county in Idaho, when the city councils are trying to determine what their transportation land use plans are, those things are integrated into the context of all the issues before the city, and she said from her personal experience, the voters do not separate those two. If there is a problem with roads, citizens call the mayor and elected city council

members, and not the independently-elected highway district board members. That serves, as an example, as to where local people perceive the accountability to lie.

Representative Clow commented that the problem plans start out too big, too broad, and too general; some plans created 10-15 years ago incorporated hundreds, if not thousands of acres of undeveloped land, and then every piece of property that comes up ends up in revenue allocation areas, matching these with urban renewal boundaries, so to speak. If that could be addressed, he thought it would be appropriate. With regard to elected officials, the urban renewal board does not set any tax levies, so, unlike highway districts, school districts and others, they are not saying how much taxes will be. Every taxing district is given a chance to weigh in on that plan, and the city council has to agree to have those taxes not come to the city, so he thinks the councils are already weighing in.

Representative Kloc thanked Co-chair Johnson for his urban renewal flow chart, which helped him to understand a number of confusing issues; he said it struck him that enforcement is one issue not addressed, but necessary to make sure that plans are adhered to, as written. He thinks that the AG's office needed to be consulted for greater detail on enforcement, and possibly addressed in a future meeting.

Senator Winder explained that, having served on the Ada County Highway District Commissioner for 13 years, the reason Ada County is different is because the League of Women Voters had an initiative on the ballot, supported by the county electors, to have a unified highway district.

Senator Souza asked the committee members if they could point out any other board in the state whose members are not elected, and who make final decisions over millions of taxpayer dollars with no direct oversight, because of the Idaho Supreme Court decision, once appointed.

Mr. Nugent gave examples of two entities, the Public Utilities Commission (PUC), that determines electric and natural gas rates, and also the Industrial Commission in matters of payments regarding industrial accidents or disease, both of which are quasi-judicial, but are not elected. Senator Souza asked if those two commissions were responsible to anyone for supervisory oversight. Mr. Nugent said there is legislative audit oversight, and also appropriations oversight by the legislature. Senator Souza asked if those two commissions make monetary decisions, if those funds must be appropriated by the legislature, and Mr. Nugent clarified that the budgets of those commissions are appropriated, but added that decisions regarding rates or payments regarding industrial accidents or disease, are not subject to oversight, other than appeal to the Idaho Supreme Court.

Co-chair Johnson said that he could understand the perception that URA boards have a lot of money to spend, and are not accountable, but he reminded the committee that these boards were appointed by the city council members who know that their purpose is to spend money, not necessarily tax increment money; it could be bond revenue, grants, etc. with a stated purpose, goals and objectives. It is that local governing body that approves plans, he added, emphasizing that the boards are not without oversight, in his opinion. He clarified that taxing districts were encouraged to cooperate in the allocation of future tax revenues arising in urban areas and competitively disadvantaged border community areas. To him, it sounded like this is done voluntarily, questioning if this committee needed to give options to opt in or out. He didn't find anywhere in Title 50, Chapters 20 and 29, where there is an option to back out.

Co-chair Youngblood asked for comments on whether URA projects should be able to be expanded.

Representative Sims said that she didn't think at this time there are any restrictions in the law as to how URAs can spend money; once the board is established, the projects do not have to be approved by the city council, in her opinion.

Mr. Nugent said that if this committee thinks there are things that URA money should not be spent on, he believes that to be a policy decision, and that legislation could be drafted to amend the law.

Senator Souza said that in her community, she has heard repeatedly that URA funds should only be used for infrastructure, owned by the public; would that be a clear limitation for urban renewal?

Senator Winder replied that it was his understanding that if a URA is going to add another plan area, approval must come from the city council. Mr. Nugent affirmed that when another plan or urban renewal area is added, there must be approval from the city, for the most part. Mr. Nugent said the term "modification" fit those situations, and is addressed in Section 50-2008(f), Idaho Code, which Mr. Keith Bybee also affirmed to be correct.

Senator Jordan said she thought it was important to define public infrastructure, since a handout from Senator Souza mentioned the comments were to limit infrastructure to water, sewer, utilities, streets, curbs, gutters, sidewalks, but in many instances, especially in a downtown area, where the contribution of a URA to a project is going to be public space, it must include landscaping and public art, which is public infrastructure, in many areas. She cautioned, if limiting infrastructure, to be very specific about what that definition includes.

Senator Souza responded that she was personally okay with including landscaping and public art, but a URA board member in her area had not been in favor of including that as infrastructure. She agreed that "public infrastructure" did need to be clearly defined.

Senator Winder explained that in Coeur d'Alene, the façade on a building was actually paid for by the URD and there was some concern about that, since it then became private property. He cautioned that he wouldn't want the URD to not have the flexibility to adjust for very unusual circumstances, such as removing original footings and foundations from "the hole" in downtown Boise, which cost several million dollars, in order for the current building to have been built. That went into the land value, and the developer benefitted from that.

Senator Souza asked the committee to consider the possibility that the varying levels/percentages of TIF might be appropriate in some instances, such as demolition or remediation of a site, which is acceptable under the current law. She suggested that in any rewrites or amendments, this could be made clear.

Senator Jordan asked if anything precludes a local community from adopting their own scale on TIF allocations for their URA and deciding what percentages get spent on projects. Mr. Nugent said that when a URA is established, that URA could say that no more than a certain percent could be spent for (whatever), if that was their desire. Senator Souza asked if that would be a city ordinance that the city council would pass for the URA, and if so, what percentage of TIF allocations could be used for which project in that city. Mr. Nugent answered that in Twin Falls, term limits are set in city ordinance as the only way to arrive at that.

Co-chair Youngblood asked the committee if there was interest in combining Title 50, Chapters 20 and 29, if definitions should be clarified, or a community development-type piece added.

Representative Anderst asked about an Inspector General versus the Office of the Attorney General itself, and he wondered if the committee could get more information on what would be needed if they were asked to take on that responsibility of playing a role in the process of oversight. Co-chair Youngblood asked if this would include all URA plans statewide being centralized with oversight as to whether URAs are following their plans, and whether that was correct. Representative Anderst explained that a depository would be established as well as a process, with the availability of some AG staff to receive complaints, and to give advice on possible mediation or adjudication. If accountability measures are put in place through the AG's office, it clearly could be problematic for them and we should first know exactly what is being asked of them.

Representative Clow said he hated the idea of creating another department, since he would visualize an Inspector General as doing much more than monitor URA plans. With regard to combining Chapters 20 and 29, he thought a report from LSO would be beneficial about how complicated that combination would be in eliminating duplication. He was interested in seeing how that would be

done. Co-chair Youngblood affirmed that testimony suggested conflicting information, so he agreed that reviewing it was a good idea, for consistency.

Senator Souza asked about combining Chapters 20 and 29; she expressed concern, since one of the things being considered was to pull classic urban renewal into a separate definition with sideboards that are for the use of urban renewal, for only public infrastructure, and then have a separate section for economic development, and possibly a third silo from Utah in terms of community development. Would that all be within the same title or chapter, she asked. Mr. Nugent answered that he could envision three chapters, chapters 20, 29, and another chapter in Title 50, or perhaps have it all be recodified like a repeal and reenact, as was done with the open meeting law this last year and put into one chapter. He said there was similarity in the definitions in Chapters 20 and 29, adding that using economic development under Chapter 29 is contingent upon there being a URA established in Chapter 20, so they are contingent on each other.

Senator Siddoway asked if there was someone who could answer his question regarding counties that went out of city limits to construct an airport. Would that urban renewal area still be under the direct control of that URA board put together by the city council, or are there county commissioners in the state who create boards, and are there duplicate boards in counties? Co-chair Youngblood asked if the question was whether counties and cities are different municipalities, under urban renewal, stating that he didn't think there was a separation between the two, believing them to be considered the same. Mr. Seth Grigg, Executive Director, Association of Idaho Cities, said that Idaho law does allow for counties and cities to create URAs; the term "municipalities" is used interchangeably within urban renewal law, where it can apply to a county or a city. In both cases, in Twin Falls and in Pocatello, those areas that extend beyond the city are in the URA, by way of a provision within the statute that requires some kind of cooperating ordinance with the county to do that, but allowed by law. Representative Clow said that the Twin Falls airport was not inside an urban renewal area, although it is in the county, and is a jointly-owned and managed facility. Mr. Grigg added that Pocatello's airport is out in the county, but had been annexed into the city.

Co-chair Johnson said that today's meeting and testimony had been very profitable. He said that this committee will make recommendations, but that didn't mean that all members would agree on those recommendations, and on positive changes to Title 50, which he thought would be a great service to the people of Idaho. He recommended not getting too hung up on issues. He urged the committee to think about good ballpark changes to the urban renewal law that could happen, then those recommendations could be shared with fellow legislators. He said he felt good about the progress made thus far. He announced that the next meeting had been set for November 16, 2015, at 9:00 a.m. He asked the committee to think about the testimony from today's meeting, and when he received the minutes, he agreed to put ideas down on paper in order to move forward, with the goal of finishing the committee's work by year's end, and to meet one last time in January to present findings back to the legislature. Co-chair Youngblood summarized possible issues to include board makeup, public buildings (yes or no), and how those might be financed by other means; specificity with regard to plans; accountability; whether plans could be modified; enforcement; and whether a central, statewide depository for plans is necessary. The co-chairs agreed to talk, and they invited committee members and anyone listening to give further input in order to formulate ideas to move forward.

Senator Souza asked about the format for the next meeting in November, asking if there would be public testimony or not. The co-chairs said they would talk further, but they agreed that it is now time to gather thoughts to bring changes and recommendations forward, believing that business could be concluded in November, to be presented in January to leadership.

Representative Clow agreed that it was time to work together on recommendations, reminding everyone that there will be public hearings during the legislative process, after having gathered a lot of information and identified what some of the issues are.

Senator Souza said that if further public testimony is not going to be offered, could the committee meet in a room in November with a large table, so that the members could actually see each other, which she found to be very helpful, and that was agreed upon.

It was moved by Senator Siddoway and seconded by Representative Sims that this meeting be adjourned, and the motion passed unanimously by voice vote at 3:45 p.m.