

MINUTES
Approved by the Committee
Urban Renewal Interim Committee
Wednesday, February 10, 2016
4:30 P.M.
Senate Wing - WW17
Boise, Idaho

The meeting was called to order by Co-chair Senator Dan Johnson at 4:35 p.m. Members present were: Co-chair Senator Dan Johnson, Co-chair Representative Rick Youngblood, Senators Jeff Siddoway, Mary Souza, and Maryanne Jordan; Representatives Kathleen Sims, Robert Anderst, Lance Clow, and Hy Kloc. Staff present were Keith Bybee, Mike Nugent, and Ana Lara from the Legislative Services Office. Senator Chuck Winder was absent and excused.

Others in attendance included: Ryan Armbruster and Meghan Conrad, Elam and Burke; Jonathan Parker, Holland and Hart; Alan Dornfest, Idaho State Tax Commission; Seth Grigg, Association of Idaho Cities; and Carlie Foster, Lobby Idaho.

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

Co-chair Johnson introduced the topic of the committee's meeting discussion to be reviewing the final draft with an end goal of submitting a final version to leadership.

Co-chair Johnson directed the committee to page 2, line 23 and requested the word "appointment" be included between the words "by" and "the mayor" to make it easier to comprehend that the mayor or chair will be doing the appointments. Representative Clow requested that on page 2, lines 32-33, "the mayor" be counted towards the majority of the city council makeup. The committee agreed with this change. Co-chair Johnson directed the committee to page 4, section 2, which details the elections of expenditures on certain projects. Co-chair Johnson suggested removing this section because this information is already included in chapter 29, and the intent was to say that if there was an increment that was excessive in the revenue allocation area then it should be returned to the taxing districts; leaving this section as it is could apply to anything outside of tax increment financing. He explained that it would be identified in chapter 29 as just tax increment financing.

Co-chair Johnson discussed the definitions on page 8, line 5, for "plan" in Section 50-2008, Idaho Code, regarding the urban renewal area and "urban renewal plan" in Section 50-2905, Idaho Code, regarding the revenue allocation area. Senator Jordan directed the committee to page 10, line 20, paragraph b, and suggested that the words "by ordinance" be added after "has occurred" with the intention to make the wording consistent with the language above.

Representative Clow asked if the language on page 10, line 20, paragraph b, would prohibit the creation of another revenue allocation area until the current one has been terminated. Mr. Dornfest explained that on page 10, line 20, paragraph b, if there is a modification to a revenue allocation area, other than the boundary change listed above, then that urban renewal agency cannot get any new bonded indebtedness; it can pay off former ones. For example, he said, if it has 4 revenue allocation areas in it, and the area that was modified in two years terminates, at that point it can get new bonded indebtedness.

Senator Souza asked Mr. Dornfest that if a particular revenue allocation area was modified, would the urban renewal agency be unable to incur any further indebtedness for that revenue allocation area or for any revenue allocation area. Mr. Dornfest explained that it was his understanding that bonded indebtedness is a function of the urban renewal agency, and it cannot add to its bonded indebtedness. Mr. Dornfest clarified that if the area that was modified was terminated, then there would be no restriction, but if they chose to continue both the area that was modified and tried

to form new areas and bond, then they would be prohibited from doing so. He stated that the committee does not have to limit the bonding.

Co-chair Johnson directed the committee to page 11, line 35, and suggested striking "urban renewal plan" and replacing it with "any modification to the information described in subsection 2 and 6." He pointed to page 12, line 20, paragraph b, where there is a public entity definition listed, but "public entity" does not appear anywhere in that section of the draft and asked if it was necessary. Mr. Nugent explained that "public entity" had been replaced with the term "municipal building" in this section.

Co-chair Johnson stated his request to take this draft, with the final changes discussed in the meeting, and submit it to leadership in the House and the Senate with the recommendation that the committee be closed out. Representative Clow directed the committee to page 14, paragraph d, and voiced his concern that the committee would potentially be penalizing a city or county on their sales tax revenues for an independent body politic's mistakes. Mr. Dornfest explained that this refers only to the portion of the personal property tax replacement funds that is currently being given to urban renewal agencies on behalf of now exempt personal property under the \$100,000 exemption that used to be part of their increment; it has nothing to do with revenue sharing of various types from the sales tax accounts that go to cities or counties. He also suggested a correction on page 14, line 8, by striking "a city or county" and replacing it with "urban renewal agency."

Representative Clow asked if the draft addressed the issue of base reset upon modification and if it provided guarantees that there would be no adverse impacts on any prior modifications. Mr. Dornfest explained that Section 50-2903a (new section) found on page 10 is a series of penalties clauses if there is a modification. He clarified that there is a protection included in this draft for urban renewal agencies to pay existing bonds, but there are no protections for any other expenses. He said that if they have a modification that would normally result in a reset in the base, there would be no reset under this section if they have a bond. Senator Siddoway stated his understanding that if there was a significant modification to an urban renewal plan, the commission would be obligated to determine the value, and place that value in the base. He asked if this change would take care of that existing statute. Mr. Dornfest responded that yes, that would be case provided that:

- The Tax Commission is notified of the modification occurring;
- The modification is not just the permitted boundary change; and
- They do not have existing bonded indebtedness.

Mr. Dornfest stressed that if they met that criteria, the Tax Commission would notify the county and the agency, and there would be a reset. He explained that in the instance that they do have bonded indebtedness, they would keep their increment until they could pay off the bonded indebtedness; they would just not be eligible for new bonded indebtedness. Senator Siddoway asked if there had ever been any modifications that should have triggered a reset but no action was taken. Mr. Dornfest responded that the only modifications that the Tax Commission was ever aware of were boundary changes; there may have been others, but the Tax Commission was not made aware of them. The answer is no, he responded, there was no action taken previously because they were never aware of it. He explained that in this draft the urban renewal agencies would be required annually to attest to having or not having a modification to its plan and that the notice would state the nature.

Representative Clow voiced his concern that this draft may operate retroactively and that the urban renewal agencies will be punished for prior actions. Mr. Dornfest responded that in a scenario where the Tax Commission was asked to reset the base as of years ago, it would be extremely difficult to do so. He stated that it was his understanding that this draft would apply to actions going forward. Representative Clow asked if the committee should change the effective date of July 1, 2016 for any projects that the urban renewal agencies may be in the middle of completing. Co-chair Johnson stated that he did not believe they would be affected by this date if they were in

the middle of any projects, but certainly the public could voice their concern if they feel that this date could impact them adversely.

Senator Siddoway motioned to send the draft with the changes made to the House to begin in the germane committee. Representative Anderst seconded the motion. Senator Jordan thanked the co-chairs for their efforts and voiced her appreciation for what they had done for the committee, but stated that she still felt some discomfort with the draft. She said that at this time she would not be able to support the motion. The motion passed by voice vote with Senator Jordan, Representative Clow, and Representative Kloc dissenting.

Representative Anderst motioned for the meeting minutes to be approved. Senator Siddoway seconded the motion. The motion passed by voice vote. The co-chairs thanked the committee and LSO staff for their time, patience, and work. The meeting was adjourned at 5:35 p.m.