

MINUTES
HOUSE LOCAL GOVERNMENT COMMITTEE

- DATE:** Thursday, March 12, 2015
- TIME:** 1:30 PM or Upon Adjournment
- PLACE:** Room EW05
- MEMBERS:** Chairman Luker, Vice Chairman Sims, Representatives Barbieri, Perry, Clow, Horman, Malek, Collins, Cheatham, Loertscher, Redman, Kloc, McCrostie, Nye
- ABSENT/
EXCUSED:** Representative(s) Loertscher, Clow
- GUESTS:** Wayne Hoffman, Idaho Freedom Foundation; Hubert Osborne; Ron Harriman, Tax Accountability Committee; Alan Dornfest, ISTC; Ryan Armbruster, RAI; Scott Turlington, MDC; Ashley Squires, MDC; Jonathan Parker, H & H; Amber Pence, City of Boise; Ray Stark, Boise Chamber; John Watts, Idaho Chamber Alliance; Seth Grigg, Assn. of Idaho Cities; Dan Blacksom, Idaho Association of Counties; Tommy Ahlquist, Gardner Company; Cameron Arial, Zions Bank
- Chairman Luker** called the meeting to order at 1:30 PM.
- MOTION:** **Rep. Horman** made a motion to approve the minutes of March 4, 2015. **Motion carried by voice vote.**
- H 239:** **Rep. Youngblood** presented to the committee **H 239**. He said last year, Rep. Anderst and he wrote new verbiage to amend the current urban renewal statutes from a previous bill that did not pass. Its premise: using incremental tax financing from revenue allocation areas to build public buildings is not a good purpose for urban renewal. Public buildings do not create jobs or new tax revenue. He said he held a working group with stakeholders for six weeks this session to work through concerns. The legislation resulting includes a provision that requires agencies to report annually to the public about the activities, including budget reports and financial reports, of the urban renewal agency. If this is not done, the agency would lose the previous year's levy. It will be a one time loss of the previous year's incremental increase. The legislation includes a definition as to what is identified as a public building.
- Rep. Youngblood** said he has heard there are some who have concerns about the dates listed in the legislation; however, he has not heard from any of the county assessors indicating there might be a problem. He concluded that urban renewal agencies are good tools for economic development but they need to be used correctly.
- When asked why libraries are included in the legislation when they are good for economic development, **Rep. Youngblood** said the primary purpose was to include buildings that are tax exempt. Public buildings don't fit the growth, revenue generation, and job-hiring benefit for which economic development is purposed. They should be built through public approved, government obligation, super-majority voter approval which has been the normal process for spending public dollars.
- In response to a question regarding the language requiring commissioners to reside within the municipality, **Rep. Youngblood** said the intent was to include residents of the city or the county where the agency resides.

Ron Harriman, Chairman of the Tax Accountability Committee of Idaho and a member of the working group, testified **in support of H 239**. He said the intent of the original law was to cause economic development and to repair blighted areas. The urban renew law was designed to create a tax base benefiting the public and the tax payers in that district. Unfortunately, the law was broadly written and needs this type of editing so the people who are in charge of the urban renewal areas actually use urban renewal for the proper legislative intent.

Wayne Hoffman, President of the Idaho Freedom Foundation, testified **in support of H 239 and HCR 17**. He said the Freedom Foundation started working on urban renewal in 2009. They commissioned a study in 2010 to review urban renewal practices across the state. He said the voters never have the chance to look at the project proposals. Voters should have the decision to say whether or not they are needed.

Alan Dornfest, Property Tax Policy Bureau Chief of the Idaho State Tax Commission, said the Idaho State Tax Commission had concerns in regard to **H 239** and its effects on their administrative responsibilities. He reported the timing of the second Tuesday in September is too late for their agency to accomplish the necessary apportionment of operating property for which increment value must be assigned within each revenue allocation area. In addition, the legislation adds the increase to the base assessment roll using this adjusted base value to set levies. Nothing has been included in the bill to amend Chapter 29, which defines base value and how levies are to be set; therefore, the legislation can create a conflict so they will no longer be able to ensure levies are set correctly in cases of noncompliance. He said because there is no reporting compliance in regard to the second reporting deadline, neither the counties nor the Tax Commission will know whether compliance has been achieved.

Mr. Dornfest continued, if the penalty is administered by adding the increase in the increment value to the base value, despite the requirements of Chapter 29, this will have the effect of permanently denying that increase to the urban renewal agency. This is because although the base can be adjusted annually, the removal of a penalty is not one of the adjustments permitted in Chapter 29. He said while a new allocation area is active, new construction is not permitted for increasing budget capacity for underlying taxing districts. When the revenue allocation area dissolves, the difference between the final increment value and a 2006 base increment value is captured by taxing districts for increased budget capacity.

If the penalty in **H 239** persists, meaning that the additional increment penalty is lost permanently, **Mr. Dornfest** said taxing districts will never receive this additional budget authority. He concluded that the Idaho State Tax Commission recommends appropriate amendments to base assessment roll, base assessment roll adjustments, levy setting, and to specify notice requirements to include counties and the Tax Commission.

Ryan Armbruster, Counsel to the Redevelopment Association of Idaho, Inc., testified **in opposition to H 239**. He said they do not have an objection to the residency requirement but does think the language is a little confusing as to whether someone from the county would be considered part of the municipality. An agency is created by either a city or a county. He also said they do not have a problem with the exclusions for using tax increment financing for the designated public buildings. He does have concern with the annual report and the notice provisions. As worded, it would subject an agency to a complete loss, not just for one year, of their levy. He said urban renewal agencies are subject to an approved budgetary process that is similar to what the city uses. They are also subject to filing information with the Legislative Services portal. Failure to report would result in penalties of up to \$5000.

Ray Stark, Boise Chamber of Commerce, testified **in opposition to H 239**. He offered information in regard to how the urban development agencies are different in the state. He said the Boise Chamber of Commerce is concerned specifically about the exclusion of libraries in the legislation. Libraries are activity centers and bring economic vitality to the area. He asked the committee to support **HCR 17** to create an interim committee instead.

John Watts, representing the Idaho Library Association and the Idaho Chamber Alliance, testified **in opposition to H 239**. He said libraries have a true economic role. He said it might be the will of the legislature to eliminate libraries but more thought should be given before it is done. He said Chambers of Commerce have been involved in urban development from the beginning. In those years, he has witnessed a lot of patchwork legislation offered to fix a well-intended urban renewal law. Intent has crept from curing blighted areas to urban development. He asked the committee to hold this bill and create an interim committee to determine what the role of urban development should be in Idaho.

Seth Grigg, Executive Director of the Association of Idaho Cities, testified **in opposition to H 239**. He said the language restricting a commissioner to reside within the municipality in which the urban renewal agency was created, would preclude a resident of the county if the agency was created in the city. It would be a problem as there are city urban renewal agencies which have county commissioners on the board. He said their other concerns relate to penalty provisions and the restriction of libraries.

Tommy Ahlquist, Chief Operating Officer for Gardner Company, testified **in opposition to H 239**. He said this legislation treats the symptoms of the problem instead of the disease.

Rep. Nye invoked Rule 38 stating a possible conflict of interest.

Cameron Arial, of Zions Bank Public Finance, said from a financial perspective, if there is a way to limit the revenue stream, buying bonds will become difficult. The result would make the tax increment bonds more costly or result in having a very limited market. Eminent domain and how it affects tax exemptions are critical elements to tax increment financing. This is because it reduces the interest costs paid on the bonds. Without it, they would be paying a taxable commercial loan rate which is about a third higher.

Rep. Anderst said from the beginning, the conversation was one of support for urban development. The intent here is to put accountability with the urban renewal agencies to report back to the people, the electors. There needs to be an open dialogue with the elected officials and the urban development agencies themselves. He stressed this is not the only tool available for economic development.

Rep. Youngblood was recognized to close testimony on **H 239**. He said it was their intent the urban renewal commissioners reside within the city or county of the agency. In addition, the county clerks and assessors were the ones who gave him the dates and process for the reporting deadlines. They are the ones who determine the values and set the levies for their counties. The state only certifies them.

MOTION:

Rep. Redman made a motion to send **H 239** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION:

Rep. McCrostie made a substitute motion to **HOLD H 239** at the call of the chair.

Rep. Horman said although she supports the intent of the legislation, her constituents have concern in regard to the language used; therefore, she will be supporting the substitute motion.

Rep. Kloc said he supported the substitute motion because there is a lot of concern about the issue and there are still too many questions about the bill.

**VOTE ON
SUBSTITUTION
MOTION:**

Roll call vote was requested. **Motion carried by a vote of 6 AYE, 5 NAY, and 3 Absent/Excused. Voting in favor of the motion: Reps. Luker, Horman, Collins, Kloc, McCrostie, and Nye. Voting in opposition to the motion: Reps. Sims, Perry, Malek, Cheatham, and Redman. Reps. Barbieri, Clow, and Loertscher were absent/excused.**

HCR 17:

Rep. Youngblood presented to the committee **HCR 17** which would request Legislative Council to appoint a committee to study urban renewal and urban renewal agencies. Chairs would be able to invite non-legislative members to the committee as well. He offered background regarding how Utah works urban development in their state.

MOTION:

Rep. Collins made a motion to send **HCR 17** to the floor with a **DO PASS** recommendation.

Rep. Collins said he has been dealing with urban renewal for 13 years. He said it is time to correct the problems with urban renewal and rewrite the entire legislation.

Ryan Armbruster, Counsel to the Redevelopment Association of Idaho, testified on **HCR 17**. He said he would defer to the committee's judgement as to the proper move in this situation.

**VOTE ON
MOTION:**

Motion carried by voice vote. Reps. Youngblood and Anderst will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 3:36 PM.

Representative Luker
Chair

Francoise Cleveland
Secretary