



March 20, 2023

**VIA EMAIL**

Senate Local Government & Taxation Committee  
Attn: Hon. Doug Ricks, Chair  
Idaho State Legislature  
State Capitol Building  
Room WW53  
Boise, ID 83720-0038  
[dricks@senate.idaho.gov](mailto:dricks@senate.idaho.gov)  
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Re: HB 328

Dear Honorable Senators:

The members of the Redevelopment Association of Idaho, Inc. (“RAI”) include a majority of the urban renewal/redevelopment agencies in the State. The RAI was formed for the purpose of, and is committed to, facilitation of communication between and among Idaho redevelopment practitioners, education, and encouragement of best practices in the redevelopment enterprise; facilitation of compliance with applicable state laws; and improvement of accountability and advancement of the effectiveness of the redevelopment tool for both urban/downtown revitalization and economic development as expressly permitted by Chapters 20 and 29, Title 50, Idaho Code. Since RAI’s incorporation in late 2010, RAI has regularly advised and updated its members as to all changes to the urban renewal laws and/or laws impacting urban renewal agencies. RAI works closely with representatives of the Association of Idaho Cities.

**RAI strongly objects to the process that has occurred in introducing HB 328. HB 328 comes as a replacement for the previously introduced HB159 relating to data centers within urban renewal districts. On March 16, 2023, HB 328 was introduced with little to no explanation of the revisions to HB 328 from HB 159, and without any encouragement of dialogue related to its potential impacts. In addition, there was a recommendation to have HB 328 filed for second reading, avoiding a public hearing. RAI is very disappointed by the**

**lack of transparency in the process and the lack of an effort to have an informed discussion related to the unintended consequences of its language.**

House Bill 328, in part, seeks to amend existing law to reallocate the property value of a data center located within an urban renewal revenue allocation area from the increment value to the base assessment roll value, as long as the revenue allocation area has not issued any bonds as of the date of introduction of this bill, March 16, 2023. For the reasons set forth below, RAI respectfully requests you **oppose HB 328**:

- This is targeted legislation and is bad public policy. HB 328 is aimed at one project, in one location, Kuna. The City of Kuna had no idea HB 328, or its previous versions, would be proposed this session and was unaware of its potential consequences when negotiating the locating of a data center to its community. Both the City of Kuna and the particular data center believed the current circumstances and law to afford one set of benefits and characteristics, and now it is being threatened to change.
- Allocating a data center's property tax value to the base assessment roll does not provide more revenue to the overlapping taxing districts; there is no corresponding increase to a taxing district's overall budget capacity. HB 328 provides no benefit to the cities, counties, or the State and merely eliminates the ability to capture increment value revenues for reinvestment in public infrastructure.
- HB 328 would make doing business in Idaho less stable. Without a grandfather exception, a business could relocate here under one set of laws, and then once committed, the rules change. This reactionary response does not support Idaho's long-term business development goals. These statutory changes impact a company's ability to make long-term planning decisions.
- The language of HB 328 creates a plethora of questions related to practical implications. For example, it attempts to back date HB 328's effective date to July 1, 2020, which could have unknown and perilous consequences for preexisting projects. Also, no explanation is given for the effective date of July 1, 2020. In addition, the language of HB 328 makes unclear how increases in property value while the project is being constructed would be treated. Will this be considered increment or base value? How will the \$250M in aggregate capital investment be calculated? What occurs if the threshold amount is not met within five (5) years? Is there a possibility the value will be considered increment initially and then moved to the base? These are administrative and practical concerns that must be addressed within the language of HB 328.
- Although targeted at one location and community, HB 328 will have impacts across the State as it will disproportionately hinder small, rural communities from attracting and incentivizing desired economic development projects. For

example, if the data center's property tax value is allocated to the base assessment roll, the combined base values of existing urban renewal/revenue allocation areas would exceed 10% of the total taxable value of the municipality, precluding the creation of new revenue allocation areas to support costly public infrastructure improvements necessary for targeted economic development projects. HB 328 unnecessarily ties local government's hands when the local government and the State are working together to bring high paying jobs, diverse economies, and taxable value to the State.

- Stakeholders impacted by HB 328, particularly urban renewal agencies and cities, were not aware of this bill prior to its introduction and had no opportunity to provide feedback to the bill sponsors or to address their concerns.
- Idaho Code Section 63-3622VV provides a sales tax exemption for the purchase or use of eligible server equipment as defined therein. Idaho Code Section 63-3622VV addresses sales tax only. Unless granted a property tax exemption, data centers pay property tax. Including a data center in an urban renewal revenue allocation area does not exempt the data center from paying property taxes. Further, being included in a revenue allocation area does not mean a data center receives a property tax benefit.
- A data center is not the type of development that uses significant city services such as police and fire services. In fact, as the circumstances are in the City of Kuna, data centers may bring or fund public city services by locating within the community.
- The Idaho Legislature, by adoption of Idaho Code Section 63-3622VV, has determined data centers are the types of commercial/industrial businesses the State would like to attract. In some instances, the location of a data center requires the construction and installation of significant public infrastructure improvements, i.e., water and sewer system improvements, improvements to rights-of-way, etc. These costs are significant. The local government should be able to use the tools available to decide how best to partner with a new business, including whether there should be a reimbursement of public infrastructure improvements based on the new taxable development or, alternatively, leverage the necessary improvements to support the broader community goals of supporting an industrial area that is located away from residential single family homes. In many instances, the improvements required of these new businesses will have a broader benefit to the community at large.
- This bill has unintended consequences such as continuing to chip away at one of the few local government economic development tools, the Urban Renewal Law , Chapter 20, Title 50, Idaho Code and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code, which allows local communities to address how best to partner with potential new business brought to the state of Idaho.

- From a policy standpoint, there is no rationale for excluding the ability for a data center to work with both the State, through sales tax exemption, and local government, through using revenue allocation proceeds to potentially fund eligible public infrastructure improvements benefitting the broader community, particularly since the Idaho Legislature's goal was to incent data centers to locate in Idaho. Urban Renewal and the State's ability to exempt sales tax work in tandem to meet the desired goals.

The RAI members work hard to better their communities working within the statutory framework. The RAI respectfully requests you oppose this bill.

Sincerely,

Redevelopment Association of Idaho, Inc.

A handwritten signature in blue ink, appearing to read "Brent J. Tolman".

Brent J. Tolman, President

cc:

Hon. Geoff Schroeder, Vice Chair ([gschroeder@senate.idaho.gov](mailto:gschroeder@senate.idaho.gov))

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