

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 06, 2019

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: One-page of multiple sign-in sheets will be retained with the minutes in the committee secretary's office until the end of the session. The remaining sign-in sheets were inadvertently disposed of. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Chairman Collins called the meeting to order at 8:31 a.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 25, 2019. **Motion carried by voice vote.**

RS 27063: **Rep. Moyle** said **RS 27063** replaces **H 239** introduced yesterday. After it was introduced, some errors were discovered, and **RS 27063** corrects the intended start date on page 3, line 23 to June 1st rather than July 1st and changes the wording on page 4, section 4 to clarify all the money goes into the tax relief fund.

MOTION: **Rep. Addis** made a motion to **HOLD H 239** in committee. **Motion carried by voice vote.**

MOTION: **Rep. Addis** made a motion to introduce **RS 27063**. **Motion carried by voice vote.**

H 217: **Rep. Robert Anderst** presented **H 217** remarking it is a continuation of the discussion held in **H 606** about three years ago regarding the proper use of urban renewal funding for certain types of projects. **H 606** established urban renewal as a tool for the purpose of infrastructure and private economic development that builds tax increment growth but not for funding of municipal structures where the citizens who should be asked those questions should have a vote. **H 217** clarifies that **H 606** construction is inclusive of remodels by adding remodel components to the language, knowing that a remodel can cost more than constructing a building. **H 606** defined a new category of project called "municipal buildings." **H 217** adds multipurpose stadium complexes to the definition because they fall within the common characteristics of a project for public use. **H 217** changes the established threshold in **H 606** from 60% to 55% of qualified voters voting to affirm a building. The percentage was determined as a negotiated point within the confines of a larger bill. The focus of the legislation is when a vote should be taken. **H 217** establishes it is meaningful and useful to ask the voters of a district to pay for an investment and have input when a multipurpose or municipal structure is going to be built.

In response to committee questions indicating concern that a 51% threshold made it more difficult for an urban renewal district to use public dollars for any type of investment, **Rep. Anderst** stated **H 217** does not limit the ability to use urban renewal to lay a mile of pipe to establish sewer connectivity for a 100,000 square foot manufacturing facility needing the investment to improve the property to build tax increment, which is the delta paying for the pipe being laid. The underlying premises behind urban renewal is a delta that works, and the difficulty is an end product that doesn't generate an increment value. When questioned about municipal structures having value, Rep. Anderst said it is a question that taxpayers in the municipal structure's district have a right to answer, but nothing in **H 217** precludes any investment in stadiums, libraries or anything, it just seeks voter counsel first.

Rep. Rick Youngblood, co-sponsor of **H 217**, stated the definition of a municipal building was not something he ever personally wanted in **H 606**, but it was added through local feedback. Their discussion included city halls, libraries, fire stations, and other things. Now the question arises whether a municipal sports complex is a building that comes off tax rolls and should fall under **H 606**. The original intent was to include any building owned or operated by a municipality for the public's benefit, with the exclusion of infrastructure which would include outhouses or park benches. In **H 606** very clearly specifies that to use urban renewal, there has to be a plan in place, including road structure, waterways, and job creation. Constructing buildings that come off tax rolls without taxpayer input it is not a good use of urban renewal.

Those speaking in support of **H 217** were **Gary Richardson**, Boise; **Brandon Durst**, Boise; **Bill Goodknight**, Boise; **Gary Michael**, Boise; **Ron Harriman**, Nampa; **Hubert Osborn**, Nampa; **David Schurtleff**, Boise; **Katy Fife**, Boise; **Erica Schoffield**, Boise; **Thomas Hayes**, Boise; **Bonnie Hardy**, Boise; **Matt Fishman**, Boise; **Dr. Micky Myer**, Boise; **Edwin McClusky**, Boise; and **David Eichleman**, Boise who opined the legislation is not anti-Boise or other cities or anti-libraries or sports complexes but is for taxpayers. **H 217** holds municipalities to the spirit and truth of the Idaho Constitution, Article 8 §3 and closes a loop hole found in the Local Economic Development Act (LEDA). LEDA is intended to incentivize development in blighted urban areas by investing public funds in the infrastructure to support it but is being used by some cities to get around the constitutional requirement that voters approve long term debt for local government projects. Cities, through LEDA, have the ability to declare an area, such as River Street and American Boulevard, blighted or deteriorated. Tax increment financing is meant to divert taxes on the appreciated value into the infrastructure supporting that improvement, however, it is being used as a conduit for financing debt for large projects where taxpayers end up financing the debt incurred for the projects. **H 217** ensures that tax increment revenue will be used for infrastructure improvements within an urban renewal area but not for large public investments like stadiums and libraries unless 55% of voters approve. There are current plans to use the city's urban renewal agency (URA) as a debt financial conduit to partially fund two large projects that otherwise would require approval by a two-thirds vote, and there are no checks and balances for this debt incursion. **H 217** would introduce balance by requiring 55% voter approval for non-infrastructure projects. URAs need help to behave better. Mr. Durst wants to give more tools to cities, but they need to use them properly. His city is no longer listening to citizens at town halls, and it is time for the state to step in. Some large projects such as sports complexes are bad investments that leave the taxpayer responsible for expensive subsidies. Some large city projects in Idaho have failed and leave continuing costs to taxpayers. When using increment financing for large municipal buildings, all the money used is actually passed on to people through taxes. Sometimes, city-owned land purchased for urban renewal does not generate revenue, and tax support to schools and the community drops. In Idaho \$1 billion in urban renewal spending has passed to taxpayers. Since

taxpayers will ultimately foot the bill, they should have a say. **H 217** would require a plan and prevent situations that have occurred where there was financing locked in before the population even knew about a large municipal project for which they would be paying. It is unjust to allow un-elected individuals (URA personnel) to make decisions on funding on major municipal buildings while the taxpayers are being denied the opportunity to make any funding decisions on the same projects, especially when the funding tool utilized for projects is generally lease financing which is more expensive than general obligation bonds. Idahoans would like to have a say in paying taxes in perpetuity whether supporting a large sports complex or not.

Hubert Osborn, representing the Nampa City Council, stated they were unanimously **in support** of **H 217** for the reason it protects the tax payer from improper use of urban renewal funds and allows opportunity for the taxpayer to be involved.

Speaking **in opposition** to **H 217** were **Ryan Armbruster**, Elam & Burke, representing the Redevelopment Association of Idaho, who represents many URAs throughout Idaho; **Lorrie Burell**, Boise; **John Evans**, Mayor, Garden City, and Idaho Association of Cities; **Ray Stark**, Boise Chamber of Commerce; **Trent Wright**, Idaho Banker's Association; **Eric Heringer**, Piper Jaffrey; **Heath Clark**, Boise; **Jeremy Chou**, Givens Pursley, Boise; and **John Watts**, Idaho Chamber Alliance and the Idaho Library Association who stated **H 606** was the result of two years of compromise and collaboration, and it has worked. Mr. Armbruster said although he does not represent every Urban Renewal Agency (URA) in Idaho, he is unaware of any abuse of **H 606** provisions. The existing provision requires a URA seeking to undertake a premier project to look for other sources of funds within the threshold, whether that be other public entities in a consortium or private developers or contributors. For a project to be successful it must have certainty and timeliness, and **H 217** takes that away because even one dollar of revenue funding out of a URA's own pocket would require a vote be taken, which under our consolidation law can only happen twice a year. This bill requires a vote to spend money not just to incur debt. The vote is controlled by a minority not a majority. With that kind of uncertainty and uncertain time line, developers, contributors and others will find a different place to invest funds and projects. The legislation needs to have a minimum threshold that would not trigger a vote, such as excluding planning costs or other administrative costs. A vote is not required because it does not create additional tax liability. The use of an emergency clause jeopardizes any projects that are in good faith from moving forward in reliance on the provisions of **H 606**. URAs bring financial value to cities. Mr. Watts, representing 14 chambers of commerce across Idaho said a key role for chambers is to recruit economic development, and urban renewal is imperative to that development along with the need to move at the speed of business, which is significantly slowed by a couple of elections a year. The City of Boise URA's originally investment of \$22.5 million in eight blocks in Boise is now, thirty years later, worth \$323 million. Boise sees **H 217** as personally directed to it, especially because of the emergency clause. Since **H 606** was the result of an interim committee and had input from many stakeholders, material changes to its conditions and restricting its expenditures should involve all those stakeholders. Urban renewal gives no additional tax burden beyond tax increment revenue, and a URA can improve projects that create a catalyst to produce more revenue. **H 217** goes too far, the vote for adding a multipurpose stadium is one thing, but this bill prevents cities from using urban renewal funds because it would be difficult to get 55% of the vote for a project that only benefits one section of a city.

In response to committee questions, **Mr. Stark** expressed concerns regarding what the standard for an election is, whether the levels involved public or private partnerships, and the stopping point for election standards. He also responded to committee questions by confirming Boise Chamber of Commerce involvement in the collaboration on **H 606** and informed the committee the 2015 interim's recommendations were not incorporated in **H 606** by the 2016 Legislature.

Trent Wright, Idaho Bankers Association, spoke **in opposition** to the emergency clause in **H 217**, stating bankers are concerned about the definition of project costs in **H 217**, which includes financing costs such as interest during construction and capitalization of the debt service on ongoing current municipal and agency projects responsible for the debt service to the creditors. Bankers are concerned they will be cut off from having to further those debt services because there was never a vote initially because the project did not fall below the 51% threshold.

Committee members and **Mr. Wright** discussed not knowing how many projects would be effected, timeliness to resolve banking concerns, and the need for specific clarification of risk.

MOTION: **Rep. Addis** made a motion to send **H 217** to the floor with a **DO PASS** recommendation.

Rep. Anderst closed by stating it is obvious wanting to vote is a bipartisan issue. He indicated that some opposed to the legislation today who spoke of the extraordinary collaborate work that went into **H 606** were not supportive of that legislation then as well as today. None of the organizations who are opposing **H 217** today were supportive of **H 606**, and that is important to remember. In taking on **H 217**, it was recognized there were certain parts of the legislation that would not get everyone's support, but sponsors wanted the Legislature to determine it.

Rep. Ellis said following the principal of getting the advice of the voters moves him, so he will be voting **in support** of **H 217**.

In opposition to the motion, **Rep. Erpelding** commented by having a percentage beyond fifty percent, problems far beyond Boise are created, and he could support it if there was a different threshold to get behind. As it is, any dollar spent has to come up for a vote. **Rep. Mason** expressed appreciation for the concept that the voice of the people shouldn't be feared by their government, and recognized there are problems with urban renewal legislation, but stated he values collaboration, and can't support legislation where many people care but are not involved.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 14 AYE, 2 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, and Ellis. Voting in opposition** to the motion: **Reps. Erpelding and Mason. Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:41 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary