



Urban Renewal/Tax Increment Financing

“Preserve and protect urban renewal/tax increment financing against further curtailments to their practical use, and adopt other research-based forms of development financing.”

Introduction

Urban renewal is one of the few tools available in Idaho at the municipal level to encourage and facilitate efficient and smart growth in Idaho communities and promote economic development. Evidence shows that responsible use of Idaho’s urban renewal laws benefits Idaho’s economy, citizens, and private sector. Urban renewal is an essential economic tool, allowing municipalities to provide public infrastructure in ways that promotes growth, saving money for taxpayers and developers, and enhancing communities in the process. Urban renewal must be preserved as a practical and flexible tool for Idaho’s municipalities.

What is Urban Renewal?

Originating in 19th century England as a tool for rejuvenating land redevelopment and urban decay, the effort caught in the United States in the early part of the 20th century. By mid-century the phrase “urban renewal” was included in the Housing Act of 1954. By 1968, the program was given an emphasis on redevelopment of existing properties rather than simply razing them for new development. Currently, a mix of renovation, selective demolition, commercial development, and tax incentives is most often used to revitalize urban neighborhoods characterized by blight.

In Idaho, the term “urban renewal” refers to a statutorily prescribed authority of municipal agencies to provide incentives to the private sector to redevelop deteriorating urban areas. This authority is governed by Idaho statutes Chapter 20, Urban Renewal Law, and Chapter 29, Local Economic Development Act, of Title 50, Municipal Corporations. Chapter 20 of Title 50 provides authority to city councils to designate and ameliorate deteriorating properties by adopting an urban renewal plan and urban renewal area proposed by the local urban renewal agency.

Creating an Urban Renewal District (URD)

The creation of an urban renewal plan is a careful, transparent, and calculated process. Governed by an appointed board, local urban renewal agency board members study, deliberate, and when they are in accord, they prepare and submit plans to the local planning commissions and city councils for consideration and approval. Prior to the adoption of the plan, the public hearings are required after legal notice and advertisement of the hearing and the subject matter thereof.

Once an urban renewal plan is in place, private sector businesses can submit proposals to develop the deteriorating land within the urban renewal plan. The proposals must propose the intended development and agency involvement necessary to complete the development. The proposals must comply with the urban renewal plans as adopted. If the proposals are accepted, the agencies will enter into development contracts with the private party and oversee and report on the compliance with the agreement.

Under the Idaho Urban Renewal Law, urban renewal agencies work within a transparent process. The agencies are required to make all information public, provide all proposed decisions to public comments and file annual reports regarding the results of the developments.

Chapter 29 of Title 50 provides for tax increment financing, whereby the urban renewal agency may receive the property taxes paid from the extra property value added to the designated area after the implementation of the urban renewal plan. The agency uses these funds only to develop new public infrastructure or to obtain deteriorated properties for redevelopment.

Agencies may use these funds to incentivize a private entity's investment in new buildings by assisting with development of needed public infrastructure. The agency may also develop new public infrastructure on its own to attract new investment and new buildings to an area. Either way, the public receives the benefit of the funds through the development of public infrastructure.

Tool for Idaho Economies

Evidence shows that investment in public infrastructure through urban renewal development projects provides a significant return (ROI) to the local municipalities. The subsequent growth and development within an urban renewal district strengthens the tax base. Furthermore, urban renewal allows Idaho communities to restore public improvements in deteriorated areas. This benefits Idaho taxpayers.

In Idaho Falls, urban renewal has provided a boon to the local economy. Since the creation of the city's first urban renewal district (Snake River Urban Renewal Area) in 1988, the taxable valuation of all urban renewal areas has increased by \$206,099,596.00, to say nothing of job growth, ancillary economic activity, multiplier effects, or the enhanced look and feel of the city as a whole.

At least one study shows that an approximately \$18.4 million investment in streets and utilities spurred an additional tax value of \$143,818,890, while creating a vibrant corridor along the Snake River. New motels, restaurants, and businesses have replaced salvage yards, vacant lots, open storage lots, and abandoned warehouses that once dominated the landscape between the Snake River and I-15. This investment has increased tourism significantly throughout Idaho Falls and is now a staple of the Idaho Falls economy.

Protecting Urban Renewal

Urban renewal is a tool which allows the public and private sectors to partner for the public good. Redevelopment of deteriorated areas generally is not a profitable venture. And the re-use of valuable real estate and valuable public infrastructure is not always a priority for private entities. Without urban renewal, deteriorated areas can become liabilities to the community in the form of increased crime and also to the taxing entities in the form of diminished property tax revenues. Urban renewal allows for the possibility that deteriorated areas can be redeveloped thereby ensuring that the urban core of Idaho communities remains a profitable place for both the public and the private sectors.

Maintaining the core of Idaho's urban infrastructure is difficult, requiring hard work and expertise. Simply allowing deteriorated areas to deteriorate would be an easier, albeit irresponsible task. Such is not consistent with Idaho's pioneering spirit. Rather, it is incumbent upon elected officials to do all they can to maintain and re-use the land resources Idaho is blessed with, rather than discarding property once it is used up.

Urban renewal requires flexibility when addressing the many different situations and unique scenarios by deteriorated real property. The success of urban renewal efforts hinges upon the flexibility to rely on development experts in urban renewal agencies, the flexibility to work with the private sector, and the flexibility to produce timely and appropriate recommendations to citizens and local government. Maintaining Urban Renewal as a flexible tool will allow local agencies to create plans tailored to the needs of each community.

Further legislative restriction on urban renewal authority is fundamentally inconsistent with the conservative principle of pushing decisions to the lowest local level possible, where the most knowledge of the problem is available.

The Greater Idaho Falls Chamber of Commerce urges state legislators to preserve the urban renewal as a flexible tool for encouraging private development that will increase property valuation and ultimately benefit all property tax payers through increased valuation and lower all-around property tax rates.