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# GETTING READY FOR YOUR FUTURE WIN- USING CIDS, BIDS, LIDS AND URBAN RENEWAL

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IDAHO ECONOMIC DEVELOPMENT ASSOCIATION, APRIL 17, 2019





# URBAN RENEWAL AGENCY AUTHORITY

STATUTES ▪ REVENUE ALLOCATION ▪ LIMITATIONS ▪ POWERS ▪ FINANCING

# URBAN RENEWAL AGENCY AUTHORITY

- Local Economic Development Act, Title 50, Chapter 29, Idaho Code
- Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code
- Separate and distinct legal entity with independent authority—*Yick Kong v. BRA*, (entirely lay person board) *Hart v. Rexburg URA* (mix of lay persons and council members). These two Idaho Supreme Court decisions also authorize urban renewal agencies to incur long-term debt without the necessity of a public vote (2/3 majority) as required of other public entities; Article VIII, § 3 of the Idaho Constitution.
- Models throughout the state vary widely; though with HB606 (2016), may become more uniform.

# HOW DOES REVENUE ALLOCATION FINANCING WORK? (LOCAL ECONOMIC DEVELOPMENT ACT)

- When a revenue allocation area is formed, property valuation is calculated on a parcel-by-parcel basis. This is the base assessment roll of the revenue allocation area.
- Base assessment roll for the geographic area under consideration (or collectively if more than one district) cannot exceed 10% of the current assessed value for the entire city.
- Due to redevelopment, it is anticipated the property values will rise. If property values increase above the base value, the added value is called the increment.

# REVENUE ALLOCATION FINANCING, CONTINUED

- Budget for City, County, and other non-school taxing districts limited to previous year's budget plus 3% and credit for value of new construction. By virtue of amendments in 2007, value of new construction within a revenue allocation area is not included in that credit amount.
- County Assessor sets property values.
- County determines tax rate needed to produce budget submitted by City, County, and other taxing districts.
- Tax rates applied to full value of property outside revenue allocation areas; to the base value of property inside revenue allocation areas.
- Taxes from base value go to the taxing districts.
- Property tax revenue from the incremental value, if any, goes to the urban renewal agency for a limited period of time (20 year max, except for "grandfathered" projects primarily 24 years).

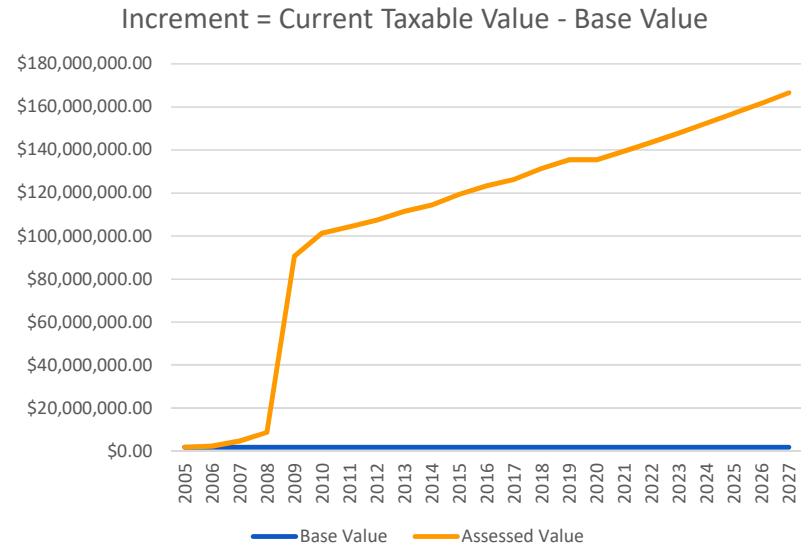
# REVENUE ALLOCATION FINANCING, CONTINUED

- The increment or revenue allocation that goes to the urban renewal agency is used to pay for improvements within the urban renewal area.
- An urban renewal agency does not determine property valuation or tax rates.
- Funds received by an urban renewal agency for a given revenue allocation area must be spent in that revenue allocation area with limited exception.
- Funds are invested in activities that are intended to increase prosperity of the revenue allocation area.
- Result is an increase in property values which would not have otherwise occurred but for redevelopment.
- For project areas established after 2008 and voter approvals after 2008, the urban renewal agency will not receive taxes generated by voter approved levies, such as general obligation bonds, school district plant facility levies, and supplemental levies.
- Also, no school district emergency levy available to urban renewal agency.

# URBAN RENEWAL IS ONE OF THE ONLY LOCAL ECONOMIC DEVELOPMENT TOOLS AVAILABLE IN IDAHO.

- Agency is not a taxing entity; receives an allocation of tax revenue
- Taxpayer pays one tax bill (levy rate x taxable value)
- Base adjusts (e.g. from exempt to non-exempt)
- Typically greatest revenue generated during last quartile of the revenue allocation term
- Taxpayers and State and Local budgets not at risk

## Tax Increment Financing



# WHAT POWERS DO URA'S HAVE?

Consistent with the urban renewal plan, to:

- Construct/reconstruct streets, utilities, parks, recreation facilities, off-street parking and public facilities, public buildings and other improvements.
- Acquire and dispose of property or buildings.
- Improve, renovate, clear and prepare for redevelopment properties or buildings.
- Acquire property to eliminate unsanitary or unsafe conditions, lessen density, eliminate obsolete or other uses detrimental to public welfare.
- Invest and borrow money, issue bonds, and accept loans and grants.
- Work cooperatively with other public entities.
- Facilitate Local Improvement Districts (LIDs) and Business Improvement Districts (BIDs).
- Potential lease conduit financing in appropriate circumstances. *Greater Boise Auditorium District v. Frazier*



# AUTHORIZED ACTIVITIES UNDER THE LAW AND THE ACT

- Urban Renewal Project as defined by the Idaho Urban Renewal Law of 1965 (the “Law”) and
- Project or Urban Renewal Project as defined by the Local Economic Development Act (the “Act”)
- The definition of “urban renewal project” contained in the Law is nearly identical to the definition contained in the Act
- The definition of “project costs”

## THE ACT: TITLE 50, CHAPTER 29, IDAHO CODE

(13) "Project" or "urban renewal project" or "competitively disadvantaged border areas" may include undertakings and activities of a municipality in an urban renewal area for the elimination of deteriorated or deteriorating areas and for the prevention of the development or spread of slums and blight and may involve slum clearance and redevelopment in an urban renewal area, or rehabilitation or conservation in an urban renewal area, or any combination or part thereof in accordance with an urban renewal plan. Such undertakings and activities may include:

*See also – I.C. 50-2018(10)*

- (a) Acquisition of deteriorated area...
- (b) Demolition and removal of buildings...
- (c) Installation, construction, or reconstruction of streets...
- (d) Disposition of any property...
- (e) Carrying out plans for...repair...
- (f) Acquisition of real property ... to be rehabilitated
- (g) Acquisition of other property ...to eliminate unsafe conditions, etc. ...
- (h) Lending or investing federal funds...
- (i) Construction of foundations...

# THE LAW: TITLE 50, CHAPTER 29, IDAHO CODE

14) “Project costs” includes, but is not limited to:

- (a) Capital costs, including the actual costs of the construction of public works or improvements, facilities, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; and the clearing and grading of land;
- (b) Financing costs, including interest during construction and capitalized debt service or repair and replacement or other appropriate reserves;
- (c) Real property assembly costs, meaning any deficit incurred from the sale or lease by a municipality of real or personal property within a revenue allocation district;
- (d) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (e) Direct administrative costs, including reasonable charges for the time spent by city or county employees in connection with the implementation of a project plan;
- (f) Relocation costs;
- (g) Other costs incidental to any of the foregoing costs.

# PROJECT FINANCING OPTIONS

- Pay-as-you-go
- Developer reimbursement agreements
- Owner participation agreements
- Conventional bank loans
- Bonds
- Note: Often no tax increment available to fund projects on a pay-as-you-go method until at least two years after plan creation. Many projects require infrastructure immediately in order for a project to go – requiring financing of improvements. Advance funding from city, developers or others.

# PROJECT FINANCING OPTIONS, CONTINUED

- Agency decisions regarding project financing are: properly noticed on agendas, decisions are made in open, public meetings, and by agency resolution.
- Before financing occurs, there must be a showing the project is economically feasible and a determination that an agency is credit worthy.

## IDAHO CODE § 50-2905A (AMENDED 2019):

### LIMITATION ON USE OF TIF TO FUND CONSTRUCTION OF CERTAIN BUILDINGS

- House Bill 217 introduced late in the Session; no stakeholder input (unlike efforts in 2015 and 2016)
- Purpose: To further restrict the ability to use tax increment revenues in the construction of certain buildings
- Reaction to a local issue with statewide implications; unaware of any efforts to circumvent the existing statute adopted in 2016
- No other public entities are required to have a vote to spend money that is in the bank; HB217 does not address indebtedness
- Continuing to analyze impact

## IDAHO CODE § 50-2905A, CON'T - GENERALLY

- Three-part test:
  - After July 1, 2019, revenue allocation funds or revenue allocation funds aggregated with any other “public funds” may not contribute to 51% or more of the total “project cost”;AND
  - the project is for construction of a “municipal building,” or a “multipurpose sports stadium complex,” or a remodel of either;AND
  - the total project cost exceeds \$1M
  
- Voter approval: if triggered, 60% of the participating qualified electors residing within the borders of the qualified municipality; election subject to consolidated election laws

## IDAHO CODE § 50-2905A, CON'T - DEFINITIONS

- Definition of “public funds” includes funds collected or received by a “public body.” Excludes: grants or donations from private entities or individuals to the public body, and federal funds or federal funds administered by a public body
- Definition of multipurpose sports stadium is broad: indoor or outdoor venue for sports, concerts, or other events with a field or other playing surface partly or completely surrounded by a tiered structure
  - based on debate portable bleachers/stages, etc are not included in this definition
  - likely captures amphitheaters in parks
- Definition of municipal building is limited: administrative building, city hall, library, courthouse, public safety or law enforcement building, other judicial buildings, fire stations, jails and detention facilities
  - not subject to property taxation
  - are/intended to be owned or operated by or leased to a public body for the public’s benefit



## IDAHO CODE § 50-2905A, CON'T - DEFINITIONS

- **Definition of “project cost” is broad** and includes hard costs, soft costs, admin costs and professional service costs: "Project costs" includes, but is not limited to:
- (a) Capital costs, including the actual costs of the construction of public works or improvements, facilities, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; and the clearing and grading of land;
- (b) Financing costs, including interest during construction and capitalized debt service or repair and replacement or other appropriate reserves;
- (c) Real property assembly costs, meaning any deficit incurred from the sale or lease by a municipality of real or personal property within a revenue allocation district;
- (d) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (e) Direct administrative costs, including reasonable charges for the time spent by city or county employees in connection with the implementation of a project plan;
- (f) Relocation costs;
- (g) Other costs incidental to any of the foregoing costs.

## IDAHO CODE § 50-2903A - EXCEPTION

- Exception to “project cost” – certain infrastructure improvements are not subject to 51% limitation
  - “any infrastructure or belowground improvements including, but not limited to, water, sewer, storm drainage, electrical, natural gas, telecommunication, or other similar systems and lines, streets, roads, curbs, gutters, sidewalks, walkways, parking facilities, or unoccupied auxiliary structures.”
    - presumably exception applies to hard costs, soft costs, admin costs and professional service costs

# LIMITATIONS ON URBAN RENEWAL AGENCIES

- An urban renewal agency is constitutionally prohibited from funding real property improvements to privately owned property (which includes non-profit entities) and granting funds to private entities (again, including non-profit entities). An urban renewal agency can fund real property improvements to real property owned by another public entity (either local, state, or federal) and may grant funds to another public entity.
- Urban renewal agencies may only expend public funds for the benefit of the public. The agency should be very cautious in considering funding improvements to private property. Funding could be ultimately deemed a loan or grant or gift of public funds to the private property owner and thus a violation of the Idaho Constitution. [Art. VIII, § 4, Art. XII, § 4, Idaho Constitution]

## LIMITATIONS, CONTINUED

- Idaho does not permit its urban renewal agencies to grant tax money to private interests for development or to lend its credit to back loans to private interests.

No county, city, town, township, board of education, or school district, or other subdivision, shall lend, or pledge the credit or faith thereof directly or indirectly, in any manner, to, or in aid of any individual, association or corporation, for any amount or **for any purpose whatever**, or become responsible for any debt, contract or liability of any individual, association or corporation in or out of this state.

Idaho Constitution, Art. 8, § 4 (emphasis added).

- \*\*\*Never specifically interpreted by the Idaho Supreme Court; issue has never been squarely before the Court

## LIMITATIONS, CONTINUED

- The Idaho Supreme Court has held the purpose behind Art. VIII, § 4 of the Idaho Constitution is to prevent private enterprises from gaining any competitive advantage at the expense of the taxpayers.
- An urban renewal agency must demonstrate that such improvements were primarily beneficial to the public. If an urban renewal agency's actions are challenged as unconstitutional, the agency would face a substantial risk of costly litigation and potentially an award of costs and attorney fees to anyone challenging the program.

## LIMITATIONS, CONTINUED

- A second constitutional provision also addresses limitations on a public entity to provide a donation, raise money, loan its credit, or aid any company or associated (consideration of services in return for funding):

No county, town, city, or other municipal corporation, by vote of its citizens or otherwise, shall ever become a stockholder in any joint stock company, corporation or association whatever, or raise money for, or make donation or loan its credit to, or in aid of, any such company or association: provided, . . . .

Idaho Constitution, Art. 12, § 4.

## BEST PRACTICE TIPS – CONSIDERING A NEW PROJECT

- Is the proposed project within the boundaries of an existing RAA?
- Is the proposed project permitted by the Urban Renewal Law or the Local Economic Development Act?
- Is the proposed project a municipal building or a multipurpose sports stadium complex?
- Is the proposed project consistent with the urban renewal plan?
- Is the plan a pre-or-post July 1, 2016, plan?
- Is a plan amendment possible or necessary?
- Is the proposed project within the jurisdictional boundaries of the city?
- Is the proposed project consistent with the City's comp plan?
- Does the property at issue have an ag exemption, or has the property been used for ag purposes within the last 3 years?
- Funding?



# GENERAL COMPLIANCE





# COMPLIANCE REQUIREMENTS, GENERALLY

- Public entity compliance with open meetings, public records, audited financial statements, budgets, and annual reports
- Public bidding and contract compliance

# FINANCIAL REPORTING REQUIREMENTS: AUDIT, ANNUAL REPORT, BUDGET AND OTHER

- Idaho Code §§ 50-2006(c) and (d)
  - Audit
  - Annual Report
- Idaho Code §§ 50-2903(5) and 50-1002; see also 50-2006(d)
  - Budget
- Idaho Code § 67-450E
  - Central registry and reporting portal
- Idaho Code § 50-2913
  - State Tax Commission reporting portal
- Idaho Code § 50-2903A (For plans adopted post-July 1, 2016)
  - Amendment certification



# IMPLEMENTATION

BOARD ▪ CREATION ▪ PLAN ▪ RECENT CHANGES ▪ TAX COMMISSION

# BOARD COMPOSITION AND LIMITATIONS

- The agency's Board of Commissioners may have 3 to 9 members, who are appointed by the Mayor and confirmed by the City Council or by County Commission for County urban renewal agencies.
- Currently, more than 40 Idaho cities have urban renewal agencies. Most of these agencies have one or more City Council members (a few include the mayor) on the Board of Commissioners, but members of the local governing body shall constitute less than a majority of the agency board members.
- Many of the agencies are staffed by city employees; typically through a city-agency agreement; some use independent consultants; economic development entities; few have full time employees; some cities/ agencies share costs of city employees. The Development Company has provided administrative services to several urban renewal agencies in eastern Idaho.

## HOW ARE URBAN RENEWAL AREAS FORMED?

- Idaho Urban Renewal Law first adopted in 1965 states there exists in municipalities deteriorating areas which justify the powers conferred by the Act and use of public funds for that purpose.
- City Council (or County Commission) must make preliminary finding there are one or more deteriorating areas within city or county (or competitively disadvantaged border community) in order to activate an urban renewal agency.
- Mayor and City Council (or County Commission) appoint urban renewal agency board members.
- Same agency board governs/oversees the several project areas; urban renewal plans with the municipality.

## STEPS TO CREATE A RAA

- Designate a study area for potential creation of an urban renewal district
- Determine whether conditions within the study area meet the criteria established in State Law (Idaho Code §§ 50-2903(8), 50-2018(8) and (9)) and make the requisite findings in an eligibility report
- Best Practice: Consider retaining independent, third party consultant to review area and prepare study report. Supports credibility of findings.

## DEFINITION OF DETERIORATED AREA – I.C. § 50-2903(8)-SEE ALSO, I.C. §§ 50-2018(8) AND (9)

"Deteriorated area" means:

- (a) Any area, including a slum area, in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety, morals or welfare.
- (b) Any area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, results in economic underdevelopment of the area, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use.
- (c) Any area which is predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or improvements, or otherwise, results in economic underdevelopment of the area or substantially impairs or arrests the sound growth of a municipality. The provisions of section 50-2008(d), Idaho Code, shall apply to open areas.
- (d) Any area which the local governing body certifies is in need of redevelopment or rehabilitation as a result of a flood, storm, earthquake, or other natural disaster or catastrophe respecting which the governor of the state has certified the need for disaster assistance under any federal law.
- (e) Any area which by reason of its proximity to the border of an adjacent state is competitively disadvantaged in its ability to attract private investment, business or commercial development which would promote the purposes of this chapter.
- (f) "Deteriorated area" does not mean not developed beyond agricultural, or any agricultural operation as defined in section 22-4502(1), Idaho Code, or any forest land as defined in section 63-1701(4), Idaho Code, unless the owner of the agricultural operation or the forest landowner of the forest land gives written consent to be included in the deteriorated area, except for an agricultural operation or forest land that has not been used for three

## STEPS, CONTINUED

- Agency Board concurs with the conclusions of the eligibility report and forwards it to the City Council
- If the City Council adopts the findings in the eligibility report, then the City Council directs the preparation of an urban renewal plan for the area; plan must include certain information with specificity – see I.C. § 50-2905 (2016 amendment)
- Agency prepares and approves the plan and forwards it to the City Council
- City Council receives the plan and refers it to the Planning and Zoning Commission for a determination that the plan is consistent with the City's Comprehensive Plan



## STEPS, CONTINUED

- City Council refers the plan to the affected taxing entities and provides at least 30-days' notice of the public hearing
- Planning and Zoning Commission determines that the plan is consistent with the City's Comprehensive Plan
- City Council holds public hearing; determines whether to adopt plan and form revenue allocation area
- City Council adopts the plan, including a revenue allocation financing provision, by ordinance
- **Those cities/counties that did not already have an urban renewal agency established prior to July 1, 2011, must seek voter approval to establish the agency**
- Generally, the plan approval process takes about 6 months for a clearly defined project

## ADDITIONAL CONSIDERATIONS

- Must demonstrate that the proposed area and plan of work is financially feasible
  - Best Practice: Obtain an independent, third-party consultant to prepare the economic feasibility study. Supports credibility of the findings.
- Must determine that the combined base assessment value of all existing urban renewal districts and any proposed urban renewal districts does not exceed 10% of the total city assessed value (recommend use of “taxable value comparison”)
- Owners of “agricultural lands” and “forest lands” must provide written consent

# URBAN RENEWAL PLAN - GENERALLY

- A revenue allocation area exists for 20 years (pre-2011 plans grandfathered for longer term of 24 years)
- The urban renewal plan provides the Agency with a process and a basic framework within which to consider and proceed with specific projects
- Due to the length of time a plan is in existence, the plan maintains some flexibility to allow the Agency to respond to changing market and economic conditions
- Amendments are limited by I.C. § 50-2033 and 50-2903A
  - Cannot amend plan to extend term beyond max term allowed by law
  - Can amend plan one time to add geographic area – limited to 10% of existing RAA
  - Permissible to amend plan to add new projects; pre-2016; post-2016 more limitations
  - Plans adopted post-2016 cannot be amended without resetting the base value to current value; limited exceptions; over arching with several RAA; any amendment to add a new RAA; triggers base re-set

# PROPERTY ACQUISITION

- Agency has the authority to acquire property; however, the definition of “urban renewal plan” in the Law requires identification of property to be acquired by the Agency. See, I.C. § 50-2018(12)
- The Agency may acquire property by negotiation or condemnation. See, Idaho Code § 50-2010. The Agency has the authority to exercise the power of eminent domain subject to the limitations set forth in Title 7, Chapter 7, Idaho Code, specifically I.C. § 7-701A.

# PROPERTY DISPOSITION

- Procedures for the disposition of property are set forth in Idaho Code § 50-201 I. Property cannot be given to a private person/entity/non-profit without going through a competitive bidding process.
- Idaho Code § 50-201 I (f): Property previously acquired or acquired by an agency for rehabilitation and resale shall be offered for disposition within three (3) years after completion of rehabilitation, or an annual report shall be published by the agency in a newspaper of general circulation...listing any rehabilitated property held by the agency in excess of such three (3) year period, stating the reasons such property remains unsold and indicating plans for its disposition.

**IDAHO CODE § 50-2903A  
PLANS ADOPTED POST-JULY 1, 2016, ARE SUBJECT TO BASE RESET  
UPON MODIFICATION EXCEPT IN LIMITED CIRCUMSTANCES.**

The effect of a base reset is the loss of the increment value resulting in an immediate loss of revenue to an urban renewal agency leading to default on existing obligations. This statute will impact plans adopted post-July 1, 2016, and subsequent modifications to those plans.

IDAHO CODE §  
50-2903A  
A NEW  
SECTION  
(CONTINUED)

A modification shall not be deemed to occur in the following limited circumstances:

- (1) To make technical or ministerial plan amendments
- (2) To make a plan amendment that increases the revenue allocation area boundary by up to 10%
- (3) To de-annex parcels from a revenue allocation area. Provides statutory justification and process; though, the Tax Commission had considered this process.
- (4) To make a plan amendment to support growth of an existing commercial or industrial project in an existing revenue allocation area

## “WITH SPECIFICITY” IDAHO CODE § 50-2905

Idaho Code § 50-2905 is amended to address the contents of a plan

- a. Requires that a revenue allocation area plan must state with specificity details about the types of projects that are contemplated [no definition of specificity].
- b. Requires that any changes to an urban renewal plan be noticed and completed in an open public meeting.



# PLAN SPECIFICITY – WHAT DOES THAT MEAN?

- Requiring “specificity” will limit an agency’s ability to respond to new economic development opportunities.
- Additionally, as a plan is implemented, it is not uncommon for there to be changes to the location of improvements. At what point does a change deviate from the specificity requirement to require a plan amendment?



# ISSUES IDENTIFIED OVER THE YEARS

BY THE IDAHO LEGISLATURE AND URBAN RENEWAL CRITICS

## ISSUES

- Definition of blight/ deteriorating conditions
- The development of open land/Greenfield development
- Board composition/ qualifications /conflict of interest/election
- Enforcement of the 10% rule/compliance/punishment if the limit is exceeded
- Perceived lack of accountability/transparency to the general public
- Long-term debt without vote
- “Distinguish TIF use for “blight” from economic development/mixed use projects
- Provide taxing entities with meaningful input/ comment/consultation
- Rebates to taxing districts
- Property tax impact
- “Giveaways”
- Penalties for non-compliance
- Limitations on types of projects that can be funded

Post Falls – Cecil Road Completion



URBAN RENEWAL PROJECTS VARY  
DEPENDING ON THE NEEDS AND RESOURCES OF THE COMMUNITY

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## Rexburg: Traffic Signal to Improve Safety



## McCall: New Sidewalks



## Eagle: Right-of-Way Improvements



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**Sandpoint: Bridge  
Street Fish Walk**



**Boise: Traffic  
Box Art**



**Lewiston: Street  
Scape/ Public Art**



## Meridian: Historical Walking Tour



## Idaho Falls: Greenbelt Reconstruction



## Coeur d'Alene: Prairie Trail



Boise: Extension of Geothermal System



Garden City: City Well Rehab



Rexburg: Moving Power Transmission Lines







# OTHER PROGRAMS

ALTERNATIVE LOCAL IMPROVEMENT AND ECONOMIC DEVELOPMENT TOOLS



## I.C. § 63-602NN- PROPERTY EXEMPT FROM TAXATION – CERTAIN BUSINESS PROPERTY

- Property tax exemptions are a discretionary incentive County Commissioners can offer business development projects which offer a significant economic impact to their communities.
- Requires plant investment that meets criteria specified in I.C. § 63-602NN(2)
- The board of county commissioners may grant the property tax exemption for the defined project of up to 5 years (the agreement is considered a contract between the county and the taxpayer).
- Before granting the tax exemption, the board of county commissioners is required to hold a public hearing.
- Property exempted under I.C. § 63-602NN is not included on any new construction roll prepared by the county assessor until the exemption ceases.
- For more details including the statute, tax commission rules, sample resolutions, etc. go to <https://commerce.idaho.gov/communities/property-tax-exemption/>

# I.C. § 63-4502- TAX EXEMPTION FOR NEW CAPITAL INVESTMENTS

(1) For calendar years beginning on or after January 1, 2008, the net taxable value of all property of a taxpayer, whether acquired before, during or after the qualifying period, in excess of four hundred million dollars (\$400,000,000) located within a single county in Idaho shall be exempt from property taxation and any special assessment, but only if the taxpayer makes a qualifying new capital investment as defined in subsection (2) of this section.

(2) For purposes of this section, the following definitions shall apply:

(a) "Qualifying new capital investment" means an investment of at least one billion dollars (\$1,000,000,000) made during the qualifying period by the acquisition, construction, improvement or installation of real, operating or personal property related to new plant and building facilities at a project site located within the county referred to in subsection (1) of this section.

(b) "New plant and building facilities" means:

- (i) Qualified investments as defined in section [63-3029B](#), Idaho Code; or
- (ii) Buildings or structural components of buildings, including equipment, materials and fixtures thereof, whether used at a project site or temporarily stored off-site in the county referred to in subsection (1) of this section and intended for use at a project site.

(c) "Qualifying period" means an eighty-four (84) month period of time beginning with the issuance of a building permit for a permanent building structure at a project site and ending no later than eighty-four (84) months thereafter.

(d) "Project site" means an area or areas at which the new plant and building facilities described in subsection (2)(b) of this section are built, installed or constructed.

(3) The property included in the calculation for purposes of determining a qualifying new capital investment value shall include all real or operating property owned, and all personal property owned, leased or rented. With respect to leased or rented personal property, only that portion of the property for which a taxpayer is contractually liable for payment of property taxes thereon shall be included in the calculation of the investment.

(4) Notwithstanding the exemption provided in subsection (4) of section [63-3029B](#), Idaho Code, no other exemption from property tax or any special assessment provided by the statutes of this state shall be applicable to any property described in subsection (2) of this section with respect to a year in which the incentives set forth in subsection (1) of this section apply to any of the same property.

(5) Property subject to the provisions of this section shall not be included on any property roll or any new construction roll prepared by the county assessor in accordance with section [63-301](#) or [63-301A](#), Idaho Code, respectively.

(6) The state tax commission shall adopt all rules that may be necessary to implement the provisions of this section.

# I.C. § 50-1703 – POWERS CONFERRED (LOCAL IMPROVEMENT DISTRICT)

(a) The governing body of any municipality shall have power to make or cause to be made any one (1) or more or combination of the following improvements:

- (1) To establish grades and lay out, establish, open, extend and widen any local, collector, arterial or other street, sidewalk, alley or off-street parking facility;
- (2) To purchase, acquire, construct, improve, repair, light, grade, pave, repave, surface, resurface, curb, gutter, sewer, drain, landscape and beautify any street, sidewalk or alley;
- (3) To purchase, construct, reconstruct, extend, maintain or repair bridges, sidewalks, crosswalks, driveways, culverts, sanitary sewers, storm sewers, ditches, drains, conduits, flood barriers and channels for sanitary and drainage purposes, or either or both thereof, with inlets or outlets, manholes, catch basins, flush tanks, treatment systems and all other sewer and drainage appurtenances necessary for the comfort, convenience, health and well-being of the inhabitants of the municipality; provided, that any improvements for sanitary sewer facilities shall be constructed so as to conform with the general rules of the Idaho department of environmental quality;
- (4) To construct, reconstruct, extend, maintain, or repair lines, facilities and equipment (other than generating equipment) for street lighting purposes or for the expansion or improvement of a previously established municipally-owned electrical distribution system, to a district within the boundaries of the municipality;
- (5) To plant, or cause to be planted, set out, cultivate and maintain lawns, shade trees or other landscaping;
- (6) To cover, fence, safeguard or enclose reservoirs, canals, ditches and watercourses and to construct, reconstruct, extend, line or reline, maintain and repair waterworks, reservoirs, canals, ditches, pipes, mains, hydrants, and other water facilities for the purpose of supplying water for domestic, irrigation and fire protection purposes, or any of them; regulating, controlling or distributing the same and regulating and controlling water and watercourses leading into the municipality;
- (7) To acquire, construct, reconstruct, extend, maintain or repair parking lots or other facilities for the parking of vehicles on or off streets;

- (8) To acquire, construct, reconstruct, extend, maintain or repair parks and other recreational facilities;
- (9) To remove any nonconforming existing facility or structure in the areas to be improved;
- (10) To construct, reconstruct, extend, maintain or repair optional improvements;
- (11) To acquire by purchase, gift, condemnation, or otherwise any real or personal property within the limits of the municipality as in the judgment of the council may be necessary or convenient in order to make any of such improvements or otherwise to carry out the purposes of this chapter;
- (12) To make any other improvements now or hereafter authorized by any other law, the cost of which in whole or in part can properly be determined to be of particular benefit to a particular area within the municipality;
- (13) To construct and install all such structures, equipment and other items and to do all such other work and to incur any such costs and expenses as may be necessary or appropriate to complete any of such improvements in a proper manner;
- (14) To purchase, build, construct, reconstruct or otherwise improve parking facilities and all other appurtenances necessary to provide adequate off-street parking, and to that end may acquire real or personal property by purchase, gift, condemnation or otherwise, and may own, possess and maintain such real or personal property within the limits of the municipality as in the judgment of the council may be necessary and convenient for such purposes; and
- (15) To acquire, purchase, build, construct or reconstruct irrigation systems, install underground tiling and cover open irrigation ditches.

(b) For the purpose of making and paying for all or a part of the cost of any of such improvements (including optional improvements), the governing body of a municipality may create local improvement districts within the municipality, levy assessments on the property within such a district which is benefited by the making of the improvements and issue interim or registered warrants and local improvement bonds as provided in this chapter

# LID

- Initiated by petition signed by not less than 60% of the resident owners or two-thirds (2/3) of the owners of property subject to assessment within such proposed LID; or
- By resolution of the City Council
- City council resolution of intent to create the district
  - Description of boundaries
  - Description of improvements contemplated and estimate of total cost paid from the levy of assessments on property benefited
- Notice of intention published and mailed to each owner of property within LID
- Public hearing – consideration of protests
- City council adopts ordinance
- Project bids
- Preparation of assessment roll and notice of hearing
- City council ordinance confirming the assessment roll

# LID

- Can be a difficult/lengthy process depending on size of LID and whether initiated by petition or city council resolution
- Assessments constitute a lien on the property
- Non-payment results in foreclosure proceeding
- May provide additional security for an urban renewal project
- Not often used as an economic development incentive tool

# I.C. § 50-1703A – LOCAL BUSINESS IMPROVEMENT DISTRICTS

(1) The legislature finds that the development of architectural themes for cities is a legitimate method to further the public health, safety and welfare of cities. The purpose of the provisions of this section is to authorize cities to create local business improvement districts for the purpose of constructing and financing the cost and expense of improvements to the exterior portions of business buildings to bring business buildings within the district into conformity with the architectural theme adopted by the city. The improvement of business buildings in conformity with the architectural theme adopted by the city is hereby declared a public purpose.

(2) Municipalities are hereby authorized to create local business improvement districts for the purpose of constructing and financing the cost and expense of improvements to the exterior portions of business buildings in order to bring business buildings within such districts into conformity with an architectural theme adopted by the city.

(3) The term "business building" includes any building devoted primarily to business purposes, including professional and governmental purposes.

(4) It is the intent of the provisions of this section that local business improvement districts be administered in all respects as are local improvement districts, except as provided herein.

(5) Local business improvement districts shall be initiated by presentment to the council of a petition containing the following:

- (a) A description of the particular lots and parcels to be included in the proposed district;
- (b) A description of the improvements to be constructed and financed by the district;
- (c) The estimated cost of the improvements;
- (d) The percentage of the cost to be assessed against each lot and parcel within the district; and
- (e) The signature of the owner of record of each lot or parcel to be included within the district, consenting to inclusion of the lot or parcel within the district.

(6) The total project amount assessed against each parcel within the district shall be no more than twenty percent (20%) of the market value for assessment purposes of the parcel.

(7) Lots and parcels need not be contiguous in order to be included within a district. No lot or parcel may be included within a district without the written consent of the owner thereof; provided, that, after the district has been created, consent to inclusion in the district may not subsequently be withdrawn prior to payment of all costs of the improvements.

(8) Upon receipt of the petition, the council shall adopt a resolution of intention, substantially in the form provided in section [50-1707](#), Idaho Code, stating the council's intention to create the district, to make the improvements, and to levy assessments to pay the cost thereof. The resolution shall contain a statement as to the percentage of the costs to be assessed against each particular lot or parcel within the proposed district.

(9) Notice shall be given and a hearing conducted in the manner provided in sections [50-1708](#) and [50-1709](#), Idaho Code. If, after such hearing, the council determines to create the district, it shall proceed as provided in this chapter for the creation of the district, the construction of the improvements, the preparation of, hearing upon, and confirmation of the assessment roll, the collection of assessments and the issuance of bonds or warrants. Each assessment shall be a lien upon the property against which it is assessed, as provided in section [50-1721](#), Idaho Code.

## I.C. § 50-2601 – BUSINESS IMPROVEMENT DISTRICT - AUTHORIZATION – PURPOSES – SPECIAL ASSESSMENTS.

The legislature hereby authorizes all incorporated cities:

(1) To establish business improvement districts, hereafter referred to as district or districts, for the following purposes:

- (a) The acquisition, construction or maintenance of parking facilities for the benefit of the district;
- (b) Physical improvement and decoration of any public space in the district;
- (c) Promotion of public events which are to take place on or in public places in the district;
- (d) The acquisition and operation of transportation services to promote retail trade activities within the district; and
- (e) The general promotion of retail trade activities in the district.

(2) To levy special assessments on all businesses or business property within the district and specially benefited by a business improvement district to pay the damages or costs incurred therein as provided in this chapter.



# BID

- Initiated by petition, which includes: description of the boundaries, proposed projects and estimated costs, and estimated rate of levy of special assessment
- City council adopts resolution of intention to create the BID, including time and place of a public hearing
- Notice of hearing published and mailed to each business
- Public hearing- consideration of protests
- City council adopts ordinance
- Assessments imposed



# BID

- Not often used – only 6 in Idaho
- Self-initiated by the business owners

## I.C. § 50-2701 – FINDING AND DECLARATION OF NECESSITY (MUNICIPAL INDUSTRIAL DEVELOPMENT PROGRAM).

The legislature hereby finds and declares that this state urgently needs to promote higher employment; encourage the development of new jobs; maintain and supplement the capital investments in industry that currently exist in this state; encourage future employment by ensuring future capital investment; attract environmentally sound industry to the state; protect and enhance the quality of natural resources and the environment; and promote the products and conservation of energy.

# I.C. § 50-3101 – PURPOSE, RELATIONSHIP WITH OTHER LAWS AND SHORT TITLE (COMMUNITY INFRASTRUCTURE DISTRICT ACT)

## (1) The purpose of this chapter is:

- (a) To encourage the funding and construction of regional community infrastructure in advance of actual developmental growth that creates the need for such additional infrastructure;
- (b) To provide a means for the advance payment of development impact fees established in [chapter 82, title 67](#), Idaho Code, and the community infrastructure that may be financed thereby; and
- (c) To create additional financial tools and financing mechanisms that allow new growth to more expediently pay for itself.

(2) Only community infrastructure to be publicly owned by this state or a political subdivision thereof may be financed pursuant to this chapter.

(3) A community infrastructure district may only be formed pursuant to this chapter by a city in the city's incorporated area, or by a county in an area contained within a city's comprehensive plan with the city's consent.

(4) A community infrastructure district may be formed only after (i) prior review and approval by the governing body of each county or city in which the district is proposed to be located of a petition requesting the formation of the district,

and (ii) the necessary approvals for site development under the local land use planning act, sections [67-6501](#) et seq., Idaho code, and the planning and zoning ordinances of each county and city in which the district is proposed to be located have been obtained; provided however, that where there will be phased development, approvals obtained for the first phase of site development shall be sufficient for the initial creation and organization of the district. The formation of a district pursuant to this chapter shall not prevent the exercise by a county, city or other political subdivision of any of its powers on the same basis as on all other land within its jurisdiction. Notwithstanding the formation of a district, the development of real property located within the district shall remain subject to the provisions of [chapter 65, title 67](#), Idaho Code, and the applicable planning and zoning ordinances of the counties and cities in which the district is located. The formation of a district pursuant to this chapter shall not prevent the subsequent establishment of other districts or the improvement or assessment of land within the district by a county, city or other political subdivision.

(5) this chapter shall be known and cited as the "community infrastructure district act."

# CID

- Creation of district initiated by petition signed by not less than 2/3 of the district residents or by all of the owners of all the lands located in the proposed CID
- Upon filing of the petition, governing body provides notice of public hearing – mailing/publication requirements
- Public hearing
- City Council resolution
- CID Board established
- Issuance of general obligation bonds (election), special assessment bonds (petition process), revenue bonds (election)
- Rarely used; limited to residential subdivisions
- Developer has to absorb financing costs
- Property owners have an additional cost on parcels that those across the street may not have



IDAHO  
BUSINESS

INCENTIVES &  
FINANCING

SITE SELECTION

BUSINESS  
CLIMATE

COMMUNITIES

TOURISM  
RESOURCES

IDAHO MAP

TOP PERFORMING  
ECONOMY AMONG U.S.  
STATES

Bloomberg, 2017

**IDAHO DEPARTMENT OF COMMERCE**

**THE LEAD ECONOMIC DEVELOPMENT AGENCY FOR THE STATE OF IDAHO**

<https://commerce.idaho.gov/>

## BUSINESS ADVANTAGE INVESTMENT PACKAGE

If your business invests at least \$500,000 in new facilities and creates 10 or more new jobs with salaries averaging \$40,000 a year with benefits, you may qualify for the Business Advantage incentive package which can include a variety of tax credits, sales tax rebates, and property tax exemptions.

 See next 2 slides for incentives.



**3.75%**

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**ENHANCED  
INVESTMENT  
TAX CREDIT**

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**3.75%** on all new, depreciable, tangible personal property placed in Idaho.



**2.5%**

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**REAL  
PROPERTY  
TAX CREDIT**

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**2.5%** on investments in new plants, buildings, and structural components placed in service in Idaho.



**25%**

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**SALES  
TAX REBATE**

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**25%** cash rebate for all sales taxes paid on construction materials for new facilities.





**UP TO 100%**

**PROPERTY  
TAX EXEMPTION**

A **full** or **partial** property tax incentive can be granted by the county commissioners where the project is located.



**\$3,000**

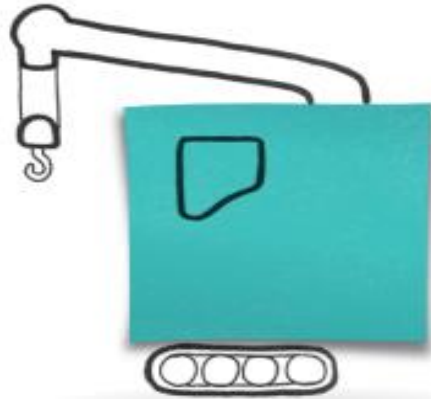
**NEW JOB  
TAX CREDIT**

Up to **\$3,000** for each new qualified job created.

## GREAT BENEFITS FOR BUSINESSES

As you launch or expand your Idaho business, you've got a lot on your plate: hiring the right people, finding a suitable space, and creating demand for what you're offering. It all requires capital—and Idaho Commerce realizes you may need a little boost in this area. Whether you need start-up funding, financing for facility expansion, or a crash course in how to best leverage Idaho's tax incentives, we can help.

👉 See next 2 slides for incentives.



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### IDAHO OPPORTUNITY FUND

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Does your job creation project need infrastructure improvements to a new or existing facility? Grants are awarded to support both existing and new businesses that create significant economic opportunities in communities throughout the state.



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### 3% INVESTMENT TAX CREDIT

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If your business makes qualifying new investments in personal property, you may earn a 3% income tax credit to offset up to 50% of your tax liability, and you can carry the credit forward up to 14 years.



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### PROPERTY TAX EXEMPTION

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If your business invests \$3 million in a new manufacturing facility, you may receive a full or partial property tax exemption for up to five years.



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### WORKFORCE DEVELOPMENT TRAINING REIMBURSEMENTS

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Businesses can receive up to \$3,000 in reimbursements per employee for training full-time, new employees, or to help retain employees facing permanent layoff.



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### INFRASTRUCTURE IMPROVEMENT GRANTS

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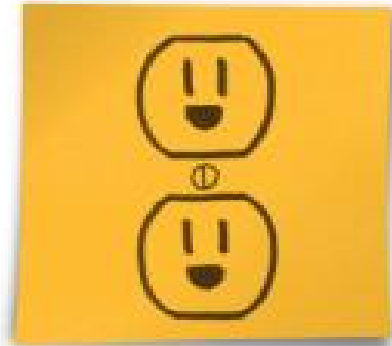
Grants of up to \$350,000 are available through a variety of programs to help communities expand their infrastructure capacity to accommodate new or expanded commercial or industrial facilities.

## ADDITIONAL INCENTIVES

In addition to our incentive programs, here are a few more tax benefits Idaho offers:

- Personal Property Tax Exemption on \$100,000 Worth of Business Equipment
- Tax Increment Financing
- 5% Research and Development Income Tax Credit
- 3% Broadband Income Tax Credit .
- Qualified Investment Property Tax Exemption
- Industrial Revenue Bonding
- 100% Goods-in-Transit Tax Exemption
- Utilities Sales Tax Exemption

☞ See next slide for more information on tax exemptions.

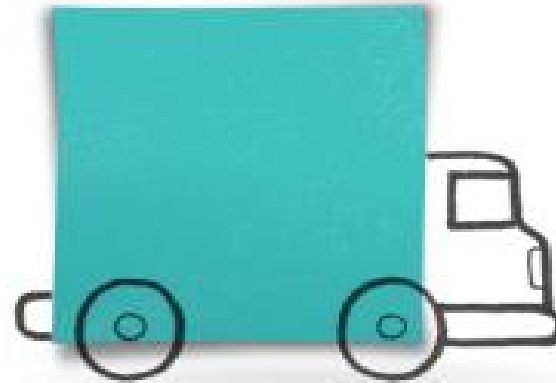


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## PRODUCTION SALES TAX EXEMPTION

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All businesses are exempt from sales tax on production equipment, pollution control equipment, and raw materials.



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## PROPERTY TAX EXEMPTION

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All business inventory, pollution control equipment, registered motor vehicles, vessels, and aircraft are exempt from property tax.

## RESOURCES FOR SUCCESS

We want your business to succeed. Here are a few of the assistance programs Idaho offers.

👉 See next slide for more information on assistance.



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## WORKFORCE ASSISTANCE

Along with our workforce training grants, Idaho maintains a complete network of customized training and recruiting services, with consultants ready to work with you at no charge to help identify and fulfill your staffing needs.



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## BUSINESS ASSISTANCE

Idaho offers many programs to complement our business incentives.

- Government Contracting Assistance
- Export Assistance
- Market Access Grants
- Lean Manufacturing & Product Development Assistance
- Small Business Innovative Research Grant Assistance
- Commercial Property Location Assistance