

Reforms to urban renewal could come this year

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Randall O'Toole with the Cato Institute

Some Idaho lawmakers are looking to put new limits on urban renewal districts, which are special taxing areas that divert some property tax dollars from traditional areas such as schools and local government to fund development and business projects.

Several lawmakers got a dose about the potential problems of urban renewal at a presentation by Randall O'Toole with the Cato Institute that was sponsored by the Idaho Freedom Foundation. O'Toole said he doesn't think urban renewal is necessary and can harm cities efforts to grow.

Any city or county in Idaho has the power to start an urban renewal district. There are 65 in Idaho, by O'Toole's count. The district chooses land it considers a blight or underdeveloped. It then figures out the property tax value of the land and caps that amount to go to traditional taxing districts. Any added property taxes in subsequent years then go to the urban renewal district in an effort to develop that land. Usually districts get bonds for those future tax collections to start improvement projects.

Urban renewal districts don't directly lead to property tax hikes, but as the districts develop and require more local government services, such as schools or police protection, the burden to pay for those costs is shifted to property outside the urban renewal district.

O'Toole said across Idaho, urban renewal districts bring in \$50 million a year for development and that much of that money is going into the pockets of developers. He singled out Post Falls in north Idaho, which has six urban renewal districts that make up 30 percent of the city's land.

"It's clear they're just creating districts all over the place, and developers are saying 'we're not going to develop unless you give us a new district and give us more subsidies,'" O'Toole said. "Although urban renewal is supposed to be good for the economic growth of the city, it actually does more harm for the city."

The [Post Falls Urban Renewal Agency says on its website](#) that it has created nearly 3,000 jobs thanks to its funding, which has improved the city's infrastructure. In a [short marketing video funded by the agency](#), several business leaders praise the urban renewal system.

“The urban renewal district in the state of Idaho is the best tool that we’ve had to try to develop all commercial ground,” Bruce Cyr, property manager of Riverbend Commerce Park, says in the video.

Some lawmakers say the power of urban renewal needs to be curbed. “There appears to be some momentum to make some changes,” said Rep. Vito Barbieri, R-Dalton Gardens, who attended O’Toole’s presentation and said he’s still learning about urban renewal.

“It was music to my ears to find out it was bothering other people besides me and people in my district,” said Sen. Shirley McKague, R-Meridian. She said she couldn’t predict if the Senate would take action on urban renewal, but that the House could.

Sen. Joe Stegner, R-Lewiston, who leads the Senate Local Government and Taxation Committee, said any legislation would likely need to start in the House and that he’s not sure how the Senate would act. “I know, like everyone in the state knows, that there’s some interest in that,” he said. Stegner said he’s aware of the criticism but doesn’t want to get rid of urban renewal districts.

O’Toole recommended some new limits, including requiring a popular vote to create or expand an urban renewal district and limiting the amount of property taxes that can go to urban renewal. Other ideas being discussed in the Statehouse include limiting how many years urban renewal districts can issue bonds for future tax revenues.

O’Toole said he will be releasing a detailed study on Idaho’s urban renewal districts with his full recommendations next week.

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