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Urban renewal: Key economic tool or legalized theft?

Ken Levy
TVN Staff

As the Idaho House Tuesday approved several bills to reform urban renewal agencies, the Driggs URA was named one of the problem agencies in a report published by the Idaho Freedom Foundation in February.

The report, "Theft as Urban Renewal: Why Idaho Should Repeal the Local

Economic Development Act," compiled by the Cato Institute, alleges the Driggs URA may be overstepping its bounds.

"Boise, Coeur d'Alene, and Nampa are among the Idaho cities that are using urban-renewal funds to subsidize high-density, mixed-used developments. Even towns as small as Driggs are planning such subsidies," the report alleges.

In a letter to the city of Driggs, Erik Makrush, IFF policy analyst on urban

renewal, pointed to a document on the Driggs city website that purports to show that the city could be using public funds for private development.

City officials denied that assertion. "Their allegation was that the city of Driggs was subsidizing mixed-use residential-commercial private development," said Driggs Mayor Dan

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Powers. "All we did was commission a study which shows the potential for mixed-use development on a comprehensive plan. They somehow take that as being we're funneling money to private developers."

Powers wrote a letter to Makrush stating the assumptions from the article were inaccurate and that the document in question "is a downtown master plan that has nothing to do with the actual spending of money," he said.

"It's not even a policy document," said Hyrum Johnson, who chairs the Driggs Urban Renewal Agency.

But, Makrush said, "what the UR district is using is economic development — which means the district is simply taking tax dollars voted upon by the people in the area and using it for development of businesses and industry that citizens may or may not want."

Johnson denied that.

"We provide no subsidy, discount or payment whatsoever for any project or piece of a project which should be paid for by a private developer," Johnson said. "None of the public dollars go into private development."

STATE PUSHES URA REFORM

"There are significant areas of concern around the state of abuse and out of control spending [by URAs]," Makrush said. "And many groups from around the state are trying to simply hold these agencies accountable to the citizenry for the use of their tax dollars."

Driggs URA Commissioner Kathy Rinaldi agreed that problems with urban renewal have included transparency and accountability. In Driggs, however, the URA has improved its transparency, including its financial accountability, over the past year, she said.

The report from the Cato Institute did have some constructive points for amending URAs, Powers said. One would "require that cities (or possibly counties) obtain a majority vote of residents before creating new urban renewal agencies or districts and before renewing existing districts beyond the originally authorized 24-year period," the report said.

"I think this would be a positive change. The public should have the right to decide if they want some of their taxes to go to the URA," said Powers.

HB95, passed by the House Tuesday, would require elections before new UR districts are created.

URAS: FUNDING AND FUNCTION

Tax increment funding, based on increases in property values since the Driggs URA was founded in 2004, funds the URA.

The URA can enter into long-term debt obligations that are secured through their increment funding and paid back with interest. They can also leverage that incremental funding through grants.

"Through the use of grants, Driggs URA has leveraged \$511,000 of its own funds for \$2,151,318 of improvement to our district," Johnson said. "These are funds which would not have been available any other way."

Urban renewal, according to Johnson, is about setting aside growth funds "to let growth pay for itself, to spur more economic development," said Johnson.

The intent of urban renewal is to help foster economic development through infrastructure improvements, such as utility lines and easements for connectivity, said Rinaldi.

In Driggs, recent UR district improvements have included a sewer line interceptor and parking lot improvements downtown, and burial of power lines, among other projects.

"To improve the whole corridor, URA participated in the cost of burying those, adding to what Fall River [Electric] put into it to improve the appearance of the corridor," Johnson said.

Those improvements, in turn, motivate businesses to build or improve their own properties, Johnson said. He cited recently-completed Key Bank building improvements, the completion of the Colter building and Broulim's mall as examples of that motivation.

"These projects make it make sense for private developers to come in and put their money down," Johnson said.

SCENIC BYWAY PROJECT GETTING LION'S SHARE

Most of Driggs' URA budget — about \$75,000 in the bank and about \$160,000-170,000 anticipated for this year — will go into the ongoing scenic byway project, according to Johnson.

The project, also dubbed the Greater Yellowstone Geotourism Center, is expected to include a plaza area and a 5,000 square-foot center separate from the existing City Center.

The city is the sponsor of a \$616,000 grant from the Idaho Transportation Department from the National Scenic Byways Program to build the center.



Hyrum Johnson



Kathy Rinaldi

The URA will be responsible for about \$425,000 for the project. Its portion will come from its incremental funding or additional grants or donations the URA may receive, Johnson said.

The agency does not have any grant applications for the project currently in process.

"We've already incurred some expenses, and those go toward our match," he said, including administrative and legal costs and publishing, among others.

Requests for qualifications on designing the project are still under consideration.

Johnson said the URA expects the project to create some construction jobs and ongoing jobs. The bigger impact is the long-term economic growth of the area, he said.

But Rinaldi was concerned that the URA is putting all of its eggs in one basket with the project.

"We need to be cognizant of how we spend our pot of money, not just on one project," she said. "But this can, and will be, a great project."

PROJECTS PRIORITIZED

Aside from the scenic byway center, the URAs top priorities include improving parking and parking visibility, and procuring additional parking sufficient to support the level of traffic anticipated here.



Dan Powers

URA also wants to see improvements done to Depot Street.

"That's the corridor to our courthouse, and yet drive down that thing, it's a junky trash heap," said Johnson. "It's

not very inviting. We need to improve that streetscape and get in some good sidewalks."

The district may spend funds on that project, which would improve its attractiveness and value to a future developer.

"When a developer does approach the city about building on that street, the increased value will almost certainly be reflected in the development agreement which the city council negotiates," Johnson said.

The agency also wants to improve Bates Road, and partner with the city and chamber of commerce to further drive economic development, Johnson said.

The Urban Renewal District meets the first Wednesday of every month beginning at 6:30 p.m. at the Driggs Community Center. These meetings are open to the public.

To contact Ken Levy email reporter3@tetonvalleynews.net

Summaries of urban renewal reform bills

TVN Staff

Four of six bills that would reform or alter the function of URAs in Idaho were approved by the House Tuesday. Most of their provisions would affect the creation of new districts, although some would limit existing district growth.

Changes include preventing district growth by annexation; requiring public hearings and comments, and allowing overlapping tax entities to opt out of UR districts.

But one, which would have required a two-thirds supermajority of county voter approval before a URA could issue bonds to finance projects, was defeated.

"The bills are very much not aimed at eliminating urban renewal but putting on sideboards that would allow for accountability and elections by the public," said Erik Makrush, Idaho Freedom Foundation policy analyst on urban renewal.

The bills will next be heard in the Senate.

The bills include:

- House Bill 95: Passed. Requires that an urban renewal district be created by a simple majority of voters in a citywide election.
- House Bill 96: Passed. Provides an option for taxing districts that overlap the urban renewal boundaries to opt out and retain their revenue allocation.
- House Bill 97: Passed. Amends both Urban Renewal and Economic Development Law by clearly identifying the parameters of projects narrowly, so as to provide voters a clear understanding for what they are paying. Also, projects shall have a clear start time, run time and terminating time.
- House Bill 99: Rejected. An urban renewal agency may issue bonds required to finance certain projects upon approval by two thirds of the qualified county electors voting in an election held for such purpose.
- House Bill 110: Passed. Adds a public hearing to the process of establishing an urban renewal project.
- House Bill 114: Rejected. Requires an urban renewal agency board of commissioners to be elected at a county-wide election.

Idaho Press Tribune reporter Mike Butts contributed to this report.

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