RE: SB1108, SB 1021 AND SB 1048 - AMENDING SECTION 63-802, IDAHO CODE, TO REVISE PROVISIONS REGARDING THE LIMITATION ON TAXING DISTRICT BUDGET REQUESTS.

Dear Chairman Rice:

On behalf of the Idaho Chapter of the American Planning Association (APA Idaho), I am writing to register my organization’s recommendation for tabling of Senate Bill 1108, along with Senate Bills 1021 & SB 1048. All these bills relate to the revision of provisions regarding the limitation on taxing districts service requests.

Our organization represents more than 250 local planning officials, private-sector planners, and planning commission members statewide. We are the technicians, professionals, policy and decision makers who represent the public interest in carrying out the authorities vested with local governments under Idaho’s Local Land Use Planning Act, Title 67, Chapter 65 of the Idaho Statutes.

While we recognize the need for property tax reform, we would offer the suggestion that the Idaho Legislature take more of a comprehensive and data driven approach to those changes. Our organization, along with many others around the state have grave concerns regarding the unintended consequences that these proposed bills will have on cities, counties and Idaho residents.

Senate Bill 1108, which would restrict property tax levy increases to 3% (over the highest dollar levy of the past three years), plus instill a 75% of the levy cap for new construction and annexation, and 50% of the levy for sunsetting urban renewal districts, creates a huge concern for not only for taxing districts, but also Urban Renewal Districts. This bill would clearly:
1. Shift the tax burden off new development and put the burden on existing property owners. This is a clear case of growth NOT paying for itself.
2. Impact existing and new Urban Renewal Districts, where the work that has been done is anticipation of increased property values. This bill reduces the value that has been created by the URA by 50%, because those improvements are added into the tax role as new construction.
3. Wipe away the return of public investments that in some cases exceeds hundreds of millions of dollars in a single URA district.
This bill does not provide the results you are seeking. It is in essence – throwing away taxpayer’s money, while at the same forcing those taxpayer’s to accept a lower level of service.

Cities, Counties and other taxing districts each year “prepare a budget, estimating the probable amount of money necessary for all purposes for which an appropriation is to be made” (20-1002). In other words, these districts determine what the cost will be to provide the services they have been mandated to provide or elected to provide. By statute, that is the starting point for local communities. As APA Idaho has listened to the discussions at the capital over the last year, we quickly became concerned that the cost of providing services has not been an integral part of those conversations. How can the legislature determine what the appropriate revenue cap is, if there is no talk of the cost of providing the services? This process would be similar to opening a business and deciding how much your paycheck will be, without knowing how much it costs to produce the goods you anticipate selling.

APA Idaho strongly encourages the Idaho Legislature to embark on a in depth “fact-finding” mission to gather information from all parts of the state and all different taxing districts that are providing very different services. Armed with this information, you can sit at the table with those taxing districts, citizens, business and other special interest groups to discuss and decide what is the most appropriate way and amount needed to fund those services. We suspect that some of the flaws in our current taxing system may come to light through this process. Issues like- where is the tax burden placed (residential properties), who feels the impact in a growing economy (existing residents) and how the most vulnerable parts of our community are often time the hardest hit (the elderly). These issues will continue to exist with a piecemeal approach to tax reform.

In addition to the issue identified above, the current proposals present a host of new issues. It has been brought to your attention that the proposed bills will promote the denial of development. Cities will not have the funds for new road, sewer, and water infrastructure to serve new development. Counties will not have the funds to provide court, jail, indigent, public defense or the roughly 33 state mandate services. Fire and EMS districts will not have the funds to maintain acceptable levels of service. In response to these constraints, the options will be to a) deny new development, or b) provide a lower and in many cases more dangerous level of service for residents.

Idaho, as a state is facing a monumental housing shortage. Some communities in the state have only a few weeks supply of new and existing housing available. For reference, ideal market conditions call for a three (3) month supply. As a state, we are experiencing growth on an unprecedented scale. It would be irresponsible to enact legislation that did not consider the existing and future market conditions, as well as the cost of meeting the needs to existing and new residents in the state. The economic impacts of slowing development will have a direct impact on the residents of Idaho, but our businesses and state revenues as well.
Finally, we would like to reiterate the point that this legislation misses the mark, in that it will not provide relief to those in most need of it. In the existing tax system, the valuation of a home is the most important element in determining the amount to be taxed. The housing market has exploded across the state, causing a remarkable rise in home values. This directly translates into higher tax bills, even if the taxing districts levy rate stays flat. Unfortunately, that rising valuation has not been uniform across all land uses. The result is that residential properties are now paying a higher proportion of the tax revenue than they have in the past.

We truly appreciate your service to the citizens of this great state. We agree that there needs to be changes to the taxing system. However, we feel that those changes should only come after in-depth analysis of the costs, benefits and impacts of any proposed changes. We would greatly appreciate consideration of our informed opinion on matters related to land use, growth, housing and community development in Idaho. Again, we would support additional dialog and work towards revisions in Section 63-802; however, the proposed bills are not the answer. Remember the adage from Albert Einstein - “No problem can be solved by the same level of thinking that created it.”

Please feel free to contact me at your earliest convenience should you have questions or require additional information.

Sincerely,

Jason Boal- AICP, CFM
APA Idaho Legislative Committee, Chair

Cc:

Honorable Senator Scott Grow
Honorable Senator Regina Bayer
Honorable Senator Todd Lakey
Honorable Senator Mark Nye
Honorable Senator Ali Rabe
Honorable Senator Doug Ricks

Honorable Senator Mary Souza
Honorable Senator Steve Vick
APA Idaho Executive Board
Association of Idaho Cities
Idaho Association of Counties
Idaho Redevelopment Association