



Oregon Parks and Recreation Department

Senate Bill 48 Testimony

May 14, 2019

In 1975, the 58th Legislative Assembly passed House Bill 2476 into law, creating the first Special Assessment for Historic Property program in the country, declaring in the first section of the statute that “it is in the best interest of the state to maintain and preserve properties of Oregon historical significance.” The Special Assessment program is administered by the State Historic Preservation Office (SHPO), a division of Oregon Parks and Recreation Department.

In its 44 years of existence, the Special Assessment was reauthorized once, allowed to sunset, reestablished, reauthorized three more times, and been the subject of two governor-appointed task forces and two working groups, multiple reports and studies, and three additional housekeeping bills along the way. Reauthorization bills notwithstanding, much of the attention on this program has been related to technical fixes after the passage of tax measures 5 and 50, and public perception problems that have plagued the program in the past.

In its current form, the Special Assessment program is best described as a 10-year property tax assessment deferral for owners of commercial and residential properties listed in the National Register of Historic Places, individually or in a district. Owners craft a Preservation Plan, which is approved by SHPO staff. Expenditures equal to ten-percent of the Real Market Value of the property must be spent on approved projects within the first five years. Coordination with local governments ensures design review, and county assessors review calculations for accuracy. Owners report on the status of their projects in the 3rd, 6th, and 9th years of the benefit. Second term projects must include at least one of the following: energy conservation/sustainability, ADA compliance, or seismic improvements. Property taxes for qualified properties rise annually three percent as prescribed by Measure 50 (in addition to applicable levies or bonds), but owners do not get re-assessed on their improvement work until the end of the ten-year period.

Improving historic properties can cost more than non-historic ones because owners are replacing materials in-kind (wood windows instead of vinyl) and hiring specialized contractors who understand older construction and detailing – necessary, but rarely the lowest bidder. Deferring the tax assessment increases that a large improvement project would trigger helps level the playing field for owners of historic buildings, encouraging reinvestment.

In the 1990s, Measures 5 and 50 ushered in controls on tax rates and caps on assessed value, directly affecting how Special Assessment was calculated, diminishing its impact, and creating unpredictabilities around the actual benefit to property owners.

The program has adjusted and evolved since then to deal with changing laws and political realities. There are 456 properties currently enrolled, representing an average projected investment per project, since 2004, of \$1,305,520. In fact, the period since the last reauthorization in 2009 has been the least eventful in its history. That means we have worked out all the bugs and it is working great, right? So why are we asking for simply a three-year extension of the 2020 sunset date?

It is true that we have addressed the most pressing technical and public perception issues over time. The program's most recent reauthorization, in 2009, resulted in stricter reporting requirements, prioritization of exterior work, and new rules for condominiums, whose owners were inadvertently benefitting disproportionately. And the program remains extremely useful for commercial rehabilitations, linking smoothly with the federal historic tax credits for leverage, and causing reinvestment to happen where it otherwise would not have occurred. But it remains a complex program, both for State Historic Preservation Office staff to administer and for users to understand. Particularly for residential homeowners who typically do not have professional consultants to assist, it is difficult to realize the responsibilities of the program or predict the end benefit. In some cases, owners of specially assessed properties have seen, at the end of their benefit term, property tax increases well beyond the three-percent cap allowed under a normal tax assessment.

Equally compelling, from the agency perspective, is the reality that the program is not reaching the residential historic property owners in rural communities who need assistance for smaller but critical projects. These are owners who do not have the upfront cash required by the Special Assessment program or the volume of work to meet the 10% threshold. These are owners who have deteriorated porches, roofs, foundations, siding, or windows – projects that would not trigger a re-assessment anyway, but that threaten their ability to maintain, and ultimately to remain in, their historic houses.

Special Assessment is an important tool, and the only preservation incentive the state offers. But it does not make sense to us to perpetuate a program that is not meeting the state's high standards for inclusion and accessibility. An extension of the program to 2023 will allow its continued use, as is, just long enough for us to find ways to improve the program and review other types of incentives that better meet the needs of residential owners. Should Senate Bill 48 pass, the agency within the next two years will convene a working group of stakeholders to assist in this endeavor with the commitment to return to the Legislative Assembly in the 2021 regular session with a fresh program proposal.