

SB 141 A STAFF MEASURE SUMMARY

House Committee On Housing

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Sub-Referral To: House Committee On Revenue

Meeting Dates: 4/29, 5/6

WHAT THE MEASURE DOES:

Clarifies, for vertical housing development projects, that the partial property tax exemption is determined by dividing the total square footage dedicated to residential or low-income residential use by the average floor area of the project, without rounding the result up or down. Adjusts calculation of percentage of property exempt from taxation to be equal to the lesser of: 20 percent times the exemption calculation; or 80 percent. Applies to property tax years beginning on or after July 1, 2021. Takes effect on the 91st day following adjournment sine die.

Senate Vote: Passed. Ayes, 26; Nays, 4--Girod, Heard, Linthicum, Thatcher.

FISCAL: Minimal fiscal impact

REVENUE: Revenue impact issued

ISSUES DISCUSSED:

- Purpose of program to revitalize downtown and commercial areas with mixed-use development
- Program utilization difficult to calculate as information is submitted by local governments to county tax assessors and is not centralized

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Current law provides a partial property tax exemption for mixed-use properties qualifying under the vertical housing development zone program. The program was established in 2001 with the purpose of rehabilitating properties and encouraging mixed-use development areas that had not been previously zoned for residential use, such as downtown and commercial areas. The property tax exemption can be applied to improvements on existing buildings or new construction, and is available to local governments on an opt-in basis. It provides a 20 percent abatement on improvement costs of for residential floors in a mixed-use building, which, per current statute, is calculated by dividing the total building square footage by the number of floors to determine "equalized floors" eligible for the abatement. The program exempts up to four equalized floors, for a total exemption of 80 percent. Projects providing housing for low-income individuals earning 60 percent or less of area median income are eligible for an additional 20 percent exemption on property tax on the land on which the affordable housing mixed-use development is located.

The *State of Oregon Tax Expenditure Report: 2021-23 Biennium* prepared by the Department of Revenue reported that in 2019-20, there were vertical housing development zones in five Oregon counties, and 18 accounts receiving the exemption. The estimated reduction in the Taxable Assessed Value on properties utilizing the program was \$114 million. The program sunsets January 1, 2026.

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The current statutory interpretation of equalized floors (ORS 307.841) has limited the ability of certain eligible projects to take full advantage of the 80 percent property tax exemption, by allowing rounding in abatement calculations. Senate Bill 141 A removes the reference to equalized floors and clarifies that the calculation for property tax exemption is determined by dividing the total square footage dedicated to residential use by a project's average floor area.