

**A-Engrossed**  
**House Bill 2705**

Ordered by the House March 24  
Including House Amendments dated March 24

Sponsored by Representatives KROPF, LEVY E (Presession filed.)

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Authorizes city or county to establish schedule in which, **for 10 years**, percentage of property tax exemption granted to affordable multiunit rental housing increases directly with percentage of units rented to households with annual income at or below 120 percent of area median income.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to property tax exemption for affordable multiunit housing; amending sections 1, 2, 3 and  
3 4, chapter 624, Oregon Laws 2017; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** Section 1, chapter 624, Oregon Laws 2017, is amended to read:

6 **Sec. 1.** (1) As used in sections 1 to 3, **chapter 624, Oregon Laws 2017** [*of this 2017 Act*], "eli-  
7 gible rental property" means newly rehabilitated or constructed multiunit rental housing.

8 (2)(a) The governing body of a city or county may adopt an ordinance or resolution granting a  
9 property tax exemption for eligible rental property located within the boundaries of the city or  
10 county, respectively.

11 (b) The terms of the exemption must conform to the provisions of sections 1 to 3, **chapter 624,**  
12 **Oregon Laws 2017** [*of this 2017 Act*].

13 (3)(a) The exemption may be granted to eligible rental property only if:

14 (A) The rehabilitation or construction is completed after the ordinance or resolution has been  
15 adopted; and

16 (B) The first assessment year to which the application filed under section 2, **chapter 624,**  
17 **Oregon Laws 2017,** [*of this 2017 Act*] relates is the first assessment year that begins after the eli-  
18 gible rental property is first offered for rent for residential occupancy upon completion of the re-  
19 habilitation or construction.

20 (b) Otherwise eligible rental property may not receive an exemption on the basis of rehabili-  
21 tation more than once.

22 (4) An ordinance or resolution adopted pursuant to this section must:

23 (a) Establish **one of the two following schedules:**

24 (A) A schedule in which the number of consecutive property tax years for which the exemption  
25 is granted, up to a maximum of 10 years, increases directly with the percentage of units constituting  
26 the eligible rental property that are rented to households with an annual income at or below 120  
27 percent of the area median income at monthly rates that are affordable to such households.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1 (B) A schedule in which, for a period of 10 years, the percentage of the exemption  
 2 granted increases directly with the percentage of units constituting the eligible rental prop-  
 3 erty that are rented to households with an annual income at or below 120 percent of the area  
 4 median income at monthly rates that are affordable to such households. The percentage of  
 5 exemption granted to any eligible rental property shall remain in effect for the entire 10-year  
 6 period.

7 (b) Include definitions of “area median income,” adjusted for the size of a household, and “af-  
 8 fordable,” for purposes of sections 1 to 3, **chapter 624, Oregon Laws 2017** [of this 2017 Act]. The  
 9 governing body of the city or county that adopted the ordinance or resolution shall notify the county  
 10 assessor of the definitions.

11 (5)(a) An ordinance or resolution adopted pursuant to this section may not take effect unless,  
 12 upon request of the city or county that adopted the ordinance or resolution, the rates of taxation  
 13 of the taxing districts whose governing bodies agree to grant the exemption, when combined with  
 14 the rate of taxation of the city or county, equal 51 percent or more of the total combined rate of  
 15 taxation on the eligible rental property.

16 (b) If the ordinance or resolution takes effect, the exemption shall apply to all property tax  
 17 levies of all taxing districts in which eligible rental property is located.

18 (c) The decisions of the taxing districts under paragraph (a) of this subsection may not be  
 19 changed but are not binding with respect to an ordinance or resolution adopted pursuant to sub-  
 20 section (6) of this section or a new ordinance or resolution adopted pursuant to subsection (2) of this  
 21 section.

22 *[(d) All eligible rental property shall be granted exemption under this section on the same terms*  
 23 *provided in the ordinance or resolution adopted or amended by the city or county and in effect on the*  
 24 *date the application is submitted under section 2 of this 2017 Act.]*

25 (6)(a) A city or county may adopt at any time an ordinance or resolution amending the terms  
 26 of an exemption granted pursuant to this section, subject to approval of the taxing districts under  
 27 subsection (5)(a) of this section, or terminating the exemption.

28 (b) Notwithstanding an ordinance or resolution adopted under paragraph (a) of this subsection,  
 29 eligible rental property that has been granted an exemption pursuant to this section shall continue  
 30 to receive the exemption under the terms in effect at the time the exemption was first granted.

31 (7) As soon as practicable after January 1 of each year, the governing body of a city or county  
 32 that has adopted an ordinance or resolution under this section shall:

33 (a) Determine the area median income as defined by the city or county;

34 (b) Notify each owner or lessee of eligible rental property granted exemption pursuant to the  
 35 ordinance or resolution for the immediately preceding property tax year of the determination; and

36 (c) Publish the determination on the website of the city or county, respectively.

37 **SECTION 2.** Section 2, chapter 624, Oregon Laws 2017, is amended to read:

38 **Sec. 2.** (1)(a) The governing body of a city or county that adopts an ordinance or resolution  
 39 pursuant to section 1, **chapter 624, Oregon Laws 2017**, [of this 2017 Act] shall prescribe exemption  
 40 application forms and the information required to be included in an application.

41 (b) If eligible rental property is located in a city and county each of which has adopted an or-  
 42 dinance or resolution under section 1, **chapter 624, Oregon Laws 2017** [of this 2017 Act], the ap-  
 43 plicant shall elect the exemption the applicant wishes to receive for the eligible rental property by  
 44 submitting the application to the city or the county, as applicable.

45 (c) The applicant must be the owner or lessee of the eligible rental property to which the ap-

1 plication relates.

2 (d) An application must be accompanied by an application fee fixed by the city or county, as  
3 applicable, in an amount determined to compensate the city or county for the actual costs of pro-  
4 cessing the application.

5 (2)(a) An application must be submitted for review to the city or county, as applicable, on or  
6 before March 1 preceding the property tax year to which the application relates.

7 (b) Notwithstanding paragraph (a) of this subsection, an application may be filed under this  
8 section for the current property tax year:

9 (A) On or before December 31 of the property tax year, if the application is accompanied by a  
10 late filing fee of the greater of \$200 or one-tenth of one percent of the real market value as of the  
11 most recent assessment date of the eligible rental property to which the application relates.

12 (B) On or before April 1 of the property tax year, if the application is accompanied by a late  
13 filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in ORS  
14 307.162, for failing to file a timely application or is a first-time filer, as defined in ORS 307.162, of  
15 an application under this subsection.

16 (c)(A) An application may be filed as provided in paragraph (b) of this subsection  
17 notwithstanding that there are no grounds for hardship as required for late filing under ORS 307.475.

18 (B) A late filing fee collected under paragraph (b) of this subsection must be deposited in the  
19 general fund of the city or county, as applicable.

20 (3)(a) Upon receipt of an initial application submitted pursuant to subsection (2) of this section,  
21 the city or county, as applicable, shall determine as soon as practicable:

22 (A) Whether the property to which the application relates is eligible rental property located  
23 within the boundaries of the city or county;

24 (B) The date on which the rehabilitation or construction of the eligible rental property was or  
25 will be completed;

26 (C) The date on which the eligible rental property was first offered for rent for residential oc-  
27 cupancy; and

28 (D) The rent charged for each unit to which the application relates and whether the rent meets  
29 the requirements of the schedule established under section 1 (4), **chapter 624, Oregon Laws 2017**  
30 *[of this 2017 Act]*.

31 (b) If any eligibility determination made under this subsection renders the property ineligible for  
32 the exemption, the application shall be rejected and the rejection may not be appealed.

33 (4)(a) The owner or lessee of eligible rental property granted exemption for the current property  
34 tax year must submit an application under subsection (2) of this section for each subsequent prop-  
35 erty tax year for which the eligible rental property remains eligible under section 1 (4), **chapter**  
36 **624, Oregon Laws 2017** *[of this 2017 Act]*.

37 (b) If any eligibility determination made under this subsection renders the eligible rental prop-  
38 erty ineligible for the exemption, the application shall be rejected.

39 (5) If the property qualifies for the exemption under subsection (3) or (4) of this section and the  
40 application meets the requirements of the ordinance or resolution of the city or county, the gov-  
41 erning body shall, on or before April 1[,]:

42 (a) Adopt a resolution[:]

43 [(a)] approving the application; and

44 (b) *[Notifying]* **Notify** the assessor of the county in which the eligible rental property is located  
45 of the approval and *[including]* **include** with the notification all information necessary for the

1 assessor to perform the assessor’s duties with respect to the eligible rental property.

2 **SECTION 3.** Section 3, chapter 624, Oregon Laws 2017, is amended to read:

3 **Sec. 3.** (1) If, after an exemption is granted pursuant to an ordinance or resolution adopted by  
4 **the governing body of a city or county** under section 1, **chapter 624, Oregon Laws 2017**, [of this  
5 *2017 Act, the county assessor determines*] **the governing body discovers or is notified by the**  
6 **owner** that the eligible rental property does not meet the requirements of the ordinance or resolu-  
7 tion or section 1, **chapter 624, Oregon Laws 2017**, [of this *2017 Act:*] **the governing body shall**  
8 **so notify the county assessor as soon as practicable.**

9 **(2) Upon receipt by the assessor of notice under subsection (1) of this section:**

10 (a) The exemption shall be terminated immediately, without right of notice or appeal;

11 (b) The eligible rental property shall be assessed and taxed as other property similarly situated  
12 is assessed and taxed; and

13 (c) Notwithstanding ORS 311.235, there shall be added to the general property tax roll for the  
14 tax year next following the determination, to be collected and distributed in the same manner as  
15 other real property tax, an amount equal to the **difference between the amount of tax due on the**  
16 **eligible rental property and the amount of the tax** that would have been due on the property  
17 had it not been exempt, for each of the years during which the property was exempt[, *not to exceed*  
18 *10 tax years*].

19 [(2)] **(3)** The assessment and tax rolls shall show “potential additional tax liability” for each el-  
20 igible rental property granted exemption pursuant to section 1, **chapter 624, Oregon Laws 2017**  
21 [*of this 2017 Act*].

22 [(3)] **(4)** Additional taxes collected under this section shall be deemed to have been imposed in  
23 the year to which the additional taxes relate.

24 **SECTION 4.** Section 4, chapter 624, Oregon Laws 2017, is amended to read:

25 **Sec. 4.** [(1) *Sections 1 to 3 of this 2017 Act are repealed on January 2, 2027.*]

26 **(1)(a) Section 1, chapter 624, Oregon Laws 2017, as amended by section 1 of this 2023 Act,**  
27 **is repealed on January 2, 2027.**

28 **(b) Section 2, chapter 624, Oregon Laws 2017, as amended by section 2 of this 2023 Act,**  
29 **is repealed on January 2, 2027.**

30 **(c) Section 3, chapter 624, Oregon Laws 2017, as amended by section 3 of this 2023 Act,**  
31 **is repealed on January 2, 2027.**

32 (2) Notwithstanding the date specified in subsection (1) of this section, eligible rental property  
33 that is granted exemption under an ordinance or resolution adopted pursuant to section 1, **chapter**  
34 **624, Oregon Laws 2017**, [of this *2017 Act*] before the date specified in subsection (1) of this section  
35 shall continue to receive the exemption under the provisions of the ordinance or resolution for the  
36 period of time for which the exemption was granted.

37 **SECTION 5.** **This 2023 Act takes effect on the 91st day after the date on which the 2023**  
38 **regular session of the Eighty-second Legislative Assembly adjourns sine die.**

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