

Property Tax Exemption Review: Housing Exemptions

Senate Committee on Finance and Revenue

2/5/2025



Outline

- Exemptions currently under review
- Vertical Housing Development Zone
- Nonprofit Low-Income Rental Housing
- New or Rehabilitated Multi-unit Rental Housing

Exemptions currently under review

Property Tax Exemption Review (#8-24) currently available under LRO [Publications](#)

Report discussed during May Leg Days (HREV) and December Leg Days (HREV and SFR)

Table 1. Estimated Costs to Extend Exemptions

Tax Expenditure Report Number and Exemption Name	ORS	Sunset Date	-----Biennium-----		
			2025-27	2027-29	2029-31
<i>Scheduled for Review by the 2025 Legislature</i>			<i>\$ Millions</i>		
2.015 Brownfield Development	Note after 307.430	1/1/2027	\$0	<\$0.1	<\$0.1
2.026 Cargo Containers	307.835	6/30/2026	\$0	\$0	\$0
2.102 Vertical Housing Development Zone	307.841-867	12/31/2025 (new certs.)	\$1.3	\$3.1	\$4.8
2.108 Nonprofit Low-Income Rental Housing	307.540-548	6/30/2027	\$0	\$45.4	\$47.4
2.109 New or Rehabilitated Multi-Unit Rental Housing	Note after 307.867	1/1/2027	\$0	\$1.1	\$1.2
TOTAL			\$1.3	\$49.6	\$53.4

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Vertical Housing Development Zone

SB 117 and HB 2074

Extend property tax exemption for vertical housing development projects by moving sunset date six years, from December 31, 2025, to December 31, 2031

Policy Purpose

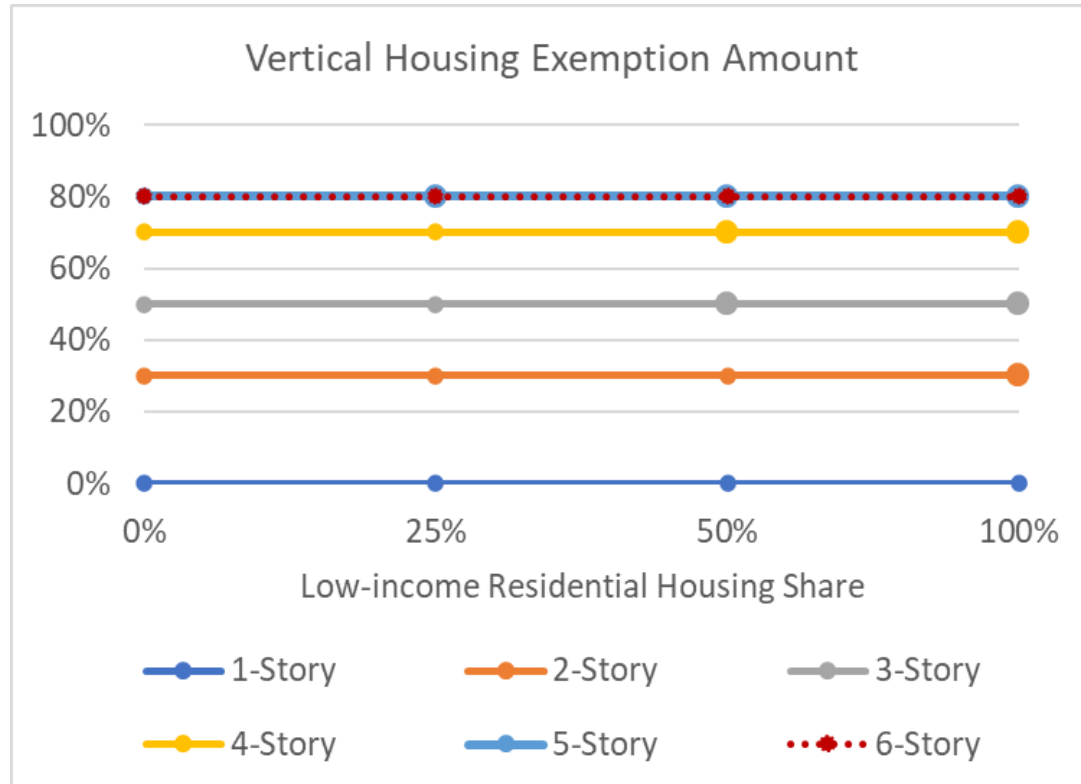
- Not stated specifically in statute
- Documentation from revenue committees suggests policy purpose is to **increase the supply and density of mixed-use housing, including affordable housing, in Oregon's city centers**

Exemption Mechanism

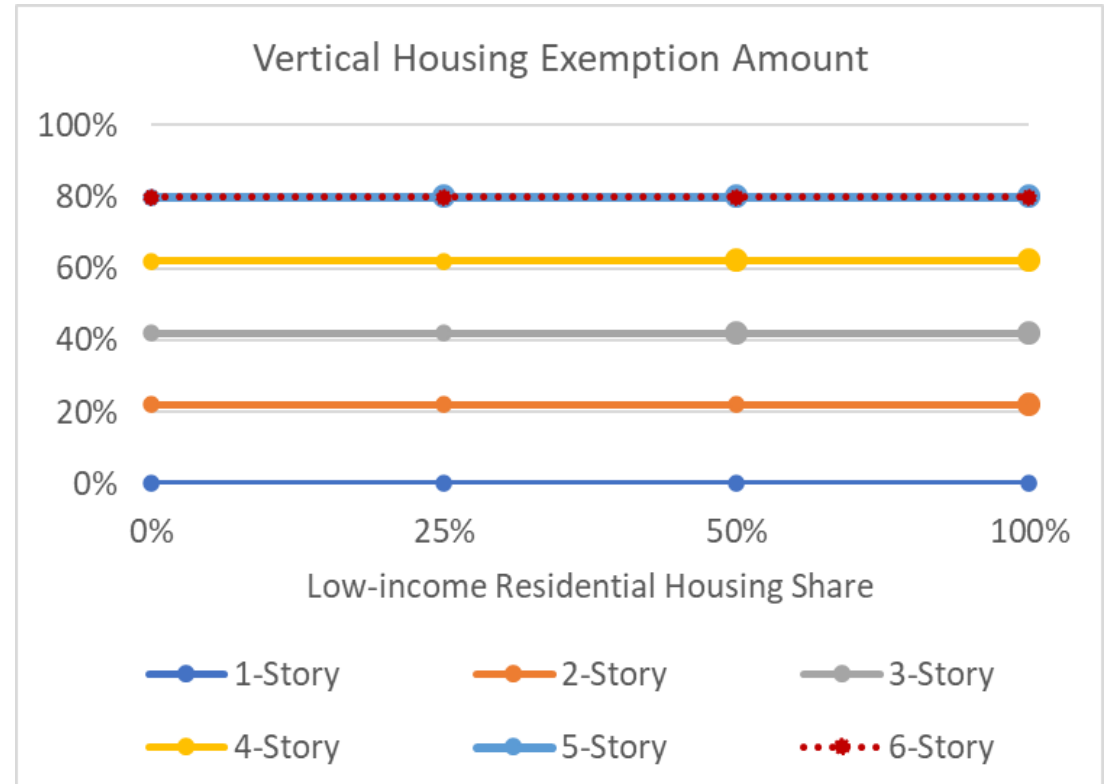
- 10-year exemption for newly constructed or rehabed mixed-use projects (residential and non-residential) in a vertical housing development zone designated by cities or counties
- Exemption, up to 80%, depends on residential housing share and number of floors. Land granted same exemption if at least one floor has occupants up to 80% of AMI
 - Must be multi-story building
 - No additional exemption above five floors
- Does not apply to taxing districts that opt-out

Exemption Amount Scenarios

50 Percent of Ground Floor Committed to Nonresidential Use



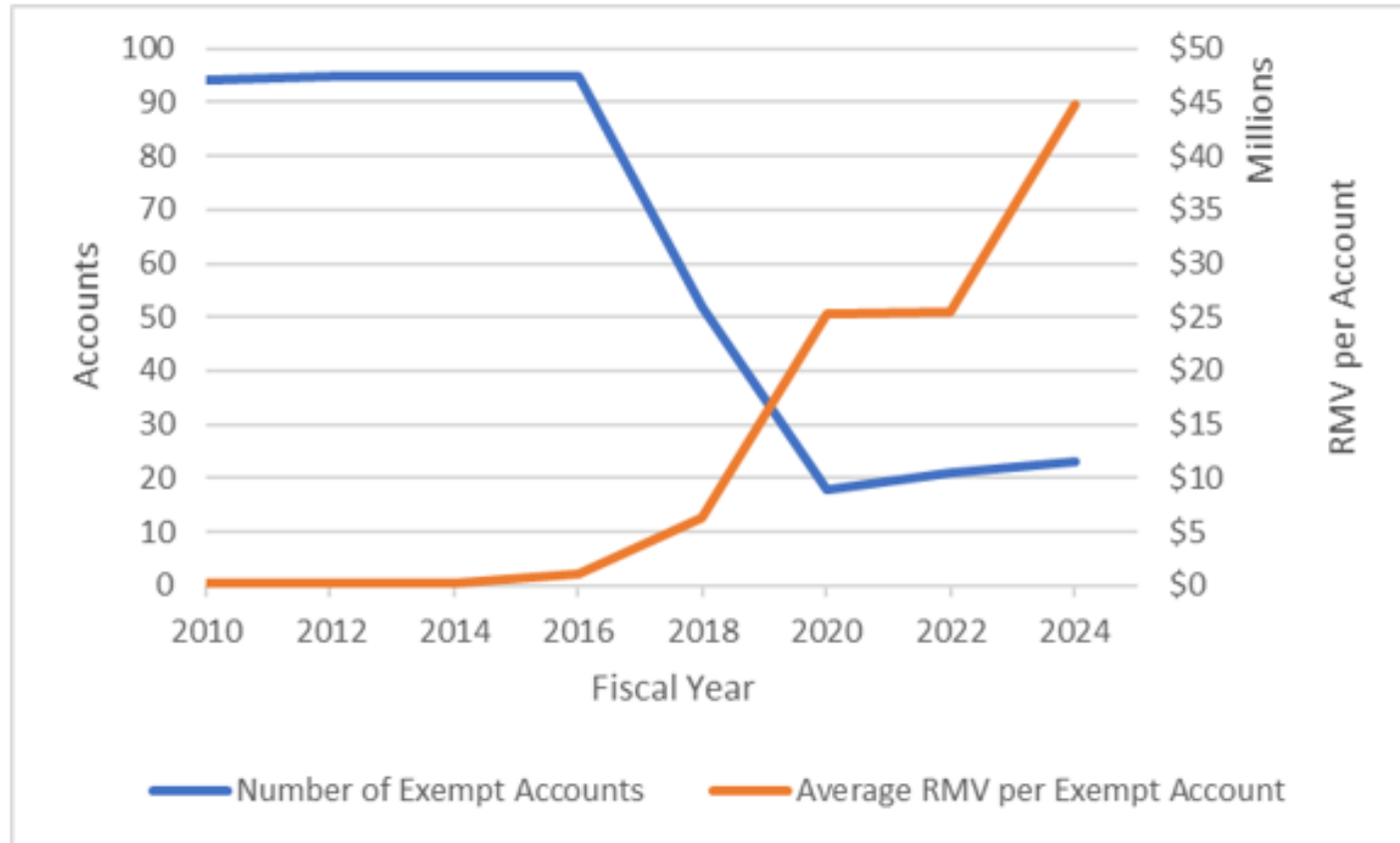
90 Percent of Ground Floor Committed to Nonresidential Use



Note: Thicker point means land receives the same exemption amount.

Program Usage Over Time

Figure 6. Number of Exempt Accounts and Average RMV per Exempt Account



Data source: DOR Research Section

Other Program Details

- Applications for upcoming fiscal year due after construction or rehab has started on each building in project and before residential units are ready for occupancy
- For rehab that does not displace occupants, applications are due on or before date rehab is complete

Nonprofit Low-Income Rental Housing

SB 104 and HB 2077

Extend property tax exemption for nonprofit low-income rental housing by moving sunset date six years, from June 30, 2027, to June 30, 2033

Policy Purpose

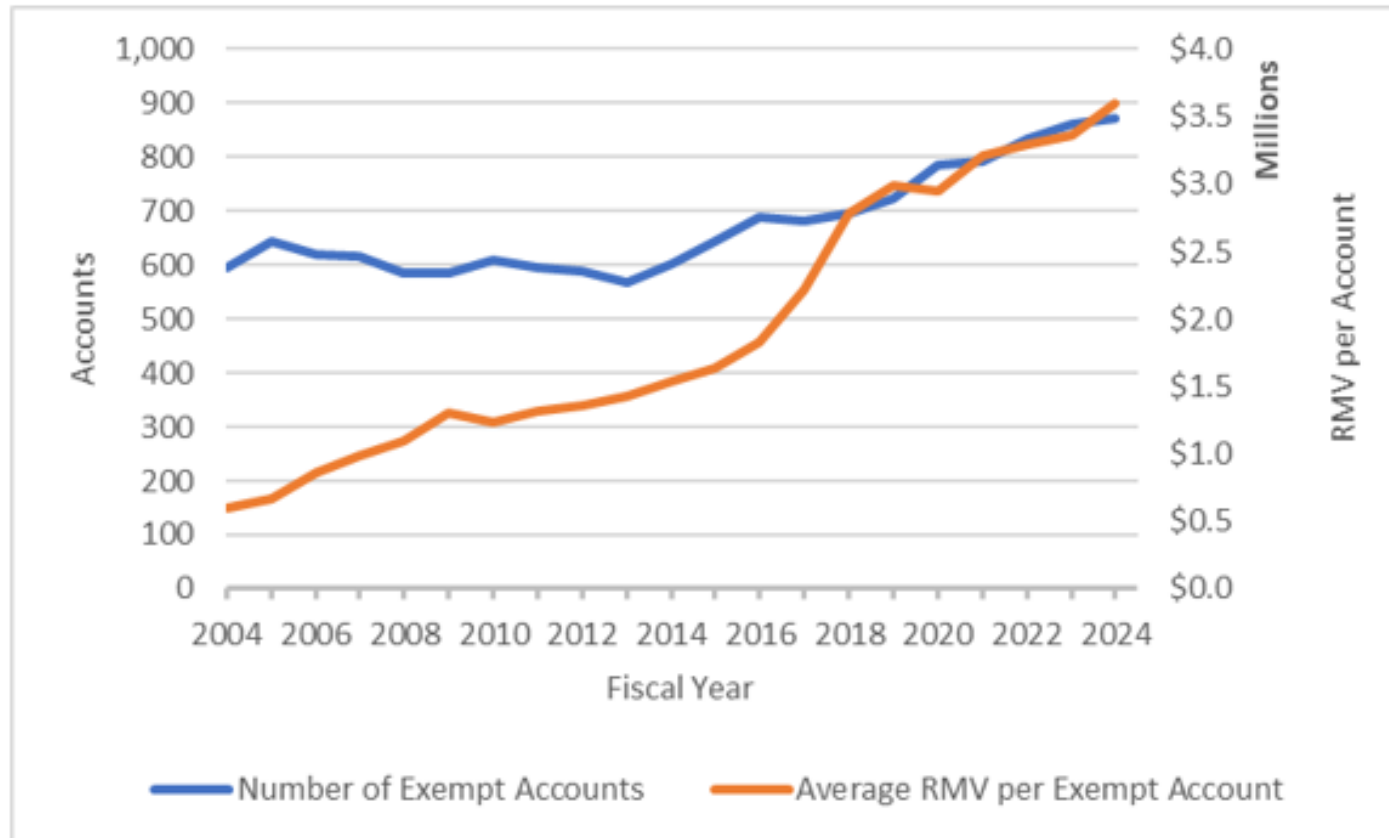
- Not stated specifically in statute
- Documentation and deliberation in revenue committees suggests policy purpose is to **increase the supply of low-income rental housing in Oregon**

Exemption Mechanism

- Cities or counties may adopt an ordinance granting an indefinite-term exemption for low-income rental housing owned, being purchased, leased, or held for development by nonprofit corps and certain partnerships
- For first exemption year all tenants up to 60% of AMI, or for LIHTC property, some units up to 80% of AMI if avg for all units does not exceed 60% of AMI. After first year, all tenants up to 80% of AMI
- Applies to city or county taxes. Applies to taxes of all taxing districts if 51% tax rate threshold is met

Program Usage Over Time

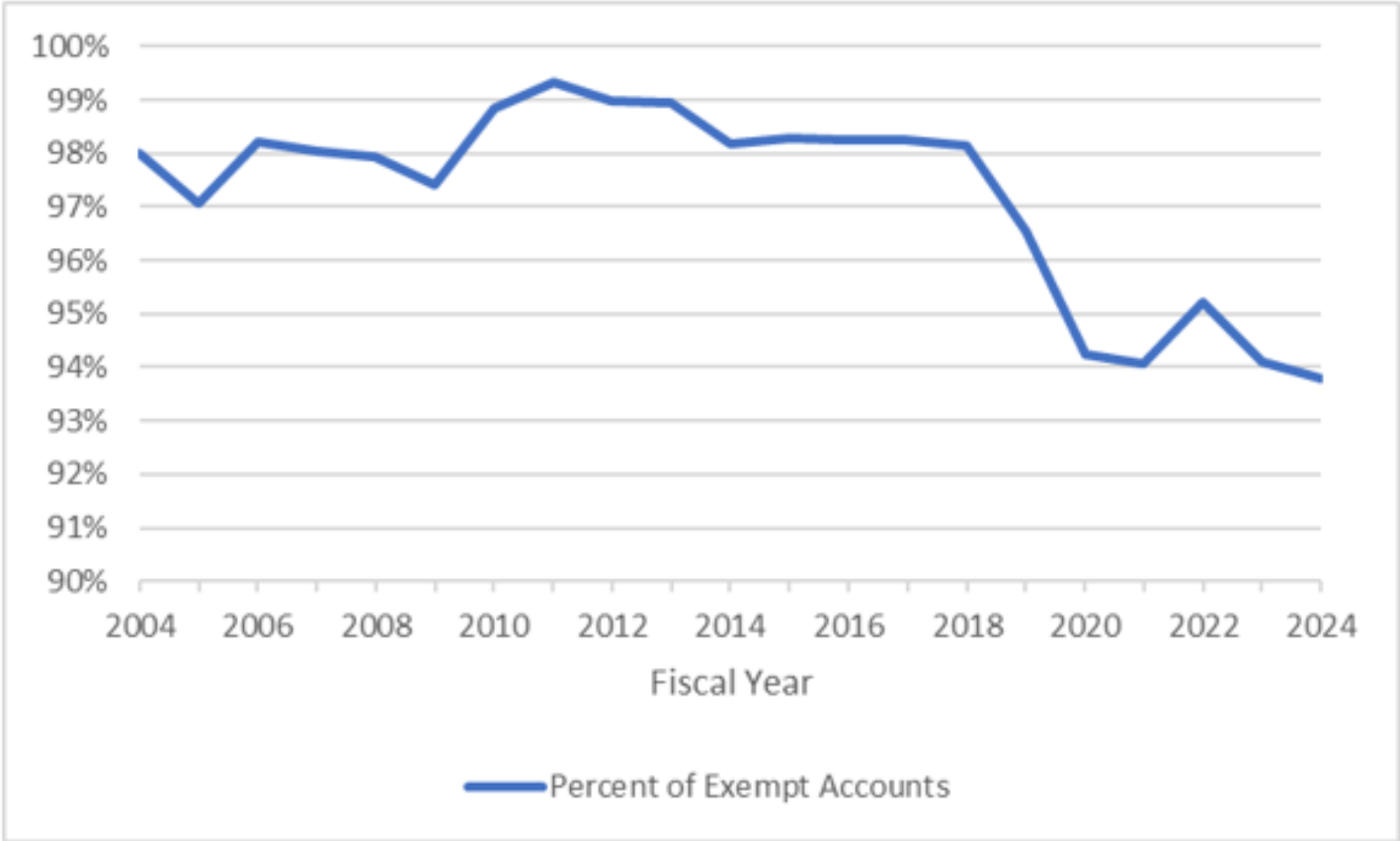
Figure 7. Number of Exempt Accounts and Average RMV per Exempt Account



Data source: DOR Research Section

Program Usage Over Time (cont.)

Figure 8. Percent of Exempt Accounts in Tri-county Metro Area



Data source: DOR Research Section

Other Program Details

- In 2023, City of Portland began a three-year pilot program, the Regulated Affordable Multifamily Assistance Program (RAMPA)
- Discounts sewer, stormwater and water service bills for multifamily properties approved for NPLTE
- Funded by increased utility rates for all customers
- Discount goes on bill paid by nonprofit, which will be required to reduce rents or enable greater services for tenants
- Single-family units enrolled in NPLTE are not eligible for RAMPA, but may be eligible for city's single-family bill discount program

Other Program Details (cont.)

- Qualifying nonprofit corps must be exempt from federal income tax under IRC section 501(c)(3) or (4)
- Application for upcoming fiscal year must be filed by March 1 each year, with some exceptions

New or Rehabilitated Multi-unit Rental Housing

SB 118 and HB 2078

Extend property tax exemption for newly constructed or rehabed multi-unit rental housing by moving sunset date six years, from January 1, 2027, to January 1, 2033

Policy Purpose

- Not stated specifically in statute
- Documentation and deliberation in revenue committees suggests policy purpose is to **increase the supply of workforce rental housing in Oregon**

Exemption Mechanism

- Cities or counties may adopt an ordinance granting an exemption for newly constructed or rehabed multi-unit rental housing
- Cities or counties can adopt one of two schedules:
 - #1—Exemption amount fixed. Term, up to 10 years, depends on share of units rented to households who have up to 120% of AMI
 - #2—Term fixed at 10 years. Exemption amount depends on share of units rented to households who have up to 120% of AMI
- Applies to all taxing districts if 51% tax rate threshold is met
- A property can receive construction exemption once and rehabilitation exemption once

Other Program Details

- Construction or rehab must be completed after ordinance has been adopted
- Application for upcoming fiscal year must be submitted each year by March 1, with some exceptions, beginning in first assessment year property is rented for residential occupancy after completion of construction or rehab

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