

Brownfield Development Property Tax Incentive

House Committee on Revenue

4/8/2025



HB 2075 and SB 99

Extend the property tax incentive for brownfield development by moving the sunset date six years, from January 1, 2027, to January 1, 2033

Policy purpose

- Not stated specifically in statute
- Revenue committee documentation from the 2016 enacting legislation (HB 4084) suggested the policy purpose may be consistent with the purpose of Land Bank Authorities under ORS 465.600-465.621
 - **“acquiring, rehabilitating, redeveloping, reutilizing or restoring brownfield properties”** in Oregon
 - Land Bank Authorities were authorized by 2015 Legislature (HB 2734)

Incentive mechanism

- Cities, counties, or ports can adopt an ordinance to provide a property tax incentive for the development of certain brownfield property
- Incentive only applies if districts representing at least 75% of total combined tax rate in the area approve
- Available incentives are:
 - special assessment of brownfield land
 - full/partial exemption of improvements and personal property
 - both
- Term is up to 10 years, with an option for an additional five years, for a total of up to 15 years

Incentive mechanism (cont.)

- Owners granted incentive will continue receiving it until earlier of:
 - expiration of benefit period
 - date on which dollar amount of benefits equal eligible costs, net of other incentives that offset eligible costs
 - discovery owner failed to comply with eligibility requirements, begin remediation, or file any required reports
- City, county, or port may amend or repeal incentive at any time

Local interest in the incentive

- Limited to a few small accounts
- LRO revenue impact of extending the brownfield incentive is less than \$100K per biennium in 2027-29 and 2029-31
- City of Portland pursued adopting the incentive. The 75% tax rate threshold cited as an impediment to adoption
- In 2019, City of Portland estimated brownfields account for approximately one-third of developable industrial land within UGB (910 acres). Estimated total cleanup cost of approximately \$240M

Brownfields in Oregon

Number of Brownfields by Project Type

Project Type	Number	Percent
Cleanup Project	5,895	10%
Leaking Heating Oil Tank	46,556	75%
Leaking Underground Storage Tank	9,387	15%
Total	61,838	100%

Data source: Oregon Department of Environmental Quality (DEQ), Environmental Cleanup Information Database. Data was downloaded 6/14/2024

Note: DEQ did not respond to an LRO request for definitions of the “Status” variable (active, assigned, closed, in progress, no further action, on hold, ongoing, suspect, unassigned)

Number of Brownfields by Region and Project Type

Region	Project Type	Number by Region	Percent	Number by Project Type	Percent
Eastern	Cleanup Project	4,721	8%	2,330	4%
	Leaking Heating Oil Tank			931	2%
	Leaking Underground Storage Tank			1,460	2%
Northwest	Cleanup Project	46,082	75%	1,984	3%
	Leaking Heating Oil Tank			40,194	65%
	Leaking Underground Storage Tank			3,904	6%
Western	Cleanup Project	11,035	18%	1,581	3%
	Leaking Heating Oil Tank			5,431	9%
	Leaking Underground Storage Tank			4,023	7%
Total		61,838	100%	61,838	100%

Local option property tax exemptions

Policy	Number of Exemptions	Percent	TER Rev. Impact, 2023-25 (\$ Thous.)	Percent	Largest Rev. Impact, (\$ Thous.)	Largest Rev. Impact
Local Option Tax	27	100%	\$1,230,600	100%	\$681,000	2.100 Strategic Investment Program
-City or County Opt In Self	7	26%	\$68,500	6%	\$39,000	2.108 Nonprofit Low-Income Rental Housing
-City, County, Port, or Tribe Opt In All	11	41%	\$1,161,700	94%	\$681,000	2.100 Strategic Investment Program
-51% Tax Rate Threshold for All	10	37%	\$68,700	6%	\$39,000	2.108 Nonprofit Low-Income Rental Housing
-75% Tax Rate Threshold for All	3	11%	\$0	0%	\$0	N/A
-District Opt In/Out at Outset	4	15%	\$12,000	1%	\$11,800	2.102 Vertical Housing Development Zone
-New District or Annex Opt Out	1	4%	\$11,800	1%	\$11,800	2.102 Vertical Housing Development Zone
-Amend	15	56%	\$514,900	42%	\$356,000	2.014 Long Term Rural Enterprise Zone
-Repeal	9	33%	\$200	0%	\$200	2.031 New ADU or Newly Converted Multiplex
Payment in Lieu of Taxes (PILT)	6	22%	\$1,142,600	93%	\$681,000	2.100 Strategic Investment Program
Sunset	19	70%	\$857,700	70%	\$356,000	2.014 Long Term Rural Enterprise Zone

Note: TER revenue impacts of \$100,000 or less are rounded to \$0. See TER page three for an explanation of the difficulties with summing tax expenditures.

Data source: Oregon Department of Revenue Research Section

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Share of code areas able to satisfy tax rate threshold

- Property subject to taxes from the same districts are in the same “code area”
- Code areas are often comprised of 6-9 taxing districts
- About 930 code areas in Oregon

Tax Rate Threshold	Without Support of Special Districts	Without Support of Schools	Without Support of Special Districts and Schools
51%	100%	69%	24%
55%	100%	54%	13%
60%	100%	29%	5%
65%	100%	11%	2%
70%	98%	3%	0%
75%	92%	1%	0%

Data source: Oregon Department of Revenue Research Section

Factors to consider

- 75% tax rate threshold
- Stacking incentives
 - Eligible costs are reduced by amount of government grants, tax credits, insurance proceeds or legal settlements received to offset eligible costs (HB 4084 in 2016)
 - Allowed eligible property to be granted any other special assessment, full exemption, or partial exemption (HB 2699 in 2019)
- Public awareness

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