

SENATE REVENUE COMMITTEE

Senate Bill 1529 Background & Overview

February 3, 2012

Agenda

- Background – Measure 50
- Background – 2008 DOR Changes
- SB #1529 & Amendment – Overview
- SB #1529 & Amendment - CPR Impacts

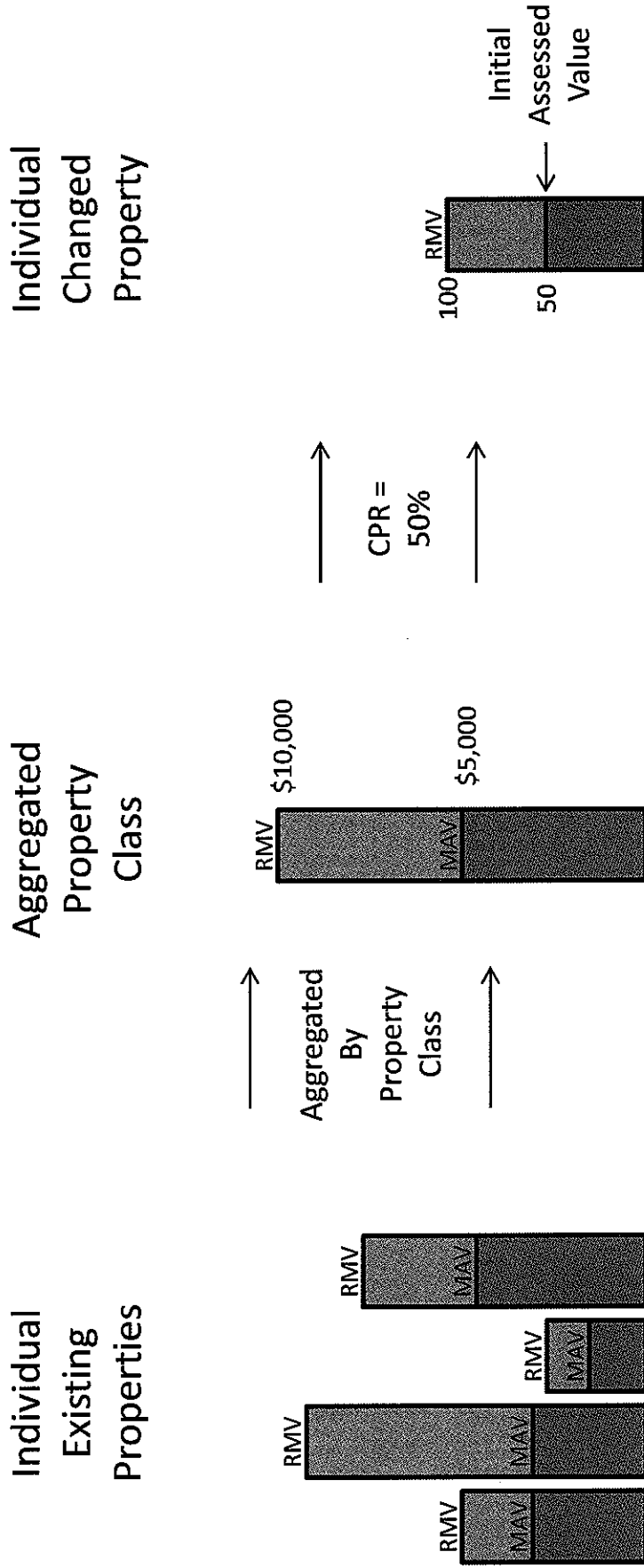
Testimony of Steve Wells on behalf of Trammell Crow Company and NAIOP

MEASURE: SB 1529
EXHIBIT: Senate Finance and Revenue 76th Session
DATE: 02/03/2012 PAGES: 8
SUBMITTED BY: Steve Wells

Background – Measure 50

- Measure 50 limits the annual growth of a property's assessed value to 3%, creating a maximum assessed value ("MAV")
- Growth in values has been > 3% causing MAV to be lower than real market value ("RMV") for most existing properties
- Measure 50 provides for a Changed Property Ratio ("CPR") to be applied to changed property (e.g. new construction, properties coming off deferral, subdivisions, zoning changes) to keep its assessed value similar to existing properties of equal RMV
- The CPR is determined annually as the aggregate ratio of MAV to RMV for all properties within the same classification

Background – Measure 50 MAV and CPR



RMV – Real Market Value
 MAV – Maximum Assessed Value
 CPR – Changed Property Ratio

Background – 2008 DOR Changes

- Before 2008, some counties classified investor grade industrial (warehouses, light industrial, ministorage, etc) as commercial, rather than group it with heavy industrial, which is assessed differently and tends towards a CPR of 1
- In 2008, the counties began implementing new DOR rules which required investor grade industrial to be combined with heavy industrial properties, causing dramatic increases in the CPR in some counties
- Changed property assessed values went up dramatically versus similar existing properties with identical RMVs
- This has a significant negative impact on:
 - Industrial development
 - Job creation
 - Economic development
 - Portland's economy

Background – 2008 DOR Changes - Example

Property Value: \$20 million

Location: Multnomah County

Type: Investor Grade Industrial

Tax Status: New Construction assessed in 2011/2012

	Pre 2008 Method	2008 Forward Method
Class	Commercial	Industrial
RMV	\$20,000,000	\$20,000,000
CPR	.4883	.8376
AV	\$9,766,000	\$16,752,000

- The average existing property of the same value would be assessed at approximately \$9.7 million
- The newly assessed property is assessed 71% higher than an existing property of equal value

SB #1529 & Amendment - Overview

- SB #1529 plus a proposed amendment addresses the problems created by the 2008 DOR changes

Assessment Changes:

- Only affects assessments on changed properties
- State appraised industrial (heavy industrial) - moved to separate class
- Machinery and equipment – moved to separate class/separate tax account
- Remaining industrial property – combined with commercial into one class
- Returns assessed values for changed investor grade industrial properties back to par with existing properties of same value
- Effective date – The proposed legislation is not retroactive. It will apply to changed property for the tax year beginning 7/1/12

Collection Changes:

- Affects all properties with separately identified M&E
- Allows county collectors to use personal property tax collection methods as well as real estate tax foreclosure on machinery and equipment (but M&E will still be considered real property)
- Effective date – 91 days after passage

SB #1529 & Amendment - Tax Collection Changes

Current

Tenant M&E	—	Tax Foreclosure (subject property)
Owner (Real Estate and M&E)	—	Tax Foreclosure (all owner property)

Proposed

Tenant M&E	—	Tax Foreclosure (subject property) or Personal Property Approach (subject property)
Owner M&E	—	Tax Foreclosure (all owner property) or Personal Property (subject property)
Owner Real Estate	—	Tax Foreclosure (all owner property)

SB #1529 & Amendment - CPR Impacts

County	Industrial Pre SB1529	Commercial Pre SB1529	Combined Post SB1529
Baker	1.00	.6777	.6933
Benton	.9100	.5886	.6065
Clackamas	.9604	.8856	.8864
Clatsop	1.00	.5673	.5707
Columbia	1.00	.6327	.6733
Crook	1.00	.9480	1.00
Deschutes	.9723	.7882	.8270
Gilliam	.9344	.5568	.5824
Hoodriver	.7348	.7008	.6967
Jefferson	1.00	.5223	.5583
Josephine	.8910	.7614	.7649
Lake	1.00	.7535	n/a
Lane	1.00	.5577	.5890
Linn	1.00	.7102	.7485
Marion	.9142	.6658	.6817
Multnomah	.8383	.4912	.5215
Polk	1.00	n/a	.7270
Tillamook	1.00	.6980	.7045
Union	1.00	.7160	.7420
Washington	1.00	.6523	.7275
Yamhill	.7983	.5771	.5796