



City of Gresham

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Testimony in Support of SB 312 (Changed Property Ratio) Senate Committee on Finance and Revenue March 4, 2013

The Changed Property Ratio (CPR) governs how maximum assessed value (MAV) for new development or redevelopment is set, and specifically governs the ratio of MAV to real market value (RMV) for the newly developed property. Under the status quo, new development has its MAV set based on a ratio with RMV that equals the average of the MAV/RMV ratio of the county in which the development occurs.

If all properties within a county appreciated in real market value equally, this would work fine. The problem is that not all areas in a county are equal. For instance, some neighborhoods in Portland had periods of rapid and significant RMV growth. Real market values were heavily outpacing the 3% MAV growth limit, resulting in a county-wide MAV/RMV ratio that, at the height of the market, was around 52% -- new construction had its maximum assessed value set at 52% of its real market value. Gresham's MAV/RMV ratio during the same timeframe was between 80%-90%.

That means that new development in the Gresham area would have MAV set as a smaller percentage of its RMV than surrounding existing homes. At the current time, Gresham has an average MAV/RMV ratio of over 90%, while the County average is 73%, so even with the recent changes in the housing market, the inequity persists.

- The status quo artificially raises the MAV/RMV ratio in communities with low MAV/RMV (i.e., the Pearl District in Portland), and artificially lowers the MAV/RMV ratio in communities with higher MAV/RMV ratios (i.e., Gresham). This unfairly raises taxes on new development in Portland, and unfairly lowers taxes for new development in Gresham.
- When new development occurs as infill in Gresham, it means that the new house in the neighborhood will pay property taxes at about 73% MAV/RMV, while the existing homes pay over 90% MAV/RMV. If you put two homes side by side, one existing development and

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one new development (both valued at Gresham's median real market value), that would mean that the existing home would pay about \$600 to the City of Gresham in property taxes, and the new home, again with the same market value, would pay around \$475 to the City of Gresham in property taxes. The new home would pay about 20% less in property taxes to the City (and to all other property taxing authorities, including schools). This is a horrible neighbor-to-neighbor inequity that could easily be remedied through the reform proposed in SB 312.

- In a city like Gresham, with some major recent urban growth boundary expansion areas and residential development growth in the coming years, this error in statute will create whole new neighborhoods in Gresham that pay less property taxes than existing Gresham neighborhoods for the same City services and schools. Because the system pegs tax rates for new development artificially low compared to other properties in the City, it will become incredibly hard to provide core services, like police and fire, to those new areas.
- Changing the CPR to the average of the code area instead of the average of the county would not cost existing taxpayers a dime in new taxes because it would only change the equation for new development.

Newly built properties should come on at the average of the code area in which they are built, instead of the average of the county. This would help solve the neighbor-to-neighbor inequities caused by new construction and different real market value appreciation rates among areas within a county, and would ensure that similarly valued homes in the same jurisdiction would have similar MAVs.