



## **HB 2289 A Brownfield Tax Credit--\$20m/biennium**

## **HB 2734 B Land Bank Authority and Brownfield Property Tax Abatement**

Brownfields are a problem. Owners have been allowed to basically abandon properties that have significant problems. Brownfield revitalization, on the other hand, protects human and environmental health, protects watersheds, increases the tax base, improves the economy, accommodates regional economic growth, provides jobs, and improves community health and identity. One only needs to take a look at some former [Portland Brownfield Program Sites](#) to see how the transformation takes place. It shows a record of site studies and improvements since 1998.

We are pleased to support the Land Bank Authority portion of HB 2734B, giving local governments a way to deal with remediation of brownfield sites in their communities. We applaud the collective effort by the Brownfield Coalition to seek authority for this useful tool to deal with the widespread problem of abandoned, contaminated sites. We appreciate the amendments to the original bill which strengthen the accountability and transparency of these activities as well as their local governance.

However, the legislation provides no structure to analyze the amount of property tax abatement that should be given to properties with vastly different circumstances. In fact, the bill doesn't allow this. HB 2734 B, page 9, line 9: "The abatement shall be granted **on the same terms** to all brownfields within the jurisdiction of the local government that adopts the abatement program."

Oregon currently has brownfield programs; they are revolving funds that provide both grants and loans. The grants are to evaluate a site and the loans are for remediation. The brownfields can be owned by private, non-profit or public owners. But the owners must not themselves have been responsible for the contamination.

The revolving loan model is a better way to handle public funding than either of the bills before you today, as they are currently designed. [Oregon's loan program, through the Oregon Infrastructure Finance Program of Business Oregon](#), has a budget request this year for an additional \$7 million to add to the revolving fund in the OBDD bill HB 5525. Portland has a similar program, funded with federal funds.<sup>1</sup> **Loan funds cannot solve every problem property, because for some, the cost of remediation is greater than the value of the property after it has been cleaned up.** Unfortunately, neither bill before you today is refined enough to thoughtfully address that issue. Instead each bill, whether with a tax credit or a property tax abatement, simply provides most or all of the cost of cleanup.

Obviously, if a private party buys a parcel with contamination, the price is reduced. The anticipated cost of clean-up is reflected in the price. Why should the public bear the cost of

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<sup>1</sup> In 2011 Portland got an additional \$1.4 million from the federal government for its program, of which \$400,000 is to assess contamination, and \$1 million is available for loans for remediation. Business Oregon's program is similar.

remediation with a 50% or 75% tax credit or a 100% property tax abatement -- if the project's increased value will go to the owner?

We can see why owners of many brownfields would like these bills. Buy a contaminated site cheap, hire a woman or minority owned business to do the clean-up, and the public reimburses you for 75% or 100% of the cost of increasing your property's value. Nice deal for owners, but as our examples show, these subsidy ideas are not such a good deal for the public purse.

Under either, one could purchase a contaminated property for \$30,000, clean it up, and get a tax credit or property tax abatement for \$75,000 of a \$100,000 remediation cost. The owner's investment is \$55,000. The public's investment is \$75,000. Whether the owner sells or uses it, he or she makes money, likely a handsome profit. The public – likely doesn't get much value for its tax credit investment, or, in the case of HB 2734 B, its property tax abatement, of as much as the whole \$100,000. As our examples show, even when the cost of remediation is considerably more than \$100,000, the subsidy could be excessive. Further, because the use of both the tax credit and the property tax abatement are limited to 5 years, the particular uses of the land and attendant income or property taxes due would need to be part of any business owner's calculation.

One can, on the other hand, easily imagine properties with a different profile, where the cost of clean-up far exceeds the value of the property once it has been cleaned-up. The same property with a \$30,000 purchase price or tax lien might need \$2,000,000 of remediation, while the after clean-up value will be the same \$300,000. This property does need help, public help, particularly if there are community issues caused by the property's contamination that can only be addressed by spending the \$2 million.

Unfortunately, neither bills' design sorts out the two situations, while potentially spending of \$20 million a biennium of General Fund money or an unknown amount of local tax receipts and school funding formula money. A more complex program is needed to sort out where public subsidies should and should not be invested in brownfield properties. The cost/benefit analysis should involve dollars invested and value as buildable property after remediation with dollars, not ultimate use, determining the amount of any tax credit or property tax abatement.

The Land Bank part of HB 2734 B does deserve consideration. Perhaps that portion of the bill could move forward without the tax abatement or after the tax abatement portion has been further amended. The Land Bank organizational structure could bring committed citizens to looking for solid solutions to the more vexing properties, and help communities which have ended up with public ownership of abandoned brownfields.

As an organization with an eye on the public purse, until a more measured bill is developed, Tax Fairness Oregon will maintain that loans rather than tax credits or property tax abatements are a more prudent way to address brownfield issues.