

**PRELIMINARY STAFF MEASURE SUMMARY****Senate Committee On Finance and Revenue****Fiscal:** No Fiscal Impact**Revenue:** Revenue impact issued**Action Date:****Action:****Meeting Dates:****Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Adds definition of "nonresidential use" for purposes of vertical housing development zone program. Nonresidential use is defined as any use that is not exclusively residential use. Extends sunset date for new vertical housing zone designation and application for exemption to January 1, 2026. Adopted amendment allows any local taxing district to elect not to participate in a vertical housing development zone. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:****EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

Current law provides a partial property tax exemption for properties qualifying under the vertical housing development zones exemption. Vertical housing development zones are requested by either a city or county and approved by the Housing and Community Services Department. Under current law, the Housing and Community Services Department may not issue a zone certification on or after January 1, 2016. Special districts (those identified in ORS 198.010 or 198.180) may elect not to participate in vertical housing development zone and if election to not participate is chosen, then the special district may continue to impose property tax on the property.

A person proposing to undertake a vertical housing development project and seeking a partial property tax exemption must apply to Housing and Community Services Department for certification of the project. Upon certification, a partial property tax exemption is available for qualified projects for ten consecutive years. A project may be new construction or rehabilitation of existing property. Under current law, the Housing and Community Services department may not issue certification on or after January 1, 2016. Existing properties receiving partial exemption may continue to do so after the certification sunset date so long as the property continues to meet existing qualification criteria. The value of the partial property tax exemption is a function of the number of equalized floors allocated to residential housing. The partial exemption can range from 20 percent to 80 percent exempt (land excluded) corresponding to the number of equalized floors allocated to residential use.

- One equalized floor - 20 percent exempt
- Two equalized floors - 40 percent exempt
- Three equalized floors - 60 percent exempt
- Four or more equalized floors - 80 percent exempt

The land of a certified vertical housing project qualifies for partial exemption in percentage amounts described above if equalized floor(s) is allocated to low income residential housing, defined as income no greater than 80 percent of area median income adjusted for family size.