



March 20, 2017

**VIA ELECTRONIC MAIL AND
PERSONAL DELIVERY**

Senator Mark Haas, Committee Chair
Senators Boquist, Baertschiger, Riley, and Taylor
Senate Committee on Finance and Revenue
900 Court St. NE
Salem, OR 97301

Re: Support for SB 311/Tax Abatement for Seismic Upgrades

Chairman and Senators:

I am testifying in multiple capacities: as a multifamily stakeholder on OSSPAC (Oregon Seismic Safety Policy Advisory Commission); as a member of the Policy Committee of the City of Portland's URM Taskforce; and as a representative of MBOO (Masonry Building Owners of Oregon).

My testimony is enthusiastically in support of SB 311. Although a state rehabilitation tax credit might also be very helpful, we understand that budgetary pressures at the State level make passage of a seismic rehabilitation tax credit extremely unlikely. Given this reality, the proposed property tax abatement would be the most effective way to assist seismically challenged building owners.

The context is this:

- Western Oregon faces a 15% chance of a massive subduction earthquake (Magnitude 9.0) in the next 50 years. Such a quake would inundate the Oregon Coast under an enormous tsunami and shake the Willamette Valley and points south to at least 100 miles inland for 4 minutes, causing widespread devastation to roads, utility lines, bridges, and pre-1993 buildings, in particular so-called unreinforced masonry (URM) buildings.
- URM buildings were typically built in the period 1900 to 1935 and are extremely vulnerable to earthquakes because they are not reinforced with steel or tied together, have lots of gingerbread that can fall off, and bricks are heavy and provide no flexibility re: lateral motion.
- Based on an analysis of the 2003 Paso Robles earthquake (M. 6.3), seismic upgrades to a URM can be extremely effective (9 of 9 upgraded URMs survived).
- City of Portland has some 1650 URM commercial and multifamily buildings, many of which are historic and contribute to the ambiance of Downtown and numerous neighborhoods.

- The City is moving aggressively to cause URM owners to upgrade them.
- Cost of an upgrade to Life Safety standard is estimated to be \$68 per square foot or \$2.72 million for a 40,000 square foot apartment building (to Bolts Plus, less than \$50 a foot).
- With the specter of rent control, owners will have a very limited ability to pass on seismic costs to tenants, leaving the owner with only a very limited saving on earthquake insurance to pay back his/her investment.
- RESULT: without the SB 311 abatement, a classic unfunded mandate which likely will force owners to demolish URMs or convert them to condos.

SB 311. A 10 year abatement of property taxes will save the owner of a 40,000 building assessed at \$5 million (say) up to \$100,000 a year to go toward the \$2.72 million seismic upgrade cost. If a total of 15 years of abatement is authorized, the savings could approach 50% if seismic upgrade cost.

Questions:

- Does the owner get the abatement concurrent with doing upgrade work or only after it is completed? Concurrent is much preferred.
- Can a building, which is or has been on historic assessment freeze (Ch. 358), qualify for the abatement? Historic buildings should qualify as the assessment freeze was tailored to historic upgrade issues. Middle ground, allow the owner to go off special assessment during the total abatement.
- Does the abatement only apply to buildings undergoing URM upgrades or any legitimate seismic upgrade? Should apply to both.
- Clearly need audit/oversight of seismic projects to ensure that the owner is doing what was promised.
- Clarify that demolition protocols require one to protect workers from asbestos, lead, etc. should not be excluded.

Conclusion:

SB 311 is an essential funding tool for seismic upgrades in Oregon, although not a total solution to the problem. It is strongly supported by not only building owners, but also seismic experts.

Respectfully submitted

Walter W. McMonies