



To: Chair Barnhart & Members of the House Committee on Revenue

From: Nellie deVries, Building Owners & Managers Association

Date: April 4, 2017

Re: Support to HB 2939

---

The Building Owners and Managers Association (BOMA) of Oregon is a commercial real estate organization representing over 40 million square feet of commercial real estate in Oregon.

BOMA supports HB 2939, which limits the rate of tax that city or county may impose on commercial construction. During the 2016 Legislative Session, inclusionary zoning passed along with the removal of the preemption against construction excise tax. Therefore, local jurisdictions now have the authority to levy a construction excise tax. The 2016 Legislation placed a 1% cap on any construction excise tax levied on residential buildings with 100% of the funds going to affordable housing. Currently, there is no cap on construction excise tax levied on commercial buildings with 50% of the tax levied going to affordable housing and the other 50% goes to the general fund. BOMA has concerns that with 50% of the funds going to the general fund, as there may be additional incentive for local jurisdictions to levy a higher construction excise tax on commercial buildings.

HB 3929 will place a commensurate 1% cap on the construction excise tax on commercial buildings. Currently, the lack of a cap on the tax creates uncertainty with investors and developers because the tax could be raised at any time. Those looking to invest in construction need to know how much money to set aside in taxes and fees, but without a cap, it is nearly impossible for these individuals to determine how much money to set aside. Therefore, this uncertainty ultimately deters future development.

Further, there is concern that if a jurisdiction decides to increase the tax beyond 1%, it could discourage any further development within that jurisdiction depleting economic development and a diminishing its tax base.

Therefore, BOMA respectfully requests your support of HB 2939 to encourage economic development and help boost local economies. Thank you.