



Oregon

Kate Brown, Governor

Department of Transportation

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DATE: April 10, 2017

TO: Senate Committee on Finance and Revenue

FROM: Paul Mather, Administrator
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SUBJECT: Senate Bill 535

INTRODUCTION

Senate Bill 535 changes Oregon law relating to the value of property when acquired through condemnation. The bill requires that the offer for the value of the property cannot be less than the latest county or Department of Revenue determination of real market value, or a percentage portion of the property taken.

DISCUSSION

The Oregon Department of Transportation purchases real properties for highway construction projects. When ODOT is purchasing property, the agency appraises it for current market value at the time of purchase. Appraisals are completed either by ODOT staff or by hiring an independent fee appraiser. Appraisers use their professional knowledge to select specific market information and comparable sales that will support a conclusion of value. Items considered are buyer and seller motivation, differences between the supporting sales and the property being appraised as well as market trends, supply and demand and probable changes in use.

Because ODOT receives federal funding for highway projects, federal law governs ODOT's purchase of property for which federal funds are used. Federal law requires that at the time ODOT purchases property using federal funds, ODOT must:

- analyze the property and provide a complete description,
- provide a description of any remainder that ODOT is not interested in purchasing,
- document any encumbrances that may affect the property's value,
- use any relevant appraisal approaches to achieve the value,
- have the appraisal reviewed by a qualified review appraiser, and
- set just compensation to be offered to the owner.

Should SB 535 become law, ODOT would still be required to complete a fair market value appraisal to remain in compliance with federal law. If the appraisal resulted in a value less than the county determined real market value, the agency would be required to pay that value to the property owner even if it did not reflect the true market value of the property. If the project is federally funded, ODOT may have to pay this difference with state funds.

SUMMARY

Senate Bill 535 would require ODOT to pay the county or Department of Revenue assessed value when condemning property if that value was greater than an appraised value. ODOT is required to follow federal law for purchasing land for state highway projects, and those rules do not align with the proposed language in SB 535.