

**REVENUE IMPACT OF
PROPOSED LEGISLATION
79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office**

**Bill Number: SB 311 - 2
Revenue Area: Property Taxes
Economist: Kyle Easton
Date: 4/11/2017**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Authorizes city or county to adopt ordinance or resolution providing exemption or partial exemption from ad valorem property taxation to eligible property that will be seismically retrofitted. Requires adopted ordinance or resolution to state the percentage of the exemption to be applied to the real market value of the eligible property. Allows exemption for up to fifteen years. Exemption eligibility ends at earlier of specified period of years or the date on which the dollar amount of the exemption equals the eligible costs for the property. Defines eligible property as improvements built before January 1st 1993, that constitute a commercial, industrial or multifamily building that is not centrally assessed or state appraised industrial property. Defines eligible costs as costs that are directly related to the work necessary to seismically retrofit eligible property. Requires rates of taxation of the taxing districts located within the territory of the city or county and agreeing to exemption, when combined with city/county rate of taxation, to equal or exceed 75% of the total combined rate of taxation within the territory of the city or county for exemption to become effective. Allows city or county to further restrict eligible properties by property type, impose an annual cap on the total dollar value of exemptions and impose any other non-conflicting conditions. Sunsets initial application for exemption on January 2, 2028 with eligible property granted exemption prior to sunset date allowed to qualify for exemption for duration of qualification period.

Revenue Impact: No direct revenue impact exists from enacting measure, however, losses in property tax revenues are expected to be several to possibly tens of millions of dollars per year.

The potential revenue impact, depending upon adoption of exemption policy by counties or cities with sufficient approval from local taxing districts, is expected to total several millions of dollars per year with the possibility of revenue losses in the tens of millions depending upon adoption of exemptions by local governing bodies and circumstances under which exemption or partial exemption is made available. Peak exemption losses would be expected during the 2020-2030 period.

Impact Explanation:

Property tax exemption made available by measure is a full or partial exemption for improvement value of qualified property. Property tax exemption is limited in duration to: a time period of 15 years or date on which property tax exemption benefits equal qualified retrofit costs. Measure provides broad authority to cities and counties in how program is designed.

Basis for revenue impact estimation is derived primarily from City of Portland documents related to the city's Unreinforced Masonry Seismic Retrofit Project. The project details the number of buildings in need, and estimated construction costs. City of Portland is also likely to require unreinforced masonry buildings to be seismically upgraded to various degrees. City of Portland estimates roughly 1,600 unreinforced masonry buildings with estimated construction costs of about \$800 million. A number of these properties

are publicly owned, or are receiving an existing full or partial property tax exemption which limits to some extent the properties that will qualify, or extent of qualification, for exemption made available in measure.

Buildings in need of seismic retrofitting are located throughout Oregon, however, exemption does require local adoption of ordinance or resolution to become effective. Ultimately, extent of property tax revenue loss will depend upon conditions under which exemption is locally adopted.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to provide authority to cities and counties to design and implement property tax exemption programs intended to partially or fully offset the costs related to seismically retrofitting commercial, industrial or multifamily buildings, thereby mitigating potential losses to life and property resulting from a Great Cascadia Subduction Zone earthquake.