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February 21, 2017

Senator Mark Hass, Chair
900 Court Street, NE, HR A
Salem, Oregon 97301

Re: Senate Joint Resolution 3

Dear Chair Hass and Members of the Committee:

Thank you for taking action to address comprehensive property tax reform. The City of Portland lauds efforts to reform our inequitable and broken property tax system.

Due to the legacy of Measure 50, in Portland we are experiencing growing inequality in tax treatment for different geographic areas of the city. The market value of properties in 1995-96 were very different than they are today in some areas of Portland. By creating the concept of Assessed Value and capping its growth at three percent, properties in those parts of the City that have grown in popularity are taxed on a much lower portion of their real market value than comparable properties in those neighborhoods that have not experienced a similar real estate boom. In parts of outer east Portland, residential property owners are routinely taxed on 75 percent or more of their property's real market value; while closer to the City center some homeowners are taxed on less than 45 percent of their real market value.

Senate Joint Resolution 3 eliminates the concept of assessed value and in its place uses real market value as the basis for imposing taxes using permanent rates and local option levies. The Measure 5 limits still remain, and voter approved general obligation bonds are outside of this limit. Questions arise around section 11(8), which provides for a "homestead exemption" for owner-occupied principal dwelling units, including both single-family and multifamily properties. As written, the amount of this exemption is not defined or limited, nor is there any guidance as to how it would be calculated and how this could change over time.

A homestead exemption poses the potential to negatively impact local levies and could reduce overall revenue when compared to the current system. For example, the voters of Portland approved an annual property tax levy in 1948 to support our Fire and Police Disability and Retirement Fund (FPDR). Currently, FPDR has the ability to levy up to \$2.80 per \$1,000 of real market value without exemptions. A homestead exemption could significantly impact tax revenues collected by this levy, with the potential for negative downstream effects on the City's

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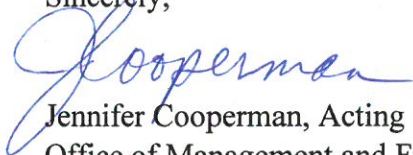
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General Fund and its credit ratings. Over the course of the last almost 70 years of the FPDR levy, there have been several significant changes to Oregon's property tax system. In each instance, the City of Portland has worked diligently to ensure the continued health of this levy and will continue to do so in the future.

We also request that SJR 3 be revised to address two other important issues for the City of Portland and FPDR. First, SJR 3 should be amended to incorporate the existing provision in Section 11(5)(a)(D) that specifies a local taxing district levy used to repay local government pension and disability plan obligations is not subject to compression. Failure to retain this provision would be contrary to prior voter approval and create significant adverse effects on general government property tax revenues in the Portland area. Also, the language in page 1, lines 25-27 of SJR 3 that "a local taxing district's permanent limit.... shall be the permanent limit on the rate... **imposed** by the local taxing district on the effective date of this section" (emphasis added) should be revised to clarify that a maximum rate authorized but not currently imposed (as in the case of the FPDR levy) will not be reduced.

Thank you Chair Hass for your leadership on property tax reform. We respectfully request your careful consideration of these impacts and hope to serve as a resource as the Committee continues this important work. We look forward to working with you on this challenging and critical issue.

Sincerely,



Jennifer Cooperman, Acting Chief Financial Officer
Office of Management and Finance
City of Portland, Oregon