

Chair Hass and members of the Senate Finance and Revenue Committee,

My kids started public education in the Beaverton School District just as Measures 5 and 50 started to take their effect. Equalizing school funding was a good idea. But Measure property tax limitations created new problems.

SJR 3 defines real market value as “the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller.” What can we conclude when a sale price is significantly higher than the real market value? Is the buyer crazy? Or is the seller a poor judge of the market?

One thing is certain; the higher price doesn't net more money for local government. When property is sold, the tax assessment is not reset to the sale price. The Measure 50 “maximum assessed value” still applies. Businesses love this tax certainty—especially when “what the market will bear” rentals are booming.

I surmise our complicated and confusing property tax poses greater risks for bubble markets. Last fall, Oregon was on a short list of bubble states because of a high price-to-income ratio.[1] Questioned whether commercial real estate was in a bubble, a former global chief economist for CBRE[2] replied, “No, not yet! Nationally, earnings are growing, and will continue to do so for a few more years.” That was two summers ago.

100 Market Street SW is the Portland headquarters of Regence Blue Cross Blue Shield of Oregon. The parent company of Regence BCBSO is Cambia Health Solutions Inc. In 2013 and again in 2016, this building sold—driving the price up nearly two-fold. Regence has leased two-thirds of the space back from the first buyer, the California State Teachers' Retirement System and will presumably do so with WealthCap, a German company (at presumably at a much higher rent).

Sales Information					
Deed	Grantor (Seller)	Grantee (Buyer)	Instrument	Date	Consideration Amount
WD	CSHV FIRST AND MARKET LLC	WEALTHCAP PORTLAND	2016137377	10/31/16	\$94,350,000
BSD	NORTHWEST HOSPITAL SERVICE	CSHV FIRST AND MARKET LLC	2013162305	12/19/13	\$48,800,000
INST	NORTHWEST HOSPITAL SERVICE	NORTHWEST HOSPITAL SERVICE	BP06951424		\$0

A spokesman for CBRE,[3] the global real estate company that brokered the 2013 deal said, “Corporate America frequently sells real estate because they're in the business of doing other things. There's plenty of capital, low interest rates. It's not a bad time to sell.”[4]

“Other things” does not mean lower insurance premiums. "Nonprofit" Cambia/Regence BlueCross BlueShield has amassed huge surpluses—five times industry requirements. [5]

There’s a huge and growing gap between the Maximum Assessed Value (\$36,156,980), the Real Market Value (\$66,464,280) and the most recent sale price (\$94,350,000) for 100 SW Market .[6] While the assessed value has doubled since Measure 50 limitations, the 2016 price is nearly 5.5 the 1995 RMV!

Search Results for R272212						
Owner Name		Property ID Number				
WEALTHCAP PORTLAND		R272212				
Map Tax Lot		Situs Address				
151E03CB -00700		100 SW MARKET ST PORTLAND, OR 97201				
Assessment History						
Year	Improvements	Land	Special Mkt / Use	RMV	Exemptions	Assessed
2016	\$54,278,040	\$12,186,240	\$0 / \$0	\$66,464,280		\$36,156,980
2015	\$54,249,990	\$9,551,010	\$0 / \$0	\$63,801,000		\$26,776,650
2014	\$48,008,840	\$8,452,220	\$0 / \$0	\$56,461,060		\$25,943,010
2013	\$42,113,020	\$7,414,230	\$0 / \$0	\$49,527,250		\$25,187,390
2012	\$42,113,020	\$7,414,230	\$0 / \$0	\$49,527,250		\$24,453,780
2011	\$46,278,040	\$8,147,500	\$0 / \$0	\$54,425,540		\$23,741,540
2010	\$46,278,040	\$8,147,500	\$0 / \$0	\$54,425,540		\$23,050,040
2009	\$46,278,040	\$8,147,500	\$0 / \$0	\$54,425,540		\$22,378,680
2008	\$46,278,040	\$8,147,500	\$0 / \$0	\$54,425,540		\$21,726,880
2007	\$46,278,040	\$8,147,500	\$0 / \$0	\$54,425,540		\$21,094,060
2006	\$41,691,930	\$7,340,090	\$0 / \$0	\$49,032,020		\$20,479,670
2005	\$40,088,400	\$7,057,780	\$0 / \$0	\$47,146,180		\$19,883,180
2004	\$37,465,790	\$6,596,060	\$0 / \$0	\$44,061,850		\$19,304,060
2003	\$36,024,800	\$6,342,360	\$0 / \$0	\$42,367,160		\$18,741,810
2002	\$36,024,800	\$6,342,360	\$0 / \$0	\$42,367,160		\$18,195,940
2001	\$32,749,820	\$4,878,740	\$0 / \$0	\$37,628,560		\$17,665,970
2000	\$27,520,850	\$4,099,780	\$0 / \$0	\$31,620,630		\$17,151,430
1999	\$24,141,100	\$3,596,300	\$0 / \$0	\$27,737,400		\$16,651,880
1998	\$20,286,600	\$3,022,100	\$0 / \$0	\$23,308,700		\$16,166,880
1997	\$18,505,900	\$2,878,200	\$0 / \$0	\$21,384,100		\$15,696,000
1996	\$16,093,000	\$2,665,000	\$0 / \$0	\$18,758,000		\$18,758,000
1995	\$14,303,100	\$3,136,900	\$0 / \$0	\$17,440,000		\$17,440,000

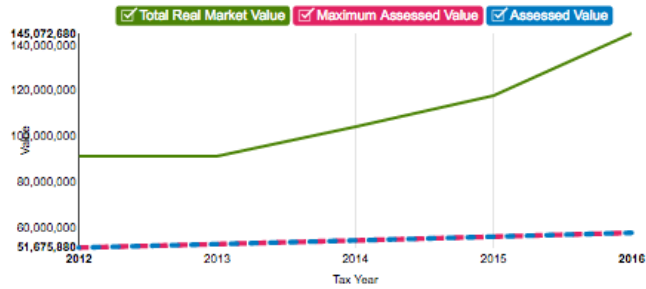
According to a 2010 report filed with the National Association of Insurance Commissioners (NAIC), Regence BCBSO is a 50% owner of 200 Market Associates Limited Partnership.[7] This is a “special purpose entity,” and “the nature of 200 Market’s activities is to own, manage and lease property located in Portland, Oregon.” John Russell[8] has been the managing general partner since 1990 in this limited partnership.

200 Market Associates Limited Partnership is still thriving, while the gap between RMV and assessed value skyrockets.[9] RMV (\$145,072,680) is 2.5 times the Assessed (\$58,161,630).

Owner Name: TWO HUNDRED MARKET ASSOC
Street Address: 200 SW MARKET ST
City, State, Zip: PORTLAND, OR 97201
Map and Tax Lot: 1S1E03CB -00800

Value History

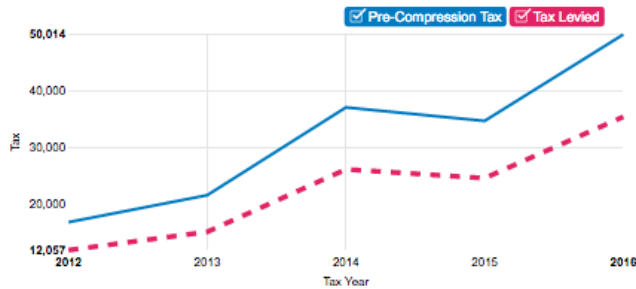
	2012	2013	2014	2015	2016
Real Market Value - Land	\$10,140,520	\$10,140,520	\$11,560,200	\$13,063,020	\$16,067,520
Real Market Value - Improvements	\$81,417,670	\$81,417,670	\$92,816,150	\$104,882,240	\$129,005,160
Total Real Market Value	\$91,558,190	\$91,558,190	\$104,376,350	\$117,945,260	\$145,072,680
Maximum Assessed Value	\$51,675,880	\$53,226,150	\$54,822,930	\$56,467,610	\$58,161,630
Assessed Value	\$51,675,880	\$53,226,150	\$54,822,930	\$56,467,610	\$58,161,630



At the same time, Measure 50 limitations compress property taxes for both Cambia Health Solutions[10]

Tax History

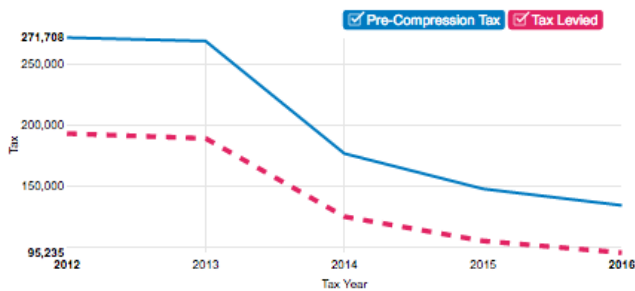
	2012	2013	2014	2015	2016
Pre-Compression Tax	\$16,974.90	\$21,726.50	\$37,174.10	\$34,799.30	\$50,014.20
Tax Compressed	\$4,917.55	\$6,453.15	\$10,899.50	\$10,074.10	\$14,486.50
Tax Levied	\$12,057.30	\$15,273.40	\$26,274.60	\$24,725.20	\$35,527.80



...and Regence BlueCross BlueShield.[11]

Tax History

	2012	2013	2014	2015	2016
● Pre- Compression Tax	\$271,708.00	\$268,843.00	\$176,590.00	\$147,604.00	\$134,067.00
Tax Compressed	\$78,712.80	\$79,851.00	\$51,776.20	\$42,730.00	\$38,832.10
● Tax Levied	\$192,995.00	\$188,992.00	\$124,814.00	\$104,874.00	\$95,234.90



Over \$53,000 of Cambia/Regence BCBSO property is not assessed because of compression. Research demonstrates Oregon eighth graders don't perform as well in math when tax compression affects the first year in a budget cycle. That's because unpredictable funding disrupts planning and teacher assignments.[12]

It's ironic when a large profitable health insurance company benefits from Measure 50 limitations and harms the community by not contributing their fair share to local taxes.

Please address these Measure 50 inequities.

Kris Alman

- [1] <https://www.gobankingrates.com/mortgage-rates/states-biggest-real-estate-bubbles/>
- [2] <https://www.bisnow.com/national/news/commercial-real-estate/something-about-a-bubble-48094?single-page>
- [3] One of the world's largest real estate investment management firms with \$87.9 billion in assets under management <http://www.cbreglobalinvestors.com/aboutus/Pages/default.aspx>
- [4] http://www.oregonlive.com/front-porch/index.ssf/2013/12/regence_bluecross_blueshield_o.html
- [5] https://consumersunion.org/wp-content/uploads/2016/05/consumers_union-nonprofit_insurer_surplus_update_report-2015_06.pdf
- [6] <http://www.multcoproptax.org/search.asp> Property ID R272212
- [7] Business registry number 197369-82
- [8] Serving on the Oregon Investment Council since appointed in April 2015.
<https://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Investment-Council-%28OIC%29.aspx>
- [9] <https://taxgraph.multco.us/property/r272205>
- [10] <https://taxgraph.multco.us/property/p446237>
- [11] <https://taxgraph.multco.us/property/p440706>
- [12] <https://phys.org/news/2016-04-oregon-property-tax-compression-eighth-grade.html>