

HB 2377 B STAFF MEASURE SUMMARY**Carrier:** Rep. Smith DB**House Committee On Revenue****Action Date:** 06/13/17**Action:** Do pass with amendments to the A-Eng bill. (Printed B-Eng.)**Vote:** 7-0-2-0**Yeas:** 7 - Barnhart, Buehler, Hernandez, Johnson, Marsh, Nosse, Smith Warner**Exc:** 2 - Bentz, Smith G**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Authorizes city or county to adopt an ordinance or resolution granting property tax exemption to newly rehabilitated or constructed qualified multiunit rental housing. Allows property tax exemption for up to ten consecutive years. Requires city or county to establish a schedule in which the number of years for which exemption is provided increases directly with the percentage of units rented to households with an annual income at or below 80 percent of the area median income and at monthly rates that are affordable to such households. Requires definition of area median income to be adjusted for the size of a household. Limits exemption eligibility for property that has been rehabilitated to first instance of rehabilitation.

For ordinance or resolution to take effect, requires the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption, when combined with the rate of taxation of the city or county, to equal 51 percent or more of the total combined rate of taxation on the eligible rental property. Places administrative requirements and oversight of exemption program with city or county that adopted ordinance. Requires owner or lessee of eligible rental property to submit annual application to city/county. Requires repayment of tax if county assessor determines that the eligible property does not meet the requirements of the ordinance or resolution. Sunsets initial year exemption qualification on January 2, 2027.

ISSUES DISCUSSED:5/23/2017

- Definition of "eligible rental property" and "multiunit housing" as used in the measure
- Precedent of allowing or requiring schools the ability to opt-out of exemptions
- Statutory sideboards contained in measure as compared to potential sideboards that could be included in city/county designed exemption programs
- How policy and provided tax benefits contained in measure compare to other current law exemptions
- Contrasting measure with inclusionary zoning
- Revisions and policies expected to be added to measure in later amendments
 - Defining affordable in measure or requiring city/county to include definitions in ordinance
 - Tighten affordable rent definition to account for differences in unit being rented (e.g. - number of bedrooms)
 - Ensuring that the unit is actually rented to lower income households rather than rented at rates affordable to lower income households.

6/12/2017

- Authority given to city/county and how exemption functions
- How proposed exemption compares to other existing housing relating exemption programs
- Exemption is targeted to workforce housing with 80% area median income requirement as opposed to other existing law exemptions directed to less than or equal to 60% area median income

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- Ability, and extent that cities/counties may set parameters of exemption program.

EFFECT OF AMENDMENT:

Limits exemption eligibility for property that has been rehabilitated to first instance of rehabilitation. Requires property to be rented to households with an annual income at or below 80 percent of the area median income and at monthly rates that are affordable to such households. Requires definition of area median income to be adjusted for the size of a household.

BACKGROUND:

While not specifically referenced in the measure, ORS 308.701 defines "Multiunit rental housing" as:

- (a) Means residential property consisting of four or more dwelling units; and
- (b) Does not include assisted living facilities.