

A-Engrossed
House Bill 2377

Ordered by the House April 25
Including House Amendments dated April 25

Sponsored by Representatives SMITH DB, SMITH G, Senator ROBLAN, Representatives BUEHLER, MARSH; Representatives BARRETO, DOHERTY, GOMBERG, HELM, HERNANDEZ, HUFFMAN, JOHNSON, KENNEMER, LIVELY, MEEK, NEARMAN, VIAL, WHISNANT, WITT (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Authorizes city or county to adopt ordinance or resolution granting exemption for newly rehabilitated or constructed multiunit rental housing. Provides that exemption may be granted for term of up to 10 years depending on number of units *[rented at or below maximum monthly rent related to average annual per capita income and annual median household income in county]* **rented at monthly rates affordable to households with annual income at or below 80 percent of area median income under definition adopted by city or county.** Provides that ordinance or resolution granting exemption may not take effect unless rates of taxation of taxing districts whose governing bodies agree to grant exemption equal 51 percent or more of total combined rate of taxation on qualified property. Requires exemption to be granted to all eligible rental property on same terms in effect on date application is submitted. *[Prohibits stacking of exemptions or special assessments, other than exemption for commercial facilities under construction.]* Allows city or county to amend exemption, subject to approval process of taxing districts, or terminate exemption, but provides that qualified property granted exemption continues to receive exemption under same terms in effect at time exemption was first granted. **Provides for clawback of exemption savings if county assessor determines rental property does not meet requirements for exemption.**

[Allows credit against net income taxes for portion of eligible costs of newly rehabilitated or constructed single-family dwellings that sell for price related to average annual per capita income and annual median household income in county.]

Sunset on January 2, 2027.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax incentives for affordable housing; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1) As used in sections 1 to 3 of this 2017 Act, "eligible rental property"**
5 **means newly rehabilitated or constructed multiunit rental housing.**

6 **(2)(a) The governing body of a city or county may adopt an ordinance or resolution**
7 **granting a property tax exemption for eligible rental property located within the boundaries**
8 **of the city or county, respectively.**

9 **(b) The terms of the exemption must conform to the provisions of sections 1 to 3 of this**
10 **2017 Act.**

11 **(3) The exemption may be granted to eligible rental property only if:**

12 **(a) The rehabilitation or construction is completed after the ordinance or resolution has**
13 **been adopted; and**

14 **(b) The first assessment year to which the application filed under section 2 of this 2017**
15 **Act relates is the first assessment year that begins after the eligible rental property is first**
16 **offered for rent for residential occupancy upon completion of the rehabilitation or con-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **struction.**

2 **(4) An ordinance or resolution adopted pursuant to this section must:**

3 **(a) Establish a schedule in which the number of consecutive property tax years for which**
4 **the exemption is granted increases directly with the percentage of units constituting the el-**
5 **igible rental property that are rented at monthly rates that are affordable to households with**
6 **an annual income at or below 80 percent of the area median income for up to a maximum**
7 **of 10 years; and**

8 **(b) Adopt a definition of “area median income” for purposes of sections 1 to 3 of this 2017**
9 **Act and notify the county assessor of the definition.**

10 **(5)(a) An ordinance or resolution adopted pursuant to this section may not take effect**
11 **unless, upon request of the city or county that adopted the ordinance or resolution, the rates**
12 **of taxation of the taxing districts whose governing bodies agree to grant the exemption,**
13 **when combined with the rate of taxation of the city or county, equal 51 percent or more of**
14 **the total combined rate of taxation on the eligible rental property.**

15 **(b) If the ordinance or resolution takes effect, the exemption shall apply to all property**
16 **tax levies of all taxing districts in which eligible rental property is located.**

17 **(c) The decisions of the taxing districts under paragraph (a) of this subsection may not**
18 **be changed but are not binding with respect to an ordinance or resolution adopted pursuant**
19 **to subsection (6) of this section or a new ordinance or resolution adopted pursuant to sub-**
20 **section (2) of this section.**

21 **(d) All eligible rental property shall be granted exemption under this section on the same**
22 **terms provided in the ordinance or resolution adopted or amended by the city or county and**
23 **in effect on the date the application is submitted under section 2 of this 2017 Act.**

24 **(6)(a) A city or county may adopt at any time an ordinance or resolution amending the**
25 **terms of an exemption granted pursuant to this section, subject to approval of the taxing**
26 **districts under subsection (5)(a) of this section, or terminating the exemption.**

27 **(b) Notwithstanding an ordinance or resolution adopted under paragraph (a) of this sub-**
28 **section, eligible rental property that has been granted an exemption pursuant to this section**
29 **shall continue to receive the exemption under the terms in effect at the time the exemption**
30 **was first granted.**

31 **(7) As soon as practicable after January 1 of each year, the governing body of a city or**
32 **county that has adopted an ordinance or resolution under this section shall:**

33 **(a) Determine the area median income as defined by the city or county;**

34 **(b) Notify each owner or lessee of eligible rental property granted exemption pursuant**
35 **to the ordinance or resolution for the immediately preceding property tax year of the de-**
36 **termination; and**

37 **(c) Publish the determination on the website of the city or county, respectively.**

38 **SECTION 2. (1)(a) The governing body of a city or county that adopts an ordinance or**
39 **resolution pursuant to section 1 of this 2017 Act shall prescribe exemption application forms**
40 **and the information required to be included in an application.**

41 **(b) If eligible rental property is located in a city and county each of which has adopted**
42 **an ordinance or resolution under section 1 of this 2017 Act, the applicant shall elect the ex-**
43 **emption the applicant wishes to receive for the eligible rental property by submitting the**
44 **application to the city or the county, as applicable.**

45 **(c) The applicant must be the owner or lessee of the eligible rental property to which the**

1 application relates.

2 (d) An application must be accompanied by an application fee fixed by the city or county,
3 as applicable, in an amount determined to compensate the city or county for the actual costs
4 of processing the application.

5 (2)(a) An application must be submitted for review to the city or county, as applicable,
6 on or before March 1 preceding the property tax year to which the application relates.

7 (b) Notwithstanding paragraph (a) of this subsection, an application may be filed under
8 this section for the current property tax year:

9 (A) On or before December 31 of the property tax year, if the application is accompanied
10 by a late filing fee of the greater of \$200 or one-tenth of one percent of the real market value
11 as of the most recent assessment date of the eligible rental property to which the application
12 relates.

13 (B) On or before April 1 of the property tax year, if the application is accompanied by a
14 late filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in
15 ORS 307.162, for failing to file a timely application or is a first-time filer, as defined in ORS
16 307.162, of an application under this subsection.

17 (c)(A) An application may be filed as provided in paragraph (b) of this subsection
18 notwithstanding that there are no grounds for hardship as required for late filing under ORS
19 307.475.

20 (B) A late filing fee collected under paragraph (b) of this subsection must be deposited
21 in the general fund of the city or county, as applicable.

22 (3)(a) Upon receipt of an initial application submitted pursuant to subsection (2) of this
23 section, the city or county, as applicable, shall determine as soon as practicable:

24 (A) Whether the property to which the application relates is eligible rental property lo-
25 cated within the boundaries of the city or county;

26 (B) The date on which the rehabilitation or construction of the eligible rental property
27 was or will be completed;

28 (C) The date on which the eligible rental property was first offered for rent for residential
29 occupancy; and

30 (D) The rent charged for each unit to which the application relates and whether the rent
31 meets the requirements of the schedule established under section 1 (4) of this 2017 Act.

32 (b) If any eligibility determination made under this subsection renders the property in-
33 eligible for the exemption, the application shall be rejected and the rejection may not be ap-
34 pealed.

35 (4)(a) The owner or lessee of eligible rental property granted exemption for the current
36 property tax year must submit an application under subsection (2) of this section for each
37 subsequent property tax year for which the eligible rental property remains eligible under
38 section 1 (4) of this 2017 Act.

39 (b) If any eligibility determination made under this subsection renders the eligible rental
40 property ineligible for the exemption, the application shall be rejected.

41 (5) If the property qualifies for the exemption under subsection (3) or (4) of this section
42 and the application meets the requirements of the ordinance or resolution of the city or
43 county, the governing body shall, on or before April 1, adopt a resolution:

44 (a) Approving the application; and

45 (b) Notifying the assessor of the county in which the eligible rental property is located

1 of the approval and including with the notification all information necessary for the assessor
2 to perform the assessor's duties with respect to the eligible rental property.

3 **SECTION 3.** (1) If, after an exemption is granted pursuant to an ordinance or resolution
4 adopted under section 1 of this 2017 Act, the county assessor determines that the eligible
5 rental property does not meet the requirements of the ordinance or resolution or section 1
6 of this 2017 Act:

7 (a) The exemption shall be terminated immediately, without right of notice or appeal;

8 (b) The eligible rental property shall be assessed and taxed as other property similarly
9 situated is assessed and taxed; and

10 (c) Notwithstanding ORS 311.235, there shall be added to the general property tax roll for
11 the tax year next following the determination, to be collected and distributed in the same
12 manner as other real property tax, an amount equal to the amount of tax that would have
13 been due on the property had it not been exempt for each of the years during which the
14 property was exempt, not to exceed 10 tax years.

15 (2) The assessment and tax rolls shall show "potential additional tax liability" for each
16 eligible rental property granted exemption pursuant to section 1 of this 2017 Act.

17 (3) Additional taxes collected under this section shall be deemed to have been imposed in
18 the year to which the additional taxes relate.

19 **SECTION 4.** (1) Sections 1 to 3 of this 2017 Act are repealed on January 2, 2027.

20 (2) Notwithstanding the date specified in subsection (1) of this section, eligible rental
21 property that is granted exemption under an ordinance or resolution adopted pursuant to
22 section 1 of this 2017 Act before the date specified in subsection (1) of this section shall
23 continue to receive the exemption under the provisions of the ordinance or resolution for the
24 period of time for which the exemption was granted.

25 **SECTION 5.** This 2017 Act takes effect on the 91st day after the date on which the 2017
26 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.
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