

C-Engrossed
House Bill 2377

Ordered by the Senate June 28
Including House Amendments dated April 25 and June 14 and Senate
Amendments dated June 28

Sponsored by Representatives SMITH DB, SMITH G, Senator ROBLAN, Representatives BUEHLER, MARSH;
Representatives BARRETO, DOHERTY, GOMBERG, HELM, HERNANDEZ, HUFFMAN, JOHNSON,
KENNEMER, LIVELY, MCLAIN, 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 otherwise eligible rental property may receive exemption for rehabilitation only once. Provides that exemption may be granted for term of up to 10 years depending on number of units rented to households with annual income at or below [80] **120** percent of area median income under definition adopted by city or county at monthly rates affordable to such households. Requires city's or county's definition of "area median income" to be adjusted for size of household. Requires city or county to adopt definition of "affordable." 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. 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.

Sunsets 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)(a) 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-**
17 **struction.**

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 (b) Otherwise eligible rental property may not receive an exemption on the basis of re-
2 habilitation more than once.

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

4 (a) Establish a schedule in which the number of consecutive property tax years for which
5 the exemption is granted, up to a maximum of 10 years, increases directly with the per-
6 centage of units constituting the eligible rental property that are rented to households with
7 an annual income at or below 120 percent of the area median income at monthly rates that
8 are affordable to such households.

9 (b) Include definitions of “area median income,” adjusted for the size of a household, and
10 “affordable,” for purposes of sections 1 to 3 of this 2017 Act. The governing body of the city
11 or county that adopted the ordinance or resolution shall notify the county assessor of the
12 definitions.

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

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

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

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

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

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

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

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

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

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

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

44 (b) If eligible rental property is located in a city and county each of which has adopted
45 an ordinance or resolution under section 1 of this 2017 Act, the applicant shall elect the ex-

1 **emption the applicant wishes to receive for the eligible rental property by submitting the**
2 **application to the city or the county, as applicable.**

3 **(c) The applicant must be the owner or lessee of the eligible rental property to which the**
4 **application relates.**

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

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

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

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

16 **(B) On or before April 1 of the property tax year, if the application is accompanied by a**
17 **late filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in**
18 **ORS 307.162, for failing to file a timely application or is a first-time filer, as defined in ORS**
19 **307.162, of an application under this subsection.**

20 **(c)(A) An application may be filed as provided in paragraph (b) of this subsection**
21 **notwithstanding that there are no grounds for hardship as required for late filing under ORS**
22 **307.475.**

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

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

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

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

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

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

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

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

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

44 **(5) If the property qualifies for the exemption under subsection (3) or (4) of this section**
45 **and the application meets the requirements of the ordinance or resolution of the city or**

1 county, the governing body shall, on or before April 1, adopt a resolution:

2 (a) Approving the application; and

3 (b) Notifying the assessor of the county in which the eligible rental property is located
4 of the approval and including with the notification all information necessary for the assessor
5 to perform the assessor's duties with respect to the eligible rental property.

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

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

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

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

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

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

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

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

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

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