



SB 1045: Tax Exemptions Seem an Awkward Approach to Facilitating Room Rentals

House Revenue – Jody Wiser – 6.5.2019

While there have been some sideboards added to this bill, they still do not make clear what the goal of this bill is. It needs a goal statement, more sideboards and clarity and a sunset that isn't after a 9 year "experiment" with no data collection or goal by which to evaluate it.

It is clear that we can't continue to increase property tax exemptions. Since 1990 when Measure 5 took effect, the legislature has passed 45 new property tax breaks with a total cost for the upcoming biennium of \$838 million, approximately \$380 million of which is education funding that has gone missing. If local jurisdictions think a property tax exemption of their own revenue is a good idea, let them do that, but please, don't let them give away education dollars. It makes little sense to be raising an extra \$2 billion for education funding with one hand and giving it away in a new property tax break with the other hand, particularly one that is sure to expand if it gets a start.

Even if the education dollars are removed the bill has numerous flaws.

The goal can't be simply to decrease the number of empty bedrooms, or all those who now share their homes will have every right to say, "We should get tax breaks too." Shared living space is not a new idea; it's moved from bunk houses and rooming houses to newspaper ads, to craigslist, and now to multiple "rooms to rent" websites. For example, in Portland there are hundreds of homes with shared space available through multiple home share websites: Trulia, Roomba, Bungalow, Kangaroom, SpareRoom, Roomies, Findroommate, Indianroommates, and Roomster are active Portland websites. Silvernest does not stand alone as a roommate service. Shared housing has been happening for a long time without a property tax break. And we can see nothing in this bill that would keep owners who are currently renting a room or two from being the benefactors of this program. Although there are no official statistics for Oregon, the Sightline Institute reports that in the City of Vancouver, BC, 8% of homes have unrelated renters in them now. Oregon is likely to be similar. This bill would add 500 to what must be tens of thousands of room rentals in Oregon.

The income limit in the bill is 60% of Area Median Income. Here's the [AMI chart for Portland](#) so you can see that at 60%, nearly every one of the 1500 new \$16/hour hires at the Troutdale Amazon distribution center would be eligible for this program, but there are lots of rooms for rent within their price range today in Portland, they don't need a subsidy, yet would be eligible. A lower AMI level of 30% or 40% would justify an average monthly public subsidy of \$400 per month.

Given the huge variations in property taxes for equal value homes, it is hard to see how this program can be made equitable. Suppose the decision is to allow a 50% deduction in property taxes for a full year of rental. Among the members of the TFO Steering Committee, the exemption would be \$6500 a year at the high end and \$880 a year at the low end, given the variation in our property taxes. Section 8 housing vouchers make up the difference between what is affordable to the renter and market rates. With a property tax exemption, how does one match that logical approach?

Home share programs like that at Ecumenical Ministries in San Mateo are different, providing social service supports in matching renters with those who have a home. The services include background checks and support to both parties in finding appropriate matches. These services won't come as a tax break and another website; they come with the personal touch, one that gives folks who are uneasy about using a website now the support and confidence to do so, as do formal Home Share programs around the country:

Home Share offers individuals and seniors shared housing

Shared housing can provide a homeowner as well as the home sharer with access to affordable Housing and mutual support. Non-profits and housing authorities around the nation administer the Homesharing Program. This service has proven to be more secure and effective than other more traditional roommate services or options. The program has been gaining national recognition as an affordable housing opportunity that can provide individuals, in particular seniors and singles, with financial relief as well as companionship.

This national homeshare organization knows of no state with a property tax break to augment any homesharing program. In fact, it is staffing and advertising dollars that constrain their programs.

SB 1045 doesn't provide either staffing or advertising, and seems both unnecessary and designed for abuse.

- A medical school student with a three-bedroom home, gets rent and a property tax exemption for the roommates they planned for all along?
- A girlfriend or college buddy moves in and the property taxes are reduced?
- The rental lasts two months, but the property tax break continues for the full year?

Measures that are essential to make the bill palatable:

- Adopt sideboards, including:
 - Income eligibility below 30% or 40% of AMI for family size like other rental assistance programs to give clear focus to the program
 - Annual verification by program sponsors of rental periods and income eligibility
 - Property taxes exempted related to number of days of year home is shared with income eligible renters and percentage of home used exclusively by renters
OR taxes reduced by the amount by which the rent received was below market rate
 - Funding provided for the soft side of services provided by homesharing agencies.
- Make it a two to four-year pilot program with counties designing pilot programs with differing mechanisms to look for the most successful models, and with collection and reporting of full demographic data on both owners and renters, rents as a percentage of income, taxes exempted per renter, stability of housing and evictions and including training for homeowners on legal responsibilities and specific issues related to paying taxes on rental income.

We read the bills and follow the money