



## Historic Property Special Assessment – Program Changes

LOC supports HB 2447, but respectfully asks that the House Revenue Committee amend the bill along lines laid out in Oregon Parks and Recreation Department (OPRD) [testimony on OLIS](#). This language can be found in [SB 108](#) and the associated [-1 amendment](#), this language makes three main changes to the historic property special assessment program:

- extends the sunset,
- limits the program going forward to commercial properties, and
- allows commercial properties to reenroll in the program for additional 10-year terms after having their Maximum Assessed Value (MAV) reset.

The LOC supports these changes to the program. We know that the current SB 108 -1 amendment language imposes a waiting period on commercial properties reentering the program, we understand OPRD did not intend for that provision to be included and we would support removing it from the amendment.

We support disallowing residential properties from the program going forward but hope that we may have a conversation in a future session around other ways we might incentivize residential rehabilitation. Homeowners are often surprised to have their MAV reset at the end of the special assessment. This is a constitutional requirement under Measure 50 but homeowners are often not aware of the long term impact this can have on their taxes when they enter the program. We have also heard concerns from an equity perspective, the program requires a significant investment on the part of the homeowner and there is a general perception the program primarily benefits wealthy residents.

In addition to the OPRD changes we would ask you to consider two other amendments.

The first additional change you might consider is to tighten up the definition of “commercial property.” As drafted it includes property “held for the production of income.” This would include single family homes or condominiums held for short- or long-term rentals. If the intent is to remove residential properties from the program these properties should be excluded as well. The LOC does want to keep multi-family eligibility however, so we propose the following change (or something similar) to Section 1 of SB 108:

**(1)(a)** “Commercial property” means improved real property that is used in a trade or business or held for the production of income.

**(b) Commercial property does not include single family residential or condominium properties.**

The second additional change we would ask you to consider deals with a longstanding issue with the historic property special assessment program. It has nothing to do with the changes OPRD is seeking but the legislature could certainly use this opportunity to fix the issue. The historic property program predates Measure 50, and properties appear to be receiving a double benefit from Measure 50 due to a statutory reference in ORS 358.505 to “assessed value” from 1991 (Oregon Laws 1991; Chapter 459). When Measure 50 was passed by voters in 1997 many of these statutory references were updated to instead refer to “real market value” but this one was apparently missed.

ORS 358.505 (1) says the assessor will set a “specially assessed value that equals the **assessed value** of the property at the time application.” So properties will have a specially assessed value that already reflects their savings from Measure 50 (assessed value is the lesser of real market value or the Measure 50 maximum assessed value). ORS 358.505 (2) then calls for a second reduction where the “maximum assessed value of property subject to historic property special assessment shall equal the specially assessed value of the property under subsection (1) of this section multiplied by the ratio, not greater than 1.00, of the maximum assessed value the property would have had if the property were not specially assessed over the real market value of the property.” So effectively the property sees a double benefit from Measure 50.

**Fixing this issue could be as simple as changing the reference in ORS 358.505 (1) from “the assessed value” to “the real market value.”** Properties would still get their full Measure 50 benefit, but without the double reduction.

Our understanding of the program has always been that the incentive is that owners not pay taxes on the new improvements to the historic property for a period of 10 years, we have never understood this double benefit from Measure 50 to be a part of the incentive. We strongly support addressing this issue now but would also be amenable to reconsidering the issue in future session if there is disagreement that this change is appropriate. The LOC does not want to jeopardize what OPRD is trying to do with their program changes.

#### **LOC Contact**

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