

# Brownfield Development Property Tax Incentive

Senate Committee on Finance and Revenue

4/9/2025



# SB 99 and HB 2075

Extend the property tax incentive for brownfield development by moving the sunset date six years, from January 1, 2027, to January 1, 2033

# Policy purpose

- Not stated specifically in statute
- Revenue committee documentation from the 2016 enacting legislation (HB 4084) suggested the policy purpose may be consistent with the purpose of Land Bank Authorities under ORS 465.600-465.621
  - **“acquiring, rehabilitating, redeveloping, reutilizing or restoring brownfield properties”** in Oregon
  - Land Bank Authorities were authorized by 2015 Legislature (HB 2734)

# Incentive mechanism

- Cities, counties, or ports can adopt an ordinance to provide a property tax incentive for the development of certain brownfield property
- Incentive only applies if districts representing at least 75% of total combined tax rate in the area approve
- Available incentives are:
  - special assessment of brownfield land
  - full/partial exemption of improvements and personal property
  - both
- Term is up to 10 years, with an option for an additional five years, for a total of up to 15 years

## Incentive mechanism (cont.)

- Owners granted incentive will continue receiving it until earlier of:
  - expiration of benefit period
  - date on which dollar amount of benefits equal eligible costs, net of other incentives that offset eligible costs
  - discovery owner failed to comply with eligibility requirements, begin remediation, or file any required reports
- City, county, or port may amend or repeal incentive at any time

# Local interest in the incentive

- Limited to a few small accounts
- LRO revenue impact of extending the brownfield incentive is less than \$100K per biennium in 2027-29 and 2029-31
- City of Portland pursued adopting the incentive. The 75% tax rate threshold cited as an impediment to adoption
- In 2019, City of Portland estimated brownfields account for approximately one-third of developable industrial land within UGB (910 acres). Estimated total cleanup cost of approximately \$240M

# Brownfields in Oregon

## Number of Brownfields by Project Type

Project Type	Number	Percent
Cleanup Project	5,895	10%
Leaking Heating Oil Tank	46,556	75%
Leaking Underground Storage Tank	9,387	15%
<b>Total</b>	<b>61,838</b>	<b>100%</b>

Data source: Oregon Department of Environmental Quality (DEQ), Environmental Cleanup Information Database. Data was downloaded 6/14/2024

Note: DEQ did not respond to an LRO request for definitions of the “Status” variable (active, assigned, closed, in progress, no further action, on hold, ongoing, suspect, unassigned)

## Number of Brownfields by Region and Project Type

Region	Project Type	Number by Region	Percent	Number by Project Type	Percent
Eastern	Cleanup Project	4,721	8%	2,330	4%
	Leaking Heating Oil Tank			931	2%
	Leaking Underground Storage Tank			1,460	2%
Northwest	Cleanup Project	46,082	75%	1,984	3%
	Leaking Heating Oil Tank			40,194	65%
	Leaking Underground Storage Tank			3,904	6%
Western	Cleanup Project	11,035	18%	1,581	3%
	Leaking Heating Oil Tank			5,431	9%
	Leaking Underground Storage Tank			4,023	7%
<b>Total</b>		<b>61,838</b>	<b>100%</b>	<b>61,838</b>	<b>100%</b>

# Local option property tax exemptions

Policy	Number of Exemptions	Percent	TER Rev. Impact, 2023-25 (\$ Thous.)	Percent	Largest Rev. Impact, (\$ Thous.)	Largest Rev. Impact
Local Option Tax	27	100%	\$1,230,600	100%	\$681,000	2.100 Strategic Investment Program
-City or County Opt In Self	7	26%	\$68,500	6%	\$39,000	2.108 Nonprofit Low-Income Rental Housing
-City, County, Port, or Tribe Opt In All	11	41%	\$1,161,700	94%	\$681,000	2.100 Strategic Investment Program
-51% Tax Rate Threshold for All	10	37%	\$68,700	6%	\$39,000	2.108 Nonprofit Low-Income Rental Housing
-75% Tax Rate Threshold for All	3	11%	\$0	0%	\$0	N/A
-District Opt In/Out at Outset	4	15%	\$12,000	1%	\$11,800	2.102 Vertical Housing Development Zone
-New District or Annex Opt Out	1	4%	\$11,800	1%	\$11,800	2.102 Vertical Housing Development Zone
-Amend	15	56%	\$514,900	42%	\$356,000	2.014 Long Term Rural Enterprise Zone
-Repeal	9	33%	\$200	0%	\$200	2.031 New ADU or Newly Converted Multiplex
Payment in Lieu of Taxes (PILT)	6	22%	\$1,142,600	93%	\$681,000	2.100 Strategic Investment Program
Sunset	19	70%	\$857,700	70%	\$356,000	2.014 Long Term Rural Enterprise Zone

Note: TER revenue impacts of \$100,000 or less are rounded to \$0. See TER page three for an explanation of the difficulties with summing tax expenditures.

Data source: Oregon Department of Revenue Research Section



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# Share of code areas able to satisfy tax rate threshold

- Property subject to taxes from the same districts are in the same “code area”
- Code areas are often comprised of 6-9 taxing districts
- About 930 code areas in Oregon

<b>Tax Rate Threshold</b>	<b>Without Support of Special Districts</b>	<b>Without Support of Schools</b>	<b>Without Support of Special Districts and Schools</b>
51%	100%	69%	24%
55%	100%	54%	13%
60%	100%	29%	5%
65%	100%	11%	2%
70%	98%	3%	0%
75%	92%	1%	0%

Data source: Oregon Department of Revenue Research Section

# Factors to consider

- 75% tax rate threshold
- Stacking incentives
  - Eligible costs are reduced by amount of government grants, tax credits, insurance proceeds or legal settlements received to offset eligible costs (HB 4084 in 2016)
  - Allowed eligible property to be granted any other special assessment, full exemption, or partial exemption (HB 2699 in 2019)
- Public awareness

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