

**SENATE REVENUE COMMITTEE**  
**MARCH 30, 2005 8:30 AM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair  
Senator Rick Metsger  
Senator Floyd Prozanski  
Senator Charles Starr, Vice Chair

Members Excused: Senator Gary George

Witnesses Present: Rex Burkholder, Metro, Portland  
Sunny Condor, Metro  
Kris Nelson, Geonomics Consulting, Portland  
Reed Wagner, Metro  
Jeffrey J. Smith, Geonomy Society, Portland  
John F. Williams, Jr., Oregon City former mayor

Staff Present: Paul Warner, Legislative Revenue Officer  
Mary Ayala, Economist  
Barbara Guardino, Committee Assistant

**TAPE 81, SIDE A**

005 Chair Deckert Calls meeting to order at 8:38 a.m. Announces next week will be busy with working urban renewal, gift cards and rainy day fund bills.

**PUBLIC HEARING, SJR 1**

025 Mary Ayala Gives overview of SJR 1. Proposes an amendment to the Oregon Constitution that will allow a local taxing district to adopt a site value taxation system that taxes land at one rate and all other property at a lesser rate. See Staff Measure Summary and Revenue Impact Statement (**EXHIBITS 1, 2**).

050 Rex Burkholder Testifies in favor of SJR 1. Asks, how does Portland accommodate growth over the next 20 years, and protect values that Oregonians hold dear, such as quality cities, easy transportation and undeveloped countryside? Metro has done research on site value taxation. See written testimony (**EXHIBIT 3**). The current system punishes people who invest in their property by raising their taxes.

084 Burkholder Taxes have two purposes: to generate revenue and to influence behavior. Tax breaks are used to lure companies to Oregon.

117 Burkholder Gives brief history of site value taxation, an idea that originated in the early 1800s. It can be adopted as an option. Site value tax shifts some taxes off construction and onto land. Metro considers outcomes, and believes it provides incentives for wanted behaviors; it also gets a higher level of investment and better quality of development. It is a fair system.

171 Burkholder SVT could help reduce pressure for expansion of the urban growth

boundary. It also increases economic prosperity through incenting investment instead of penalizing it. Gives overview of a two-part study that analyzes the impact of adopting this policy.

Phase one: General impact on property tax payers. Conclusion was a significant impact on vacant properties, depending on zoning. There was a significant decrease in property taxes paid by multi-family residential and industrial.

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| 210 | Burkholder    | Phase two: Focuses on specific corridors. It is entitled, Effects of Land Value Taxation in Metropolitan Portland Commercial Corridors ( <b>EXHIBIT 4</b> ).   |
| 215 | Burkholder    | Concluding remarks: Site value taxation shifts taxes from buildings onto land. Studies show higher taxes paid by under-utilized cites, giving them incentive to come on the market, and lower taxes on fully developed sites. Explains benefits that have occurred cities in Pennsylvania. Social benefit without raising overall taxes. Requests to continue to work with the committee on this issue, does not urge passage. |
| 241 | Chair Deckert | Asks if he foresees this as a tool for whole cities to revitalize vacant land.   |
| 260 | Burkholder    | Responds, it provides an option – or permission – for cities and counties to decide how they would use this tool. It is not a revenue generating tool.   |
| 295 | Kris Nelson   | Begins PowerPoint presentation ( <b>EXHIBIT 5</b> ) Incentive Effects of Land Value Taxation in Metropolitan Portland Commercial Corridors. Explains, he and his colleague, Tom Gihring, conducted a study looking at six commercial corridors in Metro’s commercial region. Two are zero setback developments; four are automobile oriented commercial strips.<br>Page 1, slide 4: Comparison of two property tax systems     |
| 335 | Nelson        | Page 2 slide 5: The Land Value Tax as a Split-Rate Tax   |
| 350 | Nelson        | Slide 8: Question: How can a differential tax – based on monetary values influence physical development decisions?   |
| 353 | Nelson        | Slide 10: The LTV (Land Total Value) Ratio is a fulcrum for tax shift  |
| 370 | Nelson        | Slide 12: Corridor Study Highlights<br>Slide 13: Tax Shift Effects of Increasing BRR Rate Levels on General Land Use Classes<br>Slide 14: Tax Shift Under a Graduated LVT – Single family, manufactured home site  |

**TAPE 82, SIDE A**

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| 017 | Nelson         | Slide 19: Surface parking   |
| 020 | Sen. Prozanski | Asks since so much has been developed around surface parking lots, do we force it into elevated parking to accommodate existing growth as well as new growth? |

025	Nelson	Responds, that is the likely effect – a more efficient use of land.
	Sen. Prozanski	Comments on Top 12 Shift Stats: Sources (exhibit 6).
059	Nelson	Continues slide presentation. Slide 23: Comparing Tax Effects: Fully Developed and Underutilized Parcels
080	Nelson	Slide 24: Redevelopment Scenario: What if – All Underdeveloped Parcels were Redeveloped into Mixed-Use Buildings Slide 25: Redevelopment Scenario – Capacity: Building Floor Space and Assessed Value Slide 26: Redevelopment Scenario: Tax Effects on Redeveloped Parcels
099	Nelson	Slide28: Illustration of Tax Incentive Effects Slides 29-31: Shopping Plaza in Hillsboro photographs
112	Nelson	Photos and explanations of properties in Beaverton shopping plaza.
125	Nelson	Photo examples of properties on Southeast Division Avenue in Portland. Photos on Southeast Hawthorne. Discusses land values, improvement values.
161	Nelson	Photos on Southeast Stark, Southeast 82 <sup>nd</sup> Avenue in Portland.
179	Nelson	Concludes, if there's a market for development, this acts as an incentive.
185	Nelson	Slide 90: In Summary & More Information Building intensive uses are encouraged by application of a split-rate tax.
231	Chair Deckert	This is an intriguing concept. Opponents might argue this is a Portland-style development and exporting it all over the state might be a problem.
265	Burkholder	Responds, most important is that this is a local option. The same type of development is desired in areas other than Portland. Washington County is one example. Most of these areas are smaller parcels of 10-20 acres. The question is, are these parcels developed at the level they can be, and are cities getting the taxes they could be getting?
283	Chair Deckert	Comments on how to work with landowners to give them incentives to make those parcels more attractive.
296	Burkholder	Comments on Sen. Prozanski's questions on transportation issues. These areas already have bus service. If redeveloped, people could walk instead of drive.
312	Sen. Prozanski	Asks, where is the opposition going to come from? Is this something that can be taken to the voters this cycle or should it be developed and evolved further?
335	Burkholder	Responds, the idea is to bring forth ideas with potential. There is a huge market demand throughout Oregon because of its rapid growth

rate. The question is how to develop without destroying what is here? How do lawmakers get this through, since it would require a constitutional amendment? This bill is a tweak; it's not a revolutionary change.

382 Nelson Oregon has long practiced a form of incentive taxation, known as current use assessments versus real market value. This extends that model. One question is the effect on urban renewal districts. If Measures 5/50 limits can be retained but redefined, that would also be another area for research. Also, whether this kind of taxation can work as a non-regulatory approach to achieving land use goals. Contends more study is necessary. Points out examples of successes in Pennsylvania cities.

456 Chair Deckert Because this is a local option, people can make decisions within their communities. Maybe this is the strongest attribute.

**TAPE 81, SIDE B**

025 John Williams This is not a new idea in Oregon. It was one of the first initiatives on the Oregon ballot, about 1905, but it failed after extensive debate. In downtown Oregon City there have been some "slum lord" situations. The owners would be penalized for improving their property. This would help those problems. Oregon City is interested from an urban renewal perspective. SJR 1 appears to work for residential as well.

055 Williams This does what urban renewal is supposed to do but doesn't tax people who do it. Has studied cases in Pennsylvania.

060 Chair Deckert Sees the parallels between this tax and urban renewal.

070 Jeffrey Smith Directs members' attention to Top 12 Tax Shift Stats: Sources (**EXHIBIT 6**). Oregon is one of five states to look at similar bills. This tax shift can be used to change dependency on the automobile. Cites Harrisburg, Pa. and other sample cases. It helped get these cities through the last recession. Would amend this bill to allow not just cities and counties, but the entire state to adopt it. Also, it can be made revenue-positive rather than revenue-neutral.

112 Smith Cites case of Dorothy English and Measure 37. Instead of motivating everyone to develop everything, it creates a situation where all would benefit from optimal land value.

147 Smith Recommends passing this bill to the Senate floor and then letting the public decide.

150 Sen. Prozanski Comments on a country where they take a holistic approach.

155 Chair Deckert Advises Burkholder that the more this is talked about as an option for incentive, the more attractive it will appear. The revenue neutrality doesn't hurt.

169 Sen. Prozanski Agrees. Hesitates to run this bill out prematurely. Advises, get major players involved in promoting it.

189 Vice Chair C. Starr Owns a small parcel that could be subdivided under Measure 37. With

this policy that might not be to his benefit. Others with similar situations could get behind this measure. Agrees with Sen. Prozanski that it's too soon to run this bill out, but having a Senate floor debate might be helpful.

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| 219 | Chair Deckert                 | Agrees, a floor debate could be helpful. This would help people keep farming by lowering their tax burden.                  |
| 249 | Vice Chair C. Starr           | Continues comments on his property tax load.  |
| 259 | Sen. Prozanski                | Asks Commissioner Burkholder to set up a presentation for interested groups on this topic.                                  |
| 268 | Burkholder                    | Agrees to do this.  |
| 281 | Chair Deckert, Sen. Prozanski | Continue discussion on how to get interested parties together during session.   |
| 333 | Chair Deckert                 | Asks Ayala to work with Councilor Burkholder on this issue. Closes public hearing on SJR 1. Opens public hearing on SJR 25. |

**PUBLIC HEARING, SJR 25**

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| 341 | Ayala         | Gives overview of SJR 25. See Revenue Impact of Proposed Legislation ( <b>EXHIBIT 7</b> ) and Staff Measure Summary ( <b>EXHIBIT 8</b> ). Proposes an amendment to Oregon's constitution that enables a taxing district to propose, and voters to adopt, a rate limit on property taxes that is less than the district's permanent rate limit. |
| 390 | Chair Deckert | Closes public hearing on SJR 25. Adjourns meeting at 9:57 a.m.   |

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

**Exhibit Summary:**

1. SJR 1, Revenue Impact of Proposed Legislation, 3/29/05, Ayala, 1 pp.
2. SJR 1, Staff Measure Summary, 3/30/05, Ayala, 1 pp.
3. SJR 1, Metro Senate Joint Resolution 1: Site Value Taxation, 3/30/05, Burkholder, 1 pp.
4. SJR 1, Incentive Effects of Land Value Taxation in Metropolitan Portland Commercial Corridors, February 2005, Nelson, 80 pp.
5. SJR 1, PowerPoint slide show presentation, Incentive Effects of Land Value Taxation in Metropolitan Portland Commercial Corridors, February 2005, Nelson, 28 pp.
6. SJR 1, Top 12 Tax Shift Stats: Sources, Smith, 2 pp.
7. SJR 25, Revenue Impact of Proposed Legislation, 3/30/05, Ayala, 1 pp.
8. SJR 25, Staff Measure Summary, 3/29/05, Ayala, 1 pp.