

HOUSE REVENUE COMMITTEE
APRIL 2, 2003 8:00 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Members Excused: Representative Phil Barnhart
Representative Pat Farr

Witness Present: Representative Jackie Dingfelder, District 45
Kris Nelson, Genomics Consulting
Rex Burkholder, Metro Counselor-Downtown, North and Northeast Portland
Tom Gihring, Seattle Planning Consultant
Representative, Tom Butler, District 60
Bob Siewart, Oregon Department of Education
Debra Buchanan, Department of Revenue
Representative Wayne Scott, District 39

Staff Present: Paul Warner, Legislative Revenue Officer
Mazen Malik, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Kathy Tooley, Committee Assistant

TAPE 104, SIDE A

004	Chair Shetterly	Calls meeting to order at 8:05 a.m.
PUBLIC HEARING ON HJR 30		
006	Mazen Malik	Provided background and description of HJR 30, (Exhibit 1). Described -1 amendment, (Exhibit 2).
095	Rep. Jackie Dingfelder	Spoke in favor of HJR 30. Land value taxation is a mechanism to encourage economic development in targeted areas and reduce the use of idle buildings. Where this legislation has been instituted it has brought market improvements in property values and economic conditions. It is currently not available to planners and policy makers at city, county and regional level because of current constitutional tax codes.
122	Dingfelder	This measure is not a tax increase but A shift in tax base of property tax. Instead of falling equally on buildings and land, it is a tax on a value of the location.
130	Dingfelder	Proposal fits well with current land use system.
133	Dingfelder	Adoption will require approval of Oregon voters and would provide a tool to be used in spurring local economies.
150	Dingfelder	Discussed written testimony in support of HJR 30 (Exhibits 3-4)

167	Kris Nelson	Spoke in favor of HJR 30. Described bill as an enterprise incentive.
188	Nelson	Discussed disincentives for investment.
220	Nelson	Discussed non-taxation of improvements, stable finance by collection of taxes on land value "Principles of Land Value Taxation", (Exhibit 5).
230	Nelson	Discussed two rate tax, "Top 12 Tax Shift Stats: Sources", (Exhibit 6, 7).
257	Nelson	Tax on land is lowest cost to administer and collect. Discussed land assessment Computer Aided Mass Appraisal (CAMA) tool, fewer disputes over land values, fewer appeals, less litigation, less staff.
275	Nelson	Discussed weakness to split rate tax, 5% hardship cases and deferrals. Discussed study on property tax splits on land, completed with Tom Gihring, for Salem, Oregon, (Exhibit 8). Industrial and multi-family housing sectors receive tax break as do downtown businesses, and office buildings. Developers, remodelers, realtors, architects, designers and landlords would receive more business by reducing disincentive to invest.
295	Nelson	Important economic tool should be available to all communities statewide.
300	Rep. Scott	If everyone pays less, who pays more?
330	Nelson	Non-building intensive uses would likely pay more, for example downtown surface parking lots. In Salem 85% of tax base is through residential sector, person who has a small house on a large lot.
357	Rep. Scott	Land and tax development is taxed at a 50/50 ratio? I don't think they are equally taxed. It puts a different value on the land based on the surroundings of the area.
372	Nelson	Valuation of land would not change; the assessments are not affected by the bill, just the rate that is applied to the assessments that would change.
377	Rep. Scott	Which ultimately changes the value?
388	Nelson	Deferred to Tom Gihring.
396	Chair Shetterly	Pittsburgh had this for 100 years until two years ago, what happened 2 years ago and why?
399	Nelson	Complex story, changed by political shift.
407	Rex Burkholder	Metro supports HJR 30 based on results (Exhibit 9-10). Discussed challenges to Oregon economy. Discussed voluntary option to counties.
500	Rep. Scott	What other states?
505	Burkholder	Cities in Virginia, Pennsylvania, Cities within New York.

TAPE 105, SIDE A

020	Rep. Scott	How will this help vacancies?
047	Burkholder	HJR 30 is a tool that has encouraged economic activity in other places, would

assist with problems of unemployment and vacancies.

- 059 Tom Gihring Spoke in support of HJR 30, (Exhibit 11), Discussed Urban Renewal District, no difference in the application of taxes in a two rate system; in an URD it is uniformly applied. The difference is the incentives that are created in an URD to encourage development and capital investment.
- 072 Gihring Discussed Salem metro study, in conjunction with international land value taxation. Discussed purpose of the study to examine distortions in conventional tax burden caused by skewed assessments under Measures 5 and 50. It also examined tax burden shifts that would occur in changing back to real market assessments.
- 098 Chair Shetterly Assume revenue neutrality?
- 100 Gihring Answered affirmatively. Tax rate, not assessment, would change, built range simulating a phase in period.
- 114 Rep. Scott If you change tax rate on land so that it is improved, the surrounding piece around bare land which has a higher rate, would they have a disincentive to have to equal rate to their improved land that has an existing structure?
- Questions and discussion regarding tax rate as it affects property with or without improvement.
- 271 Gihring Incentive effects take place at 75-80% of land value tax rates.
- 287 Gihring Discussed uniqueness of Salem tax structure.
- 299 Gihring Assessments need to be true market value for this to work properly.
- 302 Gihring Discussed Salem negative tax shift on assessments. There would be significant tax shift in the range of 120-150%, on vacant sites, and surface parking lots, including strip malls. Where there is intensive use of land there will be a decrease.
- 390 Rep. Hass Regarding surface parking lots, there could be an argument that parking lots are improvements, for example Washington Square. What would be the impact of raising the rate on that land? Are they supposed to build parking garages?
- 421 Gihring Biggest tax shift is in central areas where land values are high. In outlying areas, land values are not as high, tax shift will not be that heavy. Incentives result in changes in land use. Downtown locations are where incentive affects will be the greatest.

TAPE 104, SIDE B

- 020 Burkholder The conversion of surface parking to structured parking can accommodate many thousands of cars in a small area. Would prefer to see the land used for offices, residential uses, this is in line with the goals of the area.
- 030 Rep. Scott What happens to industrial sites with requirements for parking? What happens to lumber yards, storage company?
- 042 Gihring Lumber yards are legitimate land uses, but costly to remain in central locations where there is demand for higher density. Will find it to their advantage to move outlying areas.

053	Rep. Scott	Which then would be used to develop offices spaces?
055	Gihring	It would free the land up for more intensive uses.
058	Burkholder	Zoning by local jurisdiction and will affect local decisions. Those decisions would not be affected by this bill.
065	Rep. Verger	I presume there is an incentive here to change behavior?
069	Burkholder	Investment behavior, yes.
071	Rep. Verger	Is there incentive to have a house with a very small yard?
072	Gihring	Yes, in Portland, lots are getting smaller, because the cost of land is high, that builders find it unprofitable to build on large sites in central locations.
081	Gihring	Two rate tax encourages same sort of market activity that is already occurring to use sites more effectively, intensively.
084	Rep. Verger	For a decade with good economy there were still vacancies. If people sell off their parking lots what happens to the vacancy rate in central areas, they move closer to Washington Square? How is that economic development in an urban area?
101	Burkholder	Connection with HJR 30 is to encourage investment; it will make economy work better, employment work better.
115	Rep Verger	Define development, are you speaking about real estate development? Economic development is in providing jobs, not just buildings.
119	Burkholder	Owners are not improving land because people are landbanking for future needs, because carrying costs are low. In Portland land is sitting idle, this would encourage people to get it on the market to revitalize. Choice is to take farms and develop them or encourage improvement of land that is closer in or within city and develop it.
157	Rep. Verger	Where businesses require good size property to function, did you say that increase is marginal?
163	Gihring	Depends on assessment. In Salem, industrial land is assessed at a low level, there is hardly a tax shift.
179	Chair Shetterly	The bill talks about taxing districts, generally speaking of cities?
184	Burkholder	There are unincorporated counties that are urbanized such as Clackamas and Washington Counties.
189	Nelson	Clarified where assessments are done based on current use, there would be no impact.
193	Chair Shetterly	Closed Public Hearing on HJR 30.

OPENED PUBLIC HEARING ON HB 2951

200	Steve Meyer	Provided description of HB 2951.
221	Rep. Tom Butler	Spoke in favor of 2951. The issue is where the student is receiving the

education is where the dollars should flow.

- 263 Chair Shetterly In his district, parents prefer to send children to small school in Perrydale, rather than Dallas. Would the money go to Perrydale?
- 269 Rep. Butler Answered affirmatively. Concern not just for convenience of selecting best school, also in the case of boarding schools distances are 125-140 miles one-way.
- 309 Chair Shetterly Recessed Public Hearing on HB 2951 for purposes of taking testimony from Rep. Butler for HB 3466.

OPENED PUBLIC HEARING ON HB 3466

- 316 Rep. Butler Described and spoke in favor of HB 3466, and supported the Department of Revenue in the management and sale of research and development credits.
- 352 Chair Shetterly Recessed Public Hearing on HB 3466

REOPENED PUBLIC HEARING ON HB 2951

- 355 Siewart Spoke in opposition to HB 2951. Discussed two issues: language of bill leaves open unresolved questions with dire consequences. Discussed federal requirements for special education and school distribution formula.
- 446 Chair Shetterly Don't school fund dollars follow the students by agreement of districts?
- 452 Siewart Answered affirmatively.
- 455 Chair Shetterly Is there a way to get at some of the smaller issues?
- 019 Siewart There is a system in place that already allows the dollars to transfer to the attending district; it is an in district transfer agreement.
- 489 Chair Shetterly Close public hearing on HB 2951

REOPEN PUBLIC HEARING ON HB 3466 TAPE 105, SIDE B

- 037 Debra Buchanan The Department of Revenue may not have the expertise for HB 3466.
- 053 Lizbeth Martin-Mahar Not prepared to discuss at this time.
- 060 Chair Shetterly For the record, received written testimony from Oregon Revenue Coalition in opposition to HB 3466, (Exhibit 12).
- 070 Chair Shetterly Closed Public Hearing on HB 3466.

PUBLIC HEARING ON HCR 6

- 072 Steve Meyer Provided description of HCR 6, (Exhibit 13).
- 081 Rep. Scott Supported HCR 6 as it reaffirms legislative commitment to education in Oregon. It recognizes the right to free, high quality education and the importance of education for preparing children for tomorrow's work force. It also is an important first step in meaningful education funding reform.

100	Rep. Berger	This bill is timely, described discussion with a school district employee troubled by budget process.
121	Chair Shetterly	Discussed history of budgets; last session had agreement from beginning; this time can't identify. This resolution pinpoints logistical problems of school districts in session years.
140	Rep. Williams	Historically districts were able to plan based on local tax, now tied to 2-year cycle and funding from the state. This measure is well-intended, it requires structural changes that need to be reflected in long term planning.
180	Chair Shetterly	Discussed effects of outside elements even when able to provide funding figures.
186	Rep. Verger	Education needs funding stream, should be funded before other things, but hate to have priorities in competition.
199	Chair Shetterly	Close Public Hearing on HCR 6
200	Chair Shetterly	Meeting adjourned at 9:42 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Malik, "Staff Measure Summary HJR 30", 1 page
2. Malik, "HJR 30-1 Amendment", 1 page
3. Russell, "Written Testimony HJR 30", 1 page
4. Mazziotti, "Written Testimony HJR 30", 2 pages
5. Nelson, "Principles of Land Value Taxation", 3 pages
6. Nelson, "Top 12 Tax Shift Stats: Sources", 6 pages
7. Nelson, "The Geonomist", Vol. 11, No. 4, 12 pages
8. Nelson and Gihring, "Tax Shift – Sequential To a Land-Based Property Tax System in Salem, Oregon", 8 pages.
9. Burkholder, "Testimony HJR 30", 1 page
10. Burkholder, "2001 Mid-Year Economic and Financial Report- City of Philadelphia", 60 pages
11. Gihring, "Testimony HJR 30", 1 page
12. ORC, "Written Testimony HJR 3466", 3 pages
13. Fiscal, Revenue Impacts HCR 6", 2 pages