

Informational Meeting:
Property Tax Exemptions
Housing Exemptions
Public Hearing: HB 2922
HB 3478
Tapes 70-72 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE

— APRIL 8, 1993

8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair
Representative Mike Burton
Representative Margaret Carter
Representative Fred Girod
Representative Delna Jones
Representative Jim Whitty
Witnesses Present: John Van Landingham,
Association of Oregon
Community Development Organizations
Bob McCulley, Tree Fruit Growers
Bob May, CASA
Pietro Ferrari, CASA
Kevin Ko, St. Vincent de Paul Housing Programs
Betsey Radigan, Program Director, Association
of Oregon Community Development
Organizations
Peter Grundfossen, Association of Oregon
Housing Authorities, and Chair, Housing
- Lobby Coalition
Diane Luther, Director, NW Housing Alternatives
Representative Marilyn Dell, District 29
Jim Manary, Department of Revenue
Gil Riddell, Association of Oregon Counties
Delores DeVine, Oregon Association of
County Tax Collectors
Staff: James Scherzinger, Legislative Revenue
Officer Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 70 SIDE A

**NOTE: DUE TO AN POWER FAILURE IN THE CAPITOL, THESE MINUTES ARE ORDERED
BY TIME RATHER THAN BY TAPE METER READINGS

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speaker's exact
words. For complete context of proceedings, please refer to the tape
recording.

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8:26 CHAIR BRIAN called the meeting to order at 8:26.
8:26 CHAIR BRIAN opened the Public Hearing on HB 2922.
8:27 STEVE MEYER referred to a matrix given the members that delineates
"Housing Property Tax Exemptions" issues. He explained the issues that

relate to each property tax exemption program (left hand column of the matrix). HB 2922 relates to a proposed property tax exemption related to low-income housing. Exhibit 1

8:37 STEVE MEYER began an explanation of the property tax exemption programs, giving a brief history of the purpose of each category. The first he discussed was the Veteran's Program. Exhibit 1

9:39 STEVE MEYER explained the exemption related to Veteran's Nonprofit Home, the second category on his matrix. Exhibit 1

Questions and discussion

8:38 STEVE MEYER made corrections to his matrix -- under the Veterans's Program, annual application must be made.

8:39 STEVE MEYER explained the "Farm Labor" category of property tax exemptions. Exhibit 1

Questions and discussion

8:44 STEVE MEYER described the exemption related to "Single Family Residence in a High Use Zone." He corrected a mistake in this category. Exhibit 1

8:47 STEVE MEYER discussed the next category, which related to "City Core Area." Exhibit 1

8:51 STEVE MEYER said the next program, the "Rehabilitation Freeze," similar to the "City Core Area Program" passed during the same year (1975) and with the same sunset date. In this program, the value is frozen at the value before the rehabilitation process begins. Exhibit 1

Questions and discussion

8:52 STEVE MEYER continued his explanation of the category entitled "Rehabilitation Freeze." Exhibit 1

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Questions and discussion

8:53 STEVE MEYER further discussed the category "Rehabilitation Freeze." Exhibit 1

8:54. STEVE MEYER explained the next program, "Elderly State Funded" on the matrix, which related to rental assistance. He discussed relevant Oregon Revised Statutes (ORS) that apply to this category. Exhibit 1

TAPE 70 SIDE B

8:57 STEVE MEYER continued his explanation of the "Elderly State Funded" category.

8:59 STEVE MEYER described the category of "Nonprofit Low Income" on the property tax exemption matrix. There is a bill in the Committee that will extend the sunset provision of this category. Only two areas of Oregon have adopted this statute -- Portland and Eugene, although there is no qualifying property in Eugene. Exhibit 1

9:03 STEVE MEYER talked about the program entitled "Low Income," which had two programs: General and Alternate. He explained these two divisions. Exhibit 1

Questions and discussion

9:04 STEVE MEYER continued his explanation of the exemption program "Low Income." Exhibit 1

9:05 STEVE MEYER discussed the category "New Single Family" on the property tax exemption matrix. Exhibit 1

9:07 STEVE MEYER explained the last category on the matrix, "State Housing Authority." Exhibit 1

Questions and discussion

9:08 STEVE MEYER further explained the "State Housing Authority" category on the matrix. He related that he had tried to organize the matrix by the order of enactment of the programs available for the property tax exemption. Exhibit 1

9:10 JOHN VAN LANDINGHAM testified as an advocate for affordable

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housing, and he drafted HB 2922, which was "based on the real life experiences of the non-profit community development organizations that are trying to provide affordable housing for Oregonians." He believed that nothing in the bill created new exemptions or expanded significantly existing exemptions. Rather, HB 2922 was designed to make the exemptions work better and accomplish the purposes for which they were adopted. He discussed three exemptions listed on the matrix (Exhibit 1) described above, as follows: (1) farm labor, (2) non-profit low income, and (3) low income. His testimony was based on a handout given to the members. Exhibit 2

9:12 JOHN VAN LANDINGHAM explained what HB 2922 will accomplish, which was to create more opportunity for people to invest in lowincome housing for Oregonians. Both the nonprofit and the low income property tax exemptions were available only if local government adopted them, and very few cities have done this. Exhibit 2

Questions and discussion

9:16 JOHN VAN LANDINGHAM reiterated that the only two exemptions that required income standards were non-profit and low-income rental housing. Also the farm labor exemption is based on low income -- if not legally, then by assumption. He described the changes that would occur with HB 2922, beginning with the "farm labor" category, and two changes were suggested: (1) the definition of who is eligible to use the exemption be expanded. He further explained these two changes, and (2) and partnership arrangements were allowed. Exhibit 2

9:19 JOHN VAN LANDINGHAM related that HB 2922 suggests that the definition of "low income" from "50 percent of median income to 60 percent of median income." He explained the reasons for this change. Exhibit 2

Questions and discussion

9:24 JOHN VAN LANDINGHAM explained two other changes that HB 2922 would precipitate, as follows: (1) expansion of the nonprofit exemption to include community services at a level higher than currently allowed, consistent with other state practices, and (2) to provide that the

exemption is available to nonprofit groups which lease rather than own property. Exhibit 2 ~

9:26 JOHN VAN LANDINGHAM discussed the last change proposed in HB

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292 2 which addresses a 1991 statute that "allowed counties to cancel delinquent property taxes on property donated by the owner for low-income housing use and/or social services." HB 2922 would extend the sunset on this statute. Exhibit 2

TAPE 71 SIDE A

9:29 REP. GIROD expressed the concern that some areas of the state have a tremendous amount of low-income housing because other areas won't take low-income housing. He wanted to know if HB 2922 would create more of a balance.

Discussion

9:31 JOHN MCCULLEY entered into the record a letter from Thom Nelson (Manager, Hood Rivers Grower-Shipper Association), which he summarized. The letter was a statement in support of HB 2922. Exhibit 3

9:32 BOB MAY testified in support of HB 2922. His testimony was verbatim. Exhibit 4

9:37 BOB MAY suggested a change to HB 2922, on page 4, "in order to make HB 292 2 consistent with existing law." Exhibit 5

9:39 CHAIR BRIAN expressed the concern with HB 2922 that the property tax exemptions might be given to non-profit managing groups in the case of the proposed limited partnership. He wanted language that would indicate that the non-profit entity was the controlling managing partner.

9:41 PIETRO FERRARI believed the "general partner" mentioned in HB 2922 would have an "operational ownership" whereby he/she would manage the housing as long as the limited partnership existed.

Questions and discussion concerning farm housing and the cost of this housing.

9:59 BOB MAY spoke about an important reason for the project specifically mentioned in his handout to construct new housing for migrant farm workers. He will provide the members with additional information about this project. Exhibit 4

9:53 KEVIN KO spoke about his organization and his position there. He supported the passage of HB 2922. He mentioned a current project

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for rental units for low-income individuals. Exhibit 6

Questions and discussion

9:55 KEVIN KO continued his testimony about the importance of the low income property tax exemption. Exhibit 6

Questions and discussion

9:52 KEVIN KO further explained the project for low-income housing run by his organization. His testimony was based on the handout given to members. Exhibit 6

9:59 BETSEY RADIGAN talked about her organization, and about the pressing need for affordable housing for lowincome Oregonians. She referred to the map attached to her testimony, which showed the location of "Community Development Organizations" (CDC's). She urged the members to support HB 292 2. Exhibit 7

TAPE 71 SIDE B

10:02 PETER GRUNDFOSSEN described the Housing Coalition, of which he has been Chair during the last three years. He testified in support of HB 2922, which he regarded as an important piece of legislation. He talked about the Housing Authority's role in housing low-income people in the state, and the helpfulness of the low-income property tax exemptions in getting this housing into place.

Questions and discussion, specifically concerning the concentrations of low-income housing in some communities in the Willamette Valley .

10:10 JOHN VAN LANDINGHAM related that HB 2922 would not force communities to take low-income housing. He described the process of "encouraging" communities to develop lowincome housing, both by enforcing codes on the books and by offering incentives to those communities.

Questions and discussion

10:12 JOHN VAN LANDINGHAM related that the market determines which communities develop low-income housing projects. He also described further elements of this process, as related to the issue of why rural areas have a disproportionate amount of low-income housing.

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Questions and discussion

10:14 PETER GRUNDFOSSEN reiterated that low-income property tax exemptions required local government adoption or confirmation before they could go into effect.

10:16 JOHN VAN LANDINGHAM addressed a concern of REP. WHITTY'S, related to the cost of building low-income housing. There were a few impacting factors that he described. He spoke about an example of a project in Eugene. Some criteria is determined by statute, some by communities, and some by the Housing Authority itself.

Questions and discussion

10:20 JOHN VAN LANDINGHAM spoke about the use of manufactured housing for low-income individuals or families.

Questions and discussion

10:22 DIANE LUTHER described her organization and its role in developing

housing in Oregon. She described the "Federal LowIncome Tax Credit Program." She stressed that one resource vital for low-income housing is the property tax exemption. She spoke about a specific project sponsored by her group, and she talked about the costs involved in building affordable low-income housing.

10:26 DIANE LUTHER spoke specifically about HB 2922, explaining her support of various provisions in it.

Questions and discussion

10:29 DIANE LUTHER addressed issues in Section 42 of HB 2922, relating to the lease-hold provision.

Questions and discussion

10:31 DIANE LUTHER described the standards for qualification for low-income housing in Oregon, both for the federal and state programs, and requirements related to maximum income for this housing. She explained the difficulty of juggling the requirements between the two programs.

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10:32 DIANE LUTHER further discussed standards for qualification

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for low-income housing in Oregon.

10:34 DIANE LUTHER discussed Section 9 in HB 2922, relating to a program that allows county to forgive back taxes on properties that are donated to non-profit group. She believed this statute was not being used very much, which she explained. She wanted the sunset provision eliminated for these types of property tax exemptions.

10:37 DIANE LUTHER discussed a statute that is out of date related to the Elderly Income Tax Exemption Program mentioned in Exhibit 1, and she suggested the statute be updated.

10:39 CHAIR BRIAN closed the Public Hearing on HB 2922.

10:39 CHAIR BRIAN opened the Public Hearing on HB 3478.

10:40 REP. DELL testified in support of HB 3478, which she believed was a "clean up bill." HB 3478 allows housing authorities to comply more easily with federal regulations, while also allowing a more clear intent within the state to not impose property taxes on housing authorities. She described current statutes and practices, and proposed changes through HB 347 8.

Questions and discussion

10:43 REP. DELL said HB 3478 has additional provisions in it that relate to when the Housing Authority sells the relevant property. She explained her support of HB 3478 on behalf of the Housing Authority whose goal is to provide decent low-income housing throughout the state.

10:45 PETER GRUNDFOSSEN introduced Richard Brownstein, the attorney for the Housing Authority of Portland. He explained the reasons why the Housing Authority asked for HB 3478, specifically because HB 3478 allowed counties to grant cancellation of property taxes under certain conditions for tax exempt properties (like housing authorities). He gave the members a handout that outlined his support for HB 3478.

10:47 STEVE MEYER explained that most exemptions go into effect as of July 1 of each year (based on a 1971 Department of Revenue (DOR) administrative rule), but HB 3478 would change this. He wondered if this would be a good policy change, and if this change would then be applicable to other exemptions.

10:48 PETER GRUNDFOSSEN said they were only seeking the

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cancellation of taxes, not a further exemption.

Questions and
discussion

10:50 PETER GRUNDFOSSEN stressed that HB 3478 had been narrowly drawn and would only apply to the Housing Authority.

10:52 JIM MANARY wanted to put HB 3478 in context, and he discussed the property tax system as the foundation of this context. He explained the reasons for dating exemptions, and he emphasized that July 1 was the beginning date for all exemptions. HB 3478 would be an exception to this.

Questions and
discussion

10:55 JIM MANARY discussed government-owned properties, as related to the issue of dates for property tax exemptions.

Questions and
discussion

10:58 JIM MANARY further explained the structure of the property tax system in Oregon.

Questions and
discussion

11:01 Discussion of the refund mentioned in HB 3478, and of current handling of property tax refunds.

TAPE 72 SIDE B

11:04 GIL RIDDELL expressed agreement with the concern of cumulative effects of exemptions and the burden they can have on local communities, and his organization was concerned about the continued granting of exemptions. He did not like the fact that HB 3478 would change the system, specifically because of the potential impact on other exemptions. He asked the members to look at the bill as though income tax revenues were at risk rather than property tax revenues, which support programs on the local level, and especially in the light of Measure 5.

11:06 DELORES DEVINE agreed with the testimony from the Department of Revenue, specifically related with cancellation of property taxes during the year after the July 1 date. She expressed concern about the ramifications of making this change.

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Questions and discussion with GIL RIDDELL and DELORES DEVINE concerning HB 3478.

11:10 CHAIR BRIAN asked representatives from the county to add further testimony at the next hearing on HB 3478.

11:11 REP. DELL responded to the concerns members have to HB 3478. She believed housing authorities are different and are treated separately in the statutes, and they do their work under contract with the Federal Government, which do not allow the authorities to pay the property tax. She stressed that this is money in the county revenue fund that doesn't get paid currently. She read some of the 1971 ruling from the DOR, as it related to the HB 3478.

Questions and discussion

11:14 PETER GRUNDFOSSEN stressed that HB 3478 was designed to eliminate the time and money the Housing Authority spends on avoiding paying property taxes for which the Housing Authority is exempt.

11:16 CHAIR BRIAN closed the Public Hearing on HB 3478

11:16 CHAIR BRIAN adjourned the meeting at 11:1

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Housing Property Tax Exemptions, Steve Meyer, Legislative Revenue Office.
2. Testimony of John Van Landingham in Support of HB 2922, 4/8/93.
3. Letter from Thom Nelson, in support of HB 2922, introduced by John McCulley, Tree Fruit Growers.
4. Testimony of Bob May, CASA.
5. Amendment of CASA of Oregon for HB 2922, Bob May, CASA.
6. Letter to Betsey Radigan, from Kevin K. Ko, St. Vincent de Paul Housing Programs, 4/7/93.

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EXHIBIT SUMMARY (continued)

7. Statement for the House Revenue Committee's Property Tax Sub-committee by Betsy Radigan, AOCDO Program Director
8. HB 3478, Housing Authority Tax Exemption, Peter Grundfossen, Association of Oregon Housing Authorities.

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