

Work Session: HB 3478  
HB 2922  
Public Hearing: HB  
288 4  
Informational:  
Exemption Policy  
Tapes 76-77 A/B  
78 A

HOUSE COMMITTEE ON  
HOUSE REVENUE AND SCHOOL FINANCE  
PROPERTY TAX SUBCOMMITTEE

APRIL 14 , 1993 8:00 AM HEARING ROON 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: Gil Riddell, Association of  
Oregon Counties  
Peter Grundfossen, Association of Oregon  
Housing Authorities  
Tom Linhares, Columbia County Assessor  
Fred Van Natta, Affordable Housing Advocate,  
Oregon State Home Builders Association  
Bob Johnson, Great Northwest Management  
Jerry Hanson, President, Oregon Association  
Of County Assessors  
John Van Landingham, Lane County Legal Aid  
Charlie Harris, Director, CASA  
Staff: James Scherzinger, Legislative Revenue Officer  
Steve Meyer, Legislative Revenue Office  
Paula McBride, Committee Assistant

TAPE 76 SIDE A

007 CHAIR BRIAN called the meeting to order at 8:13.  
008 CHAIR BRIAN opened a Work Session on HB 3478.  
010 STEVE MEYER cleared up some questions about HB 3478 for the members.  
The bill dealt with the proration of taxes on Housing Authority property.  
The first issue was about refunds going to the Housing Authority, even if  
they did not pay the taxes in the first

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meeting. Text enclosed in quotation marks reports the speaker's exact  
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recording.

House Committee  
on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page 2

place. Additionally, he wasn't sure how the proration would be if the  
property was transferred between July 1 and late October, before property  
taxes were known, and he believed more thought needed to be given to this.  
Questions and discussion

036 STEVE MEYER discussed another issue, on line 26 of HB 3478, which he believed did not allow for Measure 5 adjustments.

043 STEVE MEYER said a minor item was in Section 2, lines 910 and 14, relating to application for the proration.

Questions and discussion

081 GIL RIDDELL discussed an informal opinion, written by the Department of Justice in 1971, which explored the difference between an exemption and an abatement of taxes. He thought that HB 3478 would not only exempt taxes but would also abate them, which was why he opposed the bill.

Questions and discussion

115 PETER GRUNDFOSSEN also discussed the 1971 opinion, which he believed emphasized that there is "no place in the law for abatement of taxes that have been assessed." He described the position of the Housing Authority and why the HB 3478 bill was brought before the Legislature. The Housing Authority is not allowed, by Federal law, to pay property taxes, and they are forced to manipulate the law to get the taxes paid. He delineated ramifications of these manipulations. He believed the 1971 opinion clearly stated that only the Legislature could alleviate this problem for the Housing Authority.

Questions and discussion

208 CHAIR BRIAN believed that HB 3478 still had to be worked on. He discussed the position of the Housing Authorities and the intent of HB 347 8.

Members explored their reactions to HB 3478.

245 CHAIR BRIAN expressed the consensus of the subcommittee that HB 3478 not set a precedent and open the door for other agencies to apply for abatement of property taxes.

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House Committee

on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page 3

Discussion

272 STEVE MEYER believed that HB 3478 limited the abatement of property taxes to only the Housing Authority.

Questions and discussion

285 Members discussed the refund of property taxes that would occur if HB 347 8 passed, which would be given to the Housing Authority.

309 PETER GRUNDFOSSEN thought there was existing law dealing with proration of mistakenly paid taxes which must have been used by Legislative Counsel when they drafted the HB 3478. He believed the Housing Authority would be scrupulous about getting the refund to the appropriate person, who is the seller of the property.

Questions and discussion concerning the issue of the refund in HB 3478, and possible language changes in it.

380 TOM LINHARES related that refunds have usually gone to the payer of the taxes (the seller); but in another bill before the current legislature, this procedure might be changed to give refunds to the owner of record at the time the refund is made (buyer). This clearly would create a conflict about which he wanted the members to be aware.

Questions and discussion

TAPE 77 SIDE A

002 Questions and discussion continued concerning the issue of who would get the tax refund under HB 3478.

010 TOM LINHARES relayed that SB 14 was the bill that would change the language giving refunds to the buyers. He thought this would entitle the Housing Authority to the refund if HB 3478 also passed.

Questions and discussion

024 PETER GRUNDFOSSEN did not object to language that would entitle the seller to the refund from HB 3478.

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House Committee

on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page 4

031 CHAIR BRIAN asked staff to check with Legislative Counsel on language changes related to the refund.

Questions and discussion

039 TOM LINHARES explained the difference between "estimated" versus "tax roll" defined taxes. He said there was some language in the ORS related to "estimating taxes." However, taxes cannot be canceled or refunded until they are certified to the tax roll.

Questions and discussion

059 TOM LINHARES suggested language for HB 3478 that would resolve the problem.

Questions and discussion

076 CHAIR BRIAN asked about other language in HB 3478, related to formula for determining taxes "that would have been assessed against the property had the property not been exempt." He wanted to know if the formula accounted for Measure 5 compression limits where they exist.

092 TOM LINHARES said that since Measure 5 there was no longer a consolidated tax rate, but assessors certainly could not refund more taxes than what was paid.

Discussion

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149 CHAIR BRIAN asked to see amendments before the bill would be voted out of the Subcommittee.

153 CHAIR BRIAN closed the Work Session on HB 3478.

168 CHAIR BRIAN opened the Public Hearing on HB 2884.

175 STEVE MEYER said HB 2884 deals with how the taxable value is assessed for low-income housing. The bill would eliminate the cost approach and just allow an income and sales approach to determine the value of the property, and comparable information from other low-income properties would be used. HB 2884 had a retroactive provision.

192 STEVE MEYER believed the amendments HB 2884-1 came from the Human Development Committee, but they did not take action on the amendments, though they did not object to them.

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House Committee

on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page 5

199 FRED VAN NATTA related that the amendments HB 2884-1 were written as a result of legal response to the original bill. HB 288 4 would apply to rent-controlled apartments and to the dispute of how those apartments go on the property tax rolls. Because they are rent-controlled, the income to the owner is more limited than income to owners of free-market apartments, and the value of the unit is less. HB 2884 addressed the process used by assessors and appraisers, which doesn't consider the fact that the unit is worth less because of being rent-controlled.

247 BOB JOHNSON said the amendments HB 2884-1 focused on the issue that no current method of appraisal (cost approach, market approach, or revenue approach) was appropriate for evaluating lowincome housing projects. He discussed current incentives for builders of low-income housing, which created something close to a free market approach to providing low income housing, with one definite limitation: the level of the amount of rent that can be charged. He gave a brief history of how these incentives have been used and have been combined with other subsidies.

311 BOB JOHNSON discussed the motives of his industry and the kinds of financing manipulations done to achieve lower rents. He believed that because builders were capped out on the amount of income they could receive on rent-controlled units, then assessed values should be lower than market values for units where there is no rent cap.

TAPE 76 SIDE B

002 BOB JOHNSON continued his testimony in support of HB 2884. He spoke about the quality of projects his company has built in relation to market values. He summarized by advocating that lowincome housing should be treated differently than conventional housing.

Questions and discussion

050 CHAIR BRIAN referred to a "Fiscal Impact Assessment" from the Legislative Fiscal Office, that predicts a fiscal impact from HB 2884.

Exhibit 2

059 CHAIR BRIAN asked the witnesses about the retroactive language in HB 288 4.

064 BOB JOHNSON explained the reasoning for the retroactive

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House Committee

on

provision in HB 2884, which centered around owned property taxes because the projects do not have enough cash flow to cover the taxes as they are currently assessed.

080 REP. WHITTY asked for information on the differences between low-income housing developments and conventional developments.

094 BOB JOHNSON explained some of the differences between the two types of housing, and the motivation and incentives of developers who build low-income housing.

Questions and discussion

172 CHAIR BRIAN again questioned the retroactive provision of HB 2884, particularly the impossibility of taking care of all the years of unfairness in a particular tax. He gave an example to support his position.

Questions and discussion

223 BOB JOHNSON discussed the factors that contributed to the provision in HB 2884 that HB 2884 be retroactive.

332 JERRY HANSON related that most low-income housing projects in Oregon are in Washington County, his jurisdiction, and that he is familiar with the issues raised by HB 2884. Measure 5 has lowered taxes for many apartment owners, and will continue to do so. He talked about how low-income housing is assessed, and he referred to a Department of Revenue ruling in 1971 that determined that low-income housing projects will be assessed at market value. He then read his testimony, which was in opposition to HB 2884. Exhibit 3

Questions and discussion

TAPE 77 SIDE B

002 Questions and discussion with JERRY HANSON concerning HB 2884.

011 JERRY HANSON believed that there was not a precedent in Oregon for granting special assessment to for-profit businesses.

Questions and discussion

040 CHAIR BRIAN closed the Public Hearing on HB 2884.

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House Committee

on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page ~

055 Further discussion of the amendments HB 2884-1.

062 CHAIR BRIAN opened the work Session on HB 2922.

065 CHAIR BRIAN mentioned a matrix developed by STEVE MEYER on "Housing Property Tax Exemptions." Exhibit 4

080 JOHN VAN LANDINGHAM explained amendments designed to address members questions and concerns about HB 2922. There were three amendments: He drafted (A) and (C), and (B) was previously submitted by CASA (Exhibit 5, 4/8/93). Exhibit 5

Questions and discussion

118 CHAIR BRIAN explained why he felt the (C) amendment should be added to

HB 2922. Exhibit 5.

Questions and discussion with JOHN VAN  
LANDINGHAM

189 CHARLIE HARRIS testified as a Director of a non-profit organization. He discussed his organization and practical limitations for the development of projects in Oregon.

Questions and  
discussion

230 JOHN VAN LANDINGHAM gave a members a handout designed to address members' concerns about the costs of the lowincome housing units, particularly CASA's Woodburn farm worker project. Exhibit 6

246 CHARLIE HARRIS further discussed the costs of lowincome housing by units. His handout to the members showed the costs for one specific development. Exhibit 7

Questions and  
discussion

282 JOHN VAN LANDINGHAM described the differences between developers who build low-income housing for profit and those who do so as part of a non-profit group.

Questions and  
discussion

394 STEVE MEYER discussed the information on his matrix, which showed the programs that would be effected by HB 2922 and how they are treated under current law. He related changes to specific language in HB 2922, beginning with "Farm Labor." Exhibit 4

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House Committee on

Revenue and School Finance Property Tax Subcommittee April 14, 1993 Page 8

TAPE 78 SIDE A

012 STEVE MEYER further explained how HB 2922 would effect various housing programs in Oregon, matching the categories on his matrix with sections of the bill. Exhibit 4

021 STEVE MEYER described Section 2 of HB 2922, which cites the date. Section 3 defines "lender" and "low income," and he applied this information to the categories on his chart that mentioned "median income." Exhibit 4

Questions and discussion with JOHN VAN LANDINGHAM and CHARLIE HARRIS

065 STEVE MEYER further discussed the "Low Income (General)" column in his matrix. Exhibit 4

Questions and discussion

099 JOHN VAN LANDINGHAM gave statistics on the median income of families who qualify for low-income housing in Portland, and in other areas of the state.

Questions and discussion

122 CHARLIE HARRIS cited statistics for families in Marion County who qualify for low-income housing.

Questions and discussion

135 JOHN VAN LANDINGHAM described various criteria that apply to the rental costs of low-income housing.

149 STEVE MEYER explained the category "Low Income (Alternate)" on his matrix. Exhibit 4

159 STEVE MEYER said the last column in his matrix, "Tax Cancel if Donated," which related to the last Section of HB 2922.

175 CHAIR BRIAN ask members to discuss the amendments proposed by JOHN VAN LANDINGHAM. Exhibit 5

Questions and discussion

189 CHAIR BRIAN noted consensus to acceptance of including JOHN

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House Committee on

Revenue and School Finance

Property Tax Subcommittee

April 14, 1993 Page 9

VAN LANDINGHAM's proposed amendments to HB 2922. Exhibit 5

203 CHAIR BRIAN closed the Work Session on HB 2922.

204 CHAIR BRIAN adjourned the meeting at 10:19.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

#### EXHIBIT SUMMARY

1. HB 2884-1, Steve Meyer, Legislative Revenue Office.
2. Fiscal Impact Assessment, HB 2884, Legislative Fiscal Office.
3. Testimony of Jerry Hanson on HB 2884, 4/13/93.
4. Housing Property Tax Exemptions: HB 2922, Steve Meyer, Legislative Revenue Office.
5. Proposed Amendments for HB 2922, from John Van Landingham, Lane County Legal Aid Service, Eugene.
6. Memorandum to Jim Whitty, from John Van Landingham, Lane County Legal Aid Service, Eugene, 4/12/93.
7. Statistics on a CASA low-income housing project for workers in Woodburn, Oregon, Charlie Harris, Director, CASA.

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