

# Enrolled House Bill 2377

Sponsored by Representatives SMITH DB, SMITH G, Senator ROBLAN, Representatives BUEHLER, MARSH; Representatives BARRETO, DOHERTY, GOMBERG, HELM, HERNANDEZ, HUFFMAN, JOHNSON, KENNEMER, LIVELY, MCLAIN, MEEK, NEARMAN, VIAL, WHISNANT, WITT (Pre-session filed.)

CHAPTER .....

AN ACT

Relating to tax incentives for affordable housing; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1. (1) As used in sections 1 to 3 of this 2017 Act, “eligible rental property” means newly rehabilitated or constructed multiunit rental housing.**

**(2)(a) The governing body of a city or county may adopt an ordinance or resolution granting a property tax exemption for eligible rental property located within the boundaries of the city or county, respectively.**

**(b) The terms of the exemption must conform to the provisions of sections 1 to 3 of this 2017 Act.**

**(3)(a) The exemption may be granted to eligible rental property only if:**

**(A) The rehabilitation or construction is completed after the ordinance or resolution has been adopted; and**

**(B) The first assessment year to which the application filed under section 2 of this 2017 Act relates is the first assessment year that begins after the eligible rental property is first offered for rent for residential occupancy upon completion of the rehabilitation or construction.**

**(b) Otherwise eligible rental property may not receive an exemption on the basis of rehabilitation more than once.**

**(4) An ordinance or resolution adopted pursuant to this section must:**

**(a) Establish a schedule in which the number of consecutive property tax years for which the exemption is granted, up to a maximum of 10 years, increases directly with the percentage of units constituting the eligible rental property that are rented to households with an annual income at or below 120 percent of the area median income at monthly rates that are affordable to such households.**

**(b) Include definitions of “area median income,” adjusted for the size of a household, and “affordable,” for purposes of sections 1 to 3 of this 2017 Act. The governing body of the city or county that adopted the ordinance or resolution shall notify the county assessor of the definitions.**

**(5)(a) An ordinance or resolution adopted pursuant to this section may not take effect unless, upon request of the city or county that adopted the ordinance or resolution, the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption,**

when combined with the rate of taxation of the city or county, equal 51 percent or more of the total combined rate of taxation on the eligible rental property.

(b) If the ordinance or resolution takes effect, the exemption shall apply to all property tax levies of all taxing districts in which eligible rental property is located.

(c) The decisions of the taxing districts under paragraph (a) of this subsection may not be changed but are not binding with respect to an ordinance or resolution adopted pursuant to subsection (6) of this section or a new ordinance or resolution adopted pursuant to subsection (2) of this section.

(d) All eligible rental property shall be granted exemption under this section on the same terms provided in the ordinance or resolution adopted or amended by the city or county and in effect on the date the application is submitted under section 2 of this 2017 Act.

(6)(a) A city or county may adopt at any time an ordinance or resolution amending the terms of an exemption granted pursuant to this section, subject to approval of the taxing districts under subsection (5)(a) of this section, or terminating the exemption.

(b) Notwithstanding an ordinance or resolution adopted under paragraph (a) of this subsection, eligible rental property that has been granted an exemption pursuant to this section shall continue to receive the exemption under the terms in effect at the time the exemption was first granted.

(7) As soon as practicable after January 1 of each year, the governing body of a city or county that has adopted an ordinance or resolution under this section shall:

(a) Determine the area median income as defined by the city or county;

(b) Notify each owner or lessee of eligible rental property granted exemption pursuant to the ordinance or resolution for the immediately preceding property tax year of the determination; and

(c) Publish the determination on the website of the city or county, respectively.

**SECTION 2.** (1)(a) The governing body of a city or county that adopts an ordinance or resolution pursuant to section 1 of this 2017 Act shall prescribe exemption application forms and the information required to be included in an application.

(b) If eligible rental property is located in a city and county each of which has adopted an ordinance or resolution under section 1 of this 2017 Act, the applicant shall elect the exemption the applicant wishes to receive for the eligible rental property by submitting the application to the city or the county, as applicable.

(c) The applicant must be the owner or lessee of the eligible rental property to which the application relates.

(d) An application must be accompanied by an application fee fixed by the city or county, as applicable, in an amount determined to compensate the city or county for the actual costs of processing the application.

(2)(a) An application must be submitted for review to the city or county, as applicable, on or before March 1 preceding the property tax year to which the application relates.

(b) Notwithstanding paragraph (a) of this subsection, an application may be filed under this section for the current property tax year:

(A) On or before December 31 of the property tax year, if the application is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent of the real market value as of the most recent assessment date of the eligible rental property to which the application relates.

(B) On or before April 1 of the property tax year, if the application is accompanied by a late filing fee of \$200 and the applicant demonstrates good and sufficient cause, as defined in ORS 307.162, for failing to file a timely application or is a first-time filer, as defined in ORS 307.162, of an application under this subsection.

(c)(A) An application may be filed as provided in paragraph (b) of this subsection notwithstanding that there are no grounds for hardship as required for late filing under ORS 307.475.

(B) A late filing fee collected under paragraph (b) of this subsection must be deposited in the general fund of the city or county, as applicable.

(3)(a) Upon receipt of an initial application submitted pursuant to subsection (2) of this section, the city or county, as applicable, shall determine as soon as practicable:

(A) Whether the property to which the application relates is eligible rental property located within the boundaries of the city or county;

(B) The date on which the rehabilitation or construction of the eligible rental property was or will be completed;

(C) The date on which the eligible rental property was first offered for rent for residential occupancy; and

(D) The rent charged for each unit to which the application relates and whether the rent meets the requirements of the schedule established under section 1 (4) of this 2017 Act.

(b) If any eligibility determination made under this subsection renders the property ineligible for the exemption, the application shall be rejected and the rejection may not be appealed.

(4)(a) The owner or lessee of eligible rental property granted exemption for the current property tax year must submit an application under subsection (2) of this section for each subsequent property tax year for which the eligible rental property remains eligible under section 1 (4) of this 2017 Act.

(b) If any eligibility determination made under this subsection renders the eligible rental property ineligible for the exemption, the application shall be rejected.

(5) If the property qualifies for the exemption under subsection (3) or (4) of this section and the application meets the requirements of the ordinance or resolution of the city or county, the governing body shall, on or before April 1, adopt a resolution:

(a) Approving the application; and

(b) Notifying the assessor of the county in which the eligible rental property is located of the approval and including with the notification all information necessary for the assessor to perform the assessor's duties with respect to the eligible rental property.

**SECTION 3.** (1) If, after an exemption is granted pursuant to an ordinance or resolution adopted under section 1 of this 2017 Act, the county assessor determines that the eligible rental property does not meet the requirements of the ordinance or resolution or section 1 of this 2017 Act:

(a) The exemption shall be terminated immediately, without right of notice or appeal;

(b) The eligible rental property shall be assessed and taxed as other property similarly situated is assessed and taxed; and

(c) Notwithstanding ORS 311.235, there shall be added to the general property tax roll for the tax year next following the determination, to be collected and distributed in the same manner as other real property tax, an amount equal to the amount of tax that would have been due on the property had it not been exempt for each of the years during which the property was exempt, not to exceed 10 tax years.

(2) The assessment and tax rolls shall show "potential additional tax liability" for each eligible rental property granted exemption pursuant to section 1 of this 2017 Act.

(3) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate.

**SECTION 4.** (1) Sections 1 to 3 of this 2017 Act are repealed on January 2, 2027.

(2) Notwithstanding the date specified in subsection (1) of this section, eligible rental property that is granted exemption under an ordinance or resolution adopted pursuant to section 1 of this 2017 Act before the date specified in subsection (1) of this section shall continue to receive the exemption under the provisions of the ordinance or resolution for the period of time for which the exemption was granted.

**SECTION 5.** This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

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**Passed by House June 19, 2017**

**Repassed by House July 1, 2017**

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Timothy G. Sekerak, Chief Clerk of House

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Tina Kotek, Speaker of House

**Passed by Senate June 30, 2017**

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Peter Courtney, President of Senate

**Received by Governor:**

.....M,....., 2017

**Approved:**

.....M,....., 2017

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Kate Brown, Governor

**Filed in Office of Secretary of State:**

.....M,....., 2017

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Dennis Richardson, Secretary of State