LEAGUE of Oregon CITIES

voter (Local) Control Amendment

Description

The League's proposed constitutional amendment would allow local voters the ability to consider a local option levy outside of compression, and would lengthen the maximum duration of a levy from five to 10 years. The amendment would not raise anyone's taxes, but would empower voters to authorize a tax for local operations.

URA not impacted by bill.

Background

Under Oregon's current system, statewide limitations can prohibit local voters from having the ability to raise their own taxes to support services they demand. Measure 5 limitations prevent general governments (cities, counties and special districts) and schools to levying $10 and $5 per $1,000 of real market value respectively. Any taxes levied in excess of those limitations are reduced, or compressed, proportionally until the limitations are met. Local option levies—temporary levies in excess of the municipality's permanent rate that are approved by voters to provide funding for operating expenses —are compressed first under this system. As a result, residents residing in a municipality in compression are essentially prohibited from voting to raise their taxes even to support essential services such as police and fire.

Example

Sweet Home, a timber-dependent community of roughly 9,000 residents in Linn County, has a low permanent tax rate for a city of its size. As a result, the city has provided essential police protection and library services via a local option levy since 1986. In 2010, voters in Sweet Home approved these local option levies with 60 and 55 percent of the vote respectively.

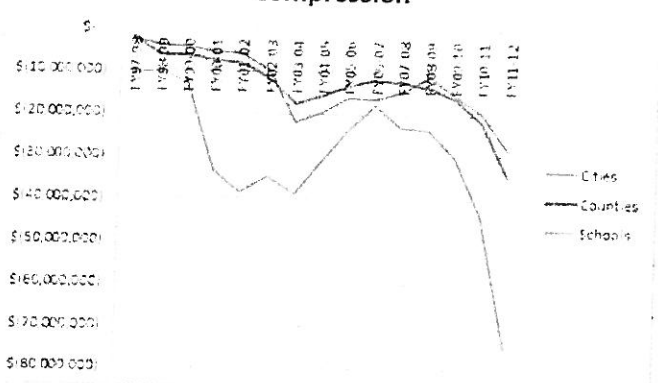
However, Linn County passed a local option levy of its own soon thereafter, and property values in Sweet Home fell. As a result, the local option levy revenue losses due to compression increased from $300,000 to $730,000 – nearly a third of what the levy was supposed to collect. As a result, the public safety and library services are not being provided at the level local citizens wanted.

Statewide Impacts

Compression is becoming a growing problem for local governments statewide. Since 2008-09, compression for all local governments has increased from $51 million, or 1.13 percent of property tax collections, to $144 million, or 2.8 percent of collections (see Table 1). All counties are in compression, as are half of all cities and more than 90 percent of all school districts.

Table 1: Statewide compression losses

	Revenue lost to compression in FY2011-12 (in millions)	Percent increase in compression losses since FY2008-09
Schools	$ (74.50)	216%
Counties	$ (34.30)	154%
Cities	$ (28.20)	161%



Last May, local voters approved 18 of 21 (86 percent) local option levies, including six out of six city levies and four out of five county levies. While voters may still be concerned about the state of the economy, in many instances they clearly realize the value of local government services and are willing to tax themselves to provide those services. Whether or not any local voters approve local option levies outside of compression limitations is irrelevant. What matters is that local voters currently do not have the freedom and opportunity to do so.

For more information, visit *www.orcities.org/toolkit* or contact Chris Fick at (503) 588-6550 or *cfick@orcities.org*.

LEAGUE of Oregon CITIES

Reset at Sale

Description

The League's second proposed constitutional amendment would reset a property's assessed value to its real market value at the time of sale or construction. The amendment would not raise anyone's taxes on their current home, but would restore equity by recalibrating taxes based on the market's valuation of a property at the time of sale—a better measure of a property's value and an owner's ability to pay.

Background

Measure 50, passed in 1997, created a new "assessed value" for all properties. Assessed value was initially set at 90 percent of a property's 1995-96 real market value. For newer properties, a county-wide ratio is applied to determine the initial assessed value. Growth in assessed value is limited to 3 percent annually.

By locking in assessed values based on 1995-96 real market values or a ratio at the time of construction, and by capping annual growth, huge disparities in tax bills have emerged as property values have changed and as neighborhoods have gentrified.

Example and Statewide Impacts

Homeowners in inner North and Northeast Portland, for example, often have property tax bills that are one-third or one-fourth of what homeowners with similar real market values pay across town. The reason is simple. In the early and mid-1990s, large swaths of North and Northeast Portland had lower market values, and those values still determine the taxes owed. (See Table 1 for examples.)

Similarly, the ratio applied to new property can vary greatly from year to year as the market fluctuates. In Deschutes County, the ratio used to calculate assessed value for new properties has increased 50 percent between 2010 and 2011. As a result, identical properties with the same sale price but permitted only months apart can have dramatically different tax liabilities.

Table 1: Tax inequities between two neighborhoods in Portland

Established	RMV	AV	Taxes
9910 SW 61st	$ 269,670	$ 213,930	$4,236
9931 SW 61st	$ 270,590	$ 236,110	$4,270
9930 SW 61st	$ 279,390	$ 216,920	$4,385
9911 SW 61st	$ 311,450	$ 252,070	$4,897
Gentrifying	**RMV**	**AV**	**Taxes**
5134 NE 16th	$ 267,870	$ 72,870	$1,624
5117 NE 16th	$ 268,480	$ 51,790	$1,154
5126 NE 16th	$ 282,140	$ 51,640	$1,151
5133 NE 16th	$ 352,530	$ 81,930	$1,826

These inequities are not confined to certain areas of the state, however; they exist statewide.

Solution

Seventeen other states have property tax limitations similar to Oregon's. Of those, 15 readjust property taxes at the time of sale. Oregon's existing system, according to a Lincoln Institute of Land Policy report, "has gone the farthest of any [in the country] in breaking the link between property taxes and property values."

Resetting assessed value to real market value at the time of sale would reconnect the link between property value and property taxes, and improve the fairness of Oregon's system.

For more information, contact Chris Fick at (503) 588-6550 or *cfick@orcities.org.*

LEAGUE of Oregon CITIES

Population Forecasting

Description

The proposed legislation would provide cities with population forecasts that would be updated every four years and be fully funded by state resources. These forecasts would be provided by the Population Research Center (PRC) at Portland State University, would not be considered a land use decision, and not subject to appeal at the Land Use Board of Appeals (LUBA).

Background

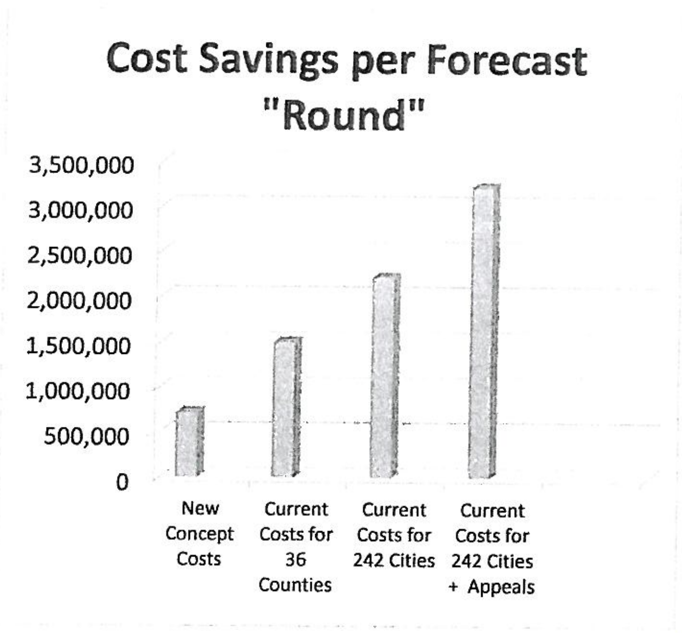
Under our current system, cities are mandated to use population forecasts to update their comprehensive plans. Current and future trends indicate that there are growing numbers of cities finding it necessary to begin UGB updates, requiring fresh forecasts. Counties are required by state law to issue, adopt and keep current forecasts for the urban and rural portions of their county (except Metro for its portion of the three-county region). For a variety of reasons, counties have had difficulty complying with the mandate to provide forecasts to cities—more than half the counties in the state have never provided their cities forecasts, or the forecasts are more than 10 years old. Cities have also had difficulty obtaining timely county approval of forecasts generated by a city, resulting in lost opportunity costs. Additionally, the monetary costs of complying with the existing system are substantial. Adding to the costs has been the skyrocketing of litigation—many forecasts are being challenged initially or at a later date as part of a subsequent land use action.

Example

Take for example the city of Newberg, a fast-growing community of roughly 22,000 residents in Yamhill County. The city has experienced two fairly recent forecast efforts, resulting in a LUBA appeal, approximately $30,000 in city expenses and several years of time. Newberg still does not have a coordinated population forecast number that has been adopted by the county. Additionally, there has also been associated county time and expense, significant private citizen time and expense, and delay of important growth and employment opportunities in the city.

Statewide Impacts

The new forecasting system will result in considerable cost savings and will provide forecasts on an on-going basis.



Concept Details

- Forecasts will not be a land use decision, and not appealable to LUBA.
- "First round" forecasts will be completed over a 4-year period. Forecasts will be issued for one-fourth of the state every year.
- 50-year forecast horizon; includes single year increments.
- Includes a local process that allows multiple opportunities for input from cities, counties, citizens.
- A short 60-day challenge process if a city, county, or citizen does not agree with the forecast.
- Cities may choose from several options as to when they begin using the new numbers.
- Metro retains responsibility for city/county forecasts in the Metro boundary, but must coordinate methodologies with PRC. PRC will produce forecasts for cities and counties in Multnomah/Clackamas/Washington County, outside of Metro.
- A peer review team comprised of experts in the field, and city and county representatives will review methodology, local data collection and provide peer review to PRC.
- Cities with a shared UGB or shared county boundaries will be coordinated and forecasted in the same "round."

• DLCD TA grant program may be impacted.

For more information, contact Linda Ludwig at (503) 588-6550 or *lludwig@orcities.org.*

• Jury still out on whether LOC will support UGB expansion amendments.

LEAGUE of Oregon CITIES

Jobs and Economic Development

Description

Support investment in three funding requests from the Oregon Business Development Department's that will create, retain, expand and attract businesses that provide sustainable family-wage jobs for Oregonians through public-private partnerships and leverage funding and economic opportunities for Oregon companies and entrepreneurs. The three initiatives are:

Not included in govrnr's budget

- **$10 million** to recapitalize the *Brownfield Revolving Loan Redevelopment Fund,* which provides loan funding for gap financing that commercial lenders are unable to provide to clean up industrial sites;
- **$25 million** within the Special Public Works Fund (SPWF) to institute the *Patient Capital for Industrial Lands Infrastructure Pilot Program*, which would provide funding to municipalities to install infrastructure and necessary feasibility studies needed for industrial sites to be "shovel" ready for development; and
- **$15 million** within the SPWF to institute the *Employment Site Re-Use/Redevelopment Pilot Program,* which would assist communities with funding incentives to reuse or redevelop existing industrial lands. Funding could be used to address a variety of barriers to utilizing existing industrial land within a city's urban growth boundary, including building inadequate infrastructure, addressing environmental contamination, and dealing with fractured parcel ownerships or pressure to convert to non-industrial uses.

Background

In a 2012 League survey, cities ranked the lack of infrastructure as the biggest hurdle to attracting new or expanded industrial development or new employment opportunities. Adequate infrastructure for industrial sites is a critical component to the economic vitality of cities and local economic regions. An adequate supply of shovel ready industrial land will be essential in order for cities to create jobs, improve the quality of life for residents, and foster entrepreneurship and productive economic activity.

Further, prior surveys have identified more than $2 billion in municipal infrastructure projects that would be ready to go to bid if sufficient funding is secured— a figure that reflects the decline of state and federal investments in local infrastructure over the course of the last several decades.

Statewide Impacts

These three economic development initiatives would remedy infrastructure deficiencies and provide critical funding for specific types of industrial development situations that are important for job creation and economic vitality.

These three programs will:

- Help cities utilize existing industrial sites and clean up underutilized and contaminated areas;
- Grow the property tax base for cash-strapped cities, schools and counties;
- Give Oregon a supply of shovel-ready industrial land that can be occupied within six months;
- Provide family-wage jobs when a tenant occupies the land; and
- Make Oregon a more competitive and attractive state for economic development.

For more information, contact Chris Fick or Linda Ludwig at (503) 588-6550 or *cfick@orcities.org* or *lludwig@orcities.org.*

LEAGUE of Oregon CITIES

9-1-1 Tax Renewal

Description

The League will work with other stakeholder groups (principally organizations representing public safety organizations and jurisdictions) to extend the 9-1-1 emergency services tax beyond its expiration in 2014. In doing so, the League seeks several important policy changes to the 9-1-1 system.

Background

The current $.75 per month tax is an important source of revenue for cities. After subtracting collection costs, administrative fees and equipment costs, cities receive $13 million per biennium, which is passed through to the governing authority of the 9-1-1 jurisdiction serving that city. These funds are the backbone of the budget that supports the planning, installation, maintenance, operation and improvement of the statewide 9-1-1 emergency reporting system.

The state currently diverts portions of the 9-1-1 tax revenues it collects as well as the earned interest to the general fund in support of positions and activities unrelated to 9-1-1 services, a practice frowned upon by the federal government. Oregon is one of the only states in the country to do so, and as a result, for the last three years has been ineligible for federal emergency services grants.

Pre-paid cellular phone and Voice over Internet Protocol (VoIP) users do not pay the 9-1-1 tax. All other users of telecommunications services, including regular cell phone users, pay the tax. Previous attempts to enact legislation addressing this inequity have failed. Legislative counsel has opined that such legislation is unnecessary because the authority to levy this tax already exists. The Oregon Department of Revenue is considering a rule that would include pre-paid cell phones under the tax, but if approved litigation would likely result.

Concept Details

The statutory authorization for the collection of taxes in support of the 9-1-1 reporting system is due to expire on December 31, 2014. It is therefore important that the Oregon Legislative Assembly extend the authorization for the 9-1-1 tax. In addition, the League will seek to:

- Modify the tax rate to ensure adequate resources for both the management of the system and the acquisition of the most modern technology;
- Make permanent the statutory authority for the tax (i.e. no sunset provision) in recognition of the permanence of the 9-1-1 system;
- Require that the state use revenues derived from the 9-1-1 tax solely for the provision of emergency reporting services, thereby ending the practice of diverting both revenues and earned interest to the state's general fund; and
- Make it statutorily clear that purchasers of pre-paid cell phones and VoIP services are also subject to the 9-1-1 tax.

For more information, contact Craig Honeyman at (503) 588-6550 or *choneyman@orcities.org.*