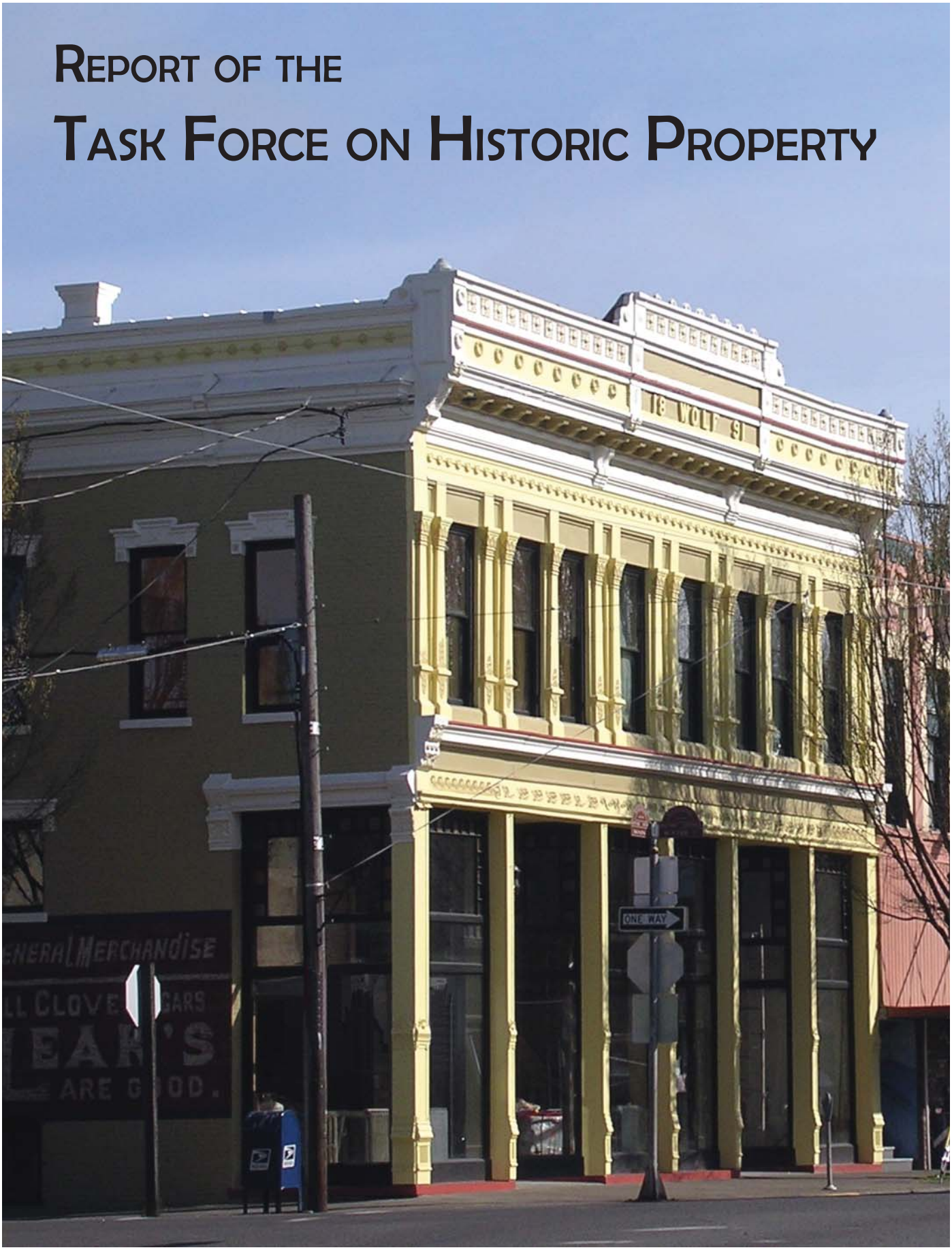
Report of the Task Force on Historic Property



October 1, 2008

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Cover Photo: *Silverton*

Note: Photographs used throughout the report are of historic buildings in Oregon. All would be eligible for the Special Assessment of Historic Properties program. Many, but not all of them, have actually benefited from the program.

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Introduction and Background

What is the purpose of this report?

This report presents the findings and recommendations of the Task Force on Historic Property. Senate Bill 416, passed in the 2007 legislative session, called for the establishment of the Task Force and charged it with conducting a comprehensive review of the Special Assessment of Historic Properties program and other historic preservation incentives. SB-416 also specified that the Task Force submit a report to the Governor and the interim legislative committees on revenue. (Specific assignments given to the Task Force are detailed in Appendix A.)

What is the Special Assessment of Historic Properties program?

- This "property tax freeze" program was established by the Oregon Legislative Assembly in 1975 to encourage the preservation of the state's historic buildings and districts and stimulate reinvestment in them.[1] It was the first program of its kind in the country, and it is still a model for other states. The program has been reauthorized by the legislature several times over the years.
- The program "freezes" the assessed value of a historic building for 15 years. It is most effective when the freeze starts before substantial rehabilitation work is undertaken, work that would otherwise increase the assessed value (and the taxes) considerably. After the term, properties are reassessed at current values. Buildings may qualify for a second 15-year term under certain conditions, but only after being reassessed.
- Program participants must prepare--and follow--a preservation plan and receive approval for all proposed work. They must also pay an application fee, install a plaque on their building, and hold an annual open house for the public.
- The program is administered by the State Historic Preservation Office (SHPO), which is part of the Oregon Parks and Recreation Department.

What is the definition of a "historic building" and how many buildings benefit from this incentive?

- "Historic buildings" are those that have been listed in the National Register of Historic Places, either individually or as part

Ashland

1 Oregon Revised Statutes 358.475-565

Historic buildings are special places with special needs... Doing things the right way using the right techniques and materials can be expensive. The tax benefit helps offset some of those extra costs.

Baker City

of a National Register historic district. There are approximately 10,150 National Register properties in Oregon.

- Special assessment does not come automatically with National Register designation; owners must apply separately.
- There are currently 783 historic buildings under special assessment. During the 32-plus years of the program, there have been 2,083 participants, which is about 20 percent of the properties that are eligible for participation.
- The number of new participants has declined significantly since the passage of property tax reforms in the mid-1990s (specifically Measure 50). There was an average of 82 new participants per year prior to 1995, and only 37 per year since.

Why provide a tax benefit for historic buildings?

- Historic buildings are special places with special needs. They help create a unique "sense of place" in Oregon's communities, but they are costly to maintain, restore, and rehabilitate to meet today's building codes. Doing things the right way using the right techniques and materials can be expensive. The tax benefit helps offset some of those extra costs.
- This tax incentive is one of the few "carrots" available to encourage appropriate preservation. Too often, government uses only the "sticks" of preservation regulations and landmark committee oversight.
- Historic building rehabilitation stimulates local economies and enhances community character. This tax incentive encourages reinvestment in buildings and districts that were once the pride of their communities but have become a bit ragged over the years. Once proud neighborhoods regain their stature and stability because of preservation efforts, and historic Main Streets take on new economic vitality. Many historic areas are major tourist attractions as well (Astoria, Hood River, Baker City, and Ashland, for example), stimulating local economies in a new way.
- Reinvesting in historic buildings is one of the most meaningful steps a community can take toward "green" development and sustainability. The "embodied energy" in all of the materials and effort that existing buildings contain is a tremendous resource that should be recycled. Keeping tons of demolition debris out of the landfill is, in and of itself, a major benefit from recycling old buildings.

Why is the Special Assessment program being reviewed at this time?

- The primary reason for the review is that the program is

scheduled to end in 2010. Without reauthorization by the legislature in 2009, the program will lapse. By reauthorizing the program, Oregon will continue to be a national leader in historic preservation and sustainability, reinforcing progressive environmental policies our state is known for.

- A second reason for the review is to identify improvements to the program so it better serves the needs of Oregon's 21st-century economy. Major issues include:
    - *Streamlining:* Reduce application fees, paperwork, and redundancies to make the program more accessible and appealing to owners of historic buildings.
    - *Accountability:* Ensure that participants meet their obligations and program requirements.
    - *Effectiveness:* Improve the success of the program in stimulating reinvestment in historic buildings, particularly commercial buildings, which have the greatest impact on local economic revitalization.
    - *Local Involvement:* Increased opportunity for local jurisdictions to be involved in the program if they so desire.
    - *Eliminate Inequities:* Some property owners, upon completion of their 15-year term, face much higher taxes than had they never participated in the program.

What are the financial costs and benefits of the program?

It is difficult to calculate the exact dollar value of both the costs and benefits, given all the variables and unknowns. Local jurisdictions obviously lose property tax revenue after the assessed value is frozen, but they also gain when a restoration project triggers improvements and reinvestment on adjacent properties, which happens frequently. Those gains often extend beyond increased property values and taxes, particularly in the case of commercial buildings. There are clearly economic benefits from new or expanded businesses, additional employees, and increased sales.

The Oregon Department of Revenue's *2007-09 Tax Expenditure Report* estimates the statewide cost of this program to be $27.7 million for 2005-07 and $29 million for 2007-09. The Department of Revenue does not calculate the benefits of the program, however, SHPO has recently begun tracking the level of reinvestment. From 2004 through 2007, new participants in the program committed to investing an average of $36.6 million per year in rehabilitating their historic buildings (or $73.2 million per biennium). This doesn't take

From 2004 through 2007, new participants in the program committed to investing an average of $36.6 million per year in rehabilitating their historic buildings . . .

Portland

Eugene

into account the ripple effect historic rehabilitation projects have on adjacent buildings.

In addition, a 1992 report to the legislature from a previous task force studying the program found that after the 15-year period of special assessment, most properties returned to the property tax rolls at a higher value than they otherwise would. While the increased values do not generate additional property taxes until after special assessment expires, they offset some of the earlier tax loss from the special assessment. Also, rising values of special assessment properties often trigger increased values of neighboring buildings not in the program. This further helps offset the tax loss caused by the program.[2]

2 Oregon State Historic Preservation Office, "Report to the Governor and 66th Legislative Assembly by the Task Force on the Special Assessment of Historic Property," 1992; Leithe, Muller, Petersen, The Economic Benefits of Preserving Community Character, A Methodology, GFRC for the National Trust for Historic Preservation, 1992.

Executive Summary

The conclusions and recommendations of the Task Force on Historic Property are as follows:

1. **Current Program Effective, Improvements Would Make it Better.**
   The Special Assessment of Historic Properties program, which was established in 1975, has been effective in promoting the preservation of historic buildings and encouraging reinvestment in them. However, changes in state property tax laws in the 1990s that capped increases have made the program less attractive and successful. The increasing complexity of the program over the years has also discouraged participation. The complicated nature of "special assessment" has inadvertently triggered much higher taxes for some participants (primarily residential) at the end of their terms than they would have had if they had not participated in the program. It has also generated radically uneven benefits from county to county due to the constitutionally required formula for calculating specially-assessed values. Still, the program works well for certain types of properties: primarily commercial buildings in areas with high real estate values.

2. **Different Issues and Needs for Commercial vs. Residential Buildings.**
   Historic commercial buildings face unique issues related to financing, tenant improvements, depreciation, building codes, land values, development potential, and economic fluctuations. Revitalizing commercial buildings and districts generates significantly larger economic benefits than do residential buildings. The Task Force therefore recommends different incentives for commercial and residential buildings.

3. **Modify and Expand Options for Commercial Buildings.**
   A dual option for commercial buildings would address the varied needs of projects statewide—large and small, urban and rural.
   - Continue a slightly modified version of the current Special Assessment program as an option for commercial buildings only.
   - Create a new, simpler property tax reduction as an alternative benefit:

Portland

Albany

- Reduce the assessed value by 50 percent, which would provide a similar financial incentive as the current program, but without the negative aspects of "special assessment."
- New improvements would be excluded from the assessed value during the 15-year term.
- Assessed values would increase up to 3 percent per year for the 15-year term.
- Second 15-year terms would be permitted (after reassessment) under the same conditions as in the current program: seismic improvements, ADA compliance, energy savings, or sustainability improvements.

4. **Replace Special Assessment with Property Tax Reduction for Residences.**
   The new program would provide a more fair, understandable, and uncomplicated benefit for historic residential buildings:
   - Reduce the assessed value by 40 percent, which would provide a similar financial incentive as the current program, but without the negative aspects of "special assessment."
   - Assessed values would increase up to 3 percent per year (more if major improvements are made) for the 15-year term.
   - Second 15-year terms would be permitted (after reassessment) under certain conditions: seismic improvements, ADA compliance, energy savings, or sustainability improvements.

5. **Increase Emphasis on Local Government Decisions.**
   While the State Historic Preservation Office (SHPO) would continue to administer the programs and approve applications for participation, the reviews of proposed rehabilitation work that local governments already conduct would suffice for project-by-project approval during the 15-year term. This would eliminate the need for participants to seek separate SHPO approval for each improvement or modification they undertake. SHPO would conduct reviews only if local governments do not.

6. **Streamline Processes.**
   The application forms and processes for both programs would be simplified and the fees greatly reduced to encourage participation. The current annual open house requirement would be eliminated,

due in part to personal safety and property risk concerns and lack of attendance. Changes to insignificant interior features would no longer require approval. The local review process described above would reduce time and avoid duplicated effort for a SHPO review.

7. **Ensure Accountability.**
Progress reports documenting compliance with the approved preservation plan would still be required every five years under both programs. SHPO would have the authority to conduct random inspections and to investigate violations. Local jurisdictions and citizens would be able to request SHPO inquiries. Participation in either program would be recorded with the deed, ensuring that new owners are aware of their responsibilities. Violations would be cause for removal from either program, triggering repayment of taxes, plus interest and penalties.

Roseburg

Why Preserve?

We preserve places people are proud to call home, and places travelers wish to visit.

"Dollar for dollar, historic preservation is one of the highest job-generating options available."
- Donovan Rypkema

Albany

Nothing evokes a community's heritage and unique identity quite like the buildings, structures, streetscapes, and landscapes that define the way it looks. This view is different for every county, city, and town—every community in our state—and it helps us understand each generation's contributions over time. This does not mean that as a society we must preserve every building ever constructed in order to understand our heritage. But if we do not selectively conserve examples of buildings from each generation, a community cannot tell the story of its peaks and declines, or document the values of its members and how those have evolved over time. We preserve buildings to preserve memory, and we preserve so that Oregon communities do not lose the qualities that make them different and interesting, that make them places people can identify with, places people are proud to call home, and places travelers wish to visit. Here are five more reasons why we preserve historic buildings:

1. Because it pays.
Dollar for dollar, historic preservation is one of the highest job-generating economic development engines available. In his 2005 study, noted economist Donovan Rypkema applied the U. S. Department of Commerce's Regional Input-Output Modeling System (RIMS) to examine the comparative multiplier effects on local economies of equal investments of $1 million in both historic rehabilitation construction work and new construction. Applied specifically to Oregon, Rypkema found that $1 million in historic rehabilitation creates 36.1 jobs, compared to the 24.5 jobs generated by that same $1 million in production by the average Oregon manufacturing firm. One million dollars of manufacturing output in Oregon will add, on average, about $536,000 to local household incomes, but $1 million of rehabilitation will add $783,000. National studies show that commercial benefits are even greater. In general, every $1 million spent on non-residential historic rehabilitation creates two jobs more than the same money spent on new construction. It also generates $79,000 more in income, and $13,000 more in taxes.[3]

3 Donovan Rypkema, *The Economics of Historic Preservation: A Community Leader's Guide,* 2nd Ed. (Washington, DC: National Trust for Historic Preservation, 2005), 13; Rypkema, "Economics, Sustainability, and Historic Preservation" (closing plenary paper presented at the annual meeting of the National Trust for Historic Preservation, Portland, Oregon, October 1, 2005); "Economic Impacts of Historic Preservation," New Jersey Historical Trust, 1997.

Construction work associated with historic preservation projects stimulates the local economy. Historic rehabilitation is labor intensive, for both the professional sector and the building trades, and the use of locally obtained building materials further augments local payrolls and tax revenues.[4]

Economic benefits of historic preservation are both direct and indirect. A few years ago, the Advisory Council on Historic Preservation (ACHP) identified some indirect community benefits. They include:

- new business formed;
- private investment stimulated;
- tourism stimulated;
- increased property values;
- enhanced quality of life,
- sense of neighborhood and community pride;
- new jobs created;
- compatible land-use patterns;
- increased property and sales taxes;
- pockets of deterioration and poverty diluted.

In the years since the ACHP prepared that list, the impact of historic preservation on local economies has been measured in dozens of places. The most systematic of these analyses have been conducted by the Government Finance Research Center of the Government Finance Officers Association. Repeatedly, it has identified numerous indirect and continuing economic effects of historic preservation.[5]

Oakland

2. Because it attracts visitors.

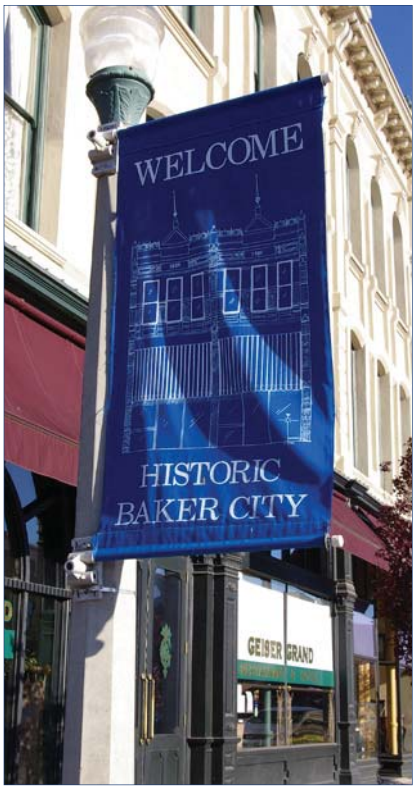
Oregon's small town and rural communities are being asked to respond to significant economic, demographic, and social changes. In the effort to identify ways to increase economic agility in these areas, tourism has emerged as an important component of economic development planning.

In Oregon, tourism is one of the state's largest industries, employing 90,000 Oregonians and contributing $7 billion to the state's economy annually. A growing number of visitors to this state are "special-interest" travelers, who rank heritage or other cultural activities as one of the top five reasons for traveling. Known as "cultural tourists," they comprise 81 percent of the 146.4 million U.S. adults who took a trip of 50 miles or more away from home in the past year. This type of travel grew 13

4 Rypkema is a nationally-recognized real estate and development expert who has assisted some Oregon communities in their downtown development planning. His study is summarized in the National Trust for Historic Preservation's Information Brief #53, "The Economics of Rehabilitation," which he wrote.

5 Rypkema, *A Community Leader's Guide*, 15.

"Small businesses are our economic foundation. With the Main Street program, we join together to retain and grow small businesses throughout Oregon."
- Governor Kulongoski



Baker City

percent between 1996 and 2002. As visitors grow tired of increasing homogenization, authentic experiences have become central in deciding where to go and what to do. A survey of Oregon's 2006 overnight visitors found that 42 percent of travelers visit small towns and villages; 28 percent visit landmark/historic sites and 18 percent visit historic areas. Nationally, 40 percent of adults who traveled in the past year report they visited a designated historic site, such as a building, landmark, home, or monument.

A September 2006 report prepared for Oregon Arts Commission titled "Exploring Authentic Oregon: The Importance of Cultural Tourism," notes that cultural tourists are older; tend to make and spend more money; are more likely to use a hotel, motel or bed and breakfast; and are more likely to stay longer in one place; a combination of behaviors that generates millions of dollars for destination communities in spending on shopping, food, lodging, and other expenditures.

The National Trust for Historic Preservation has developed five guiding principles for capturing the cultural heritage tourism market in local communities. One of the five is "Preserve and Protect," and its message is clear and concise: "When you protect the buildings, special places, and qualities that attract visitors, you safeguard the future."[6]

3. Because it builds strong communities.
Studies nationwide, including a recent analysis in Washington State, consistently show that historic downtowns serve as tourist destinations, attract festivals and events, and can be a tremendous draw in keeping a local labor force. Recognizing this, the Oregon Main Street was created in 2007 to assist historic communities with downtown revitalization. Historic downtowns are filled with small businesses and, as noted by Governor Kulongoski, "Small businesses are our economic foundation. With the Main Street program, we join together to retain and grow small businesses throughout Oregon."[7]

Historic residential districts tend to appreciate at rates greater than the local market overall and disproportionately house people of modest means, providing critically needed, non-subsidized affordable housing in urban areas. Historic neighborhoods have smaller lots, which make them more pedestrian-friendly, and they make efficient use of existing

6 Oregon Arts Commission, "Exploring Authentic Oregon: The Importance of Cultural Tourism" (Salem, 2006), 3, 20; Travel Industry Association of America and Smithsonian Magazine, "The Historic/Cultural Traveler," 2003 edition.

7 Theodore R. Kulongoski, Governor of Oregon, announcing Oregon Main Street Cities (26 September 2008), Oregon City.

infrastructure. For these reasons, and others, today's city planners and architects look to our historic downtowns and neighborhoods as models for planning, creating new mixed-use developments and compact neighborhoods with diverse architecture, walkable steetscapes, and a sense of place.[8]

4. Because it's the law.
The Governor and Oregon Legislative Assembly recognized the benefits of historic preservation in Oregon Revised Statute 358.605, adopted in 1983. This declaration of state policy embodied the principles of preservation set forth in the National Historic Preservation Act of 1966, acknowledging that the public has an interest in the preservation and management of places able to yield historic information and cultural and economic value; that preservation and rehabilitation of historic resources are important as a "prime attraction" for visitors; that they attract new industry; and that they are important to the revitalization of neighborhoods and downtowns.[9]

5. Because we can't afford not to.
Concerns about global warming and rising oil prices have made concepts like "sustainability" and "green" building practices familiar to the general public in recent years. Far from being empty buzzwords, these concepts form the foundation of Oregon's Sustainability Initiative, as detailed in a 2006 Executive Order. Historic preservation is a key component of some of the most fundamental aspects of the state's initiative, addressing all three community objectives set forth by the 2001 Oregon Legislature: economy, community, and environment.

Historic preservation makes a lot of sense for communities interested in "greening" their development plans because reusing existing building stock is inherently sustainable. Preserving and rehabilitating historic buildings makes use of existing infrastructure and materials, the costs of which have already been paid by previous generations. In addition, historic buildings are constructed, generally, with some of the least-consumptive materials available: wood, brick, plaster, and concrete. When we lose historic buildings, they tend to be replaced with buildings constructed with materials vastly more consumptive of energy and more toxic to produce, such as plastic, steel, vinyl, and aluminum. The

The Legislative Assembly finds that the preservation and rehabilitation of historic resources are of prime importance...
- Oregon Revised Statutes 358.605(2).

Portland

When you strip away the rhetoric, preservation is simply having the good sense to hold on to things that are well designed, that link us with our past in a meaningful way, and that have plenty of good use left in them.
- Richard Moe
President, National Trust for Historic Preservation

8 William B. Beyers and Matt Dadswell, The Economic Benefits of Historic Preservation in Washington State Summary Report (Seattle, 2006). Prepared for the Washington Department of Archaeology and Historic Preservation; Rypkema, "Economics, Sustainability, and Historic Preservation."

9 Specific language for section 605 of Oregon Revised Statutes Chapter 358 may be found in Appendix I of this report.

construction itself is costly, too. Constructing a new, energy-efficient 50,000-square-foot commercial building requires the same amount of energy needed to drive a car 20,000 miles a year for 730 years. Once it's up and running, it will take about 65 years for the new building to save the amount of energy lost in demolishing an existing one, based on recent calculations by the United States Energy Information Administration.[10]

10 Theodore R. Kulongoski, Governor of Oregon, *Executive Order 06-02, 19 January 2006* (Portland, 2006); Rypkema, "Economics, Sustainability, and Historic Preservation;" Oregon Solutions website (orsolutions.org); National Trust for Historic Preservation, "Why our Existing Buildings and Neighborhoods Matter" (Washington, DC, 2008); U.S. Energy Information Administration, "Commercial Buildings Energy Consumption Survey" (Washington, DC, 2003).

Special Assessment Report Card

How Effective has the Special Assessment Program been in Promoting Preservation and Reinvestment in Historic Buildings?

Incentives help level the playing field, allowing developers a fair return on a historic rehabilitation project, and the community keeps a valued part of its identity.

Most communities want to preserve their individual character, but many of them lack the tools to accomplish that. The Special Assessment program is one of those tools. If we fail to offer useful incentives, such as the Special Assessment program, Oregon's communities could easily become overwhelmed by ubiquitous new development, indistinct in character and unrelated to community values. Particularly for commercial buildings in neighborhoods with crushing development pressures, it is often more profitable to replace a historic building than to rehabilitate it, even when the older one is attractive, structurally sound, and able to accommodate a viable new use.

Portland

By and large, this incentive program has been very successful in encouraging reinvestment in the state's historic assets.

Participants in Special Assessment have committed to investing more than $73 million per biennium since 2004 (see Appendix G). These totals underestimate the true extent of statewide and county investments in historic rehabilitation because they do not take into account the catalyst, or multiplier effects, that are so hard to quantify. In addition, estimates are based only on projects that qualify under the state tax incentive program. The figures do not capture spending by governments and tax-exempt organizations, nor the money spent by individuals restoring homes not listed in the National Register of Historic Places. Examples of recent government historic rehabilitation projects include renovations to city and county administration buildings, historic schools, libraries, and parks.[11]

The existing Special Assessment program needs an update.

The Special Assessment program has been in place for over 30 years. It has evolved over time, and will continue to do so, responding to changing economic circumstances and political realities. The incentive to participate in the program has declined in recent years with the

11 Based on Special Assessment program statistics between 2004 and 2008; Beyers and Dadswell, 5-6.

adoption of Measures 5 and 50. These caps on the increase in property tax assessments and tax rates have lessened the burden that owners of historic properties experienced when major increases in property taxes followed their rehabilitation efforts. Since the passage of Measure 50, owners of specially assessed properties in some localities have seen, at the end of the 15 years, property tax increases well beyond the three percent-per-year cap allowed under a normal tax assessment. And finally, there have been legitimate concerns that not all program participants receive the same benefit, or perform the projects they agreed to in their preservation plan. The findings and recommendations of the Task Force address these issues and better align the program with current tax structures, local economic conditions, and evolving community priorities.

Portland

Special Assessment: who has been participating?

- Approximately 10,150 properties are listed in the National Register of Historic Places in Oregon, including contributing properties in historic districts.
- The vast majority are privately owned residential and commercial properties. By the end of 2007, 783 of those properties were participating in the Special Assessment program.
- About 40 percent of these properties are in Portland, and more than half of those properties are residential, including more than 200 single-family houses and about 60 mixed-use and/or residential condominiums.[12]

Nationwide studies show that the incidence of historic rehabilitation is higher in urban communities and mature suburbs, accounting for as much as ten percent of all rehabilitation.[13] This is reflected in Oregon's largest metropolitan area, where participation in the Special Assessment program accounts for almost half of the program's participants statewide. As the Portland Planning Bureau pointed out in its 2006 report to the Portland Landmarks Commission:

> Special assessment is a driving factor in promoting new National Register listings and the initiation of substantial renovation and rehabilitation projects in Portland. It is

12 Portland Planning Bureau, "Historic Special Assessment: Authorizing Second-Term Residential Applications," July 2006.

13 FannieMae Foundation, "The Contributions of Historic Preservation to Housing and Economic Development," Housing Policy Update 9 (Issue 3, 1998): 442.

one of the very few direct financial incentives that help bridge the economic gap in preservation projects that results from the relatively higher costs and lower potential returns associated with financing, improving and maintaining historic buildings. It is also one of the few incentives that rewards historically appropriate maintenance of historic resources; that is, good stewardship. Most other incentives are geared to major renovation or rehabilitation. The program is particularly important to smaller historic buildings and single-family residential properties, which cannot take advantage of federal historic tax credits and have few other preservation incentives available (and in many cases have significant disincentives, such as underlying zoning entitlements that encourage total site redevelopment).[14]

It is also one of the few incentives that rewards historically appropriate maintenance of historic resources, that is, good stewardship.
- Portland Planning Bureau

While the Special Assessment program has been particularly useful in urban areas with high property values, it has also been an invaluable tool for commercial and residential revitalization in small towns in rural areas. Special assessment is often the only tool available to property owners in these communities, as their rehabilitation projects tend not to meet the financial qualifications required for federal tax incentives. The findings and recommendations discussed below reveal a deliberate policy choice by the Task Force to make the state tax incentive even more useful for rural Oregon.

Crook County

The Special Assessment program has been...an invaluable tool for commercial and residential revitalization in small towns and rural areas.

Comments from Participants

"As we revitalize our historic downtowns, we need incentives and tools to stimulate participation. Special Assessment is a powerful tool."
- Alice Norris, Mayor, Oregon City

"The property tax savings were a contributing factor to the overall success of our projects."
-Mike McMenamin, co-owner, McMenamins

"Knowing the rate would be frozen for 15 years helps us to stabilize our operating budgets and keep our rents affordable for low income or special needs residents. Even as a non-profit we are not always eligible for a property tax exemption so this tool has been a life saver."
--Betty Tamm
Umpqua Community Development Corporation, Roseburg

14 Portland Planning Bureau, 2.

Findings and Recommendations

The primary issue facing the Task Force on Historic Property is to determine whether the existing Special Assessment program should be reauthorized, and, if so, under what conditions or modifications.

The Task Force concludes that the existing Special Assessment program, despite certain complexities and problems, has been an effective tool for historic preservation and a justifiable tax incentive program. **The Task Force therefore recommends that the Special Assessment program be continued, but only as an option for commercial buildings.** The special assessment mechanism has proven to be an especially effective tool for historic commercial buildings in areas with high real estate values and intense development pressures. The program would continue as it has in the past, with only minor changes.

The Task Force also recommends a new Property Tax Reduction program as a second option for commercial buildings and as the only option for residential buildings. The Property Tax Reduction program is expected to be equally effective or better than the existing program in fulfilling the goals of preserving historic buildings and stimulating reinvestment in them. The proposal is simpler to understand and implement than the existing Special Assessment program, and it avoids the inadvertent negative consequences of that program. The proposed reduction amounts will have a similar effect on revenue as does the current program.

Both programs offer property tax relief in exchange for a commitment to preserve historic buildings appropriately. They also hope to stimulate the revitalization of commercial historic districts and the stabilization and rejuvenation of residential historic districts—both worthy goals for any community.

1. **Special Assessment**
   This incentive would now be optional for commercial buildings only. It has features that are necessary to make certain types of buildings viable candidates for historic preservation, as opposed to demolition and new construction. The basic components of the proposed program are the same as those of the current Special Assessment program.
   - The Special Assessment "freezes" the assessed value for 15

years, thereby stabilizing property taxes.

- Improvements made to the building during that time do not increase the assessed value. Buildings that undergo major rehabilitation early in the term benefit the most as a result.
- Properties are reassessed at a higher value after the completion of their term in accordance with the Department of Revenue's guidelines.
- Second terms would be eligible for both commercial and residential buildings, but only if the preservation plan includes significant investment in ADA compliance, seismic improvements, energy conservation, or sustainable development practices.
- Third terms, in any combination of Special Assessment and Property Tax Reduction, would not be allowed.

Comments:

It has turned out that some specially assessed properties have faced unintended and unforeseen penalties upon completion of their terms (namely, that the taxes could be much higher at the completion of the term than had the property never participated in the program). Nevertheless, the special assessment concept has features that work well for historic preservation purposes in situations where there are high land values and rapidly escalating real estate costs. Keeping open the option for either Special Assessment or the new Property Tax Reduction is important to accommodating the varied needs of historic commercial buildings.

Portland

2. Property Tax Reduction

This new program would reduce the assessed value (and commensurately, the taxes) for 15 years.

- The assessed value of commercial buildings would be reduced 50 percent. For residential buildings it would be 40 percent.
- The assessed value (and taxes) would continue to increase by up to 3 percent per year, depending on local real estate values, just as with non-historic properties.
- The value of approved major improvements and additions would not be included in the assessed value during the 15-year term for commercial buildings, but would be included for residential buildings.
- Commercial and residential buildings would be eligible for second terms, but only if the preservation plan includes significant investment in ADA compliance,

seismic improvements, energy conservation, or sustainable development practices.

- Second terms for residential buildings could be disallowed if the local jurisdiction has adopted an ordinance or resolution to that effect.
- Third terms, in any combination of Special Assessment and Property Tax Reduction, would be prohibited.

Hood River

Comments:

The 50 and 40 percent reductions may actually be less of a benefit than the current Special Assessment benefit in certain counties (particularly Multnomah). However, they are similar to the current benefits in most of Oregon's counties, which is important as we try to create a more fair and predictable incentive for historic buildings statewide. Plus, a property tax reduction is much easier to understand and calculate than special assessment has been.

Proposed benefits for commercial buildings are better than those for residential buildings because commercial buildings provide a much stronger stimulus for economic development and are more accessible to the public. This is especially important in communities with historic downtowns that have struggled to attract and retain businesses. This also bolsters the Oregon Main Street program, approved by the 2007 legislature, which focuses on helping cities with historic downtowns that have struggled to retain their stature and viability as commercial centers.

The exclusion of second terms for residential buildings by local jurisdictions accommodates local government concerns about unwarranted subsidies for properties that may not merit a second term.

3. **Basic Requirements for Participants**

Requirements for the proposed Special Assessment program and the new Property Tax Reduction program would be the same, and they would be similar to the requirements of the existing Special Assessment program.

- **Buildings must be listed in the National Register of Historic Places**, either individually or as part of a historic district. "Non-

contributing" (i.e., altered) buildings in National Register districts are also eligible if the SHPO determines that they can be restored to their historic appearance. Such properties would only be conditionally approved until the rehabilitation work has been completed.

- **Owners must apply for the benefit**; it is not automatic with National Register listing. Approximately 80 percent of National Register property owners have chosen not to apply, either because they are unaware of the program or because of concerns about the requirements and restrictions.
- **Applicants must fulfill all program requirements**, including the following:
    - Submit a "preservation plan" as part of the application that outlines maintenance and rehabilitation work planned for the 15-year term. (See Preservation Plan discussion below.)
    - Pay an application fee equal to 1/10 of one percent of the *assessed value* of the designated historic property. The current fee is 1/3 of one percent of the much higher *real market value*. (See Fee discussion below.)
    - Place a plaque on the building.
    - Record a notice with the deed at the county that the property is part of the program. This is a new requirement. (See the Deed Recordation discussion below.)
    - Obtain approval for all repairs and rehabilitation work on the property during the 15-year term to ensure that the historic character of the building is maintained. (See the Project Review discussion below.)
    - Submit periodic progress reports to document compliance with the approved preservation plan.
    - Allow SHPO to conduct "audit" inspections of the building in order to verify program compliance.

Comments:

These requirements are very similar to those for the current program, with the following important exceptions:

- Preservation plans would now focus primarily on exterior features only; the existing program reviews both interior and exterior modifications. Only changes to significant interior features would trigger a review.
- **Application fees** would drop by approximately 80 percent under the new and revised programs.
    - High fees have been an impediment to program

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participation. Many property owners are actually "in the red" for several years before their tax savings recoup the fee.
    - Fees rose over the years to generate revenue to cover administrative costs. Given that staff perform other duties outside this program, and given that neither the statute nor the administrative rules intended the program to be self-funding, the Task Force believes that the fees could be significantly reduced.
    - The proposed fees will cover the non-staff costs associated with the program, primarily the cost of plaques and deed recording.
- **Deed recording** is a new requirement. This will help inform subsequent owners that the property is in the program and make them aware of the associated benefits and obligations.
- The **annual open house** required under the current program will be eliminated because it is not worth the administrative effort or the potential liability.
    - There have been concerns for many years about issues of personal safety and property risk, especially with female and elderly owners.
    - Low attendance at open houses is common. Many homes report no visitors at all.
    - Coordinating and posting notices of open houses each month takes considerable time on the part of SHPO staff.
    - Commercial buildings are generally open to the public already, and many historic neighborhoods and districts hold voluntary open houses to promote historic preservation awareness, so the public has access to historic buildings in other ways.
    - No other tax incentive programs offered by the state require a public visitation component.
- **Project reviews** of proposed work, currently a SHPO function, will be handled primarily at the local level. Most cities already conduct reviews as part of their local historic preservation and landmark commission processes, so this would not create a new workload. SHPO may comment on the proposed work during the local review process, but the local review would be the decision of record. SHPO would conduct reviews

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in a community only if the local government is unable to do so. SHPO will provide training to local landmark commissions and staff to help them make appropriate preservation decisions.

4. Other Issues

Second Terms

- The Task Force believes that second terms are appropriate only for extra effort beyond routine preservation and maintenance. Currently, commercial buildings must meet additional requirements for a second term: upgrades in universal access (ADA), seismic, and energy; sustainability improvements would be a new option here. These requirements would now apply to both commercial and residential buildings.
- The existing program disallows second terms for both commercial and residential properties unless a local government authorizes them. As proposed, commercial buildings would be eligible for second terms without local government approval. Residential buildings would be eligible as well unless the local government explicitly disallowed them. Both would have to meet the additional requirements described above.
- Currently, local governments can exclude specific neighborhoods from second terms and even veto specific second-term applications. To date, no local government has done so. The Task Force believes that the added requirements for second terms address the local government concern that some properties might benefit a second time without doing substantial rehabilitation work.

Union County

Transition:

Properties in the Special Assessment program would not be allowed to shift to the Property Tax Reduction program without first withdrawing from Special Assessment and paying the applicable back taxes, interest, and penalties.[15]

Withdrawal and Removal:

- Property owners can withdraw from the program at any time, but they are then subject to payment of back taxes, interest, and penalties.

15 The state constitution has strict language about all types of special assessment—historic, forest, farm—and the implications of removing a property from special assessment.

- Properties may be "decertified" or removed from the program for non-compliance with the requirements. Again, they would be subject to back taxes, interest, and penalties.

Program Administration:

- The State Historic Preservation Office (SHPO) would administer both programs, just as it currently oversees the Special Assessment program. This would include certifying applications, reviewing reports, conducting inspections, maintaining program records, and, when necessary, decertifying projects.
- Local jurisdictions and county assessors may comment on the eligibility and appropriateness of applications (including preservation plans).

5. Proposed Legislation and Directives

- In anticipation of a favorable recommendation by the Task Force, **SHPO prepared a legislative concept in the spring of 2008 to reauthorize and modify the Special Assessment program.** Legislative Counsel is currently working on that draft (Legislative Concept 712) and will have a version ready for review some time in October 2008.
- **The Task Force also recommends that the legislature consider a state income tax credit for historic building rehabilitation.** A number of states from around the country have used tax credit incentives effectively for historic preservation and revitalization purposes. Typically the amount of the credit is a percentage (e.g. 25 percent) of the amount invested in rehabilitating the historic building. There is a direct relation between the amount re-invested and the amount of the benefit. An income tax credit would appeal to certain property owners in ways that a property tax reduction does not, and it would spread the tax impact from local governments to the state.
- **The Task Force also recommends that the Governor issue an executive order that would support historic preservation in Oregon in some very tangible ways.** The executive order would encourage agencies at all government levels to locate their offices in historic buildings and historic districts and support neighboring businesses.

Pendleton

APPENDICES

Appendix A

Senate Bill 416 Issues

Senate Bill 416 explicitly identified the issues listed below as study areas for the Task Force. This section of the report describes how the Task Force addressed those issues. This discussion repeats information provided in other sections of this report, but it is organized in a manner to mirror the wording in SB-416.

1. **Assess the effectiveness of the Special Assessment of Historic Properties program in stimulating historic preservation activities and reinvestment in historic buildings and districts.**

   The Task Force reviewed the program history and studies from other parts of the country in order to gain a perspective on preservation incentives in general. The conclusion was that the program has been effective overall, though state property tax changes of the 1990s that limited tax increases (primarily measures 5 and 50) have diminished its effectiveness and its appeal to historic building owners. This is indicated by the substantial decline in new participants since the mid-1990s: 37 projects per year since 1995 vs. 82 projects per year prior to 1995. Increased fees and requirements and other complexities of the program have also stifled participation. Despite the diminished appeal, the program provides a market-driven incentive that responds well to the realities of certain properties, specifically commercial buildings undergoing major rehabilitation work in areas of rapidly increasing property values.

2. **Review the application fee structure and the costs to both program administrators and participants.**

   - **Fees**: The fees, which have increased over the years, are too high. They deter participation and substantially dilute the actual benefit. Many properties have been "in the red" for several years of their 15-year term because of this.

     The Task Forces recommends a significant reduction in the application fee. The proposed fee structure, based on a percentage of the assessed value, would be approximately one-fifth (or 20 percent) of the current amount.

     The fees, though used at times in the past to help cover staff costs, were never explicitly earmarked to cover administrative costs. Their purpose was to benefit historic preservation efforts in Oregon. Over the years, they have been used for grants to historic buildings, SHPO staff costs, and for programs that benefit historic preservation throughout the state. Surplus fee revenues are kept in a separate account to ensure they are spent appropriately.

   - **Administrative Costs**: SHPO's administrative costs have been very reasonable over the years. One SHPO staff person, among other duties, handles the primary workload of the program. Other staff members assist as necessary. The Task Force recommendations would streamline the program and reduce administrative costs.

- **Participant Costs**: In addition to the initial application fee, participants must currently pay for the required plaque (approximately $55). Participant costs would go down substantially under the Task Force recommendations. Application fees would be reduced approximately 80 percent, and the plaques would be paid for from the fee revenues.

  Other "costs" to participants include the time and paperwork to complete the application, periodic reports, and project review requests for work items undertaken during the course of the 15-year term. By streamlining the paperwork and eliminating procedural redundancies, as the Task Force recommends, these costs will go down.

3. Assess the accountability of program participants for projects that meet program goals and for completion of work plan tasks.

Most participants follow program requirements and preserve their historic buildings appropriately. SHPO tracks work plan progress through the reports participants submit every five years. Participants are also required to obtain SHPO approval before starting each work plan task. Local governments assist in monitoring compliance through their local historic review requirements. Participants usually revise their original preservation plan as new priorities emerge during the course of the 15-year term. These require SHPO approval.

When non-compliance letters are necessary, most recipients respond positively. However, SHPO typically removes several properties per year either for violations or at the owner's request. Local government staff and neighbors are usually the ones who report violations to SHPO.

4. Review the program's administrative rules.

The rules are long, detailed, and complicated, due to the complexities of special assessment and the numerous statutory changes that have been made to the program during its 33-year tenure. If the Task Force recommendations are adopted by the legislature, a thorough revision of the rules will be necessary.

5. Study the role of local governments and the fiscal impacts of the program on local governments.

- Local governments inadvertently play an important role in the Special Assessment program. While their official role is quite limited (commenting on applications in their jurisdictions), they actually perform a very important monitoring function. Historic properties, whether specially assessed or not, are subject to local historic review. Through that review process, local governments provide a level of monitoring and oversight that SHPO cannot. The Task Force recommends formalizing that role by having the local historic review serve as the official review for special assessment projects. SHPO would refocus its efforts on training local historic review boards so they can make good preservation decisions.

- Fiscal impacts are obviously a concern for local governments, but the loss of property tax revenue through this program is negligible in most local governments' budgets. (See Appendix D for the number of projects per city and their total assessed value.) The Department of Revenue estimates the program will generate a $29 million loss statewide for 2007-09, which is $14.5 million per fiscal year for the entire state. Spread among the counties, these losses are minimal on a local government basis.

6. Evaluate the economic impact of the program on local communities that rehabilitate and preserve their historic built environments.

Over the years, numerous studies have been conducted in states throughout the country to assess the economic impacts and benefits of historic preservation. The most recent study in Oregon was in 2002. All of the studies have concluded that reinvestment in historic buildings makes sense economically. The impacts and benefits vary, of course, from state to state and city to city, but the clear message is that historic preservation benefits communities and local economies. Preservation improves property values, revitalizes commercial districts, stabilizes neighborhoods, and attracts heritage tourists. See the "Why Preserve?" section of this report for a more detailed discussion of this issue.

7. Study the role of the program in relation to other historic preservation incentive programs, including the Historic Preservation Revolving Loan Fund Program, grant programs and a rehabilitation tax credit program.

Special Assessment offers an important incentive for a wider range of historic buildings than do most other incentive programs. Any historic property subject to property taxation, whether commercial or residential, urban or rural, may participate in the program. However, even with its broad coverage, Special Assessment does not work for all types of historic buildings or all types of owners; hence the need for other incentives.

A **federal tax credit** program for historic buildings, introduced in the late 1970s, targets "income-producing" buildings only. It has been very successful in attracting reinvestment in historic commercial properties. While the income tax credit is an attractive benefit, it is not applicable to public, institutional, or owner-occupied residential buildings. Due to its rigorous requirements, the program rarely works for small-town commercial projects. It serves primarily larger projects in larger cities.

The Oregon Legislature approved a **Historic Preservation Revolving Loan Fund Program** several years ago, but funding has never been provided. While the idea is good, the track record for revolving loan programs is not encouraging. Nationally, very few programs are effective—or even much used. Borrowers often need longer terms and larger loans than the funds can provide. Interest rates on the loans are usually not much better than conventional financing. Many potential borrowers are leery of the preservation restrictions that accompany the loans. Revolving loan programs also have a heavy administrative burden. They work best as gap funding for bringing derelict buildings up to code so they can qualify for a larger conventional loans.

Grant programs fill an important need for smaller historic preservation projects that need upfront money (not tax savings down the line). The Preserving Oregon grant program, administered by SHPO, provides $250,000 per biennium for projects statewide. Priority is given to public and non-profit-owned buildings, which do not qualify for any of the tax incentives. Grants are limited to $20,000 per project and require a match. While the program has been very popular and effective, its impact is limited by the relatively small pool of money.

State tax credit programs are among the most effective preservation incentives available. Many states now have them, and the Task Force recommends that Oregon join their ranks. The benefit—an income tax credit—is a percentage of the amount spent on rehabilitation (25 percent is common). The larger the reinvestment, the larger the credit and the greater the local economic impact. Tax credit programs are easier to administer than special assessment because they focus only on a short-term rehabilitation project, not a 15-year term.

Preservation incentives are critical to preserving Oregon's historic buildings. Too often government addresses preservation only through regulations, usually at the local level. Regulation alone cannot and should not be the only tool for preservation. A broader range of incentives, particularly a state tax credit, would help preservation fulfill its potential in preserving history, building communities, and stimulating economic revitalization.

8. Consider the complexities of including multiple owners of residential condominium projects within historic buildings in the Special Assessment of Historic Properties program.

While condominium projects have been relatively rare in the Special Assessment program, they have generated questions and issues due to their unique ownership structure. The Special Assessment statute and administrative rules do not address the issue of multiple-owner applications.

After studying the issue, the Task Force recommends that historic buildings comprised of residential condominiums may participate in the program only if either the condominium association or all the owners agree to abide by the program requirements. This is the only way to ensure that the entire building is preserved appropriately. Violations by one owner could jeopardize the benefit for all. For administrative efficiency, the owners have to designate a primary contact person to serve as the liaison with SHPO.

As proposed by the Task Force, residential condominiums would qualify only for the new Property Tax Reduction program, not Special Assessment, which would be available only to commercial buildings. This would resolve the concern about extraordinarily low property taxes for newly created, upscale condominiums in former warehouses with very low frozen assessed values. Under the new program, owners would enjoy a 40-percent reduction of the assessed value of their condominium.

9. Assess the negative impact on program participants when the term of the special assessment expires and property taxes have increased beyond the capped three percent per year increase allowed if the property had not been in the program.

When historic properties come off special assessment ("disqualified" is the official term), their property taxes are recalculated according to a complex formula that factors in local property values. If local values have soared, then the newly disqualified property may face higher taxes than had it never gone through a special assessment term. This inadvertent penalty has come to light only in recent years, triggered by rapidly escalating real estate prices.

The Department of Revenue investigated the issue in 2007 and determined that it could not be resolved either administratively or legislatively. The state constitution has explicit language on special assessments of all types (forest, farm, historic) that dictates how disqualified properties must be reassessed. The only way to correct the problem is to revise the state constitution—a daunting task.

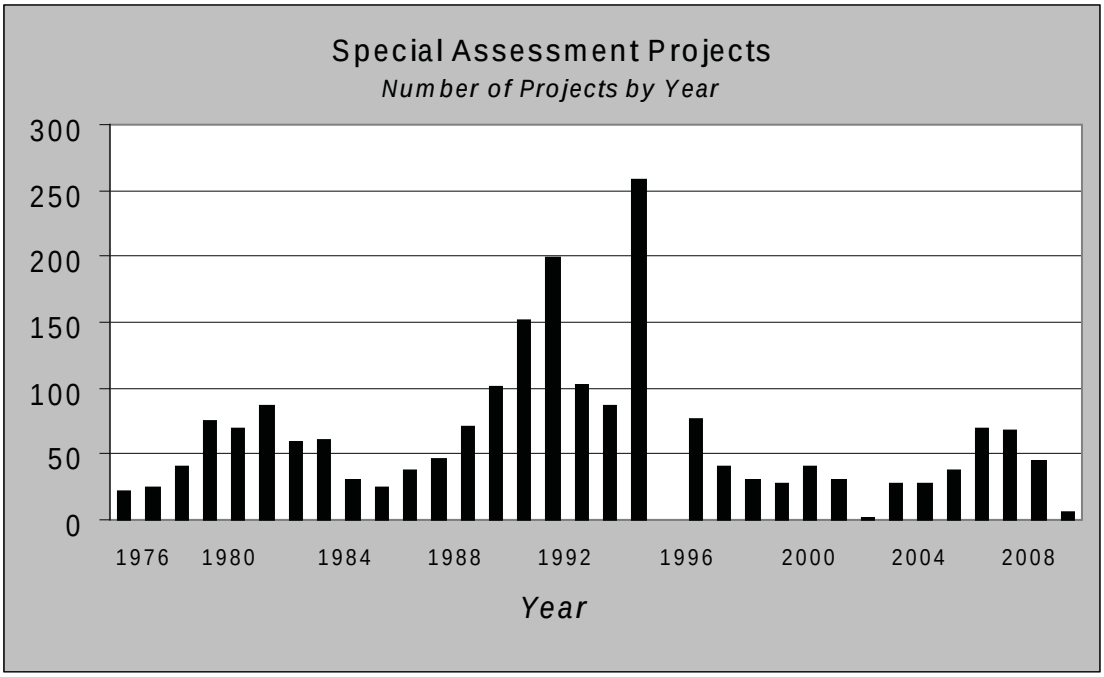
The Task Force recommendation to create a new Property Tax Reduction program resolves this problem. The benefit would no longer be a "special assessment," so the punitive reassessment formula would not apply. The Special Assessment program would be retained as an option for commercial buildings. Despite the potential downside, it offers advantages for some historic commercial buildings in areas with high land values.

10. Consider any other issue concerning the program that the Task Force determines is necessary or desirable to assist the Task Force in making the assessment or recommendations required under this subsection.

The Task Force explored a broad range of issues in its review of the Special Assessment program. The conclusions and recommendations in this report are the results of that comprehensive analysis.

Appendix B

Special Assessment Projects by Year, 1976-2009

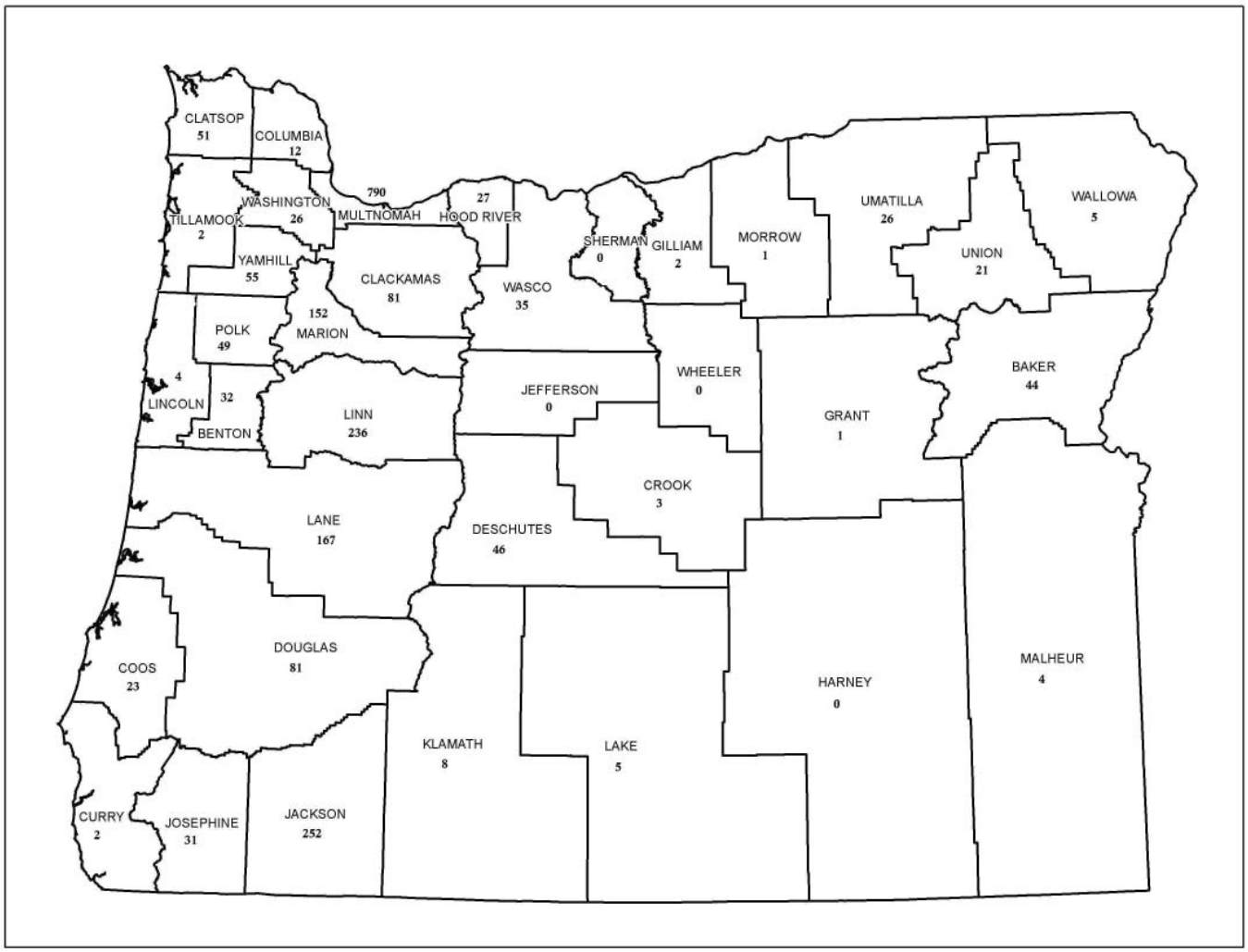


- Property tax reforms of the early 1990s, particularly Measure 50, have had a significant impact on the program. Measure 50 limited the annual increase of property taxes, thereby lessening the appeal of this "property tax freeze" program. Prior to 1995, there was an average of 82 projects per year. Since then, the average per year is only 37.
- The large number of applications for 1994 (258) was in anticipation of the program's potential termination due to a 1993 sunset clause in the statute. The program was reauthorized, however.
- There were no applications for 1995 because the program lapsed for one year.
- The single application in 2002 was due to the tight timelines from another reauthorization.
- Applications for 2009 are accepted through December 31, 2008, so the number shown here is incomplete. Most applications are submitted at the end of the year.

Appendix C

Map of Special Assessment Projects, All Projects, 1976-2009

Counties with larger populations and higher concentrations of historic buildings have had greater levels of participation in the Special Assessment program, as might be expected. Multnomah County, dominated by Portland, has had 38 percent of the projects.



Appendix D

Special Assessment Projects by Year City and County, Active Only

This list provides a perspective on the level of participation—and potential impacts—to local governments from the Special Assessment program. Note: Assessed value amounts are from the year of application.

Baker County

	No. of Projects	Assessed Value
Baker City	22	$1,434,583
	22	$1,434,583

Benton County

	No. of Projects	Assessed Value
Corvallis	4	$514,237
Monroe	1	$34,580
Philomath	2	$115,130
	7	$663,947

Clackamas County

	No. of Projects	Assessed Value
Clackamas	1	$109,500
Molalla	1	$67,120
Oregon City	6	$794,708
Sandy	1	$124,330
Tualatin	1	$260,800
Welches	1	$91,440
West Linn	1	$104,180
	12	$1,552,078

Clatsop County

	No. of Projects	Assessed Value
Astoria	18	$1,663,579
Gearhart	1	$183,922
Hammond	1	$158,404
	20	$2,005,905

Columbia County

	No. of Projects	Assessed Value
St. Helens	6	$1,114,240
	6	$1,114,240

Coos County

	No. of Projects	Assessed Value
Coos Bay	4	$1,485,090
Coquille	2	$296,303
North Bend	1	$352,457
	7	$2,133,850

Curry County

	No. of Projects	Assessed Value
Brookings	1	$161,200
Sixes	1	$74,830
	2	$236,030

Deschutes County

	No. of Projects	Assessed Value
Bend	32	$4,751,824
Redmond	2	$1,043,364
	34	$5,795,188

Douglas County

	No. of Projects	Assessed Value
Gardiner	1	$110,962
Oakland	5	$406,041
Roseburg	17	$1,740,512
	23	$2,257,515

Gilliam County

	No. of Projects	Assessed Value
Condon	1	$39,460
	1	$39,460

Grant County

	No. of Projects	Assessed Value
John Day	1	$82,380
	1	$82,380

Appendix D, cont.

Hood River County

	No. of Projects	Assessed Value
Hood River	9	$3,778,405
	9	$3,778,405

Jackson County

	No. of Projects	Assessed Value
Ashland	25	$5,587,104
Central Point	3	$509,430
Jacksonville	3	$359,750
Medford	43	$9,743,570
Talent	1	$49,360
Union Creek	4	$85,680
	79	$16,334,894

Josephine County

	No. of Projects	Assessed Value
Grants Pass	13	$1,500,830
	13	$1,500,830

Klamath County

	No. of Projects	Assessed Value
Klamath Falls	3	$375,150
	3	$375,150

Lake County

	No. of Projects	Assessed Value
Lakeview	3	$261,637
	3	$261,637

Lane County

	No. of Projects	Assessed Value
Coburg	9	$649,589
Cottage Grove	18	$1,720,808
Eugene	28	$5,753,880
Springfield	12	$708,692
	67	$8,832,969

Lincoln County

	No. of Projects	Assessed Value
Toledo	1	$96,130
	1	$96,130

Linn County

	No. of Projects	Assessed Value
Albany	61	$6,399,965
Brownsville	1	$13,284
Harrisburg	1	$35,926
Scio	1	$49,700
Shedd	1	$61,242
	65	$6,560,117

Malheur County

	No. of Projects	Assessed Value
Nyssa	2	$37,720
Vale	2	$11,030
	4	$48,750

Marion County

	No. of Projects	Assessed Value
Aurora	5	$435,060
Mill City	1	$54,770
Salem	35	$6,749,960
Silverton	1	$70,660
St. Paul	1	$155,250
	43	$7,465,700

Multnomah County

	No. of Projects	Assessed Value
Portland	289	$280,365,621
Troutdale	2	$6,724,730
	291	$287,090,351

Appendix D, cont.

	No. of Projects	Assessed Value
Polk County		
Dallas	1	$91,070
Independence	7	$661,818
Monmouth	1	$58,160
Salem	1	$150,050
	10	$961,098
Tillamook County		
Neahkahnie	1	$193,384
	1	$193,384
Umatilla County		
Milton-Freewater	2	$63,470
Pendleton	2	$232,560
	4	$296,030
Union County		
La Grande	7	$1,238,126
Union	2	$212,490
	9	$1,450,616
Wallowa County		
Enterprise	3	$132,830
	3	$132,830
Wasco County		
Dufur	1	$417,639
Mosier	1	$246,750
Shaniko	2	$20,750
The Dalles	13	$1,779,560
	17	$2,464,699

	No. of Projects	Assessed Value
Washington County		
Beaverton	1	$251,560
Cornelius	1	$81,930
Forest Grove	3	$394,320
Hillsboro	2	$1,641,380
Portland	1	$104,360
	8	$2,473,550
Yamhill County		
Carlton	1	$31,620
Dayton	7	$606,316
McMinnville	8	$1,494,031
Newberg	2	$379,573
	18	$2,511,540
Grand Totals:	**783**	**$360,143,856**

Appendix E

Comparison of Property Taxes under the Current and Proposed Programs

This chart depicts a sample property in five counties and compares benefits under the current and proposed programs. It also illustrates how the benefit varies from county to county under the current program. Properties in counties with rapidly increasing land values (e.g. Multnomah) receive a better benefit than those in counties with slower increases. The proposed percentages for the Property Tax Reduction program are intended to provide a benefit similar to the existing benefit from an overall state perspective. Some counties will receive more of a benefit than they currently enjoy and others will receive less.

Multnomah County	Existing Commercial (Special Assessment)*	Proposed Commercial at 50% Reduction	Existing Residential (Special Assessment)	Proposed Residential at 40% Reduction
RMV (Real Mkt. Value)	$491,062.66	$491,062.66	$438,827.45	$438,827.45
AV (Assessed Value)	$250,000.00	$250,000.00	$250,000.00	$250,000.00
CPR**	0.509	$125,000.00	0.570	$150,000.00
AV 1st Year (AV x CPR)***	$127,275.00	$125,000.00	$142,425.00	$150,000.00
Tax Rate	2.20%	2.20%	2.20%	2.20%
1st Year Taxes	$2,800.05	$2,750.00	$3,133.35	$3,300.00
Total Taxes	$52,077.89	$51,147.01	$58,276.91	$61,376.42
Present Value of Total Taxes @ 8%	$28,496.88	$27,987.50	$31,888.96	$33,585.00
Application Fee	$1,620.51	$250.00	$1,448.13	$250.00
Linn County				
RMV (Real Mkt. Value)	$369,276.22	$369,276.22	$332,005.31	$332,005.31
AV (Assessed Value)	$250,000.00	$250,000.00	$250,000.00	$250,000.00
CPR*	0.677	$125,000.00	0.753	$150,000.00
AV 1st Year (AV x CPR)**	$169,250.00	$125,000.00	$188,250.00	$150,000.00
Tax Rate	1.89%	1.89%	1.89%	1.89%
1st Year Taxes	$3,198.82	$2,362.50	$3,557.93	$2,835.00
Total Taxes	$59,494.67	$43,939.93	$66,173.54	$52,727.92
Present Value of Total Taxes @ 8%	$32,555.32	$24,043.81	$36,209.98	$28,852.57
Application Fee	$1,218.61	$250.00	$1,095.62	$250.00

Appendix E

Douglas County	Existing Commercial (Special Assessment)*	Proposed Commercial at 50% Reduction	Existing Residential (Special Assessment)	Proposed Residential at 40% Reduction
RMV (Real Mkt. Value)	$333,333.33	$333,333.33	$423,728.81	$423,728.81
AV (Assessed Value)	$250,000.00	$250,000.00	$250,000.00	$250,000.00
CPR*	0.750	$125,000.00	0.590	$150,000.00
AV 1st Year (AV x CPR)**	$187,500.00	$125,000.00	$147,500.00	$150,000.00
Tax Rate	1.55%	1.55%	1.55%	1.55%
1st Year Taxes	$2,896.88	$1,931.25	$2,278.88	$2,317.50
Total Taxes	$53,878.73	$35,919.15	$42,384.60	$43,102.98
Present Value of Total Taxes @ 8%	$29,482.29	$19,654.86	$23,192.74	$23,585.83
Application Fee	$1,100.00	$250.00	$1,398.31	$250.00
Baker County				
RMV (Real Mkt. Value)	$311,720.70	$311,720.70	$289,351.85	$289,351.85
AV (Assessed Value)	$250,000.00	$250,000.00	$250,000.00	$250,000.00
CPR*	0.802	$125,000.00	0.864	$150,000.00
AV 1st Year (AV x CPR)**	$200,500.00	$125,000.00	$216,000.00	$150,000.00
Tax Rate	1.75%	1.75%	1.75%	1.75%
1st Year Taxes	$3,508.75	$2,187.50	$3,780.00	$2,625.00
Total Taxes	$65,258.94	$40,685.12	$70,303.89	$48,822.15
Present Value of Total Taxes @ 8%	$35,709.51	$22,262.79	$38,470.10	$26,715.34
Application Fee	$1,028.68	$250.00	$954.86	$250.00
Washington County				
RMV (Real Mkt. Value)	$412,541.25	$412,541.25	$437,062.94	$437,062.94
AV (Assessed Value)	$250,000.00	$250,000.00	$250,000.00	$250,000.00
CPR*	0.606	$125,000.00	0.572	$150,000.00
AV 1st Year (AV x CPR)**	$151,500.00	$125,000.00	$143,000.00	$150,000.00
Tax Rate	1.80%	1.80%	1.80%	1.80%
1st Year Taxes	$2,727.00	$2,250.00	$2,574.00	$2,700.00
Total Taxes	$50,719.24	$41,847.56	$47,873.60	$50,217.07
Present Value of Total Taxes @ 8%	$27,753.43	$22,898.87	$26,196.30	$27,478.64
Application Fee	$1,361.39	$250.00	$1,442.31	$250.00

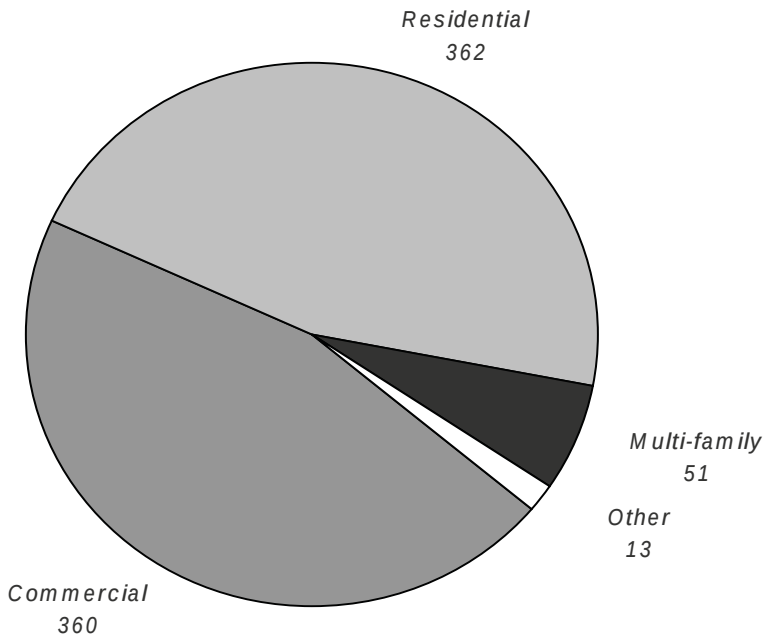
*The existing program is proposed for continuation as an option for commercial buildings with the exception of the fee, which would be reduced to the level in the Tax Reduction program.
**Changed Property Ratio = Average Maximum AV ÷ Average RMV. This ratio is developed for each property class in the county to address Measure 50 issues. This gives some indication of the complexity of special assessment calculations.
***This formula applies only to the Special Assessment program, not the Property Tax Reduction.

Appendix F

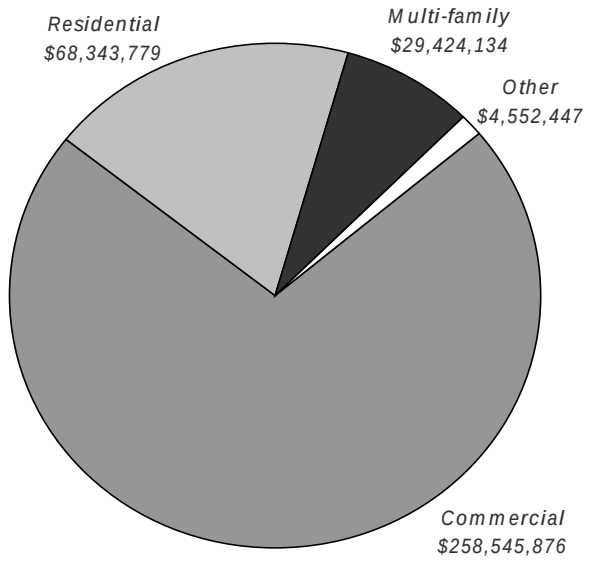
Comparison of Commercial and Residential Properties

These two charts demonstrate that while the number of commercial and residential properties in the Special Assessment program are virtually the same, the dollar value of commercial properties is much higher. Note: These figures include only projects that are currently active in the program; data from the earlier years of the program are not available.

Special Assessment Projects, Currently Active



Special Assessment Projects, Currently Active
Assessed Values



Appendix G

Dollars Reinvested in Special Assessment Properties, 2004-2008

The Special Assessment program has been an attractive incentive for property owners to reinvest in their historic buildings. Reinvestment in commercial projects is much higher than in residential projects, stimulating increased economic revitalization in local commercial districts. Note: Dollar amounts for earlier years are not available.

Year	Property Type	Investment Total	Average Investment per Project
2004	Commercial	$18,951,470	$1,184,467
	Residential	$641,000	$58,273
2005	Commercial	$11,885,040	$990,420
	Residential	$3,007,500	$150,375
2006	Commercial	$54,275,167	$1,466,896
	Residential	$2,179,167	$99,053
2007	Commercial	$52,196,792	$1,739,893
	Residential	$3,315,043	$100,456
2008	Commercial	$14,265,500	$891,594
	Residential	$2,657,200	$102,200
Commercial	Total/Average	$151,573,969	$1,365,531
Residential	Total/Average	$11,799,910	$105,356

Appendix H

Case Studies

The examples below reflect current and past rehabilitation projects across the state that made use of the Special Assessment tax incentive. As with all properties enrolled in Special Assessment, the buildings shown are listed in the National Register, either individually or in a historic district. In some cases, the Special Assessment was the sole tax incentive available to the owner; in others, it was combined with other development incentives.

The projects include both residential and commercial buildings in urban and rural areas, and range from facade enhancements to major structural efforts. Some were in very tough shape when they initially enrolled in the program, such as the Buchner House in Salem's Court-Chemeketa Historic District. Subdivided into nine apartments, the house was firebombed in 1992, killing two people. Neighbors formed a corporation, purchased it, enrolled it in Special Assessment, and launched a major rehabilitation project. In 2000, the house sold for over $300,000.

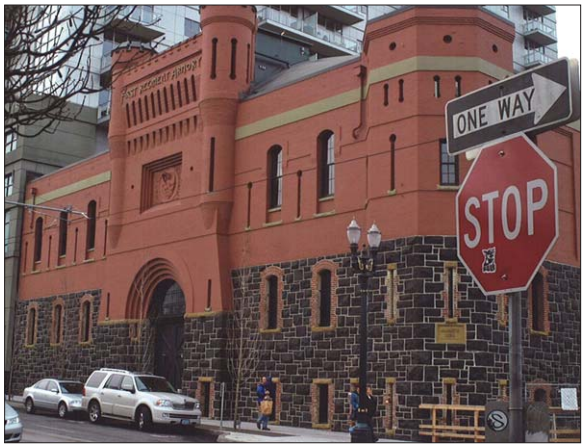
Less dramatic of a project but no less important to its community, the little Stitching Shop in La Grande received a striking "facelift" in 2000 when the removal of its metal facade revealed the historic brick storefront underneath. Inspired by the outcome, a neighbor across the street embarked on a similar project. Both relied on the Special Assessment incentive to help make the projects affordable.

Kennedy Elementary School
(McMenamins Kennedy School)
5736 NE 33rd Avenue
Portland, Multnomah County
Special Assessment Start Date: 1996
Estimated cost of rehab: $4,500,000

Appendix H

Case Studies

First Regiment Armory Annex (Gerding Theater)
128 NW 11th Avenue
Portland, Multnomah County
Special Assessment Start Date: 2000
Real cost of rehab: $23,750,000

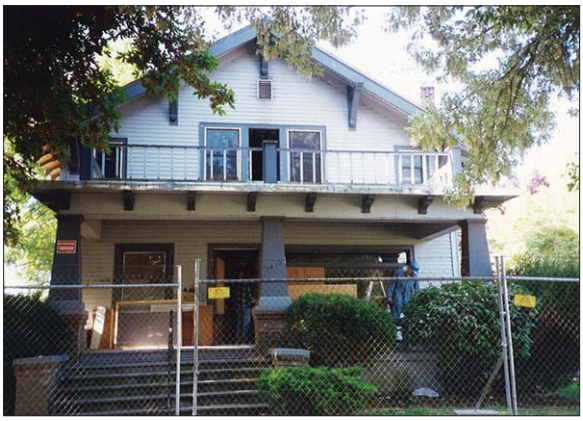


Stitching Shop
1115 Adams
La Grande, Union County
Special Assessment Start Date: 2004
Real cost of rehab: $79,100

Appendix H, cont.

Case Studies

Walter Buchner House
1410 Court Street NE
Salem, Marion County
Special Assessment Start Date: 1994
Estimated cost of rehab: $100,000



Condon Hotel
202 S Main
Condon, Gilliam County
Special Assessment Start Date: 1998
Estimated cost of rehab: $1,200,000

Case Studies

John & Mary Moore House
320 Kirk
Brownsville, Linn County
Special Assessment Start Date: 2002
Estimated cost of rehab: $57,900

Heilbronner Block
100 Third Street
Hood River, Hood River County
Special Assessment Start Date: 2006
Real cost of rehab as of 2008: $1,070,095

Multnomah County Poor Farm (McMenamins Edgefield)
2126 SW Halsey Street
Troutdale, Multnomah County
Special Assessment Start Date: 1991
Real cost of rehab: $5,700,000

G. G. Gerber Building (Deschutes Brewery and Public House)
210 NW 11th Avenue
Portland, Multnomah County
Special Assessment Start Date: 2007
Real cost of rehab: $2.3 million

Appendix I

Oregon Revised Statute 358.605

Section 605 of Oregon Revised Statute 358 provides detailed language addressing the state's commitment to preserving and rehabilitating its historic resources. It is a compelling call for attention to both the aesthetic and economic benefits historic preservation provides to Oregon's communities.

(1) The Legislative Assembly declares that the cultural heritage of Oregon is one of the state's most valuable and important assets; that the public has an interest in the preservation and management of all antiquities, historic and prehistoric ruins, sites, structures, objects, districts, buildings and similar places and things for their scientific and historic information and cultural and economic value; and that the neglect, desecration and destruction of cultural sites, structures, places and objects result in an irreplaceable loss to the public.

(2) The Legislative Assembly finds that the preservation and rehabilitation of historic resources are of prime importance as a prime attraction for all visitors; that they help attract new industry by being an influence in business relocation decisions; and that rehabilitation projects are labor intensive, with subsequent benefits of payroll, energy savings and are important to the revitalization of deteriorating neighborhoods and downtowns.

(3) It is, therefore, the purpose of this state to identify, foster, encourage and develop the preservation, management and enhancement of structures, sites and objects of cultural significance within the state in a manner conforming with, but not limited by, the provisions of the National Historic Preservation Act of 1966 (P.L. 89-665; 16 U.S.C. 470). [1983 c.268 §1]