

IMPACT STATEMENT

Legislation title: Establish a tax on the demolition of certain residential structures in the City of Portland (Ordinance; add Code Chapter 6.08).

Contact name: Scott Karter

Contact phone: (503) 865-2470

Presenter name: Thomas Lannom

Purpose of proposed legislation and background information:

The demolition of residential structures in Portland has reduced the diversity of housing stock and decreased the availability of affordable housing within the City. Subsequent redevelopment has contributed to increases in housing prices that make it more difficult to provide affordable housing. The proposed tax would discourage and should reduce demolition of residential structures and provide a new revenue source for the Housing Investment Fund and its supported programs.

Financial and budgetary impacts:

Depending upon the number of subject demolitions, gross revenue may range from \$1.25 million (50 subject demolitions) to \$3.75 million (150 subject demolitions, or about 30 less than occurred in 2014). The Revenue Division of BRFS will add 0.5 FTE Revenue and Taxation Specialists. The Revenue Division will also incur personnel and materials and services expenses of \$55,000 one-time and \$91,901 (\$45,951 in fiscal year 2015-16) ongoing. Implementation and the related one-time expense may span more than one fiscal year. These expenses will be deducted from gross revenue; the balance of net revenue will be remitted to the Housing Investment Fund.

Community impacts and community involvement:

The proposal arises from public comment received during the City's development of policy requiring notice of demolitions. Homebuilders, affordable housing advocates and neighborhood character advocates were identified as stakeholders for development of a demolition tax. Data collection, analysis and concepts were developed by City staff in late spring and early summer 2015. The Mayor's office shared a concept with stakeholders in August 2015 and shared a draft proposal with stakeholders in September 2015. The proposal received media coverage which attracted broader public comment which has been considered in this ordinance.

Budgetary Impact Worksheet

Does this action change appropriations?

X **YES:** Please complete the information below.

NO: Skip this section

The table below reflects pro-rated budget appropriation needs for FY 2015-16, based on an assumed start date of January 1st, 2016 for the demolition tax program. Budget appropriation needs for full-year FY 2016-17 will be requested as part of the annual budget development process.

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount
100000	MFRB000001	439100	LARCLT00000000GL	n/a	n/a	n/a	100,951
100000	MFRB000001	511100	LARCLT00000000GL	n/a	n/a	n/a	17,190
100000	MFRB000001	514100	LARCLT00000000GL	n/a	n/a	n/a	5,382
100000	MFRB000001	514610	LARCLT00000000GL	n/a	n/a	n/a	1,314
100000	MFRB000001	521000	LARCLT00000000GL	n/a	n/a	n/a	57,500
100000	MFRB000001	529000	LARCLT00000000GL	n/a	n/a	n/a	5,000
100000	MFRB000001	531000	LARCLT00000000GL	n/a	n/a	n/a	5,250
100000	MFRB000001	548000	LARCLT00000000GL	n/a	n/a	n/a	2,267
100000	MFRB000001	542000	LARCLT00000000GL	n/a	n/a	n/a	1,000
100000	MFRB000001	549000	LARCLT00000000GL	n/a	n/a	n/a	6,048

11-25-15

8 AMENDMENTS.

SEE PAGES 1-8

L

Jennings, Gayla

From: Parsons, Susan
Sent: Wednesday, November 25, 2015 11:33 AM
To: Lannom, Thomas; Jennings, Gayla
Subject: RE: 6.08.055 amendment

Importance: High

MOTION PASSED

DS - moved
AF - 2nd.
(4-5)

Please print!!

From: Lannom, Thomas
Sent: Wednesday, November 25, 2015 11:30 AM
To: Parsons, Susan <Susan.Parsons@portlandoregon.gov>
Subject: 6.08.055 amendment

Bureau-proposed amendment to 6.08.055. Please print for Council consideration.

A. Following the issuance of a demolition permit, the Owner may apply for and obtain a temporary abeyance of the demolition tax assessment on the basis of subsequent development of affordable housing at the property.

B. The Portland Housing Bureau shall adopt administrative rules for qualifying ~~exempt~~ affordable housing as exempt from the Demolition Tax using criteria under ~~(either~~ 30.01.095 or Homebuyer Opportunity Limited Tax Exemption Program).

Such as

1. If the subsequent housing development qualifies as affordable housing under Portland Housing Bureau's administrative rules, the Director shall determine that no Demolition Tax is due.
2. If the subsequent housing development does not qualify as affordable housing, the Director shall determine that the Demolition Tax assessment is due and payable.

Mayor #1 2.
Replacement.
MOTION PASSED

Amend Exhibit A

Delete 6.08.055 Demolition Tax Rebate, paragraph 2 as follows:

6.08.055 Demolition Tax Rebate.

Subsequent housing development following demolition that qualifies as affordable housing as determined by the Portland Housing Bureau applying the criteria established in Section 30.01.095 may apply for and obtain rebates of up to \$25,000 subject to guidelines developed by the Portland Housing Bureau.

~~The Portland Bureau of Development Services shall develop guidelines for persons to apply for and obtain rebates of up to \$25,000 for subsequent housing development that increases the number of dwelling units.~~

CH-moved
File - 2nd

Mayor 3.
#2
MOTION Passed

Amend Exhibit A

6.08.030 Demolition Tax

On or after ~~January 16~~ March 1, 2016, the Owner of the Residential Structure for which a residential demolition permit has been issued shall pay a tax to the Bureau in the sum of \$25,000. Upon notification from the Bureau of Development Services that a permit for demolition of a Residential Structure has been issued, the Bureau shall issue a tax Assessment to the Owner noting that the tax will be due.

6.08.050 Exemptions.

Notwithstanding the general requirement set forth in Section 6.08.030 the demolition tax shall not apply if a complete application for a residential demolition permit was on file with the City on or before ~~January 15~~ February 29, 2016. The Owner's obligation to pay the demolition tax under this Chapter does not affect the Owner's demolition permit fees and other regulatory charges.

CH - moved
Fish - 2nd



FISH 1 4

CITY OF PORTLAND ENVIRONMENTAL SERVICES



1120 SW Fifth Avenue, Room 1000, Portland, Oregon 97204 ■ Nick Fish, Commissioner ■ Michael Jordan, Director

Date: November 24, 2015
To: City Council
From: Michael Jordan and Shannah Anderson
Bureau of Environmental Services

NF
CH 2nd
MOTION PASSED

Re: Amendment request for Council Agenda Item 1215

Establish a tax on the demolition of certain residential structures in the City of Portland (Previous Agenda 1054; Ordinance introduced by Mayor Hales; add Code Chapter 6.08)

In order to avoid discouraging the removal of abandoned buildings on properties purchased by the City for environmental restoration purposes, the following changes are requested in Exhibit A, Section 6.08.050 Exemptions, on Agenda Item 1215. The amendment will be presented at the Council meeting on November 25, 2015.

Notwithstanding the general requirement set forth in Section 6.08.030 the demolition tax shall not apply if a complete application for a residential demolition permit was on file with the City on or before January 15, 2016. The Owner's obligation to pay the demolition tax under this Chapter does not affect the Owner's obligation to pay demolition permit fees and other regulatory charges.

A. The demolition tax shall not apply to:

1. Any structure being demolished due to a catastrophic loss such as fire, landslide, flood or other disaster;
2. Any Residential Structure that has been found to be in violation of Chapters 29.30, 29.35, or 29.40 and is subject to a vacation or demolition order by the Code Hearings Officer, following a request from the Director of the Bureau of Development Services for a determination under Section 29.60.070 and 29.60.080; or
3. Properties purchased by the City for restoration purposes that are in the floodplain or, in the reasonable estimation of the Director of the Bureau of Environmental Services, are at risk of future flooding.

FRITZ 5

CE amended

MOTION PASSED

6.08.050 Exemptions

Add:

3. Demolition permits where the applicant is the homeowner
whose legal residential address was the site as of March 1, 2016.

FRITZ moved

FISH 2nd

Novick 1 6.

FISH 2nd
Motion failed

Commissioner Novick Amendment 1
Demolition Tax Proposal
11/25/15

For reference: According to the Portland Housing Bureau, the median home sales price for the past 11 months is \$310,000. 125% of \$310,000 is \$387,500. 150% of \$310,000 is \$465,000.

Amend Exhibit A
Additions in underline.

6.08.055 Demolition Tax Rebate.
The Portland Bureau of Housing shall develop guidelines for persons to apply for and obtain rebates of up to \$25,000 for subsequent housing development following demolition that qualifies as affordable housing as determined by the Portland Housing Bureau applying the criteria established in Section 30.01.095.

The Portland Bureau of Development Services shall develop guidelines for persons to apply for and obtain rebates of up to \$25,000 for subsequent housing development that increases the number of dwelling units.

The Owner shall be eligible for a rebate of the tax if a sales price of the replacement Residential Structure meets the following thresholds:

If the sales price of the replacement Residential Structure is equal to or less than 100% of the median Portland sales price, the rebate is 100% of tax (\$25,000).

If the sales price of the replacement Residential Structure is more than 100% of the median Portland sales price and equal to or less than 125% of the median Portland sales price, the rebate is 75% of tax (\$18,750).

If the sales price of the replacement Residential Structure is more than 125% of median Portland sales price and equal to or less than 150% of median Portland sales price, the rebate is 50% of tax (\$12,500).

The Portland Bureau of Housing shall update annually the thresholds included in this rebate based on current sales price data for the City of Portland.

Commissioner Novick Amendment 2
Demolition Tax Proposal
11/25/15

Amend Ordinance
Addition in underline.

NOW, THEREFORE, the Council directs:

- a. The Revenue Division is hereby authorized to add 0.5 FTE Revenue and Taxation Specialists positions. One-time and ongoing expenses of \$55,000 and \$91,901, respectively, shall be deducted from gross tax receipts.
- b. A new chapter, 6.08 Demolition Tax, establishing a tax on the demolition of certain residential structures in the City of Portland is hereby added to Title 6 "Special Taxes" of the Portland City Code as set forth in the attached EXHIBIT A.
- c. The Revenue Division shall study and report to Council by June 2016 about options for administering and enforcing an exemption to the tax for existing owners who plan to occupy the new house for at least five additional years.

per rebate three to

SN 2 7.
MOTION
PASSED

Novick moved
Saltzman 2nd.

8.
Motion Passed

11-25-15

Fritz Amendment:

Clarify 6.08.030 Demolition Tax to clarify that unit means individual dwelling unit. Add the words "per dwelling unit" to end of first sentence.

6.08.030 Demolition Tax

On or after March 1, 2016, the Owner of the Residential Structure for which a residential demolition permit has been issued shall pay a tax to the Bureau in the sum of \$25,000 per dwelling unit. [no change to remainder of section.]

EXHIBIT A

Chapter 6.08 Demolition Tax Law

6.08.010 Purpose.

The demolition of residential structures in Portland has reduced the diversity of housing stock and decreased the availability of affordable housing within the City. Subsequent redevelopment has contributed to increases in housing prices that make it more difficult to provide affordable housing. The permit fees relating to building demolitions cover the administrative costs of the regulatory program, but do not address other impacts of demolition of residential structures. The tax imposed under this Chapter is not for the purposes of recovering the administrative costs of the demolition permit program, and it is not regulatory in any manner. The tax is strictly for revenue purposes. The tax imposed pursuant to this Chapter shall be in addition to any regulatory demolition permit fees established from time to time by the City Council and other applicable regulatory fees and charges.

6.08.020 Definitions. The terms used in this Chapter are defined as provided in this section or in Administrative Rules adopted under Section 6.08.060, unless the context requires otherwise:

A. "Bureau" means the Revenue Division of the Bureau of Revenue and Financial Services of the City of Portland.

B. "Demolition" means removal of the entire superstructure of a Residential Structure down to the subflooring, such that none of the existing superstructure is maintained. Demolition includes removal of all exterior walls.

C. "Director" means the Director of the Bureau, or his or her designee.

D. "Owner" means the person that owns the property on which the Residential Structure to be demolished is located.

E. "Residential Structure" means a dwelling unit as covered by the Oregon Residential Specialty Code located in a Single-Dwelling Comprehensive Plan Map designation of R20, R10, R7, R5 or R2.5 that has independent living facilities including provisions for sleeping, cooking and sanitation, and that is designed for residential occupancy by a group of people.

6.08.030 Demolition Tax.

On or after March 1, 2016, the Owner of the Residential Structure for which a residential demolition permit has been issued shall pay a tax to the Bureau in the sum of \$25,000 per dwelling unit. Upon notification from the Bureau of Development Services that a permit for demolition of a Residential Structure has been issued, the Bureau shall issue a tax assessment to the Owner noting that the tax will be due.

6.08.040 Payment of the Tax.

Payment of the demolition tax shall be due within 30 days after the Bureau sends the Owner a tax assessment.

6.08.050 Exemptions.

Notwithstanding the general requirement set forth in Section 6.08.030 the demolition tax shall not apply if a complete application for a residential demolition permit was on file with the City on or before February 29, 2016. The Owner's obligation to pay the demolition tax under this Chapter does not affect the Owner's obligation to pay demolition permit fees and other regulatory charges.

A. The demolition tax shall not apply to:

1. Any structure being demolished due to a catastrophic loss such as fire, landslide, flood or other disaster; or,
2. Any Residential Structure that has been found to be in violation of Chapters 29.30, 29.35, or 29.40 and is subject to a vacation or demolition order by the Code Hearings Officer, following a request from the Director of the Bureau of Development Services for a determination under Section 29.60.070 and 29.60.080.
3. Properties purchased by the City for restoration purposes that are in the floodplain or, in the reasonable estimation of the Director of the Bureau of Environmental Services, are at risk of future flooding.
4. Demolition permits where the applicant is the homeowner whose legal residential address was the site as of March 1, 2016.

6.08.055 Affordable Housing Exemption.

A. Following the issuance of a demolition permit, the Owner may apply for and obtain a temporary abeyance of the demolition tax assessment on the basis of subsequent development of affordable housing at the property.

B. The Portland Housing Bureau shall adopt administrative rules for qualifying affordable housing as exempt from the Demolition Tax, such as described under Section 30.01.095 or the Homebuyer Opportunity Limited Tax Exemption Program.

1. If the subsequent housing development qualifies as affordable housing under Portland Housing Bureau's administrative rules, the Director shall determine that no Demolition Tax is due.
2. If the subsequent housing development does not qualify as affordable housing, the Director shall determine that the Demolition Tax assessment is due and payable.

6.08.060 Administration.

A. The Director may implement procedures, forms, and written policies for administering the provisions of this Chapter.

B. The Director may adopt rules relating to matters within the scope of this Chapter to administer compliance with this Chapter.

C. Before adopting a new rule, the Director must publish the proposed rule on the City's website for a minimum of 10 days prior to adoption of the rule and allow for public comments. The notice on the website will identify the period of time that public comments on the proposed rule can be made and information on how to submit those comments.

D. The Director or designee will receive public comments concerning the proposed rule. The Director will either adopt the proposed rule, modify it or reject it, taking into consideration the public comments received during the comment period. If a substantial modification is made, an additional public comment period may be allowed at the discretion of the Director. Unless otherwise stated, all rules are effective upon adoption by the Director. All rules adopted by the Director will be filed in the Bureau's office. Copies of all current rules will be made available to the public upon request.

E. Notwithstanding Subsections C and D of this Section, the Director may adopt an interim rule without prior public notice upon a finding that failure to act promptly will result in serious prejudice to the public interest or the interest of the affected parties, stating the specific reasons for such prejudice. Any interim rule adopted pursuant to this paragraph is effective for a period not longer than 180 days.

6.08.080 Revenue Division Responsibilities.

A. Receive the revenues derived from the demolition tax and, after deducting administrative expenses, deposit the revenues into the Housing Investment Fund; and,

B. Keep accurate records of expenses and revenues.

6.08.090 Appeals.

A. Any applicant aggrieved by any determination of the Bureau may appeal to the Director. The applicant must file this appeal within 30 days of the City's serving or mailing of the assessment or determination.

B. If the applicant does not agree with the Director's determination, they may appeal the determination to the City of Portland Code Hearings Office. The applicant must file this appeal within 30 days of the City's serving or mailing of the Director's determination. The findings of the Code Hearings Office are final and conclusive. The City will serve the findings upon the appellant in the same manner as service for the notice of hearing. Any amount found to be due is immediately due and payable upon the service of notice.

C. The filing of an appeal does not suspend the obligation to pay any tax due or the calculation of penalties. However, the applicant may petition the Director for a suspension of payment during the appeal process in cases of demonstrated financial hardship.

6.08.100 Penalties.

A. A penalty of 5 percent of the tax under Section 6.08.030 is due if payment of the tax is not made in accordance with Section 6.08.040.

B. An additional penalty of 20 percent of the tax is due if not paid within 90 days of the original due date of the tax.

C. The Bureau may waive or reduce any penalty determined under Subsections A. and B. for good cause, according to and consistent with written policies. Penalty waiver and/or reduction requests are discretionary and not subject to the appeal process or timeline outlined in Subsections 6.08.090 A. through C. The applicant must file a written request with the Bureau detailing why a penalty should be waived within 30 days of receipt of a billing notice that assesses a penalty. The Bureau must respond to requests to reduce and/or waive penalties within 60 days from the date the written request is received. If the applicant has requested that penalties be waived and the Bureau denies the applicant's request for this discretionary waiver of penalties, the applicant may request a conference with the Director (or designee) within 30 days of the date of the Bureau's notice of denial. If the conference with the Director results in a denial of the penalty waiver request, that decision is final and may not be appealed to the Code Hearings Office.

ORDINANCE No.

Establish a tax on the demolition of certain residential structures in the City of Portland
(Ordinance; add Code Chapter 6.08)

The City of Portland ordains

Section 1. The Council finds:

1. The demolition of residential structures in Portland has reduced the diversity and character of housing stock and decreased the availability of affordable housing within the City. Subsequent redevelopment has contributed to increases in housing prices that make it more difficult to provide affordable housing.
2. It is in the interest of the City to discourage demolition of viable residential structures. The proposed tax would provide this discouragement as well as a new revenue source for the Housing Investment Fund and its supported programs.
3. The Revenue Division of the Bureau of Revenue and Financial Services estimates that this new tax will raise \$1.25 million to \$3.75 million annually, depending upon the number of subject demolitions. The Division will have additional workload and will need to hire 0.5 FTE Revenue and Taxation Specialist positions and modify databases to administer the program. To administer and collect the tax, one-time costs will be \$55,000 and ongoing costs will be \$91,901 (\$45,951 in fiscal year 2015-16). Administrative expenses will be deducted from gross tax receipts before they are remitted to the Housing Investment Fund.
4. It is the determination of the Council that the demolition tax as adopted by this ordinance is not subject to the limits of section 11 or 11b, Article XI of the Oregon Constitution. The Council therefore classifies the demolition tax as not subject to those limits.

NOW, THEREFORE, the Council directs:

- a. The Revenue Division is hereby authorized to add 0.5 FTE Revenue and Taxation Specialists positions. One-time and ongoing expenses of \$55,000 and \$91,901, respectively, shall be deducted from gross tax receipts.
- b. A new chapter, 6.08 Demolition Tax, establishing a tax on the demolition of certain residential structures in the City of Portland is hereby added to Title 6 "Special Taxes" of the Portland City Code as set forth in the attached EXHIBIT A:

c. The Revenue Division shall study and report to Council by June 2016 about options for administering and enforcing an exemption or rebate to the tax for existing owners who plan to occupy the new house for at least three to five additional years.

Passed by the Council:

Mayor Charlie Hales

Prepared by: T. Lannom, B. Walters, S. Karter

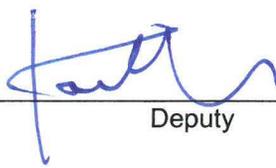
Date Prepared: October 8, 2015

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

Agenda No.
ORDINANCE NO.
Title

Establish a tax on the demolition of certain residential structures in the City of Portland
(Ordinance; add Code Chapter 6.08).

<p align="center">INTRODUCED BY Commissioner/Auditor: Mayor Hales</p>	<p>CLERK USE: DATE FILED <u>OCT 09 2015</u></p>
<p align="center">COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p>	<p align="center">Mary Hull Caballero Auditor of the City of Portland</p> <p>By:  Deputy</p> <p>ACTION TAKEN:</p> <p>OCT 14 2015 REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION <i>As Amended</i></p> <p><i>Clerk note: RETURNED TO Agenda 11/25/15</i></p> <p>NOV 25 2015 PASSED TO SECOND READING: As Amended DEC 02 2015 9:30 A.M.</p> <p>DEC 02 2015 CONTINUED TO JAN 13 2016 9:30 A.M.</p> <p>JAN 13 2016 REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION</p>
<p align="center">BUREAU APPROVAL</p> <p>Bureau: OMF/BRFS, Revenue CAO: Fred Miller CFO, Bureau Head: Kenneth L. Rust Division Head: Thomas W. Lannom</p>	
<p>Prepared by: Scott Karter Date Prepared: 10/8/15</p>	
<p>Impact Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document.</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p><input checked="" type="checkbox"/> City Auditor Office Approval: required for Code Ordinances <i>Tom</i></p>	
<p><input checked="" type="checkbox"/> City Attorney Approval: required for contract, code, easement, franchise, comp plan, charter <i>Walter</i></p>	
<p>Council Meeting Date 10/14/15</p>	

AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/> Start time: <u>2pm</u></p> <p>Total amount of time needed: <u>3hrs</u> (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz	
2. Fish	2. Fish	
3. Saltzman	3. Saltzman	
4. Novick	4. Novick	
Hales	Hales	