

# MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS  
ROOM 606, COUNTY COURTHOUSE  
1021 S.W. FOURTH AVENUE  
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308  
PAULINE ANDERSON • DISTRICT 1 • 248-5220  
GARY HANSEN • DISTRICT 2 • 248-5219  
RICK BAUMAN • DISTRICT 3 • 248-5217  
SHARRON KELLEY • DISTRICT 4 • 248-5213  
CLERK'S OFFICE • 248-3277

## AGENDA

### MEETINGS OF THE MULTNOMAH COUNTY BOARD OF COMMISSIONERS

#### FOR THE WEEK OF

APRIL 29 - MAY 3, 1991

Monday, April 29, 1991 - 9:00 AM - Work Session . . . .Page 2  
Tuesday, April 30, 1991 - 9:30 AM - Planning Items. . . .Page 2  
Tuesday, April 30, 1991 - 10:00 AM - Board Briefing . . .Page 2  
Tuesday, April 30, 1991 - 10:15 AM - Regular Meeting. . .Page 2  
Tuesday, April 30, 1991 - 1:30 PM - Agenda Review . . . .Page 3  
Wednesday, May 1, 1991 - 9:30 AM - Board Briefing . . . .Page 3  
Thursday, May 2, 1991 - 9:00 AM - Executive Session . . .Page 3  
Thursday, May 2, 1991 - 9:30 AM - Regular Meeting . . . .Page 3

Thursday Meetings of the Multnomah County Board of Commissioners are recorded and can be seen at the following times:

Thursday, 10:00 PM, Channel 11 for East and West side subscribers

Friday, 6:00 PM, Channel 27 for Paragon Cable (Multnomah East) subscribers

Saturday 12:00 PM, Channel 21 for East Portland and East County subscribers

Monday, April 29, 1991 - 9:00 AM - 12:00 PM  
and  
1:00 PM - 5:00 PM

Multnomah County Courthouse, Room 602

WORK SESSION

Work Session to Discuss the Multnomah County Budget

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Tuesday, April 30, 1991 - 9:30 AM

Multnomah County Courthouse, Room 602

Introduction and Seating of Youth Today Participants -  
Presented by Karen Belsey.

PLANNING ITEMS

1. C 3-91a Second Reading and Possible Adoption of an ORDINANCE Amending the Multnomah County Code Chapter 11.15 by Restricting the Planned Development Subdistrict to the Urban and RC, RR and MUA-20 Rural Districts
  2. Business Certificate Application/Renewal Submitted by Planning Office with Recommendation for Approval as Follows: Division Street Auto Parts U-Pull-It Division, 13231 SE Division, Portland (Continued from April 23, 1991)
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Tuesday, April 30, 1991 - 10:00 AM

Multnomah County Courthouse, Room 602

BOARD BRIEFING

Audit Report of BALLOT MEASURE 5 - TAX SAVINGS FOR PROPERTY OWNERS - Presented by Gary Blackmer, Multnomah County Auditor. 10:00-10:15 AM TIME CERTAIN

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Tuesday, April 30, 1991 - 10:15 AM

Multnomah County Courthouse, Room 602

REGULAR MEETING

- R-1 RESOLUTION In the Matter of Accepting the Executive Budget as Amended, and Preparing the Approved Multnomah County Budget for Submittal to the Tax Supervising and Conservation Commission

Tuesday, April 30, 1991 - 1:30 PM

Multnomah County Courthouse, Room 602

AGENDA REVIEW

Review of Agenda for Regular Meeting of May 2, 1991

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Wednesday, May 1, 1991 - 9:30 AM

Multnomah County Courthouse, Room 602

BOARD BRIEFING

Oregon Legislative Update. Presented by Fred Neal and Howard Klink. 9:30-10:30 AM TIME CERTAIN

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Thursday, May 2, 1991 - 9:00 AM

Multnomah County Courthouse, Room 602

EXECUTIVE SESSION

Pursuant to ORS 192.660 (1)(d), the Multnomah County Board of Commissioners will Meet in Executive Session to Discuss Labor Negotiations

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Thursday, May 2, 1991 - 9:30 AM

Multnomah County Courthouse, Room 602

REGULAR MEETING

CONSENT CALENDAR

JUSTICE SERVICES

SHERIFF'S OFFICE

- C-1 Ratification of an Intergovernmental Agreement Between the Multnomah County Sheriff's Office Law Enforcement Division and the U.S. Department of Agriculture, Forest Service, to Enforce Federal/State Laws and Regulations in the National Forest for the Period May 23, 1991 to September 2, 1991
- C-2 Ratification of an Intergovernmental Agreement Between the Multnomah County Sheriff's Office Law Enforcement Division and the City of Portland, to Administer the Duties of "Manager" Pursuant to Multnomah County Ordinance 647, Governing Operation of Certain Secondhand Stores

#### DEPARTMENT OF HUMAN SERVICES

- C-3 Ratification of the FY 1991/92 Intergovernmental Agreement Between Clackamas County and Multnomah County Juvenile Justice Division to Provide Housing and Supervision Services for Clackamas County Youth Held in the Donald E. Long Home Detention Facility
- C-4 Ratification of the FY 1991/92 Intergovernmental Agreement Between Washington County and Multnomah County Juvenile Justice Division to Provide Housing and Supervision Services for Washington County Youth Held in the Donald E. Long Home Detention Facility

#### REGULAR AGENDA

- R-1 PROCLAMATION in the Matter of Proclaiming May 6-12, 1991 as NATIONAL NURSES WEEK in Multnomah County
- R-2 RESOLUTION In the Matter of Recognizing and Celebrating el Cinco de Mayo, in Multnomah County
- R-3 PROCLAMATION In the Matter of Proclaiming the Week of May 5-11, 1991, as BE KIND TO ANIMALS WEEK in Multnomah County, Oregon
- R-4 Presentation of Volunteer Recognition Awards, Followed by a Reception Hosted by the Citizen Involvement Committee  
9:30-10:15 TIME CERTAIN

#### LIBRARY SERVICES

- R-5 Budget Modification DLS #5 Authorizing Transfer from Library Fund Contingency to Library Retirement Trust Account for Cost of Living Adjustments to Former Library Employees

#### JUSTICE SERVICES

##### COMMUNITY CORRECTIONS

- R-6 RESOLUTION in the Matter of Unifying Community Corrections Under Option I

#### DEPARTMENT OF ENVIRONMENTAL SERVICES

- R-7 RESOLUTION In the Matter of Supporting the Recommended "Build" Alternative for the Columbia River Highway (I-84, N.E. 181st to Sandy River)

#### DEPARTMENT OF GENERAL SERVICES

- R-8 First Reading of an ORDINANCE Adopting Salary Ranges for Fiscal Year 1990-91 for Employees Covered by the Exempt Classification/Compensation Plan and Repealing Ordinance No. 667 (Continued from April 11, 1991)

DEPARTMENT OF HUMAN SERVICES

- R-9      Budget Modification DHS #35 Authorizing Reduction of the Youth Program Office Budget by a Net of \$6,826 and Making Adjustments to Reflect Projected Revenues and Expenditures for Fiscal Year 90-91
  
- R-10     Budget Modification DHS #36 Authorizing Reduction of the Aging Services Division/Community Action Budget by \$4,677 in Low Income Energy Assistance Program Funds for Pass-Through Contracted Services Based on Revenue Contract Amendment #10
  
- R-11     Request for Approval of a Lease Agreement Between Multnomah County and the State of Oregon for the Use of 16 Dedicated Parking Spaces for Clients, Visitors and Staff of the Aging Services Division West Branch (Continued from April 25, 1991)

Meeting Date: APR 30 1991  
Agenda No. : 10:00am

(Above Space for Clerk's Office Use)

AGENDA PLACEMENT FORM  
(For Non-Budgetary Items)

Presentation of recent audit:

SUBJECT: BALLOT MEASURE 5 - TAX SAVINGS FOR PROPERTY OWNERS

BCC Informal April 30, 1991 BCC Formal \_\_\_\_\_  
(Date) (Date)

DEPARTMENT Auditor DIVISION Non-Departmental

CONTACT Gary Blackmer TELEPHONE 248-3320

PERSON(S) MAKING PRESENTATION Gary Blackmer

ACTION REQUESTED

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL

ESTIMATED TIME NEEDED ON BOARD AGENDA: 15 minutes

CHECK IF YOU REQUIRE OFFICIAL WRITTEN NOTICE OF ACTION TAKEN: \_\_\_\_\_

BRIEF SUMMARY (Include statement of rationale for action requested, as well as personnel and fiscal/budgetary impacts, if applicable):

REQUEST TIME CERTAIN, PLEASE.

SIGNATURES  
ELECTED OFFICIAL Gary Blackmer  
OR  
DEPARTMENT MANAGER \_\_\_\_\_

(All accompanying documents must have required signatures)

BOARD OF  
COUNTY COMMISSIONERS  
1991 APR 22 PM 12:48  
MULTNOMAH COUNTY  
OREGON

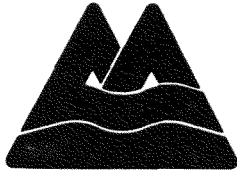
# BALLOT MEASURE 5

## Tax Savings for Property Owners

April 1991



Multnomah County Auditor



GARY BLACKMER

COUNTY AUDITOR  
ROOM 1500, PORTLAND BUILDING  
1120 S.W. 5TH AVENUE  
PORTLAND, OR 97204  
(503) 248-3320

## MULTNOMAH COUNTY OREGON

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Date: April 15, 1991

To: Gladys McCoy, County Chair  
Pauline Anderson, Commissioner  
Rick Bauman, Commissioner  
Gary Hansen, Commissioner  
Sharron Kelley, Commissioner

Subject: Special Report on Ballot Measure 5

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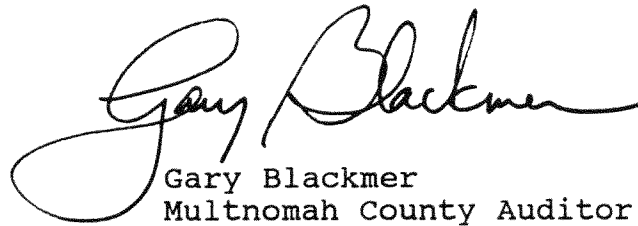
Oregonians have struggled with their property tax system for several decades now. Many ballot measures have been proposed to modify tax provisions and most have been rejected by the voters. Although ideas and alternatives were debated with each ballot measure, there always seemed to be a shortage of pertinent facts about the burden imposed on Oregonians by its tax system. We heard stories of people selling their homes because they could no longer afford the taxes, but we did not know how many others were forced to do the same.

Again with Ballot Measure 5 there was considerable public discussion about its impact on local government revenues, but little information about property taxpayers and how much they were paying. Without this knowledge we could not address a fundamental issue in any tax system -- fairness. Most Oregonians seemed to agree that their tax system was unfair to some property owners, but the extent of the problem remained undefined.

In changing our property tax system Ballot Measure 5 requires that State and local governments restructure the financing of services. This report makes no recommendations or assessments of fairness about property taxes. It simply presents our best effort to measure the effects of Ballot Measure 5 on property owners in Multnomah County. I hope that it will be a first step in forthrightly addressing the issues of restructuring our tax system.



We appreciate the special efforts of Information Services Division staff who provided technical assistance in our analysis of the quarter million records of the tax roll.



Gary Blackmer  
Multnomah County Auditor

Auditors: Judith DeVilliers  
Craig Hunt  
Gary Blackmer

GB/lis

Encl.

## Special Report A-91

### BALLOT MEASURE 5: TAX SAVINGS FOR PROPERTY OWNERS

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Method for Estimating Savings	

### Summary

Ballot Measure 5, approved by Oregon voters in November, 1990, imposes new limits on property tax rates. We applied the provisions of the measure to Multnomah County tax records to estimate its effect on property taxes.

Currently 47 percent of the property taxes are collected from homeowners. About 43 percent are collected from business properties, 7 percent from apartment buildings, and 3 percent from owners of undeveloped and forested land.

In FY90-91 approximately \$672 million in property taxes were collected in Multnomah County, which contains about 23 percent of Oregon's taxable property. We project that by FY95-96, when the final tax limits are in place, property tax bills will be reduced by about half, saving property owners an estimated \$343 million annually.

Ballot Measure 5 will have a significant effect on the percent of income homeowners spend on property taxes. We estimate that 35,000 households spent more than ten percent of their income for property taxes last year. In five years we project that only 8,500 will have to spend more than ten percent on property taxes. The owner of an average-valued \$58,000 home will save about \$1,000 in FY95-96 property taxes as a result of Ballot Measure 5.

Half the taxable property in Multnomah County is income-generating, such as commercial or industrial property, or apartment buildings. These property owners will similarly benefit from Ballot Measure 5. In five years their tax bills will also be reduced by about half, saving \$175 million. Commercial and industrial tax accounts are generally larger than residential accounts and will save an average of about \$36,000

annually beginning in FY95-96. Some of the largest taxpayers in Multnomah County are utilities which may reduce customer rates as a result of tax savings.

We also estimate that in FY 1995-96 out-of-state owners of property in Multnomah County will save a minimum of \$58 million annually in taxes.

If assessed property values were to increase faster than the past twenty-year average the savings would be less. However, property values would have to increase by 15 percent per year for ten years before property taxes would return to FY90-91 levels. At this growth rate a house currently valued at \$60,000 would be assessed at over \$240,000 in ten years, or would have been worth \$15,000 ten years ago. Over the past twenty years property values in Multnomah County, including new construction, have increased an average of 7.5 percent.

The table below summarizes the number of accounts for different types of property, taxes paid in FY90-91 and estimated savings in each of the next five years.

Type of Property	FY90-91		Savings in Millions				
	Number of Accounts	Taxes (millions)	FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Residential Property	168,019	\$304.9	\$62.1	\$87.1	\$106.6	\$136.4	\$168.3
Commercial/Industrial	13,994	\$198.3	\$41.4	\$56.2	\$66.3	\$82.7	\$99.8
Transport/Utility	113	\$49.6	\$9.2	\$12.7	\$15.3	\$19.6	\$23.9
Personal Property	24,397	\$36.1	\$7.5	\$10.2	\$12.1	\$15.1	\$18.2
Apartments	10,535	\$50.1	\$10.2	\$14.0	\$16.7	\$20.9	\$25.2
Unimproved Land	19,000	\$16.7	\$3.1	\$4.4	\$5.4	\$6.8	\$8.3
Total	236,058	\$655.7	\$133.5	\$184.6	\$222.4	\$281.5	\$343.7

## BACKGROUND

Ballot Measure 5, an initiative passed by Oregon voters in November 1990, amends the Oregon Constitution by setting a limit on property tax rates for schools and other local government operations. Appendix A contains the text of Ballot Measure 5.

Over a 5-year period, the Measure phases in property tax rate limits to a maximum of \$15 per \$1,000 real market value. The limit is \$10 in Fiscal Year 1991-92 for non-school local government operations and a phased-in reduction for schools to \$5 in FY 1995-96. These maximums will be phased in over 5 years as follows:

Property Tax Rate Limits (per \$1,000 assessed value)		
<u>Fiscal Year</u>	<u>School System</u>	<u>Other than Schools</u>
1991 - 1992	\$15.00	\$10.00
1992 - 1993	\$12.50	\$10.00
1993 - 1994	\$10.00	\$10.00
1994 - 1995	\$ 7.50	\$10.00
1995 - 1996	\$ 5.00	\$10.00

Exhibit 1: Ballot Measure 5 Tax Limits

There are exceptions to the maximums such as assessments for sewer construction or for bonded indebtedness for projects similar to the Convention Center.

### Property Taxes in Multnomah County

Multnomah County contains 23 percent of the state's taxable property value, and the three Portland metropolitan counties combined represent 46 percent.

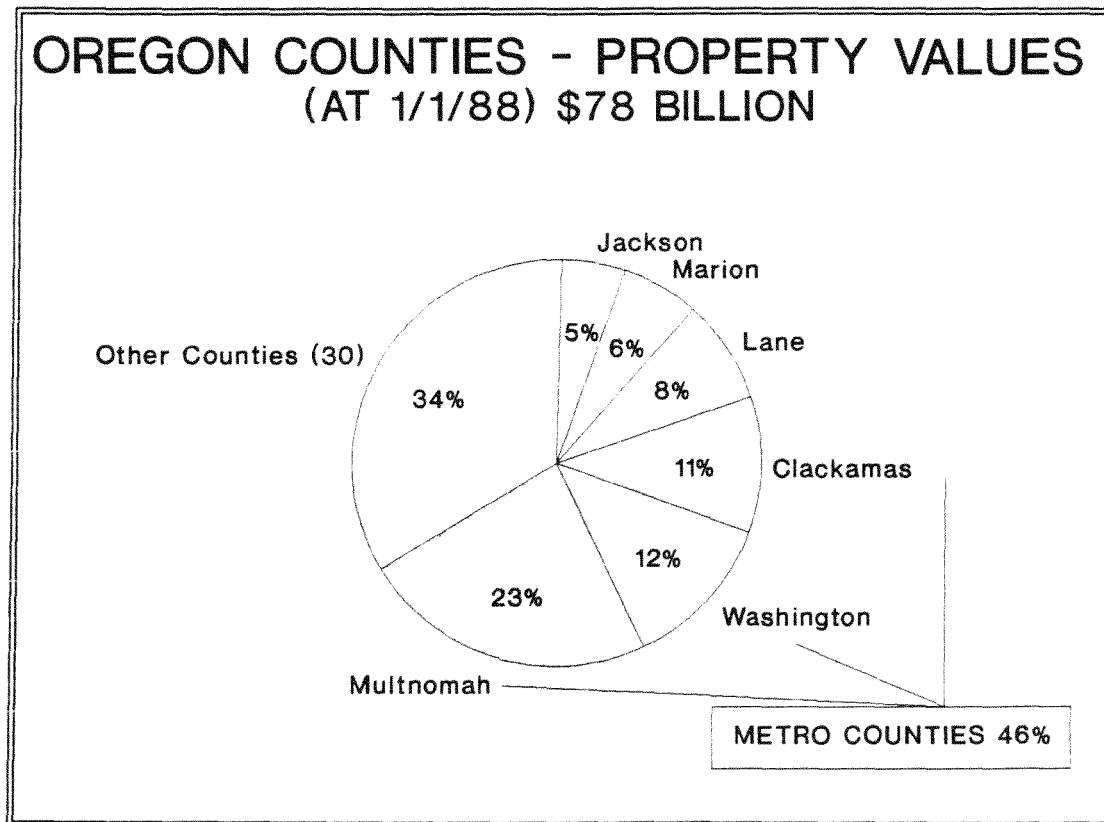


Exhibit 2: Oregon Counties - Property Values  
Source: Oregon Department of Revenue

Exhibit 3 below shows the percentage of property taxes raised in Multnomah County in FY 1990-91 by the four types of levies allowable by the Oregon Constitution.

### Multnomah County 1990-91 Certified Levies - \$673 Million

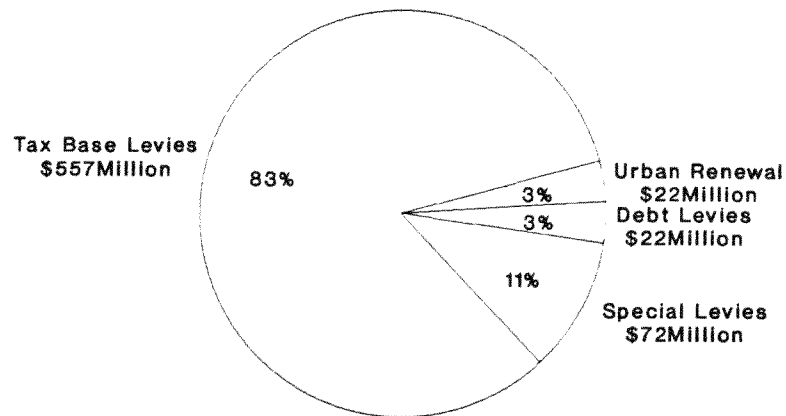


Exhibit 3: Multnomah County Certified Levies, 1990-91  
Source: Tax Supervising Commission's 1990-91 Annual Report

About 83 percent of property taxes were collected as tax bases which fund operating costs for local governments and schools. The Constitution limits tax base increases to 6 percent without approval of the majority of voters.

Voters approved special levies that raise taxes to fund programs such as libraries, jails, and Portland street lighting. These levies accounted for 11 percent of the taxes raised in Multnomah County.

Three percent of property taxes were used to repay the debt for construction projects such as the Portland Civic Stadium renovation and the

Convention Center. Another three percent of property taxes were raised from urban renewal areas in Multnomah County.

Exhibit 4 below shows that property tax revenues in Multnomah County have risen over the past 30 years in terms of both real and constant dollars. These increases are due to voter approval of increased tax bases and special levies, increased taxes from annexations of unincorporated areas, and periods when inflation was less than the 6 percent allowable increase of tax bases.

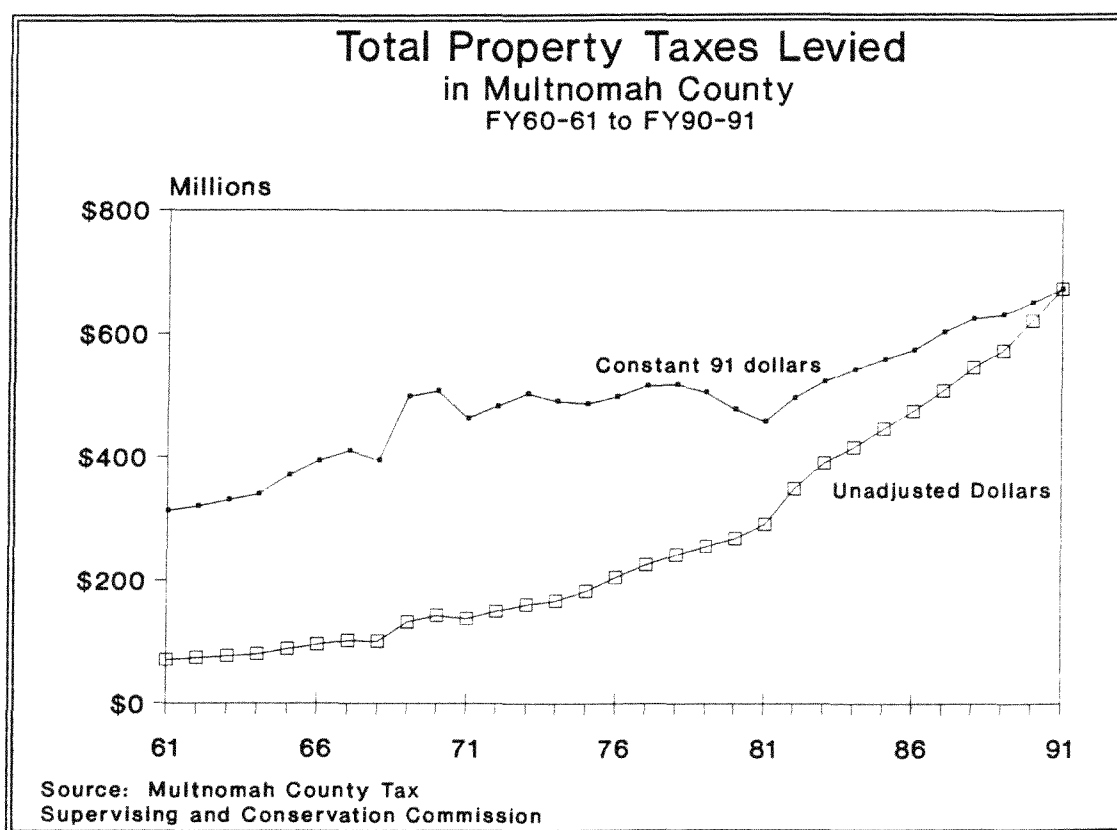


Exhibit 4: Total Property Taxes Levied, Multnomah County, FY60-61 to FY90-91

### Oregon Property Taxation

The Oregon Constitution grants schools and other governments the authority to levy taxes, but these taxes are based on levy amounts rather than



tax rates. A government's operating costs are paid with a tax base levy which may be increased 6 percent over the previous year's levy without a vote of the public. The tax rate is computed by dividing the new levy amount by the assessed value of all property in the taxing unit. The assessed value may increase as a result of new construction and increases in the market value of all properties.

$$\frac{\text{Previous Year's Tax Base Levy Amount} + 6\%}{\text{Assessed Value of Property}} + \frac{\text{Special Levy and Debt Levy Amounts}}{\text{Assessed Value of Property}} = \text{Tax Rate}$$

Taxable property includes land, natural resources, and fixed improvements on the land. Businesses also pay taxes on their personal property such as furniture, equipment, and unlicensed vehicles.

Oregon statutes exempt some properties to preserve the environment, encourage or preserve business, and preserve social welfare. For example, the laws allow exemptions or reduced assessments of timberlands, motor vehicles, business inventories, and property owned by religious or fraternal organizations. A listing of these exemptions can be found in Appendix B.

Measure 5 does not limit the total taxes that can be collected--only the tax rate applied to the property. As individual property values increase, the taxes on those properties may also increase. However, there still remains the Constitutional limit on government tax base increases, which is unaffected by the measure. In areas where the tax rate is below Measure 5 limits, schools or governments are still restricted to an annual growth rate of 6 percent on property taxes levied.

## SCOPE AND METHODOLOGY

The objective of this report was to analyze the likely impact of Ballot Measure 5 on Multnomah County property taxpayers. In conducting this review we interviewed personnel from the County Division of Assessment and Taxation and the Oregon Department of Revenue. We reviewed reports by the Tax Supervising and Conservation Commission, the State Executive Department, the Department of Revenue, the State Attorney General's Office, and the U.S. Department of Housing and Urban Development. We analyzed the tax records of Multnomah County and the data from a survey of Multnomah County households conducted by the U.S. Census Bureau in 1986. In the course of this review we did not audit the accuracy of these records.

To project tax savings, we calculated tax rates within the limits of Ballot Measure 5 and without those limits. In both scenarios we assumed that serial levies would not be replaced. We also assumed that residential property values would increase at 8 percent annually and that non-residential properties at 6 percent annually for the five-year period. This rate is consistent with property value growth rates in Multnomah County over the past twenty years. If a higher growth rate occurs over the next five years then tax savings will likely be less than the estimates contained in this report. All dollar amounts in this report are expressed at current dollar values, discounting for an assumed 4 percent annual inflation rate in the next five years. If a higher rate of inflation occurs in the next five years then savings will be lower. A detailed description of our property tax computations are included in Appendix C.

### PROPERTY TAX SAVINGS FROM BALLOT MEASURE 5

In FY90-91, property owners paid \$672 million in taxes. We estimate they will pay about \$344 million less property taxes in FY95-96 as a result of Ballot Measure 5. In five years, all property owners, regardless of the value or type of property, will be paying about half their current tax rate. The following chart shows the estimated savings over the next five years as the Measure 5 limitation is phased in. These savings would be realized in proportion to the current value of property in Multnomah County.

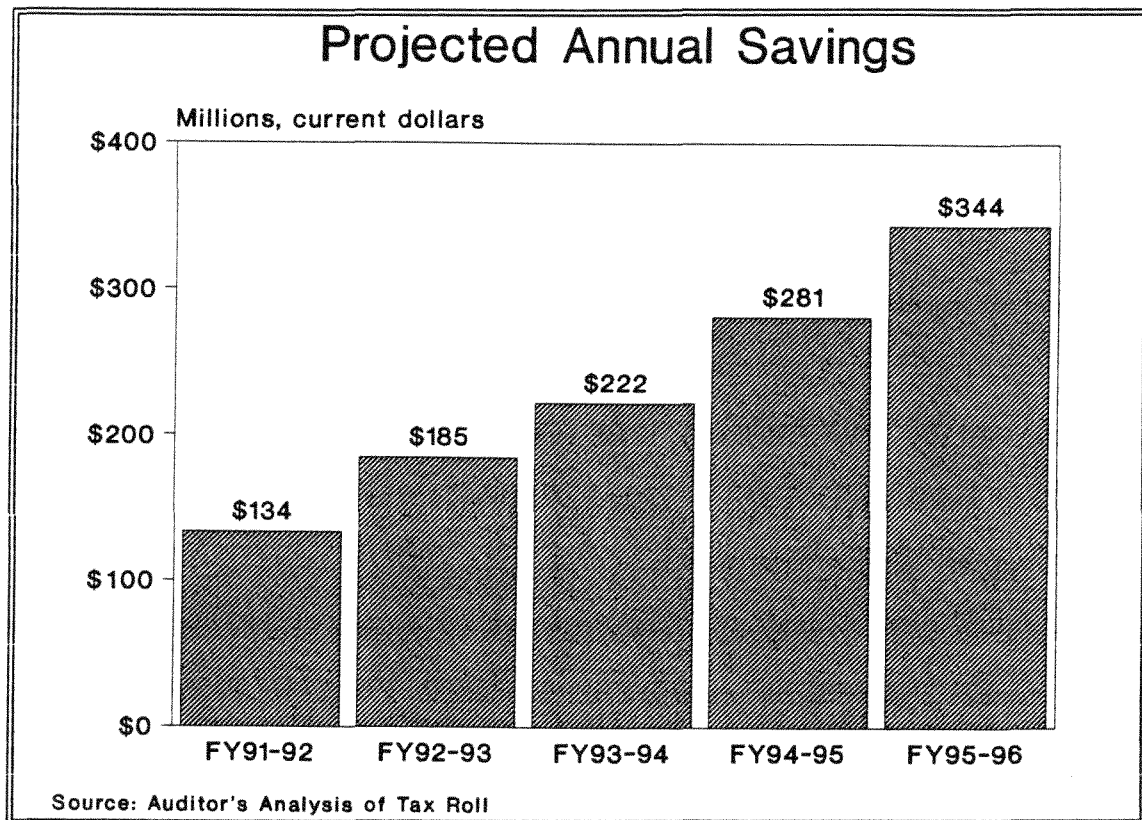


Exhibit 5: Projected Annual Savings

We analyzed the tax rolls by the major property tax classes specified by the Oregon Department of Revenue and from additional codes in the property tax roll which describe property uses in more detail. The chart below shows these savings for the four major classes of property.

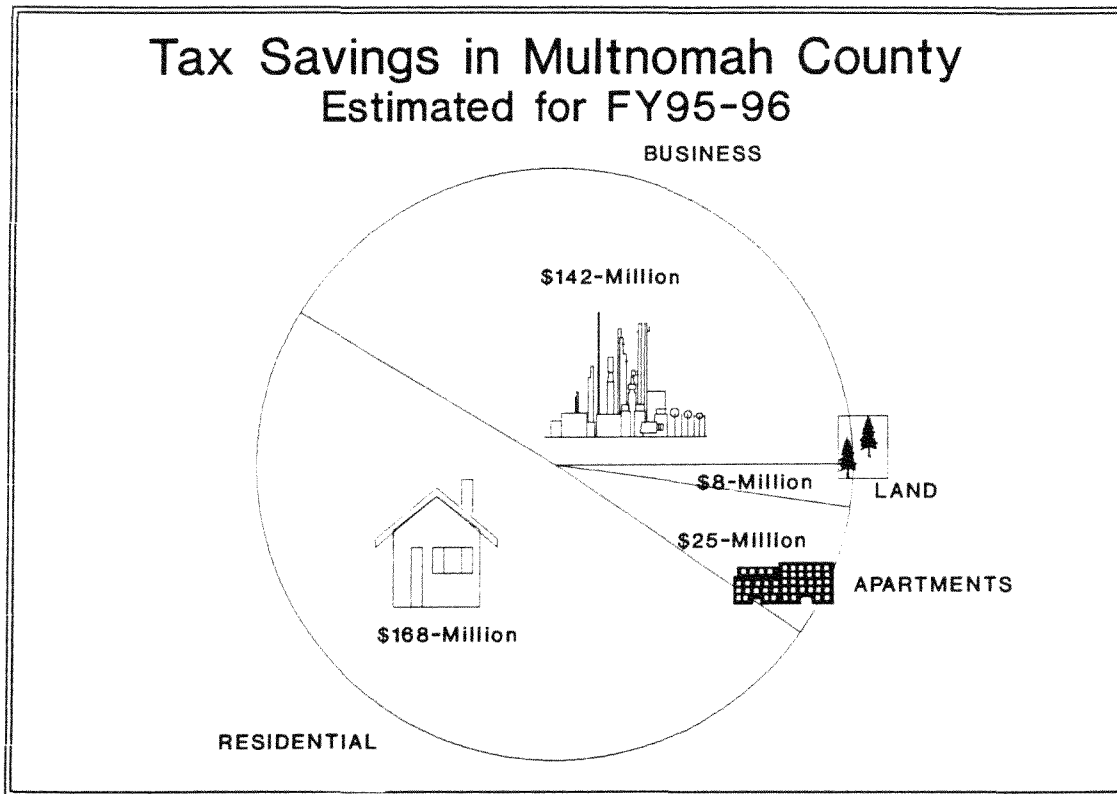


Exhibit 6: Tax Savings in Multnomah County, Estimated for FY95-96  
Source: Auditor's Analysis of Tax Roll

These savings would be realized in proportion to the current value of property in Multnomah County. Areas of the county with lower tax rates would not realize as much in savings.

Ballot Measure 5 does not limit growth of property values. If property values increase then taxes could also increase. However, we found that property values would have to increase by 15 percent per year for ten years before property taxes would return to FY90-91 levels. At this growth rate, a house currently valued at \$60,000 would be assessed at \$240,000 in ten years, or would have been worth \$15,000 ten years ago. Over the past twenty years property values in Multnomah County have increased an average of 7.5 percent, including new construction.

### SINGLE-FAMILY RESIDENTIAL PROPERTY

This category includes all improved residential properties, condominiums, mobile homes, and detached single-family dwellings on farm or forest land. It does not include apartments. According to a 1986 U.S. Census Bureau housing survey, about 22% of the houses are rentals. The tax rolls only identify apartment buildings and houses, with no distinction for rental houses.

	Number of Accounts	FY90-91 taxes millions	Savings in Millions		FY93-94	FY94-95	FY95-96
			FY91-92	FY92-93			
Residential Property	168,019	\$304.9	\$62.1	\$87.1	\$106.6	\$136.4	\$168.3

Property taxes on residences were \$305 million in FY90-91 and will be reduced by \$168 million in FY95-96. Exhibit 7 shows the number of residence tax accounts in ranges of value on the tax rolls in FY90-91. For example, there were 58,683 residential accounts valued between \$40,000 and \$60,000. The average value in the category is \$49,203 with FY90-01 taxes of \$1,540 and estimated tax savings of \$840 per account in FY95-96.

Exhibit 7: Residential Property Value and Savings

FY90-91 Assessed Value	Number of Accounts	Average Value	FY90-91 Taxes Per Account	FY95-96 Savings
Less than \$20,000	9,392	\$ 12,250	\$ 380	\$ 310
\$ 20,000 - \$40,000	46,232	\$ 31,854	\$1,000	\$ 540
<b>\$ 40,000 - \$60,000</b>	<b>58,683</b>	<b>\$ 49,203</b>	<b>\$1,540</b>	<b>\$ 840</b>
\$ 60,000 - \$80,000	28,555	\$ 68,630	\$2,150	\$1,170
\$ 80,000 - \$100,000	11,075	\$ 88,461	\$2,770	\$1,510
\$100,000 - \$200,000	11,291	\$132,830	\$4,160	\$2,270
\$200,000 - \$300,000	1,907	\$238,791	\$7,470	\$4,080
More than \$300,000	881	\$424,617	\$13,290	\$7,400
Total/Average	168,019	\$57,995	\$1,810	\$1,010

Source: Auditor's Office Analysis of Tax Roll Data

The average-value house in Multnomah County is \$58,000. The owner paid about \$1,810 in property taxes in FY90-91 and will save approximately \$1,010 in FY95-96 property taxes (expressed in current dollars). Property owners will have to pay state and federal income taxes on the property tax savings, however, we were not able to estimate the net effect.

We analyzed the data from a 1986 U.S. Census Bureau housing survey to estimate the percentage of annual household income spent on property taxes. To represent current conditions, we increased property tax rates and assessed values to FY90-91 levels and increased income data by the consumer price index which averaged 3 percent for that period. Ballot Measure 5 will significantly benefit homeowners in Multnomah County. For example, our analysis indicates that approximately 35,000 households spent more than 10 percent of their income on property taxes in FY90-91.

Exhibit 8 shows the percentage of income which households spent on property taxes in FY90-91 according to our analysis. For example, about 15,000 families paid 6 percent of their household income for property taxes.

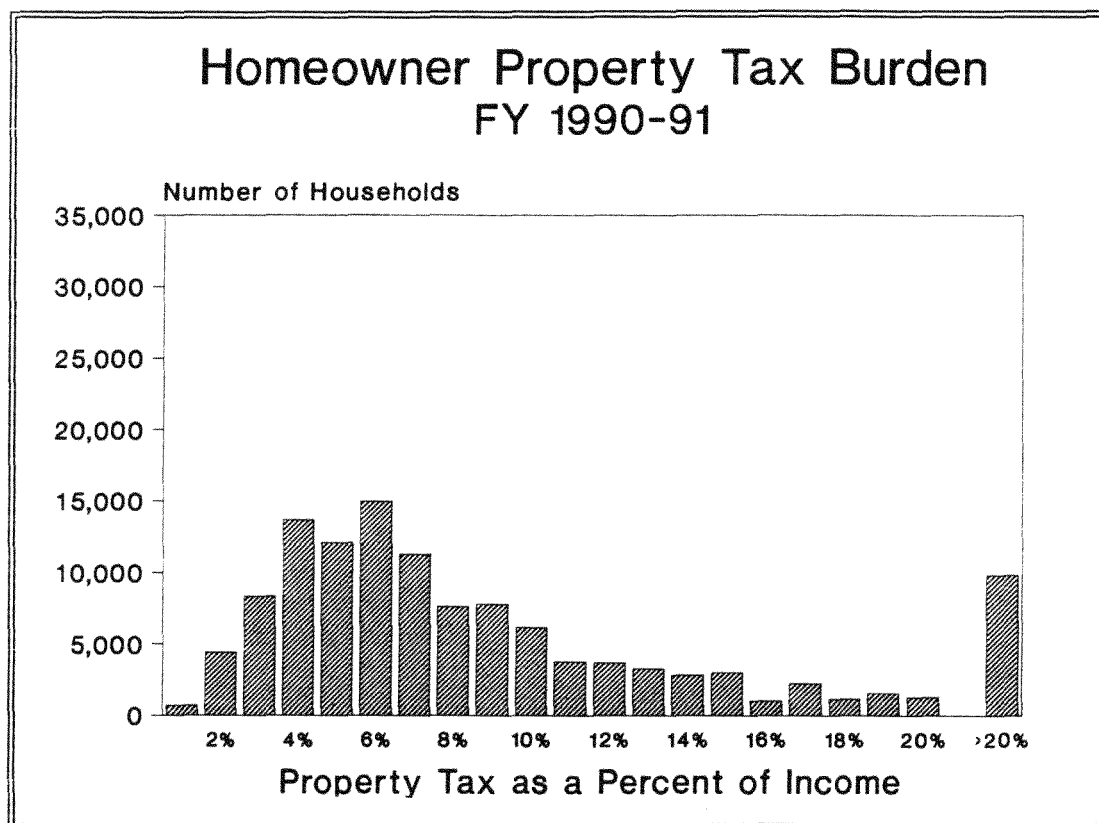


Exhibit 8: Homeowner Property Tax Burden FY90-91  
Source: Auditor's Office Analysis of Housing Survey Data

Exhibit 9 below shows estimates of the property tax burden in FY95-96. Households will be paying less in property taxes, with about 28,000 households paying 2 percent and 29,000 paying 3 percent of their income as a result of Ballot Measure 5. We applied the estimated savings from Ballot Measure 5 to this data and found that only about 8,500 households will spend more than 10 percent of their income on property taxes in FY95-96.

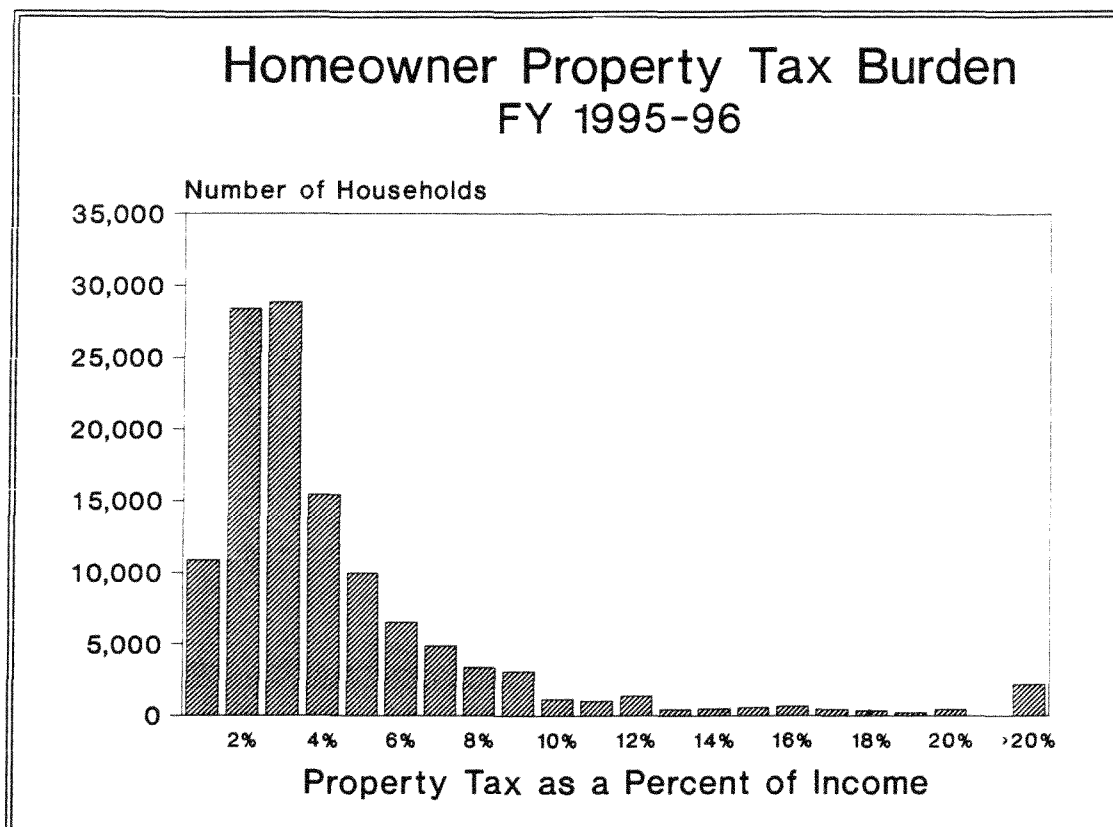


Exhibit 9: Homeowner Property Tax Burden FY95-96  
Source: Auditor's Office Analysis of Housing Survey Data

#### BUSINESS PROPERTY

	Number of Accounts	FY90-91 taxes millions	Savings in Millions				
			FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Business Property	38,512	\$284.0	\$58.1	\$79.2	\$93.7	\$117.4	\$141.9



This category includes commercial, industrial, transport, utility, and personal property accounts detailed in the following sections.

We estimate that business accounts in Multnomah County will save nearly \$142 million in FY95-96. State and federal income taxes are likely to reduce the savings realized by business property owners. We were not able to estimate the increased state corporate tax payments by these businesses. However, the State Executive Department estimates that all businesses in Oregon will pay an additional \$6.1 million in the State biennium of FY93-94 and FY94-95 as a result of Ballot Measure 5. We were not able to estimate the increased payments by these businesses for federal or other income taxes.

Some of these properties are leased to other businesses which may not benefit from the tax savings. There are lease agreements which include rent adjustments for changes in property taxes, but we could not determine the extent of this practice.

#### COMMERCIAL AND INDUSTRIAL PROPERTY

	Number of Accounts	FY90-91 taxes millions	Savings in Millions		FY93-94	FY94-95	FY95-96
			FY91-92	FY92-93			
Commercial/ Industrial	13,994	\$198.3	\$41.4	\$56.2	\$66.3	\$82.7	\$99.8

Commercial and Industrial accounts represent 30 percent of the total assessed value in Multnomah County. We estimate savings for FY 1995-96 to be \$100 million. The tax roll also identifies business accounts by use code. This code identifies the general type of use for the property. In some instances, a property may have multiple uses or otherwise be difficult to classify. We estimate the savings for these use codes as follows:

### Estimated Savings for FY95-96

	Number of Accounts	Total Savings	Average Per Account
Office Buildings	1,985	\$24,600,000	\$12,400
Warehouses	2,465	\$16,000,000	\$ 6,500
Multi-Use/Misc	3,190	\$12,500,000	\$ 3,900
Retail Stores	2,600	\$11,700,000	\$ 4,500
Hotels & Motels	190	\$ 4,000,000	\$21,000
Auto Related	1,240	\$ 3,800,000	\$ 3,100
Medical Bldg-			
Nursing Homes	1,050	\$ 3,600,000	\$ 3,400
Restaurants	800	\$ 3,300,000	\$ 4,200
Industrial	500	<u>\$20,300,000</u>	<u>\$40,500</u>
Total Indus/ Commercial	14,020	\$99,800,000	\$14,000

Unlike the residential accounts, commercial and industrial accounts are composed of fewer accounts with much larger dollar values. We found that about 2,050 of the 14,000 accounts will be saving \$74 million (75 percent) of the \$100 million estimated commercial and industrial tax savings in FY95-96.

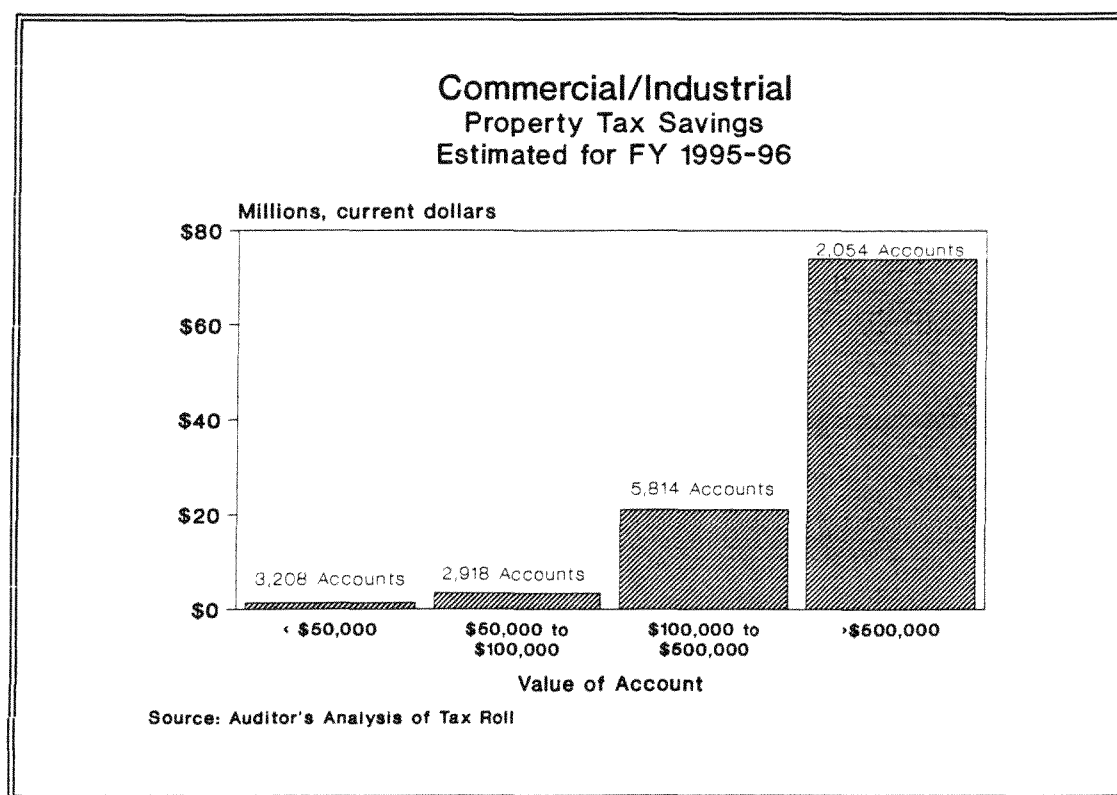


Exhibit 9: Commercial/Industrial Property Tax Savings, estimated, FY 1995-96

### Transport and Utility Accounts

	Number of Accounts	FY90-91 taxes millions	Savings in Millions				
			FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Transport/ Utility	113	\$49.6	\$9.2	\$12.7	\$15.3	\$19.6	\$23.9

Transport and utility accounts consist of airlines, communications, power and water, transport, pipelines, and shipping and navigation companies. Transport and utility property tax accounts will save an estimated \$24 million in FY95-96.

These are properties which generally extend beyond county lines and are assessed by the state's Department of Revenue rather than the County Assessor. Generally, the Public Utility Commissioner reviews the operating costs of public utilities in the rate-making process. As a result, property tax savings of \$14.9 million in FY95-96 for the major utilities could be passed on to utility customers as reduced rates.

We estimate Measure 5 tax savings for these properties to be as follows:

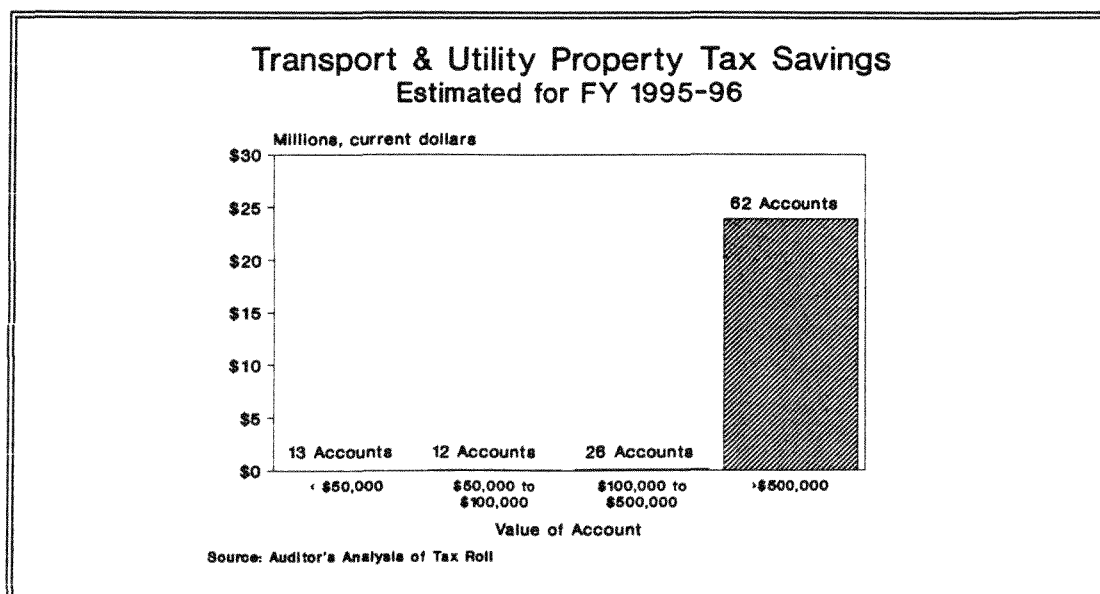


Exhibit 10: Transport and Utility Property Tax Savings FY 1995-96

PERSONAL PROPERTY ACCOUNTS

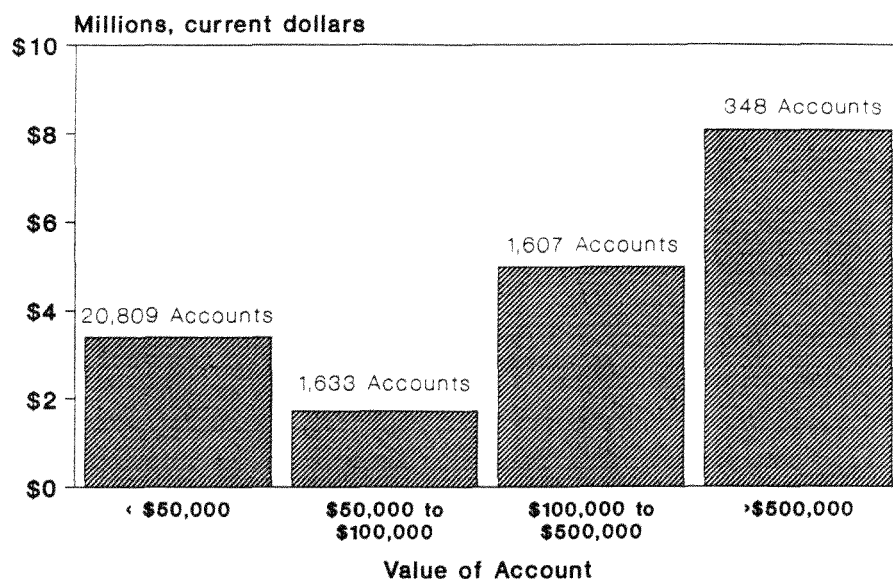
	Number of Accounts	Savings in millions FY90-91	FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Personal Property	24,397	\$36.1	\$7.5	\$10.2	\$12.1	\$15.1	\$18.2

Personal property includes tangible property such as furniture, equipment, and unlicensed vehicles, but is limited to items used for business rather than personal use.

In FY90-91 personal property tax accounts represented 5.4 percent of the total county assessed value. We estimate that Measure 5 tax savings in FY95-96 will be about \$18 million for personal property taxes. Eighty-five percent of the 24,400 personal property accounts on the tax roll were small businesses with personal property valued at under \$50,000 per account. However, this 85 percent makes up less than 20 percent of the value of the personal property tax accounts. In FY95-96 when Measure 5 is fully implemented, we estimate that these small businesses will each save an average of \$160 per year. The remaining 3,600 businesses will realize an average of \$4,120 in savings in that year.

The graph on the following page shows savings for FY95-96.

### Personal Property Tax Savings Estimated for FY 1995-96



Source: Auditor's Analysis of Tax Roll

Exhibit 11: Personal Property Tax Savings Estimated for FY95-96

### DUPLEXES AND APARTMENT PROPERTY

Apartments made up 7 percent of the total tax roll for the 1990-91 tax year.

	Number Accounts	Savings in Millions					
		FY90-91 taxes (millions)	FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Apartments	10,535	\$50.1	\$10.2	\$14.0	\$16.7	\$20.9	\$25.2

We estimate property tax savings by unit will be:

Number of Units	Average Savings per Unit				
	FY91--92	FY92-93	FY93-94	FY94-95	FY95-96
80,160 \$	128	\$175	\$209	\$261	\$315

We are not aware of residential lease or rental agreements which would require these savings to be passed on to renters.

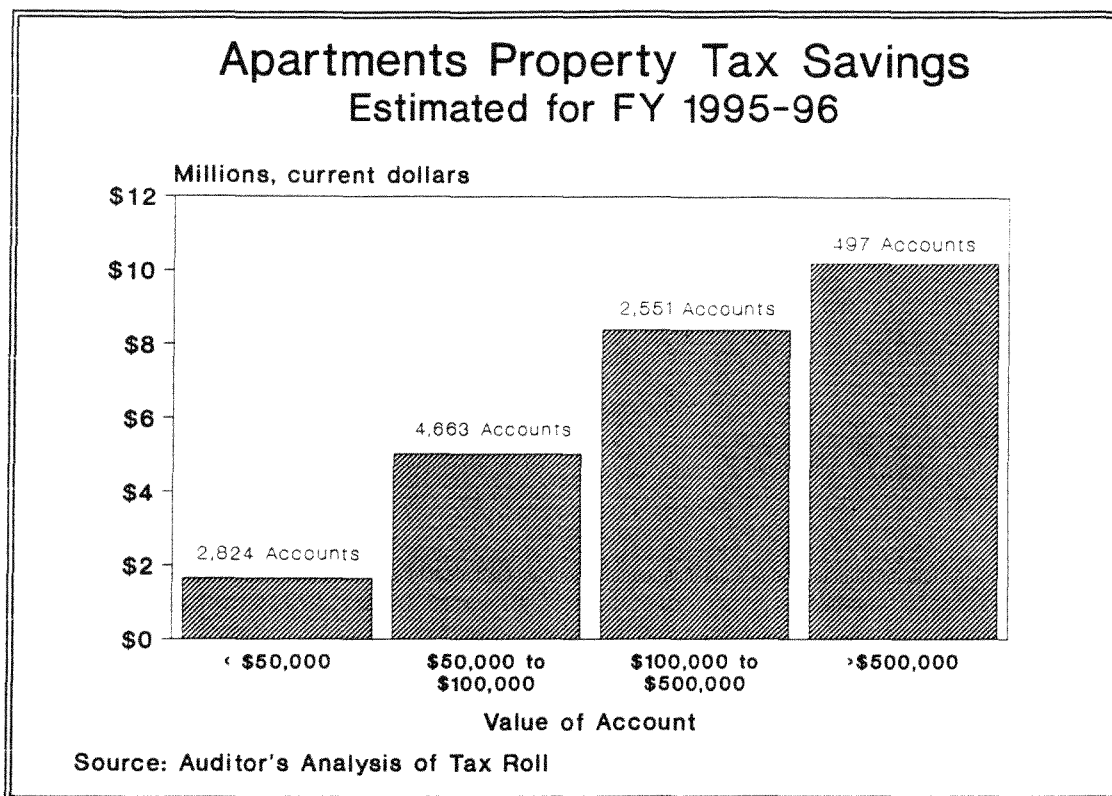


Exhibit 12: Apartments Property Tax Savings

### UNIMPROVED LAND

	Number of Accounts	FY90-91 taxes millions	Savings in Millions				
			FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Unimproved Land	19,700	\$16.7	\$3.1	\$4.4	\$5.4	\$6.8	\$8.3

This category includes unimproved land designated for residential, multi-family, commercial, industrial, farm, and forest uses. Unimproved land includes all classes of land with use defined by zoning or highest and best use. The graph below shows the allocation by the zoned "highest and best use" category. The "all other" includes tract land, and farm and forest land zones.

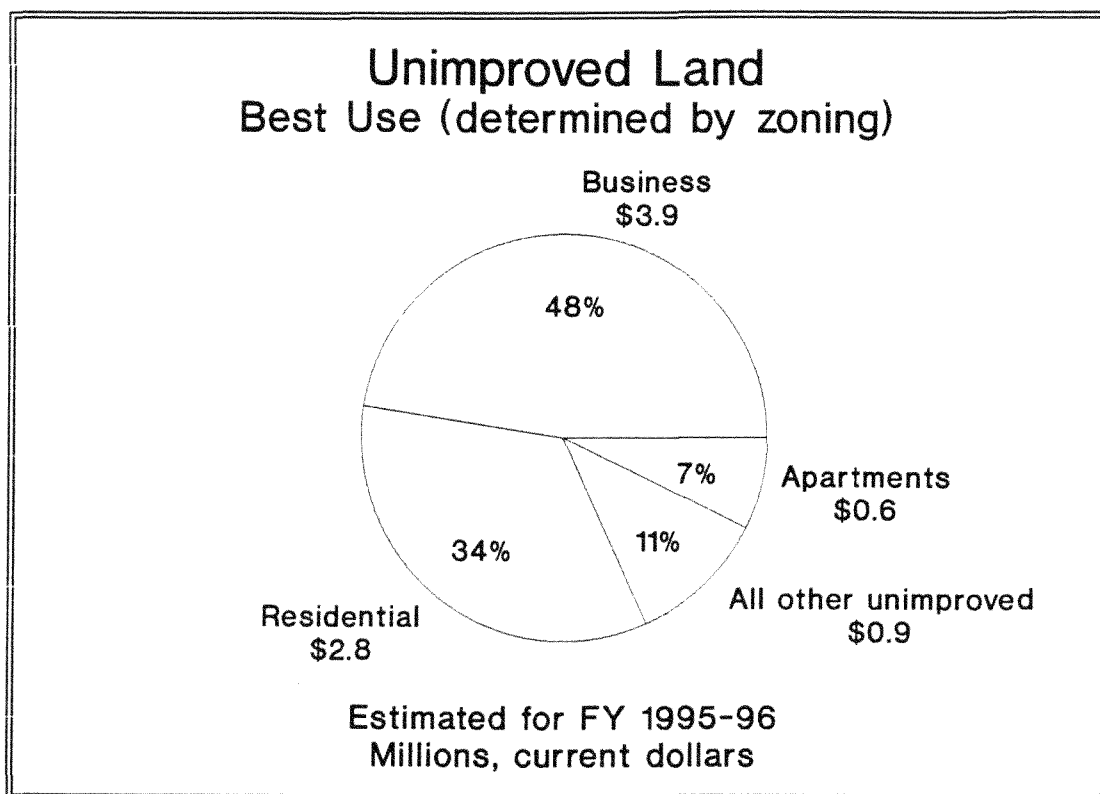


Exhibit 13: Unimproved Land Best Use (determined by zoning)

OUT-OF-STATE OWNERSHIP - ALL TYPES OF PROPERTY

	Number of Accounts	90-91 taxes (millions)	Savings in Millions				
			FY91-92	FY92-93	FY93-94	FY94-95	FY95-96
Out-of-State Ownership	20,058	\$116.4	\$23.6	\$32.4	\$38.6	\$48.6	\$59.1

The property tax roll includes both the property address and the owner's address. We analyzed the tax roll for all properties owned by out-of-state interests and found that approximately 18 percent of Multnomah County's property assessments are billed to out-of-state addresses. We believe that this figure is a low estimate because we also have found that businesses with out-of-state headquarters use the mailing address of their local office for their property tax bills. A minimum of \$59 million in property tax savings will be realized annually by property owners outside Oregon in FY95-96.

Out-of-State Property Owners  
Estimated Savings for FY 95-96  
(in Millions)

California	\$ 14.9
Washington	12.8
Colorado	8.0
Illinois	2.7
Ohio	1.9
Indiana	1.6
Idaho	1.5
Georgia	1.5
New York	1.2
All others	<u>9.2</u>
Total out-of-state	\$ 59.1



**Appendix A**  
**Ballot Title**  
 STATE CONSTITUTIONAL LIMIT ON  
 PROPERTY TAXES FOR SCHOOLS, GOVERNMENT OPERATIONS

**QUESTION:** Shall constitution set limits on property taxes, and dedicate them to fund public schools and no-school government operations?

**EXPLANATION:** Amends constitution. Limits 1991-1992 property taxes for public schools to \$15, and property taxes for non-school government operations to \$10 per \$1000 of market value. Schools limit gradually decreases to \$5 per \$1000 in 1995-1996 and after. Government operations limit remains same. Limits do not apply to government assessments, service charges, taxes to pay certain government bonds. Assessments, service charges shall not exceed cost of making improvements, providing services. General Fund to replace, until 1996, school funds lost due to schools limits.

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

**PARAGRAPH 1.** The Constitution of the State of Oregon is amended by creating a new section to be added to and made a part of Article XI and to read:

**SECTION 11b.** (1) During and after the fiscal year 1991-1992, taxes imposed upon any property shall be separated into two categories: One which dedicates revenues raised specifically to fund the public school system and one which dedicates revenues raised to fund government operations other than the public school system. The taxes in each category shall be limited as set forth in the table which follows and these limits shall apply whether the taxes imposed on property are calculated on the basis of the value of that property or on some other basis:

**MAXIMUM ALLOWABLE TAXES**

For Each \$1000.00 of Property's Real Market Value

<u>Fiscal Year</u>	<u>School System</u>	<u>Other than Schools</u>
1991-1992	\$15.00	\$10.00
1992-1993	\$12.50	\$10.00
1993-1994	\$10.00	\$10.00
1994-1995	\$ 7.50	\$10.00
1995-1996	\$ 5.00	\$10.00
and thereafter		

Property tax revenues are deemed to be dedicated to funding the public school system if the revenues are to be used exclusively for educational services, including support services, provided by some unit of government, at any level from pre-kindergarten through post-graduate training.

(2) The following definitions shall apply in this section:

(a) "Real market value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

(b) A "tax" is any charge imposed by a governmental unit upon property or upon a property owner as a direct consequence of ownership of that property except incurred charges and assessments for local improvements.

(c) "Incurred charges" include and are specifically limited to those charges by government which can be controlled or avoided by the property owner.

- (i) because the charges are based on the quantity of the goods or services used and the owner has direct control over the quantity; or
- (ii) because the goods or services are provided only on the specific request of the property owner; or
- (iii) because the goods or services are provided by the governmental unit only after the individual property owner has failed to meet routine obligations of ownership and such action is deemed necessary to enforce regulations pertaining to health or safety.

Incurred charges shall not exceed the actual costs of providing the goods or services.

- (d) A "local improvement" is a capital construction project undertaken by a governmental unit.
  - (i) which provides a special benefit only to specific properties or rectifies a problem caused by specific properties, and
  - (ii) the costs of which are assessed against those properties in a single assessment upon the completion of the project, and
  - (iii) for which the payment of the assessment plus appropriate interest may be spread over a period of at least ten years.

The total of all assessments for a local improvement shall not exceed the actual costs incurred by the governmental unit in designing, constructing and financing the project.

(3) The limitations of subsection (1) of this section apply to all taxes imposed on property or property ownership except

- (a) Taxes imposed to pay the principal and interest on bonded indebtedness authorized by a specific provision of this Constitution.
- (b) Taxes imposed to pay the principal and interest on bonded indebtedness incurred or to be incurred for capital construction or improvements, provided the bonds are offered as general obligations of the issuing governmental unit and provided further that either the bonds were issued not later than November 6, 1990, or the question of the issuance of the specific bonds has been approved by the electors of the issuing governmental unit.

(4) In the event that taxes authorized by any provision of this Constitution to be imposed upon any property should exceed the limitation imposed on either category of taxing units defined in subsection (1) of this section, the, notwithstanding any other provision of this Constitution, the taxes imposed upon such property by the taxing units in that category shall be reduced evenly by the percentage necessary to meet the limitation for that category. The percentages used to reduce the taxes imposed shall be calculated separately for each category and may vary from property to property within the same taxing unit. The limitation imposed by this section shall not affect the tax base of a taxing unit.

(5) The Legislative Assembly shall replace from the State's general fund any revenue lost by the public school system because of the limitations of this section. The Legislative Assembly is authorized, however, to adopt laws which would limit the total of such replacement revenue plus the taxes imposed within the limitations of this section in any year to the corresponding total for the previous year plus 6 percent. This subsection applies only during fiscal years 1991-1992 through 1995-95, inclusive.

PARAGRAPH 2. The limits in Paragraph 1, above, are in addition to any limits imposed on individual taxing units by this Constitution.

PARAGRAPH 3. Nothing in this measure is intended to require or to prohibit the amendment of any current statute which partially or totally exempts certain classes of property or which prescribes special rules for assessing certain classes of property, unless such amendment is required or prohibited by the implementation of the limitations imposed by Paragraph 1, above.

PARAGRAPH 4. If any provision of this measure is in irreconcilable conflict with a provision of any other measure amending the Constitution of the State of Oregon submitted to the vote of the people of the State of Oregon and voted on at the same election as this measure, then the provision which is contained in the measure receiving a majority vote and the highest number of affirmative votes shall prevail and become operative.

## Appendix B LISTING OF PROPERTY TAX EXEMPTIONS

The following listing are estimates of property tax exemptions and preferential assessments for the state of Oregon. The listing is from a schedule of approximate values at January 1, 1986 from the Oregon Department of Revenue's report Oregon's Property Tax System: The Disintegration Continues, dated November 1988.

### PROPERTY TAX EXEMPTIONS

(Approximated exempt values at January 1, 1986)

	Value in Millions	Totals in Billions
I. Exemptions to Preserve the Environment		\$ 5.2
A. Farm-use assessments	\$5,000	
B. Historic property	100	
C. Open space	50	
D. Pollution control facilities	40	
E. Alternate energy systems	10	
II. Exemptions to Encourage or Preserve		\$18
A. Timber	\$8,500	
B. Inventories	6,600	
C. Agricultural property	1,600	
D. Watercraft & ship repair	500	
E. Commercial facilities	200	
F. Other	300	
III. Exemptions to Preserve Social Welfare		\$2.6
A. Religious organizations	\$1,200	
B. Literary, charitable, etc.	800	
C. War veterans	250	
D. Fraternal organizations	150	
E. Burial grounds	100	
F. Other	100	
IV. Other Exemptions		\$128.8
A. Intangible personal property	\$65,000	
B. Public property	50,000	
C. Motor vehicles	11,000	
D. Tangible personal	2,700	
E. Other	100	
TOTAL EXEMPT		\$154.6
TOTAL TAXABLE		\$ 82.9

### Appendix C

Our model uses FY1990-91 tax roll-assessed values and tax levy information to compute taxing unit property tax rates. Taxing unit rates were reduced by the portion that applies to bonded indebtedness. Increases in assessed values were applied uniformly to all taxing units but varied by type of property.

The model assumes that residential assessed values will grow at 8 percent while all other property values grow at 6 percent; the composite growth rate for the model is approximately 7 percent. Multnomah County assessed values have increased at about 7.5 percent during the past two decades. Ballot Measure 5 redefines assessed value which may result in an initial adjustment of property values to the market value, followed by a more normal growth rate. The graph below shows the impact of assessed values on Measure 5 tax savings. As assessed values increase, Measure 5 tax savings decrease.

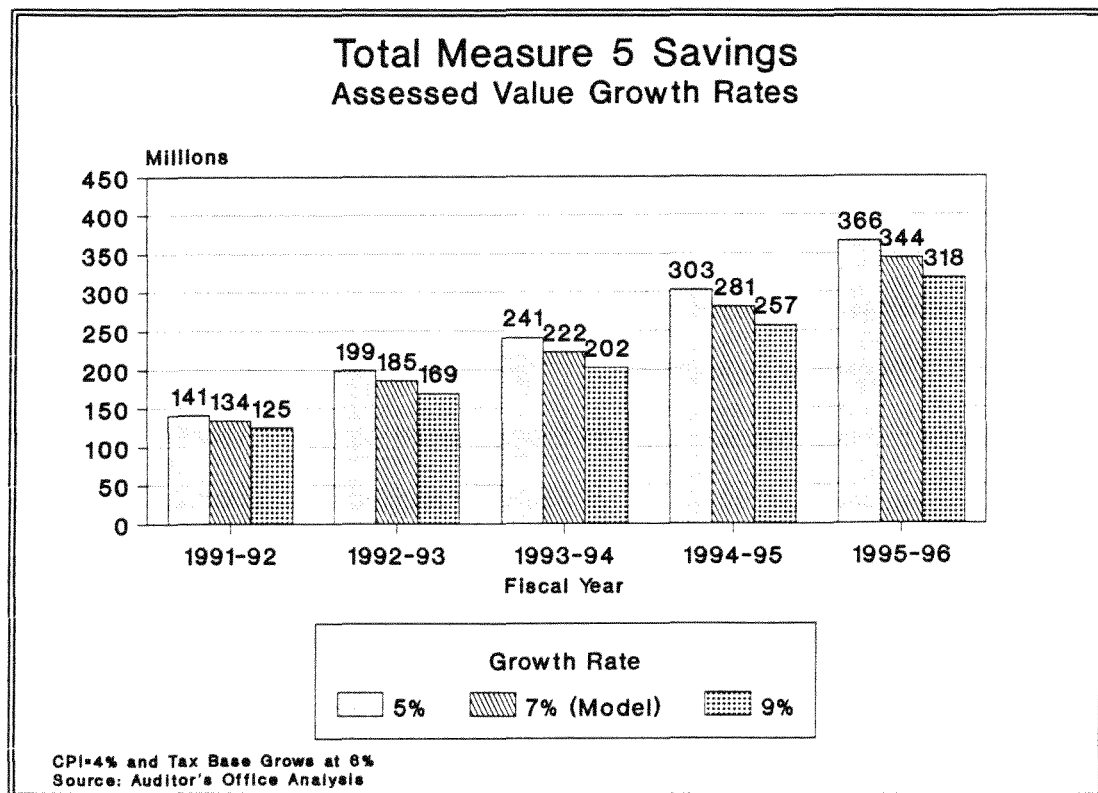


Exhibit 14: Total Measure 5 Savings

Levy codes are different combinations of taxing units which serve various geographically-located groups of property owners. Multnomah County has 238 such combinations. For all levy codes there were 71 different property tax rates ranging from \$37.04 to \$14.35 per \$1,000 of assessed value in FY90-91.

The model computes taxing unit rates for the 50 largest levy codes which comprise approximately 95 percent of the assessed value of Multnomah County. An average rate was estimated for the other levy codes.

Within each levy code, nonschool taxing units are separated from school taxing units. Combined taxing unit rates (adjusted for debt) are computed for each category and compared to the Measure 5 limits. The difference between the combined taxing unit rate and the Measure 5 limit for each category is the tax savings rate.

The Multnomah County library and jail levies are included in this model. The City of Portland levies for street lighting, parks, and 911 Emergency Service have been eliminated and the Fire & Police Disability & Retirement levy has been fixed at \$2.80 per \$1,000. This model assumes no new special levies. Taxes generated from special assessments are not included in the model. Special assessments represent approximately 0.5 percentage of the 90-91 County certified tax levy. Consistent with the Attorney General's opinion on the application of Measure 5, the model assumes that urban renewal tax increment financing represents a "tax" that is subject to Measure 5 limits. However, this model does not determine the portion of urban renewal incremental revenue that is used to pay for bonded indebtedness specifically excluded by Measure 5. The certified levy in Multnomah County for urban renewal projects in 1990-91 was approximately \$22.3 million or 3.3 percent of the certified levy.

The model expresses future savings from Measure 5 in today's dollars. As the inflation index increases, Measure 5 savings will decrease.