Historic Special Assessment:
Authorizing Second-Term Residential Applications

Report to the Portland Historic Landmarks Commission

July 2006

CITY OF PORTLAND, OREGON
BUREAU OF Planning

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I. Introduction and Summary of Staff Recommendation

The Oregon Legislature recently amended the Historic Special Assessment Program to allow owners of historic residential property[1] to apply for a second 15-year period of special assessment—*if the local jurisdiction adopts an ordinance authorizing such applications.* Commercial properties are already allowed to apply for a second period, with no local authorization required. This document outlines key policy considerations, benefits and impacts involved in considering such an action by the City of Portland. The appendix provides additional information and data on the Special Assessment program.

The Portland Historic Landmarks Commission will hold a public hearing on July 24, 2006 at 1:30 PM to gather citizen input, consider the issues, and develop a recommendation for City Council, which must authorize any action enabling residential reapplications in Portland. A City Council hearing on this issue has not been scheduled at this time.

The Bureau of Planning recommends that no action be taken to authorize applications for a second term of special assessment for residential properties. Alternatively, if the Landmarks Commission believes allowing second-term residential applications is desirable, staff recommends placing limitations or additional requirements on reapplications in order to address concerns outlined in this report, further refine policy objectives, and limit potential public costs.

II. Background: Program Intent, Requirements & Process

The Historic Special Assessment Program helps make preservation and rehabilitation of historic buildings economically feasible by "freezing" a property's assessed value and reducing property taxes for 15 years, giving owners a long window in which to make historically-appropriate improvements to their properties. Eligible buildings must be individually listed on the National Register of Historic Places or contributing structures in a National Register historic district (there are approximately 1,800 such properties in Portland). A 15-year "Preservation Plan" outlining proposed preservation, rehabilitation and maintenance actions is required. Commercial properties applying for a second 15-year period are required to submit a "Renovation Plan" outlining work that constitutes a "significant investment" that returns the property to a "high level" of integrity and includes seismic, ADA, or energy improvements. The new State legislation requires a Preservation Plan for second-term residential applications, but does not require a comparable "significant investment" or "high level" of integrity commitment comparable to a commercial Renovation Plan.

The State Historic Preservation Office (SHPO) administers the program and enforces compliance. Local jurisdictions may provide SHPO with *advisory* recommendations on individual applications. Applications may not be disapproved by SHPO solely because of the potential loss of tax revenue. The Portland Historic Landmarks Commission has commented on applications in the past, however, the Commission recently delegated these reviews to staff, citing the ineffectiveness of local comment in shaping preservation plans and determining program outcomes.

[1] For the purposes of the program, "residential property" means real property that is used as a personal residence of the owner and is not depreciable for federal income tax purposes, and therefore generally *includes* condominiums and *excludes* apartment buildings.

III. Potential Program Extension: Benefits and Policy Considerations

The Special Assessment program is a popular historic preservation tool and financial incentive in Portland; there are currently about 425 Portland properties enrolled, accounting for 42 percent of participation statewide. More than half of the participating properties are residential, including more than 200 single-family homes and about 60 mixed-use and/or residential condominiums. Since the program's inception in 1977, approximately 160 residential properties in Portland have received benefits for a 15-year term and exited the program. Only two residential properties have been administratively removed from the program by SHPO for noncompliance.

Public Benefits: Preservation of Portland's Built Heritage

The public benefits of the existing program and its potential extension allowing a second term for residential properties are realized through the preservation and revitalization of the city's historic built environment—the historic buildings and urban fabric identified in City policies and by the public as critical to:

- Preserving and enhancing desired neighborhood character, diversity and livability;
- Defining and fostering civic identity and pride;
- Supporting economic development and tourism; and
- Achieving sustainable development goals.

The program also increases public involvement in the development and preservation processes by requiring National Register listing (and thus application of City historic design review and demolition regulations) and SHPO oversight of preservation work.

Policy Considerations

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 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). More than half of the Portland properties currently enrolled in the program are single-family residential structures. Allowing residential reapplications would likely result in additional new National Register listings, as the prospect of a second term would act as an additional incentive to listing.

On the other hand, while the program is often a critical element in ensuring preservation of historic commercial buildings, small residential buildings are generally less vulnerable to the difficult development economics faced by aging commercial structures. In comparison to generally larger and more complex commercial buildings, it is unclear to what extent special assessment has been a necessary factor in "saving" residential structures that would otherwise have been demolished or irreversibly and inappropriately altered. This uncertainty would be compounded if second terms were allowed because the first term should presumably result in investments and projects that improve its historic integrity, extend its useful life and make it less vulnerable to demolition. In this light, the public benefits of the second term appear to be less in relation to those of the first, especially since a more rigorous "Renovation Plan" is not required as is it is for commercial reapplications. Said another way, some have questioned whether a second term is needed, if the property owner made the improvements they committed to in their first-term Preservation Plan.

Another policy consideration is taxpayer equity. The median real market value of Portland single-family homes currently on special assessment is $582,330 (with a range from $167,000 to $4.75 Million)[2], substantially higher than the city's $219,000 median sales price in 2005. In addition, participating properties are not evenly dispersed geographically; most are generally located west of 39th Avenue, with significant concentrations in a few areas such as King's Hill, Ladd's Addition and the Southwest Hills. While some have challenged the equity of the program's distribution of benefits, it is important to keep in mind that it is not designed to either discriminate on the basis of applicants' income level or wealth, nor assist in achieving affordable housing or related economic policy goals. Rather its public benefits are intended to be measured in terms of the preservation and improvement of historic structures.

IV. Potential Program Extension: Financial Considerations

The Special Assessment program reduces the total "taxable assessed value" of real property in the City, thus reducing the taxes collected and distributed to property-taxing jurisdictions. The market value exempted by the program currently accounts for about 3.9 percent of the total exempted value of all tax exemption and abatement programs in Multnomah County, a relatively large amount for any one program.

While more than half of the Portland properties currently enrolled in the program are single-family residential structures, their exempted market value is only about 15 percent of the total exempted value from the program (18 percent is in residential condos and 67 percent in commercial properties), i.e. many small residential properties participate but, in aggregate, account for proportionately less of the exempted property value (and thus foregone tax revenue) in comparison to commercial properties.

Extending residential special assessment benefits for an additional 15-year period would, over time, increase the proportion of exempted value in residential properties and, more importantly, decrease local tax revenues. Although the new state legislation requires the City of Portland to authorize such extensions, the financial impacts would affect not only the City but all public entities that collect a share of property taxes in Portland, including Multnomah County, school districts, and others.

Estimating the foregone revenue that would result from extending the program with precision is complex and subject to many unknowns (e.g. rate of new enrollments and reapplications, property value changes, levy rates, etc.) As an illustration, the effects for a single tax year have been estimated, representing a hypothetical first year of allowing reapplications (2007/2008). If the 89 single family residences whose first term expires in June 2006 were *not* able to reapply, local property taxes amounting to approximately $960,720 would be collected the following year. If all were to reapply, taxes collected would total $590,800, with a negative revenue impact of

[2] The data from which these figures are derived include a few properties on special assessment in unincorporated Multnomah County within Portland's Urban Services Boundary (primarily Dunthorpe); these tend to be relatively highly valued and shifts the range upward.

$369,920 to local taxing jurisdictions. The comparable negative impact from residential condo renewals would amount to $14,100.[3] Thus an estimated total of $384,020 in foregone revenues could be expected the first year, of which approximately $133,180 would be forgone by the City of Portland, the rest by other taxing jurisdictions, such as school districts, County government, Metro, etc.

While these numbers may appear relatively small in terms of overall public budgets, it is important to realize that they represent an estimate for just the first year after reapplications would be allowed: *the impacts would increase over time as new properties come off their first period and renew, and real market values and "potential" assessed values of participating properties rise over the second 15 years.* That is, the magnitude of foregone revenues would increase each year as:

- An additional set of properties becomes eligible with each successive year, adding to the pool of properties paying reduced taxes. The pool would also be affected by the reapplication rate of the approximately 160 properties that have already completed a first term and exited the program. To some extent the pool would stabilize after 15 years as second terms begin to end, however, at that time, any increase in new National Register listings and first-term enrollment that was incented by the prospect of two terms would also begin to result in second-term applications; and

- Property values rise for participating properties (and thus the tax revenues that theoretically would have been collected if they were not participating) at a greater rate than taxes collected, i.e. the annual foregone revenue from *each* property rises each year.

Financial impacts are theoretically mitigated, in part, when at the end of the special assessment period, assessed value is raised to reflect real market value and taxing jurisdictions begin realizing gains from having rehabilitated and more valuable property assets on the tax rolls.

While the special assessment program clearly supports public preservation policies, the additional public costs of extending the program should be considered within the current fiscal environment in which the provision of many other "public goods," including education, social services, public safety and infrastructure, is challenged by various funding crises and program cuts. The difficult-to-forecast additional foregone revenues from special assessment program extension represent a kind of "opportunity cost" that potentially reduces availability of tax revenues for other purposes.

V. Options

Staff has identified three basic options for further consideration. The City could:

❶ Choose not to act. Residential properties would continue to qualify for a single 15-year period of historic special assessment, but not a second;

❷ Adopt a broad ordinance authorizing residential reapplications for a second period. With this option the State would have complete administrative review responsibility for reapplications; or

[3] Whether and under what conditions residential condominiums will be eligible to reapply is still under consideration by SHPO. The revenue impacts of condo reapplications is potentially substantial. There are currently 14 condo buildings enrolled, all converted after enrollment, and the rate of conversion may be increasing.

❸ Adopt an ordinance that authorizes reapplications but places additional limits or requirements on such reapplications that help achieve stated policy goals and reduce potential foregone revenue. With this option, the City would have some form of ongoing administrative review role, in addition to the State. The State legislation would appear to generally allow this option, however, it would be important that any additional local limitations and review criteria relate to the program's purposes and adhere to State rules and regulations. Staff has identified several approaches to implementing this option. The conceptual alternatives listed below initially appear to be feasible, but require significant additional discussion, refinement and research if this option is to be pursued further.

a. **Geographic Limitation (Historic):** Limit reapplications to properties in areas underrepresented by designated historic resources (e.g. outer East Portland), to encourage preservation and encourage new historic designations in areas with fewer protected resources;

b. **Geographic Limitation (Economic):** Limit reapplications to properties in economically disadvantaged areas (e.g. enterprise zones), to support preservation and ownership in low income areas and increase equity of benefit distribution;

c. **Investment Limitation:** Require a certain amount of proposed investment (e.g. create a threshold proposed investment to assessed value ratio) in second-term preservation plans, to ensure benefits are needed and limit benefits to more at-risk resources; and

d. **Application Review:** Establish a City review process with the authority to place conditions on or deny individual reapplications, to ensure adequate preservation plans, increase local control and set "higher" preservation standards.

VI. Staff Recommendation

The Bureau of Planning recommends that the Historic Landmarks Commission recommend that City Council take no action to authorize applications for a second term of special assessment for residential properties (option ❶).

The existing provisions for a single 15-year term will continue to support preservation of historic residential structures. However, staff believes that the potential benefits of a broad authorization for a second term do not outweigh the additional financial costs. Staff has concerns about the necessity of a second term for the majority of residential historic structures. It remains unclear whether a second term will result in investments that would not otherwise occur without the benefit and to what extent preservation work in the second term will go beyond what was completed (or "should have been" completed) in the first term, especially absent additional requirements analogous to the "Renovation Plan" required of commercial reapplications. In light of these uncertainties, the additional costs of program extension do not appear justified. These costs have the potential to negatively impact the general funds of the City of Portland, Multnomah County, and Portland's school districts which provide public goods and services that are of high priority to Portland's citizens, including education, public safety, and infrastructure such as roads and parks.

Alternatively, if the Landmarks Commission believe second-term residential applications should be authorized, staff recommends further research into developing a tool that limits or places requirements on reapplications in order to address concerns outlined in this report, further refine policy objectives, and/or limit potential public costs (option ❸).

Additional research and consultations with the City Attorney's office, the Bureau of Development Services and the State Historic Preservation Office are needed in order to create such a tool. Factors to be considered in developing and analyzing alternatives include:

- City resources needed for implementation;
- Means for codification and implementation;
- Clarity and objectivity of review/approval criteria;
- Relationship to, and potential conflicts with City land use reviews (e.g. historic design review);
- Relationship to, and coordination with, SHPO application reviews and program implementation; and
- Means for monitoring and enforcement.

VI. Next Steps

The Portland Historic Landmarks Commission will hold a public hearing on July 24, 2006 at 1:30 PM to gather citizen input, consider the issues, and develop a recommendation for City Council. A City Council hearing on this issue has not been scheduled at this time.

V. Appendix

The following section provides supplementary information about the Special Assessment program and the potential extension of benefits to residential properties for a second 15-year term.

The data provided in this document comes from a number of sources, including the Oregon State Historic Preservation Office, the Multnomah County Assessor, and the Bureau of Planning. In some cases there are discrepancies in the data provided by different sources.

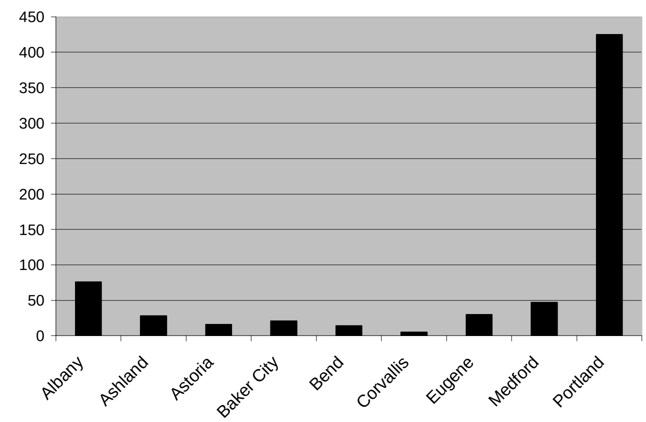
A. Statewide Participation in Special Assessment

According to the State Historic Preservation Office, approximately 1,022 properties in Oregon are currently participating in the Special Assessment program. Over the past five years, the average number of Special Assessment applications has remained constant at about 30 per year. The figures below show participation in selected cities statewide. Portland has by far the largest number of participating properties.

Special Assessment Participation, by City

City	Properties	% of Total
Corvallis	5	0.5%
Bend	14	1.4%
Astoria	16	1.6%
Baker City	21	2.1%
Ashland	28	2.7%
Eugene	30	2.9%
Medford	47	4.6%
Albany	76	7.4%
Portland	***425***	***41.6%***
All Others	360	35.2%
Total	1022	100%

Source: Oregon State Historic Preservation Office.



As of mid-July 2006, 15 local jurisdictions statewide have adopted enabling legislation to allow residential reapplications, including Clackamas County and the following cities and towns: Jacksonville, Gearhart, Roseburg, Eugene, Coburg, Corvallis, Grants Pass, The Dalles, Dayton, Medford, Oakland, Springfield, St. Helens, and Hood River.

B. Special Assessment Participation in Portland

SHPO data indicate that 425 individual buildings are enrolled in the program. This represents about 23 percent of the potentially eligible 1837 National Register properties in the city (the actual percentage is lower because some contributing properties in districts are also individually listed and some National Register properties have already exited the program and are no longer eligible).

National Register and Participating Properties in Portland

Designation/Type	Individual NR	Contributing in NR District*	Total NR Properties*	Participating in SA	% of Total NR Properties in SA*
Properties	512	1325	1837	425	23.1%

*Some “contributing” properties in districts are also individually listed; and are thus counted “twice” in the total.

Source: Oregon State Historic Preservation Office.

For the purposes of Special Assessment, participating properties may be classified as commercial (which includes residential rental properties), or residential properties, including houses and condominiums. Note that because some properties are condominiums, there are more than 425 individual participating owners. Of the total, 53 (commercial) properties (12.5%) are in their second 15-year term.

The majority of Portland-area project types currently enrolled in the program are single-family residential. The SHPO data classifications include residential condominiums in both “mixed use” and “multifamily” categories, making certain kinds of analysis difficult. In the table below, these two categories have been combined.

Special Assessment Participation in Portland, by Property Type

Type	Properties	% of Total
SF Residential	218	51.3%
Commercial	143	33.6%
Mixed Use & MF Res.*	64	15.1%
Total	425	100%

*Includes properties considered “commercial,” as well as residential condominiums

Source: Oregon State Historic Preservation Office.

Properties exit the program as their terms expire. The table below indicates the number of currently participating Portland residential properties (single-family and condominium buildings) by the year in which their first 15-year term began and will expire. It shows a large number of properties exiting between 2006 and 2009 (and thus becoming eligible for a second term, if authorized) with more modest numbers each year until 2021.

Residential Properties Exiting Special Assessment in Portland, by Year

Year Entered	Year Exiting	Properties
1991	2006	91
1992	2007	32
1993	2008	14
1994	2009	43
1995	2010*	0
1996	2011	7
1997	2012	4
1998	2013	6
1999	2014	3
2001	2016	6
2002	2017	0
2003	2018	10
2004	2019	6
2005	2020	8
2006	2021	8

*Program suspended in 1995.

Source: Oregon State Historic Preservation Office.

The first table on the following page lists 14 residential condominium properties in Portland that are currently in the program. Most of these were converted to condominiums after initial enrollment. The “Units” column indicates the total number of units in the property, including both individual residences and common elements, such as parking and storage. While the number of residential units cannot readily be determined from this data, an estimated range of 300 to 500 condo units are currently in the program.

Portland Condominiums in Special Assessment

Historic Name	Address	Status	Units*
North Bank Depot, west	601 NW 11th (1101 NW Hoyt)	Indiv. NR	NA
Marshall-Wells Whse. #2	1420 NW Lovejoy St	Indiv. NR	453
Embassy Apts.	2015 NW Flanders St	Contributing	183
Oregon Transfer Co. Bldgs.	1238 NW Flanders St	Contributing	118
American Apartment Bldg.	2083 NW Johnson St	Indiv. NR	102
Salerno Apts.	2325 NE Flanders St	Indiv. NR	63
Roosevelt Hotel	1005 SW Park Ave	Indiv. NR	50
Wilcox, Theodore B., Estate	3787 SW 52nd Pl	Indiv. NR	32
Elm Street Apts.	1825-1837 SW Elm St	Indiv. NR	11
Simon, Joseph, House #2	614 NW 22nd Ave/2217 NW Hoyt	Contributing	9
Modern Confectionary Bldg.	1240 NW Hoyt St	Contributing	8
Armour Building (3 units only)	401 NW 13th Ave	Contributing	7
Wickersham Apts.	410 NW 18th Ave	Indiv. NR	1
Tudor Arms Apts.	1811 NW Couch St	Indiv. NR	1
Total			1038

* Includes common areas, parking, etc. and does not correlate to number of housing units.

Source: Oregon State Historic Preservation Office and Portland Bureau of Planning.

The table below indicates that commercial properties account for over 67 percent of the total exempted property value from the program in Portland. Condos account for about 18 percent and single-family properties account for about 15 percent. These data indicate that, while more than half of the Portland properties currently enrolled in the program are single-family residential structures (see previous table), their exempted market value (and thus foregone tax revenue), accounts for proportionately less of the exempted property value in comparison to commercial properties.

*Assessed Value Exempted & Real Market Value of Participating Portland Properties, by Property Type**

Type	AV Exempted	% of Total AV Exempted	RMV	% of Total RMV
Commercial	$576,579,140	67.4%	$753,476,420	68.7%
Condos	$151,866,800	17.8%	$164,237,230	15.0%
SF Residential	$126,571,780	14.8%	$178,902,420	16.3%
Total	$855,017,720	100%	$1,096,616,070	100%

* Includes properties in unincorporated Multnomah County within Portland's Urban Services Boundary.

Source: Multnomah County Tax Assessor and Portland Bureau of Planning.

The first table on the following page indicates that the median real market value (RMV) of participating single-family residential properties is $582,330, which is notably higher than the city's median sales price of $219,000 in 2005 (although real market value, determined by the County Tax Assessor, is not strictly comparable to the market-determined sales price). The average RMV is over $800,000, with a wide range from about $167,000 to over $4.74 Million. The data set from which these figures are derived includes a few properties on special assessment in unincorporated Multnomah County within Portland's Urban Services Boundary (primarily Dunthorpe). These properties tend to be relatively highly valued; if they were removed the range and average RMV figures would be smaller.

*Real Market Value of Participating Portland Single-Family Properties**

Properties	Total RMV	Average RMV	Median RMV	Highest RMV	Lowest RMV
217	$178,902,420	$824,435	$582,330	$4,751,900	$167,310

* Includes properties in unincorporated Multnomah County within Portland's Urban Services Boundary.

Source: Multnomah County Tax Assessor and Portland Bureau of Planning.

The table on the following page illustrates the exempted taxable property value in Multnomah County from all special assessments, abatements and exemptions. There are a large number of such tax programs and exemptions; only a few are called out individually, generally the largest in terms of exempted value. The Historic Special Assessment Program accounts for about 3.9 percent of all exempted property value, a relatively high figure for a single program. It should be noted that very few of the special tax programs are subject to discretionary local control, for instance almost 60 percent of the exempted value is for publicly-owned property.

Summary of Multnomah County Specially Assessed and Tax Exempt Properties, Tax Year 2005/2006

SPECIAL ASSESSMENT/EXEMPTION TYPE	NUMBER OF ACCOUNTS	TAXABLE ASSESSED VALUE	REAL MARKET VALUE	ASSESSED VALUE EXEMPTED	% OF TOTAL AV EXEMPTED
BUSINESS/HOUSING/MISC.					
Commercial Facilities Under Construction	534	42,411,390	177,137,600	106,640,540	0.49%
Enterprise Zones	10	35,748,220	78,158,730	38,453,260	0.18%
Historic Property	***1,800***	***241,311,416***	***1,096,215,350***	***838,527,360***	***3.89%***
Nonprofit Low Income Rental Housing	603	12,332,820	513,395,590	485,436,760	2.25%
Multiple Unit Housing in Core Areas	313	30,541,860	457,481,720	425,370,160	1.97%
Port and Airport Property Leased	24	0	183,968,370	180,657,810	0.84%
War Veterans and Spouses	5,823	755,116,400	1,303,314,250	632,985,770	2.94%
All Other Business/Housing/Misc. Exemptions	11,128	308,103,760	865,823,873	1,221,050,423	5.67%
TOTAL: BUSINESS/HOUSING/MISC.	**20,235**	**1,425,565,866**	**4,675,495,483**	**3,929,122,083**	**18.23%**
SOCIAL WELFARE					
Literary, Charitable, and Scientific Organizations	1,368	81,618,180	1,548,765,870	1,409,899,740	6.54%
Churches and Religious Organizations	1,694	8,937,400	1,427,404,090	1,410,253,350	6.54%
All Other Social Welfare	1,490	676,980,800	3,439,068,210	2,261,260,430	10.49%
TOTAL: SOCIAL WELFARE	**4,552**	**767,536,380**	**6,415,238,170**	**5,081,413,520**	**23.58%**
PUBLIC					
Cities and Towns	3,804	14,532,450	2,254,142,660	2,224,836,640	10.32%
All Other Public (Fed, State, Misc.)	4,484	15,241,180	10,286,873,150	10,276,848,480	47.69%
TOTAL: PUBLIC	**8,288**	**29,773,630**	**12,541,015,810**	**12,501,685,120**	**58.02%**
OTHER SPECIALLY ASSESSED					
Riparian Habitat Land	8	985,290	1,680,780	170,350	0.00%
Low Income Rental Housing Specially Assessed	37	40,644,320	63,426,670	2,088,250	0.01%
All Other Specially Assessed Property	5,367	129,157,140	144,176,600	33,678,370	0.16%
TOTAL: OTHER SPECIALLY ASSESSED	**5,412**	**170,786,750**	**209,284,050**	**35,936,970**	0.17%
TOTAL ALL TYPES	**38,487**	**2,393,662,626**	**23,841,033,513**	**21,548,157,693**	**100%**

Source: Multnomah County Tax Assessor

C. Estimating Potential Foregone Revenue

Estimating the foregone revenue with precision is complex and subject to many unknowns (e.g. rate of new enrollments and reapplications, property value changes, levy rates, etc.) The following calculations represent an attempt to quantitatively *estimate* the financial impact on the City of Portland for a single year if residential properties were to enroll in a second period of special assessment. This estimate is based on figures and calculations provided by the Multnomah County Tax Assessor's office.

In tax year 2006/07, the first 15-year term of special assessment of 89 single-family residential accounts will expire on June 30, 2006. Local property taxes collected on those properties without any residential reenrollment would be approximately:

$75,832,710 Real Market Value (RMV)

X .615 Change Property Ratio (CPR)

$46,637,110 Assessed Value (AV) (increases 103% per year)

X 20.00 Tax Rate

$932,740 = Estimated Taxes Collected 2006/2007 without any Residential Reenrollment

If all 89 residential properties were to re-enroll, local property taxes collected the following year (2007/2008) would be approximately:

$46,637,110 AV (becomes the specially assessed or "frozen value")

X .6334 CPR (46,637,110 X 103% = 48,036,220 / 75,832,710)

$29,539,940 AV (the first year of the second 15 years – increases 103% per year)

X 20.00 Tax Rate

$590,800 = Estimated Taxes Collected 2007/2008 if 89 Residential Properties Re-Enroll

The estimated tax revenue impact to Portland and other property taxing jurisdictions in 2007/2008 would be approximately:

$48,036,220 AV (2006/07 AV X 103%)

X 20.00 Tax Rate

$960,720 Taxes without "Historic" reapplication

- $590,800 Taxes with "Historic" reapplication

$369,920 = Estimated Potential Revenue Impact 2007/2008

A comparable calculation for residential condos reveals that an estimated negative revenue impact of $14,100 would result in 2007/2008, were the 13 residential condominium accounts (not equating to 13 buildings) expiring in 2006/2007 to renew special assessment.

Thus an estimated total of $384,020 in foregone revenues could be expected the first year, of which approximately $133,180 would be forgone by the City of Portland (using $7.20 per $1,000 of assessed value and excluding any urban renewal rate), the rest by other taxing jurisdictions, such as school districts, County government, Metro, etc.

These impacts would increase over time as new properties come off their first period and renew, and real market values and "potential" assessed values of participating properties rise over the second 15 years. That is, the magnitude of foregone revenues would increase each year as:

1. An additional set of properties becomes eligible with each successive year (in addition to any new National Register-listed properties and the approximately 160 properties that have already

completed a first term), adding to the pool of properties paying reduced taxes (to some extent stabilizing after 15 years as second terms begin to end); and

2. Property values rise for participating properties (and thus the theoretical tax revenues that would have been collected if they were not participating) at a greater rate than taxes collected, i.e. the annual foregone revenue from each property rises each year.