

RESOLUTION NO. 5472

A RESOLUTION ALLOWING A SECOND SPECIAL ASSESSMENT TERM AS REGULATED BY THE OREGON STATE HISTORIC PRESERVATION OFFICE.

WHEREAS, the City of Albany has established a historic preservation program that includes public education, assistance, survey and inventory, and regulatory components; and

WHEREAS, financial incentives are important tools in encouraging the preservation of historic buildings; and

WHEREAS, Albany has a unique collection of historic buildings that are important to Albany's history; and

WHEREAS, the City of Albany and its citizens value the preservation of its architectural heritage and support tools to assist that preservation, including property tax incentive programs; and

WHEREAS, the 2005 Oregon Legislature enacted House Bill 2776 that amended the Special Assessment of Historic Property program to allow residential property owners to apply for a second period of special assessment as a local option; and

WHEREAS, the 2007 Oregon Legislature enacted Senate Bill 416 that will amend the Special Assessment Program to require localities to authorize second terms for commercial properties.

NOW, THEREFORE, BE IT RESOLVED by the Albany City Council that it does hereby adopt the option of allowing owners of specially-assessed residential and commercial historic property to apply for a second period of special assessment pursuant to the requirements of the statute and rules promulgated by the Oregon State Historic Preservation Office.

DATED AND EFFECTIVE THIS 22ND DAY OF AUGUST, 2007.

  
Mayor

ATTEST:

  
City Clerk



TO: Albany City Council

VIA: Wes Hare, City Manager  
Helen Burns Sharp, Community Development Director *HS*

FROM: Anne Catlin, Community Development Planner *aca*

DATE: August 15, 2007, for the August 22, 2007, City Council Meeting

SUBJECT: Historic Preservation Special Assessment (Value Freeze) Program

RELATES TO STRATEGIC PLAN THEME: • Great Neighborhoods

Action Requested:

Consider adopting the attached resolution that would allow a second 15-year Special Assessment term for Albany's eligible residential and commercial historic properties listed on the National Register of Historic Places.

Discussion:

The Oregon Legislature was the first to offer a historic preservation tax incentive program to its residents back in 1975. The program, called the Special Assessment Program, is administered by the Oregon State Historic Preservation Office (SHPO). It "freezes" a property's assessed value for 15 years. Once the 15-year period is over, the property is reassessed based on the real market value of the property. Owners of commercial (or income-producing) property statewide are eligible to apply for a second benefit period after being reassessed, but applications must include proposals detailing measures to be taken for purposes of either American with Disabilities Act (ADA) compliance, seismic improvements, or energy conservation. Information about the Special Assessment Program is attached.

Financial incentives are important tools to encourage the preservation of historic buildings. In 2005 the Oregon Legislature enacted House Bill 2776 (effective January 1, 2006) that amended the Special Assessment of Historic Property program (Oregon Revised Statutes 358.475 through 358.543) to allow a second 15-year term for residential property owners if the local government has adopted a resolution or ordinance authorizing a second term of special assessment for residential properties. (Since the end of 2006, eighteen cities and two counties have authorized second terms.)

Just as staff was ready to bring this issue to you, a bill was introduced in the 2006-2007 legislative session that proposed a second 15-year term be allowed for residential properties statewide. In the end, Senate Bill 416, which was signed and will take effect on September 27, 2007, lost the original proposal completely. The bill will change the law to require local governments to authorize second 15-year terms for both residential and commercial properties. In addition, local governments may elect to "exclude certain districts or properties from participation in the special assessment program under criteria established by the governing body. In adopting criteria, the governing body shall consider whether a district is in economic distress and the value of the property in the district." If the attached resolution is adopted and the CARA District sustains economic stress in the future, you can direct staff at that time to bring forward criteria that would allow you to exclude certain districts or properties from participating in this program, or decide to no longer allow second terms.

Lastly, the new bill establishes a task force to evaluate the program and make recommendations as to whether to continue the program beyond July 1, 2010 (the current sunset date), improve, or eliminate the program.

Albany's Special Assessment Properties:

*Eligible Properties* - The list below shows the number of residential properties that have completed a first 15-year term, and when the terms expire for those remaining on special assessment:

Completed first 15-year assessment, through 2007: 97 residential, 12 commercial (109 total)  
Between 2008 and 2010: 36 residential, 6 commercial (40 come off in 2009);  
Between 2011 and 2015: 6 residential, 2 commercial; and  
Between 2016 and 2021: 8 residential, no commercial.

The number of properties entering the Special Assessment Program went down drastically in the mid-1990s as can be seen by the fewer number of properties that will come off the program after 2011.

Only three properties are on a second 15-year term to date (two commercial buildings and one income producing residential property).

Budget Impact:

All properties eligible for the Special Assessment Program (first and/or second terms) are within the CARA District. Properties are reassessed once the first 15-year term expires and then each year the assessment is adjusted. Values are frozen at the time the property applies for a second term on the Special Assessment Program.

The CARA District will receive additional income from the new assessed value of properties that have completed a 15-year term, but then the income will stay flat from those properties on special assessment.

There are few properties remaining that need substantial rehabilitation work that would cause a major increase in value. Most properties requesting a second 15-year term will likely not have substantial rehabilitation work that would affect the value of the property.

It is hard to know how many property owners will apply for a second 15-year term. The SHPO mailed letters to all property owners that have participated in the Special Assessment Program, letting them know about the potential for a second 15-year term as a local option. Over the last year or so, Planning has received calls from about 10 different property owners who were interested in a second 15-year special assessment term. Planning staff estimates that about 25 percent of property owners eligible for a second 15-year special assessment term will apply for the freeze program.

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Attachments

c: Kate Porsche, Urban Renewal Coordination  
Susan Haylock, SHPO

**Oregon State Historic Preservation Office**  
**SPECIAL ASSESSMENT PROGRAM (15-Year Tax Freeze)**

**Special Assessment Program Information**

The program "freezes" a property's assessed value for 15 years. It is most effective when the "freeze" starts before substantial rehabilitation work is undertaken that would otherwise increase the assessed value considerably. Basic program requirements are as follows:

Eligibility: The building must be on the National Register of Historic Places, either individually or as a contributing building in a historic district.

Benefits: The Special Assessment Program can help make rehabilitation of historic buildings affordable. By freezing a property's assessed value for 15 years, the program allows the owner to avoid the steep increase in property tax that usually follows major investment. This can save a lot of money over 15 years. For example, a fixer-upper house worth \$50,000 when it enters the program, but worth \$100,000 after some improvements, will be taxed on the \$50,000 value for 15 years, which can save about \$850 a year (at a tax rate of \$1700 per \$100,000).

What part of the property does the benefit cover? The special assessment applies to the entire property (interior and exterior), including any outbuildings that are considered historically contributing, as well as specified parcels of land under and around buildings. New construction is excluded from the benefit, whether existing or proposed.

Responsibilities: In return for the tax benefit, owners accept certain responsibilities. A preservation/renovation plan for maintaining and rehabilitating the property is submitted with the application. SHPO must approve all work in the preservation/renovation plan, as well as anything not outlined in the plan. Owners must hold a four-hour public open house once a year; install an identification plaque; and keep the SHPO informed of their current contact information.

Withdrawal or Removal of Special Assessment: Participation in the Special Assessment Program is voluntary. An owner may withdraw by sending a letter requesting removal to the county assessor, with a copy to the SHPO. The assessor will bill the owner for the accrued amount of the benefit, plus interest. The SHPO may also remove a property from participation for serious non-compliance with the rules. The owner must then pay a 15% penalty in addition to the accrued benefit and interest. A property removed from Special Assessment remains eligible for participation, assuming that it continues to retain and exhibit sufficient historic character.

Tax Assessment: Properties are reassessed after the first 15-year term is over based on the real market value. The county assessor maintains a yearly estimate of current real market value. In 2005, the new assessed value of properties in Linn County was 82.1% of the real market value of the property.

Example: The value of a house was "frozen" at an assessed value of \$40,000 in 1990 when it entered the program. In 2005, the real market value was \$200,000 when it came off the program. The new assessed value is then \$164,200. The City (CARA) receives a substantial increase in taxes when the property comes off the first 15-year special assessment.

**Second Special Assessment Term**

The program requirements are the same for the second 15-year special assessment term, including submittal of a preservation plan outlining proposed rehabilitation work. Property values are frozen at the value the date the property owner applies for the second 15-year term.