

# COMMUNITY DEVELOPMENT

## BUILDING CODES

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### FAILED BILLS

#### [HB 2420: Third Party Building Inspection](#)



The bill would have placed new requirements on locally run building inspection programs. As introduced and amended, HB 2420 would have required a city to have a government-employed building official. It would have allowed cities to contract together or with councils of government to jointly hire an official. HB 2420 also included increased certification and experience requirements for local building officials and, when a city's building official did not meet the new requirements, allowed a city program to qualify if another employee held the required level of experience and certification. The bill failed to get a hearing in the Senate Rules Committee.

## ECONOMIC DEVELOPMENT

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### PASSED BILLS

#### [HB 2053: Rural Industrial Property Tax Exemption Clarity](#)

*Effective Date: September 29, 2019*

In 2016, a new local option rural industrial property tax exemption was created. Local governments can tailor the program, but there are minimum annual wage and annual average employment requirements. HB 2053 clarifies how the location of employees is to be used for making the calculations and provides that the deadline for the applicant to meet the requirements may be set by agreement between the governing body and the applicant but may be no later than the end of the first property tax year for which the exemption is granted. The bill would have also made other changes to the RSIS (Regional Significant Industrial Site) program and other Business Oregon programs, but the original bill proved too complex and it was pared back by amendment. The LOC supports expanding the eligibility of RSIS projects to include certain public-private funding projects.

#### [HB 2174: Urban Renewal Reforms](#)

*Effective Date: September 29, 2019*

This bill requires concurrence of each proposed “public building project” in an urban renewal plan (term is narrowly defined in the bill) by at least three of the four taxing districts that are estimated to forgo the most property tax revenues with tax increment financing. HB 2174 makes numerous technical changes to the urban renewal statutes. The bill clarifies substantial amendment triggers associated with land area additions (1% is cumulative calculation). Lastly, HB 2174 will improve urban renewal plan transparency by requiring urban renewal agency annual statements to include maximum indebtedness for each urban renewal area; distribution of the annual statement to each taxing district, and urban renewal representatives to be made available to answer questions annually. The bill was a product of an interim work group involving LOC, SDAO, OEDA and other key stakeholders.

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## FAILED BILLS

### **HB 2144: Federal Opportunity Zone: State Tax Add Back**

This bill would have prohibited taxpayers from receiving the federal opportunity zone tax benefits on their Oregon state income tax returns. That is, the bill would have required the addition to the taxpayer's state income amounts deducted as gain attributable to investment in a federal qualified opportunity zone. The LOC and OEDA opposed HB 2144 as it would have decreased the competitiveness of this tool for investments in Oregon. See <https://www.oregon4biz.com/Opportunity-Zones/> for more information, including project opportunities.

### **HB 3110: Increased Grant Writing Capacity**

This is a capacity building program for rural communities. It provides an infusion of \$875,000 for the 2019-2021 biennium that will help fill a needed gap for cities with a population less than 2,500 and counties with a population less than 12,000 for grant writing services for anything from local school needs, to economic development and other critical infrastructure needs. More than one-half the 241 cities that are part of this targeted legislation will qualify for funding. It's likely there will be requests that exceed this funding level just given the constant narrative of needs expressed by cities across Oregon.

### **SB 34: Industrial Site Readiness**

This bill would have expanded eligibility requirements to allow Business Oregon to enter into tax reimbursement arrangements (forgivable loans) for eligible industrial land site preparation costs with private owners (and not solely public entities). The LOC and the Oregon Economic Development Association supported SB 34 because the state has a shortage of industrial lands and much of the existing land is neither shovel ready nor owned by public entities. More incentivizing tools to develop constrained industrial lands are necessary. SB 34 would have limited reimbursement for private owners to 50 percent of eligible site preparation costs. The bill also would have reduced certain program wage compensation requirements from 150% to 130% of the county or state average wage,

whichever is less. The bill, introduced at the request of Business Oregon, received a hearing and much discussion but did not advance.

## HOUSING

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### PASSED BILLS

#### **HB 2001: Missing Middle Housing**

*Effective Date: On Passage*

HB 2001 will significant impact how cities plan and zone for housing. There are two different ways in which the bill impacts city work on housing: requiring more types of units to be allowed by-right in single family residential zones and changing how housing need and capacity is calculated. HB 2001 includes technical assistance funds and requires the Oregon Department of Land Conservation and Development (DLCD) to create model codes to assist cities undertaking this work. The key components of the legislation are:

##### Zoning

- By June 30, 2022, requires all cities in Metro with a population over 1,000 and all cities outside Metro with a population over 25,000 to allow:
  - a duplex on any lot or parcel zoned for residential use that allows for development of a single-family dwelling and
  - all “middle housing” types (duplex, triplex, quadplex, cottage cluster, or townhome) in areas zoned for residential use that currently allows a single-family dwelling.
- By June 30, 2021, requires all cities outside Metro with a population exceeding 10,000 and less than 25,000 to allow a duplex on any lot or parcel zoned for residential use that allows for development of a single-family dwelling.
- Extensions can be made for areas that do not have sufficient water, sewer, storm drainage, or transportation services (subject to approval by DLCD).

##### Capacity Calculations

- Changes the data that is used for capacity calculations.
- Requires caps on expected capacity for newly rezoned single-family zones.
- Amends factors to be considered for estimates of housing needs.

Other sections of the bill create a new process for approving an alternative process for conversion of single-family residences to triplexes or quadplexes; prevent regulations of accessory dwelling units that require off-street parking or owner-occupancy; and limits deed restrictions on new developments that would prevent middle housing construction.

#### **HB 2003: Housing Production Strategy**

*Effective Date: On Passage*

HB 2003 requires the state to create and perform regional housing needs analysis for each Regional Solutions area. In addition, it requires cities with a population greater than 10,000

to create a “housing production strategy” every eight years; cities inside Metro must create a strategy every six years. This plan is not a land use decision, but can include plans to update local land use and development regulations. The bill also provides the Oregon Department of Land Conservation (DLCD) the authority to set the schedule for cities to complete the strategy, establish the rules for approving adopted strategies, and enter into an enforcement proceeding if a city fails to work toward the concepts included in their strategy. HB 2003 also requires DLCD to set a schedule for large cities to determine if they have a sufficient land supply that allows completion two years prior to their required housing production strategy. Finally, the bill provides some funding for technical assistance for the first biennium of cities needing to comply with these new requirements.

### **SB 262: Multifamily Tax Exemption for Transit-Oriented Development**

*Effective Date: September 29, 2019*

This bill extends the ability for a city to institute the optional property tax exemption for multifamily housing in transit-oriented areas through January 1, 2032.

### **SB 608: City-owned Rent Increase/Tenant-Landlord Restrictions**

*Effective Date: February 28, 2019*

While SB 608 does not directly impact city operations, unless they manage residential rental units, it is expected that citizens will possibly reach out if they are having difficulty as a tenant or a landlord. The bill made no changes to week-to-week tenancy laws or month-to-month tenancies during the first 12 months of the tenancy. After a year, a landlord may only terminate the lease if they have cause or if their reason qualifies under the new law. SB 608 also limits the percentage by which a landlord may increase rent in a year period, but also provides an exemption for newly built units, defined as receiving its certificate of occupancy within the previous 15 years to the rent increase.

## **Land Use**

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### **PASSED BILLS**

#### **HB 2603: Substantial Completion Building Permit**

*Effective Date: January 1, 2020*

HB 2306 prevents a city from denying a building permit on the basis that the supporting infrastructure is not completed in a subdivision. If a residential subdivision is built, the city must have a process to allow the builder to seek building permits upon “substantial completion” of the infrastructure required as a condition of development. Substantial completion is defined as a completed water system, fire hydrant system, sewer system, storm water drainage (but not including the landscaping that might be included), curbs,

demarcation of streets so emergencies responders can navigate, and roads to the condition they can be accessible to emergency vehicles. The developer must also provide a financial guarantee, like a bond, for the incomplete work. A city may decline to issue the certificate of occupancy if all conditions for development are not met.

### **SB 92: Annexation Incentive**

*Effective Date: January 1, 2020*

SB 92 provides flexibility to cities seeking to incentivize annexation of residential properties. The bill allows a city to offer a ramp-up period of up to 20 years until the full city property tax is reached. If a city uses this option, a new property owner will pay the full property taxes upon transfer or sale of the property. Finally, SB 92 also amends the definition of an “island” for annexation purposes to include the boundary of another incorporated city as a boundary of the island. This means that the method of island annexation can be used when two cities surround an unincorporated area.

## **ENERGY & ENVIRONMENT**

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### **PASSED BILLS**

#### **HB 2007: Clean Diesel**

*Effective Date: On Passage*

HB 2007 implements new, “clean diesel” standards for medium and heavy-duty trucks (weighing more than 26,000 pounds) registered in Washington, Clackamas and Multnomah counties. The requirements are as follows:

- As of January 1, 2025 - the Oregon Department of Transportation (ODOT) may not issue a certificate of title for model year 2009 or older engines for medium duty trucks (weighing between 14,000 – 26,000 pounds) and model year 2006 or older engines for heavy-duty trucks (defined as weighing greater than 26,000 pounds).
- As of January 1, 2023 - ODOT may not issue a registration or renewal of registration in Washington, Multnomah and Clackamas counties for medium-duty trucks or heavy-duty trucks with diesel engines that are model year 1996 or older.
- As of January 1, 2029 - ODOT may not issue a registration or renewal of registration in Washington, Multnomah and Clackamas counties for:
  - Medium-duty trucks with 2009 or older diesel engines:
  - Heavy-duty trucks with 2006 or older diesel engines (unless the heavy-duty truck is owned by a public body);
  - Heavy-duty trucks that are owned by a public body, including a city, that are powered by a model year 2009 or older diesel engine.

The bill includes exemptions from the requirements, including an exemption that was requested by the LOC and other local governments, for emergency vehicles and ambulances.

### **HB 2496: Green Energy Technology**

*Effective Date: September 29, 2019*

HB 2496 modifies current state law that requires public contracting agencies, including cities, to reserve 1.5 percent of the total contract price for certain public building projects to incorporate green energy technology as part of the project. The bill increases the project threshold for required compliance from \$1 million to \$5 million. HB 2496 also allows the 1.5 percent funds to be used for battery storage or for passive solar energy efficiency that reduces energy use from other sources by at least ten percent (the current passive solar provision requires reductions of at least 20 percent).

### **HB 2509: Single-use Plastic Bags**

*Effective Date: January 1, 2020*

HB 2509 creates a statewide policy on single-use bags for restaurants and retail establishments and requires a minimum fee of no less than 5 cents for each paper bag provided at retail establishments, including grocery stores. Local ordinances, charter provisions, and resolutions adopted or amended after the effective date of HB 2509 will need to include definitions, requirements and restrictions that are identical to those established in the bill. Local governments can adopt, amend, and enforce penalties for violations of bag-ban provisions that differ from the enforcement provisions included in the bill and can require a restaurant or retail establishment to charge a fee of more than 5 cents.

### **SB 90: Single Use Straws**

*Effective date: June 13, 2019*

SB 90 implements a statewide “ask first” policy for single-use straws. In addition, the bill very broadly pre-empts local governments from enacting, after June 13, 2019, any ordinance, resolution, regulation, rule or other laws with requirements that differ from the provisions set forth in the bill.

### **SB 98: Renewable Natural Gas Portfolio Targets**

*Effective Date: September 29, 2019*

SB 98 requires the Public Utility Commission (PUC) to adopt rules for a renewable natural gas program with specific portfolio targets for large natural gas utilities (defined as serving more than 200,000 customers) and a voluntary, opt-in program for small natural gas utilities. Large utility targets start at 5 percent in 2020 and ramp up to 30 percent by 2045. The PUC rules will establish a process for natural gas utilities to fully recover prudently incurred costs associated with both the large and small renewable natural gas program. The bill authorizes large natural gas utilities to make qualified investments and to procure

renewable natural gas from third parties to meet the established targets in the bill. SB 98 defines “renewable natural gas” as biogas; hydrogen gas derived from renewable energy sources; or methane gas derived from certain sources.

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## FAILED BILLS

### **[HB 2020: Carbon Bill](#)**

HB 2020 would have established the “Oregon Action Climate Program” to meet updated greenhouse gas reduction goals for the state, with a goal of reducing emissions to 80 percent below 1990 levels by the year 2050. The bill would have impacted entities with annual emissions of 25,000 metric tons of carbon annually (primarily natural gas, electricity suppliers, manufacturing industries and the transportation fuels sector). HB 2020 would have connected to HB 2496 by established a market for allowances to be purchased by those covered under the program. The bill specified how revenues from the auction of allowances would have been spent.

### **[HB 2852: Community Choice Aggregation](#)**

HB 2852 would have authorized local governments, including cities, counties, irrigation districts, the Port of Portland, and other port districts, to establish a community choice aggregation program. The bill defined “community choice aggregation program” as a program for aggregating the loads of eligible retail electricity consumers in order to purchase or generate electricity on behalf of the retail electricity consumers. Essentially, community choice aggregation (CCA) allows one or more local governments to form an authority for the purpose of purchasing and generating electricity. Under a CCA model, the incumbent electric company would continue to maintain transmission lines, provide distribution services, metering, billing, ancillary services and customer service. The LOC was supportive of HB 2852, on the basis that it is a local control issue and due to several cities reaching out to indicate interest in forming a CCA authority. In addition, there are effectively no other feasible opportunities for municipalities to form public power entities in Oregon due to legislation passed in 2016 that makes the formation of municipal electric utilities cost prohibitive. HB 2852 did not receive a public hearing, and the LOC will be encouraging additional conversations in future legislative sessions to ensure that such a policy is implementable, financially feasible, and includes appropriate measures to ensure that costs are not unfairly shifted to other customers.

### **[HB 3408: Reducing Wood Burning Emissions](#)**

HB 3408 would have provided \$500,000 additional funding to support community efforts to reduce emissions from solid fuel burning devices that burn wood, such as woodstoves. While the bill did not pass, funding was included the DEQ budget bill, HB 5017.

## [HB 3425](#): **Low Income Tax Credit to Mitigate Higher Fuel Costs**

HB 3425 established a process by which lower-income individuals could receive a tax credit to mitigate transportation fuel price increases associated with implementation of a statewide carbon cap and trade program. All provisions of the bill were contingent upon passage of HB 2020 (carbon cap legislation). HB 3425 would have allowed individuals, with adjusted gross incomes not exceeding 250 percent of the federal poverty guidelines, to apply for the credit. Neither HB 3425 nor HB 2020 passed.

# FINANCE & TAXATION

## PROPERTY TAXES

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### PASSED BILLS

#### [HB 2130](#): **Property Tax Exemption Extensions**

*Effective Date: September 29, 2019*

HB 2130 extends the sunset for various property tax exemptions: the exemption for land held by non-profits for low income housing is extended to 2029; the exemption for shipping cargo containers is extended to 2026, and the exemption for a surviving spouse of a fallen public safety officer is extended to 2025. In addition, the bill extends the 130% central assessment cap to 2025. The LOC worked to keep the list of extensions narrow and with as much local control as politically possible.

#### [HB 2684](#): **Gigabit Exemption Repeal**

*Effective Date: September 29, 2019*

HB 2684 repealed the gigabit property tax exemption and is a win for the LOC and all local governments as it restores \$4.7 million in property tax revenues in the upcoming biennium and tens of millions more into the future. The large exemption failed to provide a good return on investment to taxing districts. The bill will compensate Frontier for one more quarter next property tax year. The LOC has been working on this, the Comcast litigation, and the broader central assessment issues since 2015.

#### [HB 2699](#): **Brownfields Exemption Is Stackable**

*Effective Date: September 29, 2019*

HB 2699 provides that the local option brownfield granted property tax incentive benefit may be granted along with any other special assessment, exemption or partial property tax exemption for which the property is eligible. However, tax benefits may not stack to reduce property tax liability below zero for any property tax year. The bill requires the local

government granting the brownfield property tax incentive benefit to specify how the jurisdiction intends to apply and stack multiple property tax benefits and to notify the county assessor. HB 2699 was supported by the LOC and the Oregon Brownfield Coalition.

### **HB 2949: Manufactured Structure Exemption Cap Raised**

*Effective Date: September 29, 2019*

Those who live in manufactured and mobile homes pay personal property taxes based on the assessed value of the home; however, if the assessed value is below a threshold (\$17,000 this year as there is a CPI calculation), the home is exempt. The governing body of a county with a population of more than 570,000 (Washington or Multnomah County) may raise the cap on the dollar amount of the exemption to \$25,000 (escalated for CPI this year to \$34,000). HB 2949 allows the governing body of these same counties to raise the cap above \$25,000 and provide a partial exemption (i.e. not an all or nothing exemption if the value of the home is above the cap). These allowances are intended to keep manufactured housing affordable as housing values rise.

### **SB 1045: Local Option Property Tax Exemption for Homeowners**

*Effective Date: September 29, 2019*

SB 1045 provides for a new local option property tax exemption for homeowners who rent a portion of their home to qualified low-income persons. A city or county that adopts an ordinance providing for this exemption shall work in consultation with a home share program (defined in the bill) to make the exemption determinations. The exemption may not exceed \$300,000 of assessed value. SB 1045 requires means testing of home share seekers; they must have income at or below 60% of area median income and family members are ineligible. The bill requires agreement of 51 percent or more of the total combined rate of taxation from the overlapping taxing districts for an exemption to take effect. SB 1045 caps participation at 500 homes per year. Notification of the adoption of the exemption to the Oregon Department of Revenue (DOR) is required and the DOR will in turn notify jurisdictions of the maximum number of eligible properties in their jurisdiction. The bill prohibits property receiving any other property tax benefit, other than homestead property tax deferral, to be granted home share exemption. Adoption of a home share program seems complex; however, because the property tax exemption is a local option and cities can tailor it to meet their needs, the LOC supported SB 1045.

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## **FAILED BILLS**

### **SB 543: Children's Service District**

SB 543 would have authorized the formation of a new special district to provide services for children. The bill would have given children's districts traditional special district powers, including the ability to levy and collect property taxes to pay for services. The LOC, along with a coalition of local governments, again strongly opposed the bill because such services would be duplicative and property tax levies would cause or exacerbate compression due

to Measure 50. In addition, there would be geographic tax inequities, depending on the borders of the proposed district. This session there were also concerns regarding formation and withdrawal requirements. SB 543 passed the Senate and failed on the House floor in a 21-38-1 vote.

### **[SJR 21: Repeal of Measure 50 From the Constitution](#)**

SJR 21 would have referred a proposed amendment to the Oregon Constitution to repeal Measure 50 from the Constitution and directed the Legislative Assembly to enact laws necessary to ensure that Measure 50 is transferred to statute without substantive change. The bill provided that amendments could then be made to the statutory provisions in a subsequent legislative session. A dash 1 amendment would have allowed amendments to the statutory provisions upon transfer if they addressed inequities of the property tax system. This bill had two hearings and is receiving more and more favorable support as the inequities of Measure 50 have become absurd. The LOC supports this concept.

## **EXCISE TAXES**

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### **PASSED BILLS**

#### **[HB 2270: Tobacco Tax Increase](#)**

*Effective Date: Passage Dependent on November 2020 Election Results*

HB 2270 is a legislative referral to the voters at the November 2020 general election for approval or rejection. If approved, it would increase cigarette taxes by \$2 per pack, increase the cap on cigar taxes from 50 cents to \$1 per cigar, and impose a new wholesale tax of 65% on vaping devices and products. Cities have been preempted for decades from taxing tobacco products. The referral would lump vaping devices and products into the tobacco products definition and thus preempt local governments from taxing these products too. Cities would not receive a share of any of the referred new state taxes as the bill directs revenues to the Oregon Health Authority for medical assistance, including mental health services, and certain public health programs.

#### **[HB 3067: Annual Certification of Marijuana Licenses](#)**

*Effective Date: January 1, 2020*

HB 3067 provides that a city or county may certify annually that it has not adopted an ordinance prohibiting an establishment requiring a marijuana-related business license and is therefore eligible for quarterly state share of the distribution from the Oregon Marijuana Account. Present law requires a quarterly email certification to the Oregon Liquor Control Commission. The bill requires annual certification filing with the Oregon Department of Administrative Services starting in 2020. This was a LOC-requested bill and the goal is to combine all state shared revenue certifications to one form in 2020 for efficiency.

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## FAILED BILLS

### **HB 3096: City of Ontario Marijuana Tax Increase**

This bill would have authorized the city of Ontario to impose a local marijuana tax of up to 18% with at least 2% of the revenues distributed to the county for public safety. The local government tax is presently capped at 3%. While the bill received a hearing, there was not support to raise the cap that much at this time despite the city's unique location along the Oregon-Idaho state borders.

## **[SB 635: City of Ontario Liquor Fees](#)**

Requested by the City of Ontario, SB 635 would have increased the limits on local government liquor licensing fees. The fee limits have been in place since 1999. The bill received a hearing but did not advance. The industry seems amenable to this concept if a two-year license arrangement can be worked out.

# FINANCE

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## PASSED BILLS

### **[SB 79: Delinquent Account Recovery](#)**

*Effective Date: January 1, 2020*

SB 79 provides that Oregon Department of Revenue (DOR) may assist certain state and local government public bodies in collecting delinquent accounts. The LOC supported this bill as it permits (local option) local governments, including cities, to assign debt to the DOR for collection purposes using the offset program. This means that a person who owes a city money could have any tax refunds or kicker payments offset from DOR payments or from other state agency payments. This is an efficiency collections concept as finding a debtor is costly for all governments. Cities can garnish and use the DOR under present law, but the offset program may be more cost-efficient for both the local government and the DOR.

# LODGING TAXES

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## PASSED BILLS

### **[HB 3136: Investment in TLT Tracking Software](#)**

*Effective Date: September 29, 2019*

HB 3136 provides an appropriation for costs (up to \$900,000) of implementing a program for the state to collect local lodging taxes for local governments at the same time they collect the state lodging taxes. The program will be permissive, and cities would opt-in by signing an intergovernmental agreement (similar to the local marijuana tax collection agreements). The program will require state staffing hiring, public contracting, and software updates; thus, implementation is not likely until 2021. The program costs will be paid for by transient lodging intermediaries which will forego their state 5% collection reimbursement charges and any local tax reimbursement that is collected through the state until the debt is paid. The bill was requested by the LOC and required coordination with Travel Oregon and DOR.

## **[HB 3137: Taxes Due After Stay](#)**

*Effective Date: January 1, 2020*

HB 3137 clarifies the due date of lodging taxes. With this bill, taxes will be due AFTER a stay and not when the stay is booked; reservations often change, and the industry generally uses the accrual accounting method. The LOC requested this bill for clarification. In addition, syncing up collection due dates and coverage is necessary for cities to utilize a state collection program as provided in HB 3136. Intermediaries, DOR, ORLA and the travel industry supported the bill.

## **[HB 3138: 30-Day Exemption Nonapplicable to Intermediaries](#)**

*Effective Date: September 29, 2019*

This is a lodging tax bill that revises the 30-day exemption to lodging taxes. HB 3138 states that if a lodging provider uses a lodging intermediary, taxes are due on day one and the 30-day exception does not apply. This bill was requested by the LOC to establish fairness and tax certainty. The exemption was written decades ago before sophisticated intermediaries were used, and online platforms existed. Intermediaries, DOR and the travel industry supported the bill as well.

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## **FAILED BILLS**

### **[HB 2166: TLT Local Government Subpoena Power](#)**

HB 2166 would have codified authority of local governments that impose local transient lodging taxes to subpoena and examine witnesses, administer oaths and order production of books or papers to prosecute inquiries related to local transient lodging tax. The bill would have restricted obtainable information that is protected by the federal Electronic Communications Privacy Act of 1986. Cities have subpoena authority under home rule, but codification could have assisted with tax enforcement efforts with national intermediaries. Litigation continues in state and federal courts across the country and thus this bill became less of a priority for the LOC.

### **[HB 3134: Expanded TLT Revenue Use](#)**

HB 3134 would have expanded the definition of "tourism promotion" to allow more flexibility in how restricted local lodging tax revenues can be used. (State law restricts 70% of new taxes and tax increases after 2003 to use for "tourism promotion" and "tourism-related facilities".) The bill would specifically have allowed expenditures for tourist events and sporting event costs, including public safety costs associated with such events. HB 3134 was requested by the LOC and was compromise legislation worked out with the Oregon Restaurant and Lodging Association (ORLA) in the legislative interim. The bill received a hearing, but ORLA withdrew its support, claiming these expenses can be paid for with lodging tax dollars under current law.

## **[SB 595: Revenue Flexibility for Housing](#)**

SB 595 would have allowed more flexibility in how restricted local lodging tax revenues can be used. (State law restricts 70% of new taxes and tax increases after 2003 to use for "tourism promotion" and "tourism-related facilities".) The bill would have allowed up to 30 percent (of the 70%) of net revenues to be used to fund affordable workforce housing. The LOC supported the bill although the LOC preferred HB 3134 over this legislation. SB 595, requested by Tillamook County, received a do pass recommendation from the Senate Housing Committee. The bill had a hearing in the Senate Finance and Revenue Committee but remained in that committee upon adjournment; it was strongly opposed by ORLA and the travel industry.

# MISCELLANEOUS STATE TAXES

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## PASSED BILLS

### **[HB 2119: State Withholding Tax \(W-4\) Disconnect](#)**

*Effective Date: September 29, 2019*

HB 2110 disconnects Oregon from the federal process for creating personal income tax withholding tax table provisions and gives the Oregon Department of Revenue (DOR) more flexibility in determining the withholding system for Oregon to ensure it accurately reflects tax liability under current law. The W-4 form may change more often and the DOR may disseminate information on withholding in a format that isn't a withholding table.

### **[HB 3427: Student Success Act](#)**

*Effective Date: September 29, 2019*

HB 3427 creates the Fund for Student Success and is set to raise just over \$2 billion in new revenues each biennium for education. The bill would decrease personal income tax rates by .25% for the lowest three income brackets and impose a new .57% state corporate activity tax, to be measured by commercial activity, defined as the total amount arising from a taxpayer's transactions and activity in the regular course of business. HB 3427 taxes commercial activity sourced to Oregon, exempts taxpayers with taxable commercial activity of \$1 million or less, and provides many other exemptions including receipts from sale of groceries. It also allows a subtraction for 35% of a taxpayer's cost inputs or labor costs. The bill preempts local governments from imposing their own commercial activity tax and from imposing taxes on receipts from grocery sales; existing local government taxes are grandfathered. HB 3427 does not preempt various other local government taxes including privilege taxes, franchise fees, sales taxes, soda taxes and the like. The bill applies to tax years beginning January 1, 2020.

**Note:** HB 2164 modified and clarified certain provisions in HB 3427. SB 116 provides that if HB 3427 is referred to the voters, a special election will occur on January 21, 2020. SB 212

provides that if HB 3427 does not become law (e.g. parts referred and disapproved by voters), then various provisions in the bill will also not become law.

### **SB 523: Increased Transparency of Tax Debtors**

*Effective Date: September 29, 2019*

SB 523 authorizes the Oregon Department of Revenue (DOR) to make information about delinquent tax debtors publicly available through a post on the DOR's website that would include a debtor's name, their city and state, lien identification numbers, the type of debt, and the amount of debt due. The bill applies to all liquidated and delinquent tax debt owed to the state. This practice is common in other states and has resulted in voluntary collections. Cities may benefit as well as the state now collects some taxes for cities.

## **GENERAL GOVERNMENT**

### **MENTAL HEALTH**



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#### **PASSED BILLS**

### **SB 973: Mental Health Grants**

*Effective Date: On Passage*

SB 973 appropriates \$20 million from the state's General Fund to the Oregon Criminal Justice Commission (CJC) for establishing and administering the Improving People's Access to Community-based Treatment, Supports and Services Program. \$10 million will be General Fund and the other \$10 million will come from the Other Funds budget. Money will be granted to counties and coalitions of local governments and nonprofits to reduce the number of incarcerated persons with mental health issues.

## **PUBLIC CONTRACTING**

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#### **PASSED BILLS**

### **HB 2415: Retainage for Public Contracts Exceeding \$500,000**

*Effective Date: January 1, 2020*

HB 2415 will require public contracting agencies, including cities, and construction contractors to deposit retainage funds into an escrow account if a project value exceeds \$500,000.

## **HB 2769: Qualified Based Selection for Professional Services**

*Effective Date: September 29, 2019*

HB 2769 provides local contracting agencies, including cities, with an optional, alternative qualification-based selection (QBS) process for procuring certain professional services, including architectural and engineering services. The bill, which was supported by the LOC, was the result of an interim work group process, led by Representative Susan McLain (D-Hillsboro). The existing QBS process, outlined in ORS 279C.110, requires contracting agencies to rank prospective consultants based solely on qualifications, and does not allow for the consideration of pricing information until a contracting agency has entered a negotiation with the top-ranked firm. Under the current process, the contracting agency may terminate any negotiation and enter a subsequent negotiation with the next firm on the ranked list until the agency makes a final selection. It is important for cities to note that the existing QBS process remains in statute, meaning cities can continue to use that process if they choose. The new, optional process outlined in the bill would require the selection of up to three prospective consultants, based on qualifications. Pricing information could then be received from all three firms but could be weighted no more than 15 percent in the final evaluation and score. In addition, the bill clarifies that a prospective consultant has the right to protest solicitation documents or the agency's selection of a consultant.

## **HB 3431: Vending Facility Preference**

*Effective Date: June 25, 2019*

HB 3431 clarifies that certain "visitor venues" are exempt from an existing state mandate that requires state agencies, departments and local governments (as defined in ORS 174.116) to provide priority or preference for the operation of vending facilities to persons who are blind. The bill defines the term "visitor venue" as a public building or property that is a convention, event center, exposition center, zoo; performing arts center; museum; golf course; facility primarily used for sporting events; or a commercial airport owned and operated by a city or a port district.

## **SB 450: HB 2017 Implementation Clarity, Least-cost Contracting**

*Effective Date: September 29, 2019*

Identified as legislation recommendation by the LOC Transportation Policy Committee. SB 450 makes technical, but critical, modifications to language that was included in HB 2017 (the 2017 legislative session transportation package). HB 2017 included specific requirements that would need to be met in order to implement the statutorily authorized 2-cent fuel tax increase scheduled for 2022 and 2024. One of those requirements, upon which the fuel-tax increase would be contingent, would mandate that the Oregon Transportation Commission verify, to the best knowledge of the commission, that all bodies scheduled to receive fuel tax revenue are in compliance with ORS 279C.305 (least-

cost contracting requirements for public improvements). The issue that SB 450 resolves is that one public body could fail to submit paperwork or be in non-compliance with least-cost contracting provisions and jeopardize the statewide fuel tax increase from occurring. SB 450 authorizes the withholding of fuel-tax revenue increases if the commissioner of the Oregon Bureau of Labor and Industries has found substantial evidence, under ORS 279C.306, that a contracting agency that would otherwise receive increased amounts of fuel tax revenues pursuant to this section on or after January 1, 2022, has violated ORS 279C.305 within the five years immediately preceding the date of the commissioner's finding, or has materially breached an agreement entered into pursuant to ORS 279C.306, the Oregon Department of Transportation shall withhold the increased amounts until the final resolution of the violation or breach is determined under ORS 279C.306.

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## FAILED BILLS

### [HB 2408](#): Prevailing Wage in Enterprise Zones

HB 2408 would have required payment of prevailing wage rates for private construction projects in an enterprise zone. The bill was amended on the house side to apply only to enterprise zone projects with a total value over \$20 million, or for projects that receive more than \$750,000 worth of tax incentive or abatement

## PUBLIC RECORDS

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## PASSED BILLS

### [HB 2353](#): Public Records Fines and Waivers

*Effective Date: June 4, 2019*

HB 2353 gives the Oregon attorney general, district attorneys and courts the authority to impose a \$200 fine and fee waiver when an agency doesn't respond to a records request or processes it with "undue delay". There is legislative record that this authority should only be used in instances of egregious conduct, however. It is inevitable that this bill will lead to attempts at abuse.

## PUBLIC SAFETY

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## PASSED BILLS

### [HB 3273](#): Drug Take Back

*Effective Date: September 29, 2020*

HB 3272 requires drug manufacturers to fund a program allowing consumers to dispose of unneeded medications in a secure manner in order to prevent them from being misused or placed in the waste stream. The bill also prevents any additional local programs from being established. The program will be administered by the Oregon Department of Environmental Quality, which has been given rulemaking authority to implement the legislation.

### **[SB 423: Psychiatric Screening](#)**

*Effective Date: September 29, 2020*

SB 423 requires that a licensed mental health professional screen all potential police hires and requires the Oregon Department of Public Safety Standards and Training to implement rules to carry this directive out. More information will become available as rule making proceeds.

### **[SB 424: Police Mental Health Maintenance](#)**

*Effective Date: January 1, 2020*

SB 424 requires police agencies have a policy in place to protect and monitor the mental health of police officers, but leaves the nature of the program up to the agency to determine. The Oregon Association of Chiefs of Police has established an officer wellness working group, and the LOC looks forward to working with them to determine a best practice.

## **HUMAN RESOURCES**

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### **PASSED BILLS**

#### **[HB 2016: Union Business During Regular Work Hours](#)**

*Effective Date: January 1, 2020*

HB 2016 requires public employers to allow persons designated by a bargaining unit to conduct union related activities during their normal work hours. In effect, the bill places services to the public in a subordinate position to the interests of employees. Further, the bill requires that employers deduct union dues of employees who are on a list provided by the collective bargaining unit. HB 2016 also requires employers to allow meetings hosted by the bargaining unit in workplace common areas.

#### **[SB 123: Pay Equity Fix](#)**

*Effective Date: January 1, 2020*

SB 123 was intended to be a technical fix bill for the pay equity legislation passed in 2017. The bill clarifies that pay differentials are acceptable for merit, travel, *bona fide* reasons contained in a collective bargaining agreement, and other factors. It will also trigger a new round of rulemaking to provide additional clarity to employers. Additional information will be reported as rule making proceeds

### **SB 479: Workplace Harassment and Discrimination**

*Effective Date: September 29, 2020*

SB 479, and its companion, SB 726, place new requirements on employers to prevent harassment and sexual misconduct in the workplace. Specifically, the bill requires employers to adopt policies that:

- State that harassment and sexual misconduct are prohibited in the workplace;
- Apply to all public officials associated with the agency (elected leaders, employees, interns and volunteers);
- Inform employees of the timeline in which relief may be sought under ORS 30 (Tort Claims Act) and of their right to file a complaint with the Oregon Bureau of Labor and Industries (BOLI); and
- Inform employees how to register a complaint of harassment or sexual misconduct and who they should contact.

SB 479 also requires employers to develop procedures and policies for investigating claims and follow up with victims to ensure the conduct has ceased. Finally, public employers would be prohibited from entering into separation agreements with employees that prohibit the disclosure of instances of harassment or sexual misconduct. Cities are advised to contact City County Insurance Services for a model policy or their legal counsel for guidance.

### **SB 507: PTSD Presumption**

*Effective Date: September 29, 2020*

SB 507 creates a presumption that post-traumatic stress disorder and acute stress disorder are workplace injuries when suffered by public safety personnel. Employers may rebut the diagnosis through an independent medical exam.

### **SB 726: Workplace Conduct**

*Effective Date: September 29, 2020*

SB 726 places several requirements on private sector employers, similar to SB 479, but also increases the statute of limitations for claims of harassment or sexual misconduct from one to five years. The bill does not revive old claims, and the statute of limitations extension will apply to cases occurring after the enactment date. Cities are advised to contact City County Insurance Services or their city attorney for further guidance on this legislation.

## **SB 1049: PERS Reform**

*Effective Date: June 11, 2019*



SB 1049 makes several changes to the Public Employee Retirement System (PERS), the most significant of which, from a rate perspective, is the extension of the amortization period to 22 years. While the savings from the measure will not be felt by employers until the 2021-2023 biennium, other impacts and options for employees will begin in 2020. Changes to the system will be listed chronologically below:

- On July 1, 2019, \$200,000,000 in general fund and sports lottery proceeds will be made available to the Employer Incentive Fund to provide a 25% match on cash contributions to employer side accounts. Please see the Oregon PERS website for more information on how to apply for the state match;
- On January 1, 2020, employees will be allowed to return to work after retirement without a limitation on hours. Employers will have to pay the PERS base rate on those employees with the payment devoted to their unfunded liability;
- On January 1, 2020, final average salary calculations will be capped at \$195,000 and indexed to inflation for future years.
- On July 1, 2020 employees will have a portion of their 6% of payroll contribution into their Individual Account Plan (IAP) diverted into a cost share account that will go towards their individual pension costs. Tier I&II employees will have 2.5% of payroll diverted and Tier III (aka Oregon Public Service Retirement Plan) will have .75% diverted. When the system becomes 90% funded, the full 6% employee contribution will revert to the IAP;

Employer rates were expected to increase by 5.76% of payroll on July 1, 2021, these changes are anticipated to decrease that amount by 5.43%. These numbers are system wide averages and rates amongst individual employers with vary greatly.

Additionally, SB 1049 creates new requirements for pension obligation bond issuance. Public bodies will be required to obtain independent third-party review of the potential returns on investments and make certain public disclosures. Cities are advised to contact a bond consultant or attorney for additional information on compliance.

# TELECOMMUNICATIONS

## PASSED BILLS

### **HB 2173: Oregon Broadband Office**

*Effective Date: July 1, 2019*



HB 2173 establishes a state broadband office within Business Oregon. The office will be responsible for development of strategy for broadband deployment, assistance to communities without adequate broadband.

### **HB 2449: 9-1-1 Investment**

*Effective Date: January 1, 2020*

This bill increases the current 9-1-1 surcharge of \$0.75/line to \$1.25/line with two \$0.25 increases in 2020 and 2021.

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## FAILED BILLS

### [HB 2184](#): **Broadband Investment, Rural Oregon**



HB 2184 would have expanded Oregon's Universal Service Fund (OUSF) by applying the fee to a portion of intrastate data usage by wireless customers. The bill would have reduced the existing 8.5% fee to 6% due to expanded base and created a \$5 million annual fund for expanding high-speed internet to school districts, libraries and communities across Oregon that didn't meet the standard for high-speed internet.

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# TRANSPORTATION

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## PASSED BILLS

### [HB 5039](#): **ODOT Budget**

*Effective Date: On Passage*

This budget bill covers the Oregon Department of Transportation's program responsibilities. It provides for an increase in staffing (+108) and all funds budget (+4.5 billion). Much of the staffing increase (54.5 FTE) is related to HB 2017 implementation, and 49 positions (25 limited duration) is related to implementation of REAL ID.

### [SB 558](#): **Neighborhood Speed Safety**

*Effective Date: January 1, 2020*

SB 558 authorizes a city to designate speed for a highway under the city's jurisdiction that is five miles per hour lower than statutory speed when the highway is in residential district and not an arterial highway.

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## FAILED BILLS

### [HB 3023](#): **Transportation Network Companies**

This was an industry-led (Uber, Lyft) effort to preempt local government from keeping an existing program, setting its own guidelines, collecting fees associated with the business, or virtually any other element that taxi services must meet. Existing regulatory oversight in place in 13 cities in Oregon would have been replaced with a state-run system. This bill will likely be reintroduced in the 2020 short session.

### [HB 3379](#): **Transportation Network Companies**

This was a legislative concept that included local government, taxi services, insurance

companies, organized labor, and environmental organizations. It would have provided a state-wide standard of what to include in a local ordinance as a baseline and allows.

### **[SB 559: Fixed Photo Radar](#)**

Expanded authority to operate fixed photo radar systems in high crash corridors to all cities.

### **[SB 560: Mobile Photo Radar](#)**

Expanded authority to operate mobile photo radar systems in high crash corridors to all cities.

### **[SB 561: Local Cash Matching Funds](#)**

Reduced the local government cash match requirements for applicants from 40 percent to 20 percent when applying for grants that target safety improvement projects near schools.

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## **WATER & WASTEWATER**

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### **PASSED BILLS**

#### **[HB 2084: Sunset Extension for Place-based Water Resource Planning](#)**

*Effective Date: June 25, 2019*

HB 2084 extends the sunset date on a pilot program known as place-based integrated water resources planning (also known as place-based water planning). The sunset date is extended to July 1, 2023 and will allow current pilot projects to continue efforts. The LOC Water & Wastewater Policy Committee identified support for this program as a legislative recommendation for the 2019 session. Another bill, HB 5043 (Oregon Water Resources Department budget bill), included \$238,561 in additional funding for existing place-based water planning projects.

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### **FAILED BILLS**

#### **[HB 3326: Funding for Algae Testing](#)**

While this bill didn't pass, the funding sought was included in the Oregon Department of Environmental Quality's (DEQ) budget bill (HB 5017). HB 3326 was introduced to comprehensively address harmful algal blooms (HABs) but was amended to only provide for needed funding to continue in-state laboratory testing for mandatory HABs sampling. Oregon Health Authority rules specify that lab samples must be processed by an accredited laboratory, of which the DEQ lab, based in Hillsboro, is the only one that currently meets the standards.

# STATE BUDGET

## PASSED BILLS

### **HB 5005: Bond Authorization**

*Effective Date: On Passage*

This sets the maximum bond authorization level for various bonds that the state may issue. Particularly relevant to cities were the following:

- \$150 million of Article XI-Q bonds for the Local Innovation and Fast Track Housing;
- \$50 million for permanent supportive housing programs (HCS), Art. XI-I(2);
- \$20.27 million of Article XI-N bonds for seismic rehabilitation grants to emergency services facilities;
- \$302.5 million of lottery revenue bonds to support projects authorized in HB 5030.

### **HB 5016: State School Fund**

*Effective Date: July 1, 2019*

This sets the state's School Fund budget at \$9 billion in total funds, with \$7.71 billion in General Fund resources and \$535.7 million in Lottery Funds. The \$9 billion amount includes \$103.3 million in marijuana taxes and a \$643 million transfer from the new Fund for Student Success established in HB 3427. This represents a 9.7% increase over the 2017-19 State School Fund. The \$9.0 billion will be combined with almost \$4.3 billion in property taxes and other local revenues for distribution through the school revenue formula.

### **HB 5030: Lottery Bond Bill**

*Effective Date: July 1, 2019*



HB 5030 provides lottery bond authority as follows:

- \$30 million to recapitalize the Special Public Works Fund (SPWF)
- \$25 million for affordable housing preservation
- \$15 million for the Water Supply Development Account
- \$15 million for an affordable market rate housing acquisition loan program
- \$15 million for levees
- \$5 million to recapitalize the Brownfields Redevelopment Fund
- \$5 million to recapitalize the Oregon Main Street Revitalization Grant Program.

The LOC supported investments in each of these funds, as cities across the state can access them for crucial infrastructure and land development projects. The rest of the more than \$270 million in lottery bond appropriations in the bill were allocated to specific community projects around the state. Note that no new allocations were made to the Connect Oregon program, and no funding was allocated to the Regional Infrastructure Fund (RIF) in this year's lottery bond bill. The LOC also requested a larger investment in SPWF than was appropriated. The lottery bond revenues are not available right away as the bonds are not scheduled to be issued until the spring of 2021.

## **HB 5033: DOR Budget**

*Effective Date: July 1, 2019*

The Oregon Department of Revenue (DOR) budget sustains investments in the Core Systems Replacement project, a high-speed scanner project, and a Property Valuation System project. The budget includes funding for additional auditing of marijuana tax filings and state lodging taxes. The LOC supported this budget as the DOR continues to partner to assist in the improved collection and enforcement of local government taxes.

## **HB 5050: Budget Reconciliation**

*Effective Date: On Passage*

This budget bill implements the final pieces of the state budget for the 2019-21 biennium and is commonly referred to as the Christmas Tree bill. The bill establishes appropriations for the Emergency Board (\$75 million), finalizes the General Fund components of the statewide budget, implements budgetary changes tied to other legislation, makes community project allocations (\$30 million), and makes technical adjustments to agency budgets previously approved. The bill includes miscellaneous appropriations including an additional investment of \$6 million General Fund for community mental health programs; mental health funding was a LOC priority. The bill also includes agency expenditure limitation authority for various bond-funded projects.

## **SB 5519: OLCC Budget**

*Effective Date: July 1, 2019*

This budget provided only a minor increase in liquor store agents' compensation. As cities receive 34% of this state-shared revenue, the LOC pushed back against significant changes. More work is expected in the interim regarding agent compensation and credit card fees. The LOC opposed SB 108 as well as it would have required OLCC to establish separate compensation schedules for distillery retail outlet agents and for liquor store agents – both with compensation increases.