



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Nick Fish, Commissioner
Traci Manning, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandonline.com/PHB

ADMINISTRATIVE RULES

HOMEBUYER OPPORTUNITY LIMITED TAX EXEMPTION (HOLTE) PROGRAM

Definition of Administrative Rules

These Administrative Rules are created in accordance with the City of Portland's Administrative Rule process by the Portland Housing Bureau (PHB) in order to define the policies, processes, and procedures of implementation of the Homebuyer Opportunity Limited Tax Exemption Program authorized by City Code 3.102 (Property Tax Exemption for New Construction of Single-Unit Housing in Homebuyer Opportunity Areas) and State Statute 307.651 through 307.687.

The Administrative Rules shall be approved through City Council annually however the Director of the PHB or a designee shall have authority to make changes to the Administrative Rules as is necessary to meet current program requirements throughout the year.

Program policies, processes, and procedures are outlined in these Administrative Rules however there may be additional program requirements necessary to maintain compliance with City Code and State Statute. The items included in these Administrative Rules are the following:

- 1. Program Goals**
- 2. Benefit of the Tax Exemption**
- 3. Program Requirements**
- 4. Compliance Requirements**
- 5. Termination of Active Exemptions**
- 6. PHB Administrative Requirements and Dates**
- 7. Attachments**

Program Goals

The Legislative goals of the Homebuyer Opportunity Limited Tax Exemption Program include:

- Stimulate the construction of new single-unit housing in distressed urban areas in order to improve in those areas the general life quality;
- Promote residential infill development on vacant or underutilized lots; and
- Encourage homeownership and to reverse declining property values.

The City of Portland and Multnomah County have established these additional core goals:

- Demonstrate value to the taxpayers by stimulating the inclusion of affordable housing and other public benefits where those may not otherwise be developed;
- Leverage market activity to advance housing and economic prosperity goals through alignment with PHB's Strategic Plan and Portland Plan goals;
- Assure that the program advances the PHB's priority goal of closing the minority homeownership gap; and
- Transparent and accountable stewardship of public investments.

Benefit of the Tax Exemption

Properties receiving a tax exemption under the Homebuyer Opportunity Limited Tax Exemption Program receive a ten year property tax exemption on the structural improvements (house) as long as the property and owner remain eligible per program requirements. Property owners are still responsible for payment of the taxes on the assessed value of the land during the exemption period.

The property is reassessed when the exemption is either terminated for noncompliance or expires after the ten years, and owners begin paying full property taxes. The exemption period cannot be extended.

Program requirements

- **Location** – The property must be located within a homebuyer opportunity area detailed in Appendix 1.
- **Single-unit housing** – Proposed construction must be a single-family home, townhome or condominium
- **Sale price cap** – The property must sell for no more than the sale price cap established annually by PHB – no more than 120% of the annual median sale price (or appraised value if an owner/builder) for the City of Portland.

- **Affordability** – Homebuyers (who will be both on title to the property and occupying the home) must earn no more than 100% median family income for a family of four, adjusted upward for households larger than 4 persons.
- **Occupancy** – The property may not be rented at any time (both prior to initial sale and after homebuyer qualification); properties which are rented are subject to termination of the exemption. Homebuyers must occupy the property as their primary residence.
- **Construction time frame** – Permits may not be issued at the time of application and construction must be completed within two years from PHB approval of the application.

Bedroom size – Proposed homes must have at least three bedrooms unless built within approved transit-oriented areas detailed in Appendix 2, in which case two bedroom homes are allowed.

- **Design standards** – Proposed homes should be of high quality and contribute to the livability of the surrounding area. At a minimum, construction must meet the City of Portland’s Base Zone Design Standards.
- **Green building** – Applicant must register for Earth Advantage’s New Homes Program.
- **Equity goals** – Applicant shall acknowledge awareness and understanding of PHB’s Guiding Principles on Equity and Social Justice and Strategic Priority of Helping Portlanders from Communities of Color buy a home, and agree to partner with PHB to assure that communities of color are aware of properties for sale with exemptions.
- **MWESB contracting** – Applicant shall acknowledge familiarity with PHB’s Minority, Women, and Emerging Small Businesses (MWESB) guidelines and contracting opportunity goals, report on past contracting relationships, and contracting opportunities to be created in the construction of the property.

Application

- **Annual cap** – PHB will approve no more than 100 new applications each fiscal year (July 1 – June 30). Applications shall be exempt from the annual cap of 100 approvals if the home being built is (1) subject to an affordable housing covenant as defined in ORS 456.270; and (2) affordable to a homebuyer whose household income does not exceed 80% median family income.
- **Time frame** – Property owners must apply for the exemption by submitting a completed application to PHB prior to building permit issuance. PHB requires a minimum of 10 business days to review and process applications.
- **Application fee** – Applicant must submit completed application, any supporting documentation, and an application fee (determined annually by PHB, including any amount set by Multnomah County) prior to building permit issuance.

- **URA approval** – For properties located in Urban Renewal Areas, PHB will contact Portland Development Commission (PDC) for approval prior to approval of the application.
- **Agreement/Notice** – Prior to approval, applicants must execute a document to be recorded on title to the property requiring PHB verification of homebuyer affordability and owner-occupancy qualification prior to the sale of the property to the initial homebuyer.

Exemption Activation

- **Final approval** – Exemptions will receive final approval by PHB through a resolution approved by City Council within 180 days of application. PHB will send a copy of the approved resolution to the homebuyer.
- **County activation** – PHB will send a copy of the approved resolution and list of approved properties along with the corresponding fee to Multnomah County no later than April 1 each year. Approved properties will receive tax exemption starting July 1 which will be reflecting in the tax bill due November 15.
- **Time limit to sell** – The property must sell within two years of activation of the exemption.

Compliance Requirements

Initial sale to homebuyer

- **Homebuyer verification** – The initial homebuyer must submit a verification form and supporting documentation at least 10 business days prior to closing on the home purchase and must not close without PHB review and response. The verification form must be signed by all homebuyers; income documentation should be submitted for all homebuyers who will be both on title to the property and living in the home.

Supporting income documentation includes the last two years of W2s, the most current month's paystubs, and documentation of any additional income received such as social security, child support, alimony, or unemployment; self-employed homebuyers must submit two years of filed federal tax returns with all schedules and a current year-to-date profit and loss statement. PHB may require additional documentation in order to fully verify current income of the homebuyers including letters of explanation or affidavits.

- **PHB review prior to closing** – PHB will notify homebuyer and escrow of homebuyer qualification (affordability and owner-occupancy) prior to closing.
- **Sales over the price cap** – Escrow must notify PHB if a property is selling over the established price cap. If the exemption is already in effect, it will be terminated and

escrow must request the amount of any taxes exempted due from Multnomah County to be paid at closing by the seller.

- **Construction completion** – The property must be fully constructed upon sale (documented by final permit or certificate of occupancy and usually verifiable by PHB through Portland Maps). Construction must be completed within two years from PHB approval of the exemption.
- **Application Fee** – Qualified initial homebuyers must pay an application fee (determined annually by PHB) to PHB which is due within 30 days of closing.
- **Verification of closing** – Homebuyers must send PHB documentation of the final sale price and title holders within 30 days of closing by submitting a copy of the recorded Warranty Deed or the Final HUD-1 Settlement Statement.

Continued compliance during the exemption

- **Transfer of title prior to initial sale** – Any transfer of title to another owner (i.e. builder, developer, or financial institution) prior to sale to the initial buyer, requires a Subsequent Builder Application to be submitted to PHB for approval. The exemption can continue as long as all other terms of the program are met.
- **Subsequent homebuyers** – If a property with a tax exemption transfers title during the ten year exemption period, the exemption will continue as long as the property remains owner occupied.
- **Owner Occupancy** – The Property may not be rented at any time (both prior to initial sale and after homebuyer approval). After initial sale, the property must be owner occupied (or listed for sale and vacant) during the exemption period.

Multnomah County will provide an annual list to PHB of all (37) single-unit exemptions where the property (situs) address differs from the mailing address on record for the tax bill, prior to June 30 each year. Properties with a post office box as the mailing address will be included in this list.

PHB will send a letter to property owners on the list provided by Multnomah County at both the property and mailing addresses requesting documentation that a property is being occupied as the owner's primary residence and that the property is not rented. Documentation includes but is not limited to copies of the prior year's complete federal tax return, government issued photo identification showing the property address, and a recent (within two months) utility bill showing the mailing address and billing address as the property address.

PHB will determine if documentation submitted is sufficient to document owner occupancy. If PHB finds that the property is not owner occupied, the exemption will be terminated.

Termination of Active Exemptions

If the property no longer qualifies for the tax exemption (construction not complete within two years of approval, sale price over the limit, owner occupancy requirement not being met, etc.) the exemption will be terminated.

PHB will send a certified letter to both the property and mailing addresses on record with the date of a hearing where the property owner may show cause why the exemption should not be terminated. The hearing will be scheduled at least 20 days from the mailing of the letter. PHB will determine whether or not the property owner has presented sufficient cause to not terminate the exemption.

PHB will present to City Council a list of all exemptions to be terminated for the current tax year annually, in late August.

Hardship exception process – If PHB determines that a property owner is not meeting the owner occupancy requirement of the program, a property owner may submit a letter to PHB asking for a hardship exception to the requirement.

Hardship exceptions may be granted for (but are not limited to) the following situations: active military duty outside of the area, temporary relocation to care for an ill or dying family member, or temporary relocation caused by an employer. Hardship exceptions are granted for a period of one year. Property owners must request an additional exception each year should the hardship situation continue.

PHB will review the hardship request and determine whether or not an exception to the owner occupancy requirement can be granted for one year. PHB will not accept a hardship exception if the property has been rented.

PHB Administrative Requirements and Dates

- **Sunset date** – Current statute 307.651 through 307.687 and the authority for the Homebuyer Opportunity Tax Exemption Program expires July 1, 2015. Properties with approved exemptions must be built prior to this date unless a one year extension is approved by PHB or the program is extended and a new sunset date established through the Oregon State Legislature.
- **Annual review of market value/price cap** – PHB will review and establish an annual maximum market value and price cap based on data of the previous year's sales within the city of Portland provided by Multnomah County. PHB will present a resolution to City Council to approve the cap prior to January 1.
- **Homebuyer opportunity areas** – PHB will review the homebuyer opportunity areas for possible amendment at least every two years. Any changes to the area will be presented at a public hearing conducted before the Portland Bureau of Planning and Sustainability's

Planning and Sustainability Commission. Approval of any changes will be presented to City Council with the same resolution for the market value/price cap determination.

Attachments

Appendix 1: Homebuyer Opportunity Areas map (approved by Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission on May 3, 2012).

Appendix 2: Homebuyer Opportunity Areas map with transit-oriented areas overlay.