

UPDATE SYSTEM DEVELOPMENT EXEMPTION PROGRAMIF YOU WISH TO SPEAK TO CITY COUNCIL, **PRINT** YOUR NAME, ADDRESS, AND EMAIL.

NAME (print)	ADDRESS AND ZIP CODE	Email
✓ Justin Wood	15555 SW Betsy Road Lake Oswego, OR - Home Builders	Justinw@hlapdx.org

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Dory Van Bockel	2. Telephone No. 503-823-4469	3. Bureau/Office/Dept. Portland Housing Bureau/Neighborhood Housing
4a. To be filed (hearing date): June 11, 2014	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: May 28, 2014
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

* Update the System Development Exemption Program to reflect current administration by the Portland Housing Bureau, change income limits, and establish Administrative Rules (Ordinance; amend Code Section 30.01.095)

2) Purpose of the Proposed Legislation:

This Ordinance amends City Code Section 30.01.095 for the SDC Exemption Program to reflect PHB as the program administrator, modify income eligibility requirements and establish Administrative Rules for the home ownership portion of the program. With the changes, the program will be more closely aligned with other home ownership programs assisting low income homebuyers, particularly the Homebuyer Opportunity Limited Tax Exemption (HOLTE) Program which is used in conjunction with the SDC Exemption Program.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|---|---|---|
| <input checked="" type="checkbox"/> City-wide/Regional | <input checked="" type="checkbox"/> Northeast | <input checked="" type="checkbox"/> Northwest | <input checked="" type="checkbox"/> North |
| <input checked="" type="checkbox"/> Central Northeast | <input checked="" type="checkbox"/> Southeast | <input checked="" type="checkbox"/> Southwest | <input checked="" type="checkbox"/> East |
| <input checked="" type="checkbox"/> Central City | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

No, PHB does not expect this Ordinance to reduce current or future revenue.

5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

There are no costs to the City associated with this change.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- ☒ **YES:** Please proceed to Question #9.
☐ **NO:** Please, explain why below; and proceed to Question #10.

9) If "YES," please answer the following questions:

- a) What impacts are anticipated in the community from this proposed Council item?**

This action will better align the SDC Exemption Program with other PHB home ownership assistance tools to make home ownership more accessible to low income homebuyers.

- b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?**

PHB shared these proposed Code changes along with other proposed administrative changes to the SDC Exemption and HOLTE Programs on the PHB website and through a broad based email blast reaching neighborhood associations, developers,

non-profit partners and other interested parties. PHB held a public hearing about proposed changes and discussed the changes at a Citywide Land Use Group Meeting.

c) How did public involvement shape the outcome of this Council item?

After evaluating responses to the proposed changes, PHB adjusted the final changes to respond to input received, reflect PHB Strategic Plan goals, and maintain programs which will result in additional housing stock for low to moderate income homebuyers.

d) Who designed and implemented the public involvement related to this Council item?


The public involvement was led by PHB's Public Information Officer in coordination with the SDC Exemption Program Manager and Program Coordinator.

e) Primary contact for more information on this public involvement process (name, title, phone, email):

Dory Van Bockel, Housing Program Coordinator, Portland Housing Bureau, 503-823-4469

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No, this action by Council responds directly to priorities brought forward through the public involvement process to date. No further action is needed beyond communicating the change to the program.

 FOR T. Manning	5-22-2014
Traci Manning, Director	Date



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Dan Saltzman, Commissioner
Traci Manning, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandoregon.gov/PHB

ADMINISTRATIVE RULES

SYSTEM DEVELOPMENT CHARGE (SDC) EXEMPTION HOME OWNERSHIP 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 System Development Charge Exemption Program for Home Ownership Units authorized by City Code 30.01.095 (Partial and Full Exemptions of System Development Charges for Affordable Housing Developments.)

The Administrative Rules shall be approved initially through City Council 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.

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. The items included in these Administrative Rules are the following:

- 1. Program Overview**
- 2. Eligibility Requirements**
- 3. Application Requirements**
- 4. Approval Process**
- 5. Compliance Requirements**
- 6. Further Enforcement**

Program Overview

Portland Housing Bureau (PHB) administers the System Development Charge (SDC) Exemption Program to promote the development of affordable housing. The program approves the exemption of fees (SDCs) that would otherwise be paid to the City of Portland Bureaus of Water, Parks, Transportation, and Environmental Services during the permitting process.

Eligibility Requirements

- **Location** – The program is available throughout the City of Portland.
- **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, adjusted for household size, as determined annually for a family of four, as determined annually for the Portland Metropolitan Area by the United States Department of Housing and Urban Development.
- **Occupancy** – Units must sell to homebuyers who will occupy the homes as the initial occupants. Properties may not be rented.
- **Time limit to sell** – The property must sell within two years from completion of construction (either final permit issuance or certificate of occupancy for condominium projects).

Application Requirements

- **Time frame** – Property owners must apply for the exemption by submitting a completed application to PHB after applying for permits, but prior to paying for and issuance of the permit and beginning construction. PHB requires up to 10 business days to review and process applications.
- **Complete Application** – A separate application should be submitted for each permit number. The application should be accompanied by the following documentation:
 - Articles of Incorporation, Articles of Organization, By-Laws, and/or Statements of Action
 - Corporate Resolution (as applicable – grants signature authority on behalf of an entity)
 - Proof of site control (such as Warranty Deed)
 - Tax/Plat map indicating lots to be developed and proof of lot segregation as necessary
 - Legal Description
 - Any additional documentation required to complete the application
- **Application fee** – Applicant must submit an application fee in the form of a check paid to the order of the Portland Housing Bureau. The amount is determined annually by PHB.

Approval Process

- **Regulatory Agreement** – PHB prepares a Regulatory Agreement 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 which the applicant must sign before a notary prior to approval of the exemptions.
- **Approval letter** – After receiving the signed Regulatory Agreement, PHB issues an approval letter for exemption of the applicable SDCs. PHB provides the letter to the applicant and also posts it to the City's TRACS permitting system.
- **Applying exemptions** – The applicant or a representative must contact each bureau charging SDCs directly in order to request that exemptions be applied to a permit, prior to permit issuance. SDCs which have already been paid cannot be refunded.

Compliance Requirements

- **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 a homebuyer including letters of explanation or affidavits. Income is evaluated based on a homebuyer's current annualized income.

- **PHB review prior to closing** – PHB determines whether or not the proposed sale meets program criteria regarding homebuyer income and owner occupancy, and sale price prior to closing and faxes or emails a Demand Statement to the escrow officer handling the closing transaction. If the homebuyer or sale price do not meet program criteria, PHB will request the amount due to repay the originally exempted SDCs from the SDC bureaus and include those amounts, plus interest and repayment fees, to be paid at closing on the Demand Statement. PHB Demand Statements are valid for 45 days. If a transaction does not close within 45 days or a different homebuyer will be purchasing the property, a new verification form and income documentation must be submitted to PHB.
- **Escrow request for Demand Statement** – If it is known that a transaction does not meet program criteria, the escrow officer can submit a signed request for a Demand Statement with repayment amounts directly to PHB without the homebuyer verification form.

- **Closing and release of the Regulatory Agreement** – The escrow officer collects and pays the applicable amounts of any repayments due, as well as collects recording fees necessary to record the Release Agreement after closing. Escrow must send PHB proof that the SDC bureaus have been repaid and/or the property has sold to the verified homebuyer for under the sale price limit in the form of either the seller's final HUD-1 Settlement Statement or copies of the checks issued with a copy of the recorded deed transferring title. PHB sends a Release Agreement to escrow to be recorded, and the SDC Exemption Program requirements are released.

Further Enforcement

- **Compliance requirements not met** – If a property sells without homebuyer verification, over the sale price cap, or to an ineligible buyer, or PHB believes a property is rented out by the builder, PHB will send a Demand Statement directly to the builder/owner with repayments due within 45 days. If repayments are not made to PHB through closing or within 45 days of the demand statement date, PHB will send a 45 day Enforcement Notice to the builder/owner. The notice will include the following provisions:
 - The amount due to repay the originally exempted fees, plus repayment fees and interest; and
 - PHB will not accept new exemption applications from the builder or any related entities until the compliance requirements are met or repayments and fees are paid.
- **Proving a property is not rented** – In order to document that a property is not being rented and is available for sale, the builder applicant must submit to PHB a copy of the complete listing agreement showing the property is vacant and has not been occupied, or other documentation acceptable to PHB.
- **Legal Action** – If non-compliance continues after the 45-day Enforcement Notice, PHB will turn over exemption files to the City Attorney's Office for possible litigation to collect the amounts owed to the City of Portland, including the reinstated SDCs, interest charges, processing fees, carrying charges, and the actual cost of collections.

ORDINANCE No. REFERRED TO COMMISSIONER OF PUBLIC AFFAIRS

* Update the System Development Exemption Program to reflect current administration by the Portland Housing Bureau, change income limits. and establish Administrative Rules (Ordinance; amend Code Section 30.01.095)

The City of Portland ordains:

Section 1. The Council finds:

1. The Portland Housing Bureau (PHB) administers the System Development Charge (SDC) Exemption Program in coordination with the Bureaus of Water, Transportation, Parks and Recreation and Environmental Services. The SDC Exemption Program promotes the construction of affordable housing by off-setting some of the cost of new development in order to advance the City's housing, economic prosperity, and equity goals.
2. The SDC Exemption Program is part of a portfolio of tools promoting affordable housing. PHB is amending Code to align the program with changes being made to the Homebuyer Opportunity Limited Tax Exemption Program and to reflect PHB's administrative responsibility.
3. The PHB has developed Administrative Rules to further define the SDC Exemption Program authorized by City Code Section 30.01.095 which is attached as Exhibit A.

NOW THEREFORE, The Council directs:

- a. Subsection 30.01.095 A. is amended as follows:
 - A. The purpose of this section is to reduce the costs of developing permanent affordable housing by ~~waiving~~exempting system development charges for qualified affordable housing developments. This section advances a Council-recognized public policy goal to provide for a diversity of housing types to meet the needs of the citizens of the City.
- b. Subsection 30.01.095 B. is amended as follows:
 - B. The City will exempt qualified affordable housing developments from paying all or part of system development charges required by this Code. The Applicant must apply for exemptions under this Section prior to the date the City issues the permit on the new development. ~~The City may reject applications received after the date of the first occupancy permit.~~ Where new development consists of only part of one or more of the uses described in this section, only that portion of the development that qualifies under this Section is eligible for an exemption. The balance of the new development that does not qualify for any exemption under this Section is subject to system development charges to the full extent authorized by Code or general ordinance. The Applicant has the burden to prove entitlement to exemptions so requested.

c. Subsection 30.01.095 C. is amended as follows:

C. To obtain the exemption, the applicant must present to the City, at the time of Application, documentation from Portland ~~Development Commission~~Housing Bureau that the development qualifies for the exemption pursuant to this Chapter. Applicant must also pay an administration fee per unit on rental and/or owner-occupied units as determined by the Portland Housing Bureau.

d. Subsection 30.01.095 D. is amended as follows:

D. The City shall calculate exemptions in the manner authorized for calculating system development charges for rented and owner-occupied residential properties. Non-residential properties or the non-residential portion of mixed-use developments are not eligible for exemptions provided by this Section.

e. Subsection 30.01.095 E. is amended as follows:

E. The City shall require the recording of real property covenants in the deed records for properties receiving exemptions under this Section in order to ensure compliance, or to provide remedies for failure to restrict units, or both. Deed restrictions may be used by the Portland ~~Development Commission~~Housing Bureau in order to restrict sale prices and rents charged for exempt units, or to provide remedies for failure to restrict units, or both.

f. Subsection 30.01.095 F. 1. is amended as follows:

1. Affordability.

- a. For purposes of this Section, "affordable" for rental housing means that the rent and expenses associated with occupancy such as utilities or fees, does not exceed 30 percent of the gross household income at the level of the rent restrictions.
- b. "Affordable" for ownership units means affordable to households earning at or below 100 percent of area median income and shall be sold to persons or households whose incomes are at or below 100 percent of area median family income, as adjusted for household size and for a family of four as determined annually for the Portland Metropolitan Area by the U.S. Department of Housing and Urban Development ~~as adjusted upward for a household of more than four persons.~~

g. Subsection 30.01.095 F. 3. a. is amended as follows:

- a. The units receiving an exemption shall be affordable to households earning at or below 100 percent of area median income and shall be sold to persons or

households whose incomes are at or below 100 percent of area median family income, as adjusted for household size and for a family of four as determined annually for the Portland Metropolitan Area by the U.S. Department of Housing and Urban Development adjusted upward for a household larger than four persons; and

h. Subsection 30.01.095 F. 4. is amended as follows:

4. Pursuant to Section 30.01.040, the Portland Housing Bureau ~~and Portland Development Commission~~ is responsible for enforcing property covenants and other agreements with applicants that are conditions of receiving exemptions provided by this Section. Portland Housing Bureau may adopt, amend and appeal administrative rules, establish procedures, and prepare forms for implementation, administration and compliance monitoring consistent with the provisions of this Section.

i. City Code Section 30.01.095 shall be implemented consistent with the binding Administrative Rules included as Exhibit A, developed by Portland Housing Bureau, whose Director or designee shall have the authority to adopt, amend, and repeal these rules consistent with the provisions of the Code.

Section 2. The Council declares that an emergency exists because delay would impede the ability of the PHB to administer the SDC Exemption Program. Therefore, this ordinance shall be in full force and effect on July 1, 2014.

Passed by the Council:

Commissioner: Dan Saltzman
Prepared by: Dory Van Bockel
Date prepared: May 28, 2014

LaVonne Griffin-Valade

Auditor of the City of Portland

By

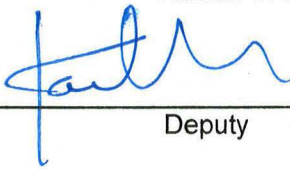
Deputy

618 657

✓140

Agenda No.
ORDINANCE NO.
 Title

* Update the System Development Exemption Program to reflect current administration by the Portland Housing Bureau, change income limits and establish Administrative Rules (Ordinance; amend Code Section 30.01.095)

INTRODUCED BY Commissioner/Auditor: Dan Saltzman	CLERK USE: DATE FILED <u>JUN 06 2014</u>
COMMISSIONER APPROVAL Mayor—Finance and Administration - Hales Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Novick	LaVonne Griffin-Valade Auditor of the City of Portland By:  Deputy
BUREAU APPROVAL Bureau: Portland Housing Bureau Bureau Head: Traci Manning Prepared by: Dory Van Bockel Date Prepared: May 28, 2014	ACTION TAKEN: JUN 11 2014 CONTINUED TO JUN 18 2014 9:30 A.M. JUN 18 2014 REFERRED TO COMMISSIONER OF PUBLIC AFFAIRS
Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
Portland Policy Document If "Yes" requires City Policy paragraph stated* in document. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
City Auditor Office Approval: Toni	
City Attorney Approval: 6	
Council Meeting Date June 11, 2014	

AGENDA TIME CERTAIN <input type="checkbox"/> Start time: _____ Total amount of time needed: _____ (for presentation, testimony and discussion)
CONSENT <input type="checkbox"/>
REGULAR <input checked="" type="checkbox"/> Total amount of time needed: 10 min (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Novick	4. Novick		
Hales	Hales		