

## IMPACT STATEMENT

**Legislation title:** Approve and terminate limited tax exemptions for properties under the Homebuyer Opportunity and Multiple-Unit Limited Tax Exemption Programs (Resolution)

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### **Purpose of proposed legislation and background information:**

PHB administers the Homebuyer Opportunity and Multiple-Unit Limited Tax Exemption Programs, authorized under ORS 307 and Portland City Code 3.102 and 3.103. The City first codified tax exemption programs in 1985. The City's tax exemption programs provide an incentive for the development and maintenance of affordable housing. The home ownership programs in particular promote first time home ownership opportunities for income qualified homebuyers by providing a property tax exemption on the assessed value of newly built homes for ten years. During the exemption period, homes must continue to be owner occupied and not used as rental properties.

ORS 307.674, 307.687, 307.624 and 307.627 and City Code Sections 3.102.050, 3.102.080, and 3.103.100 require Portland City Council to approve, deny, and terminate tax exemptions in the form of a resolution. Portland Housing Bureau (PHB) brings resolutions to City Council several times per year in order to meet the approval and termination timelines set forth in statute and align with Multnomah County's timelines to certify tax rolls annually. PHB last brought such a resolution to City Council in September 2014. The action to remove exemptions results from on-going compliance of active exemptions in order to identify any properties not meeting the owner occupancy requirement. The action to approve new exemptions brings the program to the annual cap on the number of approved applications for the 2014-15 fiscal year, which is 100, not including any applications from non-profit agencies or other entities providing long-term affordability who are exempt from the annual cap.

### **Financial and budgetary impacts:**

The 24 approved Homebuyer Opportunity Limited Tax Exemption applications will increase revenue for the City of Portland in the form of a one-time application fee totaling \$38,400. A total of \$1600 is collected for each completed and approved application, \$750 goes towards Portland Housing Bureau administrative costs and \$850 is paid to Multnomah County for administrative costs.

Additionally, for each unit being terminated under the HOLTE program (15), approximately \$1,972 will be added annually to the property tax rolls for a total of \$29,580, with just over 30 percent of that revenue coming directly to the City of Portland amounting to \$605 per unit for an approximate total of \$9075 in City revenue. For each unit being terminated under the TOD program, (2), approximately \$844 will be added annually to the property tax rolls for a total of \$1688, with around 32 percent of that revenue coming directly to the City of Portland amounting to \$270 per unit for an approximate total of \$540 in City revenue.

This legislation will decrease revenue for the City of Portland in the form of forgone revenue. The 24 approved HOLTE exemptions represent an estimated average of \$1,972 in foregone property taxes per year for each unit, for total annual forgone revenue of \$47,328 and \$473,280 over the total life of the ten year tax exemption. These dollar amounts include taxes foregone by the City of Portland, Multnomah County and other entities which receive property taxes within Multnomah County. The portion of tax revenue foregone by the City is just over 30 percent for the HOLTE exemptions which equals approximately \$605 per unit for a one year total of \$14,520 and ten-year total of \$145,200 over the time-span of the exemption.

### **Community impacts and community involvement:**

The homeownership tax exemption programs currently provide new tax exemptions across the City of Portland, but were limited to designated distressed areas in the past. Home builders must apply for exemptions prior to them being constructed, and then the homes must sell for less than the annual sale price cap (currently \$291,000) to income qualified homebuyers (currently \$69,400 for a household of four.) Before removing a tax exemption, homeowners are given the opportunity to appeal as required by statute. As the largest taxing jurisdiction affected by the tax exemption programs, Multnomah County has approved the administration of the programs in order to meet shared affordable housing goals.

