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191361

Emergency Ordinance

*Increase the cap on number of applications allowed within each fiscal year under the Homebuyer Opportunity Limited Tax Exemption Program to 500 units

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. On behalf of the City of Portland, the Portland Housing Bureau (“PHB”) administers the Homebuyer Opportunity Limited Tax Exemption Program (the “HOLTE Program”), authorized under ORS 307.651-307.687 and Portland City Code Chapter 3.102.
2. The HOLTE Program provides a ten-year limited property tax exemption on the residential portion of the structural improvements so long as the HOLTE Program requirements are met. During the exemption period, property owners remain responsible for the payment of taxes on the assessed value of the land.
3. City Council approved policy parameters of the HOLTE Program through Ordinance No. 185477 on June 27, 2012, including a 100-unit cap on the number of applications PHB can approve each year.
4. Multnomah County approved the same policy parameters through Resolution No. 2012-113 on August 9, 2012.
5. Most properties receiving a limited property tax exemption under the HOLTE Program also receive exemptions from System Development Charges (“SDCs”). The number of SDC exemption applications this year exceeds the HOLTE Program applications 6:1, due to zoning changes to encourage in-fill development that went into effect under the Residential Infill Project and RIP2, in 2021 and 2022 respectively. The homebuyer eligibility criteria are the same for both the HOLTE and SDC Exemption Programs: homebuyers must earn no more than 100 percent of the area median family income for a family of four, and homes must sell for less than the annually established sale price limit.

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Housing Bureau](#)

Contact

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

June 28, 2023

Time Requested

20 minutes

6. PHB wants to increase the capacity for homebuilders to apply for the HOLTE Program from 100 per year to 500 per year, so that low- to moderate-income homebuyers have more resources to assist them in achieving homeownership.
7. PHB wants to review the effects of the cap increase within three years to determine the appropriate ongoing cap considering current market conditions, income levels, and foregone revenue, as well as the outcomes of the upcoming Housing Needs Analysis underway currently by Bureau of Planning and Sustainability.

NOW, THEREFORE, the Council directs:

- A. The annual cap on the number of HOLTE Program applications PHB can accept each fiscal year is 500, effective July 1, 2023 through June 30, 2026.

Section 2. The Council declares an emergency exists because the annual HOLTE application cap renews on July 1, and the increase in the cap will allow homebuilders to apply when they are ready to build rather than rushing to apply prematurely due to competition created by the current 100-unit cap; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
June 28, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

The HOLTE Program provides a ten-year limited property tax exemption on the residential portion of the structural improvements of newly built homes so long as the HOLTE Program requirements are met. During the exemption period, property owners remain responsible for the payment of taxes on the assessed value of the land.

Since 2012, there has been a 100-unit cap on the number of applications PHB can receive as the administrator of the HOLTE Program. For the 2022-23 fiscal year, the 100-unit cap was fulfilled within the first quarter of the fiscal year. The HOLTE Program is generally paired with the System Development Charge (SDC) Exemption Program, which has the same homebuyer qualifying criteria. Applications for the SDC Exemption Program have already reached 438, as of the third quarter of the 2022-23 fiscal year.

The Portland Homebuilders Association requested an increase to the annual cap on applications submitted for the HOLTE Program to 500. The demand is supported by the current activity within the SDC Exemption Program.

Both City Council and the Multnomah County Board of Commissioners need to approve a change in the HOLTE Program cap. The County Board is scheduled to hear this item on June 29, 2023.

PHB is recommending a three-year timeframe for the increased cap, after which time continuing the 500-application annual cap will be assessed based on updated market conditions, income levels, and foregone revenue. During that timeframe, additional data and analysis will become available based on the Housing Needs Analysis results that may inform homeownership programming priorities relevant to the function of the HOLTE Program.

Financial and Budgetary Impacts

To estimate the projected foregone revenue of increasing the cap, PHB used recent data to establish trends. Although most homes built with tax exemptions approved under HOLTE do sell to qualified homebuyers and within the sale price limit, about 40% of homes built under the SDC Exemption Program recently have not had eligible sales and the exemptions have been repaid. Also, PHB monitors owner-occupancy of homes receiving the HOLTE during the 10-year exemption timeframe, and any homes being rented have the exemption removed. The average number of HOLTEs removed from properties in the last few years was 57 annually.

The average value of the tax exemption provided annually to a home within the HOLTE program as of TY 2021-22 is \$3,094. Estimated an additional 200 applications per year would result in additional projected first-year foregone revenue of \$618,800. The City's portion of that is roughly 30%, or \$185,640, which amounts to a projected \$1.7M foregone revenue to the City over ten years for that 1st year, and totaling roughly \$5.2M over three years.

The value of the tax exemption to a homeowner over 10 years is estimated at \$28,500.

Community Impacts and Community Involvement

The goal of the HOLTE is to provide tax savings to low- to moderate-income homebuyers within the City of Portland. When the HOLTE Program is paired with the SDC Exemption Program, they provide an incentive to homebuilders to build new homes that are affordable to first-time homebuyers. These tools support the local, small homebuilding businesses and are embraced by the local section of the Homebuilders Association.

Close to half the homebuyers using the programs are from the Asian community.

100% Renewable Goal

There is no direct impact to the City's 100% Renewable Goals, however the HOLTE Program does require homebuilders to participate with a green building program to be educated in green building practices.

Budget Office Financial Impact Analysis

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Agenda Items

559 Regular Agenda in [June 28, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/6/28)
(<https://www.portland.gov/council/agenda/2023/6/28>)

Passed

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Yea