



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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MEMO

Date: January 5, 2011

To: Planning and Sustainability Commission

From: Andrea Matthiessen, Portland Housing Bureau

Subject: Proposed Changes to the Homebuyer Opportunity Area Map

The Portland Housing Bureau (PHB) is proposing to update the boundaries included in the Homebuyer Opportunity Area (HOA) Map for the Single Family New Construction Limited Tax Exemption Program. Per City Code, the Bureau of Planning and Sustainability (BPS) has historically reviewed and adjusted boundaries for the HOA Map, but as of July 1, 2010, PHB became responsible for the administration of all five City of Portland tax exemption programs. PHB is currently in the process of updating City Code to reflect this recent change in the administration of City tax exemption programs.

Background

The Single Family New Construction (SFNC) Limited Tax Exemption (LTE) program was enabled by State Statute (ORS 307) and authorized at the local level by Portland City Code 3.102. It allows homebuyers to apply for a 10-year property tax exemption on the improvement value of newly constructed, single family homes in designated "Homebuyer Opportunity Areas". The purpose of the program is to provide an incentive for new single family housing construction in distressed neighborhoods, as defined by statute and code, and to provide affordable homeownership opportunities.

Designation of Homebuyer Opportunity Areas

Both State Statute and City Code provide specific criteria for designating homebuyer opportunity areas (see Attachment 1 for specific code language) in distressed areas, requiring consideration of factors deemed detrimental to the safety, health, and welfare of the City. This includes factors that would indicate deterioration of residential structures, inadequate or improper facilities, the existence of unsafe or abandoned structures, and a significant number of vacant or abandoned units. City Code also requires a review of boundaries included in the HOA Map every three years, with adjustments as necessary, after a public hearing is held. The map was last reviewed and updated in January 2006. Changes to the map are final if not appealed to City Council within 30 days. No more than 20% of the land area of the city can be designated a homebuyer opportunity area for the eligibility purposes of this tax exemption program.

Proposed Changes to the Homebuyer Opportunity Map

PHB staff, with involvement from the Bureau of Sustainability and Planning, reviewed the 2006 HOA Map and considered the following factors to determine concentrations that may indicate blighted or distressed neighborhoods:

- United States Postal Service vacancy rates
- Number of REOs (number of bank-owned/foreclosed properties)
- Occurrences of non-violent crime
- 2010 median home sales price
- Number of vacant lots
- Homeownership rates

Through a review of the factors detailed above, PHB is proposing to remove 1119 acres from the 2006 HOA Map and add 1383 acres to the map for a total increase of 264 acres where properties are eligible to receive the SFNC LTE (see Attachment 2 for the proposed HOA Map). Areas being proposed for removal are scattered throughout Portland where a combination of the factors above would indicate that comparatively, there is less blight than in other areas of the City. Similarly, census tracts that are being proposed for addition to the eligible areas of the HOA Map have higher concentrations of factors that would indicate distressed neighborhoods (see Attachment 3 for additional data associated with these factors). It is important to note that of the 1383 new acres being proposed as homebuyer opportunity areas, 1049 of these are in the David Douglas School District and 334 acres are in the Portland Public School District.

Future Review of HOA Map

Commissioner Nick Fish and Multnomah County Chair Jeff Cogen are currently reviewing all tax exemption programs, including the SFNC program. The “Big Look” policy review process may result in establishing different goals or criteria for the SFNC program that align more closely with the City’s homeownership program priorities, specifically increasing the number of minority homebuyers. Program revisions may require legislative action at the state, county and city, anticipated in 2012 and may require PHB to review and update the HOA Map again when the “Big Look” process is complete towards the end of 2011.

Staff Recommendation

Approve proposed changes to the Homebuyer Opportunity Area Map, to go into effect March 1, 2011.

Attachment 1: City Code Requirements for Designation of Homebuyer Opportunity Areas

3.102.090 Designation of Homebuyer Opportunity Areas.

(Amended by Ordinance Nos. 170667, 176786 and 179685, effective November 18, 2005.)

A. The Bureau of Planning shall be the agency responsible for designating homebuyer opportunity areas. The Portland Development Commission and the Bureau of Housing and Community Development shall be consulted in the designation process. The designation of such areas shall occur in the form of a public hearing conducted before the City Planning Commission through a legislative process appealable to City Council. If there is no appeal within 30 days of the decision by the Planning Commission, the decision shall be final. The Bureau of Planning shall make available maps indicating current homebuyer opportunity areas. The designation of the first homebuyer opportunity areas shall be conducted as nearly as possible in conjunction with the adoption of this ordinance implementing tax exemption in such designated areas. From the date of the first designation, a review of the areas for possible amendment of the boundaries of the homebuyer opportunity areas shall occur at least every three years.

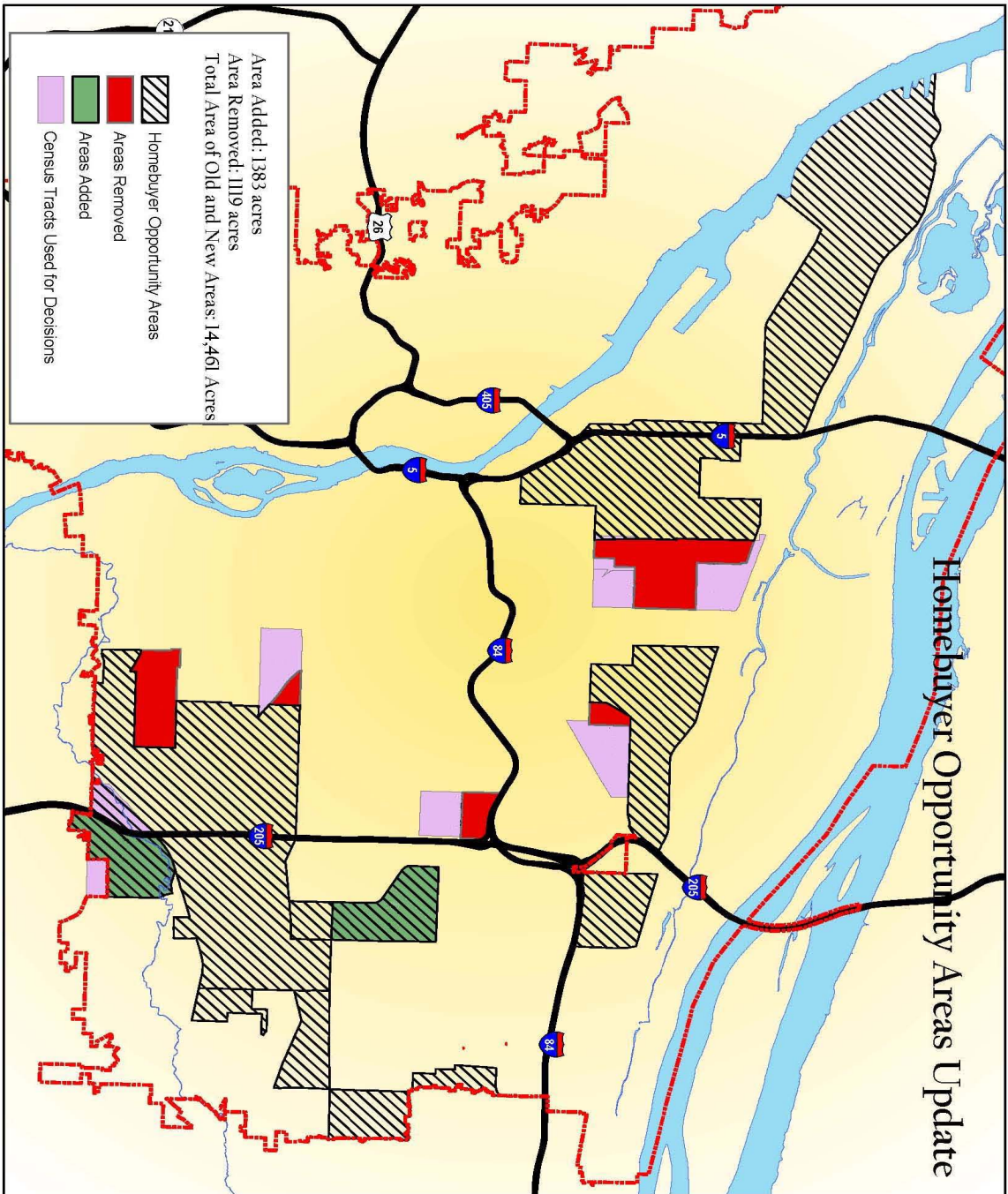
B. The criteria for designating homebuyer opportunity areas shall include a consideration of the following factors:

1. The area is primarily a residential area of the city which is detrimental to the safety, health and welfare of the community by reason of deterioration, inadequate or improper facilities; the existence of unsafe or abandoned structures, including but not limited to a significant number of vacant or abandoned single or multi-family residential units; or any combination of these or similar factors; and,

2. The incentive of limited property tax exemption in a homebuyer opportunity area will help to carry out adopted policies, or area-wide or district plans of the city related to housing or neighborhood revitalization.

C. At no time shall the cumulative land area within the boundaries of homebuyer opportunity areas exceed 20 percent of the total land area of the city.

D. The Bureau of Planning shall also establish the price limit of newly constructed single-unit housing eligible for the limited property tax exemption as provided by this Chapter. The price limit shall not exceed 120 percent of the median sales price of single-family homes located within the city. The median sales price shall be determined, with assistance by the County Assessor, using the sales data collected under ORS 309.200 for the period ending the prior November 30 relative to single-family homes. In addition, the Bureau of Planning may use data made available by the real estate and construction or other appropriate industry. The median sales price shall be established by resolution prior to January 1 of each year during the effective time of this program.



Attachment 3: Data Associated with Review of Census Tracts for HOA Map

Census Tract	Proposed Action	In 2006 HOA Map	USPS Vacancy Rate	Number of REOs	Non-Violent Crime Rate	2010 Median Sales Price	Vacant Lots	Homeownership Rate
			Multnomah County: 3.35%	6 and Over	City of Portland Non-Violent Rate: 5.28%	\$275,000 and Over	130 and Above	Multnomah County Rate: 56.9%
8.02	Remove	No	3.23%	2	4.43%	\$271,500	44	46.50%
17.02	Remove	Yes	3.96%	3	4.70%	\$175,000	65	56.95%
29.01	Remove	No	4.40%	4	2.69%	\$259,500	29	74.93%
31	Remove	Yes	2.61%	3	1.52%	\$324,900	31	72.39%
32	Remove	Yes	2.21%	0	2.75%	\$350,000	26	69.20%
36.02	Remove	Yes	3.44%	3	2.80%	\$285,000	64	72.07%
82.02	Add	No	3.78%	10	8.67%	\$163,400	54	54.79%
87	Remove	Yes	4.32%	10	2.86%	\$180,000	87	67.26%
89.02	Add	No	3.79%	3	5.87%	\$148,500	185	51.00%