



CITY OF
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PORTLAND HOUSING BUREAU

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EXHIBIT A

Limited Term Exemption (LTE) Programs

The City of Portland Housing Bureau (PHB) administers tax exemption programs that encourage the construction of affordable housing by leveraging private housing development, to advance the City's housing and economic prosperity goals. The programs discussed below are administered consistent with the statutory authority described in ORS 307.600 & 307.651. A separate LTE program exists for affordable housing owned and operated by non-profit developers.

A review of the programs was completed in February 2012 by a Policy Review Committee that included public and private sector members knowledgeable about the programs. The Committee recommended program changes that have been extensively reviewed by a wide diversity of stakeholders before being finalized and implemented in July 2012.

The Revised LTE Pilot Program will be in place for three years. When adopted the revised programs will be monitored and evaluated during the pilot period and adjustments to the program will be considered based on a review of the approved projects, project outcomes and the Comprehensive Plan Update.

Summary of Draft Recommendations

Changes to the programs include instituting an annual cap on the total number of units or foregone revenue approved annually, increased minimum project eligibility requirements, the creation of a competitive evaluation process for the Multi-Unit program and revised program maps.

Home Ownership New Construction

Formerly referred to as Single Family New Construction, eligible properties receive a 10-year tax exemption on the structural improvements (house) as long as the property owner remains eligible.

Eligible areas are designated by statute as "distressed" areas, determined by census tracts that fare worse than the city overall on the following measures: vacancy rates; foreclosed properties; property crime; median home sale prices; number of vacant lots; homeownership rates. Through a review of these factors PHB proposes to remove 757 acres in previously eligible areas and add 1117 acres in census tracts that now qualify. These changes are detailed on the [Proposed Homebuyer Opportunity Areas Update Map](#).

Program requirements:

- Property must be located within a Homebuyer Opportunity Area, as defined in statute (see maps)
- Property must sell for less than 120% of the annual median sale price for Portland – currently \$275,000 and adjusted annually
- Homeowner must earn no more than 100% median family income – currently \$73,000 for a family of four
- Property must be owner occupied and may not be rented at any time
- The home must have at least three bedrooms, unless built within a frequent transit service corridor in which case two bedroom homes are allowed
- Homes must be built to healthy and energy efficient environmental building standards
- Builder must address PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting
- Builder must partner with PHB to assure that Minority Homeownership goals are addressed
- Cap of 100 applications per year (homes that are subject to an affordable housing covenant and sold to households earning less than 80% mfi will be exempt from the cap)

Multi-Unit Development

This program combines the Multi-Unit and Transit-Oriented Development programs into a single program. Eligible properties receive a 10-year tax exemption on the residential portion of the structural improvements, in some cases the commercial portion of mixed-use project may qualify for exemption. The housing units can be for rental or for homeownership but cannot be designed or used as transient accommodation, including but not limited to hotels/motels/temporary shelters.

Program requirements:

- Cap of \$1 million in additional foregone revenue per year (4-6 projects per year)
- Annual competitive process – projects that meet minimum eligibility requirements will be scored based on public benefits proposed
- Otherwise qualified projects in Gateway and Lents URA's will be exempt from the cap and will not be required to compete with other projects citywide
- Financial analysis of the projects must demonstrate the need for the tax exemption to achieve economic feasibility with the affordable units
- Projects must have at least ten units with a minimum density of 20 units per acre (mixed use) or 35 units per acre (residential only)
- Affordability - 20% of residential units affordable at 60% MFI, with allowance for units affordable up to 80% MFI in high cost market areas
- Projects must be built to healthy and energy efficient environmental building standards
- To be considered for exemption the commercial portion of a mixed use development must:
 - Meet a community identified need for goods or services not currently available within ¼-mile walking distance; Not compete with a similar established business within ¼-mile walking distance; and/or advance PDC's Neighborhood Economic Development goals
- Provide a plan to meet PHB's business equity goals for participation of Minority Women and Emerging Small Businesses (MWESB) in professional services and construction contracting.

Projects will be scored in a competitive process based on the Public Benefits presented by the developer with priority given to:

- Affordability in addition to threshold requirement
- Accessible units in addition to ADA and Fair Housing requirements. Units to be "accessible" or "accessibility ready", set aside during exemption term for households/persons with special needs
- Family sized units (2+ bedrooms) in areas lacking family housing units, with appropriate family friendly amenities (secure on-site play area, on-site garden area, etc.)
- Access to grocery stores, schools, day care, etc. within ¼-mile
- Quality gathering space available to the community at large
- A portion of units dedicated for residents served by a social service provider (i.e. youth transitioning out of foster care, survivors of domestic violence, military veterans)

Multi-Unit Limited Term Exemption (LTE) Eligible Areas

Eligible Areas for the program are designated as required by statute, based on areas that allow for mixed use and higher density developments. Proposed changes to the Multi-Unit LTE Program Map are based on two criteria:

1. Metro 2040 designated centers, main streets, and station areas with transit service; and
2. Metro 2040 designated corridors with frequent transit service.

There are two exceptions to the criteria. First, the North Vancouver/Williams corridor is included even though it is not a designated Metro 2040 main street or corridor because it has multi-dwelling/mixed use zoning with transit service and is currently part of the program as part of the Interstate Corridor URA. In response to expressed concerns about the impact of tax-exempt development on David Douglas School District, potentially eligible areas with multi-dwelling residential zoning along SE 122nd Ave, south of Powell Boulevard, have not been included.

CHAPTER 3.102**PROPERTY TAX EXEMPTION FOR NEW CONSTRUCTION OF SINGLE-UNIT HOUSING IN HOMEBUYER OPPORTUNITY AREAS**

(Chapter replaced by Ordinance No. _____,
effective August 1, 2012.)

Sections:

3.102.010	Purpose
3.102.020	Definitions
3.102.030	Benefit of the Exemption; Annual Maximum Number of Exemptions
3.102.040	Exemption Requirements
3.102.050	Application Review and Approval
3.102.060	Compliance
3.102.070	Designation of Homebuyer Opportunity Areas
3.102.080	Termination of the Exemption
3.102.090	Implementation

3.102.010 Purpose.

- A.** The City of Portland adopts the provisions of Oregon Revised Statutes 307.651 through 307.687, and administers a property tax exemption program for new construction of single-unit housing authorized under those provisions.
- B.** In addition to meeting the legislative goals set forth in ORS 307.654, the program also seeks to accomplish the following additional core goals:
1. Stimulate the construction of affordable housing and other public benefits where such housing or benefits may not otherwise be made available.
 2. Leverage market activities to advance housing and economic prosperity goals by aligning those activities with the goals of the Portland Plan and the Portland Housing Bureau's Strategic Plan.
 3. Provide transparent and accountable stewardship of public investments.

3.102.020 Definitions.

As used in this Chapter:

- A. **“Administrative Rules”** means the tax exemption program administrative rules developed by the Portland Housing Bureau and approved through City Council which set forth the program requirements, processes, and procedures.
- B. **“Applicant”** means the individual who or entity which owns the property and is submitting an application for the tax exemption program and is legally bound to the terms and conditions of an approved tax exemption, including but not limited to any compliance requirements under this Chapter.
- C. **“Homebuyer opportunity area”** means those areas of the City of Portland designated by the Portland Housing Bureau that meet the requirements set forth in ORS 307.651 to 307.657 for a "distressed area" and Section 3.102.070 of this Code.
- D. **“Single-unit housing”** has the meaning set forth in ORS 307.651(4).

3.102.030 Benefit of the Exemption; Annual Maximum Number of Exemptions.

- A. Single-unit housing that qualifies for an exemption under this Chapter is exempt from property taxes to the extent provided under ORS 307.664 and the Administrative Rules.
- B. However, the Portland Housing Bureau may, upon action by City Council on an annual basis, determine a limit on the number of applications accepted under this Chapter.

3.102.040 Exemption Requirements.

In order to be considered for an exemption under this Chapter, an applicant must verify by oath or affirmation in the application that the proposed construction will meet the following requirements and public benefits upon completion of construction:

- A. Property
 - 1. Single-unit housing must be located within a homebuyer opportunity area;
 - 2. Each qualified dwelling unit in the single-unit housing must have a market value at the time of completion of no more than the amount determined annually by Portland Housing Bureau according to ORS 307.651(3) and 307.661;

3. Construction of the single-unit housing must be completed according to ORS 307.681(1), except as provided in ORS 307.374;
4. Each qualified dwelling unit must sell to the initial homebuyer within two years of activation of the exemption;
5. Each qualified dwelling unit must have at least three bedrooms unless built within an approved transit-oriented area as determined by the Portland Bureau of Planning and Sustainability and included on the map defining homebuyer opportunity areas, in which case two bedroom homes are allowed; and
6. The single-unit housing must comply with all other requirements under the Code of the City of Portland.

B. Affordability

1. Each dwelling unit of the single-unit housing must be sold to a household with an annual gross household income not greater than one hundred percent of the area median income for a family of four as determined annually for the Portland Metropolitan Area by the United States Department of Housing and Urban Development, which income may be adjusted upward for households with more than four persons.
2. For the purposes of this program, household income is the annual gross income of the titleholder who will occupy the dwelling unit.

C. Owner-Occupancy

1. Once sold to the initial buyer, the dwelling unit shall remain owner-occupied as the principal residence of the titleholder receiving the tax exemption during the tax exemption period;
2. Hardship exception to the owner-occupancy requirement may be granted by the Portland Housing Bureau in accordance with its policies. Such hardship exceptions may include, but are not limited to, the following circumstances:
 - a. Active military duty outside of the area;
 - b. Temporary relocation to care for an ill or dying family member; or
 - c. Temporary relocation caused by an employer; and

3. The single-unit housing may not be rented at any time during the exemption period.

D. Equity

1. Applicant must acknowledge familiarity with Portland Housing Bureau's Minority, Women, and Emerging Small Businesses (MWESB) guidelines and contracting opportunity goals, and report on past contracting relationships.
2. Applicant must acknowledge awareness and understanding of Portland Housing Bureau'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 Portland Housing Bureau to assure that communities of color are aware of properties for sale with exemptions.

E. Green Building

The new construction must be built to meet healthy and resource efficient environmental building standards.

F. Application Fee

The applicant must pay an application fee determined by the Portland Housing Bureau as described in ORS 307.674 (5).

3.102.050 Application Review and Approval.

- A. The Portland Housing Bureau will review and approve or deny applications consistent with ORS 307.667 through 307.674.
- B. Applicants must apply for the tax exemption prior to issuance of the building permit for the single-unit housing.
- C. If construction of the single-unit housing is not completed within the timeframe described in ORS 307.674, Portland Housing Bureau may extend the deadline as consistent with ORS 307.677.
- D. The issuance of final building permits shall indicate compliance with the Code of the City of Portland and shall be sufficient to meet the design standards as described in ORS 307.651(4)(a)
- E. Any exemption under this Chapter must be approved by City Council by resolution, and Portland Housing Bureau will deliver a list of the approved applications to Multnomah County within the timeframe set forth in ORS 307.674.

3.102.060 Compliance.

- A. Upon approval, applicants must execute a document to be recorded on title of the single-unit housing requiring Portland Housing Bureau verification of homebuyer affordability and owner-occupancy qualification prior to the sale of each dwelling unit to an initial homebuyer.
- B. Single-unit housing which sells to homebuyers who do not meet the affordability or owner occupancy qualifications, will have the tax exemption removed as of the next tax year.
- C. Single-unit housing not meeting the exemption requirements by selling over the established sale price at initial sale will have the tax exemption terminated according to Section 3.102.080 and require the owner to repay any exempted taxes consistent with ORS 307.687.

3.102.070 Designation of Homebuyer Opportunity Areas.

- A. The Portland Housing Bureau shall be responsible for designating homebuyer opportunity areas. The designation of such areas shall occur in the form of a public hearing conducted before the Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission and approval through a resolution with City Council. Portland Housing Bureau shall review the homebuyer opportunity areas for possible amendment at least every two years.
- B. The criteria for designating homebuyer opportunity areas shall include consideration of the following factors:
 - 1. A distressed area as described in ORS 307.651(1);
 - 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; and
 - 3. The probability of revitalization in the area without the assistance of the exemption.

3.102.080 Termination of the Exemption.

If the Portland Housing Bureau determines that the single-unit housing fails to meet any of the provisions of ORS 307.651 to 307.687 or this Chapter, the Portland Housing Bureau will terminate the exemption consistent with ORS 307.681 through 307.687.

3.102.090 Implementation.

Portland Housing Bureau may adopt, amend and repeal the administrative rules, and establish procedures, and prepare forms for the implementation, administration and compliance monitoring consistent with the provisions of this Chapter.

CHAPTER 3.103**PROPERTY TAX EXEMPTION FOR MULTIPLE-UNIT HOUSING
DEVELOPMENT**

(Chapter replaced by Ordinance No. _____,
effective August 1, 2012.)

Sections:

3.103.010	Purpose
3.103.020	Definitions
3.103.030	Benefit of the Exemption; Annual Maximum Exemption Amount
3.103.040	Minimum Threshold Requirements
3.103.050	Application Review and Scoring of Public Benefits
3.103.060	Application Approval
3.103.070	Rental Project Rate of Return
3.103.080	For-Sale Unit Compliance
3.103.090	Extension of the Exemption for Low Income Housing Projects
3.103.100	Termination of the Exemption
3.103.110	Implementation

3.103.010 Purpose.

- A.** The City of Portland adopts the provisions of Oregon Revised Statutes 307.600 through 307.637, and administers a property tax exemption program for multiple-unit housing development authorized under those provisions.
- B.** In addition to meeting the legislative goals set forth in ORS 307.600, the program also seeks to accomplish the following additional core goals:
 - 1.** Stimulate the construction of affordable housing and other public benefits where such housing or benefits may not otherwise be made available.
 - 2.** Leverage market activities to advance housing and economic prosperity goals by aligning those activities with the goals of the Portland Plan and the Portland Housing Bureau's Strategic Plan.
 - 3.** Provide transparent and accountable stewardship of public investments.

3.103.020 Definitions.

As used in this Chapter:

- A. **“Accrued Payment Liability”** means the amount determined by the Portland Housing Bureau that must be paid to Multnomah County if a rental project’s rate of return exceeds the maximum rate of return allowed under this program.
- B. **“Administrative Rules”** means the tax exemption program administrative rules developed by the Portland Housing Bureau and approved through City Council which set forth the program requirements, processes, and procedures.
- C. **“Applicant”** means the individual or entity who is either the owner or a representative of the owner who is submitting an application for the tax exemption program.
- D. **“Extended Use Agreement”** means a recorded agreement between the owner and the Portland Housing Bureau stating the approval and compliance criteria of a project’s tax exemption.
- E. **“Multiple-unit housing”** has the meaning set forth in ORS 307.603(5).
- F. **“Owner”** means the individual or entity holding title to the exempt project and is legally bound to the terms and conditions of an approved tax exemption, including but not limited to any extended use agreement and any compliance requirements under this Chapter.
- G. **“Project”** means property on which any multiple-unit housing is located, and all buildings, structures, fixtures, equipment and other improvements now or hereafter constructed or located upon the property.

3.103.030 Benefit of the Exemption; Annual Maximum Exemption Amount.

- A. Multiple-unit housing that qualifies for an exemption under this Chapter is exempt from property taxes to the extent provided under ORS 307.612 and the Administrative Rules.
- B. However, the maximum amount of estimated foregone tax revenue provided as a benefit of the exemption under this Chapter may not exceed the amount approved annually by Council.

3.103.040 Minimum Threshold Requirements.

In order to be considered for an exemption under this Chapter, an applicant must verify by oath or affirmation in the application that the project meets the following minimum threshold requirements:

- A. Financial need for the exemption**
 - 1. Rental projects**
 - a.** The project would not otherwise be financially feasible without the benefit provided by the property tax exemption.
 - b.** The applicant must submit proof that the anticipated internal rate of return for the project for the period of the exemption will not exceed 10 percent.
 - 2. For-sale projects**
 - a.** Units receiving tax exemption will be sold to buyers meeting the affordability requirements contained in this Section.
- B. Property eligibility**
 - 1.** Projects must be located within identified Designated Plan Areas/Metro 2040 Centers, within a quarter mile radius of Max Station Areas, or within a quarter mile from either Metro 2040 Main Streets with Transit Service or Metro 2040 Corridors with Frequent Transit Service within the City of Portland.
 - 2.** Projects must conform to City of Portland's zoning and density requirements.
 - 3.** Applications for tax exemption must be submitted and approved prior to application for the project's building permit.
- C. Affordability**
 - 1.** For rental projects, during the term of the exemption, a minimum of 20 percent of the number of units must be affordable to households earning 60 percent or less of the area median family income, with possible allowance to have units affordable to households earning 80 percent or less of the area median family income based on the market for similar units in the same

geographic area. The units meeting the affordability requirements must match the unit mix in the project as a whole in terms of number of bedrooms.

2. For projects containing for-sale units, those units receiving the exemption must not exceed the maximum price established under City Code Section 3.102.040 at initial sale and must sell to an initial homebuyer who income qualifies and occupies the unit as established under City Code Section 3.102.040. During the term of the exemption, the unit must be occupied by a homebuyer as established under City Code Section 3.102.040.

D. Equity

1. Applicants must provide a plan to meet Portland Housing Bureau's business equity goals for participation of Minority, Women, and Emerging Small Businesses (MWESB) in professional services and construction contracting and City workforce training and hiring goals.
2. Applicants must describe their efforts to engage community stakeholders and integrate feedback in the project concept plan, including but not limited to: neighborhood impacts, plan for commercial tenants, the use of gathering and commercial space in the project, and outreach and marketing of residential units to target markets.

E. Green Building

The project must be built to meet healthy and resource efficient environmental building standards.

3.103.050 Application Review and Scoring of Public Benefits.

- A. The Portland Housing Bureau will review and approve or deny applications consistent with ORS 307.621.
- B. Applications which satisfy the requirements of Section 3.103.040 will be scored as part of a competitive process. Applicants must demonstrate additional public benefits beyond the threshold requirements in their applications. Additional benefits may include but are not limited to the following:
 1. Affordability in addition to threshold requirements described in Section 3.103.040 for rental projects or units available for sale below prices for comparable properties in the area;

2. Applicant's demonstration in its MWESB and community engagement plans of how the project will help Portland Housing Bureau achieve the vision contained in Portland Housing Bureau's Guiding Principles on Equity and Social Justice;
3. A portion of or all units fully "accessible" to persons with special needs and incorporation of established accessible design features at both unit and site level;
4. Family sized units in areas lacking housing units with two or more bedrooms, with appropriate family friendly amenities;
5. Access to grocery stores, schools, day care, etc.;
6. Quality gathering space available to the community at large; and
7. A portion of units reserved for and an established partnership with an agency to provide services to vulnerable populations, including but not limited to youth who have transitioned or are transitioning out of foster care.

3.103.060 Application Approval.

- A. Portland Housing Bureau shall select the applications which meet the minimum threshold requirements (see Section 3.103.040) and provide the most public benefit to the City (see Section 3.103.050). The Portland Housing Bureau Housing Investment Committee shall review the selected applications and determine which should proceed towards approval. Applicants with selected applications shall pay an application fee.
- B. Portland Housing Bureau shall present the selected applications to the Portland Housing Advisory Commission at a public hearing, for which notice will be given and public testimony will be heard.
- C. Portland Housing Bureau shall take applications to City Council for approval in the form of an ordinance and deliver a list of the approved applications to Multnomah County within the timeframe set forth in ORS 307.621.
- D. If construction of an approved project is not completed or an application for exemption is not received within the timeframe described in ORS 307.637, Portland Housing Bureau may extend the deadline consistent with ORS 307.634.

3.103.070 Rental Project Rate of Return.

- A.** The owner of a rental project approved for exemption will be required to sign an extended use agreement (“EUA”) to be recorded on the title to the property.
- B.** During the exemption period, the owner must submit project financial information annually to the Portland Housing Bureau.
- C.** Portland Housing Bureau will prepare an annual analysis of the project’s financial data including a to-date calculation of the rate of return for the project.
- D.** Portland Housing Bureau will advise the owner in writing whether the projected rate of return will exceed 10 percent for the entire exemption period and may result in an Accrued Payment Liability (“APL”).
- E.** If Portland Housing Bureau determines that the number and unit mix of affordable units is less than the approved percentage or does not match the unit mix of the project, the next available units must be rented to households meeting the income requirements and the project must be brought into compliance before the next reporting period.
- F.** At the end of the final year of the exemption, Portland Housing Bureau will calculate the rate of return for the project during the exemption.
 - 1.** If the rate of return does not exceed 10 percent, then the EUA terminates at the end of exemption.
 - 2.** If the rate of return exceeds 10 percent, then Portland Housing Bureau sends a written notice to the last known address of the owner requiring the owner to elect one of the following:
 - a.** The EUA may remain in full force and effect for an additional 5 years after the end of the tax exemption , extending the affordability requirements approved for the exemption; provided that the number of units subject to the rent restrictions as approved is the same number necessary to reduce the net present value, using a 10 percent annual discount rate of the project’s projected market-rate (unrestricted) annual cash flows by an amount equal to the APL; or
 - b.** The owner pays an APL in an amount equal to the lesser of either:

- (1) The net present value using a 10 percent annual discount rate of the difference between the project's actual annual cash flows during the exemption and the proforma projected cash flows for the project that would provide a 10 percent rate of return during the exemption; or
- (2) The maximum amount of the property taxes that would have been assessed if no exemption had been granted.

3.103.080 For-Sale Unit Compliance.

- A. Approved applicants must execute a document to be recorded on title of the project requiring Portland Housing Bureau verification of homebuyer affordability and owner-occupancy qualification prior to the sale of each for-sale unit to an initial homebuyer.
- B. For-sale units which sell to homebuyers who do not meet the affordability or owner occupancy qualifications at initial sale will have the tax exemption removed as of the next tax year.
- C. For-sale units which sell over the established sale price at initial sale will have the tax exemption terminated according to Section 3.103.100 and require the owner to repay any exempted taxes consistent with ORS 307.631.

3.103.090 Extension of the Exemption for Low Income Housing Projects.

Projects subject to a low income housing assistance contract may be eligible for extension pursuant to ORS 307.612.

3.103.100 Termination of the Exemption.

If the Portland Housing Bureau determines that the project fails to meet any of the provisions of ORS 307.600 to 307.637 or this Chapter, the Portland Housing Bureau will terminate the exemption consistent with ORS 307.627.

3.103.110 Implementation.

Portland Housing Bureau may adopt, amend and repeal the administrative rules, and establish procedures, and prepare forms for the implementation, administration and compliance monitoring consistent with the provisions of this Chapter.



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EXHIBIT D

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).

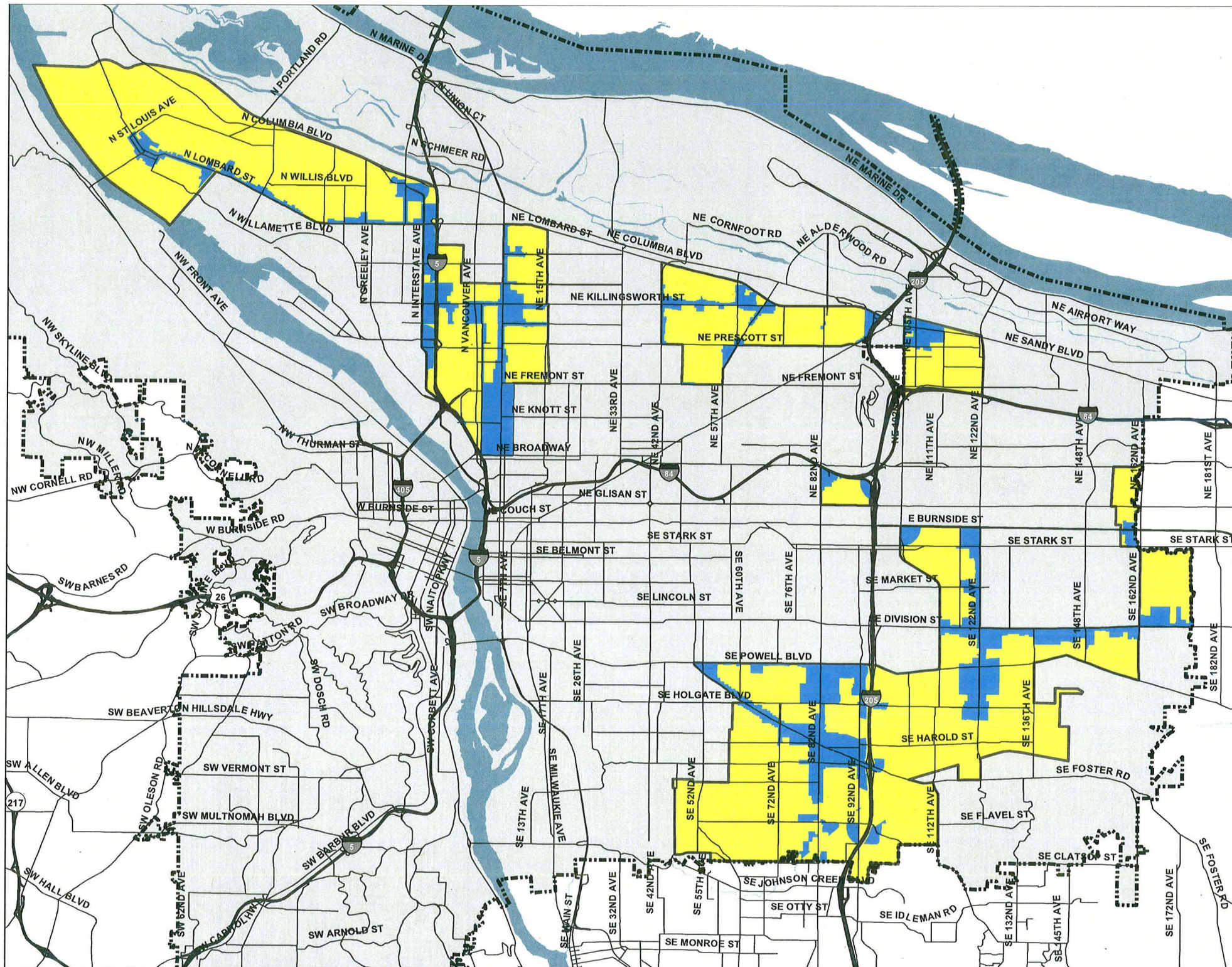
Appendix 2: Homebuyer Opportunity Areas map with transit-oriented areas overlay.

June 25, 2012

City of Portland, Oregon
Bureau of Planning & Sustainability
Geographic Information System

Homebuyer Opportunity Limited Tax Exemption (HOLTE) Program Eligibility Areas

185477



- Homebuyer Opportunity Area
- Eligibility Areas (within HOA) for 2 Bedroom Units
- City Boundary

NORTH

Miles
0 1 2

The information on this map was derived from City of Portland GIS databases. Care was taken in the creation of this map but it is provided "as is". The City of Portland cannot accept any responsibility for error, omissions or positional accuracy.



Bureau of Planning and Sustainability
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CITY OF
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PORTLAND HOUSING BUREAU

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Portland OR 97204
(503) 823-2375
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185477

EXHIBIT E

ADMINISTRATIVE RULES

MULTIPLE-UNIT LIMITED TAX EXEMPTION (MULTE) 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 Multiple-Unit Limited Tax Exemption Program authorized by City Code 3.103 (Property Tax Exemption for Multiple-Unit Housing Development) and State Statute, ORS 307.600 through 307.637.

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. Minimum Threshold Requirements**
- 4. Application Review and Scoring of Public Benefits**
- 5. Application Approval**
- 6. Compliance Requirements**
- 7. Termination of Active Exemptions**
- 8. PHB Administrative Requirements and Dates**
- 9. Attachments**

Program Goals

The Legislative goals of the Multiple-Unit Limited Tax Exemption Program include:

- Stimulate the construction of transit supportive multiple-unit housing in the core areas of urban centers to improve the balance between the residential and commercial nature of those areas;
- Ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work;
- Promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize transit investment to the fullest extent possible; and
- Establish and design programs to attract new development of multiple-unit housing and commercial and retail property, in areas located within a light rail station area or transit oriented area.

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

- Stimulate the construction of affordable housing and other public benefits where such housing or benefits may not otherwise be made available;
- Leverage market activities to advance housing and economic prosperity goals by aligning those activities with the goals of the Portland Plan and the PHB's Strategic Plan; and
- Provide transparent and accountable stewardship of public investments.

Benefit of the Tax Exemption

The Multiple-Unit Limited Tax Exemption Program provides a ten year property tax exemption on the residential portion of the structural improvements as long as program requirements are met. During the exemption period, property owners are still responsible for payment of the taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.

The value of the exemption cannot exceed 100 percent of the real market value. In the case of a structure converted in whole or in part from other uses to multiple-family, only the increase in value attributed to the conversion is eligible for the exemption.

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.

- **Commercial portions of a project** – For exemption of the commercial portion of a mixed use development, the developer must demonstrate through community engagement

and/or a market analysis that the commercial space meets a community identified need for a good or service that is not currently available within walking distance, does not compete with a similar established business within walking distance, and advances Portland Development Commission's (PDC) Neighborhood Economic Development Goals.

- **Parking** – The exemption may include parking constructed as part of the multiple-unit housing construction, addition or conversion; any parking available shall not be required as payable rent.
- **Extensions for low income housing** – Extensions beyond the ten year exemption period will be granted only for projects subject to a low income housing assistance contract with an agency or subdivision of Oregon or the United States.

Applications for extensions must be submitted under the same application timeline as new applications prior to the exemption expiring. Extensions may be granted only for the portion of units which meet the affordability requirements through June 30 of the tax year during which the termination date of the low income housing assistance contract falls. Projects that propose to make changes to the affordability mix must reapply through the competitive process.

Minimum Threshold Requirements

- **Eligible areas** – Projects must be located within identified Designated Plan Areas/Metro 2040 Centers, within a quarter mile radius of Max Station Areas, or within a quarter mile from either Metro 2040 Main Streets with Transit Service or Metro 2040 Corridors with Frequent Transit Service within the City of Portland as illustrated on the map attached as Exhibit 1.
- **Timing of application** – Applications for tax exemption must be submitted and approved prior to application for the project's building permit.
- **Rental project financial need** – Analysis of the project pro forma must establish that the project would not otherwise be financially feasible without the benefit provided by the property tax exemption; the applicant must submit documentation that the anticipated rate of return for the project for the period of the exemption will not exceed 10 percent.
- **Affordability** – For rental projects, during the term of the exemption, a minimum of 20 percent of the number of units must be affordable to households earning 60 percent or less of the area median family income upon initial occupancy of the unit by that household. In high cost market areas a project may propose 20 percent of the number of units affordable to households earning 80 percent or less of the area median family income based on the market for similar units in the same geographic area supported by a market study.

Subsequent monitoring of the incomes of these households is not required until the affordable unit again becomes available for rent, at which time it must be rented to an income qualified household earning 60 percent (or 80 percent if approved as such) of the area median income for the remaining term of the property tax exemption, unless another unit has subsequently been rented at an equivalent affordable rate to a qualified household so that the project continues to comply with the affordability guidelines.

Measurement of household income shall be determined using the U.S. Department of Housing and Urban Development's, or its successor agency's, annual household income for the Portland Metropolitan Area for a family of one person (for a studio apartment), two persons (for a one-bedroom apartment), three persons (for a two-bedroom apartment), or four persons (for a three-bedroom apartment). Affordability shall be defined as a rental rate which does not exceed 30 percent of the monthly gross income including allowances for utilities (rent burden).

Affordable units to be distributed evenly amongst unit mix (bedroom sizes). Projects must maintain the same unit distribution of affordable units during the exemption period but individual units do not need to be designated.

- **For-sale project financial need/Affordability** – Units receiving tax exemption will be sold to buyers meeting the affordability requirements. 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.
- **For-sale project price cap** – The property must sell for less 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.
- **For-sale project occupancy** – For-sale units 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.
- **MWESB goals** – Applicants must provide a plan to meet PHB's business equity goals for participation of Minority, Women, and Emerging Small Businesses (MWESB) in professional services and construction contracting and City workforce training and hiring goals.
- **Marketing Plan** – Applicants must submit a Marketing Plan that describes elements including but not limited to engaging community stakeholders, the use of gathering and commercial space in the project, and outreach to a target audience.
- **Neighborhood Contact** – Applicants are required to participate in the Neighborhood Contact process prior to applying for the building permit and tax exemption program. The Neighborhood Contact process provides a setting for the applicant and neighborhood residents to discuss a proposed project in an informal manner. By sharing information

and concerns during the application process, all involved have the opportunity to identify ways to improve a proposed project, and to resolve conflicts before the tax exemption is approved.

The requirements for Neighborhood Contact are:

- The applicant must contact the neighborhood association for the area, by registered or certified mail, to request a meeting. A copy of this request must also be sent by registered or certified mail to the district neighborhood coalition.
- The neighborhood association should reply to the applicant within 14 days and hold a meeting within 45 days of the date of the initial contact. If the neighborhood association does not reply to the applicant's letter within 14 days, or hold a meeting within 45 days, the applicant may request a land use review or building permit without further delay. If the neighborhood requests the meeting within the time frame, the applicant must attend the meeting. The applicant may attend additional meetings on a voluntary basis. The neighborhood may schedule the meeting with its board, the general membership, or a committee.
- After the meeting and before pulling the building permit, the applicant must send a letter to the neighborhood association and district neighborhood coalition. The letter will explain changes, if any, the applicant is making to the proposed project.
- Copies of letters, and registered or certified mail receipts must be submitted with the tax exemption application.
- **Green building** – The project must be built to meet healthy and resource efficient environmental building standards. The applicant must certify in the application to build the project using one of the following standards:
 - Register and certify at the silver level for US Green Building Council's Leadership and Energy in Environmental Design (LEED);
 - Register and certify at the silver level for Earth Advantage Multifamily;
 - Build to meet Oregon's Reach Code for Commercial or Residential Buildings; or
 - Comply and certify for Enterprise Green Communities' criteria for affordable housing.

Certification must be submitted to PHB with the first year's financial document submission. If the project is not built to meet one of the standards, the exemption will be terminated.

- **Eligible project types** – Projects must be proposed construction, additions to existing structures or conversion of existing non-residential property to housing.

Projects must have at least ten units with a minimum density of 35 units per net acre of site area (residential only); or at least ten units with a minimum density of 20 units per net acre of site area (mixed use with ground floor commercial space) and at least two times the amount of residential floor area to non-residential floor area; home ownership projects are exempt from this requirement.

A row-house or townhouse development containing for-sale or rental units is eligible as long as all other eligibility criteria are met.

The project must not be designed or used as transient accommodation, including but not limited to hotels and motels.

Existing multiple-unit housing projects which are currently or will become subject to a low income housing assistance contract with an agency or subdivision of Oregon or the United States are eligible to apply through the competitive process to receive an exemption in order to preserve or establish existing housing that is affordable to low income persons.

- **Pedestrian connection** – The project must provide a pedestrian connection and be physically or functionally related to and enhance the effectiveness of a light rail line or mass transportation system

Pedestrian connection means a continuous, unobstructed, reasonably direct route between two points that is intended and suitable for pedestrian use. Pedestrian connections include but are not limited to sidewalks, walkways, stairways and pedestrian bridges. On developed parcels, pedestrian connections are generally hard surfaced. In parks and natural areas, pedestrian connections may be soft-surfaced pathways. On undeveloped parcels and parcels intended for redevelopment, pedestrian connection may also include rights-of-way or easements for future pedestrian improvements.

- **Qualified applicant** – Applicant must own or have site control of the project site.
- **Additional application requirements** – Applicant must provide the following information in the completed application and supporting documentation:

Project description:

- Number, size, and type of dwelling units;
- Dimensions of the multiple-unit structure(s), parcel size, proposed lot coverage of building, and amount of open space;
- Type of construction;
- Public and private access;
- Parking and circulation plan;
- Number of residential and commercial off-street parking spaces;
- Proposed amount of floor area dedicated to residential and nonresidential uses;

- Description of the existing use of the property, including if appropriate a justification for the elimination of existing sound and rehabilitable housing;
- Conceptual site plan and supporting maps (drawn to a minimum scale of one inch equal to 16 feet, or a scale suitable for reproduction on 8-1/2" by 11" paper, showing the development plan of the entire project including streets, driveways, sidewalks, pedestrian ways, off street parking, loading areas, location, design, and dimension of structures, use of land and structure(s), major landscaping);
- Public benefits description (including any extension of public benefits from the project beyond the period of the exemption); and
- Project schedule.

Financial Information (for rental projects only) – spreadsheet(s) to be submitted electronically/"live" (not PDF):

- Pro forma development budget (detailed project costs);
- Pro forma Sources and Uses;
- 15 year pro forma operating cash flow (income and expense analysis) **without** the exemption – demonstrate the 10 year average cash on cash return;
- 15 year pro forma operating cash flow (income and expense analysis) **with** the exemption – demonstrate the 10 year average cash on cash return;
- 15 year pro forma operating cash flow (income and expense analysis) showing the necessary increase in unit rents to achieve the same return as **with** the exemption – demonstrate the average cash on cash return;
- Rent structure by unit type (affordable units to be net of utility allowance);
- Description of how real estate taxes without the exemption were determined;
- All components of developer equity including invested cash; and
- Copy of the market study provided to the senior lender for the project.

Legal:

- Property tax printout for all parcels, showing tax account numbers and legal descriptions (include copy of deed to document ownership or full legal description if necessary);
- Legal articles of entity who will receive the exemption (Identifying signature block);
- Applicant should identify any mutual identity of interest between themselves and the construction contractor;
- Such other information required by state or local law or otherwise which is reasonably necessary; and
- Application provided by PHB with applicant's signature verifying oath or affirmation.

Application Review and Scoring of Public Benefits

- **Annual cap** – PHB will approve no more than \$1 million of estimated and projected foregone revenue each year. Properties located in eligible areas within the Gateway and Lents Urban Renewal Areas are exempt from the cap.
- **Time frame** – PHB will have an annual open application window through a competitive process. The first application round is expected to start on August 15, 2012. Applicants will have 45 days to submit an application for review. Approved exemptions will go into effect July 1 of the assessment year in which construction was completed, but no earlier than July 1, 2014.
- **Threshold requirements** – Applications will be reviewed to determine if the program minimum threshold requirements are met and if there is a financial need for the exemption. Projects meeting the minimum threshold requirements will be weighed for the largest benefits to the city.
- **Public Benefits** – Applicants must commit to providing public benefits to the community and will receive points for the level of commitment made, allowing them to compete against other applicants. Projects must achieve a minimum score to reach a “medium” level in the scoring in order to be competitive. The possible public benefits include but are not limited to the following:

Priority points for:

- Affordability in addition to threshold requirement, balanced with market rents (rental projects) or sale prices (for-sale unit) in the area;
- Applicant’s demonstration in the MWESB and Affirmative Marketing Plans of how the project will help PHB achieve the vision contained in PHB’s “Guiding Principles on Equity and Social Justice” through partnerships with community based organizations, the use of any commercial space, etc.; and
- Units accessible to persons with special needs, such as the mentally or physically disabled or other categories of persons as defined by the Federal Fair Housing Amendments Act of 1988 in addition to ADA and Fair Housing minimum requirements (i.e. all units “accessible ready”, a portion of or all units fully “accessible”, and incorporation of established accessible design features, such as Universal Design, at both unit and site level.)

Bonus points available for:

- Family sized units (2+ bedrooms) in areas lacking housing units with two or more bedrooms (as defined in a map attached as Exhibit 2) with appropriate family

friendly amenities (family oriented recreational facilities for the children of project residents such as secure on-site play area, on-site garden area, etc.);

- Access to grocery stores, schools, day care, etc. (within ¼ mile);
- Quality gathering space (exterior or interior) available to the community at large (on-going or by reservation) such as permanent dedications for public use including open space, community gardens, or pedestrian and bicycle connections to public trails and adjoining neighborhood areas; and
- A portion of units reserved for and an established partnership with an agency to provide services to vulnerable populations (i.e. youth who have transitioned or are transitioning out of foster care, women fleeing domestic violence, veterans).
- **PHIC Review** – The PHB Housing Investment Committee will confirm the projects selected based on the scoring of the public benefits.
- **Application fee** – Applicants must pay PHB an application fee (to be established annually, including the fee to be paid to Multnomah County) for each selected application.
- **Public hearing before PHAC** – PHB will present the selected applications to the Portland Housing Advisory Committee at a public hearing, for which public notice will be given and public testimony will be heard.
- **URA approval** – For properties located in Urban Renewal Areas, PHB will contact Portland Development Commission (PDC) for approval prior to approval of the application.

Application Approval

- **Final approval** – Exemptions will receive final approval by PHB through the filing of an ordinance with City Council within 180 days of application. PHB will send a copy of the approved resolution to the applicant.
- **County activation** – PHB will send a copy of the approved ordinance and list of approved properties along with the corresponding fee to Multnomah County no later than April 1 each year.

Compliance Requirements

- Eligible multiple-unit housing shall be constructed, converted, or preserved after the date of adoption of this program, and completed on or before January 1, 2022 unless the program is extended and a later sunset date is established through the Oregon State Legislature.

- Project owners must submit certification including any necessary supporting documentation of the public benefits and other project requirements identified in the approved application to PHB with the first annual financial documentation submitted.

Rental projects

- **Extended Use Agreement** – The owner of a rental project approved for exemption will be required to sign an extended use agreement (EUA) to be recorded on the title to the property.
- **Annual reporting and review** – During the exemption period, the owner must submit project financial information annually to PHB within 45 days from the end of the project's fiscal year. The financial information shall include, but is not limited to the following:
 - Full project-based audited financial statements
 - Internal Revenue Services tax information (tax returns)
 - Ten year operating cash flow statement, showing actual cash flow for all prior years and the current year and shall include a to-date calculation of the rate of return for the project
 - Electronic Operating Statement (EOS) or similar form
 - Electronic Tenant Survey (ETS) (to validate subsequent rental and household income compliance, when unit becomes available for rent after initial occupancy)
 - Every fifth year, the tenant income qualification submitted shall be certified by a third party.
 - Any other documentation deemed necessary by PHB to calculate or evaluate the rate of return for the project

PHB will prepare an annual analysis of the project's financial data including a to-date calculation of the rate of return for the project using the same method utilized in its initial recommendation for the tax exemption within 180 days of receipt of all required financial information.

PHB will advise the owner in writing whether the projected rate of return will exceed 10 percent for the entire exemption period and may result in an Accrued Payment Liability (APL).

If PHB determines that the number and unit mix of affordable units is less than the approved percentage or does not match the unit mix of the project, the next available units must be rented to households meeting the income requirements and the project must be brought into compliance before the next reporting period.

- **Project rate of return** – At the end of the final year of the exemption, PHB will calculate the rate of return for the project during the exemption.

If the rate of return does not exceed 10 percent, then the EUA terminates at the end of exemption.

If the rate of return exceeds 10 percent, then PHB sends a written notice to the last known address of the owner requiring the owner to elect one of the following:

- The EUA may remain in full force and effect for an additional 5 years after the end of the tax exemption, extending the affordability requirements approved for the exemption; provided that the number of units subject to the rent restrictions as approved is the same number necessary to reduce the net present value, using a 10 percent annual discount rate of the project's projected market-rate (unrestricted) annual cash flows by an amount equal to the APL; or
- The owner pays an APL in an amount equal to the lesser of either:
 - The net present value using a 10 percent annual discount rate of the difference between the project's actual annual cash flows during the exemption and the proforma projected cash flows for the project that would provide a 10 percent rate of return during the exemption; or
 - The maximum amount of the property taxes that would have been assessed if no exemption had been granted.

For-sale units

- **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.
- **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 both be 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 worth of 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).
- **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.
- **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 multiple-unit for-sale 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.

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 allowed for one year so a property owner would need to request an additional exception

each year should the hardship situation continue.

PHB will review the hardship situation 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.

Termination of Active Exemptions

If the property no longer qualifies for the tax exemption prior to the exemption expiring, the exemption will be terminated.

PHB will send a certified letter to the 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 staff will determine whether or not the property owner has presented sufficient cause to not terminate the exemption. PHB will also send a letter to the lender on record from recorded documents notifying them of their right to attempt to cure or remedy the non-compliance within 30 days.

PHB will go before city council annually in late August with a list of all exemptions to be terminated for the current tax year.

PHB Administrative Requirements and Dates

- **Annual review of market value/price cap for for-sale units** – PHB must 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 must present a resolution to City Council to approve the cap prior to January 1.

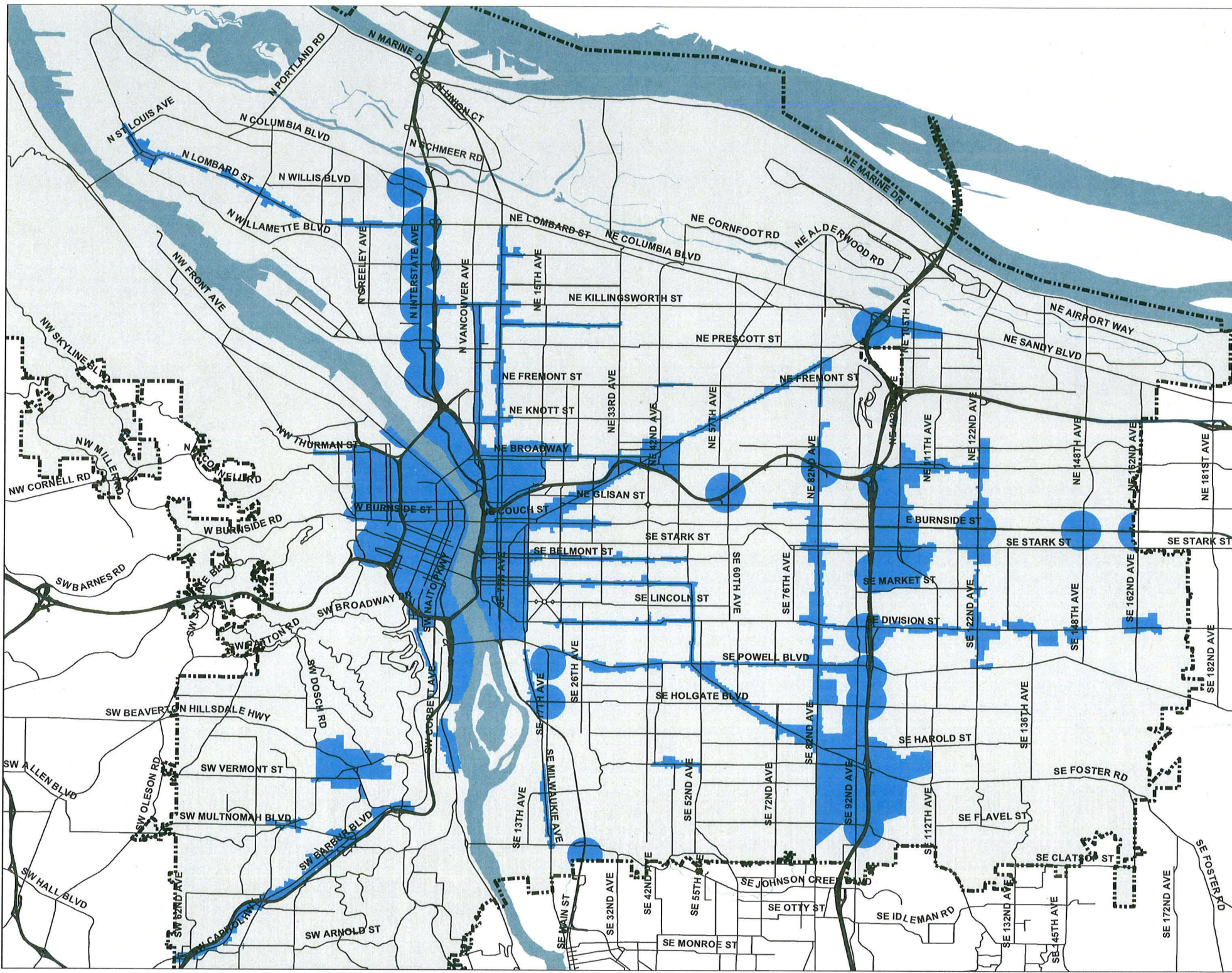
Attachments


Exhibit 1: Multiple-Unit Limited Tax Exemption Eligible areas map (approved by Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission on June 12, 2012).

Exhibit 2: Map of citywide family-sized unit deficiencies.

Multiple-Unit Limited Tax Exemption (MULTE) Program Eligibility Areas

 MULTE Eligibility Areas
 City Boundary



 NORTH

0 1 2 Miles

The information on this map was derived from City of Portland GIS databases. Care was taken in the creation of this map but it is provided "as is". The City of Portland cannot accept any responsibility for error, omissions or positional accuracy.



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185477
(E map)

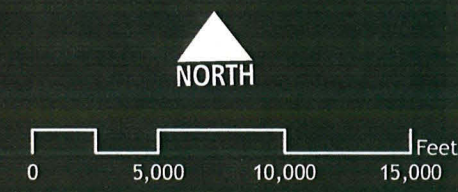
Deficiency Levels in Family-Sized Units (3 or more bedrooms)

Multnomah County
Census Tracts

Family Sized Units

- High Deficiency
- Moderate Deficiency
- Low Deficiency
- No Deficiency

----- City Boundary
(E Map 2)



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Data Source: U.S. Census Bureau



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