

## **HB 2964: Promoting Affordable Homeownership Through Expanded Eligibility for the Homebuyer Opportunity Limited Tax Exemption**

**Andrea Matthiessen  
Portland Housing Bureau  
Testimony to House Committee on Revenue  
April 19, 2017**

---

## CURRENT ORS 307.651-687

- ❑ Provides cities the authority to administer a program that provides low and moderate-income buyers of single family homes with a 10 year limited tax exemption on the value of the structure
  - Eligible homes must be new construction. Builders must apply and the property must be approved before permits are pulled
  - Homes must sell for less than 120% of the county median sales price (\$416,400 in Portland for the 2016 calendar year)
  - Cities may impose additional restrictions (number of bedrooms, income eligibility, lower sales price cap, etc.)
  - Program must be approved by jurisdictions representing majority of property taxes

## WHAT DOES THE PORTLAND PROGRAM LOOK LIKE?

- ❑ The current Portland Homebuyer Opportunity Limited Tax Exemption (HOLTE) has been in place in its current form since 2012:
  - Approved jointly by Portland City Council and Multnomah County Commission
  - Limited to 100 approvals annually, with non-profit developers exempted from that cap
  - Sales price cap of 100% of County median (currently \$350,000)
  - Eligible homebuyers must provide documentation they are below 100% of Area Median Income
  - Homes must be owner-occupied

## PROGRAM HOLTE FOREGONE REVENUE

- ❑ For program year 2014/15, 111 new HOLTE exemptions were granted, totaling \$126,629 in foregone property tax revenue for the first year of the exemptions approved in 2014/15
- ❑ The table below provides a snapshot of recent program performance and highlights the impacts of the increasing escalating real estate market in Portland

Program Year	For-profit Approvals	Non-profit Approvals	Average Sales Price	Average Buyer Income	Average Value of Exemption
16/17	20	7	\$287,810	\$46,393	\$2,018
15/16	92	9	\$267,678	\$46,292	\$2,105
14/15	100	11	\$255,175	\$43,258	\$1,972
13/14	100	24	\$240,794	\$45,314	\$1,831
12/13	100	36	\$231,000	\$42,925	\$1,687

## WHAT KIND OF EXPANSION DOES HB 2964 PROPOSE?

- Allow low and moderate-income homebuyers of **existing homes** to apply for the 10 year tax exemption on the value of the structure if the sales price is under 120% of the annually established County median sales price
- Allow current low-income homeowners receiving publically funded **home rehabilitation** assistance to apply for a 10 year limited tax exemption on the value of the structure if the assessed value of the structure is under 120% of the County median sales price
- Local jurisdictions retain the current statutory authority to establish further parameters (geographic limitations, income eligibility, and a lower sales price or assessed value cap) as Portland has done with its current program

## WHY IS HB 2964 BEING PROPOSED?

- ❑ Expanded eligibility will help low and moderate-income households access and maintain the benefits of homeownership
- ❑ Builder participation in the current program is decreasing. Under current market conditions, they are building fewer homes under the sales price cap
- ❑ Many newly constructed homes are being built at higher price points than existing homes for sale in the market. The current inventory of homes for sale tends to include smaller starter homes that are more affordable to low and moderate-income homebuyers
- ❑ Many low-income households, particularly seniors, are struggling to retain their current homes and a tax exemption can help to stabilize families and neighborhoods

## HOW WOULD HB 2964 BE IMPLEMENTED ?

- ❑ Portland would base an expanded **HOMEOWNERSHIP** program on the current proven implementation model:
  - Sales price for low and moderate-income homebuyers purchasing existing homes would be capped at 100% of County median sales price, even though statute allows the sales price to go up to 120%
  - Eligible households must provide documentation of incomes below 100% Area Median Income
  - Ongoing quarterly compliance monitoring to ensure owner occupancy for the full 10 year period of the tax exemption
  - Number of approvals would be capped annually at a number set mutually by the City of Portland and Multnomah County

## HOW WOULD HB 2964 BE IMPLEMENTED?

- ❑ Portland would base an expanded **HOME RETENTION** program on the current proven implementation model:
  - Assessed value of eligible homes would need to be less than 120% of the County median sales price
  - Eligible households must provide documentation of incomes below 80% Area Median Income, which is the income criteria of locally-administered home rehabilitation funds
  - Ongoing quarterly compliance monitoring to ensure owner occupancy for the full 10 year period of the tax exemption
  - Number of approvals would be capped annually at a number set mutually by the City of Portland and Multnomah County



Thank you