



2012-13 Annual Report
System Development Charge Exemption Program

Portland Housing Bureau

December 4, 2013

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Table of Contents

Executive Summary	3
Program Overview	4
<u>Outcomes</u>	5
• Program Usage	5
• Revenue Impact of Exemption Program	5
• Programs by Population Served	5
• Program Usage by Geographic Areas	7
• Compliance Monitoring	8
<u>Summary Tables & Charts</u>	
1. Number and Amount of SDC Exemptions Approved	5
2. Total Approximate Amount Exempted	5
3. For-Profit/Non-Profit Developer Use and Use of other PHB Programs	6
4. Race/Ethnicity of Eligible Homebuyers	6
5. Number of First-Time Homebuyers and Household Size	7
6. MFI Level of Eligible Homebuyers	7
7. Program Usage by Geographic Area	7
8. Program Usage within Urban Renewal Areas	8
9. Number of Units not Qualifying and Repayment Amounts	8

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Executive Summary

Portland Housing Bureau (PHB) administers the System Development Charge (SDC) Exemption Program to promote affordable housing in new development. The program approves the exemption of fees (SDCs) that would otherwise be paid to the City of Portland Bureaus of Water, Parks, Transportation, and Environmental Services during the permitting process for the addition of new housing units. There are two components to the program – to promote the development of affordable rental housing; and to encourage the construction of new single-unit homes affordable to families buying their first home. The program is available throughout the City of Portland. Both for-profit and non-profit developers utilize the program.

This report is intended to demonstrate the activity and outcomes of the SDC Exemption Program for the fiscal year beginning July 1, 2012 and ending June 30, 2013 (FY 2012-13).

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Program Overview

The SDC Exemption Program for rental development applies to residential portions of projects which are rented to tenants earning at or below 60 percent of the area median family income (MFI), as adjusted for household size and determined annually by the U.S Department of Housing and Urban Development. Monthly rents and expenses associated with occupying the restricted percentage of units (such as utilities) may not exceed 30 percent of the maximum monthly MFI level determined by bedroom and household size. Exemptions are pro-rated to exclude any portions of a project which are not residential or affordable. A project must maintain affordability for a period of 60 years for the number of exempted units. The benefit of the exemptions varies by the number of units and depends on whether or not a project receives any credits for existing infrastructural improvements to the property.

The SDC Exemption Program for development of home ownership units exempts the SDCs due for the construction of a single-unit home that will be sold to a qualified homebuyer. The program requirements include that homebuyers who will be on title to the property must earn no more than 100 percent MFI for a household of four, and the property must sell for less than the annual price limit established in conjunction with the Homebuyer Opportunity Limited Tax Exemption Program – no more than 120 percent of the area median sale price. The homebuyer must purchase a home to live in it as well, meaning that a property cannot be purchased for use as a rental. The maximum amount to be exempted per unit, based on FY 12-13 rates, is \$17,460, but can vary depending on other credits which might apply.

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Outcomes

PROGRAM USAGE

Developers apply to PHB for SDC exemptions after applying for their building permits but prior to having permits issued. Table 1 reflects the exemption applications received along with the amounts exempted during FY 2012-13.

Table 1: Number and amount of SDC exemptions approved

Development Type	Projects Approved	Units Approved	Total Approx. Amount Exempted	Average Approx. Amount Exempted by Unit
Rental	6	240	\$2,443,555	\$10,181
Home Ownership	160	160	\$2,582,696	\$16,142
Total	166	400	\$5,026,251	\$12,566

REVENUE IMPACT OF EXEMPTION PROGRAM

PHB processes exemption applications for approval of SDCs charged by four City of Portland bureaus: Water, Transportation, Parks, and Environmental Services. Exemptions can only apply to SDCs charged on a building permit, and any SDCs already paid cannot be refunded. Any demolition or other credits to the SDCs due are applied first. Table 2 demonstrates the total foregone revenue by bureau for rental and home ownership exemptions in order to promote affordable development during FY 2012-13. (Also see Table 9 which reflects the exemption amounts repaid as a result of compliance monitoring.)

Table 2: Total approximate amount exempted by SDC bureau

Development Type	Water	Trans.	Parks	Environmental Services - Sanitary	Environmental Services - Storm	Total
Rental	\$65,436	\$436,720	\$1,226,879	\$705,738	\$8783	\$2,443,555
Home Ownership	\$234,234	\$394,524	\$1,166,403	\$667,047	\$120,489	\$2,582,697
Total by Bureau	\$299,670	\$831,244	\$2,393,282	\$1,372,785	\$129,272	\$5,026,252

PROGRAMS BY POPULATION SERVED

The SDC Exemption Program serves as a financial tool to leverage both for-profit and non-profit development. The program has remained an important incentive to development throughout the recent recession, helping make affordable projects financially viable. The majority of projects receiving development financing through PHB utilize the SDC Exemption Program, and the program is often used in conjunction with tax exemptions as well. Table 3 shows the non-profit and for-profit entity usage of the program by development type and also the frequency of the program being used with other PHB resources during FY 2012-13.

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Table 3: For-profit and non-profit developer use of program and use of other PHB programs

Developer Type	Projects Approved	Units Approved	Total Approx. Amount Exempted	Additional Development Assistance from PHB (# of Proj.)	Tax Exemption Application (# of Proj.)
Rental Non-Profit	4	178	\$1,905,826	3	0*
Rental For-Profit	2	62	\$537,729	0	0
Home Ownership Non-Profit	10	10	\$114,005	0	10
Home Ownership For-Profit	150	150	\$2,468,691	0	95

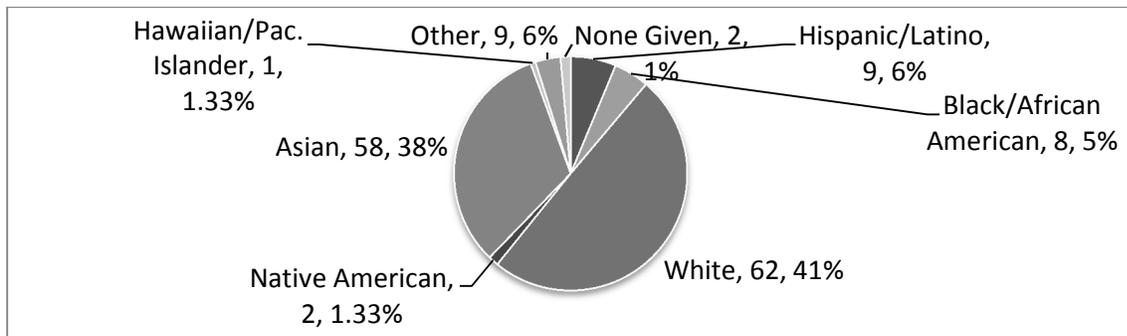
*Upon completion, units at or below 60% MFI are eligible for the Non-Profit Limited Tax Exemption Program available to non-profit organizations providing low-income housing.

Home Ownership Exemptions

The SDC Exemption Program for home ownership has limits on the sale price of the built home and the income of the initial homebuyer of the property. Homes must be sold to buyers who will live in the home as well, rather than using the property as a rental. The program benefits and requirements encourage developers to build housing that is affordable to first-time homebuyers. PHB monitors the sale of each property to confirm that program guidelines are met. (See the Compliance Monitoring section below.) Due to the time it takes to construct and sell a home, a property may sell in a different fiscal year from the year an exemption is approved. Therefore the total number of homes sold differs from the total number of home ownership exemptions approved during the same time frame.

Table 4 reflects the race and ethnicity of the 142 homebuyers purchasing homes with SDC exemptions which met the program criteria during FY 2012-13. Homebuyers may have been counted more than once if they reported multiple races/ethnicities. Just over half of the homebuyers who purchased a home with a SDC exemption are people of color, with 38 percent of homebuyers identifying themselves as Asian.

Chart 4: Race/ethnicity (primary applicant) of eligible homebuyers



**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

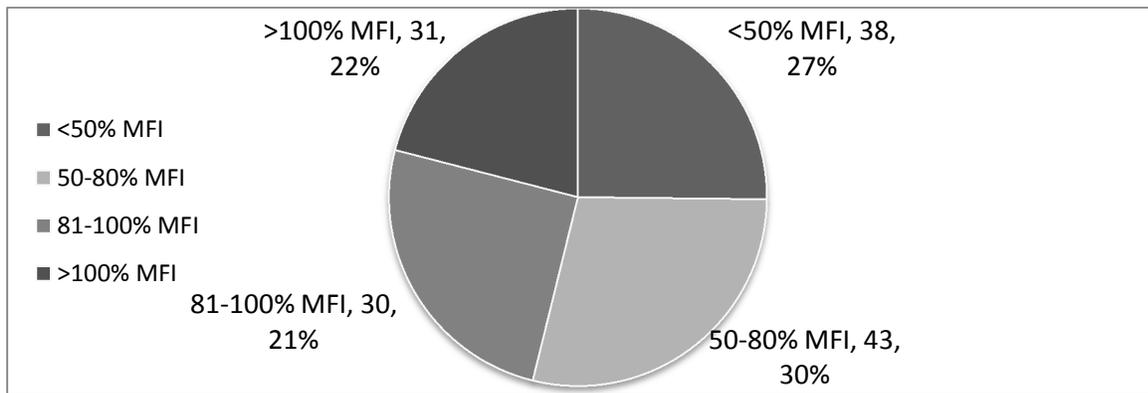
Table 5 reflects the first-time homebuyer status and household size of the homebuyers purchasing homes with SDC exemptions which met the program criteria as well as the average sale price of eligible properties during FY 2012-13. The sale price cap is reviewed annually; for the 2012 calendar year it was \$275,000. The price cap increased to \$291,000 as of January 1, 2013.

Table 5: First-time homebuyer status and household size of eligible homebuyers; average sale price

Total Sales	Number of First-Time Homebuyers	Average Household Size	Average Sale Price
142	116	2.5	\$201,075

Table 6 reflects the MFI level distribution of the homebuyers purchasing homes with SDC exemptions which met the program criteria during FY 2012-13. From July 1, 2012 to December 13, 2012, 100 percent of area MFI for a family of four was \$73,000. As of December 14, 2012, 100 percent MFI for a family of four decreased to \$68,300. The average MFI of eligible homebuyers during FY 2012-13 was 73 percent.

Chart 6: MFI level of eligible homebuyers



PROGRAM USAGE BY GEOGRAPHIC AREAS

The SDC Exemption Program is available throughout the city of Portland. Table 7 displays geographic distribution of the program use. The majority of the home ownership units built with the program are in Southeast Portland.

Table 7: Usage of program within geographic areas in Portland

Area of Portland	North	Northeast	Northwest	Southeast	Southwest
Rental Projects Approved	0	3	0	2	1
Rental Units Approved	0	164	0	62	14
Home Ownership Projects Approved	37	17	0	106	0
Home Ownership Units Approved	37	17	0	106	0

**SDC EXEMPTION PROGRAM
ANNUAL REPORT – FY 2012-13**

Table 8 shows the use of the SDC Exemption Program in urban renewal areas, reflecting the benefit of the program as a develop tool in areas of Portland without a lot of other public subsidy available.

Table 8: Usage of program within urban renewal areas (URAs)

URA	Interstate	Lents	Gateway	NPI Cully	River District	Non-URA
Rental Projects Approved	2	0	1	0	0	3
Rental Units Approved	97	0	67	0	0	76
Home Ownership Projects Approved	25	20	10	1	0	104
Home Ownership Units Approved	25	20	10	1	0	104

COMPLIANCE MONITORING

PHB records a Regulatory Agreement on title to each property receiving SDC exemptions to ensure compliance with program requirements. PHB’s Asset Management department monitors annual reports submitted by rental project sponsors including tenant incomes at the time a unit is rented and rental amounts for any of the exempted units. PHB’s Neighborhood Housing department monitors each unit receiving home ownership exemptions at the time it is built and sold to the initial homebuyer. Homebuyers submit a verification form and income documentation prior to closing in order for PHB to determine if program criteria are met. PHB works with the escrow closer to release the Regulatory Agreement from title and to ensure repayment of any exempted SDCs by the developer if a home built does not meet program requirements. When exemptions are repaid, the developer must also pay repayment fees and interest to each of the SDC bureaus.

Table 9 demonstrates the number of SDC exemptions and the amounts which were repaid, including interest and repayment fees, to the SDC bureaus for properties which sold during FY 2012-13. Roughly a third of the home ownership SDC exemptions approved get paid back to the SDC bureaus.

Table 9: Number of units not qualifying (or opted out of requirements) with amounts of repayments made to SDC bureaus

Development Type	Number of Projects	Total Amount of Exemptions Repaid, by SDC Bureau				
		Water	Trans.	Parks	BES - Sanitary	BES – Storm
Rental	0	0	0	0	0	0
Home Ownership	50	\$82,740	\$128,345	\$337,548	\$189,899	\$37,402
Total	50	\$82,740	\$128,345	\$337,548	\$189,899	\$37,402