

Homebuyer Opportunity Limited Tax Exemption (HOLTE) Program

Administrative Rules

TABLE OF CONTENTS

- I. Definition of Administrative Rules**
- II. Program Goals**
- III. Benefit of the Tax Exemption**
- IV. Program Requirements**
- V. Application Submission and Review**
- VI. Approval**
- VII. Compliance Requirements**
- VIII. Termination of Active Exemptions**
- IX. PHB Administrative Requirements and Dates**

Appendices

Appendix A – [Two-Bedroom Unit Eligibility Area Map](#)

I. Definition of Administrative Rules

These Administrative Rules (these “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 (the “HOLTE Program”) ~~Program~~ authorized by Portland City Code (“PCC”) 3.102 and Oregon Revised State Statute (“ORS”) 307.651 through 307.687.

These Administrative Rules ~~shall be~~ have been approved through City Council, however, the Director of ~~the~~ PHB or a designee ~~shall have~~ has authority to make changes to ~~the~~ Administrative these Rules, according to PHB’s rule-making process 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 ~~City Code and State Statute.~~ The items 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~~**

II. Program Goals

The legislative goals of the ~~Homebuyer Opportunity Limited Tax Exemption~~ HOLTE Program ~~include~~ are to stimulate the construction of new single-unit housing and encourage homeownership among low and moderate-income families.

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

- A. Demonstrate value to the taxpayers by stimulating the inclusion of affordable housing and other public benefits where those may not otherwise be developed;
- B. Leverage market activity to advance housing and economic prosperity goals through alignment with PHB’s Strategic Plan and Portland Plan goals;
- C. Assure that the program advances the PHB’s priority goal of increasing minority homeownership; and
- D. Transparent and accountable stewardship of public investments.

III. Benefit of the Tax Exemption

Properties participating in the ~~receiving a tax exemption under the Homebuyer Opportunity Limited Tax Exemption~~ HOLTE Program receive a ten-year property tax exemption on the structural improvements of the single-unit housing (house) as long as the property single-unit housing and owner remain eligible per program requirements. ~~Property o~~wners are still remain

responsible for payment of ~~any~~ the taxes on the assessed value of the land ~~during~~ throughout the exemption period.

~~The property will be reassessed when~~ When the tax exemption is either terminated for noncompliance or expires after the ten-years exemption period, the value of the single-unit housing will be reassessed for tax purposes and owners will begin paying full property taxes. The exemption period cannot be extended under this program.

IV. Program Requirements

- A. Location.** ~~The property~~ single-unit housing must be located in Multnomah County and within the City of Portland.
- B. Single-unit housing.** Proposed construction must be a new single-family home, townhome, or condominium.
- C. Sale price cap.** ~~The~~ single-unit housing and underlying property shall not ~~must~~ sell for ~~no~~ more than the sale price cap established annually by PHB. ~~no more~~ The maximum sale price shall not be more than 120% of the annual median sale price (or appraised value if an owner/builder) for single-unit housing the City of Portland.
- D. Arm's length transaction.** The initial sale of single-unit housing must occur through an arm's length transaction, defined as a transaction in which the buyer and seller act independently and have no relationship by blood, marriage or related business dealings.
- E. Affordability.** Homebuyers who will be both ~~on title to the property and occupying the own and occupy the single-unit housing home~~ must not earn ~~no~~ more than 100% of the median family income (MFI) for a family of four, adjusted upward for households larger than 4 four persons.
- F. Cash purchases.** All-cash purchases are not allowed.
- G. Occupancy.** Homebuyers must occupy the single-unit housing property as their primary residence within 60-days of closing and must maintain the single-unit housing as their primary residence. The residence cannot be used as a vacation home or second home. The property may not be rented at any time (both prior to initial sale and after homebuyer qualification); properties which are rented will have the tax exemption removed. The property tax exemption will be removed from any single-unit housing that is rented prior to initial sale or after homebuyer qualification.
- H. 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. Construction of the new single-unit housing must be completed within two years of City Council approval of the HOLTE Program application.~~
- I. Bedroom size count.** Proposed ~~homes~~ single-unit housing must have at least three bedrooms unless it is built within approved transit-oriented areas ~~detailed in Appendix 1,~~ where two-bedroom ~~homes are~~ single-unit housing allowed, see Appendix A. The bedroom count requirement may be waived if the single-unit housing 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% MFI.
- J. Design standards.** Proposed ~~homes~~ single-unit housing 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.

- K. **Green building.** Applicant must participate with a green building program approved by PHB such as Earth Advantage, US and Green Building Council’s Leadership and Energy in Environmental Design (LEED), Energy Star, Energy Trust of Oregon, or other comparable green building program.
- L. **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~~ single-unit housing for sale with exemptions.
- M. **DMWESB contracting.** Applicant shall acknowledge familiarity with PHB’s Disadvantaged, Minority, Women-Owned, and Emerging Small Businesses, and Service-Disabled Veterans Business Enterprises (DMWESB-SDVBE) guidelines and contracting opportunity goals, report on past contracting relationships, and contracting opportunities to be created in the construction of the property.
- N. **Marketing. of homes Builders Applicants** must submit schematic drawings or like photos of new single-unit housing units to be built and seller or listing agent contact information with each new application for use in marketing materials.

V. Application Submission and Review

Applicants shall submit to PHB a completed HOLTE Program application, any supporting documentation, and the application fee, determined annually by PHB. PHB requires a minimum of 10 business day to review and process applications. Applications for the HOLTE Program must be deemed complete and reviewed for program eligibility by PHB prior to building permit issuance.

- A. **Annual Application eCap.** PHB will approve no more than 100 new HOLTE Program applications each fiscal year (July 1 – June 30). Applications ~~shall be~~ are exempt from the annual cap of 100 approvals if the ~~home~~ single-unit housing being built is:
 1. ~~(1) s~~Subject to an affordable housing covenant as defined in ORS 456.270; and
 2. ~~(2) a~~Affordable to a homebuyer whose household income does not exceed 80% MFI 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 a completed HOLTE Program application, any supporting documentation, and an the application fee (determined annually by PHB, including any amount set by Multnomah County) prior to building permit issuance.~~

- B. **URA approval.** ~~For properties~~ Single-unit housing located in either the Lents or Interstate Corridor Urban Renewal Areas require additional approval from Prosper Portland, PHB will ~~contact~~ coordinate with Portland Development Commission (PDC) Prosper Portland for approval prior to ~~approval~~ PHB’s approval review of the application ~~compliance with URA covenants.~~
- C. **Notice Application Eligibility.** ~~Upon approval,~~ For qualified applications, PHB will issue a program eligibility letter allowing building permit issuance to proceed. PHB will record a notice on the title to the property requiring PHB verification of homebuyer eligibility requirements affordability and owner-occupancy qualification prior to the sale of the property to the initial homebuyer. The notice shall contain an explanation of ~~contains the~~

process and the requirements necessary for maintaining the exemption ~~to continue~~ through expiration.

VI. Exemption Activation Approval

~~Final approval—Exemptions will receive final approval by PHB through a resolution approved by City Council.~~ Tax exemptions will be approved or denied by City Council within 180 days of PHB receiving a complete application receipt. Approval occurs through the adoption of a resolution approved by City Council.

- A. Upon adoption of the tax exemption, PHB will:
1. ~~s~~Send a copy of the approved resolution to the property owner; and
 2. ~~County activation notification.~~ PHB will ~~s~~Send a copy of the approved resolution, and list of approved properties tax accounts, and along with the corresponding fees to Multnomah County no later than April 1 each tax year.
- B. Approved properties tax accounts as of April 1 will receive the tax exemption starting July 1. The tax exemption which will be reflected in the tax bill due November 15. Time limit to sell—The property must sell within two years of activation of the exemption.

VII. Compliance Requirements

A. Initial ~~s~~Sale to homebuyer

~~Homebuyer verification—The initial homebuyer~~ Homebuyers that will both own and occupy the single-unit housing as their primary residence must submit a verification form and supporting documentation to PHB at least 10 business days prior to closing on the home purchase and must not close without PHB for review and response. Failure to submit these items to PHB at least 10 days prior to closing could delay PHB's notification to escrow of the homebuyer's eligibility. PHB will notify the homebuyer and escrow company of the homebuyer's qualification. 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.

1. **Income verification documentation.** Supporting income documentation Documentation to verify income includes, but is not limited to, the last two years of W2s, the most recent current month's paystubs, and documentation of any additional income received such as social security, child support, alimony, or unemployment benefits; 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.~~
2. **Sale price cap.** Properties Single-unit housing shall may not sell at a price exceeding PHB's over the annually established price cap. If a property the single-unit housing is selling over the price cap, the • Sales over the price cap—The seller or escrow must notify PHB at least 10 business days prior to closing on the purchase and shall not close without PHB review and response. if a property is selling over the established price cap. If the tax 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.

3. **Construction and sale timeline.** ~~Construction completion—~~ The single-unit housing property must be fully constructed upon sale and sold within two years of final permit or certificate of occupancy, whichever comes first. ~~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.~~
4. **Processing fee.** ~~Qualified initial h~~Homebuyers must pay a processing fee, (determined annually by PHB,) to PHB ~~which is due~~ within 30 days of closing. If the ~~property~~ single-unit housing is out of compliance at the time of sale it sells, the processing fee must be paid at closing by the seller.
5. **Verification of closing.** ~~Homebuyers must send~~ PHB must receive documentation of the final sale price and title holders within 30 days of closing demonstrated by submitting a copy copies of the recorded Warranty Deed or and the Final HUD-1 Settlement Statement.

B. Continued eCompliance dDuring the eExemption Period

1. **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 homebuyer, 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.
2. **Subsequent homebuyers.** If a ~~property~~ single-unit housing with a tax exemption transfers ~~title ownership~~ a new homeowner during the ten-year exemption period, ~~the exemption will continue as long as the property remains owner-occupied~~ the homebuyer must meet the affordability and owner occupancy requirements of the program. To verify eligibility, the homebuyer must submit a processing fee along with a verification form and supporting income documentation for review and approval by PHB to continue the remaining years of the exemption.

C. Foreclosed Properties. Should a bank foreclose on a ~~the a~~ property single-unit housing with a tax exemption, the exemption will remain in place as long as the ~~property~~ single-unit housing is vacant and not being rented for up to 180 days. ~~€The exemption can continue beyond 180 days if the bank is in contract to sell the~~ property single-unit housing to a homebuyer who will occupy the ~~property~~ single-unit housing, but it will be terminated if the sale does not close.

D. Non-profit ownership interest. The full ten-year tax exemption will remain in place on the single-unit housing as ~~As long as a tax-exempt property~~ it is subject to an affordable housing covenant as defined in ORS 456.270, a non-profit housing organization maintains an ongoing ownership interest in the land or structure as demonstrated by a recorded deed, and the ~~property~~ single-unit housing has not been rented, ~~the tax exemption will remain in place on the property for the full ten years.~~

E. Monitoring Owner Occupancy. – The Property single-unit housing shall ~~may~~ not be rented ~~at any time (both prior to initial sale and or after homebuyer approval).~~ After initial sale, the ~~property~~ single-unit housing must be owner occupied (or listed for sale and vacant) during the exemption period. Multnomah County will provide ~~an annual~~ periodic lists 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~~ Single-unit housing 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 situs~~ and mailing addresses requesting documentation that a ~~property~~ single-unit housing 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 situs~~ address, and a recent (within two months) utility bill showing the mailing address and billing address as the ~~property situs~~ 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.~~

VIII. Termination of Active Exemptions

If the property no longer qualifies for the tax exemption due to violation of any of these Rules, (~~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 situs~~ 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~~ date of the letter. PHB will determine ~~whether or not~~ if the ~~property~~ owner has presented sufficient cause to ~~not terminate~~ support the continuance rather than termination of the exemption. PHB will present to City Council a list of all exemptions to be terminated. Once a ~~property~~ single-unit housing tax exemption is removed ~~from a property~~, it cannot be reinstated.

- A. ~~Hardship e~~**Exception**. ~~process~~— If PHB determines that a ~~property an~~ owner is not meeting the owner occupancy requirement of the program, a ~~property the~~ 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. PHB will review the hardship request and determine whether an exception to the owner occupancy requirement can be granted. PHB will not accept a hardship exception if the property has been rented. Hardship exceptions are granted for a period of one year. ~~Property owners~~ Owners must request an additional exception each year should the hardship situation continue. ~~PHB will review the hardship request and determine whether an exception to the owner occupancy requirement can be granted. PHB will not accept a hardship exception if the property has been rented.~~

IX. PHB Administrative Requirements and Dates

- A. **Sunset date.** ~~Current State statute~~ ORS 307.651 through 307.687 and the authority for the ~~Homebuyer Opportunity Tax Exemption~~ HOLTE Program expires January 1, 2025. ~~Properties~~ Single-unit housing 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 is established through the Oregon State Legislature.
- B. **Annual r**~~Review of~~ **Price Cap.** ~~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 eCity of Portland provided by Multnomah County. PHB will present a resolution to City Council to approve the cap prior to January 1.

X. 9. Attachments

~~Appendix 1: Map of HOLTE Two-Bedroom Unit Eligibility Areas~~

HISTORY

~~Ordinance No. 185477, passed by City Council June 27, 2012 and effective August 1, 2012.~~

~~Amended by Director of Portland Housing Bureau August 7, 2012 and filed for inclusion in PPD August 8, 2012.~~

~~Amended by Director of Portland Housing Bureau and filed for inclusion in PPD July 7, 2014.~~

~~Amended by Director of Portland Housing Bureau and filed for inclusion in PPD November 24, 2015.~~

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