

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: August 26, 2009
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 09-100
Terminate Existing Limited Tax Exemptions for Single-Family New
Constructions

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6731

ACTION SUMMARY

This action addresses the termination of the limited property tax exemption for certain single-family housing units because those units or their owners no longer satisfy one or more eligibility requirements set forth in ORS 307.651 to 307.687 and Chapter 3.102 of the Portland City Code.

Specifically, this action (1) appoints staff as a hearings officer and delegates to the hearings officer the authority to conduct evidentiary hearings for any property owner who appears before the Portland Development Commission to show cause as to why the limited tax exemption for the owner's property should not be terminated and (2) authorizes the hearings officer to recommend to the Portland City Council termination of the limited tax exemption for any property whose owner fails to appear for a hearing before the Portland Development Commission or whose owner appears but fails to show cause why the limited tax exemption should not be terminated.

PUBLIC BENEFIT

The Portland Development Commission (PDC) administers the limited tax exemption (LTE) program on behalf of the City of Portland. The LTE program addresses the following PDC and City of Portland goals and initiatives:

- Stimulate neighborhood revitalization through investment in housing development and rehabilitation;
- Provide homeownership opportunities to Portland residents;
- Support the City's initiative to eliminate the minority homeownership gap

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City

- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

N/A

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

PDC is the designated administrator of the LTE program under the Portland City Code. The LTE program helps PDC and the City achieve the following goals:

- Develop and implement housing strategies that reflect community and neighborhood goals
- Provide incentives and/or financial assistance products to achieve 20,000 unit/household production goals
- Increase homeownership rate by at least one percent from year 2000 to 2011
- Increase minority homeownership by 1,500 by 2011
- Facilitate development/rehabilitation of moderate and market rate housing

FINANCIAL IMPACT

Staff is proposing the termination of the LTE on approximately 57 single-family housing units. This represents an estimated \$103,911 increase in property tax revenue receivables (based on an estimated \$1,823 increase per property annually).

RISK ASSESSMENT

There are no apparent risks associated with this action.

WORK LOAD IMPACT

This Resolution will not result in additional work load impact because this is on-going work as part of PDC's administration of the LTE program.

ALTERNATIVE ACTIONS

- (1) Conduct the hearings and make the recommendations to the Portland City Council directly, in which case the Board will need to receive and evaluate the evidence and make findings and determinations on the termination of the tax exemption for each property whose owner appears before the Board.
- (2) Do not conduct the hearings directly or appoint a hearings officer and authorize the hearings officer to conduct the hearings make the recommendations to the Portland City Council on termination of the limited property tax exemptions, in which case property

may remain exempt for another year despite a failure to comply with the property tax exemption requirements.

Section 3.102.080 of the Portland City Code and ORS 307.681 require the termination of the LTE if any provisions of the LTE program are not met. In addition, if the Board does not recommend the termination, there will be a negative impact on tax revenues and the effectiveness of the LTE program.

Section 3.102.080 of the Portland City Code and ORS 307.681 require a hearing for any property owner who wishes to appear to show cause why the exemption should not be terminated. The most effective way for PDC to hold the hearings is for the Board to appoint a hearings officer.

CONCURRENCE

Multnomah County and GIS information was used to finalize the list of properties being terminated.

BACKGROUND

The City of Portland offers a 10-year limited tax exemption program for new construction, single-family homes which meet program criteria. Under the LTE program, a homebuyer pays taxes on the assessed value of the land but is exempted from paying property taxes on the assessed structural improvements. After the 10-year period, the property owner resumes paying taxes on the total assessed value of both the land and improvement.

As the designated administrator of the program, PDC conducts annual audits to ensure that property owners granted the LTE continue to comply with ORS 307.651 to 307.687 and City Chapter 3.102 of the Portland City Code.

For a property to qualify for the LTE, the builder must submit an Application for Determination of Eligibility (ADE) before construction completion. Construction must be completed within two years of ADE approval. The property must be a single-family home or condominium located within a Homebuyer Opportunity Area as designated by the City's Bureau of Planning and Sustainability.

Once construction is complete, the following criteria must be met:

- The property must be owner-occupied for the remaining term of the exemption.
- The purchase price must not exceed \$275,000.
- The proposed homebuyer's annual income must not exceed \$70,000 (adjusted upward for a family of more than four).

The interested homebuyer must submit an Application for Certificate of Qualification (ACQ) along with the required documentation. If the ACQ is approved, any subsequent buyer of the LTE property would benefit from the tax exemption if the owner-occupancy and income

requirements are met. The subsequent homebuyer must submit to PDC a Subsequent Homebuyer Application Form with the required documentation.

PDC staff works closely with County staff to ensure continued compliance under the LTE program. If the LTE property or its owner fails to meet any program criteria, PDC sends a letter to the owner requesting additional information and warning of possible termination. Those letters were sent during the week of July 7 this year.

During the week of August 3, 2009, PDC staff sent another notice of LTE termination to the owners of the properties who fail to provide evidence that they meet program criteria. In accordance with ORS 307.681 and Section 3.102.080 of the Portland City Code, the notice includes a statement of the right of the owner to appear before PDC on August 26, 2009, to show cause why the LTE should not be terminated.

If on August 26 an owner so notified fails to appear, or appears but fails to show cause, PDC will then recommend to City Council the termination of such owner's exemption. City Council then adopts a resolution or ordinance stating its findings and terminating the LTE.