



Home Builders Association
of Metropolitan Portland

December 21, 2021

Ted Wheeler, Mayor
Portland City Council
1221 SW 4th Ave, Room 340
Portland, OR 97204

By E-mail

**Re: Support for Raising the 2022 HOLTE sale price cap
(Agenda Item 930, Wednesday Dec. 22, 2021)**

Dear Mayor Wheeler,

The Home Builders Association of Metropolitan Portland (the “HBA”) represents over 1300 businesses and tens of thousands of women and men who work in the residential building and remodeling industries throughout the greater Portland area. We are dedicated to maximizing housing choices for all who reside in the region while promoting housing access and availability for everyone.

The City of Portland (the “City”) is gripped in a housing affordability crisis. Recent reports from ECONorthwest clearly demonstrate the nexus between the underproduction of new homes, rising housing costs, and increases in those experiencing homelessness. Importantly, the Residential Infill Project (“RIP”) will help support the creation of new, diverse housing types that will serve those on all rungs of the economic ladder. However, one segment of housing may get left out of this new production paradigm if we do not update pricing models based on current production costs; houses affordable to those in the 80-100% AMI price range.

Our members have expressed serious concern with the decision by Portland Housing Bureau to recommend holding the Homebuyer Opportunity Limited Tax Exemption (HOLTE) Program sale price cap for 2022 to the same level, \$412,000, as 2021. With continuing escalation in housing production costs, currently 17.3% higher than it was last year, this number will make it extremely unlikely market rate builders, such as our members that are currently producing a significant number of qualified houses each year, will be able to participate in the program.

Ultimately, the buyers of homes that take advantage of the SDC waiver programs must be income qualified at purchase, no matter the sale price, which guarantees these new home owners are at income levels 100% Average Median Income (AMI) or lower, just as the program is intended to work. But without a sale price cap increase, my members will not be able to produce houses that qualify so there will be less units available, for buyers in the 80-100% AMI range, on the market. In addition, this could exponentially affect the amount of homes produced at unsubsidized market rates that target buyers slightly above AMI and able to afford a \$450,000-\$500,000 home.

Home builders that choose to use these programs, do so in order to provide first time and middle-income buyers at or below AMI the opportunity to own a new home. In addition, they choose to build this type of housing to help address the lack of supply, generally, and more specifically at these price points. It is a business decision that they do because they choose to, not because they have to. A \$412,000 price cap will not force them to produce a lower price product. If the projects don't pencil, they will choose to instead produce units at full market value on the same lot.

In addition, once they choose to forgo the SDC waiver program, the market incentive is to build one larger home at a higher price point than the 2-4 units these programs incentivize. Not only would this exacerbate the middle income and AMI affordable housing crisis we are facing, it will also produce far fewer units, in a time when we already have a deficit of tens of thousands of units and growing every year.

To illustrate a point that might not be readily apparent. The SDC waiver program, as it is designed, makes it more feasible for a builder to offer multiple units at lower price points whether or not all of the units end up qualifying for the waiver program. Without participation in the program, the market encourages one unit on a lot at a price point substantially higher than what an AMI qualified buyer could afford. As such, by limiting builder's ability to participate in the program, you will not only be foregoing the AMI qualified units they would produce under the program, but also the additional units that could have been built on a lot now taken up by one large house.

As the August 2020 Oregon Regional Housing Needs Analysis Technical Report shows, by 2040 Portland will require an additional 133,732 units, with 25,793 of those units attributed to current underproduction. During this time, we need to be encouraging builders to produce every extra unit they can and even more so if they are affordable by those in the middle of the household income curve.

Over the past five years, HBA has served as an ally and RIP supporter and is heartened by the City's efforts to permit elegant density in our neighborhoods. We appreciate the City's efforts to bring RIP to fruition and believe that it is a good start to addressing the housing affordability and supply crisis the cities face. However, offering more opportunities to build middle housing while at the same time limiting market rate builder's ability to produce houses at levels financeable by AMI qualified buyers, is counterintuitive and ultimately counterproductive.

HBA continues to stand with those who work to facilitate new, diverse housing options across the City. Thank you for considering our recommendations to support RIP through the SDC waiver program and build a brighter future for all Portlanders.

Sincerely,



Ryan Makinster

Director of Policy and Government Affairs

Cc: Dan Ryan, Commissioner
Jo Ann Hardesty, Commissioner
Carmen Rubio, Commissioner
Mingus Mapps, Commissioner