



February 6th, 2023

Mayor Ted Wheeler and City Commissioners
City of Portland
1221 SW 4th Avenue
Portland, OR 97204

Chair Jessica Vega Pederson and County Commissioners
Multnomah County
501 SE Hawthorne Blvd.
Portland, OR 97214

Mayor Wheeler, Chair Vega Pederson, and Commissioners:

We are writing on behalf of a group of local business organizations and non-profits requesting that the city and county move to jointly eliminate the 100-unit cap set for the Home Ownership Limited Tax Exemption (HOLTE) program. Doing so would increase housing supply, generate new opportunities for attainable homeownership, and help ease pressure points in our region's strained housing continuum.

HOLTE Works, Let's Expand It. The HOLTE program is initiated by a homebuilder prior to obtaining a permit. Once the home is built (at a sales-price cap under \$455,000) and an income-qualified buyer is identified (up to 100% of Median Family Income), the buyer will receive a 10-year property tax exemption on structural improvements of a home. In tandem with the city's SDC waiver program, these exemptions incentivize homebuilders to produce affordable housing products while increasing homeownership opportunities by lowering the threshold for buyers to qualify for a mortgage. In the past six years alone, these two programs helped generate roughly 600 new affordable homeownership units, of which roughly 2/3 were sold to people of color.

Currently, there are no limits on the number of units that can access the city's SDC waivers. However, there *is* an arbitrary 100-unit cap to the number of buyers that can receive the HOLTE property tax abatement. Without any clear rationale, the city and county have placed an unnecessary ceiling on a program that could offer builders more predictability in use, helping incentivize housing supply at an attainable price point. In the past several years, the cap has been met all but once. We urge these two decision-making bodies to make a motion to remove the HOLTE unit-cap—a move that would directly help ease our city's housing crisis.

We Need More (Middle) Housing Supply. From an economic perspective, one key way to improve housing affordability is to make sure there are enough homes being built for a growing population and an aging housing stock. Yet as a region, we're currently staring down a 60,000-unit housing shortage. And in two decades, we'll need another 220,000 homes built just to keep up with population growth. Clearly affordability suffers when supply has been constrained for as long as it has—and right now, roughly 30% of Oregon households spend more than 1/3 of their income on housing. Given our region's existing housing crisis and broad desire to see more missing middle housing products built, we believe the city and county should work together to arrive at solutions that increase both market-rate and affordable housing supply.

Removing this unit-cap would also encourage builders to create more newly allowed missing middle housing types, per HB2001 and SB458. Following these bills, Portland's Residential Infill Project (RIP), implemented the legalization of duplexes, triplexes, 4-plexes, and cottage clusters throughout the city. In just the past year, there've been 367 units permitted under these new rules. We anticipate this number to grow in the coming years as builders and the city become more familiar with these designs. With the cost-saving features inherent to RIP-products, adding HOLTE's tax exemption benefits would open up more of these homes to income-qualified buyers, and help ensure that they are built for ownership, rather than for rental.

Leverage Tools that Increase Homeownership. Broadly speaking there aren't many tools at local jurisdictions' hands to incentivize affordable homeownership. While there's a wide variety of funding mechanisms to help large rental projects pencil out, few exist to advance owner-occupied construction. This perhaps explains why racial disparities in homeownership rates persist despite government's best attempts to move the needle. Right now, in Multnomah County, there's a 30% homeownership gap between White and Black households. For Latinx communities, this gap stands at 22%. All told, there would need to be 15,000 more owner-occupied BIPOC households in Multnomah County to close all racial gaps in homeownership.

When interest rates are reaching higher every month, the prospect of closing these gaps will only become more difficult. We believe local governments should work together to reach policy decisions that address this by incentivizing both housing supply and access to attainable homeownership. What's unique to HOLTE's scope is that the program doesn't just benefit builders—it encourages new homeownership options by helping middle-income earners qualify for mortgages at their income level. The long-term impact is greater regional affordability and wider access to wealth-building assets in communities not currently being served by the market.

As a collective, we know that this one small policy change will result in more housing starts in the greater Portland area in the coming years, increasing affordability and access to homeownership. Together, our organizations strongly believe that 2023 will be a defining year for housing and a significant turning point for the industry's collective efforts to deliver affordability to the region. Thank you for your consideration.

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