

Supportive Housing Services: Metro Code

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Department: Planning and Development

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ISSUE STATEMENT

In February 2020, the Metro Council referred a ballot measure to voters that would authorize funding for regional supportive housing services and in May 2020, voters approved it.

This measure complements Metro's work on affordable housing by adding services such as long-term rent assistance and operating funds to serve extremely low-income households in affordable housing; housing placement services and wraparound services such as addiction, mental health and peer supports; and job training and benefit supports to ensure long term housing stability for people who have struggled with prolonged homelessness and disabling conditions. The program is expected to create 5,000 supportive housing placements needed across the region and serve thousands more annually to prevent and end homelessness.

The program is funded by two new regional taxes: a high-income earner tax and a business profits tax that will provide ongoing funding streams for these critical housing and service needs.

Additions and amendments to Metro code are required to establish the Regional Supportive Housing Services program and oversight committee and to enact the tax collection system. A programmatic work plan is needed to direct implementation for the Planning and Development department.

ACTION REQUESTED

Provide policy direction relevant to Metro code changes and the programmatic work plan that will define implementation of the Regional Supportive Housing Services program and tax collection system.

The following ordinances and resolution are scheduled to come to Metro Council on December 3, and for a second reading on December 10:

- Ordinance 20-1452, For the Purpose of Adding a New Title XI to the Metro Code and a New Chapter 11.01 "Supportive Housing Services Program" within that Title
- Ordinance 20-1453, For the Purpose of Adding a New Metro Code Section 2.19.270 Establishing a Supportive Housing Services Regional Oversight Committee

- Ordinance 20-1454, For the Purpose of Amending Metro Code Title VII to Add New Chapters 7.05 “Income Tax Administration for Personal and Business Taxes”, 7.06 “Personal Income Tax”, and 7.07 “Business Income Tax”
- Resolution 20-5148 to adopt the Supportive Housing Services Work Plan

IDENTIFIED POLICY OUTCOMES

The establishment of the Supportive Housing Services program and the regional oversight committee in the Metro Code and programmatic work plan will define and describe the roles, responsibilities and administrative actions needed for implementation of the program.

The Metro income tax codes will establish rules to implement the taxes imposed by the measure in an effective and efficient manner. These rules provide details and also address tax considerations which were not addressed in the measure yet impact the tax paid by individuals, businesses and the total tax collected by Metro.

POLICY QUESTION(S)

1. Does the programmatic work plan effectively define the roles, responsibilities, definitions, and administrative actions needed to successfully implement and advance racial equity through the program?
2. Are the roles and responsibilities of the Oversight Committee effectively defined to ensure transparent oversight and accountability?
3. Do the proposed tax code policies implement an effective, efficient and transparent tax collection system?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

Continued development of the Supportive Housing Services program requires additions and amendments to the Metro Code in three separate areas: programmatic, oversight committee and income tax implementation.

Supportive Housing Services programmatic code and work plan:

Metro staff have drafted a programmatic work plan that further defines the program accountability structures, jurisdictional roles, priority populations, eligible uses of funding and programmatic procedures to fully direct implementation of the program.

Metro staff convened a regional stakeholder advisory table to advise on the development of regional values and outcome metrics that will be used to measure programmatic success and shortcomings in providing effective housing and support services and advancing racial equity.

Staff have also convened regional jurisdictional partners including the Continuum of Care organizations and housing authorities, to further develop and provide clarity on priority population definitions, distribution of the regional share of supportive housing needed and outcomes expected through the program, and other programmatic coordination. Staff have also consulted with the housing bond implementation team and jurisdictional partners to

ensure the Supportive Housing Services program effectively leverages capital investments to increase impact of both regional investment measures.

Oversight committee:

Metro Code will define and describe the role and functions of the Supportive Housing Services Oversight Committee, comprised of 15 oversight committee members and the five non-voting elected delegates. The oversight committee's roles and procedures will be consistent with existing Metro code and the structure of other Metro oversight committees. The committee's primary roles are to review and recommend local implementation plans for improvement by implementing jurisdictions, or approval by Metro Council; and to conduct annual reviews of each county program to ensure transparent accountability of programmatic implementation and outcomes.

Income tax:

Metro staff have used the Multnomah County personal income tax ("ITAX", 2003-2005) as a basis for development of the personal income tax code, and Multnomah County's business income tax (MCBIT) code for development of the business income tax code. However, there are many differences between the Metro and Multnomah County income taxes, so several sections were added, removed or adjusted. Attachment 2 outlines these changes and includes explanations and expected impacts.

The tax code addresses the concern that a person's income could be taxed twice, as both business and personal income. This concern was raised at the time Metro Council referred the ballot measure, and the Council stated this was not the intent of the measure and that the issue would be addressed during rule-making.

The Tax Implementation Advisory Table provided input on how to avoid double taxation with a fair and simple solution. Sole proprietorships would be exempt from the business tax and report net business earnings only on the personal income tax return. Pass-through entities, such as partnerships and S-corporations would pay tax on the business return, and business income already taxed and also reported on the owner's return would be offset by a full deduction.

The tax collection estimate prepared in February did not account for this, and assumed tax revenue on the same income from both business and personal returns. Taxing the income only once will result in lower tax collections. It is challenging to estimate the impact to tax collections due to the multiple variables which can impact the amount. Analysis on two scenarios indicates a high estimate, which assumes the highest possible impact could reduce total tax collections by 15%. Another scenario, based on more moderate assumptions, projected a reduction of 10%.

Staff also considered options which partially addressed the issue, such as limiting the deduction for business income already taxed. However, that would result in a more complicated tax system and still taxes some income twice.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Implementation of the regional affordable housing bond program has been guided by a work plan developed by staff to define and develop the intentions described in the ballot measure. Staff have taken a similar approach with the Supportive Housing Services program to further develop and define the programmatic intentions of the ballot measure with a programmatic work plan.

Over the summer, a regional stakeholder advisory table was convened to provide guidance on early implementation questions. It was composed of a broad-based group of community stakeholders including culturally specific organizational leaders, housing, homeless and social service providers, behavioral health and healthcare providers and business interests. The table also included agency leadership from the three housing authorities and county homeless services agencies. The table met four times over the summer to prepare recommendations for the Metro Chief Operating Officer to inform development of the programmatic work plan and code, to be brought before Metro Council for consideration in the fall.

In order to further advise staff on racial equity outcome metrics, staff also convened an equity outcome metrics subcommittee of the stakeholder advisory table. This subcommittee prepared high-level recommendations on equity outcomes metrics for the larger stakeholder advisory table. The subcommittee was comprised of members of the stakeholder committee who have specific subject matter expertise, and additional community members with expertise in measuring equity outcomes and homeless and housing services outcome metrics. Staff from Metro and the three counties supported the discussion as needed and developed the proposed outcome metrics which have been incorporated into the programmatic work plan. See attachment 3 for a summary report of this work.

Metro staff formed a tax implementation advisory table to advise on technical aspects of tax implementation, technical issues, and provide recommendations to ensure a smooth, legal and easy tax collection process. Members included experts in taxation, tax policy, tax implementation and business stakeholders. The table met with staff four times this year and provided input on development of the tax codes.

BACKGROUND

Homelessness and housing prices have increased dramatically in the Portland area over the past decade. Estimates of homelessness in the region range between 6,000 and 12,000 people. In January 2019, officials counted 5,711 people experiencing homelessness in Clackamas, Multnomah and Washington counties. Additionally, the Oregon Department of Education counted more than 7,000 students who experienced homelessness in the 2018 school year in Metro-area school districts. These reports undercount people experiencing homelessness while staying with a friend or family, or living in vehicles.

In recent years, more people are experiencing 'chronic' or prolonged homelessness. Approximately 3,123 to 4,935 people in the region experience homelessness related to complex and disabling conditions.

Additionally, Black, Indigenous and People of Color (BIPOC) disproportionately experience homelessness. BIPOC make up 21% of the total population in the tri-county area but comprise 31% of the homeless population. More specifically, Black and Indigenous people make up 5% of the total population but comprise over 20% of the homeless population.

The HereTogether coalition, a broad group of service providers, business leaders and advocates worked over the course of the last two years to develop the Regional Supportive Housing Services measure. As a broad coalition they identified the regional supportive housing need, developed programmatic and taxation strategies, engaged communities and built broad consensus for their programmatic and governance framework. With the support of elected leadership in Clackamas, Multnomah and Washington counties, they approached Metro in the Fall of 2019 requesting that Metro refer a measure to the region's voters. In February 2020, the Metro Council unanimously referred the measure to voters and the voters passed the measure with 58% support in May 2020.

ATTACHMENTS

Attachment 1 – Draft Supportive Housing Services programmatic work plan

Attachment 2 - Metro Income Tax code policy considerations

Attachment 3 – Stakeholder Advisory Table regional outcome metrics 9.17.20