

## MEMORANDUM

TO: Clackamas County Board of County Commissioners  
FROM: Emily Klepper, Senior Policy Advisor and Vahid Brown, Deputy Director,  
Housing & Community Development Division  
RE: Potential Changes to Supportive Housing Services Tax Structure  
DATE: October 1, 2024

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### REQUEST:

County Administration and Health, Housing & Human Services will provide the Board with an update on changes to the Supportive Housing Services Tax currently under consideration by Metro. This is an informational update only.

### BACKGROUND:

On July 11, 2024, Metro Chief Operating Officer Marissa Madrigal delivered a series of [recommendations](#) to the Metro Council on the future of regional housing funding. The recommendations, which followed months of engagement with interested parties on how to address a regional gap in affordable housing funding, included a number of changes to the Supportive Housing Services (SHS) program, including:

1. Making affordable housing development an allowable use of SHS funds;
2. Extending or eliminating the 2030 SHS tax sunset;
3. Establishing a new SHS governance structure; and
4. Raising the SHS income threshold through indexing and/or reducing the tax rate.

This update analyzes the financial impact to the county of increased SHS income tax thresholds and/or reduced tax rate. Either (or both) of these changes would reduce the amount of SHS revenue collected from taxpayers and distributed to the county for programs and services.

### ESTIMATED REVENUE REDUCTIONS FROM TAX CHANGES:

The current SHS program personal income tax is a 1% marginal tax on income over \$125,000 for individuals and \$200,000 for couples. Reducing the rate would decrease the amount owed on income over the thresholds. For example, reducing the rate by 0.1% would mean taxpayers would pay a marginal tax of 0.9% instead of 1%. Indexing the tax thresholds for inflation would increase the income thresholds each year by using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This change decreases the likelihood of middle-class households becoming taxpayers due to inflation.

Metro is considering two options for indexing:

1. Start indexing in the current or next tax year, applying the CPI-W as an inflationary factor to the current thresholds each year going forward.
  - Example: A CPI-W adjustment of 3% for tax year 2025 would increase income thresholds to \$128,750 and \$206,000.
  
2. Re-base the income thresholds to \$150,000 and \$225,000 to account for inflation since the tax went into effect in 2021 and then apply the CPI-W to the new thresholds each year going forward.
  - Example: Assuming that Metro re-bases the income thresholds for tax year 2025, a CPI-W adjustment of 3% for tax year 2026 would increase the thresholds to \$154,500 and \$231,750.

Metro has provided the county with estimates for the revenue reductions that would occur in the various scenarios under consideration. **These estimates are reductions from the current forecasted revenue amount.** Clackamas County’s share of forecasted revenue for FY 2024-25 is \$73.65 million.

Supportive Housing Services Tax Changes			
Estimated Annual Impact to Clackamas County			
	Rate Cut Only	Rate Cut & Indexing	Rate Cut & Re-Base
No Rate Cut*	-	896,000	4,053,333
0.05% Reduction (0.95% Rate)	2,133,333	3,029,333	6,037,333
0.1% Reduction (0.9% Rate)	4,266,667	5,162,667	8,000,000
0.2% Reduction (0.8% Rate)	8,533,333	9,429,333	11,946,666
0.25% Reduction (0.75% Rate)	10,666,667	11,562,666	13,930,666
0.3% Reduction (0.7% Rate)	12,800,000	13,696,000	15,914,666

*\* Shows impact of indexing and re-basing only (no cut to the rate)*

**REVENUE REDUCTIONS WOULD REQUIRE CUTS TO PROGRAMS AND SERVICES:**

Clackamas County has relied on Metro’s revenue forecast to establish and build the ongoing service level that can be sustained each year by SHS revenue. As of the current fiscal year, Clackamas County’s system is fully built and the ongoing revenue is fully committed to programs and services. This means that **any reduction in revenue would require cuts to Clackamas County’s new SHS-funded system.** As an example, Attachment A is a \$5 million program funding reduction scenario.

**Attachments:**

Attachment 1 – SHS Services Reduction Scenario \$5M

Program Type	Program Description	Service Reduction (Households)	Budget Reduction
Outreach and Engagement	Outreach teams connect people experiencing homelessness with the County's system of care and provides for basic needs such as hygiene and food or support during extreme weather events.	-330	-\$500,000
Safety Off the Streets	Emergency and transitional shelter programs where people experiencing homelessness can stay while working with a case manager to find housing.	-65	-\$1,000,000
Housing Placement and Retention	Various housing programs which prevent evictions and move people into permanent housing.	Rapid Rehousing : -45 Eviction Prevention: -185 Housing Navigation: -80	-\$1,500,000
Supportive Housing	Permanent Supportive Housing aids the most vulnerable members of our community and provides both long-term rental assistance and case management to help them remain stably housed.	-65	-\$2,000,000
<b>Total System Capacity Impact:</b>		<b>-770 Households</b>	<b>-\$5,000,000</b>