Potential Sources and Uses of Revenue to Address the Region's Homeless Crisis

February 2020

Prepared for: Multnomah County, Clackamas County, and Washington County

Final Report

ECONorthwest
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KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201
503-222-6060

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Acknowledgements

This report was written by John Tapogna, Andrew Dyke, Madeline Baron, and Erik Bagwell with research assistance from Ryan Knapp and Lauren Butler. The authors received valuable input from the HereTogether staff and board, as well as numerous staff at Multnomah, Clackamas, and Washington Counties. Funding for this report came from Multnomah County, Clackamas County, and Washington County. In addition, this report relied heavily on previous work surrounding supportive housing needs in the region produced by the Corporation for Supportive Housing and the Portland State University Homeless Research & Action Collaborative. We are grateful for their contributions to the topic.

The authors are solely responsible for any errors or omissions.

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Executive Summary

Purpose

The Tri-County Portland region is in the midst of related housing affordability and homelessness crises that are among the worst in the U.S. Rising rents—the result of an underproduction of housing during the 2010s—have triggered rent increases, evictions, and a significant growth in the number of people sleeping outside, in vehicles, or in emergency shelters. The region has also witnessed a steady rise in the number of people experiencing long-term, chronic homelessness, many of whom struggle to maintain stable housing in a market with rising rents.

Providing housing for people experiencing homelessness is a top public priority. Voters in the region have approved bonds to construct affordable housing, and local governments have increased spending on homeless services.

This May, regional voters will consider a ballot initiative designed as a robust response to the crisis. Clackamas, Multnomah, and Washington Counties commissioned ECONorthwest to estimate how much revenue could be raised through three alternative income tax concepts and how the associated revenue would compare to the cost of serving target populations. Specifically, this report considers the cost of serving two populations: 1) people who are experiencing long-term or frequent episodes of homelessness and are living with one or more disabling conditions (i.e., chronic homelessness), and 2) people who have an elevated likelihood of experiencing chronic homelessness by virtue of having an extremely low income and one or more disabling conditions. This report:

- Estimates revenues that could be generated by three alternative income tax concepts,
- Compares recent estimates of the cost of providing supportive housing (SH) services to people who are experiencing chronic homelessness,
- Calculates the cost of providing prevention services to people who have an elevated likelihood of experiencing chronic homelessness, and
- Comments on how the proposed initiative complements, and relates to, other on-going responses to homelessness throughout the region.

Key Findings

- Initiative designers have described three alternative income tax concepts. Each would generate roughly $250 million per year beginning in 2020, with future annual revenue dependent on future income growth.
- Two organizations—the Corporation for Supportive Housing (CSH) and Portland State University's Homeless Research & Action Collaborative (PSU-HRAC)—have advanced, in-depth studies on the cost of providing supportive housing to people experiencing chronic homelessness. In their study, CSH estimated a need for 3,123 units with an

assumed annual operating cost of about $69 million. PSU-HRAC calculated a need for 4,935 units with an assumption of $119 million in total annual operating costs. This sizable range should be unsurprising. Observers, including government staff and service providers, have expressed long-standing concerns about the limitations of the underlying, federally required data (i.e., Point-In-Time counts). Moreover, SH-needs forecasts are an unsettled science with considerable uncertainty surrounding methods of client selection and the service delivery mix. In addition, the region would be forging new ground. Were the Tri-County region to implement either the CSH or PSU-HRAC recommendations, the inventory of supportive housing for people experiencing chronic homelessness would rise to a level unmatched by other communities along the West Coast, relative to the Tri-County general population.

Additionally, the initiative could provide assistance to people who are housed but who frequently transition into long-term homelessness—those with extremely low incomes and a disability and who spend more than one-half of their income on rent. Roughly 17,500 households fall into this category. Providing preventative services to them, including rent subsidies, would cost almost $300 million annually.

- The proposed initiative would represent a robust response to the region's homelessness crisis. Tri-County Portland would expand its SH build out well beyond service levels elsewhere on the West Coast. Strong implementation of an initiative of this size should result in a marked decline in chronic homelessness and homelessness generally, which in turn would free up emergency shelter capacity and reduce the number of people living on the streets, in parks, or in vehicles. The region should also expect reduced spending on homeless and chronically homeless individuals within the health, emergency service, and public safety systems, which currently serve these populations in inefficient, unpredictable, and sometimes traumatic ways.

  Importantly, the initiative should not be expected to end homelessness. The housing affordability problem at the root of the homeless crisis has grown too big. The resources would be insufficient to reach additional tens of thousands of low-income, non-disabled people who are severely rent burdened. Absent assistance, they will continue to cycle in an out of homelessness until their housing costs are brought better into line with their incomes. A comprehensive response to the crisis—an effort to end homelessness—would require a broader set of solutions, including the acceleration of housing construction at all price points, an increased supply of rent-restricted affordable housing, and additional rent subsidies.

Definitions and Terms Used

AREA MEDIAN FAMILY INCOME (MFI). Each year the U.S. Department of Housing and Urban Development (HUD) releases median income limits for families living in HUD-funded units in different counties and metro areas across the country. Properties that have rent or income restrictions will base their limits off of these MFI ranges. In 2017 (the year used for most of the data in this report), the MFI for the Portland metropolitan area was $74,700 for a family of four or $52,300 for an individual.

- 15% of MFI would equal $11,205 for a family of four or $7,850 for an individual
- 30% of MFI would equal $24,600 for a family of four or $15,700 for an individual
    - This income threshold is called extremely low-income (ELI)
- 50% of MFI would equal $37,350 for a family of four or $26,150 for an individual
    - This income threshold is called very low-income (VLI)
- 60% of MFI would equal $49,200 for a family of four or $31,400 for an individual
- 80% of MFI would equal $59,760 for a family of four or $41,840 for an individual
    - This income threshold is called low-income (LI)

CHRONIC HOMELESSNESS. A ''chronically homeless'' individual is defined by HUD[1] in the Point-In-Time count as a homeless individual who:

a) Lives either in a place not meant for human habitation, a safe haven, or an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or an emergency shelter immediately before entering the institutional care facility;
b) Has been living as described above continuously for at least 12 months, or on at least four separate occasions in the last three years, where the combined occasions total a length of time of at least 12 months; and
c) Has one or more disabling conditions, such as a substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, or chronic physical illness or disability.

While this is a formal definition used in the official Point-In-Time count estimates, it can also be used as a general term to refer to those individuals who experience long-term homelessness and face barriers to housing stability. Not all individuals who meet the criteria for chronic homelessness need supportive housing.

COST or RENT BURDENING. A household is considered "cost burdened" if it spends more than 30 percent of its gross income on housing costs. A household is considered "severely cost burdened" if it spends more than 50 percent of its gross income on housing costs.

EPISODIC HOMELESSNESS. For the purposes of this report, we use the term "episodically homeless" to refer to an individual or family that is counted as experiencing homelessness in the Point-In-Time estimate, but does not meet the HUD definition of chronically homeless. Individuals and families experiencing episodic homelessness may cycle through periods of homelessness in shelters, on the street, or sleeping in vehicles, and may also spend periods of time living in motels, hotels, or doubled-up with family, neighbors, or friends.

SUPPORTIVE HOUSING. Supportive housing aims to provide housing stability for individuals and families struggling with multiple, complex, and interrelated needs. A model advanced by the Regional Supportive Housing Impact Fund (RSHIF) identified the following characteristics of supportive housing:[2]

- **Deeply Affordable.** Affordable to households earning 0-30% MFI.
- **Low Barrier.** Most supportive housing follows a "housing first" model where residents are not screened out due to the presence of certain conditions.
- **Supportive.** Services offered on-site or as part of the lease agreement are designed to ensure housing, health, and economic stability. Services are flexible and not mandated.
- **Permanent**. Residents are not limited to a duration of services or required to improve and move on. Not all residents will need permanent services; some may graduate to less intensive housing.

POINT-IN-TIME (PIT) COUNTS. The official estimates of data on homelessness across the country are the Point-In-Time (PIT) counts organized by HUD and conducted by local Continuums of Care (CoC). The PIT is a count of the total number and characteristics of all people experiencing homelessness in each CoC's region on a specific night in January. CoCs count people living in emergency homeless shelters, transitional housing, and safe havens every year, and count unsheltered homeless persons every other year (the latest of which was 2019). Numerous shortcomings are known and evaluated with the PIT counts, including the following:[3, 4]

- **Varying counting methods across regions.** Each CoC chooses from among a number of HUD-approved counting methods that will work for their region and resources. Varied methods create challenges for interregional comparisons.
- **Counts are inherently low and miss hard-to-locate populations.** Researchers and volunteers' best efforts inevitably miss individuals who are sleeping in obscure places or who double-up with friends and families. Language barriers can also contribute to undercounts.
- **Counts rely on unverified, self-reported conditions.** Measurement of key subpopulations (e.g., chronic, disabled) are based on self-reported conditions and are not subject to verification.
- **Changes in a categorization and purpose of a housing facility can change the homeless count.** In Portland, a building that was once operated as transitional housing became permanent supportive housing providing longer-term housing and services to its residents. While the building's residents did not change, its operations and purpose did, and residents were counted in the PIT as homeless one year but not the next.

[1] See Federal Register / Vol. 80, No. 233 / Friday, December 4, 2015, page 75792, www.hudexchange.info/resources/documents/Defining-Chronically-Homeless-Final-Rule.pdf.

[2] Corporation for Supportive Housing, ECONorthwest, Providence CORE, and Ed Blackburn. 2019. "Regional Supportive Housing Impact Fund Strategic Framework." Available from: www.csh.org/resources/regional-supportive-housing-impact-fund-strategic-framework/.

[3] Jessica Chanay, Nishant Desai, Yuxuan Luo, and Davaadorj Purvee, "An Analysis of Homelessness and Affordable Housing in Multnomah County, 2018" (Portland, OR: Portland State University School of Business, July 2018), 1-60.

[4] ECONorthwest. 2018. "Homelessness in the Portland Region: A Review of Trends, Causes, and the Outlook Ahead." Available from: oregoncf.org/community-impact/research/homelessness-in-the-portland-region/.

I. Tax Revenue Sources

ECONorthwest estimated the revenue generating potential from three income tax structures informed by public polling results and input from the HereTogether campaign. We prepared estimates for the region subject to Metro's authority—a subset of the Tri-County region. Taken together, the estimates provide information relevant to determining the feasibility of raising $250 to $300 million annually in the Metro region.

We relied primarily on 2017 income tax statistics published by Oregon's Department of Revenue (DOR) to derive the revenue estimates presented below.[5] The estimates included adjustments for assumed growth in taxable income for these brackets between 2017 and 2020 and for potential tax avoidance and evasion. The final estimates reflected gross revenue generating potential in 2020 and do not account for administrative costs associated with revenue collection. The appendix provides additional details about sources and methods.

We provide a low and a high estimate for revenue generated from the Metro region. The low estimate assumes 68 percent of Clackamas County income, 98 percent of Multnomah County income, and 92 percent of Washington County income is taxable by Metro based on estimates of the share of each county's population that falls within the Metro boundary. The high estimate reflects higher shares of Metro-taxable income: 95, 99, and 95 for Clackamas, Multnomah, and Washington Counties, respectively.

Exhibit 1 describes the three tax structures analyzed. The thresholds presented in the exhibit identify the minimum taxable income necessary to trigger the associated tax rate. Across all three structures, the tax rate in a given income bracket applies to the full taxable income of a tax filer in that bracket. For example, under the second rate structure, a single filer with $150,000 in taxable income would owe $1,875 (150,000 x 1.25% = 1,875); a single filer with $600,000 would owe $10,500 (600,000 x 1.74% = 10,500).

Exhibit 1. Summary of Rate Schedules Considered
Source: ECONorthwest analysis of DOR and Current Population Survey Annual Social and Economic Supplement Data

	Single filers		Joint filers	
Rate Structure 1	**Threshold**	**Rate**	**Threshold**	**Rate**
	$100,000	1.00%	$200,000	1.00%
	Single filers		**Joint filers**	
Rate Structure 2	**Threshold**	**Rate**	**Threshold**	**Rate**
	$150,000	1.25%	$300,000	1.25%
	$500,000	1.75%	$1,000,000	1.75%

[5] Oregon Department of Revenue. 2020. "Oregon personal income tax reports and statistics." Available from: www.oregon.gov/DOR/programs/gov-research/Pages/research-personal.aspx.

Rate Structure 3	Single filers		Joint filers	
	Threshold	Rate	Threshold	Rate
	$130,000	0.50%	$260,000	0.50%
	$150,000	1.00%	$300,000	1.00%
	$400,000	2.00%	$800,000	2.00%

Exhibit 2 presents our estimates of revenue generating potential from each of the three structures overall and by county. Our estimates for all three structures range from about $250 million to $270 million in 2020. Exhibit 3 displays the estimated number of tax units affected by each tax structure. The number of affected tax filers varied across structures from about 31 thousand to 86 thousand.

Exhibit 2. Estimated Revenue Potential by Rate Structure and County, 2020
Source: ECONorthwest analysis of DOR and Current Population Survey Annual Social and Economic Supplement Data

Region	Rate structure		
	1	2	3
Low estimate			
Metro region (Clackamas)	$47M	$49M	$47M
Metro region (Multnomah)	$118M	$118M	$119M
Metro region (Washington)	$87M	$79M	$83M
Combined	$252M	$247M	$250M
High estimate			
Metro region (Clackamas)	$65M	$68M	$66M
Metro region (Multnomah)	$119M	$120M	$121M
Metro region (Washington)	$90M	$82M	$86M
Combined	$274M	$270M	$273M

Exhibit 3. Estimated Number of Tax Units with Tax Liability by Rate Structure and County, 2020 (Thousands)
Source: ECONorthwest analysis of DOR and Current Population Survey Annual Social and Economic Supplement Data

Region	Rate structure		
	1	2	3
Low estimate			
Metro region (Clackamas)	14	7	6
Metro region (Multnomah)	37	19	15
Metro region (Washington)	28	13	10
Combined	79	40	31
High estimate			
Metro region (Clackamas)	20	10	8
Metro region (Multnomah)	37	19	15
Metro region (Washington)	29	14	11
Combined	86	43	34

II. Summary of Recent Research

This report summarizes recent work conducted by local experts in 2019 – it does not conduct new research to estimate the need for supportive housing in the Tri-County region. This section describes these two studies and summarizes their estimates of the region's need for SH.

Funding for SH includes three important components depending on how the unit is operated: ongoing funding for supportive services, rent assistance for units leased in the private market, and operating subsidies for units in purpose-built new development. Both reports discuss these three components.

- **Supportive Services.** Without critical funding for supportive services, the SH units will not have the necessary wraparound services that help stabilize households exiting long-term homelessness and ensure housing success. These services can include intensive case management, intensive mental health services, ongoing addiction treatment and follow-up treatment, workforce services, nutritional services, physical health services, and many others. These services are often not reimbursable by traditional funding sources like the Low-Income Housing Tax Credit (LIHTC) or Medicaid which makes funding and operating SH very difficult.
- **Rent Assistance.** Without rent assistance, units leased in the private market will not be affordable for a household exiting homelessness. Both the CSH and PSU-HRAC studies modeled some of the needed SH units leased in the private market. Rent assistance comes from the local housing authorities and reduces the tenant's portion of rent so that it is affordable (accounting for less than 30 percent of the tenant's gross income).
- **Operating Subsidies.** Without operating subsidies, SH units in a newly developed, affordable property will not have rents low enough to be affordable for a household exiting homelessness. Typical affordable housing funding sources (e.g., the LIHTC program, HUD loans, or Housing Trust Funds) are generally insufficient to bring rents below 50 or 60 percent of the area median income.[6] Subsidies are almost always required to make units affordable to households earning 0-30 percent of the area MFI.

In addition, both studies reference the disparities that exist for communities of color experiencing homelessness. For most racial and ethnic minority groups in the Tri-County area, a disproportionate share of people experience homelessness compared to their share of the general population.[7] The disparities that exist in Portland mirror national data and are particularly acute for Black or African Americans, Native American or Alaskan Natives, Native

[6] National Low-Income Housing Coalition. 2014. "The Alignment Project: Aligning Federal Low Income Housing Programs with Housing Need." Available from: https://nlihc.org/sites/default/files/Alignment_Report_1214.pdf.

[7] ECONorthwest. 2018.

Hawaiian or Other Pacific Islanders, and people who identify as multiple races.[8] Each report includes recommendations to address these racial inequities.

Summary of Recent Estimates for Tri-County SH Need

The CSH study and the PSU-HRAC study both evaluated the need for SH in the Tri-County region which are summarized in Exhibit 4 below. The studies differ in scope and in some of their detailed assumptions about the size of target populations and the costs of service delivery. CSH focused solely on the need for SH, which provides housing and wraparound services to a relatively narrow population with the most acute needs. The PSU-HRAC report not only included SH, but also estimated housing needs for a much broader population of individuals and households experiencing, or at-risk of experiencing, homelessness. Notably, the PSU-HRAC report included populations who are living "doubled-up" with friends, neighbors, or family in its estimate of total homelessness in the region.

Exhibit 4. Summary of Recent SH Need Estimates
Sources: Corporation for Supportive Housing 2019, and Portland State University 2019.

Study	Estimate of SH Need	Notes
CSH – 2018 data	3,123 Households	Annualized PIT estimates and turnover rates. Assumes 90% of chronic and 10% of episodic homeless need SH.
PSU-HRAC – 2017 data	4,935 Households	Annualized PIT estimates, turnover rates. Assumes 90% of chronic and 10% of episodic (including doubled-up populations experiencing homelessness) need SH.

Corporation for Supportive Housing[9]

In spring 2019, the Corporation for Supportive Housing published a study evaluating SH needs in the Tri-County area. This study was provided to Multnomah County, Clackamas County, and Washington County, and was overseen by a steering committee of local and regional leaders from Metro, Oregon Housing and Community Services, community agencies, healthcare providers, homelessness service agencies, and others.

The report found that 3,123 households needed SH units in 2018. To arrive at this estimate, CSH's report stated the following:

1. Using local PIT data, calculate the number of people who will experience homelessness and chronic homelessness over the course of a year. Based on work in other communities as well as conversations with local experts, CSH estimates that 90 percent

[8] National Alliance to End Homelessness. 2018. "Racial Disparities in Homelessness in the United States." https://endhomelessness.org/resource/racial-disparities-homelessness-united-states/.

[9] Corporation for Supportive Housing. 2019. "Tri-County Equitable Housing Strategy to Expand Supportive Housing for People Experiencing Chronic Homelessness." Available from: d155kunxf1aozz.cloudfront.net/wp-content/uploads/2019/03/Metro_SupportiveHousing_Report_WithAppendices_March_Final.pdf.

of people experiencing chronic homelessness and ten percent of all households experiencing homelessness will need supportive housing.
2. Review the annual turnover rates of the existing supportive housing stock to determine the number of units that will become available over the course of a year.
3. Subtract this number of units from the total need to establish the gap.

The report captured the full cost of providing rental subsidies to buy down rents to an affordable range, and providing supportive wraparound services. It also modeled the costs of building and/or operating the necessary SH units over a ten-year timeframe using two scenarios: developing 70 percent of needed units and leasing 30 percent in the private market, or a 50/50 split between developing new units and leasing units in the private market. The following opportunities and challenges were considered for developing and leasing units:

Exhibit 5. CSH Considerations on Developing and Leasing SH Units
Sources: Corporation for Supportive Housing 2019.

Unit Type	Opportunities	Challenges
Apartments Leased in the Private Market	Lower up-front cost	Lack of affordable apartments in the private market, increased risk of loss of affordability over time
	Potential to get people housed sooner	Stricter screening criteria
	Increases tenant choice about where to live	Property owners who are unwilling to rent to people with low incomes or complicated rental histories
	Engages community members (property owners) in ending homelessness	More difficult to provide services to meet complex needs of tenants
Newly Developed Units	Creates housing stock needed to address long-term affordability	Higher up-front cost
	Design can include space for service on-site and assistive technology	Takes at least two years for a project to move from concept to operations
	Property owners are willing to “screen-in” those who need it most	Requires significant capitalized reserves to update systems during the required period of affordability

Portland State University[10]

Also in 2019, the Portland State University’s Homeless Research & Action Collaborative (HRAC) and the Northwest Economic Research Center (NERC) jointly published a study looking at the prevalence of homelessness in the Tri-County area, the costs of building, funding, and operating SH units and rent subsidies, and evaluated potential funding measures to pay for the costs of services and units.

[10] Portland State University. 2019. “Governance, Costs, and Revenue Raising to Address and Prevent Homelessness in the Portland Tri-County Region.” Available from: www.pdx.edu/syndication/sites/www.pdx.edu.syndication/files/HRAC-NERC%20Final%20Draft%20JG%207AM8_20_2019.pdf.

This study used 2017 PIT data from all three counties and took a wider approach when defining homelessness, including populations that are often left out of official definitions, stating:

"Our most important deviation from other reports about homelessness is a definition of homelessness that includes doubled-up populations. This definition is consistent with other federal agencies such as the Department of Education, and with A Home for Everyone, the inter-jurisdictional initiative to address homelessness within Multnomah County."

This study found that 38,263 individuals (24,260 households) experienced homelessness in the Tri-County area over the course of 2017, including 4,935 households needing SH units and 19,324 households needing rent assistance and non-SH services.[11] The report used the following data to derive these estimates:

1. Annualized estimates of the populations in Emergency Shelters and Transitional Housing from the 2017 PIT counts,
2. Annualized populations experiencing chronic homelessness using an extrapolation from the 2017 PIT count estimates, and
3. Annualized estimates of populations living "doubled up" from the 2017 PIT counts and Department of Education.

The study then translated estimates of individuals experiencing homelessness into households using the average household sizes for each county from ACS data.

To calculate the 4,935 households in need of SH units, the study used the same ratio that CSH used to estimate need: it assumed 90 percent of the PIT chronically homeless individuals need SH units, and 10 percent of the 38,263 individuals experiencing non-chronic ("episodic") homelessness need SH units. The study also included an estimate of average reentry rates for households who previously lived in SH units but returned to homelessness over time. Lastly, the study translated estimates of individuals into households using estimates of household size for chronically homeless populations from 2017 Annual Homeless Assessment Reports from the counties.

In addition to estimating the number of people and households that had experienced homelessness in 2017, this study evaluated the populations at risk of homelessness. Again, taking a wider view of the issue, this study found that 82,576 households were at risk of homelessness and would need universal rent assistance as a preventative measure. This estimate used 2017 Census Bureau American Community Survey 5-year data and included all renter households earning less than 80 percent of MFI – approximately $59,750 for a family of four in 2017 – who were severely cost burdened. Importantly, this study calculated the number of episodically homeless households separately from those deemed at risk of homelessness.

[11] Correspondence with the PSU-HRAC study authors indicate that "non-PSH services" include transitional housing (such as alcohol and drug-free housing, recuperative housing, housing for people with severe mental illnesses, and housing with some youth assistance), housing for people with HIV/AIDS, and youth mental health housing services.

This study also included a discussion of building and or leasing the needed SH units in the Tri-County area over a ten-year timeframe. The authors used the two models applied in the CSH study (i.e., 70/30 developed and leased, or 50/50 developed leased), as well as a third assumption of 100 percent newly developed units. The study's cost inputs varied from those used in the CSH study.

III. Costs to Serve Target Populations

Early policy considerations for the potential tax initiative suggest that it would fund SH operations; it would not fund capital to construct new units or rehabilitate existing units. In addition, two eligible target populations have emerged:

1. **Those currently experiencing homelessness** who need supportive housing, focused on extremely low-income populations with disabilities, and
2. **Those vulnerable to homelessness** who may need supportive housing, also focused on extremely low-income populations with disabilities.

The primary focus of the initiative is on funding supportive housing. Policy discussions suggest it would only fund prevention services for people not at risk of chronic homelessness (e.g., long-term rent assistance, emergency rent assistance, rapid rehousing services) if there are remaining funds after meeting supportive housing needs.

The likely uses of the revenue generated by the potential tax initiative are narrower than the costs evaluated in the two studies in Section II. This section demonstrates ECONorthwest's best attempt at unpacking the supportive housing needs and operating costs from the two studies and repackaging them to fit the policy design as it is currently conceived. This requires setting aside the two studies' estimates of capital costs, estimates of inflation over a ten-year period, and estimates of prevention services for larger populations at risk of homelessness.

Currently Homeless in Need of SH

Exhibit 6 and 7 below present ECONorthwest's repackaging of the two studies to estimate the cost of funding SH for the currently homeless target population. We apply key assumptions from each study to present high and low-cost estimates for serving this population.

As the exhibits demonstrate, the cost of providing 3,123 to 4,935 SH units across the Tri-County area ranges from about $69 million to $119 million per year depending on the estimate of SH need and cost inputs used. This excludes capital costs to build new units or rehabilitate existing units into SH. Revenue from the potential tax measure would not be collected until 2021 at the earliest, so these figures would need to be inflated. The costs assumed in the two studies date from 2018 and 2017, respectively. Consumer price index inflation estimates from December 2017 (the midpoint) to December 2021 range from 8.5 percent to 11.0 percent.[12]

[12] Oregon Office of Economic Analysis. 2019. "Economic and Revenue Forecasts – Other Indicators Quarterly." Available from: www.oregon.gov/das/OEA/Pages/forecastecorev.aspx.

Exhibit 6. Annual Cost to Fund Currently Homeless SH Units, CSH Need Estimates
Sources: Corporation for Supportive Housing 2019, Portland State University 2019, ECONorthwest Analysis.

Corporation for Supportive Housing Report	Individuals	Families	Total
Households Served			
Housed in Leased Units	1,331	230	1,561
Housed in Developed Units	1,331	229	1,560
Total	2,662	459	3,121
Annual Costs per Household			
Services	$10,000	$10,000	
Rent Assistance (Leased Unit)	$13,000	$19,600	
Operating Subsidy (Newly Developed Unit)	$7,000	$7,000	
Total Annual Cost*			
Housed in Leased Units	$30,613,000	$6,808,000	$37,421,000
Housed in Developed Units	$22,627,000	$3,893,000	$26,520,000
Administrative Costs	$3,966,380	$683,910	$4,650,290
Total	**$57,206,380**	**$11,384,910**	**$68,591,290**

Notes: *Total cost excludes capital for construction.
Share of individuals and families - pg 24.
Model assumes 50%/50% split between leased and developed units - pg 24.
1,560 developed units is approximately equal to Metro's 1,600 units of 0-30% coming online.
Costs per household, leased and developed are from 2018 - pg 21.
Rent assistance costs are HUD 2018 Fair Market Rents and assume no cost to the tenant - pg 21.
CSH does not model administrative costs. We apply PSU-HRAC's assumption of 2.4% on total service costs for system administration, $450 per household for employment services, and $800 per household for rent assistance. See PSU-HRAC study - pg 74-74.

Exhibit 7. Annual Cost to Fund Currently Homeless SH Units, PSU Need Estimates
Sources: Portland State University 2019, ECONorthwest Analysis.

PSU-HRAC Report	Individuals	Families	Total
Households Served			
Housed in Leased Units	3,121	254	3,375
Housed in Developed Units	1,331	229	1,560
Total	4,452	483	4,935
Annual Costs per Household			
Services	$9,400	$9,400	
Rent Assistance (Leased Unit)	$15,156	$27,952	
Operating Subsidy (Newly Developed Unit)	$7,000	$7,000	
Total Annual Cost*			
Housed in Leased Units	$76,639,276	$9,487,408	$86,126,684
Housed in Developed Units	$21,828,400	$3,755,600	$25,584,000
Administrative Costs	$6,569,371	$712,715	$7,282,086
Total	**$105,037,047**	**$13,955,723**	**$118,992,770**

Notes: *Total cost excludes capital for construction.
Share of individuals and families - pg 71.
Developed units are capped at same number as CSH study (see page 24 of that study). This share of developed units is approximately equal to Metro's 1,600 units of 0-30% coming online.
Costs per household, leased and developed are from 2017 - pg 74-75.
Service costs are the average of PSUs high and low estimates - pg 77.
Rent assistance costs are an average of the HUD 2017 Fair Market Rent ($11,352 for individuals / $14,904 for families) and the HUD 2017 Hypothetical Small Area Fair Market Rent zip code maximums ($18,960 for individuals / $41,000 for families). They assume no cost to the tenant - pg 73-74.
Operating subsidy costs are the average of PSU's high and low estimates - pg 77.
Administrative costs assume 2.4% on total service costs for system administration, $450 per household for employment services, and $800 per household for rent assistance - pg 74-75.

Vulnerable to Homelessness and May Need SH

To estimate the costs of serving the second target population – those at risk of homelessness by virtue of being extremely low-income and having one or more disabling conditions – we used U.S. Census Bureau data to calculate the number of extremely low income renters who are severely cost burdened and have one or more disabilities (i.e., vision difficulty, hearing difficulty, self-care difficulty, independent living difficulty, ambulatory difficulty, cognitive difficulty, or veteran service-connected disability rating).

Households that meet these criteria are highly vulnerable to homelessness, and may need SH if they experience homelessness. Spending such a large share of an already low-income on housing leaves little leftover for other necessities. And in recent years, the average increase in rents in the Portland region has far outpaced the average increase in supplemental security income (SSI) benefits received for a disability. According to research from the Technical Assistance Collaborative, in 2016 the average one-bedroom apartment in the Portland metropolitan statistical area (MSA) cost 144 percent of the average SSI benefit, up from 116 percent in 2010.[13] [14]

We estimate the costs of serving this target population in Exhibit 8 below. We based our cost assumptions on those used in the CSH and PSU-HRAC studies. This population would receive less-intensive services than the first target population. The PSU-HRAC study calculated costs for "non-PSH services."[15]

Notably, some duplication exists between this population and the population in need of SH estimated by PSU (included in Exhibit 7). Less overlap exists between this population and the population estimated by CSH (in Exhibit 6). Inflation estimates would need to be applied to these figures.

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[13] Technical Assistance Collaborative. 2017. "Priced Out in the United States Interactive Tool." Available from: www.tacinc.org/knowledge-resources/priced-out-v2/.

[14] The Technical Assistance Collaborative is a DC-based nonprofit organization focused on human services, health care, homelessness, and affordable housing systems improvement.

[15] See footnote 11.

Exhibit 8. Annual Cost to Fund Populations Vulnerable to Homelessness Who May Need SH
Sources: Corporation for Supportive Housing 2019, Portland State University 2019, U.S, Census Bureau 2018 1-year ACS data, ECONorthwest Analysis.

Vulnerable Households	Estimate
Renter + ELI + Severely Cost Burdened + >1 Disability	17,431
Annual Costs per Household	
Non-PSH Services	$5,700
Rent Assistance	$10,000
Total Annual Cost	
Non-PSH Services	$99,356,700
Rent Assistance	$174,310,000
Administrative Costs	$24,173,311
Total	**$297,840,011**

Notes: Estimate for vulnerable households comes from U.S. Census 2018 1-year American Community Survey data and includes renter households with gross household income under 30% MFI, spending more than 50% of income on rent, and has one or more of the following: vision difficulty, hearing difficulty, self-care difficulty, independent living difficulty, ambulatory difficulty, cognitive difficulty, or veteran service-connected disability rating.
Non-PSH supportive housing includes: transitional housing (alcohol & drug-free housing, recuperative housing, housing for people with severe mental illness, and housing with some youth assistance), housing for people with HIV/AIDS, and youth mental health housing services.
Rent assistance costs are HUD 2018 Fair Market Rents and assume no cost to the tenant - CSH study pg 21
Administrative costs assume 2.4% on total service costs for system administration, $450 per household for employment services, and $800 per household for rent assistance. See PSU-HRAC study pg 74-75.

IV. Conclusions

A $250 million annual investment in homeless services in the Portland Tri-County area would have a meaningful, positive impact on the lives of some of the region's most vulnerable residents. The resources would be sufficient to provide supportive housing for people experiencing chronic homelessness at a scale unmatched by other communities along the West Coast. Additionally, the investment could fund evidence-based prevention services for a sizable share of a population that frequently transitions into chronic homeless status—low-income people with disabilities who are severely rent burdened.

Strong implementation of an initiative of this size should result in a marked decline in chronic homelessness and homelessness generally, which in turn would free up emergency shelter capacity and reduce the number of people living on the streets, in parks, or in vehicles. The region should also expect reduced spending on homeless and chronically homeless individuals in the health, emergency service, and public safety systems, which currently serve these populations in inefficient, unpredictable, and sometimes traumatic ways.

This proposed investment would add to, and interact with, a number of existing programs and initiatives that address the homeless crisis. The relative stability of the number of people experiencing homelessness—in a region with rising rents and low vacancy rates—suggests that existing programs are working as intended.[16] How those programs and initiatives evolve would influence the effectiveness of the proposed investment. Well-coordinated implementation of the City of Portland and Metro regional affordable housing bonds would be especially important. Each of those efforts has articulated goals of building housing units that could be dedicated to supportive housing. The larger is the supply of those units, the easier is the implementation of the proposed investment. Full success would also hinge on local governments maintaining effort with their existing $57 million portfolio of homeless services.

Importantly, the initiative should not be expected to end homelessness. The housing affordability problem at the root of the homeless crisis has grown too big. The resources would be insufficient to reach tens of thousands of low-income, non-disabled people who are severely rent burdened. Absent assistance, they will continue to cycle in an out of homelessness until their housing costs are brought better into line with their incomes. A comprehensive response to the crisis—an effort to end homelessness—would require a broader set of responses, including the acceleration of housing construction at all price points, an increased supply of affordable housing, and additional rent subsidies.

[16] ECONorthwest. 2018.

Appendix: Methods

Tax Revenue Estimates

The data and methods used to produce revenue estimates vary considerably across the sources we evaluated, driven by differences in the structure, tax base, and availability of data relevant to each source. We discuss each source in turn, below.

Income Tax

Data sources used to estimate the revenue potential of the income tax included Oregon personal income tax reports for 2017 from Oregon Department of Revenue (DOR) and Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) microdata from IPUMS.[17] The DOR reports provide state- and county-level counts and incomes of tax filers disaggregated by income bracket, filing status, and county in various combinations.[18]

The state publishes data by filing status and income bracket at the state level, and for all returns by income bracket for each county. For the income brackets subject to the proposed tax, 80 to 85 percent of all tax units file joint returns, compared to 48 percent of all returns. Across the three counties, the latter percentage ranges from 46 percent in Clackamas County to 57 percent in Multnomah County. To calculate the revenue potential of the income tax structure described in the report, we first used these statistics to estimate the share of tax units filing joint returns in each income bracket by county (the results are not particularly sensitive to these adjustments). We then applied these proportions to taxpayer counts by income bracket and county.

Relevant income brackets in the DOR data include $100,000 to $250,000, $250,000 to $500,000, and $500,000 and above. The DOR data provide aggregate Oregon taxable income (OTI) by Adjusted Gross Income (AGI) bracket but do not provide additional information about the distribution of OTI, which is less than AGI due to deductions and other adjustments to income for tax purposes. For example, we do not know with certainty the number of single tax filers in the $250,000 to $500,000 AGI bracket with OTI of greater than $250,000 (OTI is no greater than AGI).[19] Furthermore, depending on the tax structure under consideration, not all of the filers in a given income bracket from the DOR reports would owe additional tax. Finally, in many cases, the proposed tax structure requires application of more than one rate to different segments of the brackets for which data are available. To address this lack of alignment between the DOR data and the proposed tax structures, we used the CPS ASEC data to estimate the share of

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[17] Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0.

[18] As a simplifying assumption, we classify all returns as either "joint" (joint filers) or "single" (single filers, separate filers, and head of household filers).

[19] For the relevant AGI brackets, aggregate OTI is 80 to 90 percent of AGI.

households falling within each income bracket in the DOR data subject to each rate of the proposed tax, by filing status.

To estimate the revenue generated from each bracket and filing status we first multiplied the number of filers in each DOR income bracket in each county by the estimated share of filers with the relevant filing status (based on ASEC data if this share is less than 100 percent). We multiplied this total by the assumed average taxable income per filer and the relevant tax rate to give the estimate of revenue that would have been produced in 2017 under the proposed structure. We derived our assumptions about average taxable income per filer from both DOR reports and the ASEC data.

Final adjustments

We made two final adjustments to all estimates. First, we inflated the calculated revenues to 2020 by applying an assumed annual growth rate of about 10 percent to total taxable income and number of tax units. The rate varies slightly by income bracket and county. The assumed rates correspond to the average annual growth rate in taxable income and tax filers by income bracket and county between 2014 and 2017. These rates are somewhat higher than overall growth in taxable income due to nominal income growth that shifts tax filers into higher brackets over time as well as the relatively stronger income growth experienced by high-income individuals and households in recent years.

Second, we discounted the results by 10 percent to account for anticipated tax evasion and avoidance. The adjustment factor is in line with ECONorthwest analysis from the early 2000s that forecasted revenue from Multnomah County's income tax. Economic conditions have evolved considerably since that period of time, and the tax evaluated here differs in geographic coverage and rate structure. We believe some adjustment along the lines discussed is warranted, but significant uncertainty remains as to the likely extent of evasion and avoidance.

We provided a low and a high estimate for revenue generated from the Metro region. The low estimate assumes 68 percent of Clackamas County income, 98 percent of Multnomah County income, and 92 percent of Washington County income is taxable by Metro based on estimates of the share of each county's population within the Metro boundary. The high estimate reflects higher shares of Metro-taxable income: 95, 99, and 95 for Clackamas, Multnomah, and Washington Counties.

Census PUMS for At Risk Populations

We used 2018 one-year American Community Survey (ACS) Public Use Microdata Sample (PUMS)[20] to estimate households who may be vulnerable to homelessness. The PUMS data provide a wide array of person and household-level variables collected by Census from a

[20] PUMS data can be accessed via the Census Bureau's website: www.census.gov/programs-surveys/acs/data/pums.html.

sample of the resident population of the United States and Puerto Rico. The 2018 ACS data for Oregon provides information for approximately 25,500 housing units.[21]

The population in our analysis was an extremely low-income and severely cost-burdened renter household. Extremely low income is defined by HUD as households earning 30 percent or less of a metro area's median family income. HUD calculates their thresholds based on the number of persons in a family, with the 4-person threshold typically being the standard limit used when determining a household's income level. For fiscal year 2018, the extremely low-income limit in the Portland MSA was $25,100 (for a family of four), which we used as our threshold to determine those households who were extremely low-income. We did not account for the family or household size in our income level calculation. Once the income level was determined, we then calculated the level of cost burden for each household, focusing exclusively on those that are severely cost burdened.

To estimate the population with one or more disabilities, we included the following variables: veteran service-connected disability rating, cognitive difficulty, self-care difficulty, hearing difficulty, vision difficulty, independent living difficulty, and ambulatory difficulty.

[21] U.S. Census Bureau. 2020. "American Community Survey Sample Size." Available from: www.census.gov/acs/www/methodology/sample-size-and-data-quality/sample-size/index.php.