

Memo



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Date: Tuesday, May 18, 2021
To: Eric Arellano, Multnomah County CFO; Jack Liang, Washington County CFO; Elizabeth Comfort, Clackamas County CFO
From: Brian Kennedy, Metro CFO; Rachael Lembo, Metro Finance Manager
Subject: FY22 Supportive Housing Services tax estimates

The Supportive Housing Services (SHS) tax became effective January 1, 2021, and collections began in April 2021. This memo documents Metro's expectations about the amount and timing of those collections through FY22.

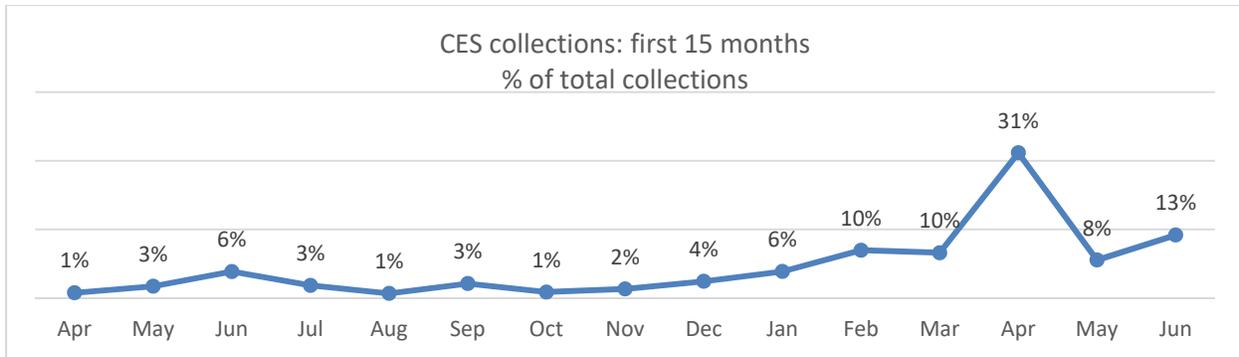
Metro's SHS revenue estimate in the FY22 approved budget is \$180 million. This estimate has changed from the original estimate of \$250 million based on changes made by the Metro Council to address potential double taxation and other issues. Those changes are anticipated to reduce revenues by 10-16% or \$25-\$40 million per year. In addition, the pandemic has impacted income of some businesses and individuals subject to these taxes, and Metro has lowered the tax revenue estimated as a result.

In October 2020, Metro provided county partners with an initial FY22 estimate to support program planning: \$115 million to be distributed to our county partners for local implementation, allocated by the percentages noted in the ballot measure (see table below). This estimate was deliberately conservative with the intention of ensuring program and participant stability. In our FY22 budget we have budgeted \$151 million for distribution to county partners, based on the FY22 revenue estimate noted above. This higher amount ensures Metro has sufficient budget appropriation to disburse funds to the counties as collections come in.

	Total local implementation funding	Clackamas County (21.33%)	Multnomah County (45.33%)	Washington County (33.33%)
Oct 2020 initial estimate	\$115 million	\$24,529,500	\$52,129,500	\$38,329,500
FY22 budget	\$151 million	\$32,208,300	\$68,448,300	\$50,328,300

Metro will disburse funds to the counties as taxes are collected. Collections are expected to begin slowly and gradually pick up through January 2022, as more payroll companies and employers complete the setup of payroll withholding and begin offering it. Collections are expected to peak in April 2022 when calendar year 2021 tax returns are due.

This is the expected pattern for a new income tax. The first 15 months of collections from the City of Portland's Clean Energy Surcharge (CES) tax are graphed below. Metro expects a similar pattern with the SHS tax, though early collections may be slower because the region hasn't had a local personal income tax since 2005, and a business income tax is new for businesses in Washington and Clackamas counties.



Metro looks forward to partnering with the counties as this new revenue stream begins. We will learn more each month as collections come in, and will share monthly collection reports and be available for discussions on revenue assumptions, tax implementation status, and tax collections at any time.

CC: Patricia Rojas, Metro Housing Director; Marc Jolin, Joint Office of Homeless Services Director; Komi Kalevor, Housing Services Director for Washington County; Jason Kirkpatrick, Housing Authority of Clackamas County; Ed Johnson, Housing Authority of Clackamas County