

Progressive taxes needed to correct our housing crisis

BY MARY C. KING
CONTRIBUTING COLUMNIST

Weather forecasters are predicting another cold, wet winter and local housing needs are growing, but the emerging federal budget includes huge reductions in funds critical to local housing programs. Despite the recent extraordinary efforts of local government, we won't make a real dent in our housing problems without more money. That means we need local taxes on those who have benefited most from our current economic expansion: big business and the wealthy.

Growing Housing needs

The 2017 count of people without permanent housing in Multnomah County rose dramatically from the last count in 2015. Portland-area rents rose 20 times faster than the typical household's income over the same period, according to the county, making it harder and harder for people to keep their housing, and to stay in their neighborhoods.

The outlook is dire, despite the fact that our local agencies are helping more people than ever and following the "best practices" known to housing advocates. Without significantly more funding, they can't scale up to effectively fight the housing crisis we face in every category: emergency shelter; supportive transitional housing; and subsidized affordable housing.

Though the number of people sleeping rough was cut last year, 1,667 people were found sleeping outside by the Point in Time count on Feb. 22. Last year's housing bond will raise \$258 million, which is expected to allow the city to build and preserve 1,300 housing units affordable to families with one-third to two-third the median household income.

But 1,300 units looks paltry compared to the estimated need in the Portland area for more than 25,000 units of affordable housing, as reported by The Oregonian.

Housing supply hasn't kept up, mostly – according to the Oregon state economist's office – because the banks tightened up on lending to builders and homebuyers after the financial crisis of 2008. It's not people moving in or the urban growth boundary, but years without much financing for construction except at the high end.

Average people can't keep up either. Nearly half of Portland area renters are "cost-burdened," paying more than 30 percent of their income for rent, and a quarter are "severely cost-burdened," spending more than half their income on housing. One in 4 local homeowners is also cost-burdened.

In truth, the private sector has never decently housed everyone. Only big, public programs have created an adequate supply of good, affordable housing, by both building public housing and subsidizing people renting or buying private housing. The federal government filled that role, before former president Ronald Reagan slashed funding for public housing and other housing programs.

We've lived with the worsening fallout for 35 years, and have no reason to expect



Mary C. King is a Professor of Economics Emerita, Portland State University.

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anything constructive from DC anytime soon. Only substantial local investments in housing and support programs will house our neighbors currently living in miserable or unstable circumstances.

The best way to finance housing investments is to raise taxes on the wealthiest households and the biggest corporations, which have been enormously enriched over the last several decades while taxes on the 1 percent fell. Concentrating new taxes at the top taps those with the most ability to pay and combats economic inequality, now at historic heights in Oregon and the nation.

How to raise local taxes on the biggest corporations, landlords and the wealthy

We should sharply increase local business taxes on the biggest firms and landlords operating in the Portland area by raising

their tax rate to double or triple the rate paid by other businesses. Both the city of Portland and Multnomah County levy a relatively low tax on the local profits of all but the smallest businesses operating here. The biggest, most profitable corporations and landlords pay the same low tax rate as medium-sized businesses, but could easily afford much more.

Rapidly rising rents have meant windfall profits for big landlords. Forbes Magazine says real estate leasing is the second most profitable industry in the country, raking in an annual return of 18 percent. Big institutional investors own more than half the nation's apartment buildings and are buying "starter homes" to rent them out.

Last November, Berkeley, Calif., residents voted 3 to 1 to nearly triple the gross receipts tax paid by landlords with five or more units, dedicating the funds to affordable housing. San Francisco, Oakland and East Palo Alto rely on similar taxes, charged as a percentage of total revenues rather than profits. The aim is to capture for city residents part of the value of the attractive urban culture they are creating.

We could require Airbnb guests in Portland and Multnomah County to pay another 1 or 2 percent of rental costs to support housing programs. That fee could easily be added to the process by which

Airbnb collects local hotel taxes when people pay online for their Airbnb accommodations.

To tax the very wealthy we could follow the lead from Seattle, which just passed a city income tax on Seattle households with incomes of \$250,000 or more. There is no reason that Portland should not create a permanent city income tax for the top 1 or 2 percent, coordinating with the state to collect as a line on the state income tax form.

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We shouldn't be afraid to raise taxes on the wealthy and big corporations

Pro-business groups report that Oregon's combined state and local business tax revenues consistently rank at or near the bottom of all 50 states. Big firms now contribute very little to our schools, housing programs and transportation.

Corporations pay a lower and lower share of state property taxes, due to the structure of the so-called "reforms" of the 1990s, which also created tremendous inequity among households. Businesses tax payments are also low here because we don't charge sales tax. As opposed to a sales tax, Oregon-families and small businesses would be much better off with a sizeable increase in city and county profits taxes on the very biggest companies.

Oregonians with incomes in the top 1 percent took in nearly a million dollars each in 2015, three times what the top 1 percent earned in 1980 after adjusting for inflation, according to the Oregon Center for Public Policy. The income of the top 1 percent of Oregonians is now 10 percent higher than the income of an entire half of Oregon households (see graphic).

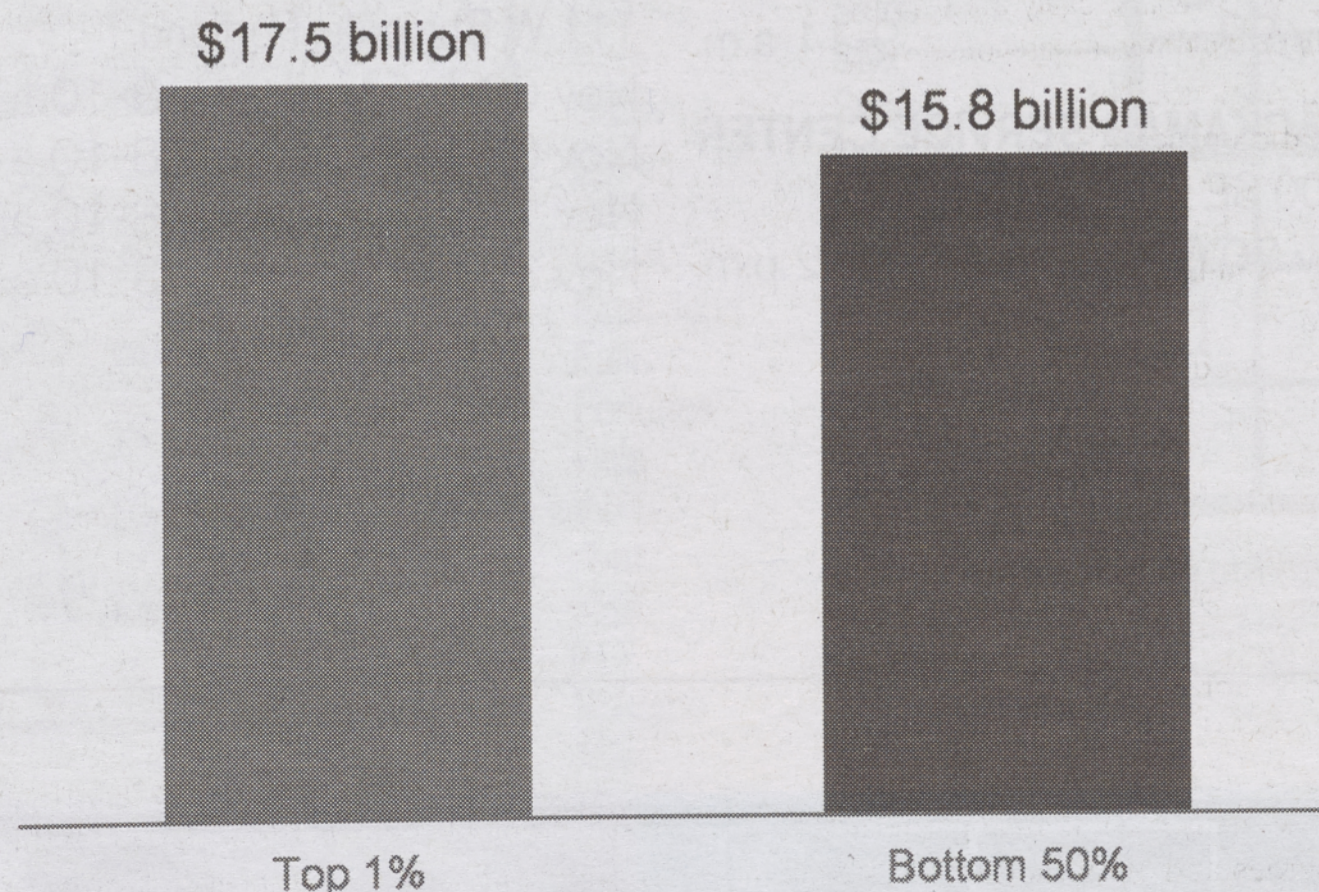
Skyrocketing incomes at the top come from ownership of capital – real estate, financial assets such as stocks and bonds, and privately held companies – as well as from the outrageous salaries of CEOs and financiers. Income from ownership of capital, as opposed to income from work, has risen dramatically, shifting 10 percent of GDP from labor to capital over the past 35 years.

It's not true that more money in the hands of the wealthy and highly profitable corporations leads to "job creation." Jobs are created when business responds to a bigger group of people with more ability to buy shoes, groceries and child care. More money in the hands of the rich leads to higher prices for financial assets and luxuries.

It's going to take real commitment for a decade at least to pay for the housing we need; it's time to get serious.

Top 1% makes more than bottom 50%

Total income by Oregon income group in 2015



This chart only includes full-year resident returns.
Source: OCPP analysis of Oregon Department of Revenue data.

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