

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

June 13, 2023

TO: Budget and Appropriations Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 15, 2023 Special Budget and Appropriations Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would modify the Homelessness Gross Receipt Tax funding allocation requirements by \$20.6 million FY 2023-24 and \$39.4 million FY 2024-25.

Key Points

- Under current law, Homeless Gross Receipts Tax revenues must be spent in the following manner: at least 50 percent on permanent housing (including 20 percent on transitional aged youth, 25 percent on families, and the remaining portion on all populations), up to 10 percent on shelter and hygiene, up to 15 percent on prevention, and at least 25 percent on mental health.

Fiscal Impact

- In FY 2023-24, the proposed \$20.6 million decrease to Transitional Age Youth (TAY) and families permanent housing category would be used to fund the increase in general housing, shelter for adults and families, and prevention programming for all populations.
- In FY 2024-25, the ordinance would enable the reallocation of prior year Homelessness and Supportive Housing (HSH) project funding of \$39.4 million to be appropriated for general housing, shelter for families and adults, and prevention for all populations.

Policy Consideration

- As of June 1, 2023, the City had \$858 million in Homelessness Gross Receipt Tax spending budgeted. Actual revenues have been \$21 million less than budgeted this year. As of June 12, 2023 in FY 2022-23, \$268 million had been spent and \$113 million was encumbered, leaving a remaining unspent balance of \$478 million, which is assigned to various projects. The proposed budget re-appropriates \$75.9 million of unspent projects, including \$39.4 million in FY 2024-25 proposed spending that is subject of this ordinance.
- At its June 9, 2023 meeting, the Our City, Our Home Oversight Committee meeting approved a motion to request the Mayor’s Office not reduce family and youth housing funding and look for other sources of funding to maintain the levels of funding for those programs as required by the Homelessness Gross Receipts Tax.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

Charter Section 2.105 requires that legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

Business and Tax Regulations Code Section 2811 states that amendments to the Homeless Gross Receipts Tax are subject to Board of Supervisors approval by a two-thirds vote. Such amendments may only be to further the purpose of the tax.

BACKGROUND

The Homelessness Gross Receipts Tax was authorized by voters in November 2018 with the passage of Proposition C and became effective in January 2019. The tax added between 0.175% to 0.69%, depending on the business type, to the gross receipts tax on businesses earning over \$50 million in a given year.

Under current law, expenditures of Homelessness Gross Receipts Tax revenues must be spent in the following manner:

- At least of 50 percent on permanent housing
 - Of which, at least 20 percent must be spent on transitional aged youth (TAY), defined as under age 30
 - Of which, at least 25 percent must be spent on family housing
 - Of which, the remaining portion must be spent on general housing, serving all populations
 - Of which, no more than 12 percent can be spent on short-term (less than five-year) rental subsidies
- Up to 10 percent on shelter and hygiene programs
- Up to 15 percent on prevention programs
- At least 25 percent on mental health services

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would modify the Homelessness Gross Receipt Tax funding allocation requirements by \$20.6 million FY 2023-24 and \$39.4 million FY 2024-25. The requirements for funding housing for TAY and families would be decreased in FY2023-24 and re-allocated to adult housing, shelter, and prevention. The change in funding allocation percentages is shown below in Exhibit 1.

Exhibit 1: Proposed Funding Allocations

Program	FY 2022-23	FY 2023-24	FY 2024-25
Housing	50%	44%	50%
Shelter & Hygiene	7%	13%	10%
Prevention	14%	18%	15%
Mental Health	29%	25%	25%
Admin	1%	1%	1%

Source: HSH

Spending levels in FY 2024-25 would be consistent with the Homelessness Gross Receipts Tax allocation requirements.

FISCAL IMPACT

Exhibit 2 below shows the funding impact of the proposed modification to the Homelessness Gross Receipts Tax spending allocations.

Exhibit 2: Proposed Change in Spending, by Program

	FY 2023-24	FY 2024-25
General Housing	3,418,500	14,831,500
350 Slots of Adult Rapid Rehousing	3,418,500	10,581,500
New 75 units of Adult Permanent Supportive Housing	0	4,250,000
Prevention	9,082,000	11,088,000
Homelessness Prevention/Diversion	8,122,000	8,122,000
Problem Solving for Latin Youth	960,000	960,000
Sustains Prevention Portfolio Funding Level	0	2,006,000
Shelter	8,140,000	13,440,000
District 10 Cabin Site Operations	3,000,000	7,000,000
Vehicular Assistance Program	150,000	150,000
Expand Hours at Buena Vista Horace Mann Family Shelter	600,000	600,000
Expand Hours at Hospitality House Adult Shelter	220,000	220,000
Fund Mission Cabins Operations	4,170,000	5,470,000
Total Additional Spending	20,640,500	39,359,500

Source: Proposed Ordinance, HSH

In FY 2023-24, the proposed \$20.6 million decrease to TAY and families permanent housing category would be used to fund the increase in general housing, shelter for adults and families, and prevention programming for all populations.

In FY 2024-25, the ordinance would enable the reallocation of prior year HSH project funding of \$39.4 million to be appropriated for general housing, shelter for families and adults, and prevention for all populations.

POLICY CONSIDERATION**Existing Funding Resources**

As of June 1, 2023, the City had \$858 million in Homelessness Gross Receipt Tax spending budgeted. Actual revenues have been \$21 million less than budgeted this year. As of June 12, 2023 in FY 2022-23, \$268 million had been spent and \$113 million was encumbered, leaving a remaining unspent balance of \$478 million, which is assigned to various projects. The proposed budget re-appropriates \$75.9 million of unspent projects, including \$39.4 million in FY 2024-25 proposed spending that is subject of this ordinance.

Oversight Committee Recommendation

At its June 9, 2023 meeting, the Our City, Our Home Oversight Committee meeting approved a motion to request the Mayor's Office not reduce family and youth housing funding and look for other sources of funding to maintain the levels of funding for those programs as required by the Homelessness Gross Receipts Tax.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.