

REVISED LEGISLATIVE DIGEST

(7/9/2024, Amended in Board)

[Funding Reallocation - Our City, Our Home Fund - Homelessness Gross Receipts Tax - Services to Address Homelessness - \$13,676,000]

Ordinance reallocating approximately \$13,676,000 in unappropriated earned interest revenues from the Our City, Our Home Fund to allow the City to use such revenues from the Homelessness Gross Receipts Tax for certain types of services to address homelessness; temporarily suspending the limit on funding for short-term rental subsidies; directing the City to provide additional notice regarding eligibility for short-term rental subsidies; and finding that these changes are necessary to achieve the purposes of the Our City, Our Home Fund pursuant to Business and Tax Regulations Code, Section 2811.

Existing Law

November 2018's Proposition C, codified at Article 28 of the Business and Tax Regulations Code, imposed a Homelessness Gross Receipts Tax to help fund programs to prevent and address homelessness. The City deposits the proceeds of this tax in the Our City, Our Home ("OCOH") Fund. The City may use the OCOH Fund on several "eligible programs" as follows:

- At least 50% for permanent housing, of which up to 12% may fund short-term rental subsidies, at least 20% must support homeless youth aged 18 through 29, and at least 25% must support homeless families with children under 18.
- Up to 10% for shelters and hygiene programs.
- Up to 15% for homelessness prevention.
- At least 25% for mental health for homeless individuals.

The Board of Supervisors may amend Article 28 by ordinance, by a two-thirds vote and only to further the overall findings and intent of Proposition C.

Amendments to Current Law

The ordinance would authorize an approximately \$13,676,000 OCOH funding increase during Fiscal Years 2024-25 for shelter and for housing for families, despite the percentage caps that would otherwise apply to those categories. The City would pay for this by reallocating earned interest that will have accrued in the Fund for general permanent housing (\$4,853,000), permanent housing for youth aged 18 through 29 (\$1,765,000), homelessness prevention (\$2,647,000), and mental health (\$4,411,000). The ordinance would also allow expenditures above the 12% cap for short-term rental subsidies, and would direct the City to notify subsidy recipients that they may be eligible to receive subsidies for up to a total of five years. These

changes would apply to the next fiscal year only. After 2024-25, the requirements would all revert to those specified in Article 28.

Background Information

In 2023, the Board of Supervisors adopted Ordinance No. 185-23, to reallocate approximately \$16.3 million in unappropriated earned interest that had accrued while the City was defending Proposition C against legal challenge, for the purpose of enhancing existing OCOH programs in Fiscal Years 2023-24 and 2024-25. This ordinance would reallocate interest earnings that are in addition to those reallocated under Ordinance No. 185-23, without modifying the City's authority under Ordinance No. 185-23.

On June 13, 2024, the ordinance was amended in Committee to correctly state the amount of funds being reallocated from the mental health category, without change to the total amount being reallocated. This version of the digest reflects a further amendment made at the Board of Supervisors, to require additional notice to recipients of short-term rental subsidies.

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