

[Funding Reallocation - Our City, Our Home Homelessness Gross Receipts Tax - Services to Address Homelessness - \$34,777,000~~88,495,000~~ Plus Up to \$19,100,000 of Future Revenue - Through FY 2026-2027-28]

Ordinance authorizing the City to reallocate approximately \$34,777,000~~88,495,000~~ in prior appropriated revenue and unappropriated earned interest within the Our City, Our Home (“OCOH”) Fund, to allow the City to use revenues from the Homelessness Gross Receipts Tax through Fiscal Year (FY) 2026-2027-28 for certain types of services to address homelessness, notwithstanding the expenditure percentages set forth in Business and Tax Regulations Code, Section 2810; where future revenue and interest to the OCOH Fund exceeds amounts appropriated in the adopted budget for fiscal years 2025-2026 and 2026-2027, authorizing the City to expend up to \$19,100,000 of future such additional revenues and interest deposited in the OCOH Fund, through Fiscal Year 2027-28 on any programs to address homelessness as described in Business and Tax Regulations Code, Section 2810, without regard to the expenditure percentages in that section; temporarily suspending the limit on funding for short-term rental subsidies; and finding that these reallocations are necessary to achieve the purposes of the Our City, Our Home Fund pursuant to Business and Tax Regulations Code, Section 2811.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in single-underline italics Times New Roman font.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

1
2 Section 1. Background and Findings.

3 (a) In November 2018, the voters approved Proposition C and imposed a
4 Homelessness Gross Receipts Tax to fund programs to prevent and address homelessness.
5 As stated in the measure, “San Francisco is experiencing a housing crisis of historic
6 proportions that has led to a major humanitarian and public health crisis in large-scale
7 homelessness for which the City has insufficient resources to address.”

8 (b) Recognizing the scope of the crisis, the voters identified a range of purposes for
9 the tax, the proceeds of which the City deposits in the Our City, Our Home (“OCOH”) Fund.
10 Among other things, the tax is intended to help the City house the homeless; expand the
11 number of shelter beds; eliminate waiting periods for shelter; decrease the visible presence of
12 homeless people and tent encampments on City streets; move unhoused people into stable
13 housing; fund legal assistance, rent subsidies, mental health services, and substance abuse
14 services to keep people housed; reduce overall costs for the City; and fund certain specified
15 programs. The purposes of November 2018 Proposition C are codified at Business and Tax
16 Regulations Code Section 2802.

17 (c) To achieve these purposes, Business and Tax Regulations Code Section 2810
18 identifies four eligible programs that the City may spend OCOH funds on – Permanent
19 Housing, Homeless Shelters, Homelessness Prevention, and Mental Health Treatment for
20 Homeless Individuals – and identifies a maximum or minimum percentage of the total OCOH
21 Fund balance that each eligible program receives. Section 2810 further states that OCOH
22 funds shall be appropriated subject to the budgetary and fiscal provisions of the Charter, and
23 that any amounts remaining in the OCOH Fund at the end of a fiscal year shall be held in the
24 OCOH Fund to be added to amounts available for appropriation on eligible programs in any
25 future year. In Section 2811, the voters also authorized the Board of Supervisors to amend

1 the measure, by ordinance, by a two-thirds vote and only to further the findings and intent
2 summarized above in subsection (b). Accordingly, in 2023 and 2024, the Board adopted
3 Ordinance Nos. 185-23 and 202-24, which together reallocated more than \$30,000,000 in
4 interest income from the Fund so that the City could more effectively address homelessness
5 in fiscal years 2023-2024 and 2024-2025, despite the specific expenditure percentages that
6 otherwise would have applied in those fiscal years.

7 (d) The City continues to fund all implemented programs recommended by the
8 OCOH Oversight Committee, which makes recommendations for the use of the Fund. And
9 yet, there is a significant unencumbered balance in the Fund (approximately \$59,517,000)
10 and estimated interest earnings on ~~these~~ Fund balances (approximately \$28,978,000), in
11 large part because the City has obtained approximately \$100 million in state grants for
12 permanent housing, including projects dedicated to families and transitional age youth. The
13 original percentage allocations in Section 2810 are based estimates of annual revenue and
14 did not anticipate these additional revenues and accrued interest earnings. As this Fund
15 balance sits unspent, the Fund will also continue to receive additional revenue in the coming
16 fiscal years, but thousands of people are still on the streets without adequate shelter, interim
17 housing, and mental health treatment. In the immediate term, there is a particular need to
18 direct more funding to shelter and hygiene programs. The Board of Supervisors finds that to
19 achieve the purposes of the November 2018 Proposition C, the City must meet the crisis
20 where it is currently most acute, and hereby approves a reallocation of a portion of the
21 existing unencumbered revenues and interest earnings over the next two ~~three~~ fiscal years to
22 shelter and hygiene programs, and also approves a reallocation of a portion of the earned
23 interest and the additional revenues if such revenue and interest exceed the amounts
24 appropriated in the adopted budgets in fiscal years 2025-26 and 2026-27 ~~that the Fund will~~
25

1 ~~earn during these fiscal years~~, so that the City can spend these revenues on eligible
2 expenditures defined in Section 2810 to prevent and address homelessness.

3
4 Section 2. Under the authority in Business and Tax Regulations Code Section 2811,
5 for fiscal year 2025-2026:

6 (a) Expenditures on short-term rental subsidies may exceed the percentage
7 specified in Business and Tax Regulations Code subsection 2810(b)(3)(A)(i); and,

8 (b) Up to ~~\$14,576,000~~14,487,000 of interest earned in the Fund, comprised of
9 \$8,358,000 of interest earned and \$6,218,000 of unprogrammed Fund balance, which
10 otherwise would have accrued to general permanent housing (~~\$9,238,000~~6,129,000); and
11 permanent housing for homeless youth aged 18 through 29 (~~\$5,338,000~~2,229,000),
12 ~~permanent housing for homeless families with children (\$2,786,000), and homelessness~~
13 ~~prevention (\$3,343,000)~~, shall instead be allocated to shelters and hygiene programs
14 (subsection 2810(b)(3)(B)), for programming such as:

15 (1) Hotel vouchers for families experiencing homelessness;

16 (2) Expanded shelter capacity, including clinical staffing for existing shelter
17 sites; and

18 (3) Hotel vouchers for victims of domestic violence.

19
20 Section 3. Under the authority in Business and Tax Regulations Code Section 2811, for
21 fiscal year 2026-2027:

22 (a) Expenditures on short-term rental subsidies may exceed the percentage
23 specified in Business and Tax Regulations Code subsection 2810(b)(3)(A)(i); and,

24 (b) Up to ~~\$20,201,000~~36,516,000 in the Fund, comprised of approximately
25 \$9,054,000~~22,025,000~~ of unencumbered unprogrammed Fund balance and

1 ~~\$11,147,000~~14,491,000 of earned interest, which otherwise would have accrued to general
2 permanent housing (~~\$9,148,000~~12,423,000), permanent housing for homeless youth aged 18
3 through 29 (~~\$5,248,000~~8,523,000), and permanent housing for homeless families with
4 children (~~\$5,805,000~~9,080,000), ~~and homelessness prevention (\$6,490,000)~~, shall instead be
5 allocated to shelters and hygiene programs (subsection 2810(b)(3)(B)), for programming such
6 as:

7 (1) Hotel vouchers for families experiencing homelessness;

8 (2) Expanded shelter capacity, including clinical staffing for existing shelter
9 sites; and

10 (3) Hotel vouchers for victims of domestic violence.

12 Section 4. ~~Under the authority in Business and Tax Regulations Code Section 2811, for~~
13 ~~fiscal year 2027-2028:~~

14 ~~(a) — Expenditures on short-term rental subsidies may exceed the percentage~~
15 ~~specified in Business and Tax Regulations Code subsection 2810(b)(3)(A)(i); and,~~

16 ~~—— (b) — Up to \$37,492,000 in unencumbered Fund balance, which otherwise~~
17 ~~would have accrued to general permanent housing (\$8,888,000), permanent housing for~~
18 ~~homeless youth aged 18 through 29 (\$20,662,000), and permanent housing for homeless~~
19 ~~families with children (\$7,942,000), shall instead be allocated to shelters and hygiene~~
20 ~~programs (subsection 2810(b)(3)(B)).~~

22 Section 45. Under the authority in Business and Tax Regulations Code Section 2811,
23 if future revenues and future earned interest deposited in the OCOH Fund exceed the
24 amounts appropriated in the adopted budget for fiscal years 2025-2026 and 2026-2027, the
25 Board of Supervisors authorizes the City to expend up to \$19,100,000 of such additional

1 revenues or interest ~~future revenues that will be deposited in the OCOH Fund through fiscal~~
2 ~~year 2027-28, after addressing the specified costs required under subsections 2810(b)(1) and~~
3 ~~(2),~~ among any or all of the eligible programs to address or prevent homelessness as
4 described in subsections 2810(b)(3)(A)-(D), notwithstanding the specific percentage
5 allocations that would otherwise apply, subject to approval by the Board of Supervisors by
6 appropriation.
7

8 Section 56. Prerequisites for Enactment; Super-Majority Vote Requirement. The
9 enactment of Sections 2, 3, and 4, ~~and 5~~ of this ordinance are subject to Section 2811 of the
10 Business and Tax Regulations Code, which requires the amendments to be approved by a
11 supermajority vote of at least eight members of the Board of Supervisors.
12

13 Section 67. Effective Date. This ordinance shall become effective 30 days after
14 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
15 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
16 of Supervisors overrides the Mayor's veto of the ordinance.
17

18 Section 78. Undertaking for the General Welfare. In enacting and implementing this
19 ordinance, the City is assuming an undertaking only to promote the general welfare. It is not
20 assuming, nor is it imposing on its officers and employees, an obligation for breach of which it
21 is liable in money damages to any person who claims that such breach proximately caused
22 injury.
23

24 Section 89. Severability. If any section, subsection, sentence, clause, phrase, or word
25 of this ordinance, or any application thereof to any person or circumstance, is held to be

1 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
2 shall not affect the validity of the remaining portions or applications of the ordinance. The
3 Board of Supervisors hereby declares that it would have passed this ordinance and each and
4 every section, subsection, sentence, clause, phrase, and word not declared invalid or
5 unconstitutional without regard to whether any other portion of this ordinance or application
6 thereof would be subsequently declared invalid or unconstitutional.

7
8 Section 940. No Conflict with Federal or State Law. Nothing in this ordinance shall be
9 interpreted or applied so as to create any requirement, power, or duty in conflict with any
10 federal or state law.

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12 APPROVED AS TO FORM:
13 DAVID CHIU, City Attorney

14 By: /s/
15 BRADLEY A. RUSSI
Deputy City Attorney

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