

REVISED LEGISLATIVE DIGEST
(Amended in Committee, 6/28/2023)

[Funding Reallocation - Our City, Our Home Homelessness Gross Receipts Tax - Services to Prevent Homelessness - \$16,360,000]

Ordinance reallocating approximately \$16,360,000 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 prevent homelessness; temporarily suspending the limit on funding 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 four "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 \$16,360,000 OCOH funding increase during Fiscal Years 2023-24 and 2024-25 for shelter and homelessness prevention, 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 in the affordable housing for transitional age youth (\$3,444,000), affordable housing for families (\$4,305,000), and mental health (\$8,610,000) categories. The ordinance would also allow expenditures above the 12% cap for short-term rental subsidies. All of these changes would apply to the next two fiscal years only. After 2024-25, the expenditure percentages would revert to those specified in Article 28.

Background Information

The ordinance reallocates interest income that the Fund earned due to the City initially not making expenditures from the Fund due to legal challenges (which were not successful). Given the current state of the homelessness crisis, it is necessary to reallocate funds to where they are most needed.

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