[Funding Reallocation - Homelessness Gross Receipts Tax - Our City, Our Home Fund - Services to Address Homelessness - $88,495,000 Plus Future Revenue - Through FY2027-2028]

Ordinance authorizing the City to reallocate approximately $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) 2027-2028 for certain types of services to address homelessness, notwithstanding the expenditure percentages set forth in Business and Tax Regulations Code, Section 2810; authorizing the City to expend future revenues deposited in the OCOH Fund through Fiscal Year 2027-2028 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:

Section 1. Background and Findings.

(a) In November 2018, the voters approved Proposition C and imposed a Homelessness Gross Receipts Tax to fund programs to prevent and address homelessness.

As stated in the measure, “San Francisco is experiencing a housing crisis of historic proportions that has led to a major humanitarian and public health crisis in large-scale homelessness for which the City has insufficient resources to address.”

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

(c) To achieve these purposes, Business and Tax Regulations Code Section 2810 identifies four eligible programs that the City may spend OCOH funds on – Permanent Housing, Homeless Shelters, Homelessness Prevention, and Mental Health Treatment for Homeless Individuals – and identifies a maximum or minimum percentage of the total OCOH Fund balance that each eligible program receives. Section 2810 further states that OCOH funds shall be appropriated subject to the budgetary and fiscal provisions of the Charter, and that any amounts remaining in the OCOH Fund at the end of a fiscal year shall be held in the OCOH Fund to be added to amounts available for appropriation on eligible programs in any future year. In Section 2811, the voters also authorized the Board of Supervisors to amend the measure, by ordinance, by a two-thirds vote and only to further the findings and intent summarized above in subsection (b). Accordingly, in 2023 and 2024, the Board adopted Ordinance Nos. 185-23 and 202-24, which together reallocated more than $30,000,000 in interest income from the Fund so that the City could more effectively address homelessness

in fiscal years 2023-2024 and 2024-2025, despite the specific expenditure percentages that otherwise would have applied in those fiscal years.

(d) The City continues to fund all implemented programs recommended by the OCOH Oversight Committee, which makes recommendations for the use of the Fund. And yet, there is a significant unencumbered balance in the Fund (approximately $59,517,000) and estimated interest earnings on these balances (approximately $28,978,000), in large part because the City has obtained approximately $100 million in state grants for permanent housing, including projects dedicated to families and transitional age youth. The original percentage allocations in Section 2810 are based estimates of annual revenue and did not anticipate these additional revenues and accrued interest earnings. As this Fund balance sits unspent, the Fund will also continue to receive additional revenue in the coming fiscal years, but thousands of people are still on the streets without adequate shelter, interim housing, and mental health treatment. In the immediate term, there is a particular need to direct more funding to shelter and hygiene programs. The Board of Supervisors finds that to achieve the purposes of the November 2018 Proposition C, the City must meet the crisis where it is currently most acute, and hereby approves a reallocation of the existing unencumbered revenues and interest earnings over the next three fiscal years to shelter and hygiene programs, and also approves a reallocation of the additional revenues that the Fund will earn during those fiscal years, so that the City can spend these revenues on eligible expenditures defined in Section 2810 to prevent and address homelessness.

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

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

(b) Up to $14,487,000 of interest earned in the Fund, which otherwise would have accrued to general permanent housing ($6,129,000), permanent housing for homeless youth aged 18 through 29 ($2,229,000), permanent housing for homeless families with children ($2,786,000), and homelessness prevention ($3,343,000), shall instead be allocated to shelters and hygiene programs (subsection 2810(b)(3)(B)).

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

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

(b) Up to $36,516,000 in the Fund, comprised of approximately $22,025,000 of unencumbered Fund balance and $14,491,000 of earned interest, which otherwise would have accrued to general permanent housing ($12,423,000), permanent housing for homeless youth aged 18 through 29 ($8,523,000), permanent housing for homeless families with children ($9,080,000), and homelessness prevention ($6,490,000), shall instead be allocated to shelters and hygiene programs (subsection 2810(b)(3)(B)).

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

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

(b) Up to $37,492,000 in unencumbered Fund balance, which otherwise would have accrued to general permanent housing ($8,888,000), permanent housing for homeless youth aged 18 through 29 ($20,662,000), and permanent housing for homeless

families with children ($7,942,000), shall instead be allocated to shelters and hygiene programs (subsection 2810(b)(3)(B)).

Section 5. Under the authority in Business and Tax Regulations Code Section 2811, the Board of Supervisors authorizes the City to expend future revenues that will be deposited in the OCOH Fund through fiscal year 2027-28, after addressing the specified costs required under subsections 2810(b)(1) and (2), among any or all of the eligible programs to address or prevent homelessness as described in subsections 2810(b)(3)(A)-(D), notwithstanding the specific percentage allocations that would otherwise apply.

Section 6. Prerequisites for Enactment; Super-Majority Vote Requirement. The enactment of Sections 2, 3, 4, and 5 of this ordinance are subject to Section 2811 of the Business and Tax Regulations Code, which requires the amendments to be approved by a supermajority vote of at least eight members of the Board of Supervisors.

Section 7. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

Section 8. Undertaking for the General Welfare. In enacting and implementing this ordinance, the City is assuming an undertaking only to promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an obligation for breach of which it is liable in money damages to any person who claims that such breach proximately caused injury.

Section 9. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The Board of Supervisors hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

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

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
MANU PRADHAN
Deputy City Attorney

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