FILE NO. 250609

LEGISLATIVE DIGEST

[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.

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 $88,495,000 OCOH funding increase across Fiscal Years 2025-26, 2026-27, and 2027-28 for shelter and hygiene programs, despite the expenditure

percentages that would otherwise apply to that category. The City would pay for this by reallocating existing unencumbered OCOH funds and earned interest that will have accrued in the Fund, from the categories of general permanent housing ($27,440,000), permanent housing for homeless youth aged 18 through 29 ($31,414,000), permanent housing for homeless families with children ($19,808,000), and homelessness prevention ($9,833,000). The ordinance would also allow expenditures above the 12% cap for short-term rental subsidies.

The ordinance would also allow the City to expend future revenues that will be deposited in the OCOH Fund through fiscal year 2027-28, among any or all of the eligible programs to address or prevent homelessness described above, notwithstanding the specific percentage allocations that would otherwise apply. Funds received after Fiscal Year 2027-28 would remain subject to the expenditure percentages specified in Article 28.

Background Information

The ordinance reallocates current and future OCOH Funds that are available in large part because the City 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. Given the current state of the homelessness crisis, it is necessary to reallocate funds to where they are most needed.

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