FILE NO. 250609

REVISED LEGISLATIVE DIGEST

(Amended in Committee, 6/25/2025)

[Funding Reallocation - Our City, Our Home Homelessness Gross Receipts Tax - Services to Address Homelessness - $34,777,000 Plus Up to $19,100,000 of Future Revenue - Through FY 2026-27]

Ordinance authorizing the City to reallocate approximately $34,777,000 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) 2026-27 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 such additional revenues and interest 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 $34,777,000 OCOH funding increase across Fiscal Years 2025-26 and 2026-27 for shelter and hygiene programs, despite the expenditure percentages that would otherwise apply to that category. The ordinance lists hotel vouchers for families and for domestic violence victims, and improved shelter capacity, as examples of the kinds of shelter programs the funding increase could cover. The City would pay for the increase by reallocating existing unprogrammed OCOH funds and earned interest that will have accrued in the Fund, from the categories of general permanent housing ($18,386,000), permanent housing for homeless youth aged 18 through 29 ($10,586,000), and permanent housing for homeless families with children ($5,805,000). The ordinance would also allow expenditures above the 12% cap for short-term rental subsidies.

If the revenues and interest deposited in the OCOH Fund exceed amounts appropriated in the adopted budget for fiscal years 2025-26 and 2026-27, the ordinance would also authorize the City to expend up to $19,100,000 of such additional interest and revenue (subject to appropriation), among any or all of the eligible programs to address or prevent homelessness described above, notwithstanding the specific percentage allocations that would otherwise apply.

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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