



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

TO: Members of the Our City, Our Home Oversight Committee

FROM: Ben Rosenfield, Controller

DATE: June 22, 2021

SUBJECT: **Our City, Our Home Fund Baseline Requirement, Reclassification of General Fund Advances, and Updated Remaining Balances by Category**

The Our City, Our Home Fund, adopted by the voters in November 2018, establishes a baseline spending level on services defined in the measure prior to the measure's passage, and creates a requirement that only expenditures above that baseline funding level are eligible to be supported by the dedicated tax established in the measure.

The City was sued shortly following the voter's adoption of the measure. During the time of the litigation, the City collected the tax but was unable to spend those proceeds given the risk of refunds should the City lose the case.

While the litigation was ongoing, the Mayor and Board appropriated additional General Funds to increase City spending on these programs. These appropriations were legally established as "advances" during the period when the special tax was collected but could not be released to support eligible expenses – in essence, directing the Controller to later transfer these eligible appropriations into the fund if and when the special tax proceeds become available. These requirements were established by the Board of the Supervisors and Mayor beginning in fiscal year 2018-19 – prior to the current recession – and then codified in each of the adopted budgets that have followed. The current fiscal year budget (FY 2020-21) was balanced assuming this reclassification of eligible expenses into the fund, which is now possible given the final action by the Court upholding the validity of the measure.

The first section of this memo describes our calculation of the baseline spending level established in the measure. The second section then describes our calculation of expenditures above this baseline funding level in subsequent fiscal years. Our office is directed to reclassify these above base "advances" from the now unlocked special tax proceeds. This memo revises one our office issued on February 24, 2020 on the same topic, and reflects additional review, analysis, and findings.

Section One: The Baseline Funding Level

As you are aware, the Our City, Our Home Fund was adopted by the voters to establish a dedicated tax to support services for homeless people and prevent homelessness. Section 2810(d) of the measure includes a “do not supplant” provision, which requires the Controller’s Office to measure the “baseline” amount of appropriations on eligible services for the fiscal year that ended June 30, 2018 (FY 2017-18). The baseline tax can only be spent on any value of eligible services in excess of this baseline funding level.

Our office has calculated that baseline level to be \$200,771,086, which is the total amount budgeted for Proposition C eligible services in the FY 2017-18 budget. As defined in Section 2810(b)(3), eligible services include programs for Permanent Housing, Homeless Shelter and Hygiene, Homelessness Prevention, and Mental Health for Homeless Individuals (Table 1). Per Section 2810(d)(1), the baseline excludes expenditures funded by private funding or funded or mandated by state or federal law.

Table 1. FY 2017-18 Baseline Summary

Departments	Permanent Housing	Homeless Shelter & Hygiene	Homelessness Prevention	Mental Health	Citywide Total
Homelessness and Supportive Housing	101,450,094	48,252,967	21,307,821	-	171,010,883
Human Services Agency	4,925,345	-	1,181,944	-	6,107,289
Mayor's Office of Housing and Community Development	10,398,463	-	9,145,615	-	19,544,078
Public Health	-	-	-	-	-
Public Works	-	4,108,836	-	-	4,108,836
Total Baseline	116,773,903	52,361,803	31,635,380	-	200,771,086

The following sections describe the amounts comprising the FY 2017-18 baseline for Proposition C and the measurement methodology. All figures are derived from the FY 2017-18 Annual Appropriation Ordinance, and are summarized below by department.

Department of Homelessness and Supportive Housing

The baseline for Homelessness and Supportive Housing of \$171,010,883 includes \$101,450,094 for Permanent Housing; \$48,252,967 for Homeless Shelter and Hygiene; and \$21,307,821 for Homelessness Prevention (Table A-1).

Table A-1. FY 2017-18 Baseline Summary for Homelessness and Supportive Housing

Program	Permanent Housing	Homeless Shelter & Hygiene	Homelessness Prevention	Mental Health	Department Total
CBO Services for Children	-	675,070	-	-	675,070
Services for Transitional-Aged Youth	5,831,341	2,455,802	887,927	-	9,175,071
Street Outreach	-	-	8,775,254	-	8,775,254
Shelter and Permanent Supportive Housing	80,665,786	35,197,095	11,644,641	-	127,507,521
Navigation Center Planning and Construction	-	9,925,000	-	-	9,925,000
Human Services Care	14,505,903	-	-	-	14,505,903
Homeless Outreach and Prevention	447,064	-	-	-	447,064
Total Baseline	101,450,094	48,252,967	21,307,821	-	171,010,883

The baseline excludes staffing and operating costs for administration of programs unrelated to Proposition C eligible services. In FY 2017-18, 59%, 29%, and 10% of the department's contractual services were for Permanent Housing, Homeless Shelter and Hygiene, and Homelessness Prevention, respectively. Two program areas -- "Services for Transitional-Aged Youth" and "Shelter and Permanent Supporting Housing" -- were budgeted in a way that made it difficult to clearly categorize the budgets within Section 2810(b)(3)'s four main expenditure groups, even though the programs provided Proposition C eligible services. Budgets for those two program areas were apportioned by the percentages mentioned above.

The Human Service Agency

The baseline for the Human Services Agency of \$6,107,289 include \$4,925,345 for Permanent Housing and \$1,181,944 for Homelessness Prevention. The baseline amount for Permanent Housing consists of \$3,577,903 for housing subsidies to assist seniors and disabled persons, who are at risk of homelessness, with securing permanent housing; \$925,000 of shelter and housing services for people experiencing homelessness requested through work orders from the Department of Homelessness and Supportive Housing; and \$422,442 of discretionary General Fund match for the Housing Support Program, which provides short-term rental subsidies and permanent housing locator services to CalWORKs families living in shelters.

The baseline amount for Homelessness Prevention consists of \$640,000 for rental assistance to fire victims; \$100,000 for the Hotel Extension Program, which assists San Francisco residents affected by disasters and emergency situations such as fire with securing temporary, alternative housing; and \$441,944 for eviction prevention and housing and tenant rights' advocacy for seniors and disabled persons who are at risk of homelessness.

Other homeless or housing services in the Human Services Agency budget for FY 2017-18 are fully state-mandated or state-funded and are excluded from the baseline per Section 2810(d)(1).

The Mayor's Office of Housing and Community Development

The baseline for Mayor's Office of Housing and Community Development (MOHCD) of \$19,544,078 includes \$10,398,463 for Permanent Housing and \$9,145,615 for Homelessness Prevention (Table A-2).

Table A-2. FY 2017-18 Baseline Summary for Mayor's Office of Housing and Community Development

Program	Permanent Housing	Homelessness Prevention	Department Total
Loans for Construction of Permanent Housing	5,000,000	-	5,000,000
Permanent Housing for Low-Moderate Income Individuals	3,000,000	-	3,000,000
Multifamily Housing Development Work for the Homeless	1,654,159	-	1,654,159
Low-Income Housing Funded by Hotel Tax Revenue	744,304	-	744,304
Legal Representation in Eviction Prevention Cases	-	4,984,400	4,984,400
Case Management, Conflict Mediation, & Housing Search	-	3,881,985	3,881,985
Housing Opportunities for Persons Living With AIDS (HOPWA)	-	150,000	150,000
Ellis Act and Displaced Tenant Housing Preference	-	129,230	129,230
Total Baseline	10,398,463	9,145,615	19,544,078

The baseline amount for Permanent Housing consists of \$5,000,000 for loans issued by the City for construction of permanent housing; \$3,000,000 for construction of permanent housing for low and moderate income individuals; and \$1,654,159 for staffing and direct administrative costs for multifamily housing development work for formerly homeless individuals and people at risk of homelessness. Approximately 30% of the new multifamily units funded by MOHCD are filled with formerly homeless people or people at risk of becoming homeless. This percentage was used to measure the portion of staffing and operational support that is Proposition C eligible for these programs. In addition, \$744,304 of one-time funding of low-income housing from hotel tax revenue is included in the Permanent Housing baseline.

The baseline amount for Homelessness Prevention consists of \$4,984,400 for staffing costs and grants to community-based organizations (CBOs) to provide legal representation in eviction prevention cases; \$3,881,985 for grants to CBOs for case management, conflict mediation, legal representation, and housing search services; \$150,000 for Housing Opportunities for Persons Living With AIDS; and \$129,230 for staffing costs to administer the Ellis Act and Displaced Tenant Housing Preference program.

The Department of Public Health

The measure permits the use of the dedicated tax only for new services established beginning in FY 2018-19 that are specifically designed for homeless individuals with a need for mental health services. Accordingly, there are no eligible costs for mental health services in FY 2017-18, the base year established by the measure.

The Department of Public Works

The baseline for Public Works of \$4,108,836 for Homeless Shelter and Hygiene consists of budgeted direct program expenditures and overhead costs for the Pit Stop program, which are funded by the General Fund.

Section Two: Measurement of Subsequent Year Budgets versus the Baseline Level

Applying the same methodology to subsequent fiscal years, our office has completed a review of total eligible City spending, which is summarized in Table A-3 below. As noted, City spending on eligible programs has increased significantly above the required baseline during this period. Details regarding these appropriations are attached as an appendix to this memo.

Table A-3: Total Eligible Expenses vs. Baseline
(\$ in millions)

Prop C Category	2017-18	2018-19	2019-20	2020-21
Permanent Housing	\$116.8	\$146.3	\$160.6	\$181.3
Temporary Shelter & Hygiene	\$52.4	\$88.7	\$92.8	\$77.4
Homelessness Prevention	\$31.6	\$35.7	\$62.9	\$47.6
Mental Health	\$0.0	\$12.8	\$4.5	\$7.7
Total	\$200.8	\$283.5	\$320.8	\$314.0
FY 2017-18 Baseline	\$200.8	\$200.8	\$200.8	\$200.8
Total Appropriations Above Baseline	\$0.0	\$82.8	\$120.0	\$113.2

These total above-baseline amounts must then be constrained by allocation limits contained in the measure for various service categories. Specifically, no more than 10% of tax revenues received in a given fiscal year may be allocated for shelter and hygiene services and no more than 15% may be allocated to homelessness prevention. Additionally, reclassification of eligible advanced expenses into the fund in the current year are constrained by the total approved by the Board of Supervisors of \$196 million. Given actual revenues received during each fiscal year, these constraints are summarized below in Table A-4.

Table A-4: Total Above-Baseline Spending Constrained by Category Caps
(\$ in millions)

Prop C Category	2017-18	2018-19	2019-20	2020-21
Total Appropriations Above Baseline	\$0.0	\$82.8	\$120.0	\$113.2
<u>Reductions for Category Caps</u>				
Permanent Housing	\$0.0	\$0.0	\$0.0	-\$43.6
Temporary Shelter & Hygiene	\$0.0	-\$29.8	-\$3.0	-\$8.7
Homelessness Prevention	\$0.0	\$0.0	\$0.0	-\$13.1
Mental Health	\$0.0	\$0.0	\$0.0	-\$17.4
Above Baseline Advanced Expenditures	\$0.0	\$53.0	\$117.0	\$26.0
Three Year Total =				\$196.0

Absent additional action by the Mayor and Board, our office has been directed to reclassify these advanced expenses in FY 2020-21, resulting in the final advance reclassifications displayed in Table A-5.

Table A-5: Advanced Expenditures by Category

(\$ in millions)

Prop C Category	2018-19	2019-20	2020-21	Total
Permanent Housing	\$29.6	\$43.8	\$19.9	\$93.3
Temporary Shelter & Hygiene	\$6.6	\$37.4	\$6.1	\$50.0
Homelessness Prevention	\$4.1	\$31.2	\$0.0	\$35.3
Mental Health	\$12.8	\$4.5	\$0.0	\$17.3
Total Advanced Expenditures	\$53.0	\$117.0	\$26.0	\$196.0

Thank you for your review and consideration of this analysis. As always, please reach out to me at ben.rosenfield@sfgov.org with any questions or comments you have.

Attachment: Eligible Expenses by Program

(\$ in millions)

Cat	Dept	Description	2017-18	2018-19	2019-20	2020-21	2021-22
Permanent Housing							
	HSA	Shelter & Housing for Homeless	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0
	HSA	SRO Masterlease in CalFresh Employment & Training (CFET)	\$0.0	\$0.8	\$0.8	\$0.8	\$0.8
	HSA	Bringing Families Home	\$0.0	\$0.4	\$0.4	\$0.4	\$0.4
	HSA	Housing Support for CalWorks families	\$0.4	\$0.2	\$0.2	\$0.1	\$0.1
	HSA	Housing Services under Community Services Block Grant	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2
	HSA	Support for homeless seniors & disabled persons	\$3.6	\$2.1	\$2.1	\$2.9	\$3.1
	MOH	Board Enhancement	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9
	MOH	Case Management CBO for HOPWA	\$0.0	\$0.0	\$1.3	\$1.4	\$1.4
	MOH	Senior Subsidy	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1
	MOH	Housing development	\$0.8	\$0.7	\$0.8	\$0.0	\$0.0
	MOH	Loans for Permanent Housing Construction	\$5.0	\$5.4	\$6.4	\$0.0	\$0.0
	MOH	ERAF Gap Housing	\$0.0	\$0.0	\$18.6	\$0.0	\$0.0
	MOH	Multifamily Housing for the Homeless	\$0.8	\$0.8	\$0.7	\$27.0	\$0.8
	MOH	One-time funding of low income housing from hotel tax	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0
	MOH	Housing Trust Fund	\$0.0	\$0.0	\$0.0	\$6.3	\$6.9
	MOH	Permanent housing construction	\$3.0	\$1.5	\$1.5	\$1.5	\$1.5
	HSH	Homeless Programs for Transitional-Aged Youth Based	\$5.8	\$6.1	\$6.7	\$7.6	\$7.7
	HSH	Shelter & Housing for the Homeless	\$81.1	\$72.9	\$76.4	\$78.8	\$87.4
	HSH	Local Operating Subsidy Program	\$0.0	\$0.0	\$0.0	\$10.7	\$10.7
	HSH	Philanthropy Housing	\$0.0	\$0.0	\$0.0	\$0.4	\$2.4
	HSH	1K Person Project	\$0.0	\$4.0	\$4.0	\$0.0	\$0.0
	HSH	HSH Masterlease Capital Needs	\$0.0	\$3.0	\$0.5	\$0.0	\$0.0
	HSH	Housing Enhancement	\$0.0	\$0.0	\$1.0	\$23.2	\$0.0
	HSH	Human Services Care	\$14.5	\$14.4	\$18.8	\$20.0	\$20.6
	HSH	Homeless Outreach	\$0.0	\$0.0	\$0.5	\$0.2	\$0.2
	HSH	SRO Deep Rent Subsidies	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
	HSA	Senior Operating Subsidies	\$0.0	\$0.0	\$5.0	\$0.0	\$0.0
	HSH	Masterlease Housing	\$0.0	\$15.2	\$7.6	\$0.0	\$0.0
	HSH	Rapid Family Rehousing	\$0.0	\$0.0	\$2.1	\$0.0	\$0.0
	HSH	Hardship Fund for SRO	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0
	MOH	Affordable Housing Acquisition & Development	\$0.0	\$0.0	\$4.1	\$0.0	\$0.0
	MOH	Acquire Housing Sites	\$0.0	\$4.2	\$0.0	\$0.0	\$0.0
	MOH	Housing Projects Development	\$0.0	\$12.7	\$0.0	\$0.0	\$0.0
	MOH	HousingProject PreDevelopment	\$0.0	\$1.8	\$0.0	\$0.0	\$0.0
Total - Permanent Housing:			\$116.8	\$146.3	\$160.6	\$181.3	\$147.2
Homeless Shelter & Hygiene							
	DPW	Pit Stops	\$3.9	\$4.7	\$8.1	\$7.8	\$7.6
	DPW	Street Environmental Services - Labor Costs	\$0.3	\$0.3	\$0.3	\$0.0	\$0.0
	HSA	SRO Masterlease in CalFresh Employment & Training (CFET)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	MOH	Legal Services for Eviction Prevention	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	HSH	Children's Baseline Eligible Homeless Programs Spending	\$0.7	\$1.3	\$1.3	\$1.3	\$1.3
	HSH	Homeless Programs for Transitional-Aged Youth Based	\$2.5	\$2.7	\$3.0	\$4.1	\$4.2
	HSH	Shelter & Housing for the Homeless	\$35.2	\$35.9	\$39.8	\$40.8	\$41.6
	HSH	Shelter Utilities	\$0.0	\$0.0	\$0.0	\$0.6	\$0.6
	HSH	1K Person Project	\$0.0	\$2.6	\$2.4	\$0.0	\$0.0
	HSH	SAFE Parking	\$0.0	\$0.0	\$0.3	\$1.3	\$1.3
	HSH	Shelter And Navigation Cent	\$4.0	\$19.8	\$30.2	\$18.7	\$18.7
	HSH	Additional one time Safe Sleeping Investment	\$0.0	\$0.0	\$0.0	\$2.0	\$0.0
	HSH	Emergency Re-Sheltering Program for Unsheltered Families	\$0.0	\$0.0	\$0.0	\$0.7	\$0.7
	HSH	Shelter housing for LGBTQ unhoused adults	\$0.0	\$0.0	\$0.0	\$0.2	\$0.4
	HSH	Homeless Shelters Planning	\$5.9	\$0.0	\$0.0	\$0.0	\$0.0
	HSH	Navigation Center Expansion	\$0.0	\$6.4	\$0.0	\$0.0	\$0.0
	HSH	SAFE Emergency Shelter	\$0.0	\$15.0	\$7.5	\$0.0	\$0.0
Total - Homeless Shelter & Hygiene:			\$52.4	\$88.7	\$92.8	\$77.4	\$76.3

Attachment: Eligible Expenses by Program
(\$ in millions)

Cat	Dept	Description	2017-18	2018-19	2019-20	2020-21	
Homelessness Prevention							
HSA		Rent assistance for fire victims	\$0.7	\$2.1	\$1.9	\$1.8	\$2.1
HSA		Homeless Housing & Supportive Services for Emergencies & Disasters	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1
HSA		Housing Services under Community Services Block Grant	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
HSA		Benefits Navigators in Homeless Shelters	\$0.0	\$0.0	\$0.3	\$0.5	\$0.5
HSA		Support for homeless seniors & disabled persons	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5
MOH		CBOs for Legal Representation	\$1.7	\$0.5	\$0.9	\$0.0	\$0.0
MOH		Board Enhancement	\$0.0	\$0.0	\$0.0	\$3.5	\$3.7
MOH		Ellis Act Administration	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
MOH		Hope SF Initiative	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0
MOH		Case Management CBO for HOPWA	\$0.2	\$0.1	\$0.1	\$0.6	\$0.6
MOH		Legal Services for Eviction Prevention	\$3.1	\$7.4	\$10.8	\$7.6	\$6.7
MOH		Eviction Prevention	\$0.2	\$0.2	\$0.2	\$0.0	\$0.0
MOH		Case Management, Conflict Mediation, Legal Representation	\$3.9	\$4.1	\$4.3	\$0.0	\$0.0
MOH		Housing Trust Fund	\$0.0	\$0.0	\$0.0	\$7.2	\$7.2
HSH		Homeless Programs for Transitional-Aged Youth Based	\$0.9	\$0.7	\$0.9	\$1.3	\$1.3
HSH		Street Outreach	\$8.8	\$9.7	\$9.4	\$9.5	\$9.6
HSH		Mobile Homeless Service	\$0.0	\$0.0	\$0.3	\$0.1	\$0.1
HSH		Shelter & Housing for the Homeless	\$11.6	\$8.8	\$9.8	\$10.0	\$10.0
HSH		1K Person Project	\$0.0	\$1.2	\$1.1	\$0.0	\$0.0
HSH		1K Person Project - TAY	\$0.0	\$0.3	\$0.5	\$0.0	\$0.0
HSH		HSOC	\$0.0	\$0.0	\$0.7	\$0.8	\$0.8
HSH		1064-68 Mission	\$0.0	\$0.0	\$0.0	\$0.8	\$0.2
HSH		Homeless Outreach	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3
HSH		African American Homelessness Support Programs	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3
HSH		New Flexible Housing Subsidy Pool for Families	\$0.0	\$0.0	\$0.0	\$1.3	\$1.7
HSH		New Flexible Housing Subsidy Pool for Transition-Age Youth (TAY)	\$0.0	\$0.0	\$0.0	\$0.6	\$0.6
HSH		Need-based family housing subsidies	\$0.0	\$0.0	\$0.0	\$0.5	\$0.5
HSH		Mobile Homeless Services for D1 & D4	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0
HSH		Support for unhoused in D10	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0
HSH		Homelessness Prevention	\$0.0	\$0.0	\$2.3	\$0.0	\$0.0
MOH		Rental Subsidies-TAY & LGBTQ	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0
MOH		Emergency Rental Assistance	\$0.0	\$0.0	\$1.6	\$0.0	\$0.0
MOH		Cooperative Living	\$0.0	\$0.0	\$6.0	\$0.0	\$0.0
MOH		Homeless Family Housing Voucher	\$0.0	\$0.0	\$5.0	\$0.0	\$0.0
MOH		Senior Disabled Housing Subsidy	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0
MOH		HIV+ Resident Housing Subsidy	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0
Total - Homelessness Prevention:			\$31.6	\$35.7	\$62.9	\$47.6	\$46.7
Mental Health							
DPH		Personal Assisted Employment Services		\$0.0	\$0.0	\$0.0	\$0.0
DPH		Mental Health Transition Acute Health Care		\$0.0	\$0.0	\$0.0	\$3.4
DPH		Mental Health Substance Use Disorder Services Recovery		\$0.0	\$0.0	\$0.0	\$5.8
DPH		Mental Health Long-Term Care		\$2.9	\$3.5	\$4.3	\$6.4
DPH		Substance Use Disorder Services Community Care		\$0.0	\$0.0	\$0.0	\$6.1
DPH		Mental Health for Children		\$0.3	\$0.3	\$0.3	\$0.4
DPH		Mental Health for Adults		\$0.2	\$0.7	\$2.9	\$5.5
DPH		Medical Respite and Sobering		\$0.0	\$0.0	\$0.0	\$6.9
DPH		SF HealingCenter Beds		\$4.4	\$0.0	\$0.0	\$0.0
DPH		SubstanceRecoveryBeds		\$5.0	\$0.0	\$0.1	\$0.0
DPH		Open Residential Treatment Bed		\$0.0	\$0.0	\$0.0	\$0.0
Total - Mental Health			\$0.0	\$12.8	\$4.5	\$7.7	\$34.4
Total			\$200.8	\$283.5	\$320.8	\$314.0	\$304.6
Baseline			\$200.8	\$200.8	\$200.8	\$200.8	\$200.8
Budget in Excess of Baseline			\$0.0	\$82.8	\$120.0	\$113.2	\$103.9