



**OFFICE OF THE CONTROLLER**  
**CITY AND COUNTY OF SAN FRANCISCO**

Ben Rosenfield  
Controller

Todd Rydstrom  
Deputy Controller

## MEMORANDUM

**TO:** Our City, Our Home Oversight Committee

**FROM:** Ben Rosenfield, Controller

**CC:** Jon Givner, Deputy City Attorney

**DATE:** April 30, 2021

**SUBJECT:** **Assessment of Eligibility of Proposed Uses of the Our City, Our Home Fund**

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The Our City, Our Home (OCOH) Oversight Committee is developing recommendations related to the Fiscal Year 2021-2022 and Fiscal Year 2022-2023 budget, including a comprehensive investment plan. The Controller and City Attorney have provided guidance to the Committee and City departments regarding eligible uses of funding under November 2018's Proposition C. Business and Tax Regulations Code Section 2801 authorizes the City to expend Proposition C proceeds in five spending categories: (1) the cost of administering the tax, fund, and oversight committee; (2) permanent housing expenditures; (3) homeless shelter expenditures; (4) homelessness prevention expenditures; and (5) mental health expenditures for homeless individuals.

Last week, members of the Committee requested that the Controller and City Attorney review programs proposed by the Department of Public Health (DPH) as part of the fifth category, Mental Health expenditures. Section 2810(b)(3)(D) defines permissible spending in that category:

*(D) **Mental Health Expenditures for Homeless Individuals.** At least 25% to the Department of Public Health ("DPH") for the creation of a new mental health services program or programs that are specifically designed for Homeless people severely impaired by behavioral health issues. Such uses shall be limited to:*

- (i) Intensive street-based mental health services and case management;*
- (ii) Assertive outreach services;*
- (iii) Mental health and substance abuse treatment, including medications;*
- (iv) Peer support;*
- (v) Residential and drop-in services; and*
- (vi) Specialized temporary and long-term housing Rental Assistance, housing linkage, and referrals into supportive housing with continued intensive case management and mental health services that follow people from homelessness into housing.*

In evaluating whether the City may expend Proposition C funds for a particular project under this subsection, the following considerations apply:

- 1) **The service must be new.** This includes entirely new programs, as well as a new service that is an augmentation of an existing service. For example, the City may use Proposition C funds to augment case management staff-to-client ratios or hours because the expansion provides a new service.
- 2) **The service must be specifically designed for homeless people severely impaired by behavioral health issues.** The key inquiry here focuses on the design and goals of the program. The City may expend Proposition C funds on a project that serves non-homeless individuals as long as the project is specifically designed to serve people experiencing homelessness. It is likely that some programs designed to reach and serve people experiencing homelessness will incidentally reach and serve other non-homeless people—and Proposition C does not prohibit that. For example, Proposition C expressly allows the City to spend funds for street outreach teams. This service is specifically designed for homeless people but the teams may come into contact with non-homeless people as well. In that example, Proposition C does not require the City to deny services to people who are not homeless. The same principles apply to DPH proposals related to case management and pharmacy services – if they are designed to be delivered in a means specifically to reach homeless individuals they are eligible, but not if they are designed to be delivered more broadly. Clinical or medical services provided at a site that predominantly serves homeless individuals, for example, would be eligible while a broader augmentation of services at all clinical sites where this was not the case would likely not be unless the augmentation is designed specifically to expand services to homeless people instead of the general client population.

The Committee, the Mayor, and the Board of Supervisors have discretion to make a policy judgment whether the City should expend Proposition C funds for such programs prorated in relation to the proportion of people experiencing homelessness served by the program.

- 3) **The service can be designed to support to formerly homeless individuals in connection with housing in limited circumstances.**

Proposition C allows the City to use funds for short- or long-term intensive case management “that follow homeless people into housing.” This means the City can use funds in the Mental Health category to pay for mental health services for individuals who are new intakes into housing (“followed into housing”) but not for individuals who are already housed (“formerly homeless”). But the City has several options to use Proposition C fund to pay for clinical services for individuals in housing, including those who are formerly homeless:

- **Prorate Based on New Intakes:** The City could appropriate funds from the mental health category in proportion to the number of new housing intakes likely to receive the service. The costs of this service could be prorated to fund enhanced clinical services in all newly acquired housing and a prorated amount in existing buildings based on the number of anticipated new intakes in the year. This prorated amount would likely grow over time as the number of new intakes grows across the existing portfolio.
- **Leverage the Housing Category for Existing Buildings:** Even if the Mental Health category does not apply, the City may fund mental health services for formerly homeless people with funds in the permanent housing category. Section 2810(b)(3)(A)(ii) explicitly allows for “onsite supportive services for formerly homeless adults, families and youth.” If prorated per

the option above, the portion of the service for formerly homeless individuals eligible under this category and may decrease over time as the Mental Health category absorbs the costs for new intakes.

- **Leverage the Prevention Category:** The Homelessness Prevention category authorizes the City to expend funds on certain services including “short-term case management” for people who are at risk of becoming homeless. The Committee, Mayor, and Board of Supervisors could determine that services delivered by DPH in housing fit this category as well.

Consistent with these principles, we understand DPH is submitting revised funding proposals regarding Mental Health spending to the Committee for consideration at its May 3, 2021 meeting. We have reviewed these proposals and determined that they are consistent with the criteria in Proposition C, as described above. Neither the Committee, the Mayor, nor the Board is required to recommend or approve these proposals, but the proposals reflect permissible uses of Proposition C funds.