ATTACHMENT 1
Ranked List of Potential Funding Sources

Attachment 1 in the
Comprehensive Homeless Strategy

Ranked List of Potential Funding Sources

Funding Source	Description	Advantages	Disadvantages/Issues	Implementation Steps	Timeline	Funding Potential	Associated Trust Fund
City Controlled Funding							
Former CRA/LA Excess Non-housing Bond Proceeds	On August 29, 2014, the Council authorized the City to enter into a Bond Expenditure Agreement (BEA) with the former Community Redevelopment Agency of Los Angeles (CRA/LA) and adopted a related Bond Spending Plan for the transfer of approximately $86.4 million in excess bond proceeds (C.F. 14-1174).	These funds could be allocated for affordable housing projects in the short term based solely on the review of the Bond Oversight Committee (BOC) and the approval of the Mayor and Council, subject to availability and eligibility.	•Expenditure of these funds is generally limited to the redevelopment project area that originated the underlying bond and not all project areas have the requisite funds to adequately contribute to housing development •A portion of these funds have already been allocated by Council motion	•Council motion directs relevant department(s) to report to the BOC with a proposal for a specific project or type project •Department(s) report to BOC with a proposal for a project. BOC reviews the proposal and reports to Council with recommendations regarding the project •Council action to approve or deny funding authority for the proposed project	Funding could be allocated within months depending on project readiness, the review of the BOC, and Council approval	•Varies based on the associated redevelopment project area. Potenial funding could range from $100,000 - $5,000,000. •Total funding of $86.4 million	AHTF
Former CRA/LA Excess Housing Bond Proceeds	On June 9, 2015, HCID entered into an agreement with the former CRA/LA for the transfer of excess housing bond proceeds, per the Housing Asset Transfer Agreement (C.F. 12-0049). These one-time funds could be utilized to finance the new construction or rehabilitation of permanent supportive housing (PSH)	These funds could be allocated for affordable housing projects in the short term as gap financing for projects in the HCID Managed Pipeline	Expenditure of these funds is generally limited to the redevelopment project area that originated the underlying bond and few project areas have the requisite funds to adequately contribute to housing development beyond gap financing	Council/Mayor direct HCID to utilize the former CRA/LA excess housing bond proceeds to finance the development or preservation of permanent supportive housing in the City	Funding could be allocated within months depending on the readiness of PSH projects in the Managed Pipeline	Total funding of $12.9 million split among the various RPAs	AHTF
Development Linkage Fee (Affordable Housing Benefit Fee) (Value Capture Financing)	One-time exaction levied on new developments to finance affordable and permanent supportive housing activities within the City. This fee was studied in 2011 but was not implemented.	If approved, this fee could provide a consistent and permanent source of funding for housing development and related services in the City	Potential impact on the rate of development in the City	•Approval of the HCID/DCP request for funding in the amount of $500,000 to conduct a fee study (C.F. 14-0600-S123) •Dependent on the results of the fee study, an Affordable Housing Benefit Fee Ordinance would be developed by DCP and HCID for the review and approval of the Planning Commission, Mayor and Council.	Likely to be one year or longer depending on the length of time it takes to conduct the fee study, prepare the ordinance and receive approval by the Planning Commission, Mayor and Council.	Based on the 2011 fee study revenues could range from $38 to $112 million annually based on the size and scope of the approved fee	HSTF
Inclusionary Zoning Payment-in-Lieu Fee	Should the City decide to pursue Inclusionary Zoning, the ordinance could be designed to allow for developers to avoid the inclusionary zoning provisions if a fee is paid.	This strategy allows for the monetization of inclusionary zoning and minimizes the impact of inclusionary zoning on developers by allowing an option to 'opt out'	The fee amount will need to be balanced such that it is large enough to generate sufficient revenue and that it accurately represents the value of the affordable units that will not be built. Additionally, the fee needs to not be too large that it will negatively impact development in the City	Language for a payment-in-lieu fee for Inclusionary Zoning requirements would be included as part of an Inclusionary Zoning Ordinance as prepared by the Department of City Planning (DCP)	Likely to be one year or longer depending on the length of time it takes to prepare the ordinance and receive approval by the Planning Commission, Mayor and Council.	Unknown, this would vary based on the structure of the Inclusionary Zoning Ordinance and the participation levels of developers	HSTF
Delay Scheduled Business Tax Reductions	Delay implementation of year 2 and year 3 of adopted business tax reductions.	Could be used to finance housing development, flexible vouchers and services	Likely to face broad opposition from special interest groups	As a policy decision, the Mayor and Council could take action to delay the implementation of currently scheduled year 2 and year 3 business tax reductions.	Likely to be three to six months, dependent on the Mayor and Council.	Likely to range from $10 to 20 million per year the tax reductions are delayed	HSTF

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Redevelopment Property Tax Trust Fund Distributions	As part of the dissolution process for the former Community Redevelopment Agency of Los Angeles (CRA/LA) the City receives payments from the Redevelopment Property Tax Trust Fund (RPTTF) administered by the County Auditor Controller (CAC). These are the proportionate amount of the residual tax increment funds collected in active redevelopment project areas (RPAs) after the CAC pays the obligations of the former CRA/LA.	RPTTF distributions received by the City could be re-prioritized from filling budget deficits/ GF obligations to funding homelessness in whole or in part, as a policy decision made by the Mayor and Council. This is one of the few sources of funding that could be implemented without a special election or other factors external to the City.	•RPTTF distributions are already included in budget projections as a source of funds to mitigate future budget deficits and fund existing programs. The designation of these funds, in whole or in part, to fund homelessness initiatives would have a budget impact that would need to be remedied through the identification of substitute funds or reductions in expenditures. •Other City priorities including economic development and housing are being considered by Council to receive funding from RPTTF distributions	A report to Council with proposed amounts for a set-aside, with Mayor approval, could repurpose these funds. Additionally, this could be done through a motion or during budget deliberations.	At Council's discretion, it could be done within a matter of weeks	About $50M annually based on the past three fiscal years. This amount will increase as CRA/LA obligations are paid off until RPAs begin to expire then the amount will decrease. It should be noted that as the RPAs expire these funds will go to the General Fund as part of the general property tax revenue	HSTF
General Fund Set-aside	Council and Mayor could designate a specified amount of General Funds to be set-aside annually to finance activities to address homelessness in the City	Flexible funds that could be used for services or housing construction	Designation of General Funds to address homelessness would have a budget impact that would require the identification of substitute funds or cuts in expenditures, or economic growth	Mayor and/or Council could direct CAO to designate a specific amount of General Funds within the budget to be set aside to address homelessness. This would need to include a direction for the CAO to identify substitute funds or cuts in expenditures.	May be done annually as part of the budget process	Could range from the tens to hundreds of millions depending on the Mayor and Council to prioritize addressing homelessness over other City functions financed by the General Fund	HSTF
Community Development Block Grant	CDBG funds are allocated by the U.S. Department of Housing and Urban Development to promote viable urban communities through decent housing, expanded economic development opportunities and comprehensive social services to persons of low and moderate incomes.	A portion of CDBG funds could be dedicated to addressing homelessness and could fund programs including supportive services. Changes to how these funds are allocated would not directly impact on the General Fund	CDBG funds have been trending downwards in recent years and allocations of additional CDBG funds to address homelessness would likely require reducing funding for or completely defunding other programs financed by CDBG	As a policy decision, the Mayor and Council could prioritize the funding of programs to address homelessness issues in the annual Consolidated Plan over other programs that currently receive funding.	Funds could be allocated as part of the annual Consolidated Plan adopted on an annual basis beginning in April.	If prioritized, funding could equal the City's public services limit (Current Year=$16.4 million)	HSTF
Debt Financing by the Municipal Improvement Corporation of Los Angeles (MICLA) (General Fund Obligation)	MICLA creates a financing mechanism for the acquisition of capital assets whereby the City serves as the lessor in lease-purchase transactions financing the acquisition of capital equipment and real property. The assets are then leased to the City under long-term capital lease agreements and become property of the City at the termination of the lease. MICLA's issued debt is a General Fund Obligation.		•MICLA's current project funding list is lengthy. Unless affordable housing projects are reprioritized, any new additions to the list would not start in the forseeable future. •MICLA is subject to the City's 6% non-voter approved debt ceiling •MICLA is a General Fund obligation and would require that General Funds be set-aside for the repayment of the MICLA financed debt	Mayor and Council could direct/request the prioritization of homeless infrastructure projects (housing or storage) to be financed through MICLA. This would require delaying other projects currently in the queue for financing from MICLA	Dependent on Mayor and Council action to prioritize homelessness projects ahead of projects currently in the queue for MICLA debt financing.	Depending on the structure of the financing (whether it is for singular projects or a set of projects), funding could be in the tens to hundreds of millions	AHTF
Voter Approved Funding							
Billboard Tax	Tax assessed on the sale price for new purchases of billboards in the City.	Could serve as a dedicated flexible funding source to address homelessness issues.	Billboard tax measure has failed in the past due to general opposition to billboards.	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	Annual funding approximately in the amount of $25 million based on a new 12 percent tax on off-site signs	HSTF

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Funding Source	Description	Advantages	Disadvantages/Issues	Implementation Steps	Timeline	Funding Potential	Associated Trust Fund
Demolition Fees	Fee levied on developers when housing units are demolished or removed. May conflict with current replacement housing requirements within the City. If so, those provisions could potentially be expanded to apply to a broader set of property types than current law	Could serve as a dedicated flexible funding source to address homelessness issues	Potentially volatile funding source as it depends on the quantity of housing units being demolished/removed.	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	Unknown. Dependent on the size and scope of the fee. Regardless of the size of the fee it would take at least a year before adequate funds are received by the City should this fee be implemented	HSTF
Conversion Fees	Fee levied on rental properties that are converted to condominiums. Such a fee is used in other jurisdictions to mitigate the negative impact of real estate condominium speculation on the local affordable housing supply	Could serve as a dedicated flexible funding source to address homelessness issues	Potentially volatile funding source as it depends on the quantity of housing units being converted.	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	Unknown. Dependent on the size and scope of the fee. Regardless of the size of the fee it would take at least a year before adequate funds are received by the City should this fee be implemented	HSTF
Documentary Transfer Fee (DTF)	DTF is an assessment made at the point of a real estate property sale or a transfer of controlling interest in a legal entity holding. Current rate: $2.25 per $500 of sales tax, while County collects additional $0.55 per $500 sales tax as a Property Transfer tax.	•If approved by the voters, this would provide a dedicated funding stream to address homelessness •Could be used to finance housing development, flexible vouchers and services	•The fee is considered to be a volatile General Fund revenue source. Revenue growth or decline is linked to home and sales volume. •Potential concerns from stakeholders	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	TBD	HSTF
Parking Occupancy Tax	Parking Occupancy Tax is levied on the rental of parking spaces operated in the City. Current Rate: 10 percent of the parking fee.	•If approved by the voters, this would provide a dedicated funding stream to address homelessness •Could be used to finance housing development, flexible vouchers and services	•Like the DTF, also an volatile revenue source. •Reallocation of parking occupancy tax would be removing funding that would otherwise be going to the General Fund.	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	Annual funding potential estimated at approximately $50 million annually based on a tax increase from 10 percent to 15 percent.	HSTF
Transient Occupancy Tax (TOT)	TOT is levied on rent of hotel or motel rooms, and is collected by the operator and remitted to the City monthly. Current Rate: 14-percent; 13-percent is remitted to the General Fund and the remaining 1-percent goes to the LA Visitors and Convention Center Bureau Trust Fund.	•If approved by the voters, this would provide a dedicated funding stream to address homelessness •Could be used to finance housing development, flexible vouchers and services	•TOT is also an erratic source of revenue. It would be difficult to create a reliable and sustainable revenue source. •Anticipated concerns from stakeholder groups	Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage.	At least one year depending on which ballot the tax measure is placed	TBD	HSTF
Sales and Use Tax	Sales tax is levied on all retail sales of goods and merchandise with the exception of sales specifically exempted by law. Use tax applies to storage, use, or other consumption in California of goods whose purchase is not subject to the sales tax.	•If approved by the voters, this would provide a dedicated funding stream to address homelessness •Could be used to finance housing development, flexible vouchers and services	•Potential issues with a sales tax with other ballot measures for a sales tax increase that would minimize/eliminate the potential to raise local sales tax revenues for homelessness •Increased sales tax would make the City sales tax rate one of the highest, if not the highest in the County. This may make voter approval difficult to obtain.	•Determine how this would be presented to voters: a general tax measure would require 50-percent plus one vote to pass; a designated purpose tax measure would need a two-thirds approval for passage. •Sales tax increase would be for 0.5% or less	At least one year depending on which ballot the tax measure is placed	Funding potential ranging from:$100-300 million annually	HSTF

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Funding Source	Description	Advantages	Disadvantages/Issues	Implementation Steps	Timeline	Funding Potential	Associated Trust Fund
General Obligation (GO) Bond	Voter authorized bond issuance payable from tax proceeds collected on secured and unsecured taxable property within the City and collected by the County Auditor Controller. GO Bond proceeds could be used to pay for the acquisition and improvement of real property such as housing and facilities.	GO Bond would provide a substantial amount of funding upfront to jump start the construction of housing	Threshold for voter approval is a two-thirds supermajority and competing tax-hike measure could decrease the electorate's appetite for a tax increase.	Determine how this would be presented to voters and which ballots this initiative could be placed.	At least one year depending on which ballot the tax measure is placed	One time funding likely in the hundreds of millions	AHTF
Special Districts							
Enhanced Infrastructure Financing District (SB 628) (Value Capture Financing)	SB 628 (2014) allows a city and/or county to create an EIFD that can finance infrastructure improvements, affordable housing and some economic development projects through tax increment financing similar to Infrastructure Financing Districts, the former redevelopment agencies and the new CRIAs (AB 2)	•EIFDs can be formed by the City (and County) without a protest vote •Requires 55% affirmative vote by residents of the district to issue bonds •Minimal/no restrictions on boundaries of an EIFD	•Utilizes tax increment funding that would otherwise come to the GF either as property tax revenues or Redevelopment Property Tax Trust Fund (RPTTF) distributions where the EIFD overlapped with an active redevelopment project area (RPA) •City must certify to the State that no redevelopment agency assets are the subject of litigation with the State where the city, county (if applicable), or successor agency are a named plaintiff. This provision requires further clarification as to what it specifically requires •Cannot finance services	•Council adopts a resolution of intent to form an EIFD and directs the City Engineer to prepare an infrastructure financing plan •IFP sent to affected taxing entities and land owners in the proposed district •Council creates a public finance authority to serve as governing board of EIFD •Public hearing is conducted at least 60 days after IFP sent to each affected taxing entity (ATE), land owners and residents of the proposed district. At the conclusion of the hearing the Council adopts the IFP and forms EIFD	•Likely 6 months at minimum to form the EIFD and conduct hearings •Additional time to issue a bond would be based on the time required to put together the bond issuance proposal and a week of public notice prior to a vote	Dependent on the scope of the EIFD, the area where it would be implemented and an affirmative public vote to issue bonds.Additionally, the initial funding would be highly dependent on the bonds issued at the outset of the agency formation, but would likely be in the hundreds of millions. Partnerships with other taxing entities would be required to fully realize funding potential of an EIFD.	AHTF
Community Revitalization and Investment Authorities (AB 2) (Value Capture Financing)	AB 2 (2015) allows the City alone or in partnership with the County or other special districts to create a CRIA to use tax increment financing to revitalize disadvantaged communities that meet a specific set of criteria. CRIAs have many powers of the former redevelopment agency and can finance infrastructure improvements and affordable housing.	•Once established, a CRIA can issue bonds without voter approval. •Wide ranging powers to acquire and construct property, including eminent domain. •Requires that 25 percent of tax increment collected be used for affordable housing.	•Utilizes tax increment funding that would otherwise come to the GF either as property tax revenues or RPTTF distributions where the EIFD overlapped with an active RPA •City must certify to the State that no redevelopment agency assets are the subject of litigation with the State where the city, county (if applicable), or successor agency is a named plaintiff. This provision requires further clarification as to what it specifically requires. •Boundaries of a CRIA are limited to areas with low average income, high unemployment, high crime, detoriorated infrastructure, and deteriorated structures.	•City adopts a resolution to create a CRIA or enters into a joint powers authority with the County and/or a special district. •CRIA must adopt a Community Revitalization and Reinvestment Plan (Plan) that details tax increment funding allocations, an expenditure plan, 5 year project of revenue and expenses and a time limit on debt, loans and fulfillment of obligations. •Plan must be adopted over a series of three public hearings, held at least 30 days apart. Final version of the plan is subject to protest vote by landowners/residents of the CRIA area. If less than 25% protest the plan can be adopted, if between 25% and 50% protest an election must be called, and if over 50% protest the proceedings to adopt a plan must terminate	•Likely a year or more to form the district, including the hearings and vote proceedings. •Additional time to put together a bond deal for initial financing, which would be shorter than an EIFD as further voter approval would not be required.	Dependent on the scope of the CRIA, the area where it would be implemented and an affirmative public vote to issue bonds. Additionally, the initial funding would be highly dependent on the bonds issued at the outset of the agency formation, but would likely be in the hundreds of millions. Partnerships with other taxing entities would be required to fully realize funding potential of a CRIA.	AHTF

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			•Cannot finance services.	•If the plan is rejected the CRIA must wait one year before restarting the process to adopt a plan			
Community Facilities District (Mello-Roos) (Value Capture Financing)	The Mello-Roos Community Facilities Act of 1982 allows the City, alone or in partnership with other jurisdictions, to create a Community Facilities District (CFD) and levy a special tax within the boundaries of the CFD to finance facilities with a useful life of 5 years or more and a specific set of services.	CFDs have significant flexibility in the designation of their boundaries and, most importantly, how their special tax is levied. The only requirement for the levying of a special tax by a CFD is that it is assessed on a 'reasonable' basis. This flexibility allows the CFD to reasonably tailor the assessment of a special tax in a manner that increases the chances for voter approval.	•City will need to make an effective argument that links facilities for the homeless to a general benefit to residents of the CFD who would be paying additional taxes. This is a large hurdle to overcome. Additional conversations with legal counsel will be needed	•City adopts the Local Goals and Policies for the CFD on its own or as part of a JPA. The boundaries of the district are also defined at this point.	Several months to a year at minimum to form the district and vote on the special tax.	Funding is dependent on the size and scope of the special tax levied and whether a bond issuance is pursued. CFD would likely raise more funds than could feasibly be spent on homelessness issues due to restrictions on CFD expenditures.	AHTF
			•Assuming the nexus threshold was overcome, CFD's would still be limited in that they could only fund facilities and related operations and maintenance, which would amount to storage/service hubs.	•Rate and Method of Apportionment for the Special Tax (RMA) is determined on a reasonable basis and the special tax is put to a vote by residents of the district. A 2/3 vote is required for passage.			
				•Subsequent to the authorization of the special tax, appropriation limits and bond indebtedness are established for the CFD.			
Competitive Funds/Grants							
Affordable Housing and Sustainable Communities (SB 862)	A competitive grant program administered by the State that uses a portion of cap-and-trade revenues to reduce greenhouse gas emissions through sustainable projects near transit hubs, including the development of affordable housing.	•Non-City funds that could provide a large portion of funding on a per project basis	•Competitive bidding process; funds are granted on a project by project basis.	Eligibler permanent supportive housing projects could be put forward by the City or in partnership with developers for funding in the annual NOFA for the AHSC program.	Only one Notice of Funding Available (NOFA) cycle has been done so far, but it is anticipated that there will be at least one NOFA cycle per year	AHSC Grant Funds are competitive and not guaranteed. Approximately $400 million will be available statewide but no geographic apportionments have been established.	N/A
			•Some projects would require partnerships with developers of eligible projects				
New Market Tax Credits (LADF)	The New Market Tax Credits (NMTC) Program incentivizes community development and economic growth using tax credits to attract private investment. Tax credit allocations are granted by the Community Development Financial Institutions (CDFI) Fund to Community Development Entities (CDEs) through a competitive allocation process. The Los Angeles Development Fund (LADF) is the City affiliated CDE.	•These funds could be used for the development of facilities and housing to serve the homeless.	•Competitive bidding process and the funds have strict limits on their use. Additionally these funds must be fully expended prior to the submission of an application for more tax credits.	Provided that homeless housing or other service projects are included in the annual application, these funds could be allocated to projects based on project readiness. These funds are usually the last dollars invested in a project.	Funding is allocated on an annual basis by the CDFI Fund. Applications are due in December and allocations are made in June. Funds awarded to the LADF could subsequently be allocated to projects based on project readiness.	LADF application to the CDFI Fund for 2016 is for $88 million in tax credits which could be used in whole or in part for homelessness related projects. This depends on project readiness as there is a strict timeline for the expenditure of the tax credits prior to applying for additional NMTC allocations.	N/A
		•Non-City funds that could provide a portion of funding on a per project basis.	•NMTC funds allocated to a PSH or affordable housing project must be less than 20 percent of the project's total cashflow.				

ATTACHMENT 2
County of Los Angeles
Chief Executive Office Memo

Revenue Options to Address
Homelessness Crisis in
Los Angeles County

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SACHI A. HAMAI
Chief Executive Officer

March 9, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

REVENUE OPTIONS TO ADDRESS HOMELESSNESS CRISIS IN LOS ANGELES COUNTY (ITEM NO. 14, AGENDA OF FEBRUARY 23, 2016)

In response to the current homelessness crisis which pervades Los Angeles County, the County launched the Homeless Initiative on August 17, 2015, a multi-department effort to develop a comprehensive set of recommended County strategies to reduce homelessness. An inclusive, collaborative planning process brought together 25 County departments, 30 cities, and over 100 community organizations in 18 policy summits, followed by a 500-person community meeting to discuss the draft strategies and written comments from over 200 organizations and individuals.

On February 9, 2016, the Board unanimously approved the Homeless Initiative's coordinated set of 47 recommended strategies, and allocated $99.7 million in one-time funding to support the initial implementation of the approved strategies. At the same time, the Board acknowledged the need for ongoing revenue to sustain the approved strategies and directed the CEO to collaborate with the Board to explore potential sources of ongoing revenue.

On February 23, 2016, the Board of Supervisors instructed the Chief Executive Office (CEO) to explore options to increase revenues dedicated specifically to address Los Angeles County's homeless crisis, such as a Mental Health Services Act-like proposal and report back to the Board in 30 days or less; conduct polling and research activities to inform the Board as to the optimum timing of when the various options, if authorized, should be submitted for voter approval and how it should be crafted to ensure efficacy, transparency, accountability and the highest likelihood of passage; and to further clarify the full impacts that are being considered for the November 2016 ballot and take into consideration Local and State Initiatives including the potential 2016 Transportation Measure known as R2, the potential park measure and any additional local measures; and instructed the Chief Executive Officer, the Director of Health Services and County Counsel to report back to the Board on the feasibility of placing an initiative on the ballot to expand the services reimbursable under Measure B to include programs for the homeless, thereby not increasing the total tax burden; the authority to utilize

existing Measure B funds to establish services to prevent avoidable emergency room visits by homeless individuals; and other revenues and funding that may be available without tax increases.

This is an interim report which is focused on the various revenue options. As described below, the CEO is pursuing polling and additional research on various options.

Potential Countywide Revenue Options

The County's authority to raise revenue is defined by State law, and the County's authority to raise revenue countywide (as distinguished from the unincorporated areas) is quite limited. The CEO has consulted extensively with County Counsel regarding legally-available options to generate ongoing revenue to combat homelessness. The CEO and County Counsel have jointly identified the following options:

Parcel Tax – The County could seek voter approval for a parcel tax tied to countywide functions related to homelessness, such as mental health services and General Relief. Such a measure would be analogous to Measure B, the countywide trauma tax. An affirmative vote by at least two-thirds of the electorate would be required for passage.

Redirection of Measure B Revenue – According to the Departments of Health Services (DHS) and Public Health (DPH), all Measure B revenue currently allocated to those departments is needed, and any redirection of Measure B revenue would create a deficit in their budgets. Should the Board wish to pursue a redirection of Measure B revenue, County Counsel would need to determine the legal steps that would be required.

Marijuana Tax – Under the Medical Marijuana legislation enacted in 2015, the County could seek voter approval for a tax on medical marijuana; such a measure could be drafted to also apply to recreational marijuana, in the event that recreational marijuana is legalized in California. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. If the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Transaction and Use Taxes – Subject to voter approval, the County has the option to raise the countywide transaction and use tax. Transaction and Use Taxes ("TUTs") are identical to sales taxes in scope and are collected at the same time as sales taxes. TUTs, whether general or specific, are capped at 2% countywide. Currently, for purposes of this cap, the County levies TUTs totaling 1% countywide. However, cities also have the authority to levy their own TUTs, and several cities in the County have done so. Although all TUTs together are subject to the 2% cap, cities which have levied their own TUTs would not lose that income, but would instead receive the revenue from the countywide TUT that they would have received under their own TUT, in the absence of a new countywide TUT.

County Counsel has determined that the County has the authority to seek voter approval of an additional countywide TUT up to 1% without exceeding the 2% cap. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. Similar to the Marijuana Tax, if the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Local Supplement to Mental Health Services Act (MHSA) Tax – The County could seek an amendment to State law which would authorize counties to seek voter approval to impose a local income tax on the same income which is subject to the MHSA tax, i.e. personal income in excess of $1 million per year. This tax would be specifically to combat homelessness and would not be limited to people with mental health conditions. A simple majority vote of the Legislature would be required to provide this authority to counties. If the Legislature granted this authority and the Board decided to place such an initiative on a countywide ballot, two-thirds approval by the electorate would be required.

If such an amendment were enacted as part of a Budget Trailer Bill or through a regular bill with an urgency clause, it would be effective upon enactment; otherwise, it would be effective on the first January 1 following the date of enactment.

Polling Regarding Potential Revenue Options

In accordance with the Board's instruction on February 23, 2016, we will proceed with polling for the following potential revenue options identified above: parcel tax; marijuana tax; Transaction and Use tax; and local supplement to MHSA tax. This polling will take into consideration the statewide revenue initiatives that may appear on the November 2016 ballot, as well as the potential local 2016 Transportation Measure known as R2 and the potential park measure. We will report back to the Board, as soon as the polling results are available.

If you have any questions or require additional information, please contact Phil Ansell, Director, Homeless Initiative at pansell@ceo.lacounty.gov or 213-974-1752.

SAH:JJ:PA
AO:ef

c: Executive Office, Board of Supervisors
County Counsel
Health Services