

Overview of The Proposed Affordable Housing, Homelessness Solutions and Prevention Now Transactions and Use Tax Ballot Initiative

(This is a summary of key components of this proposed law, and does not reflect any opinion in favor of or against its adoption)

Source: Notice of Intent to Circulate Initiative Petition for the Affordable Housing, Homelessness Solutions and Prevention Now Initiative Ordinance, Filed with the Clerk of the Board on November 6, 2023; LACAHSAs Board Meeting Materials for Agenda Item 8 (December 14, 2023) (<https://lakahsa.gov/content/uploads/2023/12/12-14-2023-LACAHSAs-AGENDA.pdf>); and, LACAHSAs Board Meeting Materials for Agenda Item 5 (August 2, 2023) (<https://file.lacounty.gov/SDSInter/bos/supdocs/08-02-2023LACAHSAsAGENDA.pdf>)

**As Presented by the Office of County Counsel,
County of Los Angeles**

Proposed Citizens' Initiative Ballot Measure

- Proposed ballot measure to enact a ½ cent transaction and use tax (“sale tax”) to fund County homeless services and LACAHSAs.
- Notice of Intent to Circulate Initiative Petition filed with County Registrar-Recorder November 6, 2023.
- Currently in signature gathering phase.
- If it garners sufficient valid signatures to qualify for the ballot, the Board of Supervisor has until August 9, 2024 to place it on the November 5, 2024 ballot.
- Requires majority approval of County voters at the November 5, 2024 election.

Proposed Funding Source: County Sales Tax

- The proposed **½ cent** County sales tax would **replace the existing ¼ cent** sales tax for homeless services (set to expire in 2027) and also fund LACAHSAs.
- AB 1679 exempted the County from the 2% cap on local sales tax, and by doing so would allow this measure (if passed) to be a ½ cent tax to fund both County homeless services and LACAHSAs.

LACAHSA's Proportional Share

Would provide LACAHSA with **35.75 percent** of this new sales tax, with the remainder distributed to the County of Los Angeles (61.25 percent) and to the Los Angeles County Development Authority (“LACDA”) (3 percent)

How Would LACAHSA Receive the Funds?

- The Department of Tax and Fee Administration (“DTFA”) disburses local tax payments to all local jurisdictions **three times per quarter**.
- DTFA would distribute these new tax funds to the County at the same time DTFA distributes the Bradley-Burns 1% Local Sales and Use Tax (**3 times per quarter**).
- This distribution would occur through a contract between the County and the DTFA.
- Under this arrangement, the County Auditor-Controller would then distribute the allocation to the County, LACDA and LACAHSA.

Who Would Oversee LACAHSAs Fund Expenditure?

LACAHSAs **Citizens' Oversight Committee** (Government Code section 64718) would oversee LACAHSAs use of the tax proceeds:

LACAHSAs Action Items:

- ✓ LACAHSAs appoints an **Inspector General** (IG) (Government Code section 64711.4(c)).
- ✓ The IG **selects** Oversight **Committee Members** (Government Code section 64718(c)).
- ✓ An **annual expenditure plan** is developed, then **approved** by the Oversight Committee, and then **adopted** by the LACAHSAs Board (Government Code section 64717(c)).

Collection of tax proceeds should begin on **April 1, 2025**.

Fund Purpose

Solely for the purposes of preventing homelessness, reducing homelessness and making housing more affordable in Los Angeles County. Here are the limitations:

- ✓ **Any lawful purpose** of LACAHSAs
- ✓ Programs and services that support physical and mental health care, emergency housing, permanent housing, job counseling, substance use disorder treatment, short-term rental subsidies, and related services
- ✓ Construction of affordable housing by LACDA
- ✓ Data collection and analysis to evaluate the effectiveness of programs funded by this new tax
- ✓ County reimbursements for its reasonable costs to collect and distribute this new tax

Use of LACAHSAs Allocable Share

- Funds allocated to LACAHSAs can only be used for Affordable Housing and Prevention, consistent with LACAHSAs implementing statute (Government Code section 64700 et seq.), which includes:
 - ✓ New affordable housing construction
 - ✓ Affordable housing preservation
 - ✓ Tenant protection and support programs
 - ✓ Planning and technical assistance related to affordable housing and land use, including reducing barriers to affordable housing and accelerating production and preservation
 - ✓ All other purposes set out in the LACAHSAs annual expenditure plan

How Ballot Measure Would Alter LACAHSAs Use of its Allocable Share

- **For the first 10 years:** Of the **35.75** percent tax increment received (assumed gross estimate is approx. **\$446,875,000** out of an assumed **\$1.25 Billion** of revenue), **at least 60 percent (approx. \$268,125,000)** must be used for affordable housing creation, preservation and ownership, and **of this 60 percent** allocation, **77.25 percent (approx. \$207,126,562)** must be used for construction of new affordable housing. Otherwise, minimum distributions to eligible jurisdictions in Government Code section 64830 apply.
- **After 10 years,** at least **40 percent** must be used for affordable housing creation, preservation and ownership consistent with the minimums in Government Code section 64830.

Construction Provisions Applicable to LACAHSA

- 80 percent of the housing units produced (construction or rehab) must be produced under a Project Labor Agreement.
- Any construction or rehab work funded or financed with these tax funds is considered a public work and subject to prevailing wage requirements (Labor Code section 1720 et seq).

LACAHSA's Responsibilities

- Handle these funds in accordance with LACAHSA's implementing statute and applicable laws (Government Code section 64700 et seq.)
- LACAHSA **Goals** focus:
 - ✓ Prevent people from falling into homelessness
 - ✓ Increase the number of affordable housing units in Los Angeles County
- Evaluate (quantify) program success using key **system performance metrics**, including but not limited to:
 - ✓ Creating a standardization of basic services to bring people inside and ensure they have access to necessary services
 - ✓ Establishing a homeless-service-delivery system more accessible to all communities
 - ✓ Meeting regional housing needs for Lower Income Households
 - ✓ Using an equity lens, reducing racial disparities and the disproportionate impact of homelessness and housing insecurity for critical populations
 - ✓ Increasing accountability and transparency as to the use of public funds

To evaluate program success, take a look at:

- ✓ Met and unmet goals
- ✓ Identify existing programs that are highly effective
- ✓ Identify how to achieve goals
- ✓ Identify the consequences for not meeting goals

Important Due Dates

By April 1, 2025:

- LACAHSAs would **formulate baseline and target metrics** based on input and recommendations from stakeholders and others, including service providers, affordable housing developers and renter protection organizations.
- LACAHSAs would use the baseline metrics to demonstrate program progress.

Important Due Dates

Annual Report Due by October 1 (starting in 2025):

- As a funding recipient, LACAHSAs would forward an **annual report** to the County's CEO identifying:
 - ✓ Amount of tax collected and spent in the prior fiscal year.
 - ✓ Status of any projects or work funded by tax proceeds
 - ✓ Any funds carried over from prior years and to be carried over to future years.
- These reports would be public records and would be posted on the LACAHSAs website. LACAHSAs would **retain the report for 5 years** from date of completion.
- Each year, the Auditor-Controller would use these reports (submitted by LACAHSAs, LACDAs, County and other funding recipients) to prepare a report on all receipts and expenditures in the prior fiscal year for the Board of Supervisors and LACAHSAs.

Important Due Dates

Annual Audits (covering FY2025, starts in early 2026):

- Each year, the Auditor-Controller would audit all tax receipts and expenditures (including LACAHSAs records) per the Single Audit Act (31 U.S.C. Chapter 7).
- These audit reports would be public records and would be posted on the LACAHSAs website. LACAHSAs would **retain the audit for 5 years** from date of completion.

Important Due Dates

By December 31, 2030:

- **For every goal** for which a target metric is **not achieved** by December 31, 2030, LACAHSAs might receive recommendations from the Executive Committee to redirect funds to other programs.
- The Executive Committee (established on August 8, 2023 by the County Board of Supervisors) is composed of:
 - ✓ Two Board of Supervisors members
 - ✓ The City of Los Angeles Mayor
 - ✓ The Los Angeles City Council President
 - ✓ Four City members (either a Mayor or City Council member) from the North County and San Fernando Valley sector, the Southwest Corridor sector, the San Gabriel Valley sector, and the Southeast sector
 - One Governor appointee
- Under the proposed ordinance, the Executive Committee is the County's equivalent of LACAHSAs's Citizens' Oversight Committee.

Important Due Dates

By October 1, 2031:

- With the Executive Committee, LACAHSAs would **formulate new baseline and target metrics**.
 - ✓ And **every 5 years thereafter**:
 - The Executive Committee would evaluate program progress towards these new metrics and forward recommendations to LACAHSAs and the County.



QUESTIONS?