

District 1 — Roma Dawson
District 3 — Barry Del Buono
District 5 — Ruben Navarro
District 7 — Victoria Partida
District 9 — John Sellarole
Mayor — Vacant

Alex Shoor — District 2
Linh Vong — District 4
Andrea Wheeler — District 6
Huy Tran — District 8
Roberta Moore — District 10
(C) Martha O’Connell — CAAC MR
(VC) Ryan Jasinsky — CAAC ML

Commissioners are appointed by corresponding Council Members, but do not need to reside in that Council District.

Note that Commissioner appointments are current as of the date of agenda posting, 11/10/2021

REGULAR MEETING AGENDA

5:45 PM

December 09, 2021

Virtual [Zoom Link](#)
Web ID: **940 5398 8541**
888-475-4499 (Toll Free)

*** COVID-19 NOTICE ***

Consistent with AB 361 and City of San José Resolution Nos. 79485, 80237, 80266 and 80290, this meeting will not be physically open to the public, and the Housing & Community Development Commissioners will be teleconferencing from remote locations.

HCDC is meeting via teleconference from remote locations in accordance with State and local orders and measures taken as a result of the COVID-19 pandemic. Members of the public may view and listen to the meeting by following the instructions below. Additional instructions are provided below to those members of the Public who would like to comment on items on the agenda.

How to attend the Housing & Community Development Commission Meeting:

- 1) **Electronic Device Instructions:** For participants who would like to join electronically from a PC, Mac, iPad, iPhone, or Android device, please click this URL: [Zoom Link](#).
 - a. Use a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Mute all other audio before speaking. Using multiple devices can cause an audio feedback.
 - b. Enter an email address and name. The name will be visible online and will be used to notify you that it is your turn to speak.
 - c. When the Chair calls for the item on which you wish to speak, click on “raise hand.” Speakers will be notified shortly before they are called to speak.
 - d. When called, please limit your remarks to the time limit allotted.
- 2) **Telephone Device Instructions:** For participants who would like to join on their telephones, please dial **888-475-4499 (Toll Free)** and when prompted, enter meeting Webinar ID: **940 5398 8541**. You may also **press *9 to raise a hand to speak**.
- 3) **Public Comments prior to meeting:** If you would like to submit your comments prior to the meeting, please e-mail Luisa.Galdamez@sanjoseca.gov or call **(408) 535-8357 no less than 90 minutes before the start of the meeting**. Comments

submitted prior to the meeting will be considered as if you were present in the meeting.

Commissioners are strongly encouraged to log on by 5:30pm to ensure there are no technical difficulties – thank you!

APPROX. TIME AGENDA ITEM

Note that the times for items shown below are approximate and intended only to notify the Commission of the approximate amount of time staff expects each item might take.

Please note that items may be heard before or after the times shown.

- 5:45 I. Call to Order & Orders of the Day**
 - A. Chair reviews logistics for Zoom meetings

- 5:50 II. Introductions**

- 6:00 III. Consent Calendar**
 - A. Approve the Minutes for the Meeting of November 18, 2021
ACTION: Approve the November 18, 2021 action minutes.

- 6:05 IV. Reports and Information Only**
 - A. Chair
 - B. Director
 - C. Council Liaison

- 6:15 V. Open Forum**

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests.

- 6:20 VI. Old Business**

- 6:21 VII. New Business**
 - A. **Measure E Annual Report for Fiscal Year 2020-2021 (K. Mawakana, Housing Department)**
ACTION: Review the Measure E Annual Report for Fiscal Year 2020-2021 and make possible recommendations to staff.

- 7:00 VIII. Open Forum**

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of

the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests.

7:10 IX. Meeting Schedule

The next Regular Meeting for the Commission is scheduled to be held on **Thursday, January 13, 2022, at 5:45 p.m. online**. Items expected to be heard are:

- Annual Action Plan FY 2022-23 Funding Priorities
- Commercial Linkage Fee Ordinance Updates
- HCDC Lived Experience Seat

In addition, a second, Special Meeting is expected to be held in January on a date to be determined, **at 5:45 p.m. online**. Item expected to be heard is:

- Assessment of Fair Housing Report & Housing Element Strategies Report

7:20 X. Adjournment

You may speak to the Commission about any discussion item that is on the agenda, and you may also speak during Open Forum on items that are not on the agenda and are within the subject matter jurisdiction of the Commission. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during Open Forum. Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the Commission unless listed on the agenda, which has been posted not less than 72 hours prior to meeting. Agendas, Staff Reports and some associated documents for the Commission items may be viewed on the Internet at <http://www.sanjoseca.gov/hcdc>. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

Correspondence to the Housing & Community Development Commission is public record and will become part of the City's electronic records, which are accessible through the City's website. Before posting online, the following may be redacted: addresses, email addresses, social security numbers, phone numbers, and signatures. However, please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the Housing & Community Development Commission, will become part of the public record. If you do not want your contact information included in the public record, please do not include that information in your communication.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk, 200 East Santa Clara Street, 14th Floor, San José, California 95113, at the same time that the public records are distributed or made available to the legislative body. Any draft resolutions or other items posted on the Internet site or distributed in advance of the Commission meeting may not be the final documents approved by the Commission. Contact the Office of the City Clerk for the final document.

On occasion, the Commission may consider agenda items out of order.

The Housing & Community Development Commission meets every second Thursday of each month (except for July and sometimes December) at 5:45pm, with special meetings as necessary. If you have any questions, please direct them to the Commission staff. Thank you for taking the time to attend today's meeting. We look forward to seeing you at future meetings.

To request translation or interpretation services, accommodation, or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events, or printed materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Please direct correspondence, requests, and questions to:

City of San José Housing Department
Attn: Luisa Galdamez
200 East Santa Clara Street, 12th Floor
San José, California 95113
Tel: (408) 535-8357
Email: Luisa.Galdamez@sanjoseca.gov

Para residentes que hablan español: Si desea mas información, favor de llamar a Luisa Galdamez al 408-975-4475.

Tiếng Việt: Xin vui lòng liên lạc Viviane Nguyen tại 408-975-4462.

對於說華語的居民: 請電 408-975-4450 向 Ann Tu 詢問詳細事宜。

HOUSING & COMMUNITY DEVELOPMENT COMMISSION

MEETING ACTION MINUTES

November 18, 2021

MEMBERS PRESENT:	Martha O’Connell	Chair (MR)
	Ryan Jasinsky	Vice Chair (ML)
	Roma Dawson	Commissioner (D1) <i>Arrived at 5:54pm</i>
	Alex Shoor	Commissioner (D2) <i>Left at 7pm</i>
	Barry Del Buono	Commissioner (D3)
	Linh Vong	Commissioner (D4)
	Ruben Navarro	Commissioner (D5)
	Andrea Wheeler	Commissioner (D6) <i>Left at 7:15pm</i>
	Victoria Partida	Commissioner (D7)
	Roberta Moore	Commissioner (D10)
	John Sellarole	Commissioner (D9)
MEMBERS ABSENT:	Huy Tran	Commissioner (D8)
STAFF PRESENT:	Kristen Clements	HCDC Secretary, Housing Department
	Luisa Galdamez	HCDC Assistant Secretary, Housing Department
	Helen Chapman	Council Office Liaison, District 2
	Jared Ferguson	Housing Catalyst, Office of Economic Development
	Agustin Cuello	Associate Engineer, Department of Transportation
	Ramo Pinjic	Senior Analyst, Housing Department
	Viviane Nguyen	Senior Analyst, Housing Department
	Elizabeth Guzman	Analyst II, Housing Department
	Vanessa Pacheco	Analyst I, Housing Department

(I) Call to Order & Orders of the Day

A. Review logistics for Zoom meetings

Chair O’Connell called the meeting to order at 5:45 p.m.

(II) Introductions – Commissioners and staff introduced themselves.

(III) Consent Calendar

A. Minutes for the Meeting of October 14, 2021

ACTION: Approve the October 14, 2021 action minutes.

Commissioner Shoor made the motion to approve the minutes for the meeting of October 14, 2021, with a second by Commissioner Sellarole. The motion passed 9-0-1.

Yes: O’Connell, Shoor, Del Buono, Vong, Navarro, Wheeler, Partida, Sellarole, Moore (9)

No: None (0)

Absent: Dawson, Tran (2)

Abstain: Jasinsky (1)

(IV) Reports and Information Only

A. Chair: No Report

B. Director: No Report

C. Council Liaison: Helen Chapman reported that the City is moving forward with a State Project Homekey grant for the Residence Inn on San Ignacio Avenue. The property would house formerly homeless residents if successful in obtaining the State funding. In addition, District 2 released a Frequently Asked Questions document on the property to answer some of the community's questions.

(V) Open Forum

(VI) Old Business

(VII) New Business

A. Housing Crisis Workplan Prioritized Items

(J. Ferguson, Office of Economic Development)

ACTION: Review the report on progress implementing the City Council-approved Housing Crisis Workplan and make possible recommendations.

Chair O'Connell moved that the Housing Crisis Workplan item, "Apply the Mobilehome Park Land Use Designation Through City-initiated General Plan Amendments to the Remaining 56 Mobilehome Parks," be initiated, including prioritizing Parks for redesignation, and that Council approve the staff request from the March 10, 2020 Council meeting for additional funding, with a second by Commissioner Wheeler. The motion passed (10-0).

Yes: O'Connell, Jasinsky, Dawson, Del Buono, Vong, Navarro, Wheeler, Partida, Sellarole, Moore (10)

No: (0)

Absent: Shoor, Tran (2)

B. FY 2020-2021 Rent Stabilization Program Annual Report

(V. Nguyen, Housing Department)

ACTION: Review the Rent Stabilization Program Annual Report for 2020-2021 and provide possible recommendations to staff.

Commissioners made comments and asked clarifying questions. No action was taken.

(VIII) Open Forum

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

(IX) Meeting Schedule

The next regular Commission meeting is scheduled to be held on **December 09, 2021, at 5:45pm** online.

(X) Adjournment

Chair O'Connell adjourned the meeting at 8:08 p.m.

Housing and Community Development Commission

TO: Fred Tran

Dear Fred,

It is my very great pleasure to write you this letter of thanks on behalf of the City of San Jose's Housing and Community Development Commission (HCDC).

When someone leaves City service, it is said many times, "You will be hard to replace." You will not be hard to replace, Fred. You will be incredibly hard to replace. Your collegiality, respect for the Commissioners, and broad knowledge base helped each and every one of us Commissioners individually and the HCDC as a whole.

I recall the Saturday you spent in a telephone conference with the two Commissioners, one representing the Mobilehome Park residents and the other the Mobilehome Park owners, facilitating the beginning of a compromise solution to a freeze on rent increases during Covid. Your even handedness and sense of fair play did not go unnoticed by either of us.

We will all miss you. On a personal note, I will much miss your calm demeanor, never losing your cool but simply going to Plan B.

With respect and affection,



Martha O'Connell
Chair, HCDC



Memorandum

TO: HOUSING & COMMUNITY
DEVELOPMENT COMMISSION AS
MEASURE E OVERSIGHT COMMITTEE

FROM: Rachel VanderVeen

SUBJECT: SEE BELOW

DATE: December 2, 2021

Approved

Date

SUBJECT: MEASURE E ANNUAL REPORT FOR FISCAL YEAR 2020-2021

RECOMMENDATION

Review the Measure E Annual Report for Fiscal Year 2020-2021 and make possible recommendations to staff.

OUTCOME

This first Measure E Annual Report provides the Housing and Community Development Commission (the Commission) with information on the Measure E funds expended in Fiscal Year 2020-2021. Commissioners will be updated on the City's uses of Measure E and be able to verify that spending was in accordance with the City Council-approved priorities.

BACKGROUND

On March 3, 2020, San José voters approved Measure E, a transfer tax on certain types of real estate transactions. On June 16, 2020, the City Council adopted an amendment to City Council Policy 1-18,¹ (**Attachment A**) which included the Council-approved Spending Plan, detailed in Table 1, for the annual transfer tax revenues collected pursuant to Measure E and deposited in the General Fund. For Fiscal Year 2020-2021, Measure E revenue generated was \$50,530,828 exceeding the budgeted appropriation of \$40,000,000.

¹ City Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, section 22, p.10, <https://www.sanjoseca.gov/home/showpublisheddocument/50375/637344640149770000>

Table 1: Measure E Transfer Tax Spending Priorities, Budget and Funds Collected

Spending Priority	% of Funds	Approved Spending Plan	Amount of Funds Collected in FY 2020-2021
Permanent Supportive and Affordable Rental Housing for Extremely Low-income Households (earning less than 30% of area median income (AMI))	45%	\$17,100,000	\$21,601,929
Affordable Rental Housing for Low-income Households (for households earning 30% to 80% AMI)	35%	\$13,300,000	\$16,801,500
Below Market-rate For-sale Housing and Moderate-income Rental Housing (including rent-restricted Accessory Dwelling Units (ADU) forgivable loans, down payment assistance, and first-time homeownership opportunities for households up to 120% AMI)	10%	\$3,800,000	\$4,800,429
Homelessness Prevention and Rental Assistance	10%	\$3,800,000	\$4,800,429
Administration Fee (5% of total transfer taxes collected; percentage allocations are applied after the Administration Fee is collected)		\$2,000,000	\$2,526,541
Total	100%	\$40,000,000	\$50,530,828

On June 23, 2020,² the City Council designated the Housing and Community Development Commission (Commission) as the Oversight Committee for the City's Measure E spending. Beginning in FY 2020-2021 in connection with the planning of the FY 2021-2022 budget, the Commission assumed the following responsibilities as the Oversight Committee:

- a) Review and provide comments to be transmitted to the City Council of the annual spending plan of the Transfer Tax revenues as set forth in Council Policy 1-18;
- b) Review and provide comments to be transmitted to the City Council of any proposed amendments to the annual Spending Plan of the Transfer Tax revenues so that the Plan comports with Council-approved priorities and requirements under Measure E; and
- c) Review the expenditure of the Transfer Tax revenues for the prior fiscal year.

This memorandum serves as the first Annual Report of expenditures of the Transfer Tax revenues for FY 2020-2021. This Annual Report is presented annually to the Housing and Community Development Commission as Measure E Oversight Committee but does not get reported to the City Council.

² Council file no. 20-698, <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4564823&GUID=BB96E3E3-FD7D-4FB8-AE71-147D2D6811B8&Options=&Search=>.

ANALYSIS

This memorandum provides a report on the expenditures of Measure E funds and associated outcomes in FY 2020-2021. It also provides an update on the strategy to spend these funds in FY 2021-2022.

Last fiscal year, Measure E funds were spent on uses in two approved spending categories: Homelessness Prevention and Rental Assistance, and Administration.

Table 2 below summarizes the Measure E fund expenditures that occurred last fiscal year, and the outcomes from the expenditures.

Table 2: Measure E Expenditures and Outcomes, FY 2020-2021

Expenditure Category	Use	Outcome	Spent in FY 2020-2021
Homelessness Prevention and Rental Assistance	Homeless student housing - Bill Wilson Center	24 homeless students housed	\$44,094
	Homelessness prevention - Destination: Home	93% of households remaining stably housed 12 months after receiving assistance	\$2,735,000
Administration	Funding Underwriting for the McEvoy affordable housing development and program administration	Commitment for 222 affordable homes	\$329,430
Total			\$3,108,524

Table 3 shows the City Council's approved spending plan for expenditures of Measure E for each category, what was collected and spent by category, and the amounts that will roll to next fiscal year. All expenditures stayed within their category limits.

Table 3: Measure E Allowed and Actual Expenditures FY 2020-2021

	Approved Spending Plan FY 2020-2021	Final Amount of Funds Collected FY 2020-2021	Actual Expenditures FY 2020-2021	Balance Remaining for FY 2021-2022
Allowed Expenditures				
Permanent Supportive and Affordable Rental Housing for Extremely Low-income Households	\$17,100,000 45%	\$21,601,929	\$0	\$21,601,929
Affordable Rental Housing for Low-income Households	\$13,300,000 35%	\$16,801,500	\$0	\$16,801,500
Below Market-rate For-sale Housing and Moderate-income Rental Housing	\$3,800,000 10%	\$4,800,429	\$0	\$4,800,429
Homelessness Prevention and Rental Assistance - Homeless Student Housing - Homelessness Prevention	\$3,800,000 10%	\$4,800,429	\$2,779,094	\$2,021,335
Administration Fee (5% of total tax collected)	\$2,000,000	\$2,526,541	\$329,430	\$2,197,111
Total	\$40,000,000	\$50,530,828	\$3,108,524	\$47,422,304

Following is additional information on expenditures and outcomes from last fiscal year.

Homelessness Prevention and Rental Assistance

Homeless Student Housing: Last year, the City entered into a contract with the Bill Wilson Center to provide interim housing for homeless students. This contract utilizes an agreement with Air BnB to house students. Under this contract, 24 students were housed during FY 2020-2021. The goal for next fiscal year is to house 48 students.

Homeless Prevention: The Housing Department encumbered a contract with Destination: Home for \$2,735,000 for the Homelessness Prevention System. The agreement increases funding to support families at risk of homelessness to remain stably housed by providing supportive services and financial assistance. Support includes rental assistance, move-in costs or rental arrears, housing search, employment and benefits assistance, landlord mediation/dispute resolution, and information regarding tenant rights. The program is extremely effective, with 93% of households remaining stably housed 12 months after receiving assistance.

Administration

Administration funds were used to support the Measure E program in two ways. First, these funds were used to pay for staff time spent on underwriting feasibility analysis and the City

Council approval request for the McEvoy affordable housing development, a Measure E-funded project that will provide 222 new affordable housing units in San José once it is constructed. (More information about this forthcoming development is in the next section of this memorandum.) Second, administration funds paid for staff time to produce the Measure E Spending Plan for FY 2021-2022 and this Measure E Annual Report for FY 2020-2021.

Remaining Funds

Following the first year collecting Measure E funds, over \$3 million in funds were spent, leaving a balance of \$47,422,304. These funds will be rolled over into the spending categories for FY 2021-2022. Note that remaining administration funds will not be rolled over into administration for next year, but will instead be redistributed to the other funding categories.

The delay of the City's NOFA issuance, due to consideration of a new Siting Policy for the location of affordable housing developments, impacted the pipeline of affordable housing developments. In turn, this negatively impacted staff's ability to commit Measure E funding. Upon passage of a new Siting Policy, the Housing Department is on track to release more funding (including Measure E funds) and accept affordable housing project applications on an over-the-counter or rolling basis in FY 2021-2022.

Measure E Funding Commitments in FY 2021-2022

Last fiscal year was the first year that Measure E funds were available. It takes multiple years for affordable housing developments to obtain City and other funding commitments, close construction, and finally disburse committed construction funds. Therefore, expenditures of Measure E funds for new affordable housing developments were not yet possible in FY 2021-2022.

In addition, Housing Department staff had intended to disburse, or at least commit additional, Measure E funds for affordable housing production in FY 2021-2022. However, the timing for issuance of the Department's planned \$75 million Notice of Funding Availability (NOFA) for new affordable housing development was delayed. In fall 2019, the City Council halted the planned general NOFA issuance for the entire City. Instead, it instructed the Housing Department to issue a geographically limited NOFA for the Diridon area and other growth areas. In June 2021, staff released the narrowly-targeted NOFA and garnered one response – McEvoy Apartments (discussed in more detail below).

In August 2021, staff presented the proposed new Siting Policy to City Council for its consideration. The City Council instructed the Housing Department to proceed with releasing a NOFA limited to the proposed Siting Policy's Category 1, Category 2, and Category 3/Mayor's Gang Prevention task force areas. The Housing Department expects to release that NOFA in December 2021. The December NOFA will make available approximately \$100 million and should enable awards to between seven and 12 new project applications.

While commitments of funding do not count towards the annual expenditure guidelines, major commitments of Measure E funds are provided as additional context for expenditures that will be

apparent in future fiscal years. The following outlines a significant funding commitment made using Measure E Funds, with drawdown anticipated to start in late spring 2022:

- **Funding Commitment to the McEvoy Affordable Housing Development** – On August 31, 2021,³ the City Council made a \$20 million funding commitment to the McEvoy affordable housing development. This proposed development will provide 222 affordable apartments, which will include a set-aside of 90 units for permanent supportive housing (PSH) for residents who were formerly chronically homeless. Twenty of the PSH units will have project-based Veterans Affairs Supportive Housing Vouchers, with supportive services to be provided by the County of Santa Clara. The development will offer 125 units serving households at or below 30% of Area Median Income (AMI), 23 units at 40% AMI, 20 units at 50% AMI, and 54 units at 80% AMI. Finally, two unrestricted managers' units will serve a total of 222 apartments. The City's Measure E funding commitment utilized \$15,625,000 from the Extremely Low-income Housing allocation and \$4,375,000 from the allocation for Affordable Rental Housing for Low-income Households. The disbursements of these committed funds is expected to occur after construction closing, estimated to be April 2022. Construction is scheduled to start in May 2022 and complete in February 2024.

FISCAL/POLICY ALIGNMENT

The funding priorities listed in this memorandum are aligned with many City priorities and plans. These include the Housing Crisis Workplan, the Affordable Housing Investment Plan 2017/18-2022/23 as amended,⁴ the City's General Plan 2040 and its Housing Element, and the [*Santa Clara County Community Plan to End Homelessness 2020-2025*](#).

CONCLUSION

The Commission's review of this Measure E Annual Report should enable commissioners to confirm that Measure E's expenditures and reporting requirements were met for FY 2021-2022.

EVALUATION AND FOLLOW-UP

In its role as the Oversight Committee for Measure E funds, the Commission will review this Measure E Annual Report after the end of each fiscal year to ensure the source's uses were consistent with the approved Spending Plan. Each spring, the Commission will review the Measure E Spending Plan for the following fiscal year, prior to the City Council's consideration of the annual City budget. This report does not go to City Council.

³ Council file no., 21-1895, <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5088096&GUID=4B36DCFA-5390-4620-A63A-8368F3E04072&Options=&Search=> .

⁴ <https://www.sanjoseca.gov/your-government/departments/housing/memos-reports-plans/housing-investment-plans-and-policy>

PUBLIC OUTREACH

This report will be posted to the City's website for the Housing and Community Development Commission meeting on December 9, 2021. City staff have conducted outreach efforts with various stakeholders relating to Measure E funding. For example, in July 2021, the City met with the public including the affordable housing developer community regarding NOFAs funded in part with Measure E. In FY 2021-2022, staff will continue to hold outreach meetings prior to the release of the December 2021 NOFA.

/s/

RACHEL VANDERVEEN

Deputy Director of Housing

The principal author of this memorandum was Kemit Mawakana, Division Manager. For questions, please contact Rachel VanderVeen at (408) 535-8231.

Attachment A: City Council Policy 1-18, Operating Budget and Capital Improvement Program Policy (revised June 16, 2020)

City of San José, California

COUNCIL POLICY

TITLE OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM POLICY	PAGE 1 of 14	POLICY NUMBER 1-18
EFFECTIVE DATE October 24, 2004	REVISED DATE June 16, 2020	
APPROVED BY COUNCIL ACTION Revised 3/20/2007; 10/21/2008, Item 3.4(c), Res. No. 74627; 10/20/2009, Item 3.4(c), Res. No. 75134; 12/15/2009, Item 2.15(a), Res. No. 75229; 6/17/2010, Item 3.13(f), Res. No. 75444; 06/11/13, Item 3.9(c), Res. No. 76664, 6/10/14, Item 3.6(e), Res. No. 77021; 12/16/14, Item 2.21, Resolution No. 77252; 06/09/15, Item 3.8(c), Resolution No. 77383; 6/11/2019, 3.7(c), Resolution No. 79139; 9/10/2019, 3.4(c), Resolution No. 79230; 6/16/2020, Item 3.5(c), Resolution No. 79581.		

PURPOSE

It is the purpose of this policy to set forth the guiding principles for the preparation and administration of the Operating Budget and Capital Improvement Program. This policy also includes the guiding principles on General Fund budget reserves and the ending fund balance in order to maintain our current level of budget performance, subject to the requirements of the San José City Charter and the San José Municipal Code. This Policy provides for general guiding principles and is not intended to supersede specific policies and procedures adopted by the City Council.

POLICY

The Operating and Capital Budgets and the Capital Improvement Program are prepared and administered in accordance with several sources of policy direction.

1. The City Charter requires that the budgets be balanced, include a complete financial plan for all City funds, and meet certain legal deadlines for submittal.
2. The City Council has established budget policies. These policies include guidelines, standards, and requirements for preparation and monitoring of both the Operating and Capital Budgets. The complete text of the adopted budget policies follows.
3. The budgets are developed in accordance with the Mayor's budget priorities and direction as approved by the City Council in March and June of each year.
4. Recommendations of special studies by Council-appointed task forces, boards, commissions, and committees may be considered upon the direction of the City Council.
5. Public input is considered throughout the process, with scheduled public hearings at key Council decision points.

TITLE	OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM POLICY	PAGE	2 of 14	POLICY NUMBER	1-18
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OPERATING BUDGET

1. General

The budget should be a performance, financing, and spending plan agreed to by the Mayor, City Council, City Manager, and other Council Appointees. It should contain information and data regarding expected revenues and resources (inputs), expected expenditures, and expected performance (outcomes). During the fiscal year, actual experience (revenues, expenditures, and performance) will be periodically measured against the plan.

The City will prepare and annually refine written goals and policies to guide the preparation of financing, spending, and performance plans for the City budget. Proposed budgets will comply with the adopted budget policies and Council priorities.

The City uses a performance-based budget. The core service is the lowest level in the organization for which budgets are prepared. Each core service budget will include financing and spending plans. Each core service will also propose an annual performance plan. The plan must identify ongoing performance targets and corresponding indicators, which measure performance. The plan should also include specific performance targets, which will have results during the budget year. All performance at the core service level must be consistent with the mission statements at the department level and the outcomes of the City Service Area at the City level, meeting the performance as well as budget goals and policies established by the Mayor and City Council.

Department and program managers will not exceed the Council-approved appropriations in any fund. Appropriations for departmental operations are approved by the City Council in two categories: Personal Services and Non-Personal/Equipment. These appropriations are shown in the departmental budgets. In addition, appropriations are approved for Capital Projects, Citywide projects, and other targeted functions with special and capital funds. The City Council may approve modifications to these appropriations throughout the year as warranted by revenue collections and activity demands.

2. Fiscal Integrity

The City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets, which provide services and maintain public facilities, streets, and utilities.

Ongoing operating program costs will not exceed the amount of ongoing revenue to finance those costs. Interfund loans will not be used as a funding mechanism to address ongoing gaps between revenues and costs. If a new program is added on an ongoing basis, an ongoing revenue source will be identified to fund the program costs. Any available carryover balance will only be used to offset one-time costs.

TITLE	PAGE	POLICY NUMBER
OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM POLICY	3 of 14	1-18

3. *Contingency Funds or Accounts*

Several different contingency funds or accounts are established:

a) General Purpose Reserves

Within the General Fund, unrestricted reserves shall be set aside as a safety net for general city operations. Currently, the Contingency Reserve, Budget Stabilization Reserve, and Workers' Compensation/General Liability Catastrophic Reserve are available for general purposes. The combined funding goal for these reserves in the aggregate shall be 10 percent of General Fund Operating Budget expenditures. Within capital and special funds, reserves may be set aside as a safety net for city operations pertaining to the respective fund or to provide stability for customer rates when there are fluctuations to revenue and expenditures.

- 1) Contingency Reserve – Within the General Fund, a contingency reserve, which is a minimum of 3% of the General Fund operating budget, is established. The purpose of this reserve is to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. Any use of the General Fund Contingency Reserve shall require two-thirds vote of approval by the City Council. The Contingency Reserve shall be budgeted at a minimum of 3 percent of the General Fund operating budget in the annual Adopted Budget. This allocation will include replenishment of any amounts expended or appropriated to another fund during the previous year.

Appropriate levels of contingency funds will be determined and maintained in the capital and special funds as part of the City Council's adoption of the annual Capital Budget or the Operating Budget, as applicable.

- 2) Budget Stabilization Reserve - Within the General Fund, a Budget Stabilization Reserve may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. Any use of the General Fund Budget Stabilization reserve shall require majority vote by the City Council through the adoption of the Operating Budget or by appropriation action during the fiscal year. The City Council will set the reserve amount annually as part of the City Council's adoption of the Operating Budget. The replenishment or use of this reserve shall be incorporated into the annual Adopted Operating Budget as resources are available to replenish and/or increase this reserve, or as funds are needed to address a budget shortfall.

Appropriate levels of Budget Stabilization Reserve funds will be determined and maintained in the capital and special funds, as applicable.

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- 3) Workers' Compensation/General Liability Catastrophic Reserve –Within the General Fund, a Workers' Compensation/General Liability Catastrophic Reserve may be maintained at a level as determined by the City Council to be adequate. The purpose of this reserve is to provide funding for potential workers' compensation or general liability claims that exceed the budgeted amounts as the City, for the most part, is self-insured. Any use of the General Fund Workers' Compensation/General Liability Catastrophic Reserve shall require majority vote by the City Council through the adoption of the Operating Budget or by appropriation action during the fiscal year. The City Council will set the reserve amount annually as part of the City Council's adoption of the Operating Budget. The replenishment of this reserve shall be incorporated into the annual Adopted Operating Budget as resources are available to replenish and/or increase this reserve.

Appropriate levels of Workers' Compensation and/or General Liability Catastrophic Reserves will be determined and maintained in the capital and special funds, as applicable.

b) Cash Reserve Fund

An adequate revolving fund (Cash Reserve Fund 002), as mandated by the City Charter, shall be determined and maintained at an adequate level as determined by the City Council. The purpose of this reserve fund is for the payment of any authorized expenditures of the City for any fiscal year in anticipation of and before the collection of taxes and other revenues of the City for such fiscal year.

c) Emergency Reserve Fund

An adequate emergency reserve fund (Emergency Reserve Fund 406), as mandated by the City Charter, shall be determined and maintained at an adequate level as determined by the City Council. The purpose of this reserve fund is to meet any public emergency involving or threatening the lives, property, or welfare of the people of the City or property of the City.

4. Fund Balance

The appropriation of carryover fund balances must be approved judiciously. This should ensure that ongoing expenditures will be budgeted only to the extent that proven revenue streams exist.

In the annual budget, and in subsequent reports, there will be a presentation on fund balances and their anticipated uses.

- a) The first increment of any General Fund "Ending Fund Balance" identified in the City Manager's Annual Report shall be allocated to offset any projected deficit for the following fiscal year, after necessary appropriation adjustment actions to re-budget funds, correct errors, or reflect updated cost information have been accounted for in the fund balance reconciliation.

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- b) After setting aside funding to address the projected deficit for the following year, the remaining funds shall be allocated for the following uses:
 - 1) Budget Stabilization Reserve and/or Contingency Reserve.
 - 2) Unmet/deferred infrastructure and maintenance needs.
 - 3) Other one-time urgent funding needs.

- c) Annual surplus funds shall not be used for ongoing expenditures, unless those expenditures can be accommodated in Year Two and possibly Year Three of the five-year financial forecast. Any available carryover balance should only be used to offset one-time costs or to increase revenues.

5. Mid-Year Adjustments

Mid-year budget adjustments recommended by Council committees, task forces, or the full Council, should be referred to the Mid-Year Budget Review or the annual budget process for consideration along with other competing budgets needs and priorities. In general, ongoing budget changes should be dealt with during the annual budget process while one-time budget changes may be considered during either the Mid-Year Budget Review or during the annual budget process.

The authority to make expenditures in accordance with a City Council-approved spending plan is only valid as long as revenue for the budgets is equal to or greater than estimated expenditures.

All appropriation amendments and revenue estimate changes will be reported in the monthly financial report.

6. Overhead Cost Allocation

All overhead costs shall be allocated to the appropriate program within the limits of local, State and federal laws. The City utilizes a two step method (double step down method) where costs are first allocated among the central service support programs to arrive at the total cost of the central service programs. These total costs are then allocated down in priority order to the departments and funds that are benefiting from their services. The allocating support program costs are charged to the associated departmental funding source and corresponding revenue is received by the General Fund.

7. Budget System

The City will maintain a budget control system to adhere to the budget.

There will be delivery of a Proposed Budget, in accordance with the Adopted Budget schedule, that accurately depicts the financial condition and goals of the City. This budget should be in a form that enables decision makers to set the direction and policy of the City.

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The Proposed Budget will illustrate the General Fund, special funds, and capital funds so that the entire resources of the City may be viewed comprehensively for decision-making. Decision-making for capital improvements will be coordinated with the operating budget to make effective use of the City’s overall resources for operating and maintaining facilities.

The adoption of the annual appropriations ordinance will coincide with the adoption of the resolution setting forth the annual revenue estimates.

Budget detail shall contain line-item detail for the core service spending plan, a personnel summary report listing the types of positions for each department, and a corresponding core service performance plan. It shall also contain department and fund summaries for spending and personnel as well as a detailed financing plan for the core service.

8. Debt

The City Council adopted a Debt Management Policy (Council Policy 1-15) that establishes the following equally important objectives:

- a) Minimize debt service and issuance costs.
- b) Maintain access to cost-effective borrowing.
- c) Achieve the highest practical credit rating.
- d) Full and timely repayment of debt.
- e) Maintain full and complete financial disclosure and reporting.
- f) Ensure compliance with applicable State and Federal laws.

As described in Council Policy 1-15, prior to bringing forward a lease financing (financing the acquisition, construction, or improvement by the City of real property or equipment) to the City Council for approval, the Finance Department shall perform initial due diligence on the project to be financed. The due diligence will include identifying the revenue source for repayment, and performing a feasibility study to determine the volatility of the revenue and provide a sensitivity analysis on project revenue projections, including worst/best case scenarios and the impact on any repayment source identified as the backstop to the project revenues. In order to proceed with the preparation of the documents necessary for the lease financing, two-thirds majority approval by the City Council of the proposed plan of finance is required. When the lease financing is brought forward for City Council approval, the Finance Department will provide the City Council with an update to the due diligence report and any feasibility study. Approval of the lease financing will require two-thirds majority approval by the City Council. These provisions do not apply to a refunding of a lease financing transaction.

In order to reduce the principal on outstanding debt and minimize debt service costs, one-time savings generated from debt restructurings and refundings should be used to pay down the outstanding principal of other existing City debt, whenever possible, taking into consideration any fund restrictions.

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9. Self Insurance

The budget will provide for the adequate funding for the City's self-insurance programs.

10. Capital and Equipment Maintenance

The budget will provide for the adequate maintenance and orderly replacement of capital, plant, and equipment.

11. Retirement

The budget will provide for the adequate funding of all retirement systems.

12. Monthly Report

The Administration will prepare regular monthly reports comparing actual revenues and expenditures to budgeted amounts.

The budget will be produced so that it can be directly compared to the actual results of the fiscal year and presented in a timely monthly report.

All budget amendments, both for revenues and expenditures, will be noted in the monthly report.

13. Multi-Year Estimates

Each year the City will update expenditure and revenue projections for the next five years. Projections will include estimated maintenance and operating costs of future capital improvements that are included in the capital budget.

This budget data will be presented to elected officials in a form that will facilitate annual budget decisions, based on a multi-year strategic planning perspective.

14. Performance and Productivity

The City will integrate performance measurement and productivity indicators within the budget. Prior to implementation, performance objectives and service levels will be submitted for all new and existing programs established during the budget process. The selection of performance standards should be made on the basis of information reliability, relevance to current year budget change proposals, value to Mayor/Council decision making, and utility for program management

The City will promote the understanding that City employees are the most valuable resource of the City and that their understanding and involvement in the budget process is crucial to the City's continuing success on behalf of the community.

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The City will employ good management practices when planning for service delivery by including money in budget requests to pursue activities such as:

- a) office automation and computer applications that increase productivity;
- b) equipment modernization;
- c) work-flow simplification;
- d) risk management, exposure reduction, and employee safety;
- e) preventive maintenance;
- f) energy conservation;
- g) life-cycle costing in purchasing of equipment;
- h) lease-purchase options for high-cost equipment and purchases that reduce operating expenses;
- i) performance planning, reporting, and evaluation; and
- j) employee training.

The City will prepare and evaluate program performance plans that relate to financing and spending plans in the annual City budget.

15. *Public Involvement*

Public involvement shall be encouraged in the annual budget decision-making process through public hearings, public outreach and information, and informal meetings.

16. *“Distinguished Budget” Presentation*

The approved budget shall be submitted to the Government Finance Officers Association and the California State Municipal Finance Officers for consideration for professional awards and recognition for Distinguished Budget Presentation.

17. *Fees*

Fees shall be set to cover 100% of the cost of service delivery, unless such amount prevents residents from obtaining an essential service. Fees or service charges should not be established to generate money in excess of the costs of providing services.

Fees may be less than 100% if Council determines that other factors (e.g. market forces, competitive position, etc.) need to be recognized.

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18. Non-profit Organizations

Future funding decisions regarding non-profit organizations will be based on guidelines, policies and priorities determined by the Mayor/City Council and availability of funding based on spending priorities.

The City shall execute performance contracts with those agencies that receive City funding.

19. Master Plans

Master plans for specific service areas brought forward for Council consideration shall include options for capital and operating financing. Master plans shall be required to propose funding mechanisms for all recommendations.

20. Office of the Mayor and City Council District Office Budgets in Transition Years

For fiscal years in which the term of office of the Mayor or Councilmember(s) will expire and, as a result, the official may leave office due to election results or term limits (a “Transition Year”), two separate appropriations to maintain separate budget allocations for the outgoing and incoming elected officials shall be established. The total budget allocation will include: (a) office general budget; (b) constituent outreach budget; and (c) any carryover available from the prior fiscal year, from both office general and constituent outreach budgets. The first appropriation shall be for the July through December period for the Mayor and Councilmember(s) whose terms expire in December of that year, representing 50% of the total allocation. The second appropriation shall be for the January through June period for the newly elected Mayor and Councilmember(s), representing the remaining 50% of the total allocation. Outgoing Mayor and Councilmember(s) shall take into account the costs associated with any contracts entered into and all of their office’s personnel costs, including leave balance payouts for their staff so as not to reduce the amount budgeted for the incoming official. Any remaining budget allocation at the conclusion of the first appropriation shall be reappropriated to the second appropriation for that specific office as part of the annual Mid-Year Budget Review process. Should an election result in no change in the office holder, as part of the Mid-Year Budget Review process, the second appropriation shall be combined into the first for continuity of operations.

21. Interfund Loans

Interfund loans are loans from one City fund to another City fund for a designated purpose. To ensure that all interfund loans are appropriate, properly documented, and not established to the detriment of the fund issuing the loan, the following interfund loan eligibility and documentation requirements are established.

- a) Interfund Loan Eligibility Requirements—Interfund loans may not be used to solve ongoing structural budget problems. Interfund loans must have an identified repayment source and date; include an interest component that equals the investment earnings the fund would have received had the loan not occurred; and be immediately due and payable if needed by the fund that provided the loan.

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- b) Interfund Loan Documentation Requirements- Loan amount, term, and repayment source will be identified any time a loan is recommended. Loans will be coordinated with the City Attorney’s Office to ensure compliance with the Municipal Code and will be approved by the City Council. Payments made on outstanding loans shall be reflected in the Proposed and Adopted Budget and Annual Report, as applicable. A summary of all outstanding loans will also be included in the annual Proposed and Adopted Operating Budget and the Comprehensive Annual Financial Report (CAFR). The CAFR will also consistently include the loan term, rate of interest, and the interest amount due in its calculation of the total liability associated with the loan.

22. Real Property Transfer Tax Revenues

On March 3, 2020, the voters of San José passed Measure E to enact a new real property transfer tax (“Transfer Tax”) on the transfer of certain real property in the City. The provisions of this section shall apply to the budgeting of Transfer Tax revenues. The Transfer Tax is a general tax and the revenues derived from the tax are unrestricted, which means the City can use the Transfer Tax revenues for any governmental purpose. While these revenues are deposited in the General Fund and can be used for any governmental purpose, the City Council intends for the revenues to be allocated towards addressing the homelessness crisis and the City’s most urgent issues including, but not limited to, homeless prevention and developing new affordable housing. The approach for estimating and budgeting Transfer Tax revenues is described below.

- a) Estimating Revenue from the Transfer Tax – Due to the volatile nature of a real property transfer tax such as the Transfer Tax, the City will conservatively estimate revenue from the Transfer Tax as part of the Proposed Budget process. During the course of the fiscal year, revisions to the Transfer Tax revenue estimate may be recommended to the City Council to align with the pace of actual collections.
- b) Spending Allocations of Transfer Tax – The spending priorities for the Transfer Tax are listed below.
 - 1) Up to 5% of the revenues may be allocated for the administration of funding related to increased workload resulting from more robust homeless prevention efforts and the creation of more affordable housing, including, but not limited to, financial, legal, or administrative and policy programmatic support.
 - 2) The remaining revenue is allocated as follows:
 - i. 10% for homelessness prevention and rental assistance;
 - ii. 45% for permanent supportive and affordable rental housing for extremely low-income (ELI) households earning less than 30% of area median income (AMI) as defined by the U.S. Department of Housing and Urban Development;
 - iii. 35% for affordable rental housing for 30% - 80% AMI households; and
 - iv. 10% for below market-rate for-sale housing and moderate-income rental housing up to and including 120% AMI, including but not limited to, rent-restricted

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Accessory Dwelling Units (ADU) forgivable loans, down payment assistance, and first-time homeownership opportunities for households up to 120% AMI.

- c) Modifications to Spending Allocation – Any revisions to the revenue estimate, as well as a reconciliation of year-end actuals to budgeted estimates, will be proportionally applied to the spending categories described above. Modifying the percentage allocations during the Proposed Budget process or during the year requires:
 - 1) A 60-day notice in advance of the effective date of the proposed allocation change posted on the City’s website and at least two public hearings prior to City Council action on the proposed allocation change, with a notice of each public hearing posted on the City’s website at least 10 days in advance of the public hearing; and
 - 2) A two-thirds vote of the City Council.

CAPITAL IMPROVEMENT PROGRAM

1. *Fiscal Policies*

- a) Capital project proposals should include complete, reliable, and attainable cost estimates. Based upon a thorough analysis of the project, project cost estimates for the Five-Year Capital Improvement Plan will vary in reliability depending upon whether they are to be undertaken in the first or fifth year of the Plan. Project estimates for the Five-Year Capital Improvement Plan should include the basis on which the project costs were prepared (conceptual design, master plan, etc.), and the relative reliability of those estimated costs.
- b) Capital project proposals should include a comprehensive resource plan. This plan should include the amount and type of resources required, and the funding and financing strategies to be employed. The specific fund and timing should be outlined. The plan should indicate resources needed to complete any given phase of a project in addition to the total project. The City Manager’s Office is responsible and accountable for providing Council with an accurate, comprehensive resource plan.
- c) Changes in project estimates for the comprehensive resource plan shall be fully reported to the City Council for review and approval.
- d) Project proposals should indicate the project impact on the operating budget. Each project that is proposed in any year of the 5-year Capital Improvement Program shall have an estimate of the costs for furniture, fixtures, equipment, and technology and the annual operations and maintenance costs in the appropriate year of the Operating Budget or in the Five Year Forecast and Revenue Projections.
- e) During the Annual Capital Budget process for multi-year budgeted projects, the City Manager will provide the Council with more information regarding the project including the original budget, budget addendums, and the projected schedule in spreadsheet format.

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- f) At the time of award of the construction contract, each project shall include reasonable provision for contingencies.
- g) At the time of award of the construction contract, each project shall include reasonable provisions for furniture, fixtures, equipment, and technology that are separately identified in a line item or items in the construction budget and those costs shall be noted in the staff report to the Council.
- h) At the time of award of the construction contract, each project's estimated annual operating and maintenance costs shall be identified in the staff report to the Council and shall be included in the Operating Budget or in the Five Year Forecast and Revenue Projections for projects expected to be completed after the end of the budget year.
- i) The contingency amounts to be used for various types of projects are set forth in Section 27.04.050 of the San Jose Municipal Code.
- j) Project contingencies may, unless otherwise determined by the City Council, be used only as set forth in Chapter 27.30 of Title 27 of the San Jose Municipal Code.
- k) For budgeting purposes, project contingencies are a reasonable estimating tool. At the time of contract award, the project's budgeted appropriation, including contingency, will be replaced with a new appropriation equal to the approved project contract contingency developed in the manner described above.
- l) The City Administration shall seek ways of ensuring that administrative costs of carrying out the Capital Improvement Program are kept at appropriate levels.
- m) The Annual Capital Budget shall include only those projects that can reasonably be accomplished in the indicated timeframe. Multi-year budgeting of projects shall be used to ensure a reasonable timeframe for projecting costs. The detail sheet for each budgeted capital project should include a projected schedule.
- n) The status of all capital projects, and the entire Capital Budget, will be monitored by the Mayor/Council as part of the Mid-Year Budget Review. Large projects of crucial importance may be monitored on a more frequent basis as determined by the City Council.
- o) Capital projects that are not encumbered or completed during the fiscal year will be re-budgeted to the next fiscal year except as reported to and subsequently approved by the City Council. All re-budgeted capital projects should be so noted in the Proposed Capital Budget.

2. Capital Improvement Plan Policies

Public participation in the Capital Improvement Program is a priority concern for the City. Among the activities conducted to address this need are the following:

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- a) The Capital Improvement Plan shall be provided to the City Council in a timely manner as required by the City Charter to allow for Council members to review the proposal with constituents before it is considered for adoption.
- b) Council budget review study sessions on the Capital Improvement Plan shall be open to the public and advertised sufficiently in advance of the meetings to allow for public attendance.
- c) Prior to the adoption of the Capital Improvement Plan, the City Council shall hold noticed public hearings to provide an opportunity for residents to express their opinions on the proposed plan.
- d) The City Planning Commission shall review the proposed Capital Improvement Plan and provide their comments on its contents before the City Council considers the plan for final adoption.
- e) All projects included in the Capital Improvement Program shall be consistent with the City's General Plan and the City's Energy and Water Policies. The goals and policies within the General Plan relating to community development, housing, services and facilities, transportation, solid waste, aesthetic, cultural and recreational resources, natural resources, and hazards should be followed in the development of the Capital Improvement Plan. The General Plan service-level goals will be clearly stated in the Capital Improvement Program.
- f) Capital projects shall be financed to the greatest extent possible through user fees and benefit districts where the construction of the project results in direct benefit to users.
- g) The Council will annually review and establish criteria for measuring proposed capital improvement projects. Among the factors that will be considered for priority ranking are the following:
 - Projects that have a positive impact on the operating budget, such as reduced expenditures or increased revenues.
 - Projects that are programmed in the Five-Year Operating Budget Forecast.
 - Projects that can be completed or significantly advanced during the Five-Year Capital Improvement Plan.
 - Projects that can realistically be accomplished during the year they are scheduled.
 - Projects that implement prior Council-adopted reports and strategies.
- h) Projects that involve inter-governmental cooperation in planning and funding should be established by an agreement that sets forth the basic responsibilities of the parties involved.

3. Debt

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The City Council has adopted a Debt Management Policy (Council Policy 1-15) that establishes the following equally important objectives:

- a) Minimize debt service and issuance costs.
- b) Maintain access to cost-effective borrowing.
- c) Achieve the highest practical credit rating.
- d) Full and timely repayment of debt.
- e) Maintain full and complete financial disclosure and reporting.
- f) Ensure compliance with applicable state and federal laws.

As described in Council Policy 1-15, prior to bringing forward a lease financing (financing the acquisition, construction, or improvement by the City of real property or equipment) to the City Council for approval, the Finance Department shall perform initial due diligence on the project to be financed. The due diligence will include identifying the revenue source for repayment, and performing a feasibility study to determine the volatility of the revenue and provide a sensitivity analysis on project revenue projections, including worst/best case scenarios and the impact on any repayment source identified as the backstop to the project revenues. In order to proceed with the preparation of the documents necessary for the lease financing, two-thirds majority approval by the City Council of the proposed plan of finance is required. When the lease financing is brought forward for City Council approval, the Finance Department will provide the City Council with an update to the due diligence report and any feasibility study. Approval of the lease financing will require two-thirds majority approval by the City Council. These provisions do not apply to a refunding of a lease financing transaction.

In order to reduce the principal on outstanding debt and minimize debt service costs, one-time savings generated from debt restructurings and refundings should be used to pay down the outstanding principal of other existing City debt, whenever possible, taking into consideration any fund restrictions.

TO: HOUSING & COMMUNITY DEVELOPMENT COMMISSION (HCDC)

FROM: Elizabeth Guzman

SUBJECT: CALL LOG REPORT

DATE: 11/23/2021

Total Calls=26

	ID	Date	Requestor	Mobilehome Park	Topic	Resolution Suggested
July	Interaction Log-48680	7/8/2021	RESIDENT	SAN JOSE VERDE MOBILEHOME PARK	Eviction;Harrasment;Rights	Information
July	Interaction Log-48689	7/9/2021	Property Manager	WESTWINDS MANUFACTURED HOME COMMUNITY	Maintenance	Information
July	Interaction Log-48796	7/16/2021	TENANT	RANCHO SANTA TERESA MOBILEHOME PARK	Code Issue	Referral
July	Interaction Log-48914	7/26/2021	Property Manager	WESTWINDS MANUFACTURED HOME COMMUNITY	Maintenance	Information
July	Interaction Log-49003	7/29/2021	RESIDENT	Unavailable	Rental Assistance	Information
Aug	Interaction Log-49073	8/2/2021	LANDLORD	SUNSET MOBILE MANOR	Service	Information
Aug	Interaction Log-49061	8/3/2021	RESIDENT	CAL-HAWAIIAN MOBILEHOME PARK	Rental Assistance	Referral
Aug	Interaction Log-49103	8/4/2021	RESIDENT	Unavailable	Rental Assistance	Information
Aug	Interaction Log-49118	8/5/2021	RESIDENT	SAN JOSE VERDE MOBILEHOME PARK	Office Information;Rental Assistance	Referral
Aug	Interaction Log-49361	8/16/2021	RESIDENT	ARBOR POINT MH PARK	Rental Assistance	Information
Aug	Interaction Log-49369	8/16/2021	RESIDENT	Unavailable	Ordinance	Information
Aug	Interaction Log-49496	8/24/2021	RESIDENT	WESTWINDS MANUFACTURED HOME COMMUNITY	Ordinance	Information
Aug	Interaction Log-49517	8/25/2021	RESIDENT	Unavailable	Ordinance	Information
Aug	Interaction Log-49574	8/30/2021	RESIDENT	Unavailable	Ordinance;Office Information	Information
Aug	Interaction Log-49616	8/30/2021	RESIDENT	SUNSET MOBILE MANOR	Maintenance	Information

Sept	Interaction Log-49701	9/7/2021	RESIDENT	Unavailable	Mobilehome HCD Title	Referral
Sept	Interaction Log-49714	9/8/2021	RESIDENT	VILLAGE OF THE FOUR SEASONS	Ordinance	Information
Sept	Interaction Log-49748	9/9/2021	RESIDENT	RANCHO SANTA TERESA MOBILEHOME PARK	Mobilehome HCD Title	Referral
Sept	Interaction Log-50139	9/14/2021	RESIDENT	WESTERN TRAILER MOBILEHOME PARK	Management Harassment	Information
Sept	Interaction Log-49943	9/20/2021	OTHER	VILLAGE OF THE FOUR SEASONS	Code Issue;Office Information	Information
Sept	Interaction Log-49966	9/21/2021	RESIDENT	RANCHO SANTA TERESA MOBILEHOME PARK	Mobilehome HCD Title	Information
Sept	Interaction Log-50144	9/29/2021	RESIDENT	SUNSHADOW MOBILEHOME PARK	Fees	Information
Sept	Interaction Log-50133	9/29/2021	RESIDENT	Unavailable	Mobilehome Park Conversion	Information
Sept	Interaction Log-50138	9/29/2021	RESIDENT	SUNSHADOW MOBILEHOME PARK	Maintenance	Information
Sept	Interaction Log-50150	9/30/2021	RESIDENT	SUNSET MOBILE MANOR	Allowable Rent Increase	Information
Sept	Interaction Log-50161	9/30/2021	RESIDENT	Unavailable	Maintenance	Information

Brief Synopsis on Disposition of Calls

7/8/2021 - SAN JOSE VERDE MOBILEHOME PARK

Other: Program staff returned phone call to resident. Resident stated that they wanted to notify the Housing Department regarding on-going harassments by the mobilehome park. Resident also mentioned that the park manager's friend was assaulted and hospitalized as a result of the incident. Inclusive, the park has filed 3 lawsuits against the resident in 30 months. Program staff noted resident's claims.

7/9/2021 - WESTWINDS MANUFACTURED HOME COMMUNITY

Other: Program staff received a copy of the water shut of notice for 30 minutes starting between 10:30am to 11am Tuesday, July 13 for a meter inspection from the city of San Jose at the park. Program staff noted information.

7/16/2021 - RANCHO SANTA TERESA MOBILEHOME PARK

Other: Resident called regarding reasonable accommodations at park. Program Staff referred to Program Supervisor and the California Department of Housing and Community Development for further information.

7/26/2021 - WESTWINDS MANUFACTURED HOME COMMUNITY

Other: Program staff received a notification that the park has shut off a water main line due to a leak in the circle for a couple of hours while an on site vendor is making repairs. Program staff noted issue.

7/29/2021 - Unavailable

Resident's issue: Resident inquired information on past due rent on mobilehomes. Program staff returned phone call and left a message for resident giving them information for rental assistance.

8/2/2021 - SUNSET MOBILE MANOR

Landlord's issue: Landlord requested information about new space permits. Program staff referred Landlord to the State Housing and Community Development website for assistance.

8/3/2021 - CAL-HAWAIIAN MOBILEHOME PARK

Resident's issue: Resident inquired information on rental assistance, program gave them information on the Eviction Help Center and Sacred Heart.

8/4/2021 - Unavailable

Resident's issue: Resident inquired information on rental assistance. Program staff gave resident phone numbers to call the Eviction Help Center for rental assistance information.

8/5/2021 - SAN JOSE VERDE MOBILEHOME PARK

Resident's issue: Resident inquired information on rental assistance for self employed residents. Program staff referred them to Sacred Heart, Bill Wilson and HousingIsKey.com since the State rental assistance program does not help residents that are self employed.

8/16/2021 - ARBOR POINT MH PARK

Resident's issue: Resident requested information about rental assistance. May not be able to pay rent next month. Program staff referred to local rent relief program.

8/16/2021 - Unavailable

Resident's issue: Resident requested information about new park management and rent control. Program staff explained the City's Mobilehome Rent Ordinance.

8/24/2021 - WESTWINDS MANUFACTURED HOME COMMUNITY

Resident's issue: Resident requested information regarding Mobilehome Rent Ordinance. Program staff referred the resident to the City's website for information.

8/25/2021 - Unavailable

Resident's issue: Resident had a follow up question about capital improvement and fair return. Program staff explained the Mobilehome Rent Ordinance and provided website information.

8/30/2021 - Unavailable

Resident's issue: Resident called inquiring general information on MH rent control. Staff gave resident information on MH rent control.

8/30/2021 - SUNSET MOBILE MANOR

Resident's issue: Resident inquired information on tree trimming information. Staff gave resident information on the California Department of Housing and Community Development tree trimming information.

9/7/2021 - Unavailable

Resident's issue: Resident inquired information on the change of owner on a mobilehome park title. Program staff referred him to the California Department of Housing and Community Development, Registration and Titling department.

9/8/2021 - VILLAGE OF THE FOUR SEASONS

Resident's issue: Resident requested information about rent control. Program staff explained to the resident the Mobilehome Rent Ordinance.

9/9/2021 - RANCHO SANTA TERESA MOBILEHOME PARK

Resident's issue: Resident called inquiring information on registration and titling of her mobilehome park. Program staff referred her to the California Department of Housing and Community Development- Registration and Titling department.

9/14/2021 - WESTERN TRAILER MOBILEHOME PARK

Resident's issue: Resident left voice message inquiring information on resources that help alleviate issues with property manager. Program staff called resident back and suggested the mediation program.

9/20/2021 - VILLAGE OF THE FOUR SEASONS

Other: Program Staff sent an email to Mobilehome Park inquiring about extensive home repair notices.

9/21/2021 - RANCHO SANTA TERESA MOBILEHOME PARK

Resident's issue: resident called to inquire information on changing title on her MH. Program staff gave her the phone number to the California Department of Housing and Community Development registration and Titling Department.

9/29/2021 - SUNSHADOW MOBILEHOME PARK

Resident's issue: Resident inquired information on annual mobilehome fees since she had received increases on her utility bills. Resident wants program staff to look over invoices, program staff scheduled an appointment with resident at City Hall for further assistance.

9/29/2021 - Unavailable

Resident's issue: Resident e-mail program staff with issues concerning her mobilehome and a fire that occurred on July 2021. Program staff e-mailed resident back asking for a phone number she can be reached at so that program staff can talk to her more about the issue.

9/29/2021 - SUNSHADOW MOBILEHOME PARK

Resident's issue: Resident inquired information about monthly maintenance fees, program staff called her back and left voice message asking for a call back from resident for further information.

9/30/2021 - SUNSET MOBILE MANOR

Resident's issue: Resident requested information about replacing old trailer with a new one and was told that the rent space would go up by \$300. Program staff explained in place transfer of mobilehome under the Mobilehome Rent Ordinance; such rent increase described is not allowed.

9/30/2021 - Unavailable

Other: Program staff called Resident back and left a voice message, waiting for a call back.

Elizabeth Guzman
Rent Stabilization Program Analyst II
Policy and Special Project

Residence Inn Homekey FAQ

November 17, 2021

Thank you for your interest in the Residence Inn Homekey Project!

Please note that we are in the planning phase of our program and some details have yet to be confirmed. Some responses below note our intentions, goals and plans as they are currently.

We expect these plans to become more concrete as we finalize our efforts. In the spirit of open communication and community outreach, we will continue to release FAQs as our plans finalize.



Where is the proposed site?

The site is located at 611 San Ignacio Avenue, San Jose, CA 95119. The site is the home of the Residence Inn which sits on 3.88 acres of land and was built in 1998. The motel consists of 150 studios, one- and two-bedroom units which range in size from 471 to 713 square feet. It's important to note that the Housing Authority and Jamboree are hoping to merge some of the units to create larger bedroom configurations (i.e., more twos and three bedrooms) so the ultimate unit count is likely to be lower.

Is the project providing emergency or interim housing, like a Bridge Community?

No, it is not. The plan for the Residence Inn Homekey site is for the housing to be permanent and every household will have a lease. It will function as an apartment building with affordable rents and supportive services.

What is the project's goal?

The goal of the project is to respond to the lack of affordable housing for families, specifically families who are experiencing homelessness or who are at-risk of homelessness. We will create a space where residents can receive intensive case management services to help them maintain permanent housing. Onsite services will be specific to each family's needs, but is expected to include recreation & educational programs, children/family social activities, holiday events, on-site management and services personnel to assist with services including life skills development, parenting education, behavioral health services and connections to external services and resources.

Why was this site chosen?

This site was identified by the City when it released a call for interested hotel owners, brokers and developers to put forward sites for Homekey development. Once the City had its list of hotels, it reviewed each site for appropriateness for the Homekey program, ease of conversion to residential units, land use and surrounding neighborhood. Particularly for the Residence Inn, it was identified as an ideal location for families as each unit included a kitchen or kitchenette, the site included parking, and it was near several community amenities like schools, grocery, healthcare, and public transportation. For more information on how the City identified this site, please see their report to City Council:

<https://www.sanjoseca.gov/home/showpublisheddocument/77815/637689311565230000>

Who will have access to the housing?

This development is planned to serve low-income families, families at-risk of homelessness and families experiencing homelessness. Referrals are planned to be received via the County's coordinated assessment and housing match system referred to as the Community Queue or the Coordinated Entry System (CES). These families will be those in need of permanent supportive housing. Referrals also may come from the Housing Authority's interest list.

How long will people stay?

The Residence Inn will be providing permanent housing. As residents meet the terms of their leases and pay their rent, they will be able to stay indefinitely.

Does Jamboree have expertise serving low-income families, those at-risk of homelessness and those that are homeless?

Jamboree has 30 years of experience with low-income families as well as supportive housing developments and services in a variety of forms. Jamboree has developed, manages and serves approximately 9,000 apartment homes in California and approximately 1,000 units of supportive housing. Please learn more about us at our website: <https://jamboreehousing.com/>

Will the program be unsightly and a magnet for large vehicles, shopping carts and garbage?

This is a permanent housing community and will be maintained in a manner that reflects the respect for individual and community well-being. Property management and services

personnel will be primarily responsible to identify issues regarding violations of community rules which include inappropriate vehicles associated with the site and refuse in public space.

Will there be parking onsite? Will this make a parking problem in our neighborhood?

Yes, there will be parking on site for residents and visitors. The final number of spaces is to be determined.

What type of rehabilitation of the current building is planned?

The footprint of the buildings will remain the same. Rehabilitation plans for the building exterior and interior are still being considered. In general, interior improvements will consist of inclusion of accessible units, upgrades to current building code and the inclusion of common area amenities that will provide offices for on site management staff, service providers, laundry facilities, and multipurpose rooms for resident activities and service programs. Because of the addition of these common area facilities, some current units may be taken offline and repurposed for these amenities, reducing the number of residential units. Exterior improvements are likely to include new outdoor gathering areas for residents, including safe play areas for children, and new signage.

How will the site manage COVID?

This site is designed to be safe, secure, and provide for easy social distancing. Each household will have their own apartment, which will include a kitchen and bathroom. The facility will implement and abide by all necessary COVID policies and protocols established by the City, County and Jamboree.

If residents are allowed to bring their pets, how will they be cared for?

Participants will be responsible for the care and supervision of their pets. Pets must be always under the control of their owner, always. Pets will have an exterior location where they may be exercised consistent with regulations and requirements as stipulated by the Housing Authority and other government agency requirements and codes.

Will there be rules governing behavior?

Each resident household will be required to sign a lease. House Rules are a standard part of all leases that Jamboree uses at each apartment community. House Rules are specific to each apartment community and meet the criteria of stakeholders involved in the development of the apartment community. Property Management at Jamboree will be responsible for enforcing the lease to ensure each household is compliant with the House Rules.

What support will residents receive?

Jamboree offers substantial supportive services designed to implement evidence-based practices designed to support a family's well-being and remain housed. These practices embrace a wide range of supportive strategies including working as a partner with property management to address behavioral concerns or challenges and to intervene to address them. This partnership is designed to address the concerns of the community at large should that

become a concern as well as to preserve the safe and health community environment within the housing development generally.

What if residents use drugs and alcohol?

Jamboree is committed to a “Housing First” approach which has been demonstrated to be extremely successful. The Housing First model essentially is grounded in the practice of providing stable housing with very supportive services, which have been shown to be more effective in helping any households who might be struggling with substance use issues. Jamboree also employs a harm reduction model to actively engage with residents in reducing harmful behaviors. It’s very important to note that residents can be evicted for substance abuse that is disruptive to the health and well-being of the community, other residents, or staff.

What if residents have mental health issues?

Mental health challenges affect large numbers of people in the general population. Persons struggling with significant stress such as loss of job, family dissolution, social and physical isolation due to COVID protocols, etc. are understandably more vulnerable and affected by mental health issues. Some households struggling with mental health challenges will be part of this community. Effective supportive services are an essential part of this housing development. These will be provided to help all participants seeking appropriate health and mental health care as well as to make connections to community resources to reduce stress and the sense of isolation.

How will the neighborhood be kept safe?

Staff will be on-site to handle site management and resident services on a structured schedule and property management staff will be residing on the property. Staffing will be provided consistent with the security needs of the community and our intention is to install security cameras and ensure adequate lighting throughout the site. Jamboree is a caring, responsive and respected partner in the communities where our developments have added great value over the years.

What is Project Homekey and Homekey 2.0?

Building on the success of both Project Roomkey and Round 1 of Homekey, Homekey Round 2 continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness, and who are, thereby, inherently impacted by COVID-19 and other communicable diseases. Administered by the California Department of Housing and Community Development (HCD), approximately \$1.4 billion (FY 2021-22) in grant funding will be made available to local public entities, including cities, counties, or other local public entities, such as housing authorities or Tribal Entities within California. More information can be found on the State’s website: <https://homekey.hcd.ca.gov/>.

Who will rehab the site?

Jamboree has its own in-house construction company, Quality Development & Construction Inc., that will be engaged to either perform construction management or the actual rehabilitation of the facilities.

I would like to get a tour of existing Housing Authority sites. How do I do that?

Please email ResidenceInn@scchousingauthority.org and request to be added to one of our tours. Please note that Homekey (specifically converting hotels into housing) is a new program, however the Housing Authority will provide tours of communities that most closely align with the population and program planned for the Residence Inn.

I don't feel that my voice was heard at the large format community meeting. Is there another way to discuss the project?

Yes! The large format community meetings are a great way to get a lot of information out to a lot of people, and we understand that this limits the time we can spend with individuals. We encourage anyone who wants to have a small group meeting or to meet individually to reach out via our email address below and we can set up a time to discuss.

How can I get more information?

We intend to set-up a webpage for the project. Until then, please send an email to ResidenceInn@scchousingauthority.org. We will add you to our interest list, and we'll be emailing out meeting and action announcements, as well as FAQs.

##

The Santa Clara County Housing Authority's mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

www.scchousingauthority.org



Memorandum

TO: RULES & OPEN
GOVERNMENT
COMMITTEE

FROM: Mayor Sam Liccardo
Councilmember Raul Peralez
Councilmember Sergio Jimenez
Councilmember Pam Foley
Councilmember Matt Mahan

SUBJECT: SEE BELOW

DATE: September 22, 2021

**Submitted electronically*

APPROVED:

DATE:

September 22, 2021

Sam Liccardo *Sergio Jimenez* *Pam Foley* *Matt Mahan*

SUBJECT: COMPASSIONATE SAN JOSÉ – BOLD HOUSING SOLUTIONS

RECOMMENDATIONS:

1. To meet the goal of the [Community Plan to End Homelessness](#) to double shelter capacity to by 2025, have 1,000 pandemic-era emergency interim housing community (EIHC) units and 300 Homekey motel units under construction or completed by December 2022—including those recently completed—to accelerate our response to our homelessness crisis. This work should include the following tasks necessary to achieve rapid acceleration of our efforts:
 - a. Identify the requisite amount of Homekey, ARPA, HHAP, or other eligible public funding for an additional six EIHCs in every Council District not currently hosting an EIHC or Bridge Housing Community (BHC), and work with the Mayor’s Office to identify additional philanthropic support;
 - 1) A single slate of six sites shall be approved at a single Council meeting, no later than June 2022, in a single “up or down” vote on the entire slate. Sites that are ready before June 2022 can be voted on and approved by Council at an earlier date.
 - 2) Site selection will occur collaboratively with the participation of every councilmember and the community, but ultimate decision-making will remain the domain of the entire Council.
 - 3) Any alternative sites suggested by any councilmember must be deemed feasible for near-term housing development by the City Manager prior to qualifying for Council consideration.

- 4) At least one location shall provide homes for unhoused individuals in employment or training programs, such as SJ Bridge and the Conservation Corps, and at least one location shall provide a home for women and children who have endured domestic violence, with appropriate discretion. Resolve all legal and regulatory issues to enable this.
- b. Discuss with the County of Santa Clara their willingness to begin to provide basic mental health and addiction treatment services for EIHCs for a specified duration, so that one-time City resources can be better focused on expanding our inventory of units;
- c. Densify existing sites with the space and non-profit capacity to accommodate additional tenants, such as the existing EIHC at Rue Ferrari, prioritizing unhoused residents in the immediate vicinity;
- d. Make any modifications to City building code necessary to safely enable multi-story EIHC development;
- e. Resolve all legal and regulatory issues to enable the City to prioritize EIHCs for unhoused residents in the immediate neighborhoods to ensure that local neighborhoods directly benefit from the presence of EIHCs;
- f. Direct Public Works and Housing staff to work with Caltrans staff, Mayor's Office staff, and philanthropic partners such as Sand Hill Properties, in our joint exploration of creative use of Caltrans-owned land around and under freeway intersections and exits for construction of safe, dignified housing on low-cost land prioritizing districts who have not identified a site;
- g. Improve the financial sustainability of EIHC and BHC operational budgets by identifying opportunities for (a) cost efficiencies, (b) partnering with the Santa Clara County Housing Authority to explore program alignment for funding to offset the annual operational cost of these communities, (c) employing work-ready EIHC residents to perform tasks otherwise paid for through contracted companies, such as security, maintenance, shuttle driving, and management;
- h. Explore funding opportunities, including any savings identified in the above work on cost efficiencies in the operations budget, for an "enhanced services" program for the surrounding neighborhoods who host EIHCs and BHCs, as outlined in Councilmember Jimenez's 2020 memo that was previously approved by Council;
- i. Work with Comcast and other telecommunication partners to include access to internet connectivity on the sites, leveraging the efforts and resources of the Mayor's Office of Technology and Information (MOTI);
- j. Explore incentives for private land owners with underutilized surface parking lots willing to host an EIHC, which may include negotiated ground lease revenue, waived

- fees on the development of the EIHC, or waived parking requirements on their future redevelopment project.
2. In response to the Biden Administration’s plea for leading cities to identify clear goals for addressing homelessness by December 2022 of (a) “the number of people experiencing homelessness to be placed into stable housing,” and (b) “the number of new units of ...housing serving people experiencing homelessness to be added to the development pipeline,” by 2022, report the following specific goals for the next 16 months:
 - a. **Rehousing: Housing 1,500 San Jose residents by December 31, 2022**

This goal reflects the funding capacity we have estimated for housing individuals with the assistance of San Jose Emergency Housing Vouchers (369), anticipated County Emergency Housing Vouchers allocated for San Jose residents (455), Rapid-Rehousing slots (300), and units of completed PSH housing (200), and if HUD allows consideration of new completed EIHC housing (300+).
 - b. **Homeless-Serving New Units: Providing a total of 2,300 new permanent and transitional units serving homeless individuals that will be under development or construction by December 31, 2022.**

This goal reflects the approximately 1,384 units we believe can emerge from new permanent supportive projects funded by the City and County, 239 units from two hotels for which we are submitting Project Homekey applications, and 683 units from EIHCs that will be in the pipeline.
 3. Continue to partner with Councilmember Jimenez to temporarily locate a “safe parking” RV site at or near the future police training facility in his district. Determine how a registry or other mechanism could help ensure that the facility will provide primary priority to serve Council District 2 residents, rather than merely attracting RVs from other communities unwilling to serve RV residents in their area.
 4. To facilitate the identification and implementation of drug treatment options, explore with the County of Santa Clara the creation of a detention facility for individuals arrested for minor criminal offenses—such as disturbing the police, simple assault, public indecency, or vandalism—where the person:
 - a. is under the influence of methamphetamine or another stimulant or psychoactive substance at the time of their arrest;
 - b. poses a safety or crime risk that makes the person inappropriate for voluntary detention in the County’s Mission Street Recovery Center/ Sobering Center;
 - c. is kept a sufficient duration to enable the individual to become free of the influence of the substance prior to release, within the duration proscribed by the courts and the Due Process Clause; and
 - d. is provided information about treatment options.

Potential sites for such a facility might include either of the existing jails or Mission Street Recovery Center/ Sobering Center, among others.

5. Direct City Staff to outreach to County staff to coordinate on joint efforts to:
 - a. provide drug treatment, mental health, and related services at EIHCs, described *supra*;
 - b. identify and lease sites under County control for future development of EIHCs;
 - c. create a drug detention facility, as described *supra*

Background

We have a unique opportunity amid this pandemic—with new sources of federal and state funding, clear alignment articulated through the [Community Plan to End Homelessness](#) among the City, Housing Authority, County, and community partners led by Destination:Home, and new innovations in housing construction and development—to get traction on the most intractable of problems in our community: homelessness.

We can start by accelerating our work on what’s working: The development of prefabricated emergency and transitional communities that we piloted for the first time in the earliest days of the pandemic.

When Mayor Liccardo and then-City Manager Dave Sykes convened key city staff to launch the first three EIHCs, we confirmed what we long suspected. Housing could be built much faster, and more cost-effectively, with the appropriate quality and privacy for residents to ensure a safe, dignified place to live. Our first three pilot EIHCs have been constructed in months rather than years, at a fraction (about \$110,000 per unit) of the standard \$750,000 cost per unit, providing private bedrooms and bathrooms to recently unhoused residents with communal kitchens and other facilities. The philanthropic community has responded strongly to Mayor Liccardo’s requests for their participation, with generous contributors such as Peter & Susanna Pau, John & Sue Sobrato, and Destination:Home providing more than \$15 million so far for three of the five EIHCs under development. Thanks to Jim Ortbal, Jacky Morales Ferrand, Matt Cano, and James Stagi, and many others for their remarkable work in “proving out” this innovative approach to housing, and for their responsiveness to our call in March 2020.

Our [Community Plan to End Homelessness](#) calls for the doubling of our transitional and shelter capacity countywide, from 1,882 to 3,764 units. We have good reason to believe that the 1,000 units contemplated by this plan—of which 317 have been built already and are nearly fully occupied—can serve as both transitional, and if necessary, permanent housing. Beyond the completion of 397 units of transitional housing (adding 80 BHC beds to the EIHC projects), we have no clear pathway to reaching our collective goal—hence the need for this initiative.

As directed since 2017, the development of these sites should be equally distributed between all ten council districts, with each council district housing a least one. Homelessness is felt in every single one of our districts. Staff should prioritize council districts that have not yet housed an EIHC or BHC.

Currently, the City has footed the bill for the construction of these units and the provision of services in these EIHC communities, relying on increasing HHAP funding allocations that the Big City Mayors have endeavored to secure from the State of California. Since the County and

the regional CoCs also benefit from that same HHAP funding, there should emerge opportunities for real partnership from that and other sources.

RV Safe Parking

We applaud Councilmember Sergio Jimenez for his efforts working with City Staff to host a safe RV parking site at or near the future site of the police training facility. Just a year and a half ago, the Councilmember faced extreme community resistance to two EIHC sites in District 2 and we support him now in his efforts to host another housing solution in his district.

Methamphetamine Use and Addiction

The scourge of methamphetamine has afflicted neighborhoods in San Jose and throughout the West Coast, and too many residents in encampments suffer from high levels of methamphetamine addiction. Long term use of methamphetamine has been shown to induce psychosis and permanent brain injury, trapping users in a downward spiral of self-destruction and despair. Our residents share their fears and frustration of many 911 calls to report behavior ranging from merely erratic to threatening and violent. Small business owners and industrial employers routinely complain of broken windows, threats, and unsafe environments that have caused employees to quit.

In response, our police officers express frustration that they have no options in responding to reduce the risks posed by those under the influence. Mental health care workers cannot (and will not) respond violent and criminal behavior safely without the police. “Zero-bail” and other policies at the jail seeking to reduce jail populations prevent any detention for minor crimes. There is nowhere near the detoxification and inpatient treatment capacity needed to address the crisis of addiction in our community, as the number of treatment beds in Santa Clara County pales dramatically in comparison to other counties. Finally, Mission Street Sobering Center serves only those who voluntarily agree to stay. This “hamster wheel” of arrest and immediate release of individuals under the influence of methamphetamine does nothing to help the addict, and results in very high levels of recidivism that torments our lowest-income communities.

At the very minimum, we need a detention facility where a methamphetamine-addicted individual who has committed criminal activity can be off the street, unable to hurt themselves and others, and given access to addiction treatment resources. Of course, we need far more: specifically, a dramatic expansion of the existing drug treatment infrastructure of detoxification centers, inpatient beds, and outpatient services. We could also use a criminal justice system better aligned to reduce the harms of methamphetamine addiction, as Honolulu has long provided a promising model for reducing addiction and recidivism through its Project Hope, but it requires broad consensus among the County, local judges, and District Attorney. The City has no control, funding, or authority over behavioral health, drug treatment, or criminal justice systems, but our lead role in law enforcement can at least provide an inroad for a partnership to get addicted residents off the streets safely. We hope this can be the start of larger conversations about more comprehensive solutions that are desperately needed.

The Longer View

In the first five years (2015-2020) of the Community Plan, we together were able to house 17,000 now formerly unhoused residents in permanent housing. For every person permanently

housed, however, two more people fell into homelessness or needed assistance. We have much work to do to accelerate our efforts.

Over the next five years, we will do more. The concrete targets that our countywide partners have established through our collaboration sets ambitious goals by 2025:

1. House 20,000 people through the supportive housing system
2. Expand the Homelessness Prevention System and other early interventions to serve 2,500 people per year
3. Double temporary housing and shelter capacity to reduce the number of people sleeping outside
4. Achieve a 30% reduction in annual inflow of people becoming homeless

We have already gotten off to a good start despite the pandemic. Since January 2020, our collective efforts with the County, Housing Authority, Destination:Home, and constellation of partner non-profits have rehoused nearly 4,900 homeless residents.

We need to continue and accelerate this momentum in the year ahead. We seek formal Council authorization to declare that we are all-in, and clear direction for Staff, to better confront the single greatest challenge facing our City.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.