



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Sam Liccardo

**SUBJECT:** SEE BELOW

**DATE:** February 14, 2022

*\*Submitted electronically*

**APPROVED:**

**DATE:**

*February 14, 2022*

**SUBJECT: PROPOSED CHANGES TO THE ALLOCATION AND CATEGORY NAMES OF MEASURE E REAL PROPERTY TRANSFER TAXES**

## **RECOMMENDATIONS**

1. Accept staff recommendation for the changes in percentage allocations and category definitions for Measure E revenue.
2. Accept the recommendation of Councilmembers Esparza, Cohen, and Jimenez for a substantially enhanced spending level for rental assistance, but return to Council and the public for the second hearing in April with a proposed Measure E plan that also includes fuller explanation and more precise estimates of the following, prior to voting on the final allocations:
  - a. Estimated Homelessness Prevention System capacity for the effective distribution of rental assistance by June 30, 2022, in both monetary amount and the number of households served;
  - b. Estimated Homelessness Prevention System capacity for effective distribution of rental assistance between July 1, 2022 and June 30, 2023, in both monetary amount and the number of households served;
  - c. An estimated source and use funding plan for the construction and operations of 1,000 quick-build apartment units (EIHC's), including a more comprehensive collection of revenue sources, including such potential sources as HHAP Rounds 3 and 4, Homekey, Federal sources such as ESG, the County, and Housing Authority voucher revenues.

## **Background**

I thank the San José voters again for their willingness to support a critical solution for our twin crises of affordable housing and homelessness, Measure E in 2020. None of us knew, especially as the pandemic erupted and has raged on, that revenues through this transfer tax on the sale of properties more than \$2 million would greatly exceed anticipated estimates with \$90 million projected this year. This provides the City and the Council the opportunity to make changes to the spending allocations stated in Council Policy 1-18 now that we have a better understanding of

projections. The timing of anticipated Budget discussions in March can potentially also expand the pie for our Measure E spending priorities through a more comprehensive homelessness funding strategy that is connected to our larger budget, and before we get too chained to any specific allocation from any specific source.

While I am initially supportive of Councilmembers Esparza, Cohen, and Jimenez's proposal to direct 10% of the total allocation pool to homelessness prevention and rental assistance, I'd like staff to come back in April with the amount of rental assistance and households that the Homelessness Prevention System has the capacity to distribute and serve by the end of the fiscal year and over the next fiscal year. Staff has indicated that we can meet robust funding allocation for homelessness prevention and rental assistance without carving out amounts for specific programs, which can create unhelpful rigidity in future years as the City grapples with the fast-changing landscape of needs. In order to understand the funding needs for construction and operations of the [quick-build interim housing goal of 1,000 pandemic-era units—proposed by Councilmembers Jimenez, Peralez, Foley, and Mahan](#) and myself, "green-lit" by City Staff, and approved by Rules Committee members—I would like staff to build upon their Source and Use Statement (Table 9) and include other sources (HHAP and other State, County, federal, and Housing Authority sources) along with the total estimated costs of the additional units to inform our discussions and ultimate decision in April.