

**2023-2024 Proposed Budget  
BUDGET DOCUMENT COST ESTIMATE REQUEST**



*Memorandum*

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**TO: MAYOR MAHAN**

**FROM: Councilmember David Cohen  
Councilmember Sergio Jimenez**

**SUBJECT: BUDGET DOCUMENT**

**DATE: May 25, 2023**

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Approved

*David Cohen Sergio Jimenez*

Date: May 23, 2023

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**RECOMMENDATION**

That the following recommendation be enacted.

**Proposal**

Program/Project Title: Funding for Affordable Housing

Amount of City Funding Required: See Charts Below

This change is:

One-time     Ongoing

Cost Estimate Number (if applicable): n/a

Proposal Description, including the reason for the need and anticipated outcomes (Please describe how the proposal will affect services for San José residents, community groups, businesses, etc.):

In order to fund the production of affordable housing, our offices recommend reducing the reallocations from Measure E while continuing to preserve the council's priorities of quickly building more Emergency Interim Housing sites and opening a Safe RV Parking location. The Community Plan to End Homelessness outlines many short-term and long-term strategies that the County, cities, and Community-Based Organizations need to pursue. All of these strategies are important in ending homelessness, yet, with limited resources, balancing these strategies can be difficult with so many urgent needs. With our approach, we acknowledge and commit to needed short-term solutions, such as

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emergency interim housing, safe-parking, and RV parking, while continuing to fund long-term solutions like affordable housing.

We propose the following changes in the City Manager’s Draft Budget:

1. Eliminate the \$3.5 million 2023-24 allocation to San Jose Bridge.
2. Keep the allocation for Homelessness Prevention programs at 10% rather than 20%, resulting in a reduction of \$4.75 million from the Measure E reallocation.
3. Over a two-year period, allocate up to \$15 million for EIH operations from the General Fund Ending Fund Balance that is discussed in the City Manager’s Annual Report.

The table below represents our proposed spending plan for Measure E for 2023-24, combining the unallocated carryover with projected income from the coming year:

### *Proposed Spending Plan*

	% Total	\$ Total	% Change (from 2023-2024 Proposed Operating Budget)	\$ Change (from 2023-2024 Proposed Operating Budget) (in millions)
New Affordable Housing for Extremely Low-Income Households	22.1%	\$30.3 million	113%	16.1
New Affordable Housing for Low-Income Households	33.5%	\$45.9 million	19%	7.3
New Affordable Housing for Moderate-Income Households	1.7%	\$2.4 million	-	2.4
Homelessness Prevention and Rental Assistance	5.5%	\$7.5 million	(39%)	(4.75)
Homeless Support Programs Including Shelter Construction and Operations	23.0%	\$31.5 million	(37%)	(18.5)
Program Administration	14.2%	\$19.4 million		
Total Proposed Spending	100%	\$137 million		
Future Contribution of General Fund Ending Fund Balance for Interim Housing		\$15 million		

- San Jose Bridge: This program should not be paid for using by Measure E funds since it primarily deals with employment. In 2020-2021 Analysis of Measure E allocations, Bridge funding was deemed disqualified because it focuses more on employment rather than housing. While much of the cost here is housing for San Jose Bridge participants, we believe that the funding should be found elsewhere.

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- Homelessness prevention is a top priority and we know is an important tool in reducing homelessness. One of our key goals should be to reduce the number of people who become homeless for every one that is housed. We can continue to make significant progress this year as long as we maintain the same allocation from Measure E that they received last fiscal year. Therefore, we recommend keeping the 10% allocation from 2023-24 revenue. With the carryover of unallocated money, the total in the Prevention category for the coming fiscal year is \$7.5 million.
- General Fund Ending Fund Balance: In order to fully fund the needs identified in the City Manager’s budget for future operations of EIH, we recommend allocating up to \$15 million from the General Fund Ending Fund Balance that is made available after the fiscal year books are closed as part of the City Manager’s Annual Report, which is presented to the City Council in October 2023. Due to prudent fiscal management by our city’s Budget Office, there is always an excess balance. Over the past 5 years, this balance has been well in excess of \$15 million. The council has put in place priorities for use of this balance, much of which is placed in the city’s rainy day fund. Given the emergency nature of our homelessness crisis, it is appropriate that we set aside some of our Ending Fund Balance on a one-time basis to address it. If this year’s ending balance falls short of the \$15 million, we recommend recovering the full amount over two years.
  - After the close of the fiscal year, we should also work with the County to determine how much funding they can contribute to EIH operations.

This proposed funding plan allows us to continue to allocate incoming Measure E dollars to the spending priorities approved by City Council in 2020. That allocation, based off the projected 2023-24 revenue of \$50.0 million, would be as follows:

*Measure E Proposed Plan for 2023-2024 revenues (retain Measure E Funds): \$50.0 mil estimate*

New Affordable Housing for Extremely Low-Income Households	40%	\$19 million
New Affordable Housing for Low-Income Households	30%	\$14.3 million
New Affordable Housing for Moderate-Income Households	5%	\$2.4 million
Homelessness Prevention and Rental Assistance	10%	\$4.8 million
Homeless Support Programs Including Shelter Construction and Operations	15%	\$7.2 million
<i>Program Administration</i>	<i>5% (off the top)</i>	<i>\$2.5 million</i>
<b>Total Measure E 2023-24</b>		<b>\$50.0 million</b>

The priority 5% allocated for moderate-income housing provides just \$2.4 million in that category. There may not be a use for this money and it may be a good idea to move that allocation into one of the low-income categories to build more resources for the next NOFA.

Our proposed allocations break down as illustrated in the table below. **Note that the reduction in the Homeless Support Programs category is backfilled by use of up to \$15 million from the ending fund balance.**

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*Total Proposed Fund Use*

	Council Priorities	Reallocation of Prior Year Revenues		FY 2023-24 Proposed Plan		Total Proposed Plan
New Affordable Housing for Extremely Low-Income Households	40%	11.6%	\$10,090,000	40%	\$19,000,000	\$30,340,000
New Affordable Housing for Low-Income Households	30%	34.9%	\$30,365,253	30%	\$14,250,000	\$45,865,253
New Affordable Housing for Moderate-Income Households	5%	0%	\$0	5%	\$2,380,000	\$2,380,000
Homelessness Prevention and Rental Assistance	10%	3.0%	\$2,712,628	10%	\$4,750,000	\$7,462,628
Eviction Prevention and Diversion			\$2,712,628			
Homelessness Prevention and Rental Assistance					\$4,750,000	
Homeless Support Programs, Shelter Construction and Operations	15%	27.3%	\$24,424,868	15%	\$7,130,000	\$31,554,868 [supplement with \$15M from Ending Fund Balance]
OWLs			\$1,500,000			
Site ID and Development PW			\$2,006,789			
Interim Housing Operation and Maintenance Reserve			\$0		\$0	[\$11,629,809 from future General Fund Ending Fund Balance]
Site Identification and Development			\$15,521,559			[\$3,369,191 from future General Fund

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						Ending Fund Balance]
Interim Shelter Staffing Public Works staffing			\$500,000		\$1,500,000	
Interim Shelter Maintenance Public Works					\$3,000,000	
San Jose Bridge			\$1,500,000			
Homeless Outreach Contracts			\$3,396,520		\$303,480	
CARE Coordinated Program					\$1,000,000	
SureStay Operations					\$500,000	
Housing Homeless Response Staffing					\$827,520	
Program Administration		21.7%	\$19,427,897		\$2,500,000	\$21,927,897
<b>Measure E Total Available</b>	<b>100%</b>	<b>100%</b>	<b>\$87,020,646</b>	<b>100%</b>	<b>\$50,000,000</b>	<b>\$137,030,646</b>

**Funding Source**

Essential Services Reserve:

Other (Please specify program/project/fund): Measure E & Ending Fund Balance

**Department or Organization Contact**

Please list the contact information for the individual that certified cost estimates contained within your recommendation:

Name and Title: Jim Shannon, Budget Director

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Department or Organization: City Manager's Budget Office

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