



May 26, 2023

Mayor & City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Re: New Measure E Proposals

Dear Mayor Mahan and City Councilmembers,

We appreciate the time that many of you have taken to talk with us about the devastating impacts of the proposed Measure E spending plan. Affordable housing is key to solving our housing and homelessness crisis, and we cannot afford to abandon the several pipeline developments in San Jose that will require City funding in the next fiscal year to move forward.

We are pleased to see the City Council seeking alternatives to the current budget proposal, and stand ready to work with you to develop real, viable options for expanding both temporary shelter AND permanent affordable housing together.

It is in that spirit that we feel compelled to share our concerns about the viability of the most recent budget proposal from Mayor Mahan. While we were initially excited to see the topline numbers included in the Mayor's press release, a closer look into the specifics of this proposal has raised several questions as to whether it will truly generate \$50 million for a new affordable housing NOFA in FY 23-24.

In particular, we have the following questions about the following funding sources identified in the Mayor's latest proposal, which we hope will be addressed prior to adopting a final FY 23-24 budget:

- **Inclusionary Housing Fund:** Given that we have been consistently told that the City lacks any other substantial source of funding for affordable housing, we were very surprised to see this proposal leveraging \$20M from the Inclusionary Housing Fund. In fact, the City Manager's 23-24 budget includes a line item of only \$429,000 for the Inclusionary Housing Fund - raising several questions about how this new projection was developed and whether it is a reliable source of funds for a new NOFA.
- **Measure E Inflation Reserve and Budget Stabilization Reserve:** the Mayor's new proposal relies on roughly \$16M in funding originally allocated for these two reserves. However, given that they were explicitly created based on the Administration's projections of near-term funding shortfalls, we worry whether this funding will truly be there when the time comes to issue a new NOFA.

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Please know that we would be thrilled if there has been a significant change in revenue projections in the past month, and that there truly is a new windfall in funding that we can immediately use for a new NOFA.

However, the dire need for affordable housing is simply too important to rely on optimistic or hopeful budget projections. We must ensure that we are identifying reliable sources of funding to keep building more affordable housing for our community.

Finally, we wanted to add a note about homelessness prevention funding. Even though there is an unquestionable need for more rental assistance, and Destination: Home would be directly impacted by any reduction in homelessness prevention allocations, ***we would support reverting to the original Measure E homelessness prevention allocation (~\$5M) if it helps provide more funding for affordable housing production.*** We fully believe in the balanced Measure E spending plan that has been in place since 2020 - and as important as homelessness prevention is, this type of short-term intervention only works at scale if we continue investing in affordable housing. If the Council makes such a shift, Destination: Home is committed to raising additional private funds to help cover the reduction in City dollars.

Thank you for your time and attention to this important issue. Please let us know how we can best assist you as you take the final steps towards adopting a final FY 23-24 budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer Loving".

Jennifer Loving, CEO of Destination: Home

A handwritten signature in blue ink, appearing to read "Regina Celestin Williams".

Regina Celestin Williams, Executive Director of SV@Home