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Regina Celestin Williams
*Executive Director***Via email****March 17, 2025****RE: Agenda Item 3.3 - Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message**

Dear Mayor Mahan, Vice Mayor Foley, and Councilmembers Kamei, Campos, Salas, Cohen, Ortiz, Mulcahy, Doan, Candelas, and Casey,

As an organization dedicated to ensuring every resident of Santa Clara County has access to a safe, stable home they can afford, we at SV@Home are pleased that the Mayor's March Budget Message contains proposals to remove barriers to housing development broadly. **However, we are deeply disappointed that it fails to bring any real plan to address the housing needs of nearly half of the city's residents.**

We know affordable housing stabilizes communities, prevents homelessness, supports our schools and economy, and helps ensure that San Jose's families and individuals can stay here. We are looking to our City Council to demonstrate their full leadership, shaping the Budget Message to direct the City Manager and her team to create a budget that represents and serves the breadth and diversity of San Jose.

The cost of housing in San Jose is some of the highest in the nation, whether that housing is for sale or for rent. As a consequence, we have lost tens of thousands of our families and individuals who have been pushed out of the city to find more affordable places. San Jose's residents [consistently identify housing affordability](#) as one of their top three concerns. Our lack of housing affordability is the reason schools are closing for lack of enrollment, small businesses are struggling with an inconsistent customer base, and commercial vacancy is at an all-time high, as the cost of living in the region continues to skyrocket. Our lack of affordable housing is also the reason homelessness continues to rise, as people working hard to pay rent and make ends meet are often just one emergency or unexpected expense away from being unhoused. Unless we make real changes to address our need for affordable housing, we will continue to collectively experience these harms.

No plan for homes for people with low incomes. The Mayor's budget message has no plan to address the housing needs of San Jose's residents earning less than 60% of the area median income, unless they are currently unhoused and living unsheltered. San Jose has more than 140,000 households- almost 420,000 people-

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43% of San Jose's current residents- with low, very low, or extremely low incomes¹. Many are living in overcrowded living conditions, or paying more than half their incomes on rent. There is no dedicated funding for affordable housing to meet the needs of these residents, and the Mayor also proposes to alter policy tools such as the inclusionary housing ordinance and surplus city-owned land away from serving residents in this income range. These are people our communities, and our economy, depend on. These are our teachers, our childcare workers, our grandparents living on a fixed income, our medical assistants, people working in grocery and retail stores and many small business owners and employees. A family of four would need to work at least 3 full time minimum wage jobs to reach 60% of the area median income² and qualify for the kind of housing the Mayor suggests should be our focus. How was the decision made to walk away from these families?

We appreciate the leadership of Councilmembers Cohen and Candelas in their memo, which calls for the City Manager to inform Council about opportunities to pursue alternative funding options for promoting affordable housing development by working with partners and stakeholders.

No plan to meet commitments made in the City's state-certified Housing Element to fund affordable housing, exposing the City and its residents to potential liability. The city's mandatory, state-certified 8-year housing plan, known as the Housing Element³, lays the groundwork for the city to enable 62,200 new homes within the planning period. Nearly 24,000 of these homes must serve households with incomes below 80% of the area median. We know this level of production in housing and affordable housing is what we need to transform the city into a thriving place for everyone. If the city fails to meet its explicit commitments by diverting funding elsewhere, the California Department of Housing & Community Development (HCD) may decertify the city's Housing Element, reopening exposure to builder's remedy development projects, fines and fees, litigation, and loss of access to some pools of state and regional funding⁴.

We appreciate the leadership of Councilmembers Campos, Salas, Mulcahy, Doan, and Casey in their memo calling for an MBA to evaluate the resources and an expenditure plan required to maintain compliance with the City's adopted and certified Housing Element Programs.

The city has made the following specific affordable housing funding commitments in the Housing Element:

- **Program P-2: Subsidize Extremely Low-income Housing Including Permanent Supportive Housing for Homeless** - Continue to prioritize funding to create affordable homes for extremely low income individuals and families, including permanent supportive housing for people experiencing homelessness, to meet the needs of the community and create more balance in the affordable housing portfolio.

¹ Number of San Jose households by income level, [City of San Jose Affordable Housing Programs and Policies: Production, Preservation & Protection City Council Study Session September 7, 2023](#). Persons per household average in San Jose, [U.S. Census Bureau](#).

² [City of San Jose Housing Market Report, Third Quarter 2024](#)

³ [City of San Jose 2023-2031 Housing Element, Chapter 3: Housing Goals and Strategies](#)

⁴ [California Department of Housing & Community Development: Accountability & Enforcement](#)

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- **Metrics**
 - Dec 2031: 45% of City capital subsidies spent on ELI and PSH
 - Dec 2031: 1,200 ELI affordable homes created
- **Program P-5: Affordable Housing Investments in North San José** - Direct City resources to help meet the city's goal of 20% of all North San José homes being restricted affordable for lower-income residents. Prioritize city land acquisition in North San José for future 100% affordable housing new construction opportunities, then conduct Requests for Proposals to award development rights through ground leases to developers. Ensure that future city Notices of Funding Availability for new construction prioritize affordable development proposals in North San José.
 - **Metrics**
 - 800 restricted affordable homes in North San José
 - 2 sites acquired with RFP awards & ground leases to affordable developers
- **Program P-18: Loans for Affordable Housing** - Continue to provide land acquisition, construction, and permanent financing for the development of new affordable homes. Provide financing for the acquisition/rehabilitation of existing market- rate rental housing to create newly-affordable homes. Issue Notices of Funding Availability at least annually for both new construction and preservation.
- **Program R-2: Establish a Preservation NOFA** - Establish a regular housing Preservation program, including an annual funding allocation averaging at least \$5 million, funding priorities, underwriting guidelines, Notice of Funding Availability (NOFA) scoring framework, NOFA issuances, and ongoing work plan.
 - **Metrics:**
 - Jun 2024: Program guidelines completed
 - by Dec 2024: First NOFA issued at least every other year (i.e., at least 4 NOFAs during the Sixth Cycle compliance period)
 - \$5M average available per year per NOFA
 - By 2031: At least 110 units of newly-restricted affordable housing acquired by nonprofits and rehabilitated through City and external funding

No plan to address the long-term fiscal consequences of a shelter-first approach rather than investing in the full continuum of responses. The structural deficit the City of San Jose is facing is a consequence of investing heavily in interim shelter without a clear plan to cover the ongoing cost of operations. Over the last several years, the city's interim housing portfolio has been sustained by one-time funding from the State and federal government, and previous one-time contributions from the General Fund and Measure E. However, all federal sources will be depleted by the end of 2024-2025, all State funding by the end of 2028-2029, and most of the previous one-time city funded allocations will be spent by the end of 2025-2026. As a result, in order to develop and operate *only the city's existing interim housing portfolio and previously committed expansions*, General Fund contributions will total \$25 million in 2025-2026, increasing to \$92 million by 2029-2030. This cost is in spite of the planned **closure** by that date of 76 rooms in the First Street Interim Housing, and 306 rooms, 60 spaces, and 55 RV spaces in the Waterway Focus Safe Sleeping & Moteling Program⁵.

⁵ See Table 3 in Appendix, from the [City of San Jose 2025-2026 City Manager's Budget Request & 2026-2030 Five-Year Forecast and Revenue Projections](#)

Table 1: Interim Housing Revenue Funding and Costs (\$ in millions)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Estimated Available Funding*	105.6	25.8	25.9	21.5	14.5
Interim Housing Costs	128.5	87.5	91.3	88.0	101.3
Surplus / (Shortfall)	(22.9)	(61.7)	(65.5)	(66.5)	(86.7)
Required Ongong General Fund Contributions	25.0	66.0	70.0	71.0	92.0
Revised Surplus / (Shortfall)	2.1	4.3	4.5	4.5	5.3

*Includes the Revised Surplus/(Shortfall) from the prior fiscal year

Source: [City of San Jose 2025-2026 City Manager’s Budget Request & 2026-2030 Five-Year Forecast and Revenue Projections](#)

The Mayor’s budget message not only doubles down, but recklessly triples down - proposing that we nearly **triple** existing shelter capacity beyond the existing and under-construction portfolio, at \$225 million in on-time construction costs, and an estimated **annual** operating cost of \$234 million⁶. The only references to funding sources to pay for this is a vague reference to “other levels of government as well as philanthropic and corporate partners,” and to “generous philanthropists and foundations.” This enormous and unfunded commitment to just one segment of the continuum of response to the threat of unsheltered homelessness is clearly unsustainable, and does not actually provide housing. An individual or family in interim shelter is still classified as homeless because of the temporary and limited nature of this resource. **This is not a complete solution, only part of one that must include actual permanent housing production.**

We appreciate the leadership of Councilmembers Campos, Salas, Mulcahy, Doan, and Casey in their memo calling for a limit of the total investment from the General Fund Operating Budget in shelter/interim housing construction and operations to no greater than the amount of revenue allocated from Measure E, and for reinvesting any savings into homelessness prevention and long-term affordable housing solutions.

The need for investment in the full spectrum of affordable housing and homelessness response is clear.

Homelessness prevention and affordable housing are the most cost-effective homelessness interventions. In 2023, for every one household housed, another 1.7 became homeless⁷. Without robust investment in homelessness prevention, and somewhere affordable for people to live when they leave interim shelter, unsheltered homelessness will continue to increase. With a shortfall of affordable places to live for people leaving interim shelter, the City’s current approach of diverting almost all funds earmarked for affordable housing to interim shelter creates a road to nowhere. A systems-level approach is necessary and more cost-effective: Increasing investments in homelessness prevention, a targeted and

⁶ City of San Jose, [City Council 2025-2026 Budget Priorities Study Session Presentation February 11, 2025](#)

⁷ The 2020-2025 [Community Plan to End Homelessness 2023 Year-End Progress Report](#)

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cost-effective approach to keep people in their homes, can dramatically reduce the number of residents falling into homelessness. Stemming the tide of people falling into homelessness with emergency rental assistance and eviction diversion is the most cost effective and humane option on the table. Affordable housing, a one-time investment in an asset that will continue to serve the community for decades to come, provides a place for interim shelter residents to move on to, helps make interim shelter more functional and effective.

Affordable housing also serves the nearly 420,000 San Jose residents living in low-income households.

In San Jose, more than 33,000 households pay more than half their income in rent every month and 15% of our rental homes are overcrowded. Affordable housing is an asset that sustains and strengthens our communities by ensuring we **all** have a safe, stable home. Affordable housing provides a range of housing solutions that address the diverse needs of local residents who cannot afford the cost of housing in Silicon Valley. Affordable housing improves health outcomes, educational attainment, and employment stability, and helps reduce family and community violence. Households living in San Jose's existing affordable housing save an average of \$940 a month on rent, which is additional income per household to return into the local economy.

SV@Home's Recommendations

1. We recommend dramatically increasing the City's investment in **homelessness prevention**, the most impactful, cost-effective, and humane intervention. 95% of assisted households remained stably housed both while receiving services, and one year later, only 5% of households became homeless.
2. We recommend that, rather than expanding interim shelter with enormous unfunded operating expenses, the City focuses on **sustaining the existing in-service and under-construction interim portfolio**.
3. We recommend that the City work as partners with the County and jurisdictions throughout Santa Clara County, in close collaboration with community stakeholders and affordable housing developers, to **create new sources of funding** to subsidize deed restricted housing affordable to extremely low-, very low-, and low-income households. These include but are not limited to enhanced infrastructure improvement districts, bond measures, and innovative financing tools.
4. We recommend that any language regarding a permanent reallocation of Measure E be removed from the budget, as it may create a false assumption that the allocation of these funds are not considered each year by the City Council as part of the budget process.

The City of San Jose needs to be pulling together with partners to identify and create the resources we need to move the full continuum of housing solutions forward. These are challenging times, but San Jose is up to the task! San Jose is known for innovation - when we are faced with a challenge we don't shrug our shoulders and walk away, we find solutions. We need to apply San Jose's talent and leadership to making sure every San Jose resident has a safe, stable, and affordable place to live.

Sincerely,



Regina Celestin Williams
Executive Director

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“We as a country always act like we can’t find the money to solve this home affordability crisis, which implies that we are not spending it now. We are spending it now. We are just spending it on adverse health and bad outcomes.”

-Dr. Megan Sandel, pediatrician and co-director of the Grow Clinic at Boston Medical Center, professor at Boston University Chobanian & Avedisian School of Medicine and Boston University School of Public Health.

Silicon Valley @ Home is a nonprofit advocacy organization that supports housing and affordable housing development throughout Santa Clara County. SV@Home works with a broad coalition of strategic partners to address the urgent housing needs of the diverse residents across all our communities. We advocate for solutions including increasing production of homes at all income levels, especially affordable housing; preserving existing affordable housing; and protecting our community’s most vulnerable residents from displacement.



Appendix

Table 3: Interim Housing Costs (\$ in millions)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Bridge Housing Communities / Emergency Interim Housing (1,110 units)					
Mabury (38 units)					
Operations	2.1	2.2	2.3	2.4	2.5
Felipe (38 units)					
Operations	2.2	2.3	2.4	2.5	2.6
Bernal-Monterey (78 units)					
Operations	3.1	3.2	3.4	3.5	3.7
Rue Ferrari (182 units)					
Operations	8.1	10.3	10.7	11.2	11.7
Construction	7.2	-	-	-	-
Evans Lane (49 units)					
Operations	4.5	4.7	4.9	5.2	5.4
Guadalupe (96 units)					
Operations	3.5	3.7	3.9	4.0	4.2
Branham-Monterey (204 units)					
Operations	8.7	9.0	9.4	9.9	10.3
Via del Oro (135 units)					
Operations	6.6	6.9	7.2	7.6	7.9
Construction	-	-	-	-	9.5
Cerone (162 units)					
Operations	5.8	8.1	8.4	8.8	9.2
Lease	0.4	0.4	0.4	0.4	0.4
Construction	18.1	-	-	-	-
Cherry (128 units)					
Operations	3.9	5.4	5.7	5.9	6.2
Construction	13.8	-	-	-	-
Motel / Hotel Conversions (280 converted hotel rooms)					
First Street Interim Housing (76 rooms)					
Operations	3.0	-	-	-	-
Plaza Hotel (43 rooms)					
Operations	2.7	2.8	2.9	3.0	3.2
Arena Hotel (89 rooms)					
Operations	5.1	5.3	5.5	5.7	6.0
Pacific Motor Inn (72 rooms)					
Operations	4.8	5.0	5.2	5.5	5.7
Supportive Safe Parking (126 RV spaces)					
Santa Teresa Supportive Parking (42 RV spaces)					
Operations	1.9	2.0	2.1	2.2	2.3
Berryessa Supporting Parking (84 RV spaces)					
Operations	2.9	3.1	3.2	3.3	3.5
Lease	1.8	1.8	1.9	2.0	2.0
Waterways Focus - Safe Sleeping and Moteling Program (306 rooms, 60 spaces, and 55 RV spaces)					
Taylor Street Navigation Center/Hub (60 spaces)					
Operations	2.0	2.1	2.2	2.2	2.3
Moteling Program (306 rooms and 55 RV spaces)					
Operations	14.0	6.7	7.0	-	-
Major Repair and Maintenance					
Public Works Department					
Staff and Contractual Services	2.4	2.5	2.6	2.7	2.8
Total	128.5	87.5	91.3	88.0	101.3

Source: [City of San Jose 2025-2026 City Manager’s Budget Request & 2026-2030 Five-Year Forecast and Revenue Projections](#)