



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván
Jim Shannon

SUBJECT: See Below

DATE: May 26, 2026

Approved

Date:

6/2/26

COUNCIL DISTRICT: 3

SUBJECT: Approval of a Construction Loan Commitment to Amigos de Guadalupe Center for Justice and Empowerment for the Rehabilitation of the Property Located at 318 North 6th Street for the Preservation of Affordable Transitional Housing

RECOMMENDATION

(a) Adopt a resolution:

- (1) Approving a construction loan commitment of up to \$500,000 to Amigos de Guadalupe Center for Justice and Empowerment, a California nonprofit public benefit corporation, for the rehabilitation of Casa de Clara located at 318 North 6th Street, to operate as affordable transitional housing; and
- (2) Authorizing the Director of Housing, or his designee, to negotiate and execute loan documents and all other agreements, instruments, certifications, and documents related to the loan and the Casa de Clara development, including any related amendments, extensions, and modifications thereto.

(b) Adopt the following 2026-2027 Appropriation Ordinance amendments in the Real Property Transfer Tax Fund:

- (1) Decrease the Measure E - 40% Extremely Low-Income Households Reserve appropriation by \$500,000; and
- (2) Establish the Measure E - 40% Extremely Low-Income Households appropriation to the Housing Department in the amount of \$500,000.

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SUMMARY AND OUTCOME

Approval of the proposed loan supports the City's Small Sites Rehabilitation Program and will enable Amigos de Guadalupe Center for Justice and Empowerment (Developer) to rehabilitate the property at 318 North 6th Street in San José. The Developer has leveraged \$1,000,000 from Destination: Home to support the acquisition and rehabilitation of the property for the extremely low-income migrant community and is seeking an additional \$500,000 in funding from the City for the rehabilitation. Casa de Clara will preserve seven units of deeply affordable transitional housing serving extremely low-income families, women, and children facing housing insecurity. This funding commitment advances the City Council's goals to preserve and expand San José's affordable housing stock.

BACKGROUND

The newly established Small Sites Rehabilitation Program invites small organizations to invest in scattered site and lower density unit acquisition and preservation housing projects.

Need for Affordable Transitional Housing for Deeply Vulnerable Families

Homelessness and housing insecurity continue to affect thousands of households, and families with children are among the most impacted. With few providers across Santa Clara County serving this specific population and continuing fiscal pressures on homelessness programs, the demand for transitional housing for deeply vulnerable families continues to grow.

Long-Standing Partnership with Amigos de Guadalupe

The Developer provides services and housing to migrant, low-income, and vulnerable families in East San José and currently operates emergency family shelter sites in San José. The Developer couples its shelter operations with wrap-around services, including case management, workforce support, and community empowerment programming, which contribute to well-performing rate of exits to permanent housing. Casa de Clara advance that work through the provision of transitional housing.

Launched in 2026, the Small Sites Rehabilitation Program is a pilot program to catalyze small site acquisition and affordable housing preservation.

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ANALYSIS

Project Description

The Casa de Clara multifamily building was owned by Catholic Worker San José and has operated as a community shelter for 26 years. Catholic Worker San José has sold the property to the Developer for \$700,000 on an “as-is” basis, significantly below the listed market value of \$1,394,397. The reduced sales price reflects the seller’s intent to support continued use of the property. Destination: Home provided \$1,000,000 for the acquisition and rehabilitation.

Once rehabilitated, Casa de Clara will operate as a transitional housing and community support center for extremely low-income families, women, and children facing housing insecurity, providing safe and dignified space for families to stabilize and transition toward permanent housing.

Scope of Rehabilitation

The Developer has engaged Blach Construction to develop a comprehensive rehabilitation scope of work. Principal work categories include:

- Exterior upgrades: lead paint abatement, siding restoration, roof repair/replacement, and door and window improvements;
- Targeted interior upgrades: kitchen modernization, interior repainting, and door replacements;
- Site improvements: sewer lateral replacement, new concrete driveway, and landscape enhancements;
- Soft costs for design, engineering, permitting, testing, and appropriate contingencies; and
- All 11 rooms will be updated.

Target Population

Casa de Clara will serve an extremely low-income population, with average household income expected to be below 40% of Area Median Income. A regulatory agreement and deed restriction will be recorded against the property to preserve long-term affordability for a period of 55 years, consistent with the Housing Department’s Request for Proposals requirements.

Developer Experience

The Developer brings direct, relevant operating experience to this preservation project. The organization currently operates four family shelters in San José serving deeply

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impacted families and, in the 2024-2025 program year, moved nearly 60% of exiting families into permanent housing. The Developer’s existing operational infrastructure, case management capacity, and community relationships position it well to operate Casa de Clara as a stable, long-term transitional housing resource.

Financing

The proposed \$500,000 loan from the City will serve as gap financing, the final piece needed to close the capital stack for acquisition and rehabilitation. The sources of funds for the project are summarized in Table 1 below.

Table 1 - Sources of Funds

Source	Amount	Status
Destination: Home (acquisition / partial rehabilitation)	\$1,000,000	Approved
City of San José - Small Sites Rehabilitation Program (proposed gap financing)	\$500,000	Requested (this action)
Total Sources	\$1,500,000	

A deed of trust to secure the loan will be recorded against the property. The interest rate, loan term, repayment structure (including a forgivable loan), and other key business terms will be negotiated consistent with Rehabilitation Regulations.

Relocation

Based on information provided by the Developer, no permanent tenant relocation is anticipated as part of this project, as the rehabilitation preserves and continues the existing shelter/transitional housing use. The anticipated project timeline is summarized in Table 2 below.

Table 2: Anticipated Project Timeline

Milestone	Target Date
City funding commitment secured	Summer 2026
Property acquisition / closing	April 30, 2026
Permitting and hazardous materials abatement	May 2026
Exterior rehabilitation	May to July 2026
Interior rehabilitation	May to September 2026
Site improvements	July to August 2026
Final inspection and project completion	September 2026
Program operations commence	Fall / Winter 2026

Next Steps

The City will work with the Developer to negotiate and execute loan documents and all other documents related to City financing for Casa de Clara.

EVALUATION AND FOLLOW-UP

No additional follow-up action with the City Council is expected at this time.

FISCAL IMPACTS

The recommendation in this memorandum will provide a construction Loan Commitment to Amigos de Guadalupe Center for Justice and Empowerment for the Rehabilitation of the Property Located at 318 North 6th Street for the Preservation of Affordable Transitional Housing utilize budgeted resources from the Real Property Transfer Tax Fund (Fund 404). The recommended appropriation actions included in this memorandum will reallocate funds from the Measure E - 40% Extremely Low-Income Households Reserve appropriation to the expense appropriation Measure E - 40% Extremely Low-Income Households in order to fund the loan.

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BUDGET REFERENCE

Fund #	Appn. #	Appropriation Name	Total Appropriation	Recommended Budget Action	Amount for Contract	2026-2027 Proposed Budget Page*	Last Budget Action (Date, Ord. No)
404	8744	Measure E - 40% Extremely Low-Income Households Reserve	\$19,045,447	(\$500,000)	\$0	945	N/A
404	224L	Measure E - 40% Extremely Low-Income Households	\$0	\$500,000	\$500,000	N/A	N/A

**The 2026-2027 Proposed Operating Budget was released on May 2, 2026, and is scheduled to be reviewed on June 9, 2026, and adopted on June 16, 2026, by the City Council.*

COORDINATION

This memorandum was coordinated with the City Attorney’s Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the June 16, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Categorically Exempt, File No. ER26-074 (Casa de Clara Rehabilitation), CEQA Guidelines Section 15301, Existing Facilities. A statement of exemption is provided as an attachment to this memo.

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in Section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

ERIK L. SOLIVÁN

Director, Housing Department



JIM SHANNON

Budget Director

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.

ATTACHMENT – Statement of Exemption for ER26-074 Casa de Clara Rehabilitation

STATEMENT OF EXEMPTION

FILE NO.	ER26-074
PROJECT TITLE	Casa de Clara Rehabilitation
LOCATION OF PROPERTY	318 N. 6 th Street, San José, CA 95112
ASSESSOR'S PARCEL NUMBER	249-48-046
PROJECT DESCRIPTION	Exterior envelope: lead paint abatement, siding restoration, roof repair/replacement, and door and window improvements; targeted interior upgrades: kitchen modernization, interior repainting, and door replacements; site improvements: sewer lateral replacement, new concrete driveway, and landscape enhancements; and soft costs for design, engineering, permitting, testing, and appropriate contingencies.

CERTIFICATION

Under the provisions of Section 15301 of the State Guidelines for Implementation of the California Environmental Quality Act (CEQA), as stated below, this project is found to be exempt from the environmental review requirements of Title 21 of the San José Municipal Code, implementing the California Environmental Quality Act of 1970, as amended.

SECTION 15301. EXISTING FACILITIES

Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The proposed project fits in the example of "existing facilities" itemized below. The key consideration is whether the project involves negligible or no expansion of use:

- (a) Interior or exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances.
- (d) Restoration or rehabilitation of deteriorated or damaged structures, facilities, or mechanical equipment to meet current standards of public health and safety, unless it is determined that the damage was substantial and resulted from an environmental hazard such as earthquake, landslide, or flood.

ANALYSIS

The building is an existing multi-family residence and currently in use. The interior and exterior of the building will be upgraded as described in the project description above. These upgrades would be consistent with Section 15301 subsections (a) and (d). Therefore, the project is found to be categorically exempt.

The building is listed on the City's Historic Resource Inventory as a contributing structure to the Henley historic district which is a City Landmark District and a National Register District. All historic structures are required to replace exterior fenestration with replacements that maintain architectural integrity of the building, and the character of the historic district. The project would be reviewed for conformance with these standards when the project comes in for building permits. Any potentially adverse impacts would be avoided through this process.

EXCEPTIONS

CEQA Guidelines Section 15300.2 provides exceptions to the use of Categorical Exemptions where the use of a Categorical Exemption is prohibited under certain circumstances. The City has considered the project's applicability to all the exceptions under Section 15300.2. An analysis of each of these exceptions in reference to this specific project is provided below.

- (a) Location. The project consists of remodeling and upgrades to an existing building which is defined as a Class 1 category. This location exception applies to Classes 3, 4, 5, 6, and 11, and does not apply to the proposed project.
- (b) Cumulative Impact. The project would not have a significant impact on the physical environment because all activities under the project are to existing facilities. Therefore, the project would not contribute to a potentially significant cumulative impact on the environment.
- (c) Significant Effect. The project would not have any significant effects on the environment due to unusual circumstances.
- (d) Scenic Highways. The project area is more than nine miles northeast of the designated scenic highway portion of California State Route 9. The project would not result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a State scenic highway.
- (e) Hazardous Waste Sites. The project area does not contain locations listed pursuant to Section 65962.5 of the Government Code (Cortese List) based on a review of the Department of Toxic Substances Control (DTSC) EnviroStor database.
- (f) Historical Resources. The building is listed on the City's Historic Resources Inventory as a Contributing Structure to a City Landmark District. As discussed above, the City's permitting process would ensure that any exterior changes to the building would be made in a way that preserves the architectural integrity of the building. Therefore, there would be no impact on historic resources.

FINDING

Based on the above, this action is exempt from the environmental review requirements of Title 21 of the San José Municipal Code, implementing the California Environmental Quality Act of 1970, as amended pursuant to Public Health and Safety Code Section 50675.1.2.

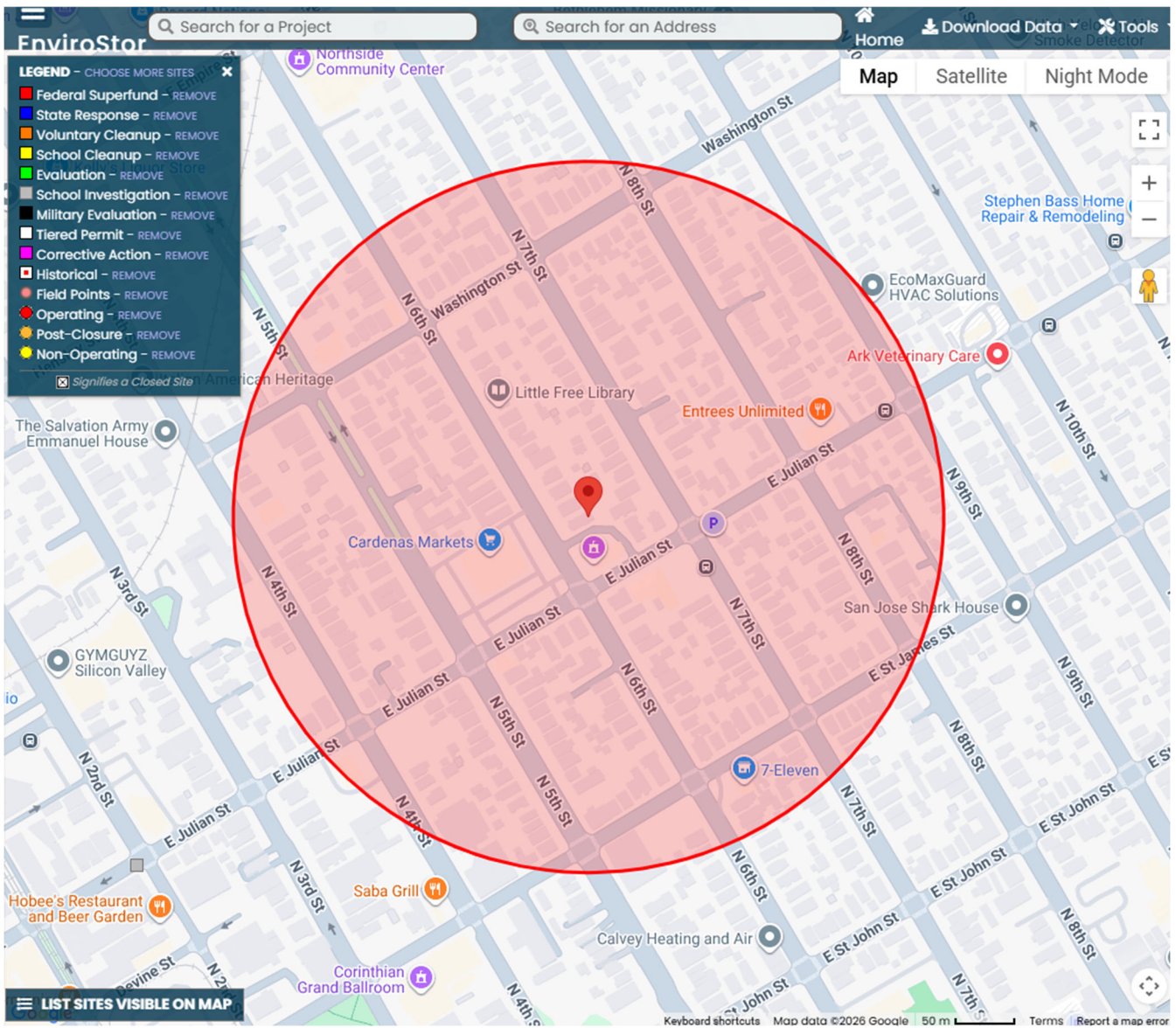
Christopher Burton, Director
Planning, Building and Code Enforcement

Date May 8, 2026

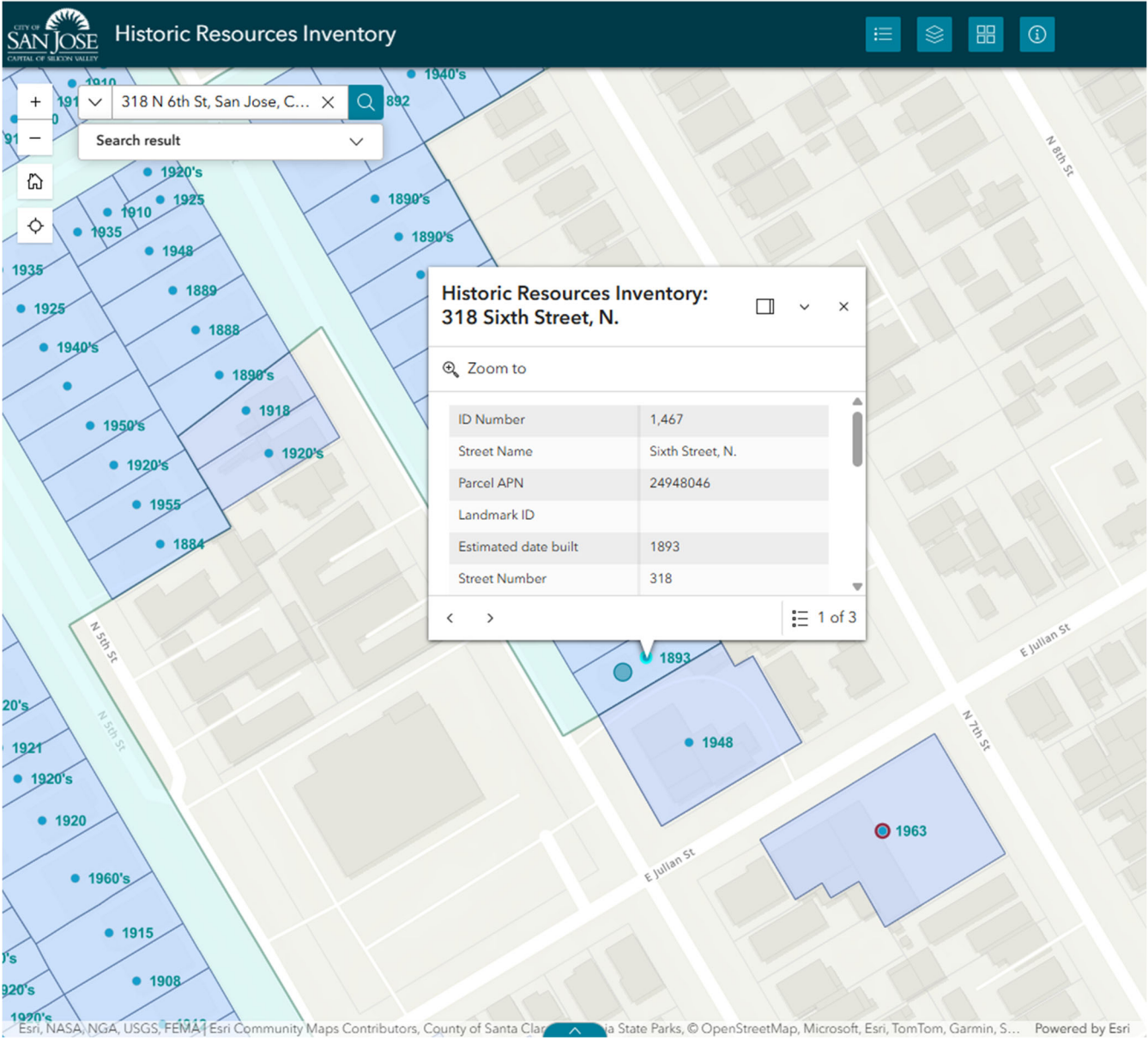


Deputy

Environmental Project Manager: Reema Mahamood



California Department of Toxic Substances Control EnviroStor Database, <https://www.envirostor.dtsc.ca.gov/> accessed May 7, 2026.



City of San José Historic Resources Inventory,
<https://experience.arcgis.com/experience/4ef3418d9e58451c9c45086ac9a90d6e>, accessed May 7, 2026.