



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow

SUBJECT: See Below

DATE: May 11, 2026

Approved

Date:

5/18/26

COUNCIL DISTRICT: 2, 7, 9

SUBJECT: Actions Related to Round 9 Affordable Housing and Sustainable Communities Grant Funding

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager, or her designee, to:
 - (1) Implement transportation improvements along Capitol Expressway Auto Mall and Narvaez Avenue as identified in the Round 9 Affordable Housing and Sustainable Communities grant awarded to MidPen Housing Corporation; and
 - (2) Negotiate and execute required funding agreements with MidPen Housing Corporation and related documents and agreements with Strategic Growth Council, and the California Department of Housing and Community Development to accept up to \$14,339,431 in Round 9 Affordable Housing and Sustainable Communities grant funding.

- (b) Adopt a Public Entity Resolution which indicates the City is authorized to accept and incur an obligation of the Affordable Housing and Sustainable grant funds and enter into and execute Standard Agreement 213 with the California Department of Housing and Sustainable Communities.

SUMMARY AND OUTCOME

The authorization to negotiate and execute a transportation funding agreement allows the developer, MidPen Housing Corporation, to proceed with entering into required funding agreements with the California Strategic Growth Council and the California Department of Housing and Community Development to obtain the Round 9 Affordable Housing and Sustainable Communities (AHSC) grant awarded to MidPen Housing Corporation. The Department of Housing and Community Development has made a

conditional grant award of \$14,339,431 for various transportation improvements to be implemented by the City, MidPen Housing Corporation, and the Santa Clara Valley Transportation Authority. The City is committing to deliver nearly \$6,000,000 worth of transportation infrastructure improvements. The Santa Clara Valley Transportation Authority is conditionally awarded \$6,000,000, and the remaining balance of approximately \$2,375,000 is conditionally awarded to MidPen Housing Corporation. The Department of Housing and Community Development requires all parties to adopt a resolution accepting grant funds of up to \$14,339,431 should one or more agencies be unable to deliver the improvements as specified in the grant agreement.

Execution of Standard Agreement 213 with the California Department of Housing and Sustainable Communities will allow the City to deliver transportation improvements along Capitol Expressway Auto Mall and Narvaez Avenue, as included in the AHSC grant application, and will allow the City to directly invoice the California Department of Housing and Community Development to receive reimbursement of AHSC grant funding administered by the Strategic Growth Council.

BACKGROUND

The City's Department of Transportation actively pursues grant funds and partnerships to support City and departmental goals. The City has routinely partnered with developers who pursue AHSC grant funding, which is administered by the Strategic Growth Council and implemented by the California Department of Housing and Community Development. In May 2025, MidPen Housing Corporation, in coordination with the Department of Transportation, submitted an AHSC grant application for a 203-unit affordable housing development at the Valley Transportation Authority Capitol Station Park and Ride lot in San José, which included transportation improvements along Capitol Expressway Auto Mall and Narvaez Avenue. In December 2025, the California Department of Housing and Community Development and the Strategic Growth Council awarded MidPen Housing Corporation an AHSC grant, which included nearly \$6,000,000 for the Department of Transportation to implement bicycle, pedestrian, and transit-related improvements.

ANALYSIS

The AHSC program provides loans and grants to local agencies, developers, public housing authorities, transit agencies, and transit operators. The AHSC program furthers the goals of Assembly Bill 32 (Chapter 488, Statutes of 2006), Senate Bill 375 (Chapter 728, Statutes of 2008), and Senate Bill 32 (Chapter 249, Statutes of 2016) by investing in projects that reduce greenhouse gas emissions by implementing land use, housing, transportation, and agricultural land preservation practices to support infill and compact development, while supporting related and coordinated public policy objectives. Funding

for the AHSC program is provided by the Greenhouse Gas Reduction Fund, an account established to receive proceeds from cap-and-trade auctions. The AHSC program is part of California Climate Investments, a statewide initiative funded through the Greenhouse Gas Reduction Fund with the goals of reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment.

The AHSC Round 9 award to MidPen Housing Corporation to build a 203-unit affordable housing property at the VTA Capitol Station Park and Ride lot includes funding for the City, Santa Clara Valley Transportation Authority, and MidPen to deliver transportation infrastructure improvements, as shown in Table 1 below.

Table 1. Awarded Revenues for Transportation Improvements by Delivery Entity

Expenses	Total
City of San José	\$5,964,791
Valley Transportation Authority	\$6,000,000
MidPen Housing Corporation	\$2,374,640
Total	\$14,339,431

The grant awarded to the City will fund transportation infrastructure improvements along Capitol Expressway Auto Mall and Narvaez Avenue. Specifically, Capitol Expressway Auto Mall will be upgraded from an existing Class II to a Class IV bikeway between Almaden Expressway and Pearl Avenue. Narvaez Avenue will be upgraded from an existing Class II to a Class IV bikeway along the western side of the corridor between Helzner Road and Magnolia Avenue. The project will also improve the transit rider experience by installing up to five bus shelters within one-mile radius of the development.

With the awarded funding, the Santa Clara Valley Transportation Authority would construct a new light rail crossover track segment at the Capitol Station, enabling trains to turn around mid-line. This feature increases system flexibility in the event of unusual events or service disruptions and improves overall reliability for the Blue Line. MidPen Housing Corporation would construct up to 2,500' of new sidewalks, install eight new crosswalks, and install five bus shelters to improve the pedestrian and transit experience. The Department of Housing and Community Development requires all parties to adopt a resolution accepting grant funds of up to \$14,339,431 should one or more agencies be unable to deliver the improvements as specified in the grant agreement.

Upon City Council approval of the recommendations, the City will finalize efforts to enter into the required agreements with MidPen Housing Corporation and the California

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Department of Housing and Community Development to receive AHSC grant funds administered through the California Strategic Growth Council.

Climate Smart San José Analysis

The recommendation in this memorandum aligns with one or more of Climate Smart San José energy, water, or mobility goals. The development is within walking distance of the Valley Transportation Authority Capitol Light Rail Station. The AHSC-funded improvements will increase green trips and reduce vehicle miles traveled and associated greenhouse gas emissions.

EVALUATION AND FOLLOW-UP

Upon execution of the grant agreements, staff will bring forward recommendations for City Council consideration to recognize and appropriate the grant funding.

FISCAL IMPACTS

The transportation improvement elements will be funded through up to \$6,000,000 in state grant funds administered by the California Strategic Growth Council and the California Department of Housing and Community Development. The grant award has no local match requirement.

Pending the execution of the agreements with MidPen Housing Corporation, the Strategic Growth Council, and the California Department of Housing and Community Development, these funds will be recommended for inclusion in a future budget process, subject to the appropriation of funds.

Notably, this project is expected to incur ongoing operating and maintenance costs for traffic control devices such as flexible bollards; however, as the project is still in its conceptual design phase, the quantity and replacement schedule of these devices are unknown. All future ongoing and maintenance costs will be funded from the General Fund, which is estimated to be in the annual range of approximately \$5,000 for staff time and material costs related to the ongoing maintenance and replacement of plastic bollards and concrete barriers. The table below shows the estimated expenditures and revenues to the City of San José by fiscal year.

Estimated City of San José Expenditures and Revenues by Fiscal Year (FY)

Expenses	FY 2027-2028	FY 2028-2029	FY 2029-2030	Total
Staffing	\$200,000	\$364,791	\$400,000	\$964,791
Contract	\$250,000	\$250,000	\$4,500,000	\$5,000,000
Grant Subtotal	\$450,000	\$614,791	\$4,900,000	\$6,000,000
Project Total	\$450,000	\$614,791	\$4,900,000	\$5,964,791
Total Reimbursable Revenue	\$450,000	\$650,000	\$4,900,000	5,964,791

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Planning, Building, and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the June 2, 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. ER24-313, CEQA Guideline Section 15301(c) Existing Facilities.

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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/

JOHN RISTOW

Director of Transportation

For questions, please contact Devin Gianchandani, Senior Transportation Specialist, Transportation Department, at devin.gianchandani@sanjoseca.gov.