



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Candelas  
Councilmember Campos  
Councilmember Ortiz  
Councilmember Doan  
Councilmember Casey

**SUBJECT:** SEE BELOW

**DATE:** March 13, 2026

Approved

Date: 03/13/2026

**SUBJECT: Mayor's March Budget Message**

## RECOMMENDATION

1. Approve the Mayor's Budget Message with the following changes below and use this direction in preparing proposals for the Council's budget deliberations and the Proposed Budget for Fiscal Year 2026 – 2027.
2. Approve the Memorandum from Councilmember Campos, dated 3/12/26,<sup>1</sup> regarding the Branham-Monterey Emergency Interim Housing Community.

## BACKGROUND

San José has become one of the most expensive cities in the nation and, by some measures, among the least affordable cities globally. For families with children, the cost of raising a child increased by nearly \$3,500 between 2024 and 2025.

Additionally, the City has increasingly diverted municipal resources to address gaps in services that are more appropriately funded or administered by other jurisdictions or agencies. When City funds are used to offset responsibilities of other systems, resources intended for public safety, neighborhood services, libraries, and infrastructure maintenance become increasingly constrained.

<sup>1</sup> <https://sanjose.legistar.com/LegislationDetail.aspx?ID=7937524&GUID=46A63952-C5A7-40AC-AD85-2D65F7145CF0&Options=&Search=>

The City Council approved five Focus Areas in the Fiscal Year 2025-2026 Budget. Accordingly, our recommendations are categorized in alignment with these Focus Areas. Our goal with our memorandum is to reduce the cost burden on residents and prevent layoffs to the maximum extent possible while protecting core services.

Given the robust nature of the March Budget Message, we are cognizant of the impact these directives will have on the Administration's workload and the tradeoffs necessary to move items forward.

1. Therefore, we are directing the City Manager to draft an MBA on the tradeoffs with pending policy considerations that will be reprioritized as part of the recommendations in the FY 2026-2027 Mayor's March Budget Message.

### **Reducing Unsheltered Homelessness**

#### *Homelessness Prevention Focus*

Despite the significant expansion of the interim shelter network, we must work aggressively to prevent families, seniors, transition-aged youth, veterans, and other vulnerable individuals from falling into homelessness to begin with. Expanding the shelter network without reducing inflow increases the risk of unsustainable cost burden to the City without meaningfully addressing community concerns about the impacts of homelessness.

2. We support the direction to the City Manager to return with an MBA summarizing and estimating the impact of the various cost-saving and revenue-generating opportunities for our interim housing system in FY 2026-2027, including standardizing and, in some cases, competitively rebidding service contracts, securing CalAIM reimbursements for qualifying services, establishing a fee-based program akin to Sacramento's, and creating a fee-for-service program that partner agencies can utilize.
  - a. This MBA should also discuss how the resulting future cost-savings from the Interim Housing Program in our General Fund could be reinvested into Homeless Prevention programming.

#### *Increasing Successful Transitions to Permanent Housing and Self-Sufficiency*

Addressing the needs of residents living in recreational vehicles (RV) is an important and ongoing policy discussion; however, the introduction of long-term RV parking within established mobile home communities raises significant concerns. Mobile home parks are planned and regulated communities designed for manufactured housing and long-term residential stability. Expanding RV parking within these communities represents a fundamental shift from their intended use and could create regulatory, safety, and operational challenges for both park owners and mobile homeowners.

3. Therefore, given these concerns, we amend the March Budget Message to eliminate this direction exploring extended RV parking models within existing mobile home parks.

### *Strengthening City-County Collaboration*

We are in strong support of homelessness prevention, however, the target for 10% of Measure E funds should be higher. Given potential operational efficiencies and revenue-generating opportunities, the Council should elevate the most cost-effective mechanism for reducing homelessness—preventing it to begin with. While the new position in the Mayor’s office for Strategic Partnerships is beneficial, we believe the opportunity for partnership should be with the Council. Housed in the City Manager’s Office, this role would build and sustain relationships with philanthropy, as well as collaborate directly with the City Administration, including Department Heads, to bring in investment in priority programs, including the Children and Youth Services Master Plan. We recommend the following:

4. Direct the City Manager to work in partnership with the Mayor and City Council to augment this effort.
5. The City Manager should explore the following as it relates to our Work with the County and finalization of the Council Focus Area Dashboards in June:
  - a. Update the analysis provided to the City Council during the “Reducing Unsheltered Homelessness Strategic Planning” presentation in the February 11, 2025, Study Session,<sup>2</sup> including annual inflow and annual placement data, and report to the City Council in a Study Session or in Quarterly Council Focus Area Updates.
  - b. Based on the updated analysis, explore potential goals to reduce annual inflow by 10%, 20%, and 30%, and determine the programs and resources that would be necessary to achieve these goals.
  - c. Add a new “Problem Area” in the Reducing Unsheltered Homelessness Focus Area to analyze opportunities and limitations for mitigating and reducing inflow and preventing first-time homelessness.

### **Cleaning Up Our Neighborhoods**

#### *Aligning Services and Improving Transparency*

We support a cost-effective program that removes blight and preserves the cleanliness of our community. However, residents across San José often experience different levels of park maintenance and neighborhood cleanliness depending on where they live. Some areas of the City consistently have well-maintained parks and public spaces, while others experience ongoing challenges with litter, illegal dumping, graffiti, and other quality-of-life issues. Additionally, BeautifySJ data has shown that certain areas of the City have developed as recurring hotspots for illegal dumping and blight, requiring a higher level of attention and resources to address

---

<sup>2</sup> <https://sanjose.legistar.com/LegislationDetail.aspx?ID=7127761&GUID=65414804-E9E0-41E0-B242-400999AA3B07&Options=&Search=>

persistent conditions. Understanding what staffing practices, operational policies, and deployment strategies may be contributing to these disparities is critical to ensuring geographic equity and improving service delivery Citywide.

6. Direct the City Manager to explore establishing a proactive BeautifySJ team dedicated to addressing high-impact areas experiencing persistent illegal dumping, graffiti, and encampments.
  - a. Include consideration of appropriate resources to support targeted weekend deployments, including Saturday and Sunday programming, in identified hotspot locations using BeautifySJ data to ensure faster response and sustained improvements.
7. Direct the City Manager to assess different approaches to increase community safety and address quality of life such as gambling at parks.
8. Direct the City Auditor to study the parks maintenance program, whose scope should include staffing, routes, processes for evaluating maintenance needs, and geographic equity, and provide recommendations on best practices.

#### *Sustaining Community Impact*

Creating stronger neighborhoods begins with neighbors who feel they have ownership and power over their community, which is why the BSJ grant program is so critical. Scaling this program proved to be an effective tool, not just for blight removal, but for neighborhood engagement and safer streets.

9. Direct the City Manager to increase the funding for the BSJ grant program to \$500,000.

#### *Strengthening Code Compliance*

We appreciate the ongoing efforts to strengthen the Code Enforcement Division, and we encourage greater attention to fee collection and continuous improvement—such as the current re-engineering initiative underway. Reactive, complaint-driven enforcement, often on a property-by-property basis, has not met the expectations of neighborhoods or the business community. Instead, we must explore and implement a new approach, based on strategic, data-driven, and cluster-based interventions that resolve questions about ownership, collect fee/penalty revenue whenever possible, and measure meaningful outcomes like inventory reduction and time-to-reuse. We direct the City Manager to include the following elements in the ongoing Code Enforcement re-engineering efforts, as feasible and in consideration of budgetary constraints:

10. Estimate the resources necessary to implement Housing Element Program S-3, Proactive Code Enforcement in Identified Project Hope Place-Based Neighborhoods and provide options for the City Council to consider.
11. Assess feasibility and estimate costs to establish a Strategic Code Enforcement pilot in areas with concentrations of distressed or blighted properties, including Downtown East and key commercial corridors. The pilot should coordinate Code Enforcement with Planning, Public Works, the City Attorney's Office, and Economic Development to

accelerate resolution of long-standing violations through defined escalation timelines and stronger enforcement tools, including receivership when necessary. The goal is to move chronically non-compliant properties toward rehabilitation or redevelopment, supporting housing production, neighborhood quality, and economic revitalization.

12. Explore additional modernization to Code Enforcement focused on improving case resolution timelines and strengthen accountability for chronically non-compliant properties. The proposal should include clearer escalation protocols, expanded use of cost-recovery tools such as administrative penalties and abatement liens, and improved reporting on time-to-resolution for major blight cases. Expected outcome is a more effective and financially sustainable enforcement program that improves neighborhood quality while reducing the General Fund burden of enforcement activities.
13. Explore policy options for requiring rental properties with repeat substantiated code violations or significant repair needs to prepare Rental Tenant Habitability Plans.
14. Explore a pilot Code Enforcement Outreach Program that provides grants for partnerships between community-based organizations, public interest legal groups, and the Department of Planning, Building and Code Enforcement.
15. Explore cost-recovery options for these initiatives, including use of fines and adjustments to per-unit fees for Multi-Housing Permits for Tier 2 and Tier 3 properties.

### **Increasing Community Safety**

Community safety is an essential service provided by the City, and continued support and investment will be necessary to achieve our community safety goals. In recent months, small businesses across East San José have experienced incidents of crime, vandalism, and violence that have shaken community confidence in key commercial corridors. Longstanding neighborhood institutions such as Antipasto's and Peter's Bakery, as well as businesses along Tully Road, and the Story and King corridor near La Placita, have been impacted by robberies and incidents that highlight the vulnerability of small business districts. At the same time, improving community safety requires a balanced approach that focuses on prevention and long-term community investment. Programs like Project Hope play a vital role in reaching youth and families before challenges escalate into involvement in crime, while providing mentorship, resources, and positive pathways in neighborhoods that have historically experienced gang activity and disinvestment. Sustaining these prevention efforts, alongside targeted support for small business corridors, helps ensure the City is both investing in young people and families while holding those who target vulnerable communities accountable. The City Manager is directed to:

16. Identify options to increase community safety in small business corridors.
17. Preserve Project Hope funding and staff support to sustain and build connections.

### *Breaking the Justice-Involved Cycle*

While we appreciate the opportunity to learn from partner jurisdictions and identify best practices, a study mission to San Diego County would not meaningfully advance implementation

in San José. Responsibility for administering Proposition 36 programs largely rests with county government and the judicial system—including county behavioral health, probation, and the courts—rather than city governments. While the City plays a role through policing and coordination, travel to observe another jurisdiction would not change the authorities, funding structures, or operational decisions within Santa Clara County or the local court system. A more effective approach would focus on direct engagement with Santa Clara County and local judicial partners responsible for implementation to support effective coordination within our own jurisdiction.

18. Given current resource constraints and limited staff capacity, we do not recommend dedicating City resources to this optional activity.

#### *Emergency Medical Response*

We agree that San José must continue to evolve our alternative response model, especially as it relates to behavioral health and high utilizer calls that do not always require a traditional emergency room transport. Given our City's fiscal challenges, this effort should not come at the expense of critical programming. However, establishing measurable performance outcomes focused on reducing avoidable emergency calls and repeat 911 utilization as part of the program should still be part of the design of this program.

19. Therefore, the City Manager is directed to fund the Emergency Medical Services Field Coordinator program and pilot a Community Paramedicine model through State funding and not through opioid or one-time general fund funding.<sup>3</sup> Should resources at the State be unavailable, opioid settlement funds could be reconsidered.

#### *Investing in Youth*

We appreciate the Mayor integrating one-time funding of \$500,000 to advance Children and Youth Services Master Plan (CYSMP) priorities. However, this does not go far enough—youth investment should be prioritized further:

20. Direct the City Manager to set-aside one-time funding of \$1 million for implementation of the CYSMP.
21. Prepare the four MBAs recommended in the memorandum from Councilmember Campos, dated 2/4/2026 and provided during the 2/5/2026 City Council Study Session,<sup>4</sup> regarding implementation of the CYSMP. The information provided in these

---

<sup>3</sup> <https://sanjose.legistar.com/View.ashx?M=F&ID=15175828&GUID=11FA7556-BB2E-4BCD-8A63-17117D6ECACD>

<sup>4</sup> 2/5/2026 2026-2027 Preliminary General Fund Forecast and Budget Priorities. Memorandum from Campos, 2/4/26. <https://sanjose.legistar.com/View.ashx?M=F&ID=15167660&GUID=32BEB529-A140-4481-B3C6-270066D74E04>

MBAs shall inform the expenditure of the \$1 million set-aside for the implementation of the CYSMP.

Our existing Core Services and Programs do much to support our youth. To the extent feasible, programs such as the following should be prioritized:

22. Library hours and investments.
23. High-impact youth-serving programs, including programming like R.O.C.K. Afterschool, Recreation Camps, Saturday Night Lights, BEST Program Funding, and the Safe Summer Initiative Grant.
24. PRNS scholarship programs for eligible families to attend summer and school break camps, allowing parents and guardians to continue to work.

### **Growing Our Economy**

#### *Supporting Small Businesses*

We wholeheartedly agree that small businesses power San José and create vitality, culture, and opportunity. In addition to the direction provided in the section of the Mayor's Budget Message, we are directing the City Manager to continue the effort to expand Business Improvement Districts in commercial corridors. Additionally, we recommend the following actions:

25. Direct the City Manager to coordinate with VTA and SV@Home as they explore the feasibility and potential benefits of establishing an Enhanced Infrastructure Financing District (EIFD) to support transit-oriented development in the Alum Rock Corridor.
  - a. Through its Transit-Oriented Communities Grants Program, VTA awarded a grant to SV@Home to conduct a Transit Oriented Preservation and Anti-Displacement (TOPAZ) feasibility study evaluating the potential use of Enhanced Infrastructure Financing Districts (EIFDs) to support community-serving infrastructure, including affordable housing.
26. Continue to evaluate opportunities to make local businesses more competitive or give them greater preference in procurement processes. Leverage prior work when possible.<sup>5</sup>
27. Evaluate and explore appropriate resources for a small business relief fund to support business corridors and shopping centers that are disproportionately impacted by immigration enforcement/ICE fear.
28. Introduce a new "problem statement" in the Growing Our Economy Focus Area related to accessing affordable childcare.
29. Provide alternative options to sustain the Family, Friends, and Neighbors (FFN) Caregiver Support Network, recognizing that FFNs not only allow parents and guardians to work but also themselves are small business operators.
30. Determine the resources needed to implement the direction in the October 16, 2025, Memorandum from Mayor Mahan, Vice Mayor Foley, and Councilmembers Campos,

---

<sup>5</sup> For example, see FY2021-2022 MBA #14 - Disparity Study.

<https://www.sanjoseca.gov/home/showpublisheddocument/73255/637571278964970000>

Mulcahy and Casey to “return to the City Council during a future routine Zoning Code update with amendments to Part 10 of Chapter 20.80 that reduce barriers to establishing outdoor vending facilities on private properties.”<sup>6</sup>

## **Building More Housing**

### *Reducing Costs*

California maintains some of the most robust building codes in the country. These standards reflect the State’s extraordinary climate and environmental diversity, playing an important role in protecting residents from natural hazards. Any effort to modify local building requirements should balance the need to maintain strong life-safety and environmental protections with the City’s goal of facilitating the timely production of housing.

31. The City Manager should evaluate existing local building and development requirements and identify opportunities to improve clarity, consistency, and efficiency in support of the Council Focus Area on Building More Housing. This effort may include identifying local provisions, administrative practices, or review processes that could be streamlined or updated to reduce unnecessary barriers to housing production while maintaining essential protections for public safety and environmental quality.
32. The City Manager should explore incorporating this work into the FY 2026–2027 Building More Housing Council Focus Area workplan and return to the City Council with findings and potential recommendations for consideration.

### *Planning Capacity*

Construction of affordable housing remains a high priority not only to meet aggressive state mandates but also to meet the acute housing needs of low-income and working people in our community. In addition, the City’s economic development goals are contingent on the timely processing of commercial projects.

As referenced in the Mayor’s March Budget Message, funding constraints hinder the ability of Planning, Building, and Code Enforcement Department (PBCE) staff to achieve ambitious City Council and community goals, keep up with and implement unfunded state mandates, and respond to emerging needs and concerns from the development community. Changes in state law require tight turnaround times for projects that require sufficient staffing.

In addition to the Mayor’s recommended direction to evaluate funding strategies to reduce volatility, we recommend that the following be explored:

---

<sup>6</sup> <https://sanjose.legistar.com/View.ashx?M=F&ID=14868039&GUID=01DADD8E-26D7-490C-987E-677D1DC16CB8>

33. Preserve or minimize negative impacts to PBCE development services in order to meet processing timelines and responsiveness to applicants, the public, and other city departments.
34. Preserve or minimize negative impacts to PBCE advance planning. Particularly given the increasing number of complex state mandates, advance planning has become especially important.
35. Evaluate the funding needs required to carry out the Envision San José 2040 General Plan four-year review and update, including work necessary to address increased housing capacity and Urban Village planning.
36. Explore staffing needs to fulfill environmental review for development in light of AB 130 and similar CEQA reforms.

### *Expanding Workforce Housing for San José's Working Families*

San José faces a growing shortage of affordable housing for working families, including teachers, first responders, and City employees, who increasingly struggle to live in the communities they serve. The Working Families Housing Workgroup, a coalition of more than 70 public, labor, housing, and business leaders, has identified strategies to accelerate production of permanently affordable, union-built housing by reducing financing costs and leveraging private institutional investment. By partnering with Santa Clara County, regional jurisdictions, and institutional investors, including union pension funds, San José can help develop a new public-private housing delivery model capable of producing more affordable homes at lower public subsidy while supporting good union construction jobs.

We have an opportunity to expand a public-private partnership with the County, neighboring cities, pension funds and developers to create a locally funded affordable housing delivery system that better meets the needs of more low and moderate income working families, including police, fire, and other city employees who increasingly struggle to afford housing in San José all while creating more good union construction jobs. We direct the City Manager to do the following and return to Council by December 2026 with an update:

37. Identify staff to explore a demonstration project in San José under this new model, including, if possible, identifying resources to house 200-400 homes for working families. Additionally, this research should examine opportunities for City participation in master leasing to offer low-cost rental options to City employees without significant upfront cost to the City.
38. Explore joint research with Working Partnerships USA on how to develop a governance structure and financing plan with the other interested Santa Clara County jurisdictions to support the development of affordable, union-built homes across Santa Clara County.

### *Reimagining and Strengthening BeautifySJ*

We appreciate the herculean efforts of the BeautifySJ team and the City Administration to implement aggressive graffiti and illegal dumping abatement and enforcement programs. At the

same time, we must acknowledge the resource impacts of frequent and repeated cleans-up that do not result in preserved progress. Though this is a difficult problem to solve, we believe focused attention can yield reduction in costs, enhanced optimization, and increased capacity to dedicate to other priorities. We recommend the following actions:

39. Evaluate the feasibility of collaborating with other jurisdictions that overlap the City (Valley Water, the County, etc.) to utilize City services, including the City’s SJ311 system, for a fair cost while, preserving service priority for San José and exploring opportunities to offset City services costs through shared use overlapping entities with San José.
40. Direct the City Manager to:
  - a. Utilize the City’s existing dashboard and financial tracking systems to identify and track City expenditures associated with homelessness-related services across departments and explore opportunities for cost recovery or shared funding—such as Memoranda of Understanding (MOUs), service agreements, or other appropriate mechanisms—where these services involve shared responsibilities with other jurisdictions or entities.
    - i. Use the collected data to inform future policy decisions, interjurisdictional discussions, and budget planning efforts aimed at protecting core City services and improving the City’s long term fiscal sustainability.
    - ii. Identify the responsible jurisdiction, where feasible, for tracked expenditures, including whether financial responsibility rests with the City, County, State, Federal government or an external entity.<sup>7</sup>
  - b. Improve transparency and fiscal oversight by ensuring this information is available for ongoing monitoring and usage.
  - c. Direct the City Manager to prioritize negotiating an extension of the Memorandum of Understanding (MOU) with Union Pacific. Additionally, explore opportunities to develop similar MOUs with other jurisdictions or non-governmental agencies with significant ownership of land in San José.

### **Budget Approach and Transparency**

41. Return to Council with a policy framework governing the use of future SJCE excess reserves, prioritizing relief for residents and small businesses, where fiscally responsible, rather than for the City’s largest energy users.
42. Assess the potential ratepayer risks associated with new data centers and to return to Council with recommendations to mitigate those risks. This analysis should include options for pricing risk to large commercial users, negotiating specific agreements (including community benefits agreements) or rate structures with data centers and/or

---

<sup>7</sup> “City & County Responsibilities: The City of San José manages its housing policy, land use, and program implementation. Santa Clara County oversees healthcare, key social services, affordable housing units and regional initiatives to end homelessness. The County also has the responsibility for care to those with Serious Mental Illness (note: this does not include all mental health issues).” - City of San José City Manager’s presentation titled, *Homelessness in San José What to Know and How the City Responds*, February 7, 2025, Page 8

HONORABLE MAYOR AND CITY COUNCIL

March 13, 2026

Subject: Mayor's March Budget Message

Page 11

PG&E, and policy, including support for state and federal regulation, that mitigates risks to other ratepayers and protects the interests of residents and small businesses.

We thank the Mayor, the City Administration, and our colleagues on the City Council for their diligence, hard work, and consideration of our recommendations.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*