



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Campos  
Councilmember Salas  
Councilmember Doan

**SUBJECT:** SEE BELOW

**DATE:** June 6, 2025

Approved

Date: 6/6/2025

**SUBJECT: Proposed Changes to City Council Policy 1-18, Section 22 and the Spending Priorities and Percentage Allocation of Measure E Real Property Transfer Taxes**

## RECOMMENDATION

Do not approve the changes to City Council Policy 1-18, Section 22, as included in MBA #2 and instead modify the budget allocations for Real Property Transfer Tax Revenues as follows:

1. For Fiscal Years (FY) 2025-2026 and 2026-2027:
  - a. Increase the percentage for homelessness prevention, gender-based violence programs, legal services, and rental assistance from 10% to 15%.
  - b. Increase the percentage for homeless sheltering and support programs from 15% to 85%.
  - c. Direct the City Manager to prioritize the construction of family- and youth-serving interim housing and shelters, including motel and hotel conversions, where feasible.
  - d. To address the budgetary impact of shifting \$2,613,000 in FY2025-2026 and \$2,850,000 ongoing from homeless sheltering and support to homeless prevention, make the following changes to the Measure E Spending Plan and FY2025-2026 Proposed Operating Budget as reflected in Attachment A to this memorandum:
    - i. Reduce the budget for Homeless Rapid Rehousing by \$3,500,000 in 2025-2026.
    - ii. Reduce the budget for Outreach, Sanitation and Other Support Services by \$1,963,000 in 2026-2027, including applying the remaining carry-over funding from 2025-2026.
2. Revert to FY2024-2025 percentage allocations after a two-year period and return to the Council for review and revisions to Council Policy 1-18 during the development of the FY2027-2028 operating budget.

## BACKGROUND

Recognizing that changing the percentage allocations requires an affirmative two-thirds supermajority vote of the City Council, we submit these recommendations to advance a balanced

June 6, 2025

Subject: Proposed Changes to City Council Policy 1-18, Section 22 and the Spending Priorities and Percentage Allocation of Measure E Real Property Transfer Taxes

Page 2

budget, increase funding for homelessness prevention, ensure interim housing is made available to families and households with minors, and allow the Council to reconsider the priorities and allocations during the preparation of the FY2027-2028 operating budget.

As we stated in our March 14 memorandum, we acknowledge the challenge of balancing important and often competing community priorities during this period of resource scarcity and political uncertainty. We understand our obligation to identify ongoing resources to pay for dramatically escalating interim housing operational costs, and our recommendations provide time to address this issue holistically and without increasing reliance on General Fund subsidies at the expense of core neighborhood services.

At the same time, we must take this opportunity to brace for the impact of the loss of federal funding, which threatens thousands of families and individuals Citywide already living on the brink of homelessness. Even a modest increase in funding for prevention, like short-term rental assistance, can spare the City the burden of paying the significant cost of bringing an unhoused neighbor indoors.

Prioritizing the construction of interim housing and shelters that serve families and youth is both necessary and achievable in our city. In District 7, we are taking meaningful steps by converting two motels into shelters for our most vulnerable populations. The Fontaine Inn will prioritize serving single mothers and their children, while Casa Linda will give preference to LGBTQ+ youth.

Successful homelessness prevention reduces longer-term costs to the City. Additional investment will require changes to the Operating Budget. We recommend reallocating funding from the proposed motel voucher program (“Homeless Rapid Rehousing”), which has experienced challenges, including insufficient or no data tracking, provision of receipts, or case management for residents. This program is not cost-effective. Further, we recommend reallocating \$2,000,000 proposed to be used for handwashing stations and “porta potties,” to be located at six (6) sites along waterways. To comply with the stormwater permit, the City is relocating unhoused individuals away from waterways.

Finally, we continue to recommend that the City Manager return to Council after two years for review and potential modifications to ensure that the allocation strategy reflects community priorities. Over the next two years, we must recommit ourselves to working aggressively to finding long-term and financially sustainable solutions that allow us to maintain the shelter network we have developed without sacrificing core neighborhood services.

*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.*

June 6, 2025

Subject: Proposed Changes to City Council Policy 1-18, Section 22 and the Spending Priorities and Percentage Allocation of Measure E Real Property Transfer Taxes

Page 3

**Attachment A - Measure E Reallocation**

<u>Recommended Allocation of Measure E Revenues in the 2025-2026 Proposed Operating Budget (\$ Millions)</u>		
	<b>2025-2026</b>	<b>2026-2027</b>
<b>Program Administration (5% of total revenue)</b>	<b>2.75</b>	<b>3.00</b>
<b>Homelessness Prevention (15% of remaining revenue)</b>	<b>7.84</b>	<b>8.55</b>
<b>Homelessness Sheltering and Support (85% of remaining revenue)</b>	<b>44.41</b>	<b>48.45</b>
Interim Housing Construction and Operations  (Where feasible, prioritize the construction of family- and youth-serving interim housing and shelters, including model and hotel conversions.)	<b>32.84</b>	<b>47.80</b>
Outreach, Sanitation and Other Support Services	<b>3.5</b>	<b>0.65</b>
Beautify San José Encampment Management Services*	<b>6.68</b>	-
Homeless Rapid Rehousing*	<b>0.5</b>	-
Balance (for FY26-27)	<b>0.89</b>	-
<b>Total Measure E Revenues</b>	<b>55.0</b>	<b>60.0</b>
Outreach, Sanitation and Other Support Services (Application of FY25-26 Carry-Over Funding)		<b>0.89</b>

\*One-time funding shift from the General Fund to the Real Property Transfer Tax Fund; these services will again be funded in the General Fund in 2026-2027 and ongoing.