



*Housing*

# Proposed Changes to the Percentage Allocations for Measure E Transfer Tax Funds

**City Council**

**May 16, 2023**  
**Item 3.3**

**Jim Shannon**

Budget Director

**Jacky Morales-Ferrand**

Director of Housing

**Rachel VanderVeen**

Assistant Director of Housing

# Measure E History

---

- Real property transfer tax for all transactions over \$2 million; received in the General Fund
- Available for any governmental purpose, including support for affordable housing development and reducing homelessness
- City Council approval of Mayor's March Budget for Fiscal Year 2023-2024 directed the consideration of a one-time reallocation for homelessness prevention, support and management

# City Council Policy – Percentage Allocation Changes

---

City Council Policy 1-18, Section 22, describes the spending priorities for Measure E revenues. Per the policy, any modifications of the percentage allocations requires the following:

- 60-day public notice in advance of the effective date of the proposed allocation change
- At least two public hearings prior to City Council action
- Two-thirds vote of the City Council

# 2023-2024 Proposed Budget Recommendation

	Prior Year Measure E Revenues	2023-2024 Measure E Revenues	Total Amount
Previously Allocated for Affordable Housing	\$70,313,209	\$35,625,000	\$105,938,209
Previously Allocated for Homeless Prevention	\$2,712,628	\$4,750,000	\$7,462,628
Previously Allocated for Homeless Support	\$14,004,809	\$7,125,000	\$21,129,809
Previously Allocated for Program Administration		\$2,500,000	\$2,500,000
<b>Total</b>	<b>\$87,030,646</b>	<b>\$50,000,000</b>	<b>\$137,030,646</b>

Of the \$105.9 million, the 2023-2024 Proposed Budget recommends:

- Retaining \$52.8 million for affordable housing purposes (50%)
- Setting aside \$15.1 million into a reserve to provide capacity to absorb the likely revenue shortfall in the current year to ensure that funding commitments stay intact (14%)
- Reallocating \$38.0 million for homelessness prevention, support, and management (36%)

# 2023-2024 Proposed Budget Recommendation

- The reallocation of one-time funding recommended in the Proposed Operating Budget is displayed in blue text on the “2023-2024 Proposed Spending Priorities” slides that follow.
- Additional information is included in Attachment D to the City Manager’s Transmittal Memorandum of the 2023-2024 Proposed Operating Budget; the Housing Department, Public Works Department, City Manager’s Office, and City-Wide Expenses sections of the 2023-2024 Proposed Operating Budget; and Manager’s Budget Addendum #2: *One-Time Changes to Measure E Revenue Percentage Allocations*

# Uncommitted Affordable Housing Funding from Prior Years

Funded Activities Under Previous Spending Plans	Uncommitted Funding
New Construction of Affordable Rental Housing – Extremely Low-Income Households	\$18,237,291
Acquisition and Rehabilitation	\$24,609,040
Acquisition of Hotels	\$3,316,187
Construction of Commercial Space for New Affordable Housing Developments	\$3,817,275
Land Acquisition	\$10,000,000
Accessory Dwelling Units Program	\$4,903,083
New Construction of Affordable For-Sale Housing	\$3,087,500
New Construction of Affordable Rental Housing – Moderate-Income Households	\$2,342,833
<b>Total</b>	<b>\$70,313,209</b>

An additional \$16.7 million is being reprogrammed within the Homeless Prevention, Rental Assistance and Homeless Support Programs categories

# One-Time Revision to Percentage Allocation of Measure E Revenues – Prior Year and 2023-2024

Spending Category	Current %	Revised Allocation Percentages of Prior Year Revenues	Revised Allocation Percentages of 2023-2024 Revenues
Extremely Low-Income Households	40%	21%	0%
Low-Income Households	30%	57%	0%
Moderate-Income Households	5%	0%	0%
Homeless Prevention	10%	4%	20%
Homeless Support Programs	15%	18%	80%
Program Administration	5%	22%	5%

# 2023-2024 Proposed Spending Priorities

Program Administration is taken from the total amount available before the allocations to the other priorities

	2023-2024 Proposed Spending Priorities				
	Reallocation of Prior Year Revenues		Allocation of 2023-2024 Revenues		Total Proposed Plan
<b>Program Administration</b>	<b>22%</b>	<b>\$19,427,897</b>	<b>5%</b>	<b>\$2,500,000</b>	<b>\$21,927,897</b>
Measure E Revenue Stabilization Reserve		\$15,102,956			\$15,102,956
Housing Homeless Response Staff (4 FTE, 3-year funding)		\$2,472,471			\$2,472,471
CMO Homelessness Coordination Team (3 FTE, 3-year funding)		\$1,852,470			\$1,852,470
Other Administration Costs				\$2,500,000	\$2,500,000

# 2023-2024 Proposed Spending Priorities

	2023-2024 Proposed Spending Priorities				
	Reallocation of Prior Year Revenues		Allocation of 2023-2024 Revenues		Total Proposed Plan
<b>Affordable housing for extremely low-income households</b>	<b>21%</b>	<b>\$14,200,000</b>	<b>0%</b>	<b>\$0</b>	<b>\$14,200,000</b>
New Construction of Affordable Rental Housing		\$14,200,000			\$14,200,000
<b>Affordable housing for low-income households</b>	<b>57%</b>	<b>\$38,635,253</b>	<b>0%</b>	<b>\$0</b>	<b>\$38,635,253</b>
New Construction of Affordable Rental Housing		\$21,300,000			\$21,300,000
Inflation Reserve		\$11,000,000			\$11,000,000
Preservation Funds		\$5,000,000			\$5,000,000
Commercial Space in Affordable Housing		\$1,335,253			\$1,335,253
<b>Affordable housing for moderate-income households</b>	<b>0%</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>\$0</b>

# 2023-2024 Proposed Spending Priorities

	2023-2024 Proposed Spending Priorities				
	Reallocation of Prior Year Revenues		Allocation of 2023-2024 Revenues		Total Proposed Plan
<b>Homelessness Prevention and Solutions</b>	<b>4%</b>	<b>\$2,715,628</b>	<b>20%</b>	<b>\$9,500,000</b>	<b>\$12,215,628</b>
Eviction Prevention and Diversion		\$2,712,628			\$2,712,628
Homelessness Prevention and Rental Assistance (\$4.75 M reallocation from affordable housing)				\$9,500,000	\$9,500,000

# 2023-2024 Proposed Spending Priorities

	2023-2024 Proposed Spending Priorities				
	Reallocation of Prior Year Revenues		Allocation of 2023-2024 Revenues		Total Proposed Plan
<b>Homeless Support Programs and Shelter Operations</b>	<b>18%</b>	<b>\$12,054,868</b>	<b>80%</b>	<b>\$38,000,000</b>	<b>\$50,054,868</b>
Overnight Warming Locations (OWL)		\$1,500,000			\$1,500,000
Interim Housing Operating & Maintenance Reserve		\$8,548,079		\$3,081,730	\$11,629,809
Interim Shelter Site Identification/Development (Spent over a multi-year period)				\$18,890,750	\$18,890,750
Interim Shelter Site Identification/Development Public Works Staffing (3-year-funding)		\$2,006,789			\$2,006,789
Interim Shelter Maintenance – PW Staffing and Contractual Services (includes 5.0 FTE)				\$5,000,000	\$5,000,000

# 2023-2024 Proposed Spending Priorities

	2023-2024 Proposed Spending Priorities				
	Reallocation of Prior Year Revenues		Allocation of 2023-2024 Revenues		Total Proposed Plan
SJ Bridge (\$3.5 M reallocated from affordable housing)				\$5,000,000	\$5,000,000
Homeless Outreach Contracts				\$3,700,000	\$3,700,000
CARE Coordination Program (CCP)				\$1,000,000	\$1,000,000
Housing Homeless Response Staffing (2.0 Therapeutic Specialists, 3-year funding)				\$827,500	\$827,500
SureStay Operations				\$500,000	\$500,000
<b>TOTAL ALLOCATION</b>		<b>\$87,030,646</b>		<b>\$50,000,000</b>	<b>\$137,030,646</b>

## Next Steps

---

June 12, 2023

- Second Public Hearing scheduled at 6:00 p.m. along with the 2023-2024 Proposed Budget

June 13, 2023

- Action on One-Time Measure E Percentage Allocation Changes will be scheduled as a separate item at the City Council meeting on June 13
- Review and approval of the 2023-2024 Mayor's June Budget Message
- Review and approval of the 2023-2024 Proposed Budget



*Housing*

# Proposed Changes to the Percentage Allocations for Measure E Transfer Tax Funds

**City Council**

**May 16, 2023**  
**Item 3.3**

**Jim Shannon**

Budget Director

**Jacky Morales-Ferrand**

Director of Housing

**Rachel VanderVeen**

Assistant Director of Housing