



Memorandum

TO: Mayor and City Council**FROM:** Councilmember David Cohen
Councilmember Sergio Jimenez**SUBJECT:** See below**DATE:** June 9, 2023

Approved

Date: June 9, 2023

SUBJECT: June Budget Message for Fiscal Year 2023-2024**RECOMMENDATION**

Make the following changes to the Measure E allocations in the Mayor's Budget Memo:

- Decrease allocation of Interim Shelter Site construction and Operations by \$5 million and 'backfill' this amount by utilizing an additional \$5 million from the Ending Fund Balance over two years.
- Decrease San Jose Bridge funding allocation by \$3 million.
- Shift \$8 million Homeless Support Programs, Shelter Construction and Operations back to funding Affordable Housing, split evenly between Extremely Low Income and Low Income categories.
- Shift the \$2.4 million allocation from the Distribution of 2023-2024 revenues for Creation of New Affordable Housing for Moderate-Income Household to the Creation of New Affordable Housing for Extremely Low-Income Households.

BACKGROUND

We would like to thank staff and the Mayor's Office for working diligently to create this year's budget. We support the budget message and the staff proposal, but at the same time, we want to ensure that more funding is spent on affordable housing. Affordable housing is the key to prevent residents from falling into homelessness, we want to advocate for an 'all above approach' by investing in both long-term and short-term solutions.

We also would like to commend Councilmembers Davis, Ortiz, and Torres for their proposal on to preserve Measure E as previously allocated. Although their investments in affordable housing are great, the Administration pointed out that we still need to fund positions to move unsheltered homeless residents into Emergency Interim Housing (EIH), other temporary housing or sheltering facilities, or into permanent supportive housing. Preserving funding for staffing capacity is important, the memo written by Councilmembers Davis, Ortiz, and Torres does not include staffing for program administration.

We must retain staffing for Homeless Response Staffing within the Homeless Support Programs category, as well as staffing for Housing Homeless Outreach Response Staff and City Manager's Office Homelessness Coordination Team with the Administration category. The six-person Homeless Response and Outreach team will be tasked to manage homelessness prevention and support – providing leadership to coordinate encampment management services, outreach, and abatements. Additionally, administration staffing includes three positions in the City Manager's Office to provide additional support for advancing the City's efforts on ending homelessness with positions that will provide interdepartmental and interagency coordination for homelessness safety net services.

We've been told by the Administration time and time again that more staffing is needed to fulfill the goals we have set out for them to do. The positions above will play an instrumental role in coordination for assisting our unhoused populations. Council has in the past been cautious about asking city leadership to do more without increasing staff capacity. These positions are needed to not only continue outreach to our unhoused residents, but to also enable staff to proactively evaluate the needs of unhoused residents throughout the City.

We also understand that EIH sites are a temporary solution and that the sources for ongoing funding are still to be determined. However, the Council has committed to the operation of up to 1000 units of interim housing, including much needed RV parking. It is important that we are set up for success by setting aside revenue for 2-3 years of operations. While we appreciate the attempt by Councilmembers Davis, Ortiz, and Torres to preserve all of the Measure E allocation for affordable housing, we are concerned that doing so simply pushes the decision of how to fund these programs into next year's budget discussion. We support the recommendations to look for other ways to fund EIH and if successful, we can revisit any re-allocation that isn't needed.

To fund both interim housing/shelter and homeless support programs alongside funding for affordable housing, we recommend the following alterations to the Mayor's Budget Message:

After discussions with the Budget Office, we have concluded that using \$5 million more from the Ending Fund Balance is still a viable option to fund Interim Shelter Site Construction and Operations. These additional funds will enable more funds to be available for the construction of highly needed new affordable housing. Though its availability is not guaranteed, the use of the Ending Fund Balance will be over a two-year period, and we have seen this balance go over \$15 million in each of the past several years.

San Jose Bridge is primarily a jobs program. The proposed re-allocation of Measure E money for SJ Bridge is meant to cover expenses for housing participants if they need to be placed in locations other than our EIH sites. The Budget Office has informed us that just \$2 million is required for this purpose.

By shifting the \$8 million back to affordable housing, with the \$3 from SJ Bridge and \$5 million from Interim Shelter Site identification, we can continue our commitment to ensure that progress

can continue on affordable housing while still funding EIH operations and homelessness support programs.

Lastly, the \$2.4 million allocated for the Creation of New Affordable Housing for Moderate-Income Households from incoming 2023-2024 Measure E revenues should be reallocated for extremely low- income affordable households. We consulted with the housing department and concluded that these funds would be better leveraged for the creation of lower income housing. \$2.4 million is not enough to allow for significant progress in the creation of Moderate-Income Households and there is currently no plan to use it. This action would require a 2/3 vote to re-allocate the 2023-24 Measure E revenue.

Anticipated Outcome:

Our plan balances investments in the creation of affordable housing and homeless support programs including shelter construction and operations. We want to ensure adequate investment in both short-term and long-term solutions. With our solution, we believe that we can fund the creation of affordable housing while also beginning to leverage funds for emergency interim housing sites. This plan primarily echoes what we proposed in the beginning of this process with our Budget Document #4 – using available funds from EIH for affordable housing then backfilling this funding with the ending fund balance and instead.

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.