



# HOUSING DEPARTMENT

January 27, 2026  
City Council Meeting  
Item: 8.5

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Director

# Soft Story Seismic Retrofitting Pilot Program

Item 8.5

# The Pilot Overview

## Phase 1: Pilot Design and Standup

1. **Design:** Determine eligibility, funding, applicant prioritization, reporting, documentation requirements, key metrics, and technical assistance.
2. **SOPs:** Develop Standard Operating Procedures (SOPs), policy manuals, templates, and checklists.
3. **Communication:** Provide technical assistance to applicants to educate them on the process and the necessary documentation required for reimbursement and federal grant compliance.

## Phase 2: Pilot Administration

1. **Application:** Facilitate intake, prioritization of applications, case management, and payment calculations.
2. **Operations:** Monitor the pilot for compliance with Federal and City regulations, program rules, financial, closeout, and other compliance activities.
3. **Management:** Conduct program governance, coordination, communication, oversight, and reporting activities.

## Phase 3: Pilot Evaluation/ Scale

1. **Evaluation:** Analyze pilot outcomes and gather feedback from stakeholders
2. **Scalability:** Refine and scale the model, build Neighborly wireframes,
3. **Planning:** and other tasks to ready San José for streamlined redevelopment of a larger future program standup.

# Pilot Design Features 1

## Pilot Program Design

**Funding:** \$1M via City of San José General Funds

1. **FEMA:** Design the program to enable future alignment of retrofit compliance checks with FEMA HMGP requirements (Note: pilot phase will not include FEMA reimbursement)
2. **Impact:** Finance low-volume landlords with affordable units to support otherwise unaffordable soft story retrofits and promote a pre-approved list of small M/WBE contractors.

## Types of Borrowers

1. **Borrowers:** Business entities and working with property owners to establish business entities and can not be individuals.
2. **Communications:** with property owner entities, landlord entities, and contractors.
3. **Partnership:** City of San José Housing Department and Guidehouse will work with borrowers.

## Primary Underwriting Criteria

1. No active bankruptcy proceedings, outstanding debt, or taxes
2. Landlord is registered as an incorporated entity (Working Solutions does not facilitate consumer lending programs)
3. Project can maintain a 6-12 week retrofit critical path construction timeline.

# Pilot Design Features 2



## Loan Product

1. Capped at \$100,000
2. Interest- only during construction, convert to repayment of principal and interest post construction
3. Up to a 10-year term (likely shorter)
4. Early repayment accepted at any time
5. Interest rates at or below 3%
6. Landlord pass through below 5% of the loan costs to the tenant per year, and capped at 50% of the total cost



## Loan Processing

1. **Fund Flow:** All funds flow through the CDFI to the borrower with simplified draws.
2. **Reimbursements:** While future-state FEMA reimbursement prospects remain uncertain, any rebates would be issued to the CDFI or CITY
3. **Recording:** The CDFI and/or City will record a mortgage alongside recorded notes.



## Data Warehousing

1. **Data warehousing:** solutions held by the City of San José, providing access credentials to GH and Working Solutions
2. **Tracking** Development and maintenance of offline tracking systems, including pipeline management, underwriting process, monitoring construction expenditures, FEMA HMGP-aligned compliance checks
3. **Leveraging Experience:** lessons learned from offline trackers to iterate on wireframes for a long-term digital application solution in Neighborly

# Partnership Roles

Overview of proposed roles for the City, Guidehouse, and Working Solutions.

## CSJ – Housing Dept.

1. Capital
2. Oversight
3. program participants
4. Partner Coordination
5. Establish a tenant coordination plans

## Working Solutions (CDFI)

1. Loan and grant origination
2. Loan funding
3. Loan servicing
4. Loss mitigation
5. Loan satisfaction
6. Data Collection
7. Data Analysis

## Guidehouse (GH)

1. Provide Guidehouse on structure and source of capital to ensure compliance outcomes
2. Project management office
3. Technology development/ management
4. Application processing
5. Due diligence and underwriting
6. Data collection and review
7. Technical assistance
8. Program compliance
9. (Future: rebate FEMA filing applicable)
10. Reporting and compliance
11. Work with the borrower to become business “on paper”

# FEMA Grant Application & Ordinance Effective Date

## Federal Action:

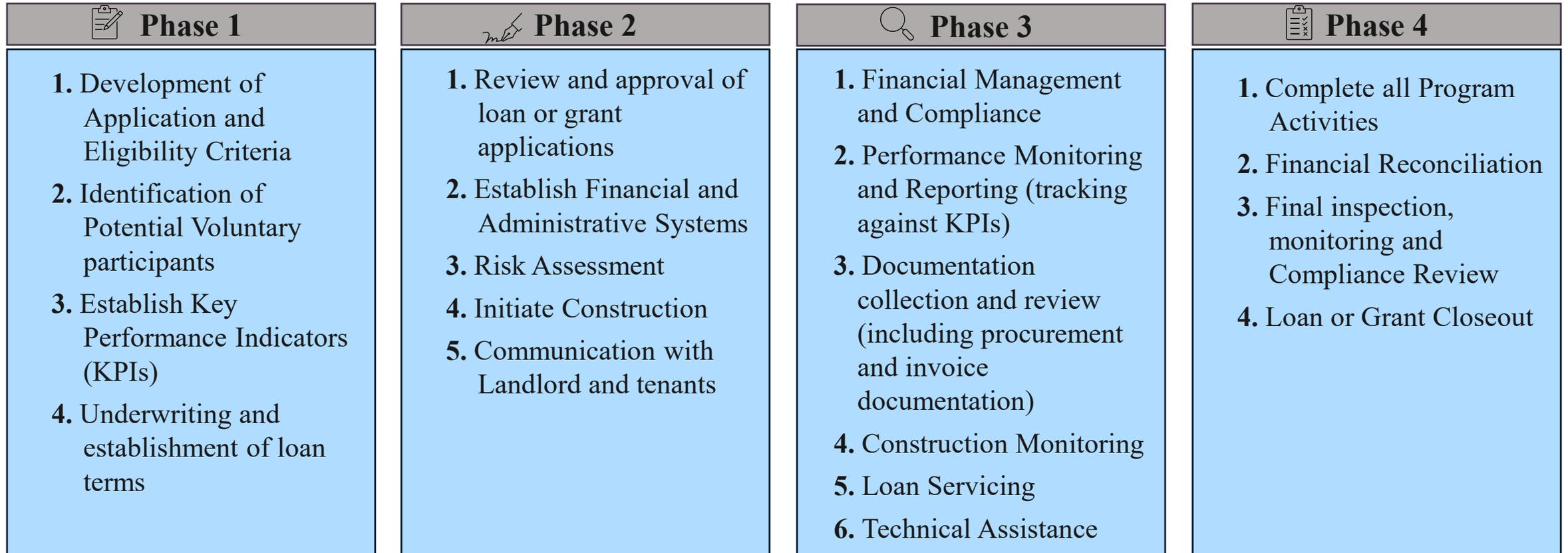
- On January 6, 2026, the Senate unanimously passed legislation to reauthorize the National Earthquake Hazards Reduction Program (NEHRP) and annual funding from FY 2024-2028 across four federal agencies, including FEMA. Legislation is headed to the House.
- Staff anticipates movement on the \$25M FEMA grant that the City submitted in August 2023 to offset the cost of retrofits for property owners/housing providers.

## Soft Story Seismic Retrofit Ordinance Effective Date:

- Original effective date was April 1, 2025, when Council approved the Ordinance in September 2024.
- On March 25, 2025, Council amended the Ordinance effective to April 1, 2026.
- Staff will continue to monitor FEMA's review of the \$25M grant application and will likely recommend delaying Ordinance effective date again.

# The Loan & Grant Program

## Loan and Grant Program Lifecycle



# Pilot Preliminary Costs

This table presents preliminary costs associated with administering a \$1M pilot program, spanning 10 months from setup to steady-state.

Expense	Amount	Notes
Funds for Project Loans	\$1,000,000	Up to 100K loans per building
Program Administration (Guidehouse)	\$548,900	About 50% of this cost for set up, and 50% for steady state
Loan Origination (Working Solutions)	\$20,000	Assuming fee at 2% of origination
Loan Servicing (Working Solutions)	\$48,000	Assuming 10 loans serviced for 10 years at \$40/month (assumes no early repayment)
<b>TOTAL</b>	<b>\$1,616,900</b>	