



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: October 6, 2025

Approved

Date:

10/16/25

COUNCIL DISTRICTS: 4, 9

SUBJECT: Actions Related to Grant Agreements for Two Interim Housing
Program Sites - Cherry and Cerone

RECOMMENDATION

Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute new Emergency Interim Housing program grant agreements with the following nonprofit service provider:

- (a) HomeFirst Services of Santa Clara County (Emergency Interim Housing site: Cherry) in an amount not to exceed \$3,300,000, retroactive from October 1, 2025, through June 30, 2026; and
- (b) HomeFirst Services of Santa Clara County (Emergency Interim Housing site: Cerone) in an amount not to exceed \$4,100,000, retroactive from October 1, 2025, through June 30, 2026.

SUMMARY AND OUTCOME

The Housing Department (Department) recommends delegating authority to the Housing Director, or his designee, to negotiate and execute two grant agreements totaling \$7,400,000 of Measure E, General Fund, and state funding to HomeFirst Services of Santa Clara County (HomeFirst) for operations at the Cherry Emergency Interim Housing (EIH) and the Cerone EIH sites. These agreements will fund supportive services, security, 24/7 site operations, and site asset management, beginning November 3, 2025, through June 30, 2026. With City Council approval, these agreements would increase the City of San José's shelter capacity to support vulnerable, unsheltered adults by adding 290 units of emergency housing, providing a total of 336 beds across two sites: 128 units and 136 beds at the Cherry EIH site, and 162 units and 200 beds at the Cerone EIH site. The Department seeks retroactivity for these service agreements to provide adequate time for HomeFirst to ramp up services

and hire/train staff. The table below provides an overview of each site and its capacity, along with the total budget for this term.

Table – Cost Summary of Cherry and Cerone EIH Sites

EIH Site	Units	Service Provider	Investment	Per Unit Cost*	Term
Cherry	128	HomeFirst	\$3,300,000	\$25,781.25	November 3, 2025 - June 30, 2026
Cerone	162	HomeFirst	\$4,100,000	\$25,308.62	November 3, 2025 - June 30, 2026

**Per Unit Cost for these contracts reflect one-time startup expenses, as well as gradual ramp-up to full staffing. Future grant agreements for ongoing operations are expected to have a higher Per Unit Cost than represented here.*

BACKGROUND

On June 18, 2024, City Council approved the construction of the Cherry EIH and the Cerone EIH sites, increasing the Department's interim housing portfolio by 290 units.¹

The City of San José invests in a range of programs to support individuals experiencing homelessness, including various interim housing sites, all aligned with the goal of achieving functional zero. The Department currently operates the following interim housing sites: Bernal, Evans Lane, Felipe, Guadalupe, Mabury, Via Del Oro, Rue Ferrari, Branham, Plaza, Arena, Pacific Motor Inn, Casa Linda, Alura, Bristol, Fontaine, Motel 6, Santa Teresa Safe Parking, Berryessa Safe Parking, Pavilion, First Street, and Taylor Street Navigation Hub. Once all of the interim housing sites are completed, there will be a total of 1,840 units with a capacity of 2,151 beds.

Over the last six months, the Department has conducted a comprehensive cost analysis of all interim housing projects and developed a per-unit cost model for all sites. Staff have been working closely with City partners to centralize the purchasing of meal provisions, site security, and property and asset management. This centralization aims to reduce costs, ensure consistent service, and allow partners to focus on delivering supportive services to EIH participants.

¹ Item 8.4, File 24-147359, Meeting Date: June 18, 2024, Memo Title: Potential Supportive Outdoor Sleeping/Temporary Alternative Sleeping Sites and Related Implementation Actions, Web Link: <https://sanjoseca.primegov.com/Portal/viewer?id=0&type=7&uid=a4a628c3-f9d7-49cc-a225-ac83dd1e8c73>

Once the cost analysis and selection of standardized operators are complete, the City will assume responsibility for providing meal services, site security, and property and asset management at all EIH locations. This means operators would no longer be required to manage these services directly.

ANALYSIS

On May 15, 2025, the Department released a Request for Proposal seeking supportive services providers to operate two new EIH sites. The selected operator(s) would be responsible for day-to-day operations to ensure a safe, stable, and service-enriched environment that will support participants' transition to permanent housing. While multiple proposals were submitted, the two contracts were awarded to HomeFirst.

The Cherry EIH Site is located on Valley Water property, and it features 128 units with the capacity to serve up to 136 single individuals or couples. The Cerone EIH Site is located on Santa Clara County Valley Transportation Authority property. It features 162 modular units with the capacity to serve up to 200 single adults. In addition to the private living spaces, the sites include a variety of shared amenities aimed at enhancing residents' quality of life and fostering a supportive community atmosphere. These shared facilities include clean and well-maintained restrooms and shower areas, on-site laundry buildings to meet daily hygiene needs, and designated dog parks to accommodate residents with pets. There is also on-site parking, ensuring convenient access for residents who own vehicles. To support participants' nutritional needs, the sites are equipped with meal preparation areas and communal dining rooms where individuals can gather and share meals in a welcoming setting. Staff and service providers are often available on-site to offer case management and other supportive services, helping residents transition toward more permanent housing solutions.

Staff is currently conducting a cost analysis to centralize contracts related to meal provisions, site security, and property and asset management. Until these centralized contracts are finalized, the agreements with HomeFirst for the Cherry EIH and Cerone EIH sites would include flexible language that enables the City to activate master contracted services, including property maintenance, security services, and meal provisions, upon completion if cost savings are achieved.

EVALUATION AND FOLLOW-UP

The Department will monitor the program implementation at the Cherry EIH and Cerone EIH sites, tracking costs and participant outcomes through key performance indicators. Next fiscal year, the Department plans to return to City Council with a report on operations, any cost efficiencies gained, and lessons learned during this centralization

process. This will help guide future plans to expand the model to additional EIH locations and advance the goal of reducing homelessness in San José.

COST SUMMARY/IMPLICATIONS

1. TOTAL COST OF CONTRACT/AGREEMENT

HomeFirst (EIH site: Cherry)	\$3,300,000.00
HomeFirst (EIH site: Cerone)	\$4,100,000.00
TOTAL PROJECT COSTS	\$7,400,000.00

2. **SOURCE OF FUNDING:** Funding for operations will be funded from: Interim Housing Construction and Operations (15% Homeless Support Programs) appropriation in the Real Property Transfer Tax Fund (Fund 404); Interim Housing Construction and Operation appropriation in the General Fund (Fund 001); and the Encampment Resolution Funding Grant Round 3 appropriation in the Multi-Source Housing Fund (Fund 448).
3. **FISCAL IMPACT:** The actions recommended in this memorandum will enable the Department to negotiate and execute grant agreements with the provider HomeFirst Services of Santa Clara County for providing supporting services, 24/7 site operations, and asset management at the two EIH sites, Cherry and Cerone, in Fiscal Year 2025-2026.

BUDGET REFERENCE

Fund #	Appn. #	Appropriation Name	Total Appn.	Amount for Contract	2025-2026 Proposed Operating Budget Page**	Last Budget Action (Date, Ord. No.)
001	229S	Interim Housing Construction and Operation	\$900,000*	\$3,771,885	811	6/17/2025 31230
404	230G	Interim Housing Construction and Operations (15% HSP)	\$25,000,000	\$3,094,031	932	6/17/2025 31230
448	231B	Encampment Resolution Funding Grant Round 3	\$2,410,540	\$534,084	922	6/17/2025, 31230

** The appropriation amount reflects the Modified Budget as of October 9, 2025, and does not include budget actions included in the 2024-2025 Annual Report which is expected to be presented to City Council on October 21, 2025. If approved, the appropriation amount will be \$3,771,885.*

*** The 2025-2026 Adopted Operating Budget was approved on June 10, 2025, and adopted on June 17, 2025, by the City Council.*

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 28, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Determinations of Consistency with the Mitigated Negative Declaration for the Emergency Interim Housing Programs project (Resolution No. RES2023-380), File No. ER24-015 for the Cherry Avenue Site Project and the Cerone Santa Clara County Valley Transportation Authority Yard EIH Project.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Erik L. Soliván

Director, Housing Department

The principal author of this memorandum is Ryan Sanders, Senior Development Officer, Housing Department. For questions, please contact Cupid Alexander, Deputy Director, Housing Department at cupid.alexander@sanjoseca.gov or (669)-314-3884.