



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Erik L. Soliván

**SUBJECT:** See Below

**DATE:** March 23, 2026

Approved

Date:

4/3/26

**COUNCIL DISTRICT: 6**

**SUBJECT: Agreement with the Santa Clara County Housing Authority to Receive Monthly Payments for the Arena Hotel**

## **RECOMMENDATION**

Adopt a resolution authorizing the Housing Director, or his designee, to:

- (a) Negotiate and execute an agreement with the Santa Clara County Housing Authority to provide funding for up to 89 interim housing units and supportive services for project-based Section 8 voucher holders residing at the Arena Hotel, effective May 1, 2026 to June 30, 2027, with a maximum amount of \$2,314,000; and
- (b) Include two extension options that are equivalent to three years of funding, for a total not-to-exceed amount of \$6,408,000:
  - (1) Full one-year extension from July 1, 2027, through June 30, 2028; and
  - (2) Eleven-month extension from July 1, 2028, through May 31, 2029.

## **SUMMARY AND OUTCOME**

The Arena Hotel, an 89-unit motel located at 817 The Alameda, San José, was purchased using funds from the California Department of Housing and Community Development Homekey Program Round 2 and the City of San José's (City) Measure E funding. Unsheltered individuals and households referred to the Arena Hotel will receive Section 8 Project-Based Vouchers (PBV) issued by Santa Clara County Housing Authority (SCCHA). These vouchers will be applied to permanent housing units that are under construction or become vacant while voucher holders reside at the Arena Hotel. When a permanent unit becomes available, the voucher holder will exit the Arena Hotel

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to move into their permanent housing unit. SCCHA will then identify a new voucher holder referral to fill the vacated unit at the Arena Hotel.

SCCHA will provide the City up to \$2,000 per unit per month to maintain 89 units at the Arena Hotel for PBV holder occupancy, and to provide support services for voucher holders referred to the site by SCCHA. This funding is contingent on the City verifying that each unit passes inspections approved by SCCHA before a PBV holder moves in and that a PBV holder occupies the unit at some point during the month. PBV holders will have no fixed length of stay at the Arena Hotel. The City will invoice SCCHA monthly and will identify the units that passed unit inspections approved by SCCHA, along with the dates each unit was occupied by a PBV holder during the month for which the payment is invoiced. As previously noted, and approved by the City Council on October 28, 2025, the new operator, WeHOPE, will continue to operate the Arena Hotel under its existing grant agreement, and the SCCHA reimbursement will offset a portion of the operating and service delivery costs associated with that contract.

To execute this funding agreement with the SCCHA, Housing Department staff recommends that the City Council authorize the Housing Director, or his designee, to negotiate and execute an agreement with SCCHA for funds supporting up to 89 interim housing units and the provision of supportive services for SCCHA PBV holders residing at the Arena Hotel. The agreement includes an initial one-year term commencing May 1, 2026, and will generate revenue consistent with the authorized annual and total not-to-exceed amounts.

## **BACKGROUND**

In June 2022, the City Council approved nearly \$18 million in state Homekey and Measure E funds to operate the Arena Hotel as an 89-unit interim shelter for individuals experiencing homelessness. In June 2023, the City executed a grant agreement with Urban Housing Communities to operate the site, which was later amended in December 2023 and August 2024. The first amendment extended operations through June 30, 2024, and the second amendment extended operations through June 30, 2025, before the agreement was terminated in July 2025.

On April 15, 2025, the City Council made a referral directing the SCCHA to expand its partnership with the City by applying flexible funding to support operations for at least one additional interim housing site.<sup>1</sup>

On October 2, 2025, the SCCHA Board of Commissioners authorized the execution of an agreement with the City to support interim housing operations at the Arena Hotel,

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<sup>1</sup> <https://sanjose.legistar.com/View.ashx?M=M&ID=1283480&GUID=709C2437-05E3-48D6-8B41-57FC01789AE7>

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with a maximum compensation limit of \$6,408,000 and an effective date of January 1, 2026.

On October 28, 2025, the City Council authorized a new grant agreement with WeHOPE, up to \$2.7 million, retroactive from October 1, 2025, to June 30, 2026, for oversight and services at the Arena Hotel. Although SCCHA's Board authorized its agreement with an effective date of January 1, 2026, the City's agreement will begin on May 1, 2026, to align with the launch of Arena Hotel operations and City Council approval.

SCCHA identified a need to provide temporary housing for program participants who hold PBVs in the Chronically Homeless Direct Referral Program and the Special Needs Direct Referral Program. To address this, SCCHA received approval from the United States Department of Housing and Urban Development to implement a Moving to Work activity (item #2020-2: Interim Housing). This local, non-traditional initiative offers temporary housing for chronically homeless individuals and individuals with disabilities as they wait for permanent placement. The Housing Department and SCCHA chose to temporarily house these PBV holders at the Arena Hotel, as interim housing will likely increase successful referrals to permanent housing.

## **ANALYSIS**

The proposed reimbursement structure with SCCHA provides significant financial benefits to the City by generating up to \$2,136,000 in revenue during the 12-month period from May 1, 2026, through June 30, 2027. With two optional one-year extensions at the same reimbursement level, the agreement will generate revenue consistent with the authorized annual and total not-to-exceed amount of \$6,408,000 over three years. This reimbursement will provide additional funding to offset operating costs that would otherwise require local funding, reduce the City's net subsidy obligations for interim housing, and provide predictable multi-year revenue that improves budgeting, cost management, and long-term sustainability. By leveraging external funding tied to federal housing voucher programs, the City maximizes non-City revenue sources, mitigates fiscal exposure, and strengthens the financial foundation for ongoing service delivery. This financial structure also supports the Arena Hotel's operational and community impacts by helping maintain compliance with the Municipal Regional Stormwater Permit's Direct Discharge Program, which requires the City to prohibit non-stormwater discharges into the storm sewer system and local waterways.

## **EVALUATION AND FOLLOW-UP**

The Housing Department will continue to monitor all Emergency Interim Housing sites using key performance indicators to track operations, costs, and participant outcomes,

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including the number of PBV holders that relocate to permanent housing during the initial evaluation period. Ongoing data collection will strengthen accountability and help identify best practices and areas for improvement. In the next fiscal year, the department will present a comprehensive report to the City Council summarizing site operations, cost efficiencies, and lessons learned. These insights will inform future decisions on program expansion, service enhancements, and resource allocation, supporting the City's broader efforts to reduce homelessness and help residents transition to stable, permanent housing.

### **FISCAL IMPACTS**

Staff anticipates receiving revenue of up to \$2,314,000 from SCCHA for the initial term, assuming \$2,000 per unit applied to 89 units over 13 months commencing May 1, 2026, through June 30, 2027, with two options to extend, totaling a not-to-exceed maximum compensation limit of \$6,408,000. Once the agreement is executed with SCCHA, revenues and the corresponding expenses, remaining project costs, including project delivery, construction, and contingency costs to support the Arena Hotel's operations, will be budgeted in the Multi-Source Housing Fund. The 2025-2026 revenue and expense adjustments will be brought forward as part of the year-end budget cleanup process, and the revenue and expense budget for 2026-2027 will be incorporated into the Proposed Operating Budget that will be published in early May.

### **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 Council Agenda website for the April 14, 2026 City Council meeting.

### **BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT**

No board, commission, or committee recommendation or input is associated with this action.

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**CEQA**

Statutorily Exempt, Public Health and Safety Code Section 50675.1.4, Homekey Round 2 Program – Arena Hotel, File No. ER21-159.

**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.

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Director, Housing Department

For questions, please contact Vanessa Butera, Interim Division Manager, Housing Department, at [Vanessa.Butera@sanjoseca.gov](mailto:Vanessa.Butera@sanjoseca.gov).