




Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Campos
Councilmember Ortiz
Councilmember Doan
Councilmember Candelas
Councilmember Casey

SUBJECT: SEE BELOW

DATE: June 05, 2026

Approve:  Date: 6/05/2026

SUBJECT: Mayor's June Budget Message for Fiscal Year 2026-2027

RECOMMENDATION

Direct the City Manager to develop a new City Council Focus Area: "Reducing the Cost of Living," including one Long-Term Goal with potential Indicators and Problem Areas, and bring forward for discussion to the City Council by Fall 2026 for consideration as part of the Fiscal Year 2027-2028 budget development process.

BACKGROUND

Approved in September 2025, the revised Focus Area framework ("Model 2.0") has demonstrated success in addressing the systemic challenges prioritized by the City Council. The Administration's work to define problem statements, long-term goals, and relevant metrics has improved transparency to the community in the progress we have made and enhanced accountability. We are grateful to City staff for their work to achieve the goals established for Fiscal Year 2025-2026, and we support continuing to use this framework to determine the next set of Problem Areas and related goals.

The City Council and the Administration have been clear that Focus Areas, Long-Term Goals, and Problem Areas will evolve as progress is made and as community priorities change. Currently, the Focus Areas are informed by data collected from the Annual Report on City Services. The City Auditor's Office and the City Manager's Office have worked with True North Research to prepare and conduct a Community Opinion Survey. The 2025 report, which is the most recent, provides the "top five recommended changes to improve the City" shared by survey participants over the past several years.¹

¹ City of San José Annual Report on City Services 2024-25, p 130.
<https://sanjose.legistar.com/View.ashx?M=F&ID=15146371&GUID=00E9FF00-4FA7-4B77-8895-C903C2DEDAF4>

Top Five Recommended Changes to Improve the City by Study Year					
Rank	2021	2022	2023	2024	2025
1	Address homeless issues	Address homeless issues	Address homeless issues	Address homeless issues	Address homeless issues
2	Provide more affordable housing	Improve public safety, reduce crime	Provide more affordable housing	Provide more affordable housing	Provide more affordable housing
3	Improve public safety, reduce crime	Provide more affordable housing	Improve public safety, reduce crime	Improve public safety, reduce crime	Beautify city, landscaping
4	Beautify city, landscaping	Beautify city, landscaping	Beautify city, landscaping	Beautify city, landscaping	Improve public safety, reduce crime
5	Not sure/Cannot think of anything	Improve police response, presence	Improve police response, presence	Reduce cost of living in general	Reduce cost of living in general

Survey results demonstrate the strong relationship between the top community priorities and the existing City Council Focus Areas: four of the five Focus Areas align directly with four of the five top “recommended changes.”

We can also see in the data an emerging community concern regarding the increasing cost of living. While escalating rents and ownership housing costs certainly impact the cost of living, it is notable that this emerging concern is distinct from the long-established priority to “provide more affordable housing.” With tariffs, inflation, supply chain impacts, and war contributing to the increasing costs of indispensable goods and services, like food and gas, we must begin applying the logic model of the Focus Area framework to identify local responses to this new community priority.

The Building More Housing Focus Area FY 2026-2027 Work Plan (Exhibit A) includes many valuable near-term goals that, incrementally, will reduce barriers to market-rate and affordable housing production in San José. Over time, we expect this to slow or moderate increasing housing costs. The proposed indicators track important milestones like entitlement and building permit issuance, but they currently do not monitor actual reductions in ownership housing costs or rent.

Similarly, the Growing Our Economy FY 2026-2027 Work Plan (Exhibit B) prioritizes City revenue growth, job production, and downtown vibrancy. These all are critical metrics and important for the health and fiscal sustainability of the City. However, as proposed, this Focus Area includes little that may materially reduce the cost of living for our residents. Indicator 4, which monitors Income Inequality, is a welcome metric, but none of the near-term goals seem likely to address income inequality in San José.

The Focus Area framework shows promising results in helping the City analyze and identify meaningful long-term and near-term goals for addressing the “wicked problems” our community is asking us to try to solve. We recognize that there are no easy or quick solutions – which is why the Focus Areas generally have been consistent over the past several years. We have not solved homelessness or the housing crisis, but we are making good and measurable progress. The annual survey shows that community perception of neighborhood cleanliness and public safety are improving. Introducing a new “Reducing the Cost of Living” Focus Area will enable the City Administration to apply the same rigorous and effective analysis to help us begin to address this intractable community concern.

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.

Exhibit A

Building More Housing FY 2026-2027 Work Plan²

- Indicator 1: Number of market rate and affordable housing units entitled
- Indicator 2: Number of building permits issued for market rate and affordable housing projects
- Indicator 3: Number of total new housing units with building permits issued for projects in the Multifamily Housing Incentive Program and Downtown Residential Incentive Program
- Indicator 4: Number of mixed income projects and total new housing units fully or partially financed by the City

Problem Area 1: City codes and policies as well as regional regulations may be contributing to making the permit process less predictable and not optimized for speed.

Goal 1.1: By December 2026, bring to the City Council an ordinance for a ministerial planning permit process for downtown residential and eligible citywide multi-family housing, with a maximum 90-day entitlement approval timeline.

Goal 1.2: Evaluate opportunities for reducing local code amendments and administrative policies related to residential construction and bring recommendations to City Council by March 2027.

Goal 1.3: By March 2027, present to the City Council recommended policy changes to the City's Transportation Analysis Policy 5-1 to support building more housing, while promoting economic development, traffic reduction and safety, and environmental sustainability.

Goal 1.4: By September 2026, bring forward an ordinance to the City Council to establish a pilot in-lieu fee program to provide housing projects with an alternate pathway to comply with C-3 stormwater regulations.

Problem Area 2: The City's development fees, taxes, and development services processes are currently structured in a way that creates challenges for predictability and transparency throughout the permitting process.

Goal 2.1: By March 2027, present to the City Council a Development Fee Framework Policy, including deferral of payment of development fees and taxes.

Goal 2.2: Improve development services efficiency and transparency by advancing Development Services Partners' initiatives, communicating progress and new programs to customers, and demonstrating ongoing efforts to make housing development easier in San José, with annual reporting to the Community and Economic Development Committee.

² MBA #8 - Fiscal Year 2026-2027 Focus Area Work Plans, pp 30-35.
<https://www.sanjoseca.gov/home/showpublisheddocument/131494/639142042464530000>

Goal 2.3: Create sufficient funding and staffing capacity within the Citywide Planning team to integrate and operationalize a priority set of State driven and/or City Council-directed policy projects that drive housing production, including miscellaneous code updates that improve the development review process.

Problem Area 3: Current financing tools are limited in use and do not adequately support the goal of building more housing at all income levels.

Goal 3.1: Explore financing of mixed-income developments with current resources to create new financing tools that expand unit affordability while maintaining project feasibility; bring forward recommendations to the Community and Economic Development Committee by February 2027.

Goal 3.2: Explore strategic partnerships to catalyze Accessory Dwelling Unit (ADU) construction in San José and explore an ADU homeownership pilot program for first time home buyers, using existing financing tools and leveraging public-private partnerships.

Goal 3.3: Explore a demonstration Workforce Housing project in the City and report to the Community and Economic Development Committee by June 2027.

Exhibit B

Growing Our Economy FY 2026-2027 Work Plan³

- Indicator 1: Revenue. % change between fiscal years in sales, utility, and property tax
- Indicator 2: Jobs. % change in jobs by sector
- Indicator 3: Downtown Vibrancy. % of residents rating downtown as a vibrant place averaged across survey categories (dining, entertainment, shopping, job opportunities and work, visiting, and living)
- Indicator 4: Income Inequality. The ratio of 60th percentile earners to 20th percentile earners
- Indicator 5: Net Small Businesses (35 or fewer employees). # of opened and # of closed small businesses
- Indicator 6: Downtown Foot Traffic. % change in foot traffic in the Downtown Growth area by fiscal year

Problem Area 1: Business Development Ecosystem. San José must value and optimize employment lands, attract priority industries, and elevate the City's marketing and brand to drive investment and job growth.

Goal 1.1: Advance Business Development Strategy and Retain and Optimize Employment Land Development: By March 2027, develop and present to City Council a three- to five-year Business Development Strategy, including a targeted marketing strategy to attract companies to build, expand, and invest on designated employment lands throughout San José.

Goal 1.2: Drive Priority Sector Investment: Add (retain, expand, or attract) a total of 5,000 jobs by June 2027.

Goal 1.3: Optimize Marketing Brand: By January 2027, develop and implement a unified economic development branding and targeted marketing framework to promote San José's competitive advantages, priority employment lands, and business investment opportunities.

Problem Area 2: Infrastructure and Site Readiness. Companies need a modern grid, readily developable industry-serving sites, and infrastructure to support innovative industries.

Goal 2.1: Enable Employment Lands Site Readiness: By June 2027, develop and bring forward an employment lands readiness strategy that defines right-sized mixed-use commercial and industrial overlay approaches for each area.

Goal 2.2: Support Electric Grid Modernization: By June 2027, scale a coordinated City permitting and facilitation approach that advances utility-scale transmission and substation projects.

³ MBA #8 - Fiscal Year 2026-2027 Focus Area Work Plans, pp 39-47.
<https://www.sanjoseca.gov/home/showpublisheddocument/131494/639142042464530000>

Goal 2.3: Advance Large Energy Projects in Development Pipeline: By June 2027, facilitate the permitting of two data centers (or large energy developments).

Goal 2.4: Prioritize Electrical Infrastructure to Support Innovation Economy: By June 2027, establish and implement a coordinated City-PG&E approach to support prospective and expanding businesses requiring 5–19 megawatts of power.

Problem Area 3: Small Business and Neighborhood Business District Investments. Small businesses and neighborhood districts need placemaking that activates storefronts, connects public spaces, and creates inviting environments that support consumer activity and positive social interaction.

Goal 3.1: Enhance Downtown Placemaking: By June 2027, increase downtown vitality by boosting foot traffic 10% year over year.

Goal 3.2: Strengthening Small Business Ecosystem: By June 2027, support the new business improvement districts (BIDs), formed within the past two years in delivering the programs and services outlined in their respective management district plans.

Goal 3.3: Redesign Downtown Office Leasing Incentive Program: By January 2027, conduct and implement a refresh of the downtown office leasing incentive program that is informed by the needs of Downtown commercial property owners and tenants, and secure five new commercial lease renewals or attractions by June 2027.

Goal 3.4: Advance Commercial Space Readiness and Occupancy: By June 2027, develop a recommended partnership strategy for leveraging community development corporations (CDCs), community development financial institutions (CDFIs), or related mission-driven partners to support ground-floor absorption.

Problem Area 4: Experience Economy. The City must build greater capacity to attract visitors, talent, and investment through enhanced destinations, streamlined event delivery, and vibrant, experience-rich environments.

Goal 4.1: Model Partnerships and Financing Tools to realize investment in Experience Economy Assets: By June 2027, complete market-based feasibility analyses for at least three priority experience economy scenarios.

Goal 4.2: Support Convention Center Optimization: By February 2027, complete three targeted facility upgrades and explore funding options for future improvements at the Convention Center.

Goal 4.3: Create a Centralized Special Event Permitting/Billing System: By June 2027, implement the citywide rollout of a centralized special event permitting and billing system.

Goal 4.4: Attract the Next Generation Workforce to Take Root in San Jose (Brain Gain): By June 2027, launch targeted paid content campaigns aimed at prime-age workforce talent.