

Attachment: Reducing Unsheltered Homelessness Focus Area FY 2025-2026 Q3 Status Update

Long-Term Goal: Move toward functional zero in unsheltered homelessness by proactively and effectively managing the shelter system, increasing throughput into permanent housing, and improving data systems to guide investment.

Problem Area 1: Shelter System Capacity & Operations	Q3 Status
<p data-bbox="203 455 1084 514"><i>1.1 Bring all planned 705 shelter units online by the end of Calendar Year 2025.</i></p> <p data-bbox="203 556 1218 718">The Housing Department completed activation of the final planned shelter site in Q3, with the Cerone site opening March 2026 after the City and Santa Clara Valley Transportation Authority finalized the required security agreement and related activation requirements. With Cerone now open, the planned shelter expansion effort is complete.</p> <p data-bbox="203 753 1218 886">The current shelter portfolio now includes 1,820 units, 2,202 beds, and 22 total sites across Emergency Interim Housing, motel-based shelter, and supportive parking. This reflects the finalized operating shelter portfolio following completion of planned site openings and subsequent portfolio refinements.^{1, 2}</p> <p data-bbox="203 921 1203 1152">A key lesson from this expansion is that standing up multiple shelter models quickly requires more than delivering physical units. Each model has different operational requirements, including staffing, site management, lease or use agreements, service delivery expectations, and provider capacity needs. The rapid pace of activation also placed significant pressure on service providers, many of whom had to hire and train new staff while simultaneously preparing to operate new or expanded sites.</p> <p data-bbox="203 1188 1218 1350">With the planned expansion now complete, the work has shifted from opening sites to stabilizing and standardizing the shelter system. This transition directly connects to Goal 1.2, as the City now focuses on consistent operations, budgets, performance metrics, and cost controls across the full shelter portfolio.</p>	<p data-bbox="1252 455 1317 483">Blue</p>
<p data-bbox="203 1392 1146 1451"><i>1.2 Standardize shelter system operations, budgets, and performance metrics across all 24 sites to decrease costs by up to 20% by June 2026.</i></p> <p data-bbox="203 1493 1222 1688">The Housing Department continued work in Q3 to standardize shelter system operations, budgets, and performance metrics across the shelter portfolio. This work includes contract negotiations, provider transitions at select sites, adjustments to staffing models, and efforts to centralize or “bulk buy” services in three major cost categories: food services, property management and maintenance, and security services.</p> <p data-bbox="203 1724 1122 1789">While meaningful progress has been made, the work has proven more complex and time-intensive than initially anticipated. Procurements and</p>	<p data-bbox="1252 1392 1341 1419">Yellow</p>

¹ At the beginning of FY 2025-2026, the shelter portfolio was anticipated to include 24 sites. Since then, First Street Hotel and Pavilion Hotel were removed from the portfolio, bringing the current total to 22 sites.

<p>contract negotiations typically take six to twelve months, and savings are dependent on both completing procurements and standardizing the underlying shelter operating model. As a result, cost reductions are not expected to fully materialize within the original timeline and will likely continue into FY 2026-2027.</p> <p>In parallel, staff began formalizing standardized shelter operations through the Admission and Continued Occupancy Plan (ACOP), which is intended to create a consistent framework for shelter admissions, occupancy expectations, site operations, and performance management across the portfolio. This work is an important foundation for future cost savings because consistent service expectations and operating templates are needed before new service agreements can be fully standardized.</p> <p>Next steps include continuing procurements and negotiations in the three primary cost categories, refining and implementing the ACOP, and standardizing service provision templates for future contracts. While this work is actively underway, many of the resulting operational and cost impacts are expected to be reflected in FY 2026-2027 contracts.</p>	
<p><i>1.3 Improve outreach & engagement tracking to increase placements into shelter, housing, and services.</i></p> <p>The Housing Department continued work in Q3 to clarify and operationalize the Enhanced Engagement Program (EEP) team, despite temporary delays associated with the City’s budget deficit and position freeze process. Teams used this period to further define the EEP’s roles, responsibilities, and workflows, including how the team will support proactive engagement before abatements, before tow-away zones are enforced, and when the Police Department identifies individuals who may be seeking services.</p> <p>This work required close coordination with Parks, Recreation and Neighborhood Services (PRNS), the Department of Transportation (DOT), and the Police Department to clarify how outreach staff will be deployed across different operational scenarios. Staff also began defining how the EEP will differ from other City outreach teams and how it will coordinate with external service providers that also conduct outreach and engagement.</p> <p>A key lesson from this work is that improving outreach outcomes requires both staffing capacity and clear operational design. As the City expands its outreach model, teams need shared workflows, defined referral pathways, and consistent expectations for when and how outreach teams engage before enforcement or abatement actions occur.</p> <p>Next steps include moving forward with hiring and approvals, finalizing EEP roles and workflows, continuing to standardize outreach data collection, and building reporting systems that can track engagements, service offers, referrals, placements, and outcomes across outreach teams.</p>	<p>Green</p>

Problem Area 2: Unsustainable Funding	Q3 Status
<p data-bbox="203 226 1226 296"><i>2.1 Sustain and stabilize diversified funding sources to reduce reliance on one-time or annual allocations.</i></p> <p data-bbox="203 327 1198 632">While the past few years have focused on expanding system capacity across the City, the coming years present an opportunity to optimize operations and improve efficiency. During the COVID-19 pandemic, extraordinary state and federal investments, particularly Project Homekey, which supported interim housing capital and initial operating expenses, and federal American Rescue Plan Act (ARPA) funds, helped relieve pressure on local resources. As these time-limited funding sources diminish, the City must transition toward a more sustainable, enterprise-oriented approach to shelter and interim housing operations.</p> <p data-bbox="203 663 1222 898">State Homeless Housing, Assistance and Prevention (HHAP) funds remain a key component of San José’s homelessness response, alongside local funding through the Real Property Transfer Tax (Measure E) and more limited federal resources. Moving forward, stabilizing and diversifying funding sources, while improving cost efficiency, contract consistency, and system performance, will be essential to reducing reliance on one-time or annual allocations and ensuring continuity of services.</p>	Green
<p data-bbox="203 926 1138 995"><i>2.2 Implement CalAIM billing for eligible services to sustain operations & reduce reliance on General Fund.</i></p> <p data-bbox="203 1031 1206 1230">The Housing Department continued advancing planning and implementation readiness for CalAIM billing in Q3, with a focus on better understanding the operational, contractual, and revenue requirements needed to stand up Enhanced Care Management (ECM) and Community Supports (CS) services. While implementation was not completed during the quarter, significant planning work moved forward.</p> <p data-bbox="203 1266 1227 1501">A major focus in Q3 was developing a revenue model to estimate potential reimbursement opportunities at an initial pilot site and across the broader shelter portfolio. This modeling helped clarify what CalAIM revenue² could realistically generate and what assumptions would need to be tested through implementation. In parallel, staff worked with Full Circle Health Network to draft Memorandum of Understanding language and better define expectations among managed care plans, service providers, and the City.</p> <p data-bbox="203 1537 1222 1698">Based on the complexity of billing requirements, documentation workflows, managed care plan expectations, and provider readiness, staff narrowed the initial implementation focus to one pilot site. Teams also developed an initial stand-up plan and timeline, while continuing to assess how PATH CITED grant funding could support implementation. This included identifying City staff time</p>	Yellow

² Additional detail on CalAIM implementation, including the planned focus on standing up Enhanced Care Management and Community Supports at pilot sites, estimated revenue projections, and implementation timelines, is provided in the May 10, 2026 Manager’s Budget Addendum: <https://www.sanjoseca.gov/home/showpublisheddocument/131454/63914088279100000>

<p>allocated to the grant and evaluating how startup funding could be used to support provider readiness.</p> <p>A key lesson from Q3 is that CalAIM implementation requires coordinated alignment across multiple parties, including the City, County, managed care plans, Full Circle Health Network, and shelter service providers. The work must be grounded in what providers can operationally deliver, including staffing, documentation, billing workflows, and service delivery requirements. As a result, implementation remains off track against the original FY 2025-2026 goal, though planning and readiness activities continued to progress.</p> <p>Next steps include engaging providers to better understand operational constraints, refining the pilot implementation plan, finalizing roles and expectations across partners, and continuing to prepare for implementation. The current goal is to begin implementation in July 2027.</p>	
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Problem Area 3: Environmental Compliance & Public Spaces	Q3 Status
<p><i>3.1 Maintain environmental compliance in 26 miles of priority waterways & corridors by maintaining No-Encampment Zones (NEZs), limiting re-encampment and displacement impacts.</i></p> <p>During Q3, the City continued maintaining No-Encampment Zones (NEZs) across 26 miles of priority waterways and corridors to support environmental compliance and limit re-encampment in previously cleared areas. However, maintaining compliance remains difficult with current staffing and resource levels, especially as movement continues between NEZs and other parts of the city.</p> <p>Re-encampments within NEZs increased during the quarter. From July 2025 through March 2026, reported re-encampments increased from 45 in Q1 to 134 in Q2 and 236 in Q3, exceeding the quarterly target of 60 or fewer re-encampments. This increase reflects the difficulty of sustaining cleared areas over time, particularly when limited shelter capacity and enforcement activity contribute to cycling between waterways, public spaces, and nearby neighborhoods. A key lesson from Q3 is that maintaining NEZs requires ongoing monitoring, rapid response, and sufficient staffing. Limited resources make it difficult to consistently prevent re-encampment or respond quickly enough to sustain compliance without additional capacity. The NEZ program was originally funded with 4 staff to monitor and take action on 12 waterway miles. The NEZ program is more than double the original size with the same number of staff originally allocated. BSJ has submitted an optimization plan to refocus staff resources such that the NEZ team doubles from 4 to 8 people beginning in Fiscal ear 26-27 such that staff resources to monitor, make contact, and take action are right sized for the number of NEZ miles now programmed.</p> <p>Next steps include continuing to monitor and respond to re-encampments within existing NEZs, coordinating across departments to track movement and environmental conditions, identifying resource needs required to maintain</p>	<p>Yellow</p>

<p>compliance in priority waterways, and right-sizing the BSJ NEZ team to bring the performance back in alignment with targeted metrics.</p>	
<p><i>3.2 Maintain NEZs in public spaces around Emergency Interim Housing sites to limit re-encampment & ensure site accessibility.</i></p> <p>During Q3, BeautifySJ continued maintaining No-Encampment Zones (NEZs) adjacent to Emergency Interim Housing sites to limit re-encampment and support site accessibility. These zones remain an important tool for keeping areas around shelter sites accessible and reducing encampment activity near active shelter operations.</p> <p>However, response times became more difficult to sustain as overall re-encampment activity increased. From July 2025 through March 2026, 56% of re-encampments were resolved within two business days, below the target of 80% or more. In Q3, 132 of 236 reported re-encampments were cleared within the target timeframe. This reflects the operational challenge of maintaining timely response when re-encampments increase and staff capacity remains limited.</p> <p>A key lesson from Q3 is that NEZs around shelter sites require continued monitoring and coordination to remain effective. While the City is still responding to re-encampments, increased activity makes it harder to consistently meet the two-business-day response target. BSJ’s optimization plan to double the NEZ team from 4 to 8 staff in FY2627 will increase the ability to monitor and take action in an effort to bring the program back within the performance target.</p> <p>Next steps include continuing to monitor and respond to re-encampments within existing NEZs, coordinating across departments to track movement and environmental conditions, identifying resource needs required to maintain compliance in priority waterways, and right-sizing the BSJ NEZ team to bring the performance back in alignment with targeted metrics.</p>	<p>Yellow</p>

Problem Area 4: Data & Forecasting Infrastructure	Q3 Status
<p><i>4.1 Improve homelessness forecasting and reporting tools.</i></p> <p>During Q3, staff advanced work to develop a more frequent unsheltered homelessness forecasting and reporting tool using Citywide datasets, with the biennial Point-in-Time count serving as a baseline. The City completed a contract amendment and onboarded a third-party consultant to support methodology development and validation.</p> <p>Staff de-identified and shared initial datasets with the consultant and began discussing how different departmental datasets could be weighted and combined to produce a citywide estimate. Teams also reviewed available data to identify major gaps, data quality issues, and areas where subject matter expert input is needed to interpret the information appropriately.</p>	<p>Green</p>

<p>The current phase is focused on a one-time data ingestion to produce an initial estimate using the most recent available data. A later phase will focus on integrating data in a more automated way to support quarterly updates and ongoing reporting.</p> <p>A key lesson from Q3 is that the quality of the model depends heavily on the quality, consistency, and completeness of the underlying data. Some datasets are stronger than others, and the forecasting approach will need to combine technical analysis with subject matter expertise to ensure the results are reasonable and useful for decision-making.</p> <p>Next steps include providing the consultant with additional operational context to support dataset weighting, identifying major data gaps, establishing a quality assurance process, and developing the first version of the model.</p>	
<p><i>4.2 Strengthen HMIS data exchange with County and deploy new reporting tools.</i></p> <p>During Q3, teams continued work to strengthen HMIS data exchange with the County and improve the City’s internal reporting infrastructure. Staff tested the migration of data into the Citywide data lakehouse and continued discussions with the County on the potential use of the HMIS Inventory Module to support shelter inventory and capacity tracking.</p> <p>This work also required continued review of data-sharing, privacy, and compliance requirements tied to the City’s agreement with the County for use of HMIS data. Teams are working through how to safeguard HMIS data within the Citywide data lakehouse and ensure that any future reporting or visualization tools are developed within an approved, secure environment.</p> <p>In parallel, staff continued building internal capacity to connect data visualization tools to the lakehouse once approvals are secured. This would support more consistent data ingestion, faster reporting, and improved visibility into shelter capacity, utilization, and related system performance measures. Teams also worked with the Public Works GIS team to develop geospatial reporting tools to better understand how many individuals in the downtown area have been engaged for outreach services. These tools are intended to help the City monitor downtown conditions in a more real-time way and better understand how ongoing maintenance and outreach activity may be affecting conditions downtown.</p> <p>A key lesson from Q3 is that strengthening HMIS reporting is not only a technical project. It also requires clear data governance, compliance review, secure system design, and close coordination with County partners before reporting tools can be scaled.</p> <p>Next steps include continuing County coordination on the HMIS Inventory Module, finalizing compliance protocols, preparing the lakehouse environment and visualization tools to support more timely reporting, and deploying GIS-based tools to support downtown outreach and condition monitoring.</p>	Green