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Mayor & City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Re: Mayor's June Budget Message & Proposed Changes to Measure E Spending Priorities and Percentage Allocations

Dear Mayor Mahan and City Councilmembers,

As we approach the conclusion of the FY 24-25 budget process, **we are very disappointed to see the City Council poised to adopt a budget that includes such significant cuts to affordable housing funding.**

We understand that the City is facing a challenging fiscal climate and that tough choices have to be made. We also appreciate the recent proposal (MBA #27) to direct higher-than-expected revenue projections to restore some funding to affordable housing.

However, even with these adjustments, the budget will cut \$25 million for affordable housing production in the coming year - a disproportionately large cut relative to the changes proposed for other, much larger areas of the budget. And these cuts are even more painful given that there are 13 new affordable housing developments with 1500 apartments waitlisted for funding and ready to move forward.

It has been equally disappointing to see such a significant diversion of Measure E funding, a revenue source that was supposed to provide stable ongoing funding for affordable housing. When the measure was adopted in 2020, the original spending plan called for allocating 90% of the funding to build more affordable housing. Now, just four short years later and after multiple shifts of these dollars to other uses, only 25% of the funding remains for affordable housing production.

It's also important to acknowledge that these decisions come at a time that the City is pushing to expand shelter options - an effort which Destination: Home wholeheartedly supports and has contributed millions of dollars of our own funding. However, we have been deeply concerned to see this push to expand shelter fueled by a disinvestment in affordable housing production, and **the continued diversion of affordable housing funding towards a shelter-centric strategy could have serious long-term ramifications for our community.**

For one, expanding shelter sites will not yield the results you are hoping for unless it's paired with sustained investments in affordable housing. Even as our community has helped more people access shelter than ever before, we've seen that their chances of transitioning to stable housing are largely dependent on the availability of affordable housing. In fact, 3/4 of the people who transitioned from shelter to housing last year did so with the help of a subsidized housing program. Yet, with continually diminishing funds to expand affordable housing options, we risk seeing people stuck in shelters for long periods - which will lead to terrible outcomes for them and quickly constrain the availability of shelter beds in the city.

Our community is also experiencing a sharp uptick in new experiences of homelessness - in 2023, we saw 4,300 new households become homeless for the first time, a 24% increase from the year before - and the lack of affordable housing options will only push that number higher and place even more demand on local shelter capacity. So, even as the City moves aggressively to expand shelter options, it will become simply impossible to keep up with the huge inflow of people being forced onto our streets, near our creeks, and into other unsheltered situations.

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Secondly, San Jose's current shelter expansion plans have created large ongoing operational costs and obligations for the City, adding further fiscal stress to an already dreary near-term budget outlook. In fact the General Fund Forecast released in February estimated that the ongoing costs associated with the City's shelter strategies would reach \$70M in FY 25-26, and this number is only likely to grow with the new actions being approved in this year's budget. This could force the City to consider even more painful budget decisions in the years ahead and, given the magnitude of this ongoing unfunded obligation, could force the City to consider deep cuts to not only the few remaining affordable housing funds, but many other core city services as well.

That's why we implore you to explore every avenue available for continuing to invest in both housing and shelter strategies at a scale needed to match the severity of our crisis. In particular, we urge the City Council to:

- 1. Find ways to fund additional NOFA-waitlisted projects in the year ahead - including the proposal from Vice Mayor Kamei and Councilmembers Ortiz, Candelas and Jimenez directing the City Manager to explore options for allocating additional funding to affordable housing production during the mid-year budget review.** With more than a dozen projects that are ready to move forward, and tens-of-thousands of severely rent-burdened residents in desperate need of relief, let's prioritize every extra dollar that we can round up in the months ahead to move more projects forward before they risk dying on the chopping block.
- 2. Join the growing coalition who will be actively campaigning in support of the proposed Regional Affordable Housing Bond Measure in November.** The proposed regional bond measure is a potential game-changer for our community and could bring \$2B to the City of San Jose alone - but its passage is far from a certainty. Please join elected officials across the region in campaigning for this measure, and plug-into the local campaign effort that will be jointly led by SV@Home and Working Partnerships.
- 3. Seriously start considering a local revenue measure that could help address the City's budget challenges without resorting to deep cuts to important community priorities.** Given the limitations and uncertain prospects of the regional bond measure, the City needs to begin seriously considering options for how it could raise the new revenue needed to restore local funding for affordable housing production and sustain its shelter strategies. We cannot afford to continue raiding one important community need for another - let's do the work to ensure we're finding real solutions to addressing all of our community's top priorities in an effective and sustainable manner.

We truly empathize with the tough decisions before you, and recognize that you are all being forced to deal with a crisis that is the culmination of decades of bad policy decisions made by those who came before you.

Nonetheless, we remain deeply concerned that the City is heading down a path that will lead to poor outcomes for our community and our collective efforts to combat homelessness. We hope you will seriously consider the thoughts shared in this letter and take concrete steps to steer the City back towards more thoughtful, research-based, data-driven and sustainable approaches for addressing our housing and homelessness crisis.

Sincerely,

Jennifer Loving
CEO