



Building Communities. Changing Lives.

June 6, 2024

San Jose City Council
200 E Santa Clara St
San Jose, CA 95113

RE: City of San Jose FY 24-25 Proposed Operating Budget

Honorable Mayor & Councilmembers,

I am writing on behalf of MidPen Housing to express our concerns that the proposed budget once again shifts Measure E funding away from affordable housing production.

For the 3rd year in a row, the City is proposing to cut Measure E funds intended for production of permanent affordable housing and shift them to temporary shelters. The budget proposal balances the budget by abandoning a critical need, with cuts over \$25 million from affordable housing. We appreciate the City's efforts to increase shelter options in our city, but instead of pitting one strategy against another, we ask the City to focus instead on how we can raise new revenue so that we can advance a "both/and" approach to our community's priorities.

For the housing system to be effective, our shelters require viable exits to affordable housing. Only 25% of people who accessed shelter in 2023 were able to exit to permanent housing, and ¾ of these people did it with the help of a housing subsidy. Addressing the homelessness crisis requires that we invest in a spectrum of housing solutions. Interim housing and short-term shelters are important parts of the continuum, and we see first-hand how they can support people's success in moving to permanent housing.

MidPen supports All Home's "1-2-4 Framework for Homelessness Solutions" that involves a strategic and coordinated set of concurrent investments: for every unit of interim housing created, another two units of permanent housing and another 4 interventions should be invested in homelessness prevention. Together, these actions can help eliminate unsheltered homelessness in the Bay Area by 75%. This approach aligns with the rationale behind the existing Measure E allocation.

MidPen's pipeline project, VTA Capitol Station, received a waitlisted award from the City's 2023 NOFA for affordable housing funds. In partnership with Santa Clara Valley Transportation Agency (VTA) and Santa Clara County Office of Supportive Housing (OSH), this project will repurpose an existing surface parking into a vibrant, walkable, bikeable, sustainable, and transit-oriented mixed-use development. The project will create a total of 203 affordable rental homes, including 51 permanent supportive housing (PSH) units and 51 units reserved for extremely low income (ELI) households. Over half the PSH units will be 2-BRs, and 3-BRs sizes—a rare unit type in the market but one that is desperately needed by low-income families seeking an affordable home with supportive services.

Critical new construction projects like VTA Capitol Station depend on City funding programs, and many will be delayed or scrapped if Measure E revenue is diverted entirely to interim solutions. This will have an impact on the City's pipeline of affordable homes for years to come.



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City financing is a vital tool for leveraging federal and state funding, which we cannot afford to leave on the table.

It is essential to understand that long-term operating costs are identified and baked into the upfront underwriting of permanent affordable housing. Annual operating costs for permanent units often represent one-third or one-half the cost of interim operating costs, which continue to rise at an unsustainable rate and put significant pressures on the City's general funds. Furthermore, when one considers the cost-efficiency on a per bed basis, the difference is even greater. While interim solutions typically focus on providing single beds, affordable housing projects like VTA Capitol Station provide two and three bedrooms per unit. This means that every dollar supports more beds in permanent housing. Both solutions serve an important role in the system, so it's important to keep in mind the long-term cost efficiency of permanent housing.

Please protect affordable housing funding in this year's budget and let's come together to develop a real plan for funding and sustaining a comprehensive approach to our housing and homelessness crisis. To maintain our commitment to both permanent affordable housing and the ongoing costs of interim shelters, the city council must find a new funding source for operating shelters. Measure E was meant for permanent affordable housing, and it must be maintained as such.

Thank you for your consideration and please feel free to contact Nevada V. Merriman, Vice President of Policy & Advocacy, at 650-477-6195 or nmerriman@midpen-housing.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "nmerriman", is positioned above the typed name.

Nevada V. Merriman
Vice President of Policy & Advocacy
MidPen Housing

Copy:
Matthew O. Franklin, President & CEO