



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mayor Matt Mahan
Vice Mayor Pam Foley
Councilmember David Cohen
Councilmember Michael Mulcahy

SUBJECT: SEE BELOW

DATE: May 9, 2025

Approved:

SUBJECT: Public Hearing for Amendments to the Multifamily Housing Incentive Program.

RECOMMENDATIONS:

1. Accept the staff recommendation.
2. Return to Council by September 2025 with a recommendation for expanding Phase 1 of the Multifamily Housing Incentive Program to include additional projects.
 - a. Analyze all pipeline projects that have applications deemed complete by June 2025.
 - b. Increase the number of eligible units for Phase 1 to accommodate recommended projects from that broader pipeline.
 - c. Eligible projects shall have a density exceeding 50 dwelling units per acre, equivalent to the minimum density in the Envision San José 2040 General Plan Transit Residential land use designation.
 - d. Extend the cutoff date for added projects to obtain a building permit to December 31, 2026.

DISCUSSION:

Decades of underbuilding housing across all income levels culminated in a new record low for production in 2024: zero multifamily housing starts. Last December, after extensive staff work and analysis, Council boldly passed the Multifamily Housing Incentive to help facilitate housing

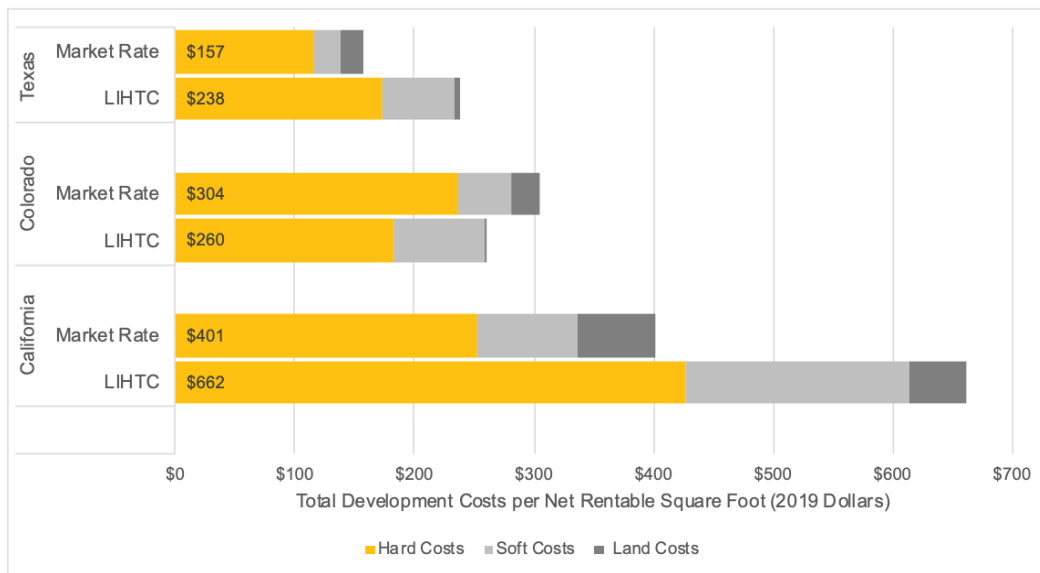
production. Since then, over 742 multifamily units have broken ground by taking advantage of the incentive. We are optimistic that another 1,000 units can break ground before the end of the year.

The Multifamily Housing Incentive was designed to jumpstart stalled projects – especially those that are stuck due to high interest rates, rising construction costs, economic uncertainty, and other barriers until the market was in a better position to make development feasible again. Unfortunately, the national and state economic situation has not improved as much as we had hoped. Extending this incentive to additional projects will give the production pipeline a chance to deliver more homes.

A recent RAND study by Jason M. Ward and Luke Schlake highlights why building in California is so much harder – and more expensive – than in other states. Fortunately, some of the biggest cost drivers are within local control:

1. **Longer production timelines:** It takes 22 months longer to build in California than in Texas.
2. **High Fees:** Municipal impact and development fees vary substantially across states; they are \$1,000 per unit on average in Texas, \$12,000 per unit in Colorado, and \$29,000 per unit in California.
3. **More Regulation:** Local zoning, energy codes, and complex processes all add layers of cost and delay.

The chart below further illustrates the stark difference in building costs here in California. Extending the Multifamily Incentive Program is a small but necessary step toward improving housing affordability, and one we must take if we're serious about building more homes in San Jose.



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.