



HOUSING DEPARTMENT

LOWER INCOME VOUCHER AND EQUITY PROGRAM

February 24, 2026
City Council

Item 8.5

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Building More Housing Focus Area

Performance Dashboard

Long-Term Goal. Meet residents' housing needs across income levels by making San José a great place to build housing.

Indicators	Entitlements, Building Permits Issued, and Certificates of Occupancy		
Priority Areas	1. Land Use, Policy, and Regulation	2. Development Services Process	3. Linking Land and Capital
Near-Term Goals (FY 2025-2026)	1.1 Complete task force process for General Plan 4-Year Review by June 2026. 1.2 Develop Downtown Ministerial permit process and include analysis in October CED Citywide Planning Activities Status Report.	2.1 Analyze options to report on development services timeliness across the pipeline and report findings to the CED Committee in December 2025. 2.2 Bring standard conditions of approval and CEQA process guidelines to City Council by Q3 FY 2025-2026. 2.3 Conduct initial analysis of projects affected by state CEQA streamlining statutes by June 2026. 2.4 Complete development fee estimator work by adding multifamily new construction by December 2025.	3.1 Cost of Development City Council Study Session on affordable and market rate development data analysis in December 2025. 3.2 Review a portfolio of entitled housing projects with various requirements that present financial feasibility challenges in today's market. Present analysis to CED Committee in February 2026. 3.3 Provide data analysis on the effectiveness of the market-rate incentive and affordable financing housing programs and bring resulting program adjustments to City Council in Q3 FY 2025-2026. 3.4 Provide alternative financing programs to preserve housing at all income levels.
Change Initiatives	- General Plan Four-Year review - Downtown Ministerial - Housing Catalyst Work Plan	- CEQA permit standards - Development fee estimator - AI Streamlining tool	- Multifamily Housing Incentive and Downtown Incentive market rate housing programs - Affordable unit financing - Cost of Development Study Session - Public-Private Partnerships

A Distressed Downtown Asset

1. Opened in late 2024, leasing stuck at 40% with all Studio units are fully leased, 198 1BR and 2BR units remain vacant due to lack of parking options and other considerations
2. The Developer and Equity investor have exited the project forcing a complex bankruptcy proceeding and the debt holder, a Private Equity firm is attempting to sell the note
3. A steep write-down of the debt will have a ripple effect on valuations of residential downtown projects, particularly residential towers, further depressing residual land values and market-rate rents

Roll-On Effect of Fiscal Insolvency

1. A steep mark down of the debt below market value will trigger valuation mark-downs of downtown residential towers
2. The downward trend of debt write-offs in residential projects freezes the investment climate, creates more barriers to high-density residential development in downtown as risks of loss erode investor confidence in asset performance in the downtown market
3. The cost of residential development in downtown will increase, as investors will need to higher risks of loss, lower rent schedules, rising costs of materials and lower residual land valuations

Lower Income Voucher Equity Program

1. A new tool, Master-Leasing, is an innovative financing bridge that temporarily strengthens short to mid-term asset performance.
2. Positions the City to create affordable units 80% AMI to 110% AMI with a possible *preference* for public employees, at a low per unit cost, and to recoup the investment by taking an equity position in the asset, allowing for enhanced project oversight while securing a public benefit.
3. Restore market and investor confidence in downtown by demonstrating a proactive, solutions-oriented approach to residential stability.

L.I.V.E. Program – Initial Asset

1. Investment by the City of \$11.2M over two five-year terms totaling \$48K per unit per year, to Master-Lease 198 units by providing a *Voucher* to buy-down existing 110% AMI down to 80% AMI for two year the float the rents up to market-rate over the term of the agreement
2. Take an *Equity* position that will also allow for oversight during the term of the agreement, and to exit the partnership with 100% return on principal + interest
3. L.I.V.E San Jose (Lower Income Voucher Equity) will target a “preference” (not a set aside) for public employees, including police officers, firefighters, and city hall workers

Lower Income Voucher

Projected Subsidy	80% AMI 1-Bed	80% AMI 2-bed	100% AMI 1-Bed	100% AMI 2-bed	Subsidy/Month	Total Ann. Subsidy
Year 1	150	47	0	0	\$96,509	\$1,158,112
Year 2	150	47	0	0	\$99,405	\$1,192,856
Year 3	75	24	75	23	\$83,019	\$996,233
Year 4	75	24	75	23	\$85,510	\$1,026,120
Year 5	75	24	75	23	\$88,075	\$1,056,903
Year 6	75	24	75	23	\$90,718	\$1,088,610
Year 7	75	24	75	23	\$93,439	\$1,121,269
Year 8	75	24	75	23	\$96,242	\$1,154,907
Year 9	75	24	75	23	\$99,129	\$1,189,554
Year 10	75	24	75	23	\$102,103	\$1,225,241
Year 11	0	0	0	0	\$0	\$0
Year 12	0	0	0	0	\$0	\$0
Year 13	0	0	0	0	\$0	\$0
Year 14	0	0	0	0	\$0	\$0
Year 15	0	0	0	0	\$0	\$0
Aggregate Subsidy						\$11,209,804
NPV of Subsidy Amount						\$9,542,314
NPV Subsidy/Unit						\$48,438
NPV Subsidy/Unit/Year						\$4,844

Lower Income Voucher

			Max Years Subsidy	10	(Select 5-, 10-, or 15-year subsidy stream) (Year in which 80% AMI units flip to 100% AMI) (% of units that flip to 100% AMI)	
			Step Down Year	3		
			Step Down Percent	50%		
UNIT MIX AND RENTS						
Units	Project SF	City SF	Leased Units	Leased %	Project	City
0-Bedroom	411	411	39	100%	39	0
1-Bedroom	500	521	68	31%	218	150
2-Bedroom	864	864	32	41%	79	47
Total					336	197
	Project Rent	City Rent			Minimum Market	
Project and City Rents	Per SF	Per SF	Project Rent	City Rent	Advantage	Max Afford. Tenant Rent
0-Bedroom	\$6.84	\$6.84	\$2,810	\$2,810	10%	\$2,529
1-Bedroom	\$6.72	\$6.30	\$3,362	\$3,287	10%	\$3,026
2-Bedroom	\$5.01	\$5.01	\$4,330	\$4,330	10%	\$3,897
Total	\$6.33	\$5.99	\$3,525	\$3,536		
				Rent Adv. @		
80% AMI Rents	Gross	Utility	Net Rent	Net Rent	Tenant Rent	Subsidy
0-Bedroom	\$2,814	\$93	\$2,721	\$89	\$2,529	\$281
1-Bedroom	\$3,015	\$106	\$2,909	\$453	\$2,909	\$378
2-Bedroom	\$3,618	\$134	\$3,484	\$846	\$3,484	\$846
				Rent Adv. at		
100% AMI Rents	Gross	Utility	Net Rent	Net Rent	Tenant Rent	Subsidy
0-Bedroom	\$3,518	\$93	\$3,425	-\$615	\$2,529	\$281
1-Bedroom	\$3,769	\$106	\$3,663	-\$301	\$3,026	\$262
2-Bedroom	\$4,523	\$134	\$4,389	-\$59	\$3,897	\$433

Equity Return

Fiscal Analysis (subject to performance)

Return on Equity											
Equity Contribution	\$13,105,610	\$15,215,693	\$15,597,275	-\$15,215,693	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow					\$1,209,408	\$1,431,859	\$1,658,760	\$1,890,199	\$2,126,266	\$2,367,055	\$2,612,660
Proceeds at Sale					\$0	\$0	\$0	\$0	\$0	\$0	\$53,561,265
Total Return				-\$15,215,693	\$1,209,408	\$1,431,859	\$1,658,760	\$1,890,199	\$2,126,266	\$2,367,055	\$56,173,925
IRR					-92.1%	-65.1%	-42.6%	-26.9%	-16.1%	-8.5%	26.9%
Valuation at Exit											
Capitalized Value				\$218,089,897	\$222,451,695	\$226,900,729	\$231,438,743	\$236,067,518	\$240,788,868	\$245,604,646	\$250,516,739
Less Cost of Sale				-\$8,723,596	-\$8,898,068	-\$9,076,029	-\$9,257,550	-\$9,442,701	-\$9,631,555	-\$9,824,186	-\$10,020,670
Less Outstanding Debt				-\$173,544,488	-\$173,544,488	-\$173,544,488	-\$173,544,488	-\$173,544,488	-\$173,544,488	-\$173,544,488	-\$173,544,488
Net Proceeds				\$35,821,813	\$40,009,139	\$44,280,211	\$48,636,705	\$53,080,329	\$57,612,826	\$62,235,972	\$66,951,581
Split to Equity	80.0%			\$28,657,450	\$32,007,311	\$35,424,169	\$38,909,364	\$42,464,263	\$46,090,260	\$49,788,777	\$53,561,265
Split to City	20.0%			\$7,164,363	\$8,001,828	\$8,856,042	\$9,727,341	\$10,616,066	\$11,522,565	\$12,447,194	\$13,390,316

Financially Distressed Portfolio of Local Non-Profit

1. City is exposed to the portfolio totaling over \$100,000,000 of investments
2. Intervene to stabilize assets in partnership with the County and the Housing Authority and to mitigate impacts on residents and the surrounding community
3. Preserve deeply affordable housing units for ELI and formerly homeless persons and households
4. Will return this spring with the tools for intervention