



# HOUSING DEPARTMENT

## MULTIFAMILY HOUSING INCENTIVE PROGRAM RESIDENTIAL TAX AND FEE WAIVER FOR EL PASEO DE SARATOGA AT 1777 SARATOGA AVENUE

March 24, 2026  
City Council

Item 8.3

**Erik L. Soliván**  
Housing Director

**Banu San**  
Deputy Director, Housing Department

# Multifamily Housing Incentive Program (MHIP)

- In December 2025, the City released a Cost of Residential Development Study evaluating housing development feasibility under current market conditions
- Higher-density rental housing is generally not financially viable today due to elevated construction costs, high interest rates, and insufficient rents to cover development costs
- The MHIP construction tax reduction and IHO fee waiver offer an efficient mechanism for closing the financial feasibility gap
- City Council approved MHIP on December 10, 2024, and amended the program on May 13, 2025 and January 27, 2026. Key program benefits include:
  - IHO in-lieu fee reduced to \$0 for developments that include at least 5% of units on-site at up to 110% area median income
  - 50% reduction in the Building and Structure (B&S) and Commercial-Residential-Mobile Home-Park (CRMP) Construction Taxes for the first 3,600 eligible units through February 28, 2027 (Phase I)
  - 25% reduction in the B&S Tax for projects beyond the first 3,600 units or after February 28, 2027 (Phase II)
- To qualify, developments must be listed on the Eligible Projects list last updated January 27, 2026

# El Paseo De Saratoga at 1777 Saratoga Avenue



- Developed by Sand Hill Property Company
- 772-unit residential development across two buildings:
  - 12-story structure with 398 residential units
  - 10-story structure with 374 residential units
- 39 restricted affordable units at 110% area median income

# Proposed Tax and Fee Waiver

<b>Inclusionary Housing In-Lieu Fee</b>	<b>N/A*</b>
<b>50% Reduction of CRMP &amp; B&amp;S Construction Taxes on the residential portion of the building</b>	<b>\$3,693,404</b>
<b>Total Fee Waiver and Reduction</b>	<b>\$3,693,404</b> <i>(\$4,784 per unit)</i>

- \* The developer will pay the applicable Mixed Compliance IHO in-lieu fee, estimated at \$13,965,730 (no IHO waiver requested). The fee will be directed as a minimum contribution paid under San José Municipal Code 5.08.590(C) to the El Cathedral 100% affordable housing project located at 2315 Canoas Garden Avenue.

# MHIP Production Progress

<b>Development</b>	<b>Developer</b>	<b>Market-Rate Units</b>	<b>Affordable Units</b>	<b>Total Units</b>
<b>905 North Capitol Avenue</b>	<b>Hanover Co.</b>	<b>328</b>	<b>17</b>	<b>345</b>
<b>498 West San Carlos Street</b>	<b>Urban Catalyst</b>	<b>264</b>	<b>14</b>	<b>278</b>
<b>358 Hatton Street</b>	<b>Federal Realty</b>	<b>245</b>	<b>13</b>	<b>258</b>
<b>681 East Trimble Road (Bldg A)</b>	<b>Hanover Co.</b>	<b>377</b>	<b>20</b>	<b>397</b>
<b>802 South First Street</b>	<b>Maracor/Pacific West</b>	<b>2</b>	<b>164</b>	<b>166</b>
<b>1777 Saratoga Avenue*</b>	<b>SandHill Prop.</b>	<b>733</b>	<b>39</b>	<b>772</b>
<b>Total</b>		<b>1,949 (88%)</b>	<b>267 (12%)</b>	<b>2,216 (100%)</b>

\* Development discussed in this presentation.



# HOUSING DEPARTMENT

## MULTIFAMILY HOUSING INCENTIVE PROGRAM RESIDENTIAL TAX AND FEE WAIVER FOR EL PASEO DE SARATOGA AT 1777 SARATOGA AVENUE

March 24, 2026  
City Council

Item 8.3

**Erik L. Soliván**  
Housing Director

**Banu San**  
Deputy Director, Housing Department