



HOUSING DEPARTMENT

January 27, 2026
City Council Meeting
Item: 8.3

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Director

Multifamily Housing Incentive Program

Item 8.3

Key Findings of 2025 Cost of Residential Development Study

- Higher-density housing (podium, wrap, tower) shows negative residual land values
- Direct construction costs account for approximately 69% of total development costs.
While the rate of escalation has stabilized, the elevated cost baseline persists
- San José rents 10-15% below comparable Peninsula markets

The Opportunity

- Catalyze projects into construction by offering targeted fee reductions

Community Engagement

Presented and discussed the Inclusionary Housing Ordinance and announced the Multifamily Housing and Downtown Office-To-Residential [OTR] Conversion Incentive Programs on the following dates:

- At virtual community meetings on October 9 and December 10, 2025
- An in-person meeting on January 14, 2026
- Additional virtual community meetings on January 8 and January 22, 2026
- Recordings of the virtual community meetings were published on the City's website
- Recommendation memorandum was posted on the City's Council Agenda website for the January 27, 2026, City Council meeting

2025 MHIP PHASE I PRODUCTION

MHIP Program Success Since Inception:

Project Name	Total Units	Deed Restricted	Fee Reductions (\$, million)	Approval Date
905 N Capitol Avenue	345	17	\$4.91	March 2025
498 West San Carlos	278	14	\$4.07	May 2025
Santana Row Lot 12	258	13	\$4.47	June 2025
Seely Building A	397	20	\$6.05	June 2025
Martha Gardens*	166	164	\$0.52	N/A
Total	1,444	228	\$20.03	

2025 Program Outcomes

- 228 units (over 16%) are deed-restricted affordable
- Average subsidy: ~\$13,872 per unit
- Over 1,300 construction jobs created

() Martha Gardens is a 100% affordable development*

MHIP CURRENT TO PROPOSED

Current Phase 1 - First 1,800 units

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 50% reduction in B&S Tax and CRMP Tax
- **Eligibility:** Projects pulling building permits by December 31, 2025



Proposed Phase 1 Extension - First 3,600 units*

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 50% reduction in B&S Tax and CRMP Tax
- **Eligibility:** Projects pulling building permits by February 28, 2027

*Other eligibility criteria remain the same

Phase 2 Benefits - Additional units beyond 3,600

(Sustained Support)

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 25% reduction in B&S Tax
- **Eligibility:** Projects on the approved Eligible Projects list

**Other eligibility criteria remains the same*

MHIP PHASE I EXTENSION

Underwritten Applications

Project Name	Address	Total Units	Deed Restricted	Developer
Gifford	313 Gifford Ave	276	14	Urban Catalyst
3896 Stevens Creek	3896 Stevens Creek Blvd	540	27	Holland Partners
Echo	147 E Santa Clara	316	16	Urban Catalyst
Skyline at Tamien Phase II	1325 Lick Ave	65	3	Swenson/Republic Urban
Icon	147 E Santa Clara	310	16	Urban Catalyst
WSC Apartments	1470 W. San Carlos St	213	11	WSC Development
211 River Oaks	211 River Oaks Pkwy	505	25	Valley Oak Partners
Total		2,225	112	

MHIP PHASE I EXTENSION



Underwritten Projects AMI Band

- Market-rate housing is serving the middle-income bracket of households
- Rent for underwritten projects fall on the affordability scale

Area Median Income Thresholds

AMI Level	4 Person
80%	\$159,550
100%	\$195,200
110%	\$214,720

