

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AMENDING THE MULTIFAMILY HOUSING INCENTIVE PROGRAM: (1) EXTENDING THE DEADLINE TO APPLY FOR MULTIFAMILY HOUSING INCENTIVE PROGRAM BENEFITS TO FEBRUARY 28, 2027, AND MAINTAINING CURRENT ELIGIBILITY CRITERIA AND INCENTIVE LEVELS; (2) ADDING SEVEN PROPOSED HOUSING PROJECTS TO THE LIST OF ELIGIBLE PROJECTS IN THE MULTIFAMILY HOUSING INCENTIVE PROGRAM; (3) INCREASING ELIGIBILITY FOR A 50% REDUCTION IN THE BUILDING AND STRUCTURE TAX CONSTRUCTION TAX AND COMMERCIAL, RESIDENTIAL, MOBILE HOME PARK TAXES FROM 1,800 UNITS TO 3,600 UNITS THAT OBTAIN A BUILDING PERMIT BEFORE FEBRUARY 28, 2027; AND (4) CREATING A TIERED PRIORITIZATION SYSTEM FOR ALLOCATING LIMITED CAPACITY BASED ON A DEVELOPMENT PROJECT'S CONSTRUCTION READINESS, FINANCING COMMITMENTS, AND FIRST-COME, FIRST-SERVED BASIS FOR BUILDING PERMIT APPLICATIONS

WHEREAS, the Multifamily Housing Incentive Program (“MHIP”) was established by City Council as a strategic response to stalled housing production on December 10, 2024, under RES2024-420; and

WHEREAS, MHIP’s capacity was expanded from 1,500 to 1,800 units in May of 2025 under RES2025-130 to accommodate the significant developer interest following a year of no new market-rate project construction in 2024; and

WHEREAS, currently there are five projects (totaling 1,444 units) under construction that have participated in MHIP and an additional seven projects (proposing up to 2,225 units) that have expressed interest in participating in MHIP; and

WHEREAS, the program targets high-density developments (50+ units per acre) in strategic growth areas that have been unable to secure financing and begin construction due to challenging economic conditions; and

WHEREAS, Chapter 14.10 of the San José Municipal Code sets “Minimum Labor Standards for a Private Construction Project Accepting a City Subsidy”, defining a subsidy to include any “reduction, permanent suspension or exemption of any fee or tax” that applies to single or multiple projects; and

WHEREAS, construction projects receiving a City subsidy are required to pay all workers employed on the construction prevailing wage rates, and are subject to other provisions such as requiring apprenticeships and local hire, among others; and

WHEREAS, there are exemptions to the definition of a subsidy that include the reduction of a fee or tax that is applied uniformly across all private construction projects within a specific subcategory of use, e.g., high-rise residential, when City Council determines, based on specified criteria, that construction of the projects is not financially feasible; and

WHEREAS, according to the City’s 2025 Cost of Residential Development Study dated November 13, 2025, by CSG Advisors and Economic & Planning Systems, Inc., the construction cost environment remains extremely challenging and, while the rate of escalation has stabilized, the elevated baseline pricing continues to create significant feasibility barriers for multifamily development, with direct construction costs now accounting for approximately 69% of total development costs; and

WHEREAS, without incentives, only lower-density townhomes and stacked flats show positive residual land values; and

WHEREAS, higher-density rental housing developments remain financially infeasible without incentives; and

WHEREAS, analysis shows fee/tax waivers can improve project economics by \$4-16 million per development, often sufficient to achieve positive returns when combined with modest rent growth; and

WHEREAS, the study found that fee waivers may “tip the scales” toward feasibility when combined with modest market improvements; and

WHEREAS, targeted interventions like MHIP are essential to bridging the feasibility gap for housing production due to the combination of high construction costs, elevated interest rates and negative residual land values at a time when San Jose needs to accelerate production to meet its Regional Housing Needs Allocation goals; and

WHEREAS, with a total pipeline of eligible projects exceeding 8,324 units and the remaining capacity of 357 units, staff recommends extending Phase I benefits through February 2027 and expanding the total capacity from 1,800 to 3,600 units; and

WHEREAS, Attachment A, attached hereto, contains the list of MHIP-eligible projects, categorized as under Construction (1,794 units), Market-Rate Pipeline Eligible (6,332 units), Market-Rate Pipeline Proposed Additions (2,225 units), and Affordable Housing Pipeline Eligible (1,992 units); and

WHEREAS, seven new projects were added to Attachment A as eligible MHIP projects that may apply for its benefits, including Skyline at Tamien Phase II, located at 1325 Lick Avenue, Gifford located at 313 Gifford Avenue, Echo located at 147 E. Santa Clara Street, Icon located at 147 E. Santa Clara Street, WSC Apartments located at 1470 W.

San Carlos St., 211 River Oaks located at 211 River Oaks Parkway, and 3896 Stevens Creek located at 3896 Stevens Creek Blvd; and

WHEREAS, Phase I Benefits for the first 3,600 units with building permits by February 28, 2027, include:

- Reduced Inclusionary Requirement: 5% of the units made available at an Affordable Rent to households earning no more than 100% of Area Median Income (“AMI”) vs. standard 15% at varied income levels – balancing affordability with project feasibility.
- Inclusionary Housing Ordinance In-Lieu Fee Waiver: \$0 per square foot for mixed compliance projects.
- 50% Commercial, Residential, Mobile Home Park Construction Tax Reduction: Cuts Commercial, Residential, Mobile Home Park taxes from 2.42% to 1.21% of building valuation.
- 50% Building and Structure Construction Tax Reduction: Reduces Building & Structures taxes from 1.54% to 0.77% of building valuation.
- Extended Eligibility: Benefits maintained through permit expiration plus approved extensions; and

WHEREAS, Phase II Benefits (After 3,600 units or March 1, 2027) will include:

- Continued IHO Benefits: Reduced inclusionary requirement and fee waiver remain for projects providing at least 5% of units at an affordable housing cost or affordable rent available to households earning no more than 100% AMI.
- 25% Building and Structure Construction Tax Reduction: Building & Structures tax reduced to 1.16% (from 1.54%).
- No Commercial, Residential, Mobile Home Park Construction Tax Reduction: Returns to full 2.42% rate; and

WHEREAS, starting March 1, 2027, Phase II will offer the reduced Inclusionary Housing Ordinance In-Lieu fee and a 25% reduction of the Building and Structure Construction Tax for additional units in eligible projects under the temporary MHIP listed under Attachment A; and

WHEREAS, the Multifamily Housing Incentive Program Phase I Extension is based on the finding of the Memorandum, the Report, and the documents linked to the Memorandum;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The above recitals are true and correct.
2. The deadline to apply for Multifamily Housing Incentive Program (MHIP) Phase 1 benefits at current eligibility criteria and incentive levels is hereby extended to February 28, 2027.
3. The seven (7) new eligible projects under MHIP are added to the eligible project list memorialized in Attachment A hereto.
4. Eligibility for a 50% reduction in the Building and Structure Tax Construction Tax and Commercial, Residential, Mobile Home Park taxes is hereby increased from 1,800 units to 3,600 units that obtain a building permit before February 28, 2027.
5. MHIP will include a tiered prioritization system for allocating limited capacity based on a developments construction readiness, financing commitments, and first-come, first served basis for building applications for projects included in Attachment A attached hereto.

6. MHIP's benefits and conditions are further defined and described in both the prior approved Resolutions and the Ordinance approved concurrently herewith, as may be amended or superseded.

ADOPTED this _____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk

ATTACHMENT A **Multifamily Housing Incentive Program Pipeline**

Project Address	Developer	Units
Under-Construction		
498 West San Carlos	Urban Catalyst	278
358 Hatton Street	Federal Realty	258
905 North Capitol	Hanover	345
681 E. Trimble Building A	Hannover Company	397
802 S. First	Maracor/Pacific West	166
1371 Kooser	Affirmed Housing Group	191
525 N. Capitol	Community Development Partners	160
Total		1,794

Market-Rate Pipeline (Eligible)		
4300-4360 Stevens Creek	Fortbay/Perry Hariri	407
14200 Union	Weingarten Investors	305
205 Dupont	Miramar Capital/ Perry Hariri	689
700 Saratoga	Avalon Bay Communities	247
1298 Tripp; 1325/1347 E. Julian	ROYGBIV	913
70 N 27th	HC Investment LLC	198
1530 W. San Carlos	Urban Villa LLC	237
1520 W. San Carlos	Vivji Mani	256
1050 Saint Elizabeth	Evershine XVII LP	206
West San Carlos and Sunol	Republic Urban	263
1065 S. Winchester	A&Z Development	70
1073 S. Winchester	A&Z Development	61
605 Blossom Hill	Republic Urban	239
1197 Lick/Tamian Station	Republic Urban	434
210 Baypointe	Summerhill Homes	292
681 E. Trimble Building B	Hannover Company	372
681 E. Trimble Building C	Hannover Company	371
1312 El Paseo de Saratoga/1177 Saratoga	Sand Hill Property	772
Total		6,332

Market-Rate Pipeline (Proposed Additions)		
1325 Lick Ave	Swenson/Republic Urban	65
313 Gifford Ave	Urban Catalyst	276
147 E Santa Clara (Echo)	Urban Catalyst	316
147 E Santa Clara(Icon)	Urban Catalyst	310
1470 W. San Carlos St	WSC Apartments LLC	213
211 River Oaks Pkwy	Valley Oaks Partners	505
3896 Stevens Creek Blvd	Holland Partners	540
Total		2,225

Affordable Housing Pipeline (Eligible)		
124 N. 15th	Santa Clara Housing Authority	103
771-797 Almaden	Resources for Community Development	99
2315 Canoas Garden	Santa Clara Housing Authority	559
1135 E. Santa Clara	Green Republic Blossom Hill LLC	89
501 Almaden	Satellite Housing	53
1135 E. Santa Clara	Allied Housing	91
2315 Canoas Garden	Sand Hill Property Co.	237
2920/2928 Alum Rock	Charities Housing	83
934-948 E. Santa Clara	Milestone Housing Group	103
71 Vista Montana	Charities Housing	446
Total		1,992