

Attachment: Building More Housing Focus Area

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

Problem Area 1: Land Use, Policy, and Regulation	Q3 Status
<p><i>1.1 Complete task force process for General Plan 4-Year Review by June 2026.</i></p> <ul style="list-style-type: none"> • The Task Force Process will conclude with a conceptual framework of General Plan changes heard at the Planning Commission on June 24 and subsequently referred to the City Council on August 18. • Successfully held four Open Houses outreach events on April 19 (Viva Calle at Mexican Heritage Plaza), April 23 (Southside Community Center), April 29 (Bascom Community Center), May 4 (Shirakawa Community Center). • Staff also met with other neighborhood and community stakeholder groups in coordination with the City Manager’s Office of Racial and Social Equity throughout the Task Force process. 	Green
<p><i>1.2 Develop Downtown Ministerial permit process and include analysis in the October Community and Economic Development (CED) Citywide Planning Activities Status Report.</i></p> <ul style="list-style-type: none"> • The added work to implement Senate Bill 79 and also the necessary capacity to keep the General Plan Four-Year Review on track contributed to this item moving to red. • Scope of work for this item was expanded through the direction approved by the City Council in the Mayor’s March Budget Message for FY 2026-2027 to include a 90-day guaranteed approval for ministerial projects and to include multi-family housing outside the downtown area. • Development of the Downtown ministerial permit process is included as a FY 2026-2027 Building More Housing Focus Area work plan goal with targeted completion by December 2026. 	Red

Problem Area 2: Development Services Process	Q3 Status
<p><i>2.1 Analyze options to report on development services timeliness across the pipeline and report findings to the CED Committee in December 2025.</i></p> <ul style="list-style-type: none"> • This item was presented to the CED Committee on December 15, 2025, with the following analysis: <ul style="list-style-type: none"> ○ Staff manually pulled building permit timelines for three affordable and two market-rate housing developments with 20 or more units. ○ The City surpassed its time targets for the affordable projects. With affordable projects, the City collaborates more closely with developers to coordinate project schedules so that they can meet funding deadlines. ○ The City added time to market-rate projects, and developers also took longer to complete their work. 	Complete in Q2

<ul style="list-style-type: none"> ○ The impact of prioritizing affordable projects is extended timelines for market-rate housing and other types of housing and non-housing development. ● There is now a dedicated staff person in the Planning, Building, and Code Enforcement Department, who will create a sustainable report for this performance measure in conjunction with the Information Technology Department to include the following: <ul style="list-style-type: none"> ○ A baseline timeline for each major City permitting process to evaluate our timeliness against. ○ Data from residential developments with 20 or more units over the past 24 months. ○ Data that is standardized across departments and includes major permitting processes across the development services pipeline. ● Interest around this goal and in the permitting process in general prompted an April 20, 2026, City Council Study Session on permitting from predevelopment to certificate of occupancy. Staff provided an update on the data generated from this goal during that Study Session. ● Development Services optimization and realignment work is underway. 	
<p><i>2.2 Bring standard conditions of approval and CEQA process guidelines to City Council by Q3 FY 2025-2026.</i></p> <ul style="list-style-type: none"> ● Environmental Review Handbook and Environmental Standard Permit Conditions were approved at the May 19, 2026, City Council hearing. 	Complete
<p><i>2.3 Conduct initial analysis of projects affected by state CEQA streamlining statutes by June 2026.</i></p> <ul style="list-style-type: none"> ● Three projects have been approved under Assembly Bill (AB) 130, two projects have been approved under Senate Bill (SB 131), and seven are currently under review under AB 130. ● Generally, staff have observed that these projects are moving faster. ● Barriers to applicants include the tribal consultation requirements and noticing timelines. ● Staff identified concerns with workload and budget implications, as most residential projects will qualify for AB 130 or SB 131, resulting in fewer fee hours; staff are looking at restructuring teams to allow more planners to perform both environmental review and development review. ● New laws shift CEQA work from the project level to the plan and policy level, with the City being responsible for this analysis rather than project applicants. ● Staff have identified concerns about the effect of combined laws on historic resources, such as SB 79 and AB 130, resulting in the City pursuing a new definition of demolition for historic resources. ● A fee-deferral and regulatory analysis identifies trends of shifting capacity burden to the City via General Fund / Capital Improvement 	Complete

<p>Programs for work that is not funded by fees (the process has shortened, but the burden of implementation is on the City).</p> <ul style="list-style-type: none"> • Staff are considering the community perspective with regard to legislative impacts on the community engagement process and the extent to which project information needs to be shared. 	
<p><i>2.4 Complete development fee estimator work by adding multi-family new construction by December 2025.</i></p> <ul style="list-style-type: none"> • Multifamily new construction was added to the fee estimator tool, completing the original goal. The tool supports new construction residential homes and ADUs, new construction apartments/condos/townhouses, and new commercial/industrial project types. • The team continues to evaluate the fee estimator tool’s usage and performance, with plans to enhance functionality in the future to residential additions/alterations and commercial/industrial tenant improvement projects. 	<p>Complete in Q2</p>

Problem Area 3: Linking Land and Capital	Q3 Status
<p><i>3.1 Cost of Residential Development City Council Study Session on affordable and market- rate development data analysis in December 2025.</i></p> <ul style="list-style-type: none"> • Staff completed the updated Cost of Residential Development report, which was published and presented to the City Council on December 8, 2025. The report quantified the feasibility gap by building type and established the basis for fee/waiver reduction relief without a subsidy designation. • Construction costs represent about 69% of total project costs and thus are the main barrier to feasibility, not City development taxes and impact fees. Although rents in San José are 10–15% are currently lower than on the Peninsula, construction costs are comparable, leaving many projects infeasible. Mid-rise projects need to lower costs 5–15% to be financially feasible, while tower projects are 30–35% away from feasibility. Only 25–30% of existing office space is physically suitable for conversion. Fee and waivers/reductions could improve project economics by approximately \$4–16 million per development. • These findings provide useful value-added context for housing discussions at future City Council meetings. 	<p>Complete in Q2</p>
<p><i>3.2 Review a portfolio of entitled housing projects with various requirements that present financial feasibility challenges in today’s market. Present analysis to the CED Committee in February 2026.</i></p> <ul style="list-style-type: none"> • This item was presented to the Community and Economic Development Committee on February 23, 2026. • The initial analysis shows that of the 31,375 units entitled from May 29, 2019, to December 31, 2026, two-thirds are financially infeasible, and one-third are financially feasible. Many projects are stalled for 3+ years after City approval. The data shows 28 such 	<p>Complete</p>

<p>projects comprising approximately 13,000 units, including several approved as far back as 2019 that have yet to break ground.</p> <ul style="list-style-type: none"> • Most of the projects that start construction within the next year will be projects eligible for Multifamily Housing and Downtown Residential Incentive Programs. 	
<p><i>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.</i></p> <ul style="list-style-type: none"> • Analysis of the impact of the Multifamily Housing Incentive Program concluded that: <ul style="list-style-type: none"> ○ This program restarted the market-rate housing pipeline after zero starts in 2024. ○ As of May 22, 2026, there are 2,216 units currently under construction (six projects). ○ 12% of all units under construction (267 units) through the program are deed-restricted affordable at up to 110% AMI. • City Council action on incentive programs was taken in advance of Q1 FY 2026-2027 on January 27, 2026, which: <ul style="list-style-type: none"> ○ Extended and expanded the Multifamily Housing Incentive Program to continue stimulating production of market-rate and affordable housing. ○ Launched a Downtown Conversion Program for adaptive reuse of commercial space to residential: <ul style="list-style-type: none"> ▪ Conversion feasibility depends on building-specific characteristics (floorplate, windows, ceiling height). This makes older buildings feasible for adaptive reuse and open concept modern commercial spaces financially infeasible to convert. ▪ Conversion market rents expected below 110% AMI without deed restrictions. • Downtown Residential Incentive Program Progress Update Through May 22, 2026: <ul style="list-style-type: none"> ○ On March 24, 2026, the City Council approved participation in the Downtown Residential Incentive Program for two developments: Bank of Italy (Office-to-Residential Conversion) and Gateway Tower (New Construction), with 109 and 220 residential units, respectively. The Bank of Italy development is currently under construction, while Gateway Tower's construction is anticipated to begin in summer 2026. 	<p>Complete in Q2</p>
<p><i>3.4 Provide alternative financing programs to preserve housing at all income levels.</i></p> <ul style="list-style-type: none"> • This work is focused on preserving housing stock in distressed residential assets through Public-Private-Partnerships, including assets owned by a defunct non-profit organization serving extremely low-income and up to market-rate assets, where there exists an opportunity to restrict units to affordable rents as part of the City Council's adopted moderate-income housing strategy. 	<p>Green</p>

<ul style="list-style-type: none">• The program has preserved 650 units across three residential buildings to date. One of these projects was brought to the City Council on February 24, 2026, and the others are expected in Q1 FY 2026-2027.	
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