

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Ortiz

SUBJECT: SEE BELOW

DATE: January 27, 2026

Approved

Date 1/27/2026



SUBJECT: Amendments to Chapter 5.08 of Title 5 of the San José Municipal Code and Regulations for the Inclusionary Housing Ordinance.

RECOMMENDATION

1. Approve the staff recommendation with the modifications included from the memo from Mayor Mahan and Councilmembers Kamei, Campos, Tordillos, and Cohen.
2. Direct staff to return to Council with an Informational Memo on Alternative Funding Options for Promoting Affordable Housing Development, which was directed during the 2025 budget process, by Tuesday, March 10, 2026.
 - a. The memo should include a summary of
 - i. the number of households in San Jose at each income level by tenure,
 - ii. prevalence of cost burden by income level and tenure, and
 - iii. an estimate of the number of housing units in San Jose's housing stock affordable to households by income category.
 - b. The memo should include an assessment of the number of units below 50% AMI that alternative sources could support at a low/ moderate/ and high level of subsidy within current City subsidy guidelines, and how this affects the City's progress toward RHNA and Housing Element programs.
 - c. The memo should include any and all reasonable and creative ideas and strategies for fostering or creating new funding sources or financing for the creation of affordable housing at very low and extremely low-income levels.

BACKGROUND

San Jose prides itself on making data-driven decisions, but we lack key data to better understand the housing affordability needs of San Jose's residents.

Over the past few years, we have made the difficult decision to shift Measure E resources away from building more affordable housing. The County's 2016 Measure A Affordable Housing Bond has been fully spent, successfully assisting more than 3,000 new affordable homes in San Jose. The Multifamily Housing Incentive Program (MHIP), Downtown Residential Incentive

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Program (DRIP), and changes to the Inclusionary Housing Ordinance (IHO) may also change the number of affordable homes that are built, and which residents are served by them.

We need to understand what sources of funding are available to the City to support the development of affordable housing, especially for our residents with Very Low- and Extremely-Low incomes. During the 2025 budget process, staff were directed to return to Council with an Informational Memorandum on Alternative Funding Options for Promoting Affordable Housing Development.

We also need to better understand the incomes and housing needs of San Jose's residents, and how far alternative sources of funding can be expected to go towards meeting those needs.