

RESOLUTION NO. _____

ADOPT A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN JOSE APPROVING THE TAX AND FEE WAIVER AND AUTHORIZING THE HOUSING DIRECTOR, OR THEIR DESIGNEE, TO NEGOTIATE AND EXECUTE DOCUMENTS AND DOCUMENT AMENDMENTS RELATED TO IMPLEMENTING THE DOWNTOWN RESIDENTIAL INCENTIVE PROGRAM, SUCH AS CONSTRUCTION PROGRESS AGREEMENTS

WHEREAS, the City of San José (“City”) City Council desires to adopt this Resolution for the reasons set forth in the memorandum dated February 26, 2026 from the Director of Housing and other City departments for the March 24, 2026 City Council meeting (“Memorandum”); and

WHEREAS, the Downtown Residential Incentive Program (“Incentive Program”) was originally adopted by the City Council in 2007 and has been amended several times to support the City’s longstanding goal of increasing the residential population in Downtown San José and strengthening the City’s urban core; and

WHEREAS, most recently on January 27, 2026, the City Council amended and restated the Incentive Program under Resolution No. RES2026-20 reducing the Inclusionary Housing Ordinance (“IHO”) In-Lieu Fee to \$0 for qualifying conversion projects to encourage adaptive reuse and increase housing production in Downtown San José as well as other certain construction-related taxes for eligible residential high-rise and commercial-to-residential conversion projects located in the Downtown Planned Growth Area; and

WHEREAS, also under Resolution No. RES2026-20, the City Council renamed the Incentive Program to the Downtown Residential Incentive Program (“Incentive Program”) to

expand the program to include eligible commercial-to-residential conversion projects for mid-rise and high-rise buildings within the Downtown Planned Growth Area; and

WHEREAS, under the Incentive Program, eligible residential high-rise construction projects and commercial-to-residential conversion projects may receive tiered reductions in Parkland Impact In-Lieu Fees and construction taxes under Phase 1 and Phase 2 benefit structures, including an option for enhanced benefits through a High Road Incentive for projects meeting prevailing wage and apprenticeship requirements; and

WHEREAS, the Gateway Tower development is a mixed-income affordable housing project located at 470 South Market Street consisting of a 15-story building with up to 220 residential units and approximately 3,320 square feet of ground floor commercial space on an approximately 0.50-acre site, including units restricted at various affordability levels ranging from 30% to 70% of Area Median Income (“AMI”); and

WHEREAS, the Bank of Italy project is an adaptive reuse conversion project located at 12 South First Street in San José, California that will convert the historic Bank of Italy office tower into approximately 109 residential units while preserving the landmark structure and activating a prominent downtown site with new housing opportunities; and

WHEREAS, both developments qualify for incentives under the Downtown Residential Incentive Program and may receive reductions in Parkland Impact In-Lieu Fees, waivers of the Inclusionary Housing Ordinance in-lieu fee for eligible projects, and exemptions from certain construction taxes as provided in the Incentive Program; and

WHEREAS, Gateway Tower qualifies for reductions in Parkland In-Lieu Fees under the Incentive Program and can apply to receive a reduction of up to 75% under the High Road Incentive option if applicable labor and workforce standards are satisfied; and

WHEREAS, the Bank of Italy development qualifies for reductions in Parkland In-Lieu Fees and a waiver of the Inclusionary Housing Ordinance in-lieu fee under the Incentive Program for eligible projects located in the Downtown Planned Growth Area; and

WHEREAS, the estimated total tax and fee waivers for the Gateway Tower and Bank of Italy developments combined are up to approximately \$6,092,122, including 50% in Parkland In-Lieu Fee reductions and 100% Inclusionary Housing Ordinance in-lieu fee waivers; and

WHEREAS, Gateway Tower is a 100% affordable housing development that will receive rental assistance in the form of United States Department of Housing and Urban Development Section 8 project-based vouchers, which qualifies the project for an exemption under San José Municipal Code Section 4.46.032 Additional Exemption - Housing Constructed with Government Assistance; and

WHEREAS, Bank of Italy is a historic landmark subject to a historic preservation permit and is therefore exempt from construction tax under San José Municipal Code Section 4.46.030 - Exemptions (F); and

WHEREAS, the developments must comply with their Affordable Housing Compliance Plans and record an Inclusionary Housing Agreement against the respective project sites prior to issuance of building permits as required under the San José Municipal Code; and

WHEREAS, staff will execute agreements with the developers to ensure compliance with the requirements of the Incentive Program, including Parkland Agreements outlining compliance with the Park Impact Ordinance and Parkland Dedication Ordinance; and

WHEREAS, approval of this Resolution will allow the Housing Director, or his designee, to negotiate and execute documents and document amendments necessary to implement the

Downtown Residential Incentive Program for the Gateway Tower and Bank of Italy developments; and

WHEREAS, approval of this Resolution supports the City's economic development strategy to encourage residential development in Downtown San José, increase housing supply, activate underutilized sites, and generate long-term economic and community benefits for the City;

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

1. Approves the tax and fee waiver in an amount up to \$6,092,122 for the Bank of Italy and Gateway Towers project pursuant to the Downtown Residential Incentive Program; and
2. Authorizes the Director of Housing, or their designee, to negotiate and execute documents and document amendments related to the Downtown Residential Incentive Program, including but not limited to, Inclusionary Housing Agreements and construction progress agreements;

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

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk