



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván
Christopher Burton

SUBJECT: See Below

DATE: March 2, 2026

Approved

Date:

3/10/2026

COUNCIL DISTRICT: Citywide

SUBJECT: Annual Progress Report on the Implementation of the San José General Plan Housing Element and the Housing Successor to the Redevelopment Agency Annual Report

RECOMMENDATION

- (a) Accept the Calendar Year 2025 Annual Progress Report on the implementation of San José's Sixth Cycle 2023-2031 Housing Element.
- (b) Accept the Fiscal Year 2024-2025 Housing Successor to the Redevelopment Agency Annual Report.

SUMMARY AND OUTCOME

On January 29, 2024, the California Department of Housing and Community Development (HCD) certified the City's Housing Element.¹ State law requires jurisdictions to prepare an Annual Progress Report each calendar year that details the implementation of their Housing Element and submit it to HCD and the Governor's Office of Land Use and Climate Innovation. All jurisdictions, including charter cities such as San José, must submit annual reports.

Approval of this request will enable staff to submit both the City of San José's (City) Calendar Year 2025 Annual Progress Report (Annual Progress Report) on the Sixth Cycle 2023-2031 Housing Element and the Fiscal Year 2024-2025 Housing Successor to the Redevelopment Agency Annual Report (Housing Successor Report) to the State

¹ The 2023-2031 Housing Element is posted at <https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/citywide-planning/housing-element>.

of California by April 1, 2026, as required by state law. City Council's acceptance of the Annual Progress Report is required prior to submitting the report to HCD and the Governor's Office of Land Use and Climate Innovation.

BACKGROUND

The 2023-2031 Housing Element establishes a comprehensive policy framework to implement San José's residential development strategies and outlines the City's plan to meet its affordable and market-rate housing production goals. These housing production goals, known as Regional Housing Needs Allocation (RHNA), are allocated to local jurisdictions through HCD, the California Department of Finance, and regional councils of government throughout the state. The state agencies calculate statewide housing needs based on population projections and regional population forecasts used to prepare regional transportation plans. The statewide need is then distributed to regional councils of government throughout California, which work with cities and counties within their purview to assign each jurisdiction its share of RHNA. Each jurisdiction is then responsible for planning how to accommodate its RHNA allocation through its Housing Element.

The RHNA goals are not a mandate for the construction of or funding for housing; it is a mandate to foster an environment for the development of housing at all income levels. It is to be noted that assigning housing goals to jurisdictions does not automatically result in the approval of housing entitlements or the production of homes. Building homes is dependent on developers, who are subject to market forces. Jurisdictions cannot control the market, but they are obligated to establish policies to encourage housing development at all income levels. The city's primary goal is an abundant housing stock.

The City is a member of the Association of Bay Area Governments (ABAG), the Bay Area's regional planning agency and council of governments. ABAG, which is staffed by the Metropolitan Transportation Commission (collectively, Bay Area Metro), oversees housing goals for the region's nine counties and 101 cities. Bay Area Metro is responsible for distributing RHNA goals to Bay Area governments through an allocation methodology that is consistent with development and growth patterns, access to high-opportunity areas, and proximity to jobs, among other factors. Table 1 shows that San José's RHNA for the eight-year planning period from January 2023 through January 2031 is 62,200 housing units. This RHNA allocation is a 77% increase from the City's previous 2014-2023 RHNA cycle allocation of 35,080² units. This cycle's goal equates to an annual production rate goal of 7,775 units.

² It is worth noting that the City's percentage increase in RHNA allocation for the sixth cycle was significantly lower than for many jurisdictions throughout California.

Table 1 – San José’s 2023-2031 RHNA Allocation

Income Level	2023-2031 RHNA Allocation (6th Cycle)	2015-2023 RHNA Allocation (5th Cycle)
Very Low-Income <50% Area Median Income (AMI)	15,088 24%	9,233 26%
Low-Income 50-80% AMI	8,687 14%	5,428 15%
Moderate-Income 80-120% AMI	10,711 17%	6,188 18%
Above Moderate- Income >120% AMI	27,714 45%	14,231 41%
Total RHNA	62,200	35,080

In the current Housing Element cycle, RHNA is divided into four income categories that encompass all levels of housing need – very low-income, low-income, moderate-income, and above moderate-income.

Starting in 2025, HCD is requiring jurisdictions to report units in the two income categories created by Assembly Bill (AB) 3093³ – Acutely Low-Income and Extremely Low-Income. Because the City received its current RHNA determinations prior to the passage of AB 3093, it does not have Acutely Low-Income or Extremely Low-Income RHNA targets in its Housing Element. The units reported in the two new categories will be counted towards the Very Low-Income RHNA targets.

A significant portion of San José’s current RHNA goal (38% or 23,775 units) is focused on extremely low-income, very low-income, and low-income households, as defined by HCD and shown in Table 2 below. Affordability levels are expressed as a percentage of the Area Median Income (AMI) for Santa Clara County.

³ [AB 3093 \(Wicks, 2024\)](#), which was signed into law and became effective January 1, 2025, expanded RHNA categories to also include extremely low-income and acutely low-income categories.

Table 2 – HCD 2025 Income Limits for Santa Clara County

Income Level % of AMI	Household Size					
	1	2	3	4	5	6
Acutely Low (Up to 15% AMI)	\$20,500	\$23,450	\$26,350	\$29,300	\$31,650	\$34,000
Extremely Low-Income (30% AMI)	\$42,200	\$48,200	\$54,250	\$60,250	\$65,100	\$69,900
Very Low-Income (50% AMI)	\$70,350	\$80,400	\$90,450	\$100,450	\$108,500	\$116,550
Lower-Income (80% AMI)	\$111,700	\$127,650	\$143,600	\$159,550	\$172,350	\$185,100
Median-Income (100% AMI)	\$136,650	\$156,150	\$175,700	\$195,200	\$210,800	\$226,450
Moderate Income (120% AMI)	\$164,000	\$187,400	\$210,850	\$234,250	\$253,000	\$271,750

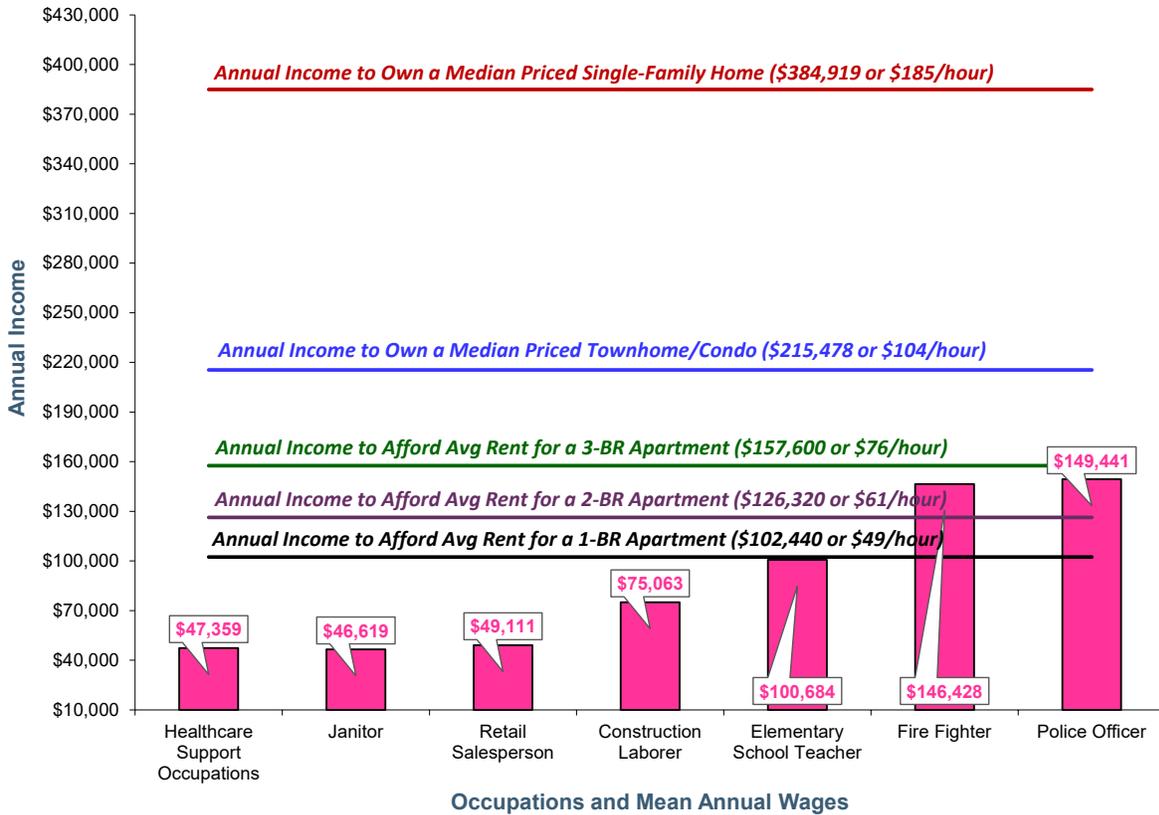
ANALYSIS

Housing Market Overview

San José remains one of the most expensive cities in the nation to rent or buy a home. Market rents remain significantly out of reach for many San José workers, including teachers, construction workers, and retail salespersons, as shown in Figure A.⁴

⁴ Mean Annual Wages – State Employment Development Department for San José – Santa Clara Metropolitan Statistical Area – Q1 2025; Income to afford average rent calculation uses CoStar Q4 2025 Average Effective Rents, rent is 30% of income, and a single-income household; Income to afford mortgage uses Santa Clara County Association of Realtors, December 2025, median home sales prices; payments at 30% of income, 20% down, December 2025, Freddie Mac 30-year fixed rate of 6.15%, 1.46% property tax, \$545 Home Owner Association dues for condos, and a single-income household.

Figure A – Q4 2025 Housing and Rent Affordability for San José’s Workforce



Average effective rents in San José had increased 2.9% from 2024 to 2025.⁵ According to CoStar, rent growth for 2026 is expected to remain positive but moderate, as affordability constraints continue to weigh on demand. The average effective rent in 2025 in San José across all apartment classes and sizes was \$2,862, up from \$2,781 in 2024.⁵ Table 3 compares rents and incomes needed to afford deed-restricted, rent-stabilized, and Class A⁶ market-rate housing in San José.

⁵ CoStar Multi-family Market Report – San José, CA – January 7, 2026.

⁶ Housing Class/Star Rating is defined by CoStar and is based on building characteristics such as location, size, quality of construction and materials, and amenities. See Attachment A for details.

Table 3 – Comparison of Incomes and Rents⁷

Income Category and Rent Level	1-Bedroom (2 people)		2-Bedroom (3 people)	
	Max Income	Affordable Rent Limit	Max Income	Affordable Rent Limit
Extremely Low-Income (30% AMI)	\$48,200	\$1,205	\$54,250	\$1,356
Very Low-Income (50% AMI)	\$80,400	\$2,010	\$90,450	\$2,261
Low-Income (60% AMI)	\$93,720	\$2,343	\$105,420	\$2,635
Low-Income (80% AMI)	\$127,650	\$3,191	\$143,600	\$3,590
Moderate-Income (110%)	\$171,820	\$4,295	\$193,270	\$4,831
Moderate-Income (120%)	\$187,400	\$4,685	\$210,850	\$5,271
Average Rents for	Rent		Rent	
Rent Stabilized Apartments (per City’s Rent Registry data)	\$1,978		\$2,412	
Average Effective Rent Class A	\$3,138		\$3,914	

*Note: The definition of affordable rent limit under state law includes a 30% housing cost standard plus a reasonable utility allowance by unit type. As the affordable rent limits also include a reasonable utility allowance, direct comparisons with rent-stabilized and market-rate rents should be further adjusted by the cost of utilities.

Table 3 indicates that the average Class A rent for both one- and two-bedroom apartments was well below the affordable rent limit for moderate-income residents in 2025. It also indicates that average effective rents for rent-stabilized apartments were affordable to some portion of lower-income renters.⁸

San José’s overall average residential rental vacancy rate for 2025 was 4.5%, down slightly from 2024’s average vacancy rate of 4.7%.⁵ Vacancy rates for higher-priced Class A apartments remain higher than for lower-priced housing. Class A properties had an average rental vacancy rate of 6.8% in 2025, while Class C properties, often affordable, had a lower average vacancy rate of 3.7%. These figures compare to 2024’s averages of 6.6% for Class A and 4.3% for Class C. As the industry standard for a ‘healthy’ vacancy rate is 5%, these vacancy rates illustrate continuing and increasing demand for less expensive Class C housing. (Definitions for CoStar building classes are included in Attachment A).

⁷ Maximum Income and Affordable Rents from San José 2025 Income and Rent Limits at <https://www.sanjoseca.gov/home/showpublisheddocument/122552/638842156316200000>; Average 2025 Effective Rents Class A Rents from CoStar; Rent Stabilized Apartment rents as of December 2025 from the City’s Rent Registry data.

⁸ However, note that as these observations are based on averages, there also are many higher rents out of range for these residents’ income levels.

San José's for-sale market remains expensive, with stubbornly high median prices. Although home prices cooled towards the second half of the year, the median single-family detached home price in San José was \$1,680,000 in 2025.⁹ This represented a 1.2% year-over-year increase. Home sales were down 4% from the prior year, and days-on-market rose from 16 days in 2024 to 20 days in 2025.¹⁰

Interest rates continued to drop in 2025; 10-year Treasury yields reached a high of 4.63% in January 2025 but fell to 4.14% in December 2025.¹¹ The cost of residential mortgage interest rates also dropped last year. The 30-year fixed-rate mortgage rate dropped from 6.95% in January 2025 to 6.15% in December 2025.¹²

With interest rates dropping, single-family home prices in San José remain strong, with sale timelines under one month. San José's expensive for-sale market means the opportunity to purchase will remain even more challenging for middle- and lower-income households, driving significant demand for rental apartments and affordable homeownership products.

Summary of Residential Applications and Approvals in 2025

The number of residential permit applications submitted in 2025 is summarized in Table 4, which shows that 34 Planning applications and 710 Building permit applications were submitted to the City's Planning and Building Divisions¹³ for the development of 4,186 units. That unit total represents a 3,350-unit reduction compared to 2024. Of the units for which permit applications were submitted in 2025, 86% were market-rate, and 14% were affordable. A total of 625 applications for accessory dwelling units (ADUs) were submitted.

In 2025, 11 Building permit applications utilizing Senate Bill (SB) 9 were submitted to the Building Division, while 20 SB 9 lot-split applications were submitted to the Public Works Department. Although SB 9 lot splits do not have proposed units associated with the application, they are indicators of future single-family and duplex development. The City did not receive any applications under SB 423 (an update to SB 35) in 2025, compared to six applications for 434 units in 2024.

In December 2024, the City Council approved a new local ministerial ordinance to streamline certain types of multifamily infill projects. This new process provides applicants with an additional option for a streamlined review process. In 2025, the Planning Division received two applications under this local ministerial streamlined

⁹ Santa Clara County Association of Realtors, December 2025.

¹⁰ Santa Clara County Association of Realtors, December 2025.

¹¹ [10-Year Treasury Yield](#)

¹² Freddie Mac 30-year fixed rate mortgage as of December 31, 2025.

¹³ Both divisions are part of the City's Planning, Building, and Code Enforcement Department.

approval process. The two applications were for a total of 812 units. Attachment B, Table A provides project-specific details on residential applications.

Table 4 – Residential Applications Received in 2025

Application Type	Number of Applications	Total Units
Planning Permit (Planning)	34	3,470
ADU (Building)	625	625
Single Family Residences (Building)	70	70
Duplex (Building)	4	8
SB 9 Duplex (Building)	11	13
SB 9 Lot Split (Public Works)	20	0
TOTAL	764	4,186

Approvals of Planning permits (entitlements) in 2025 are shown in Table 5 below. Planning permit applications representing 5,031 housing units were approved in 2025, of which 2,598 were market-rate, and 2,433 were affordable. Compared to 2024, the total number of units is a 54% increase, from 3,263 housing units entitled (including 2,144 market-rate units and 1,119 affordable units). Of all units entitled in 2025, 2,695 units (54%) were located on sites within urban villages. This proportion is significantly greater than in 2024, when only 3% of entitled units were in urban villages. In 2025, staff approved six SB 423 / SB 35 applications. This represented an increase in approvals of these streamlining applications compared with 2024, when only two ministerial applications were approved. Finally, one application for 540 units was approved using a local ministerial approval process. Attachment B, Table A2, provides details on completed entitlements.

Table 5 – Residential Planning Permits Approved, Units

Project Type	2025 Units	2025 %
Market-rate	2,598	52%
Affordable	2,433	48%
TOTAL	5,031	100%

Summary of Building Permit Activity in 2025

In 2025, the City issued Building permits for 2,629 new residential units, an increase of 26% from 2024. Of the Building permits issued, 1,166 units (44%) were market-rate while 1,463 (56%) were affordable. According to an HCD-approved methodology, certain market-rate units may be counted as moderate-income, non-deed-restricted

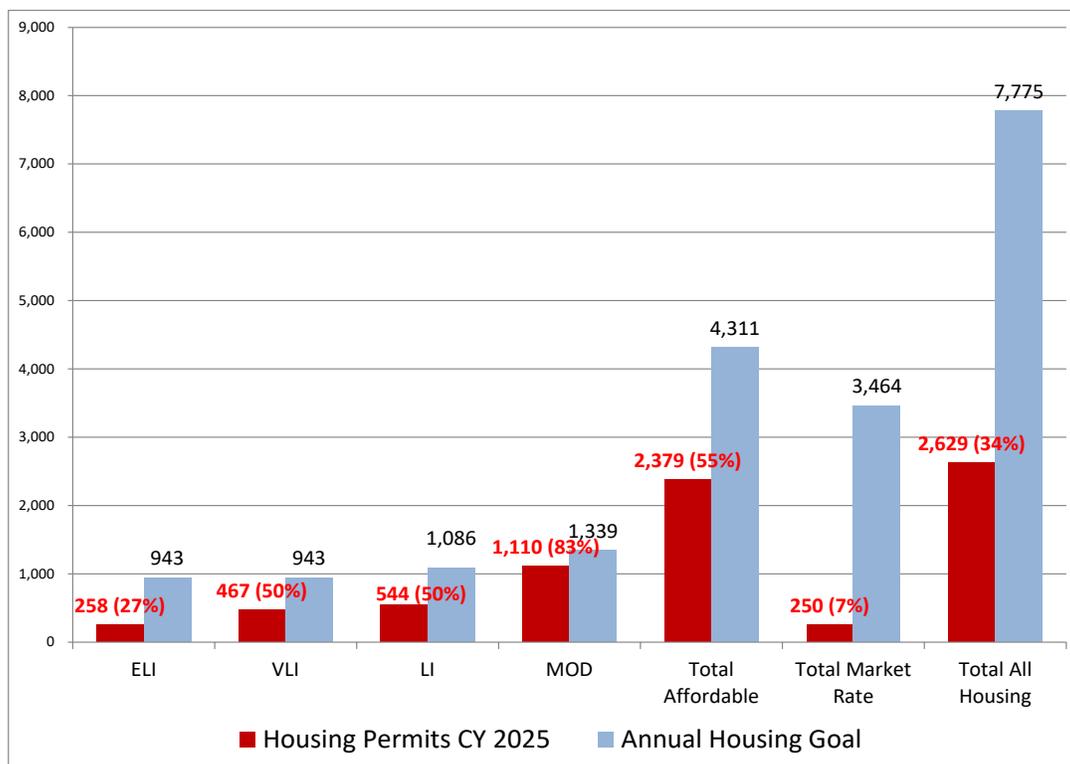
units. Attachment C provides an explanation of the methodology. Applying this methodology, of the 1,166 market-rate units permitted by Building in 2025, 916 have been counted as affordable. The remaining 250 units remain categorized as above moderate-income. Table 6 illustrates this activity by income category in 2025.

Table 6 – Residential Building Permits Issued, Units

Project Type	2025 Units	2025 %
Market-rate	250	10%
Affordable	2,379	90%
TOTAL	2,629	100%

As shown in Figure B below, the City met 7% of its annual market-rate permit goal, 55% of its affordable housing¹⁴ permit goal, and 34% of its total permit goal for 2025.

Figure B –2025 RHNA Residential Building Permit Performance

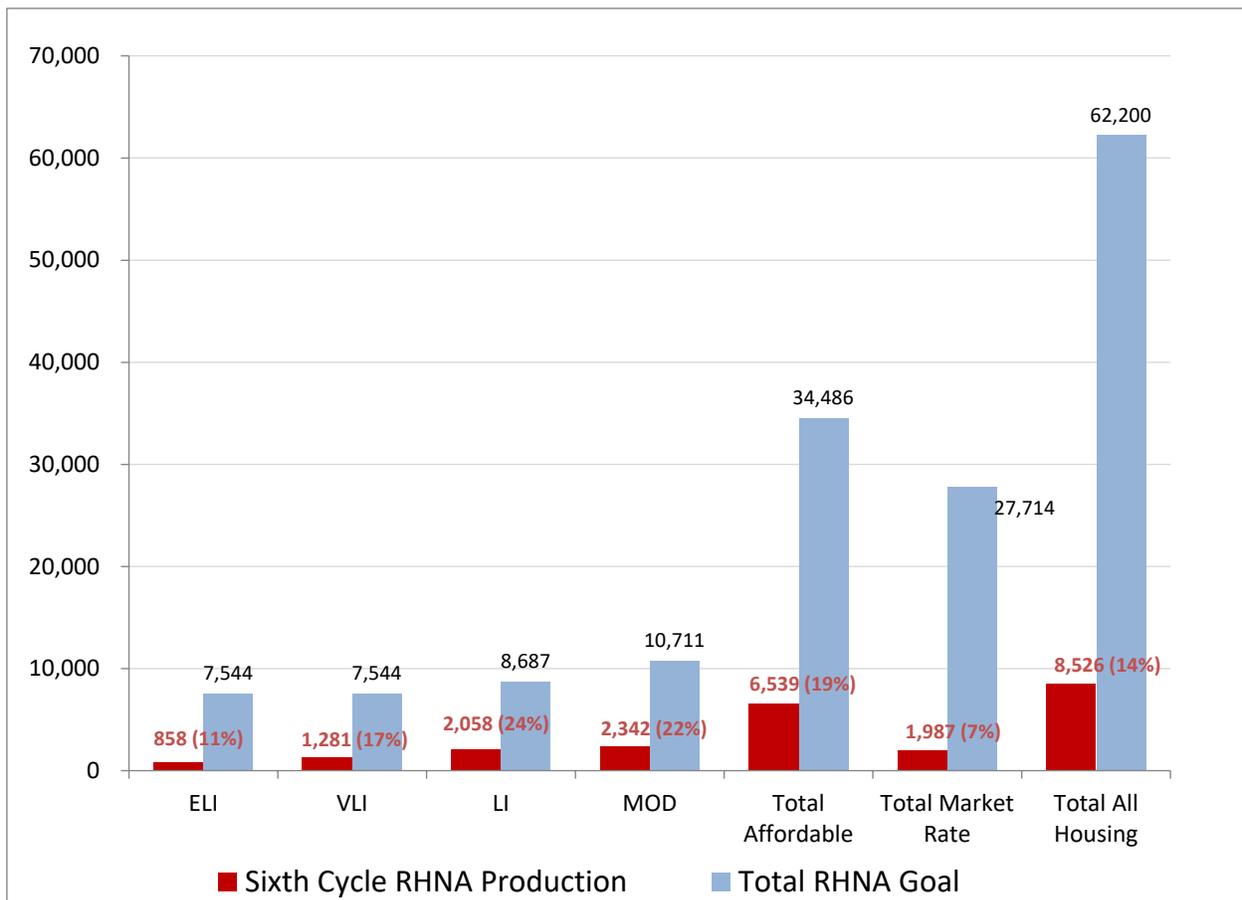


¹⁴ Affordable units are those offering rents affordable to extremely low-, very low-, low-, and moderate-income households (as detailed in Table 2 above).

Figure C below shows the City’s cumulative progress toward meeting its RHNA goals in this cycle. As of the end of 2025, three years into its eight-year RHNA cycle, the City has met:

- 7% of its market-rate permit goal;
- 19% of its affordable housing permit goal; and
- 14% of its total permits goal.

Figure C – Cumulative RHNA Residential Building Permit Performance



In 2025, the City issued 502 ADU Building permits, a 10% decrease from 558 in 2024. Over the past few years, the average number of ADU building permits has been approximately 500 per year. Building permit issuances for ADUs increased following Zoning Ordinance updates approved by the City Council in 2016 and 2018 to comply with state law, as well as permit process enhancements to encourage ADU construction.

In 2025, ABAG shared that it had determined with HCD that jurisdictions should utilize actual or anticipated affordability of ADUs for affordability assumptions and Annual Progress Reports. However, if the information was not available, jurisdictions could use the ADU affordability assumptions from ABAG’s ADU affordability methodology for Annual Progress Reports. The methodology sets the affordability levels at: 30% very low-income; 30% low-income; 30% moderate-income; and 10% above moderate-income. Table 7 and Figure B include ADUs as affordable units based on this methodology. Staff created a voluntary survey in March 2024 to collect data on ADU affordability levels. The survey was sent to applicants who submitted or obtained an ADU permit in 2024 or 2025. Thus far, staff have received 90 responses. The responses account for less than 10% of the ADU permits submitted and permitted. Staff will continue to collect data to determine future affordability levels and to work with the ABAG to develop the future ADU affordability methodology.

Table 7 – ADU Units by Affordability

Affordability Levels	Ratio of Units Assumed	Issued	Final
Very Low-Income (<50% AMI)	30%	150	108
Low-Income (50-80% AMI)	30%	150	108
Moderate-Income (80-120% AMI)	30%	150	108
Above Moderate-Income (>120% AMI)	10%	52	36
Totals	100%	502	360

Of the units with building permits issued in 2025, 663 units (25%) were located in urban villages, compared to 53% of units in 2024. Of these 663 units, 658 were for multifamily projects. The remaining units were single-family residences and ADUs.

While 1,350 units began construction in 2025 in the City's urban village areas, the success of these projects reflects the City's strategic approach to promoting housing development in a high-cost environment. Most of these projects, Santana Row Lot 12 (358 Hatton), Aquino (498 West San Carlos), and El Paseo de Saratoga (1777 Saratoga Avenue), are eligible for the City’s Multifamily Housing Incentive Program benefits, with Santana Row Lot 12 and Aquino formally approved and El Paseo's application pending. However, the Class A market-rate housing segment continues to face headwinds from current interest rates, rising construction costs, and moderating rent growth. As these factors are likely to persist in the near term, it is important that the City consider other development strategies that address these constraints and produce the needed housing.

Building Permit Type and Location

In 2025, the City saw a 37% increase in Building permit issuance for multifamily units year-over-year (from 1,472 to 2,013) and a 10% decrease in ADU permits (from 558 to 502). As shown in Table 8, 77% of the permitted units were multifamily, and 19% were ADU units. The remaining 84 units were single-family houses, townhomes, and duplexes. The City issued Building permits for 1,929 affordable multifamily units of which 916 were market-rate units that are counted as moderate-income towards RHNA according to the HCD-approved methodology. This was a 13% increase from 2024, when 1,708 affordable multifamily units received Building permits. Details on issued Building permits are in Attachment B, Table A2.

Table 8 – Share of Units Receiving Building Permits by Property Type

Year	Multifamily	ADUs	Single-Family Detached	Single-Family Attached	Duplexes	Total*
2024	71%	27%	1%	0.8%	0.2%	100%
2025	77%	19%	3%	1%	0.2%	100%

*Note: Totals may not add to 100% due to rounding.

Attachment D contains a map showing the sites for which multifamily and ADU Building permits were issued in 2025.

Certificates of Occupancy

In 2025, the City issued certificates of occupancy for 2,384 residential units, a 61% increase from 2024. Of the 2,384 units that received certificates of occupancy, 1,327 (56%) were market-rate and 1,057 (44%) were affordable. Approximately 82% (1,961 units) of the units that received certificates of occupancy were in multifamily developments, and approximately 15% (360 units) were ADUs. The remaining units were single-family homes and duplexes. Of the five largest multifamily projects that received certificates of occupancy in 2025, three were affordable housing developments: Tamien Station Phase 1 (135 apartments), View at Blossom Hill (271 apartments), and Bellarmino Place (116 apartments). Two were market-rate housing developments: The Fay (336 apartments) and Maxwell at Bascom (782 apartments). Details on certificates of occupancy are in Attachment B, Table A2.

Progress on Programs and Policies

In addition to reporting on housing production, HCD requires annual updates on the City's programs and policies that support housing production. Attachment B, Table D, provides a comprehensive progress update for 2025.

Units Rehabilitated, Preserved, and Acquired

Attachment B, Table F, summarizes the units that were preserved or rehabilitated in 2025. Preservation and rehabilitation only count toward RHNA goals in very narrow circumstances, and San José developments do not qualify under the state's rules. However, it is important to note that the City took action to preserve and extend affordability restrictions for three existing affordable housing developments, totaling 248 apartments, to ensure their continued long-term affordability. The City also assisted in the preservation and rehabilitation of 2,399 apartments by funding Code Enforcement activities and rehabilitation through grants with local partners, including Rebuilding Together and Habitat for Humanity.

Units Lost to Expiring Affordability Restrictions

In 2025, affordability restrictions expired on one City / Redevelopment Agency-assisted development, Villa Torino, that had offered 85 apartments affordable to moderate-income renters earning up to 120% AMI.

Important Legislation

As in previous years, the California State Legislature passed many new laws related to housing in the 2025 legislative session. Some bills of note that became law in 2025 included:

- **SB 79** – statewide housing and land-use law designed to increase housing supply near public transit, especially in high-demand urban regions, to help address California's housing affordability crisis, reduce traffic and emissions, and strengthen transit use. The law applies in "urban transit counties" — counties with more than 15 passenger rail stations, like Santa Clara County. Local governments must either conform to SB 79's standards or adopt compliant local plans by July 1, 2026, with enforcement beginning January 1, 2027.
- **SB 131 and AB 130** – were budget trailer bills that together enacted what many legal analysts consider the most significant reforms to the California Environmental Quality Act and several housing-related statutes in decades. They aim to streamline environmental review and speed up housing and infrastructure approvals to address barriers that have slowed development across the state. Additionally, AB 130 created new requirements for homeless shelter inspections and reporting. Jurisdictions must perform an annual inspection of every homeless shelter within their jurisdiction to ensure compliance with the law, regardless of the funding sources of the shelter. If, during the annual inspection, the jurisdiction determines that a homeless shelter is substandard, they must follow the same actions as violations determined during inspections in response to complaints to the extent the requirements are applicable.

AB 670 – This bill will, beginning with the report due by April 1, 2027, for purposes of the housing element portion of the report, authorize a planning agency to include the number of units in an existing multifamily building that were converted to affordable housing by imposition of long-term affordability covenants and restrictions that require the unit to be available to persons or families of low, very low, extremely low, or acutely low income at an affordable rent or affordable housing cost for at least 55 years, if the units meet certain criteria.

Need for Funding, Resources, and Incentives

Staff continues to monitor market conditions and housing production trends, including progress toward the City's RHNA. To provide additional context, Table 9 benchmarks San José's RHNA allocation and permit progress against five comparison jurisdictions using the most recently available HCD RHNA Progress Dashboard data.

As shown in Table 9, progress in all benchmark jurisdictions in the 6th Cycle Housing Element is currently below the RHNA target, and San José's progress is generally consistent with that of other large jurisdictions at this stage of the cycle, especially in the Bay Area. These trends underscore the importance of continuing to prioritize Housing Element implementation strategies aimed at accelerating housing production and preservation. The City's Housing Catalyst strategies focus on interventions within local control, such as financing incentives, process improvements, and displacement prevention, to help close the gap between RHNA requirements and market-driven outcomes.

Table 9 – RHNA Progress Benchmark (Calendar Years 2023 and 2024)¹⁵

City	Total RHNA Allocation (6 th Cycle)	% of 6 th Cycle completed ¹⁶	Cumulative % RHNA Attained	CY23-24 Affordable ¹⁷	CY23-24 Market-Rate ¹⁸
Los Angeles	456,643	37.5%	12.8%	9,246 (3.6%)	49,192 (25%)
Oakland	26,251	25%	6.9%	1,241 (8.4%)	582 (5%)
Sacramento	45,580	50%	24.8%	7,516 (29.7%)	3,771 (18.6%)
San Diego	108,036	50%	26.8%	4,781 (7.4%)	24,122 (55%)
San Francisco	82,069	25%	5%	2,129 (4.6%)	2,000 (5.6%)
San José	62,200	25%	8.3%	3,721 (10.8%)	1,469 (5.3%)

The City of San José continues to face significant fiscal constraints while responding to increased demand for shelter and interim housing due to a growing unsheltered population. Budget pressures have required difficult tradeoffs, with resources prioritized toward immediate homelessness response while maintaining more limited support for affordable housing development. At the same time, affordable housing development costs continue to rise, and competition for federal and state funding sources—particularly tax credits and private activity bonds—remains intense.

Local affordable housing funding sources have been constrained by economic conditions and market slowdown. Key sources—including Low- and Moderate-Income Housing Asset Fund (LMIHAF), Measure E,¹⁹ Inclusionary Housing Ordinance in-lieu fees, Commercial Linkage Fees, and federal HOME Investment Partnerships Program and Community Development Block Grant—are generating reduced or limited revenues, while Measure A²⁰ funds have been fully expended. Declining loan repayments, reduced development activity, and the redirection of Measure E revenues to support shelter and interim housing have collectively limited the City’s capacity to fund new affordable housing, underscoring the continued need for targeted incentives and additional resources to support housing production.

¹⁵ RHNA progress counts reflect HCD APR Dashboard cumulative permit progress for CY2023–CY2024 (data pulled on January 28, 2026). 2025 data from other jurisdictions is not yet available. Percentages shown in parentheses for each income level reflect cumulative permits issued ÷ RHNA allocation for that income category.

Table 9 data source: <https://www.hcd.ca.gov/housing-open-data-tools/apr-dashboard>

¹⁶ Percentage through 6th cycle is calculated based on each jurisdiction’s Housing Element planning period start/end date; planning periods vary by jurisdiction.

¹⁷ Affordable units include Very Low Income (HCD data combines ELI/VLI), Low Income, and Moderate-Income categories.

¹⁸ Market-rate units include Above Moderate-Income categories.

¹⁹ Measure E – Real Property Transfer Tax, approved in 2020, enacts a tax on property transfers of \$2 million or more.

²⁰ Measure A – Affordable Housing Bond approved in 2016, aimed at addressing the housing needs of vulnerable populations.

During calendar year 2025, City Council approved \$48.3 million in loan awards for two developments (Berryessa and Gateway) using the above sources of funding, supporting the creation of 415 affordable units. The City also proactively updated its Gap Financing program regulations and implemented a rolling Request for Proposals to better prioritize construction-ready developments and strengthen coordination of resources with partner agencies. Consistent with these changes, staff has preliminarily identified five additional developments, representing 493 units, for future funding consideration by the City Council, of which 336 are anticipated to begin construction before the end of 2026. Across the City's investments, staff have made concerted efforts to strategically align with funding and operating commitments from the County of Santa Clara and the Santa Clara County Housing Authority, resulting in the efficient use of public resources, including the commitment of \$47.4 million in County funds and 298 project-based vouchers to support long-term affordability and housing stability for at least 20 years.

Local market-rate housing production continues to experience significant headwinds. Based on a recent data analysis, 66% of entitled lands for market-rate housing development are financially infeasible. The entitlement build types for towers, wraps, and podiums carry high construction costs while supportable market-rate rent growth remains flat or below annual inflation. The City Council adopted a series of multifamily housing incentive programs that reduce or waive taxes and fees, which experienced success in catalyzing over 2,000 units into production in the current fiscal year.

The City's affordable RHNA goals require an average of 2,972 affordable homes to be issued building permits each year. Despite releasing \$425 million of the City's revenues to create affordable housing over the past six years, the City has fallen well short of the City's RHNA goals.

Housing Successor to Redevelopment Agency Annual Report

The Housing Successor Report for FY 2024-2025 is included as Attachment E. The Housing Successor Report is based on the fiscal year and is required to be submitted with the Annual Progress Report. The City is the Housing Successor for the former San José Redevelopment Agency. The Housing Successor Report provides information on receipts and expenditures in the Low- and Moderate-Income Housing Asset Fund (LMIHAF, Fund 346), which contains repayments of loans made with original redevelopment funds for affordable housing.

LMIHAF is the City's major redevelopment-related asset. At the end of FY 2024-2025, the City as Housing Successor had \$721,057,682 in total LMIHAF assets comprised of cash, loan receivables, and real property owned by the Housing Successor. Besides information on aggregate expenditures, the Housing Successor Report includes several expenditure tests that the Housing Successor must meet. The City met all of them, as follows.

Excess Surplus Test

The excess surplus test requires that the Housing Successor cannot have unencumbered funds that exceed the aggregate amount deposited into the fund during the preceding four fiscal years. If a Housing Successor fails to meet the excess surplus test, it may be required to transfer excess LMIHAF funds to the state. The Housing Successor Report indicates that the aggregate amount deposited into the fund during the four prior years was \$129.3 million, while the unencumbered amount at the end of 2024-2025 was \$95.9 million. Therefore, the Housing Successor met this test because the unencumbered amount does not exceed the aggregate amount deposited for the test period.

Senior Housing Test

Redevelopment law limits the number of affordable housing units funded for senior citizens, as many jurisdictions allocate most of their redevelopment funds to affordable housing to create homes for this uncontroversial population. The rule requires that if this percentage exceeds 50% of units assisted over the last 10 years, the Housing Successor cannot expend future LMIHAF funds on new senior housing until it has reduced this percentage to 50% or below. The Housing Successor Report indicates that 29% of the City-assisted housing over the last 10 years (2015-2025) was for senior affordable housing. Therefore, the City, as Housing Successor, met the senior housing test and can continue to fund senior affordable housing with LMIHAF funds.

Income Tests

The redevelopment dissolution law established two five-year income-related tests for the use of LMIHAF funds. First, at least 30% of LMIHAF funds must be spent for the development of rental housing affordable to extremely low-income households earning at or below 30% AMI. This City met this test by spending 41.1% in the 2020-2025 time period. The City is next scheduled to report on this test in 2029.

Second, no more than 20% of LMIHAF funds can be spent for the development of rental housing affordable to and occupied by households earning between 60% and 80% of AMI. The City last satisfied the test by spending only 3.8% of LMIHAF on these households during the 2020-2025 time period. The City is next scheduled to report on this test in 2029.

EVALUATION AND FOLLOW-UP

After the City Council accepts the Annual Progress Report and the Housing Successor Report, staff will submit the approved documents to HCD and the Governor's Office of Land Use and Climate Innovation by the state-mandated April 1, 2026, deadline.

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COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the March 24, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

The Housing Element Annual Progress Report was heard in a joint study session with the Planning Commission and the Housing and Community Development Commission on February 25, 2026. A summary of the Commissions' feedback will be included in the presentation for this item.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

ERIK L. SOLIVÁN
Director, Housing Department

/s/

CHRISTOPHER BURTON
Director, Planning, Building, and Code
Enforcement Department

For planning-related questions, please contact Jerad Ferguson, Principal Planner, Planning, Building, and Code Enforcement Department, at

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jerad.ferguson@sanjoseca.gov or (669) 223-1160. For housing-related questions, please contact Sarah Fields, Deputy Director, Housing Department, at sarah.fields@sanjoseca.gov or (669) 369-8999.

ATTACHMENTS

Attachment A: CoStar Building Class & Star Rating Definitions

Attachment B: San José Housing Element Annual Progress Report for CY 2025 (Tables A-J)

Attachment C: Methodology for Non-Deed Restricted Moderate-Income Units CY 2025

Attachment D: Map of Building Permits Issued in 2025

Attachment E: Housing Successor to Redevelopment Agency Annual Report FY 2024-2025