



HOUSING DEPARTMENT

DIRECTOR

COMMUNITY MEETING SERIES

Community Meetings Series

Upcoming Topics

- Multifamily Housing Production Incentive Programs – Today
- Moderate Income Housing Strategy - April 2025
- Project Financing Underwriting Guidelines - May 2025
- Request for Proposals: Affordable Housing Production - May 2025
- Department Performance Dashboards
- Inclusionary Housing Ordinance
- Mobilehome Park Ordinance – Regulations
- Tenant Protection Ordinance – Regulation UPDATE
- Apartment Rent Ordinance – Regulation UPDATE



Housing

TODAY'S TOPIC

INCENTIVE PROGRAMS FOR
HOUSING PRODUCTION

TWO PROGRAMS

- **Downtown Residential High-Rise Incentive Program**
- **Growth Area Multifamily Incentive Program**
- **Program Objectives**
 - Create an abundant housing stock
 - Grow from zero market-rate housing starts in 2024
 - Incentivize housing production for market-rate and affordable units

Staff Recommendations

- **Extend the Downtown High-Rise Incentive Program with the following modifications:**
 - Include up to 4,078 units
 - Two phase Program
 - Additional reduction of construction taxes
 - Reduction in Parks Fee obligation
 - Program update to City Council in August 2025
- **Obtain City Council direction to explore a residential development incentive program in growth areas outside of Downtown**
 - Conduct analysis and return to City Council with recommendations by December 2025

Proposed Program Components and Universe of Projects

- **Construction Taxes**
 - Taxes associated with some projects are projected in the current 5-year Capital Budget.
 - Reduced revenue could impact Vision Zero program, pedestrian safety improvements, accessibility projects, new development and planning data collection.
- **Inclusionary Housing**
 - Community and Economic Development CSA priority is housing production.
- **City Revenue**
 - City will generate annual property tax and utility user tax, as well as business license tax and sales tax in mixed-use projects.
- **Universe of Projects**
 - 35 projects: 7,357 market-rate and 2,276 affordable units. Total = 9,633 units.

Downtown Residential High-Rise Incentive Program

	CURRENT PROGRAM	PROPOSED TWO-PHASE PROGRAM	
HEIGHT / BUILDING TYPE	150 feet / 10 stories	150 feet / 10 stories	
GEOGRAPHY	Downtown Growth Area	Downtown Growth Area	
INCLUSIONARY HOUSING	\$0 in-lieu fee	<u>Phase 1</u> \$0 in-lieu fee	<u>Phase 2</u> \$0 in-lieu fee
CONSTRUCTION TAXES	50% reduction of CRMP and B&S	<u>Phase 1</u> 100% reduction of CRMP and B&S	<u>Phase 2</u> 50% reduction of CRMP and B&S
PARKS FEES	Not included - special category for high-rise is \$14,600/unit (able to reduce up to 50% with private recreation credits)	<u>Phase 1</u> 50% reduction - \$7,300/unit (private recreation credits up to 50% against the reduced fee allowed)	<u>Phase 2</u> 30% reduction - \$10,220/unit (private recreation credits up to 50% against the reduced fee allowed)
PROGRAM HORIZON	Building permit by June 2025 Certificate of Occupancy by June 2029	<u>Phase 1</u> 1,000 units with building permit issued by December 31, 2025, and first inspection passed within 12 months of building permit issuance.	<u>Phase 2</u> Up to 3,078 units with building permits issued in the 12 months following Phase 1, and the first inspection passed within 12 months of building permit issuance (January - December 2026).
TIMING OF PAYMENT	<u>Taxes</u> at Certificate of Occupancy <u>Parks Fees</u> at Permit Issuance	<u>Taxes and Parks Fees</u> at Certificate of Occupancy or 5 years from the date the Building Permit is issued, whichever is sooner.	

Growth Areas Multifamily Housing Incentive Program

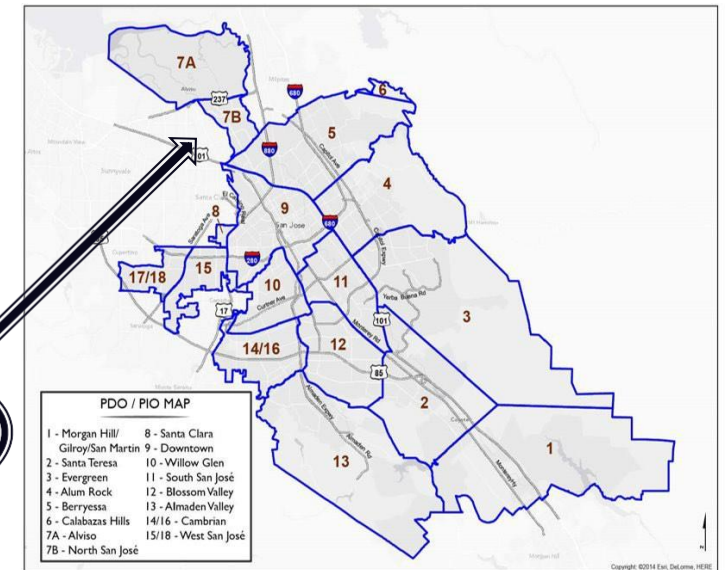


DENSITY	Portions of multifamily projects with 50+DU/acre		N/A
GEOGRAPHY	Designated Growth Areas		N/A
CONSTRUCTION TAXES	<u>Phase 1</u> 50% reduction in B&S and CRMP tax for up to 1,500 units that must also obtain a building permit no later than December 31, 2025.	<u>Phase 2</u> Starting January 1, 2026, 25% reduction in B&S tax for remaining units on the eligible projects list.	B&S tax charged at 1.54% of project valuation. CRMP tax charged at 2.42% of project valuation.
INCLUSIONARY HOUSING	\$0 in-lieu fee and 5% of units at up to 100% Area Median Income, unless a higher level of obligation has already been negotiated.		<u>Strong Market</u> : \$49.99 sq. ft. <u>OR</u> 5% of units at 100% AMI and \$21.74 under mixed compliance. <u>Moderate Market</u> : \$21.74 sq. ft. <u>OR</u> 5% of units at 100% AMI and \$13.80 under mixed compliance.
TIMING OF PAYMENT	At first Certificate of Occupancy		Paid at Building Permit
PROGRAM HORIZON	Expiration of valid entitlement – Max of 4 years from initial entitlement for projects with project applications deemed completed by December 31, 2022.		N/A

North San José Parks Fee Realignment

- Current North San José MLS 7B park fee is \$41,600/unit with private recreation credits up to 50% allowed.
- Affordable units receive a 50% per unit reduction, with the ability to further reduce the fee through the development of on-site recreational amenities for an additional 50% fee reduction.
- Realignment of parks fees in MLS 7B for market-rate units to \$22,600/unit with private recreation credits up to 50% against the reduced fee allowed.
- Realignment brings MLS 7B fee equal to next highest fee in the City (MLS 9 Downtown).
- No change in how affordable units are handled.

MLS 7B





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THANK YOU