



HOUSING DEPARTMENT

MULTIFAMILY HOUSING INCENTIVE & DOWNTOWN RESIDENTIAL INCENTIVE PROGRAM UPDATES

January 8, 2026
Community Information Session

Erik L. Soliván
Housing Director

HOUSING PRODUCTION INCENTIVE PROGRAMS



At the January 27th City Council meeting, two incentive programs aimed at encouraging housing development in the City of San Jose will be reviewed and considered for extension.

Both programs are intended to:

- Create an abundant housing stock
- Grow from limited market-rate housing production
- Incentivize housing production for market-rate and affordable units

Multifamily Housing Incentive Program (MHIP)

Targets specific growth areas across the City

Downtown Residential Incentive Program

Focused on the downtown core

Expanded to include office to residential conversions

MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP)



MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP) PHASE I EXTENSION



Key Findings: 2025 Cost of Residential Development Study:

- Higher-density housing (podium, wrap, tower) shows negative residual land values
- Direct construction costs account for approximately 69% of total development costs. While the rate of escalation has stabilized, the elevated cost baseline persists.
- San José rents 10-15% below comparable Peninsula markets

The Opportunity

- Catalyze projects into construction by offering targeted fee reductions to eligible projects

MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP) 2025 PHASE I PRODUCTION



MHIP Program Success Since Inception:

Project Name	Units	Deed Restricted	Fee Reductions (\$, million)	Approval Date
905 N Capitol Avenue	345	17	\$4.91	March 2025
498 West San Carlos	278	14	\$4.07	May 2025
Santana Row Lot 12	258	13	\$4.47	June 2025
Seely Building A	397	20	\$6.05	June 2025
Martha Gardens*	166	164	\$0.52	N/A
Total	1,444	228	\$20.03	

2025 Program Outcomes

- 228 units (over 16%) are deed-restricted affordable
- Average subsidy: ~\$13,872 per unit
- Over 1,300 construction jobs created

() Martha Gardens is a 100% affordable development*

MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP)

CURRENT TO PROPOSED



Current Phase 1 - First 1,800 units

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 50% reduction in B&S Tax and CRMP Tax
- **Eligibility:** Projects pulling building permits by December 31, 2025



Proposed Phase 1 Extension - First 3,600 units*

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 50% reduction in B&S Tax and CRMP Tax
- **Eligibility:** Projects pulling building permits by February 28, 2027

*Other eligibility criteria remains the same

MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP) PHASE II

Phase 2 Benefits - Additional units beyond 3,600

(Sustained Support)

- **IHO Requirement:** 5% of units up to 110% AMI
- **IHO In-Lieu Fee:** \$0 for mixed compliance
- **Construction Taxes:** 25% reduction in B&S Tax
- **Eligibility:** Projects on the approved Eligible Projects list

Other eligibility criteria remains the same

MULTIFAMILY HOUSING INCENTIVE PROGRAM (MHIP)

PHASE I EXTENSION – Underwritten Projects



Underwritten Applications

Project Name	Address	Units	Deed Restricted	Developer
Gifford	313 Gifford Ave	276	14	Urban Catalyst
3896 Stevens Creek	3896 Stevens Creek Blvd	540	27	Holland Partners
Echo	147 E Santa Clara	316	16	Urban Catalyst
Skyline at Tamien Phase II	1325 Lick Ave	65	3	Swenson/Republic Urban
Icon	147 E Santa Clara	310	16	Urban Catalyst
WSC Apartments	1470 W. San Carlos St	213	11	WSC Development
211 River Oaks	211 River Oaks Pkwy	505	25	Valley Oak Partners
Total		2,225	112	

Downtown Residential Incentive Program



Downtown Residential Incentive Program

The Problem:

- Downtown has significant office vacancy post-COVID, and the costs for Type I and Type II podium builds are not financially feasible without substantial subsidies
- Current high-rise program doesn't allow high- and mid-rise conversion projects
- San José has ZERO office-to-residential conversions while other cities are successfully creating new housing through conversion programs

The Opportunity:

- Up to 500 units immediately convertible based on the developer's interest [*and majority are at affordable rental rates*]
- 1,500+ total units possible based on the current office space vacancy level

Proposed Downtown Office-to-Residential Conversion Incentive Program

Phase 1 - First 500 units

(Maximum Incentive)

- **Construction taxes:** 100% waived
- **Inclusionary housing fees:** \$0 with 5% affordable units at 110% AMI
- **Park Fees:** 50% reduction



Phase 2 - Next 1,000 units

(Sustained Support)

- **Construction taxes:** 50% reduction
- **Inclusionary housing fees:** Still \$0 with 5% affordable units at 110% AMI
- **Park Fees:** 30% reduction

Eligibility Requirements

- **Permit Deadline:** Pull Building Permit by December 2026
- **Location:** Located downtown
- **Project Size:** Minimum 20 units created through conversion

Downtown Residential Incentive Program



Unit Type	Projected Monthly Market Rents by Project			110% AMI HCD Limits	
	Project #1	Project #2	Project #3	Rents	Income
Studio	\$2,775	\$3,400	\$1,975	\$3,756	\$150,260
1 Bedroom	\$3,361	\$4,750	\$2,100	\$4,295	\$171,820
2 Bedroom	\$4,499	\$5,650	-	\$4,831	\$193,270

Downtown Residential Incentive Program

\$16.43 million in development subsidies through fee reductions will:

- Promote construction of 611 middle-income housing units (at or below 110% AMI)
- *Include 31 deed-restricted units (5%) for households at or below 110% AMI*
- Improve property tax values and stimulate economic activity in the Downtown area.

Incentive Type	Amount
IHO In-Lieu Fee	\$8.82 million
Parkland Impact In-Lieu Fee	\$5.32 million
Building & Structure Tax	\$0.89 million
Commercial Residential Mobile Home Park Tax	\$1.40 million
Total	\$16.43 million
<i>Per unit</i>	<i>\$26,890 per unit</i>



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