CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: **See Below**

DATE: February 23, 2026

Approved Jennifer A. Maguire

Date: 2/23/26

INFORMATION

SUBJECT: Downtown Residential Incentive Program Tax and Fee Waiver for the Gateway Tower and Bank of Italy Developments Located at 470 South Market Street and 12 South First Street

This information memorandum provides notice of an upcoming City Council action related to a waiver request for the Gateway Tower development, located at 470 South Market Street, and the Bank of Italy development, located at 12 South First Street.

The attached memorandum to the City Council provides a staff recommendation to approve Downtown Residential Incentive Program waivers for the Gateway Tower and Bank of Italy developments, pursuant to San José City Council–adopted Resolution No. RES2024-99. Resolution No. RES2024-99 requires that a public hearing be conducted for any waiver exceeding $1,000,000 and that notice of the public hearing be posted on the City's website at least 28 calendar days in advance of the City Council meeting at which the waiver is to be considered. This waiver is scheduled for consideration at the March 24, 2026, San José City Council meeting.

/s/
Erik L. Soliván
Housing Director

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.

ATTACHMENT: March 24, 2026 City Council Memorandum

COUNCIL AGENDA: 3/24/26
FILE:
ITEM:

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Erik L. Soliván
Chris Burton
John Ristow
Jon Cicirelli

SUBJECT: **See Below**

DATE: February 19, 2026

Approved

Date: 2/23/26

COUNCIL DISTRICT: 3

SUBJECT: Downtown Residential Incentive Program Tax and Fee Waiver for the Gateway Tower and Bank of Italy Developments Located at 470 South Market Street and 12 South First Street

RECOMMENDATION

(a) Conduct a public hearing to approve an economic development tax and fee waiver in connection with a reduction in construction taxes, parkland fees, and of the Inclusionary Housing Ordinance fees through the Downtown Residential Incentive Program in an amount of up to $6,092,122 pursuant to California Government Code Section 53083 and Open Government Resolution No. RES2024-99 Section 2.3.2.6.C for:

(1) Gateway Tower located at 470 South Market Street; and
(2) Bank of Italy located at 12 South First Street.

(b) Adopt a resolution approving the tax and fee waiver and authorizing the Housing Director, or his designee, to negotiate and execute documents and document amendments related to implementing the Downtown Residential Incentive Program, such as construction progress agreements.

SUMMARY AND OUTCOME

In compliance with the Downtown Residential Incentive Program (Incentive Program), City Council approval of the staff recommendation will provide a total construction tax fee waiver, parkland fees reduction, and Inclusionary Housing Ordinance (IHO) fee

waivers up to $2,409,000[1] for Gateway Tower and $3,683,122[2] for Bank of Italy developments to total $6,092,122[3] (after all subsidies are applied). In addition, standard allowed credits and fee reductions[4] may further reduce parkland fees[5]. City Council approval will also allow the Housing Director, or his designee, to negotiate and execute documents and document amendments related to implementing the Incentive Program, including construction progress agreements, with the developers Gateway Tower SJ, LP for Gateway Tower and Westbank for Bank of Italy.

Residential development is subject to the requirements of the City's Park Impact Ordinance (PIO) (San José Municipal Code Chapter 14.25) and/or the Parkland Dedication Ordinance (PDO) (San José Municipal Code Chapter 19.38) for the dedication of land. The obligation is the equivalent of providing three acres of parkland for every 1,000 new residents added by the project. Other compliance options, including paying a parkland fee in-lieu of dedicating land, constructing new recreational facilities, improving existing recreational facilities, or a combination of these solutions, are also allowed under the PIO and/or the PDO. The parkland impact in-lieu fee methodology is calculated using the estimated unit occupancy based on the housing type and the number of proposed units. Occupancy rates are established in the current Schedule of Parkland Fees (Resolution No. 78474) and vary by unit type consistent with 2010 U.S. Census data. The following is the formula used to produce parkland dedication obligation: ((Unit Quantity x Unit Type Average Population) – (Existing Units x Unit Type Average Population)) x (Land Required Per Person [or 0.003 acres]).

BACKGROUND

The Incentive Program, originally approved by City Council in 2007, has been amended multiple times to advance the City's longstanding objective of increasing the residential population in Downtown. Expanding Downtown housing has been viewed as critical to supporting transit investment, diversifying retail offerings, and generating additional employment activity in San José's core.

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[1] This figure only consists of the Parkland Impact In-Lieu fee because the other waivers do not apply.
[2] This figure only consists of the Parkland Impact In-Lieu fee and the IHO fee waiver because the other waivers do not apply. Total Parkland Impact In-Lieu fee and IHO forgone revenue for Bank of Italy is $795,700 (park fees foregone with 50% subsidy), and $2,887,422 (IHO fees foregone).
[3] Total Parkland Impact In-Lieu fee and IHO forgone revenue is $2,409,000 (Gateway Tower park fees foregone with 75% subsidy), $795,700 (Bank of Italy park fees foregone with 50% subsidy), and $2,887,422 (Bank of Italy IHO fees foregone).
[4] Eligible new residential high-rise construction projects are eligible for Private Recreation Credit.
[5] Total Parkland Impact In-Lieu fee forgone revenue for Gateway Tower is $2,409,000 (park fees foregone with 75% subsidy), $397,850, (park fees foregone with 50% per unit Affordable Housing Fee reduction), and $202,575 (park fees foregone with Private Recreation Credit up to 50% towards the project's parkland obligation). Total Parkland Impact In-Lieu fee and IHO forgone revenue for Bank of Italy is $795,700 (park fees foregone with 50% subsidy), $301,283 (park fees foregone with Private Recreation Credit), and $2,887,422 (IHO fees foregone).

Most recently amended on January 27, 2026, the current Incentive Program (Resolution No. RES2026-20) authorizes reductions to parkland in-lieu fees, IHO in-lieu fees, and certain construction-related taxes. Specifically, for eligible residential high-rise projects[6] and eligible commercial-to-residential conversion projects located within the Downtown Area, the Incentive Program offers:

1. Eligible new residential high-rise construction projects have a tiered benefit system to comply with the Parkland In-Lieu Fee, Building and Structure (B&S) Tax, and Commercial, Residential, and Mobile Home Park (CRMP) Tax requirements under two phases:

    a. **Phase 1**: Fee and tax reductions applied to the first 7,000 units that obtain building permits and complete first inspection within 12 months of permit issuance (50% Parkland In-Lieu Fee reduction; 100% B&S and CRMP Tax reduction); and

    b. **Phase 2**: Fee and tax reductions applied to the next 3,000 units in qualified residential high-rise projects that obtain building permits before June 30, 2031 (30% Parkland In-Lieu Fee reduction; 50% B&S and CRMP Tax reduction).

2. Eligible commercial-to-residential conversion projects through a tiered benefit system:

    a. **Phase 1**: 100% reduction in Construction Taxes and 50% reduction in the Parkland In-Lieu Fee for the first 500 units in projects that obtain building permits by December 31, 2027, and pass first inspection within 12 months of obtaining a building permit; and

    b. **Phase 2:** 50% reduction in Construction Taxes and 30% reduction in the Parkland In-Lieu Fee for the next 1,000 units in projects that pass first inspection within 12 months of obtaining a building permit.

3. **High Road Incentive Option:** For both new high-rise construction projects and commercial-to-residential conversion projects that meet High Road requirements, the Parkland In-Lieu Fee reduction increases from 50% to 75% in Phase 1 and from 30% to 50% in Phase 2. High Road requirements include:

[6] Eligible residential high-rise projects are "qualified residential high-rise projects" under San José Municipal Code Section 4.46.036(C) (Suspension) and must meet the applicable eligibility criteria. "Code of Ordinances." Municode Library. Accessed January 23, 2026. https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT4REFIBUTA_CH4.46BUSTCOTA_4.46.036SUUAREHIRIPR.

a. Skilled Apprenticeship Program: Use of workers for at least 80% of construction who are enrolled in state-approved apprenticeship programs, and utilization of pre-apprenticeship and workforce readiness programs for disadvantaged residents for contracts over $500,000; and

b. Prevailing Wage: At least 80% of construction workers shall be paid prevailing wage rates as determined by the Director of Industrial Relations pursuant to Labor Code Sections 1773 and 1773.9, with payroll records maintained per Labor Code Section 1776.

4. A reduction of the Inclusionary Housing In-Lieu Fee to $0 for eligible residential high-rise and commercial-to-residential conversion projects located in the Downtown Planned Growth Area.

ANALYSIS

The development projects must comply with their amended IHO Affordable Housing Compliance Plan and record an Inclusionary Housing Agreement against the respective sites, memorializing the requirements under the Incentive Programs IHO in-lieu fee reduction prior to building permit issuance. Staff will also execute an agreement with the developer to ensure the additional requirements of the tax reduction are met. For Downtown Residential Incentive Program projects, an executed Parkland Agreement that outlines how a project will comply with the PIO/PDO is required prior to the issuance of a Parcel Map or a Final Map [subdivision]. For eligible new residential high-rise construction projects and some affordable housing projects, full payment of park impact in-lieu fees is due at the issuance of the Certificate of Occupancy and for eligible conversion projects, full payment of park impact in-lieu fees is due prior to building permit issuance.

New Construction - Gateway Tower

The Gateway Tower development is a 100% affordable 15-story mixed-income mixed-use building that will have up to 220 dwelling units and approximately 3,320 square feet of ground floor commercial space on an approximately 0.50-gross-acre site. The project includes 120 units (55%) that will be restricted to renting to households earning no more than 30% of area median income (AMI); 26 units (12%) at 50% AMI, 48 units (22%) at 60% AMI, 24 units (11%) at 70% AMI, and two market rate manager units. A rendering of the development can be viewed in Attachment A – Gateway Tower Rendering. Construction is expected to start in Quarter 2 of 2026 and finish in Quarter 2 of 2028.

Office-to-Residential Conversion - Bank of Italy

The Bank of Italy conversion is an adaptive reuse project that will transform the historic Bank of Italy office building in Downtown San José into a residential development. The project proposes converting the upper floors of the former office tower into approximately 109 residential units, while renovating the ground floor to accommodate a residential lobby and building services. Resident amenities are planned within the lower levels of the building, and the project includes façade and window upgrades to support residential use. The conversion preserves the historic landmark structure built in 1925 while reinvigorating a prominent downtown site with new housing. A rendering of the proposed development can be viewed in Attachment B - Bank of Italy Rendering. Construction is expected to start in Quarter 2 of 2026 and finish in Quarter 3 of 2027.

Construction Taxes

The City's construction taxes include the B&S Tax and the CRMP Tax, both of which are based on a percentage of the valuation of construction derived from the most current building valuation data table published by the International Code Council[7] for the residential portion. The B&S tax rate on residential building construction valuation is 1.54%, and the CRMP tax rate is 2.42%, for a combined tax of 3.96%. Proceeds are used to fund transportation capital improvement projects and associated staffing, data collection and analysis, and other resources. These may include repairs and redevelopment of existing transportation-related projects and improvements, such as pavement maintenance, complete streets, pedestrian safety, and traffic calming projects.

Gateway Tower and Bank of Italy are exempt from the construction tax obligation under the Downtown Residential High-Rise Incentive program.

Gateway Tower is a 100-percent 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. This qualifies the project for an exemption under San José Municipal Code Section 4.46.032 Additional Exemption—Housing Constructed with Government Assistance.

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).

[7] The International Code Council is a nonprofit organization that develops model building codes and standards and publishes standardized construction cost data used by municipalities nationwide.

Parkland Impact In-Lieu Fees

Table 1 shows the amount of Parkland In-Lieu Fees that will be reduced and collected under the City Council adopted programs after all existing fee reduction and credit programs are applied.

Gateway Tower has an obligation to dedicate 0.997 acres of land or pay $3,212,000 in equivalent parkland in lieu fees under the City's PIO. As an eligible new residential high-rise construction project under the Incentive Program, the project qualifies for a 50% reduction in parkland fees, which can be reduced up to 75% if High Road conditions are met. Under the 50% scenario, the project would receive a 50% fee reduction (waived amount) of $1,606,000. As such, the remaining fee after 50% reduction is $1,606,000. The project would be eligible for additional reductions including an Affordable Housing Fee reduction[8] (50% per unit) of $795,700 and a Private Recreation Credit fee reduction[9] of up to $405,150. As such, the final estimated park fees to be paid is $405,150 in parkland fees. If the project meets the High Road requirements, the project would receive a 75% fee reduction (waived amount) of $2,409,000. As such, the remaining fee after 75% reduction is $803,000. The project would be eligible for additional reductions including an Affordable Housing Fee reduction (50% per unit) of $397,850 and a Private Recreation Credit fee reduction of up to $202,575. As such, the estimated park fees to be paid is $202,575. The Gateway Tower 75% High Road Scenario results in the lowest final payment. After all waivers and credits, the developer would only pay about 6% of the original fee. For eligible new residential high-rise construction projects, full payment of park impact in-lieu fees will be due at the issuance of the Certificate of Occupancy.

The Bank of Italy has an obligation to dedicate 0.494 acres of land or pay $1,591,400 in equivalent parkland in lieu fees under the City's PIO. As an eligible commercial-to-residential conversion project under the Incentive Program, the project qualifies for a 50% reduction in parkland fees. The project would receive a 50% fee reduction (waived amount) of $795,700. As such, the remaining fee after 50% reduction is $795,700. If the project were to include affordable housing and seek the applicable reduction, it would qualify for an additional 50% per-unit reduction. However, it would not be eligible for Private Recreation Credit. As such, the final estimated park fees to be paid is $795,700 in parkland fees. Alternatively, if the project meets the new construction scenario

[8] The parkland fees charged for "low-income units" as defined in SJMC Chapters 14.25 and 19.38 are set at fifty percent (50%) of the applicable parkland fees for each qualifying residential unit type pursuant to Resolution No. 75540 adopted by Council on August 24, 2010. "Lower income households" is defined as persons and families whose incomes are between 0% - 80% of the AMI.

[9] Private Recreation Credits are a specific type of credit that allow a development to further reduce its parkland obligation or equivalent fees by up to 50% by providing qualifying on-site amenities. Credits are based on the square footage of the qualifying amenities as defined in Resolution No. 73587. Private Recreation Credits can be combined with low-income housing credits to further reduce the obligation.

requirements which would provide for a Private Recreation Credit reduction, then the payment will be further reduced to $494,417. The Bank of Italy New Construction Scenario results in the lowest final payment. After all waivers and Private Recreation Credit reduction, the developer would only pay about 31% of the original fee. For eligible conversion projects, full payment of park impact in-lieu fees will be due at building permit issuance and for eligible new residential high-rise construction projects, full payment of park impact in-lieu fees will be due at the issuance of the Certificate of Occupancy.

Table 1 – Parkland In-Lieu Fees Overview

Scenarios	Gross Parkland In-Lieu Fees	Reduction (amount of money waived)	Total Affordable Housing Fee Reduction 50% per unit[10]	Private Recreation Credit Reduction [11]	Estimated Amount of Park Fees to be Paid after all Subsidies and Credits Applied
Gateway Tower					
75% Reduction High Road Scenario:	$3,212,000	$2,409,000	$397,850	$202,575	$202,575
50% Reduction Scenario:	$3,212,000	$1,606,000	$795,700	$405,150	$405,150
Bank of Italy					
50% Reduction New Construction Scenario:	$1,591,400	$795,700	N/A	$301,283	$494,417
50% Reduction Conversion Scenario:	$1,591,400	$795,700	N/A	N/A	$795,700

**This preliminary estimate can change. The final parkland obligation and credits will be determined* within a Parkland Agreement.

Inclusionary Housing Ordinance – Bank of Italy

In 2010, City Council adopted the IHO, which requires all residential developers constructing new or modified rental residential units to comply with a base requirement of 15% on-site affordable housing units within the development. Other compliance options, including off-site construction of deed-restricted affordable units or payment of an in-lieu fee, are also allowed under the IHO. The IHO in-lieu fee methodology is

[10] Deed restricted affordable units that are subject to an Affordability Restriction as confirmed by the Housing Department quality for a 50% of the per unit park fee (Resolution No. 75540).
[11] Private Recreation Credits, which allow a credit of up to 50% towards the project's parkland obligation, could be available for on-site privately owned and maintained recreational amenities that meet the eligibility requirements listed in "Section 3. Schedule of Credits" included in Resolution No. 73587 (pages 8-10), as may be amended.

based on a development's net residential square footage calculation. The current fiscal year IHO In-Lieu fee is $49.99 per net residential square foot for developments located in strong market areas. Under the Downtown Residential Incentive Program, as amended on January 27, 2026, the IHO in-lieu fee is reduced to $0 for eligible residential high-rise and commercial-to-residential conversion projects located in the Downtown Planned Growth Area, without requiring on-site affordable units.

The Gateway Tower is a 100% affordable project, so the IHO does not apply.

Table 2 provides a summary of the projected total IHO in-lieu fee waived for Bank of Italy development.

Table 2 – Waived IHO In-Lieu Fees

Development	Market Area	FY 2025-2026 IHO In-Lieu Fee Rate	Net Residential Square Footage	IHO In-Lieu Fee Status	Fee Waived Under Downtown Program
Bank of Italy	Strong Market	$49.99	57,760	Waived	$2,887,422
Total			**57,760**		**$2,887,422**

Table 3 provides a summary of the total proposed tax and fee waiver for the developments.

Table 3 – Proposed Amounts of Tax and Fee Waiver

Project	100% Reduction of B&S and CRMP Construction Taxes	75% Reduction of Parkland In-Lieu Fees (amount of money waived)	50% Reduction of Parkland In-Lieu Fees (amount of money waived)	IHO In-Lieu Fee Waiver	Total Tax Reduction and Fee Waiver
Gateway Tower	N/A	$2,409,000	$1,606,000	N/A	Varies
Bank of Italy	N/A	N/A	$795,700	$2,887,422	$3,683,122
Total	**N/A**	**$2,409,000**	**$2,401,700**	**$2,887,422**	**Varies**

EVALUATION AND FOLLOW-UP

Staff will execute agreements with the developers as required under the San José Municipal Code Sections 4.46.039.11 and 4.47.089 and will monitor project construction to ensure the Incentive Program requirements are fulfilled. The developments must comply with IHO requirements, including their Affordable Housing Compliance Plans and recordation of an Inclusionary Housing Agreement on the sites prior to building permit issuance. Staff will not execute any agreements with the developers until the ordinance amendment goes into effect on March 12, 2026. Downtown Residential Incentive Program projects require an executed Parkland Agreement that outlines how a project will comply with the PIO/PDO prior to the issuance of a Parcel Map or a Final Map [subdivision]. For eligible new residential high-rise construction projects and some affordable housing projects, full payment of park impact in-lieu fees are due at the issuance of the Certificate of Occupancy and for eligible conversion projects, full payment of park impact in-lieu fees is due prior to building permit issuance.

FISCAL IMPACT

The projects align with the City's Economic Development Strategy to position Downtown as Silicon Valley's City Center to attract a diverse range of residents.

Table 4 addresses the requirements set forth in the City's Resolution No. RES2024-99 for the publication of information related to an economic development waiver of more than $1,000,000.

Table 4 – City of San José Incentive Program Cost/Benefit Evaluation

a) Accountability	The Incentive Program provides fee and tax reductions through a tiered benefit system (Phase 1 and Phase 2) for up to 10,000 residential units in new high-rise construction and up to 1,500 units in commercial-to-residential conversion projects: IHO In-Lieu Fee: Reduced to $0 for eligible projects located in the Downtown Planned Growth Area. **For eligible new residential high-rise construction projects:** Phase 1 (first 7,000 units; first inspection within 12 months): • 100% reduction of the B&S Tax • 100% reduction of the CRMP Tax

	• 50% reduction in the Parkland In-Lieu Fee Phase 2 (next 3,000 units): • 50% reduction of the B&S Tax • 50% reduction of the CRMP Tax • 30% reduction in the Parkland In-Lieu Fee **<u>For eligible commercial-to-residential conversion projects:</u>** Phase 1 (first 500 units; permits by December 31, 2027; first inspection within 12 months): • 100% reduction of the B&S Tax • 100% reduction of the CRMP Tax • 50% reduction in the Parkland In-Lieu Fee Phase 2 (next 1,000 units; first inspection within 12 months): • 50% reduction of the B&S Tax • 50% reduction of the CRMP Tax • 30% reduction in the Parkland In-Lieu Fee High Road Incentive Option: New construction projects meeting skilled apprenticeship and prevailing wage requirements receive increased Parkland In-Lieu Fee reductions: from 50% to 75% in Phase 1 and from 30% to 50% in Phase 2.
b) Revenue Generated and Revenue Loss	**Revenue Generated:** If the Gateway Tower qualifies for a 50% reduction in parkland fees, the Estimated Total Amount of Parkland Impact In-Lieu fee received after all subsidies are applied is $2,401,700.[12] In addition, standard allowed credits and fee reductions may further reduce parkland fees generated. If the Gateway Tower meets the High Road requirements, the Estimated Total Amount of Parkland Impact In-Lieu fee received after all subsidies are applied will be further

[12] Total Parkland Impact In-Lieu fee received is $1,606,000 (Gateway Tower park fees paid with 50% subsidy) and $795,700 (Bank of Italy park fees paid with 50% subsidy).

	reduced to $1,598,700.[13] In addition, standard allowed credits and fee reductions may further reduce parkland fees generated. **Revenue Loss:** The projects are eligible for 100% B&S and CRMP construction tax waivers and are not expected to generate Construction Tax revenue. Construction tax revenue forgone under the Downtown Residential Incentive Program is $0. If the Gateway Tower qualifies for a 50% reduction in parkland fees, the Estimated Total Amount of Parkland In-Lieu Fee forgone revenue after all subsidies are applied is $2,401,700.[14] In addition, standard allowed credits and fee reductions may result in further foregone revenue. If the Gateway Tower meets the High Road requirements, the Estimated Total Amount of Parkland In-Lieu Fee forgone revenue after all subsidies are applied will be further increased to $3,204,700.[15] In addition, standard allowed credits and fee reductions may result in further foregone revenue. The IHO in-lieu fee revenue forgone is $2,887,422.
c) Net job impact	**Based on estimates from the Developers:** Gateway Tower will create approximately 175 jobs. Over 83% of these construction jobs will generate an annual salary above $80,000, 6% will generate an annual salary between $60,000- $80,000, and the remaining 18% of jobs earning up to $60,000. Bank of Italy will create approximately 275 jobs. Approximately 4% of these construction jobs will generate an annual salary above $80,000, 86% will generate an

[13] Total Parkland Impact In-Lieu fee received is $803,000 (Gateway Tower park fees paid with 75% subsidy) and $795,700 (Bank of Italy park fees paid with 50% subsidy).
[14] Total Parkland Impact In-Lieu fee forgone revenue is $1,606,000 (Gateway Tower park fees foregone with 50% subsidy) and $795,700 (Bank of Italy park fees foregone with 50% subsidy).
[15] Total Parkland Impact In-Lieu fee forgone revenue is $2,409,000 (Gateway Tower park fees foregone with 75% subsidy) and $795,700 (Bank of Italy park fees foregone with 50% subsidy).

	annual salary between $60,000- $80,000, and the remaining 10% of jobs earning up to $60,000. The recipient will provide health insurance to all employees.
d) Housing impact	Collectively, the developments will deliver 329 new housing units, 218 deed-restricted units at up to 70% AMI and 111 market-rate units. Based on the reported net job impact above, up to 56 extremely low-income housing units may be required for employees hired to implement the project.
e) Source of funds	The program does not provide funds directly to the projects. It is a suspension of 100% of construction taxes, a 30% - 75% reduction in Parkland Impact In-Lieu Fees (in addition to applying standard allowed credits), and a reduction to $0 of the IHO in-lieu fee. Collectively, the projects are estimated to generate one-time revenue of 1,598,700[16] Parkland Impact In-Lieu Fees after all subsidies are applied.
f) Traffic or public Infrastructure impacts	No significant impacts are anticipated on traffic or public infrastructure, given that funding is being transferred to the traffic capital fund to mitigate the one-time revenue reduction.

Table 5 addresses the requirements set forth in the State of California Assembly Bill 562 (Government Code 53083) for the publication of information related to an economic development subsidy and a public hearing.

[16] Total Parkland Impact In-Lieu fee received is $803,000 (Gateway Tower park fees paid with 75% subsidy) and $795,700 (Bank of Italy park fees paid with 50% subsidy)

Table 5 – State of California Cost/Benefit Evaluation

a) Name/address of benefiting business entity	**Gateway Tower:** Gateway Tower SJ, LP 470 South Market Street, San Jose, CA 95113 **Bank of Italy:** Project BOI LLC 12 South 1st Street San Jose, CA 95113
b) Start and end dates for the subsidy	Projects are eligible for the subsidy under the Incentive Program after the issuance of building permits. The subsidy will become finalized upon payment of taxes, prior to the issuance of the first Certificate of Occupancy, subject to conditions therein.
c) Description of the subsidy, estimated total amount of expenditure of public funds or revenue lost	The City shall suspend 100% of construction taxes on the developments constructed at Gateway Tower and Bank of Italy and shall allow payment of the taxes to be delayed until the issuance of the Certificate of Occupancy. The City shall suspend 30% to 75% of Parkland Impact In-Lieu Fees (in addition to applying standard allowed credits) and shall allow payment of the fees to be delayed until the issuance of the Certificate of Occupancy. The City shall also provide a reduction to $0 for the IHO in-lieu fee. The estimated economic development subsidy is $6,092,122.[17]
d) Statement of public purpose	To encourage the development of multifamily residential development in the Downtown Area, spurring increased retail amenities, attracting more employers, increasing transit use, and improving public life in San José. The aggregation of these factors will increase the

[17] Total Parkland Impact In-Lieu fee and IHO forgone revenue is $2,409,000 (Gateway Tower park fees foregone with 75% subsidy), $795,700 (Bank of Italy park fees foregone with 50% subsidy), and $2,887,422 (Bank of Italy IHO fees foregone).

	economic vitality of San José's urban core and will translate to increased property tax and sales tax revenue for the City.
e) Projected tax revenue	The projects are estimated to generate one-time revenue of $0 in construction taxes.
f) Estimated number of jobs created, broken down by full time, part-time and temporary positions	Based on estimates from the Developer, Gateway Tower will generate approximately 175: • Full-Time: 160 • Part-Time: 10 • Temporary: 5 Bank of Italy will generate approximately 275: • Full-Time: 250 • Part-Time: 20 • Temporary: 5 The recipient will provide health insurance to all employees.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the City Manager's Office of Economic Development and Cultural Affairs.

PUBLIC OUTREACH

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

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Gateway Tower: Supplemental Environmental Impact Report and Addenda thereto, to the Downtown Strategy 2000 Plan Environmental Impact Report adopted June 21, 2005

(Resolution #72767) for the Gateway Tower Mixed Use Development project adopted December 6, 2016 (Resolution #78007), File Nos., H15-047 and H15-003.

Bank of Italy: Categorically Exempt, File No. HP20-003 and HPAD23-021, CEQA Guidelines Section 15331, Historical Resource Restoration/Rehabilitation.

PUBLIC SUBSIDY REPORTING

This item meets the public disclosure requirements about public subsidies given to developers as defined in the City's Open Government Resolution section 2.2.10 and is in the amount of $1,000,000 or more. An informational memorandum, as described in Open Government Resolution section 2.3.2.6.C, will be released at least 28 calendar days prior to the City Council meeting at which the subsidy will be considered. The Director of the City Manager's Office of Economic Development and Cultural Affairs has been informed of this subsidy to ensure that it is tracked appropriately.

/s/
ERIK L. SOLIVÁN
Housing Director

/s/
CHRIS BURTON
Planning, Building, and
Code Enforcement Director

/s/
JOHN RISTOW
Transportation Director

/s/
JON CICIRELLI
Parks, Recreation, and Neighborhood
Services Director

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.

ATTACHMENTS:
Attachment A – Gateway Tower Rendering
Attachment B – Bank of Italy Rendering

Attachment A:

Gateway Tower Rendering

Attachment B:

Bank of Italy Rendering