

Downtown High-Rise Residential Incentive Program

Advocates/Stakeholder Meeting

May 29, 2024

*This meeting is being recorded

Current Downtown High-Rise Residential Incentive Program

Inclusionary Housing Ordinance (IHO)

Reduction to \$0 in-lieu if building permit issued by June 30, 2025 and Project Completion by June 30, 2029 *

Construction Taxes

(Commercial-Residential-Mobilehome Park Construction Tax and Building and Structure Construction Tax)

50% reduction and deferral of payment if completed by June 30, 2029

*Certificate of Occupancy for 80% of dwelling units must be obtained on or by June 30, 2029

DISCUSSION RECAP : February 2024 Stakeholder Meeting

Possible Downtown High-Rise Incentives Revised Program Parameters

- Incentivize only new vertical construction starting within 3-5 years
- Consider Reducing Minimum Height to Mid-rise - 7 Stories/85 feet
- Construction Taxes - Possible deeper cuts beyond current 50%*
- Parks Fee – Possible reduction from current \$14,600 per unit**
- Consider reducing commercial requirements
- Consider changes to requirement to conduct Local Transportation Analysis

** The City relies on Construction Taxes to fund projects and retain staff in the Capital Improvement Program as well as funds to match external grants, especially transportation-related grants.*

*** Park In-Lieu Fees for Downtown were permanently reduced from \$22,600/unit to the current \$14,600/unit in 2017. Park Fees are not part of the current Downtown High-Rise Incentive Program because the 2017 fee level is based on a lowered observed occupancy in downtown units.*

DISCUSSION RECAP : February 2024 Stakeholder Meeting

Consideration of Temporary Citywide Program

- Establish Minimum Height/Density – 5 stories and/or 55 DU/AC
- IHO Reductions – Lower Fee or Modified Inclusionary Requirements
- Reduce Construction Taxes
- Reduce Park Fees Citywide**
- Reduce or modify minimum commercial space requirements
- Process Improvements in Transportation Analysis

*** Park In-Lieu Fees vary considerably across the City because they are calculated by using recent comparable land sales which rise as land prices rise.*

Process

- Careful consideration was given to formulating recommendations given City's multiple objectives.
- Significant concerns were weighed against the need to spur downtown high-rise production:
 - Loss of funds for park development/improvements and deferred infrastructure & maintenance
 - Reduction in construction taxes for capital projects and staffing
 - Reduction of funds needed to match other public and private sector grants
 - Continued waiver of funding and support to produce affordable housing
- Deeper reductions were contemplated but revised after assessing the impacts to funding, services, and staffing.
- Administration's objective is to balance reduction of City added costs while still maintaining support for transportation, affordable housing and parks-related commitments.

Recommendations for June 11 Council Hearing

- **Extend the Downtown High-Rise 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
- **Analyze options and study the potential impacts of a temporary citywide multifamily residential impact fee/tax reduction program**

Geography of Project

Project Density

Performance Metrics

Impact Fees/Taxes

Inclusionary Housing Ordinance

Construction Taxes

Parkland Dedication and Park Impact Ordinances

Project Entitlement/ Application Status

Term of Program

Timing of Payment

Alternative Financing Mechanisms

Current vs Proposed Program Parameters

	CURRENT PROGRAM	PROPOSED 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 <i>(able to reduce up to 50% with private recreation credits)</i>	<u>Phase 1</u> 50% reduction - \$7,300/unit <i>(private recreation credits up to 50% against the reduced fee allowed, resulting in a reduction to \$3,650)</i>	<u>Phase 2</u> 30% reduction - \$10,220/unit <i>(private recreation credits up to 50% against the reduced fee allowed resulting in a reduction to \$5,150)</i>
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 <i>(January 1, 2026 - December 31, 2026)</i> .
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.	



Next Steps

Upcoming Public Meetings

Department Director's Report

- Parks and Recreation Commission
June 5, 5:30 p.m.
- Housing Commission

JUNE 11 CITY COUNCIL - HOW TO PARTICIPATE

- **Attend *in-person*** to provide public comment during the meeting at City Hall (200 E. Santa Clara St. San José CA 95113)
- **Send** written public comment by email to city.clerk@sanjoseca.gov before 10:00 a.m. the day of the meeting.
- **Observe** the meeting online without being able to make public comment on the City's YouTube Channel or by typing this zoom address into a web browser:

<https://sanjoseca.zoom.us/j/94558095100>

Thank you