

# Multi-Family Residential Incentive Program Considerations

**City of San José**

**Development Community Stakeholder Meeting**

**September 16, 2024**

\*This meeting is being recorded

## Background

- Council direction in June 2024 to return with recommendations to unblock multi-family housing projects within Growth Areas outside of downtown.
- Council direction included scoping this potential incentive program to project applications that were deemed complete by the Planning Department by the end of June 2022.
- Basis for any incentive is that current economic conditions remain a barrier to the construction of new market rate and affordable housing for all construction types.
- Approximately 10,000 units: 70% market-rate and 30% affordable in the universe of projects being considered.

## Process

- Careful consideration needed given City's multiple objectives.
- Significant concerns to weigh against the need to spur multi-family housing production:
  - Loss of funds for park development/improvements and deferred infrastructure & maintenance
  - Reduction in construction taxes for transportation 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
- Administration's objective is to balance reduction of City added costs while still maintaining support for transportation, affordable housing and parks-related commitments.

# Current vs Potential Program Concept

PARAMETER	POTENTIAL PROGRAM CONCEPT	CURRENT OBLIGATION
DENSITY/ HOUSING TYPE	Portions of multi-family projects with 50+DU/acre and 5+ stories	
GEOGRAPHY	Focused in Growth Areas throughout the City	
CONSTRUCTION TAXES	Considering reduction in CRMP/B&S.	Tax rate based on project valuation.
PARKS FEES	Up to 50% reduction in North San Jose MLS 7B market-rate units only to \$20,800/unit with private recreation credits up to 50% against the reduced fee allowed.	MLS 7B Parks Fee = \$41,600/unit. Parks fees in all other areas of the City range from \$8,000 - \$20,800/unit.
INCLUSIONARY HOUSING	\$0 in-lieu fee and 5% of units at 100% Area Median Income (AMI)	<u>Strong Market</u> : \$49.99 sq. ft. <u>OR</u> 5% of units at 100% AMI and \$21.74  <u>Moderate Market</u> : \$21.74 sq. ft. <u>OR</u> 5% of units at 100% AMI and \$13.80
TIMING OF PAYMENT	Taxes and Parks Fees at Certificate of Occupancy or three (3) years from the date the Building Permit is issued, whichever is sooner.	
PROGRAM HORIZON	Expiration of valid entitlement – Two years plus two, 1-year extensions = 4 years from initial entitlement.	

# Program Considerations

## ▪ Construction Taxes

- Taxes associated with some projects are projected in the current 5-year Capital Budget.
- Reduced Capital Budget revenue would impact Vision Zero program, pedestrian safety improvements, accessibility projects, new development and planning data collection.
- The Capital Budget has a projected deficit in FY 28-29 at current funding levels, escalating in the out years.

## ▪ Parks Fees

- Seven capital projects in the queue for North San Jose at a cost of \$79M.

## ▪ Inclusionary Housing

- Community & Economic Development Core Service Area priority is housing production.
- Current thinking retains the production of middle-income housing with 5% of units at 100% AMI.

## ▪ 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.

## Next Steps

- **Stakeholder Outreach Meetings**
  - Development Community
  - Advocates – Parks, Housing, Transportation
  - Labor Leadership
- **Additional Staff Analysis**
- **Formation of Staff Recommendation**
- **City Council Consideration**

**Thank you**