



January 23, 2026  
City of San Jose City Council  
200 E. Santa Clara St.  
San José, CA 95113

**Subject:** Support for Housing Incentive Programs (Items 8.2 and 8.3) and Inclusionary Housing Ordinance Updates (8.4)

Dear Mayor Mahan and Honorable Councilmembers,

SPUR writes in support of the proposed housing incentive programs, including the expansion of [Downtown Residential Incentive Program](#) and the [Multifamily Housing Incentive Program](#) extension. We believe that these actions will unlock stalled housing developments, support housing production in Downtown San José, and deliver naturally occurring affordability for middle-income households without deep subsidies, relieving displacement pressures elsewhere in the city.

We are particularly supportive of the expansion of the Downtown Residential Incentive Program because its focus on office-to-residential conversions aligns with SPUR's [Revitalizing San José's Downtown: Five Strategies](#). By targeting conversion projects for mid- and high-rise buildings in the Downtown and phasing reductions to key development taxes, the program prioritizes housing that can realistically be delivered in the near term. Simultaneously, we encourage the City to identify complementary and reliable funding strategies for parks, notably Guadalupe River Park and St. James Park, so that housing production and investments in park amenities, maintenance, and public space can advance together.

In supporting the extension of the Multifamily Housing Incentive Program (MHIP), we recognize its demonstrated success over the past year. After a period in which no multifamily projects advanced to construction, MHIP has helped unlock multiple projects now under construction or actively pursuing permits, representing approximately 1,400 units.<sup>1</sup> Together, the program's combination of tax reductions, expanded eligibility, and a readiness-based prioritization could deliver even more housing projects. Although the potential loss of transportation revenue is not assumed in the 2026-2030 Adopted Traffic Capital Program, we want to emphasize the importance of identifying additional, sustainable transportation funding sources to continue supporting the critical link between housing and transportation in the Bay Area's largest city.

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<sup>1</sup> City of San José, Staff Memorandum: Multifamily Housing Incentive Program Extension, Agenda Item 8.3. Staff analysis summarizes project status and unit counts.

SPUR also supports the proposed updates to the [Inclusionary Housing Ordinance](#). We recognize that fewer than 10 percent of projects subject to the Inclusionary Housing Ordinance are currently penciling under existing requirements,<sup>2</sup> and we share the City's goal of ensuring the ordinance results in actual housing production rather than stalled projects. We further acknowledge that middle-income households are a critical but underserved segment of the housing market, and that cities across the region, including San José, systematically underproduce housing for this group. During the current 6th cycle Housing Element period, only 109 middle-income units have been completed, by far the lowest level of production across all income categories.<sup>3</sup>

At the same time, SPUR recognizes the importance of subsidized affordable housing throughout the Bay Area and supports the provision to help streamline 100% affordable housing projects. We must also continue to work in partnership to find funding for low- and very low-income housing. The City has been a strong partner working collaboratively with stakeholders and the County to provide gap subsidies. Still, with the Measure A bond exhausted, additional funding sources will be necessary to meet the needs of lower-income residents. While subsidized affordable housing is best suited to address displacement directly, market-rate housing also plays an indispensable role by absorbing demand and reducing pressure on existing lower-income neighborhoods.<sup>4</sup> We need to do both, and this proposal strikes an appropriate balance, provided it is paired with a continued commitment to identifying new, reliable funding sources for affordable housing.

For these reasons, SPUR urges the City Council to approve the Downtown Residential Incentive Program expansion, the extension of the Multifamily Housing Incentive Program, and the proposed updates to the Inclusionary Housing Ordinance. We look forward to working closely with the City to track outcomes, refine policies as conditions change, and identify additional funding strategies to meet San José's housing and equity goals.

Sincerely,



Lori Droste  
Housing and Planning Policy Director, SPUR

<sup>2</sup> City of San José, Staff Memorandum: Inclusionary Housing Ordinance Amendments, Agenda Item 8.4. Staff reports that fewer than ten percent of IHO projects are financially feasible.

<sup>3</sup>"City of San Jose's 6th Cycle (2023-2031) Housing Production," (PBCE Housing Production Dashboard), San José's Department of Planning, Building, and Code Enforcement,

<https://app.powerbigov.us/view?r=eyJrIjoiYTdkNmJhMDYtZTA4OS00MWQ4LTImOGUtZDIwZThkNTc3MzRmlividCI6IjBmZTMzYmUwLTYxNDItNGY5Ni05YjhkLTc4MTdkNWMyNjEzOSJ9>.

<sup>4</sup> Pennington, Kate, Does Building New Housing Cause Displacement?: The Supply and Demand Effects of Construction in San Francisco (June 15, 2021). Available at SSRN:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3867764#paper-citations-widget](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3867764#paper-citations-widget)