



STRATEGIC  
ECONOMICS



COMMUNITY  
PLANNING  
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# Santa Clara County Grand Nexus and Feasibility Study

Real Estate Developers and Industry Representatives  
Second Stakeholder Meeting

May 29, 2025

11:00 a.m. – 12:00 p.m.

# Today's Agenda

- Study Background:
  - Purpose, Participating Jurisdictions, Approach, and Timing
- Methodology Overview
- Preliminary Results
  - Residential and Commercial Nexus Results
  - Feasibility – Development Costs and Policy Scenarios
- Questions and Discussion
- Next Steps

# Goals of Today's Meeting

- Share our progress
- Present preliminary findings
  - Results of the nexus analyses
  - Preliminary financial pro forma assumptions for the feasibility analysis
- Receive your initial feedback on the accuracy of the assumptions

# Study Purpose and Scope



Recommend updates to local policies for affordable housing fees and inclusionary affordable housing requirements



Ensure these tools can help produce affordable housing in Santa Clara County

*The study covers:*

- **Residential impact fees** applied to individual single-family homes and smaller scale residential developments (fewer than 10 units)
- **Inclusionary affordable housing requirements** that require multifamily projects to offer a percentage of the units at below market rates (or pay an in-lieu fee)
- **Commercial linkage fees** applied to non-residential development

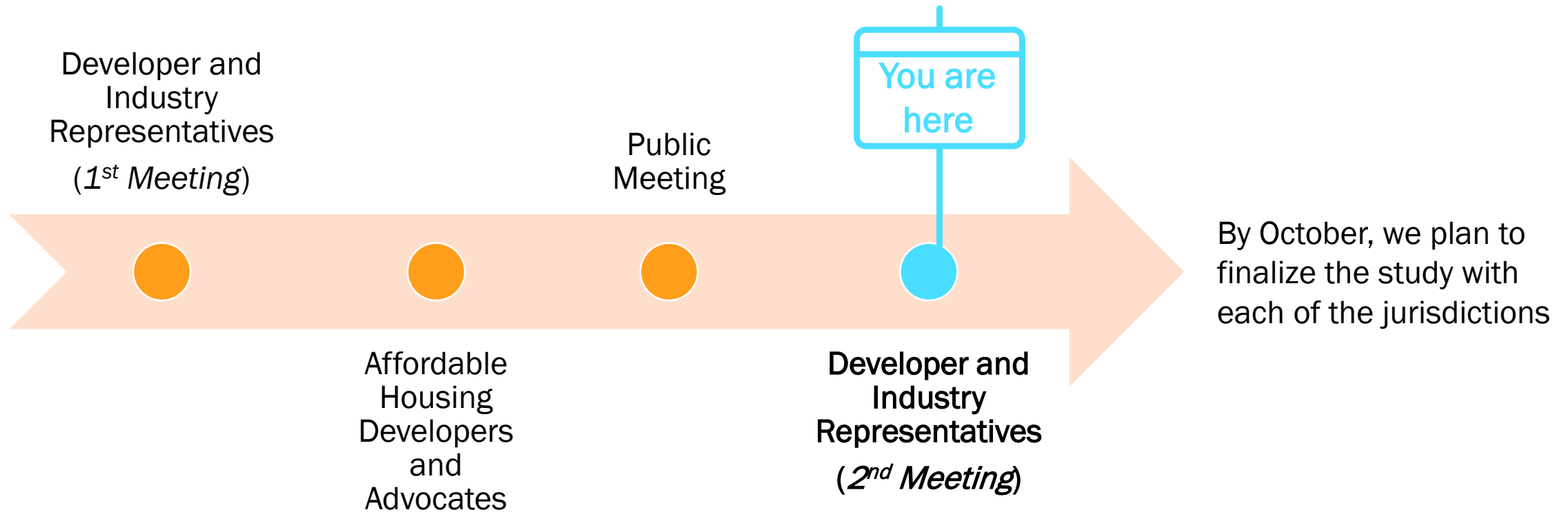
# Participants by Category

	Residential Nexus Study	Residential Feasibility / Inclusionary Study	Commercial Nexus Study	Commercial Feasibility Study
Gilroy				
Los Altos Hills				
Los Gatos				
Mountain View				
Santa Clara (city)				
Sunnyvale				
<b>Total Jurisdictions</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>

**Key**

- Studying policy for first time implementation
- Studying updates to existing policy via this project
- Current policy in place, not participating in study
- No current policy, not participating in study

# Stakeholder and Public Outreach Progress



# Getting to the Recommendations



# Residential Impact Fee Nexus Analysis

Establishes the maximum legally justifiable impact fee amount



New Housing  
Units



New  
Household  
Spending



New  
Workers

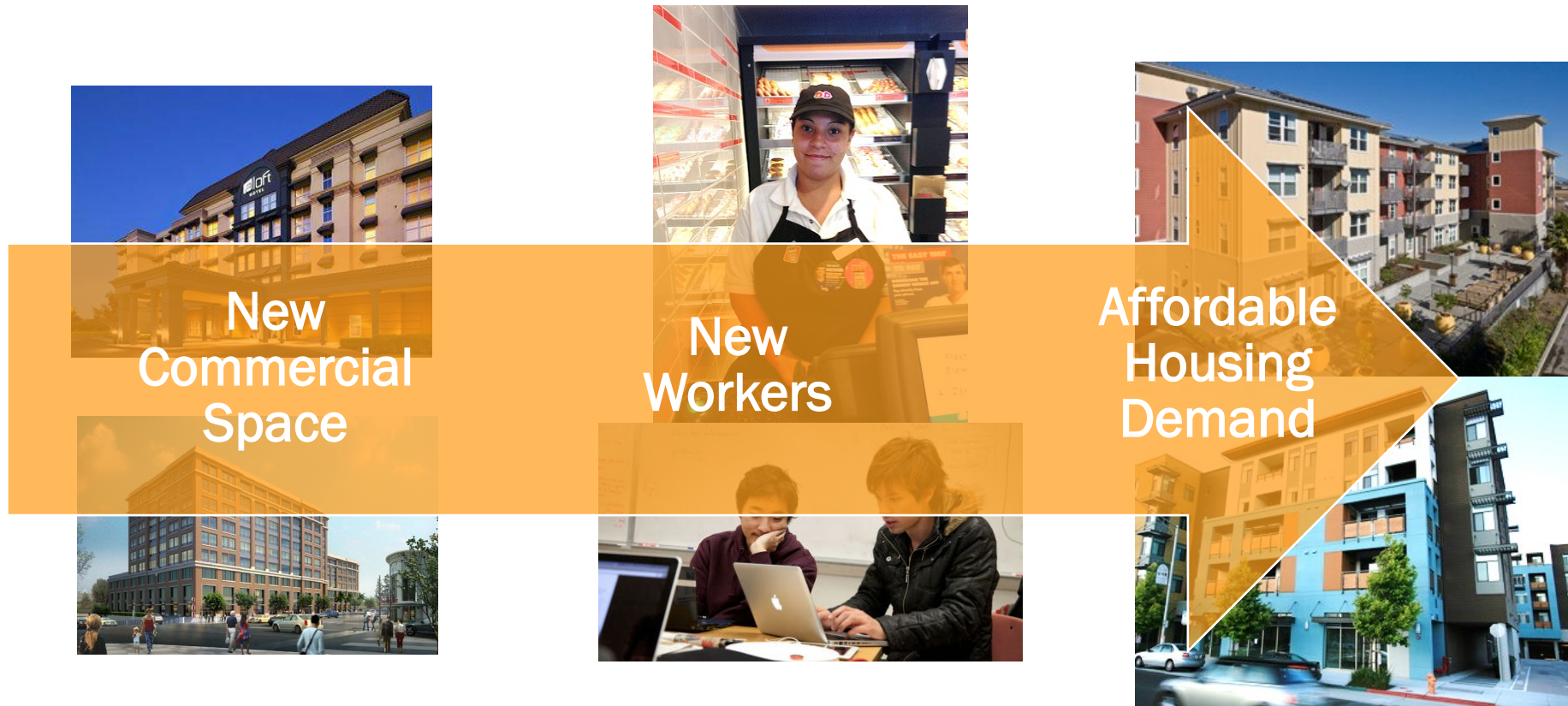


Affordable  
Housing  
Demand



# Commercial Linkage Fee Nexus Analysis

Establishes the maximum legally justifiable impact fee amount



# Four residential building prototypes are being used to analyze the residential impact fee

## Residential Nexus



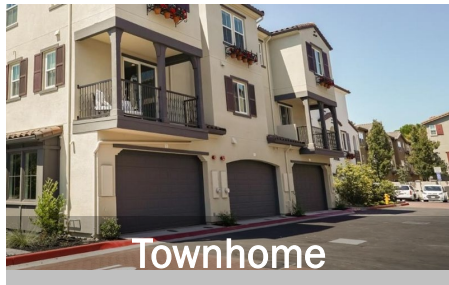
Medium Single Family

- 4-bedroom
- 2,750 s.f.
- 1/8 acre lot
- 2 car garage



Large Single Family

- 5-bedroom
- 5,000 s.f.
- 1 acre lot
- 2 car garage



Townhome

- 20 units / acre
- Avg 1,700 s.f. / unit
- 2 garage spaces / unit



Small Scale Rental

- 36 units / acre
- Avg 955 s.f. / unit
- 2 parking spaces /unit (tuck under)

- The nexus study and feasibility analysis for the residential impact fee focus on smaller scale developments of 1 to 9 units

# Additional prototypes are included in the inclusionary study of larger scale projects



Medium Single Family

- 4-bedroom
- 2,750 s.f.
- 1/8 acre lot
- 2 car garage



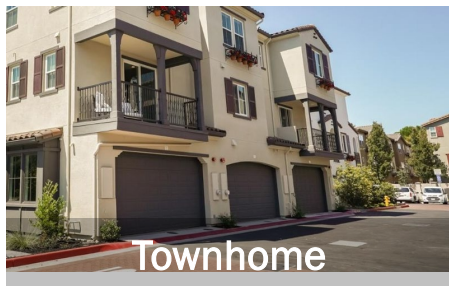
Large Single Family

- 5-bedroom
- 5,000 s.f.
- 1 acre lot
- 2 car garage



5-story Condo or Rental

- 52 units / acre (condo), 73 units / acre (rental)
- Avg 1,400 s.f. (condo), 891 s.f (rental)
- 1 basement + 1 podium level garage
- 2 spaces / unit



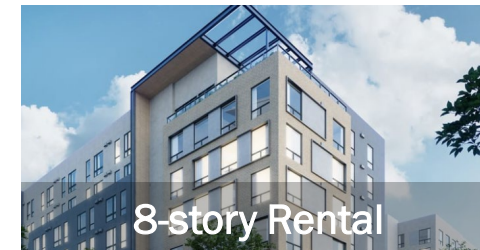
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Small Scale Rental

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- 2 spaces /unit (tuck under)



8-story Rental

- 111 units / acre
- Avg 770 s.f. / unit
- Podium parking
- 1.16 spaces / unit
- Ground floor retail

# The Commercial Linkage Fee study includes five land uses, each with a building prototype to analyze the feasibility of a new fee



Industrial

- Warehouse/ Distribution
- 200,000 s.f. on 9 acres
- FAR 0.5
- 1 parking space / 1,000 s.f. (surface)



Retail

- Neighborhood Center
- 34,000 s.f. on 0.7 acres
- FAR 0.25
- 4 parking spaces / 1,000 s.f. (surface)



Class A Office

- 175,000 s.f. on 4 acres
- FAR 1.0
- 3.33 spaces / 1,000 s.f. (surface + structure)



Life Science / R&D

- 325,000 s.f. on 5 acres
- FAR 1.5
- 2.75 spaces / 1,000 s.f. (structure)



Hotel

- Upper Midscale
- 165 rooms on 1.5 acres
- 0.9 spaces / room (basement + surface)

# Maximum Fees Supported by the Nexus Studies

Commercial Linkage Fee per Square Foot

Residential Impact Fee per Square Foot



# Financial Feasibility Analysis

## Residential Prototypes



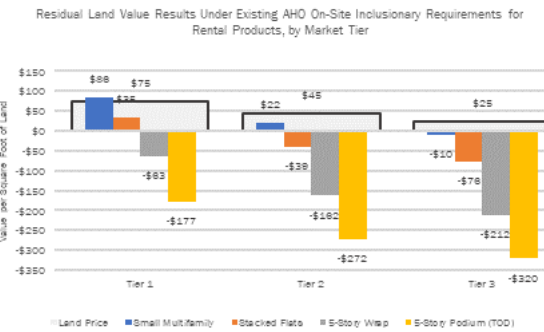
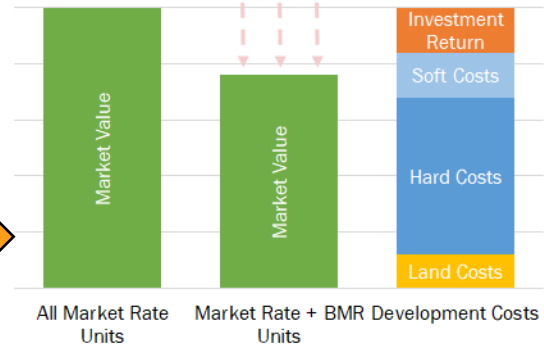
## Commercial Prototypes



## Financial Pro Forma Assumptions



## Scenario and Sensitivity Analysis



# Residential Ownership: Development Costs



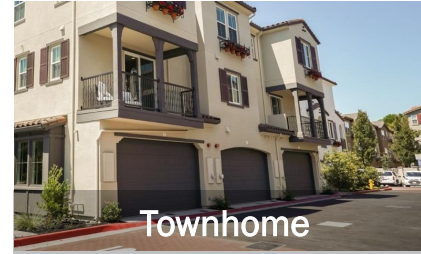
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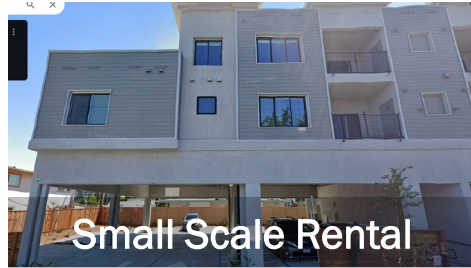
5-story Condo

- 52 units / acre
- Avg 1,400 s.f.
- 1 basement + 1 podium level garage
- 2 spaces / unit

## Typical Costs per Unit

Site Costs	\$55,000	\$130,000	\$90,000	\$35,000
Vertical Hard Costs	\$825,000	\$2,750,000	\$450,000	\$780,000
Soft Costs (excl. fees)	\$120,000	\$375,000	\$125,000	\$180,000
Financing & Contingency	\$130,000	\$380,000	\$90,000	\$120,000
<b>Total</b>	<b>\$1,130,000</b>	<b>\$3,635,000</b>	<b>\$755,000</b>	<b>\$1,115,000</b>
<b>Total Incl. Land + Local Fees</b>	<b>\$2.1 to \$2.6 million</b>	<b>\$6.6 to \$7.1 million</b>	<b>\$1.1 to \$1.4 million</b>	<b>\$1.2 to \$1.4 million</b>
Per Gross S.F.	\$775 to \$950	\$1,325 to \$1,425	\$675 to \$792	\$775 to \$850

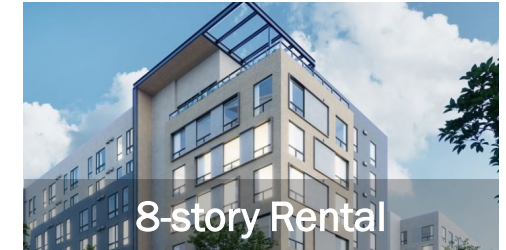
# Residential Rental: Development Costs



- 36 units / acre
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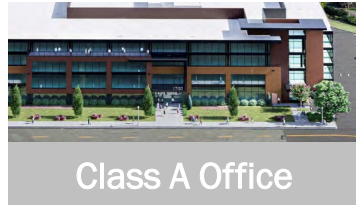


- 111 units / acre
- Avg 770 s.f. / unit
- Podium parking
- 1.16 spaces / unit
- Ground floor retail

## Typical Costs per Unit

Site Costs	\$50,000	\$25,000	\$15,000
Vertical Hard Costs	\$450,000	\$525,000	\$475,000
Soft Costs (excl. fees)	\$90,000	\$90,000	\$80,000
Financing and Contingency	\$60,000	\$70,000	\$70,000
<b>Total</b>	<b>\$650,000</b>	<b>\$710,000</b>	<b>\$640,000</b>
<b>Total Incl. Land + Local Fees</b>	<b>\$850,000 to \$1 million</b>	<b>\$850,000 to \$1 million</b>	<b>\$750,000 to \$900,000</b>
Per Gross S.F.	\$800 to \$850	\$850 to \$925	\$825 to \$900

# Commercial: Development Costs



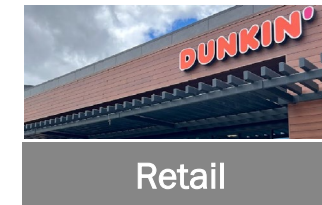
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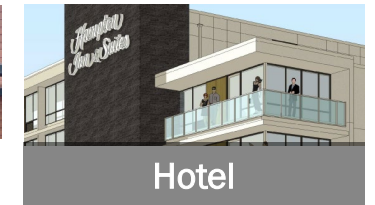
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	COST PER GROSS SQUARE FOOT				COST PER ROOM
Hard Costs	\$525	\$600	\$100	\$400	\$325,000
T.I. Allowance / FF&E	\$175	\$200	\$30	\$75	\$30,000
Soft Costs (before fees)	\$100	\$100	\$25	\$70	\$50,000
Financing & Contingency	\$90	\$100	\$15	\$60	\$40,000
<b>Total</b>	<b>\$890</b>	<b>\$1,000</b>	<b>\$170</b>	<b>\$605</b>	<b>\$445,000</b>
<b>Total incl. Land and Local Fees</b>	<b>\$950 to \$1,150</b>	<b>\$1,050 to \$1,200</b>	<b>\$225 to \$475</b>	<b>\$850 to \$1,050</b>	<b>\$500,000 to \$530,000</b>

# What We've Heard from Developers

- Clarity and certainty are important
  - Changes to fees and requirements midstream during entitlement can delay or constrain development
- In some areas, market land values are climbing faster than commercial rents
- Tariffs are a source of uncertainty affecting construction costs
- Developers appreciate flexibility in meeting affordable housing requirements
  - Fee-ing out of the requirement
  - Building units offsite or onsite in a different format as the market rate units
  - Land dedication and partnerships with affordable developers
- Some provisions of inclusionary polices that have posed challenges:
  - Finding qualifying moderate-income households for rental units can be difficult
  - Providing very low- and low-income units for sale can constitute a large cost, subject to external factors such as interest rates

# Discussion

We can respond to any further questions and comments at the following email address:

*[stakeholderfeedback@strategiceconomics.com](mailto:stakeholderfeedback@strategiceconomics.com)*

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# Next Steps

