STRATEGIC ECONOMICS

COMMUNITY PLANNING COLLABORATIVE

Residential Impact Fee Study

PUBLIC DRAFT REPORT

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The Center of What's Possible

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I. Introduction

REPORT PURPOSE

This report is part of a collaborative effort by six jurisdictions in Santa Clara County to analyze and potentially implement new or revised affordable housing policy tools. The participants in the study include Gilroy, Los Altos Hills, Los Gatos, Mountain View, the City of Santa Clara, and Sunnyvale. Together, these jurisdictions commissioned Strategic Economics to perform a **Grand Nexus Study**. The study includes the required analysis and findings for:

- **Residential impact fees** charged on single-family units and "missing middle" developments of fewer than 10 units
- **Inclusionary affordable housing requirements** and associated in-lieu fees
- **Commercial linkage fees** charged on non-residential development

The Grand Nexus Study culminated in three reports to address each of the above policies: The Residential Impact Fee Study (this report); The Residential Feasibility Study and Inclusionary Analysis; and The Commercial Linkage Fee Study. Each jurisdiction has opted into one, two, or all three components of the study.

The first part of this report contains a residential nexus analysis, or legal basis for enacting an impact fee on new residential development. The second part focuses on financial feasibility and other policy considerations before making findings for the adoption of a new or revised residential impact fee.

BACKGROUND ON RESIDENTIAL IMPACT FEES

Residential impact fees are used to mitigate the impact of an increase in affordable housing demand associated with new market rate housing in a community. Development of new market rate housing in a community increases its housing supply and results in population growth. New residents in a city spend money on local goods and services, and this spending spurs new employment in response to increased demand. While some of these new jobs will pay salaries that allow workers to rent or purchase local housing at market rates, many new jobs will pay lower wages. As a result, new workers earning insufficient income to afford market rate housing create demand for publicly supported affordable housing. The nexus analysis establishes a connection between households in new market rate housing and the number of new worker households that would need affordable housing—formulating the basis for a residential impact fee.

The City of Santa Clara currently has a nexus-supported impact fee for affordable housing, adopted as part of its Affordable Housing Ordinance in 2017.[1] This ordinance sets out affordable housing requirements for both residential and commercial projects, including affordable housing fees or, in the case of residential projects of ten or more units, onsite inclusionary affordable housing requirements. The residential fee rates apply to developments of between three and nine units.[2] Figure 1 shows the current residential impact fees in the City of Santa Clara, by tenure and housing type. Under the current

[1] City of Santa Clara, Ordinance No. 1974.

[2] Inclusionary requirements and in-lieu fees are discussed in more detail in the Inclusionary Study.

policy, the City adjusts impact fees for inflation annually, using Engineering News Record's Building Cost Index for San Francisco. Santa Clara uses revenue collected from the impact fee to help subsidize new affordable housing projects in the city.

FIGURE 1: RESIDENTIAL IMPACT FEES IN SANTA CLARA, BY HOUSING TYPE, FY2025/26

Housing Type	Fee per Square Foot
Ownership Residential	
Single-Family Home	$45.72
Townhome	$38.09
Condominium	$30.48
Rental Residential	
Any Housing Type	$30.48

Source: City of Santa Clara, 2025; Strategic Economics, 2025.

REPORT ORGANIZATION

The remainder of this report is organized into two sections:

- Section II, Residential Nexus Analysis, describes the methodology used for the nexus analysis, the nexus results, and the corresponding maximum justifiable residential impact fees associated with each residential housing type. Following standard practice, the nexus analysis used countywide data to model household spending patterns, industry mix, and employment. Therefore, this analysis was largely a shared analysis among the several jurisdictions participating in the study, with certain customizations specific to the housing market in the northern part of Santa Clara County.

- Section III, Policy Considerations and Findings, presents policy context and findings tailored to the City of Santa Clara. This section reviews impact fees charged in nearby jurisdictions, how residential impact fees could affect the financial feasibility of housing development, and how impact fees relate to the production of affordable housing units within the jurisdiction. The latter analysis fulfills the requirements of AB 602, the State of California's requirements for impact fees as of 2022. Lastly, the Summary of Findings and Conclusions portion of this section presents Strategic Economics' overall conclusions from the study to consider for revisions to Santa Clara's impact fees.

The report also includes two appendices:

- Appendix I: Occupation Distribution and Nexus Analysis Assumptions, and
- Appendix II: Financial Feasibility Assumptions and Pro Forma.

II. Residential Nexus Analysis

This section quantifies the nexus between new residential development in Santa Clara and the need for affordable housing in the city. Strategic Economics used an established step by step methodology to calculate the relationship between new residential development, new employee households in the City of Santa Clara, the quantity of affordable housing those households need, and the amount of funding that would be required to fill that need. These steps provide the legal rationale for calculating the maximum justifiable fee level that could be charged on new residential development to offset this impact.

While the nexus analysis is a model of spending, employment, and affordable housing impacts within a jurisdiction, it is standard practice to utilize data related to household spending, industry, and employment patterns maintained by the Bureau of Labor Statistics (BLS) at a countywide level. Average wages are expressed for the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area, reflecting the regional nature of labor markets. Although development generally causes a regional impact on worker household growth and affordable housing demand, the purpose of the nexus analysis is to calculate the fee necessary to mitigate the entire impact of development within each jurisdiction.

The maximum justifiable fee is expressed in this analysis as a fee per square foot of development. Effective in 2022, the AB 602 legislation mandates that a nexus study "shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development" (Cal. Gov. Code § 66015.5[a]), unless a rationale for an alternative basis for calculating the fee is provided. It is standard practice for residential impact fees for affordable housing in California to be charged based on residential square feet (or the net new square feet if the project involves the demolition of existing residential floor area).

While the maximum justifiable fee found in the nexus study establishes a legal upper limit, in practice cities typically adopt impact fees at a level that is significantly lower than the maximum. The next section considers other policy factors specific to the City of Santa Clara, along with the nexus-supported maximum, before making findings for updating the City's fee program.

This section begins with a general overview of the residential nexus methodology, followed by the specific results in each step of the analysis, and concludes with the maximum justifiable residential impact fees.

METHODOLOGY

Strategic Economics carried out seven steps of analysis to calculate the nexus between new housing development and fees for affordable housing. An overview of the methodology is provided below.

STEPS 1-3: NEXUS BETWEEN NEW RESIDENTIAL DEVELOPMENT AND JOBS

The first phase of the nexus analysis, steps one through three, describes the range of typical residential developments in Santa Clara County and estimates the new household spending associated with those developments. The methodology used for each step is described below.

Step 1. Define residential housing types

Strategic Economics defined three prototypical development types, or "residential prototypes," to which residential impact fees could be applied in Northern Santa Clara County. These were defined based on a review of recent development trends, pipeline projects, and market data for the city and county. The prototypes represent typical new market rate development projects likely to be developed in the city. The prototype definitions include information on the building characteristics, net residential area, unit mix and sizes, and sales prices or rents.

Step 2. Estimate household income of buyers and renters of new market rate units.

To estimate the average gross household income required to purchase or rent new market rate units, Strategic Economics evaluated the market value or rents of new units. This estimate used generalized assumptions for rents and sales prices typical of the northern part of Santa Clara County. For ownership units, Strategic Economics assumed typical mortgage terms and assumed that buyers spend 35 percent of their gross incomes on housing costs. For rental units, Strategic Economics assumed that renter households spend 30 percent of their gross incomes on housing.

Step 3. Estimate economic impacts of new buyers and renters.

Strategic Economics used the IMPLAN model to calculate job impacts from new residential development, based on the household income needed to afford the average unit in each residential prototype. The IMPLAN model uses the Bureau of Labor Statistics' Consumer Expenditure Survey data to model the spending patterns of different income groups. For each prototype, IMPLAN models the associated household expenditures, the number of new workers related to those expenditures, and the distribution of those jobs by industry.

STEPS 4-5: NEXUS BETWEEN JOBS AND AFFORDABLE HOUSING DEMAND

Steps four and five of the nexus analysis connect the household spending and employment outputs estimated in the previous section with the affordable housing need associated with each prototype. The methodology used for each step is described below.

Step 4. Estimate the number of new worker households and annual household incomes.

For each prototype, Strategic Economics used IMPLAN's job estimates by industry and the Bureau of Labor Statistics (BLS)' national Industry-Occupation-Matrix to estimate the number of workers in each occupation created by the household spending associated with that prototype. The average wage for each worker was calculated using data on average annual wages by occupation in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area from the BLS. The average worker's wage was multiplied by the number of workers per household in the county, based on the U.S. Census, to derive an average gross income for worker households. This step assumes that the income of the second wage-earner is similar to that of the first wage-earner.

Step 5. Calculate the number of households that would be eligible for affordable housing, divided into relevant income categories.

Based on household incomes calculated in step four, worker households were categorized by income group (very low-income, low-income, moderate-income, and above moderate-income) using Santa Clara County's average household size and the California Department of Housing and Community Development (HCD) 2024 table of income limits for affordable housing categories. The average household size in Santa Clara County is 2.9 people, based on the U.S. Census' American Community

Survey 5-Year Estimates for 2019-2023. Because household income tables are organized by whole numbers, the average household size was rounded up to three persons. The number of worker households in very low-, low-, and moderate-income groups constitute the affordable housing demand. Above-moderate-income households were excluded from this demand calculation because, although many in this group may still be unable to afford housing at market rates, they are generally outside the scope of affordable housing programs that receive public funding.

STEPS 6-8: AFFORDABLE HOUSING FUNDING GAP

The affordable housing funding gap (funding gap) represents the difference between what new worker households can afford to pay for housing and the typical cost of developing housing to meet this need. To calculate the affordable housing funding gap, Strategic Economics first estimated the development costs of affordable rental and ownership housing. Next, Strategic Economics estimated the worker household's contribution based on the maximum rents and sales prices for each relevant income group. Finally, the funding gap was calculated based on the portion of development costs that must be secured from outside sources after subtracting the worker household's contribution.

Step 6: Estimate Affordable Housing Development Costs

Strategic Economics estimated development costs for rental units based on California Tax Credit Allocation Committee (TCAC) data on recent affordable housing project proposals in Santa Clara County. Ownership units were assumed to be modestly sized townhomes with costs based on development cost research performed as part of this project's feasibility study.

Step 7: Estimate Worker Household Contribution

The approach to calculating the estimated worker household contribution varies by rental versus ownership housing. For rental housing, the worker household contribution was based on a calculation of a "supportable debt," or the amount of the housing's development cost that could be financed with rental income from these households. For ownership housing, the worker household contribution is simply the income-restricted sales price of the affordable unit. Strategic Economics assumed that very low- and low-income households would occupy rental housing, and the moderate-income group would occupy an even mix of rental and ownership housing.

Step 8: Calculate the Funding Gap

Strategic Economics calculated the funding gap as the difference between the development cost calculated in Step 6 and the worker contribution calculated in step 7. The funding gap for very low- and low-income households is the funding gap for rental housing, while the funding gap for moderate-income households is an average of the funding gaps for rental and ownership housing.

STEP 9: MAXIMUM RESIDENTIAL IMPACT FEES

Step 9. Estimate nexus-based fees for each prototype.

The maximum residential impact fee for each prototype was based on the total affordable housing funding gap, as calculated in the previous step, across all worker household income groups. The maximum fee per square foot was then calculated by dividing this aggregate funding gap for each prototype by each prototype's total square feet of residential area.

STEPS 1-3 CALCULATIONS AND RESULTS: NEXUS BETWEEN NEW RESIDENTIAL DEVELOPMENT AND JOBS

This subsection describes the results of the first phase of residential nexus calculations, focusing on the connection between new residential development and new employment in Santa Clara County.

Step 1. Define Residential Housing Types

Strategic Economics reviewed recent housing development and current housing proposals in participating jurisdictions to identify typical patterns for residential development in Santa Clara County. The purpose of this analysis was to identify a set of residential "prototypes"—generic housing development concepts that represent the range of residential product types and the household income levels those product types are likely to attract. The prototypes are not intended to mirror individual development projects; rather, Strategic Economics chose a set of prototypes to represent the range of possible future projects to which a residential impact fee or inclusionary housing policy could be applied.

Of the full set of prototypes analyzed in the Grand Nexus Study, Strategic Economics identified three to represent the range of small-scale residential developments most likely to occur in northern Santa Clara County.[3] The residential nexus analysis focuses on those housing types that are likely to be developed with ten or fewer units: single-family homes and townhomes.[4] Figure 2 shows a summary of each of the three ownership prototypes examined in the nexus analysis, described below:

- The **Medium Single-Family** prototype represents a typical new single-family detached unit in northern Santa Clara County with 2,750 square feet and a sales price of $3.3 million.
- The **Large Single-Family** prototype represents larger, more luxury homes in northern Santa Clara County, with 5,000 square feet and a sales price of $7.75 million.
- The **Townhome** prototype represents a typical new single-family attached unit in northern Santa Clara County with an average of 1,678 square feet and a sales price of $1.68 million.

FIGURE 2: PROTOTYPES USED IN NEXUS ANALYSIS

	Medium Single-Family	Large Single-Family	Townhome (Average)
Average Unit Size (square feet)	2,750	5,000	1,678
Average Sales Price	$3,300,000	$7,750,000	$1,680,000
Sales Price per Square Foot	$1,200	$1,550	$1,001

Sources: Cities and Towns in Santa Clara County, 2025; Redfin, 2025; Strategic Economics, 2025.
Note: More details about residential prototypes are provided in the feasibility section of this report.

[3] Strategic Economics selected a different set of prototypes for Gilroy due to the significantly different development patterns in the southern part of the county.

[4] The remainder of residential prototypes were larger multifamily projects; these prototypes were included in other reports for the Grand Nexus project, such as inclusionary housing policies or the residential nexus analysis for Gilroy.

Step 2. Household Incomes Required to Afford Housing

Strategic Economics calculated household income requirements for each prototype based on typical sales prices, as shown in Figure 2, as well as typical financing and ownership cost assumptions for market rate for-sale homes. Strategic Economics used two groups of sales prices to calculate household incomes and consequent household spending for the nexus model: one for northern Santa Clara County cities and one for Gilroy.[5] The sales prices shown in Figure 2 reflect recent market trends for each housing type among northern Santa Clara cities.

Income requirement calculations considered all major monthly costs of homeownership, such as mortgage costs, taxes, utilities, and insurance. These assumptions are summarized in Figure 3. Key assumptions included a 20 percent down payment, a 6.7 percent mortgage interest rate, and a 30-year mortgage. The townhome prototype also accounted for homeowner association (HOA) fees. These costs were based on a review of HOA fees in similar townhome developments in Northern Santa Clara County. Strategic Economics also assumed that housing costs should account for no more than 35 percent of a household's monthly income.

FIGURE 3: ASSUMPTIONS FOR CALCULATING HOUSEHOLD INCOME

	Assumption	Basis
Loan Type	Conventional	
Down Payment	20%	Share of Sales Price
Loan-To-Value (LTV) Ratio	80%	Share of Sales Price
Interest Rate (Annual)	6.65%	
Term of Loan (Years)	30	
Share of Monthly Income to Spend on Housing	35%	
Homeowner Association Dues (Monthly, Townhomes, Northern Santa Clara County)	$0.24	per square foot
Utility Costs	Variable	Based on housing type, bedrooms, and size
Property Tax Rate (Annual)	1.21%	Share of Sales Price
Homeowner's Insurance	0.32%	Share of Sales Price

Sources: Freddie Mac, 2025; Redfin, 2025; Ownwell, 2025; Santa Clara County Housing Authority, 2024; Strategic Economics, 2025.
Note: Utility costs were estimated based on the Santa Clara County Housing Authority's utility allowance for affordable housing units, based on property type and bedroom count. This assumption does not account for a unit's square footage. To estimate utility costs for large single-family homes, Strategic Economics translated the four-bedroom single-family utility allowance to a per square foot assumption and applied that cost to the square footage of the five-bedroom prototype.

Income requirements for ownership housing vary from $356,000 for the average townhome to more than $1.5 million for a large single-family home. Strategic Economics imputed household incomes by assuming the total of mortgage payments and all other monthly housing costs would represent 35 percent of household income. Figure 4 shows the results of this calculation. The required annual incomes shown in Figure 4 were used to model household spending in the next step.

[5] Note: these are not the same sales price assumptions used in the feasibility analysis. Sales prices in each location were adjusted for the feasibility analysis to tailor it to each jurisdiction—as described in Section IV.

FIGURE 4: ANNUAL INCOME REQUIREMENT CALCULATIONS

	Medium Single-Family	Large Single-Family	Townhome (Average)
Square Feet	2,750	5,000	1,678
Bedrooms	4-BD	5-BD	3-BD
Sale Price	**$3,300,000**	**$7,750,000**	**$1,680,000**
Down Payment	$660,000	$1,550,000	$336,000
Monthly Mortgage Payment	$14,630	$34,358	$7,448
Other Monthly Expenses			
Utilities	$518	$942	$414
HOA Dues			$400
Property Taxes	$3,318	$7,793	$1,689
Hazard & Casualty Insurance	$880	$2,067	$448
Total Monthly Cost	$19,346	$45,160	$10,399
Share of Income	35%	35%	35%
Required Annual Income	**$663,303**	**$1,548,339**	**$356,548**

Sources: Redfin, 2025; Ownwell, 2025; Freddie Mac, 2024; Strategic Economics, 2025.

Step 3. Economic Impacts of New Households

Strategic Economics used an IMPLAN model, using data for Santa Clara County, to estimate the relationship between new households in Santa Clara, their spending, and new employment spurred by household spending. IMPLAN uses the Bureau of Labor Statistics' Consumer Expenditure Survey to estimate household spending patterns. The IMPLAN model uses household spending distributions, a household's total income, and industry job and supply chain data to model the total jobs in each industry in Santa Clara County created by household spending as that spending flows through the local economy. Figure 5 shows the top ten industries, and total jobs supported by spending per 1,000 new housing units in each prototype.

FIGURE 5: JOBS CREATED PER 1,000 HOUSEHOLDS IN EACH PROTOTYPE, BASED ON NORTHERN SANTA CLARA SALES PRICES

4-Digit NAICS	Industry	Jobs Created in Industry per 1,000 New Housing Units: Medium Single-Family	Large Single-Family	Townhomes
7225	Restaurants and other eating places	135	315	73
6241	Individual and family services	71	165	38
6221	General medical and surgical hospitals	47	110	25
5239	Other financial investment activities	45	104	24
4451	Grocery and convenience retailers	26	61	14
6211	Offices of physicians	23	53	12
8121	Personal care services	22	51	12
6111	Elementary and secondary schools	21	49	11
8131	Religious organizations	18	43	10
6113	Colleges, universities, and professional schools	18	42	10
All Other Industries		566	1,321	304
Total Jobs Created		**992**	**2,316**	**533**

Sources: IMPLAN, 2025; Strategic Economics, 2025; Applied Economics, 2025.

STEPS 4-5 CALCULATIONS AND RESULTS: NEXUS BETWEEN JOBS AND AFFORDABLE HOUSING DEMAND

This subsection describes the results of the second phase of residential nexus calculations, focusing on the connection between new employment in Santa Clara County and the need for affordable housing.

Step 4. New Worker Households and Annual Household Incomes

The next step in the nexus analysis was to identify the connection between jobs created from household spending and new worker wages. This calculation relied on the Bureau of Labor Statistics' (BLS) national industry-occupation matrix, which describes the share of workers by occupation employed by all industries nationwide. The national BLS occupational matrix is then calibrated to match the county's employment mix by weighting the national employment distribution to reflect the distribution of employment by industry within Santa Clara County. Strategic Economics combined this matrix with local occupational wage statistics describing average wages in each occupation in the San Jose-Sunnyvale-Santa Clara MSA to estimate worker wages for each prototype.

The model also accounted for the average number of workers in a household contributing to overall household income. On average, there are 1.5 workers per household in Santa Clara County, as shown in Figure 6. To calculate the number of households added to Santa Clara County as a result of new jobs, Strategic Economics divided the total number of workers in each occupation by 1.5.

Each household's total income, and therefore its affordable housing need, is also impacted by its number of wage-earners. Thus, to calculate household incomes for each occupation, Strategic Economics multiplied the average wage for that occupation by 1.5. For example, if new housing creates three new workers for an occupation that pays, on average, $100,000, the model would estimate that

the housing adds two new households in Santa Clara County, each with an average income of $150,000.

The final result of this step of analysis is a list, for each housing prototype, of every occupation supported by new household spending, the number of households associated with that occupation, and the average household income of those households. Figure 6 also shows the average household size, which was used in step five.

FIGURE 6: ASSUMPTIONS USED TO ADJUST FOR WORKERS PER HOUSEHOLD AND HOUSEHOLD SIZE

Category	Assumption
Number of Wage Earners per Worker Household (Rounded; Santa Clara County)	1.5
Average Household Size (Rounded; Santa Clara County)	3

Sources: ACS Community Survey 5-Year Estimates, 2023; Strategic Economics, 2025.

Step 5. Demand for Affordable Housing from New Worker Households

Total household incomes for each occupation were then compared to the County's household income categories to determine the proportion of new households associated with each housing prototype falling into each income category. HCD annually publishes a table of income levels qualifying as extremely low-, very low-, low-, and moderate-income in every California county. This table is based on each county's area median income (AMI), and accounts for the number of people in each household—as shown in Figure 7. Strategic Economics used this table to designate household income categories for workers and households in every occupation, using the three-person household income limits shown in Figure 7. This assumption aligns with Santa Clara County's average household size, as shown in Figure 6.

FIGURE 7: SANTA CLARA COUNTY HOUSEHOLD INCOME CATEGORIES, 2024

	Number of Persons in Household					
Income Category	1	2	3	4	5	6
Extremely Low (30% AMI or lower)	38,750	44,250	**49,800**	55,300	59,750	64,150
Very Low-Income (<=50% AMI)	64,550	73,750	**82,950**	92,150	99,550	106,900
Low-Income (51- 80% AMI)	102,300	116,900	**131,500**	146,100	157,800	169,500
Moderate-Income (81-120% AMI)	154,800	176,900	**199,050**	221,150	238,850	256,550

Source: California Department of Housing and Community Development, 2024; Strategic Economics, 2025
Note: Household income limits are for 2024 rather than 2025 in order to be more consistent with the period of average wage data estimates from the Bureau of Labor Statistics.

For each of the prototypes, approximately 82 percent of new worker households supported by new resident spending would require affordable housing. Figure 8, Figure 9, and Figure 10 show the number of new worker households, and the share of those households earning moderate-income levels or below, per new housing unit in each housing prototype. For every housing unit in the medium single-family prototype, 0.54 new households would require affordable housing. For every housing unit in the large single-family prototype, 1.26 new households would require affordable housing. Lastly, for every housing unit in the townhome prototype, 0.29 new households would require affordable housing in Santa Clara County.

FIGURE 8: TOTAL HOUSEHOLDS PER HOUSING UNIT REQUIRING AFFORDABLE HOUSING, MEDIUM SINGLE-FAMILY

Prototype	Number of Worker Households	Percent of Workers in Prototype
Medium Single-Family: North Santa Clara County		
Extremely Low (<=30% AMI) (a)	-	0%
Very Low-income (31-50% AMI)	0.28	42%
Low-income (51-80% AMI)	0.17	25%
Moderate-income (81-120% AMI)	0.09	14%
Above 120% AMI (b)	0.12	18%
Total Households Requiring Affordable Housing	**0.54**	**82%**
Total Households Generated by Prototype	**0.66**	**100%**

Sources: CA HCD, 2024; IMPLAN, 2025; BLS, 2025; Strategic Economics, 2025; Applied Economics, 2025.
Notes:
a. The nexus analysis did not identify any extremely low-income households.
b. The number of households requiring affordable housing does not include households making above 120% AMI because these households are typically not targeted by affordable housing programs.

FIGURE 9: TOTAL HOUSEHOLDS PER HOUSING UNIT REQUIRING AFFORDABLE HOUSING, LARGE SINGLE-FAMILY

Prototype	Number of Worker Households	Percent of Workers in Prototype
Large Single-Family: Northern Santa Clara County		
Extremely Low-income (<=30% AMI) (a)	-	0%
Very Low-income (31-50% AMI)	0.65	42%
Low-income (51-80% AMI)	0.39	25%
Moderate-income (81-120% AMI)	0.22	14%
Above 120% AMI (b)	0.28	18%
Total Households Requiring Affordable Housing	**1.26**	**82%**
Total Households Generated by Prototype	**1.54**	**100%**

Sources: CA HCD, 2024; IMPLAN, 2025; BLS, 2025; Strategic Economics, 2025; Applied Economics, 2025.
Notes:
a. The nexus analysis did not identify any extremely low-income households.
b. The number of households requiring affordable housing does not include households making above 120% AMI because these households are typically not targeted by affordable housing programs.

FIGURE 10: TOTAL HOUSEHOLDS PER HOUSING UNIT REQUIRING AFFORDABLE HOUSING, TOWNHOME

Prototype	Number of Worker Households	Percent of Workers In Prototype
Townhome: North Santa Clara County		
Extremely Low-income (<=30% AMI) (a)	-	0%
Very Low-income (31-50% AMI)	0.15	42%
Low-income (51-80% AMI)	0.09	25%
Moderate-income (81-120% AMI)	0.05	14%
Above 120% AMI (b)	0.07	18%
Total Households Requiring Affordable Housing	**0.29**	**82%**
Total Households Generated by Prototype	**0.36**	**100%**

Sources: CA HCD, 2024; IMPLAN, 2025; BLS, 2025; Strategic Economics, 2025; Applied Economics, 2025.
Notes:
a. The nexus analysis did not identify any extremely low-income households.
b. The number of households requiring affordable housing does not include households making above 120% AMI because these households are typically not targeted by affordable housing programs.

STEPS 6-8 CALCULATIONS AND RESULTS: AFFORDABLE HOUSING FUNDING GAP

Strategic Economics compared affordable housing development costs with expected revenue to calculate the funding gap for households requiring affordable housing in Santa Clara County. The funding gap is the difference between the worker household contribution for each affordable unit—based on what these households can afford to pay—and the cost to develop the unit.

Step 6: Estimate Affordable Housing Development Costs

Strategic Economics calculated development costs for affordable townhome and rental units based on California Tax Credit Allocation Committee (TCAC) data and market research on development costs for market rate homes. The assumption for average development cost per unit, for both unit types, is shown in Figure 11. Townhome costs were modeled by adjusting development cost assumptions for the market rate prototype in the feasibility study, to account for the reduced costs of land, building amenities, and municipal fees that an affordable project would have in comparison to a market rate project. Rental apartment development costs were calculated using TCAC application data detailing budgets of a sample of recent affordable housing projects in Santa Clara County.

FIGURE 11: AVERAGE DEVELOPMENT COSTS PER UNIT

Unit Type	Unit Cost
Rental Apartment	$825,000
Townhome	$1,000,000

Source: California Tax Credit Allocation Committee, 2024; Strategic Economics, 2025.

Step 7: Estimate Worker Household Contribution

The next step in calculating the funding gap is to determine the amount that households at the targeted income levels can afford to pay for housing. Most affordable housing programs define very low-income households as those earning 31 to 50 percent of area median income, low-income households as those earning between 51 and 80 percent of AMI, and moderate-income households as those earning between 81 and 120 percent of AMI.

Strategic Economics assumed that households with incomes in the very low- to low-income range would live in rental housing. Households in the moderate-income range were assumed to live in a mix of rental and ownership housing. While the nexus analysis identified some new worker households that would fall above the moderate-income range (above 120 percent of AMI), Strategic Economics did not calculate a funding gap for this group because affordable housing programs are not generally available to households with incomes above 120 percent of AMI.

Figure 12 shows the maximum monthly rents for households in each income category. For rental housing to be affordable, renters must pay no more than 30 percent of their gross monthly income on housing costs. The maximum rent was calculated after deducting utility costs (published by the Santa Clara County Housing Authority) from 30 percent of the highest monthly income in each income range. To calculate an average rent, for the purpose of funding gap calculations, Strategic Economics estimated a weighted average rent for each income level based on the average distribution of bedrooms in representative affordable housing projects in Santa Clara County.

FIGURE 12: AFFORDABLE RENTS BY INCOME LEVEL AND BEDROOM COUNT

	Studio	1-BR	2-BR	3-BR	Weighted Average
Percent of Units	30%	20%	30%	20%	
Maximum Monthly Rent					
Very Low-Income (50% AMI)	$1,529	$1,750	$1,955	$2,160	**$1,827**
Low-Income (80% AMI)	$2,473	$2,829	$3,169	$3,509	**$2,960**
Moderate-Income (120% AMI)	$3,785	$4,329	$4,857	$5,385	**$4,535**

Source: Strategic Economics, 2025; CA HCD, 2024; Santa Clara County Housing Authority, 2024.

Strategic Economics calculated the worker household contribution for rental units as the amount of development costs that could be funded with a market rate loan. This loan amount, called the supportable debt, represents the portion of a housing project's funding stack that could be repaid with ongoing rental income from these worker households.

To calculate the supportable debt, Strategic Economics converted the affordable rents to an annual operating income by applying assumptions about average vacancy rates and operating expenses. The loan amount that could be supported by that income was then estimated using assumptions about the typical terms of such a loan in the current market.

FIGURE 13: SUPPORTABLE DEBT PER AFFORDABLE UNIT

	Very Low-Income	Low-Income	Moderate-Income	Calculation
% of Area Median Income	50% AMI	80% AMI	120% AMI	
Maximum Monthly Rent *(A)*	$1,827	$2,960	$4,535	
Annual Gross Scheduled Income *(B)*	$21,923	$35,516	$54,424	*A*12 months*
Net Operating Income *(C)*	$12,375	$24,812	$44,063	*B - $9,000 - (A*.025)* (1)
Available for Debt Service *(D)*	$10,761	$22,286	$38,316	*C / 1.15* (2)
Supportable Debt	$137,239	$284,213	$488,650	*Present Value (D)* (3)

(1) Assumes 2.5% vacancy and $9,000 annual operating costs per unit.
(2) Assumes 1.15 debt service coverage ratio.
(3) Calculated as the debt that can be supported by the net operating income generated by an affordable monthly rent at current multifamily mortgage terms (6.73% interest rate and 30-year loan).
Sources: Strategic Economics, 2025; U.S. Department of the Treasury, 2025.

To calculate the worker household contribution to ownership housing, Strategic Economics considered all major recurring monthly costs of homeownership and calculated the maximum income-restricted sales price. Figure 14 shows the maximum sales prices for homeowners in a two-bedroom townhome unit. This unit size is consistent with the average household size in Santa Clara County—as shown in Figure 6.[6] The maximum affordable price for ownership housing was calculated based on the total monthly mortgage payment that a homeowner could afford, assuming no more than 30 percent of monthly income is spent on housing and using typical mortgage loan and cost assumptions for income-restricted ownership housing.

FIGURE 14: AFFORDABLE SALES PRICE FOR A MODERATE-INCOME HOUSEHOLD FOR A 2-BEDROOM TOWNHOME

	Moderate-Income	Source
% of Area Median Income	120% AMI	
Annual Income	$199,050	California Department of Housing and Community Development
Maximum Monthly Housing Cost	$4,976	
Monthly Deductions	$1,625	
Utilities	$357	Santa Clara County Housing Authority
HOA Dues	$264	Redfin
Property Taxes	$553	Ownwell
Private Mortgage Insurance	$305	Urban Institute Housing Finance Policy Center
Homeowner's Insurance	$147	Redfin
Monthly Income Available for Mortgage Payment	$3,352	
Maximum Mortgage Amount	$522,077	
Down Payment	$27,478	
Maximum Affordable Sales Price	$549,555	

Source: Strategic Economics, 2025.

[6] Typical affordable housing calculations in California assume that the household's size will exceed the housing unit's bedroom count by one. Therefore, a household of three would require two bedrooms. Source: California HCD, 2025.

Step 8: Calculate the Funding Gap

The final funding gap is the difference between the worker household contribution to housing and the development cost of providing that housing. The funding gap is used in the next step to determine a legally justifiable fee amount that could fully offset the impact of market rate housing on its resulting affordable housing demand.

The average funding gap for each income group was calculated by first estimating the funding gap for rental and ownership units separately—then averaging them together, as applicable. The funding gap for ownership units is simply the difference between the production cost of the units and the maximum affordable sales price.

Figure 15 shows the funding gap for rental apartments and Figure 16 shows the funding gap calculation for moderate-income townhome units. Figure 17 shows the combined funding gap for both ownership and rental housing at each income level. Since it is assumed that all households in the very low-income and low-income groups are renters, the average funding gap for those income ranges is simply the rental gap.

FIGURE 15: FUNDING GAP CALCULATION FOR RENTAL HOUSING BY INCOME GROUP

	Supportable Debt / Unit[a]	Development Cost / Unit[b]	Funding Gap[c]
Very Low-Income (50% AMI)	$137,239	$825,000	$687,761
Low-Income (80% AMI)	$284,213	$825,000	$540,787
Moderate-Income (120% AMI)	$488,650	$825,000	$336,350

(a) Calculated as the debt that can be supported by the net operating income generated by an affordable monthly rent at current multifamily mortgage terms.
(b) Based on the average per-unit cost of affordable rental units in four recent housing projects in Santa Clara County.
(c) Calculated as the difference between development costs and supportable debt.
Source: Strategic Economics, 2025.

FIGURE 16: FUNDING GAP CALCULATION FOR OWNERSHIP HOUSING

	Affordable Sales Price	Development Costs	Funding Gap
Moderate-Income (120% AMI)	$549,555	$1,000,000	$450,445

Source: Strategic Economics, 2025.

FIGURE 17: AVERAGE FUNDING GAP FOR VERY LOW-, LOW-, AND MODERATE-INCOME HOUSEHOLDS

Income Level	Rental Gap	Ownership Gap, Townhomes	Average Funding Gap
Very Low-Income (50% AMI)	$687,761	N/A	$687,761
Low-Income (80% AMI)	$540,787	N/A	$540,787
Moderate-Income (120% AMI)	$336,350	$450,445	$393,398

Note: The average funding gap for very low- and low-income households uses only rental gap calculations. For moderate-income households, the funding gap calculation is an average of both rental and ownership funding gaps.
Source: Strategic Economics, 2025.

STEP 9 CALCULATIONS AND RESULTS: MAXIMUM RESIDENTIAL IMPACT FEES

The maximum nexus-based fee for each market rate housing prototype is based on the sum of the funding gaps associated with all worker households generated by the prototype. Figure 18 summarizes the total funding gap for each housing prototype, and the corresponding maximum fee per square foot. A full breakdown of each worker household's income level and total funding gap for each prototype is provided in the Appendix, in Figure 36.

Of the three market rate housing prototypes, large single-family has the largest maximum justifiable impact fee, at $149 per square foot. This is because households in large single-family units need higher incomes to afford market rate units, and the money they spend locally leads to a larger number of households requiring affordable housing than for other prototypes—even after accounting for the average square footage of units in each prototype. In comparison, the maximum fee per square foot is $100 for townhomes, and $116 for medium single-family homes.

FIGURE 18: CALCULATION OF MAXIMUM RESIDENTIAL IMPACT FEES

	Townhome	Medium Single-Family	Large Single-Family
Households Requiring Affordable Housing (per unit of prototype)	0.29	0.54	1.26
Average Funding Gap per Household	$591,354	$591,354	$591,354
Total Affordable Housing Funding Gap	**$171,674**	**$319,373**	**$745,507**
Prototype Square Feet per Unit	1,710	2,750	5,000
Max Fee per Sq. Ft.	**$100**	**$116**	**$149**

Sources: Strategic Economics, 2025; CA TCAC, 2025; CA HCD, 2025; BLS, 2025.

III. Policy Considerations and Findings

The previous section presented the maximum residential impact fees based on the nexus between new housing development and related demand for affordable housing from new worker households in Northern Santa Clara County. These fees represent the maximum level that the City of Santa Clara could charge as a residential impact fee for new market rate construction. However, most jurisdictions consider a variety of factors when setting a final impact fee, typically resulting in a fee level that is lower than the maximum fee. The purpose of this section is to summarize those key factors, help the City of Santa Clara make an informed decision about establishing fee levels, and fulfill additional state requirements for changes or increases to a residential impact fee.

This section focuses on housing types likely to occur at a small scale in the City of Santa Clara: mainly medium-sized single-family detached and townhome units. (The nexus results for the large single-family prototype could inform a fee structure that differentiates larger homes, but this prototype would be uncommon in new development and was not included in the feasibility analysis.) This is because land costs are higher in Santa Clara than in other parts of the County, such as Los Altos Hills, where those housing types are common.

This section includes four parts. It begins with an overview of how the City of Santa Clara's current fee structure compares to that of neighboring jurisdictions, followed by a series of analyses that fulfill the requirements of AB 602—State legislation governing changes to impact fees. This section also includes an overview of how different impact fee levels could impact the financial feasibility and total costs of new market rate housing development projects. Lastly, the section concludes with findings and final considerations for Santa Clara's residential impact fee.

FEES CHARGED IN NEIGHBORING JURISDICTIONS

Strategic Economics summarized the affordable housing fee programs for small-scale residential developments for eight jurisdictions in Santa Clara County (the six study participants plus Cupertino and Palo Alto, see Figure 19 and Figure 20). Some of these fees are nexus-supported impact fees, while others were implemented as part of an affordable housing inclusionary policy, which does not require a nexus study. Below is a general overview of these policies with a comparison to the City of Santa Clara's specific affordable housing fees on residential development.

It is typical for jurisdictions in Santa Clara County to charge the same affordable housing fee rate regardless of the size of the project, although some communities exempt very small developments from the fee. As shown in Figure 19 and

Figure 20, eight of the ten jurisdictions Strategic Economics reviewed have an existing affordable housing requirement that applies to residential projects. While the Cities of Cupertino and Palo Alto apply the affordable housing fee to any size project, most jurisdictions exempt very small projects. Santa Clara exempts developments of fewer than three units, Los Gatos fewer than five units, Mountain View fewer than seven units. Sunnyvale exempts ownership projects of fewer than seven units and rental projects of fewer than three units, with a reduced fee on rental projects of between three and six units.

While most jurisdictions have in-lieu fees enabled by their inclusionary policies, Cupertino, Palo Alto, and the City of Santa Clara have affordable housing fees that are supported by a nexus study. Fees on

all residential projects are nexus-supported in the Cities of Cupertino and Santa Clara (Figure 19), while Palo Alto has nexus-supported fees only on rental projects (

Figure 20). Los Gatos, Mountain View, and Sunnyvale charge in-lieu fees that tend to be related to their inclusionary requirements and would not be possible independently of that policy.

Affordable housing fee levels vary widely among jurisdictions and housing types. Fees on ownership housing range from $21.87 per square foot (on single-family developments in Cupertino) to $148 (on townhome developments in Mountain View). Fees on rental projects are generally lower and range from $16 per square foot (Palo Alto) to $114 (Mountain View), although all but Mountain View have a fee level that is less than $37 per square foot. Fee levels may depend on the types of housing each jurisdiction is trying to incentivize, the financial feasibility of fees on the different housing types, or whether the fee was based on a nexus calculation or based on an inclusionary in-lieu fee study.

Higher fee levels can be feasible when part of an inclusionary policy that limits payment of the fees to fractional units. For example, Mountain View has relatively high in-lieu fees but limits fee to fractional units created by applying the onsite inclusionary percentage to projects of fewer than seven units.

FIGURE 19: OWNERSHIP RESIDENTIAL IMPACT AND IN-LIEU FEES IN SANTA CLARA COUNTY JURISDICTIONS, BY HOUSING TYPE, 2025

Location	Type of Fee	Applicable Size Range	Fee per Square Foot by Project Type		
			Single-Family	Townhome	Condos
Santa Clara	Nexus-Supported Impact Fee/In-Lieu Fee	Projects with 3 or more units	$45.72	$38.09	$30.48
Cupertino	Nexus-Supported Impact Fee	All Projects	$21.87	$24.05	$29.15
Gilroy	No residential impact or inclusionary policy				
Los Altos Hills	No residential impact or inclusionary policy				
Los Gatos	In-Lieu Fee	Projects with 5 or more units	6% of building permit valuation[1]		
Mountain View	In-Lieu Fee	Projects with fewer than 7 units; fractional units only	$65.00	$148.00	$65.00
Palo Alto	In-Lieu Fee	All projects	$100.00	$66.00	$66.00
Sunnyvale	In-Lieu Fee	Projects with 7 or more units	7% of Sales Price[2]		

Sources: City of Santa Clara, 2025; City of Cupertino, 2025; City of Gilroy, 2025; Town of Los Altos Hills, 2025; Town of Los Gatos, 2025; City of Mountain View, 2025; City of Palo Alto, 2025; City of Sunnyvale, 2025; Strategic Economics, 2025.
Notes:

1. Actual fee per square foot varies from project to project because permit valuation varies. Using hard cost assumptions from the feasibility study, this would be approximately $20 to $30 per square foot.
2. Based on feasibility analysis assumptions, seven percent of the sales price for these project types is approximately $70 to $90 per square foot.

FIGURE 20: RENTAL RESIDENTIAL IMPACT AND IN-LIEU FEES IN SANTA CLARA COUNTY JURISDICTIONS, BY HOUSING TYPE, 2025

Location	Type of Fee	Applicable Size Range	Fee per Square Foot, by Rental Project Type
Santa Clara	Nexus-Supported Impact Fee/In-Lieu Fee	Projects with 3 or more units	$30.48
Cupertino	Nexus-Supported Impact Fee	All Projects	<35 du/ac: $29.15 >35 du/ac: $36.44
Gilroy	No residential impact or inclusionary policy		
Los Altos Hills	No residential impact or inclusionary policy		
Los Gatos	In-Lieu Fee	Projects with 5 or more units	6% of building permit valuation[1]
Mountain View	In-Lieu Fee	Projects with fewer than 7 units can apply in-lieu fees to fractional units	$114.00
Palo Alto	Nexus-Supported Impact Fee	All Projects	$26.00
Sunnyvale	In-Lieu Fee[2]	Projects with 3 or more units	3-6 Units: $16.00 7+ Units: $32.00

Sources: City of Santa Clara, 2025; City of Cupertino, 2025; City of Gilroy, 2025; Town of Los Altos Hills, 2025; Town of Los Gatos, 2025; City of Mountain View, 2025; City of Palo Alto, 2025; City of Sunnyvale, 2025; Strategic Economics, 2025.
Notes:

1. Actual fee per square foot varies from project to project because permit valuation varies. Using hard cost assumptions from the feasibility study, this would be approximately $20 per square foot.
2. Sunnyvale implemented a nexus-supported residential impact fee in 2015 but replaced this with an inclusionary policy in 2019.

AB 602 AND LEVEL OF SERVICE ANALYSIS

In 2021, the California legislature imposed new requirements (Assembly Bill 602 [2021-2022]) on impact fee nexus studies conducted on or after January 1, 2022. The legislation applies to any new residential impact fee nexus studies. AB 602 requires nexus studies to "identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new fee level of service is appropriate." (Cal. Gov't Code Section 66016.5(a)(2)). If a nexus study supports the increase of a fee, AB 602 requires each jurisdiction to "review the assumptions of the nexus study supporting the original fee" and to "evaluate the amount of fees collected under the original fee." (Cal. Gov't Code Section 66016.5(a)(4)).

This section provides an overview of the analyses completed to fulfill these requirements of AB 602. For the purposes of this analysis, Strategic Economics defined level of service for affordable housing in the City of Santa Clara as the amount of deed-restricted affordable housing in the city compared with the number of worker households. (This concept is described in more detail below.) As required by AB 602, the section also reviews the assumptions of the prior nexus study, provides an overview of fees collected under the original program, and, subject to the City's proposed fee policy, provides a justification for the new fee.

Note: Per the requirements of AB 602, implementation of an impact fee policy that results in an increased level of service requires that the nexus study identify and justify the proposed new level of service. Therefore, the "AB 602 and Level of Service Analysis" content will later be updated—via edits to this report or via a companion memo—to analyze and identify the level of service associated with the participating jurisdiction's preferred fee level. That fee level must be at or below the maximum justifiable fee level already identified in this study.

Current Level of Service for Affordable Housing

Based on City estimates, Santa Clara has a total of nearly 2,000 affordable housing units available to worker households. Strategic Economics defined the "level of service" as the ratio of deed-restricted, "family" affordable units in the local jurisdiction to the number of households associated with the jurisdiction's current job total (See Figure 21). Estimates of total deed-restricted affordable housing units are shown in Figure 22. This calculation excludes senior units and special needs units because the workers associated with new household spending are most likely to be family households, rather than seniors or people with disabilities. Based on this calculation, Santa Clara currently has 27 affordable housing units per 1,000 worker households.

FIGURE 21: LEVEL OF SERVICE DEFINITION FOR AFFORDABLE HOUSING

$$Level\ of\ Service = \frac{family\ affordable\ units}{worker\ households} = \frac{family\ affordable\ units}{\left[\frac{workers}{avg.workers\ per\ household\ in\ Santa\ Clara\ County}\right]}$$

FIGURE 22: CURRENT LEVEL OF SERVICE FOR AFFORDABLE HOUSING IN SANTA CLARA, 2025

	Value
Deed-restricted Family Affordable Housing [a]	1,986
Total Jobs in Jurisdiction [b]	111,055
Average Workers per Working Household [c]	1.5
Estimated Worker Households	74,037
Level of Service (per 1,000 Households)	**27**

Note: Level of Service is defined as the number of deed-restricted units per working household, but is expressed as a number per 1,000 working households for clarity.
Sources:
[a] Family affordable housing developments supplied by cities, 2025.
[b] Total primary jobs in jurisdiction, LEHD, 2025; Strategic Economics, 2025.
[c] Workers per Working Household in Santa Clara County, ACS 5-Year 2023; Strategic Economics, 2025.

Maintaining or Increasing Level of Service

To maintain this current level of service, the City of Santa Clara would need to charge a residential impact fee of $3.30 per square foot for townhomes and $3.81 per square foot for medium single-family homes. This fee level assumes that the impact fee would cover the full funding gap associated with maintaining the level of service. However, in most affordable housing projects, the local distribution covers only a small portion of total affordable housing subsidy; in Santa Clara County, the average is approximately 20 percent.[7] Thus, Figure 23 shows the fee required to maintain the jurisdiction's level of service in two scenarios: the first scenario assumes the residential impact fee would cover the full funding gap, while the second scenario assumes the fee would cover the typical 20 percent share of the funding gap based on recent averages. Depending on the housing type and funding scenario, fee levels required to maintain the current level of service range from 64 cents per square foot to $3.81 per square foot.

FIGURE 23: FEE REQUIRED TO MAINTAIN CURRENT LEVEL OF SERVICE, WITH AND WITHOUT EXTERNAL FUNDING

	Medium Single-Family	Townhome
Worker Households per 1,000 Market Rate Units	661	355
Current Level of Service - Affordable Units per 1,000 Worker Households[1]	27	27
Number of Affordable Units (per 1,000 Market Rate Units) Required to Meet Level of Service	18	10
Funding Gap per Affordable Unit[2]	$591,354	$591,354
Fee per Square Foot to Match Level of Service		
Full Funding Gap	$3.81	$3.30
Match Prior Funding Contribution[3]	$0.74	$0.64

Sources: Strategic Economics, 2025; ACS 5-Year, 2025; BLS, 2025; CA TCAC, 2025; CA HCD, 2025.
Notes:
1. From Figure 22.
2. From Figure 18.
3. Assumes a typical local funding share (19.5 percent) of all affordable housing funding needed to cover the funding gap.

[7] Based on review of California Tax Credit Allocation Committee (TCAC) applications for affordable housing projects in Santa Clara County from 2021 through 2025.

The City of Santa Clara would need to charge an impact fee of $100 to $116 per square foot to meet all affordable housing need resulting from market rate and single-family development. The fee to cover the full funding gap refers to the maximum justifiable impact fee, as calculated in Figure 18. The fee to meet all affordable housing need based on typical local funding shares is approximately 20 percent of the maximum justifiable impact fee, or $20 to $23—as shown in Figure 24.

FIGURE 24: FEE REQUIRED TO MEET ALL AFFORDABLE HOUSING NEED, WITH AND WITHOUT EXTERNAL FUNDING

	Medium Single-Family	Townhome
Fee per Square Foot to Meet All Affordable Housing Need		
To Cover Full Funding Gap[1]	$116	$100
Match Prior Funding Contribution[2]	$23	$20

Sources: Strategic Economics, 2025; ACS 5-Year, 2025; BLS, 2025; CA TCAC, 2025; CA HCD, 2025.
Notes:
1. From Figure 18.
2. Assumes a typical local funding share (19.5 percent) of all affordable housing funding needed to cover the funding gap.

Prior Fee Collections and Nexus Assumptions

Strategic Economics reviewed prior fee collections in Santa Clara and analyzed the assumptions underpinning the City's existing impact fee to fulfill California legal requirements for potentially increasing the City's impact fee. If a nexus study supports the increase of a fee, AB 602 requires each jurisdiction to "review the assumptions of the nexus study supporting the original fee" and to "evaluate the amount of fees collected under the original fee."

The City of Santa Clara collected $6.6 million in affordable housing fees over the past five fiscal years, for an average of $1.3 million per year. Figure 25 provides a summary of these fee collections. Based on the typical affordable housing funding gap, this annual average would be sufficient to fund just over two units covering the full funding gap, and just over 18 units covering a typical local funding share.

FIGURE 25: FEES COLLECTED IN PAST FIVE FISCAL YEARS FROM SANTA CLARA'S RESIDENTIAL IMPACT FEE AND IN-LIEU FEE PROGRAMS

	Santa Clara In-Lieu/Impact Fee
Date of Nexus Study	2017
Fee Collections, Past 5 Fiscal Years:	
2021	$3,363,117
2022	$300,000
2023	$2,655,527
2024	
2025	$286,770
Total	**$6,605,414**
Average Annual	**$1,321,083**

Sources: Strategic Economics, 2025; City of Santa Clara, 2025; CA TCAC, 2025; CA HCD, 2025.

Santa Clara's maximum justifiable impact fees increased substantially from the 2017 Nexus Study to the current study, due to both a larger nexus between new housing and needed affordable units and a larger funding gap per affordable unit. Figure 26 provides a summary of these changes. The average affordable housing funding gap increased from around $250,000 per unit in 2017 to $591,000 per unit in 2025.

FIGURE 26: FUNDING GAP AND MAXIMUM JUSTIFIABLE FEE LEVEL COMPARISON, 2017 NEXUS STUDY TO CURRENT STUDY

	Medium Single-Family	Townhome
Previous Nexus Study - 2017		
Affordable Units Required per Unit	0.3	0.3
Average Funding Gap per Affordable Unit	$186,500 to $301,500	$186,500 to $301,500
Maximum Justifiable Nexus Fee (per Square Foot)	$36	$39
Current Nexus Study		
Affordable Units Required per Unit	0.5	0.3
Average Funding Gap per Affordable Unit	$591,354	$591,354
Maximum Justifiable Nexus Fee (per Square Foot)	$116	$100

Source: Keyser Marston Associates, 2017; Strategic Economics, 2025.

FINANCIAL FEASIBILITY AND IMPACT FEE SCENARIOS

The purpose of this sub-section is to describe how residential impact fees could impact the financial feasibility of new housing development. Financial feasibility models measure the expected revenue and costs of a prospective housing development to determine whether that project would be financially viable to construct given market conditions. This section describes the methodology used to construct the financial feasibility model and analyzes the impact of various fee levels on financial performance of the residential prototypes.

FEASIBILITY ANALYSIS METHODOLOGY

Of the three prototypes analyzed in the residential nexus study, Strategic Economics selected two—Medium Single-Family and Townhomes—for detailed financial feasibility analysis. These prototypes were further defined based on market research regarding the types and characteristics of new housing developed in Northern Santa Clara County over the past five years. These prototypes are summarized in Figure 27 and have the following characteristics:

- The **Medium Single-Family** prototype represents a typical new single-family detached unit in Northern Santa Clara County with 2,750 square feet, four bedrooms, and two parking spaces in a private garage.
- The **Townhome** prototype represents a typical new single-family attached housing project, with 30 units ranging in size from two to four bedrooms and from 1,400 to 2,000 square feet. Each townhome unit would be three stories tall, including a private two-car garage.[8]

[8] The townhome prototype was designed as a 30-unit project for evaluation in the inclusionary study. For the impact fee, results for this prototype are presented on a per-unit basis. The assumption is that a townhome project with fewer than ten units (to which an impact fee could be applied) would have similar average characteristics, costs, and revenue per unit as a townhome project with 30 units.

FIGURE 27: PROTOTYPES EVALUATED IN FEASIBILITY ANALYSIS

	Medium Single-Family	Townhome
Tenure	Ownership	Ownership
Parcel Size (acres)	0.125	1.5
Number of Units	1	30
Unit Sizes (square feet)	2,750	1,400 to 2,000
Bedroom Types	4-BD	2-BD to 4-BD
Number of Stories	2	3
Units per Acre	8	20
Parking Format	Private Garages	Private Garages
Parking Ratio (spaces per unit)	2.0	2.0
Total Parking Spaces	2	60

Sources: Strategic Economics, 2025; Redfin, 2025.
Note: The nexus analysis used a generalized unit mix because the analysis is based on a per unit average of common unit or project types. The prototype for the feasibility analysis was designed to provide a test of a specific hypothetical project, for both the impact fee analysis and the inclusionary analysis. For this reason, Strategic Economics calculated the exact number of units of each bedroom count for the townhome prototype: seven two-bedroom units; 15 three-bedroom units; and eight four-bedroom units.

Strategic Economics evaluated the financial feasibility of the analysis prototypes using a static pro forma model. A static pro forma model compiles the revenue, cost, and development return expectations for each housing project upon sale of all housing units. This model accounts for all hard costs, soft costs, municipal fees, financing costs, and the developer's target rate of return. Hard costs are the direct materials and labor costs used to prepare a site and construct the housing units. Soft costs are indirect expenses required to develop a project, such as architecture, engineering, taxes, legal, and insurance costs. The target return is a standard market return on investment the project would need to achieve to obtain financing.

Strategic Economics based model assumptions on current market research about housing development projects, prices, interest rates, and land costs. Assumptions were also informed by extensive interviews with developers currently active in residential production in the Santa Clara County market. Further details about the assumptions used to estimate each cost and revenue input are provided in Appendix II: Financial Feasibility Assumptions and Pro Forma

Strategic Economics used a residual land value metric to evaluate financial feasibility for each prototype. This metric describes the value remaining to pay for land costs after hard costs, soft costs, financing, contingency, and required rates of return are subtracted from a project's total sales proceeds. Developers often use residual land value to determine the price they can afford to pay for land for a particular project. In this case, Strategic Economics compared each prototype's residual land value to typical land costs per acre for that project type in Santa Clara to determine each prototype's relative feasibility.

FINANCIAL FEASIBILTY FINDINGS

The Medium Single-Family prototype is financially feasible in the City of Santa Clara under the current impact fee structure, while the Townhome prototype is marginally feasible. Figure 28 provides a summary of financial feasibility results with Santa Clara's current impact fee structure. The Medium Single-Family prototype would generate a residual land value of $1.3 million—approximately $300,000 more than the cost to acquire its required land. Townhomes would generate a residual land value of approximately $400,000 per unit. This is approximately $28,000 more than the estimated per-unit

land cost for townhomes in Santa Clara, only a three percent margin relative to total development costs. Because the residual land value expected from Townhomes is close to the typical land costs, this project type is considered only marginally feasible.

FIGURE 28: FINANCIAL FEASIBILITY PER UNIT WITH CURRENT RESIDENTIAL IMPACT FEE IN SANTA CLARA

	Medium Single-Family	Townhomes
Revenue per Unit		
Total Revenue	$3,025,000	$1,545,000
Less Marketing Expenses	$0	-$77,250
Total Sales Proceeds	**$3,025,000**	**$1,467,750**
Development Costs per Unit		
Hard Costs	$879,450	$557,370
Soft Costs (Excluding Fees)	$114,329	$100,327
Residential Impact Fee	$125,730	$65,134
Other Municipal Fees	$119,166	$74,453
Financing & Contingency	$91,843	$69,779
Total Development Cost	**$1,330,517**	**$867,062**
Residual Land Value per Unit		
Total Sales Proceeds	$3,025,000	$1,467,750
Target Return on Cost	15%	15%
Supportable Development Cost	$2,630,435	$1,276,304
Total Development Cost	$1,330,517	$867,062
Residual Land Value per Unit	**$1,299,918**	**$409,242**
Feasibility		
Residual Land Value per Unit	$1,299,918	$409,242
Typical Land Cost per Unit	$952,875	$381,150
Typical Land Cost per sq. ft. of Land	$175	$175
Feasibility Result	**Feasible: RLV greatly exceeds land costs**	**Marginally Feasible: RLV slightly exceeds land costs**

Sources: Strategic Economics, 2025; Redfin, 2025; City of Santa Clara, 2025; Developer Interviews, 2025.
Note: Assumes that no inclusionary units are required – only accounts for the City's current affordable housing impact fee.

IMPACT FEE SCENARIOS

Note: The "Match Studied In-Lieu Fee" scenario reflects an in-lieu fee amount that corresponds to an inclusionary and in-lieu fee scenario studied in the Residential Feasibility Analysis and Inclusionary Study.

Strategic Economics evaluated the financial performance of each prototype on a per-unit basis under five different impact fee scenarios: no impact fee, the City's current impact fee, the amount required to meet a typical city's share of the funding gap ("Match Prior Funding Contribution"), matching the impact fee to a proposed in-lieu fee ($93 per square foot), and the maximum justifiable impact fee from the nexus analysis for each product type. The proposed in-lieu fee scenario refers to possible

changes to Santa Clara's inclusionary policy discussed in the Inclusionary Study. The exact fee per square foot used in each scenario is shown in Figure 29.

FIGURE 29: IMPACT FEE PER SQUARE FOOT FOR EACH PROTOTYPE, BY IMPACT FEE SCENARIO

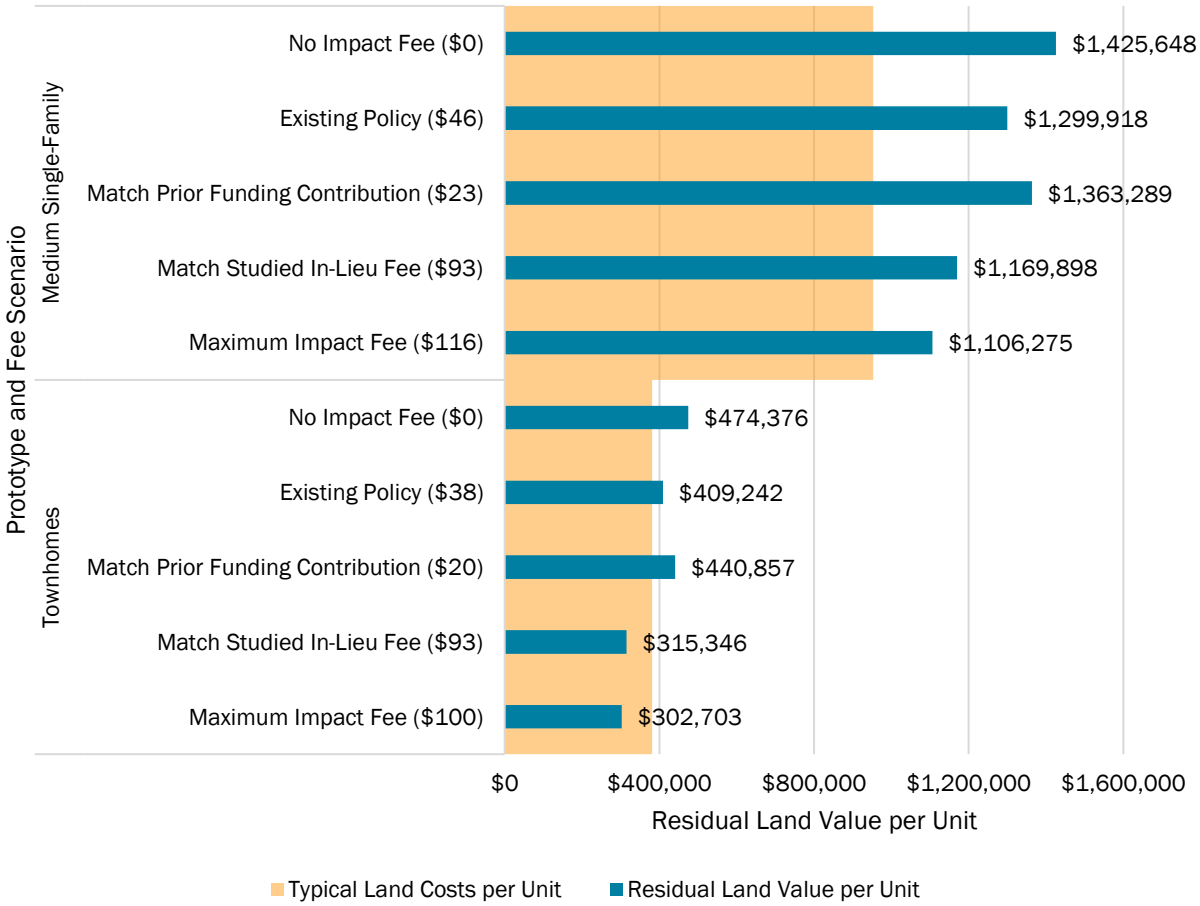
Impact Fee Scenario	Medium Single-Family	Townhomes
1. No Impact Fee	$0	$0
2. Existing Policy	$46	$38
3. Match Prior Funding Contribution	$23	$20
4. Match Studied In-Lieu Fee	$93	$93
5. Maximum Impact Fee	$116	$100

Sources: Strategic Economics, 2025; City of Santa Clara, 2025.
Note: The Match Studied In-Lieu Fee scenario reflects a recommendation made in the Residential Feasibility Analysis and Inclusionary Study, which is that in-lieu fees should cover the "affordability gap" between revenue generated from market rate units and the per-unit revenue under the required inclusionary scenario. Based on Santa Clara's 15 percent median-income inclusionary requirement for Townhomes, that fee level would be $93 per square foot.

Under current market conditions in Santa Clara, the Medium Single-Family prototypes could afford to pay the maximum impact fee while remaining feasible. Figure 30 shows the residual land values compared to typical land costs for Medium Single-Family and Townhomes in Santa Clara under each of the five impact fee scenarios. These findings demonstrate that, under current market conditions, Medium Single-Family projects would remain financially feasible under all residential impact fee scenarios.

Townhome projects would remain marginally feasible under most residential impact fee scenarios, but would become infeasible if Santa Clara matched the proposed in-lieu fee or imposed maximum impact fee. These results are also shown in Figure 30. Without a residential impact fee, Townhomes in Santa Clara would generate a residual land value of around $475,000—approximately $93,000 more than typical land costs. The City's existing impact fee ($38 per square foot) reduces the expected surplus land value to around $28,000, while a fee of $93 per square foot would lead to a $66,000 shortfall per unit. In such a scenario, the residential impact fee alone would cost more than $159,000 per unit.

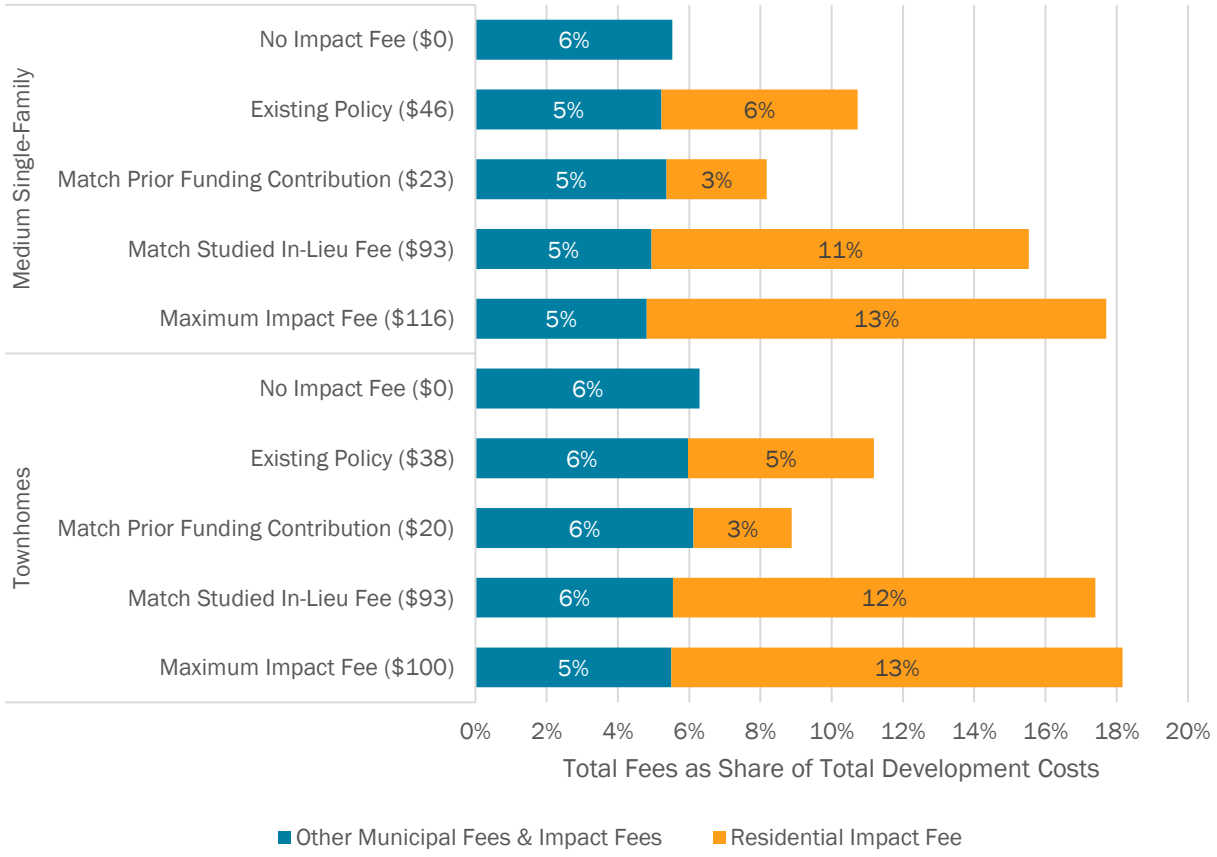
FIGURE 30: RESIDUAL LAND VALUE AND TYPICAL LAND COSTS PER UNIT, BY IMPACT FEE SCENARIO



Sources: Strategic Economics, 2025; City of Santa Clara, 2025.

Santa Clara's current impact fee policy adds five percent to the total development costs of Townhomes and six percent to the total development costs for Medium Single-Family homes. These costs add to the total share of development costs that are accounted for by municipal fees, which range between six and 18 percent, depending on the level of residential impact fee. Figure 31 shows all City fees as a share of total development costs for each project type and impact fee scenario. Under the City's current impact fee requirements, the combination of residential impact fees with other municipal permitting and impact fees constitutes approximately 11 percent of total development costs for both prototypes. Under the maximum residential impact fee scenario, the combined share would increase to around 18 percent for both Medium Single-Family and Townhome projects.

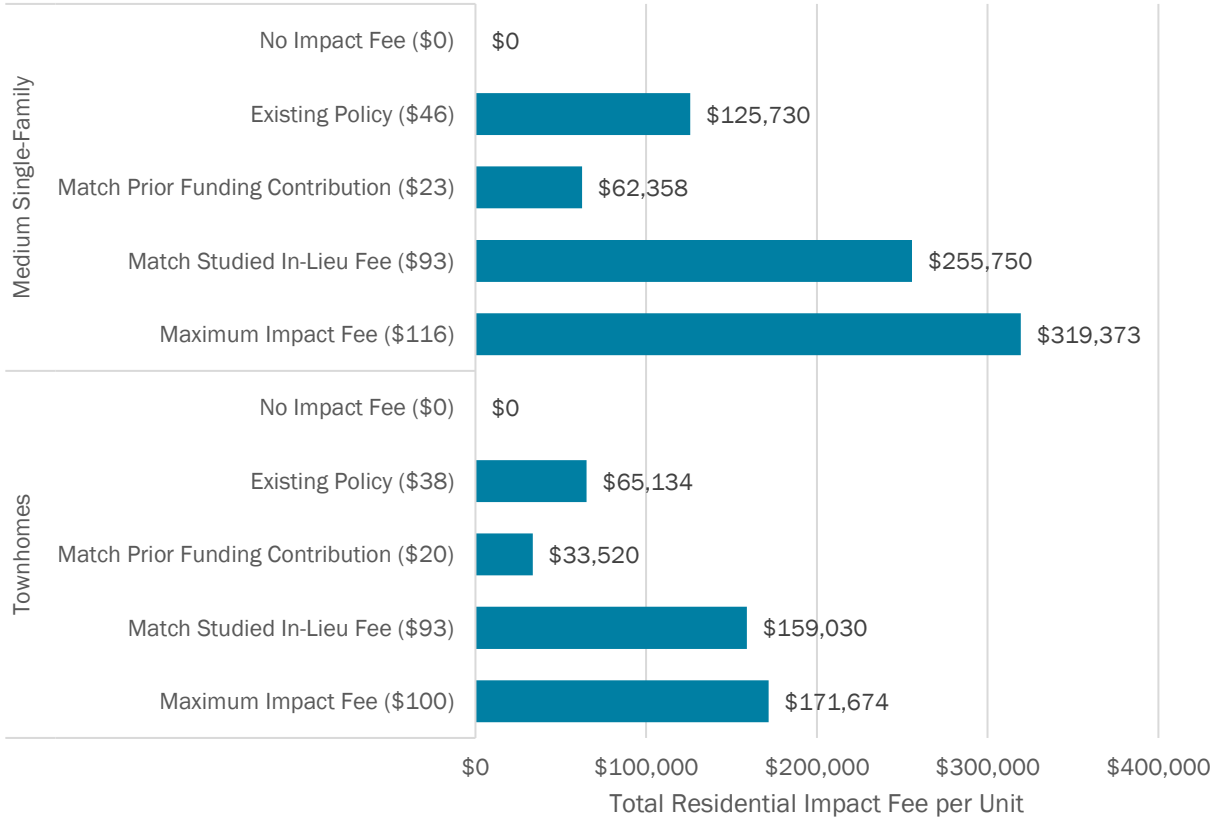
FIGURE 31: CONTRIBUTION OF MUNICIPAL AND RESIDENTIAL IMPACT FEES TO TOTAL DEVELOPMENT COSTS IN SANTA CLARA, BY FEE SCENARIO



Sources: Strategic Economics, 2025; City of Santa Clara, 2025.
Note: Other Municipal Fees and Impact Fees change as a share of total costs in each scenario not because these fees change, but because the total development costs include changes to the residential impact fee. As residential impact fees increase, total development costs also increase, causing the share of total development costs accounted for by other municipal fees to diminish.

Because Medium Single-Family homes are larger than the average Townhome unit, each Single-Family unit incurs more total impact fees with the same per square foot impact fee rate. For example, in the $93 per square foot impact fee scenario, building the Medium Single-Family unit would cost $255,750 in residential impact fees, while the average Townhome unit would cost $159,030 in residential impact fees. Under Santa Clara's existing impact fee policy, Medium Single-Family homes pay $46 per square foot in impact fees while Townhome projects pay $38 per square foot in residential impact fees. Based on Strategic Economics' assumptions for unit sizes in both projects, this results in a total per unit impact fee of $125,730 for Medium Single-Family homes and $65,134 for Townhomes.

FIGURE 32: TOTAL RESIDENTIAL IMPACT FEE PER UNIT, BY SCENARIO AND PROTOTYPE, SANTA CLARA



Sources: Strategic Economics, 2025; City of Santa Clara, 2025.

SUMMARY OF FINDINGS AND CONCLUSIONS

This section provides a summary of conclusions from the residential nexus and impact fee feasibility analyses along with policy findings for setting the impact fee.

Findings

FINDINGS OF THE NEXUS ANALYSIS

- **Strategic Economics found that the maximum nexus-based impact fee per square foot is $100 for townhomes, $116 for medium single-family homes, and $149 for large single-family homes.**
- **The maximum justifiable impact fees are significantly higher than in the past.** This is both because market rate development generates more affordable housing demand than in the past, and the funding gap to meet that demand has also risen.

FINDINGS OF THE FEASIBILITY ANALYSIS

- **The City of Santa Clara's current impact fees are financially feasible for medium single-family homes and marginally feasible for townhomes.** This finding reflects current market conditions for ownership housing development in Santa Clara.
- **Under current market conditions in Santa Clara, medium single-family homes could accommodate a significantly higher impact fee.** The feasibility analysis found that impact fees up to the maximum justifiable fee would be financially feasible for the typical single-family home.
- **The feasibility of townhome developments would be challenged by a significant increase in the impact fee.** The feasibility analysis found that the typical small-scale townhome development could accommodate the current fee level but with little margin for a significantly higher fee burden.

OTHER POLICY CONSIDERATIONS

- **For both ownership and rental developments, Santa Clara's affordable housing fee levels are near the middle of the range of fees charged in neighboring jurisdictions.**
- **Like most peer cities in Santa Clara County, the City of Santa Clara currently exempts very small residential projects from affordable housing fees.** Santa Clara's exemption applies to one- and two-unit projects, a narrower exemption than Los Gatos, Mountain View, and Sunnyvale's exemption on ownership projects.

Conclusions

Residential impact fees should be structured such that the burden of affordable housing requirements across all residential projects is distributed in a way that aligns with community objectives. This includes residential projects subject to an inclusionary policy. In some instances, communities may wish to charge impact fees on small-scale projects that are distinct from the inclusionary requirements (and associated in-lieu fees) applied to larger-scale developments. An impact fee on small-scale projects set at a lower level than the inclusionary in-lieu fee will help incentivize these types of developments or, conversely, disincentivize them if the fee is higher. Residential impact fees may also be tailored to encourage more compact development by charging higher fees to single-family developments, particularly larger or "build to suit" custom homes, including single-family tear-down/rebuild projects.

Santa Clara could consider implementing an elevated impact fee on single-family homes. As shown in the feasibility section of this report, higher fees are more feasible for single-family homes than for multi-unit townhome developments. Based on the nexus analysis, these fees could be charged up to a maximum of $116 per square foot for moderately-sized homes, or $149 per square foot for larger homes. Although ground-up single-family development is uncommon in Santa Clara, these fees could also apply to the net new floor area associated with significant home expansions and tear-down/rebuild projects. A higher fee burden on single-family home development could help encourage the development of compact, more affordable housing types such as multiplexes and ADUs, as well as single-family lot splits as an alternative to large home additions.

Appendix I: Occupation Distribution and Nexus Analysis Assumptions

FIGURE 33: JOBS PER 1,000 UNITS IN NEXUS BY OCCUPATION AND CORRESPONDING HOUSEHOLD INCOME - MEDIUM SINGLE-FAMILY

SOC Group	Group Description	Very Low-Income	Low-Income	Moderate-Income	Above Moderate-Income	Total
11	Management Occupations	0	4	7	59	**70**
13	Business and Financial Operations Occupations	0	1	33	37	**71**
15	Computer and Mathematical Occupations	0	0	4	18	**22**
17	Architecture and Engineering Occupations	0	0	1	2	**2**
19	Life, Physical, and Social Science Occupations	0	1	1	2	**4**
21	Community and Social Service Occupations	0	18	10	0	**28**
23	Legal Occupations	0	0	2	4	**6**
25	Educational Instruction and Library Occupations	8	22	19	5	**54**
27	Arts, Design, Entertainment, Sports, and Media Occupations	1	6	5	1	**14**
29	Healthcare Practitioners and Technical Occupations	0	12	12	45	**69**
31	Healthcare Support Occupations	63	24	1	0	**89**
33	Protective Service Occupations	8	1	0	0	**9**
35	Food Preparation and Serving Related Occupations	143	2	0	0	**145**
37	Building and Grounds Cleaning and Maintenance Occupations	20	5	0	0	**25**
39	Personal Care and Service Occupations	36	8	0	0	**45**
41	Sales and Related Occupations	64	14	19	9	**106**
43	Office and Administrative Support Occupations	21	81	15	0	**117**
45	Farming, Fishing, and Forestry Occupations	0	0	0	0	**0**
47	Construction and Extraction Occupations	0	5	3	0	**8**
49	Installation, Maintenance, and Repair Occupations	2	24	5	0	**31**
51	Production Occupations	6	4	2	0	**12**
53	Transportation and Material Moving Occupations	47	17	0	0	**64**

Sources: Strategic Economics, 2025; CA TCAC, 2025; CA HCD, 2024; BLS, 2025.
Note: None of the occupations associated with new employment were categorized as Extremely Low-Income jobs.

FIGURE 34: JOBS PER 1,000 UNITS IN NEXUS BY OCCUPATION AND CORRESPONDING HOUSEHOLD INCOME – LARGE SINGLE-FAMILY

SOC Group	Group Description	Very Low-Income	Low-Income	Moderate-Income	Above Moderate-Income	Total
11	Management Occupations	0	9	16	139	**164**
13	Business and Financial Operations Occupations	0	2	78	86	**166**
15	Computer and Mathematical Occupations	0	0	9	42	**50**
17	Architecture and Engineering Occupations	0	0	1	4	**5**
19	Life, Physical, and Social Science Occupations	0	2	3	4	**9**
21	Community and Social Service Occupations	0	42	24	0	**66**
23	Legal Occupations	0	0	5	8	**14**
25	Educational Instruction and Library Occupations	18	52	45	12	**127**
27	Arts, Design, Entertainment, Sports, and Media Occupations	3	13	12	3	**32**
29	Healthcare Practitioners and Technical Occupations	0	27	28	106	**161**
31	Healthcare Support Occupations	148	55	3	0	**207**
33	Protective Service Occupations	19	2	0	1	**22**
35	Food Preparation and Serving Related Occupations	334	4	0	0	**338**
37	Building and Grounds Cleaning and Maintenance Occupations	46	12	0	0	**58**
39	Personal Care and Service Occupations	85	19	0	0	**105**
41	Sales and Related Occupations	150	33	45	20	**248**
43	Office and Administrative Support Occupations	48	190	35	0	**273**
45	Farming, Fishing, and Forestry Occupations	1	0	0	0	**1**
47	Construction and Extraction Occupations	0	11	6	0	**18**
49	Installation, Maintenance, and Repair Occupations	4	56	12	0	**73**
51	Production Occupations	14	9	5	0	**28**
53	Transportation and Material Moving Occupations	109	40	1	0	**150**

Sources: Strategic Economics, 2025; CA TCAC, 2025; CA HCD, 2024; BLS, 2025.
Note: None of the occupations associated with new employment were categorized as Extremely Low-Income jobs.

FIGURE 35: JOBS PER 1,000 UNITS IN NEXUS BY OCCUPATION AND CORRESPONDING HOUSEHOLD INCOME – TOWNHOMES

SOC Group	Group Description	Very Low-Income	Low-Income	Moderate-Income	Above Moderate-Income	Total
11	Management Occupations	0	2	4	32	**38**
13	Business and Financial Operations Occupations	0	1	18	20	**38**
15	Computer and Mathematical Occupations	0	0	2	10	**12**
17	Architecture and Engineering Occupations	0	0	0	1	**1**
19	Life, Physical, and Social Science Occupations	0	0	1	1	**2**
21	Community and Social Service Occupations	0	10	6	0	**15**
23	Legal Occupations	0	0	1	2	**3**
25	Educational Instruction and Library Occupations	4	12	10	3	**29**
27	Arts, Design, Entertainment, Sports, and Media Occupations	1	3	3	1	**7**
29	Healthcare Practitioners and Technical Occupations	0	6	6	24	**37**
31	Healthcare Support Occupations	34	13	1	0	**48**
33	Protective Service Occupations	4	0	0	0	**5**
35	Food Preparation and Serving Related Occupations	77	1	0	0	**78**
37	Building and Grounds Cleaning and Maintenance Occupations	11	3	0	0	**13**
39	Personal Care and Service Occupations	20	4	0	0	**24**
41	Sales and Related Occupations	35	8	10	5	**57**
43	Office and Administrative Support Occupations	11	44	8	0	**63**
45	Farming, Fishing, and Forestry Occupations	0	0	0	0	**0**
47	Construction and Extraction Occupations	0	3	1	0	**4**
49	Installation, Maintenance, and Repair Occupations	1	13	3	0	**17**
51	Production Occupations	3	2	1	0	**6**
53	Transportation and Material Moving Occupations	25	9	0	0	**35**

Sources: Strategic Economics, 2025; CA TCAC, 2025; CA HCD, 2024; BLS, 2025.
Note: None of the occupations associated with new employment were categorized as Extremely Low-Income jobs.

FIGURE 36: NEW WORKER HOUSEHOLDS, AFFORDABILITY REQUIREMENTS, AND MAXIMUM FEE PER SQUARE FOOT, PER UNIT IN PROTOTYPE

Prototype	Number of Households	Percentage of Households	Average Gap (per Household)	Maximum Fee Revenue (Total Affordable Housing Gap)	Max Fee per Sq. Ft.
Townhome North Santa Clara County					
Extremely Low (30% AMI or lower)	0.00	0%	$0	$0	$0
Very Low-Income (<=50% AMI)	0.15	42%	$687,761	$103,585	$61
Low-Income (51- 80% AMI)	0.09	25%	$540,787	$48,187	$28
Moderate-Income (81-120% AMI)	0.05	14%	$393,398	$19,902	$12
Households Requiring Affordable Housing	**0.29**	**82%**	**$591,354**	**$171,674**	**$100**
Above Moderate-Income (>=120%)	0.07	18%	$0	$0	$0
Townhome Total	**0.36**	**100%**	**$482,915**	**$171,674**	**$100**
Medium Single-Family North Santa Clara County					
Extremely Low (30% AMI or lower)	0.00	0%	$0	$0	$0
Very Low-Income (<=50% AMI)	0.28	42%	$687,761	$192,704	$70
Low-Income (51- 80% AMI)	0.17	25%	$540,787	$89,645	$33
Moderate-Income (81-120% AMI)	0.09	14%	$393,398	$37,024	$13
Households Requiring Affordable Housing	0.54	**82%**	**$591,354**	**$319,373**	**$116**
Above Moderate-Income (>=120%)	0.12	18%	$0	$0	$0
Medium Single-Family Total	**0.66**	**100%**	**$482,915**	**$319,373**	**$116**
Large Single-Family Northern Santa Clara County					
Extremely Low (30% AMI or lower)	0.00	0%	$0	$0	$0
Very Low-Income (<=50% AMI)	0.65	42%	$687,761	$449,826	$90
Low-Income (51- 80% AMI)	0.39	25%	$540,787	$209,257	$42
Moderate-Income (81-120% AMI)	0.22	14%	$393,398	$86,424	$17
Households Requiring Affordable Housing	**1.26**	**82%**	**$591,354**	**$745,507**	**$149**
Above Moderate-Income (>=120%)	0.28	18%	$0	$0	$0
Large Single-Family Total	**1.54**	**100%**	**$482,915**	**$745,507**	**$149**

Sources: CA HCD, 2025; CA TCAC, 2025; BLS, 2025; Strategic Economics, 2025.

Appendix II: Financial Feasibility Assumptions and Pro Forma

Cost Assumptions

FIGURE 37: DETAILED COST ASSUMPTIONS FOR OWNERSHIP PROTOTYPES IN SANTA CLARA

	Unit of Measure	Medium Single-Family	Townhomes
Land Costs	per square foot	$250	$175
Hard Costs			
Demolition and Site Work	per sq. ft. land	$10	$40
Building Area Construction			
Residential - Type V	per gross sq. ft.	$300	$275
Parking Costs		Included in building area	Included in building area
Soft Costs			
Arch, Eng & Consulting	% of hard costs	5.0%	5.0%
Taxes, Insurance, Legal & Accounting	% of hard costs	5.0%	10.0%
Other Soft Costs	% of hard costs	3.0%	3.0%
Total Soft Costs (Excluding Fees)	**% of hard costs**	**13.0%**	**18.0%**
Municipal Fees	Shown in Separate Table		
Contingency	% of hard + soft costs	5.0%	5.0%
Financing			
Amount Financed (Loan-to-cost)	% of hard + soft costs	55%	55%
Average outstanding balance	% of Amt Financed	55%	55%
Construction Loan Fee	% of Amt Financed	1.0%	1.0%
Construction Interest (annual)		8.0%	8.0%
Term	Months	11	18
Developer Return			
Target Developer Return-on-cost	% of total dev costs	15.0%	15.0%

Sources: Strategic Economics, 2025; Developer Interviews, 2025; Redfin, 2025; CoStar, 2025; Federal Reserve Bank of New York, 2025.

FIGURE 38: MUNICIPAL FEE ESTIMATES PER UNIT WITH RESIDENTIAL IMPACT FEE IN SANTA CLARA, 2025

Prototype	Medium Single-Family	Townhomes
Permits & Fees		
Building Permit	$6,018	$2,297
Plan Check	$5,175	$2,005
Sewer & Water	$19,594	$13,853
Other	$16,753	$9,096
Total	**$47,539**	**$27,251**
Impact Fees		
Traffic	$1,506	$669
Housing	$125,730	$65,134
Parks	$55,830	$37,744
Schools	$14,218	$8,763
Other	$25	$25
Total	**$197,308**	**$112,335**

Sources: City of Santa Clara, 2025; Strategic Economics, 2025.

Revenue Assumptions

FIGURE 39: MARKET RATE OWNERSHIP PRO FORMA REVENUE ASSUMPTIONS

	Unit of measure	Medium Single-Family	Townhomes
Unit Size			
Studio	sq. ft.	-	-
One Bedroom	sq. ft.	-	950
Two Bedroom	sq. ft.	-	1,400
Three Bedroom	sq. ft.	-	1,700
Four Bedroom	sq. ft.	2,750	2,000
Average Unit Size	sq. ft.	2,750	1,710
Unit Sales Value			
Studio	per unit	-	-
One Bedroom	per unit	-	1,000,000
Two Bedroom	per unit	-	1,400,000
Three Bedroom	per unit	-	1,530,000
Four Bedroom	per unit	3,300,000	1,700,000
Average Sales Value			
Per unit	**per unit**	**$3,300,000**	**$1,545,000**
Marketing Expense	% of Sales Price	0%	5%
Net Revenue		$3,300,000	$1,467,750

Sources: Strategic Economics, 2025; Developer Interviews, 2025; Redfin, 2025.

Detailed Pro Forma

FIGURE 40: DETAILED PRO FORMA WITH CURRENT IMPACT FEE - PER UNIT BASIS

	Medium Single-Family	Townhomes
Revenues		
Market Rate Units	$3,025,000	$1,545,000
Less Marketing Costs	$0	-$77,250
Total Proceeds	**$3,025,000**	**$1,467,750**
Development Costs		
Hard Costs		
Demolition and Site Work	$54,450	$87,120
Building Area	$825,000	$470,250
Subtotal Hard Costs	**$879,450**	**$557,370**
Soft Costs (excl. Fees)		
Arch, Eng & Consulting	$43,973	$27,869
Taxes, Insurance, Legal & Accounting	$43,973	$55,737
Other Soft Costs	$26,384	$16,721
Subtotal	**$114,329**	**$100,327**
Municipal Fees		
Affordable Housing Impact Fee	$125,730	$65,134
Impact Fees other than Affordable Housing	$71,578	$47,201
Other Municipal Fees	$47,588	$27,251
Fees Subtotal	**$244,896**	**$139,587**
Contingency	$56,564	$37,160
Financing	$35,279	$32,619
Summary		
Residual Land Value per Unit		
Total Sales Proceeds	$3,025,000	$1,467,750
Target Return on Cost	15%	15%
Supportable Development Cost	$2,630,435	$1,276,304
Total Development Cost	$1,330,517	$867,062
Residual Land Value per Unit	**$1,299,918**	**$409,242**
Feasibility		
Residual Land Value per Unit	$1,299,918	$409,242
Typical Land Cost per Unit	$952,875	$381,150
Typical Land Cost per sq. ft. of Land	$175	$175
Feasibility Result	**Feasible: RLV greatly exceeds land costs**	**Marginally Feasible: RLV slightly exceeds land costs**

Sources: Strategic Economics, 2025; Redfin, 2025; Developer Interviews, 2025; City of Santa Clara, 2025.