RULES COMMITTEE: 3/11/2026
ITEM: C.2

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE

FROM: Mayor Mahan
Councilmember Kamei
Councilmember Campos
Councilmember Tordillos
Councilmember Cohen

SUBJECT: **SEE BELOW**

DATE: February 24, 2026

Approved Matt Mahan Rosemary Kamei Anthony Tordillos David Cohen

Date: 2/24/2026

SUBJECT: The Cost of Residential Development in San José

RECOMMENDATION

Direct the City Manager to amend the scope of work for the next Cost of Residential Development Study to include:

1. A feasibility analysis based on an expanded list of housing typologies including single-stairwell multifamily buildings and other small multifamily buildings.
2. An analysis of the impact of off-site improvements on the cost and supply of housing, based on past improvements conditioned on various housing development projects.
3. An analysis of the financial impact of various Reach Codes and local amendments adopted or under consideration for adoption by the City.
4. An analysis that identifies the parking ratio as one factor in the cost of development and compares like for like, especially in larger multifamily products.
5. A sensitivity analysis testing the impact of development review timelines, with specific quantification of holding costs over the course of the project.

BACKGROUND

It is prohibitively expensive for new construction to proceed in California. According to the California Department of General Services Construction Cost Index, from 2021-2024 the cost of construction has gone up 34.4%, nearly double the consumer price index of 18.9% over that same period.[1]

The annual Cost of Residential Development Study provides an important snapshot on the feasibility of different hypothetical residential building typologies. The study acknowledges that construction costs and per unit market values can vary significantly based on site-specific conditions and regulations. However, understanding the impact of these regulations and of site

[1] DGS California Construction Cost Index CCCI. https://www.dgs.ca.gov/RESD/Resources/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI

improvements, including, but not limited to, off-site improvements required for infrastructure, will be critical to informing future policy decisions.

There are many policy decisions the City Council can make that affect financial feasibility. Development standards, review processes, and other requirements imposed on residential developers all can significantly impact feasibility. However, as discussed during the recent Cost of Residential Development study session, many of these have not been analyzed. The City Council should have a more detailed understanding of how these policy decisions affect financial feasibility.

For example, only one parking ratio per typology is tested in the recent study, even though parking is recognized as a major cost driver. A second, lower parking ratio should be studied to help the Council understand the relative impact of reduced parking on the financial feasibility of each typology. Some developers may voluntarily provide more parking, and others may elect to minimize onsite parking.

Ministerial approval can reduce development review timelines by months, reducing costs significantly. Sensitivity analyses can reveal how policy decisions related to development standards and development review can affect financial feasibility. Additionally, emerging typologies, like single stairway and other small multifamily buildings, should be included in future studies.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member’s staff, concerning any action discussed in the memorandum, and that each signer’s staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.