



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: Study Session: Cost of
Residential Development in
San José

DATE: December 4, 2025

Approved

Date:

12/4/2025

PURPOSE

The purpose of the Study Session is to provide the City Council with an updated report on the Cost of Residential Development, including the economics of residential development and the primary barriers to new housing production in San José. The report will include consultant-prepared analyses that evaluate total development costs for both affordable and market-rate housing.

OUTCOME

The information provided through the presentation will help the City Council as it considers future program and policy changes to deliver on the *Building More Housing* Focus Area goals.

BACKGROUND

In December 2017, City Council directed staff to convene a City Council Study Session to discuss the aggregate impact of the fees and policies the City imposes on housing development and construction. The goal of that Study Session was to provide context and background for upcoming development-related items to be considered by City Council. The following Cost of Residential Development Study Sessions have been conducted since that direction:

- April 26, 2018, including a “Residential and Mixed-Use Real Estate Development Economics in San José” presentation by members of the Urban Land Institute, with a follow-up study session on May 1, 2018 that included staff and consultant report presentations
- November 5, 2019

- November 1, 2022
- October 26, 2023

Earlier this year, the City retained CSG Advisors and Economic & Planning Systems, Inc. to prepare the 2025 Cost of Residential Development Study Report.

ANALYSIS

The full 2025 Cost of Residential Development Study Report is attached.

Key findings from the affordable housing portion of the Study are noted below:

- **Costs Per Unit.** San José's affordable housing development costs average about \$676,000 per unit, which is comparable to other Bay Area counties.
- **Costs Per Square Foot.** San José's affordable housing projects are comparable to the Bay Area as a whole and are driven primarily by smaller average unit sizes rather than higher underlying construction costs.
- **Representation.** San José represents a significant share of affordable housing developments planned in the Bay Area

Key findings from the market-rate housing portion of the Study are noted below:

- **Market Feasibility.** While several lower density housing product types are likely to be financially feasible to develop in today's market, most higher density product types are not.
- **Fee Waivers.** Fee waivers, as authorized under San José Municipal Code Section 14.10.310, as well as relatively small improvements in market conditions, may have positive effects and make some higher density housing projects feasible, even under current market conditions.

COORDINATION

The memorandum was coordinated with the City Attorney's Office, City Manager's Office of Economic Development and Cultural Affairs, and the Planning, Building, and Code Enforcement Department.

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PUBLIC OUTREACH

Staff held meetings with stakeholders to share the Study's findings on November 21, 2025, and held a community meeting on December 4, 2025. Staff also met with Working Partnerships and the South Bay Labor Council.

/s/

Erik L. Soliván

Director, Housing Department

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.

ATTACHMENT

Cost of Residential Development Study Report