



STRATEGIC
ECONOMICS

Economic and Financial Analysis Report

Santa Clara Station Area Specific Plan Steering Committee
Meeting

November 21, 2024

Presentation Overview

1. Report purpose and market area geographies
2. Demographic and business/employment growth trends and conditions
3. Real Estate market trends
4. Additional economic factors
5. Big picture Considerations

Report Purpose and Market Area Geographies

Report Purpose: ground the Santa Clara Station Area Specific Plan in economic reality

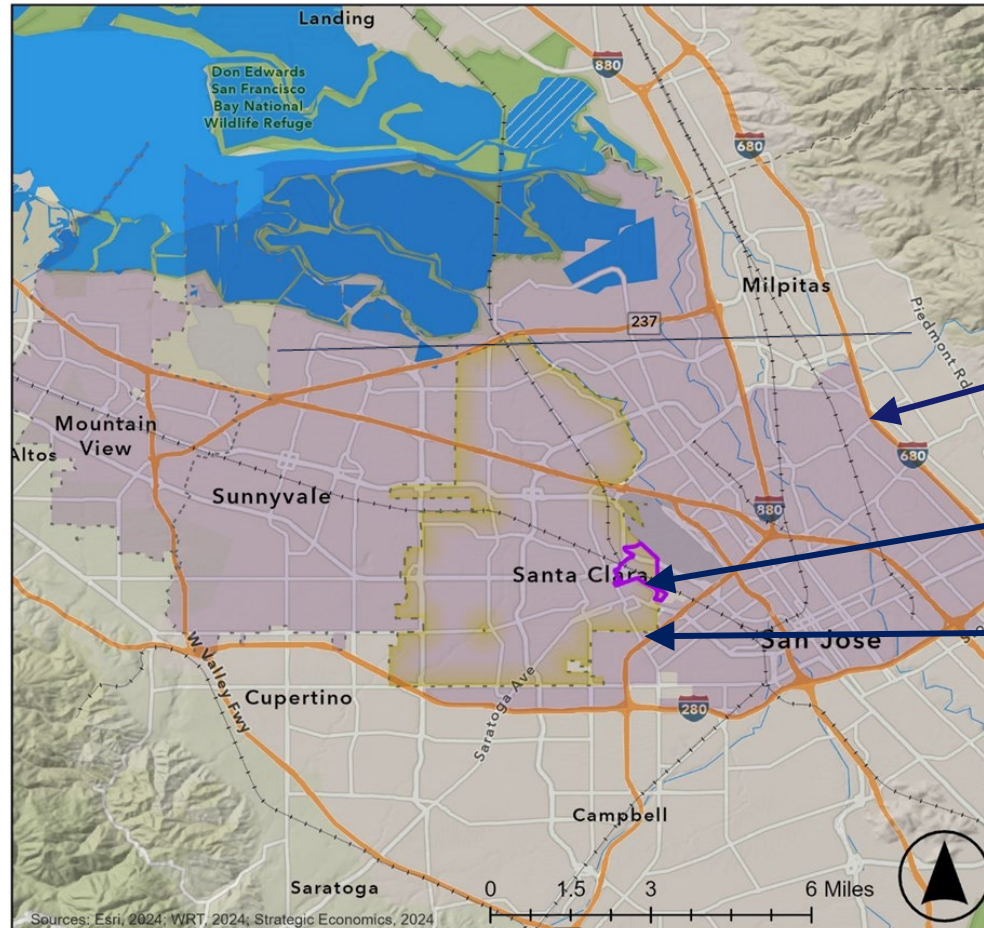
- Create understanding of past trends, current challenges, and future opportunities
- Identify benefits to the City
- Prepare to make Santa Clara a more inclusive community



Photo: Prometheus

Three Geographies Studied to Capture Demand/Supply Dynamics

- Trends in past and future **demand**
- Competitive **supply** and performance



Market Area

The Station Area

The City

The Station Area Five Subareas

Subarea 1: North of Coleman Avenue

Subarea 2: South of Coleman Avenue,
West of Brokaw Road

Subarea 3: South of Coleman Avenue,
East of Brokaw Road

Subarea 4: Between the Tracks and El
Camino Real

Subarea 5: South of El Camino Real



Sources: WRT, 2024; Strategic Economics, 2024

Demographic and Business/Employment Growth

Significant Demographic Trends

1. The larger Market Area is experiencing:

- Strong population growth
- decreasing household sizes,
- increases in non-family households,
- rapid growth in households composed of young adults.

2. The Station Area has only added a small increment of new population but:

- The area's new household characteristics match those of households in the Market Area, showing potential to capture a larger share of the Market Area's future housing demand
- This type of household demand is well-matched to transit oriented communities

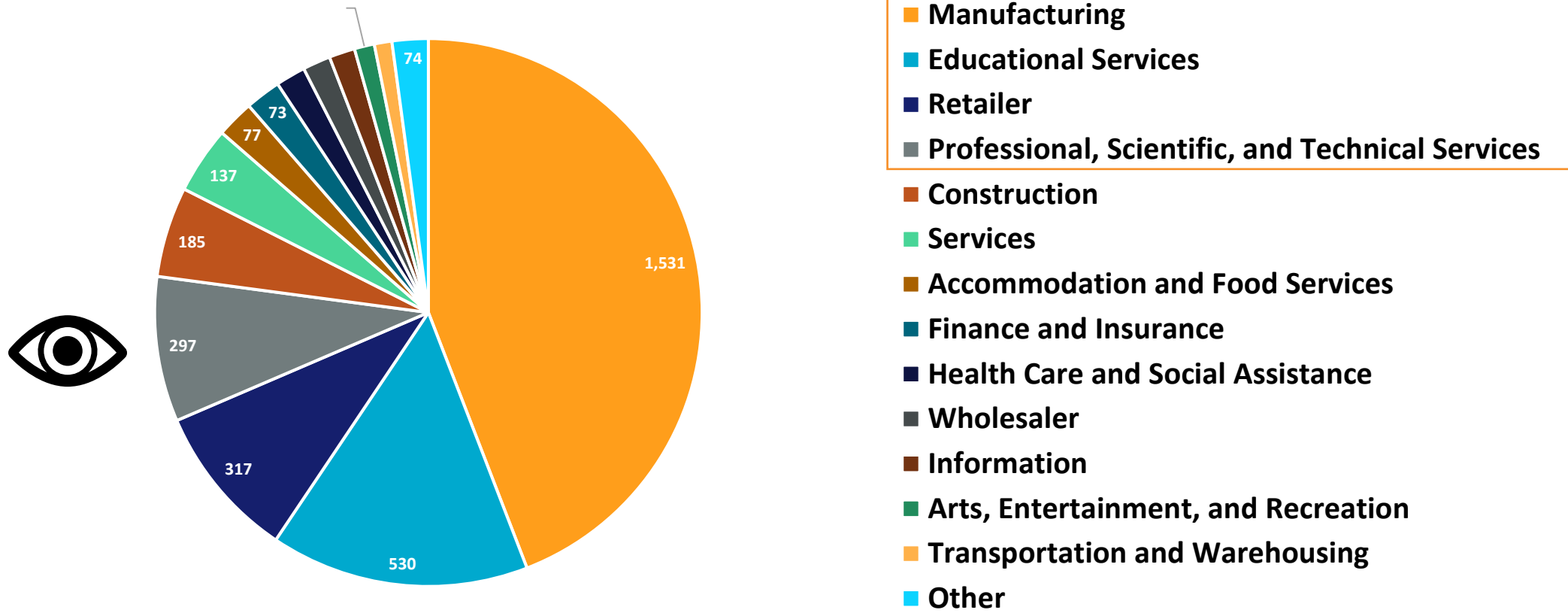
3. Despite growing demand for housing, households in the Station Area have lower incomes and pay a larger share of their income for housing than similar households in the Market Area suggesting that:

- Permanently affordable housing will be an important need in the Station Area



Station Area Business and Employment

Station Area Employment by Industry



Small Businesses in the Station Area

Number and Share of Businesses and Employees by Business Size in Santa Clara Station Area, 2024

Business Size	Businesses		Employees	
	Number	Share	Number	Share
Greater than 100 Employee	5	3%	2,135	62%
51 to 100 Employees	3	2%	256	7%
50 Employees or Less	192	96%	1,078	31%
Total	200	100%	3469	100%

Sources: CoStar, 2024; Strategic Economics, 2024;



Key Implications from Demographic and Industry Trends

The Station Area

The Station Area is likely in the early phases of a transition away from its traditional role in the City as an employment area to a mixed-use district.

Population and household growth trends favor dense housing typically associated with TOD

Industries likely to drive future demand of office or R&D space in the Station Area include more likely to include the Professional Scientific and Technical Services sectors driving employment growth in the South Bay, and not as much in the Life Science sectors that fueled growth in San Mateo County

As the Station Area evolves, Santa Clara could lose space that is currently “incubating” small businesses

Real Estate Market Trends

Five Market Segments



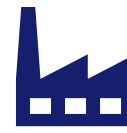
Multifamily
housing



Retail



Office



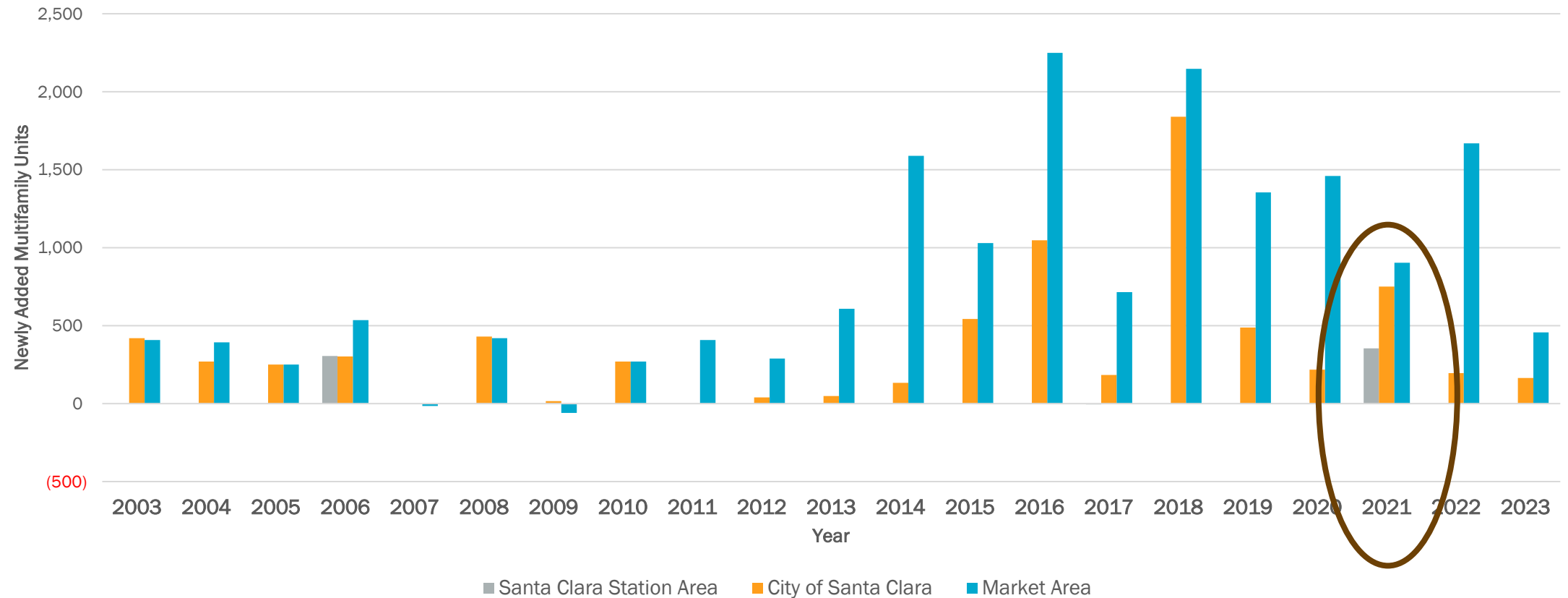
Industrial



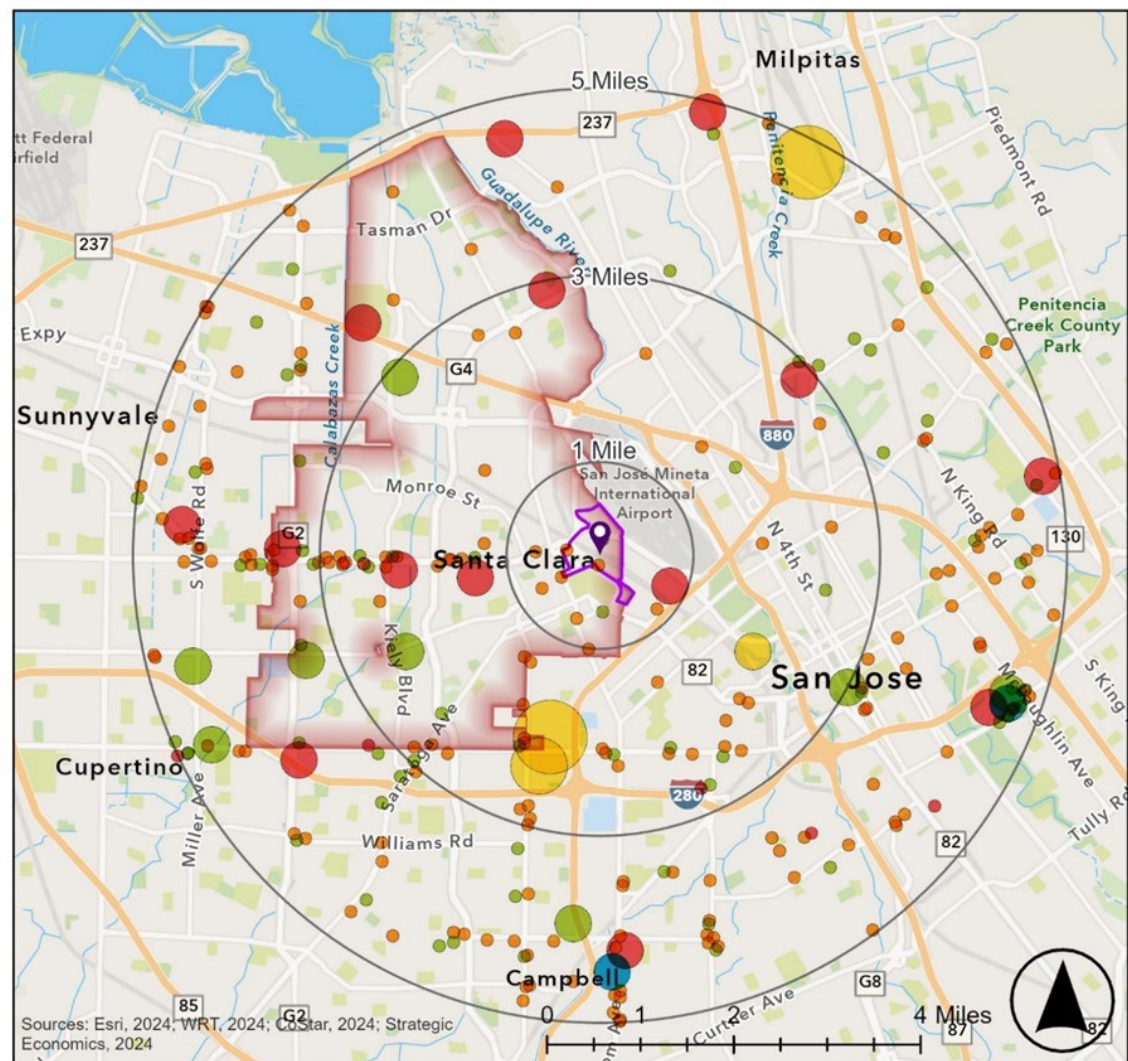
Hotel

Multifamily Housing Market

MULTIFAMILY UNITS BUILT IN THE STATION AREA, CITY OF SANTA CLARA AND MARKET AREA BY YEAR BUILT, 2003 TO 2023



Retail Market



Station Area and Retail Trade Areas, 2024

Santa Clara Station

Station Area

City of Santa Clara

Trade Area

Shopping Centers within 5 Mile Trade Area of Station

Center Type

- Community Center
- Lifestyle Center
- Neighborhood Center
- Strip Center
- Regional Center

Center Square Feet

- Less than 125,000
- 125,000 - 400,000
- 401,000 - 875,000
- > 875,000

Office Market

OFFICE INVENTORY IN SQUARE FOOT, 2014 AND 2024 YTD

Inventory in Square Foot	2014	2024 YTD	Change from 2014 to 2024 YTD	
			Numerical Change	Percentage Change
Santa Clara Station Area	465,477	465,477	0	0%
City of Santa Clara	17,310,768	22,133,773	4,823,005	28%
Market Area	42,101,249	60,264,061	18,162,812	43%

Sources: CoStar, 2024; Strategic Economics, 2024;



Industrial Market

INDUSTRIAL INVENTORY IN SQUARE FOOT, 2014 AND 2024 YTD

Inventory in Square Foot	2014	2024 YTD	Change from 2014 to 2024 YTD	
			Numerical Change	Percentage Change
Santa Clara Station Area	1,115,022	710,601	-404,421	-36%
City of Santa Clara	15,707,520	15,027,937	-679,583	-4%
Market Area	59,522,859	57,122,089	-2,400,770	-4%

Sources: CoStar, 2024; Strategic Economics, 2024;



Hotel Market

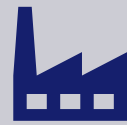
HOTEL OCCUPANCY RATES, 2013 TO 2023



Real Estate Opportunities



Multifamily housing is the strongest near to mid-term market segment



Office, including R&D, demand will remain uncertain for the near-term and the long-term outlook will rely on absorption of the current pipeline, strong employment growth in the South Bay's strong tech sectors, and favorable capital markets.



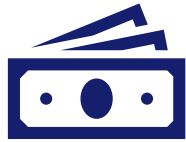
Hotel demand will likely level off after the three new projects get built until the office market comes back



Retail will modest a small role in the Station Area's transition

Additional Economic Factors

Additional Economic Factors



Retail sales
taxes



Transient
occupancy taxes



Affordable
housing



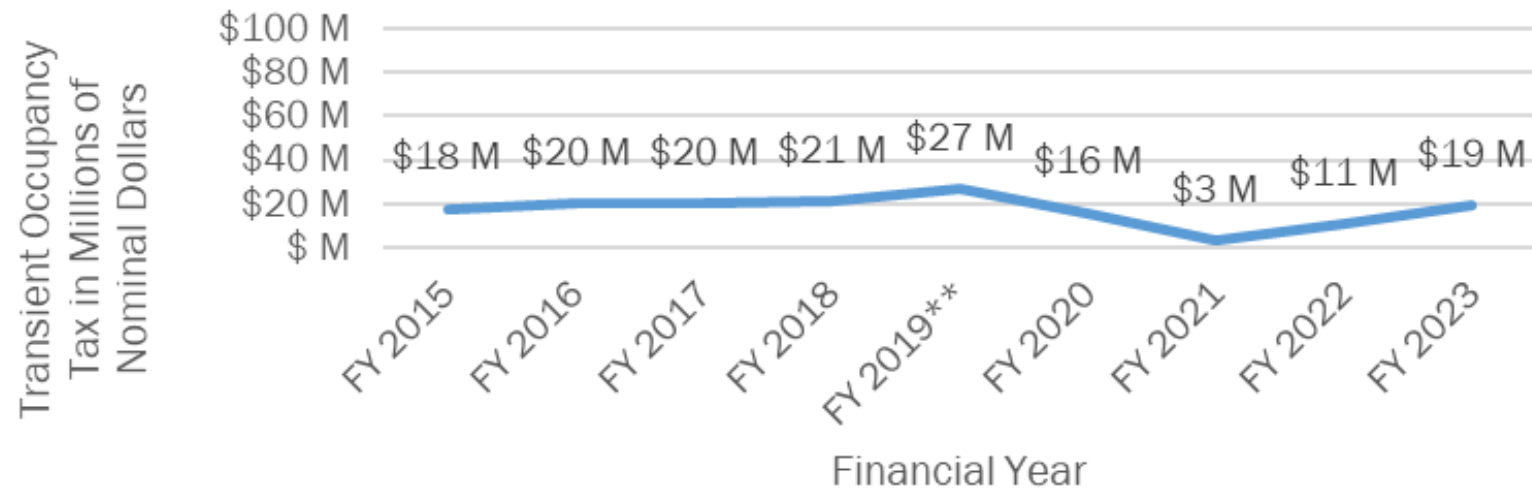
Small business
support

Retail Sales Tax Revenues

TOTAL SALES TAX, CITY OF SANTA CLARA, 2015 TO 2023



Transient Occupancy Tax Trends



Affordable Housing Issues in the Station Area

- Regional transit connectivity is an important asset for people seeking housing affordability
- The City has not prioritized the Station Area as a location for meeting its RNHA goals
- Future affordable units will be produced using either public sites, the City's Inclusionary Housing Policy, or using money for from the Housing Impact Fee



Small Business Support Policies

Most businesses in the station area are small



The City's small business programs include:

Lower business license taxes

Lower power rates

Worker cooperative initiative



None of the City's current programs align well with the PSTS businesses in the Station Area

Big Picture Conclusions

Value of Sending Positive Market Signal

Three elements required to capture the Station Area's long-term potential

Planning

Place making and design standards

Public investments in infrastructure and public spaces