

An aerial photograph of the San Francisco skyline, featuring the Transamerica Pyramid and the Golden Gate Bridge, with a red overlay.

Century | Urban

Strategic Real Estate Advisory Services

Affordable Housing Sites Analysis and Strategies

Presented to:

**City & County of San Francisco,
Planning Department**

February 28, 2025



AFFORDABLE HOUSING SITES ANALYSIS AND STRATEGIES

TO: City & County of San Francisco, Planning Department
FROM: Century | Urban
DATE: February 28, 2025

INTRODUCTION

The City & County of San Francisco, Planning Department (the “City”) has engaged Century Urban, LLC (“Century | Urban”) to analyze the historical cost to the City of acquiring and holding land for future affordable housing development and to analyze historical land cost trends in San Francisco. In addition, the potential impact of rezoning on land costs is examined by reviewing the Eastern Neighborhoods Area Plan and related rezoning as a case study. The analysis is intended to assist the City with forming an approach for acquiring and potentially holding affordable housing development sites as cost-effectively as possible to meet the City’s affordable housing goals.

Land costs are driven by the amount that developers estimate they can afford to pay and the amount that property owners are willing to accept based on their land value expectations. Various factors affect what developers are willing to pay for land including construction costs, rental rates, sales prices, and target returns, which all play a significant role. For market rate development projects, supportable land cost is typically estimated by the amount a developer can pay while still achieving a market rate return after accounting for all other project costs and is often referred to as “residual land value.” During periods of favorable conditions for market rate development, affordable housing developers often compete with market rate developers for available land. As a result, the cost of land for affordable housing is often similar to the cost of land for market rate development, all else being equal (e.g., size or location).

San Francisco has limited land available for development at any given time. This has historically resulted in higher land costs compared to cities with more undeveloped and less densely developed land readily available. Essentially, almost all potential development sites in San Francisco are infill, consisting of parcels with existing buildings or underdeveloped lots, often used for parking or occupied by single-story commercial buildings. If the value of the existing buildings or improvements is greater than a parcel’s estimated value as a development site, the parcel’s owner(s) may not be motivated to sell. In addition, many San Francisco landowners may have held their properties for decades, thus benefitting from a low property tax basis, and selling the site may trigger capital gains and/or transfer taxes. Any potential sale must provide sufficient financial incentive to outweigh these factors. When market conditions do not support residential



development feasibility, developers may be unwilling/unable to pay substantial prices for land, while landowners may be unwilling to accept offers substantially below historical or recent land values, resulting in fewer transactions overall. As a result, land values for affordable housing development sites may remain relatively stable even during downturns when market-rate developers are not actively purchasing land.

A site may be suitable for redevelopment when the income generated from its existing improvements or use no longer results in the highest possible value. This can occur when a building nears the end of its useful life, the current use no longer meets market demand, or market conditions, which may include a rezoning allowing for alternative uses or higher-density development, support development that results in a higher land value. The combination of market conditions, seller motivation and redevelopment potential all influence land availability and land costs. This report analyzes land costs over a 10-year period in the context of these economic and land use factors.

ANALYSIS OF LAND COST TRENDS

Century | Urban reviewed land costs for 53 unentitled multi-family residential land transactions that occurred in the City between 2015 and 2024 for market rate, affordable housing and mixed income housing development. The table below presents a summary of the land cost per year for these transactions by housing type.

Table 1: Land Cost per Unit per Year

Year	All Projects			Affordable Housing			Market/Mixed Income		
	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units
2015	\$79,600	\$107,300	2,030	\$66,500	\$89,600	50	\$80,000	\$107,800	1,980
2016	\$88,700	\$116,000	488	\$76,900	\$100,600	366	\$124,000	\$162,200	122
2017	\$115,600	\$146,500	1,818	\$134,400	\$170,300	195	\$113,400	\$143,700	1,623
2018	\$100,900	\$123,200	1,281	\$93,800	\$114,400	160	\$102,000	\$124,400	1,121
2019	\$97,000	\$114,600	645	\$96,000	\$113,400	527	\$101,700	\$120,100	118
2020	\$80,100	\$93,000	287	\$64,200	\$74,500	187	\$110,000	\$127,700	100
2021	\$106,700	\$120,100	188	\$106,700	\$120,100	188	n/a	n/a	0
2022	\$164,500	\$175,200	85	\$164,500	\$175,200	85	n/a	n/a	0
2023	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0
2024	\$103,600	\$103,600	534	\$103,600	\$103,600	534	n/a	n/a	0
Total	\$97,800	\$121,300	7,356	\$98,000	\$113,100	2,292	97,700	\$124,900	5,064

⁺Inflated to 2024 dollars per the Consumer Price Index for All Urban Consumers (CPI-U).

As shown above, land costs per unit have fluctuated over the past 10 years, with an average of approximately \$121,000 per unit in 2024 dollars. For affordable housing projects, land costs per unit have generally been lower than for market rate or mixed-income projects, averaging about



\$113,000 per unit. However, in 2021 and 2022, when no significant market rate transactions are known to have occurred, affordable housing land purchases were priced just below or above the 10-year average market rate/mixed-income land cost of approximately \$125,000 per unit.

Starting in 2019, market rate and mixed-income land transactions declined, coinciding with increasing construction costs. According to TBD Consultants, which tracks construction costs in the San Francisco Bay Area on a quarterly basis¹, construction costs rose by approximately 31% from the first quarter of 2020, at the start of the COVID-19 pandemic, to the second quarter of 2024, which is the latest available data. During this period, rental rates and sales prices have not kept pace with the rise in construction costs. As a result, market rate and mixed-income projects have become less economically feasible, leading to fewer transactions as shown in the table above.

Notably, despite a decrease in developer demand for land, the average land cost for the few transactions that have occurred since 2019 was approximately \$111,000 per unit as compared to the 10-year average of \$121,000 per unit in 2024 dollars. If one affordable housing purchase in 2020, which occurred at an average land cost of approximately \$75,000 per unit in 2024 dollars, is excluded the average land cost since 2019 is approximately \$116,000 per unit in 2024 dollars, or approximately 5% less than the 10-year average. This suggests that, despite the reduced demand and reduced ability of developers to pay for land, landowners may be reluctant to sell at prices that are significantly below historical averages and may be slow to adjust expectations based on market conditions. While rental rates and sales prices may increase over time, so too do construction costs, which moderates potential increases in land value. Additionally, the City has historically imposed exactions such as impact fees, transfer taxes and increased inclusionary requirements when they are supported by improvements in market conditions, which may result in lower land values than would otherwise be realized.

As noted above, even in slow years when few or no properties transacted for mixed income or market rate projects (reflecting challenging market conditions for such development), land sales for affordable housing projects continued to reflect costs at historical averages. This suggests that land price expectations of landowners are not set just by what market rate projects are willing to pay in the present, but by value expectations that have been established over a longer period of time. While this information potentially raises the question of whether buyers of land for affordable housing development may have overpaid in recent years due to the absence of market pressure from economically feasible market rate housing transactions setting land prices, it also demonstrates the persistence of landowner expectations regarding land value independent of supportable development residual land values.

¹ TBD Consultants' index is available at: <https://www.tbdconsultants.com/tbd-bid-index>. TBD's index started in 2003 at 100.00 and has tracked construction cost increases on a quarterly basis since that time.



Analysis of Opportunity Designation and Density Control on Land Costs

Century | Urban analyzed land costs based on opportunity designation and density restriction to assess whether these factors influence land prices. The opportunity designation refers to the resource area as defined by the 2024 Opportunity Area Map, published by the California Department of Housing and Community Development (“HCD”) and developed by the California Tax Credit Allocation Committee (“CTCAC”). Per HCD, the Opportunity Map identifies areas in every region of the State whose characteristics have been shown by research to be associated with positive economic, educational, and health outcomes for low-income families – particularly long-term outcomes for children. These areas generally have higher incomes and low environmental pollution among other factors. As such, the map is intended to inform efforts to advance affirmatively furthering fair housing (“AFFH”) by increasing access to opportunity. The opportunity designation ranges from “Low Resource” to “Highest Resource” and is subject to annual adjustments. The density restriction refers to the zoning classification governing whether a site is subject to density-restricted or form-based density control. Density-restricted density control typically limits development based on a specified ratio of units to lot area in addition to physical controls, while form-based density control limits density only indirectly through physical controls such as building height and bulk limitations.

Table 2 below summarizes land costs per unit since 2015, categorized by opportunity designation and density restriction. As shown in the table, land costs per unit show a difference of approximately \$19,200 in 2024 dollars or 14%, between areas governed by density-restricted controls and areas governed by form-based density controls, with form-based density control areas showing lower per-unit land costs. Significant variations in land costs are observed across opportunity designations. Specifically, Moderate Resource areas have the highest average land cost per unit at approximately \$153,000, followed by Highest Resource areas, with an average of \$130,000 per unit. When excluding Low Resource transactions, which are predominantly governed by form-based density control, the difference between density-restricted and form-based density control is even lower at approximately \$2,000 per unit or 1%. However, due to the small number of transactions particularly with regard to form-based density control in high resource areas, definitive conclusions may be difficult to draw. Additionally, the average building height for projects governed by form-based density control in the dataset is 17 stories, compared to just 7 stories for density-restricted density control projects. Because buildings taller than eight stories typically require a higher cost construction typology, this may reduce the amount of land value that such projects can support on a per unit basis, which may contribute to the difference in land costs between the two density control types.

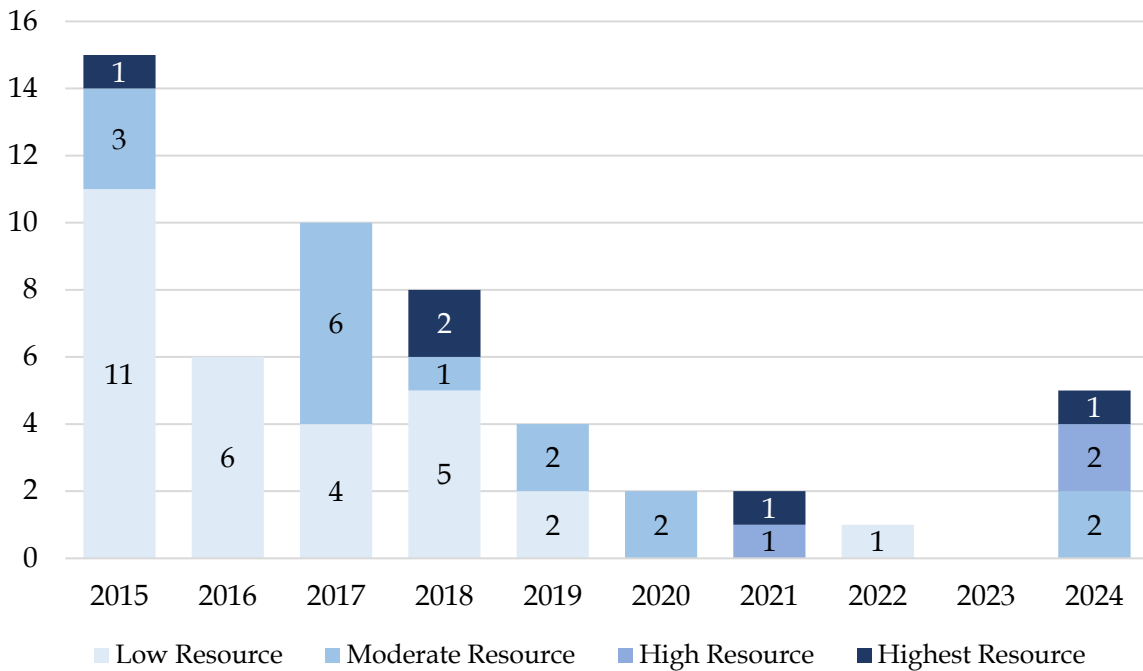
**Table 2: Land Cost per Unit by Opportunity Designation and Density Control**

Opportunity Designation	Density-Restricted			Form-Based			Total		
	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units	Avg. Land Cost	Inflated Avg. Land Cost ⁺	Total Units
Low Resource	\$97,100	\$128,100	681	\$83,400	\$105,400	3,861	\$85,500	\$108,800	4,542
Moderate Resource	\$137,500	\$169,800	488	\$118,400	\$147,500	1,451	\$123,200	\$153,100	1,939
High Resource	\$100,300	\$104,000	306	\$90,800	\$90,800	125	\$97,600	\$100,200	431
Highest Resource	\$108,600	\$130,700	349	\$128,900	\$128,900	95	\$112,900	\$130,300	444
Weighted Average	\$110,700	\$135,700	1,824	\$93,600	\$116,500	5,532	\$97,800	\$121,300	7,356

⁺Inflated to 2024 dollars per the Consumer Price Index for All Urban Consumers (CPI-U).

*Per the CTCAC 2024 Map.

In 2017, CTCAC incorporated Opportunity Area Map designations into its regulations for awarding 9% tax credits to increase access to high-resource areas for families with children. In 2018, CTCAC introduced modest 9% tax credit regulation changes to provide a basis boost and site amenity points for projects in High Resource and Highest Resource areas. In 2019, CTCAC further incentivized projects in these areas by adding a tiebreaker provision to the 9% tax credit application scoring process. As illustrated in the graph below, the number of affordable housing transactions in San Francisco Low Resource areas has decreased since CTCAC introduced these incentives. Since 2019, only two affordable housing land transactions have occurred in Low Resource areas, while an increasing number of transactions are occurring in High Resource and Highest Resource areas, where land costs are typically higher.

**Chart 1: Transactions per Year by Resource Area**

City Land Costs in Relation to Development Costs

Land values are influenced by market conditions, including development costs. To assess how land values have evolved in relation to total development costs, the percentage of land costs to total development costs for affordable housing projects developed on sites acquired by the City specifically for affordable housing development was analyzed. Due to the lack of available data regarding total development costs for private development activity, primarily involving market rate and mixed-income projects, private development projects were not included as part of this analysis.

As shown below, total development costs per unit have generally increased since 2018, averaging approximately \$1 million or more per unit since 2021. While total development costs have been trending upward since 2015, land costs as a percentage of these total costs have remained relatively stable, ranging from 7% to 14%. This pattern does not suggest a clear relationship between development costs and land costs, but does seem to imply that landowners are generally unwilling to sell at land values significantly below historical values. Furthermore, while land costs are a key component of the overall development budget, they represent a relatively small portion, and other factors such as construction costs may have a greater impact on affordable housing financing and the pace of affordable housing construction citywide.

**Chart 2: Land Cost as a % of Total Development Cost**

Potential Impact of Exemption to Transfer Tax

The City currently imposes a transfer fee on the transfer of land or real property, with the fee amount determined by the transfer value. The fee ranges from 0.50% up to 6.00% for a transfer value of \$25 million or more. The City is currently evaluating a proposal to exempt land transacted for development of 100% affordable housing projects from this transfer tax. If enacted, this exemption would enhance the competitiveness of affordable housing developers in acquiring land. Specifically, if both a market rate developer and an affordable housing developer offer the same price for a parcel, the land seller would likely choose to sell to the affordable housing developer, as they would not be required to pay the transfer tax.

In addition, assuming a transfer tax rate of 5.5%, which is applied to transactions valued between \$10 million and \$25 million, an affordable housing developer could offer up to 5.5% less than a market rate developer and still be the preferred buyer, as the land seller would net the same or more in sale proceeds. Based on the current 10-year historical average land value of approximately \$121,000 per unit in 2024 dollars, this could result in potential savings of up to approximately \$6,700 per unit for an affordable housing developer. Additionally, for City land acquisitions for affordable housing, which have averaged approximately \$113,000 per unit with an average project size of 115 units, the total average estimated savings from a transfer tax exemption would be approximately \$715,000 to the land seller, which could result in an equivalent reduction in land costs to the City.



IMPACT OF REZONING ON LAND VALUES

Century | Urban assessed the impact of rezoning on land values by reviewing historical land values within the Eastern Neighborhoods Area Plan. This rezoning was selected for the case study because it is one of the most recent, involved a significant upzoning, and occurred well before the COVID-19 pandemic, which later led to a decline in land transactions due to reduced residential market demand and rising construction costs.

In January 2009, the City adopted the Eastern Neighborhoods Area Plan, which outlined strategies for the future growth, development, and preservation of areas including SoMa, the Mission, Showplace Square/Potrero Hill, and the Central Waterfront. In exchange for upzoning, the City imposed additional exactions on projects within the plan area, including a higher affordable housing requirement than the citywide requirement in certain zoning districts within the area plan (which was recently adjusted to align with the citywide requirement). The City also established an Eastern Neighborhoods Infrastructure Impact Fee that currently ranges from \$15.01 to \$30.04 per square foot depending on tier, which is based on height increase.

As shown in Table 3 below, land costs per unit in the Eastern Neighborhoods averaged approximately \$125,000 in 2024 dollars before the adoption of the Area Plan. However, due to the economic crisis that began in 2009, no known residential land transactions took place between 2009, when the Area Plan was adopted, and 2012. From 2013 to 2023, there were 13 known residential land transactions in the Eastern Neighborhoods. Most of these occurred between 2015 and 2018, when the San Francisco real estate market was recovering and experiencing strong growth. Despite this recovery, the average land cost per unit during this period was approximately \$114,000 in 2024 dollars reflecting a decrease from pre-Area Plan adoption prices and below the 10-year historical citywide average shown in Table 1.

Comparing land costs on a per-acre basis before and after Area Plan adoption does reveal a notable difference. Due to the increased density allowed by the Eastern Neighborhoods Area Plan, average land costs per acre increased by approximately 48% in real dollars reflecting the additional value generated by this density increase. However, the analysis suggests that upzonings like the Eastern Neighborhoods Area Plan do not significantly increase land values on a per-unit basis, in part due to the additional exactions imposed by the City as part of the Area Plan.

**Table 3: Eastern Neighborhoods Area Plan Land Transactions**

Acquisition Year	Total Units	Total Projects	Total Acres	Total Land Purchase Price	Avg. Land Cost per Unit	Inflated Avg. Land Cost per Unit ⁺	Avg. Land Cost per Acre
Pre-Area Plan							
2004	125	1	0.8	\$8,670,000	\$69,400	\$121,600	\$11,257,000
2005	42	2	1.2	\$18,122,000	\$50,500	\$86,800	\$15,332,000
2006	149	4	2.8	\$13,665,000	\$80,500	\$134,100	\$4,822,000
2007	60	1	0.6	\$5,100,000	\$85,000	\$137,100	\$8,500,000
Total Pre-Area Plan	376	8	5.4	\$45,557,000	\$74,200	\$125,100	\$8,458,000
Post-Area Plan							
2013	889	2	6.9	\$69,250,000	\$77,900	\$110,800	\$10,097,000
2015	916	6	4.8	\$95,550,000	\$104,300	\$140,500	\$19,861,000
2017	184	1	0.2	\$5,625,000	\$30,600	\$38,800	\$33,088,000
2018	350	3	1.1	\$33,530,000	\$95,800	\$116,900	\$29,656,000
2023	185	1	0.5	\$11,350,000	\$61,400	\$63,100	\$23,163,000
Total Post-Area Plan	2,524	13	13.5	\$146,055,000	\$85,300	\$113,700	\$15,996,000

⁺Inflated to 2024 dollars per the Consumer Price Index for All Urban Consumers (CPI-U).

To further evaluate the potential impact of rezoning to a higher density on land costs per unit, Century | Urban reviewed City land acquisitions for development of affordable housing projects, comparing sites in recently rezoned areas with sites in areas that have not been recently rezoned. Table 4 shows City land acquisitions for comparable projects in rezoned and non-rezoned areas. The projects marked with an asterisk below are located within an area that has been recently rezoned, while those without an asterisk are not located in an area with a recent rezoning.

Table 4: Comparable City Projects Land Cost per Unit

Project Name	Number of Units	Land Cost per Unit	Inflated Land Cost per Unit ⁺	Acq. Year	Acres	Land Price per Acre	Density
1515 South Van Ness*	170	\$111,800	\$132,000	2015	0.73	\$25,865,000	Form-Based/SDB
730 Stanyan	160	\$93,800	\$114,400	2018	0.87	\$17,280,000	Density-Restricted/SDB
4200 Geary	98	\$112,900	\$127,000	2021	0.38	\$28,774,000	Density-Restricted/SDB
2550 Irving	90	\$100,000	\$112,500	2021	0.44	\$20,499,000	Density-Restricted/SDB
160 Freelon*	85	\$164,500	\$175,200	2022	0.30	\$46,293,000	Form-Based/SDB
650 Divisadero	95	\$128,900	\$128,900	2024	0.29	\$42,689,000	Form Based
249 Pennsylvania*	125	\$90,800	\$90,800	2024	na	\$22,863,000	Form-Based/SDB
1234 Great Highway	216	\$100,500	\$100,500	2024	0.70	\$31,000,000	Density-Restricted

⁺Inflated to 2024 dollars per the Consumer Price Index for All Urban Consumers (CPI-U).

When comparing 160 Freelon and 249 Pennsylvania (which are located within a recently rezoned area) to 1234 Great Highway, 2550 Irving, 730 Stanyan and 4200 Geary (which are not located within a recently rezoned area), the data suggests that rezoning does not necessarily lead to higher land values per unit as compared to areas that have not been rezoned. This further suggests that land sellers may be valuing their land based on comparable land sales, which likely



reflect supportable multi-family development land values. However, due to the small sample size, a definitive conclusion is difficult to draw.

ANALYSIS OF CITY LAND HOLDING COSTS

The City periodically acquires sites for future affordable housing development through direct land purchases, land dedications by developers to meet inclusionary housing requirements, or affordable housing sponsor purchases, where land is subsequently conveyed to the City. In some cases, such as direct purchases or land dedications, the City retains full ownership of the site until it can initiate a procurement process to select an affordable housing developer to ground lease the site and develop and own the future affordable housing project. Once a developer is procured, that entity is responsible for securing all of the financing required for the project. The City provides some subsidies to support the developer as they obtain all of the necessary financing for the construction and permanent phases of the project. This process typically takes between five to seven years from the time the City acquires the site to when the land is ground leased to the affordable housing developer prior to construction start. During this period, the City is responsible for all costs associated with holding and maintaining the site.

Site conditions can vary widely, with sites ranging from vacant structures and parking lots to buildings with existing tenants. Some sites may be able to accommodate interim uses and some may not. Because these sites are generally underutilized, which may be the motivation for the landowner electing to sell their land, they may have significant deferred maintenance, affecting tenant retention and the site's overall usability. Sites may also experience crime and vandalism, requiring substantial investment and ongoing property security to address and prevent further damage. For vacant buildings with significant deferred maintenance that would be difficult to lease, the City may incur substantial maintenance or upgrade costs to generate interim revenue.

The Mayor's Office of Housing and Community Development ("MOHCD") currently manages five city-owned sites designated for future affordable housing development. The City has entered into a ground lease with an affordable housing developer for a sixth site at 1515 South Van Ness Avenue, and construction on this site is currently underway. The City owns additional sites that are designated for future affordable housing, which are not managed by MOHCD. A site at 101 Hyde has the longest hold period in the current portfolio, having been acquired in 2016. As shown in Table 5 below, the City incurs annual operating expenses ranging from approximately \$34,000 to \$453,000 for the five sites that MOHCD continues to manage. The high operating costs at 1979 Mission of approximately \$453,000 annually are primarily due to the need for 24-hour security and ongoing maintenance expenses, driven by its size and the presence of a large vacant parking lot and partially vacant commercial buildings. In October 2023, the Department of Homelessness and Supportive Housing ("HSH") started operating a program in the 1979 Mission parking lot; consequently, MOHCD is no longer responsible for security or maintenance expenses,



eliminating these costs entirely for this site. In total, operating costs for all MOHCD-managed sites are approximately \$837,000 but exceeded \$1 million per year before the ground lease execution of 1515 South Van Ness Avenue.

There are multiple factors that inform the annual operating holding cost budget including whether full-time security and ongoing maintenance are required, whether there are tenant(s), or whether the site is being used for a City or non-profit operated program. The 101 Hyde site is currently leased to a tenant paying a relatively small base rent and covering all operating expenses except for utility costs, which are paid by the City and totaled approximately \$34,000 over the past 12 months. 772 Pacific is leased to a tenant under a triple net (“NNN”) lease agreement that requires the tenant to pay all operating expenses. 1939 Market, which had 4 tenants at acquisition, currently has two remaining tenants. In addition, a non-profit organization is operating a community garden space at 967 Mission. The non-profit organization does not pay rent but pays for a portion of operating expenses.

As noted above, the City incurs operating expenses ranging from \$34,000 to \$453,000 per year for each of these sites. Based on the information provided by the City and assuming an average hold period of 5 years before construction commences, the City would incur operating expenses of \$168,000 for a site with existing tenants and \$2.5 million for a vacant site. These costs must be considered in addition to land purchase price when evaluating the cost effectiveness of acquiring and holding land for future development, as doing so would increase the City’s average land acquisition cost by a range of 1% to 17% and commensurately reduce available funding for affordable housing projects that are ready for construction.

Site-specific conditions must be considered when evaluating potential future acquisitions, weighing the full costs of acquiring and holding properties relative to a realistic timeline for obtaining all necessary construction funding to commence construction. Most of the City sites generate little or no interim revenue during the pre-development holding period. Even when sites have existing tenants, many will vacate once their leases expire anticipating the need to relocate when construction begins. Additionally, some buildings require significant capital improvements for continued occupancy, which may exceed the rental revenue the City could earn during the hold period particularly if the City is unable to enter into long-term leases with new tenants due to upcoming construction. As a result, the City faces growing operating expenses as these sites remain or become vacant.

**Table 5: City Sites Land Holding Costs**

Address	101 Hyde	772 Pacific	967 Mission	1939 Market	1979 Mission	Total
Acquisition Year	2016	2017	2019	2020	2022	
Existing Land Use	Retail Building	Retail Building	Parking Lot	Office Building	Commercial Building	
Tenant Status	Fully Leased	Fully Leased	Partially Vacant	Partially Vacant	Partially Vacant	
Tenant Improvements	\$107,000	\$0	\$0	\$0	\$0	\$107,000
Current Annual Revenue	\$12,000	Rent payment structure in process	\$0	\$120,000	\$54,000	\$186,000
Current Annual Operating Expenses	\$33,500	\$0	\$180,000	\$171,100	\$452,700	\$837,300
Net Annual Operating Income	(\$21,500)	\$0	(\$180,000)	(\$51,100)	(\$398,700)	(\$651,300)
Projected Development Start		2026	2025	2025		
Projected Hold Period	10 Years	9 Years	6 Years	5 Years	5 Years	

SUMMARY

As detailed in the analysis above, despite rising construction costs and challenges to residential development feasibility, recent affordable housing land transactions have remained near the historical average of approximately \$113,000 per unit in 2024 dollars. This suggests that land costs are largely driven by landowner value expectations, which tend to reflect historical per-unit values regardless of prevalent economic conditions and zoning allowances.

Furthermore, the analysis suggests that rezoning has less impact on land values on a per-unit basis and more impact on land values on a per-acre basis due to increased density from upzoning. This is demonstrated by the Eastern Neighborhoods Area Plan case study, which found that land values per unit decreased after the adoption of the area plan while land values per acre increased. Additionally, for sites with existing uses, if economic conditions for development are not favorable, a rezoning to a higher density does not necessarily result in higher land values relative to the value of existing and related rezoning improvements. An increase in land value may be expected only after economic conditions for development are sufficiently favorable to support land values that exceed the value of existing improvements.

Given that land costs do not necessarily adjust in response to market conditions, an acquisition strategy involving acquiring and holding land for future development, i.e., “land banking,” may not lead to lower overall land costs. As demonstrated in the analysis, the City may incur significant holding costs after acquiring a site for future affordable housing development. To maximize the impact of its limited resources, the City may consider prioritizing affordable



housing funding for projects that are ready for construction, with secondary consideration given to land acquisition.