



## MEMORANDUM TO THE BOARD OF SUPERVISORS

**Subject:** Family Zoning Plan – Housing Capacity Estimates and Methodologies

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### Executive Summary

**This memorandum explains how San Francisco has calculated the capacity contained in the Family Zoning Plan. The Family Zoning Plan satisfies the City’s RHNA shortfall plus 15% buffer of 36,200 units.**

**The Planning Department used three methods of analysis to explore the capacity created by the Family Zoning Plan.** The analyses show that the Family Zoning Plan satisfies our RHNA shortfall, satisfies state statute regarding shortfall rezoning, and is aligned with Housing and Community Development Department (HCD) guidance. On September 9, 2025, Paul McDougall from HCD provided a letter<sup>1</sup> to the Planning Department indicating that HCD reviewed this analysis, along with other materials related to the proposed Family Zoning Plan, and found the Family Zoning Plan as proposed would meet the quantitative requirements for the mandatory rezoning, including Housing Element Action 7.1.1.

**This Executive Summary briefly describes each method used and its outcome.** These methods demonstrate that the City adequately satisfies state law and Action 7.1.1 of San Francisco’s adopted Housing Element to “reasonably account for sites’ likelihood of development during the planning period using an analytical model”. (See below for full text of Action 7.1.1).

Given the unprecedented scale of the rezoning and self-imposed requirements to more deeply examine likelihood of development, multiple methods of analysis are necessary. No single method on its own is sufficient. Further, each analytical method has both advantages and disadvantages.

**Method 1: Citywide Method** – This method is inspired by specific guidance the State of Colorado provides to its cities regarding approaches to calculating effective zoned capacity relative to its housing goals. This method helped the City to explore the likelihood related to the expected yield from the Family Zoning Plan during the remaining RHNA period. This method demonstrates approximately 39,000 units would be expected to be produced in the remaining RHNA period. This method is essential to meeting 7.1.1.

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<sup>1</sup> [housingelement-HCD-sf-draft-rezoning-package-09092025.pdf](#)

Adjustments to the Family Zoning Plan need to be assessed through this method as part of ensuring that the Plan meets or exceeds San Francisco's shortfall.

**Method 2: Soft Sites Methodology** – This method replicates the method used to develop the Sites for Rezoning submittal in the City's certified Housing Element (see [Appendix B Sites Inventory page 41-45](#)). This method is included (1) at request /advice from HCD staff and (2) to identify the specific sites most likely to develop as required based on existing site characteristics that make them suitable and available for residential development and report on their reasonable capacity under the rezoning.<sup>2</sup> The method demonstrates reasonably available capacity for approximately 38,200-64,400 units created through the Family Zoning Plan on sites more likely to develop based on criteria for suitability and availability.

**Method 3: Financial Feasibility Method** – This method uses specific financial feasibility metrics to determine a site's likelihood of being redeveloped. This method is fundamentally tied to the specific economic metrics assumed for this analysis. Since little to no housing is feasible under current economic conditions regardless of zoning changes or zoning assumptions<sup>3</sup>, this method also assumes that larger macroeconomic conditions will necessarily improve in order to create the prerequisite conditions necessary for any zoning changes to be effective in realizing the City's Housing production goals. This method, which can only effectively analyze the feasibility for market-driven (i.e. primarily Above Moderate-income levels) housing production, suggests that a net addition of 19,000 units of market rate housing units would be produced in 5 years under modestly improved economic conditions.

**Through Housing Element Action 8.1.5 (see below), the City has agreed to pursue additional zoning changes and other constraint reduction if building permits are not issued on pace with that projected in the Housing Element Sites Inventory for the RHNA time period through 2026.** The City proposes to use the Citywide Method's measured capacity (~39,000) (plus the capacity from the additional focused rezoning actions described at the end of this memo) as the baseline for assessing the additional zoning needed under the formula established in 8.1.5.

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<sup>2</sup> In spring 2025 (March 5 and April 2), Planning Department staff met with Paul McDougall and additional HCD staff to discuss the City's methods of analysis. At that time, Mr. McDougall requested we use the same method of analysis we used to develop the Sites for Rezoning as part of the City's certified Housing Element. Additionally, it was advised that any other methods used would need to be justified. Given limited written guidance from HCD on specific methods to measure capacity, San Francisco offered this method previously.

<sup>3</sup> See [Financial Feasibility Study discussed and attached to the staff report](#) to the Planning Commission for the hearing on June 26, 2025.

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### **Excerpts from San Francisco's Adopted Housing Element**

**Action 7.1.1** - Create a rezoning program to meet the requirements of San Francisco's Regional Housing Needs Allocation across income levels and Affirmatively Furthering Fair Housing laws, relying on a combination of strategies in Actions 7.3.2 and 7.2.1 above to accommodate the RHNA shortfall with a buffer (approximately 36,282 new units) primarily in Well-resourced Neighborhoods, in proximity to transit and commercial corridors. The rezoning program shall reasonably account for sites' likelihood of development during the planning period using an analytical model and shall not add government constraints that reduce project financial feasibility as determined by an analysis prior to the rezoning enactment. Seek to implement a rezoning program that exceeds the identified RHNA shortfall plus 15% buffer (i.e., 36,282 units) to provide more capacity sooner and that would reduce the need and size of any subsequent rezoning triggered by Action 8.1.5. In addition, make any conforming amendments to relevant area plans in the city's General Plan based on final rezoning actions. Complete this effort by January 31, 2026.

As described in the Sites Inventory Rezoning Program, the rezoning will meet the requirements of Government Code Section 65583.2(h)-(i), including sites identified to meet the very low and low-income RHNA unmet need will be zoned to:

- permit owner-occupied and rental multifamily uses by-right for developments in which 20 percent or more of the units are affordable to lower-income households. By-right means local government review must not require a conditional use permit, planned unit development permit, or other discretionary review or approval that would constitute a "project" for purposes of CEQA;
- accommodate a minimum of 16 units per site; and
- require a minimum density of 20 units per acre.

At least 50 percent of the lower-income rezoning need must be accommodated on sites designated for residential use only or on sites zoned for mixed uses that accommodate all of the very low- and low-income housing need, if those sites allow 100 percent residential use and require residential use to occupy 50 percent of the total floor area of a mixed-use project.

**Action 8.1.5** - If the City issues building permits<sup>24</sup> for fewer than 29,049 new units<sup>25</sup> by January 31, 2027, then the City shall enact and implement:

- additional rezoning outside of Priority Equity Geographies and areas vulnerable to displacement, and
- additional constraints reductions for housing projects, including existing projects in the development pipeline.

This additional rezoning and additional constraints reductions shall accommodate 115% of the shortfall, minus any capacity created by the rezoning(s) in Action 7.1.1 in excess of 36,282 units.<sup>26</sup>

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The scope of this additional rezoning and additional constraint reduction:

- shall account for sites' likelihood of development during the RHNA planning period, and affirmatively incorporate the results of an analytical model and the cumulative constraints analysis described in Action 8.1.8 to increase supply choice and affordability and accommodate the RHNA in the planning period.
- shall not impose any new governmental constraints not already in effect on January 31, 2027 to the development of housing unless that constraint is offset by the repeal or mitigation of another constraint.
- shall consider progress and implement strategies toward meeting the RHNA goals by income group and AFFH objectives, including strategies considered under 8.1.10.
- shall consider community engagement, in alignment with Program area 4.2 in areas that may be disproportionately impacted with displacement risk beyond Priority Equity Geographies.

The City shall complete this effort, if needed, by July 31, 2028. The City will implement this program in consultation with HCD, including HCD approval.

## Introduction

This memo summarizes the Planning Department's analysis of its Rezoning Sites to demonstrate the adequacy of the proposed rezoning to meet its RHNA Shortfall.

In order to inform the rezoning proposal and ensure the rezoning is providing sufficient zoned capacity pursuant to California GC 65583(c)(1)(A) and 65583.2(h) on sites that have a reasonable likelihood of development, the Planning Department has utilized multiple approaches of estimating capacity. These approaches include the same method used in the certified Housing Element Sites Inventory Sites for Rezoning and two additional analytical methods that consider different approaches to likelihood of development.

All approaches demonstrate that the City's proposed rezoning more than adequately surpasses the Housing Element Sites Inventory's RHNA rezoning targets.

The City's minimum rezoning target is 36,200 units. Broken down by income, the rezoning target includes 20,300 Lower-Income homes, 8,400 Moderate-Income homes, and 7,500 Above Moderate Income homes. The 36,200 target ***includes the state-recommended additional 15%*** buffer on top of RHNA. The City is including the buffer to proactively address the requirement for No-Net Loss for Lower-Income Sites as well as to buffer for the uncertain availability of individual parcels.

Excluding the recommended 15% buffer to the targets, the RHNA gap for rezoning is 24,000 units; of which 15,400 are Lower Income, 6,400 are Moderate Income, and 2,200 are Above Moderate.

	Lower Income	Mod Income	Above Mod	Total	Mod+Above Mod
RHNA Targets	32,881	13,717	35,471	82,069	49,188
Existing Sites	17,486	7,350	33,260	58,097	40,610
<b><i>RHNA Gap</i></b>	<b><i>15,395</i></b>	<b><i>6,367</i></b>	<b><i>2,211</i></b>	<b><i>23,972</i></b>	<b><i>8,578</i></b>
RHNA Targets with 15% Buffer	37,813	15,775	40,792	94,379	56,567
<b><i>RHNA Gap with 15% Buffer</i></b>	<b><i>20,327</i></b>	<b><i>8,425</i></b>	<b><i>7,532</i></b>	<b><i>36,282</i></b>	<b><i>15,957</i></b>

Figure 1: San Francisco's Regional Housing Needs Allocation.

## General Description of the Proposed Rezoning

***The proposed rezoning, also known as the "Family Zoning Plan", is large scale and touches 60% of parcels in San Francisco, focused in High Opportunity Areas.*** The Family Zoning Plan proposes to rezone approximately 92,800 of the approximately 154,500 parcels in the City and County of San Francisco.

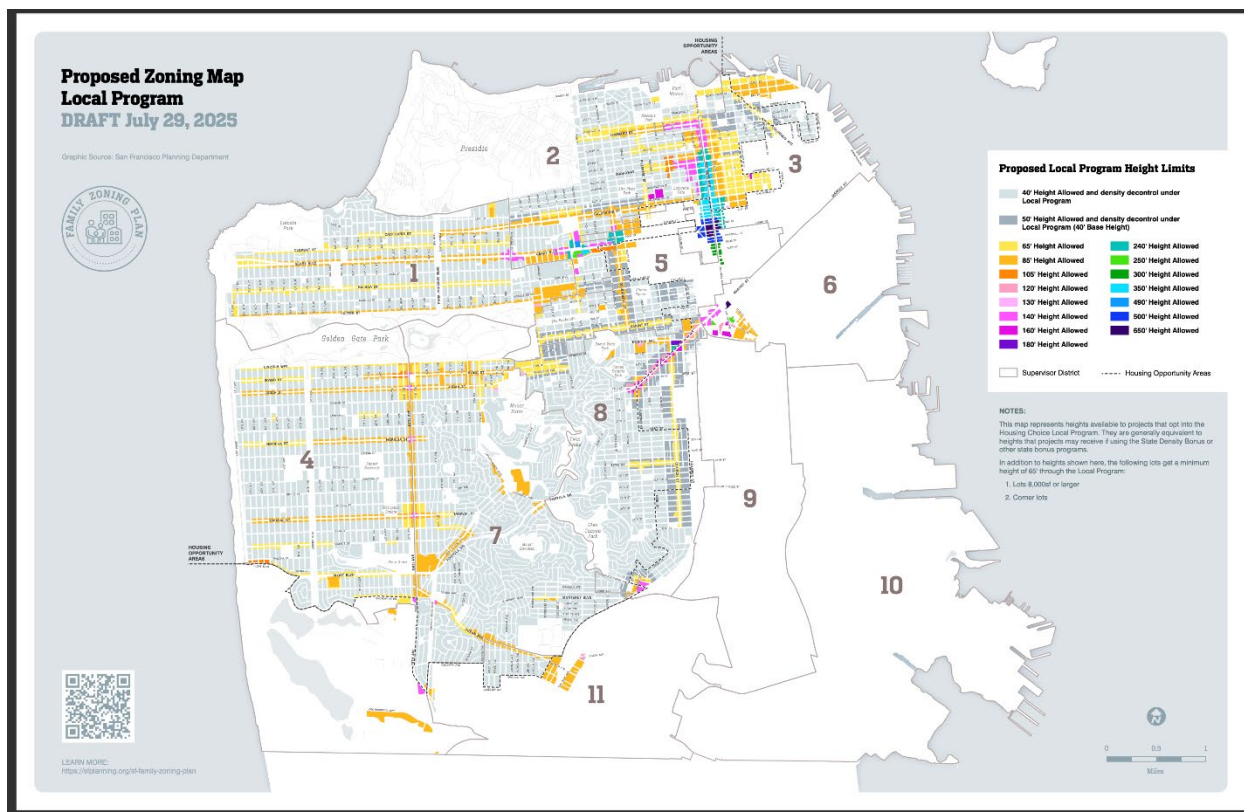


Figure 2: See pdf file or [online map](#) to view in more detail.

The geography is defined largely by the High Opportunity areas of the city, comprising the western and northern portions of the city, as well as some additional contiguous adjacent areas.<sup>4</sup> The proposed rezoning will rezone nearly 100% of the parcels in this broad area that comprises three-fifths of the city's area. This includes rezoning 57% of all parcels zoned "Neighborhood Commercial" and 64% of all parcels zoned "Residential" in the city.

Table 1: Parcels in Family Zoning Plan		
Parcels in Family Zoning Plan	Total Parcels in San Francisco	% Parcels in Family Zoning Plan
92,000	154,500	60%

**Form-based density and additional height are key components of Family Zoning Plan.** In this broad area, the rezoning would enable "form-based" density rules (i.e., "density decontrol" or no density limits) on every parcel. The Plan also provides for **higher height limits** on parcels in neighborhood commercial areas, in some commercial transition areas near certain commercial and transit corridors, and on all corner parcels and large parcels (8,000 square feet and larger) in residential areas.

<sup>4</sup> The High Opportunity Areas follow the contours of the "highest resource" and "high resource" areas identified in HCD's Opportunity Area Map.

Specifically, building height of six to eight stories would be permitted on all transit and commercial corridors, with six stories on corners and large parcels in residential areas. Certain corridors and major nodes would be permitted with even greater height limits of 12 to 65 stories. *See maps for illustrations of the permitted heights.*

***The total net increase in the legal zoned capacity of the City above existing zoning as a result of the proposed rezoning is approximately 780,000 units.***<sup>5</sup> This figure is calculated by calculating the total capacity of all parcels under the future rezoning conditions minus existing housing units on each parcel and subtracting from this total the total capacity of all parcels under existing zoning (also accounting for existing units). In other words, this figure removes existing units and remove the capacity under today's zoning. Sites with entitled projects are also excluded from these calculations.

The citywide remaining legal zoned capacity under existing zoning is 313,000 units. Under the rezoning it would be approximately 1.094 million units.

Table 2: Zoned Capacity		
Legal Zoned Capacity with Family Zoning Plan	Existing (present day) Legal Zone Capacity	Increase in Legal Zoned Capacity from Family Zoning Plan
1,094,000	313,000	780,000

Because these figures account for every possible incremental available housing unit allowed on every parcel regardless of whether the existing uses and buildings on each lot would make the lot more or less available for housing development, the analytical methods described in this memo must be used to estimate the *reasonably likely capacity* for housing development out of this 780,000 units of additional capacity and to identify the sites that are reasonably more likely to be suitable and available for development.

#### ***Suitable and Available Sites***

Following is a description of the reasonable capacity on suitable and available sites that San Francisco will be submitting to HCD as its revised and final Inventory of Rezoned Sites and these sites' capacity calculations. Based on the analysis described, this is a modest subset of the overall net additional 780,000 maximum legal capacity. This is known within the Planning Department colloquially as the "Soft Sites Method." This method is consistent with the method applied in San Francisco's Rezoning Sites included in the Sites Inventory in the certified Housing Element.

In addition to the "Soft Sites" methodology being submitted, the Planning Department is also presenting two companion analyses on capacity. These methods demonstrate that regardless of methodology, the

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<sup>5</sup> Note that all of these zoned capacity figures excludes potential capacity, or zoned capacity changes, on sites with entitled projects (ie "pipeline projects").



City's proposed rezoning more than sufficiently surpasses the minimum rezoning targets set by both state statute and city policy.

### ***Constraints Reductions and Additional Capacity Not Considered***

It is important to note that none of these analyses, nor any available analytical model or method, accounts for constraints reductions related to procedural improvements (e.g. administrative and ministerial approvals) that have been undertaken generally in San Francisco, the state of California, or those incorporated into the Family Zoning Plan. These major foundational context changes to housing approvals in San Francisco would likely significantly increase likelihood of development, improve financial feasibility, and reduce investment risk, thus increasing capacity for development that considers the pace or feasibility of development.

The capacity analyses presented here do not account for some of the additional quantitative code relief and modified, looser, objective standards applicable to projects using the Housing Choice-SF local program, including but not limited to reduced rear yard/lot coverage limits for certain projects, providing bonus square footage for units with more bedrooms (including units just required to meet unit mix requirements), elimination of open space and unit exposure requirements, and general 15% flexibility on all other quantitative standards. These various measures of code relief and flexibility are likely to notably increase physical capacity on individual sites beyond what is considered in this analysis. The reduction in rear yard/lot coverage limits amount to at 5-7% increase in physical zoned capacity on a subset of sites. Unit mix bonuses will also provide additional capacity that has not yet been considered. The waiving of open space and exposure requirements and other broad code flexibility are significant constraint reductions that increase capacity and financial feasibility in complex ways that are not easily modeled and that no available model or method can adequately account for.

Finally, the Housing Choice-SF program includes voluntary incentive bonuses of square footage and additional height for projects that provide an array of amenities and features, including but not limited to additional units with multiple bedrooms, family-friendly amenities, "warm shell" retail space, preservation of historic resources, and construction of the 100% affordable housing. All of these incentives could, and likely would, provide substantial additional capacity not accounted for this analysis.

### **Method 1: "Citywide Capacity Method"**

The adopted Housing Element Action 7.1.1 requires the City, in evaluating the sufficiency of its rezoning to meet the 36,200 shortfall, to "reasonably account for sites' likelihood of development during the planning period using an analytical model." As all zoned capacity and not all sites are equally likely to be converted into new housing, analytical methods must be used to reflect this fact, thus discounting the net new zoned capacity by various metrics and methods in order to Ensure that the scale of the rezoning is sufficient to surpass the RHNA shortfall and meet the needs of San Francisco.

Rather than looking at the capacity for units on specific suitable and available sites, this method attempts to forecast the number of units that would be produced under economic and societal conditions that mirror past conditions.



A review of guidance in other jurisdictions as well as review of some research papers that speak to practices for estimating the production expectations of zoning suggest looking at the annualized rate of which a city's total zoned capacity has materialized into actual development entitlements or built units in the past. For instance, the State of Colorado's guidance<sup>6</sup> to jurisdictions in fulfillment of its own state laws mandating certain zoning capacity in relation to production goals is to assume realistic housing capacity of between 10-20% of the total legal zoned capacity across all parcels (i.e. to establish legal zoned capacity of approximately 7.5 times the goal).<sup>7</sup>

It is based on this premise that the San Francisco Planning Department presents here the "citywide capacity method." Rather than take the Colorado-specific metrics directly as applicable to San Francisco, this approach applies a San Francisco-specific fractional factor of the total net increase in legal zoned capacity of the proposed rezoning to estimate reasonable likely capacity for production based on retrospective data on development activity in San Francisco's recent past.

The Planning Department looked back at the years 2005-2023. This is a sufficiently long stretch of the most recent 19 years for which the Department has good data, and it covers multiple economic cycles.<sup>8</sup>

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<sup>6</sup> The State of Colorado has a law (the "[Transit-Oriented Communities Law](#)"), similar to California's Housing Element and RHNA law. Colorado requires certain jurisdictions to ensure that the total Zoning Capacity of their Transit Center areas is greater than or equal to the jurisdiction's Housing Opportunity Goal (HOG) for such areas. The Zoning Capacity must account for a "Zoning Capacity 'Buffer'", which means that the estimated raw legal zoning capacity for the area must be a multiple of the HOG. Based on all of the recent research on the relationship of raw zoning capacity to housing production, Colorado guidance sets this buffer at 7.5 times the HOG. In other words, if the HOG is not more than 10-20% of the total zoned capacity, then the zoning is considered to have adequate capacity. While the San Francisco Planning Department developed a partnership with the Turner Center for Housing Innovation to provide modelling support for this rezoning effort, the Center was not able to produce a reliable model that could be validated for San Francisco and paused their efforts in spring 2025; the Citywide Method was inspired by discussions with the Turner Center, amongst the other research and examples cited here.

<sup>7</sup> A [paper published in 2022 by the UCLA Lewis Center for Regional Studies](#) endorsed the general concept of the simple "zoning buffer", that is the ratio of total legal zoned capacity in relation to base conditions (either existing housing stock or housing production targets) as an appropriate, and possibly preferable, framework for creating conditions for housing production. The paper does not recommend a specific buffer ratio, but highlights historic conditions in cities studied where substantial contractions of the zoning buffer due to downzoning were followed by decades of increasing housing unaffordability, increases in land value, and declines in housing production. It looks at zoning buffers that in cities like New York where the legal zoned capacity had been 300-400% of the existing housing stock and then was reduced to less 150% of the existing stock (ie legal zoned capacity would only allow 50% more units than presently existed). The paper generally endorses zoning schemes that cover broad swaths of cities, including residential areas, with zoning that allows small-mid scale multifamily development (6-10 units per parcel) as being ideal for widespread housing production of a modest but financially feasible scale on as many parcels as possible. This is similar to what is proposed here in the Family Zoning Plan, which also would increase the city's "zoning buffer" from about 200% (ie double the existing stock) to approximately 400% (ie legal zoning capacity would allow a 3-fold increase of existing stock). Notably the FZP does what the paper recommends, which is to permit 6-10 unit development across a broad swath of the city's residential parcels in addition to upzoning on commercial corridors, rather than concentrating proposed upzoning on only a small subset of parcels.

<sup>8</sup> Note that because the period stretches 19 years and includes two major macro-economic and societal shocks – the Great Recession and the Covid pandemic – in which housing development activity nearly completely collapsed, this longer-term view biases these estimates downward, as opposed to using production metrics derived only from years that were not affected by these shocks when the economy, demand, housing production was relatively stable and very active and during which housing production in San Francisco was robust.

The data begins at the point (2005) that San Francisco began adopting a major slew of neighborhood rezoning efforts and other zoning reforms of the modern era. During this period of time 90,000 units were entitled (i.e. approved) by the Planning Department and 53,200 units were constructed.

**Construction Rate of 1.26% per year** – One approach is to compare this past construction rate of built units against the zoned capacity that existed across all sites that are generally suitable for housing development. The categories of parcels excluded in this method are only those not typically developable for new housing development regardless of economic considerations due to use, ownership, or regulatory frameworks. The categories include parcels already entitled for development, parcels owned by government agencies, major college campuses, hospitals, parcels with residential condominiums, parcels with residential rental units of 4 or more units subject to rent control, parcels with formally listed historic properties on local, state and national registers, and parcels used as ROWs or other similar restrictions. (This Citywide Method does *not* exclude parcels based on “softness” or level of underdevelopment as does the “soft site method”.) This method of calculation answers the question of how many of the units on sites that are theoretically available for consideration of development were built. Applying these site exclusion criteria allows us to re-create the zoned capacity on potentially developable sites over the past 19 years of 218,000 units (remaining zoned capacity of 183,000 in 2023 – out of the 313,000 legal envelope -- plus the 53,000 that were built which used zoned capacity available at the time). The equivalent net new zoned capacity on non-excluded sites for the Family Zoning Plan is 615,000 units (out of 780,000 legal zoned capacity).

This reveals a **construction rate of 23.7% of the City’s reasonably available zoned capacity during this 19-year period, or 1.26% per year**. Applying this rate to the rezoning net capacity increase on non-excluded sites of 615,000 units yields a **predicted construction of 38,800 units during the remaining 5-year period of the RHNA period** (i.e.  $1.26\% \times 5 \times 615,000$ ).

Table 3: Rate of Construction				
Year of Study	Units Constructed	Zoned Capacity	Rate of Construction - Cumulative	Rate of Construction - Annual
2005 – 2023, 19 years	53,200	218,000	23.7%	1.26%

**Entitlement Rate of 1.00% per Year** – And alternative version of this method compares the *entitlement* rate to the capacity during this period, for which it is more appropriate to compare this to the full effective zoned capacity during the past period without any exclusions (except for active entitlements to avoid double counting). This is calculated by adding the remaining 2023 zoned capacity of 313,000 units to the 90,000 entitled units from this period, for a total 403,000 units of capacity. **This yields a total entitlement of 22% of the city’s zoned capacity during this time, or 1.00% per year**. Applying this rate to the net additional capacity added by the rezoning of 780,000 units yields **a predicted entitlement total of approximately 39,000 units over the remaining 5 years of the current RHNA period** (i.e.  $5 \times 1.00\% \times 780,000$ ).

Entitlement rate could be considered a better barometer of both the suitability and availability of land for development as well as market interest in development in turning zoned capacity into actual housing. This is because actual construction is much more subject to the major swings of the macroeconomy, while entitlements reflect development sponsors' actual intents and commitments to pursue development on available pieces of property that they control. At the time of entitlement, the land is deemed by the developer to be suitable and available for housing and makes financial sense to pursue.

**Both of these estimates, 38,800 and 39,000, are greater than the City's minimum overall rezoning target inclusive of the 15% No Net Loss buffer, of 36,200 units.** In comparison to Colorado's standard of a zoning capacity buffer for raw legal zoned capacity that is 7.5 times the housing goal, this proposed rezoning here of net 780,000 additional units of raw legal zoning capacity is 21.5 times the goal of 36,200 units.

## **Method 2: “Soft Sites Method”**

***Method Used in Housing Element Rezoning Sites Analysis*** – Per HCD direction, the primary methodology used to report the capacity on individual sites created by the rezoning is a more conservative version of the same methodology used in the generation of the Sites for Rezoning (Table B) in the Sites Inventory of the HCD-certified Housing Element 2022 Update. These sites are included in the attached Excel table. This methodology and its assumptions for the Rezoning Program are described in detail in the Sites Inventory and Rezoning Program document pages 41-45.

***What the Method Does:*** In brief, this methodology identifies sites and accounts for likelihood of development by considering sites primarily based on their degree of underdevelopment relative to proposed zoning after filtering out other rezoned sites from consideration based on certain land use and ownership characteristics.<sup>9</sup>

The method only counts the capacity from sites that remain after wholly excluding any rezoned sites that meet one of a multiplicity of “exclusion” factors that make them less likely to be redeveloped with new housing construction in the foreseeable future. For example, sites with existing multi-family housing or historic landmarks are excluded. Of the approximately 92,000 parcels proposed for rezoning, over 44,000 have been excluded from the site capacity submittal and are projected with *zero* units of capacity.

**Sites that remain after the exclusions are discounted by variable amounts based on whether they currently contain an existing housing unit or do not.**

***Yield from Sites with 1 or more Residential Units Heavily Discounted*** - The first filter for likelihood on sites containing existing residential units is to exclude completely all sites containing residential condos or are multi-family buildings most likely to be rental buildings subject to rent control<sup>10</sup>. This smaller universe of rezoned sites that contain residential unit(s) are then reduced further by excluding as unlikely to develop if the ratio of potential units under rezoning to existing units on the sites is less than 5:1.

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<sup>9</sup> This method of estimating realistic zoning capacity was also recommended in a paper published in November 2024 by the UCLA Lewis Center for Regional Policy Studies. That paper, [\*“CHIPing In: Evaluating the effects of LA’s Citywide Housing Incentive Program on neighborhood development potential”\*](#), describes (p.13-14) a method nearly identical to that used here, including the site conditions for filtering parcels, to identify sites more likely to develop and that the result of this analysis is “realistic capacity” of the zoning. The paper concludes that this method is both appropriate and sufficient to demonstrate realistic capacity of a rezoning required to meet a RHNA shortfall, such as they evaluated in Los Angeles. The paper authors do not suggest further discounting the results of this calculation, though we do here to add an additional buffer for uncertainty consistent with past discount factors the Planning Department has used when using this method over the past 20 years to estimate the realistic zoned capacity of other rezoning efforts. The paper goes on to distinguish the calculation of “realistic capacity” on a set of reasonably developable sites (ie the standard for RHNA shortfall rezoning) from any uses of modelling that seeks to predict actual housing production, especially using retrospective or historical data and real world exogenous economic and societal conditions outside the control of local government, which may not be conducive to or analogous to conditions needed to produce housing (such as at the volume and pace implied by the RHNA targets).

<sup>10</sup> This universe of buildings are those that contain 4 or more units and were built in 1979 or earlier (and do not contain condos).

Remaining sites that contain existing residential units, (primarily only properties with a single unit zoned to permit five or more units, since most existing multi-family properties are excluded) are heavily discounted by 98%. As a result, only 2% of their capacity is counted given the practical and social inertia that weighs on their potential redevelopment.

***Counting Capacity on Non-residential Sites from Only Substantially Underdeveloped Sites as a Proxy for Likelihood*** – For sites without existing residential uses, and that have not been excluded due to site land uses or official criteria that make them unlikely to be redeveloped<sup>11</sup> the methodology uses level of underdevelopment (in terms of gross square footage) relative to proposed zoning as a proxy for likelihood of development. The analysis only counts capacity on sites currently built out to not more than 30% of the proposed square footage permitted under the rezoning.

To apply further scrutiny to the suitability and availability of sites, HCD staff requested the Planning Department to assess yield expected if projects do not build out to their full zoned capacity. This addresses two considerations: (1) Uncertainty and the fact that some heavily underdeveloped sites, due to unknown conditions or ownership disinterest in housing development, may not be reasonably available, despite the site being objectively underdeveloped and not regulatorily limited. (2) Uncertainty about whether all projects would take advantage of the full capacity available under the Family Zoning Plan’s proposed Housing Choice-SF (HC-SF) local zoning program. This flexible zoning program allows greater heights, densities, and specified code relief for projects that adhere to local objective design standards and local inclusionary housing policies.

In response to these considerations, the Department made the following analytical adjustments in the Soft Sites Method. The first was to *further discount by a uniform 30%* the net unit capacity the capacity of all remaining identified non-residential soft sites (note that the residential soft sites were already discounted by 98%). This discount on all non-residential sites is somewhat more conservative than that included in the Housing Element Sites Inventory & Rezoning Program analysis (which counted 100% of the capacity on the non-residential underdeveloped soft sites) in order to more extensively buffer potential capacity in light of the goals of Action 7.1.1.

Second, staff analyzed yield if projects do not take advantage of the proposed Housing Choice-SF (HC-SF) local zoning program that applies throughout the rezoned area. If projects built only their newly allowed base density under the Family Zoning Plan — though without using HC-SF-- approximately 40,000 homes can be expected that are suitable and available for housing in the RHNA period.

The combination of these exclusions, discounts and considerations of underdevelopment as a proxy for likelihood, combined with the 15% buffer added to the RHNA targets creates a true surplus of rezoned capacity relative to the strict minimum RHNA targets required by statute.

***Over 48,400 Sites are Suitable & Available for Housing in the RHNA Period, Yielding 64,000 units of reasonable zoned capacity*** - The result of this rezoning site inventory capacity analysis is that, of the over 92,000 sites proposed for rezoning, approximately 48,400 sites are identified as suitable and available and

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<sup>11</sup> Including parcels already entitled for development, parcels owned by government agencies, major college campuses, hospitals, parcels with formally listed historic properties on local, state and national registers, and parcels used as ROWs or other similar restrictions.

contributing a non-zero number of unit capacity, with a total estimated capacity of approximately 64,200 units.

This number of units, 64,700, satisfies the City’s RHNA shortfall plus buffer (~36,000). This also satisfies the RHNA shortfall without the buffer; a shortfall of 23,972 homes.

Table 4: Soft Sites Analysis Capacity		
Total Sites Rezoned	Sites Suitable & Available for Housing in RHNA Period	Units
92,000	48,400	64,700
Lower-Income Units:	33,800	
Moderate & Above Moderate Income:	30,900	

**Sites are Allocated by Income Group** - These sites are allocated accordingly to RHNA income categories, with sites accounting for approximately **33,800 units to Lower Income units** and sites accounting for **30,900 units to Moderate and Above Moderate units**. All sites in the rezoning area meet the required minimum density of 30 units per acre. The Lower Income units are allocated to sites with a capacity of 16 to 250 units, which is the most economically and programmatically efficient range for delivery of publicly-subsidized 100% affordable housing. The remaining sites are split 50/50 between Moderate and Above-Moderate units.

This Soft Sites methodology is not a prediction of how many units will be produced or constructed during the specific RHNA period that lasts through 2031. It is a measure of the reasonable capacity for units on suitable and available sites based on the proposed zoning relative to current site characteristics that affect the likelihood of development. The actual entitlement of and production of housing development is very substantially subject to macroeconomic factors and other limiting conditions (e.g. availability of construction labor in the region) as well as other funding conditions (e.g. level of government subsidy available to build lower income housing). The other analytical methods presented here seek to use past entitlement and production trends to benchmark potential future production.

### **Method 3: “Financial Feasibility Method”**

The Planning Department engaged with the modelling consultancy Urban Sim to create an interactive citywide model for use by Department staff. The model estimates zoned capacity on each parcel using an array of detailed zoning parameters and then employs a financial feasibility model to simulate which parcels would have financially feasible housing developments on them (and how many units are feasible). The feasibility model runs multiple detailed real estate *pro formas* on each parcel for a range of permitted building scales, using variable financial inputs provided by the user as well as real world data on individual parcels. The model can only run on the entire city (as opposed to subsets of the city, such as just the rezoning area). So, by comparing the model outputs of the number of feasible units citywide under existing zoning and comparing it to output with the rezoning added, we can see how many net additional

units the model says will become feasible (under that particular economic set of assumptions) as a result of the rezoning.

Not surprisingly, the model outputs are highly sensitive to core economic assumptions. While changing zoning to allow taller and denser buildings typically increases the number of feasible units, under challenging economic conditions upzoning alone is insufficient to lead to housing development. Using today's challenging economic conditions as a baseline reveals limited feasibility of housing production. Urban Sim reveals, just like economist and industry leaders acknowledge, that broader macroeconomic changes are needed to see housing development at scale.

Given that the present baseline economic environment is not conducive to significant housing construction, nor similar to more "normal" economic conditions in San Francisco when housing production has been feasible and active, and that changes to the current conditions are a necessary precondition for development to occur, the Planning Department tested the feasibility outcomes for the rezoning under a reasonable set of slightly more favorable economic conditions (though not overly optimistic return to conditions of the mid 2010s). These assumptions include, compared to the baseline conditions of 2023, a slight reduction in construction costs (-8%), a modest increase (+15%) in rents and sales prices, a reduction in interest rates from 7.5% to 5.5%, and slight reductions in developer return expectations of Return on Cost (-0.25% to 5.0%) for rental projects and Profit Margin (-2% to 18%) for for-sale projects.<sup>12</sup>

It is important to understand that feasibility models such as this (or others that rely on conventional pro forma financial indicators, such as residual land value) are only modelling housing market-driven construction whose finances are determined by conventional market actors using such pro forma analyses. **Urban Sim is *not* modelling housing built with government subsidy**, which is primarily how housing projects for Lower Income households are financed. As such, the outputs of any model that directly considers feasibility using a conventional pro forma analysis (such as Urban Sim) should only be used to compare against targets or metrics for the type of housing typically produced by the market, which in the context of RHNA is Moderate and Above Moderate income housing.

Under the existing zoning, Urban Sim's output for the total number of feasible units citywide would be about 45,300 units. Under the proposed rezoning (i.e. Family Zoning Plan), Urban Sim returned a result of 262,250 feasible units citywide, for a net increase of approximately 217,000 feasible units resulting from the rezoning.

Because not all financially feasible projects are likely to be pursued, the Planning Department pursued further analysis and refinement of these model outputs. First, similar to the primary Sites Inventory methodology, the Department considered sites without existing residential uses on them separately from those that do. Broken down this way, the rezoning would add net 44,200 feasible units on sites that do not currently have housing and 172,700 units on sites that currently contain residential units (i.e. on

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<sup>12</sup> Recent press (including [this](#) and [this](#)) has suggested that San Francisco may be very recently experiencing a significant change in some of the prevailing housing financial metrics that were not present or apparent when this analysis was run, including a significant rise in housing rental prices and low availability. This suggests that rental price rises of greater than 15% modelled are very possible. As noted, feasibility results are very sensitive to such changes of key metrics. An additional 10% rise in rents (to a total of +25% from "baseline" conditions) shows at least a 26K unit (+10%) increase in citywide feasible units from the results at +15% rents.



residential sites not otherwise excluded from the model calculation due to regulatory limitations, leaving generally only sites with a single individual unit, such as a single family residence).

Since not every financially feasible project will be pursued, this analysis further discounts these results based on these two different categories of existing uses. For sites that currently contain residential uses, we only count 2% of feasible projects as likely to be pursued during this time, resulting in 3,500 units on these sites.

For sites that do not currently contain residential uses, we assume that 35% of feasible projects will be pursued, or 15,500 units on these sites. Due to unforeseeable considerations, the Planning Department typically assumes that approximately 30% of feasible or suitable non-residential sites will not be pursued for new development, including for either market-driven or subsidized housing. Since half of the RHNA target is for subsidized and not market-driven housing, half of the remaining total (70%) would be approximately 35% of the total feasible sites.

**The combined total of these two categories is 19,000 feasible units.** Compared to the rezoning target (inclusive of the 15% additional buffer) of approximately 16,000 units for the two categories of housing conceivably generated by pro-forma driven-production – Moderate and Above Moderate – this analysis shows that the proposed rezoning is more than sufficient to provide suitable and available capacity for the minimum required targets.

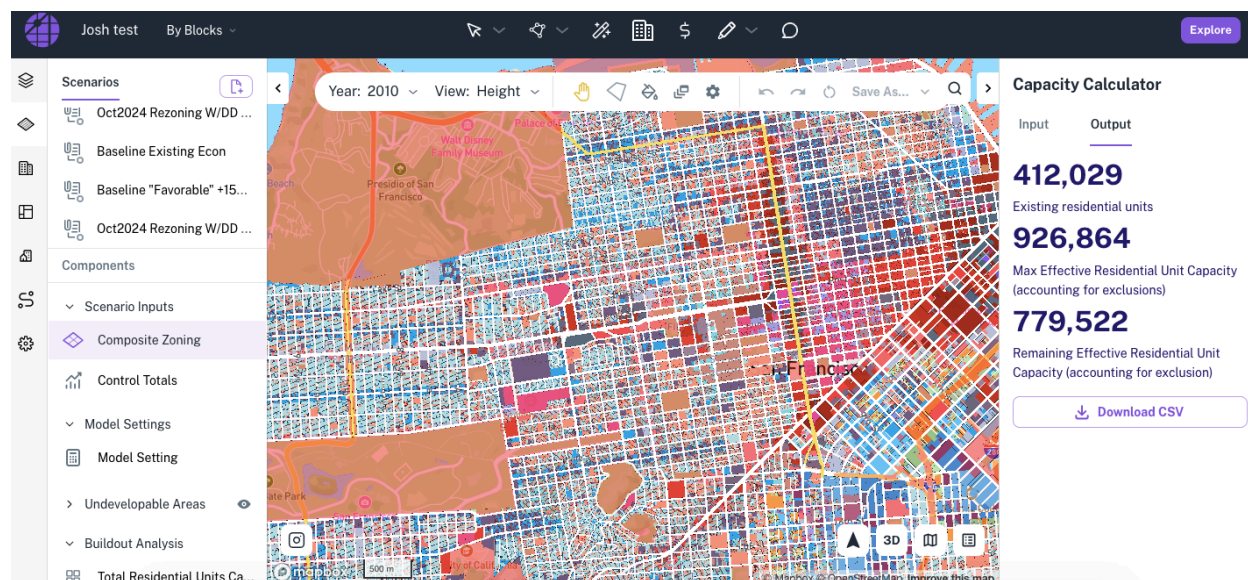


Figure 3: Screen capture from Urban Sim showing capacity calculations.

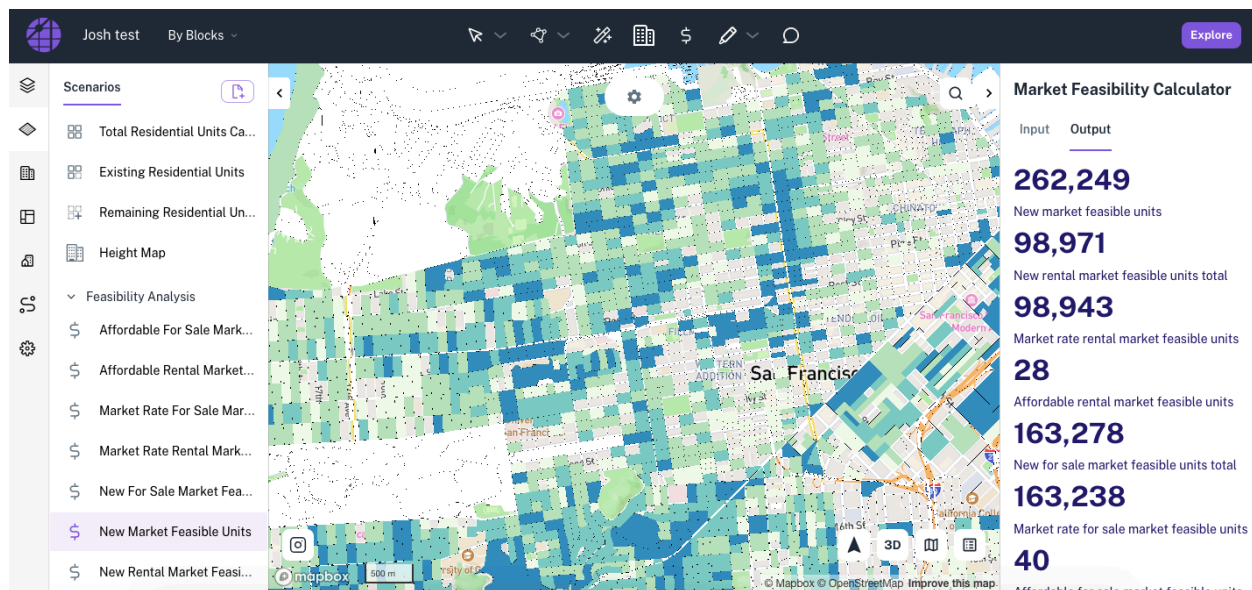


Figure 4: Screen shot of Urban Sim showing Market Feasibility Calculator.

## Additional Rezoning Activities

In addition to the Family Zoning Plan, which constitutes the primary rezoning to meet the RHNA Sites Shortfall, the City has adopted at least two significant zoning changes since the adoption of the Housing Element that the City will include in its final submittal and include in the Sites for Rezoning. Neither of these are located in the High Opportunity areas and so are not within the primary areas that the Housing Element identifies for rezoning and to meet AFFH requirements. Nonetheless these increase the capacity for units across the income spectrum and also fulfill Housing Element recommended actions. These parcels are not yet included in the attached Table, but are described here preliminarily, which **would add at least 2,000 units of rezoning-related additional capacity to the estimates generated by the methodologies above**, as follows:

### Central SoMa Zoning Changes

Mayor Lurie signed Ordinance No. 42-25 on April 3, 2025 to enact zoning changes that would allow additional housing in the Central SoMa Plan area by lifting zoning requirements for certain large sites to include a certain amount of non-residential development. The result is that several very large sites, most of which were entitled for primarily office development that is yet unbuilt, can re-submit applications and pursue projects that are 100% residential.

**At least one project sponsor, at 88 Bluxome, has submitted a new application for a 100% housing project in place of its prior entitled housing project, with approximately 1,500 housing units.** In addition to this capacity enabled by the zoning change, the Planning Department expects additional housing on one or more large sites during the RHNA period enabled by the zoning change, and will add these sites and their capacity to the final Table of rezoned sites.

### **Downtown Office to Residential Conversion Zoning Program**

The City passed zoning legislation in July 2023 to reduce the regulatory barriers to make it easier to convert underutilized office buildings into housing. The Commercial to Residential Adaptive Reuse Program is contained in Planning Code Section 210.5 and provides for a slew of zoning waivers and modifications for conversion of non-residential buildings in the greater downtown area to housing.

To supplement these zoning program and as part of ongoing efforts to improve the feasibility of adaptive reuse projects, San Francisco voters approved Measure C on the March 2024 ballot. The City's transfer tax is now waived on the first transfer of a property after a conversion from commercial to residential use. In March 2025, the City passed legislation which waives the inclusionary housing requirement and impact fees for eligible adaptive reuse projects.

The Planning Department is still calculating the projected capacity during the RHNA period enabled by this zoning legislation. We expect to **submit sites with capacity for approximately 500-1,000 units enabled by the conversion legislation.**