Richmond Zoning Feasibility Analysis

CG · IX Zones | Six Subareas

July 2026

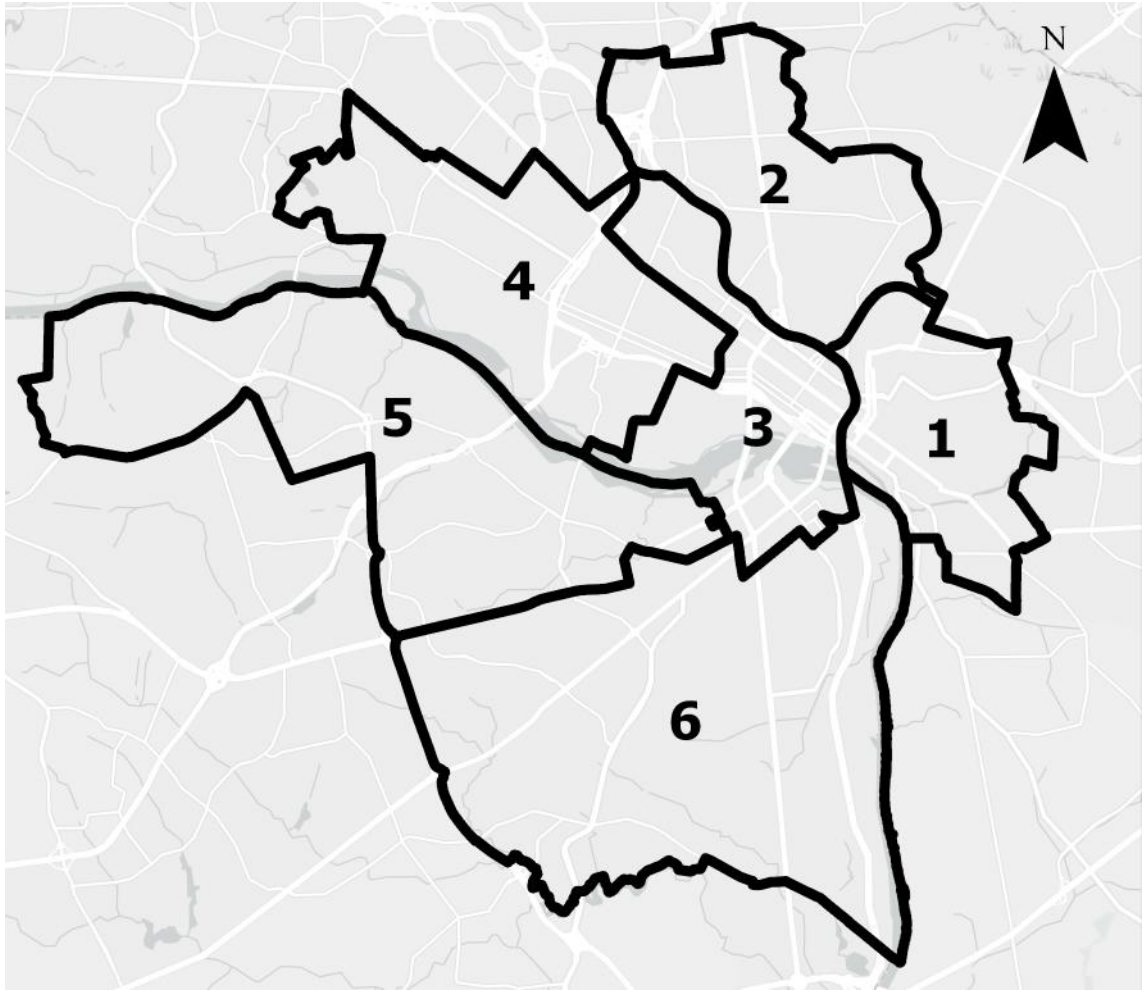
Methodology | Subarea market characteristics

The financial viability of new development under the proposed zoning varies substantially across the city. Each of the six subareas has distinct market characteristics that affect both subdivision potential and preservation bonus feasibility:

Property values affect acquisition economics
Calculated using property assessment database
Rental rates vary significantly across subareas, impacting income potential
Calculated using Redfin data
Sales prices for new homes vary geographically
Calculated using Redfin data

This geographic variation explains why development activity—whether through subdivision or build-to-rent models—will be concentrated in specific subareas rather than distributed evenly across the city.

Map of the six subareas



Methodology

Richmond Zoning Code Change

Methodology | How We Screened Parcels

- **Step 1 — Remove parcels that are unlikely to redevelop regardless of market conditions.**

  This includes properties with active affordable housing tax credit programs (LIHTC), institutionally owned land (churches, schools, government), and property types that are structurally ineligible — such as condominiums or utility parcels.

- **Step 2 — Exclude parcels where the existing building is too valuable to tear down.**

  We calculate the improvement-to-land ratio (ILR) for each parcel using the City's assessment database. A high ratio means the existing structure is worth significantly more than the land beneath it — demolishing it would destroy more value than a developer could recover. These parcels are classified as unlikely to redevelop.

- **Step 3 — Check whether the physical lot can support new development.**

  Very small lots may be legally rezoned but are physically incapable of accommodating a new building without combining with an adjacent parcel. Where applicable, these parcels are flagged as assemblage candidates rather than standalone development sites

- **Step 4 — Test financial feasibility for remaining parcels.**

  Parcels that survive the first three steps are run through a proforma model that tests whether new construction can generate a market-rate return given today's rents, construction costs, and land values. This step is described in detail on the following slide.

Methodology | How We Tested Financial Feasibility

For every parcel that passes the initial screening, we build a simplified development proforma — a financial model that estimates whether new construction would generate a sufficient return for a private developer. The core question is: **given what this land costs, what it costs to build, and what rents the market supports today, does a developer earn a market-feasible return on investment?**

- **Construction costs** are derived from published cost benchmarks for the Richmond market and vary by building type — wood-frame construction for smaller buildings, concrete podium or mass timber for larger ones. Soft costs, financing, and developer fee are included.
- **Revenue assumptions** are drawn from CoStar market data and Redfin transaction records, segmented by subarea. Rental and for-sale benchmarks reflect current prices — not aspirational projections.
- **Land cost** is based on the City's property assessment database, calibrated against actual market transactions to account for cases where assessed values diverge from what sellers expect to receive.
- **The feasibility test** compares the maximum land price a developer could afford to pay and still hit a 15% return against the parcel's actual assessed value. Where the math works, the parcel is flagged as feasible. Where it doesn't — meaning the land costs more than a development can support — the parcel requires public subsidy to move forward.

This approach produces a conservative, market-grounded picture of development probability — one that distinguishes between what zoning ***allows*** and what the market will ***deliver***.

CG Zoning Feasibility Analysis

Richmond Zoning Code Change

Commercial General (CG) Zone | Key Results & Findings

- **CG-zoned land is a very small part of Richmond's parcel base.**

  CG is the smallest of the residential-permitting zones, with just 117 parcels citywide — a fraction of the inventory analyzed for the MX and residential zones. All 117 sit in Subareas 5 and 6, the auto-oriented commercial corridors, where existing uses are dominated by vehicle service and car washes, vacant commercial land, surface parking, vehicle sales, motels, fast food, and assorted retail and warehouse space.

- **CG is the only zone that produces no feasible development anywhere in the city.**

  Modeling a three-story stick-frame building at CG's 50% lot coverage — the most favorable construction assumption available — produces a negative maximum supportable acquisition cost for every CG parcel. The economics fail before land is even purchased: no acquisition price, however low, makes these projects pencil. Subareas 5 and 6 are the auto-oriented commercial corridors where achievable rents fall well short of what new construction requires.

- **CG rezoning is not expected to be a meaningful source of new housing.**

  This is a finding about market conditions, not zoning. The residential allowances CG extends are sound in principle; they simply land in the two submarkets least able to support new construction today. No parcel-level feasibility table is presented, as no parcel clears the screen.

IX Zoning Feasibility Analysis

Richmond Zoning Code Change

Industrial Mixed-Use (IX) Zone | Key Results & Findings

- **IX is analyzed under the same envelope as the tallest MX designation.**

  Industrial Mixed-Use permits multifamily by-right and shares MX-7's building envelope — 80% lot coverage and a 7-story / 105-foot height limit. Because the envelopes match, IX parcels are tested against the same maximum supportable acquisition cost used for MX-7, comparing each parcel's assessed value directly against what a developer could pay and still hit a market return.

- **Feasibility follows the same geographic pattern as every other zone.**

  As with every other zone, feasibility is governed almost entirely by submarket. All 178 individually feasible IX parcels lie in Subarea 3 — the Scott's Addition, Diamond District, and Roseneath corridor. Subarea 4 holds essentially no industrial land, and Subareas 1, 2, and 6 carry meaningful IX acreage but no feasible parcels: the cost-to-revenue gap there is a structural constraint that zoning alone cannot close.

- **A real but contained opportunity, delivering a steady rather than large pace.**

  Of the 887 IX parcels citywide, 178 are individually feasible for standalone redevelopment (171 high-probability, 7 medium), with a further 134 parcels across 41 clusters viable through assemblage — all within Subarea 3, which holds 484 of the 887 parcels. The realistic pace is modest: roughly five parcels redeveloping per year, yielding an estimated 400 new units annually under the moderate scenario (range ≈344–468). The following slide presents the full breakdown by subarea.

Industrial Mixed-Use (IX) Zone | Key Results & Findings

Development Feasibility Analysis | IX Parcels

Subarea	Above Max Value (Infeasible)	80–100% of Max Value (Marginal)	60–80% of Max Value	<60% of Max Value	Est. Parcels Developing Annually	Annual Units Delivered (Estimate) Conservative	Moderate	Aggressive
Subarea 1	45	0	0	0	0	0	0	0
Subarea 2	170	0	0	0	0	0	0	0
Subarea 3	306	0	0	178	5	344	400	468
Subarea 4	1	0	0	0	0	0	0	0
Subarea 5	0	0	0	0	0	0	0	0
Subarea 6	187	0	0	0	0	0	0	0
TOTAL	**709**	**0**	**2**	**178**	**5**	**344**	**400**	**468**

