City Council Office

MEMORANDUM

November 18, 2025

To: The City Council and Mayor

From: Housing Workshop Planning Group Staff (Dustin Fratto, Shane Pace, Lynn Pace, James Sorensen, Kasey Dunlavy, Justin Sorenson, Rob Sant, and Jake Warner)

Subject: Housing Workshop 5: Tools, Tactics, and Incentives

Tools, Tactics, and Incentives

To achieve its housing goals, Sandy City can implement a variety of tactics focused on municipal code changes, zoning reforms, and development incentives.

Development Incentives and Other Programs

Financial tools can spur the development of desired housing and help residents afford it. These should either reduce hard/soft costs or increase revenues.

Regulatory Incentives: Many of these can be either “by-right” or as an incentive to achieve a desired outcome.

- **Density Bonuses (Revenue):** Offer developers the option to build more housing units than the base zoning allows in exchange for public benefit. For example, a developer could be granted a 20% density bonus if they agree to make 10% of the units affordable for *workforce housing.*
- **Flexible Parking Requirements (Hard Costs):** Parking is expensive to build, and reducing the required number of spaces can significantly lower project costs. Essentially, this method increases the supply of available and buildable land.
- **Flexible Dimensional Requirements (Hard Costs):** The city could reduce minimum lot sizes, increase maximum lot coverage, and decrease setback requirements for certain housing types. This makes it easier and more financially viable for developers to build smaller, more affordable homes on vacant or

underutilized parcels. Essentially, this method increases the supply of available and buildable land.

- **Flexible Design Standards (Hard Costs):** Our downtown area falls within the Cairns Design Guidelines. Additional flexibility to these guidelines could be offered either by right or as incentive.
- **Accelerated Approvals (Soft Costs):** Accelerated approvals move projects through key regulatory phases more quickly than usual. This may entail moving a project more quickly through initial land use approvals and post-entitlement planning or more quickly performing late-stage building code and construction inspections prior to delivery. This might lower both the direct and opportunity costs of a project.

Funding Incentives: These can be used as an incentive to achieve a desired outcome.

- **Fee Waivers and Reductions (Soft Costs):** The city could reduce or waive impact fees, permit fees, utility fees, etc. for projects that meet specific criteria, such as providing units for *first-time home buyers or building a targeted type of middle housing*.
- **Provide public land (Hard Costs):** Municipal property can be sold at a below market rate in exchange for affordability.
- **Support/Create a Community Land Trust (Hard Costs):** A CLT is a nonprofit that owns land and sells or rents the homes on that land at an affordable price. By separating the cost of the home from the cost of the land, CLTs can create permanently affordable homeownership opportunities.

Zoning and Municipal Code Changes

Changes to the city's land use regulations are one of the most direct ways to influence housing development.

- **Legalize "Middle Housing" by permitting higher densities:** The goal statement specifically mentions a desire for middle housing. The city can amend its municipal code to permit housing types like duplexes, triplexes, townhomes, and cottage courts in zones that are currently restricted to single-family homes. This directly increases the *variety of housing* available.
- **Accessory Dwelling Unit (ADU) Reform:** Simplify the process for homeowners to build ADUs. This could be done by creating and fast-tracking *pre-approved building plans*, reducing fees, and making external ADUs a permitted use rather than requiring a lengthy conditional or special use permit process.

- **Subordinate Dwelling Unit (SDU):** An SDU is a new and legally separate housing unit on an existing residential lot. This requires a minimum subdivision and a permanent easement. These are often implemented for larger lots and are usually found near the rear of the lot. This set up allows for an increase in the availability of for sale units while maintaining the overall visual character of neighborhoods.
- **Adopt New Zoning Methods:**
    - **Transit-Oriented Development (TOD) Zones Reform:** Amend/Create zoning districts around TRAX stations or major bus routes. Increase existing permitted densities and permit more mixed-use development in existing commercial zones, placing *more housing in the right locations.*
    - **Implement Form-Based Codes:** Instead of regulating the specific use of a property, a form-based code regulates the physical form of buildings—such as height, placement on the lot, and relationship to the street. This can help ensure that new, denser development still fits the desired *character of our city.*
    - **By-Right Development Approval:** Large in scale (encompasses a significant portion of the City), Rule based approvals that remove review roadblocks or discretionary reviews, should apply to desirable neighborhoods despite pushback.
    - **Overlay Zoning:** Overlay zoning is a regulatory tool that a municipality uses to establish a special set of standards and requirements for a geographically defined area that supplements, and often supersedes, the rules of the existing underlying base zone. It does not replace the original zoning but instead places an additional layer of regulation—such as development incentives, architectural design standards, density limits, or use restrictions—on top of it to achieve specific goals, like preserving character, promoting mixed-use development, encouraging infill housing, or promoting housing affordability.

Here are examples of cities that use such incentives, along with resources for learning more about best practices.

Examples of Cities with Developer Incentives

- **Charlotte, NC:** Charlotte's Unified Development Ordinance (UDO) includes a range of incentives to encourage affordable housing. A notable example is a density bonus program where developers can build a taller structure with more units than normally allowed in exchange for providing a set number of affordable units. They also offer zoning flexibility and reimbursements for sidewalk construction for qualifying projects.

- **Fort Collins, CO:** This city offers a variety of incentives to reduce development costs for affordable housing projects. These include allowing developers to delay the payment of impact fees, offering priority processing to speed up approvals, and providing density and height bonuses in certain zones.
- **Grand Junction, CO:** To make affordable housing projects more financially feasible, Grand Junction has a program that offers waivers for development impact fees. The level of the waiver is tied to the affordability of the units being produced, with up to 100% of fees waived for units sold to households at or below 100% of the Area Median Income (AMI).

Examples of Utah Cities that implement one or more of the strategies described herein

- **Ephraim, UT:** R-1-B Zone is built to permit smaller lots and smaller dwellings. Minimum lot-size is reduced from 8,000 to 3,000 sqft and minimum ground dwelling size is set at 750 sqft. Setbacks are also reduced by 25%.
- **Milcreek, UT:** Permit "affordable housing"[1] in all zones. The City incentivizes affordable housing by offering reductions to minimum lot size of up to 25%, increases in building height, reduction/elimination of lot coverage requirements, waiving of first story commercial requirements, and reduction in open space requirements.
- **Heber, UT:** The Central Heber Overlay Zone (CHOZ) is not a mandate. Instead it provides property owners with optional and alternative tools to encourage more diverse infill housing. It overlays existing zoning (R-2 and R-3) in particular areas of the City. The overlay permits new key property types:
    - Subordinate dwelling units (SDU), which are new and separate lots that include separate housing units, usually in the rear, accessed by an easement or as a flag lot. These can be rented as long-term rentals or sold to a separate owner. Original home must be on a lot of at least 5,000 sqft.
    - Duplexes/Twin Homes with particular architectural design standards
    - Mansion Style Apartments are designed to look like a large single-family home.

Minimum lot sizes are reduced to incentivize smaller lots than would typically be permitted in the base zone.

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[1]Millcreek defines qualifying affordable housing as units provided to households with an income less than or equal to **80% of Salt Lake County's Area Median Income (AMI)**, for a period of at least 30 years.