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: Best Practices for Development Incentives

---

Best Practices for Development Incentives

Creating an effective incentive program requires careful calibration to the local market. Here are key best practices and resources that can provide guidance:

Key Best Practices:

1. **Be Meaningful and Market-Appropriate:** The value of the incentive must be significant enough to offset the cost of providing the public benefit (like affordable units). The incentive should pass the "but for" test: "but for" this incentive, the project would not be financially feasible for the developer. A feasibility study is often conducted to ensure the incentives are properly calibrated.
2. **Be Transparent and Predictable:** Developers need clear, consistent, and accessible rules. A complicated, unpredictable, or lengthy negotiation process can deter participation. Programs that are "by-right" (meaning if a developer meets the stated criteria, the incentive is granted automatically without a discretionary hearing, decision, or other process) are often the most effective.
3. **Align Incentives with Specific Goals:** The program should be designed to achieve the city's specific housing needs. If the goal is more family housing, the incentives could be tied to building more three-bedroom units. If the goal is deep affordability, the incentives would be greater for units targeted to very low-income households.

4. **Offer a Menu of Options:** One of the most commonly found incentives is a density bonus, for example. However, other valuable incentives in a menu could include:

    - **Reduced Parking Requirements:** Parking is expensive to build, and reducing the required number of spaces can significantly lower project costs.
    - **Fee Waivers or Deferrals:** Reducing or delaying the payment of impact, permit, or utility fees improves a project's cash flow.
    - **Expedited Processing:** Saving time on approvals saves money and reduces risk for developers.