

## City Council Office

## **MEMORANDUM**

November 18, 2025

To: The City Council and Mayor

From: Housing Workshop Planning Group Staff (Dustin Fratto, Shane Pace,

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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.