



CITY OF WATERTOWN

Department of
Community Development and
Planning

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To: Watertown Affordable Housing Trust
From: Will Downie, Senior Planner - Housing
Date: December 15, 2025
Re: Payment in Lieu of Affordable Unit Calculation – 72 Mt. Auburn St., #PZ-25-33

BACKGROUND

The Petitioner for the 72 Mt. Auburn Street project #PZ-25-33 has indicated that they intend to make a payment in lieu of building an affordable housing unit as allowed by the zoning ordinance. The proposed development is an 8-unit residential building, including one unit in an existing historical building and a connected 7-unit multi-family structure. A project of this scale is eligible to make a payment in lieu of development without a special permit from the Zoning Board of Appeals.

As you are aware, Section 5.07 of Watertown's Zoning Ordinance (the "Affordable Housing Ordinance" or AHO) requires that any development which creates six or more residential units must designate a portion of the new units as Affordable Housing Units. The total number of required units and depth of affordability depends upon the development size and anticipated tenure. For developments proposing 6 to 19 units, the AHO requires 12.5% of units to be affordable. Developments of 6 to 10 units may instead make a payment in lieu of units to the Watertown Affordable Housing Trust. Section 5.07(i)(6)(A) requires projects of less than 10 units which choose to make a payment pay a pro-rated share of the total calculated cost.

CALCULATION

The method to calculate the payment in lieu of units is detailed in Sections 5.07(f)(2) of the AHO. The calculation uses the Total Development Cost (TDC) articulated in the most recent Qualified Allocation Plan for Low Income Housing Tax Credit (QAP) released by the Department of Housing and Community Development, now the Executive Office of Housing and Livable Communities (EOHLC).

The 2025-2026 QAP is currently in draft form and does not calculate TDC. The most recent QAP to include a TDC figure is for 2022-2023. The 2022-2023 QAP sets the TDC for a Production Project in a Suburban Area with Large Units¹ within Metro Boston as \$349,000 for 2023.

To account for the difference in time periods, the TDC was adjusted using U.S. Department of Housing and Urban Development (HUD) Construction Price Indexes data for Multifamily Housing Units Under Construction to adjust the cost from Q4 2021² to Q2 2025. This results in a cost-adjusted TDC for 2025 of \$412,185.81. Since the 72 Mt. Auburn St. project is proposing 8 units, the TDC is pro-rated to 80% in compliance with 5.07(i)(6)(A), to \$329,748.65.

Based upon this calculation, the recommended payment in lieu of affordable units for the 72 Mt. Auburn St. project, project number PZ-2025-33 is **\$329,748.65**.

¹ The QAP defines a Large Unit Project as a project with an average of at least two bedrooms per unit. The proposed plan for 72 Mt. Auburn identifies all units as two-or more-bedroom units.

² The cost calculation narrative in the 2022-2023 QAP indicates that TDCs were not re-calculated from the 2020-2021 QAP. Therefore, Q4 2021 was used as the base quarter, as this was the last effective quarter for which a TDC was calculated.

Watertown Affordable Housing
Incentives Study

Affordable Housing Trust Presentation

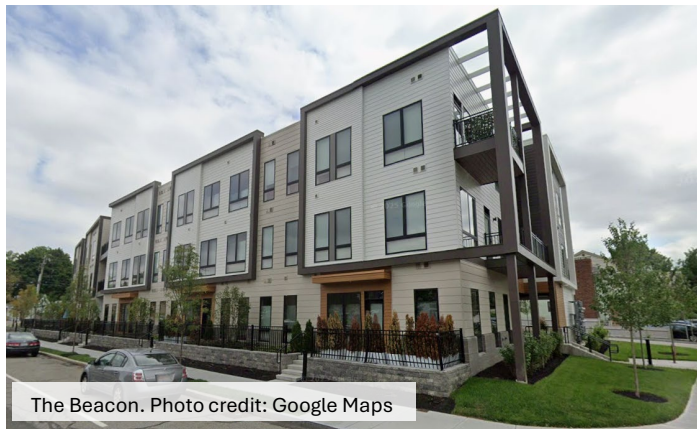
December 16, 2025



Purpose of this Study

The purpose of this study is to assess **voluntary incentives** that would encourage either or both:

- **Market rate developers** to produce **more or deeper affordable units** than is already required by Watertown's mandatory inclusionary zoning (IZ) policy
- Greater production of **affordable housing developments** (e.g., 100% affordable LIHTC projects)



Watertown's Existing Policy Context

Mandatory inclusionary zoning (IZ) policy

- All new multifamily projects of 6+ units must set-aside between 12.5% to 15% of units as affordable to households earning 65-80% of AMI, depending on project tenure and size.

Incentives for affordable projects in Watertown Square

- Multifamily projects in Watertown Square with at least 50% of units affordable at <80% AMI are eligible for incentives.
- Incentives:
 - 1 additional floor if affordable units are <80% AMI
 - 2 additional floors if affordable units are <60% AMI average
 - Reduced parking minimum (0.25 spaces/unit); greater reduction by special permit

Agenda

- Summary of Progress
- Submarket Analysis
- Zoning Assessment Overview
- Developer Interview Findings
- Comparison Communities Takeaways
- Next Steps
- Q&A

Summary of Progress

- Past plan review (Comprehensive Plan, Affordable Housing Plan, WSQ Plan, etc.)
- Market data collection and submarket analysis
- Zoning assessment and permitting data review
- 3 interviews with Market Rate Developers
- 2 interviews with Affordable Developers
- Zoning & Planning Board Focus Group
- Interview with EOHLC – *pending*
- Comparison communities research & interviews

Next steps

Financial feasibility analyses to test different incentives:

- Market Rate Pro Forma
- Affordable Development Sources and Uses Model

Synthesis of findings + recommendations

- February 2026

Submarket Analysis

High-level Takeaways

Initial Findings

- **City's Median Rent: \$2,357**
- **Small differences** in median rent and median unit size by neighborhood
- There is little variation in market conditions by neighborhood, **so no evidence of strong submarkets in Watertown.**
- However, **incentives tailored to neighborhood context** may still make sense based on zoning allowances.

Zoning Assessment

High-level Takeaways

Purpose

- Understand use and dimensional regulations for residential development
- Identify potential constraints to housing production and potential areas where zoning relief may be considered as an incentive for providing affordability

Zoning Assessment Framework

Geographic Areas

- Pleasant Street Corridor
- Arsenal Street Corridor
- Watertown Square
- Mt. Auburn Street Corridor/
Coolidge Square

We looked at

- Future uses and allowable uses
- Dimensional regulations
- Requested zoning relief from past development
- Opportunities + Considerations

Spoiler alert!

Good news: Watertown's existing zoning is quite good

Bad news: Fewer obvious or easy places to use zoning incentives to incentivize affordability



Pleasant Street Corridor

Pleasant Street Corridor

Future land use



- High density residential
- Residential mixed use
- Office-industrial

Existing zoning



Zoning Map

- PSCD-1:** Multifamily by SP
Res. mixed-use by SP
- PSCD-2:** Multifamily not permitted
Res mixed-use by SP
- PSCD-3:** Multifamily not permitted
Res. mixed-use not permitted
- R1.2:** Multifamily by SP
Res. mixed-use not permitted

Pleasant Street Corridor

Dimensional Requirements

| | |
|----------------------------|--|
| Min. lot size | 10,000 sq.ft. |
| Min. frontage | n/a |
| Front build-to line | 10-30' |
| Side setback | 0' or 18'* |
| Rear setback | 18'* |
| Open space | 20% |
| Max. bldg. coverage | 50% or 60% with SP |
| Max. height | 55'/5 stories or 66'/6 stories with SP |
| Max. density | 1,000sqft/unit (44 units/acre) |
| Max. FAR | 1.0 / 2.0 with SP / 2.0 for mixed use |
| Res. parking minimums | 0.75-2.0 spaces/unit |
| Retail/office parking min. | 1 space per 350 sq.ft. (ground floor) |

Requested Zoning Relief

- PSCD: Two projects
- Height (one)
 - Parking (one)
 - FAR (one)

*Setbacks or reduced heights within 40' of S-6 or T districts



Arsenal Street Corridor

Arsenal Street Corridor

Future land use



2023 Comp Plan

- Office-industrial
- Regional mixed use
- High-density residential
- Commercial mixed use
- Neighborhood commercial

Existing zoning



Zoning Map

- I-3:** Multifamily by SP
Res. Mixed-use by SP
- I-2:** Multifamily not permitted
Res. Mixed-use not permitted
- I-1:** Multifamily not permitted
Res. Mixed-use not permitted
- RMUD:** Multifamily not permitted
Res. mixed-use by SP

Arsenal Street Corridor

Dimensional Requirements

| | Industrial-3 | RMUD |
|---------------------|-------------------|-------------------|
| Min. lot size | n/a | 10,000 sq.ft. |
| Min. frontage | 50' | 50' |
| Front build-to line | 10-30' | 10-30' |
| Side setback | 25' | 15' |
| Rear setback | 30' | 20' |
| Max. bldg. coverage | 50% | 75% |
| Max. height | 55'/5 stories* | 55'/5 stories* |
| Max. density | 800 sqft/unit | n/a |
| Max. FAR | 1.0 / 2.0 with SP | 1.0 / 2.0 with SP |
| Open space | 20% | 20% |
| Res. parking min. | 0.75-2.0/unit | 0.75-2.0 /unit |

Requested Zoning Relief

Industrial-3: Two projects

- FAR (one)
- Façade length (one)

RMUD: Two projects

- Height (two)
- Façade length (one)

*Additional setbacks or reduced heights abutting residential districts



Watertown Square







Watertown Square

Future land use



Existing zoning



- | | |
|---|---|
|  WSQ mixed-use |  Com. mixed-use |
|  Res. mixed-use |  Office/Ind. |
|  High density res. |  Neighborhood com. |

Watertown Square

Dimensional Requirements

| | WSQ-3 | WSQ-2 | WSQ-1 | NMU |
|-------------------------|----------------|----------------|----------------|---------------|
| Min. lot size | n/a | n/a | n/a | n/a |
| Min. frontage | n/a | n/a | n/a | n/a |
| Front setback | 0' | 0' | 0' | 5' |
| Side setback | 0' or 10' | 0' or 10' | 0' or 10' | 0' or 10' |
| Rear setback | 10-20' | 10-20' | 10-15' | 10-15' |
| Max. bldg. coverage | n/a | n/a | n/a | n/a |
| Max. height (flat roof) | 82'/5+ stories | 66'/4+ stories | 53'/3+ stories | 38'/3 stories |
| Max. density | n/a | n/a | n/a | n/a |
| Max. FAR | n/a | n/a | n/a | n/a |
| Open space | 5% | 10-15% | 15-20% | 15-20% |
| Min. parking spaces | 0.5/unit | 0.5/unit | 0.5/unit | 0.5/unit |



Mt. Auburn Street Corridor / Coolidge Square

Mt. Auburn Street Corridor/Coolidge Square

Future land use



2023 Comp Plan

- Neighborhood commercial
- Residential mixed-use
- Commercial mixed-use
- High density residential
- Office/industrial

Existing zoning



Zoning Map

- LB:** Multifamily by SP
Res. mixed-use by SP
- NB:** Multifamily by SP
Res mixed-use not permitted
- I-2:** Multifamily not permitted
Res mixed-use not permitted
- R.75:** Multifamily by SP
Res. mixed-use not permitted

Mt. Auburn Street Corridor/Coolidge Square

Dimensional Requirements

| | LB | NB | R.75 | R1.2 |
|---------------------|----------------|-----------------|----------------|----------------|
| Min. lot size | n/a | n/a | 5,000 sq.ft | 5,000 sq.ft |
| Min. frontage | 40' | 50' | 50' | 50' |
| Front setback | n/a | n/a | 15' | 15' |
| Side setback | 0' or 15' | 0' or 10' | 20' | 25' |
| Rear setback | 20' | 15' | 25' | 30' |
| Max. bldg. coverage | 80% | 50% | 35% | 50% |
| Max. height | 40'/4 stories* | 35'/4+ stories* | 35' | 45' |
| Max. density | n/a | n/a | 1,500 sf./unit | 1,000 sf./unit |
| Max. FAR | 1.0 | 0.5 | 0.75 | 1.2 |
| Open space | 10% | 10% | 20% | 20% |
| Min. parking spaces | 0.75-2.0/unit | 0.75-2.0/unit | 0.75-2.0/unit | 0.75-2.0/unit |

*Additional setbacks or reduced heights abutting residential districts

Potential Zoning Opportunities

Changes that could provide value in exchange for affordability/promote affordable development:

- By-right multifamily development in targeted zoning districts
- Waive ground-floor commercial requirements
- Increase in height and/or offer height bonus
- Increase FAR maximums and/or offer density bonus
- Reduce parking minimums
- Façade and set-back relief

This list **will inform the incentives that will be tested** in the next phase of research.

Market-Rate Developer Interviews

High-level Takeaways

Initial Findings

- Generally, developers are going to include parking, but **parking ratios vary by developer preference and project.**
- Height and density bonuses are **dependent on the proposed development and the type of developer.**
- **Land acquisition costs are high**, with landowners holding out for the best price on density. Free or discounted land was seen as a valuable incentive. Property tax relief would provide a real financial offset.
- Every developer noted that the **permitting and approval process (informal + formal) took several years**, which adds costs to the project, in addition to the cost of the permits.
- **Zoning in WSQ districts** was mentioned as positive changes.

Affordable Developer Interviews

High-level Takeaways

Initial Findings

- Discretionary review process creates risk and uncertainty
 - For affordable housing developers, having certainty about what is permitted is important. It is especially impactful when trying to attract ‘new players’ to your community
 - Cambridge AHO mentioned as an excellent model
- Land acquisition is often a major impediment
 - Nonprofit developers struggle to compete with market rate developers. Having a patient seller (such as a municipality) is a big advantage while the developer goes through pre-development and financing.
 - Donated or discounted land can significantly reduce the funding gap, and is often considered a form of local funding match by EOHLC.
- Having a local funding match is essential, such as CPA or AHT funding

Initial Findings

- Other types of incentives help –
 - Waived ground-floor commercial requirement– seen as very impactful
 - Reduced parking requirement – seen as impactful, although developers noted that parking ratios would depend on site dimensions and location within Watertown.
 - Density/height bonus – flexibility is good, but not necessarily impactful for 100% affordable housing
 - Waived permitting fees – somewhat impactful, but tend to represent a low amount and can be counted towards LIHTC eligible basis
 - Property tax relief – seen as impactful
- But in general, by-right approvals, land acquisition, and local funding were seen as more impactful issues relative to the incentives noted above.
- Lack of affordable housing developers/CDCs in Watertown was also mentioned

Zoning + Planning Board Focus Group

High-level Takeaways

Initial Findings

When asked about the development approval process:

- Board members noted a quick (formal) approval process, in part due to the developer conference completed beforehand.
 - Developers noted the opposite, which means there may be a disconnect between what developers' view as the formal approval process/timeline.
- Special Permits as a tool that gives boards more ability to balance development and community, allowing for more flexibility in granting development reliefs.
- Believed more can be done with funding the Affordable Housing Trust to help with affordable housing development, such as better coordination between AHT and CPC.

Initial Findings

When asked about the voluntary incentives:

- There was some hesitancy among participants with offering more voluntary incentives to developers without getting more units at deeper affordability.
- Parking minimums were seen as a favorable offering, but noted the dilemma of having more cars on the street.
- Property tax relief was a non-starter given the current political and economic climate, but offering other financial offsets, such as waiving building permit fees, was seen as more favorable.

Comparison Communities Research

High-level Takeaways

Purpose and approach

- Purpose: Analyze affordable housing incentive programs from relevant comparison communities to help inform Watertown's policy decisions.
- Case study approach used to assess successes and challenges of different program designs
 - Step 1. Conducted a broad scan of existing voluntary incentive programs targeting deeper affordability in and outside of MA.
 - Step 2. Agreed to a list of seven comparison communities with Watertown staff.
 - Step 3. Reviewed each program's enabling ordinance in detail.
 - Step 4. Conducted 1:1 interviews with municipal staff* and collected data when possible.

**Interview with Cambridge city staff is still pending*

Context on voluntary incentive programs

- Voluntary incentive programs differ based on a number of criteria:
 - Fully voluntary vs. blended program type (mandatory IZ + additional voluntary incentives)
 - Type/menu of incentives offered
 - Affordability requirements
 - Project eligibility
 - Alternative forms of compliance
- Program effectiveness depends on:
 - Market conditions
 - How long the program has been active
 - Balance between the value of the incentives vs. affordability required in return

Selected Comparison Communities

| Jurisdiction | Program Name | Program Type | Year Effective |
|--------------------|--|---|----------------|
| Taunton, MA | Inclusionary Housing | Fully voluntary (Note: Taunton does not have a mandatory IZ policy) | 1989 |
| Cambridge, MA | 100 Percent Affordable Housing Overlay (AHO) | Fully voluntary (Note: Cambridge has a separate IZ policy) | 2020 |
| Denver, CO | Expanding Housing Affordability (EHA) | Blended mandatory / voluntary | 2022 |
| Minneapolis, MN | Inclusionary Zoning | Blended mandatory / voluntary | 2019 |
| Kirkland, WA | Affordable Housing Incentives Program | Blended mandatory / voluntary | 2010 |
| Salt Lake City, UT | Affordable Housing Incentives (AHI) | Fully voluntary | 2024 |
| Iowa City, IA | Tax Exemption for Affordable Rental Housing | Fully voluntary | 2019 |

Initial Findings from Interviews

Overall findings:

- Voluntary incentives may not be effective at spurring additional affordable units if they do not offer benefits that are significantly more desirable for a developer than the no-incentive scenario.
- Market rate developers showed limited interest in pursuing deep affordability (<50% AMI) even when paired with voluntary incentives.
- Denver, and to some degree Minneapolis and Kirkland, offer examples of blended programs that have had some success in generating additional affordability beyond their mandatory IZ program.

Initial Findings from Interviews

More about incentives:

- Offering a menu of incentives and tiered affordability requirements was generally seen as an effective strategy, as it provides flexibility across different sites and developers.
- Expediting the permitting process was often seen very positively by developers.
- Providing zoning-based incentives on a by-right basis (rather than discretionary basis) was seen very favorably because of the predictability it offers.
- Height and density bonuses are a common zoning-based incentive, and are often tied to underlying zoning allowances.

Initial Findings from Interviews

Other considerations for program implementation:

- Educating and building relationships with developers impacts program success, especially in the initial adjustment period after program implementation.
- Tracking program outcomes is key for ongoing program evaluation and recalibration.



Thank you

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Appendices

Submarket Analysis

Zoning Maps

Comparison Communities – Case Studies

Appendix: Submarket Analysis

High-level Takeaways

Watertown IZ Policy

Inclusionary Housing

| Citywide | | |
|-----------------|---|---|
| | Rental | Ownership |
| 5 units or less | Does not apply | Does not apply |
| 6 to 9 units | * 12.5% of units * 80% AMI * In-lieu fee available by-right | * 12.5% of units * 80% AMI * In-lieu fee available by-right |
| 10 to 19 units | * 12.5% of units * 80% AMI * In-lieu fee only by special permit | * 12.5% of units * 80% AMI * In-lieu fee only by special permit |
| 20+ units | * 15% of units * 10% at 80% AMI, 5% at 65% AMI * In-lieu fee only by special permit | * 15% of units * 80% AMI * In-lieu fee only by special permit |

WSQ and NMU Districts Only (updated as of 2024)

Additional incentives are available in the Watertown Square District (WSQ) and the Neighborhood Mixed Use District (NMU) for projects who set-aside at least 50% of units as affordable to <80% AMI. These bonuses are allowed by-right.

- * 1 additional floor (max height of 11') if units are affordable at < 80% AMI
- * 2 additional floors (max height of 11' each) if units are affordable at < 60% AMI average
- * Reduced parking minimum, from 0.5 to 0.25 spaces/unit, regardless of AMI level, and may apply for a special permit for further reduction or elimination of parking

Market Level Synthesis - Residential

| Unit Type | % of Housing Stock | Average Sq Ft | Median Rent |
|-----------|--------------------|---------------|-------------|
| Studio | 16% | 626 sq ft | \$2,300 |
| 1-bedroom | 46% | 782 sq ft | \$2,800 |
| 2-bedroom | 32% | 1,089 sq ft | \$3,400 |
| 3-bedroom | 6% | 1,501 sq ft | \$3,900 |

Source: Costar, Zillow, MAPC Rental Listing Database

Market Level Synthesis – Commercial

| Type | Market Rents per Sq Ft | Average Sq Ft |
|--------|------------------------|---------------|
| Office | \$43.50 | 3080 sq ft |
| Retail | \$33.00 | 2960 sq ft |

Vacancy Rate Range: 10%-15%

**Pending Data Update – Numbers may change.*

Submarket Analysis - Residential

Pleasant Street

Average Unit SF:

960 sq ft

Average Rental Price:

\$3,300

Watertown Square

Average Unit SF:

800 sq ft

Average Rental Price:

\$3,000

Arsenal Street

Average Unit SF:

940 sq ft

Average Rental Price:

\$3,500

Map of Recent Developments by Submarket

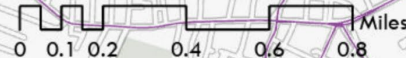
Submarket Name

- Downtown Watertown
- East Watertown
- Watertown West End

- Open Space
- Water Bodies
- MAPC Municipalities
- MBTA Routes

Next Steps:

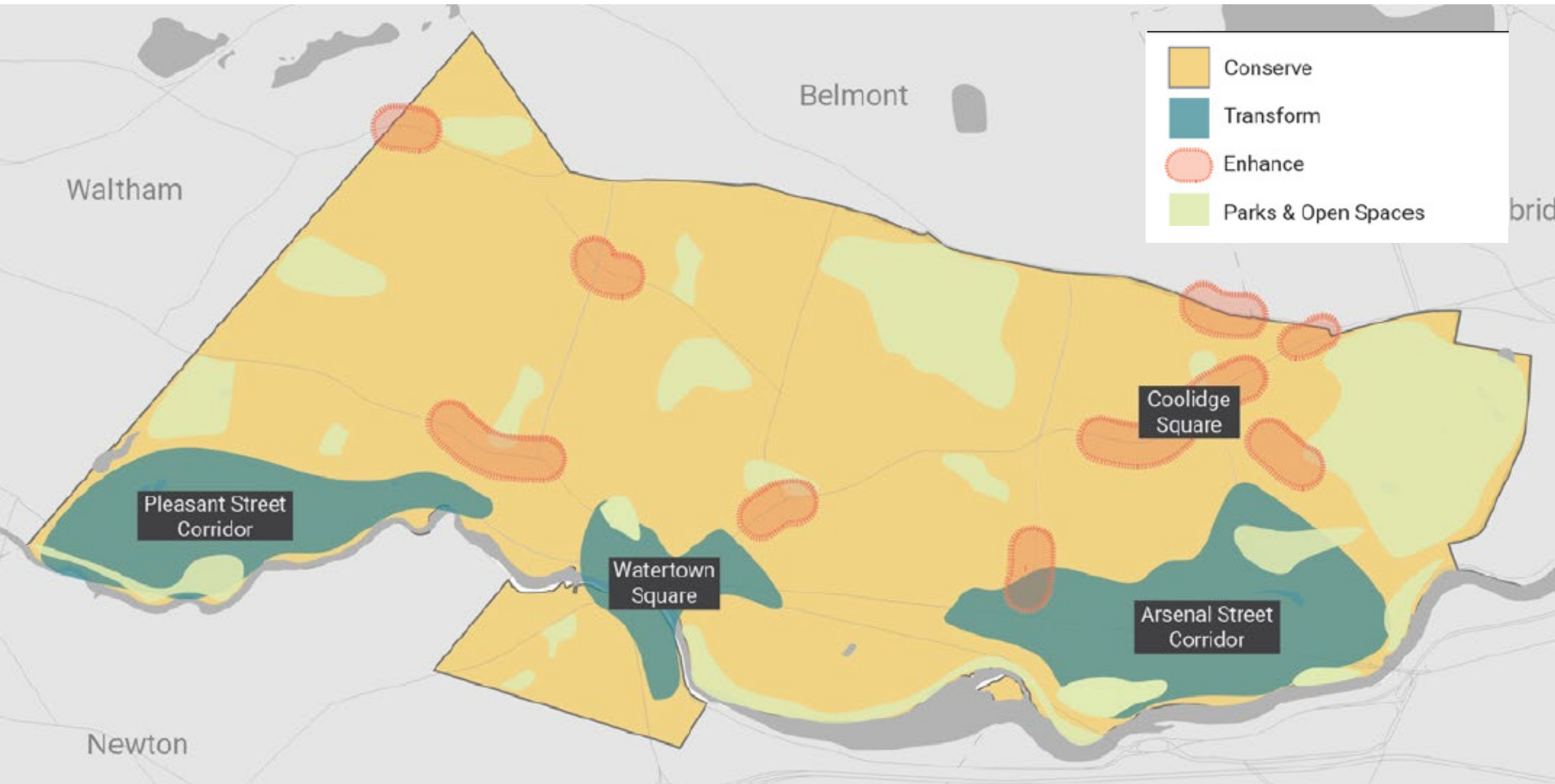
- Add Zoning Layer to Submarket Map



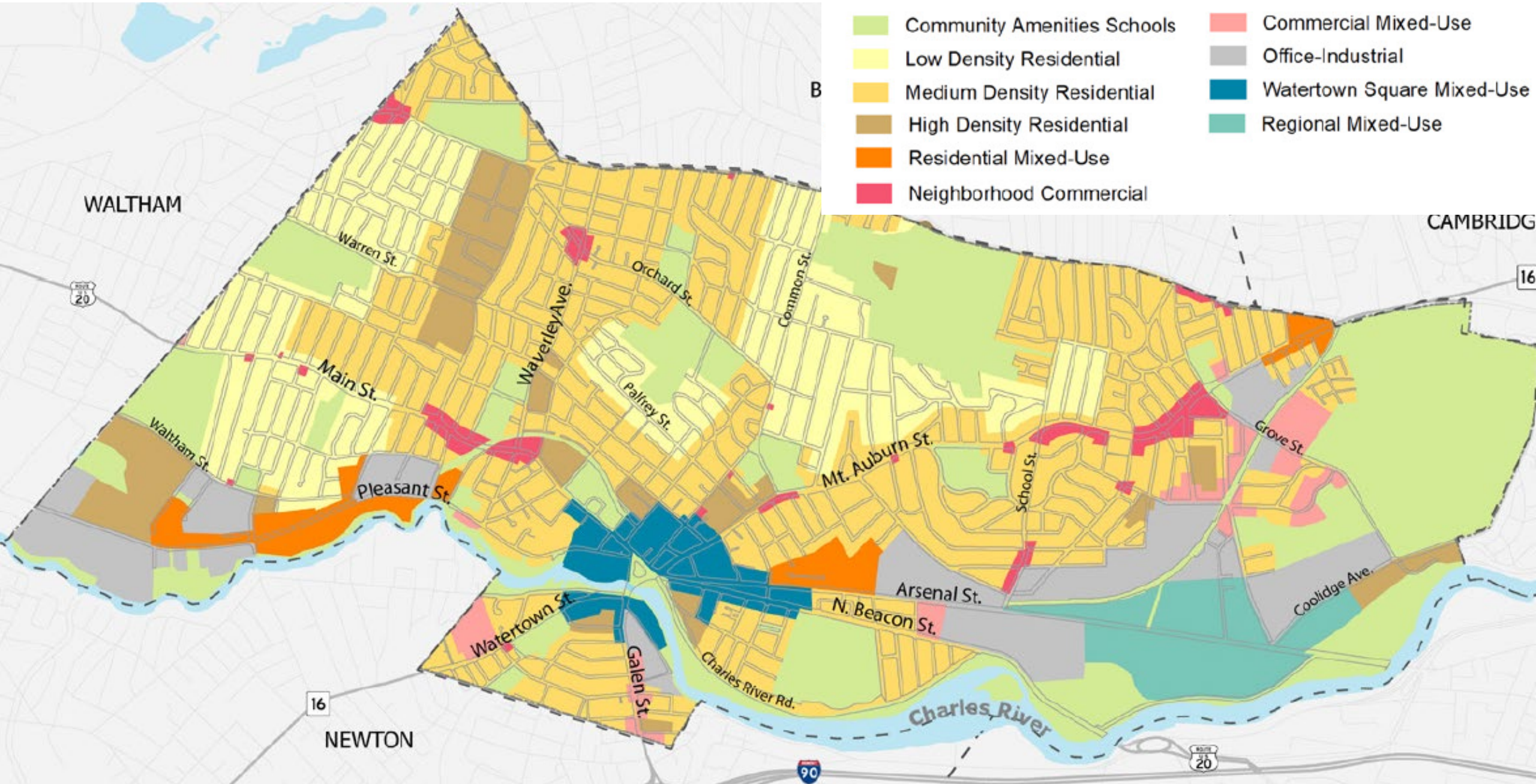
Appendix: Zoning Assessment

Zoning Map References

Future Land Use (2023 Comp Plan)



Future Land Use (2023 Comp Plan)

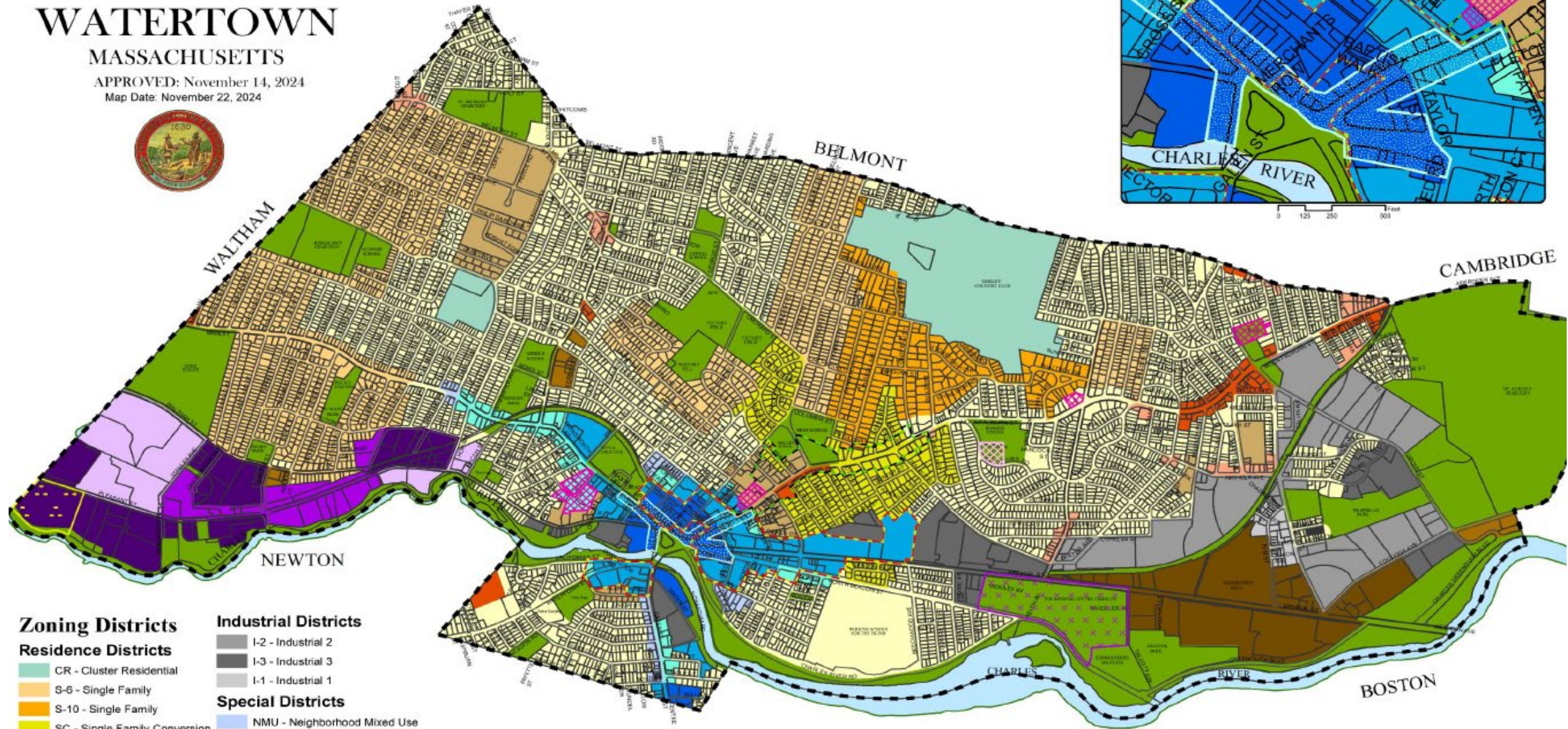


ZONING MAP OF WATERTOWN MASSACHUSETTS

APPROVED: November 14, 2024
Map Date: November 22, 2024



WSQ Active Street Frontage



Zoning Districts

Residence Districts

- CR - Cluster Residential
- S-6 - Single Family
- S-10 - Single Family
- SC - Single Family Conversion
- T - Two Family
- R.75 - Residential Multi-Family
- R1.2 - Residential Multi-Family

Business Districts

- NB - Neighborhood Business
- LB - Limited Business

Industrial Districts

- I-2 - Industrial 2
- I-3 - Industrial 3
- I-1 - Industrial 1

Special Districts

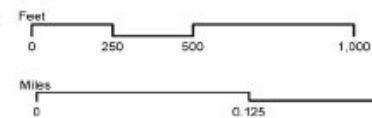
- NMU - Neighborhood Mixed Use
- WSQ3 - Watertown Square 3
- WSQ2 - Watertown Square 2
- WSQ1 - Watertown Square 1
- RMUD - Regional Mixed Use
- PSCD-3 - Pleasant Street Corridor
- PSCD-2 - Pleasant Street Corridor
- PSCD-1 - Pleasant Street Corridor
- OSC - Open Space/Conservancy

Overlay Districts

- ALOD - Assisted Living Overlay
- AODD - Arsenal Overlay Development
- R/SOD - Religious/School Building Overlay
- RD - Limited Redevelopment District
- TODO - Transit Oriented Development Overlay

Map Key

- Active Street Frontage
- Mt. Auburn St. Historic District
- City Boundary
- Water
- Parcels



Draft Oct 2025

Appendix: **Comparison Communities**

Detailed Case Studies

Watertown's current policy

Mandatory Inclusionary Housing (citywide)

- Requires projects with 6+ units to provide between 12.5 to 15% of units at 65-80% AMI, depending on project size.

Voluntary Affordable Housing Bonus (Watertown Square only)

- Incentives available to projects in the WSQ and NMU zoning districts with 50% or more of units affordable at 80% AMI or less.
- 1-2 additional floors, depending on AMI average
- Reduced parking minimums

Taunton, MA

Program Characteristics

- Fully voluntary program. Through special permit, a density bonus may be offered to residential projects that agree to provide one of the following affordability options:
 - Option 1: 10% of units donated to Taunton Housing Authority (THA) or other nonprofit
 - Option 2: 15% of units purchased by THA and 15% sold or rented at < 50% AMI
 - Option 3: 100% of units sold or rented at <120% AMI, with at least 25% of units at < 80% AMI
 - In-lieu fee payment (negotiated through the SP process, equal to construction costs)
- Maximum allowable density with bonus = base density x 1.75 to 2.75

Outcomes

- Program has been used by 5-6 projects in the last decade, but all projects opted for the in-lieu fee payment. Generated \$2.8 million (about \$510,000 per project).
- Average density bonus offered was 2.0
- Lack of data and tracking; generally seen as a helpful tool but not very impactful

Cambridge, MA

Program Characteristics

- Fully voluntary program for projects with 100% units <100% of AMI, and at least 50% of units <80% of AMI.
- Applies in all zoning districts except for Open Space districts.
- Incentives offered:
 - No special permit approval required. There is still a requirement to conduct at least 2 community meetings and participate in a non-binding design consultation with the Planning Board.
 - Height, density, and parking zoning relief offered by-right. Most notably, up to 12 stories in AHO corridors and up to 15 stories in AHO squares.

Outcomes

- Based on data available online, the program has been frequently used : 9 projects have completed the AHO process (750 units) and 7 projects are underway.
- Average affordable housing production has increased from 40-60 units/year prior to 2020, and closer to 150 units/year in the 2020-2025 period.
- Still pending an interview with Cambridge staff.

Denver, CO

Program Characteristics

- Blended program: Mandatory IZ policy with baseline incentives and affordability requirements, and enhanced incentives for enhanced affordability requirements.
- Baseline affordability vs. enhanced affordability: Varies between Typical vs. High Market areas; generally, between 8-15% of units at 60-70% AMI for rental, with enhanced requirements increasing the set-aside requirements by 2-3 percentage points.
- Baseline incentives: Building permit fee reduction; waiver of commercial linkage fee for ground-floor commercial space; parking reduction between 0.25 to 0.75 parking spaces per unit
- Enhanced incentives: By-right height increases (varies by zoning); by-right FAR increase in Downtown; no minimum parking. Expedited review was supposed to be offered, but it has been oversubscribed.

Outcomes

- Successful at generating more affordability – 16 out of 58 market-rate projects subject to IZ opted for enhanced affordability.
- Setting the in-lieu fee rather successfully encouraged on-site provision of units.

Minneapolis, MN

Program Characteristics

- Blended program: Mandatory IZ policy with baseline incentives and affordability requirements; enhanced incentives for enhanced affordability requirements.
- Baseline affordability: 8% of units at <60% AMI OR 4% of units at <30% AMI for min 20 years
- Enhanced affordability: 20% of units at <50% AMI for min 30 years
- Baseline incentives: Modest height and FAR bonus.
- Enhanced incentives: City Revenue Loss Offset Program, a form of Tax Increment financing; greater height and FAR bonuses

Outcomes

- 21 out of 26 projects opted for building units on-site. Of these 21 projects, 19 opted for 8% of units at 60% AMI. Although only one project opted for 20% of units at <50% AMI, staff believe that education about the specifics of the TIF program will help generate more interest in this option.
- Great example of ongoing tracking and recalibration of program requirements over time.

Kirkland, WA

Program Characteristics

- Blended program: Mandatory IZ policy with baseline incentives and affordability requirements; enhanced incentives for enhanced affordability requirements.
- Baseline affordability: 10% of units at <50% AMI ; Enhanced affordability: Not clearly defined.
- Baseline incentives: 8-year multifamily tax exemption (MFTE); exemption from certain permitting fees and school impact fees; modest height/density bonus options and other zoning relief.
- Enhanced incentives: 12-year (instead of 8-year) multifamily tax exemption (MFTE); exemption from traffic impact fees and park impact fees; additional relief on zoning standards on a discretionary basis.
- “Pioneer provision” – requirements increase over time in TOD districts to encourage new development.

Outcomes

- Estimated 4 out of 40 projects opted for the enhanced affordability option (generating about 150 affordable units, including one 100% affordable project). The remaining 36 projects generated about 310 affordable units.

Salt Lake City, UT

Program Characteristics

- Fully voluntary program, as mandatory IZ is illegal in UT.
- Complex program, with affordability requirements and incentives varying by zoning district (Type A, B, C)
- Menu of incentives, primarily height bonus, reduced parking, and expedited review
- Menu of affordability requirements, ranging across AMI levels, set-asides, and unit sizes
- Note: The program also applies in SF/two-family density residential areas, with incentives primarily in the form of allowable housing types, and relief from certain parking, yard, and density requirements.

Outcomes

- Newer program; market conditions also made the program start-up slow.
- 6 out of the 7 MF projects that have utilized the program so far have been 100% affordable. They might have moved forward anyway, but this still represents a benefit for them. Most popular requests were for additional height (5) and for expedited administrative review process (2).
- A few projects in Salt Lake City's SF zones have also utilized the incentives (2 for-sale, 5 rental)

Iowa City, IA

Program Characteristics

- Three different programs – all of which are fully voluntary since mandatory IZ is illegal in IA
 - Tax Exemption for Rental Housing: 15% of units at <40% AMI, in exchange for a 10-year, 40% property tax exemption
 - Riverfront Crossing Upzoning: In the Riverfront Crossing area only, projects must provide 10% of units at <60% AMI rental, or <110% AMI for-sale, in exchange for upzoning request, with most rezoning requests allowed up to max height of 6-8 stories. In-lieu fee option allowed.
 - TIF: In urban renewal areas only, projects can get TIF benefits (financial incentives) if they provide 15% of units at <60% AMI

Outcomes

- The Tax Exemption for Rental Housing has not had use since its implementation in 2019. Staff suspect this is due to the lower AMI targeted by this program, and the fact that the property tax exemption did not sufficiently offset this level of affordability.
- Riverfront Crossings and TIF programs have both been used, which staff suspect may be due to the higher AMI level. Approximately 13 projects have used the Riverfront Upzoning, and 5 have used TIF, although about one thirds of projects have opted for in-lieu payments.