Watertown City Council

Committee on Human Services

Councilor Palomba-Chair, Councilor Bays-Vice Chair, Councilor Izzo- Secretary

Committee Report of June 15, 2026 Meeting

Presented to the City Council on June 23, 2026

The Committee convened on Monday, June 15, 2026, at 5:30 p.m. in the City Council Chamber. Present were Tony Palomba, Chair, Caroline Bays, Vice Chair, and Emily Izzo, Secretary. Also present were Council President Mark Sideris, Councilor Vinnie Piccirilli, Councilor Nicole Gardner, and Councilor John Gannon. City staff present included Gideon Schreiber, Director of Planning and Zoning and Will Downie, Senior Planner for Housing. Representatives from the Metropolitan Area Planning Council ("MAPC") included Adam Ploetz, Emma Yudelevitch, and Evelyne St-Louis. Also present were Cliff Cook, Chair of the Affordable Housing Trust, Barney Heath, Executive Director of Metro West Collaborative Development, Jacky van Leeuwen, Jamie Gordon, and Daniel Pritchard from Housing for All Watertown, and resident Dawn Slaven. Ms. St-Louis, Mr. Pritchard, and Ms. Slaven were present via Zoom.

The purpose of the meeting was to receive a presentation and discuss the Watertown Affordable Housing Incentives Study prepared by MAPC. Please see the Study attached.

Mr. Downie explained that the study originated from the Watertown Square planning and zoning process. As part of that effort, the City adopted several affordable housing incentives with the understanding that a broader evaluation would be undertaken to examine additional strategies for encouraging both market-rate developers and affordable housing developers to produce more affordable housing. The study was intended to evaluate potential incentives, identify barriers to housing production, and provide recommendations for future policy consideration.

MAPC staff presented the study findings and recommendations. The study examined incentives that could encourage market-rate developers to provide affordable housing beyond the requirements of Watertown's Inclusionary Zoning Ordinance, as well as strategies to support the development of affordable housing projects. The study concluded that incentives that reduce development costs, increase predictability, and shorten permitting timelines are generally the most effective tools for improving project feasibility and encouraging additional affordable housing production.

The presentation highlighted a number of recommendations for market-rate development, including density bonuses, height and dimensional relief, reductions in parking requirements, expedited permitting, waiver of certain ground-floor commercial requirements, and fee reductions. MAPC noted that many of these incentives can improve project feasibility by reducing construction costs or increasing the number of units that can be developed on a site. The study also emphasized that reducing uncertainty in the permitting process can provide significant value to developers and may encourage greater housing production.

The Committee also received information regarding recommendations designed to support affordable housing developers. MAPC explained that affordable housing projects face significant funding challenges because affordable rents generate less revenue than market-rate developments. As a result, affordable housing projects often rely on multiple subsidy sources and face funding gaps that can delay or prevent development. Recommendations included reducing land acquisition costs through the use of publicly owned land, reducing parking requirements, waiving commercial space requirements where appropriate, reducing fees, and exploring targeted financial assistance programs to support deeper affordability.

The presentation further discussed a potential “buy-down” program through which the City could provide financial assistance to support affordability levels below those currently required by inclusionary zoning. MAPC explained that deeper affordability generally requires substantial public investment because of the gap between affordable rents and market-rate rents. The study estimated that significant subsidies would be necessary to convert market-rate units into affordable units or to deepen affordability levels within projects that already contain affordable housing.

Committee members discussed the relationship between zoning reform and incentive-based approaches. Questions were raised regarding whether broader streamlining of zoning and permitting processes could be more effective than project-specific incentives. MAPC responded that the two approaches are not mutually exclusive and that streamlining development review can itself function as an incentive by reducing project delays, carrying costs, and uncertainty. The Committee also discussed the importance of clear development standards and expectations so that applicants better understand what is required before entering the permitting process.

Discussion also focused on the practical implementation of the study recommendations. It was noted that the recommendations are complex and may interact with one another in different ways. Questions were raised regarding potential unintended consequences and the need to evaluate how various incentives would function within Watertown’s existing zoning framework. It was emphasized that the study should serve as the beginning of a broader policy discussion involving the City Council, Administration, Watertown Affordable Housing Trust, City’s housing advocates, and development community.

Public comment highlighted the continuing regional housing shortage and the challenges affordable housing developers face in competing for land and securing financing. Commenters expressed support for further exploration of the study’s recommendations and emphasized the importance of identifying practical ways to increase affordable housing production in Watertown. Concerns were also raised regarding staff capacity and the resources that may be necessary to implement future housing initiatives. The study presents a number of potential policy options and provides a useful framework for future discussion. The Chair emphasized the need to actualize the study recommendations in a timely fashion and to further investigate issues identified in the study such as parking requirements, additional methods of increasing density, the elimination of permit fees, and tax-exemption options.

Councilor Palomba made the following motion,

The Committee on Human Services recommends that the City Council direct the Administration to further analyze the Watertown Affordable Housing Incentives Study and develop options for implementing specific programs and policies based on the Study’s recommendations.

Councilor Bays seconded the motion and it passed by a vote of 3–0.

The meeting adjourned at 7:07 p.m. Report prepared by Councilor Emily Izzo.

Watertown Affordable Housing Incentives Study

City Council Committee on Human Services

June 15, 2026

Metropolitan Area Planning Council

Agenda

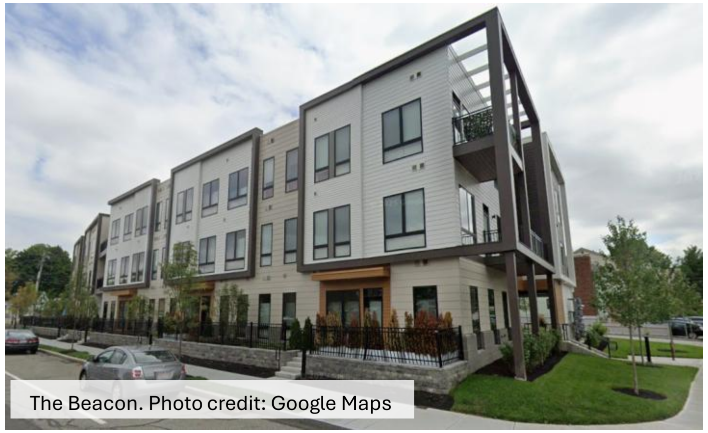
- Study overview
- Recap of process and major tasks
- Summary of recommendations
  - Recommendations for market-rate projects
  - Recommendations for affordable projects

Project Overview

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)



The Beacon. Photo credit: Google Maps

St-Joseph Hall. Photo credit: MetroWest

Watertown's Existing Policy Context

Mandatory inclusionary zoning (IZ) policy

- **Threshold:** new developments with a minimum 6 units
- **Small-scale development (6-19 units):** 12.5% of units at 80% AMI (rental and ownership)
- **Medium- to large-scale development (20+ units):** 10% of units @ 80% AMI + 5% of units @ 65% AMI (rental); 15% at 80% AMI (ownership)

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

**Only considering incentives for rental developments*

Policy Context + Incentive Study

Watertown Square (WSQ) Incentives

WSQ informed list of incentives

Study of Voluntary Incentives

Holistic assessment, not specific to WSQ or other neighborhoods

Recommendations

Not site-specific, but can be tailored to Zoning Districts

Recap of Process and Major Tasks

Recap of Major Tasks

Phase 1: Understanding the Local Context

- Market and submarket assessment
- Zoning assessment

Phase 2: Informing the List and Use of Voluntary Incentives

- Interviews with market-rate developers
- Interviews with affordable housing developers
- Focus group with Planning and Zoning Board members
- Case study research of voluntary affordable housing incentive programs in other municipalities

Phase 3: Testing the Incentives

- Market-rate financial feasibility analyses: market rate pro forma and a simplified buy-down model
- Affordable sources & uses model for a typical 100% affordable project

Phase 4: Recommendations

- Summary of recommendations based on findings from Phases 1-3

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Focus of Dec 2025 presentation

Phase 3: Testing the Incentives

- Market-rate financial feasibility analyses: market rate pro forma and a simplified buy-down model
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Focus of March 2026 presentation

Phase 4: Recommendations

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Focus for today

List of Incentives Tested

	Market-rate Pro Forma	Affordable Sources & Uses Model
Free Publicly Owned Land		✓
Reduced Parking Minimum (0.25 spaces per unit)*		✓
Reduced Parking Minimum (0.5 spaces per unit)*	✓	✓
Waived Commercial Requirement	✓	✓
Waived Permitting Fees	✓	✓
Waived Commercial Requirement and Permitting Fees	✓	
Density bonus (1x)	✓	✓
Density bonus (2x)	✓	✓
Density Bonus (1x) and Reduced Parking (0.25 spaces per unit)		✓
Density Bonus (1x) and Reduced Parking (0.5 spaces per unit)	✓	
Density Bonus (1x) and Waived Commercial Requirement	✓	
Density Bonus (1x) and Waived Permitting Fees	✓	

Summary of Recommendations

Approach to recommendations

- **Total of seven recommendations:**
  - Four for market-rate projects
  - Three for affordable projects

- MAPC worked closely with City Staff to develop these recommendations.
  - When moving from testing incentives to formulating recommendations, there is a need to balance what may be granted (incentive) for what is gained (more or deeper affordability). Narrative includes what tradeoffs should be considered.
  - Some recommendations can be applied citywide (regardless of the zoning district), and some require tailoring to the neighborhood/zoning district context.
  - Some recommendations are new, while some the city is already pursuing, but are important to emphasize.

Summary of Recommendations

Recommendations for market-rate projects

Recommendation #1: Consider adopting a voluntary incentive program for market-rate development projects that provide more or deeper affordability, available citywide, tiered by project size.

- **#1a: Small-scale development (6-19 units) affordable + incentive options:**
  - For more affordable units (15% of units at 80% AMI): Waive commercial requirements + permitting fees.

OR

  - For deeper affordability (10% of units at 65% AMI): Less viable unless a density bonus is offered. *Note that a density bonuses could change scale/size from small-scale to a medium-scale.*

- **#1b: Medium-to Large-scale development (20+ units) affordable + incentive options:**
  - All incentives and affordable options (more or deeper affordability) could be considered in a voluntary incentive program.
  - Consider offering a menu of incentives based on housing and economic goals.

Recommendation #2: Consider offering zoning standard relief incentives by base zoning district as part of the City's comprehensive zoning update, so that market-rate projects are encouraged to provide more or deeper affordability.

Because some incentives can directly change the proposed development, it is important to tailor these incentives to local zoning and neighborhood context. Incentives that could be tailored by neighborhood/zoning district context and goals:

- **Density bonuses** are not only feasible but an attractive incentive across the board.
- **Rightsize parking ratios** based on zoning and neighborhood context.
- **Consider waiving commercial requirements** for medium- to large-scale projects in areas where mixed-use development is less important and/or financially challenging.

Recommendation #3: Adopt a buy-down tool to achieve more or deeper affordability within market-rate projects subject to the City's inclusionary zoning policy.

Consider adopting a buy-down tool to create additional affordable units:

- Buy-down a market-rate unit to an 80% AMI unit (estimated fee of $215,000 to $290,000 per unit)

OR

- Buy-down a market-rate unit to an 60% AMI unit (estimated fee of $373,000 to $448,000 per unit)

OR

- **(To achieve deeper affordability)** Buy-down an 80% AMI unit to a 60% AMI unit (estimated fee of $158,000 per unit).
    - *This approach is more cost-effective and could be most promising for the City to explore.*

Recommendation #4: Maintain a strong commitment to other ongoing actions that the City is already pursuing, including tracking inclusionary units and incentives over time, and regularly reassessing the City's inclusionary zoning program.

- **#4a: Regularly revisit the City's inclusionary zoning policy and incentives.** The City's latest Housing Plan identifies such an assessment as a "near-term" strategy.

- **#4b: Continue to track inclusionary zoning units, voluntary affordable units, and incentives.** This is essential for evaluating which incentives are effective. Making this data publicly available is also a best practice.

- **#4c: Educate the development community about what incentives are available, especially after they are adopted.** Building relationships with the development community is key to a healthy housing market and ecosystem.

- **#4d: As part of the comprehensive zoning update, include consideration of the City's permitting/approval process.** This will help the city better areas of improvement/streamlining.

Summary of Recommendations

Recommendations for affordable projects

Recommendation #5: Adopt an incentive package available to affordable projects citywide, including streamlined permitting, ground-floor commercial requirements waiver, permit fee waivers, and reduced parking minimum to 1 space per unit.

These incentives all had some positive impact on affordable projects and offering them as a package helps increase their impact. They can be implemented in different ways, and they also all also have some tradeoffs to consider.

- **Streamlined permitting** could be implemented by allowing affordable projects by-right citywide (e.g., site plan review only with no special permit required).

- **Waiving ground-floor commercial requirements** could be offered as an incentive by-right or on a discretionary basis.

- **The range of permit fees** to be considered for the waiver would need to be determined by City staff with more specificity.

- **The minimum parking ratio** for affordable developments (other than in WSQ district) could be set to 1 space per unit.

Recommendation #6: Consider offering density bonuses and further parking reduction (<1 space per unit) as incentives for affordable projects on a district-specific basis, to be implemented as part of City's comprehensive zoning update.

Consider offering these incentives on a district-specific basis:

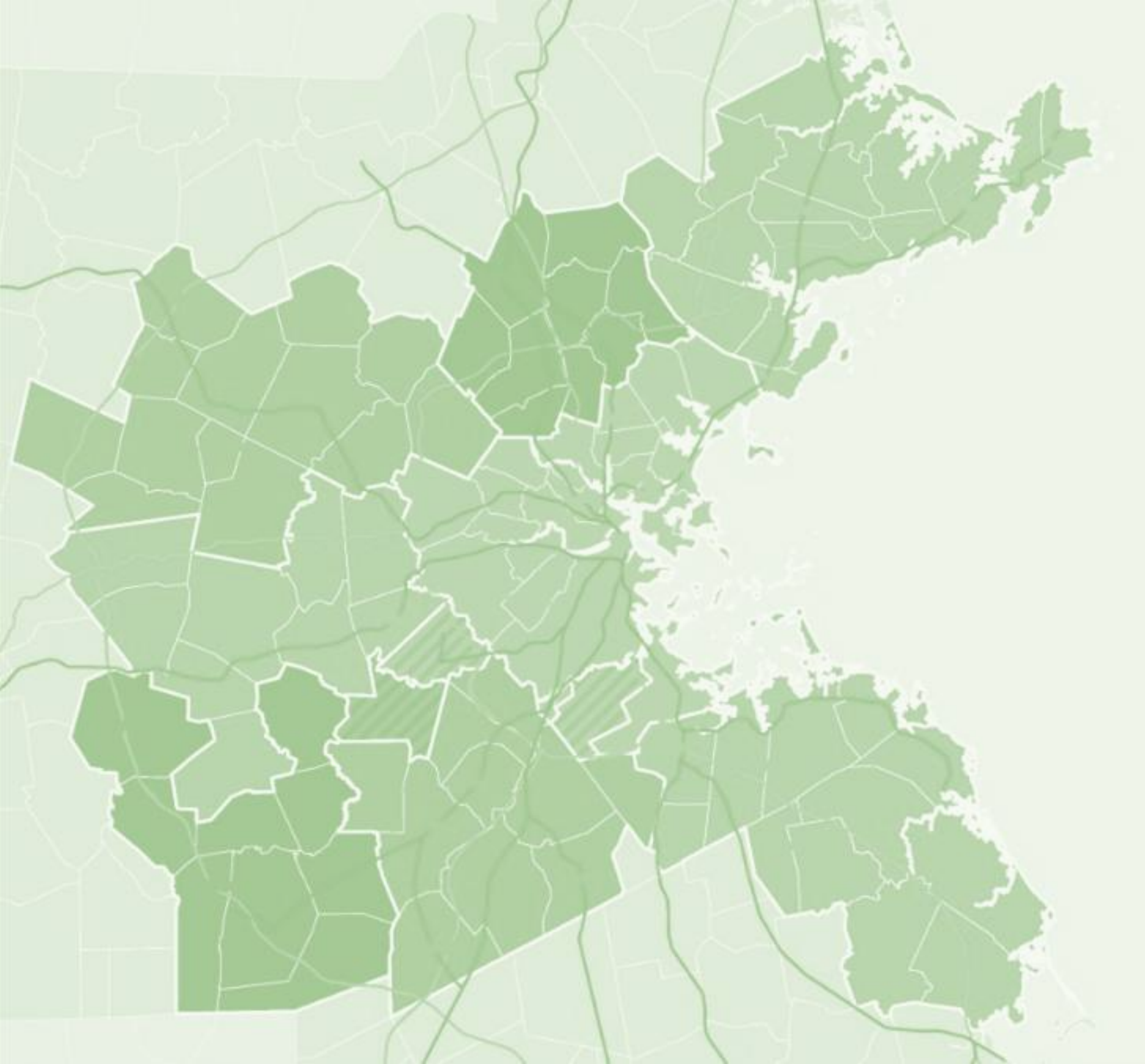
- **Density bonuses** provide important flexibility to affordable developers and tend to be most helpful in making affordable projects feasible on smaller lots. *(Note: Density bonus can be applied in different ways, e.g., residential floor area, FAR, height, etc.)*

- **Reduced parking minimums** provide developers with the option to reduce their parking if the site or projected demand warrants it.

- There is already a precedent for these types of incentives in WSQ.

Recommendation #7: Maintain a strong commitment to other actions the City is already pursuing to incentivize affordable developments.

- **#7a: Dedicating publicly owned land and offering land for free or at discounted rates** is a very meaningful way to incentivize affordable projects. The City's Housing Plan includes this strategy.
- **#7b: Providing City funds as a local funding match** (from the AHT, CPA, or other local funds) is an essential way for the City to support affordable projects and help them meet EOHLC criteria.
- **#7c: Tracking voluntary incentives offered to affordable projects** will be important for evaluation of the effectiveness of incentives over time. Making this data publicly available is also a best practice.
- **#7d: Growing and educating the network of affordable developers who could be active in Watertown is essential.** The AHT has done outreach to affordable developers about Watertown opportunities and the latest Housing Plan includes this as a strategy.



Thank you!

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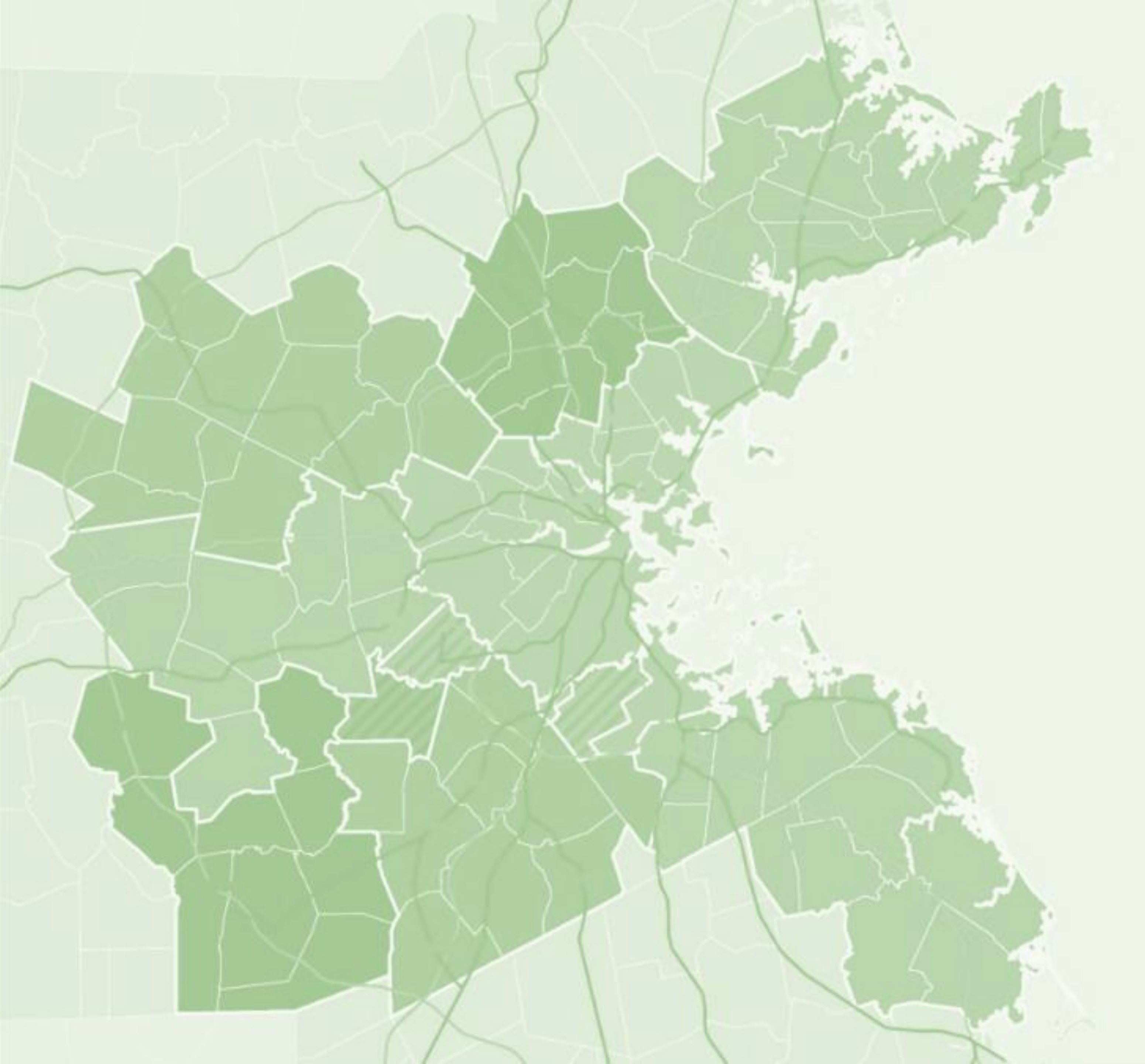
Metropolitan Area Planning Council



Appendix

MAPC
Metropolitan Area Planning Council

Market Rate Financial Feasibility Analysis

Overview

- **Purpose:** Test the impact of incentives on the financial feasibility of market-rate developments providing more or deeper affordability than what is currently required under Watertown's IZ policy.

- **Main focus:** Zoning-based and other 'indirect' incentives as tested in the Pro Forma Model (Method 1)

- Preliminary exploration of direct subsidy incentives as tested in the Buy-Down Model (Method 2)

Market Rate Financial Feasibility Analysis

Method 1: Pro Forma Model

Methodology – Pro Forma Model

- **Pro Forma Model:** a tool that a developer typically uses to understand whether a real estate project is likely to be profitable.
- For policy makers, a pro forma model is a useful tool to understand how a particular policy might impact the local housing market.
- **Data sources:** CoStar, Warren Group, Zillow, RS Means, MAPC’s rental listings database, and Developer interviews

Prototypes – Pro Forma Model

Prototype = hypothetical developments representing what *could be* built in Watertown based on current market conditions.

Note: Not site-specific, but based on aggregated data.

Prototype 1: 8 units with 800 sq ft of commercial space

- 2 stories – wood frame construction, 100% surface parking

Prototype 2: 25 units with 3,500 sq ft of commercial space

- 3 stories – wood frame construction, 100% podium parking

Prototype 3: 60 units with 5,000 sq ft of commercial space,

- 5 stories – podium construction, 100% podium parking

Affordability Scenarios

Prototype	Current IZ Policy	More Units	Deeper Affordability	Even Deeper Affordability
Prototype 1: 8 units w/ 800 sq ft	12.5% units @ 80% AMI	15% units @ 80% AMI	10% units @ 80% AMI + 5% units @ 65% AMI	10% units @ 80% AMI + 5% units @ 50% AMI
Prototype 2: 25 units w/ 3,500 sq ft **Prototype 3:** 60 units w/ 5,000 sq ft	10% units @ 80% AMI + 5% units @ 65% AMI	15% units @ 80% AMI + 5% units @ 65% AMI	10% units @ 80% AMI + 5% units @ 60% AMI	15% units @ 80% AMI + 5% units @ 50% AMI

Incentives Tested for Market-Rate Analysis

Incentives that reduce construction costs:

- Waived Commercial Requirement
- Waived Permitting Fees
- Reduced Parking Ratio (0.5 space/unit)

Incentives Tested for Market-Rate Analysis

Incentives that reduce construction costs:

Waived Commercial Requirement

Waived Permitting Fees

Reduced Parking Ratio (0.5 space/unit)

**WSQ base is 0.5 space/units*

Incentives Tested for Market-Rate Analysis

Incentives that reduce construction costs:

Waived Commercial Requirement

Waived Permitting Fees

Reduced Parking Ratio (0.5 space/unit)

Waived Commercial Requirement

+ Waived Permitting Fees

**WSQ base is 0.5 space/units*

Incentives Tested for Market-Rate Analysis

Incentives that increase revenue:

- Density Bonus (1x)
- Density Bonus (2x)

Incentives Tested for Market-Rate Analysis

Incentives that increase revenue:

- Density Bonus (1x)
- Density Bonus (2x)

An extra density bonus above the by-right maximum is by far the **most common development incentive.**

Incentives Tested for Market-Rate Analysis

Incentives that increase revenue:

- Density Bonus (1x)
- Density Bonus (2x)

This could look like…

- Additional height*
- Increased Floor-Area-Ratio (FAR)
- Additional % of floor area or unit count

** WSQ offers extra height*

Incentives Tested for Market-Rate Analysis

Prototype 1: 8 units

Density Bonus (1x) → 4 additional affordable units

Density Bonus (2x) → 8 additional affordable units

Incentives Tested for Market-Rate Analysis

Coupled Density Bonus (1x) with other incentives:

Density Bonus (1x)

Density Bonus (2x)

+ Waived Commercial Requirement

+ Waived Permitting Fees

+ Reduced Parking Ratio

Feasibility of Small-Scale Development

Prototype 1: 8 units w/ 800 sq ft

Findings

- Deeper affordability requirements (50% AMI) are **not feasible** for small-scale housing projects.
- 65% AMI **might be possible** if commercial requirements are waived and density bonuses allowed.
- Adding more units for 80% AMI is **possible** if the commercial requirements are waived.
- Density bonuses can make small-scale development **feasible, but** they also significantly change the project size.

Preliminary Takeaways

- **More affordable units (15% units @ 80% AMI) can be carved out** with a menu of incentives for small-scale developments:

Possible Menu of Incentives

→ Waived Commercial Requirement and Permitting Fees

→ Density Bonus (1x) with the option to couple additional incentives

→ Density Bonus (2x)

- All incentives can also help small-scale development **pencil out under the current IZ policy**.

Feasibility of Medium- to Large-Scale Development

Prototype 2: 25 units w/ 3,500 sq ft

Prototype 3: 60 units w/ 5,000 sq ft

Findings

- For **medium-scale projects**, **most** affordability options were **feasible,** with some incentives being more attractive than others.
- For **large-scale projects**, **all** affordable options were **feasible,** with some incentives being more attractive than others.

Most Attractive Incentives

➡ Waived Commercial Requirement

➡ Waived Commercial and Permitting Fees

➡ Density Bonus (1x) with the option to couple additional incentives

➡ Density Bonus (2x)

Preliminary Takeaways

Waiving commercial requirements for market-rate developments that opt for more or deeper affordability is an **attractive incentive.**

- **Coupling it with waived permitting fees** provides additional financial offsets to construction costs.

Offering a density bonus for market-rate developments that opt for more or deeper affordability is an **attractive incentive.**

- **Coupling it with other incentives** increases the potential margin of profitability, allowing for more or deeper affordable gains.

Preliminary Takeaways

Waiving permitting fees alone is not an attractive incentive, but it can be when coupled with other incentives.

- **Auditing the permitting/approval process** will help clarify the real time and cost to development.

Lowering the floor and ceiling set for parking ratios allows for greater flexibility.

- **Coupling parking reduction with other incentives** make the incentive more meaningful.

Revisiting and recalibrating IZ policy and incentives periodically will be important to ensure policy reflects market conditions change.

Detailed Assumptions: Market Rate Feasibly Analysis

Additional Appendix Materials

Incentives Tested for Market-Rate Analysis

Prototype 2: 25 units

- Density Bonus (1x) → 8 additional affordable units
- Density Bonus (2x) → 17 additional affordable units

Incentives Tested for Market-Rate Analysis

Prototype 3: 60 units

Density Bonus (1x) → 12 additional affordable units

Density Bonus (2x) → 24 additional affordable units

Findings – Small-scale Development

Incentives	Current IZ Policy	More Units	Deeper Affordability	Even Deeper Affordability
Waived Commercial Requirement	Feasible + Attractive	Possible	Possible	Not Feasible
Waived Permitting Fees	Feasible	Not Feasible	Not Feasible	Not Feasible
Reduced Parking Ratio	Feasible	Not Feasible	Not Feasible	Not Feasible
	Feasible + Attractive	Feasible	Possible	Not Feasible
+	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive

Findings – Medium-scale Development

Incentives	Current IZ Policy	More Units	Deeper Affordability	Even Deeper Affordability
	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible
	Feasible	Possible	Feasible	Possible
	Feasible	Possible	Possible	Possible
	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive
 +	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive

Findings – Large-scale Development

Incentives	Current IZ Policy	More Units	Deeper Affordability	Even Deeper Affordability
	Feasible + Attractive	Feasible	Feasible	Feasible
	Feasible	Feasible	Feasible	Feasible
	Feasible	Feasible	Feasible	Feasible
	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive
 +	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive	Feasible + Attractive

Market Rate Financial Feasibility Analysis

Method 2: Buy Down Model

Overview – Buy-down model

- Buy-down programs are an alternative way to achieve deeper or more affordability in an existing market rate project subject to IZ.
- Instead of offering indirect incentives, **a buy-down program involves a direct payment by the municipality to the developer.**
- The **buy-down model is a tool to estimate how much subsidy a municipality would need to pay a developer to:**
  - Deepen the affordability of an existing affordable unit (e.g. 80% AMI to 60% AMI)
  - Add a new affordable unit, by buying down a market rate unit to an affordable unit.

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  - Deepen the affordability of an existing affordable unit (e.g. 80% AMI to 60% AMI)
  - Add a new affordable unit, by buying down a market rate unit to an affordable unit.

Note: This is a preliminary analysis. More work would be needed to refine the results and explore program design and implementation in more detail.

Methodology – Buy-down model

- Buy-down costs are expressed as a **range** based on three different methods to reflect the variability and complexity in how this cost is estimated.
- Some similarities with methods for estimating in-lieu fee payments.
- Calculations are **based on Prototype 3** and use many of the same assumptions.

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Method 1: Affordability Gap

Fee = Difference between the fair market value and the value of the affordable unit (based on rents).

Method 2: Revenue Loss

Fee = Difference in rental income over 20 years, plus cost of operating an affordable unit (annual income certification, selection lottery, etc.)

Method 3: Development Cost

Fee = Difference between the total development cost and the value of the affordable units (based on rents).

Findings

Fee needed to buy down…	Approximate fee range
Market rate unit to 60% AMI	$373,000 to $448,000 per unit
Market rate unit to 80% AMI	$215,000 to $290,000 per unit
80% AMI unit to 60% AMI unit	$158,000 per unit*

**The results are the same across the three methodologies for the 80% AMI to 60% AMI scenario because the difference in value between a 60% AMI unit and an 80% AMI unit is a constant value.*

Preliminary Takeaways

- Buy-down payments are a **potentially viable incentive, especially for buying down deeper affordability from existing IZ units (e.g., 80% to 60% AMI),** but would require greater subsidy from the municipality.

- **Further work is needed** to assess developer interest and the specifics of program design and implementation.

- Watertown may want to **continue exploring a buy-down program as complementary to other proposed incentives.**

Affordable Housing Sources & Uses Model

Methodology – Sources & Uses Model

- We use a **simplified 'source & uses model'** to represent project costs (uses) and revenues (sources) for a typical 100% affordable housing project that might be expected in Watertown.

- Whereas a pro forma model compares the impact of incentives on the profitability of different prototypes, the sources & uses model compares the impact of incentives by looking at the **relative change in the funding gap.**

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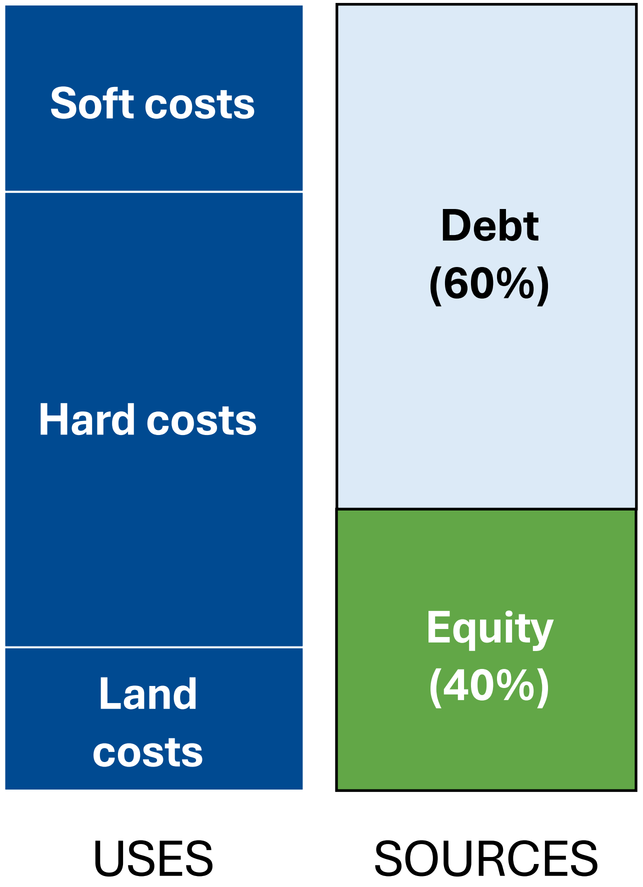
Note: The sources & uses model is supplemented with interviews with affordable housing developers, which provide additional context that cannot be as easily quantified.

Methodology: What is a funding gap?

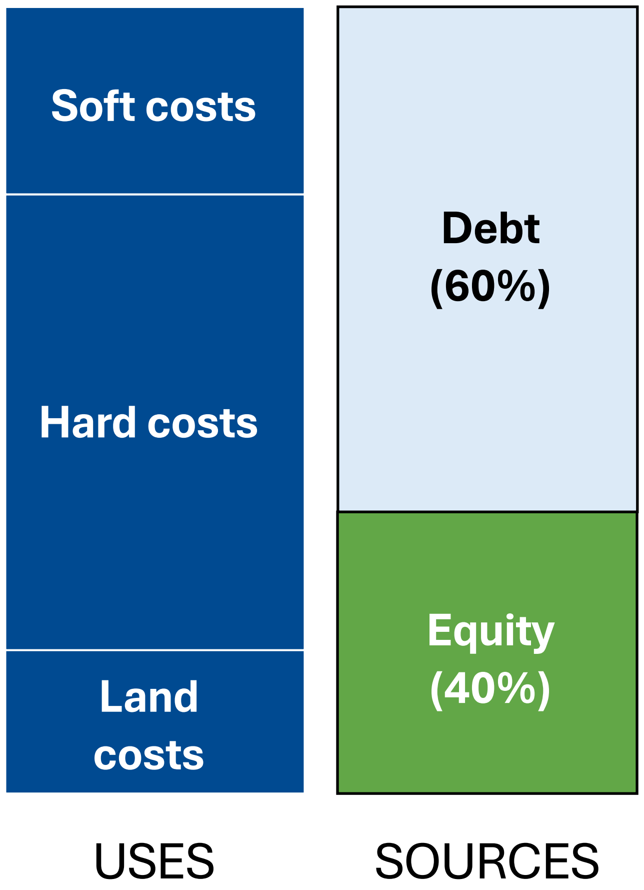
Typical Market Rate Capital Stack



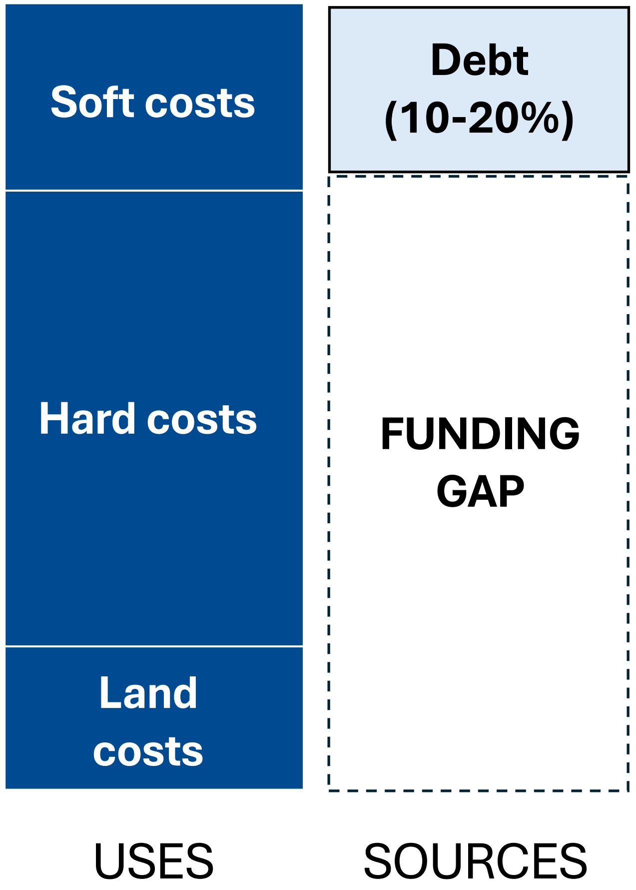
Graphic modified from: https://shelterforce.org/2025/05/28/affordable-housing-finance-101/

Methodology: What is a funding gap?

Typical Market Rate Capital Stack



Typical 100% Affordable Capital Stack



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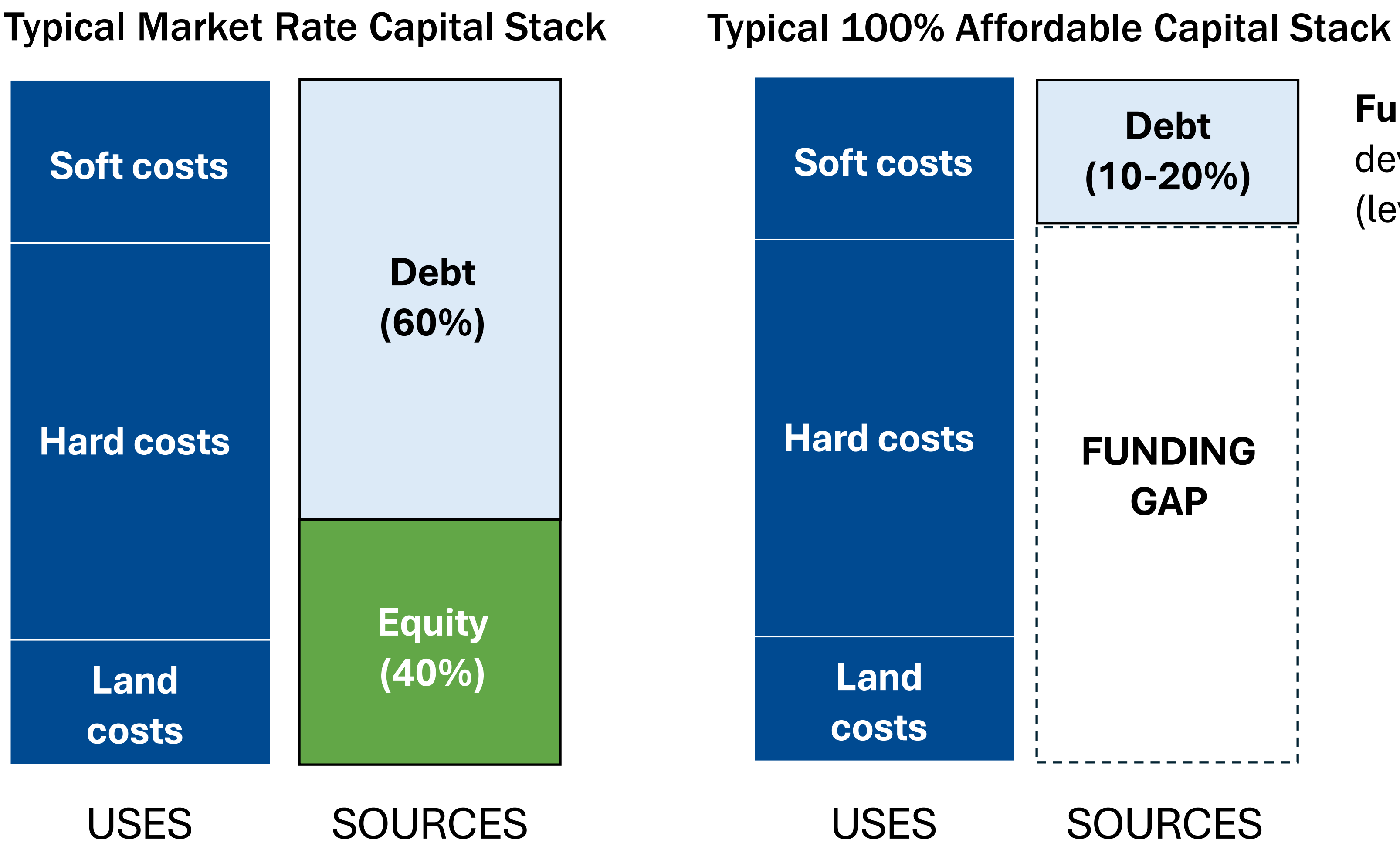
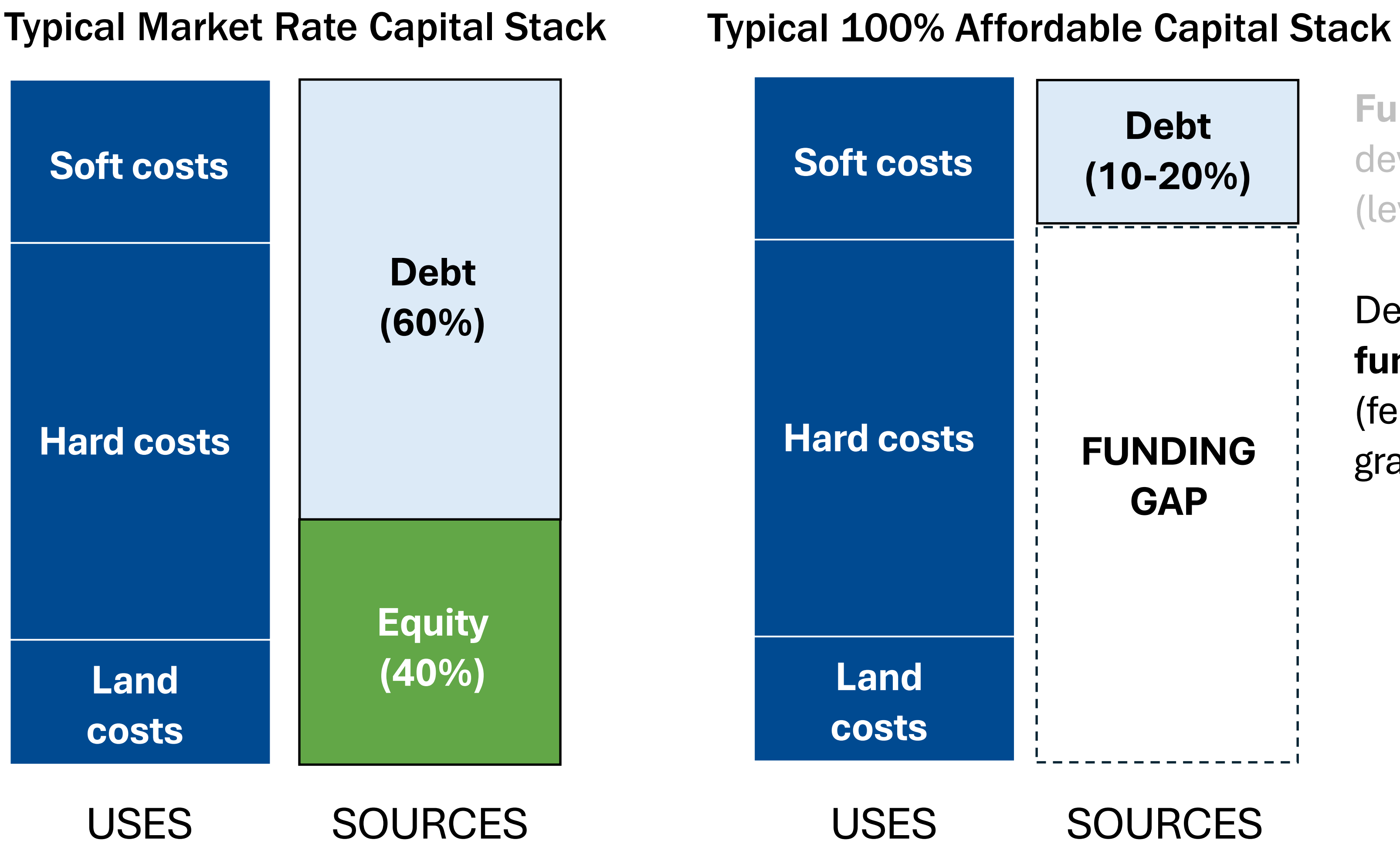
Methodology: What is a funding gap?



Funding gap = difference between total development costs and permanent debt (leveraged from affordable rents).

Graphic modified from: https://shelterforce.org/2025/05/28/affordable-housing-finance-101/

Methodology: What is a funding gap?



Funding gap = difference between total development costs and permanent debt (leveraged from affordable rents).

Developers must seek out **multiple funding sources to fill this funding gap** (federal/state tax credits, local or state grants, project-based vouchers, etc.)

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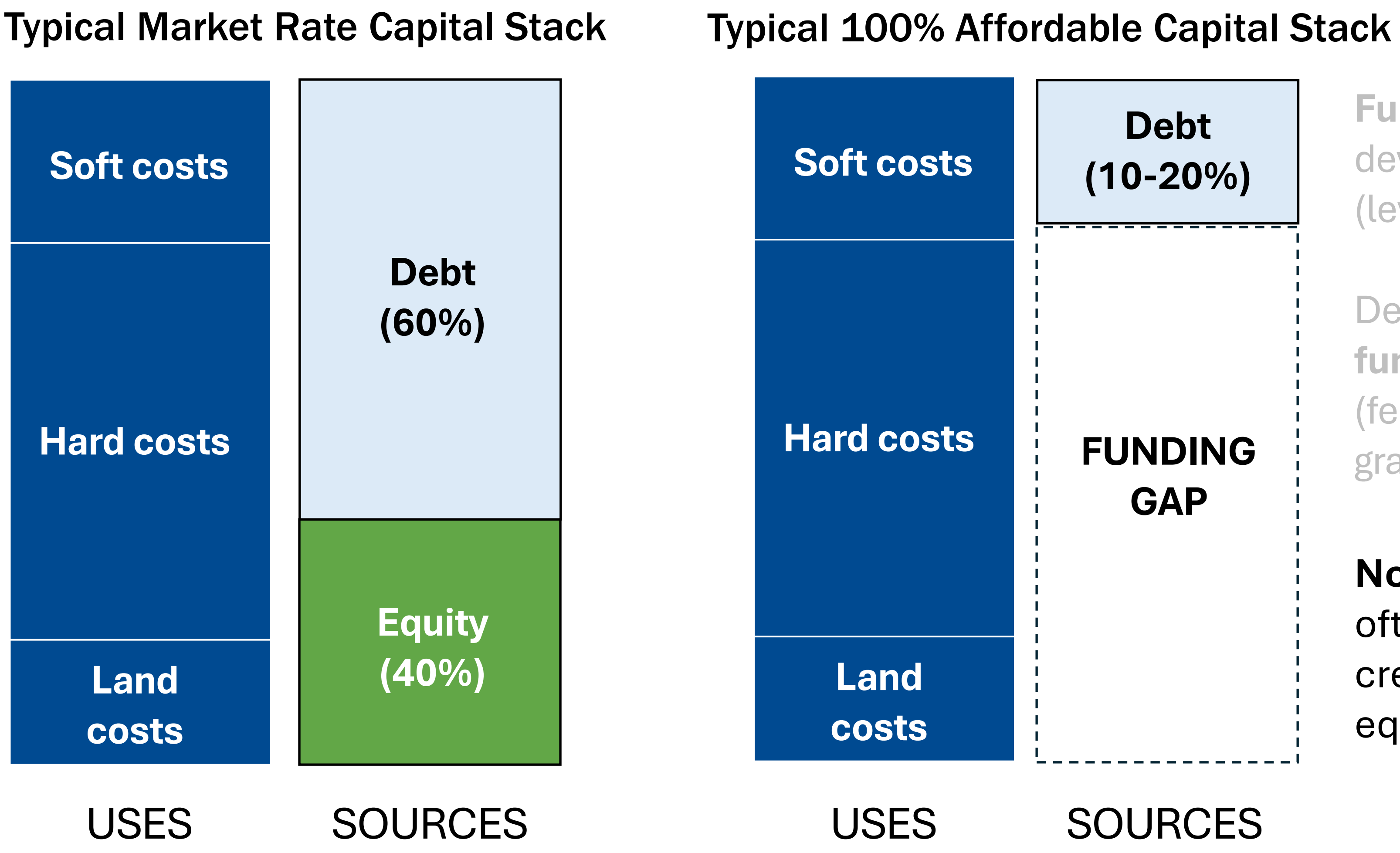
Methodology: What is a funding gap?



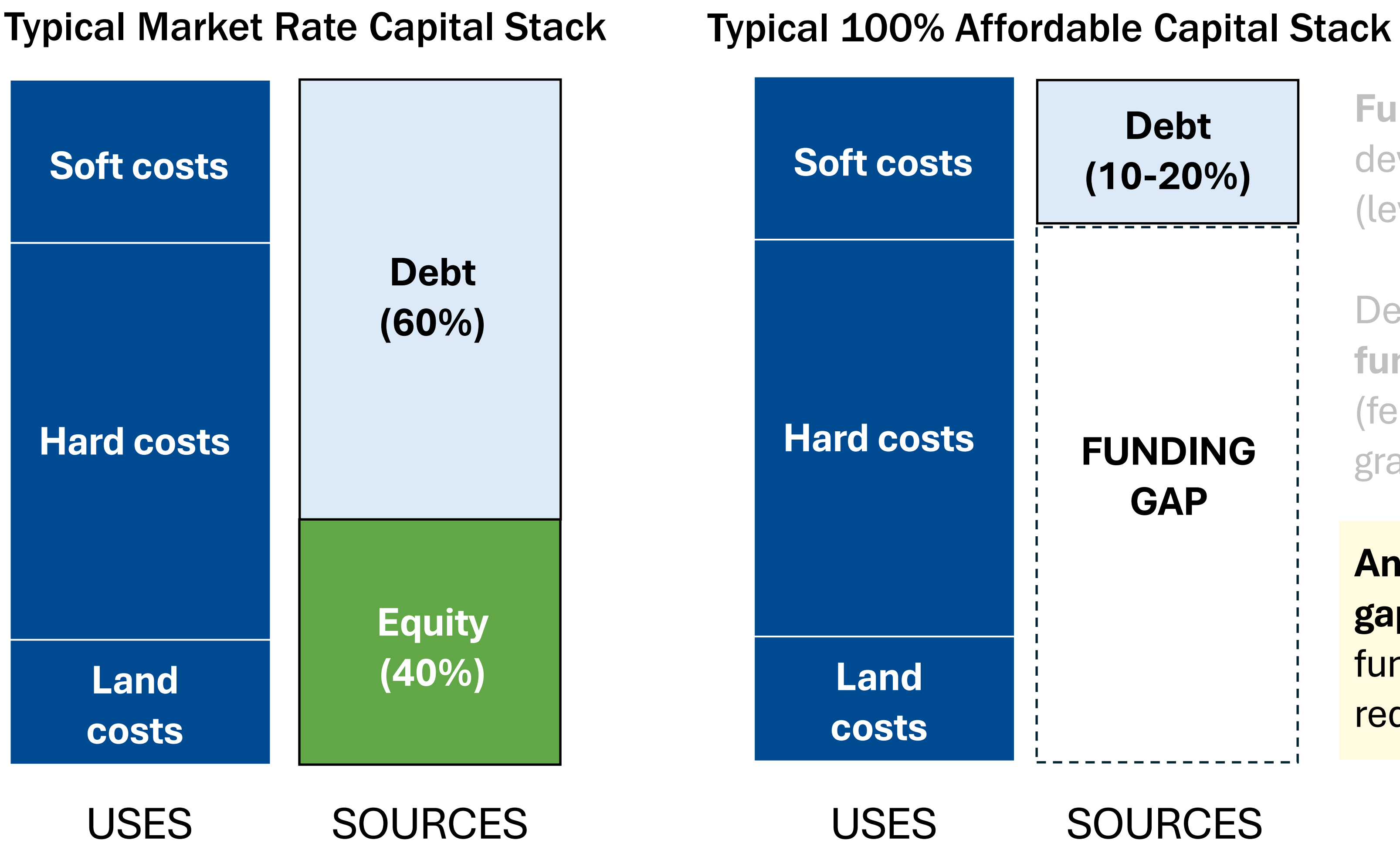
Funding gap = difference between total development costs and permanent debt (leveraged from affordable rents).

Developers must seek out **multiple funding sources to fill this funding gap** (federal/state tax credits, local or state grants, project-based vouchers, etc.)

Note: Equity sources vary, but most often are federal and/or state tax credits, and/or the developer's own equity.

Graphic modified from: https://shelterforce.org/2025/05/28/affordable-housing-finance-101/

Methodology: What is a funding gap?



Funding gap = difference between total development costs and permanent debt (leveraged from affordable rents).

Developers must seek out **multiple funding sources to fill this funding gap** (federal/state tax credits, local or state grants, project-based vouchers, etc.)

Anything that helps close the funding gap is beneficial. For example, the funding gap can also be closed by reducing total development costs.

Graphic modified from: https://shelterforce.org/2025/05/28/affordable-housing-finance-101/

Prototypes – Sources & Uses Model

Prototype = hypothetical developments representing what ***could*** *be* built in Watertown based on typical 100% affordable housing development trends.

Note: Not site-specific, but based on aggregated data.

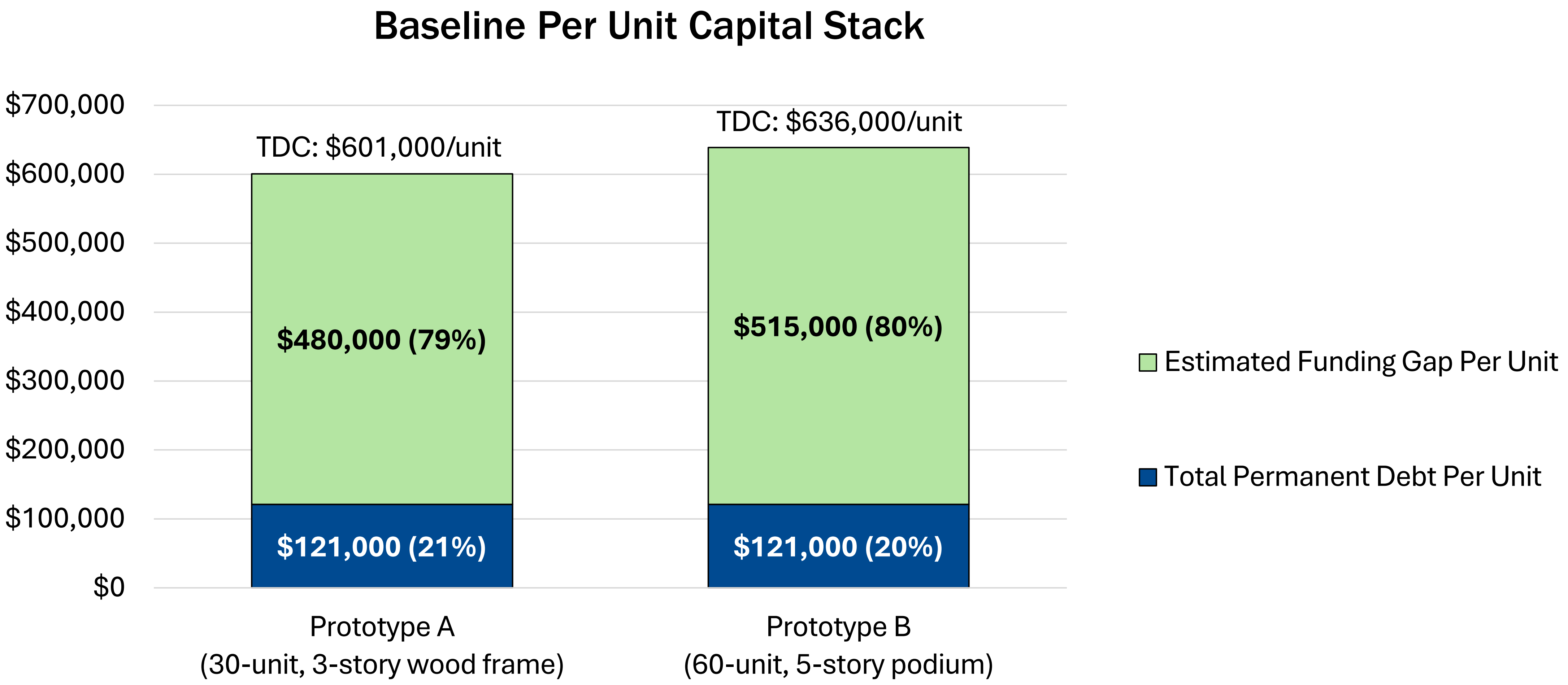
Prototype A: 30 units @ 55% AMI with 2,000 sq ft of commercial space

- 3 stories – wood frame construction
- 100% surface parking

Prototype B: 60 units @ 55% AMI with 3,500 sq ft of commercial space

- 5 stories – 4 wood frame over 1 podium
- 50% surface parking, 50% podium parking

Baseline Development Costs & Funding Gap



Incentives Tested for Affordable Analysis

Incentives that reduce construction costs:

Waived Commercial Requirement

Waived Permitting Fees

Reduced Parking Ratio (0.5 spaces/unit)
Reduced Parking Ratio (0.25 spaces/unit)

**WSQ base is 0.5 space/unit and 0.25 space/unit is the current incentive.*

Free publicly-owned land

Incentives Tested for Affordable Analysis

Incentives that increase revenue:

Density Bonus (1x) → Prototype A: 30 to 45 units
Prototype B: 60 to 75 units

Density Bonus (2x) → Prototype A: N/A
Prototype B: 60 to 90 units

\+ Density Bonus (1x) + Reduced Parking Ratio (0.25 spaces/unit)

**WSQ offers extra height*

Findings

Percent Change in the Per Unit Funding Gap Relative to the Baseline

Incentives	Prototype A	Prototype B
Waived commercial requirement	-6%	-5%
Waived permitting fees	-1%	-1%
Reduced parking ratio (0.5)	-2%	-3%
Reduced parking ratio (0.25)	-3%	-5%
Free publicly-owned land	-19%	-17%
Density bonus (1x)	-6% **	-4% **
Density bonus (2x)	n/a	-7% **
+ Density bonus (1x) + Parking	-9% **	-9% **

Findings

Percent Change in the Per Unit Funding Gap Relative to the Baseline

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Waived commercial requirement	-6%	-5%
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Findings

Percent Change in the Per Unit Funding Gap Relative to the Baseline

Incentives	Prototype A	Prototype B
Waived commercial requirement	**-6%**	[illegible]
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Free publicly-owned land	**-19%**	**-17%**
Density bonus (1x)	**-6% ****	**-4% ****
Density bonus (2x)	**n/a**	**-7% ****
+ Density bonus (1x) + Parking	**-9% ****	**-9% ****

Although there is a reduction in the per unit funding gap, the **total funding gap** increases as the number of affordable unit increases.

Findings

Percent Change in the Per Unit Funding Gap Relative to the Baseline

Incentives	Prototype A	Prototype B
Waived commercial requirement	-6%	[illegible]
Waived permitting fees	-1%	[illegible]
Reduced parking ratio (0.5)	-2%	[illegible]
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Density bonus (1x)	-6% **	-4% **
Density bonus (2x)	n/a	-7% **
+ Density bonus (1x) + Parking	-9% **	-9% **

While there are benefits to more efficient projects, **an increase in the total funding gap means more funding sources are needed.**

Preliminary Takeaways

Most impactful

Free publicly-owned land
Also supports affordable developers in other ways, e.g., having a patient land seller; reduced competition with market rate developers.

Somewhat impactful

Waived commercial requirements
Affordable developers also noted this as an appealing incentive.

Preliminary Takeaways

Somewhat impactful, but varies

Reduced parking minimums
Provide greater flexibility, but impact varies based on the site and developer.

Density bonuses
Provide greater flexibility and help with economies of scale, but impact varies based on the site and developer.

Less impactful

Waived permitting fees
Minimal impact if offered alone; couple with other incentives for more impact.

Other Considerations

Informed by interviews with affordable housing developers

Most impactful

Mechanisms that allow 100% multifamily affordable housing by-right
Discretionary review creates significant risk and uncertainty.

Local funding match
Key for most capital stacks and often impacts ability to secure tax credits.

Impactful

Staff capacity
Can help champion and shepherd projects through local review processes.

Network of locally active affordable developers

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.

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.*

Source: Costar

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

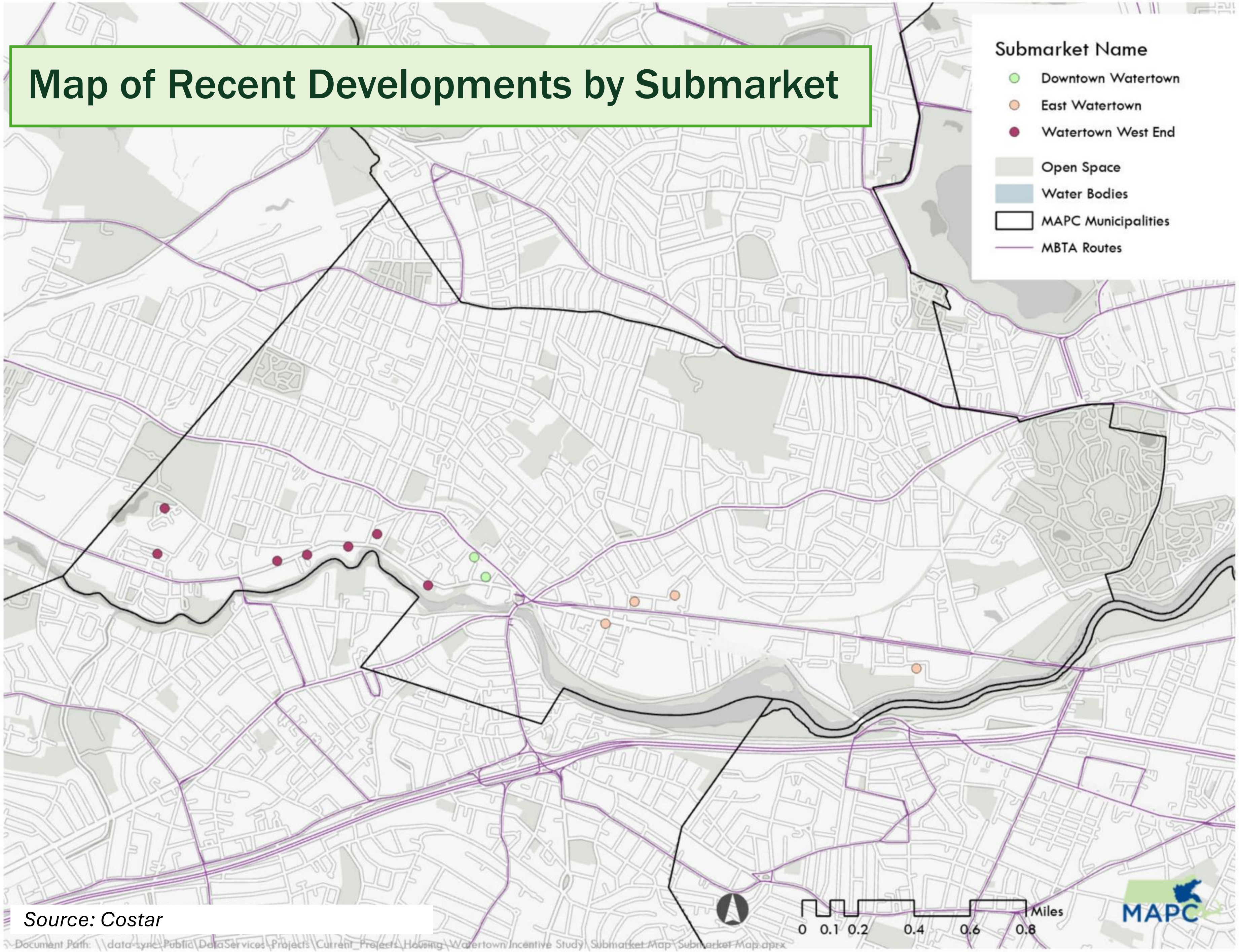
Arsenal Street

Average Unit SF:
940 sq ft

Average Rental Price:
$3,500

Source: Costar, Zillow

Map of Recent Developments by Submarket



Source: Costar

Next Steps:

- Add Zoning Layer to Submarket Map

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

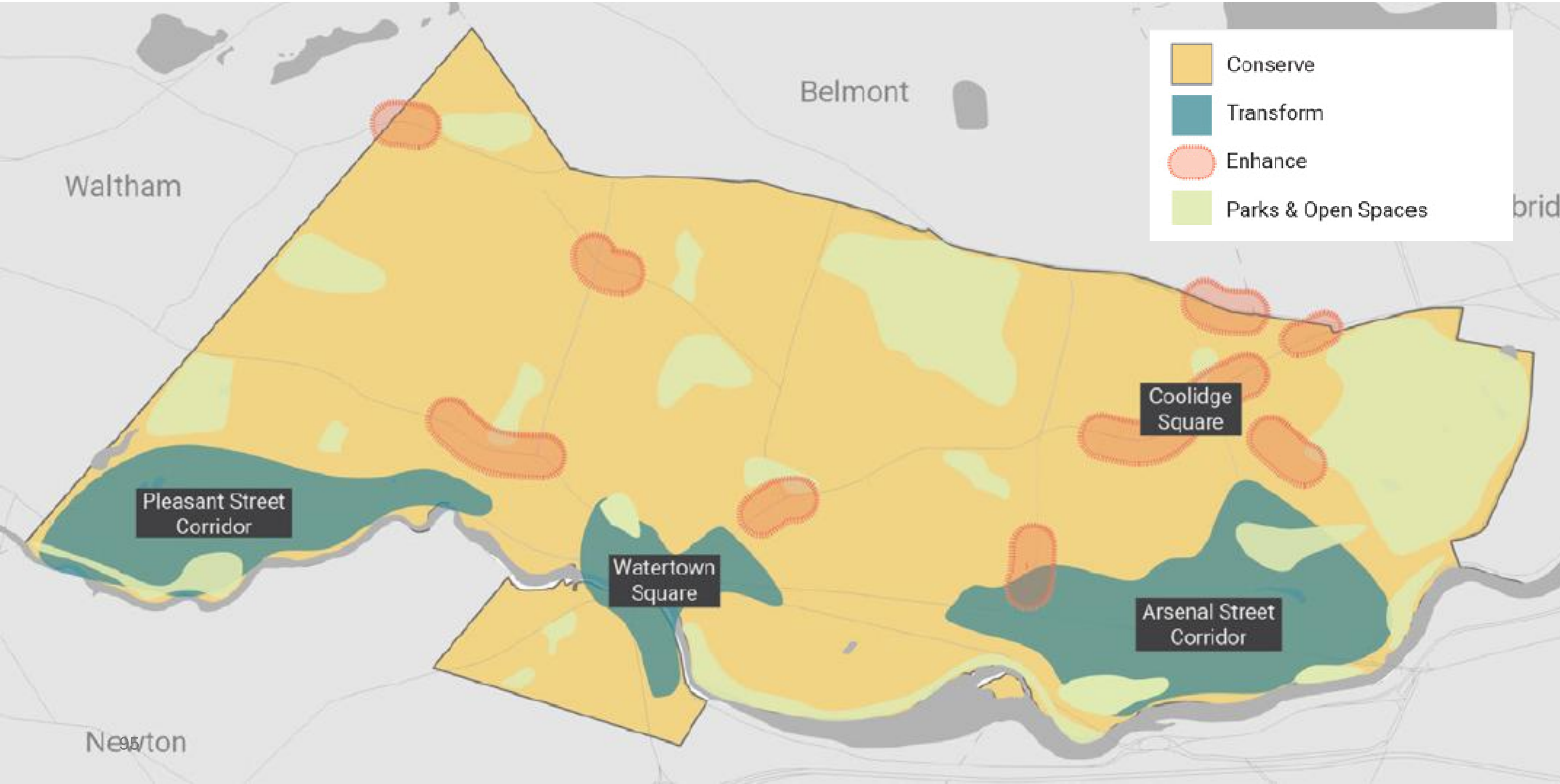
Geographic Areas	We looked at
• Pleasant Street Corridor • Arsenal Street Corridor • Watertown Square • Mt. Auburn Street Corridor/ Coolidge Square	• Future uses and allowable uses • Dimensional regulations • Requested zoning relief from past development • Opportunities + Considerations

Spoiler alert!

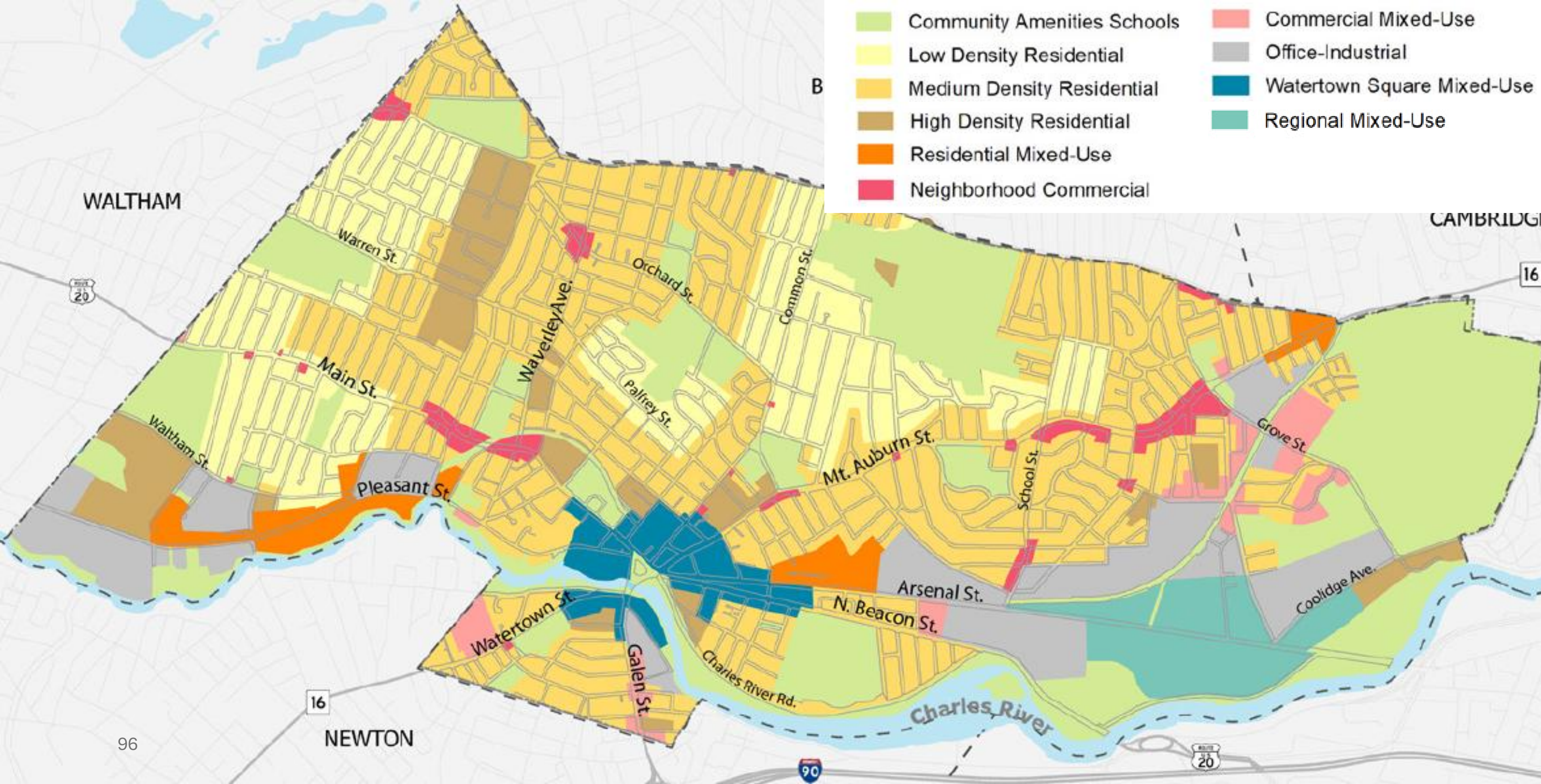
Good news: Watertown's existing zoning is quite good

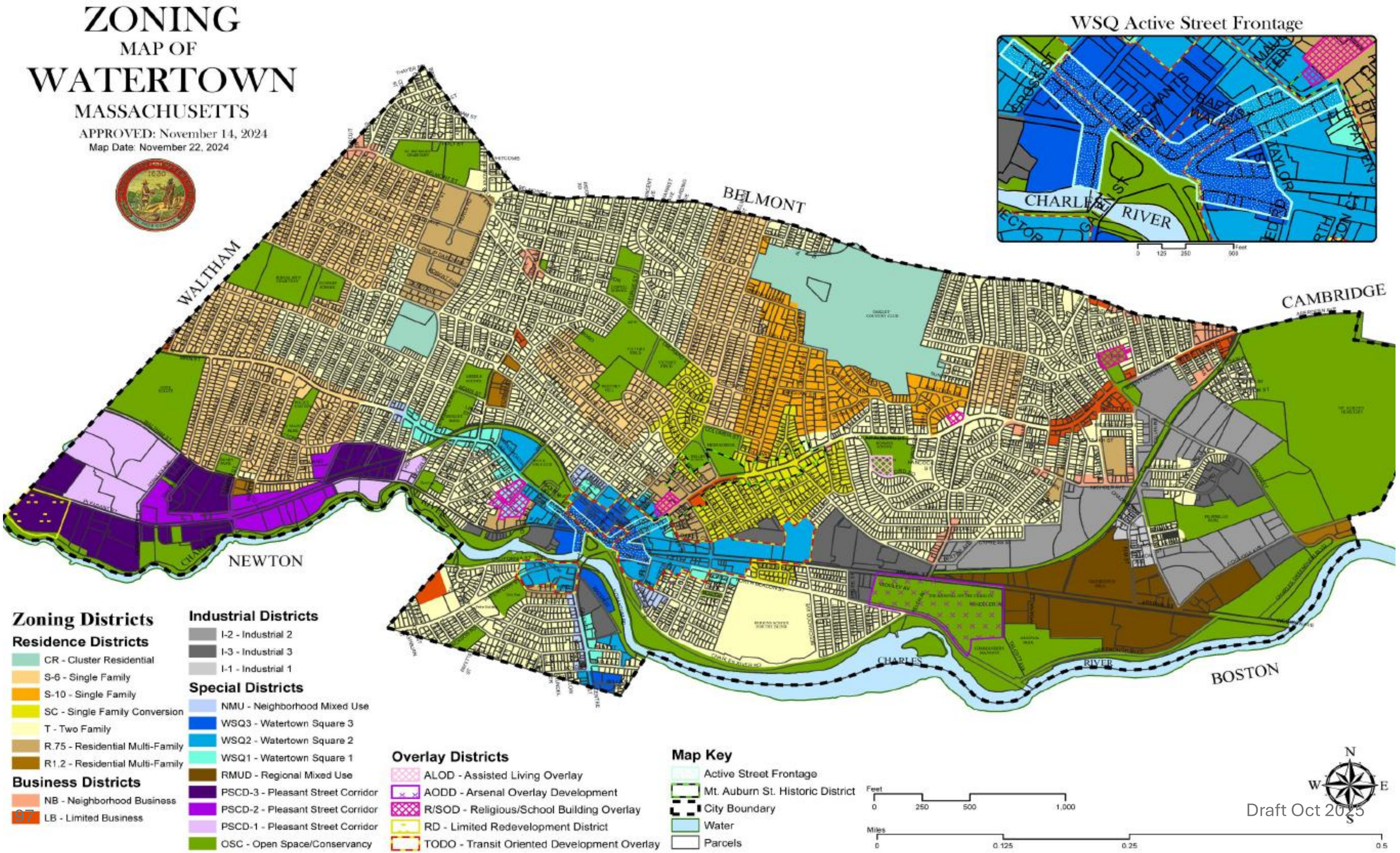
Bad news: Fewer obvious or easy places to use zoning incentives to incentivize affordability

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
CHARLES RIVER
BELMONT
WALTHAM
CAMBRIDGE
NEWTON
BOSTON
CHARLES RIVER
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
Feet
0 250 500 1,000
Miles
0 0.125 0.25 0.5
N
W E
S

Pleasant Street Corridor

Pleasant Street Corridor

Future land use

2023 Comp Plan

- 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 Master Plan SP

Arsenal Street Corridor

Dimensional Requirements

	Industrial-3	RMUD
Min. lot size	n/a	2 Acre Min.
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

**Additional setbacks or reduced heights abutting residential districts*

Requested Zoning Relief

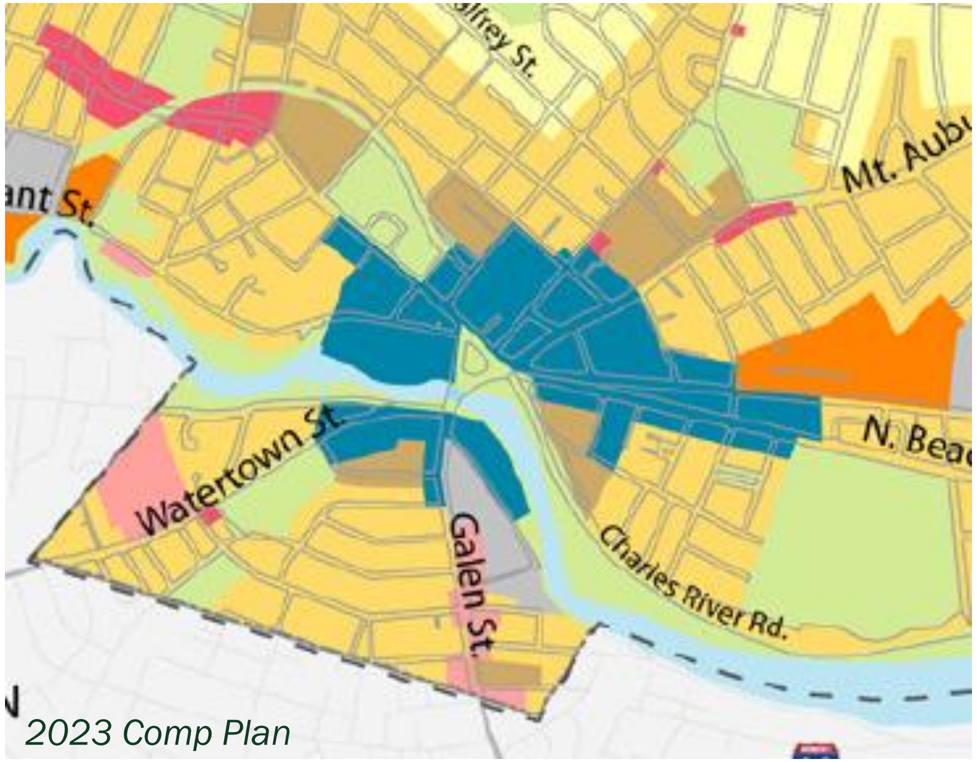
Industrial-3: Two projects
- FAR (one)
- Façade length (one)

RMUD: Two projects
- Height (two)
- Façade length (one)

Watertown Square

Watertown Square

Future land use



2023 Comp Plan

Existing zoning

Zoning Map

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

Watertown Square

Existing zoning

Zoning Map

TODO: Multifamily by right
Res. mixed-use by right

WSQ-3: Multifamily by SP
Res. mixed-use by SP

WSQ-2: Multifamily by SP
Res mixed-use by SP

WSQ-3: Multifamily by SP
Res. mixed-use by SP

NMU: Multifamily by SP
Res mixed-use by SP

R .75: Multifamily by SP
Res mixed-use not permitted

I-3: Multifamily by SP
Res. mixed-use by SP

LB: Multifamily by SP
Res. mixed-use by SP

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’/2.5 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 <u>significantly more</u> 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.

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 relied 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.