

Developer Compensation. Effective inclusionary zoning programs usually offer developers a range of cost offsets to achieve a double bottom line: affordable housing for residents *and* a reasonable, overall return for developers. Minimum profitability is important to ensuring private developers and their investors actually build. To determine the need for cost offsets, in relation to other program parameters, jurisdictions typically conduct an economic feasibility analysis that takes into account various aspects of development (e.g., cost of land, normal profit margins, construction costs, fees, etc.) and the jurisdiction's housing needs and goals.

Examples of Cost-Offsets Utilized by Jurisdictions with Inclusionary Zoning

| Type of Cost-offsets | What It Does and Why It Helps Developers | Example |
|-------------------------------------|--|---|
| Density bonus | Allows developers to build at a greater density than residential zones typically permit. This allows developers to build additional market-rate units without having to acquire more land. | Most jurisdictions offer density bonuses. Typically they are equivalent to the required set-aside percentage. For example, Santa Fe , which varies its set-aside from 11 to 16 percent depending on the character of the market-rate units, matches its density bonus accordingly. |
| Unit size reduction | Allows developers to build smaller or differently configured inclusionary units, relative to market rate units, reducing construction and land costs. | Many programs allow unit size reduction while establishing minimum sizes. Burlington, Vermont , requires that inclusionary units be no smaller than 750 sqft. (1-bedroom), 1,000 sqft. (2-bedroom), 1,100 (3-bedroom) or 1,250 sqft. (4-bedroom). |
| Relaxed Parking Requirements | Allows parking space efficiency in higher density developments with underground or structured parking: reducing the number or size of spaces, or allowing tandem parking. | Denver, Colorado , waives 10 required parking spaces for each additional affordable unit, up to a total of 20 percent of the original parking requirement. |
| Design Flexibility | Grants flexibility in design guidelines—such as reduced setbacks from the street or property line, or waived minimum lot size requirement—utilizing land more efficiently. | Boston, Massachusetts , grants inclusionary housing projects greater floor-to-area ratio allowances. Sacramento, California , permits modifications of road width, lot coverage, and minimum lot size in relation to design and infrastructure needs. |
| Fee waivers or reductions | Reduces costs by waiving the impact and/or permit fees that support infrastructure development and municipal services. A jurisdiction must budget for this, since it will mean a loss of revenue. | Longmont, California , waives up to 14 fees if more affordable units (or units at deeper levels of affordability) are provided. Average fees waived are \$3,250 per single family home, \$2,283 per apartment unit. |
| Fee deferrals | Allows delayed payment of impact and/or permit fees. One approach allows developers to pay fees upon receipt of certificate of occupancy, rather than upon application for a building permit, reducing carrying costs. | San Diego, California , allows deferral of Development Impact Fees and Facility Benefit Assessments. |
| Fast track permitting | Streamlines the permitting process for development projects, reducing developers' carrying costs (e.g., interest payments on predevelopment loans and other land and property taxes). | Sacramento, California , expedites the permitting of inclusionary zoning projects to 90 days from the usual time frame of 9-12 months. The City estimates an average savings of \$250,000 per project. |