

**Program 1c | CRITERIA FOR INCLUSIONARY HOUSING FINANCIAL INCENTIVES**

**PURPOSE:** Requiring inclusionary housing may have an impact on the feasibility of housing developments. In addition to density bonus and other regulatory concessions that might be offered to improve financial feasibility, the City may grant financial concessions including impact fee reductions, vacation or right-of-way or other land offerings, or other financial support needed to achieve or increase inclusionary housing units in a given project. Attachment 4 provides a sample solicitation of interest for a notice of funding availability for the housing incentive fund.

**AREA OF STUDY:**

- *Building upon the evaluate impact of the proposed inclusionary requirements upon feasibility of market-rate for sale housing projects conducted for Action 1.b., determine the most cost-effective form of incentive financial participation.*
- *Identify specific financial incentives intended to improve development feasibility and reduce cost impacts of the inclusionary housing requirement and determine the cost and funding source for such incentives.*
- *Identify and develop a set of criteria for granting financial incentives that include a “needs test” (the “but for” standard) and a “benefits test” that measures, for comparative purposes, the public benefit (e.g. amount of affordable housing and the depth of affordability) received as the result of the financial participation.*

**STEPS:****Month one:**

- Work with HAP team to coordinate the financial criteria incentives with parallel efforts including administration of the Housing Incentive Fund, and the drafting of the new Inclusionary Housing Ordinance, etc.,
- Identify the range of financial incentives and explore the implications of these incentives, including such factors as triggering “prevailing wage” requirements.
- Consider potential sources of funding for financial incentives (link to Funding Actions).

**Month two and three:**

- Following discussion with the HAP team, prepare a recommended set of financial incentives criteria.
- Integrate recommended criteria into the respective regulatory procedures.
- Conduct community and industry outreach efforts as part of refinement of the incentive criteria recommendations.
- Finalize technical work and draft a memorandum documenting the preferred criteria for granting financial incentives to market rate housing developers.