



Density Bonuses

Density bonuses are a zoning tool that permits developers to build more housing units, taller buildings, or more floor space than normally allowed in exchange for providing a defined public benefit, such as including affordable units in the development. An affordable housing density bonus program can also be designed to allow developers to contribute to a housing fund in lieu of building the affordable units on site.

WHAT ISSUES DO DENSITY BONUSES ADDRESS?

Density bonuses provide incentives for development that helps achieve an agreed upon community vision. Density bonus programs can be used to encourage developers to create more affordable housing options in areas where there is a need for more housing affordable to low- and moderate-income households. Density bonuses can also be used to entice development to specific neighborhoods or zones, such as transit-oriented development in station areas or housing in urban centers, or to provide amenities, including open space, parks, or transit and nonmotorized transportation features.

The result is development that provides public benefits without direct public funding. The added density is intended to compensate the developer with additional revenue from constructing affordable dwellings or other public benefits, recognizing the added costs or differences in profit margins between market-rate and below-market-rate units.

TOOL PROFILE

Objectives

[Housing in Centers and Near Transit](#)

[Housing Options in Expensive Markets](#)

[Missing Middle Density](#)

[Mitigate Residential Displacement](#)

Type of Tool

Incentives

Project Type

Multifamily

Ownership

Rental

Affordability Level

Market-rate incentives and tools

Most effective for units <80% AMI

WHERE ARE DENSITY BONUSES MOST APPLICABLE?

Density bonuses are a way to harness strong housing markets to construct affordable housing and other necessary public benefits. Communities that have strong housing markets and wish to create affordable housing options not available through the private market should consider offering a density bonus system. Different levels of bonus may be offered for different development intensities. The tool may be used in all types of zones, including single family. This tool tends to work well if market rents or home prices are high, land values are high, and development capacity is constrained (that is, developers want to build much more densely than zoning allows). If developers can easily develop market-rate housing at lower densities, the density bonus will not likely be used often.

WHAT DO I NEED TO KNOW ABOUT USING OR DEVELOPING DENSITY BONUSES?

Density bonus programs are voluntary. Developers choose to “opt into” a density bonus. In jurisdictions with mandatory [inclusionary zoning](#), a density bonus may be offered to a development so that it can include the mandated segment. A developer building in the specified bonus area requests a density bonus in exchange for providing a certain number of affordable units or a public benefit. Affordable units must meet the income threshold specified in the local ordinance.

State Laws

The Growth Management Act allows cities and counties to enact or expand density bonuses, and related height and bulk bonuses, as one type of an affordable housing incentive program (RCW 36.70A.540 (1)(a)):

“Any city or county planning under RCW 36.70A.040 may enact or expand affordable housing incentive programs providing for the development of low-income housing units through development regulations or conditions on rezoning or permit decisions, or both, on one or more of the following types of development: Residential; commercial; industrial; or mixed-use. An affordable housing incentive program may include, but is not limited to, one or more of the following:

- (i) Density bonuses within the urban growth area;
- (ii) Height and bulk bonuses;
- (iii) Fee waivers or exemptions;
- (iv) Parking reductions; or
- (v) Expedited permitting”

These other listed incentives are addressed in [incentive zoning](#), permitting priority and [parking reductions](#).

New or amended density bonus programs must establish affordable housing income levels that equal a maximum of 50% of county median family income for rental housing and 80% of median county family income for ownership housing. However, local governments may hold a public hearing to establish lower or higher income levels. If establishing higher income levels, the maximum income limit is 80% of the county median family income for rental housing and 100% of median county family income for ownership housing, and the units must remain affordable for at least 50 years.



The density bonus program may allow affordable units to be developed “off-site” or developers may make a payment of money or property:

“in lieu of low-income housing units if the jurisdiction determines that the payment achieves a result equal to or better than providing the affordable housing on-site, as long as the payment does not exceed the approximate cost of developing the same number and quality of housing units that would otherwise be developed (RCW 36.70A.540(2)(h)).”

The statute (RCW 36.70A.540(2)(h)) provides more details on implementation of density bonus programs.

Balancing Policy Objectives

Some jurisdictions establish density bonus programs that provide bonuses to accomplish multiple planning goals including public open space, historic preservation, and affordable housing. In this case, bonuses for affordable housing would “compete” with other amenities. Developers may choose the amenity (a public plaza, for example) that is less costly or more desirable to their market than affordable housing. Having a bonus program that is tied to numerous community goals may dilute the effectiveness of the jurisdiction’s goal to increase affordable housing choices. The local government will need to balance competing planning goals and determine the most effective housing programs to meet its goals, including whether density bonus systems are appropriate.

General Steps in Creating a Density Bonus System

- **Analysis**

Collect data to determine populations and neighborhoods that would benefit from a bonus density program. As part of developing a Housing Element in a Comprehensive Plan (see [PSRC’s Housing Element Guide](#)), local governments should collect information about their household demographics, incomes, fair market rents, median housing sales price, land demand and land supply. Comparing rental and sale prices to the median income and the supply of housing available at different affordability levels is a good way to determine the segments of the housing market that could benefit from a density bonus system.

- **Designing the Program**

- **Identify Program Area Boundaries**

Program area boundaries will depend on the local housing conditions, affordable housing need and the housing market. In areas where rents or housing prices are high, land values are high and land is scarce, density bonuses are more likely to be successful in lowering development costs or spreading costs across more units.



- **Define the Program Targets/Goals**

Review your community’s housing element and other comprehensive plan policies. Your density bonus program should be crafted to address one or several goals within your plan. Affordable housing goals should include the level of affordability and tenure (rental and/ or ownership) that the program will target. For example, if the private housing market is producing rental housing affordable at a moderate-income level, the density bonus program could be focused on low- or very low-income rental housing. The aims of the density bonus program can be reviewed and amended, should the focus need to change.

- **Determine the bonuses to be granted** — for example, density, height, or floor area ratios.

- In general, the value of the bonus (e.g., additional dwelling units or floor area) should be proportionate to the cost to the developer of providing the bonus. If the cost of providing the public benefit exceeds the value of the density, height, or floor area ratio bonus, there will not be much use of the program.
- If the bonus densities do not match what the private market demands, the program may not be used. This can be avoided by directing the program to areas with development capacity and interest. Manipulating the “base” densities to create an incentive for using the density bonus program could be challenged as artificially lowering development potential and coercing participation in an otherwise voluntary program.
- Where appropriate, jurisdictions should consider providing a floor area ratio bonus system rather than a units-per-acre system. Density expressed in dwellings per acre may mean that developers will provide smaller units to maximize their dwelling yield regardless of community need. If density is expressed in floor area ratio, there may be fewer tendencies to reduce the size of units. See [no maximum densities](#) for more discussion.
- Many cities use a menu approach to density bonuses. For example, a developer could receive a height bonus for either including affordable housing or open space in a development. It may be useful to prioritize the menu so that a developer is required to do affordable housing before a less expensive option (e.g., awnings) and to calibrate incentives so that cost for each option is proportional.

- **As-of-right vs. Discretionary Bonuses**

As-of-right bonuses spell out the precise elements of each bonus feature and its corresponding density gain. In contrast, some jurisdictions use a discretionary process, such as a conditional use process, which determines the bonus on a case-by-case basis.



- **Off-site Alternatives**

Jurisdictions developing a bonus program should consider whether to offer developers alternatives to building affordable units on-site. A fee-in-lieu option allows developers to pay into a fund devoted to the benefit instead of constructing it as a part of the applicant project. The city can then pool fees to launch a larger effort or fund other scattered developments. There are advantages and disadvantages to payment in lieu of construction.

Developing the benefit elsewhere may be appropriate if the offsite property is more economical and allows for a better overall product. Potential disadvantages of allowing fee-in-lieu or offsite developments include over-concentration of a particular benefit and not locating amenities where they are truly needed. Fee-in-lieu programs also risk concentrating affordable housing rather than providing mixed-income development, perpetuating gentrification of a redeveloping area and closing affordable housing residents out of a desirable location. Pay close attention to whether a pending development will displace residents of affordable housing. Review criteria can be established to address the problems of fee-in-lieu or offsite programs, such as requiring that offsite developments be somewhere in the geographic area of interest.

- **Retention of Affordability**

Density bonus programs should include requirements to maintain affordability over a period of time through conditions on the deed or mortgage (see [affordability covenants](#)). The GMA authorization for affordable housing incentive programs (RCW 36.70A.040) requires that units remain affordable for 50 years.

- **Stakeholder Input**

A successfully developed program requires input from developers, housing organizations, economists and other stakeholders who can provide valuable insights to market conditions, the value of bonuses and the likelihood of program usage. See [community engagement plans](#) for additional information.

- **Implementation**

Density bonus programs are typically integrated into a community's comprehensive plan policies and zoning code. The program is implemented on a project-by-project basis.

- **Monitoring**

Regular monitoring allows you to track the success and use of the density bonus program. This can provide a baseline to support any revisions or expansions necessary over time, allowing the program to adapt to changing market conditions. Some communities use periodic benchmarking to monitor their programs.



HELPFUL LINKS

General Resources

Municipal Resources and Services Center: [Affordable Housing Ordinances/Flexible Provisions](#) (2020)

Growth Management Act: [Affordable housing incentive programs — Low-income housing units](#) (2020)

The Housing Partnership: [The Ins and the Outs: A Policy Guide to Inclusionary and Bonus Housing Programs in Washington](#) (2007)

DENSITY BONUS PROGRAMS

City of Redmond, WA: [Zoning Code Ch. 21.20, Affordable Housing](#) (2020)

City of Bellevue, WA: [ULI Technical Assistance Panel Recommendations, Bel-Red Incentive Zoning Feasibility](#) (2008)

City of Virginia Beach, VA: [Workforce Housing Program](#) (2020)

