

Incentive Zoning

VALUE ADDED

Incentive zoning is a valuable tool that can be used to grant provisions that developers want in exchange for desired public improvements, needs, and goods. Incentive zoning contributes to strong public-private partnerships and provides a flexible, performance-based tool that replaces “sticks” with “carrots” for smart growth and economic development.

Overview of Incentive Zoning

One of the first applications of incentive zoning was in New York City, where increased floor area was provided to office building developers in exchange for the provision of public plaza space accessible to the public at the base of the building.

Incentives can come in many forms – density bonuses, reduced parking requirements, and other permitting and financial bonuses. Those public goods sought by the community in exchange for incentives should be defined through the Comprehensive Plan or Sector Plans and might include public space or greenways, new connecting streets, workforce housing, or historic preservation.

Important Considerations

Some important considerations for incentive zoning include the following:

- **Economic stimulus** – Incentive zoning can provide an economic stimulus in areas where redevelopment is needed. It helps to level the playing field between greenfield development and redevelopment/infill.
- **Public/private partnership** – Incentive zoning can help leverage limited public money available for investing in desirable community amenities by sharing this effort with the developer.



Provision of attractive public greenspace beyond the minimum that is required can earn an incentive bonus.

- **Targeting** – Incentive zoning techniques need to be carefully targeted to locations where higher density can be accommodated and land is scarce so developers are motivated.
- **Amenities selection** – The set of public goods that are offered in exchange for incentives should reflect the community’s needs and be value-added amenities that the market will not provide on its own.
- **Incentive selection** – The design of incentives – density bonuses, reduced parking requirements, and other permitting and financial bonuses – should reflect market conditions and the capacity of the area to accept higher density.
- **Administration** – Incentive zoning requires well-documented design and development standards to ensure quality of the amenities provided, and good record-keeping for multi-phase projects.
- **Coordination** – Incentive zoning programs should be coordinated with other incentives offered by the community, region, or state, such as tax credits or reduced business license fees. Doing so will lead to greater effectiveness and ensure that the best incentive package available is offered.

Development of the Incentive Program

The first step is to prepare a detailed plan for the area with input from the public, property owners, and developers. The plan should identify what facilities should be provided by incentives, such as connecting streets, civic spaces, and shared parking structures, to ensure that they benefit the whole community rather than just one development. In return, the implementing ordinance should clearly define the facilities and include a review process to ensure that projects meet design and development standards. Developers should be engaged early to ensure that there is a market for the incentives offered and that the incentives would be strong enough to motivate developers to seek them.

Case Studies

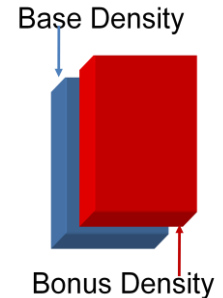
Seattle, Washington – Workforce Housing Incentive Program – Trades an increase in zoning heights in exchange for reserving a portion of the new building’s homes for persons earning less than Seattle’s median income.

Middlesex County, Virginia – Incentive Zoning Program – Offers a density bonus for open space dedication and development of retirement housing.

Manatee County, Florida – Customized Rapid Response Team Incentive – Companies creating 5 “quality” jobs at or above the average annual wage in a targeted area receive an expedited review of all county permitting for development review.

Specification of Density Bonuses

Density bonuses are one of the most frequently established incentives in communities. The implementing ordinance needs to set a fair, firm and clear “base density” that cannot be exceeded without providing the specified amenities. Similarly the form and amount of the additional “bonus” density (measured as Floor Area Ratio or Gross Floor Area) for each amenity should be clearly stated in a schedule and based on the marketability of the extra density.



Examples of Density Bonus Provisions

Mixed use – Additional FAR of 0.5 if a t least 30% of gross building space is in residential use; 1.0 FAR bonus if 20% of the housing is affordable.

Public open space – A minimum of 20% open space is required in all developments. A FAR bonus density of 0.1 FAR is allowed for each additional 1% increase in public open space, up to 2.0 bonus.

Structured parking – Earn 0.5 FAR for structured parking on-site, plus 350 additional leasable sq. ft. of gross building for each additional space provided for off-site use.

Advantages

Incentive zoning is one way to help ensure that a community continues to preserve or enhance desirable public amenities as it experiences increased growth pressure.

Incentives can help reduce opposition to development projects by providing needed public amenities such as parks or public art in exchange for a project that a developer finds most appropriate for the location. Incentive zoning provides a legal trail and clear process by which developers can achieve development that they see as more beneficial to the bottom line.

Disadvantages

Incentive zoning may be met with resistance from some local community members. For example, a new street connection may be a traffic improvement that is needed area wide, but nearby residents or businesses not receiving the incentives may raise concern about through traffic. This illustrates the necessity for public involvement in preparing the plan. The plan should show the value of the developer providing improvements or amenities supported by the community, and also show how additional density may be accommodated without impacting the neighbors.