

Equitable Development Toolkit Infill Incentives

Updated July 2001

What Is It?

Local governments use infill incentives to promote the development of vacant land-or rehabilitation of existing structures-in already urbanized areas where infrastructure and services are in place. Prime locations for infill development include downtowns, transit corridors and locations near employment, shopping, and recreational and cultural amenities.

Local governments offer infill incentives for a number of reasons:

- Infill development reuses properties that may have been underutilized or blighted, helping to catalyze revitalization.
- Infill has the potential to boost jobs, purchasing power, and public amenities in urban core neighborhoods and generate tax dollars for local government.
- Infill housing is dense in comparison with housing in suburban areas and represents an effective way to meet a jurisdiction's affordable housing or population growth needs.
- Located in proximity to existing transit routes or within walking distance of services and entertainment, infill development can reduce auto use and accompanying congestion and pollution.

Infill development is an important smart growth strategy for regional equity. Infill development is not, however, always a developer's first choice. Challenges associated with infill include the small, scattered nature of many infill parcels, complex title issues, outdated infrastructure serving the infill site, and environmental contamination. For these reasons, urban infill is often bypassed by developers for cheap, readily available suburban land.

How to Use it

How It Works

Incentives help make infill development an attractive and feasible alternative.

Infill incentives make redevelopment of urban core parcels more attractive and affordable to developers by addressing common barriers to infill development-inadequate infrastructure, lengthy permit processes, obsolete zoning provisions, and difficult parcel assembly.

Some jurisdictions designate specific districts as priorities for infill development and grant incentives for projects only in those districts. Such designations often come about as part of a redevelopment process and thus many infill incentives-for example, those related to the upgrading of infrastructure and amenities in a particular area - are spearheaded by the local redevelopment authority. Other localities take a more ad hoc approach, granting incentives to projects in any area of the city as long as they meet particular criteria. In other instances, local planning commissions are given the latitude to waive certain zoning requirements for infill projects.

The enacting of infill incentives frequently originates through a community planning process, either led by local government or a non-profit agency. Such processes provide an excellent opportunity for residents to make a strong case for infill incentives as a strategy for reinvestment in the urban core or to combat sprawl and protect open space on the urban fringe. As part of a concerted revitalization strategy for a previously disinvested area, infill incentives may be accompanied by complementary tools, such as transportation upgrades and low-interest business loans. Existing residents need to be proactive in ensuring that such incentives are accompanied by equitable development strategies to ensure that they are not displaced by the resulting growth.

Infrastructure-related Incentives

- **Upgrading infrastructure and amenities.** A key strategy for encouraging infill development, particularly housing, is a focused public investment strategy to improve antiquated infrastructure and add public amenities such as parks, libraries and streetscapes. These upgrades can make a target area more attractive. Such infrastructure upgrades are generally implemented by the jurisdiction's public works or parks department in response to priorities set by the City Council or redevelopment agency.
- **Lowering of impact fees .** Jurisdictions charge impact fees to offset the costs of public facilities and services necessary to serve the new development. Most localities charge a uniform fee that may not account for the higher costs to serve more distant suburban locations. Offering lower impact fees for infill projects can more accurately reflect the true costs for providing services through existing infrastructure. This more calibrated approach makes infill parcels more attractive, and builds greater equity into metropolitan growth patterns. Local governments can also waive infrastructure hookup fees for infill projects to lower costs to developers. Impact fees are included in the jurisdiction's development regulations; the lowering or waiving of such fees is implemented by the planning and building department in response to priorities enacted by the city council or redevelopment agency.

Incentives related to the zoning and development process

- **Fast Track and Streamlined Permitting.** Fast track permitting, applied within targeted infill development areas, allows developers of infill parcels to get their application processed ahead of non-infill applications. Some localities consolidate or streamline permit processing to allow concurrent review and processing of related development permits. Since developers face holding costs during the development review process, long delays jeopardize the financial viability of a project. Affordable housing projects with slim profit margins can benefit substantially from speedy development review and approval. Related strategies include "one stop" centers for processing applications, and assignment of one city staff as point person to help navigate a project through the various departments and processes that constitute the development review process.
- **Reduce lot sizes, setbacks, and parking requirements.** Many localities are updating their zoning code to address the challenges of developing smaller parcels. Key incentives modify regulations to allow for reduced residential lot sizes, reduced setback requirements, and reduced street and parking standards. Older standards often make development of infill parcels impractical because they tie up a large percentage of a site's total land area. Some requirements, in particular for on-site parking, may be inappropriate or unnecessary for infill areas where transit service and other alternatives to auto use exist.
- **Zone for mixed-use development.** Traditional zoning has emphasized the separation of land uses. Smart growth principles emphasize the creation of integrated, multi-use districts that blend housing, services, recreation and jobs. Local governments may put in place a residential/mixed-use zoning designation to specifically encourage infill practices such as allowing housing development above stores. This enables residents to be closer to the services they use on a daily basis. To ensure availability of affordable housing, the jurisdiction can amend the zoning regulations to establish an overlay zone for the residential/mixed-use district that permits the development of affordable housing "by right" on the areas covered in the overlay. A "by right" zoning designation makes affordable housing development easier by eliminating the need to obtain a special use permit or undergo a zoning change approval process.
- **Increase density allowances.** Increasing the maximum allowed density for infill areas in the city's zoning regulations is an important incentive. Higher densities permit more intensive development of a parcel and allow the developer the opportunity to spread development costs over more units. Local governments can also provide "density bonuses" to developers of infill sites that designate a certain percentage of housing units as affordable. In this way, localities can both encourage efficient use of the land and promote the inclusion of affordable housing units within a project.

Incentives relating to the zoning regulations and development permitting process fall under the purview of the jurisdiction's planning and building department as well as the Planning Commission, and are enacted in response to direction from the City Council or redevelopment authority.

Other Incentives

Localities can offer *property tax abatement* for infill multi-family housing, or for housing priced under a certain threshold. Portland, Oregon offers tax abatement for affordable homeownership projects in particular districts. Some local governments or regional planning agencies offer *grants or loans* (usually from federal government sources) to encourage specific infill strategies such as transit-oriented development. Local governments can also facilitate infill development through *land assembly*- by assembling small, individual parcels into large blocks under common ownership. The jurisdiction then undertakes

property improvements and packages the properties for resale. Cleveland, Ohio operates a successful land assembly program whereby the city receives delinquent properties and transfers most of the developable parcels to the public housing agency or non-profit affordable housing developers.

Level of Use

Infill incentives are implemented by local or county governments and occasionally by regional planning bodies. Communities working to steer reinvestment or counter blight can advocate for the adoption of these measures by the appropriate jurisdictions and agencies.

Key Players

Infill incentives are most effective when they reflect a broad convergence of support for infill development. Key stakeholders to involve in designing a program of infill incentives include city staff, local politicians, developers, financial institutions, nonprofits such as affordable housing organizations and environmental groups, and neighborhood organizations.

Challenge

Infill incentives address many of the challenges inherent in developing vacant parcels in urban areas. However, most infill incentives do not specifically address potential resident opposition to new development. Residents of areas adjacent to proposed infill projects often assert that the projects could lead to neighborhood crowding and congestion. It is therefore, advisable that developers of infill projects take the extra steps of working closely with neighboring residents from the early conceptual and design stages and throughout planning and implementation.

In other cases, low-income residents may be wary of specific infill projects because of fears that such development will lead to gentrification and resulting displacement. Giving residents a voice on task forces that advise the project-and addressing their suggestions and concerns-will ensure that infill projects are sensitive to social and economic equity issues. For example, projects in low-income neighborhoods should include a strong affordable housing component.

Who Benefits

A government's use of infill incentives benefits multiple parties. Developers benefit when local government reduces or eliminates various permitting, building, and infrastructure fees. Developers of affordable housing can particularly benefit from such financial incentives as well as from density bonuses. Residents of the new affordable housing are also beneficiaries.

In a broader context, a successful program of infill incentives also benefits the region as a whole, by directing development to already urbanized areas and preserving undeveloped land on the fringe. Infill incentives that encourage transit use target congestion and pollution reduction.

Success Factors

Style Adds Substance:

High quality architectural design, as well as innovative site planning and landscaping can do much to alleviate resistance to a project.

Who Benefits

A government's use of infill incentives benefits multiple parties. Developers benefit when local government reduces or eliminates various permitting, building, and infrastructure fees. Developers of affordable housing can particularly benefit from such financial incentives as well as from density bonuses. Residents of the new affordable housing are also beneficiaries.

In a broader context, a successful program of infill incentives also benefits the region as a whole, by directing development to already urbanized areas and preserving undeveloped land on the fringe. Infill incentives that encourage transit use target congestion and pollution reduction.

Advantages

Infill incentives encourage development in already urbanized areas that:

- provides housing (both affordable and market rate) near job centers and transit;
- preserves open space and agricultural land at the urban fringe;
- capitalizes on existing community assets such as parks, infrastructure, and transit;
- creates new community assets such as child-care centers, arts districts, and shopping areas; and
- removes the blight and crime associated with vacant and abandoned properties.

Financing

Financing for infill incentives is as diverse as the incentives themselves. When infrastructure improvements are utilized as the incentives, improvements to water systems, sewers, sidewalks, parks, and roads are generally financed directly from a jurisdiction's capital budget. Such up-front investment is anticipated to pay for itself in the form of increased tax revenues from the redeveloped properties.

The financing of infill incentives that reduce or waive fees and taxes initially reduces revenues to a jurisdiction's coffers. But these reduced revenues similarly are leveraged against future revenues from redevelopment and use of formerly vacant land.

Financing strategies that offer alternatives to absorbing the costs of incentives in the city's budget include:

- bond measures to fund improvements;
- extra levies within neighborhoods; and
- the creation of tax increment financing districts.

Tool in Action

[Phoenix, Arizona](#) encourages infill development through a housing program, established by ordinance in 1995. Among the incentives the city offers are the waiving of a number of development-related fees; city participation in the cost of off-site improvements; focused blight control efforts adjacent to infill development sites; and the assistance of a city staff "Infill Development Team" that has the explicit mission of shepherding infill projects through the city planning and development process. Since the program's inception, 3,175 new single family homes have been built in designated areas of the city; about 1/3 of these are affordable for low- and moderate-income families.

Tacoma, Washington encourages multi-family infill housing development through a property tax incentive. In effect since 1996, the tax incentive consists of a ten-year exemption on taxing the improvements that create the additional housing units. Eligible developments must be within 14 "mixed-use centers" or areas-including the downtown-the city has designated for growth and particularly for residential development. Within the first three years of providing the incentive, 700 units of housing were built in designated areas, representing an investment of some \$33 million. Multifamily developments have included low-income housing, low-income senior housing, and market rate housing.

Tacoma, Washington:

City staff maintains that the multi-family housing constructed under the tax incentive program has helped spark commercial/retail development and job opportunities in target areas.

Atlanta Regional Commission (ARC), the regional planning body for the ten-county Atlanta metropolitan area, is encouraging infill development by allocating \$38 million in federal funds for 2003 and 2004 to support projects emerging from the region's "Livable Centers Initiative." Livable Centers supports planning studies and programs oriented to transit oriented development and mixed use urban infill. ARC will give funding priority to:

- development projects located at existing or planned transit station areas;
- commuter rail locations;
- Town Centers or Existing Activity Centers ; and
- designated infill/redevelopment areas. Local governments must provide a 20 percent match for the funds.

Resources

Froelich, Maryann.1998. "Smart Growth: Why Local Governments are Taking a New Approach to Managing Growth in their Communities. *Public Management* 8 (5), 5.

"Infill Development." Undated. Green Belt Alliance. Fact sheet. Available at <http://www.greenbelt.org/>.

Infill Development - Strategies for Shaping Livable Neighborhoods. 1997. The Municipal Name Research & Services Center (Washington Type State), Report No. 38. Available at <http://www.mrsc.org/Publications/textfill.aspx>

Strategies for Successful Infill Development, 2001.Northeast-Midwest Institute and Congress for the New Urbanism. Available at <http://www.nemw.org/infillbook.htm>.