

# Development Incentives



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### TOOL DESCRIPTION

A municipality can incorporate incentives into the development review and approvals process to encourage developers to propose projects that meet growth and development goals established by the community. These incentives can entice rather than force land developers to work towards achieving community goals in project proposals, and can be more attractive than regulations.

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Generally, incentives come in two forms: financial incentives and process-based incentives. Financial incentives can include the reduction or waiver of development fees, public money for infrastructure, or tax abatements. These incentives help to reduce overall development costs and increase the profitability of a project. If this difference closes financing gaps and reduces investor risk, the bonus could help a project with positive impacts on the community to move forward.

Process-based incentives recognize that reducing the amount of time to receive approvals can also reduce costs in the land development process. Process-based incentive bonuses can include preliminary municipal reviews of proposals; fast-tracking of applications, review, and approvals process for eligible projects; and municipal staff support for applications. This provides developers with a clear understanding of expectations, and municipal officials and planning staff can gain advance knowledge of future projects in the development pipeline and improve the efficiency of the review and approvals process.

Eligibility for incentive bonuses is determined for development proposals that meet or exceed certain planning and design criteria. These criteria can vary widely; they should be based on the desired planning and design outcomes for new development in the community. Two tools in this tool box—the LEED-ND Rating System and Smart Growth Scorecards - provide suggestions for criteria appropriate to determine the eligibility of proposals to receive development incentive bonuses. For this type of program to be successful, these criteria need to be strongly dependent on the kinds of bonuses the municipality can provide.

### Fee Reductions and Waivers

A reduction or waiver of development, permitting, or impact fees can be a straightforward means of incentivizing development proposals. There are a number of possible conditions that could warrant fee reductions or waivers in an incentives program. For example:

### Tool Intent

To provide incentives to promote development projects that meet growth and development goals established by the community.

### USERS

- ✓ **Municipal Officials**
- ✓ **Municipal Planning Staff**
- Planning + Design Professionals**
- Engineers**
- ✓ **Land Developers**
- ✓ **Landowners**
- Community Members**

# Development Incentives

If a developer works through proposal revisions to help the project meet or exceed identified criteria, the fees associated with revision or reapplication could be reduced or waived.

If a change to the existing zoning bylaw will help meet identified goals, fees associated with applying for a zoning change or developing the area to accommodate those new uses could be reduced or waived.

## Tax Abatements

A municipality may also consider offering property tax incentives for developments that meet eligibility criteria. A partial or complete abatement of property taxes for a determined period of time can reduce carrying costs prior to the completion of the project. Reduced or waived property taxes can also be a financial benefit to the owners of a building after development is complete.

## Public Investment

A project of significant size or importance may warrant direct public investment if eligibility criteria are met or exceeded. Local governments can subsidize the construction or rehabilitation of infrastructure, public facilities, or other features to enhance the aesthetics or improve the operation of the development. Tax-Increment Financing (TIF) is one possible mechanism to use to incentivize development (see sidebar).

## Expedited Application, Review, and Approvals Process

A straightforward development incentive that would require little direct financial cost is the promise of an expedited development application, review, and approvals process for eligible projects. Allowing the developer to consult with municipal officials and planning staff in a preliminary review session regarding project standards can help the developer understand what is expected, and facilitate the use of this approach. Formal review time can also be expedited if the proposal has already been vetted. The entire process could potentially be fast-tracked by moving those proposals that have met a preliminary set of criteria to the front of the line. Process changes are easier to offer and implement than financial incentives as they require only changes to the allocation of staff time, rather than changes to municipal budgets.

## WHEN IN THE PROCESS IT IS USED?

The development incentive program must be used before the development planning and design process begins. Although incentive bonuses are distributed as part of the development review and approvals process, program criteria can have a significant impact on the site planning and design process if municipal officials and planning staff clearly communicate their expectations and criteria for new proposals to land developers. Changes to project plans and designs to address program goals may also be difficult later in the process.

## RELATED TOOLS

[LEED ND Rating System](#)

[Smart Growth Scorecards](#)

## ADDITIONAL RESOURCES

O'Neill, David J. The Smart Growth Tool Kit. Washington, D.C.: ULI-the Urban Land Institute, 2000.

## CASE STUDIES | BEST PRACTICES

### Smart Growth Criteria Matrix Incentives



Credit | Creative Commons | shanepope

**Location:** Austin, Texas, USA

**Description:** The Smart Growth Criteria Matrix used by the City of Austin, Texas is a tool designed to assist city council in reviewing development proposals. It uses a point system to score how well a proposal meets the city's smart growth goals. This matrix also ties the achievement of certain scoring thresholds to a range of possible incentives. Projects that meet or exceed established standards are eligible for the reduction or elimination of permit fees, as well as discounts or subsidies for the costs of public infrastructure. The monetary value of the incentive is based on a formula that uses the point score for the development, in addition to projected property values. The incentive system has encouraged the development community to receive preliminary municipal evaluations early in the design and development process to ensure their proposals meet scoring thresholds and are eligible for the financial incentives.

## BEST PRACTICES

### Tax-Increment Financing

Tax-Increment Financing (TIF) is a mechanism used in many jurisdictions to subsidize public infrastructure and facilities. If projects meet or exceed eligibility criteria, the local government can provide municipally funded public facilities or infrastructure for the development. TIF programs rely on the difference between the property tax revenue generated by the new development and the property tax of the land before development to pay off the debt taken by the municipality to construct these facilities. Although this approach is more commonly applied to large-scale infill or brownfield redevelopment projects, a greenfield project could use of TIF if the economic or environmental significance of the project would warrant public subsidization. This would require heavy investment from a committed developer over the long-term to be practical, however.e financial incentives.