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# MAYOR & COUNCIL MEMORANDUM

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July 10, 2010

**Subject: Infill Incentive Areas (City Wide)**

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Issue – On April 10, 2018, Mayor Rothschild submitted a memo to the Clerk’s office requesting a Mayor and Council Study Session item to discuss future Infill Incentive Areas and how to provide tools for infill and adaptive reuse. The discussion also coincides with the upcoming Infill Incentive District (IID) sunset date of January 31, 2019. This memo is intended to guide the discussion of the next steps addressing the Infill Incentive District sunset date; the expansion of new Infill Incentive Areas; and adjustments to existing programs, such as the Adaptive Reuse Pilot Program.

City Manager's Office Recommendation – Staff is seeking Mayor and Council direction related to the following items:

- *IID Sunset Date* - Undertake a process to conduct research and hold stakeholder interviews to evaluate the IID and share the results for their consideration in determining how to proceed with the January 31, 2019 sunset provision.
- *Infill Incentive Areas* - Explore new Infill Incentive Areas in each of the designated areas suggested by Mayor Rothschild, and consider how to incorporate residential components in the areas.
- *Adaptive Reuse Pilot Program* - Make the following adjustments to the Adaptive Reuse Pilot Program: 1) waive permit fees up to \$5,000 total per project, with a cap of \$50,000 total in fee waivers per year for the program; 2) adjust eligibility criteria by removing criterion requiring projects to be located outside of an incentive overlay (e.g., IID, MGD, future corridor overlays); adjusting criterion requiring the minimum age of a building eligible for adaptive reuse from 30 years old to “constructed before 2000;” removing criterion that eligible buildings must be of “durable construction (masonry) ;” and relax eligibility criterion related to change of use; and 3) adopt an explicit definition of “adaptive reuse” for the purposes of this program.

Background – Originally adopted by Mayor and Council in 2009, the IID was established to encourage sustainable infill development, pedestrian-friendly and transit-oriented neighborhoods, and to protect historic and cultural amenities in the area around downtown. Over the past 9 years, the IID has undergone a handful of amendments to improve its effectiveness in achieving this intended purpose. The most recent changes were adopted by Mayor and Council on February 18, 2015 to provide better neighborhood protection, clarify the role of formal commitments, improve design review, reduce redundancy with other overlays, and ensure consistency with other City projects located within the IID. At the time of adoption, Mayor and Council placed a sunset date of January 31, 2019 on the ordinance (see Attachment A) to provide an opportunity for staff to reevaluate the efficacy of the most recent changes and to determine if there were needed modifications.

On December 6, 2016, in an effort to promote adaptive reuse in Tucson, especially outside the downtown core, Mayor and Council directed PDS staff to develop an Adaptive Reuse Pilot Program as described in the December 6, 2016 staff memorandum (see Attachment B). The

program design was supported by the research findings in the 2016 study “Older, Smaller, Better in Tucson: Measuring How the Character of Buildings and Blocks Influences Urban Vitality in a Southwestern City,” and partly modeled on the successful adaptive reuse programs of the City of Phoenix and City of Los Angeles. At that meeting the Mayor and Council amended the proposed program by shortening to 30 months the vacancy requirement of buildings at least 30 years old, and allowing the pilot program to run for 24 months. There was no direction to bring the item back before Council. However, between December 6, 2016 and today, the department has seen a need for additional changes and methods to develop existing areas.

Present Considerations – The following considerations are provided to inform Mayor and Council of details related to the Infill Incentive District sunset date; the tools currently available to support infill development and the adaptive reuse of buildings; and future explorations that could further incentivize infill development. Considering the changing economy and the reduced need for traditional retail establishments, programs that support future infill development will be necessary for the continued success of our commercial corridors. PDSO recognizes the opportunity to address these future planning challenges through Infill Incentive Areas, as well as expanded adaptive reuse tools. The following are areas staff believes can aid in addressing these issues:

1. *Infill Incentive District Sunset Date* – The IID is one of the most effective tools the City has to promote infill and allow for adaptive reuse. To address the upcoming IID sunset date of January 31, 2019, an evaluation of how the overlay is currently functioning is necessary. Staff recommends an exploratory period to research the benefits of the IID since its implementation and conduct interviews with stakeholders to help determine whether there is a need for any amendments or additions. Upon completion of the exploratory period, the issue of the IID sunset date along with any necessary changes to the IID ordinance will be reviewed by the Planning Commission for a recommendation and then brought to the Mayor and Council for a public hearing and decision.
2. *Infill Incentive Areas and IIDs vs. Urban Overlay Districts (UOD)* – To properly plan for and explore Infill Incentive Areas, an understanding of the difference between an IID and a UOD is important. An IID and a UOD are two different processes that achieve similar results. The IID and UOD are both optional overlay zones that provide a regulatory relief tool through the creation of a special zoning district placed over the existing zoning. These special zoning districts provide additional provisions to those of the existing zoning, with the goal of encouraging redevelopment with targeted benefits. However, the IID and UOD differ in that an amendment to the currently existing IID is a lengthier process than the establishment of a new, individual UOD. For example, the IID is currently established as part of the text within the Unified Development Code and requires a text amendment for any changes; whereas establishment of a new UOD would occur through the rezoning process, with the UOD development document being adopted – as its own separate zoning document-- as part of the rezoning. Additionally, an IID is limited by state mandated criteria, such as percentage of vacant buildings and crime rates, which dictate the areas and limits where an IID can be located. For more detail related to the IID vs. the UOD see Attachment C.

In the April 10, 2018 memo requesting this study session, Mayor Rothschild proposed creating an Infill Incentive Area that is similar to an IID, in each ward, to promote infill development and adaptive reuse. Considering the limitations of an IID, staff recommends the UOD to be the most appropriate tool to create Infill Incentive Areas in each ward given

that the UOD involves fewer regulatory processes and has broader applicability. The Infill Incentive Areas would not only retain the applicable parts of the IID, but could potentially be expanded to help to revitalize neighborhoods through residential infill and redevelopment incentives.

3. *Adaptive Reuse Pilot Program Modifications* – During the implementation of the Adaptive Reuse Pilot Program, PDSO has learned lessons, including specific changes and modifications that would help increase the program’s effectiveness and help to further promote adaptive reuse throughout Tucson. Staff believes that the following adjustments to the Adaptive Reuse Pilot Program would lead to significant improvements:

- Providing fee waivers – Staff recommends fee waivers up to \$5,000 per project with a cap of \$50,000 annually for the program. These waived fees will help leverage significant private investment and City revenues and will make more Adaptive Reuse projects financially feasible. Data from the Phoenix program show that between 2014 and 2016 similar fee waivers leveraged \$217 dollars in private sector investment and \$2.50 dollars in other fee revenues for every \$1 in permit fees waived.
- Removing the eligibility criterion requiring projects to be located outside of an existing incentive overlay (e.g., IID, MGD) – Currently overlays such as the IID and the MGD are some of the most effective adaptive reuse tools the City has. Staff recommends allowing Adaptive Reuse projects within the IID, other existing incentive overlays, and future incentive overlays along transportation corridors to help increase the overall number of successful Adaptive Reuse projects throughout Tucson.
- Reducing the minimum required age of non-historic buildings – Similar to steps taken by the Phoenix Adaptive Reuse program, staff recommends reducing the required age of eligible non-historic buildings from “at least 30 years old” to 18 years old (“permitted prior to 2000”) to increase the opportunity for revitalization projects in the City.
- Removing eligibility criterion requiring buildings to be of “durable construction (masonry)” – Requiring eligible structures to be of masonry construction has limited the opportunity for some blighted areas in the city to potentially benefit from this program. Because the intention of the Adaptive Reuse Pilot Program is to reuse vacant buildings to reduce blight, removing this eligibility criterion is important to addressing the increasingly reduced need for traditional retail buildings.
- Adopting an explicit definition of “adaptive reuse” for the purposes of this program – An explicit definition will help to clearly define what qualifies for the program. Staff recommends requiring retention of at least 50% of the existing building exterior (which is the federal standard for adaptive reuse of historic buildings), which will fit the intention of the program and provide clarity for developers.

Additionally, as mentioned in the initial memo from December 6, 2016, regarding the Adaptive Reuse Pilot Program, there are currently a variety of existing programs and tools offered by PDSO that encourage adaptive reuse. Together these programs and tools provide a robust toolkit for adaptive reuse that allows for the flexibility needed for the redevelopment of obsolete, vacant and underutilized commercial and industrial buildings.

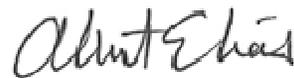
However, those who could take advantage of these tools may not know they exist. To better educate those who may potentially need these adaptive reuse tools, PDSO is developing materials to help communicate what tools are available in a clear and easy to use graphic toolkit.

Plan Tucson Consideration(s) – This item is related to the Elements of: (1) Housing, (2) Historic Preservation, (3) Redevelopment & Revitalization, and (4) Business Climate. Specifically, this item is supported by the following policies:

- *H5 – Include historic properties in the City’s programs and partnerships to develop affordable housing.*
- *HP1 – Implement incentives for private property owners to maintain, retrofit, rehabilitate, and adaptively reuse historic buildings.*
- *RR1 – Redevelop and revitalize in areas with the greatest potential for long-term economic development by focusing public resources, tools, and incentives to catalyze private investment.*
- *RR2 – Focus private and public investments in Plan Tucson Building Blocks.*
- *RR4 – Build from existing assets of areas identified for redevelopment and revitalization.*
- *BC1 – Continue to develop and implement local strategies, services, and incentives to enhance Tucson’s business climate.*

Legal Consideration(s) – The City Attorney’s Office has reviewed and approved this Communication.

Respectfully submitted,



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Assistant City Manager

AE/SC/db  
PLANNING AND DEVELOPMENT SERVICES DEPARTMENT

Attachments:

- A – 2015 Infill Incentive District Ordinance
  - B – December 6, 2016 Mayor and Council Memo on the Adaptive Reuse Pilot Program
  - C – IID vs UOD Graphic
- Memorandum from Mayor Rothschild dated April 10, 2018