



PLANNING COMMISSION

Planning & Development Services Department • 201 N. Stone Ave. • Tucson, AZ 85701

Date: November 9, 2022, for meeting scheduled November 16, 2022 Page 1 of 13

To: Planning Commission

From: Timothy Thomure, Interim Planning and Development Services
Department Director and Assistant City Manager
Executive Secretary

Subject: C8-22-01 Downtown Infill Incentive District (IID) Update UDC
Text Amendment – Public Hearing (Wards 1, 3, 5, and 6)

Issue – This is a public hearing to hear public testimony and discuss the proposed Unified Development Code (UDC) text amendments related to the update and renewal of the Downtown Infill Incentive District (IID, UDC 5.12) in advance of the sunset date in January 2023. On April 23, 2019, Mayor and Council adopted minor amendments to the regulations related to the IID and extended the sunset date for four years (see Attachment A for Ordinance #11640 and Attachment B for a map of the existing IID). The extension of the sunset date to January 31, 2023, was added to the ordinance to provide a timeline for Planning and Development Services Department (PDS) staff to come back and review the efficacy of the IID regulations and to provide time to address issues that would require more time and research, such as the housing/market study.

Since its adoption in 2009, the IID has been updated several times. This overlay is a valuable tool for enabling development downtown and has facilitated most new multi-family, office, and commercial development in and near downtown and along and near the streetcar route. Pursuant to Mayor and Council guidance, the proposed update has considered issues such as: incentives for affordable housing, boundary adjustments, and design standards in the Downtown Links area. To address these issues, the following updates to the UDC are proposed (See Attachment C for a detailed list of amendments related to the IID update):

- Allow residential development in industrial zones
- Incentivize affordable housing
- Update and clarify design standards for Downtown Links / Stone Ave Corridor
- Integrate the Individual Parking Plan (IPP) into the IID
- Adjust the IID boundary along several corridors
- Minor text clarifications

Recommendation – Staff recommends the Planning Commission recommend approval of the proposed Infill Incentive District Update UDC Text Amendment to Mayor and Council and the removal of the sunset date.

Background – Originally adopted by Mayor and Council in 2009, the Downtown Infill Incentive District (IID) was established to encourage sustainable infill development,

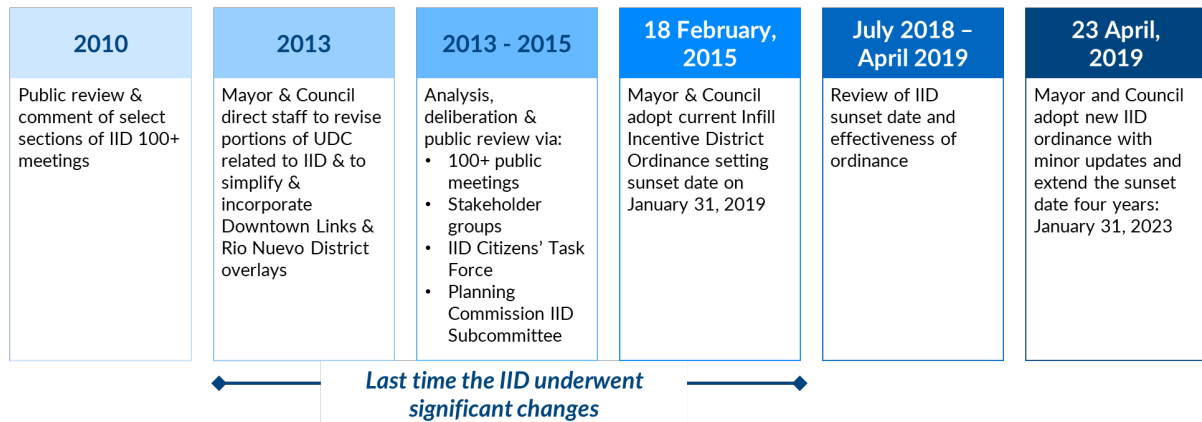
pedestrian-friendly and transit-oriented neighborhoods, and to protect historic and cultural amenities in the area around downtown (see Attachment B for a map of the IID). The IID zoning option provides greater site flexibility than underlying zoning with regards to parking, lot coverage, setbacks, refuse collection and landscaping requirements. To utilize the IID as a zoning tool, projects must comply with design standards and go through a design review process that includes review by a Design Professional, the Tucson-Pima Historical Commission's Plans Review Subcommittee (PRS) when historic structures are in and/or around a project, and, for major reviews, the IID Design Review Committee.

The IID has three subdistricts – the Downtown Core, Greater Infill Incentive Subdistrict, and the Downtown Links subdistrict. It also includes the Rio Nuevo Area, which establishes mandatory design guidelines applicable to any project developing within the downtown area whether or not the project is utilizing the IID option. While some IID provisions apply across the district, each subdistrict has distinct development standards and design guidelines.

The IID has helped facilitate over 1,100 new housing units, including over 180 affordable units since major updates were made to the overlay in 2015. Multi-family projects include The Flin, RendezVous and Marist on Cathedral Square. The IID has facilitated several new hotels including the Downtown Clifton Inn, Hilton on Stone, and the Tuxon, helping strengthen Tucson's tourism economy. Major office developments include Caterpillar and City Park. The IID is also a vital tool for small business and adaptive reuse projects. The site-specific flexibility offered by the IID related to development standards allows businesses, such as Cirrus Visual and Bawker Bawker Cider House to locate on sites with constraints that make it difficult to comply with by-right zoning standards.

Over the past 12 years, the IID has undergone a handful of amendments to improve its effectiveness in achieving this intended purpose. The most expansive of these changes were adopted by Mayor and Council on February 18, 2015, to provide better neighborhood protection, improve the design review process, and reduce redundancy with other overlays by integrating Rio Nuevo Area and adding the new Downtown Links subdistrict. At the time of adoption, Mayor and Council placed a sunset date of January 31, 2019, on the ordinance to provide an opportunity for staff to reevaluate the efficacy of the most recent changes and to determine if there were needed modifications.

Timeline of Infill Incentive District Updates, 2010 - 2019



In January 2019, following 6 months of input from stakeholders and the public, and review by the Planning Commission, Mayor and Council reviewed proposed amendments to the IID related to historic demolition, other minor clarifications, and the establishment of a new 4-year sunset date. Mayor and Council held two public hearings on the proposed changes and on January 23, 2019, they voted 6 to 0, to pass and adopt Ordinance No. 11640 (see Attachment A for Ordinance #11640). In addition, staff was directed to consider some remaining items discussed at the public hearing, such as the quality of design along 4th Avenue, transitions between different districts in the IID, how to promote public open space, and how to address increasing costs of housing in the area and requested staff to hold stakeholder meetings to discuss those remaining issues and return with a work plan in April 2019.

On April 23, 2019, the Mayor and Council held a study session and public meeting to discuss those remaining issues to address prior to the expiration of the sunset date on January 31, 2023. At the regular session public meeting Mayor and Council directed staff to explore the following over the next four years:

- Establishment of Historic Landmark for Tucson Origins site
- Development of a market / housing study to better understand development pressures in the area
- Development of a Public Realm Master Plan for the Downtown Area
- Continued coordination with Department of Transportation and Mobility (DTM) to develop supportive land use tools as our transit system expands

Since that time, the City has undertaken several efforts to address the items discussed at the April 23, 2019 meeting. Those are as follows:

- [Tucson-Pima County Housing Market Study](#) – This study found significant need for new housing, particularly for low- and moderate-income households.
- [Housing Affordability Strategy for Tucson \(HAST\)](#)– This strategy, adopted by Mayor and Council in December 2021, has 10 data-driven policy initiatives,

including updating zoning regulations to encourage affordable housing by incorporating incentives in overlays and along transit corridors.

- Central Business District (CBD) modifications and updated Government Property Lease Excise Tax (GPLET) Policy Framework – These modifications expanded the CBD, largely to the north along I-10 and the Oracle Road corridor, and established a new framework for GPLET agreements to ensure community benefits.
- Sunshine Mile Urban Overlay District – This zoning tool adjacent to downtown, was approved by Mayor and Council on September 14, 2021. The overlay facilitates mixed-use transit-oriented development along the Broadway corridor.
- Shared Spaces: Parklets + Streateries – In August 2021, Mayor & Council directed staff to implement this program as permanent, to support small businesses during the COVID-19 pandemic by providing flexible outdoor dining spaces.
- Tucson Norte-Sur / Equitable Transit-Oriented Development (eTOD) Strategic Plan – DTM and PDSO, in partnership with the City of South Tucson, were awarded a grant from the U.S. Federal Transit Administration to undertake a land use planning study along a proposed new 14.5-mile north/south high-capacity transit route that will extend from the Tohono T'adai Regional Transit Center to the Tucson International Airport, running through downtown Tucson. The study area for the eTOD project, known as Tucson Norte-Sur, includes much of the Infill Incentive District.

At the February 8, 2022, Study Session, Mayor and Council initiated the process to update the IID in advance of the January 2023 sunset date.

Present Consideration(s) – The City of Tucson has undergone significant changes since the IID was updated and its sunset date was extended to January 31, 2023. In the past three years the City has reviewed and made changes to the GPLET program boundary and requirements, witnessed rapid increase in housing costs all over the City, began construction on the Downtown Links roadway project, and navigated a global pandemic that has shifted our behavioral patterns and overall needs as a community, all while experiencing rapid growth both in the IID area and throughout Tucson. Based on these factors, and pursuant to Mayor and Council guidance, the current update has considered issues such as: incentives for affordable housing, boundary adjustments, and design standards in the Downtown Links area.

Community Outreach and Engagement

From March through October 2022, PDSO staff conducted research, consultation, stakeholder engagement, and public outreach to inform amendments to the IID.



To gather perspectives on the IID update, PDSD convened a stakeholder group with representation from architects, builders/contractors, real estate professionals, affordable housing providers and advocates, neighborhood representatives, and Mayor’s Office and Council staff. Staff held an online IID listening session on April 26, 2022, where background, existing conditions, and research was shared. Stakeholders provided feedback on the existing IID process and potential focus areas for the update. The key areas of discussion identified for focus were:

- Affordable Housing
- Mix of Land Uses
- Design Standards
- Sustainability
- Administration of the UDC

See Attachment D for a summary of this listening session.

Engagement with the broader public about the IID update was conducted through community events, 60 responses to online and paper surveys, and public meetings. PDSD coordinated IID outreach with Tucson Norte-Sur engagement at pop-up events hosted by DTM and Cyclovia in March and April of 2022. PDSD presented background, existing conditions, and research, and conducted surveys to gather more perspectives. To better inform staff throughout City departments and Mayor and Council offices, PDSD led a walking tour of IID projects along the Sun Link Streetcar route in early September 2022.

Throughout September 2022, focus groups consisting of design professionals, IID Design Review Committee members, architects, landscape architects, business owners and City staff were convened to further inform focus areas and suggestions for improvements. Key discussion points included desired flexibility for first floor activation, considerations for affordable housing and other incentives, removal of the sunset date, and suggestions on process

consolidation and streamlining. It was also noted that minor boundary adjustments would be beneficial, but that major boundary adjustments are likely beyond the scope of this update. See Attachment E for a summary of these focus group discussions.

In October 2022, PDS staff held two public meetings, one in-person and one virtual, to present findings to date and exchange feedback. A total of 60 participants attended both meetings. Online and printed comment forms were also distributed for additional feedback. Main areas of discussion included the prioritized need for housing and affordable housing, gentrification, clarification on vacant ground floor retail spaces, and details regarding proposed boundary expansions and the expected outcomes of those expansions. See Attachment F for the public meetings summary and presentation.

To gather more input on proposed boundary expansions, PDS staff attended Neighborhood Association meetings in Menlo Park and Dunbar Spring in October 2022. Draft boundaries were presented, and discussion focused on potential benefits of IID expansion, comparison of the IID option to underlying zoning, historic preservation, and potential impacts of higher density development on the surrounding neighborhoods.

Several comments were submitted both online and via email between the public meetings in early October and the Planning Commission study session on October 26, 2022. Those comments received may be found in Attachment G. In response to those comments, a list of Frequently Asked Questions (FAQ) and a project list was created. That may be found in Attachment H.

Planning Commission

On October 26, 2022, the Planning Commission held a study session to review the proposed UDC text amendments to the IID. At that meeting staff presented on the background of the IID, the public engagement process, and the proposed amendments. Discussion by the Planning Commission was related to the effectiveness of the IID in spurring transit orientated development, proposed privacy standards of the amendments, gentrification, and minor changes such as the labeling of the consolidated use table in Section 5.12.8.A. Staff did reach out to Department of Transportation and Mobility (DTM), to respond to Commissioner Makansi's question about the effectiveness of the IID in spurring transit-oriented development. The following is some recent data about development in downtown and ridership on the streetcar:

- More than 1100 housing units have been constructed within the IID helping to increase density to support transit
- Ridership on the Sun Link modern streetcar had been steady up until 2020 when the pandemic hit. After two straight years of decreases due to the pandemic, ridership nearly tripled in fiscal year 2022 and has broken a ridership record since it began operations in 2014.
- Greater than 1 million square feet of commercial space in 34 projects has been developed using the IID.

Proposed Amendments – The following is a brief description of the proposed amendment. See Attachment C for a detailed list of amendments related to the IID update.

Residential development in industrial zones – In order to create more opportunities for housing development given high demand for housing of all types, an amendment is proposed to allow residential uses in areas with underlying industrial zoning. This is currently permitted in the Downtown Links subdistrict but not in other subdistricts of the IID. This change would bring greater consistency between the three subdistricts, meeting the purpose of the IID as stated in the UDC.

Residential development would be permitted on sites with underlying zoning of P-1, I-1, or I-2, with specific density and building height standards.

Within the Greater Infill Incentive Subdistrict, residential building height and density calculations in the underlying I-1 and I-2 zones shall follow height and density requirements of the R-3 zone (maximum height of 40 feet, density of 36 units per acre).

Within the Downtown Core Subdistrict, residential building height and density calculations in the underlying I-1 and I-2 zones shall follow height and density requirements of the C-3 zone (maximum height of 75 feet, density of 87 units per acre).

Projects that meet affordable housing criteria may utilize the incentives described below.

Affordable Housing – The IID has facilitated several affordable housing projects. To further promote mixed-income communities in the greater downtown area, incentives such as increased height and no density caps are proposed in exchange for the incorporation of affordable housing that meets the following criteria:

- Developments must have at least 10 units, and all affordable units must be located within the project.
- The affordable units are indistinguishable from market rate units.
- At least 15 percent of the total project's units must be affordable for households earning 80 percent Area Median Income (AMI) or less.
- Units must remain affordable for
 - 50 years for rentals
 - 30 years for for-sale condominium units

For projects that meet this criteria, maximum density is waived and building heights may be increased up to:

- 60 feet in the Greater Infill Incentive Subdistrict (GIIS)
- 75 feet in the Downtown Core Subdistrict (DCS)

To apply for competitive funding, affordable housing projects must often demonstrate zoning compliance prior to the submission or approval of development applications. This has created barriers for affordable housing projects who might otherwise wish to

utilize the IID, as this option includes a discretionary design review step. A proposed amendment would allow a conditional design approval prior to applicants requesting development permits.

Design standards – In response to feedback on recent development projects and because of roadway changes implemented through the Downtown Links improvement project, a number of design standards will be updated, including:

- Updated privacy standards for adjacent properties with the same ownership
- Direction for temporary uses and/or the phasing of projects
- Guidelines for orienting buildings to the newly completed roadway alignment
- Adjustment of building heights and step-downs for the parking lots along Council Street, between Stone Avenue and Church Avenue in the Tool Avenue Sub-area

Minor boundary extensions – Boundaries are extended at certain edges of the existing IID to include commercially zoned parcels and parcels that are split by the existing boundary. Inclusion of these parcels in the IID provide more flexible development standards, as well as stronger protection for historic resources, more thorough design review and neighborhood input than projects that utilize underlying zoning. The areas proposed for IID boundary extensions are:

Greater Infill Incentive Subdistrict:

Congress Street commercial corridor in Menlo Park

Site info:

- C-1 and C-3 zoned parcels on the north side of W Congress St, between N Bonita and just west of N Grande Ave
- C-1 zoned parcels on the south side of W Congress St, on both sides of N Grande Ave
- Several historic properties contributing to Menlo Park Historic District included in this area

Main Avenue commercial corridor in Dunbar Spring

Site info:

- C-3 zoned parcels on both sides of N Main Ave between W 1st St and just south of W University Bl
- R-2 zoned parcels on 2nd Street where the Dunbar Center is located
- Several historic properties, both individually listed properties and properties contributing to the Dunbar Spring Historic District

Five parcels south of the Tucson House between N. 13th Ave. and Acuna Ave in Barrio Blue Moon

Site info:

- R-2 zoned parcels north of Mable St and west of N Main Ave between N. 13th Ave. and N Acuna Av

- Vacant lots with single ownership bordering the IID to the north and east
- Potential site for affordable housing to support the goals of Thrive in the 05 Neighborhood Transformation Plan

Downtown Core Subdistrict:

Former Nearmont Landfill

Site info:

- R-2 zoned portion of the former Nearmont Landfill site (western portion of site) on Cushing Street
- Site is owned by the City of Tucson
- Site split by the IID boundary

Stone Avenue commercial corridor in Dunbar Spring

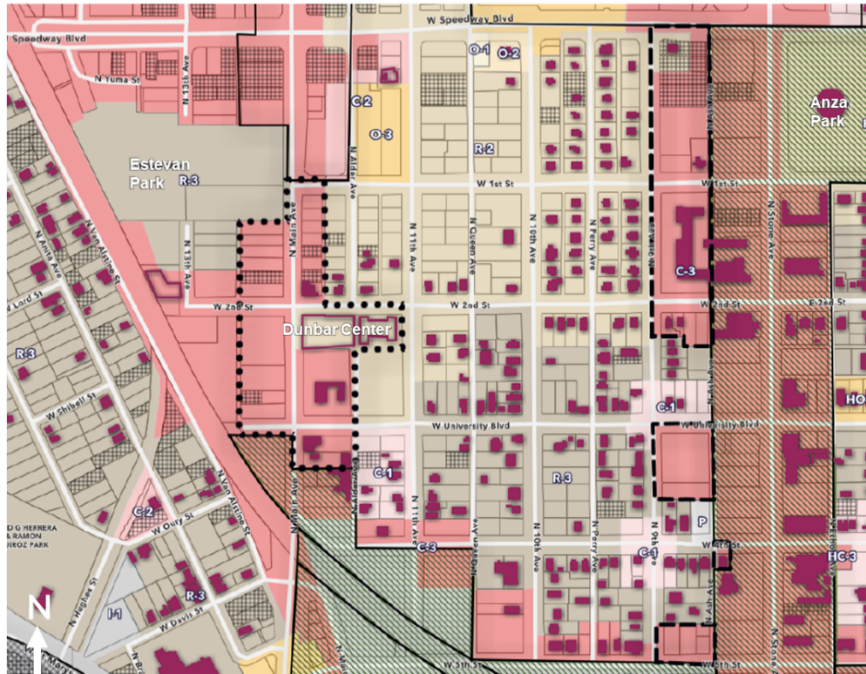
Site info:

- C-3 zoned parcels on the east side of N 9th Ave between W Speedway Bl and W 5th St
- Many sites split by IID boundary
- Several historic properties contributing to the Dunbar Spring Historic District

Rationale / benefits of including in the IID:

- Historic protections in the IID encourage the reuse of existing historic structures in new development.
- Including entire parcels / site in the IID allows for more comprehensive site planning / development
- Transition standards, and bulk reduction required of IID review, but not required of underlying zoning, helps to mitigate impact of development on existing residential.
- Flexibility (parking, landscaping, etc.) of the IID allows for a change of use when the underlying zoning generally does not. This helps to make renovations and reuse of existing structures more viable.
- Public notification and input via a neighborhood meeting is required of IID process but generally not required of development using the underlying zoning.
- Site specific zoning conditions may be added through the IID process to help mitigate impacts on existing development / residences.
- Ultimate development plan for the city-owned former Nearmont Landfill site would be shaped by the goals established in the Menlo Park Neighborhood Plan, currently in development.
- IID option includes requirements for public open space
- Many of the properties where the boundary changes are being proposed, are those that already allow for intense commercial uses, such as those zoned C-3. For example, a parcel zoned C-3 is allowed by-right (no

Proposed Boundary Expansions, Dunbar Spring



Existing IID Boundary

- Greater IID Subdistrict
- Downtown Links Subdistrict

Proposed IID Expansion

- Greater IID Subdistrict
- Downtown Links Subdistrict
Stone and Sixth Area

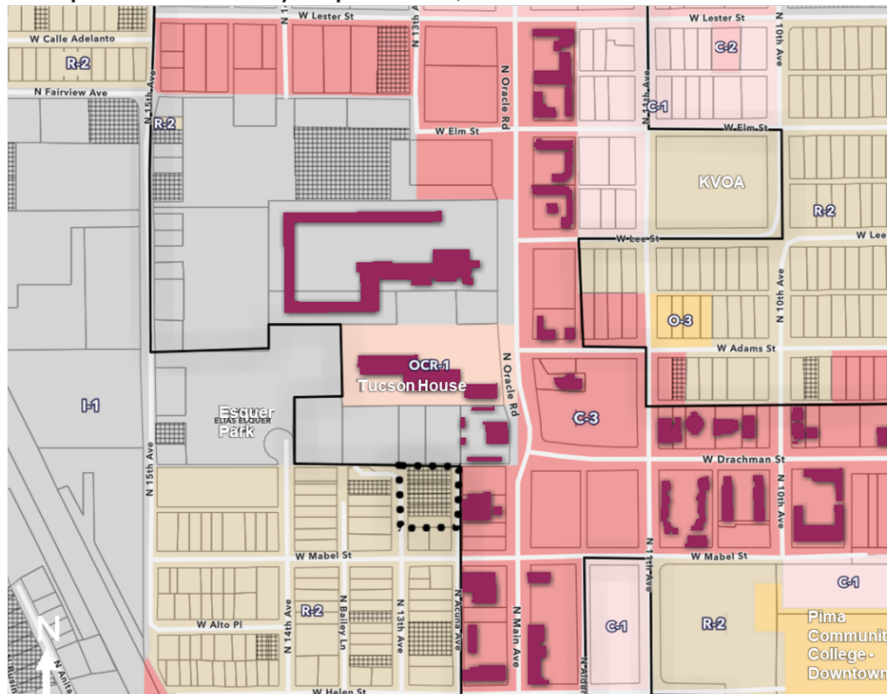
Zoning

- R-2 / HR-2
- C-1 / HC-1
- R-3
- C-2
- O-1
- C-3 / HC-3
- O-3 / HO-3
- I-1

Historic Properties

Vacant Parcels

Proposed Boundary Expansions, Barrio Blue Moon



Existing IID Boundary

- Greater IID Subdistrict

Proposed IID Expansion

- Greater IID Subdistrict

Zoning

- R-2
- C-1
- R-3
- C-2
- O-3
- C-3
- OCR-1
- I-1

Historic Properties

Vacant Parcels

Process Improvements – The review and potential approval of an Individual Parking Plan (IPP) can be incorporated into the larger IID review process, rather than run as two parallel processes.

Clarifications –

- Uses that encourage street level activation are not limited to commercial or retail trade.
- Shade coverage is measured at a more appropriate threshold: 12:00pm on June 21.
- Use Tables have been consolidated for easier reference.

Sunset Date – It is recommended that the sunset date be removed. As part of this update, most stakeholders expressed satisfaction with the IID and that they believe it has helped the city achieve the stated goals of the district of promoting transit-oriented, high-quality infill development while protecting historic resources. The IID has over a 10-year track record of facilitating new housing and commercial uses as well as supporting adaptive reuse and the growth and stability of small businesses. The streetcar anchors the IID and is a permanent, fixed-guideway transit system. The IID helps leverage this investment in our transit infrastructure by promoting viable density of housing and jobs to ensure ridership. Transit-oriented infill development has been reaffirmed as a long-term goal for our city in recent efforts for housing affordability as well as climate action. Mayor and Council may direct staff to evaluate and amend sections of the UDC at any time.

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.*

Attachments:

A – Ordinance #11640

B – Map of the Infill Incentive District

C – Proposed Amendments

D – April 26, 2022, IID Listening Session Summary

E – September 2022, IID Focus Group Discussions Summary

F – October 2022, IID Public Meetings Presentation and Summary

G – Public Comments Received Related to IID

H – Frequently Asked Questions (FAQ) related to the Infill Incentive District and a project list

I – Comparison of Underlying Commercial Zoning Standards with Infill Incentive District Standards