Development Bonus Program (DBP) for UCD & UCMP

Development Review Commission
12-10-2019
Session / Discussion Overview

I. Overview of Development Bonus Program (DBP) for UCD, UCMP
   • Affordable Housing
   • Public Gathering Space
   • Sustainability
   • Historic Preservation

II. Bonus Elements List – On-site and In-Lieu

III. Bonus Program Structure
   A. UCD Base and Bonus Heights, Tiers 1 + 2
   B. Historic Preservation and TDR

IV. Bonus Points Menu

V. Examples and Pathways to Achieving Development Bonus
I. Development Bonus Program (DBP)

- A **voluntary** program that offers increases in development potential for developers in exchange for defined list of community benefits (Bonus Elements).
- DBP is being prepared concurrently with the UCD and UCMP adoption process.
- Well-established precedent in other Arizona jurisdictions, such as Phoenix and Scottsdale.
- “Incremental Project Value” derived from Bonus Rights can enable developers to provide community benefits.
I. Development Bonus Program, Approach

- **Value of Contributions Required to Achieve Bonus Points**
  equals one half “Incremental Project Value” between the Base and Bonus developments.

  \[ = \frac{1}{2} \times (\text{Bonus Project Value} \text{ minus Base Project Value}) \]

- **Structured to incentivize voluntary compliance**
  - Based on negotiated community benefit agreements around the US.
  - Community amenities provide intrinsic social and economic benefits beyond the financial cost of the provision.
II. Bonus Elements – Onsite Improvements

I. Affordable and Workforce Housing

- Include dedicated percentage of onsite units for households earning either 50%, 80% or 100% of Area Median Income (AMI).

- 2019 AMI for a family of four in Maricopa County is $72,900

- Developer can choose any AMI level for the On-site units. Higher percentage of On-site Units required if higher AMI levels are chosen.
II. Bonus Elements – Onsite Improvements

II. Public Outdoor Gathering Space

▪ Dedicate minimum 0.2 acres or 10 percent of net site area to provide Public Outdoor Gathering Space.

▪ Eligible spaces based on Development Standards in UCD, such as Plazas and Urban Parks
II. Bonus Elements – Onsite Improvements

III. Sustainability Elements

- Qualified Expenditure List includes items such as Rainwater Harvesting, Solar Panels, and Shade Elements.

- Bonus Points based on cost of Total Qualified Expenditures as reviewed by City staff.
II. Bonus Elements – Offsite

In-Lieu Fee

- Can be paid to obtain development Bonus Points, but only after providing at least one Onsite Bonus Element.

- In-Lieu Fee is based on Incremental Project Value
  - Varies per UC Zone
  - Calculated on a per Bonus Point basis

- To encourage some On-site public benefits, projects cannot earn sufficient points from in-lieu fees alone to achieve Tier one bonus.
II. Bonus Elements - Historic Preservation

Bonus also available to Historic Eligible, Historic Registered, and National Registered properties:

- Bonus provided through Transfer of Development Rights (TDR) mechanism

- Requires property owner/developer to commit to one of three historic preservation treatments:
  - Preservation
  - Restoration
  - Rehabilitation
III. Bonus Program Structure

Structure of Development Bonus Program

- Provides a *voluntary* pathway to achieve additional development rights *beyond* UCD Base by acquiring *Bonus Points*.

- To be *eligible*, applicant must first comply with UCD Base standards as described in the Code.
  - For a Tier 1 Bonus, applicant must acquire at least 60 *Bonus Points*.
  - For a Tier 2 Bonus, applicant must acquire at least 100 *Bonus Points*. 
### III. UCD Base and Bonus Development Potential

<table>
<thead>
<tr>
<th>Urban Code District</th>
<th>UCD Base</th>
<th>UCD Bonus - Tier 1</th>
<th>UCD Bonus - Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>requires 60 points</td>
<td>requires 100 points</td>
</tr>
<tr>
<td>UC-1</td>
<td>125 ft</td>
<td>140 ft</td>
<td>160 ft</td>
</tr>
<tr>
<td></td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-2</td>
<td>90 ft</td>
<td>110 ft</td>
<td>130 ft</td>
</tr>
<tr>
<td></td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-3</td>
<td>90 ft</td>
<td>110 ft</td>
<td>130 ft</td>
</tr>
<tr>
<td></td>
<td>up to 65 du/acre</td>
<td>up to 65 du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-4</td>
<td>70 ft</td>
<td>n/a</td>
<td>90 ft</td>
</tr>
<tr>
<td></td>
<td>up to 45 du/acre</td>
<td>n/a</td>
<td>up to 65 du/acre</td>
</tr>
<tr>
<td>UC-5</td>
<td>55 ft</td>
<td>n/a</td>
<td>60 ft</td>
</tr>
<tr>
<td></td>
<td>up to 25 du/acre</td>
<td>n/a</td>
<td>up to 25 du/acre</td>
</tr>
<tr>
<td>UC-6</td>
<td>40 ft</td>
<td>n/a</td>
<td>45 ft</td>
</tr>
<tr>
<td></td>
<td>up to 20 du/acre</td>
<td>n/a</td>
<td>up to 20 du/acre</td>
</tr>
</tbody>
</table>
III. UCD Map
III. UCD Bonus - Tier 1

To achieve a Tier 1 Bonus, applicant needs to earn at least 60 Bonus Points.

- Tier 1 Bonus available in UCs 1, 2, and 3 only
- Increased Height but no increased Density
- Include at least one Onsite Improvement, + any In-Lieu Fee necessary to obtain a minimum 60 points.
  - Administrative Review in UC-3
  - Council Review: UC-1 and UC-2, following staff recommendation.

<table>
<thead>
<tr>
<th>Urban Code District</th>
<th>UCD Base</th>
<th>UCD Bonus - Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>125 ft</td>
<td>140 ft</td>
</tr>
<tr>
<td>UC-1</td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td></td>
<td>90 ft</td>
<td>110 ft</td>
</tr>
<tr>
<td>UC-2</td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td></td>
<td>90 ft</td>
<td>110 ft</td>
</tr>
<tr>
<td>UC-3</td>
<td>up to 65 du/acre</td>
<td>up to 65 du/acre</td>
</tr>
<tr>
<td></td>
<td>70 ft</td>
<td>n/a</td>
</tr>
<tr>
<td>UC-4</td>
<td>up to 45 du/acre</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>55 ft</td>
<td>n/a</td>
</tr>
<tr>
<td>UC-5</td>
<td>up to 25 du/acre</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>40 ft</td>
<td>n/a</td>
</tr>
<tr>
<td>UC-6</td>
<td>up to 20 du/acre</td>
<td>n/a</td>
</tr>
</tbody>
</table>
III. UCD Bonus - Tier 2

To achieve Tier 2 Bonus, applicant needs to earn at least 100 Bonus Points.

- Increased height in all UC Districts
- Increased density in some UC Districts
- Administrative review in UCs 3 through 6
- Council review in UCs 1 and 2, following staff recommendation

<table>
<thead>
<tr>
<th>Urban Core District</th>
<th>UCD Base</th>
<th>Tier 2</th>
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</thead>
<tbody>
<tr>
<td>UC-1</td>
<td>125 ft</td>
<td>160 ft</td>
</tr>
<tr>
<td></td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-2</td>
<td>90 ft</td>
<td>130 ft</td>
</tr>
<tr>
<td></td>
<td>65+ du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-3</td>
<td>90 ft</td>
<td>130 ft</td>
</tr>
<tr>
<td></td>
<td>up to 65 du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-4</td>
<td>70 ft</td>
<td>up to 65 du/acre</td>
</tr>
<tr>
<td></td>
<td>up to 45 du/acre</td>
<td></td>
</tr>
<tr>
<td>UC-5</td>
<td>55 ft</td>
<td>60 ft</td>
</tr>
<tr>
<td></td>
<td>up to 25 du/acre</td>
<td>25 to 45 du/acre</td>
</tr>
<tr>
<td>UC-6</td>
<td>40 ft</td>
<td>45 ft</td>
</tr>
<tr>
<td></td>
<td>up to 20 du/acre</td>
<td>up to 20 du/acre</td>
</tr>
</tbody>
</table>
III. Urban Core Master Plan (UCMP)

To be eligible for UCMP heights, applicant complies with Tier 2 eligibility, and additional requirements as established in UCMP documentation, including Council review. Utilize the bonus elements menu and approximate points.

<table>
<thead>
<tr>
<th>Urban Code District</th>
<th>UCD Base</th>
<th>UCD Bonus- Tier 1</th>
<th>UCD Bonus-Tier 2</th>
<th>UCMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC-1</td>
<td>125 ft</td>
<td>140 ft, 65+ du/acre</td>
<td>160 ft, 65+ du/acre, 250+ ft.</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-2</td>
<td>90 ft</td>
<td>110 ft, 65+ du/acre</td>
<td>130 ft, 65+ du/acre, 160-250+ ft.</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-3</td>
<td>90 ft</td>
<td>up to 65 du/acre, 110 ft, 65+ du/acre</td>
<td>130 ft, 65+ du/acre, 160-250+ ft.</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-4</td>
<td>70 ft</td>
<td>up to 45 du/acre, 90 ft</td>
<td>up to 65 du/acre, 130-250+ ft.</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-5</td>
<td>55 ft</td>
<td>up to 25 du/acre, 60 ft</td>
<td>up to 65 du/acre, 90 ft</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UC-6</td>
<td>40 ft</td>
<td>up to 20 du/acre, 45 ft</td>
<td>up to 20 du/acre, up to 25 du/acre</td>
<td>65+ du/acre</td>
</tr>
<tr>
<td>UCMP Only</td>
<td></td>
<td></td>
<td></td>
<td>250+ ft, 65+ du/acre</td>
</tr>
</tbody>
</table>
III. Urban Core Master Plan (UCMP) Map
### IV. Onsite Bonus Menu—Affordable/Workforce Housing

<table>
<thead>
<tr>
<th>Affordability Level</th>
<th>UC-1 Residential</th>
<th>UC-1 Commercial</th>
<th>UC-3 Residential</th>
<th>UC-4 Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 50% AMI</td>
<td>4%</td>
<td>n/a</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Up to 80% AMI</td>
<td>10%</td>
<td>n/a</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Up to 100% AMI</td>
<td>25%</td>
<td>n/a</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Bonus Points Earned**

- **100**
- **100**
- **100**

- Applicants can earn **100 Bonus Points** by providing On-site Affordable Housing units as described in this table.
- Commercial projects are not eligible for On-site option.
- For On-site units, average number of bedrooms per unit must be equal to the market rate component of the project.
### IV. Onsite Bonus Menu – Outdoor Gathering Space

<table>
<thead>
<tr>
<th>Public Outdoor Gathering Space</th>
<th>UC-1 Residential (a)</th>
<th>UC-1 Commercial</th>
<th>UC-3 Residential</th>
<th>UC-4 Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size by Net Lot Coverage</td>
<td>0.2 acres or 10%</td>
<td>0.2 acres or 10%</td>
<td>0.2 acres or 10%</td>
<td>0.2 acres or 10%</td>
</tr>
<tr>
<td>Bonus Points</td>
<td>12</td>
<td>12</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

- Applicants earn multiples of **12 or 18 Bonus Points** by providing Public Outdoor Gathering Space.
- Must be 0.2 acres in size or 10 percent of net lot coverage, whichever is greater.
### IV. Onsite Bonus Menu - Sustainability Expenditures

<table>
<thead>
<tr>
<th>Sustainability Elements</th>
<th>UC-1 Residential (a)</th>
<th>UC-1 Commercial</th>
<th>UC-3 Residential</th>
<th>UC-4 Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Expenditures</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Bonus Points</td>
<td>28</td>
<td>28</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

- Applicants can earn multiples of **10 or 28 Bonus Points** by providing each $250,000 in On-site Sustainability expenditures.
- Qualified expenditures and associated cost must be reviewed and approved by City Staff.
**DBP – Sustainability Bonus Elements**

### Resilience Against Extreme Heat

Shade coverage on of east and west walls with biodiverse, native, and adapted plants. Average of the shade coverage at 10 am, noon, and 3 pm on summer solstice.

At least 50% of the site hardscape not covered shall be shaded by biodiverse, native and adapted plants.

Roof covered with any of the following products.
- Materials with a three-year aged SRI value of 35 min.
- Vegetative terrace or roofing to provide foliage

Architectural features to shade 75% of all west facing windows and 50% of all proposed glazed windows.

Min. 50% of the site hardscaped area to have permeable paving or grass.

Functional rainwater harvesting to irrigate min. 75 percent of landscape area.
## DBP - Sustainability Bonus Elements

### Greenhouse Gas Emissions Reduction

- 80% of all parking spaces are EV charger ready with 10% of spaces with EV chargers installed.

- Solar panels to cover min. 20% of the net site area, with a min. size of 2.5 kwh/panel.

- Space and pathways for future installation of on-site renewable energy systems to provide min. 10 kBtu/ft² x gross roof area in sft.

- Comply with any other IgCC 2018 or updated requirements, certified by a third party.

- Energy savings min. 50% of the baseline energy consumption, certified by a third party.

- Provide for on-site microgrid (with control capability powered by distributed generators, batteries or renewable resources) investment for critical uses (30% of expected summer electrical load).
### IV. Affordable Housing In-Lieu Fee Points

<table>
<thead>
<tr>
<th>Affordable Housing In-Lieu Fees</th>
<th>UC-1 Residential (a)</th>
<th>UC-1 Commercial</th>
<th>UC-3 Residential</th>
<th>UC-4 Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Bonus Point</td>
<td>$12,500</td>
<td>$12,500</td>
<td>$34,700</td>
<td>$34,700</td>
</tr>
<tr>
<td>Bonus Points</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

- Applicants earn up to **42 Bonus Points** towards a Tier 1 bonus or **70 Bonus Points** towards a Tier 2 bonus by paying an Affordable Housing In-Lieu Fee.
- In-lieu fees can only be used to make up a gap in bonus points needed after providing onsite improvements.
V. Pathways to Tier 1 Bonus

Example: Commercial
1.5-acre parcel in UC District 1

**60 points to achieve Tier 1 Bonus**

- ✓ Provide $500,000 in qualified sustainability expenditures (*56 points*)
- ✓ **4 point gap** obtained through In-Lieu Fee payment of $12,500 per point.
V. Pathways to **Tier 2 Bonus**

Example: Multifamily

5-acre parcel UC District 3

*100 points to achieve Tier 2 Bonus*

- ✓ Provide 4% of Total Project Units affordable to households earning 50% AMI, OR
- ✓ Provide 10% of Total Project Units affordable to households earning 80% AMI, OR
- ✓ Provide 25% of Total Project Units affordable to households earning 100% AMI
- ✓ Average number of bedrooms per unit must be equal to the market rate component of the project
V. Voluntary TDR for Historic Preservation

**Voluntary** compliance with Historic Preservation can provide transferable **Tier Bonus** development rights (TDR) under UCD.

- Preservation property acquiring TDR is the *Sending Property*

- Tier 2 Bonus Rights (TDR) can be transferred to *Receiving Properties* in any UCD

- TDR buyers can achieve up to its UCMP maximum heights *without* providing On-site Community Benefits as required under DBP.
V. Voluntary TDR for Historic Preservation

How to calculate TDR:

UCD Bonus Potential (cubic ft) 

\textit{minus}

Existing Buildout (cubic ft) 

\textit{Equals}

Total permitted TDR

\begin{tabular}{|l|l|l|}
\hline
Cubic Feet of Bonus Development Potential (existing floorplate Sq. Ft. \times \text{Tier 2 bonus height}) & \textbf{-} & \textbf{Existing Building Cubic Feet (existing floorplate Sq. Ft. \times \text{existing building height})} \\
\hline
\textbf{=} & & \textbf{Total permitted development transfer in cubic feet} \\
\hline
\end{tabular}
V. Pathways to TDR for Historic Preservation

Existing Historic Building
Height: 30 feet
Floorplate: 4,500 square feet
Volume: 135,000 cubic feet
(Allowable TDR)

Permitted TDR
Height: 100 feet
Volume: 450,000 cubic feet
• 30,000 sf at 15 feet per story
• 37,500 sf at 12 feet per story

UCD Bonus Development Potential
Height: 130 feet
Floorplate: 4,500 square feet
Bonus Volume: 585,000 cubic feet
### III. Process to Achieve Bonus

<table>
<thead>
<tr>
<th>Bonus Achieved/Bonus Elements</th>
<th>UCD Base Height and Density</th>
<th>UCD Base Height and Density + Bonus Height and Density (Tier 1)</th>
<th>UCD Base Height and Density + Bonus Height and Density (Tier 2+)</th>
<th>UCMP Heights and Densities</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable/Workforce Housing</td>
<td>By opting in and meeting base UCD requirements</td>
<td>Unavailable. Participation results in Tier 2 bonus.</td>
<td>Onsite Affordable Housing achieves Tier 2 Bonus</td>
<td>Opt-in to the available UCD, provide bonus, and meet all applicable design guidelines. Apply for UCMP heights through a PAD or Development Agreement process.</td>
<td>Tier 2 bonus provided for onsite units without Council Review.</td>
</tr>
<tr>
<td>Sustainability</td>
<td>By opting in and meeting base UCD requirements for sustainability</td>
<td>Meet IgCC-related base requirements, spend at least $250K on qualified expenditures (or multiples of $250K), and provide some other combination of bonus elements as needed to achieve 60 points</td>
<td>Meet Tier 1 requirements, provide additional combination of bonus elements to achieve 100 points, and apply for maximum heights through Development Agreement Process</td>
<td>Opt-in to the available UCD, provide bonus, and meet all applicable design guidelines. Apply for UCMP heights through a PAD or Development Agreement process.</td>
<td></td>
</tr>
<tr>
<td>Public Gathering Space</td>
<td>By opting in and meeting base UCD requirements for public space</td>
<td>Provide minimum amount of onsite public space beyond base requirements and provide some other combination of bonus elements to achieve 60 points</td>
<td>Meet Tier 1 requirements, provide additional combination of bonus elements to achieve 100 points, and apply for maximum heights through Development Agreement Process</td>
<td>Opt-in to the available UCD, provide bonus, and meet all applicable design guidelines. Apply for UCMP heights through a PAD or Development Agreement process.</td>
<td></td>
</tr>
<tr>
<td>Historic Preservation</td>
<td>By opting in and meeting base UCD requirements for HP</td>
<td>Unavailable. Participation results in Tier 2 bonus.</td>
<td>Opt into UCD, go through Historic Preservation Reivew and Development Agreement, provide historic/façade easement. Obtain TDR equal to Tier 2 bonus height times floorplate (sq. ft.) less existing building.</td>
<td>Receiving properties can use TDR to achieve UCMP heights if it also opts-in to the available UCD and meets all applicable design guidelines.</td>
<td>Purchasers/Users of TDR cannot exceed maximum heights or densities within each UCD.</td>
</tr>
</tbody>
</table>
VI. Summary

Goals and Mechanisms of Development Bonus Program

- Promote voluntary participation through creation of Incremental Project Value
- Create certainty in development environment through specified processes
- Reduce the need for discretionary PAD approvals and associated staff time
DBP Adoption Process

- DRC Study Session: December 10, 2019
- Sustainability Commission: Dec 16, 2019
- HPC: January 8, 2020
- Transportation Commission: January 14, 2019
- DRC: January 28, 2020
- Council Work Study Session: January 30, 2020
- City Council First Hearing on February 13, 2020
  (Continued Date for UCMP, UCD and GPA 2nd Hearing)
Questions/Comments

BAE Urban Economics
City of Tempe
II. AZ Case Studies: Precedent for Program

- Multiple cities in Arizona currently administer development bonus programs.
  - Phoenix Sustainability Program
  - Scottsdale Bonus Program, includes TDR program

- Offer additional development potential in exchange for community benefits

- Where applicable, DBP is modeled in part on these programs.
II. AZ Case Studies: City of Scottsdale

- **Purpose:** Allow development flexibility to assist in achieving more development of infrastructure and public amenities

- **Policy Structure:** Allows for height, density, and/or floor area increase for public and cultural improvements/benefits:
  - Cultural Improvements (Public gathering spaces or art)
  - Environmental Enhancements (Compliance with City of Scottsdale’s Green Construction Code)
  - Connectivity infrastructure (Street connections)
II. AZ Case Studies: City of Phoenix

- **Purpose:** Provide projects that exhibit environmentally friendly design and performance elements with additional entitlements

- **Policy Structure:** May approve modifications to requirements of zoning for building height, density, lot coverage, and parking for sustainable development:
  - Mobility enhancement (pedestrian and cyclist amenities)
  - Renewable energy (solar, wind, or any similar source)
  - Water efficiency and landscaping enhancements (reuse of non-potable water)