Suitability Mapping Project
Preliminary Incentive List 10.30.08

This is a list of possible incentives that could be implemented in association with the suitability map and developer certification program.

Many of these incentives are used and proven in cities across the US. As related to the suitability map, these incentives will primarily be applicable to areas that are determined to have a landscape system (Green Infrastructure Element or sensitive contested area) that should be prioritized during development according to the map. In most cases areas that are highly suitable for development will not need or will not be eligible for incentives.

The list is divided into two main categories – passive and active incentives. In many cases the incentives are applicable to both private and public land. Each possible incentive is briefly summarized, then examples from other cities and/or local applications are listed, and finally, the potential benefits to the city/borough/community are given.

To briefly summarize the difference between passive and active incentives:

Passive incentives are economic benefits that can be realized by a property owner's actions in design and construction techniques that respect and take advantage of larger landscape systems. These are direct benefits that the owner developer will create for himself based on his informed development decisions. These benefits may include reduced construction cost and increased real estate value, accelerated appreciation or avoiding additional regulatory requirements.

Active incentives are economic or procedural 'payments' to reimburse property owners for developing their property in ways that preserve the larger landscape systems. These incentives would typically be administered and distributed by the a third party, and may include expedited permitting, low interest rate loans, tax benefits, or even cash payments. Note that many of the typical permit-based incentives have meaningful value to developers and property owners, and can be successfully offered because of tighter development restrictions in many locales.

The passive incentives are self-enforced and will be defined further with more specific numbers and techniques. The active incentives will have to be managed by either a regulatory agency, a public/non-profit agency or other entity with the resources and interest to offer the incentive. These incentives are being closely paired with the maps to define a possible budget and specific conditions and procedures to institute and award the incentives. The list below will touch on some of the possibilities.

We also foresee the NPS Rivers and Trails Assistanceship as a venue to further define the process and reveal the agencies able to adopt and manage the active incentives.

PASSIVE INCENTIVES:

Fewer Regulatory Requirements

If a developer is made aware of sensitive features on their land and designs and develops appropriately to eliminate or reduce impacts to the sensitive features, they will likely run into fewer permitting requirements. This may include wetland permits, stormwater plans, or other expensive delays due to public or agency concerns. This requires that the landowner/developer have access to appropriate maps and guidelines to make informed decisions early in the design process.

Savings to the developer would include less paperwork and submittals, fewer inspections, a more predictable schedule, lower escalation costs and faster payback on the project from an earlier construction start date.

Example:
If there are wetlands or a stream on the property and the developer designs his project to avoid any direct impacts to the wetland or creek, and minimizes or mitigates any indirect impacts through buffers and or stormwater pre-treatment prior to entering the water body, the developer will not need a permit from the Corps of Engineers. Note that a Corps of Engineers Permit usually requires a multi-agencies review including the DEC, USF&WS, etc. This process can take at least 2 months, and often takes 4-6 months or more for complete review.

Municipality and Agency benefits:
By having specific guidelines available for applicants to follow that will reduce or eliminate the need for special permits, less staff time is needed for consultation, review, monitoring and enforcement.

Reduced Construction Cost

Development and construction on steep slopes, poor soils, wetlands or other unsuitable sites will cost more than standard construction practice. Not only is the initial construction cost more, but maintenance can also become a factor if erosion, settling, or drainage problems occur. In addition, low impact design techniques such as cluster development can have a significant cost benefit in resource efficiency, such as a reduction of total linear feet of infrastructure required.

Example:
A developer has a site that is a mix of wetlands, slope and some well drained lands. If the developer does not carefully analyze the site conditions and plans the locations of buildings, driveways, roads and infrastructure based on a generic lot layout, he may be faced with increased construction cost. Removal of wetland soils and importation of suitable base course as well as construction of drainage to ensure the stability of the constructed areas can significantly increase overall development costs.

Associated Municipal Benefits:
By avoiding disturbance of sensitive areas ‘downstream effects’ will be reduced, leading to reduced public infrastructure costs and/or management of concerned neighbors. Reducing potential hazards by avoiding these areas

altogether will likely reduce insurance and mitigation costs due to erosion, land slides and flooding.

Increased Property Value Based on Location Relative to Natural Areas and Condition of Natural Areas

There is quite a bit of evidence that cluster development and/or preservation of adjacent natural areas or green belts can significantly increase property values. Many studies in the lower 48 have shown this positive relationship. These benefits also correlate with a higher rate of appreciation, less time on the market and more stable prices during real estate lulls. Locally, real estate values suggest some trends that support research in areas with more historical data.

Examples:
Some Homer real estate trends suggest up to a 20% increase in property values for land with:

- Close proximity to protected natural areas,
- Close proximity to trails,
- Frequent presence of wildlife such as moose and birds ,
- Presence of a creek on the edge of property or in close proximity

National studies show:

- 1-5% increase in property values near active parks (baseball, etc.),
- 5-15% increase in property values for properties less than 500 yards from a natural area with or without trails, creek, river,
- 32% increase in property values for properties in the vicinity of greenbelt (managed natural area in public or private ownership)
- properties near natural areas and trails, especially cluster subdivisions, appreciate on average 2.5% more that similar properties not adjacent to these amenities

Associated Municipal benefits:
Increased property values directly increase property tax revenue. More predictable and accelerated appreciation can be an important element of a healthy, competitive growth economy.

Other Benefits

Though nearly impossible to measure, data from a variety of research projects on the built environment suggest that a healthy living environment leads to enhanced productivity and social health. Reduced stress, better access to recreation, less time spent maintaining a degraded environment, all can lead to more productive, free and satisfying lifestyle and reduced personal and public costs.

ACTIVE INCENTIVES:

Accelerated Permitting Process

The City or other permitting agency can offer an accelerated permit review schedule for a developer following certain rules or guidelines. Normally these guidelines are more stringent than standard code, and in this case may be developed for specific criteria highlighted in the suitability or g.i. maps. This incentive works best when the normal review process is complex enough to be considered a measurable line item in the total development costs.

Examples:
Many cities have fast-track permitting for LEED registered projects, as LEED certification requires higher standards than most local city ordinance and requires appropriate documentation and accountability. Many cities have long permit review times – many months and sometimes in excess of a year for large buildings. In a few examples this has allowed retail projects to open a year early resulting in more retail revenue, quicker payback of loans, and more tax revenue for the city.

Public/Municipal benefits:
If the developer has shown they are following specific guidelines above and beyond the city code, city staff can likely review the documents much more quickly. A submittal that just meets code or attempts to take advantage of loopholes requires more careful analysis. This results in less demand on staff and planning commission time. The tiered regulatory framework also offers greater flexibility for both the city and the applicant.

Incentive 'Budget':
Accelerated permitting is a win-win incentive that in most cases benefits both the City/agency and the applicant at little cost to the City/agency. Some time is initially required to develop the guidelines and establish the accelerated procedures, but this time is recoverable over the term.

Low Interest Loans

Resources are available through grant and revolving loan funds for an agency to offer low-interest loans for projects that follow specific guidelines that ensure a higher standard of development. In some cases, lenders recognize that the developer will be creating collateral that will allow them to pay back the loan quicker. In other cases the guidelines define performance that will create a positive financial or social benefit to the community to be eligible for public-managed loan funds.

Examples:
Many banks and agencies offer low interest rate loans to developments that follow proven sustainable or energy efficient developments such as LEED or Energy Star ratings. The bank or loan manager is usually guaranteed a quicker payback rate based on the increased sales/lease/rental rates and faster occupancy of the developed property, and/or tenants or developer utility cost savings.

Possible Local Opportunity:
Clean Water State Revolving Fund
The EPA grants money to US states to be used for low interest rate loans on projects that are related to compliance with the Clean Water Act (the Suitability Map is funded by a grant from a CWA fund). The state of Alaska has a significant amount of money available in this fund to be loaned through a management entity at a 1.5% interest rate. Loan money can be offered to applicants at a slightly higher rate to offset any associated loan fund management, certification or inspection costs.

The loans could be used to incentivize projects that demonstrate wetland protection and buffers, stormwater runoff control such as swales and basins, source water protection, as well as upland habitat restoration and protection related to downstream estuaries and wetlands. Projects in eligible areas of the map may be funded through this program by following development guidelines determined by the intentions of the mapped characteristics of landscaped suitability.

Programs such as the revolving loan fund are self-perpetuating and mutually beneficial. As a loan, the fund will never run out and is in fact further funded each year.

The loan money is allowed to be managed by a public or quasi-public agency such as a municipality, state agency, or nonprofit organization (or possibly a bank). The agency managing the loan money is not required, however, to be the agency responsible for review and enforcement of project compliance; an agreement can be made between agencies so that one reviews and certifies the project and another managed and distributes the funds. DnA design is working closely with the EPA Revolving Loan contact to further define the parameters of this loan and to develop a certification procedure that would be eligible for funding.
http:www.epa.gov/OWM/cwfinance/cwsrf/index.htm or
http://cfpub.epa.gov/fedfund/program.cfm?prog_num=5

Public/Municipal benefits:
The fund could add significantly to the capital available to developers in Homer at a rate that will encourage development, while under a certification regime that encourages developer-based planning that benefit the public.

Incentive 'Budget':
While such a program requires the establishment of clear guidelines for certification, an inspection regime or third-party review, and management of the loans, these are costs that can be recovered by augmenting the initial 1.5% rate by .5%-1.5% to the end-user. It is feasible that the program could be structured to generate excess capital that could fund the direct purchase of highly-valuable sensitive areas by the City.

Tax benefits through conservation easements

A conservation easement is an easement placed on a parcel of land that limits what, and if, any development can occur on that land. The creation of a conservation easement on a property to set aside open space to be preserved as a natural area, trails, and/or agricultural land can allow the property owner to request reduced property tax rate on land under the conservation easement. Conservation easements can help facilitate cluster

development and preservation of key natural features and larger scale connectivity, ensuring their long-term preservation to benefit current and adjacent land owners. Conservation easements are usually held by a non-profit, conservation organization, or other 3rd party to ensure compliance and management of the easement. The holding entity usually has specific requirements to determine the value of the land for preservation. Standardized permanent laws for easement benefits are current being reviewed by the House and Senate.

Examples:
Locally the Kachemak Heritage Land Trust is the main conservation easement holding agency. However there are also some local homeowners associations that hold easements on subdivision lands to be retained as local open space. DnA design is working with KHLT to clearly define parameters within the suitability map that would assist them in determining the eligibility of land for an easement, and is working with the KPB to define their criteria for tax benefits through reduced taxable value. Eligible lands are typically assessed at a value of $1 as undevelopable. Currently, land determined to be 'unusable' by the assessor is valued at 50% of the standard per-acre value.

Public/Municipal Benefits:
Land is preserved under well-defined management guidelines either permanently or for a known length of time.

Incentive Budget:
Conservation easements are usually managed by an independent entity and are funded internally or through targeted grants, so this incentive has no direct cost to the city or other agency. Large-scale guidelines like the suitability or g.i. map and resultant efforts by the city or other agency can help focus the actions of multiple agencies in pursuing conservation agreements incrementally in a large scale context.

Code Exceptions

Certain code variances such as a density bonus, setback variance, or development rights transfer could be instituted to facilitate appropriate development based on the suitability map location. As mentioned above this only becomes a viable option with well developed codes and fairly strict development regulations.

For example, a density bonus can be offered to encourage ¼-acre cluster development with open space and an overall average density of one unit per acre, only if code already requires that lots be a minimum size of one acre or more. Development rights transfers and in-kind off-site wetland mitigation can only be offered if wetlands are strictly prohibited from development.

Many municipalities allow code exceptions or variances during permitting when a developer/builder does something that specifically limits the impact of their development, such as stormwater management. If a developer builds a green roof, or other element that reduces stormwater infrastructure impacts they may be allowed to increase the density/sq ft. of development on the lot or reduce the standard structural stormwater control measures. The reasoning is that the mitigated stormwater results in a development

that, though larger, is less impactful on infrastructure that the standard development.

Larger municipalities allow for development rights transfers that permit a lot to be developed at a higher density or a different use than zoned, by trading the developability of another lot. In this way, it is possible for a municipality to redirect development density on a city-wide scale rather than within an individual parcel. In general, transfer lots can be adjacent, or can be spatially removed. This technique is usually used to direct development to a denser core area, and to consolidate dedicated public open space in the most suitable areas.

Examples:
Portland allows for a height variance and a density bonus if a green roof is installed on a building to manage stormwater runoff.

San Francisco and New York allow building setback exceptions on downtown lots if an area of open space is developed for public use on the property, resulting in many pocket plazas.

In Seattle the new Olympic Sculpture Park was created in part as a result of a Transfer of Development Rights (TDR).

In Homer with current codes, some exceptions, variances or small-scale TDRs may be established around parking and stormwater requirements, or wetland and drainage setbacks. Currently, density bonuses are not practical except perhaps on a very small scale (cluster-cottages).

Public/Municipal Benefits:
The encouragement of such variances can reduce infrastructure costs such as stormwater management and create a more compact, efficient utility network, while also encouraging (infill) development within the city and in appropriate locations. This can encourage a balance of dense development and open space. And can also result in increased tax revenue and reduced service costs.

Incentive Budget:
Code exceptions require limited additional management and review time. Estimated future savings in infrastructure costs and potential increased revenues from higher core densities and property values should easily offset this cost.

Review of Public/Municipal Benefits and Resultant Incentive 'Budget':

According to quantitative calculations and the general trends appearing in a number of qualitative studies, it is likely that the City could benefit from the above incentive efforts in a number of ways:

- positive publicity for a sensitive development practice,
- protected views,
- trails and recreation opportunities and abundant wildlife,
- higher real-estate values,
- better quality of life,
- increased desirability as a business location,
- increased tourism and recreation expenditures,
- higher tax revenues,
- lower infrastructure construction and operating costs
- streamlined permitting process (where applicable)
- possible excess funds from managed loan fund program

Studies have shown that there are increased local spending on recreation related activities form the purchase of equipment like running shoes, bicycles, skis, binoculars, meals, gas, to use trails and natural areas for active and passive recreation such as jogging, skiing, bird watching, etc.

Studies have shown that tax revenue: expenditure ratios show that natural areas, agricultural lands and open space have much higher revenue to expenditure ratio (COCS studies).

- Residential development is on average $1.00 revenue for every $1.15-1.25 of expenditure
- Commercial/industrial is $1.00 revenue for every $0.70 expenditure
- Ag and open space $1.00 revenue for every $0.35-0.54 expenditure

The 'budget' resulting from the above benefits should be considered as funding for the active incentives to be offered to property owners for their cooperation with the City's final Suitable Landscapes Management Plan. In cases where property owners would not necessarily have a sufficient *passive* incentive (see above) to comply with the larger plan, the City or another agency should use a portion of this 'budget' to incentivize compliance.

Other Possible Incentives Being Looked into:

Reduced insurance costs

There are a variety of programs to reduce insurance costs though both federal and private insuring agencies for sustainable development. Basically sustainable development reduces the possibility of infrastructure and natural hazards such as floods, landslides, fires, and blackouts, and therefore reduces the risk of payout and mitigation. Some programs in existence are offered through FEMA, Fireman's Fund, etc.

Scenic Byways Grants and Technical Assistance

The following are projects that are eligible for Federal assistance:

- An activity related to the planning, design, or development of a State or Indian tribe scenic byway program,
- Development and implementation of a corridor management plan to maintain the scenic, historical, recreational, cultural, natural, and archaeological characteristics of a byway corridor while providing for accommodation of increased tourism and development of related amenities,
- Safety improvements to a State scenic byway, Indian tribe scenic byway, National Scenic Byway, All American Road, or one of America's Byways to the extent that the improvements are necessary to accommodate increased traffic and changes in the types of vehicles using the highway as a result of the designation as a State scenic byway, Indian tribe scenic byway, National Scenic Byway, All American Road, or one of America's Byways,
- Construction along a scenic byway of a facility for pedestrians and bicyclists, rest area, turnout, highway shoulder improvement, overlook, or interpretive facility,
- An improvement to a scenic byway that will enhance access to an area for the purpose of recreation, including water related recreation. Protection of scenic, historical, recreational, cultural, natural, and archaeological resources in an area adjacent to a scenic byway,
- Development and provision of tourist information to the public, including interpretive information about a scenic byway,
- Development and implementation of a scenic byway marketing program.
- http://www.bywaysonline.org/grants/

Conservation Reserve Program

The Conservation Reserve Program (CRP) is a voluntary program for agricultural landowners. Through CRP, one can receive annual rental payments and cost-share assistance to establish long-term, resource conserving covers on eligible farmland. www.cfda.gov (Program Number 10.069)

Coastal Program

The U.S. Fish and Wildlife Service (FWS) Coastal Program works to conserve healthy coastal habitats on public or private land for the benefit of fish, wildlife, and people in 22 specific coastal areas. The program forms cooperative partnerships designed to

- protect costal habitats by providing technical assistance for conservation easements and acquisitions;

- restore coastal wetlands, uplands, and riparian areas; and
- remove barriers to fish passage in coastal watersheds and estuaries.

Program biologists provide restoration expertise and financial assistance to federal and state agencies, local and tribal governments, businesses, private landowners, and conservation organizations such as local land trusts and watershed councils. www.fws.gov/coastal/CoastalProgram/

Conservation Security Program

The Conservation Security Program (CSP) is a voluntary conservation program that supports ongoing stewardship of private lands by providing payment for maintaining and enhancing natural resources. CSP identifies and rewards those farmers and ranchers who are meeting the highest standards of conservation and environmental management on their operations. www.nrcs.usda.gov/programs/csp/

Five-Star Restoration Program

The EPA supports the Five-Star Restoration Program by providing funds to the National Fish and Wildlife Foundation and its partners, the National Association of Counties, NOAA's Community-based Restoration Program and the Wildlife Habitat Council. These groups then make sub-grants to support community-based wetland and riparian restoration projects. Competitive projects will have a strong on-the-ground habitat restoration component that provides long-term ecological, educational, and/or socioeconomic benefits to the people and their community. Preference will be given to projects that are part of a larger watershed or community stewardship effort and include a description of long-term management activities. Projects must involve contributions from multiple and diverse partners, including citizen volunteer organizations, corporations, private landowners, local conservation organizations, youth groups, charitable foundations, and other federal, state, and tribal agencies and local governments. Each project would ideally involve at least five partners who are expected to contribute funding, land, technical assistance, workforce support, or other in-kind services that are equivalent to the federal contribution. www.epa.gov/owow/wetlands/restore/5star/

Nonpoint Source Implementation Grants (319 Program)

Through its 319 program, EPA provides formula grants to the states and tribes to implement nonpoint source projects and programs in accordance with section 319 of the Clean Water Act (CWA). Nonpoint source pollution reduction projects can be used to protect source water areas and the general quality of water resources in a watershed. Examples of previously funded projects include installation of best management practices (BMPs) for animal waste; design and implementation of BMP systems for stream, lake, and estuary watersheds; basin-wide landowner education programs; and lake projects previously funded under the CWA section 314 Clean Lakes Program. http://cfpub.epa.gov/fedfund/program.cfm?prog_num=44

North American Wetlands Conservation Act Grants Program

The U.S. Fish and Wildlife Service's Division of Bird Habitat Conservation administers this matching grants program to carry out wetlands and associated uplands conservation projects in the United States, Canada, and

Mexico. Grant requests must be matched by a partnership with nonfederal funds at a minimum 1:1 ratio. Conservation activities supported by the Act in the United States and Canada include habitat protection, restoration, and enhancement. Mexican partnerships may also develop training, educational, and management programs and conduct sustainable-use studies. Project proposals must meet certain biological criteria established under the Act. Visit the program web site for more information. (Click on the hyperlinked program name to see the listing for "Primary Internet".) http://birdhabitat.fws.gov

Partners for Fish and Wildlife Program

The Partners for Fish and Wildlife Program provides technical and financial assistance to private landowners to restore fish and wildlife habitats on their lands. Since 1987, the program has partnered with more than 37,700 landowners to restore 765,400 acres of wetlands; over 1.9 million acres of grasslands and other upland habitats; and 6,560 miles of in-stream and streamside habitat. In addition, the program has reopened stream habitat for fish and other aquatic species by removing barriers to passage. http://www.fws.gov/partners

Public Works and Development Facilities Program

This program provides assistance to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term, private sector jobs. Among the types of projects funded are water and sewer facilities, primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; business incubator facilities; technology infrastructure; sustainable development activities; export programs; brownfields redevelopment; aquaculture facilities; and other infrastructure projects. Specific activities may include demolition, renovation, and construction of public facilities; provision of water or sewer infrastructure; or the development of stormwater control mechanisms (e.g., a retention pond) as part of an industrial park or other eligible project.
http://www.eda.gov/InvestmentsGrants/Investments.xml

Wildlife Habitat Incentives Program

The Wildlife Habitat Incentives Program (WHIP) is a voluntary program for people who want to develop and improve wildlife habitat on private lands. It provides both technical assistance and cost sharing to help establish and improve fish and wildlife habitat. Participants work with USDA's Natural Resources Conservation Service to prepare a wildlife habitat development plan in consultation with a local conservation district. The plan describes the landowner's goals for improving wildlife habitat, includes a list of practices and a schedule for installing them, and details the steps necessary to maintain the habitat for the life of the agreement. www.nrcs.usda.gov/programs/whip/