

ZONING PRACTICE

Unique Insights | Innovative Approaches | Practical Solutions

Harvesting Benefits from Incentive Zoning



In this Issue: [Origins and Evolution of Incentive-Based Zoning](#) | [Administrative Adjustments](#) | [Specific-Benefit-Focused Incentives](#) | [Planned Development Modification Standards](#) | [Where It's Working](#) | [Conclusion](#)

Harvesting Benefits from Incentive Zoning

By Jackie Berg, AICP

Incentive-based zoning allows cities, towns, and counties to provide a carrot rather than a stick to the development community. Through incentive zoning regulations, local jurisdictions offer benefits to developers, such as increased density or building height, in exchange for development features that benefit the public good, such as public gathering spaces or affordable housing.

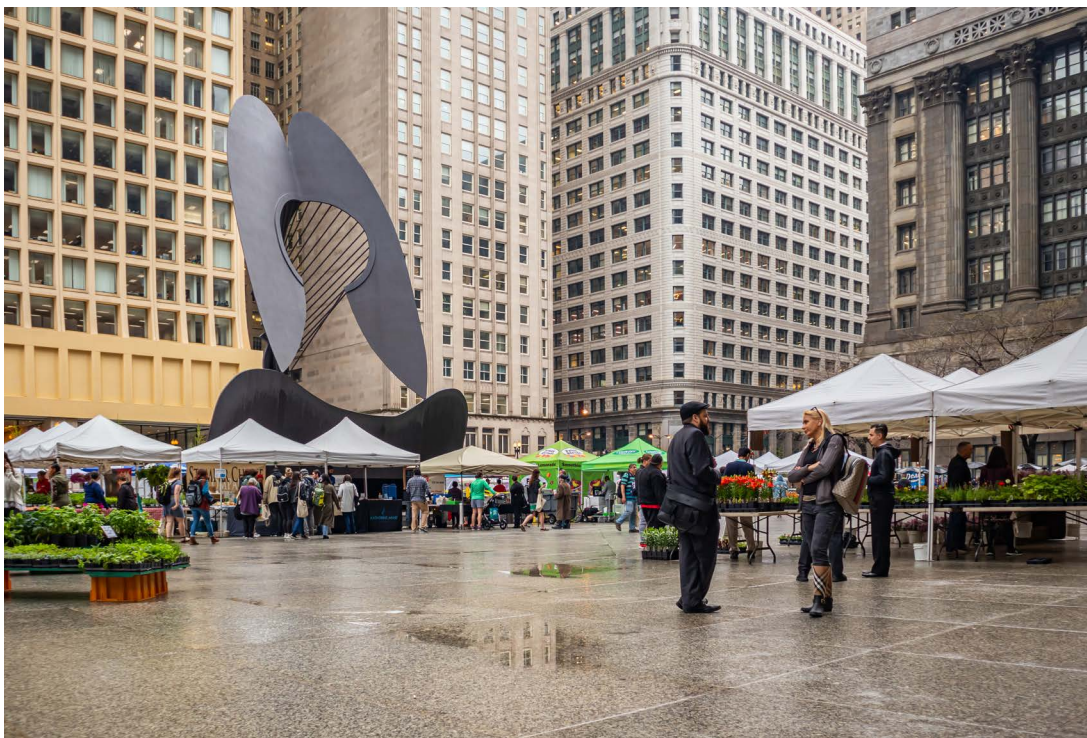
This issue of *Zoning Practice* explores how incentive-based zoning has evolved over the decades to become an increasingly effective tool in helping communities reach their planning goals and community vision. It begins with an overview of the origins and evolution of incentive-based zoning in the U.S. before presenting a modern, three-pronged approach, including administrative adjustments, specific-benefit-focused incentives, and planned unit developments.

Origins and Evolution of Incentive-Based Zoning

Several decades after the Supreme Court's decision in the *Village of Euclid v. Ambler Realty Company* case solidified the legality of zoning by finding it to be a valid exercise of the police power, municipalities began to realize that although the strict administration of zoning ordinances leads to more predictable and orderly development, it does not necessarily result in development that helps achieve the community's goals or realize its vision for the future.

For example, in the 1950s, Chicago experienced a boon of high-rise office development that was creating a "canyon effect" and leading to a lack of public spaces for social interaction and gathering. In response, the city adopted the country's first incentive-based zoning ordinance in 1957. This ordinance, referred

A farmers market in Chicago's Daley Plaza (Credit: Rawf8/iStock Editorial/Getty Images Plus)



to as a bonus system, allowed developers of office buildings in the Loop (i.e., the city's central business district) to increase allowed floor area ratio (FAR) from 16 to 30 in exchange for the provision of public plazas and arcades. The City of Chicago and Cook County, Illinois, were early users of this system, through the development of the originally entitled Chicago Civic Center, now known as the Richard J. Daley Center. The accompanying Daley Plaza courtyard is a highly utilized public space that hosts community events, like the annual Christkindlmarket, a seasonal farmers market, and free cultural programming.

Although Chicago was the first city to adopt incentive-based zoning, it certainly was not the last. New York City came next, introducing its zoning incentive program in 1961. Many other cities quickly followed suit, leading to updates to enabling legislation in states across the country, including California, Connecticut, Florida, Illinois, Maryland, Michigan, New Hampshire, New York, and Rhode Island. These new state laws expressly enabled local governments to include incentive-based standards in their zoning codes but did not necessarily limit the types of incentives that can be offered or the types of public benefits that incentives can work to achieve. Some states, like Florida ([§163.3202\(3\)](#)), tie their allowances for incentive-based zoning to a municipality's comprehensive plan. Others have more broadly worded legislation, like Maryland, New Hampshire, and New York. For example, New Hampshire's incentive zoning provisions authorize the enactment of 14 different types of incentive-based zoning, including standards that impact intensity and use and allow for planned unit developments and cluster developments ([§674:21](#)).

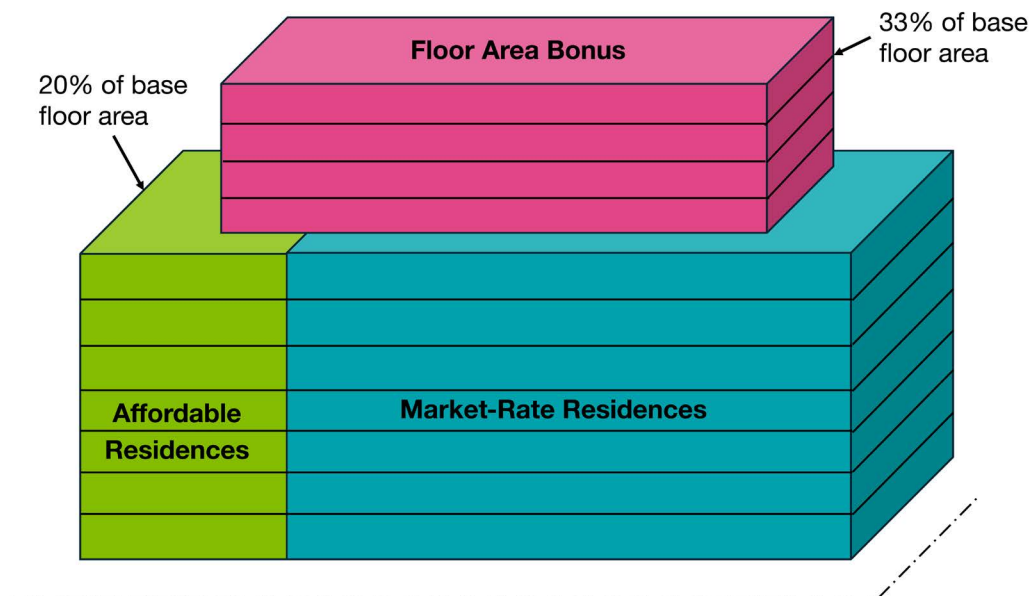
Today, incentive-based zoning is common practice and has evolved since the original ordinances were adopted nearly 70 years ago. For example, Chicago's bonus system has gone through two major iterations. The first update occurred in the early 2000s after the original received criticism as its primary goal was to encourage large-scale development rather than obtain public benefits and amenities.

An updated bonus system was adopted in 2004 and continued to allow additional FAR in exchange for a wider menu of amenities such as atriums, winter gardens, green roofs, and fountains. Over time, the public value of these amenities was brought into question, and the system was overhauled once again in 2016. The new Neighborhood Opportunity Bonus system still provides FAR increases, but rather than allowing them in exchange for public amenities, it allows them in exchange for a payment to the Neighborhood Opportunity Fund. Neighborhood Opportunity Fund dollars are then used to support projects along commercial corridors in historically underserved areas in the city ([§17-4-1000](#)).

Like Chicago, many other municipalities have updated and expanded their incentive-based zoning systems over the years. Most commonly, the specific public benefit achieved through incentive-based has evolved to include more than just public gathering space. In the 1980s, communities began to utilize incentive-based zoning for affordable and attainable housing, a common practice still today. Similarly, green infrastructure and other sustainability and resiliency focused incentives were introduced in the 2000s and continue to be prevalent across the country.

As zoning reform continues to dominate local conversations on planning and development, incentive-based zoning is more feasible and popular than ever.

As zoning reform continues to make headlines and dominate local conversations on planning and development, incentive-based zoning is more feasible and popular than ever. Modern zoning ordinances are taking a three-pronged approach that weaves incentives throughout standards and regulations, applies more objectivity, and allows for streamlined and transparent approvals. The three



A hypothetical incentive-based zoning system that offers bonus floor area for the provision of affordable housing (Credit: American Planning Association)

prongs of modern incentive-based zoning include:

1. Administrative adjustments
2. Specific-benefit-focused incentives
3. Planned development modification standards

Administrative Adjustments

Administrative adjustments provide flexibility in the application of zoning standards and regulations by providing professional planning staff with the power to approve minor deviations.

How It Works

Administrative adjustments work best when the standard to be deviated from is clear and objective and when professional planning staff have a set of objective criteria to use in determining whether to approve a request. Objectivity in the standards and review criteria ensures that planning staff avoid the appearance of making arbitrary or capricious decisions and leaves discretionary decision-making to elected and appointed bodies.

A good formula to ensure objectivity in review criteria is to utilize if-then statements. For example, if a development is located within a quarter mile of a transit stop, then a maximum of 20 percent of the required parking can be adjusted. To test

whether a review criterion is truly objective, ask multiple planners to interpret the same draft language individually. If they all come back with the same answer, the criteria are objective. If their interpretations differ, take the language back to the drawing board for further refinement.

For a community interested in establishing incentive-based zoning for the first time, a good place to start is by introducing administrative modifications that work to resolve existing issues and pain points in the approval process. Are there common variance requests that are consistently approved without much discussion from the zoning board of adjustment or equivalent body? These topics are low-hanging fruit for administrative modifications as they can help to cut down on the number of zoning board meeting agenda items (winning the support of the appointed officials) and reduce the time and cost of receiving a variance approval (garnering support from residents and property owners). For example, the Willowbrook, Illinois, Plan Commission received many variance requests to increase rear yard fence height to eight feet by residents whose property backs up to a major arterial road. The commission consistently approved the request, so as a part of a larger code overhaul, the village introduced an administrative modification allowance in these scenarios ([§9-5-05\(D\)](#)).

What It Does Best

Administrative adjustments help to avoid and minimize variance requests, especially those that do not meet the hardship threshold. Continuing with the example administrative adjustment described above, there is little to no way an applicant could prove hardship for a reduction in required minimum parking, and therefore a board of adjustment or other body should not grant a variance for that request. However, in many communities a variance is the only tool available to approve deviations from the code that make sense and that further the community's goals, such as improving transit ridership and minimizing off-street parking areas. By utilizing variances for this type of approval, a community is setting a precedent for future decisions and may be opening themselves up to legal action when denying a variance because it does not meet hardship criteria in the future.

Administrative adjustments help to avoid and minimize variance requests, especially those that do not meet the hardship threshold.

Administrative adjustments are also a helpful way to incentivize reinvestment. Often, standards like minimum parking requirements can pose a barrier to new uses occupying existing buildings if the site cannot accommodate an increase in the number of parking spaces required. By allowing administrative adjustments in specified scenarios, the community can accommodate the new use, while not overburdening on street parking or neighboring uses with parking spillover.

Where It's Working

In recent years, many communities of all shapes and sizes across the country have amended their zoning regulations to allow for administrative adjustments, including but certainly not limited to:

- Annapolis, Maryland ([§21.18](#))
- Charlotte, North Carolina ([§37.4](#))
- Derby, Kansas ([Appendix B §1005](#))
- Escondido, California ([§33-1221](#))
- Farmington, New Mexico ([§8.13](#))
- Gardena, California ([§18.50](#))
- Issaquah, Washington ([§18.202.080](#))
- Jackson, Wyoming ([§8.8.2](#))
- La Grange, Illinois ([§14-701 et seq.](#))
- Milton, Florida ([§3.2.C](#))
- Missoula, Montana ([§20.85.110](#))
- North Bay Village, Florida ([§7.6](#))
- Pompano Beach, Florida ([§155.2421](#))
- Puyallup, Washington ([§20.86](#))
- Rockville, Maryland ([§25.06.05](#))
- Tulsa, Oklahoma ([§70.100](#))
- Villa Rica, Georgia ([§11.08](#))
- Westminster, Maryland ([§164-158.1](#))
- Wichita, Kansas ([§V.1](#))
- Yorba Linda, California ([§18.38.070](#))

Although no two municipalities allow for the exact same types and amounts of administrative adjustments, key themes are present across many communities' approaches. First, many communities allow administrative adjustments to standards where a community may not be comfortable adjusting requirements to meet current best practices.

For example, eliminating minimum parking requirements has been considered a best practice in planning for many years, with hard evidence to support its benefits. However, many communities are not comfortable with completely eliminating parking requirements due to car reliance and the idea that developers, if not required, will not provide parking that a use actually demands. To counter this, municipalities often adopt administrative adjustments to minimum parking requirements under specific and broadly accepted circumstances.

To illustrate, when Bloomington, Illinois, rewrote its zoning code in 2019, it lowered overall minimum parking requirements and adopted a table of allowed adjustments that can be approved by the city's community and economic development director ([§44-1209](#)). Allowed adjustments account for proximity to transit, access to a continuous sidewalk system, and availability of public and on-street parking.



North Main Street in downtown Bloomington, Illinois (Credit: [Randy von Liski/Flickr](#))

Other municipalities are considering adopting expanded allowances for administrative adjustments to required parking to include exceptions that help to incentivize development that meets other community goals. For example, Eau Claire, Wisconsin's [draft land development ordinance](#) includes proposed allowances for administrative adjustments to minimum parking requirements in order to preserve high-quality and heritage trees and encourage affordable housing and dwellings that meet universal design principles. These allowances tie directly to the city's [comprehensive plan](#), which includes tree canopy preservation and the provision of affordable and inclusive housing as key goals.

Specific-Benefit-Focused Incentives

Specific-benefit-focused zoning incentives harken back to the early days of incentive-based zoning, where additional building height and floor area ratio could be approved in exchange for public amenities and open space. Modern approaches to specific-benefit-focused zoning

incentives include an expanded list of benefits, such as attainable and affordable housing or commercial space, commercial retrofits, parks and open space, green infrastructure, renewable energy, sustainable design, public art, community gardens, structured parking, and much more.

How It Works

Specific-benefit-focused incentives commonly offer increased density, reduction in site development standards, deviations to building design standards, or reductions in required parking in exchange for the provision of the specific benefit. These types of incentives often receive criticism from residents as unnecessary or undeserved concessions made to developers if the specific benefit is not adequately required or protected for the long term. Conversely, developers often express that the incentives do not go far enough to make the provision of the benefit financially feasible.

To ensure that specific-benefit-focused zoning incentives are justified and impactful, communities should conduct a feasibility study prior to adoption. A feasibility study tests regulatory approaches

in a pro-forma-based analysis to provide insight into whether they adequately balance the provision of the benefit with the cost to developers. Each specific-benefit-focused zoning incentive would have its own approach to a feasibility study, but for example, to begin an affordable housing incentive feasibility study, a high-level market assessment should be conducted. This will help to establish a baseline for rental rates and construction costs for various housing types. These baseline numbers will then be used as inputs in the pro-forma. Then, the baseline pro-forma should be tested using various zoning incentives, like different levels of increased density, reductions to different site development standards, deviations to various building design standards, and reductions in required parking amounts and formats (e.g., surface lots, parking decks, and underground parking). The results of the tests will reveal the degree of incentive or combination of incentives needed to make true, deed-restricted, affordability financially feasible.

To implement a more robust incentive-based zoning system like specific-benefit-focused incentives, an equally robust public process is needed.

To implement a more robust incentive-based zoning system like specific-benefit-focused incentives, an equally robust public process is needed. Conducting a feasibility analysis is no small task. Extensive community education and engagement are necessary to fight misconceptions and garner support for changes. One strategy to help make difficult zoning concepts more accessible to the average resident is to rely on visualizations. Tools like Esri's ArcGIS Urban excel in testing and visualizing alternative regulatory approaches, allowing the community to see how different regulations and standards could shape future development. By creating baseline models and simulating alternate scenarios, the platform provides a clear, visual comparison of the potential impacts of each approach. This helps in

making informed decisions by illustrating how changes in zoning could affect community character, density, public spaces, and overall urban form. Integration with tools like CityEngine, SketchUp, and Rhino enhances this capability, offering detailed, realistic simulations that are easily understandable by both planners and the public.

What It Does Best

As the name of the approach suggests, specific-benefit-focused incentives help a community achieve specific goals. To ensure a strong legal standing for these types of incentives, it is best that a community's comprehensive plan or other adopted plan or policy document discusses the goal and the perceived benefits to the community.

Where It's Working

Specific-benefit-focused incentives are an increasingly popular way communities across the country are working to achieve their plan goals through zoning.

Jenks, Oklahoma, a suburb of Tulsa, has a zoning incentive program that specifically focuses on the preservation of sensitive natural areas by allowing cluster development in its single-family and two-family zoning districts ([§16-8-9](#)). Much of the remaining undeveloped land in Jenks is within the floodplain of Polecat Creek, a tributary of the Arkansas River. To offset these impacts, a development can qualify for cluster development if it places land located in a special flood hazard area in a conservation easement. To incentivize this, the dimensional standards, including lot area and width, of the district can be reduced by up to 30 percent, while the overall maximum density of the district is maintained. To further incentivize the preservation of sensitive natural areas, a density bonus of up to 30 percent can be approved and must be directly tied to the amount of wetlands, native landscapes, mature tree stands, prime farmland, or critical habitat this is placed in a conservation easement.

Portland, Oregon, has a specific-benefit-focused incentive program available in its commercial districts that includes a menu of benefits that are incentivized by allowing an increase in maximum building height and floor area ratio ([§33.130.212](#)).

The specific benefits include the provision of affordable commercial space on site, payment to the city's Affordable Commercial Space Fund, inclusionary housing requirements (whether required to be met or voluntarily met), and the provision of a combination of affordable housing, publicly accessible plaza or park space, and energy-efficient buildings. The three types of bonus options can be stacked in a single development, with some restrictions. For development without any residential use, and for mixed-use development that doesn't trigger or voluntarily provide inclusionary housing units, the affordable commercial space bonus option must be used up to the maximum increment allowed for the zone before any other bonus is allowed.

Redmond, Washington, also has a menu-based approach to its specific benefit focused incentive program, available in the Marymoor Design District ([§21.13.220](#)). Their approach encourages features that implement subarea goals and respond to needs for public amenities and environmental sustainability, including the provision of buildings that meet LEED or equivalent certification system standards, community gardens meeting specified standards, public art or a fee in

lieu of equivalent to one percent of total construction costs, structured parking for at least half of required on-site parking, and others. Specific features are allowed in delineated performance areas to ensure compatibility with the district. Additionally, each feature is tied to a specific incentive such as additional building height or stories and additional floor area ratio.

Planned Development Modification Standards

Planned developments, or planned unit developments, are a zoning tool that allows appointed and elected officials to approve deviations from zoning requirements and standards or the creation of site-specific zoning regulations.

How It Works

Although in theory, deviations or site-specific zoning regulations are meant to be approved only in exchange for tangible benefits to the community, many municipalities overly rely on planned developments to approve development that is not permitted by an outdated zoning code. An overreliance on planned developments is problematic. First, it can erode



A rendering of the future vision for the Marymoor Design District in Redmond, Washington (Credit: City of Redmond)

public confidence in zoning by creating the perception of an “anything goes” political environment. This is also frustrating to developers who are required to spend significant time and investment up front without any certainty of whether a project can or will be approved. Excessive planned developments are also an administrative burden, requiring planning staff to interpret and administer not just one zoning ordinance, but multiple.

With all that said, planned developments remain a useful tool for a municipality to have in their zoning toolbox. However, to ensure planned developments truly result in tangible benefits to the community, a major overhaul of typical planned development processes is needed.

To effectively overhaul a planned development process, it is often necessary to comprehensively update or rewrite a zoning ordinance, so that by-right standards are aligned with comprehensive or equivalent plans, allow for market-feasible development, and are clear and objective. This often includes updates to bulk and dimensional standards like lot area, lot width, and yard setbacks, the introduction of modern uses and an increased allowance for mixed-use development, and the establishment of improved planned development processes.

For instance, two tiers of planned developments may be needed. A minor planned development can be used to achieve high-quality, creative, and innovative land planning and site design that furthers the objectives of a community, but which cannot be achieved through the strict application of the development and design standards of the code. A major planned development can provide opportunities for large-scale, multi-phase developments that promote creative and innovative design. If there are alternative options to development approval outside of the planned development and clear planned development processes are established, residents and developers will have more fair certainty and the municipality can require more in exchange for deviations and modifications from zoning regulations and standards.

A minor planned development is typically applied as an overlay district and

provides a process by which modifications to base district development and design standards may be approved that meet the needs and character of the site-specific features and context of the district. In contrast, a major planned development is typically applied as a base district and allows for the development of site-specific zoning regulations in exchange for the provision of measurable benefits to the community, such as affordable housing, accessible design, and environmentally sustainable development.

If there are alternative options to development approval outside of the planned development and clear planned development processes are established, residents and developers will have more fair certainty and the municipality can require more in exchange for deviations and modifications from zoning regulations and standards.

To provide clarity on the types of tangible benefits that qualify a planned development for deviations and modifications from zoning regulations and standards, modification standards (site development allowances) should be established. Modification standards would apply on top of general standards of review for a planned development in totality and should be utilized as justification or in exchange for site development allowances.

Where It's Working

Cañon City, Colorado, has a two-tier planned development system, including a minor planned development overlay district and major planned development base district. Both approaches use the following modification standards to evaluate the quality of amenities, benefits to the community, and design and desirability of a proposed planned development ([§17.08.050](#)):



The former Holy Cross Abbey in Cañon City, Colorado, the focal point of a 187-acre planned development that will offer various community benefits (Credit: chapin31/iStock Editorial/Getty Images Plus)

1. **Public Gathering Space.** Proportional public gathering space is provided and activated, is integrated into the overall design of the planned development, and has a direct functional or visual relationship to the main building(s) and is not of an isolated or leftover character.
2. **Sustainable Design.** Various methods of site design and building location, architectural design of individual buildings, and landscaping design capable of reducing energy consumption and improving onsite stormwater management are utilized.
3. **Landscape Conservation and Visual Enhancement.** Existing landscape, trees, and natural features such as rivers, streams, ponds, groves, and landforms are preserved and enhanced.
4. **Mix of Uses.** A mix of nonresidential uses and a mix of housing types is provided.
5. **Affordability.** Residential dwellings that are deed restricted for households that make less than or equal to eighty (80) percent of the area median income are provided.
6. **Universal Design.** Buildings designed with accessible features such as level access from the street and/or zero entry thresholds are provided.
7. **High Quality Building Materials.** Time and weather tested building materials that are of a higher quality than what is otherwise required are utilized.

In 2021, the city officials used the major planned development process to approve the “Cañon City Commons at the Abbey Planned Development.” This 187-acre development site incorporates 25 internal land use planning areas, 14 of which are designated for residential development, including seven different

types and densities of housing, resulting in a maximum of 852 total residential units. The remaining 11 internal land use areas are dedicated to commercial office, retail and restaurant use, events/conference center use, recreational/open space use, and preservation of the existing winery.

Conclusion

Incentive-based zoning is a tested way to improve zoning and help a community reach its policy goals. Modern iterations, including administrative modifications, specific-benefit-focused incentives, and planned development modification standards, build and improve upon historic incentive-based zoning ordinances like those used in the 1950s and 60s in Chicago and New York City. The incentive-based zoning approaches highlighted above require varying levels of effort to get adopted, with administrative modifications on the lower end and planned development modification standards on the higher end. In addition to the up-front work required by planners to develop these incentives, focus also needs to be given to fostering support for the approaches from elected and appointed officials, residents, and developers.

About the Author



Jackie Berg, AICP, is a Practice Lead with Houseal Lavigne. She works with municipalities to develop actionable plans that reflect the vision and goals of the community and to update their zoning, sign, and

subdivision ordinances to ensure they are useful tools in plan implementation. Her experience with both planning and zoning grounds all her work in the realities of the market and effectively balances community aspirations with what it takes to get good development



American Planning Association

Creating Great Communities for All

ZONING PRACTICE MAY 2025 | VOL. 42, NO. 5. Zoning Practice (ISSN 1548-0135) is a monthly publication of the American Planning Association. Joel Albizo, FASAE, CAE, Chief Executive Officer; Petra Hurtado, PhD, Chief Foresight and Knowledge Officer; David Morley, AICP, Editor; Scarlet Andrzejczak, Assistant Editor. Subscriptions are available for \$65 (individuals) and \$120 (organizations). © 2025 by the American Planning Association, 200 E. Randolph St., Suite 6900, Chicago, IL 60601-6909; planning.org. All rights reserved. No part of this publication may be reproduced or utilized in any form or by any means without permission in writing from APA.