



SAVANNAH DEVELOPMENT  
AND RENEWAL AUTHORITY



# INCENTIVIZING RESIDENTIAL DEVELOPMENT: A PROPOSAL

FEBRUARY 2017

# INTRODUCTION

In recent years, development projects that have taken place in downtown Savannah have been increasingly characterized by lodging uses. In the Landmark Historic District in particular, the majority of projects involving the rehabilitation or new construction of larger buildings have produced hotels rather than multi-family residences. While these large-scale hotel projects have been a focal point for discussion on this issue, the burgeoning vacation-rental industry has also been a factor in the growth of lodging uses in Savannah. As the market demand for vacation rentals grows, the supply and prices of rental units have shifted toward accommodating visitors rather than residents throughout an expanding area of downtown.

These trends toward lodging development have not only generated community discussion on how to better balance residential and lodging uses, but have also revealed certain zoning ordinances and other policies currently in place that disincentivize residential and mixed-use projects. While lodging uses produce substantial revenue for the City, it is important to consider the comprehensive value of residential development in an urban context like Savannah.

## Why are owner-occupied and long-term rental residences important in communities like downtown Savannah?

1. Ensure public safety, with regular eyes on the street and a more consistent occupancy
2. Foster a local culture and sense of place, which makes a city an attractive destination for visitors, businesses, and employers alike
3. Satisfy the needs of downtown workers and lower their transportation costs
4. Help Citywide infrastructure costs by keeping residents closer to employment opportunities
5. Diversify the tax base so that a city is not overly reliant on one economic sector. Having a substantial residential base can provide a hedge against declines in tourism or other cyclical forces.



# HOW HOTELS ARE INCENTIVIZED

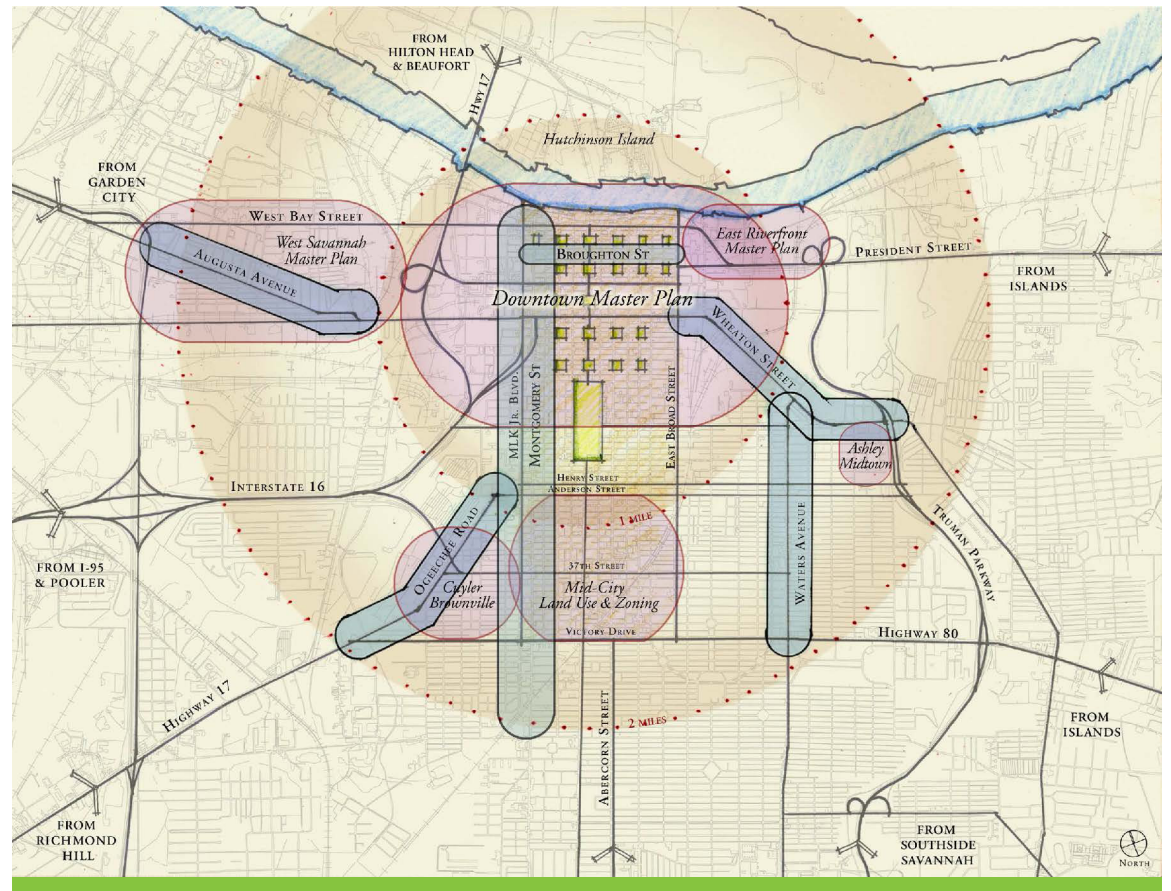
At present, the City's processes and zoning ordinances provide some **direct and subtle incentives** for development centered on lodging uses rather than residential or mixed-use projects. While the market for hotel and other lodging uses is no doubt strong, and likely to remain strong, these current practices make it less likely that parcels will be developed for residential uses now or in the future.

## ON RIGHT

Greater Downtown Development Plans

Source: Savannah Development & Renewal Authority

See the Appendix for detailed maps of the current zoning districts referenced in this proposal.





# How Hotels are Incentivized

## DIRECT INCENTIVES

### Parking Requirements

- More parking is required of residential development, and reductions are easier to obtain for lodging uses. The base standard for all zoning districts requires 1 parking space per guest room, and a vague standard in the ordinance allows a 25% further reduction. Meanwhile, the base standard for residential development starts at 1.25 spaces per dwelling unit and rises to 2.0 per dwelling unit.
- These standards are arbitrary, and based upon assumptions that cannot be verified. For example, a one-bedroom unit is required to have 1.5 parking spaces, but it is entirely possible for a one-bedroom unit to range in size from 400 square feet to 2,000 square feet. Likewise, a guest room or suite in a hotel could range in size from 200 square feet to 1,000 square feet, and have the same parking requirement.
- While reductions in parking requirements could be more generous for all uses, certain districts would be exceptions.
  - a. The B-C-1 and B-B districts, which comprise much of the downtown area north of Oglethorpe Avenue, have no requirement for off-street parking.
  - b. Most of the RIP districts allow for a reduction of the parking requirement for residential development such that one space is required per unit, regardless of unit type or size.

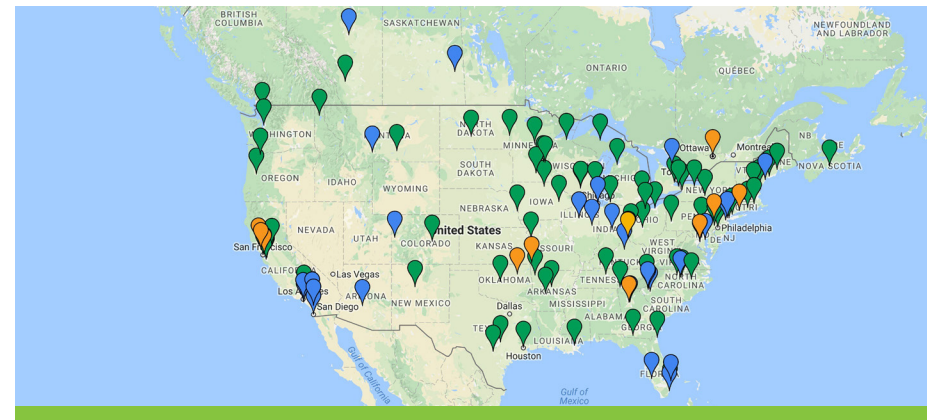
### Why this Matters

Parking is very expensive to build, especially on urban sites where land is scarce. Requiring on-site parking is a significant financial burden, and will thus shift the market towards uses that generate more income per square foot, such as lodging.

### Case Study

In December 2016, Buffalo, New York became the first city in the country to eliminate minimum parking requirements citywide. Its new Green Code requires a parking analysis for any project over 5,000 square feet. This analysis encompasses other forms of transportation, so that parking requirements adjust to multiple factors. Cities nationwide are embracing such parking policies as older generations of codes and ordinances are rewritten. Moreover, the elimination of minimum parking requirements stimulates development and makes residential and mixed-use projects more affordable for everyone.

- Parking minimums completely removed in  $\geq 1$  area of the city
- Parking minimums lowered or removed for certain uses
- Parking minimums currently being considered for policy change



Cities with Lowered or No Parking Minimums, 2015

Source: Strong Towns and Google Maps



# How Hotels are Incentivized

## DIRECT INCENTIVES

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### Restrictions on Residential Uses

- In certain districts, residential uses are not allowed, but lodging uses are. In particular, the zoning districts in which lodging but not residential uses are allowed include B-C, 2-B, 3-B, and P-B-G-2. According this greater scope to lodging uses inherently leads to a disparity in development patterns.
- These districts incorporate prime neighborhoods and sites for potential development in Savannah's urban core. District B-C is a citywide commercial district that is mostly intended for suburban-style commerce. However, some fairly large sections of downtown Savannah are zoned B-C. Meanwhile, districts 2-B and 3-B encompass the Victorian District. Zoning district P-B-G-2 applies to a few small but notable sites, such as along East Liberty Street near East Broad Street.

#### Why this Matters

To carry out residential projects in these zoning districts requires either changing the zoning district entirely or procuring a variance for each project. Both of these procedures represent a significant burden in terms of time, uncertainty, and expense. Many residential developers simply will not bother and will move on to other markets.

### Density & Lot Requirements

- In certain districts, density caps apply to residential but not lodging projects. In particular, the zoning districts in which residential but not lodging projects must adhere to density caps include B-C, B-C-1, and some R-B districts.
- Lot-area and lot-coverage requirements often apply to residential but not lodging uses, and strictly limit the density of residential development. These requirements were intended to apply to suburban-style development in Savannah. However, under the current zoning ordinance, such lot standards also apply to the city's urban neighborhoods—where square-footage restrictions often inhibit the development of affordable housing.

### Issues in Current Development Incentives

- Tax abatements for the creation of jobs in Enterprise and Opportunity Zones offer more of an incentive for lodging than residential uses. Residential uses generally do not create much on-site employment, whereas hotels and motels employ a substantial amount of staff members. Because the tax-abatement programs are measured in part by new employment, hotel developers can expect a much more generous tax credit than residential developers.
- Given the realities of job tax credits, developers of lodging projects are able to pay more for the same property than residential developers in those zones.
- For many years, the City has leased extensive space in City-owned garages for lodging uses. As a result, those garages are over-subscribed and more difficult to utilize for other uses, including office and residential. This method of leasing space is understandable given the demands of the local market over the last two decades, but other approaches are worth considering given the market and needs of today and in the future.



# How Hotels are Incentivized

## SUBTLE INCENTIVES

### Difficulties for Small-Scale Development

- Particularly in the RIP districts and districts south and east of downtown, smaller infill projects are more affected by the current processes and regulations than larger projects. For example, a Savannah developer wanting to construct a six-plex, much like what already exists on sites within the downtown area, would have to seek multiple variances or waivers for design features ranging from lot area and lot coverage to number of parking spaces.
- Larger projects can more easily sustain the time delay and upfront costs associated with regulations. However, smaller projects operate on thinner margins that essentially make these types of projects not worth the effort or uncertainty.

### ON RIGHT

Examples of small-scale projects in downtown Savannah

#### Why this Matters

The bulk of the residential stock in downtown Savannah is supplied by modest buildings on small lots, ranging from townhomes to two, four, six, or more apartments per building. Many opportunities still exist throughout greater downtown to continue to develop at this small scale, which is a time-proven and successful model. While Savannah will certainly see opportunities for new, larger buildings as well, in order to achieve overall residential density, it is critical to make it simpler and easier to build new buildings in character with what already exists.



# SPECIFIC INCENTIVE APPROACHES

While the previous analysis supplies an overview on the current policies and processes that directly and indirectly incentivize lodging development, the following pages offer specific ideas on how to create more residential supply.

In general, SDRA has discerned that there are two ways to encourage residential development:



**LEVEL THE  
PLAYING  
FIELD**



**PROVIDE  
PROACTIVE  
INCENTIVES**

To level the playing field, the main principle is that basic, by-right zoning should not create an incentive for one use over another. The market will ultimately determine what development projects are feasible, and the city's zoning ordinance should be flexible enough in order to equally accommodate all types of uses in Savannah's urban context. Regulations should be geared toward basic urban design practices and current architectural design standards.

Once the playing field has been leveled, and unintended incentives for lodging uses have been removed, the next step is to create proactive incentives for what is desired. In this case, the discussion has been about incentivizing more urban residential uses, from townhouses to apartment buildings to condominiums. The recommended strategies are not all-inclusive, but they provide some guidance on how to encourage more residences downtown.



# LEVEL THE PLAYING FIELD



### 1. For Small-Scale Projects

1. Remove minimum lot-area and lot-width, building-coverage, density, and parking requirements in RIP-A and -B or all RIP districts. In lieu of parking requirements, the City could require a project fee to be allocated to a municipal mobility fund. This fund could be directed toward financing mobility and transportation improvements throughout the given district.
2. Convert the B-C district area that is located north of Gwinnett Street to B-C-1. The same requirements recommended for removal in the RIP districts should also be removed from this district, in addition to setbacks and height restrictions.
3. Convert the B-G district to B-C-1.
4. Convert the P-B-G-2 district to B-C-1.
5. Convert the R-B-C-1 district to B-C-1.

See the following pages for more information on the proposed mobility-fee program (1.1.) and similar policies enacted in other cities, and the proposed modifications to the B-C and B-C-1 zoning districts and height map (1.2. and 2.1.).

#### Why this Matters

The effect of these changes is that development projects would subsequently be regulated according to building height, parking location, and design (with Historic District Board of Review (HDBR) evaluation). If a building had four stories or a footprint of at least 9,000 square feet, it would fall under the development standards for large-scale development as defined by HDBR.

### 2. For Large-Scale Projects

1. Modify the height map to allow additional stories for residential and mixed-use projects in certain areas. In addition to affecting small-scale development, the proposed conversion of the B-C district north of Gwinnett Street to B-C-1 would have an impact on larger sites west of Martin Luther King, Jr. Boulevard. These areas comprise much of the land north of Jones Street, other than Yamacraw Village. Allowing additional height in this and other areas would create a significant incentive for larger residential development. For example, the height map could be altered to provide for six stories for all properties in the West Downtown URA, and ten stories along undeveloped areas of Liberty Street—on which three ten-story buildings already exist. Though limited to residential and mixed-use buildings, this provision would apply only to predetermined districts in Savannah in order to balance residential and lodging uses and ensure an adequate supply of housing across the downtown area.

### 3. For Areas South of the Landmark District

1. Convert the B-C district area that is located on the Martin Luther King, Jr. Boulevard corridor to TC-1.
2. Allow mixed-use buildings and all multi-family residential building types in 1-, 2-, and 3-B districts. Alternatively, these three districts could be converted to TC-1 and TC-2, per the proposed new zoning ordinances (NewZO).
3. Remove minimum lot-area, lot-coverage, and density requirements in TC-1 and TN-2 districts.
4. Allow a bonus story for residential uses in both TC districts.
5. Allow all multi-family residential building types in the R-4 district. The same requirements recommended for the TN-2 district should also be applied to this district, per NewZO.
6. Convert the R-B district to TC-1.





# LEVEL THE PLAYING FIELD: MOBILITY FEES



**SDRA recommends that we work together with developers to develop a mobility-fee policy that is equitable and transparent for all involved.**

Rather than stipulating a certain amount of parking, the City could charge a “mobility fee” for any new development in RIP-A and -B or all RIP districts. For example, the City could levy a one-time fee of \$5,000 per 1,000 square feet of floor area—determining the exact amount will require further study—to be allocated to a municipal mobility fund. The capital that would typically be directed toward constructing a parking lot would instead contribute to the City fund, which would finance mobility improvements such as sidewalks, bicycling infrastructure, shuttle routes and public-transit stations.

The parameters of the mobility fund would be adjusted to align with City priorities and development trends. Multiple cities and counties have considered or adopted similar policies to replace transportation requirements and fees with a more comprehensive mobility fee, including the cities of Kissimmee and Tallahassee and the counties of Hillsborough, Leon, Osceola, Pasco, and Sarasota in Florida. These mobility fees are often structured similarly to other impact fees assessed on new development. In most cases, “new development” is defined as any project that would require a site-plan review or building permit for construction, including new construction, rehabilitation, and additions.

As proposed for Savannah, existing mobility funds have been designed to provide for multimodal needs, particularly walking, cycling, and public transit. To that end, some municipalities have established that their mobility funds cannot be utilized for certain transportation projects, such as improvements to collector or arterial roadways. In addition, current mobility-fee policies typically recommend a reevaluation of the fee schedule and fund allocations at least every 3 years to address any changes as needed.

The implementation of mobility fees has been found to level the playing field between small- and large-scale development and increase the predictability, clarity, and efficiency of municipal permitting processes. Though these benefits reduce the time and expense of projects for local developers, many cities have added a small administration fee to their mobility-fee policies to account for the increased burden on City staff as a result of the new procedures. For example, as part of an initiative in partnership with the Urban Land Institute, Florida’s Pasco County has established a mobility fee with added administration fees of \$396 per residential permit, \$198 per non-residential permit, 2% for residential additions and remodels, and 1% for non-residential additions and remodels. Unlike the mobility fee, these administration fees represent a flat fee per building permit and are irrespective of floor area.

Other municipalities have provided discounts on mobility-fee rates and administration fees in order to incentivize certain types of development in specific zoning districts. For example, Osceola County provides a 50% discount to transit-oriented development and a 25% discount to mixed-use development. As part of its efforts to level the playing field for development, the City could consider a mobility fee with the potential for similar reductions for residential or mixed-use projects.



# LEVEL THE PLAYING FIELD: HEIGHT MAP

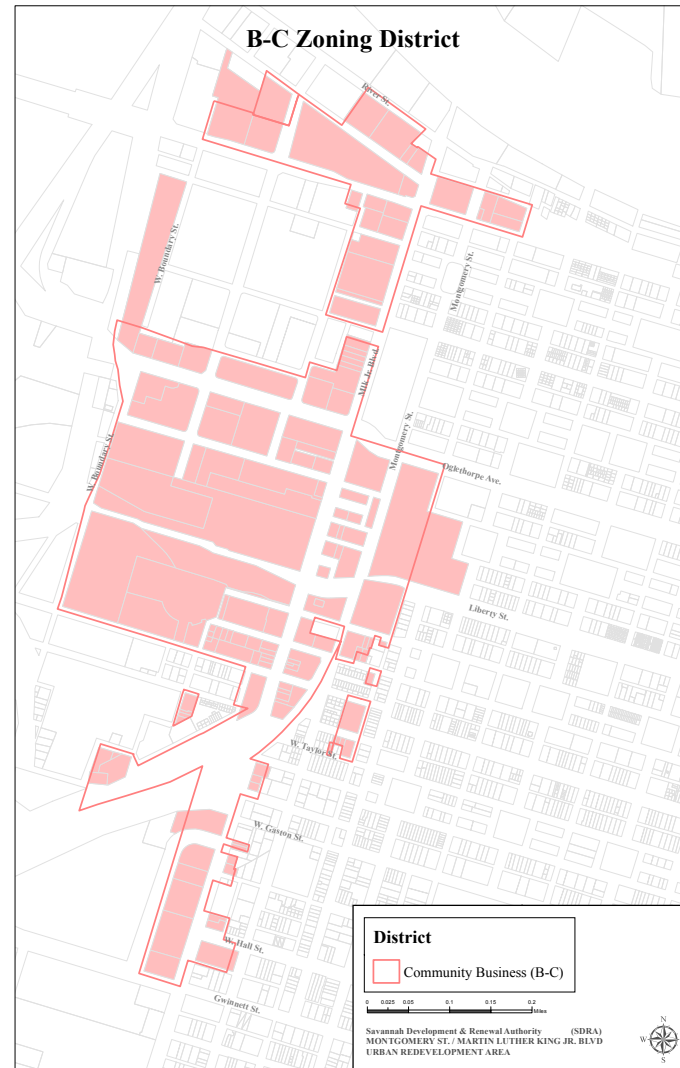


## ON RIGHT

The area of the B-C district proposed to be converted to B-C-1 and altered on the height map

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The current and proposed areas of the B-C-1 district and the areas recommended for additional stories on the height map (6 stories in the West Downtown URA and 10 stories on Liberty Street)



# PROVIDE PROACTIVE INCENTIVES



### 4. For All of Downtown Savannah

1. Consider a modification to how tap and utility fees and water rates are calculated in order not to disadvantage new residential development. In addition, the City could consider a waiver of fees such as those for building permits, taps and utilities, meters, and plan reviews for residential projects of 2 or more units.
2. Modify item 2 of the current bonus-story requirements. Section (n)(2) of the zoning ordinance indicates that an additional story may be granted for non-historic Large-Scale Development if “Affordable Housing, as defined and quantified by the City of Savannah, is provided within the development and so certified by the City Manager.” This clause should be amended to indicate more specific standards for affordable housing; for example, that the housing must be affordable to households at no more than 120% of AMI (Area Median Income). Item 2 could also be modified to stipulate that more than 50% of the building floor area must be for residential use. In addition, a removal of item 3 should be considered. This item indicates that a building may qualify for an additional story if “multiple ground floor active uses permitted in the base zoning district (including but not limited to retail, office, lobby, restaurant) span the length of the façade on all street fronting elevations...” Because having active uses on the ground floor is a feature generally required of development projects on major streets in downtown Savannah already, it might be appropriate to remove this particular item.
3. Add a clause to the bonus-story requirements that additional height will not be granted for lodging uses.
4. Grant a property tax freeze (for a predetermined period) if a new building is more than 50% residential and is affordable to households at no more than 120% of AMI. This tax freeze would carry a restriction on vacation-rental uses during the allotted period. The City could freeze City property taxes and work with the County and School District to freeze their portions as well.
5. Grant a ten-year tax freeze similar to the Enterprise Zone on for-sale residential buildings. This tax freeze would carry a restriction on vacation-rental uses during the ten-year period.
6. Provide gap financing through an incremental development loan fund administered by SDRA for residential projects of 2-12 units that are affordable to households at no more than 120% of AMI.

See the following pages for more information on the proposed incremental development loan fund (4.6.).

#### Why this Matters

Implementing these strategies will not significantly detract from the feasibility of lodging development downtown. Meanwhile, incentivizing residential uses not only provides greater means and opportunity to improve underutilized areas, but also addresses socioeconomic issues currently facing neighborhoods across the city. The 2016 Assessment of Fair Housing highlights the value of promoting residential development. The report points to several factors that have significantly contributed to the elevated poverty rates and lack of racial and socioeconomic diversity found in Savannah. These factors include “the displacement of residents due to gentrification, a lack of investment in impoverished neighborhoods, impediments to the mobility of residents, and the presence of deteriorated and abandoned properties.” Incentivizing residential development would be beneficial to all of those issues and to the communities affected by them.





# PROVIDE PROACTIVE INCENTIVES: SDRA LOAN FUND

The proposed incremental development loan fund would provide financing in order to close the funding gap needed to complete residential projects. The particulars of the loan fund have not yet been established, pending City Council approval of the reallocation of SDRA's Facade Improvement Program funds. The following description provides a foundation for further discussion and revision.

### Eligibility Requirements

- The project must be a residential development of 2-12 units that are affordable to households at no more than 120% of AMI.
- The developer must have secured ownership or control of the project site and commitments for no less than 75% of the necessary funding from reliable sources of capital. SDRA could also stipulate that the applicant provide at least 10% of the equity to value for the given project.
- The project must be financially feasible and otherwise viable for timely completion. Project costs, the owner's return on equity, and all other projections must be reasonable for the type of development proposed given the specific geographic and market conditions.

Similar to SDRA's current incentive programs, projects financed through the loan fund must also meet the design criteria established by SDRA, obtain all appropriate City permits, and secure approval from the Visual Compatibility Officer and/or the Historic Review Board. In addition, the City of Savannah and SDRA could determine target areas for residential development (such as the MLK/Montgomery Corridor), and either limit eligible projects to those areas or provide priority consideration to projects within those areas. Applications would be accepted and reviewed on a rolling basis.

### Funding Structure

Funds would be made available from the capital currently allocated to the SDRA Facade Improvement Program (FIP), which totals approximately \$700,000. SDRA could require an application fee such as \$200-\$500 or an origination fee equal to up to 1% of the loan amount. The origination fee would be required at closing and used to support program outreach and administration by SDRA staff.

The total available capital per project would vary based on determined need. SDRA would provide no more than 15% of the total development costs. SDRA could also stipulate a maximum amount in dollars. In addition, use of SDRA funds could be restricted to construction or rehabilitation costs (not soft costs).

SDRA funds for a given project would be reimbursed through payments toward a fixed-rate, low-interest loan with a term of a predetermined number of years. For example, the SDRA Sprinkler Cost Assistance Program offers loans with a fixed interest rate of 4% over an eight-year term. SDRA would require that loans be secured, such as by a mortgage on the land, and that the applicant submit a guarantee for repayment of the loan and timely completion of the project. SDRA could establish a period of time in which projects must be completed.





# PROVIDE PROACTIVE INCENTIVES: SDRA LOAN FUND



### Overlap with Savannah Affordable Housing Fund

The Savannah Affordable Housing Fund (SAHF) was established in 2011 to serve as a “complementary finance tool to allow for maximum flexibility and local control, leverage private and other investment, attract investors, fund construction and rehabilitation of housing, provide technical assistance to and provide capacity-building for local developers, and provide a revolving loan fund.” Thus, to some degree, the proposed SDRA fund and the SAHF overlap in purpose.

The SDRA fund and the SAHF differ in funding structure. The SAHF relies on contributions from banks, businesses, non-profits, and predominantly the City of Savannah to finance its revolving fund. From 2012 to 2016, the City of Savannah has invested \$800,000 in the SAHF, while the other aforementioned entities have collectively invested \$138,060 since 2014. As of 2017, the SAHF Advisory Committee is seeking annual SAHF deposits of at least \$200,000 from the City of Savannah.

In addition, the SDRA fund and the SAHF differ on the types of development or improvement that they incentivize. The SDRA fund would provide loans specifically for construction and rehabilitation costs, while the SAHF offers loans and grants for owner-occupied home improvements, construction of single-family detached dwellings or rental housing, down payments, and closing costs. Moreover, the SDRA fund will target small-scale multi-family and rental projects. This type of incremental development allows for a diversity of residential options to satisfy the growing demand for “missing middle” housing—duplexes, triplexes, fourplexes, and live-work and mixed-use buildings..

Furthermore, SDRA would provide additional oversight and expertise relevant to residential development as part of its administration of the loan fund. SDRA offers a comprehensive perspective on issues in urban planning and development. Therefore, it is uniquely positioned to evaluate and offer guidance on development projects intended for downtown Savannah. Through its review of these prospective projects, SDRA would ensure that multi-family residential development is appropriate in use, design, and community impact in the context of particular neighborhoods.



# STEPS FOR IMPLEMENTATION

## Level the Playing Field

INCENTIVE STRATEGY	LEVEL OF DIFFICULTY	ADDRESSED BY NEWZO
1.1. Removal of minimum lot-area and -width requirements in RIP-A and -B or all RIP districts	Easy	No
1.1. Removal of building-coverage requirements in RIP-A and -B or all RIP districts	Easy	No
1.1. Removal of density requirements in RIP-A and -B or all RIP districts	Easy	Yes
1.1. Removal of parking requirements in RIP-A and -B or all RIP districts; potential replacement with fee for municipal parking and mobility fund	Moderate	No
1.2. Conversion of B-C district area north of Gwinnett Street to B-C-1	Moderate	Somewhat
1.2. Removal of all requirements as recommended for RIP districts in current B-C district area north of Gwinnett Street	Moderate	No
1.2. Removal of setback and height requirements in current B-C district area north of Gwinnett Street	Moderate	Somewhat
1.3. Conversion of B-G district to B-C-1	Moderate	Somewhat
1.4. Conversion of P-B-G-2 district to B-C-1	Moderate	No
1.5. Conversion of R-B-C-1 district to B-C-1	Moderate	No
2.1. Modification of height map to allow additional stories for residential or mixed-use projects in West Downtown URA, on Liberty Street, and in other specific areas as deemed appropriate	Difficult	No



# STEPS FOR IMPLEMENTATION

## Level the Playing Field

INCENTIVE STRATEGY	LEVEL OF DIFFICULTY	ADDRESSED BY NEWZO
3.1. Conversion of B-C district area on Martin Luther King, Jr. Boulevard to TC-1	Moderate	Yes
3.2. Allowance of mixed-use buildings and all multi-family residential building types in 1-, 2-, and 3-B districts (or conversion of these districts to TC-1 and TC-2)	Moderate	Yes
3.3. Removal of minimum lot-area and -coverage requirements in TC-1 and TN-2 districts	Easy	Yes
3.3. Removal of density requirements in TC-1 and TN-2 districts	Easy	Yes
3.4. Allowance of a bonus story for residential uses in TC districts	Moderate	No
3.5. Allowance of all multi-family residential building types in R-4 district	Moderate	No
3.5. Replacement of requirements in R-4 district with those in TN-2	Moderate	No
3.6. Conversion of R-B district to TC-1	Moderate	Yes



# STEPS FOR IMPLEMENTATION

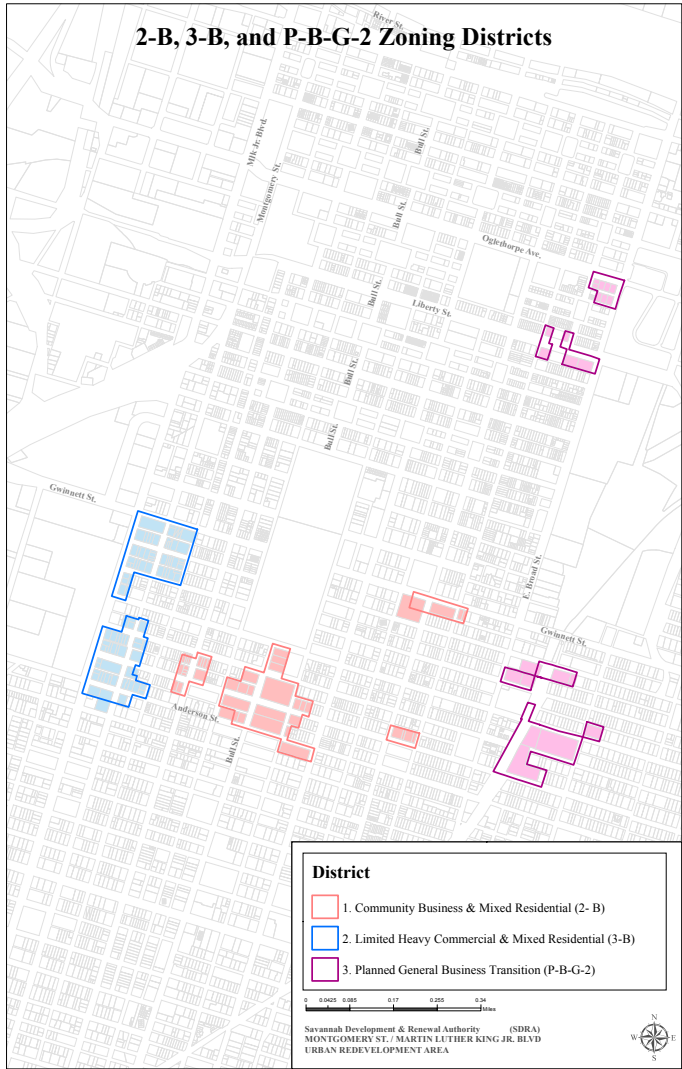
## Provide Proactive Incentives

INCENTIVE STRATEGY	LEVEL OF DIFFICULTY	ADDRESSED BY NEWZO
4.1. Potential modification of calculations for tap and utility fees and water rates; potential waiver of fees such as those for building permits, taps and utilities, meters, and plan reviews for residential projects of 2 or more units	Difficult	N/A
4.2. Modification of Item 2 in bonus-story requirements such that 50% or more of building floor area is residential and that housing is affordable to households at no more than 120% of AMI; potential removal of item 3	Moderate	No
4.3. Addition of a clause to bonus-story requirements that additional height will not be granted to lodging uses	Moderate	No
4.4. Provision of a tax freeze (for a predetermined period) if a new building is more than 50% residential and is affordable to households at no more than 120% of AMI, with a restriction on vacation-rental uses in tax-frozen properties	Difficult	N/A
4.5. Provision of a ten-year tax freeze similar to the Enterprise Zone on for-sale residential buildings, with a restriction on vacation-rental uses in tax-frozen properties	Moderate	N/A
4.6. Provision of gap financing through an SDRA incremental-development loan fund for residential projects of 2-12 units that are affordable to households at no more than 120% of AMI	Moderate	N/A

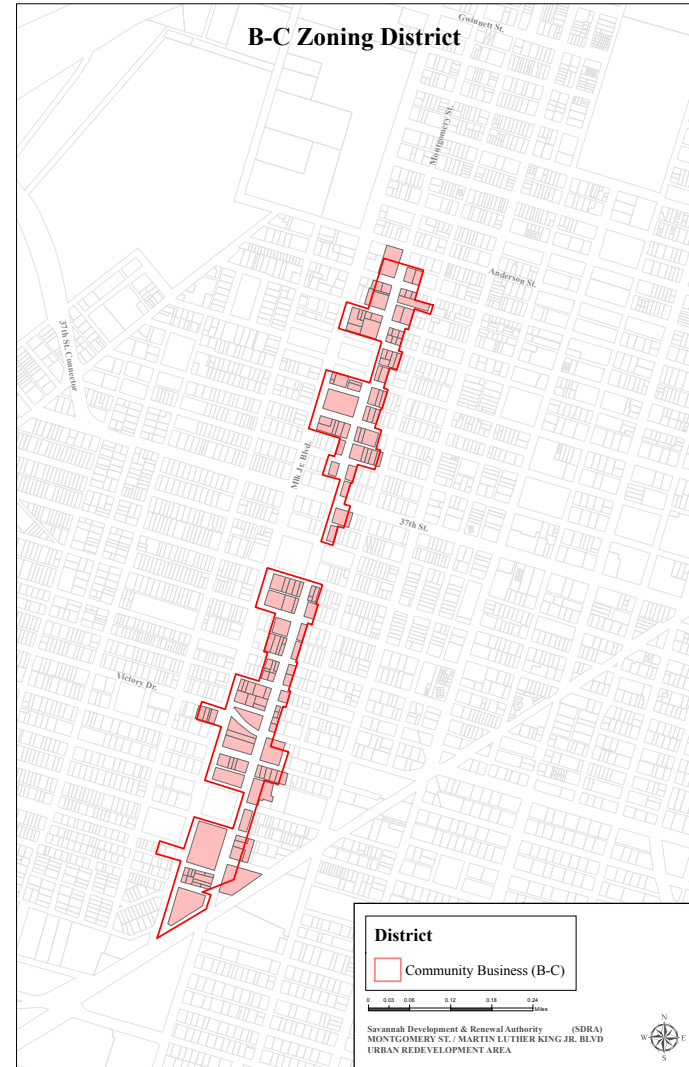
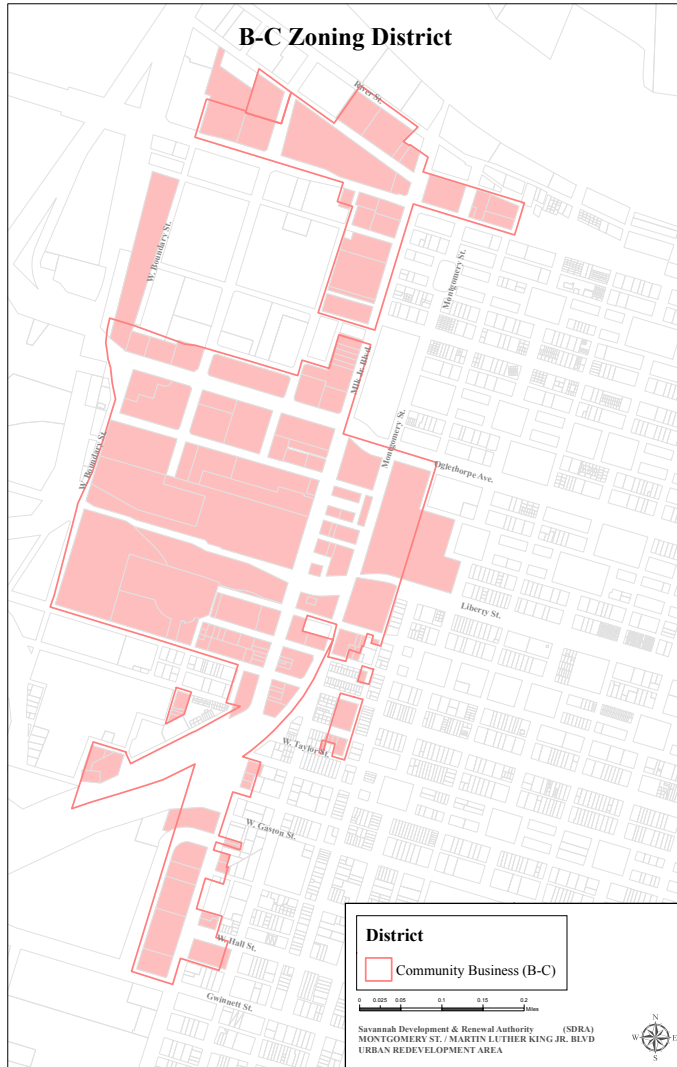




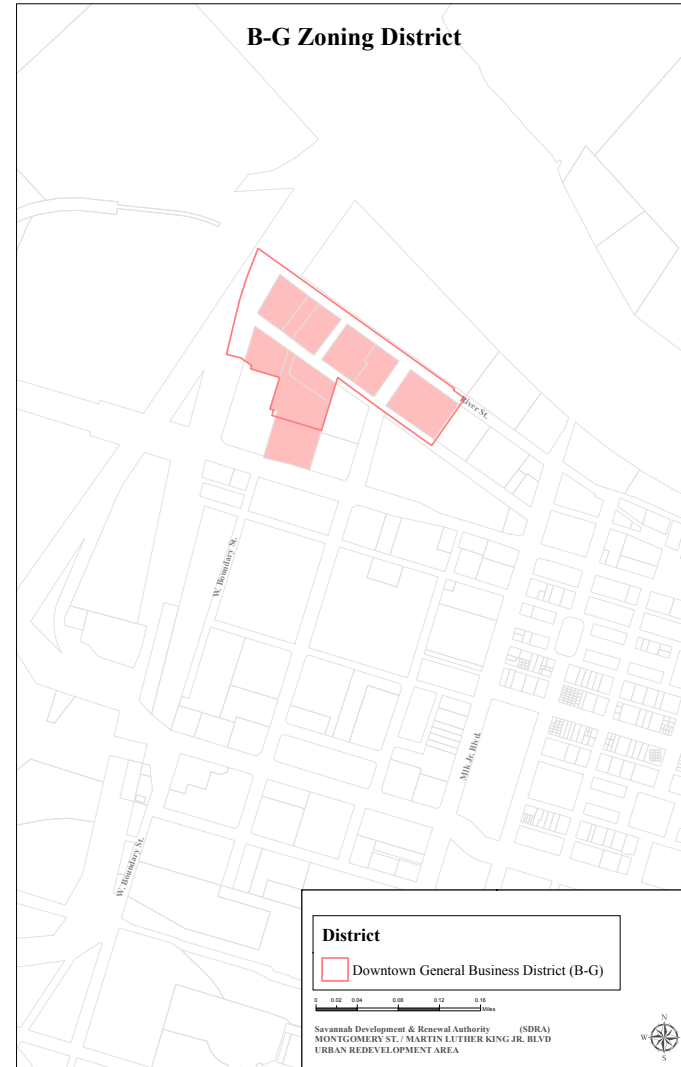
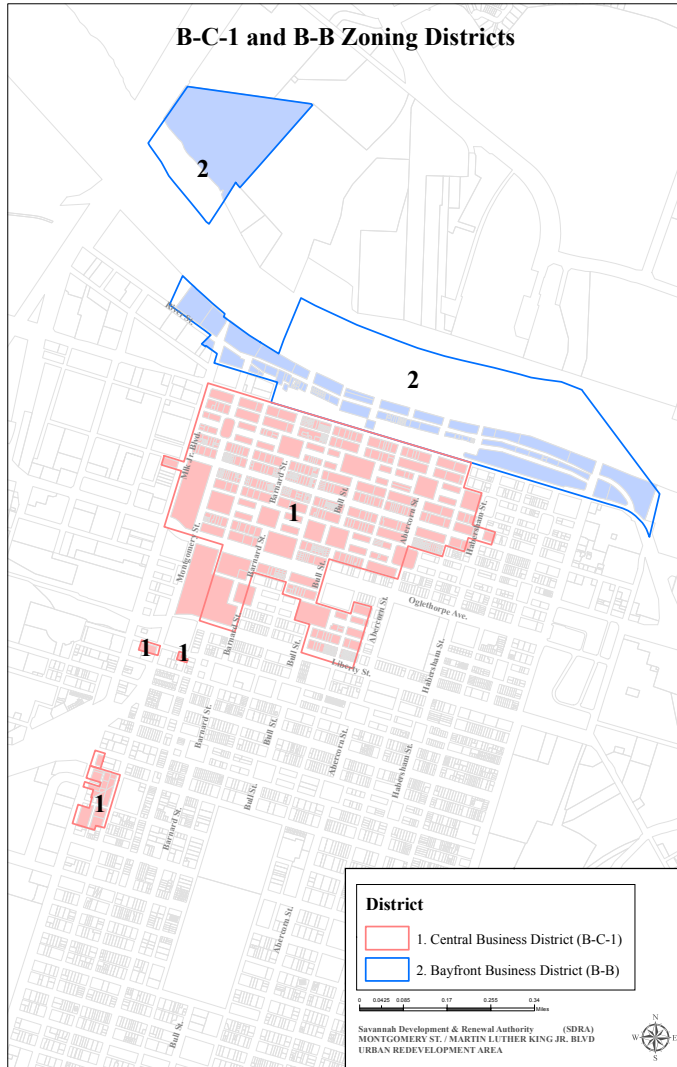
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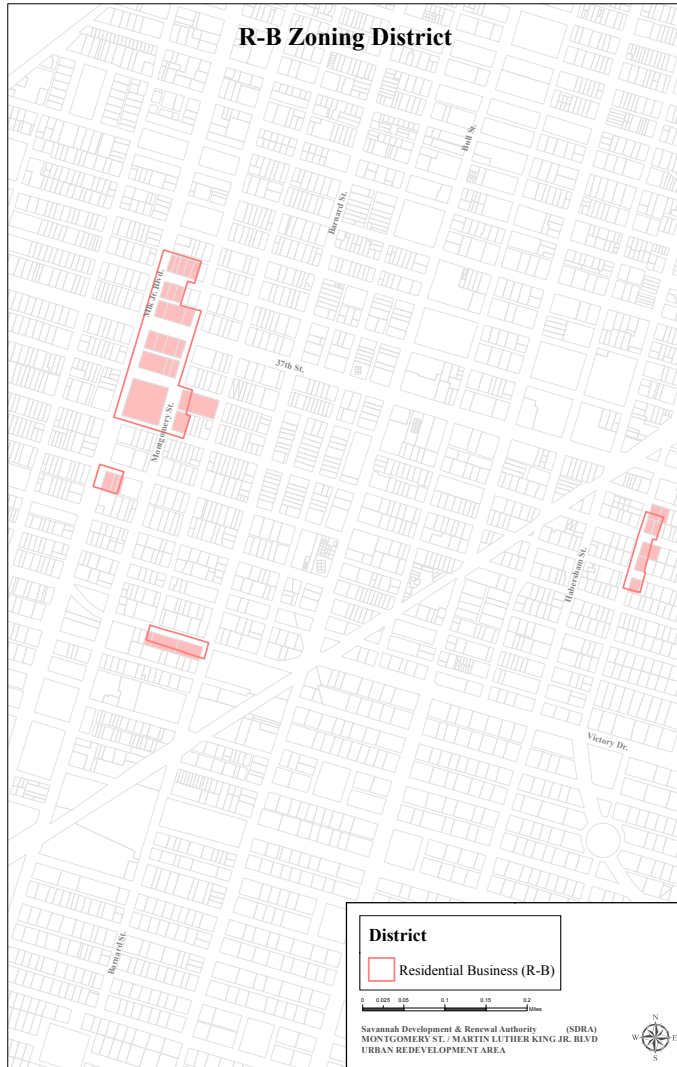
# ZONING-DISTRICT MAPS



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