



Infill Incentive Plan Amendments:

Economic Vitality Subcommittee
September 6, 2023

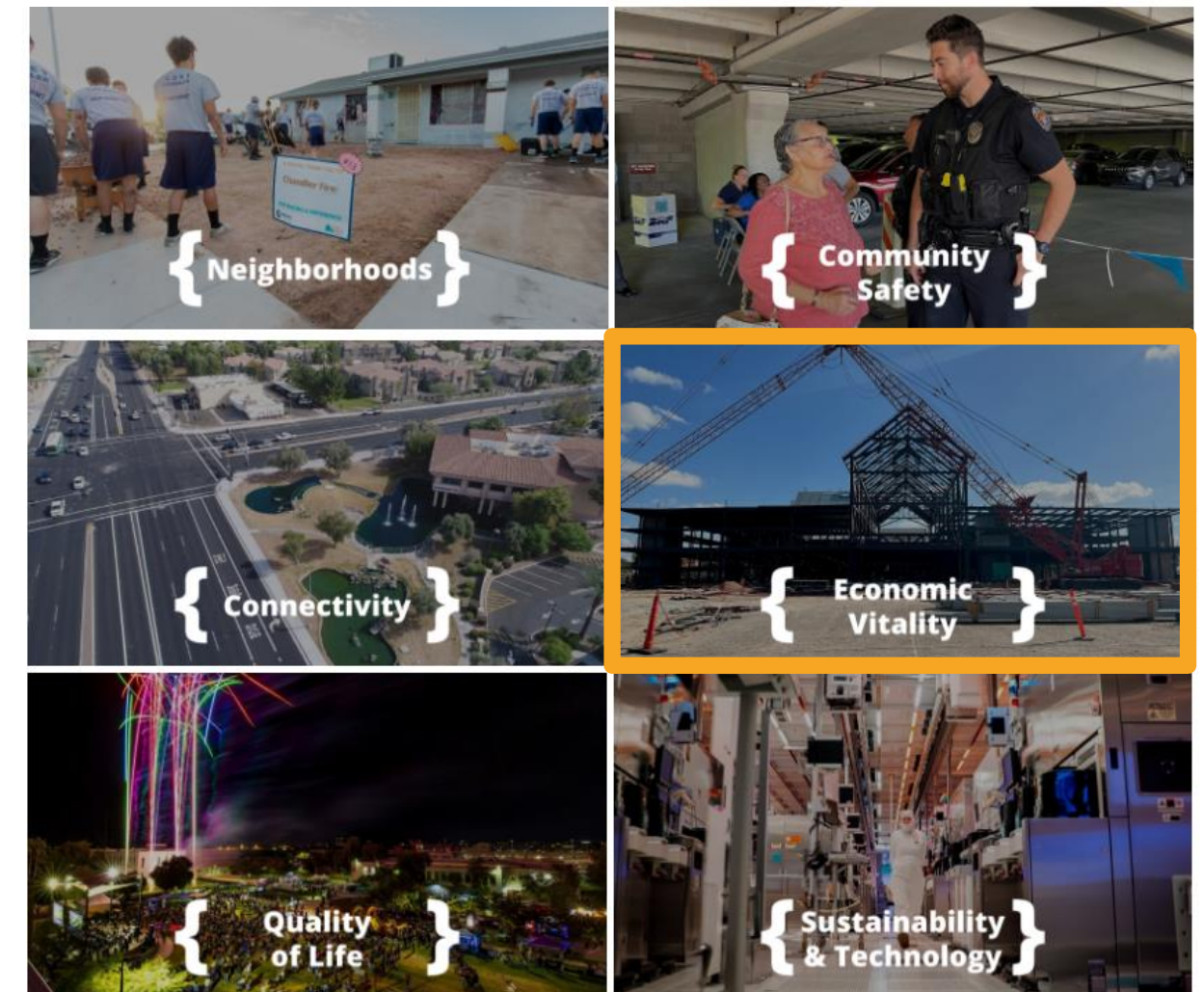


Prepared by:
Economic Development Division



Background

- City Council highlighted the importance of infill and redevelopment to Chandler's continued economic vitality in its recently adopted 2023-2025 Strategic Framework.
- Through the Strategic Framework, City Council has provided a directive to make "targeted use of adaptive reuse, infill, mixed-use and redevelopment tools and plans supporting the vitality of commercial centers and neighborhoods."



Background

- The City has recognized the need to offer programs that reduce the costs of revitalizing and redeveloping aging commercial properties for 20+ years.
- Redevelopment projects often take longer than new construction on greenfield sites and have different costs.
- Project may require demolition of structures along with environmental remediation, depending on prior uses and their impacts.
- In addition, site improvements completed when the property was originally developed may not meet current development standards.

Program History

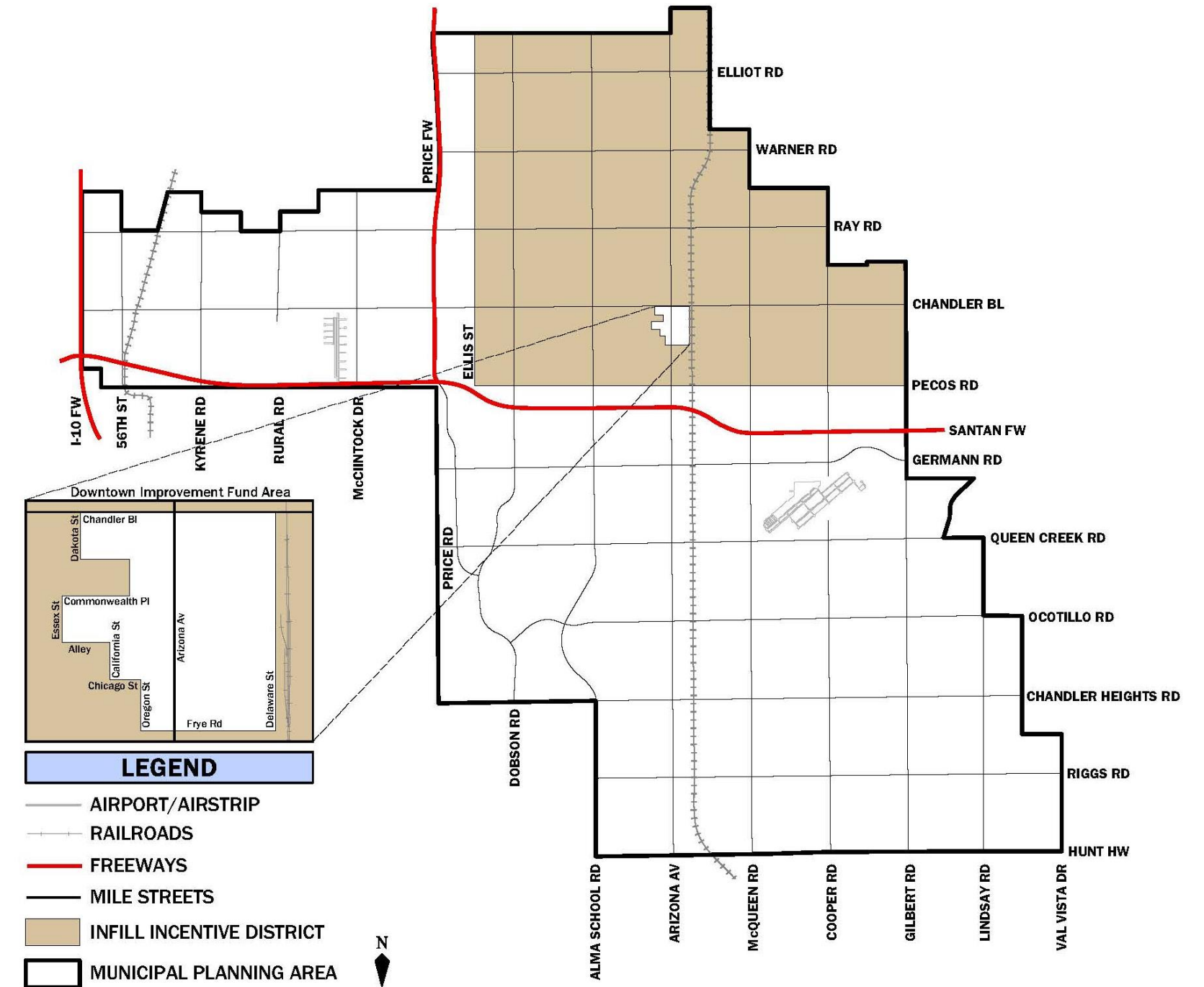
Below are City Council actions taken to assist commercial property owners and help make desirable projects feasible. Priorities have changed over time.

- **2002:** “Commercial Reinvestment Program” adopted by City Council to assist property owners in upgrading the appearance of aging retail centers.
- **2009:** Infill Incentive Plan adopted, designating an “Infill Incentive District” under ARS 9-499.10, and shifting the focus of the Commercial Reinvestment Program to projects that completely redevelop retail centers.¹

1. The Infill Incentive Plan also includes a “Single-Family Infill Program” for new Energy Star / LEED certified homes, which staff proposes eliminating.

Infill Incentive Plan Area

- The Infill Incentive District's boundaries encompass most of the oldest areas in Chandler.
- Excludes more recent development, including along the Loop 101 and Loop 202 freeways.
- Also excludes the "Downtown Improvement Fund Area."



Projects Supported

- **2009:** Agreement with Great Hearts Academies to reimburse up to \$250,000 in improvements for renovation and occupancy of a former Smitty's Store/Bank First Call Center
- **2015:** Agreement with NexMetro to reimburse up to \$182,242 in demolition costs to convert a portion of East Valley Mall site to multi-family.
- **2016:** Agreement with Furniture & Mattress Discounters to reimburse \$11,000 for improvements to a former Mervyn's store.



Gift Clause Compliance

- More recently, the viability of the Infill Incentive Plan / Commercial Reinvestment Program (in its current form) has been impacted by an Arizona Supreme Court decision.
- In 2020, a case brought before the Arizona Supreme Court challenged whether benefits provided by a certain municipality to two private parties violated article 9, section 7 of the Arizona Constitution (the “Gift Clause”).²
- The Arizona Supreme Court issued its opinion in 2021, determining the municipality violated the Gift Clause. The court’s interpretation of the Gift Clause further limits how cities can support private development activity.

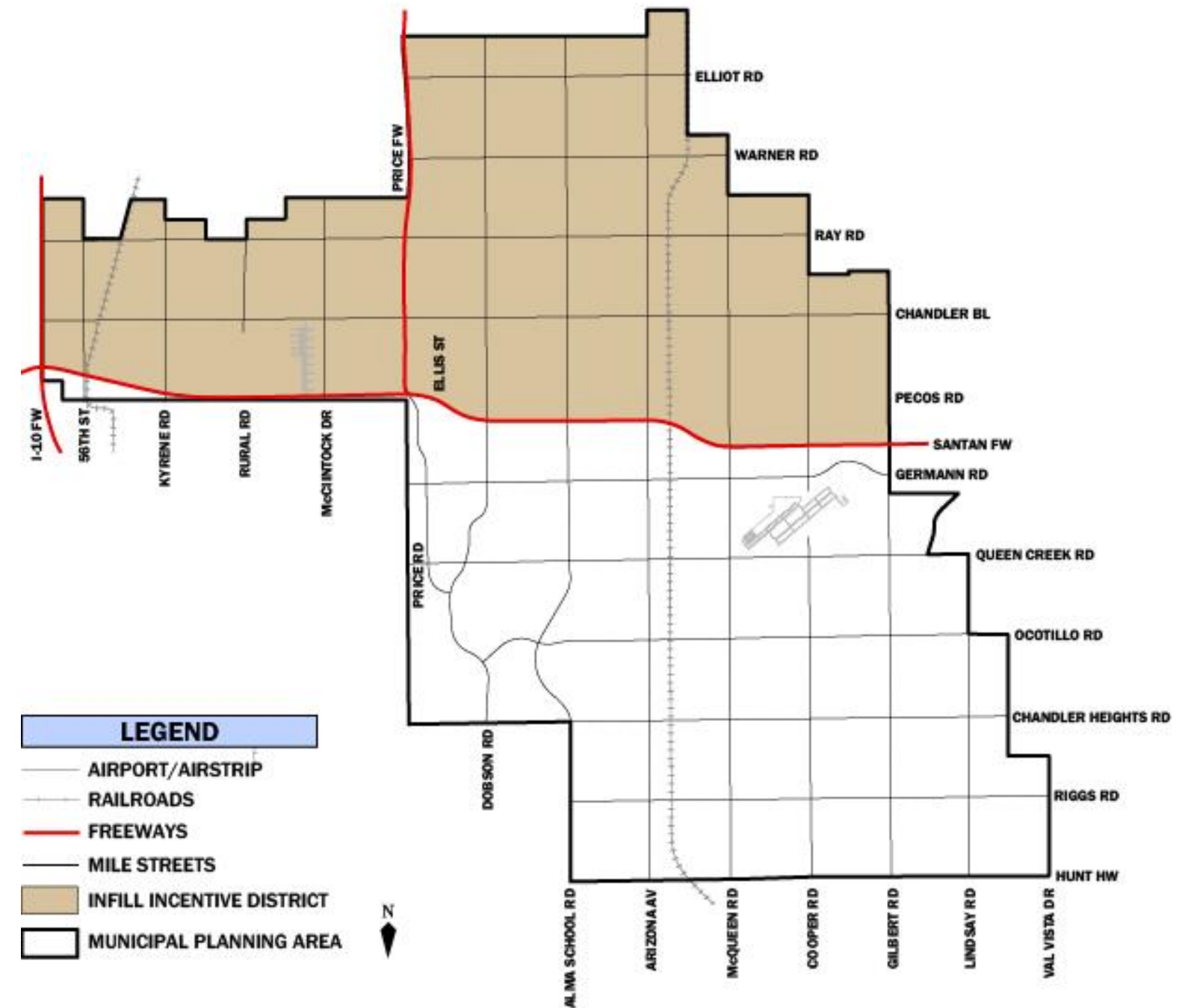
2. Schires v. Carlat, No. CV-20-0027-PR

Infill Incentive Plan Amendments

- Due to the Arizona Supreme Court's ruling and following guidance from the Law Department, the Economic Development Division no longer advertises the Infill Incentive Plan and is not accepting applications.
- Economic Development is now proposing to amend the Infill Incentive Plan in a way that would mitigate the risk of Gift Clause challenges and allow the City to support desirable redevelopment projects.
- The amendments include incentives specifically authorized by the ARS Infill Incentive District legislation (e.g., fee waivers and expedited permitting) along with other incentives vetted by the Law Department.

Infill Incentive Plan Amendments

- Staff proposes expanding the Infill Incentive District to include all of Chandler north of Loop 202.
- Recognizes that West Chandler has aging shopping centers that may no longer represent a property's highest and best use.
- Able to support projects within the downtown area.



Infill Incentive Plan Amendments

Eligibility Criteria:



Applicant must be an owner, or an owner's representative, of an existing retail center or Class C office building located within the Infill Incentive District.



The retail center or Class C office building must be a minimum of 15 years old,
OR its vacancy rate must be 50% higher than the citywide average for its property type.



Applicant must obtain all building permits, meet all building and zoning codes, and obtain all additional licenses or permits required for the project.



Applicant must enter into an agreement with the City to ensure the project will be developed for the purposes stated, subject to approval by Mayor and City Council.

Infill Incentive Plan Amendments

Retail Property Stats

- Within the expanded Infill Incentive District, 570 retail buildings out of 652 total (87%) are at least 15 years old, and thus would be eligible.
- The citywide retail vacancy rate is currently 4.7%, so any retail center with a vacancy rate above 7.0% could also be considered.



Infill Incentive Plan Amendments

Class C Office Property Stats

- Within the expanded Infill Incentive District, all 79 office buildings rated as “Class C” are at least 15 years old.³
- Class C is the lowest classification of office building. They are generally located in less desirable areas, in need of renovation, with outdated infrastructure and technology.



3. Designated as “Class C” in the CoStar commercial real estate database.

Infill Incentive Plan Amendments

Incentives Overview: State Infill Incentives District Legislation

- ARS 9-499.10 states that an infill incentive plan adopted by a municipality can include the following incentives to encourage redevelopment:
 1. Expedited zoning or rezoning procedures.
 2. Expedited processing of plans and proposals.
 3. Waivers of municipal fees for development activities as long as the waivers are not funded by other development fees.
 4. Relief from development standards.

Infill Incentive Plan Amendments

Incentives Overview: Proposed Infill Incentive Plan Amendments

- Staff proposes the following incentives for the Infill Incentive Plan. These pull from the state's legislation and include additional support the City can provide while adhering to the Gift Clause. Approval of any incentives would be at the discretion of City Council.
 1. Fee Waivers
 2. Expedited Plan Review
 3. Reimbursement of Public Infrastructure Costs

Infill Incentive Plan Amendments ---

Incentives Overview: Fee Waivers

- The City may approve up to a 100% waiver of building permit fees, building plan review fees, and City of Chandler development impact fees.
 - If the City waives development impact fees, it must reimburse the development fee accounts for the amount that was waived.
 - The City would use General Fund dollars already allocated to the Infill Incentive Plan project to reimburse waived development impact fees.
 - Other cities have waived development impact fees to attract desirable projects.

Infill Incentive Plan Amendments

Incentives Overview: Expedited Building Plan Review

- The City may provide expedited plan reviews at no additional cost (10-working day review cycles).
 - Require plans to be submitted electronically.
 - Development Services generally reviews and provides comments for all projects before the end of the normal 20 working-day review cycle.
 - Expedited plan review is usually double the plan review fee.

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Incentives Overview: Reimbursement of Public Infrastructure Costs

- The City may provide a reimbursement of costs for pre-approved public infrastructure (e.g., roads, sidewalks, utilities, streetscape improvements).
- The public infrastructure must be dedicated to the City upon completion.



Infill Incentive Plan Amendments

Incentives Overview: Reimbursement of Public Infrastructure Costs

- The amount of City funding available to an individual project would be **capped at \$250,000**, contingent on funding availability.
- The \$250,000 cap would not include the value of any fee waivers or expedited permitting offered by the City.
- Applications seeking reimbursement for planned public infrastructure costs would be evaluated and awarded funding first come, first serve.

Infill Incentive Plan Amendments

Incentives Overview: Reimbursement of Public Infrastructure Costs

- City's payment for public infrastructure costs would also depend on the improvement type and if it meets or exceeds City development standards.
 - **Meets standards:** 50/50 cost split between the City and applicant.
 - **Upsized utilities:** if City elects to upsize a water/wastewater line to better serve future development, City will pay 100% of additional costs.
 - **Enhanced Streetscape:** for streetscape improvements that exceed standards, City will pay 75% of additional costs and applicant 25%.⁴

4. Improvements must be in City right-of-way and could include landscaping, shade structures, public seating areas, decorative lighting, public art, etc.

Infill Incentive Plan Amendments ---

Application and Approval Process

1. Property owner/developer submits an application for the proposed project to the Economic Development Director.
2. Negotiation of benefits and preparation of an agreement, in a form to be approved by the City Attorney.
3. Agreement brought to City Council for consideration.
4. Project completed as proposed. Must pass City inspections.
5. Reimbursement of fees/public infrastructure costs paid upon issuance of Certificate of Occupancy/Completion.

Next Steps

- Staff requests direction from the Economic Vitality Subcommittee on whether to proceed with the Infill Incentive Plan amendments as proposed, with changes, or not at all.
- A resolution amending the Infill Incentive Plan and the designated Infill Incentive District would be brought to City Council.
- If approved by City Council, Economic Development would work with CAPA on promoting and providing education on the Infill Incentive Plan benefits.
- Economic Development would also proactively engage with property owners and developers about properties with redevelopment potential.

Thank you! Questions?

