Policy objective: Encouraging walkable mixed-use development

Early land use regulations in the U.S. were designed to separate incompatible activities in different zones of a city, town, or county— for example, to keep slaughterhouses or factories emitting noxious fumes far apart from residential areas. In many places, “single-use” zoning codes have continued to dominate development patterns, creating communities in which residential, commercial, industrial, and other types of activities are segregated from one another. In recent years, however, cities, towns, and counties have increasingly recognized the benefits of mixed-use developments that allow a variety of uses to occupy the same building, block, or neighborhood.

Mixed-use developments frequently include a residential component as well as commercial and retail uses. Proximity to retail, medical clinics, and professional offices make these convenient places to live—particularly for older residents who have stopped driving, individuals who prefer not to drive (or to drive less), and people who have mobility impairments that make it difficult to get around. Residents of mixed-use areas may also experience improved health if they substitute walking for driving to take care of daily activities, as well as reduced crime levels if a mix of uses results in a higher volume of foot traffic. Businesses benefit from the built-in customer base of nearby residents in areas where housing may not previously have been allowed. And the community at large may experience reduced traffic congestion, energy use, and greenhouse gas emissions as fewer and/or shorter car trips are needed to commute to work or take care of other needs.

Encourage mixed-use development using the housing policy toolkit

Mixed-use development may or may not include affordable housing. However, the creation of walkable mixed-use districts can drive up property values and market rents in the surrounding neighborhood, making it difficult to create new affordable units and leaving existing lower-cost housing vulnerable to loss. Communities that are interested in increasing mixed-use development should consider adopting policies at the same time that help to promote housing affordability in mixed-use areas.

For example, in order to include a mix of uses in a formerly residential area, cities, towns, and counties may need to update the zoning code. In doing so, it may make sense to consider changes that also create and preserve dedicated affordable housing, such as building in mandatory or voluntary inclusionary zoning incentives or requirements. Doing so can help to ensure the availability of affordable options in any
new residential projects stimulated by the mixed-use development.

As part of the rezoning process, communities may also wish to make changes to allow higher-density residential development – a policy that promotes affordability by increasing the overall supply of housing and lowering barriers and costs. Allowing development at higher densities can help to create the population density needed to make walkable mixed-use development feasible, and may also increase the feasibility of providing lower-cost housing options for those working and shopping in the area.

This exhibit describes how policy tools in three of the categories in the Housing Policy Library can be used to encourage mixed-use development. The policies listed here are illustrative options within each category.

I. Create and preserve dedicated affordable housing units
<table>
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<th>Logic/mecahnism:</th>
<th>Specific policies:</th>
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<td>Building in affordability incentives or requirements helps to create a potential customer base that can support the businesses and services that are part of a mixed-use project, and also helps to ensure these households have access to new amenities as property values increase.</td>
<td>Adopt strong incentives for the inclusion of affordable units in mixed-use projects, including <strong>density bonuses</strong>, <strong>reduced parking requirements</strong>, <strong>expedited permitting</strong>, <strong>tax abatements or exemptions</strong>, and <strong>reduced or waived fees</strong>.</td>
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While it can be complicated to combine residential and commercial uses in properties that receive federal assistance, financing through LIHTC and other programs can help to make the numbers work.

Use **inclusionary zoning** requirements to set aside a portion of new residential units in mixed-use (and other) developments for income-qualifying households.

Create a **tax increment financing** district and invest in infrastructure that supports a mix of retail/commercial uses and affordable housing.

Subsidy programs (**LIHTC** and **capital subsidies for affordable housing developments**) can help to create new affordable units in mixed-use projects.

Depending on local requirements, **publicly owned land** and/or **joint development agreements** can be used to support mixed-use development that includes an affordable residential component.

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**II. Promote affordability by reducing barriers to new supply**
### Logic/mechanism:
Zoning changes that allow for higher density housing development may help to make mixed-use development feasible.

### Specific policies:
- **Rezone for higher residential density.**
- **Reduced parking requirements** may allow businesses and residences to share parking infrastructure and costs.

## III. Help households access and afford private-market homes

### Logic/mechanism:
Providing rental and homeownership assistance helps to ensure that low- and moderate-income households can access the residential units in mixed-use developments.

### Specific policies:
- **Ensure mobility counseling for Housing Choice Voucher holders** includes descriptions of the benefits of mixed-use developments.
- **Provide downpayment and closing cost assistance** to help individuals purchase homes in a mixed-use development.

## Combining policies to encourage mixed-use development
The policies highlighted in the exhibit can be used in combination, as illustrated in the following scenario.

A city, town, or county looking to revitalize an under-invested and underutilized area adjacent to the central business district creates a tax increment financing (TIF) district that encompasses several blocks along a major Bus Rapid Transit route. The district has been zoned for commercial and light industrial uses and includes many empty storefronts and a vacant warehouse that has gone into tax foreclosure. As part of the redevelopment, the city rezones the district for mixed-use development that includes residential uses and invests in infrastructure and beautification improvements to facilitate walking and biking and broaden the area’s appeal. The city donates the warehouse to a developer who has committed to convert it to a mixed-use, mixed-income project that includes ground-floor retail and 40 units of housing affordable to low- and moderate-income households as well as market-rate housing. The increased
public investment and promise of a growing customer base attracts new businesses as well as developers of market-rate housing. As property tax revenues increase, a substantial portion of the proceeds are used to help create additional affordable housing opportunities in the TIF district.