

The Case for Climate-Informed Zoning: A Study of Fiscal Impact in Norfolk, VA

As the impacts of climate change continue to intensify, zoning presents a key tool to direct development to protect communities from climate events. Norfolk, Virginia, a city at severe risk from sea level rise due to climate change, is among the first cities in the US to use climate adaptation as a core consideration for future development. With Norfolk's culture and identity shaped by water and its coastline, the city recently adopted one of the most proactive long-range plans that addresses the current and future threats of flooding and sea level rise through land use strategy, Vision 2100, alongside associated zoning reforms, a premier US example of "climate-informed zoning."

To better understand the market impacts of climate-informed land use policy, Smart Growth America (SGA) conducted a fiscal impact study of the Vision 2100 framework in Norfolk, Virginia. This report prepared by SGA in partnership with the Lincoln Institute of Land Policy examines the economic and social impact of resilience zoning in Norfolk, includes a national scan of resilience zoning efforts, and shares recommendations to Norfolk and other cities facing flood risk seeking to address climate risk in land use policy and advance equitable climate adaptation.

Using quantitative analysis, the SGA team explores the fiscal implications on Norfolk's property values. SGA's analysis found that the initial fiscal impact was neither significant in a quantitative sense, nor in a statistical sense. SGA found no statistically significant impact on sales prices for homes, or office and retail development, from the Vision 2100 coastal resilience zones between the years 2018 and 2021.

The study, however, did recognize some impact in the number of permits sought, indicating that Vision 2100 and subsequent policy may successfully redirect future development to sites that present comparatively fewer risks. The lack of fiscal impact is likely on account of the recent implementation of the policy four years ago, the state of the real estate market during the pandemic (such as low interest rates, accelerated consumer interest in homebuying, and chaotic changes in office and retail markets), as well as a potential lack of concern about climate risk among home-buyers and developers in Norfolk during the period studied. Furthermore, as a long-range plan, Vision 2100 lacked the "implementation teeth" of subsequent regulatory follow-up that might have led to more immediate market impacts.

Recommendations

In the conclusion of the study, SGA makes the following recommendations to Norfolk and other cities facing flood risk seeking to address climate risk in land use policy and advance equitable climate adaptation:

1. **Embed climate data and climate risk considerations into land use policy:** Land use policy presents a key opportunity to direct future development out of harm's way, and to

require higher, safer standards for new development. Policy should use data which takes into account anticipated climate impacts, as opposed to the risk levels of past decades.

2. **Incentivize development out of harm's way:** Strategies that make development more attractive for the market in less flood-prone areas may also create a stronger housing supply, addressing today's housing access crisis and directing future residents out of harm's way.
3. **Recognize discriminatory land use policies and support the communities who have faced generational impacts:** Local governments must recognize the legacy and ongoing harm borne by communities of color on account of racist land use policies, many of which directed low-income development into locations vulnerable to climate hazards.
4. **Pair land use policy change with further investment in affordable housing:** Climate-informed land use policies should be paired with other initiatives to proactively increase affordable housing supply, such as inclusionary zoning, which ensures that all new development includes affordable units.
5. **Continue to invest in mitigation alongside adaptation efforts:** Local planning initiatives need to prioritize both adaptation and mitigation goals, considering not only building design, electrification, and energy usage but also mode shift, including investment in transit and increased density to reduce reliance on cars.

Policy implications

The lack of immediate fiscal impact of climate-informed zoning in Norfolk is a reminder that climate risk was not a top-of-mind consideration for home-buyers and businesses in this market during the time period studied. However, the City of Norfolk chose to incorporate climate considerations into Vision 2100, making the issue more prominent for investors in the region and directly relevant to real estate development prospects. While the recognition of climate risk by the city may have been seen as dramatic at the time, it is now in line with continued progress on this issue in the private sector. Nationally, US federal policymakers have since increasingly focused on developing strategies to prepare for the physical and financial impacts of climate change, and institutional investors and commercial real estate developers have begun incorporating climate risk considerations into ESG and investment strategies.

This initial study of the fiscal impact of Norfolk's Vision 2100 indicated that climate-informed zoning did not impact property values in the short term. Despite concern by many stakeholders, the market did not "explode" or "shake to the core" on account of planning documentation recognizing the vulnerabilities faced by the city. This may change as a wider variety of investment entities increase their understanding of climate risk and climate events become more severe. However, at the time of the study, the market conditions in Norfolk present one example which could reduce hesitation in other communities—and perhaps lead to vital increased recognition of the impacts of climate change in land use policy.