

HOUSING SUPPLY SOLUTIONS FOR CITY LEADERS  
CONSTRUCTION AND DEVELOPMENT

# Incremental Development

The acute housing supply shortage of almost [4 million](#) units in the United States demands urgent action. Barriers to increasing housing supply exist across multiple sectors, including finance, construction, land use and regulations, infrastructure and workforce. In this series of fact sheets, NLC offers context, solutions and case studies for city leaders seeking to address these barriers and create more housing more efficiently and at lower costs. This Housing Supply Accelerator Fact Sheet series explores solutions in three critical areas: construction and development; land use and regulations; and finance.

## Key Takeaways

- ◆ Incremental development is a phased, community-centered approach that focuses on small-scale housing projects to revitalize neighborhoods and increase housing supply.
- ◆ Although it is focused on small-scale housing developments, it can be a valuable strategy for increasing housing supply over time.
- ◆ Incremental development generally preferences local developers, emphasizing infill opportunities and neighborhood-scale housing\* types.
- ◆ Incremental development supports affordability, preserves neighborhood character, and promotes walkable, vibrant communities.

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\* “Neighborhood-scale housing” refers to housing that is appropriately sized and designed to fit within the scale and character of existing single-family residential neighborhoods. This term is often used interchangeably with “missing middle housing” and includes building types such as accessory dwelling units (ADUs), duplexes, triplexes, fourplexes, cottage courts, and small-lot homes.

# Background

For many communities, the challenge of meeting the urgent demand for new housing can feel daunting. Incremental development offers an accessible and manageable path forward.

With a focus on small-scale housing projects rather than large, capital-intensive developments, the incremental development approach supports gradual growth in housing supply on a lot-by-lot basis. It emphasizes [local participation](#), encouraging residents, small developers and neighborhood-based organizations to play an active role in boosting local housing supply.

This strategy typically focuses on infill development, which includes building homes on vacant or underused lots, converting garages into housing, or adapting older structures. Regardless of the exact nature of the project, the key is to create neighborhood-scale housing for diverse housing types that bridge gaps between single-family homes and large apartment buildings. By allowing for gradual growth while preserving neighborhood character, incremental development provides an adaptable model for cities to address their housing supply shortages.

# The Benefits for Cities and Their Residents

## An Alternative to Large Developments

Incremental development offers cities a strategic alternative to large-scale, high-cost housing projects. With these projects, cities aren’t waiting for major investments or pursuing sprawling greenfield development. Cities can begin with what they already have, such as underutilized lots and properties in existing neighborhoods.

## Flexibility and Scalability

This approach focuses on modest but impactful interventions, especially for cities with limited resources or where large-scale development isn’t feasible. It is also scalable and flexible; cities can start by identifying infill opportunities and gradually expand to higher-density corridors as community needs evolve. It allows for context-sensitive growth in both urban and rural settings.

## Economic and Sustainability Benefits

Incremental development can promote economic vitality and sustainable growth by adding layered housing growth within existing communities. This approach leverages existing infrastructure and strengthens commercial areas, reinforces smart-growth principles, and enhances neighborhood cohesion and [walkability](#). By increasing the number of residents within walking distance of shops and

services, incremental development expands the [customer base](#) for local businesses and helps foster vibrant, economically resilient neighborhoods.

## Local Control and Community Engagement

Incremental development empowers local leaders, residents and small-scale developers, allowing them to take the lead in boosting housing supply. Cities can support this grassroots activity by offering development workshops and resources to help aspiring local developers get started. This encourages community-led development and builds local economic capacity.

## Expanded Housing Options

Incremental development helps diversify housing options. It enables the creation of neighborhood-scale housing types, such as duplexes, triplexes and cottage courts. These housing types can maintain neighborhood character while increasing the variety of housing choices at various price points. In places where there is strong opposition to high-density development, these smaller-scale development alternatives often gain broader support.

## Less Red Tape

When paired with strategies like pre-approved plans, incremental development becomes even more effective. By removing unnecessary obstacles and providing a clear path forward, cities can facilitate small-scale production in a way that’s affordable, adaptable and aligned with local goals.

## Did You Know?

Incremental development isn’t just about adding housing; it can shift who builds, who benefits from, and who owns your city’s housing. With the right support, incremental development creates pathways for residents to become developers in their own neighborhoods. This local ownership fosters generational wealth and can be a powerful tool in addressing [racial disparities](#) in homeownership and investment, especially in cities where the racial wealth gap is stark. Cities can help close this gap by prioritizing training and financial resources for first-time developers, particularly Black, Indigenous and People of Color (BIPOC) developers.

Small-scale housing types also offer greater potential for affordability. These buildings are typically less expensive to construct and can often be financed through [standard residential mortgages](#), rather than complex commercial loans. Lower development costs make it easier for small-scale developers to enter the market, increasing housing supply and [helping to stabilize rents and home prices](#). With the right land use regulations and access to capital, incremental development can unlock attainable housing on a neighborhood scale.





# Case Studies

## Champaign, Illinois (Population: 88,302)

The Champaign City Council adopted a [new ordinance](#) to support incremental development. The goals of the ordinance are to: expand opportunities for housing choice and affordability within neighborhoods; expand opportunities for small-scale neighborhood commercial development; and ensure that changes in the built environment are gradual and compatible with current neighborhood designs.

As part of this work, the Champaign City Council began to evaluate the local prohibition on Accessory Dwelling Units (ADUs). In the summer of 2022, amendments to the zoning ordinance allowing the construction of ADUs were prepared and considered by the Planning Commission and the council. Following a public hearing, the council met to adopt these amendments into the zoning ordinance. City leaders are working to identify other regulations in residential zoning districts that present barriers to incremental housing. The city is also in the process of identifying vacant city-owned lots that could be offered for incremental development.

## Fairhaven, Massachusetts (Population: 15,924)

The Town of Fairhaven is using incremental development to address local housing needs and to “thicken” existing neighborhoods. This strategy is intended to focus on small-scale development projects within established areas in the town to avoid large-scale and risky developments. The town’s government chose incremental development because it recognizes the potential of local developers to drive growth.

To encourage incremental development, Fairhaven is updating zoning codes to allow for smaller lots, eliminate parking minimums, and permit mixed-use development. The town is also exploring financial incentives such as [Tax Increment Financing \(TIF\)](#) to streamline the permitting process and reduce delays for smaller projects. Town officials also want to foster collaboration with local developers to help remove obstacles to development; they are calling this a “How can we help you?” attitude. This approach is intended to empower local developers who can quickly increase housing units and revitalize downtown areas.

# Next Steps for Your City

Cities considering incremental development can begin by taking stock of their zoning and building codes and the fees involved in approving small-scale development. The focus should be on identifying and removing barriers, reducing risk and increasing the predictability of the development process. While this approach to housing development is incremental in nature, the impact can be widespread. Supporting just a handful of small-scale developers in a neighborhood can have a greater overall impact than a single large project.

Consider the following next steps for your city as you work to implement and support an incremental development approach:

## 1. Streamline regulatory and development procedures.

Update your zoning and building codes to make small-scale development easier. This includes reducing minimum lot sizes, right-sizing parking minimums, and allowing for mixed-use development. Address “one-size-fits-all” standards and permitting fees that often deter small developers.

## 2. Assess neighborhood housing needs.

Set housing goals by neighborhood. Neighborhood-level targets help identify where incremental development is most needed and where it will have the most impact.

## 3. Create financing incentives and advocate for flexible capital.

Small developers often struggle [to access the types of capital](#) needed to get projects started. Cities can help by supporting alternative financing models and partnering with mission-driven lenders or Community Development Financial Institutions (CDFIs).

## 4. Invest in education and outreach.

Host workshops and information sessions to help aspiring developers navigate the process. Invite residents to learn how they can participate as builders, property owners or supporters of local development.

## 5. Measure impact.

Track how many new housing units are built and permitted through incremental development.

By removing unnecessary barriers and empowering small-scale developers, cities can unlock incremental housing supply in a way that’s affordable, inclusive, and aligned with community goals.

