

# Session 3: Current Directions and Future Prospects for TDR

# Exeter Program

- “Fee-in-lieu” of TDR allowed for Planned Village Development.
- Sending Area is district wide
- But not all land is valued the same



# North Kingstown

- Moving forward with Residual Land Value analysis for fee-in-lieu
- Implementing TOD with TDR at Wickford Junction
- Compact Village Development uses TDR to expand building mass
- “Nutrient Trading” used in groundwater protection areas.



# Rhode Island Sustainable Communities Grant

- Plans for Economic Development, Housing, and Growth Centers
- Plans, policies and strategies will be “asset-based”



# TDR Trends

Rhode Island 3-27-13 Part 3

Rick Pruetz, FAICP

More than 247 programs in 34 states

- State initiatives

- Washington State incentives and 10 TDR planning grants

- 2006 Virginia law

- Environment

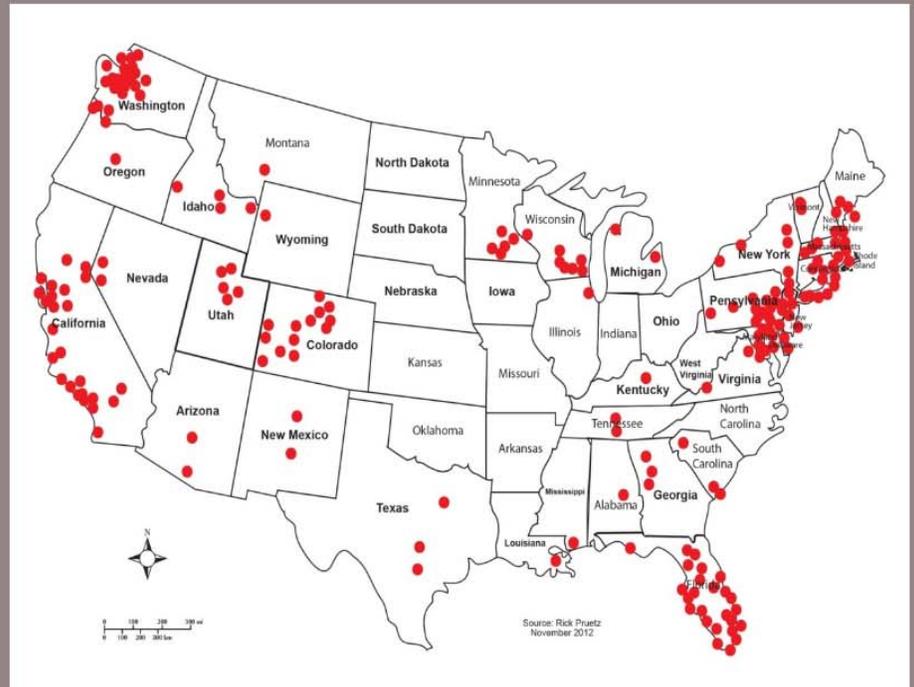
- Economy

- Urban livability

- SmartCode

- Tool combinations

- Innovations



# Coastal Preservation



Reducing coastal storm damage  
one of many goals

- Oxnard, CA
- Charlotte County, FL
- Pacifica, CA

2005 hurricane season

Sarasota County, FL 2006 Plan  
restricted development in:

- Flood hazard zones
- Barrier islands
- Category 1 or 2 storm surge
- Habitat, farmland, open space  
and other

Sending site owner motivations:

- Site constraints
- Coastal building regulations

# Wildfire Hazard Areas



Photo: Pitkin County CDD

TDR to reduce wildfire danger: 1977 -  
Malibu Coastal Program

Drought, dead trees worsen hazard

Pitkin County, CO severely limits  
backcountry development:

- Wildfire, landslide, avalanche
- Ecosystems/habitat
- Lack of roads/infrastructure

Sending zone

- 35-acre minimum parcel
- Maximum floor area 1,000 sf

Receiving areas: TDRs

- Allow building permits under quota system and/or
- Extra 2,500 sf floor area / TDR

# Watershed TDR

- Tahoe RPA, CA/NV
- Hebron, CT
- Central Pine Barrens, NY
- Dade County, FL
- Southampton, NY
- Kitsap County, WA
- Whatcom County, WA
- Bellingham, WA
- Falmouth, MA
- Lake County, FL
- New Jersey Pinelands, NJ
- Austin, TX



# Greenbelts

## Montgomery County Ag Reserve

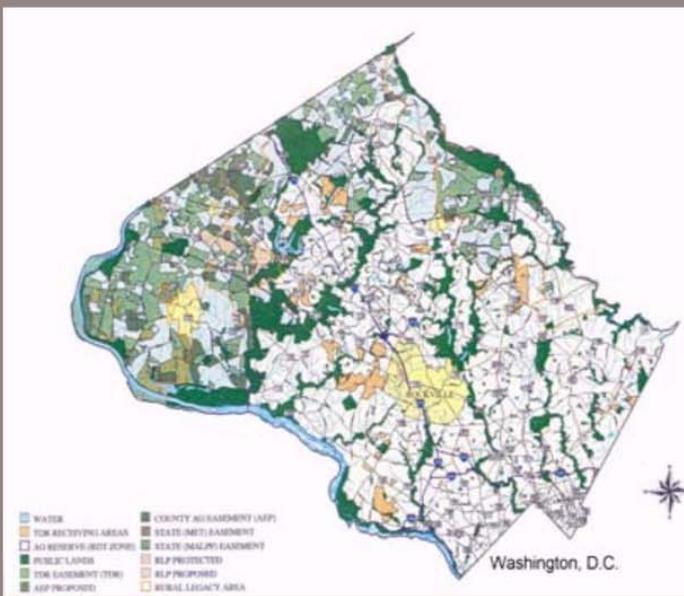
- Preserves farmland, environmental resources and rural character

- Greenbelt curbs sprawl and concentrates growth

## Larimer County, CO

- Protects parkland, habitat, watershed and other environmental resources

- Community separator for City of Fort Collins



# Economic Development

- Promoted indirectly when TDR
  - Supports ag, forestry, tourism and efficient infrastructure
- Job preservation primary goal in Churchill County, NV and Beaufort County, SC
  - TDR helps reduce residential development in crash zones around Fallon and Beaufort Naval Air Stations
  - Retains key employer



# Urban Livability

Initially TDR for historic preservation  
TDR now targets multiple urban goals  
Seattle, WA

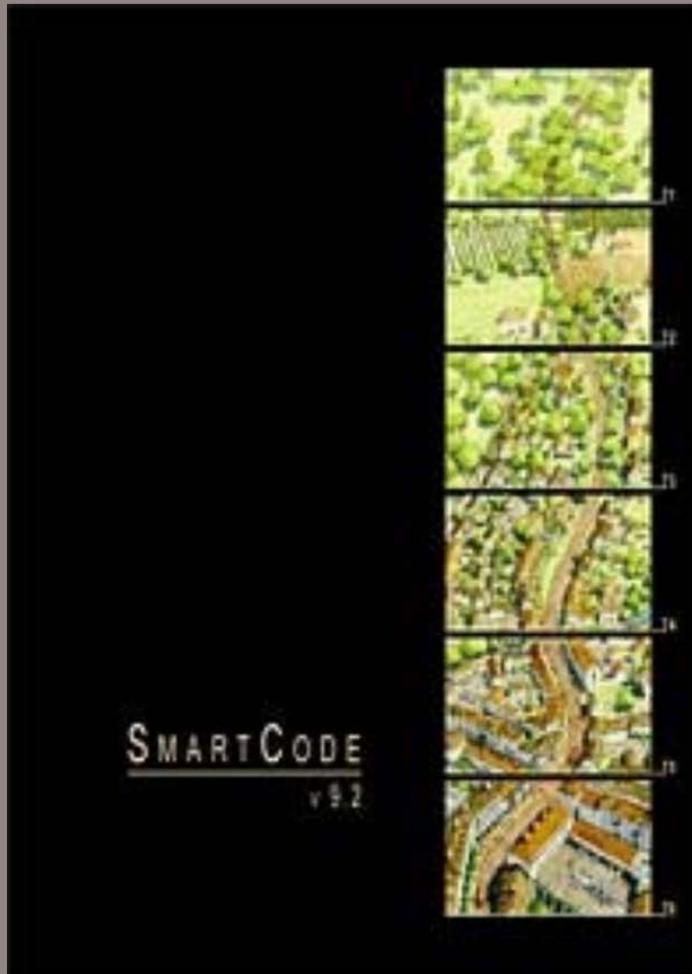
- Accepts King County TDCs
- Landmarks & landmark theaters
- Open space (Olympic Sculpture Park)
- Affordable housing
- Performing arts theaters

TDR bank started with \$1.2 million

- Helped Olympic Sculpture Park
- Secured 359 affordable units
- Facilitated two landmark theaters
- TDC sales help pay construction bond on Symphony Hall



# SmartCode



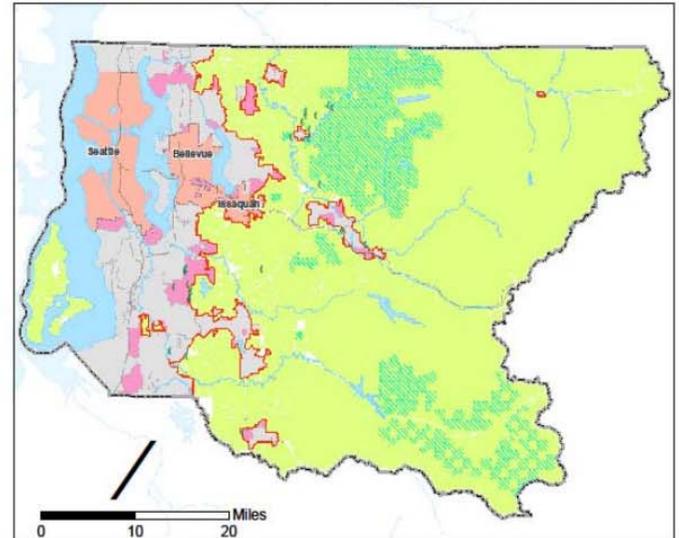
- SmartCode template includes TDR mechanism
  - Density: baseline & TDR
  - Goal of reducing or eliminating development potential in natural, agricultural and rural areas
- Reminder: preservation is
  - One of Ahwahnee Principles
  - Key Smart Growth goal
- Many communities remove TDR mechanism but now in
  - El Paso, TX
  - Pass Christian, MS
  - Pike Road, AL
  - Ridgeland, SC
  - San Antonio, TX

## King County, WA

- Conservation Futures
- Portion of property tax dedicated to open space preservation
- Often used to buy TDRs rather than land or easements
- Snoqualmie Forest:
  - \$22 million bought
  - 90,000 acres preserved
  - 990 TDRs banked for resale
- TDR changes finite revenue into ongoing revolving fund

## Tool Combinations

King County TDR Program Sending and Receiving Areas



### King County TDR Program

- Eligible Sending Areas\*
- Urban Growth Area Boundary
- Eligible Receiving Areas (Unincorporated Urban Areas)
- Partner Cities (Contain Eligible Receiving Areas)
- Other Cities
- Enrolled TDR Sending Sites (Large Properties)
- Enrolled TDR Sending Sites (Small Properties)

\*Sending sites eligible by zoning must also meet public benefit criteria to enroll in the program.

Map by Michael Murphy, King County TDR Program, May

### Washington State

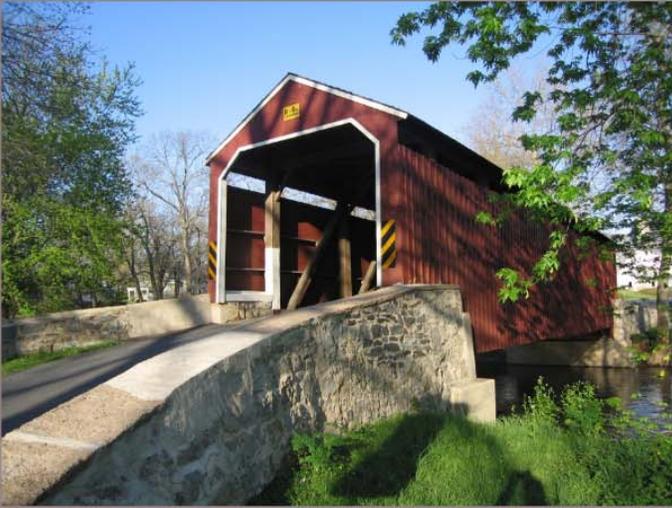


## Tool Combinations: Palm Beach County, FL



- Bond proceeds bought 35,000 acres of environmentally-sensitive land
- County severed TDRs and sells them for \$25,000 each (2007)
- In 2004-5, TDR sales earned over \$10 million
- Proceeds become ongoing revolving fund
- Used exclusively for preserve expansion and maintenance

# Tool Combinations: Warwick Township, Lancaster County, PA



- Partners with the Lancaster County Farmland Preservation Program
- Other townships: PDR only
- In Warwick, County allows Township and Farmland Trust to bank and resell the TDRs
- County's only requirement: TDR sales proceeds must be used for further preservation
- Office park receiving area
- TDRs increase lot coverage
- 1,318 acres preserved

# Innovations

## Density Transfer Charge (DTC)

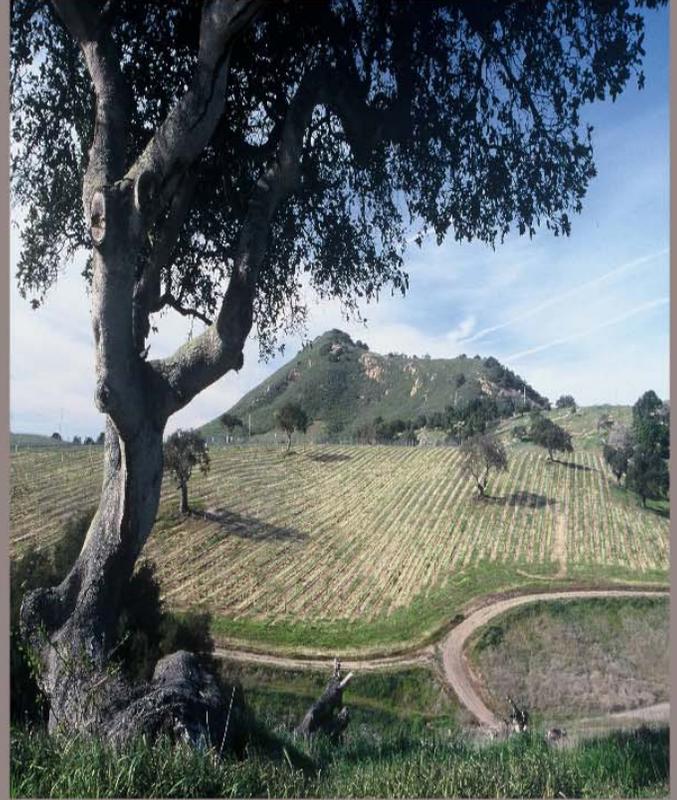
- Choose compliance with actual TDRs or pay DTC
  - All proceeds dedicated to sending site preservation
  - Facilitates compliance
  - Cash allows leveraging and priority targeting
- 25 programs use DTC
- 20 programs DTC choice: including Livermore, CA
  - 5 DTC only: including Warwick, Orange County, NY



- Large, diverse sending area
- Landowners wanted equitable TDR allocation
- One TDR / \$20,000 appraised value
- Actual TDR sales price by private negotiation
- Site-specific determination of features affecting development value
  - Opportunities and constraints: location, physical features, roads, infrastructure, view, amenities

## **Innovations** San Luis Obispo County, CA

- Countywide



# Innovations

## Pierce County, WA



- Developer option of actual TDRs or site-specific DTC
- One half difference in fair market value of receiving site at
    - Current zoning
    - At approved density bonus
  - Con: Appraisal increases cost and delay
  - Pro:
    - Consistent DTC
    - May facilitate adoption

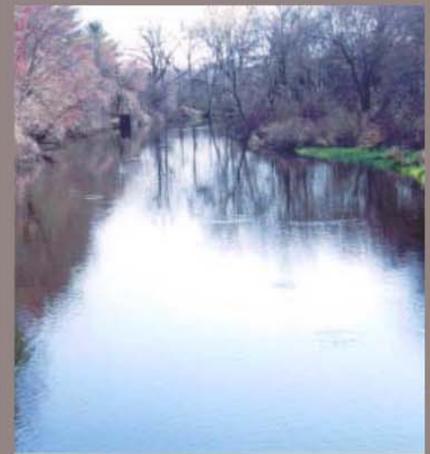
# Innovation Gunnison County, CO



TDR requirement: 10-percent of assessed land value increase from subdivision approval

- In large jurisdiction, automatically adjusts for wide variations in land value and housing types
- Adapts to fluctuations in market over time
- County can apply proceeds to highest preservation priorities and leverage other funding sources

# TDR in Real Estate Market Trends



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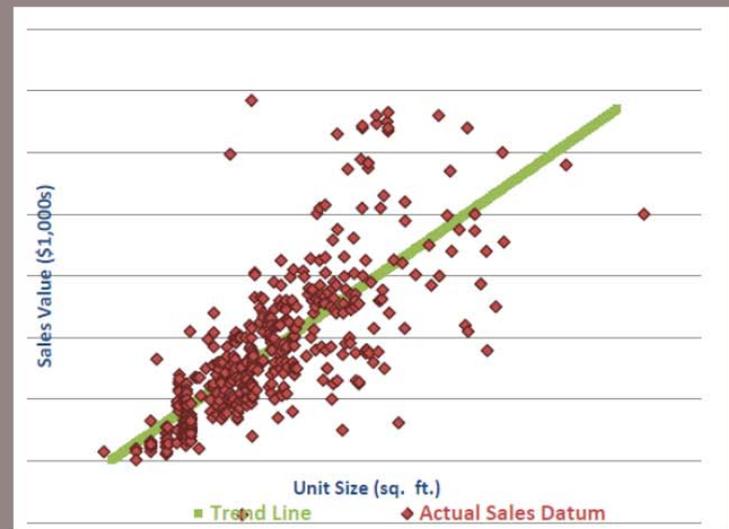
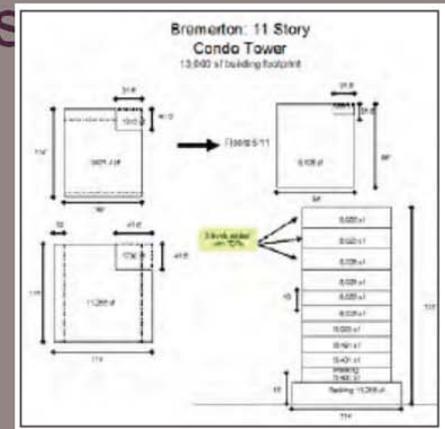
- Demand for Product Types
- For-Sale vs. For-Rent
- Helping Higher Density Pencil



# TDR in Real Estate Market Trends

## Demand for Product Types

- Absorption Capacity Analysis
- ProForma RLV Analysis
- TDR Commodities and Exchange Rates
- RI and MA Comprehensive Permit laws allow developers to bypass zoning for high-density affordable housing projects



# TDR in Real Estate Market Trends

## Residual Land Value Formula

1. Profit threshold for financial feasibility must equal 13% of total project costs. Total Costs are Land costs plus construction costs (hard and soft costs):

$$P = 0.13 (C_L + C_{HS})$$

Where P = Profit,  
 $C_L$  = Land Cost,  
 $C_{HS}$  = Hard and Soft Costs,

2. Profit Equals Total Revenue minus Total Costs

$$P = R - C_T$$

Where R = Total Revenue  
 $C_T$  = Total Costs

3. Therefore

$$R - C_T = 0.13 (C_L + C_{HS})$$

4. We use our model to insert a value for  $C$  that satisfies the equation. If  $C$  is equal to or higher than the current land selling price, then the project is feasible

## TDR in Real Estate Market Trends For Sale vs. For Rent

- For sale residential is preferable for TDRs because there are more revenues available sooner
- Developers sell for-sale units immediately vs. 10-15 years for apartment projects
- The fact that project conservers open space through TDRs matters more to permanent owners

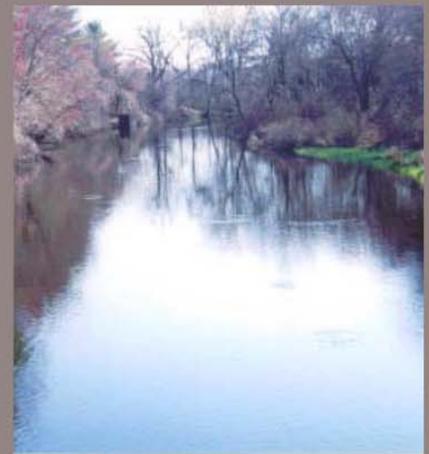


## TDR in Real Estate Market Trends Helping Higher Density Pencil

- Economies of scale make projects more feasible—higher improvement value while land costs remain the same
- Addition profits allowed through bonus must be split for TDRs and additional developer profit
- Cost of TDR for bonus unit cannot exceed cost of vacant land for same unit on a new site.



# TDR Policy Trends



# TDR Policy Trends

- TIF for TDR
- Ecosystem Services
- Sea-Level Rise
- Military installation protection

