

Skagit TDR Project Update

November 26, 2013

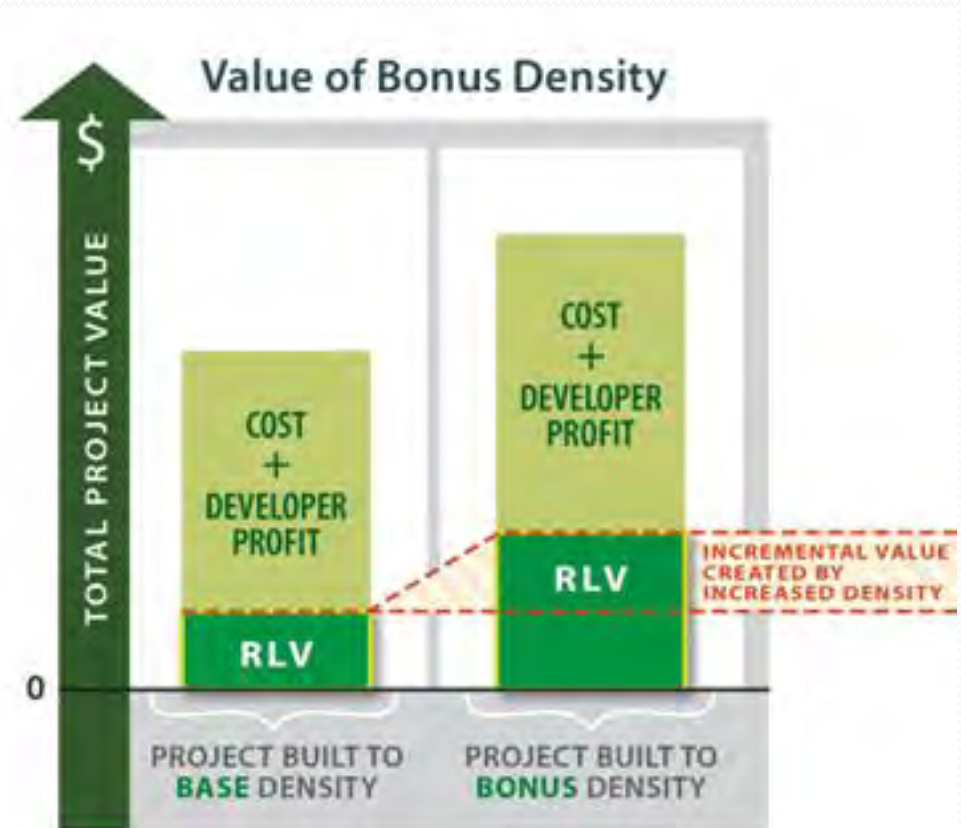
- 1. Where we are**
- 2. Overview of preliminary market analysis**
- 3. Next steps**

TDR is VOLUNTARY

- **Sending-area landowner participation is voluntary**
 - **Willing sellers only (like Farmland Legacy)**
 - **No forced downzones**
- **Receiving-area landowners/developers:**
 - **TDR purchase allows access to additional development potential**
 - **Pricing provides economic incentive**
 - **One exception: Rural Upzones**

TDR = Bonus Density Program

- Without: all increased land value accrues to landowner/developer
- With: majority of increased land value accrues to landowner (economic incentive)
- Some value is captured for public benefit
- Can be used for land conservation (or other purposes)



TDR vs Density Credit Program

- **TDR**

- **Private market transaction between buyer & seller**
- **Sales price negotiated directly between two**
- **Sometimes offers better pricing for large number of DR purchases**
- **Program issues development certificates, records conservation easement**

TDR vs Density Credit Program

- **Density credit (like Burlington Ag Heritage)**
 - Developer purchases density credits at set price
 - Revenues aggregated and used for conservation purposes (Burlington → Farmland Legacy)
 - Easier to use for most developers
 - More understandable to general public
- **TDR experts recommend offering both options**

Key elements of market analysis:

- **Estimated value to developers for extra units of development potential**
 - **By location and development type**
- **Est. value of residential development rights in various sending areas:**
 - **SF-NRL, RRc-NRL, IF-NRL, Ag-NRL**
- **Values help establish parameters for viable, functioning TDR market - or density credit fee schedule**

Sending and Receiving areas analyzed (complex, 90 combinations)

Receiving:

- **Bayview Ridge residential (proposed)**
 - Density bonus in BR-R
 - Upzone from BR-URv to BR-R
- **Burlington**
 - Residential
 - Commercial
 - Mixed Use
- **Rural upzones**

Sending:

- **Ag-NRL**
- **SF-NRL**
- **RRc-NRL**
- **IF-NRL**

TDR and Density

- **TDR should be applied consistent with a jurisdiction's development goals and market demand**
 - **Not used to force density where it's not appropriate**
 - **Decision to allow certain type and intensity of development should be made on its own merits**
- **If “yes,” then TDR or density credit can help capture additional public benefits**

Caveat on preliminary findings

- The findings contained in the Heartland analysis are **PRELIMINARY, DRAFT**, and subject to **FURTHER ANALYSIS** and **VETTING** through focus group meetings

Estimated development right values in sending areas

Various analytical techniques used to estimate development right value separate from total land value:

- Farmland Legacy Program appraisals
- Open space tax assessments
- Others

Non-Ag Sending Zone Pricing Indications	
Sending Zones	Value Per Development Right
Ag-NRL	\$75K - \$100K
SF-NRL	\$20K - \$30K
RRc-NRL	\$20K - \$30K
IF-NRL	\$10K - \$15K

Exchange rate analysis

Bayview Ridge

draft

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Bayview Ridge Bonus Increment Values					
TDR Bonus	Per Lot Value of Increment	Per Lot Value of Base Land	Lesser of Increment/Land	Fee as % of Value	Per Lot Fee
BR-UR Bonus Density					
BR-UR -> BR-R	\$13,217	\$42,359	\$13,217	50%	\$6,608
BR-R Bonus Density					
4 DU/Acre -> 5 DU/Acre	\$34,117	\$14,674	\$14,674	50%	\$7,337
5 DU/Acre -> 6 DU/Acre	\$28,688	\$14,674	\$14,674	50%	\$7,337

Exchange Rate Calculation				
Sending Zones	Value Per Development Right	Exchange Rates (Receiving DU / Sending DU)		
		BR-UR -> BR-R	4 DU -> 5 DU	5 DU -> 6 DU
Ag-NRL	\$87,500	13	12	12
SF-NRL	\$25,000	4	3	3
RRo-NRL	\$25,000	4	3	3
IF-NRL	\$12,500	2	2	2

Exchange rate analysis

Burlington

draft

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Burlington Bonus Increment & Land Values					
TDR Bonus	Per Unit Value of Increment	Per Unit Value of Base Land	Lesser of Increment/Land	Fee as % of Value	Per Unit Fee
Burlington Residential (DUs)					
14 DU/Acre -> 23 DU/Acre	\$7,606	\$7,973	\$7,606	50%	\$3,803
Burlington Commercial (GBSF)					
.3 FAR -> .35 FAR	\$80	\$35	\$35	50%	\$18

Exchange Rate Calculation			
Sending Zones	Value Per Development	Exchange Rates (Receiving DU/GBSF PER Sending DU)	
		Residential	Commercial
Ag-NRL	\$87,500	23	4,980
SF-NRL	\$25,000	7	1,423
RRc-NRL	\$25,000	7	1,423
IF-NRL	\$12,500	3	711

Exchange rate analysis

Rural Upzones

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Rural Upzone Bonus Increment Values							
TDR Bonus Upzone	Base Density	Upzone Density	Per Lot Value of Increment	Per Lot Value of Base Land	Lesser of Increment/Land	Fee as % of Value	Per Lot Fee
RRc -> RRv	1 DU/10 Acres	1 DU/5 Acres	\$30,935	\$50,065	\$30,935	50%	\$15,467
RRv -> RI	1 DU/5 Acres	1 DU/2.5 Acres	\$13,793	\$40,500	\$13,793	50%	\$6,897
RRv -> RVR	1 DU/5 Acres	1 DU/1 Acres	\$24,909	\$40,500	\$24,909	50%	\$12,454

Exchange Rate Calculation				
Sending Zones	Value Per Development Right	Exchange Rates (Receiving DU / Sending DU)		
		RRc -> RRv	RRv -> RI	RRv -> RVR
Ag-NRL	\$87,500	6	13	7
SF-NRL	\$25,000	2	4	2
RRc-NRL	\$25,000	2	4	2
IF-NRL	\$12,500	1	2	1

Next steps

- **Focus group meetings with: Ag/Farmland Legacy, Forestry, Development Community to:**
 - **Ground truth preliminary analysis**
 - **Assess interest in and concerns over TDR**
- **Heartland completes and presents market analysis to BCC**
- **Two additional Advisory Committee meetings scheduled**
- **BCC decides whether to proceed with legislative proposal, or not**

Key Questions

- **Is there enough market demand in Skagit County to move forward?**
 - **That's in part what the market analysis is meant to help answer**

Additional receiving area options over time....

- **County**

- UGA expansions (residential, commercial)
- Additional units of CaRD density bonus
- Rural Village Commercial expansions

- **In cooperation with willing cities:**

- Residential density increases
- Commercial intensification
- Downtown/mixed use development

Key Questions

- **Will TDR harm Ag and Farmland Legacy?**
 - A carefully designed program should not

Program design:

One possible option

- **Density credit component**
 - Functions like Burlington Ag Heritage Program
 - Revenues provided to Farmland Legacy (or other conservation program, if desired)
- **TDR component**
 - Private buyer-seller option (can work better for large transactions)
 - Potential sending areas: SF-NRL, RRc-NRL, IF-NRL
 - Does not interact with or disrupt Ag-NRL, FLP purchases



Questions, Comments?

Other County TDR programs in Washington

County	Acres Conserved through TDR
King	141,500
Kittitas	160
Pierce	100+
Snohomish	127
Thurston	1,123

Source: Forterra TDR database