Conservation and Development Incentives (CDI) Program
Development Credit Fees and Exchange Rates

Development Credits

Development credits allow an applicant in a development priority area to add additional units of residential development, subject to Skagit County Code Chapter 14.22, Conservation and Development Incentives Program. Development credits may be purchased from the County or from a private party.

When an applicant buys a development credit **from the County**, the applicant pays a **development credit fee.** The fee amount depends on which land use designation and zone the property is in, as stated in the sample fee schedule (shown on the following page). The fee represents a portion of the increase in property value that results from an additional unit of residential development being added to the parcel.

The fee is based on a comprehensive analysis of land and residential development values across Skagit County; more specifically, on the estimated dollar value of adding an additional unit of residential development to a typical parcel in a particular designation and zone. The fee is set at 50% of the estimated value of the additional unit to account for regional variations in values across the County, and to create an economic incentive for transactions to occur. Following payment of the fee, the remainder of the increase in property value resulting from the increase in development potential accrues to the property owner.

Exchange Rates

When an applicant buys a development right **from a private party**, the County will retire that development right, then issue a corresponding number of **development credits** to the applicant based on the applicable **exchange rate** (shown on the following page)**.** The exchange rate reflects the estimated market value of the development right being sold relative to the value of the development credit or credits being received. It is intended to create roughly equal value on both sides of a private transaction. Where that situation exists, the buyer and seller should be able to negotiate a sale and purchase price that meets both of their financial expectations.

How are the exchange rates calculated?

There are two components to the exchange rate: the first number represents the estimated value of a residential development right from a conservation priority area (e.g., Rural Resource in the example below). The second number represents the price of development credits as sold by the County for a particular development priority area.

Typical value of a development right in a *conservation* priority area (e.g., Rural Resource-NRL)		Price of a development credit in a *development* priority area (e.g., Rural Intermediate)		Exchange rate that roughly equalizes those values (rounded up to a whole number)
$51,000	÷	$17,000	=	3:1

According to the schedule below, a developer who purchased and retired one residential development right from Rural Resource-NRL would receive three development credits, each of which could be used to add an additional lots in a Rural Intermediate development priority area (subject to program requirements and limitations). Or, the developer could purchase those development credits directly from the County.

Comparison of Where Credits Can Be Obtained

Purchased from	Price	Resalable
County	Fixed price per transaction type	No, purchased at time of use
Private party	Negotiated with private party, based on exchange rate	Yes

Sample Development Credit Fees and Exchange Rates

The actual fees and exchange rates will be considered and adopted by the Board of County Commissioners prior to implementation of the CDI Program. They may undergo revision before that time.

Development Priority Area	**Development Credit Fee Per Additional Lot**	**Exchange Rates**[1] (by conservation priority area)		
		Area 1 (Ag-NRL)	Area 2 (RRc-NRL or RRv)	Area 3 (SF-NRL or IF-NRL)
Group 1 Secondary Forest-NRL (Additional lot resulting from CPA/Rezone[2] to SF-NRL).	$43,000	2:1	1:1	1:1
Group 2 Rural Reserve (Additional lot resulting from CPA/Rezone to RRv)	$33,500	2:1	2:1	1:1
Group 3 Rural Intermediate or Rural Village Residential (Additional lot resulting from CPA/Rezone to, or Infill in, RI or RvR)	$17,000	4:1	3:1	1:1
Group 4 Small Lot CaRD in Rural Reserve, or CPA/Rezone to UGA at 4 units/acre	$14,500	4:1	4:1	1:1

[1] Based on the following estimated development right values when purchased through private market transactions: Ag-NRL @ $64,000; RRc-NRL and RRv @ $51,000; IF-NRL and SF-NRL @ $20,000. Private market purchasers will search out the least expensive development rights, which is why the Ag-NRL development right value is estimated at less than the average price paid through the Farmland Legacy Program, which typically ranges between $100,000 and $110,000. Purchase of development rights (PDR) programs typically focus on the highest value lands and those most likely to be developed, typically resulting in higher development right purchase prices than private market transactions.

[2] Comprehensive Plan Amendment and Rezone.