

Presentation for

Beaver Hills TDC

Pilot Workshop

December 1, 2010

**Transfer of Development Rights
in the Pacific Northwest**



Agenda

- Context: A relevant introduction to the central Puget Sound region
- Into the Weeds: A Practitioner's View

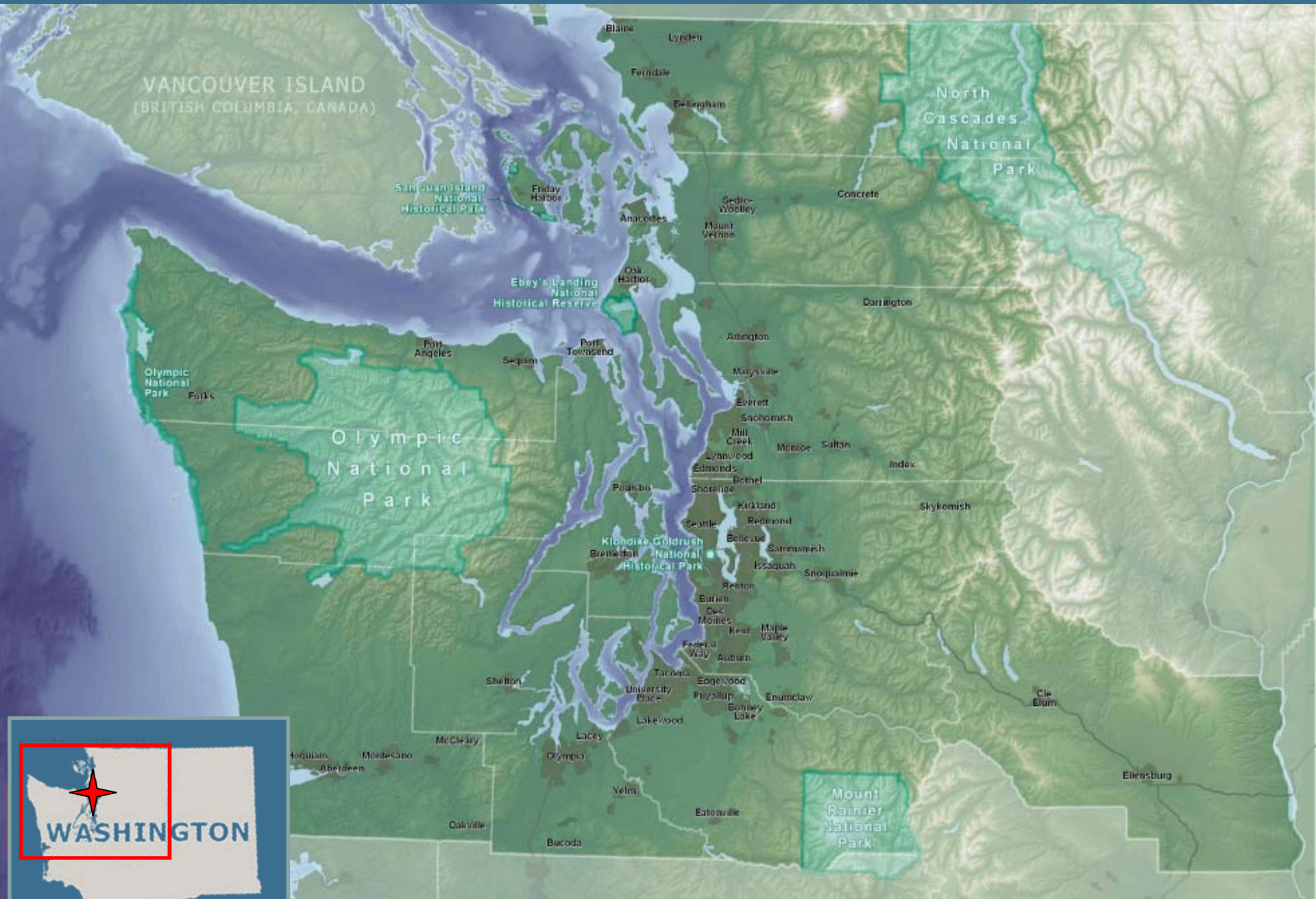


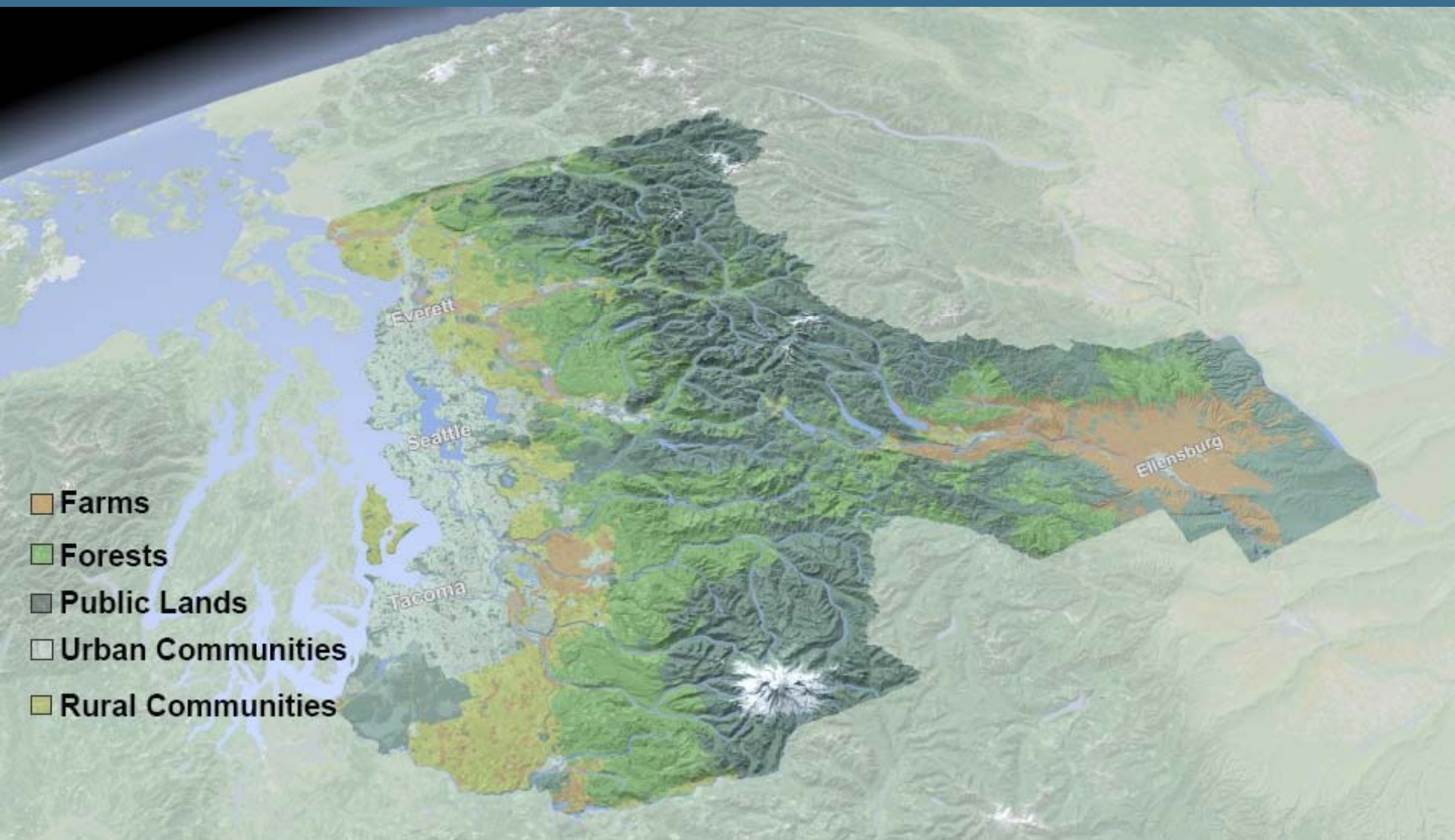
Cascade Land Conservancy



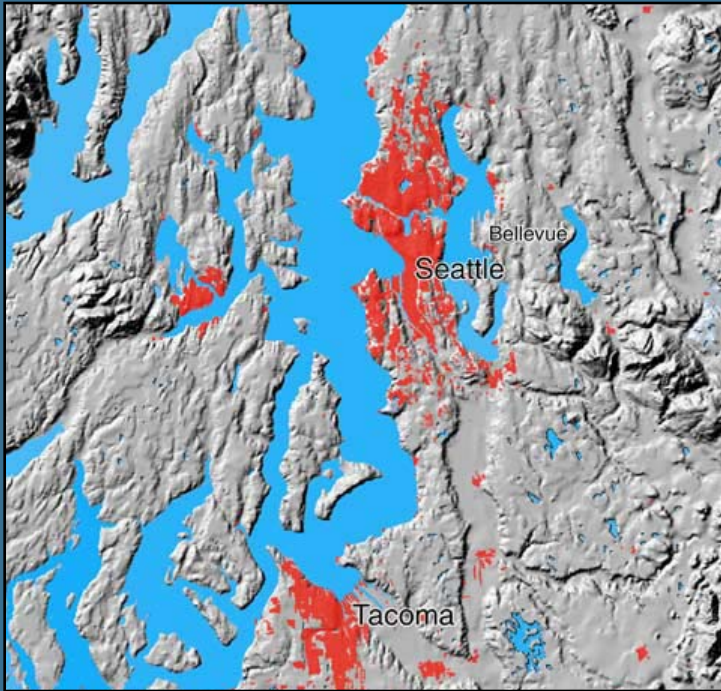
- Cascade Land Conservancy (CLC) is Washington's largest independent land conservation, stewardship, and community-building organization
- Conserved nearly 160,000 acres to-date using market-based approaches

Conserving Great Lands, Creating Great Communities

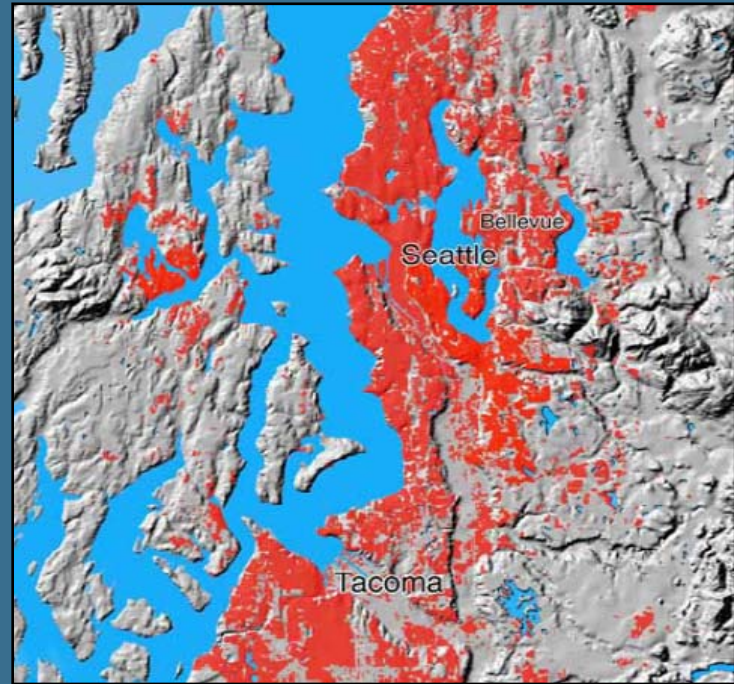




Growth Has Occurred

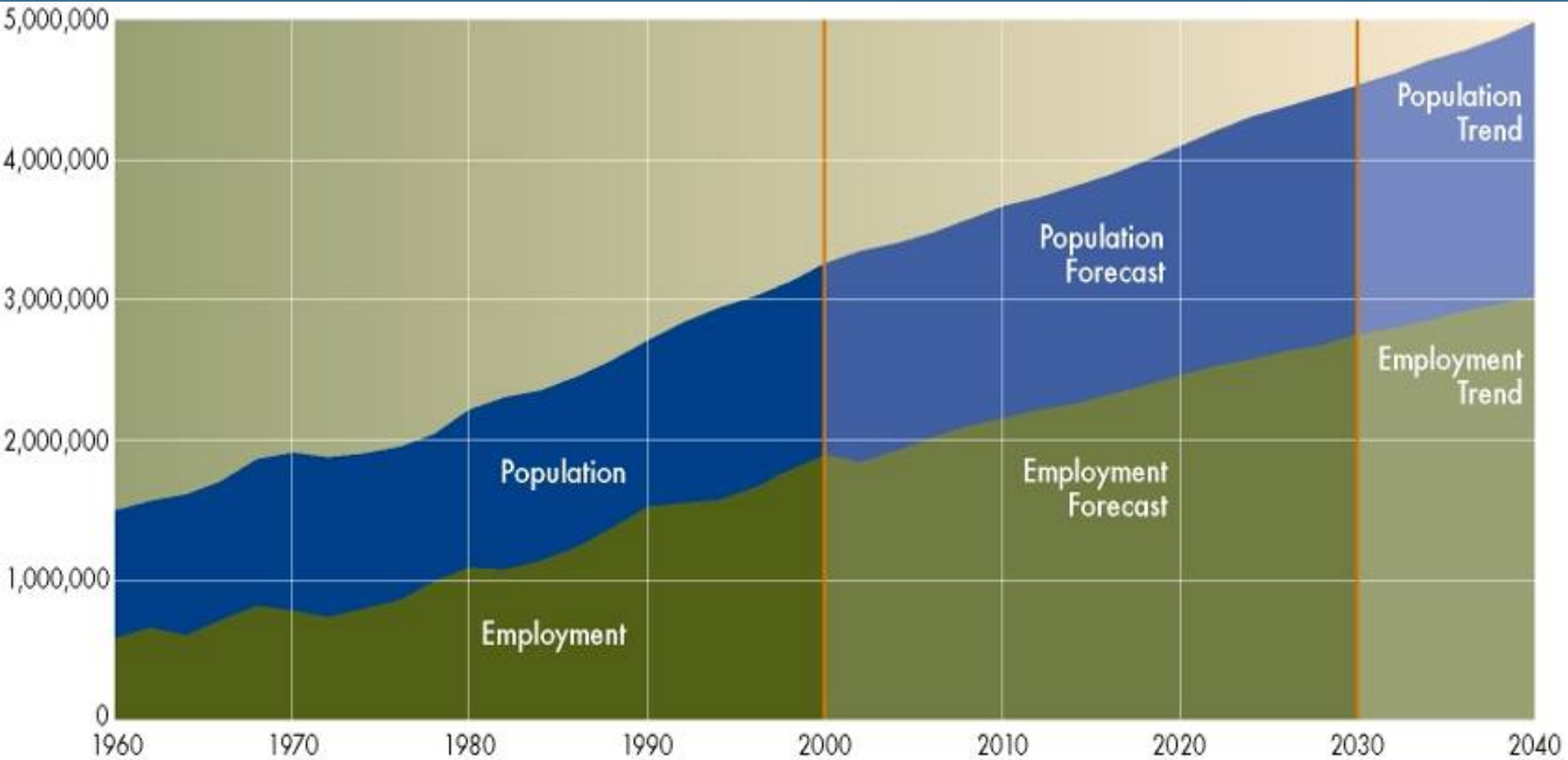


1950



2000

Growth Is Expected



Tacoma

Puget Sound

Puyallup River

Cascade Land Conservancy



Tacoma

Puget Sound

Puyallup River

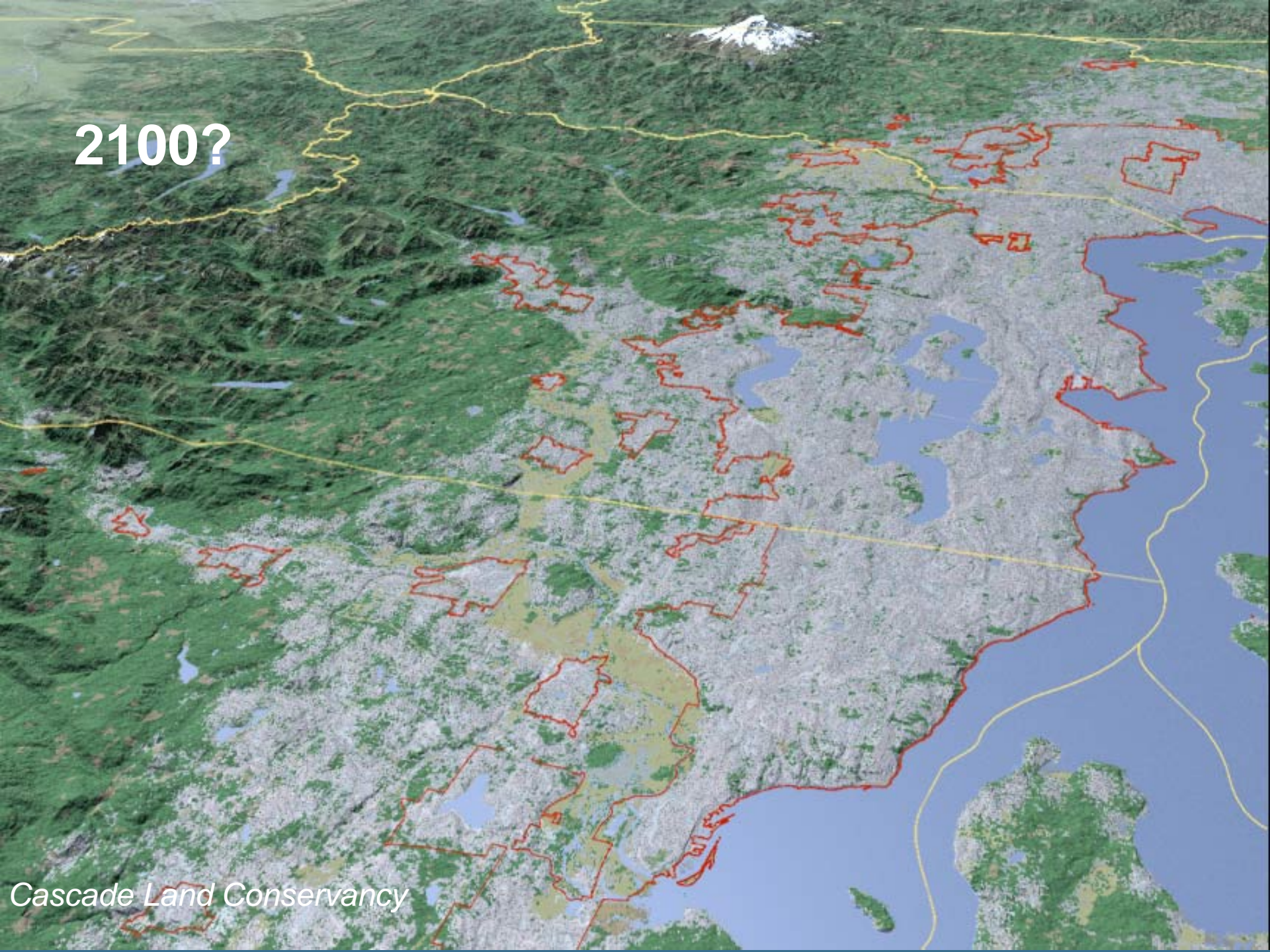
Cascade Land Conservancy





Current Land Use

2100?



The Cascade Agenda

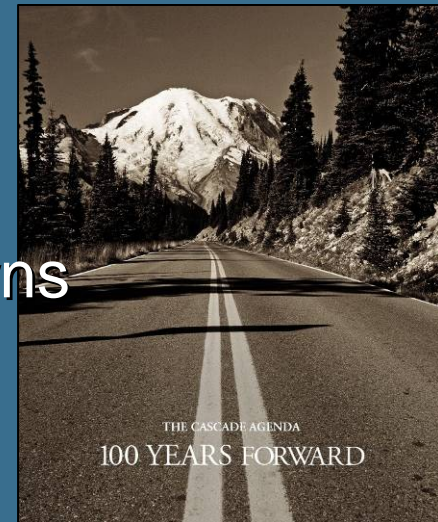
Turning Challenge into Opportunity

Saving our landscapes for the next century

- 1 million acres of working lands
- 265,000 acres parks, natural areas and shorelines

Sustaining Communities for the next century

- Transforming, revitalizing our cities & towns
- Maintaining a rural community



Advancing TDR on Multiple Levels

1. State TDR Policy

- Legislation
- Contracting
- Committees
- Outreach

2. Local TDR Policy

- Policy Advising
- Program development

3. TDR Transactions

- Demonstrations
- Urban pilots



TDR in the Central Cascades

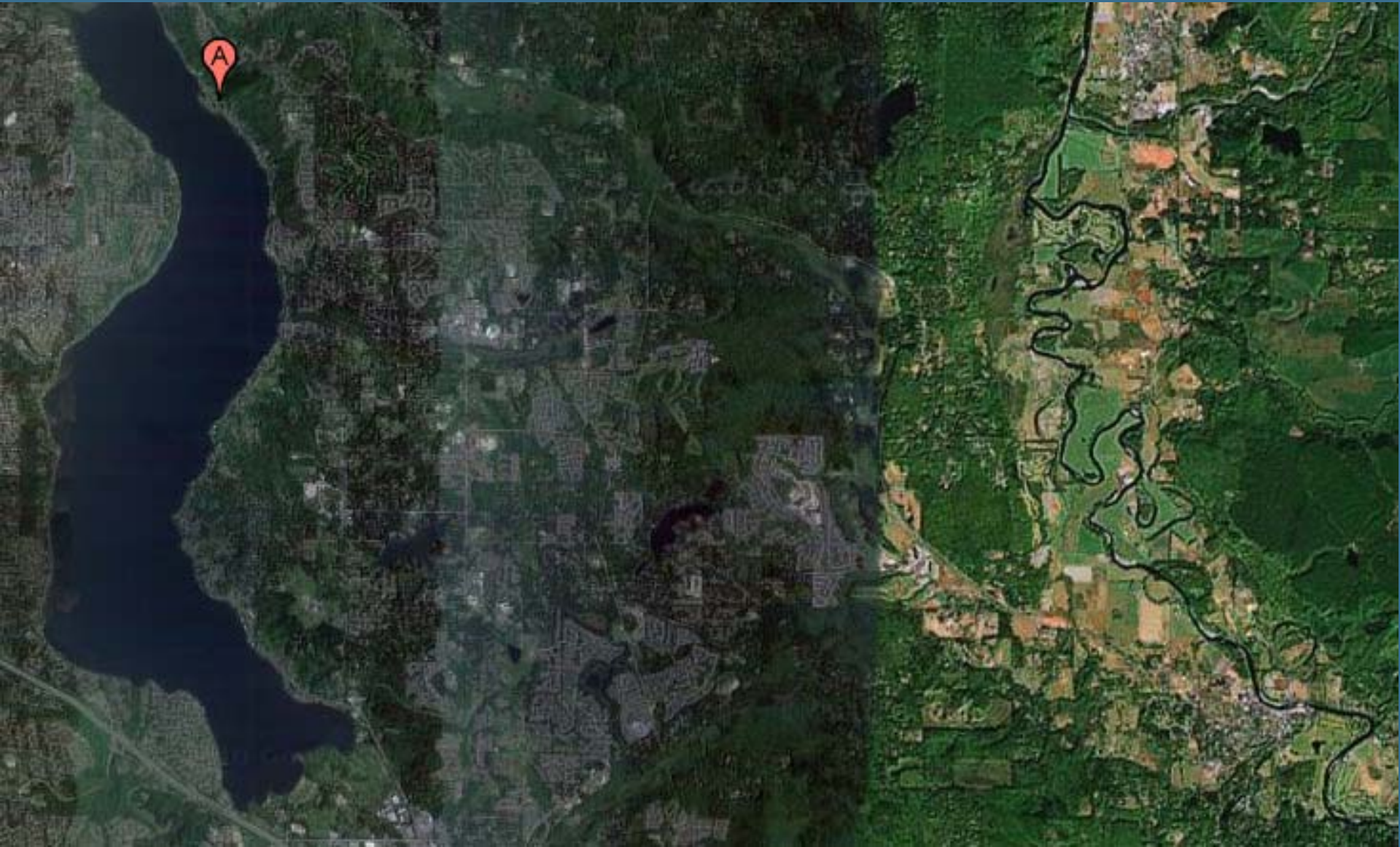
- King County
 - Bellevue
 - Black Diamond
 - Issaquah
 - *Normandy Park*
 - Redmond
 - *Sammamish*
 - Seattle
- Pierce County
 - *Tacoma*
 - *Puyallup*
- Snohomish County
 - Arlington
 - *Everett*
 - *Mountlake Terrace*
 - *Snohomish*
- Kitsap County
 - Bainbridge Island
 - *Port Orchard*
- Kittitas County



Where Can TDR Work?

TDR is appropriate wherever growth is occurring for which capacity is needed.

City of Sammamish, WA



City of Sammamish, WA

- Population = 41,000
- Incorporated 1999
- Median Income = \$134,000 (2008)
- Median Home Price = \$705,000 (2008)
- Developing a new town center

“[Town Center] should incorporate a TDR system to use market forces to better protect ecological resources and open space with public benefits”

Kittitas County, WA



Kittitas County, WA

- Population = 40,000
- Experienced considerable growth since 2000
- Over 350,000 acres of private resource lands
- Median Income = \$41,300 (2008)
- Median Home Price = \$261,000 (2008)
- Adopted a TDR program in 2009 focused on farm and forest conservation

Program Development:

the Ingredients

1. Goals
2. Public Involvement
3. Program Elements (Sites, Processes, etc.)
4. Politics

1. Goals

Establish clear goals early in the process.

Primary goals:

- *Conserve working lands*
- *Promote development in areas appropriate for growth*

Success:

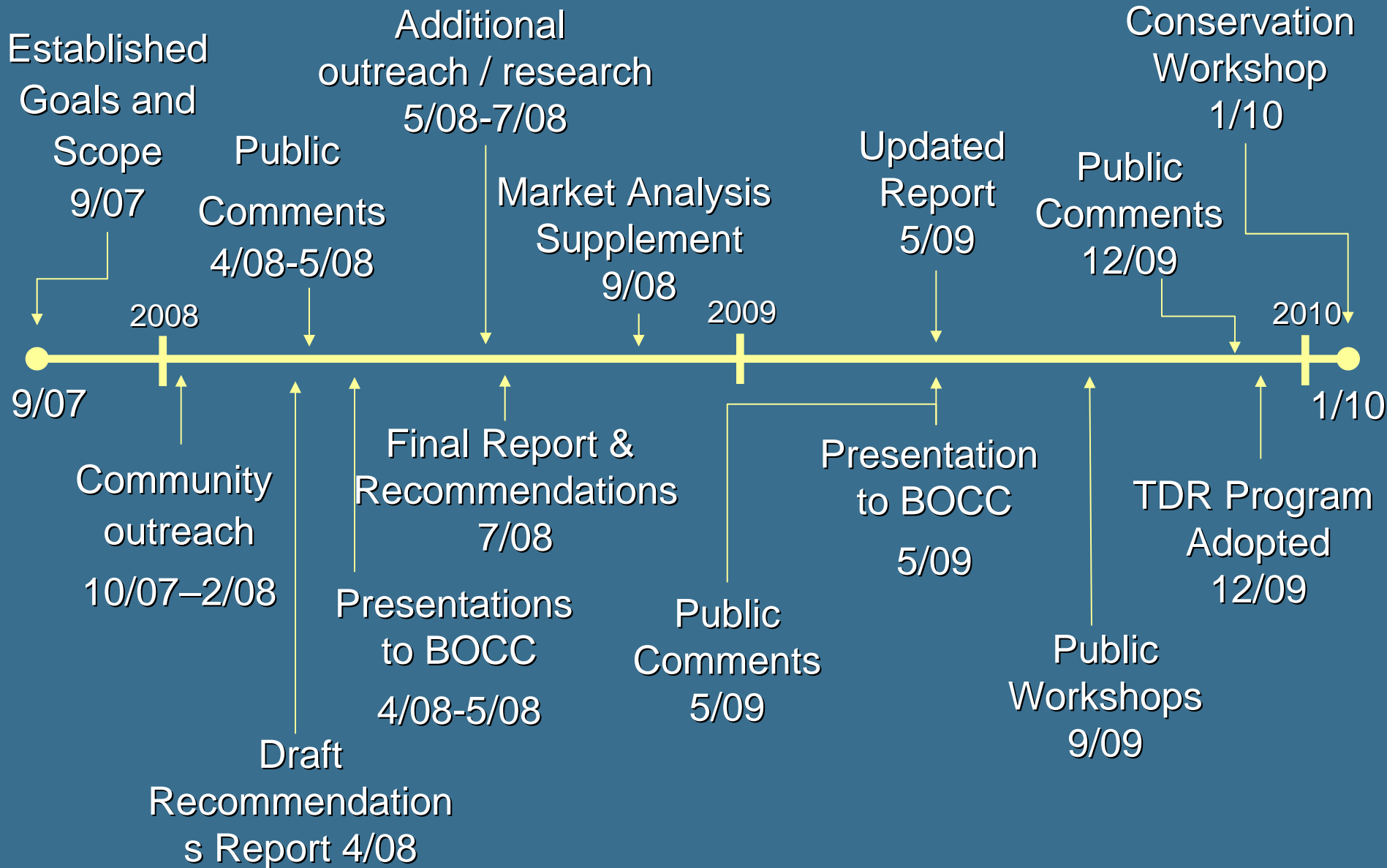
- *Growth is responsibly planned, property rights are protected, and rural landowners are fairly compensated*

2. Public Involvement

Outreach and public support are critical.

- Involve the spectrum of interests
- Ask and listen
- Find common interests
- Respect dissent
- Provide opportunities for public comment

Kittitas County Outreach



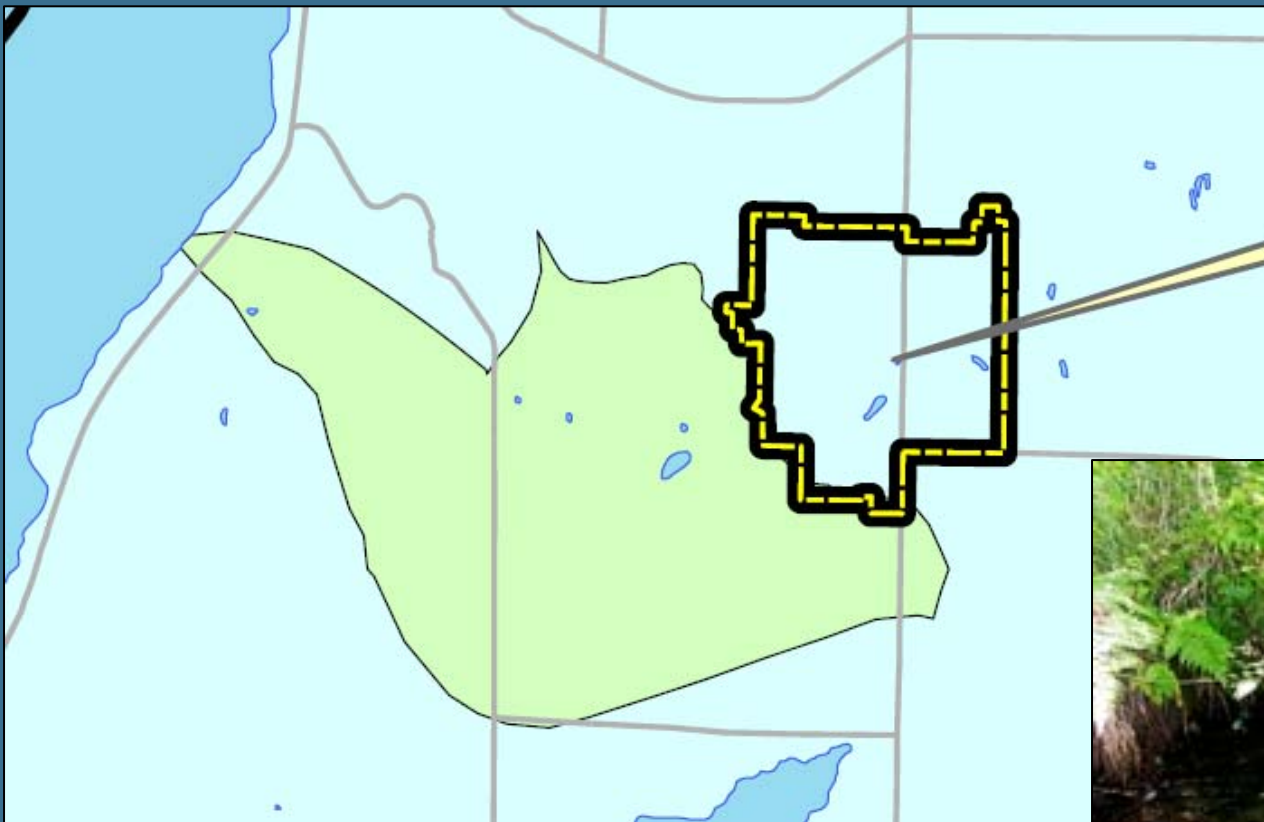
3. Program Elements

Sending sites.

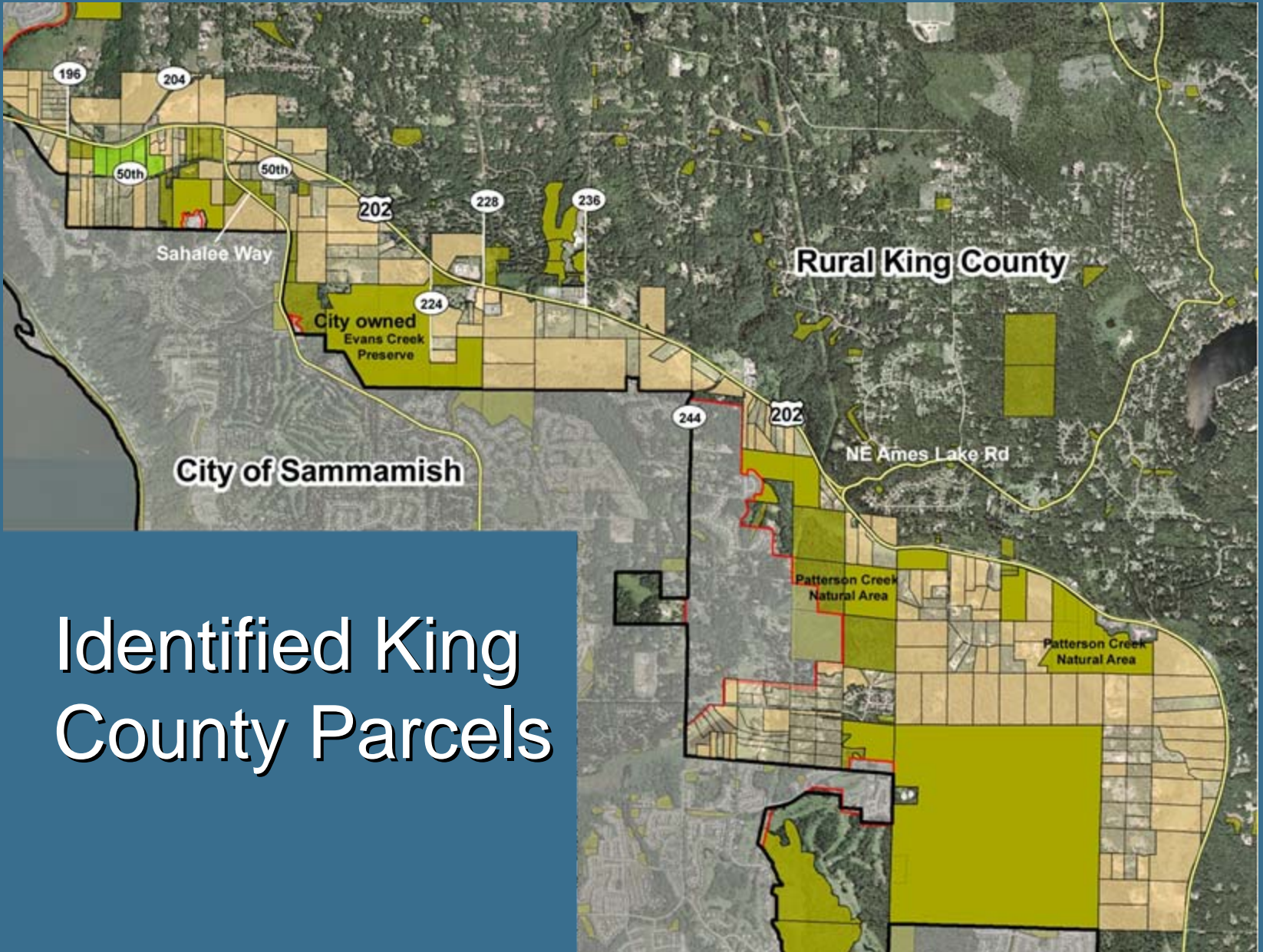
- Important considerations include:
 - Internal vs. Multi-jurisdictional?
 - Geographical vs. Criteria-based?
 - Inclusive vs. Restrictive?
 - Financially reasonable?
 - Importance of conservation contiguity?
 - Nexus with receiving areas?

Sammamish Sending Sites

Thompson Sub-basin / Ebright Creek



Source: King County



Identified King County Parcels

Kittitas County Sending Sites

- **Irrigated Farms**
- **Working Forests**

Criteria

Property is :

- Is in 20-acre or 80-acre zoning
- Is a minimum of 20 acres in size
- Qualifies for “current use” taxation
- Has development value



3. Program Elements (continued)

Receiving sites.

- Important considerations include:
 - Are desired sites growth areas?
 - Is additional capacity needed?
 - Is zoning compatible?
 - Geographic vs. Criteria-based?
 - Is there political will?

Sammamish Recommended Receiving Site:

Town Center

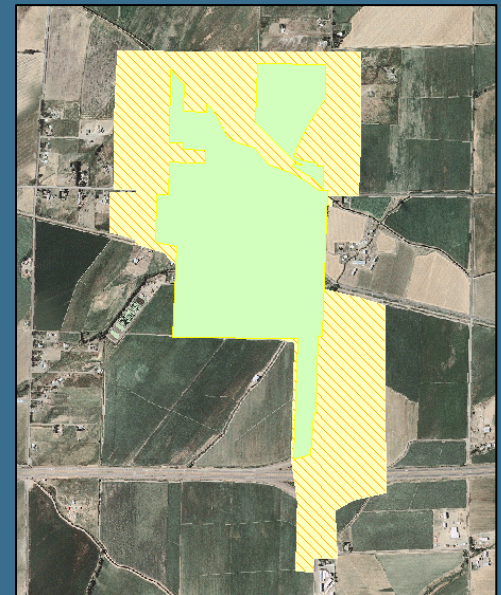


Consideration

TDR should be available for future development and redevelopment planning beyond Town Center

Kittitas County Receiving Sites

- **Cities**
- **Urban Growth Areas**
- **Planned Communities**
 - Master Planned Resorts
 - Planned Unit Developments
- **Approved Rural Development**
 - Rezones
 - Clusters



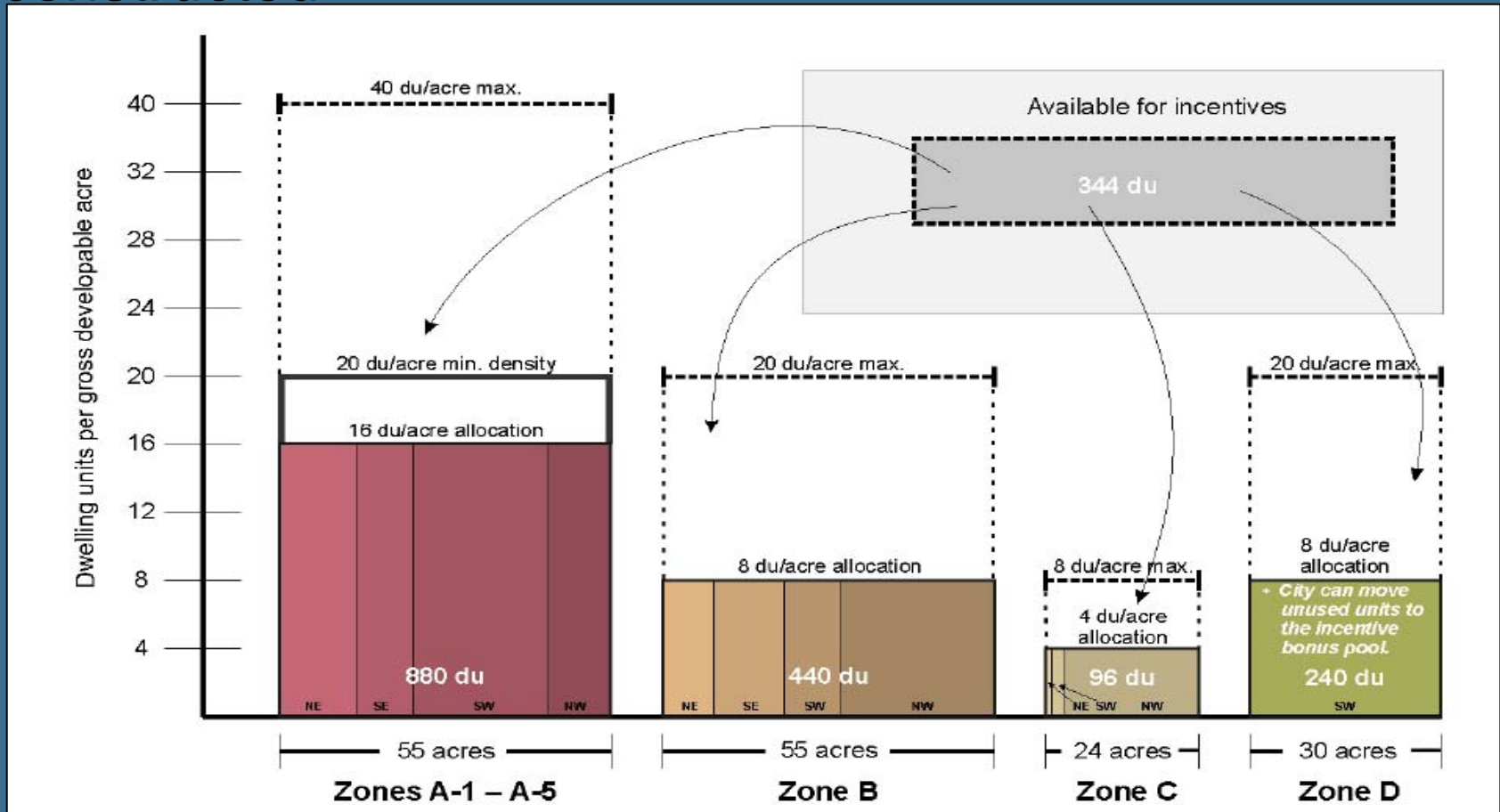
3. Program Elements (continued)

Incentives.

- “Conversion commodities” may include:
 - Increased density (units, FAR, height)
 - Increased impervious surface allowances
 - Reduced structured parking requirements,
 - Reduced open space requirements
 - Concurrency satisfaction,
 - Reduced setback requirements.
- Pitfalls:
 - Not in demand by the market
 - Competes with other incentives
 - Zone versus project-level incentives

Sammamish Residential Development Incentive

TDR-based conservation from residential development may occur after by-right residential units (1656) are constructed



3. Program Elements (continued)

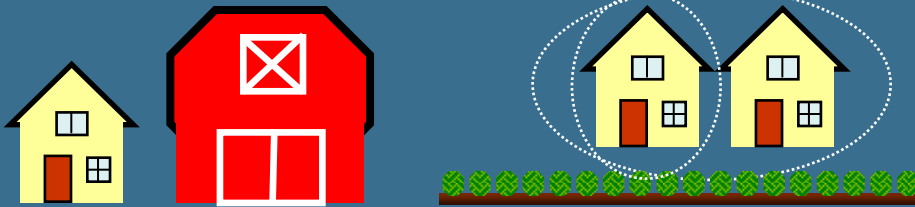
Exchange Rates.

- Critical: Rates must reflect market realities
- Should support program goals
- Market studies are recommended
- Pitfall:
 - Setting a rate in absence of market data
 - Exchange rates do not follow market changes

The Importance of Economic Analysis

Sending Area

Each Development Right = \$50,000



Exchange Rate = 1:1

- Developer purchases 2 DR from farmer for \$100k
- Developer gets 2 unit development bonus, worth \$60k in additional profit
- Developer loses \$40k

Receiving Area

6 units = base density; 8 units = allowed with TDR
Each additional dwelling unit = \$30,000 profit



Exchange Rate = 1:2

- Developer purchases 1 DR from farmer for \$50k
- Developer gets 2 unit development bonus, worth \$60k in additional profit
- Developer nets \$10k

Sammamish Exchange Rates

Rates must address differences in costs to both buyers and sellers.

		Sending Zoning		
		R-4	R-6	KC Lands
Receiving Zoning	Commercial	3560	2600	3560
	Zone C	2	1	2
	Zones B & D	3	2	3

3. Program Elements (continued)

Allocation Rates.

- Important considerations include:
 - Zoning vs. Other allocation?
 - Gross Acreage vs. Buildable Acreage?
 - If non-zoning allocation:
 - Is it replicable?
 - Will issues arise?
- Pitfall:
 - Setting a precedent that is challenging in the market

3. Program Elements (continued)

TDR Administration.

1) Private Market Transactions

- Buyer-seller transactions
- Buyer-seller transactions with suppo

2) TDR Bank

3) Private Investment Corp

4) Density fee (in-lieu)



3. (continued): TDR Transactions.

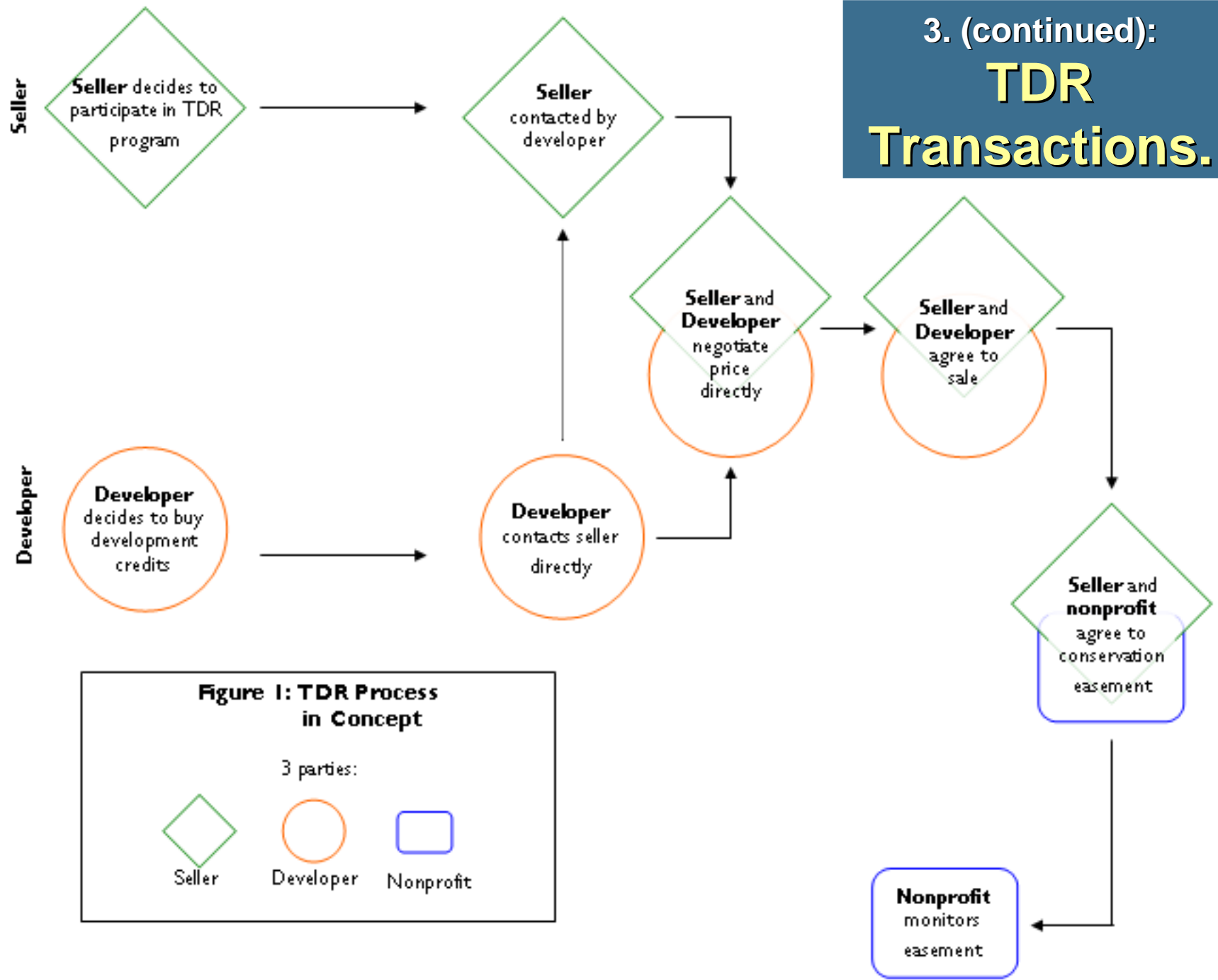



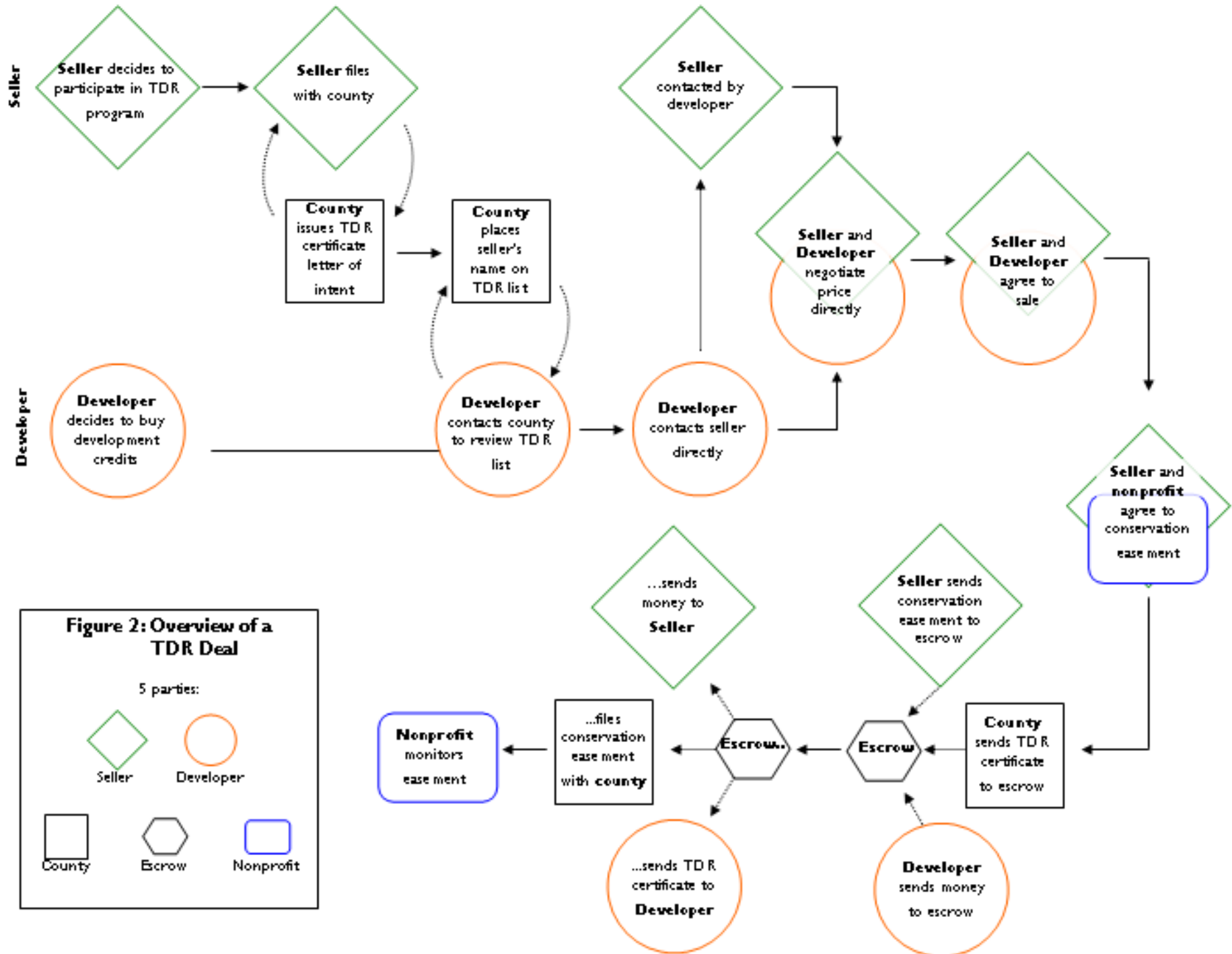


Figure 1: TDR Process in Concept

3 parties:

 Seller
  Developer
  Nonprofit



3. Program Elements (continued)

TDR Easements.

- Serve as a security instrument
- Differ from typical conservation easements
 - Generally restrict only development
 - Often do not address conservation values

4. Politics

Politics are important.

TDR Program Development

Keys to success:

- Clear conservation goals
- Compatible zoning
- Tangible benefits
- Transparent
- Simple transaction process
- Appropriate incentives
- Understanding of the market



Thank you

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