

FOREWORD BY DWIGHT H. MERRIAM

The
TDR HANDBOOK

Designing and Implementing
Transfer of Development Rights Programs



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Transfer of
Development
Rights (TDR)
Foundations

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Transfer of Development Rights

Money (\$\$) From Sale of Rights

Outline

Principles

Theory

Economics

Planning

Implementation

But first some examples ...



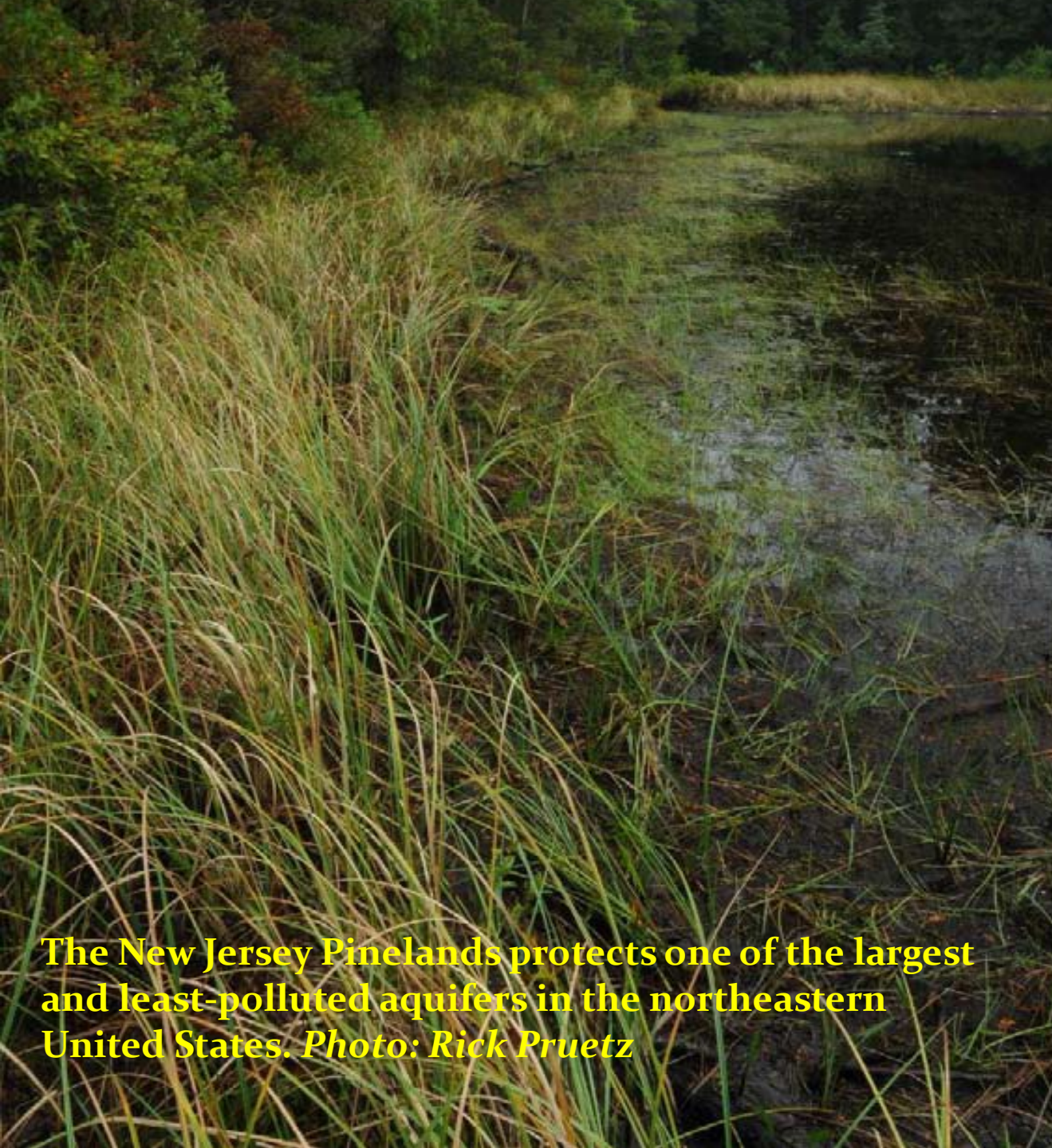
San Luis Obispo County uses TDR to encourage the retirement of undeveloped rural parcels as well as preserve farmland and environmental sensitive areas. *Photo: Rick Pruetz*



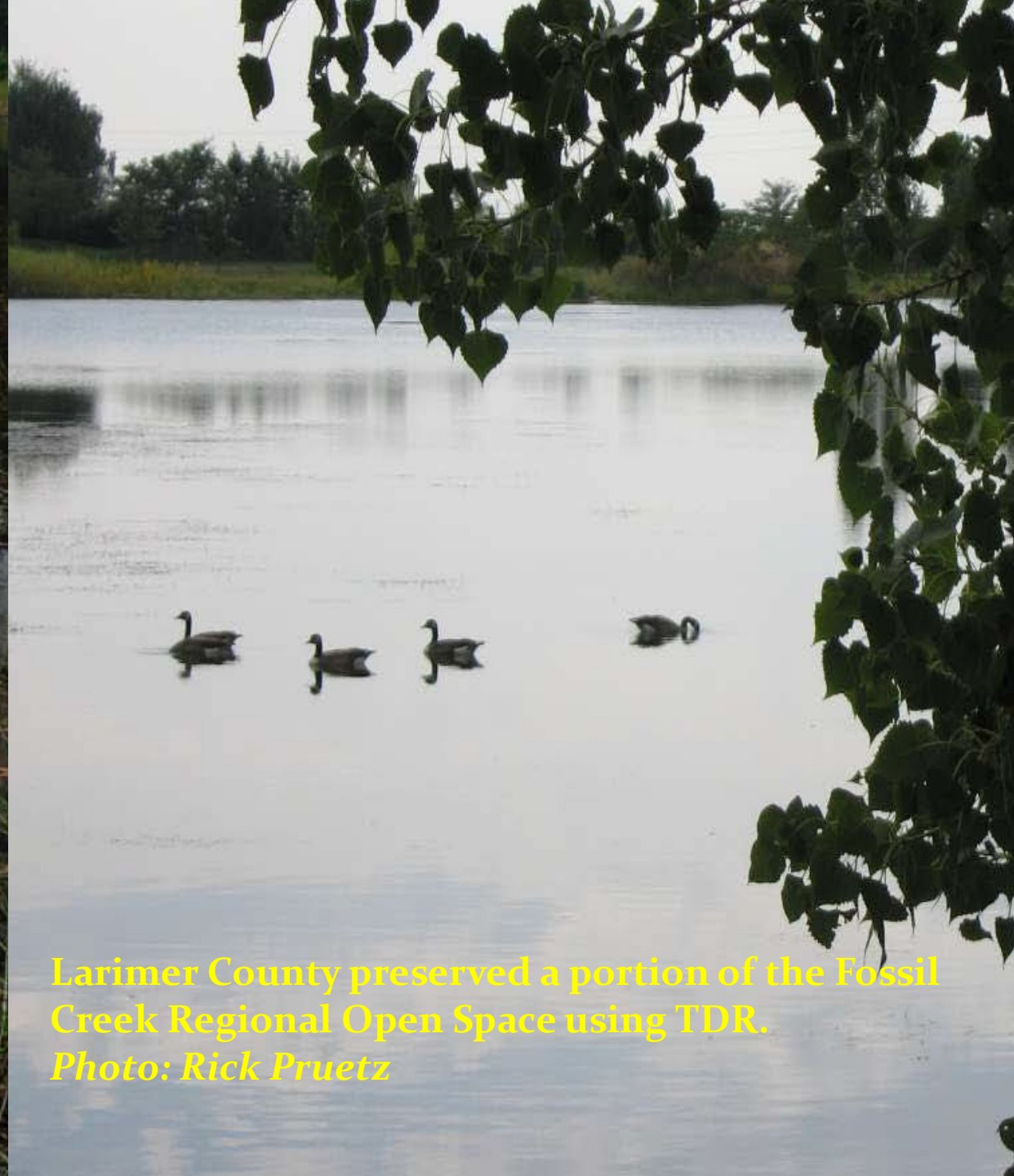
TDR has preserved over 60,000 acres of Montgomery County's Agricultural Reserve. *Photo: Rick Pruetz*



King County used TDR to preserve the nearly 100,000-acre Snoqualmie Forest, the largest preserved sending area in the nation. *Photo: Rick Pruetz*



The New Jersey Pinelands protects one of the largest and least-polluted aquifers in the northeastern United States. *Photo: Rick Pruetz*



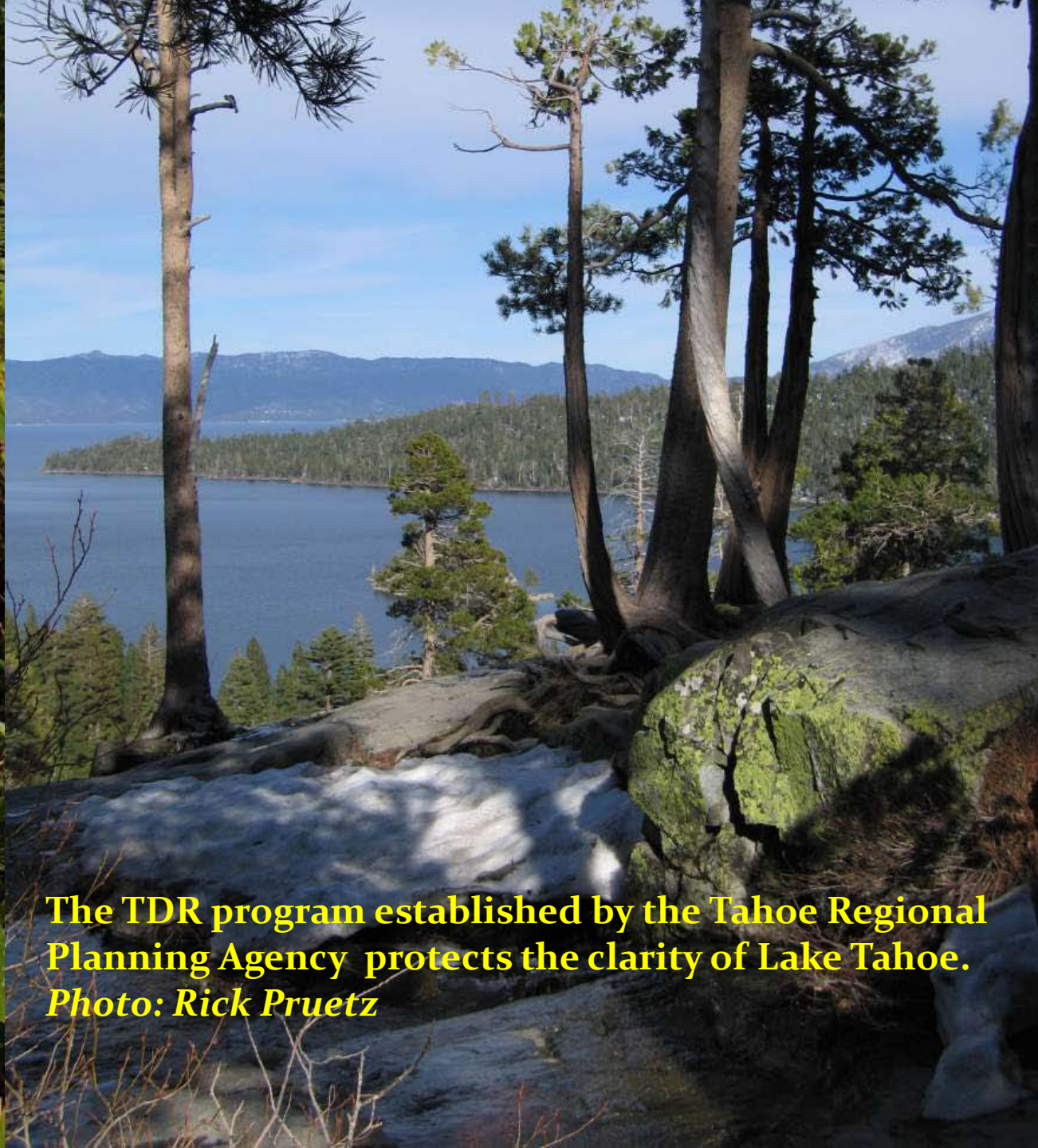
Larimer County preserved a portion of the Fossil Creek Regional Open Space using TDR. *Photo: Rick Pruetz*



Five of Gallatin County, MT's zoning districts use TDR to preserve natural areas, farmland and scenic vistas. *Photo: Rick Pruetz*



The Palm Beach County TDR bank sells TDRs severed from 35,000 acres of environmentally-sensitive land purchased with an open space bond.
Photo: Rick Pruetz



The TDR program established by the Tahoe Regional Planning Agency protects the clarity of Lake Tahoe.
Photo: Rick Pruetz



Kreielsheimer Place in Seattle, a landmark building with theaters and affordable housing, was preserved and restored with help from TDR. *Photo: Rick Pruetz*

TDR Applications

Preserve open space

Protect wildlife habitat

Maintain rural character

Maintain Agriculture/Forest areas

Environmentally sensitive lands

Enhance infrastructure capacity

Historic preservation

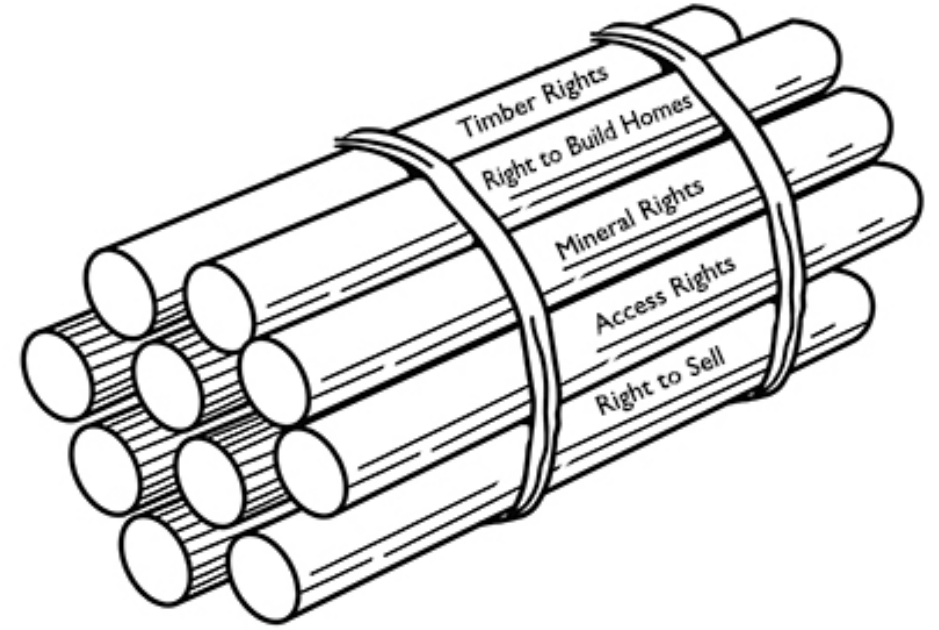
Low-income housing

Recreation

Renewable energy

What is a “Development Right”?

Bundle of Sticks”



Random House (2010) –

“Development Rights –noun

... rights to use real property, such as farmland, in ways that differ from the current use.”



SENDING SITE

Development Rights



\$ \$ \$



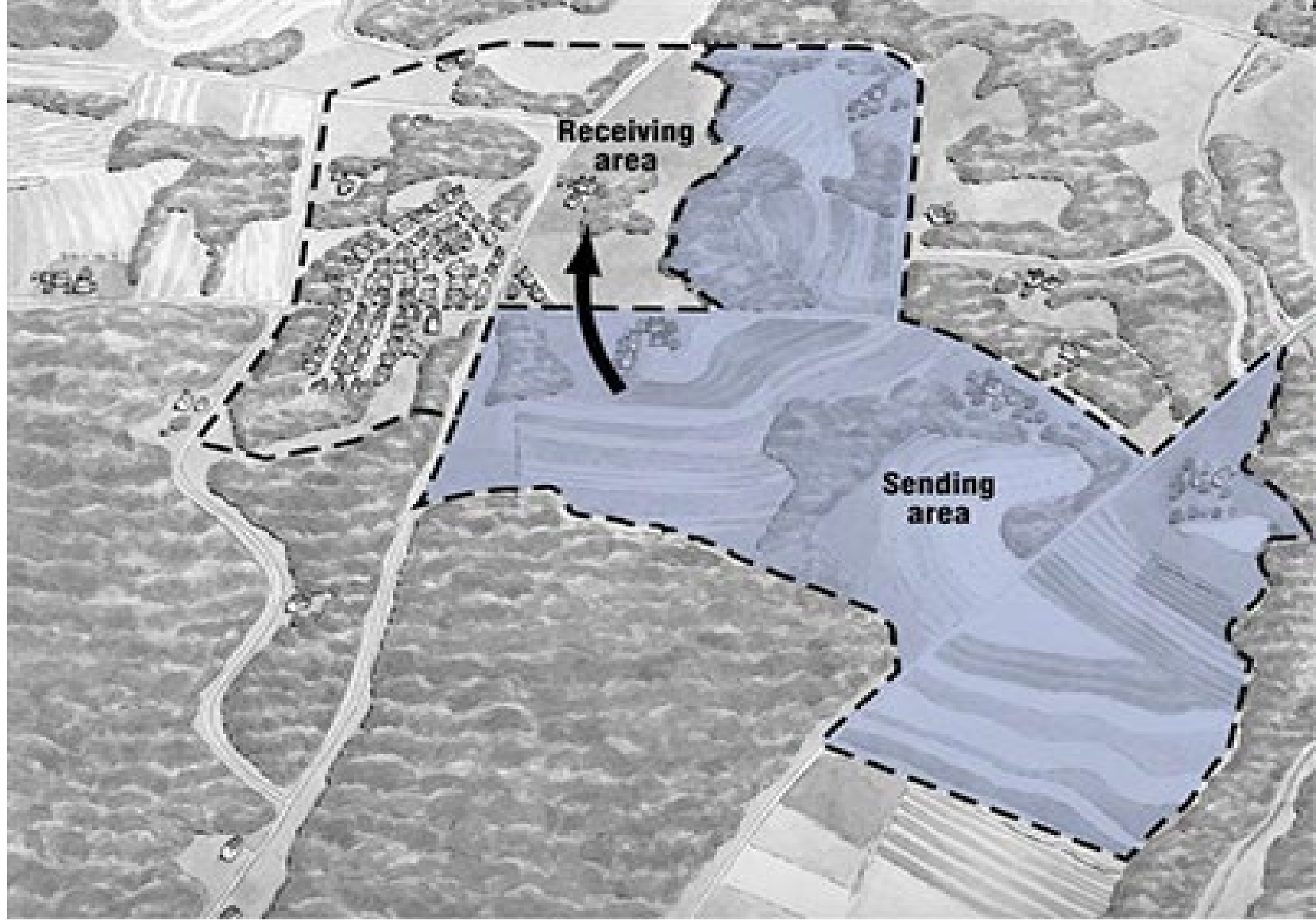
RECEIVING SITE

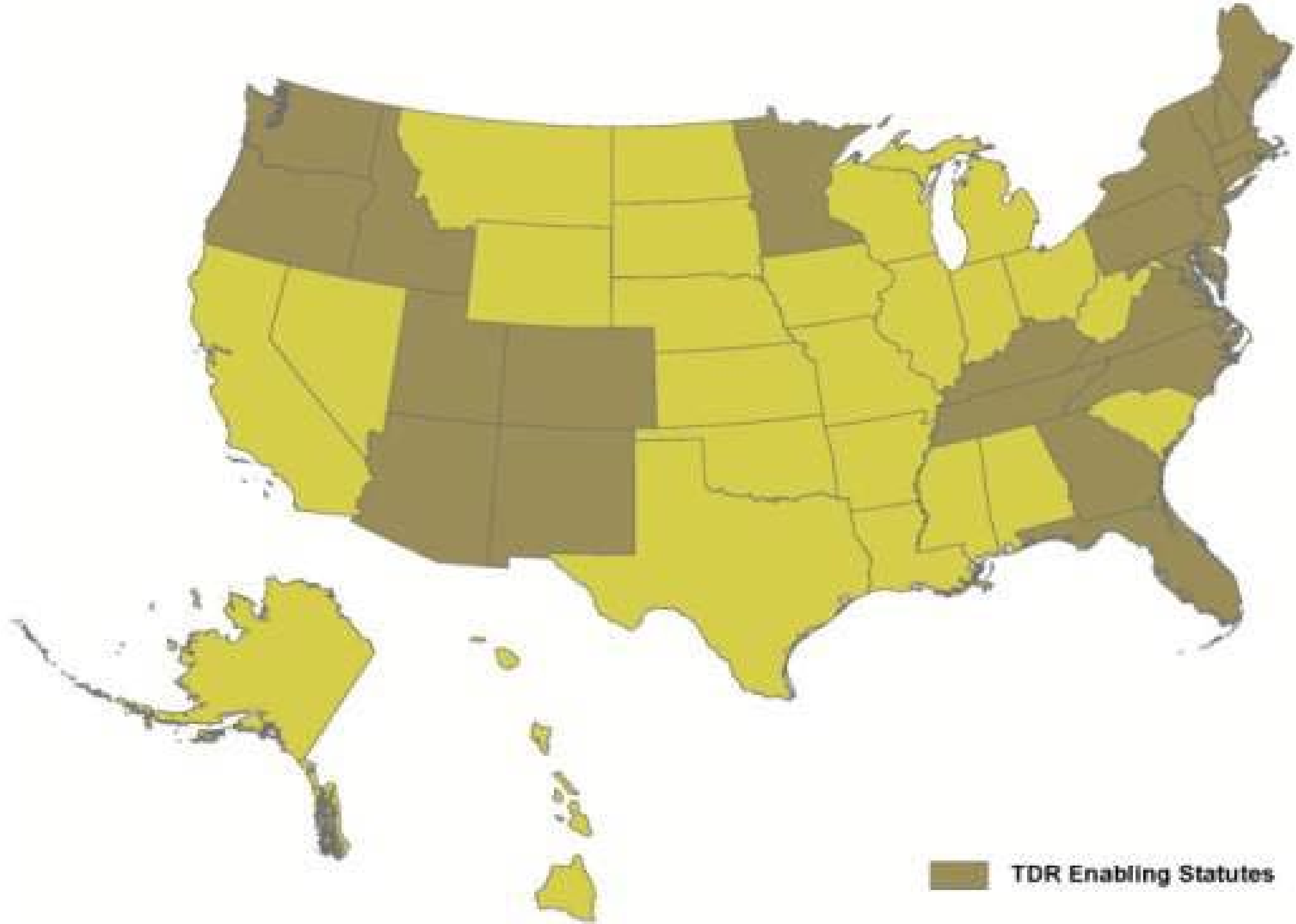


Units at Base Zoning



Transferred Dwelling Units





TDR Theory → *Mitigating Externalities*

- Open space is undervalued in the market for the benefits it generates to society →
 - Pollution control
 - Production of food and fiber
 - Habitat/bio-diversity preservation
 - Unknown intergenerational benefits
- Fragmented open spaces (leap-frog development) imposes negative spillovers on open space uses reducing their benefits to society.
- Low-density development imposes higher infrastructure costs on those living in higher density areas.
- Low-density development reduces economic exchange leading to less economic development.

TDR Theory → *Leveraging Value is Key*

- TDRs are based on the market value of development rights which depends on ever-changing market conditions.
- TDR sellers are often those outside the path of development but it's the owners in the path of development that often matter most.
- TDR sellers are often reluctant to give up the “option” of future planning changes that make their property more valuable in the future.
- TDRs are sold based on market value and not on total value to society which reduces their effectiveness.
- We may need to consider a value increment concession to induce more TDR sales especially in the most sensitive locations.

Economics 101 → There Must be a Market

<u>Lots</u>	<u>Lot Price</u>	<u>Total Value</u>	<u>Incremental Revenue</u>
1	\$100,000	\$100,000	
2	\$90,000	\$180,000	\$80,000
3	\$80,000	\$240,000	\$60,000
4	\$70,000	\$280,000	\$40,000
5	\$60,000	\$300,000	\$20,000
6	\$50,000	\$300,000	\$0
7	\$40,000	\$280,000	(\$20,000)
8	\$30,000	\$240,000	(\$40,000)
9	\$20,000	\$180,000	(\$60,000)

4 Key Planning Elements

1. Designate a preservation zone (Sending Area)

Identify areas for protection (farmland, natural resources).

2. Designate a growth zone (Receiving Area)

Identify where development is desirable (near businesses, existing urban services, transit-oriented developments (TODs)).

3. Determine if not create a market for development rights

Ensure market demand. Incentives needed to induce landowners to sell TDRs.

Mandatory versus Voluntary options

4. Define TDR Procedures and Transfer Rights

Determine the number of development credits (acres protected, dollar value) and how many development units per credit.

Implementing Successful TDR Programs

Authority

Clarity of Purpose

Administrative Resources

Evasion Proof → By-Right

Economic Feasibility

Simplicity → Reduce Transaction Costs

Create the Market and Make it Work

IF INEFFECTIVE →

Add more sending/receiving areas

Improve bonuses

Add a fee-in-lieu feature

Abandon the program

Innovations in TDRs

- As a fiscal improvement tool → reduce impact fees by transferring growth from high-cost to low-cost areas.
- Offset NIMBYism by steering development to TODs, other targets.
- Fees in-lieu of TDR transfers allowing local government to buy TDRs on their own → TDR Bank.
- Using TDR banks with PDR “deposits” to resell TDRs to help finance bonds or leverage investments.
- TDRs not just for residential → Nonresidential bonuses as well.
- Concessions to increase TDR value equal to societal value.