

TDR Transfer of Development Rights Committee
Regular Meeting
February 1, 2:30 p.m.

Minutes of the Pierce County TDR Technical Oversight Committee meetings are not verbatim. Recorded copies are available upon request.

MEMBERS PRESENT

Diane Marcus-Jones, TDR Administrator
Wolfgang Opitz
Jim Hall

Kathleen Larrabee, Alt
Jim McCune
Janine Redmond, Alt.

MEMBERS ABSENT

Anne-Marie Marshall-Dody
Kimberly Freeman
Sean Gaffney
Connie Ladenburg

OTHERS ABSENT

Todd Campbell

Diane Marcus-Jones called the meeting to order at 2:03 p.m.

Minutes

Motion made (Hall/Opitz) to approve the December 14, 2017 minutes. Unanimous aye

TDR Transaction Pricing

- Current pricing is \$10,500

McCune-how does a credit relate to property. Is the taxpayer getting a good value for their land.

Diane Marcus-Jones gave a brief transaction update

- Receiving sites
 - Discussed the TLF 415 St. Helens motion with Ian Munce and Ben Ferguson. The offer was accepted and completed yesterday.
 - Received an offer from 1009 Martin Luther King Way South for six development rights at \$9,561 each. Anticipate completion in 2018.
- Sending site - White Farm
 - Working with Conservation Futures. Split into north and south farm. The north farm is a Purchase of Development Rights.
 - Floodplains by Design is the funding mechanism. Hope to finalize by the end of January 2018.

The County will pay the recording fees for the next transaction (about \$1,100 average). Title 18G provides the cost of development right calculation. The Matlock property had a 1 for 5 bonus development right, not 1 for 1, because there was an approved preliminary plat on the property. It was a Conservation Futures and Floodplains by Design project.

White Papers

The purpose of the white papers is to provide technical assistance. Ag COI and Forestry COI provide funding. We are trying to make the website calculator more user friendly. Responding to question, Ms. Marcus-Jones stated that the calculator is only for receiving sites in unincorporated Pierce County.

Public Comment

Amy Cruver questioned whether Pierce County is only a sending site. Ms. Marcus-Jones responded that unincorporated Pierce County has both sending and receiving sites.

Ms. Marcus-Jones reviewed white paper calculations showing calculations by other jurisdictions. King County uses a 2-tier approach and is relatively simple. Snohomish also uses a 2-tier approach, but their price is so high that they have only completed 1 project.

History and Challenges of the TDR Program

- Pierce County was one of the earliest TDR programs Forterra helped design.
- The exchange rate design and TDR Committee make this program different from King County.

- Took into account the range of values for protected lands and receiving areas when developing the exchange rate. The King County exchange rate is 2 for 1. Wanted to create something to reflect market variations.
- The exchange rate formula is complex and creates an impediment to the program. The formula does not hinder use of the program. The problems lie where TDR is used and the policy issues that create demand.
- The exchange rate takes into account the value of an unbuilt home in ARL (for example) then translates into what the value could be on a receiving site.
- Need to look at where receiving areas are located; do incentives match demand; and is the exchange rate correctly calibrated.
- There is room for improvement to simplify and bring the program up-to-date.

Ms. Marcus-Jones stated that the Pierce County formula is used for approved comprehensive plan amendments, i.e. MSF to HRD, or as an incentive to achieve maximum density in a zone. Mr. Bratton added that the purpose of the rate is to rationalize the cost of one additional unit into, i.e. ARL versus MSF.

Responding to Committee question, Mr. Bratton explained:

- The program was created in 2007. A market study looked at land values and potential development rights costs, recognizing there was no comparison data. Set the incentive exchange rate using TDR while balancing the program conservation objectives. Growth was on the edge. Today's assumptions are similar, but the dynamics are different.
- The Growth Management Act does not affect net migration or the natural increase. It affects where people live and which communities grow.

Public Comment

Amy Cruver questioned whether TDR programs are specific to the Pacific Northwest. Mr. Bratton stated the national database shows over 200 jurisdictions using TDR. Washington is relatively new to the program.

Formulas/Examples

King County

The comparison takes recent credits sold by the King County bank to make it comparable to the Pierce County bank.

- The 2:1 exchange rate credit costs \$11,100 per unit.
- The amount of growth and real estate market in King County are different from Snohomish and Pierce.
- In 2013, a King County TDR credit for South Lake Union, would allow an additional 1,500 sq. ft. of floor area at a cost of about \$18-24 per sq. ft. King County increased the price of credits sold rather than rewrite their interlocal agreement, recognizing that the increase in value was more than exchange rate originally anticipated. This allows Pierce and Snohomish Counties to sell a little higher.

Committee comments included:

- King County TDR use comes in because of development. The Pierce County TDR incentive allows development to move forward. If true, the exchange rate here isn't linear.
- We have an interlocal agreement with Tacoma in which a development right credit equals the incentive.
- If there is no exchange rate, it is more negotiation and subjectivity and less predictability.
- Pierce County multi-family development has moved forward, but office/retail development is dragging.

Snohomish County

- They have only had one TDR transaction. The exchange rate is a good balance between Pierce County and King County. It recognizes that agricultural lands and non-agricultural lands will have different credit cost. Snohomish exchange rate leveled the playing field between farm and non-farm credits. This recognizes more types of bonuses and segments than King County.

Conclusions/Recommendations

- Updating the exchange rate makes sense based on the Pierce County real estate market. Periodic market studies are not cost effective.
- Need to give the County a tool to determine if the exchange rate is current, eliminating the need for periodic market studies. The Committee can update the calculator if the existing formula is used. Most other changes/proposals would require code update.

Ms. Marcus-Jones stated that Forterra received \$18,000 from Ag COI. Their cost to do the update is about \$30,000. Suggest moving the technical discussion to early next year with more members present.

The Committee commented:

- Suggest discussing in January thinking about where we are, what are the relative merits of changing the exchange rate, and does it help to create or remove barriers.
 - Pierce County is on the right track when comparing exchange rate to the overall market. If the goal is to drive greater use of the program in unincorporated Pierce County, there may be different questions. Do the program policies and mechanisms address growth management and conservation needs. Are the receiving areas in the right places, offering the right incentives, is there fortitude to back up the program.
- The 2015 comprehensive plan amendments did not require the use of TDR because it was a state-mandated update, not a typical amendment cycle.
 - If there is an increase in demand for Pierce County growth, how can the program better capture and translate the growth into conservation. It can be achieved with or without an exchange rate.
- The idea is to sell the TDRs for as much as we can get. The TDR conversion table in Title 18G allows as much as a 68% reduction in price per development right based on the sending site. We should continue to sell in Tacoma, not unincorporated Pierce County.
- Would like growth in the unincorporated area of the County. Struggling to see development and redevelopment in the corridors.
- Perhaps an alternative would be to eliminate the requirement from the comprehensive plan process and concentrate on the cities.
- To lock up the farmland, we should all share the cost equally. Would prefer not having the TDRs to sell, just outright purchase the development rights from conservation futures.
- If the developer is willing to use TDRs for additional growth in the cities resulting in agricultural land preservation, it is a good thing. What is lacking is an amenity to encourage moving to the area.
- The Tacoma tax abatement program is also driving development.

Ms. Marcus-Jones requested that the Committee forward any questions and comments to her.

Meeting adjourned at 3:30 p.m.

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