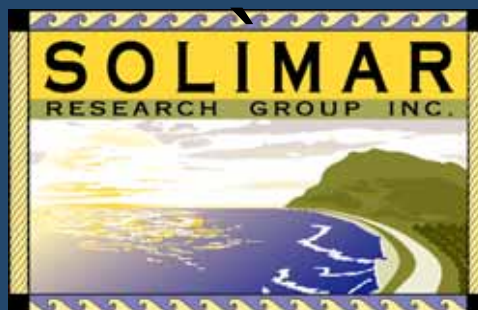


Transferable Development Rights Feasibility Analysis for the Santa Barbara Ranch



March 21, 2006

William Fulton

Darren Greve

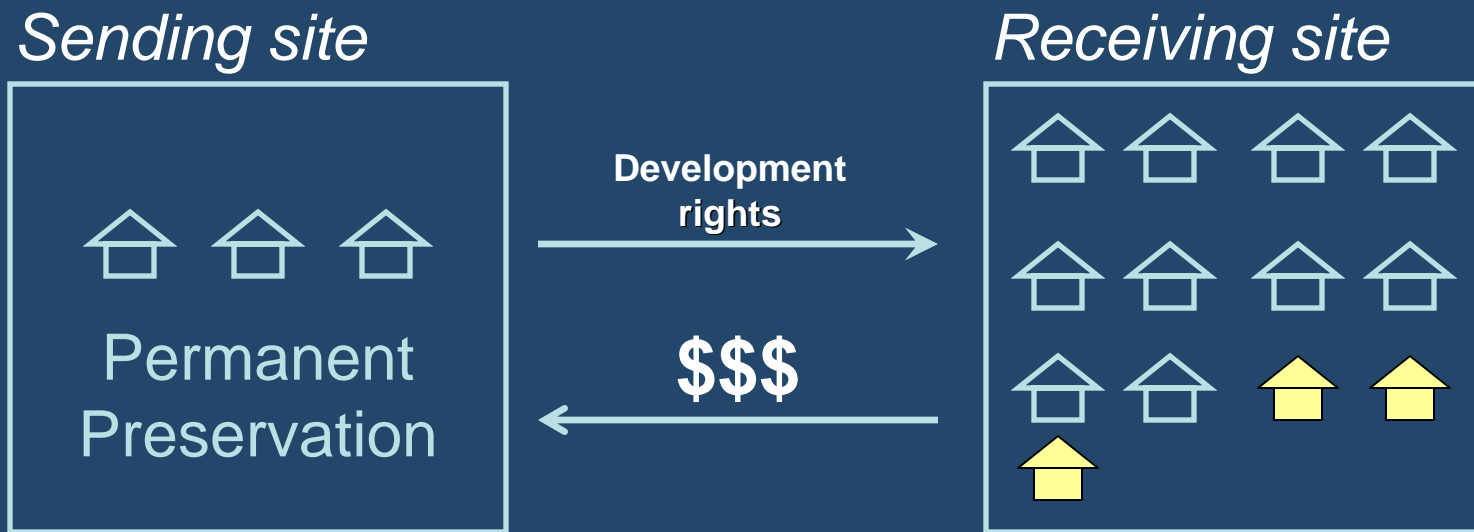
Transferring *some* development is feasible, if ...

- Some up-zoning to modest densities can be accomplished in unincorporated South Coast and City of S.B.
- Rights can be purchased *up-front* from Santa Barbara Ranch
- A TDR bank can be established and capitalized to execute the up-front transfer
- *The amount of development transferred depends on the county's priorities, as bluff-top development rights are far more expensive than inland development rights.*

LCP policy 2-13

*“..... The County **shall encourage and assist** the property owner(s) in **transferring development rights** from the Naples townsite to an appropriate site within a designated urban area which is suitable for residential development. **If the County determines that transferring development rights is not feasible, the land use designation of AG-II-100 should be re-evaluated.**”*

TDR: What is it and how does it work ?



 = existing zoning

 = transferred dwelling units

Critical Issues for Santa Barbara Ranch

1. **TDR goals for SBR** – *Public Viewsheds, Bluffs, Development Intensity*
2. **Inter-jurisdictional cooperation** – *Work with city or cities? With Coastal Commission?*
3. **Suitable Receiving Sites** – *Proximity, Politically & Economically Viable*
4. **Suitable Incentives** – *Developers in receiving areas must have financial incentives ... but high value of SBR lots causes a problem in relation to almost any other location.*
5. **TDR Bank** – *Bank may be needed to facilitate up-front purchase and “make the market”*

How We Analyzed TDR Feasibility

1. Valuation of Santa Barbara Ranch Development Rights

- Estimate market price of proposed units
- Derive value of SBR development rights

2. Analysis of Receiving Sites

- Screen for political and economic feasibility
- Determine developers' "willingness to pay" for add'l density

3. Recommendation of TDR Transfer Mechanism

- Transfer Ratios
- Capitalization of a TDR Bank

Valuation of SBR Development Rights

- **Market analysis to determine likely selling price of each house in the Proposed Project and Alternative 1**
 - Bluff-top houses ranged in value from \$18-23 million each
 - Inland houses ranged from \$3-5 million each
 - Alternative 1 total value is greater than Proposed Project
- **Value of Development Rights**
 - Deducted cost of entitlement, site prep, construction, etc.; included developer's expected profit
 - In general, development right values are 50 - 60% of likely selling price

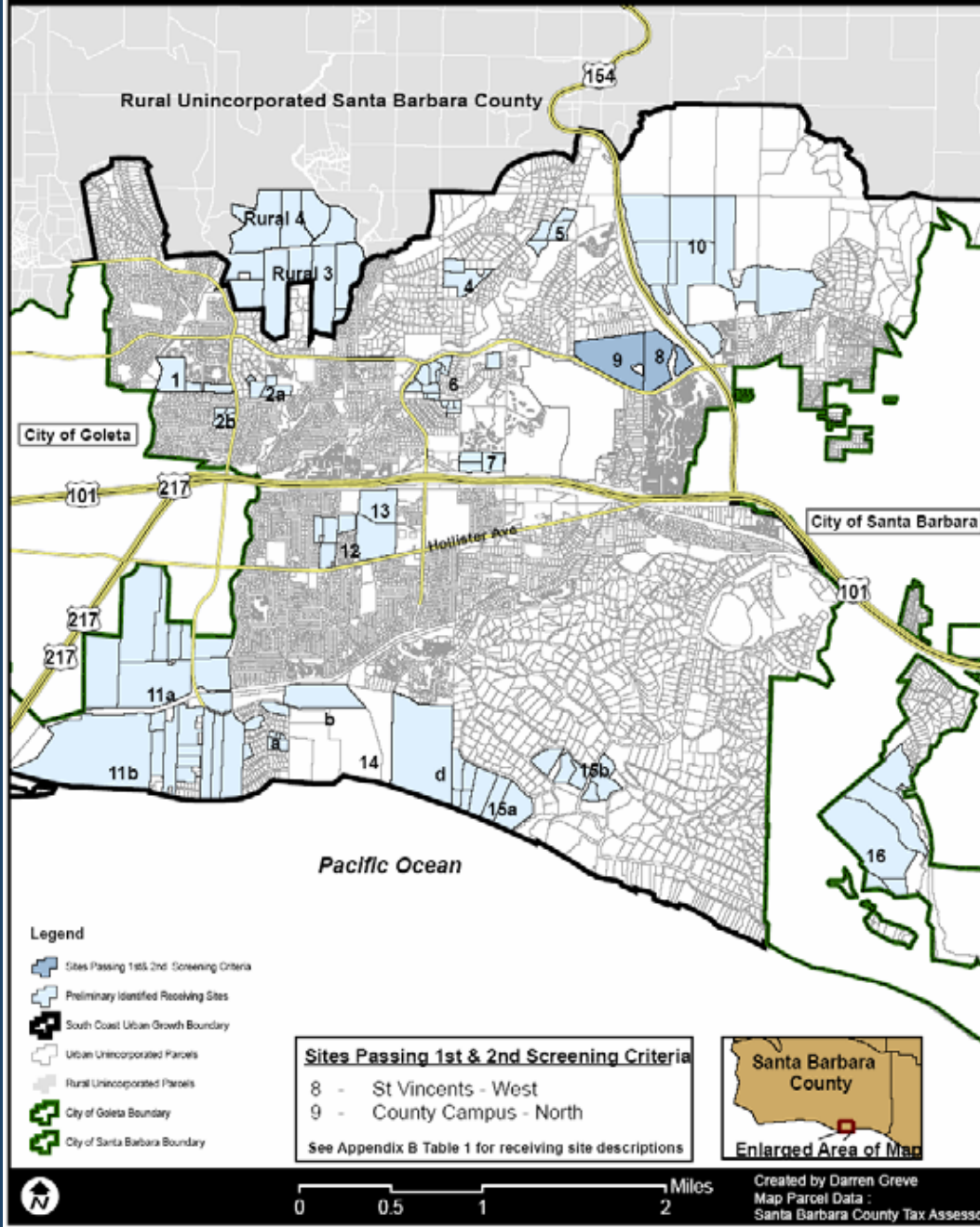
Analysis of Receiving Sites

- Initial list – all jurisdictions, all possible locations :
80 sites
- Primary Screening of Receiving Sites: *Political and economic feasibility*
26 sites
- Secondary Screening of Receiving Sites: More *Political and economic feasibility*
8 sites

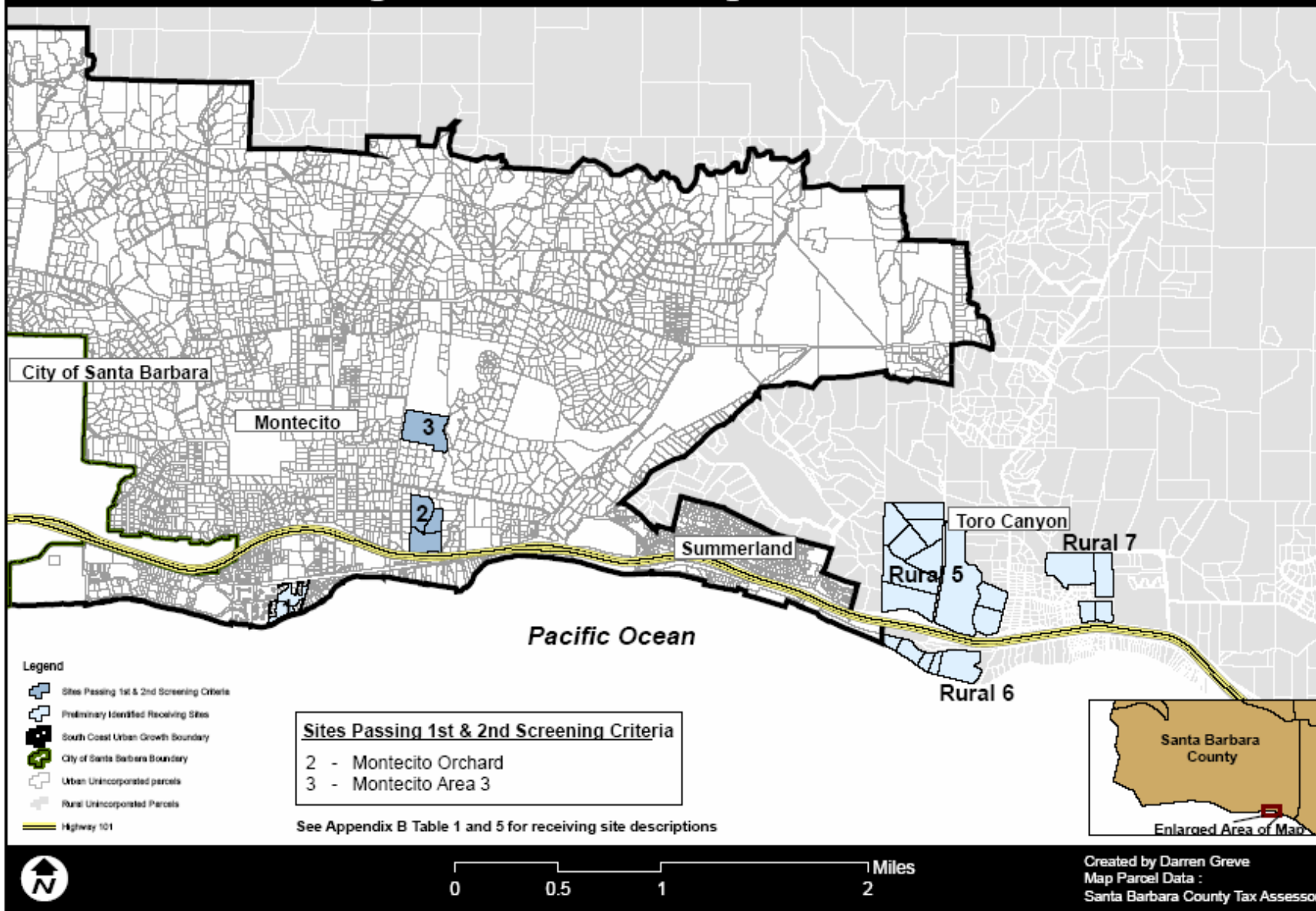
8 Finalists

- **Unincorporated Goleta Area :**
St. Vincent's West ... County Campus North
- **Unincorporated Montecito**
Montecito Orchard ... Montecito Area 3
- **City of Santa Barbara :**
2 city parking lots ... 1 Redevelopment site ... 1 private site south of Freeway

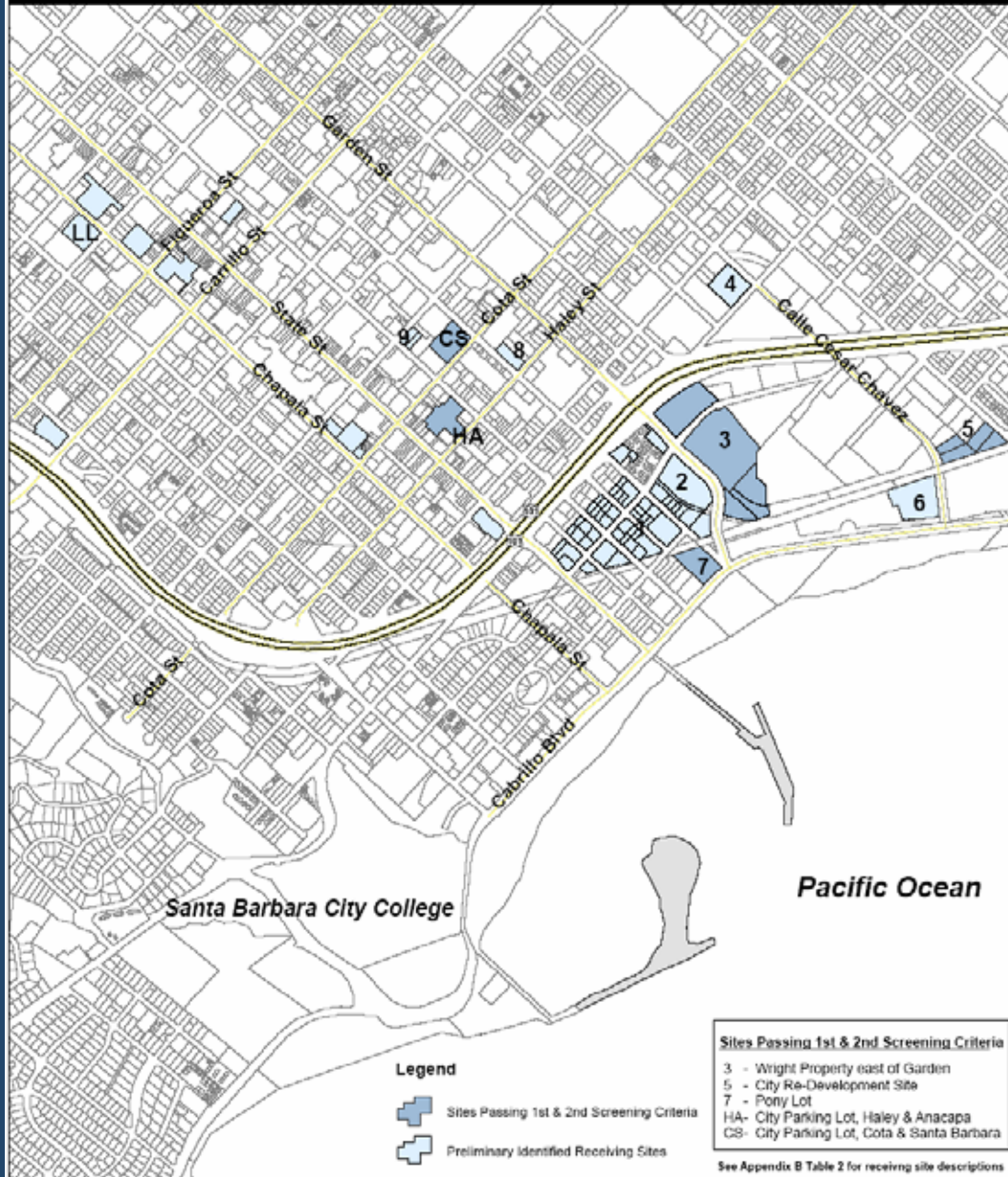
Map A : Unincorporated Urban South Coast Preliminary Identified Receiving Sites & Sites Passing 1st & 2nd Screening Criteria



Map C : Montecito & Summerland Preliminary Identified Receiving Sites & Sites Passing 1st & 2nd Screening Criteria



Map B: City of Santa Barbara Preliminary Identified Receiving Sites & Sites Passing 1st & 2nd Screening Criteria



Miles
0 0.125 0.25 0.5

Created by Darren Greve
Map Parcel Data
Santa Barbara County Tax Assessor

Receiving Area Densities & Market for TDRs

- Developers will pay up to 25% of market price for additional density
- This “willingness to pay” ranges from \$225,000 to \$500,000 per unit, depending on the location
- We assume land-use realities would permit 100 additional units on 4 County sites and 100 units on 4 City sites.
 - *Much more development COULD be accommodated in THEORY*
- This increment of development (including 15% affordable / workforce housing) would THEORETICALLY produce \$73 million to acquire SBR development rights.

TDR Transfer Mechanism Options

- **Conventional TDR System :**
Unfolds Over Time, High Transfer Ratios

Inland Lots	between 1:2 and 1:4
Bluff Lots	between 1:20 and 1:30

- **TDR Bank:**
Facilitates Up-Front Purchase
 - Individual Lot owners are not likely to be “economically rational players,” so **up-front purchase is necessary**
 - Requires **upfront capitalization** with \$\$\$\$ to be **paid back by receiving-area developers**
 - **Possible Funding Sources** include city, county, state, and philanthropists
 - Payback could create **revolving fund for more Gaviota Coast conservation**

Example: \$20 Million TDR Bank

- **Staked up-front with various sources**
- **Bank uses funds to purchase development rights from Santa Barbara Ranch**
- **Bank then sells density credits to developers in receiving areas at market prices**
- **If density credits can be sold for a profit, revolving fund for Gaviota Coast coast can be created**

Receiving Areas: \$20 Million TDR Bank

- Developers would pay \$20 million to buy the right to build :

60 additional units at the County Campus site in unincorporated Goleta

OR

40 units on the Montecito Orchard

OR

73 units on Cota St. parking lot in downtown Santa Barbara

SBR Preservation: \$20 Million TDR Bank

- \$20 million would purchase rights for :

A maximum of 29 units on SBR

OR

16 high-impact view lots on SBR

OR

2 bluff-top houses

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