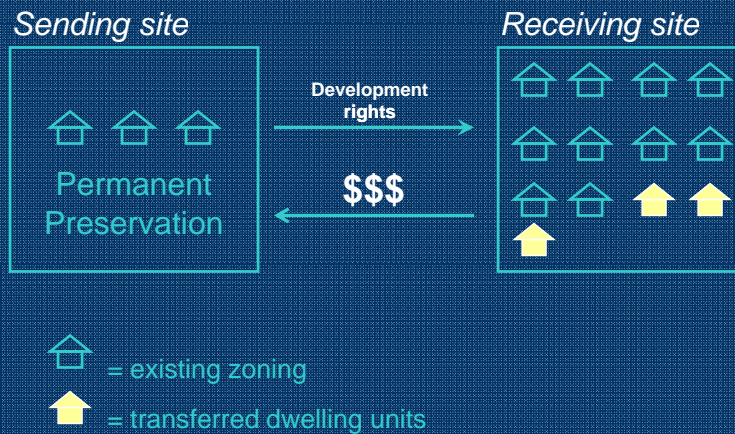


Transferring some development is feasible, if ...

- 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.*

TDR: What is it and how does it work ?



How We Analyzed TDR Feasibility

1. Valuation of Santa Barbara Ranch Development Rights

- Estimate market price of proposed units – MOU, Alt 1 & Grid
- Derive value of development rights – Residual Land Value

2. Analysis of Receiving Sites

- Screen for political and economic feasibility
- Determine developer “willingness to pay” for additional density

3. TDR Transfer Mechanism

- Create “density credits” and receiver site designation process
- TDR Bank to buy, hold and sell “Density Credits”

Valuation of SBR Development Rights

• Market analysis to determine likely selling price of each house in under the MOU Project, Alt 1 and Grid

- Average home value at SB Ranch ranges from \$4.5 to \$7.1 million
- Total development value ranges from \$126 to \$204 million
- Bluff lots command much higher values than inland lots

• 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

Valuation of SBR Development Rights

	Grid (125 units)	MOU (54 units)	ALT 1 (73 units)
Av. Home Value	\$4,433,917	\$7,108,166	\$6,848,472
Av. Development Right Value	\$1,638,481	\$2,242,201	\$2,071,902
Total Development Right Value	\$204,810,147	\$125,563,237	\$155,392,675
Total of Home Values in 2007	\$554,239,645	\$383,840,983	\$499,938,484

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

Receiving Area Market for TDRs

- Developers willing to pay up to 18 – 20% of market price for additional density
- This “willingness to pay” ranges from \$142,000 to \$500,000 per unit, depending on the location (**inclusive of affordable/workforce housing**)
- We assume modest density increases that range from 1.8 to 4.6 units per acre

Example: \$20 Million TDR Bank

- Staked up-front from 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 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

Realistic Conclusions

- Unrealistic to assume that receiving sites will absorb enough density to transfer **ALL** Naples development potential
- But it is Feasible to Transfer **SOME**
- The extent of TDR Feasibility rests on actual amount of \$\$\$ than can be raised to purchase Naples development rights
- Need to create a “TDR Bank” to buy, hold and sell development rights

Naples TDR Framework & Ordinance

- Different from the Feasibility Study
- The Framework Report focuses on the mechanics of a Naples TDR Program
- Is the result of a “Working Group” process
- The Draft Naples TDR Ordinance would enact the mechanics of the program

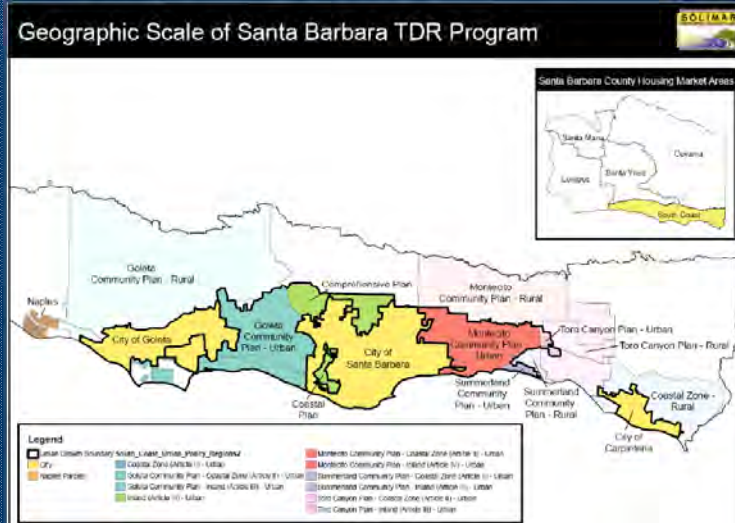
Items NOT in the TDR Ordinance

- Which Naples lots to transfer
- The extent of the “Hold Period” (*if the Board chooses to impose such a requirement*)
- Who runs the TDR Bank

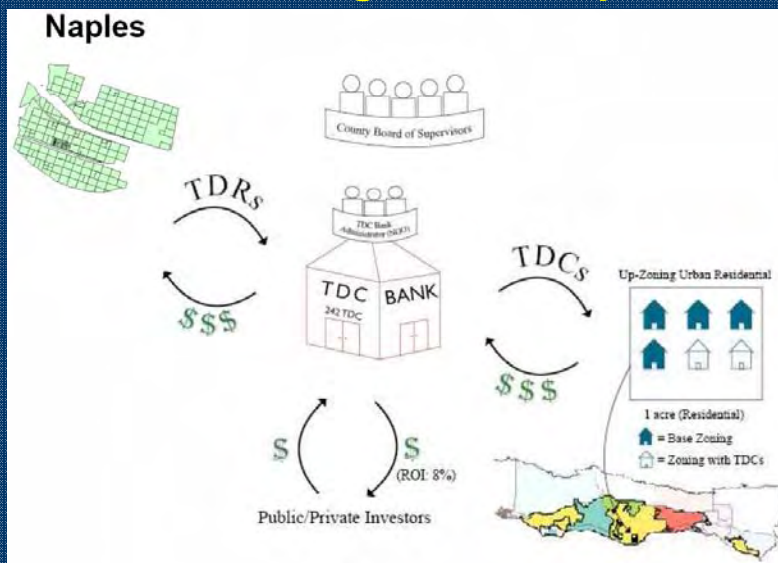
TDR Program Goal:

- To transfer development rights from Naples – that serve one or a combination of the following objectives – onto properties more suitable for development that lie within or adjacent to the existing South Coast Urban Growth Boundary:
 - Preservation of lots most visible from Highway 101
 - Preservation of lots located within the Coastal Zone
 - Preservation of lots located on the bluff south of Highway 101
 - Preservation of lots located on productive agricultural land
 - Preservation of lots within or near environmentally sensitive habitat

Initially Limit the Trading Area to the South Coast



TDR Program Concept



6 Step Process

- **Step 1:** Prioritize Naples Lots for Transfer
- **Step 2:** Create the Commodity – i.e., the Transferable Development “Credit” or TDC
- **Step 3:** Establish the Receiving Site Discretionary Process
- **Step 4:** Establish TDR Bank as the Sole Buyer and Seller in the Commodity Market
- **Step 5:** Establish Amenity Fund Mechanism
- **Step 6:** Policy Enforcement to Retain Commodity Value

RECOMMENDED ACTIONS

- **TDR Feasibility**
 - Only Partial Extinguishment is Possible
 - AG-II-100 Land Use Should be Revaluated
- **TDR Ordinance**
 - Direct Staff to Finalize Ordinance
 - Endorse Unconstrained Free-Market Approach

POLICY CALLS AT TIME OF ORDINANCE ADOPTION

- Establish Preservation Priorities
- Appoint TDR Program Administrator
- Designate TDR Bank and Board Members
- Affirm Key Policy Issues:
 - Receiver Site Designation Process
 - Allocation of Amenity Funds
 - Compulsory Upzoning Participation

Draft Naples TDR Ordinance

Solimar Research Group

May 29, 2007

William Fulton
Darren Greve



WHERE DO WE GO FROM HERE?



- TDR Study:

- BoS Makes Feasibility Finding & Initiates Ordinance Process
- Ordinance Returns with Entire Santa Barbara Ranch Project

- Santa Barbara Ranch:

- Planning Commission: June to July, 2008
- Board of Supervisors: August to September, 2008

SANTA BARBARA RANCH PROJECT

**Transfer of Development Rights
Board of Supervisors
Hearing (February 5, 2008)**

