

A Collier County TDR Program

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Program

- ◆ Overview
- ◆ Land Economics
- ◆ Law of Diminishing Returns
- ◆ The Role of Density
- ◆ TDR Economics in Collier County
- ◆ Marking TDR Work



Overview

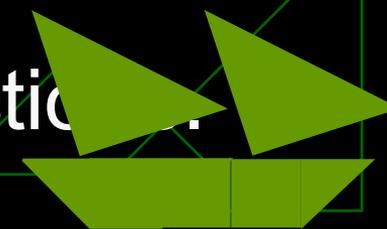
- ◆ Quick overview of the TDR Program
 - Allocate TDRs to Sending Area at 1 per 5 acres
 - Sell TDR in Receiving areas at estimated \$18,500
 - Transfer 4,655 units from the Sending Area with TDR
 - Absorb 4,655 units in the Receiving Areas
 - By Increasing Density to 2 per 5 acres

Land Economics

◆ Land Value:

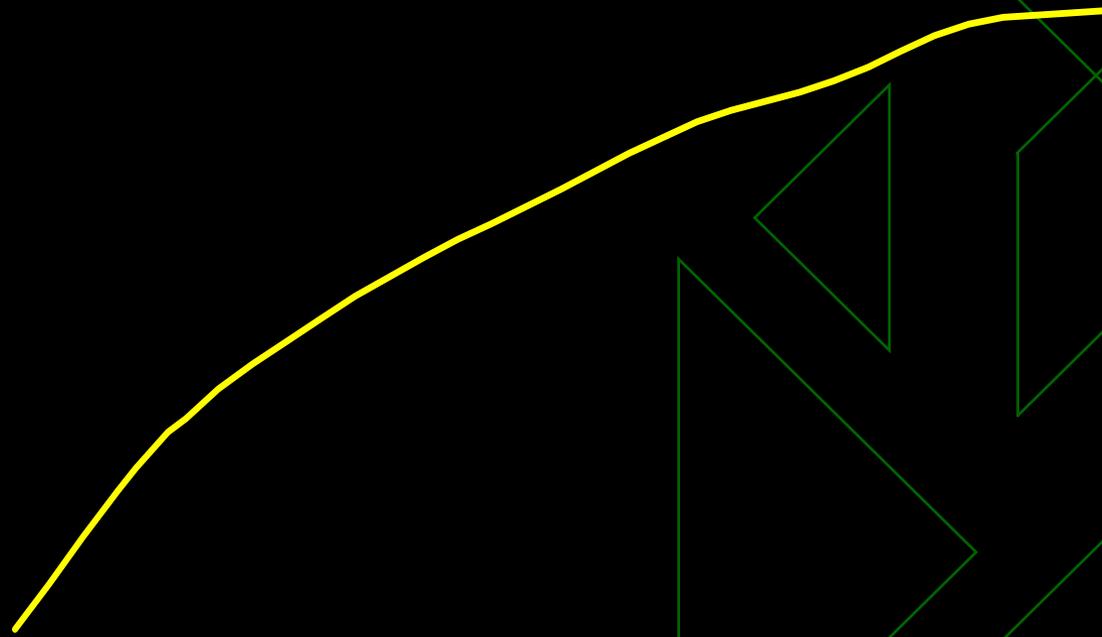
- Land takes its value from its use
- The greater the product from land the greater the value of that land
- In an urban context, the product of land is dwelling units
- The more dwelling units authorized, the greater the value of the land
- Law of Diminishing Returns

◆ Define top requirements or restrictions.



Law of Diminishing Returns

- ◆ As additional units are added to a fixed quantity of land, value will increase at a diminishing rate



There is a level of Density That Will Maximize Value

- ◆ Collier market is a low density market
- ◆ In urban area
 - Average lot size is 10,000 FT²
- ◆ In Rural Area
 - Average lot size in 4.8 acres

The Role of Density

- ◆ As density goes up, revenue per acre will grow
- ◆ As density goes up, revenue per unit will decline
- ◆ The market will balance these forces
- ◆ Equilibrium density

Density Cont.

- ◆ When authorized density is less than market density, TDR is economically feasible

- ◆ Authorized density in Rural Fringe Area

 - ◆ 5 acre lots

This is substantially below market density

- ◆ TDR is economically feasible in the Rural Fringe Area

TDR Economics in Collier County

- ◆ In the Rural Fringe Receiving Area
 - Each additional unit adds \$20,000 to \$40,000 in additional revenue
 - What would a developer pay to increase revenue by this amount?
 - That is the value of a TDR
- ◆ After transaction costs
 - TDR value estimated at \$18,500

Summary

- ◆ Sending Area property owners get salable TDRs in return for not developing their land
 - Owners get \$18,500 per 5 acres and still own the land (\$3,700 per acre)
- ◆ Receiving Area property owners can increase density if they buy TDRs
- ◆ The people of Collier County enjoy the preservation of environmentally sensitive areas

Making TDR Work

- ◆ Keep it simple
- ◆ Make allocation formula fixed
- ◆ Make increased density in receiving areas by right
- ◆ Do not allow rezonings in Receiving Areas
- ◆ Support the program!

