# Rural Fringe Mixed Use District (RFMUD) Sending Land: Economics and Ideas for Change February 16, 2016



#### Introduction:

The third of three initial public workshops, all focused on Sending issues, included two major components. First, staff provided an overview of the economic considerations involved in TDR transfers from a Sending Land owner's point of view. Second, a list of changes suggested by the public was vetted using a table-top group approach; results were shared with all attendees. Again, over 50 people attended; most had attended at least one previous meeting; for eight individuals it was first exposure to the Sending Land meeting series.

#### **Meeting Summary:**

After a refresher on some basic TDR rules as they exist, staff presented a number of facts and observations concerning the economics of transfer. First, the likely supply and demand under current regulations and under potential changed regulations was examined. Next, data derived from arm's length TDR credit sales (past three years) were compared with land sales over the same period of time, noting significant differences depending on location. The public noted that, depending on the geographic area of a Sending parcel, motivation to enter the program could be significantly different. Finally, staff introduced the concept of a TDR bank: types of banks created in various TDR programs nationally, and the pros and cons of doing so. Suggestions, questions and answers followed.

Mr. Van Lengen presented a Power Point "Sending Economics and Ideas for Change" noting:

- The RFMUD was developed as a result of a 1999 Final Order stemming from litigation (by the Collier County Audubon Society, Inc. and the Florida Wildlife Federation) that addressed County land use planning issues including establishing the RFMUD.
- The goals of the Order were for the County to adequately preserve wetlands, protect critical species and wildlife habitat from unrestrained growth by directing it to appropriate locations within the County.
- One avenue implemented within the RFMUD District was a Transfer of Development Rights (TDR) program which identifies sending and receiving lands administered through a program of density credits.
- The credits for a parcel 5 acres in size are 1 base credit, 1 early entry credit, 1
  Restoration and Maintenance credit, 1 conveyance credit, total potential = 4
  credits.
- The credits for a parcel 40 acres in size are 8 base credits, 8 early entry credits, 8
  Restoration and Maintenance credits, 8 conveyance credits, total potential = 32
  credits.
- The restudy of the area will focus on the Program's goal of establishing smarter development patterns, economic viability for those affected and protection of sensitive areas and species.
- If you own a parcel platted prior to 1999 in the sending areas you may either hold the parcel, enter the TDR program, build a home, sell the parcel to someone else to build a home or use it agricultural purposes.
- An owner is not required to participate in the TDR Program. There are many legitimate reasons not to participate.
- Those in the program may sell their credits to willing buyers for a pre-established rate of \$25,000 per base credit; a typical arm's length sale bundles a bonus credit at \$3,000 for a total of \$28,000.
- Additional credits are available for restoration, maintenance and conveyance.
- Arm's length transaction analysis (staff) shows that the true value of TDRs between willing sellers and willing buyers is approximately \$13,500 per credit; the Coalition estimated an approximate value at \$14,000.

# 1. Economics:

Your rights; supply and demand; recent data; banking concepts

**Mr. Van Lengen** reported a study has completed in the Belle Meade area identifying the following fair market land values:

South - \$6,000 per acre

North East - \$3,500 per acre

He outlined the following examples to determine the funds a sending land owner may derive from the sale of their land or entering the Program. The analysis is based on a 5 acre parcel. It was emphasized that these values represent median sale prices within the past 3 years; they do not predict the value of any individual parcel, as parcel values within these sub-areas vary considerably based on a great number of factors.

#### **South**

Fair market value - \$6,000 per acre x 5 acres = \$30,000 market value

<u>TDR Program</u> - \$27,000 per acre (base/early entry credit) + \$27,000 restoration maintenance (- \$10,000 restoration and maintenance costs) = \$44,000 net proceeds.

Economically viable/advantageous to participate in the TDR Program.

#### North East

Fair market value - \$3,500 per acre x 5 acres = \$17,500 market value.

<u>TDR Program</u> - \$27,000 per acre (base/early entry credit) + \$27,000 restoration maintenance (-\$30,000) for restoration and maintenance costs) = \$24,000 net proceeds.

Not economically feasible to participate in restoration maintenance aspect of the Program.

#### **North West**

<u>Fair market value</u> - \$12,500 per acre x 5 acres = \$62,500 market value.

<u>TDR Program</u> - \$27,000 per acre (base/early entry credit) + \$27,000 restoration maintenance (-\$30,000 restoration and maintenance costs) = \$24,000 net proceeds.

Not economically feasible to participate in Program.

### **Mr. Van Lengen** noted the following:

- The means currently available for transfer is through a "Commodity Exchange."
- The Exchange consists of Certificates issued by the County which may be held by the owner indefinitely and redeemed at platting.
- The County does provide technical assistance to the owners.
- One concept under consideration is a TDR bank where the banking entity would buy and sell the credits.
  - The bank would have the same attributes as the Commodity Exchange and would directly or indirectly set prices for credits.
  - It could be operated by the County or an outside agency.
  - The advantages would include ready buyer for the sending lands owner and stabilize the market prices.
  - The disadvantages include the upfront costs to develop and ongoing operating costs, economic risk to banking entity.
- Property taxes are required by the landowner until the credits are conveyed.
- Currently there is a registry list of sellers however the concept is not performing well.
- Credits can be resold with no limit on the number of transfers.

# Under public comments the following was noted:

- Concern the developer is being asked to protect lands under the concept and the current cost of a unit is not worth paying for given the return on investment.
- Concern there is not a large enough quantity of receiving area for use of the credits Staff believes there is large future demand. Timing may be an issue.
- Concern on maintaining restored lands until conveyance Staff reported the goal is to make the program more appealing by aligning the supply and demand for the credits.

Following the economics portion, attendees participated in a review and ranking exercise, looking at several suggestions made by various stakeholders.

# **Break Out Group Findings**

### **A: Credit Systems**

- 1. (RANK) If additional TDR credits can be generated to enhance the returns of Sending Land Owners and make more credits available to buyers, rank the following in order of preference (1-6) as a basis for awarding more credits:
- a. Land where habitat value is highest

- b. Land that can accommodate a flow way
- c. Land that retains agricultural uses for a period of time
- d. Land that requires a higher level of restoration
- e. Land located in the NRPA overlay (excludes North Belle Meade- West)
- f. All Sending Land regardless of location or attributes
  - Five groups found F to be the most important o It incorporates all enhancements
  - There was no general consensus amongst groups regarding second and third credit priorities.
  - One group thought location/access/value of land should be an option
  - 2. Should the \$25,000 minimum price for a Base TDR Credit be eliminated? Why/Why not?
  - Yes because the price is average
  - No it limits sales, remove the set price
  - Yes because it is a minimum starting point for negotiation. However it should be per acre not per 5 acres.
  - No
  - Yes because it creates a free market. Assessment should be in sync with TDR value.
     Value needs a starting point.
  - No it's arbitrary.
  - Yes/No tie
  - 3. Should credits be used outside of the Receiving Areas for any purpose? Where? Why?
  - No
  - Yes but only in urban areas
  - Yes to anywhere in Collier County deemed suitable for development. This will allow for an increase in TDR value.
  - Yes for existing urban areas. Credits should also be able to come from other areas.
  - Yes dependent on population growth. Perhaps Collier Blvd.
  - Yes at the Golden Gate Golf Course.

### **B: Program Management**

- 1. (Y/N) Should application fees be reduced?
- Yes
- Defer cost until TDR is sold
- Fees should be eliminated
- Yes Eliminate fees
- Yes, cheaper is easier
- The TDR bank should be responsible
- 2.(Y/N) Should the County offer free workshop assistance to owners to complete the severance process?
- Yes
- Yes it is beneficial to everyone
- Yes
- Yes
- Yes
- Yes. Need to know the process/rights/values/benefits/risks. Also would like to be informed of the allowances prior to the TDR program as well as the intention of the program.
- 4. What should be done to link Sellers with Buyers of TDRs?
- List is sufficient
- List of buyers
- Create a bank
- Committee with decision makers
- County acts as the facilitator
- Improve the information website
- Create a bank
- Establish a County bank
- There is an obligation by Collier County
- Perhaps a website with multiple listings
- Let buyers find sellers
- County advisors should know who to call/contact
- County facilitation through education and public outreach
- 4. Should a TDR "Bank" be established? Who/what agency? Yes by a third party to ensure easy purchase of large quantities of TDR credits.

- Yes by Collier County
- Yes if the TDR bank is free and acts solely as a meditation/facilitation process. Collier County should be involved but there should also be a third party option.
- Perhaps a not for profit bank
- Yes because sender should not have the burden of cost
- It would be easier if a TDR "Bank" were established
- Developer
- County
- Who benefits? Profit/Non-Profit

# **C: Sending Land Management**

- 1. Where owners decide to use land for agriculture (with agricultural easement):
- a. (Y/N) Should the owner earn TDR credits? Yes
  - No it seems to be a conflict of program
  - Yes because land is not being used for development
  - Yes under the condition that land has already been cleared or has no current habitat value.
  - Yes
  - Yes although depends on the location and type of agriculture
- b. (Y/N) If contiguous land exceeds 20+ acres, should owner also qualify for one additional family home? No, then seems no longer agriculture
  - Yes
  - Yes
  - Yes
  - Yes but should be on 5 acres instead of 20
- 2. Should Sending Land in TDR program be owned and maintained by numerous private owners, or by very few larger managing entities? (participating land owners) The County should be NBM receivers
  - Program should be flexible enough to accommodate both
  - Yes
  - Coalition? Who maintains? To what extent of maintenance?
  - Numerous smaller entities
- 3. If larger managing entities, do you prefer the County, a State agency or a private agency coordinate management? Collier County
  - Property owner should be responsible for management
  - Collier County
  - One entity

- 4. (RANK) Should long term maintenance costs be paid for by:
- a. Donated land through a required contribution (from sale of credits)
- b. A County mitigation program (fees that come from road building, for example)
- c. A "green utility fee" paid by all County land owners (real estate tax)
  - All six groups identified B as the desired designee

# Additional comments received during break out session:

- Additional use in Sending Lands, Full restudy of program
- MSTU
- Property owners on 5 acres with existing homestead structure should be entitled to some sort of TDR credit for promoting native habitat on those parcels- even if they continue to occupy homestead