

MEMORANDUM

Date: January 13, 2017

To: Kris Van Lengen, JD, AICP
Community Planning Manager

From: Steve Gunnells, Chief Economist

Subject: **Addendum to TDR Supply and Demand Report, December 13, 2016**

In our analysis for the above referenced report, we originally included a placeholder value of \$10,000 for impact fees. We had intended to but did not update this placeholder value with the actual impact fees for the individual housing product types that were included in the final report. We have now updated the analysis. This addendum identifies the changes in the above referenced report resulting from the analysis updated with specific impact fees in effect as of September 12, 2016.

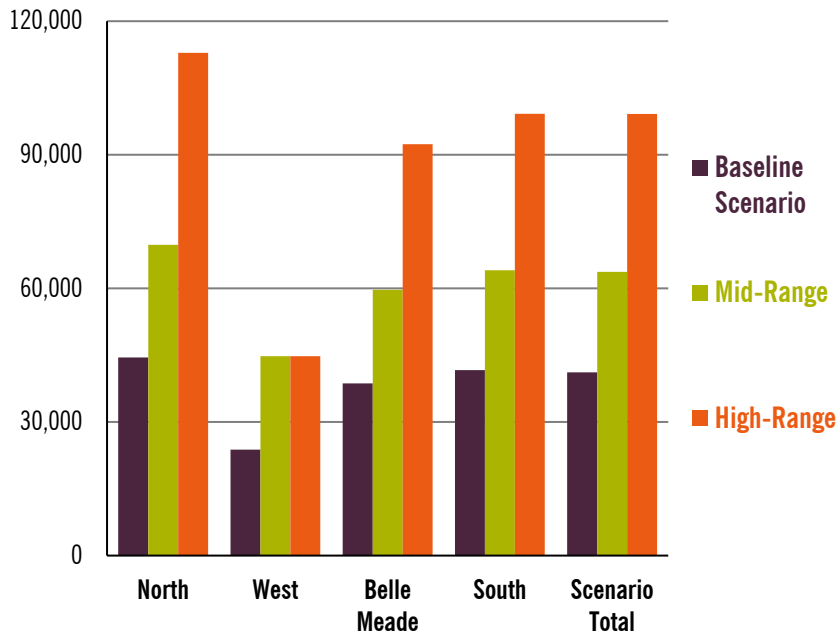
1. NO CHANGES TO FINDINGS AND RECOMMENDATIONS

It is important to note at the outset that the updated analysis does not change the report's findings on the supply and demand for TDR credits and the report's recommendations. The update to current impact fees applies to the analysis of the financial feasibility of different types and densities of development. It results in a decrease in the residual land value. However, the estimated amount that new development can afford to pay for TDRs still exceeds the TDR price recommended in the report.

2. EXECUTIVE SUMMARY CHANGES

In the Executive Summary of the report, Figure 2 is updated, but there is no change to the text. The revised Figure 2 is provided on the next page.

Figure 2: Average Residual Land Value by Receiving Area and by Development Scenario



Source: PlaceWorks, 2016.

3. RECEIVING AREA ANALYSIS CHANGES

3A. Cost Assumptions Section

In the Cost Assumptions section, on pages 5 and 6 of the report, the final sentence (at the top of page 6) should read:

Finally, the model assumes a \$10,000 allowance per unit for development impact fees the impact fees in effect as of September 12, 2016.

The specific fees vary by housing product type and by fire district.

3B. Development Potential Section

The Development Potential section on pages 7 through 11 describes the three development scenarios and identifies the residual land values in each. For each scenario, the text should be changed to read as follows.

3B(1) Baseline Scenario

The second paragraph in this section, on page 7, should be revised:

The average residual land value across the four receiving areas would be ~~\$71,000~~ \$41,100 per acre. Among the receiving areas, the average residual land value would range from a low of ~~\$28,700~~ \$23,800 in the West receiving area to a high of ~~\$86,100~~ \$44,500 in the North receiving area.

Table 3 on page 9 provides summary information for the baseline scenario, including the residual land value. The residual land value row in Table 3 should be revised as follows:

	Total	North Receiving Area	West Receiving Area	Belle Meade Receiving Area	South Receiving Area
Average residual land value (\$/acre)	71,000 <u>41,100</u>	86,100 <u>44,500</u>	28,700 <u>23,800</u>	66,600 <u>38,700</u>	71,200 <u>41,600</u>

3B(2) Mid-Range Scenario

The second paragraph in this section, on page 8, should be revised as follows:

With the mid-range scenario, the average residual land value across the four receiving areas increases to ~~\$98,300~~ \$63,700 per acre.

Table 4 on page 10 provides summary information for the mid-range scenario, including the residual land value. The residual land value row in Table 4 should be revised as follows:

	Total	North Receiving Area	West Receiving Area	Belle Meade Receiving Area	South Receiving Area
Average residual land value (\$/acre)	98,300 <u>63,700</u>	116,700 <u>69,800</u>	54,500 <u>44,800</u>	92,200 <u>59,700</u>	98,400 <u>64,100</u>

3B(3) High-Range Scenario

The second paragraph in this section, on page 8, should be revised as follows:

With the increase density of development, the average residual land value under the high-range scenario rises to ~~\$150,600~~ \$99,200 per acre. This is ~~53~~ 56 percent higher than the mid-range scenario and ~~112~~ 141 per-cent higher than the baseline scenario.

Table 5 on page 11 provides summary information for the high-range scenario, including the residual land value. The residual land value row in Table 5 should be revised as follows:

	Total	North Receiving Area	West Receiving Area	Belle Meade Receiving Area	South Receiving Area
Average residual land value (\$/acre)	150,600 <u>99,200</u>	185,300 <u>112,900</u>	54,500 <u>44,800</u>	140,900 <u>92,400</u>	150,800 <u>99,200</u>

3C. TDR Demand Section

The fourth paragraph in this section, on page 12, should be revised as follows:

With a reduction in the average cost to acquire TDR credits from \$13,500 to \$10,000, the total amount that would be used to purchase TDRs would decline by nearly \$100 million in the baseline scenario, \$130 million in the mid-range scenario, and slightly more than \$100 million in the high-range scenario. With the reduction in cost for TDR credits, the

average residual land value would increase by ~~\$6,700~~ \$6,800 under the baseline scenario, ~~\$8,900~~ \$9,100 for the mid-range scenario, and ~~\$7,000~~ \$7,100 for the high-range scenario.

In addition, Table 7 on page 13 should be revised as follows:

Table 7: Cost to Acquire TDR Credits and Resulting Residual Land Value by Development Scenario

	Baseline Scenario	Mid-Range Scenario	High-Range Scenario
Total Demand for TDR Credits	28,200	37,300	28,800
<i>Average Cost per TDR Credit: \$10,000</i>			
Cost for TDR Acquisition	\$281,800,000	\$372,900,000	\$287,700,000
Average Residual Land Value	\$71,000 <u>\$41,100</u>	\$98,400 <u>\$63,700</u>	\$150,600 <u>\$99,200</u>
<i>Average Cost per TDR Credit: \$13,500</i>			
Cost for TDR Acquisition	\$380,400,000	\$503,400,000	\$388,300,000
Average Residual Land Value	\$64,300 <u>\$34,300</u>	\$89,400 <u>\$54,600</u>	\$143,600 <u>\$92,100</u>

