



Analysis of the Impacts of Transferable Development Rights Programs on Affordable Housing

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Executive Summary

Transfer of development rights (TDR) is a market-based planning tool that promotes growth in urban areas by allowing property owners to sell their development potential to developers who can then build to higher density in cities than zoning allows. Transfer of development rights programs are often voluntary, incentive-based, and use market demand to finance the conservation of a variety of properties. While the majority of TDR programs in the United States focus on conserving resource land and open space, historical landmarks and affordable housing are examples of other properties that can be conserved using this tool. As TDR programs focusing on resource land conservation become increasingly widespread, it is important to examine their influence on other community goals, including affordable housing and market-rate home prices.

Affordable housing is housing that costs less than thirty percent of the resident household's income. While affordable housing can be provided by private developers at market rates, the market alone does not meet the demand from residents of all income levels. As a result, several other mechanisms provide affordable housing to fill the need for low-income housing, usually in the form of public or non-profit programs. Affordable housing programs employ a wide range of strategies to achieve this goal, including requirements or incentives for developers to include affordable units in market-rate developments.

The implementation of a conservation-oriented TDR program can have an adverse, neutral, or positive effect on the outcomes of a community's adopted affordable housing strategies, depending on the design of the TDR program and the affordable housing strategies chosen by a particular jurisdiction. This paper examines a broad selection of strategies used by these programs to assess the impact that TDR can have on affordable housing programs.

While conservation TDR programs have the potential to compete with the goals of affordable housing programs, this competition is avoidable. Transfer of development rights programs can incorporate a range of incentives around which they may be designed. By considering the potential effects of TDR on affordable housing goals during the design phase, it is possible to implement TDR programs that are compatible with affordable housing strategies. Case studies show how three separate jurisdictions have taken different approaches to designing TDR programs that protect or enhance the goals of affordable housing programs.

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I. Introduction

The Washington State Legislature's findings that uncoordinated and unplanned growth threatens the environment, sustainable economic development and the quality of life in Washington led to the 1990 adoption of the Growth Management Act (GMA) (RCW 36.70A). The GMA seeks to coordinate citizens, communities, local governments and the private sector around common goals through comprehensive land use planning. The GMA identifies fourteen specific planning goals to help guide counties and cities to prepare for future growth.

This paper will examine the programs and their strategies used to achieve two of the GMA's goals, their associated requirements and how these programs interact. The goals are: 1) encouraging the availability of affordable housing to all economic segments of the population²; and 2) encouraging the conservation of productive natural resource lands.³ The GMA requires all counties to designate agricultural and forest lands of long-term commercial significance by September 1, 1991.⁴ Counties fully planning under the GMA are also required to adopt development regulations to conserve designated agricultural and forest lands.⁵

Growth Management Act requirements for affordable housing include:

1. County-wide planning policies that consider the need for affordable housing, such as housing for all economic segments of the population and parameters for its distribution;⁶
2. A housing element in county and city comprehensive land use plans that ensures the vitality and character of established residential neighborhoods, includes an inventory of existing and projected housing needs, provides for housing preservation and development, provides sufficient land for housing including low-income and special needs housing and makes adequate provisions for the existing and projected needs of all economic segments of the community.⁷

² RCW 36.70A.020(4) and RCW 36.70A.540 and RCW 84.14.

³ RCW 36.70A.020(8).

⁴ RCW 36.70A.170.

⁵ RCW 36.70A.060. Fully planning counties are those counties that are mandated or chose to adopt comprehensive land use plans and development regulations under the GMA. RCW 36.70A.040.

⁶ RCW 36.70A.210(3)(e).

⁷ RCW 36.70A.070(2).

Many studies have addressed the impact of growth management regulations on housing affordability. There appears to be no consensus among the studies; some conclude that growth management regulations drive up the cost of housing; other studies show that growth management regulations actually increase housing supply, thus preventing housing prices from rising.⁸ From analyses of these studies, it is clear that many factors contribute to the cost of housing, such as lending and interest rates, employment growth, natural constraints, home size and quality, land cost, and construction costs. The relationship between these factors and housing costs, however, remains variable and complex.

The purpose of this paper is to present findings on how strategies used in conservation-oriented transferable development rights (TDR) programs might affect affordable housing programs and housing affordability in general.

This paper approaches the topic by:

- Providing background to the issue of housing affordability.
- Identifying TDR program strategies for conserving natural resource lands.
- Identifying affordable housing program strategies.
- Analyzing the impacts of TDR programs on affordable-housing program strategies.
- Presenting case studies of jurisdictions with TDR programs for conserving natural resource lands and affordable housing programs.
- Qualitatively evaluating the economic impacts of TDR programs on housing affordability.
- Summarizing the effects of TDR and growth management on housing affordability.

The analysis shows that of the diverse array of strategies used by TDR programs, many either have no impact or a positive impact on affordable housing programs. Only a small number of TDR program strategies have the potential to result in adverse effects on affordable housing programs. Because a wide range of program strategies exist, there are opportunities for both programs to function effectively.

⁸ American Planning Association. *Observations on the Cost of Land Use Regulations and Growth Management: Critical Perspective on a Controversial UW Study*. August 2008, www.washington-apa.org/documents/WhitePaper20080826.pdf, Buki, Charles. *Affordable Housing and Growth Management and Sprawl: Equity for Some Versus Affordability for Others*. Millennial Housing Commission. 2001.; Downs, Anthony ed. *Growth Management and Affordable Housing: Do They Conflict?* Brookings Institution Press, Washington, D.C. 2004.; Eicher, Theo S. *Growth Management, Land Use Regulations, and Housing Prices: Implications for Major Cities in Washington State, Draft 1.3*. Economic Policy Research Center: University of Washington. February 2008., Nelson, Arthur C., Rolf Pendall, Casey J. Dawkins, and Gerrit J. Knaap. *The Link Between Growth Management and Housing Affordability: The Academic Evidence*. The Brookings Institution Center on Urban and Metropolitan Policy. 2002.; Porter, Douglas. *Managing Growth in America's Communities*. Second Edition, 2008.; Staley, Samuel R. and Gilroy, Leonard C. *Smart Growth and Housing Affordability: Evidence from Statewide Planning Laws*. Reason Public Policy Institute. 2001.

By designing TDR programs and affordable housing programs with an understanding of competitive and reinforcing strategies, jurisdictions can accomplish the goals of each without diminishing either program's effectiveness. Furthermore, because TDR programs increase the supply of specific housing types that are less expensive, they can have the effect of expanding the range of choices for prospective home buyers or renters. While this contribution may not bring prices down to a level that is affordable to all residents, it will help provide housing options to more people.

II. Background

This paper addresses the effects of TDR programs on the affordability of housing in two ways; the effect on 1) affordable housing and 2) market-rate housing prices.

Understanding how affordable housing programs and housing affordability are measured will help to illuminate how TDR programs may affect them. Washington State statute defines affordable housing as “residential housing that is rented or owned by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household’s monthly income.”⁹ The difficulty of determining whether households spend more than thirty percent of their income on housing by necessity or by choice and whether residents are satisfied with their housing complicates the issue.¹⁰ Affordability is influenced by regional differences between household incomes and housing prices and rents.¹¹ The housing market, employment levels, financing options and other external factors that affect housing prices vary widely from region to region.¹²

To define the targeted economic groups that qualify for affordable housing programs, the Washington State Department of Community, Trade and Economic Development (CTED) recommends in their *Procedural Criteria for Adopting Comprehensive Plans and Development Regulations* that jurisdictions use the following economic classifications based on percent of area median income (AMI):¹³

- Extremely low income \leq 30 percent
- 31 percent \leq Very low income \leq 50 percent
- 51 percent \leq Low income \leq 80 percent
- 81 percent \leq Moderate income \leq 95 percent

Affordable housing incentive programs enacted under the GMA seek to provide housing to those who are otherwise unable to afford it. Incentive programs must comply with GMA standards. The following formulas and descriptions provide the general threshold income limits of households which qualify for affordable housing ownership and rentals:¹⁴

⁹ Washington Housing Policy Act, RCW 43.185B.010(1).

¹⁰ Nelson, Arthur C. et al., op. cit.

¹¹ Nelson, Arthur C. et al., op. cit.

¹² Nelson, Arthur C. et al., op. cit.

¹³ RCW 36.70A.520

¹⁴ Houses and rentals provided by affordable housing programs at below market-rate.

- Owner Affordable \leq 80 percent median family income.¹⁵
- Renter Affordable \leq 50 percent median family income.¹⁶
- Total housing costs may not exceed 30 percent of the income limit.¹⁷

Under GMA, counties and cities may adopt affordable housing incentive programs to meet the requirements of the GMA. Affordable housing incentive programs must aim to provide housing to households qualifying as low-income or less (below 80 percent AMI).

However, according to the GMA, the legislative authority of a jurisdiction may establish lower thresholds for owner- or rental-occupied housing prices or income levels to address local housing market conditions.¹⁸ That is, in high cost areas, jurisdictions may enact affordable housing programs that target higher income populations that would otherwise be priced out of the market.

Based on the GMA's definition of affordable housing, Table 1 illustrates the house prices in a selection of Washington counties that are affordable to the low-income economic group.

Table 1: Washington State median incomes (by county), calculated affordable housing prices and median home prices.¹⁹

County	Median Family Income ²⁰	Affordable Income (80% AMI)	Median Monthly income available for housing (30% AMI)	Affordable Price ²¹	Median Home Price ²²	Affordability Gap
Clark	67,500	54,000	1,350	173,500	257,400	83,900
King	81,400	65,100	1,630	209,500	450,000	240,500
Kitsap	69,900	55,900	1,400	179,900	271,300	91,400
Kittitas	58,500	46,800	1,170	150,300	250,000	99,700
Mason	54,800	43,800	1,370	176,100	193,000	16,900
Pierce	66,200	53,000	1,325	170,300	268,500	98,200
Snohomish	81,400	65,100	1,630	209,500	349,400	139,900
Thurston	66,300	53,000	1,325	170,300	260,000	89,700

¹⁵ County median income adjusted for family size. Jurisdictions may go up to 100% of county median income. RCW 36.70A.020

¹⁶ County median income adjusted for family size. Jurisdictions may go up to 80% of county median income. RCW 36.70A.020

¹⁷ RCW 36.70A.540

¹⁸ RCW 36.70A.540

¹⁹ U.S. Housing & Urban Development 2008 dataset. http://www.huduser.org/datasets/il/FY2008index_mfi.html.

²⁰ Household income is the sum of money income received in the calendar year by all household members 15 years old and over, including household members not related to the householder, people living alone, and other non-family household members.

²¹ 30 year fixed home loan mortgage at 6.5%, 1.25% tax .5 PMI

²² Washington Center for Real Estate Research (WCRER). 2008 County median home prices. Washington State University. http://www.wcrer.wsu.edu/WSHM/2008Q2/prices_08q2.pdf

Table 1 illustrates the housing affordability landscape in the region. The affordability gap column shows the price difference between market-rate housing and housing that is affordable to the low-income economic sector. For the counties listed in Table 1, the affordability gap ranges from \$16,900 in Mason County to \$240,500 in King County.

Affordable housing providers have the difficult task of offering homes priced below market rate to those who qualify as low income. Providers have frequently relied on two distinct approaches to this task: subsidies and incentives. In an effort to maximize the number of affordable housing units, both approaches effectively seek to minimize the affordability gap. In subsidy-based programs, the affordable housing provider subsidizes the cost of construction, thus allowing the developer to realize a profit on units sold below market rate. Incentive-based programs give the developer some type of bonus for building affordable units, like granting permission to build more market-rate units than would normally be allowed. Under this approach, the developer realizes profit by selling additional houses at market rates.

The difficulty with affordable housing programs based on subsidies and incentives is in deferring the affordability gap. This is often absorbed by the developer providing low-income affordable housing in incentive programs or minimized through subsidy programs. Even with strategies that provide subsidies or additional revenue for developers, affordable housing organizations likely still struggle to reduce the affordability gap enough for developers to earn an industry-average profit, especially in low real estate markets. If the affordable housing program strategies do not fully cover the affordability gap of the affordable units, the costs must be distributed among the developers or buyers of market-rate units.²³

It is likely that there is an affordability gap associated with affordable rental units as well. Affordable rental rates are calculated similarly to for-sale units. Renters qualify for affordable units if their household income is 50 percent or less of AMI and affordable rents are calculated as renters spending 30 percent or less of their gross income on rent and utilities. Market rents vary throughout the region and throughout cities. Market rents in some areas may already be affordable to low-income households, resulting in no affordability gap for the property owner. In these areas, affordable housing providers utilize strategies that seek to maintain units available at the current market rates. In other areas where market rents are not at affordable levels, affordable housing providers seek to supply rental units at affordable amounts. In this case, the affordability gap is minimized or alleviated through a variety of strategies (described in section V).

²³ Schneider, Patrick, Foster Pepper, Arthur Sullivan, Tony To, Elliott Eisenberg. *The Ins and the Outs: A Policy Guide to Inclusionary and Bonus Housing Programs in Washington*. The Housing Partnership. 2007.

III. Housing Supply Constituents and Interests

Affordable Housing

Affordable housing programs in Washington State operate on three general scales: state, county, and city. At the state level, the two agencies responsible for provision of funds for affordable housing are the Department of Community, Trade, and Economic Development (CTED) and the State Housing Finance Commission (SHFC). The Housing Division within CTED provides a variety of low-income housing programs, including the Housing Trust Fund. The Housing Trust Fund provides direct state funding for low-income housing projects through a competitive process that is held twice a year. The State Housing Finance Commission administers a tax credit program, allowed under federal law, through which investors receive tax credits in return for contributions to affordable housing projects. The SHFC also administers bond programs.

At the county level, agencies such as county housing authorities disburse money from their general funds to assist affordable housing projects in unincorporated areas. There is minimal overlap between these efforts and municipal programs. At the city level, public agencies and nonprofit programs work in concert to provide affordable housing. In Seattle, for example, the Office of Housing works with CTED and the SHFC to coordinate application processes for the funding available from those state programs and also works on special projects at the mayor's request. Cities may also establish housing authorities, such as the Tacoma Housing Authority, to provide low-income housing.

Nonprofit programs are also major players in providing affordable housing at the city level. Rick Hooper, Director of Policy and Program Development in Seattle's Office of Housing, estimates that the City works with between fifteen and twenty nonprofit organizations that have collectively provided 10,000 to 12,000 affordable units over the past 25 years (mostly in the last 15 years).²⁴ Other cities in King County have formed a nonprofit called A Regional Coalition for Housing (ARCH) to help administer housing programs on behalf of suburban communities. By pooling resources to support one organization these communities can provide a greater level of service than by pursuing individual programs separately.

Nonprofit housing organizations play an important role at the city level. The housing that these organizations provide is often closely tied to resources related to housing. Nonprofit groups offer educational programs to prospective home buyers and also support residents with special needs, like the elderly, victims of domestic violence, or the homeless. Large subsidies are often required to create affordable housing linked to social services. Carla Okigwe, Executive Director of the Housing Development Consortium, expressed concern

²⁴ Conversation with author, October 22, 2008.

at the projected affordable housing shortfall in King County. Where private developers used to fill the gap between the overall demand and what was provided by public and nonprofit organizations, they are now moving away from this role.²⁵ As rising development costs cut into marginal profits, private developers are less willing to initiate projects at the lower end of the market. Okigwe cites the need for incentives to encourage private developers to produce affordable housing.

Production Housing

Production housing describes the construction of new housing at market rates, typically by private firms. Developers of production housing operate under different constraints and business models than do public and nonprofit housing providers. Profitability is a major driver behind the building decisions that private developers make. Factors affecting the ability of private developers to build housing affordable to moderate and medium-income residents include land cost, building fees, and zoning limits on height or density.

Some production housing firms specialize in building units that are affordable to first-time homebuyers and low- to middle-income buyers. Quadrant Homes is one developer in the western Washington marketplace whose business model targets these groups, offering houses at market rates that approach the prices of subsidized housing. One of the obstacles hindering Quadrant's ability to improve the affordability of their products is the rigor of participating in affordable housing programs.²⁶ The efforts required to achieve compliance with affordable housing program requirements is burdensome in the time cost and difficulty in reconciling the variations in the programs from one jurisdiction to the next. Developers building in many counties, such as Quadrant, would benefit from a regional-level affordable housing program providing consistent and transparent terms across a wider geographical area. Another challenge that Quadrant has faced is an increase in impact fees and development requirements over the past five years.²⁷ These changes have contributed to a regulatory environment that makes it harder to produce housing at lower prices.

Opportunities for Improving Affordability

One opportunity that Quadrant identified for collaboration between subsidized housing and production housing constituencies to expand production of affordable units is for developers to perform fee building for affordable housing programs.²⁸ This type of private-public or private-nonprofit partnership would capitalize on the strengths of both groups. Affordable housing programs would contribute resources and funding to which they have

²⁵ Conversation with author, October 22, 2008.

²⁶ Pete Lymberis, Bonnie Geers, and Jeff Scall, Quadrant Homes, conversation with author, October 22, 2008.

²⁷ Quadrant Homes, conversation with author, October 22, 2008.

²⁸ Conversation with author, October 22, 2008.

access while private developers would apply their business models and economies of scale to further reduce costs.

Transfer of development rights programs can also be used as a tool to increase resources for affordable housing programs by leveraging new funding sources. One example of how this may be achieved is illustrated by Palm Beach County's TDR program. Under this program, developers purchasing conservation development rights to achieve a density bonus may buy rights from the county for one dollar for each affordable bonus unit the project includes. As a result of this incentive, the county advances both conservation and affordable housing policy goals. For a detailed explanation of this program, please see Appendix A.

Planning Community

In addition to identifying the specific effects of TDR strategies on affordable housing strategies, it is helpful to consider the relationship in the broader context of how the GMA has impacted housing prices in Washington. One study done on this subject, widely publicized by the Seattle Times,²⁹ was a 2008 study by University of Washington economics professor Theo Eicher.³⁰ This study examined the effect of land use regulations on the cost of housing and concluded that a substantial portion of increases in housing costs in recent years are due to such regulations. In response to Eicher's study, the Washington Chapter of the American Planning Association released a paper summarizing their analysis of the effects of the GMA regulations on housing costs.³¹

Some of the key points from the APA response that have direct bearing on the issues presented in this paper include:

- Regulations have not greatly reduced the ability of developers to build new housing units.
- Residential densities have increased. On average, new housing, both single-family and multifamily, is adding more units per acre of land developed and redeveloped. This indicates that communities have used land more efficiently, a trend which should benefit housing affordability by cutting down on land costs per unit and increasing future potential housing supply on remaining vacant and redevelopable parcels.
- Based on adopted plans and regulations, as well as recent development trends, each county and most cities were found to contain more than sufficient land to accommodate new households and new jobs through 2025. In most locations, there

²⁹ "UW Study: Rules Add \$200,000 to Seattle House Price" Seattle Times, February 15, 2008

³⁰ "Housing Prices and Land Use Regulations: A Study of 250 Major UW Cities", Theo S. Eicher, Northwest Journal of Business and Economics, forthcoming, also at <http://depts.washington.edu/teclass/landuse/>

³¹ American Planning Association. *Observations on the Cost of Land Use Regulations and Growth Management: Critical Perspective on a Controversial UW Study*. August 2008, www.washington-apa.org/documents/WhitePaper20080826.pdf

is a cushion of buildable land—with consideration for market availability, critical areas, and land needed for infrastructure—to respond to housing demand.

In its conclusions, the APA paper presents a number of conclusions that would, in the authors' perspective, promote a refinement of regulations to make them more efficient and improve housing affordability. These include:

- **Provide infrastructure for needed residential growth.** It starts at the state level. counties and cities cannot do it alone. The legislature should provide additional funding to help counties and cities provide the water, sewer, storm water, parks, and transportation facilities needed to support their land use and housing plans. As outlined in a proposed Growth Management Infrastructure Program,³² funds can be targeted to support, specifically, affordable housing development, and, more broadly, anticipated growth where local governments have made effective provisions for a range of affordable housing types.
- **Expand the range of affordable housing choices.** Counties and cities should periodically evaluate their comprehensive plans and development regulations for their effects on housing production and to gauge whether they are able to provide sufficient capacity for a variety of affordable housing choices with access to job centers. Local plans and regulations need to create the conditions where the market can respond with some flexibility and creativity to the housing needs of current and future residents. Cities can and should do more to increase affordability by providing opportunities to build a full range of densities and housing types, not only high density mixed-use centers as a complement to traditional single-family neighborhoods, but also row and town houses, duplexes, courtyard houses, detached accessory dwelling units, and other innovative alternatives.
- **Further streamline permitting processes.** Since the mid-1990s state law has required counties and cities to reform their land use regulations and permitting systems. Regulations that are clear and easy to use and permitting processes that eliminate unnecessary steps and are efficient can reduce the time needed to obtain permits. Time is money in the permitting process. Throughout Washington, counties and cities have reduced the time needed to obtain permits. These efforts should continue. Thorough review of new projects is necessary to ensure that development is consistent with local and state goals and values. But lengthy and uncertain permitting processes are a major driver of costs to developers, costs which can be passed on to homebuyers. Local governments should regularly revisit their rules so the development the community wants and needs is the easiest to build.

³² A Growth Management Infrastructure Account was recommended by the Affordable Housing Advisory Board's Task Force on GMA and Affordable Housing in 2006. A bill to establish the account was introduced in the 2007 Legislation Session, but did not pass.

These recommendations are consistent with the goals of a regional conservation TDR program in Washington. As identified in a previous policy paper for CTED, *Capital Funding for Infrastructure and Other Amenities in Cities – Incentives for Participation in a Transfer of Development Rights Program*,³³ many cities in Washington have expressed a desire to have increases in density linked to increases in funding for infrastructure and amenities. This is an example of how both conservation TDR programs and affordable housing strategies will both benefit from a broader policy. Increasing infrastructure and amenity funding will not only allow cities to support denser growth, but will also make them more attractive places to live. The effects of conservation TDR program on overall affordability and housing choice are discussed in section VI, and the views of a major production housing stakeholder presented in section III support the revision of permit processes.

³³ <http://www.cted.wa.gov/site/1085/default.aspx> , July 2008, Cascade Land Conservancy

IV. TDR Program Strategies

To assess the impacts of TDR programs on housing affordability and affordable housing programs, it is important to understand how TDR programs affect the supply of housing and the mechanisms used to promote affordable housing. The goals of TDR and affordable housing programs can both be accomplished using market-based incentive strategies (e.g. density bonus). In addition, affordable housing programs utilize both mandatory (e.g. inclusionary zoning) and subsidy strategies to achieve their program goals. Because TDR and affordable housing programs can both involve jurisdictions allowing increased density in receiving areas, the two programs are often perceived as competing priorities. For this reason, it is important to have a working knowledge of TDR program strategies and the strategies used to provide affordable housing.³⁴

Below is a comprehensive list of the strategies used by TDR programs. Section V of this paper contains a comprehensive list of affordable housing strategies and a brief analysis of how TDR program strategies interact with those promoting housing affordability and affordable housing programs.

As a market-based tool, TDR programs use the demand for new housing as a means to increase urban densities and conserve land.³⁵ The types of land conserved depends upon the program's conservation goals. Land conservation goals of TDR programs across the United States include productive farmland, working forests, rural lands, environmentally sensitive areas, open space, historic sites, and affordable housing.³⁶ Given the focus of the state's regional TDR program in central Puget Sound on rural, agricultural and forest land conservation, this paper will focus on TDR strategies that seek to conserve natural resource lands.³⁷ TDR programs utilize many strategies to create incentives for participation:

1. *Increased density* – Receiving site landowners pay for the right to develop at greater densities than allowed under current zoning regulations.
2. *Increased height* – Receiving site landowners pay for the right to develop at greater heights than allowed under current zoning regulations.
3. *Increased commercial floor area* – Receiving site landowners pay for the right to develop greater commercial floor area than allowed under current zoning regulations.

³⁴ *Identification of Possible Conversion Commodities for Consideration in a Regional Transfer of Development Rights (TDR) Program in the Puget Sound – Memo.* Solimar Research Group, Inc. February 20, 2008.

³⁵ Aken, Jeff, Jeremy Eckert, Nancy Fox, and Skip Swenson. *Transfer of Development Rights (TDR) in Washington State: Overview, Benefits, and Challenges.* The Cascade Land Conservancy, March 2008.

³⁶ Seattle Washington, Palm Beach Florida, and Groton Massachusetts TDR programs include an affordable housing component.

³⁷ RCW 43.362.005.

4. *Parking ratio* – Receiving site landowners pay for either an increase or decrease in parking requirements. Developers seeking to provide fewer parking spaces than required can buy that right by purchasing development rights. Likewise, developers seeking to increase parking can purchase development rights to do so.
5. *Impervious surface* – In jurisdictions where the amount of impervious surface is regulated, development rights may be purchased to increase this limit.
6. *Parkland and open space* – Receiving site landowners purchase development rights to substitute for or decrease required onsite parkland and open space.
7. *Setbacks* – Receiving site landowners purchase development rights to substitute for or decrease required setbacks.
8. *Floor-to-Area ratio (FAR)* – Receiving site landowners purchase development rights to increase their project FAR beyond existing zoning regulations.³⁸
9. *Impact fees* – Where impact fees are required to mitigate for development impacts, development rights may be purchased to substitute for the fee.³⁹
10. *Carbon credits* – Carbon credits associated with a development right may be used to offset a development project’s carbon emissions or be sold on the open market.⁴⁰
11. *Streamlined permitting* – A jurisdiction provides projects a “by right” process that allows receiving site landowners who purchase development rights a permitted use rather than conditional use.
12. *Categorical exemptions* – A jurisdiction allows certain projects to be categorically exempt from environmental review, or exempt from appeals under the State Environmental Policy Act (SEPA) when a receiving site landowner purchases development rights.

³⁸ FAR is a potential TDR conversion commodity idea where in exchange for buying TDR credits, the developer is allowed to increase the floor area ratio (i.e. the building square footage compared to the lot size). FAR has yet to be used in other TDR programs, but has been recommended for the King County TDR program and by Design, Community & Environment (DC&E), a TDR consultant hired by CTED to conduct a market analysis of TDRs in central Puget Sound.

³⁹ Impact fees are a potential TDR conversion commodity idea that has yet to be used in other TDR programs, but has been recommended for the King County TDR program and by DC&E.

⁴⁰ Carbon credits are a potential TDR conversion commodity idea that has yet to be used in other TDR programs, but has been recommended for the King County TDR program and by DC&E.

Stakeholder Committee Recommendations

In 2007, Washington State Legislature directed CTED to analyze a regional TDR marketplace. To help facilitate the process, CTED formed a TDR Policy Advisory Committee (PAC) comprised of nine stakeholders. The PAC included two representatives of nongovernmental organizations with expertise in TDR, two representatives from real estate and development, one county representative, two representatives from cities of different sizes and geographic areas, and two representatives from the agricultural industry. CTED and the PAC provided findings to the state Legislature and the Governor, to implement a regional TDR program and provide incentives for cities to participate in a regional TDR program. It is worth noting that several of these incentives could be established to jointly benefit conservation TDR and affordable housing. There may be an opportunity for stakeholders from the affordable housing community, the conservation community and the production housing community to formulate programs that work for all parties. The following items were discussed by the TDR PAC:

Tier 1 – Funding and technical assistance from CTED for counties and cities to voluntarily develop TDR programs and for cities to complete a SEPA/EIS analysis at the policy level of the maximum build-out scenario for TDR receiving areas. TDR programs need to support and implement Vision 2040. First steps for CTED to take would include:

- A. Economic resources to local jurisdictions, primarily to cities, to develop TDR programs (general fund).
- B. Model ordinances or guidance that can be tailored for local needs (general fund).
- C. Funding for up front environmental review that would provide a procedural incentive for developers to build in TDR receiving areas and that would ensure neighbors receive a thorough environmental analysis before construction begins. Provide revolving funds from the Planning and Environmental Review Fund (PERF) that could be repaid by a city with charge-back fees from developers.⁴¹ The PERF statute would need to be amended from a grant to a revolving loan program. Cities would need legislative authority to charge a fee for environmental review already completed. (This is a longer term recommendation based on when state general funds would become available.)

Tier 2 – Economic incentives for cities to accept density from sending areas. All Tier 2 funding would come solely through and as a result of the sale of TDR credits. Tier 2

⁴¹ The PERF was established as a CTED grant program in RCW 36.70A.490 and 500 in 1995. The fund was established as the result of recommendations from the Regulatory Reform Task Force. PERF funding was provided for up front environmental review of plan policies and development regulations to ensure more certainty of environmental review at the project level. \$3 million was appropriated for the 1995-1997 biennium and X number of projects were funded. Funding has not been appropriated to PERF since then.

funding is based on actual transfers of development rights – “accountability with benefits.” Funds would be required to be invested in infrastructure improvements in receiving areas.

- A. Carbon Offset Credits. The Forest Sector Workgroup may recommend to the Climate Action Team (CAT) that cities be allocated revenue from the sale of carbon offset credits based on TDR received from forest land. The TDR Policy Advisory Committee would recommend support for this approach.
- B. Percent of sale of TDR credits paid to a city. If a county wishes to encourage a city to accept TDR credits from its potential sending areas, it could establish an incentive award (for example 10% or 20%, as the sending jurisdiction chooses) that would be granted to a city upon purchase of TDR credits (whether from the regional TDR bank or from a private transaction) for a development project in that city. The city could then use the funds for infrastructure improvements in the TDR receiving area. To illustrate with a simple scenario: Snohomish County uses the Conservation Futures tax to purchase one development right for \$50,000 from an Arlington sending site in the unincorporated county. Snohomish County places the TDR credit in the regional TDR bank. An Arlington developer purchases the right for \$50,000 from the Public Regional TDR Bank. \$45,000 is placed into Snohomish County’s account. The remaining \$5,000 is forwarded to Arlington as an infrastructure incentive. This approach could be encouraged through technical assistance. No legislation is required.

Counties and cities both benefit in this scenario, because this approach:

- Creates additional receiving sites for development rights.
 - Provides infrastructure incentives for jurisdictions which might otherwise be reluctant to accept development rights from lands in the unincorporated county.
 - Establishes a self-sustaining economic incentive fund.
 - Does not require state funding.
- C. Retention of state real estate excise tax (REET) revenues from TDR sales. The state REET on TDR sales should be directed toward infrastructure in the receiving area where the credits are to be used. Revenues would be targeted to the receiving areas, rather than to the general fund of the governing jurisdiction. The funds would be placed in a separate account by the city for infrastructure investment in the receiving areas. The city would be required to allocate these funds to receiving area infrastructure uses according to guidelines for use of the public works trust for sanitary sewer, domestic water, bridges, storm sewer and solid waste or recycling. This would require legislation.

- D. Retention of state sales tax on construction. The state should provide revenues generated by improvements in the receiving area (state sales tax on new construction in the receiving area) to the receiving city for enhanced infrastructure that benefits the receiving area. Tax-shift revenues would be targeted to the receiving areas, rather than to the general fund of the governing jurisdiction. As with the state REET, the funds would be placed in a separate account for infrastructure in the receiving areas. This creates focused local benefit, as discussed. This would require legislation.

Tier 3 – A suite of incentives for local jurisdictions that meet TDR performance standards. The Committee recommends that TDR be considered in eligibility or scoring requirements in conjunction with any of the following ideas if they result in recommendations that are proposed to the legislature. If any of these ideas go forward, additional state grant funding criteria points should be awarded to infrastructure projects that are located in or serve PSRC Vision 2040 regional growth centers that accept TDR from outside city limits. Additional points should be considered regarding allocation of federal funds upon establishment of a TDR program and requests from receiving cities for priority.

- A. State-based economic incentives to fund Transit Oriented Development projects that advance affordable housing and TDR.
- B. New financing mechanisms for projects in TDR receiving areas based upon projected future revenue.
- C. Housing Everyone Financing Tool (HEFT) - consider allowing use of TDR to count towards local matching requirements.
- D. Methods for prioritizing TDR-receiving cities for transit services, such as within the METRO or Sound Transit Operating System.
- E. Methods for supporting improvements to local streets if a jurisdiction accepts TDR credits from areas that can be determined to relieve specific Washington Department of Transportation infrastructure improvement requirements.
- F. State infrastructure funding that is aligned to advance state policy goals of climate change, Puget Sound cleanup, transportation, or affordable/workforce housing. The Puget Sound Partnership will have the ability to prioritize funding. The Committee should send a message to the Puget Sound Partnership Leadership Team regarding prioritization of federal and state funding.
- G. Additional points should be awarded for access to state infrastructure dollars to PSRC Vision 2040 regional growth centers that accept TDR from *outside* city limits. Additional points should be considered regarding allocation of federal funds for TDR credits by PSRC upon establishment of a TDR program and requests from receiving cities for priority.

V. Affordable Housing Strategies and Economic Analysis of Affordability

Affordable Housing Programs and Strategies

In response to housing affordability challenges, a number of groups, including government agencies, non-profit, and for-profit organizations have developed a number of strategies to improve housing affordability and to provide low-income housing. These strategies focus on ensuring that planning and building codes and zoning regulations do not inhibit development of affordable homes, but instead create incentives for developers to provide low-income housing units. Other strategies focus on creating greater access to home ownership for low-income households through subsidy-driven financial and educational programs. The strategies championed by jurisdictions, affordable housing organizations and incentive programs are summarized below.

While the GMA addresses affordable housing, few cities and counties in Washington have developed programs that are as detailed as the law allows. Several jurisdictions, however, are in the planning stages of their affordable housing incentive programs and many have identified which strategies they may utilize. Appendix B shows an inventory of public and private affordable housing programs and groups in the Puget Sound region.

It is important to note that several of these strategies originate from affordable housing task forces (on behalf of jurisdictions) and are therefore in the planning stages prior to implementation. Many of these strategies are likely to be implemented in the near future. They are included in this report as a comprehensive analysis and, more importantly, to gain understanding of the impacts of TDR programs on affordable housing.

Land Use Tools

The strategies below are aimed at ensuring that zoning regulations and building codes:

- Do not inhibit the creation of affordable housing,
 - Encourage the retention of existing affordable housing, and
 - Encourage the creation of affordable housing, when possible.
1. *Inclusionary Zoning* – Requires that a certain percentage of units in any development over a specified size be dedicated to affordable housing for a restricted time period.
 2. *Minimum Densities Within Urban Growth Areas* – Requires developments within urban growth areas to have a specified minimum density.
 3. *Condominium Conversions* – Helps retain existing affordable rental units from being converted to condominiums. Limits the conversion rate of existing rental units to

new or renovated condominiums by increasing notice time, increasing relocation payments and capping the number of conversions allowed per year.

4. *Building Codes* – Local governments must adopt building codes necessary to promote health, safety and welfare. The local Building Code Councils establish the minimum requirements for building, mechanical, fire, plumbing, and energy. Updates to local building codes can decrease construction costs. Examples include:
 - a. Allow five levels of wood-frame construction up to eighty feet.
 - b. Authorize the use of scissor stairs.
 - c. Increase the height at which high rise building-code requirements are triggered.
5. *Visitability Standards* – Ensures compliance with the federally-legislated American Disability Act (ADA) and the Fair Housing Act (FHA). This helps meet some of the demand for affordable housing inventory which is accessible to disabled and elderly citizens. Affordable housing for this population is provided by creating visitability standards (e.g. 25 percent of multi-family units must be ground level, all ground-floor units must be adaptable, 10 percent of all multi-family units must be accessible, etc.).⁴²
6. *Infill Housing Development* –Encourages the development of vacant lots or redevelopment of blighted properties typically in urban and economically depressed areas.
7. *Accessory Dwelling Units (ADU)* – Are built on single-family home lots and can be either attached to or detached from the existing house. The size of an ADU is typically smaller than the existing house but typically will have a separate entrance (e.g., alley access) or a yard. ADUs are cost effective because they take advantage of existing infrastructure and community resources (i.e. parks, streets, sewer, schools, etc.).
8. *Cottage Housing* – Such units are small, detached, and share a common landscaped area or green space.
9. *Permit-Ready Housing or Rehabilitation* – Uses pre-approved, city-provided designs and floor plans for affordable housing.
10. *Upzoning* –Involves selective rezoning of residential land to allow for greater density, and can be applied both to single-family and multi-family housing. Upzoning increases the housing inventory potential.
11. *Manufactured Housing* – Provides an option for lower income households as an alternative to conventionally-built homes.
12. *Zero Lot Line Development* – Amends building codes to allow reduced lot width and create denser areas of development. Units typically are one to three stories and built on the property boundary so the size of the unit is maximized.

⁴² Safe, Mixed-income, Accessible, Reasonably-priced, Transit-oriented (SMART) Housing Program in Austin Texas

13. *Green Buildings* – Makes use of cost effective recycled building materials and smaller design concepts to lower the cost of homeownership up front and over time through energy efficient construction.
14. *Great House Concept* – Encourages designs of multi-family affordable units that blend well with the existing single-family residences to reduce local opposition to low-income housing.
15. *Adaptive Reuse* – Creates new housing in existing buildings once used for commercial, public or industrial purposes. Adaptive reuse typically utilizes the existing infrastructure.
16. *Single Resident Occupancy (SRO) Units* – Provides a small (140-260 square feet) private room usually for a homeless or very-low income individual. The room may include such amenities as a desk, basin, small refrigerator and a microwave and would include bathroom, living room, laundry and kitchen as shared space.
17. *Transitional Housing* – Provides emergency shelter and supportive services to homeless individuals and families. Additional services such as education, training and housing search assistance provide the homeless with opportunities to become self-sufficient.
18. *Community Land Trusts* – Owns the property while low-income homeowners own the improvement rights on the property through a long-term lease.
19. *Expiring use of Federal Subsidies* – Jurisdictions monitor the expiration of Federal Housing and Urban Development (HUD) contracts with property owners that provide reduced-rent units for very low-income households and create a plan to preserve these units as long-term stock of affordable rental housing.
20. *Rent Control* – Encompasses laws or ordinances that set price controls on the rental units and functions as a price ceiling. The frequency and degree of rent increases also are limited, usually to the rate of inflation or a fraction thereof as defined by the Consumer Price Index.

Incentives

The following strategies are geared toward providing developers financial incentives to build affordable housing.

1. *Density Bonuses* – Density bonuses are granted to developers who commit to providing affordable housing units in their project. The density bonus allows the developer to build a greater number of market-rate units than would otherwise be permitted.
2. *Transfer of Development Rights (TDR)* – This program allows landowners of existing affordable housing to sell development rights to receiving site landowners if they maintain their complex at affordable rates.

3. *Fee Waivers or Reductions* – Impact fees (for new or expanded infrastructure) and land use regulation fees (municipal permitting charges) are waived or proportionally reduced for developments that include affordable housing.
4. *Expedited Permitting* – Developers who apply to build affordable housing units receive an expedited permitting process for their project.
5. *State Environmental Policy Act (SEPA) Exemptions (i.e., Categorical Exemptions)* – This strategy provides categorical exemptions to large-scale, mixed-use projects including affordable housing that are in urban growth areas where an adequate environmental impact review has already been produced.⁴³
6. *Incentives for Transit-Oriented Development*⁴⁴ – This strategy provides development incentives (e.g., density bonuses, multi-family tax incentives, or impact or land use fee waivers) to developers who build transit-oriented development projects.
7. *Parking ratio* – This strategy reduces parking requirements for developers who build affordable housing units. Developers seeking to provide fewer parking spaces than required can do so by incorporating affordable housing into their projects. Likewise, developers seeking to increase parking can include affordable housing to do so.
8. *Affordable Housing Tax Incentives*
 - a. *Multifamily Tax Exemption* – This exemption encourages developers to create multi-family housing in urban areas by reducing or waiving property taxes over a specified length of time. Under legislation enacted in 2007, cities over a certain population may provide a ten-year property tax abatement to multi-family developments for eight years in designated urban centers. Developments that are committed to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households may qualify for a 12-year tax abatement.⁴⁵
 - b. *Low Income Housing Tax Credit* – This Federal tax credit is available to developers who create housing for low-income households. The number of credits earned by the developer is commensurate with the actual project costs, the number of affordable units provided and the current tax rate.⁴⁶
9. *Waiver of Sales Tax* – Sales taxes on certain construction costs (hard and soft costs) are waived for developers who build affordable housing projects or rehabilitate buildings for affordable housing.
10. *Tax Credit* – Tax credits such as the Historic Rehabilitation Tax Credit are issued for use in the rehabilitation of historic buildings. If the historic building is rehabilitated

⁴³ RCW 43.21C.229.

⁴⁴ Transit oriented development (TOD) is a mixed-use residential or commercial area designed to maximize access to public transport, and often incorporates features to encourage transit ridership. A TOD neighborhood typically has a center with a train station, metro station, tram stop, or bus station, surrounded by relatively high-density development with progressively lower-density development spreading outwards from the center.

⁴⁵ Chapter 84.14 RCW.

⁴⁶ Tax Reform Act of 1986

into affordable housing units, taxes may further be reduced by combining this tax credit with the low income housing tax credit.⁴⁷

11. *Affordable Housing Districts* – Developments in these districts are required to designate a certain percentage of their units as affordable housing. Developers, in exchange, receive incentives, such as relaxed height restrictions, decreased parking requirements, etc.

Financing

The following strategies provide financing to affordable housing programs or low income individuals seeking to purchase or rent a home. This list is compiled from programs across the United States and not all are used in Washington State.

1. *Local Dedicated Revenue Source* – Dedicated revenue sources, such as the Housing Tax Levies in Seattle, can be used by local governments to provide continuous funding for affordable housing.
2. *Tax Increment Financing*⁴⁸ – Future gains in tax revenues are used to fund public projects such as affordable housing. A revolving fund is generated through increased taxes created by funding public improvement projects in distressed or under-developed areas, thus raising property values, which leads to higher tax revenues to repay the project debt.
3. *Low-Income Housing Tax Credits* – Administered by the Washington State Housing Finance Commission, these credits reduce the tax liability of property owners and investors who agree to provide low-income housing for up to 40 years.
4. *Housing Trust Fund* – Housing trust funds provide a funding source to support locally targeted and managed affordable housing assistance. Fund sources vary by state but are typically provided by local real estate-related fees and a variety of other sources (e.g., non-profits, community groups). Cities and developers benefit from housing trust funds through streamlined permitting and low-interest loans to developers of affordable housing projects.
5. *Employer Assisted Housing Programs* – These allow employers to facilitate access to housing for their employees. Variations include providing education on homeownership, paid time-off for housing appointments, down-payment assistance for employees and employer-owned housing for its workforce.
6. *Silent Second Mortgages* – Government or non-profit agencies provide a second mortgage loan to low-income households for a down payment on a home. No interest or payment is made on the loan until the sale of the home.

⁴⁷ Pierce County Housing Affordability Task Force. Housing Affordability: Final Report and Recommendations from the Pierce County Housing Affordability Task Force. Pierce County, Washington. March, 2007.

⁴⁸ Tax increment financing is currently prohibited by Washington State Constitution under article 8, section 5. TIF is prohibited because it prohibits lending of the State's credit to any individual, association, company or corporation.

7. *Rental Assistance/Home Purchase Education and Assistance* – These types of programs provide education, planning and/or financial assistance to low-to-middle income renters or potential homeowners. Examples of programs include:
- a. *Housing Choice Voucher Program (Section 8)* – This federal program, administered through HUD, subsidizes rental/homeownership costs for households earning less than 50 percent AMI.⁴⁹
 - b. *HomeSight* – HomeSight is an example of non-profit organizations promoting affordable homeownership by providing homebuyer education and financial planning, buyer purchase assistance, loan underwriting and origination, and new home construction.
 - c. *United Way of King County, Individual Development Account* – United Way has created a matched savings program called Individual Development Accounts (IDA) that requires participants to attend financial skills classes. United Way matches three dollars to each dollar the investor saves. The savings can be used for a down payment on a home or to start a small business.

Analysis

TDR and affordable housing programs utilize many different types of strategies to achieve their respective goals. Here the effects of TDR programs on affordable housing programs and housing affordability are examined separately.

First, analysis was performed on the effects of TDR programs on each affordable housing strategy identified in section III. Three possible types of effects on affordable housing strategies were determined: 1) no effect; 2) a direct interaction, where affordable housing efforts and TDR programs have potential to coexist or conflict; or, 3) a positive effect, where affordable housing efforts are enhanced by TDR programs.

Secondly, the effects of TDR programs on housing affordability and supply were examined. Supply is one of many important factors that affect housing affordability because, as with any market, the price of housing is largely influenced via the interaction of demand and supply. These factors independently determine buyers' willingness to pay and the prices producers are willing to accept for any given quantity of housing.

⁴⁹ <http://www.hud.gov/offices/pih/programs/hcv/index.cfm>

Effects of TDR on Affordable Housing Strategies

The effect of TDR programs on affordable housing strategies varies widely. Following is a discussion of the analysis to determine effect from TDR programs on affordable housing strategies.

The Cascade Land Conservancy designed a series of questions to evaluate the effect of TDR programs on each affordable housing strategy. Table 2 illustrates how this effect could produce one of three results; 1) no impact was identified if the answer to each question was no; 2) a direct interaction was identified by an affirmative answer to either of the first two questions; and 3) a positive effect was identified if the answer to question three was yes.

Table 2: Evaluation of the effect of TDR programs on affordable housing strategies.

	Questions	Result	Result Description
1	Would TDR create the potential to compete for monetary resources with the affordable housing strategy?	Yes / No	Yes: Direct interaction No: Go to #2
2	Does the TDR program restrict the implementation of the affordable housing strategy?	Yes / No	Yes: Direct interaction No: Go to #3
3	Is the purpose of the affordable housing strategy enhanced?	Yes / No	Yes: Positive effect No: No effect

There is a wide range in the degree of the effect of TDR programs on affordable housing program strategies. The evaluation questions were chosen because the “yes” or “no” answer captured this wide range. Since TDR programs tend to be incentive-based, the degree of the effect on affordable housing strategies is mostly dependent upon how strongly influenced a developer is to buy development rights versus deciding to utilize an affordable housing strategy. Question 1 aims to capture the issue of whether a developer must choose between participating in a TDR or affordable housing program. Question 2 identifies whether the existence of or participation in a TDR program restricts affordable housing strategies from being implemented or utilized. Question 3 measures whether TDR programs enhance the specific affordable housing strategy.

An outcome of “neutral” was determined if TDR programs had no positive or adverse effect on the strategy. That is, the strategy was neither enhanced by TDR programs nor hindered from implementation or its efficacy diminished. Analysis of the impacts of TDR programs on affordable housing strategies determined that TDR programs had no impact on the strategies listed in Table 3. Utilization of a TDR program would not limit monetary resources available for these strategies, nor would it restrict any regulatory or logistical

component of implementing the strategies. A TDR program, in addition, would not enhance these affordable housing program strategies.

Table 3: Affordable housing strategies not impacted by TDR programs

Land Use Tools Strategies
Building codes
Visitability standards
Permit-ready housing or rehabilitation
Manufactured housing
Green buildings
Great house concept
Single resident occupancy (SRO) units
Transitional housing
Community land trusts
Expiring use of federal subsidies
Rent Control
Fair Housing and Zoning Policies
Incentive Strategies
Affordable housing tax incentives
Financing Strategies
Local dedicated revenue source
Funding for planning and environmental review
Employer assisted housing programs
Silent second mortgages
Rental assistance/home purchase education and assistance
Low income housing tax credits

Building codes – building codes are required and enforced in every project according to the zoning regulations. Developers that incorporate TDR into their project are required to adhere to all building codes.

Visitability standards – TDR programs would not affect this strategy because all homes are subject to compliance with this strategy under the American Disability Act and the Fair Housing Act.

Permit-Ready Housing or Rehabilitation – incorporating TDR into a project does not affect whether or not a developer utilizes pre-approved plans.

Manufactured housing – there would be no effect from TDR programs on this strategy because units built using TDR do not substitute for manufactured housing.

Green Buildings – the cost savings associated with green buildings is realized in market-rate homes, houses provided below market-rate homes, and homes built using TDR.

Great House Concept – because this strategy addresses aesthetic concerns relating to affordable housing, TDR programs do not affect its implementation.

Single resident occupancy units – given the very small area of these units (140-260 square feet) and their intended use for the lowest income categories, TDR programs will typically not be used to construct this type of housing.

Transitional housing– as a public good, there is no market for transitional housing, and therefore no need to use TDR to provide it.

Community land trusts – because non-profit organizations or public land trusts own property that is leased to low-income homeowners, who in turn own the improvement rights on the property, TDR programs would not be used to provide this type of housing.

Expiring use of federal subsidies – as a mechanism to maintain existing levels of affordable housing stock, this strategy is not affected by TDR, which deals with new construction.

Rent Control – as a government-imposed price limit, this strategy is a public intervention in the rental market and its effectiveness is not impacted by the use of TDR programs.

Affordable housing tax incentives – a financial incentive to developers for including affordable units in new developments by providing tax relief. This strategy can be used in conjunction with or independently from TDR.

Fair Housing and Zoning Policies – because TDR is a tool to increase density and has no direct role in the sale of housing, it does not influence this strategy, which is used to prevent discrimination against home buyers pursuant to the Fair Housing Act.

Local dedicated revenue source – TDR cannot influence this strategy because dedicated revenue sources, such as the Housing Tax Levies in Seattle, can only be used by local governments to provide continuous funding for affordable housing.

Housing Trust Fund – Housing trust funds provide a funding source to support locally targeted and managed affordable housing assistance. Fund sources vary by state but are typically provided by local real estate-related fees and a variety of other sources (i.e. non-profits, community groups). Cities and developers benefit from housing trust funds through streamlined permitting processes and low-interest loans to developers of affordable housing projects.

Employer assisted housing programs – TDR has no effect on this strategy because employers’ decisions to provide housing related subsidies to employees are not influenced by increased density.

Silent second mortgages – this is a financial instrument to improve homebuyers’ access to the housing market and can be applied to homes built with or without TDR.

Rental assistance/home purchase education and assistance – because TDR is applied to the supply of housing, it does not affect these demand-side programs that provide education, planning and/or financial assistance to low-middle income renters or potential homeowners.

There are a few ways that TDR programs and affordable housing strategies can interact directly and potentially coexist or compete. Affordable housing strategies may be blocked from implementation or their efficacy may be decreased through competition with TDR programs for the same resources. Conversely, TDR and affordable housing programs can be structured to coexist within the same density bonus or other incentive program. Since TDR programs are often incentive-based, the nature of the effects on affordable housing strategies depends on the choice developers face between using TDR versus affordable housing strategies. Additionally, the presence of a TDR program may directly impact affordable housing strategies by potentially reducing financial resources allocated to the strategy or reducing the regulatory drive to provide affordable housing.

Several affordable housing strategies were determined to directly interact with TDR programs. Using the evaluation questions in Table 2, TDR program strategies that either have potential to compete for resources and/or inhibit the implementation of the affordable housing strategies are listed in Table 4. Those TDR strategies that enhance affordable housing strategies are listed in Table 5.

Table 4: Affordable housing strategies that interact directly with TDR programs

Incentive Strategies
Density bonus
Fee waivers or reductions
Expedited permitting
State Environmental Policy Act exemptions
Categorical Exemptions
Reduced parking requirements
Affordable housing districts
Condo conversions

Table 5: Affordable housing strategies positively affected by TDR programs

Land Use Tools Strategies
Minimum densities within urban growth areas
Zero lot line development
Upzoning
Tax increment financing

All strategies, with the exception of affordable housing districts, are incentives utilized by TDR programs. Since TDR and affordable housing programs often utilize the same incentive strategies, these programs can compete for the same pool of demand. This interaction depends in part of whether the developer is offered a menu of options or if the benefits from a bonus incentive program are allocated to different public programs in fixed percentages. For example, with a menu of incentive strategies, a program could be structured such that a developer would decide in which program to participate based on the program that results in the greatest profits, creating competition for the developer's choice.

Some jurisdictions with both TDR and affordable housing programs have been successful in accomplishing their respective goals by enabling programs to successfully coexist or work together. The following case studies illustrate the pros and cons of various program designs. These examples are presented in summary form. For a more detailed discussion and analysis of these programs, please see Section VI and Appendix A.

TDR and Affordable Housing Program Case Studies

Montgomery County, Maryland

Program Description

Montgomery County has three affordable housing programs:

- Moderately Priced Dwelling Unit (MPDU) program,
- Productivity Housing Program, and
- Work Force Housing Program.

The first of these, the MPDU program, requires that 12.5% of units in all subdivisions of at least 35 units (amended to 20 units in 2004) must be affordable to moderate income citizens as defined by the county. No density bonus is provided for these affordable units. For every additional percentage of affordable units included, however, the county offers a density bonus. A development including 15% affordable units would earn a maximum 22% density bonus for market rate units. Alternative options under this program include the payment of a 25% fee on the cost of land by the developer in lieu of building affordable units. The county can use this fee to pay for affordable housing elsewhere. A second alternative is for developers to adjust current market-rate units to affordable units or relocate developments.⁵⁰

The Productivity Housing Program allows for developments where 35% of the units will be subject to rent or price controls following sale. Following a 10-year period for sale units and a 20-year period for rentals, the controls are lifted incrementally. While this program does not require it, zoning laws allow special exemptions for those developments that are located in commercial or industrial zones.

The Work Force Housing Program focuses on creating housing for middle-income workers, earning up to 120% of the median income, in developments in designated areas served by public transportation. Under this program, 10% of units in any development over 35 units must be affordable to middle-income workers. In return, the developer earns a 10% bonus for market-rate units up to the maximum allowed by zoning.

Program Analysis

Montgomery County's affordable housing programs utilize a combination of mandatory and incentive-based strategies. The mandatory component is not affected by the county's TDR program, but the incentive-based element does compete with the TDR program for density bonus demand from developers. In some ways, however, affordable housing is

⁵⁰ Montgomery County Code, Section 25-5A and 25-5B,
<http://www.amlegal.com/nxt/gateway.dll/?f=templates&fn=default.htm>

augmented through use of TDR density bonuses. The mandatory element is based on the total achieved density of the development. For example by increasing the final density through TDR, the number of required affordable units increases. In a project where maximum TDR bonus density (100%) is applied, a project could double in size from 24 to 48 units, of which the minimum number of affordable units would be 6. Without TDR, the same development could only increase by 22% to 29 units, of which only 3.6 would be affordable.

Palm Beach County, Florida

Program Description

The TDR program in Palm Beach County includes a component that encourages the provision of workforce housing units. Developers have two options for increasing a project's density: 1) the TDR program; and 2) the workforce housing program. If the developer increases density using the TDR program, half of the additional units must be workforce housing. The county supplies the development rights for the workforce units from its TDR bank at a subsidized rate of \$1. Developers pay \$50,000 for each remaining development right to be used for the market-rate bonus units. The county's Workforce Housing Program is voluntary for developments under 10 units. For developments over 10 units, 6% of the units must be workforce housing; for planned unit developments, 20% of the units must be workforce housing; a 30% bonus density is awarded if 50% of the units are workforce housing.

Program Analysis

In Palm Beach County both programs are incentive-based and offer the same incentive: bonus density. A creative way of addressing the potential for competition is the inclusion of a workforce housing requirement in the TDR program. The cost of the workforce housing requirement to the developer is greatly reduced through almost free development rights supplied by the county. While the designs of the two programs would suggest competition exists, the program administrators have observed that the TDR program does not have an adverse effect on the Workforce Housing Program. Experience has shown that developers tend to apply for bonus density through the Workforce Housing Program before using TDR, and that many developers use both.

Seattle, Washington

Program Description

Developers in Seattle have the option of purchasing several different types of development rights to achieve additional commercial floor area. The program emphasizes variable scale of buildings within the city core, and as such both sending and receiving sites must be

located in downtown. Eligible sending sites include open space, affordable housing, and landmarks. By designating affordable housing as eligible sending sites, the program generates revenue to preserve existing affordable housing stock for the long term.

Seattle's downtown incentive zoning system prioritizes housing for low-income households. In most of the downtown zones, 75% of additional commercial floor area must be achieved by either purchasing housing TDR or making a contribution to the City of Seattle to be used to create new affordable housing and childcare facilities. The other 25% of additional commercial floor area must be earned by purchasing open space, landmark, or within-block TDR or by providing on-site public amenities. Through an interlocal agreement with King County, Seattle has accepted open space development rights from rural areas as part of the 25% TDR option (this agreement expired in July 2008 and the city is considering a renewal).

Program Analysis

The 75/25 design of Seattle's downtown incentive zoning options guarantees that every major office and hotel development contributes to preservation and/or creation of affordable housing. Conservation TDR works in tandem with affordable housing goals because housing TDR is part of the 75% housing options and non-housing TDR is a component of the 25% options. The City also has additional program strategies to promote affordable housing. Unlike the TDR and housing bonus, Seattle's other affordable housing strategies focus largely on housing and services for the City's most disadvantaged population, not the work force.

Effects of TDR on Supply and Affordability

As briefly described earlier, the housing market behaves in response to supply and demand. Any factor that changes either supply or demand potentially affects the housing prices. Demand factors include the demographic profile of a region (i.e. age, family characteristics, income, population growth rate, etc.) as well as the descriptive characteristics⁵¹ of housing units.⁵² These factors describe both the physical aspects of the residence itself and characteristics related to the location of the unit. Thus, features such as the number of bedrooms and bathrooms, square footage, design factors such as single or multi-family unit, and lot size interact with the neighborhood density, school district, proximity to employers and surrounding urban or rural amenities to influence value. Taken together, these factors

⁵¹ The price of housing may conversely influence some demographic characteristics, such as population growth and income over time.

⁵² Housing differs from many other goods in that it represents an asset to the owner which can rise or fall in value in addition to providing housing services. The focus in this paper is the valuation of those services, however, expectations and speculation can move house prices quite independently of their fundamental value.

define the consumer willingness to pay for housing ranging from rental apartments to single family homes.⁵³

On the supply side, the primary determinants relate to the cost of constructing new housing units. Broadly, these costs can be categorized as cost of land, including the ‘raw’ land cost and the cost of providing necessary infrastructure and services for that land to support housing, direct construction costs such as labor and materials, and broad transactions costs including financing of construction, permitting, and any direct costs associated with compliance with government regulation. Government compliance costs include items such as purchase of development rights, provision of below-market housing, impact fees, etc. All else being equal, an increase in any of these costs to the developer may result in additional cost that is passed on to the consumer.

The housing market, however, is not monolithic or unified. Factors such as rapid population growth in many Washington communities place upward pressure on prices across the profile of housing types.⁵⁴ Yet when it comes to land use management, any policy that influences the cost or value of building in one area or for one type of housing affects development in other locations or housing types. Thus it is important to consider the regional impact from TDR programs not only on housing cost, but on housing development type and location.

The impact on housing prices resulting from TDR programs is highly dependent on the ability of the TDR program to change the net quantity of the housing stock and, additionally, its effect on the type and location of any new housing. The essential TDR program factors that drive this impact include

1. Receiving area ratios,⁵⁵
2. The supply of housing and delineation of sending and receiving sites, and
3. The type and location of housing developments utilizing TDR.

Receiving Area Ratios

TDR programs assign appropriate ratios to equalize the economic values between the development potential relinquished at the sending site with the development potential gained at the receiving site. Across the United States, TDR programs generally feature receiving area ratios higher than one-to-one. This reflects the fact that an additional unit on a receiving site often has lower economic value than the unit severed from the sending site.

⁵³ The cost of financing represents an additional factor for purchases of owner occupied housing.

⁵⁴ Housing types refers to the different houses available on the market: single family, multi-family, townhomes, apartments, condos, etc.

⁵⁵ See *Transfer of Development Rights (TDR) in Washington State: Overview, Benefits, Challenges*, Cascade Land Conservancy, 2008, and CTED report *Creating a Regional Transfer of Development Rights Program for Puget Sound* for further detail on receiving area ratios.

In addition, adjustment of the allocation of development rights in sending areas and available density bonuses in receiving areas allows TDR program administrators to influence TDR supply and demand.

Housing Supply

In terms of housing supply, the greater the receiving area ratio, the higher the potential increase in total housing stock. Thus developments which increase density via TDR programs with a receiving area ratio greater than one-to-one raise the total housing stock.

Take for example a developer who wishes to double the density on a 1.5 acre site currently zoned for 6 dwelling units per acre. If each development right purchased allows the developer a density bonus of 4.5 units, by purchasing 2 development rights he/she gets to build 9 additional units. If these rights were purchased from a farmer owning one tradable right per development unit at current zoning – who would otherwise have developed at the maximum allowed density – this transaction would generate a net increase of 7 housing units.⁵⁶ Increases in the housing stock, all other factors remaining equal, places downward pressure on housing prices in the region encompassing the sending and receiving sites.⁵⁷

This alone, however, does not guarantee that housing will become more affordable with the implementation of TDR programs when these exchange rates are greater than one-to-one. The impact of the exchange rate on the strength of incentives to engage voluntarily in TDR transactions represents a crucial factor in the actual number of units added to the housing stock. That said, the exchange rate is only one of many factors which influence this volume. Other elements of successful TDR programs include design elements which facilitate transactions such as TDR banks. Only a successful program from the point of view of significant volume of transactions will have this impact. Furthermore, the type of housing developed at the receiving site clearly impacts the degree to which it will impact housing affordability from a policy perspective.⁵⁸

Rather than the traditional TDR program where a development right from a sending site results in additional unit in a receiving area, some TDR programs provide value-added commodities. In DC&E's study for CTED,⁵⁹ they identified other types of—what they call—*conversion commodities* in which a TDR can be used at a receiving site. The identified conversion commodities are illustrated in Table 6. Conversion commodities such as those

⁵⁶ If the farmer were granted more tradable rights than his zoning allows the increase will be lower.

⁵⁷ This example implicitly presumes that the relevant housing units in the sending and receiving site are from the same housing category (i.e. single family homes). The nature of new development will dictate where the impact is strongest.

⁵⁸ Garrett Milam PhD., University of Puget Sound, is conducting an empirical economic analysis on the effect of TDR on housing cost. The study is expected to be concluded in December 2008.

⁵⁹ Please see page 2-51 of [Market Analysis for Regional Transfer of Development Rights in Central Puget Sound](#), dated June 13, 2008, for a more complete discussion of conversion commodities.

in Table 6 may not directly result in an increased supply of housing units. They instead seek to add value through reducing development requirements that present an added cost to developers. The concern with using TDR in this manner is the effect on the supply of housing. Theoretically, the supply of housing in an area is reduced if development rights are removed from sending sites and not relocated to receiving areas, but instead *converted* into reduced parking or flexibility on setbacks. It is likely however, that using TDR for one of the *conversion commodities* will have an indirect effect on increasing the supply of housing. For example, square footage normally dedicated to parking could be replaced by additional units if a developer can use TDR credits to decrease parking requirements. Or, more units may be added in areas where parkland or open space are traditionally required. Jurisdictions must take care in deciding how TDR credits are used in receiving areas and whether the TDR strategy can advance broader housing goals.

Table 6: TDR conversion commodities

TDR Conversion Commodities	Example Jurisdictions
Increased floor area ratio Flexibility on parking requirements Satisfy parkland and open space requirements	Redmond, WA
Additional height / Floor Area Ratio Additional commercial square footage Reduced limits on impervious surfaces Flexibility on setbacks	Issaquah, WA
Increased lot coverage	Miami-Dade County, FL
Impact Fees and Concurrency Conformance	

Housing Location and Type

The last two factors of location and type of housing developed are intertwined. TDR administrators define the location of relevant development by establishing the appropriate location of receiving sites. The demand for housing within these boundaries will largely determine both the volume of additional housing generated and the housing type. In terms of supplying cheaper units, resulting from an increase in the stock of housing, such additions must be located in areas that are naturally more affordable and must be an affordable housing type (i.e. apartments, townhomes, and multifamily units).

Some TDR programs deemed successful from the perspective of generating substantial TDR transactions have primarily served to concentrate suburban and exurban development⁶⁰ of single family homes.⁶¹ A notable example of this can be found in Calvert

⁶⁰ Suburbs represent residential areas surrounding an urban center. Exurbs are farther from the urban center, with fewer economic ties and generally featuring newer, lower density development.

County, MD which features one of the most well-established and active TDR programs in the country. This program was implemented to help arrest the loss of farmland to suburban sprawl in this region just North of Washington, D.C. Unlike many TDR programs, Calvert County places relatively few restrictions on receiving sites, allowing TDR-driven density on rural land as well as in urban and suburban centers. A study of the resulting patterns of development by Kopits, McConnell, and Walls (2005) found evidence that TDR purchases largely involved large, rural subdivisions rather than increases in density in or around existing population centers.⁶² The authors attribute this to combination of demand and cost factors, including the higher cost of raising density in the latter.

While this example may serve to alleviate some of the overall demographic pressure on housing price, it likely has a limited impact directly on housing availability and affordability. Thus, from a perspective of housing affordability policy goals, TDR programs similar in design to the Calvert County example are unlikely to have much effect.

By contrast, in areas where receiving sites are urban in nature and developments facilitated by purchases of development rights provide a mixture of housing types, increases in density will have a greater impact on the volume and price of housing available to those with lower incomes. To the degree that TDR policy successfully generates new development of this nature, both TDR and affordable housing-policy goals are likely to be achieved.

Empirical Study of Transferable Development Rights and Housing Markets in King County, WA.

Due to the countervailing effects of TDR purchase on housing supply factors, the net impact on housing costs is theoretically ambiguous. On the one hand, the direct cost of TDR acquisition raises cost for developing a particular parcel of land for housing purposes, all other things constant. However, purchase of development rights allows an increase in density which increases the number of housing units the developer can build and sell. These forces work in opposite directions in terms of the supply of housing which is the channel through which TDR is likely to influence the market price of housing.

The empirical question of how TDR transactions influence market prices has received little attention. The current study addresses this issue by analyzing a sample of 1,861 homes built and sold in unincorporated King County between 1999 and 2008. Data were collected from the King County case examiner's files for subdivision requests and the King

⁶¹ Berube, Alan, Audrey Singer, Jill H. Wilson, and William H. Frey. *Finding Exurbia: America's Fast-Growing Communities at the Metropolitan Fringe*. Brookings Institution Living Cities Census Series. October 2006.

⁶² Kopits, Elizabeth, Virginia McConnell, and Margaret Walls. *Making Markets for Development Rights Work: What Determines Demand?* Discussion Paper: Resources for the Future (RFF DP 05-45). 2005.

County assessor's office website in July 2008, with data on TDR purchases provided by the King County TDR administrator's office.

The King County TDR program was selected because it represents the largest and most active program in Washington State. It has been identified as one of the most successful programs in the country in terms of acres conserved.

Overview of Empirical Evidence

An analysis of the sale prices of newly built homes reveals that homes built in subdivisions where builders used TDR to increase density featured prices which were significantly lower on average than those built without the use of TDR. This result holds up when controlled for a broad range of housing characteristics likely to influence price. Further, key housing characteristics such as lot size, square footage of living area, and number of bedrooms, while affecting price in the expected direction, show no evidence of systematic difference between the TDR and non-TDR samples.

This result suggests the increased density facilitated by TDR acquisition offered builders a net benefit large enough that it more than offset the direct acquisition cost and resulted in lower sale prices. While this is not the only possible explanation for this result, it is supported by other patterns we see in the data. Namely, development rights are employed almost exclusively in subdivisions on parcels with the most restrictive zoning. These are likely to be the areas where increased density carries the highest value.

Take for example a four-acre plot zoned R-4, allowing 4 dwelling units to be built per acre. In the absence of TDR, assuming the plot is built out to maximum density, the developer can place 16 houses on this plot. This means that the land and other costs not directly tied to individual home construction will be spread across these units and covered by the final sale. If the developer had purchased development rights in order to add another 8 housing units to this plot (making it equivalent to R-6 zoning), the fixed cost per house would fall by 1/3. The empirical evidence suggests that this has a net negative impact on the final sale price of the house.

Summary

The research described above indicates that the sale price of homes in TDR receiving sites is lower on average than homes built without TDR. Preliminary results indicate that the former sell for between eleven to sixteen percent lower prices, on average. While we can not definitively state that use of TDR is the cause of the lower prices, the statistical evidence indicates that there is some element of housing in TDR developments that translates into lower sale prices. Whether the cause stems from the benefit of increased density outweighing the direct TDR cost as suggested above or alternatively if there is some

characteristic of sites where TDR is utilized, the result for potential home buyers is the same.

It must be noted that this analysis applies to TDR receiving sites only. One might argue that removing development rights from sending sites could lead to overall higher home prices in the region. The primary argument against this lies in the rate at which purchased development rights translate into additional housing units in receiving areas. If this receiving area ratio translates into a net positive impact on housing supply, we would not expect housing prices to rise across the region. TDR transfer does relocate housing from sending to receiving areas which does impact the relative supply of housing in each, however this is a question for another study.

In addition, these results may not be broadly transferable to other TDR programs as they reflect only the housing market characteristics in King County and the specific details of the that county's TDR program. However, the forces at work are likely to be similar in other suburban environments facing substantial growth pressure.

VI. Findings on the Interaction Between TDR and Affordable Housing Strategies

The goals of providing affordable housing and achieving resource land conservation through TDR are distinct and valuable public policies. These policy goals and the programs designed to accomplish them are largely different in their nature and in their implementation. It is the commonalities between them, however, that highlights the need for actively managing the interaction of both programs.

Affordable housing programs across the country are frequently designed in such a way that participation has mandatory and voluntary elements. Affordable housing is often perceived as a public good, so laws, such as inclusionary zoning requiring developers to include it in their construction plans, are used (see Appendix A). Sometimes these programs include incentives for the construction of additional affordable units beyond the required amount with the goal of encouraging developers to build more than the legal mandate.

Transfer of development rights programs on the other hand, are by nature voluntary for all participants. The voluntary character of TDR programs means that they must rely on incentives to encourage participation. The incentives that TDR programs offer can vary widely, but the essence of the design is that participation results in added value.

TDR programs and affordable housing programs directly interact when both are designed to use similar incentives in the same jurisdiction. Both affordable housing and TDR are desirable programs for meeting community goals. The key to advancing both goals and allowing programs to successfully coexist lies in program design and the distribution of incentives. An approach to structuring programs to function together should consider the following:

- Identify where incentive programs directly interact and determine the effect on program goals.
- Understand the local housing market in terms of what strategies are effective for each program.
- Design new programs to be compatible and non-competitive. Both programs can be incentive-based, but for different incentives.
- Increase the overall pool of resources to be used for both affordable housing and TDR. In a density bonus system, one way to do this is through raising total height or density limits.
- Establish a set ratio for the distribution of incentive program benefits so that programs are not competing for developer demand for least cost actions in a menu of options

- Establish collaboration among affordable housing and TDR advocates and policy set threshold targets for each program and ensure that over time, across the region both targets are met. To the extent that both are included in a jurisdiction's menu, emphasize the release of additional market rate units through broad stakeholder support.

Incentive overlap

By identifying where incentives interact, understanding market characteristics and which strategies are best suited to local conditions, and incorporating this knowledge into an integrated program design, TDR programs can operate harmoniously with affordable housing programs. The case studies in Appendix A show that both programs can achieve their respective goals while minimizing competition for incentives.

If the incentives are different enough, both programs can advance their goals without overlap. One example of this would be an affordable housing program that gives a density bonus for additional below-market rate units and a TDR program that allows developers to modify parking requirements. Both are incentives, but the bonus gained from one does not affect the bonus gained from the other.

Markets and strategies

Jurisdictions can improve compatibility between affordable housing and TDR programs by understanding the local housing market. A thorough market study will help identify which strategies will be most effective for each program. Knowing what the demands are for different types of housing and real estate will be important to program design.

Program design

Future TDR programs can avoid competition with affordable housing programs through careful design. One way to achieve this would be to incorporate strategies into the TDR program that either have a neutral or positive effect on affordable housing programs. Another would be to incorporate affordable housing strategies that are not adversely affected by TDR when making program updates. With an understanding of which incentive programs compete and the characteristics of the local housing market, jurisdictions can craft new programs or modify existing ones in a way that overcomes competition.

Resource expansion

While it is important to consider compatibility with affordable housing strategies while designing conservation TDR programs, policymakers should also look beyond these interactions to explore ways to expand resources for both programs. A brief inventory of approaches that would either increase demand for incentives or decrease developer costs for participation includes:

- Connecting infrastructure and amenity funding to urban density increases,
- Increasing building height limits in targeted urban zones,
- Adapting regulations to reduce time and cost associated with participation in affordable housing and conservation TDR programs, such as
 - Upfront SEPA review
 - Planning and Environmental Review Fund (PERF)⁶³
 - Changing parking requirements
 - Simplification of permitting process
 - Fast-track permit reviews

⁶³ The PERF was established in the state of Washington as a CTED grant program in RCW 36.70A.490 and 500 in 1995. The fund was established as the result of recommendations from the Regulatory Reform Task Force. PERF funding was provided for up front environmental review of plan policies and development regulations to ensure more certainty of environmental review at the project level. The State appropriated \$3 million for the 1995-1997 biennium to fund a number of projects were funded. Funding has not been appropriated to PERF since then. For more information about the benefits of up front environmental review, please see the study commissioned by CTED, [*SEPA and the Promise of the GMA: Reducing the Cost of Development*](#), 2003.

VII. Conclusion

Transfer of development rights programs are typically voluntary land use planning tools that can be adapted to suit the specific conditions of local housing markets. Affordable housing strategies seek to increase the availability of housing to lower income segments of the population through a range of approaches. Both programs advance policy goals that serve the public good, and both can use similar incentive mechanisms.

Conservation transfer of development rights programs interact directly with affordable housing programs in some instances. Many strategies employed by both programs are not competitive. In situations where there is potential for competition, policy makers can use a range of approaches for ensuring that TDR and affordable housing programs coexist and effectively advance both public policy goals. An analysis of a broad selection of program strategies shows that the majority of affordable housing strategies are not adversely affected by the approaches used in TDR programs. Some are even enhanced through combination with TDR strategies. These findings are illustrated in a series of case studies examining jurisdictions using both affordable housing and TDR programs concurrently.

A qualitative economic analysis shows that TDR programs improve housing affordability when they increase supply of a certain category of housing and spread construction costs across more units. The benefits of these improvements are best realized in housing types that are moderately priced and to which extra density is easily added. This finding is also consistent with the recommendation of the Washington State Chapter of the American Planning Association to increase the range of housing choices. The strength of demand for housing influences how TDR programs are designed and used. Overall, with thought given to affordable housing during design, TDR programs can function effectively in tandem with affordable housing programs, and in some cases, can be used as a tool to increase housing affordability.

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APPENDIX A – TDR and Affordable Housing Case Studies

Palm Beach County, Florida

Program Description

Palm Beach County's TDR program exists to preserve environmentally sensitive areas and agricultural lands, as well as to create workforce-affordable housing.⁶⁴ The program was also created with the purpose of introducing development incentives that would help reduce overall housing costs for consumers.⁶⁵ The county grants developers the right to bonus density without having to proceed through the land use amendment process.

TDR and the Workforce Housing Program (WHP), the County's affordable housing program, are the only ways that a developer can achieve additional density above that allowed by zoning without applying for a Future Land Use Atlas amendment. The County strongly encourages developers to utilize the TDR and WHP programs, forcing those who do use the land use amendment process to prove that the current use designation is inappropriate.⁶⁶

Eligible sending areas include: rural sites (zoned at 1 dwelling unit per 20 acres), agricultural lands, environmentally sensitive areas, lands designated as priority acquisition sites by the Conservation Land Acquisition selection Committee (CLASC), and others as designated by the Board of County Commissioners.

Transfer rates from sending areas are as follow:

Sending Area Classification	TDR credits are assigned as follows:
Rural Residential lands	1 du/5 acres
Agricultural Reserve lands	1 du/1 acre
Conservation lands	1 du/10 acres
CLASC-designated lands (outside Urban Service Area)	1 du/5 acres
CLASC-designated lands (within Urban Service Area) (if transferring less than the maximum available units)	Current PDD Land Use Designation + 15% transfer bonus above the maximum PDD density
CLASC-designated lands (within Urban Service Area) (if transferring all available units)	Current PDD Land Use Designation + 25% transfer bonus above maximum PDD density

⁶⁴ Palm Beach County Comprehensive Plan Future Land Use Element, Ordinance 2007-26, 27, 34 & 35

⁶⁵ Future Land Use Atlas Amendment Final Report. TDR Program Revisions. August 27, 2007.

⁶⁶ Palm Beach County Comprehensive Plan Future Land Use Element, Ordinance 2007-26, 27, 34 & 35

Designation of receiving areas is focused on steering growth away from the western edge of the county and back toward the more densely developed region along the eastern, coastal edge. Receiving area density is determined by a tiered system based on geography. Rural and Agricultural tiers are sending areas, and Urban/Suburban tiers are receiving areas.

Transfer rates to receiving areas are as follows:

Receiving Area Classification	Bonus Density is assigned as follows:
Inside Urban/Suburban tier, west of Florida Turnpike	Up to 2 du/acre bonus density
Inside Urban/Suburban tier, but not in the Revitalization and Redevelopment Overlay	Up to 3 du/acre bonus density
Inside the Revitalization and Redevelopment Overlay	Up to 4 du/acre bonus density
In the Urban/Suburban tier in the Glades area, but not in a Revitalization/Redevelopment Overlay	Up to 3 du/acre bonus density
In the Urban/Suburban tier in the Glades area and in a Revitalization/Redevelopment Overlay	Up to 4 du/acre bonus density

Within the Urban/Suburban tier, receiving areas that are within ¼ mile of parks, community commercial facilities and mass transit centers are granted an additional 1 du/acre of density.

Palm Beach County utilizes a TDR bank to facilitate transactions between landowners and developers. Transactions may occur either through the TDR bank or directly between the property owner and the developer. The county appoints the Director of Planning, Zoning and Development as the dedicated manager of the TDR Bank as well as of transactions and filings of easements. Revenue generated by the bank is contributed to the Natural Areas Fund, which is used to acquire and manage ecologically valuable areas and wetlands.

Development right prices are \$50,000 per development right. Developers who provide public amenities and adhere to design standards are eligible to apply for free development rights from the county.

Fifty percent of TDR bonus units constructed in receiving sites must be provided as affordable workforce housing. The development rights for these affordable units are granted to the developer at no cost. These workforce housing units must be constructed on

site, and are eligible to apply for a limited range of the incentives available to other Workforce Housing Program (WHP) projects. These incentives include expedited review and Traffic Performance Standards exemptions. The remaining fifty percent of the TDR bonus units must be purchased by the developer at a price of \$50,000 each.

Dwelling units constructed as part of the WHP are subject to affordability limitations to ensure that they remain achievable residences to a range of households. Twenty-five percent of WHP units in a given development must be affordable to low-income households (60-80% AMI); twenty-five percent must be affordable to lower-moderate income households (80-100% AMI); twenty-five percent must be affordable to upper-moderate income households (100-120% AMI), and twenty-five percent must be affordable to middle-income households (120-150% AMI). In projects where the WHP units are not divisible by four, priority is given to middle income, proceeding downward to low income. Higher numbers of low-income units are permitted.⁶⁷

Palm Beach County requires that all development projects with at least ten units provide a minimum of 6% affordable units. Projects built as Planned Unit Developments must build 20% of the new units as workforce housing. Planned Unit Developments receive bonus density through the WHP. The WHP allows developers to build workforce housing units onsite or pay to develop them elsewhere.

The WHP provides additional density bonuses above that are achieved by building a project as a PUD. Developers who provide an additional 40% workforce housing units (above the percentage already required) are granted a density bonus that varies by geographical zoning tier. In low-density areas, this bonus will be 30%; in high-density urban areas, the bonus is up to 100%. This bonus density is meant to assist the developer in covering the costs of providing workforce housing. High-density area workforce housing projects must go through a review process in order to be granted bonus density; the County strives to distribute workforce housing equitably throughout the area, so bonus density granted will vary according to the existing availability of workforce housing in the area.

Workforce housing units in the County are bound by a 30-year deed restriction that they remain affordable. If a unit is sold to a new owner during those thirty years, a new 30-year deed restriction must be signed. In this way, many workforce housing units are preserved nearly in perpetuity.

Both the TDR and WHP programs in Palm Beach County are currently underused. The slowdown in the real estate market that has affected the nation has left Palm Beach developers unwilling to pursue density bonuses through the two programs, as the area has a

⁶⁷ Palm Beach County Unified Land Development Code, Supplement No. 5, Article 5

housing surplus. Developers have little incentive to engage in new construction when housing prices are so low.⁶⁸

Identification of Interactions

TDR Strategies: Developers in Palm Beach County who utilize the TDR program enjoy incentives in the form of *increased density*. Furthermore, they receive free affordable housing units from the County at a rate of 1 unit per every 2 TDRs purchased.

Affordable Housing Strategies: Palm Beach County Developers are encouraged to participate in the WHP program through *density bonuses, expedited permitting, traffic performance standards mitigation, and density bonus development options*.

Conflict: The Palm Beach County WHP and TDR programs compete for the same resources in some respects. A developer may achieve bonus density through the purchase of a development right, or by building a higher percentage of affordable units in participation with the WHP.

Palm Beach County Program Manager Findings

Palm Beach County Planning Division Senior Planners Erin Fitzhugh and Michael Howe expressed the opinion that the WHP suffers no negative impacts from the TDR program. Fitzhugh commented that the Palm Beach County WHP and TDR programs are, by their nature, in some degree of conflict; she believes that the County sells fewer development rights as a result of the WHP. Both planners, however, stated that the WHP experiences a neutral to positive effect from the TDR program.

The WHP was established in 2006, just as the real estate market in Palm Beach County began a severe downturn. As a result, it is difficult to assess the interaction of the WHP and the TDR program because demand for new development has been so low. Fitzhugh's estimation is that the TDR program's impact on the WHP is often positive because developers are able to receive free development rights in exchange for providing workforce housing. Therefore, it is unlikely that workforce housing will be hindered by the TDR program. Fitzhugh and Howe both said that even now, most developers who are interested in bonus density utilize WHP first, then TDR, and that many use both.

⁶⁸ Reid, Andy. "No Affordable Housing Built 2 Years After Palm Beach County's New Rules." *South Florida Sun-Sentinel*. May 11, 2008.

The opinion of the TDR and WHP program managers in Palm Beach County is that TDR has no negative impact on the WHP. Developers, they said, are not faced with a choice between the two options, but rather with the opportunity to utilize both.

Cascade Land Conservancy Program Analysis

The Palm Beach County TDR program conflicts with the WHP in theory because developers get to choose which program to use to gain their bonus density. However, since the design of the TDR program advances the goals of the WHP program, while simultaneously conserving land, the two programs accomplish their respective goals.

Both the WHP and the TDR program base their success on a developer's choice to gain bonus density through the respective programs. As the county program managers expressed, both programs utilized by developers eager to achieve maximum density. Both program managers emphasized that developers usually implement the WHP density bonus before pursuing TDR. These conclusions, however, are based on 13 density bonus applications since the inception of the WHP in December, 2006.

Cascade Land Conservancy Conclusions

Palm Beach County's TDR and WHP programs are in policy conflict due to the fact that they both offer developers bonus density incentives. The language of the programs, however, is written to ensure that both bonus density programs further the goals of the WHP. In practice, the TDR program serves to create workforce housing, just as it preserves agricultural, rural and environmentally sensitive sending-area land. The Palm Beach County TDR and WHP programs provide a good model for a jurisdiction seeking to implement a TDR program whose impact on affordable housing goals is in many respects, positive.

Montgomery County, Maryland

Program Description

Montgomery County's TDR program is one of the oldest and most successful in the nation.⁶⁹ Created in 1980, the program has protected 51,489 acres of agricultural and rural land.⁷⁰ The county started the program by establishing an 89,000 acre sending area, the Rural Density Transfer Zone (RDT). This agricultural region was downzoned from 1:5

⁶⁹ Cohen, James R. *An Analysis of Social Equity Issues in the Montgomery County (MD) Transfer of Development Rights Program*. September 3, 2002.

⁷⁰ Montgomery County Farmland Preservation Program Annual Report. FY1980 – FY2007. Department of Economic Development Agricultural Services Division.

(dwelling units per acre) to 1:25, but landowners were given the option of selling their development rights at the 1:5 zoning rate. In this way, owners of sending site land received strong incentives to participate in the TDR program from the start. Because of this rezoning, Montgomery County's TDR program has been called a "mandatory" program, as participation in it is the only way for landowners to realize the full value of their property.⁷¹

Developers in receiving areas are granted bonus density in exchange for purchasing development rights. Developers who wish to increase the density of their projects may do so only through TDR and/or affordable housing bonus density, through the Moderately Priced Dwelling Unit (MPDU) program described below.⁷² The amount of bonus density achieved through TDR depends on the specifications of the master plan for the particular receiving area and approval of the planning commission. Density bonuses achievable through TDR are often as high as 50% or 100%. In some cases, restrictions such as topography, environmental regulations, zoning setbacks and master plan limitations may prevent a developer from realizing the full bonus density achievable on a project. The county designates new receiving areas as needed.⁷³

Montgomery County's MPDU program was instituted in 1974. Since then, over 12,000 units of affordable housing have been created. The goal was to produce housing affordable to people working in the county, providing units both for rent and purchase. MPDUs are defined as units priced to be affordable by households earning 65% of the county's average median income. The program requires that all new development projects of 20 or more units contain at least 12.5% affordable units.⁷⁴ In addition, another 10% of the non-MPDU units in transit station and central business district zones must be provided as work force housing (WFH) units and be affordable to households earning between 80 and 120 percent of the area median income (AMI).⁷⁵

The expense to the developer of creating affordable units above the mandatory minimum is mitigated by density bonuses. A developer who includes up to 15% MPDUs in a development may achieve an additional 22% above base density by zone. The MPDU requirement falls between 12.5% and 15% based on the bonus density achieved, as constrained by the physical layout of the site.

Frequently, developers find themselves using both TDR and MPDU bonuses; they purchase TDR credits to increase the site density and then apply the MPDU requirement

⁷¹ American Farmland Trust. *Montgomery County, Maryland TDR Program*.

⁷² American Farmland Trust. *Montgomery County, Maryland TDR Program*.

⁷³ Pruetz, Rick. *Beyond Givings and Takings: Saving Natural Areas, Farmland, and Historic Landmarks with Transfer of Development Rights and Density Transfer Charges*. AICP. Arje Press, 2003.

⁷⁴ Montgomery County Affordable Housing Taskforce March 2008 Recommendations. Montgomery County Department of Housing and Community Affairs.

⁷⁵ Montgomery County Affordable Housing Taskforce March 2008 Recommendations. Montgomery County Department of Housing and Community Affairs.

for affordable housing, resulting in additional density. In certain areas, utilizing both programs is the only way for a project to reach maximum possible density.

The program provides funding for future affordable housing production by allowing the Housing Opportunities Commission (HOC) to share the revenue when MPDUs are first sold at market price after expiration of 30-year price controls (or 99 years in the case of rental units).⁷⁶

Identification of Interactions

TDR Strategies: Developers who purchase TDR credits in Montgomery County are awarded density bonus incentives.

Affordable Housing Strategies: Montgomery County encourages developers to create moderately-priced dwelling units through density bonus incentives; the program also contains a mandatory component that requires all developers of projects at least 20 units to include affordable housing.

Conflict: The Montgomery County TDR and MPDU program both utilize density bonus incentives to further their respective policy goals. In this respect, the two programs are in conflict, as there is a limited amount of developer demand for bonus density.

Montgomery County Program Manager Findings

John Zawitoski of the Montgomery County Economic Development Agricultural Division and Sharon Suarez of the Maryland-National Capital Parks and Planning Commission shared their expertise on the TDR and MPDU programs and the interaction between the two. As is true across the country, the real estate market has slowed in Montgomery County, resulting in a decreased demand for bonus density. This slowdown is aggravated by the shift in market conditions that has made low-density development more lucrative to build than high-density projects. In spite of these difficulties, Montgomery County's TDR and MPDU programs remain active.

Zawitoski expressed the belief that the TDR and MPDU programs are in conflict because they both utilize bonus density incentives. He offered a suggestion which echoed a recommendation from the Montgomery County Farmland Preservation Program FY2007 Annual Report; that the County should allow commercial projects to purchase development rights. Currently only residential projects may utilize the TDR density bonus program. Zawitoski expressed that commercial TDR purchases would not compete with the MPDU

⁷⁶ *Lessons Learned: Community & Economic Development Case Studies*. Montgomery County Moderately Priced Dwelling Unit (MPDU) Program. Federal Reserve Bank of Chicago. June 25, 2003.

incentive program, and therefore would accomplish the TDR program's sending-area preservation goals with decreased pressure on affordable housing goals. He further suggested that the county look into mandating that developers build a percentage of TDR bonus density as affordable housing. Such a provision would be similar to both the Seattle and Palm Beach County policies.

Suarez offered a counterpoint to Zawitoski's assessment, stating that the MPDU and TDR programs are not in competition. She emphasized the County's mandatory requirement that 12.5 percent of all development must be built as MPDUs. This minimum percentage applies to a project's total achieved density; so a project with TDR bonus density must build more MPDUs than would the same project without bonus density.⁷⁷

Suarez did note that developers will tend to purchase TDR credits if they are available, since TDRs offer the ability to achieve 100% density increases or higher because the MPDU bonus may apply to both residential and commercial elements of mixed-use residential projects, which are typical in commercial business districts and metro station areas. She believes that this fact represents a neutral impact of the TDR program on affordable housing for the reason mentioned above: 12.5% of the total density or FAR will be built as MPDUs regardless, so the higher density achieved via TDR actually benefits affordable housing goals. Furthermore, developers may choose to increase bonus density over 12.5 percent, and can obtain up to 22 percent beyond TDR density of FAR by adding more affordable units. For these reasons, Suarez expressed that the TDR and MPDU programs are only in competition to the extent that competition exists among all public policy initiatives. She concluded that the TDR program has a neutral and often positive effect on the MPDU program.

Cascade Land Conservancy Program Analysis

Montgomery County allows developers to achieve bonus density outside the land use amendment process through the TDR and MPDU programs. Demand for bonus density is limited and the two programs compete for it. The county's mandatory minimum standards for moderately-priced units mitigate the negative impact that this competition has on affordable housing. In this way, the county is able to achieve its affordable housing goals in spite of competition from the TDR program. Montgomery County TDR and MPDU program managers are satisfied with the interaction of their programs that have both been implemented successfully for several decades.

⁷⁷ The new Transit Oriented Mixed-Use Zone (TOMX) (MC Zoning Ordinance, Section 59-C-13.2) allows increases in the FAR, based on the increase in the number of MPDUs.

It is certainly possible for developers to pursue both TDR and MPDU bonus density. Program managers report that even in the current stagnant real estate market, many applicants seeking bonus density achieve density from both programs. Although some developers might find it economically beneficial to pursue TDR bonus density instead of MPDU bonus density, no matter which program is used to gain density, a greater number of MPD units are being built. Therefore, the two programs are working in concert to accomplish dual goals.

Cascade Land Conservancy Conclusions

The Montgomery County TDR and affordable housing programs do not necessarily work in competition with one another. The MPDU density bonus is calculated after the TDR density is calculated, resulting in more MPDUs than using just one program to achieve additional density.

Seattle, Washington

Program Description

Seattle's Transfer of Development Rights program was created in 1985 as a tool to preserve affordable housing, designated landmark structures, and to promote varied development scale on individual blocks.⁷⁸ The city sought to tie commercial development to the preservation of housing and historic structures, aiming to create a downtown that was livable and vibrant. Toward that goal, Seattle's land use regulations today work to protect a variety of structures and areas that make the City a desirable place to live.

Developers in Seattle have the option of purchasing development rights from a variety of sources in order to achieve bonus floor area. Sending sites include public open spaces, affordable housing structures and designated landmarks and landmark housing structures. The program addresses growth within the city core; sending and receiving sites both must be located in a downtown zone. Sending sites are periodically reviewed to ensure they reflect current City priorities.

The affordable housing TDR option is intended to preserve existing affordable housing structures. Existing structures that meet affordability criteria may serve as sending sites if developers commit to maintain the buildings as livable, low-income housing for at least 50 years from the time of the transfer. Similarly, but not part of the TDR program, developers have the option of either building new affordable housing or contributing to the city's housing fund, which is used to establish new affordable housing in the downtown area.

⁷⁸ *Seattle's Transferable Development Rights (TDR) and Housing Bonus Programs*. Seattle Office of Housing.

Within-block (variable scale) TDR transactions are encouraged between structures that are located on the same downtown block. Any building may serve as a sending site for development rights to a receiving site within the same city block in the downtown area. The goal of this provision is to encourage development diversity on individual downtown blocks by using TDR as an incentive to retain existing smaller scale structures as redevelopment occurs on a block.

Development rights from all sources may be acquired as a purchase between the owner of an eligible sending lot and a prospective buyer seeking to increase the floor area on a development lot, or, in the case of affordable housing TDR, they may be purchased and sold through the Seattle TDR bank. The bank serves to even out the cycles of the real estate market, allowing developers and property owners to buy and sell when it is advantageous for them to do so. Purchasers and sellers of development rights also have the option of negotiating sales directly.

Seattle places restrictions on how additional floor area is achieved. In downtown zones, the Land Use Code establishes a base limit, or base FAR that determines the amount of commercial floor area permitted on a site without participating in the incentive program. Developers who desire additional FAR above that allowed by zoning must achieve the majority of that through the bonus system. The bonus system allocates the amount of floor area that can be gained by providing different types of amenities. The first increment of bonus FAR must be acquired through a commitment to achieve a LEED Silver rating for the new development. FAR beyond that point must be acquired at a ratio of 75% affordable housing and childcare to 25% landmark, open space, within-block, and/or amenity bonuses. One-fifth of the 25% portion must be gained through landmark TDR if it is available in the Seattle TDR bank.⁷⁹

The City of Seattle had an interlocal agreement with King County that allows development rights to be sold from open-space, forest and farmland properties into the city. This Transfer of Development Credits (TDC) program allowed developers of downtown residential high-rises to purchase rural development credits from certified properties in King County and to contribute to public amenities in the downtown receiving area to gain additional floor area above the mapped height limits in certain downtown zones. This agreement expired in July 2008 and the city is considering a renewal.

Other Affordable Housing Incentive Program Options in Seattle

Multifamily Tax Exemption Program – Developers may receive a property tax exemption on the residential portion of a development for up to 12 years in exchange for providing a

⁷⁹ *Seattle's Transferable Development Rights (TDR) and Housing Bonus Programs*. Seattle Office of Housing.

percentage of affordable units in the development. Multifamily rental and homeownership projects of at least four units in designated areas are eligible for this program.

Downtown Commercial Bonus Program (part of the 75% portion) – Office and hotel projects that contribute to affordable housing and childcare for lower-wage workers are eligible for additional density. Developers may choose to build the housing and childcare or pay into a city fund.

Downtown Residential Bonus Program – Residential developments in downtown are allowed bonus floor area and height if developers construct affordable units in or adjacent to the project, or pay into an affordable housing fund.⁸⁰

Housing Tax Levies – Provide continuous funding for affordable housing.

Identification of Interactions

TDR Strategies: Owners of lots with public open space in eligible downtown zones in Seattle can transfer unused development rights to commercial development projects needing additional floor area.

Affordable Housing Incentive Strategies: Seattle encourages developers to create and preserve affordable housing through the following incentive strategies: height and density bonuses, affordable housing property tax incentives and lower parking ratios.

Potential Conflict: Downtown Seattle office and hotel developers can achieve additional density through both TDR and affordable housing incentives (“bonuses”) but the requirement that the first 75% of additional floor area be achieved through housing-related options (housing TDR or Commercial Bonus) and the other 25% be achieved through non-housing options results in no direct conflict between them.

City of Seattle Program Manager Findings

Dennis Meier, Seattle’s Department of Planning and Development Senior Planner, and Laura Hewitt Walker, with the Office of Housing, shared their expertise on Seattle’s TDR and affordable housing programs. Meier and Hewitt Walker both stated that there is no conflict between open-space TDR and affordable housing policies in the city. Both program managers recognized that a competition once existed between a variety of bonus and TDR options and affordable housing prior to the changes to the bonus density requirements in 2001. These changes instituted the 75/25% split between the use of

⁸⁰ Seattle’s 2005-2008 Consolidated Plan. Appendix I. *Public Policies Affecting Affordable Housing*.

affordable housing options and non-housing options, like open-space (or other) TDR to gain additional bonus floor area above the base FAR.

A proposed ordinance would require any developer seeking to take advantage of an upzone to use bonus incentives. This policy would benefit both open space TDR and affordable housing.

Meier and Hewitt Walker concluded that because every square foot of bonus floor area is split so that a developer must achieve 75% of additional density by providing or contributing financially to affordable units and the remaining 25% is allocated to the other non-housing options, including open space bonuses and TDR, there is no conflict between to affordable housing and open space TDR. They expressed that the two sources for bonus density would not compete with each other because of this mandated distribution.

Cascade Land Conservancy Program Analysis

The City of Seattle's commercial incentive program and TDR policies protect the goal of creating and preserving affordable dwelling units in the downtown core. Under the current incentives system, the mandated 75/25 split between categories of options for achieving additional commercial floor area ensures that as long as developers pursue additional density, there will be new affordable housing. There is never direct competition between housing and non-housing goals, such as open space, because office and hotel developers do not have the option of achieving 100% of their additional floor area through just housing-related options. Non-housing amenities or TDR are a part of every commercial project. However, housing bonus is the only available option for developers of residential high-rises seeking additional height.

Cascade Land Conservancy Conclusions

While density bonuses are structured to heavily favor affordable housing, developers have a choice among other options to achieve 25% of their additional floor area. The evidence shows that the production of affordable housing is not threatened.

APPENDIX B – Public and Private Affordable Housing Programs and Organizations in Puget Sound

A Regional Coalition for Housing (ARCH)

Programs

- Directly assist below-market rate housing
 - Award loans and grants to developments that provide below-market rate housing. Since 1993, the ARCH *Housing Trust Fund* has funded over 1,800 units of Eastside housing for families, seniors, and persons with special needs.
 - Make surplus public land available for housing
 - Waive impact and permit fees
- Develop housing policies and regulations
 - Develop policies and strategies in Land Use and Housing Elements of Comprehensive Plans
 - Create neighborhood plans such as Overlake in Redmond and North Rose Hill in Kirkland
 - Develop regulations to permit accessory dwelling units (mother-in-law apartments) and senior housing
 - Provide density bonuses for developments that include below-market rate housing
- Implement and administer housing programs
 - Prepare and monitor contracts for funded projects so affordability is maintained and, if applicable, loan payments are made
 - Negotiate provisions for below-market rate housing in market rate developments
 - Assist people looking for below-market ownership and rental housing.
 - Oversee resales of below-market ownership homes
 - Track local housing production annually

Reports

- Housing 101 East King County (October 2007)

Affordable Housing Advisory Board (WA State)

Strategies

- Provide state and local govt. with adequate general tax revenues to provide for these infrastructure costs, so that housing and business doesn't pass this cost off to the buyer when selling newly developed housing.

- Local govt. should continue to simplify zoning and building standards so that the density required to prevent urban sprawl, and fulfill workforce housing needs can be met.
- State govt. needs to make a substantial commitment to permanently funding supportive housing for people with mental, developmental and physical disabilities.
- Increase state investment in the Housing Trust Fund to \$100M in the 2005-2007 biennium, and to \$120M in the 2007-2009 biennium.
- The Legislature and the Insurance Commissioner should continue to take positive actions to reduce insurance costs to builder and operators of affordable housing.
- Farm worker housing should continue to be a high priority, with a special focus on on-farm housing for laborers and their families.
- The state should continue to encourage local governments to affirmatively support the installation of manufactured homes.
- We should continue to encourage construction of energy-efficient and sustainably-built housing to improve the affordability of housing stock for low-income households through energy efficiency programs.
- Support Section 8 Housing Choice Voucher Program by encouraging elected officials to actively pursuer this in Congress.

Reports

- Housing Advisory Plan 2005-2010 (November 2004)
- The Task Force's Report to the Affordable Housing Advisory Board (October 2006, AHAB Growth Management/Housing Task Force)

City of Seattle Department of Planning and Development

Reports

- Seattle's Comprehensive Plan (January 2005)
- Housing Levy Impact - 2006 Report of Accomplishments (May 2007)
- Ten Year Plan: A Roof Over Every Bed

Enterprise Community Partners

Housing Development Consortium of Seattle/King County

Reports

- Future of the Field

Housing Resources Board (Bainbridge Island)

Housing Resources Group (Seattle)

Impact Capital - (Nationwide)

Reports

- Annual Report 2006

King County Government

Programs

- Community Development Block Grant (CDBG)

- Housing Finance Program (including HOF, HOME, and CDBG funds)
- Homeless Housing Program
 - Emergency Shelter
 - Transitional Housing and Services
 - Permanent Supportive Housing for the Disabled Homeless: The Shelter Plus Care Program
 - Permanent Affordable Housing
 - The King County Committee to End Homelessness
- Affordable Housing Incentive Programs for Developers
 - Credit Enhancement
 - Density Bonus Program for Affordable Housing
 - School and Road Impact Fee Waivers
 - Surplus Property for Affordable Housing
- Rehabilitation of Rental Properties

Reports

- King County Consortium Annual Action Plan:
One Year Use of Federal Housing and Community Development Funds
- King County Benchmarks – Affordable Housing (December 2006)

King County Housing Authority

Low Income Housing Institute

Reports

- Monthly Newsletter: Housing Washington

Master Builders Association (MBA of King and Snohomish Counties, MBA of Pierce County)

National Equity Fund

Pierce County Housing Affordability Task Force

Strategies

- Planned Development Districts to create mixed income areas within the Urban Growth Area
- Inclusionary Zoning – voluntary and required
- Incentives to assist developers create affordable housing (for below 80% AMI) including: density bonuses, fee waivers, reduced zoning requirements, and expedited permitting.
- Encourage development of single room occupancy housing
- Encourage development of transitional housing
- Create new local dedicated revenue source for populations below 80%AMI
- Provide property tax relief for commitment to build and maintain affordable housing

Reports

- Housing Affordability – Final Report and Recommendations from the Pierce County Housing Affordability Task Force (March 2007)

Plymouth Housing Group (Seattle)

Puget Sound Regional Council

Reports

- Prosperity Partnership September 2007

Seattle Housing Authority

Programs

- Low-Income Public Housing
- Housing Choice Voucher Program (Section 8)
- Seattle Senior Housing
- Impact Property Management Units
- Mixed-Income Housing

Reports

- SHA Strategic Plan 2005-2010

Seattle Human Services Department

Reports

- Consolidated Housing and Community Development Plan

City of Seattle - Office of Housing

Programs

- 10 Yr Plan to End Homelessness Rental Preservation and Development
- Homeowner Assistance
 - Habitat for Humanity
 - HomeSight
 - Homestead Community Land Trust ADVANTAGE program
 - HomeTown Home Loans from HomeStreet Bank
 - Hope for Home from Urban League and International District Housing Alliance
 - House Key Plus Seattle
 - Parkview Services Homebuyer Program
 - Seattle Teacher Homebuyer Program from Evergreen Home Loans
- Downtown Incentive Zoning
- Transfer of Development Rights
- Multifamily Tax Exemption
- Advocacy at County and State Level

Reports

- Seattle Homes Within Reach Program Report (June 2007)
- Housing Levy Impact: 2007 Report of Accomplishments (Feb. 2008)

Seattle Planning Commission

Reports

- Seattle's Housing Choices (July 2003)

- Incentive Zoning in Seattle: Enhancing Livability and Housing Affordability (February 2007)
- Affordable Housing Action Agenda Report (February 2008)

**The Office of Housing, Homelessness and Community Development (OHHCD),
Snohomish County Government)**

Tacoma/Pierce County Affordable Housing Consortium

The Housing Authority of Snohomish County

The Housing Partnership (Seattle/WA State)

Reports

- The Ins and the Outs – A Policy Guide to Inclusionary and Bonus Housing Programs in Washington (August 2007)

Washington Low Income Housing Alliance

Strategies

- Grow the Housing Trust Fund to \$200 Million This Biennium
- Provide A Sales Tax Exemption for low income housing construction
- Prioritize Housing Affordability in state infrastructure funding
- Incentives to preserve manufactured housing communities

Washington Realtors

Washington State Housing and Finance Committee

Reports

- Close to Home – WSHFC 2007 Annual Report

Programs

- Homeownership
- Non-Profit Facilities Bonds
- Non-profit and Multifamily Housing Bonds
- Land Acquisition Program
- Low Income Housing Tax Credit

Washington Housing Authorities

- Anacortes Housing Authority
- Housing Authority of Asotin County
- Bellingham/Whatcom County Housing Authority
- Bremerton Housing Authority
- Housing Authority of Chelan County & the City of Wenatchee
- Clallam County Housing Authority
- Columbia Gorge Housing Authority
- Everett Housing Authority
- Housing Authority of Grant County
- Housing Authority of Grays Harbor County
- Housing Authorities Risk Retention Pool

- Housing Authority of Island County
- Housing Authority of Jefferson County
- Housing Authority of the City of Kalama
- Kelso Housing Authority
- Housing Authority City of Kennewick
- King County Housing Authority
- Kitsap County Consolidated Housing Authority
- Housing Authority of Kittitas County
- Longview Housing Authority
- Mason County Housing Authority
- Okanogan County Housing Authority
- Housing Authority of Oroville
- Othello Housing Authority
- Joint Pacific County Housing
- Housing Authority of the City of Pasco and Franklin County
- Pierce County Housing Authority
- Renton Housing Authority
- Republic/Ferry County Joint Housing Authority
- Richland Housing Authority
- Seattle Housing Authority
- Housing Authority of Skagit County
- Snohomish County Housing Authority
- Northeast Washington Housing Solutions
- Housing Authority of Sunnyside, Washington
- Tacoma Housing Authority
- Housing Authority of Thurston County
- Vancouver Housing Authority
- Walla Walla Housing Authority
- Housing Authority of the City of Yakima