



# **Fitchburg TDR/PDR ANALYSIS**

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# What is TDR?

- It is similar to the purchase of a conservation easement.
- The landowner selling development rights receives a payment.
- The payment comes from developers who must purchase development rights to build within the urban service area.

# Fitchburg Landowners



Exclusive Agriculture

Urban Service Area

# TDR Addresses Inequities



Exclusive Agriculture landowner

Urban Service Area landowner

# MARKET ELEMENTS OF SUCCESSFUL TDR

- TDR is market driven, which failed TDR programs have ignored.
- A market perspective means looking at both buyer and seller constraints.
  - Buyers must realize an increased return on investment.
  - Seller must see a way to profit by a sale.

# BUYERS

- Not all land is equivalent.
  - 15 zoning districts.
  - PUDs.
  - Site conditions.
  - Location.
- Use alters value of development.
- Location alters value of land.

# SELLERS

- Land has different values.
  - Site conditions.
  - Agricultural operations.
  - Location.
- Landowners have different values.
  - Desire to farm.
  - Concern about succession.
  - Pride in heritage.
  - May want to sell.

# What is TDR?

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# ANALYSIS OF CITY SYSTEM

- City program is subjective and ill informed.
- Insistence on area system means:
  - Forced attempt to find a value while ignoring elements that create value.
  - Arbitrary \$2 million value no real help.
- Sellers have widely varied interests.
  - Personal circumstances.
  - Political outlook.
  - Land differences.

# VALUE METHODS - RURAL

- Cap-Rate Derived
- Rent basis
- Value to Farm
- Recent Experience

# RURAL VALUE RANGE

Method	Basis	Value per Acre
Value to Farm	Interviews	\$6,000
Cap-Rate	\$300/ac rent commodity	\$17,000
Rent Basis	Rent as percent of value	\$18,000
Experience	Recent sales	\$12-30,000

# VALUE TO DEVELOPER

- Usual calculus: To what extent will the value of end product be increased?
  - Value of building or use (75%).
  - Value of land (25%).
- Tolerable: Non value exactions from 1 to 3% of total construction cost.
  - 4 to 12% of land value.
  - TDR and park exactions come from this pool of discretionary dollars.

# CITY SYSTEM IS RATIO BASED

- Ratio of Sending to Receiving Zone Acres
- Price determinants:
  - Range of landowner expectations for TDR.
  - Developers' willingness to spend.
- What construction value enables developers to afford TDRs at the price landholders expect? It varies with the ratio.

$$\frac{\text{Sending Acres}}{\text{Receiving Acres}} \times \frac{\text{Expected TDR Price}}{\text{Acre}} \times \text{Tolerable Percent} = \frac{\text{Total Required Construction Value}}{\text{Acre}}$$

# CITY SYSTEM

**Table 2**  
**City Proposed TDR Sending and Receiving Area Analysis**

TDR price range per acre	Required Supporting Construction Values					
	Percent Construction Costs					
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
\$ 6,000	\$ 3,922,674	\$ 1,961,337	\$ 1,307,558	\$ 980,669	\$ 784,535	\$ 653,779
\$12,000	\$ 7,845,349	\$ 3,922,674	\$ 2,615,116	\$ 1,961,337	\$ 1,569,070	\$ 1,307,558
\$18,000	\$ 11,768,023	\$ 5,884,012	\$ 3,922,674	\$ 2,942,006	\$ 2,353,605	\$ 1,961,337
\$ 24,000	\$ 15,690,698	\$ 7,845,349	\$ 5,230,233	\$ 3,922,674	\$ 3,138,140	\$ 2,615,116
<b>Assumptions</b>						
Sending Area	8996 acres - Less Residential land under 5 acres - AX or AT					
Receiving Area	2752 acres - Neighborhoods 2-8					
Ratio	3.269					

Receiving Uplands including land donated for recreation.

# CITY SYSTEM

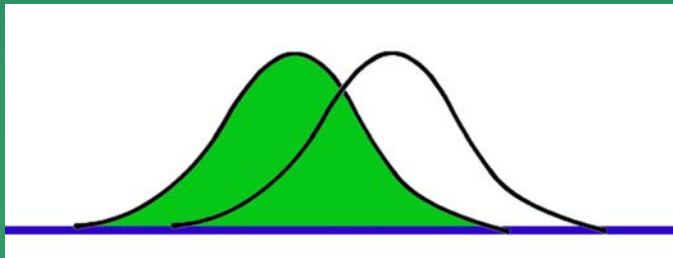
**Table 3**  
**City Proposed TDR Sending and Receiving Area Analysis - less recreation donation**

TDR price range per acre	Required Supporting Construction Values					
	Percent Construction Costs					
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
\$ 6,000	\$ 5,227,832	\$ 2,613,916	\$1,742,611	\$1,306,958	\$1,045,566	\$ 871,305
\$12,000	\$10,455,665	\$ 5,227,832	\$3,485,222	\$2,613,916	\$2,091,133	\$1,742,611
\$18,000	\$15,683,497	\$ 7,841,748	\$5,227,832	\$3,920,874	\$3,136,699	\$2,613,916
\$24,000	\$20,911,329	\$10,455,665	\$6,970,443	\$5,227,832	\$4,182,266	\$3,485,222
<b>Assumptions</b>						
Sending Area	8,996 acres	Less Residential land under 5 acres - AX or AT				
Receiving Area	2,065 acres	Neighborhoods 2-8 less Recreation				
Ratio	4.357					

Upland minus land donated for recreation.

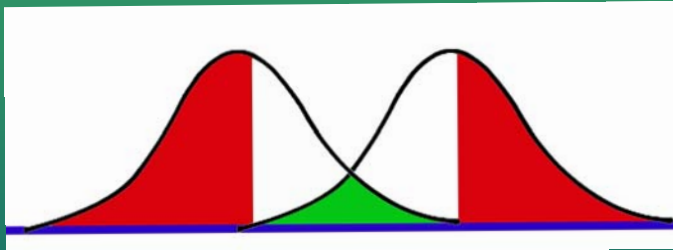
# PERFORMANCE OF CITY SYSTEM

## Ideal system



100% of sellers could find buyers.

## City system with 3.2 and 4.3 Ratios



Only 16 to 25% of sellers might find buyers.



# FEASIBLE TDR

**Table 1**  
**Equal Sending and Receiving Area Analysis**

TDR price range per acre	Required Supporting Construction Values					
	Percent Construction Costs					
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
\$ 6,000	\$ 1,200,000	\$ 600,000	\$ 400,000	\$ 300,000	\$ 240,000	\$ 200,000
\$12,000	\$ 2,400,000	\$1,200,000	\$ 800,000	\$ 600,000	\$ 480,000	\$ 400,000
\$18,000	\$ 3,600,000	\$1,800,000	\$1,200,000	\$ 900,000	\$ 720,000	\$ 600,000
\$24,000	\$ 4,800,000	\$2,400,000	\$1,600,000	\$1,200,000	\$ 960,000	\$ 800,000
<b>Assumptions</b>						
Sending Area	1,000 acres					
Receiving Area	1,000 acres					
Ratio	1.000					

A 1 to 1 ratio provides 83 percent sales potential.

# CONCLUSION

- The City TDR system will not work as intended.
  - The ratio system fails to take advantage the market potential of TDR.
  - TDR is very demanding; witness the many failed programs.
- PDR is better suited for Fitchburg.
  - Purchases are negotiated, not mandated.
  - Developers can still participate.
- Too many objectives limits effectiveness.

# TOO MANY OBJECTIVES

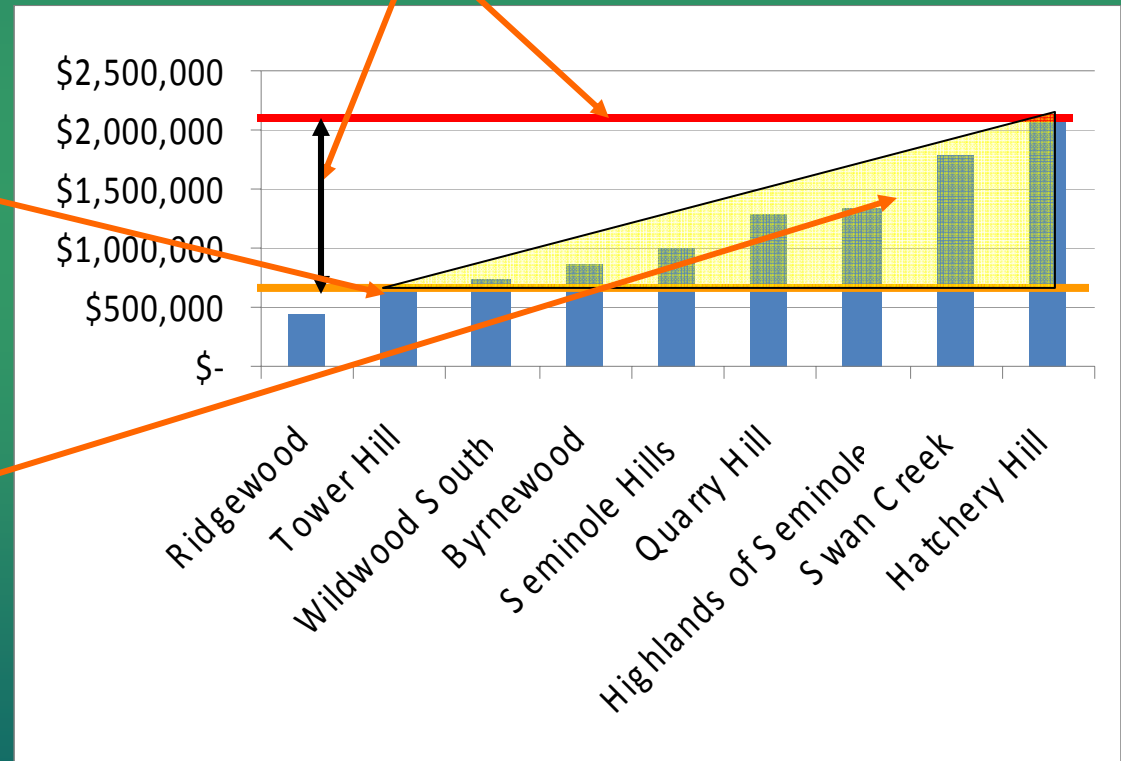
- Use ratio-based system because of pushing developers to higher density.
  - This is a zoning issue.
  - More direct zoning solution – minimum intensity.
  - Too much reliance on planned developments.
- Encourage infill and redevelopment.
  - Zoning to provide incentive.
  - Economic incentives such as TIFs.

# SETTING VALUE

High value rules out much development.

Lower value includes most development.

Ratio fixes low value, excluding much purchase potential.



# OPTIONS

- PDR with developer exaction fee.
  - Exaction is a per acre fee.
- PDR with non-contiguous TDR.
  - TDR supplements the exaction.
- Mandatory TDR backed with PDR.
  - This would be a value based system.
- For all options.
  - Development bank needed.
  - Bonds would need to provide 2/3rds of the cost.

# DEVELOPMENT BANK

- Bank smoothes the process.
- Eliminates negotiation delays.
  - Very small number of sellers.
  - Small developers mismatched.
  - Fewer sellers than buyers
- Protects sellers in distress.
- Creates reserve capacity for desirable projects

# DEVELOPER CONTRIBUTIONS

- Impact fees use is limited in Wisconsin.
- The various other city concerns indicate it should be treated as an exaction.
- Recreation and rural land compete for the same pool of dollars.
- On this latter point the City must set priorities.

# VALUE AFTER SALE

- Landowner retains split potential.
- Any development base on split should be clustered.
- The point system needs to be eliminated, or revised to evaluate location on the farm.
- Without that, a internal TDR for AX district is needed.



# RECOMMENDATION

## ADOPT PDR PROGRAM

1. Reduce park donation.
2. Eliminate point system in AX.
3. Allow splits under conservation easement.
4. Use exaction regulation to get developer participation.
5. Need for bond referendum.

# TDR OPTION

## IF TDR IS DESIRED:

1. Must be market and zoning driven.
2. Supplemented by PDR.
3. Recommendations 1,2,3,and 5 for PDR followed.

# Questions



# DECISION

## GENERAL ISSUES

1. Reduce park donation.
2. Eliminate point system in AX.
3. Allow splits under conservation easement.

## OPTION CHOICE

1. PDR with exaction fee.
2. TDR with zoning base.