



Solimar Research Group

**Revised Proposal and Scope of Work to the
County of Santa Barbara**

***RE: Development and Implementation of TDR
Program***

July 20, 2006

**William Fulton
Darren Greve**

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1. Introduction

Santa Barbara County approached Solimar Research Group to provide a follow-up study to Solimar's previously submitted Transferable Development Rights (TDR) report for the Santa Barbara Ranch Project in March of 2006. The request for additional study is the result of informal discussions with representatives of both County and City of Santa Barbara staff and elected officials, the Santa Barbara Ranch applicant, and the Naples Coalition ("Working Group").

TDR policy has significant potential in the Santa Barbara region due to a strong real estate market, a strong developer demand for increased density in an environment of high land prices, and a community with a history of land preservation. This new analysis will focus on the development and implementation of a TDR program that is county-wide, non-site specific, yet directly applicable to the potential transfer of development rights tied to the Santa Barbara Ranch project.

Policy-driven TDR programs that are not site-specific are successful and do indeed exist. In such programs sending and receiving *areas* (not parcels) are defined by a set of specific criteria which allow sites to come forward on their own based on market forces. For example, and to be specific to the case here, a criteria-driven TDR approach could allow development right transfers from parcels on the Gaviota Coast that meet threshold public view-shed and environmental criteria. These development rights could then be bought and held in a TDR Bank and exercised on parcels adjacent to or within the urban growth areas of the South Coast that are being considered for re-zone in various jurisdictions. In contrast, a site-specific TDR approach would require all development transfers from Gaviota to be targeted to parcel(s) "X."

Many successful county-wide TDR programs exist across the nation with this criteria-driven structure. Particularly, the programs in King County, WA and Boulder County, CO are relevant. King County's program is especially pertinent because of its robust inter-jurisdictional component, non-site specific approach, and the \$1.5 million county-funded TDR Bank. The program identifies sending and receiving areas based on a set of specific criteria for areas in which development is encouraged (receiving areas) and areas in which development is discouraged (sending areas). In addition, the program has seen a significant amount of development transferred from rural agricultural and forest lands into downtown Seattle's Denny Triangle as well as transfers into the City of Issaquah. Since 1999, nearly 92,000 acres have been permanently preserved through King County's TDR program – nearly twice the land of any other TDR program in the United States.

Similarly, Boulder's inter-jurisdictional TDR program allows transfers from sending areas in the County to receiving areas in or near the City of Boulder and seven other incorporated communities. The inter-jurisdictional program has produced 15 transfers between cities and the County preserving 4,700 acres at average TDR prices of \$50,000. Boulder's program is implemented through an inter-governmental agreement between the City of Boulder and Boulder County, which was adopted in 1995. Since then, seven other cities have entered the agreement.

In short, a successful TDR program in Santa Barbara County, for which Naples development transfers/extinguishment could easily be inserted, should consist of three key components:

1. TDR Ordinance¹ with defined goals and objectives as well as guidelines that articulate:
 - a. Where development should be transferred or extinguished based on specific public policy objectives (e.g., habitat preservation, resource conservation, etc.)²
 - b. How development could be transferred or extinguished without being parcel specific³
 - c. Method for determining value at both the sending and receiving sites
 - d. Zoning language that establishes "by right" TDR density increases in the receiving areas
 - e. Method for determining the **transfer ratio**⁴ between sending and receiving areas
 - f. Method outlining deed restriction on sending property upon development transfers or extinguishment
 - g. Guidelines that define the operating parameters of a TDR Bank
 - h. Designates the entity which is authorized to manage and regulate the TDR Bank.

2. Inter-jurisdictional agreement, in template form, which:
 - a. Serves as the mechanism by which interested jurisdictions can insert themselves into a County-wide TDR process
 - b. Describes the method by which RHNA numbers are re-distributed with an inter-jurisdictional development transfer
 - c. Establishes priorities for transfer and extinguishment of development credits (with Naples identified as the most immediate priority).

3. TDR Bank with administrative policies and procedures that:
 - a. Serve as the vehicle for buying, selling and holding density credits
 - b. Identifies the various means for capitalizing and sustaining the Bank to help maintain market equilibrium

¹ Our initial thinking is that the County would act as the regulating agency; however, this is subject to change depending upon further direction derived from the Working Group.

² Determined at the individual jurisdiction level.

³ Ibid.

⁴ Transfer ratios are used to equalize differing land values between sending and receiving sites; and to provide both sending-area landowners and receiving-area developers sufficient financial incentive to participate in the program.

- c. Articulate regulatory guidelines for acquisition and sales of development rights

2. Scope of Work

Solimar's March 2006 TDR study identified sending and receiving sites specific only to the Santa Barbara Ranch Project. Developing in detail the County-wide TDR framework described above and moving to facilitate TDR policy implementation would require *some* additional assessment. By initially defining and deciding upon a detailed TDR Program framework, the TDR Ordinance – the ultimate goal of this process, can be easily drafted. In total, the process would encompass five distinct tasks:

1. Develop draft detailed TDR Program framework encompassing:
 - a. County-wide development right transfers/extinguishments
 - b. Non-site specific sending / receiving area TDR framework that provides:
 - i. sending/receiving site criteria
 - ii. development right / density bonus valuation and transfer ratios
 - iii. operating structure of TDR Bank
 - iv. inter-jurisdictional agreement template
 - c. A kick-off meeting (Meeting #1) with the Working Group will proceed with Task 1 to orient the desired direction of the TDR Program and establish development transfer/extinguishment priorities
2. Refine draft TDR framework and address policy issues and program alternatives with the Working Group. It is assumed the County will continue with the existing Working Group (consisting of a mix stakeholder interests) or reconfigure this advisory body to meet with Solimar 2 additional times beyond the initial orienting meeting. The purpose and milestones for each meeting are:
 - a. Meeting #1 (see Task 1.c. above)
 - b. Meeting #2
 - i. Discuss and propose changes / revisions to the draft sending / receiving site criteria, valuation methodology, and transfer ratios outlined in Task 1
 - ii. Make suggestions as to the Bank Regulator and draft Bank guidelines
 - iii. Discuss the results of preliminary research into potential funding sources / investors for capitalizing the TDR Bank
 - iv. Assign tasks to certain working group members to investigate TDR Bank funding

- v. Refine program objectives specific to Naples⁵
 - c. Meeting #3
 - i. Decide upon the preferred model TDR framework
 - ii. Identify the Bank regulator and decide upon Bank guidelines
 - iii. Identify viable funding sources/investors for capitalizing the TDR Bank
 - iv. Decide upon inter-jurisdictional agreement transfer template
 - d. (Optional Task, at County Direction). Following Meeting #3 and a revised TDR framework language, Solimar agrees to meet once with the County Planning Commission to further discuss the framework and the potential TDR ordinance.
3. Develop *Draft* TDR Program Ordinance⁶ consisting of:
- a. Sending / receiving area guidelines
 - b. Zoning language that establishes “by right” TDR density increases in the receiving areas
 - c. Sending / receiving area transfer ratio calculations
 - d. Inter-jurisdictional Agreement
 - e. TDR Bank Operating Structure
4. Presentations of TDR Framework and Ordinance to elected officials
- a. One to the County Board of Supervisors
 - b. One to the Santa Barbara City Council
5. Provide additional consultation and advisory role services

⁵ Unless otherwise directed, it is understood that extinguishment/transfer of development potential at Naples is motivating force for the County-wide TDR Program and first priority for available funds.

⁶ At the County’s direction, the *Draft* TDR Ordinance will be submitted for formal consideration and recommendation by the County Planning Commission prior to presentation to the County Board.

3. Deliverables

Deliverable Task 1:

Solimar will provide a preliminary draft report to the Working Group outlining a suggested framework for a County-wide TDR program. This preliminary report will address County-wide sending / receiving site criteria, development right valuation methodology to determine transfer ratios, and TDR bank regulatory guidelines and its potential capitalization. The report will be used as the draft framework for the working group to consider and revise under the deliverable in Task 2.

Deliverable(s) Task 2:

Solimar will hold 2 additional meetings with the Working Group to discuss and revise the draft TDR framework. Beyond these 2 additional meetings Solimar will be paid on a time and materials basis.

After Meeting #2 Solimar will provide a follow-up memo to the Working Group addressing the points discussed and suggested revisions to the draft TDR framework. Prior to the third meeting, Solimar will circulate to the Working Group a revised draft TDR Program framework for basis of meeting discussions.

Following the third meeting, Solimar will again provide a memo to the Working Group outlining the meeting discussion. Solimar will also provide a summary report (hard copy and electronic versions) that will act as the decided upon TDR framework to serve as the basis for drafting the TDR ordinance. This report will be the distillation of Solimar's analysis and the outcomes from the Working Group meetings; it will include specific language regarding a TDR Bank, its capitalization, sending/receiving area criteria, transfer ratio calculations, inter-jurisdictional agreements, and an assessment of the Program's use by private and public market players. Solimar agrees to make 10 hard copies of such report available with any further hard copy requests made available by the County at its discretion.

Deliverable Task 3:

Solimar will draft a TDR Ordinance for the County based on the report mentioned above. In so doing we will also provide a brief work program for County staff outlining very specific steps for TDR Program implementation. Solimar will make 10 hard copies of the draft ordinance available.

Deliverable Task 4: Solimar agrees to make up to 2 public presentations of the report findings and *draft* TDR Ordinance – one to the County Board and another to the Santa Barbara City Council. Beyond this Solimar will be paid on a time and materials basis.

Deliverable Task 5: On a time and material basis, Solimar agrees to offer further consultation and advisory role services. This could manifest itself as additional Working Group meetings, presentations to other jurisdictions, or public workshops.

4. Time Line of Services

The Time Line outlined below lays out an ambitious schedule structured around the goals of the MOU time frame. It assumes authorization and start date of August 1st with project completion prior to December 20th and presentations to the County Board in January – the time the Board is tentatively scheduled to commence hearings for the Santa Barbara Ranch Project. Any delay beyond an August 1st start date subsequently pushes the final deliverable date back accordingly.

Task 1. Develop TDR Program Framework	August 1 – September 30
Orienting Meeting #1	August 7
Deliverable Due	September 29
Task 2. Address Policy Issues and Program Alternatives	October 1 – November 21
Meeting #2	October 4
Revised draft report due	November 1
Meeting #3	November 7
Final summary report due	November 21
Task 3. Draft TDR Ordinance	November 21 – December 20
Task 4. Present TDR Framework and Draft Ordinance	January 5 – January 30
Task 5. Provide consultation and advisory role services	January 30 – TBD

5. Project Overview Budget

Task 1. TDR Program Framework	\$ 19,000
Task 2. Address Policy Issues and Program Alternatives	\$ 15,000
Task 3. Draft TDR Ordinance	\$ 10,000
Task 4. Present TDR Framework and Draft Ordinance	\$ 1,000
Task 5. Provide additional consultation and advisory role services	TBD
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Total	\$ 45,000

6. Detailed Project Budget / Staff Hours

To Be Provided Upon Request.

Thank you,



Bill Fulton
President
Solimar Research Group
805 643 7700 x 105

Darren Greve
Project Manager
Solimar Research Group
805 643 7700 x 106