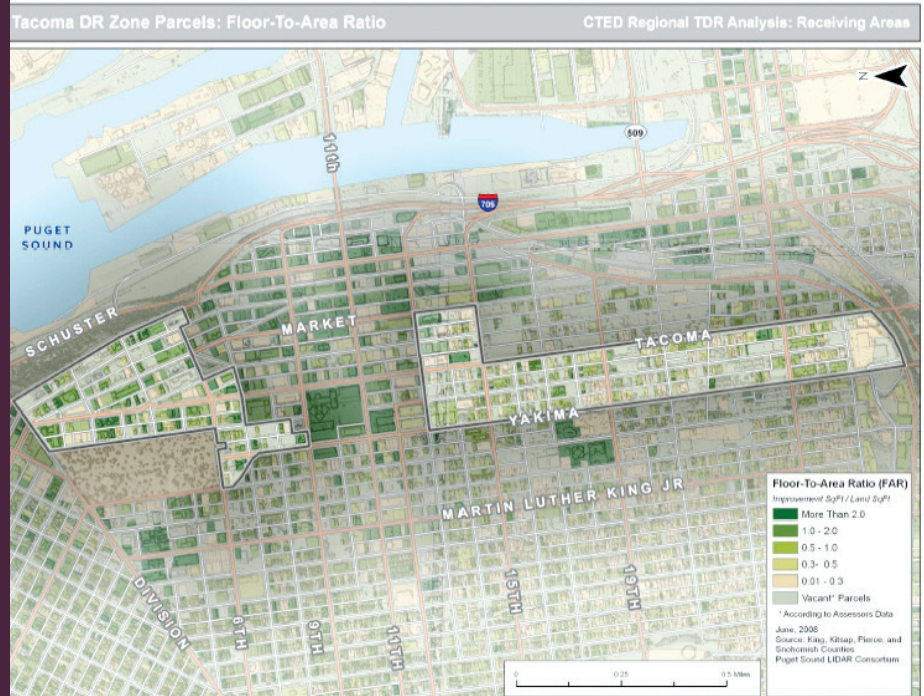


2013 APA WASHINGTON AWARD SUBMITTAL (SUSTAINABILITY, IMPLEMENTATION)



# Tacoma Transfer of Development Rights Program Market Study





May 30, 2013

APA/PAW Awards Committee  
Washington APA Office  
603 Stewart St., Suite 610  
Seattle, WA 98101

Subject: 2013 Joint Planning Awards Nomination

Award Evaluation Committee

Please accept this nomination for a 2013 American Planning Association/Planning Association of Washington award. The Transfer of Development Rights (TDR) Program Market Study and accompanying TDR ordinance for the City of Tacoma deserves recognition through a sustainability planning award. The study culminated in successful implementation and interlocal agreements that will preserve open space for generations.

Tacoma's TDR program is unique in many ways. Never before has a transfer of development rights program included the variety of in-city sending areas and outlying county areas in its scope for conservation. It includes innovative strategies to preserve habitat corridors and historic landmarks within the city, but also identifies vulnerable farmland in the Puyallup Valley for a pilot program. Furthermore, the TDR program presents the following two new innovations that have a wide degree of transferability to other jurisdictions seeking tools to become more sustainable while improving the quality of life for local residents.

- The TDR program was integrated into Tacoma's incentive zoning system without zoning amendments that increase permitted height or density.
- The TDR program's dichotomous design allows the program to function independently within the city, and also cooperatively within the regional TDR alliance.


Overall, this project and resulting TDR program successfully implement the Growth Management Act by shifting development potential into Washington's third-largest city. TDR reduces GHG emissions through efficient development patterns and fairly compensates landowners who voluntarily choose to participate. The attached nomination packet describes the Tacoma TDR Program Market Study and accompanying ordinance in greater detail.

This submittal provides the requested information as outlined in the Call for Nominations. The following pages include responses to submission requirements and review criteria. There are also four letters of support included at the end of this packet. A check for the submission fee was also included with this submittal.

Thank you for your serious consideration in this matter.

Sincerely,

**THE PLANNING CENTER | DC&E**

  
Aaron Engstrom, AICP  
Associate



## CONTACT INFORMATION OF NOMINATOR

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Santa Ana, CA 92707  
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Phone: 714.966.9220 | Fax: 714.966.9221

## LIST OF NOMINEES

City of Tacoma  
Pierce County  
King County  
The Planning Center|DC&E Team

## CATEGORIES OF SUBMISSION

Sustainability (Primary)  
Implementation (Secondary)

## SUMMARY OF PROJECT

The Transfer of Development Rights (TDR) Program Market Study was completed for the City of Tacoma in partnership with King and Pierce counties and the Planning Center|DC&E consulting team between March 1st, 2011, and September 18, 2012. TDR will stimulate growth in Tacoma's Mixed Use Centers while preserving open space.

## WHY THIS PROJECT IS UNIQUE

Washington has more TDR programs than any other state in the country. It will also have the largest TDR program when the Puget Sound Regional TDR Alliance begins transferring TDRs across 38 cities and King, Pierce, and Snohomish counties. This program will be an effective planning tool for sustainability, GHG reductions, and GMA implementation. The Washington Chapter of the American Planning Association (APA) and Planning Association of Washington (PAW) should recognize the City of Tacoma King and Pierce counties' extensive efforts to include one of Washington's largest cities in the Regional TDR Alliance through an APA/PAW award for Sustainability.

Consistent with GMA objectives, Tacoma's TDR program is designed to permanently conserve TDR sending areas, which can be described as three types:

- Agriculture and forest lands in Pierce, King, and Snohomish counties
- Air-rights from landmark sites in Tacoma’s Mixed-Use Centers and Downtown
- Habitat corridors located inside Tacoma

No other TDR program in the country has as broad a scope for conservation as Tacoma. The program is one of only a few that is designed for functionality both as a city-based program and an interjurisdictional program.

By design, Tacoma’s TDR program encourages development in receiving areas by allowing developers to increase profit on development projects through economies of scale associated with higher density. The TDR program will be another strong economic catalyst to promote development that is parlayed with an incentive zoning menu and relaxed parking standards recently implemented in the Downtown.

## DESCRIPTION OF TO WHAT EXTENT PROJECT HAS BEEN SUCCESSFULLY IMPLEMENTED AND THE EXTENT OF PRIVATE OR PUBLIC INVOLVEMENT

The TDR Program Market Study and accompanying ordinance was successfully implemented in 2012, and as a result, new projects in designated Mixed-Use Centers and Downtown may submit TDRs in exchange for additional density. Today, TDRs can be obtained from county areas. The city is also proceeding with allocation of in-city TDRs.

The Tacoma City Council Economic Development Committee served as a technical and policy committee during the course of the market study. Having recently orchestrated an extensive update of the zoning code for the Mixed-Use Centers and Downtown, the committee proceeded with TDR carefully to ensure that integrating TDRs into the code would not diminish these previous achievements nor constrain new projects. While some zoning modifications are inevitably necessary to implement TDRs, the TDR program was designed to require minimal coding and to work within existing height limits in the following ways:

- Floor area in the Downtown Core zone built between 6.0 FAR and up to 12.0 FAR is reserved exclusively for TDR bonuses.
- Floor area in Downtown Residential zones built over 4.0 FAR and up to 6.0 FAR is reserved exclusively for TDR bonuses.
- Floor area in Downtown Mixed-Use and Warehouse/Residential zones built over 5.0 FAR and up to 7.0 FAR is reserved exclusively for TDR bonuses.

The results of the analysis, including economic modeling, zoning capacity, and TDR transfer ratios, were presented to the committee showing significant overall potential for conservation and development through TDRs consistent with Tacoma’s policies and GMA regulations. Another meeting presented

the recommended program framework, accompanying TDR ordinance, and interlocal agreement resolutions. The committee approved the ordinance and resolutions and then the city council unanimously adopted three legislative items in September 2012 that successfully implemented the TDR program in Tacoma. These items are listed below:

- Ordinance No. 28087 – TDR Administrative Code that implements TDR program and procedures.
- Resolution No. 38536 – TDR Interlocal Agreement with Pierce County allowing TDR transactions to occur between jurisdictions.
- Resolution No. 38539 – Washington Administrative Code provisions allowing TDR transactions from King and Snohomish Counties to the city.

The City is currently instituting additional zoning amendments to implement the TDR program in the South Downtown Subarea plan.

## PROJECT DESCRIPTION

The TDR Program Market Study and resulting ordinance is yet another example of the City of Tacoma taking concrete steps to encourage redevelopment and infill to accommodate sustainable growth. The TDR program is designed to stimulate growth in designated Mixed-Use Centers while providing a new tool to preserve open space and historic resources.

This project brings Washington's third-largest city and second largest metro area into the Puget Sound Regional TDR Alliance and also creates a TDR program that can work by itself. This project was funded through an Environmental Protection Agency grant for \$109,000, and the city included a \$20,000 match as well as in-kind contributions.

The program is fairly expansive in scope and institutes the following interesting features:

- Five types of sending areas are identified for conservation: Puyallup Valley farmland, Pierce County Forest Land, resource lands in King and Snohomish counties, Tacoma's designated habitat corridors, and landmarks in Tacoma.
- One TDR is allocated for permanently forgoing the right to the following increments of development potential: 1 residential unit, or 8,000 square feet of nonresidential floor area in habitat corridors; or 600 square feet of landmark floor area in the Downtown, or 1,200 square feet of landmark floor area in areas outside the Downtown.
- Bonus floor area in the Mixed-Use Centers and Downtown receiving areas is permitted in the following increments: 3,750 bonus square feet for each Pierce County TDR, 10,000 square feet for each King County TDR, 15,000

square feet for each Tacoma Habitat Corridor TDR, and 10,000 square feet for each Tacoma Landmark TDR.

- Alternatively to purchasing TDRs, a developer can pay \$2.00 per square foot of bonus floor area, to be deposited into the City’s Open Space Fund for TDRs.
- Historic landmark sites in the mixed-use centers and downtown are excluded from being sending areas.

## DESCRIPTION OF HOW SUBMITTAL DEMONSTRATES COMPLIANCE WITH THE REVIEW CRITERIA

The TDR Program Market Study and resulting ordinance demonstrates compliance with the review criteria in the following ways:

- **Outstanding application of planning principles.** Tacoma’s TDR program encompasses the “three E’s” of sustainability through the following provisions:
  - Economics: TDR is a market-based program that compensates landowners for any forgone development potential and permits developers to build additional product to meet market demand.
  - Equity: TDR voluntarily compensates sending area landowners, and it can be designed to integrate affordable housing as TDR receiving areas.
  - Environment: TDR permanently conserves resource lands that are at risk of being developed. This TDR program includes farmland in the fertile Puyallup Valley (shown in Figure 1) for a potential pilot program.
- **Implementation of community values.** Tacoma’s TDR program exhibits a number of interesting features that integrate community values. Primarily, the plan is consistent with Tacoma’s Comprehensive Plan policies on land use and conservation. Secondly, the TDR program can function exclusively within the city to provide open space for residents and preserve historic sites. One of the TDR program’s focus areas is conservation of habitat corridors (shown in Figure 2) that support biodiversity and provide recreational uses and trails. The TDR program also preserves designated landmarks and historic buildings in two ways—first through the sale of developable air rights that reduce the speculative value of the site, and second by forbidding landmarks and historic buildings from becoming TDR receiving sites that can be redeveloped with density bonuses. The historic sites in Tacoma are shown in the map in Figure 3.
- **Contribution to specific planning technologies.** Tacoma’s TDR program includes three innovative planning technologies:
  - The interjurisdictional agreement is a tool used with increasing frequency to implement the GMA, promote interagency cooperation, and foster regional sustainability.



- The market study also incorporates an innovative financial modeling technique that applies pro forma residual land value analysis to all mixed-use centers and Downtown to estimate total development revenues and costs under buildout conditions.
- Analysis of the innovative Landscape Conservation and Local Infrastructure Program (LCLIP), which would allow the City to use tax increment financing for infrastructure improvements in exchange for accepting county TDRs. The LCIP process is illustrated in Figure 4.
- **Furtherance of GMA.** Tacoma’s TDR program provides another tool to manage growth under the GMA. The TDR program is woven into regulations and programs that direct growth into designated Mixed-Use Centers and permanently conserve outlying farm and forest lands. Consistent with GMA principles, the TDR program relies on infill and mixed-use development in one of Washington’s largest urban centers.
- **Suitability of the solution to the problem or context.** Tacoma’s TDR program is designed to provide a solution to curb sprawl within the context of the densities already allowed under zoning. Many TDR programs require upzoning that can trigger environmental review, traffic analysis, and revised buildout estimates. Tacoma’s TDR program carves a niche in the existing zoning that allows the City to retain its regional growth targets, make only minor amendments to its existing zoning code, and retain current density maximums.
- **Innovative and/or creative solution or project, and demonstration of applicability to other projects.** An innovative solution for Tacoma’s TDR program was required to include TDR into the city’s incentive zoning menu. Incentive zoning menus are typically designed to provide infrastructure and amenities that serve the project and its surrounding neighborhood, but TDR programs conserve land that may not be near the project, so the question arose as to why would a developer include TDRs rather than other amenities that directly benefit the project? The creative solution was pricing the TDRs competitively with the other options, and including an in-lieu fee that simplifies the transaction for developers.

Tacoma’s incentive zoning menu has an option for open space or historic preservation that allows a density bonus in exchange for a fee equal to 0.5 percent of the total building value dedicated to the city’s open space fund. Using economic pro forma modeling results, this value was calculated to be, on average, approximately \$2.35 per square foot of floor area (with structured parking). To provide additional incentive to purchase TDRs, the TDR price was set lower at \$2.00 per square foot of bonus floor area, and this amount was identified as the TDR cash in-lieu fee amount. The in-lieu fee option will make

it easier for developers to comply with TDRs for bonus density through a fee, rather than incurring the opportunity cost of securing TDRs themselves.

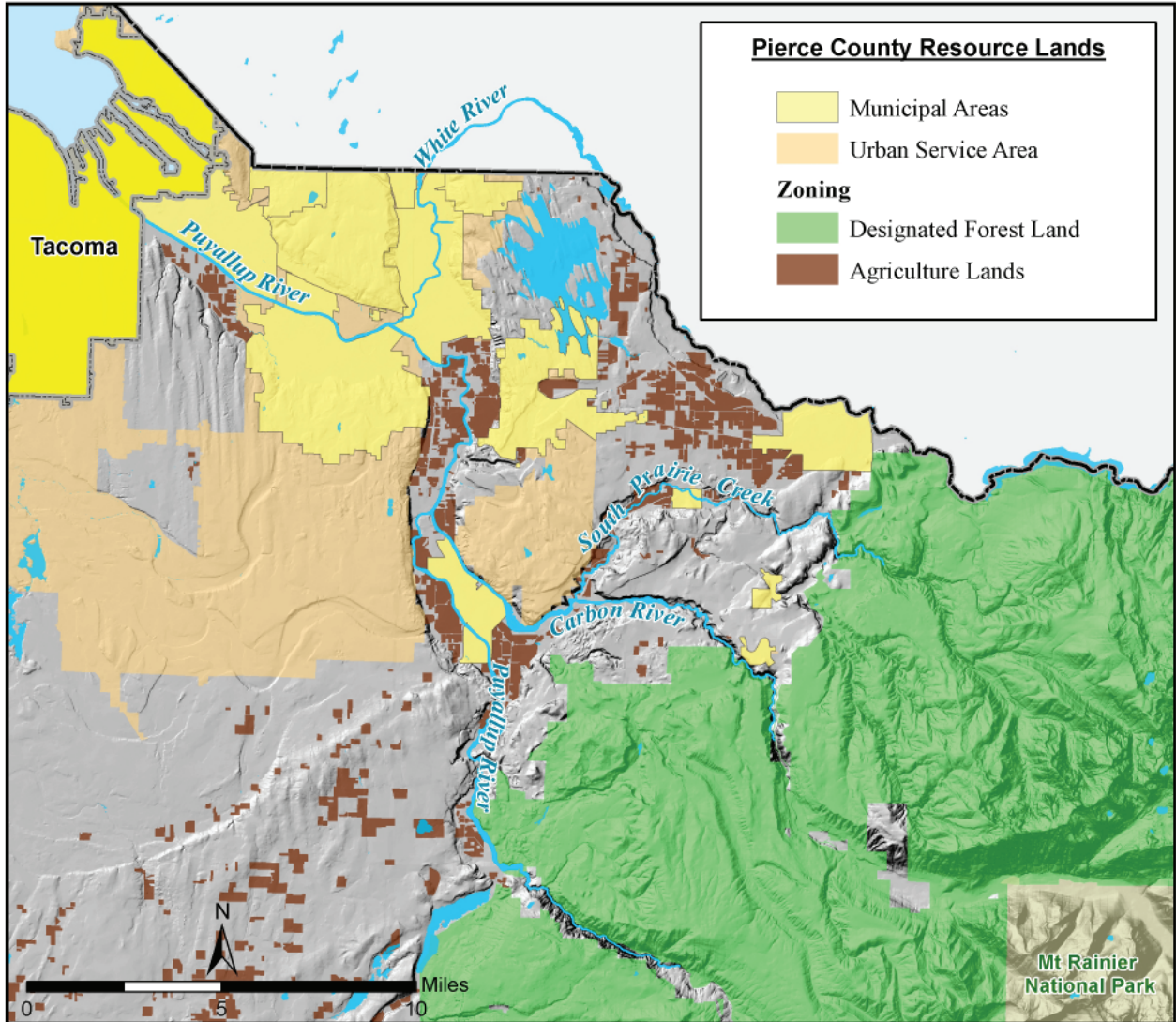
The TDR Program Market Study also recommended ways to rearrange the density bonus incentive zoning menu by consolidating some options and removing others that meet the same objectives of the TDR program. For instance design features and special features were recommended to be consolidated into one section of menu.

The efforts of this study to seamlessly integrate TDRs into the incentive bonus menu were essential for approval. There a number of lessons learned that are applicable to other municipalities struggling to integrate TDRs into regulations that were already designed for maximum densities to accommodate residential allocations from the Puget Sound Regional Growth Council. Seattle, Bremerton, and Everett all have incentive zoning programs that permit high densities in their downtowns and have struggled with ways to include regional TDRs. By allowing TDR to compete with other incentive zoning options, without major changes to the zoning or the permitted buildout densities, Tacoma's TDR program sets an innovative example.

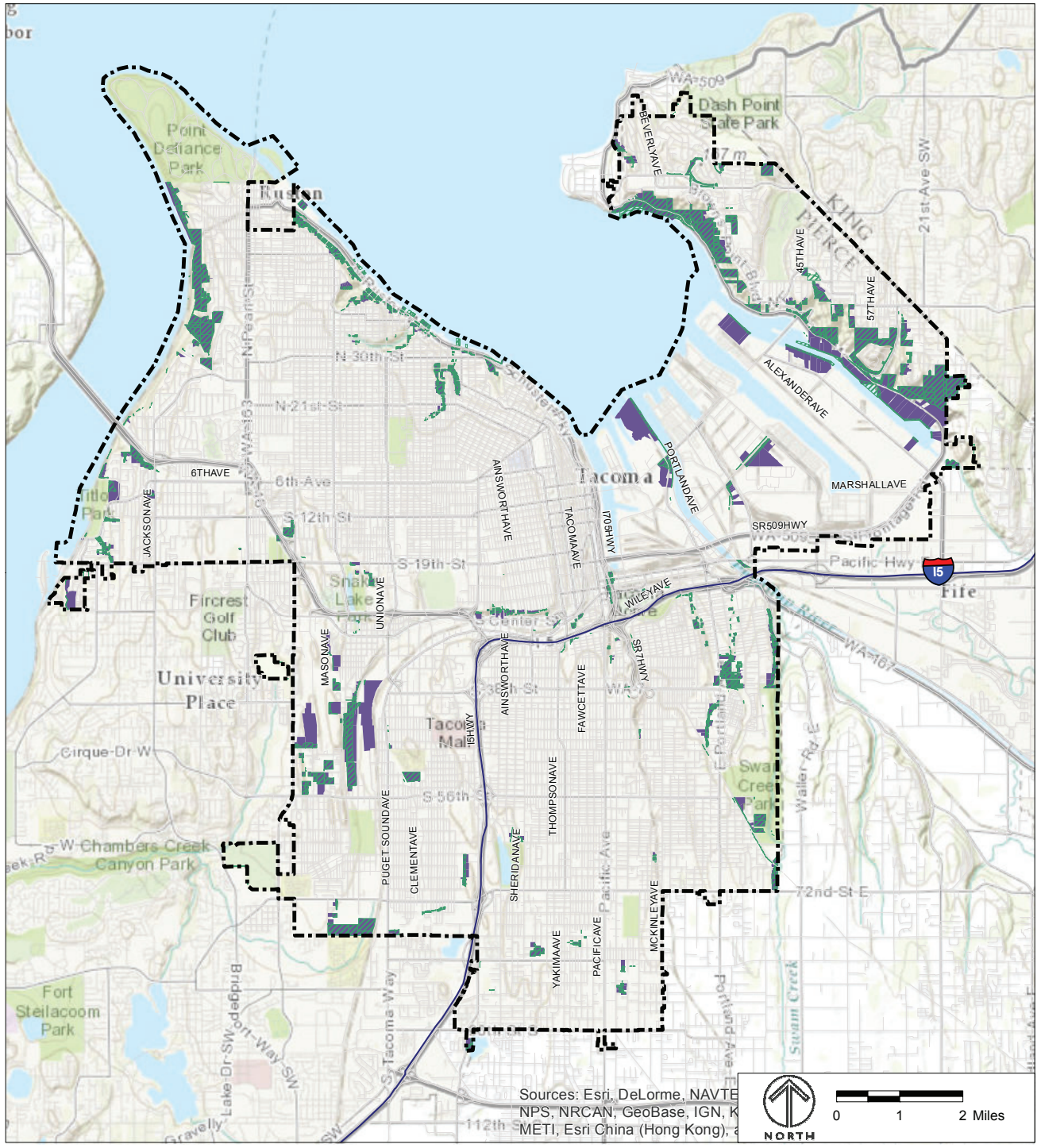
Furthermore the dual local/regional nature of the program permits it to dynamically interact with the regional program or operate exclusively within the city. This is a useful example that is relevant to other local municipalities struggling with the question of why they should accept development rights from outside jurisdictions. Tacoma's TDR program is unbiased to where the sending-area development rights originate, and all TDRs are administered uniformly during the project approval process.

- **Difficulty of the problem or issue addressed, overcoming project obstacles.** One major obstacle encountered during the TDR Program Market Study was the weak real estate market. The financial pro forma modeling of receiving areas determined that, under current conditions, very few types of development projects were financially feasible and that there would be no demand for bonus density in the near term. Undismayed by this finding and knowing that TDR programs generally require years to result in successful transfers, the City of Tacoma overcame this obstacle by assigning some permitted density ranges exclusively for TDRs and by setting the price of TDRs slightly lower than that of other density bonus amenities on its incentive zoning menu. These actions guarantee that TDRs will be included in high-density projects when the real estate market recovers.
- **Efficient use of budget.** The TDR Program Market Study was completed on time and under budget. All deliverables and work products in the scope were transmitted. The TDR ordinance and interlocal agreements were successfully implemented. The recommendations continue to be implemented into regulatory updates such as the South Downtown Subarea Plan.

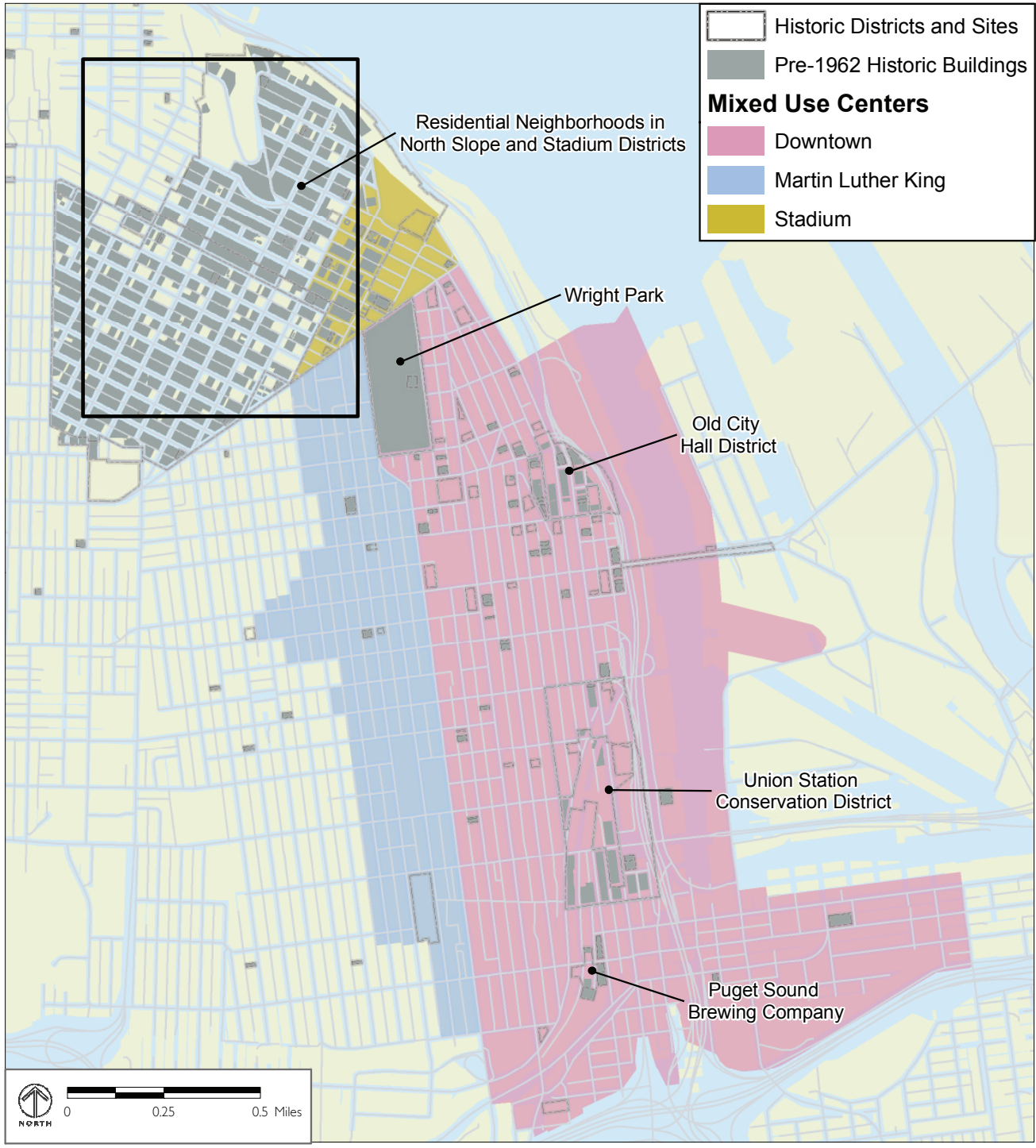
Figure 1: TDR Sending Areas in Pierce County



**Figure 2: Tacoma's In-City Sending Areas: Habitat Corridors**

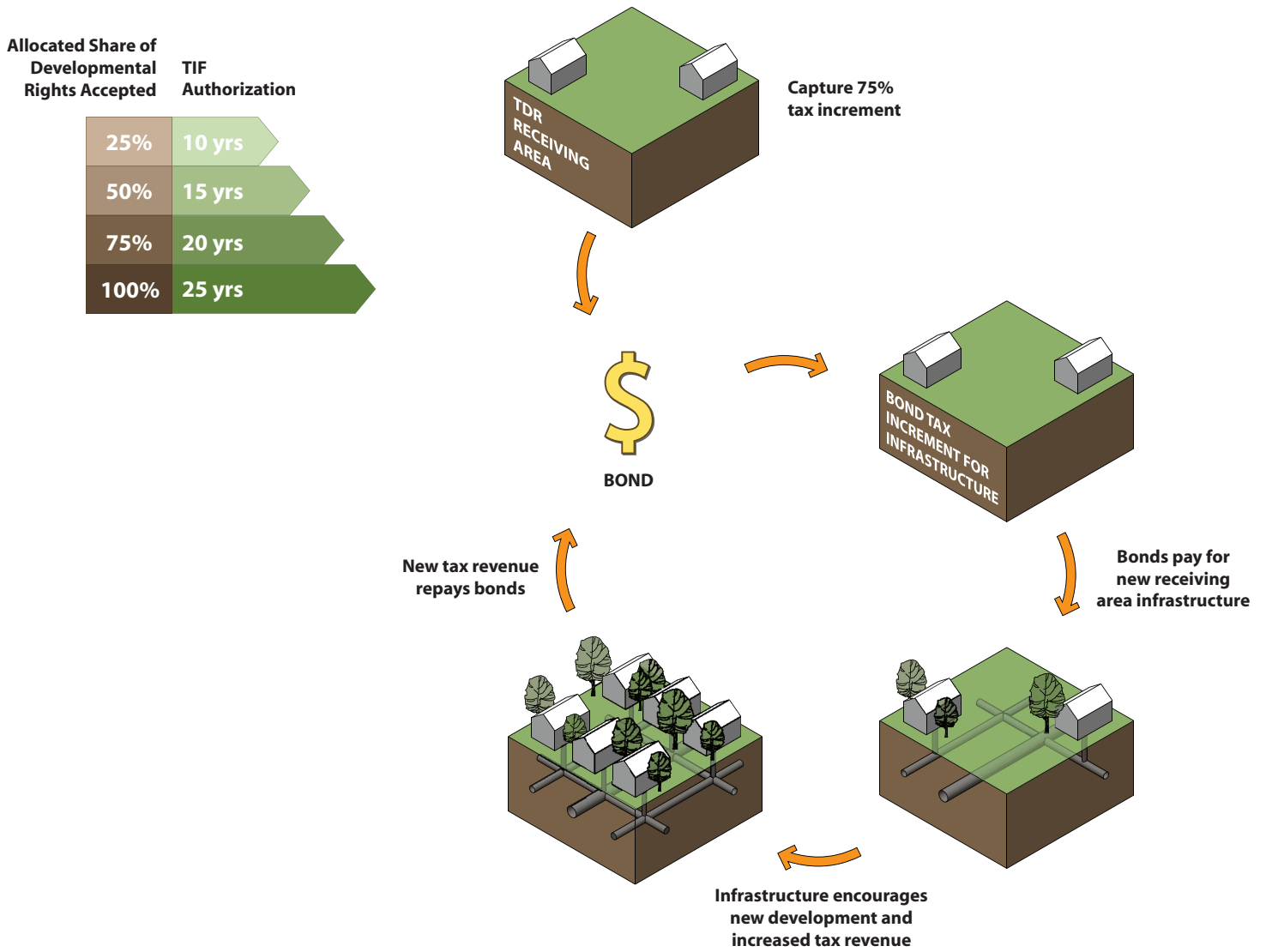


### Figure 3: Tacoma's In-City Sending Areas: Historic Landmarks



Source: City of Tacoma

Figure 4: Local Infrastructure Program Process Diagram



A vertical strip of architectural drawings is located on the left side of the page. It contains several rectangular sections, each showing a different perspective or detail of a building's structure, including walls, windows, and rooflines, rendered in a technical drawing style with hatching and solid lines.

# Letters of Endorsement







STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE  
1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • (360) 725-4000  
[www.commerce.wa.gov](http://www.commerce.wa.gov)

May 29, 2013

APA/PAW Washington Awards Committee  
603 Stewart Street, Suite 610  
Seattle, WA 98101

Re: APA/PAW Award for Sustainability

Dear Awards Committee:

I am writing on behalf of the Washington Department of Commerce in support of the work of the partnership of the City of Tacoma, Pierce County, King County, and the Planning Center|DC&E consulting team for a 2013 American Planning Association/Planning Association of Washington (APA/PAW) award. The partnership worked between March 1st, 2011 and September 18, 2012 to produce the Transfer of Development Rights (TDR) Program Market Study for the City of Tacoma.

The work of this partnership should receive an award for Sustainability because TDR in Tacoma will meet the Growth Management Act goals of conserving natural resource lands and concentrating growth in urban areas where infrastructure is planned.

After years of working on the mixed-use center code, regulations, and policies supporting compact and sustainable growth in Tacoma, the City utilized this market study to successfully integrate a TDR program into the administrative code. Tacoma's Mixed-use Centers Update Project received the Governor's Smart Communities Award in 2010 for implementation of a comprehensive plan. The project set forth a balanced set of innovative regulatory approaches to promote new growth and development in the city's sixteen mixed use centers. The City builds upon these innovative approaches with the inclusion of TDR.

The TDR program implements and goes beyond the City's 2008 Climate Action Plan provision to initiate a regional TDR program with Pierce County by including sending areas in King and Snohomish Counties.



# King County

May 16<sup>th</sup>, 2013

**Re: Letter of Endorsement for Transfer of Development Rights (TDR) Program Market Study for the City of Tacoma**

**APA/PAW Washington Awards Committee:**

Thank you for this opportunity to demonstrate King County's support of the TDR Program Market Study for the City of Tacoma for a 2013 American Planning Association/Planning Association of Washington (APA/PAW) award.

King County partnered with the City of Tacoma and awarded the City grant funds to develop a regional TDR program; these funds made it possible for the City to hire The Planning Center to complete its TDR Market Study.

After years of working on the mixed-use center code, regulations, and policies supporting compact and sustainable growth in Tacoma, the City utilized this market study to successfully integrate a TDR program into the administrative code. Today, Tacoma's TDR program can be used for additional density in Mixed Use Centers while achieving the following objectives:

- Farmland, habitat and forest conservation in Pierce, King and Snohomish counties;
- Urban growth and reduced sprawl, consistent with the Growth Management Act; and
- Stormwater pollution prevention and GHG emissions reductions due to the transfer TDRs from rural to urban areas.

This project was successfully implemented in September 2012, when the City council approved the TDR ordinance, the interlocal agreement to accept TDRs from Pierce County, and provisions allowing TDR transactions from King and Snohomish counties. The resulting study and regulations represent the culmination of a very successful planning process and a monumental step towards local and regional sustainability in one of Washington's largest cities.

As Director of King County's TDR program, and on behalf of King County, I highly recommend the TDR Program Market Study for the City of Tacoma for the Sustainability award.

Sincerely,

Darren Greve  
King County Department of Natural Resources



2401 South 35th Street  
Tacoma, Washington 98409-7460

May 17, 2013

**RE: Letter of Endorsement for the City of Tacoma Transfer of Development Rights (TDR) Program Market Study**

APA/PAW Washington Awards Committee:

Thank you for the opportunity to demonstrate Pierce County's support of the City of Tacoma TDR Program Market Study for a 2013 American Planning Association / Planning Association of Washington (APA / PAW) award.

Pierce County, in partnership with the City of Tacoma, approved an Interlocal Agreement in September 2012 to implement a Transfer of Development Rights (TDR) Program within the City. Crucial to the development of the TDR Program was a market feasibility study prepared by The Planning Center. The conclusions of the market feasibility study were instrumental in providing a mechanism for the transfer of development rights from Pierce County to the City of Tacoma, and are recognized as such in the Interlocal Agreement.

After years of working on the mixed-use center code, regulations, and policies supporting compact and sustainable growth in Tacoma, the City utilized this market study to successfully integrate a TDR program into the administrative code. Today, Tacoma's TDR program can be used for additional density in Mixed Use Centers while achieving the following objectives:

- Farmland, habitat, and forest conservation in Pierce, King, and Snohomish counties;
- Urban growth and reduced sprawl, consistent with the Growth Management Act; and
- Stormwater pollution prevention and reduction of GHG emissions due to the transfer TDRs from rural to urban areas.

The resulting study and regulations represent the culmination of a very successful planning process and a monumental step towards local and regional sustainability in one of Washington's largest cities.

On behalf of Pierce County Planning and Land Services Department, I recommend the City of Tacoma TDR Program Market Study for the Sustainability award.

Sincerely,

Diane Marcus-Jones  
TDR Program Administrator





## City of Tacoma

Mayor Marilyn Strickland

May 24, 2013

### APA/PAW Washington Awards Committee

**Re: Letter of Endorsement for Transfer of Development Rights (TDR) Program Market Study for the City of Tacoma**

I would like to thank you for this opportunity to demonstrate the City of Tacoma's support of the TDR Program Market Study for the City of Tacoma for a 2013 American Planning Association/Planning Association of Washington (APA/PAW) award.

After years of working on the mixed-use center code, regulations, and policies supporting compact and sustainable growth in Tacoma, the city utilized this market study to successfully integrate a TDR program into the administrative code. Today, Tacoma's TDR program can be used for additional density in Mixed Use Centers while achieving the following objectives:

- Historic building conservation;
- In-city open space and habitat preservation;
- Farmland, habitat and forest conservation in Pierce, King and Snohomish counties;
- Urban growth and reduced sprawl, consistent with the Growth Management Act; and
- Stormwater pollution prevention and GHG emissions reductions due to the transfer TDRs from rural to urban areas.

This project was successfully implemented in September 2012 when the Tacoma City Council approved the TDR ordinance, the interlocal agreement to accept TDRs from Pierce County, and provisions allowing TDR transactions from King and Snohomish counties. The resulting study and regulations represent the culmination of a very successful planning process and a monumental step towards local and regional sustainability in one of Washington's largest cities.

On behalf of the City of Tacoma, I highly recommend the TDR Program Market Study for the City of Tacoma for the Sustainability award.

Sincerely,

A handwritten signature in blue ink, appearing to read "Marilyn Strickland".

Mayor Marilyn Strickland  
City of Tacoma