

## MEMORANDUM

Date: June 8, 2009

To: City Council

From: Tim Stewart, Director

**RE: Zoning Code Amendments for TDR Program**

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### Background

The City and County worked together in the late 1990s to formally designate a number of areas in Bellingham's urban growth areas as receiving zones for development rights that could be transferred from the Lake Whatcom Watershed. The program was one of a number of steps taken by the City and County to reduce the development potential in the watershed.

The current transfer of development rights (TDR) program allows property owners in the receiving zones the option to increase the permitted residential density by purchasing development rights from the watershed. It requires property owners wanting additional density to seek out watershed property owners willing to sell development rights. The program has not been successful for a number of reasons that are explained in detail in the attached report, "Transfer of Development Rights Program Feasibility Analysis".

In the past 18 months, the City has annexed several large TDR receiving zones. These areas are now in the Guide Meridian/Cordata, King Mountain, Meridian and Mt. Baker neighborhoods. Additional areas with significant TDR receiving zone property are currently being considered for annexation by the City.

In 2008, staff contracted with Greg Easton of Property Councilors to gain an independent review and analysis of the current TDR program, specifically as it relates to the annexed TDR receiving zones. The analysis confirms that the current TDR program is not achieving the desired results for a number of reasons that are identified in the report.

The report also identifies a number of steps that the City could take to improve the performance of the TDR program. Most of these steps involve significant investment by the City in new staffing (for a new TDR "banking" function), building infrastructure in the

receiving zones, or offering other (financial) incentives. Since these options are not economically feasible at this point and may not be for several years, staff suggests expanding the “fee-in-lieu-of” option adopted for the Old Town urban village into the annexed TDR receiving zones.

### Fee-in-lieu-of Proposal

The concept is that a property owner/developer in a TDR receiving zone can elect to purchase a set amount of additional residential density by simply paying a fee per additional unit to the City. The fee amount would be set by the City Council and the money collected would be deposited in the Lake Whatcom Watershed Property Acquisition Fund. Money collected in the program would be used to purchase additional property or development rights in the watershed.

The recently annexed TDR receiving areas in the Guide Meridian/Cordata, King Mountain, Meridian and Mt. Baker neighborhoods are already zoned for this use. All that is needed to implement this “fee-in-lieu-of option is:

1. City Council approval of the text amendments to the zoning tables. (See Attachment 1 to the proposed ordinance.)
2. City Council adoption of a resolution setting the fee.

If Council agrees to adopt this option by approving the recommended text amendments, staff will follow up with a resolution setting the fee.