

**Assessment to ground truth the values ascribed to commercial property
(commercial, retail, office and industrial) by the TDR program in comparison
to other state acquisition programs and actual sales.
October 27, 2011**

- The assessment conducted suggests that the non-residential allocation method used in the Highlands TDR Program results in **realistic per acre values for the allocations that have been performed to date** when examined against actual land preservation transactions and non-residential land sales.
- The Highlands Council adopted an allocation method for non-residentially zoned property that considers a) pre-Highlands Act development potential expressed as permitted square feet of building area, and b) unit values for different types of non-residential uses (commercial, retail, office and industrial).
- The Highlands Council has issued HDC allocations to 5 non-residentially zoned properties. The average per acre price of those five allocations is approximately **\$70,000 per acre**.
- Using the limited non-residential closings by SADC and Green Acres in the Highlands Region, the average per acre price of those transactions is approximately **\$100,000 per acre**.
- Staff examined actual sales of 7 undeveloped commercial properties in the Highlands Region both before and after passage of the Highlands Act. Staff determined the pre-Highlands Act development potential of those properties and calculated an estimated HDC Allocation for each. On average, the per-acre value of the actual sales of the 7 properties examined was **\$197,645 per acre which is comparable to the average HDC per acre value of \$193,000**.
- Staff also analyzed comparable land sales data with respect to the farm property in Franklin Township, Warren County, which the HDC Bank declined to make an offer on at its July 28, 2011 meeting. This 9.69-acre property received an HDC allocation of 42 HDCs valued at \$69,349.85 per acre. In comparison, the **3 similarly situated parcels examined had a per acre value of approximately \$113,000**.
- Several other issues must be kept in mind when reviewing the information presented here. First, while the average of \$70,000 per acre for HDC allocations to non-residential properties is significantly higher than the average per acre value for that of residential properties (presently in the range of \$8,000 to \$10,000), the **Highlands Act requires that the value of a development right reflect the pre-Act development potential**. The properties that were zoned for non-residential use, such as office/commercial, retail and industrial use, have a higher per acre value because such uses reflect a more valuable level of development potential before the passage of the Act.
- Second, allocations to non-residential properties will be a small part of the overall Highlands TDR Program. According to the land use data compiled by the Highlands Council for use in the RMP, only 72,030 acres within the 859,267 acre Highlands Region are zoned non-residential.. Together these three categories only comprise approximately 8% of all land zoned in the Highlands Region. To date, only 9 of 76 applications have involved non-residentially zoned properties representing 11.8% of all allocation applications.
- Third, and finally, it is important to note that non-residentially zoned parcels have fewer options than residentially zoned property for extracting equity out of these lands. This is due to the three Highlands Act exemptions (Exemptions 1, 2 and 5) for residential dwellings and the limited exemption (Exemption 4) available for redevelopment of commercial property using existing impervious surfaces. Recognizing this, the Highlands Council determined in the RMP that HDCs should be awarded to both residential and non-residential properties.