



TDR Benefits Discussion Paper LIFB Riverhead Local Affairs Committee

Riverhead implemented a Transfer of Development Rights (TDR) program in 2003 as a focal point of its comprehensive plan to limit population growth so as not to strain our natural resources or create undue burdens on our taxpaying citizens. At the same time, the TDR program was envisioned as a way to achieve one of the Master Plan's most important goals: "Maintain and preserve the rural character and heritage of Riverhead." Specifically, the TDR program aimed to maximize the preservation of the town's core agricultural resources between Sound Avenue and Main Road by setting up a new Agricultural Protection Zone (APZ). Within this zone, instead of selling their land for development, farmers are encouraged to transfer rights that could be used by developers either to increase commercial density along the Route 58 corridor or to double residential density in a few carefully selected parts of the town where such growth might be more desirable and serviceable.

Without preservation of our agricultural component, Riverhead will become just another indistinguishable Long Island bedroom community. TDRs are an important tool to preserve our uniqueness as a rural community without taxpayer indebtedness and attract tourist monies generated for all business by the continuation of Riverhead as an agri-tourism destination. The TDR program also created a long-term planning tool to achieve tax-positive development going forward to help achieve long-term tax stabilization.

Everyone in the town -- property owners in both sending and receiving areas, taxpayers, residents and businesses -- benefit in several ways from the use of TDRs. The general principle is that no new development not already envisioned in the Master Plan will be allowed without the purchase of development rights from the town's farmland. This is intended to prevent unmitigated growth and all the costs that come with it such as overcrowded schools, unbearable traffic and skyrocketing taxes.

The implicit goal of the Master Plan is to cap the town's population at about 43,000 -- compared to approximately 35,000 today. This can only be achieved if all new residential development not envisioned in the Master Plan is allowed only with the purchase of development rights elsewhere on a one-for-one basis. However, we are worried that the TDR program is being weakened by the creation of loopholes in the code. We are also concerned that as new opportunities and development possibilities emerge, the town board is not sticking to the rule requiring the purchase of a development right for every new residential unit proposed beyond what is allowed by current zoning.

TDRs benefit both sending and receiving landowners

TDRs benefit everyone in the town. In the APZ sending area the landowner is incentivized to sell the right to build residences rather than to develop on site. He or she not only benefits from the direct payments by the development community, but also avoids the expensive and tenuous process of subdivision. Most important, the property owner still has the opportunity to achieve a financial return on his property through agricultural production. Equally important, the ability to sell development rights provides farmers with the capital they need to invest in modern intensive farming techniques and to meet the ever-expanding requirements of health and environmental regulations.

In the receiving area, the landowner is able to achieve, as of right, the maximum density allowed by town code and Suffolk County Health Department standards with the purchase and importation of development rights. Whether the project is residential or commercial, the overall costs for maximizing the potential for the property are far less than if the developer needed to purchase more land (if it is even available) to achieve the same yield. One reason is that the carrying costs for holding TDRs, such as taxes and insurance are zero -- compared to the cost of investment in raw land and all the associated expenses for taxes, interest, insurance, etc. Only when the TDRs are approved for use will they be taxed. Also, when achieving maximum density through this process, the site plan process becomes more accommodating in regards to the number of variances needed for approval.

Still another way that TDRs contribute to the preservation our town's rural character and heritage is by providing farm families ways to navigate complex estate planning issues. All too often, farm families are forced to sell their farmland in order to pay inheritance taxes. The ability to sell TDRs can allow the family to keep farming the land. Moreover, the ability to bequeath TDRs or the proceeds of TDR sales to non-farming heirs allows the farmland to be given to the son or daughter who wishes to continue farming. Put together, the various uses and benefits of the TDR program allow us to keep farmland in the hands of farmers and out of the hands of developers.

Benefits of TDRs to Riverhead taxpayers

TDRs also mean that the cost of preservation of farmland is not paid for by the taxpayers in the town or county, as is currently the case with the Purchase of Development Rights programs (PDR). Instead, the cost of preservation is born by developers. Moreover, when they purchase TDRs they are putting an investment right back into Riverhead.

TDR use in Riverhead will help in the long-term stabilization of the tax rates for all businesses and residents because development going forward would be tax positive. Construction of suburban-style developments inevitably costs the town and school districts more in services than the new tax revenues they bring in. However, by transferring some of development rights to commercial uses, the cost of services is far less than the taxes generated. Even if the development rights are transferred to one of our residential receiving areas, by concentrating development into smaller areas, this is still likely to be tax positive because higher density residential development is less expensive to service with roads, police and fire protection, garbage pick-up, etc. In addition, some of the development will be either senior housing that doesn't contribute to school costs or will be located in high value areas near the sound shore that produce above-average tax assessments. In short, this means that taxes collected from development utilizing TDR would more than cover the cost of services needed so there would be no further burden to present taxpayers. At the same time, the agricultural properties from which the development rights are transferred would also continue to pay taxes that significantly exceed their cost of service. In essence, TDRs incentivize development where it is easiest and most efficient in regards to the service requirements from the town and county, and preserves less easily serviced areas.

Benefits to all

Finally, there are general benefits of the TDR program. Everyone who lives here or visits can continue to enjoy our unique agricultural landscape and all of the benefits to living near our food supplies. Moreover, many businesses benefit from the large numbers of visitors

attracted by the wineries, farm stands and agricultural tourism. Of course, residents also benefit from the jobs these businesses generate.

Other preservation tools are maxed out

At the time of the Master Plan, this Transfer of Development Rights (TDR) program was one of several tools available for the preservation of farmland and open space. Both the county and the town had ongoing Purchase of Development Rights (PDR) programs -- the county's funded by a special quarter-percent sales tax and the town's by a 2% real estate transfer tax authorized under the Peconic Regional Community Preservation Fund (CPF). The combined town and county programs have preserved approximately 7,800 acres of farmland and open space in Riverhead. To achieve this result, and maximize preservation while land was still available, the town and county borrowed against future revenues. But available funding under both programs has been exhausted or reduced to a minimal level, leaving the TDR program as the only significant land preservation tool in Riverhead.

Need to strengthen the TDR program

Consequently, the Long Island Farm Bureau is looking for ways to enhance the effectiveness of the TDR program. The main way to do this is to increase the areas and uses for which TDRs need to be utilized. We suggest the following:

- Allow higher density construction along parts of West Main Street -- with TDRs required for additional floor area in commercial structures and for additional residential units in apartment projects.
- Require TDRs for any residential development at EPCAL. Residential development was not the original purpose of EPCAL. Certainly any additional residences allowed there should result in decreases elsewhere in the town.
- Allow increases in commercial density at EPCAL with the purchase of TDRs. While this might slightly decrease the value of property there, it would be another way the Town Board could make development at EPCAL benefit the whole town.
- Rescind the special treatment given to new hotels in Riverhead. A few years ago the town board decided that certain parts of the floor plan would not be counted as part of the floor area for new hotels when calculating how many TDRs are needed.
- Require TDRs as part of any overlay zoning that would authorize assisted living and other higher-density projects. Allowing additional housing units anywhere in the town without offsetting the impact by purchasing TDRs is a direct violation of the principles of our Master Plan.
- Require that as part of the environmental planning process for all residential developments, that the sponsor clearly show not only the tax revenues likely generated by the new homes, but also estimate the costs to the town, county and school districts of providing services to those homes. Additionally, the sponsor should show the cost savings from not developing areas from which TDRs are transferred.
- Strongly encourage expanding the APZ to include farmland south of the Main Road in Aquebogue, Jamesport and Laurel. This would maximize the preservation potential in these equally sensitive areas.
- Consider codifying how TDRs might be used for tax-positive senior housing and assisted living communities.
- Consider expanding the receiving areas along Route 58 and other commercially zoned parts of the town.

In summary, we believe it is critical that no new residential development not already envisioned in our zoning be allowed without the purchase of TDRs on a one-for-one basis. Similarly, we believe it is imperative that our town board looks for additional commercial receiving uses for TDRs. These steps would accomplish two priority goals for the people of Riverhead: 1) Preserve more of the farmland that we all believe is so important to the town's character, economy and way of life. And 2) allow us to avoid the overcrowding of schools and endless increases in taxes that are the inevitable result of unlimited development. TDR is a valuable tool -- one of the few left in our land preservation arsenal. So it is important that Riverhead take every possible step to strengthen the TDR program and to make sure that no actions further dilute its effectiveness as a way to preserve our town's precious farmland and rural character. TDR sets a framework for continuity in planning for the town regardless of changes within the political structure and will serve us well for generations to come. Stick to the plan and it will be a win/win for all.