Transfers of development rights overview

Transfers of development rights (TDR) programs are voluntary programs that allow the owner of one property (the “sending site”) to transfer its development rights to the owner of a second property (the “receiving site”).

While a TDR program can be used to preserve affordable housing, the tool is most commonly used in conservation efforts, where it provides a mechanism for the owners of environmentally sensitive areas or open spaces who commit to preserve those areas in their current form to offset the loss imposed by the conservation. The development rights are then redirected to an area that has been determined to be more appropriate for growth.

Some cities, towns, and counties use TDRs to encourage the preservation of affordable housing developments and generate revenue to support their continued operations. In this context, the sending site—an existing affordable housing development—sells its unused development capacity to a receiving site. The sale preserves the current use of affordable housing and raises funds that can be reinvested in the development to help preserve it for the long-term. The owner of the receiving site may then build at a higher density or building height than would ordinarily be allowed by the underlying zoning code.

TDR programs are most likely to be effective in areas where there is strong demand for additional density on potential receiving sites. In some cases, the municipality managing the TDR program plays an interim role by purchasing development rights from sending sites and holding them for a future buyer in a TDR “bank.” By maintaining a TDR bank, local jurisdictions ensure that sending sites can sell their development rights when needed, even if a buyer is not immediately available.