



Life of a TDC Credit

One of the best ways to understand how a TDC program actually functions is to follow the credits, because the trail of a TDC credit is the map of the TDC program. This brief illustration of the *life of a credit* – from its conception to its retirement – is a functional summary of how TDC programs operates.

Conceiving TDC Credits

The operational start of a TDC program could be said to be when the TDC credits are conceived. They have not yet been assigned, but the program now officially exists.

- Total number of credits available for sale/redemption in the entire TDC program is calculated (*OR* guidelines/criteria are created for that on-going calculation)
- Credits are mated to a given TDC Development Area (available for redemption only there)
- Credits are made available to landowners in the designated TDC Conservation Area (though no obligation to use them exists)
- Opportunities to use credits are outlined in the program design (e.g., encumbrance, redemption, extinguishment, etc.)

Parcel-level Calculation of TDC Credits Available for Sale

A individual landowner in the TDC Conservation Area now knows they have the opportunity to sell credits, but they likely do not yet know the actual number of credits they might have available from their parcels. This step usually does not commit a landowner to participation nor make the credits available for sale.

- TDC Conservation Area parcels are assessed to determine the number of credits they are eligible for
 - A base number is calculated as are, any parcel-specific features that would lead to bonus credits
 - Calculate base number
 - The municipality may certify and record the number of credits potentially available from that parcel

Issuing / Receiving Credits for a TDC Conservation Area

After determining the number of credits a parcel is eligible for, those credits must formally be issued to the landowner. The actual steps will vary from program to program (and some steps may be

administratively combined). Note that in all cases credits are issued to a *person*, not a *parcel* (otherwise they would not be severable from the land for sale)

- Landowners in the TDC Conservation Area formally apply/are accepted to be in the program, indicating their willingness to receive credits
- Landowners formally apply/are accepted to receive credits, and (this can be viewed like having an existing train ticket validated for use)
- Credits are validated, and are usually given serial numbers
- Required notifications of the issuance of credits are made (to TDC Development Area landowners, to adjacent landowners, to community, etc.)
- Municipality sets conditions on the conveyance of the credits, which at a minimum usually include:
 - Landowner must record conveyance of credits with municipality
 - Landowner must place title restriction (e.g., conservation easement)
 - Title restriction must be placed with sale of first credit
- Landowner can now make credits available for sale

Encumbrances

As a marketable commodity with an inherent value tied to their land assets, landowners may seek to use credits as collateral for other financial activities. If so, the municipality *may* enable credits to be used as collateral or otherwise encumbered.

- Municipality creates a process for credits to be used as collateral or otherwise encumbered
- Credit owner registers with municipality when
 - Credit has been encumbered
 - Encumbrance has been released

Selling / Conveying Credits

This is where credits actually enter the market, and develop a market value based on the negotiations of the willing buyer and willing seller. They are then conveyed, usually through a sale, but possibly by will or gift. Like all markets, the transactions are guided by the regulator, in this case the municipality.

- TDC Conservation Area landowner advertises their available credits, and finds a TDC Development Area buyer; they negotiate a price for the credits
 - A sales agreement (like a house sale) is created, and sale conditions are set (e.g., credits must be conveyed)
- TDC Conservation Area landowner requests municipality to convey the credit to the TDC Development Area developer
 - The parties show conditions of conveyance have been met, including
- Title restriction has been placed

- Authorization for conveyance has been signed
- A given credit is conveyed on municipal records, which may involve
 - Credit is extinguished and re-issued to the new holder
 - Specified TDC Development Area noted in the re-issue
- The credit is now available for redemption by the TDC Development Area developer

Redeeming TDC Credits for Use in the TDC Development Area

The developer in the TDC Development Area now has a credit (likely several) that they are seeking to redeem. With that redemption, the municipality removes the credit from circulation, providing the developer bonus development opportunities in exchange.

- The TDC Development Area developer presents the acquired credit to the municipality, which usually shows
 - Its availability for use in the specified TDC Development Area
 - Ownership of credit (no encumbrances, or signed release)
 - The developer's authority to develop in the TDC Development Area using credits.
 - The approved development plan
- The credit is retired or extinguished
 - By request of TDC Development Area credit owner (essentially this is conveyance to municipality)
 - Recorded as such, with its serial number amended
- The municipality may issue 'bonus development' permit