Category

Other

Geography/ Location

AB, BC, ON, PE

Municipality Size

Large

Tier

Conditional

Constraints

Effectiveness; Feasibility; Complexity

Administrative Capacity Required

High

Fiscal Tool Brief: Transfer of Development Rights (TDR)

Local Governments for Sustainability
Les gouvernements locaux pour le développement durable
CANADA

Transfer of Development Rights helps protect sensitive or valuable lands by allowing development potential to be sold and redirected to areas better suited for growth.

Transfer of Development Rights (TDR), also known as Transfer of Development Credits (TDC), is a voluntary and incentive-based land-use tool that allows landowners to sell the development potential of their property to another party. Sending areas are often locations that have been identified by local governments as in need of preservation and can include environmentally sensitive lands or historic sites.[1] The buyer, often a developer, can then use these rights or credits to increase density or floor space at another designated site, typically in areas prioritized for growth.[2,3] Therefore, this mechanism can be used to preserve agricultural lands, forests, open space, wildlife habitat, and heritage sites, while channeling development toward urban centers or other suitable areas. TDR programs have been widely used in the United States since their introduction in the 1960s. In Canada, comparable programs are being developed, but due to differences in land rights, such as the constitutional protection of property rights in the U.S., the approach is referred to as Transfer of Development Credits (TDC).[4] By providing compensation to landowners, TDR and TDC programs create a market-driven approach that balances conservation goals with development pressures.

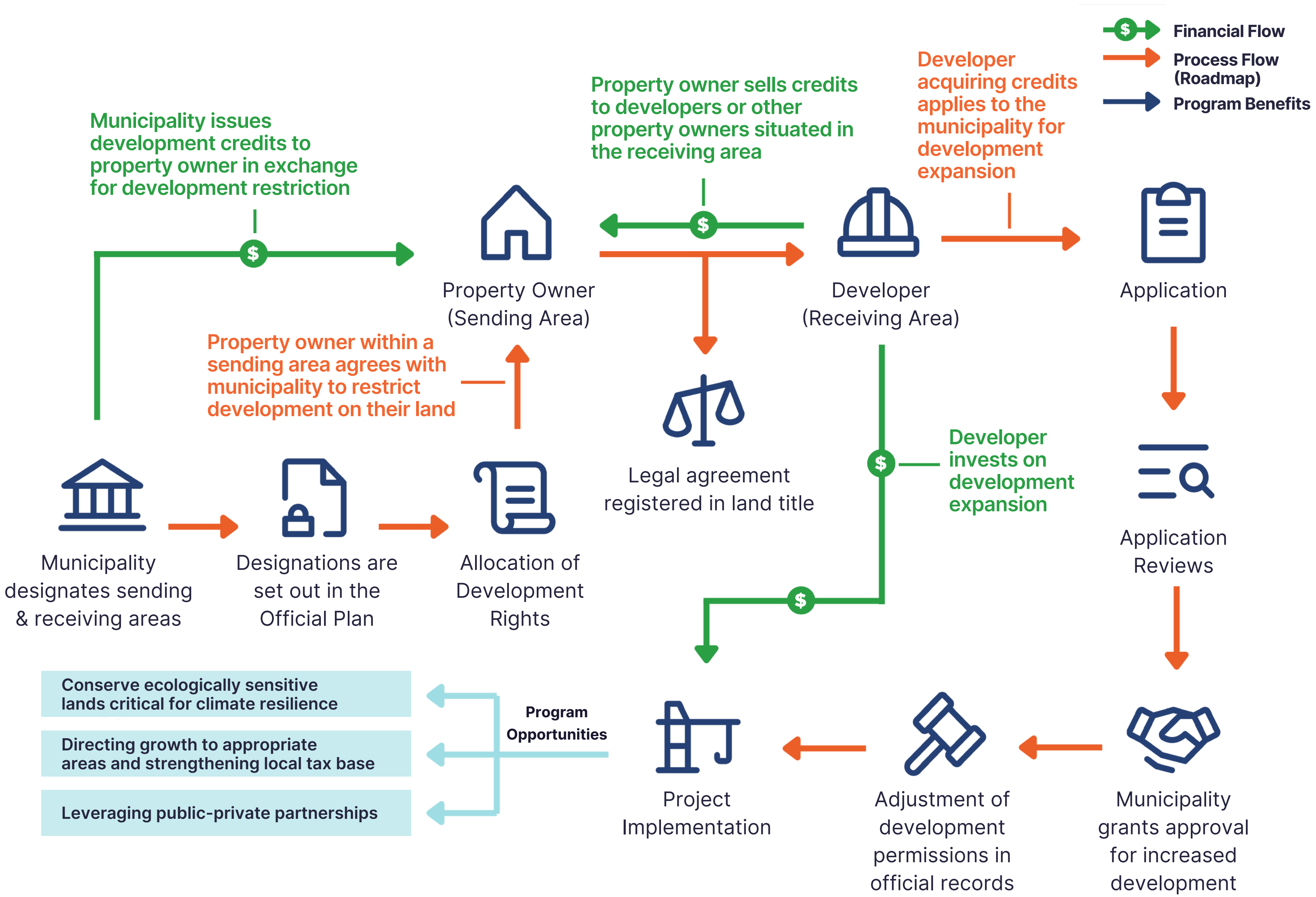

Figure 1. Visual representation of how Transfer of Development Rights work

Examples

The adoption of TDR and TDC programs have been slow for Canada.[5] However, there are some examples that can be highlighted. For example. Vancouver (BC) has the Heritage Density Transfer System, which is the most firmly established and comprehensive program in Canada. First developed in 1983, this program has an urban focus and is primarily intended to protect historic buildings within their designated districts.[6] The program can also support the development of parks, open spaces, or broader urban design initiatives. Its key objective is to ensure that restoring historic properties is as financially appealing as redeveloping the land. There are also some Canadian jurisdictions that have applied some parts of a TDC program in order to conserve rural or environmentally important lands. One example is the L.M. Montgomery Land Trust (PE). Established in 1994, the Trust's mission is to safeguard the agricultural and coastal landscapes of the Island's north shore. This initiative is a Purchase of Development Rights (PDR) program rather than a TDC program.[7] Under a PDR program, development rights are permanently retired rather than transferred to another site for future development. Both PDR and TDC programs have similar approaches, where the number or value of "development rights" must be established, along with a system to limit land use in the designated sending area once the density has been allocated. One noticeable element of this example is that while most TDC and PDR programs are administered by a municipality, this example is administered by a third-party private land trust. Other examples of attempts of implementing TDC programs in Canada include Toronto (ON), Calgary (AB), Wheatland County (AB), and Bighorn (AB).[8] Moreover, TDR programs are commonly used in the United States, and some of the successful examples include the New Jersey Pinelands, Montgomery County in Maryland, and Boulder County in Colorado.

Relevance to Advancing Adaptation

TDR and TDC programs can advance climate adaptation by redirecting growth away from hazard-prone or ecologically sensitive areas, such as floodplains, wildfire zones, and coastal regions and protecting landscapes that provide livelihoods and valuable ecosystem services. Preserving farmland and natural areas not only safeguards local food systems but also enhances carbon sequestration, biodiversity, and watershed protection. At the same time, by concentrating development in designated growth areas, these programs promote compact urban forms that are easier to service with resilient infrastructure, public transit, and energy-efficient buildings. In this way, TDR and TDC programs can reduce exposure to climate risks and support adaptive capacity, primarily through land-use planning rather than direct financing.

Accessibility

TDR and TDC programs are not grant-based tools and do not provide direct access to senior-governmental funding. They are locally enabled land-use mechanisms, implemented through municipal official plans, zoning bylaws, and development approval processes.[9] There is no federal or provincial TDC program that municipalities can apply into. Alberta provides relatively clear enabling conditions, as the Alberta Land Stewardship Act explicitly identifies TDCs as a permissible policy instrument.[10] Effective accessibility is largely limited to municipalities with sustained developmental pressure, where demand for additional density can support a viable credit market. TDC programs have been applied at different geographic scales, but sustained implementation is typically limited to jurisdictions with strong development demand and planning capacity. They are most effective when clearly integrated into existing planning instruments such as Municipal

Development Plans (MDP), Area Structure Plans (ASP), and Land Use Bylaws.[11] Administrative capacity is a major constraint, as TDC programs require specialized planning, legal, and valuation expertise and ongoing program management. Vancouver remains one of the only Canadian municipalities with a sustained, comprehensive transfer-of-density system, applied narrowly to heritage preservation.[12]

Feasibility

From a political and social perspective, the feasibility of TDR and TDC programs depends on community buy-in from landowners, developers, and residents, as participation is voluntary rather than compulsory. Evidence from established programs shows that feasibility improves when TDCs are clearly linked to community values through visioning exercises, transparent objectives, and ongoing communication, while misinformation or perceptions of TDCs as a "silver bullet" can undermine community support. From a legal perspective, Canadian municipalities generally have sufficient authority under existing planning legislation to implement TDC programs, even in the absence of explicit provincial enabling statutes. However, the lack of TDC specific legislation might introduce uncertainty, requiring ongoing legal oversight and increasing political caution, particularly where landowners perceive impacts on property interests. Lastly, feasibility is further limited by municipal capacity. Effective TDC programs require detailed land-use data, planning and legal expertise, and long-term resources to manage conservation instruments. Many rural and under resourced municipalities may lack this capacity, reducing the likelihood of successful implementation despite theoretical suitability of the fiscal tool.[13]

Risk

One risk associated with these programs is market failure. TDRs and TDCs depend on a functioning real estate market to generate demand for credits in receiving areas. Where development slows or market conditions weaken, credit demand may collapse, limiting conservation outcomes and leaving designated sending areas unprotected despite a good program design. Moreover, administrative and coordination risks can increase substantially, particularly in multi-jurisdictional programs. Research shows that coordinating multiple municipalities, councils, and land-use priorities can significantly increase complexity, transaction costs, and implementation timelines, reducing program effectiveness even where regional conservation goals are well aligned. Lastly, long-term stewardship and enforcement risks remain significant. TDC programs rely on conservation easements or restrictive covenants to permanently extinguish development potential, yet many jurisdictions lack sufficient institutional or land-trust capacity to monitor and enforce these agreements over time.[14]

Scalability

The ability to expand TDRs and TDCs depends on development demand and program design rather than municipal budget capacity. Analysis of successful programs show that scalability improves when TDCs are embedded in broader growth management frameworks and supported by enabling structures such as background studies, TDC banks,[15] and complementary Purchase of Development Rights (PDR) programs, which help stabilize credit supply and demand over time. Programs scale gradually, with activity often limited or uneven in early years, requiring long-term horizons to achieve meaningful outcomes. Clear definition of objectives, compatible conservation goals, and appropriate performance metrics help with scaling by allowing programs to adapt as conditions change. In practice, TDC programs scale most effectively in larger or fast-growing jurisdictions with sustained developmental pressure and sufficient administrative capacity, while remaining difficult to expand in low-growth or under-resourced municipal contexts.[16]

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = −1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	Medium	0	Redirects development away from hazard-prone areas	Supports land-use adaptation and risk avoidance, but does not directly generate adaptation funding.
Economic Efficiency	Low	-1	Complex planning, valuation, and market coordination	High administrative and technical demands make performance uncertain relative to effort.
Equity & Fairness	Medium	0	Compensation to landowners but uneven benefits	Can improve fairness for some landowners, but outcomes depend heavily on market access and program design.
Political Acceptability	Medium	0	Voluntary participation but needs stakeholder buy-in	Acceptability is mixed and depends on communication, local priorities, and community support.
Feasibility (Admin/Legal)	Low	-1	Limited enabling frameworks and high capacity requirements	Legal ambiguity and administrative complexity significantly constrain implementation.
Coherence (Portfolio Fit)	Medium	0	Integrates with land-use planning but needs coordination	Fits within planning systems, but requires coordination and is not strongly embedded in municipal fiscal frameworks.

Best Use Context

TDRs are most effective in high-growth municipalities with strong development demand, planning capacity, and institutional ability to manage complex programs. It is particularly suited to protecting environmentally sensitive or hazard-prone lands while steering development toward safer, more compact urban areas.

Context Factor	Relevance	Notes
Municipal Size	High	More viable in large or fast-growing municipalities.
Administrative Capacity Required	High	Requires advanced planning, legal, and valuation expertise.
Development Pressure	High	Dependent on strong demand for additional density.
Climate Risk Targeting	High	Effective for protecting hazard-prone or sensitive lands.
Fiscal Flexibility Required	Low	Does not rely on municipal revenue generation.

Recommended Citation

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[15] TDC Bank – In some cases, TDC banks are established to facilitate the transfer of credits from willing sellers to willing buyers. These banks have an administrative structure to themselves which would incur costs.

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