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### Housing and Transit Reinvestment Zone Committee

**60 East South Temple, 1st Floor Conference Room, Salt Lake City, UT 84111**

September 28, 2022 • 12:00 AM – 1:30 PM

#### Minutes

1. **Welcome**

Chair Dan Hemmert welcomed all to the first HTRZ meeting. This meeting is occurring because Sandy City submitted an application for the creation of an HTRZ.

1. **Oath of Office**

Amanda Goodell administered the oath of office to: Representative Mike Schultz, Shane Pace, Shawn Lambert, Ben Huot, Beth Holbrook, Dan Hemmert, Senator Wayne Harper, and Jason Gardner.

Dina Blaes with Salt Lake County received the oath of office at an earlier date. This was done so that she could participate virtually during the meeting.

1. **Review of Process**

Dan Hemmert reviewed the idea behind the HTRZ and the committee’s assignments. First, the job of the committee is to determine whether the project qualifies for an HTRZ zone. Second, the committee should determine at what rate the HTRZ should receive.

1. **Summary of Project**

Sandy City provided a summary of the development project. Some details of the project include:

* 1.52 acres of land
* 164 proposed units
* 107.89 units per acre
* The development is less than 1/3 mile away from South Jordan FrontRunner station

One of the main issues to financing the project are the parking structures. Without an HTRZ zone, the city believes that this area could be developed for housing, but that it would most likely include surface parking and townhomes, perhaps including 10-12 units.

**Funding Request: 80% of TIF over 25 year period, which would be $3,964,558**

* Total incremental property tax over 25 years: $7,613,373
* Net Present Value (4%): $4,955,697
* **80% TIF over 25 years: $6,090,699**
* **NPV (4%) $3,964,558**
* PV Developer Gap: $4,680,000

The City explained that without an HTRZ, the project would not be able to move forward. Without sufficient HTRZ funding, the city stated that it will severely reduce the number of unites that can be constructed on this lot. The city provided three reasons for the gap:

1. A parking structure is necessary to achieve the required density
2. Additional costs related to zoning and city compliance, boundary restrictions, and increasing material costs and interest rates
3. AMI deed restricted residential units, as required for HTRZ proposals

Sandy City and the developer fielded questions about the parking structure. In their response, they confirmed that the parking is podium style, that it will use lumber framing rather than steel framing, and that the parking structure will accommodate limited retail parking.

Sandy City also discussed the challenges with this specific piece of land. This was in response to questions about why this project has a financing gap when similar projects are going up in other locations in the state.

Committee members discussed the importance of affordable housing for larger, non-studio apartments for families.

The city showed how the residents have walkable access to trails, Frontrunner, and retail. The project will also include bike storage for each apartment.

1. **Zion Public Finance Gap Analysis**

Abby Hunsaker briefly reviewed Zions Public Finance’s analysis. First, she reminded committee members that Zions Public Finance found that this proposal met all of the HTRZ requirements in code. Second, Hunsaker spelled out the three differences that Zions Public Finance found from the city’s application.

1. A clerical error, resulting in an approximate $3 million drop in construction costs that contribute to the gap
2. A difference in rental vacancy rate
3. The CAP rates
4. **Response to Gap Analysis**

Sandy City discussed that Zion Public Finance used CBRE general data on vacancy rates, but the developer is talking with lenders, and believes that their vacancy rates are more consistent. These projections are based off a lender’s perspective.

CAP rate is also different. Zion Public Finance used, again CBRE in early 2022 for a 4 to 4.2% CAP rate. The city’s rebuttal focused on what lenders are using when they are underwriting. They city believes that Zion Public Finance’s analysis was accurate in early 2022, but now that number is at least the 4.5% that the city used in its original proposal.

1. **Deliberation on a Motion**

The committee members, the developer, and Sandy City further discussed the value of the land, the value of the project, and the financing gap. The developer discussed how the project isn’t able to get an economy of scale on this piece of land. They need to be able to either increase revenue or decrease costs in order to get an economy of scale, and they are unable to lower the costs.

Dina Blaes mentioned how the rents are lower than other similar projects that Zion Public Finance to the project.

Representative Schultz mentioned that he did not think this project could pencil.

Senator Harper stressed the importance of setting a good precedent on this first application. He asked whether this is really what HTRZ intended, mentioning that there are great elements and some challenges with this project.

Dina Blaes wanted to acknowledge that affordable housing in Sandy is positive, and that it meets code. Dina also suggested that the committee consider the $1.26 million from Zion Public Finance, and actually increasing that amount to $1.3 million in order to pay for the increased costs associated with the income verification on the deed restricted units. She further suggested that the funds that come from the city tax increment are used toward the costs that are associated with the zoning restrictions. This project is a reasonable starting point.

Beth Holbrook agreed with what Dina said. She also discussed the deed restriction for 25 years, appreciated the adjacent grocery, and that it is also near TRAX to the East side.

Shawn Lambert said he was supportive and discussed the importance of transit-oriented developments.

**Senator Harper moved to approve Sandy City Centennial HTRZ with a length of 25 years at 80%, that the deed restriction runs for 25 years the affordable housing, and that the dollar amount be $1.5 million.**

Dina Blaes seconded the motion.

Jason Gardner said he supported. He mentioned how his office will be supportive based off whether the project is manageable from an administrative standpoint, not from a policy creation standpoint.

Leon said that Canyon School District can support this motion with a $1.5 million cap.

Representative Schultz thanked Sandy City. He discussed how he appreciates the density, and how he appreciates the affordable housing elements. For the future, I do not think we have to include the deed-restricted is necessarily what they need.

Shawn Lambert asked whether this project could go forward without the full amount. The city answered that this would likely not go forward without the full amount.

**Shawn Lambert made the substitute motion to increase the cap to the full amount requested.** Shane Pace seconded that motion.

* Jason Gardner voted yes, because the project is administrable.
* Ben Huot voted yes, as it meets the statutory requirements.
* Dina Blaes voted no, because the subsidy that is given should be justified based off the market failure rather than the tax increment that is available.
* Leon voted no.
* Representative Schultz voted no, saying that it was not an ideal project. I think that the money may not be enough to allow the project to go forward, but that it is not necessarily, what this was designed to do.
* Senator Harper voted no. He stated that he was not comfortable with that much increment.
* Shane Pace voted yes
* Shawn Lambert voted yes
* Beth Holbrook voted no, but stated that she wants to be supportive.
* Dan Hemmert voted yes, saying that he was comfortable with the amount, especially given the clerical error.

**With a tie vote, the substitute motion failed.**

The committee revisited the original motion, which was to **approve Sandy City Centennial HTRZ with a length of 25 years at 80%, that the deed restriction runs for 25 years the affordable housing, and that the dollar amount be $1.5 million.** In a roll call vote, all present voted yes on the original motion. This included Ben Huot, Dina, Leon, Representative Schultz, Senator Harper, Shane Pace, Shawn Lambert, Beth Holbrook, and Dan Hemmert.

1. **Adjourn**