HTRZ Proposal Review

Governor's Office of Economic Opportunity
South Salt Lake City Central Pointe TRAX and S-Line Station
December 2023

ZPFI
ZIONS PUBLIC FINANCE, INC.

REVIEW OF SOUTH SALT LAKE HTRZ PROPOSAL

This independent review of the proposed HTRZ surrounding South Salt Lake's Central Pointe and S-Line stations has been prepared by Zions Public Finance, Inc. (ZPFI) and is prepared in accordance with Utah Code 63N-3-604(3)(b) which requires a gap analysis that includes the following elements:

(i) A description of the planned development;
(ii) A market analysis relative to other comparable project developments included in or adjacent to the municipality or public transit county absent the proposed housing and transit reinvestment zone;
(iii) An evaluation of the proposal to and a determination of the adequacy and efficiency of the proposal;
(iv) An evaluation of the proposed increment capture needed to cover the enhanced development costs associated with the housing and transit reinvestment zone proposal and enable the proposed development to occur; and
(v) Based on the market analysis and other findings, an opinion relative to the minimum amount of potential public financing reasonably determined to be necessary to achieve the objectives described in Subsection 63N-3-603(1).

Description of the Planned Development

The planned development is for a mixed-use development on 99.77 acres on 195 parcels that are located within ¼-mile from either the Central Pointe or S-Line stations.[1]

The proposal development plan includes:

- 5,125 residential units
- 640 affordable units (of the total of 5,125 units)
- 268,000 office sf
- 64,564 retail sf
- 130 hotel keys

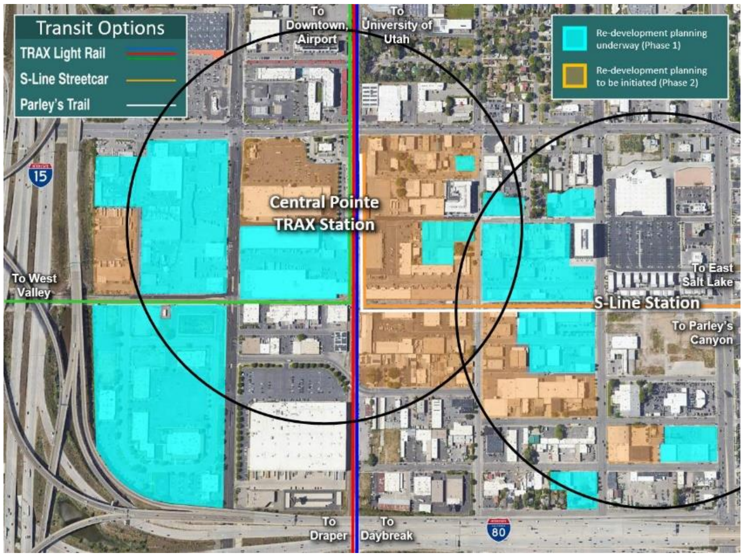

FIGURE 1: PROPOSED HTRZ DEVELOPMENT

[1] While a portion of a parcel may extend outside of the ¼-mile boundary, this is allowable if a portion of the parcel lies within the boundary.

Market Analysis Relative to Other Comparable Project Developments Included in or Adjacent to the Municipality or Public Transit County Absent the Proposed Housing and Transit Reinvestment Zone

Rents in South Salt Lake are higher than in outlying suburban areas but not as high as in Downtown or in Sugar House. The average size of units is slightly larger than rents in other areas, thus driving down the comparative cost per square foot.

MAP 1
SUMMARY OF SURVEYED SUBMARKETS

SUBMARKET	AVERAGE MONTHLY RENT*	AVERAGE SF	AVERAGE RENT/SF	VACANCY
Downtown Salt Lake City	$2,058	799	$2.58	3.1%
Sugar House	$2,024	883	$2.29	4.0%
Granary Ballpark	$1,345	551	$2.44	4.3%
North Temple	$1,370	669	$2.05	3.2%
South Salt Lake	$1,863	920	$2.03	3.1%
Mid-Valley	$1,426	821	$1.74	1.5%
Cottonwood Heights, Sandy & Draper	$1,637	918	$1.77	1.4%
South Jordan, Herriman & West Jordan	$1,675	1,007	$1.66	2.1%

**Weighted average of all units*
Source: Cushman & Wakefield

FIGURE 1: CUSHMAN & WAKEFIELD 2023 APARTMENT MARKET REPORT – RENTS BY SUBMARKET

Rent rates and vacancy rates are shown for South Salt Lake along with unit sizes.

TABLE 8
APARTMENT DATA FOR SOUTH SALT LAKE SUBMARKET, JULY 2023

	STUDIO	ONE BEDROOM	TWO BEDROOM ONE BATH	TWO BEDROOM TWO BATH	THREE BEDROOM TWO BATH	OVERALL
Vacancy	2.7%	3.6%	NA	2.9%	3.1%	3.1%
Rental Rate	$1,358	$1,553	NA	$2,056	$2,686	$1,863
Square Feet	519	653	NA	1,126	1,433	920
Rent/SF	$2.62	$2.38	NA	$1.83	$1.87	$2.03

Source: Cushman & Wakefield

FIGURE 2: CUSHMAN & WAKEFIELD 2023 APARTMENT MARKET REPORT – OVERVIEW OF SOUTH SALT LAKE SUBMARKET

Cushman & Wakefield provides a list of units under construction in 2023. Of the 65 projects listed, only one is in South Salt Lake. Of the total projects listed, 11 are designated as affordable. Ten of the affordable units are planned in Salt Lake City with the remaining affordable unit located in Murray.

Another example of public support for affordable housing is Liberty Corner, located nearby at 300 West and 1300 South in Salt Lake City. This project requested public assistance for 200 units of affordable housing, with many of the units being deeply affordable.

- 78 units at 61-80% of AMI
- 67 units at 41-60% of AMI

- 55 units at <40% of AMI

Cowboy Partners, the developer of Liberty Corners, requested the following amounts:

- $2,000,000 from Olene Walker HOME
- $2,000,000 from Olene Walker NHTF
- $1,000,000 from Salt Lake County
- $3,000,000 from Salt Lake City RDA

We were unable to identify any affordable housing projects which did not have some sort of public financial assistance. We were also unable to locate any multifamily projects with other than standard construction (i.e., 4 stories with surface parking) that were proceeding under market conditions in South Salt Lake where rents are lower than in Downtown.

An Evaluation of the Proposal to and a Determination of the Adequacy and Efficiency of the Proposal

This section evaluates whether or not the Proposal has met all of the requirements of Utah Code 63N-3-604(a) which requires the following elements:

(i) Demonstrates that the proposed housing and transit reinvestment zone will meet the objectives described in Subsection 63N-3-603(1);

(ii) Explains how the municipality or public transit county will achieve the requirements of Subsection 63N-3-603(2)(a);

(iii) Defines the specific transportation infrastructure needs, if any, and proposed improvements;

(iv) Defines the boundaries of:

  a. The housing and transit reinvestment zone; and
  b. The sales and use tax boundary corresponding to the housing and transit reinvestment zone boundary, as described in Section 63N-3-610;

(v) Identifies any development impediments that prevent the development from being a market-rate investment and proposed strategies for addressing each one;

(vi) Describes the proposed development plan, including the requirements described in Subsections 63N-3-603(2) and (4);

(vii) Establishes a base year and collection period to calculate the tax increment within the housing and transit reinvestment zone;

(viii) Establishes a sales and use tax base year to calculate the sales and use tax increment within the housing and transit reinvestment zone;

(ix) Describes projected maximum revenues generated and the amount of tax increment capture from each taxing entity and proposed expenditures of revenue derived from the housing and transit reinvestment zone;

(x) Includes an analysis of other applicable or eligible incentives, grants, or sources of revenue that can be used to reduce the finance gap;

(xi) Evaluates possible benefits to active and public transportation availability and impacts on air quality;

(xii) Proposes a finance schedule to align expected revenue with required financing costs and payments; and

(xiii) Provides a pro-forma for the planned development including the cost differential between surface parked multi-family development and enhanced development that satisfies the requirements described in Subsections 63N-3-603(2), (3) and (4

The following section briefly summarizes how the Proposal has adequately responded to each of these elements as required by law and finds that it has successfully covered these key criteria in detail with the exception of identifying that a reasonable number of multifamily units will have more than one bedroom. The Application provides a detailed explanation and a clear summary for each factor.

(i) ***Demonstrates that the proposed housing and transit reinvestment zone will meet the objectives described in Subsection 63N-3-603(1)***

(a) Higher utilization of public transit:
Most of the 5,125 residential units, as well as the 268,000 sf of office space will be located within ¼ mile (5-minute walk) of one of the stations. In order to promote walkability and ridership in this area, the City has adopted a form-based code that includes "complete streets" that encourage street-level urbanism, promote walking, support public transportation, and encourage use of streets as public space.

In addition, the convergence of streetcar and three TRAX lines in this area will encourage use of public transit. The proposed 1,228-unit Intermountain Development within the HTRZ is less than 150 feet from the Central Pointe TRAX Station. The developers propose to incorporate a seamless integration of their building lobby and the Station.

(b) Increasing availability of housing, including affordable housing;
The HTRZ includes 5,125 housing units, or 51.37 units per acre of high-density housing over the entire 99.77-acre area. In total, 89 percent of the HTRZ's planned developable square footage will be residential. While exempt from the affordable housing requirement (the average income in South Salt Lake is lower than 60 percent of AMI), South Salt Lake is committed to restricting 12.5 percent of the units for households with a gross household income equal to or less than 80 percent of AMI.

(c) Improving efficiencies in parking and transportation, including walkability
South Salt Lake states in the Application that it is committed to building parking structures around transit stations in order to achieve higher densities and thereby improve walkability.

(d) Overcoming development impediments and market conditions
Development impediments listed in the Application include:

- Low rents in South Salt Lake in comparison to Salt Lake City albeit with similar construction costs;[2]
- Reduced rents with moderate-income housing for 12.5 percent of housing units planned;
- High cost of parking structures (6,336 stalls planned) and building heights in comparison to Type V standard construction costs;
- High water table that necessitates the use of geo-piers for parking structures;

[2] CBRE shows 2023 average rents of $2.06 per sf in South Salt Lake compared to average rents of $2.54 per sf in Salt Lake City

- Land and demolition costs in an area undergoing redevelopment;
- Upgrades to infrastructure capacity. Sewer alone is anticipated to cost $31.65 million;
- Infill development around Central Pointe also includes other redevelopment costs like burying power lines, environmental remediation, and public enhancements like sidewalks, parks, bike routes, trail improvements, public art, transit access upgrades, and roadway improvements; and
- The cost of staging construction materials, managing traffic flow, crane placement, and implementing safety precautions goes up significantly to build in this commercially active area.

(e) **Conservation of water resources through efficient land use;**
The Applicant states that water resources will be conserved through higher-density development which results in less landscaping and through its water conservation design standards that are part of the City's Landscape Handbook.

(f) **Improving air quality by reducing fuel consumption and motor vehicle trips;**
The Applicant states that studies have shown that transit-oriented developments within a 1/4-mile of transit stations reduce vehicle trips between 25-50 percent. This decrease in vehicle trips will reduce the amount of carbon monoxide, hydrocarbons, and other harmful emissions, improve air quality, decrease fuel consumption, and reduce the dilapidation of the region's highways and roads.

(g) **Encouraging transformative mixed-use development and investment in transportation and public infrastructure in strategic areas;**
The Applicant states that this HTRZ will be the State's first completely redeveloped TOD, thereby transforming a deteriorating, industry-focused area into a vibrant, creative, mixed-use center for the City.

(h) **Strategic land use planning in major land use investment corridors;**
Downtown South Salt Lake is identified as an "Urban Center" in the Wasatch Front Regional Council's Wasatch Choice 2050 Plan. This is a strategic site with streetcar and 3 TRAX line connections.

(i) **Increasing access to employment and educational opportunities;**
Central Pointe Station has direct access to the University of Utah via the TRAX Red Line. The area currently hosts 196 businesses and 2,929 workers. Additional housing in the area will provide close access to many employment opportunities thereby easing housing/transportation costs for this population.

(j) **Increasing access to childcare.**
The Applicant states that the Downtown SSL HTRZ will assist working parents with connecting them to additional childcare choices, especially for parents who rely on transit and other forms of public transportation.

(ii) ***Explains how the municipality or public transit county will achieve the requirements of Subsection 63N-3-603(2)***

(a) **At least 10 percent of the proposed dwelling units are affordable**

The Proposal states that the development will include 640 affordable housing units which represents 12.5 percent of the 5,125 housing units planned for the HTRZ.

(b) At least 51 percent of the developable area includes residential uses with an average density of 50 units or greater

The HTRZ includes 5,125 housing units, or 51.37 units per acre of high-density housing over the entire 99.77-acre area. In total, 89% of the HTRZ's planned developable square footage will be residential.

(c) Includes mixed-use development

The Proposal includes 5,125 residential units, 268,000 square feet of office space, 64,564 square feet of retail and a hotel with 130 rooms.

(d) A mix of dwelling units to ensure that a reasonable percentage of units has more than one bedroom.

The Application does not identify a breakout of units by number of bedrooms.

(iii) *Defines the specific transportation infrastructure needs, if any, and proposed improvements;*

The City's Downtown Master Plan is divided into four subdistricts, including the Station and Greenway Districts. These two stations will require significant investment in parking, transportation, trail connectivity, linear parks and green space and community gathering spaces.

The Central Pointe Station will require significant improvements to be highly functional and to support transit-oriented development. Additional transportation infrastructure improvements include Parley's Trail improvements, designated bike lanes and other first/last mile upgrades.

(iv) *Defines the boundaries of:*

a. The housing and transit reinvestment zone; and

b. The sales and use tax boundary corresponding to the housing and transit reinvestment zone boundary, as described in Section 63N-3-610;

The Proposal clearly sets forth the boundaries, as well as listing the individual parcels proposed to be included in the HTRZ.

(v) *Includes specified maps*

Boundary maps have been included, and housing density discussed, although no housing density map was included. No existing and proposed zoning change maps were included.

(vi) *Identifies any development impediments that prevent the development from being a market-rate investment and proposed strategies for addressing each one;*

The Proposal identifies market impediments to the planned development being a market rate investment including:

- Low rents in South Salt Lake in comparison to Salt Lake City albeit with similar construction costs;[3]

[3] CBRE shows 2023 average rents of $2.06 per sf in South Salt Lake compared to average rents of $2.54 per sf in Salt Lake City

- Reduced rents with moderate-income housing;
- High cost of parking structures (6,336 stalls planned) and building heights in comparison to basic Type V construction costs;
- High water table necessitates the use of geo-piers for parking structures;
- Land and demolition costs in an area undergoing redevelopment;
- Upgrades to infrastructure capacity. Sewer alone is anticipated to cost $31.65 million
- Infill development around Central Pointe also includes other redevelopment costs like burying power lines, environmental remediation, and public enhancements like sidewalks, parks, bike routes, trail improvements, public art, transit access upgrades, and roadway improvements; and
- The cost of staging construction materials, managing traffic flow, crane placement, and implementing safety precautions goes up significantly to build in this commercially active area.

(vii) Describes the proposed development plan, including the requirements described in Subsections 63N-3-603(2) and (4);

The following specific requirements are included:

- *At least 10% of the proposed dwelling units within the housing and transit reinvestment zone are affordable housing units;*
  The Proposal states that the development will include 640 affordable housing units which represents 12.5 percent of the 5,125 housing units planned for the HTRZ.

- *At least 51% of the developable area within the housing and transit reinvestment zone includes residential uses with, except as provided in Subsection (4)(c), an average of 50 dwelling units per acre or greater;*
  The HTRZ includes 5,125 housing units, or 51.37 units per acre of high-density housing over the entire 99.77-acre area. In total, 89% of the HTRZ's planned developable square footage will be residential.

- *Mixed-use development*
  The Proposal includes 5,125 residential units, 268,000 square feet of office space, 64,564 square feet of retail and a hotel with 130 rooms.

- *Mix of dwelling units to ensure that a reasonable percentage of the dwelling units has more than one bedroom*
  The Application does not identify a mix of unit sizes by number of bedrooms.

- *Is within a 1/4-mile* radius
  Based on Utah Code (63N-3-603(4)(b)(i)(A)(i)), the proposed HTRZ may extend for a 1/4-mile radius. The Application states that the proposed development is within 1/4-mile radius of the station. The HTRZ area includes 195 parcels, which are detailed in the appendix. Parcels that are part of planned projects in which part of the project is within 1/4-mile of the stations have been included in the HTRZ.

(viii) Establishes a base year and collection period to calculate the tax increment within the housing and transit reinvestment zone;

The Proposal identifies a 30-year collection period, maximum of 15 years collection period per parcel, with 2022 as the base year and 2025 as the trigger year.

(ix) Establishes a sales and use tax base year to calculate the sales and use tax increment within the housing and transit reinvestment zone;

The Application includes 2022 as the base tax year. However, based on recent input from the State Tax Commission, the following guidelines may apply which would change the base year:

Prospectively established sales and use tax base year - Once the official sales and use tax boundary is settled, the Tax Commission will require 1 year of collection data to set the sales and use tax base amount within the defined boundary. To begin collecting the data necessary to determine the base amount, the Tax Commission must establish the new boundary with impacted sellers and provide notice of modified reporting requirements. As a result, implementation of a new sales and use tax boundary cannot take effect until the beginning of a calendar quarter after 90 days notice has elapsed. This means that if this proposed sales and use tax boundary is adopted by December 31, 2023, the base year can begin on April 1, 2024 and increment generation can begin on April 1, 2025. If this sales and use tax boundary is not adopted by December 31, 2023, the commencement date for sales and use tax base year will be delayed accordingly.

(x) Describes projected maximum revenues generated and the amount of tax increment capture from each taxing entity and proposed expenditures of revenue derived from the housing and transit reinvestment zone;

The Application projects tax revenues of $179 million to the HTRZ over the 30-year period, based on 80 percent of incremental revenue and a maximum of 15 years per parcel. ZPFI has included an analysis of tax increment revenues in Appendix A and calculated a similar number at roughly $184 million.

(xi) Includes an analysis of other applicable or eligible incentives, grants, or sources of revenue that can be used to reduce the finance gap;

The Application identifies the following funding mechanisms that could be used to fund or reduce the finance gap:

- Public Infrastructure District (PID) established to pay for the $31.65 million needed in sewer infrastructure;
- Located within an Opportunity Zone which could attract private investment; and
- Salt Lake County and the City of South Salt Lake are willing to contribute to environmental remediation efforts

(xii) Evaluates possible benefits to active and public transportation availability and impacts on air quality;

The Applicant states that studies have shown that transit-oriented developments within a 1/4-mile of transit stations reduce vehicle trips between 25-50 percent. This decrease in vehicle trips will reduce the amount of carbon monoxide, hydrocarbons, and other harmful emissions, improve air quality, decrease fuel consumption, and reduce the dilapidation of the region's highways and roads.

(xiii) ***Proposes a finance schedule to align expected revenue with required financing costs and payments; and***

The Proposal includes a pro forma with projected revenues by year. Financing costs are also included although there is no timing schedule for the financing costs and infrastructure costs.

(xiv) ***Provides a pro-forma for the planned development including the cost differential between surface parked multi-family development and enhanced development that satisfies the requirements described in Subsections 63N-3-603(2), (3) and (4)***

The Applicant has provided a pro forma which includes a comparison of surface parked, market driven multi-family development as well as the enhanced multi-family development that can be achieved with a HTRZ. No pro formas have been included for office, retail or hotel development and therefore no analysis has been conducted of these land use types.

An Evaluation of the Proposed Increment Capture Needed to Cover the Enhanced Development Costs Associated with the Housing and Transit Reinvestment Zone Proposal and Enable the Proposed Development to Occur

This section discusses added costs to the developer from four components:

1) Increased costs of construction for multi-family development with greater densities and heights, including structured parking;
2) Increased costs of structured v. surface parking for 6,336 parking stalls;
   The Applicant notes that there is a high water table in South Salt Lake which requires the use of geo-piers for structured parking, thus increasing costs even further; and
3) Reduced rents associated with affordable housing.

The Applicant also notes additional costs for bringing infrastructure that can support higher densities of development into the area and the added costs of demolition and land for purchasing properties for redevelopment.

Parking Structures

The Applicant states that, "the Downtown SSL area has a high water table, which necessitates the use of geo-piers for parking structures planned within the HTRZ, increasing the cost per structured stall to $45,000, which is $10,000-$15,000 higher per structured stall than found in other parts of the Salt Lake Metro area."

The Applicant provides the following analysis of the increased costs associated with parking structures.

TABLE 1: APPLICANT'S PROJECTION OF INCREASED COSTS WITH PARKING STRUCTURES

	Cost per Stall	Total Stalls	Total Cost	Cost Difference
Market Cost	$3,500	6,336	$22,176,000	-
(Surface)	$45,000		$285,120,000	$262,944,000

	Cost per Stall	Total Stalls	Total Cost	Cost Difference
Structured in South Salt Lake				

However, there will be some savings in land costs with structured parking in comparison to surface parking. Generally speaking, one acre of land can fit about 144 surface parking stalls. The costs provided in the analysis appear to show construction costs only as the total cost per acre ($3,500 x 144) equals roughly $504,000. Land costs in South Salt Lake are, according to the Applicant, between $3 -$4 million per acre which adds about $21,000 to the cost of each surface parking stall for a total cost of roughly $24,500 per stall. On the other hand, structured parking can save land costs. Land costs determine when structured parking becomes more feasible than surface parking. Assuming a savings of 50 percent of land area with structured parking, total costs reach $55,500 ($45,000 + $10,500).[4] This equates to a difference of $31,000 per stall, **or a total difference of $196 million in parking costs**.[5]

Construction Costs

Research from various construction companies active in the Salt Lake Valley suggests that costs for construction vary considerably depending on the site. Recent applications from other cities have shown a cost (not including land or parking) ranging between $308 and $363 per sf). The costs in the table below are for a mix of Type 5 wrap and Type 3A podium construction. Costs for South Salt Lake are slightly higher but within the range of buildings with greater heights.

TABLE 2: COMPARATIVE DEVELOPMENT COST PROJECTIONS

	South Salt Lake	South Jordan	Lehi
Total Costs	$107,815,085	$96,970,000	$105,027,105
Less Land	($7,500,000)	($3,750,000)	($3,293,135)
Less Parking	($13,050,000)	($10,000,000)	($13,725,000)
Total for Comparison	$87,265,085	$83,220,000	$88,008,970
SF	234,551	229,500	285,752
Cost per SF	**$372**	**$363**	**$308**

A major difference between South Salt Lake and South Jordan and Lehi is the greater density planned for South Salt Lake, thus suggesting greater building heights to achieve the desired density and therefore somewhat higher costs overall.

TABLE 3: COMPARATIVE DENSITIES OF RESIDENTIAL DEVELOPMENT

Description	SSL	South Jordan	Lehi
Total Acres	100	107	53
Total Residential Units	5,125	4,724	1,800

[4] 50 percent of $21,000

[5] The Applicant may have included a reduced land cost for structured parking in its overall pro forma but it was difficult to distinguish what land costs were attributable to higher costs for purchasing redevelopment properties and the actual amount of land purchased for parking.

Description	SSL	South Jordan	Lehi
Residential Units per Acre - Total Acres	51	44	34

A cost of $260 per sf for Type V market rate construction (not including land and parking) is used in the comparative analysis below that shows the difference in costs between market-rate 4-story multi-family construction and enhanced construction with construction costs of $372 per sf for greater density and height. Parking is considered separately in this analysis.

TABLE 4: COMPARATIVE CONSTRUCTION COSTS OF DEVELOPMENT – TYPICAL V. ENHANCED

Description	Amount
Type V Typical	
Cost per sf (not incl. parking & land)	$260
Average unit size	816
Number of Units	5,125
RSF	$1,087,320,000
GSF	$1,196,052,000
Enhanced Construction	
Cost per sf (not incl. parking & land)	$372
Average unit size	816
Number of Units	5,125
RSF	$1,555,922,958
GSF	$1,711,515,253
Difference - GSF	$515,463,253
Difference per Unit	**$100,578**

When added parking costs of roughly $31,000 per stall are included (1.5 stalls per unit on average), this results in added costs of $147,000 per unit which is similar to the difference in cost per unit of $146,000 per unit submitted by the Applicant.

Valuation Analysis

A second way of analyzing the impacts of the increased construction costs with enhanced construction is by taking the net operating income and dividing by a cap rate of 5.0 percent to get a market value (based on land and construction costs only). The value per unit is then compared to the construction cost per unit under both the enhanced and market driven scenarios to calculate a market spread per unit. The gap between the two scenarios is then calculated as approximately $75,000 (based on land and construction costs only), not including parking costs. Parking costs were calculated above at about $31,000 per stall. With 1.5 parking stalls per unit, on average, the loss in value per until would be roughly $125,000.

TABLE 5: PROFIT ANALYSIS FROM CONSTRUCTION COST IMPACTS ONLY

Capitalization Rate	Market NOI	Value	Per Unit	Enhanced Market Value Spread with Costs per Unit	Market Driven Spread with Costs per Unit	Amt per Unit to Equalize Profit
5.0%	$3,918,423	$78,368,456	$313,474	($65,587)	$9,490	$75,076

Affordable Housing Units

In addition to the gaps in housing construction costs, the developer would need to be incentivized to build affordable housing units throughout the project. This is because the developer receives lower rents for affordable units as compared to market rents and incurs additional costs for administration and bookkeeping.

Based on HUD guidelines, a household should not spend more than 30 percent of total household income on housing costs, including utilities. The Applicant suggests that market rents in the area average $1,702 per month and that affordable rents (at 80% of AMI) would be $1,530 – a difference of $172 per unit per month.[6]

The Applicant provided the following analysis of loss in valuation per affordable housing unit based on 250 units in a project and an average rent rate of $2.03 per sf (CoStar). Our research is very similar with Cushman & Wakefield showing an average rent rate of $2.06 per sf in South Salt Lake.

TABLE 6: APPLICANT'S ESTIMATE OF HOUSING VALUE LOSS WITH 12.5% AFFORDABLE UNITS

CAP Rate	Market NOI	Value	12.5% Affordable NOI	Value	Variance Above (Below) Market	Loss per Unit
4.5%	$3,930,350	$87,341,111	$3,866,366	$85,919,244	($1,421,867)	($45,867)
4.75%	$3,930,350	$82,744,211	$3,866,366	$81,397,179	($1,347,032)	($43,453)
5.0%	$3,930,350	$78,607,000	$3,866,366	$77,327,320	($1,579,680)	($41,280)

Using ZPFI's affordable housing model achieved almost the same results, with a slightly higher estimated loss of over $45,000 per affordable unit given a 5.0 percent CAP rate. With a total of 640 planned affordable units, this results in a total loss of over $29 million in value. The Applicant suggests a loss of $26.4 million.

TABLE 7: ZPFI'S ESTIMATE OF HOUSING VALUE LOSS WITH 12.5% AFFORDABLE UNITS

Capitalization Rate	Market NOI	Value	12.5 Affordable NOI	12.5% Value	Loss in Value	Loss per Affordable Unit
4.0%	$3,918,423	$97,960,570	$3,847,957	$96,198,914	($1,761,656)	($56,828)
4.50%	$3,918,423	$87,076,062	$3,847,957	$85,510,146	($1,565,917)	($50,513)
5.0%	$3,918,423	$78,368,456	$3,847,957	$76,959,131	($1,409,325)	($45,462)
6.0%	$3,918,423	$65,307,047	$3,847,957	$64,132,609	($1,174,438)	($37,885)

Based on the Market Analysis and Other Findings, an Opinion Relative to the Minimum Amount of Potential Public Financing Reasonably Determined to be Necessary to Achieve the Objectives Described in Subsection 63N-3-603(1)

The Applicant's analysis and that of ZPFI yield highly similar results with the only significant difference being ZPFI's reduction for land costs associated with the reduced amount of land required for structured parking as compared to surface parking.

[6] This is a comparatively low difference in market rents and affordable rents for 80% of AMI. For example, along the Tech Corridor, the difference in market rent and affordable rents for a 2-person household for 80% of AMI is $376 per month. This has a large impact on the comparable loss in valuation, thereby making the impact in South Salt Lake much smaller.

Table 8: Comparison of Funding Gap Calculations

	Applicant	ZPFI
HTRZ 80% of Increment	$176,983,123	$184,000,000
Enhanced Construction (not incl. pkg)	$485,306,000	$515,463,253
Parking	$262,944,000	$196,000,000
Affordable Housing Impact	$26,432,000	$29,000,000
Total Enhanced Costs	$774,682,000	$740,463,253
Gap with HTRZ Funds	**($597,698,877)**	**($556,463,253)**

Appendix A – Tax Increment Projections

APPENDIX A

BUDGET	TOTAL	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Property Valuation																				
Residential		$222,099,167	$849,511,800	$1,320,334,009	$1,558,197,313	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,796,060,617	$1,573,961,450	$946,548,818	$475,726,608	$237,863,304
Office		$4,687,788	$43,752,691	$43,752,691	$56,774,325	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$69,795,959	$65,108,171	$26,043,268	$26,043,268	$13,021,634
Hotel		$0	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$16,909,933	$0	$0	$0
Less: 2022 Building Valuations		($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)	($86,766,281)
Less: Base Year Value		($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)	($193,190,009)
TOTAL Assessed Incremental Value		($53,169,334)	$630,218,133	$1,101,040,343	$1,351,925,281	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,602,810,219	$1,376,023,264	$692,635,796	$221,813,586	($29,071,352)
Reduced for Assessor Valuation		**($47,852,401)**	**$567,196,320**	**$990,936,309**	**$1,216,732,753**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,442,529,197**	**$1,238,420,937**	**$623,372,216**	**$199,632,227**	**($26,164,217)**
TIF at 100%																				
Salt Lake County		($69,817)	$827,539	$1,445,776	$1,775,213	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$2,104,650	$1,806,856	$909,500	$291,263	($38,174)
Granite School District		($301,997)	$3,579,576	$6,253,799	$7,678,800	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$9,103,802	$7,815,675	$3,934,102	$1,259,879	($165,122)
South Salt Lake City		($122,741)	$1,454,859	$2,541,752	$3,120,920	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,700,087	$3,176,550	$1,598,950	$512,057	($67,111)
South Salt Lake Valley Mosquito Abatement		($431)	$5,105	$8,918	$10,951	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$12,983	$11,146	$5,610	$1,797	($235)
Central Utah Water		($19,141)	$226,879	$396,375	$486,693	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$577,012	$495,368	$249,349	$79,853	($10,466)
Salt Lake County Library		($18,471)	$218,938	$382,501	$469,659	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$556,816	$478,030	$240,622	$77,058	($10,099)
TOTAL	**$229,612,961**	**($532,597)**	**$6,312,895**	**$11,029,121**	**$13,542,236**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$16,055,350**	**$13,783,625**	**$6,938,133**	**$2,221,907**	**($291,208)**
TIF at 80%																				
Salt Lake County		($55,853)	$662,032	$1,156,621	$1,420,170	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,683,720	$1,445,485	$727,600	$233,011	($30,539)
Granite School District		($241,597)	$2,863,661	$5,003,039	$6,143,040	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$7,283,041	$6,252,540	$3,147,282	$1,007,903	($132,098)
South Salt Lake City		($98,193)	$1,163,887	$2,033,401	$2,496,736	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,960,070	$2,541,240	$1,279,160	$409,645	($53,689)
South Salt Lake Valley Mosquito Abatement		($345)	$4,084	$7,135	$8,760	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$10,386	$8,917	$4,488	$1,437	($188)
Central Utah Water		($15,313)	$181,503	$317,100	$389,354	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$461,609	$396,295	$199,479	$63,882	($8,373)
Salt Lake County Library		($14,777)	$175,150	$306,001	$375,727	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$445,453	$382,424	$192,497	$61,646	($8,080)
TOTAL	**$183,690,369**	**($426,078)**	**$5,050,316**	**$8,823,297**	**$10,833,788**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$12,844,280**	**$11,026,900**	**$5,550,506**	**$1,777,525**	**($232,966)**