Where We Are Going And How We Adapt

Retail Sector

Retail Apocalypse!

2020 – All time record for retail store closings!

Major Store Closings

CVS
BED BATH & BEYOND
AMERICAN EAGLE OUTFITTERS
macy's
GAP
JCPenney
Justice
VICTORIA'S SECRET

Retail Sector

Retail Rebounding!

2021 – More stores opened than closed!

Major Store Openings

Retail Sector

Instore spending is still higher than online spending

Impulse Spending - 70% of in-store customers spend more than $50 per transaction. Only 46% of online customers spend more than $50 per transaction

New mantra of retailers

"Being present for the customer however and whenever they want"

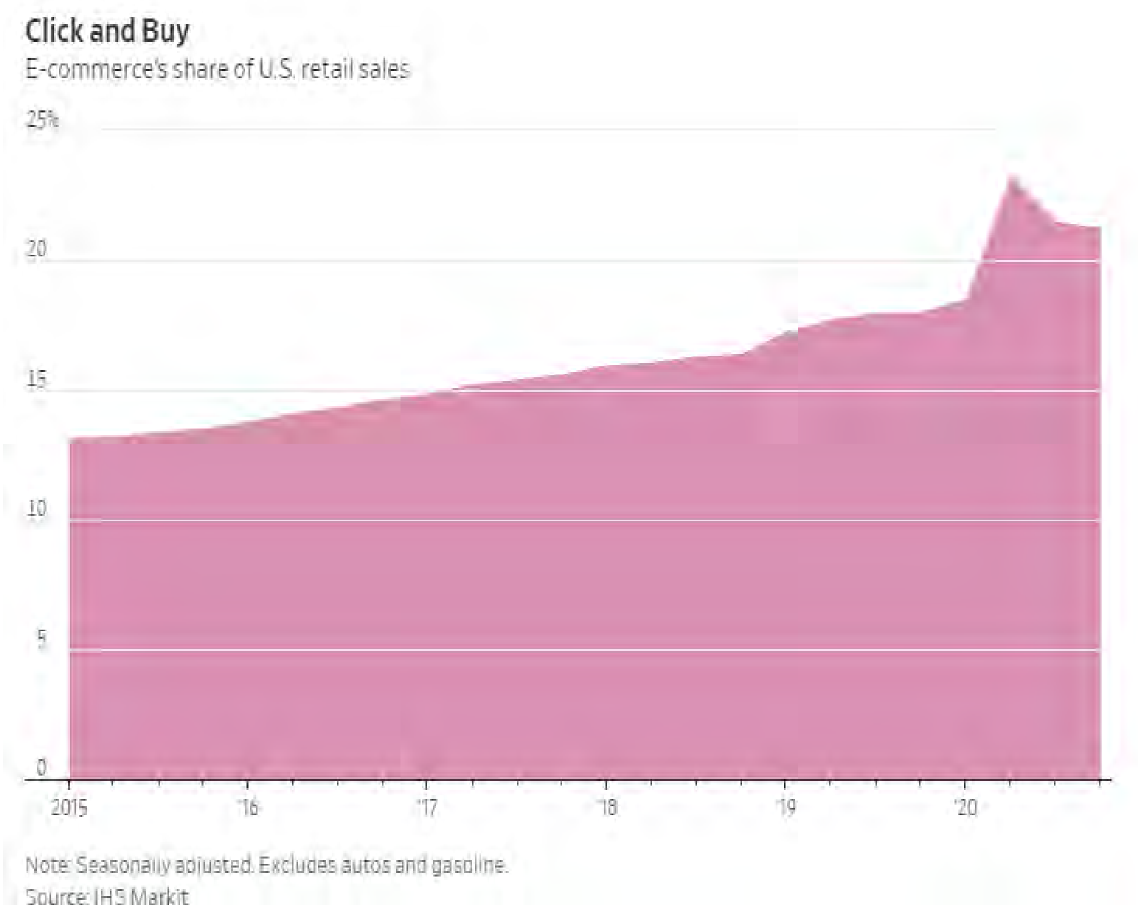
- Drive thru options, delivery, easy returns, online features

Retail Sector

Number of Online Shoppers Worldwide

- 2016 – 1.6 billion
- 2018 – 1.8 billion
- 2021 – 2.2 billion

Percent of Internet Sales of All Retail Sales


Click and Buy
E-commerce's share of U.S. retail sales
25%
20
15
10
5
0
2015
'16
'17
'18
'19
'20
Note: Seasonally adjusted. Excludes autos and gasoline.
Source: IHS Markit


FRED
E-Commerce Retail Sales
Millions of Dollars
240,000
200,000
160,000
120,000
80,000
40,000
0
2000
2005
2010
2015
2020
Source: U.S. Census Bureau

Proportion of U.S. grocery spend made online
% of all U.S. take-home grocery retail spend that is made online each year
10
8
6
4
2
0
1.8
1.9
2.1
2.3
2.7
3.5
4.1
4.8
5.5
6.4
7.4
8.6
9.7
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Source: GlobalData analysis and forecasts

TAXABLE SALES – Q319---Q320---Q321

City	% change from 3Q19 to 3Q20	% change from 3Q20 to 3Q21
Salt Lake City	-5.96%	25.77%
Saratoga Springs	50.11%	34.29%
Logan	19.21%	16.57%
Kanab	-0.01%	14.86%
Ogden	12.77%	13.96%
Farmington	-18.07%	50.12%
St. George	18.20%	17.92%
Garden City	28.89%	26.84%
Moab	14.87%	10.29%
Washington	24.14%	19.57%
Springdale	12.11%	13.83%
Park City	-4.87%	38.98%
Heber City	19.70%	17.57%
Beaver	20.63%	18.41%
Cedar City	18.86%	12.71%

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Utah State Tax Commission

RETAIL SECTORS - UTAH	
Sector	% change from 3Q20 to 3Q21
Clothing	25.86%
Arts, Entertainment, Rec	44.50%
Accommodations	59.56%
Food Services (restaurants)	26.71%
General Merchandise	10.01%
Nonstore retailers (online)	16.42%
Sporting goods, hobby, music	8.45%
Food and Beverage (grocery)	0.52%
Manufacturing	20.00%
Construction	16.41%
Building Materials, Garden Equipment	22.38%

Utah State Tax Commission

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What is Happening to Retail Space Needs?

Retail Space Needs Per Capita	
Year	Space Needs Per Capita – Square Feet
2000	25
2017	20
2022	15

Current population = 35,000
2000 Space Needs = 875,000 sq.ft.
2017 Space Needs = 700,000 sq.ft.
2022 Space Needs = 525,000 sq.ft.

Retail Market Summary

- Consumer is still purchasing, but notable increase in online spending results in expedited shift
- Likely increase in bankruptcies as federal stimulus dollars wear off
- Nimble and agile have been rewarded
- Space needs per capita are significantly declining

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Retail Market Summary - Continued

- Rise of “ghost” kitchens
- More focus on convenience – drop-off, drive-through, less dining space
- Grocery store adaptations – more warehousing, more delivery

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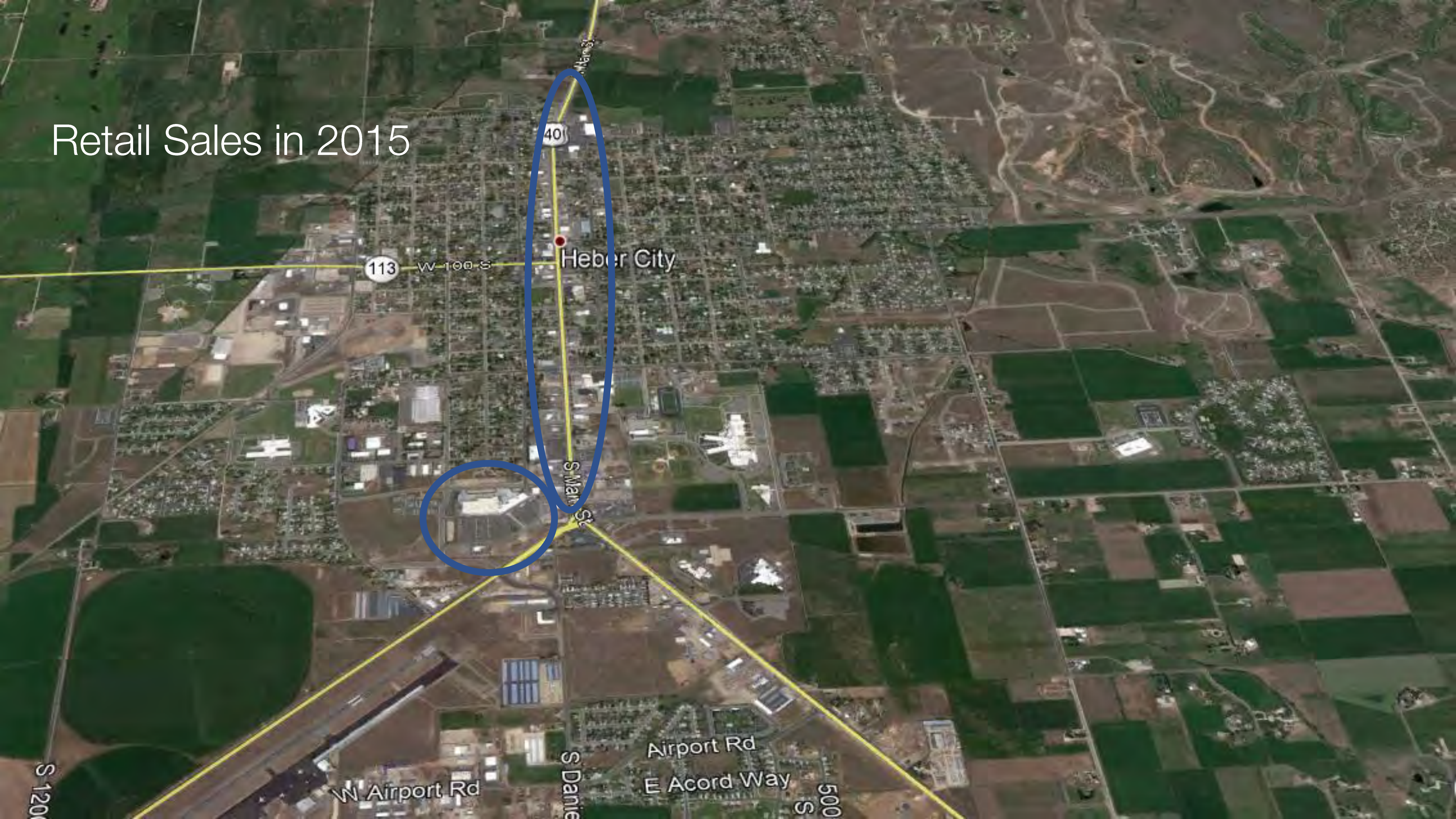
Retail Sales in 1997

Retail Sales in 2015



Retail Sales in 2022

Which Building Generates More Sales Tax to the City?

$3,500 to city per year

$7,800 to city per year
- Sales tax from online sales
- Sales tax from population distribution

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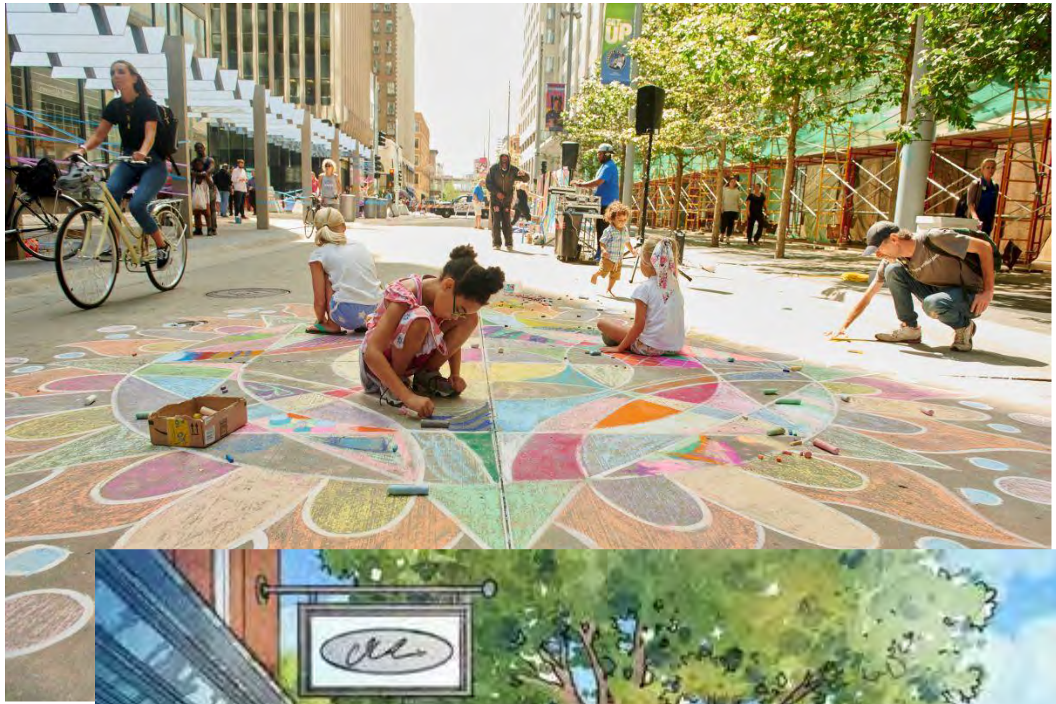
How does a City adapt to changing sales patterns?



Hospitality Market Summary

- Federal stimulus propped up the industry. Will see more consolidation but tourism spending is back on the upswing
- Remains a softer market for "full service" hotels
- "Traveler" hotels, garden-style, etc., have rebounded well from previous lows
- Occupancy in some markets was near 20 percent, while most recent trends show improvement to near 50-70 percent occupancy

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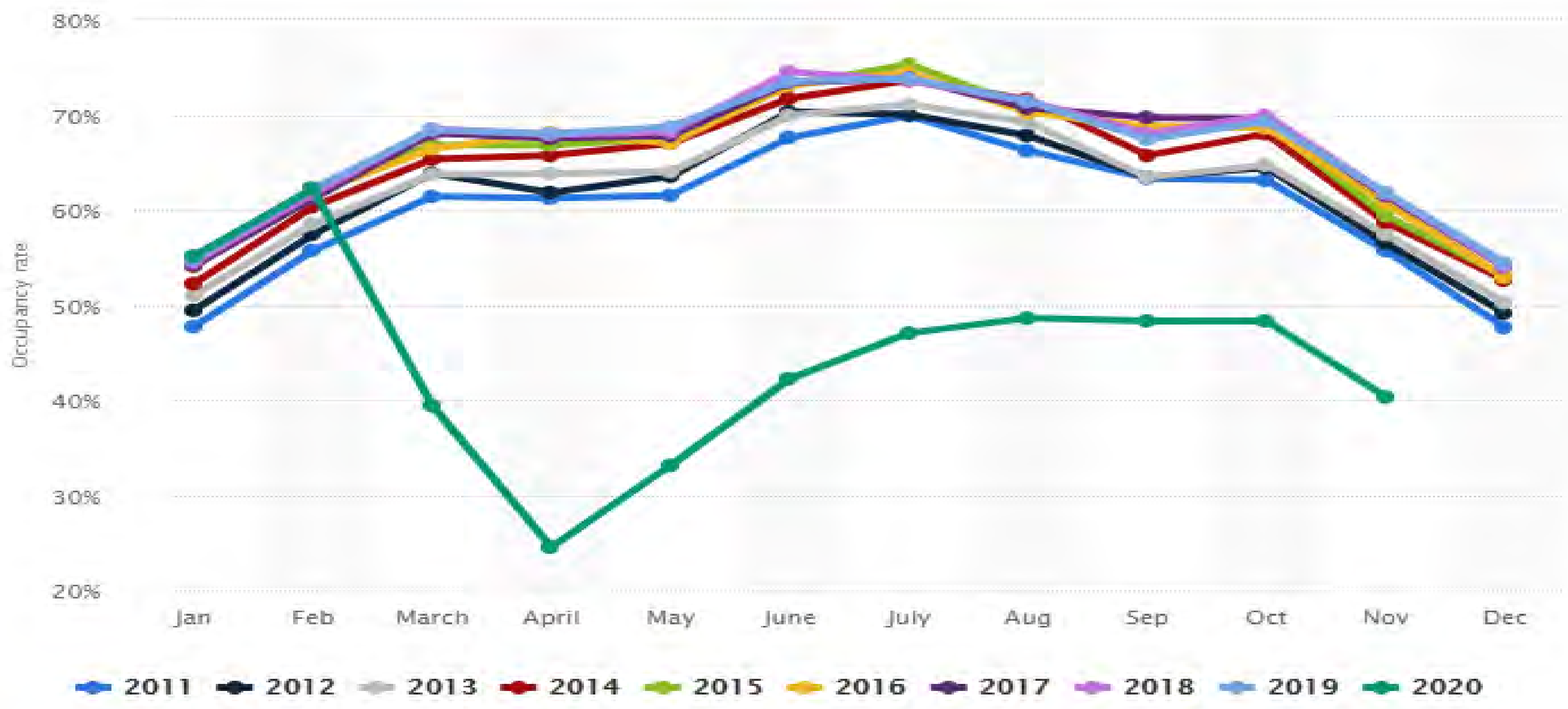
Hotel Occupancy Rates



Office Overview

- Office Market – better than anticipated
  - Still “wait and see” approach with return to office vs. remote
  - Need for additional pre-leasing
  - A lot of Class B sublease space to enter market in 2022
  - Market may remain healthy for smaller users in Class A locations
  - Likely 5% -10% decline in achievable office rates in 2022 through concessions and market weakness
  - Solid increase in office “hoteling”

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Office Overview - Adapting

- Prior to COVID, daytime population (employment) was emerging as a key driver for commercial users
- Vacant offices, “hoteling,” uncertainty about long-term remote work, have changed retailers expectations

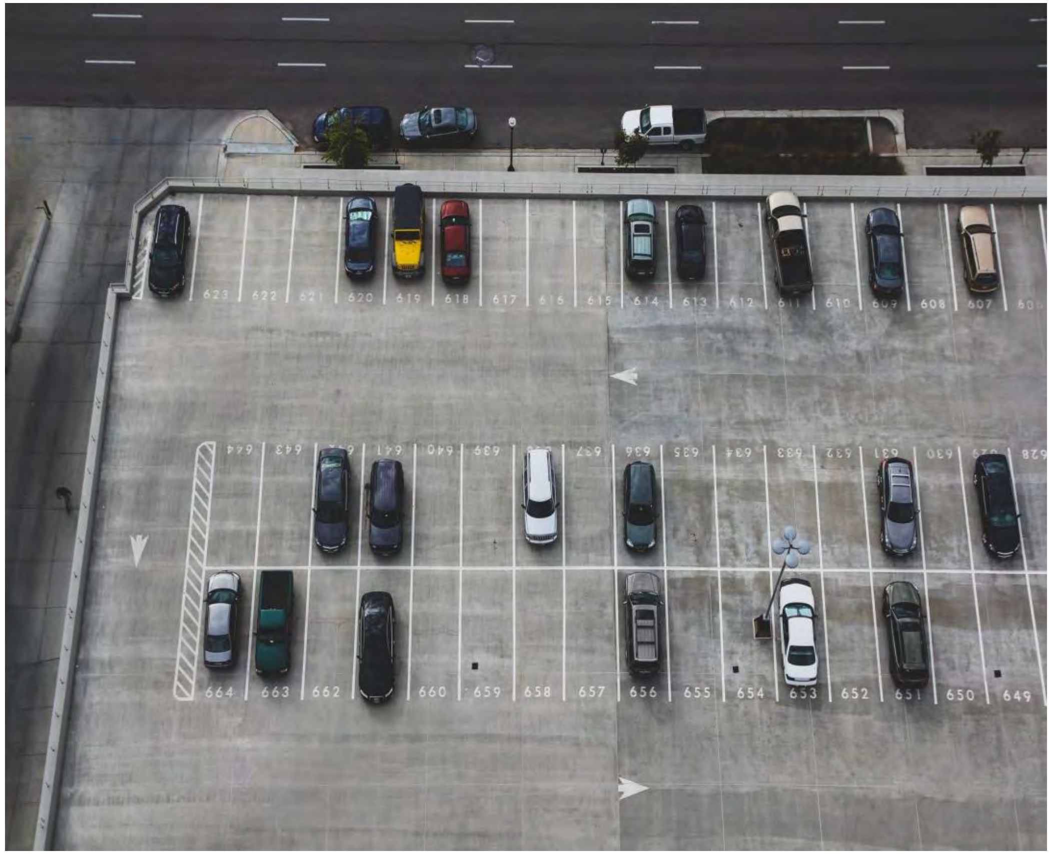
Office Space Lease Characteristics		
Year	Sq.Ft. Per Employee	Needed Parking
1990	250 Sq.Ft.	4.0 Spaces Per 1,000
2000	225 Sq.Ft.	4.5 Spaces Per 1,000
2010	200 Sq.Ft.	5.0 Spaces Per 1,000
2019	180 Sq.Ft.	5.5 Spaces Per 1,000
2022	225 sq.ft. ??	4.5 spaces per 1,000 ??

Office Parking Characteristics		
Parking Needs	100,000 square foot building = 445 employees	Total Acres Needed – surface parking
4.5 spaces per 1,000	450 spaces	3.6 acres for parking
5.0 spaces per 1,000	500 spaces	4.0 acres for parking
5.5 spaces per 1,000	550 spaces	4.4 acres for parking

Cost of Surface Space ~ $4,500 per space
- 500 spaces = $2.25 million

Cost of above grade garage space ~ $21,000
- 500 spaces = $10.5 million

Cost of below grade garage space ~ $30,000
- 500 spaces = $15.0 million



Office rent premium for covered parking spaces in suburban markets = nominal

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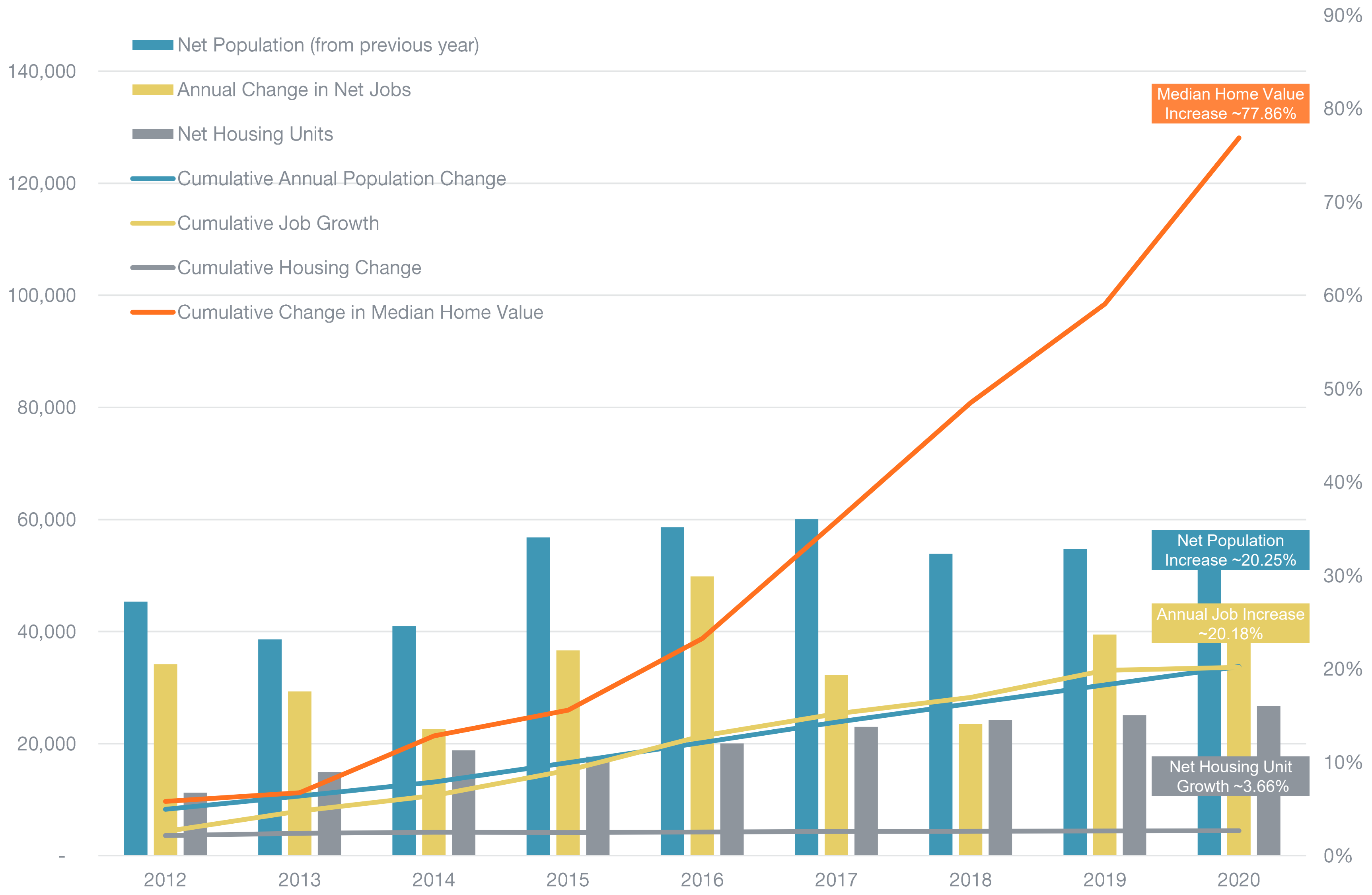
Utah Residential Market 2010 – 2020



Healthy Market Housing Supply = 10 Months

Current Utah Housing Supply = Five Weeks

50,000 home deficit in 2022

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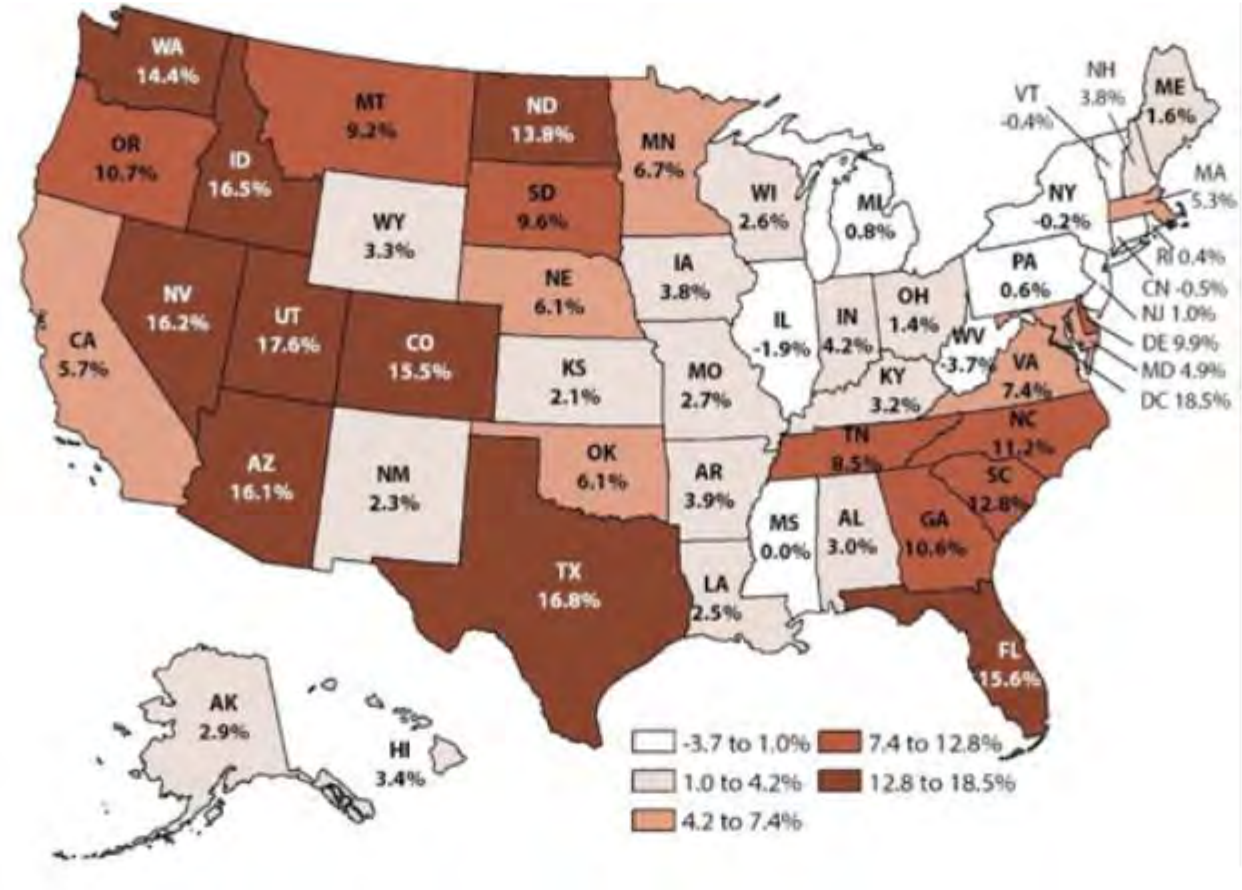
Utah Population Growth Rate – 2010-2020



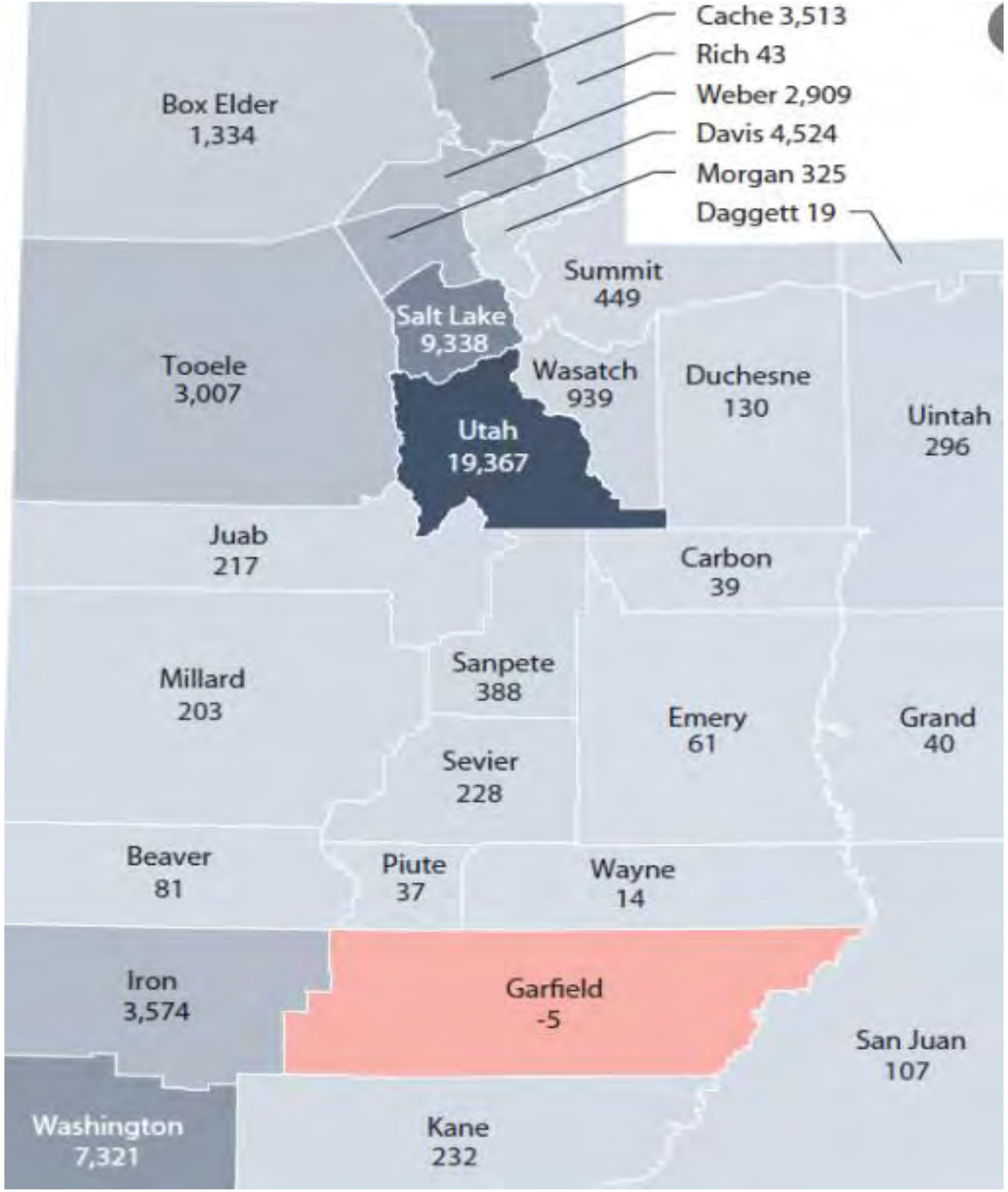
How is the Growth Occurring?

Natural Increase

- 2011 – 77% of growth
- 2020 – 52% of growth

Incoming Residents State of Origin

- Washington
- Oregon
- California



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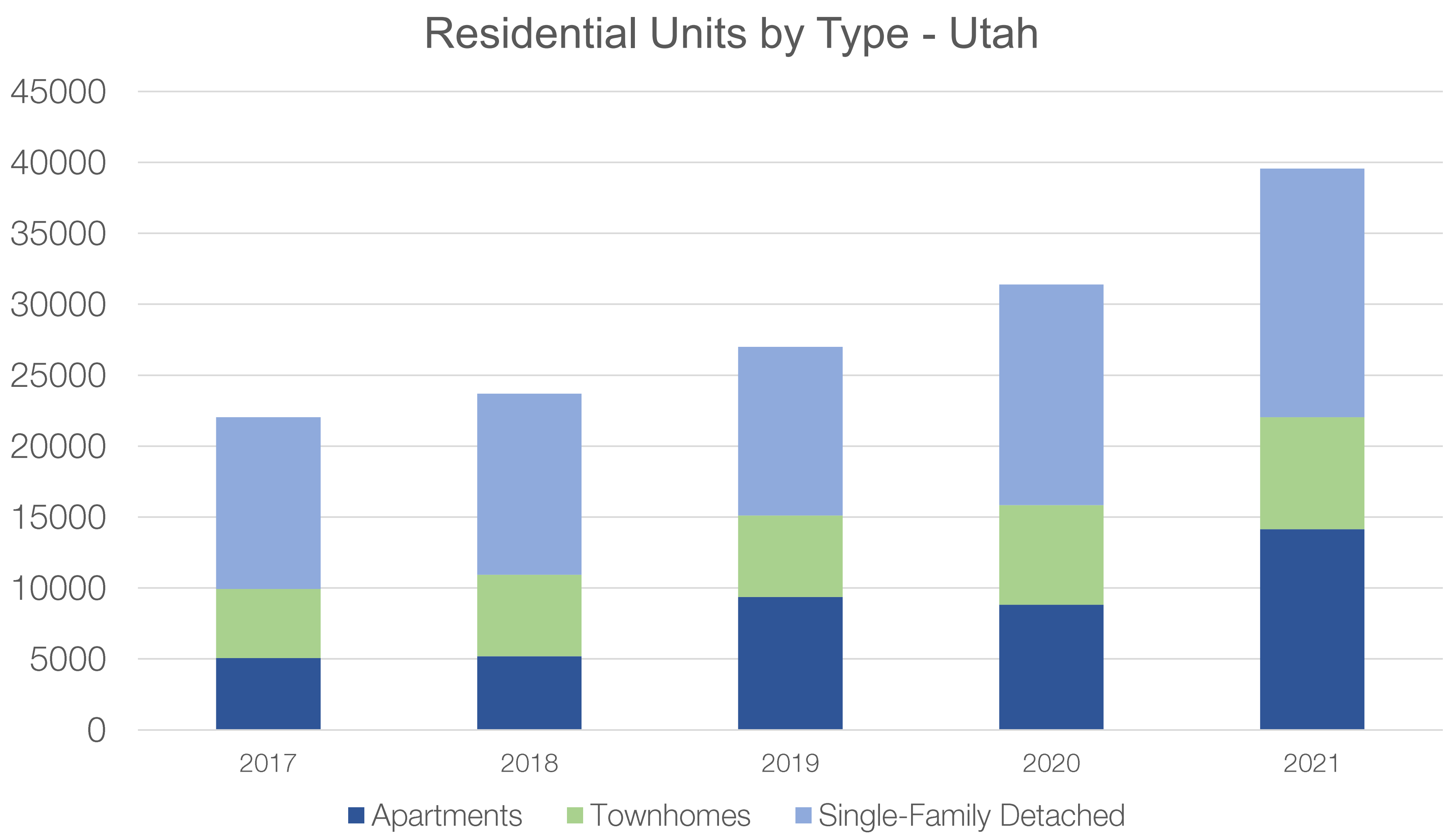

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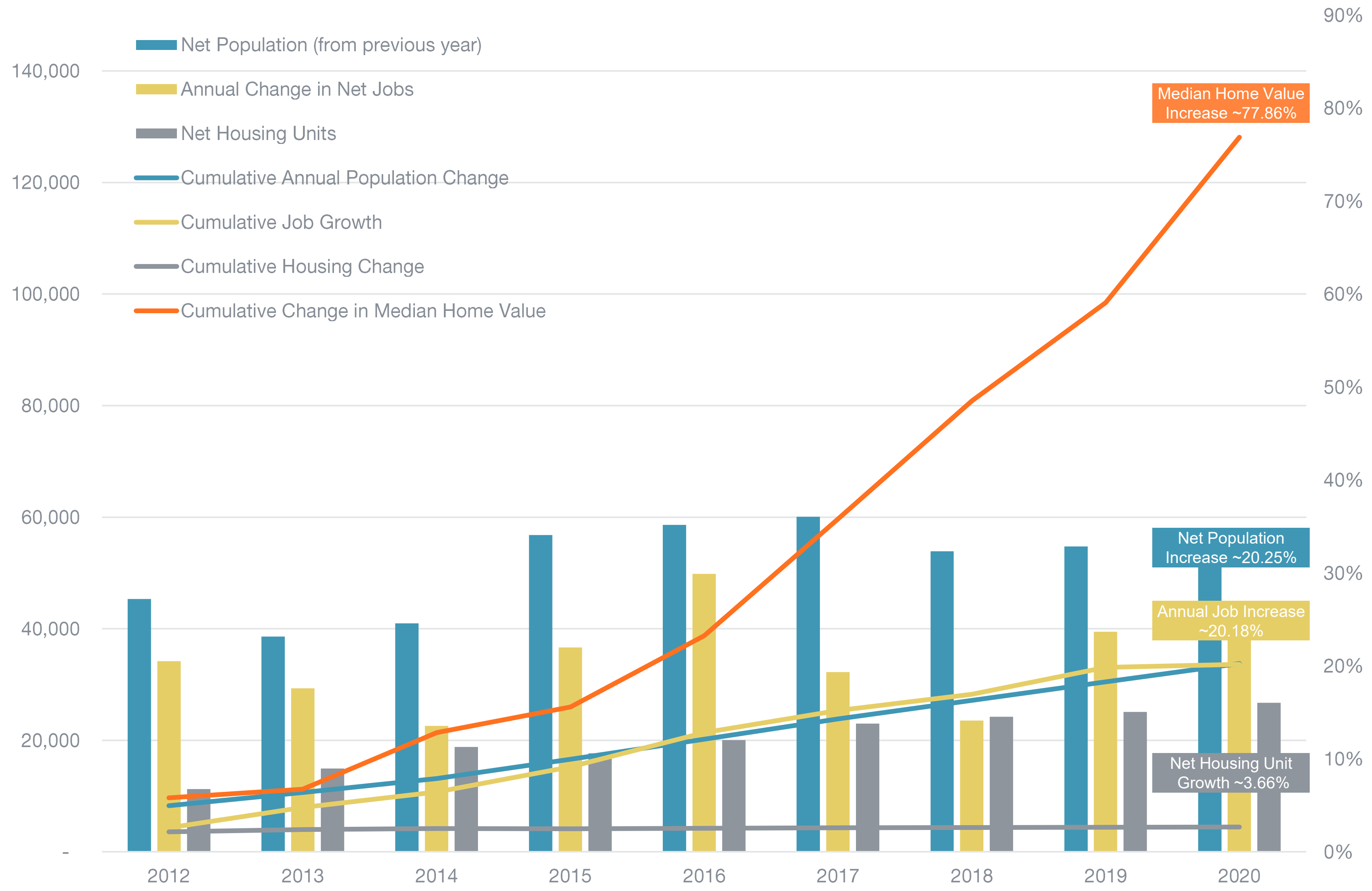
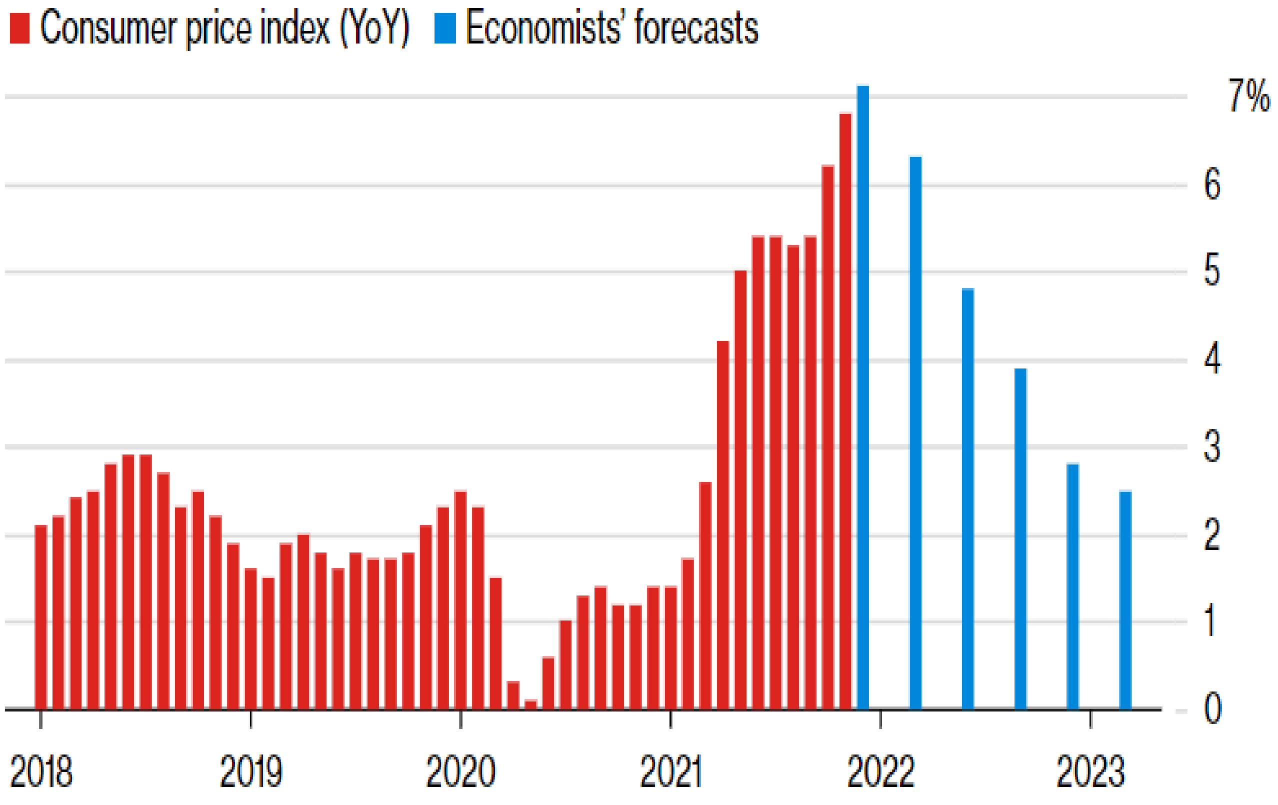
Utah Residential Market 2010 – 2020

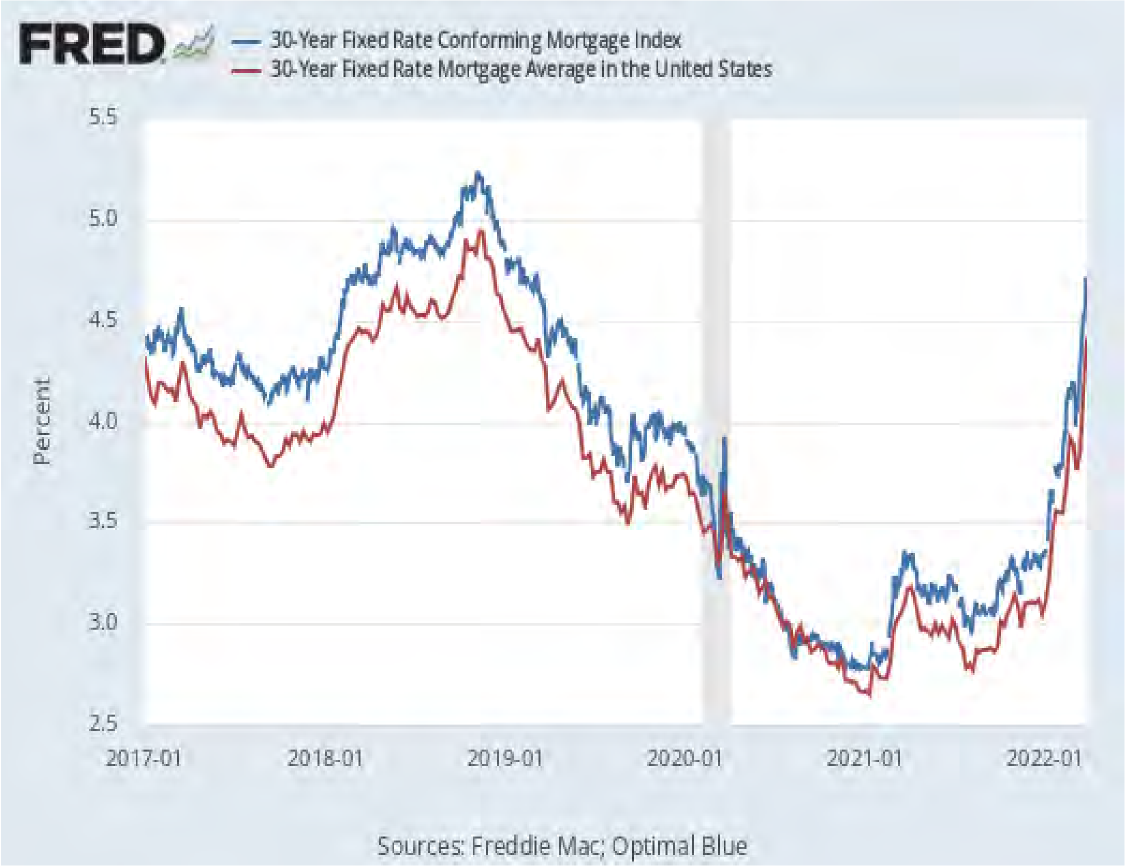


February 2020 - $2.54

February 2022 - $8.25



Source: Bureau of Labor Statistics, forecasts compiled by Bloomberg



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If 10,000 Available Acres for Residential Development		
Lot Size	Number of Lots (assuming roads, parks, etc.)	Population Increase (assuming varying household sizes)
1/2 acre lots	16,000 homes	48,000 persons
1/3 acre lots	24,000 homes	72,000 persons
1/8 acre lots	64,000 homes	160,000 persons
1/12 acre lots	96,000 homes	215,000 persons

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Reconsidering Highest and Best Use - Fiscal Impact of Various Uses

Use Type	Building Size	Land Size	Total Value	Assessed Value	City Property Taxes	City Property Taxes/Per Acre
Office	75,000	4.92	$20,331,429	$18,298,286	$34,730	$7,059
Retail	10,000	0.92	$2,189,714	$1,970,743	$3,740	$4,066
Single-Family	3,000	0.20	$450,000	$247,500	$470	$2,349
Multi-Family	207,000	3.54	$32,933,423	$18,113,383	$34,379	$9,711

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Reconsidering Highest and Best Use - Fiscal Impact of Various Uses

Use Type	Building Size	Land Size	Sales Taxes	Population Distribution	Municipal Energy Fees	Total Taxes and Fees	Total Per Acre
Office	75,000	4.92	$0	$0	$18,000	$52,730	$10,717
Retail	10,000	0.92	$17,500	$0	$2,400	$23,640	$25,696
Single-Family	3,000	0.20	$56	$306	$150	$982	$4,910
Multi-Family	207,000	3.54	$7,500	$40,800	$24,000	$106,679	$30,135

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What is driving growth and development?

- Regularly in top 5 for "Best Economy in US" and "Best Places to Live"
- Fastest growing state in nation in past ten years
- Development friendly legislature and limited political gridlock
- Diversified economy, significant recreational benefits
- Changing trend of in-migration resulting in more people than natural births. Strong growth from west coast states

What is hindering smart growth and responsible development?

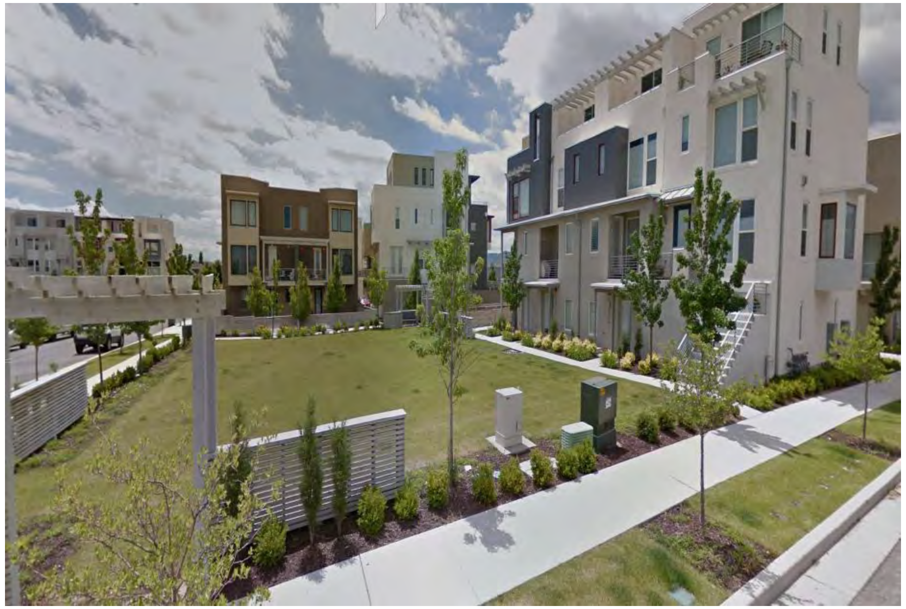
- Cities often reticent to bond
- Density misunderstood
- Anti-growth movement due to traffic and air quality issues
- Economic development tools have become less effective
- Limited labor force, high construction costs

What we have in many areas of Utah

- Limited Planning
- Limited Amenities
- Limited Design/Use Types

What some cities want to combat affordability issues and to improve quality of life

- Master Planning
- Enhanced Amenities
- Better Design/Greater Variety



What Tools Does Each City Have?

- Tax Increment Financing
  - An opportunity to be creative – get the housing you need, designs you want, amenities your residents desire
  - Get the taxing entities to share in your vision – a CRA should be a shared vision
  - Vision the “but for” argument

What Tools Does Each City Have?

- C-Pace Financing
  - Capitalize on the need to create sustainable developments
- Public Infrastructure Districts (PIDs)
  - Growth paying for growth

Utah Public Infrastructure Districts (PIDs)

PIDs have the authority to build public infrastructure including the following:

- Street improvements
- Water and wastewater infrastructure
- Public transportation
- Park and recreation improvements

Similar tools are used in other Western states to finance public infrastructure:

- Nevada – General Improvement Districts
- Arizona – Community Facilities Districts
- Texas – Municipal Utility Districts and Public Improvement Districts
- Colorado – Metropolitan Districts
- California – Community Facilities Districts and Mello-Roos Districts
- New Mexico – Public Improvement Districts

Key Considerations for a Public Infrastructure District

- **Requires 100% property owner approval** – the PID tool works in new developments and typically not in areas of redevelopment with multiple property owners

- **The City/County wield the creating powers** – City/county determine appropriate mill levy rate, maximum bonding capacity, terms for board creation, etc.

- **Not a financial obligation of the City/County** – Financial responsibility is with the PID, not the creating entity

- **Excellent tool to combine with TIF** – TIF can be used to pay PID bonds, thereby minimizing tax impact to the end user *and* removing the financial obligation to the TIF issuer (City/County)

Utah PIDs

Where PIDs are flourishing

- Developable land
- Strong growth patterns
- Second home markets
- Transportation/transit investments
- Need for infrastructure
- Master planning capacity
- Cities which see the need for diversity of housing stock

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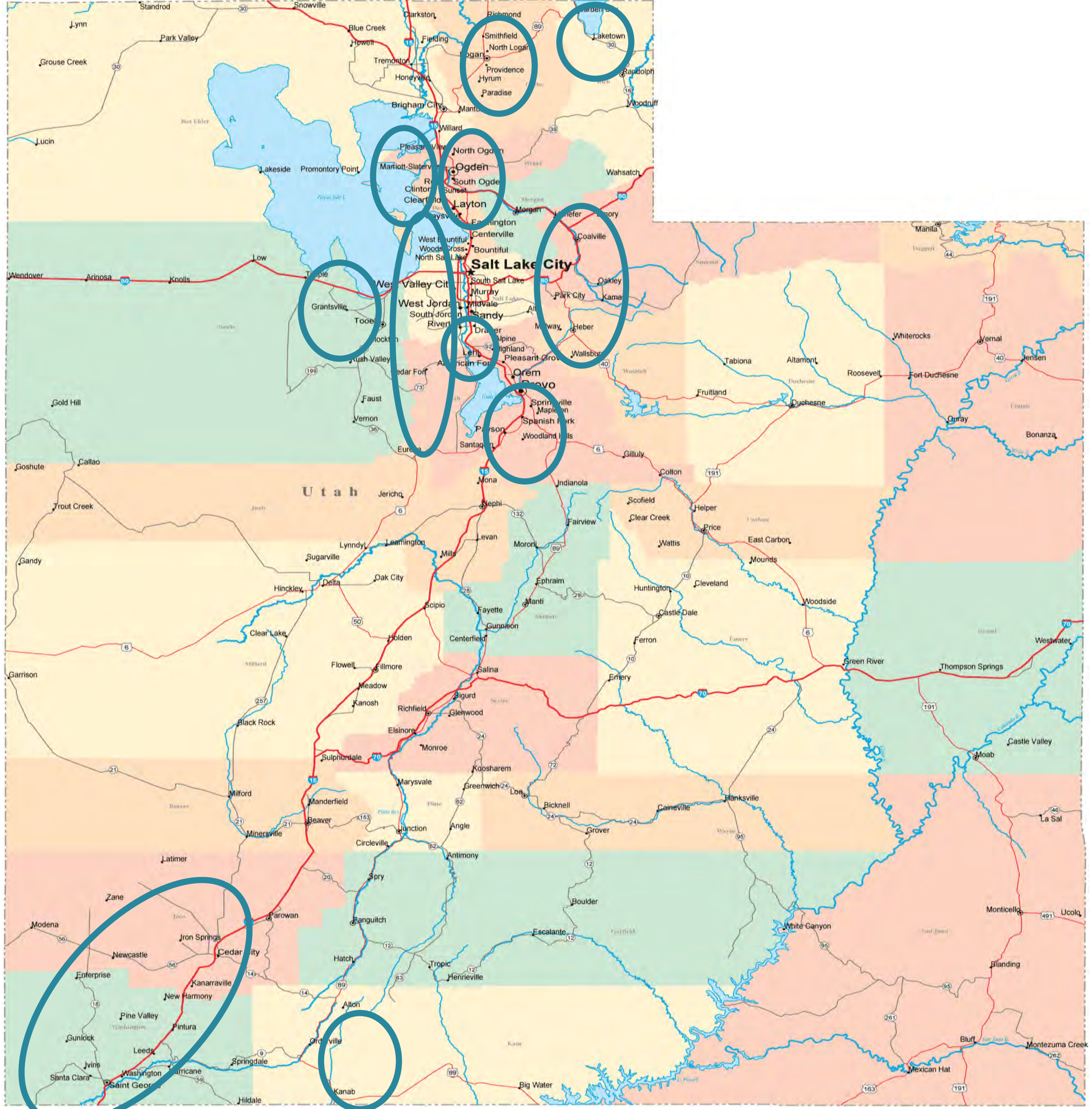

What are the results of PIDs in other states?

- Higher level of amenities
- Increased housing supply and diversity of housing offerings
- Office and industrial parks with desirable amenities
- Covered parking for suburban offices
- Notable public amenities, more parks, more trails
- Expedited development time frames that can result in easing supply challenges

Questions?

Thank You!

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