Where We Are Going And How We Adapt
Retail Apocalypse!

2020 – All time record for retail store closings!
Retail Rebounding!

2021 – More stores opened than closed!

Major Store Openings

- Five Below
- Dollar General
- Costco
- Ross
- T.J. Maxx
- Sam’s Club
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
Number of Online Shoppers Worldwide
2016 – 1.6 billion
2018 – 1.8 billion
2021 – 2.2 billion
Proportion of U.S. grocery spend made online

% of all U.S. take-home grocery retail spend that is made online each year

Source: GlobalData analysis and forecasts
<table>
<thead>
<tr>
<th>City</th>
<th>% change from 3Q19 to 3Q20</th>
<th>% change from 3Q20 to 3Q21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salt Lake City</td>
<td>-5.96%</td>
<td>25.77%</td>
</tr>
<tr>
<td>Saratoga Springs</td>
<td>50.11%</td>
<td>34.29%</td>
</tr>
<tr>
<td>Logan</td>
<td>19.21%</td>
<td>16.57%</td>
</tr>
<tr>
<td>Kanab</td>
<td>-0.01%</td>
<td>14.86%</td>
</tr>
<tr>
<td>Ogden</td>
<td>12.77%</td>
<td>13.96%</td>
</tr>
<tr>
<td>Farmington</td>
<td>-18.07%</td>
<td>50.12%</td>
</tr>
<tr>
<td>St. George</td>
<td>18.20%</td>
<td>17.92%</td>
</tr>
<tr>
<td>Garden City</td>
<td>28.89%</td>
<td>26.84%</td>
</tr>
<tr>
<td>Moab</td>
<td>14.87%</td>
<td>10.29%</td>
</tr>
<tr>
<td>Washington</td>
<td>24.14%</td>
<td>19.57%</td>
</tr>
<tr>
<td>Springdale</td>
<td>12.11%</td>
<td>13.83%</td>
</tr>
<tr>
<td>Park City</td>
<td>-4.87%</td>
<td>38.98%</td>
</tr>
<tr>
<td>Heber City</td>
<td>19.70%</td>
<td>17.57%</td>
</tr>
<tr>
<td>Beaver</td>
<td>20.63%</td>
<td>18.41%</td>
</tr>
<tr>
<td>Cedar City</td>
<td>18.86%</td>
<td>12.71%</td>
</tr>
<tr>
<td>Sector</td>
<td>% change from 3Q20 to 3Q21</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>----------------------------</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>25.86%</td>
<td></td>
</tr>
<tr>
<td>Arts, Entertainment, Rec</td>
<td>44.50%</td>
<td></td>
</tr>
<tr>
<td>Accommodations</td>
<td>59.56%</td>
<td></td>
</tr>
<tr>
<td>Food Services (restaurants)</td>
<td>26.71%</td>
<td></td>
</tr>
<tr>
<td>General Merchandise</td>
<td>10.01%</td>
<td></td>
</tr>
<tr>
<td>Nonstore retailers (online)</td>
<td>16.42%</td>
<td></td>
</tr>
<tr>
<td>Sporting goods, hobby, music</td>
<td>8.45%</td>
<td></td>
</tr>
<tr>
<td>Food and Beverage (grocery)</td>
<td>0.52%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20.00%</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>16.41%</td>
<td></td>
</tr>
<tr>
<td>Building Materials, Garden Equipment</td>
<td>22.38%</td>
<td></td>
</tr>
</tbody>
</table>
What is Happening to Retail Space Needs?

<table>
<thead>
<tr>
<th>Year</th>
<th>Space Needs Per Capita – Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>25</td>
</tr>
<tr>
<td>2017</td>
<td>20</td>
</tr>
<tr>
<td>2022</td>
<td>15</td>
</tr>
</tbody>
</table>

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
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
Retail Sales in 1997
Retail Sales in 2022
Which Building Generates More Sales Tax to the City?

- **Burger King:** $3,500 to city per year
- **New Building Design:** $7,800 to city per year
  - Sales tax from online sales
  - Sales tax from population distribution
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
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”
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
<table>
<thead>
<tr>
<th>Year</th>
<th>Sq.Ft. Per Employee</th>
<th>Needed Parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>250 Sq.Ft.</td>
<td>4.0 Spaces Per 1,000</td>
</tr>
<tr>
<td>2000</td>
<td>225 Sq.Ft.</td>
<td>4.5 Spaces Per 1,000</td>
</tr>
<tr>
<td>2010</td>
<td>200 Sq.Ft.</td>
<td>5.0 Spaces Per 1,000</td>
</tr>
<tr>
<td>2019</td>
<td>180 Sq.Ft.</td>
<td>5.5 Spaces Per 1,000</td>
</tr>
<tr>
<td>2022</td>
<td>225 sq.ft. ??</td>
<td>4.5 spaces per 1,000 ??</td>
</tr>
</tbody>
</table>

PIPER | SANDLER
<table>
<thead>
<tr>
<th>Parking Needs</th>
<th>100,000 square foot building = 445 employees</th>
<th>Total Acres Needed – surface parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5 spaces per 1,000</td>
<td>450 spaces</td>
<td>3.6 acres for parking</td>
</tr>
<tr>
<td>5.0 spaces per 1,000</td>
<td>500 spaces</td>
<td>4.0 acres for parking</td>
</tr>
<tr>
<td>5.5 spaces per 1,000</td>
<td>550 spaces</td>
<td>4.4 acres for parking</td>
</tr>
</tbody>
</table>

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
Utah Residential Market 2010 – 2020

- Net Population (from previous year)
- Annual Change in Net Jobs
- Net Housing Units
- Cumulative Annual Population Change
- Cumulative Job Growth
- Cumulative Housing Change
- Cumulative Change in Median Home Value

- Median Home Value Increase ~77.86%
- Net Population Increase ~20.25%
- Annual Job Increase ~20.18%
- Net Housing Unit Growth ~3.66%
Healthy Market Housing Supply = 10 Months

Current Utah Housing Supply = Five Weeks

50,000 home deficit in 2022
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
Utah Residential Market 2010 – 2020

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- Cumulative Housing Change
- Cumulative Change in Median Home Value

Net Housing Unit Growth ~3.66%
Annual Job Increase ~20.18%
Net Population Increase ~20.25%
Median Home Value Increase ~77.86%
February 2020 - $2.54

February 2022 - $8.25
Source: Bureau of Labor Statistics, forecasts compiled by Bloomberg
<table>
<thead>
<tr>
<th>Lot Size</th>
<th>Number of Lots (assuming roads, parks, etc.)</th>
<th>Population Increase (assuming varying household sizes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2 acre lots</td>
<td>16,000 homes</td>
<td>48,000 persons</td>
</tr>
<tr>
<td>1/3 acre lots</td>
<td>24,000 homes</td>
<td>72,000 persons</td>
</tr>
<tr>
<td>1/8 acre lots</td>
<td>64,000 homes</td>
<td>160,000 persons</td>
</tr>
<tr>
<td>1/12 acre lots</td>
<td>96,000 homes</td>
<td>215,000 persons</td>
</tr>
</tbody>
</table>
Reconsidering Highest and Best Use - Fiscal Impact of Various Uses

<table>
<thead>
<tr>
<th>Use Type</th>
<th>Building Size</th>
<th>Land Size</th>
<th>Total Value</th>
<th>Assessed Value</th>
<th>City Property Taxes</th>
<th>City Property Taxes/Per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>75,000</td>
<td>4.92</td>
<td>$20,331,429</td>
<td>$18,298,286</td>
<td>$34,730</td>
<td>$7,059</td>
</tr>
<tr>
<td>Retail</td>
<td>10,000</td>
<td>0.92</td>
<td>$2,189,714</td>
<td>$1,970,743</td>
<td>$3,740</td>
<td>$4,066</td>
</tr>
<tr>
<td>Single-Family</td>
<td>3,000</td>
<td>0.20</td>
<td>$450,000</td>
<td>$247,500</td>
<td>$470</td>
<td>$2,349</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>207,000</td>
<td>3.54</td>
<td>$32,933,423</td>
<td>$18,113,383</td>
<td>$34,379</td>
<td>$9,711</td>
</tr>
</tbody>
</table>
## Reconsidering Highest and Best Use - Fiscal Impact of Various Uses

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

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

What is hindering smart growth and responsible development?

- Cities often reticent to bond
- Anti-growth movement due to traffic and air quality issues
- Limited labor force, high construction costs
- Density misunderstood
- Economic development tools have become less effective
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 (PIDDs)
  • 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
Utah Public Infrastructure Districts (PIDs)

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
Utah Public Infrastructure Districts (PIDs)

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!

Benj Becker
Benj.becker@psc.com
650-302-7510