

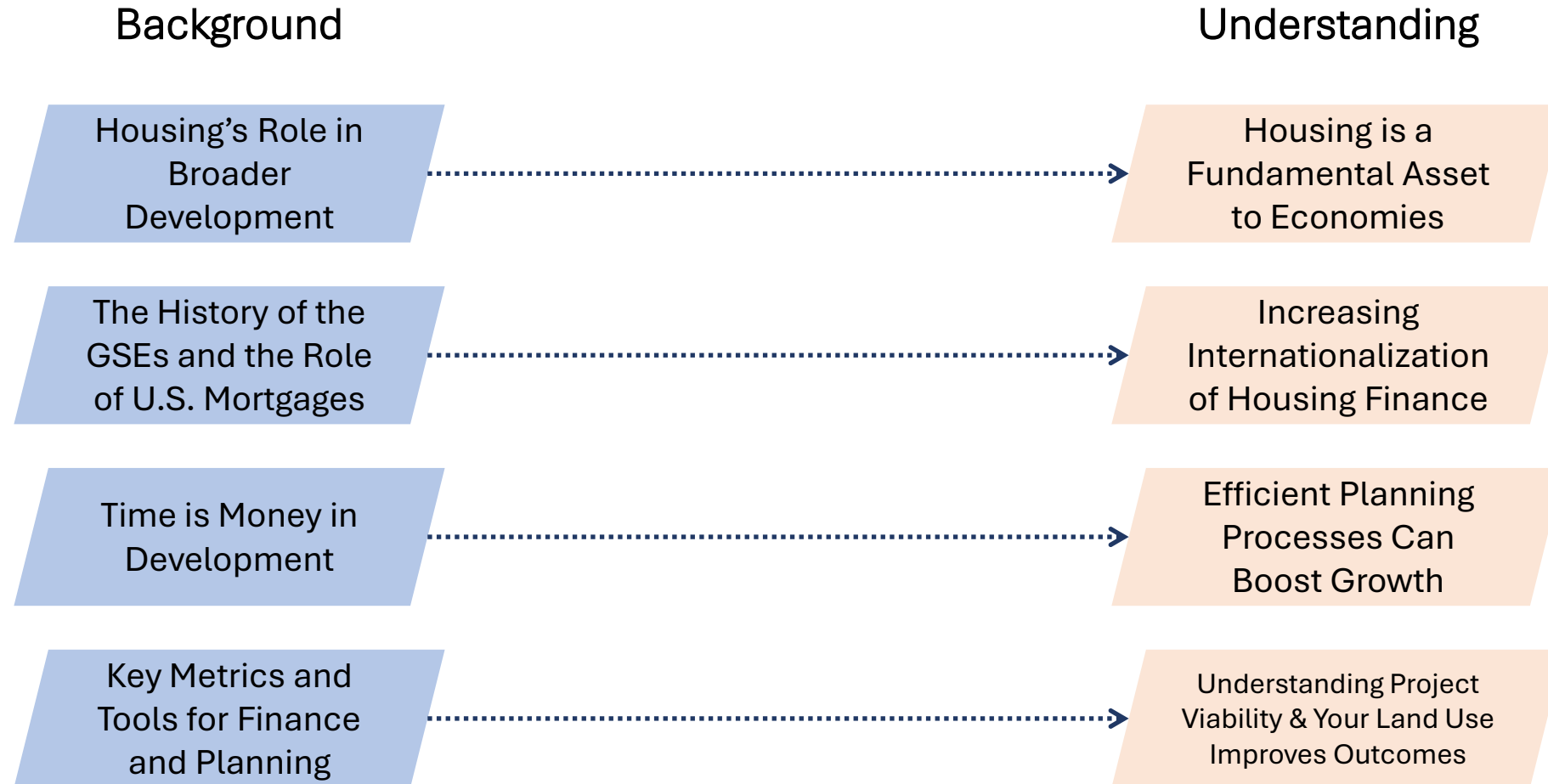


Development Finance 101

October 2024

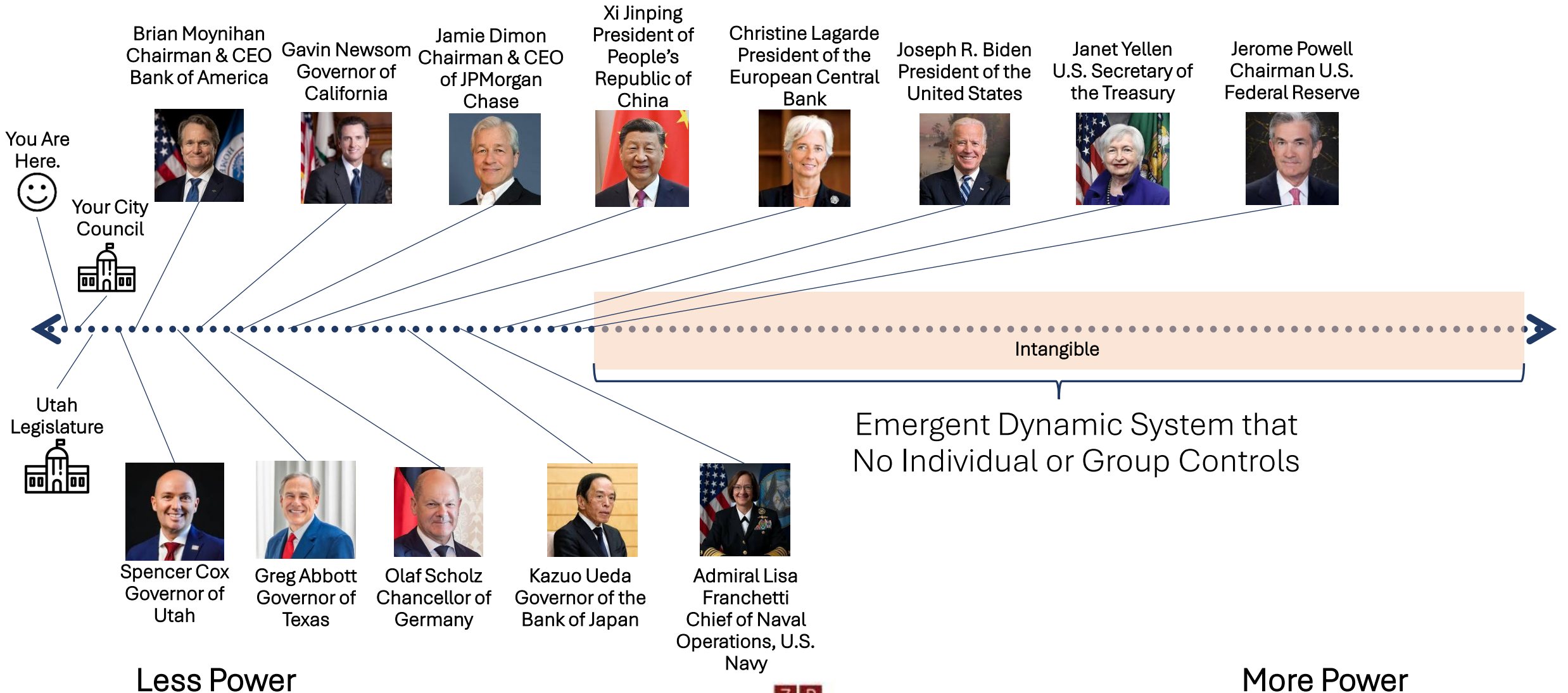
Where We Are Going

Our goal is to provide a map from observations to understanding while giving ideas for the future.



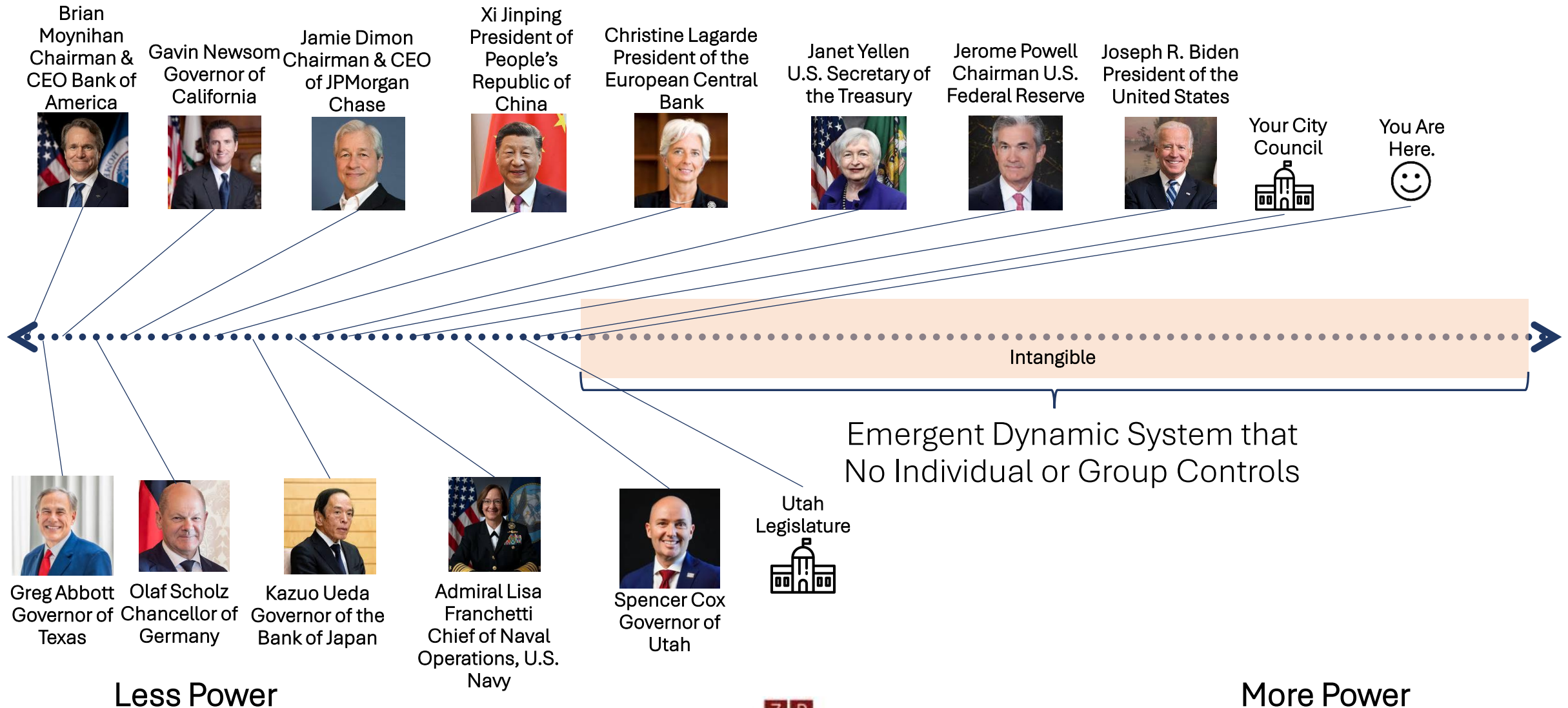
Hierarchy of Tangible and Intangible Power in the Economy

Ability to affect near-term economic outcomes in your life.



Hierarchy of Tangible and Intangible Power in the Economy

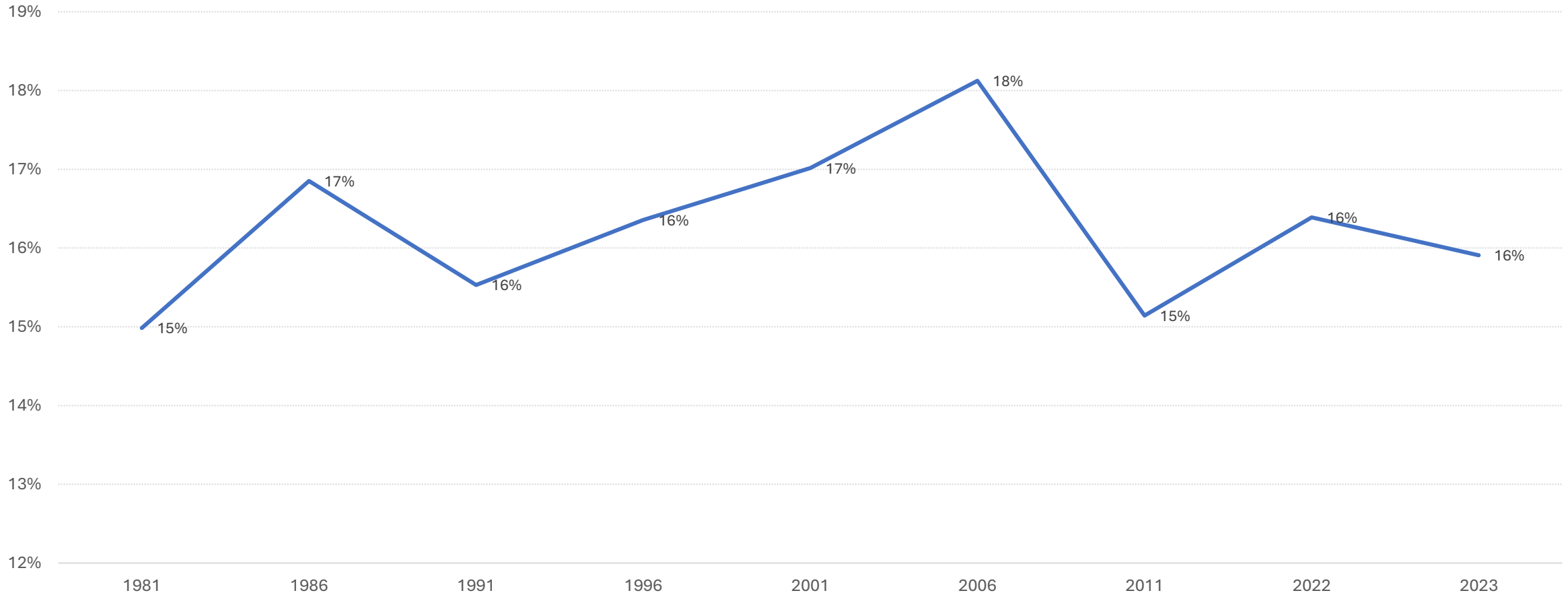
Ability to affect long-term economic outcomes in your life.



Where We Are

This isn't only a housing presentation, but the American housing market is a fundamental driver of U.S. GDP, other real estate development, and a lens with which to understand contemporary development finance.

U.S. Housing Market % Contribution to U.S. GDP



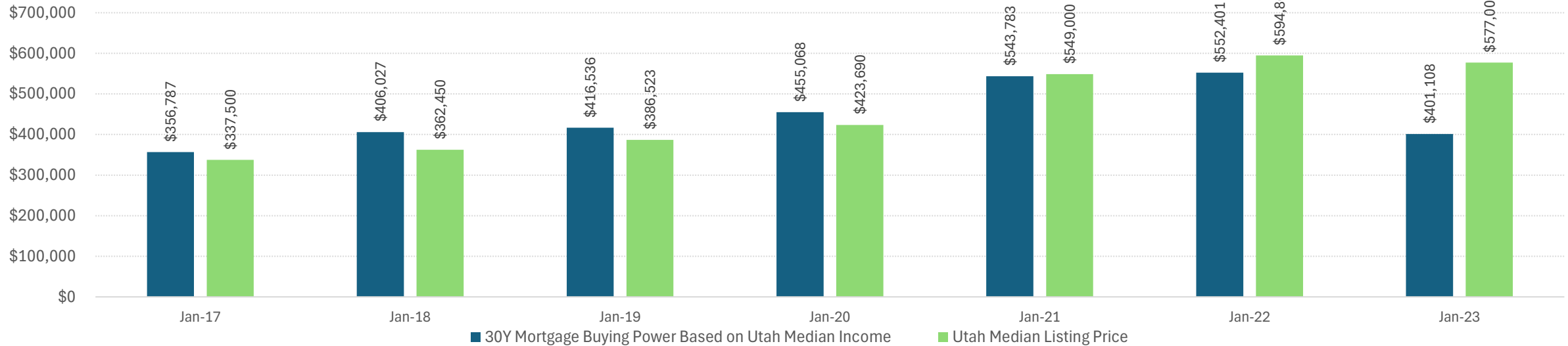
Source: ZPFI prepared chart.

NAHB, *Housing's Contribution to Gross Domestic Product*, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/economic-impact/housing-contribution-to-gdp-240424.xlsx?rev=a4c6f8b647864796b343b6556dca849b&hash=45B952ED9D278E083D7EB3D95F91CC06>. As of September 2024.

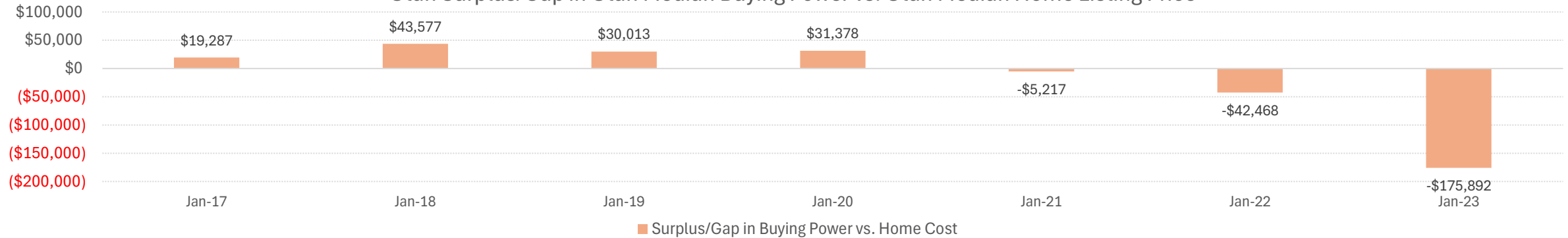
Where We Are

Utah Median Home prices are ~\$175k too high relative to median borrowing power.

Utah 30Y Mortgage Buying Power Based on Utah Median Income vs. Utah Median Home Listing Price



Utah Surplus/Gap in Utah Median Buying Power vs. Utah Median Home Listing Price



Source: ZPFI Prepared charts.

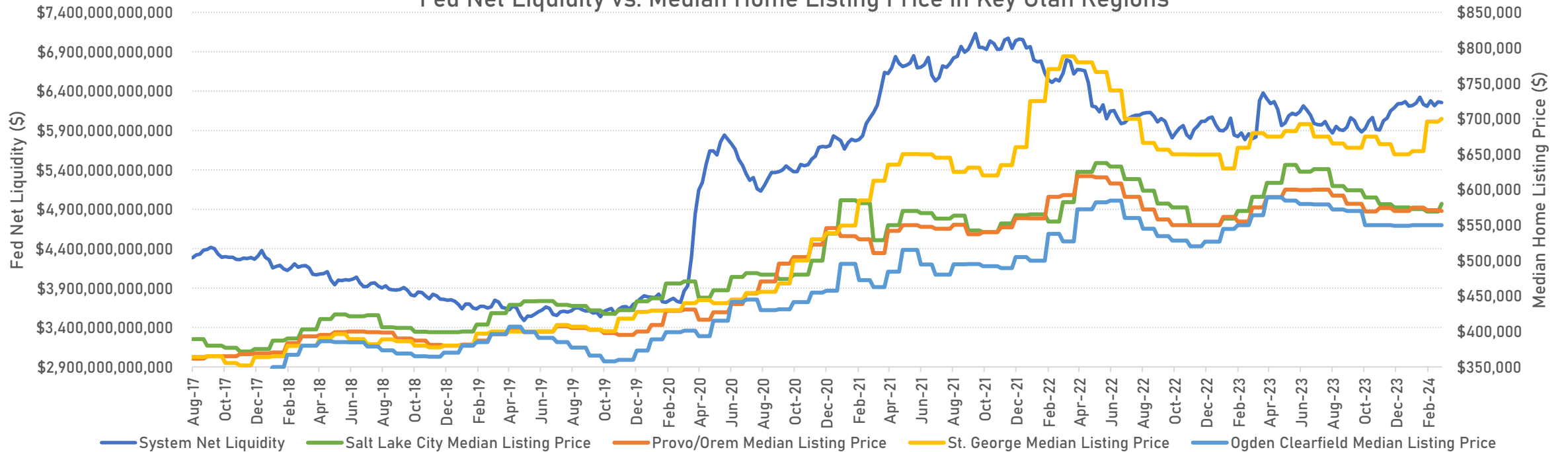
Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MORTGAGE30US>, September 26, 2024.

U.S. Federal Housing Finance Agency, All-Transactions House Price Index for Utah [UTSTHPI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UTSTHPI>, September 26, 2024.

Where We Are

Increases in Federal Reserve system liquidity were paralleled by increases in median home prices in key Utah metros.

Fed Net Liquidity vs. Median Home Listing Price in Key Utah Regions



Source: ZPFI prepared charts.

Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WALCL>, September 26, 2024.

Federal Reserve Bank of New York, Overnight Reverse Repurchase Agreements: Treasury Securities Sold by the Federal Reserve in the Temporary Open Market Operations [RRPONTSYD], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RRPONTSYD>, September 26, 2024.

Board of Governors of the Federal Reserve System (US), Liabilities and Capital: Liabilities: Deposits: U.S. Treasury General Account: Wednesday Level in Federal Reserve District 2: New York [D2WLTGAL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/D2WLTGAL>, September 26, 2024.

Realtor.com, Housing Inventory: Median Listing Price in Salt Lake City, UT (CBSA) [MEDLISPRI41620], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEDLISPRI41620>, September 26, 2024.

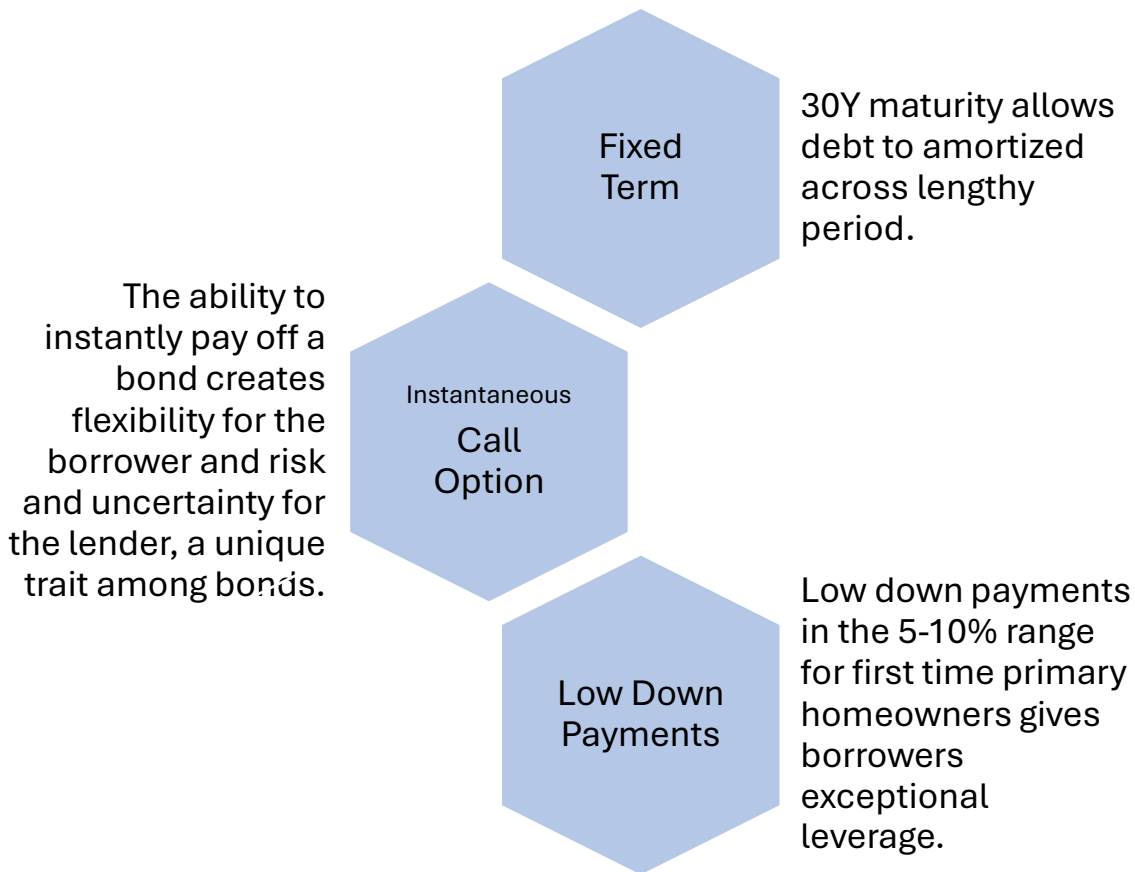
Realtor.com, Housing Inventory: Median Listing Price per Square Feet in St. George, UT (CBSA) [MEDLISPRI41100], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEDLISPRI41100>, September 26, 2024.

Realtor.com, Housing Inventory: Median Listing Price per Square Feet in Provo-Orem, UT (CBSA) [MEDLISPRI39340], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEDLISPRI39340>, September 26, 2024.

Realtor.com, Housing Inventory: Median Listing Price in Ogden-Clearfield, UT (CBSA) [MEDLISPRI36260], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEDLISPRI36260>, September 26, 2024.

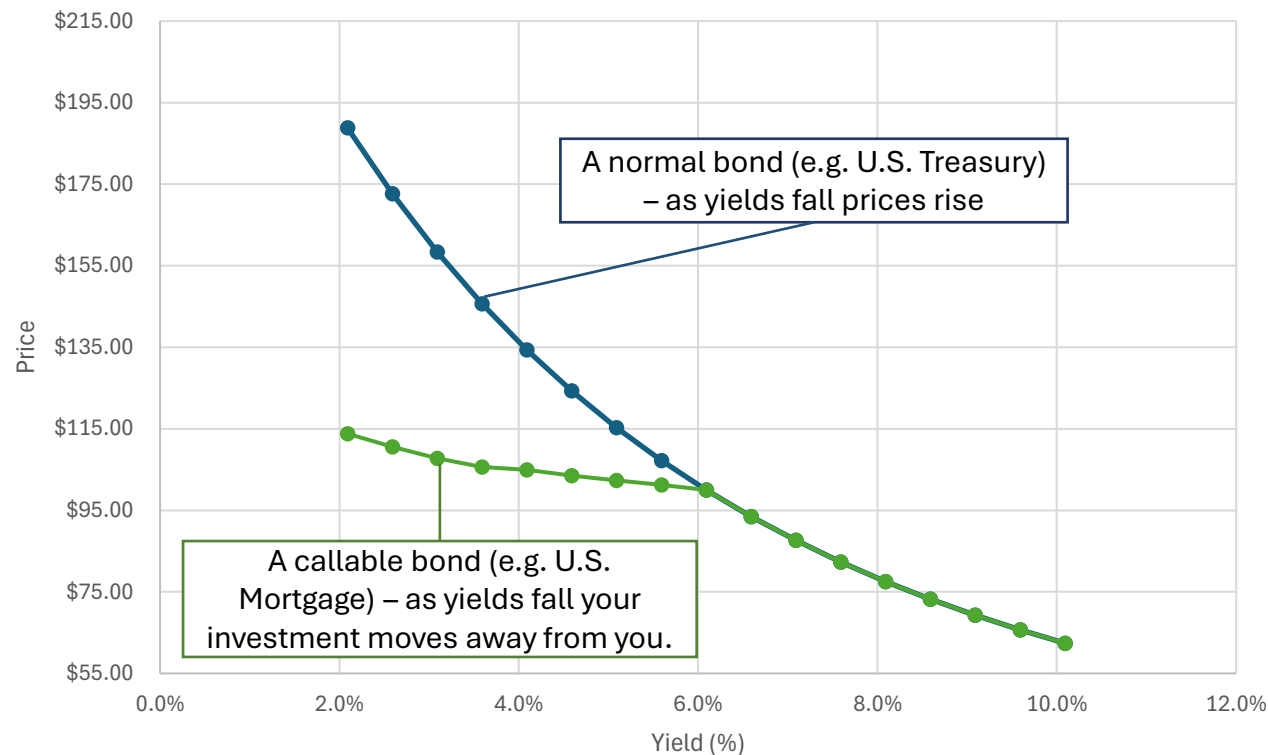
How We Got Here: A Financial Lens

A fundamental financial tool in the housing market, the 30Y Fixed-Rate Mortgage and Agency Mortgage-Backed Securities.



Why mortgages are special...and pesky.

30Y 6.09% Non-Callable Coupon Bond Issued at Par vs. 30Y 6.09% Instantaneously Callable Coupon Bond Issued at Par Price Under Different Yield Scenarios



Source: ZPFI prepared charts. As of September 2024

How We Got Here: A Financial Lens

The role of the GSEs is to improve mortgage market liquidity and stability.



Mission is to expand funding for mortgages that are insured or guaranteed by other federal agencies. When these mortgages are bundled into securities, Ginnie Mae provides a full-faith-and-credit guarantee on these securities.



Fannie Mae®

Fannie Mae is a government-sponsored enterprise and its main function is to provide stability, liquidity, and affordability to the mortgage market. Also, packages mortgages into MBS and sells them to investors. This attracts investors who might not otherwise invest in mortgages, which increases the amount of money available for housing. Fannie Mae guarantees the timely payment of principal and interest on underlying mortgages.



We make home possible®

Freddie Mac buys mortgages from approved lenders and sells them to investors. This allows lenders to use the money they receive to lend more money to qualified borrowers. Also, packages mortgages into MBS and sells them to investors. This attracts investors who might not otherwise invest in mortgages, which increases the amount of money available for housing.

Source: Ginnie Mae, Fannie Mae, Freddie Mac. As of September 2024

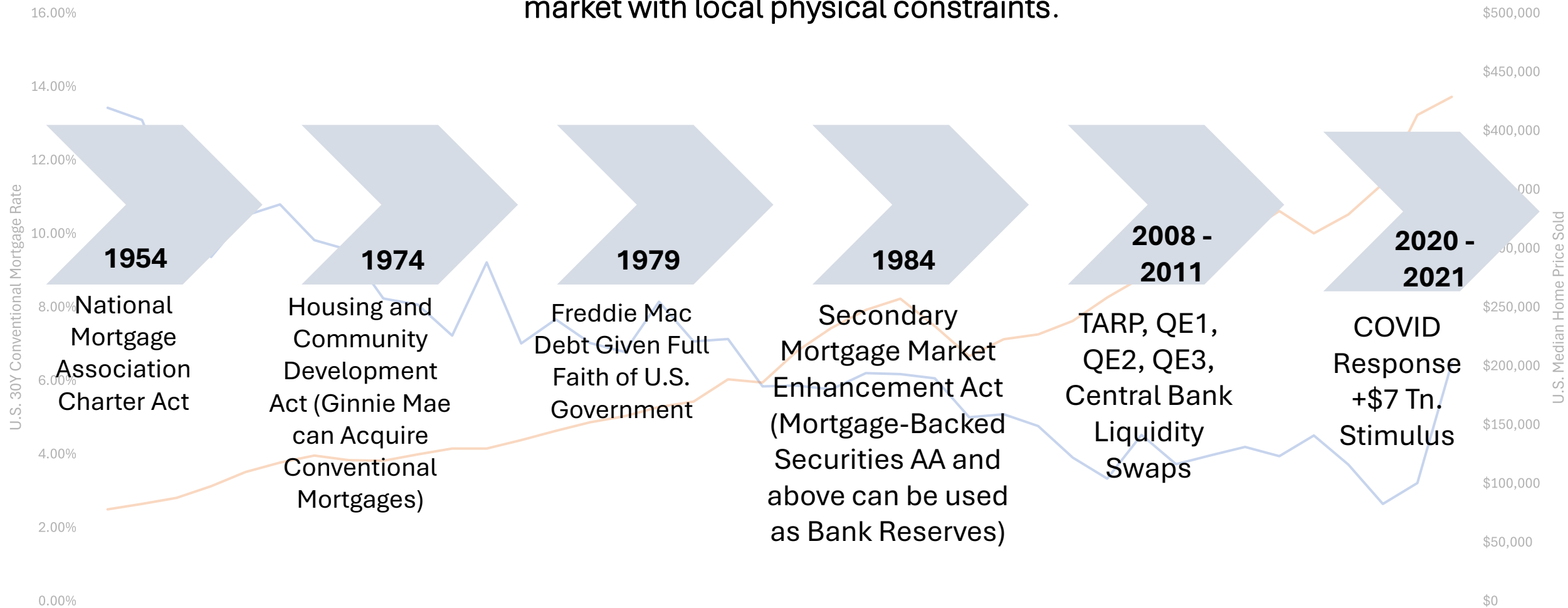
Bipartisan Policy Center, *Ginnie Mae: How Does it Work and What Does it Do?*, <https://bipartisanpolicy.org/download/?file=/wp-content/uploads/sites/default/files/GinnieMae-final.pdf>.

Freddie Mac, *About Us*, <https://www.freddiemac.com/about>.

Fannie Mae, *About Us*, <https://www.fanniemae.com/about-us#:~:text=We%20work%20to%20reduce%20barriers,are%20and%20what%20we%20do>.

How We Got Here: A Financial Lens

The path of post-WWII Federal legislation made mortgage-backed securities, along with Treasuries, bedrock instruments of the global financial system. In turn, the U.S. real estate market is **an international market with local physical constraints.**

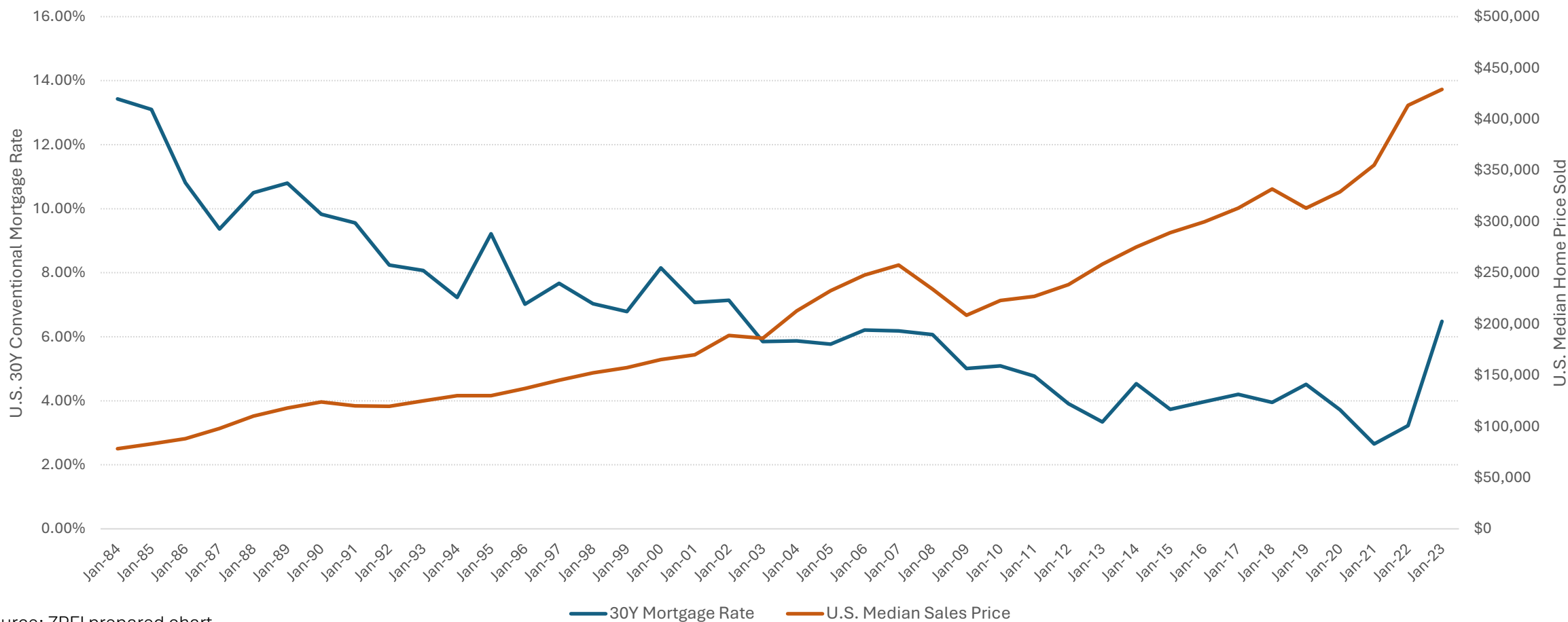


Source: ZPFI. As of September 2024

How We Got Here: A Financial Lens

40 years of bond bull market = 40-year tailwind to U.S. real estate.

U.S. 30Y Mortgage Rate vs. U.S. Median Home Sale Price Since 1984



Source: ZPFI prepared chart.

Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis;

<https://fred.stlouisfed.org/series/MORTGAGE30US>, September 26, 2024.

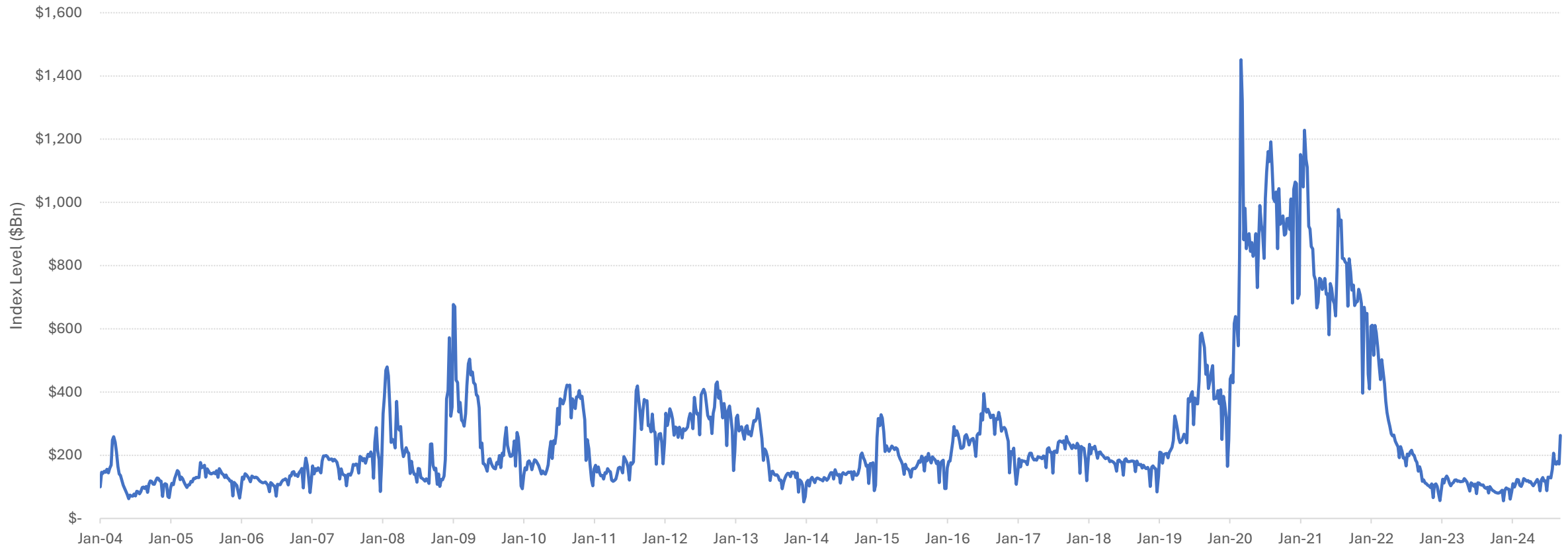
U.S. Census Bureau and U.S. Department of Housing and Urban Development, Median Sales Price of Houses Sold for the United States [MSPUS], retrieved from FRED, Federal Reserve Bank of St.

Louis; <https://fred.stlouisfed.org/series/MSPUS>, September 26, 2024.

How We Got Here: A Financial Lens

Refinancing surged during COVID, was suppressed over 2023 with interest rate rises, but is increasing again after the Federal Reserve's recent reduction in the Federal Funds rate.

Fannie Mae RALI Index
\$ Volume of Fannie Mae Weekly Refinance Originations



Source: ZPFI prepared chart.

Fannie Mae Refinance Application-Level Index (RALI), <https://www.fanniemae.com/research-and-insights/surveys-indices/refinance-application-level-index>, As of September 2024.

An Important Equation in Finance

$$F_v = P_v (1 + r)^t$$

Future value of an investment (how much is it worth t-periods from now?)

Present value of an investment (what is it worth today?)

Interest rate (rate of return for t-period)

Time = number periods

Minor algebra to derive present value

$$P_v = \frac{F_v}{(1 + r)^t}$$

Interest rates are the price of time.



An Important Equation in Finance: Tangible Example

Person B asks person A for a two-year loan of \$100. Person A agrees but charges a prevailing interest rate of 10%. What is the value of this investment at the end of the two years?

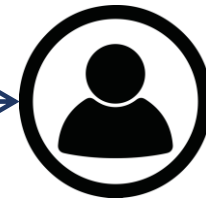
Value of Investment

Today - \$100



Person A

Person A sends \$100 to Person B



Person B

End of Year 1 - \$110



Person A

Person B sends \$10 back to Person A



Person B

End of Year 3 - \$121



Person A

Person B sends original \$100 + \$10 + \$1 back to Person A

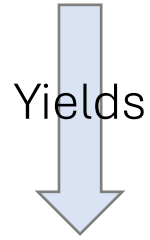


Person B

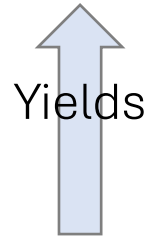
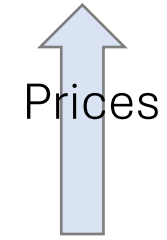
Person B gets to use \$100 for two years to do whatever he/she wants.

Why \$100 + \$11? The value of the investment has grown to \$110 at end of year 1. $\$110 \times 10\% = 11$. The lender must be compensated for the relative alternative uses of this money in year 2.

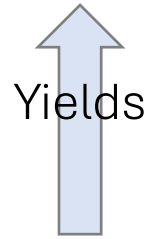
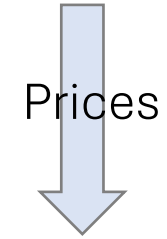
Bond Core Principles



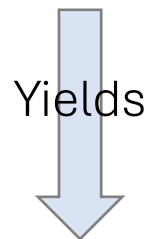
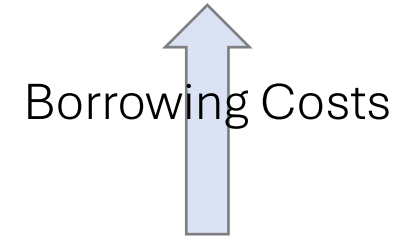
Yields down bond prices price up



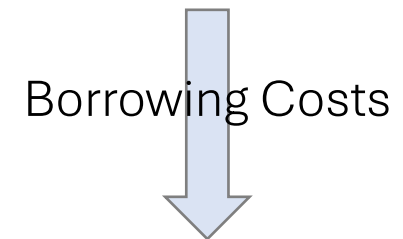
Yields up bond prices down



Yields up cost to borrow up

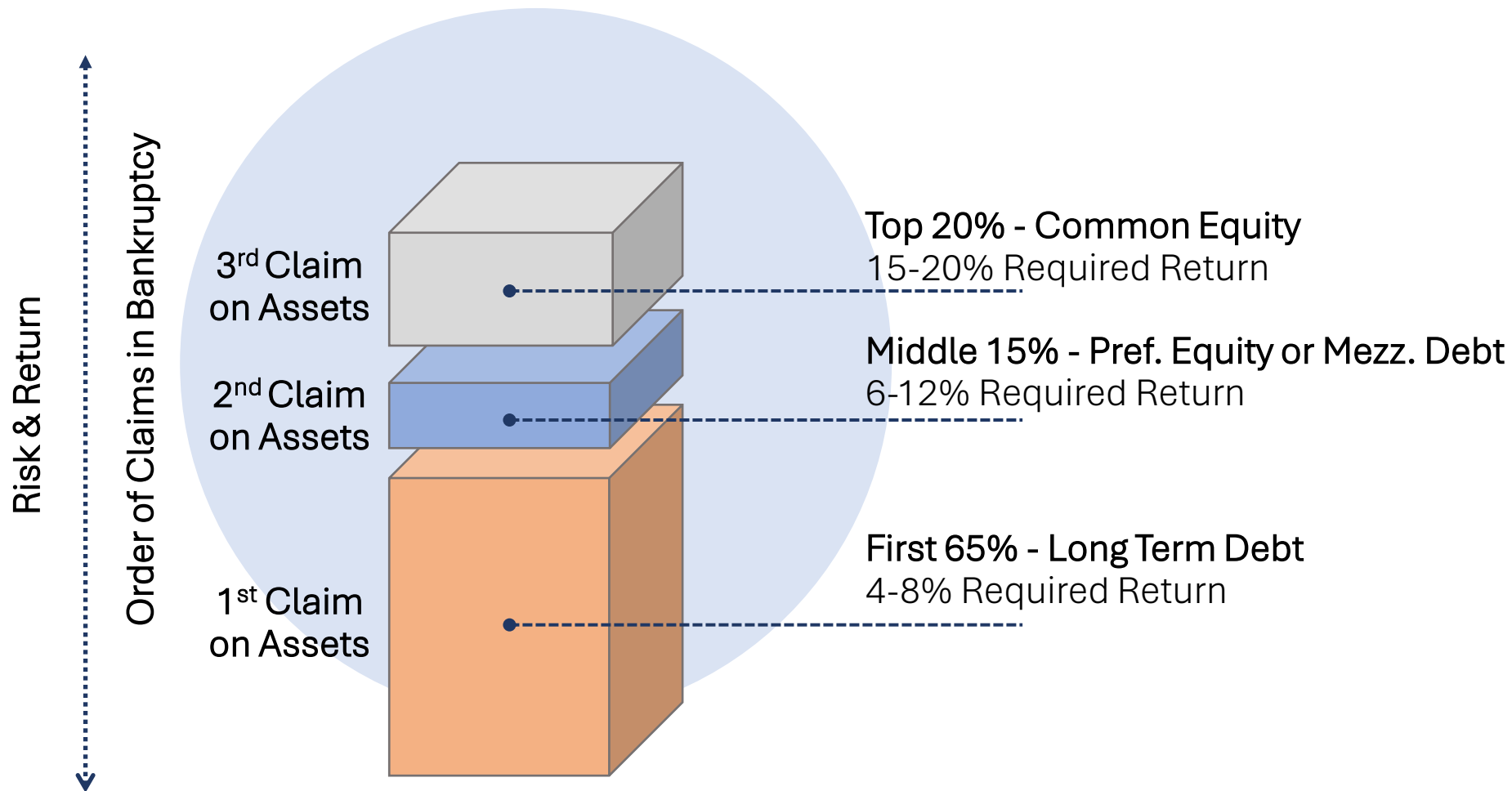


Yields down cost to borrow down



Composition of Capital in Real Estate Investment

Different investors require differential returns in exchange for specific rights.



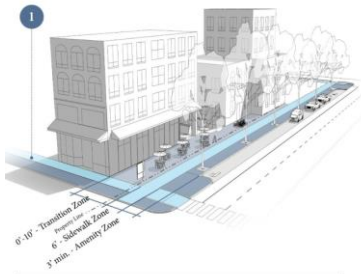
Developer Preparation & The Regulatory Process

Potential process for a hypothetical planned development.

Time = \$, Pre-development costs run higher than long-term funding costs due to project uncertainty

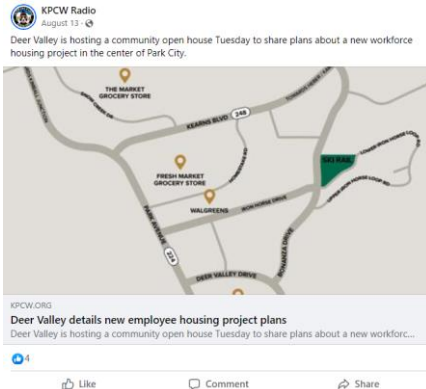
Plan Approval is the Fundamental Gate to Growth or Lack Thereof

Step 1: Understand Existing Zoning Regulations



15-34-5.4A: Public Realm Zones C-MU, C-ENT, and C-9
1 Three different public realm zones are identified, and each must be carefully designed to ensure high-quality streetscapes that provide clear walking areas and opportunities for landscaping.

Step 2: Community Engagement (Potentially, If Seeking Rights-of-Way, Zone Change, Public Feedback etc.)



Step 3: Application for Planned Development and/or Zoning Change



Step 4: Review by Local Agency and Planning Commission

Step 5: Project Revisions

Planning Commission
Will Begin Shortly



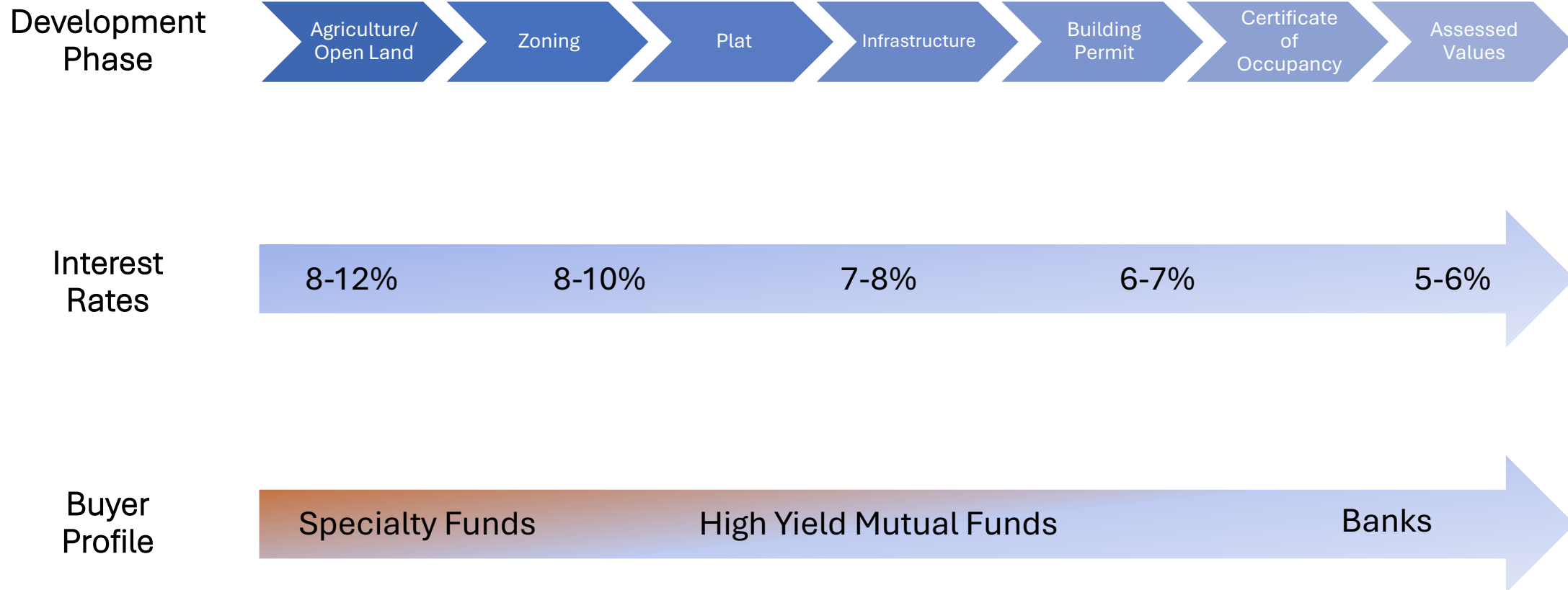
Step 6: Approval, Amendment, or Denial of Planned Development



Source: Ogden City, UT Code, Chapter 3 Zones and Districts, https://codelibrary.amlegal.com/codes/ogdencityut/latest/ogdencity_ut/0-0-0-18967
KPCW Radio, Deer Valley details new employee housing project plans, <https://www.kpcw.org/park-city/2024-08-12/deer-valley-hosts-open-house-for-proposed-employee-housing-on-bonanza-drive>
KPCW Radio, Homestake housing project gets final approval, <https://www.kpcw.org/park-city/2023-07-14/homestake-housing-project-gets-final-approval>

Risk Assessment: Lender's View

As a deal progresses through the regulatory process, financing costs generally decrease.



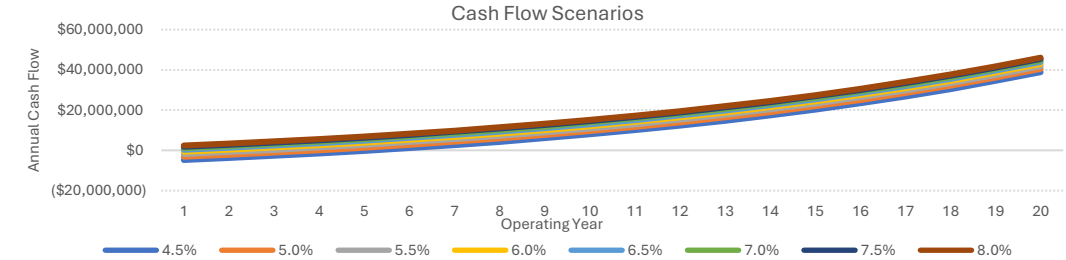
Hypothetical Pro Forma Details

Proforma's should summarize all key intended land uses and the estimated financial performance of a project.

Housing Large Scale Scenario					
Project Characteristics					
1-Bedroom Units Sq. Ft.	37,500	Total Parking Spaces	475	Site Area Required (Acres)	2.38
2-Bedroom Units	230,625	Number of Improved Levels	5	Cost per Sq. Ft. at 6% Cap, Ex Public Parking	\$345.00
3-Bedroom Units	250,000	Number of Parking Levels	2	Market Value per Sq. Ft. at 6% Cap	\$374.78
Building Total Sq. Ft.	518,125	Residential Parking Ratio	1.00	Value Spread per Sq. Ft. at 6% Cap	\$29.78
Total Cost Ex Parking Uses	\$178,753,125	Parking Area (Sq. Ft.)	76,000	Profit on Cost - (%)	8.6%
Total Construction Cost Including Parking Uses	\$193,953,125	Building Footprint (Sq. ft.)	103,625	Net Operating Income	\$11,651,101

Financial Characteristics - Direct Capitalization								
Cap Rate - (%)	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Market Value - (\$)	\$258,913,356	\$233,022,020	\$211,838,200	\$194,185,017	\$179,247,708	\$166,444,300	\$155,348,013	\$145,638,763
Market Value per Sq. Ft. - (\$/Sq. Ft.)	\$499.71	\$449.74	\$408.86	\$374.78	\$345.95	\$321.24	\$299.83	\$281.09
Cost per Sq. Ft Ex Public Parking - (\$/Sq. Ft.)	\$345.00	\$345.00	\$345.00	\$345.00	\$345.00	\$345.00	\$345.00	\$345.00
Value Spread to Cost per Sq. Ft. - (\$/Sq. Ft.)	\$154.71	\$104.74	\$63.86	\$29.78	\$0.95	(\$23.76)	(\$45.17)	(\$63.91)
Profit on Cost - (%)	45%	30%	19%	9%	0%	-7%	-13%	-19%

Revenue Assumptions						
Vertical Improvements Ex-Parking						
Use Category	Number of Units	Unit Size (Sq. Ft.)	Monthly Rent per Sq. Ft.	Annual Rent per Sq. Ft.	Annual Rent Revenue	
1-Bedroom Units	50	750	\$2.55	\$30.60	\$1,147,500	
2-Bedroom Units	225	1,025	\$2.70	\$26.40	\$6,088,500	
3-Bedroom Units	200	1,250	\$2.50	\$23.10	\$5,775,000	
Other Income (Storage, Late Fees, Etc.)	-	-	-	-	\$12,000	
	475		Total Potential Income from Non-Parking Assets		\$13,023,000	
			Less Stabilized Vacancy 5%		-\$651,150	
			Total Effective Gross Income from Non-Parking Assets		\$12,371,850	
Parking Improvements						
Parking Use	Allocation per Unit	Total Spaces	Parking Daily Occupancy	Parking Max Daily Rate	Monthly Parking Revenue	Annual Parking Revenue
Surface Parking Requirement	1	475	100%	\$0.00	\$0	\$0
		Total Parking Spaces	475	Total Potential Revenue from Parking Assets		\$0
				Less Stabilized Vacancy 5%		\$0
			Total Effective Gross Income from Parking Assets		\$0	
			Total Effective Gross Income from Parking & Vertical Assets		\$12,371,850	
			Net Operating Income		\$11,651,101	



Expense Assumptions						
Operating Expenses						
Operating Category	% of EGI	Per Unit/Year	Per Sq. Ft./Year	Annual Operating Expense		
Management	3%			(\$371,156)		
Reserves	1%			(\$123,719)		
Utilities		\$840		(\$42,000)		
Maintenance & Repair		\$1,200		(\$60,000)		
Admin		\$450		(\$22,500)		
Property Taxes		\$1,320		(\$66,000)		
Insurance		\$480		(\$24,000)		
CAM Charges			\$5	(\$11,375)		
					Total Operating Expense	(\$720,749)
Vertical Improvement Expense Ex-Parking						
Use Category	Number of Units	Unit Size (Sq. Ft.)	Direct Cost per Sq. Ft.	% of Indirect Costs to Direct	Indirect Cost per Sq. Ft.	Total Cost to Construct
1-Bedroom Units	50	750	\$300.00	15%	\$45.00	\$345.00
2-Bedroom Units	225	1,025	\$300.00	15%	\$45.00	\$345.00
3-Bedroom Units	200	1,250	\$300.00	15%	\$45.00	\$345.00
						Total Vertical Improvements Construction Cost
						\$178,753,125
Parking Improvement Expense						
Parking Use	Allocation per Unit	Total Spaces	Cost per Space	Total Cost to Construct		
Surface Parking Requirement	1	475	\$32,000	\$15,200,000		
		Total Parking Spaces	475	Total Parking Improvements Construction Cost	\$15,200,000	
				Total Construction Cost	\$193,953,125	

Benchmarks: Finance

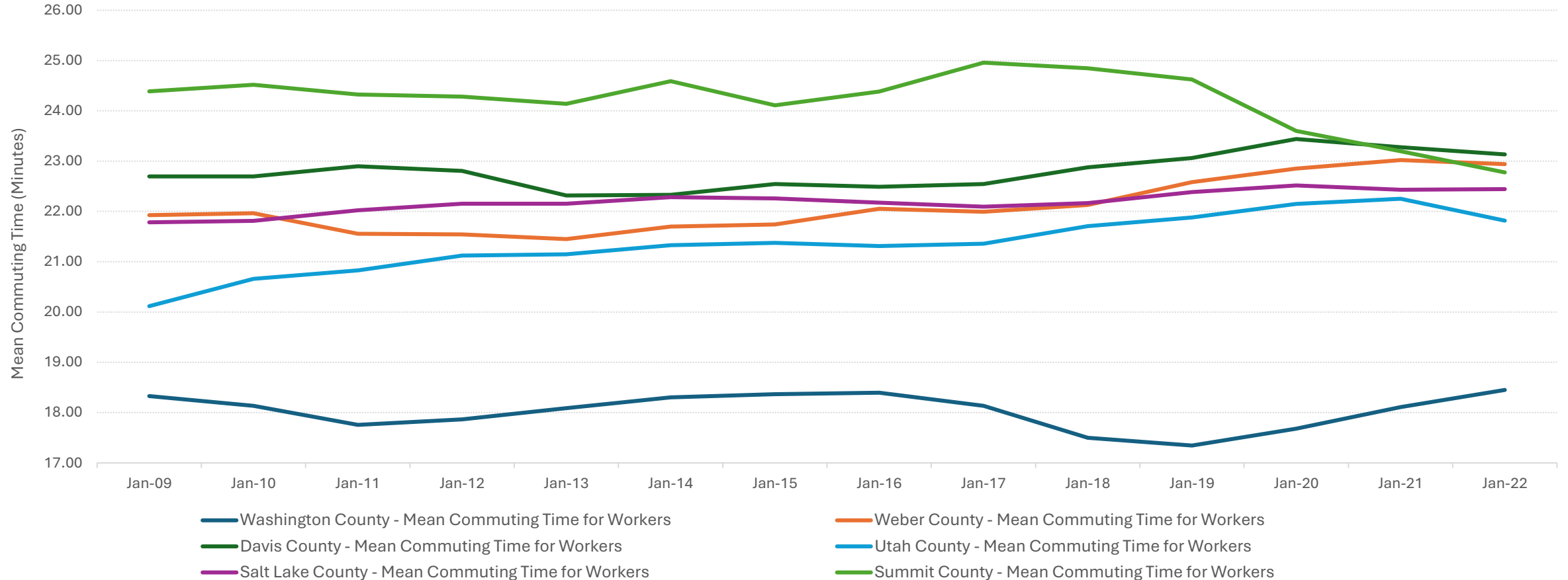
Key metrics, their meaning, and current targets.

Metric	Definition	Meaning	Current Market Targets
Net Operating Income (NOI)	Gross income less operations expenses, does not include debt.	Indicates an investment's capability to pay for itself and return money to investors.	Want number to be positive!
Capitalization Rate (Cap Rate %)	Net Operating Income / Market Value of Asset	Ratio between income produced and income invested, think like a stock's return.	6.0% – 7.5% per year.
Internal Rate of Return (IRR)	$NPV = \sum_{n=0}^N \frac{C_n}{(1+r)^n}$	Gross! Discount rate that makes net present value of all cashflows = 0 in a discounted cashflow analysis. Calculates an investment's rate of return over a projected time-period.	10.0% - 15.0% depending on time-period.
Cash-on-Cash Return	Net Operating Income Less Debt Service (Net Income) / Total Cash Invested	Like Cap Rate but now accounts for cost of debt service.	15.0% - 20.0% per year.
Return on Equity	Net Operating Income Less Debt Service (Net Income) / Total Owner's Equity	Like Cash-on-Cash Return but now accounts for appreciation and depreciation in the property via Owner's Equity.	15.0% - 20.0% per year.
Debt Coverage Ratio (DCR, DSCR)	Net Operating Income / Annual Debt Service Payment	Measure of an investment's ability to pay off its debt obligations.	> 1.2
Profit on Cost	(Market Value per Sq. Ft. – Cost per Sq. Ft.) / Cost per Sq. Ft.	Ratio between the project's market value versus its cost to build.	30% ideally but some deals <30% acceptable

Benchmarks: Planning

Mean commuting time to work is a measure of labor market efficiency.

Mean Commuting Time for Workers in Key Utah Counties



Source: ZPFI prepared chart.

U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Washington County, UT [B080ACS049053], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049053>, September 26, 2024.

U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Weber County, UT [B080ACS049057], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049057>, September 26, 2024.

U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Davis County, UT [B080ACS049011], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049011>, September 26, 2024.

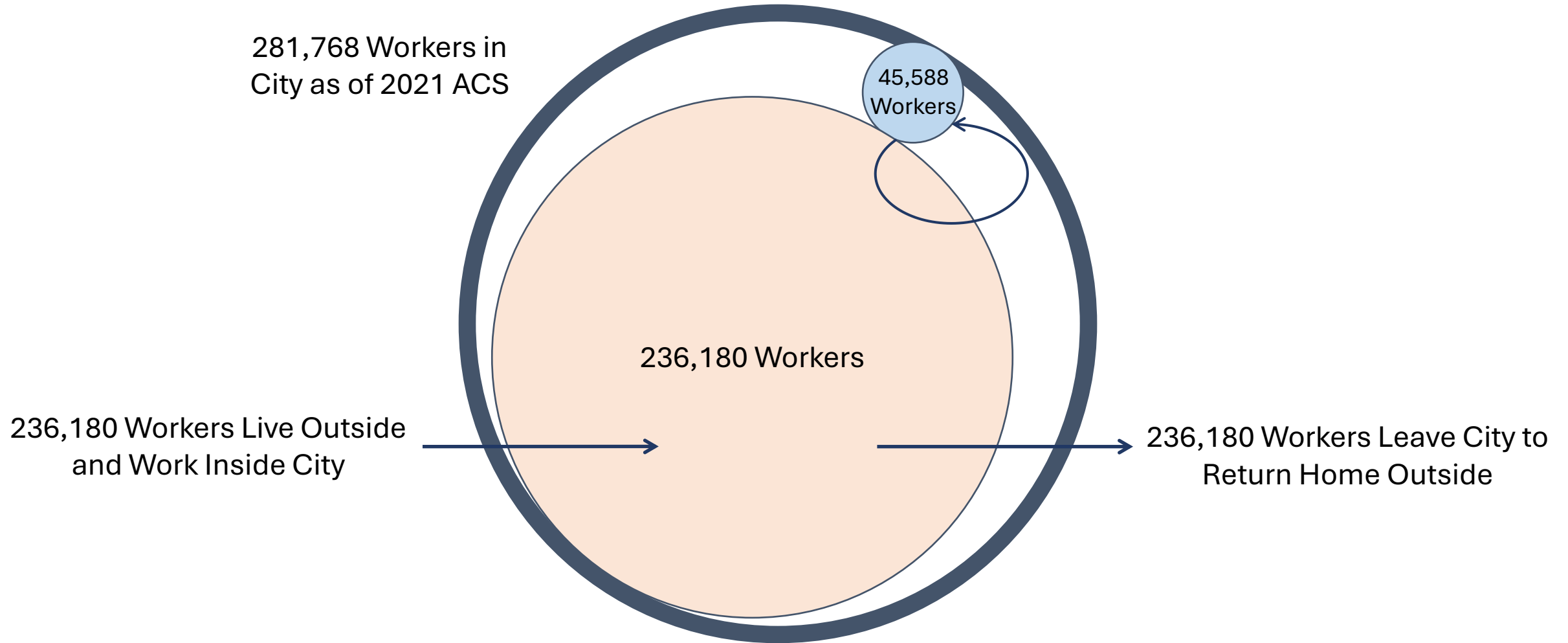
U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Utah County, UT [B080ACS049049], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049049>, September 26, 2024.

U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Salt Lake County, UT [B080ACS049035], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049035>, September 26, 2024.

U.S. Census Bureau, Mean Commuting Time for Workers (5-year estimate) in Summit County, UT [B080ACS049043], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B080ACS049043>, September 26, 2024.

Benchmarks: Planning

Inflow/Outflow of Workers. Example of Salt Lake City.

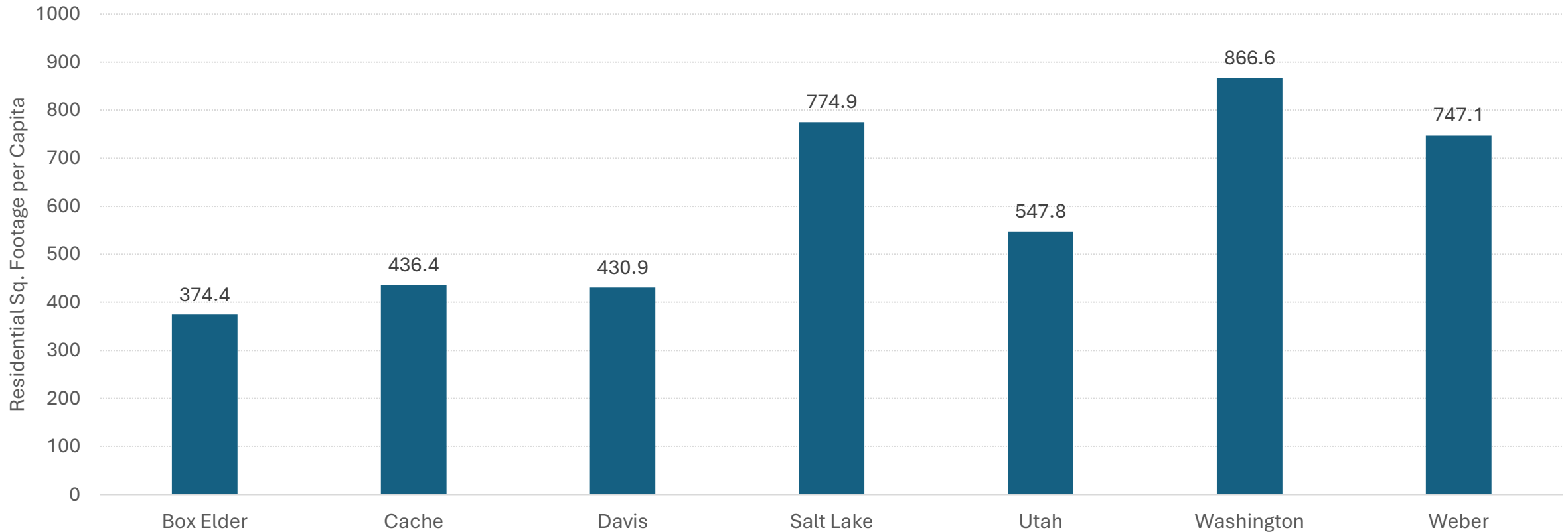


Source: ZPFI prepared chart. U.S. Census on the Map 2021.
<https://onthemap.ces.census.gov/>.

Benchmarks: Planning

Residential floor space per capita is frequently an indicator of family size and/or wealth.

Residential Square Footage per Capita Across Select Utah Counties



Source: ZPFI prepared chart.

Utah SGID, Utah Automated Geographic Reference Center, Utah Salt Lake County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-salt-lake-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Cache County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-cache-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Davis County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-davis-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Box Elder County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-box-elder-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Utah County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-utah-county-parcels-lir/about>

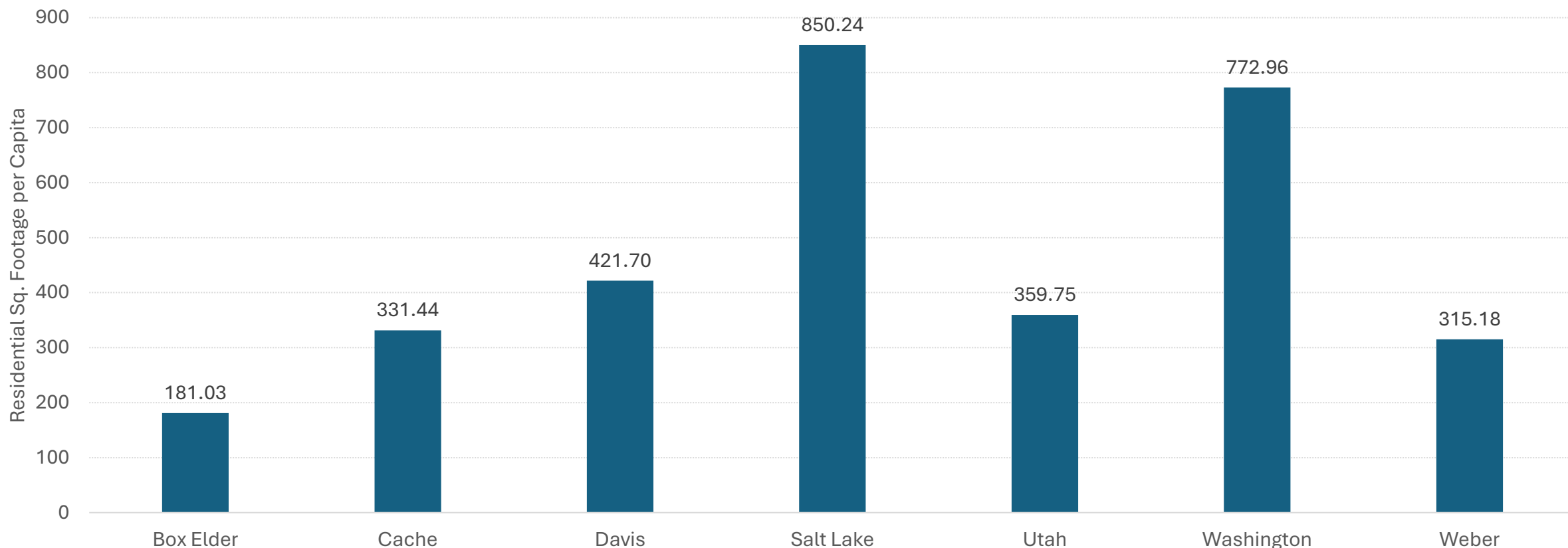
Utah SGID, Utah Automated Geographic Reference Center, Utah Washington County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-washington-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Weber County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-weber-county-parcels-lir/about>

Benchmarks: Planning

Commercial floor space per worker.

Commercial Square Footage per Worker Across Select Utah Counties



Source: ZPFI prepared chart.

Utah SGID, Utah Automated Geographic Reference Center, Utah Salt Lake County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-salt-lake-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Cache County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-cache-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Davis County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-davis-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Box Elder County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-box-elder-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Utah County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-utah-county-parcels-lir/about>

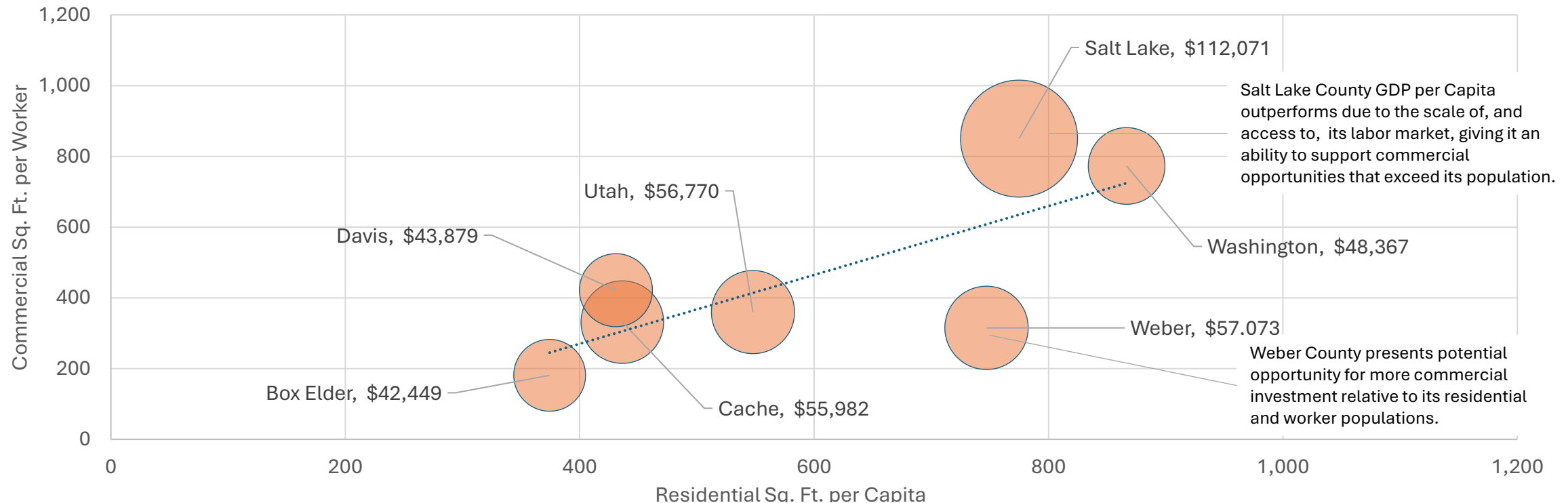
Utah SGID, Utah Automated Geographic Reference Center, Utah Washington County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-washington-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Weber County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-weber-county-parcels-lir/about>

Benchmarks: Putting it Together

Relationship between residential square footage per capita and commercial square footage per worker is very consistent across jurisdictions at an almost 1:1 ratio. Counties tend to have at least 2X more residential floor area than commercial, but they also tend to have 2X more residents than workers.

Residential Square Footage per Capita vs. Commercial Square Footage per Worker & GDP Per Capita Across Select Utah Counties



Salt Lake County GDP per Capita outperforms due to the scale of, and access to, its labor market, giving it an ability to support commercial opportunities that exceed its population.

Weber County presents potential opportunity for more commercial investment relative to its residential and worker populations.

Source: ZPFI prepared chart.

Utah SGID, Utah Automated Geographic Reference Center, Utah Salt Lake County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-salt-lake-county-parcels-lir/about>

Utah SGID, Utah Automated Geographic Reference Center, Utah Cache County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-cache-county-parcels-lir/about>

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Utah SGID, Utah Automated Geographic Reference Center, Utah Weber County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-weber-county-parcels-lir/about>

Benchmarks: Putting it Together

Value of improved square footage per acre can highlight high-value economic nodes within a jurisdiction and potential opportunities for investment.

2024 Total Improved Market Value Per Acr. Salt Lake County Assessor's Office

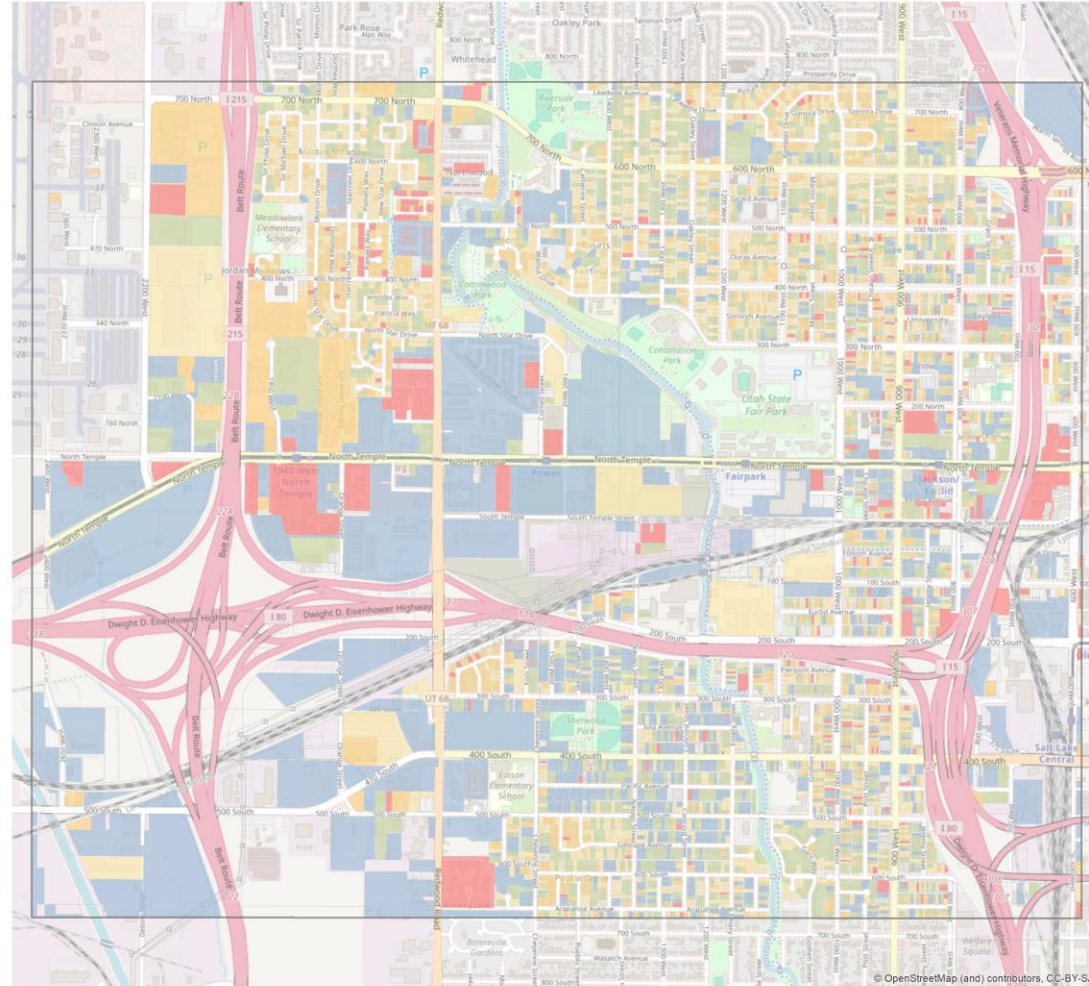
Legend

Power District Study Area

Improved \$ Value / Acr.

- \$0
- \$1 - \$1,000,000
- \$1,000,001 - \$1,500,000
- \$1,500,001 - \$2,000,000
- \$2,000,001 - \$3,000,000
- \$3,000,001 - \$6,000,000

0 0.15 0.3 0.6 Miles



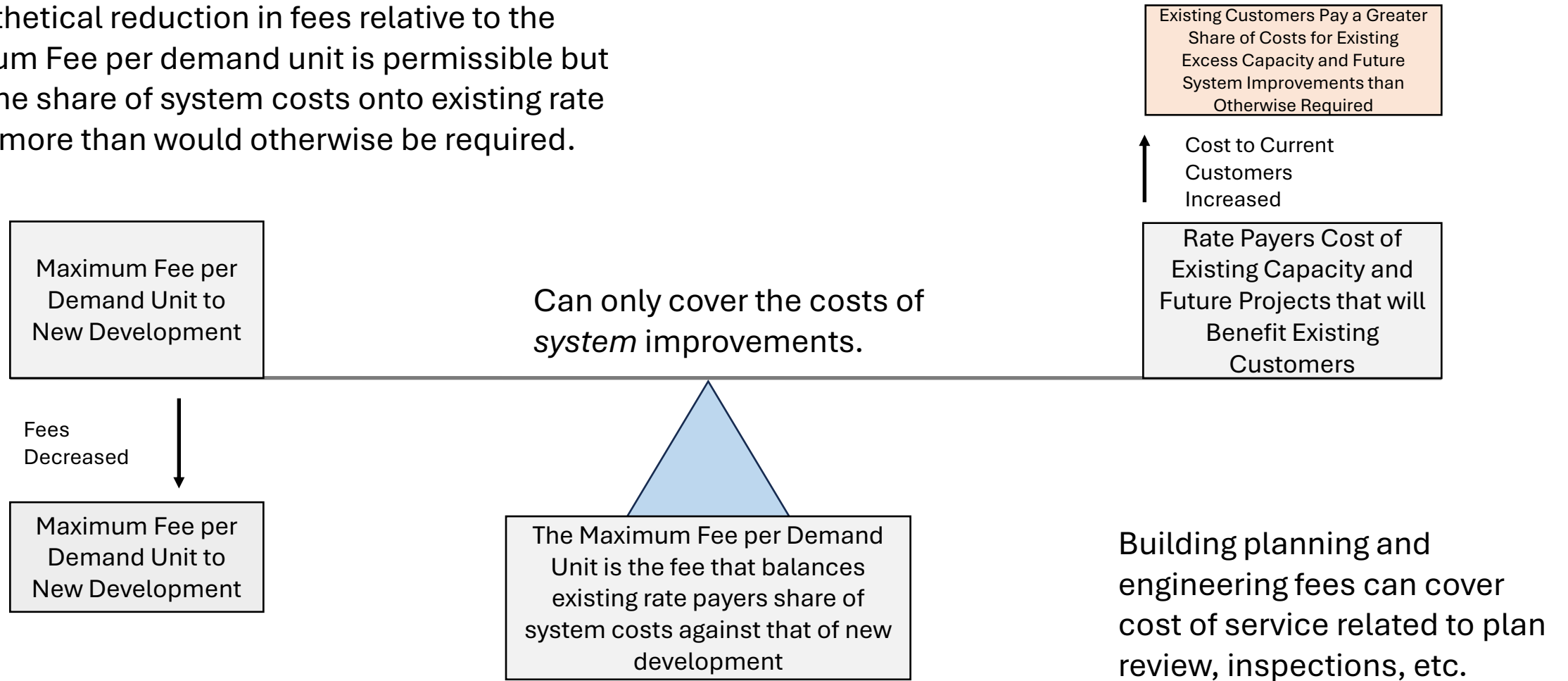
Source: ZPFI prepared chart.

Utah SGID, Utah Automated Geographic Reference Center, Utah Salt Lake County Parcels LIR, <https://opendata.gis.utah.gov/datasets/utah-salt-lake-county-parcels-lir/about>

Tools to Pay for Growth: Impact Fees, BP&E Fees

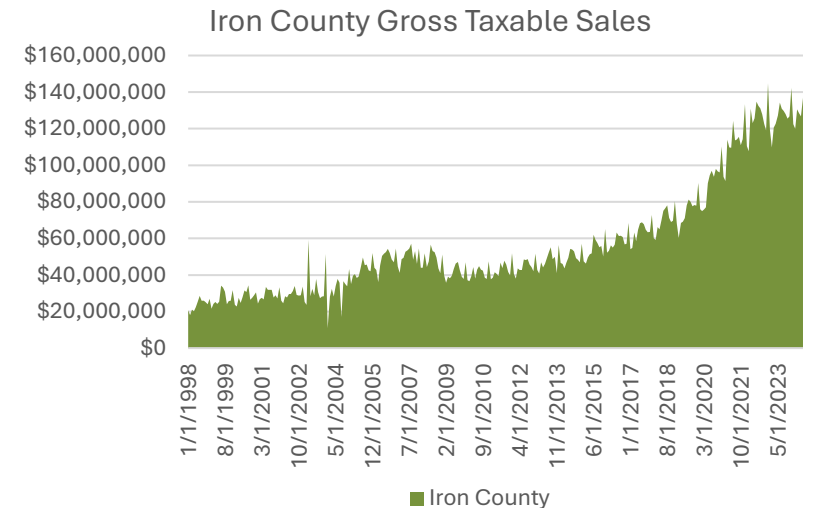
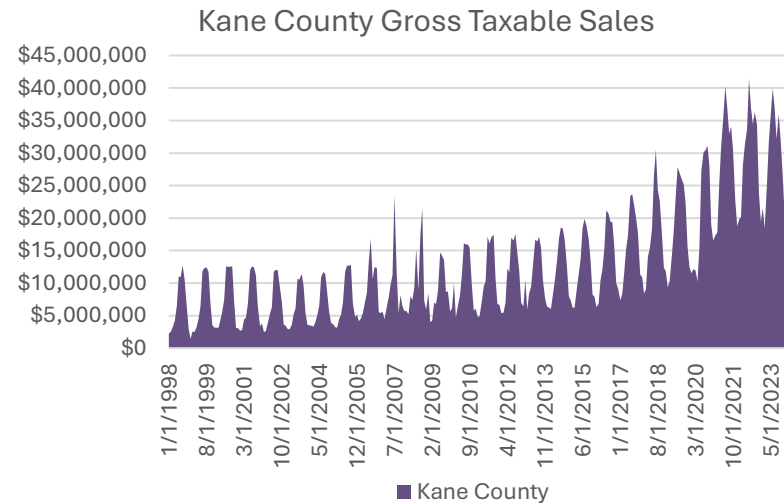
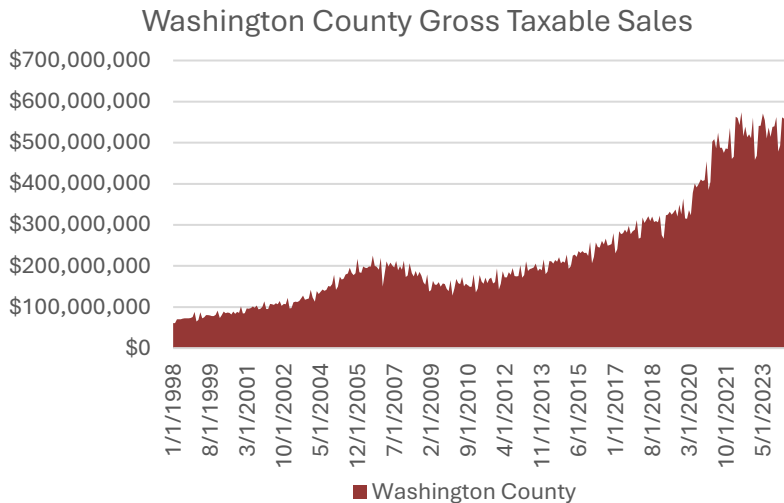
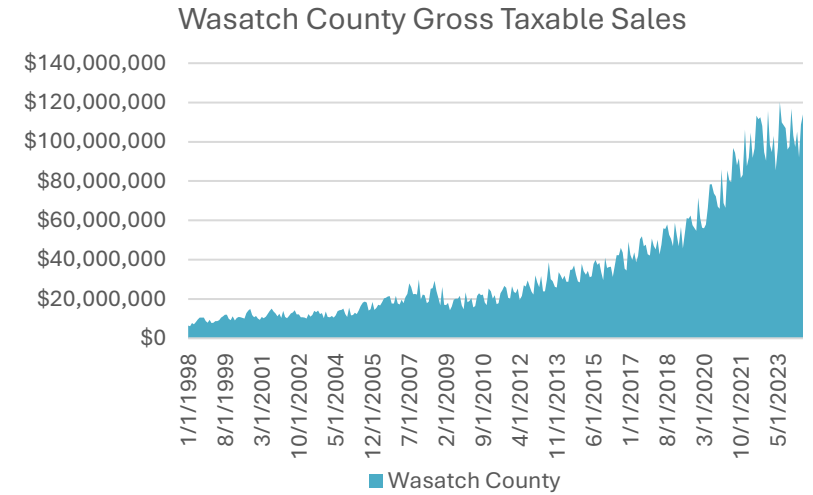
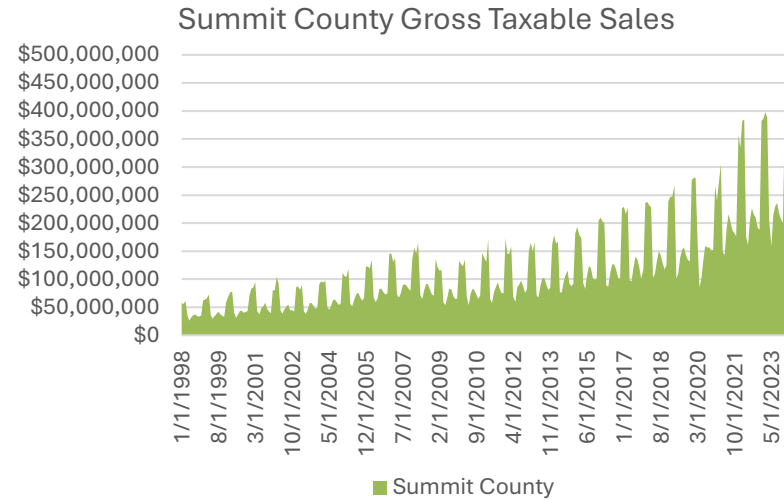
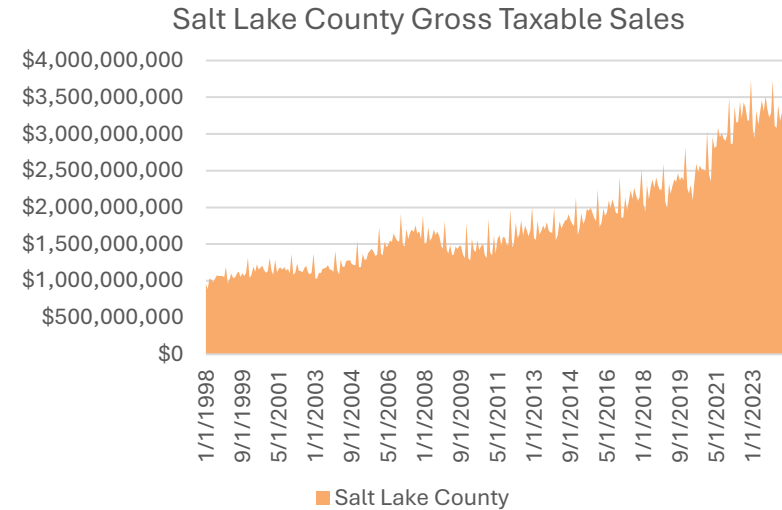
One-time fee charged to new development to offset the capital costs associated with new development.

A hypothetical reduction in fees relative to the Maximum Fee per demand unit is permissible but loads the share of system costs onto existing rate payers more than would otherwise be required.



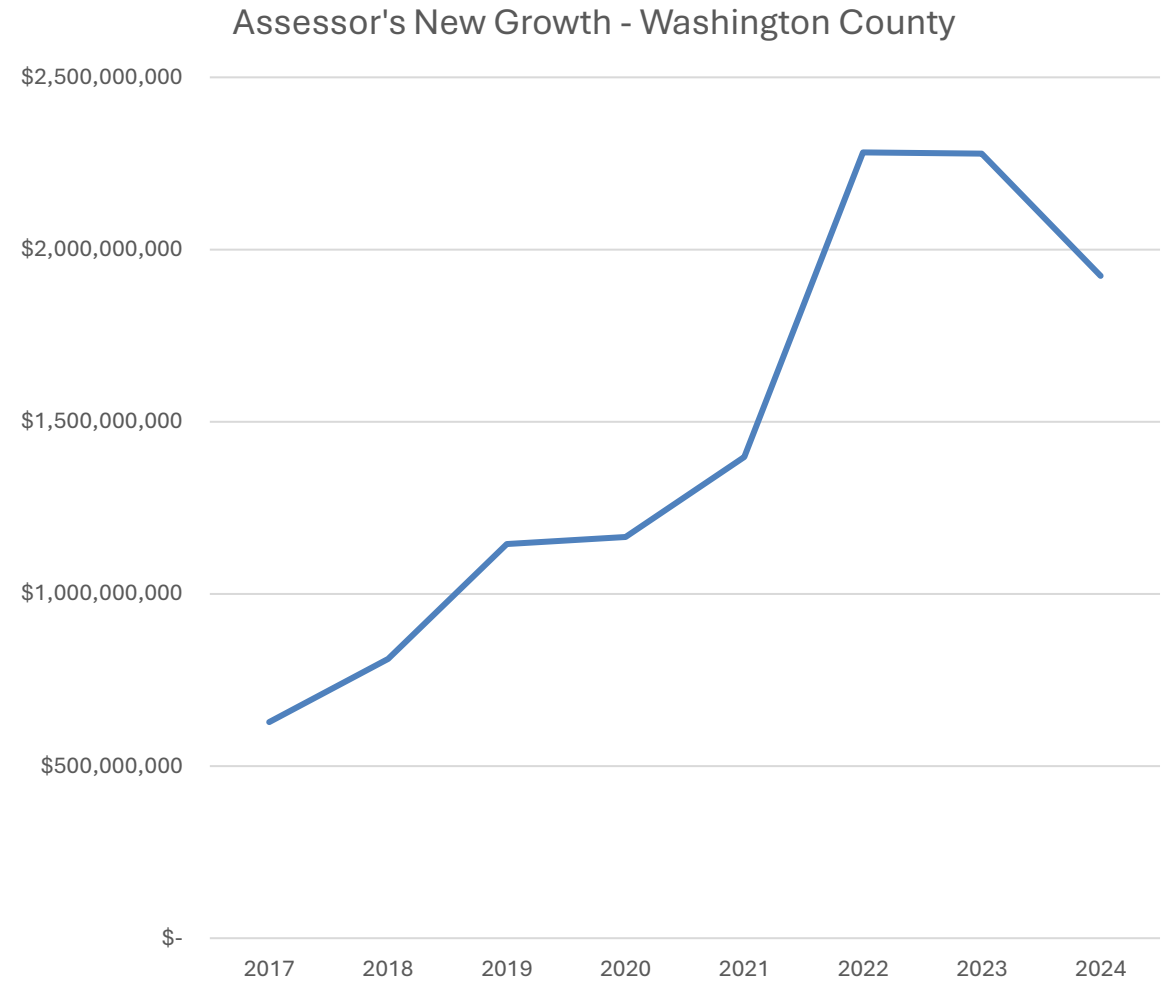
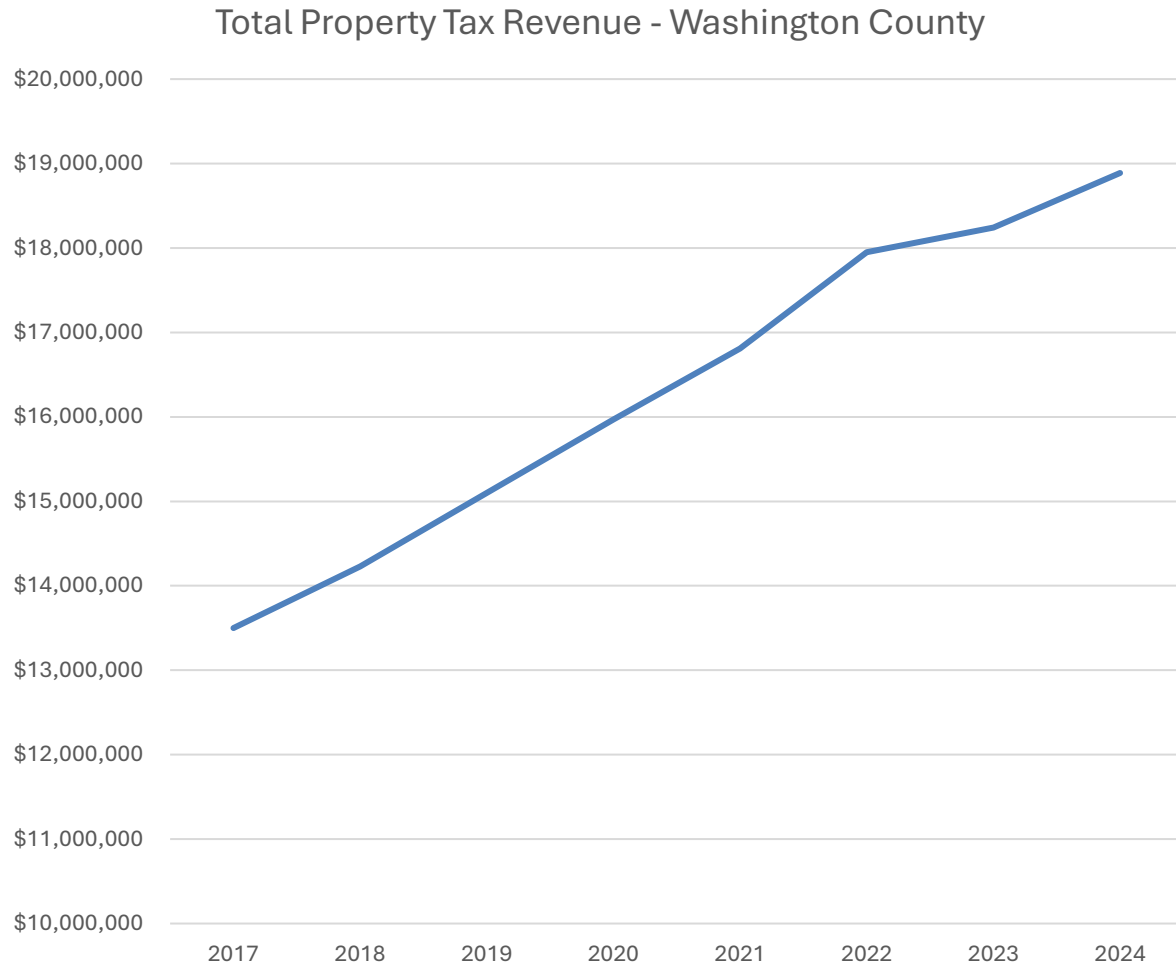
Tools to Pay for Growth: Sales Taxes

Gross taxable sales rose with organic growth and inflation across jurisdictions.



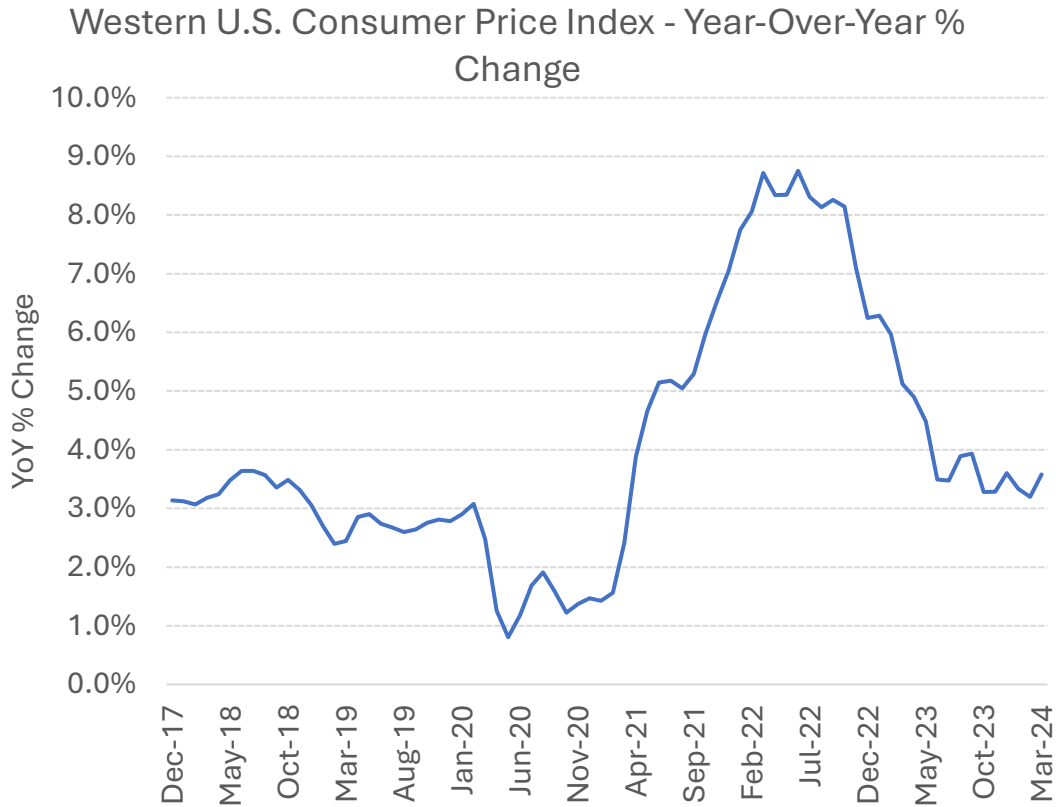
Tools to Pay for Growth: Property Taxes

New growth assessed value is the only way to increase property taxes outside of a truth-in-taxation public hearing.

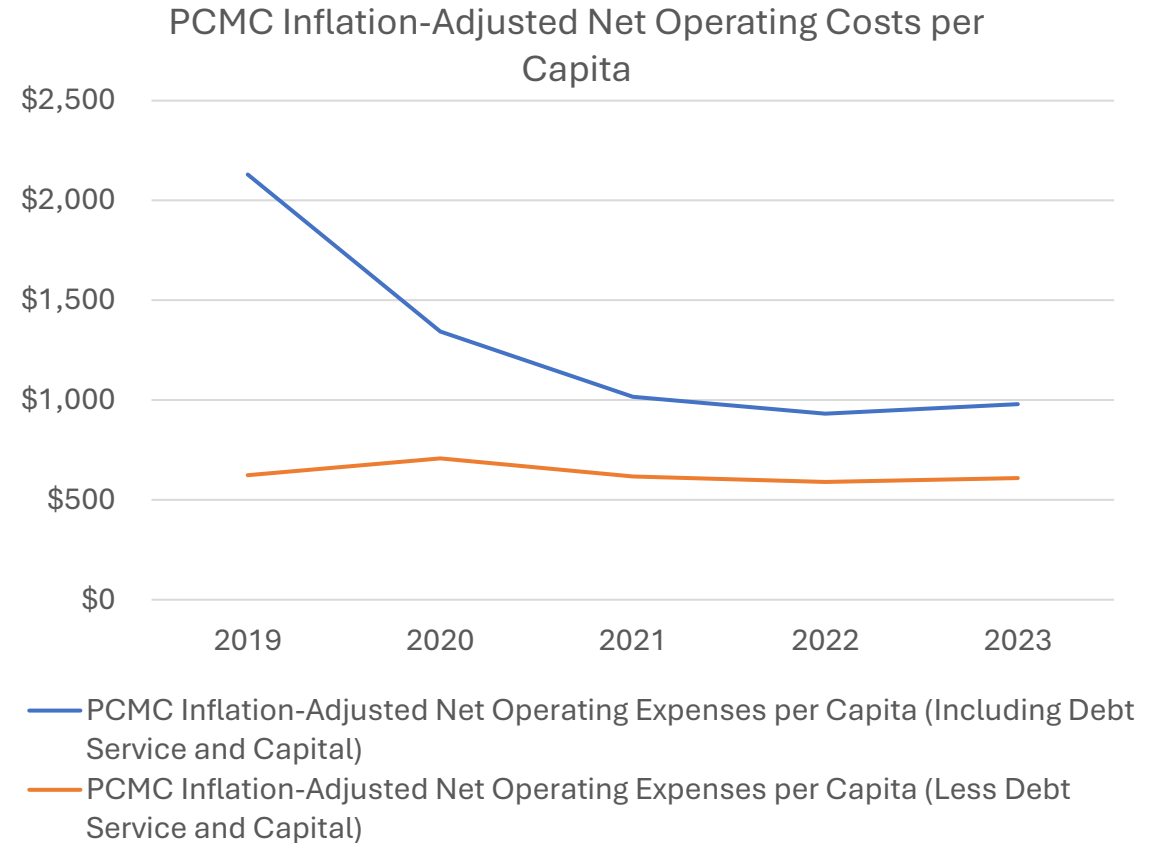


Budgeting Tool: Inflation-Adjusted Per-Capita Expenses

A budget monitoring tool that gives clearer knowledge about operational efficiency.



As inflation rose with the largest annual increases since the 1980s...



...PCMC held its general levy property tax rate at a 0% increase and decreased its inflation-adjusted operations expenses per service population capita.

Source: ZPFI prepared charts.

U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in West [CUUR0400SA0], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0400SA0>, September 26, 2024.

Park City Municipal Corporation, *City Council Approved Budget: Volume II*, <https://www.parkcity.org/home/showpublisheddocument/72496/637957384090530000>

Economic Development Tools & Legislative Review

Key vehicles, their authorizations, and uses.

Vehicle	Criteria	Potential Uses
Community Redevelopment Agency (CRA)	<ul style="list-style-type: none"> ▪ Negotiated with each taxing entity ▪ Participation rate can be customized ▪ Not a new property tax, share of existing 	<ul style="list-style-type: none"> ▪ Revenues generated within boundary used to pay bonds ▪ May pay for infrastructure improvements ▪ May acquire property
Public Infrastructure District (PID)	<ul style="list-style-type: none"> ▪ Approved by City but separate stand-alone financing district ▪ State statute limits mill levy to 15 mills, a new tax above existing ▪ Potential to use Sales Taxes as well 	<ul style="list-style-type: none"> ▪ Revenues generated within boundary used to pay bonds ▪ Proceeds used to pay for infrastructure improvements
Housing & Transit Reinvestment Zones (HTRZ)	<ul style="list-style-type: none"> ▪ 10 minimum acres ▪ Maximum acres non-contiguous 100-125 acres ▪ 9% of housing at 80% AMI ▪ 3% of housing at 60% AMI ▪ Commuter Rail, Light Rail, and BRT expressions 	<ul style="list-style-type: none"> ▪ 80% of tax increment for 25-45 years ▪ 25 year max per parcel ▪ 15% sales tax capture
First Home Investment Zone (FHIZ)	<ul style="list-style-type: none"> ▪ 51% of developable acres in center of zone must be used for housing ▪ Can count “extra-territorial” areas toward housing requirement ▪ > 6 units per acre ▪ Housing must be owner-occupied ▪ 20% of homes affordable 	<ul style="list-style-type: none"> ▪ 60% of tax increment for 25-45 years ▪ 25 year max per parcel
Home Ownership Promotion Zone (HOPZ)	<ul style="list-style-type: none"> ▪ < 10 contiguous acres ▪ > 6 units per acre ▪ 60% of units at 80% of County median sales price ▪ All housing must be owner-occupied for at least 5 years 	<ul style="list-style-type: none"> ▪ Other taxing entities are required to participate ▪ 60% of increment or project infrastructure for up to 15 years

Source: Utah Governor’s Office of Opportunity, *Housing and Transit Reinvestment Zones (HTRZ)*, <https://business.utah.gov/business-recruitment/htrz/>.

Utah.gov, Gilmore Bell, *Utah Senate Bill 228 – Public Infrastructure District Act*, <https://www.utah.gov/pmn/files/748753.pdf>.

Utah Code, *Title 17C Limited Purpose Government Entities – Community Reinvestment Agency Act*, <https://le.utah.gov/xcode/Title17c/17c.html>.

Utah SB268, *SB268, First Home Investment Zone (FHIZ) Act*, <https://le.utah.gov/interim/2024/pdf/00001820.pdf>.

Utah SB168, *SB168 Affordable Building Amendments*, <https://le.utah.gov/~2024/bills/static/SB0168.html#:~:text=recommendation.,not%20take%20action%20affecting%20that>.

Additional Affordable Housing Development Tools

Additional tools that specifically target affordable housing.

Below Market Lease of Municipal Land

Municipalities may appropriate funds and resources for “corporate purposes only.” Utah Code § 10-8-2(1)(a)(i). A corporate purpose is one that, “in the judgment of the municipal legislative body, provides for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the city.” Utah Code § 10-8-2(3).

Generally, the municipal legislative body establishes the criteria for a determination of corporate purpose. Utah Code § 10-8-2(3)(b)(i). But the value received is “measured on a project-by-project basis over the life of the project” and legislative body “may consider intangible benefits received by the municipality in determining net value received.” Utah Code § 10-8-2(3)(a), (c).

Notably, the determination of value received “shall be presumed valid unless it can be shown that the determination was arbitrary, capricious, or illegal.” Utah Code § 10-8-2(3)(b)(ii).

4% LIHTC Tax-Exempt

- 4% Tax Credit to Investor
- 30% subsidy to new construction cost
- Access to issue debt in tax-exempt market
- Usually, 10 yr + 5 yr compliance period
- Generally used for rehabilitation and new construction
- Must follow 20/50 rule or 40/60 rule (20% of units at less than 50% AMI or 40% of units less than 60% AMI)
- Less competitive

9% LIHTC Tax-Exempt

- 9% Tax Credit to Investor
- 70% subsidy to new construction cost
- Access to issue debt in tax-exempt market
- Usually, 10 yr + 5 yr compliance period
- Generally used for new construction and substantial rehabilitation
- Must follow 20/50 rule or 40/60 rule (20% of units at less than 50% AMI or 40% of units less than 60% AMI)
- More competitive

100% Debt Tax-Exempt

- Emerged originally from student housing projects
- Not a tax credit deal
- Ground lease payments made to public entity
- Structured via bankruptcy remote Federal 501(c)3s
- Debt frequently bought by large banks
- Pre-development risk share usually requested and refunded at financial close
- Asset reverts to municipality at end of debt maturity

What Can You Do? Markets and Planning are Joined

What is a key resource land management codes govern? **Improved floor area.** If de-growth is preferred, then a difficult regulatory process makes sense. If growth is preferred, then governments can take actions on both the demand and supply side.

To Incentivize Demand for Floor Area

Maximize efficient transit access to job opportunities

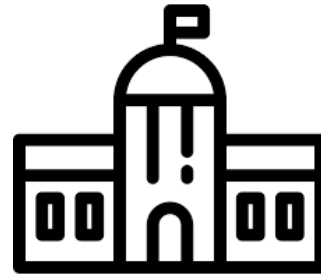
Authorize Public Infrastructure Districts (PIDs)

Authorize Community Reinvestment Agencies (CRAs)

Authorize Housing and Transit Tools (HTRZ, HOPZ, FHIZ)

Reduce or Don't Increase Taxes Where Able

Incentives, grants for new business



Municipal
Planning &
Powers

Key Influence on Project
Form and Viability



ZIONS PUBLIC FINANCE, INC.

Incentivize Supply of Floor Area

Reduce or Eliminate Minimum Floor/Area Ratios if they Exist

Reduce Parking Ratios

Reduce Minimum Lot Size

Reduce Setback Requirements

Reduce or Eliminate Height Restrictions

Reduce or Eliminate Single-Family Only Zones

Reduce or Eliminate Roof Slope-Angle Requirements

Thank you!

Erik Daenitz, Zions Public Finance
erik.daenitz@zionsbancorp.com

