SANDY HTRZ OVERVIEW, FEASIBILITY & GAP ANALYSIS

WHAT IS AN HTRZ?

Housing and Transit Reinvestment Zones (HTRZ) are designed to get "all hands on deck" to help Utah tackle its housing crisis by facilitating mixed-use, multi-family and affordable housing development within a 1/3-mile radius of UTA FrontRunner stations. HTRZ enables a portion of incremental tax revenue growth to be captured over a period of time to support costs of development. This capitalizes on the State's plan to make historic investments in strategic double-tracking of FrontRunner to increase capacity, speed, frequency, and reliability. Cities can enter TIF agreements for up to 80% and up to 25 years in length.

Under the HTRZ legislation, a city can propose development and zoning around a FrontRunner station that:

- promotes higher utilization of public transit;
- increases availability of housing, including affordable housing;
- conserves water resources through efficient land use;
- improves air quality by reducing fuel consumption and motor vehicle trips;
- encourages transformative mixed-use development and investment in transportation and public transit infrastructure in strategic areas;
- uses strategic land use and municipal planning in major transit investment corridors; and
- increases access to employment and educational opportunities.

Development proposals that utilize HTRZ would be required to:

- be mixed-use;
- reserve at least 51% of developable land for residential use;
- average at least 50 housing units to the acre; and
- have at least 10% affordable housing (<80% AMI).

The Developers of the proposed RedSky mixed-use apartment building (the "Development") contacted the Sandy City (the "City") Economic Development staff about creating an HTRZ for their development, as there currently exists financing gaps that hinder the Development from being feasible. As part of their due diligence, the City asked Lewis Young Robertson & Burningham, Inc. ("LYRB") to conduct an analysis related to the financial viability and necessity of City participation through the creation of an HTRZ.

KEY FINDINGS AND TAKEAWAYS

In its capacity as financial advisor to the City and the Redevelopment Agency of Sandy City (the "Agency"), LYRB conducted an analysis related to the financial viability and necessity of Agency and City creation and participation on a HTRZ for the Development. Below are the key findings and takeaways of the analysis.

- The development proposes to build 167 studio, 1 bedroom, 2 bedroom, and loft apartments with 2,000 square feet of commercial space.
- The Development is estimated to create **$48.4M** in new taxable value. The Development is estimated to generate **$22.9M** of tax increment during the 25-year life of the HTRZ.
- The Developer will build a parking structure which is estimated to cost $**6.5M**, or 13% of the total project cost. Without the parking structure, the development cannot attain its advertised density.
- Due to HTRZ laws requiring 10% of units being reserved for affordable housing, there will be a difference in rental revenue. These units will generate **$628** less in monthly rents than the market rate equivalent units which are detailed in Table 1 below. The annual rent difference is **$22,620** or **$565,500** over the 25-year HTRZ.

- The Developer has identified a **gap of $7.79M** due to additional costs above normal, which are influenced by the City's code, geographical restrictions of the identified parcel, or increased material/construction costs due to constrained supply chains. The narrow dimensions of the site combined with the "no build" restrictions from the Target facility bordering the site pose additional problems that require the Developer to adjust their construction methods and plans, thus increasing costs. Additionally, the Development will cut out additional parking stalls on the street at a 45-degree angle, thus necessitating a rebuild of the sidewalk and curb on the affected sections. Table 1 details the additional costs incurred by the Developer.

Table 1: Additional Costs Above Standard Market Rate

DESCRIPTION	COST
Structured parking in lieu of surface parking	$3,600,000
Increased construction cost from 2021	2,460,000
Townhomes at front of building	450,000
Additional masonry and siding required by City	400,000
Elevators in lieu of walk up	324,000
Crane in lieu of forklifts due to narrow site	175,000
Additional surface parking required by zoning	150,000
Pool at podium rather than at grade (pool not in the ground)	150,000
Extra stair towers	80,000
Total	**$7,789,000**

Table 2: AMI Deed Restricted Monthly Rent Difference

UNIT TYPE	NO. OF UNITS	MARKET RENT (MONTHLY)	TAX CREDIT RENT (MONTHLY)	DIFFERENCE
Studio	17	$22,083	$19,992	($2,091)
Total/Average	**17**	**$22,083**	**$19,992**	**($2,091)**

Table 3: AMI Deed Restricted Annual Rent Difference

UNIT TYPE	NO. OF UNITS	DIFFERENCE (MONTHLY)	DIFFERENCE (ANNUALLY)	DIFFERENCE (25-YEAR TIF PERIOD)
Studio	17	($2,091)	($25,092)	($627,300)
Total	**17**	**($2,091)**	**($25,092)**	**($627,300)**

CONCLUSION

Due to rising costs and development impediments that must be overcome, a HTRZ is necessary for the Developer to successfully construct their mixed-use affordable housing project. The gap of **$7,789,000** could be funded through tax increment collected on the project. All of the improvements and site constraints necessitate that the Developer by approved for an HTRZ in order to provide affordable housing for the City.