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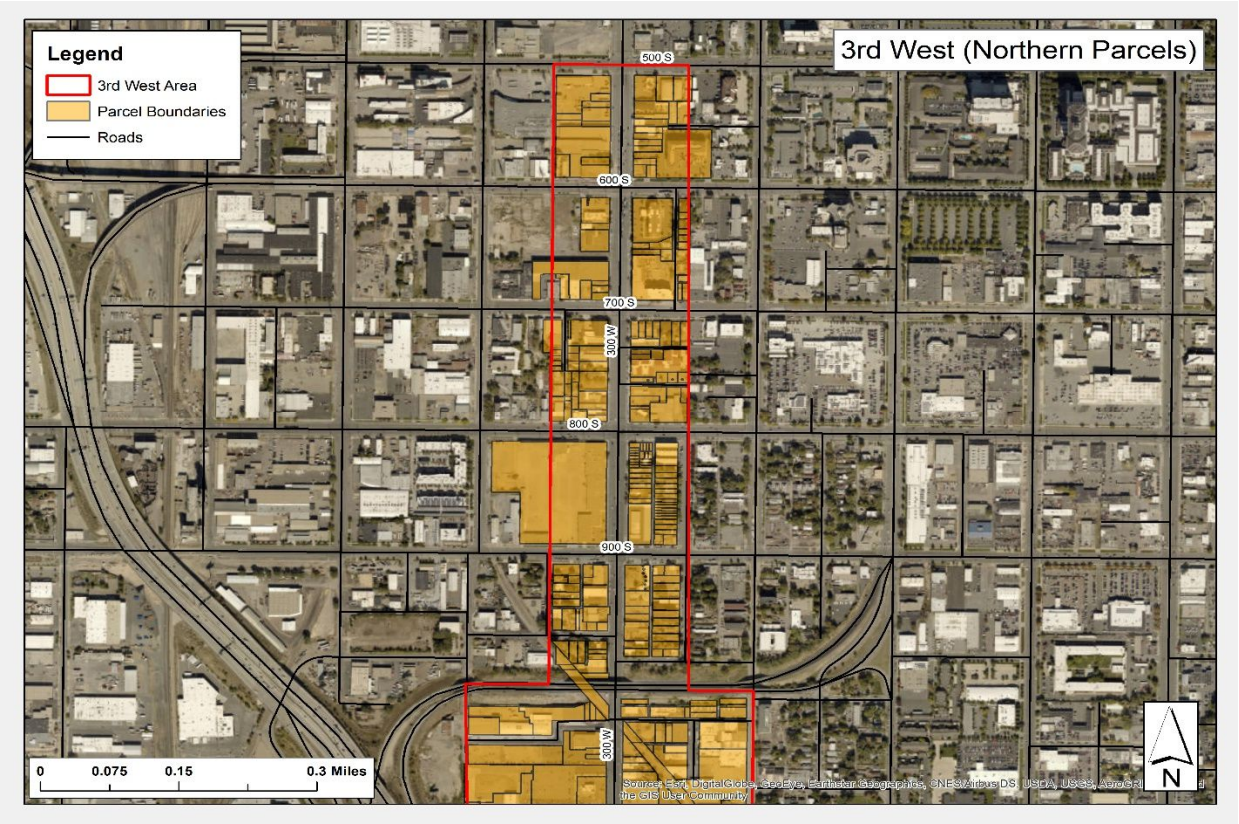
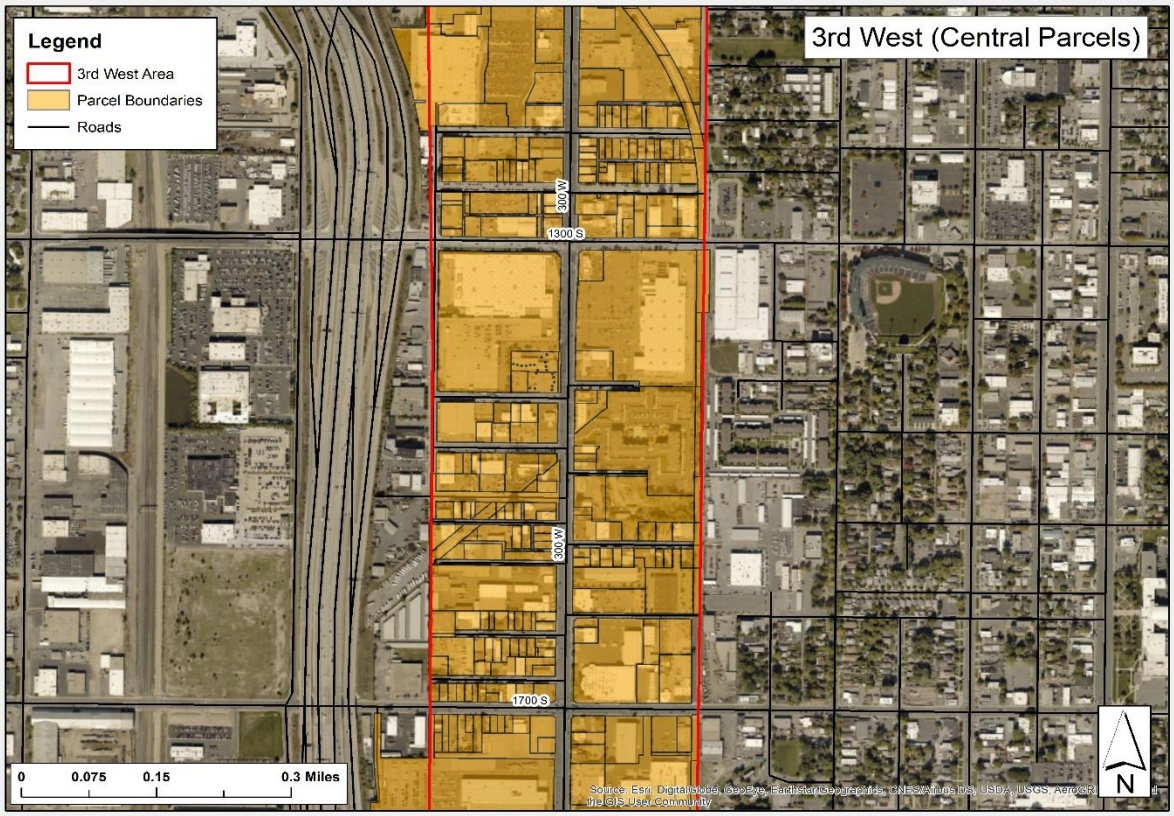
To: Salt Lake City 300 West Oversight Team

Zions Public Finance Inc. (ZPFI) appreciates the opportunity to provide this memo as part of the BUILD grant application regarding an area in Salt Lake City along 300 West, from 500 South to 2300 South. The purpose of this assignment is to estimate the impact of proposed roadway improvements on residential and commercial construction demand and absorption. Our analyses and opinions are presented within this summary memo, with additional details contained in internal files. Overall, it is our opinion that the area will experience minimal new growth or redevelopment over the next ten years unless infrastructure improvements are made. The proposed roadway design (as detailed later) may result in upwards of 1,200 residential units on key, undervalued parcels, with additional supportive commercial space likely. Without the roadway improvements, it is likely that the area may only see growth commensurate with historical activity, or near a total of 400 units over a ten-year period, for an increment of 800 units in the build vs no-build. Over 20 and 30-year periods, growth would likely be commensurate as the initial ten-year period, albeit somewhat lessened as key parcels become less available over time and neighboring regions present competitive options.

The study area, as noted above, constitutes 300 West as the major north/south corridor. The associated maps highlight parcels on both sides of 300 West, with the radius of immediate influence anticipated to be no more than a block.




3rd West (Central Parcels)
Legend
3rd West Area
Parcel Boundaries
Roads
300 W
1300 S
300 W
1700 S
0
0.075
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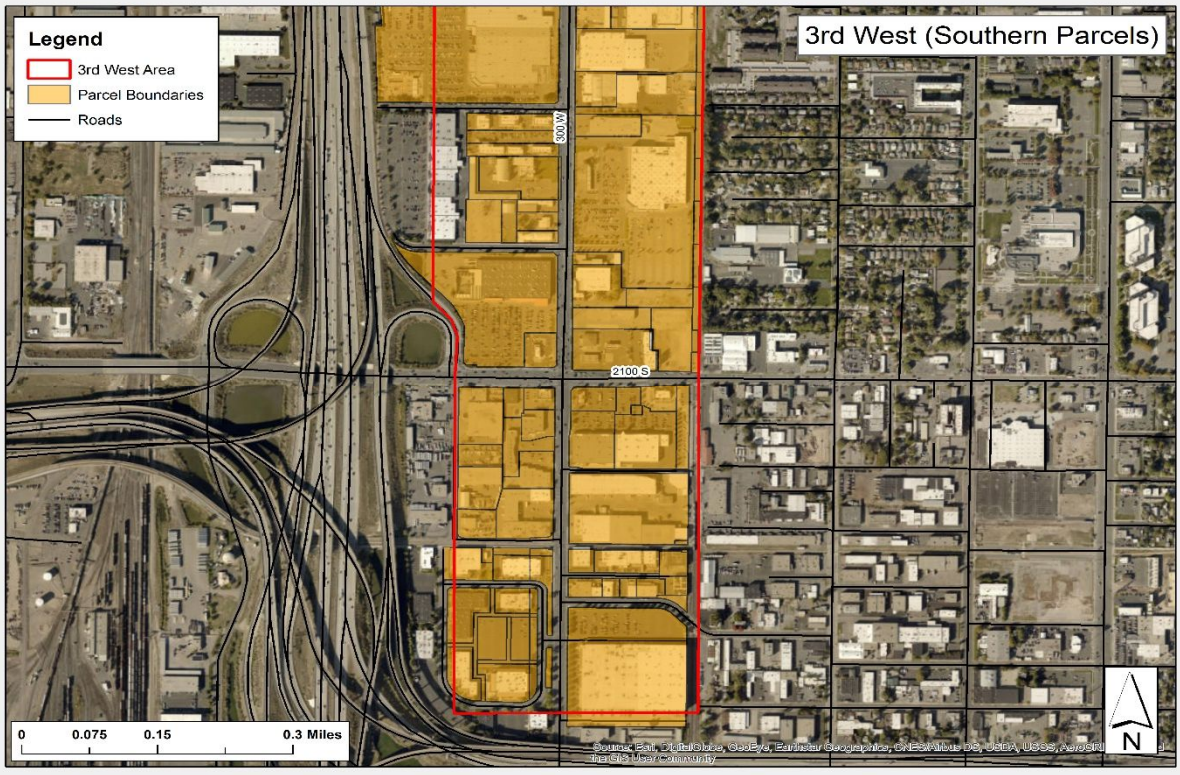
N


3rd West (Southern Parcels)
Legend
3rd West Area
Parcel Boundaries
Roads
300 W
2100 S
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0.075
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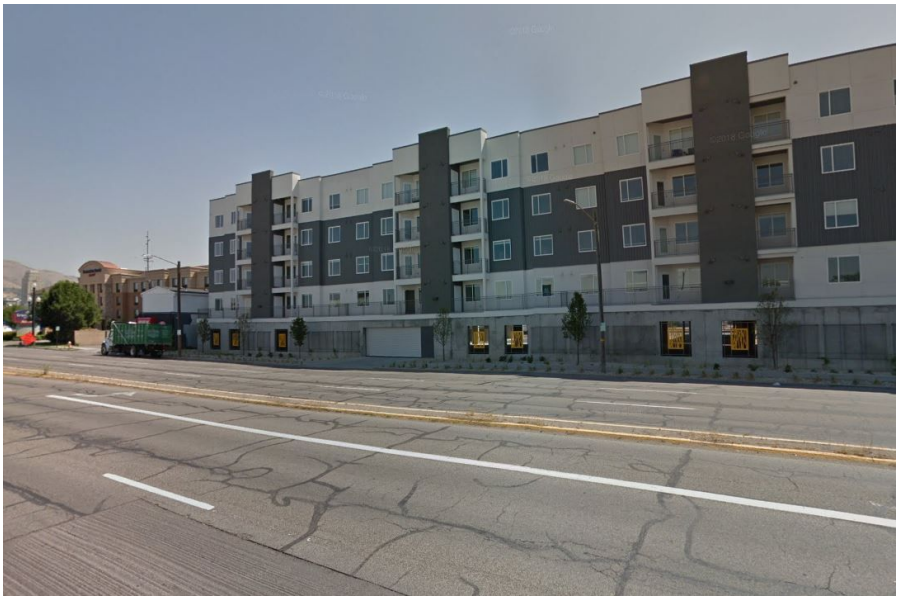
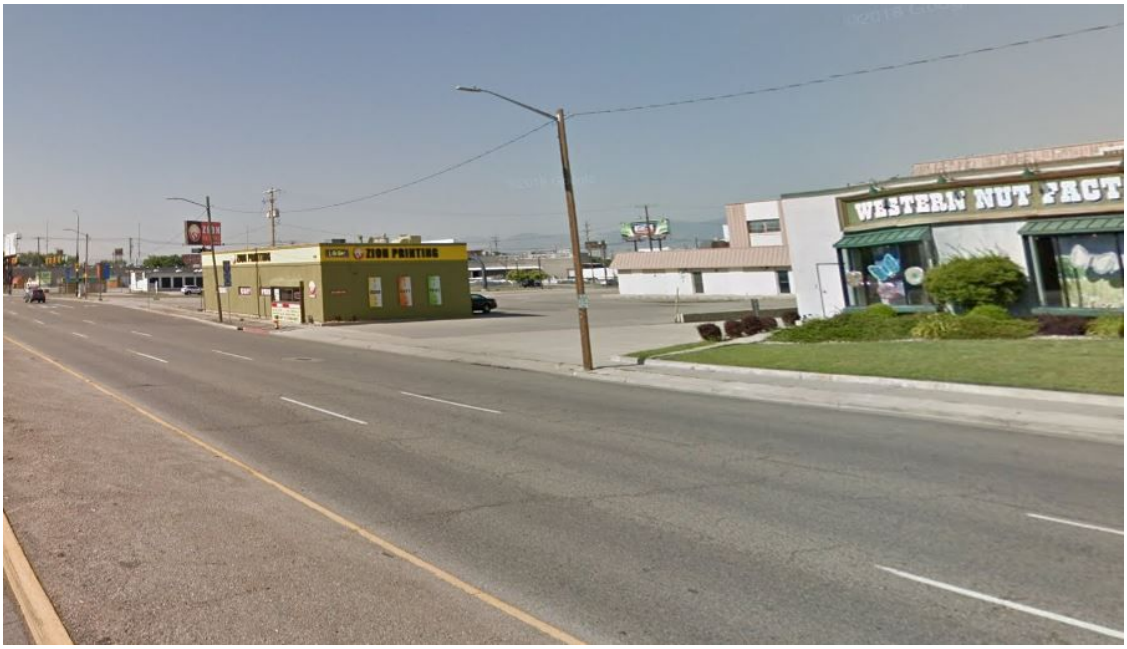
0.3 Miles
N

Currently existing improvements in the area of study are primarily older in origin, with numerous dilapidated structures that show need of renovation or redevelopment altogether. Service commercial and retail uses are found along 300 West, as are light industrial and some warehousing improvements. Residential use is fairly minimal, although both single-family and multi-family developments are scattered throughout the area. Parking is provided in surface lots for nearly all developments along the corridor.

Some residential development has been added in the most recent past, as shown by the photos below. The low to mid-rise construction is reflective of financially feasible uses in the area at present, and reflects a trend that should continue in the area as housing needs remain healthy. The lack of developable land, coupled with an increased desire for affordable housing in or near the downtown core, has resulted in some residential construction.

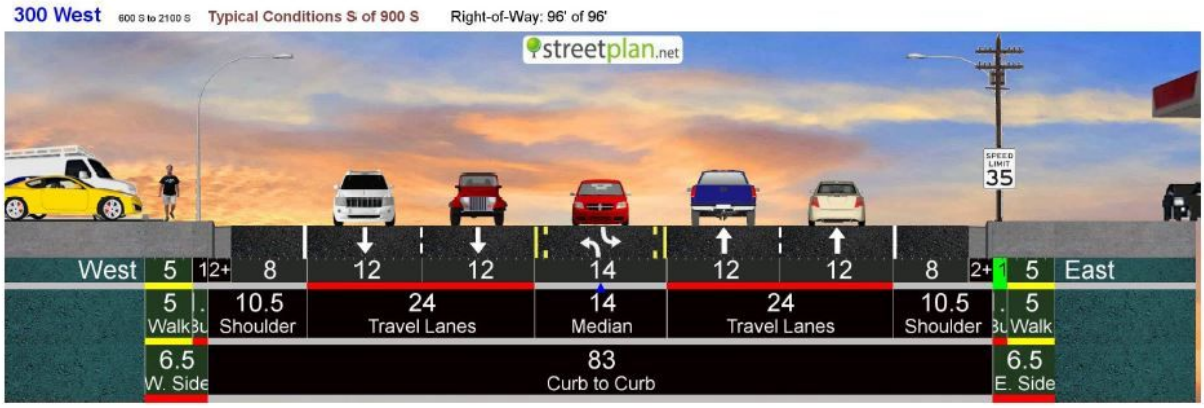


Non-residential uses in the study area are shown in photos below. Generally, most buildings have origins in excess of 20 years, and are largely lower density with partially surrounding surface parking lots. Most of these service commercial, light industrial, warehousing, and quasi-retail uses are not maximizing the value of the underlying land. This is due to changed market conditions since the construction of those facilities, with the land now supportive of potentially higher densities.



Significant new development along the 300 West corridor has not happened in large degree due to the age of existing properties and the overall lack of appeal to the area. Land use planning appears to have been an afterthought, and infrastructure improvements are notably minimal. Sidewalks, where available, are primarily in need of repair or improvement, and street landscaping is fairly nonexistent. The pedestrian experience is subpar and is a notable deterrent from large-scale residential or mixed-use development.

Developers and brokers active in the Salt Lake commercial and residential market indicate that the 300 West corridor is certainly considered a "secondary" location due to its lack of amenities and overall feel. Higher-density residential construction requires certain neighborhood amenities, including walkable areas, landscaping, and better connections between services and uses. Brokers relayed that until the 300 West corridor has some land use planning efforts and/or notable infrastructure improvements, that large-scale and transformative development will simply not occur. The following picture highlights the current street and sidewalk layout.



The layout shows a vehicular friendly approach to 300 West, with little consideration for the pedestrian experience. Ultimately, the lack of overall safety for a pedestrian creates an area that has little desirability for residential use. Proposed construction and improvements for 300 West are highlighted in the picture below.

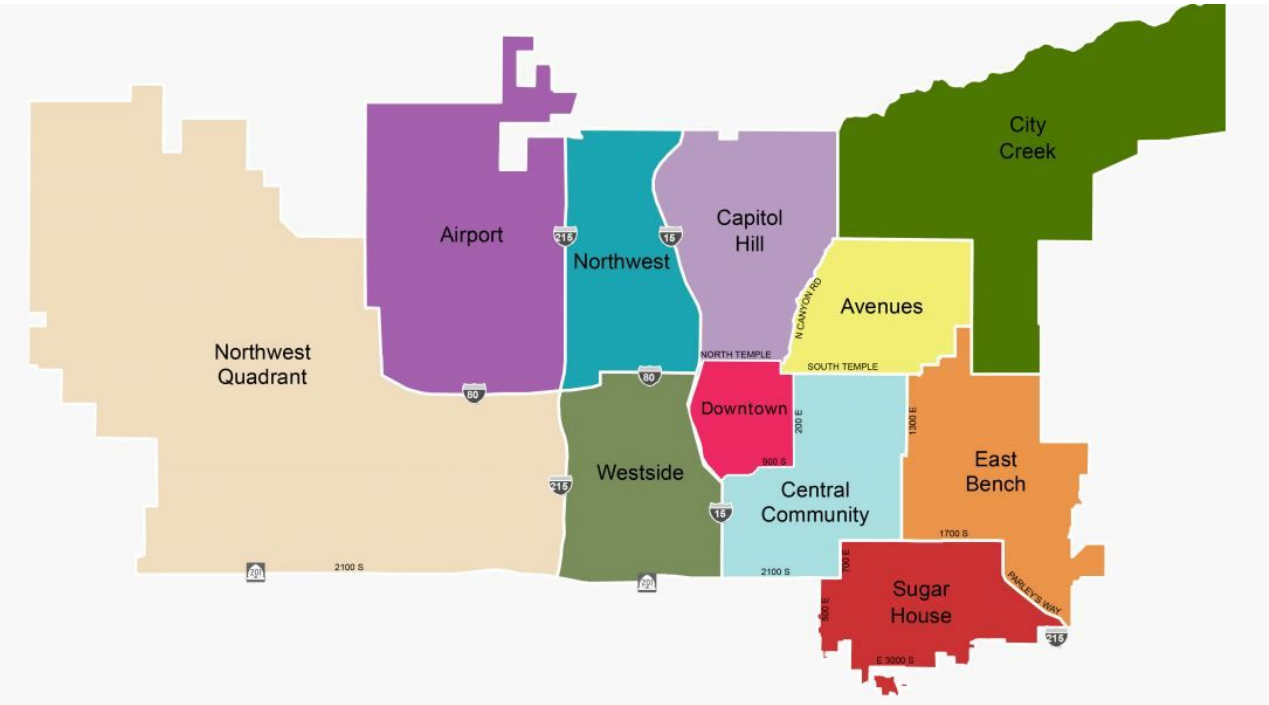
This proposed street layout considers a pedestrian experience and suggests a major functional and aesthetic upgrade to the neighborhood. When this possible alternative was described to local area developers, the response was significant enthusiasm for the increased development appeal.

El Camino Real is a major thoroughfare extending throughout the San Francisco Bay Peninsula. It connects numerous cities, and largely runs parallel to Highways 101 and 280. Construction is primarily two to three lanes in each direction, with most areas having limited landscaping and sidewalk improvements, or other pedestrian appeal characteristics. The right-of-way services a significant amount of vehicular traffic and is lined with a variety of uses, similar to 300 West. Portions of El Camino Real have been improved in the past decade, primarily by landscaping medians and curbs, providing bicycle lanes, and upgrading the pedestrian experience. These improvements have resulted in significant land use changes and new development. Specific areas of Belmont, Redwood City, and San Carlos, California have experienced a revitalization of use types and densities along El Camino Real after making roadway and pedestrian improvements. Notably, previous uses were primarily defined by one and two-story office, light industrial, or service commercial uses with partially surrounding parking. Now, those uses have been replaced by mid-rise office and residential designs, some of which include ground-floor retail options. Parking is now largely accommodated in covered structures as opposed to open surface lots.

Part of the results from the El Camino Real improvements come from zoning changes made by the affected cities. Previously, some uses were not allowable, due primarily to the lack of pedestrian access or the deemed safety of the area. With an emphasis on the pedestrian experience, expanded uses have been allowed and are taking advantage of the increased access and desirability from the roadway changes. Planners, developers, and brokers from the aforementioned Northern California communities note that residential construction was pursued in earnest along the improved corridors, as the roadway design changes promoted a residential and neighborhood lifestyle by allowing for better connectivity and overall experience.

According to the Kem Gardner Policy Institute, as well as the U.S. Census Bureau, the population in Salt Lake City has increased by an average of 1,100 residents per year, over the past twenty years. With an average of 2.4 residents per household, the annual growth correlates to roughly 460 new residences per year. More recent years (past five years) have seen moderately higher growth than this, sometimes in excess of 1,000 residential units added per year. Future population growth is forecast to remain strong, due to a solid economy, high birthrates, and low median ages. Consequently, it can be assumed that population growth may continue for Salt Lake City in a similar fashion as reflected over the past 20 years.

Assuming similar population growth, a quick analysis of areas of growth within Salt Lake City is appropriate. The associated map indicates defined neighborhoods within the city, with the subject study area in the Downtown and Central Community areas.



Limited new residential development is anticipated for the eastern and northern neighborhoods, including Capitol Hill, City Creek, East Bench, and the Avenues. Some redevelopment and higher-intensity uses are likely for Sugarhouse, while Westside and Northwest should see multi-family and some single-family uses. Residential uses are less likely in the near-term for the Airport and Northwest Quadrant neighborhoods. Overall, the most likely areas to experience higher density uses are Downtown and Central Community (as well as some portions of Westside). These areas have desirable connections to employment and transportation, and furthermore represent neighborhoods that have redevelopment potential for uses that are more reflective of current highest and best use conclusions than what presently exists.

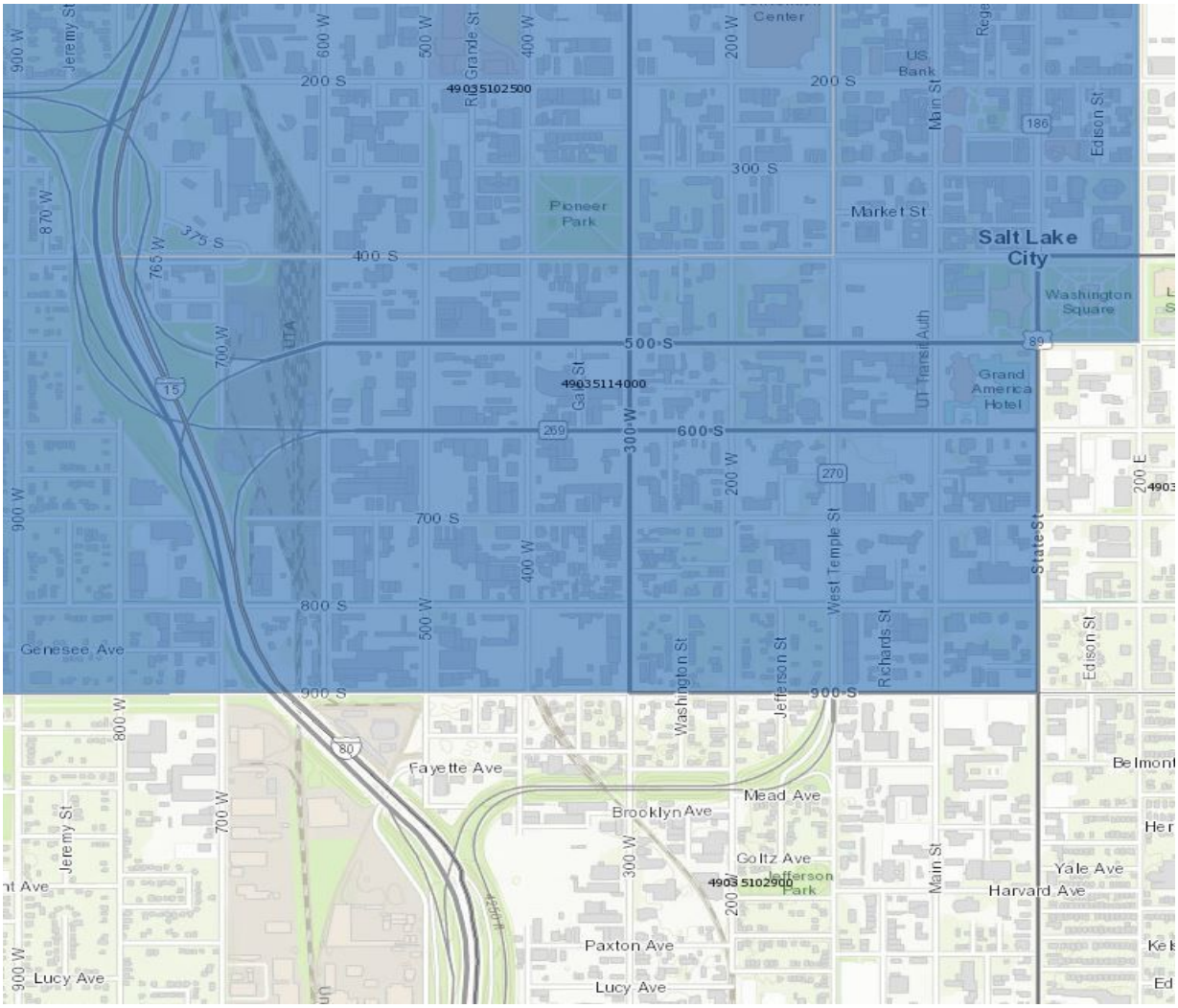
Assuming that 75 percent of new residential development will be located in the Downtown and Central Community neighborhoods results in a need of roughly 345 units per year. If 300 West remains in its current state (no roadway improvements), it is feasible that a range of zero to ten percent of the total future units could be accommodated in the study area with new construction. These units would likely be reflective of the more recent residential construction (as shown in previous photos) and would take advantage of the federal Opportunity Zone designation that covers a portion of the study area (as shown on a later map). Ultimately, the tax savings (from the Opportunity Zone) and need for more housing in Salt Lake City, particularly affordable housing, could result in the area experiencing 30 to 40 new units per year. Recent construction has shown buildings with a total of 60 to 100 units, which is inline with the above predictions when considering the total construction and lease-up periods, coupled with the time between development of projects in the study area (i.e., two apartment complexes were built over a space of five years in the zone). Over the course of ten years, it is likely that about 400 residential units would be added to the study area, assuming no significant roadway or area improvements are made.

If the roadway improvements were to be constructed as proposed (noted in a previous picture), an increase to residential construction in the area would be anticipated. This would follow the model explained for the Northern California cities, and reflects a trend that has been repeated in multiple

locations in Utah. If zoning were to be changed to take advantage of the improved pedestrian experience (more buildings up to the street front, density, designs, emphasis on rear or covered parking, etc.), then the study area could feasibly absorb an increased amount of residential units. At a 20 to 25 percent capture rate of proposed population (on a total household size basis), upwards of 100 to 120 units per year could feasibly be supported. Over ten-year period, likely construction could exceed 1,000 to 1,200 units under a scenario where 300 West is improved as proposed.

It is likely that demand for the area will remain healthy beyond the initial ten-year horizon. Absorption may be somewhat reduced in later years due to desirable parcels being initially developed, but the proposed roadway improvements will retain appeal for the overall area. Ultimately, if 1,200 units are suggested for the initial ten-year period (post roadway improvement construction), the following ten-year periods may see construction in the 800 to 1,000 unit totals (or near 80 to 100 per year), and the next ten after that might see 600-800 unit totals. Neighboring corridors may then recognize the value of roadway improvements and make similar changes, and there would likely be spillover effect to the next blocks as development near 300 West is clearly desirable, but land fronting it is increasingly rare. As for the no-build case, the second and third decades might each add another 300 residential units by default.

Additionally noted is that overall interest from investors and developers in the area will significantly increase when roadway improvements are made. This is confirmed by active developers and brokers who



indicate that investors turn to areas where the local government has made a commitment to improvement. Furthermore, if roadway improvements are made in the area covered by the Opportunity Zone (shown on the map below), investors will see the area as ripe for redevelopment and long-term investment.

Currently, Opportunity Zone investors are searching for areas with redevelopment potential and that have key infrastructure improvements in place. These investors want to know that the jurisdictional control is committed to the area and is willing to make investments to ensure that the property holdings remain in an area that does not become dilapidated.

In addition to residential construction in the study area, the roadway improvements and increase in population density will help spur retail redevelopment and new construction. Currently, the area is overbuilt for commercial uses, but the addition of residents and density will provide for retail and office opportunities at select areas. Land is underutilized in several areas along 300 West, but will have significant commercial redevelopment potential from 500 South to 900 South within the study area. This area has several sites that have low assessed values and do not capitalize on desirable visibility and exposure characteristics from healthy traffic counts. New retail feasibility wanes somewhat further south in the study area but will nonetheless be improved with the proposed roadway characteristics.

Consistent, annual absorption of new commercial space is unlikely in the study area, due to aging buildings and the lack of undeveloped land. However, based on the aforementioned reasons, coupled with considerations outlined below, new commercial development should occur in the area with the roadway improvements. **This sporadic development could feasibly result in an additional 200,000 to 300,000 square feet of space during the initial ten-year period** (whereas No-Build might have added 50,000 to 100,000). It is most likely that this would be reflected in several buildings for multiple users, and would trend towards office and quasi-office users, as opposed to significant new retail. Some new retail use will occur, however, on key parcels, due to the notably improved pedestrian environment. **In the second and third decades the growth in commercial would likely be less pronounced, similar to residential, perhaps with another 100,000 to 200,000 square feet in each of the following decades.** (whereas No-Build might have added 50,000 to 100,000 per decade).

A further examination of the properties within the study area show that most have relatively aged structures and would likely require some sort of renovation in the next ten to 20 years. A few properties have reduced effective ages and would possibly see only minimal upgrades. The Opportunity Zone and overall market suggest that demand for the properties will be relatively healthy over the next several years, regardless of roadway improvements. Without changes to 300 West, it is likely that 20 to 30 percent of the buildings will see some sort of intensification of use within the next 20 years. This will occur as land pressures will continue to take place in the area, as only offset by reduced space needs for retail uses. The 20 to 30 percent estimate is commensurate with comparable data seen in other Utah and Western United States markets. For example, a similar corridor as 300 West in Mesa, Arizona, reflected a 25 percent building intensification or major renovation over a 20 to 25-year period. The roadway is similar to 300 West based on its width, zoning, and connection to other thoroughfares. Improvements done in the past three years have resulted in more crosswalks, landscaping, and traffic calming measures. Properties near the roadway improvements experienced increased demand from investors, and consequently were largely updated or redeveloped. Some two-story walk-up apartments were changed to five-story apartments, while a defunct retail center was converted into a two-story office complex.

With the proposed roadway changes, it is feasible that 40 to 50 percent of the properties in the study area will redevelop or renovate with more appealing uses and/or greater densities. While property values for all sites within the study area should see increases (with the proposed roadway improvements), some owners will nonetheless maintain their long-term positions of buy and hold, regardless of improved opportunities for development. As the years pass and numerous parcels are redeveloped, holdout owners will acquiesce to market pressures and escalated values and the 40 to 50 percent range will increase.

Finally, it should be noted that the roadway improvements may not only result in more residential and commercial development, but an intensification of uses at key areas. Where one and two-story designs were previously found, residential developments of four to six stories will be built. Office construction should shift from floor-to-area ratios of 0.3-0.5 (as current for most sites), to closer to 1.0 as two and three-story designs become more feasible. Mixed-use designs will become more prevalent as this use type requires a pedestrian experience and connected neighborhoods to be truly successful. As large surface lots (like those currently existing in the study area) become redeveloped with highest and best use conclusions that match the desirability of a new walkable area, the blocks will become more connected and will in turn increase in overall property values.

Overall, it is the opinion of ZPFI, based on comparable data and discussions with active market participants, that the proposed roadway improvements will add notable value and desirability to the study area. Increases should occur in residential and commercial development, particularly at key sites that currently support low improvement and land values. Building uses will intensify as the pedestrian experience becomes a focus.

Below is a summary of how the market might reasonably react to the 300 West project, or to the lack of such a project, in ten-year increments starting in 2026, a few years after project opening. It is quite possible the market will react more strongly than this. These values are thought to be conservative.

		No Build	Build	Incr.	No Build	Build	Incr.	No Build	Build	Incr.
Start	End	Res Units	Res Units	Res Units	Com SF	Com SF	Com SF	Jobs	Jobs	Jobs
2026	2035	400	1,200	800	75,000	200,000	125,000	210	570	360
2036	2045	300	700	400	75,000	150,000	75,000	210	430	220
2046	2055	300	700	400	75,000	150,000	75,000	210	430	220
	Total	1,000	2,600	1,600	225,000	500,000	275,000	630	1,430	800