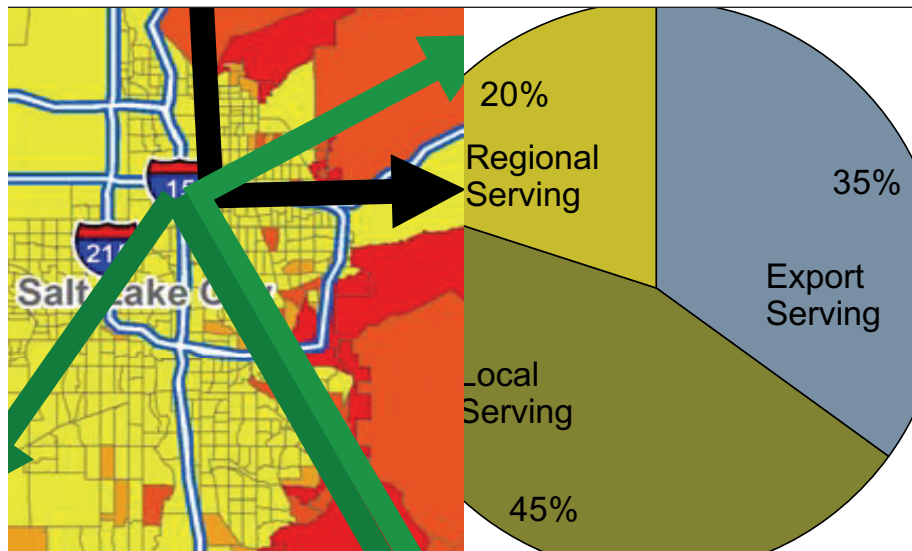




Wasatch Front Development Trends

Envision Utah | November 12, 2007



OBJECTIVES AND KEY QUESTIONS

Objectives

Understand from a market perspective the growth and development trends in the Wasatch Front, specifically the role of major activity centers, where centers may develop, and how they impact regional growth.

Key Questions

What are the key centers in the SLC metro area and what are their characteristics? How can we strengthen these existing centers?

Can the Wasatch Front support additional centers from a market perspective? Are additional centers necessary? Where could they be located?

Would the creation of additional centers change the marketability of the region?

How could new centers help contribute to a more sustainable region?

Would new centers allow for workforce housing?

How would new centers affect existing centers, especially Downtown?

How could a new center implement the strategies laid out in the Wasatch Choices 2040 process?

What elements make a community “sustainable”, and can a new center be developed in a sustainable way?

RCLCO – THE BEST MINDS IN REAL ESTATE

RCLCO is the nation's leading independent real estate advisory firm, providing market and financial analysis and strategic planning for a broad spectrum of clients.

It is recognized in the industry as having the ability to address specific project situations as well as analyze regional and national industry trends. Its services are customized to address its clients' particular needs, supported by both quantitative analysis and creative problem solving. RCLCO's advice is market-driven, analytically based, practical, actionable, and financially sound.

RCLCO has unsurpassed experience in market and feasibility analysis and strategic programming, much of it for urban infill developments and large-scale master-planned communities. Its participation in the following engagements speaks to its experience and reputation:

- Stapelton, Denver, CO
- Atlantic Station, Atlanta, GA
- National Harbor, Prince George's County, MD
- Anacostia Waterfront, Washington, DC
- Baldwin Park, Orlando, FL
- The Villages, Central FL
- The Woodlands, Houston, TX

RCLCO has also completed metro-wide core analyses in the following metro areas:

Atlanta, GA; Charlotte, NC; Chattanooga, TN; Chicago, IL; Cincinnati, OH; Washington, DC; Denver, CO; Detroit, MI; Houston, TX; Indianapolis, IN; Louisville, KY; Minneapolis-St. Paul, MN; Nashville, TN; Philadelphia, PA; Raleigh-Durham, NC;



KEY CONCLUSIONS

- ▶ The Wasatch Front is projected to experience steady employment and household growth over the next 30+ years.
- ▶ Looking at growth in similar sized cities over the last 30 years suggests that there could be an opportunity to outperform demographers' projections.
- ▶ There are opportunities to strengthen existing cores in the Salt Lake City metro area by addressing their specific deficiencies.
- ▶ There will be ample demand to support additional cores in the Salt Lake City metro area, even as existing cores, specifically Downtown SLC, densify and thrive.
- ▶ The Northwest Quadrant is an example of an area that is already attached to an existing core with favorable characteristics and a dramatic lack of housing and services, suggesting potential "pent-up demand."¹
- ▶ Significant landholdings controlled by a limited number of entities with similar goals in a constrained market creates a powerful opportunity for Salt Lake City to positively influence regional growth.
- ▶ Bringing areas such as the Northwest Quadrant into balance with adequate jobs and housing, while promoting mixed-use, transit-oriented development, meets the objective of sustainability laid out in the Wasatch Choices 2040 Report².

¹ Pent-up demand could be explored further through consumer research.

² Fiscal sustainability, i.e. the community's ability to generate tax revenue to support critical infrastructure, schools, and other services, is expected to be positive but is outside the scope of this document.

AGENDA

▶ OVERVIEW OF METROPOLITAN DEVELOPMENT TRENDS

- ▶ REGIONAL GROWTH PROJECTIONS
 - Population
 - Employment
 - Employment to Housing Ratios
 - Housing Permits
 - Executive Housing Concentrations
 - Transportation Improvements
- ▶ IDENTIFICATION OF METRO CORES
- ▶ CORE ANALYSIS AND DISTRIBUTION OF PROJECTED GROWTH
- ▶ PROSPECTS FOR EXISTING AND EMERGING CORES
- ▶ APPENDIX

METROPOLITAN DEVELOPMENT TRENDS

▶ Metropolitan Development Trends

- Many unique attributes distinguish one metropolitan region from another:
 - Size
 - Growth rates
 - Geographic peculiarities
 - Economic drivers
- And yet, **there are striking similarities with regard to how they develop from a real estate perspective.**

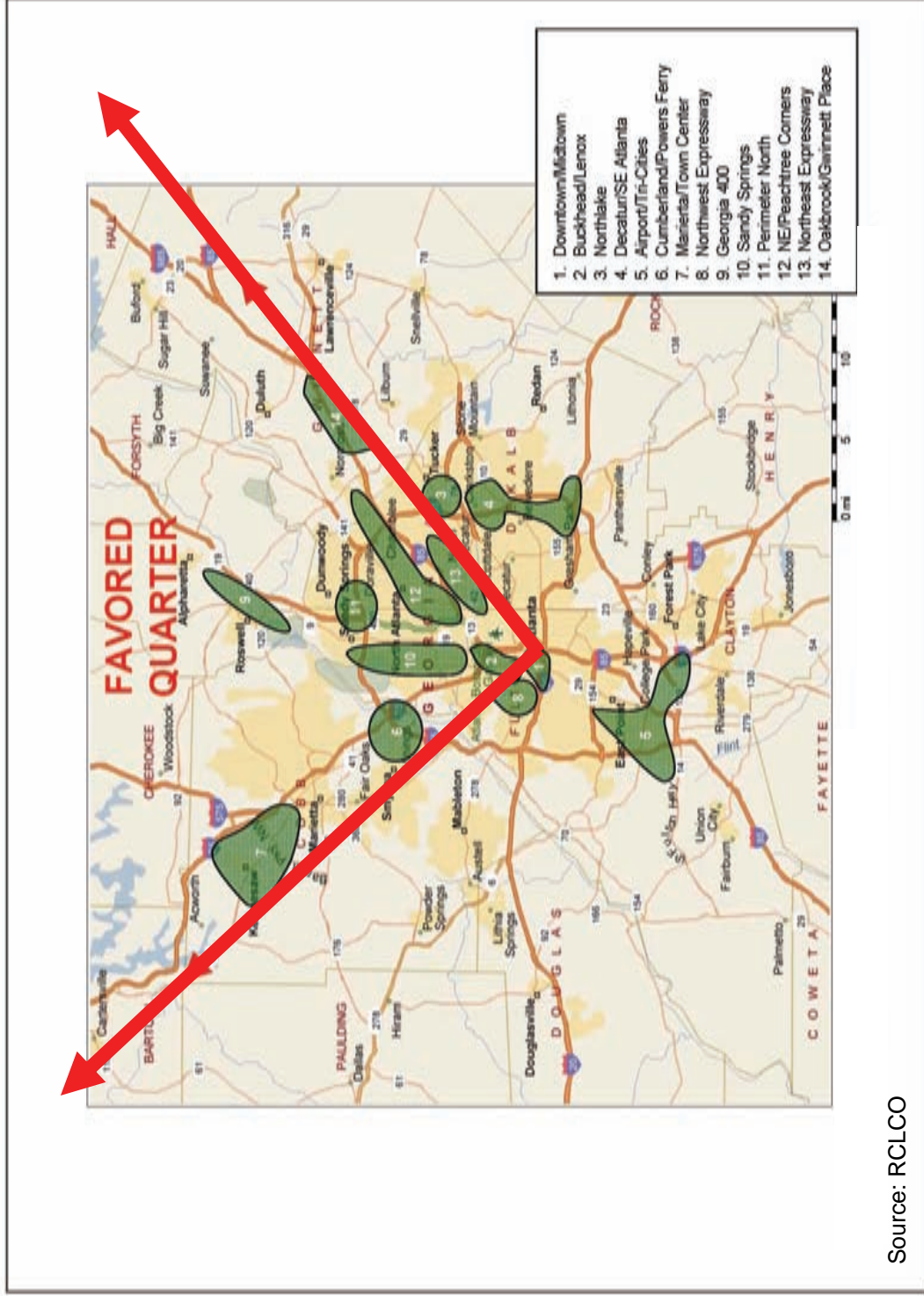
▶ Primary Path of Growth

- In general, growth occurring primarily in one direction emanating from downtown
- Very few metros have been growing in multiple directions
- Atlanta and DC are the poster child metros illustrating this tendency

PRIMARY PATH OF GROWTH = FAVORED QUARTER

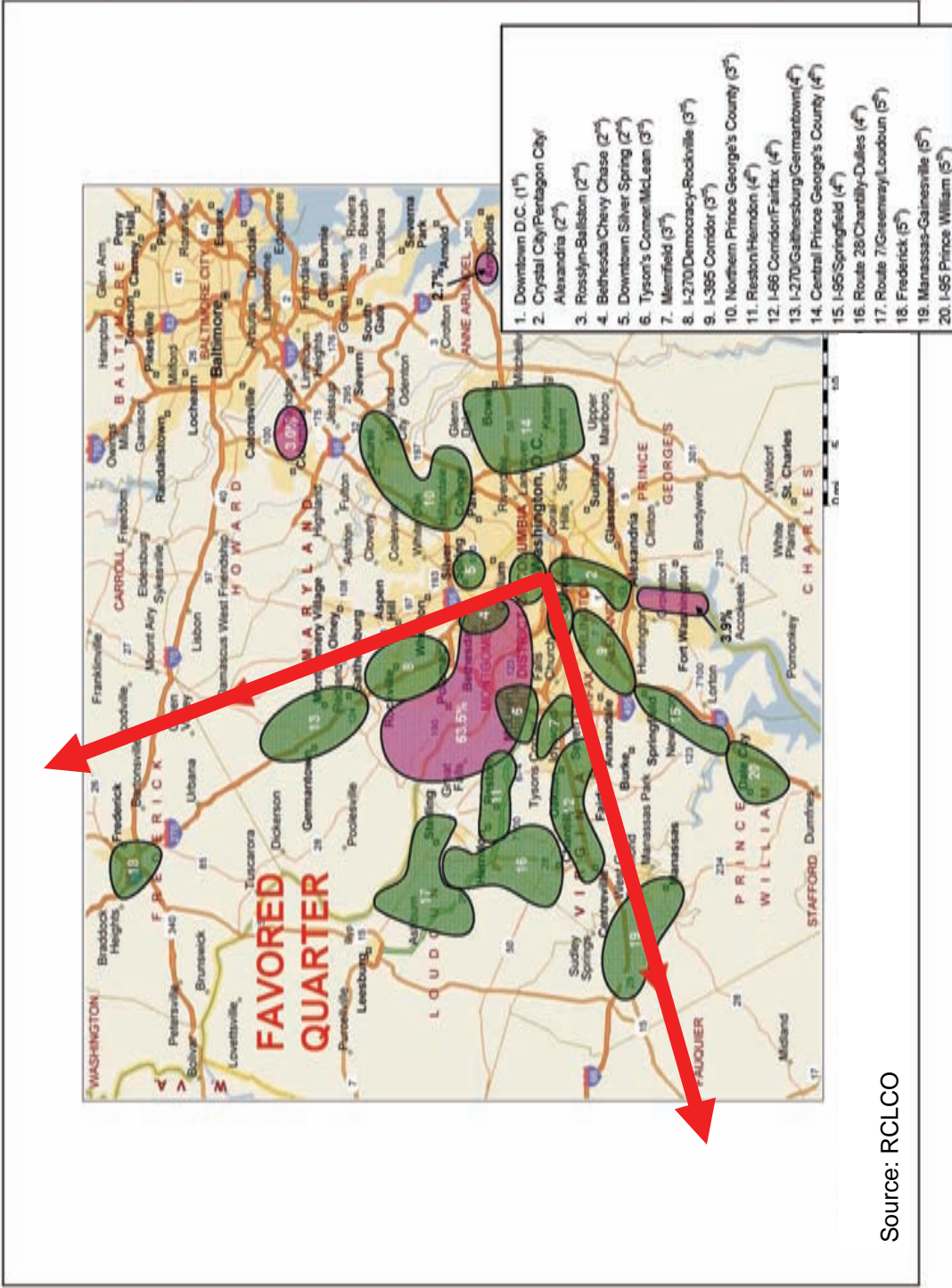
- ▶ **Reasons for this predominant growth pattern:**
 - Majority of executive and upper-income housing tends to concentrate in one area
 - Configuration of limited access highway systems
 - Opposite side of the region from lower-income and/or minority housing
- ▶ **Favored Quarter**
 - Typically quarter circle drawn from original downtown
 - Major share of new housing: though a constrained area like SLC has some unique characteristics
 - (Both high-end and entry level)
 - Vast majority of new spending for infrastructure (true historically in SLC)
 - New roads, water/sewer, rail, etc.
 - Where 80% of commercial real estate activity and job growth have taken place over the past three decades

THE FAVORED QUARTER - ATLANTA

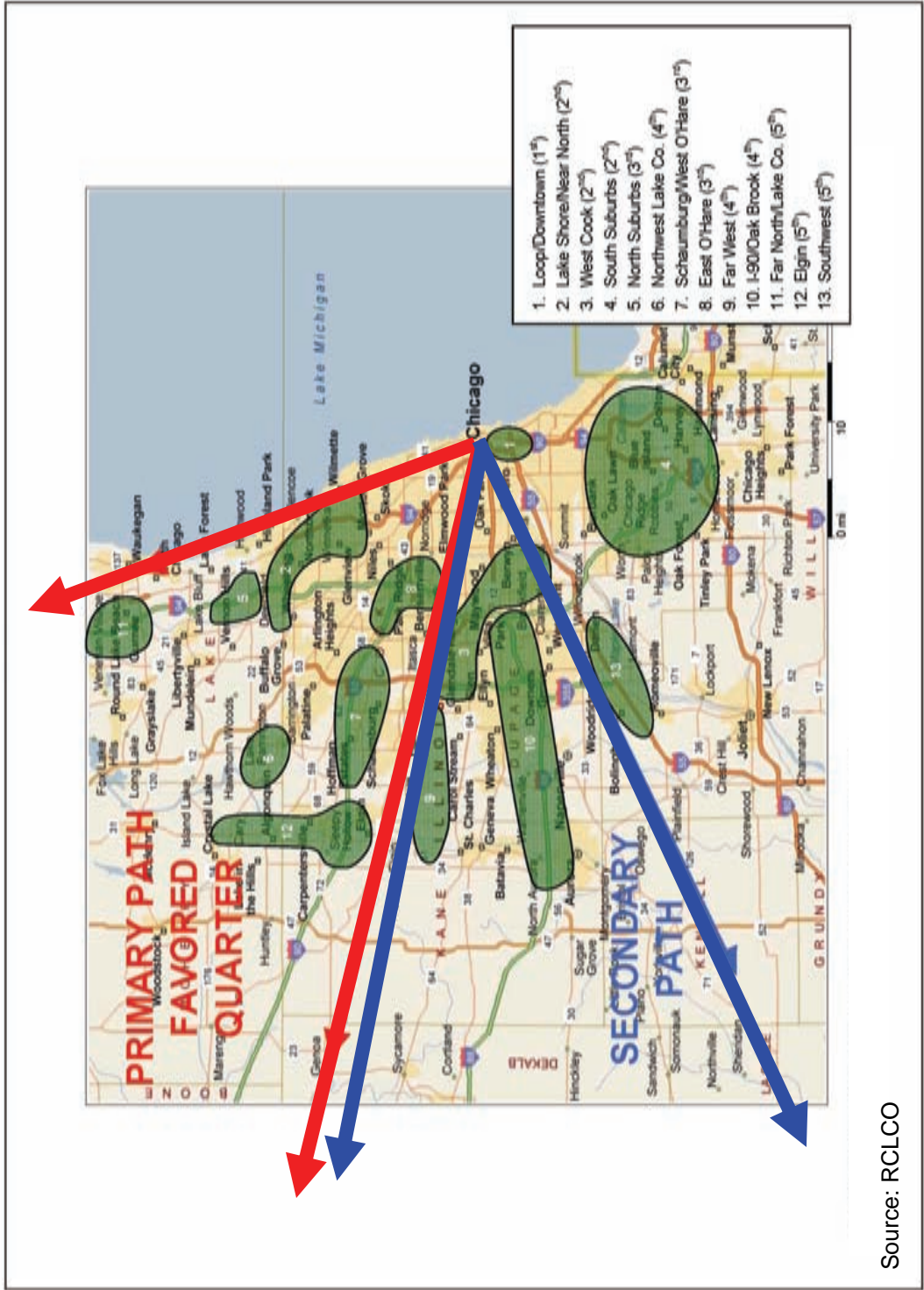


Source: RCLCO

THE FAVORED QUARTER – WASHINGTON, DC

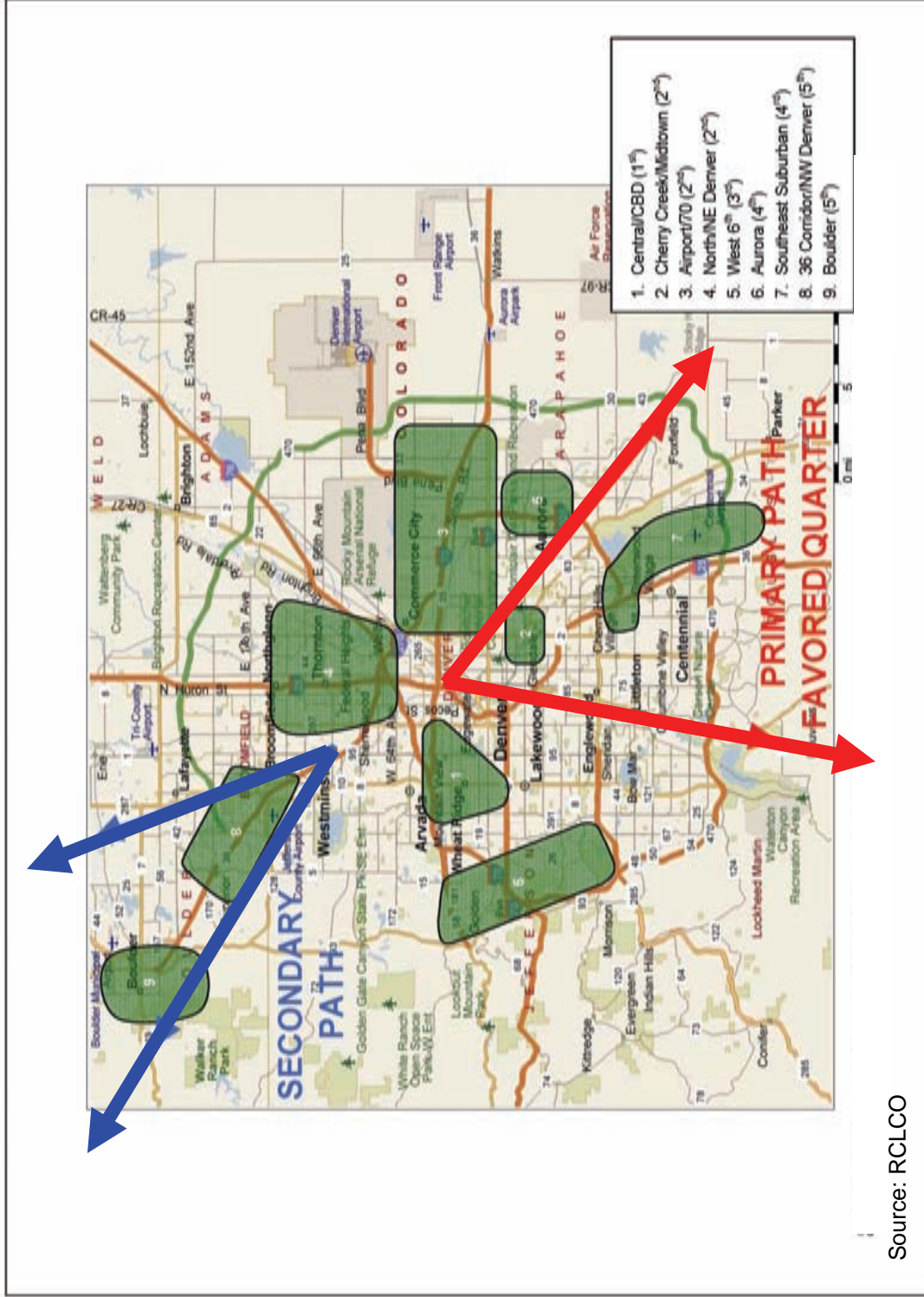


THE FAVORED QUARTER - CHICAGO

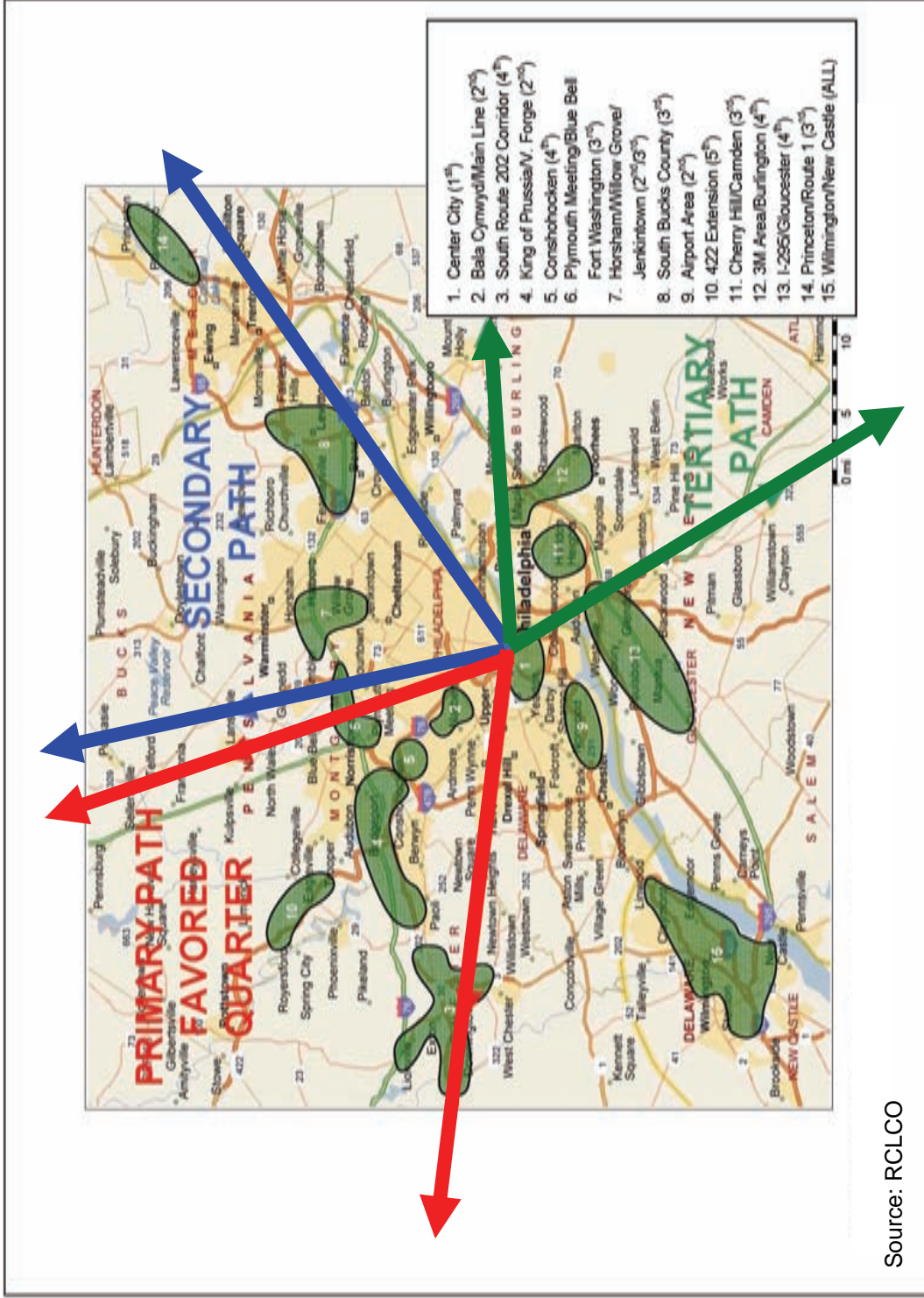


Source: RCLCO

THE FAVORED QUARTER - DENVER



THE FAVORED QUARTER - PHILADELPHIA

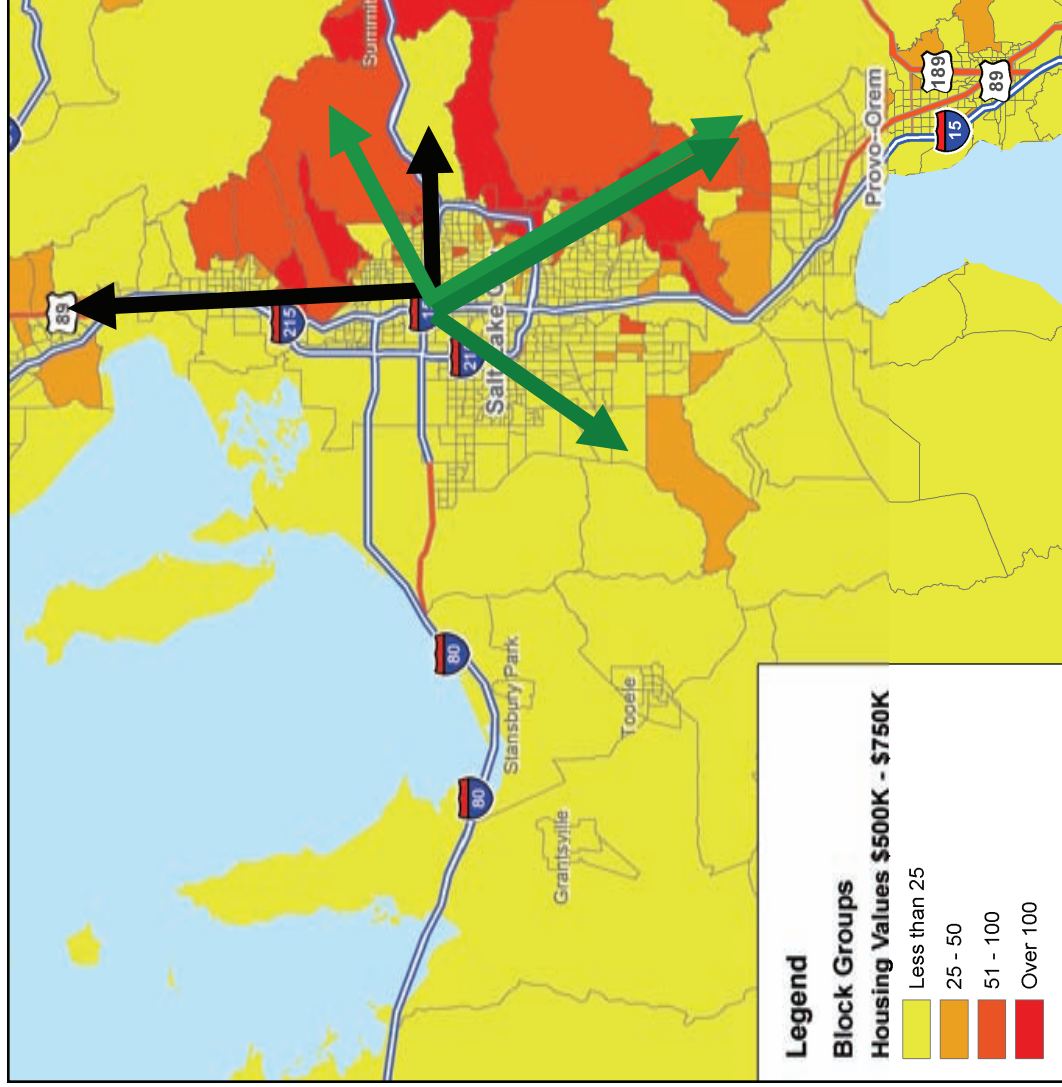


Source: RCLCO

SALT LAKE CITY FAVORED QUARTER HAS BEEN INFLUENCED BY UNIQUE CONSTRAINTS

- ▶ Growth is constrained by substantial geographic barriers – including the lake itself, mountains to the east and west, and the Jordan River running south-north through the center.
- ▶ I-15, which follows old wagon routes and early-20th-century auto trails, has long been a physical and psychological dividing line, with downtown and executive housing lying to the east, and industrial/mining uses and workers settling to the west.
- ▶ The favored quarter of SLC originally emanated north and east from the Central Business District/Temple Square, but has been forced to rotate gradually to the southeast to accommodate growth.
- ▶ Where quality growth opportunities have been provided, e.g. Daybreak, growth has gone west of the favored quarter.

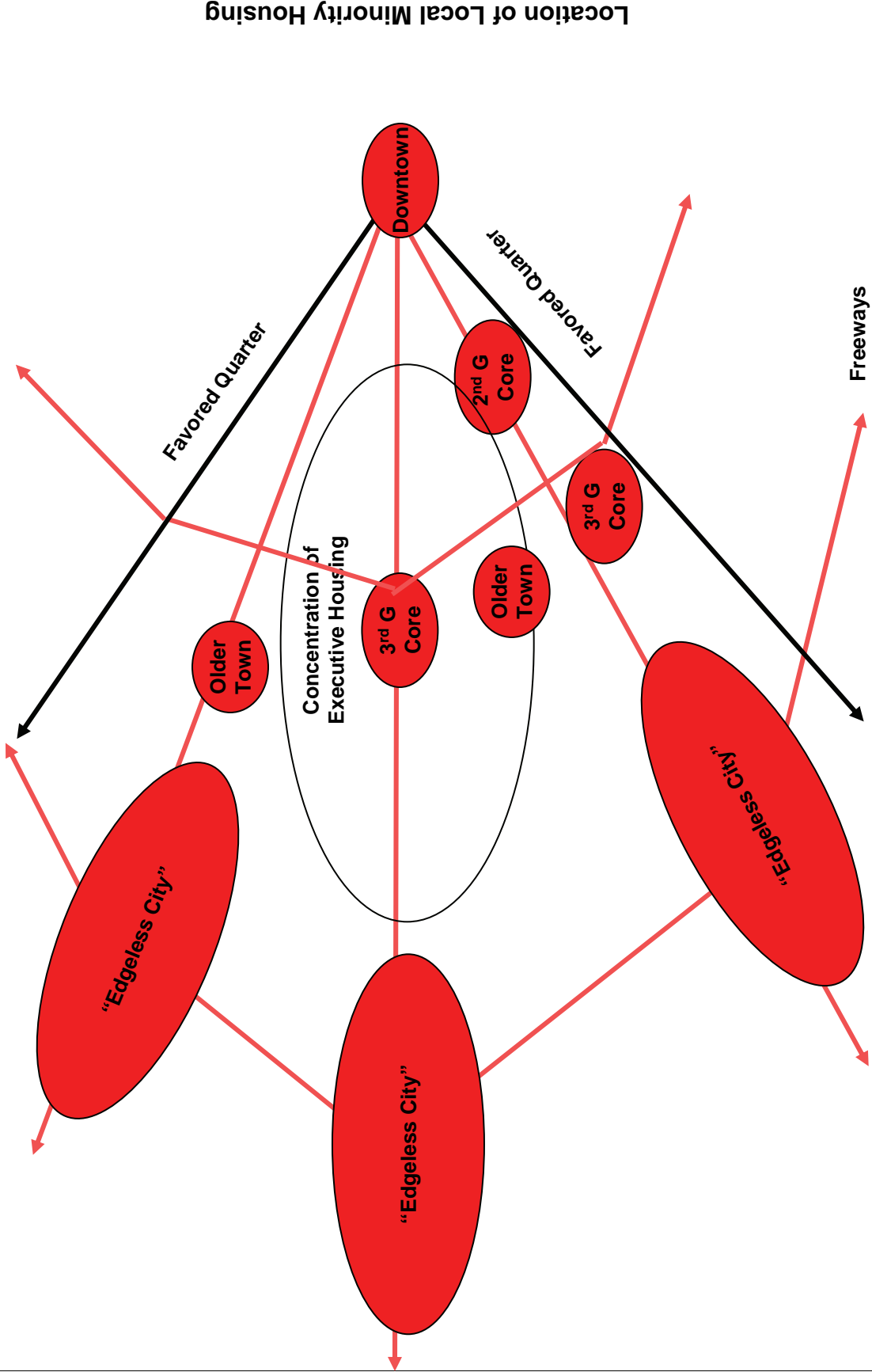
THE FAVORED QUARTER IN SLC IS FORCED TO ROTATE DUE TO MOUNTAIN BARRIER



SOURCE: ESRI,
RCLCO

METROPOLITAN DEVELOPMENT TRENDS

LOCATION OF CORES RELATIVE TO FAVORED QUARTER



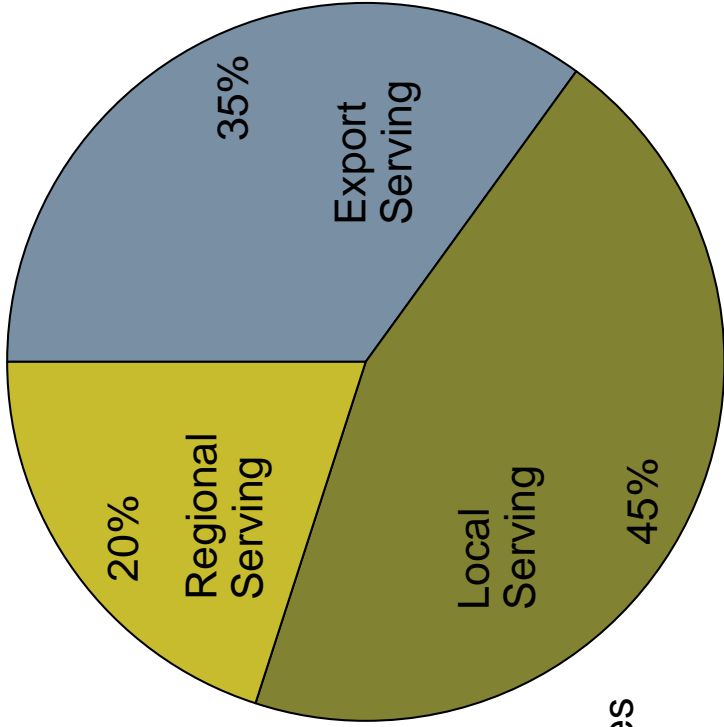
Location of Local Minority Housing

THREE BASIC TYPES OF EMPLOYMENT IN THE METRO AREA

Types of Employment in Metropolitan Areas

- Regional Serving
- Professional services
 - Financial services
 - Real estate

- Local Serving
- Local government services
 - Retail services
 - Household services



- Export Serving
- The reason the Metropolitan Area exists
 - Defines character of area

OUR RESEARCH CONSIDERS SEVERAL GENERATIONS OF “CORES”

Generation (beginning decade)	Character (FAR)
	<p>Urban or Urbanizing (0.5+) Suburban (0.2-.05) Semi-Rural (0.2)</p>
1st (Pre-1960) All Downtowns	
2nd (1960s)	<p>Bethesda-Chevy Chase/D.C. Route 29-Silver Spring/D.C. Northlake/Atlanta Bala Cynwyd/Philadelphia Medical Center/Houston Horsham/Willow Grove/Philadelphia Greenway Plaza/Houston</p>
3rd (1970s)	<p>King of Prussia/Philadelphia Tysons Corner/D.C. Buckhead/Atlanta South Bucks County/Philadelphia I-395-Columbia Pike/D.C. 128/Burlington/Boston Galleria/West Loop/Houston</p>
4th (1980s) Edgeless City	<p>Dulles Access-Reston/D.C. Schaumburg/Chicago WestChase/Houston Fair Lakes/D.C. Plano/Dallas Southwest Freeway/Houston</p>
5th (1990s+) Edgeless City	<p>Route 7/28-Loudoun/D.C. 422 Extention/Philadelphia Hoffman Estates/Chicago Energy Corridor/Houston</p>

FUTURE METROPOLITAN DEVELOPMENT TRENDS

- ▶ Resurgence of some 1st Generation Downtowns - Increased vitality in housing, culture, and entertainment
 - However, expect many to continue losing relative market share to the suburbs
 - Many in moderate to severe decline despite “landmark” projects
 - **“Downtown Rising”**
- ▶ Preponderance of development still likely in the “Favored Quarter”
 - Emergence of strong secondary growth paths in most 1st and some 2nd tier metro regions
- ▶ Continued decline in market share of 3rd, 2nd & 1st generation Metro Cores
 - Will keep losing relative market share to faster growing 4th and 5th generation “Edgeless Cities”
- ▶ Exception are 2nd and 3rd Generation Cores that are densifying, have, or are developing, mass transit and adding high density housing
 - These areas will maintain relative market share, or gain
 - Most will be located in the Favored Quarter of Growth
- ▶ Reflection of flight from the fringe due to congestion back to 2nd and 3rd Generation Metro Cores in the Favored Quarter of growth
- ▶ Occasional conversion of high quality of life towns into office locations

INFILL DEVELOPMENTS ALONG MASS TRANSIT CORRIDORS WILL OPEN UP OPPORTUNITIES FOR URBAN RETAIL AND OFFICE DEVELOPMENTS



Transit Oriented Developments

- ▶ Infill developments along mass transit corridors are expected to accelerate in popularity.
- ▶ Denver's light rail transit serves as ideal example of transit oriented development attracting quality retail and commercial development.
- ▶ Expansion of TRAX will provide new opportunity for developments to serve residents who seek to be connected to the urban employment and entertainment cores.

UNIQUE URBAN DEVELOPMENTS THAT OFFER WALKABLE ACCESS ALSO IN DEMAND, BUT LACKING IN THE SALT LAKE CITY MARKET



Walkable Urbanity

- ▶ In national surveys, 30% to 40% of households indicate they want housing and employment opportunities in walkable urban settings.
- ▶ However, in most metro areas, only 10% to 15% of the supply is delivered in these type of environments.
- ▶ Result is strong pent up demand for walkable urbanity that will take decades to satisfy at the current pace of delivery.
- ▶ Current supply is typically expensive.
- ▶ There are several high-profile examples of this development type happening outside the Favored Quarter – including Daybreak.
- ▶ Transit can accelerate development of walkable urbanity, but it is not the only necessary ingredient.

SOURCE: Chris Leinberger, Brookings

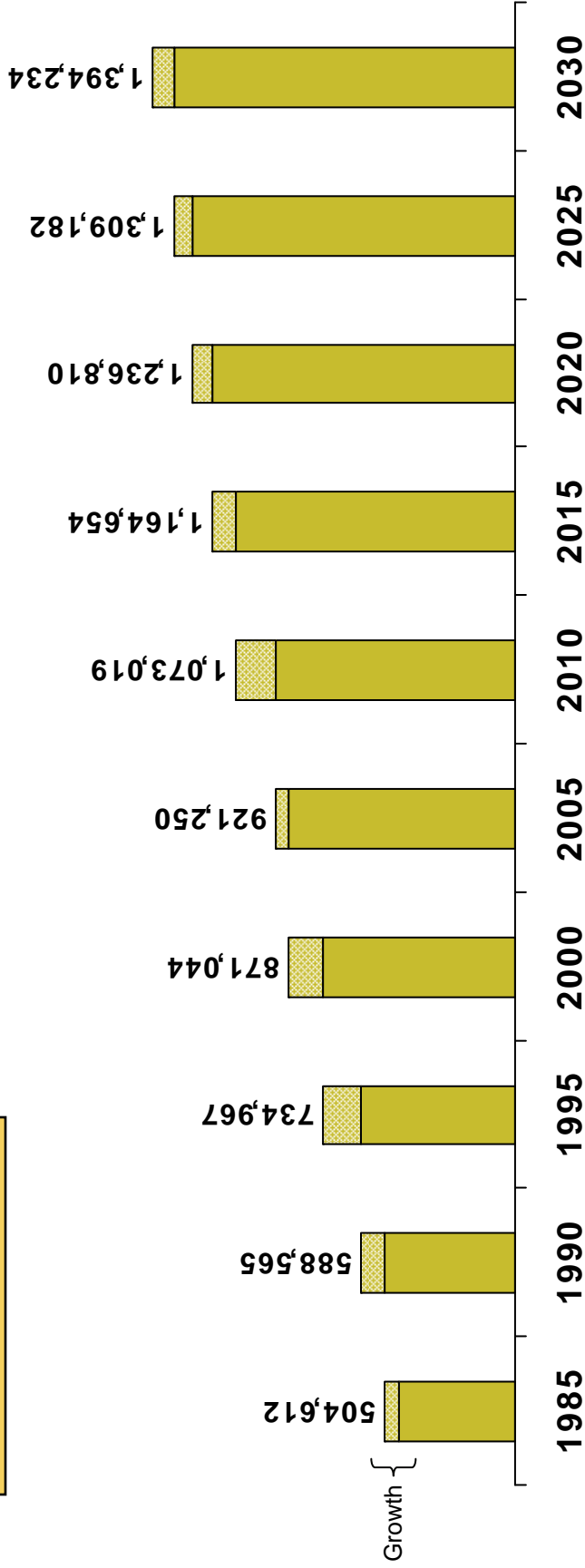
AGENDA

- ▶ OVERVIEW OF METROPOLITAN DEVELOPMENT TRENDS
- ▶ REGIONAL GROWTH PROJECTIONS
 - Employment
 - Households
 - Housing Permits
 - Employment/Permit Ratio
- ▶ IDENTIFICATION OF METRO CORES
- ▶ CORE ANALYSIS AND DISTRIBUTION OF PROJECTED GROWTH
- ▶ PROSPECTS FOR EXISTING AND EMERGING CORES
- ▶ APPENDIX

4-COUNTY EMPLOYMENT PROJECTED TO GROW 1.7% ANNUALLY THROUGH 2030

Historical & Projected Employment
Weber, Davis, Salt Lake, and Utah Counties
1985 - 2030

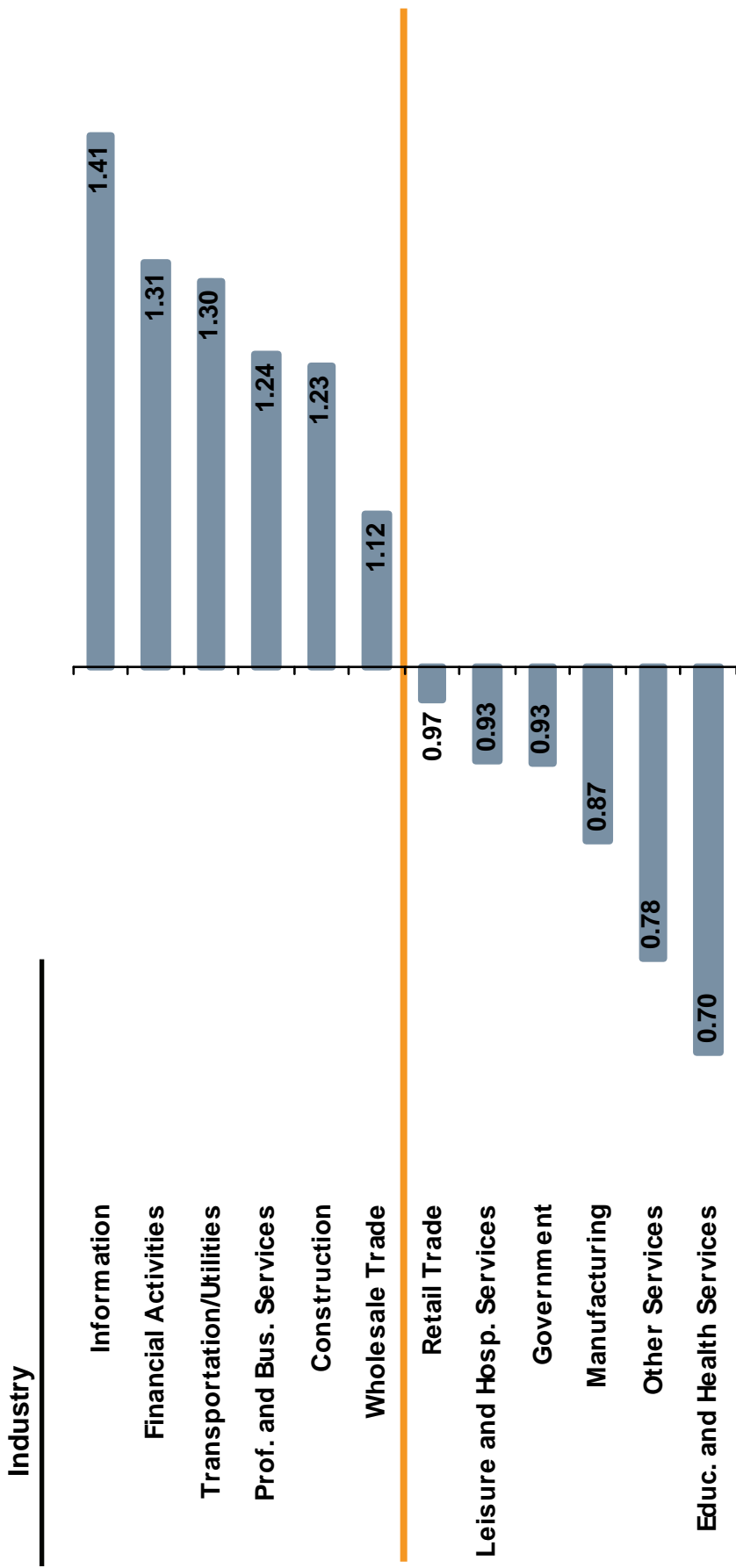
Annual growth rate
over the past 20
years was 3.1%



SOURCE: Governor's Office of Planning and Budget (GOPB), BLS, Wasatch Front Regional Council, Mountainland Association of Governments

MSA STRONG RELATIVE TO THE NATION IN A NUMBER OF KEY INDUSTRIES

Location Quotient¹
Salt Lake City MSA²



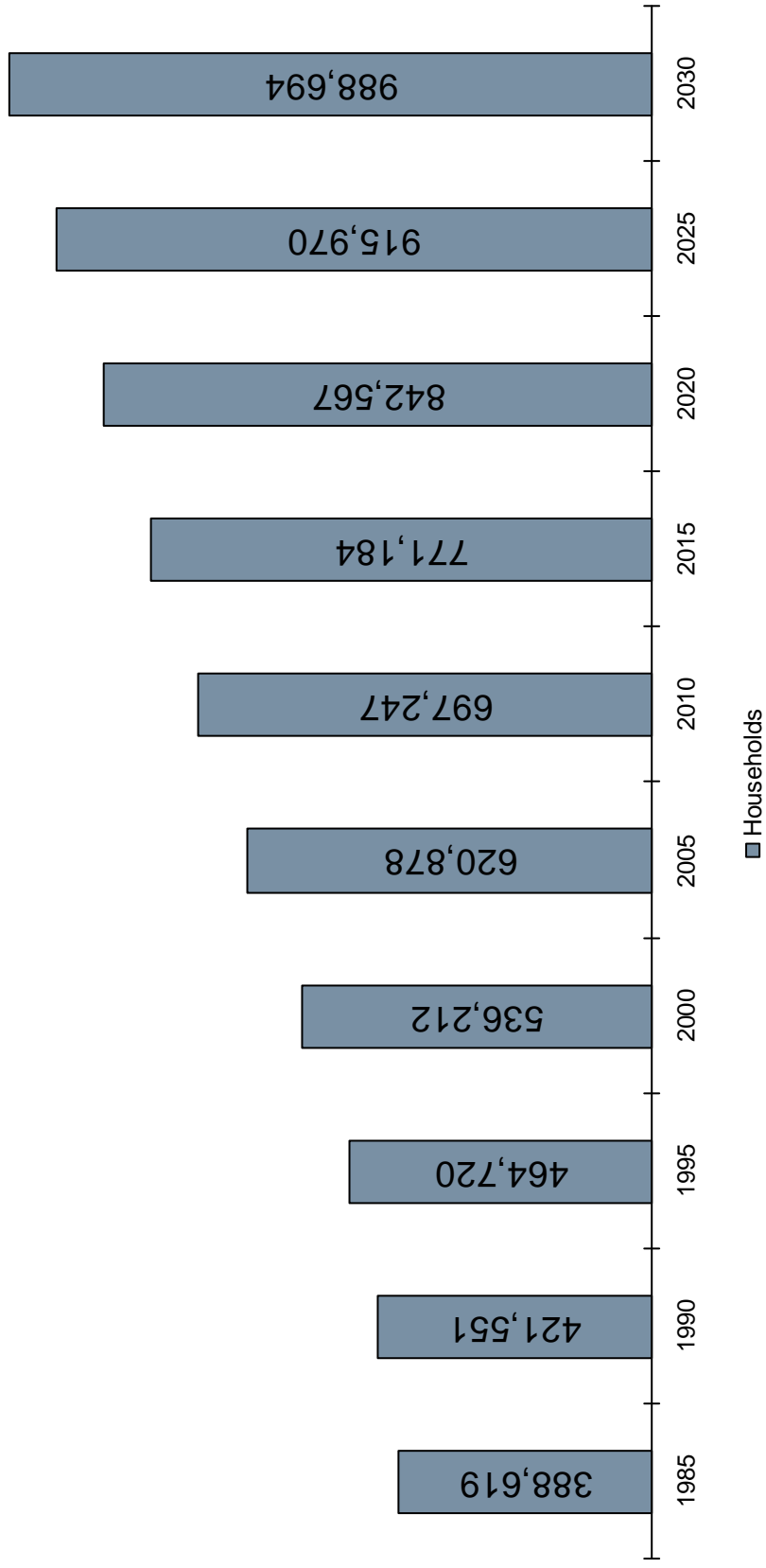
¹ A location quotient is the ratio of an industry's share of local employment to the industry's share of the national economy

² Salt Lake City MSA is composed of Salt Lake County, Summit County, and Tooele County

SOURCE: US Bureau of Labor Statistics

HOUSEHOLDS GROWING AT 1.9% ANNUALLY THROUGH 2030

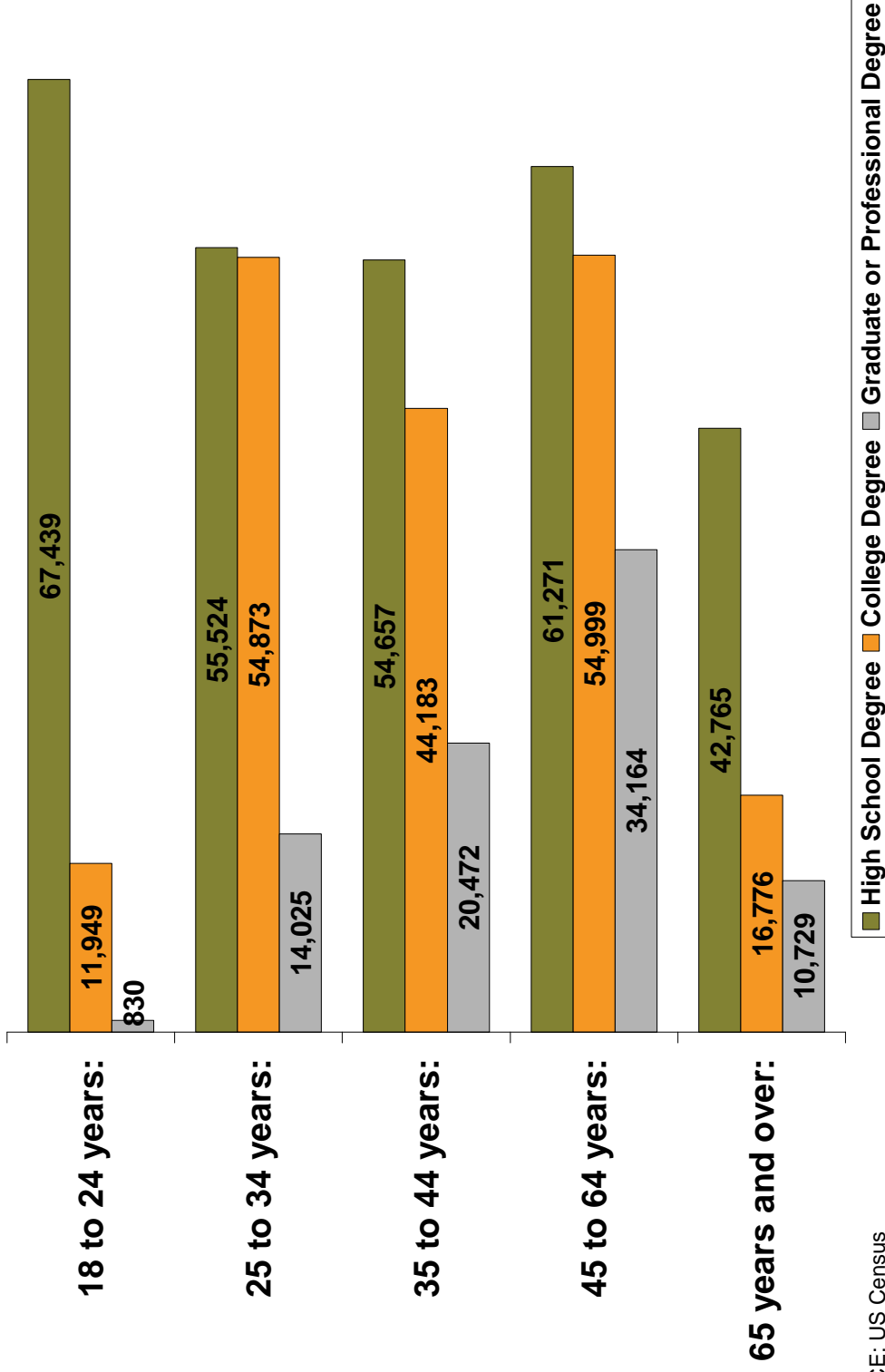
Historical & Projected Households
Weber, Davis, Salt Lake, and Utah Counties
1985 - 2030



SOURCE: Governor's Office of Planning and Budget (GOPB); 2000-2006 data from BLS, projections from GOPB; Wasatch Front Regional Council; Mountainland Association of Governments

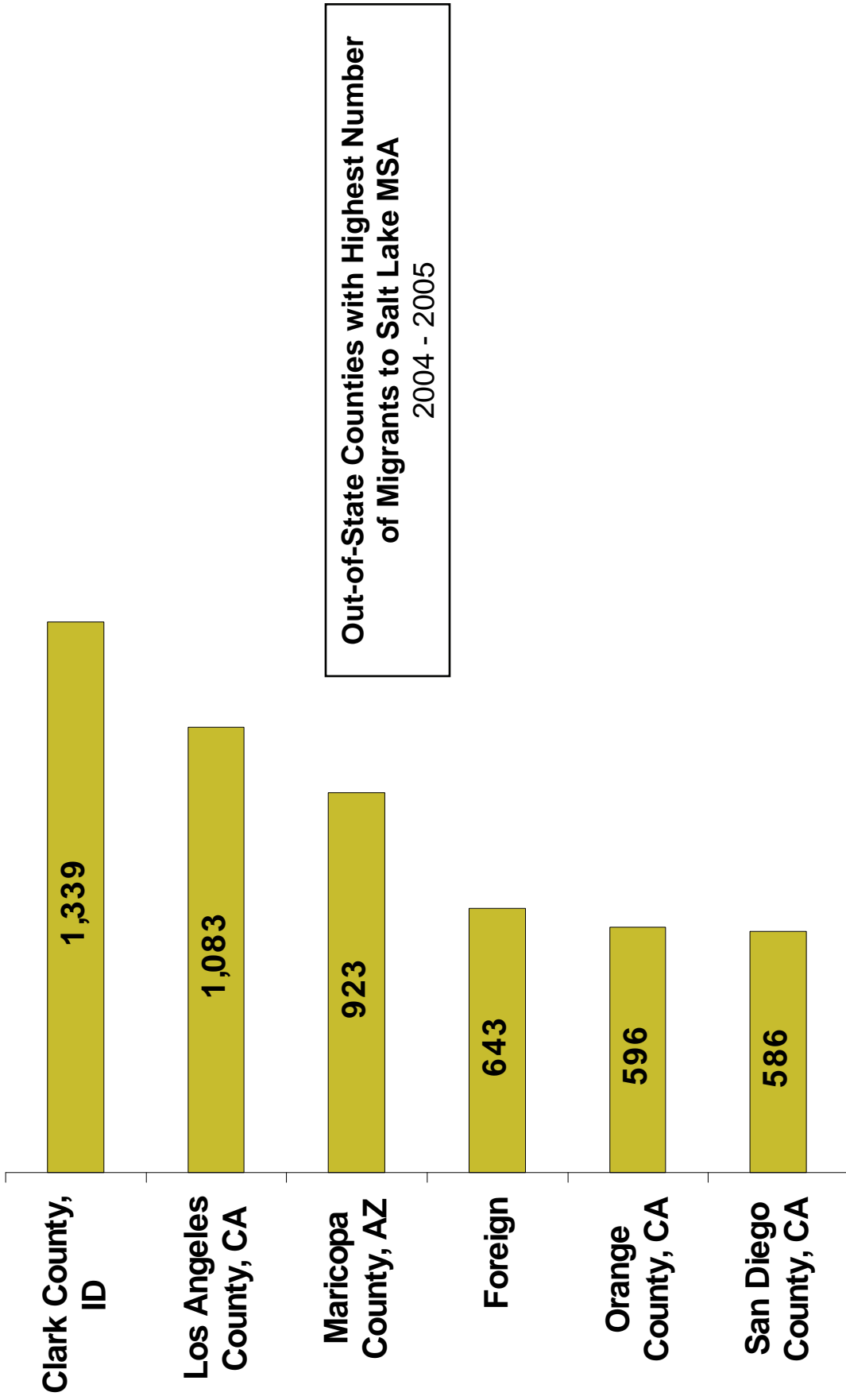
WASATCH FRONT'S YOUNG, EDUCATED WORKFORCE IS A COMPETITIVE ADVANTAGE WHEN COURTING BUSINESS

Education Status for Total Population by Age
Weber, Davis, Salt Lake, and Utah Counties
 2000



SOURCE: US Census

IN-MIGRATION FROM OUT OF STATE BEGINNING TO HAVE AN IMPACT ON THE REGION

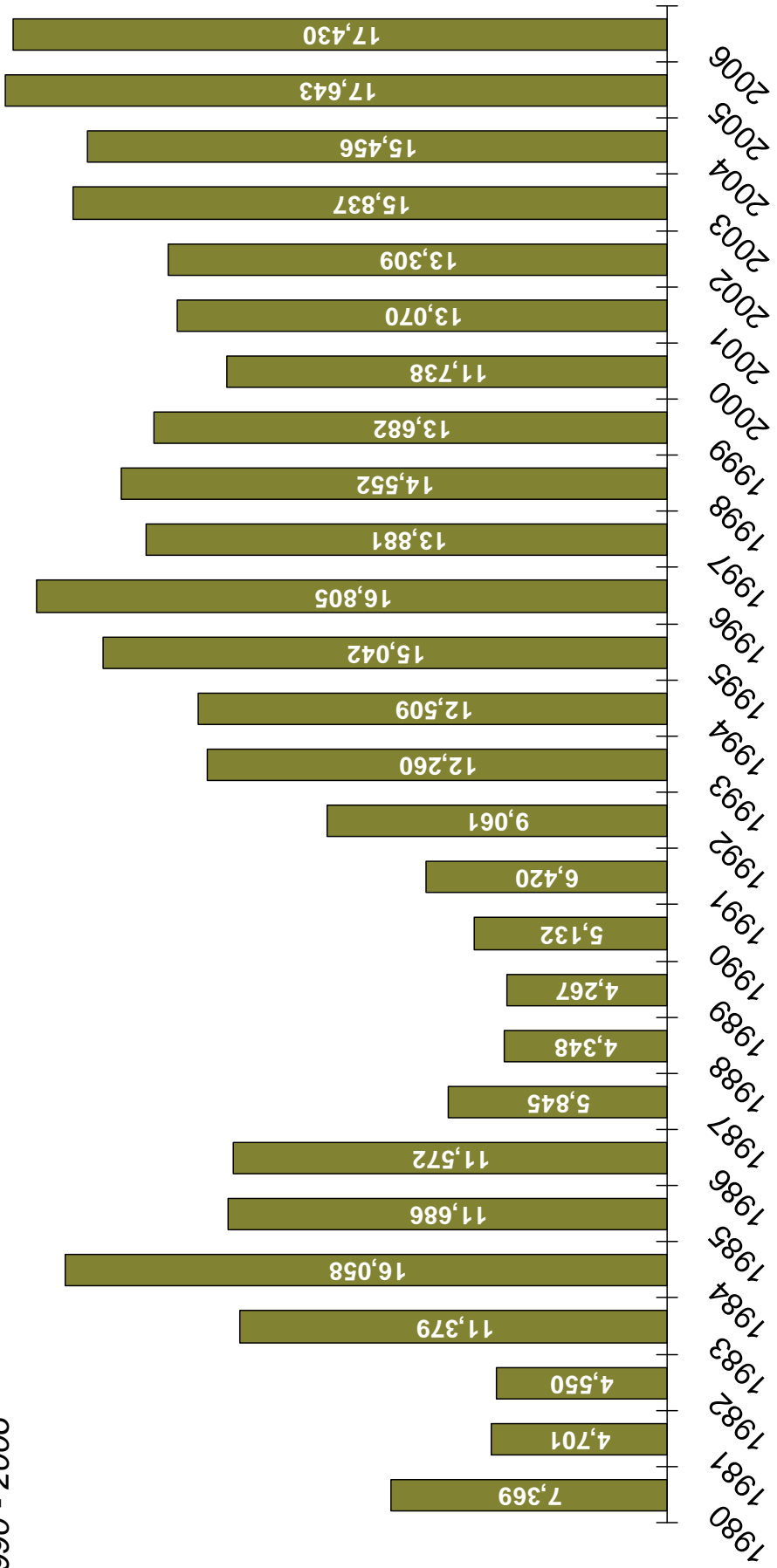


Out-of-State Counties with Highest Number of Migrants to Salt Lake MSA
2004 - 2005

SOURCE: IRS

SINCE THE MID-1990s, SLC HAS BEEN A FAIRLY ACTIVE AND STABLE MARKET FOR NEW PERMITS

Residential Building Permits
Weber, Davis, Salt Lake, and Utah Counties
 1990 - 2006

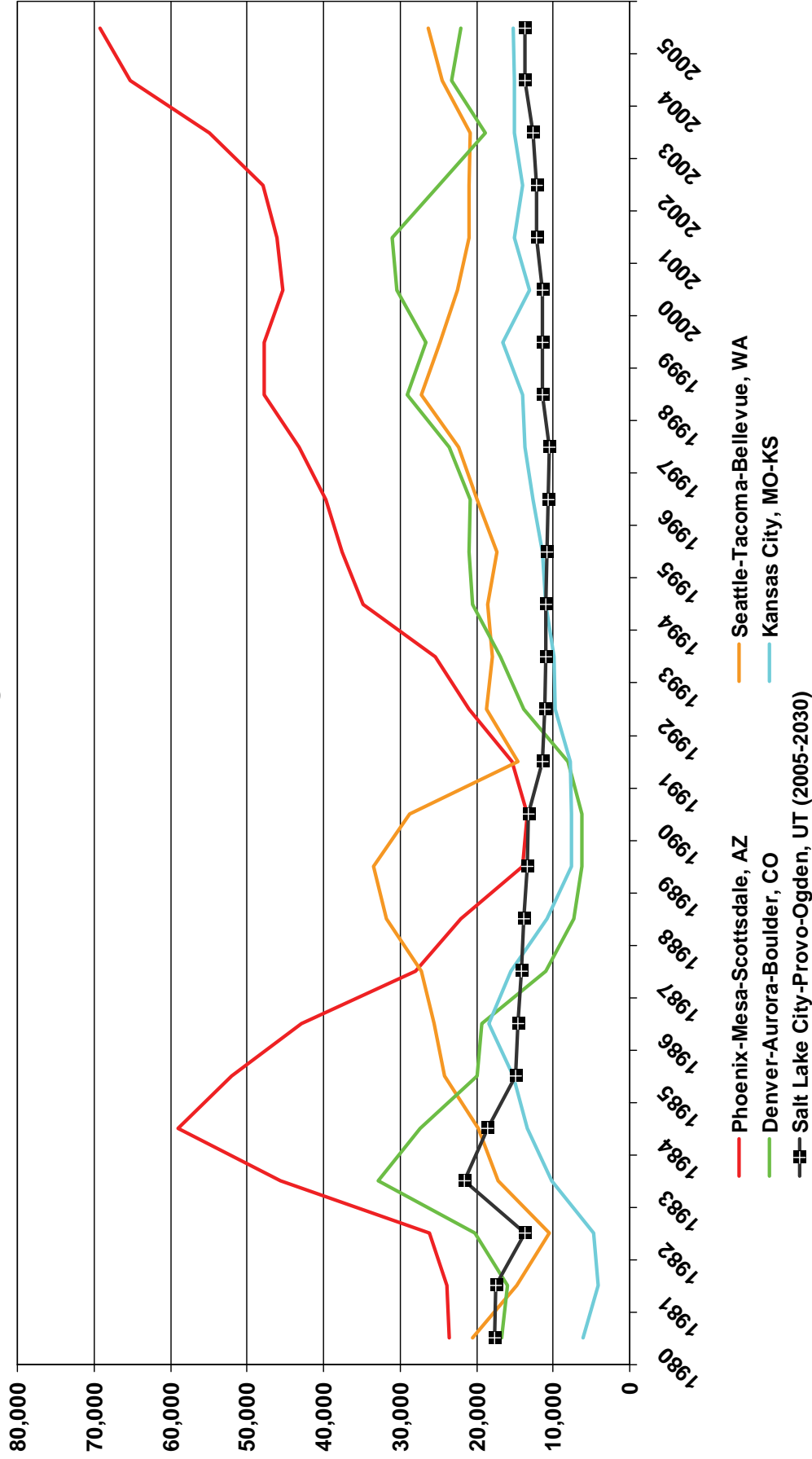


■ Building Permits

SOURCE: HUD

BASE PROJECTIONS ARE FAIRLY STABLE, BUT OTHER CITIES SHOW POSSIBILITY OF OTHER SCENARIOS

Annual Residential Building Permits 1980-2006



SOURCE: SOCDS; GOPB

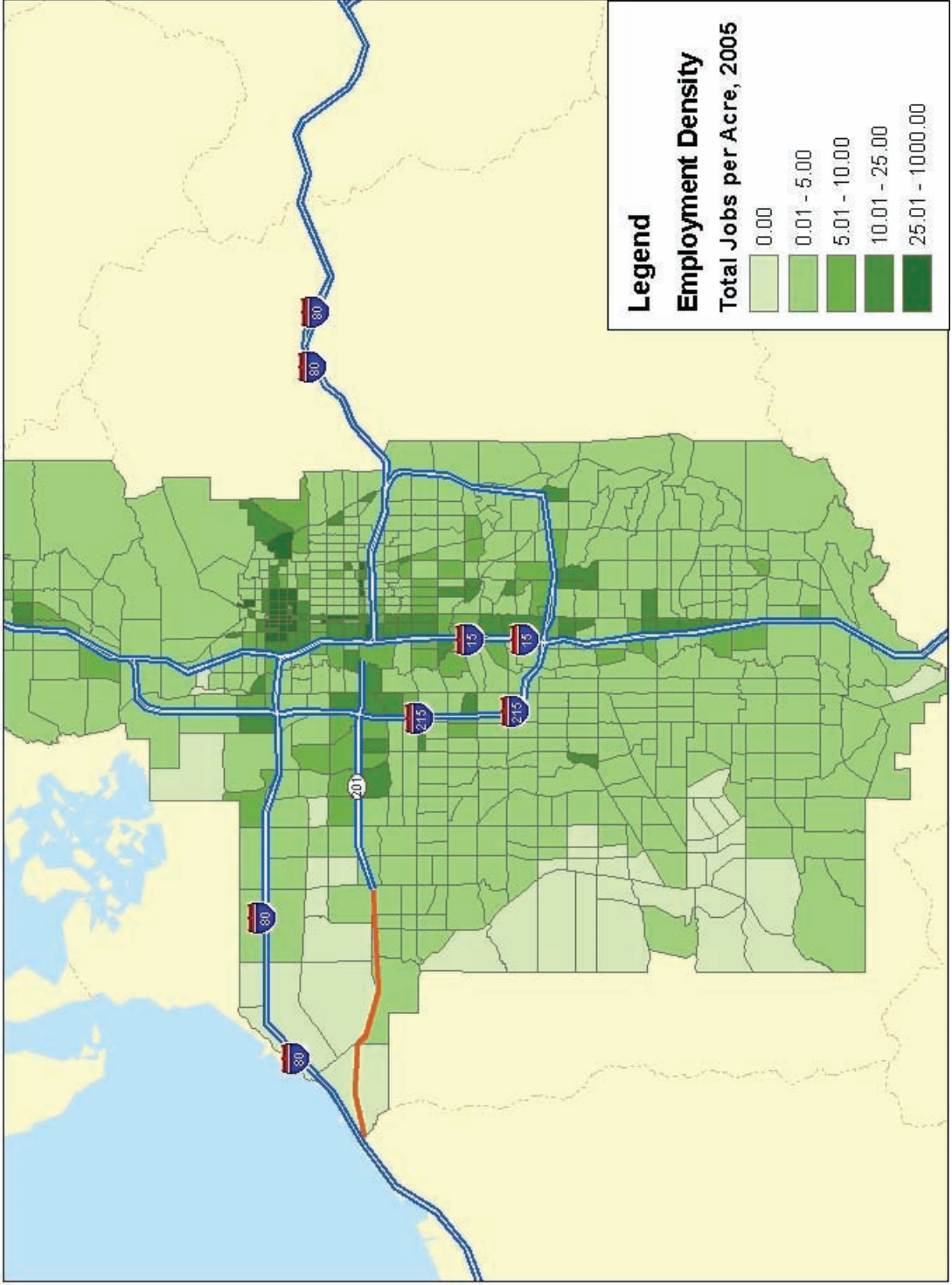
AGENDA

- ▶ OVERVIEW OF METROPOLITAN DEVELOPMENT TRENDS
- ▶ REGIONAL GROWTH PROJECTIONS
- ▶ IDENTIFICATION OF METRO CORES
 - Core Selection
 - Existing Cores
 - Emerging Cores
- ▶ CORE ANALYSIS AND DISTRIBUTION OF PROJECTED GROWTH
- ▶ PROSPECTS FOR EXISTING AND EMERGING CORES
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RCLCO IDENTIFIED EMPLOYMENT CORES BY FOCUSING ON CONCENTRATIONS OF EXPORT JOBS

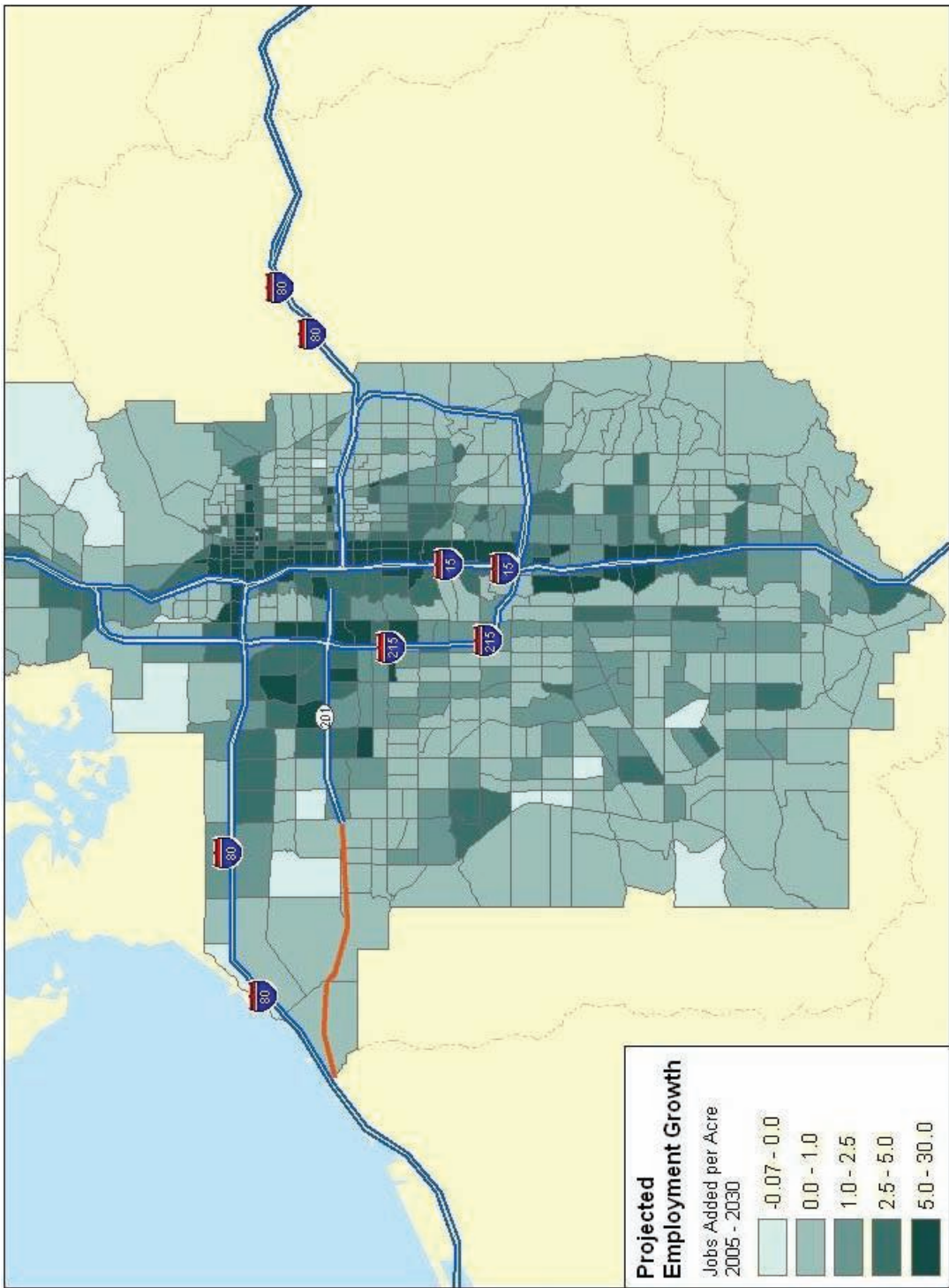
- ▶ **Identifying cores started with interviews with regional economists, planners, and brokers and visible inspection and location of “obvious” job centers**
- ▶ **Review of Wasatch Front Regional Council’s distribution of employment by TAZ showed heavy concentration along highway corridors**
- ▶ **Mapping concentrations of total employment, office space, high paying jobs, and “export” firms allowed for further refinement**
- ▶ **Not about identifying every center, but focusing on the top of the hierarchy**

EMPLOYMENT DENSITY IS HIGHEST DOWNTOWN AND ALONG INTERSTATES



SOURCE: GOPB; Wasatch Front Regional Council

REGIONAL ECONOMISTS SHOW GROWTH PROJECTED ALONG SIMILAR PATH



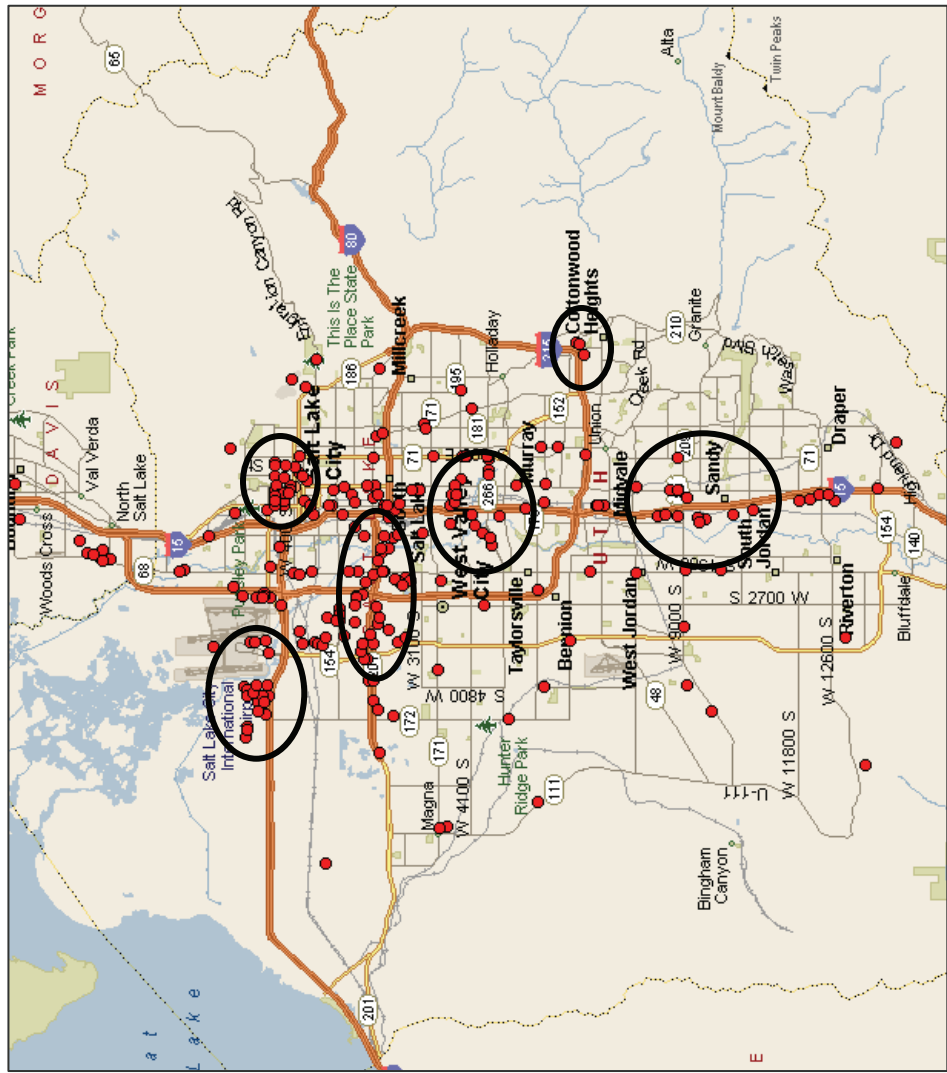
SOURCE: Governor's Office of Planning and Budget (GOPB); Wasatch Front Regional Council; RCLCO

FOCUSING ON EXPORT FIRMS SHOWS A MORE CLEAR PICTURE OF CONCENTRATION IN CORES

EXPORT BUSINESSES WITH OVER 100 EMPLOYEES¹

Salt Lake County

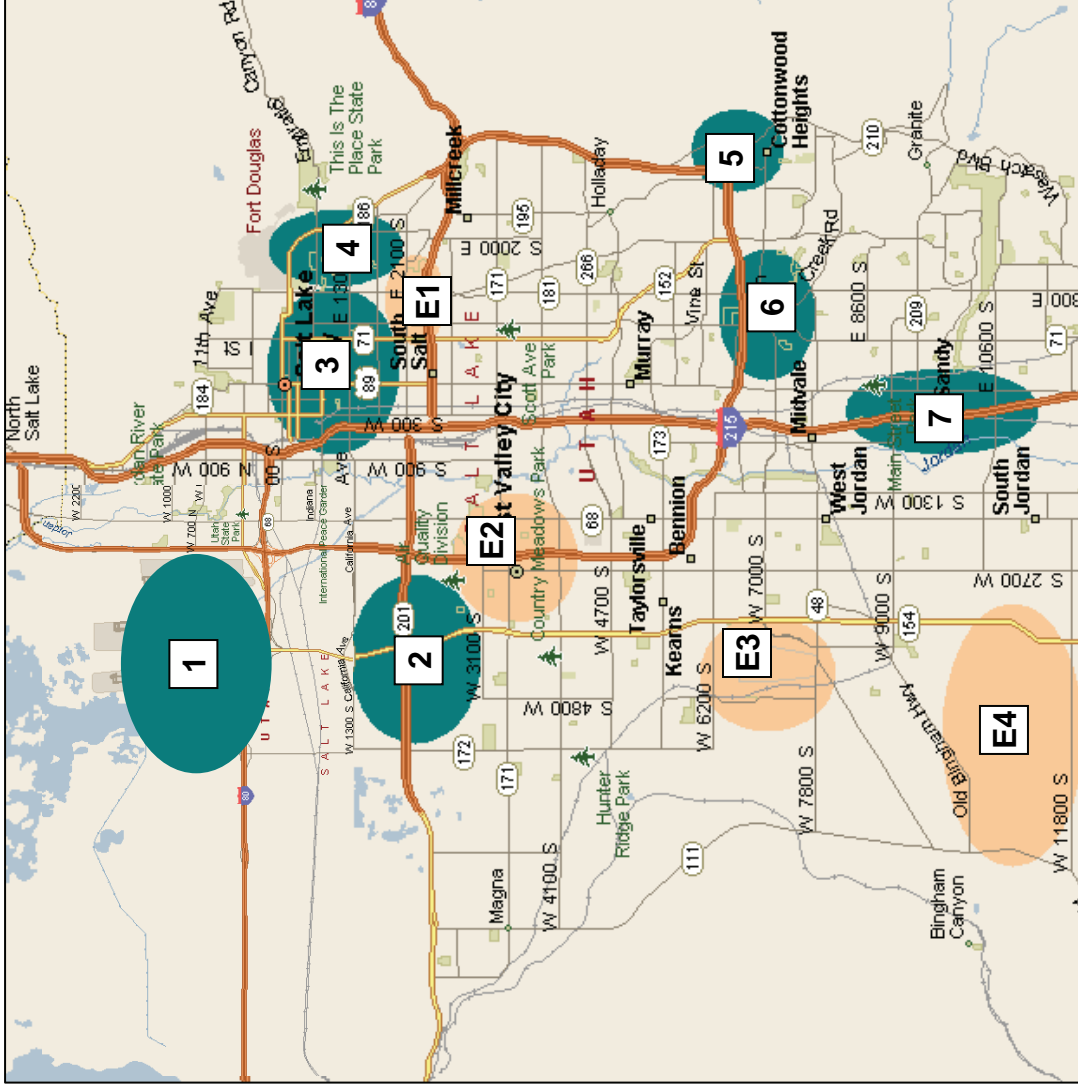
2006



¹ Includes businesses with a NAIC code that has a location quotient higher than 1.2

SOURCE: Utah Department of Workforce Services, RCLCO

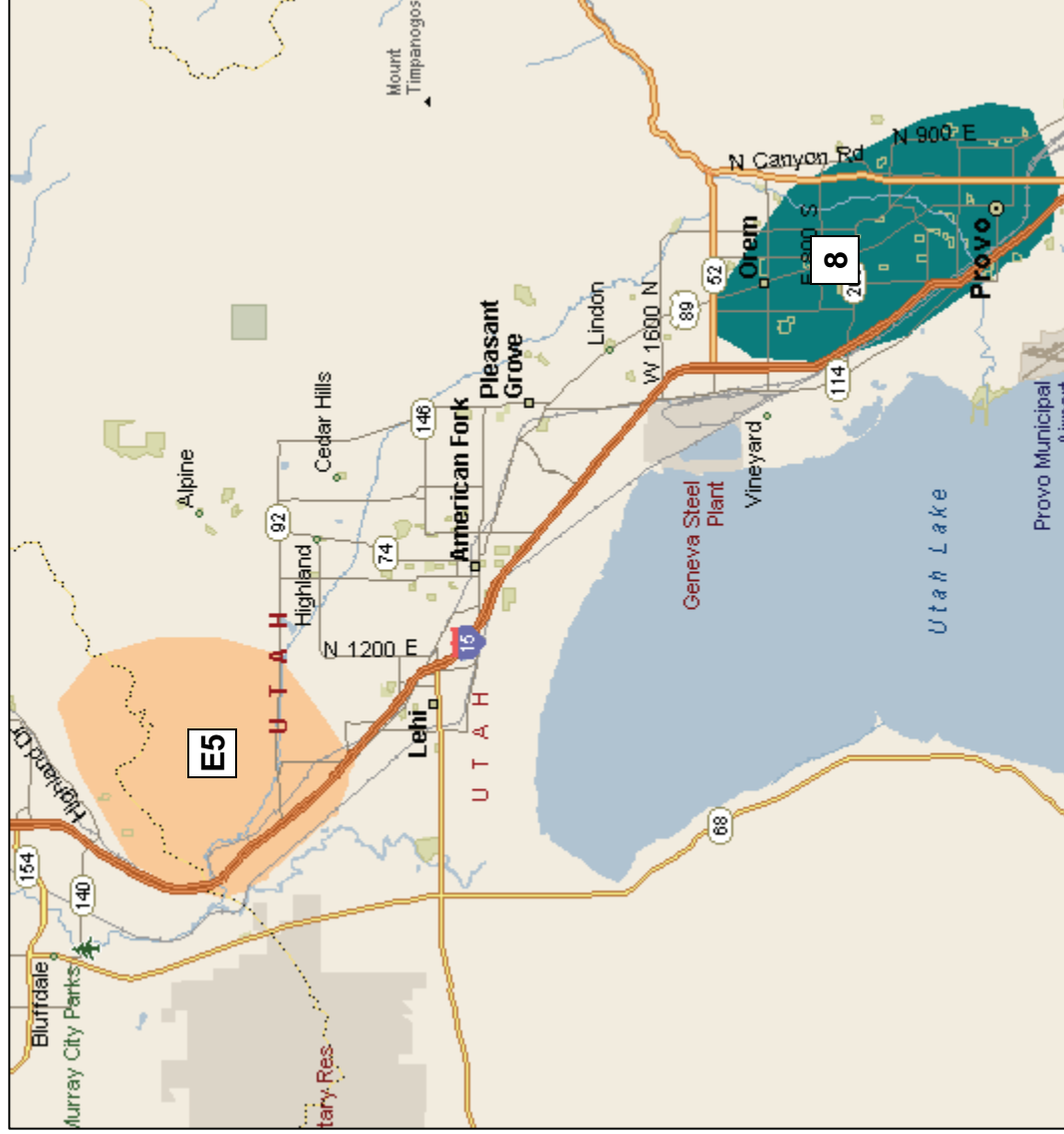
RCLCO DEFINED CORES SALT LAKE COUNTY



KEY	CORE	GEN.
1	Intern Cntr/NW Quad/Airport	3 rd
2	201/California Ave	5 th
3	Downtown SLC	1 st
4	Univ of Utah	3 rd
5	Cottonwood	5 th
6	Ft Union	3 rd
7	Sandy	5 th
8	Provo/BYU	1 st
9	Layton Hills	5 th
10	Ogden Downtown	1 st
E1	Sugarhouse	2 nd
E2	West Valley City	4 th
E3	Jordan Landing	5 th
E4	Daybreak	5 th
E5	Thanksgiving Point	5 th

SOURCE: RCLCO

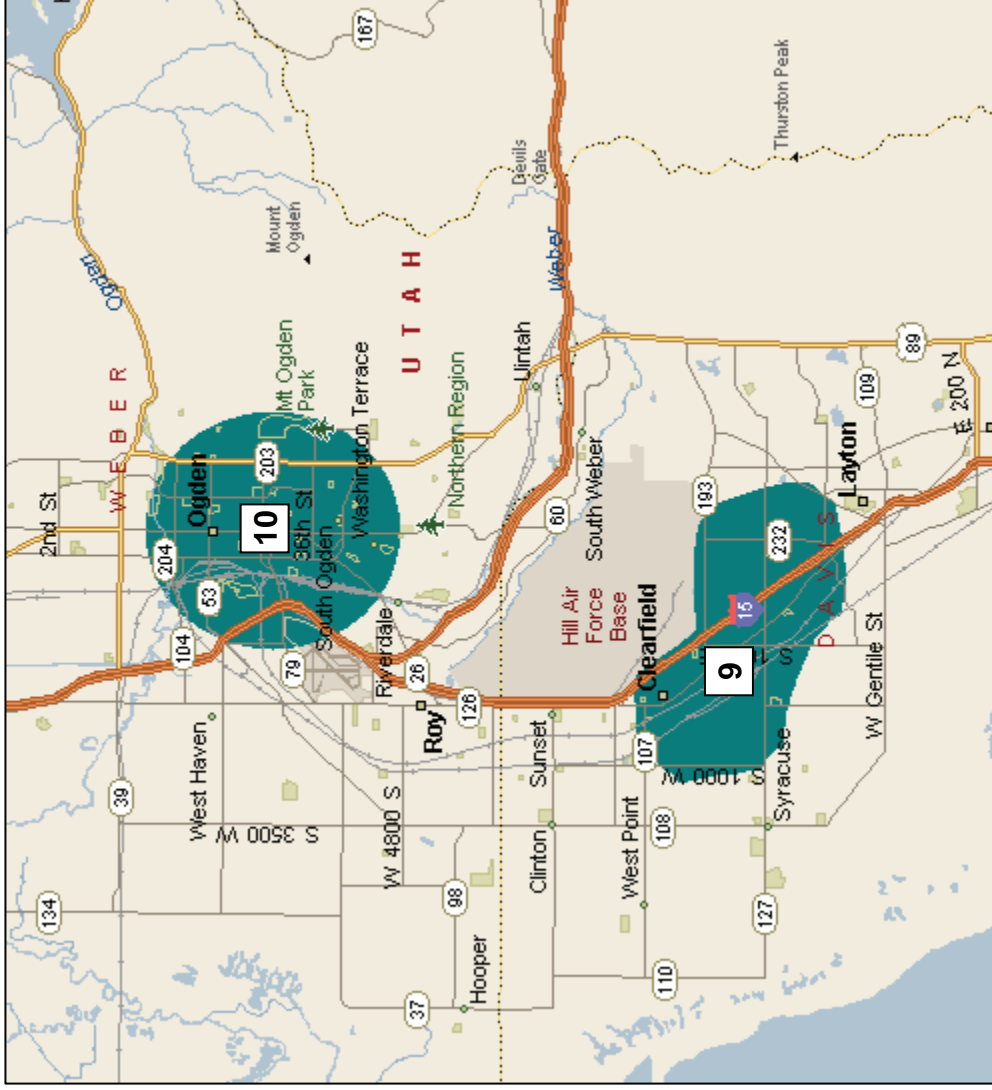
RCLCO DEFINED CORES UTAH COUNTY



SOURCE: RCLCO

KEY	CORE	GEN.
1	Intern Cntr/NW Quad/ Airport	3 rd
2	201/California Ave	5 th
3	Downtown SLC	1 st
4	Univ of Utah	3 rd
5	Cottonwood	5 th
6	Ft Union	3 rd
7	Sandy	5 th
8	Provo/BYU	1 st
9	Layton Hills	5 th
10	Ogden Downtown	1 st
E1	Sugarhouse	2 nd
E2	West Valley City	4 th
E3	Jordan Landing	5 th
E4	Daybreak	5 th
E5	Thanksgiving Point	5 th

RCLCO DEFINED CORES DAVIS & WEBER COUNTIES



KEY	CORE	GEN.
1	Intern Cntr/NW Quad/Airport	3 rd
2	201/California Ave	5 th
3	Downtown SLC	1 st
4	Univ of Utah	3 rd
5	Cottonwood	5 th
6	Ft Union	3 rd
7	Sandy	5 th
8	Provo/BYU	1 st
9	Layton Hills	5 th
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SOURCE: RCLCO

AGENDA

▶ OVERVIEW OF METROPOLITAN DEVELOPMENT TRENDS

▶ REGIONAL GROWTH PROJECTIONS

▶ IDENTIFICATION OF METRO CORES

▶ **CORE ANALYSIS AND DISTRIBUTION OF PROJECTED GROWTH**

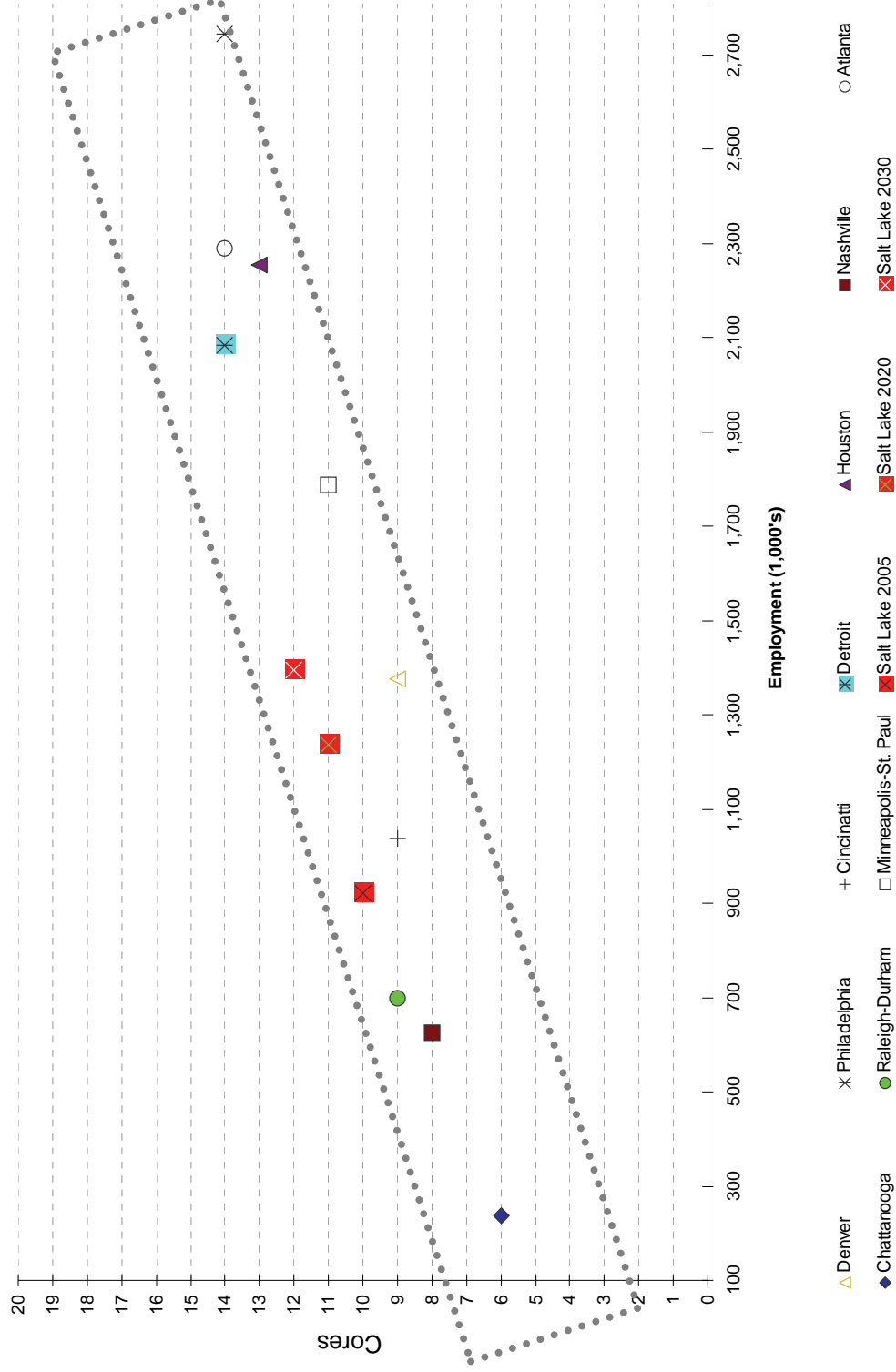
- Optimal number of cores
- Rating Wasatch Front's cores

▶ PROSPECTS FOR EXISTING AND EMERGING CORES

▶ APPENDIX

NATIONAL EVIDENCE SHOWS THAT LARGER CITIES HAVE MORE CORES

Number of Employment Cores Relative to Total Employment Selected Metropolitan Areas



WASATCH FRONT'S EXISTING CORES HAVE ROOM TO GROW

Small Cities (Employment Below 1.5 Million)	
Average Number of Cores:	8
Average Size of Cores in Small Cities:	34,000
Size Range of Cores in Small Cities:	15,000-58,000
Average Size of Cores in Small Cities Excluding CBD:	29,000
Size Range of Cores in Small Cities Excluding CBD:	12,000-48,000

Average % of Employment Within Cores:	38%
---------------------------------------	-----

FOUR WASATCH COUNTIES (Employment = 922,000)	
Average Number of Cores:	10
Average Size of Cores in Salt Lake Region:	28,930
Average Size of Cores in Large Cities Excluding CBD:	25,188

Average % of Employment Within Cores:	31%
---------------------------------------	-----

Large Cities (Employment Above 1.5 Million)	
Average Number of Cores:	13
Average Size of Cores in Large Cities:	62,000
Size Range of Cores in Large Cities:	47,000-74,000
Average Size of Cores in Large Cities Excluding CBD:	53,000
Size Range of Cores in Large Cities Excluding CBD:	43,000-64,000

Average % of Employment Within Cores:	38%
---------------------------------------	-----

SALT LAKE CITY DOWNTOWN HAS ROOM TO DENSIFY COMPARED TO OTHER METRO AREAS

FOUR WASATCH COUNTIES			
Cores	Emp	Emp	%
SLC Downtown Total	62,609		22%
Lake Park Total	47,106		16%
Provo/BYU	42,880		15%
International Center/Airport	38,385		13%
University of Utah	32,557		11%
Layton Hills	20,160		7%
Sandy	18,563		6%
Fort Union	11,518		4%
Ogden Downtown	9,152		3%
Cottonwood	6,371		2%

Denver			
Cores	Emp	Emp	%
Central/CBD		136,861	26%
Cherry Creek/Midtown		85,186	16%
Stapleton/Airport		72,854	14%
North /NE Denver		56,815	11%
Boulder		46,192	9%
Southeast Suburban		39,229	8%
36 Corridor/NW Denver		33,980	7%
West 6th		31,039	6%
Aurora		19,821	4%

Ttl Emp in Cores	289,300		
Total Emp	921,250		
% of Emp in Cores	31%		
Average Core Size	28,930		
Avg Non-CBD Core	25,188		

Ttl Emp in Cores	521,977		
Total Emp	1,374,900		
% of Emp in Cores	38%		
Average Core Size	57,997		
Avg Non-CBD Core	48,140		

SALT LAKE CITY DOWNTOWN HAS ROOM TO DENSIFY COMPARED TO OTHER METRO AREAS

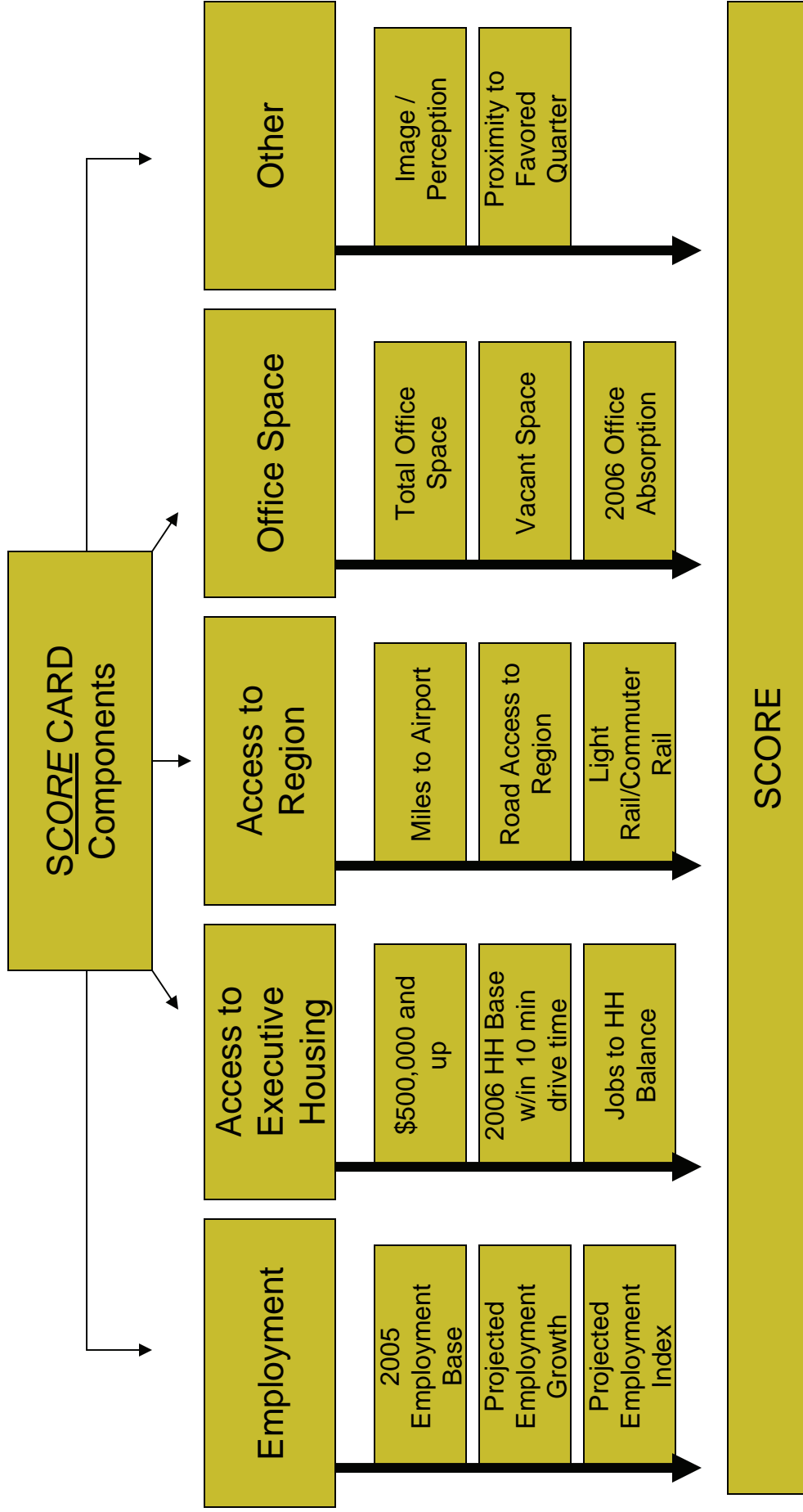
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Layton Hills	20,160	7%
Sandy	18,563	6%
Fort Union	11,518	4%
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Cottonwood	6,371	2%

Ttl Emp in Cores	289,300	
Total Emp	921,250	
% of Emp in Cores	31%	
Average Core Size	28,930	
Avg Non-CBD Core	25,188	

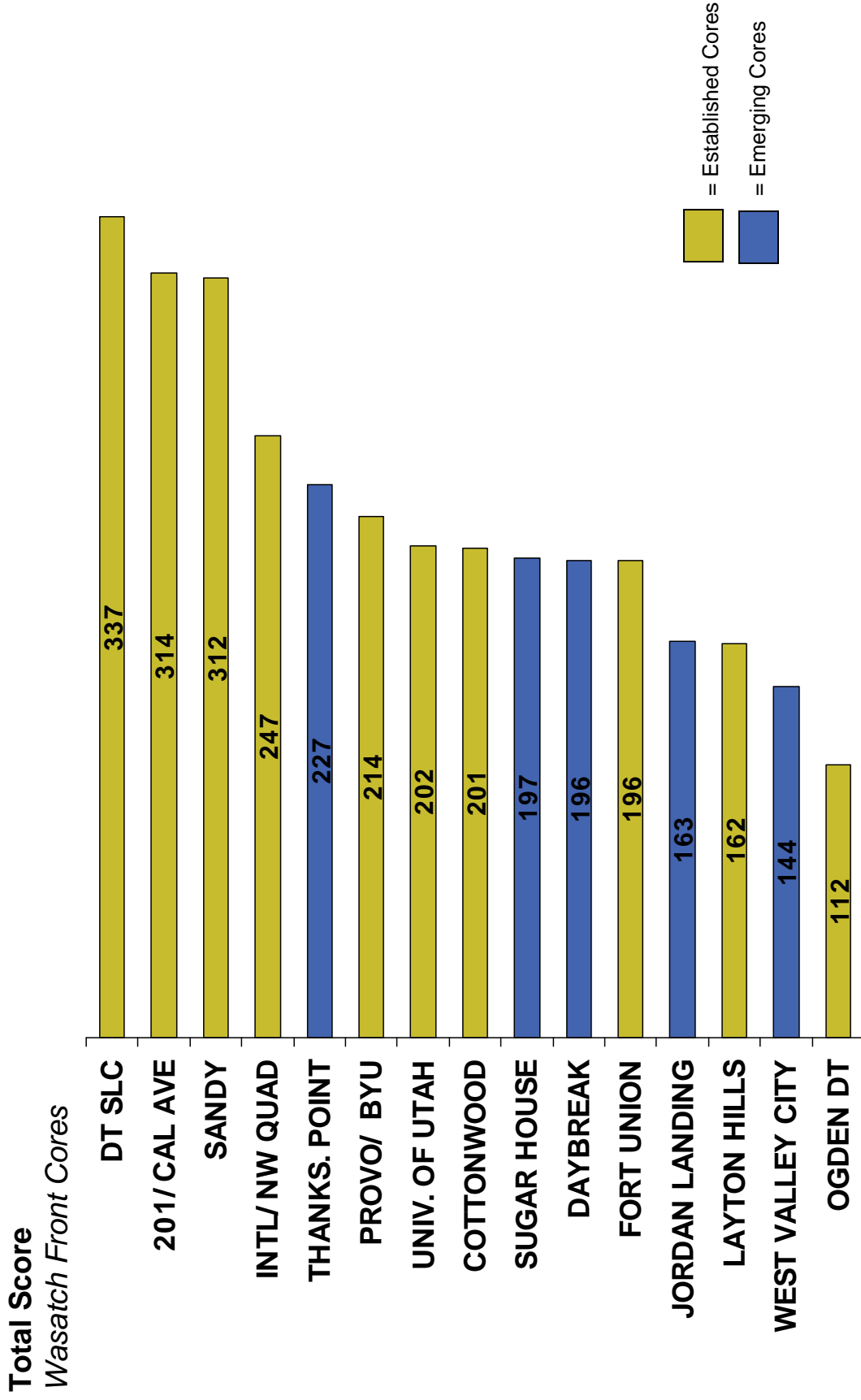
Minneapolis-St. Paul		
Cores	Emp	%
Minneapolis CBD	229,966	28%
Edina	102,961	13%
Mnetonka	94,347	12%
Eagen/Burnville	91,243	11%
St Paul CBD	73,518	9%
Eden Prairie	55,501	7%
Maple Grove	54,052	7%
University	40,789	5%
North Oaks/Vadnais Heights	36,370	4%
Shakopee	23,247	3%
Medicine Lake	13,301	2%

Ttl Emp in Cores	815,295	
Total Emp	1,748,000	
% of Emp in Cores	47%	
Average Core Size	74,118	
Avg Non-CBD Core	56,868	

CORES WERE RANKED TO HELP DETERMINE HOW EMPLOYMENT GROWTH PROJECTIONS WERE DISTRIBUTED



RESULTS OF SCORING EXERCISE

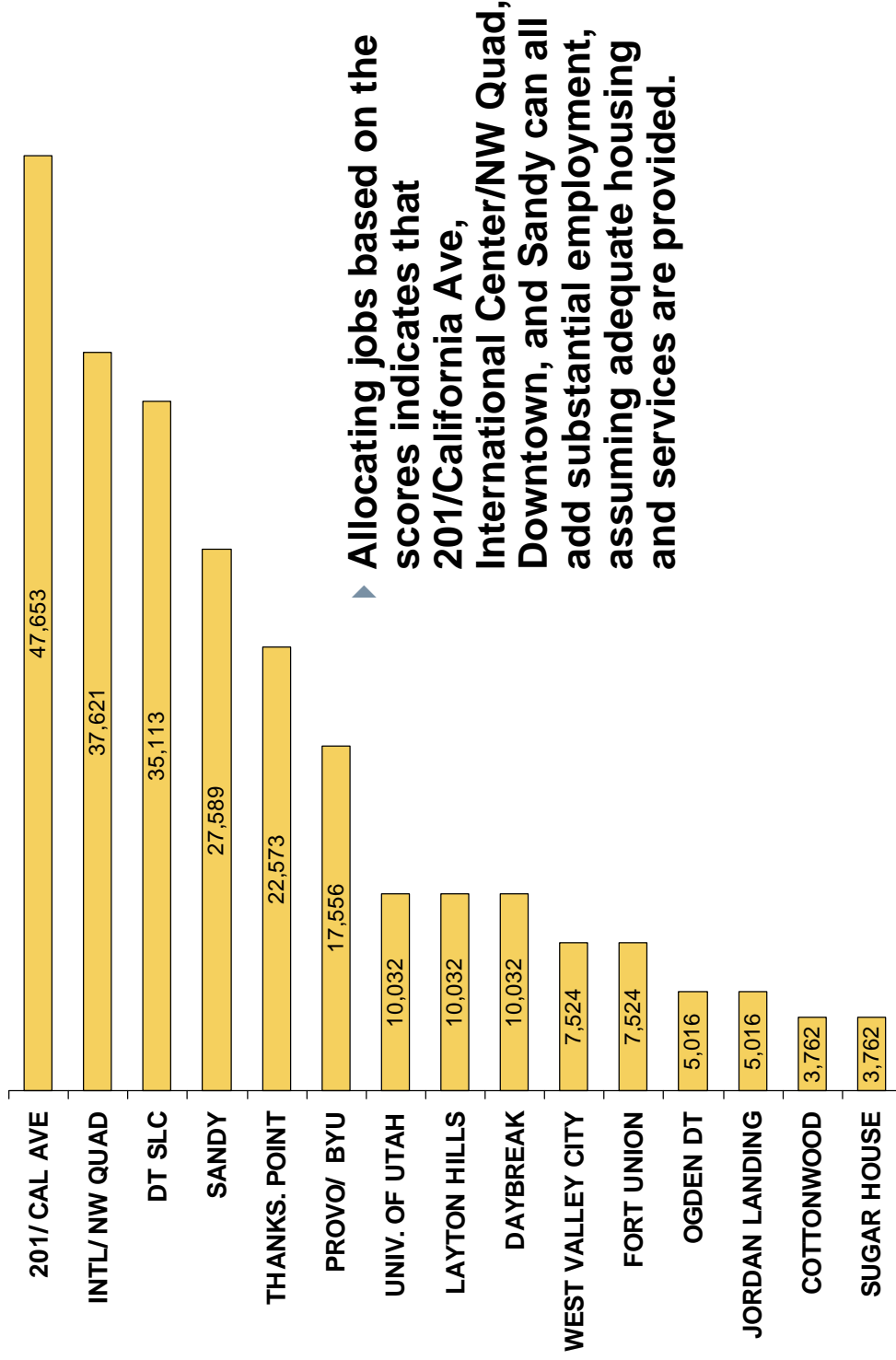


EMPLOYMENT PROJECTIONS WERE ALLOCATED TO CORES BASED ON SCORING EXERCISE

RCLCO Allocation of Employment Growth¹

Wasatch Front

2005-2040



¹ Growth in 201/Cal Ave and International Center dependent on ability to add housing

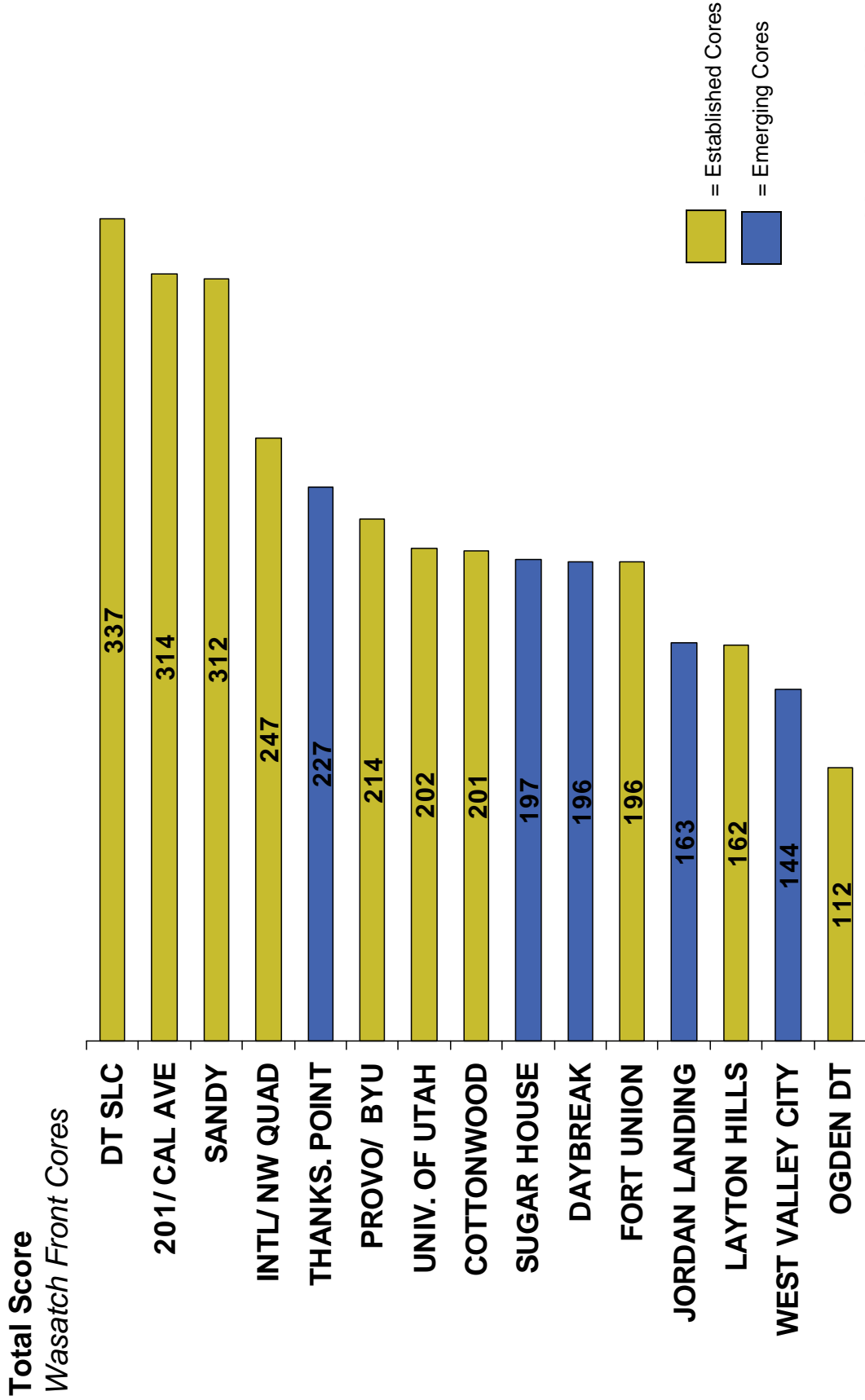
AGENDA

- ▶ OVERVIEW OF METROPOLITAN DEVELOPMENT TRENDS
- ▶ REGIONAL GROWTH PROJECTIONS
- ▶ IDENTIFICATION OF METRO CORES
- ▶ CORE ANALYSIS AND DISTRIBUTION OF PROJECTED GROWTH
 - Optimal number of cores
 - Rating SLC's cores

- ▶ **PROSPECTS FOR EXISTING AND EMERGING CORES**
 - **Strengthening cores by addressing their deficiencies**
 - **Northwest Quadrant as a case study**

- ▶ APPENDIX

WHY DID SOME CORES SCORE LOW?



EXISTING CORES COULD BE STRENGTHENED AND MADE MORE SUSTAINABLE BY ADDRESSING THEIR DEFICIENCIES

Sugarhouse:

is mainly a retail core, with a large number of surrounding households. To become more sustainable, the core needs more non-retail based employment so that it will have a better jobs to housing balance.

Employees (2005)	Office Space (SF)	Retail Space (SF)	HHs (w/in 5 min drive)	Jobs/Housing Ratio
4,487	453,500	1.3 Million	21,825	0.2



Downtown Salt Lake City:

is the region's largest and most important employment core. However, its historical growth in housing hasn't kept pace with its growth in employment. To become more sustainable, Downtown needs to add more housing.

Employees (2005)	Office Space (SF)	Retail Space (SF)	HHs (w/in 5 min drive)	Jobs/Housing Ratio
62,609	12.3 Million	5 Million	23,816	2.6



SOURCES: Wasatch Front Regional Council; Costar; Claritas

LOW-SCORING CORES TEND TO BE SMALLER, MORE DISTANT, OR OUT OF BALANCE WITH JOBS & HOUSEHOLDS

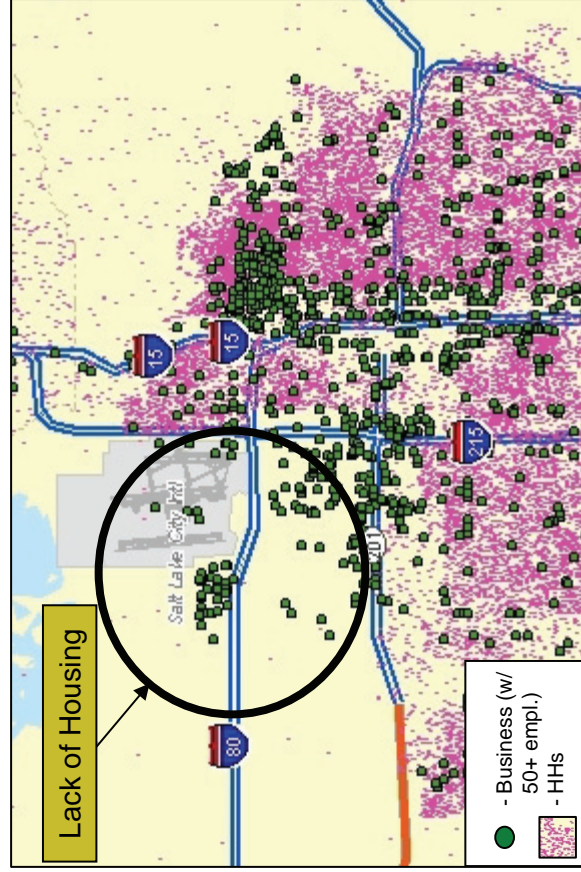
Existing Wasatch Front Employment Cores			
Core	Score	RCLCO Job Growth Forecast	Elements Scoring in Bottom Half of Cores
Downtown SLC	337	35,113	-Projected HH growth
201 Cal Ave	314	47,653	-HH base -Access to exec. housing -Projected HH growth - Job/HH balance -Light rail access
Sandy	312	27,589	- Access to airport
Intl Center/NW Quad	247	37,621	-Access to exec. housing -HH base -Projected HH growth -- Job/HH balance
Provo/BYU	214	17,556	-Executive housing -HH base -Job/HH balance -Access to airport -Road access to region

LOW-SCORING CORES TEND TO BE SMALLER, MORE DISTANT, OR OUT OF BALANCE WITH JOBS & HOUSEHOLDS (cont.)

Existing Wasatch Front Employment Cores			
Core	Score	RCLCO Job Growth Forecast	Elements Scoring in Bottom Half of Cores
U of Utah	202	10,032	- HH growth - Road access to region
Cottonwood	201	3,762	-Employment base -Employment growth - HH base -Light rail access
Fort Union	196	7,524	-Employment growth -HH growth -Light rail access
Layton Hills	162	10,032	- Road access to region -Access to airport
Ogden Downtown	112	5,016	-Employment base/growth - Access to region - HH base/ growth

THE INT'L CENTER/AIRPORT REPRESENTS THE GREATEST OPPORTUNITY FOR MAKING A CORE MORE SUSTAINABLE

Of all the opportunities to strengthen existing centers, the International Center/Airport represents one of the most promising opportunities. While the center's imbalanced jobs/housing ratio points to its unsustainability, it also represents a unique opportunity to add households in an already employment-rich part of the region. By adding housing, the center will become more balanced, people will be able to live closer to where they work, and the center will become more sustainable.



Wasatch Front Employment Cores			
Core	Jobs ¹	HHs (within 5-min drive ²)	Ratio
International Center/Airport	38,859	1	38,859.5
201/ California Ave.	47,106	1,043	45.2
Sandy	18,563	4,275	4.3
Provo/BYU	42,880	12,820	3.3
Downtown Salt Lake City	62,609	23,813	2.6
University of Utah	32,557	14,202	2.3
Layton Hill	20,160	10,190	2.0
Cottonwood	6,371	3,241	2.0
Thanksgiving Point	2,915	2,239	1.3
Fort Union	11,518	14,418	0.8
Ogden	9,152	11,816	0.8
Jordan Landing	3,114	4,214	0.7
West Valley City	4,610	10,139	0.5
Sugarhouse	4,487	21,825	0.2
Daybreak	11	1,850	0.0
All Wasatch Cores	304,912	136,086	2.2

¹ Wasatch Front Regional Council; Mountainland Association of Governments
² Claritas

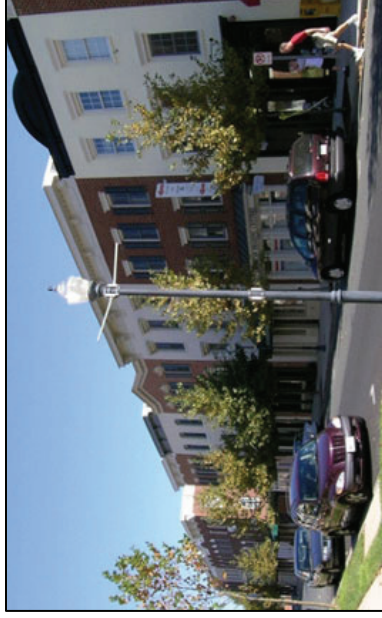
THE NORTHWEST QUADRANT AS A CASE STUDY FOR SUSTAINABLE DEVELOPMENT

- ▶ **The Northwest Quadrant is much closer to Downtown than the southern suburbs, and is adjacent to the 4th largest job core in the region – yet there is a total absence of housing.**
- ▶ **Bringing the Northwest Quadrant into “balance” by adding housing and services – coupled with transit improvements – can lead to:**
 - **Shorter commutes**
 - **Housing geared toward a range of incomes**
 - **Preserved open space**
 - **Development that is environmentally, economically, and fiscally sustainable.**



THE NORTHWEST QUADRANT REPRESENTS AN OPPORTUNITY TO COMBAT SPRAWL

- ▶ The Urban Land Institute supports the idea that planned communities in greenfield settings do not have to be sprawl.
- ▶ In fact, well-executed planned communities can:
 - Provide the financial resources to preserve open space
 - Allow for a comprehensive approach to infrastructure planning
 - Be fiscally positive, if there is a mix of uses
 - Be developed as interconnected, transit-oriented, walkable places
 - Allow people to live closer to work, shopping, and recreation
 - Offer a more diverse mix of housing types



SOURCE: ULI, *Developing Sustainable Planned Communities*

NORTHWEST QUADRANT VISIONING DOCUMENT

According to the Northwest Quadrant Visioning Document, Salt Lake City and Salt Lake County want to see the NW Quadrant develop in a sustainable manner. According to the document, the new sustainable community in the NW Quadrant must be comprised of:

- **Environmental Attributes**
 - ❖ By adding households to the NW Quadrant, the center will have a better jobs/housing ratio and will thus become more sustainable. Doing so has the potential to lower average commute distances, relieve congestion, and decrease air pollution
- **Neighborhoods**
 - ❖ By following the principals of New Urbanism and Traditional Neighborhood Design (TND), the City can ensure the creation of mixed-income, walkable, multi-generational neighborhoods that will foster community interaction
- **Economic Development**
 - ❖ By bringing balance to the NW Quadrant with the addition of new households and retail, the City will enhance the area's desirability for new businesses. RCLCO has shown that for regional economies to grow, they must offer a variety of employment centers.
- **Multi-Modal Transportation**
 - ❖ With Interstate-80's excess capacity and the eventual construction of the Mountainview Corridor, the NW Quadrant will have excellent road access. The proposed airport light-rail line could be extended to the NW Quadrant to provide transit access. Finally, within the NW Quadrant itself, the development of housing will bring people closer to their employment, making non-motorized transit a more feasible commuting option.
- **Parks, Trails, and Recreation**
 - ❖ The creation of open space, parks, trails, and green space will be essential for the NW Quadrant to attract new households and new employment
- **Green Design**
 - ❖ Development in the NW Quadrant should follow the lead of development like Daybreak, which places a strong emphasis on sustainable design, land conservation, compact development, and walkability
- **Public Services**
 - ❖ The new development should have adequate public services to accommodate new households and commercial space

HOUSING REQUIRED TO BRING NORTHWEST QUADRANT INTO "BALANCE"

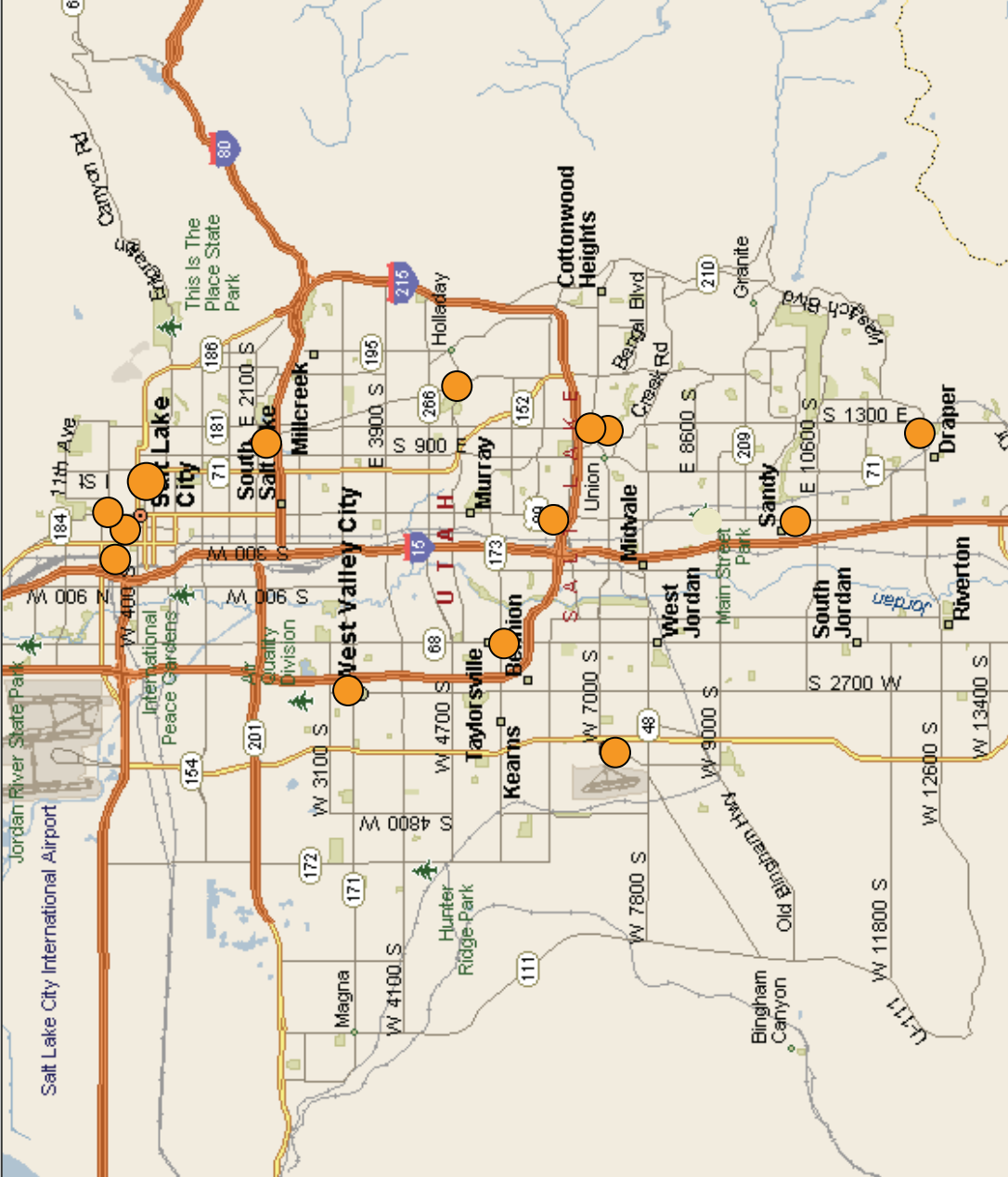
- ▶ **The Northwest Quadrant is already out of balance by at least 8,000 households.**
- ▶ **Failure to bring the Northwest Quadrant into balance could result in further sprawl to the north and south, taxing road networks and infrastructure.**

Desired Ratio	HH Required @ 2006 NW Quadrant Employment	HH Required @ 2040 NW Quadrant Employment	HH Required @ 2040 (including surrounding employment growth) ¹
1.0	23,897	55,130	99,284
1.5	15,931	36,753	66,190
2.0	11,949	27,565	49,642
2.5	9,559	22,052	39,714
3.0	7,966	18,377	33,095
3.5	6,828	15,751	28,367
4.0	5,974	13,783	24,821

¹Includes employment growth (from 2006-2040) in the 201/Cal Ave center and in the International Center/Airport center (that isn't the NW Quadrant)

IN ADDITION TO HOUSING, THE NW QUADRANT IS COMPLETELY DEVOID OF SIGNIFICANT RETAIL

Map of Regional Retail Centers
Salt Lake County



SOURCE: RCLCO; Shopping Center Directory

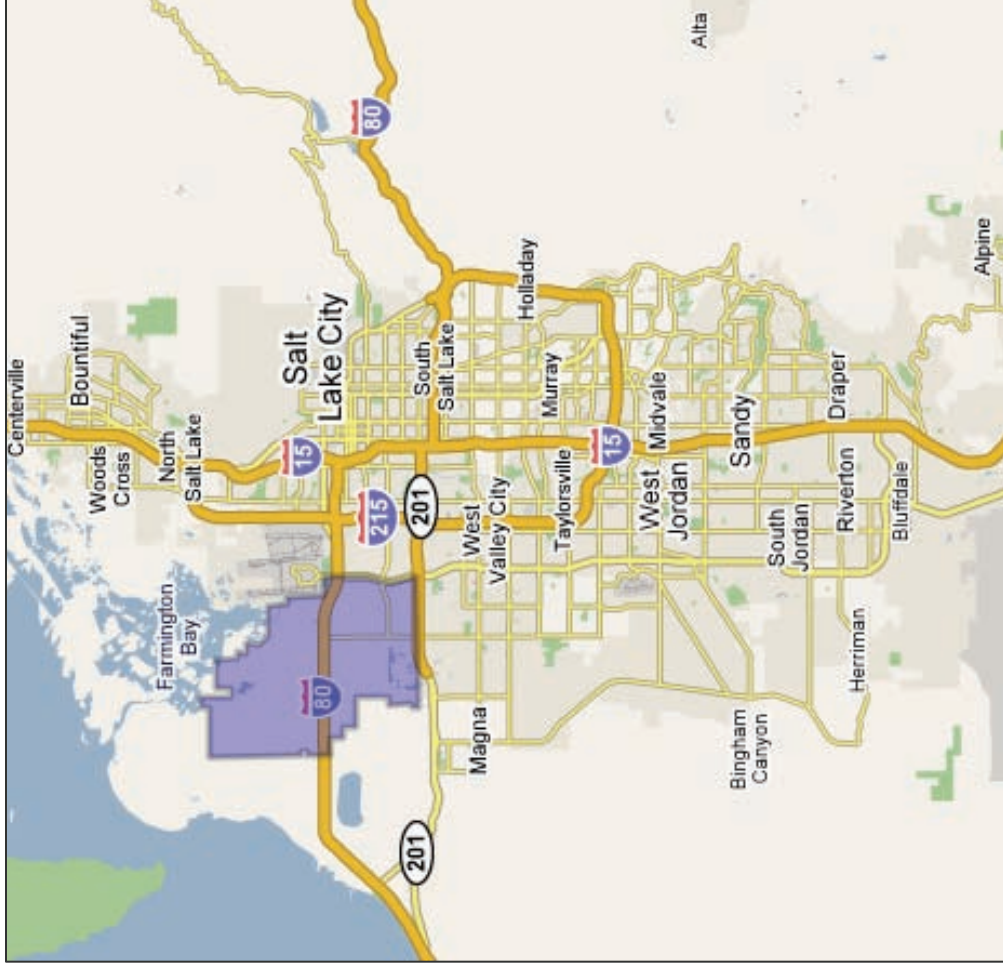


RCLCO MODELS SHOW SIGNIFICANT DEMAND FOR MULTIPLE LAND USES TO CREATE A BALANCED NW QUADRANT

Land Use	New Demand
Residential	20,000 Units
Retail	3.9 Million SF
Office	2.3 Million SF
Industrial/Flex/R&D/ Business Park	9.6 Million SF
Hotel	740 Keys

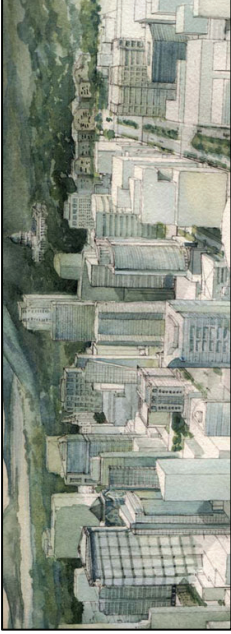
- Notes (see Exhibits C-1 through C-9 for detailed demand models)
- Residential demand is driven by employment growth and a target Job/HH ratio of ~2.7
 - Retail demand is driven by households
 - Office and Industrial demand is driven by employment growth by job category
 - Hotel demand is driven by employment

NORTHWEST QUADRANT REPRESENTS A PORTION OF THE EXISTING CORE



- ▶ These analyses indicate potential to fulfill the vision for Northwest Quadrant by addressing the current imbalance between jobs and housing.
 - Capitalize on demand for “smart growth” community development utilizing future transit to the area and demand for walkable urbanity.
- ▶ The potential for substantial job growth in and around the International Center, Airport and Northwest Quadrant suggests opportunity for additional “Daybreak” type developments in the Northwest Quadrant.
 - Daybreak is a good example of quality development influencing the location and character possible for new communities in emerging areas.
- ▶ In addition to housing, the NW quadrant will require new commercial space to be viable and balanced.

NW QUADRANT'S IMPACT ON DOWNTOWN SLC



Employment in the NW Quadrant is different from and complementary to existing and future jobs in the Downtown SLC.

- It is unlikely that Downtown jobs, with a heavy concentration in financial services, business services, state and local government, and the LDS Church, will ever leave Downtown.¹
- Between 2005-2040, RGLCO projects job growth of 35,000 in Downtown Salt Lake City, which is significantly higher than is currently forecasted by the Wasatch Front Regional Council.
- This new employment will result in significant Downtown investment in office space, retail space, as well as continue to fuel the demand for new Downtown residential development.
- Employment growth in the NW Quadrant will be similar in character to the core's existing employment, though retail and services employment will be new, and some higher quality office development is also likely long term.

Other metro areas show the complementary nature of their Downtowns and their other cores – examples include Washington, DC, and Denver, CO.

- Analysis of other metropolitan areas shows that as a region grows, new cores do, and must, emerge, but that their emergence does not necessarily threaten the growth of healthy downtowns.
- Downtown Washington, DC, which has thrived in recent years, has a large concentration of Federal Government jobs, legal service jobs, lobbying firm jobs, and financial service jobs. Bethesda-Gaithersburg, MD corridor has also experienced strong growth in recent years by adding a large amount of regional serving employment (real estate, legal services, etc.) as well as biotech employment (due to the proximity of NIH).
- Downtown Denver is a financial center, government center, and a center for corporate regional HQs. The growth of the Denver Tech Center in the 1980s and 1990s helped the region add technology and communication jobs, while DT continued to thrive and grow.

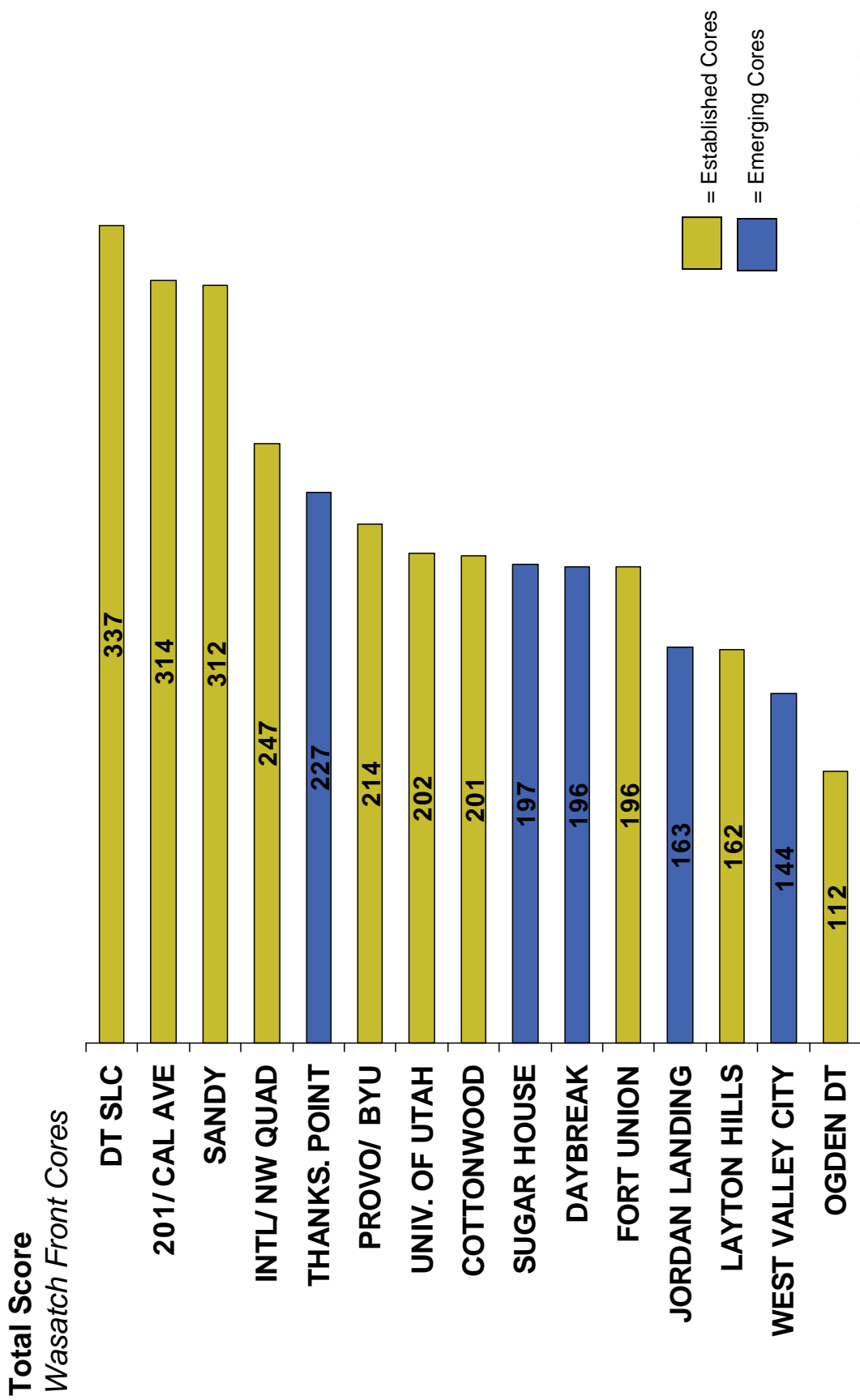
Downtown SLC has significant momentum with endeavors such as Downtown Rising and is expected to continue to grow and thrive, even as other metropolitan centers emerge and grow.

¹ From numerous interviews with office brokers and regional economists

BEYOND 2040 – WHERE WILL FUTURE CORES EMERGE?

- ▶ Not all of today’s emerging cores will fully evolve into significant regional cores.
- ▶ Of the emerging cores we have identified, given regional growth patterns and high scores on key metrics, the strongest near-term opportunities are likely at:
 - Daybreak
 - Thanksgiving Point area
 - Sugarhouse
- ▶ An additional core anchoring the center of the West Bench could be logical in the long-term (30+ years), and begin to emerge in the mid-term (10-20 years), due to geographic separation of other cores.
- ▶ While the Oquirrh Mountains create a substantial barrier, long-term could see the emergence of a core west of that range in Tooele County.
- ▶ Due to its location on the Mountain View Corridor and primary access to Cedar Valley to the west, the Saratoga Springs area is showing signs that it, too, could emerge as a core in the near term.

MANY OF THE “EMERGING” CORES ARE ON THE WEST BENCH



SOURCE: RCLCO

PLANNED INFRASTRUCTURE IMPROVEMENTS WILL HELP OPEN UP THE WEST BENCH TO NEW DEVELOPMENT



Source: RCLCO

APPENDIX

METRO CORES

1ST Generation

- ▶ Original downtown – first concentration of regional and export employment
 - Particularly office and retail, but including industrial as well
- ▶ Nearly all downtowns have been shrinking relative to the rest of the metropolitan area in total employment and office, retail and industrial space over the past forty years.
- ▶ Despite a visually impressive concentration of new development, the growth of most downtowns has paled by comparison to increases in non-downtown office-oriented and industrial-oriented cores.
- ▶ The density of most downtowns is urban with floor-to-area ratios well above 0.5, and generally above 2.0.
- ▶ Salt Lake City CBD

METRO CORES

2nd Generation

- ▶ Typically evolved in the 1960s as first new alternative to downtown.
- ▶ Many office-oriented 2nd generation metro cores have largely failed.
 - Decline of nearby neighborhoods, no longer only alternative to downtown
- ▶ Generally suburban in character with FAR between 0.2 and 0.5.
- ▶ Examples - Lake Shore/Near North (Chicago); Silver Spring CBD (Washington, D.C.); and Northeast Expressway (Atlanta), Medical Center, Greenway Plaza and Allen Parkway (Houston), Sugar House
- ▶ Some successful second generation office-oriented metro cores.
 - Urbanizing, good access to executive housing, superior retailing and/or transit.
 - Examples - Bala Cynwyd/Main Line (Philadelphia); Cambridge (Boston); and Rosslyn-Ballston (Washington, D.C.)
- ▶ Industrially oriented generally continue to maintain their value.
 - As work centers only, these cores are generally immune to local demographic shifts. Their key concern is the maintenance of the transportation infrastructure.
 - Examples - City of Commerce in Los Angeles, Kent Valley south of downtown Seattle and Houston's Ship Channel area quietly established the concept of the industrial park.

METRO CORES

3rd Generation

- ▶ Came of age in 1970s - explosive growth in 1980s real estate boom.
- ▶ Most located adjacent to high-end "executive" housing, anchored by a regional mall and located next to a major limited access highway.
 - Examples - some of the most prominent non-downtown metro cores in the country - Tyson's Corner (Washington, D.C.); Newport Beach/Costa Mesa/Irvine (Los Angeles); West O'Hare/Schaumburg (Chicago); Southfield (Detroit); Bellevue (Seattle) and Galleria/West Loop (Houston), International Center, Fort Union
- ▶ In 1990s growth in regional market share of new office space slowed - major factors :
 - Traffic congestion
 - Local neighborhood opposition to growth.
 - Lack of land for low-density, build-to-suit development.
- ▶ Density is usually suburban with FARs 0.2 and 0.5.
- ▶ Some are urbanizing and have new projects with floor-to-area ratios of 1.0 and higher.
- ▶ In the 1970s and 1980s, industrially-oriented third generation metro cores evolved along limited access highways.
 - Tend to be pragmatic concentrations of industrial/warehouse with no regional retail or high-density housing elements.

METRO CORES

4th Generation

- ▶ Came of age 1980s - lower-cost alternative to the fast-growing 3rd generation cores.
- ▶ Emerged four to 12 miles farther out in the same direction from the center city.
- ▶ Driven by companies looking for less expensive office and industrial space closer to the bulk of their employees' housing.
- ▶ Examples - Gwinnett (Atlanta), Dulles Access Corridor/Reston (Washington, D.C.), Auburn Hills (Detroit), Ontario (Los Angeles) and Westchase, SW Freeway (Houston).
- ▶ Many were innovative in their semirural campus-like character - Fair Lakes on I-66 west of Washington, D.C., and Plano on the Dallas Tollway.
- ▶ Floor area ratios generally are under 0.2.
- ▶ Experienced rapid growth during the 1990s - nearly all of the substantial build-to-suit office activity that took place in the early 1990s was in these "new towns."
- ▶ In the 1980s industrial-oriented 4th generation cores also evolved four to ten miles further out along interstate highways on the flanks of fourth generation office-oriented metro cores.
- ▶ Examples - Vallwood (Dallas), White Marsh (a combined office/industrial and retail metro core in northeast Baltimore), Carlsbad/Palomar Airport (San Diego) and Katy Freeway (Houston), West Valley City.

METRO CORES

5th Generation - “Edgeless City”

- ▶ Came of age in the 1990s.
- ▶ These cores will probably be the furthest extent of metropolitan growth for foreseeable future.
- ▶ There will probably not be as many fifth generation cores as fourth generation cores – and they may be harder to define their exact boundaries.
- ▶ Examples of fifth generation cores include Hoffman Estates (Chicago), the Route 7/28 Corridor in Loudoun County (Washington, D.C.) the 422 Extension (Philadelphia), The Energy Corridor and Woodlands (Houston).
- ▶ Some 4th and most 5th generation cores are evolving into “Edgeless Cities” – originally 4th and 5th Generation – now recognizing that suburbanization continues to grow without boundaries, hence, “Edgeless City.”

CRITICAL ASSUMPTIONS

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

Our conclusions and recommendations are based on certain assumptions about the future performance of the global, national, and/or local economy and real estate market, and on other factors similarly outside our control or that of the client. We analyzed trends and the information available to us in drawing conclusions and making the appropriate recommendations. However, given the fluid and dynamic nature of the economy and real estate markets, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions and recommendations periodically to ensure that they stand the test of time.

We assume that, in the future, the economy and real estate markets will grow at a stable and moderate rate. However, history tells us that stable and moderate growth patterns are not sustainable over extended periods of time. Indeed, we find that the economy is cyclical and that the real estate markets are typically highly sensitive to business cycles. Our analysis does not necessarily take into account the potential impact of major economic "shocks" on the national and/or local economy and does not necessarily account for the potential benefits from a major "boom." Similarly, the analysis does not necessarily reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. The future is always difficult to predict, particularly given changing consumer and market psychology. Therefore, we recommend the close monitoring of the economy and the marketplace. The project and investment economics should be "stress tested" to ensure that potential fluctuations in the economy and real estate market conditions will not cause failure.

In addition, we assume that economic, employment, and household growth will occur more or less in accordance with current expectations, along with other forecasts of trends and demographic and economic patterns. Along these lines, we are not taking into account any major shifts in the level of consumer confidence; in the cost of development and construction; in tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth); or in the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should any of the above change, this analysis should probably be updated, with the conclusions and recommendations summarized herein reviewed accordingly (and possibly revised).

We also assume that competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand. Finally, we assume that major public works projects occur and are completed as planned.

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.