Balanced Economy Study
Herriman, Utah

April 2018

Prepared by: Better City
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EXECUTIVE SUMMARY

Better City was hired by the City of Herriman (the “City”) in September 2017 to perform an in-depth Balanced Economy Study for the City and its stakeholders. This study will serve as a guide for the City to develop and execute future projects, gain insight into the current market conditions and potential for commercial development, and to diversify its revenue sources by leveraging its unique assets and strengths.

The purpose of this Study is to provide City leaders and stakeholders with an understanding of 1) the City’s current economic condition, 2) current and potential demand for commercial space, 3) revenue potential at buildout, and 4) potential projects based on these factors and site-specific potential.

The study is broken up into six areas of focus. The findings for each section are provided in the following list. More detailed data and analysis, including case studies and examples, can be found in the subsequent sections and are given in parenthesis after each insight.

- The City has experienced significant growth since 2000 and will need to find a balance between population growth and quality of life (Background)
- A significant amount of the City’s revenue is related to growth (Background)
- Housing density has been a controversial topic among residents and elected officials (Background)
- Overall demographic, income and revenue trends have continued into 2016 and 2017 (Economic Study)
- The City’s General Fund has become less diversified due to increases in License and Permit revenue (Economic Study)
- Approximately $6.4M in new revenue sources will need to be identified and secured to replace the City’s utilization of growth-related general fund revenues (Economic Study)
- Herriman’s location within the valley means that it is a cul-de-sac, rather than a through-way, which diminishes commercial and retail demand (Land Use)
- The newest Super-regional center, Mountain View Village, will most likely eliminate the opportunity for another super-regional center to locate within City limits (Land Use)
- Based on the local and regional factors outlined in this Study, there will likely be insufficient demand from traditional commercial users to fully absorb the zoned commercial areas within the City (Land Use)
- Current zoning allocations predict that incremental revenue at buildout will be sufficient to replace the $6.4 M gap between current and future license and permit revenue; however, there will be little remaining to cover additional general fund expenses that will result from a larger population at buildout (Revenue)
- The City should pursue “non-traditional commercial” developments and projects to drive commercial land absorption and to provide sources of additional municipal revenue (Priorities and Projects)
- Priorities should be placed on creating destination attractions, attracting a targeted industry workforce and establishing the City as a viable location for office and business park users (Priorities and Projects)

These insights were used to determine possible projects for the City to consider based on the assets and strengths of the community and current market opportunities. These potential projects are discussed in detail in the last section of the document, “Key Priorities and Potential Project Concepts”.
BACKGROUND

The City of Herriman, Utah (the “City”) is a beautiful community nestled in the southwest corner of the Salt Lake Valley. While the rest of the valley faced congestion and growth over the last several decades, Herriman remained largely as a rural outpost with lots of green space, fields, and mostly single-family homes with large lots and affluent owners. In the early 2000’s this dynamic began to change as growth pressures along the Wasatch Front led to explosive growth in the City. Multi-family and single-family attached housing developments began to be filled faster than they could be built. New development slowed during the Great Recession but is once again charging ahead in earnest. With a planned population of approximately 115,000, the City still has a lot of growth ahead of it and must strike the right balance between population growth and quality of life.

The new housing that has been developed in the last 10 years looks much different than what had historically been built in Herriman and the lower price points have made living in Herriman a viable option for young professionals and young families – especially those that are willing to accept a longer commute in exchange for an attractive community with modest housing prices. Even with the influx of young families, average salaries have remained quite high and Herriman enjoys one of the lowest median ages in Utah along with a high median household income.

Because Herriman is growing very rapidly, a significant amount of its total budget is tied to growth-related revenue. By itself, this isn’t a concern as all growing communities to some extent rely upon growth-related revenue to cover the costs of building out municipal capacity and to invest in the future. The potential risk lies in if cities develop a reliance on growth dependent revenue. In times of recession or when buildout is achieved, these growth dependent revenues decrease substantially and other revenue streams need to be available to cover the difference.

In an effort to maintain a balanced economy and ensure that future economic activity is sufficient to maintain the quality of life enjoyed by Herriman residents, the City commissioned a Balanced Economy Study (this “Report” or “Study”) to explore regional factors that are impacting growth, estimate future land absorption and demand within the City, and identify economic development opportunities that may exist in the regional marketplace where the City would have a competitive or strategic advantage. This Study will build on prior studies and planning efforts and will focus on areas that have not been previously analyzed.

PERCEPTIONS OF GROWTH

Like most communities, Herriman has residents that are concerned with the fast growth that is occurring, as well as other residents that welcome the growth. What has made Herriman unique is that many of the residents that have been concerned over growth have historically been tolerant of it because they saw the growth as a means to attract in additional commercial and retail opportunities. Developers were effective in communicating that commercial development would be a result of house tops, and the number of residents within the City has grown from approximately 1,500 in the year 2000 to nearly 37,000 in 2016. While commercial growth has occurred alongside residential growth, many residents have expressed discontent with the quantity and quality of the retail offerings that have been developed. To the cas-

1 Herriman City General Plan

2 US Census Bureau and ESRI
ual resident observer, it appears as though the growth in population hasn’t resulted in the commercial and retail development that the residents thought was being promised. As a result, some local residents have lost their trust in the development community and have taken an aggressive stance toward delaying, and where possible, preventing new residential products other than single family detached.

What has largely been absent from public discussions regarding the retail growth potential of the City is the dependence of commercial development on regional factors in addition to local factors, such as population. In the case of Herriman, these regional factors have and will continue to play a significant role in future development potential. One of the objectives of this Study is to provide an independent look at the local and regional factors that have influenced historical development in the City and provide estimates of what commercial and retail growth can be expected based on comparable communities. In this regard, the City elected officials and staff will be empowered to make decisions and pursue projects that will help Herriman achieve and sustain a balanced economy into the future.

**Updates and Discussion of Prior Economic Study**

An analysis was performed on the City’s Economic Plan, which was created in conjunction with Zions Public Finance, Inc. and completed in January 2017. The document’s insights and recommendations were accurate and informative and are still considered relevant. The following are discussions of the trends identified in the prior study and how those trends have progressed in the year since.

The US Census Bureau released the 2016 American Community Survey (ACS) estimates in December 2017, which will be the main source of the prior plan’s updates. Other sources, such as the Utah Governor’s Office of Management and Budget (GOMB) and the Department of Workforce Services, have also updated their respective data and will be included in these insights.

**Population Growth**

The US Census Bureau does not perform single-year snapshots for communities of Herriman’s size; rather, the ongoing ACS surveys in the census tract are compiled and averaged out to make its 5-year estimates. These estimates are valuable to communities because they provide reliable insights and demographic trends. However, the disadvantage of the ACS survey is that it uses estimates based on the average of 5 years of data. This means that populations with high growth will tend to be underestimated.

The Utah GOMB works with the Kem C. Gardner Policy Institute at the University of Utah to provide 1-year population estimates that are likely better estimators for Herriman’s dynamic growth. However, the GOMB estimates and ACS estimates differ significantly, to a difference in population of more than 12,000 in 2016 (see Figure 1).
While these estimates differ significantly, they exhibit similar average annual growth rates. If these trends continue, the population is likely to be somewhere between 35,000 and 49,000 at the end of 2018. The City currently estimates its population at 46,645, between the two estimates provided by the Census and GOMB.

**GENERAL FUND REVENUES**

Significant changes to the City’s tax revenues occurred due to dramatic growth in recent years. Sales and use taxes dropped from 30% of the City’s General Fund revenue in 2012 to 23% in 2017. In comparison, Licenses & Permits increased from 32% in 2012 to 44% in 2017. This is a continuation of the pattern identified and discussed in the 2017 Economic Plan. The General Fund Revenues have continued their year-over-year increase (see Figure 2).

Nearly every category of revenue increased from 2012-2017 in terms of total dollar amount. License and permit revenue, and charges for services increased the most at 184% and 143% respectively. As a percentage of total general fund revenues, these same two categories were the only ones that increased, with every category decreasing in its overall contribution (see Table 1). In other words, the increases in property tax and sales and use taxes did not keep pace with the increases in the categories of licenses and permits and charges for services.
The increase in reliance upon this growth-dependent category is expected due to the explosive population growth within the City. This revenue has contributed to overall increase in fund balances and the ability for the City to allocate resources for capital expenditures that have increased the quality of life of residents. At buildout when the speed of growth decreases to reach a steady state, it is estimated that license and permit revenue will stabilize at approximately $1M per year\(^3\). This is the average amount of revenue that was generated from the category during the Great Recession, and likely represents the residual amount of building and redevelopment activity that would occur at buildout. Under this assumption, at buildout there would be approximately a $6.4M decrease from the 2017 collection amount.

In an ideal scenario, the City would seek to completely replace license and permit revenue with new sources as to maintain the current level of services and expenditures. At a minimum, the portion of the license and permit revenue that goes to general operations (vs capital expenditures) will need to be replaced by new sources to avoid a budget shortfall. The replacement of the current license and permit revenue is considered one of the most important factors to achieve a balanced economy.

One of the recommendations in the 2017 Economic Plan was to increase property tax revenues by increasing property values in the City. This is a critical component of achieving a balanced economy, however, the City has little direct control on property values and it is really up to the development community to drive the investments that increase property values. The City has responsibility of creating an environment where investment can occur and where that investment will be reasonably protected, but the investment is ultimately the responsibility of the private sector. In relation to property taxes, the only item that the City has direct control over is the tax rate. Herriman’s property tax rate is very low at 0.0326% of assessed value. By comparison, South Jordan has a municipal property tax rate of 0.19%, West Jordan’s is 0.1975%, Bluffdale’s is 0.1751%, and Sandy’s is 0.1229%. In short, property taxes in Herriman are 3-5 times lower than some of its neighboring cities\(^4\).

If new revenue streams are not secured to cover the gap in growth-related revenues, the City may be forced to consider evaluating its property tax rate to bring it more in line with neighboring cities. From a political standpoint, this should be the last result as it will be fraught with controversy. If this course is pursued at a later date as a last resort, there is a lot of room to modify the rate and still be competitive within the region.

\(^{3}\) During the Great Recession the City still received approximately $1M in annual license and permit revenue

\(^{4}\) The exception is Riverton, which currently doesn’t have a municipal property tax levy.

### Table 1: Change in General Fund Revenues, 2012-2017

| Source: Office of the State Auditor; City of Herriman; Better City, LLC |
|---|---|---|
| **Property Taxes** | $165,840 | 34% | -35% |
| **Sales & Use Taxes** | $1,386,663 | 56% | -25% |
| **Franchise Taxes** | $969,929 | 106% | 0% |
| **Licenses & Permits** | $4,818,853 | 184% | 37% |
| **Intergovernmental Revenue** | $496,254 | 66% | -20% |
| **Charges for Services** | $947,505 | 143% | 17% |
| **Fines & Forfeitures** | ($18,923) | -13% | -58% |
| **Miscellaneous Revenue** | ($68,801) | -36% | -69% |
The City has seen a year-over-year increase in its sales and use tax revenues. Seasonal trends show that February, May, and August tend to be months with the highest collection of sales and use taxes (see Figure 4). Due to the delay between when sales taxes are collected and when they are reported as income within the City, the actual months when peak sales occurs is December, March, and June.

**EMPLOYERS**

Many employers have grown since the completion of the prior Economic Plan Update, placing these companies and organizations in the next tier of employment based on number of employees. With few exceptions, the largest employers in the City fall in the category of education providers (see Table 2). This result is not surprising due to Herriman’s historic position as a bedroom community. Diversifying the economy and attracting employers outside of the education and public service sector is a key priority of the City’s elected officials and staff.
### DEMOGRAPHICS

Demographics have continued their trends from previous years. Average household size has decreased year-over-year from the figure reported in the City's prior Economic Plan Update (down from 4.00 to 3.98). At the same time, the City's median age has increased to 23.3 (up from 21.6) as the population transitions from new families and move-ins to established families.

The population is also becoming more statistically normal, with the share of households with children decreasing and the share of population age 65-and-over coming more in line with the State and County averages.

<table>
<thead>
<tr>
<th>Employees</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>250-499</td>
<td>Providence Hall Inc</td>
</tr>
<tr>
<td></td>
<td>Blackridge Elementary</td>
</tr>
<tr>
<td></td>
<td>Copper Mountain Middle</td>
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<tr>
<td></td>
<td>Fort Herriman Middle School</td>
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<tr>
<td></td>
<td>Herriman City</td>
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<tr>
<td></td>
<td>Herriman High School</td>
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<tr>
<td></td>
<td>Silvercrest Elementary</td>
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<tr>
<td></td>
<td>Smith's Food and Drug</td>
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<tr>
<td></td>
<td>Athlos Academy of Utah</td>
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<td></td>
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<tr>
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<td></td>
<td>McDonalds</td>
</tr>
<tr>
<td></td>
<td>Old Republic National Title Insurance</td>
</tr>
<tr>
<td>50-99</td>
<td>Wal-Mart</td>
</tr>
</tbody>
</table>

### Table 2—Herriman Largest Employers

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### Table 3—Neighboring Communities Demographics Comparison

The 2017 Economic Plan showed that the City's population is weighted heavily toward young families, with parents mostly in their 30’s and young children under 14 years. These trends are continuing, but the population is beginning to age, coming more in line with Salt Lake County averages (see Figure 5).
**INCOME**

Herriman’s median household income has increased significantly, from $78,141 in 2014 to $83,208 in 2016, bringing it more in line with the incomes of surrounding communities. While the per-capita income of the City is still lower than surrounding communities, it increased $2,292 over the 2014 estimate (data not shown). This figure is driven by a combination of the increased household incomes as well as the decrease in average household size.

The changes in percent of households by income range coincide with the other income changes. The largest gaps between shares are in the $35,000 to $49,999 range (6.1%), $50,000 to $74,999 range (7.2%), and the $100,000 to $149,999 range (7.5%). The City has larger shares of higher-income earners in every range above $50,000 as compared to Salt Lake County (see Figure 6).

**KEY TAKEAWAYS**

The key takeaways from reviewing and updating relevant statistics from the City’s prior economic plan include:

- Overall demographic, income and revenue trends have continued into 2016 and 2017
- The City’s General Fund has become less diversified due to increases in License and Permit revenue
• Approximately $6.4M in new revenue sources will need to be identified and secured to replace the City’s utilization of growth-related general fund revenues

LAND USE ANALYSIS AND FUTURE DEMAND

One of the most critical questions facing the City in the quest to achieve a balanced economy is the potential future demand for commercial space. Local stakeholders interviewed during this Study reported that residents of the City love the outdoors, and in particular love all of the open space and parks available in and near the City. The development of commercial space, and retail in particular, provides additional revenue streams to the City and decreases the dependence on property taxes from residents to provide municipal services. At a minimum, the size of the tax base needs to grow to replace the portion of the City’s budget that is currently reliant upon license and permit fees as well as general growth in the total cost of services as the City’s population increases.

Among municipalities in Utah, sales tax revenue is often viewed as the “Holy Grail” because it has the potential of providing a relatively consistent source of revenue and its imposition is less controversial than property tax. The State’s system of allocating sales tax creates competition among cities where each community is incentivized to fight tooth and nail to increase the amount of sales tax that is collected within the municipal boundaries.

As discussed previously, public discourse regarding the potential for retail activity has been focused heavily on local population (the number of rooftops) as the primary driver for retail development. While it is a very important driver, regional factors also play a significant role. These regional factors include:

• Traffic volume
• Location within the valley/geography
• Purchasing power
• Proximity to other commercial centers
• Existing built environment/developable areas

Traffic volume – Traffic volume is a positive driver for commercial and retail development. Retail operators know that as the number of people seeing a development increase, the number of potential customers and actual customers also increases. Master planned communities are often carefully laid out to ensure that traffic is funneled through retail and commercial centers to ensure visibility and increase conversion rates. In similar fashion, communities that serve as the natural “funneling” spots within the Salt Lake Valley have enjoyed significant retail and commercial demand while other neighboring communities experience a tremendous amount of retail leakage.

Location within the valley – Location within the valley can serve as a positive or negative driver for commercial and retail demand. As described in the preceding paragraph, communities that are located near traffic thoroughfares and funneling points have seen a tremendous amount of retail and commercial growth. To this end, Herriman has been at a distinct disadvantage. Because Herriman sits at the corner of the valley there aren’t any population centers directly to the south or west of the City. Anyone going through Herriman does so on purpose rather than passing through on their way to another destination. This creates a negative driver for commercial and retail demand.

The development of the Mountain View Corridor has the potential to change this dynamic as commuters and traffic from northern
Utah County will have a viable option of reaching the Salt Lake International Airport and employers on the west side of the valley via the new freeway.

Purchasing power – Every population has a finite amount of purchasing power, which is the underlying factor that determines the total amount of retail and commercial activity that can occur within an area. In business terms, this purchasing power of the population is the Total Addressable Market or TAM. The TAM is dynamic and increases or decreases based on the economic prosperity of the population. If the local purchasing power isn’t sufficient to support a desired retail or commercial project, then purchasing power can sometimes be attracted from neighboring populations.

Proximity to other commercial centers – Close proximity to other commercial centers can serve as a negative driver for commercial and retail demand. If a neighboring project is already servicing part of the local and regional TAM, there is less purchasing power available for a new project. Whereas developers and operators want to maximize their profits, they will be hesitant to create a competing project that will detract from their current operations, or if they feel like the TAM is insufficient to justify a new development.

Existing built environment/developable areas – The old adage that “decisions cast long shadows” is particularly relevant when it comes to the built environment. Decisions to allocate prime real estate to non-strategic or lower value projects means that those locations will be unavailable for future and perhaps higher-value projects for decades. On the other hand, cities don’t often have the luxury of being able to wait around for generations until the “right” project comes along. Tradeoffs must be made (and have been made), but that may mean that some catalytic projects will bypass the City due to a lack of developable areas that are strategically located near traffic thoroughfares.

COMPARABLE COMMUNITIES

Comparable communities within the region were identified that had characteristics that were similar to Herriman. By comparing the economic performance of the comparable communities, Herriman can estimate future demand for land use based on local and regional factors. The following characteristics were analyzed to select the set of comparable communities:

- Population (current and total at build-out)
- Proximity to I-15 or another major traffic thoroughfare
- Cul-de-sac community (bounded on one or more sides by the mountains or other development barriers)
- Demographic factors (median income, age, etc.)

The cities of Holladay, Cottonwood Heights, Sandy, Draper, Alpine and Highland were selected due to their similarities with Herriman (see Map 1 and Table 4).
Economic factors for the comparable cities were analyzed to create a model to estimate potential economic activity for the City of Herriman. In some instances, Sandy and Draper were excluded from the analysis due to the disproportionate influence of I-15. Those specific instances will be noted throughout the analysis.

**Table 4: Demographic Overview of Comparison Cities**

<table>
<thead>
<tr>
<th>CITY</th>
<th>City Size (Acres)</th>
<th>% Built Out (land)</th>
<th>Pop. (2016)</th>
<th>Pop. Growth Rate*</th>
<th>Pop. at Build Out</th>
<th>Median Household Income (MHI)</th>
<th># Households (2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandy</td>
<td>15,210</td>
<td>98%</td>
<td>95,836</td>
<td>0.93%</td>
<td>115,000</td>
<td>$ 81,142</td>
<td>29,895</td>
</tr>
<tr>
<td>Herriman</td>
<td>15,532</td>
<td>32%</td>
<td>36,290</td>
<td>3.21%</td>
<td>114,867</td>
<td>$ 83,208</td>
<td>8,558</td>
</tr>
<tr>
<td>Draper</td>
<td>18,911</td>
<td>78%</td>
<td>48,686</td>
<td>1.72%</td>
<td>85,000</td>
<td>$101,211</td>
<td>13,212</td>
</tr>
<tr>
<td>Cottonwood Heights</td>
<td>5,468</td>
<td>90%</td>
<td>35,450</td>
<td>0.89%</td>
<td>40,000</td>
<td>$ 82,582</td>
<td>13,087</td>
</tr>
<tr>
<td>Holladay</td>
<td>5,202</td>
<td>100%</td>
<td>28,486</td>
<td>1.03%</td>
<td>28,486</td>
<td>$ 80,676</td>
<td>10,564</td>
</tr>
<tr>
<td>Highland</td>
<td>5,636</td>
<td>70%</td>
<td>18,315</td>
<td>2.09%</td>
<td>27,000</td>
<td>$108,738</td>
<td>4,200</td>
</tr>
<tr>
<td>Alpine</td>
<td>4,696</td>
<td>70%</td>
<td>10,631</td>
<td>1.56%</td>
<td>16,000</td>
<td>$122,145</td>
<td>2,661</td>
</tr>
</tbody>
</table>

Source: ESRI; each city’s general plan; Better City, LLC

*Growth rate based on ESRI 2017-2022 population growth projections

Of the comparison cities, Herriman’s current population is in the middle of the pack but has the second highest future projected population based on each city’s general plan. Some of the selected comparable cities are quite a bit smaller than Herriman but they were still considered relevant due to the similarities of being a “cul-de-sac community” where one or more sides of the city were encompassed by mountains. This characteristic was determined to be a significant factor for retail and commercial activity because it limits the amount of activity that can be attracted from outside the municipal limits. The retail and commercial activity that occurs within these cul-de-sac cities is largely the result of local purchasing power, which has been Herriman’s experience to date.

Herriman has the highest projected population growth rate of 3.2% compared to the average of 1.63%. While Herriman’s 2016 median household income of $83,208 is high compared to the state average ($62,518), it is one of the lowest of the comparable communities. This is important to note because median household income has a significant impact on purchasing power and
puts the City at a disadvantage relative to the other comparable communities in terms of attracting retail businesses.

The number of acres within the comparable communities range from approximately 4,600 on the low end (Alpine) to nearly 19,000 in Draper. The number of acres represents the total acreage within the municipal boundaries and doesn’t necessarily reflect the number of developable acres. In some instances, there are large amounts of undevelopable land due to slope considerations and open space restrictions. Planning/city staff at each comparable community provided estimates regarding the percentage of land that was built out (column 3 in Table 4). All of the comparable communities selected are at least 70% built out in terms of developable land, which provides a good comparison for what the future utilization of land could look like for Herriman as it is only approximately 32% built out.

CURRENT LAND UTILIZATION

Current land absorption/utilization among the comparable communities within Salt Lake County was obtained from County Assessor records based on how properties within the comparable cities are being assessed and whether improvements on the parcel were noted. For the communities located in Utah County, numbers were obtained directly from municipal staff within each respective community.

According to the County Assessor, Herriman has 41 acres of retail land, and 2 acres of office. By comparison, Sandy has 533 acres of retail and 216 acres of office, which is the highest amount of any of the comparable communities (see Table 5). These numbers reflect actual current usage, not projected or future planned utilization. To this end, the numbers shown and analyzed reflect economic reality, rather than a hopeful estimation by each City regarding what they would like to see happen.

Using an estimated building coverage ratio of 30%, the comparable communities including Sandy and Draper on average generate $341 of sales per square foot of retail space (see Table 5) and ranges from $127/sq. ft. in Alpine to $702 in Highland. Draper and Sandy, which both have the largest amount of retail activity by a significant margin generate approximately $283 and $337 of sales per sq. ft. respectively. The average retail sales performance and the range of the comparable communities provides a reasonable target for Herriman.

To estimate office demand, the office-to-retail multiplier was calculated for the comparable communities. Office and retail development are typically correlated because the availability and convenience of retail options (restaurants and cafes in particular) is an attractant for office users. And likewise, the presence of occupied office space is attractive to retailers due to consistent daytime traffic. On average, the comparable communities have an office-to-retail ratio of 0.65 (and a median of 0.55), meaning that for every acre of retail usage there is approximately 0.65 acres of office space.

---

5 Meaning that for every parcel allocated to commercial activity the actual building footprint (square footage) represents approximately 30% of the parcel. This is a general rule of thumb and is used in absence of analyzing the building plans for every commercial building within each comparable city. CoStar data (which reports actual building square footage) was reviewed but was determined to be inconsistent across all of the comparable communities and unreliable for the scope of this analysis.

6 The office-to-retail multiplier is the ratio of how much office space has been developed compared to retail space.
<table>
<thead>
<tr>
<th>CITY</th>
<th>TOTAL CITY ACREEGE</th>
<th>CURRENT RETAIL</th>
<th>CURRENT OFFICE</th>
<th>Office to Retail Multiple</th>
<th>GROSS RETAIL SALES (2016)</th>
<th>RETAIL BUILDING SF (30% coverage)</th>
<th>RETAIL SALES PER SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandy</td>
<td>15,210</td>
<td>533 23,217,480</td>
<td>216 9,408,960</td>
<td>0.41</td>
<td>$2,348,456,975</td>
<td>6,965,244</td>
<td>$337</td>
</tr>
<tr>
<td>Draper</td>
<td>18,911</td>
<td>333 14,505,480</td>
<td>283 12,327,480</td>
<td>0.85</td>
<td>$1,231,333,325</td>
<td>4,351,644</td>
<td>$283</td>
</tr>
<tr>
<td>Cottonwood Heights</td>
<td>5,468</td>
<td>99 4,322,894</td>
<td>118 5,125,705</td>
<td>1.19</td>
<td>$509,990,900</td>
<td>1,296,868</td>
<td>$393</td>
</tr>
<tr>
<td>Holladay</td>
<td>5,202</td>
<td>133 5,805,677</td>
<td>75 3,258,288</td>
<td>0.56</td>
<td>$351,930,403</td>
<td>1,741,703</td>
<td>$202</td>
</tr>
<tr>
<td>Herriman</td>
<td>15,532</td>
<td>41 1,785,960</td>
<td>2 68,389</td>
<td>0.04</td>
<td>$149,275,996</td>
<td>535,788</td>
<td>$279</td>
</tr>
<tr>
<td>Highland</td>
<td>5,636</td>
<td>13 566,280</td>
<td>7 304,920</td>
<td>0.54</td>
<td>$119,249,083</td>
<td>169,884</td>
<td>$702</td>
</tr>
<tr>
<td>Alpine</td>
<td>4,696</td>
<td>18 784,080</td>
<td>6 261,360</td>
<td>0.33</td>
<td>$29,904,802</td>
<td>235,224</td>
<td>$127</td>
</tr>
<tr>
<td>AVG. (excl. Herriman)</td>
<td>0.65</td>
<td></td>
<td></td>
<td></td>
<td>$341</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Salt Lake County Assessor; each respective city's staff; Utah State Tax Commission; Better City, LLC

Table 5: Commercial Land Utilization and Performance
COMPETING RETAIL DEVELOPMENTS

As highlighted previously, proximity to other commercial and retail developments is an important regional factor that impacts the future potential and demand within Herriman. There is a finite amount of market demand and capacity for retail, and this demand is ultimately what dictates the amount of commercial land that is developed. Not all retail development is created equal with some developments focused on very local retail demand and some focused on regional demand. Urban Land Institute ("ULI") outlines four categories of retail development based on their focus and size. On the small end of the spectrum, “Neighborhood” commercial occupies sites of 3-10 acres with 30,000 to 100,000 square feet of leasable space. On the opposite end of the spectrum, Super-Regional centers often occupy 100 acres or more, with an average of 1,200,000 square feet of leasable space. For a Super-regional center to be successful, the project typically needs a population of at least 300,000 within the market area. The presence of regional and Super-regional centers places downward pressure on demand for additional retail developments within adjacent communities as the regional demand is absorbed by the major development.

As a general rule of thumb, within a populated metro area such as the Salt Lake Valley, Super-regional centers will locate approximately 7 miles apart from one another in an effort to not cannibalize sales and to ensure a sufficient population within the market capture area. There are eight major retail destinations within a 25-mile radius of the City that qualify as a Super-regional center based on the criteria utilized by ULI (see Map 2).

The newest Super-regional center, Mountain View Village ("MVV") located just outside the Herriman municipal boundary is under construction at the time of this writing and is patterned on the very successful Farmington Station project in Davis County, Utah. Based on the committed tenants and plans for future expansion, the presence of MVV will most likely eliminate the opportunity for another Super-regional center to locate within the City.
limits. For that to occur, the population density of the City of Herriman and the adjacent communities would have to be much higher than is currently planned, which would result in an undesirable change to the community’s character and the very reason why people choose to live in the City. Neighborhood and Community commercial developments are still possible, and the City will likely find the greatest amount of success by targeting establishments that are not already present within the local marketplace. Map 3 outlines regional retail developments within a four and eight-mile radius of the City and identifies the big box stores or major anchors within each development. Planned commercial developments within the City are outlined as red polygons.
Map 3: Regional and Big Box Competition

Source: Better City, LLC
The timing of new commercial development within the City may be slowed or scaled back in scope until the Mountain View Village project is fully absorbed. And even then, future demand for retail developments will be heavily dependent upon local purchasing power rather than retail demand from the broader region due to the high concentration of retail destinations within the regional marketplace.

While a new Super-regional center may not be possible within the City, the average new resident moving into the City will not likely notice, or care, that MVV is located just outside the city limits. From that standpoint, the City and local businesses will be able to leverage MVV as a quality of life asset even though it is technically outside the City. Additional strategies of leveraging MVV to create value for the City will be explored in a later section of this report.

**Estimated Demand for Commercial Land**

Retail capture and demand was estimated by analyzing the retail performance and market capture rates of the comparable communities. With the exception of Sandy and Draper, the other comparable communities all experience a significant amount of retail leakage because they lack a major retail destination within their municipal boundaries. What retail activity they do have is a result of mostly local purchasing power rather than regional activity. Without a Super-regional center, Herriman will also likely experience this same dynamic with the majority of retail demand originating from local spending capacity. Table 6 shows the estimate for purchasing power based on Median Household Income and the number of households within each comparable community. Comparing purchasing power with gross retail sales yields the percentage of local purchasing power that is spent on local retail.

Sandy and Draper were included in this analysis for reference only as a demonstration of the impact of a regional shopping destination. A significant amount of the spending that occurs within those two cities is the result of retail leakage from surrounding communities. In contrast, Cottonwood Heights, Holladay, Highland, and Herriman on average are capturing approximately 34% of their local population’s purchasing power.

<table>
<thead>
<tr>
<th>CITY</th>
<th>MHI</th>
<th># HOUSEHOLDS</th>
<th>PURCHASING POWER</th>
<th>GROSS RETAIL SALES</th>
<th>% OF LOCAL PURCHASING POWER SPENT ON LOCAL RETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandy</td>
<td>$81,142</td>
<td>29,895</td>
<td>$2,425,740,090</td>
<td>$2,348,456,975</td>
<td>97%</td>
</tr>
<tr>
<td>Draper</td>
<td>$101,211</td>
<td>33,212</td>
<td>$1,337,199,732</td>
<td>$1,231,333,325</td>
<td>92%</td>
</tr>
<tr>
<td>Cottonwood Heights</td>
<td>$82,582</td>
<td>13,087</td>
<td>$1,080,750,634</td>
<td>$509,990,900</td>
<td>47%</td>
</tr>
<tr>
<td>Holladay</td>
<td>$80,676</td>
<td>10,564</td>
<td>$852,261,264</td>
<td>$351,930,403</td>
<td>41%</td>
</tr>
<tr>
<td>Highland</td>
<td>$108,738</td>
<td>4,200</td>
<td>$456,699,600</td>
<td>$119,249,083</td>
<td>26%</td>
</tr>
<tr>
<td>Herriman</td>
<td>$83,208</td>
<td>8,558</td>
<td>$712,094,064</td>
<td>$149,275,996</td>
<td>21%</td>
</tr>
<tr>
<td>Alpine</td>
<td>$122,145</td>
<td>2,661</td>
<td>$325,027,845</td>
<td>$29,904,802</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Utah State Tax Commission; Better City, LLC

*Table 6: Retail Market Capture by City*

Assuming that Herriman’s current household size and median income remain consistent throughout the remainder of its growth cycle, at the planned population of approximately 115,000 the City will have approximately 27,088 households and purchasing power of $712M. Using the comparable community’s average retail sales/sq. ft. reported in Table 5, the estimated demand for retail space at buildout will range between 2.2M sq. ft. and 3.0M sq. ft. Utilizing the 30% building coverage ratio described previously, the demand for retail land within the City is expected to range between 172 and 228 acres (see Table 7). Applying the previously calculated office-to-retail ratio of 0.65 to the retail demand estimates yields an anticipated office demand estimate of 111 to 147

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7 Alpine’s reported capture rate was excluded as an outlier.
acres. In all, the estimated demand for commercial land absorption within Herriman ranges between 282 and 375 acres.

Another way to think of these numbers is that this reported estimate for demand is for the less risky projects where developers will be focused on local market factors. This development and absorption of commercial land won’t necessarily be easy because the market factors that have contributed to the current lack of commercial development will still be present. The City will have to be proactive to attract, recruit, and secure the projects to achieve these estimates. Development beyond the estimated amount will become much more difficult because of competition and market demand.

As was noted in the City’s 2017 Economic Plan Update, Herriman has the potential of capturing “Niche Markets”, which will be referred to throughout the remainder of this Study as “non-traditional commercial” developments or projects. These non-traditional commercial developments address unique market opportunities and typically require unique circumstances such as the presence of natural outdoor recreation assets, a major transportation infrastructure capacity, lots of contiguous developable land, or a combination of all three. In Herriman’s case, all three of those ingredients are, or will soon be present.8

Two examples of non-traditional commercial developments are already underway or planned in the City, namely the Real Salt Lake Academy and adjacent development, and a planned automall development. These unique commercial uses are addressing regional market opportunities rather than local and are therefore separate from the estimated commercial demand noted previously (see Table 8).

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8 South Mountain and the City’s recently purchased open space; Mountain View Corridor once it is complete, lots of developable land throughout Herriman.

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| Source: Utah State Tax Commission; US Census Bureau; Better City, LLC | Table 7: Estimated Commercial Land Absorption |

<table>
<thead>
<tr>
<th></th>
<th>Conservative Estimate (34% capture of local purchasing power)</th>
<th>Optimistic Estimate (45% capture of local purchasing power)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Household Income</td>
<td>$83,208</td>
<td>$83,208</td>
</tr>
<tr>
<td># of Households at Buildout</td>
<td>27,088</td>
<td>27,088</td>
</tr>
<tr>
<td>Purchasing Power at Buildout</td>
<td>$2,253,957,257</td>
<td>$2,253,957,257</td>
</tr>
<tr>
<td>% spent on local retail</td>
<td>$763,845,377</td>
<td>$1,014,280,766</td>
</tr>
<tr>
<td>Average retail /sq.ft.</td>
<td>341</td>
<td>341</td>
</tr>
<tr>
<td>Required retail sq. ft.</td>
<td>2,241,645</td>
<td>2,976,594</td>
</tr>
<tr>
<td>Estimated retail land absorption</td>
<td>172</td>
<td>228</td>
</tr>
<tr>
<td>Estimated office land absorption</td>
<td>111</td>
<td>147</td>
</tr>
<tr>
<td><strong>Total Estimated Commercial Land Absorption at Buildout</strong></td>
<td><strong>282</strong></td>
<td><strong>375</strong></td>
</tr>
</tbody>
</table>

Source: Better City, LLC; Herriman City Staff | Table 8: Estimated Commercial Land with Planned Non-Traditional Projects |

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>Office</th>
<th>Non-Traditional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Future Demand at Buildout</td>
<td>172-228</td>
<td>111-147</td>
<td>282-375</td>
<td></td>
</tr>
<tr>
<td>Current/Planned Non-Traditional Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RSL Development</td>
<td>43</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automall</td>
<td>90</td>
<td>90</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Estimated Demand</strong></td>
<td><strong>415-508</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Zoning Allocation</strong></td>
<td></td>
<td></td>
<td>702</td>
<td></td>
</tr>
</tbody>
</table>

Source: Better City, LLC; Herriman City Staff
2014 General Plan update.\textsuperscript{9} Based on the local and regional factors outlined in this Study, there will likely be insufficient demand from traditional commercial users to fully absorb the zoned commercial areas within the City.

There are several potential outcomes of the gap between anticipated demand and zoned acreage. First, if the amount of zoned area stays the same and the local and regional population grows as currently planned, then the City will most likely experience a significant amount of zoning blight.\textsuperscript{10} Related to zoning blight is low density development where portions of multiple commercial areas are used, but few are infilled or fully absorbed. When this occurs, the tenants that are located within a commercial development lack the density and “co-opetition” that helps them thrive.

Alternatively, the City could consider prioritizing potential commercial development areas and reduce the amount of commercially zoned property to reflect the anticipated demand. If this option is pursued the City may be able to create more densely occupied and therefore vibrant commercial areas that would help attract office users and contribute to developing a recognizable sense of place for the Community. However, this approach raises the question of what alternative zoning designation would be used in place of some of the currently zoned commercial areas. There is certainly regional demand for additional housing developments; however, adding new residential areas may have an impact on quality of life (traffic congestion, school population, etc.) and is currently not supported by local residents.

It is likely premature for the City to seriously consider commercial rezoning and the conversation regarding possible rezones should wait until the City is approaching buildout. Given the regional factors described herein, it is very likely, however, that the City may not find developers that are willing to invest in commercial projects in some of the less desirable commercial areas even when the City is otherwise built out. Other communities along the Wasatch Front with great I-15 access have experienced this scenario, such as the cities of Syracuse and Kaysville. If this occurs in Herriman, the City will likely be approached by developers that will request rezoning to residential because that may be considered as the only economically viable option for the property.

The third, and the recommended option, is to understand the risks and potential for zoning blight, and then pursue non-traditional commercial projects that would be able to take advantage of unique market opportunities and would fill in the balance of the commercially zoned properties. As discussed previously, since non-traditional developments are not entirely dependent on local market forces (3 to 5-mile radius of the development) their utilization of commercially zoned land would not count against the projected traditional commercial demand outlined previously. On the contrary, non-traditional commercial developments will likely lead to increased demand for additional commercial area and will help the City to diversify its revenue streams to achieve a balanced economy.

For example, as outlined previously it is anticipated that the City of Herriman would be able to support approximately 167–220 acres of retail land. However, if a major regional destination attraction (that is based on a market need other than traditional retail) is developed within the City, the traffic and market activity created by the destination attraction will create market forces

\textsuperscript{9} The 2025 General Plan update that was adopted in 2017 was recalled by the voters and the City reverted back to the previously adopted 2014 update.

\textsuperscript{10} Zoning blight occurs when there is insufficient market demand to absorb the amount of land zoned for a particular use. What results is vacant land in, or land unsightly non-strategic uses that pose a detriment to future growth and quality of life.
that may support additional retail. Or at the very least such a development will contribute positively to absorb the currently zoned commercial areas. The identification of possible non-traditional commercial projects and destination attractions will be the focus of a later section of this report.

The most important factor to consider is that zoning a property as a particular use does not guarantee the development will occur. Market forces may not be sufficient to absorb to land, and the City will have to be creative, resourceful, and aggressive to overcome the negative local and regional factors that are inhibiting commercial development.

**Revenue by Development Type**

The key to achieving a balanced economy is developing multiple and diversified municipal revenue streams that can provide consistent, ongoing, and predictable income. This income is ultimately what allows the city to maintain infrastructure, maintain parks, invest in and fund resident-focused amenities such as recreation centers, and myriad other services. To estimate what future revenues may look like at full city buildout, the fiscal impact of developments within the City were analyzed (see Table 9).

<table>
<thead>
<tr>
<th>City Portion of Property Tax/Acre</th>
<th>Gross Retail Sales/Acre</th>
<th>Local Point of Sale Portion*</th>
<th>Total Revenue/Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Density Residential</td>
<td>$174</td>
<td>N/A</td>
<td>$174</td>
</tr>
<tr>
<td>Agricultural Residential</td>
<td>$130</td>
<td>N/A</td>
<td>$130</td>
</tr>
<tr>
<td>Single Family Residential</td>
<td>$249</td>
<td>N/A</td>
<td>$249</td>
</tr>
<tr>
<td>Medium Density Residential</td>
<td>$311</td>
<td>N/A</td>
<td>$311</td>
</tr>
<tr>
<td>High Density Residential (Multi-family)</td>
<td>$597</td>
<td>N/A</td>
<td>$597</td>
</tr>
<tr>
<td>Retail</td>
<td>$379</td>
<td>$4,452,949</td>
<td>$22,265</td>
</tr>
<tr>
<td>Office</td>
<td>$703</td>
<td>N/A</td>
<td>$703</td>
</tr>
<tr>
<td>Industrial**</td>
<td>$412</td>
<td>N/A</td>
<td>$412</td>
</tr>
</tbody>
</table>

Source: Better City, LLC; Salt Lake County Assessor; Utah State Tax Commission

*Based on sales/sq. ft. of $341.

**Industrial revenue per acre based on sample of industrial property in Bluffdale

Table 9: Development Revenue per Acre

It is important to note that the estimated amount of revenue from sales tax is based ONLY on local point of sale and does NOT include the State portion of sales tax revenue. The State portion is a factor of population and is therefore independent of developed commercial acreage. The State portion of sales tax is a major source of revenue for the City and is in addition to the point of sale portion noted herein.

Vacant land was omitted from the analysis and the numbers reported reflect the amount of revenue that is expected to be generated on average from a fully developed property within each respective zone. Within the residential zones, agricultural residential produces the least amount of revenue/acre ($130) and high density residential generates the highest amount ($597). Retail land in the City generates approximately $379/acre of property tax, but the real impact of retail development is the sales tax collection which is estimated to yield $22,265/acre at buildout.

Applying the results from the Table 9 to the City’s current zoning yields a high-level estimate of the quantity and diversity of tax-
based revenue that the City may be able to achieve at buildout from these specific zones (see Table 10).\textsuperscript{11}

Current zoning allocation was applied to all categories listed in the table, except office/retail uses where the optimistic estimated demand figures generated within this Study were utilized. Not every zoning designation utilized by the City is represented in the table such as specialized uses and mixed-use developments where the revenue could vary greatly depending on implementation in contrast to mostly monolithic zoning designations where average impact can be estimated. Therefore, the amount of revenue shown in Table 10 does not represent total revenues for the City, just those that can be anticipated from the represented zones.

\begin{tabular}{|l|c|c|c|c|}
\hline
Zone & Revenue/Acre & Current Zoning Allocation/Estimated Demand & Current Revenue & Estimated Revenue at Buildout \\
\hline
Low Density Residential & $174 & 2,555 & $145,564 & $445,679 \\
Agricultural Residential & $130 & 1,000 & Omitted & $130,792 \\
Single Family Residential & $249 & 2,630 & $84,973 & $653,811 \\
Medium Density Residential & $311 & 1,169 & $2,458 & $425,667 \\
High Density Residential (Multi-family) & $597 & 208 & $43,108 & $124,206 \\
Retail** & $22,644 & 318 & $1,132,458 & $7,195,769 \\
Office & $703 & 190 & $1,104 & $133,601 \\
Industrial & $412 & 342 & N/A & $140,885 \\
Total & $1,409,665 & & $9,256,410 & \\
\hline
\end{tabular}

Source: Better City, LLC; Salt Lake County Assessor; Utah State Tax Commission

*2016 tax year. Agriculture residential current revenue omitted due to skewing caused by undeveloped land

**Retail sales only includes local point of sale portion; property tax revenue from retail properties reported for property assessed by the County as retail across all zones

\textit{Table 10: Revenue by Selected Zoning Type at Buildout}

Assuming that the optimistic commercial demand estimates are achieved, and that the average yield per acre remains consistent, an additional $7.8M of incremental revenue is expected from the specific zones outlined in the table. As noted previously, this reported amount of sales tax revenue is projected based on the commercial zones and does not include mixed-use zones. Assuming that the mixed-use zones will include a significant amount of retail and commercial space once fully developed, the incremental sales tax collections will be greater than the estimated amount shown herein, but the exact amount cannot be estimated due to a variety of final configurations that could occur within the mixed-use zones. Still, the new incremental revenue under this scenario is sufficient to replace the $6.4M gap between current and future license and permit revenue. There would however, be little remaining to cover additional general fund expenses that will result from a much larger population at buildout.

\textbf{Future Revenues vs Future Expenses}

The foregoing analysis should be utilized to help inform planning decisions and to focus economic development efforts but should not be used as a primary guide to plan expenditures of municipal funds. Many factors will impact the actual revenue that is produced from development including overall market performance, competing projects, and how well each future project is executed by the developer(s). Capital expenditures and the allocation of municipal funds to provide quality of life services should be planned and evaluated based on real-time market dynamics. A balanced economy is just as dependent upon keeping expenditures in check as it is increasing top-line revenue. Future expenditures therefore should be reactionary based on the amount of generated from that development would be significantly higher than the average retail sales/sq. ft. utilized herein.

\textsuperscript{11} Acrage amount for retail includes 90 acres added to the estimated demand to account for the automall and 43 acres to office for the RSL Development. Retail sales differential for the automall was not estimated separately. If an automall were secured, the retail sales tax
municipal revenues that are available at the time, rather than expending funds or taking on obligations and then attempting to find ways to pay for ongoing maintenance.

**Key Priorities and Potential Project Concepts**

Due to local and regional factors outlined herein, the pursuit of non-traditional commercial projects should be the utmost priority for the City's economic development and planning staff as well as elected officials. But for the development of major non-traditional commercial projects, the City will likely end up with vacant commercial land. The development of these non-traditional projects will make the difference between a future budget that is at constant risk of a recession, and one that has a healthy and diversified balance sheet.

In numerous conversations with City staff, this need is well understood, and the Staff has already been pursuing key non-traditional projects such as the automall and the RSL development. The continual and persistent pursuit of these types of projects will pay dividends in the future and will help ensure a balanced economy. To that end, what follows is a list of key priorities and project concepts for additional non-traditional development that were identified as potential market opportunities for the City of Herriman. Each of these concepts leverages one or more of Herriman’s unique attributes and competitive advantages. By focusing on unique natural features of the community and its setting, the City will be able to develop an authentic brand and offering that helps drive future demand for land-use.

**Key Priorities**

The following key priorities should be the focus of new project recruitment and development efforts. The utilization of this list of key priorities will help guide and prioritize potential projects.

1. Recruit non-traditional commercial uses to drive land-use
2. Create destination attractions that will draw activity into the City
3. Focus housing stock on attracting targeted industry workforce
4. Establish Herriman as a viable location for office and business park users by enhancing lifestyle offerings

**Potential Projects**

**Mega Sports Complex**

Stakeholders and City leadership both reported that residents of the City lead an active lifestyle and are very active in athletics and outdoor recreation in general. Additionally, due to the interest in organized sports, many recreation league teams as well as some high school sports teams have difficulty securing sufficient practice time in practice facilities. Regionally, there is burgeoning interest in soccer, lacrosse and rugby all of which require large fields. Due to Herriman’s unique position as the central location place between Utah and Salt Lake Counties, it could serve as home to a mega sports complex.

The best example of the type of complex contemplated is the National Sports Center located in Blaine, MN. This vast complex spans 600 acres, has 50 full-sized soccer fields, a velodrome, an ice sheet, and 76,000 square feet of indoor turf fields (see figure and figure). The center employs nearly 300 people and attracts
over four million visitors each year, many of whom come from out of state. The Minnesota Office of Analysis and Evaluation estimates that out of state visitors contribute $44M in economic impact, including $800k in local taxes and $2.3M in state taxes each year. The center is operationally self-sustaining and much of the follow-on funding for expansions has been provided by the private sector.
Herriman is one of the few places along the Wasatch Front that has good traffic access and enough developable land to pull off such a project. Ease of access to the Salt Lake International Airport, as well as its central location along the Wasatch Front will make it a convenient location for local, regional, and even out-of-state events and tournaments.

In addition to traditional tournaments and competitions, the mega sports complex could also be utilized to host corporate retreats and major events for regional employers. If leveraged appropriately, the project would have the potential of serving as an attractant to help recruit employers to the City that may be able to take advantage of the complex as an amenity for employees and clients. The project is a natural continuation of recent investments in the RSL training complex and will likely have the support of local residents.

Destination Retail

While a typical major retail destination such as a super-regional center is likely not a viable option for Herriman, one retail option that could succeed is a “themed retail” project that offers a very unique experience that is an attraction in addition to actual shopping. Examples along the Wasatch Front include Trolley Square, Gardner Village, and the Riverwoods in Provo. These projects often cover a smaller footprint than a typical regional retail destination, but the unique offering and theme serve as the primary driver rather than the quantity of retail stores. These projects are typically most successful when they feature boutique and unique shops, where the goods being sold are not often found in traditional retail stores.

Another angle that successful themed retail developments have taken is to pick an out-of-the box theme, such as the “Downtown Container Park” in Las Vegas, Nevada where all of the retail shops and even some of the entertainment features are built entirely out of shipping containers (see Figure 7 and Figure 8). The ultimate goal of these projects is to create a vibe that people want to experience again and again.

Figure 7: Downtown Container Park

Source: See footnote 12

12 By Tomás Del Coro from Las Vegas, Nevada, USA (Downtown Container Park - Downtown - Las Vegas, NV) [CC BY-SA 2.0 (https://creativecommons.org/licenses/by-sa/2.0)], via Wikimedia Commons
Utah is known for its long, and often cold and snowy winters. Unique indoor destinations can serve as a demand driver during the winter months, as well as summer months if the offerings are paired appropriately. Examples of indoor destinations that are either missing, or under-represented in the local marketplace include:

- Extreme activities
  - Surfing
  - Skydiving
  - Climbing
- Shooting ranges
- Escape rooms
- Water parks

The Junction development in Ogden, Utah is an example of how an indoor destination attraction can serve as a catalyst for commercial demand. The Solomon Center, a key feature of the Junction Development, features indoor skydiving, indoor climbing, indoor surfing, a Gold’s Gym, and a family fun center (see figure). The indoor skydiving and surfing in particular serve as attractants within the region and help drive demand for adjacent restaurants.

Hight-End Health/Resort Spa and Retreat

Most of the resort destinations along the Wasatch Front are located on the eastern side of the valley, whereas much of the growth in population is occurring on the west. There appears to be an opportunity for a high-end health resort and retreat that would be located near the South Mountain in Herriman. The re-
sort would be able to tie in to the trail network that is under development to provide an easy access point to allow guests to experience the outdoors. Apart from lodging and typical spa services, the development should focus on wellness classes and training. The millennial generation has an affinity toward the outdoors, and a propensity to spend money on experiences rather than things.

An example that could be used as a template for Herriman would be the Red Mountain Resort located near St. George, Utah. The Red Mountain Resort offers multiple services and ties into a trail system, similar to what could be accomplished in Herriman. This project could help attract lodging activity to the region, as well as serve as an attractant for millennials and tech industry professionals that are seeking a convenient escape and an opportunity to explore in the outdoors.

![Image 10: Red Mountain Resort - St. George, Utah](https://www.redmountainresort.com)

**Wilderness/Outdoor Leadership and Education Camp**

The vast open space and mountain terrain to the south and west of the City provides a natural amenity and setting for a wilderness/outdoor leadership and education camp. These camps utilize the outdoors as a classroom to teach and train individuals ranging from early youth all the way to senior citizens. A leadership and education camp in the Herriman area would have the potential of offering year-round experiences, with summer adventures as well as winter adventures such as snow-shoeing and winter camping. Examples of the types of services and experiences that are offered at outdoor leadership camps include:

- Low and high ropes course (see Figure 11)
- Zip lines
- Hiking trails
- Alpine slides
- Education courses
  - Survival
  - Conservation

![Image 11: Example of Ropes Course/Leadership Camp](https://unsplash.com)

*Figure 11: Example of Ropes Course/Leadership Camp*
The leadership camp could be owned and operated by a private sector company, but it could also be created in conjunction with one of the institutions of higher education that have a current or planned presence in the City (University of Utah, Salt Lake Community College, and Utah State University).

**Adventure Park/Theme Park**

The only major adventure park/theme park in Utah is Lagoon, located in Davis County at the northern end of the Wasatch Front. With the explosive population growth occurring on the south and west end of the valley, as well as at the Point of the Mountain and northern Utah County, Herriman could serve as an ideal location for a themed adventure park development. The theme could vary ranging from a time-period theme (medieval or something similar), a nature or mountain theme, or a more general amusement park concept that focuses on extreme and family-friendly attractions.

![Figure 12: Theme or Adventure Park Example](source: Photo by Ian Romie Ona on Unsplash)

This type of development would likely require at least 100 acres of contiguous property with easy access to one or more traffic corridors. Once again, Herriman has a unique advantage in this regard because the City will serve as the crossroads between I-15, Redwood Road, and the Mountain View Corridor once it is complete.

A theme or adventure park development would serve as a significant demand driver for traffic to the City and would serve as a major source of sales tax revenue.

**Destination Events**

Herriman has the opportunity to serve as the basecamp for recreation-based events for the western side of the Salt Lake Valley.
From the mountains near Herriman, recreation enthusiasts can experience views into the Salt Lake Valley, the Utah County Valley, and the Tooele Valley all within a 30-mile hike/ride using existing trails/roads. The trail system that is already available crosses the three counties and could be leveraged to host a variety of events such as:

- Mountain marathons
- ATV rendezvous
- Biking competitions
- Expeditionary learning

To maximize the economic impact of these events, the focus should be on ensuring that participants have a great time, but more importantly that they finish the event very tired and hungry. The distance, location, and timing of the events should be planned to help drive demand for local restaurants and hotel nights.¹³

Leadville, Colorado provides an example of what a well-executed event can do for a local economy. The Leadville 100 race series started out as an effort by the community's leaders to get athletes to come to town, and then make them so tired that they had to spend the night before returning home. The distance of 100 miles was selected solely because it was determined to be outrageous enough that it would capture the attention of extreme athletes and that they would be sufficiently worn out that they wouldn't want to drive home the same day. What started out the first year with 45 participants, has now grown into an entire series of events including bike races and spans multiple weeks. It has led to interest from private sector sponsors and employment opportunities in the community.

¹³ There are not currently any hotels/motels in the City, and they would have to be developed to capture the market opportunity

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**Alternative Mountain Lodging**

Unique mountain camping and lodging developments are become very popular as evidenced by their increased prominence outside National Parks and other recreational attractions. These alternative lodging projects require minimal to no infrastructure and offer a unique and convenient experience to individuals that want to get into scenic and sometimes remote areas without packing everything with them. Examples of these alternative lodging experiences include:

- Glamping (see Figure 14)
- Retro, vintage camping trailers (Airstreams)
- Cabins

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*Figure 13: The Leadville 100 Trail*

Source: Karah Levey-Rinaldi; used under Creative Commons License
• Yurts (see Figure 15)
• Wagons and Shepherd huts
• Treehouses
• Tepees

One concept that has been implemented in Colorado, but to the Consultants’ knowledge has not been developed anywhere in Utah, is a series of yurts that are strategically placed throughout the mountains. These yurts would be placed approximately 5-10 miles apart from one another, a convenient distance for hikers/bikers/snow-shoers to cover in an afternoon. Campers can schedule multi-day trips where they are able to spend in each night in a comfortable yurt. An operator in Colorado reported that these yurts are often booked out months in advance and serve as a unique destination/experience for customers. This project would require close collaboration with stewards that control the access and commercial activities within the pertinent lands.
Yurts and glamping campgrounds (or “glampgrounds”) are relatively inexpensive to develop because minimal infrastructure is needed. It represents an inexpensive way for the Community to develop hospitality/lodging offerings at a fraction of the price of a traditional hotel/motel. And glampgrounds can bring in just as much and sometimes more revenue per night than a traditional hospitality offering.14

Expeditionary Learning

The final project concept also leverages the City’s location near the mountains and outdoor assets. The basic concept to create opportunities for expeditionary learning where participants are able to connect with nature and learn life skills in a unique and structured environment. The providers of these programs are typically non-profit organizations that are focused on educational outcomes. Some courses are short term, but others span several months or longer and provide an alternative school experience for high school aged students. One example of an expeditionary learning provider is the High Mountain Institute. The following is a description of their services from their website, www.hminet.org:

“HMI is both an academic school and a wilderness programs provider. As a fully-accredited independent school, HMI brings high school juniors and seniors from all over the world ... for a single semester of place-based academics and wilderness expeditions. In this environment, students can connect with their best self and become more engaged learners, community members, and citizens.

As a summer programs provider, HMI offers courses for middle and high school students with an emphasis on backpacking in the Colorado Rockies, intellectual inquiry and experiential education—all to spark a desire for exploration and growth, and to set students on a path of self-discovery.”

Another example is Outward Bound, which operates as a network of 11 charter schools located around the country. They offer over 1,000 courses and 35,000 students have enrolled in their programs.

The economic benefit and impact for the City is that it serves as the basecamp for all of the expeditions as well as a host for the faculty and families of participants. Additionally, it is an economic activity and opportunity that can leverage the City's outdoor assets and can help provide additional momentum for the development of enhanced trail systems and recreational offerings.

Housing and Density

As has been noted previously, much of the public discussion surrounding housing and population within the City has been focused on density and how it affects the character and feel of the community. Undoubtedly, the density and type of housing that communities develop has a direct impact on the City’s character and plays a large part in attracting specific demographics.

Rather than continuing to focus on density as the primary factor and driver within the discussion of housing, it is recommended that the focus of the discussion shift to talk about outcomes rather than density. For example, if the City wants to attract a specific industry and the associated economic activity, the City should encourage and guide developers to build the type of housing that will be attractive to the targeted workforce. If the City wants to attract

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14 Paws Up Resort in Montana charges as much as $1,675/night for a luxury 3-bedroom tent. https://www.pawsup.com
office users and company executives, then the housing that is developed and available in the marketplace needs to be attractive to working professionals and executives. If the City wants to establish itself as the blue collar and manufacturing hub within the valley, then housing should be developed that caters to income levels and the demographic of the targeted industries and workforce. Hoping for one outcome, and then building toward another will lead to an imbalance in the housing market and will ultimately have a significant impact on the level of interest that prospective employers will have in locating to the City.

One element of the housing market that appears to be lacking is availability within the very high-end market. One of the goals that was mentioned by stakeholders is to attract technology firms like those that are growing rapidly in the Lehi and Point of the Mountain area. These firms are led by executives and managers that typically receive very high salaries and many of them will look to purchase a home in the $500k+ price range.

Map 6 on the following page shows the locations of homes within the City that are valued in the $500k to $750k price range (shaded light blue), as well as $750k+ (shaded dark blue). There are 332 homes within Herriman in the $500-750k price range and 17 valued at over $750k. By comparison, within the Draper area there are nearly 2,500 homes valued in the $500-750k and almost 800 homes valued at greater than $750k (see Table 11). To attract the executive and tech industry workforce, there needs to be additional focus placed on creating home ownership options within the highest tiers of housing values.

<table>
<thead>
<tr>
<th></th>
<th>$500k to $750k (number of homes)</th>
<th>% of SF Home Market</th>
<th>$750k+ (number of homes)</th>
<th>% of SF Home Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herriman</td>
<td>332</td>
<td>4.3%</td>
<td>17</td>
<td>0.2%</td>
</tr>
<tr>
<td>Draper (area)</td>
<td>2,494</td>
<td>20.9%</td>
<td>778</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Source: Salt Lake County Assessor; Better City, LLC

*Table 11: High-End Home Market Comparison*
Map 6: High-End Home Market Locations
Kennecott Site

The City may have the opportunity to annex a 1,000 acre site near the northwest corner of the City's current municipal boundary. Due to the location of this property, the development options may be limited and it is likely not a good site for retail. However, it is an ideal location for an industrial park, and specifically, as a "Mega-Site".

The Mega-Site program administered through EDCUtah is a relatively new designation for large properties that have the necessary transportation and utility infrastructure in place to make them attractive for major employers that require lots of contiguous land. The goal of the program is to streamline the site selection process and make Utah more competitive for major employers that are looking for big sites within the region. The minimal requirement for inclusion within the mega-site program is to have at least 350 contiguous acres that have been certified as development ready. To date, only one site has been designated in Utah and it sits near the small town of Elberta.

The labor-shed (a major factor for prospective companies) at the Elberta site is approximately 220,000 workers within a 30-minute drive. By comparison, the Kennecott site near Herriman has a total population of nearly 905,000 within a 30-minute drive, and approximately 425,000 of them are of working age. When you factor in traffic infrastructure, proximity to other employment centers, and proximity to the Salt Lake International Airport, Herriman would be an ideal location for a mega-site.
**FOCUS AREAS/SWOT ANALYSIS**

A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis was conducted on several of the City's prime development areas to determine potential fit for the project concepts outlined previously, as well as to identify impediments for future growth. This analysis is intended to build on the development site analysis conducted previously in the City's 2017 Economic Plan Update.

**Anthem Development**

As shown in Map 7, the Anthem development has current zoning in place to accommodate C-1, C-2, and MU-2 (red, pink, purple above) uses. Walmart has closed on property in this development and has received building approvals from the City for a new store. Currently, these plans are on hold due to a change in corporate strategy at Walmart. There may be some ability to attract traditional big and mid-box retailers to this location but considering how far along Walmart is with their plans, there doesn’t appear to be a sense of urgency from the retail development community.

The shift in consumer preferences and online retail growth combined with planned retail developments in South Jordan and Riverton may limit the amount of traditional retail at the Anthem site. In light of these circumstances, economic development staff are currently pursuing a strategic alternative: actively recruiting a number of car dealerships to co-locate along the highly visible corridor. This “Auto Row” would be a destination retail attraction and would draw in consumers from the surrounding region. The Auto Row represents a significant opportunity in generating recurring sales tax revenue for the City. The future land use map in Figure 16 contemplates additional commercial uses along the Mountain View Corridor and 12600 S.
**Figure 16: Anthem Development Land-Use**

**Strengths:** Visibility, zoning

**Weaknesses:** Big and mid-box dependent, lack of daytime traffic

**Opportunities:** Auto row, destination retail

**Threats:** Online retail and competing sites in neighboring communities.

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**Figure 17: Aerial View of Towne Center**

The Herriman Towne Center and area along 13400 S is zoned MU-2 and in some ways is similar to Anthem, having visibility along the Mountain View Corridor and a major cross street. It is closer in proximity to CenterCal’s Mountain View Village development and may be able to benefit from proximity to this and other retail development that may occur along the 13400 S corridor in Riverton.

The property in the interior of the zone has less favorable access and visibility and may be suitable for neighborhood retail. A
themed, specialized retail development may be attractive to consumers and be positioned as a destination attraction. The future land use map below contemplates mixed use commercial.

![Future Land-Use Towne Center](image)

**Figure 18: Future Land-Use Towne Center**

**Strengths:** Along major corridor

**Weaknesses:** Dependence on traditional retail, lack of internal visibility, lack of daytime traffic

**Opportunities:** Themed retail

**Threats:** Online retail and competing sites in neighboring communities.

**RSL**

The Real Salt Lake practice facility and surrounding acreage could be further developed to create a compelling nexus of amateur sports practice facilities. Other states have invested heavily in amateur sports infrastructure and have seen a return on investment in terms of out-of-state visitor spending. Herriman would be an ideal location for destination sports facilities as it is within relative close proximity to the SLC International Airport and centrally located along the Wasatch Front.

Due to limitations in surrounding land uses, the site would appear to be unsuitable for traditional retail. However, it represents a great opportunity to create a sports destination attraction with supportive hospitality and restaurant uses.

![Aerial View of RSL Project Area](image)

**Figure 19: Aerial View of RSL Project Area**
The future land use map includes MU-Towne Center and commercial uses along with higher and medium density residential.

**Strengths:** RSL practice facility

**Weaknesses:** Capture area population, lack of amenities, daytime traffic

**Opportunities:** Destination sports + hospitality

**Threats:** Sport-themed developments being contemplated in other communities along the Wasatch Front

**Redwood Road**

The southeastern-most area of the City includes a stretch of property along Redwood Rd. that is visible from I-15. This property could be positioned as a regional theme park, similar to Lagoon in Davis County. This strategic location would allow the development to attract patrons from Utah and Salt Lake counties.

**Figure 20: Future Land-Use RSL**

**Figure 21: Aerial View of Redwood Road Site**

The future land use map contemplates this property as commercial and light industrial/business park.
Mountain

Herriman is located adjacent to the Oquirrh Mountains and City leadership and residents have expressed a desire to develop recreation activities to take advantage of access to mountains, trails, and outdoor recreational opportunities. Potential uses include off-grid lodging infrastructure and a resort hotel. These uses can be instrumental in positioning Herriman as a recreational destination and create a lifestyle brand. Although the City’s cul-de-sac location limits retail development opportunities, it also creates a unique recreational setting. By developing a lifestyle brand, Herriman may be able to capture employers and workforce and position itself as a community of choice. The southwestern-most boundary of the City is zoned Forestry Recreation and also has a number of Resort Community Zones.

**Strengths:**
- Recreational opportunities, proximity to I-15 corridor

**Weaknesses:**
- Vehicular access and infrastructure

**Opportunities:**
- Lodging

**Threats:**
- Competition in recreational branding category
FUNDING CONSIDERATIONS

The key project concepts outlined herein range in cost from relatively inexpensive (event recruiting and alternative mountain lodging) to very expensive and complex (adventure park and mega sports complex). The more expensive projects such as the adventure park would require a tremendous amount of upfront investment, but if successfully executed would have the potential of becoming one of the City’s largest sources of revenue. Pursuing unique and truly economy changing non-traditional projects is a non-predictive exercise because of the complexity involved. Due to the size of these investments, it is very likely the use of incentives will be brought up at some point by the project sponsors and developers. As a general rule of thumb, the use of incentives should always be a “but for…” proposition where the incentives are used only when they are absolutely needed to help the project achieve a market rate of return.

The City staff is already well versed in basic economic development tools and incentives, such as tax increment financing (TIF), grants, low-interest loans, and public-private partnerships. Most cities in the Salt Lake Valley are familiar with these programs and use them regularly. As such, these basic programs by themselves may not provide the competitive edge that may be needed to overcome some of the local and regional factors that have inhibited commercial growth within the City. Just like the City will need to be creative in terms of pursuing non-traditional commercial projects, the City should also be prepared to utilize non-traditional funding mechanisms to help reduce market risk and close deals on major projects. Several lesser-known funding mechanisms will be described at a high-level herein.

State Appropriation

Projects that have the potential of attracting significant out-of-state patronage may be able to secure interest for the State Legislature for support. Of the project concepts described in this Report, the mega-sports complex has the greatest likelihood of securing support from the State level. Fortunately, there is already precedence and an excellent case study (the National Sports Center in Minnesota) that the City can leverage to secure interest from the State. In the case of the National Sports Center, the initial seed funding of $14.7M was provided by the State of Minnesota and that initial contribution has proven to be an excellent investment. If Herriman were to pursue such a project, it is recommended that a similar approach be taken. The potential fiscal impact to both the local and state economy and return on investment should be emphasized to help secure the requisite funding.

Property Assessed Clean Energy – PACE

PACE financing is a funding mechanism that can provide additional equity in a project for a cost of capital that is typically much less than traditional equity. The basic premise is that an evaluation, or benchmark study is conducted which identifies the estimated cost of utilities if international building standards are followed, vs. the costs if the latest technology in high efficiency equipment is used (HVAC, lighting, solar panels, etc.). The difference between the cost of utilities under standard building practices, and the actual utility cost of the high efficiency building is calculated, and the difference in cost over a 20-year period is capitalized and brought forward as an equity investment in the project. The building occupier continues to pay for utilities what they would have presumably paid if standard equipment was installed, and the difference in the actual utility costs over time is paid back to the equity partner that provided the PACE financing. The building owner/occupier’s payments become a form of sweat equity as
the PACE financing becomes owner equity over the 20-year period. At the end of 20 years, the PACE financing balance goes to zero, and the building owner can take advantage of the high efficiency utility savings. Depending on the size and scope of an investment, PACE financing can cover a significant portion of the construction costs.

**EB-5 Investors**

The EB-5 program is an investment tool that leverages interest from foreign nationals that want to become US citizens. In exchange for an accelerated pathway to citizenship, foreign investors are required to invest a minimum of $1M in a US-based company where that investment will help create 10 new jobs. There are numerous requirements and the investment has to flow through one of the seven approved Regional Centers in Utah. However, the program offers a method and potential of securing a significant amount of funding for large and complicated projects.

The EB-5 program may be a good fit for the adventure park concept presented herein. For example, the Jay Peak Resort located in Jay, Vermont utilized the EB-5 to secure money for investment in improvements at the resort.