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MEMORANDUM

To: Governor's Office of Economic Opportunity – HTRZ Board

From: Farmington City

Date: July 1, 2024

Re: Updates to North Farmington Station HTRZ application.

Overview: At the June 10, 2024 HTRZ Board Meeting in consideration of the North Farmington Station HTRZ project area, the Board requested additional information prior to deciding on the application. Accordingly, the Board tabled a decision and planned to reconvene upon receipt of this additional information.

Specifically, the Board requested that Farmington City provide information related to items 1 – 7 indicated below in black. A response to each item has been provided following the topic in red:

1. **Review the three trigger years as proposed by Zion's and adjust accordingly in the proposal. Keep in mind that 45 years is the maximum and the committee is sensitive to that longer amount of time - it might be helpful to clarify why you/the developer expect that length of capture to be needed.**

   The City and development team have conducted further review on the Zion's analysis: we found that 3 trigger dates is permitted by statute and that Zion's numbers are valid. Utilizing 3 trigger dates creates a larger gap in funding expected to accomplish the vision for the North Station Area. Because of the large funding gap, and because the exact timeframe needed to develop the property is dependent at least in part on market forces and is not known, a larger window of opportunity is preferred.

   It is our hope that this project is built much faster than 20 years so the city and other taxing entities can begin collecting the full amount of property tax generated by this project area.

Previous market studies indicate high demand for the project location. However, knowing the private developers are assuming the risk of the funding gap (or a minimum density requirement) and due to unforeseen market conditions with typical real estate cycles on a long-term project, our preference is to maintain the 45-year collection window to ensure that the vision and quality of the North Station community is fully realized. The goal of North Station is to build the *best* community. The motivation and timing to build the community is inherent with private investors having already made the land investment; however, to accomplish the full vision for North Station the HTRZ tool needs to be available in its entirety.

ZPFI numbers:

TABLE 11: SUMMARY OF GAP ANALYSIS

SUMMARY OF GAP	ZPFI	Applicant
Residential	$209,470,950	$192,512,752
Office	$19,289,980	$38,228,724
Affordable Housing	$29,342,916	$22,694,094
TOTAL GAP	$258,103,845	$253,435,570
HTRZ Proceeds	$136,372,628	$167,138,390
Unfunded Gap	$121,731,217	$86,297,180

Updated trigger dates for HTRZ collection (3 tranches):

		Tranche 1 Trigger		Tranche 2 Trigger		Tranche 3 Trigger			
HTRZ - Projected Absorption	2025	2026	2027	2028	2029	2030	2031	2032	2033
Housing Units	2,631	-	165	1,079	706	-	681	-	-	-
Office	832,000	-	106,000	50,000	288,000	100,000	188,000	-	100,000	
Commercial	162,500	-	85,500	55,000	4,000	4,000	10,000	4,000		
Hotel	62,500				62,500					

Original Distribution with 7 tranches.

TAXING ENTITIES WILL RECEIVE MORE TAX REVENUE WITH THE ESTABLISHMENT OF HTRZ THAN WITHOUT

The table below demonstrates how taxing entities will receive more tax revenue with high-density development, enabled by HTRZ funding, than they would with traditional suburban low-density development.

- Over the 45-year period, the **HTRZ development will generate $417.8 million in incremental property taxes** with $167.1 million in funding from the HTRZ and **$250.6 million going to the jurisdictions**.
- Without HTRZ funding, traditional lower-density development would generate $193.2 million in property taxes over the same 45-years.
- The HTRZ development will generate approximately 30% more tax revenue to the jurisdictions.
- At full build out, the HTRZ development will generate 2.15x the amount of property taxes traditional lower-density development would on an annual basis.

Tax Revenues Generated (2023 Tax Rates)

		With HTRZ - High Density			Without HTRZ - Low Density
Taxing Entity:	Tax Rates	45-Year Tax Increment	80% to HTRZ (25 Yr)	Balance to Taxing Entity	Total to Taxing Entity
DAVIS COUNTY ANIMAL SERVICES	0.000068	$ 2,846,778	$ 1,138,819	$ 1,707,960	$ 1,316,618
DAVIS SCHOOL DISTRICT	0.004738	$ 198,353,469	$ 79,348,867	$ 119,004,602	$ 91,737,275
STATE CHARTER SCHOOL LEVY	0.000084	$ 3,516,609	$ 1,406,776	$ 2,109,833	$ 1,626,410
STATE BASIC SCHOOL LEVY	0.001406	$ 58,861,329	$ 23,546,751	$ 35,314,578	$ 27,223,007
DAVIS COUNTY	0.000826	$ 34,579,984	$ 13,833,298	$ 20,746,687	$ 15,993,033
DAVIS COUNTY FLOOD	0.000106	$ 4,437,625	$ 1,775,217	$ 2,662,408	$ 2,052,375
DAVIS COUNTY HEALTH & SERVICES	0.000152	$ 6,363,387	$ 2,545,595	$ 3,817,792	$ 2,943,028
FARMINGTON CITY	0.001502	$ 62,880,310	$ 25,154,495	$ 37,725,815	$ 29,081,762
COUNTY LIBRARY	0.000234	$ 9,796,267	$ 3,918,876	$ 5,877,391	$ 4,530,714
WEBER BASIN WATER	0.000200	$ 8,372,878	$ 3,349,467	$ 5,023,411	$ 3,872,405
MOSQUITO ABATEMENT	0.000098	$ 4,102,710	$ 1,641,239	$ 2,461,471	$ 1,897,478
CENTRAL DAVIS SEWER	0.000117	$ 4,898,133	$ 1,959,438	$ 2,938,695	$ 2,265,357
BENCHLAND WATER DISTRICT	0.000303	$ 12,684,909	$ 5,074,442	$ 7,610,467	$ 5,866,694
COUNTY ASSESSING AND LEVY	0.000131	$ 5,484,235	$ 2,193,901	$ 3,290,334	$ 2,536,425
MULTICOUNTY ASSESSING AND LEVY	0.000015	$ 627,966	$ 251,210	$ 376,756	$ 290,430
Total	**0.009980**	**$ 417,806,589**	**$ 167,138,390**	**$ 250,668,199**	**$ 193,233,010**
Annual Tax Collections at Full Build Out assuming 2023 Tax Rates:				**$ 8,318,232**	**$ 3,856,187**

80% HTRZ to project – TOTAL: $167,138,390

Updated Distribution – City using 3 allowed tranches

TAXING ENTITIES WILL RECEIVE MORE TAX REVENUE WITH THE ESTABLISHMENT OF HTRZ THAN WITHOUT

The table below demonstrates how taxing entities will receive more tax revenue with high-density development, enabled by HTRZ funding, than they would with traditional suburban low-density development.

- Over the 45-year period, the **HTRZ development will generate $417.8 million in incremental property taxes** with $139.5 million in funding from the HTRZ and **$278.3 million going to the jurisdictions**.
- Without HTRZ funding, traditional lower-density development would generate $193.2 million in property taxes over the same 45-years.
- The HTRZ development will generate approximately 44% more tax revenue to the jurisdictions.
- At full build out, the HTRZ development will generate 1.84x the amount of property taxes traditional lower-density development would on an annual basis.

Tax Revenues Generated (2023 Tax Rates)

		With HTRZ - High Density			Without HTRZ - Low Density
Taxing Entity:	Tax Rates	45-Year Tax Increment	80% to HTRZ (25 Yr)	Balance to Taxing Entity	Total to Taxing Entity
DAVIS COUNTY ANIMAL SERVICES	0.000068	$ 2,846,778	$ 950,257	$ 1,896,522	$ 1,316,618
DAVIS SCHOOL DISTRICT	0.004738	$ 198,353,469	$ 66,210,529	$ 132,142,940	$ 91,737,275
STATE CHARTER SCHOOL LEVY	0.000084	$ 3,516,609	$ 1,173,846	$ 2,342,762	$ 1,626,410
STATE BASIC SCHOOL LEVY	0.001406	$ 58,861,329	$ 19,647,953	$ 39,213,376	$ 27,223,007
DAVIS COUNTY	0.000826	$ 34,579,984	$ 11,542,823	$ 23,037,161	$ 15,993,033
DAVIS COUNTY FLOOD	0.000106	$ 4,437,625	$ 1,481,282	$ 2,956,343	$ 2,052,375
DAVIS COUNTY HEALTH & SERVICES	0.000152	$ 6,363,387	$ 2,124,103	$ 4,239,284	$ 2,943,028
FARMINGTON CITY	0.001502	$ 62,880,310	$ 20,989,492	$ 41,890,818	$ 29,081,762
COUNTY LIBRARY	0.000234	$ 9,796,267	$ 3,270,001	$ 6,526,266	$ 4,530,714
WEBER BASIN WATER	0.000200	$ 8,372,878	$ 2,794,872	$ 5,578,005	$ 3,872,405
MOSQUITO ABATEMENT	0.000098	$ 4,102,710	$ 1,369,488	$ 2,733,222	$ 1,897,478
CENTRAL DAVIS SEWER	0.000117	$ 4,898,133	$ 1,635,000	$ 3,263,133	$ 2,265,357
BENCHLAND WATER DISTRICT	0.000303	$ 12,684,909	$ 4,234,232	$ 8,450,678	$ 5,866,694
COUNTY ASSESSING AND LEVY	0.000131	$ 5,484,235	$ 1,830,641	$ 3,653,593	$ 2,536,425
MULTICOUNTY ASSESSING AND LEVY	0.000015	$ 627,966	$ 209,615	$ 418,350	$ 290,430
Total	**0.009980**	**$ 417,806,589**	**$ 139,464,136**	**$ 278,342,453**	**$ 193,233,010**
Annual Tax Collections at Full Build Out assuming 2023 Tax Rates:				**$ 7,096,882**	**$ 3,856,187**

80% HTRZ to project – TOTAL: $139,464,136

ZPFI projection – TOTAL: $136,372,628

2. **Provide a plan to reduce the current CRA zones**

   Farmington City has initiated work on the necessary legal descriptions and documentation necessary for the RDA to approve a modification to the existing CRAs. Farmington City does not wish to have the project areas overlap the HTRZ, and therefore has no objection to the HTRZ's approval being conditioned upon the existing project areas being modified.

   Coordination with surveyors to complete the necessary legal descriptions has indicated a timeframe of approximately 4 weeks from the date of this memo to be able to complete the legal descriptions and have the modifications on an RDA meeting agenda to be officially modified.

3. **Provide a written strategy and provide assurances around how the project will encourage housing ownership, as required in code**

   Farmington City is very interested in creating opportunity for owner occupancy housing and the potential for households to build equity in their home. Currently, the city is requiring that any townhome product be platted on an individual lot and built to a standard that allows for separate ownership. There are currently 47 townhomes anticipated within the HTRZ area.

   The City is also interested in having the multi-family buildings condominiumized; however, this type of construction and ownership has become increasingly rare due to challenges in financing this product type. If approved, funds made available through the establishment of an HTRZ may be used to support and facilitate owner occupied products. Building dwelling units to condo specifications requires an increase cost for legal work, design liability insurance, financing, and construction to meet the higher building and legal framework standards.

   Based on current project plans and design expectations, it is anticipated there will be an opportunity to create an owner occupancy scenario for approximately 10% of the dwelling units (~250 dwelling units).

4. **Refer to the long range UTA transportation plan and the city's plan for UTA connector node. Provide assurances that the city will operate the connector as a last resort as necessary. (63N-3-604(1)(a)(xv)(B) requires that for an HTRZ at a proposed station, that station must be "reasonably anticipated to be constructed in the near future" which made the questions about paying for the transit improvement costs particularly relevant).**

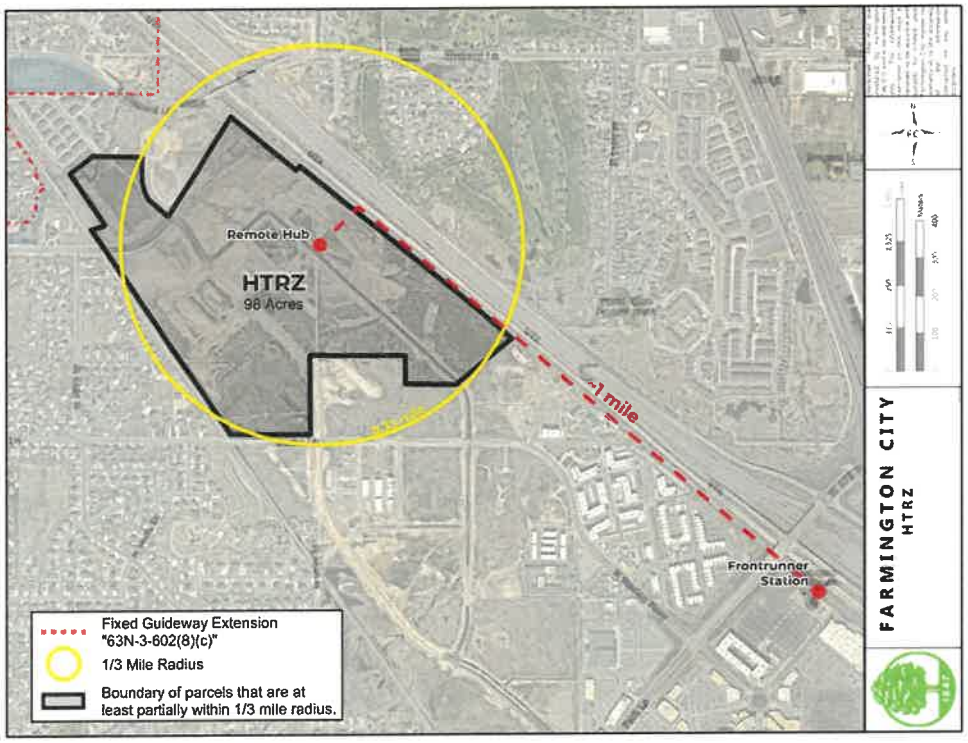
Farmington City will coordinate with Developers on the construction of the infrastructure to ensure a dedicated route is available and ready for use at the opening of the second office tower - built around the station plaza – which is anticipated to occur between 2028 and 2030.

In addition to the prior planning and property acquisition work done by the City for this purpose, as of the date of this memo the Farmington City RDA has scheduled a July 2 meeting to adopt a resolution to support the implementation of the fixed guideway extension. A copy of the resolution has been included with this memo.

Part of the funding received from the HTRZ may be utilized to construct or operate this system.

5. Provide a map with the nodes and demonstrate that planned parcels within the proposed HTRZ area are within the statutory allowed distance (63N-3-604(1)(a)(iv))

Figure A



A larger copy of 'Figure A' is included as an attachment

6. Include housing affordability plan (63N-3-603(2)(b)(iii))

The project will include 9% of its units available to households who make 80% or less of the Davis County AMI. Additionally, 3% of the units within the HTRZ area will be available to households who make 60% or less of the Davis County AMI.

These units will be deed restricted to either control the rent rate for a period of 30 years or deed restricted to limit the sales price of the unit for a period of 30 years.

Rather than clustering large numbers of moderate-income housing units in one or two buildings, these units will be made available proportionately throughout each phase of the HTRZ area. Roughly 12% of the units in each building will be moderate income housing units.

7. Identify other applicable or eligible funding sources of revenue to reduce the financing gap, if any.

The developers will address the gap that is not expected to be covered by the anticipated participation with tax increment. While large, the developer is betting on the market demand for the North Station community to help with faster absorption, less vacancy, and better sales or rent rates than projected. The developers are also anticipating that creative financing will be available to assist in the gaps in the proforma. In addition, the developer is looking for reduced, relative construction costs after a period of steep escalation in costs for materials and labor.

We look forward to our continued conversation regarding this application and appreciate the consideration of our request.

Lyle Gibson
Farmington City
Assistant Community Development Director

Brett Anderson
Farmington City Mayor