Utah Land Use Institute:

Financing Housing Infrastructure

October 23, 2024

Utah's Public Financing Tools

Current

HTRZ, Housing and Transit Reinvestment Zone

Tax increment

PID, IFD, Public Infrastructure Districts

Low-interest credit, Tax Increment, Other Revenues

Brand New

HB 572 Low Interest Credits, administered by State Treasurer

Low-interest credit

HOPZ, Home Ownership Promotion Zone

Tax increment

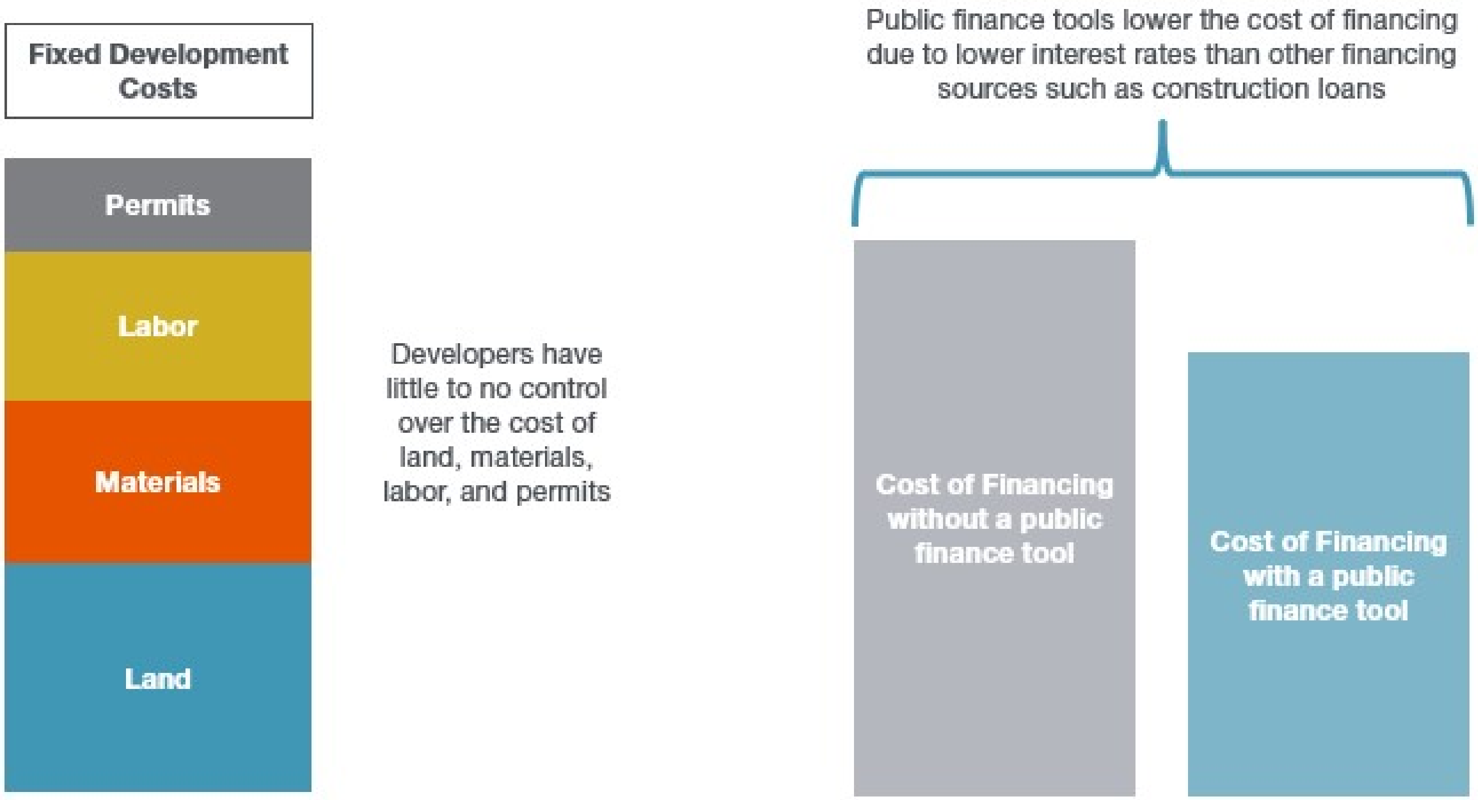
Upcoming

FHIZ, First Home Investment Zone

Tax increment

- Principles that apply, regardless . . .
  - Capital needs a return
  - Lower cost of money creates the circumstances for a lower product cost
  - Delays raise costs
  - Higher costs for land, time, materials, labor, ***financing***—all influence price

Cost Components of Real Estate Development



HTRZ Tool

Highlights for this transit-oriented tool

- 7 current projects approved by GOEO
- Vineyard, Utah City; South Jordan, Downtown Daybreak; South Salt Lake, Downtown SSL; Lehi, Lehi Station; Farmington, Farmington Station North; Salt Lake City, Granary District; Sandy, Sandy Centennial HTRZ.
- These seven projects will result in 5,731 affordable housing units ranging from 80% AMI to 60% AMI.
- The total units entitled under these projects equals 42,436.

GOEO/CITY Create an HTRZ Tax Increment Area

- Requirements:
  - City Initiated
  - Approved by Board Administered by GOEO
  - 12% of total units must be affordable (between 60% and 80% AMI)
  - 51% of developable area must have an avg density of 50 DUPA near fixed rail or 39 DUPA near BRT stations
  - Maximums by county
    - No more than 8 light rail HTRZs per county
    - No more than 3 BRT HTRZs in Salt Lake County (county of the first class)
    - No more than 11 combined HTRZ (light rail) and FHIZ in Salt Lake County
- Benefits:
  - 80% Increment Split
    - Commuter Rail HTRZ Areas for 25 consecutive years with 45-year period
    - BRT/Light Rail HTRZ Areas for 15 consecutive years within 30-year period
  - City may fund up to 15% of sales tax increment to Transit Transportation Fund

HTRZ AREA PLAN AT-A-GLANCE

107 acres within 290-acre mixed-use, transit-oriented, and high-density urban development located within Downtown Daybreak's **4,127-acre master-planned community** in South Jordan.

Solves for 15%+ of Utah's housing shortage. Builds significant affordable housing in fastest-growing quadrant of Salt Lake County = **10.6% Affordable Units** (500), including 30% of the units reserved at 60% and 70% of AMI.

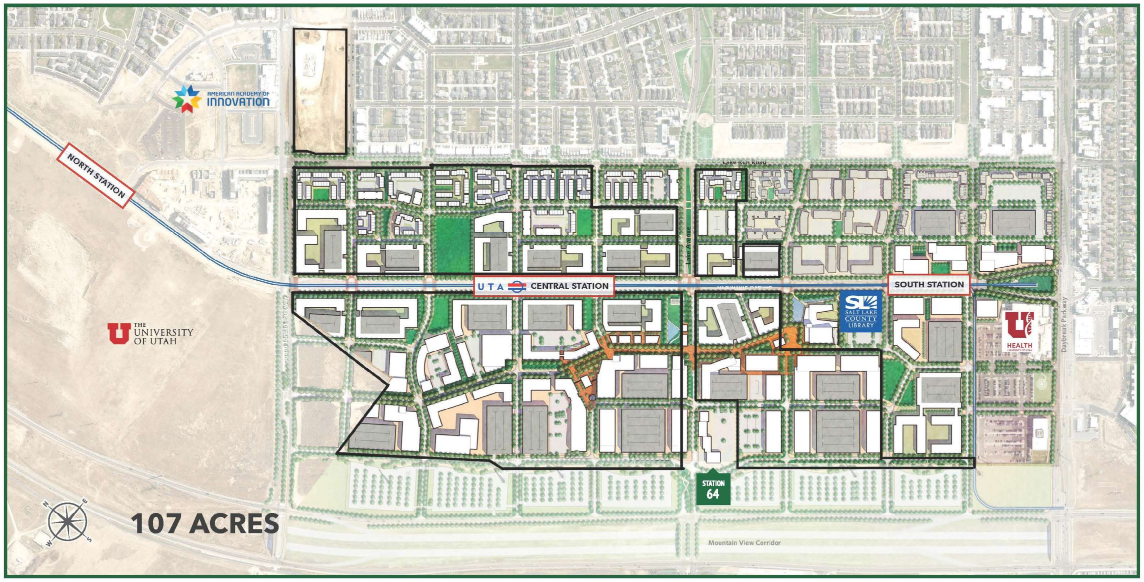
Increases transit ridership and captures 30% of auto-generated trips. Leverages 20 years of investment in transit infrastructure.

Creates **16 acres of open space** and connects regional trails. **Developer infrastructure investment of $70MM** for public parks, civic spaces, and entertainment venues.

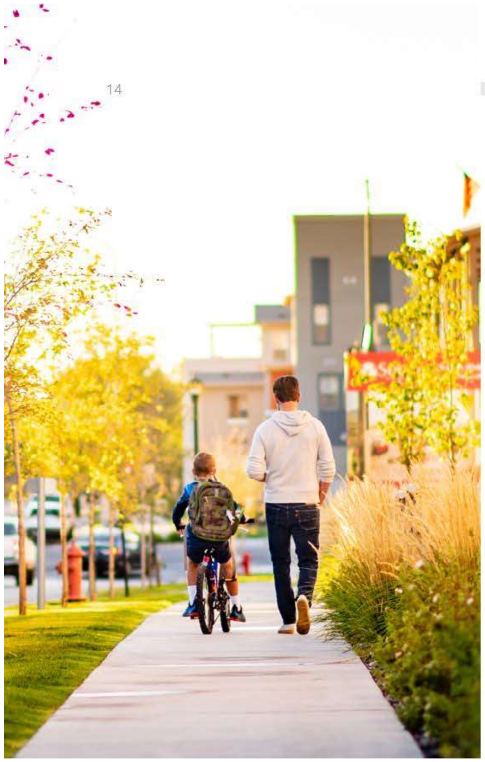
Adds **7,000 direct office jobs**; **9,000+ direct total jobs**.

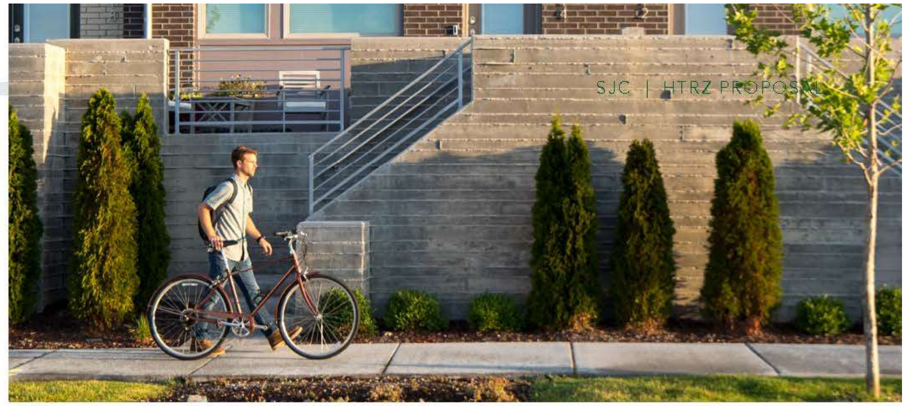
HTRZ funds approximately one third of the estimated $512MM Investment Gap at $160MM.

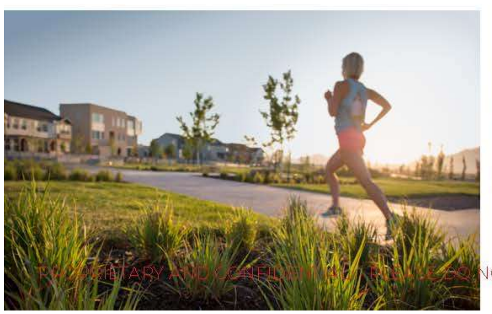
The HTRZ Area Plan delivers smart-growth vision through the long-term commitment of the City of South Jordan and the Larry H. Miller Company.



SOUTH JORDAN UTAH · THE Larry H. Miller COMPANY · DAYBREAK







PROJECT LOCATION: VINEYARD TOWN CENTER

Floors	Type 1 Construction
Cont.	Concrete / Steel Frame
...	Concrete / Steel Frame
...	Concrete / Steel Frame
5	Concrete / Steel Frame
4	Concrete / Steel Frame
3	Concrete / Steel Frame
2	Concrete / Steel Frame
1	Concrete / Steel Frame

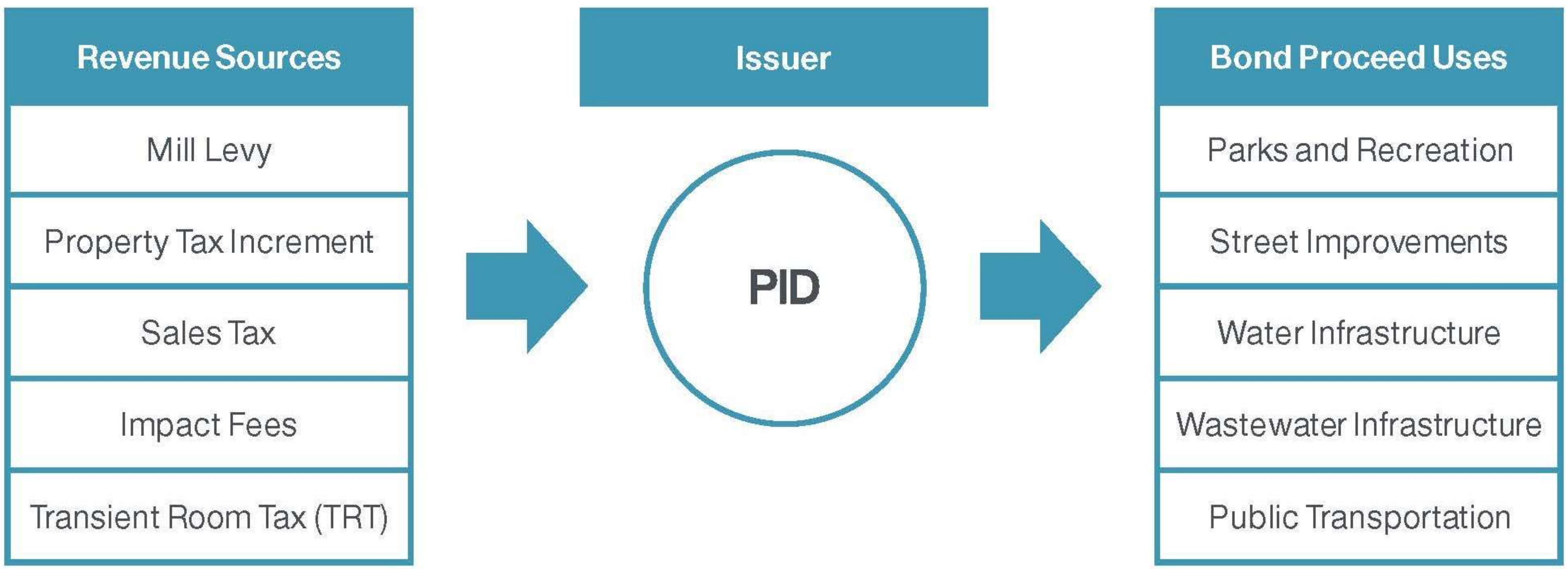
Floors	Type 3a Construction
8	Wood Framing
7	Wood Framing
6	Wood Framing
5	Wood Framing
4	Wood Framing
3	Concrete Podium
2	Concrete Podium
1	Concrete Podium

Infrastructure Districts

Public Infrastructure Districts (PID) v
Infrastructure Financing Districts (IFD)

PID	IFD
City or State Agency Created	Developer Initiated
Financing through mill levy or assessments	Financing limited to assessments
State created may operate assets City created may hold assets for term of debt	Districts dissolved within 180 days of debt repayment
Proceeds may be used for wider range of improvements depending upon source of funds	Proceeds limited to public infrastructure, wet utilities and in some circumstances electrical infrastructure
Most versatile, being used to build and own parking structures, venues, etc.	Restrictions on pay off upon closing on home sales (certificate of occupancy)

PID Revenue Sources and Bond Proceed Uses



Benefits of PIDs

For Cities/Counties

Regional infrastructure

No financial liability for creating city/county

Fosters master planned communities

For Property Owners

Better amenities

Faster completion of amenities/infrastructure

Stable home prices due to increased supply

For Developers

Lower cost of financing

HB 572 Low Interest Loans

- Low interest loans made available if:
  - Homes prices don't exceed $450,000, or as may be adjusted by Utah Housing Corporation. This is the attainable standard.
  - At least 60% of funded homes must be sold at an attainable level.
  - Attainable homes must be deed restricted for a min. of five years.
  - City and builder to enter into an agreement for project area—60% of the homes must be attainable for the area benefited by the loan.
  - Term of loans must be 24 months or shorter.

JDC RANCH

HB 572 Funding: A Case Study

- In response to Governor Cox's call for 35,000 Starter Homes in Utah, Nilson Homes re-entitled a subdivision in western Weber County.
  - Up to 275 detached, single family, attainable Starter Homes
  - Mix of residential product (townhomes, large lot, small lot, starter homes, active adult)
  - Commercial pods along UDOT frontage
  - Located just 1 mile from I-15
  - Parks, trails, pickleball, volleyball, pavilions, and playgrounds.

NILSON HOMES
— NOTICE THE DIFFERENCE —

HB 572 Funding: A Case Study

- HB 572 funding is a great fit for the project.
  - Can be used for both horizontal and vertical development loans.
  - The 60% requirement for attainable homes allows for integration of various types and prices of homes.
  - The lower interest rate reduces the carry costs, which means that more attainable homes will pencil for developers and home builders.
  - The program is a work in progress – we look forward to an even better program in the future.

HOPZ (Home Ownership Priority Zone)

- Brand New, not utilized as of yet
- Allows cities to create a tax increment area for affordable housing
- Requirements:
  - 60% of homes must be affordable
  - Affordable is defined at 80% or less of median county home price
  - Deed restricted for at least 5 years from time of purchase
  - Zoning must be at least 6 units per acre within increment area
  - Tax increment area can be up to 60% of each taxing entity's increment for 15 consecutive years (i.e. a city can compel other taxing entities to participate)
  - Funds may be used for infrastructure costs, project and system costs
  - Project area must be smaller than 10 acres
  - Cap by school district, so not all projects are within one school district

FHIZ (First Home Investment Zone)

- Drafting error but will be fixed with coming legislative session
- Key provisions:
  - Medium density town center proposal.
  - Allows a city to coordinate increasing densities in separate areas.
  - City submits proposal to GOEO.
  - Plan must include details on proposed zoning changes.
  - If approved, up to 60% of tax increment from all taxing entities.
  - City to collect approved tax increment
  - Tax collection period is 25 consecutive years within 45-year period.
  - Uses can be project/system expenses, and other community purposes (conservation, air quality, childcare, employment)