Mabey Pond Redevelopment

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Table of Contents

Executive Summary

The purpose of this study is to explore the feasibility of redevelopment on the Lakeside Square and Clearfield Mobile Home Park sites. The asset types analyzed for purposes of this redevelopment include office, retail, residential, hotel, and entertainment. An understanding of broad market characteristics, local market conditions, and site-specific considerations informs the recommendations made throughout the study and in the "conclusion" and "recommended project" sections of this report.

Overall, the growing market in Davis and Weber Counties calls for new development in just about all property types by 2021. Some of these property types–office and hotel, for example–will most likely be absorbed by already-existing clusters located throughout the area, while others–residential, retail, and entertainment–are more widely-dispersed in nature and therefore show the most potential to be absorbed by the subject site in the short-term.

The subject sites have 3 main advantages that should be leveraged by redevelopment: Mabey Pond, high traffic counts and visibility on State Street, and the proximity to Hill Air Force Base. The 3 largest area challenges that should be addressed through redevelopment include the low quality of buildings and retail tenancy in the immediate area, the large land consumption by the Freeport Center on the west and Hill Air Force Base on the east that create access difficulties and holes where rooftops should be, and the dilapidated retail center and mobile home park that currently serve as deterrents to redevelopment.

Recommended Project

The goal of the targeted redevelopment is to eliminate the buildings and spaces that detract vibrancy and replace them with buildings and spaces that promote vibrancy. Ultimately, the redevelopment that occurs on the Lakeside Square and Clearfield Mobile Home Park sites will set the tone for a generation of redevelopment along the State Street corridor. As such, it is critical that the project include a mix of uses that correctly sets that tone and that is phased in a way that meets market needs while providing an attractive return to developers.

The findings of the feasibility study suggest a phased, mixed-use development on Lakeside Square that includes residential (townhomes, live/work, multifamily), retail (ground-level of multifamily and single-level), entertainment (movie theater or performing arts center), a later-phase hotel (or office building), and a pedestrian promenade that links State Street to Mabey Pond Plaza. Principles of new urbanism should be applied, including: parking hidden from the road, alley-loaded garages, large sidewalks, minimal setbacks, and building density.

The proposed development would add approximately 1,800 people in 560 residential units to the subject site, representing 18.4 dwelling units per acre. Following is a summary of the proposed uses and proposed site plan.

Lakeside Square	**Mobile Home Park**
• **Plaza** – pedestrian promenade leading from State Street to Mabey Pond Plaza. Plaza to be 1.25 acres dedicated to community space. • **Residential** – 220 apartment units in 2 buildings • **Retail** – 30,000 SF under multifamily along State Street • **Live/Work** – 40 units lining the pedestrian promenade and plaza. Units to be individually-owned. • **Hotel/Office** – Upper-midscale hotel or office building on corner of State Street and 450 South. To be built as later phase after TitleMax lease expires April 2019.	• **Theater** – 6-screen movie theater or 25,000 SF performing arts center with podium parking underneath. • **Retail** – 15,000 SF of retail in front of and next to the theater. • **Residential** – 300 townhomes on 11.5 AC behind theater and retail. Units to be individually-owned.

Review of Existing Plans and Studies

The purpose of this section is to briefly review existing plans and studies commissioned by Clearfield City in regards to downtown redevelopment specifically related to the Mabey Pond / Clearfield Mobile Home Park area. The goal of this study is not to duplicate work that has already been done, but to build upon and enhance previous studies.

Clearfield City – Market Analysis

Zions Bank Public Finance - November 2015

The purpose of this market analysis performed by Zions Bank Public Finance (ZBPF) was to identify areas along the State Street corridor that could support development/redevelopment. By surveying industry participants and analyzing population data, land values, and fiscal impact of various areas along the State Street corridor, four nodes were identified as being good candidates for near-term development/redevelopment, one of which includes Lakeside Square (does not include mobile home park).

The study gives an estimated current retail value of $55-62 per square foot and an estimated new retail value of $127-144 per square foot. The assumed construction cost per square foot is $120. The new value premium above construction costs implies that new retail construction on Lakeside Square is feasible.

In a similar exercise for office, estimated existing office is valued at $71-80 per square foot. At a construction cost of $130-140 and a new construction valuation of $150, office development on Lakeside Square is also deemed feasible. The study points out that with financial assistance, this site is a top candidate for near-term redevelopment.

The study notes that Lakeside Square is the most critical site for the long-term redevelopment of the State Street corridor, but again notes that financial incentive may be needed to attract development in the short-term.

In studying the fiscal impacts of various retail/commercial nodes in Clearfield, Lakeside Square, with its value-add potential, stands out as another prime candidate for redevelopment. The ZBPF study analyzes various commercial/retail nodes with respect to sales and property tax impact and compares them on a fiscal impact per acre. The result of the analysis shows that

Lakeside Square has a total fiscal impact of $1,212 per acre–the lowest of any of the studied nodes (excluding vacant land at Clearfield Station). From a public standpoint, Lakeside Square's particularly low real estate valuation and fiscal impact makes it the low hanging fruit of potential redevelopment sites along the State Street corridor.

Figure 8: Total Fiscal Impact per Acre

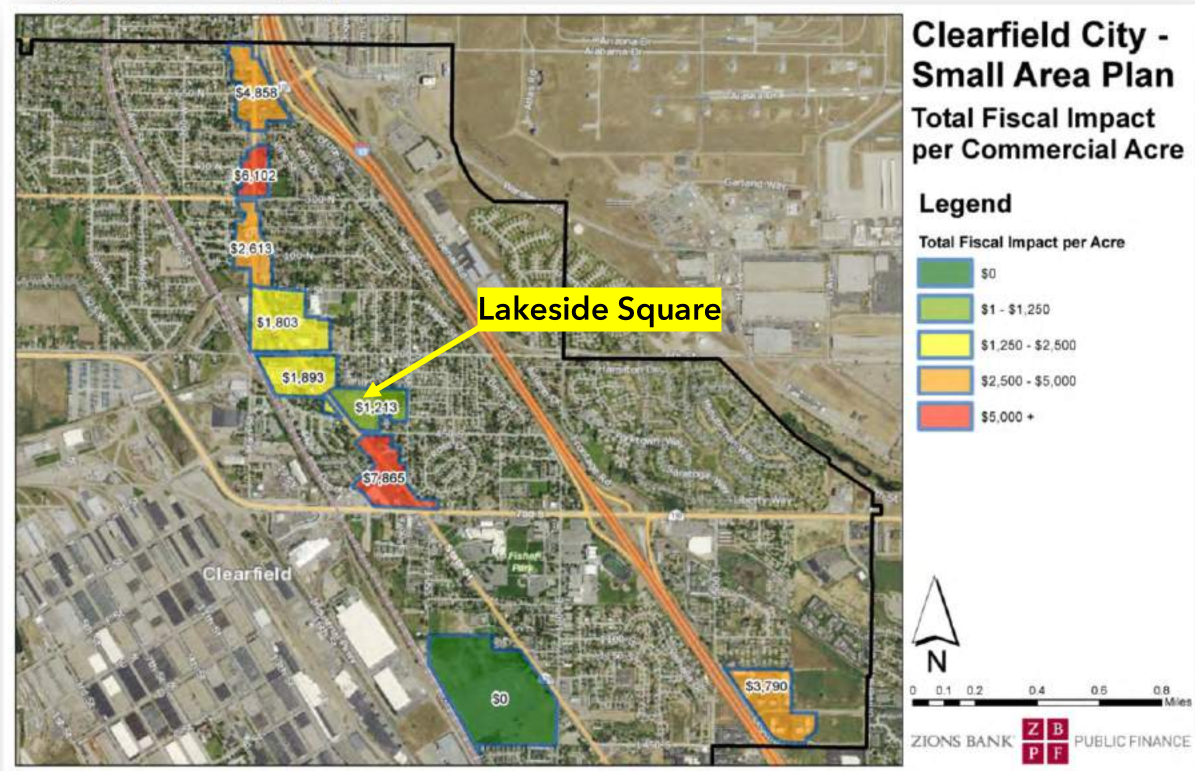
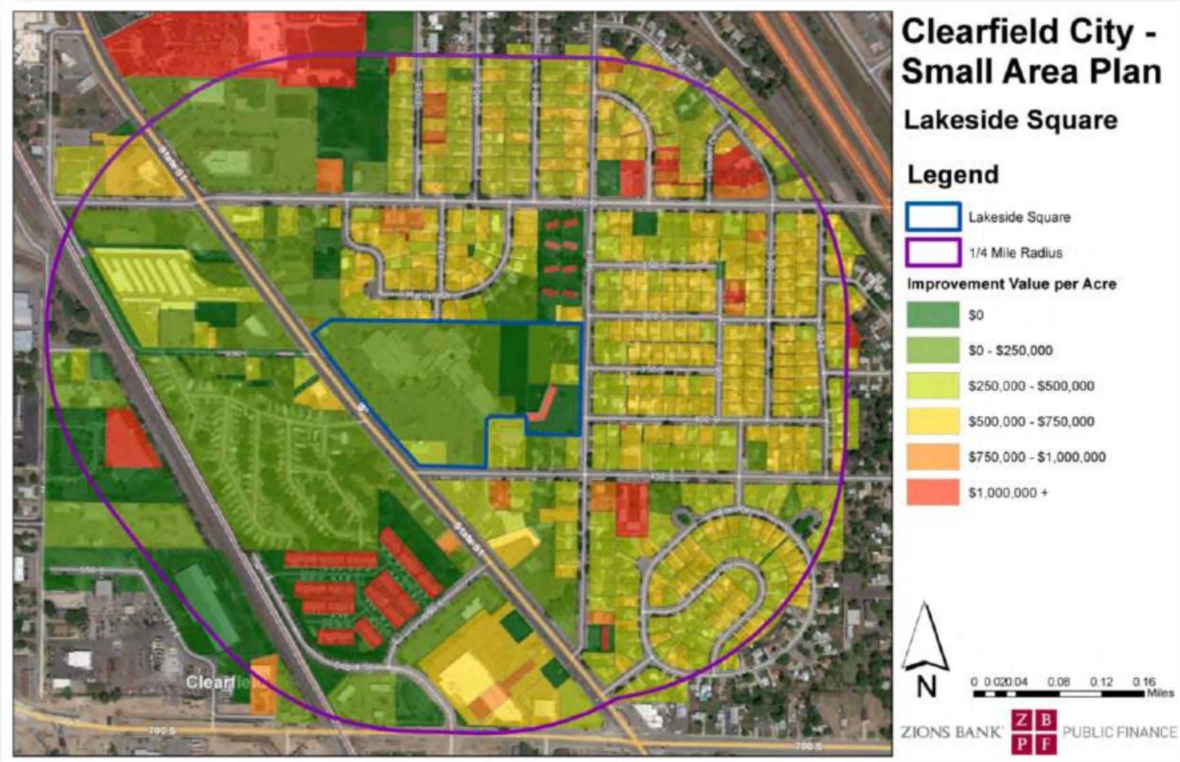


Figure 16: Lakeside Square – Improvement Value per Acre

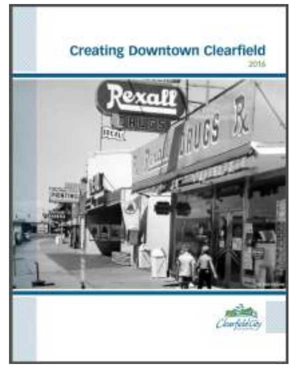


The study concludes that new office and retail development on the Lakeside Square property would be financially feasible from a developer standpoint, and would provide the biggest upside in fiscal impact and spin-off development from a public standpoint. Apartment rentals were not recommended citing fear of market saturation.

For purposes of this feasibility study, the ZBPF study provides a great starting point in understanding the context of the State Street corridor and competing sites. However, its recommendations regarding Lakeside Square redevelopment feasibility are based on a small set of assumptions–ones that will be heavily scrutinized and expanded upon in this study.

Downtown Clearfield Small Area Plan

Clearfield City - 2016



The Downtown Clearfield Small Area Plan[1], prepared by Clearfield City in partnership with the Wasatch Front Regional Council, serves to create a unifying vision and implementation guidelines for the future of Downtown Clearfield. The plan identifies four "downtown districts," one of which is Mabey Place–envisioned to be the future "heart of Clearfield."

In this plan, drawings indicate that Mabey Place should consist of primarily four land use components:

Plaza

The area around Mabey Pond is depicted as a large plaza with playground equipment, outdoor seating, pubic art, and a splash pad among other things. The plaza is connected directly to State Street via a pedestrian promenade.

Urban Residential

There is a small portion of land adjacent to the plaza and another adjacent to the mobile home park designated as "urban residential," whose design standards call for a minimum story height of 2, a maximum story height of 6, largely transparent ground floors, parking at the rear of buildings, and minimal setbacks to create a street wall.

Urban Commerce

The rest of Lakeside Square is designated as "urban commerce," which follows the same design standards illustrated in the above "urban residential" section. Although the designated "urban" zones don't necessarily differentiate between what can be used for residential and what can be used for commercial, "urban commerce" zones call for incentivizing commercial uses, but not residential.

Town Residential

The remaining acreage of the mobile home park, along with the area southeast of Mabey Pond, is designated as "town residential," which is essentially slightly scaled back version of urban residential and commerce. Under the town designation, permitted story height ranges from 1 to

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[1] "Downtown Clearfield Small Area Plan" has been adopted by resolution and will be included as an exhibit to the General Plan.

4, setbacks are relaxed to allow for outdoor seating and landscaping, and ground floor transparency remains high. Parking is to be placed behind or on the side of buildings.

These design standards and proposed land use components will be considered throughout this feasibility study. The design guidelines for the 4 land use components are summarized in the below table, provided in the "Creating Downtown Clearfield" plan.

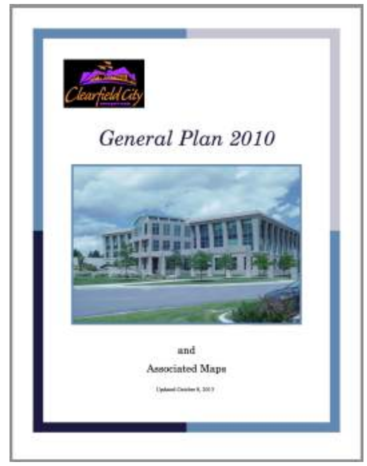
***Exhibit 6:** Development Standards and Design Standards by Place Type*

STANDARD	URBAN COMMERCE	URBAN RESIDENTIAL	TOWN COMMERCE	TOWN RESIDENTIAL
Height Minimum (Stories)	2	2	NA	NA
Height Maximum (Stories)	6	6	4	4
Park Once District [1]	Yes	Yes	Yes	No
Parking Maximum Recommended				
Parking Credits [2]	Yes	Yes	Yes	Yes
Shared Parking Allowed	Yes	Yes	Yes	Yes
Urban Landscaping [3]	Yes	Yes	Yes	Yes
Parking Location	Rear	Rear	Rear or Side	Rear or Side
Front Door Street Orientation	Yes	Yes	Yes	Yes
Ground-floor Commercial Transparency	>70%	>60%	>60%	>30%
Building Placement Near the Street	Yes	Yes	Yes	Yes

The Creating Downtown Clearfield plan illustrates design guidelines and recommendations for implementation. The steps for implementation include adopting a form-based zoning code, modifying parking requirements, creating developer incentives, assembling land, and improving pedestrian access, among other things.

General Plan

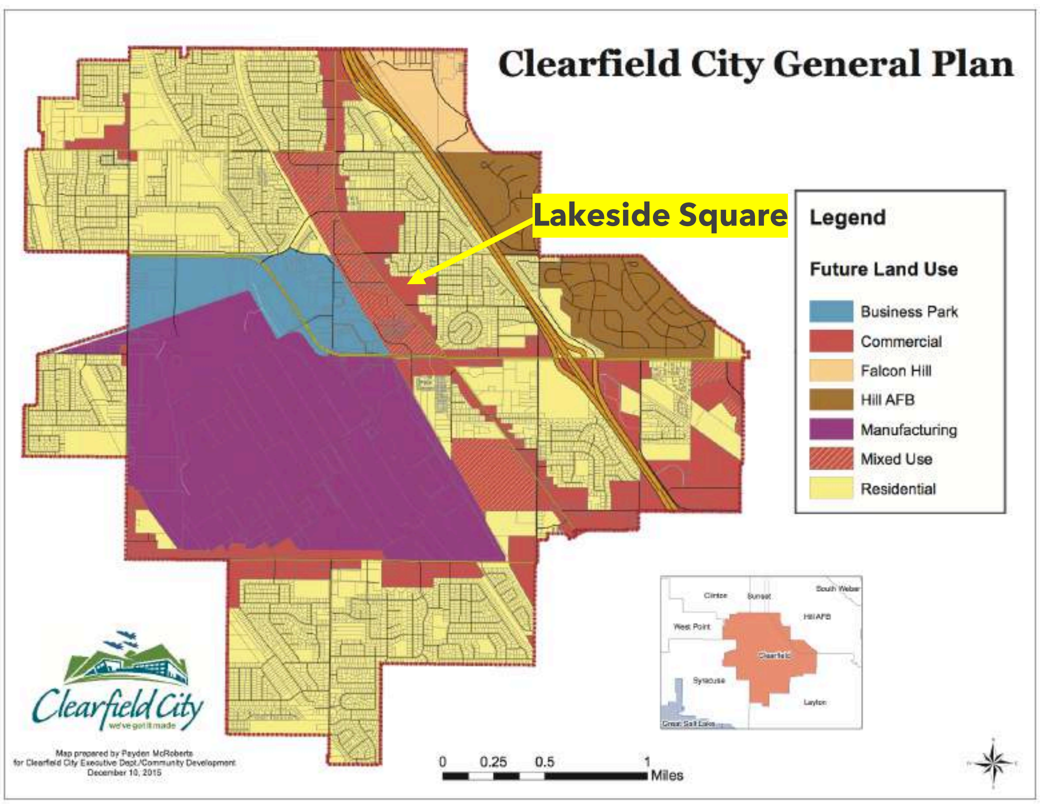
Clearfield City – 2010



Chapter 2 of the General Plan explores current and future land use in Clearfield. The four main goals pertaining to land use, as set out by the General Plan, include:

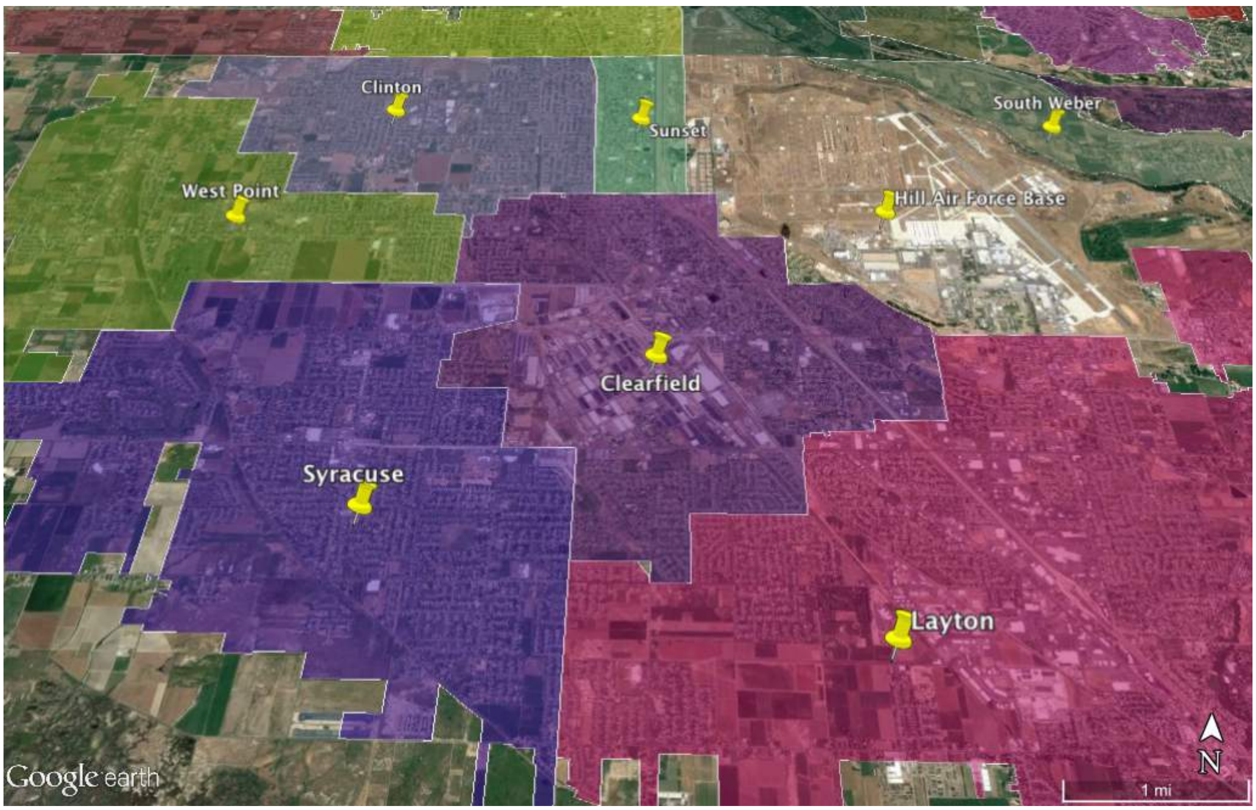
1. To maintain consistency between the City' Land Use Ordinance and the General Plan;
2. Facilitate the development of Falcon Hill at Hill Air Force Base;
3. Increase employment and commercial opportunities for Clearfield's residents; and
4. Revitalize deteriorating neighborhoods and commercial districts.

By redeveloping a deteriorating block and creating a new commercial district at the Mabey Pond redevelopment area, the proposed development will easily fulfill goals 3 and 4. The accompanying Future Land Use Map for Clearfield City shows the Mabey Pond area designated as Commercial, with the mobile home park area designated as mixed-use.

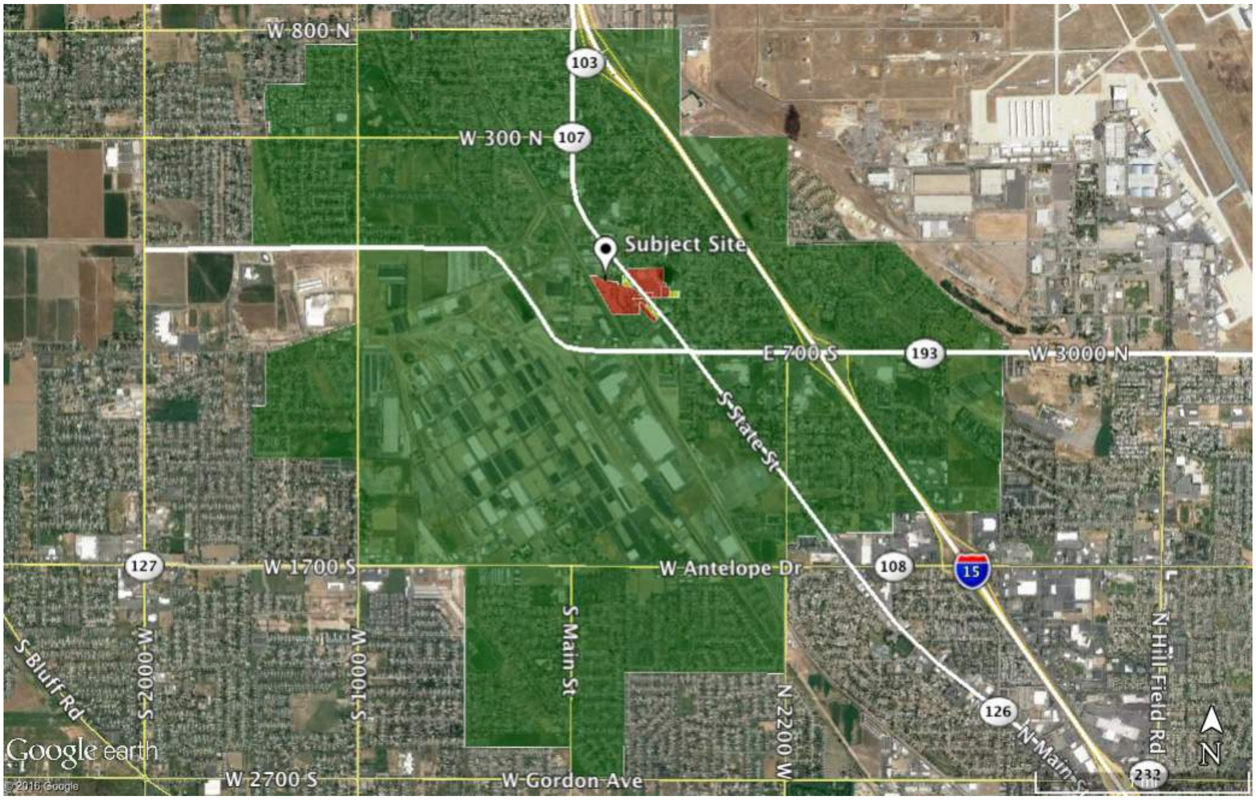


Subject Site

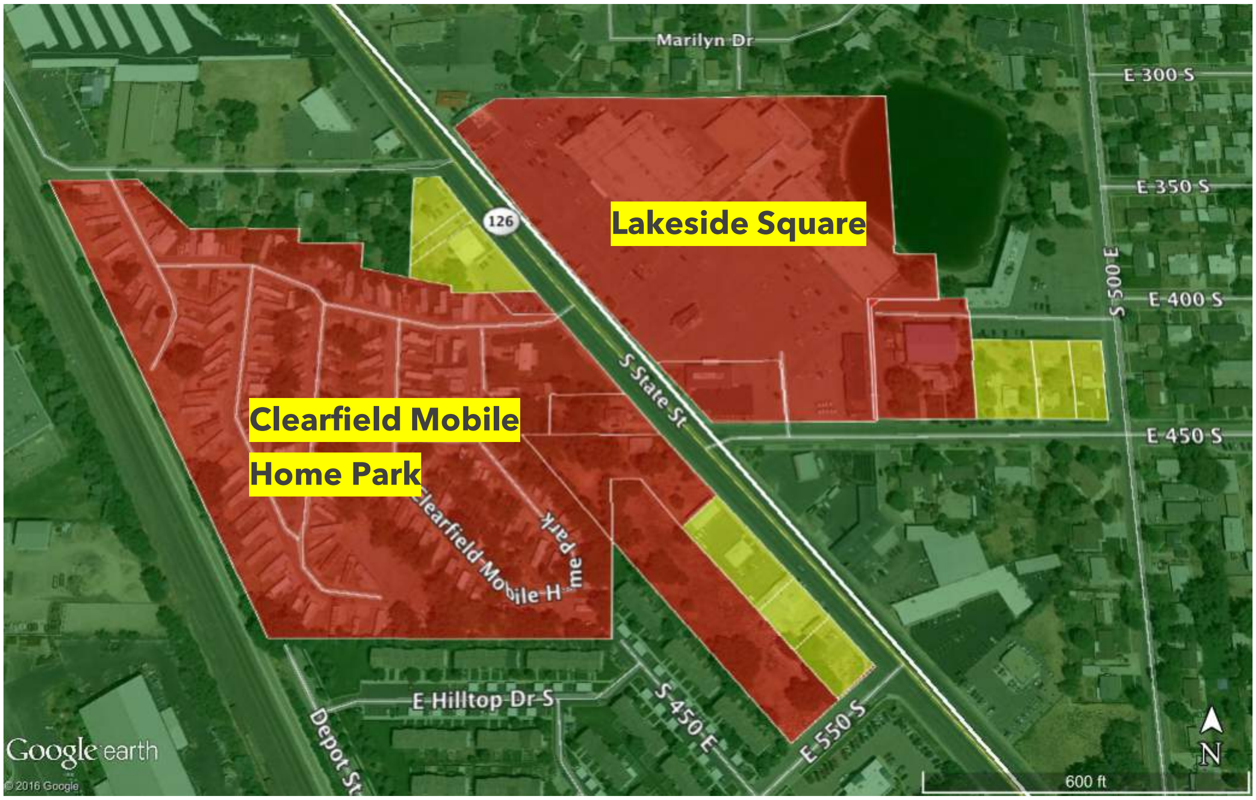
The subject site is located in the heart of Clearfield City in Davis County, approximately 30 minutes north of Salt Lake City and 15 minutes south of Ogden. The City also includes a portion of the southwest corner of Hill Air Force Base, one of the largest employers in the state that spans approximately 6,700 acres. The map below shows Clearfield city boundaries, Hill Air Force Base, and the surrounding municipalities.



The subject property is approximately 30.5-acres in size and is located in the heart of Clearfield's commercial corridor.



The 30.5 AC subject site is comprised of 8 separately-owned parcels, highlighted in red in the map below. Parcels highlighted yellow are anticipated to be good candidates for phase II development. Of the 8 subject parcels, 2 parcels account for 85% of the subject area's land– Lakeside Square and Clearfield Mobile Home Park.



One of the property's unique assets is Mabey Pond, located on the eastern edge of the project area. The pond is approximately 2.75 acres and is partially owned and wholly operated by Clearfield City. It holds largemouth bass, bluegill, and channel catfish and is open to the public. A fishing pier is available on the east side of the pond, which is adjacent to city-owned property that is in the process of being converted to a park.

Land Acquisition and Demolition

The estimated acquisition cost of 30.49 acres within the subject site is $10,595,000 or $7.98 per square foot. The demolition cost has been estimated at $626,974, resulting in a total acquisition and demolition cost of $11,221,975 or $8.45 per square foot. The cost for demolition was provided by a local demolition company and includes the removal and disposal of structures, trees, paving, hardscape and other miscellaneous site elements. Asbestos abatement is not included in this estimate.

Parcel	Use	Price	AC	/SF	Demo
120030108	MHP	4,000,000	15.30	6.00	363,327
120030283	Lakeside	4,750,000	10.67	10.22	148,855
120030218	Youth Health	650,000	1.19	12.54	57,905
120030109	448 State	100,000	0.34	6.75	7,150
120030174	452 State	240,000	0.75	7.35	12,150
120030196	Stephenson	350,000	1.58	5.09	5,500
120030024	Discount Auto	85,000	0.13	15.01	1,937
120030282	Title Max	420,000	0.53	18.19	30,150
Total		10,595,000	30.49	7.98	626,974
Acq + Demo		11,221,974	30.49	8.45	

Lakeside Square Shopping Center

Lakeside Square Shopping Center is a 108,000-square foot[2] office and retail center constructed in 1970 on 10.67 acres. The shopping center has understandably struggled to attract long-term tenancy as a third-generation facility with little to no capital improvements. Vacancy has hovered around 22% over the past few years. Below is a list of current tenants and approximate occupied square footage.

Tenant	Status	SF
Sparetime Family Fun Center	Vacant	15,000
ATA Martial Arts	Occupied	2,100
Utah CNA Training Center	Occupied	1,050
Q Bella Hair Salon	Occupied	950
Grounds for Coffee	Occupied	2,000
Professional Services Corporation	Occupied	4,350
TURN Community Service, Inc.	Occupied	4,450
Villa Magnolia	Occupied	4,950
Elevation Church	Occupied	11,150
Starstruck Studios	Occupied	9,300
Sentinel Field Services	Occupied	14,650
Grifols Biomat USA Plasma Center	Occupied	6,400
New Beginning Apostolic Church	Occupied	1,950
IglesiAlturas	Occupied	4,850
Iglesia Christiana Eben-Ezer	Vacant	6,500
Lakeside Business Center (9 Suites)	Some Vacancies	7,950
Outparcels (Baskin Robbins, Victor's Tires, and La Choi)	Occupied	10,400
Total		108,000

In March of 2015, Lakeside Square was listed for sale at $4,550,000–representing a 6.4% cap rate, which is well above market for a third-generation retail center. Although the property is not currently listed for sale, the property manager has indicated the property owner's willingness to sell for $4.75 million.

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[2] Including outparcels

The Clearfield Mobile Home Park

The Clearfield Mobile Home Park is a 15.3 acre, 166-unit mobile home park located across the street from Lakeside Square on the west side of State Street. The land and mobile homes are owned by one party.

Although the property once thrived as a mobile home park, the project has fallen into a state of severe disrepair. It is estimated that only 30% of the mobile homes are currently occupied. The remaining unoccupied units are largely uninhabitable having been neglected any significant capital improvement in years. Site infrastructure also requires major upgrades. Private roads located within project boundaries have also been severely neglected, as evidenced by the uneven surfaces and potholes rendering parts of the park unnavigable.

The owner of the mobile home park has not listed the property for sale, but relevant individuals have indicated an estimated sales price of $4,000,000 ($6 per square foot).

Traffic and Access

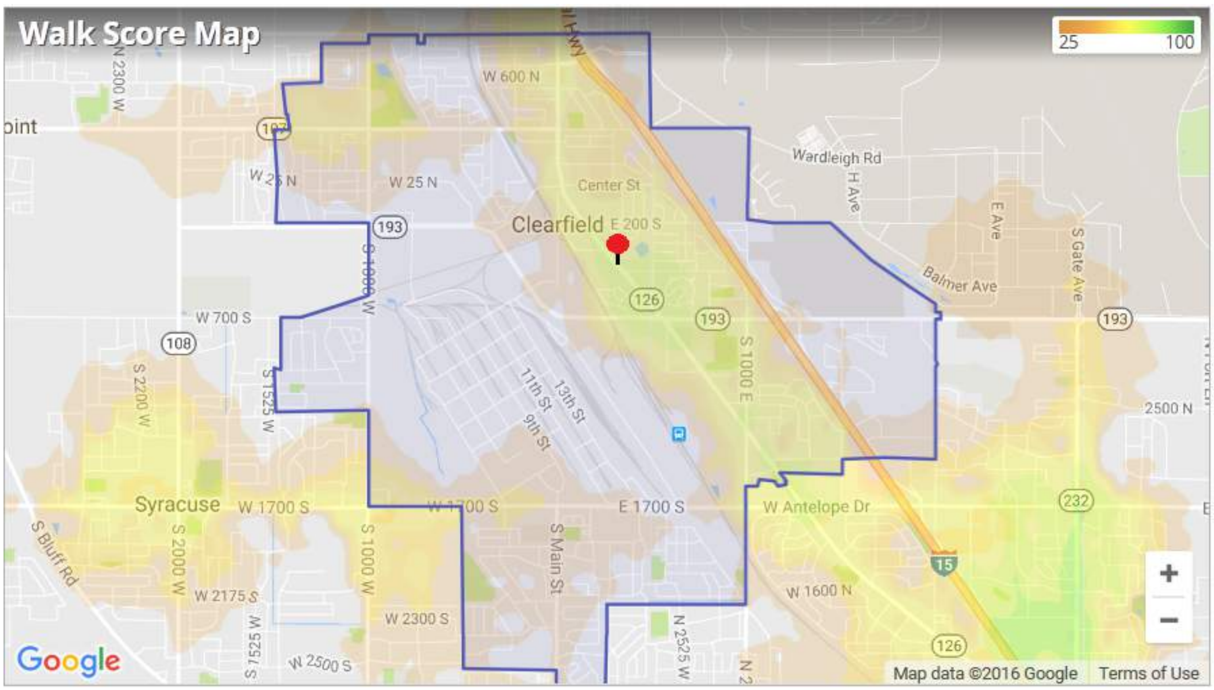
State Street, which runs in between the mobile home park and Lakeside Square, showed daily traffic counts of 20,925 in 2014. Traffic counts on this stretch of State Street have steadily declined from 23,190 in 2004. The nearest freeway interchange is less than one-mile southeast of the subject site. The project area has plenty of curb-cuts, as illustrated by the yellow dots in the map below. Depending on re-development configuration, access points may need to be adjusted.

As was presented in the Downtown Clearfield Small Area Plan, the City has proposed "complete street" road improvements to the stretch of State Street that passes through the project areas. This would involve widening sidewalks, adding bike lines on both sides, and adding a landscaped median. Doing so would remove some driving lanes and would serve as traffic calming tools, greatly increasing the project area's pedestrian-friendliness and commercial viability.

Walkability

Walkscore.com® is an online tool that analyzes the "walkability" of any address by assigning values to the types of amenities located within walking distance (0.25 miles or 5-minutes) of the given address. The score is given on a scale of 0 to 100, with a score of 100 being reserved for "pedestrian paradises." In addition to the widely-cited benefits of walkability–that it promotes good health, decreases reliance on polluting vehicles, contributes to sense of place–studies have shown a strong correlation between Walk Scores and property values[3].

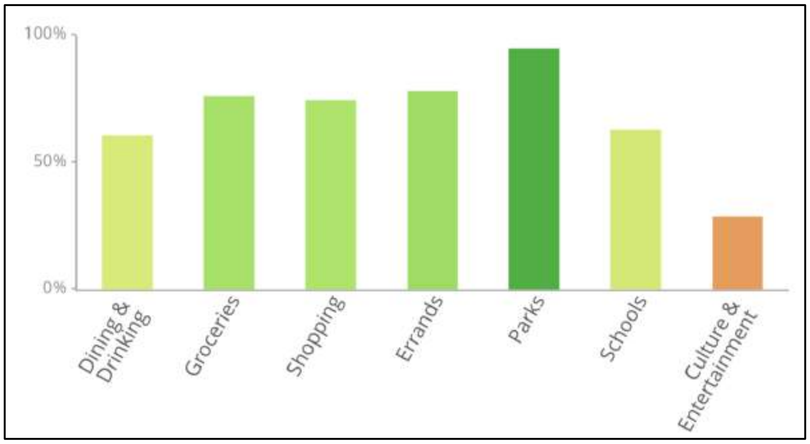
While Clearfield's overall Walk Score is 32/100, deeming it a "car-dependent city," the subject site's score is significantly higher at 67/100. The map below shows the "Walk Score Map" for Clearfield City, where green indicates "walkable" and orange indicates "car-dependent." The subject property, with its central location, is Clearfield's most walkable area.



Source: Walkscore.com

[3] http://www.marketwatch.com/story/how-walk-score-boosts-your-homes-value-2016-08-11

The below chart illustrates the subject site's performance in each of the rating criteria. The subject site excels in "parks," meaning that the subject site is within walkable distance to several public parks, and performs poorly in the "culture & entertainment" category. The other categories–dining & drinking, groceries, shopping, errands, and schools–are OK, but show significant opportunity for improvement.



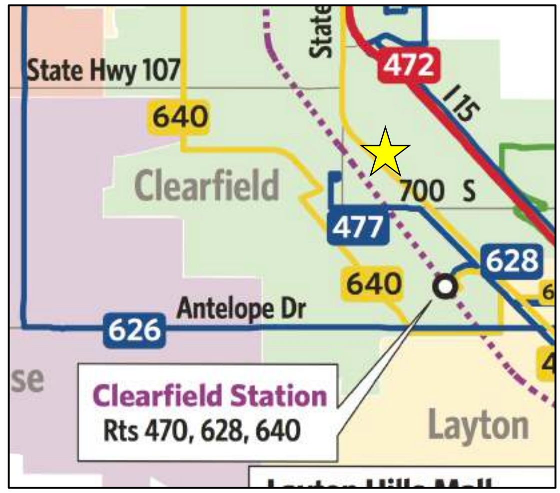
With the Downtown Clearfield Small Area Plan's goal of reinventing Mabey Pond as a town-center, urban influenced, walkable area, Walk Score provides helpful guidance in what amenities to pursue for the subject project.

The following table shows how the various Walk Score categories can (or cannot) be addressed by the subject project.

Category	Project Implications
Dining & Drinking	While there are some dining and drinking establishments within one mile of the subject site, the category can be greatly improved through the subject project. Dining and drinking establishments should be included in the subject project.
Groceries	The subject area is well-served by Kent's Market which is located only 0.25 miles away from the subject site.
Shopping & Errands	Other shopping opportunities and errands (banks, hardware stores, clothing stores, drug stores, UPS, etc.) within walking distance to the subject site are moderate, with walk scores for both shopping and errands greater than 50%. Shopping should be included in the subject site if it is deemed financially feasible.
Parks	There are several parks within close proximity to the project site, including the park project under construction on the east side of Mabey Pond. Aside from a lakeside community plaza, park should not be a significant use of the subject site.
Schools	Since school construction is driven by population growth, any new schools constructed in the area will likely be placed closer to the growing populations west of the subject site.
Culture & Entertainment	Culture and entertainment is the lowest scoring category of the subject site. By addressing this category in the subject project by adding movie theaters or other cultural destinations, Clearfield has a significant opportunity to increase its Walk Score and prevent the spending leakage that occurs when Clearfield residents seek culture and entertainment in other neighboring cities.

Transit

Another large influencer of a location's Walk Score is its access to public transit. The subject site is relatively well-served by transit, both in terms of commuter rail and bus lines.



Northern Utah's transit system, known as the Utah Transit Authority (UTA), is ranked in the top ten percent of all transit systems in the U.S. (#22 out of 290 urban areas with 200,000+ residents)[4]. More than 45 million trips were made system-wide in 2014, with an average growth rate of 2% per year.

UTA Frontrunner

The main artery of the UTA system is a commuter-rail train, known as the Frontrunner, that runs from Provo to Pleasant View. The Frontrunner services more than 17,600 passengers per day, stretching nearly 90 miles along the Wasatch Front. The Frontrunner cars include free Wi-Fi and restrooms and can travel up to 79 miles per hour. The Frontrunner runs every hour Monday through Saturday, with additional runs on the half hour for weekday morning and evening commutes. The nearest frontrunner station, Clearfield Station, is 1.1 miles away from the subject site–a 20-minute walk, 8-minute bus ride on the 470 bus, or a 3-minute drive.

Bus Lines

There closest bus line to the subject site is the 470 route, which connects Salt Lake City to Ogden and runs directly past the subject site on State Street. The 470 route is one of Davis County's busiest lines, and fastest growing–having seen an 18% increase in ridership from 2014 to 2015.

Bike Friendliness

Clearfield city currently has limited bicycle infrastructure on its main roads. However, as mentioned previously, Clearfield has expressed its desire to make the subject site's State Street stretch into a "complete street" which would include adding bike lanes. The addition of bike lines, the flat terrain, and a potential connection to the popular Denver & Rio Grande Western Rail Trail, means that Clearfield–and the subject site in particular–could easily become a bike-friendly area.

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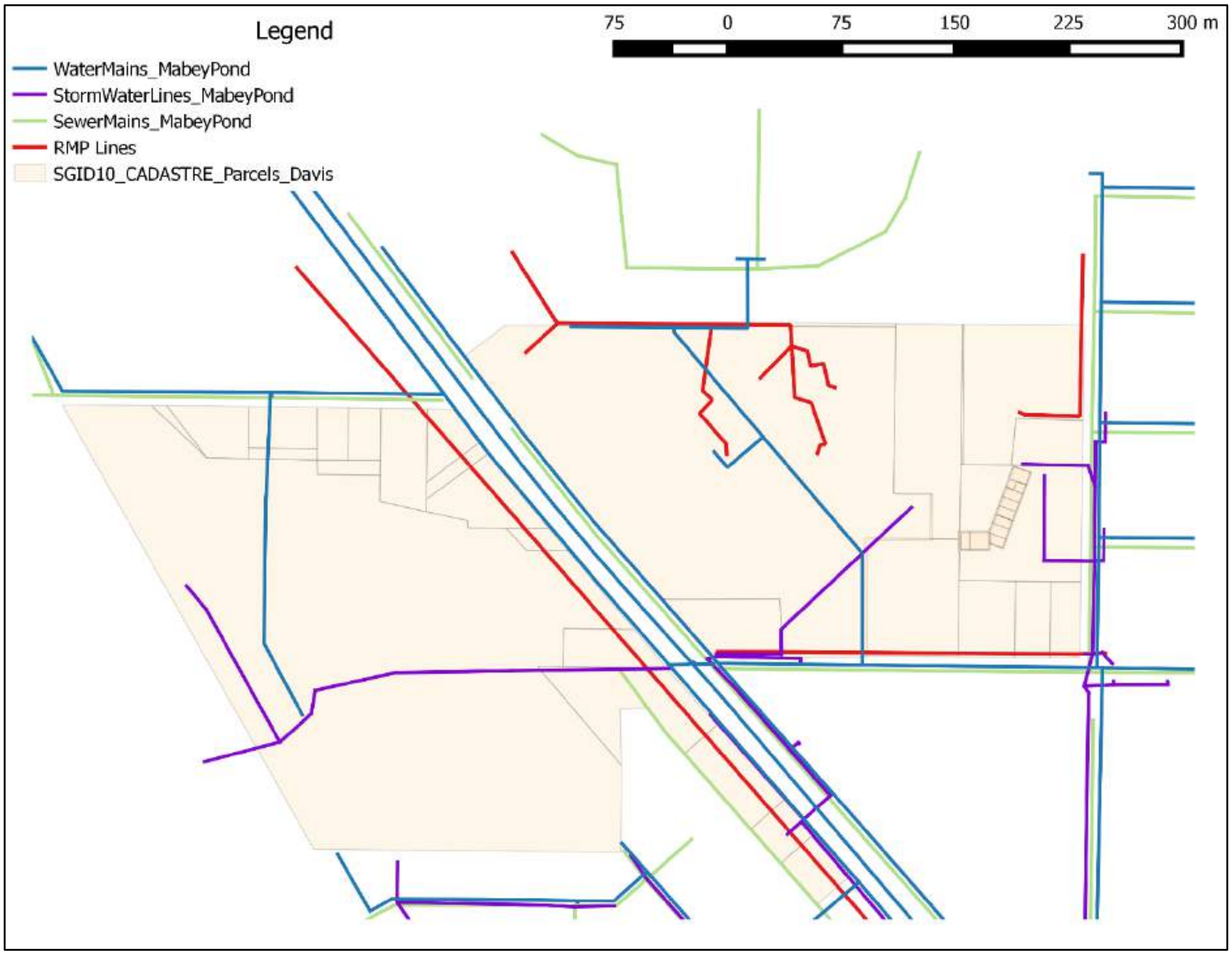
[4] Source: National Transit Database

Utilities

The main utilities connected to the subject site are shown in the figure below. There are mulitple access points to which the site can be connected for water (blue), power (red), stormwater (purple), and sewer (green). The mobile home park site slightly slopes down away from the sewer line that runs with State Street, meaning that development on the site would likely be connected to the sewer line shown on the northwest corner of the site.



Economic Overview of Area

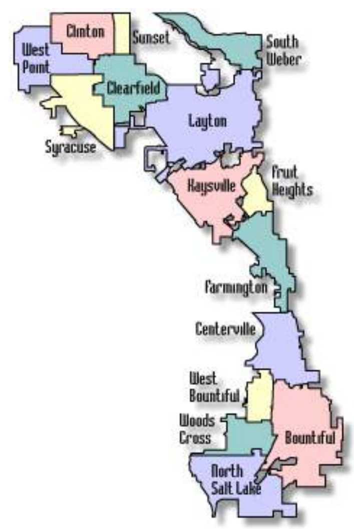
"Always design a thing by considering it in its next larger context - a chair in a room, a room in a house, a house in an environment, an environment in a city plan."

-Eliel Saarinen

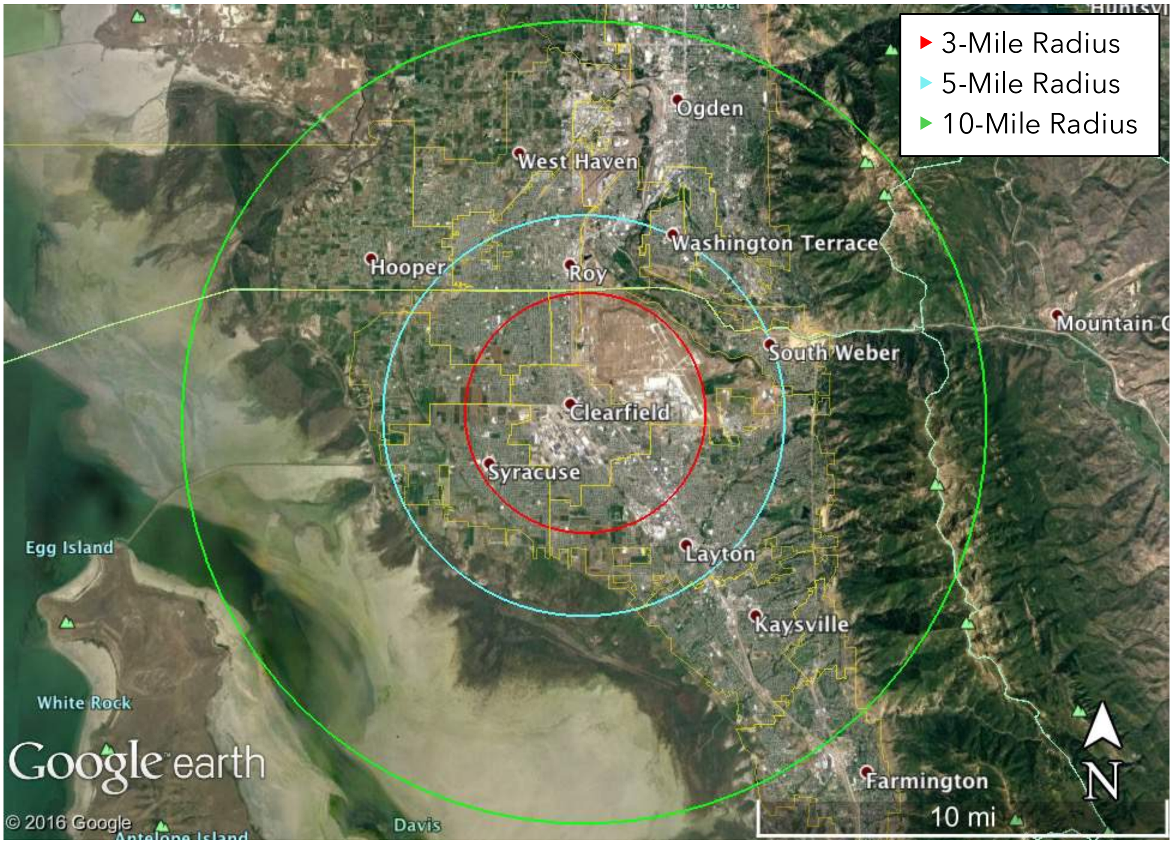
A real estate project–particularly a large-scale mixed-use development–is only as successful as the market it's placed in. Understanding the overall economy of the subject area provides great context for understanding the real estate markets of the various segments explored in this feasibility study.

Demographic Overview

Clearfield is in the northern central area of Davis County and is included as part of the Ogden-Clearfield MSA. Clearfield is the third most populated city in Davis County with a population of 30,467–behind Layton (70,790) and Bountiful (43,023). The population within a 3-mile radius of the subject property is expected to grow 8.4% over the next five years–slightly higher than the 5-mi (7.7%) and 10-mi (6.7%) radii. This is likely due to the site's proximity to the high-growth areas west of the subject site in Syracuse, West Point, and Clinton.



Demographics	3 mi	5 mi	10 mi
2016 Population	88,680	194,615	385,389
2021 Population	96,090	209,506	411,220
Pop. Growth 2016-2021	8.36%	7.65%	6.70%
Average Age	31.0	31.9	33.0
Med. Household Income	57,952	64,454	64,656
Med. Home Value	117,796	185,615	195,793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West Haven
Washington Terrace
Hooper
Roy
Mountain G
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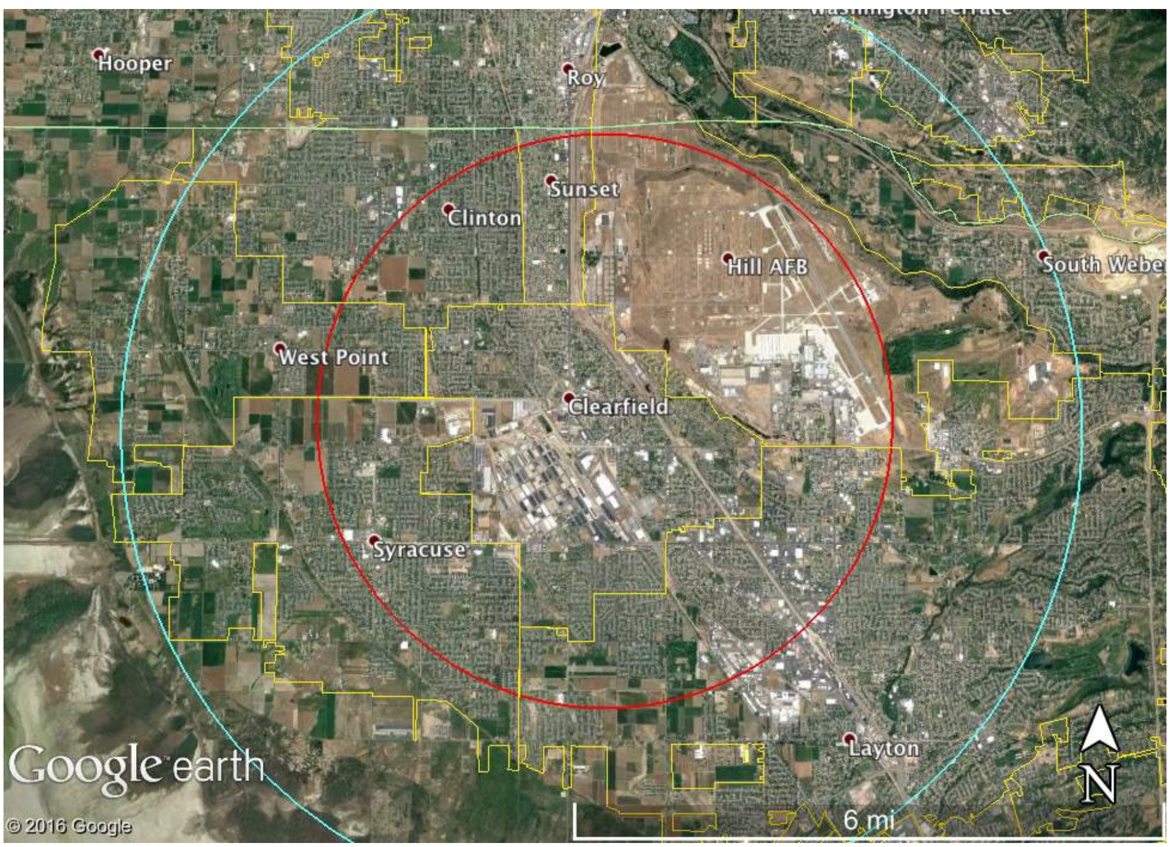
Hooper
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Sunset
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Hill AFB
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West Point
Clearfield
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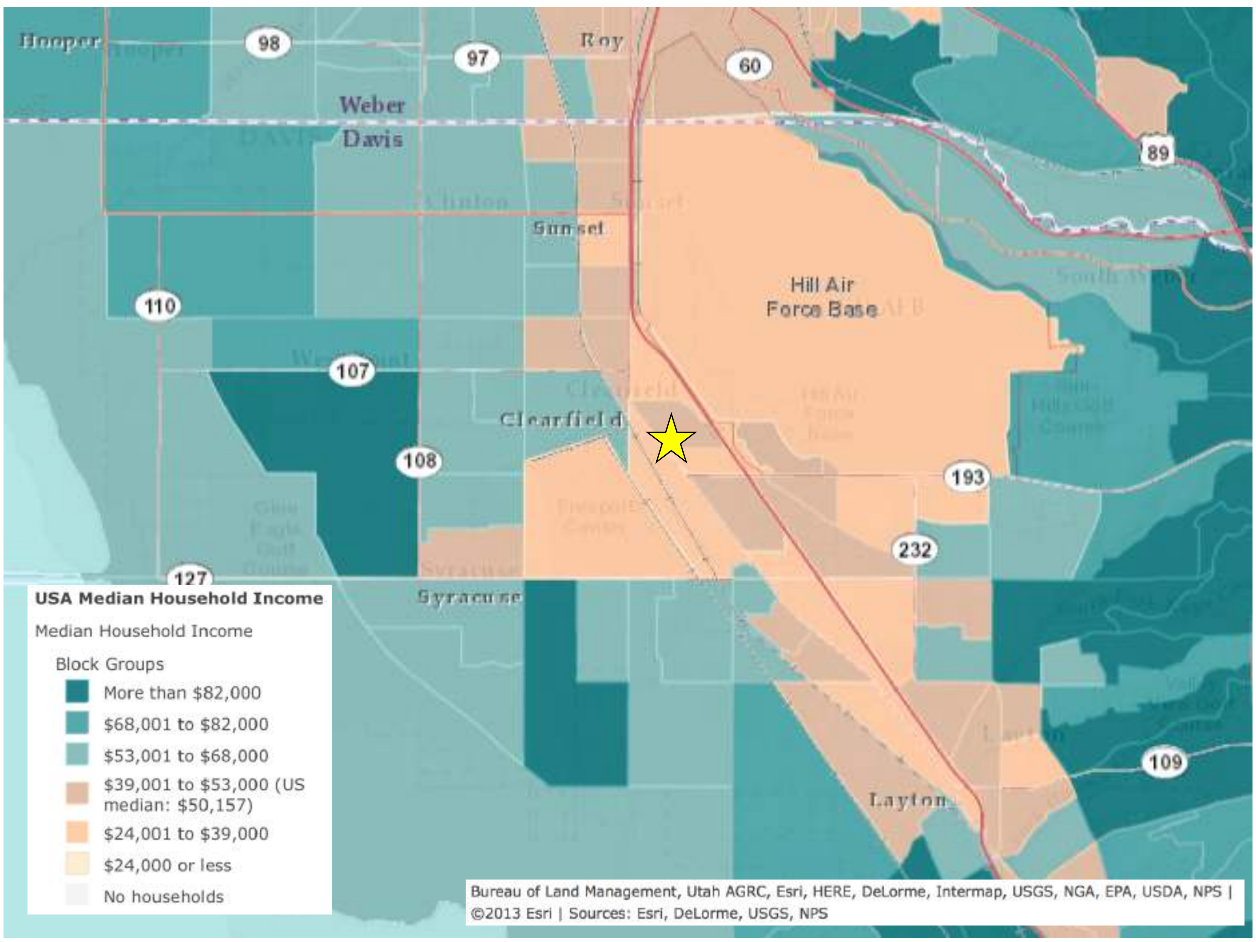
Compared to adjacent communities, Clearfield is on the low end of median age, median household income, and median home value.

	Clearfield	Sunset	Clinton	West Point	Syracuse	Layton
Population	30,653	5,183	21,399	10,345	27,395	74,143
Average Age	27.0	29.0	29.0	29.3	28.6	29.7
Med. Household Income	48,158	51,658	71,865	78,386	86,158	66,665
Med. Home Value	152,600	131,500	183,400	212,900	248,200	200,200

Income

As shown in the heat map below, the I-15 corridor shows relatively lower median household incomes around the project site with higher incomes shown on the East Bench, and west of the I-15 corridor in Syracuse and West Point.



Employment

Since 2010, the labor market has continued to steadily improve in Davis County, Utah, and the United States. In August 2016, the unemployment rate in the United States was 4.9% (down from 5.1% in August 2015), 3.7% in the state of Utah (up from 3.6% in August 2015), and 2.9% in Davis County (down from 3.3% in August 2015).

Unemployment	USA	Utah	Davis
Rate (Aug 2016)	4.9%	3.7%	2.9%
YOY Change (%)	-0.2%	0.1%	-0.4%

Large employers in the county include Hill Air Force Base, Davis County School District, Davis County, Lagoon Amusement Park, and Lifetime Products. Hill Air Force Base and Lifetime Products are both based in Clearfield near the subject site.

Employer	Employees
Hill Air Force Base	10,000 - 14,999
Davis County School District	7,000 - 9,999
Davis County	1,000 - 1,999
Lagoon Amusement Park	1,000 - 1,999
Lifetime Products	1,000 - 1,999

The Ogden-Clearfield MSA, which is comprised primarily of Weber and Davis counties, shows an annual job growth rate of 3.2% from 2012 to 2015. The industries most relevant to Clearfield include manufacturing (4.3% annual growth), transportation and warehousing (3.7%) and wholesale trade (2.9%). Since the industries with the largest gains are largely products of overall economic conditions, the historic growth rate of 3.2% will be adjusted down to 2.1% for future employment projections[5].

Weber-Davis Employment	**2012**	**2015**	**Growth**	**CAGR**
Agriculture, Forestry, Fishing & Hunting	669	972	45.3%	13.3%
Utilities	727	716	-1.5%	-0.5%
Construction	11,973	15,069	25.9%	8.0%
Manufacturing	22,620	25,690	13.6%	4.3%
Wholesale Trade	5,694	6,210	9.1%	2.9%
Retail Trade	24,959	26,456	6.0%	2.0%
Transportation and Warehousing	6,949	7,759	11.7%	3.7%
Information	2,443	2,295	-6.1%	-2.1%
Finance and Insurance	5,844	6,656	13.9%	4.4%
Real Estate and Rental and Leasing	1,963	2,380	21.2%	6.6%
Professional Scientific & Technical Svc	10,262	12,232	19.2%	6.0%
Management of Companies and Enterprises	1,301	1,315	1.1%	0.4%
Admin., Support, Waste Mgmt	11,306	13,423	18.7%	5.9%
Education Services	19,982	21,108	5.6%	1.8%
Health Care and Social Assistance	23,527	25,701	9.2%	3.0%
Arts, Entertainment, and Recreation	5,137	5,705	11.1%	3.6%
Accommodation and Food Services	14,748	16,454	11.6%	3.7%
Public Admin and Other	30,216	30,047	-0.6%	-0.2%
Total	200,320	220,188	9.9%	3.2%

Source: UT Department of Workforce Services

[5] UT Department of Workforce Services

The Utah Department of Workforce Services has projected an overall annual job growth rate of 2.1% for Weber and Davis counties. The following projected growth rates for each industry is based on a consolidation of Workforce Services projections, Woods & Poole, and Better City's analysis of historic trends.

Projected Weber-Davis Employment	Rate	2015	2017	2019
Agriculture, Forestry, Fishing & Hunting	0.3%	972	978	984
Utilities	1.0%	716	730	745
Construction	2.5%	15,069	15,832	16,633
Manufacturing	1.2%	25,690	26,310	26,945
Wholesale Trade	1.5%	6,210	6,398	6,591
Retail Trade	2.1%	26,456	27,579	28,749
Transportation and Warehousing	1.7%	7,759	8,025	8,300
Information	2.0%	2,295	2,388	2,484
Finance and Insurance	2.5%	6,656	6,993	7,347
Real Estate and Rental and Leasing	2.7%	2,380	2,510	2,648
Professional Scientific & Technical Svc	2.4%	12,232	12,826	13,449
Management of Companies and Enterprises	0.5%	1,315	1,328	1,341
Admin., Support, Waste Mgmt	1.8%	13,423	13,911	14,416
Education Services	2.2%	21,108	22,047	23,028
Health Care and Social Assistance	3.1%	25,701	27,319	29,039
Arts, Entertainment, and Recreation	2.2%	5,705	5,959	6,224
Accommodation and Food Services	2.0%	16,454	17,119	17,810
Public Admin and Other	2.4%	30,047	31,476	32,973
Total	2.1%	220,188	229,727	239,707
New Jobs		-	9,539	19,519

Source: UT Department of Workforce Services, Woods & Poole, Better City

Based on this analysis, employment in Weber and Davis counties is expected to grow at an average rate of 2.1% per year with the biggest percentage gains coming from health care (3.1%), real estate and construction (2.7% and 2.5% respectively), and professional scientific and technical services (2.4%). Weber and Davis counties are expected to add an additional 9,539 jobs by 2017 and 19,519 jobs by 2019.

In general, the strong population and job growth indicate a bright future for Davis County. The strong growth of high-income areas west of the I-15 corridor in Syracuse and West Point indicate a significant need for commercial, retail, and entertainment west of the freeway. The primary drivers of the project will likely come from these high growth areas and from whatever residential uses can be added to or near the subject site.

Mixed-Use Concept

What differentiates a "mixed-use" development from a regular, single-use development? In 2006, several planning and development associations formulated an industry-wide definition of "mixed-use development":

> *A mixed-use development is a real estate project with planned integration of some combination of retail, office, residential, hotel, recreation or other functions. It is pedestrian-oriented and contains elements of a live-work-play environment. It maximizes space usage, has amenities and architectural expression and tends to mitigate traffic and sprawl.*[6]

Benefits of Mixed-Use Development

There are many widely known benefits to mixed-use projects that single-use projects can't provide, including:

Economic Synergy

A project with multiple separate-but-complimentary components can create an economic synergy that can't be replicated by single-use developments. For example, in a mixed-use project, retail and entertainment uses would be supported by office workers during the day and residents at night. The constant presence of people on site makes the location more valuable to quality retailers, restaurants, and entertainment venues, which in turn makes the location more valuable to residents and office workers.

Walkability

If a place is walkable, it means that it is located within proximity to a wide variety of places of interest and is pedestrian friendly, meaning safe sidewalks and interesting streetscapes. Increased walkability has been shown to be correlated with higher real estate values, better health, lower crime, increased social capital, and an overall better quality of life. Lower reliance on automobiles means cleaner air, and more discretionary income for residents to spend elsewhere.

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[6] Industry associations include: International Council of Shopping Centers (ICSC), National Association of Industrial and Office Properties (NAIOP), Building Owners and Managers Association International (BOMA) and National Multi Housing Council (NMHC). Taken from "An Empirical Study of the Efficacy of Mixed-Use Development: The Seattle Experience by James R. DeLisle and Terry V. Grissom

Fiscal Impact

From the above definition of mixed-use, a mixed-use project maximizes space usage. This means space is not wasted on underutilized parking lots, unnecessary car access lanes, or low-density single-use buildings with large setbacks. This land use efficiency results in a much higher fiscal impact per acre than single-use developments. The benefit of infill development versus greenfield development is lower infrastructure cost and lower incremental municipal service requirements.

Character

A mixed-use development, when done right, becomes a city-within-a-city–allowing residents to live, work, and play within a relatively confined area. Outside visitors will enjoy tapping into this "sense of place," allowing them to indulge in the wide variety of shopping, dining, and entertainment options.

What Makes Mixed-Use Successful

After surveying numerous mixed-use projects around the country, there are many common characteristics shared amongst successful mixed-use projects (and failed mixed-use projects!) that will help guide the development of the project area. Success factors include:

Complementary & Distinct Uses

Successful mixed-use projects include a minimum of three revenue-producing uses. It is critical that each of these uses succeed financially on their own and preferably that no one use subsidize another use[7]. In order to generate the synergy that comes only through mixed-use, each of the project uses must be "significant" in scale. The entire project should not be smaller than 100,000 SF of revenue-producing space.

Right-Sized Uses

Successful mixed-use projects are responsive to market needs–they are not forced. It is critical that the project be designed according to what the market needs and what the project can support financially.

Transportation Options

Successful mixed-use projects are pedestrian friendly, bike friendly, and offer numerous public transit options within a walkable distance of the site (ideally less than 0.25 miles). With the rise of

[7] Because of the intended catalytic nature of the subject redevelopment, some uses may have to be subsidized by others in the early years in order to achieve the desired use mix.

ride sharing services, the project should have easily identifiable and accessible pick-up and drop-off spots as well.

Rendering of Metro Crossing at Metro Centre, Owings Mills MD

Public Space

In many cases, successful mixed-use projects feature attractive public spaces comprised of seating, public art, landscaping, water features, plaza space, amphitheaters, and playground equipment. The public space should be compelling enough that people would be willing to visit the project for the public space alone.

Commercial Viability

Since at least one of the components of a mixed-use project will be of commercial nature, it is important that the site be located in a place that is commercially viable–high traffic counts, good visibility and access, strong population and growth, etc.

Broad Appeal

Because millennials tend to be credited with spearheading the urban lifestyle, it can be tempting to design a mixed-use development that caters exclusively to millennials. Successful mixed-use projects know their targeted end-users and design the project to have broad appeal to all age groups and familial arrangements. The configuration of housing, recreational, and retail uses should offer enough variety to appeal broadly.

High Development Standards

The success of a mixed-use project is heavily reliant upon its ability to create a "sense of place." The quality of the design of the project directly influences the types of tenants, residents, and office users that choose to move into the site. As such, it is important that development standards are higher than what exists in the area, while staying financially feasible.

Adheres to Greater Plan

A mixed-use development in an infill location, if done right, should catalyze the immediate area, causing significant spin-off development to occur. It is important that a broader vision be incorporated into the design of the original project. Mixed-use projects have the most significant catalytic impact when government officials anticipate the development and the potential impacts through updating future land use maps, zoning ordinances, buildings standards, and establishing Community Reinvestment Areas.

Community Minded

Along the same lines, a successful mixed-use project considers community residents' input. By engaging the public early in the planning and design stages, valuable feedback can be gathered and incorporated into the project design.

Approach

The primary goal of this feasibility study is to analyze segments of the local real estate market, determine what market needs are, and incorporate them into a financially feasible mixed-use project. Keeping these ideas in mind–of what makes a successful mixed-use project–the rest of the study will focus on analyzing specific real estate uses and determine if and to what extent they should be included in the project.

Office

The purpose of this section is to ultimately make a recommendation regarding the inclusion of an office component as part of the subject project and if so, in what capacity. The ultimate recommendation will be formulated based on analyzing vacancy rates, lease rates, trends in location and design, demand drivers, and current supply on national, regional and local levels.

For purposes of this study, the office market will be analyzed on 4 levels:

1. National Market — United States
2. Metro Market — Wasatch Front
3. Secondary Market — Weber and Davis Counties (Clearfield-Ogden MSA)
4. Primary Market — 5-mi radius around subject site

National Market

According to a study conducted by Jones Lang LaSalle, the 3rd quarter of 2016 showed steady growth in office markets across the United States. Vacancy continued to decline, rental rates continued to increase, net absorption outpaced new deliveries, and the construction pipeline is approaching its cycle "peak."[8]

National Office	CBD	Suburban	Combined
Vacancy	12.1%	15.9%	14.5%
Lease Rates / SF	44.23	26.98	32.35
Quarterly Rent Change	1.0%	0.2%	1.0%
YTD Net Absorption	0.5%	1.1%	0.9%

Nationally, office in Central Business Districts shows a lower vacancy rate (12.1%) than its suburban counterparts (15.9%). Lease rates, as generally expected, are significantly higher in CBDs ($44.23/SF/yr) than in suburban markets ($26.98), although both areas have seen positive rental rate growth–1.0% growth in CBDs from Q2 2016 and 0.2% in the suburbs. Office space is being absorbed faster in the suburbs, however. The year-to-date net absorption, as a percentage of total inventory, is 1.1% in the suburbs and 0.5% in the CBD. Both suburban and CBD office markets each have just over 50 million square feet under construction/renovation each.

[8] United States Office Outlook Q3 2016 by Jones Lang LaSalle. Accessed at http://www.us.jll.com/united-states/en-us/research/office-outlook

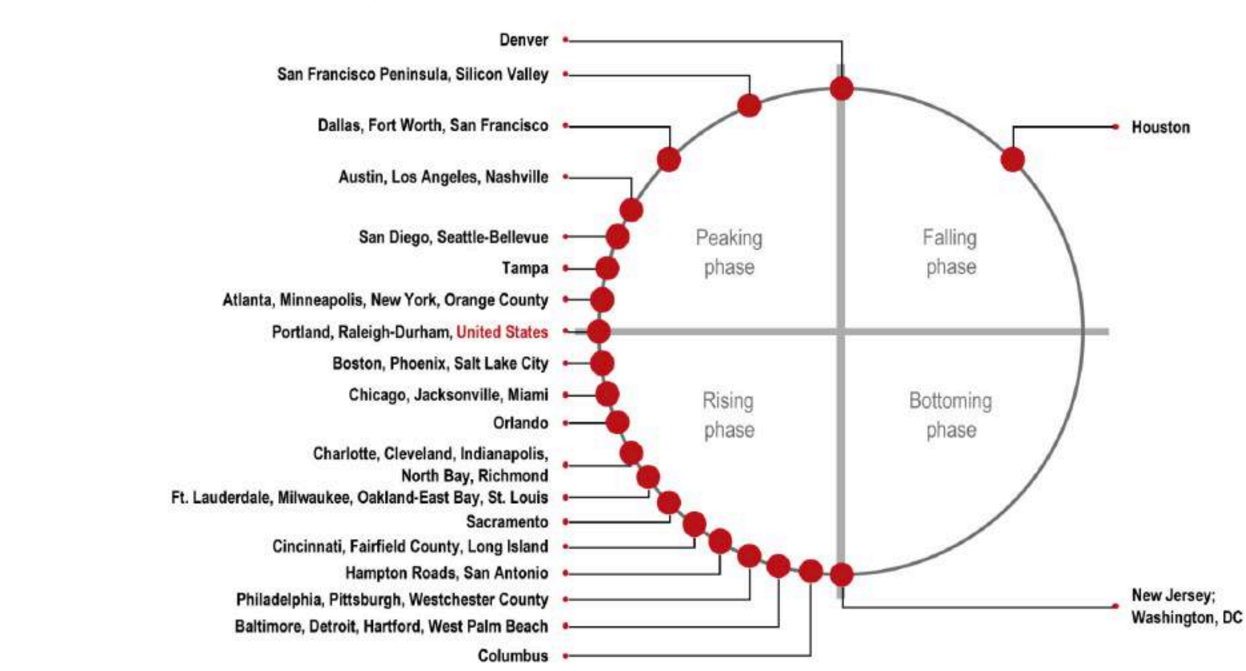
Office Property Clock

Like all real estate sectors, office performance operates in cycles. By taking vacancy, rental rates, new construction, and market absorption into account, JLL analyzes major office markets in the United States and places each of them on an "office property clock," which illustrates where each of the markets are in their respective cycles. Understanding where both national and local office markets are in the cycle is vital to determing feasibility of new office construction. Below is a depiction of the various segments of the office property clock and their characteristics.

Based on Q3 2016 office market data, the office market in the United States is in the process of transitioning from the "rising phase" to the "peaking phase." This is demonstrated by the below-equilibrium vacancy rates, rental rates above replacement cost, and the large amount of office in the construction pipeline.

During the peaking phase, rental rates will continue to increase, although at a slower pace, and vacancy will continue decline, although at a slower pace as well. New construction will continue to come on line while the market stays in the peaking market and will only slow down once new supply begins to outpace new demand ("falling phase").

United States office property clock



Source: JLL

Given the estimated cycle placement for the US and Salt Lake City office markets, and considering nothing else, the office sector should remain strong for the next 1-3 years as it moves through the peaking phase and as new construction is absorbed.

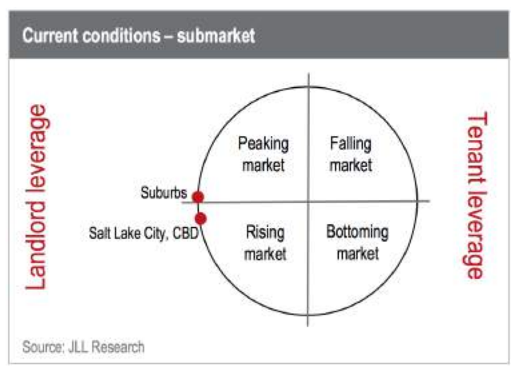
Metro Market

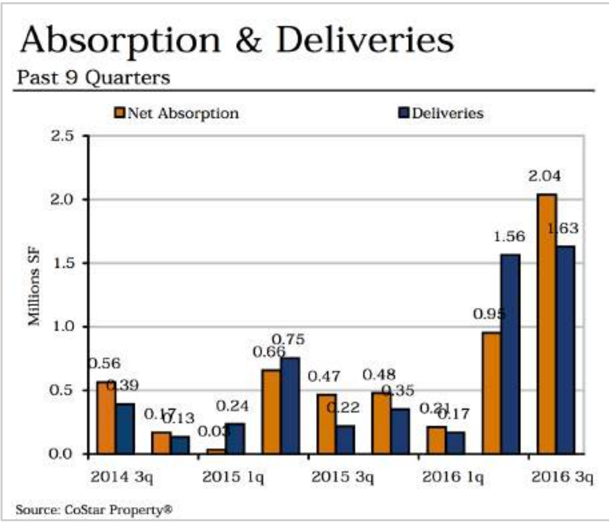
The 3rd quarter of 2016 continued to show strong office growth in the Metro Salt Lake area with office vacancy at a cyclical low of 6.1%. Office lease rates are $19.57/SF–down slightly from the 2nd quarter average lease rate of $20.09/SF. The Salt Lake market showed a strong positive net absorption of 2,038,541 SF in the 3rd quarter, up significantly from 952,504 SF in the 2nd quarter and 211,497 SF in the 1st quarter of 2016. Total year-to-date net absorption is positive 3,202,542 SF. Most of this absorption is in the Class A space, which includes large projects in Salt Lake CBD (111 Main) and several other projects in Lehi, Draper, and South Jordan.

Salt Lake	Bldgs	SF	YTD Absorp (SF)	YTD Absorp (%)	Vacancy (SF)	Vacancy (%)	Lease Rate
Class A	212	25,353,644	2,000,459	7.9%	2,104,584	8.3%	26.11
Class B	2,746	59,272,314	1,027,148	1.7%	3,232,620	5.5%	17.14
Class C	1,710	12,663,227	174,935	1.4%	588,043	4.6%	12.31
Total	4,668	97,289,185	3,202,542	3.3%	5,925,247	6.1%	19.57
Class A & B	2,958	84,625,958	3,027,607	3.6%	5,337,204	5.7%	19.83

Source: CoStar

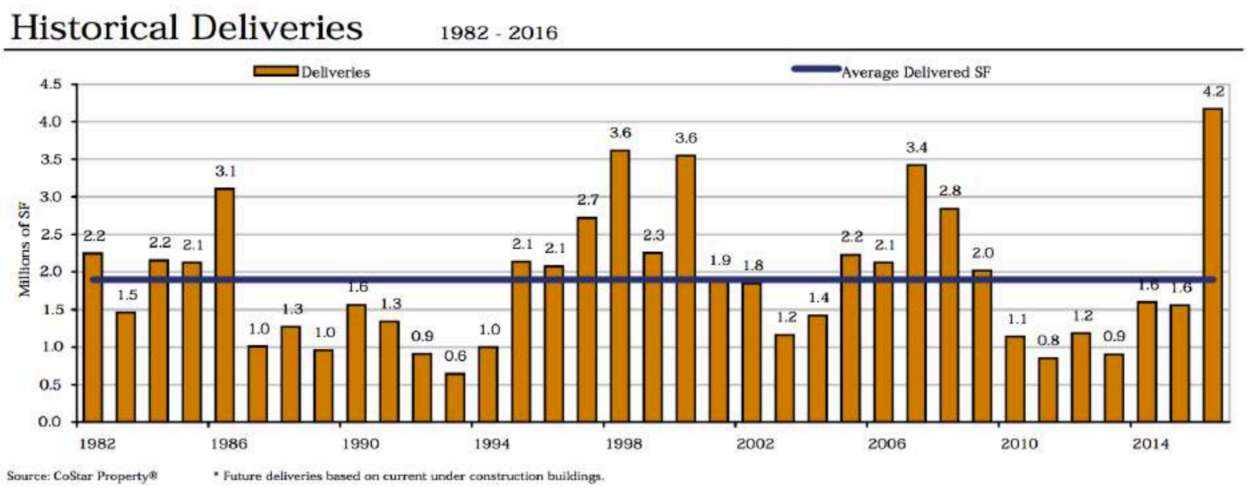
Research analysts at JLL place Salt Lake CBD in the final stretch of the "rising" phase and the Salt Lake Suburbs market in the beginning of the "peaking" phase on the property clock. This implies that although vacancy is extremely low in the Salt Lake market, the amount of new construction in the pipeline will not be enough to significantly dampen demand quite yet. Vacancy will continue to stay low, rates will continue to climb, and net absorption will continue to increase.





In the 3rd quarter, net absorption outpaced deliveries (new office buildings coming online) 2.04 million square feet to 1.63 million square feet. The opposite occurred in the 2nd quarter where 1.56 million square feet of office was delivered but only 0.95 million square feet was absorbed. Overall, 2016 has proven to be a much more eventful year in terms of deliveries and absorption than 2015.

The big story to come out of the Metro Salt Lake office market in 2016 is the level of new office delivered compared to previous years. Accounting for all office buildings built so far in 2016 and those planned to be delivered before year end, there will be 4.2 million square feet of office built in Metro Salt Lake in 2016–smashing 2015 and 2014, each with 1.6 million square feet built.



Secondary Market

Office statistics for Davis & Weber Counties show a slight deviation from the overall Metro Salt Lake market segment. Office vacancy in Q3 2016 in the secondary market was slightly weaker than Salt Lake, but still strong at 6.7%. Asking rental rates are also lower at $16.03/SF. The discrepancy in lease rates between the secondary and metro office markets is likely due to the low share of Class A office buildings in Davis and Weber Counties relative to Salt Lake City CBD and other Class A markets in Salt Lake like South Valley (Draper and South Jordan) and Cottonwood.

	Secondary	Metro	National
Vacancy	6.7%	6.1%	15.9%
Lease Rates / SF	16.03	19.57	26.98
YTD Net Absorption	2.1%	3.3%	1.1%

Source: CoStar

A closer look at the office inventory in the secondary market shows that the office market is made up, almost exclusively, of Class B and Class C properties. Class A office properties account for 1.8% of all office buildings in the secondary market and 7.0% of total office square footage. Class A & B office properties show a 2.5% YTD net positive absorption, slightly lower than Metro Salt Lake at 3.6%. Vacancy for Class A & B buildings in the secondary market is 6.8%, slightly higher than Metro Salt Lake's at 5.7%.

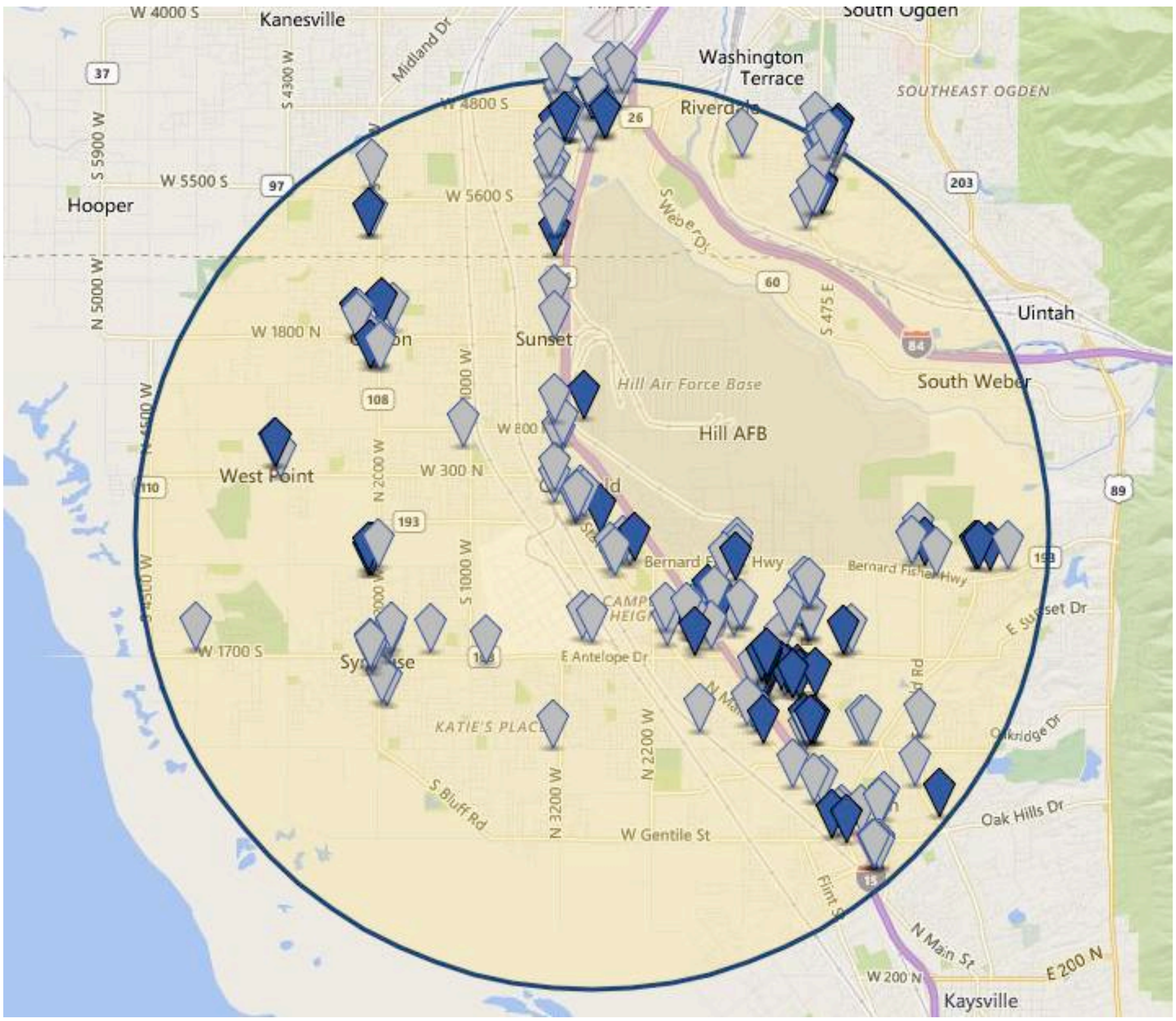
Secondary Market	Bldgs	SF	YTD Absorp (SF)	YTD Absorp (%)	Vacancy (SF)	Vacancy (%)	Lease Rate
Class A	15	784,365	22,389	2.9%	92,801	11.8%	21.81
Class B	454	7,733,107	191,376	2.5%	487,570	6.3%	16.04
Class C	345	2,734,533	21,017	0.8%	168,017	6.1%	12.79
Total	814	11,252,005	234,782	2.1%	748,388	6.7%	16.03
Class A & B	469	8,517,472	213,765	2.5%	580,371	6.8%	16.96

Source: CoStar

Although the Metro Salt Lake office performance is primarily driven by the Salt Lake CBD and hot suburban office markets like South Valley (with over 1 million square feet of office under construction), the Davis and Weber office markets have certainly benefited from low vacancy and positive net absorption.

Primary Market

The 5-mi radius around the subject site has 222 office buildings, comprising of approximately 2.9 million square feet. Class A office makes up 8.5% of the total office market with approximately 247,000 square feet in 6 buildings. Class B makes up 65.6% of the market with approximately 1.9 million square feet in 126 buildings. Class C makes up the remaining 25.8% of the office market with 748,000 SF in 90 buildings. Vacancy in the primary market is higher than in the secondary market at 8.9%, while lease rates are slightly lower at $15.01 per square foot. The map below shows placement of office buildings in the primary market, most of which are along the I-15 corridor with large clusters in Layton and the Legend Hills area.



The characteristics of the various building classifications in the primary market are generally consistent with the secondary market. The only obvious inconsistency in the primary market is the discrepancy in lease rates between Class A and Class B properties. In the primary market, the average available Class A space is asking for $22.60 per square foot, whereas Class B is asking for $14.36–representing a 57% discount. In the secondary market, this same transition from Class A to Class B means going from a $21.81 lease rate to $16.04–representing a 36% drop. This is likely explained by the smaller sample size in the primary market. Six of the 15 Class A office buildings in Weber and Davis Counties are located in the primary market.

Primary Market	Bldgs	SF	Share (SF)	Vacancy (SF)	Vacancy (%)	Lease Rate	Avg Yr Built
Class A	6	246,785	8.5%	29,073	11.8%	22.60	2005
Class B	126	1,899,968	65.6%	191,614	10.1%	14.36	1998
Class C	90	748,120	25.8%	36,842	4.9%	12.40	1975
Total	222	2,894,873	100.0%	257,529	8.9%	15.01	1993
Class A & B	132	2,146,753	74.2%	220,687	10.3%	15.45	1999

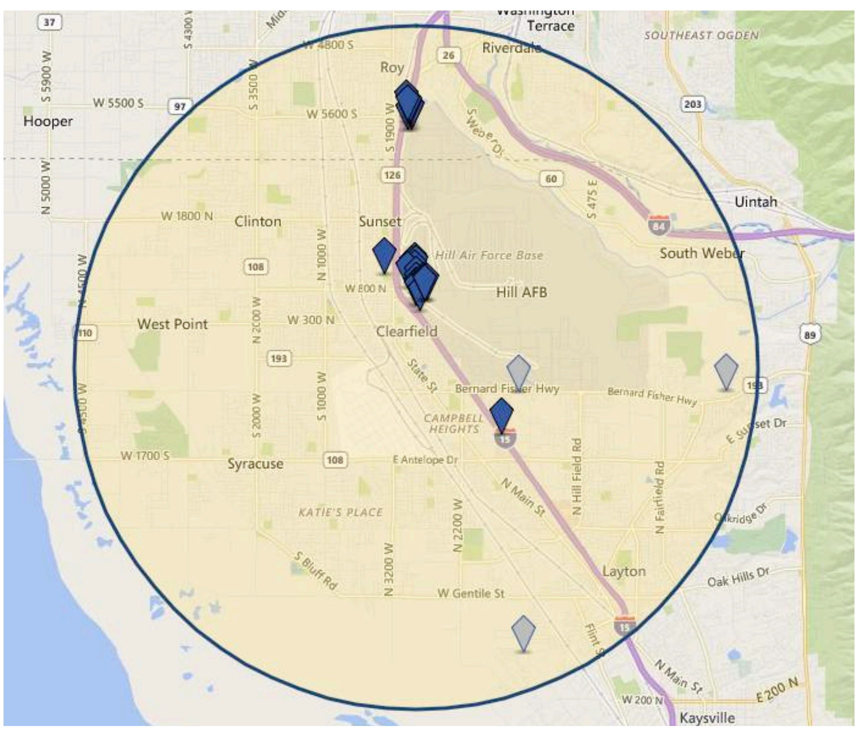
Source: CoStar

Overall, compared to the secondary and metro markets, the primary market shows slightly lower lease rates and slightly higher vacancy. Based on the performance of the Metro Salt Lake market, the primary market is on the lower-performing end of office markets in the metro area.

Development Pipeline

The total office development pipeline in the secondary market consists of approximately 630,000 SF of office. This pipeline consists of 3 projects that have been delivered so far in 2016 (67,000 SF), 2 projects that are under construction (assumed to be delivered in 2017 – 37,000 SF), and 10 projects that are proposed (525,000 SF).

Address	City	SF	Class	Status
1477 N 2000 W	Clinton	32,885	B	Delivered 2016
1649 E Antelope Dr	Layton	23,000	B	Delivered 2016
4550 Harrison Blvd	Ogden	11,080	B	Delivered 2016
1700 E Hwy 193	Layton	8,784	B	Under Construction
375 N Main St	Kaysville	28,314	B	Under Construction
Falcon Hill Bldg #1	HAFB	80,000	A	Proposed
1250 W 1050 N	Centerville	15,030	B	Proposed
237 N 1310 W	Centerville	13,000	B	Proposed
1950 E Hwy 193	Clearfield	50,000	B	Proposed
500 Deseret Dr #1	Kaysville	50,000	A	Proposed
500 Deseret Dr #2	Kaysville	50,000	B	Proposed
SW Layton Pkwy	Layton	12,000	B	Proposed
2256 N Washington	Ogden	27,000	B	Proposed
1216 W Legacy Crossing	Centerville	28,224	B	Proposed
1400 Legend Hills	Clearfield	200,000	B	Proposed
Total Pipeline		629,317		Source: CoStar



Falcon Hill - *Hill Air Force Base*

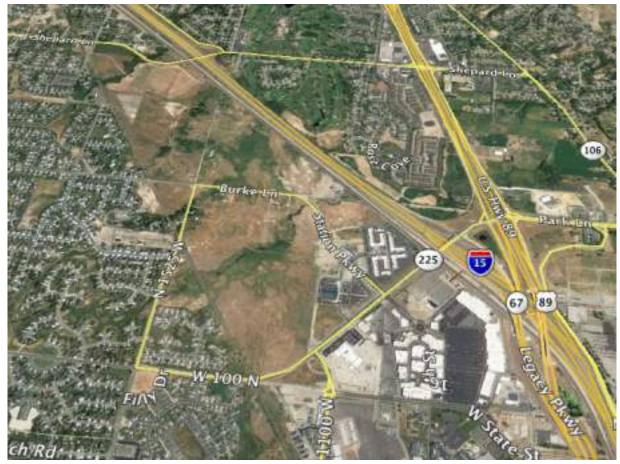
Hill Air Force Base is planning a 1.3 million square foot retail, office, and hotel project called Falcon Hill, located on the west side of HAFB, on the east side of the freeway. The first phase of the project will be placed "inside the fence," catering directly to Air Force related government contractors. The second phase will be placed "outside the fence," which caters to the general public. According to the leasing brokers, preleasing activity has occurred for office space inside the fence, but very little for outside the fence. Since a lot of the "inside the fence" office activity is replacing old office stock on base, this office space is not considered as part of the development pipeline for purposes of this study. Although there is over 1 million square feet of office planned for "outside the fence," development will commence only once a building is 20-30% preleased. Each planned building is between 70,000 and 80,000 square feet. As such, only one of these buildings has been factored into the development pipeline calculation, although it is assumed that a large portion of future office demand in the primary market will be absorbed in Falcon Hill.

Legend Hills - *Clearfield*

The existing Legend Hills office complex in Clearfield has approximately 40 adjacent acres zoned for office and retail listed for sale. The new flagship store for RC Willey is being built on adjacent land to the southwest of the land for sale. In conversations with the listing broker, the share of land used for office versus retail will be determined by market interest once the RC Willey is built. As such, the listing broker estimates a development pipeline of 200,000 square feet of office and 200,000 – 300,000 square feet of retail.

North Station - *Farmington*

The 267-acre area immediately north of Station Park in Farmington has been slated for a future office/retail development, which could hold as much as 3.0 million square feet of office and 500,000 square feet of retail. The location of the development in Farmington (south Davis County) is well-positioned to capture any future Salt Lake City office spill-over. Whereas current Salt Lake spill-over is channeled south of Salt Lake, if the trend reverses, with spill-over channeled north, North Station would likely capture most of this office demand. This development is currently in early planning stages and is awaiting critical UDOT decisions which would greatly impact site access.



Pipeline Conclusions

Even though the primary market holds only 26% of the secondary market's existing office supply, it accounts for 54% of the development pipeline. This is due to the site's close proximity to large office projects like Legend Hills and Falcon Hill. It is likely that any new office demand generated in the primary market will be absorbed primarily by these large projects. Although only 80,000 square feet of the Falcon Hill development is accounted for in the development pipeline, this amount could increase drastically if more interest is generated in the Falcon Hill area.

Demand

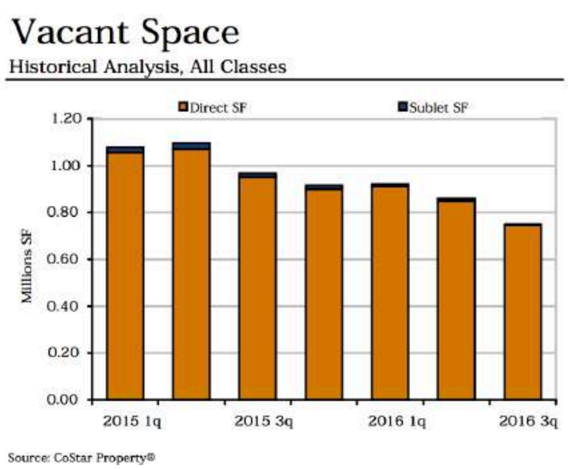
Current demand is best illustrated by analyzing trends in vacancy and lease rates, the future development pipeline, and above all, employment growth. Strong lease rate growth combined with declining vacancy implies excess demand while below-average lease rates and occupancy implies stagnant or declining demand.

A simple comparison of vacancy and lease rates within the primary, secondary, and metro markets shows that the primary market is somewhat of a drag on the secondary and metro office markets–implying that demand in the metro market is being driven by other markets like the Salt Lake City CBD and markets south of Salt Lake City.

	Primary	Secondary	Metro
Vacancy	8.9%	6.7%	6.1%
Lease Rates	15.01	16.03	19.57

Source: CoStar

Analysis conducted by CoStar shows that vacancy has been steadily declining in the secondary market, with lease rates stagnant around the $16 per square foot range. With a weak development pipeline and low vacancy in the secondary market, new potential Class A and Class B office users in the metro area will likely move to areas in metro Salt Lake where adequate space is more readily available. The most likely candidates for office users in the primary and secondary markets are those who are already located in the market and who are looking to relocate or expand nearby.



Job Growth

Based on employment projections in the "Economic Overview" section of this report, Weber and Davis counties are expected to add an estimated 9,539 jobs by 2018 and 19,519 jobs by 2020. Employment growth is the largest driver of office demand, however, because some industries rely on office space more than others, the level of growth that occurs in the overall job market does not necessarily translate to a commensurate growth in new office space demand.

Applying an "office share" metric to each of the employment categories helps determine what employment gains result in an increase in office space demand. The office share metrics are based on an in-depth analysis commissioned by the National Association of Realtors. Based on this analysis, 3,542 new office jobs will be added to Davis and Weber Counties by 2018 and 7,252 new office jobs by 2020. Assuming each new employee requires 225 SF of office space and a 10% building vacancy, approximately 885,000 SF of new office will be required by 2018 and just over 1.8 million SF by 2020 in the secondary market.

Projected Office Jobs	Office Share	2016	2018	2020
Agriculture, Forestry, Fishing & Hunting	20%	194	196	197
Utilities	40%	286	292	298
Construction	15%	2,260	2,375	2,495
Manufacturing	30%	7,707	7,893	8,084
Wholesale Trade	50%	3,105	3,199	3,296
Retail Trade	15%	3,968	4,137	4,312
Transportation and Warehousing	20%	1,552	1,605	1,660
Information	70%	1,607	1,672	1,739
Finance and Insurance	95%	6,323	6,643	6,980
Real Estate and Rental and Leasing	45%	1,071	1,130	1,192
Professional Scientific & Technical Svc	90%	11,009	11,543	12,104
Management of Companies and Enterprise	80%	1,052	1,062	1,073
Admin., Support, Waste Mgmt	35%	4,698	4,869	5,046
Education Services	50%	10,554	11,024	11,514
Health Care and Social Assistance	40%	10,280	10,928	11,616
Arts, Entertainment, and Recreation	15%	856	894	934
Accommodation and Food Services	5%	823	856	891
Public Admin and Other	40%	12,019	12,590	13,189
Total Office Jobs	-	79,365	82,907	86,617
New Office Jobs	-	-	3,542	7,252
New Office SF Required*	-	-	885,525	1,813,000

*Assuming 225 SF/Employee and a 10% vacancy

Source: National Association of Realtors, Better City

Beginning with 1.8 million SF of required office space by 2020 and backing out the 630,000 SF of development pipeline results in 1.18 million square feet of total office development potential in the secondary market through 2020.

Required Office Space	**1,813,000**
Less 2016 Deliveries	66,965
Less Under Construction	37,098
Less Remaining Proposed	525,254
Development Potential	1,183,683

Of the 11.2 million SF of total office space in Weber and Davis Counties, the primary market (5-mile radius around the subject site) holds 2.9 million SF, or 26% of the market office share.

Area	**Office SF**
Weber-Davis	11,213,844
5-mi Radius	2,906,293
Share of Mkt	*26%*

If the primary market continues to capture 26% of the Weber-Davis office market, the primary market has a development potential of just over 300,000 SF of office by 2020.

The I-15 Factor

A comparison of office buildings within the primary area located east of the freeway versus west of the freeway confirms what anecdotal evidence has suggested–that the west side of the freeway has a much harder time supporting office than the east side. Office vacancy on the east side of I-15 is 7.7% compared to 10.9% on the west. Average lease rates are $16.04/SF on the east side and $13.70 on the west side (9% below the primary market average of $15.03). The office stock is also much older on the west side at an average build year of 1983 versus 1994 on the east side.

I-15 Factor	**East**	**West**
Vacancy	7.74%	10.87%
Lease Rate	16.04	13.70
Yr Built	1994	1983

Source: CoStar

Although an older building stock implies more opportunity for redevelopment of old buildings, the market pressure to do so must come from excess demand generated on the east side of I-15 which currently does not exist.

Subject Site Office Performance

There are currently 3 small office projects on or near the subject site with office space available for lease. Lakeside Plaza, a 20,000 SF office project, is located on the subject site southeast of Mabey Pond. It is currently 40.2% vacant with asking rents of $10.00/SF NNN[9]. Lakeside Square is also on the subject site with mostly retail occupancy. There is currently 8,925 SF available for office use at a blended asking lease rate of $6.00/SF NNN. Total building vacancy (including retail) is 22.4%. Clearfield Towne Square is not on the subject property but is located approximately 1/4-mile north on State Street. It is also primarily a retail building with some office. The total building vacancy is 22.3% with an asking office lease rate of $11.00/SF NNN. Combined, there is approximately 31,000 square feet of office available for lease at a blended rate of $9.30 per square foot in the subject area. Blended vacancy for these 3 buildings is approximately 24%.

Development	Avail SF	Vacancy	Rate NNN
Lakeside Plaza	7,887	40.2%	10.00
Clearfield Towne Square	14,095	22.3%	11.00
Lakeside Square	8,925	22.4%	6.00
Total/Blended	30,907	23.9%	9.30

Source: CoStar, LoopNet

Although a new office project in this area would presumably attract higher rents than what is currently generated by the project area, it is evident that this pocket of the primary market performs far below the primary office market in general–where the blended asking lease rate is $15.01/SF and vacancy is 8.9%.

Financial Feasibility

Developers and investors will place their money where they can earn a market-rate return–in this case, an estimated 10-12% annual return on equity. If projected market lease rates, financing terms, vacancy rates, and development costs cannot support at least a 10% return on equity, it is likely that a developer will opt out of including office as part of the project.

Based on data collected from Class A/B+ office projects in metro Salt Lake and from RSMeans, total development cost (excluding land acquisition) for new Class A/B+ office would be

[9] Triple-net or NNN means the tenant pays their share of common area maintenance, insurance and property taxes on top of the base lease rate

approximately $140/SF. For purposes of this exercise, $11.27/SF[10] for land acquisition and demolition.

Construction Cost	/SF	%
Hard Cost	110.00	72.7%
Soft Cost	30.00	19.8%
Land Acquisition	11.27	7.5%
Total Development Cost	151.27	100.0%

Source: RSMeans, Better City

Beginning with the blended Class A and Class B asking lease rate of $15.45/SF in the primary market and applying a 9.0% "I-15 factor" discount, the average Class A/B office building in this area should be able to attract a lease rate of $14.00/SF triple-net. Assuming a vacancy rate of 10%, the project produces a net operating income (NOI) of $11.26/SF. Assuming a 65% loan-to-value loan at a 4.5% interest rate over 25 years, debt service is $6.63/SF, leaving an equity cash flow of $4.62/SF or an 8.73% return on equity.

Stabilized Pro Forma	/SF	Factor
Gross Lease Revenue	14.00	
NNN Reimbursables	6.26	
Vacancy	2.03	10.0%
Net Revenue	18.23	
CAM Charges	4.79	
Property Tax	1.47	
Leasing Expenses	0.72	6%
Total Expenses	6.98	
Net Operating Income	11.26	
Debt	98.33	65%
Equity	52.94	35%
Debt Service	6.63	4.5%
Cash Flow	4.62	
Return on Equity	8.73%	

Source: CBC Advisors, Better City

A 7.5% cap rate implies a stabilized project value of $150.13/SF–slightly lower than the total estimated development cost of $151.27/SF.

10 Based on a 3-story, 50,000 SF office building at 25% building coverage and a land acquisition cost plus demolition of $8.45/SF

Office Recommendations

Based on employment projections, there will be approximately 7,252 new office jobs created in Weber and Davis Counties by 2020. These new jobs will require an additional 1.8 million SF of office space, of which approximately 300,000 SF will be absorbed within the 5-mile radius of the subject site after accounting for the current development pipeline. It is assumed that most of this 300,000 SF will be absorbed in or near large planned office projects within the primary market – Falcon Hill and Legend Hills.

A closer look at the performance of office projects located on the east side versus west side of I-15 shows that office on the west side performs worse than the east side in terms of vacancy and lease rates. West side office is also considerably older. An analysis of the 3 closest office projects to the subject site (2 of which are on the subject site) shows below-average lease rates and above-average vacancy rates.

Both qualitative and quantitative data suggests that the subject area struggles to support office. The lack of nearby amenities and overall low-quality of building stock and tenancy results in a lack of market vibrancy needed to attract high-quality office users. In order to absorb new office demand that will be created in the secondary market in coming years, the subject area needs to boost its market vibrancy by adding amenities and increasing the quality of its overall tenancy.

As such, office is not recommended for the project. However, the heavy daytime population that comes with office users would be a huge boon to the greater redevelopment and should be included in subsequent phases once more amenities are added to the project area. Public incentive will likely be required to help an office project on the subject site achieve competitive returns.

Retail

This section analyzes retail performance in national and local markets, industry trends, competition, and site-specific considerations, which ultimately leads to project recommendations.

Retail Types

There are four main retail center types, defined by their sizes (GLA or gross leasable area), general characteristics, anchor types, targeted tenant mix, and required population and household bases, as defined below by the Urban Land Institute.

Center Type	Gross Leasable Area (SF)	Minimum Population to Support	Trade Area Radius (mi)	Trade Area Drive Time (min)
Convenience	<30,000	3,000 - 15,000	<1.5	<5
Neighborhood	30,000 - 100,000	15,000 - 40,000	1.5 - 3	5 - 10
Community	100,000 - 300,000	40,000 - 150,000	3 - 5	10 - 20
Regional	300,000+	150,000 +	3 -12	20 - 30

Source: Urban Land Institute

Although the subject site has the population to support a regional shopping center, the lack of land availability, poor visibility from I-15, and competition from other regional shopping centers in the area, a regional shopping destination, as defined above, is not feasible on the subject site.

Taking into account parcel size, configuration, and commercial viability, the maximum amount of ground-level retail that can be supported on the subject site is likely just under 100,000 SF, implying a primary trade area of 3.0 miles. Within the context of a mixed-use project, the targeted development is commonly referred to as "town center," as defined below:

> *Town centers are open-air, walkable neighborhood business districts, suburban downtowns, and small-town retail cores that contain many of the store types found in lifestyle centers. They may also include pharmacies, hardware stores, dry cleaners, florists, banks, post offices, and other civic space. Professional offices may occupy a significant share of the ground-level space. In some cases, upper-level office or residential uses complement the retail space.*[11]

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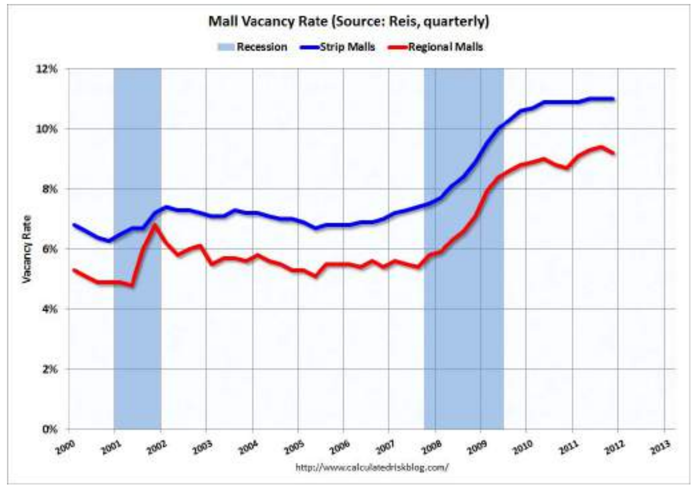
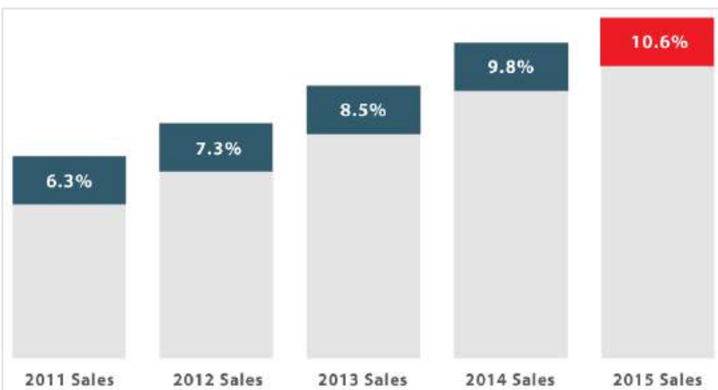
[11] From Real Estate Market Analysis (2009) by Urban Land Institute

Trends in Retail



With the advent of the mall in the mid-20th century, much of the retail industry moved into the climate-controlled safety that it provided. The mall became the ultimate shopping experience by incorporating shopping with dining and other activities under one roof. By the early 2000's this experience had become obsolete. Industry calculations estimate that about one-third of the 1,200 enclosed malls built in the U.S. are dead or dying thanks to shifting consumer preferences and online shopping. Although only 10% of shopping occurs online, the rise in online shopping hurts traditional big-box anchors more than smaller inline retail stores, which in turn hurts the anchor-dependent enclosed mall model.



The rising millennial generation is quickly becoming the largest consumer segment, and their values and shopping preferences are being felt. Millennials prefer open-air facilities in more urban environments that are centered more around experiences rather than shopping alone. A recent study conducted by JLL reports that 82% of millennials still prefer in-store shopping to online. The Millennial segment totals about 80 million Americans who spend about $600 billion a year.

Retail Leakage Update

Whereas Zion's Bank Public Finance's Leakage Study conducted in 2015 was more broad in scope–including an analysis of leakage in auto-related, accommodation, and non-store retailers–this analysis is focused on retail uses that are good candidates for tenancy on the subject site.

An analysis of taxable sales in Clearfield for relevant retail categories shows an overall increase in retail spending per capita of 15% from 2014 to 2015. The categories with the biggest percentage gains include clothing and clothing accessory stores (65%), electronics and appliance stores (56%), and general merchandise stores (17%). Categories with the biggest monetary increase include food services and drinking places ($3 million increase), food and beverage stores ($1.67 million increase), and electronics and appliance stores ($1.5 million increase). The only category that declined during this period was furniture and home furnishing stores at -2.5%, which, at a nominal sales decrease of $9,540 is not significant.

	2014		2015		Δ	
Clearfield Retail Spending	**Total**	**/Pop**	**Total**	**/Pop**	**$**	**%**
MISCELLANEOUS RETAIL TRADE	8,750,067	288.20	10,226,493	333.62	1,476,426	16.9%
FURNITURE & HOME FURNISHINGS STORES	377,124	12.42	367,584	11.99	-9,540	-2.5%
ELECTRONICS & APPLIANCE STORES	2,648,266	87.23	4,128,893	134.70	1,480,627	55.9%
FOOD & BEVERAGE STORES	21,882,676	720.75	23,554,085	768.41	1,671,409	7.6%
HEALTH & PERSONAL CARE STORES	714,379	23.53	792,624	25.86	78,245	11.0%
CLOTHING & CLOTHING ACCESSORIES STORES	1,827,924	60.21	3,015,601	98.38	1,187,677	65.0%
SPORTING GOODS, HOBBY, MUSIC & BOOK STORES	1,739,228	57.28	1,857,233	60.59	118,005	6.8%
GENERAL MERCHANDISE STORES	2,454,241	80.84	2,880,403	93.97	426,162	17.4%
FOOD SERVICES & DRINKING PLACES	22,481,972	740.49	25,504,838	832.05	3,022,866	13.4%
TOTAL	62,875,877	2,070.94	72,327,754	2,359.57	9,451,877	15.0%

Source: Utah State Tax Commission

The same spending categories, for the entire state of Utah, shows a total increase in per capita spending of 5.8%, with the biggest gainers being furniture and home furnishing stores (10.1% increase), food services and drinking places (9.5%), and electronics and appliance stores (6.8%). Of all the categories, food services and drinking places had the largest monetary increase at $382 million.

	2014		2015		Δ	
Utah Retail Spending	**Total**	**/Pop**	**Total**	**/Pop**	**$**	**%**
MISCELLANEOUS RETAIL TRADE	1,655,380,208	579.19	1,662,937,354	555.07	7,557,146	0.5%
FURNITURE & HOME FURNISHINGS STORES	846,750,260	296.26	932,675,718	311.32	85,925,458	10.1%
ELECTRONICS & APPLIANCE STORES	837,680,738	293.09	894,978,983	298.73	57,298,245	6.8%
FOOD & BEVERAGE STORES	4,030,052,165	1,410.04	4,272,743,048	1,426.19	242,690,883	6.0%
HEALTH & PERSONAL CARE STORES	483,019,702	169.00	500,447,746	167.04	17,428,044	3.6%
CLOTHING & CLOTHING ACCESSORIES STORES	1,673,184,535	585.42	1,780,660,441	594.36	107,475,906	6.4%
SPORTING GOODS, HOBBY, MUSIC & BOOK STORES	994,815,438	348.07	1,049,015,484	350.15	54,200,046	5.4%
GENERAL MERCHANDISE STORES	6,157,381,674	2,154.35	6,408,100,919	2,138.94	250,719,245	4.1%
FOOD SERVICES & DRINKING PLACES	4,008,993,555	1,402.67	4,391,132,509	1,465.70	382,138,954	9.5%
TOTAL	20,687,258,275	7,238.09	21,892,692,202	7,307.50	1,205,433,927	5.8%

Source: Utah State Tax Commission

A comparison of the per capita spending figures for Utah and Clearfield show that there is significant retail leakage occurring in Clearfield (meaning that many Clearfield residents are leaving Clearfield to spend money in these categories). In these categories, Clearfield is capturing only 32% of spending, meaning that 68% of Clearfield residents' spending is occurring outside of the city. This amounts to total retail leakage (of these categories) of over $150 million. The overall capture rate in these categories did, however, increase from 28.6% in 2014 to 32.3% in 2015. The capture rate increased the most in electronics and appliance stores (30% to 45%), miscellaneous retail trade (50% to 60%), and clothing and clothing accessories (10% to 17%).

Capture Rate	2014	2015	Δ	Leakage
MISCELLANEOUS RETAIL TRADE	49.8%	60.1%	10.3%	-6,787,992
FURNITURE & HOME FURNISHINGS STORES	4.2%	3.9%	-0.3%	-9,175,167
ELECTRONICS & APPLIANCE STORES	29.8%	45.1%	15.3%	-5,028,161
FOOD & BEVERAGE STORES	51.1%	53.9%	2.8%	-20,162,849
HEALTH & PERSONAL CARE STORES	13.9%	15.5%	1.6%	-4,327,750
CLOTHING & CLOTHING ACCESSORIES STORES	10.3%	16.6%	6.3%	-15,203,378
SPORTING GOODS, HOBBY, MUSIC & BOOK STORES	16.5%	17.3%	0.8%	-8,875,858
GENERAL MERCHANDISE STORES	3.8%	4.4%	0.6%	-62,684,626
FOOD SERVICES & DRINKING PLACES	52.8%	56.8%	4.0%	-19,423,408
TOTAL	28.6%	32.3%	3.7%	-151,669,188

Source: Utah State Tax Commission

The categories with the largest monetary leakage imply the biggest opportunities for new retail in Clearfield. These opportunities include general merchandise stores ($63 million in leakage, 4.4% capture rate), food and beverage stores ($20 million in leakage, 54% capture rate), and food services and drinking places ($19 million in leakage, 57% capture rate).

One way to determine required retail space growth in the future is to project future changes in capture rate for the spending categories that show the most amount of retail leakage currently. The gross potential sales for each category is calculated by multiplying the Utah spending per capita figure by the population of Clearfield in 2015. The gross potential sales are then multiplied by a range of hypothetical future capture rates, which results in estimated future new sales and the corresponding required square feet based on the number of sales (at an average of $250/SF of sales).

General Merchandise Stores	Current	Potential		
Gross Potential Sales	65,565,029	65,565,029	65,565,029	65,565,029
Capture Rate	4.4%	10.0%	15.0%	20.0%
Captured Sales	2,880,403	6,556,503	9,834,754	13,113,006
Leakage	-62,684,626	-59,008,527	-55,730,275	-52,452,024
New Sales	-	3,676,100	6,954,351	10,232,603
New Required SF	-	14,704	27,817	40,930

Food & Beverage Stores	Current	Potential		
Gross Potential Sales	43,716,934	43,716,934	43,716,934	43,716,934
Capture Rate	53.9%	60.0%	65.0%	70.0%
Captured Sales	23,554,085	26,230,160	28,416,007	30,601,854
Leakage	-20,162,849	-17,486,774	-15,300,927	-13,115,080
New Sales	-	2,676,075	4,861,922	7,047,769
New Required SF	-	10,704	19,448	28,191

Food Services & Drinking Places	Current		Potential	
Gross Potential Sales	44,928,246	44,928,246	44,928,246	44,928,246
Capture Rate	56.8%	65.0%	70.0%	75.0%
Captured Sales	25,504,838	29,203,360	31,449,772	33,696,184
Leakage	-19,423,408	-15,724,886	-13,478,474	-11,232,061
New Sales	-	3,698,522	5,944,934	8,191,346
New Required SF	-	14,794	23,780	32,765

Clothing & Clothing Accessories Stores	Current		Potential	
Gross Potential Sales	18,218,979	18,218,979	18,218,979	18,218,979
Capture Rate	16.6%	25.0%	30.0%	35.0%
Captured Sales	3,015,601	4,554,745	5,465,694	6,376,643
Leakage	-15,203,378	-13,664,234	-12,753,285	-11,842,336
New Sales	-	1,539,144	2,450,093	3,361,042
New Required SF	-	6,157	9,800	13,444

Source: Utah State Tax Commission, Better City, ZBPF

This exercise, applied to the four categories showing the most amount of leakage, shows future potential sales from these categories alone capturing up to another $29.0 million of new sales, which would require up to 115,000 SF of new retail space.

Metro Retail Performance

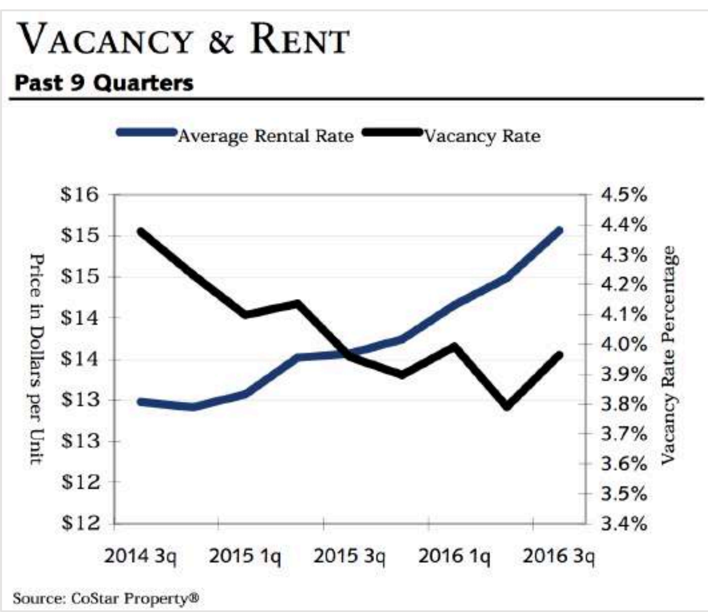
Data figures in this analysis come from CoStar, which separates retail buildings into 5 categories:

Retail Type	Configuration	Example
General Retail	Freestanding	Wendy's, Auto Zone
Mall	Enclosed or open-air	Layton Hills, Station Park
Power Center	Series of big box retailers	Bountiful Crossing
Shopping Center	Series of smaller retailers	Smith's with strip center
Specialty Center	Outlets, themed center	Gardner Village

Source: CoStar

Over the past two years, the overall Metro Salt Lake retail market has performed well, with vacancy trending down and lease rates trending up. The past quarter, however, showed a slight slowdown, with vacancy moving from 3.8% in Q2 to 4.0% in Q3 and a net absorption of -75,990 SF in Q3 coming off a hot Q2 of +555,502 SF. Average asking rental rates increased, however, from \$14.49/SF in Q2 to \$15.07/SF in Q3.

Of the five main retail types, 53% of retail space is classified as "general retail," which generally consists of freestanding buildings. The second largest retail type at 31% is "shopping center," which usually consists of a smaller anchor, like a grocery store, and accompanying inline retail stores. The three other retail types–mall, power center, and specialty center–make up the remaining 16%.



Vacancy is lowest in specialty centers (0.5%) and general retail (2.7%) and highest in power centers (6.1%) and shopping centers (5.9%). Lease rates are highest in malls ($21.90/SF) and power centers ($19.91/SF) and lowest in specialty centers ($10.88/SF). The blended retail market in metro Salt Lake consists of 131 million SF with a blended vacancy rate of 4.0% and asking lease rate of $15.60/SF.

Retail Type	SF	Share	Avail SF	Vacancy	Lease Rate
General Retail	69,551,677	52.8%	1,848,641	2.7%	14.58
Mall	10,184,401	7.7%	369,599	3.6%	21.90
Power Center	9,005,567	6.8%	552,678	6.1%	19.91
Shopping Center	41,343,717	31.4%	2,445,985	5.9%	14.47
Specialty Center	1,701,511	1.3%	7,888	0.5%	10.88
Total	131,786,873	100.0%	5,224,791	4.0%	15.60

Source: CoStar

County Trade Area

Retail in Weber and Davis Counties performs slightly worse than in Metro Salt Lake. In Weber and Davis Counties, average vacancy is slightly higher than the metro market at 5.7% and average asking lease rates are slightly lower at $13.86/SF. A comparison of the "shopping center" category shows Weber and Davis performing significantly worse with a vacancy rate of 9.8% (compared to the metro's vacancy rate of 5.9%) and an average asking lease rate of $13.81, compared to $14.47 on the metro level.

Retail Type	SF	Share	Avail SF	Vacancy	Lease Rate
General Retail	15,429,817	52.4%	476,666	3.1%	11.42
Mall	2,296,255	7.8%	117,469	5.1%	15.00
Power Center	2,136,345	7.3%	147,303	6.9%	21.16
Shopping Center	9,594,712	32.6%	942,781	9.8%	13.81
Specialty Center	-	-	-	-	-
Total	29,457,129	100.0%	1,684,219	5.7%	13.86

Source: CoStar

Despite performing worse than its metro counterpart, the retail market in Weber and Davis Counties do show positive signs of future retail growth. Since 2013, 1.1 million SF has been absorbed in the marketplace, but only 800,000 SF of new retail space has been built. Although the Davis/Weber market could absorb another 500,000 SF of retail before it matches Metro Salt Lake's 4.0% vacancy rate, the fact that net absorption has consistently outpaced new construction every year since 2013 indicates that the market can support new retail construction in the near future. If absorption continues to outpace new construction, vacancy will continue to decline and lease rates will continue to climb.

Weber/Davis	2013	2014	2015	2016
YE GLA	28,865,575	28,954,671	29,078,638	29,457,129
GLA YOY Growth	0.8%	0.3%	0.4%	1.3%
Avg. Vacancy	6.8%	6.6%	6.0%	5.7%
Total Net Absorp.	238,575	176,790	273,331	404,558
Total Delivered SF	220,775	89,096	123,967	378,491
Avg. Lease Rate	11.63	11.66	12.03	12.22

Note: 2016 figures are YTD

Source: CoStar

Under Construction

In Weber and Davis Counties, there are currently 8 retail projects under construction, including 3 grocery stores–a 100,000 SF WinCo in Layton, a 76,000 SF Smith's in Woods Cross (with nearly 44,000 SF of pad space), and a 58,000 SF Lee's in North Salt Lake. There is a 10,688 SF built-to-suit automotive store being built on 300 S in Sunset. The West Point Marketplace in Clinton is under construction on a 3,500 SF retail pad site that is preleased to two medical-related tenants. As far as speculative development goes, a 16,800 SF medical building is being built in Roy, and two retail buildings, totaling 16,000 SF, are being built in Farmington adjacent to Station Park (Park Lane Commons). In total, there is 326,000 SF of retail under construction that is 83% preleased.

Project	City	SF	Avail	Preleased
Jer's Elite Automotive	Sunset	10,688	0	100%
West Point Marketplace	Clinton	3,500	0	100%
Park Lane Commons A	Farmington	8,000	8,000	0%
Park Lane Commons H	Farmington	8,315	8,315	0%
Smith's	Woods Cross	120,159	0	100%
Barlow Medical Center	Roy	16,800	16,800	0%
WinCo	Layton	100,591	13,000	87%
Lee's	North Salt Lake	58,000	10,000	83%
Total		326,053	56,115	83%

Source: CoStar

Proposed

There are 35 proposed retail projects in Weber and Davis Counties, comprising mostly of neighborhood shopping areas (grocery anchored) and standalone built-to-suit retail pads. Total gross leasable area (GLA) for all proposed retail projects comes out to 1.2 million SF. The largest planned retail projects include Ogden Marketplace (276,000 SF), grocery anchored retail in West Haven (235,150 SF), and Barker Shopping Center in North Ogden (100,000 SF).

Project	City	SF	Avail	Preleased
Ogden Marketplace	Ogden	276,000	0	100%
3500 W 4000 S	West Haven	235,150	235,150	0%
Barker Shopping Center	North Ogden	100,340	95,340	5%
Fort Lane Shopping - Pads	Layton	71,818	69,893	3%
Falcon Hill	HAFB	68,000	68,000	0%
655 S 1000 E	Clearfield	60,000	0	100%
Park Plaza	Clinton	52,000	52,000	0%
Homestead Pavilion	Roy	50,000	0	100%
Syracuse Gateway	Syracuse	44,300	44,300	0%
Layton Pointe - Pads	Layton	40,000	40,000	0%
Lee's - Pads	North Salt Lake	37,114	37,114	0%
1900 W Wilson	West Haven	29,110	29,110	0%
The Commons	Ogden	19,734	14,942	24%
West Pointe Marketplace	Clinton	16,200	13,545	16%
837 E Gordon	Layton	14,400	14,400	0%
2127 N Hill Field	Layton	12,000	12,000	0%
The Family Center - Pads	Riverdale	11,544	6,000	48%
Clinton Corners	Clinton	11,000	11,000	0%
South Pointe	Ogden	9,622	0	100%
Junction Hilton Retail	Ogden	9,050	9,050	0%
Roy Crossing	Roy	8,500	3,200	62%
505 N Main	Layton	8,000	8,000	0%
Layton Crossing - Pad	Layton	8,000	8,000	0%
491 W Bourne	Farmington	7,355	7,355	0%
1566 S 800 W	Woods Cross	6,000	0	100%
336 12th St	North Ogden	6,000	6,000	0%
3775 S Wall	Ogden	5,600	5,600	0%
24th St	Ogden	5,140	0	100%
750 W Riverdale	Riverdale	5,000	5,000	0%
1956 W 2550 S	Ogden	5,000	5,000	0%
Country Hills Plaza - Pad	Ogden	4,000	4,000	0%
395 E Gentile	Layton	3,950	3,950	0%
1037 E Chambers	South Ogden	2,650	2,650	0%
585 N Main	Clearfield	2,200	2,200	0%
295 Park Blvd	Ogden	1,237	1,237	0%
Total		1,246,014	814,036	35%

Source: CoStar

If 75% of proposed projects are ultimately built, the total development pipeline in Weber and Davis Counties is 1.26 million SF.

Development Pipeline	Total GLA	Avail. GLA
Under Construction	326,053	56,115
Planned (75%)	934,511	814,036
Total Pipeline	1,260,564	870,151

County Demand Projections

With a population of approximately 643,000 and total gross leasable retail space of 29.4 million SF, Weber and Davis Counties have 45.8 SF of retail per capita (the national figure is 50[12]). Applying a range of projected 5-year population growth rates to this ratio shows the estimated amount of retail required to support the anticipated population growth by 2020. For example, a 7.5% population growth rate[13] requires an additional 2.2 million SF of retail by 2020. Subtracting the 1.26 million SF of retail in the development pipeline results in a net development potential of 949,000 SF by 2020.

Weber/Davis Counties			
Population	642,850		
Retail GLA	29,457,129		
GLA/Pop	45.8		
	Low	**Mid**	**High**
Growth Rate	6.5%	7.5%	8.5%
Population 2020	684,635	691,064	697,492
Adt'l GLA Req'd	1,914,713	2,209,285	2,503,856
Development Pipeline	1,260,564	1,260,564	1,260,564
Development Potential	654,150	948,721	1,243,292

Source: CoStar, US OMB

Based on this range of estimates, Weber and Davis Counties will require an additional 1.9 million to 2.5 million SF of retail by 2020. Less the calculated development pipeline, the total development potential is between 654,000 and 1,243,000 SF.

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[12] http://www.forbes.com/sites/robinlewis/2015/03/17/retail-in-2015-a-reality-check/#738b085673b0
[13] Actual growth rate from 2010 to 2015 was 7.65%

Primary Trade Area

The primary trade area is the 3-mile radius around the subject site. The primary trade area consists of 89,000 people in 27,000 households. The estimated growth rate for population and households through 2021 is 8.4% and 8.5%, respectfully. The population growth rate is higher in the primary trade area (8.5%) than in the 5-mi radius (7.6%) or 10-mi radius (6.6%). The population in the primary trade area is slightly younger than in the 5-mi and 10-mi radii with an average age of 31.0 years. Median household income in the primary trade area is slightly lower than state averages at $57,952.

Demographics	3-mi	5-mi	10-mi
Households 2016	27,525	60,800	122,819
Households 2021	29,854	65,409	130,913
HH Growth 2016 - 2021	8.5%	7.6%	6.6%
Population 2016	88,680	194,615	386,209
Population 2021	96,090	209,506	412,056
Pop Growth 2016 - 2021	8.4%	7.7%	6.7%
Average Age	31.0	32.0	33.0
Median Household Income	57,952	64,454	64,577

Source: CoStar

The primary trade area has just over 4.2 million SF of existing retail, with 50% comprised of general retail, 27% neighborhood center and 23% community center. The Layton Hills Mall, which consists of 800,000 SF of "regional mall," is located just outside of the 3-mile radius and is not included in the primary trade area analysis. The average retail building in the primary trade area is 11.5% vacant, attracts a lease rate of $11.58/SF and was built in 1989. The median asking lease rate for all retail buildings is $14.00/SF. The average general retail building was built in 1981 and is 13.4% vacant, the average neighborhood center was built in 1991 and is 11.1% vacant and the average community center was built in 2002 and is 7.8% vacant.

Primary Trade Area	SF	Share	Avail SF	Vacancy	Blended Rate	Median Rate	Yr Built
General Retail	2,122,073	50.1%	283,297	13.4%	10.01	14.00	1981
Neighborhood Center	1,143,088	27.0%	126,991	11.1%	14.16	16.50	1991
Community Center	968,164	22.9%	75,122	7.8%	12.19	14.00	2002
Total	4,233,325	100.0%	485,410	11.5%	11.63	14.00	1989

Source: CoStar

An overall comparison of lease rates and vacancy rates shows that the primary trade area performs significantly worse than retail on the County and Metro level. However, a large contributor to the primary trade area's poor retail market fundamentals can be explained by the large share of old building stock, which traditionally attracts lower lease rates and higher vacancy.

Trade Area	Primary	County	Metro
Lease Rate	11.58	13.86	15.60
Vacancy	11.5%	5.7%	4.0%

An analysis of retail projects built within the past 10 years shows that retail market fundamentals, not surprisingly, are much stronger for newer buildings. Retail inventory built within the past 10 years makes up approximately 420,000 SF or 10% of the total marketplace in the primary trade area. For buildings that are 10 years old or younger, the average vacancy is 4.8% and average lease rate is $19.43–significantly stronger than overall averages.

Age Impact	SF	Share	Vacancy	Rate
Built Before 2007	3,814,621	90.1%	12.2%	11.25
Built After 2007	418,704	9.9%	4.8%	19.43
Total	4,233,325	100.0%	11.5%	11.58

A comparison between the primary trade area and Weber and Davis Counties with regards to "new retail" performance shows consistent performance between the two trade areas. Whereas new retail building stock makes up 14% of retail buildings on the county level, new retail building stock only makes up 10% of retail buildings in the primary trade area. New retail project fundamentals are slightly stronger on the county level with a lower vacancy of 4.1% and higher lease rate of $21.87. Nonetheless, the trend is the same–newer buildings perform significantly better than old ones.

10 Years and Younger	Share	Vacancy	Rate
Primary Trade Area	9.9%	4.8%	19.43
Weber-Davis Counties	14.2%	4.1%	21.87

Development Pipeline

The primary trade area currently has 2 buildings under construction, totaling approximately 14,000 SF, and 7 buildings proposed, totaling 237,500 SF, resulting in a total development pipeline of 251,688. The total development pipeline in the primary trade area amounts to 5.0% of the total gross leasable area in the trade area–consistent with the county level of 5.3%.

Project	City	SF	Avail SF	Preleased	Status
Jer's Elite Automotive	Sunset	10,688	0	100%	Under Construction
West Point Marketplace	Clinton	3,500	0	100%	Under Construction
585 N Main	Clearfield	2,200	2,200	0%	Proposed
655 S 1000 E	Clearfield	60,000	0	100%	Proposed
Clinton Corners	Clinton	11,000	11,000	0%	Proposed
Syracuse Gateway	Syracuse	44,300	44,300	0%	Proposed
Layton Pointe - Pads	Layton	40,000	40,000	0%	Proposed
Falcon Hill	HAFB	68,000	68,000	0%	Proposed
2127 N Hill Field	Layton	12,000	12,000	0%	Proposed
Total Pipeline		251,688	177,500	29%	

Demand Projections

At a current population of 86,680 and total retail SF of 4.2 million, the primary trade area has 48.45 gross leasable retail space per capita, slightly higher than the county level of 45.8. With a projected 5-year growth rate of 8.4%, and maintaining the current retail per capita figure, the primary trade area's population will increase to 96,090 by 2021, resulting in demand for 360,000 SF additional retail space.

Given that 94% of the primary trade area's development pipeline is "proposed," meaning that their ultimate construction is somewhat uncertain, it is assumed that 25% (roughly 60,000 SF) of these proposed projects will not be built. Factoring this in to the development pipeline results in net development potential of just over 160,000 SF by the year 2021. Meaning that an additional 160,000 SF of retail will need to be built in the primary trade area by 2021 just to keep up with population/household growth.

Primary Trade Area	
Population 2016	88,680
Retail GLA	4,233,325
GLA/Pop	47.7
Pop Growth Rate	8.4%
Population 2021	96,090
Adt'l GLA Req'd	353,732
Development Pipeline	251,688
Un-Built (25%)	59,375
Development Potential	161,419

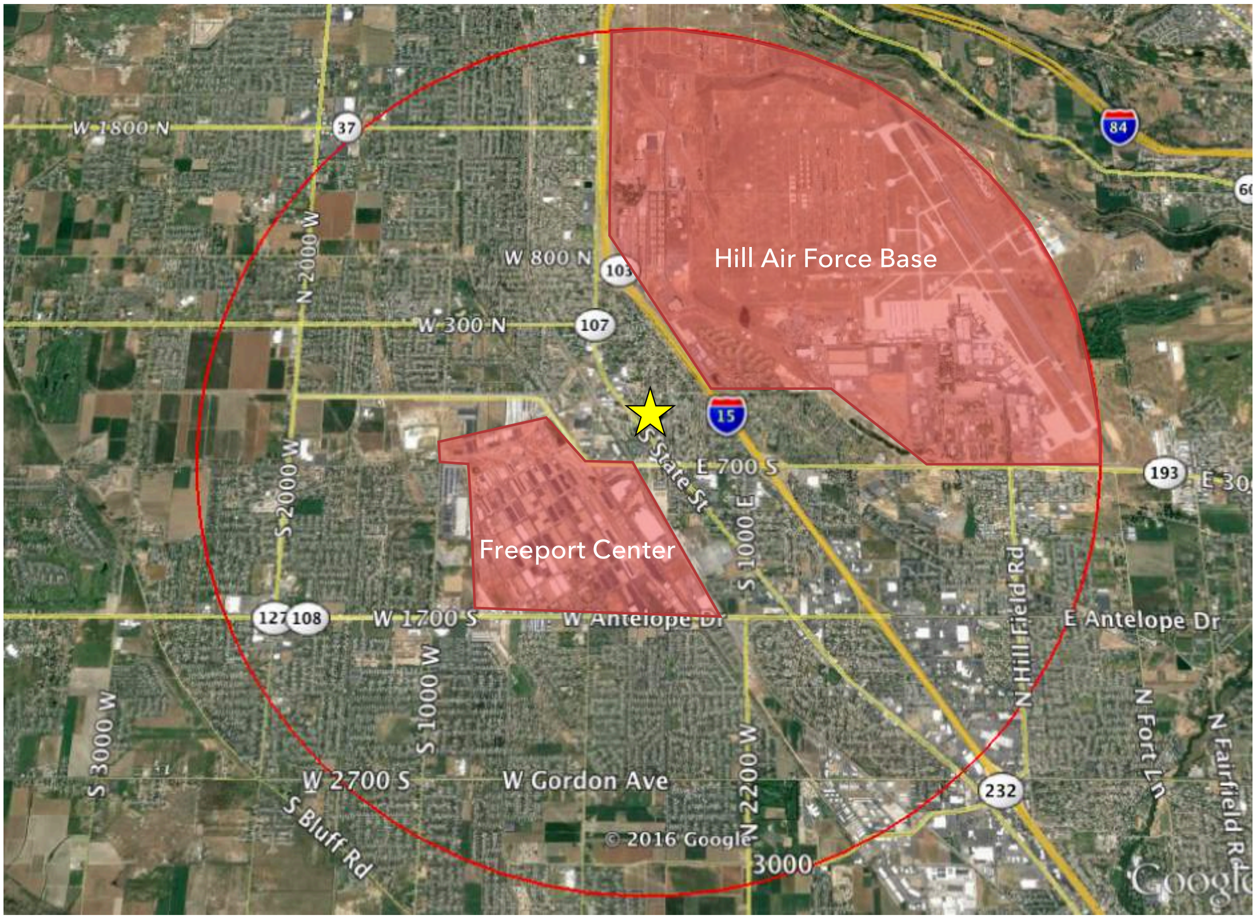
Site Retail Potential

Although the projected population growth, retail leakage, and overall demographic profile implies a market need for retail, the subject site and its location provides for unique opportunities and challenges with regards to its retail potential.

Location Challenges

Given the site's maximum retail potential of 100,000 SF, retail on the subject site would pull primarily from the 3-mile radius surrounding the site–the primary trade area. Although the primary trade area has sufficient population (88,680) to support 100,000 SF of retail (minimum population of 40,000 required), the site's placement between Hill Air Force Base and the Freeport Center provides for unique access challenges.

The Air Force Base takes up nearly all of the land located within the primary trade area east of the freeway, meaning that the potential consumer base for the subject site would come from west of the freeway. While the large amount of undeveloped land in the western portion of the primary trade area implies future population growth, it also implies low barriers to entry for future retail competitors. A retail developer looking to construct a project in the area will likely choose a greenfield site (much easier to develop than a redevelopment site) that is closer to the growing population base. Although the Freeport Center is not nearly as big as Hill Air Force Base, it still consumes a large amount of land west of the subject site, creating an obstacle for site visitors coming from the high-growth areas southwest of the subject site in Syracuse.



Building Stock

An analysis of the commercial building stock in the immediate area (State Street corridor between Center Street and 700 S), of the subject site shows old buildings and a general poor quality of tenancy. The average built year is 1946 for office and 1968 for retail–significantly older than primary and county trade areas. The newest commercial building in the immediate area is an 8,000 SF Family Dollar built in 2003. There have been no commercial buildings built in this area for 13 years.

Current Tenancy

When prospective retailers are determining site potential, they closely analyze existing retail in the immediate area. In an infill-development scenario, retailers want to locate in areas where "retail synergy" already exists–places where their targeted customers are already visiting or will begin to visit pending the arrival of a transformative anchor tenant. In order to best gauge what retail synergy exists in the immediate area it is important to not merely analyze lease rates and vacancy but also type and quality of tenant mix. What follows is an analysis of 4 shopping centers (retail buildings with more than 2 tenants) located within close proximity to the subject site, along the State Street corridor. An analysis of standalone retail buildings follows.

For purposes of this exercise, existing retail tenants are graded on an A (best) through C (worst) scale based on their retail synergy they bring to the area.

1. Clearfield Retail Center

The grocery-anchored neighborhood center, Clearfield Retail Center, is located approximately 1/2 mile south of the subject site (5-10-minute walk) on the corner of State Street and 700 South. Kent's Market serves as the centers' anchor with 40,000 SF of full-service grocery. The strip center adjacent to Kent's is 21,000 SF and features some national tenants, like Metro PCS, H&R Block, and Cricket Wireless. The strip center also holds less-desirable tenants like a tobacco shop and a rent-to-own store.

Tenant	Type	Grade
Kent's Market	Grocery Store	A
EZ Rent to Own	App/Furniture	B-
A&H Sahara	Tobacco	C
Metro PCS	Cell Phones	B+
H&R Block	Tax Services	B+
Heart Song	Veterinarian	B
Cricket Wireless	Cell Phones	B+
Total Retail SF	21,000	B
Vacant SF	5,900	28.1%
Lease Rate	14.00	NNN

The center has a 28% vacancy with 5,900 SF offered for lease at $14.00/SF NNN. The full-service grocery store would be viewed very favorably by a potential retailer looking to locate to the subject property. National tenants would be viewed somewhat favorably and the remaining tenancy (and vacancy) would be viewed negatively. The overall shopping center is rated a B in its ability to contribute to retail synergy in the immediate area. Although Kent's is located only 0.25 miles from the subject site as the crow flies, a pedestrian walking from the subject site would have to walk to 700 S in order to cross the street and back track slightly, making the trip 0.50 miles each way. Having a grocery store within close proximity is critical to a successful mixed-use project. If a mid-block pedestrian crossing was added somewhere between the subject site and Kent's, the pedestrian trip would be cut from 0.5 miles to 0.3 miles.

2. Clearfield Shopping Center

This 12,000 SF strip center is located only 0.15 miles from the subject site on the east side of State Street. The strip center holds some essential neighborhood uses–a laundromat, salon, and barber–but no national or regional tenants. Most businesses in the strip center appear to be predominantly Spanish-speaking. The overall strip center only has one 800 SF space available for lease, representing a 6.7% vacancy rate. The available space is offered for lease at $11.28/SF on a modified gross lease.

Tenant	Type	Grade
Laundromat	Laundromat	B
Gossip	Salon	B
Ace of Fades	Barber	B
Probation Supervision	Social Services	C+
Diaz Appliances	Used Appliances	C+
Joel Guerro	Tax Prep	B
Total Retail SF	12,000	B-
Vacant SF	800	6.7%
Lease Rate	11.28	MG

The overall strip center grade of B- is reflective of the low synergistic quality of the existing tenant mix and the old, unattractive building stock. Overall, having services like a laundromat and cosmetics is necessary to a mixed-use project, however, other uses like used appliance sales and social services are unattractive to prospective retailers.

3. West Star Clearfield

The West Star building is 6,500 SF and is currently home to two low-quality tenants–Cloud 9 Smoke Shop and tattoo parlor, The Zen Hed Shop. Over half of the building–3,400 SF–is currently vacant. This space is offered at $10.00/SF NNN. The building is located across the street of the subject site and slightly north. Both tenants would be viewed very negatively by a prospective retailer, especially located across the street. The overall C grade is reflective of the low-synergistic nature of tattoo parlors and smoke shops.

Tenant	Type	Grade
Cloud 9 Smoke Shop	Smoke Shop	C
The Zen Hed Shop	Tattoo	C
Total Retail SF	6,500	C
Vacant SF	3,400	52.3%
Lease Rate	10.00	NNN

4. Clearfield Towne Square

The Clearfield Towne Square is a multi-tenant, multi-building retail project built in 2002 located approximately 0.25 miles north of the subject site. The project contains 1 and 2 story buildings with nearly all the ground level reserved for retail and 2nd level reserved for office uses. As was mentioned in the office section of this report, the overall building vacancy of Clearfield Towne Square for both retail and office uses is approximately 22%. The vacancy for the retail portion alone is approximately 20%.

The overall physical and tenancy condition of Clearfield Towne Square is better than other nearby rental centers, but still not great in creating a powerful retail synergy. Effective tenants include Curves Fitness, Wasatch Wok and Philly Sub Shop. Less effective tenants include Express Employee Services, and This & That Thrift Shop.

Tenant	Type	Grade
Wasatch Wok	Restaurant	A
Curves	Fitness	A
Endzone	Games and Cards	A-
Asymetric Concepts	Firearm Training	B
The Potters House	Christian Center	B
ABC Advanced Massage	Massage	A-
Walk In Chiropractor	Chiropractor	A-
Philly	Restaurant	A
Econ Mortgage	Mortgage	A-
4 Sisters Floral	Florist	B+
This & That	Thrift Shop	B
Liberty Income Tax	Tax Prep	B
Express Employee Services	Employee Services	B-
Intersect Services	Social Services	B-
Arrowpoint Staffing	Employee Services	B-
Total Retail SF	50,000	B+
Vacant SF	9,805	19.6%
Lease Rate	11.50	NNN

The blended asking lease rate for two of the smaller retail spaces is $11.50/SF NNN with a much larger 6,000 SF space being offered at $7.00/SF NNN. It is worth noting that the retail with frontage on State Street and on 200 S appears to attract the highest-quality tenants.

Standalone Retail

The remaining retail in the immediate area is largely standalone. Aside from a few reputable national establishments like Pizza Hut, First National Bank, and Family Dollar, most retailers are of low-synergistic quality. These retailers include pawn shops, tattoo parlors, appliance repair shops, title loans, an adult store, and plenty of used car lots. With some exceptions, most of these standalone structures are highly unattractive. Most notably, the Azteca de Oro market located 400 feet from the subject site and the Progressive/Mexico Express building located 450 feet away from the subject site (across the street). The standalone retailers in the immediate area serve as strong deterrents to the area from a retail standpoint.

Azteca de Oro building

Progressive/Mexico Express building

Tenant	Type	Grade
On-Q Music Shop	Music Store	B-
Pizza Hut	Restaurant	A-
Black Velvet	Adult Store	C-
Loyalty Tattoo	Tattoo	C-
Covet Courture	Hair Salon	B
SXOR	Auto Shop	B
American Title Loans	Title Loans	B-
First National Bank	Bank	A
Family Dollar	Dollar Store	A-
Dave's Discount Auto	Auto Sales	B-
Dick Kearsley	Appliances	B-
Progressive	Insurance	B-
Mexico Express	Money Transfer	C+
Chariot Auto	Auto Sales	B-
State Farm	Insurance	A-
Victor's Tires	Tire Sales	B-
Azteca de Oro	Market/Restaurant	C
Standalone Average		B-

Consolidating all of the shopping centers and the standalone properties shows that retail in the immediate area struggles. Lease rates in the immediate area align with asking lease rates in the primary trade area ($11.58) but has significantly higher vacancy (primary trade area's vacancy is 11.5%).

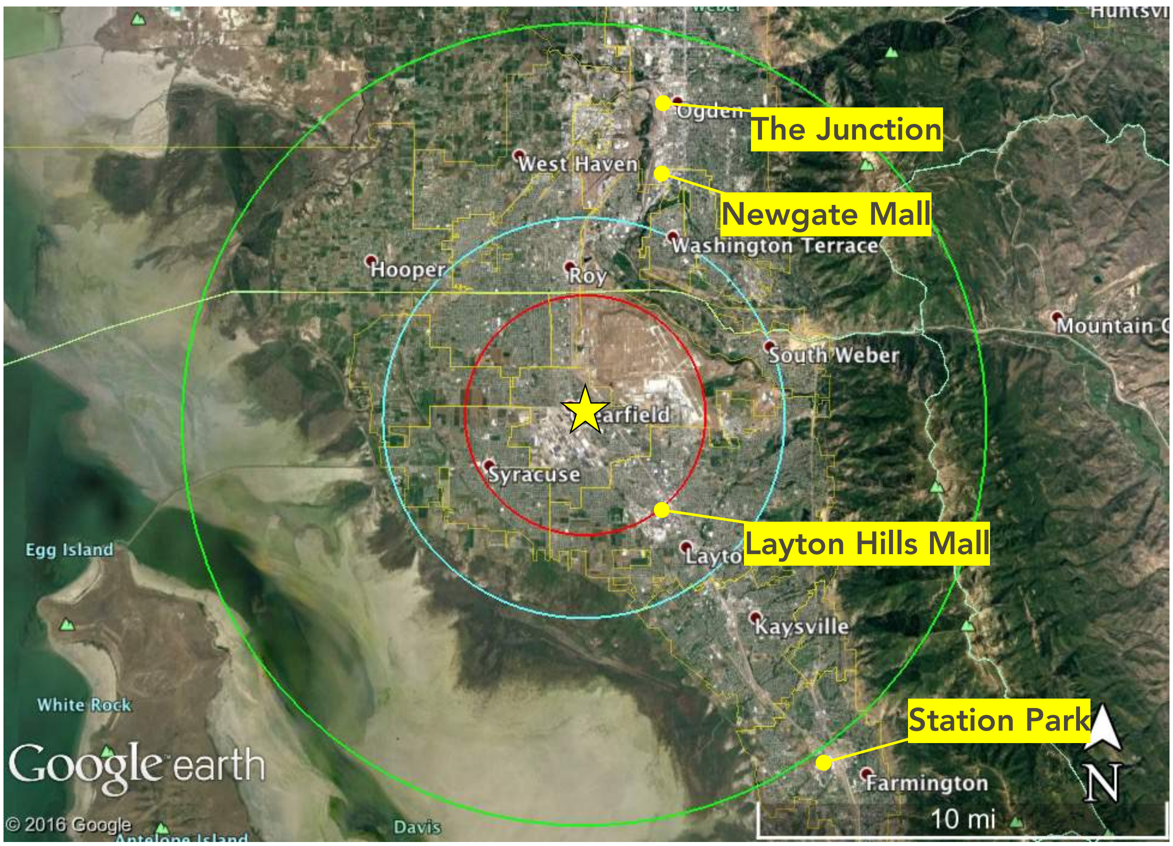
Area Retail	Vacancy	Rate	Grade
Clearfield Retail Center	28.1%	14.00	B
West Star	52.3%	10.00	C
Clearfield Shopping Center	6.7%	11.28	B-
Clearfield Town Square	19.6%	11.50	B+
Standalone	-	-	B-

The Need for an Anchor

Given the state of the existing retail stock on and near the subject site, it is unlikely that quality national or regional retailers will be comfortable relocating to the subject site as-is. Without a large anchor to establish change in the market, a new retail development will likely be occupied by tenants similar to or slightly better than what exists in the immediate area today. However, given the "new downtown" nature of the subject area and the recent decline of big-box retail anchors, the ideal anchor for the subject site is not retail but rather entertainment, arts, or educational in nature. The feasibility of an entertainment anchor on the subject site is explored further in the "entertainment" section of this report.

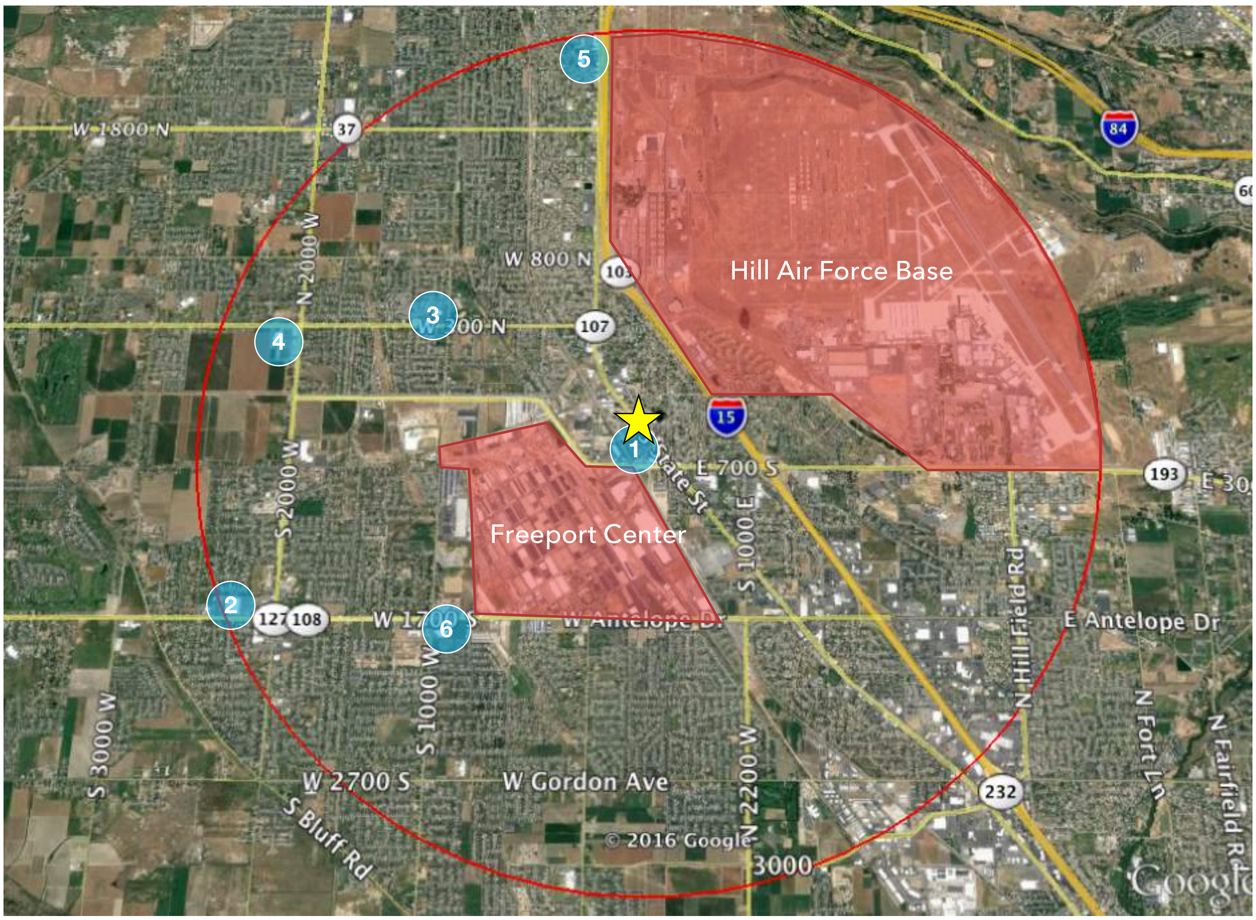
Regional Retail Destinations

The subject site has four regional retail shopping destinations within 10 miles. These include two open-air shopping centers–Station Park (10 miles south) and The Junction (8 miles north)–and two enclosed shopping centers–Newgate Mall (6 miles north) and Layton Hills Mall (3 miles south). The proximity to Layton Hills Mall would likely deter many would-be national retailers to the subject site. However, the subject site's central location between The Junction in Ogden and Station Park in Farmington suggests that the Clearfield/Syracuse/Roy area may be well positioned for an open-air retail destination in the future as rooftops continue to be built in west of the freeway in Weber and Davis Counties.



Grocery-Anchored Community Centers

A typical neighborhood or community retail center is anchored by a grocery-store. An analysis of the primary trade area shows that the population is generally well-served by grocery stores. Kent's Market (#1) serves the needs of the population located closest to the subject site, with Winegar's (#3) and Smith's (#4) serving the populations in west Clearfield and West Point. A Smith's (#5) to the north serves Sunset and Clinton. A new Smith's (#6) and Walmart (#2) serves Syracuse and the southwest portion of the primary trade area. Until more residential density is added to the subject area, additional grocery is not needed.



The Need for Residential

The primary trade area contains a solid population base of 88,000, however most of that population lies closer to the edge of the primary trade area. The 1-mile radius around the subject site, for instance, accounts for 33% of the primary trade area's land but only 11% of its population. This is predominately attributed to the large amounts of land used by Hill Air Force Base and the Freeport Center and the site's placement in a heavy commercial corridor. The combination of Hill Air Force Base and the difficulty of access from east of the freeway means that the majority of potential site visitors would be coming from west of the freeway where access is partially inhibited by the Freeport Center. The vast amount of greenfield development sites west of the Freeport Center means low barriers-to-entry for retail developers to build retail centers closer to the high-growth areas of Syracuse, West Point, and Roy.

The best way to support retail on the subject site is to add dense residential on or within close proximity to the subject site. Having residential located on-site eliminates the reliance upon high-growth areas west of the site that will eventually be better captured by better-located greenfield developments.

Financial Feasibility

In an effort to explore retail's financial feasibility independent of other project uses, basic assumptions are made about retail performance on a per square foot basis. In metrics that are dependent upon project scale, the retail component of the project was assumed to be 50,000 SF. For purposes of this exercise, total development costs for retail is assumed to be $135/SF. However, actual construction costs will vary based on project's mix of uses.

Construction Cost	/SF	%
Hard Cost	90.00	66.7%
Soft Cost	25.00	18.5%
Land Acquisition	20.00	14.8%
Total Development Cost	135.00	100.0%

Source: RSMeans, Better City

The average asking lease rate in the primary trade area is $11.58/SF. The average lease rate for community and neighborhood centers is $13.43/SF. The average lease rate for retail buildings built within the last 10 years is $19.43. Taking these figures into account, plus accounting for the overall relative high vacancy and low lease rates of the retail projects within the immediate area, the assumed lease rate for the subject project is $14.00/SF NNN with a 15% vacancy rate. Based on a 65% loan-to-value loan, the return on equity without incentive is 11.15%.

Stabilized Pro Forma	/SF	Factor
NNN Lease Revenue	14.00	
Vacancy	2.10	15.0%
Leasing Expenses	0.71	6%
Net Operating Income	11.19	
Debt	87.75	65%
Equity	47.25	35%
Debt Service	5.92	4.5%
Cash Flow	5.27	
Return on Equity	11.15%	

A 7.5% cap rate implies a stabilized value of $149.20/SF–slightly higher than the $135.00/SF development cost.

Retail Recommendations

The key findings of this retail analysis are outlined below.

1. The maximum amount of retail that can be supported on the subject site is approximately 100,000 SF not including anchors.
2. The primary trade area's retail (3-mi radius) performs worse than retail in Davis & Weber Counties, whose market performs worse than the Metro Salt Lake market as a whole.
3. The projected population growth in the primary trade area suggests demand for 150,000 – 200,000 SF of retail within the next 5 years that is not being met by the current development pipeline.
4. An updated retail leakage study of Clearfield identified significant retail capture opportunities in general merchandise, food & beverage, and clothing & clothing accessories.
5. The subject site's location between Hill Air Force Base and the Freeport Center means that the majority of potential site visitors would be coming from the outer edges of the primary trade area, where there are numerous greenfield development opportunities.
6. Retail in the immediate area surrounding the site has relatively low lease rates, high vacancy, and an overall low quality of retail tenants.

Recommendations

The struggling retail conditions in the immediate area surrounding the subject site suggests that speculative retail would likely not produce favorable results. If speculative retail is constructed with no committed anchors, it is likely that the same tenancy that occupies much of the existing retail in the immediate area will fill the new retail and will act as deterrents to the high-quality retailers needed to transform the area become the "new downtown Clearfield."

In order to support retail (and other commercial uses) and successfully transform the area, a strong anchor tenant is needed and more residential units need to be added to the immediate area. A commitment of an anchor will instill a level of confidence in prospective high-quality retailers that the area is undergoing a rebirth and will become a desirable and profitable location for their businesses. Since the model of big box retail anchors is dying, this anchor will likely need to be in the entertainment, arts, or education field. If a large anchor cannot be recruited as a first phase to the project, other measures should be taken to begin the area's transformation. This would include developing Mabey Pond as a family-friendly and easily accessible community amenity, developing a variety of residential uses on site with high design standards, and making attempts to "up-tenant" nearby retail.

Residential

This section seeks to understand housing needs in Clearfield and ultimately explores how these needs can be addressed in the subject redevelopment project. This section first explores the overall housing profile of the area, then looks closer at the homeownership market, rental market, and home affordability, and concludes with implications for the subject project[14].

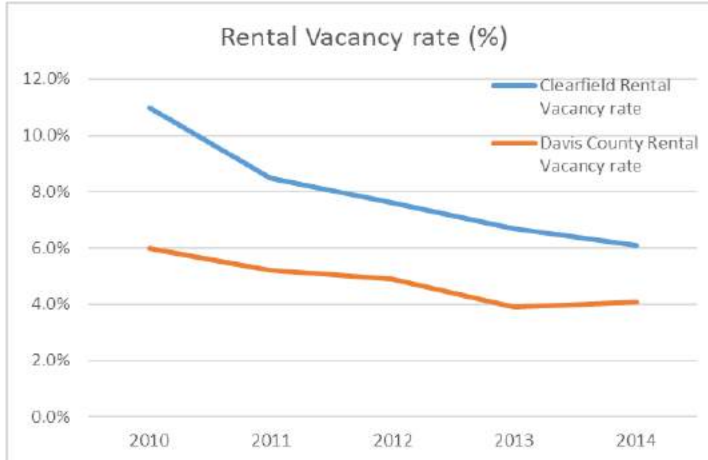
Housing Profile

Clearfield contains 10,512 housing units, roughly 10% of housing units in Davis County. Approximately 1.2% of the homes in Clearfield are vacant. Of the 9,767 homes that are occupied, 53.2% are owner-occupied and 46.8% are renter-occupied. When compared with the county (77.6% owner-occupied and 22.4% renter-occupied), Clearfield has a significantly higher share of renters. The median home age in Clearfield is 26, slightly higher than the county's median home age of 24 years. Median home age is important because of the discrepancies between median home rent. Despite an older housing stock, Clearfield attracts higher rents than county averages.

Housing Profile	Davis County	Clearfield
Total Housing Units	100,341	10,512
Occupied Units	96,711	9,767
Owner Occupied (%)	77.60%	53.20%
Owner Occupied	75,018	5193
Renter Occupied (%)	22.40%	46.80%
Renter Occupied	21,693	4,574
Homeowner Vacancy	1.10%	1.20%
Rental Vacancy	4.10%	6.10%
Avg Household Size of Owner	3.39	3.31
Avg Household Size of Renter	2.85	2.77
Median Home Value	$222,600	$152,600
Median Rent	$897	$913
Median Home Age	24.0	26.0

[14] All housing data comes from U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates unless otherwise noted

Clearfield's rental vacancy rate is slightly higher than the county's, but still stronger than the national average of 6.9%. Rental vacancy in Clearfield has steadily declined over the past 5 years from 11% in 2010 to just over 6% today. The same parameters show a similar, though less drastic, trend in Davis County with rental vacancy declining from 6% in 2010 to just over 4% today.



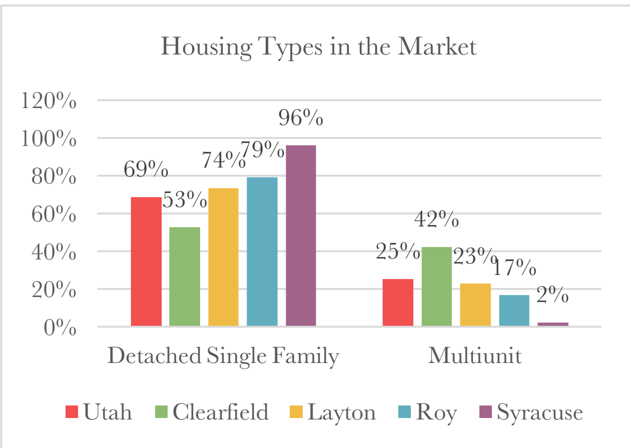
Tenure by Housing Type

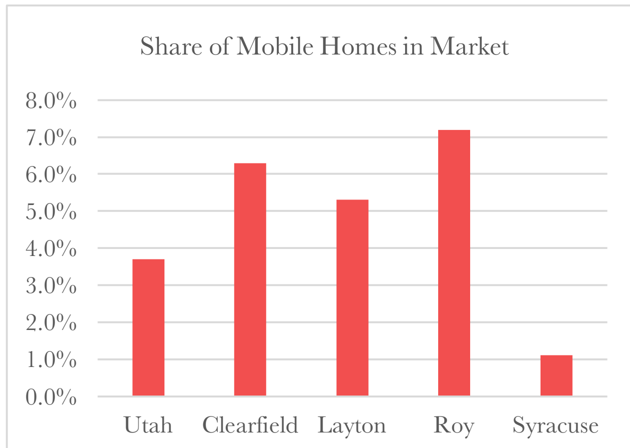
Of the 9,767 occupied housing units in Clearfield, approximately 52.6% are detached single family homes, 42.3% are multifamily units (including semi-attached and duplexes), and 5.6% are mobile homes.

Type	Owned	Rented	Total	%
1, detached	4,489	647	5,136	52.6%
1, attached	159	610	769	7.9%
Duplex	30	372	402	4.1%
Tri/Four Plex	73	834	907	9.3%
5 to 9	28	440	468	4.8%
10 to 19	-	706	706	7.2%
20 to 49	-	587	587	6.0%
50 or more	-	249	249	2.5%
Mobile home	414	129	543	5.6%
Boat, RV, van, etc	-	-	-	0.0%
Total	5,193	4,574	9,767	100%

Compared to other nearby cities, Clearfield has a much lower share of detached single family homes than other cities in the county. This, combined with a healthy vacancy rate and lease rates, implies that Clearfield's market caters strongly to renters compared to other cities.

Higher percentages of mobile homes are seen in economies which house temporary and/or low-income workers. Both aspects seem to be in play in Clearfield housing market. First, there are at least six temporary job agencies located in Clearfield, showing that there is a high number of temporary job positions in the market. Second, the mean household income in Clearfield is much lower, around 32.5% below County levels. The redevelopment of the Clearfield Mobile Home Park will significantly help to restore balance in housing configuration in Clearfield.

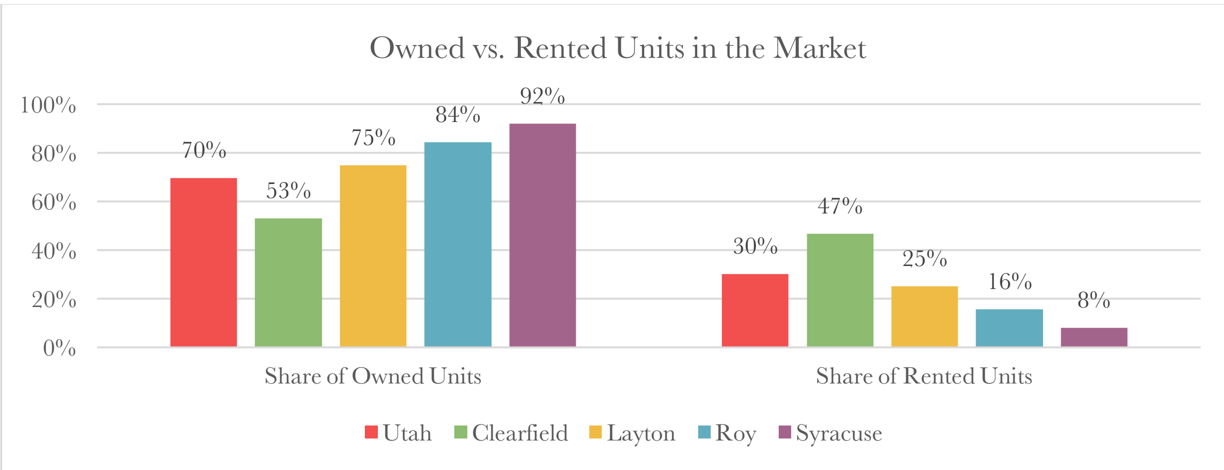




Homeownership Market Analysis

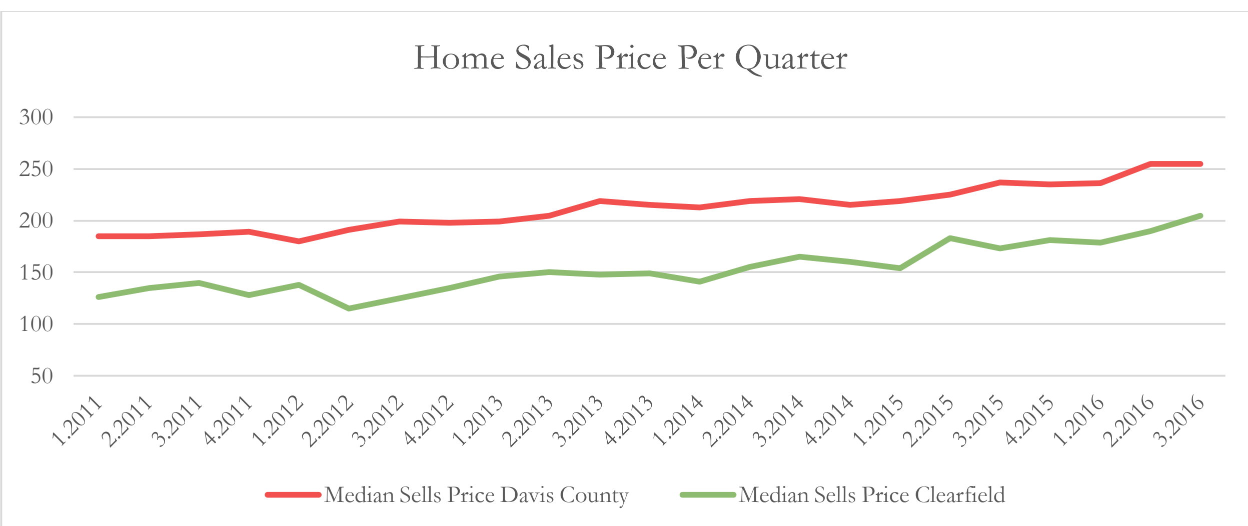
Ownership Overview

Of the 9,767 occupied housing units in Clearfield, approximately 5,196 units (53.2%) are owner-occupied. Typically, a higher rate of single-family residences is tied to a high rate of home ownership. Because of the lower share of single-family units in Clearfield's market, it can be expected that the share of owned units will also be lower in comparison to neighboring communities.

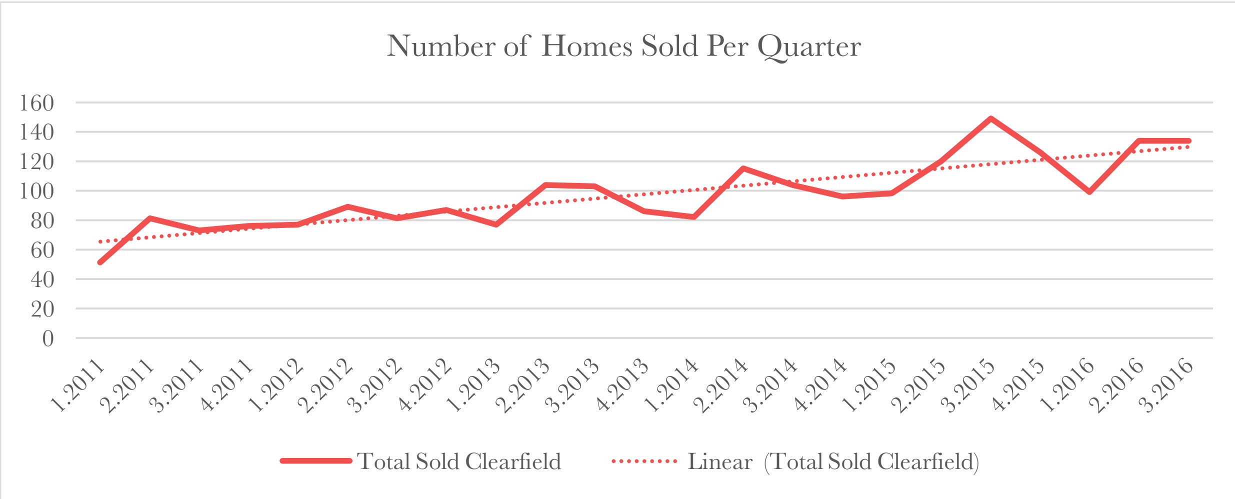


Historic Homes Sales

Based on data collected from utahrealestate.com, the median sales price in Clearfield has risen significantly in the last five years (from $126,000 to more than $200,000), almost double the rate of increase for the county as a whole. However, the median sales price in Clearfield is still $50,000 dollars less than the county's median sales price.

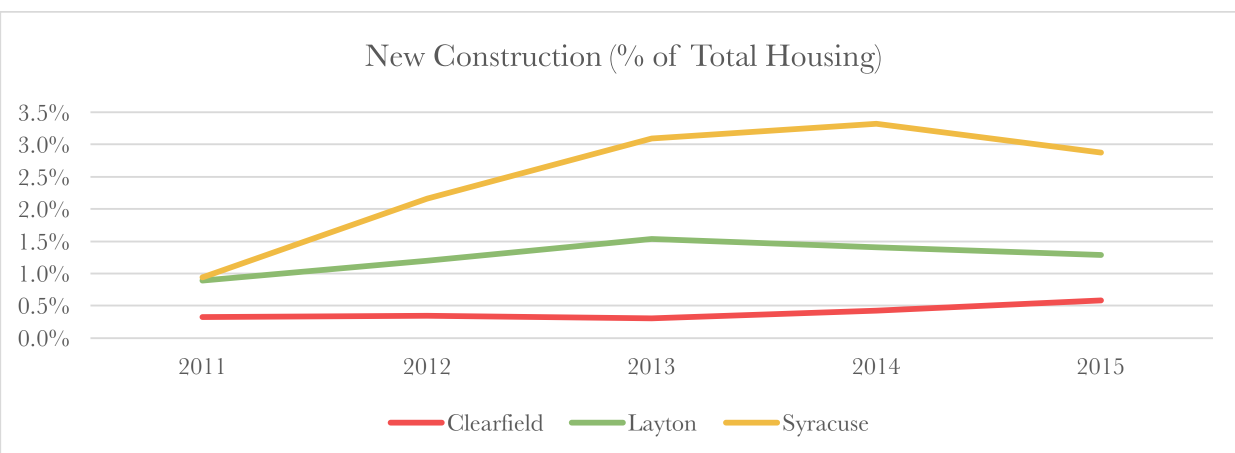


The average number of homes sold per year has risen steadily in the past five years. In 2011, for example, 281 homes were sold. In 2015, 493 homes were sold—an average increase of 53 more homes sold per quarter. This increase can be largely attributed to the effects of the economic recession of 2008 and the ensuing recovery.



New Construction

Clearfield is currently contributing very little to the number of new homes per year in Davis county. In 2015, Layton constructed five times more homes than Clearfield. When converted to percentage increases to negate city size, Syracuse is shown to have the highest number of newly-constructed homes in its housing stock. Due to the lack of new housing in Clearfield's housing stock, the existing median age will increase at a faster rate than neighboring cities. The lack of undeveloped land is the primary reason for the low new construction numbers in Clearfield. The only way for Clearfield to benefit from the economic churn that comes with new construction is through infill development, as is proposed on the subject sites.



Source: Davis County 2016 Annual Report

Home Affordability

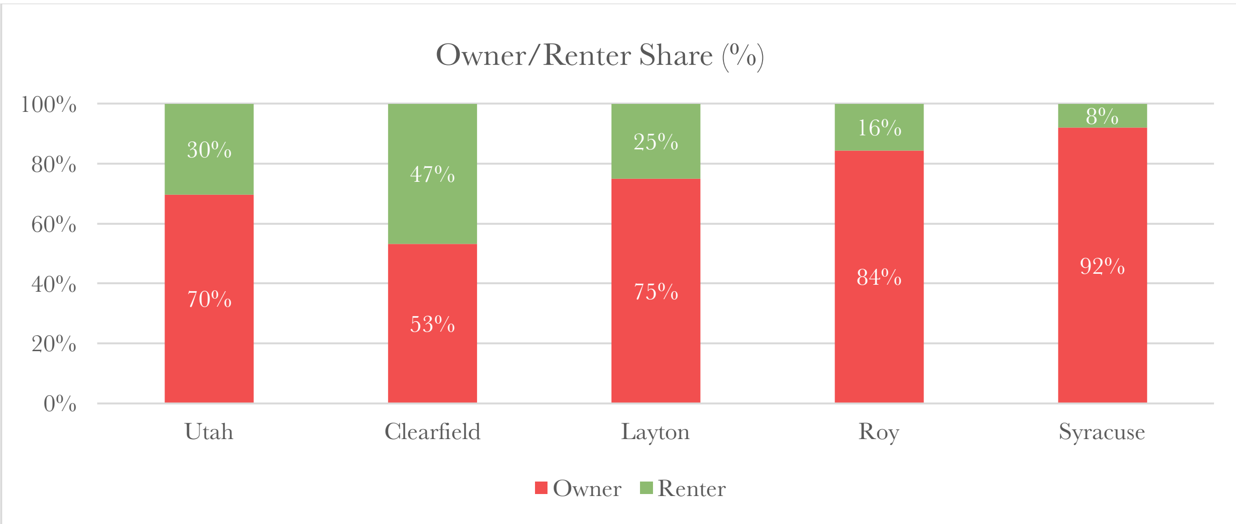
Since home affordability is typically the biggest deterrent to homeownership, an analysis of home affordability is highly effective in explaining market imbalances. The best way to eliminate the effect of interest rate fluctuations and assess the medium-term affordability of homes in a market is to divide the home price by the consumer's annual income. A ratio of 2.5 or lower is considered affordable.

Based on a median household income of $48,158, the median affordable home in Clearfield would cost $120,395–nearly 27% below the median home value of $152,600. The gap between the median home value and median affordable home level is narrower in Clearfield than it is in Utah and in the United States. This indicates that although homes may be older and incomes lower, the housing stock is more affordable in Clearfield for its residents than in Utah as a whole.

	Clearfield	Utah	USA
Median Household Income	48,158	59,846	53,482
Median Home Value	152,600	212,500	175,700
Median Affordable Home	120,395	149,615	133,705
Difference	26.75%	42.03%	31.41%

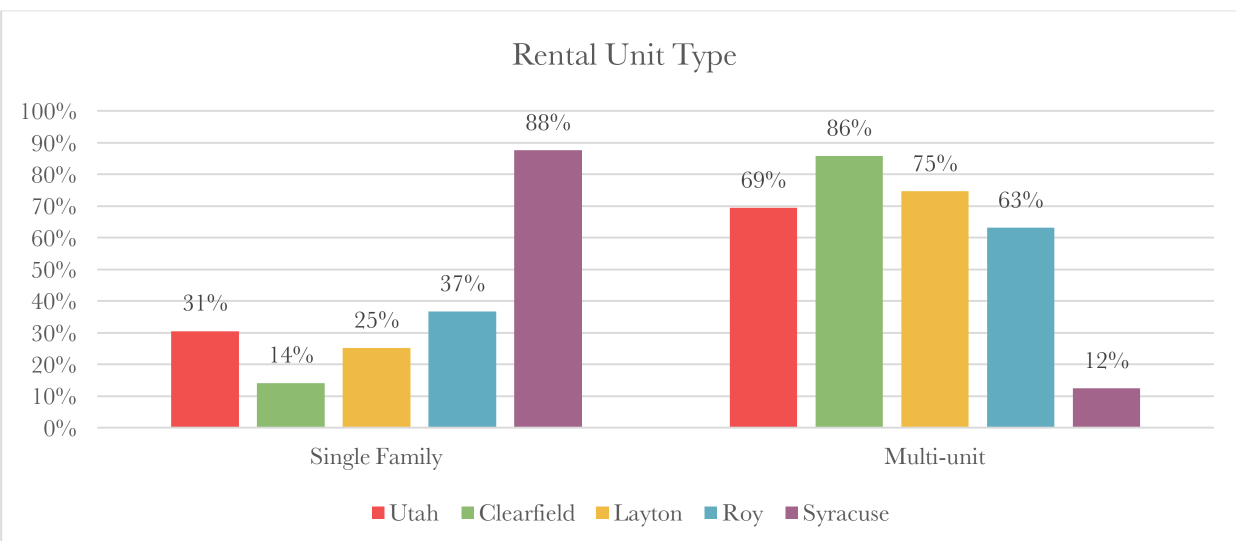
Rental Market Analysis

The share of renter-occupied units in the Clearfield market is very high compared to neighboring communities. If the housing inventory continues to be insufficient for buyers' needs, whether in quality and/or affordability, and if new construction is not occurring, the rental pool will likely remain strong.



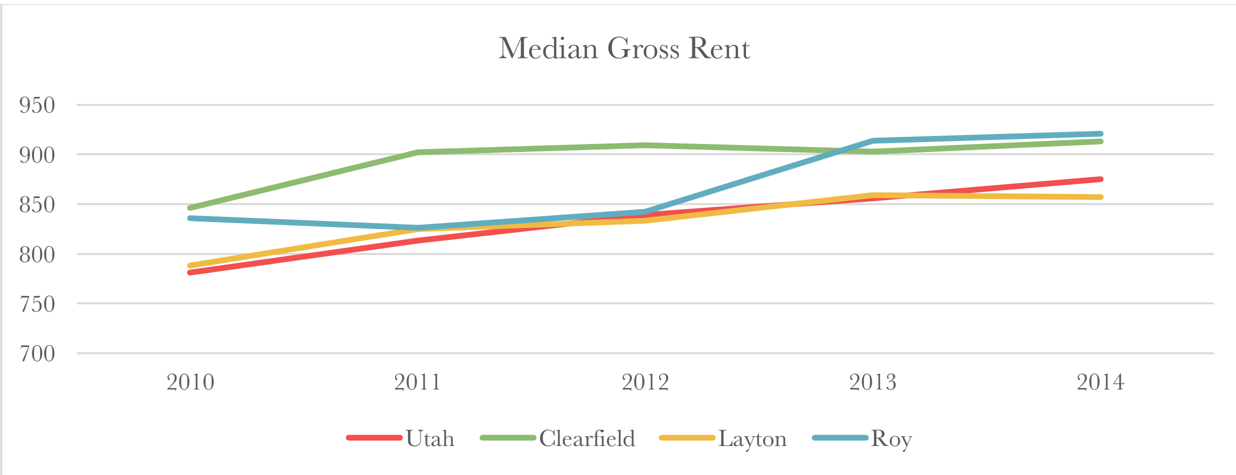
Rental Housing Configuration

A large majority (86%) of Clearfield's rental market is multi-unit structures–another indication that Clearfield is a renter-friendly market. The large number of renters and multi-unit structures is likely a product of Hill Air Force Base and the general transient nature of military service professions.



Rental Rates

In 2014, Clearfield's median gross monthly rent was $913, up slightly from $903 in 2013. Over the past five years, the median gross rent in Clearfield has grown at an average of 1.6% per year, typical increases when compared to the increases in median gross rent across the State. Clearfield's market appears to be stable, which is likely due to the high number of renters entering and exiting the market, causing little variation in rental rates.



Rental Properties

A sampling of rental properties in the area built in the past 5 years shows a blended rental rate of $13.15/SF per year. In this sampling, apartments attract rental rates of $14.13/SF, representing a 28% premium over townhomes which attract a $11.07/SF rental rate. The rate per square foot is usually higher on apartments because of the smaller unit sizes.

Type	Name	Address	City	Units	Yr Built	/SF
Apartment	University Ridge	1856 E 925 S	Clearfield	32	2016	12.00
Apartment	Villas on Main	1475 N Main St	Layton	144	2012	13.20
Apartment	Eastgate at Greyhawk	2925 N Church St	Layton	108	2012	15.12
Apartment	Kay's Crossing	60 S St	Layton	156	2014	14.76
Townhome	Mountain View	839 W 1290 N	Ogden	15	2015	13.56
Townhome	Village at Church/Main	100 N Cross St	Layton	48	2016	11.85
Townhome	Greyhawk Townhomes	3250 N 1700 E	Layton	145	2010	10.56
Blended						13.15

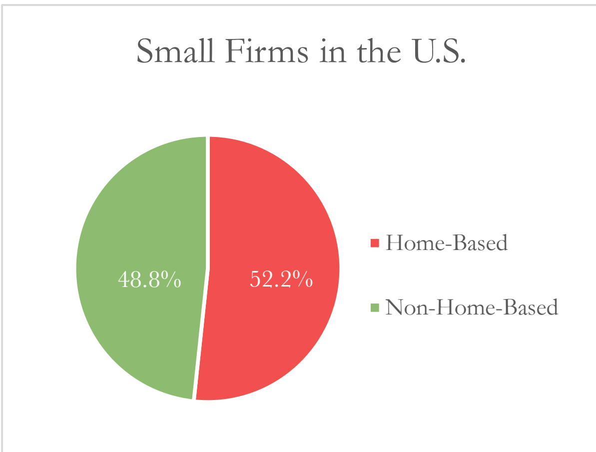
Affordability

According to Census figures, 13.2% of renters in Clearfield are paying less than 15% of their monthly income on rent. In the state of Utah, 14% of renters are paying less than 15%. In the United States, 12%. Clearfield's housing market is on par with State and National percentages.

Live/Work

Live/work is a unique arrangement in which the occupant resides in one area of the home and conducts business in another part. Oftentimes this happens by having a residence on the second and/or third story of the structure with their business being located on the ground floor. This was a common practice for many store owners in the US in the early-to-mid-20th century.

The concept of live/work differs from a mixed-use development in that the resident who occupies the residential portion also occupies the ground-level work space. The work space is often connected, by a staircase or other means, directly to the residence.



As zoning regulations became common and cities began dividing residential from commercial, live/work arrangements became difficult to define. As an unintentional consequence, this style of living became essentially illegal as it was nearly impossible to conform to both standards of zoning. These units also began being taxed as commercial properties–forcing residents to essentially pay much higher tax rate for their living quarters.

Artists have historically been significant users of live/work environments–oftentimes co-locating loft space with living quarters. The large, open spaces often afforded the lighting and needed room to accommodate the activities involved in creating their artwork. They are still a very popular choice for artists to this day–if they can find it.

As small businesses continue to boom nationally, live/work places have gained popularity in markets where live/work buildings exist (or can be converted). These spaces eliminate the need for a commute, resulting in lower cost of travel for individuals and a corresponding increase in discretionary income. The SBA reported that home-based businesses make up 52.2 percent of all small businesses in the U.S., presenting a unique opportunity for a new era of

live/work developments. Communities willing to capitalize on this opportunity may be rewarded for their early (re)adoption.

Many communities have capitalized on the renewed popularity of live/work and have begun to converting buildings into live/work spaces or developing new live/work projects. Broadway Lofts in Salt Lake City is an example of utilizing old architecture to create a unique environment for entrepreneurs and artists to take up residence. The large 109,000 sq. ft. building was originally constructed in 1901 as the J.G. McDonald Chocolate Company. A conversion of the warehouse to higher-end lofts-style condos began in 1997 and was completed in 1999. The first floor of the building houses commercial space up front, and several live/work lofts towards the rear.

The future of live/work developments in the U.S. seems to be firmly planted in larger cities where there is a higher population to support them. However, because of the flexibility of these units to be converted to strictly residential properties, the overall risk of initial investment is lowered. Offering them for presale may be a way to mitigate the risk further, if there are no presales, then they may be converted to strictly residential units. Business license data gathered from Clearfield City shows 286 home-based businesses registered in the city. These businesses will likely be the best candidates for purchasing live/work units on the subject site.

Financial Feasibility

Multifamily

Blended construction costs for multifamily units is estimated to be $104.29/SF including land and demolition. Assuming a lease rate of $15.00/SF and accounting for vacancy and expenses results in an NOI of $9.55/SF–representing a 9.2% capitalization rate. After debt service, the project shows an equity cash flow of $4.98/SF or a 13.63% return on equity.

Construction Cost	**/SF**	**%**
Hard Cost	75.00	71.9%
Soft Cost	20.00	19.2%
Land Acquisition	9.29	8.9%
Total Development Cost	104.29	100.0%

Stabilized Pro Forma	**/SF**	**Factor**
Revenue	15.00	
Vacancy	0.75	5.0%
Expenses	4.70	33%
Net Operating Income	9.55	
Debt	67.79	65%
Equity	36.50	35%
Debt Service	4.57	4.5%
Cash Flow	4.98	
Return on Equity	13.63%	

Townhomes

Construction costs for townhomes are slightly less than multifamily units on a per square foot basis at $99.66/SF including land. Assuming a blended sales price of $128.75/SF, closing costs of 5% of gross sales, and construction debt interest of 6%, the project shows an equity multiple of 1.69x, representing a 69% return on equity.

Construction Cost	/SF	%
Hard Cost	70.00	69.6%
Soft Cost	20.00	19.9%
Land Acquisition	10.52	10.5%
Total Development Cost	100.52	100.0%
Pro Forma	/SF	Factor
Sales Proceeds	128.75	
Closing Costs	6.44	5.0%
Net Proceeds	122.31	
Debt	75.39	75%
Equity	25.13	25%
Construction Interest	4.52	6.0%
Principal Payment	75.39	
Return of Capital	25.13	
Profit	17.27	
Equity Multiple	1.69x	

Live/Work

Since live/work units are not common in Utah, it is difficult to make market assumptions and project projections. Although the live/work concept would be ideal for a significant portion of this project, it is unknown as to whether or not it will be financially feasible. Since live/work units are wholly owned, the live/work market will be established by this project and the presales that occur during implementation, if any. As conversations occur with prospective buyers, this market will begin to take shape and the financial feasibility of live/work will become evident.

Recommendation

With the population within the 3-mi radius expected to grow 8.36% by 2021 and applying a average household size of 3.2, the 3-mi radius of the subject site must add 2,315 new housing units within the next 5 years. It is expected that most of the single family development will occur on agricultural land west of the subject site in Syracuse and West Point. However, the housing product expected to be built in those areas will likely be single family residences on relatively large lots, on average. In order to better meet the anticipated housing needs by 2021, a larger variety of housing will need to be built. With the subject project, downtown Clearfield has an opportunity to capture some of this future housing market by including residential uses as part of the subject site. A mix of urban-influenced residential uses is highly recommended for the redevelopment. Residential development would be market-driven, bring residents downtown, and clean up the area, setting the tone for spin-off development both on the subject site and nearby on the State Street corridor. The three types of residential contemplated for the subject site are townhomes (60% of total residential), multifamily (25%), and live/work units (15%). Examples and characteristics of each of these types are outlined below.

Type	Example	Characteristics	%
Townhomes		1,400 – 1,600 SF units, 3-story, alley loaded enclosed garage, placed on MHP site. Units to be individually-owned.	60%
Multifamily		700-900 SF units, 3-4 story above retail on State Street, parking hidden from street. Units to be rented.	25%
Live/Work		2,500 – 3,000 SF per unit, ground floor used for professional business, retail, or extension of living residence, top two floors used as residence. Units to be individually-owned.	15%

Hotel

This section of the report explores the feasibility of including a hospitality component as part of the Mabey Pond Redevelopment project by analyzing market supply, identifying and quantifying demand drivers, and taking into account unique site considerations. The goal of this analysis will be to ultimately make a recommendation as to whether hotel should be included as part of the project mix and if so in what capacity–phasing, number of rooms, amenities, and brand.

Market Profile

For purposes of this study, the primary market is considered to be the I-15 corridor from Ogden (Riverdale Road) south to Layton. Hotel performance in Davis County will be analyzed for context. Only nationally branded hotels are considered for this analysis[15].

Davis County

There are 1,791 hotel rooms in Davis County with the majority located in Layton (58%) followed by Woods Cross (15%) and Farmington (11%)[16]. The average hotel in the county was built in 1997. The two newest hotels in Davis County are in Farmington–the Hampton Inn by Lagoon (opened in 2014) and the Hyatt Place in Station Park (opened in 2016). Unsurprisingly, the two newest hotels in Farmington attract the highest nightly rental rates at a blended $120/night–30% higher than the county average nightly rate of $92. The 57-room Days Inn in Clearfield charges $58.00 per night for a room–37% below the county average[17].

Davis County	Rooms	Share	Yr Built	Rate	Dif.
Layton	1,040	58.1%	1997	95.94	3.9%
Woods Cross	263	14.7%	1993	70.77	-23.4%
North Salt Lake	113	6.3%	1987	89.00	-3.7%
Bountiful	86	4.8%	1999	95.00	2.8%
Farmington	191	10.7%	2015	120.74	30.7%
Clearfield	57	3.2%	1993	58.00	-37.2%
Sunset	41	2.3%	1991	60.00	-35.0%
Total	1,791	100%	1997	92.37	-

Primary Market

The primary competition for the subject site comprises of 13 hotels–the Days Inn in Clearfield,

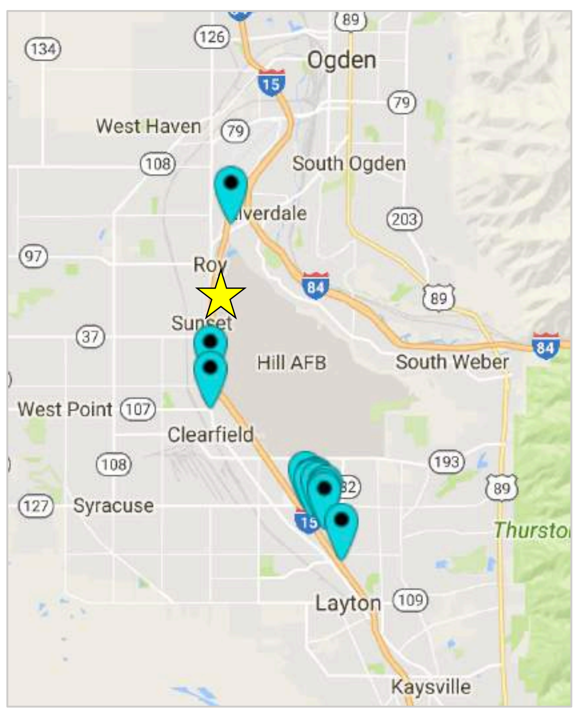
15 Independent hotels are not included in this analysis–including Clearfield's 18-room Charin Inn.
16 Source: Smith Travel Research
17 Current night rates from hotels.com

the Econo Lodge in Sunset, the Motel 6 on Riverdale Road in Ogden, and the cluster of 10 hotels in Layton along I-15. Each of the hotels in the primary market along with key statistics is shown in the following table[18].

Hotel	City	Dist.	Rooms	Yr Blt	Rate	Satis.
Days Inn	Clearfield	1.10	57	1993	58.00	60%
Econo Lodge	Sunset	1.30	41	1991	60.00	30%
La Quinta	Layton	2.40	100	1984	79.00	70%
Fairfield Inn	Layton	2.60	78	1996	84.00	70%
Towneplace Suites	Layton	2.70	95	1999	110.00	80%
Courtyard	Layton	2.70	110	2000	93.00	70%
Holiday Inn Express	Layton	2.80	102	1996	115.00	80%
Hampton Inn	Layton	2.80	98	1998	99.00	90%
Home 2 Suites	Layton	3.00	107	2011	110.00	80%
Hilton Garden Inn	Layton	3.00	147	2004	98.00	80%
Best Western Plus	Layton	3.20	83	2012	91.00	90%
Comfort Inn	Layton	3.80	120	1970	79.00	70%
Motel 6	Ogden	5.00	110	2006	50.00	60%
Total	-	-	1,248	1997	88.97	74%

Overall, when compared to the total Davis County market, hotels in the primary market have the same built year (1997) but have a slightly lower average nightly rate of $88.97 compared to the county average of $92.37. This is attributed to the two high-performing hotels in Farmington that are left out of the primary market analysis.

The "satisfaction" column pulls ratings from guest reviews left on TripAdvisor.com. Although not an end-all by any means, Trip Advisor scores are generally reflective of the quality of the hotel. Unsurprisingly, the three budget hotels (the Econo Lodge, Days Inn, and Motel 6) have the lowest guest satisfaction, with a blended guest satisfaction rate of 50%. The mid and mid-upper tier hotels in Layton hold the highest guest satisfaction rates, the highest coming from the Hampton Inn (90% guest satisfaction) and the Best Western Plus (90%). The average guest satisfaction rating for hotels in Layton is 78% compared to 74% for the total primary market.

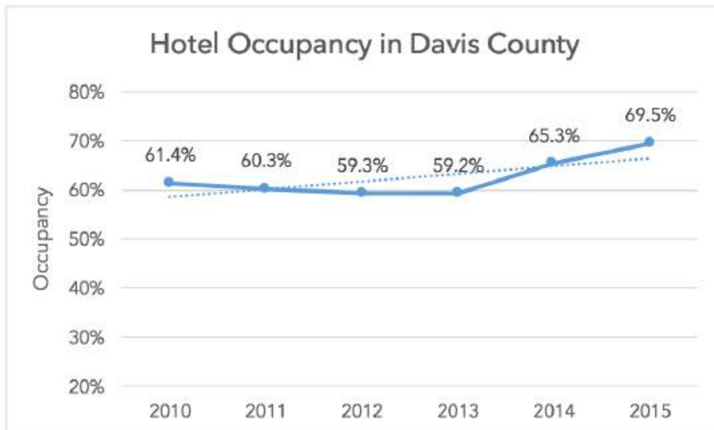


[18] "Satis." Refers to guest satisfaction rating left on tripadvisor.com

Market Fundamentals

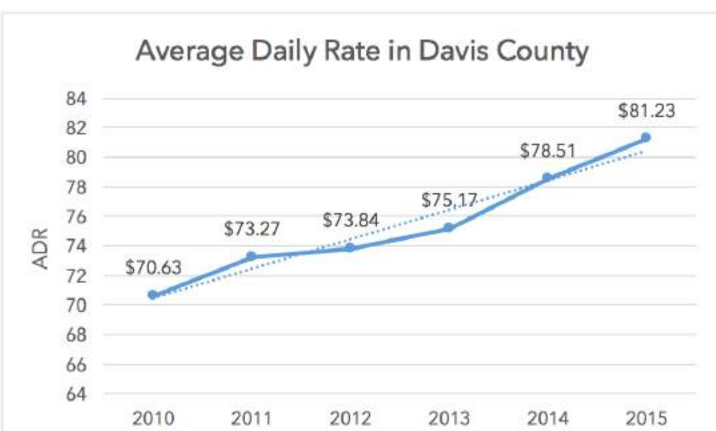
An analysis of hotel market fundamentals in Davis County shows steady improvement since 2010. The 3 primary methods explored in determining the health of the hospitality market is occupancy, rates (ADR or average daily rate), and RevPAR (occupancy multiplied by ADR–also known as revenue per available room). From 2010 to 2015, Davis County showed improvement in each of these categories[19].

Occupancy



Hotel occupancy decreased slightly from 2010 to 2013 moving from 61.4% to 59.2%, but has rebounded since, improving to 69.5% in 2015. The dotted blue line shows a positive overall trend in occupancy since 2010. Although the trend is positive, market hotel occupancy rarely stays above 70% for long. Since this occupancy data has been published, the Hyatt Place opened its doors in Farmington, bringing 108 new hotel rooms to the market–accounting for just over 6% of the total market. This will likely be a drag on Davis County occupancy in the short term. National hotel occupancy is 67.2%[20].

Average Daily Rate



From 2010 to 2015, ADR for Davis County improved at a combined average growth rate of 2.8% per year increasing from $70.63 in 2010 to $81.23 in 2015. Growth in both ADR and occupancy can likely be attributed to overall improvement in economic conditions–increased employment means more business travel and more

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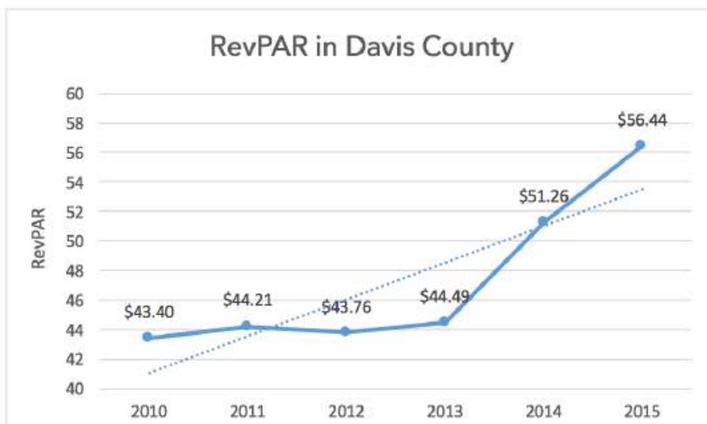
[19] Smith Travel Research
[20] http://www.hotelnewsresource.com/article91860.html

disposable income means more leisure travel. Limited new construction has also helped occupancy and ADRs to improve. Whereas the construction of the new Hyatt Place will likely put a drag on market occupancy in the short term, its effect will likely increase overall ADRs in Davis County. The Hyatt Place's asking nightly rates is currently \$129/night–40% higher than the average county rate.

The county ADR, however, is still significantly lower than the national average ADR of \$125.98. A common observation by industry professionals is that the Utah hotel market–and particularity the pocket of hotels in Layton–is very rate-sensitive, meaning that hotels find themselves competing on nightly room rates more than brand loyalty, amenities, or even room quality among other things.

RevPAR

The RevPAR (revenue per available room) is calculated by multiplying the ADR by the occupancy rate. The RevPAR is generally seen as the most telling metric in determining hotel market performance. The combination of improving occupancy rates and ADRs is reflected in the strong growth in RevPAR from 2010 to 2015. RevPAR was stagnant from 2010 to 2013 while ADRs grew slightly and occupancy declined slightly. Once occupancy picked up in 2013, RevPAR followed suit. The compounded average growth rate of RevPAR from 2010 to 2015 is a solid 5.4% per year. The ADR and RevPAR will likely continue climbing with the opening of the Hyatt Place and as more hotels in Layton make improvements to their buildings. Conditions will also be helped by the fact that there are no hotels under construction or planned (as reported by CoStar) currently in Davis County.



Future Projections

The past 6 years of data show strong growth in occupancy, ADR, and RevPAR. While ADR's are expected to climb, occupancy seems to be at a cyclical high and will likely return to around 65%. The combination of an increasing ADR and a decreasing occupancy results in a moderately growing RevPAR for the near future.

Projections	2015	2016	2017	2018	2019
ADR	81.23	83.53	85.90	88.34	90.84
Occupancy	69.5%	68.0%	67.0%	65.0%	65.0%
RevPAR	56.45	56.80	57.55	57.42	59.05

Demand

Although market fundamentals are important to determining the level of demand in the marketplace, they only tell part of the story. An understanding of the deeper market fundamentals–demographic trends, employment, business activity, sales growth, and tourism–help to paint a more complete picture.

Demographic Trends

As was presented in the economic overview section of this report, population growth is expected to steadily grow through 2021. The 5-mi radius around the subject site (which includes all hotels considered to be the primary market) is expected to increase its population by 7.65% before 2021–a net gain of nearly 15,000 people. The growth in population is largely indicative of the expected growth in employment in the area, which means increased business travel. The more people that live in the area also results in more leisure travel, with more out-of-town friends and relatives coming to visit.

Demographics	3 mi	5 mi	10 mi
2016 Population	88,680	194,615	385,389
2021 Population	96,090	209,506	411,220
Pop. Growth 2016-2021	8.36%	7.65%	6.70%

Employment & Business Activity

Employment statistics and trends and business activity by large employers in the area help to gauge what demand exists in the market for business travelers. As was presented in the economic overview section, Weber and Davis Counties are expected to add approximately 20,000 new jobs by 2020, representing an average annual growth rate of 2.1%. Out of the top 5 employers in Davis County, 2 of them are located in Clearfield–Hill Air Force Base and Lifetime Products.

Employer	Employees
Hill Air Force Base	10,000 - 14,999
Davis County School District	7,000 - 9,999
Davis County	1,000 - 1,999
Lagoon Amusement Park	1,000 - 1,999
Lifetime Products	1,000 - 1,999

Hill Air Force Base is the biggest generator of business/commercial hotel room nights in the area, with most of its out-of-towners lodging in Layton or Ogden. The subject site's location right outside of HAFB is better positioned, geographically, to capture this market than Layton or Ogden. Drive time from the middle of HAFB to Layton hotels is 15 minutes but only 10 minutes to the subject site. The two closest hotels to HAFB are the Econo Lodge and Days Inn–both are an 8-minute travel time.

Another advantage for the subject site is its proximity to the Freeport Center which is home to 7 million square feet of light industrial space, 70 companies, and 7,000 employees. The largest tenants are Lifetime Products and ATK Launch Systems. Drive time from the Lifetime Products headquarters in Freeport is 5 minutes to the subject site and 7 minutes to Layton hotels.

Sales Growth

The growth rate of taxable sales in the primary area is another good indication of market demand and overall economic conditions. A review of the data presented in the retail section of this report shows that taxable sales of select spending categories grew by 15% in Clearfield from 2014 to 2015, compared to 6% in Utah as a whole. Since hotels are best utilized in areas where there are ample spending opportunities available to guests, the strong growth rate in taxable sales is a positive indication of future hotel demand. The capture rate of sales[21] occurring inside Clearfield versus outside also grew from 29% in 2014 to 32% in 2015. Although an increase in capture rate is a positive sign, the relatively low capture rate of 32% indicates that there are significantly more spending opportunities outside of Clearfield than there are in Clearfield.

	2014		2015		Δ	
Clearfield Retail Spending	**Total**	**/Pop**	**Total**	**/Pop**	**$**	**%**
MISCELLANEOUS RETAIL TRADE	8,750,067	288.20	10,226,493	333.62	1,476,426	16.9%
FURNITURE & HOME FURNISHINGS STORES	377,124	12.42	367,584	11.99	-9,540	-2.5%
ELECTRONICS & APPLIANCE STORES	2,648,266	87.23	4,128,893	134.70	1,480,627	55.9%
FOOD & BEVERAGE STORES	21,882,676	720.75	23,554,085	768.41	1,671,409	7.6%
HEALTH & PERSONAL CARE STORES	714,379	23.53	792,624	25.86	78,245	11.0%
CLOTHING & CLOTHING ACCESSORIES STORES	1,827,924	60.21	3,015,601	98.38	1,187,677	65.0%
SPORTING GOODS, HOBBY, MUSIC & BOOK STORES	1,739,228	57.28	1,857,233	60.59	118,005	6.8%
GENERAL MERCHANDISE STORES	2,454,241	80.84	2,880,403	93.97	426,162	17.4%
FOOD SERVICES & DRINKING PLACES	22,481,972	740.49	25,504,838	832.05	3,022,866	13.4%
TOTAL	62,875,877	2,070.94	72,327,754	2,359.57	9,451,877	15.0%

Source: Utah State Tax Commission

Demand Summary

Demographic trends show population estimated to increase 7.65% in the next 5 years–adding an additional 15,000 people to the 5-mi radius around the site. Employment data suggests that 20,000 new jobs will be added to Weber and Davis Counties by 2020. Two of the largest employers in Davis County–Hill Air Force Base and Lifetime Products–are located within minutes of the subject site. Taxable sales data show a 15% increase in sales in Clearfield from 2014 to 2015. Combined with the growing RevPAR demonstrated in Davis County over the past 5 years, the data suggests excess demand in the near future for the Davis County area.

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[21] Capture rate was calculated on select spending categories

Site Considerations

This section explores the site-specific factors that contribute to a successful hospitality project. The most influential factors include visibility, access, site preparation, nearby amenities, and competitive position.

Visibility & Access

A successful hotel guest experience revolves largely around convenience, and that process starts with the guest being able to find and access the hotel easily. It is for this reason that suburban and rural hoteliers tend to locate along interstates and near interchanges. Between the subject site being located 0.5 miles away the interstate, the approximately 80-foot elevation loss from the freeway to the subject site, and the sound wall on I-15, a multistory hotel on the subject site would not be visible from the freeway. The portion of State Street that passes by the subject site boasts traffic counts of just under 21,000 cars per day. By comparison, the Layton hotel cluster has direct visibility from I-15 and its 112,000 cars per day.

One of the newest hotels built in Davis County–the Hampton Inn in Farmington–is not visible from I-15 (located 0.5 miles away) and is only partially visible from US-89 (33,000 cars/day, 0.38 miles away), but overcomes its visibility constraints through its strategic location across the street from one of the region's largest draws–Lagoon Amusement Park.

With the rise of internet booking and mobile GPS, direct freeway visibility is not as crucial to a hotel's success as it once was, but–especially without a large draw nearby–it is still a primary consideration for hotel developers. The subject site's lack of freeway visibility will be a large deterrent to hotel developers.

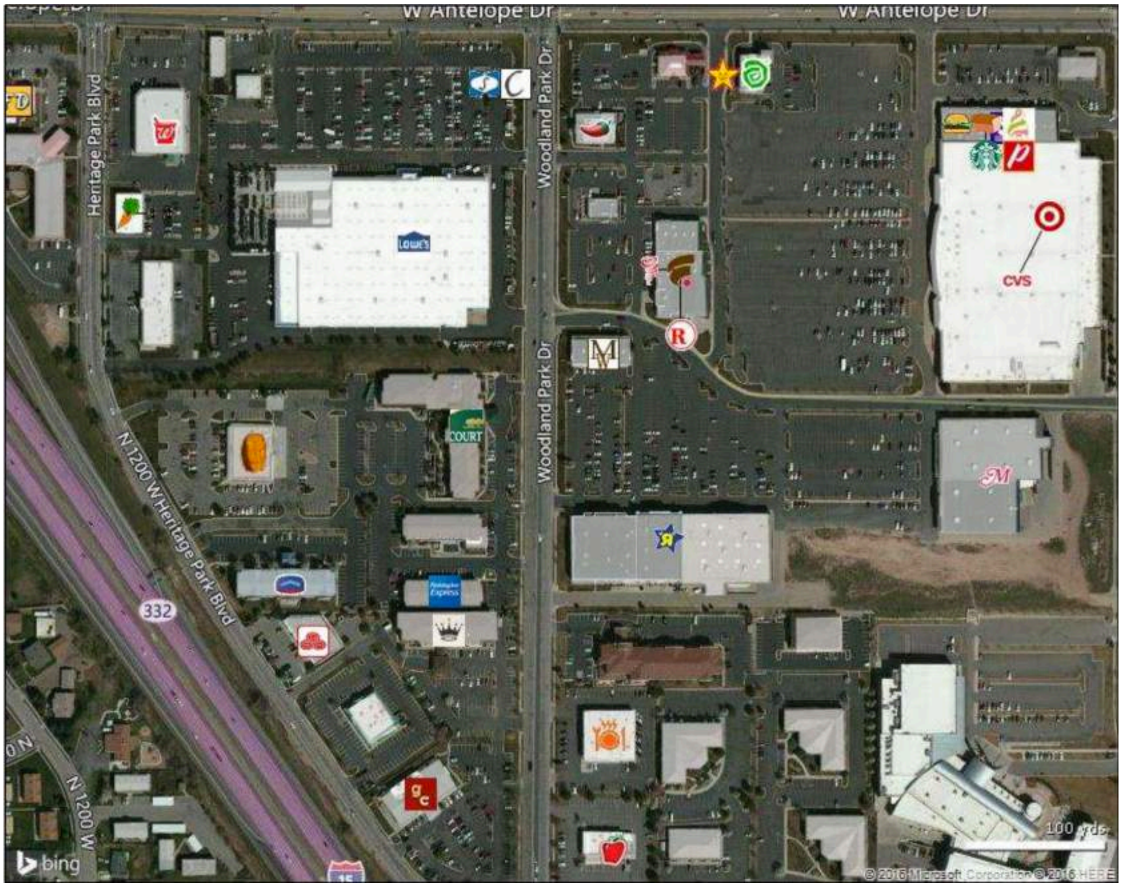
Site Preparation

The proposed project would be a redevelopment, so much of the site's current structures would need to be demolished. The hotel component however, would likely be placed on the southwest corner of State Street and 450 S which would require the demolition of the Title Max building. Title Max's current lease does not expire until April 2019, meaning the development of a hotel on the subject site would likely not happen as part of the project's first phase. The fact that it is a redevelopment site, plus its proximity to State Street means minimal infrastructure upgrade.

Nearby Amenities

It is in the hotelier's, and city's, best interest to locate hotels near spending opportunities. Spending opportunities are seen as amenities that hotelier's like to provide for their guests, and cities like the boosted sales tax generated by hotel patrons. The hotel cluster in Layton is well-positioned with several amenities located within close proximity, including:

Shopping	Layton Hills Mall, Walgreens, Lowe's Mens' Warehouse, Target, Michael's, Toys R Us, Office Depot
Restaurants	Chili's, Outback, Applebee's, Golden Corral, Red Robin, Taste of India, Costa Vida, Osaka Sushi, Jimmy John's, Carl's Jr
Entertainment	Tinsel Town Movie Theaters, AMC
Dessert	Sub Zero Ice Cream, Jamba Juice



As was explored in the retail section of this report, the subject site is lacking in amenities. The quality of retail that surrounds the subject site is subpar. Shopping, restaurants and entertainment are extremely limited in the subject area, prompting many hotel guests to seek these amenities 5-minutes south in Layton.

Financial Feasibility

Based on an analysis of the demographics, competition in the area, and the site's proximity to Hill Air Force Base and the Freeport Center, the hotel best fit for the subject site is an 80-room upper-midscale hotel. Total development cost, including land acquisition is assumed to be $9.1 million or $114,000 per room.

Development Cost	Total	/Room
Construction	8,480,000	106,000
Land/Demo	642,161	8,027
Total Cost	9,122,161	114,027

A year-3 profit and loss analysis shows a stabilized average daily rate of $97.60 and stabilized occupancy of 67% resulting in RevPAR (revenue per available room) of $65.39. The stabilized net operating income is approximately $600,000. The 65% loan-to-value loan results in an annual debt service payment of approximately $400,000, leaving an equity cash flow of just over $200,000–representing a 6.35% return on equity.

Rooms	80
Average Daily Rate	97.60
Occupancy	67%
RevPAR	65.39

Year 3 Pro Forma	Total	/Room
Room Revenue	1,909,501	23,869
Other Revenue	50,923	637
Gross Revenue	1,960,424	24,505
Operating Expenses	1,357,952	16,974
Net Operating Income	602,472	7,531
Debt	5,929,405	74,118
Equity	3,192,756	39,909
Debt Service	-399,873	-4,998
Equity Cash Flow	202,599	6.35%

A calculation of the total tax increment generated by the project shows approximately $164,000 available for tax increment financing per year–$58,000 from property tax, $85,000 from transient room tax, and $21,000 from sales tax. With all available tax increment used to supplement project cash flows (85% of total increment), the incentivized return on equity is 11.5%.

Tax Increment	Amount	Pct/Rate
Valuation	4,948,038	
New Property Taxes	76,758	0.01551
Old Property Taxes	8,371	
Property Tax Increment	68,387	
Transient Room Tax	100,249	0.05250
Sales Tax	24,505	0.01250
Max. Property TIF	58,129	85%
Max. Transient Room TIF	85,211	85%
Max. Sales TIF	20,830	85%
Total TIF	164,170	
Incentivized Cash Flow	366,769	11.49%

Overall, while growth in ADR and occupancy is encouraging, occupancy will likely not go much higher than 70% and the ADR is still too low to produce attractive returns to a developer without incentives.

Recommendation

Without any high-quality hotels in the immediate area, there is no existing hotel synergy to build upon. Although the market data suggest potential for a new hotel in the area, the low ADR and dismal mix of amenities offered in the immediate area implies that the subject hotel would struggle to attract the ADR premium needed to yield an attractive return. The pro forma shows that taking full advantage of potential tax increment financing brings the project from a stabilized 6.35% return on equity to 11.5%. Although the incentivized return on equity is significantly higher than non-incentivized, a hotel developer would be creating the upper-midscale hotel market in Clearfield, representing a larger risk and requiring a corresponding higher targeted return on equity–something likely closer to 15%.

The lack of amenities, lack of freeway visibility, and low market ADR suggest that hotel would not perform well on the subject site as part of the first phase. However, once a better mix of amenities is added to the marketplace, including restaurants, entertainment, and the improvement of Mabey Pond, the feasibility of a hotel should be reassessed and potentially added to the project site. The ideal site for a hotel is the southwest corner of the Lakeside Square property, currently occupied by TitleMax loans whose lease expires April 2019.

Entertainment

Movie Theater

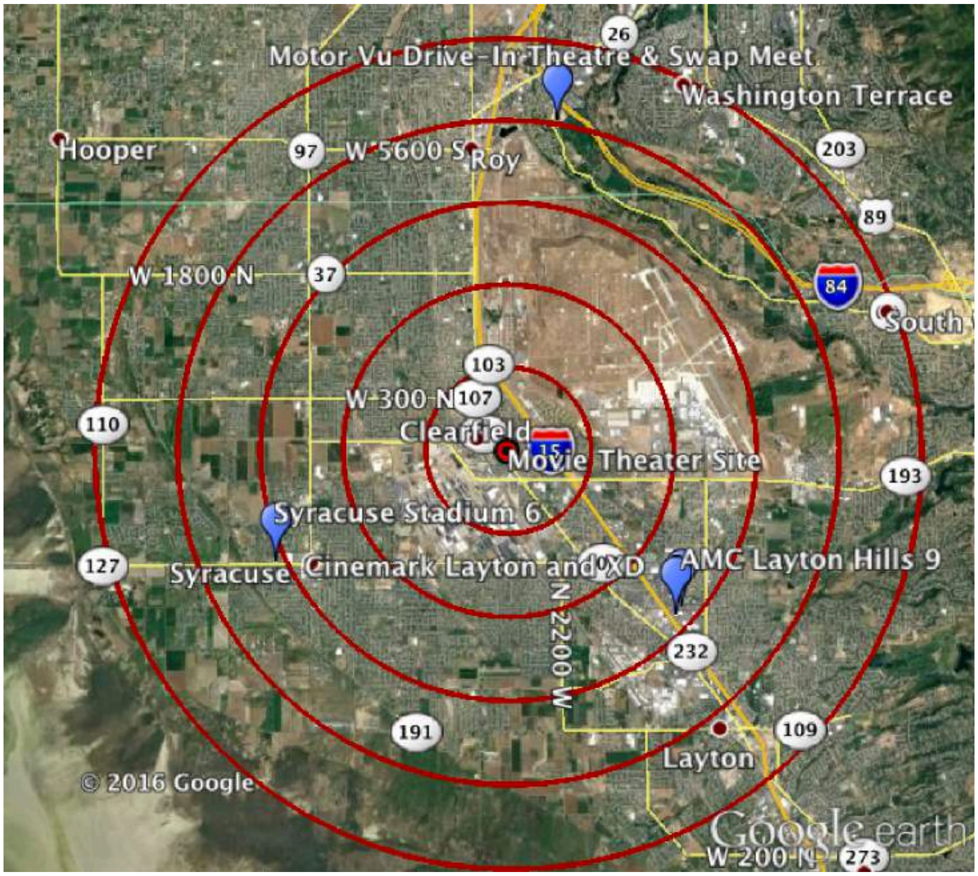
Movie theaters attract approximately 20 to 25 thousand patrons per screen per year. A six-screen theater will attract between 120 thousand and 150 thousand patrons annually. This makes theaters a destination attraction that draws consumers into a particular area and catalyzes additional investment. The lack of first-run theaters in Clearfield may present a unique opportunity to reduce entertainment sales leakage that is leaving the community. The proposed location for this theater is the current location of the Clearfield Mobile Home Park. This study will analyze the implications of an additional movie theater to the primary market, comprised of Clearfield and surrounding areas.

Competition

There are three first run theaters in the primary market area: AMC Loews 9 and Cinemark Tinseltown 7 at the Layton Hills Mall and UEC Syracuse Stadium 6. As a general industry rule, theater supply and demand is at equilibrium when there is a population to screen count of 10,000:1. However, this ratio has changed over time and according to the Motion Picture Association of America's Theatrical Statistics 2012, the current population-to-screen ratio in the United States is 7,864:1. For purposes of this study, an 8,000:1 population to screen ratio will be used.

Primary Market

The primary market area is defined as a five-mile radius around the contemplated site at Lakeside Square. The map below shows 1.0-mile radius rings with the competing indoor movie theaters located at a 3.0-mile distance to the southeast and southwest.

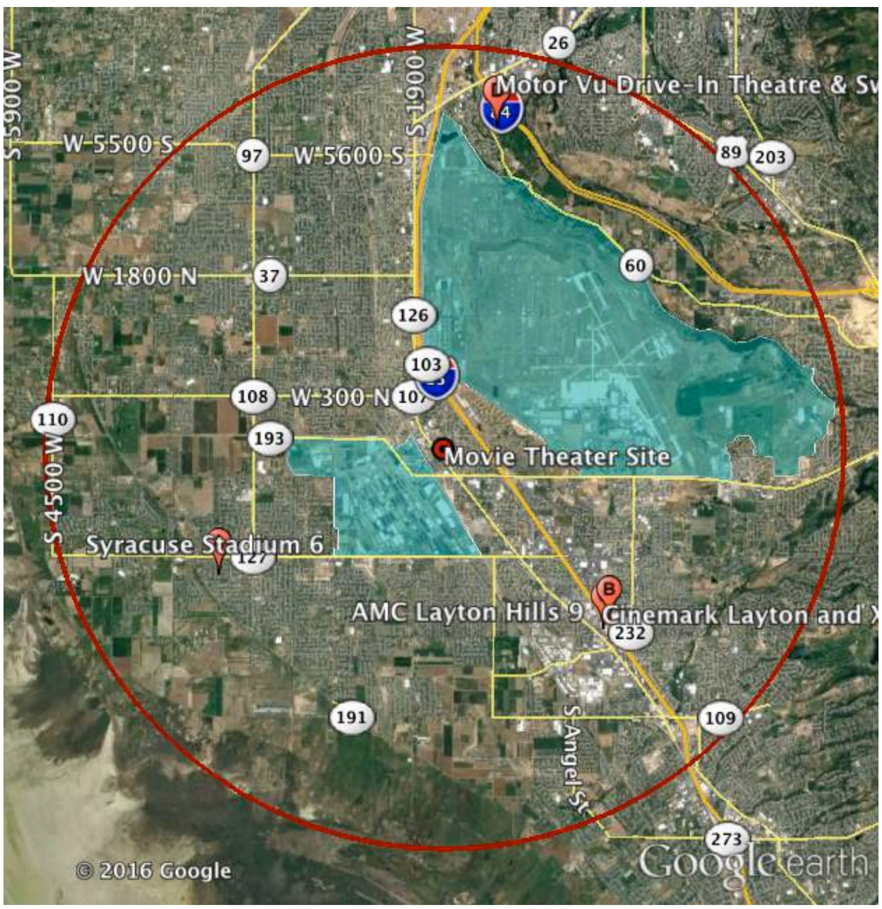


Based a population-screen ratio of 8,000 to 1, the primary market's population of 194,615 means that it should be able to support 24 movie theater screens. There are currently 22 screens in the primary market. The projected population growth indicates demand for 26 screens by 2021. An additional 6 screens added to the market would mean a ratio of 7,485 to 1–slightly below the US average.

Market Purchasing Power

The product of a given area's median household income by its number of households reveals its purchasing power. This formula is instrumental in movie theater's site selection process. An analysis of purchasing power within a 5-mile radius of the subject site compared with that of Layton Hills and Syracuse 6 shows a slight purchasing power advantage for the subject site. The subject site has purchasing power of $3.9 billion, compared to $3.5 billion for Layton Hills and $2.4 billion for Syracuse 6.

5-Mile	Households	Med. HHI	Purchasing Power
Subject Site	60,800	64,289	3,908,771,200
Syracuse 6	36,901	65,622	2,421,517,422
Layton Hills	51,594	67,610	3,488,270,340



Market Progression

Prior to the 1980's, movie theaters within the primary market area consisted of standalone or neighborhood center anchored theaters. Beginning in the 1980's with the development of the Layton Hills Mall, first-run theaters transitioned to indoor mall anchored theaters. Beginning in the 2000's, consumer preferences shifted away from the indoor mall product type towards open-air retail and entertainment developments. Although the Syracuse Stadium 6 theaters may have been an attempt to bring this product type to market, it was poorly executed. The existing movie theaters at Layton Hills Mall are considered an obsolete product type that no longer reflect this consumer preference, which is not really being offered within the 5-mile local market radius. The Junction in downtown Ogden and Station Park in Farmington are the closest truly walkable open-air developments and the Larry Miller Megaplex and Cinemark theaters there are performing well, respectively. The following is an analysis of the local theater market progression from the mid-1970's to present:

Mid-1970's Neighborhood Theaters

Lakeside Theaters

In 1976, Howard Coleman converted an existing building at Lakeside Square into the Lakeside Theaters, which offered first run movies. In 1985 it was renamed the Lakeside Discount Cinemas and offered second run movies, a repositioning strategy to segment the market in reaction to the development of the Cinemark theaters at the Layton Hills Mall. It was closed in June 2000 due to competition from the various multiplexes in Layton and the loss of anchor tenants like Smith's and Woolworths at the Lakeside Square retail center. The latest tenant of the building was the Comedy Club. Newspaper clippings regarding the closure from the Deseret News are included at the end of this section.

1980's Indoor Mall Anchored Theaters

Cinemark Tinseltown Layton and XD

The 13,500 square foot Cinemark's Movies 6 was the first theater developed at the Layton Hills Mall when it opened in 1980. In 1990, Cinemark built the 29,000 square foot Movies 10 next door and closed the Movies 6 two years later.

The aerial photo on the right was taken in August 1993 and shows the location of the Cinemark Movies 6 and Movies 10.

Movies 6 was demolished and in 1995 Cinemark opened the 34,000 square foot Tinseltown Movies 7 next door to the Movies 10. Movies 10 eventually changed to a discount theater and was connected to the Tinseltown Movies 7-plex next door, the marquis removed, and the complex was operated as a single building of approximately 26,500 square feet located at 720 West 1500 North.[22] More recently, the Movies 10 building has been closed and appears vacant. It's not clear whether the lease with Cinemark has expired or if the theaters are closed for renovation.

Cinemark Tinseltown 7 has been renovated and includes digital projectors and reclining seats with a total of 742 seats in 7 theaters. Both properties are owned by CBL & Associates Properties, Inc., one of the largest mall Real Estate Investment Trusts in the country.

Shadow Anchored AMC Loews

In 1997, Cineplex Odeon developed the 38,000 square feet 9-screen theater at 728 West 1425 North, which is 100 yards to the north of the Cinemark movie theaters, which made the Layton Hills Mall location the most concentrated movie center in the State at that time. The development was spearheaded by a new group of investors using the indoor mall and existing theaters as shadow-anchors to drive visitation to the new theaters.

The aerial photo above (top right) was taken in October 1997 and shows the location of the Tinseltown and Cineplex Odeon developments. Cineplex Odeon was acquired in 2005 by AMC and the complex was renamed the AMC Loews Layton Hills 9. The theater has since been renovated with digital theaters and reclining seats, which reduced the total number of seats from 1,800 to 634. The building is owned by Layton Theater Investment Group L.C. and is leased to AMC. The aerial photo to the right (bottom right) shows the property in present day.

[22] http://cinematreasures.org/theaters/5513

2000's: Walkable Open-Air Retail

UEC Syracuse Stadium 6

In 2008, developer Hawes Brubaker Neider LLC developed the 23,300 square foot Stadium 6 theaters located at 2428 W 1700 S in Syracuse as part of a larger 10-acre development. The theater was to be managed by Salt Lake City-based Westates Theaters Inc., which is no longer in existence. The theater has total seating of approximately 1,650 and at the time of this report the theater was under renovation to convert to stadium seating. The theater was purchased by the United Entertainment Corporation (UEC), which continues to own and operate this location.

The development was an attempt to position the theaters among other retail offerings within a small walkable neighborhood center concept. The layout of the development was poorly executed with the movie theater being set back behind two single story retail buildings with limited street visibility. The current operator only offers two show times for each theater around 5:00pm and 7:00pm with the earlier showing at matinee prices.

Next-Generation Opportunity

The age and obsolescence of the Layton Hills Mall may present an opportunity to recruit either the Cinemark or AMC theater to relocate as an anchor to a walkable open-air mixed-use concept at the Clearfield redevelopment project. This depends on when their respective leases end or are up for renewal and whether relocating to a next generation open-air development would warrant consideration assuming a higher lease rate.

Conversely, another operator such as Larry Miller Megaplex could be pursued to anchor the redevelopment with the open-air concept being a competitive differentiator to the aged indoor mall anchored multiplex theaters they would be competing against. The project would present a superior movie-going experience than what the existing multiplexes provide, which is a movie island isolated from other complementary uses by a sea of parking. Although a new development would saturate the market and create a lower population to screen ratio, it could still be successful if it were able to peel significant market share away from the existing multiplexes due to their obsolescence.

The most market-conducive approach to adding movie theaters to the redevelopment would be for AMC or Cinemark to relocate their theaters to the subject site–avoiding adding additional screens to the marketplace (assuming their old buildings are repurposed or converted to a second-run theater). Since Movies 10 has recently closed, there is not a second run operator in the primary market and this transition would be a natural market progression due to the age of the facilities and obsolescence of the indoor mall anchored product type.

Downtown S.L., Clearfield lose movie houses

Lakeside Theaters hurt by shifting business patterns

By Lynn Arave
Deseret News staff writer

The places northern Utahns go to see movies on the big screen are changing with news Thursday that a downtown theater will show its last films Saturday and last Friday's closing of a dollar theater in Clearfield.

Loews Cineplex Crossroads Plaza Cinemas, a three-screen theater in the lower level of Crossroads Mall, has posted its final movie showings for Saturday. The closure leaves Loews with three downtown-area multiplex theaters: Broadway Centre, Trolley Square and Trolley Corners.

Shifting business patterns are part of the story of the Lakeside Theaters, which closed permanently on Friday because of declining attendance and competition from the chain movie theaters.

Manager Brent Coleman said the discount "dollar theater" with two screens at 380 S. State was simply not profitable anymore.

"We were just a small theater, no stadium seating and no stereo sound," he said.

People would rather go to the bigger theaters with the modern features.

However, Coleman said another family business — the Motor-Vu Drive In in Riverdale — is still very profitable, and he expects it to be around a long time as the only drive-in theater between Salt Lake and Idaho Falls.

The demise of the Lakeside Theaters means the Kaysville Theater is the last discount movie house in north Davis County.

Lakeside Theaters started operation in 1976 when Coleman's father, Howard, had a building remodeled. The ambitious theater venture originally showed first-run movies. Then, about 15 years ago, the theaters became dollar screens.

Another factor that hurt the Lakeside was the absence of other retail businesses in Lakeside Square.

"There used to be a Smith's and Woolworth's here," Coleman said. "They'd generate a lot of foot traffic. Now the square is more of a business park."

Coleman said his family leased the building and so what it ends up as is in the hands of its owner, Kier Corp. He suspects another retail development will

Please see THEATERS on D9

THEATERS

Continued from D7

come in. The Colemans also started the Lakeside Bowling Lanes next door in 1977 but sold the ongoing business about seven years ago.

He said the demise of the Lakeside Theaters came abruptly with movie attendance down dramatically during the Memorial Day weekend. The last two movies shown at the theater were "My Dog Skip" and "The Road to El Dorado." It was only a core group of some 60 faithful patrons that kept the Lakeside going as long as it did.

The family also used to own the Ideal Theater down the street, which it started in 1964. That theater closed two years ago because of a lack of profitability and has since been torn down as part of the city's downtown redevelopment.

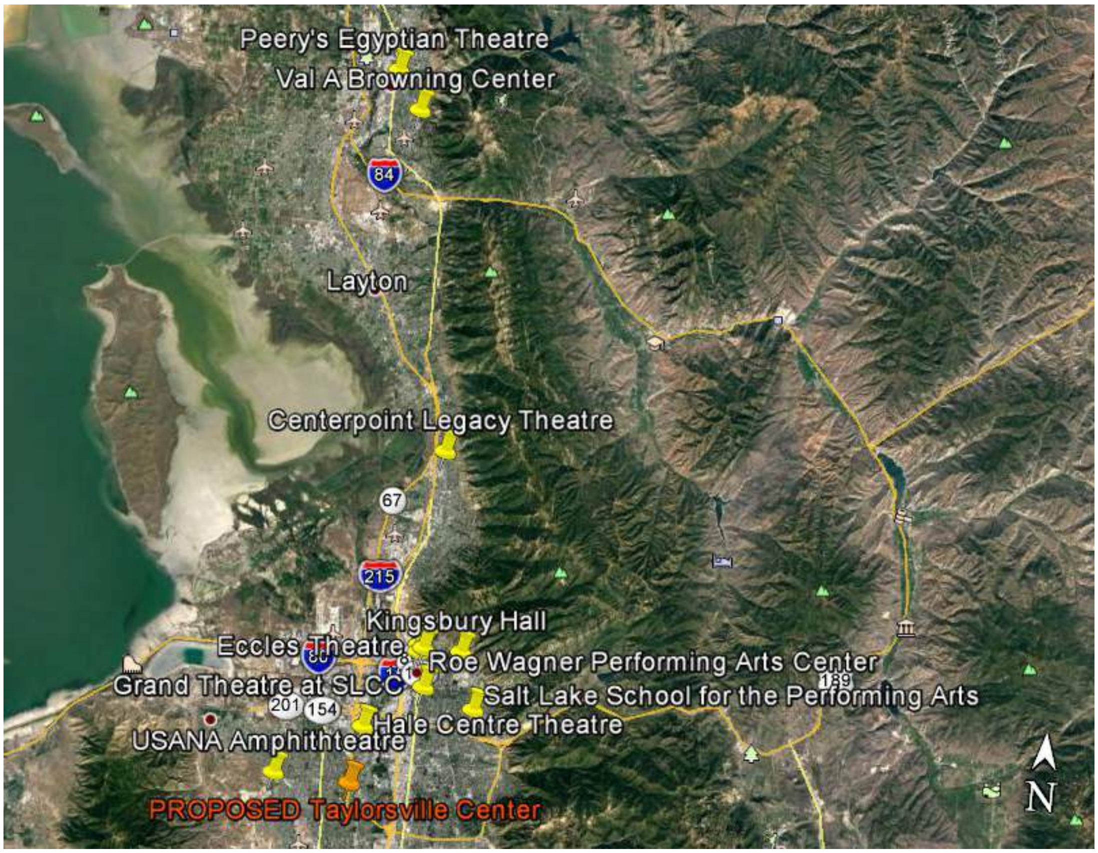
Coleman is now concentrating on management of the Motor-Vu, 5368 S. 1050 West, and believes his father will never sell this four-screen outdoor theater. It has been around since 1947 and celebrated its 50th birthday in 1997.

"Since the North Star Theater closed, our business has gone up," he said, explaining that while nation-wide, no new drive-ins are being built, the existing ones have actually been surging.

With Motor-Vu admission prices at $6 for adults and $1 for children under 12, a young family of six can see two first-run movies there for $16 as compared to $24 and up for one movie at indoor theaters. Coleman said that value, plus the outdoor experience continues to be the draw of a drive-in.

Performing Arts Theater

Utah has a strong affinity towards the performing arts. According to the National Endowment for the Arts, Utah leads the nation in attendance of live music, theater, and dance performances. On average, 51 percent of Utahans attended a performance in a 12-month period as compared to the national average of 31.6 percent.



There are twelve performing arts centers strung along the Wasatch front from SLC to Ogden. Nine are located in Salt Lake County, two are in Weber County, and one is in Davis County. Salt Lake County recently added the Eccles Theater and is planning the development of another theater in Taylorsville in the coming year. The high concentration of performing arts centers in Salt Lake suggests an ability for Utah's economy to support a greater number of these performing arts centers within a certain population level.

Population Analysis

Distribution along the Wasatch front seems to favor Salt Lake County heavily while areas north present a scarcity for these facilities. Northern Davis County in particular lacks any venue to host the performing arts. The nearest facilities are in Ogden and Centerville. The Ogden venue is located approximately 10 miles away; Centerville approximately 16 miles.

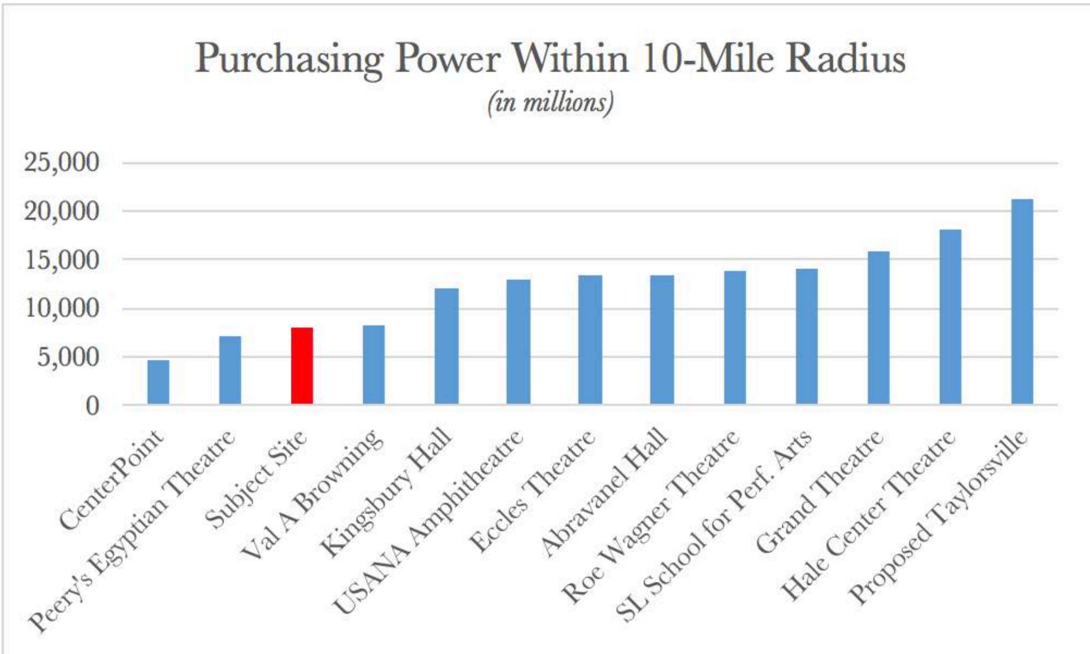
The distribution of performing arts theaters is attributed to population size surrounding each of the venues. Salt Lake venues, on average, are surrounded by a 10-mile radius population of 667,318–more than double the population of the average Weber/Davis County performing arts theater. Although the subject site's 10-mile population is significantly lower than Salt Lake County's, it is still nearly 70,000 higher than Weber/Davis Counties.

Average Population Within 10 Miles	
Weber/Davis Counties	318,203
Salt Lake County	667,318
Subject Site	386,290

Weber/Davis County's median household income within a 10-mile radius of a performing arts center is about $3,000 higher than that of Salt Lake County, but nearly $10,000 less than the subject site's 10-mile radius. Given the density of performing arts theaters in Salt Lake County, we can infer that patrons are commuting from all over the Wasatch front to attend performances in facilities considered to produce a higher quality experience. Median household income by itself may not be a qualifying factor to determine the potential success of a theater, but it does increase the likelihood that patrons will have a higher disposable income to spend on fine art performances.

Median Household Income Within 10 Miles	
Weber/Davis Counties	54,766
Salt Lake County	51,721
Subject Site	64,656

Multiplying median household income by the number of households in a given area demonstrates its total purchasing power, which is the best indicator of available discretionary income that may be available for spending at a performing arts center. The subject site's annual total purchasing power is $7.9 billion, significantly higher than Centerpoint's $4.6 billion. Both, however, fall behind many other theaters located in Salt Lake County.



For Davis and Weber Counties, the subject site shows adequate purchasing power to support a performing arts center. Theatres of this nature are typically funded through some combination of property/sales taxes, RDA tax incentives, ticket/event sales, government grants, and private donations.

Davis Center for The Performing Arts (CenterPoint)

Construction of the $14.4 million-dollar regional performing arts center in Centerville was completed in 2011. The center was built on a parcel owned by the Redevelopment Agency of Centerville. It is paid for by a mix of four funding sources: 1) a Recreation, Arts, and Parks (RAP) tax; 2) tax increment financing; 3) Davis County tourism taxes; and 4) private donations.

The following are some of the expenses and tax revenues, as found in Centerville City's budget. The complete breakdown of the funds applied to the performing arts center are not available, but the following figures are given below:

- Construction Costs: $14.4 Million

- Maintenance Costs: $300,000
- RAP tax applied per year: $80,000
- RDA revenues: $442,500

Other Centers in Utah

There are many other ways to construct and maintain community arts buildings. The table below shows potential funding sources, as well as construction cost and age of building, if available.

Name	Location	Construction Cost (if Available)	Opening Date	Funding Source
Peery's Egyptian Theatre	Ogden	--	1924	Tickets, David Eccles Conference Center
Val A Browning Center	Ogden	--	1965	Center Revenue, Donations
CenterPoint Legacy Theatre	Centerville	14.4 Million	2010	Tickets, Donations, Weber State University
Kingsbury Hall	Salt Lake City	--	1930	RAP tax, RDA tax increment, Davis County tourism taxes, private donations
Abravenel Hall	Salt Lake City	--	1979	Tickets, donations, University of Utah
Rose Wagner Performing Arts Center	Salt Lake City	--	1997	Government grants, ticket sales, Event revenue
Grand Threatre at SLCC	South Salt Lake	--	1989	Ticket sales, events
Salt Lake School for the Performing Arts	Sugar House	--	2010	ZAP tax receipts, ticket sales, donations, SLCC
Taylorsville Theater	Taylorsville	$39 Million	N/A	Functions as a public school
Eccles Theater	Salt Lake City	$110 Million	2016	Salt Lake County, Miller Family, Delta Air Lines, LDS Curch
Hale Center Theater	West Valley City	--	1990	ZAP tax receipts, program revenue, donations

Conclusion

As relayed in the Creating Downtown Clearfield report, one of the key amenities missing from Clearfield is entertainment. An entertainment venue on the subject site would act as an anchor not only to other uses proposed on the subject site, but to the downtown area in general. It would attract a steady stream of people downtown and become the strong redevelopment catalyst that Clearfield needs. The two most logical entertainment uses for the subject site–movie theater and performing arts center–are both feasible from a market standpoint. Since financials for these projects are of case-by-case nature, it is difficult to nail down financial feasibility for the two uses, although public incentive will likely be needed in either case. Public investment in entertainment, if it can serve as a redevelopment catalyst, will likely prove to be well worth the money. The pro formas found in the conclusion section of this report reflect a 6-screen, 25,000 SF movie theater placed on the mobile home park site.

Conclusion

As part of the implementation phase, Better City will begin outreach campaigns to various real estate segments, including multifamily and townhome developers, hotel brands and developers, potential retail tenants and developers, office users and developers, and potential entertainment anchor uses. As conversations are had with these market segments, the overall project development plan and strategy will likely evolve. Below are the key findings and takeaways from this feasibility analysis.

Section	Summary
Economic Overview	• Population in 3-mi radius is projected to grow 8.4% by 2021. Growth is primarily occurring west of the subject site in Syracuse, West Point, and Clinton. • Median household income in 3-mi radius of $57,952 is 20% lower than Davis County. • Employment in Weber and Davis Counties has grown at an average rate of 3.2% per year. Employment is expected to grow 2.1% per year through 2020. • Two of Davis County's largest employers, Hill Air Force Base and Lifetime Products are located within close proximity to the subject site in Clearfield.
Office	• There will be 7,252 new office jobs created in Weber and Davis Counties by 2020, requiring 1.8 million SF of new office construction. After accounting for the current development pipeline, approximately 300,000 SF of this new demand will be absorbed within the 5-mile radius of the site–most of which will likely be in Falcon Hill and Legend Hills. • Office in the primary market performs worse than Weber and Davis County which performs worse the Metro Salt Lake. • In the primary market, office performs significantly worse west of the freeway than it does east. • The immediate area around the subject site is lacking in the amenities and quality of tenancy needed to attract new office users. • Any office market absorption in the subject site will likely come from local businesses. • According to current market fundamentals, office would be financially feasible only with public incentive. **Takeaways:** Office users strongly prefer areas with a diverse mix of amenity offerings within close (walkable) distance that currently does not exist in the immediate area. As such, office is recommended as a second

	phase to the development, potentially on the TitleMax site–whose lease expires April 2019. **Implementation Steps:** Ensure that the right kind of amenities are being added to the project and preserve future office space in the site plan.
Retail	• Not including anchors, the most amount of retail that can physically be supported on the Lakeside Square property is approximately 100,000 SF. • Retail spending per capita for select categories in Clearfield increased 15% from 2014 to 2015, while Utah grew 5.8%. The capture rate in Clearfield increased from 28.6% to 32.3%. • Modest increases in capture rate for select spending categories in Clearfield suggest that up to 115,000 SF of new retail could be absorbed in the near future. • Retail lease rates are significantly lower and vacancy significantly higher in the primary trade area than in Weber and Davis Counties. • Given the population growth and current development pipeline, the primary market will require approximately 160,000 SF of new retail by 2021. • The overall poor quality of existing retail buildings and tenancy in the immediate State Street corridor surrounding the subject site suggests a profound lack of retail synergy in the area–something that higher-quality retailers rely heavily upon. • The subject site is somewhat isolated given its central location to two large land users–Hill Air Force Base to the east and Freeport center to the west. The 1-mi radius around the subject site accounts for 33% of the primary trade area's land but only 11% of its population. • Retail fundamentals suggest financial feasibility with little-to-no public incentive required. **Takeaways:** Rooftops need to be added to subject area in order to make up for the isolation created by HAFB and Freeport Center. The immediate area needs to be cleaned up before retail can be supported, either through residential development or by recruiting a transformative anchor in the entertainment or arts field. **Implementation Steps:** Reach out to potential entertainment/arts anchors, residential developers, and reputable retailers and tenant representatives. Retail should be included as part of the project's first phase with the understanding that the targeted tenancy may not be attracted to the space in the beginning but will eventually as the overall "feel" of the area evolves.
Residential	• The share of renters in Clearfield is significantly higher than in neighboring cities. • Rental rates are strong in Clearfield relative to neighboring cities despite an overall older building stock.

	• The combination of low vacancy, climbing rental rates, and a small development pipeline suggests excess demand for rental housing in Clearfield. • With little residential land left to develop, Clearfield does not benefit from the economic churn that comes with residential construction that other nearby communities do. **Takeaways:** In order for the subject area to support commercial uses, the overall "feel" of the area needs to be improved and more residents need to be added downtown. Redeveloping a significant portion of the site with residential uses takes care of both concerns and would set the stage for eventual inclusion of commercial-intensive uses. **Implementation Steps:** Reach out to homebuilders and commercial developers who are familiar with urban/town residential product. Ensure that site plan maintains healthy balance between residential and commercial uses.
Hotel	• Layton holds 58% of the nationally-branded hotels in Davis County. Clearfield holds 4.3% with its Days Inn. • The two newest hotels in Davis County are both in Farmington–Hampton Inn near Lagoon and Hyatt Place in Station Park. • Average daily rates (ADR) have steadily grown since and vacancy has steadily declined since 2010. • Although market fundamentals are improving, ADR is still too low to provide a substantial return on investment. This is due to the general rate-sensitive nature of hospitality in Northern Utah and the relatively low lodging stipends offered by Hill Air Force Base–the largest consumer of hotel rooms in the area. • The Layton hotel cluster offers a wide variety of amenities that the subject area does not have. • The subject site does have strong visibility and traffic counts on State Street, but does not have freeway visibility like hotels in Layton does. **Takeaways:** Visibility and traffic counts coupled with population growth and convenient proximity to Hill Air Force Base and Freeport Center suggest strong hotel potential for the subject site, however the lack of amenities and freeway visibility suggests otherwise. As such, hotel is recommended as part of the project's second phase, potentially on the TitleMax site–whose lease expires April 2019. **Implementation Steps:** Reach out to hotel developers to generate preliminary interest. Ensure the site plan is configured in a way that accommodates future hotel.
Entertainment	• The primary market area–the 5-mile radius around the subject site–has enough population to support 24 movie theater screens (26 by year 2021). There are currently 22 screens in the market.

	• 15 of the primary market's screens are at or near Layton Hills Mall, whose enclosed mall format is rapidly becoming economically obsolescent, with movie theaters preferring to be part of walkable, open-air retail destinations. • A comparison of the subject site, Syracuse 6, and Layton Hills with regards to primary market (5-mile radius) purchasing power shows the subject site with a slight advantage over Layton Hills and a large advantage over Syracuse 6. **Takeaways:** Since Cinemark and AMC lease their theater spaces in Layton, there may be opportunity to recruit one of them to relocate to the subject site, which would prevent adding screens to a near-equilibrium market. Although a movie theater would be most effective as a redevelopment catalyst on the project site, a performing arts center should be pursued as a backup plan. **Implementation Steps:** In-state and out-of-state movie theater operators will be pursued, with special emphasis on the AMC and Cinemark in Layton. Unique movie operators with food and beverage service should also be pursued.

These key findings and takeaways from each section inform the site plan and use mix found in the following "recommended project" section.

Recommended Project

The goal of the targeted redevelopment is to eliminate the buildings and spaces that detract vibrancy and replace them with uses that promote vibrancy. Ultimately, the redevelopment that occurs on the Lakeside Square and Clearfield Mobile Home Park sites will set the tone for a generation of redevelopment along the State Street corridor. As such, it is critical that the project include a mix of uses that correctly sets that tone and that is phased in a way that meets market needs while providing an attractive return to developers.

Although phasing will largely be determined by market conditions, the following uses, as shown in the site plan below, are strongly recommended for the project area at full build-out. These uses are determined to be those that can both provide a competitive rate of return to a developer, and that will contribute effectively the mixed-use synergy required for the project area to become the new "downtown Clearfield" and catalyst for downtown redevelopment.

Lakeside Square	**Mobile Home Park**
• **Plaza** – pedestrian promenade leading from State Street to Mabey Pond Plaza. Plaza to be 1.25 acres dedicated to community space. • **Residential** – 220 apartment units in 2 buildings • **Retail** – 30,000 SF under multifamily along State Street • **Live/Work** – 40 units lining the pedestrian promenade and plaza. Units to be individually-owned. • **Hotel/Office** – Upper-midscale hotel or office building on corner of State Street and 450 South. To be built as later phase after TitleMax lease expires April 2019.	• **Theater** – 6-screen movie theater or 25,000 SF performing arts center with podium parking underneath. • **Retail** – 15,000 SF of retail in front of and next to the theater. • **Residential** – 300 townhomes on 11.5 AC behind theater and retail. Units to be individually-owned.

The promenade and plaza, colored blue, illustrates the alignment of the two sites, with the Lakeside Square side dedicated to more business-hours and community uses, with the mobile home park side supporting evening uses–movie-going and dining.


Apts
Apts and Retail
Live/Work
Plaza
Live/Work
Hotel or Office
Live/Work
Townhomes
Theater & Retail
Retail

Project Objectives

Road Connections

The proposed site plan makes several road connections that were illustrated in the Creating Downtown Clearfield document, including the connection of Depot Street, the extension of 375 East through to 450 South and the extension of 450 South through to Depot Street.

Residential Density

As was mentioned multiple times throughout the study, the large non-residential uses of Hill Air Force Base and the Freeport Center, create significant residential density and access constraints to the subject site. By adding several residents to the site–renters, homeowners, and business owners–these constraints will begin to be addressed. The proposed site plan would add an estimated 1,800 people in 560 households to the downtown area, greatly increasing the spending power downtown.

Mix of Uses

The proposed project includes a wide variety of uses including residential, retail, community promenade and public plaza, hotel/office, and entertainment. The high share of apartment units and townhomes is reflective of a strong residential market, whose returns can offset the lower returns produced by the other proposed uses.

Taxable Value

Current taxable value of the subject parcels is approximately $9 million with $104,000 in paid taxes ($12,230 to the city). The total development cost of the proposed project including land acquisition, demolition, and hard and soft costs is just over $106 million. Of that, $75.5 million is dedicated to hard construction costs. *Incremental* taxable value is expected to be $45-50 million, representing *incremental* property tax revenue of nearly $550,000 per year to all taxing entities and **$65,000** to the city.

Taxable sales are expected to increase from $1,415,000 to approximately $10,000,000 per year. With a local sales tax rates of 1.0%, the subject site is expected to bring an incremental **$86,000** to the city.

The addition of a hotel to the project site would add the ability to collect transient room tax. At stabilization, a hotel would bring just over **$19,000** in annual transient room tax to the city.

In total, the proposed development will provide an incremental annual tax revenue of **$170,000** to the city.

Construction Costs

The proposed project area consists of 8 parcels, totaling 30.49 acres. Acquisition cost is estimated to be approximately $10.6 million for a blended price of $7.98 per square foot. Pricing per square foot of land follows a predictable pattern of the smallest parcels being priced highest on a per square foot basis. The one glaring exception to this pattern is Lakeside Square which is priced at $10.22 per square foot–whose market value is likely around $8.00/SF. Demolition costs for these parcels are estimated to be $627,000.

Parcel	Use	Price	AC	/SF	Demo
120030108	MHP	4,000,000	15.30	6.00	363,327
120030283	Lakeside	4,750,000	10.67	10.22	148,855
120030218	Youth Health	650,000	1.19	12.54	57,905
120030109	448 State	100,000	0.34	6.75	7,150
120030174	452 State	240,000	0.75	7.35	12,150
120030196	Stephenson	350,000	1.58	5.09	5,500
120030024	Discount Auto	85,000	0.13	15.01	1,937
120030282	Title Max	420,000	0.53	18.19	30,150
Total		10,595,000	30.49	7.98	626,974
Acq + Demo		11,221,974	30.49	8.45	

The proposed site plan and use mix would be nearly 925,000 SF of useable building space at an estimated cost of approximately $95.4 million which includes $1 million for development of the plaza and pedestrian promenade. Total development costs, including land acquisition and demolition, totals $106.6 million, or a blended $115.16 per square foot of building.

Type	SF	Cost/SF	Cost
Retail	47,732	115.00	5,489,180
Apartments	221,998	95.00	21,089,810
Movie Theater	25,000	240.00	6,000,000
Live/Work	96,997	110.00	10,669,659
Townhomes	474,086	90.00	42,667,776
Hotel/Office	60,000	141.33	8,480,000
Plaza/Promenade	-	-	1,000,000
Subtotal	925,813	103.04	95,396,425
Land Acquisition			10,595,000
Demolition			626,974
Total Development Cost	925,813	115.16	106,618,399

Project Pro Forma

The proposed development is split up and analyzed in five distinct sections, as presented below. At the beginning of each section, the relevant buildings in the site plan are highlighted in pink.

#1 – Multifamily and Ground-Level Retail

This section comprises of two buildings–one 165,000 SF, 5-story multifamily building with ground level retail on State Street and a 5-story, 90,000 SF multifamily building by the pond. Total gross square footage is 255,000 with a net rentable square footage of 218,000 and a total development cost of $26.8 million.

Sources	Total	%
Debt	17,415,307	65%
Equity	9,377,473	35%
Total	26,792,780	100%

Debt Service	
Rate	4.5%
Term	25
Payment	-1,174,471

Uses	GSF	Loss	NSF	Cost/SF	Cons
Multifamily	221,998	15%	188,698	95.00	21,089,810
Retail	33,102	10%	29,792	115.00	3,806,730
Land/Demo	-		-	7.43	1,896,240
Total	255,100		218,490	105.03	26,792,780

Given market lease rates and expenses, the project produces a stabilized year-3 cash on cash return of 11.8%. Assuming a sale in year 6, the project produces a leveraged IRR of 21.1%. With sales tax increment generated by the retail component used as incentive, the year-3 cash on cash increases to 12.6% and the IRR jumps to 21.5%.

Multifamily	**Yr 0**	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**
Gross Rent PSF	-	15.00	15.45	15.91	16.39	16.88	-
	-	2,830,475	2,915,389	3,002,850	3,092,936	3,185,724	-
Vacancy	-	25%	15%	5%	5%	5%	-
	-	707,619	437,308	150,143	154,647	159,286	-
Expenses	-	45%	40%	33%	33%	33%	-
	-	955,285	991,232	941,394	969,635	998,724	-
NOI	-	1,167,571	1,486,848	1,911,314	1,968,654	2,027,713	-

Retail							
NNN Rent PSF	-	14.00	14.42	14.85	15.30	15.76	-
	-	417,085	429,598	442,486	455,760	469,433	-
Vacancy	-	50%	25%	10%	10%	10%	-
	-	208,543	107,399	44,249	45,576	46,943	-
Lease Expense	-	6%	6%	6%	6%	6%	-
	-	12,513	19,332	23,894	24,611	25,349	-
NOI	-	196,030	302,866	374,343	385,573	397,140	-

Combined							
Total NOI	-26,792,780	1,363,601	1,789,715	2,285,657	2,354,227	2,424,854	37,305,441
Debt Service	-	-1,174,471	-1,174,471	-1,174,471	-1,174,471	-1,174,471	-
Sales Proceeds	-	-	-	-	-	-	37,305,441
Balloon Payment	-	-	-	-	-	-	14,817,777
Equity Cash Flow	-9,377,473	189,129	615,243	1,111,186	1,179,756	1,250,382	22,487,664
Levered Cash on Cash	-	2.0%	6.6%	$\boxed{11.8\%}$	12.6%	13.3%	-
Levered IRR	$\boxed{21.1\%}$						
Unlevered IRR	11.4%						
Growth	3.0%						
Exit Cap	6.5%						

Incentives	**Yr 0**	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**
Sales/SF	-	225.00	231.75	238.70	245.86	253.24	-
Gross Potential Sales	-	6,703,155	6,904,250	7,111,377	7,324,718	7,544,460	-
Actual Sales	-	5,027,366	5,868,612	6,755,808	6,958,483	7,167,237	-
Sales Tax	0.0125	62,842	73,358	84,448	86,981	89,590	-
To Project	-	53,416	62,354	71,780	73,934	76,152	-
PCT	-	0.85	0.85	0.85	0.85	0.85	-
Incentivized Cash Flow	-9,377,473	242,545	677,597	1,182,966	1,253,689	1,326,534	22,487,664
Cash on Cash		2.6%	7.2%	$\boxed{12.6\%}$	13.4%	14.1%	
Levered IRR	$\boxed{21.5\%}$						

Overall, the multifamily and retail section performs well with little public incentive. The retail on State Street may struggle to lease up for the first couple years, but should do well once the entire project is built up. This ramp up period is built in to the pro forma.

#2 - Movie Theaters and Retail

The second component of the project is the movie theaters and single-level retail on the west side of State Street. The proposed theater is 6 screens (25,000 SF) accompanied by 14,630 of retail. Total development cost for these two uses is approximately $9.5 million.

Sources	Total	%
Debt	6,648,122	65%
Equity	2,849,195	35%
Total	9,497,317	100%

Debt Service	
Rate	4.5%
Term	25
Payment	-448,343

Uses	GSF	Loss	NSF	Cost/SF	Cons
Theater	25,000	0%	25,000	240.00	6,000,000
Retail	14,630	0%	14,630	115.00	1,682,450
Land/Demo	-	-	-	45.80	1,814,867
Total	39,630		39,630	239.65	9,497,317

Given market lease rates and expenses, the project produces a stabilized year-3 cash on cash return of 3.0%. Assuming a sale in year 6, the project produces a leveraged IRR of -3.7%. Even with sales and property tax increment used as incentive, the returns are still not attractive. The incentivized year-3 cash on cash return is projected to be increases to 7.15% with an IRR of 0.37%. Although this component of the project does not produce favorable returns within these short-term investment parameters, a project of this nature would either be developed by a long term investor or it would be coupled with another, more profitable project component. If, for example, a developer builds the theater and retail along with the multifamily and retail on the east side of State Street (component #1), the blended incentivized IRR is 17.0% and the stabilized cash on cash is 11.24%.

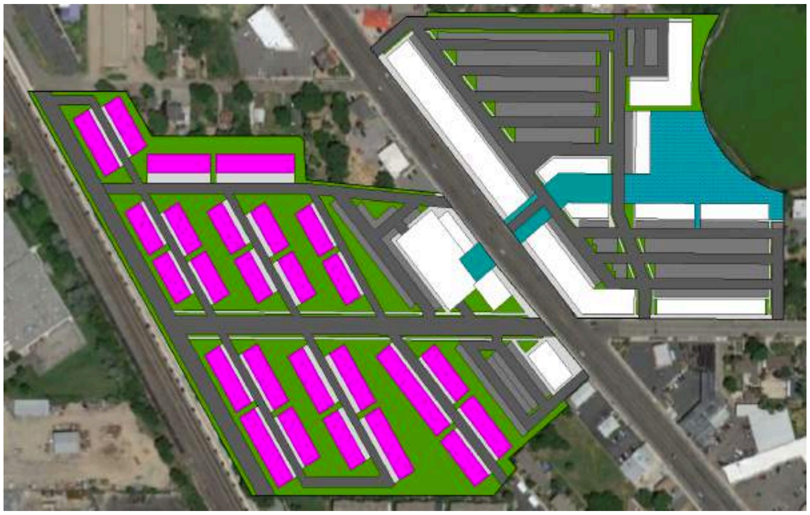
Theater	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
NNN Rent	-	14.00	14.42	14.85	15.30	15.76	-
	-	350,000	360,500	371,315	382,454	393,928	-
Vacancy	-	0%	0%	0%	0%	0%	-
	-	0	0	0	0	0	-
Revenue	-	1,770,000	1,823,100	1,877,793	1,934,127	1,992,151	-
Lease Expense	-	6%	6%	6%	6%	6%	-
	-	21,000	21,630	22,279	22,947	23,636	-
NOI	-	329,000	338,870	349,036	359,507	370,292	-

Retail							
NNN Rent	-	14.00	14.42	14.85	15.30	15.76	-
	-	204,820	210,965	217,294	223,812	230,527	-
Vacancy	-	10%	10%	10%	10%	10%	-
	-	20,482	21,096	21,729	22,381	23,053	-
Potential Sales	-	3,291,750	3,390,503	3,492,218	3,596,984	3,704,894	-
Actual Sales	-	2,962,575	3,051,452	3,142,996	3,237,286	3,334,404	-
Lease Expense	-	6%	6%	6%	6%	6%	-
	-	11,060	11,392	11,734	12,086	12,448	-
NOI	-	173,278	178,476	183,830	189,345	195,026	-

Combined							
Total NOI	-9,497,317	502,278	517,346	532,866	548,852	565,318	7,537,573
Debt Service	-	-448,343	-448,343	-448,343	-448,343	-448,343	-
Sales Proceeds	-	-	-	-	-	-	7,537,573
Balloon Payment	-	-	-	-	-	-	5,656,540
Equity Cash Flow	-2,849,195	53,935	69,003	84,524	100,510	116,975	1,881,033
Levered Cash on Cash	-	1.9%	2.4%	3.0%	3.5%	4.1%	-
Levered IRR	-3.7%						
Unlevered IRR	1.4%						
Growth	3.0%						
Exit Cap	7.5%						

Incentives	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Current Valuation	-	1,525,033	1,525,033	1,525,033	1,525,033	1,525,033	-
New Valuation	-	6,145,960	6,330,339	6,520,249	6,715,856	6,917,332	-
Increment	-	4,620,927	4,805,306	4,995,216	5,190,823	5,392,299	-
Property Tax Increment	0.0155128	71,684	74,544	77,490	80,524	83,650	1,881,033
To Project	-	60,931	63,362	65,866	68,446	71,102	-
PCT	-	85%	85%	85%	85%	85%	-
Sales Tax	0.0125	59,157	60,932	62,760	64,643	66,582	-
To Project	-	50,284	51,792	53,346	54,946	56,595	-
PCT	-	85%	85%	85%	85%	85%	-
Incentivized Cash Flow	-2,849,195	165,149	184,157	203,736	223,901	244,672	1,881,033
Cash on Cash	-	5.8%	6.5%	7.15%	7.9%	8.6%	-
IRR	0.37%						

#3 – Townhomes



Townhomes (approximately 300 units) are proposed for the western portion of the mobile home park site. These units will be three stories with 1 and 2 car garages located on the ground level. Units will range between 1400 and 1800 SF and will be priced between $175,000 and $225,000. It is contemplated that the townhomes be absorbed over a 3-year period, although actual phasing will be largely determined by presales as will unit density, sizing, and unit pricing. Total development cost, as contemplated, is approximately $46.9 million, or $98.97 per saleable square foot. With these assumptions, the project produces a levered IRR of 33.6% over 3 years.

Townhomes	Yr 0	Yr 1	Yr 2	Yr 3	Total
Sales Price /SF	-	125.00	128.75	132.61	-
	-	59,260,800	61,038,624	62,869,783	-
Percent Sold	-	33%	33%	33%	-
	-	19,753,600	20,346,208	20,956,594	61,056,402
Closing Costs	-	5%	5%	5%	-
	-	987,680	1,017,310	1,047,830	3,052,820
NOI	-46,918,969	18,765,920	19,328,898	19,908,765	-
Interest Payment	-	-703,785	-703,785	-703,785	-2,111,354
Principal	-	11,729,742	11,729,742	11,729,742	-
Equity Cash Flow	-11,729,742	6,332,393	6,895,371	7,475,238	20,703,002

Equity Multiple	1.77
Levered IRR	33.6%
Unlevered IRR	11.3%
Growth	3.0%

Sources	Total	%
Debt	35,189,227	75%
Equity	11,729,742	25%
Total	46,918,969	100%

Debt Service	
Rate	6.0%
Term	3
Payment	-2,111,354

Uses	GSF	Loss	NSF	Cost/SF	Cons
Townhomes	592,608	20%	474,086	90.00	42,667,776
Land/Demo	-		-	8.97	4,251,193
Total	592,608		474,086	98.97	46,918,969

#4 – Live/Work

Since ground-level retail will likely not perform well without State Street visibility, the buildings lining the pedestrian promenade and plaza should be live/work units that provide the urban street wall feel while still being viable from a market standpoint. These units will be individually owned by business owners, with their workspace/retail storefront/office being located on the ground floor and living quarters above. Since there is no existing live/work market nearby to base assumptions on, the pro forma will be shaped entirely by presales. The targeted IRR for the live/work component is 25-35% and an equity multiple of 1.40 to 1.75. In order to achieve these returns, and assuming a development cost of $11.5 million or $118.98/SF, live/work units would need to be sold at around $140-150 per square foot.

If these returns cannot be met, the live/work model can easily be converted to rowhomes or townhomes that may either be rented or sold. The vibrancy that comes with commercial uses (live/work) would significantly contribute to the promenade and plaza, however, the high-quality design of alternative residential uses (townhomes/rowhomes) would still provide the "sense of place" sought after.

#5 – Hotel or Office

The corner of State Street and 450 South should be reserved for potential hotel or office use. The 0.53 AC parcel located on the corner is currently home to TitleMax whose lease expires April 2019. If the rest of the site, or a substantial portion of it, is developed by that time, this site will presumably be more attractive to hotel and office developers. Because this particular site is anticipated to be developed at a later phase, there is no pro forma specific to hotel or office included here. However, as was shown in their respective sections, both uses will likely require public incentive in order to produce attractive returns.

Sample Projects

There are plenty of examples of well-executed mixed-use projects that successfully incorporate principles of new urbanism to create vibrant suburban downtowns. Below are a few examples of projects and project elements used to devise a land use plan for the subject sites.

Village of Providence – *Huntsville, AL*

The Village of Providence development in Huntsville, Alabama is a large urban town center development placed in a traditionally car-dependent suburb. Although the entire development is much larger than what is shown below, the portion of the development outlined in red shows the mix of uses approaching the town center portion of the development. This outlined portion is approximately 10.5 AC–the same size as the Lakeside Square property. General principles of new urbanism are successfully applied–rich mix of uses within close proximity, alley loaded residential lots, small (or no) setbacks, variety of residential types, hidden parking, wide sidewalks, etc. These same general land planning principles should be applied to the subject property–especially Lakeside Square.

Kentlands Live/Work – *Gaithersberg, MD*

A large portion of Main Street in Gaithersberg is dedicated to live/work buildings where retail or professional offices are on the ground-floor with residences above. Live/work buildings in Kentlands front narrow streets or green space (below) with rear parking. Live/work buildings are envisioned lining the pedestrian promenade leading up to Mabey Pond Plaza.

Main Street Townhomes – *Kaysville, UT*

These townhomes on Main Street in Kaysville are alley-loaded with the homes fronting community green space.

Orchard Drive & 2200 South Townhomes – *Bountiful, UT*

In 2006, an old, dilapidated mid-box store and underutilized parking lot were demolished and redeveloped as a townhome project in the back with retail pads on the street, taking advantage of the traffic counts of Orchard Drive. This is a great example of applying efficient, urban-influenced redevelopment to an inefficient suburban retail site.