




CITY COUNCIL TRANSMITTAL

  
Patrick Leary, Chief of Staff

Date Received: January 31, 2019  
Date sent to Council: February 4, 2019

TO: Salt Lake City Council  
Charlie Luke, Chair

DATE: January 31, 2019

FROM: Mike Reberg, Director Department of Community & Neighborhoods

  
SUBJECT: Fleet Block Development Update

**STAFF CONTACT:**

Melissa Jensen, Director, HAND, [melissa.jensen@slcgov.com](mailto:melissa.jensen@slcgov.com), 801-535-6035;  
Dan Rip, Neighborhood Development Manager, [daniel.rip@slcgov.com](mailto:daniel.rip@slcgov.com), 801-535-6308

**DOCUMENT TYPE:** Information Only

**RECOMMENDATION:** That the City Council review the implementation plan provided by Urban Design Associates and Cascadia Partners.

**BUDGET IMPACT:** None

**BACKGROUND/DISCUSSION:** In order to advance development of the Fleet Block property in a manner that complements its vision of an innovation district and as a catalytic development for the Granary District, through an RFP process HAND hired Urban Design Associates (UDA) Cascadia Partners for design and feasibility consulting. Their scope of work resulted in a well-developed implementation plan to be used as a framework for the City to facilitate the site's development.

In summary, UDA and Cascadia Partners' work consisted of 3 phases:

1. Learning
2. Testing & Designing
3. Deciding

As a result of this process, the data presented by the consultants to the City creates a strong foundation for execution of the development process and ensures that City and community goals are met.

Internally, a cross departmental stakeholder group has been formed that is utilizing UDA's work to frame the RFEI/RFP process. Since the site has so much potential but also so many nuances and constraints, this collaboration is critical for future success.

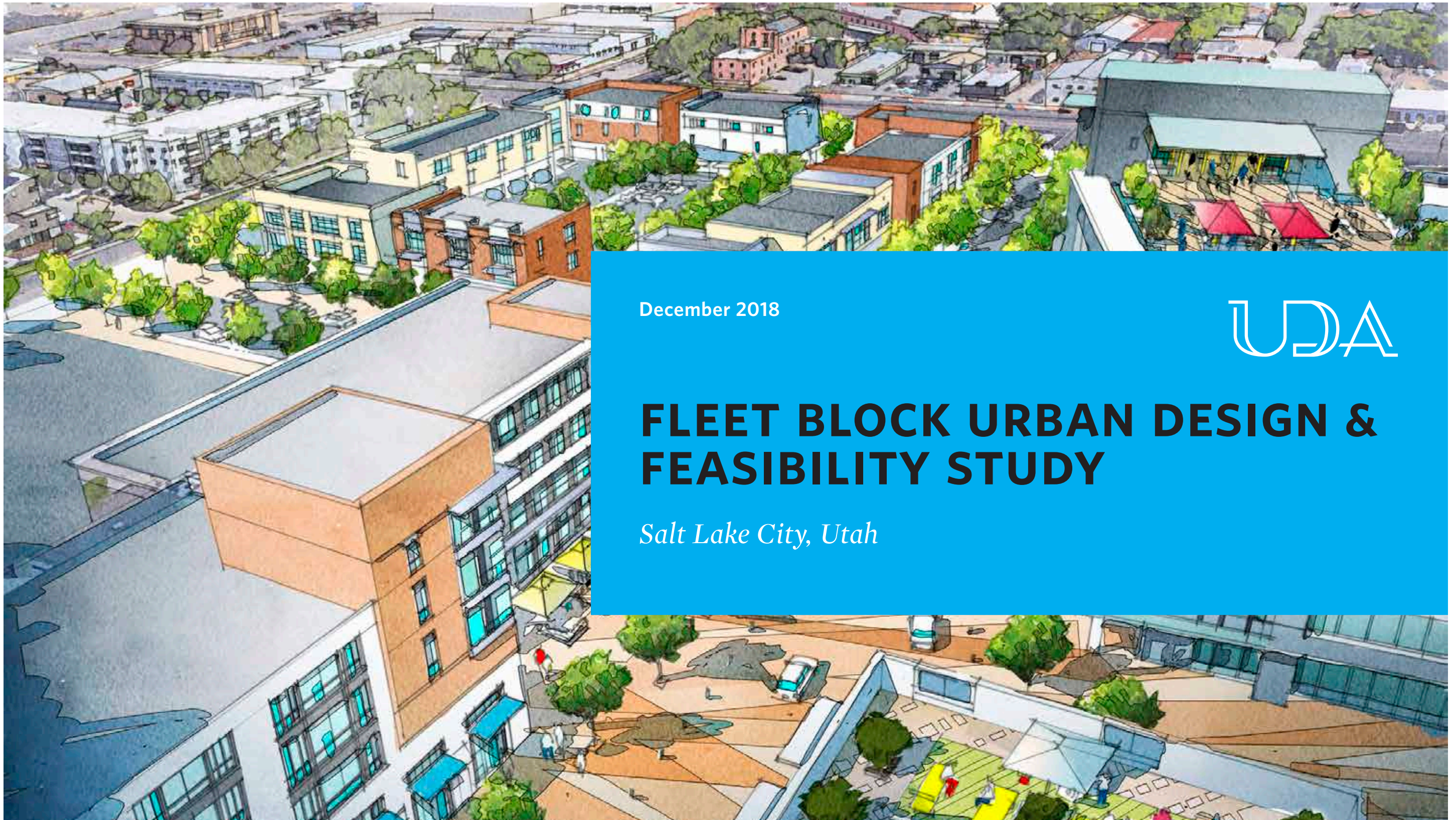
HAND looks forward to briefing the Council not only on the outcomes of the RFP but the current process and opportunities for collaboration as this critical City project moves forward.

**PUBLIC PROCESS:** None

**EXHIBITS:**

- 1) UDA Final Presentation
- 2) UDA Project Status & Next Steps Memo
- 3) Cascadia – Highest & Best Use Assessment
- 4) Cascadia – Zoning Audit & Recommendations

Exhibit 1: UDA Final Presentation



December 2018



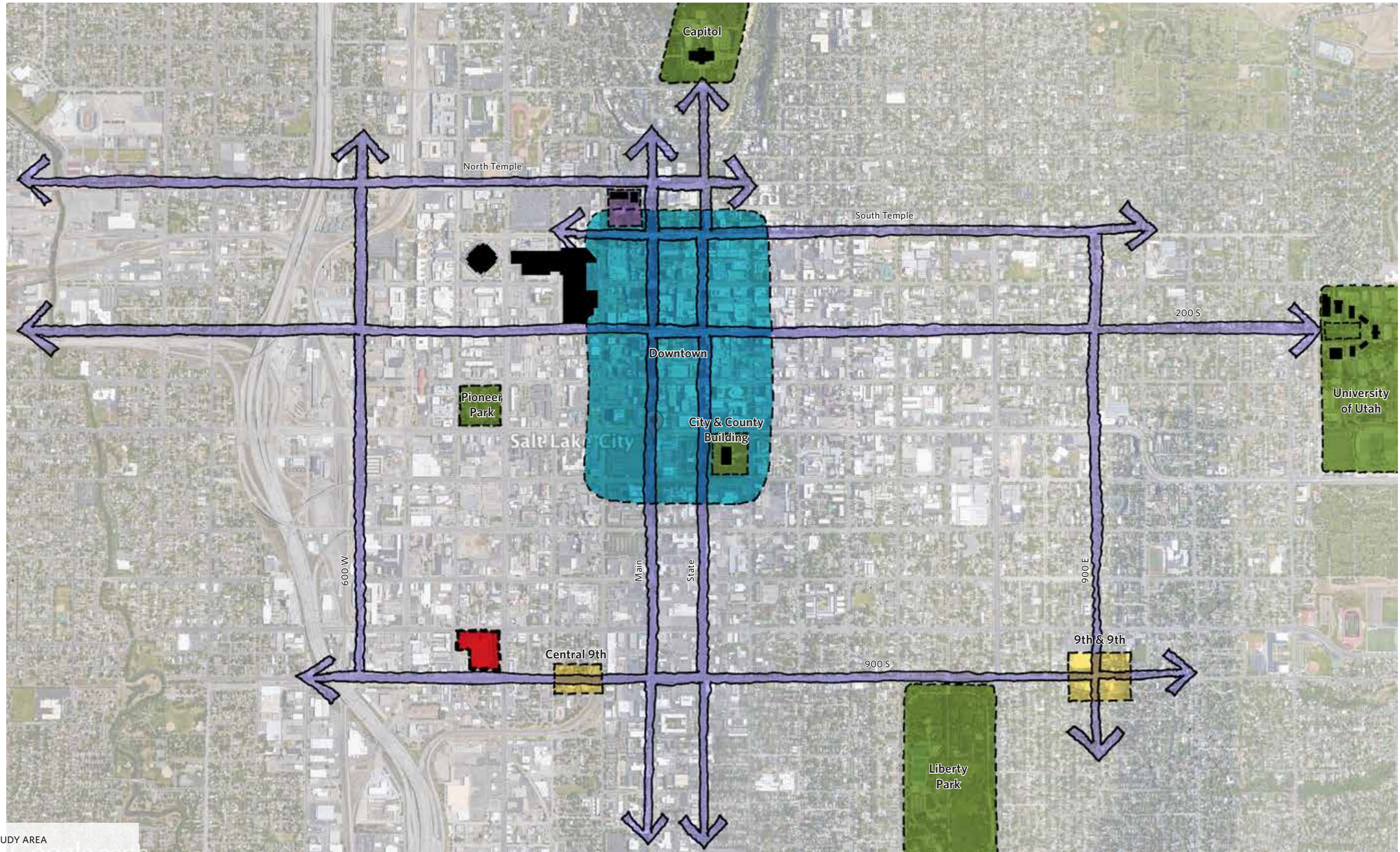
# FLEET BLOCK URBAN DESIGN & FEASIBILITY STUDY

*Salt Lake City, Utah*

# AGENDA

- Analysis
- Community Feedback
- Design Proposal
- Questions & Comments





# SITE LOCATION DIAGRAM

SLC FLEET BLOCK / SALT LAKE CITY, UTAH

# WHAT'S BEEN ACCOMPLISHED TO DATE

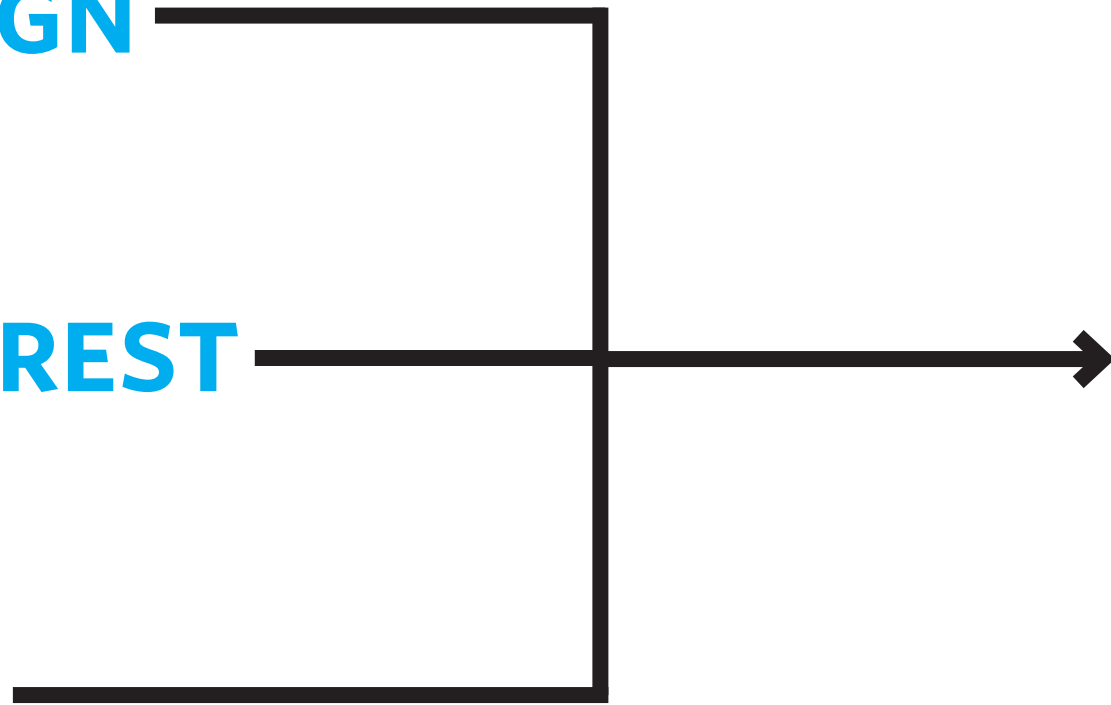
- **Phase 1: Listening** (September)
  - Stakeholder Group Meetings, Public Presentation
  - Design Principles & Approach
- **Phase 2: Testing** (October)
  - Feasibility
  - Urban Design Plan
- **Phase 3: Deciding**
  - Presentation of Direction (Today)
  - Final recommendations (Early January)

# INPUTS

**URBAN DESIGN**

**PUBLIC INTEREST**

**FEASIBILITY**



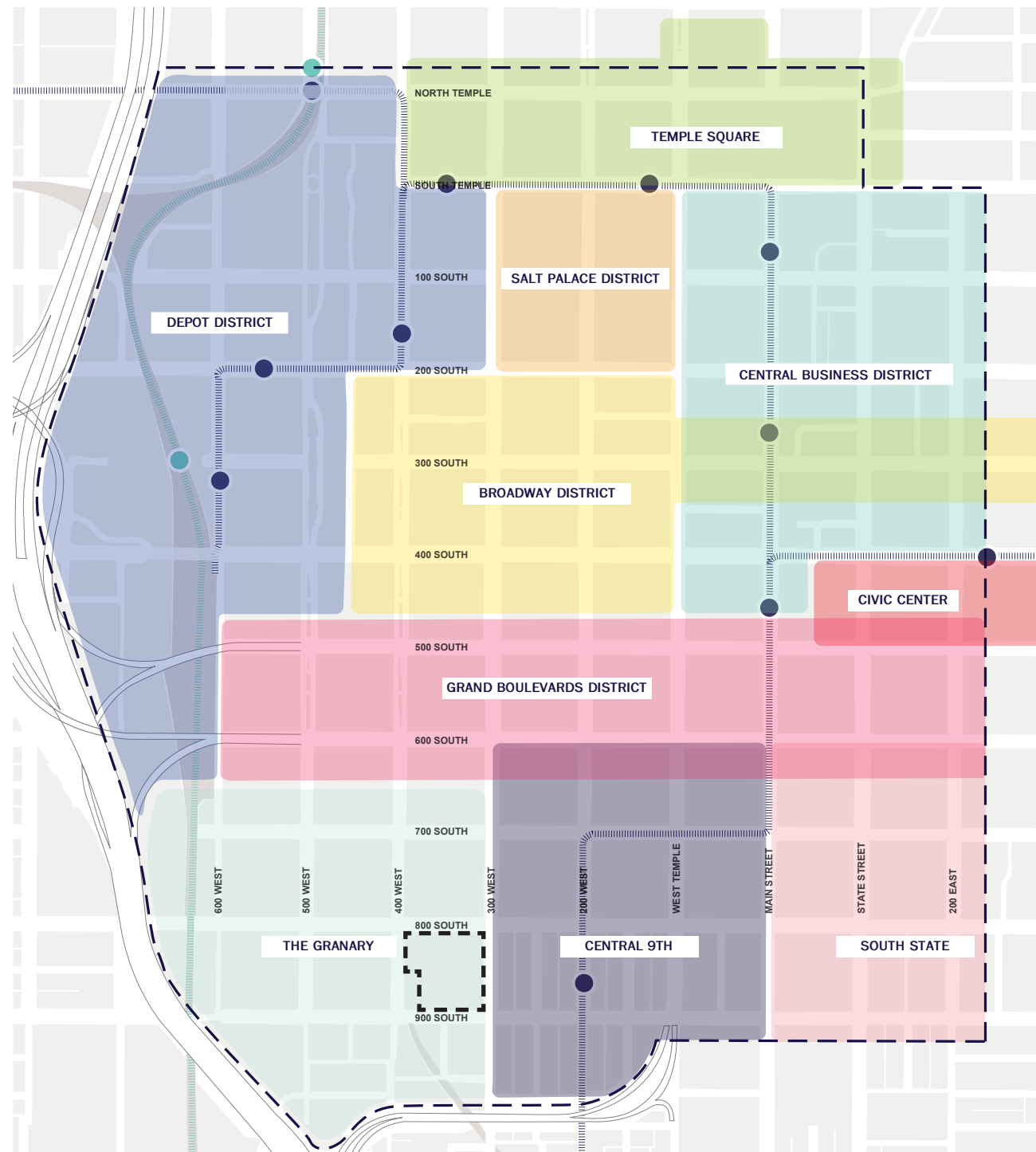
**SOLUTION**










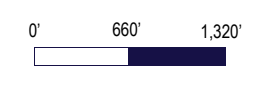
**ANALYSIS**



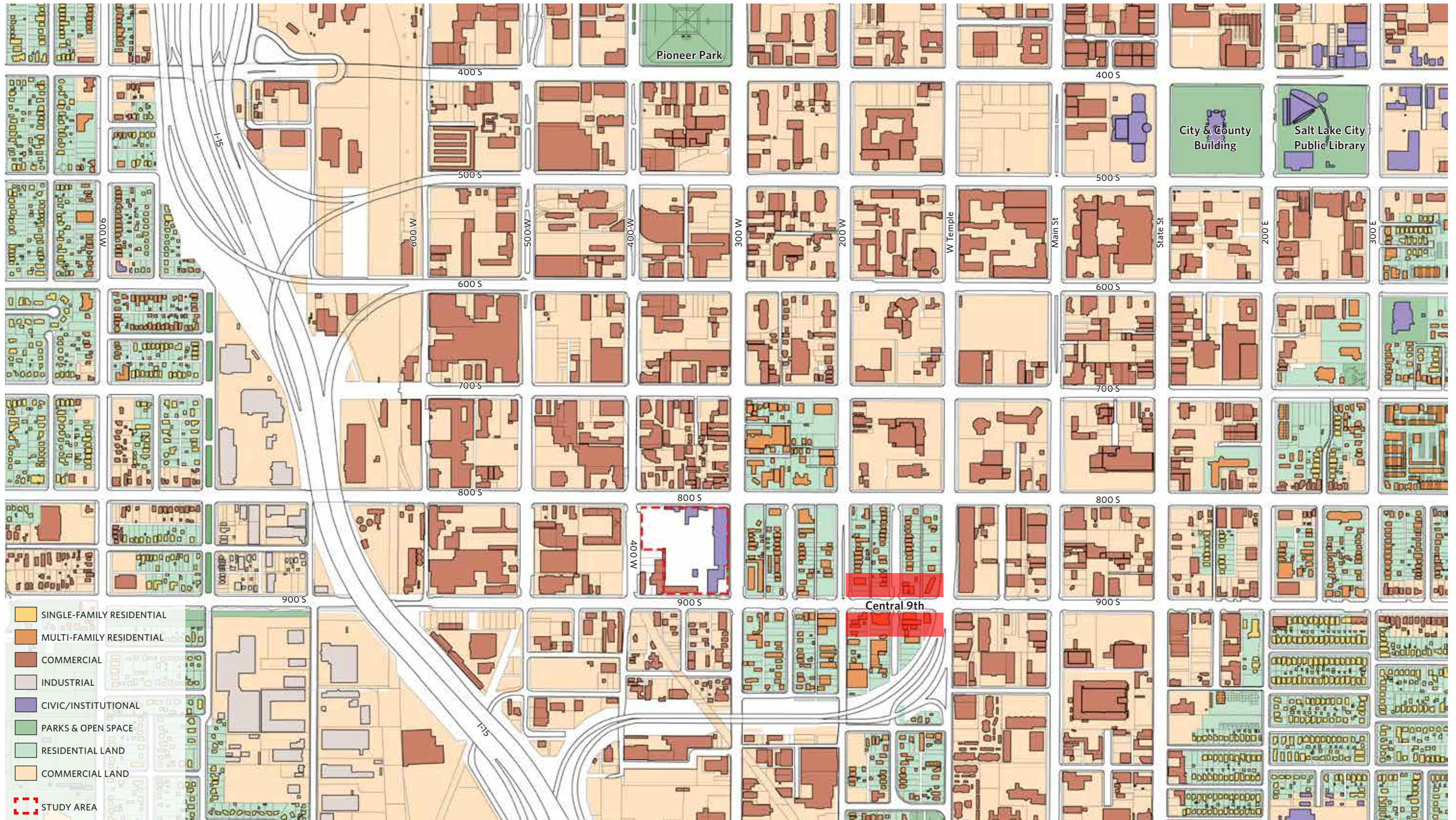
**LEGEND**

-  Study Area
-  Existing TRAX Lines & Stations
-  Existing Frontrunner Lines & Stations

**DISTRICTS**



# DOWNTOWN SALT LAKE CITY MASTER PLAN



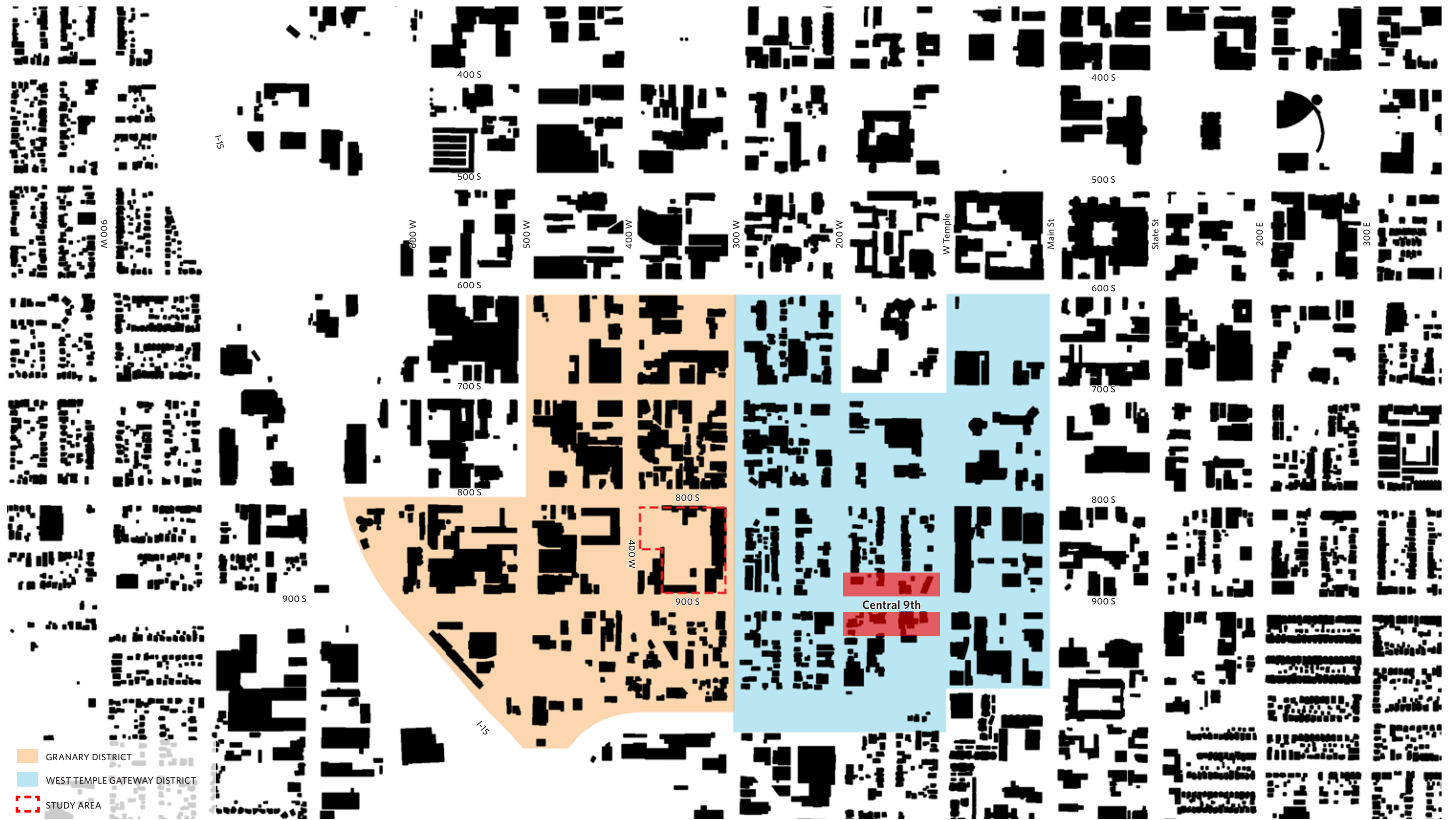
# SITE PORTRAIT OF LAND USES

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



# SITE PORTRAIT OF EXISTING CONDITIONS

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



# X-RAY: BUILDING FOOTPRINTS

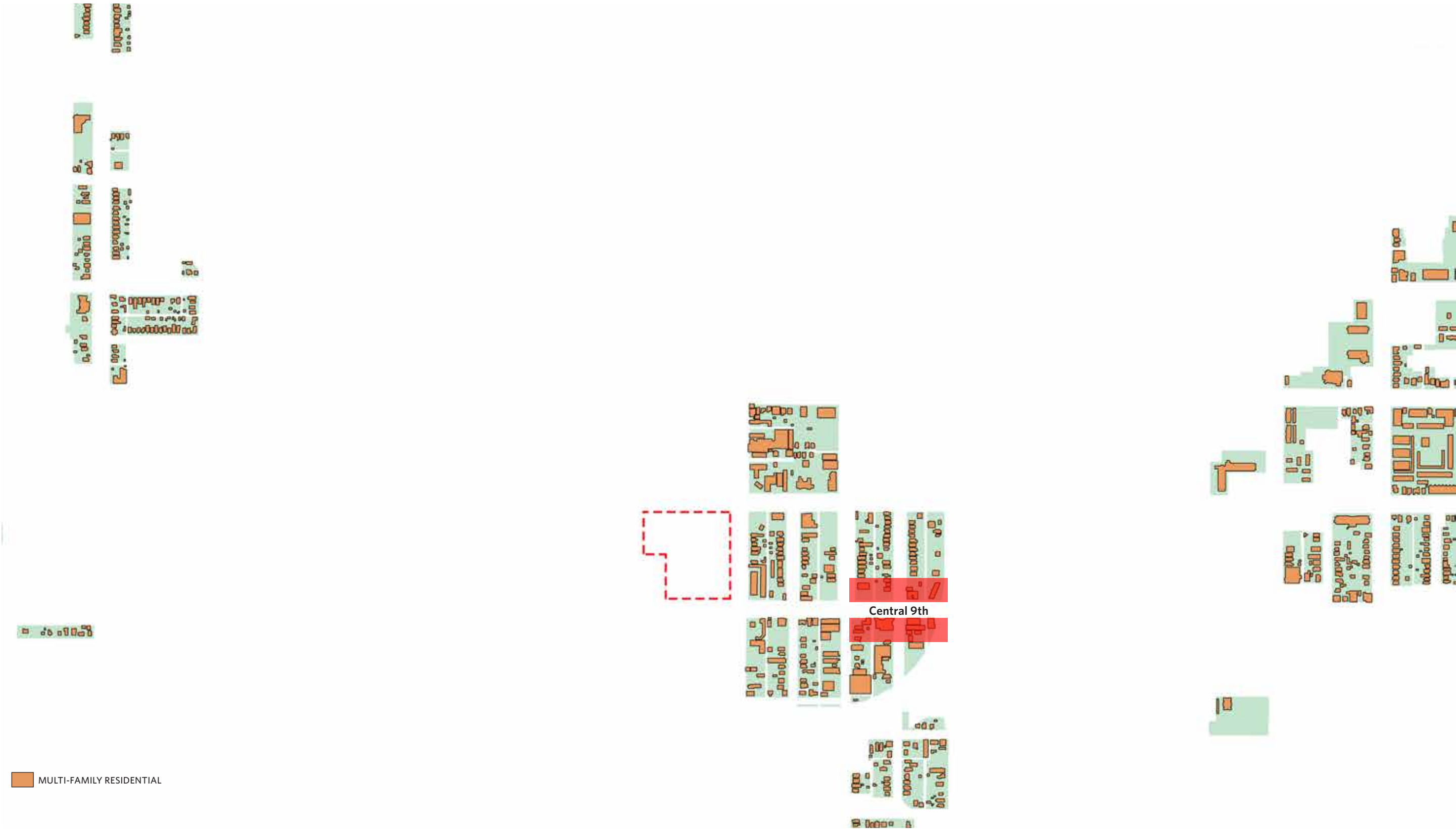
SLC FLEET BLOCK / SALT LAKE CITY, UTAH



# X-RAY: COMMERCIAL LAND USES

SLC FLEET BLOCK / SALT LAKE CITY, UTAH

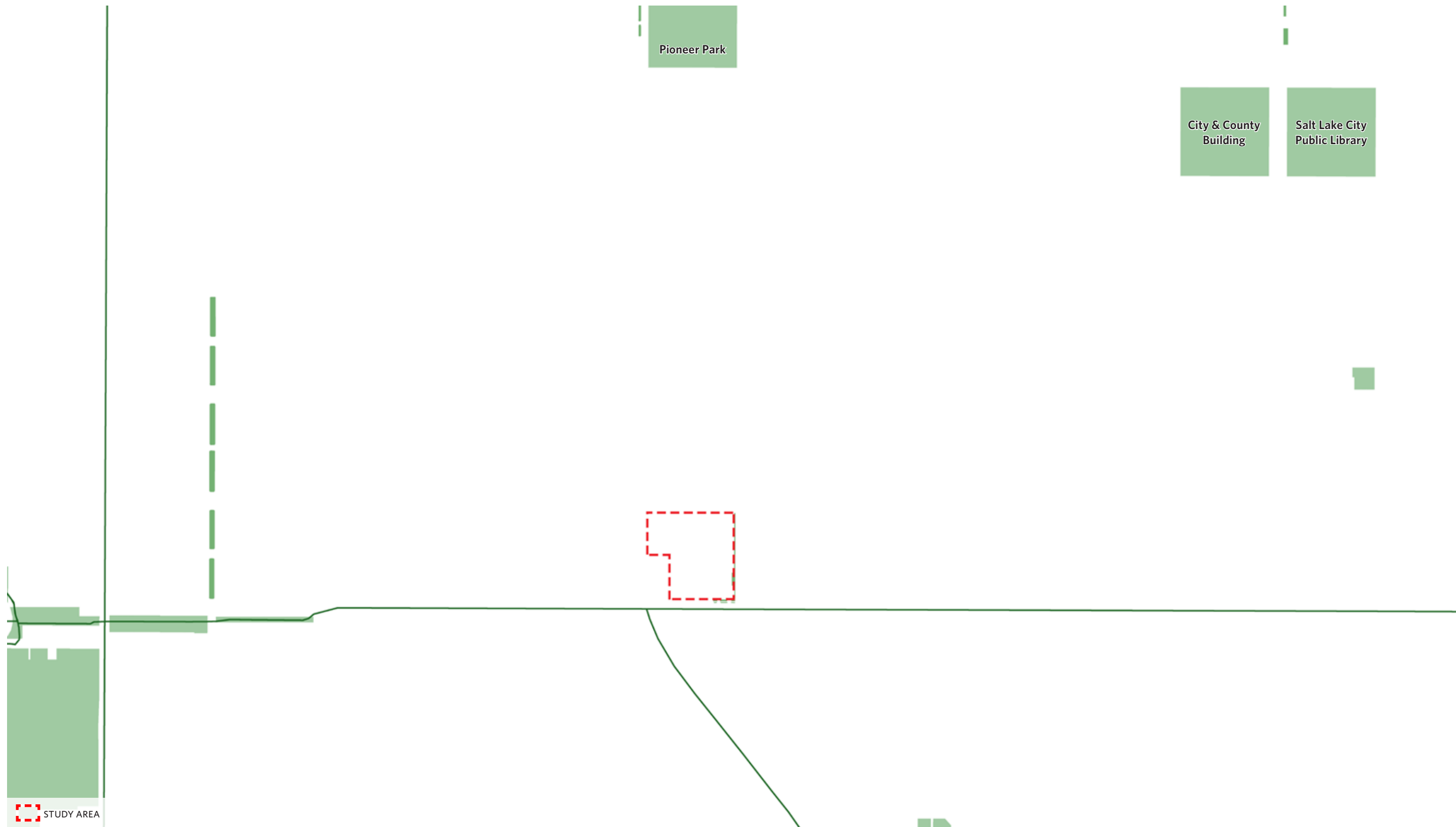




# X-RAY: MULTI-FAMILY RESIDENTIAL LAND USES

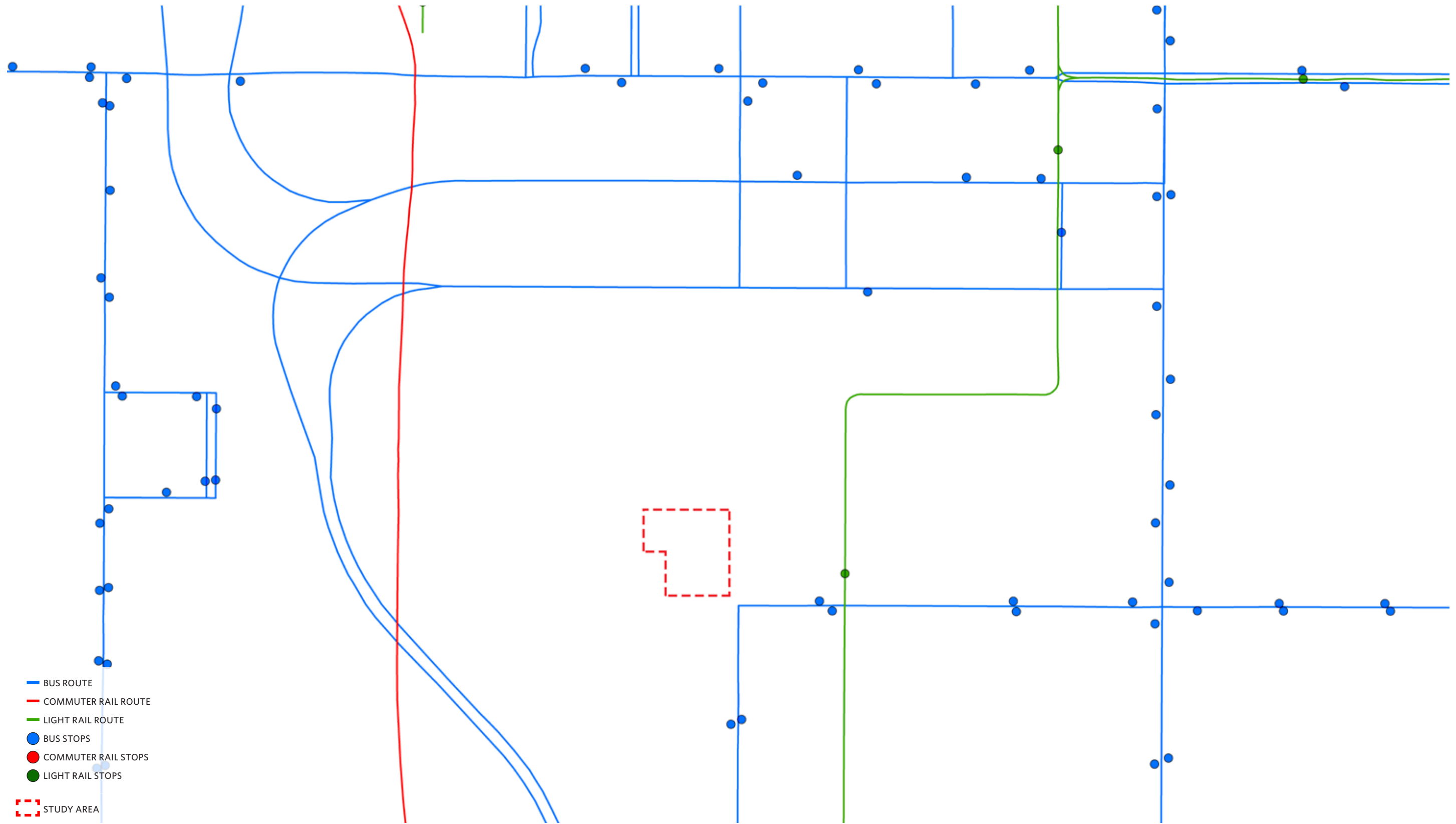
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# X-RAY: PARKS & OPEN SPACE

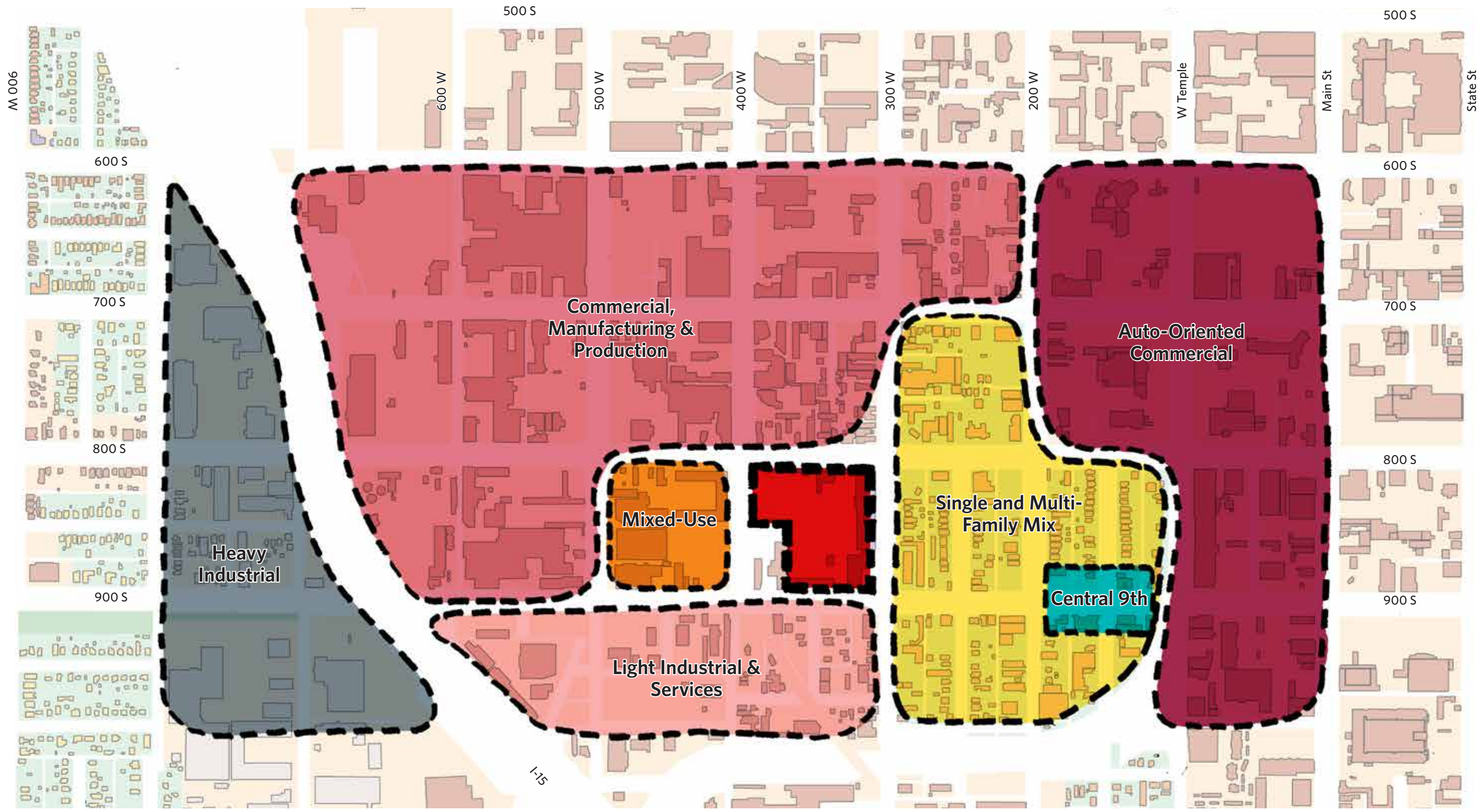
SLC FLEET BLOCK / SALT LAKE CITY, UTAH



- BUS ROUTE
- COMMUTER RAIL ROUTE
- LIGHT RAIL ROUTE
- BUS STOPS
- COMMUTER RAIL STOPS
- LIGHT RAIL STOPS
- STUDY AREA

# X-RAY: PUBLIC TRANSPORTATION

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



 STUDY AREA

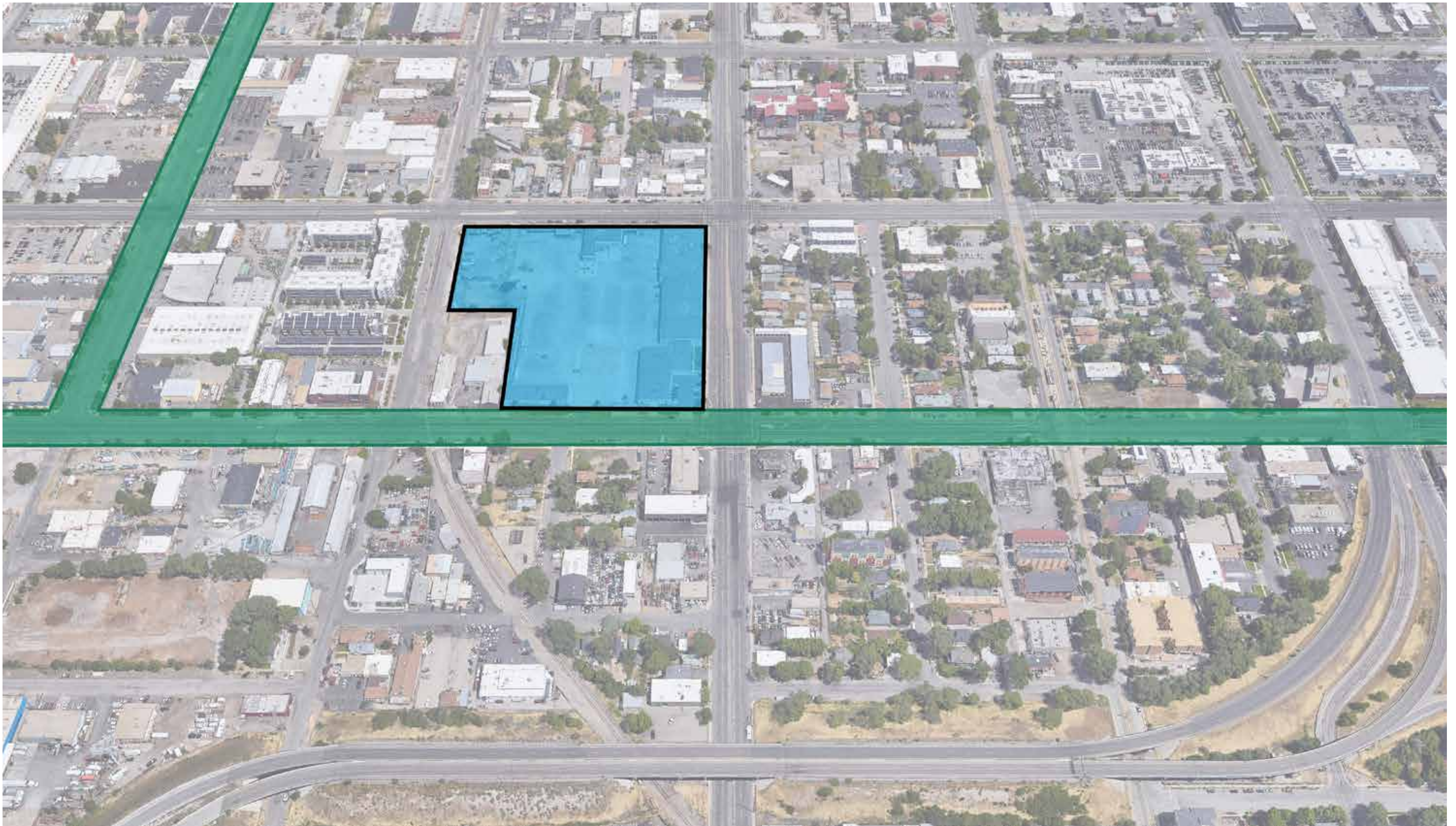
# SITE CONTEXT DIAGRAM

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



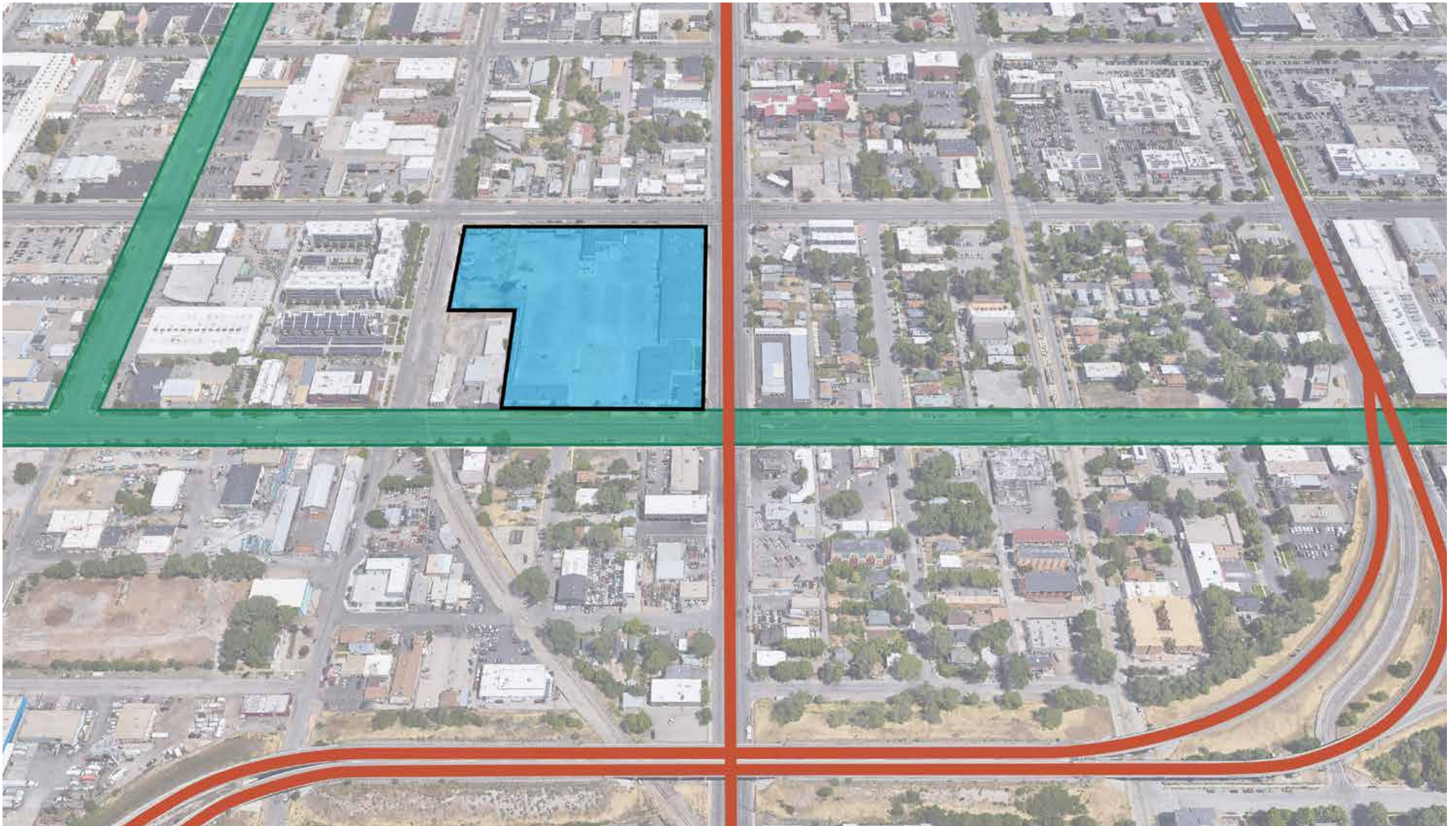
# FLEET BLOCK IN CONTEXT

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



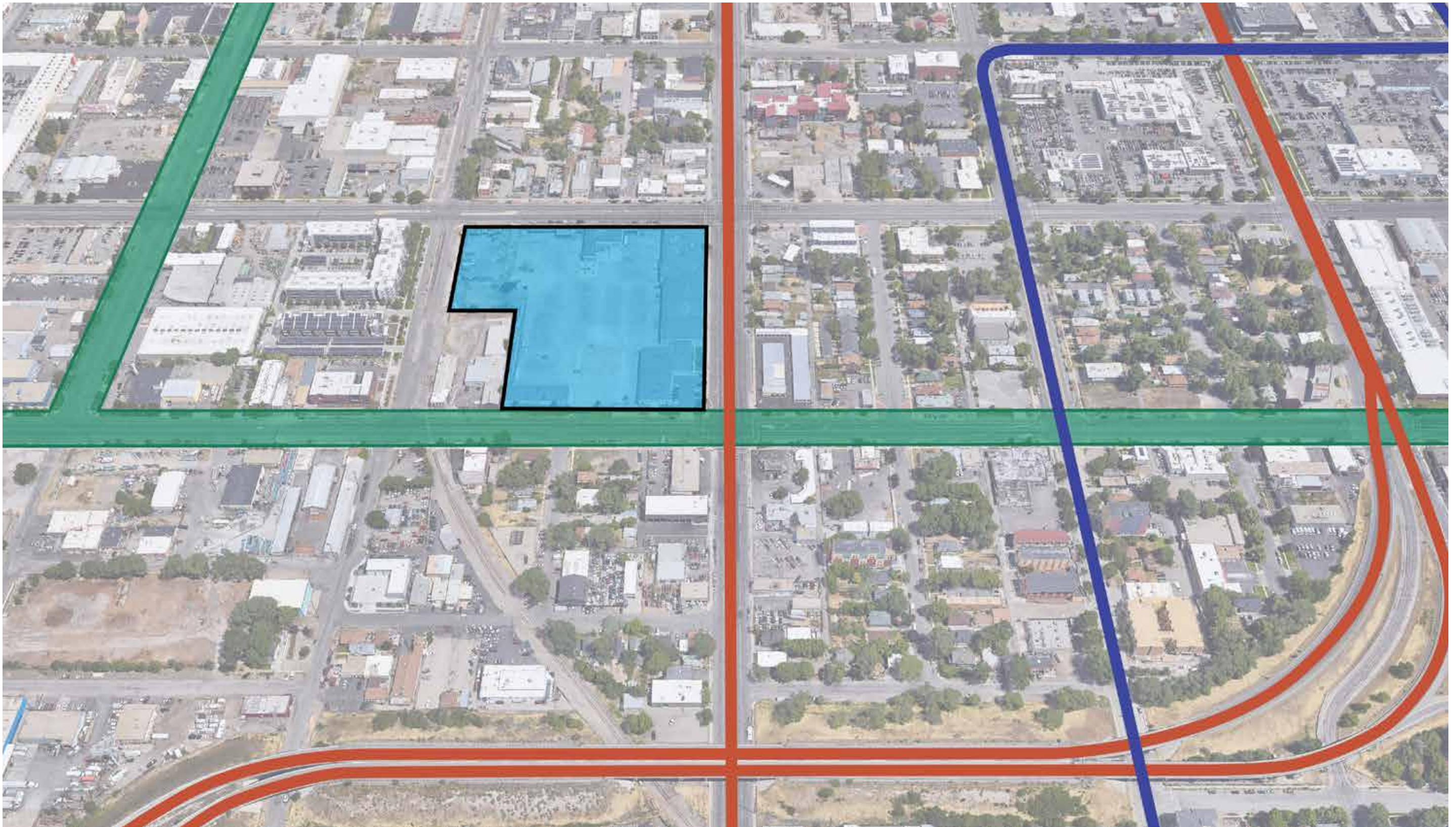
## PLAN SLC: GREEN LOOPS

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



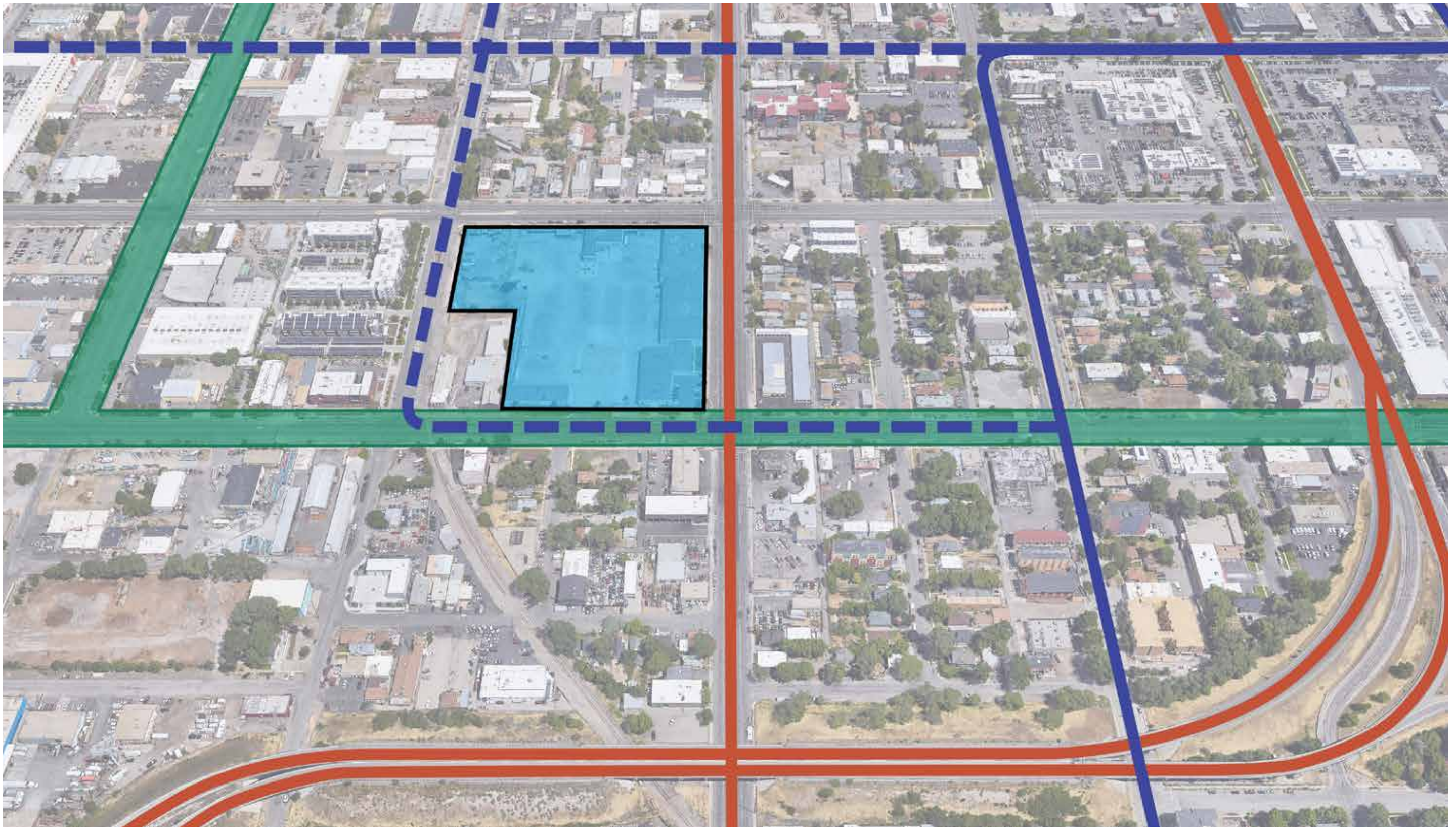
# AUTO CORRIDORS

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



## EXISTING TRAX LINE

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



# POTENTIAL TRAX AND STREETCAR EXPANSION

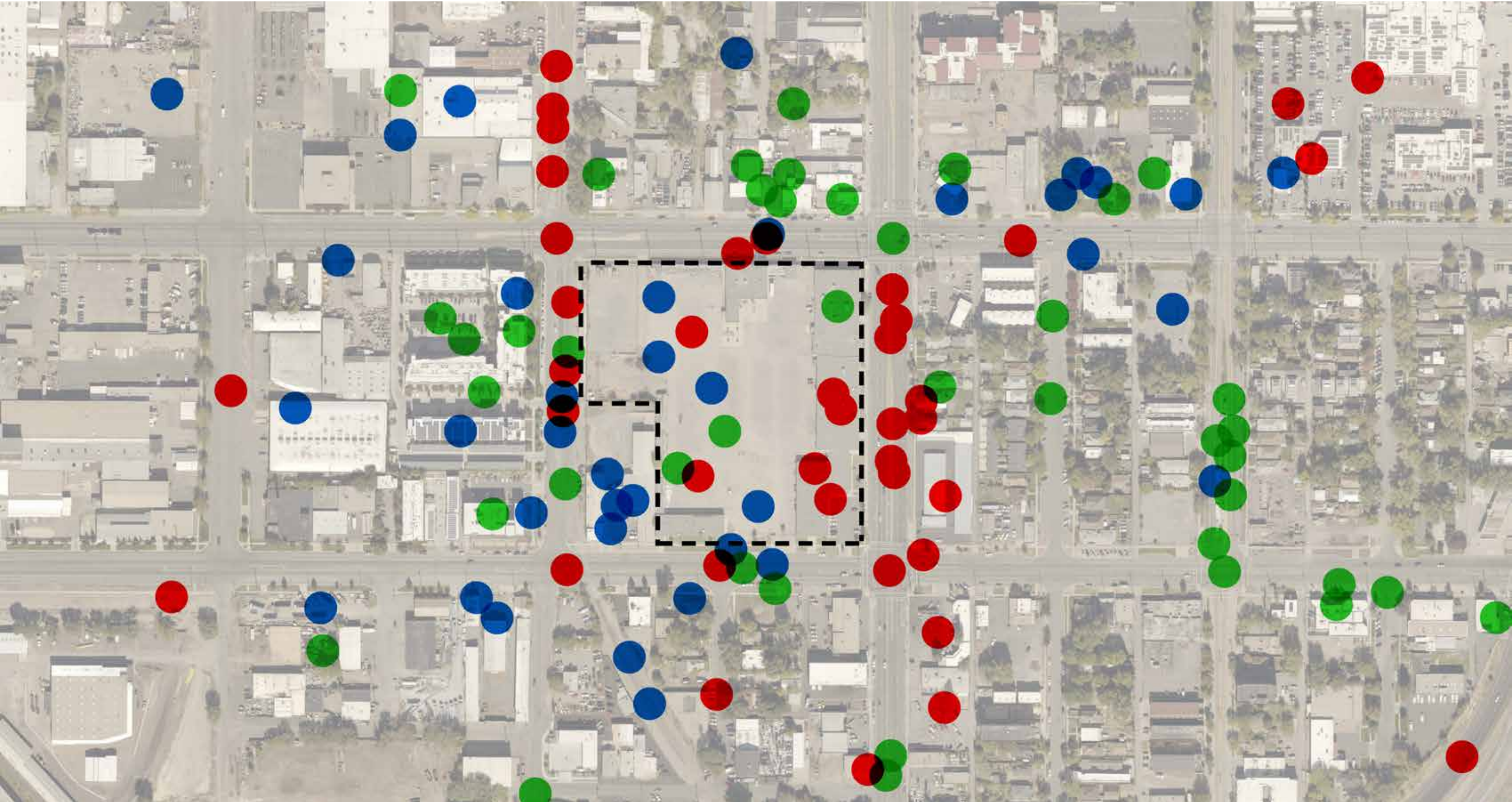
SLC FLEET BLOCK / SALT LAKE CITY, UTAH





**COMMUNITY FEEDBACK**

# FEEDBACK



# KEY PUBLIC PROCESS TAKEAWAYS

- There is strong momentum & for this area as an **Innovation District**
- Jobs-to-Housing relationship is out of balance
- Incredible businesses & non-profits based here
- Demand for housing, office space & open space
- Start-Up and existing businesses want to locate here
- Neighborhood is a popular place for breweries
- Spirit for the arts

# FEASIBILITY ANALYSIS NOTES

- Small, human-scaled open spaces
- Phased approach, uncertainty in the distant future
- Infrastructure cost is an issue
- 800 S improvements are many years away
- The 9-line implementation is critical to this site

# INNOVATION DISTRICT OVERVIEW

- Home to companies that shape new products and technologies
- Hubs for social networking
- Compact, transit accessible
- Wired for mixed-use of retail/business
- Unique feel and sense of place
- Can be exclusionary, people left behind



# AN INNOVATION DISTRICT FOR EVERYONE

Overall, the Granary District will support...

- Technology
- Education
- Housing
- Art & Design
- Food & Beer
- Starting and growing a business
- Finding a job at all levels

# FLEET BLOCK: FIND A JOB, GROW YOUR BUSINESS

- Teach skills to empower new entrepreneurs
- Build and support local businesses
- Grow local jobs at all levels

*Implemented correctly, this will be a nationally-recognized model.*



# CHALLENGES & OPPORTUNITIES FOR THE FLEET BLOCK

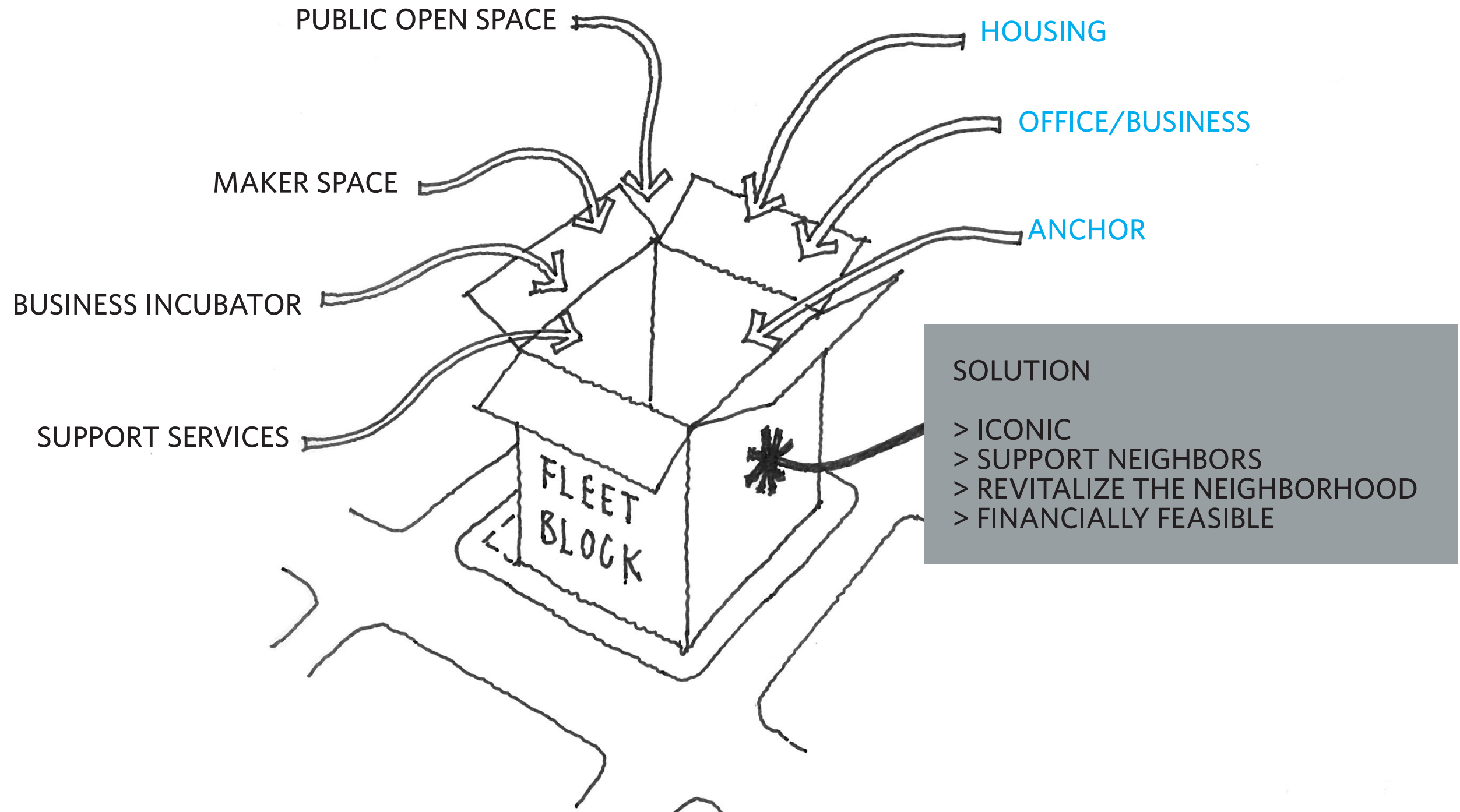
1. Support New & Existing Local Businesses
2. Ground Level activity
3. Create new public open space
4. Include ownership solution
5. Address walkability, Infrastructure
6. Address Affordability
7. Flexible, Feasible, Phasable Plan
8. Inspire Creativity



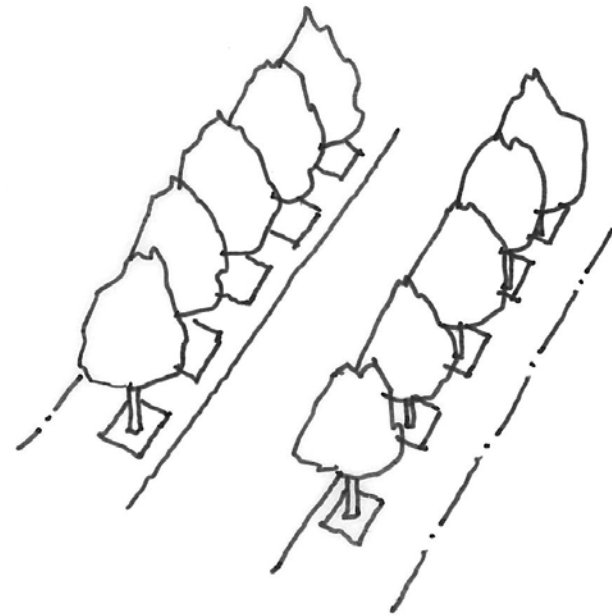


**DESIGN PROPOSAL**

# WHAT WE HEARD



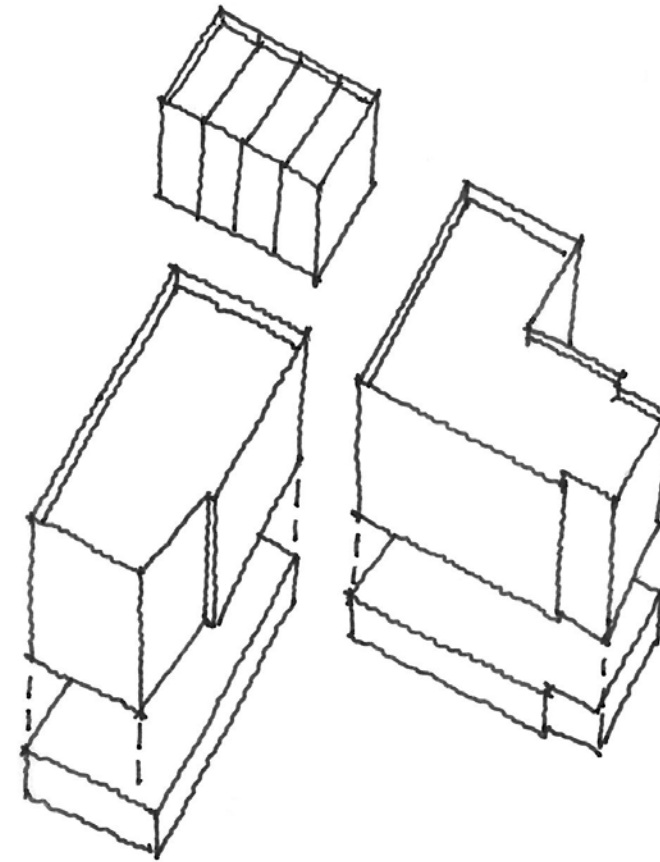
# URBAN DESIGN KIT-OF-PARTS



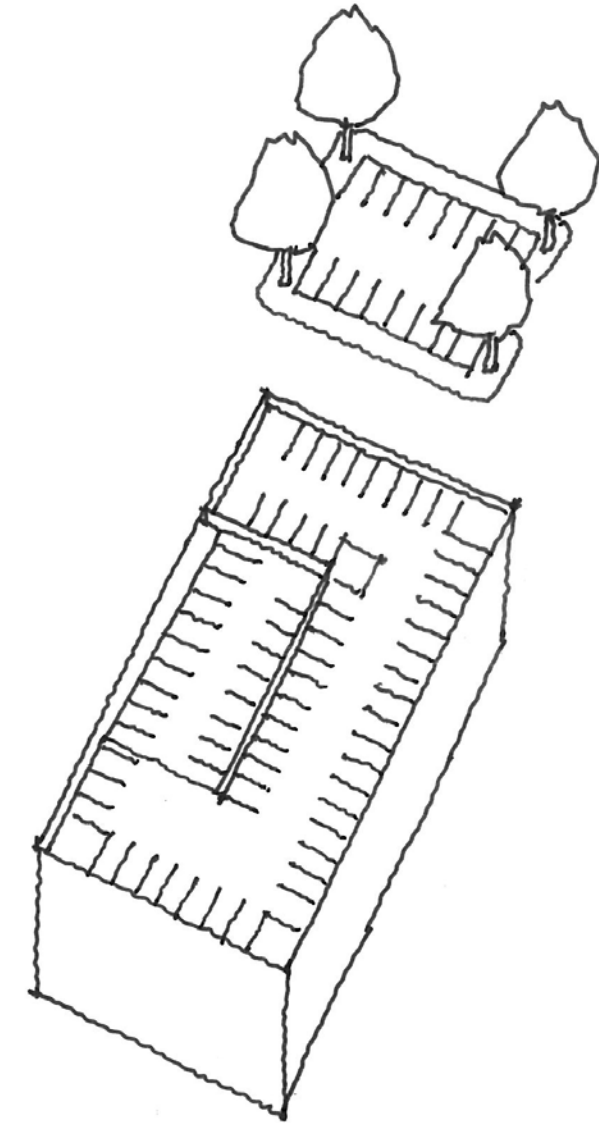
STREETS



MID-BLOCK  
CONNECTIONS  
&  
OPEN SPACE

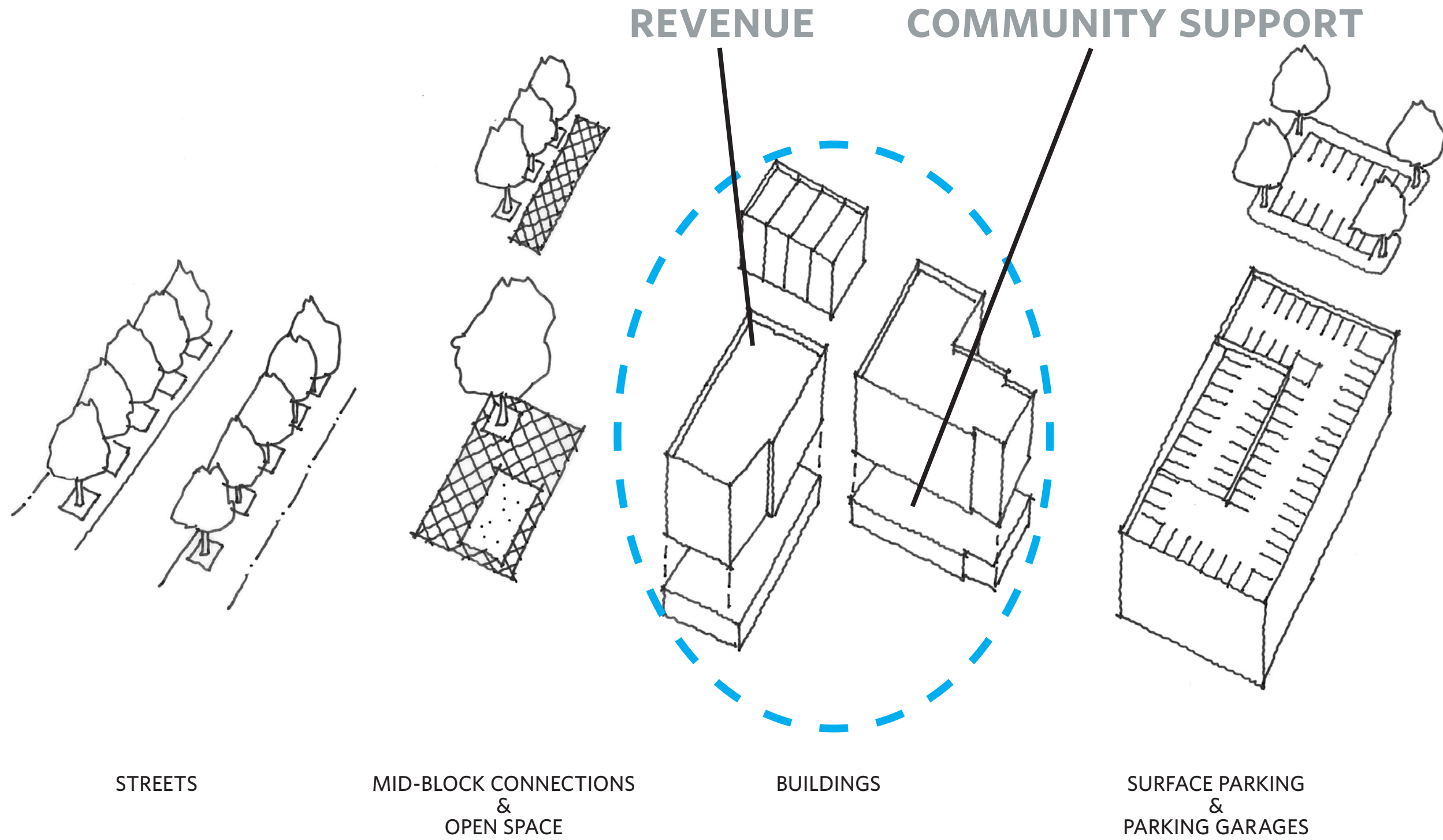


BUILDINGS

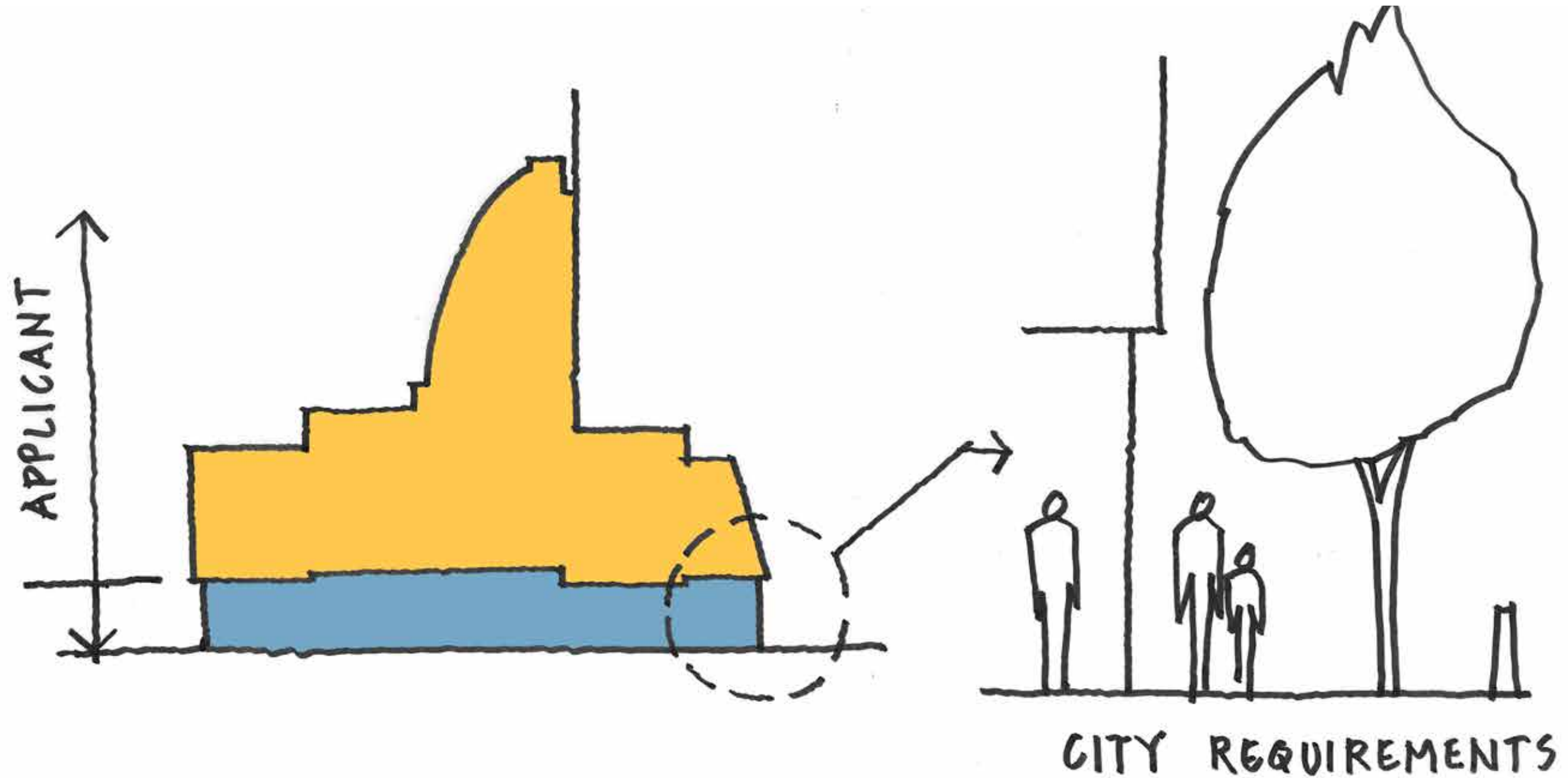


SURFACE PARKING  
&  
PARKING GARAGES

# ECONOMICS



# URBAN DESIGN APPROACH TO 'ICONIC' SOLUTION



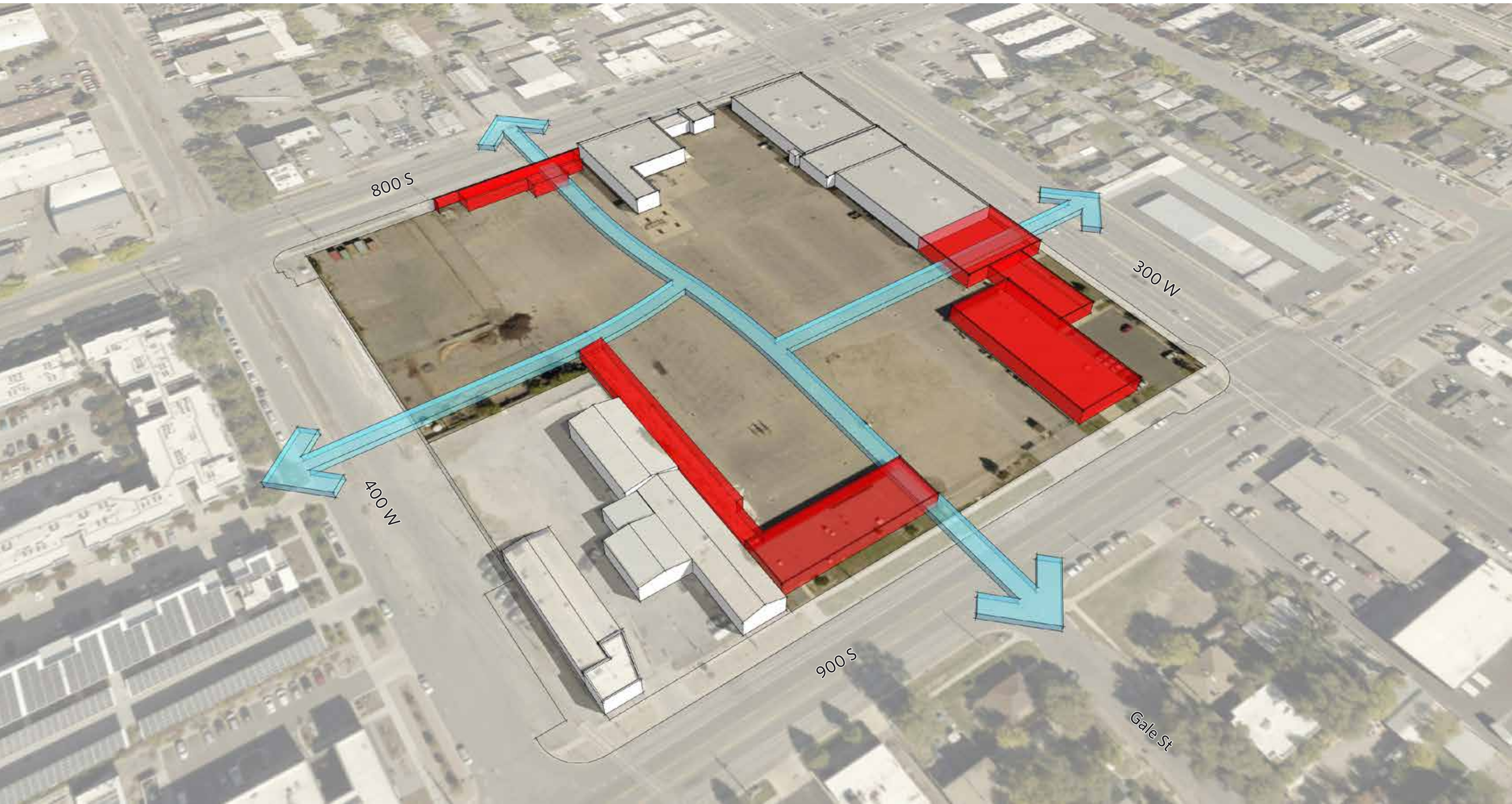
# EXISTING CONDITIONS



# DOWNTOWN PLAN SLC

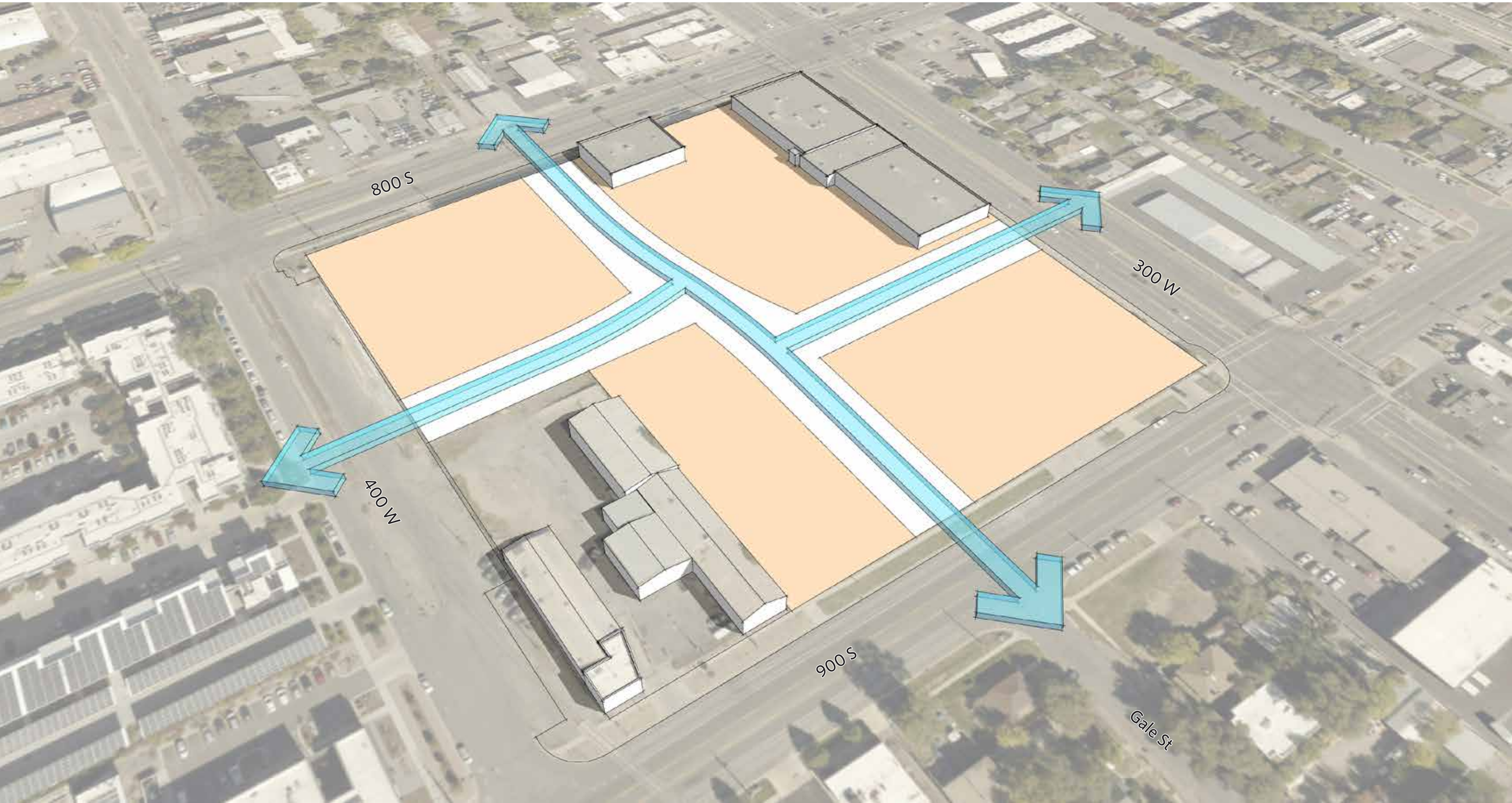


# KEY CONNECTIONS





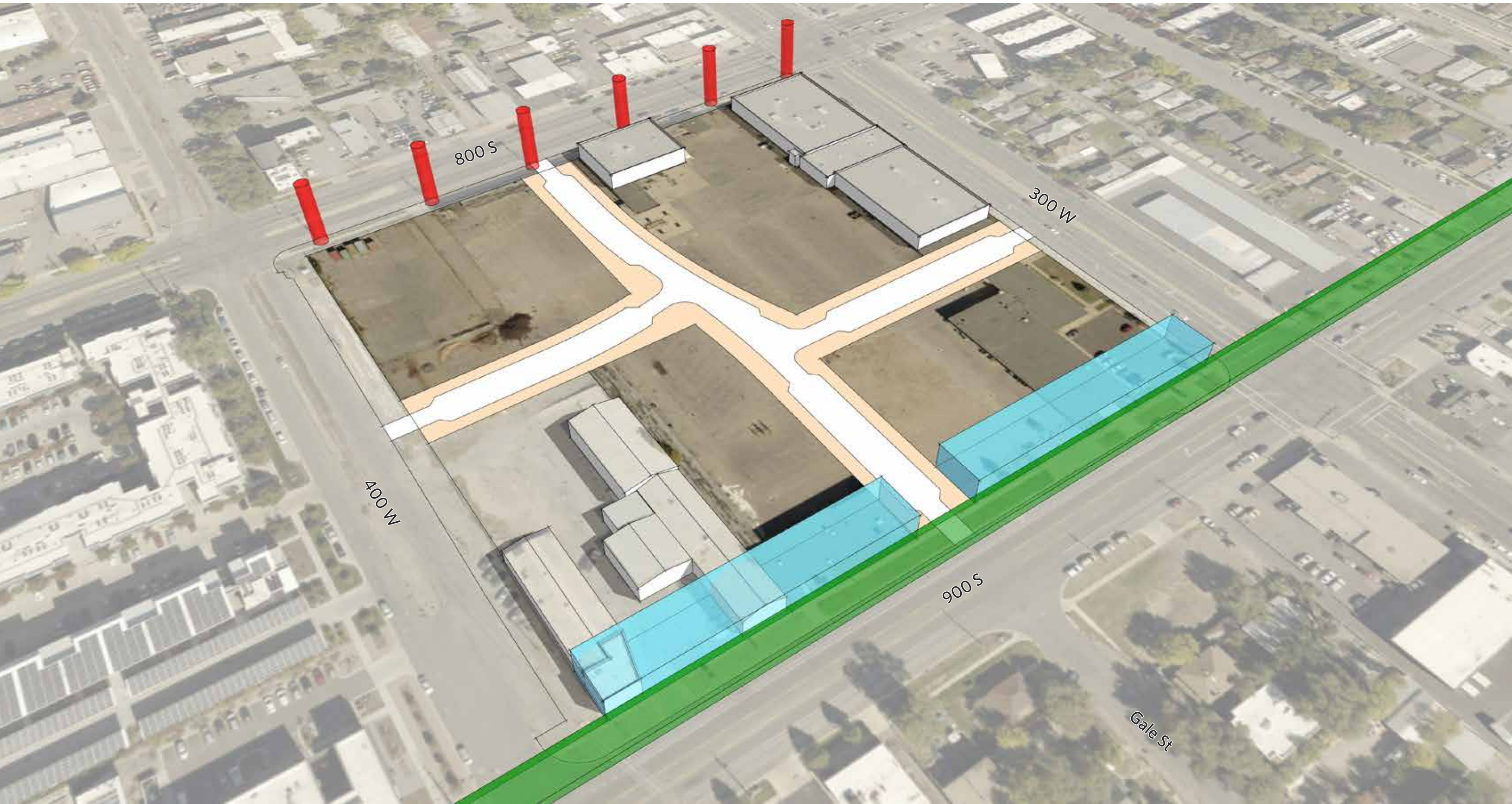
# NEW CITY BLOCKS



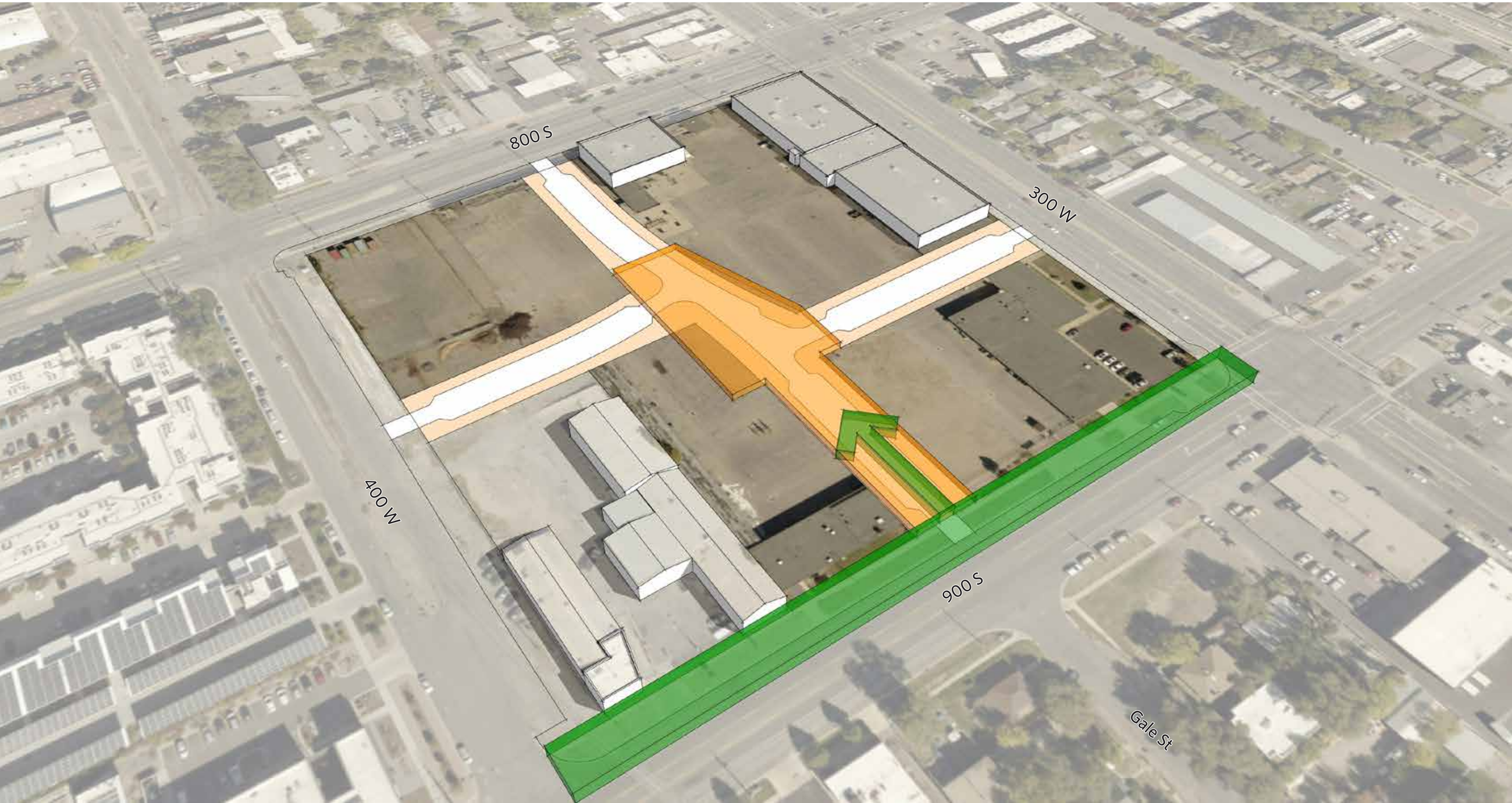
# STREETS



# ADDRESSING



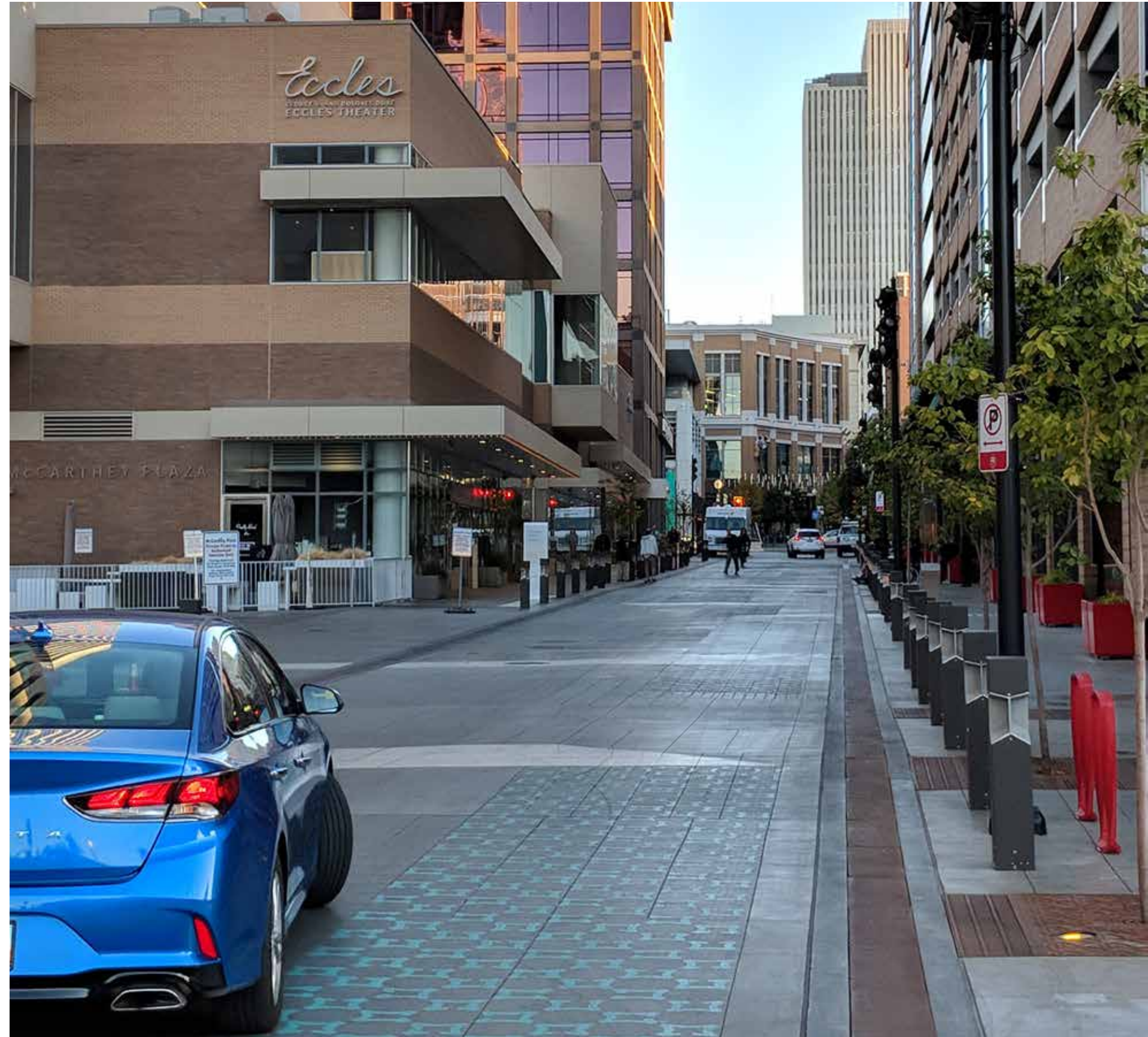
# NEW PUBLIC SPACE



# PHASE 1



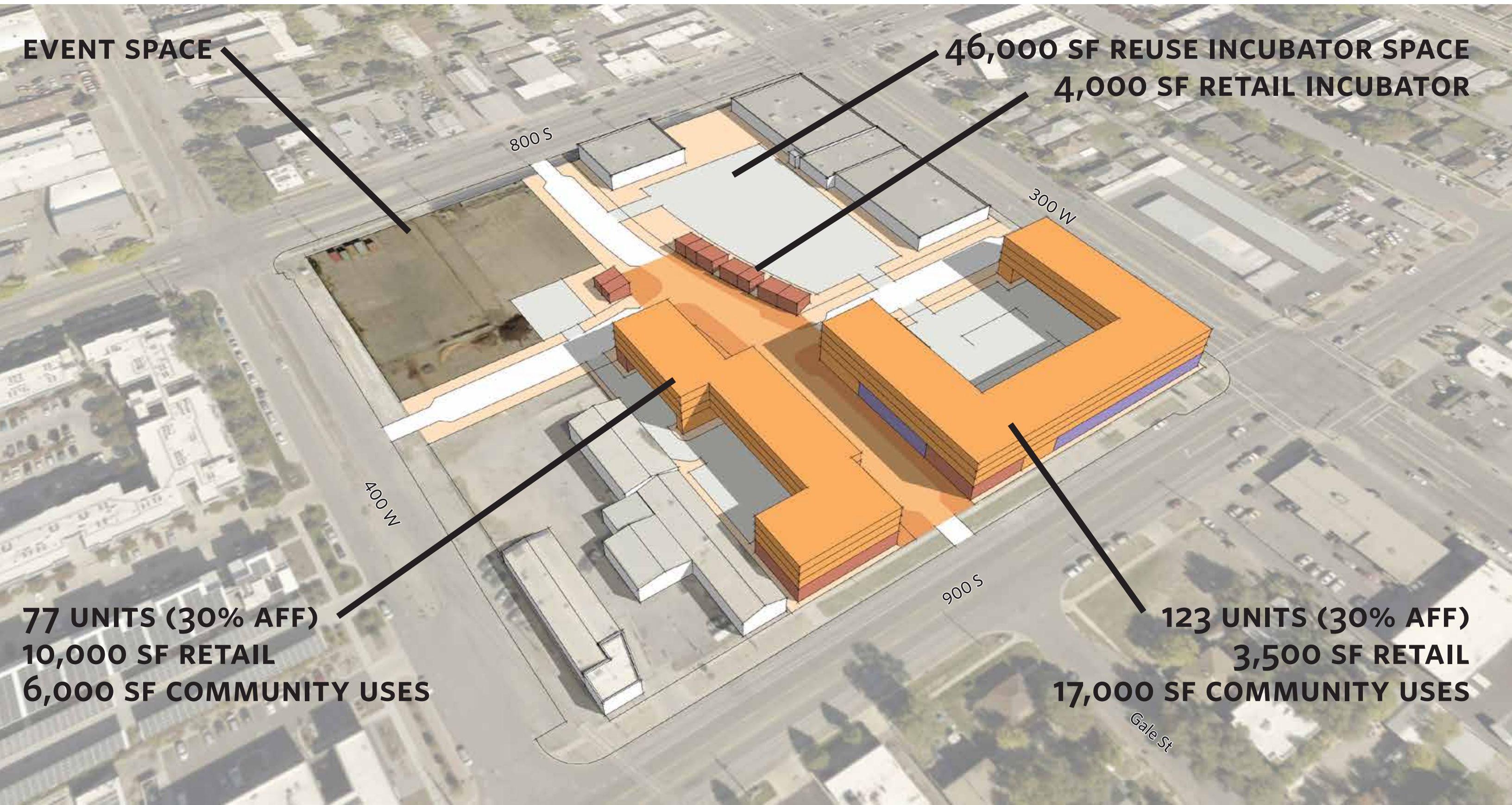
# CURBLESS STREETS



# BUSINESS INCUBATOR LINER



# PHASE 1 PROGRAM



**EVENT SPACE**

**46,000 SF REUSE INCUBATOR SPACE  
4,000 SF RETAIL INCUBATOR**

**77 UNITS (30% AFF)  
10,000 SF RETAIL  
6,000 SF COMMUNITY USES**

**123 UNITS (30% AFF)  
3,500 SF RETAIL  
17,000 SF COMMUNITY USES**



# PHASE 2

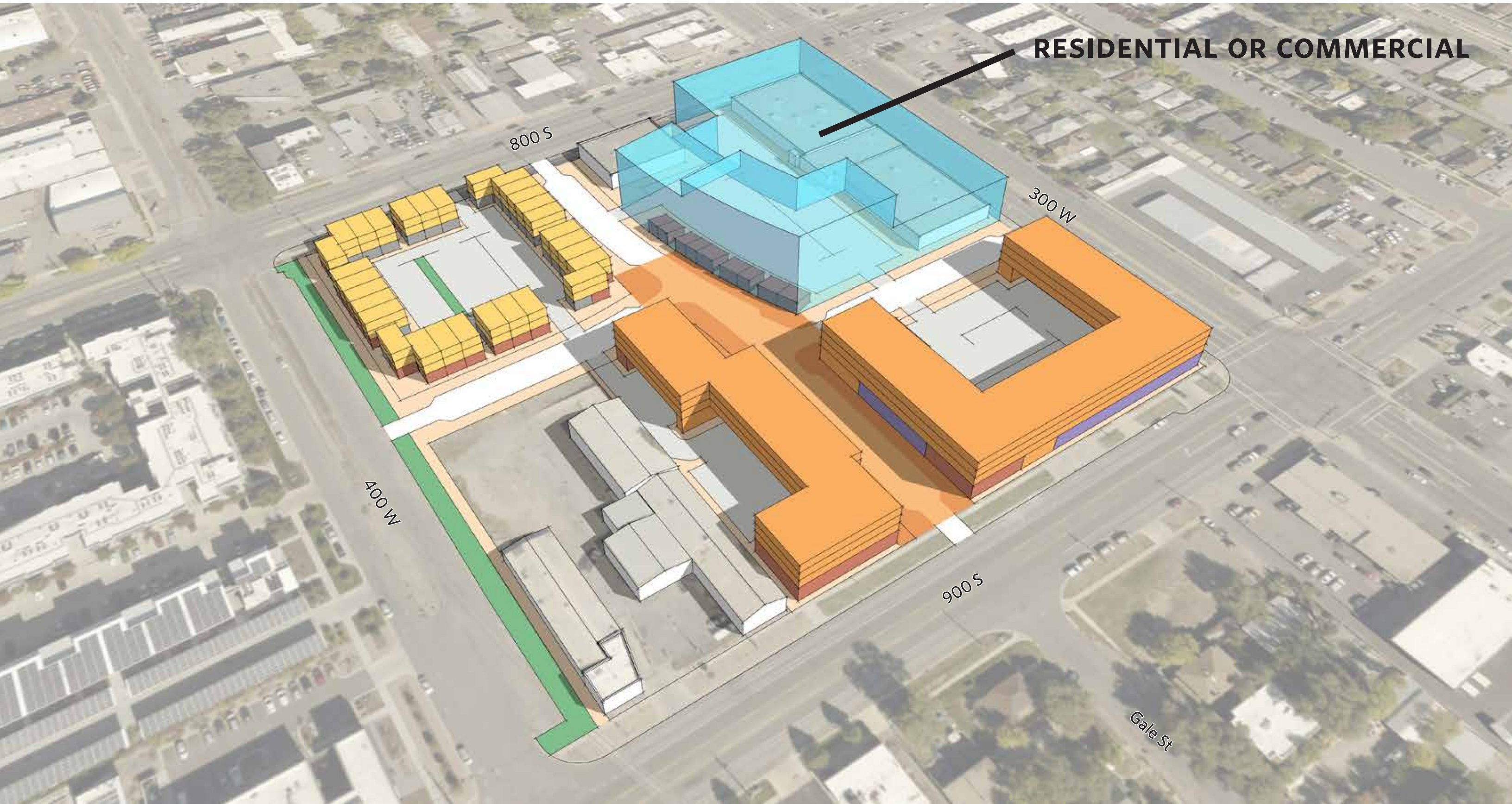
30 LIVE-WORK UNITS



# VIEW OF PHASE 2 PLAZA



# PHASE 3 POTENTIAL (10+ YRS)



RESIDENTIAL OR COMMERCIAL

800 S

300 W

400 W

900 S

Gale St

# VISION PLAN



# VIEW OF CENTRAL PLAZA



# VIEW FROM 800 S TOWARD 900 S



# PARKING DIAGRAM

**NORTHWEST: +/- 75 SPACES**

800 S

**NORTHEAST: +/- 475 SPACES**

**(180 ON-STREET)**

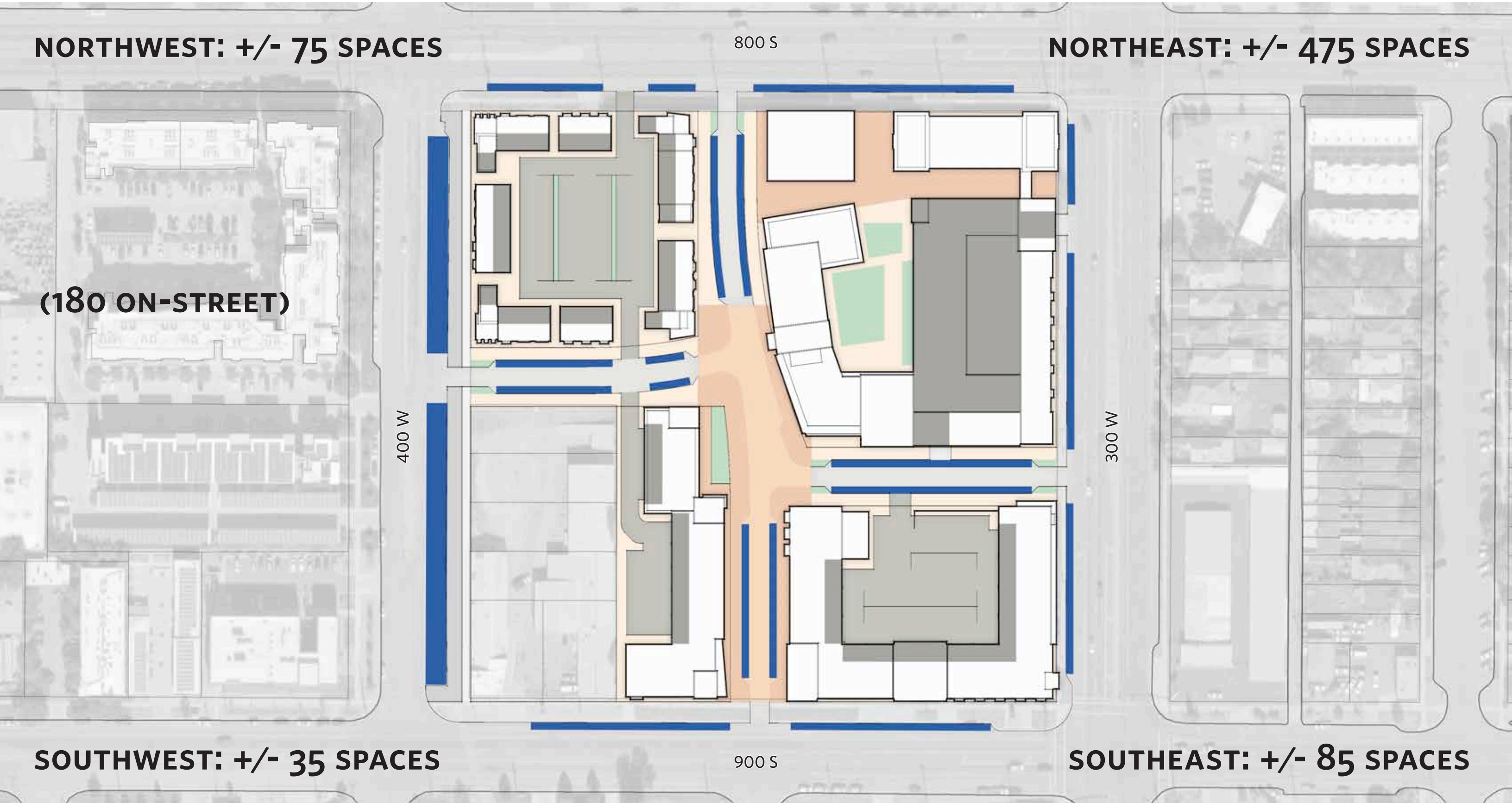
400 W

300 W

**SOUTHWEST: +/- 35 SPACES**

900 S

**SOUTHEAST: +/- 85 SPACES**



# GROUND FLOOR PROGRAM DIAGRAM

**12,000 SF (LIVE/WORK)**

800 S

**46,000 SF COMMUNITY USE  
4,000 SF RETAIL**



**10,000 SF RETAIL  
6,000 COMMUNITY USE**

900 S

**3,500 SF RETAIL  
17,000 SF COMMUNITY USE**



# UPPER FLOORS PROGRAM DIAGRAM

**30 LIVE/WORK UNITS (FEE SIMPLE)**

800 S

**60 MARKET RATE RENTAL UNITS  
25 AFFORDABLE RENTAL UNITS  
94,000 SF OFFICE**

400 W

300 W

**54 MARKET RATE RENTAL UNITS  
23 AFFORDABLE RENTAL UNITS**

900 S

**86 MARKET RATE RENTAL UNITS  
37 AFFORDABLE RENTAL UNITS**



# ILLUSTRATIVE PLAN & POTENTIAL PROGRAM



**315 RESIDENTIAL UNITS**  
~ 200 MARKET RATE  
~ 85 AFFORDABLE (30%)  
~ 30 LIVE/WORK (FOR SALE)

**94,000 SF OFFICE**

**37,000 SF RETAIL**  
~ 25,000 GROUND LEVEL  
~ 12,000 SF LIVE/WORK

**59,000 SF COMMUNITY USE**

**865 PARKING SPACES**  
~ 685 ON LOT  
~ 180 ON STREET

# REVIEW OF CHALLENGES & OPPORTUNITIES

1. Support/grow new & existing local business
2. Ground level activity
3. Create new public open space
4. Include ownership solution
5. Address walkability, infrastructure
6. Address affordability
7. Phasing plan with flexibility
8. Inspire creativity

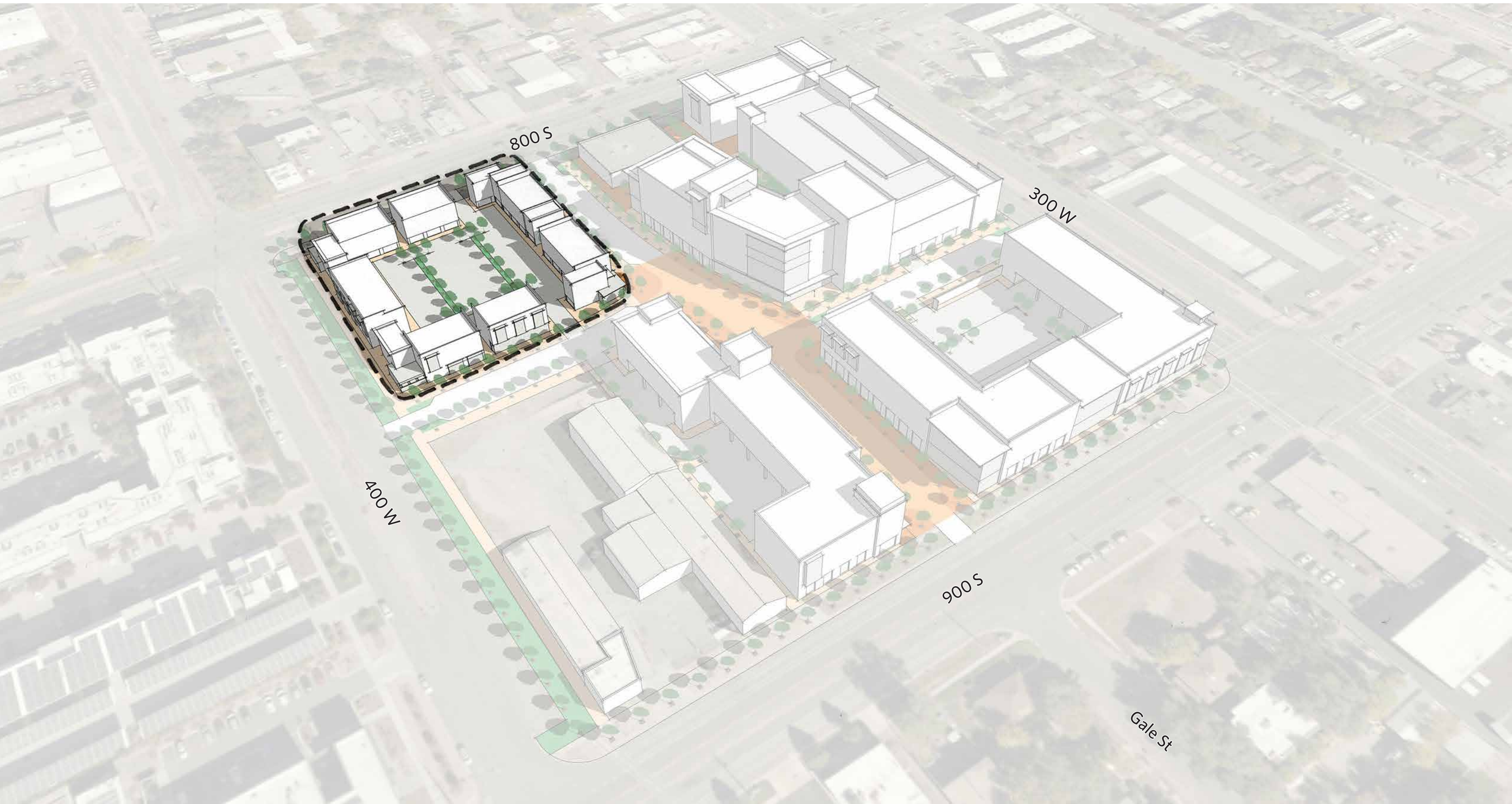
- 1. SUPPORT/GROW NEW & EXISTING LOCAL BUSINESSES**
- 2. GROUND LEVEL ACTIVITY**



# 3. CREATE NEW PUBLIC OPEN SPACE



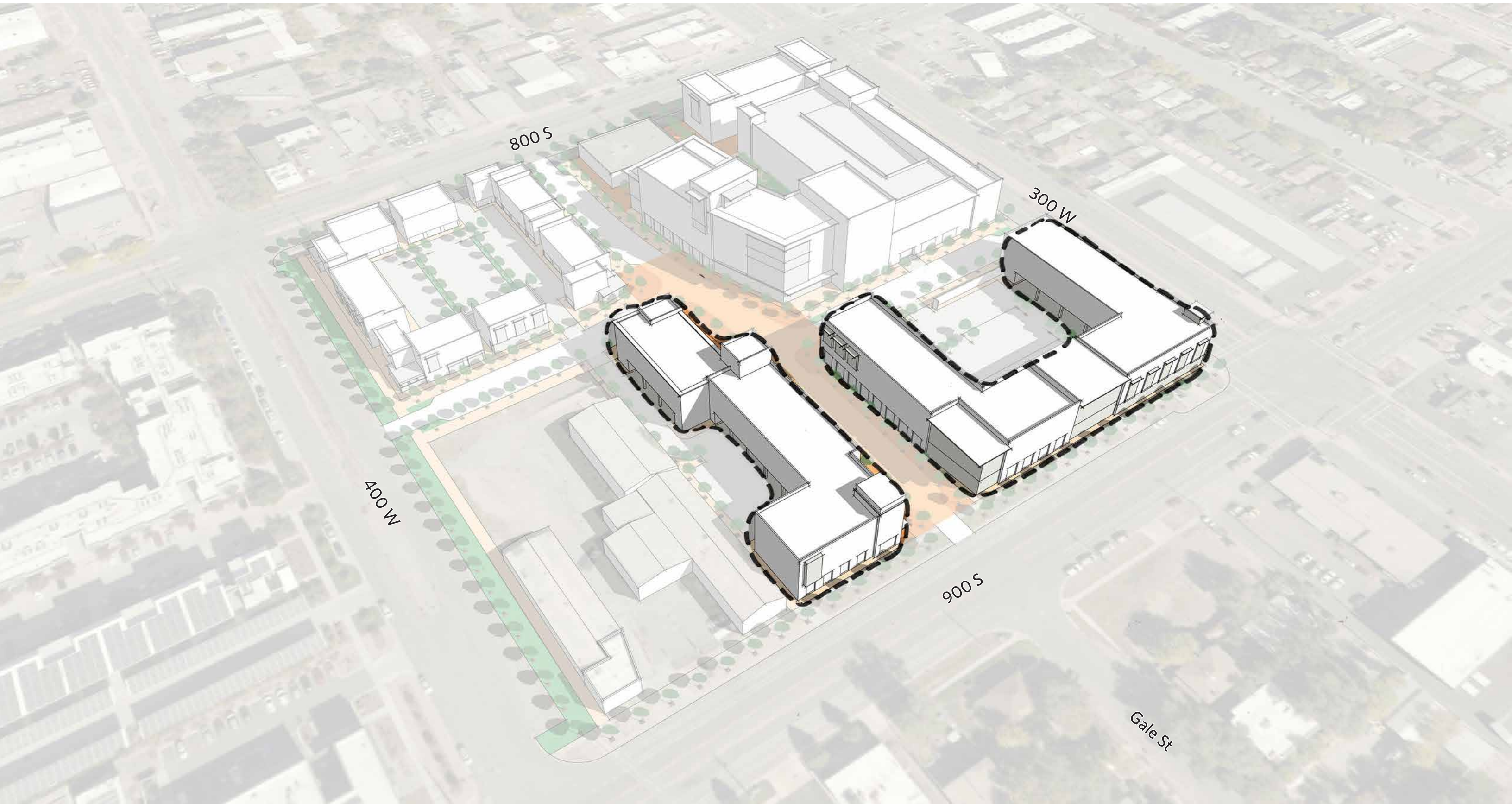
# 4. INCLUDE OWNERSHIP SOLUTION



# 5. ADDRESS WALKABILITY, INFRASTRUCTURE

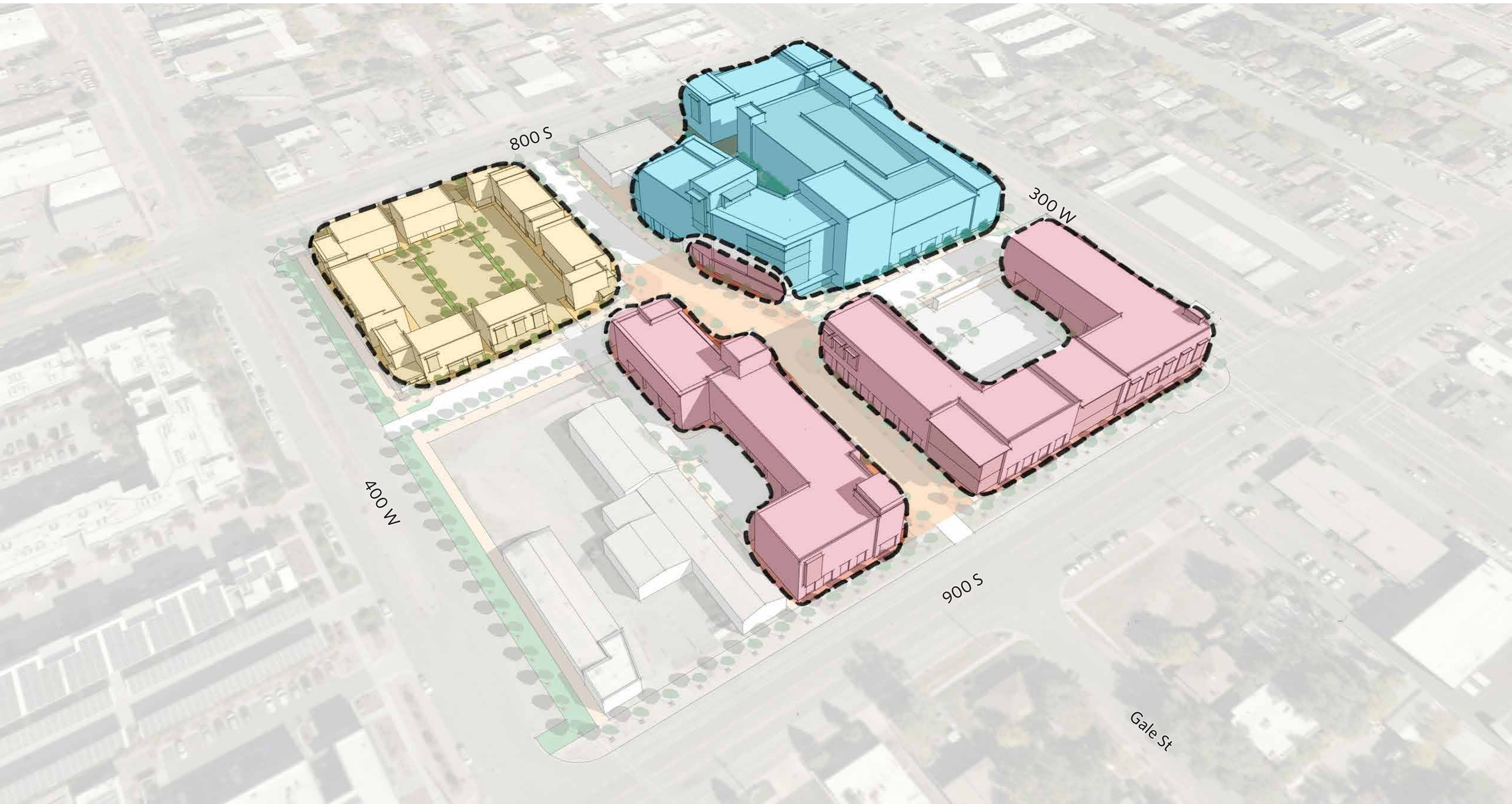


# 6. ADDRESS AFFORDABILITY





# 7. PHASING PLAN WITH FLEXIBILITY



## 8. INSPIRE CREATIVITY

The City is committed to implementation. The next steps for this project include:

- Finalizing the design recommendation
- Create a specific deal structure
- Request for proposals in Q1 of 2019

# QUESTIONS & COMMENTS



UDA

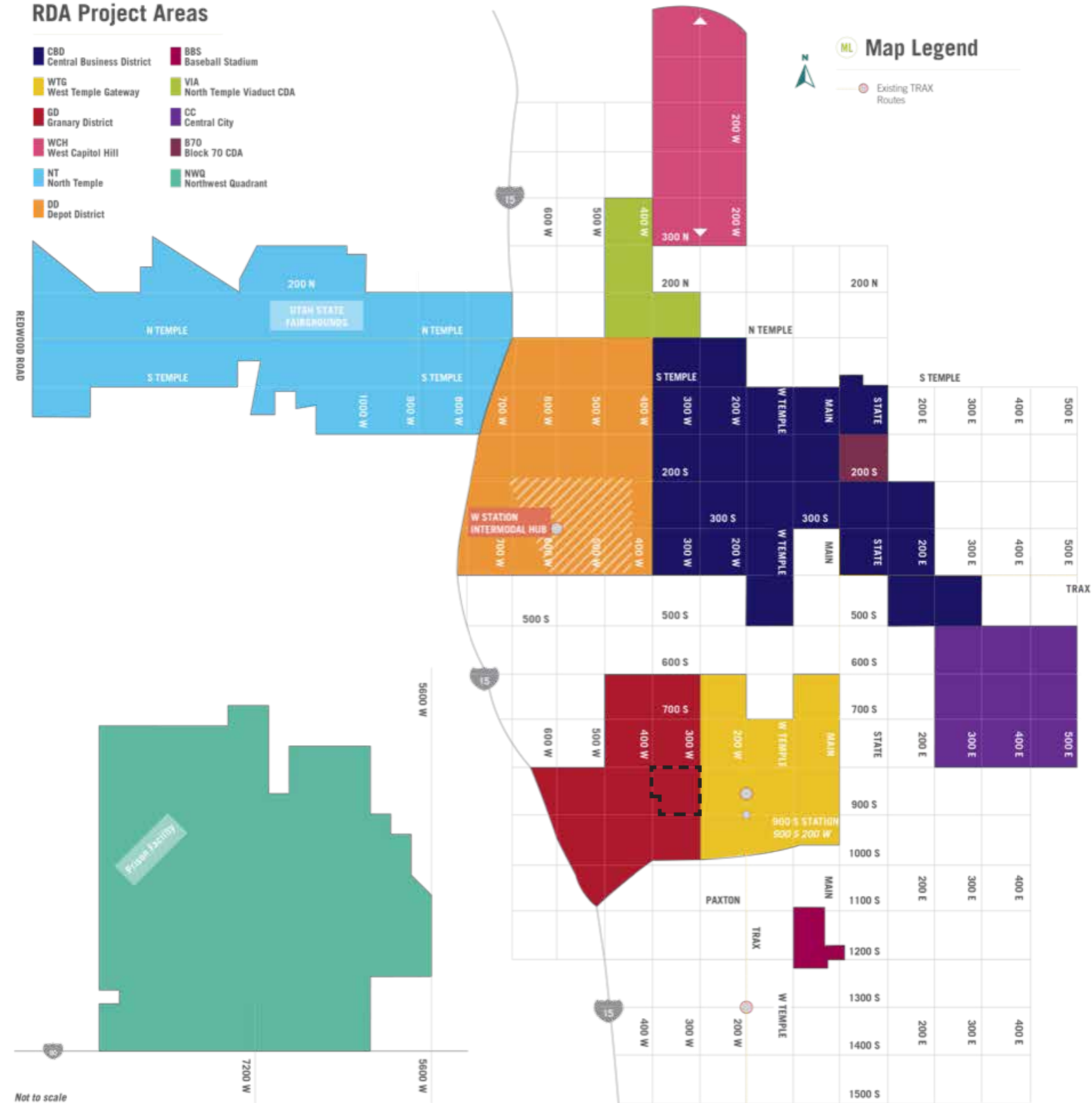
Creating a sense of place through collaboration, context, and community.

### RDA Project Areas

- CBD Central Business District
- BBS Baseball Stadium
- WTG West Temple Gateway
- VIA North Temple Viaduct CDA
- GD Granary District
- CC Central City
- WCH West Capitol Hill
- B70 Block 70 CDA
- NT North Temple
- NWQ Northwest Quadrant
- DD Depot District

**Map Legend**

- Existing TRAX Routes



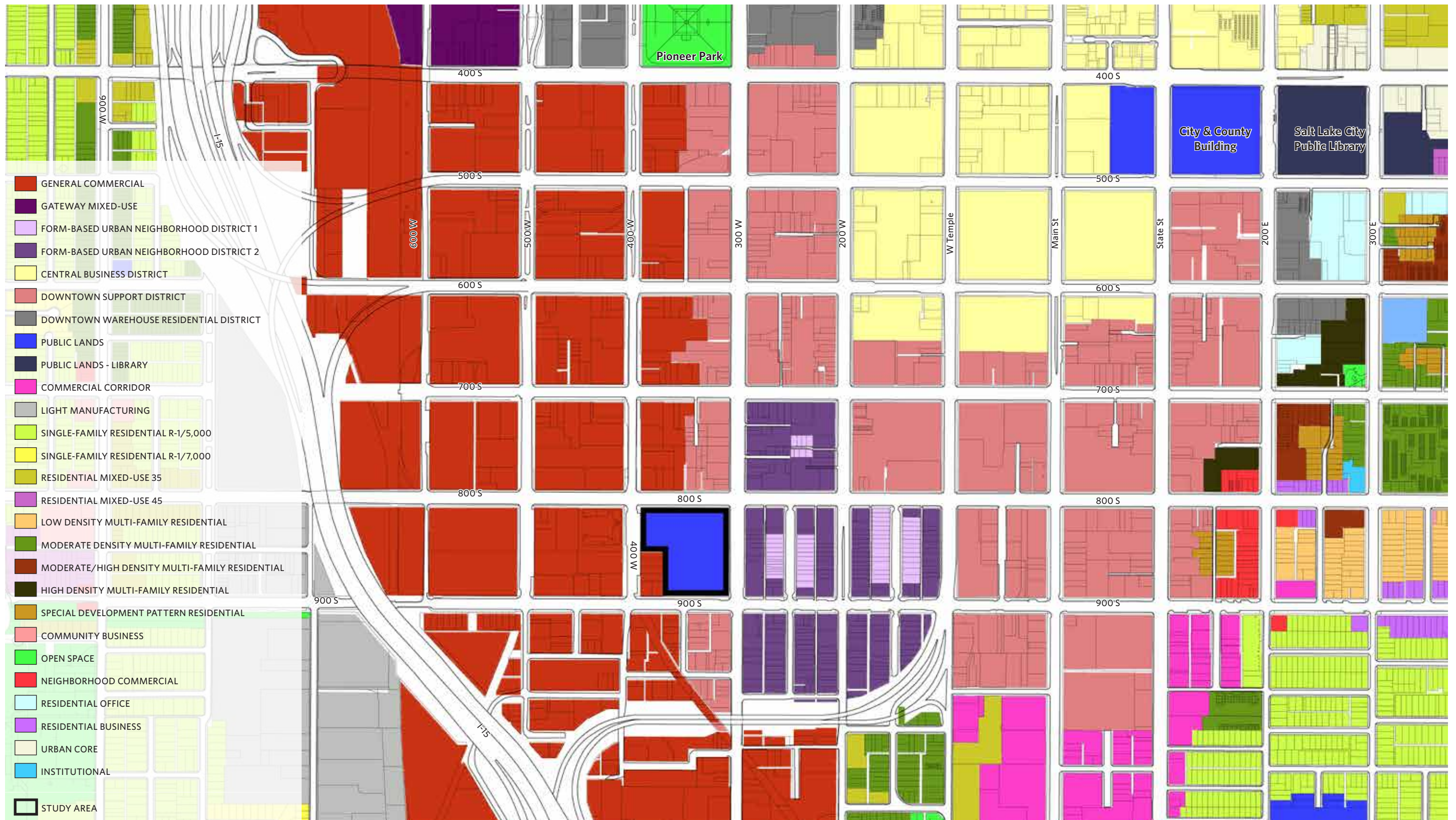
STUDY AREA

Not to scale

Map by Salt Lake City Redevelopment Authority

# RDA PROJECT AREAS

SLC FLEET BLOCK / SALT LAKE CITY, UTAH



# SALT LAKE CITY ZONING DISTRICTS

SLC FLEET BLOCK / SALT LAKE CITY, UTAH

# STRENGTHS

- Proximity to downtown
- Well-connected to the region
- Blank canvas
- Flexible buildings with character
- The people in the neighborhood
- Active social service and non-profit community
- Strong arts community
- Locally grown small businesses

# WEAKNESSES

- Lack of open space, trees, and shade
- Environmental contamination
- Walkability challenges (block size, ROW width)
- Undersized utility infrastructure
- Crumbling street infrastructure
- Lack of neighborhood retail for daily needs
- Neighborhood history and perception
- Lack of ground-level activity and eyes on the street

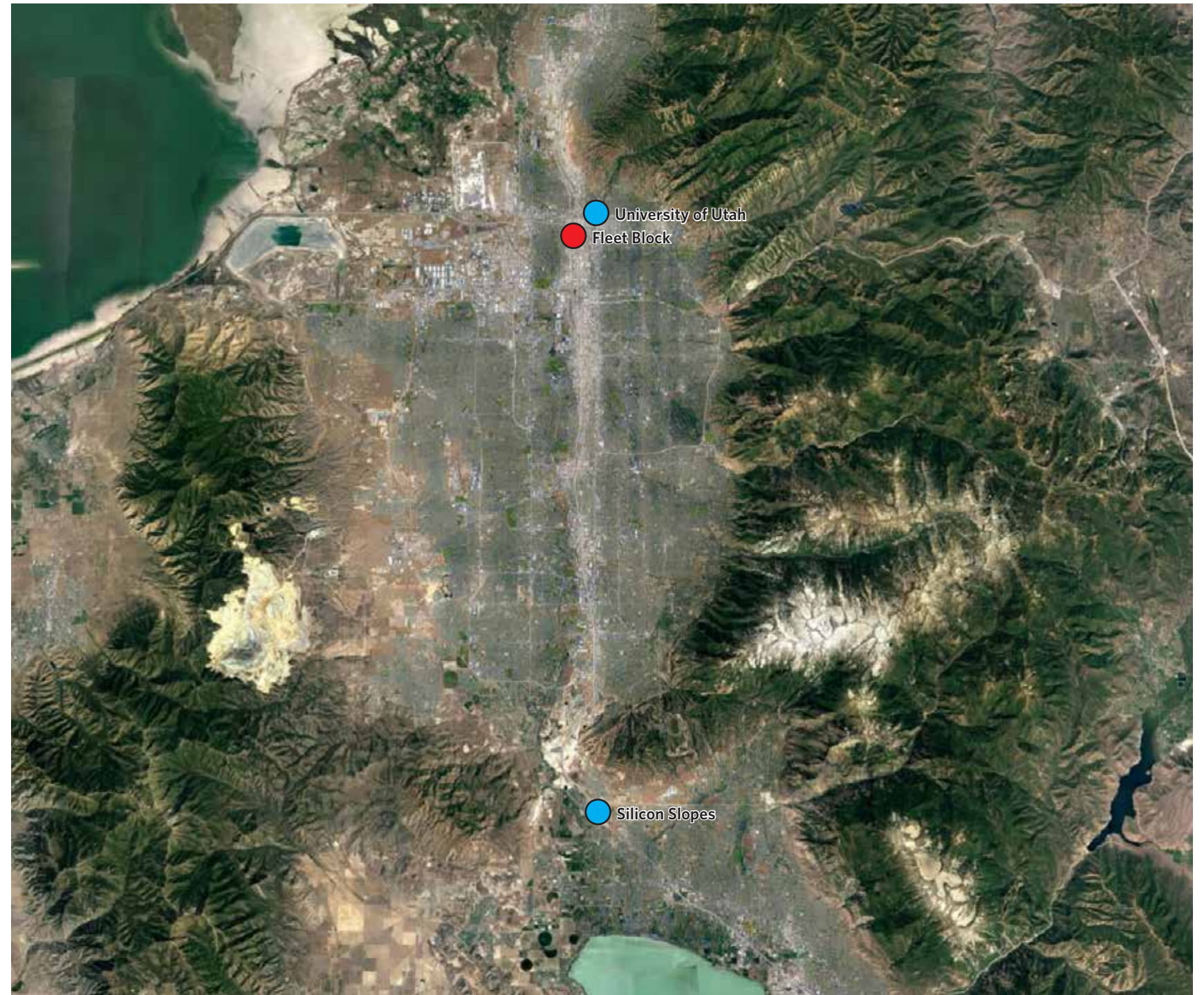


# OPPORTUNITIES

- Substantially improve walkability by creating mid-block connections and expanding pedestrian infrastructure
- Kick-start the Granary District as a place for businesses to locate
- Provide an opportunity for businesses located elsewhere in the valley to participate in the Granary District
- Introduce appropriately-scaled streets and public open spaces
- Incubate small businesses
- Create new buildings that compliment the existing fabric
- Address affordable and market-rate housing needs

# THE CONTEXT AROUND US

- Downtown  
(business, government and the Church)
- University of Utah  
(academic research and innovation)
- Silicon Slopes  
(large-scale, tech-oriented businesses)



## NEXT STEPS

- Develop three alternative design and programming approaches that account for:
  - Urban design characteristics
  - Economic feasibility analysis
  - Your input
- Recommend a sequence for public infrastructure improvements around the Fleet Block
- Create action strategies and blueprint for an Innovation District

# WHAT COULD BE INCLUDED ON THE FLEET BLOCK TO MAKE THIS HAPPEN?

- Housing (market and affordable)
- Business (flex space for businesses at various stages of development)
- A range of services could include:
  - Job placement
  - Supportive services, daycare
  - Community and maker spaces
  - Charter School
- Supportive Institutional Anchor

# DEVELOPMENT CONTEXT

- The city is in a housing crisis
- Strong enthusiasm for a future Innovation District
- Fear of losing current neighborhood anchors
- Substantial infrastructure challenges
- Job creation

Exhibit 2: UDA Project Status & Next Steps Memo



## Memorandum

**TO** Melissa Jensen, Lani Eggertsen-Goff  
**COMPANY** SLC HAND  
**FROM** Eric Osth  
**PROJECT** Fleet Block  
**PURPOSE** Project Status & Next Steps

**DATE** 19 December 2018  
**COPIES TO** Dan Rip, HAND  
Cascadia Project Team  
UDA Project Team

### REMARKS

#### Process Overview

This has been an exciting and invigorating process for our team. Our effort has included input from a broad group of stakeholders that included residents, developers, elected officials, city staff, and interested parties. The effort yielded a new vision for an equitable innovation district and a clear direction to how the Fleet Block will contribute.

In the vision for the Fleet Block, stakeholder input provided meaningful content to shaping a specific recommendation for program, phasing, and form. The UDA/Cascadia team presented the work in progress and received comment.

#### Summary of Services

- Phase 1: Learning
  - Stakeholder Meetings
  - Summary Presentation that include detailed site analysis
- Phase 2: Testing
  - Highest & Best Use Assessment
  - Recommended Zoning
  - Presentation for the Mayor (Not-in-Contract)
- Phase 3: Deciding
  - Presentation for the Mayor, City Staff
  - Public Presentation
  - Final Presentation & Report

#### Comments

During our Phase 3 community meeting, UDA presented our recommendation and received the following comments. Each comment includes our recommended response. UDA was copied on an email to your office from Jonathan Ruga, of Sentry Financial. His questions are included in the responses below.

#### URBAN DESIGN ASSOCIATES, LTD.

Urban Designers Planners Architects

URBANDESIGNASSOCIATES.COM

3 PPG PLACE / 3RD FLOOR / PITTSBURGH, PA 15222

T 412.263.5200 F 844.270.8374

#### PRINCIPALS & ASSOCIATES

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Steve Auterman, AIA, AICP, LEED AP

David Csont, ASAI

Barry Long, AIA, LEED AP

Megan O'Hara, AICP, LEED AP

Paul Ostergaard, FAIA, AoU

Eric Osth, AIA, LEED AP

Rob Robinson, AIA

Terry Welsh, AIA, LEED AP

### *Increased Density*

This team has always been advocates of increased density and the opportunity it provides. However, in this case, we are specifically interested in quick implementation and affordability. Thus, we have developed a plan for a first phase that does not require a parking garage, which can be a barrier to affordable housing and affordable business opportunities. At this point, we are illustrating a vision that includes a residential parking ratio of .85 spaces/unit and a commercial parking ratio of 4/1000 based on recent local permitted projects. Per our discussions, we would recommend removing all parking requirements for this parcel for future use, allowing the market to find the appropriate equilibrium and balance between density and parking, without a parking garage.

### *Additional open space/green space*

It is critical that the open space on this block is built and maintained by the selected master developer. We have put forward a feasible vision. If the selected developer would like to provide additional greenspace that does not compromise the density, it would be welcomed and supported. As a note, in many urban environments around the US, rooftop public open space can be an excellent supplemental method to meet this goal. San Francisco has a significant number of examples.

### *Avoid another Gateway.*

The Gateway is designed as a destination for national retailers, low density mixed-use, and tenuous connections to the surrounding context. This project is different. The vision plan is designed for local community-oriented uses for an equity-based innovation district and high-density mixed-use, integrated with the surrounding context to spread success to the neighbors.

### *Define affordability.*

With the combination of broad requirements by the city and the infrastructure challenges, we believe that the Mayor's goal of 30% affordable units is achievable in a workforce housing. We will identify a specific goal of workforce housing that is appropriate for this project, based on a percentage of Average Mean Income (AMI).

### *How were the proposed building types decided?*

The vision plan was developed to meet the the specific goals of this project. The first phase includes corridor mixed-use, mixed-income housing buildings to provide affordable housing, and a ground-level experience. The second phase includes fee-simple Live/Work units to incorporate an ownership model. The third and final phase is flexible, so the market can select a building type that works for the needs of the market at that time.

### *Consider incorporating smaller lots and more porosity between buildings.*

We think the lotting provided best meets the goals of the project. However, we would support more porosity between buildings, specifically at the ground level. Future design guidelines would require an articulation of buildings to show a fine-grained building scale.

### *What is required in the "Community Space" requirement?*

We are proposing that the ground level space serve the broader community goals. We envision that the community space will generate revenue. However, it would be discounted below market to generate the right environment for the broader market. Potential uses will be established prior to the RFP. These uses might include job placement services, micro-financing services, small business mentorship, day care facilities, business



incubators and low-rent office spaces, to name a just a few options. Ideally, we would like the Proposers to identify a recommended mix and how they will work together to support the City goals for the Fleet Block.

*Why is the proposal not specifically focused on nurturing a “tech” innovation district?*

“Tech” and Bio-tech are both a significant focus of many of the American Innovation Districts. However, we recommend a broader focus for two reasons. The first is the opportunity to empower more people into a broader palette of jobs at all levels. The second reason is to build resilience. The economic climate for tech is competitive, so a broader focus could allow for a natural evolution at a unique innovation district that is specific to Salt Lake City.

### **Next Steps**

Through this process, we have identified a series of items that would be key to implementation of an equitable project for the district. Without detailed follow-up, successful implementation is at significant risk. We have identified a recommended work process to finalize tools and methods to achieve this goal.

*Kickoff Work Session (January)*

The consultant team would facilitate a one-day work session to prioritize contents for the RFQ/P, a process for the RFQ/P, and a draft of contents for a set of Design Guidelines. In this process, we would develop a scoring system (or otherwise) that would allow your team to establish a means to make a developer selection. Relevant selected material would be highlighted in the design guidelines.

*50% Draft: Design Guidelines and RFQ (Early February)*

The consultant team would return a draft to the City for comment.

*100% Draft: Design Guidelines and RFQ (Late February)*

To meet a release of an RFQ/P in Q1, we would recommend completion of these services by the end of February.

Once again, thank you for the opportunity to work with you on this exciting and meaningful project. We are looking forward to the next steps and would enjoy the opportunity to assist in bringing this project to implementation.

Sincerely,  
Eric Osth

Exhibit 3: Cascadia – Highest & Best Use Assessment



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# FLEET BLOCK HIGHEST & BEST USE ASSESSMENT

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To: Eric Osth, Managing Principal, Urban Design Associates

From: Alex Joyce, Managing Partner, Cascadia Partners LLC

Date: 01/18/2019

## Fleet Block Site

The city owns 8.1 acres of the Fleet Block. The below memo is an assessment of the current market strengths and weaknesses, an opportunities and constraints assessment with strategies for overcoming obstacles, and a pro forma assessment of 3 potential building types that could be contemplated for the site.

## Strategic Market Assessment

### Fast Growth Downtown

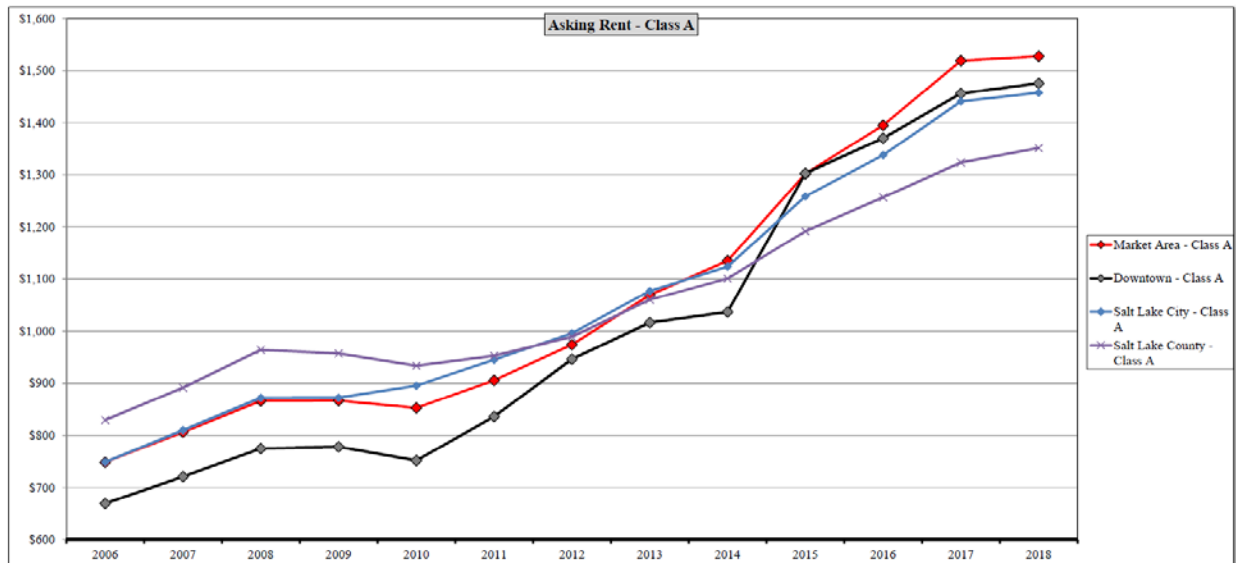
Downtown is growing fast and will likely continue to grow. 233 new households are anticipated to be added to the greater downtown area by 2023, which is 21% of all the City's growth for that period. Regional job growth has been a healthy 3% a year for the past 5 years. Most of that growth has been in the professional services and health care sectors, which tend to be higher paying white collar jobs. Incomes in downtown grew at a faster rate than the City and County between 2000 and 2018. 26% of households within the downtown market area earn over \$100,000 per year. Unsurprisingly, areas of rising incomes are attractive for real estate development, and as a result downtown Salt Lake City has seen significant development activity this real estate cycle.

### Residential – Booming but Cooling

Salt Lake City, including the greater downtown area, is experiencing the most active period of development in recent memory, with the vast majority of activity and growth driven by residential demand. Both the interviews with local developers and the market assessment show a rapid escalation in residential rents over the past decade since the Great Recession and a corresponding apartment building boom downtown. Downtown rents have grown 7.3% over the past 10 years and 9.0% over the past 5 years. Residential rent levels appear to have stabilized in 2018, however. This may foreshadow a slowdown in residential development if supply has caught up with demand.



APARTMENT MARKET TRENDS - CLASS A  
MARKET AREAS  
2006 THROUGH YTD 2018



### Class A Office – Need Major User In-Hand

Office development is generally more volatile than residential given longer lease terms and more lumpy changes in employment space need compared to residential. That pattern is seen in downtown Salt Lake City. Rents for new (Class A) office space went up between 2006-2009, fell between 2010-2014, climbed again from 2015-2017, but now in 2018 rents have fallen slightly. Class A office has also experienced negative absorption and increasing vacancy rates in the past two years after a spike of 400,000 square feet of new office space was absorbed in 2015. Without a major office user in-hand, it is unlikely that a large amount of new (Class A) office space would be built speculatively in downtown (outside of unique situations like LDS-financed projects). A major office component on the Fleet Blocks is likely dependent on having a large user in-hand, such as a major tenant or an institutional partner. Class A speculatively built office is unlikely to be a major component.

### Class B/C Office – Healthy Demand for Low Cost Spaces

When all classes of office space are viewed together (which includes older less expensive office space) occupancy has been more stable and rents have grown more steadily at 4.5% per year on average for the past 10 years. This indicates a more stable demand for lower cost office space, which could include repurposed industrial space such as the older warehouse space on the Fleet Block site.



## Retail – Keep it Small but Unique

Retail is a much smaller segment of the square footage built downtown than either residential or office. It is more volatile than residential and is much more location dependent than either residential or office. The real estate adage of “location, location, location” is particularly important for retail. Very little new retail space has been absorbed over the past 5 years indicating a high level of “recycling” of existing space to meet new demand. However, in downtown rents for retail have grown 9% over the past 5 years – which is twice as fast as the City as a whole. This indicates that downtown is increasingly a desirable place for retail and suggests a demand for well positioned, unique retail spaces. For any development in downtown, the Fleet Block included, the retail component will be small compared to other parts of the development program, but unique and well-located spaces could do well.

## Opportunities

### Broader Housing Options Downtown

Salt Lake City has major regional mismatches in the location of housing and jobs compared to other cities of its size. 81% of people who work in downtown live outside of Salt Lake City and over half of them commute over 10 miles for work. With this level of in-commuting for jobs, there is clearly an opportunity for even more housing within the downtown area. But other factors may suggest that a wider range of housing than just studio and 1-bedroom apartments could be successful, such as condos, townhomes or live-work units.

Nearly 80% of households in the greater downtown area are renters today, compared to 38% in Salt Lake County. Rental housing will undoubtedly continue to be a major housing need because the downtown population is generally younger, less affluent and has smaller household sizes than the region. However, as this Millennial population ages, partners and has children, there is likely to be a growing need for more family-sized and/or owner-occupied units including townhomes and condos. Single family homes in the close-in neighborhoods are rapidly escalating in price and will not be an attainable housing option for Millennial families for much longer. Live work units in a townhome format could serve this demographic and support entrepreneurship on the Fleet Block.

### Tech Jobs Downtown

Over half of all downtown residents commute out of Salt Lake City for work. Downtown (and increasingly the Granary District) has the amenities that are attractive to younger tech workers, such as walkable and bikeable restaurants, bars, parks and easy access to transit. Tech job growth has been centered around the “Silicon Slopes” in Utah County, requiring a lengthy commute for young tech workers who prefer to live downtown. The Fleet Block site may be a very attractive site to specific tech employers/tenants. If one or



more were to commit to a pre-lease, then perhaps a significant component of new Class A office space could be feasible.

### Cheap Flex Space Now

Marker Districts are dependent on low cost space for “making.” This is nearly impossible to provide in a newly constructed building without significant subsidy since the rent levels makers can usually afford to pay are more in line with Class C industrial than Class A office. While there is no shortage of aging buildings around the Fleet Block, there is an opportunity to think about how to activate the site quickly with a low-cost repurposing of a few of the existing industrial buildings that are in the best condition. A “light touch” remodel could allow low cost maker space to quickly take shape on the site. Activating the site quickly can help to improve the desirability and financial feasibility of the new construction components as well.

Not all structures make sense to save. Sometimes renovation costs can exceed the cost of new construction. Special care should be taken to understand whether it makes financial sense to repurpose or redevelop buildings. The spaces between the buildings, such as paths, roads, plazas or other place-making elements should also be planned well to knit the activity in any repurposed buildings together with the activity in the new buildings.

### More Connections Through Site

Blocks in Utah are very large. This can result in large monolithic buildings or long expanses of blank walls along block edges. It also limits the routes pedestrians, cyclists and motorists have when navigating through a district. There is an opportunity to break up this site with both an east-west and north-south connection. Whether these are full streets, paths, linear open space or some hybrid, there is significant benefit in dividing the site in some fashion. In addition to improving the pedestrian experience, the divisions enable a multi-phased approach to development that can be done by more than one developer and/or over a longer period of time to mitigate the risk of overbuilding.

### Active Plazas, Streets and Open Space

The Granary District has no significant open space or public plazas. There is a unique opportunity to incorporate vibrant additions to the public (or quasi-public) realm in the redevelopment of this site. In urban contexts, several small active spaces can function better than one large open space. In other words, bigger is not necessarily better when it comes to gathering places. The zoning and development agreements should require developers to provide active gathering places be incorporated into the design, specifically in locations such as adjacent to retail or active ground floor spaces or near residential entrances,.



STRATEGY:

- There are currently dollars allocated for acquiring additional open space “downtown” and they should be aggressively pursued to create signature gathering places within the redevelopment of the Fleet Block
- The City team should seek to expand the definition of “downtown” to include this part of the greater downtown area
- The City team should seek to modify how those funds can be used to enable the contribution of the funds for construction, rather than just acquisition (since the City already owns the land)

## Challenges

### Infrastructure

The cost of upgrading the infrastructure is significant and depends, in part, on the intensity of the development program. CP provided the Salt Lake City public works team with a medium and high development program to test the system’s sensitivity. The preliminary estimated on and off-site cost estimates range from \$1,152,000 million for the medium intensity scenario, and anywhere from \$1,672,000 - \$1,972,000 for the high intensity scenario. The financial analysis of each building type accounted for these costs.

### Streetscapes

The streets surrounding the Fleet Block are either wide and fast or crumbling and slow. In either case, the streets need significant investment to make them attractive and safe. Changing the design of multiple streets is expensive but will have a significant impact on the desirability of the entire district, and thus on the feasibility of new development. In Utah there are limited tools for funding infrastructure improvements, and a project of this scale will likely require a layering of all tools and funding sources to have a significant impact.

STRATEGY:

- Seek accelerated streetscape funding for streets in the Granary district via the recently approved streets bond measure.
- Be prepared to write down the full value of the land in exchange for streetscape and other much needed place-making investments on the part of the private sector.
- Extend the life of the TIF district, which is schedule to sunset in 2024.

### 9 Line Improvements / Extension

Streetscape improvements on 9<sup>th</sup> South as part of the 9 Line improvements are funded only as far west as S 300 W. The funding is allocated for two blocks to the east of the Fleet Block site and improvements could

start as early as 2019. There's an opportunity to supplement the existing funds quickly to extend the improvements west an additional block to improve the entire 9<sup>th</sup> South frontage of the Fleet Block.

STRATEGY:

- The City should quickly supplement 9 Line funds to extend improvements one additional block across entire Fleet Block frontage

### Overhead High Voltage Lines

High voltage lines run along the north side of the Fleet Block site on 8<sup>th</sup> South. Our interviews indicate burying these powerlines could be millions of dollars per block and also require large metal boxes where the lines transition from the air to the ground that could impact urban design at the corners.



STRATEGY:

- Because of the cost and design impact of burying the lines, we do not recommend proactively burying the lines but suggest allowing a developer to work around them as they exist.
- If and when 8<sup>th</sup> South is redesigned, then the City should pay or partner to cover the additional cost of burying the lines for a multiblock stretch, which would be much more cost effective than one block at a time.

### Sunsetting TIF District

The existing TIF district is scheduled to sunset in 2024 and it has collected very little revenue since it was formed in 1998. In hindsight, it was likely established prematurely given that this area has seen relatively limited redevelopment compared to other parts of the greater downtown area. The combination of the Fleet Block redevelopment, recent nearby land sales and planned larger-scaled projects in the district indicate now could be a tipping point, however.

STRATEGY:

- Extend the life of the district for ~10 years. This is likely to result in much more significant collections than in the past – and thus meaningful bonding capacity for additional public improvements.



## Unstable Soils

The Fleet Block site is in a part of the region with poor soil stability. The poor soil stability means that construction of higher intensity uses on the site will likely require driving pilings, which adds to the cost of vertical construction.

### STRATEGY:

- Allow significant levels of development intensity on the site to overcome the high cost of development

## High Water Table

The high water table means that significant excavation for subsurface parking is unlikely. Parking on the site will need to be accommodated either in surface lots or in parking structures (stand-alone or wrapped by buildings). Large parking lots and parking structures could negatively impact the urban design of the site and reduce the amount of space for other uses, like residential, retail and plazas. The site is well served by local and regional transit and the surrounding streets, if restriped, could accommodate hundreds of new parking spaces. Restriping streets for additional parking without changing the curb-to-curb dimensions is very low cost, and greatly improves retail viability, slows traffic and provides additional noise and sound buffer to pedestrians on the sidewalks.

### STRATEGY:

- Maximize on-street parking on surrounding blocks. Road widths on all surrounding streets are very wide and can easily accommodate very space-efficient diagonal parking.
- Allow very low on-site parking standards for the new zone district

## Current Zoning

The current zoning is Public Facilities and needs to be changed in order to accommodate redevelopment. The 9th South area has adopted form-based zone districts to the east. The zone districts have been well-received but are generally low-to-mid-rise in scale. The Fleet Block site may need zoning that allows significantly higher development intensities to offset high development costs, infrastructure improvement costs and to provide other community benefit components like plazas or internal streets/paths.

The most important part of the building form to get “right” is the ground level, and specifically how the buildings interact with the surrounding streets, internal streets, plazas and open space and each other. The design of upper floors is important, but less important from a pedestrian perspective. Design standards should focus most attention on the ground level.

STRATEGY:

- Create a new form-based zone district that allows taller buildings and ensures a well-designed ground level
- Avoid a “unique snowflake” approach to zoning this site, such as PUD or an overlay

## Spacing Requirements for Alcohol Sales and Public Spaces

The minimum spacing requirements between alcohol sales and public parks and schools means that special consideration should be taken in the layout in order to accommodate both uses on the site. For instance, privately managed open space, such as private plazas or festival streets, should be prioritized over public park space in areas that are activated by restaurants and other retail businesses that could sell alcohol.

STRATEGY:

- Incorporate small, privately owned and managed open spaces near retail spaces to avoid triggering spacing requirements while having lively gathering places

## Highest and Best Use Assessment

### Residential

The Market Assessment above and the one-on-one developer interviews make it crystal clear that residential demand is driving the lion’s share of new development downtown currently, and specifically apartment development. Rent growth on all new product types has cooled in the past year, but it is likely that residential will still be the highest and best use for the site in the near term.

### One Exception for Office

The one exception to that rule would be if a major office and/or institutional user were to be included in the redevelopment. With a signed prelease agreement from a major office tenant, such as a tech firm, or an institutional or other catalytic user, the highest and best use could be office – at least for a portion of the site. Without a major user in-hand, there does not appear to be enough

### Small Units and Low Parking

Aside from subsidy, the only tool a market-rate developer has to reduce unit pricing for renters or buyers is to reduce the size of the units. The trend to smaller units is a global phenomenon in urban places where housing costs are rising faster than wages. (Fortunately, family sizes have been shrinking rapidly in recent years also.) All things being equal, the highest and best use is a mostly residential building with small units sizes and a low parking ratio.

### Parking vs. Affordability

The challenge with the small unit + low parking ratio price reduction strategy comes when developers must accommodate minimum off-street parking requirements of 1 or more parking spaces per unit.



market strength to support significant speculatively built office space at the site. Major new offices are more likely to be built within the downtown core.

### **Adaptive Reuse Now**

While new residential is technically the highest and best use, the site is large and redevelopment could be spread across many buildings and several phases to accommodate reasonable absorption. So, repurposing

some of the existing warehouse space on the site has several potential benefits and may well be a high and best use in the immediate term. Assuming a cost-effective remodel is possible, then quickly getting activity and users on the site will continue to raise the profile of the area, establish the site as a destination and increase desirability for the subsequent phases of new residential (or office). In addition, there is the potential to create true maker space with lower rents than would be possible within new construction. This would allow entrepreneurs to make, grow and collaborate on the site in the near term.

## Construction Type Assessment

### Midrise Buildings Most Likely

Midrise construction is the most likely development style for the site. Current residential rent levels do not support high rise construction at current construction costs. Condo pricing could potentially support a high-rise component on the site. However, the developers we talked with are not as interested in building condos compared to rental because rental has more financial reward for less risk. Lingering fear about construction defect liability and residual pain from bad experiences in the downturn could also be factors.

### Building Construction Types

While we can be assured that residential is the highest and best use, that does not tell us what type or types of buildings are most feasible. Understanding some fundamental realities of different building typologies is important. Generally, the world of construction types for buildings in an urban context can be divided into three types: all wood framing, wood framing over a concrete base (often called 4-over-1 or 5-over-1), and steel frame or high-rise construction types. Townhomes and low-to-mid-rise apartments can be built with all wood construction, which is a very cost-effective construction type. Midrise mixed-use buildings can be built with wood framing over a concrete base and can reach 75, or even 85 feet, in height. Midrise construction is a common

Structured parking spaces take up valuable space on a site and are very expensive with costs ranging from \$25,000-55,000 per space depending on the market. Parking can add 15-25% per unit in cost, depending on the size and finishing of units.

Small unit buildings make sense when parking ratios can be significantly reduced below 1 per unit – so in areas with many transportation options such as the Fleet Block site. This relationship between parking and affordability is very important to consider when establishing zoning and parking standards for a site like the Fleet Block.

For the purposes of the financial analysis here, we've assumed a residential parking ratio of 0.75 spaces per unit on average. We also assume the City maximizes on-street parking surrounding the site. This means that some units will not come with dedicated parking – which will reduce their monthly rent and make them more affordable. Attainable rents are important in general, but particularly important in a district that is supposed to support small business and entrepreneurship.

construction type since it is mostly cost-effective wood framing, but can have more floors than an all wood building. High rise construction can be significantly taller but costs for steel, cross laminate timber or other building materials are higher than framing lumber. As a result, high rise is dependent on significantly higher height allowances and very strong markets to be feasible.

## Pro Forma Alternatives

### Test Range of Building Types

A site as large as the Fleet Block could be developed in a number of different configurations, such as those prepared by Urban Design Associates (UDA) to the right. But the range of building types that could be contemplated is more limited.

Cascadia Partners performed an iterative pro formas analysis on a range of building types: a 15-story high rise, a 7-story mixed-use building (5-over-2), a 5-story mixed-use building (4-over-1), a 4-story apartment building (wood frame), and a cluster of live-work townhomes. The purpose of this exercise was to learn which building types and use mixes performed well, which perform poorly – and the impact of incentives in achieving community benefits, such as lower housing costs and infrastructure and placemaking improvements.



### Key Findings:

- High rise construction requires rents far outside of even the top end range seen in recently constructed projects
- Mid-rise residential can achieve significant density (value) and property tax revenue at much lower construction cost than high rise construction
- Retail rents need to be very high in new construction buildings
  - More smaller retail spaces likely to perform better than fewer large spaces
  - Utilize lower cost adaptive reuse buildings to attract more creative retail, commercial and/or maker tenants
- Live-work townhomes are feasible and, if small, can be cost-competitive to surrounding single family – however, prices around \$400,000 per unit + workspace are out of reach of most



## Building 1: High-Rise Mixed-Use

### Key Findings

- Current rents, even Class A rents, do not support high rise construction prices
- Financial targets are only achieved with rents far above current range (\$3.35 per square foot for apartments and over \$45 per foot for office NNN) which is only possible with major office or institutional tenant/partner
- Inability to go underground for parking poses a challenge for high rise
  - 4 floors of the high rise need to be parking in residential scenario
  - 6 floors needed for office because office parking needs are generally greater than residential

## Mixed-Use High Rise - Res + Retail

Fleet Block

### BUILDING FORM

Lot area	43,560	sf
Lot area	1.00	acres
Building Footprint	37,026	sf
Parking Footprint (Adjacent)	-	sf
Height	15	stories
Floor-area ratio	7.65	FAR

### DEVELOPMENT PROGRAM

Use	Gross	Net
Residential	232,153	197,330
Retail	12,219	10,386
Office	-	-
Industrial	-	-
Public	-	-
Educational	-	-
Hotel/Motel	-	-
Commercial Parking	-	-
Structured Parking	-	-
Internal Parking	88,862	88,862
Total	333,234	296,578

### CONSTRUCTION COSTS

<b>TOTAL COSTS</b>	\$ (69,489,354)	
<b>Land Costs</b>	\$ (1,742,400)	\$40 /sf
<b>Hard Costs</b>	\$ (52,230,418)	
Residential	\$ (43,528,691)	\$188 /sf
Retail	\$ (2,382,623)	\$195 /sf
Office	\$ -	\$0 /sf
Other Parking	\$ (6,319,104)	
<b>Soft Costs</b>	\$ (13,710,936)	26% % of Hard Cost
<b>Other Costs</b>	\$ (1,805,600)	
Demolition Costs	\$ (120,000)	
Site Development Costs	\$ (435,600)	
Water Quality Controls	\$ -	
Additional Infrastructure	\$ (1,250,000)	

### FINANCIAL PERFORMANCE

<b>Rental</b>	
Cash-on-Cash (After Year 3)	5.0%
IRR on Project Cost (Unleveraged Return)	8.2%
IRR on Investor Equity (Leveraged Return Before)	11.6%
Debt Service Coverage Ratio (Year 3)	1.28
<b>Owner</b>	
Project Rate of Return	0.0%
Return to Equity	0.0%
<b>Subsidy</b>	
Subsidy Amount	\$ -
% of Project Costs	0%

### PARKING & OPEN SPACE

Residential	230.93	0.75 / per unit
Retail	12.22	1.00 / 1000 sq ft
Office	-	- / 1000 sq ft
Parking Structure	-	
<b>Total parking spaces</b>	<b>243</b>	
Landscaping and open space a	15%	

### RENTS AND SALES PRICES

Housing Units	309	309 /acre
Average unit size	639	sf
Residential Unit Sales Price	N/A	N/A /sf
Residential Unit Rent	\$ 1,597	\$2.50 /sf
Retail rent (sf/year)	\$ 30.00	/sf (triple net)
Office rent (sf/year)	N/A	/sf (triple net)
Industrial (sf/year)	N/A	/sf (triple net)
Hotel/Motel (\$/night)	N/A	/ room / night



## Building 2: Mid-Rise (5-over-2)

### Key Findings

- A highly efficient, 7-story podium-style building is feasible with current Class A rents
- \$32 million project with residential densities of over 182 units per acre
- \$13.75 per square foot of land in annual property taxes (Yr 3)
- \$40 per foot land cost (target) is feasible = City's land worth over \$14 million
- Podium style buildings do not typically need underground parking because they utilize a combination of internal "tuck under" parking and structured parking
- Retail space performs well at \$30 per square foot NNN, which would be hard for local businesses to afford unless it was divided into very small spaces



## Building 3: Mid-Rise (4-over-1)

### Key Findings

- An efficient, 5-story podium-style building is feasible with current Class A rents
  - Less costly parking actually lowers per unit rents very slightly
- **2 fewer floors = 35% less value, tax revenue and density than 7-story podium**
- \$21 million project with residential densities of 115 units per acre
- \$9 per square foot of land in annual property taxes (Yr 3)
- \$40 per foot land cost (target) is feasible = City's land worth over \$14 million
- Podium style buildings do not typically need underground parking because they utilize a combination of internal "tuck under" parking and structured parking
- Retail space performs well at \$30 per square foot NNN, which would be hard for local businesses to afford unless it was divided into very small spaces





## Building 4: 4-story Apartment Building

### Key Findings

- An efficient, 4-story, surface parked apartment building is feasible with less than Class A rents
  - Very low parking costs actually lowers per unit rents by 12% compared to the 7-story podium
- **3 fewer floors = 58% less value and tax revenue and 50% less density than 7-story podium**
- \$13.6 million project with residential densities of 92 units per acre
- \$5.8 per square foot of land in annual property taxes (Yr 3)
- \$40 per foot land cost (target) is feasible = City's land worth over \$14 million



## Building 5: Live-Work Townhomes

### Key Findings

- Live-work townhomes offer opportunities for entrepreneurs to pay for housing and work space in a single purchase
  - That said, sales prices assuming a \$40 per square foot target land price are over \$410,000
  - Sales prices with a \$100,000 per lot (\$30 per foot) price for a 3500 sq ft lot are \$390,000
- **Value and tax revenue is similar to a 4-story apartment, but only about 1/3<sup>rd</sup> the density**
- **Townhomes = 64% less value and tax revenue and 80% less density than 7-story podium**
- \$11.5 million project with 36 residential units
  - Residential densities of over 130 units per acre
- \$6.1 per square foot of land in annual property taxes (Yr 3)
- \$40 per foot land cost (target) is *perhaps* feasible = City's land worth over \$14 million

## Understanding the City's Leverage

There are many factors that influence project viability and the amount of community benefit that can be expected from a public-private partnership – and the City has influence over only a handful of these factors. But these factors are important to understand because they are the primary leverage the City has in a negotiation process with a development partner.

One of the most significant points of leverage the City has is the land itself and the ability to sell or give the land away in exchange for the right mix of public benefits. The value of any land is determined in large part by the amount of revenue that can be generated by it. Higher valued (density) uses can generally pay more for land compared to lower valued uses. There may be good public policy reasons for wanting lower value or density components to a project, such as public streets/paths, plazas, building space that is affordable to community-based tenants or live-work townhomes, but that influences the value of the underlying land. Put another way, there is a relationship between the amount of community benefit that can be expected from the development of the Fleet Block and the amount of private value (density) that can be accommodated on the site.

### City's Primary Financial Leverage

- Land Price
- Off Site Improvement Costs
- Building Permit Fees
- Impact Fees
- Site Prep Costs (Demolition and Remediation)

## Impact of Incentives

It appears from our interviews, that the least complicated incentive the City can offer is the land at a discounted cost. If we assume the City owned portion of the Fleet Block is worth \$40 per square foot, 8.1 acres would be worth over \$14 million. \$14 million is enough to leverage meaningful community benefit, but there are limits so it is critical to decide what is most important.

### *How Much Community Benefit Does \$14 Million Buy*

- **~50,000-70,000 Sq Ft of Discounted Space on Ground Floor:** Subsidizing construction costs (assumed to be \$200 per square foot) within a mixed-use building would enable a developer to heavily discount rents for community-focused tenants or maker space. The amount of space that is feasible is dependent on how heavily rents need to be discounted and the nature of the build out (TI) costs.
- **30% Workforce Housing (80% AMI):** So long as the affordable units are allowed to be small, up to 30% of all units could be affordable at 80% Area Median Income (AMI), which is often referred to as Workforce Housing. Most of the affordable housing demand is for 1 and 2 person households. In a residential-heavy scenario, the Fleet Block could provide 100-300 workforce housing units.
- **Infrastructure and Placemaking:** Baseline on and off-site infrastructure costs are estimated at \$1.15-1.9 million. The value of the land far exceeds this figure. This means that the City can expect to require a higher quality set of infrastructure improvements, like plazas, and some level of the other two community benefits identified above.

Exhibit 4: Cascadia – Zoning Audit & Recommendations

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# FLEET BLOCK ZONING AUDIT & RECOMMENDATIONS

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To: Eric Osth, Managing Principal, Urban Design Associates

From: Alex Joyce, Managing Partner, Cascadia Partners LLC

Date: 11/30/2018

## Surrounding Zone Districts

The Fleet block is currently flanked by 3 zones: CG – General Commercial, Downtown 2, and FB-UN2.

### *CG – General Commercial*

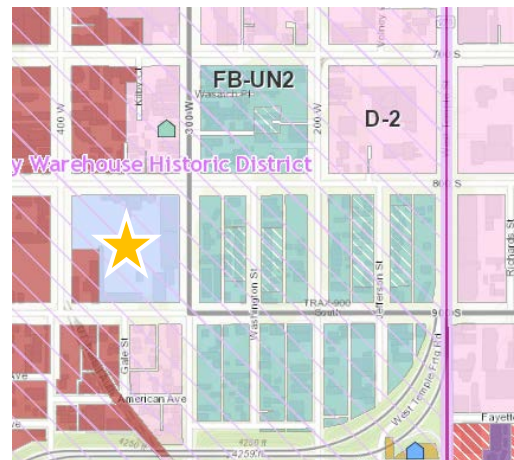
CG is a largely suburban commercial zone suitable for large-scale commercial buildings. CG would not be a good fit for the Fleet Block.

### *FB-UN2*

The FB-UN2 Zone is a 4-story form-based zone district with detailed design requirements intended to require engagement of buildings with the sidewalk. Corner buildings in FB-UN2 can be 65' in height, which would appear to allow up to 65' corner buildings on the Fleet Block. The zone allows mixed-use and single use buildings. FB-UN2 has no density limits and no off-street parking requirements.

### *Downtown 2 (D-2)*

The Downtown 2 zone district is a very flexible mixed-use zone district with a maximum by-right height allowance of 65'. Taller buildings are allowed as a Conditional Use. None of the regulated Design Standards in section 21A.37.060 apply to Downtown 2. It is the only one of the four Downtown zones that have no specified design standards. Off-street parking standards are low. Residential uses require 0.5 spaces per unit and non-residential uses 1 space per 1000 square feet of space, with the first 25,000 square feet exempt.



## New Zone or Modified Existing Zone?

The Highest and Best Use Analysis would indicate that either the FB-UN2 zone or Downtown 2 zone would be sufficient to construct a highly efficient 6-story building similar to many built in downtown the past several



years. However, the current height restriction of 65 feet does not accommodate recent innovations in construction technique that are pushing cost-effective, podium-style height limits to 85 feet. In addition, new construction materials, such as cross-laminate timber and light gauge steel, are allowing builders to achieve building heights typically associated with high rise buildings made of steel and concrete, which is an increasingly expensive construction material. Building technique, technology and materials are changing rapidly. Zoning does not change rapidly.

***Therefore, we recommend one of two approaches:***

***Option 1: New Zone (FB-UN3)***

- Create a new zone district, FB-UN3, that allows for 85’ heights and maintains all other standards from FB-UN2. In addition, allow for additional height through an administrative review process that encourages innovation in construction technology – fitting for an Innovation District.

***Option 2: Modified Existing Zone***

- Apply the FB-UN2 zone but change the standards to increase allowable height to 85 feet for corner buildings and heights to 65’ interior buildings. In addition, allow for additional height through an administrative review process, similar to above.

Either of these two approaches would ensure the Fleet Block site has zone standards that are well calibrated to efficient building techniques, but also allow for a pathway to accommodate innovative new building types if a signature building becomes possible at the site.