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ANALYSIS OF STRATEGIES FOR HOUSING AFFORDABILITY

ENVISION UTAH

UTAH

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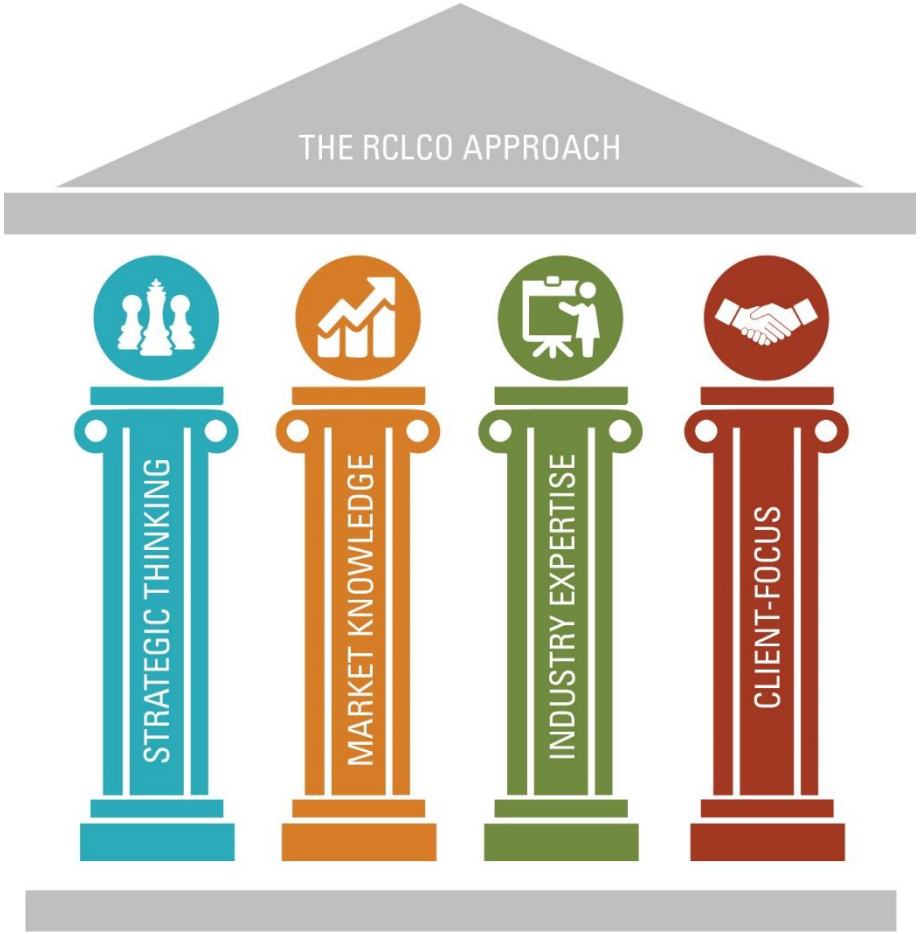

EXECUTIVE SUMMARY

KEY FINDINGS & RECOMMENDATIONS

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EXISTING STUDIES GENERALLY SHOW THAT REGULATIONS HAVE IMPACT ON HOUSING SUPPLY AND PRICING

- RCLCO conducted a comprehensive literature review to evaluate various regulatory changes and policies across the U.S. and their effects on housing supply and price. **In general, there is a clear relationship between upzoning and housing supply/permitting activity**.
  - The studies generally show that the most effective strategies for increasing inventory are allowing more density through **reduced minimum lot sizes, increased allowable units**, and **increased FAR and maximum height restrictions**. While allowing more uses on single-family only zones (like townhomes) is an important change, areas typically see more success coupling that with the other changes listed above. Additionally, **waiving fees or parking requirements** can boost development, particularly for ADUs, split lots, and multifamily buildings. Finally, policies that **shorten the entitlement process**, like by-right allowances, are also associated with increased supply and permitting.
- **While less strong of a link, many studies show that increased housing supply tends to reduce nearby rents and/or moderate rent/price growth over time**, though there are some contradictory studies. It isn't possible to do a true "control" version in this type of research as each city has its own unique economic and land use factors. See pages 19-26 for more details on the literature review.
  - To understand what a control might look like, RCLCO analyzed cities highlighted in the literature compared to others within their region, which should have faced similar economic conditions and other local factors. The cities that increased housing supply the most had lower price/rent increases than others within the same region and the region/state overall.
  - RCLCO analyzed multifamily inventory and effective rent growth since 2000 across multiple major MSAs in order to better understand the relationship of supply and price. In general, the **places that have added the most inventory have experienced more moderate rent growth whereas places that have struggled to keep up with demand have seen more significant rent growth**. This trend is exacerbated by factors like land constraints and large employment bases, with **land-constrained areas experiencing higher rent growth** due to their inability to increase supply. See page 7 for more information.

LAND BUILDOUT ANALYSES HIGHLIGHT IMPORTANCE OF ENABLING EFFICIENT, MARKET-DRIVEN BUILDOUT OF REMAINING LAND IN WASATCH FRONT

- RCLCO evaluated the marginal impact of increasing the density of future development and redevelopment across the Wasatch Front across three scenarios, though it is important to note that specific zoning changes will likely have various effects on densities not fully captured by RCLCO's analysis.
- In the "business as usual" scenario—with no significant density or permitting changes—RCLCO estimates that in order to keep up with household growth through 2060, roughly 20,000 housing units will need to spillover from the Wasatch Front into adjacent counties like Tooele, Box Elder, and "unserved" areas of Utah County[2].
- In both scenarios with zoning and regulatory changes, RCLCO estimates that Utah and Weber Counties can support enough additional housing units to accommodate expected household growth, even without increased permitting or redevelopment. That being said, higher density development becomes even more important when evaluating growth in Utah beyond 2060. See page 8-9, 12-15 for more details.
- RCLCO also evaluated how pricing is impacted by increasing density/reducing minimum lot sizes. When decreasing lot sizes by 10%, the associated new home price decreases by 1.8% to 4.3%, given that the cost of the land per unit is reduced. The price decrease for each new home may be temporary, however, once land sellers reprice to reflect the additional density. See page 10.

[1]Salt Lake, Davis, Utah, Weber Counties

[2]While Utah County has a large amount of remaining land, RCLCO included only the land served by utility and transportation infrastructure that would support residential development

KEY FINDINGS & RECOMMENDATIONS

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CITY-LEVEL REVENUE BENEFIT OF RESIDENTIAL INFILL AND REDEVELOPMENT OF OLD COMMERCIAL SITES

- RCLCO conducted a high-level fiscal analysis to evaluate whether residential redevelopment of old commercial sites is likely more fiscally beneficial to local jurisdictions than retaining commercial land. Our analysis specifically focused on property and sales tax, including the impact of point-of-sale legislation, and used actual built projects compared to their site's past use.
- In addition to providing much-needed homes to the area, new townhome and multifamily residential developments typically produce higher property taxes and sales taxes for communities than the prior commercial use. Another benefit, though it was not calculated, is the income tax that the community could draw from the new residents and other state revenue-sharing driven by population formulas. See page 11, 16-18, and Exhibit I-1 for more details.

CONSIDERATIONS & CHALLENGES FOR STATE POLICIES

- *Identifying Appropriate State-Level Policies*: It will likely be difficult to identify state-wide regulation changes that are significant enough to have an impact while mild enough to successfully pass; specific enough to give jurisdictions clear guidelines while broad enough to successfully implement across a wide variety of communities.
  - *Loosening Additional Restrictions Leads to More Success than Just Allowing Denser Development*: California's ADU legislation did not see great success until they passed additional revisions that eliminated fees, parking requirements, and allowed them to be approved ministerially. Their recent split lot legislation has not been as successful because there are strict requirements for splitting lots. In Boston, areas with looser regulations in addition to allowing multifamily in more zones have more rental inventory and more moderate rents than areas that have only allowed more multifamily.
  - *More Success when Jurisdictions Add Incentives / Loosen Restrictions on Top of State-Level Changes:* While California's ADU legislation has largely been a success, jurisdictions that passed additional incentives and/or loosening restrictions have seen an even larger increase in ADU permits, like San Diego's ADU Bonus Program.
  - *State-Level Legislation May Need Multiple Revisions Over Time:* California's ADU legislation started in 1982 and has been through many changes before finally becoming successful in 2017.
- *Challenges with Passing Legislation*: Many states have attempted to pass state-level zoning reforms through 2022, and only a handful have been successful, most of which had to revise the legislation to be less significant for it to pass. The only states that have been successful in implementing large-scale changes have been Oregon, Massachusetts, Connecticut, and Washington, which are all quite liberal places. Additionally, many jurisdictions have had trouble passing significant zoning changes. This underscores the challenges that Utah will likely face in attempting to pass state-wide zoning regulation changes.
  - *Adding a Time-Limited Opt-Out Options Could Help Pass Legislation: W*hen Houston reduced their minimum lot sizes, they added an "opt-out" provision to help the legislation pass. This allowed communities to petition to choose their own minimum lot size for a set amount of years. It will be important to balance a policy like this so that the new legislation is still largely implemented in most places.
  - *Ensuring Local Jurisdictions Uphold State Laws*: Even after successfully passing legislation, ensuring jurisdictions follow the new laws will be a challenge, especially if there is not enough capacity at the state level for oversight. These areas could simply ignore the new laws or pass their own legislation to circumvent them, like adding more fees or requirements to development projects.

See pages 19-26 for a detailed literature review.

KEY FINDINGS & RECOMMENDATIONS

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LEGISLATION FROM OTHER STATES

- **Allowing ADUs and Split Lots with Few Restrictions**: This could be easier to pass because it's more of an opt-in change for individual homeowners, though there is no guarantee homeowners will pursue this. Thus, waiving fees/parking requirements could help incentivize, and many ADUs are naturally priced at below-market levels. California and Connecticut are two examples of states that allow ADUs with few restrictions.
- **Changing Approval Processes:** Reducing obstacles to pro-density development can help increase housing supply and decrease approval timelines. The Housing Choice Act in Massachusetts changed the approval process for pro-density zoning changes from a two-thirds vote to a simple majority in cities. Another example is California changing ADUs to be approved ministerially and Connecticut allowing them by-right. Denser development could also be approved faster than other projects. Somewhat similar, Connecticut is in the process of establishing model design guidelines for buildings and streets that towns can adopt, which helps new development maintain local character while also providing clear guidance to developers, speeding up the approval process.
- **Transit-Oriented Zoning Changes:** Many areas have changed zoning laws around transit, with Massachusetts requiring at least one multifamily zoning district near transit ("MBTA Community"). Los Angeles allows many large, transit-oriented projects to use by-right approval to speed up development timelines. This can be particularly effective as Utah increases public transit access.
- **Allowing Duplexes+ in Some/Most Residential Areas**: While a statewide single-family zoning ban like in Oregon is likely to face legislative challenges, Washington instead opted to allow duplexes up to four-unit homes in all residential areas depending on city size. Focusing more on additional allowances rather than bans can likely help with legislative support, and incentivizing this type of development through approval processes, fee waivers, etc. can be even more effective.
- **Solutions to Local Pushback**: Utah is likely to face some pushback on statewide policies. One solution is to withhold state funding for some programs if municipalities do not comply with new laws, like in Massachusetts' MBTA Communities. State funding could likely be utilized in other ways as well to incentivize denser development. In California, jurisdictions pushed back on ADU laws by imposing additional fees/requirements, so they capped the fees local governments could impose, created strict timeline for approvals, and limited strictness of requirements like setbacks. Connecticut prevents towns from enacting zoning regulations that cap the number of multifamily units, require minimum square footage for housing units, and charging unreasonable fees to multifamily affordable housing developments. Massachusetts also allows courts to require a bond to be paid by plaintiffs before a zoning decision can be challenged in the appeals process. Maine attempted to create a state oversight board that could override local decisions about critical housing projects and would have eliminated growth caps in cities, though these two pieces were removed from the final legislation.
- **Other Ideas:**
  - Massachusetts Chapter 40B allows affordable housing developers to build denser than current zoning laws in jurisdictions with too little affordable housing. Chapter 40A reduced voting requirements for issuing special permits for multifamily with affordability component near transit, mixed-use development in commercial areas, and reducing parking requirements.
  - Connecticut requires that zoning codes may not require a minimum number of parking spaces for apartments beyond one to two spaces.
- Specific changes like reducing minimum lot sizes and increasing maximum height restrictions, etc. may be difficult to implement at the state level, but can likely be incentivized or encouraged through state funding incentives, etc.
- In general, statewide policies should likely focus more on allowing more uses—rather than restrictions or bans—to increase legislative support, and incentives/loosening restrictions (i.e. state funding, approval timelines, use of special permits). These changes should likely start smaller in order to increase local support and will likely need to be revised over time to be more successful, especially as the impacts of new legislation become more clear.
- See pages 19-26 for a detailed literature review.

COMPARISON OF INVENTORY AND RENT GROWTH

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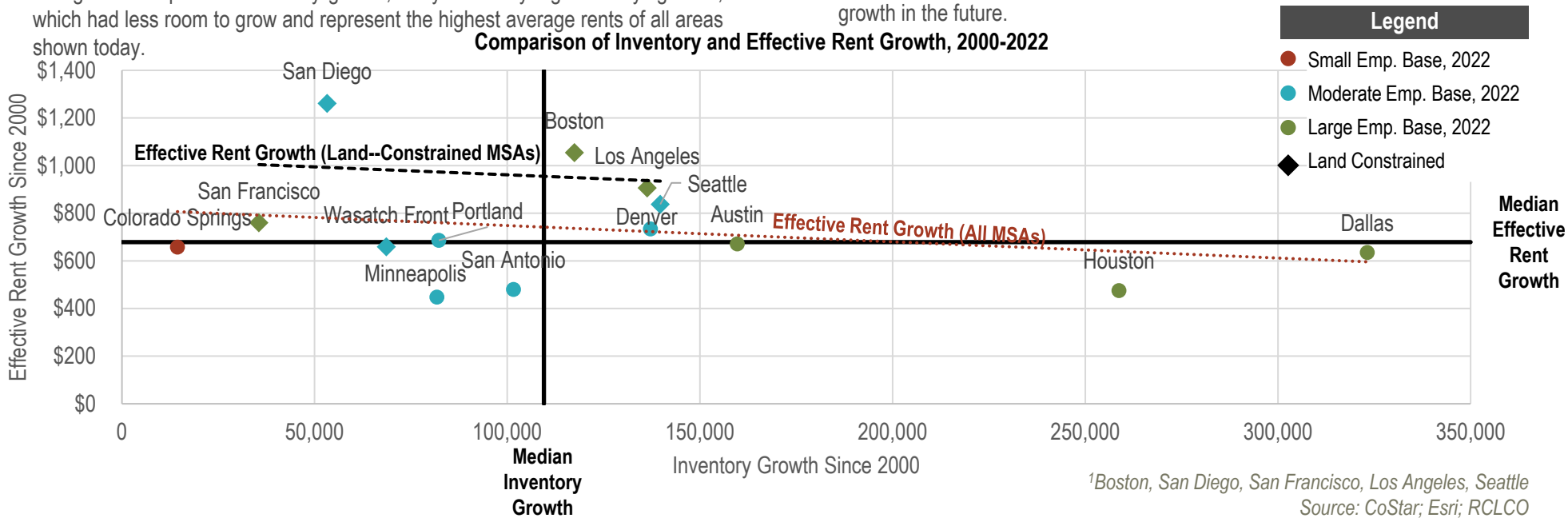
An analysis of rental supply and rent growth suggests that density is vital to moderating rent growth in areas with land constraints, particularly those with strong employment bases and/or rapid growth.

- The chart below shows total inventory and rent growth since 2000 across select major MSAs, color coded by the size of the employment base. These MSAs were chosen based on having similar conditions to Utah in the western US, or they were part of the literature review. While rent growth shows a moderate decline as inventory increases, major takeaways are found when considering additional factors likely playing a role in these areas:
- **Rent and inventory growth seem to be most impacted by land constraints and the size of the economy.** All areas with land constraints[1] have seen higher than median rent growth, particularly in Boston and Los Angeles which have large employment bases. Meanwhile, Houston and Dallas with large employment bases have been able to add significant inventory due to land availability, also experiencing more moderate rent growth. San Francisco shows more moderate rent growth despite low inventory growth, likely driven by high underlying rents, which had less room to grow and represent the highest average rents of all areas shown today.
- **Places with moderate economic bases impacted by rapid growth and relative attractiveness:** Denver, Seattle, and Austin have seen some of the most rapid growth in recent years and are attractive places to live, likely driving larger inventory and rent growth. Rent growth in Wasatch Front and Portland is likely driven by rapid recent expansion and attractiveness, though on a smaller scale. Meanwhile, the two places with the lowest rent growth are San Antonio, likely impacted by its relative attractiveness to other areas despite rapid recent growth, and Minneapolis, likely impacted by its lower employment growth.
- In San Diego and Colorado Springs, the pandemic exacerbated rent growth: there was a rapid influx of households and rapid rent increases in the same year.
- These takeaways are particularly important for the Wasatch Front, which is land constrained, has a growing employment base, is an attractive place to live, and has experienced significant employment and household growth in recent years. These are all factors playing into stronger relative rent growth in the MSAs shown below—particularly those with land constraints—suggesting that increased density will be vital for maintaining strong inventory growth and moderating rent growth in the future.

Comparison of Inventory and Effective Rent Growth, 2000-2022



[1]Boston, San Diego, San Francisco, Los Angeles, Seattle

Source: CoStar; Esri; RCLCO

RESIDENTIAL LAND ANALYSIS

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- RCLCO completed a residential buildout analysis under a business-as-usual and two additional scenarios, demonstrating the impact of changing housing regulation on how much demand can be accommodated in areas close to existing activity centers, which have a finite amount of remaining land. Note that zoning changes may have varying effects on densities compared to RCLCO's assumptions. See pages 12-15 for more information on methodology.
- Using remaining gross developable acres in each Wasatch Front county, RCLCO calculated the total housing units through 2060 that land can accommodate, using a weighted average density in each scenario and assuming permitting activity continues at the same rate, varying by county based on recent activity. RCLCO also assumed redevelopment would occur in these counties in line with recent trends. Total units through 2060 were then compared to projected household growth to determine the unmet or surplus housing demand in each county.
  - Salt Lake and Davis counties both build out their remaining acreage, regardless of scenario, though increased density notably impacts total units and unmet demand. Utah and Weber counties both still have remaining acreage after accommodating unmet demand in Salt Lake and Davis counties in most scenarios, allowing them to support more households.
  - With the most zoning and regulatory changes in Scenario 3, Salt Lake County accommodates an additional 42,000 homes (or a 23% increase) over Scenario 1. Compared to forecasted future household growth, business-as-usual only accommodates 65% of forecasted housing demand while Scenario 3 accommodates nearly 80%. Davis County accommodates 27% more new households and nearly all forecasted housing demand in Scenario 3.
  - In business-as-usual, counties such as Box Elder and Tooele that have seen less housing activity would need to accommodate around 20,000 units of unmet demand in the four primary Wasatch Front counties, though Utah and Weber County could increase permitting and/or redevelopment activity to accommodate part of this demand.
  - In the two denser scenarios, RCLCO estimates that Utah and Weber Counties can capture all unmet demand from Salt Lake and Davis Counties without requiring any spillover to adjacent counties nor any increase in permitting or redevelopment activity. However, it is important to note that this only accounts for household growth through 2060, and Utah will need to plan for future growth beyond 2060.
  - See the following page for more information.

Note that the redevelopment housing units did not account for any demolition of existing units.
Note that the Rio Tinto Kennecott properties may absorb some spillover demand if/when the mine closes.
Source: Kem C. Gardner Institute; Envision Utah; RCLCO

RESIDENTIAL LAND ANALYSIS

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Residential Land Analysis Findings, 2023-2060

	SALT LAKE COUNTY	UTAH COUNTY[1]	DAVIS COUNTY	WEBER COUNTY	ADJACENT COUNTIES[2]
	26,500 remaining acres	92,600 remaining acres in path of growth; total 185,800 acres	11,200 remaining acres	25,600 remaining acres	
THROUGH 2060	278,600 new households	269,000 new households	112,200 new households	73,500 new households	
Scenario 1: Business As Usual	179,700 total housing units across all acres	347,900 housing units, assuming same permitting and redevelopment trends 78,900 surplus to accommodate all Salt Lake County unmet demand, representing ~11,400 acres, with no additional units and no additional acreage to be developed	85,200 total housing units across all acres	103,000 housing units, assuming same permitting and redevelopment trends Can accommodate all 27,000 unmet demand from Davis County, representing ~3,900 acres, with a surplus of 2,500 units and an additional ~1,800 acres that can be developed	20,000 required spillover units to meet unmet demand, totaling ~3,300 acres
Scenario 2: Reduce Minimum Lot Sizes & Occupancy / Setbacks	200,000 total housing units across all acres	382,000 housing units, assuming same permitting and redevelopment trends Can accommodate all 78,500 unmet demand from Salt Lake County, representing ~10,000 acres, with a surplus of 34,500 units and an additional 1,250 acres that can be developed	96,400 total housing units across all acres	102,900 housing units, assuming same permitting and redevelopment trends Can accommodate all 15,800 unmet demand from Davis County, representing ~2,000 acres, with a surplus of 13,600 units and an additional ~3,200 acres that can be developed	0 required spillover units to meet unmet demand
Scenario 3: Reduce SFD-Only Zoning and Implement Scenario 2 Policy Changes	221,700 total housing units across all acres	382,000 housing units, assuming same permitting and redevelopment trends Can accommodate all 56,900 unmet demand from Salt Lake County, representing ~6,500 acres, with a surplus of 56,000 units and an additional 6,600 acres that can be developed	108,300 total housing units across all acres	102,900 housing units, assuming same permitting and redevelopment trends Can accommodate all 3,900 unmet demand from Davis County, representing ~450 acres, with a surplus of 25,400 units and an additional ~4,400 acres that can be developed	0 required spillover units to meet unmet demand

[1]While Utah County has a large amount of remaining land, RCLCO included only the land served by utility and transportation infrastructure that would support residential development.
[2]Tooele, Box Elder, and more remote parts of Utah County
Note that the redevelopment housing units did not account for any demolition of existing units.
Source: Kem C. Gardner Institute; Envision Utah; RCLCO

LOT SIZE REDUCTIONS THEORETICALLY REDUCE THE TOTAL PRICE OF A HOME TO HOMEBUYERS

- Based on current land prices in Salt Lake County, RCLCO estimates that lot size reductions can have significant impacts on subsequent home prices given the reduced price of land for each unit. The home builder needs to be reimbursed for all capital and land costs—plus a builder profit percentage—so a lower land cost reduces the amount of money a builder needs from each home buyer to make up their costs. For example, RCLCO estimates a single-family home on a 10,500-foot lot would have a land price of around $312,000, reducing to only $78,000 for a 2,500-foot lot.
- All else equal—home size, price per acre, construction cost, and builder profit—every 10% decrease in lot size is associated with a 4.3% decline in total home price for single-family homes and 1.8% decline for townhomes. For example, the same 2,500 SF house on a 10,000-foot lot would cost nearly $800,000, while reducing the lot size to 5,000 SF would drop the price to $625,000.

Sample Pricing Analysis of Various Lot Size Reductions
Salt Lake County; 2023

HOME TYPE	HOME SIZE	AVG. CONSTRUCTION $ / SF	HOME PRICE	LOT SIZE (FEET)	LAND PRICE	BUILDER PROFIT	TOTAL HOME PRICE	LOT SIZE REDUCTION	TOTAL PRICE REDUCTION
SFD	2,500	$165	$412,500	**10,000**	$311,754	10%	**$796,679**		
SFD	2,500	$165	$412,500	**7,500**	$233,815	10%	**$710,947**	-25%	-11%
SFD	2,500	$165	$412,500	**5,000**	$155,877	10%	**$625,215**	-50%	-22%
SFD	2,500	$165	$412,500	**3,500**	$109,114	10%	**$573,775**	-65%	-28%
SFD	2,500	$165	$412,500	**2,500**	$77,938	10%	**$539,482**	-75%	-32%
Townhomes	2,000	$180	$360,000	**2,500**	$77,938	10%	**$481,732**		
Townhomes	2,000	$180	$360,000	**2,000**	$62,351	10%	**$464,586**	-20%	-4%
Townhomes	2,000	$180	$360,000	**1,500**	$46,763	10%	**$447,439**	-40%	-7%
Townhomes	2,000	$180	$360,000	**1,000**	$31,175	10%	**$430,293**	-60%	-11%

[1]Construction costs are estimated
[2]Land prices based on average price per acre in Salt Lake County
Source: RCLCO

FISCAL ANALYSIS

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A high-level fiscal analysis demonstrates that converting low-performing retail to residential likely has significant tax benefits, with higher density housing providing the largest tax revenues.

- The table below shows a before-and-after comparison of estimated sales and property taxes of four recent commercial-to-residential conversions.
- The properties that created the largest tax benefits after conversion tended to fully utilize the available land. For example, Block 44 built 213,000 square feet of rental apartments to replace 6,650 square feet of restaurant space. The increased footprint helped to support greater sales taxes and property taxes than the previous use, in addition to providing more homes.
- In contrast, High Line Square had roughly 75,000 square feet of commercial space, which modestly increased to 93,000 square feet of residential . The less dramatic change in footprint and an already large retail use likely generated fewer tax revenues, although the area still benefitted from the creation of new homes and additional income tax revenues from new residents.
- **Converting underutilized commercial space to residential space increases property tax revenues.** Across the five studied properties, property tax revenue increased significantly from the prior use to the current use. This increase in property tax revenue was driven by the larger footprint created by the residential use and the higher quality of the new property, as most of the conversions replaced a Class B or C commercial space with a Class A residential property.
- **Higher density residential generates more revenues than lower density residential or low density commercial.** The Olive and Block 44 have the most rental units and are estimated to have the highest tax revenues. This is likely due to the density of the projects. Since there are more households, there is a greater household base driving retail spending and supporting point of sales tax revenues. Additionally, the size and quality of the property supports higher property tax rate generation.
- See pages 16-18 for more detailed information.

Summary of Fiscal Analysis
Utah; August 2023

	The Olive	Block 44	Moda Highland Park	Mill Creek Towns I	High Line Square
	378 W 300 S, Salt Lake City 0.69 Acres (30,000 SF Lot)	380 S 400 East, Salt Lake City 1.55 Acres (67,500 SF Lot)	2855 S Highland Dr, Salt Lake City 1.41 Acres (61,500 SF Lot)	1608 E 3300 S, Millcreek 0.50 Acres (21,800 SF Lot)	480 N Freedom Blvd, Provo 0.48 Acres (20,900 SF Lot)
Prior Use	**22,000 SF of Office**	**6,650 SF of Restaurant**	**18,869 SF of Retail**	**2,500 SF of Office**	**75,000 SF of Warehouse, Restaurant, Concert Venue**
Sales Tax to City	$0	$8,794	$5,996	$0	$23,244
Property Tax to City	$9,765	$4,974	$3,165	$1,421	$989
TOTAL REVENUE TO CITY	$9,765	$13,768	$9,161	$1,421	$24,232

Current Use	**120 Apartments**	**214 Apartments**	**40 Rental Townhomes**	**10 Rental Townhomes**	**78 Apartments**
Sales Tax to City	$6,071	$11,949	$2,725	$581	$3,369
Property Tax to City	$82,769	$150,011	$31,091	$4,059	$11,205
TOTAL REVENUE TO CITY	$88,840	$161,959	$33,816	$4,640	$14,574

Note: RCLCO only measured revenue impacts to the local city at a high-level. The sales tax revenue was calculated using the local 1.0% rate subject to point-of-sale legislation, and the property tax revenue was calculated using only the city-level property tax rate.
Source: RCLCO

RESIDENTIAL LAND ANALYSIS

RESIDENTIAL LAND MODEL

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	Salt Lake County	Utah County	Davis County	Weber County
Remaining Gross Acres	26,480	92,640	11,165	25,612
% Commercial	39.4%	19.9%	19.8%	19.9%
% Residential	60.6%	80.1%	80.2%	80.1%
Avg. Permits per Year: 2019-2022	10,090	9,184	2,671	2,015
Time Period	2023-2060	2023-2060	2023-2060	2023-2060

Greenfield Development	Salt Lake County	Utah County	Davis County	Weber County
Infrastructure	30%	30%	30%	30%
Net Remaining Acres	11,229	51,966	6,268	14,367
Scenario 1: DU/Acre	7.8	6.1	6.6	6.1
Scenario 2: DU/Acre	8.7	6.9	7.5	6.9
Scenario 3: DU/Acre	9.6	7.7	8.5	7.7
Scenario 1: Total Housing Units Upon Build-Out	**87,307**	**317,640**	**41,369**	**87,817**
Scenario 2: Total Housing Units Upon Build-Out	**97,161**	**357,589**	**47,010**	**98,862**
Scenario 3: Total Housing Units Upon Build-Out	**107,719**	**400,168**	**52,965**	**110,634**
Scenario 1: Years Remaining (Based on Ann. Permits)	9	35	15	44
Scenario 2: Years Remaining (Based on Ann. Permits)	10	39	18	49
Scenario 3: Years Remaining (Based on Ann. Permits)	11	44	20	55
Scenario 1: Total Housing Units Through 2060	**87,307**	**317,640**	**41,369**	**76,570**
Scenario 2: Total Housing Units Through 2060	**97,161**	**348,983**	**47,010**	**76,570**
Scenario 3: Total Housing Units Through 2060	**107,719**	**348,983**	**52,965**	**76,570**
Scenario 1: Acreage Used Through 2060	11,229	51,966	6,268	12,527
Scenario 2: Acreage Used Through 2060	11,229	50,715	6,268	11,127
Scenario 3: Acreage Used Through 2060	11,229	45,319	6,268	9,943

RESIDENTIAL LAND MODEL

Infill / Redevelopment	Salt Lake County	Utah County	Davis County	Weber County
% Infill / Redevelopment of Total Development	37%	5%	39%	17%
Infrastructure	5%	5%	5%	5%
Scenario 1: Total Net Redevelopment Acres Through 2060	9,034	3,885	5,366	3,402
Scenario 2: Total Net Redevelopment Acres Through 2060	9,034	3,792	5,366	3,022
Scenario 3: Total Net Redevelopment Acres Through 2060	9,034	3,388	5,366	2,701
Scenario 1: DU/Acre	10.2	7.8	8.2	7.8
Scenario 2: DU/Acre	11.4	8.7	9.2	8.7
Scenario 3: DU/Acre	12.6	9.7	10.3	9.7
Scenario 1: Total Housing Units Through 2060	**92,421**	**30,235**	**43,836**	**26,479**
Scenario 2: Total Housing Units Through 2060	**102,883**	**33,026**	**49,427**	**26,325**
Scenario 3: Total Housing Units Through 2060	**113,984**	**32,869**	**55,336**	**26,200**

RESIDENTIAL LAND MODEL

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HOUSING DEMAND	SALT LAKE COUNTY	UTAH COUNTY	DAVIS COUNTY	WEBER COUNTY	ADJACENT COUNTIES
Scenario 1: Total Housing Units Through 2060	**179,729**	**347,876**	**85,205**	**103,049**	
Scenario 2: Total Housing Units Through 2060	**200,044**	**382,008**	**96,437**	**102,895**	
Scenario 3: Total Housing Units Through 2060	**221,704**	**381,851**	**108,301**	**102,770**	
Scenario 1: New Households Through 2060	278,589	268,990	112,196	73,518	
Scenario 2: New Households Through 2060	278,589	268,990	112,196	73,518	
Scenario 3: New Households Through 2060	278,589	268,990	112,196	73,518	
Scenario 1: Unmet/Surplus Demand Through 2060	-98,860	78,886	-26,991	29,531	
Scenario 2: Unmet/Surplus Demand Through 2060	-78,545	113,018	-15,759	29,377	
Scenario 3: Unmet/Surplus Demand Through 2060	-56,885	112,861	-3,895	29,252	
Scenario 1: Spillover Housing Units Through 2060		**78,886**		**26,991**	**19,975**
Scenario 2: Spillover Housing Units Through 2060		**78,545**		**15,759**	**0**
Scenario 3: Spillover Housing Units Through 2060		**56,885**		**3,895**	**0**
Scenario 1: Surplus Housing Units Through 2060	0	0	0	2,540	
Scenario 2: Surplus Housing Units Through 2060	0	34,473	0	13,619	
Scenario 3: Surplus Housing Units Through 2060	0	55,976	0	25,356	
Scenario 1: Spillover Acreage Through 2060		**11,354**		**3,885**	**3,268**
Scenario 2: Spillover Acreage Through 2060		**10,075**		**2,021**	**0**
Scenario 3: Spillover Acreage Through 2060		**6,538**		**448**	**0**
Scenario 1: Remaining Acreage	0	0	0	1,840	
Scenario 2: Remaining Acreage	0	1,251	0	3,240	
Scenario 3: Remaining Acreage	0	6,647	0	4,424	

FISCAL ANALYSIS

FISCAL ANALYSIS COMPS

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THERE HAVE BEEN SEVERAL COMMERCIAL TO RESIDENTIAL TRANSITIONS ACROSS UTAH IN RECENT YEARS

The Olive	Block 44	Moda Highland Park	Mill Creek Towns I	High Line Square
378 W 300 S, Salt Lake City	380 S 400 East, Salt Lake City	2855 Highland Dr, Salt Lake City	1608 E 3300 S, Salt Lake City	480 N Freedom Blvd, Provo
Formerly an Office	Formerly A Restaurant	Formerly Retail	Formerly a Small Office	Formerly a Restaurant
Apartment	Apartment	Rental Townhomes	Rental Townhomes	Apartment
120 units	214 units	40	10 units	78 units
2022	2018	2018	2018	2020

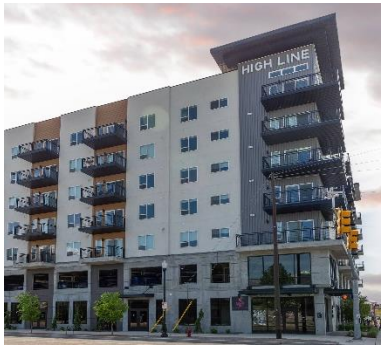
Prior Use





Current Use



Source: Property Websites; Google Maps

FISCAL ANALYSIS

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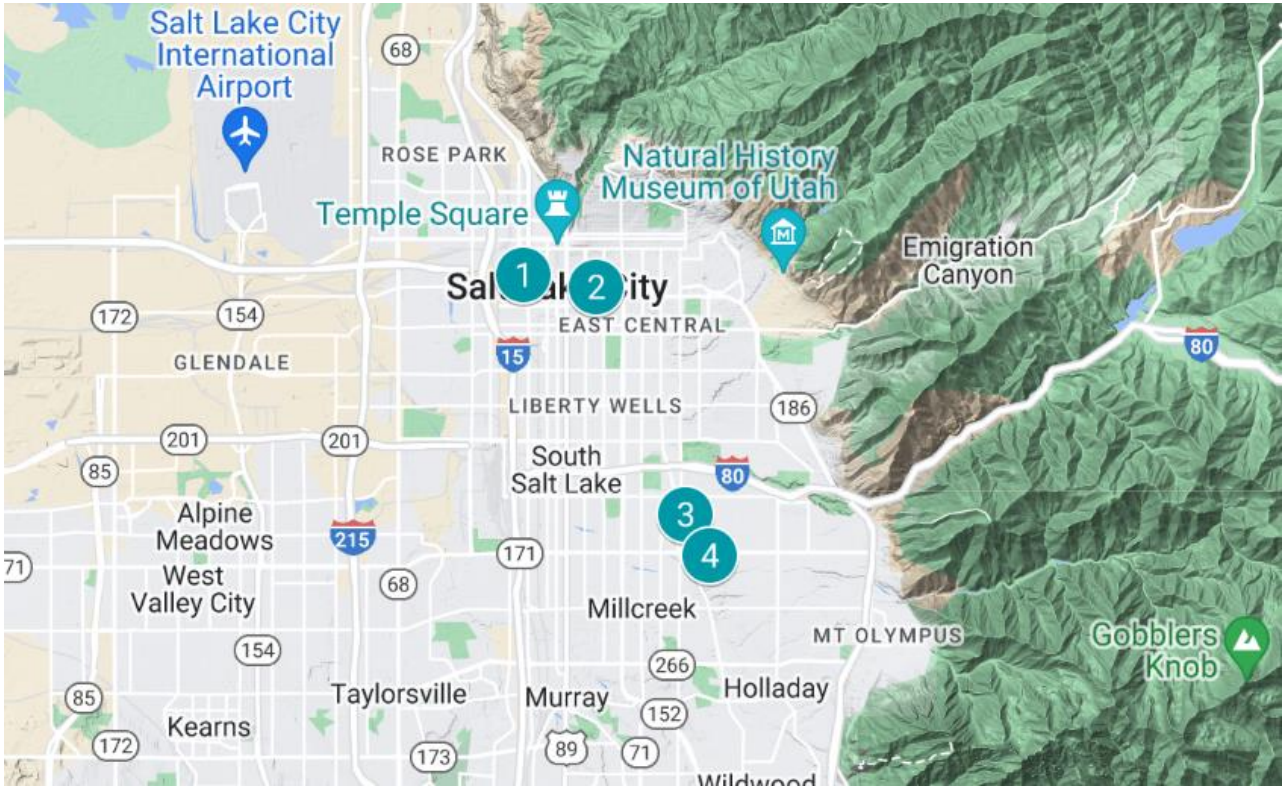
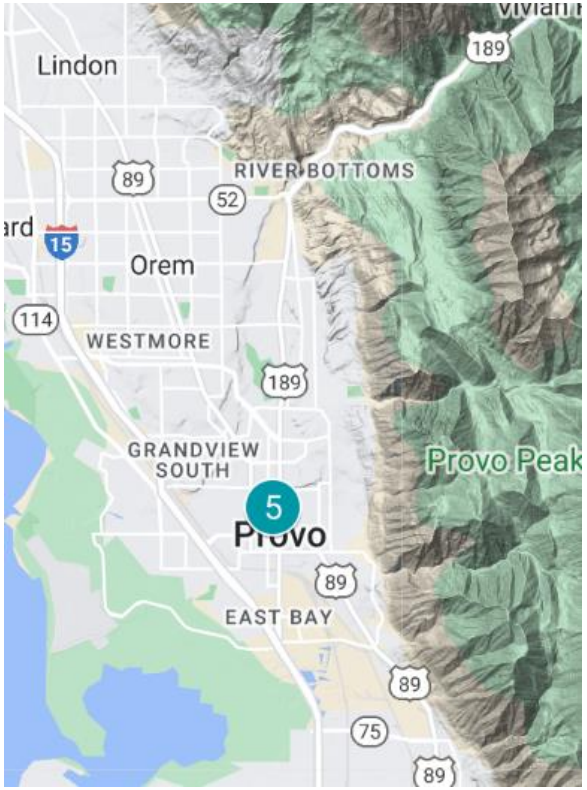
RCLCO SELECTED FIVE PROPERTIES TO BETTER UNDERSTAND THE FISCAL IMPACT OF COMMERCIAL TO RESIDENTIAL CONVERSIONS ON THE TAX REVENUES





MAP KEY	NAME	Product Type	YEAR BUILT	NUMBER OF UNITS	AVG. ASKING RENT
1	The Olive	Apartment	2022	120	$1,999
2	Block 44	Apartment	2018	214	$2,400
3	Moda Highland Park	Rental Townhomes	2018	40	$2,707
4	Mill Creek Towns I	Rental Townhomes	2018	10	$1,750
5	High Line Square	Apartment	2020	78	$2,219

LITERATURE REVIEW

LITERATURE REVIEW OVERVIEW

Key Questions	Analysis	Short Answer
Does increased supply have an impact on housing prices?	Literature Review with Findings and RCLCO Analysis	• The general consensus is that **areas where there is an undersupply of housing do face increased housing costs**. **New housing helps to ameliorate some of the pressure in the market and has been shown to decrease pricing in the market overall.** However, the government should support lower-income households so that they are not displaced from their neighborhoods. Some suggested methods are housing vouchers and other monetary assistance.
How have regulations impacted the supply of housing in the market?	Literature Review with Findings	• **Areas with higher regulation tend to have lower permitting activity as well as higher prices**. The converse is also true with **less regulated markets being more affordable to households,** meaning there is a strong correlation between strict regulation and housing unaffordability.
What are other markets doing to increase their housing supply?	Literature Review with Findings	• Several markets have employed a variety tools to help resolve their housing crisis. This report investigates **five markets that have research documenting the effects of the housing policy on their housing supply or market prices**. The five markets highlighted are California, Minneapolis, Portland, Boston, and Houston. These market have used a combination of ADU's, zoning changes, and regulatory streamlining to increase housing supply. In general, just allowing new uses on parcels is not enough for new development; coupling that with reduced density regulations (FAR, height limits, units per acre, etc.) and/or other incentives (reduced fees) tends to have the largest impact on adding more supply.
What are markets that are similar to Utah doing?	Policy Research without Findings (Given Recency of Legislation) and RCLCO Analysis	• **Markets similar to Utah are beginning to take steps to resolve their limited housing supply with several updating or attempting to update their land use codes to facilitate more development**. There have been some areas where there has been pushback with failed or repealed plans. For the successful changes, markets appear to be relying on ADU's and transit-oriented development to increase the housing supply.

DOES INCREASED SUPPLY AFFECT PRICING/RENTS?

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INCREASED HOUSING SUPPLY IS ASSOCIATED WITH LOWER RENTS AND HOME PRICES

Key Takeaway	Source	Explanation
New supply is correlated with lower rents in the market.	UCLA Research Roundup; Murray, Schuetz 2019	• The supply effect (that new units makes other housing more affordable) has a stronger impact than the demand effect (that new units signal that existing properties can raise rents or that new units attract more affluent customers to the area) • In 11 cities, the rental unit prices within 250 meters of a new development in a low-income census tract fell 5% to 7% compared to rents further away (Asquith, et.al 2019). In San Francisco, rents also fell near new developments, roughly 2% lower in areas within 100 meters. Additionally, the risk of displacement and eviction in the surrounding also fell in rent-stabilized housing with no change in non-rent-stabilized homes (Pennington 2021). • Mixed results in Minneapolis where new development lowered pricing for more expensive nearby buildings (by 3.2%) while increasing prices for less expensive buildings (by 6.6%) (Damiano and Frenier 2020), though rents did not appear to be adjusted for inflation. • In California, the ten cities with the highest rents issued almost no multifamily permits from 2013 to 2017, on average 2.7 permits per 1,000 existing households (Murray, Schuetz 2019)
New supply make existing units available to a new market of slightly lower means	UCLA Research Roundup; Joint Center for Housing	• In a study of many major markets, new development allows households to move up into better housing, opening up more affordable units to lower income households with most of the effect taking place over five years. Study estimates that for every 100 new market-rate units, 45-70 and 17-39 people move out of below-median and bottom-quintile rent units, respectively, opening up these units to lower-income households. (Mast 2019) • Moreover, new developments could filter down to become affordable units over time. In 2013, 19% of affordable units had been higher rent units as recently as 2005 (Joint Center for Housing 2015)
However, improvements to blighted areas may increase surrounding property values.	Furman Center	• Improvements to blighted housing can increase surrounding property values by removing a disamenity (Diamond & McQuade 2006; Schwartz et al 2006). This reinforces the need for government intervention to prevent displacement of residents
New supply alone cannot remedy the affordable housing crisis. Policymaking should serve as an additional tool to ensure equitable housing outcomes.	New Republic; The Press Democrat	• Affordable and workforce housing should be developed along with market-rate housing • Gentrification and its effects on households should be considered when building in certain areas • Greater density can make home prices more affordable to moderate income households compared to single-family lots • ADU's are also a good tool for creating affordable housing and benefiting local homeowners • In Sonoma County, SB 35 made it easier for developers to get entitlements for below-rate, multi-unit housing (passed in 2017). 512 affordable housing units have been approved under this bill since (*The Press Democrat* 2023)

HOW HAVE REGULATIONS IMPACTED SUPPLY?

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IN CONTRAST, INCREASED REGULATIONS IS ASSOCIATED WITH INCREASED HOME PRICES AND REDUCED PERMITTING ACTIVITY

Key Takeaway	Source	Explanation
Strict land use regulation is correlated with higher prices	Furman Center; George Mason University; Stacy, et al. 2023; Zabel and Dalton 2011; Kahn, Vaughn, Zasloff 2010; Wassmer, Williams 2021; Pew 2023	• Easing barriers to new construction will moderate price increases and make housing more affordable to low- and moderate-income households, however more new housing does not fully address affordability challenges and needs other government interventions (e.g. subsidies) to be fully effective. • Regulations reduce supply compared to what would happen in a free market, leading to higher costs for consumers. Minimum lot sizes have the strongest effect on home prices when compared to other regulations (GMU Mercatus). • In a sample of more than 1,000 municipalities, reforms tightening restrictions were associated with a median citywide rent increase of $50 and reduction in rental units affordable to middle-income households (Stacy, et al. 2023) • In Boston, increasing the minimum lot size by 1 acre resulted in nearly a 10% increase in local housing prices, when investigating home sales from 1987 to 2006 (Zabel and Dalton 2011) • From 1970 to 2000 in California, homes within the Coastal Boundary Zone (highly regulated zone) compared to homes outside but within the same census tract had 25% higher average home prices (Kahn, Vaughn, Zasloff 2010) • A one-unit decrease in the Wharton Residential Land Use Regulatory Index (WRLURI) could decrease the price of new homes by ¼ of the standard deviation seen in residential land prices across the U.S. (Wassmer, Williams 2021). The most influential regulation types in order are: local pressure, approval delays, and state involvement in local process, suggesting the most influential regulations to change are at the local level. • Four jurisdictions that relaxed zoning have experienced more supply and moderate rent growth from 2017 to 2023 (Minneapolis: 1%, New Rochelle: 7%, Portland: 2%, and Tysons: 4%) , compared to 31% in the U.S. overall (Horowitz, Canavan, *Pew,* 2023). New Rochelle permitted only 37 new homes per year from 2017-2018, increasing to 989 per year from 2019-2021 after an area had been rezoned to allow apartments. Concurrently, rents increased 12% from 2017-2020 and then declined 5% from 2020 to 2023.
Strict land use regulation is correlated with reduced permitting and supply	Glaeser & Gyuorko; The Atlanta; Stacy, et al. 2023; Murray, Schuetz 2019; Jackson 2014	• More restrictive land use regulation is associated with higher prices (Gyourko) and additional land use restrictions slow new permitting (Jackson 2016). • Minimum lot size – over an acre in half of suburban areas – strongly negatively correlated with new building in Boston (Glaeser & Gyuorko 2018) • In 2019, Houston, which does not have zoning restriction, built roughly the same number of apartments as Los Angeles despite being half its size (The Atlantic 2022) • In a sample of more than 1,000 municipalities, reforms loosening restrictions were associated with a 0.8% increase in citywide housing supply at least three years post reform, most impactful for supply serving middle-incomes and higher (effects on lower incomes positive but not significant, likely due to lack of existing supply). (Stacy, et al. 2023) • In California, cities with less restrictive zoning (specifically units allowed per acre and building height) and large populations issued more multifamily permits; loosened density restrictions have more of an effect than simply allowing apartments (Murray, Schuetz 2019) • In California, adding one additional land use regulation in an existing community reduces local residential building permits issued by 4% to 8%, using data from 1970-1995 (Jackson 2014)

FINDINGS FROM OTHER LOCALES

RCLCO REAL ESTATE CONSULTING

Geography	Regulation	Key Takeaway
CALIFORNIA		
California	ADUs: Laws passed between 1982 and 2020, starting with allowing ADUs to eliminating fees, parking requirements, approving them ministerially, etc.	• ADU applications greatly increased from 2016 to 2017, when a lot of ADU regulations were relaxed (Los Angeles had biggest jump, from 80 in 2016 to 1,980 in 2017) (Garcia 2017) • Most ADUs target very low to moderate incomes (SCAG 2017) • California cities with more incentives lead to more ADU permits (Basor 2020)
California	SB 9: Split Lots (January 1, 2022) allows homeowners to convert a single-family home into a duplex or split a single-family lot into two parcels with the ability to build a duplex on each without discretionary approval from local gov't	• Used across 13 cities just 282 times by November 2022; only 100 of these applications for split lots, compared to 20,000 permitted ADUs in the state in 2021 • Effects muted due to restrictions: property owners must live on property for three years and cannot split two adjacent lots even if they own both; ADUs more flexible and less fees to build • (Ward, *RAND* 2023)
California	SB 35: Fair Share Production (enacted in 2017) limits procedural obstacles for qualifying mixed-income and low-income housing by preempting local power to impose a discretionary approval process in localities that have failed to approve adequate affordable housing in previous years.	• Approval time was reduced in several jurisdictions. • In Los Angeles, it decreased from 7.0 months to 2.7 months after SB 35 was enacted. • In San Francisco, it went from a little over one year (only one project) to approximately four months. • In Berkeley, it went from 34 months (only one project) to two to three months.
California	By-Right and TOC Development	• By-right projects permitted 28% faster than discretionary projects and TOC approved 22% faster than non-TOC • Though projects vary widely, a month of delay adds about $4k per unit in costs for an average project in Los Angeles • Sharp rise in TOC projects as share of total housing production in Los Angeles since 2017 • (Manville, Gray, Phillips et al. 2022)
California	SB 478: Establishing a minimum floor area ration (FAR) of 1.5 for all land zoned for two to 10 residential units and establishing minimum lot sizes for parcels that are two to four or five to 10 units.	• Higher FAR and minimum lot sizes increased housing costs, reduced neighborhood diversity, and encouraged sprawl • Reductions in both metrics could encourage development of missing middle housing, though other restrictive land use requirements could curtail its impact
San Diego	ADU Bonus Program: Permits one additional market-rate ADU (in addition to one ADU and one JADU from State law) for every additional deed-restricted ADU (15 years for moderate-income, 10 years for low-income); ministerial review, reduced permitting fees, no parking required, and additional ADUs allowed near transit	• 295 deed-restricted ADUs were in the process of being built within first two years of implementation • Created 253 bonus ADUs over the 147 ADUs already allowed by state laws. While not deed-restricted, they are still more affordable than other market-rate rentals (Alameldin, Underriner 2023)

FINDINGS FROM OTHER LOCALES

RCLCO REAL ESTATE CONSULTING

Geography	Regulation	Key Takeaway
PORTLAND		
Portland	SDC Waiver (System Development Change, 2010): waives one-time impact fees for ADUs	• Permits increased rapidly after introducing waiver in 2010, from less than 50 on average to more than 100 per year from 2011-2013 (Gebhardt, Gilden, Kidron 2018) • Regulatory changes beginning in 2010 leading to 500+ annual permits 2015-2018 (less than 50 from 1995-2009 on average) (Lo 2020)
Portland	Residential Infill Project (2021), RIP 2 (2022)	• Produced only about 100 units since enactment in August 2021 • 127 permits due to RIP, of which 91 are multiplexes and the rest are ADUs (August 2021 to February 2022) • New rules going into effect to reduce regulations on home size, splitting lots • (Britschgi, *Reason* 2022)
Portland	Upzonings Between 2003-2017: Primarily in Low- and Medium-Density SFD Zones (0.5-4.4 and 6.2-8.7 units/acre)	• Upzoning increased development probability (5.1% vs. 2.6%) over 15 years, though only 240 units were created on the 2,197 upzoned parcels. Development density also was higher (7.1 vs. 4.3 units/acre). • Only 5.1% of upzoned parcels had any development over a decade and a half, effects muted compared to ADU reform and city growth (Dong 2021)
OTHERS		
Minneapolis	Minneapolis 2040: ADUs, split lots, eliminating parking requirements, larger buildings near transit	• Minimal permits for ADUs and multiplexes compared to other places given modest density/FAR/lot size changes • Since passage, only added 64 duplexes and 21 triplexes; half of the duplexes are on lots unaffected by rezoning; effects minimized due to height and FAR restrictions (Lee, *Builder Online* 2022) • Big increase in small apartment buildings (15-30 units); the city has permitted 9k units since its passage from removing parking requirements and allowing larger buildings near transit (Lee, *Builder Online* 2022) • Housing supply has been high in last 4-5 years, and rents have grown slower than U.S. average, St. Paul, and CPI (Maltman, *One Final Effort* 2023) • Price increases of 3% to 5% on upzoned parcels on average; price increases are larger in inexpensive neighborhoods and underdeveloped parcels (Kuhlmann 2021) • New market-rate multifamily apartments reduce rents by 3.2% in more expensive buildings nearby but raises rents 6.6% in less expensive nearby buildings; rents not adjusted for inflation so likely not very reliable data (Damiano, Frenier 2020)
Seattle	Seattle MHA Program: relaxed zoning regulations (upzoning) while adding affordability requirements for 33 neighborhoods	• Density bonuses not significant enough to offset cost of supply affordable units or paying into pool • In its first year, 98% of developers chose to pay into the affordability pool rather than supply actual units • Developers choosing to develop in parcels not affected by MHA program, mostly border-MHA neighborhoods; if the annual likelihood of receiving a permit in an MHA-border neighborhoods is 2.4%, it increased to 8.4%, starting from five years before MHA passage (Krimmel, Wang 2023)

FINDINGS FROM OTHER LOCALES

Geography	Regulation	Key Takeaway
OTHERS		
Boston	Relaxing zoning regulations across jurisdictions in Greater Boston	• The most efficient strategy to increasing multifamily housing is relaxing density restrictions, either alone or in combination with relaxing maximum height restrictions and allowing multifamily housing • When density is increased, the number of units per property is 0.4 greater in less strict areas and multifamily rents are 5.4% less on average, or $144 per month less for every new unit added. Housing prices are on average 7.2% less or $435 less per month per new unit. • When density increases and multifamily is allowed, the same supply effect shows, and house prices decline on average 4.1%. When just multifamily is allowed, the supply effect is less meaningful, and there is no relationship with home prices. • When maximum height restrictions are relaxed, there is no difference in housing units between more and less strict areas and no impact on rents or housing prices. When density and maximum height restrictions relax, average number of units is 2.40 greater in less strict areas. Rents on average are 6.2% less and house prices 1.7% less. • Decline in housing prices might be due to single-family owners not wanting to live near denser housing • (Sood and Chiumenti 2022)
Boston	Minimum Lot Sizes on Supply and Price Chapter 40B: allows flexible zoning if 20-25% of units have long-term affordability restrictions	• For every one quarter-acre increase in average minimum lot size, new permits declined by 10%. It also increases median prices by more than 10%. • For every one-acre increase in acre per lot, the share of affordable homes decrease by 8% to 20%. • However, minimum lot size became less important over time because construction declined even in communities with small minimum lot sizes, due to other regulations like wetlands regulation, septic system requirements, etc. • Some evidence that the statewide Chapter 40B has increasingly been used for developments • (Glaeser, Schuetz, Ward 2006)
Houston	Minimum Lot Size Reduction: Reduced from 5,000 SF to 1,400 SF in 1998 in Central Areas; Reduction Expanded to Outer Areas in 2013; "Opt-Out" Legislation Allows Local Homeowners to Petition for Maintaining Average Lot Minimums for 40 Years	• Single-family home prices rose due to increases in land value even though building value had declined slightly (Shortell 2022) • Townhome development increased in the urban core, producing new homes at a reasonable cost. New housing was clustered in middle to upper-middle income areas. However, single-family-to-townhouse development accounted for less than a fifth of overall townhouse development (Wegmann, Baqai, Conrad 2020) • Compared to 1997 prior to bill passing, 2005 saw a 300% increase in building activity for parcels between 1,400 and 5,000 SF; the Opt-Out Provision Helped Bill to Pass (Furth, *Market Urbanism* 2023; Masuda-Farkas, *The Regulatory Review* 2020; Gray, McBirney 2020) • New housing typically two- to three-bedroom townhomes replacing single-family homes, and clustered in tracts with high concentration of middle-income residents and underdeveloped land (Furth, *Market Urbanism* 2023; Masuda-Farkas, *The Regulatory Review* 2020; Gray, McBirney 2020)

REGULATORY ENVIRONMENT OF SIMILAR LOCALES

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Geography	Land Use Strategy	Tools
Seattle	• Vision 2050 to promote a greater variety of affordable, and accessible housing choices to all residents	• ADU's (ability to use pre-approved designs to speed development) • Flexible zoning standards, transit-oriented development, affordable housing development, and housing assistance grants • Quasi-governmental social housing developer that builds, converts, and manages low-income housing, unclear where funding would come from
Boise	• Updated its zoning code to diversify housing types while maintaining the character of the city	• Transit-oriented development • Increased bike parking ratios and car parking reduction through conditional permits • Increased density – single-family to fourplexes and support of ADU's
Colorado	• Colorado Springs: Approved new zoning plan in 2023 • Fort Collins: Developed an ambitious new land development code in 2022, however it was repealed • Colorado: Proposed a new land use bill for the state, but it failed	• Colorado Springs: **Approved**. Modified building height, setbacks, parking requirements, and application procedure; Revamped appeal process; Guidelines for tiny homes; Increased lot coverage • Fort Collins: **Repealed**; Transit-oriented development; Diversified housing choices; Simplifying the land use code; Improving predictability of review process • Colorado: **Failed;** Higher density residential zoning; Transit-oriented development; Exempted lower income and smaller cities from creating their own housing needs plans; ADU's
Texas	• Austin: Working on adding a new zoning category to incentivize housing development; Modifications are poised to pass but it is still under review • San Antonio: Has Strategic Housing Plan	• Austin: Developers could appeal for zoning changes (height, parking, setbacks) by offering more affordable units; Adding more middle housing • San Antonio: Housing vouchers; Job Training; ADU's; Room-sharing (e.g., Padsplit, Airbnb-style platform)
Massachusetts	• Amended existing state-wide zoning laws through the Housing Choice Act, which lowered the local approval threshold from a two-thirds supermajority to a simple majority for specific use cases	• By-right transit-oriented multifamily development (MBTA Communities) • Reduced number of votes needed for special permits for multifamily near transit, mixed-use developments in commercial centers with affordable units, and reduced parking ratio requirements • Allowing the construction of ADU's on single-family properties • Allows a court to requires plaintiff appealing special permit decision to post bond up to $50,000 if delays from appeal outweigh financial burden of plaintiff
Washington	• New law removing zoning restrictions against multifamily development in cities above a certain population.	• Duplexes allowed in all residential areas for cities with a population of 25,000 • Quadplexes allowed in all residential areas of cities with a population of 75,000 • Greater densities allowed for transit-oriented or affordable developments • Does not apply to existing HOA's but will apply to all future HOA's
Connecticut	• Enacted new law updating the State's Zoning Enabling Act to prioritize equity in housing zoning	• In the process of developing model code that towns can adopt for guidelines to new development • Prohibits minimum square footage rules for housing units, except for public health reasons • Prevents towns from enacting caps on the number of multifamily units allowed in the town • As-of-right accessory apartments without a special permit or public hearing • Allowed lower parking requirements (one space for studio and 1BRs and two spaces for larger units) • Increased objectivity in zoning by defining the character of an area by its physical characteristics

PATTERN ZONING

PATTERN ZONING CAN MAINTAIN NEIGHBORHOOD CHARACTER WHILE SUPPORTING ADDITIONAL, DENSER HOUSING OPTIONS

- Pattern zoning preapproves building types and designs that are in-line with an existing neighborhood's character on a block-by-block basis in order to expedite the development process and increase the housing supply. The process benefits developers, cities, and residents.
  - Developers have the option to select a preapproved design, which they can use as-is or customize. The preapproved design allows them to quickly move through the permitting process to the building phase. In Bryan, Texas, pattern zoning saved developers an average of $8,000/unit on soft costs, such as architectural design.
  - Cities save time through the streamlined approval process. Additionally, they benefit from denser housing options and a greater local housing supply.
  - Residents can have peace of mind, knowing what to expect of a new development and that the new development will be in line with the character of their neighborhoods.
- Examples of pattern zoning are in Bryan, TX and Roanoke, VA. In Bryan near the Texas A&M University, pattern zoning replaced stealth dorms in single-family homes with thoughtful multifamily designs. The four preapproved building types, ranging from cottages to walk-up apartments, increased available housing units and helped manage area parking concerns. In Roanoke, VA, preapproved plans for ADUs, single-family, and two-family homes were used to help diversify housing types currently available in the market.
- ADUs have had the most traction for getting preapproved plans. Since Seattle provided pre-approved ADU designs to the public in 2020, the designs have been used more than 100 times. Preapproved plans received permits in just 56 days compared to 149 days for other plans. ADU permitting also more than tripled from 280 units in 2019 to nearly 1,000 units in 2022, in part due to pattern zoning. In Sacramento, ADU production increased 123% from 2020 to 2021, when permit-ready plans were offered to the public.

Examples of Pre-approved Building Plans
Seattle, WA; Roanoke, VA; Eugene, OR

Source: CNU; City of Seattle; City of Sacramento; CAST Architecture; John Regan Architects; Aligned Architecture

DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will experience a period of slower growth in the next 12 to 24 months, and then return to a stable and moderate rate in 2024 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when inflection points in economic and real cycles will occur.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be “stress tested” to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- The cost of development and construction
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

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