Transfer of Development Rights Study and Housing Market Analysis

Prepared for Mountainland Association of Governments | Orem, UT | May 5, 2016

Contents

Objectives

The government and residents of Wasatch County consider open space and agricultural preservation a high priority. Preservation and development need not come at the expense of one another; however, in light of increasing demand for real estate, environmental challenges of the 21st century require new solutions. A transfer of development rights (TDR) program is one tool that may address these unique concerns.

The objective of this assignment was to analyze the local housing market and policy environment to make recommendations about the feasibility of a TDR program for the North Fields area of Wasatch County. In order to evaluate the opportunity, the following key questions guided RCLCO's research:

- Given the zoning of one residential unit per 20 acres, what is the existing demand for housing in the North Fields (sending area)?
- What is the demand for housing in Heber City, Midway, and unincorporated county land, both today and in the distant future? Where will this demand be concentrated?
- How might housing trends in other Wasatch Back communities affect Wasatch County and the North Fields study area?
- In which municipalities might there be a supply-demand mismatch between households and available quality housing supply?
- What is the redevelopment potential and feasibility in identified TDR receiving zones, and how would this be impacted by a TDR program?
- What is the efficient and effective way to implement a TDR program here? What are the requirements for success, and what barriers must be overcome?
- What other open space preservation programs and techniques may be more successful or similarly successful for the North Fields study area?

Key Findings – TDR Program Recommendations

- RCLCO believes that the implementation of a TDR Program is not feasible given market conditions and prevailing zoning and regulatory conditions.
- RCLCO recommends rethinking the TDR Program to a simpler process because of several underlying conditions which would make a TDR Program very difficult to successfully operate.
- First, there is currently a lack of demand in the sending area (North Fields). The wet nature of the land and extensive floodplains/high water levels makes it more difficult to develop in the North Fields compared to other parts of the county, particularly Heber City. There is also not a current compelling desire by the development community to develop in the North Fields. In conjunction, these two factors make the current TDR program unlikely to work because there will be no incentive to purchase sending credits.
- Second, the supply of land and demand for new units are currently well-aligned. Based on RCLCO's statistical demand model and current available land stock, there is no compelling need to look outside of Heber City from the developer's perspective. Heber City alone has enough land to sustain 10 to 15 more years of demand.
- Third, the regulatory environment in Heber City is not well-aligned to a TDR program because there seems to be a willingness to annex county land and a desire to upzone the core areas under the new form based code. Annexing county land creates even more developable land that would not necessitate the use of TDR programs. Upzoning the core areas similarly eliminates any limitations in zoning that would compel a developer to purchase a TDR credit in the first place.
- As a tool to protect agricultural land, TDR programs can be effective with the right volume of transactions and the right dynamics between supply of land in both the sending and receiving areas, demand for residential development, and the regulatory environment. There is a large supply of land in the study area, which makes it hard to limit development area-wide. There is not a great enough demand for residential development to support the volume of TDR transactions needed for a working program. Finally, zoning and the general regulatory environment suggest that individual jurisdictions lack the limiting regulations that would make purchasing TDR credits necessary. In this effort to facilitate and spur growth, developers are garnering advantages that would render any TDR program unworkable.

- **Ultimately, the goal is to preserve open space, not the successful implementation of a TDR program. There are more effective methods that RCLCO would like to study in greater depth that could accomplish the same goals as a brand new TDR Program.**
- Some of these include:
  - Tying a North Fields TDR into the existing county TDR;
  - Clustering;
  - Purchase of Development Rights;
  - Land Banking;
  - Agricultural Boundary;
  - Urban Growth Boundary;
  - Moratorium; and a
  - Conservation Easement

Key Findings – Housing Market Analysis

- **Overall, we find that the housing markets in Heber City and Midway are performing well, due to both strong demand conditions and a responsive supply pipeline. Given the large amount of land available for development in these communities and the relative ease of building here versus in the North Fields, both Heber City and Midway will be able to accommodate growth for another 10 to 15 years before they are squeezed to the point that significant development pressure extends to the North Fields.**

- The North Fields is not currently is the direction of new residential development from either Heber City or Midway. The Provo River provides a buffer from Midway's northern growth, and while there is no natural barrier to growth from Heber City, groundwater in the North Fields makes the parcels very costly for new development. Additionally, the North Fields is a highly political area due to the public's desire to maintain open space here and county efforts to modify the zoning. Despite the scenic beauty of the North Fields, these conditions will continue to insulate the North Fields from developer interest until land becomes constrained in Midway and Heber City.

- Heber City is a bedroom community for greater Salt Lake, including Park City employees who are attracted to the city's affordable home prices relative to Park City and the Upper Jordanelle area. The city currently has approximately 13,500 residents and is forecast to grow by over 3% annually in the short-term, which will add 2,000 households between 2015 and 2020. City planners anticipate a buildout population of 27,000 to 30,000. The path of growth is primary south and east of the city, including significant luxury second home development at Red Ledges, a mountain resort just beyond the city.

- Relative to Heber City, Midway is older, more affluent, smaller in population, and more of a second home destination, and it is likely to remain that way for the foreseeable future. Like Heber City, Midway is also forecast to see robust population growth of 4.5% between 2015 and 2020, growing from approximately 5,000 households today to 6,000 in 2020. The town is expected to continue to grow until it reaches a buildout population of 16,000 to 18,000. This growth is being accommodated by development to the north of the city.

- RCLCO estimates there is demand for between 60 and 100 new homes per year in Heber City and between 24 and 30 new homes per year in Midway. Within the North Fields specifically, there is demand for less than one new home per year. Based on this demand and expected population levels at buildout, there is enough planned capacity for housing within the Heber City and Midway city boundaries to support growth for the next 10 to 15 years, if not longer, based on our findings that developers are building smaller lot product than maximum zoning allows and that Heber City's imminent form based code could potentially allow for additional density.

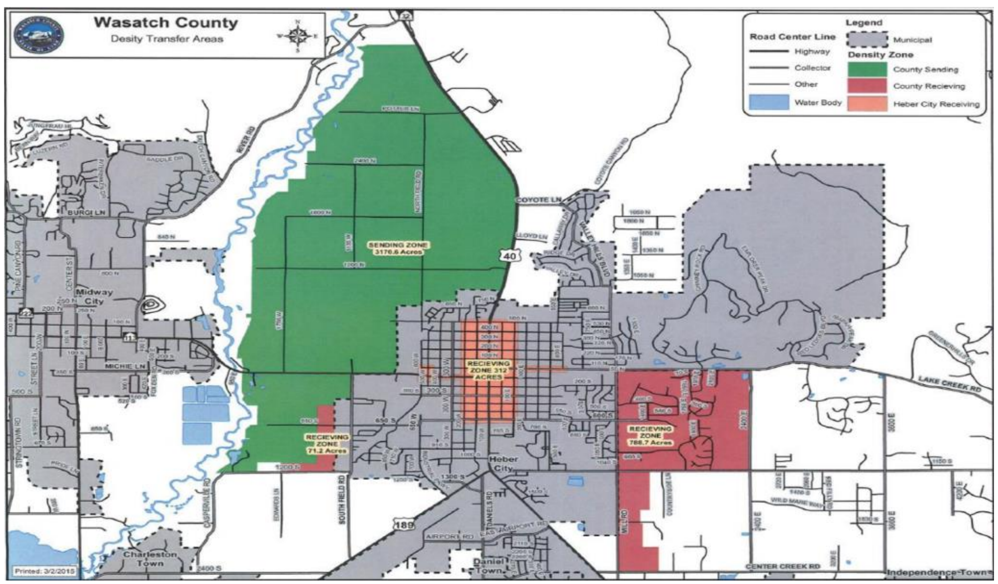
- The Heber Valley has seen strong residential permitting in recent years, in line with demand from new households and therefore also in line with RCLCO's projections regarding long-term development capacity for the area. The large majority of permitting activity is single-family product.

- Land prices in the North Fields are lower than in other parts of the valley, due to restrictions placed on these parcels regarding non-agricultural uses and the difficulty of building on the high water table here. While land prices range from $50,000 to $70,000 per acre in Heber City, $100,000 to $150,000 in Midway, and over $300,00 at Red Ledges, the North Fields parcels are worth less than $40,000 per acre. This is another indication of the low development interest in these parcels at present.

Definition and Analysis of Study Area

Definition of Sending and Receiving Areas

- The proposed sending and receiving areas are a major factor in defining the scope and feasibility of a TDR program.
- The preliminary areas set out by the County and Heber City are shown below. The sending zone would be made up of the entirety of the North Fields area, 3,170 acres. The major receiving zones would be made up of a large 788 acre area to the east/southeast of Heber City, and the central commercial core of Heber City. This set of sending and receiving zones, produced by Wasatch County and Heber City laid out the major goals of preserving the historic agricultural character of the North Fields and the downtown revitalization/economic development of Heber City.
- Midway has chosen not to participate in the TDR program, so their effect on the process will be as a potential conduit for development demand away from Heber City or the North Fields. This could have ramifications for the smooth operation of a TDR program, but does not impact the direct operation of a program.
- The receiving area east/southeast of Heber City is zoned RA-1 Residential Agricultural by the county. This allows for one unit for every 1.3 developable acres in large scale subdivisions, and maximum density otherwise is one unit per developable acre. The receiving area west/southwest of the Heber City is zoned RA-5, which says that there can only be one unit per lot and that a lot must be 5 acres or more. The receiving area in the residential core is zoned R-3 by Heber City. This allows for 6.7 dwelling units per acre.
- The North Fields sending area is zoned A-20, which is established to provide areas in which agricultural pursuits can be encouraged and to protect these uses from encroachment of urban sprawl. Not more than one single-family dwelling may be placed upon a lot or parcel of land in the agricultural zone.



Study Area Descriptions

- The study area is made up by the sending area (The North Fields), the receiving areas (defined previously), and any other areas which interact with the sending or receiving areas. Therefore, we have defined the full study area as Midway, Heber City, the close-in county lands including the mountain areas around Red Ledges, and the North Fields.

Sending Area Description

1. The North Fields

- The North Fields are made up of predominately agricultural uses, with a few out-of-state owned parcels.
- The area is undeveloped, with very few residences and an extreme rural feel.
- The area resists development from the West because of the natural barrier of the river and the natural floodplains/high water levels which run through that western half of the North Fields.
- The area to the east and southeast have no natural barriers with Heber City, but has so far resisted development from that direction as well.
- The zoning in the North Fields is 1 unit for every 20 acres, which limits potential development to only 160 units.
- There is one parcel for sale on the northwestern section of the area which is a large 57 acre parcel listed for $1,999,000.

Receiving Area Description

1. Heber City

- Heber City has a population of 14,000, with a stabilized growth rate around 3% annually.
- It is predominately a bedroom community for Salt Lake City, Park City, and Provo, with only 20% of employees staying in town to work.
- The zoning in Heber City's jurisdiction varies from high residential densities in the center of town to lower residential densities on the periphery. The proposed receiving area in Heber City is zoned for 7 units/acre in the center of the commercial core of the city.
- The land values in this commercial core are predominately in the range of $60,000-$70,000.

2. County Land

- The county land being considered for receiving areas is much less densely built up than the core of Heber City, but is comparable to the peripheral areas of the city.
- The land values in these areas are predominately in the range of $50,000-$60,000.
- There is some chance that this area of the county will be annexed by Heber City at some time in the future. Heber City's annexation policy plan shows this area as a parcel of interest. This will be an interesting situation to monitor moving forward, as any annexation further increases the supply of land that could be developed as an alternative to the receiving areas.

Strengths and Challenges of North Fields Site

- RCLCO looked at the North Fields from the perspective of a developer evaluating the site as a residential development opportunity. This analysis suggests the area has several strengths, but also poses several challenges:

Strengths

- Scenic beauty of the North Fields and view of the mountains; this is further enhanced by the ranches that continue to operate here.
- Currently undeveloped with the exception of a few structures.

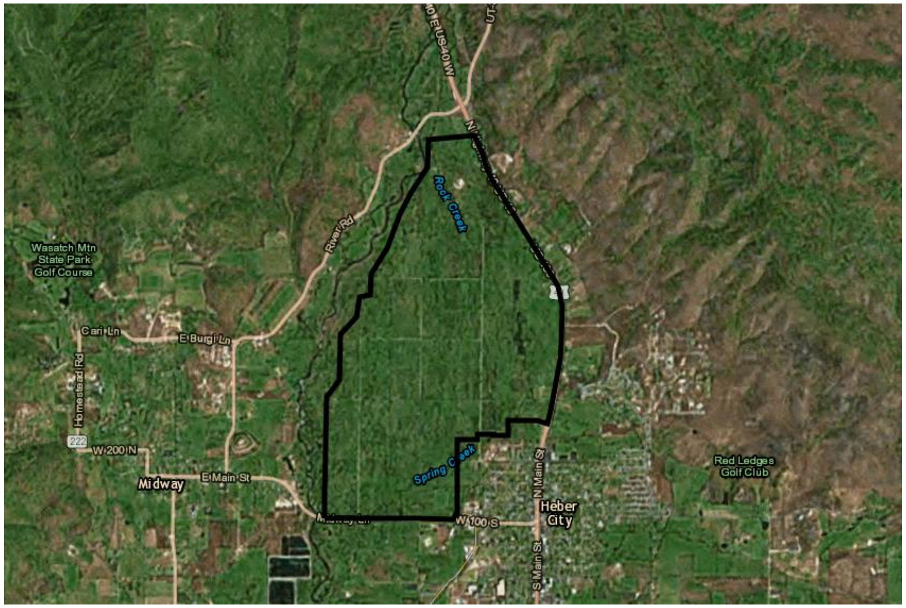
Challenges

- Developable land limited by floodplain.
- Groundwater issues increase the cost of installing new infrastructure.
- Zoning is 1 unit per 20 acres, which limits potential scale of development without a variance.
- Politically contentious area vis a vis community open space concerns and ongoing zoning debate as to whether to change zoning to 1 unit per 10 acres.

- Other conditions worth noting include:
  - There are several parcels that have out-of-state owners.
  - The area to the east and southeast have no natural barriers with Heber City's core.

- Overall, the North Fields is generally unappealing as a development opportunity for at least the medium-term, given that there continues to be a large supply of undeveloped land in the surrounding area. This undeveloped land outside the North Fields generally presents fewer infrastructure challenges, has equally superior scenic beauty (i.e., mountain parcels), and/or is less politically contentious on which to build. Not until much more of the Heber Valley is built out will developers see the North Fields as an attractive development site.

Map of North Fields Study Area



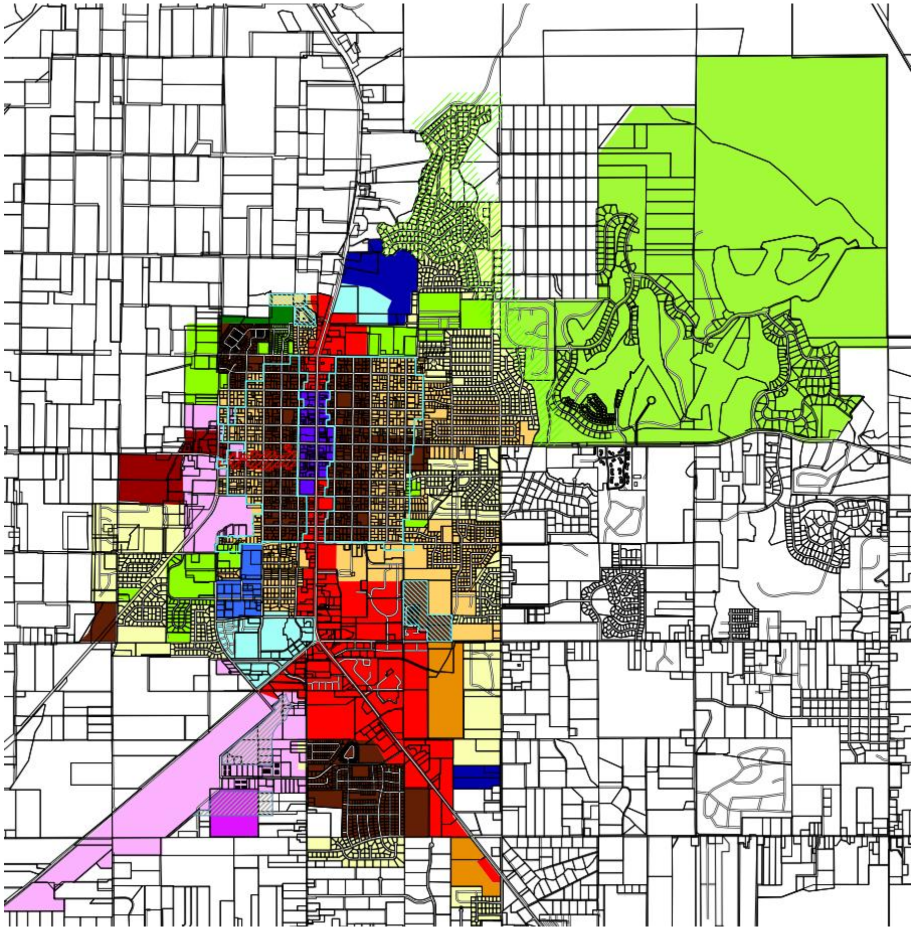
Source: Esri

Local Policy Environment

- Based on the prevailing zoning in areas with new developments or subdivisions, Heber City zoning does not present a limitation to current development demands. Every new development achieves densities well below zoning densities. This shows that new development will not be limited by the current zoning densities, and that developers will not have any demand for TDR credits as long as prevailing entitlement conditions hold.

- The above situation is further exacerbated by the new form-based code, which will up zone several areas in the downtown core of Heber City. There are currently very few developments that are even coming close to current density limitations. However, the new zoning environment set forth by the form-based code suggests an inclination to upzone that could be damaging to a TDR program. This inclination to upzone has the effect of leading developers to find alternatives to buying TDR credits such as petitioning for variances. Any receiving area that has a reputation for providing variances on density will not be a successfully working receiving area for a TDR Program.

- There is also development occurring in unincorporated Wasatch County, and that competition from development in the county within the Heber market also creates challenges for Heber as a receiving area. With such an alternative in place, there is no pressure to utilize TDR credits within the city from a developer's perspective.



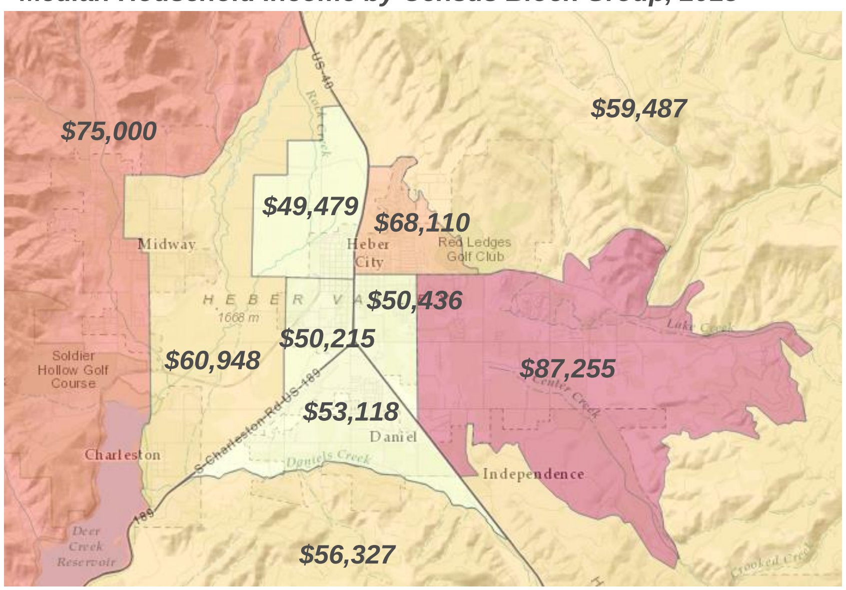
Economic and Demographic Context

Demographics

- Heber City's age and income profile closely reflects the region (Salt Lake, Utah, Summit, and Wasatch Counties) overall. Midway, by contrast, skews older and wealthier. Nearly half of households have incomes of $100,000 or more. These demographics reflect the differing reputations of the cities: Heber City is known as a relatively more affordable primary home community in the Wasatch Back, while Midway is a significant second home location. Median income in the North Fields tracks more closely with Heber City levels than with Midway.

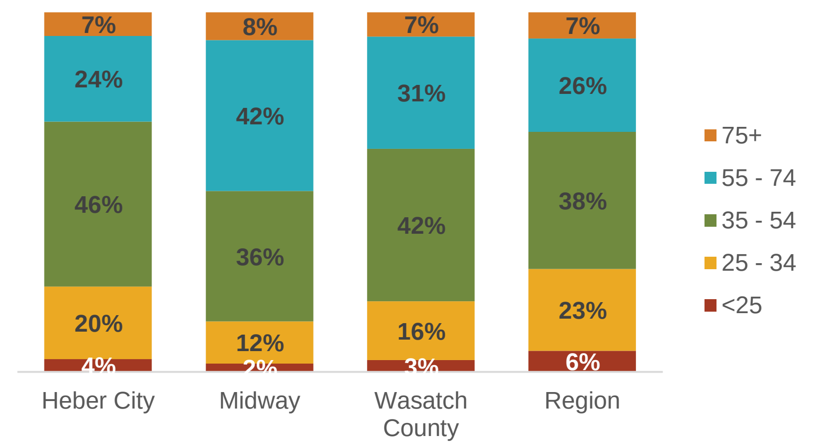
- The map of median household incomes below also reflects the spatial distribution of incomes. The census tracts where much of the new housing development is concentrated—namely, north and south of Midway's town center, south and east of Heber City—also have the highest incomes. These tracts also correspond to the areas where second homes are concentrated.

Median Household Income by Census Block Group, 2015



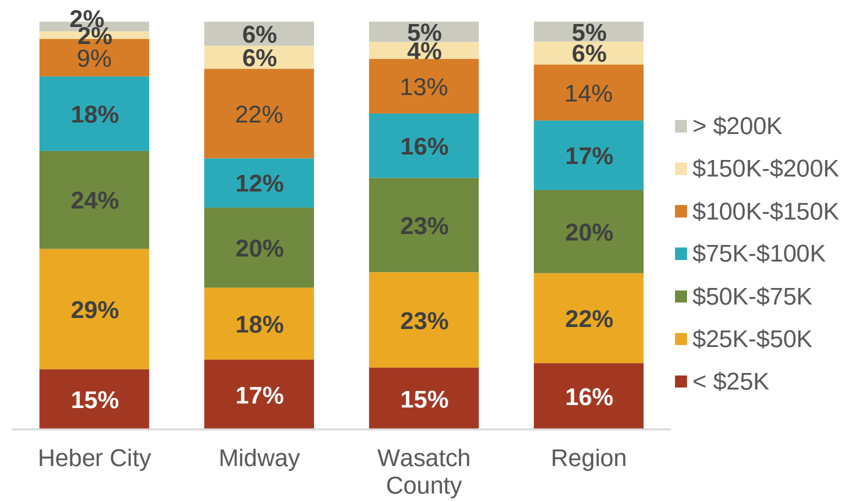
Source: Esri Business Analyst

Households by Age, 2015



Source: Esri Business Analyst

Households by Income, 2015



Source: Esri Business Analyst

RCLCO

Population Growth

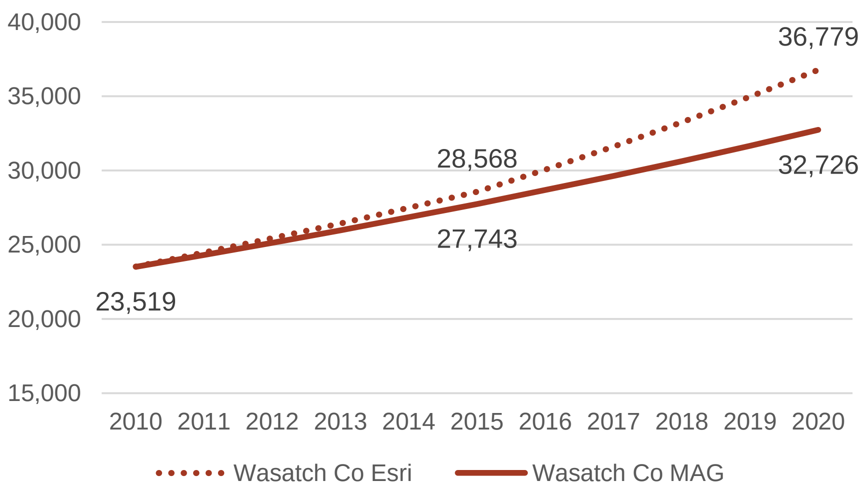
- Both Esri and Mountainland Area of Governments (MAG) project strong population growth for the Wasatch Valley. Esri projects average annual growth of 4.6% between 2010 and 2020, while MAG projects 3.4%.
- County population growth will be driven by growth in Heber City, Midway, and unincorporated areas. From 2010 to 2020, Heber City and Midway are projected to account for two-thirds of the county's population growth. Heber City is expected to grow 3.1% to 3.3% annually from 2010 to 2020, while Midway is expected to grow 4.5% to 4.6% annually over that same time. Together, they will gain approximately 6,200 new residents, an increase of 41% over 2010 levels. Significantly, however, because the base populations are relatively small, the absolute demand for new housing will be less dramatic than the relative population growth might suggest.

Comparison of Growth Projections, 2010-2020

		Wasatch County	Heber City	Midway
2010 Population	Census	23,519	11,362	3,845
2010-2020 Annual Growth	MAG Esri	3.4% 4.6%	3.1% 3.3%	4.6% 4.5%
2010-2020 Absolute Growth	MAG Esri	9,207 13,260	4,025 4,335	2,194 2,121
2020 Population	MAG Esri	32,726 36,779	15,387 15,697	6,039 5,966

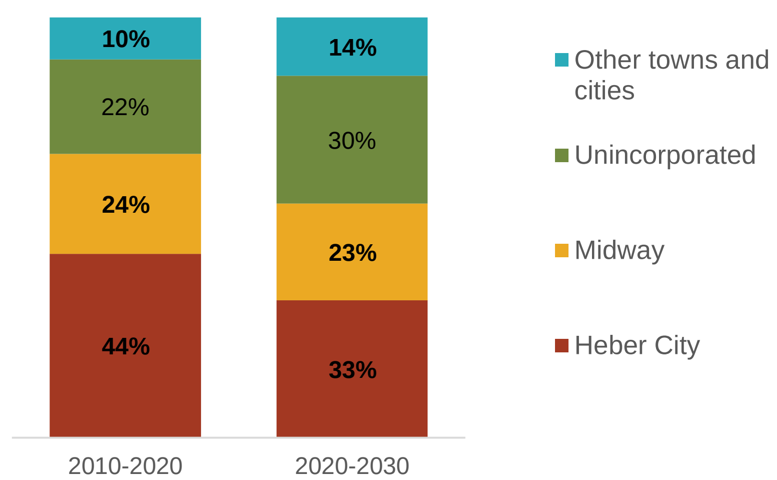
Source: Esri; Mountainland Association of Governments; RCLCO

Historical and Projected Population: Wasatch County, 2010-2020



Source: Esri; Mountainland Association of Governments

Share of Wasatch County Growth by Jurisdiction

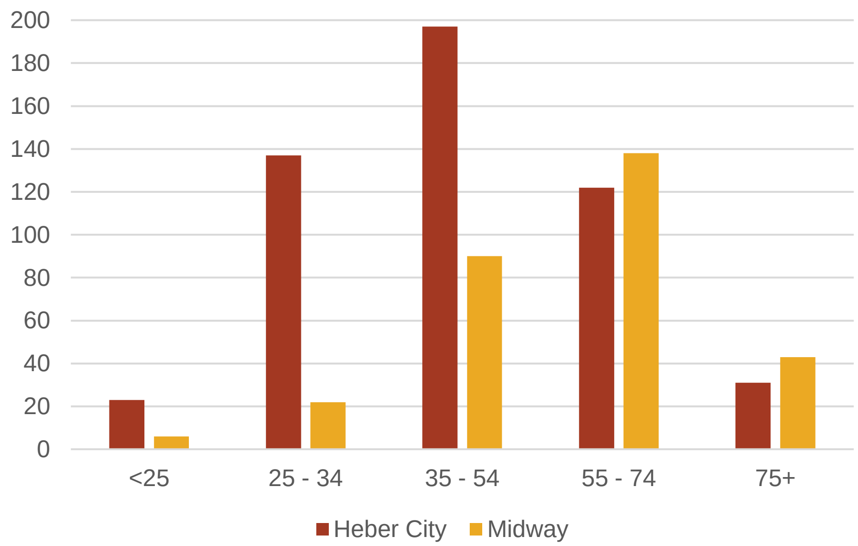


Source: Mountainland Association of Governments

Growth by Age and Income

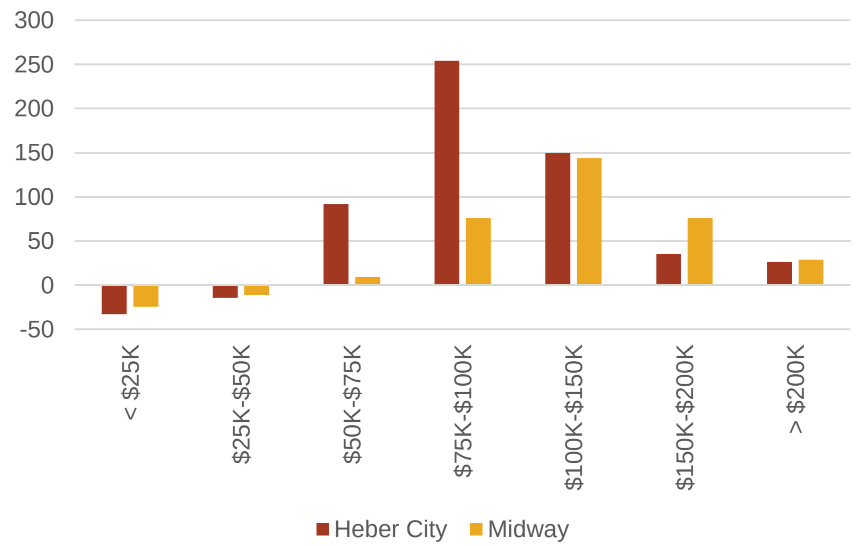
- Taking a closer look at Esri's five-year projections for Heber City and Midway, we see that the composition of growth is expected to differ between the two cities but in patterns that are reflective of how their demographics differ today.
- In terms of growth by age, the bulk of Heber City's growth is anticipated to be in the 35 to 54 age group, which is also the largest age group currently (48%). The overall distribution of households by age in 2020 is not expected to change. Midway, a community that already skews older, will see the largest growth among households aged 55-74. The effect is that in 2020, households age 55 and up will represent a slightly larger share (52%, an increase of 2%) of the city's households.
- Looking at income, both cities are likely to lose households earning less than $50,000. Heber City will see growth come from more moderate income households than will Midway, which is consistent with current demographics. Households earning $75,000 to $100,000 will be the single largest growth segment, the effect is that in 2020, Heber City will increase the share of households in this category, while the share of households under $50,000 will drop 6%. Based on Midway's expected growth, households earning more than $100,000 will come to represent an even larger share of the population, from 34% to 41%. From a developer's perspective, these trends have positive implications for housing demand in the Wasatch Valley.

Household Growth by Age Category, 2015-2020



Source: Esri

Household Growth by Income Category, 2015-2020

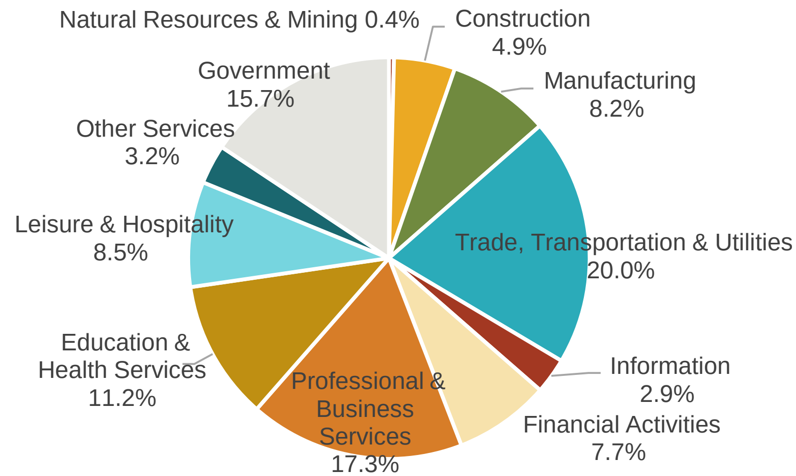


Source: Esri

Regional Jobs and Economic Drivers

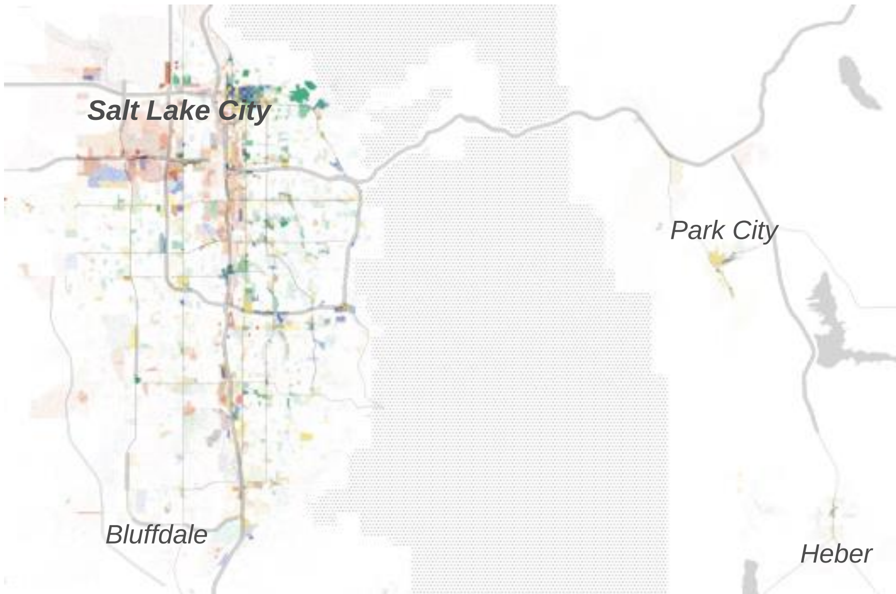
- Employment in the Salt Lake City MSA is dominated by four major sectors; government, trade/transportation/utilities, education & health services, and professional & business services. Most of these jobs are located west of the Wasatch Range.
- In line with regional job concentrations, the three most likely job locations for Heber City residents are Heber City, Park City, and Salt Lake City. Anecdotally, our analysis found that workers priced out of homes in Park City are increasingly looking to live in Heber City or Midway, where home prices are more attainable.
- Only 21% of Heber City residents work within Heber City, which supports the perception that it is a bedroom community. The same can be said for Midway, which only has 6% of residents working in Midway and only 14% working in Heber City.

Employment by Sector: Salt Lake City MSA, 2015



Source: Moody's Analytics

Location of Regional Jobs (One dot = one job)



Source: Robert Manduca, U.S. Census Bureau

Commuting Patterns from the Heber Valley, 2012

Job Location	Midway Residents	Heber City Residents	Total	
Heber City	14%	21%	1,353	20%
Park City	11%	13%	881	13%
Salt Lake City	10%	9%	611	9%
Provo	6%	4%	298	4%
Midway	6%	3%	250	4%
Orem	3%	3%	218	3%
Murray	3%	2%	148	2%
Snyderville	3%	5%	287	4%
Millcreek	2%	2%	123	2%
West Valley City	2%	3%	184	3%
Ogden	1%	2%	129	2%
Other	38%	34%	2,423	35%

Source: Census OnTheMap

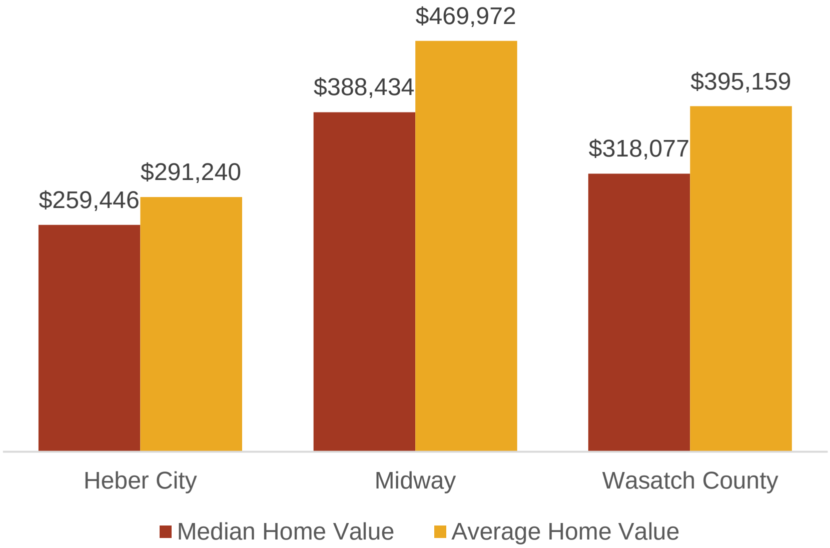
Housing Market Analysis

Home Values

- Home values in Midway are significantly higher than those in Heber City. This supports RCLCO's view that the housing market in Midway and Heber City represent separate markets and that the potential overflow demand from a TDR implemented in Heber City would not flow directly to Midway. The housing price differential between the two jurisdictions means that developers in Midway and Heber City face extremely different dynamics and would not consider them equal alternatives.

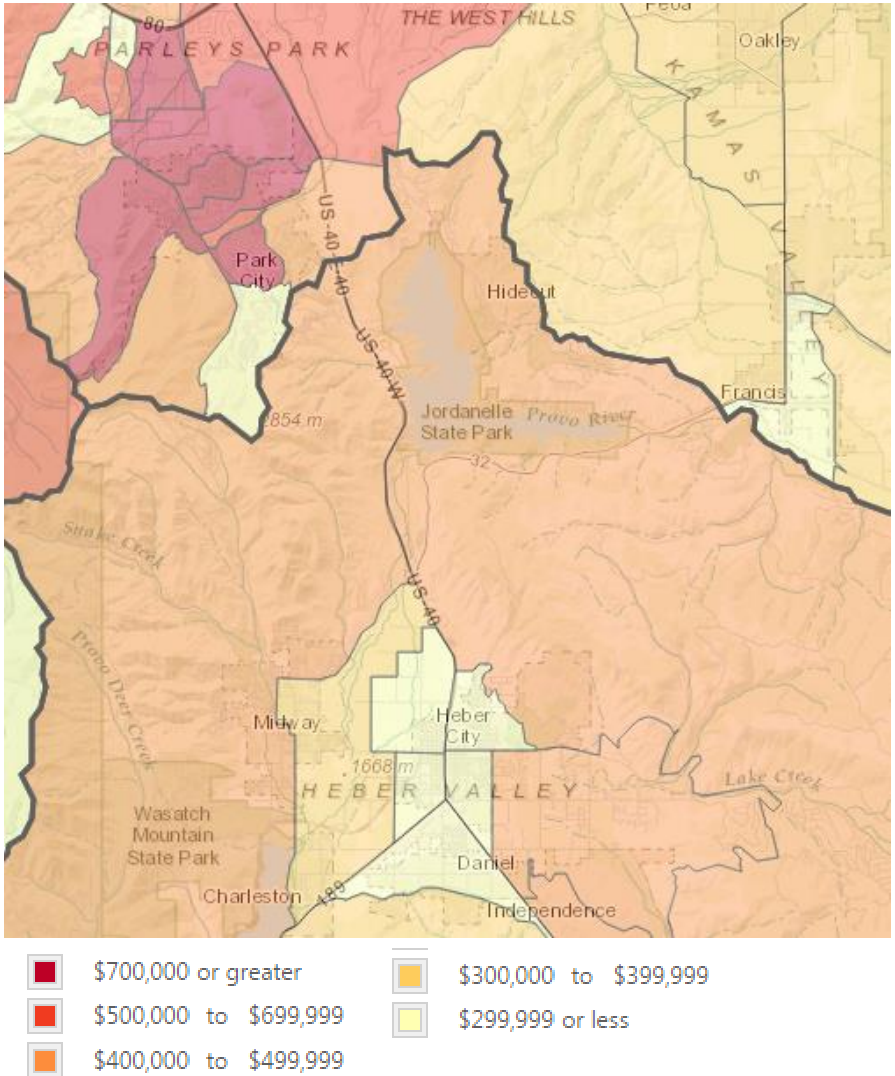
- Home values in the valley are relatively lower than in Park City and other resort areas to the north. Areas with mountainous terrain tend to have higher home values, reflecting the current desirability of a rural and/or mountain-oriented lifestyle, as opposed to living in town or in the valley.

Median and Average Home Values by Jurisdiction, 2015



Source: Esri Business Analyst

Median Home Value by Census Block Group, 2015

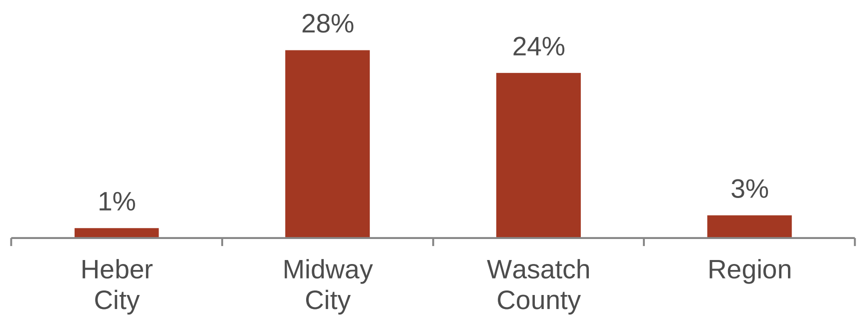


Source: Esri Business Analyst

Seasonal Housing

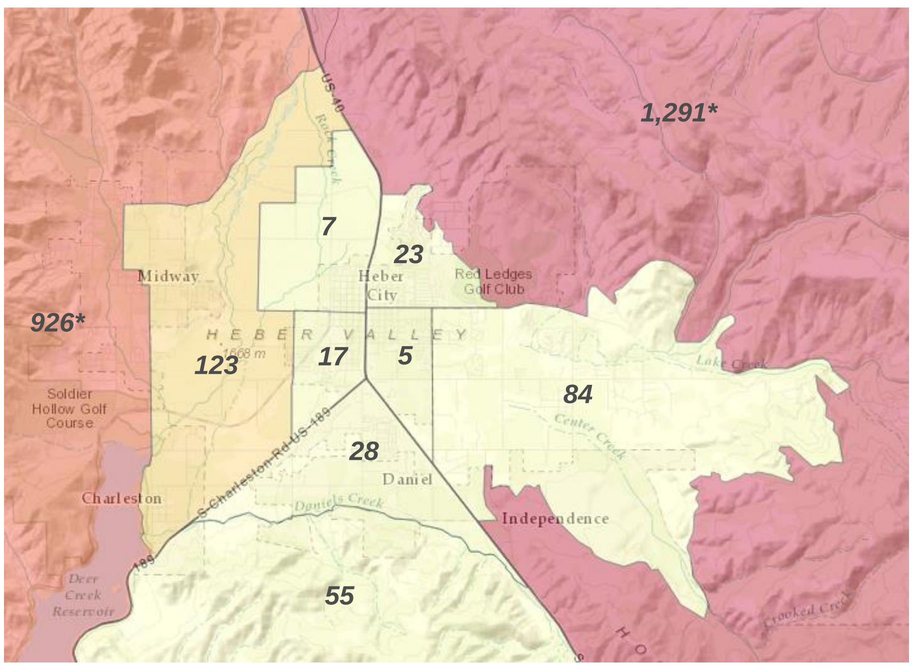
- The communities surrounding the North Fields are significant second home destinations, with the largest pockets of second homes located in the mountains that ring the valley. Midway in particular had 546 second homes in 2010, which constituted 28% of the city's total housing stock.
- Currently, there are few to no second homes in the North Fields; those that do exist are likely in northwest Heber City, outside of the North Fields study area boundary.
- *Note: the block groups marked with an asterisk are much larger than the map at left shows. The western block group extends north to Park City, while the eastern block group extends from Jordanelle State Park to the Duchesne and Utah County borders.*

Seasonal/Recreational Units as a Share of Total Housing Stock, 2010



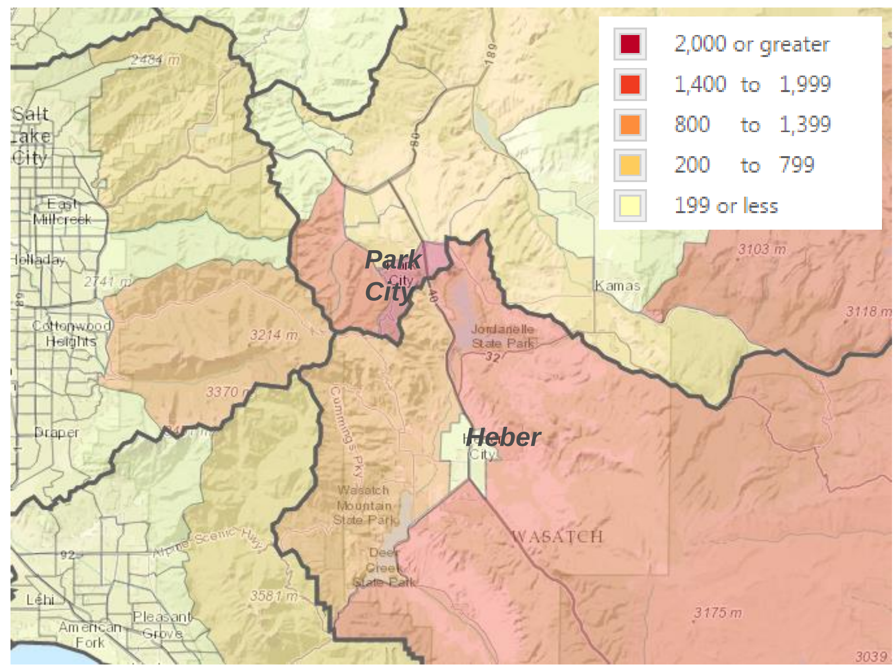
Source: U.S. Census

Seasonal Housing Units by Census Block Group, 2010



Source: Esri Business Analyst

Seasonal Housing Units by Census Tract, 2010

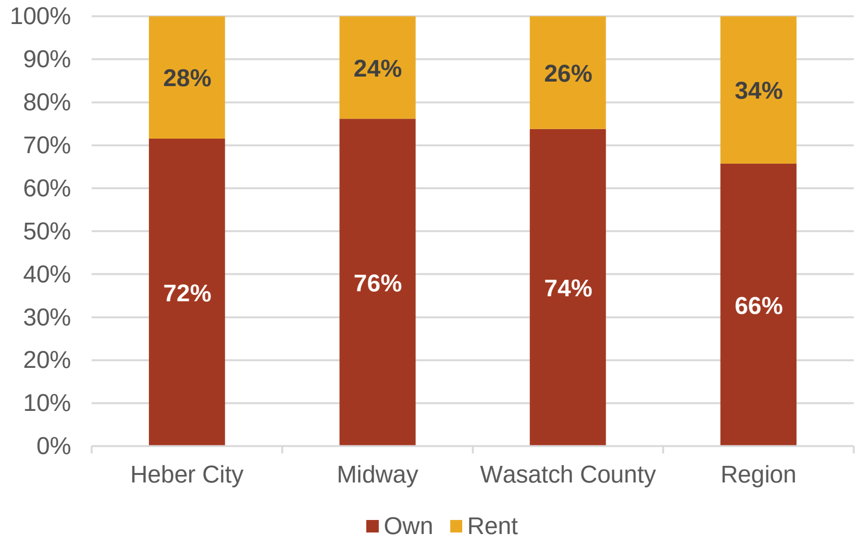


RCLCO

Housing Tenure and Product Type

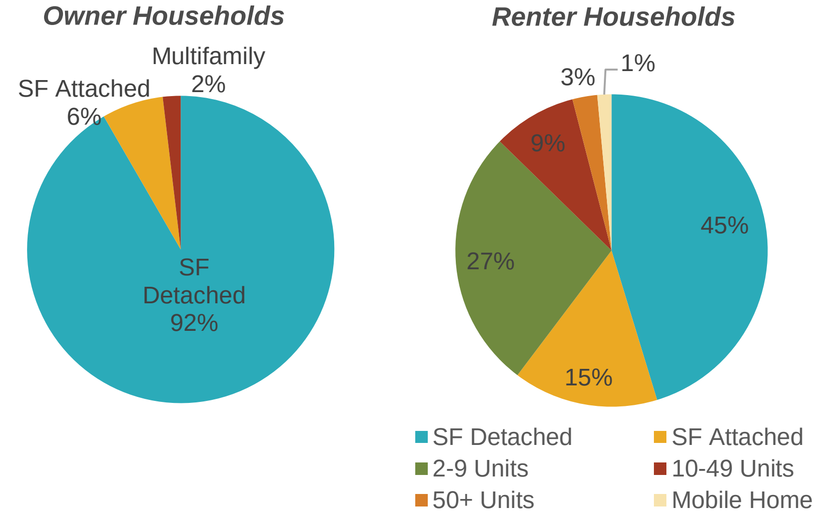
- Heber City and Midway, like the county and region more broadly, have a large majority of owner households. However, owners are not the only households driving demand for single-family housing. Nearly half of renters in both cities reside in single-family housing, and another 15% to 20% live in attached single-family units, totaling 60%+ of the renter housing stock in each city.

Household Tenure, 2015

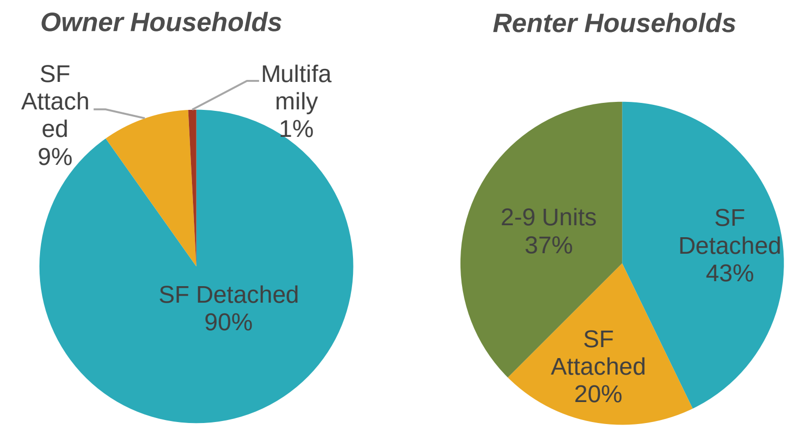


Source: Esri

Heber City Housing Stock by Tenure



Midway Housing Stock by Tenure



Source: American Community Survey, 2014 5-Year Estimates

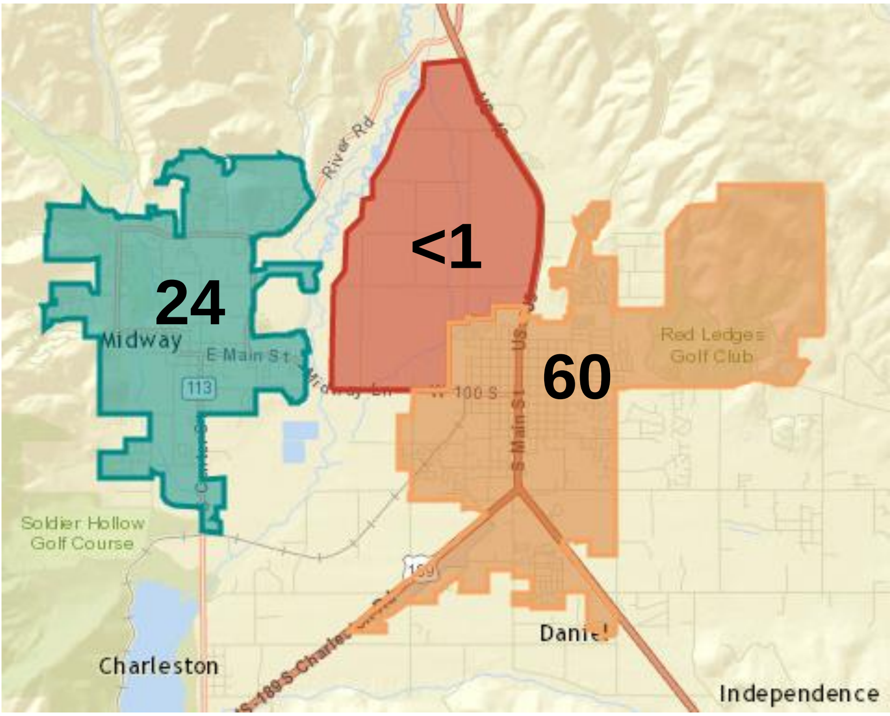
Residential Statistical Demand for New Housing Units

- RCLCO statistical demand model analysis based on the most current census data shows that there is demand for a total of 24 net new homes in Midway annually, 60 net new in Heber City annually, and less than one net new home in the North Fields annually.

- Demand is based on the number of existing households anticipated to turnover (i.e., move) annually, as well as the number of turnover and net new households to the area. We determine the amount of total demand that will take the form of *new* construction (rather than resales) based on the recent county-level share of households in turnover that have purchased new.

- Given the small geographies used in this analysis, there is some discrepancy between the model's demand calculations and actual new home sales in the market, particularly in Heber City, where sales suggest that current demand is closer to 100 new units annually, particularly if land directly east of the city's borders—where many of the developments are occurring—is taken into consideration. Reconciling statistical demand and on-the-ground new supply is discussed in greater detail on page 21. Even after adjusting the demand expectations upward, however, we find that Heber City and Midway are both at least a decade away from achieving their planned buildout population levels.

RCLCO Estimated Annual Demand for New Homes by Area, 2015



Source: Esri; American Community Survey; RCLCO

Current Population and Estimated Population at Buildout, 2015

	Current Approx. Population	Current Planned Population at Buildout
Heber City	13,500	27,000-30,000
Midway	5,000	16,000-18,000

Source: Discussions with city planners in Heber City and Midway

RCLCO

Revising Demand Expectations Based on Market Trends

- The smaller the geography surveyed, the more difficult it is to accurately predict future demand with a statistical model, as there is a limit to the level of detail data sources can provide to feed into the model. Such is the case here.

- The market is currently over-performing RCLCO's structural demand projections, particularly in Heber City, partially due to demand that is occurring just outside the city limits. While our model indicates demand for 60 new housing units annually, current sales activity suggests annual demand for closer to 100 units. Permitting also suggests demand should be closer to the sales figures, as do MAG population growth projections. As such, actual demand likely falls in this range of 60 to 100 units, or approximately 80 units annually over the mid-term if you assume that the market will have some stronger years (as is the case in 2016) and some slower years.

- Even after adjusting demand expectations upward based on actual sales activity in the market, there is enough planned capacity for housing within the Midway and Heber City boundaries to support growth into the long-term (10 to 15 years). Areas like the North Village Special Service District increase the land available for development even more. Consequently, development pressures on the North Fields from these two growth centers will be subdued, at least in the short- and medium-term.

- In fact, even if the statistical demand for the North Fields were also revised upward at the same rate as in Heber City, demand levels would remain essentially non-existent. There are many other places for growth to go where the land is cheaper, easier, and less politically contentious to develop. As such, the lack of demand in the sending area remains a stumbling block for the feasibility of a TDR program in the North Fields.

	Heber City	Midway	North Fields
Demand Indicators			
RCLCO Statistical Demand	60 units/year	24 units/year	<1 unit/year
MAG Population Growth Projections	100 units/year	70 units/year	N/A
Supply Indicators			
Current New Home Sales*	85-100 units/year	0 units/year	N/A
Permits**	70 units/year	31 units/year	N/A
Revised Estimate of New Housing Demand	80 units/year	28 units/year	<1 unit/year

* *Based on May 2016 monthly sales pace for new home communities that are currently selling in and just outside of these cities. There were no actively selling communities in Midway at the time of survey.*

** *Permit levels were reduced by 50% to reflect the amount by which they were calculated to overstate actual new supply during the 2010-2014 period.*

Source: MAG; sales agents; HUD SOCDS; RCLCO

New Residential Demand by Product Type

- Demand by housing type in both Midway and Heber City will likely continue to reflect the current housing stock profiles of each jurisdiction, with the large majority of new units being single-family detached and one new townhome community or multifamily development every several years. There is simply no new infrastructure development, new economic catalysts, or other drivers that would suggest a fundamental shift in the types of product that are in-demand relative to what is being provided in the market today. For example, the increase in the number of households relocating from Park City to Heber do contribute to the volume of demand, but again, these households are still generally looking to buy single-family homes.
- Furthermore, Heber City's propensity to annex new land for development allows the city to continue to grow "out" at low single-family densities instead of increasing pressure to grow "up" at slightly higher densities that could potentially trigger more demand for non-single family product types, such as townhomes, condos, and apartments.
- Given the limited apartment stock in these cities today and no indication that demand will change significantly in the foreseeable future, new apartment product will continue to be similar in style and density to the current existing stock of garden apartments. We do not anticipate increases in pricing that would support higher-density product than garden construction.

RCLCO Estimated Annual Demand for New Product by Housing Type

	Single-Family Detached	Townhomes	Apartments	Total
Heber City				
Percent Share	75%	10%	15%	100%
Net New Units Annually	60	8, or one 20-unit project every 2-3 years	12, or one 50-unit project every 4-5 years	80
Midway				
Percent Share	75%	15%	10%	100%
Net New Units Annually	21	4, or one 20-unit project every 5 years	3, or one 50-unit project every 16-17 years	28

Source: American Community Survey, 2014

County Residential Permitting

Local permitting overstates actual construction activity (i.e., not every unit permitted gets built). Comparison of permitting to federal housing data suggests recent permitting by approximately 50%. Nonetheless, permitting does provide insight into trends in housing activity, namely that:

- Wasatch County permitting saw a strong recovery after the 2008 recession, and it has been mostly driven by single-family activity.
- Heber City and Midway together have captured 58% of recent (2010-2014) single-family permitting, which is consistent with permitting trends since 1990. The two cities represented 32% of recent multifamily permitting, though, which was meaningfully lower than the long-term average capture of 57%. However, given the small number and infrequent timing of large multifamily projects overall, this is not particularly concerning.
- Heber City's six month moratorium on new residential development that was enacted in October 2015 will have some negative effect on permitting in the short term. The city is in the process of developing a new form based code, and given the incomplete nature of the new zoning, we are unable to make predictions as to whether it will have significant positive or negative effects on permitting in the longer term.

Wasatch County Residential Permits, 1990-2014

Source: HUD SOCDS

Wasatch County Residential Permit Trends

	Average Single-Family Permits	Average Multifamily Permits	Total Average Permits	% Single-Family
1990-2000	204	44	248	82%
2001-2009	313	36	349	90%
2010-2014	247	60	307	80%
1990-2014	252	44	296	85%

Heber City and Midway Capture of County Permitting

	Single-Family	Multifamily	Total
1990-2000	55%	100%	63%
2001-2009	57%	19%	53%
2010-2014	58%	32%	52%
1990-2014	57%	57%	57%

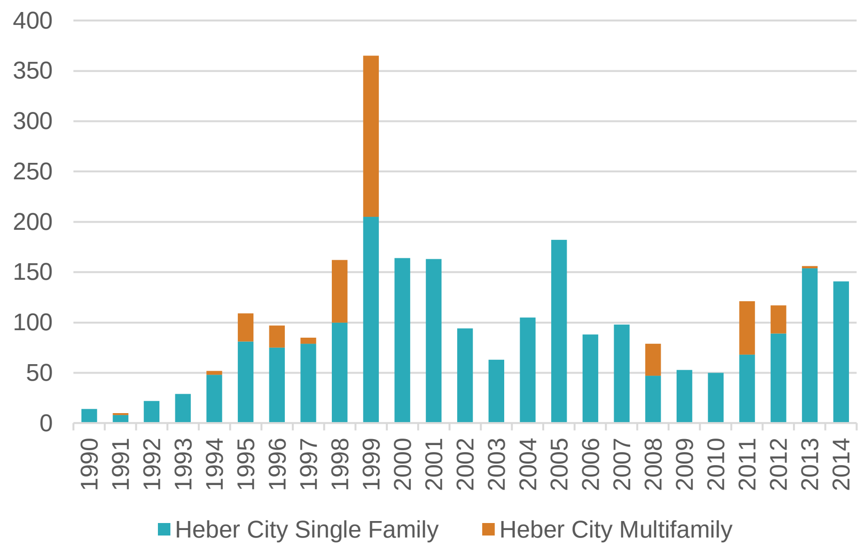
Permitting in Heber City and Midway

- Again, local permitting trends overstate actual new housing construction but suggest several trends, including:

- Current permitting in Heber City has surpassed pre-recession levels. Midway's permitting is lower than 2005 to 2007 levels but given that permitting during these years was uncharacteristically large, this is not concerning. More important and indicative of healthy supply conditions is the fact that permitting in Midway has returned to levels that are in line with longer term historical activity.
- As with the county overall, both Heber City and Midway are largely single-family housing markets.

- Since the recession, Heber City has represented a larger share of total county permitting than seen historically (50%, versus 38%), while Midway has represented a smaller share (14%, versus 21%).

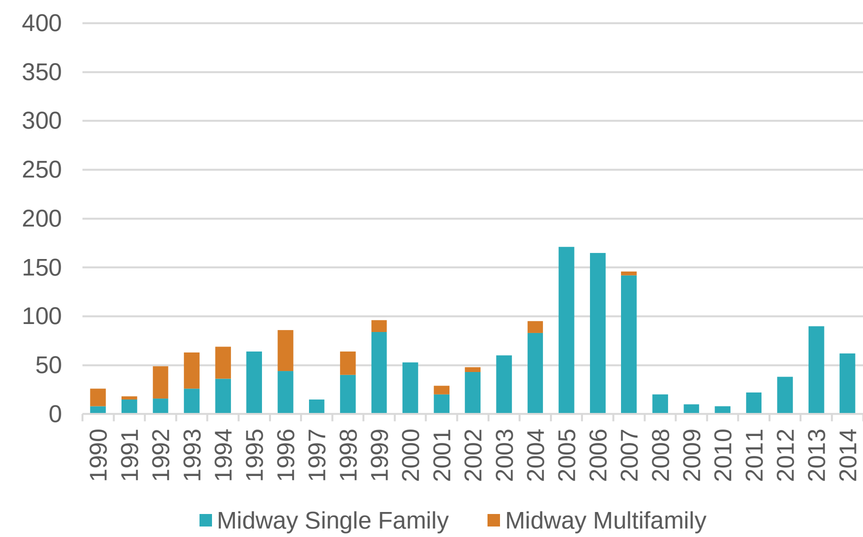
Heber City Residential Permits



	Avg SF	Avg MF	Total Avg	% SF	% of County SF	% of County MF	% of County Overall
1990-2014	92	16	108	85%	38%	37%	38%
1990-2000	75	26	101	74%	37%	58%	41%
2001-2009	99	4	103	97%	32%	10%	29%
2010-2014	112	16	128	86%	54%	32%	50%

Source: HUD SOCDS

Midway Residential Permits



	Avg SF	Avg MF	Total Avg	% SF	% of County SF	% of County MF	% of County Overall
1990-2014	51	9	60	85%	21%	21%	21%
1990-2000	36	18	55	67%	18%	42%	22%
2001-2009	79	3	83	96%	25%	9%	24%
2010-2014	37	0	37	100%	18%	0%	14%

Source: HUD SOCDS

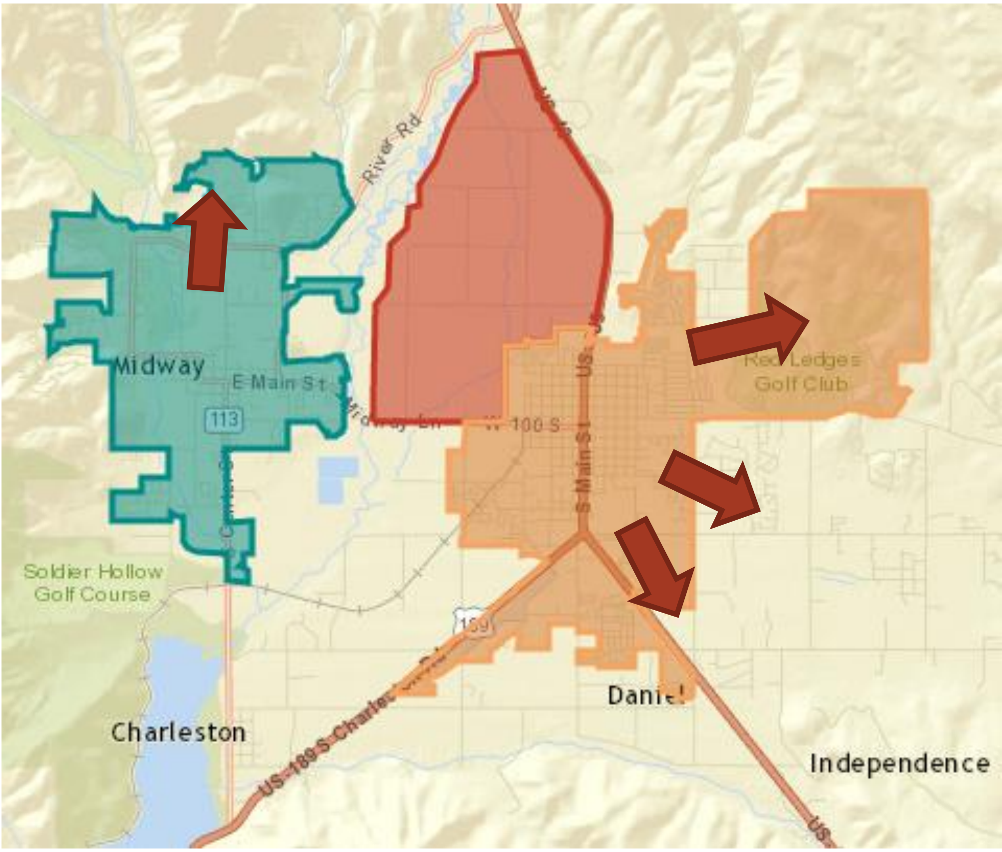
Major Growth Corridors

- Based on where new supply has been located, the major growth corridors in the jurisdictions surrounding the North Fields all point away from the subject area. In Midway, the major growth corridor is to the north, with the river being a major line of delineation preventing any encroachment of growth to the east towards the North Fields.

- In Heber City, the major growth corridor is towards the east for high-end mountain resort-style housing, and towards the southeast in the direction of Daniel and the North Village Special Service District for more moderately priced products.

- Both of these paths of growth are directed away from the North Fields. Geographic barriers like the Provo River and other natural conditions like the North Fields' high water table further insulate the North Fields and redirect Midway's away from it.

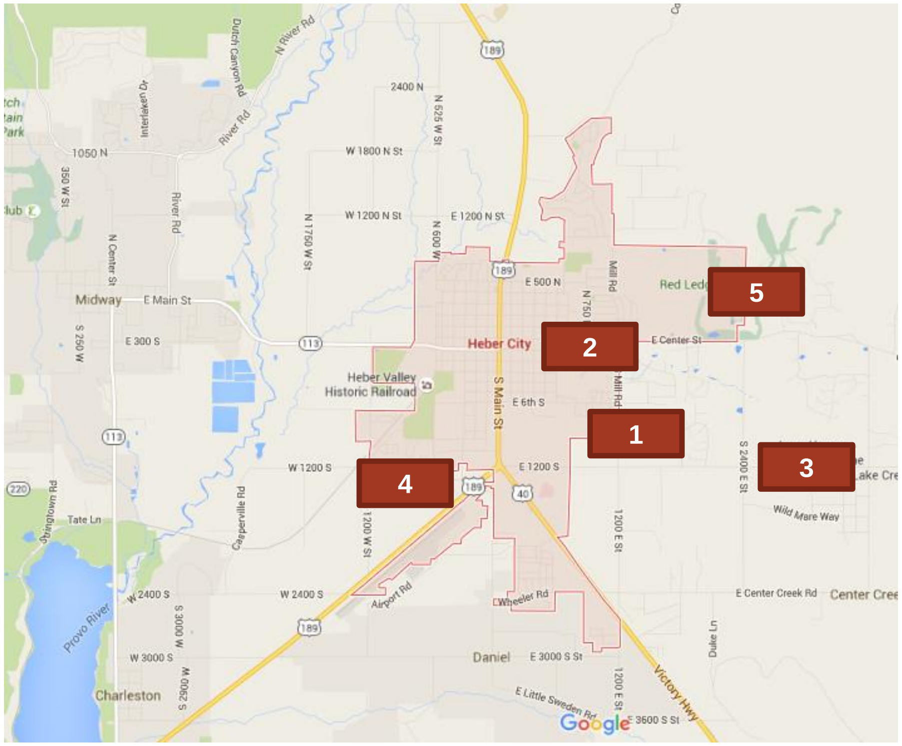
Direction of Growth in Heber Valley



Source: Local brokers; Esri

New Housing Supply

- The actively selling communities in the area are all oriented towards Heber City, with one major off-mountain resort at Red Ledges and a variety of primary housing subdivisions in the valley. There are no actively selling projects in Midway as of May 2016.
- Most product is on small lots, around one-eighth of an acre. These are selling in the $300,000s.
- Most communities appear to be selling at a pace between one and three units per month. Multiplying the monthly sales for all of the actively selling communities by 12 months yields an annual sales estimate of 85 to 100 units per year. This suggests that the market is currently over-performing RCLCO's statistical demand projections for the city.
- Again, the amount and absorption pace of new supply in the area reinforces RCLCO's demand forecast findings: it will be at least 10 years before development opportunities in Heber City and Midway are squeezed to the point that there is serious development pressure on the North Fields, particularly if Heber City annexes additional County land.



Actively Selling Projects in May 2016

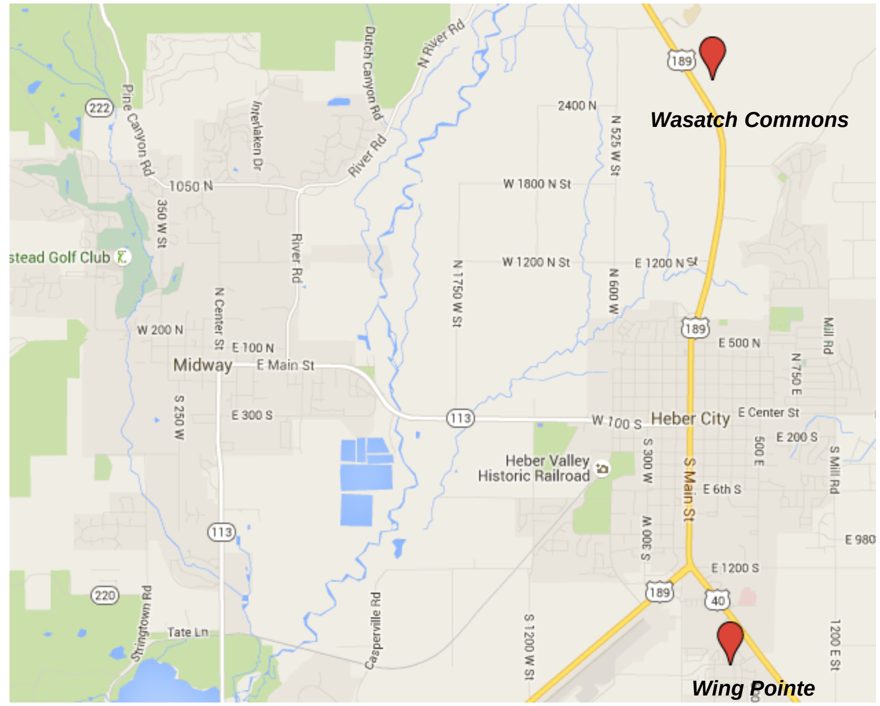
Name	Developer	Total Units	Monthly Sales Pace	Avg Price	Avg Size	Avg $/SF
1. Swift Creek	Haskell Homes	27	1-2	$301,375	2,998	$101
2. Ranch Landing Cottages	Edge Homes	30	3	$366,400	3,028	$121
3. Crossings at Lake Creek	Ivory Homes	39	1	$345,000	2,589	$133
4. Cottages at Valley Station	Oakwood Homes	106	N/A	$303,690	2,732	$111
5. Red Ledges	Red Ledges Land Development	1,200	1	$1,395,000	4,181	$334

Source: Community websites and leasing agents

Newest Rental Communities

- There is limited new market-rate multifamily rental housing in the area. The newest project is Wasatch Commons, a four-story walk-up community outside of Heber City. The second newest large rental project was built 15 years ago.
- This analysis does not include income-restricted or affordable rental housing communities, of which two have been built in recent years: Liberty Station and Elmbridge Apartments.

Map of Newest Rental Projects, 2015



Newest Rental Projects, 2015

	Built	Units	Acres	Density	Unit Types	#	%	Size, SF	Rent	$/SF
WASATCH COMMONS	2011	168	13.2	13 du/ac	1B	42	25%	775	$899	$1.16
2790 N Commons Blvd					2B	84	50%	975	$1,044	$1.07
Heber City, UT 84032					3B	42	25%	1,250	$1,336	$1.07
Total/Wtd. Avg.						168	100%	994	$1,081	$1.09
WING POINTE APTS & GREENFIELD TOWNHOMES	2000	170	7.6	22 du/ac	1B	24	15%	783	$830	$1.06
333 E Airport Rd					2B	72	46%	894	$945	$1.06
Heber City, UT 84032					3B	62	39%	1,303	$1,167	$0.90
Total/Wtd. Avg.						158	100%	1,038	$1,015	$0.98

Source: Community websites and leasing agents; CoStar

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Housing Supply Pipeline

- There is a very limited pipeline in the area for subdivisions or major residential developments. The only major pipeline project near the study area is a continuation of Red Ledges to the east of Heber City, with 400 planned actively selling units out of 1,200 total.
- The rest of the for-sale activity is oriented towards the Jordanelle Reservoir to the far north of the North Fields subject area, which is closer to Park City and generally operates as part of that market.
- There is a small amount of multifamily rental housing in the pipeline: Wasatch Commons was recently approved for a Phase II addition of 48 apartments.

Pipeline For-Sale Projects, Mid-Year 2015

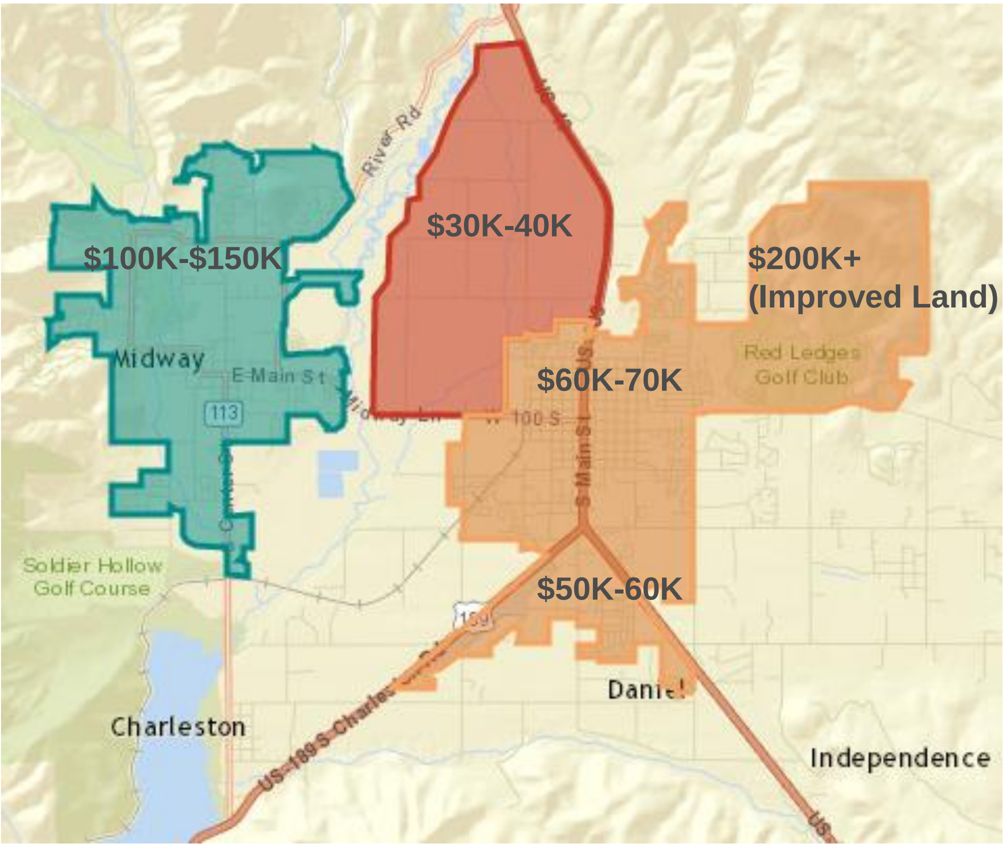
Project	Location	Developer/Owner	Number of Units	Status
Near Study Area:				
Red Ledges	1900 E. Center St., Heber City	Red Ledges Land Development	400 Available (1,200 Total)	Actively Selling
Wasatch Commons Phase II	2790 N Commons Blvd, Heber City	Heber Apartments	48	Planning
Jordanelle Area:				
Upper Jordanelle	Area Northeast of U.S. 40/SR 32 Intersection	RE Investment Holdings, LLC	3,700 Total	Planning
North Village	Area Northeast of U.S. 40/SR 32 Intersection	RE Investment Holdings, LLC	1,700 Total	Actively Selling
Cummings	South side of the Jordanelle Reservoir	Private Ownership	N/A	Inactive
Jordanelle Special Planning Area	West of Jordanelle Reservoir Along U.S. 40	Various	3,800 Total	Planning
Talisman	South side of the Jordanelle Reservoir	Private Ownership	1,390 Total	Inactive

Source: Development websites; local brokers

Land Prices

- Land prices vary substantially based on the specific submarket. However, there are prevailing land price ranges in each area which ultimately affect the economics of the TDR program. The value of the North Field lands is relatively low due to the great restrictions placed on it in terms of non-agricultural development, and the difficulty of developing in an area with significant groundwater.
- Prices in Midway and at Red Ledges are quite high due to the high value of homes in the area. The prices for land are much lower in Heber City, where core parcels trade slightly higher than non-core parcels due to greater allowed density.

Land Prices ($ per Acre) for Unimproved Land in Heber Valley



Source: Local brokers; Esri.

TDR Program Feasibility Analysis

Broad Positive and Negative Aspects of TDR Programs

- **Positives**
  - TDR programs can preserve land without expenditure of tax dollars.
  - TDR programs offer greater flexibility compared to the conditions under strict zoning or government mandates, and are often more agreeable to communities which generally fight against regulation.
  - The programs have the potential to compensate landowners for downzoning or other similar restrictions on their land.
  - In a best case scenario, growth is accommodated while land is preserved.

- **Disadvantages**
  - Voluntary nature make outcomes uncertain.
  - Overly skewing market sales and prices. If the rate of exchange of density in receiving areas is not well aligned with sending area considerations, the TDR program will not operate effectively. Getting these values right is very difficult.
  - Programs can be overly complicated in design and implementation, and require a good deal of ongoing analysis and management.
  - Local governments need receiving areas where demand for density above baseline zoning exists.
  - There must be no areas in which higher density is given away “for free,” and this demand would defeat/diminish demand for the TDR credits.

- **Disadvantages Relating to North Fields**
  - ***Voluntary nature makes outcomes uncertain-***
    - This is the biggest concern related to the North Fields, voluntary actions require that there is an incentive to use the credits. In these development scenarios, incentives are created by limitations. The creation of these limitations (holding zoning densities lower than future structural demand, preventing annexation of county lands) act against the economic development goals of the county and Heber City.
  - ***Programs can be overly complicated in design and implementation, and require a good deal of ongoing analysis and management***
    - To be a fully-functioning TDR program, there must be substantial outreach to the development community so that they are well-aware of the option. This outreach is difficult at the levels of transactions that this particular TDR program can achieve. Therefore, the amount of management and ongoing analysis can probably not be sustained, even though those aspects are critical to success.
  - ***Local governments need receiving areas where demand for density above baseline zoning exists***
    - RCLCO’s statistical demand model suggest levels of demand that do not require developers to go above and beyond baseline zoning to satisfy. Without this limiting factor, there will be no demand for TDR’s.
  - ***Proposed receiving areas have different zoning codes***
    - Different zoning codes results in three different ways that TDR credits can affect density in the receiving areas. This adds complexity and makes the overall TDR program much less intuitive.
  - ***Existing county and Park City TDR programs have not been used to date, providing little indication or precedence that a North Fields TDR program would generate activity in this market***

Existing Conditions: Requirements for Success and Barriers

- TDR programs are voluntary and market-driven, so their feasibility is almost wholly dependent on the economic conditions in the sending and receiving areas. Additionally, certain conditions must ALL be met for a TDR to be feasible. If even one condition is not met, if there are alternative methods to increasing density such as a permissive upzoning environment for example, then the entire program will not work.

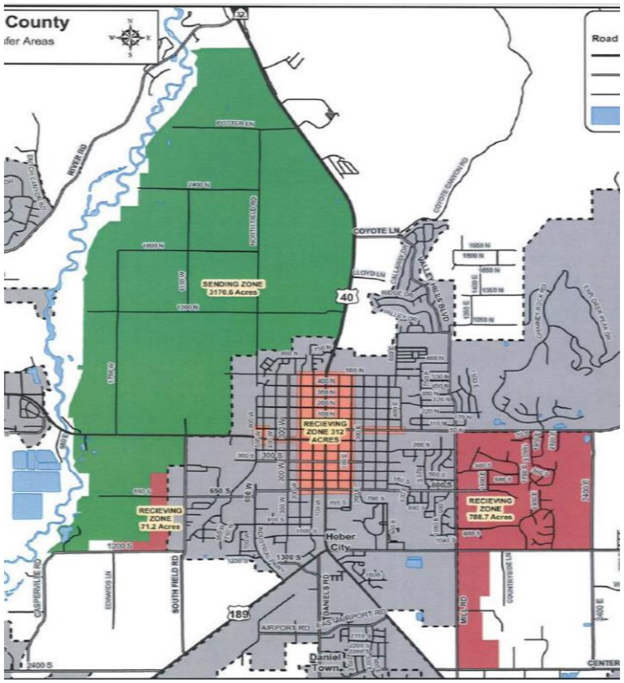
Necessary Condition	Area	Short-Term Feasible	Long-Term Feasible	Required Actions from Jurisdictions
Sending Area Needs Residential Demand	Sending	There is currently very little demand in the North Fields, with very little developmental pressure.	In the long-term, it is possible that consistent demand for residential housing will prevail, but the difficulty of developing due to water ground levels will also keep demand relatively low.	In theory, the lack of demand for housing makes a TDR program unnecessary or unworkable in the short-term.
Sending Area Needs Unified Community Support	Sending	Currently great political interest in protecting the land from further development and economic development in Heber.	Difficult to project how the political landscape will change, but the most likely is that this doesn't change.	Continue to stress the importance of preservation and try to keep any residential developers from acquisitions in the North Fields.
Sending Area needs to be next in line for development	Sending	The lack of direct developmental pressure makes a TDR unlikely to have the volume to work effectively.	In the long-term, it is possible that the North Fields will become the most desirable next-in-line area for development.	In theory, the North Fields being buffered from development from several years of supply from more conducive areas makes a TDR program unnecessary.
Receiving area Needs Ample Demand	Receiving	There is 35 units of new demand in Heber City, which means that there is not an optimal amount of demand to make a fully-functioning TDR program operate efficiently.	As growth increases, the demand for residential uses in the receiving areas will become more robust, which will make operating the TDR program much more effective.	The lack of a critical mass of demand in the short-term makes a TDR program more likely to succeed in a longer-term time-frame.
Receiving area Needs density limitations	Receiving	Right now the regulatory environment is much more likely to upzone than downzone in Heber City. This has the effect of lifting any limitations that developers might need to solve with TDR's. Even without upzoning, there is no developer that is trying to develop at densities higher than currently allowed.	The form-based code will be a force that increases density allowances in the central area of Heber City, which will further lift limitations compelling developers to use TDR credits.	Downzoning to the point that development density is limiting developers, then offering TDR credits allowing bonus floor area, extra lot coverage, additional building height, or exemptions from permit quotas.
Lack of variances in receiving areas and alternatives to TDR programs	Receiving	There is a policy of annexing land from the county, which does not put a cap on developable land. There is also the desire to upzone commercial areas, which is directly contradictory to the needs of the TDR program. Buying land and developing on unincorporated county land is also an option undermining any TDR program.	Unless these policies are changed, the annexation of lands and tendency to upzone will always limit effectiveness of the TDR program.	Jurisdictions must make a concerted effort to maintain barriers to development which will necessitate the use of TDR programs. The proposed upzoning of commercial areas under form based code is one area that weakens the effectiveness of TDR programs.

Difficult Implementation

- Implementation would be difficult because zoning—and thus residual land value—varies by receiving area. This alters the value of the credit depending on which area receives the North Fields credits, complicating developers' calculus of whether to buy the development credits.

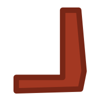
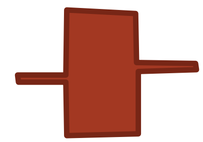
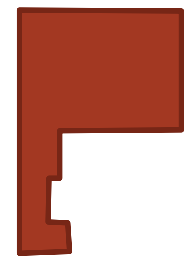
Current Density

Sending (North Fields) base density: 1 unit allowed on 20 acres



Density if TDR Credit Used

If TDR credit sold from Sending (North Fields): 0 units allowed on 20 acres

Receiving base density: 1 units allowed on 5 acres	**Receiving base density: 6.7 units allowed on 1 acre**	**Receiving base density: 1.3 units allowed on 1 acre**
		
If TDR credit bought for receiving area: 3 units allowed on 5 acres	**If TDR credit bought for receiving area: 10 units allowed on 1 acre**	**If TDR credit bought for receiving area: 2 units allowed on 1 acre**
Current Value of 1 Acre of Land- $50,000	**Current Value of 1 Acre of Land- $60,000**	**Current Value of 1 Acre of Land- $50,000**
New Value of 1 Acre of Land- $70,000	**New Value of 1 Acre of Land- $90,000**	**New Value of 1 Acre of Land- $77,000**

Evaluation of Alternatives to a TDR Program

Alternatives to a TDR Program

Programs	Mechanism	Strengths	Weaknesses
Clustering	Site homes on smaller lots within the North Fields and convert the excess land to protected open space.	Helps maintain rural character; does not require increased density.	Improper implementation is a concern, puts development activity within the North Fields, which is contrary to overall goals
Purchase of Development Rights	Land owners sell the development rights to their land, which are then put under a conservation easement.	Permanently protects land from development.	Costly for local governments; program is voluntary, so it is difficult to preserve large tracts of contiguous land.
Land Banking	Land bank acquires, holds, and manages future use/development of the North Fields.	Gives the jurisdiction control over the land and future transactions of that land.	Bank requires continued management, which is potentially as complicated and time intensive as a TDR. Property tax revenue of these banked land parcels are no longer realized for the county
Agricultural Protection Zoning	Zoning restricts development in North Fields to agricultural uses.	Helps prevent agricultural land from being developed in any substantial way; easily implemented.	Does not permanently preserve land as open space or agricultural working land; does not protect North Fields from annexation.
Urban Growth Boundary	Identify short-term growth boundary and assign higher density zoning to areas inside the boundary and rural zoning to areas outside the boundary.	Minimizes sprawl; creates strong transition between developed and rural areas; increases motivation to develop land in the downtown core; maintains separation between cities.	Boundary is not fixed, so it does not prevent future expansion into North Fields.

Alternatives to a TDR Program Contd.

Programs	Mechanism	Strengths	Weaknesses
Rural Growth Boundary	Enact rural growth boundary around North Fields to limit area's uses, development, and access to government services/infrastructure.	Minimizes sprawl; creates strong transition between developed and rural areas; increases motivation to develop downtown core; maintains separation between cities.	Limits long-term development opportunities.
Moratorium	Place temporary hold on new development.	Simple to implement.	Only a temporary measure and negative political fallout is possible
Conservation Easement	Landowners agree to accept restrictions on how they can develop their land without giving up ownership of the land.	Permanently protects land from development; landowners may receive income/estate/property tax benefits.	Tax incentives may not provide enough compensation for landowners; program is voluntary so difficult to preserve large tracts of contiguous land.
Modified County TDR Program	Amend existing Wasatch County TDR program to assign additional credits to North Fields parcels.	Provides more incentives than existing program; credits could be directed to receiving areas beyond Heber and Midway.	Still requires a high level of program management, developer outreach, public education, and limited upzoning/annexation (which is already occurring under existing program).
State TDR Bank	Implement a TDR program in which the county or state would purchase all of the North Field credits.	Protects all of the land at once; requires less ongoing program management.	Complicated; many political entities involved.

Group 1: Requires Changes in Planning, Policy, and Zoning

- RCLCO has grouped the 10 programs that were considered into three groups, with Group 1 made up of the best opportunities and Group 3 being the programs with the combination of difficult implementation and questionable likelihood of success. The three groups were defined as:

  1. Programs requiring changes in planning, policy and zoning
  2. Programs requiring additional new sources of funding
  3. Programs requiring unanimous land-owner buy-in.

- The programs below are RCLCO's most promising programs, because they only require changes in planning and policy, and zoning, which are all mechanisms within the control of the jurisdictions in question. This makes them easier to implement compared to the other programs which require universal landowner buy-in or significant monetary considerations. Their likelihood of success based on the extent to which they do or do not directly protect the land and the complexity of the program.

Program (Overall Ranking)	Ease of Implementation	Likelihood of Success
1. Modified County TDR Program	Because this already exists, it may be easier to implement a North Fields section modification into the larger text. This would provide the additional incentives above and beyond the existing county program to North Fields landowners while spreading out potential receiving areas beyond Heber City and the adjoining county lands.	The county TDR progam has not been used yet, but this could be an opportunity to gain traction and outreach for the program. This could also be tied into a conservation easement program because that would not decrease landowner values when acting in conjunction with a TDR.
2. Agricultural Protection Zoning	Easy to implement if the political will and community buy-in exists. RCLCO processes this broad buy-in as likely given current community interest in protection of the North Fields	Prevents agricultural land from fragmentation from development, however does not permanently protect land.
3. Rural Growth Boundary	Easy to implement if the political will and community buy-in exists. RCLCO processes this broad buy-in as likely given current community interest in protection of the North Fields	Does not permanently protect the North Fields, but would prevent subdivisions and other undesirable forms of development.
4. Urban Growth Boundary	Easy to implement if the political will and community buy-in exists. RCLCO processes this as likely given current community interest in protection	Does not permanently protect the North Fields, but would prevent subdivisions and other undesirable forms of development.
5. Clustering (Conservation Subdivision Design)	Implementing clustering in the zoning code would be feasible given the political interest by the residents to gain some degree of protection of their land uses.	Clustering moves development from a broader area to a smaller defined area. This does not decrease development, so it would be unsuccessful to the primary goal of this effort. This program incentivizes the development of the North Fields, directly contrary to the goals of this effort.

Group 2: Requires Landowner Buy-In

- These programs require landowner buy-in for proper operation. This means that they are dependent on everyone being amenable to surrendering property rights voluntarily. Although it is likely that many owners could agree to a conservation easement or moratorium on their land, it only takes a few hold-outs to ruin the effectiveness of the program. In this case, broad support for the protection of the North Fields is still dependent on individual landowner preferences and not the majority of landowners in the North Fields.

Program (Overall Ranking)	Ease of Implementation	Likelihood of Success
1. Conservation Easement	Once participation is known, permanent protection of those properties is implemented. Broad, unanimous participation is the most difficult aspect.	100% participation unlikely, but vast majority of people believe North Fields should be protected, and would be easy to implement if there is close to universal buy-in.
2. Moratorium	Easier to implement as there is currently a moratorium on development.	By definition, moratoriums are temporary, does not permanently protect the North Fields. The loss of land value makes it likely that the program would upset land owners after a long period of time

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Group 3: Requires New Sources of Funding

- These are the most challenging programs because they require major funds for operation. Therefore, the feasibility of their implementation depends on raising funds. Some available state and federal funds exist, including the Utah LeRay McAllister Critical Land Conservation Fund and the Utah Department of Agriculture and Food-Critical Agricultural Land Conservation Fund. We have included difficulty in funding in the ease of implementation section of the matrix, but if these or other state level sources of funding could be used this could change the dynamics of implementation and success.

Program (Overall Ranking)	Ease of Implementation	Likelihood of Success
1. Purchase of Development Rights	Coming up with a fair price for development rights and determining source of funding are the major challenges	Dependent on funding sources to implement, this permanently protects land, if run well the local government can target locations effectively.
2. State TDR Bank	Complex implementation and many moving parts at different levels of local and state government make this option very difficult to implement.	Without a major local voice in the state-run program, it will be difficult to specifically cater a section of the program to the North Fields.
3. Land Banking	Similar to a TDR program, the implementation of such a program would require management and a large amount of outreach to get effective participation in the program.	Extensive management at the scale of the North Fields program would be difficult, but in terms of mechanics this is less complex than a TDR program because it does not depend on receiving area and their specific economic and zoning characteristics.

Purchase of Development Rights (PDR) Program Analysis

Key Facts

- Upon RCLCO's presentation of findings with the MAG Team, there was agreement that a TDR program is not likely feasible. However, it was acknowledged that the ultimate objective for MAG, Wasatch County, other key stakeholders, and the North Fields Valley, is the ongoing enjoyment of open space and scenic beauty in this area. Therefore, MAG charged RCLCO to further examine a Purchase Development Rights option

- **The definition of Purchase of Development Rights (PDR):** the act of purchasing and permanently nullifying development rights associated with a parcel of land. Because these are transactions, the PDR sale must be tailored to mutually benefit the landowner, the purchaser, and be workable based on the specific characteristics of the land parcel. These are distinct from regulatory programs because these rights are transacted on an open market.

- An important distinction is that the **owner still owns the land, but is compensated for relinquishing the right to develop it as real estate (in this case residential development)**. Because agriculture and other uses can continue unchanged, the total expense is much less than the outright purchase of the land and the associated costs of maintaining the land for the purchasing entity.

- The terms of a PDR sale **needs to be finely tailored to the needs of the landowner, purchasing party, and the parcel of land.**

- For example, many rural counties throughout the West have established these programs creating partnerships between a local government and local land trust to develop a funding and management strategy for land conservation. **Generally, a land trust or a local government purchases the development rights from a willing land owne**r who then establishes a conservation easement on the property which is held by the local land trust or county open space program.

Mechanics of Implementation

- The value of development rights associated with a parcel is determined by subtracting the sale price of the property with a conservation easement in place from the current market value of the property with its development rights intact. **Without development rights, the value of the property is typically reduced by 40-75%.** The exact easement price is established by appraisals or a local easement valuation point system.

- **Easements go with the land, not the owner.** This insures that the particular land easement will exist in perpetuity even if the land is sold to a third-party buyer.

- **Partial sale and partial donation**-when a landowner sells the development rights for less than the full asking value it is a "bargain sale." The difference becomes a tax-deductible charitable donation. These tax deduction considerations can facilitate a PDR transaction
  - As an added small benefit, particularly in family-owned land holdings, PDR's act as a good solution to inheritance tax dilemmas for estates. In these scenarios, a PDR transaction is much more likely to be economically amenable for both parties.

- Therefore, the PDR can be a tool that enhances landowner's own wealth while not reducing the land's utility to the landowner.

Best Practices

- **Be transparent and smart about the process.** Preferably this would mean substantial public input and even a public vote on the matter.
  - For example, Routt County, Colorado, voted to approve the creation of PDR in 1996, and then voted to renew the effort with increased funding through 2025 in 2005.

- **Have an up-to-date comprehensive land use plan.** It is essential that the PDR program work in tandem with the goals of a jurisdiction's land use plan. If not, there will be competing interests that will decrease the likelihood of success for both the land use plan and the purchase of development program.

- **Ask important questions up front.** How important is preservation in relation to other spending priorities? How should the community fund the program? What is the goal for how much open space the program can feasibly preserve?

- **Try to receive concessions from landowners.** With the costs of purchase potentially high, it can be effective to ask landowners for concessions. This is much more likely to occur if the process is transparent, popular, and has been heavily vetted by landowners already.
  - For example, Routt County's PDR program provides only 50% of the total funding needed to complete the transaction, with the landowner donating around 25% and the remainder funded by federal, state, and local agencies. This has cost the County $19.6 million to purchase conservation easements on 39,664 acres. Overall, the cost for preserving these lands have averaged only $522 per acre.

- **Try to structure programs which induce collaboration between landowners**. It can be very effective to provide some collaborative barriers to entry so that the landowner has to work with neighbors to participate in PDR. The collaboration makes landowners partners which makes them think communally instead of considering their sale as an individual's transaction.
  - For example, in Kent County, Maryland, landowners must first form an agricultural preservation district, which may include only one landowner but must include at least 50 acres. State contracts for two independent appraisals of properties to make fair offers. The need to form an agricultural preservation district decreases the number of parcels to be dealt with and provides an outlet for collaboration between landowners.

- **The broad takeaway is this:** most programs are locally grown, developing as a result of private landowners, officials, municipalities, and the broader community having conversations about what they value in terms of protection, and finding creative ways to meet those goals.

Local PDR Program Cost in the North Fields

- Study area 2791 acres
- Roads 60 ROW 113 acres
- Streams 30' ROW 74 acres
- Ditches 30' ROW 133 acres
- Wetlands* 713 acres
- Constrained land 1,033 acres total
- Developable 1,757 acres
- w/o wetlands 2,470 acres

- 10-acre lots 176/247 using wetlands
- 20-acre lots 88/124 using wetlands

*This dataset represents wetland areas as delineated by the National Wetlands Inventory (NWI) conducted by the US Fish and Wildlife Service (USFWS).

CALCULATION

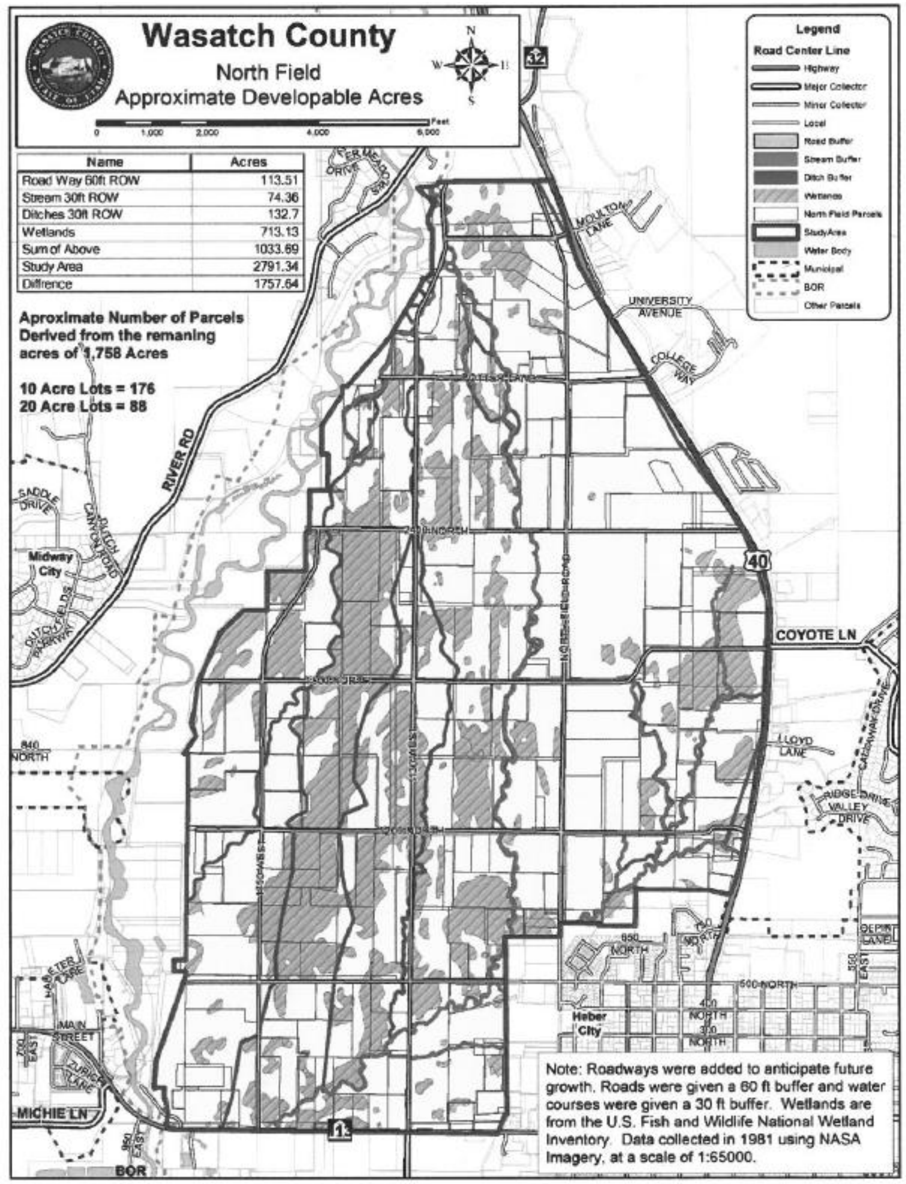
- Developable Acres = **1,757 acres**
- 20 Acre Lots = **88**

- Assessed Value of One Acre = **$40,000**

- Value of 20 Acre Lot = **$800,000**
- % of Value from Development Rights = **40%-75%**
- Total Development Right Value for 20-Acre Lot = **$300,000-$600,000**

- Value of Development Rights (North Fields) = **$26.4 Million**

- Potential Funds from State = **25% of funds**
- Landowner Donations = **25% of funds**
- Total Outlay from Local Governments = **$13.2 Million**



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Funding Sources Overview and Examples

Overview of Potential Funding Sources

Local Sources	Supplemental Sources
• Bonds • Property taxes • Real estate transfer taxes • Sales taxes on certain products or services • General appropriations	• State and federal matching grants • Private monetary donations • Foundation grants

- The most common financing mechanisms have been at the local level, but state funds are often used to supplement locally-funded programs:
  - Montana established a rancher-friendly program funded with fishing and hunting license fees, and **voters in Missoula and Helena each approved $5 million in bonds backed by property tax increases** to fund parks, recreation, and open space programs. In 1999, the Montana Agricultural Heritage Program was created with an initial general fund allocation of $1 million.
  - Douglas County, Colorado, approved a **$25 million revenue bond backed by a sales/use tax** to preserve open space in 1996.
  - In Bernalillo County, New Mexico, voters approved a two year, **½ of 1% sales tax increase** to fund open space preservation in 1998.
  - Routt County, Colorado, enacted a **1.5 mill increase in County property tax** approved by voters for a twenty-year period in 2006.
  - In Carson City, Nevada, voters passed a **half of 1% "quality of life" sales/use tax** for parks, trails, and open space acquisition in 1996.
  - Several counties in Maryland use **local real-estate transfer taxes** supplemented by general fund appropriations to finance their PDR programs.
- The following pages discuss Utah-specific supplemental funding options.

State of Utah Supplemental Funding Option #1
Utah LeRay McAllister Critical Land Conservation Fund

- Administered by the Utah Quality Growth Commission and conceived as an incentive program to encourage the conservation of valuable landscapes, the LeRay McAllister Critical Land Conservation Fund provides matching funds for the preservation and restoration of critical open lands, wildlife habitat, watershed protection areas, scenic and historic lands, and agricultural lands.

- Legislative appropriations are capped at a maximum of $6 million annually; the fund receives monies from a range of other sources including private contributions and proceeds from the sale of state surplus land. The Fund has also leveraged money from federal, other state, local government, and private sources, including landowner donations.

- Recipients of grants include local governments, state agencies, and nonprofit organizations.

- On average, the Commission funds approximately 20% to 25% of total project costs. The LeRay McAllister Fund can only provide up to 50% of a project's total cost; applicants must provide the remaining 50% or more of matching funds. To date, the public and private interest in preserving critical lands has been great enough to leverage an average spending ratio of 5:1 matching the State's contribution.

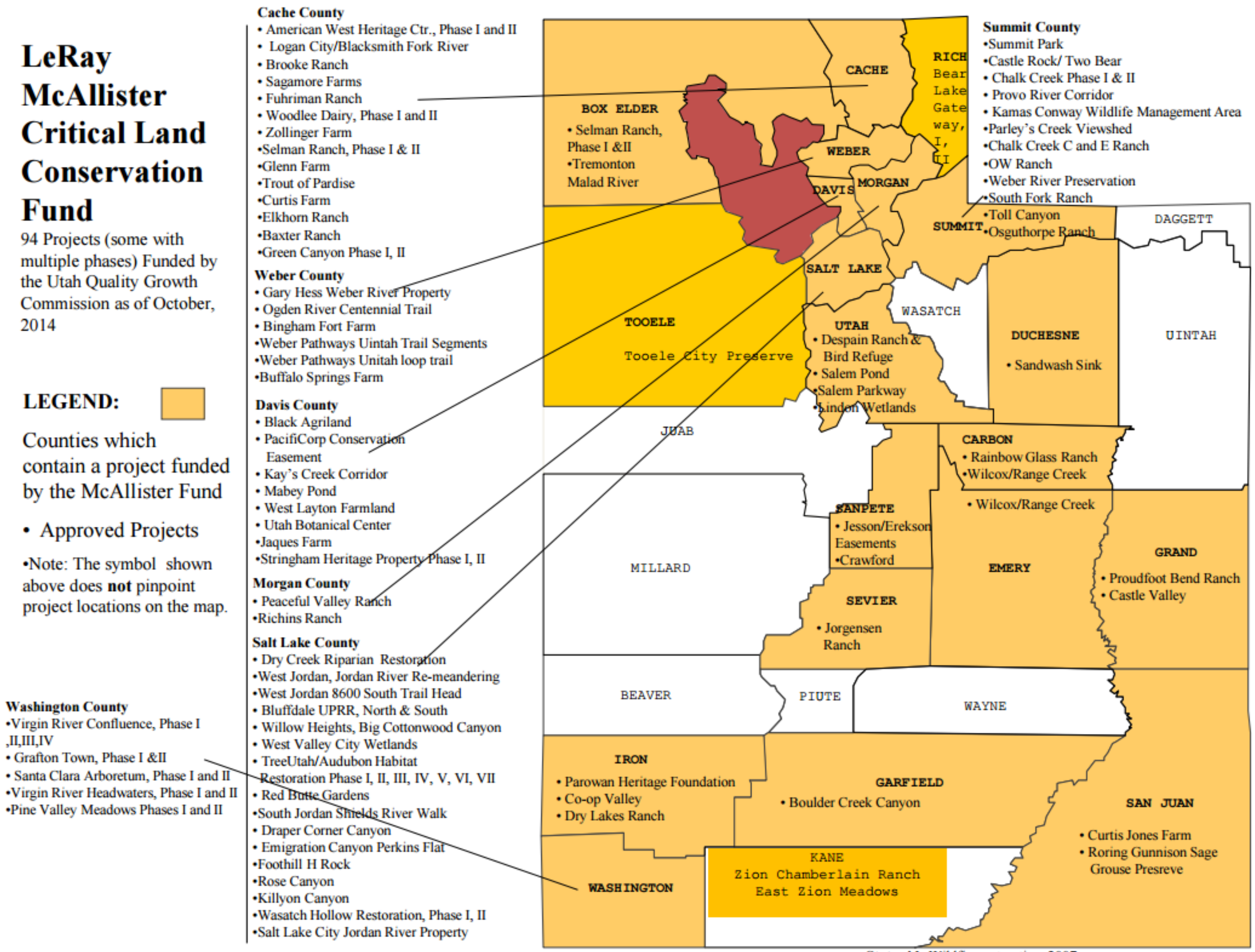
- Donations of land by the landowner may also count as part of the match, but must be based on an independent appraisal of value. An added benefit is that these donations may often count towards certain tax deductions.

- From the perspective of this conservation fund's analysis, the value of a conservation easement can range from 50% to 95% of the market value of the land. However, the conservation easement is typically between 70% and 80% of the market value. Ultimately, the value of the conservation easement must be determined by a qualified appraisal.

State of Utah Supplemental Funding Option #1

Utah LeRay McAllister Critical Land Conservation Fund

- Wasatch County is one of the only counties to not have utilized the LeRay McAllister Critical Land Conservation Fund. As seen below, the 94 total projects that have been funded have a broad geographic extent throughout the state.



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State of Utah Supplemental Funding Option #2

Utah Department of Agriculture and Food - Critical Agricultural Land Conservation Fund

- In order to acquire farmland, the Critical Agricultural Land Conservation Fund was established to receive the proceeds of the sale of surplus state lands. The fund was capped at $100,000, and allocations are made at the direction of the state's Critical Resource Lands Conservation Committee. The Committee focuses on purchasing development rights on working farms and securing long-term leases to agricultural property in an attempt to keep critical resource lands in private ownership. However, no money has ever been added to that fund since 2002.

- The Utah Department of Agriculture and Food does hold conservation easements, but it does not provide any funding for new easements. Until the State Legislature decides to provide more money for the fund, this will remain the case. Money for new easements has come from FRPP, The LeRay McAllister Fund, private foundations, and other public and private sources, including landowner donations.

National Supplemental Funding Sources

USDA Natural Resources Conservation Service: 2016 Agricultural Conservation Easement Program (ACEP)

- NRCS may contribute up to 50% of the fair market value of the agricultural land easement. Where NRCS (Natural Resources Conservation Service) determines that grasslands of special environmental significance will be protected, NRCS may contribute up to 75% of the fair market value of the agricultural land easement.
- Permanent Easements are conservation easements in perpetuity. NRCS pays 100% of the easement value for the purchase of the easement, and 75% to 100% of the restoration costs.
- This is funded through the Farm Bill.

The Nature Conservancy

- The Conservancy today only will accept donations of conservation easements or purchase an easement on lands where significant conservation benefits are obtained. The Conservancy has increasingly focused on areas that have been identified as "portfolio sites" through eco-regional planning, a scientific process conducted by Conservancy scientists and outside experts.
- The Conservancy has often turned down offers of donations of conservation easements on lands that do not fulfill the Conservancy's mission, even though the lands may have important ecological values.
- In recent years, the Conservancy has bought land in critical conservation areas (especially land that buffers and surrounds core natural areas), placed conservation easements on the land and then resold the restricted property. This is referred to as a "conservation buyer" project.

Additional Potential National Funding Sources

Regional/National Land Conservation Organizations			
Name	**Purpose**	**Location**	**Contact**
The Conservation Fund	Partnership-driven organization that assists federal and state agencies and land trusts in accomplishing their land conservation goals through land acquisition and other programs. The Conservation Fund generally acquires land and conservation easements on behalf of its partner organizations and works with those partners to secure funding for their eventual transfer into public ownership.	Wyoming office in Jackson; offices also in Missoula, MT, and Ketchum, ID	(307) 733-2360 www.conservationfund.org/mountainwest
Heart of the Rockies Initiative	Partnership of 23 national, state, and local land trusts that seek to conserve the most biologically rich and agriculturally productive private lands in the Northern Rocky Mountain Region.	Driggs, ID	(208) 354-2075 www.heart-of-rockies.org
The Land and Water Conservation Fund	Federal program that provides matching grants to local and state governments for acquisition and development of public outdoor recreation facilities and areas.	Wyoming office in Cheyenne through the Department of State Parks and Cultural Resources	(307) 777-6324 www.nps.gov/lwcf
The National Fish and Wildlife Foundation	Seeks to preserve and restore wildlife species and habitats. The organization directs public conservation dollars to pressing environmental needs and matches those investments with private funds.	Western regional office in Portland, OR	(503) 417-8700 www.nfwf.org
The National Forest Foundation	Foundation has mission to bring people together to restore and enhance national forests and grasslands. It primarily administers private gifts of funds and land for the benefit of the national forests.	Regional office in Missoula, MT	(406) 542-2805 www.nationalforests.org
The Nature Conservancy	Protects ecologically important lands and waters for nature and people through easements, conservation buyer programs, and direct acquisition.	Wyoming offices in Lander, Cody, Sheridan, Cheyenne, and Jackson	Lander (307) 332-2971 Cody (307) 587-1655 Sheridan (307) 673-0992 Cheyenne (307) 286-7661 Jackson (307) 733-8890 www.nature.org/ourinitiatives/regions/northamerica/unitedstates/wyoming/index.htm
The Trust for Public Land	National, non-profit, land conservation organization that conserves land for people to enjoy as parks, community gardens, historic sites, rural lands, and other natural places.	Northern Rockies field office in Bozeman, MT	(406) 522-7450 www.tpl.org/what-we-do/where-we-work/wyoming

SOURCE: Private Lands Conservation Toolkit and Training for Wyoming Land Managers, University of Wyoming, 2011

Sources for Additional Non-Financial Assistance

National and Regional Organizations that Provide Analysis, Information, and Coordination for Land Preservation			
Name	Purpose	Location	Contact
American Farmland Trust	Stops the loss of productive farmland and promotes farming practices that lead to a healthy environment.	Washington, D.C.	(202) 331-7300 www.farmland.org
Land Trust Alliance	National convener, strategist, and representative of over 1,600 land trusts in the U.S.	Regional office in Missoula, MT	(406) 549-2750 www.landtrustalliance.org
Partnership of Rangeland Trusts	Association of locally based and agriculturally focused rangeland conservation organizations.	Arvada, CO	(401) 423-3547 www.maintaintherange.com
Sonoran Institute	Promotes community decisions that respect the land and people of western North America. The Institute's Partnership for Wyoming's Future provides a statewide voice for better land use planning, state and local economic development, and policies that protect lands and waters, conserve working agricultural landscapes, and help communities improve their quality of life.	Partnership for Wyoming's Future is based in Cheyenne, WY	(307) 675-1970 www.sonoraninstitute.org/where-we-work/northern-rockies/partnership-for-wyomings-future.html
Rocky Mountain Land Use Institute	The mission of the Rocky Mountain Land Use Institute is to serve the public interest as an interdisciplinary, non-partisan forum for land use and environmental issues in the Rocky Mountain West through education and research programs on legal and public policy issues related to land use and development.	University of Denver College of Law, Denver, CO	(303) 871-6319 www.law.du.edu/index.php/rmlui
Sustainable Agriculture Research and Education (SARE)	SARE is a program of the U.S. Department of Agriculture that functions through competitive grants conducted cooperatively by farmers, ranchers, researchers, and agriculture professionals to advance farm and ranch systems that are profitable, environmentally sound, and good for communities.	Western Region Host Institution at Utah State University in Logan, UT Professional Development at the University of Wyoming SARE Center in Lingle, WY	(435) 797-2257 http://wsare.usu.edu/

SOURCE: Private Lands Conservation Toolkit and Training for Wyoming Land Managers, University of Wyoming, 2011

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 grow at a stable and moderate rate to 2020 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 an economic and real estate upturn will end.

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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