



COTTONWOOD HEIGHTS

# ECONOMIC RESILIENCY PLAN

## DRAFT

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# INTRODUCTION

The COVID-19 pandemic has affected households and businesses worldwide. Cottonwood Heights, like many communities, used federal, state, and local funding to respond to the crisis and provide support to residents. While the measures taken by Cottonwood Heights, Salt Lake County, the State of Utah, and the United States addressed many of the immediate impacts caused by pandemic, longer term changes are expected.

This report identifies key pandemic-related trends in the real estate and land use sectors that may impact Cottonwood Heights residents and businesses. Fully understanding the lasting impacts may necessitate changes to policy or ordinances to properly support city businesses and remain an appealing location for new businesses in a post-pandemic market.



## INITIAL RESPONSE

As the pandemic progressed during 2020 and 2021, Cottonwood Heights utilized resources offered by the state and federal governments to:

- Ensure that first responders had appropriate PPE and tools to continue to serve the community
- Work closely with all levels of government to implement best practices including rules impacting business operations and public gatherings
- Refer residents and businesses to financial and operational assistance resources

- Identify barriers to changing business models to allow businesses to continue to serve the public

In addition to addressing the needs of residents and businesses amid the pandemic, Cottonwood Heights, like many communities worldwide, experienced fiscal uncertainty. In response, the city reassessed the municipal budget to identify expenditures that could be eliminated or deferred during the pandemic and revised revenue projections downward. Fortunately, the city's revenues ultimately remained strong throughout the pandemic.

## MEASURING IMPACT

In early- to mid-2021, the COVID-19 vaccine became available, and businesses began to enjoy a steady stream of customers, schools reopened to students, and people went back to work. The city commissioned an evaluation of the economic impact of COVID-19 to better understand both the immediate effects of the pandemic, as well as the lasting changes to business models.

### ECONOMIC IMPACT STUDY RESULTS

The Economic Impact Study found that like many other suburban communities in Utah, the pandemic had a positive impact on sales tax revenues in Cottonwood Heights—a result of Utah's sales tax distribution formula. In Utah, each municipal jurisdiction is authorized to levy a 1 percent local sales tax. Total tax revenues are distributed 50 percent based on point of sale and 50 percent based on share of statewide

population. As a result, Cottonwood Heights receives 0.5 percent on sales made at stores within the city and an amount that represents roughly 1 percent of all local sales tax revenues deposited in the population distribution pool.

During the pandemic, many residents shifted their purchases from in-store to online. As a result, the “point of sale” was their residence rather than a store in another jurisdiction. Where Cottonwood Heights City has traditionally “leaked” sales to other jurisdictions, it instead experienced a 15 percent increase in taxable sales between third quarter 2019 and third quarter 2020 and saw a 39 percent reduction in leakage.

The results of the Economic Impact Study are an indicator of one of several key economic shifts resulting from pandemic.

# NATIONAL TRENDS & COTTONWOOD HEIGHTS

According to the Urban Land Institute, there are several key lasting trends resulting from the pandemic that will affect real estate and development<sup>1</sup>. They include:

## FLEXIBILITY AND CONVENIENCE

- Changed expectations of how people will use retail, residential, and office properties in the future
- A renewed emphasis on work/life balance, particularly for working and shopping from home

## FLEXIBLE WORK

Working from home ('WFH,' or 'remote work,') exploded during the lockdown, but not for all workers. As the economy has reopened, white-collar professionals have primarily enjoyed the luxury of remote work. Remote work entails:

- Converting space at home to provide a functional workspace, typically at the employee's expense
- Upgrading digital infrastructure at the workplace and at home
- Reducing the overall need for commercial office space

The full impact on the office sector is not yet fully clear. In Cottonwood Heights, the impacts on the city's two major office developments – Fort Union Center and the Cottonwood Corporate Center,

varied by tenant type. Tenants working in sectors such as real estate or local companies returned to the office relatively early. Meanwhile, local offices of national corporations continued to work from home on an extended basis. Tenants working in sectors such as entertainment, hospitality, and food service generally struggled from the heavy hit of the pandemic. Most building managers indicated that their tenants utilized national public private partnership, or 'PPP' funding to pay rent and maintain leases.

By 2021, tenants who had returned to the office experienced 75 percent of the workforce taking advantage of flexible scheduling, and only 25 percent of the workforce onsite on a regular basis. Tenant reconfigurations and remodels have focused on increasing cubical sizes and reducing shared work environments to allow for social distancing. The impact of flexible work may not be fully understood until existing leases expire in late 2022 or 2023, but it appears that it will be a permanent part of future operations for many businesses. Aside from the advantages of remote work models to public health, many businesses have continued to offer flexible work arrangements as a retention and recruitment strategy.

To respond to tenant concerns, buildings have upgraded their HVAC systems, improved sanitation standards in shared areas, and begun exploring other strategies to make employees more comfortable.

*"When push came to shove, our employees largely chose to stay home even though they had asked for the office to be open. It came down to them making a value call each morning."*

~ Investment Firm, CEO



<sup>1</sup> Emerging Trends in Real Estate, 2022, Urban Land Institute



## FLEXIBLE SHOPPING

The trend toward online shopping started well before the pandemic, but it was accelerated by the related lockdown restrictions. All retailers,

*“The customer wants a seamless experience from the store to the website.”*

~ Shopping Center Owner

not just brands such as Amazon, stepped up and improved their online presence and offerings. Consumers were suddenly willing to purchase items online they not previously considered, such as groceries. Flexible shopping entails:

- Continued retailer adaptation to respond to customer demands
- E-commerce infrastructure upgrades
- Changes to shopping centers, especially
  - Expansion of outdoor dining areas
  - Product pick up infrastructure

In Cottonwood Heights the Economic Impact Study identified several retail categories that experienced notable and consistent increases to sales during the pandemic. Table 1 is a summary of the Economic Impact Study Findings.

- Grocery
- General Merchandise
- Home Improvement

*“Retail stores, as they’re configured today, aren’t great for fulfillment. They need to be reconfigured.”*

~ Retail Consultant

Categories that have struggled during the pandemic, consistent with national trends, include:

- Restaurants
- Home décor and specialty stores
- Clothing stores





**Table 1: 2019/2020 Retail Capture Rates by Major Category**

CATEGORY	2019 CAPTURE	2020 CAPTURE RATE	CHANGE
Motor Vehicle & Parts Dealers	8.0%	8.6%	0.6%
Furniture & Home Furnishings Stores	7.2%	7.6%	0.4%
Electronics & Appliance Stores	122.3%	136.5%	14.2%
Building Material and Garden Equipment & Supplies Dealers	123.3%	128.7%	5.4%
Food and Beverage Stores	163.9%	178.2%	14.3%
Health & Personal Care Stores	275.5%	297.1%	21.6%
Gasoline Stations	59.5%	59.7%	0.2%
Clothing and Clothing Accessory Stores	93.7%	84.2%	-9.5%
Sporting Goods, Hobby, Book, and Music Stores	78.8%	87.1%	8.3%
General Merchandise Stores	106.4%	112.2%	5.8%
Miscellaneous Store Retailers	64.3%	70.4%	6.1%
Nonstore Retailers	91.4%	165.3%	73.9%
Performing Arts/Spectator Sports, & Related Industries	202.9%	138.5%	-64.4%
Museums, Historical Sites, and Similar Institutions	0.0%	0.0%	0.0%
Amusement, Gambling, and Recreation Industries	5.4%	4.5%	-0.9%
Accommodation	21.8%	22.9%	1.1%
Food Services & Drinking Places	92.5%	71.9%	-20.6%
Repair and Maintenance	20.6%	21.6%	1.0%
Personal and Laundry Services	55.5%	74.3%	18.8%
<b>Total</b>	<b>83.3%</b>	<b>89.8%</b>	<b>6.5%</b>

Source: Zions Bank Public Finance

One local restaurant owner indicated that workforce and supply chain challenges have been difficult to overcome. Larger format retail providers, typically including national chains, indicated that restaurants will continue to incorporate pickup and delivery as part of their operations moving forward. This likely means more demand for drive thru queues, as well as reallocation of parking stalls in major centers.

## FLEXIBLE HOME

During the pandemic, many homes became workplaces, stores, gyms, schoolhouses, and entertainment centers. These uses can conflict with the primary function of residences as homes and households, and it was common to see an uptick in building permits and home improvement

retail sales as residents completed renovations to accommodate this spectrum of uses.

The remote work trend has also allowed employees to seek housing in less urban areas, bringing people into suburban areas that were not previously considered viable employment centers in the past. New housing trends entail:

- Increased demand for housing remodels and upgrades
- Desire for workday amenities closer to home

Housing in Cottonwood Heights is generally more expensive than in other areas of Salt Lake County. This means that essential workers such as teachers, public safety personnel, and service workers may find it difficult to live near their place of employment.

For workers in sectors which allow remote work, access to amenities and services normally enjoyed in office-adjacent urban cores is further away and less convenient. As more people work from home, and as the cost of fuel and congestion increases, Cottonwood Heights neighborhoods and housing stock will need to adjust to provide additional services and options.

## WORKFORCE

Cottonwood Heights business representatives indicated that one of the biggest challenges is workforce availability. Retail and service positions are unfilled, affecting the ability to meet customer demand. Several workforce related concerns were cited by Cottonwood Heights business owners, including:

- Access to affordable housing near place of employment
- Presence of social environments within neighborhoods as means of encouraging socialization and enhancing mental health
- Emergency plans and procedures, including those for natural disasters

- Increased flexibility in land uses to allow for additional housing

## HOUSING

Housing affordability worsened during the pandemic. There are four related issues underlying the housing affordability crisis in the United States:

- Millions of potential homebuyers were priced out of the market as home increased faster than wages.
- Many lacked sufficient savings to make down-payments
- Households continued to rent versus buy as rents outpaced incomes. In Cottonwood Heights, 22 percent of all households are cost burdened, meaning they pay more than 30 percent of their household income on rent or mortgage payments.

A household that pays more than 30 percent of household income for rent or mortgage is more likely to lose its housing when unexpected expenditures arise or an event such as the pandemic occurs.

**Table 2 - Table 2: Cost Burdened/Severely Cost Burdened Households by Income Level - Cottonwood Heights**

	COST BURDENED	SEVERELY COST BURDENED	TOTAL	% COST BURDENED - ANY LEVEL	% SEVERELY COST BURDENED
Household Income <= 30% HAMFI	525	510	740	71%	69%
Household Income >30% to <=50% HAMFI	545	195	810	67%	24%
Household Income >50% to <=80% HAMFI	700	130	1,720	41%	8%
Household Income >80% to <=100% HAMFI	420	30	1,200	35%	3%
Household Income >100% HAMFI	580	115	8,190	7%	1%
<b>Total</b>	<b>2,770</b>	<b>989</b>	<b>12,660</b>	<b>22%</b>	<b>8%</b>

Source: 2017 4-Year HUD Comprehensive Housing Affordability Strategy Data (CHAS)

# KEY THEMES FOR COTTONWOOD HEIGHTS

Based on the analysis and stakeholder interviews, several key themes were identified:

- Labor shortages are occurring on a city-wide scale, both through the inability to find new employees, as well as the demand for higher than market rate pay for positions.
- Parking needs are evolving as hybrid work models, temporary parking stalls, and drive thru configurations are gaining popularity.
- Office tenants and restaurants found public private partnership ('PPP') loans helpful in addressing rent burdens.
- Workforce housing is needed to allow employees to live near where they work.
- Around 90 percent of tenants returned to the office at least part-time.
- Square foot of office space per office employee is increasing as social distancing protocols are continued
- Most tenants adhered to CDC guidelines during the pandemic and followed health department directives to keep employees and customers safe. Improved sanitization and cleanliness are the "new normal."
- Access to high-speed internet is a critical consideration for the future.
- Delivery truck traffic on local roads is an ongoing and increasing trend.



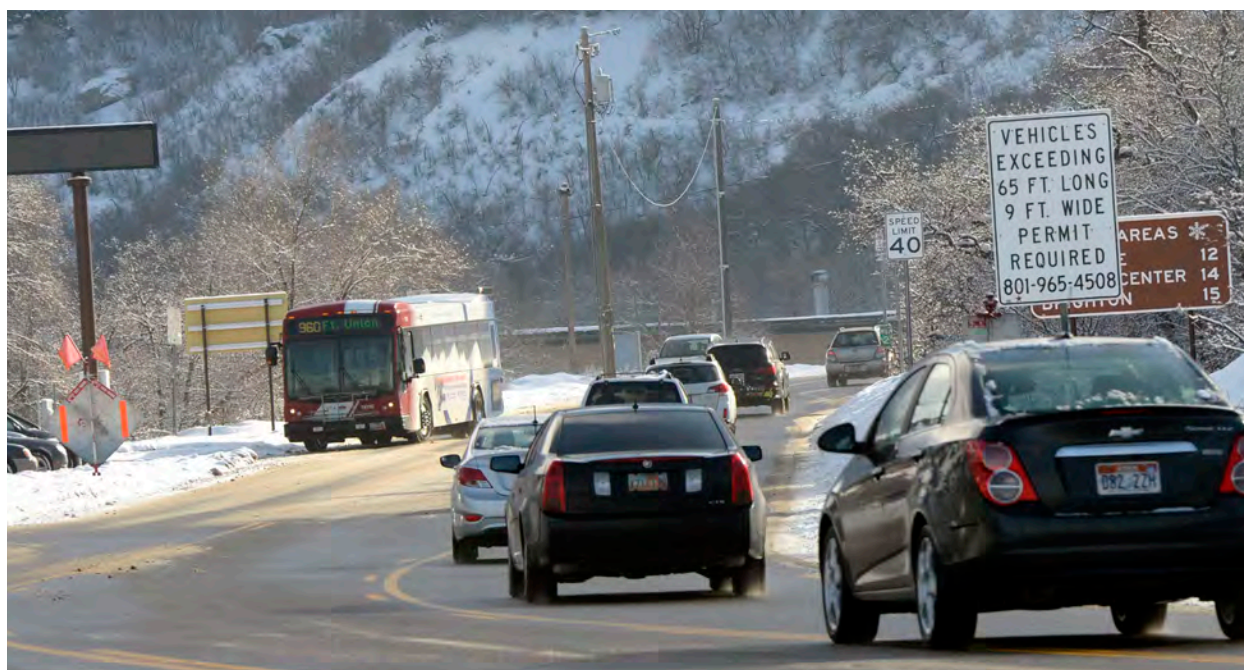




## RECOMMENDATIONS

1. Continue to coordinate with county, state, and federal partners in identifying the appropriate response to threats from natural disasters, pandemics, climate change, and other hazardous occurrences.
  - Identify a primary point of contact for each type of potential occurrence and create a specific readiness plan.
  - Work with the Cottonwood Heights Business Association to identify strategies to keep businesses and essential services open and available to residents following a hazardous occurrence.
2. Continue to implement the Cottonwood Heights Moderate Income Housing Plan.
  - Allow for higher density or moderate-income residential development in commercial and mixed-use zones, commercial centers, or employment centers.
  - Implement zoning incentives for low- to moderate-income units on a long-term basis.
  - Utilize a moderate-income housing set
- aside from a community reinvestment agency, redevelopment agency, or community development and renewal agency.
3. Identify opportunities to increase the availability of workforce housing near employment centers
  - Encourage the development of dense, mixed-use areas at key locations in the city including the Gravel Pit and underutilized commercial areas.
  - Improve the trail system in Cottonwood Heights to enhance multi-modal connectivity between housing, shopping centers, and employment.
4. Enhance the remote work environment for residents to better capture sales tax revenue that is typically generated by workers in business parks
  - Identify opportunities to create neighborhood-scale commercial nodes within walking/biking distance of all neighborhoods
  - Partner with area providers to promote access to broadband for all households and businesses

- Work with area businesses and residents to enhance social interaction within the community
5. Create a “Curb Management” policy for each area of the city that identifies strategies to
- Reduce curb side conflicts between delivery vehicles, rideshare vehicles, residents, and customers depending on neighborhood type
  - Identify “drop” or “wait” zones in highly trafficked areas to better manage local traffic
6. Review and update, if needed, zoning regulations addressing the transition of underutilized commercial areas such as “strip malls” to multi-use areas that include an appropriate combination of:
- i. Residential
  - ii. Retail
  - iii. Office
  - iv. Services
  - v. Community amenities
- Take advantage of new market demand for vibrant, mixed-use neighborhoods throughout the city to reduce traffic and other impacts
  - Enhance long-term fiscal resiliency in the city through improved performance of currently zoned and developed commercial areas
  - Ensure that parking regulations meet the needs of the new development and minimize impact on surrounding neighborhoods
7. Review zoning codes to address the changing needs of retailers
- Update parking requirements to ensure that short-term and long-term stalls are balanced with current business practices
  - Review the permitted/conditional use table in all zoning district to update provisions related to drive-thru standards, retail fulfillment center standards, and delivery truck access requirements.







# APPENDIX

## STAKEHOLDER SUMMARY

### Key Themes:

- Labor shortages are occurring on a city-wide scale, as evident by the difficulty to find new employees, as well as the demand for higher than market rate pay for existing positions.
- Parking needs are evolving as hybrid work models, temporary parking stalls, and drive thru queues are gaining popularity.
- Office tenants and restaurants found public-private partnership or “PPP” loans helpful in maintain operations.
- Workforce housing is necessary to allow employees to live near where they work.
- Around 90 percent of tenants are back in the office at least on a part-time basis.
- Most tenants are adhering to CDC guidelines, including masking and increased sanitization standards.

## INTERVIEW 1 – RESTAURANT – ROOT'D CAFÉ

*Sean Steinman – Root'd Café*  
*Small Business Owner*  
*Restaurant Category*

### Key Points:

- Chose to enhance tips with increased base pay to retain employees.
- Supplemented \$5,000/week during the initial stages of the pandemic to keep the business open.
- Identified the largest opportunity for improvement as activating the community with robust social nets to fulfill basic needs such as health care and childcare support.
- Experienced supply chain shortages because of COVID, wildfires, and other events. This has increased costs by 35%.
- Experienced skilled employees demanding 30-40% more than market rate. The

expiration of temporary unemployment wages has improved the workforce selection slightly.

- Identified an opportunity for communities to provide financial planning support for resiliency planning and government stipend funding.
- Supports the consideration of workforce housing so employees can live near their places of employment.
- Supports a focus on developing neighborhood nodes and active transportation infrastructure to encourage social interaction.

### Notes:

#### How did the pandemic affect your business during the earlier months and later stages?

- The pandemic had an immense impact on this business, but fortunately as a “passion project” for the owners, it was feasible to absorb the revenue losses with other income.
- Changes made during the pandemic included an occupancy reduction by 50%, and enhanced health requirements. Notably, staffing increased by 35%.
- The business paid employees \$12/hour to offset the lack of tips.
- The business initially closed for a month and a half, and furloughed all non-management personnel, with management remaining on salary.
- Operating expenses increased during reopening to prioritize health and safety but are now stabilized at a lower rate.
- Customer base decreased by 75%, and pickup and delivery options were introduced to address this decline.
- The business experienced increased cost for food product.
- Identified the biggest barrier as managing the psychological effects of the pandemic, including fear and anxiety over potential job loss.

### Have you experienced supply chain disruptions and staff shortages?

- 2020 supply chains were dismal as result of reduced meat allocations and extreme wildfires' impact on produce. Some of these shortages still exist, underscoring a 35% cost increase to menu items.
- Between September 2020 and today, the owners typically conducted 20 interviews/ week, but often experienced new employees failing to show up for shifts after being hired. This was perhaps a result of workforce simply "meeting the quota" to qualify for unemployment wages.
- The national discussion of a \$15/hour minimum wage is pushing wages up, making it difficult to price menu items.
- Utah's governor discontinuing unemployment wages prompted the return of employees but didn't completely solve the issue.

### In what ways, if any, have you changed the way you run your business because of the pandemic? What other permanent changes do you see?

- Social interaction is important, and delivery services such as Door Dash shouldn't be more than 15 - 20% of business operations in order to encourage interactions.
- It is important to create a social environment within neighborhoods.
- Inflation may persist, which could impact the business and its employees.
- Real estate costs in Cottonwood Heights increased by 26% over the last year. Employees can't afford to live in the community they serve, and workforce housing should be considered.
- Root'd Café will likely increase prices in the next year to account for economic variables and cost of food product.

## INTERVIEW 2 – OFFICE – PARK CENTRE

*Nate Thompson, Mecca Property Management  
Park Centre Office Park  
Office Category*

### Key Points:

- Many tenants are real estate services, brokerages, etc. and tended to fare well throughout the pandemic.
- No notable changes were made to office layouts or programming, other than growth plans to accommodate an influx of workers.
- 60-70% of tenants worked in-office during the pandemic, and 90% have returned to the office.
- The property management group used public private partnership or "PPP" funding, as did many of the tenants. Rent relief was given to several tenants which returned within 6-8 months.

### Notes:

#### How did the pandemic affect your leasing and tenants during the earlier months? Now?

- An event management company is one of the few tenants still struggling from pandemic losses.
- Leasing and construction services came to a halt during the pandemic but have picked up an increased to a higher level than pre-pandemic rates.
- Union Park Center has some national tenants, but more regional businesses.
- Many tenants are experiencing labor shortages, and the office park's landscaping company is having issues staffing.

#### Largest changes because of pandemic

- Enhanced janitorial and maintenance services were the largest changes made to operations, including increased sanitation practices for office spaces.

### Largest changes because of other issues

- The property management group realized the need for emergency plans and procedures for natural hazards. This has prompted the switch from paper documents to digital files, to allow for continued work in the event of office vacation.

## INTERVIEW 3 – OFFICE – OLD MILL

*Misti Milner, Beckstrand and Associates  
Old Mill Corporate Center  
Office Category*

### Key Points:

- The need for parking was greatly reduced during the pandemic as people worked from home. As of September 2021, only 50% of the pre-pandemic cars are in the parking lot.
- Many employers are having difficulty getting people to return to in-office work schedules.
- 75% of campus has flexible scheduling, with 25% remaining on campus throughout the entire pandemic.
- The office park is experiencing slow leasing activity and is developing recruitment strategies with the city.
- Businesses are making cubical spaces larger to accommodate social distancing.
- Tenants are expressing concerns over their carbon footprint, and the office park is considering solar power as a result.

### Notes:

#### How did the pandemic affect your leasing and tenants during the earlier months? Now?

- The Old Mill Corporate Center was approximately 95% occupied before the pandemic. Only one small-scale tenant chose to work from home during the pandemic but is still paying rent.
- Many tenants had the ability to work from home before the pandemic with an already

established remote work model.

- Tenants of the office park saw public private partnership or “PPP” loans as helpful.
- After lockdown restrictions ended, smaller local companies generally returned to office, while larger corporate companies followed national trend by remaining remote. Some companies are implementing a tradeoff model of remote work schedules.
- There were mixed personal protective equipment or “PPE” requirements for medical offices within the office park, but all common areas followed CDC guidelines.
- Many employers are having difficulty getting people back in the office and are working on creating an environment that feels safe for employees.

### Largest changes because of pandemic

- Desk spaces were reconfigured to adhere to 6’ social distancing standards.
- Trends are moving toward individual workspaces within office floorplans to make employees feel safe.
- The Office Park improved their HVAC system, which has led to an increased cost but makes tenants more comfortable.
- Sanitization and cleanliness standards will likely be a permanent fixture.

### Largest changes because of other issues

- NNN leases – Common Area Maintenance (CAM) expenses are a key consideration.

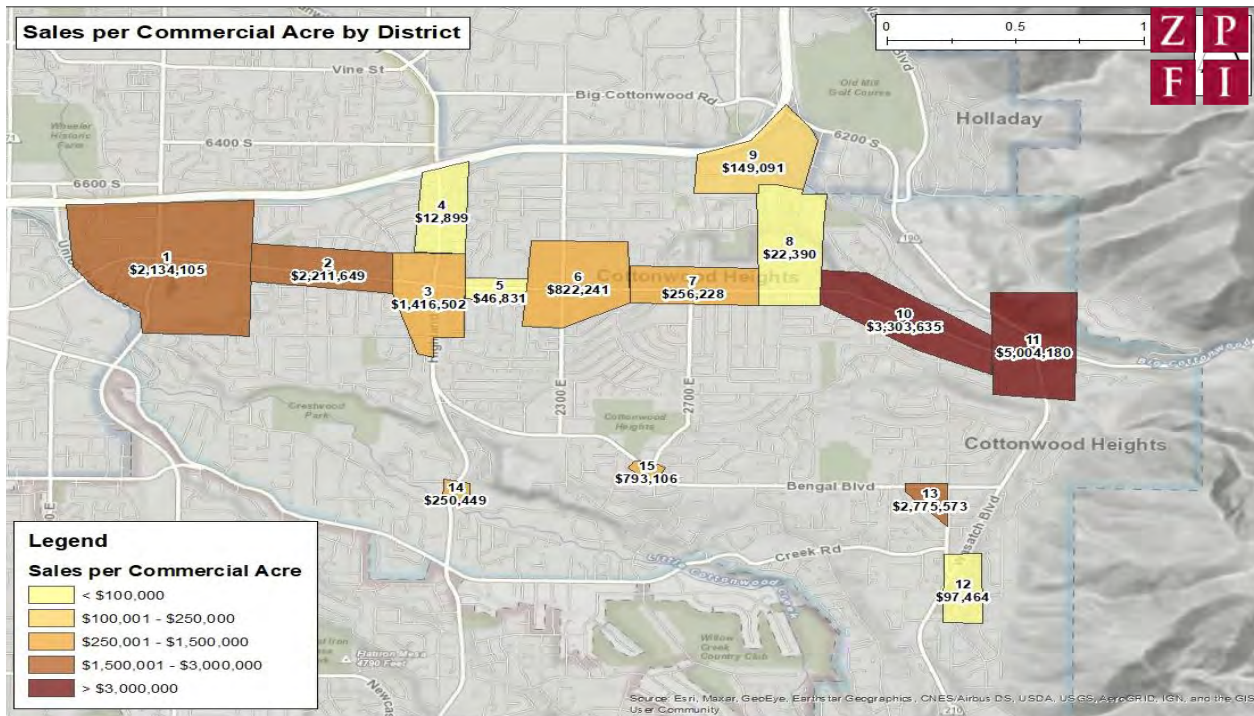
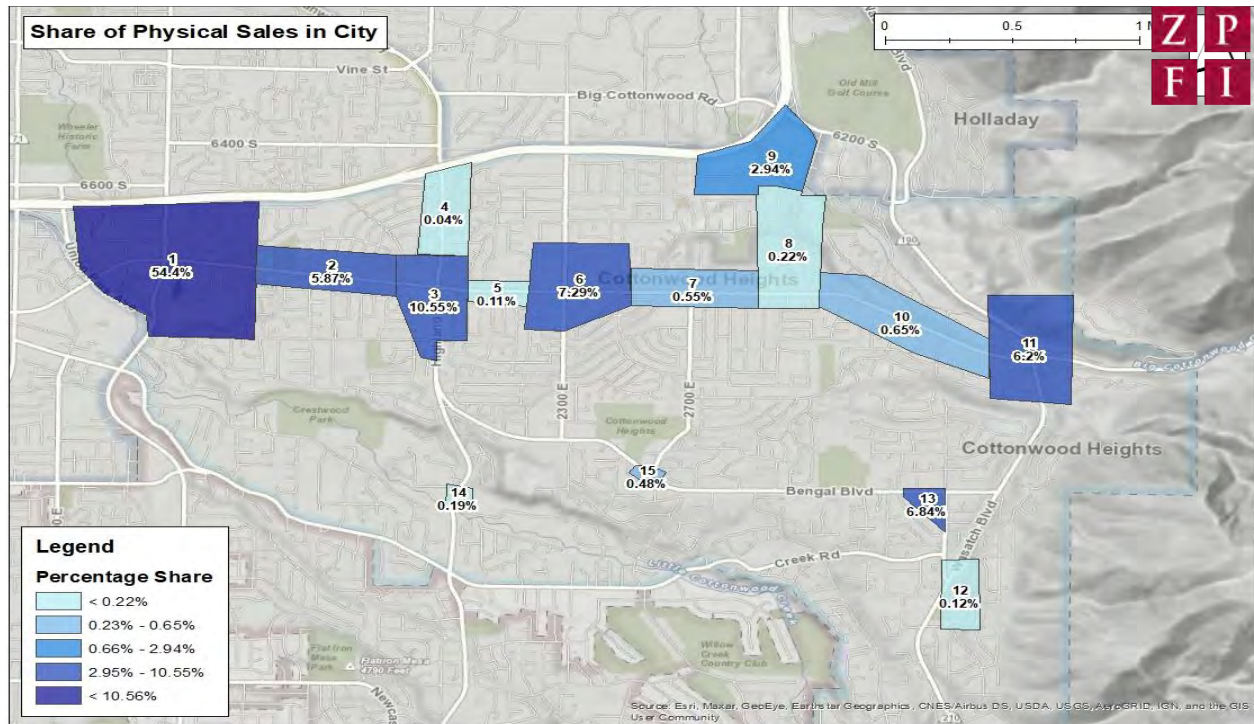




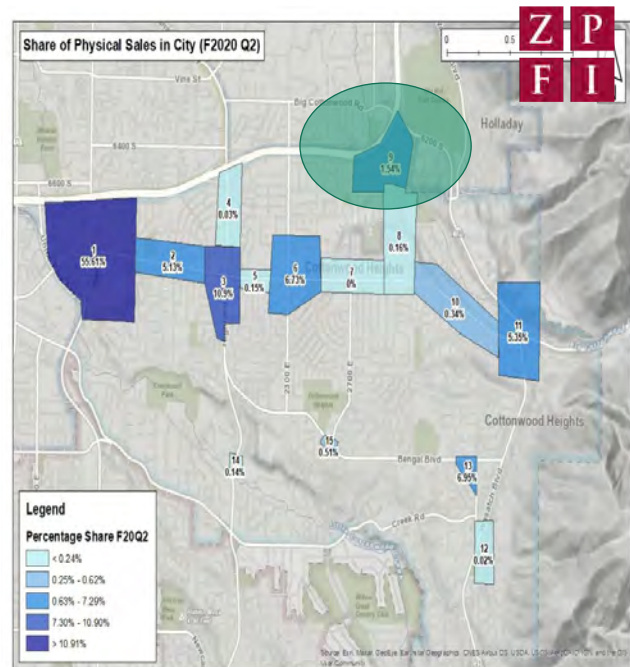
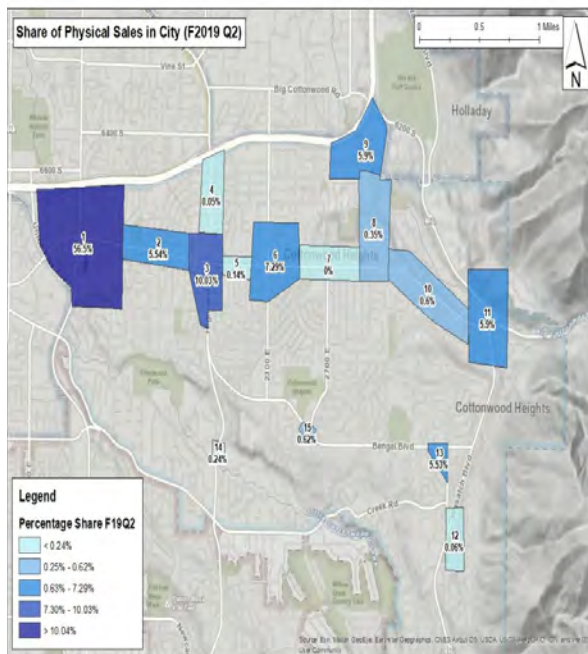
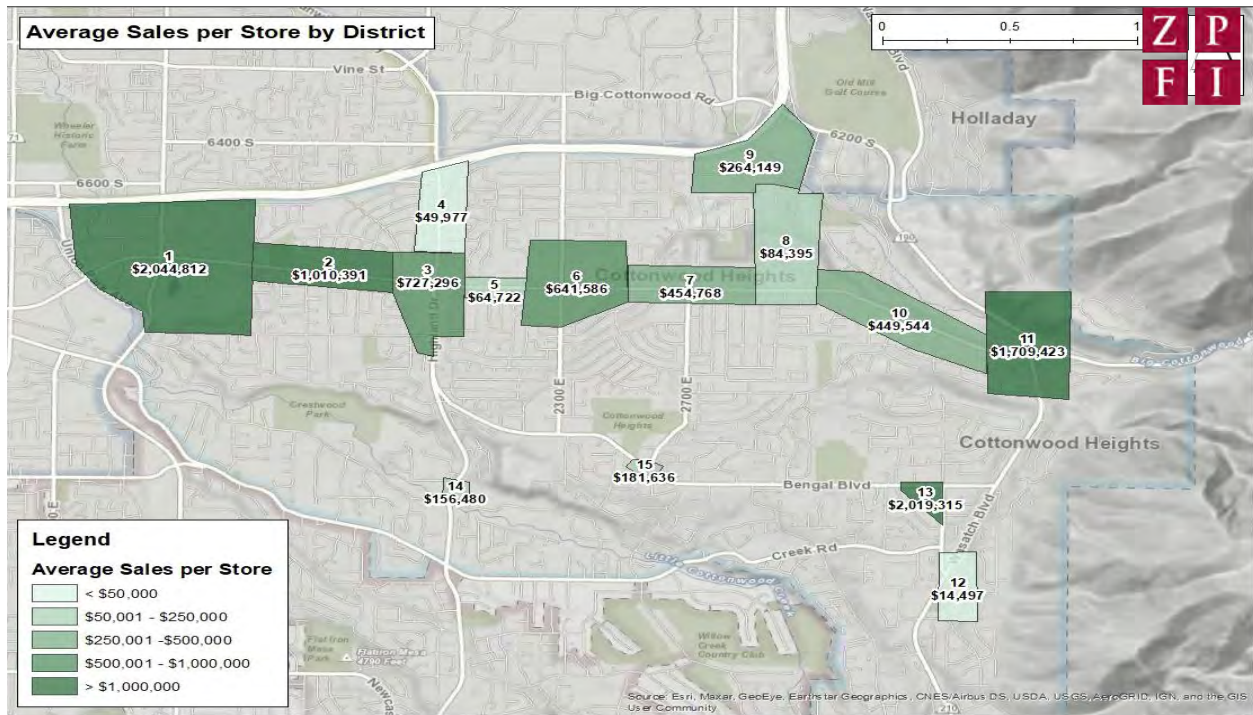
## Commercial Market Trends Economic Impacts of COVID-19 Salt Lake Region and Cottonwood Heights



## Sales Activity – Historical and Current Cottonwood Heights











## Sales Leakage Cottonwood Heights



	2020 Leakage	2020 Capture Rate	2019 Leakage	2019 Capture Rate	2013 Leakage	2013 Capture Rate
<b>Motor Vehicle and Parts Dealers</b>						
New Automobile Dealers	(\$46,543,758)	0.46%	(\$46,717,190)	0.09%	(\$48,369,742)	0.07%
Used Car Dealers	(\$16,596,740)	0.09%	(\$16,596,559)	0.09%	(\$12,386,446)	0.49%
Other Motor Vehicle Dealers	(\$5,514,988)	31.28%	(\$5,491,031)	31.57%	(\$3,702,327)	41.29%
Automotive Parts, Accessories, and Tire Stores	(\$5,943,723)	41.69%	(\$6,273,064)	38.46%	(\$7,972,734)	29.45%
<b>Subtotal</b>	<b>(\$74,599,209)</b>	<b>8.57%</b>	<b>(\$75,077,844)</b>	<b>7.98%</b>	<b>(\$72,431,250)</b>	<b>7.68%</b>
<b>Furniture and Home Furnishings Stores</b>						
Furniture Stores	(\$8,426,151)	6.47%	(\$8,418,259)	6.55%	(\$8,680,140)	3.85%
Home Furnishings Stores	(\$2,854,564)	10.64%	(\$2,908,203)	8.96%	(\$2,465,582)	13.44%
<b>Subtotal</b>	<b>(\$11,280,715)</b>	<b>7.56%</b>	<b>(\$11,326,462)</b>	<b>7.18%</b>	<b>(\$11,145,721)</b>	<b>6.15%</b>
<b>Electronics and Appliance Stores</b>						
Appliance, Television and Other Electronics	\$5,094,419	136.50%	\$3,116,265	122.33%	\$2,401,368	118.98%
Camera & Photographic Supplies	\$0	0.00%	\$0	0.00%	\$0	0.00%
Computer & Software Stores	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Subtotal</b>	<b>\$5,094,419</b>	<b>136.50%</b>	<b>\$3,116,265</b>	<b>122.33%</b>	<b>\$2,401,368</b>	<b>118.98%</b>
<b>Building Material and Garden Equipment and Supplies Dealers</b>						
Building Material and Supplies Dealers	\$13,808,388	133.61%	\$11,519,467	128.04%	\$6,954,562	120.81%
Lawn and Garden Equipment and Supplies Stores	(\$1,547,649)	5.25%	(\$1,571,935)	3.76%	(\$1,032,602)	1.39%
<b>Subtotal</b>	<b>\$12,260,739</b>	<b>128.70%</b>	<b>\$9,947,532</b>	<b>123.29%</b>	<b>\$5,921,960</b>	<b>117.18%</b>



Food and Beverage Stores	2020 Leakage	2020 Capture Rate	2019 Leakage	2019 Capture Rate	2013 Leakage	2013 Capture Rate
Grocery Stores	\$28,409,036	157.70%	\$20,138,329	140.90%	(\$13,088,854)	75.23%
Specialty Food Stores	(\$1,272,570)	16.70%	(\$1,276,927)	16.42%	(\$1,652,407)	0.84%
Beer, Wine, and Liquor Stores	\$15,768,279	485.41%	\$16,197,185	495.90%	\$10,916,150	358.96%
<b>Subtotal</b>	<b>\$42,904,745</b>	<b>178.22%</b>	<b>\$35,058,587</b>	<b>163.91%</b>	<b>(\$3,825,111)</b>	<b>93.49%</b>
<b>Health and Personal Care Stores</b>						
Cosmetics & Perfume	\$215,565	108.33%	\$227,236	108.78%	(\$146,716)	91.52%
Optical Goods	(\$750,935)	6.04%	(\$784,715)	1.81%	(\$788,507)	2.48%
Other Health & Personal Care	\$14,350,588	664.17%	\$12,966,552	609.76%	\$16,967,288	604.86%
Pharmacies & Drug Stores	(\$674,862)	8.23%	(\$707,239)	3.83%	\$531,851	155.83%
<b>Subtotal</b>	<b>\$13,140,356</b>	<b>297.10%</b>	<b>\$11,701,834</b>	<b>275.53%</b>	<b>\$16,563,916</b>	<b>341.76%</b>
<b>Gasoline Stations</b>						
Gasoline Stations	(\$5,872,350)	59.71%	(\$5,900,394)	59.51%	(\$6,652,381)	54.45%
Other Gas Stations	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Subtotal</b>	<b>(\$5,872,350)</b>	<b>59.71%</b>	<b>(\$5,900,394)</b>	<b>59.51%</b>	<b>(\$6,652,381)</b>	<b>54.45%</b>
<b>Clothing and Clothing Accessories Stores</b>						
Clothing Stores	(\$1,392,400)	92.42%	\$556,086	103.03%	(\$6,823,814)	67.30%
Shoe Stores	(\$1,042,025)	48.86%	(\$455,431)	77.65%	(\$1,035,235)	53.21%
Jewelry, Luggage, and Leather Goods Stores	(\$1,045,066)	33.00%	(\$1,491,733)	4.36%	(\$1,795,035)	1.38%
<b>Subtotal</b>	<b>(\$3,479,490)</b>	<b>84.16%</b>	<b>(\$1,391,077)</b>	<b>93.67%</b>	<b>(\$9,654,085)</b>	<b>61.23%</b>



Sporting Goods, Hobby, Book, and Music Stores	2020 Leakage	2020 Capture Rate	2019 Leakage	2019 Capture Rate	2013 Leakage	2013 Capture Rate
Books, Periodical, and Music	\$879,779	165.80%	\$1,241,640	192.87%	\$630,775	130.06%
Hobby, Toys & Games	(\$1,033,778)	4.63%	(\$1,061,658)	2.06%	(\$1,896,050)	1.97%
Musical Instruments	(\$442,105)	23.86%	(\$494,251)	14.88%	(\$661,537)	0.00%
Sewing, Needlework & Pice Goods	(\$665,778)	2.61%	(\$679,785)	0.56%	(\$309,441)	0.13%
Sporting Goods	(\$323,650)	96.26%	(\$1,617,566)	81.29%	(\$5,392,721)	46.76%
<b>Subtotal</b>	<b>(\$1,585,532)</b>	<b>87.14%</b>	<b>(\$2,611,620)</b>	<b>78.82%</b>	<b>(\$7,628,974)</b>	<b>49.59%</b>
<b>General Merchandise Stores</b>						
Department Stores	\$8,925,091	112.59%	\$3,551,587	105.01%	(\$13,244,103)	83.69%
Warehouse Club & Other General Merchandise Stores	\$703,196	108.56%	\$1,480,807	118.02%	(\$3,454,825)	67.06%
<b>Subtotal</b>	<b>\$9,628,287</b>	<b>112.17%</b>	<b>\$5,032,394</b>	<b>106.36%</b>	<b>(\$16,698,928)</b>	<b>81.79%</b>
<b>Miscellaneous Store Retailers</b>						
Florists	\$1,080,092	327.56%	\$1,150,131	342.31%	\$705,079	231.92%
Office Supplies, Stationery, and Gift Stores	(\$583,522)	78.91%	(\$372,388)	86.54%	(\$863,927)	78.55%
Other Miscellaneous Store Retailers	(\$7,319,528)	54.72%	(\$8,501,190)	47.41%	(\$15,113,704)	18.40%
Used Merchandise	\$872,160	226.11%	\$556,181	180.42%	(\$730,651)	10.86%
<b>Subtotal</b>	<b>(\$5,950,799)</b>	<b>70.39%</b>	<b>(\$7,167,267)</b>	<b>64.33%</b>	<b>(\$16,003,204)</b>	<b>33.05%</b>
<b>Nonstore Retailers</b>						
Electronic Shopping and Mail-Order Houses	\$25,129,790	178.57%	(\$624,106)	98.05%	\$2,529,351	159.44%
Vending Machine Operators	(\$506,324)	5.79%	(\$489,664)	8.89%	(\$483,932)	16.77%
Direct Selling Establishments	(\$1,322,787)	58.18%	(\$1,959,097)	38.06%	(\$1,859,725)	42.03%
<b>Subtotal</b>	<b>\$23,300,680</b>	<b>165.30%</b>	<b>(\$3,072,866)</b>	<b>91.39%</b>	<b>\$185,694</b>	<b>102.31%</b>



Performing Arts, Spectator Sports, and Related Industries	2020 Leakage	2020 Capture Rate	2019 Capture			
			2019 Leakage	Rate	2013 Leakage	2013 Capture Rate
Performing Arts, Spectator Sports & Related Industries	\$634,900	138.53%	\$1,695,531	202.89%	(\$1,659,124)	4.68%
Spectator Sports	\$0	0.00%	\$0	0.00%	\$0	0.00%
Promoters of Performing Arts, Sports, and Similar Events	\$0	0.00%	\$0	0.00%	\$0	0.00%
Agents and Managers for Artists, Athletes, Entertainers and Other Public Figures	\$0	0.00%	\$0	0.00%	\$0	0.00%
Independent Artists, Writers, and Performers	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Subtotal</b>	<b>\$634,900</b>	<b>138.53%</b>	<b>\$1,695,531</b>	<b>202.89%</b>	<b>(\$1,659,124)</b>	<b>4.68%</b>
<b>Museums, Historical Sites, and Similar Institutions</b>						
Museums, Historical Sites, and Similar Institutions	(\$668,409)	0.00%	(\$668,409)	0.00%	(\$424,631)	0.00%
<b>Subtotal</b>	<b>(\$668,409)</b>	<b>0.00%</b>	<b>(\$668,409)</b>	<b>0.00%</b>	<b>(\$424,631)</b>	<b>0.00%</b>
<b>Amusement, Gambling, and Recreation Industries</b>						
Amusement, Gambling & Recreation Industries	(\$7,944,928)	4.47%	(\$7,869,471)	5.38%	(\$4,502,581)	25.10%
<b>Subtotal</b>	<b>(\$7,944,928)</b>	<b>4.47%</b>	<b>(\$7,869,471)</b>	<b>5.38%</b>	<b>(\$4,502,581)</b>	<b>25.10%</b>
<b>Accommodation</b>						
Traveler Accommodations	(\$17,551,761)	23.40%	(\$17,802,274)	22.30%	(\$17,538,587)	
RV Parks & Recreational Camps	(\$518,064)	1.00%	(\$523,310)	0.00%	(\$466,913)	0.00%
Rooming and Boarding Houses	(\$48,409)	0.00%	(\$48,409)	0.00%	(\$34,942)	35.46%
<b>Subtotal</b>	<b>(\$18,118,235)</b>	<b>22.85%</b>	<b>(\$18,373,994)</b>	<b>21.76%</b>	<b>(\$18,040,442)</b>	<b>10.79%</b>



Food Services and Drinking Places	2020 Leakage	2020 Capture Rate	2019 Capture			
			2019 Leakage	Rate	2013 Leakage	2013 Capture Rate
Full-Service Restaurants	(\$14,993,149)	71.00%	(\$3,067,805)	94.07%	(\$2,975,689)	94.09%
Caterers & Other Special Food Services	(\$1,382,547)	75.81%	(\$1,290,238)	77.43%	(\$2,250,402)	54.07%
Drinking Places (Alcoholic Beverages)	(\$150,734)	89.87%	(\$59,578)	96.00%	(\$793,848)	48.93%
<b>Subtotal</b>	<b>(\$16,526,430)</b>	<b>71.94%</b>	<b>(\$4,417,621)</b>	<b>92.50%</b>	<b>(\$6,019,939)</b>	<b>89.41%</b>
<b>Repair and Maintenance</b>						
Automotive Repair and Maintenance	(\$9,808,236)	21.55%	(\$9,699,556)	22.41%	(\$11,398,648)	13.45%
Electronic and Precision Equipment Repair and Maintenance	(\$311,398)	16.93%	(\$358,675)	4.32%	(\$352,600)	8.08%
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	(\$834,295)	2.13%	(\$813,475)	4.58%	(\$768,520)	0.05%
Personal and Household Goods Repair and Maintenance	(\$593,318)	40.66%	(\$823,244)	17.66%	(\$1,166,474)	15.05%
<b>Subtotal</b>	<b>(\$11,547,247)</b>	<b>21.60%</b>	<b>(\$11,694,950)</b>	<b>20.60%</b>	<b>(\$13,686,242)</b>	<b>12.80%</b>
<b>Personal and Laundry Services</b>						
Personal & Laundry Services	(\$140,190)	95.03%	(\$911,415)	67.69%	(\$762,336)	79.29%
Private Households	(\$1,614)	0.00%	(\$1,614)	0.00%	(\$8,042)	0.00%
Religious, Grantmaking, Civic, Professional & Similar	(\$845,419)	17.11%	(\$795,293)	22.02%	(\$1,117,816)	2.10%
Other Personal Services	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Subtotal</b>	<b>(\$987,233)</b>	<b>74.30%</b>	<b>(\$1,708,321)</b>	<b>55.54%</b>	<b>(\$1,888,194)</b>	<b>60.92%</b>
<b>TOTAL</b>	<b>(\$51,596,441)</b>	<b>89.83%</b>	<b>(\$84,728,154)</b>	<b>83.30%</b>	<b>(\$165,187,870)</b>	<b>66.09%</b>



## Regional And Local Sales Trends

TAXABLE SALES	
City	% change from 2019Q3 to 2020Q3
Salt Lake City	-5.96%
Saratoga Springs	50.11%
Cottonwood Heights	15.07%
Farmington	-18.07%
Ogden	12.77%
Tooele	28.48%
St. George	18.2%
American Fork	13.99%
Herriman	60.08%
Midvale	-3.42%
Syracuse	24.15%
Hurricane	27.34%
Park City	-4.87%
Heber City	19.7%



Areas that previously captured significant sales tax dollars from residents of neighboring cities have suffered during the pandemic.

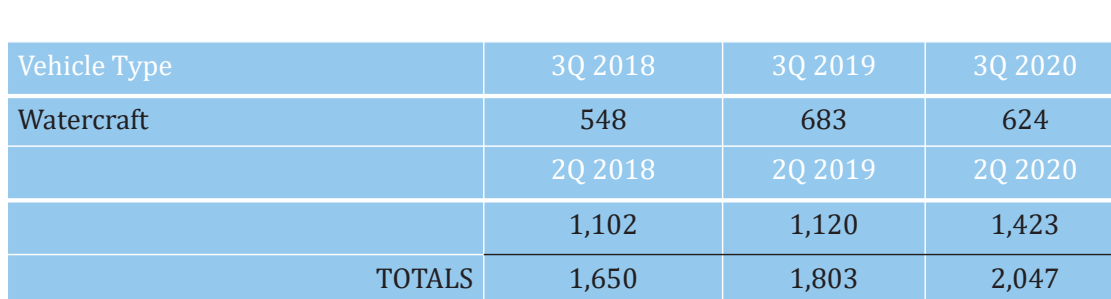
Conversely, areas that “leaked” retail spending to neighboring areas have fared better as more purchases have been made in residences.





Auto Type	3Q 2018	3Q 2019	3Q 2020
Light Truck	23,526	25,628	23,643
Passenger	8,162	7,708	5,414
Total	31,688	33,336	29,057

Automobile sales notably suffered during 2020 as compared to previous years. For 2021, local dealerships anticipate a notable rebound as consumers have more cash and have withheld automotive purchases due to a lack of travel and overall driving needs.



Vehicle Type	3Q 2018	3Q 2019	3Q 2020
Watercraft	548	683	624
	2Q 2018	2Q 2019	2Q 2020
	1,102	1,120	1,423
TOTALS	1,650	1,803	2,047

Opposite of car sales, both watercraft and motor home/trailer categories have experienced healthy demand. These dealer types anticipate further growth in 2021.

Vehicle Type	3Q 2018	3Q 2019	3Q 2020
Motor home, camper, trailers	7,867	8,932	11,200
	2Q 2018	2Q 2019	2Q 2020
	10,860	11,818	14,644
TOTALS	18,727	20,750	25,844



Retail Monthly Sales Comparison					
Time Frame	Cottonwood Heights	Sandy	Holladay	Millcreek	Salt Lake County
January 2019/2020	-2.36%	1.43%	4.23%	16.45%	8.47%
February 2019/2020	7.94%	5.69%	11.73%	16.9%	10.37%
March 2019/2020	10.0%	-9.04%	27.48%	11.04%	-0.68%
April 2019/2020	6.72%	-7.97%	15.61%	1.89%	-4.13%
May 2019/2020	9.42%	3.60%	19.25%	13.42%	2.16%
June 2019/2020	-0.44%	9.02%	40.30%	18.82%	8.95%
July 2019/2020	8.34%	7.27%	25.9%	17.23%	5.65%
August 2019/2020	15.95%	9.68%	30.13%	18.18%	4.23%
September 2019/2020	25.83%	13.65%	36.05%	36.10%	10.07%
October 2019/2020	8.69%	6.47%	22.85%	23.19%	4.24%
November 2019/2020	11.49%	8.71%	21.49%	22.29%	5.31%
December 2019/2020	3.68%	11.48%	10.28%	25.21%	13.85%

Cottonwood Heights, similar to other surrounding cities, has fared well during the pandemic for retail taxable sales. More residents purchased online in 2020 than in 2019, and in notably higher volumes



## Current Market Trends Cottonwood Heights

## Market Overview Summary

- Office Market – wait and see
  - Strong slow-down in new construction
  - Need for additional pre-leasing
  - Lot's of Class B sublease space to enter market in 2021/2022
  - Market may remain healthy for smaller users in Class A locations
  - Likely 5.0% -10% decline in achievable office rates in 2021 through concessions and market weakness



## Retail Market Summary

- Consumer is still purchasing, but notable increase in online spending results in expedited shift
- Significant bankruptcies and store closings
- Nimble and agile have been rewarded
- Space needs per capita are significantly declining





### What are Key Drivers for New Retail in Cottonwood Heights?

- Class A Locations - Secondary locations will ultimately be repurposed
  - Healthy median incomes
  - Strong daytime population
  - Healthy traffic counts
  - Growing residential population – where are units planned? Is the populace aging notably?

### What is Working for Retail In Cottonwood Heights and the Region?

- Flexibility – flexible designs that permit pick-up, drive-throughs, multiple-use types, ease of parking, sense of place
- Proximity to strong residential and employment support
- Mixed-use - both vertical and horizontal requires flexibility



### Residential Market Summary

- Strong demand continues. Driven by low rates and strong in-migration
- Construction cost volatility further deepens affordability issues
- Demand for all product types in nearly all markets
- Fiscal impacts from residences have “improved” with online retail purchases



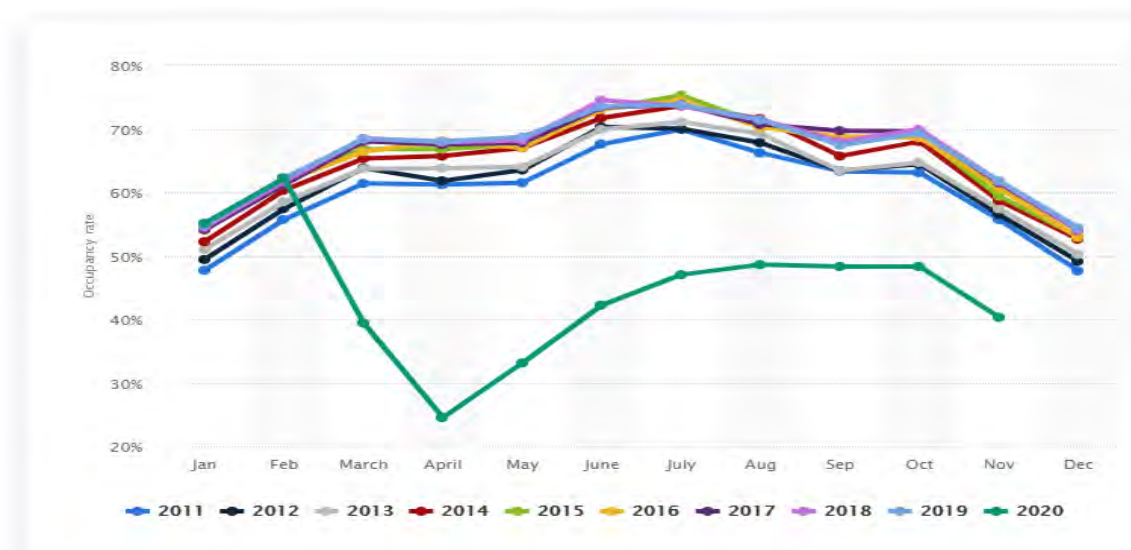


## Hospitality Market Summary

- Consolidation and bankruptcies anticipated
- Difficult market for “full service” hotels
- “Traveler” hotels, garden-style, etc., have rebounded from previous lows
- Occupancy in some markets is near 20 percent, while most recent trends show some improvement to near 40 percent occupancy



## Hotel Occupancy Rates





# Current Market Trends

## Fiscal Impacts of Various Use Types

### Cottonwood Heights



Fiscal Impact of Various Uses in Cottonwood Heights – With Consideration for COVID-19 Impacts

Use Type	Building Size	Land Size	Total Value	Assessed Value	City Property Taxes	City Property Taxes/Per Acre
Office	75,000	4.92	\$20,331,429	\$18,298,286	\$34,730	\$7,059
Retail	10,000	0.92	\$2,189,714	\$1,970,743	\$3,740	\$4,066
Single-Family	3,000	0.20	\$450,000	\$247,500	\$470	\$2,349
Multi-Family	207,000	3.54	\$32,933,423	\$18,113,383	\$34,379	\$9,711



Fiscal Impact of Various Uses in Cottonwood Heights – With Consideration for COVID-19 Impacts

Use Type	Building Size	Land Size	Sales Taxes	Population Distribution	Municipal Energy Fees	Total Taxes and Fees	Total Per Acre
Office	75,000	4.92	\$0	\$0	\$18,000	\$52,730	\$10,717
Retail	10,000	0.92	\$17,500	\$0	\$2,400	\$23,640	\$25,696
Single-Family	3,000	0.20	\$56	\$306	\$150	\$982	\$4,910
Multi-Family	207,000	3.54	\$7,500	\$40,800	\$24,000	\$106,679	\$30,135



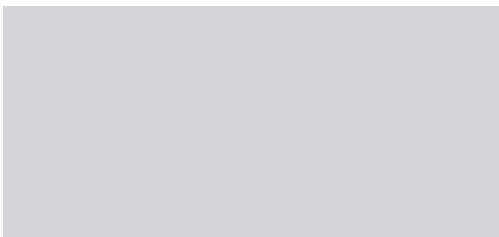
Current Market Trends  
 Changing Retail Trends  
 Cottonwood Heights



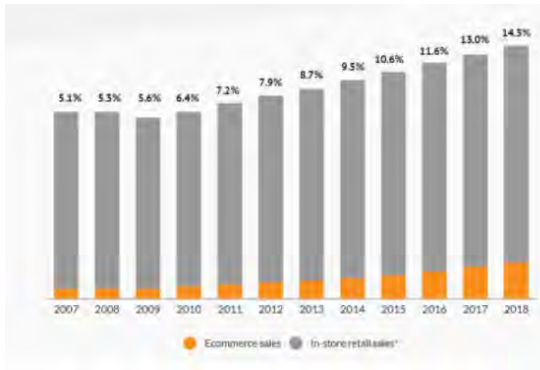
## Changing Retail Trends



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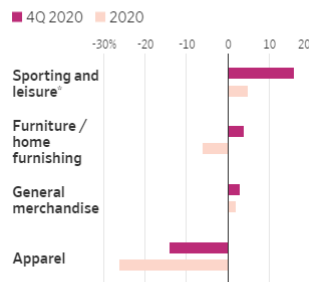






### Under Pressure

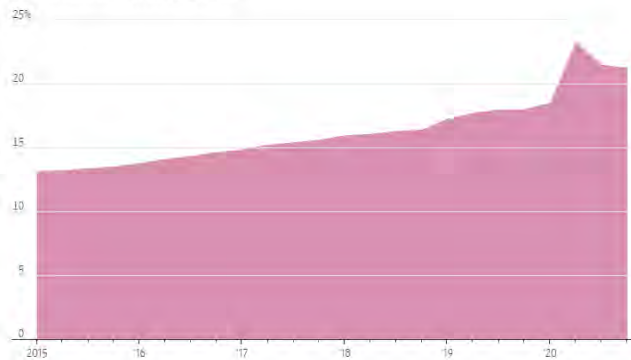
U.S. retail sales in select categories of brick-and-mortar stores, change from a year earlier



\*Includes hobby, music and book stores  
Source: Green Street

### Click and Buy

E-commerce's share of U.S. retail sales



Note: Seasonally adjusted. Excludes autos and gasoline.  
Source: IHS Markit



Who has done well in Cottonwood Heights?

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Who fared poorly in Cottonwood Heights through mid-to-late 2020?

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What are major retail trends going forward for Cottonwood Heights?

Retail Space Needs Per Capita	
Year	Space Needs Per Capita – Square Feet
2000	25
2017	20
2020	15

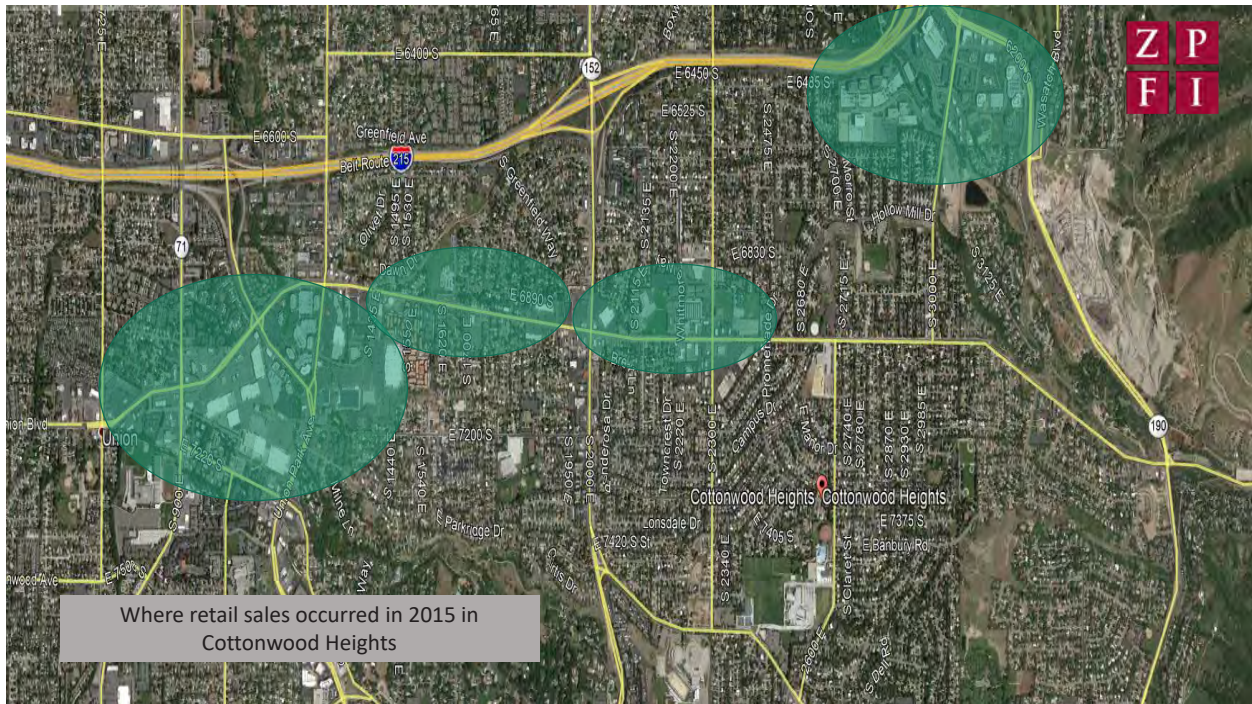


Current population = 35,000  
2000 Space Needs = 875,000 sq.ft.  
2017 Space Needs = 700,000 sq.ft.  
2020 Space Needs = 525,000 sq.ft.

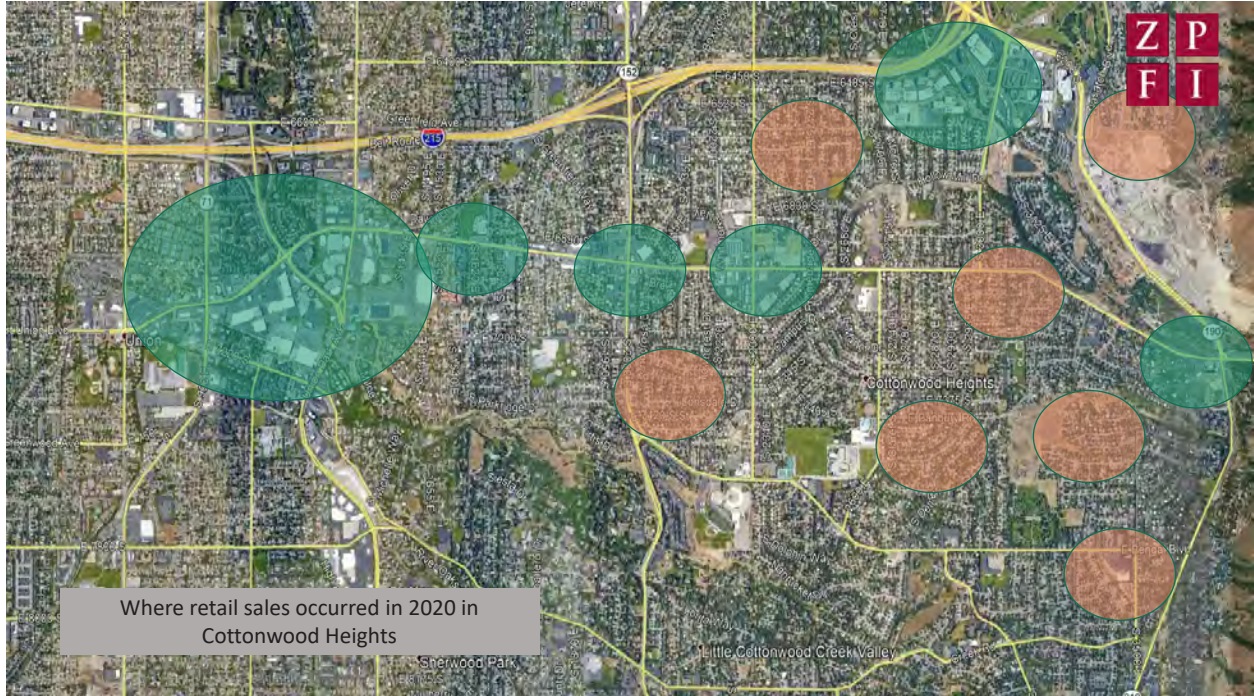


## Changing Retail Trends – Where Sales Now Occur vs. Past Years Cottonwood Heights









Residences now generating online retail sales tax dollars



Comparison cities generating near \$3,200 to \$4,500 per capita in total online sales (about \$60 in sales tax per residence direct to Cottonwood Heights)



Office Space Lease Characteristics		
Year	Sq.Ft. Per Employee	Needed Parking
1990	250 Sq.Ft.	4.0 Spaces Per 1,000
2000	225 Sq.Ft.	4.5 Spaces Per 1,000
2010	200 Sq.Ft.	5.0 Spaces Per 1,000
2019	180 Sq.Ft.	5.5 Spaces Per 1,000
2020	? – Initial data = 225 sq.ft.	? – Initial data = 4.0 spaces



Initial office data for 2020 and 2021 shows more square feet per employee as businesses spread out their workers, and fewer needed parking spaces due to reduced employees and/or split working days.

