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# M E M O R A N D U M

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**DATE:** December 5, 2006  
**TO:** City Council Members  
**FROM:** Russell Weeks  
**RE:** Additional Background Material for December 7 Downtown Update  
**CC:** Cindy Gust-Jenson, Steve Fawcett, Louis Zunguze, Tim Harpst, DJ Baxter, Gary Mumford, Jennifer Bruno, Janice Jardine

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This memorandum is a summary of two public meetings held last week that may have a bearing on the City Council's scheduled update of issues involving downtown Salt Lake City. One meeting was a Community Leaders Forum held November 29 as part of preparation for writing the downtown transportation master plan commissioned by the City, the Utah Transit Authority and the Salt Lake Chamber of Commerce. The other meeting was the annual Emerging Trends in Real Estate Forum on November 28 sponsored by the Urban Land Institute.

## **COMMUNITY LEADERS FORUM**

Forum organizers invited three speakers: Mark Johnson of Civitas Inc. in Denver (You may remember him from the discussions of the design of the east side of Library Square); Charles Hales of HDR Engineering and a former Transportation Commissioner in Portland, Oregon; and Gordon Price, a planner and former councilor for Vancouver, British Columbia.

Each spoke about their cities' experiences in developing downtowns that serve residents and attract people to them.

## **DENVER**

Mr. Johnson's experience in Denver has been extensive. He served on the Denver Planning Commission, and his company has been involved in many projects in and around downtown Denver.

Mr. Johnson said downtown Denver is the result of three things:

- "Tremendous" political involvement through the last three mayoral administrations over the last 20 years.
- A "deeply committed" business community.
- The "layering and layering and layering" of land use and transportation.

The City's – and the region's – commitment to major public investments downtown also has been a key to downtown Denver's development. The city has two stadiums, a professional basketball arena, a fairly new library, and two buildings that house a fairly extensive art collection.

## PORTLAND

Charles Hales said cities should “focus on place” and not on the movement of people through the place. He emphasized that in Portland “the pedestrian is the first-class passenger,” and that walking and public transit make better use of public rights of way than automobiles.

He said four ways to improve downtowns are to:

- Develop good land-use plans and stick to them.
- Commit to the public realm.
- Fight bad plans.
- Invest in public transit – to serve planning.

He said Portland has done several things to improve and expand its downtown since the 1980s, starting with land use plans. Mr. Hales said Portland’s land-use plans for downtown ensure that buildings have a relationship to the streets around them. In Portland, developers can “build what they want as high as they want,” but they have to adhere to strict design requirements. He said Portland has high floor-to-area ratios and generous heights, but the buildings have to relate to the streets around them.

Mr. Hales also said to have dense downtown cities “have to be aggressive” about building affordable housing. That kind of housing attracts younger people who want to live in urban settings, he said.

He said Portland has learned that cities can use transit to organize new development. However, he cautioned that “you can’t talk about transit oriented development unless transit is there” or will be in place soon. He said Portland paid for half its capital costs to build its newest street-car line by raising parking meter revenues and bonding against the revenue generated by the increase. The return on investment from building the transit lines has been far beyond what expected.

## VANCOUVER

Like Salt Lake City, Vancouver makes up roughly 25 percent of the greater Vancouver area, according to Mr. Price. Vancouver is urban and limited by its landscape’s natural boundaries. Greater Vancouver is suburban, and like the greater Seattle area, extends in three directions from downtown Vancouver.

Mr. Price said part of what Vancouver does is offer residents of Greater Vancouver a choice of where they want to live. He said that people who do not want to live in an urban setting can live comfortably in Greater Vancouver. However, Vancouver has made it a point to attract a percentage of the roughly 23,000 people who move each year to the Greater Vancouver area. He speculated that the level of growth is not much larger than the growth level in northern Utah.

Vancouver itself has sought to enhance its urban center by organizing itself in a traditional “loop that extends to the grid.” Doing that has allowed Vancouver to provide other methods of transportation, such as walking, bicycling, and mass transit, that people can use instead of automobiles. One result has been that automobile use has declined in downtown Vancouver even as its population has grown significantly.

Mr. Price said Vancouver's transportation plan is based on the city's historic transportation corridors that allowed neighborhood and residential development to grow because transportation linkages weren't forced.

Vancouver has achieved that by emphasizing population density living close to a mix of services that people need and like and by providing transportation choices for people to use, he said. Foremost among services Vancouver has encouraged to develop are residential services, particularly grocery stores, that allow residents to walk from their homes to areas that provide daily shopping.

Like people who live in suburbs, people who want to live downtown expect to live in apartments or condominiums with more floor space than buildings in the past provided, Mr. Price said. That requires larger buildings to accommodate the same number of people living in older buildings "because they want bigger space," he said.

Mr. Price noted that universities and cultural institutions "are investment magnets," and provided a series of maxims to consider:

- Decide on land-use first, then layer transportation to serve the land use.
- Growth pays for growth.
- Private investment can pay a public benefit – such as a park or other amenity – and public benefits add value to private investments.
- Budgets are ideology without rhetoric.

## **ULI: EMERGING TRENDS IN REAL ESTATE**

Michael Brodsky, chairman of the Hamlet group; Mark Millburn, president of Equimark Properties, and Peter Korpacz, director of the Global Strategic Real Estate Work Group of PricewaterhouseCoopers, made forecasts of the real estate market in northern Utah and nationally at a forum held last Wednesday.

Mr. Brodsky and Mr. Millburn focused on the northern Utah real estate market. Both saw a fairly stable, growing real-estate market in the Salt Lake City metropolitan area compared to other cities in the Intermountain West. Both cited the strength of the area's economy – Mr. Brodsky said the Salt Lake economy ranked 16<sup>th</sup> nationally – as reasons for cautious optimism for 2007.

Mr. Brodsky said the ideal housing supply is a six-to-nine month inventory of houses for sale, but that Salt Lake City is starting to creep beyond that figure. However, the most evident inventory increases are on high-end homes. The increased cost of housing has increased the opportunity to build multi-unit condominiums or apartments.

Noting that there is "still" a shortage of truly affordable housing available in the Salt Lake area, Mr. Millburn said that urban condominiums are a "very fertile area" for investment and that well-developed products, would perform "exceptionally" well. If one developed a mixed-use development coupled with mass transit, one would "have a real home run," he said. Mr. Millburn also noted that the apartment rental market currently has about a 5.6 percent vacancy rate, and two-bedroom, 2-bath apartments are the greatest rent growth sector. Average rents – at \$653 a month – are well below the national average of \$952 per month, he said.

Their assessments were close to Mr. Korpacz's view nationally. He said the Salt Lake area housing market appeared to be doing well even in a slowing national economy. Mr. Korpacz said the best real-estate investments in 2007 appeared to be multi-family rental units and full service hotels. Other potentially strong performers were senior and elderly housing, urban mixed-use properties, student housing, and mixed-use town centers.

At the national level, port markets – cities on either coast plus Chicago – are growing exponentially, Mr. Korpacz said. People are drawn to the cities because of the opportunity for work and because they are where goods and ideas arrive and depart. The cities are “investment Meccas that are located along global pathways and operate 24 hours a day.

Nevertheless, people are investing in other places. He said there currently are six “development havens” – Denver, Phoenix, Atlanta, Dallas and Houston – because of their industry and their emphasis of “brain power over manpower.”

He said the Salt Lake area is somewhere in the middle of the pack for real-estate investment – which, given its size probably is where the area wants to be in 2007.

One other item that all three speakers noted is that there appears to be a significant amount of private equity available to invest in development projects. “Capital remains oversupplied Mr. Korpacz said. In some cases the oversupply has inflated the cost of properties, but if people use caution, he said, “core holdings” have nowhere to go but up.