

ECONOMIC DEVELOPMENT AND MARKET ANALYSIS



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SECTION 1: EXECUTIVE SUMMARY

This analysis is designed to assist Highland City (City) with the evaluation of current economic trends within the City and determine supportable commercial development. The analysis is organized based on a demographic overview, analysis of taxable sales, analysis of market conditions, identifying barriers to entry and formulating a SWOT summary. The following summarizes the major findings of this analysis.

HIGHLAND DEMOGRAPHIC OVERVIEW

The City has favorable demographic statistics. The median adjusted gross income (MAGI) in Highland is much higher than Utah County or the State of Utah average. A comparison of 2017 data illustrates that Highland is higher than most all other cities in the State of Utah. In addition, approximately 68 percent of Highland's population has an associate degree or higher, compared to Utah County with 50 percent and the State of Utah at 42 percent.

SALES TAX ANALYSIS

Despite historic growth in taxable sales, Highland's taxable sales per capita is one of the lowest in the benchmark comparison, ranking 16 out of the 17 communities. Existing taxable sales within the City are concentrated in the Town Center area. Highland's greatest retail strength is the Food & Beverage category, accounting for 15 percent of total taxable sales. Services represent 25 percent of the City's total taxable sales. Food services and drinking places represent the largest spending category in this group. Similar to services, a quarter of Highland's taxable sales are industry related. Most of the taxable sales in this group are related to telecommunications sales which represents the largest spending category. Taxable sales data illustrates that the existing market is focused on neighborhood scale retail and personal services.

A leakage analysis illustrates the City is leaking in all major categories relative to the State of Utah average spending. The per capita spending in Highland is approximately \$5,230, compared to the State average of \$28,182. The total taxable sales leaking to other communities is estimated at \$435M. Assuming a sales tax levy of 0.5 percent based on point of sale, this equates to a loss of \$2.1M in tax revenues.

MARKET CONDITIONS

The lack of commercial concentration is further illustrated when evaluating the distribution of land uses in the City. Current parcel data illustrates a concentration of residential development, with almost 90 percent of the market value and 87 percent of the taxable value associated with single family residential property types.

Future commercial expansion will be limited by existing competitive market sites. There are several competitive market sites surrounding Highland City, including neighborhood scale retail just west of the City's boundaries, within Cedar Hills along 4800 West, and in the adjacent communities of American Fork and Lehi. Alpine also completed an analysis for neighborhood scale retail along Highway 74 (5300 West). This site includes nearly 30 acres of property intended for general neighborhood scale retail. Specifically, the market analysis completed by Alpine City calls for a neighborhood center anchored by a 45,000 square foot grocer. However, the future commercial site is not currently in a Community Reinvestment Area (CRA) and indications from the City suggest there may not be community support or demand for this site to develop commercially.

A two-mile buffer of the competitive market sites illustrates limited growth potential within the northeast portion of Utah County. Future commercial growth will continue to follow rooftops which are shifting concentration toward the west. The City's population is projected to continue to increase through 2050, reaching 24,250 persons. However, the population in Utah County will shift from a concentration on the east side of the valley to the west, with Eagle Mountain and Saratoga Springs experiencing substantial growth.

SUPPORTABLE COMMERCIAL ANALYSIS

To determine the supportable commercial zoning within Highland, this analysis evaluates future taxable sales growth, per capita spending by sector, and general commercial zoning

ratios from other communities. Using two different methodologies, this analysis provides an estimate of supportable acreage by the following categories: general retail, industry, services, and total commercial acreage.

The first methodology employed in this analysis utilizes an estimated per capita spending of \$5,230 in Highland. Assuming a new population of 4,418 residents within the City, the total supportable retail commercial zoning is estimated at approximately 13 acres. This assumes a median sales volume of \$200 per square foot of gross leasable area (GLA) and a floor area ratio (FAR) of 0.2.

Employing an alternative methodology produces higher supportable acreage. A comparison of zoned commercial land per capita for other communities produces an average 0.026 acres per capita, with a high of 0.071 in Lindon and a low of 0.003 in Alpine. As discussed in **Section 3**, many of these communities have a much higher sales capture rate, resulting in higher commercial acreages per capita. Using Highland's current total per capita of commercial and industrial acreage, excluding the Alpine Country Club, which is approximately 150 acres, results in a total of approximately 10 acres of new supportable commercial property, similar to the analysis utilized in the first methodology.

FUTURE COMMERCIAL DEVELOPMENT

It is likely that commercial growth will develop around existing neighborhood scale retail, which provides personal services, food services, gas and lodging and general retail purchases. It is expected that the area will continue to see development in small scale office development as well. With a population of less than 20,000 residents and competition from neighboring communities, expansion will be limited.

Potential commercial expansion zones have been identified in **Figure 4.6**. Approximately 160 acres have been identified as potential commercial areas, which may exceed what is supportable. While these areas provide opportunities for the consideration of commercial expansion, the City should evaluate the cost/benefit of proposed commercial developments.

SECTION 2: DEMOGRAPHICS

In recent years, the State of Utah has experienced robust growth in both population and employment opportunities. As of April 2017, the State unemployment rate was measured at 3.1 percent, compared with the national average of 4.4 percent. Population and employment characteristics are helpful indicators of overall economic health. As economies expand, typically population increases and unemployment rates decline, which is true of both the Utah and national economy. Comparing population and employment trends is helpful in understanding the local economy.

Economic markets are heavily influenced by demographics, socioeconomics (income levels), education, availability of land, industry, infrastructure investment, and the existing workforce. This section focuses on many of these measurements to understand the current market characteristics that are causing the underlying economy to thrive or decline.

HISTORIC POPULATION

Highland City has experienced an increase in population, surpassing the State and the County based on an annual percentage increase. While the City has experienced a higher growth rate, the population increase in terms of actual people is relatively small compared to the County. The City has grown by approximately 3,315 persons, or an average annual growth of 2.78 percent, from 2010 to 2017. The table below shows a comparison of similarly sized and neighboring communities.

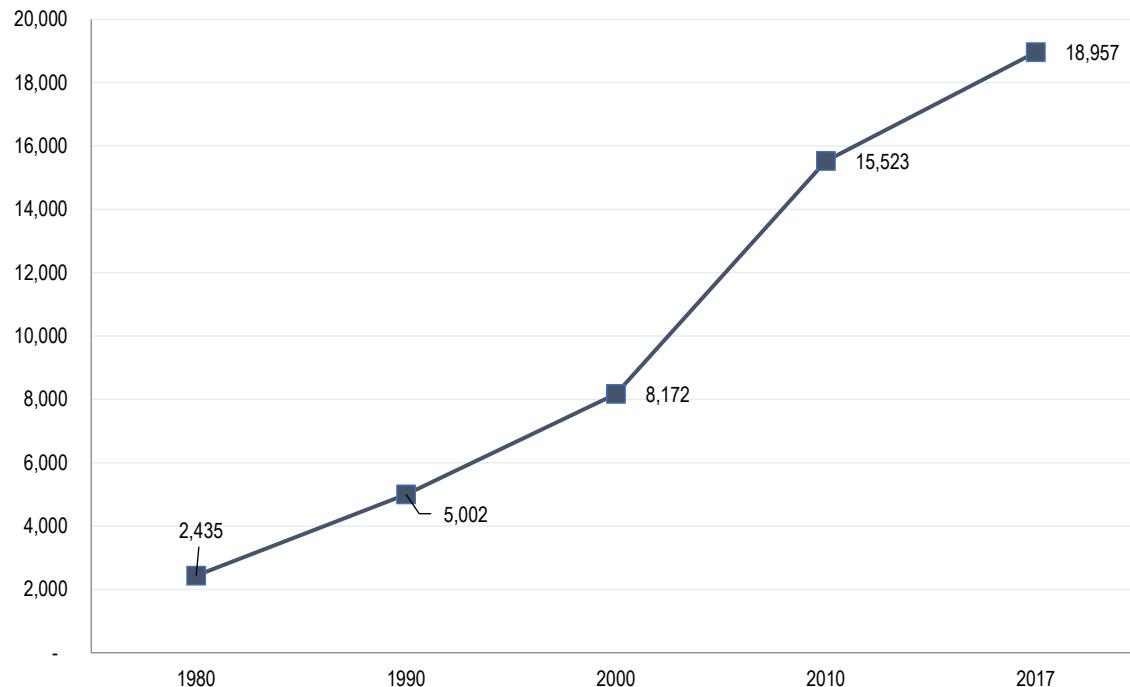
TABLE 2.1: HISTORIC POPULATION

NAME	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017 AAGR
Alpine	9,617	9,747	9,849	10,016	10,114	10,191	10,319	10,371	1.08%
American Fork	26,662	27,082	27,384	27,892	28,182	28,250	28,707	29,527	1.47%
Cedar Fort Town	370	375	376	379	383	382	389	392	0.83%
Cedar Hills	9,852	9,951	10,058	10,188	10,269	10,214	10,325	10,334	0.68%
Eagle Mountain	22,220	23,169	23,657	24,631	25,977	27,098	28,949	32,204	5.44%
Elk Ridge	2,468	2,541	2,690	2,846	2,998	3,156	3,396	3,757	6.19%
Fairfield (Town)	120	120	121	122	124	129	135	143	2.54%
Genoala (Town)	1,380	1,397	1,407	1,422	1,437	1,444	1,486	1,520	1.39%
Goshen (Town)	922	928	932	944	953	945	952	952	0.46%
Highland	15,642	16,057	16,439	17,010	17,431	17,852	18,510	18,957	2.78%
Lehi	48,156	49,700	51,343	54,153	56,023	58,095	60,743	62,712	3.85%
Lindon	10,096	10,241	10,389	10,542	10,645	10,748	10,879	10,968	1.19%
Mapleton	8,089	8,294	8,484	8,775	9,044	9,186	9,474	9,773	2.74%
Orem	88,720	89,634	90,602	91,555	91,580	94,012	97,111	97,839	1.41%
Payson	18,630	18,956	19,164	19,391	19,540	19,551	19,818	19,892	0.94%
Pleasant Grove	33,729	34,140	34,493	34,957	36,966	37,855	38,586	38,845	2.04%
Provo	112,917	115,218	115,574	116,395	115,639	114,862	116,822	117,335	0.55%
Salem	6,464	6,610	6,754	6,922	7,217	7,436	7,799	8,210	3.47%
Santaquin	9,253	9,547	9,897	10,081	10,325	10,580	11,071	11,652	3.35%
Saratoga Springs	18,048	19,035	21,066	22,627	24,209	25,184	26,661	29,608	7.33%
Spanish Fork	35,170	35,895	36,340	37,022	37,549	37,968	38,778	39,443	1.65%

NAME	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017 AAGR
Springville	29,811	30,400	30,746	31,351	31,566	32,343	33,054	33,294	1.59%
Vineyard Town	113	149	203	432	652	3,356	4,164	6,210	77.24%
Woodland Hills	1,369	1,394	1,416	1,440	1,458	1,472	1,512	1,548	1.77%

Source: U.S. Census Population Estimates

FIGURE 2.1: HIGHLAND CITY POPULATION



POPULATION STATISTICS 2010-2017

HIGHLAND

AVERAGE ANNUAL GROWTH = 2.90%
TOTAL INCREASE = 3,315
% OF COUNTY INCREASE = 2.8%

UTAH COUNTY

AVERAGE ANNUAL GROWTH = 2.32%
TOTAL INCREASE = 89,861
% OF STATE INCREASE = 26.6%

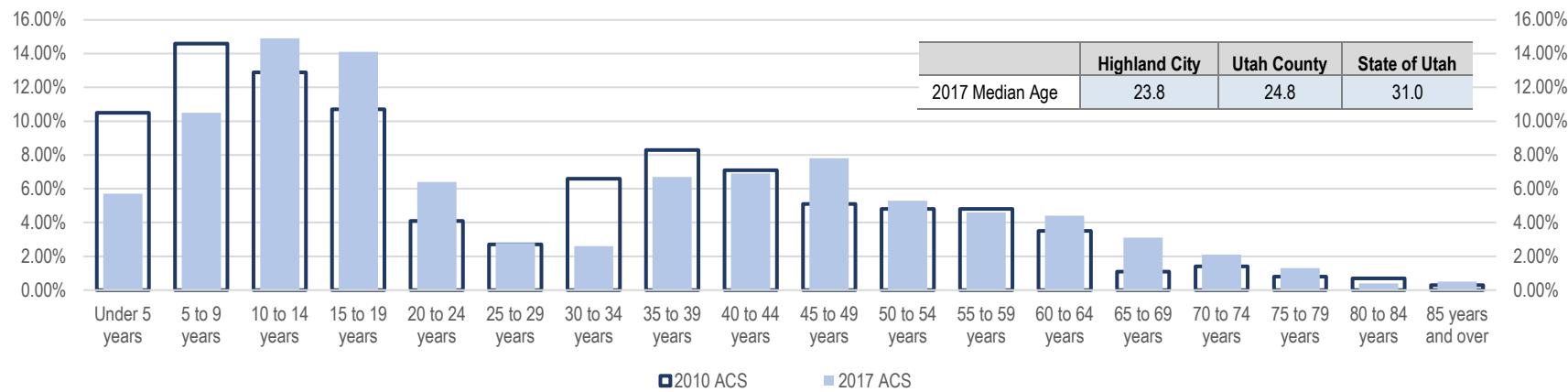
STATE OF UTAH

AVERAGE ANNUAL GROWTH = 1.66%
TOTAL INCREASE = 337,948

AGE

The City's demographics relative to age have shifted from 2010 to 2017. 2010 data illustrates a younger population, with a concentration in the zero to 19 years of age and 35 to 44. In 2017, the concentration has shifted to the age brackets of 10-19 and 35 to 49. Noticeable shifts also occurred in the age range of 60 to 74, with 2017 data showing a higher percent of total in this range. However, a comparison of the median age illustrates the City is still slightly younger than the County on average. As the population ages and educational attainment increases, the City may experience an increase in income levels and buying power.

FIGURE 2.2: AGE DISTRIBUTION AS % OF TOTAL



Source: 2017 ACS 2013-2017 5-Year Estimates

HOUSEHOLDS

The total number of households in Highland as of the 2017 American Community Survey is 4,320. Of the total housing units, 97.4 percent are occupied with 2.6 percent unoccupied. Utah County has approximately 95.3 percent housing occupancy rate, compared to the State at 89.7 percent.

RESIDENTIAL BUILDING PERMITS AND NEW COMMERCIAL VALUATION

The Kem C. Gardner Policy Institute tracks building permit activity across the State and maintains the Ivory-Boyer Construction Database. Highland showed a rebound from recessionary conditions, with permit activity steadily increasing through 2017. However, 2018 showed a decrease in residential building permit activity by 51 percent. In contrast, new non-residential value added to the City increased from 2017 to 2018 by 28 percent.

FIGURE 2.3: NEW RESIDENTIAL VALUE (\$000) AND UNITS

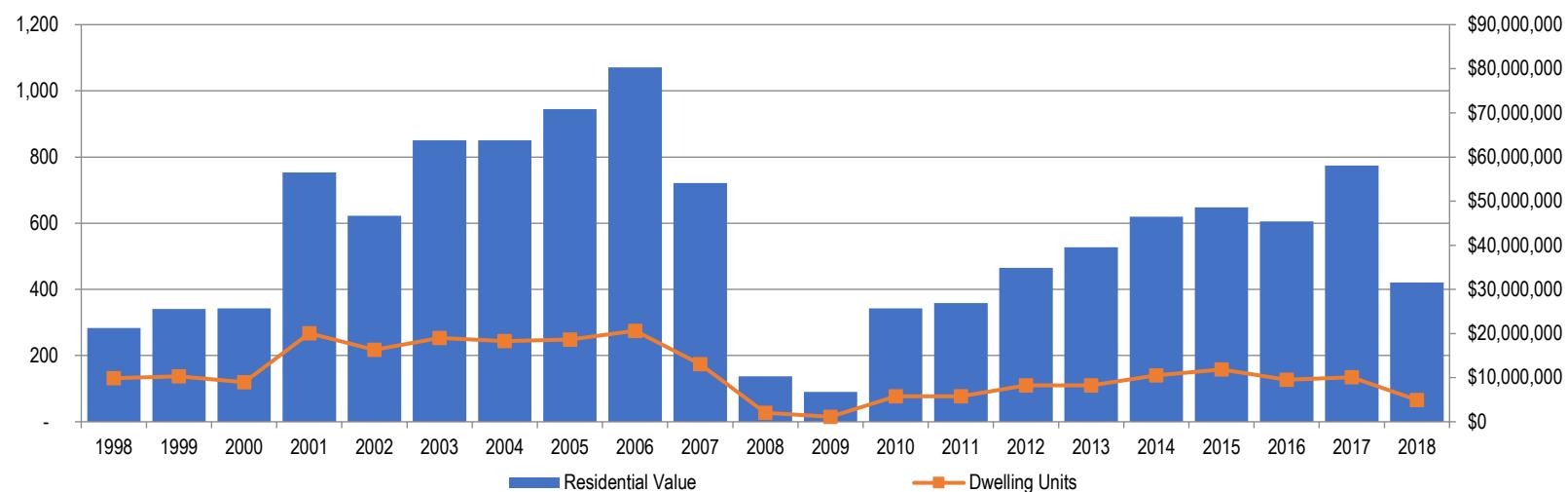
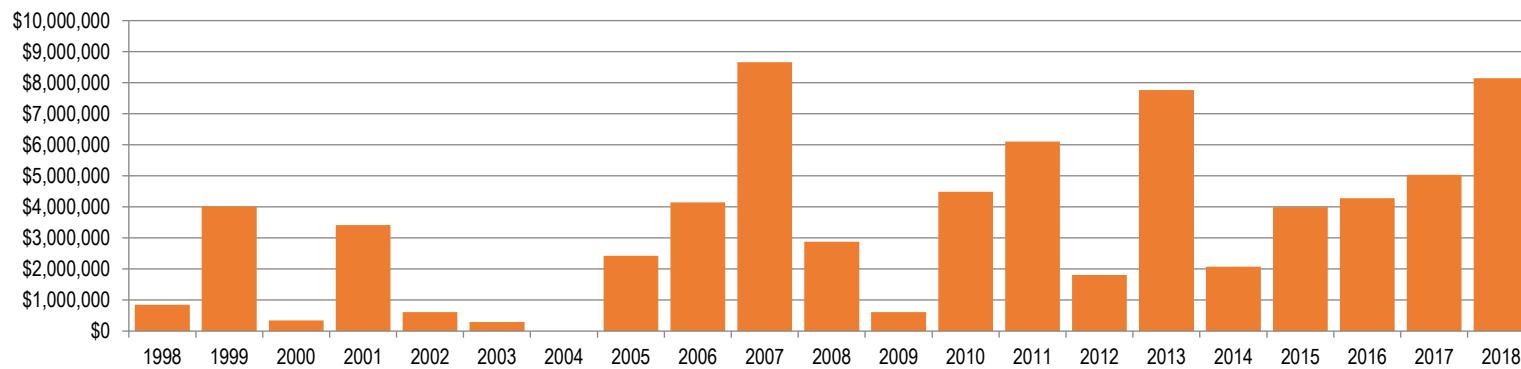


FIGURE 2.4: NEW COMMERCIAL VALUE (\$000)



Historic building activity illustrates the potential recessionary cycle that may affect Utah and the nation within the next few years. From 1998 to 2007, Highland experienced robust development, primarily in residential rooftops with small-scale commercial development. In 2008 and 2009, the City experienced a dramatic decrease in development, followed by a rebound in 2010 that has lasted through 2017.

INCOME

Utah median adjusted gross income (MAGI) represents an individual's total gross income minus specific tax deductions. MAGI in Highland is much higher than the County or State average. A comparison of 2017 data illustrates that Highland is higher than most all other cities in the State.

FIGURE 2.5: MEDIAN ADJUSTED GROSS INCOME

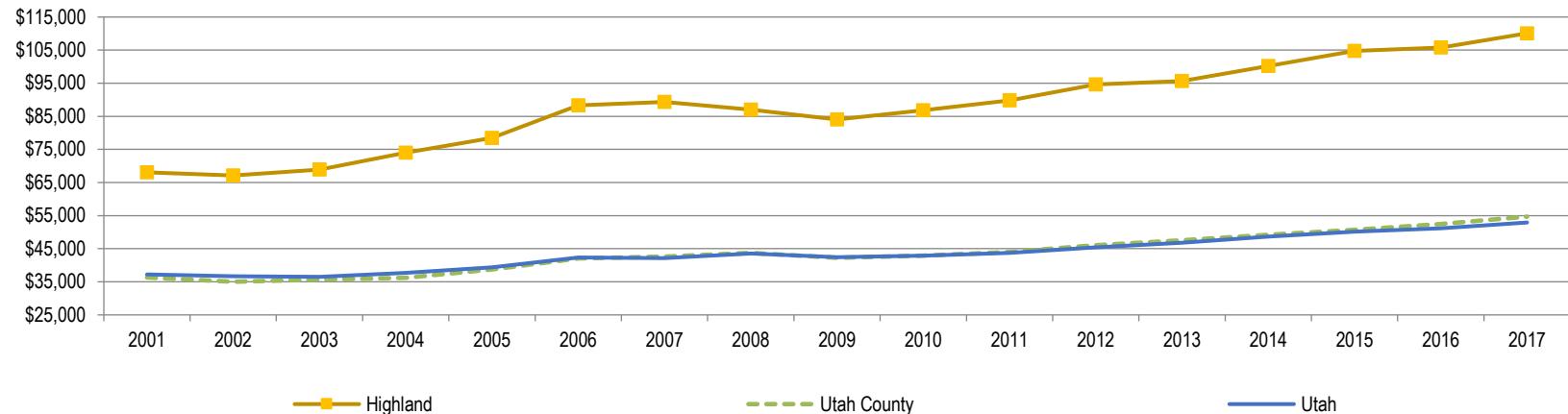
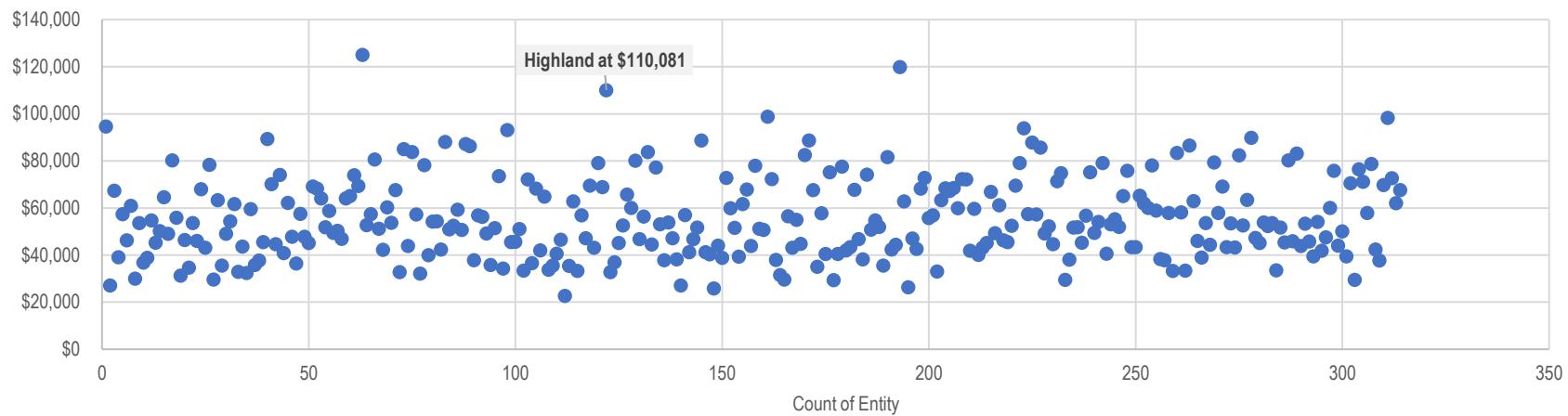


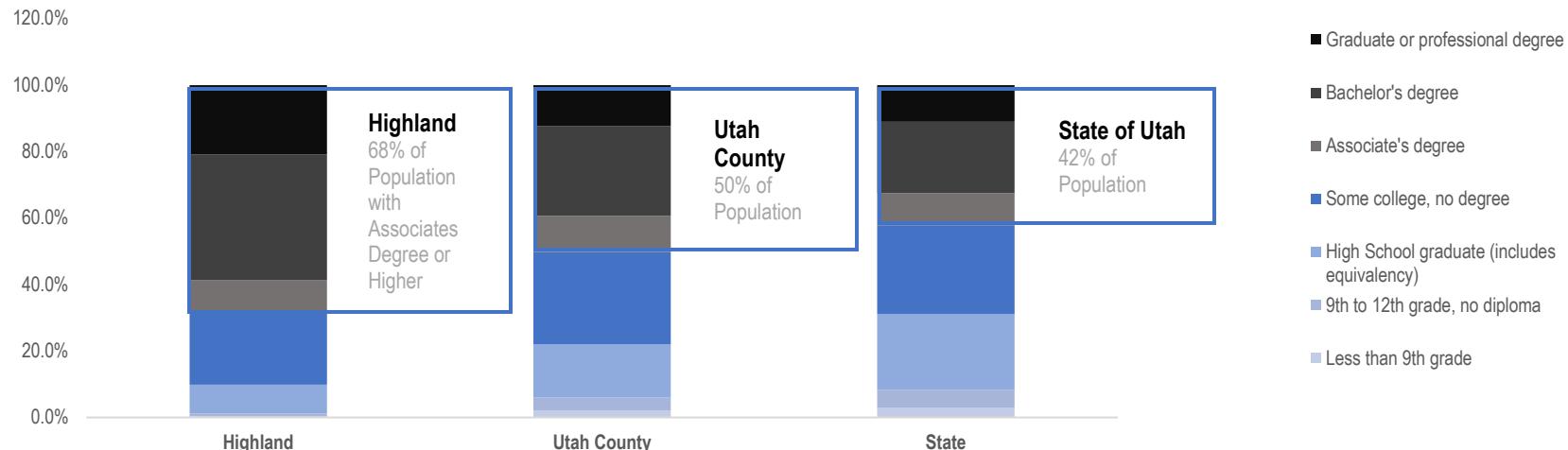
FIGURE 2.6: 2017 MEDIAN ADJUSTED GROSS INCOME



EDUCATION

According to the US Census 2017 ACS 2013-2017 five-year estimates, approximately 68 percent of Highland's population has an associate degree or higher, compared to Utah County with 50 percent and the State of Utah at 42 percent.

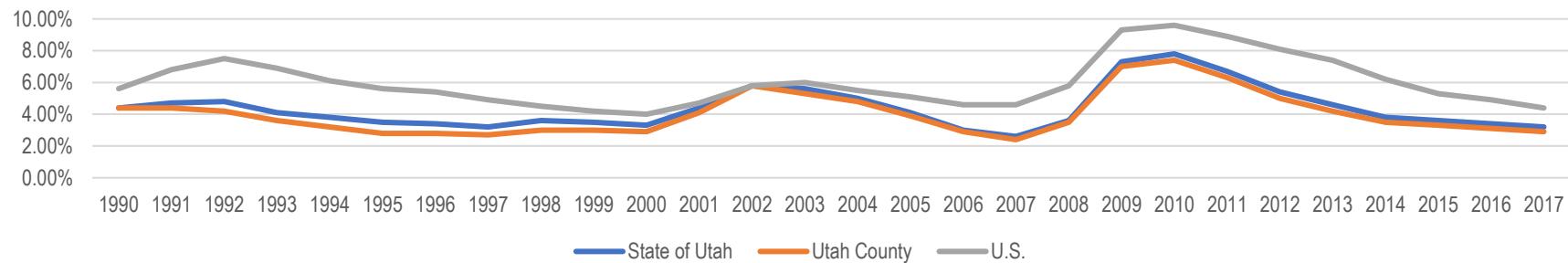
FIGURE 2.7: EDUCATIONAL ATTAINMENT AS % OF TOTAL



EMPLOYMENT

As of April 2017, the unemployment rate in Utah County was 2.9 percent as shown in Figure 2.8. This is much lower than the national average unemployment rate of 4.4 percent. The State of Utah's unemployment rate is far more favorable at 3.1 percent.

FIGURE 2.8: HISTORIC UNEMPLOYMENT RATE



SECTION 3: ANALYSIS OF TAXABLE SALES

Taxable sales within Highland provide an important metric to assess the general economic health of the City. A sales gap (or “leakage”) analysis is used to identify economic development opportunities for a community by evaluating the total purchases made by residents inside and outside the community (hence, the term “leakage” for sales lost outside the community). This type of analysis first identifies sales within the State of Utah for each major NAICS code category and then calculates the average sales per capita in each NAICS category. Per capita sales in the City are compared to average per capita sales statewide in order to estimate what portion of resident purchases are being made within City boundaries, and what amount is leaving the City. The resident purchases being made outside of the City represent an opportunity to recapture some of these lost sales. The analysis divides taxable sales into three major categories: retail sales, industry sales and sales related to services.

HISTORIC TAXABLE SALES

Total taxable sales increased by an average of 6.7 percent from 2012 through 2017. A comparison of tax data for similarly sized cities (relative to population) shows a positive trend in taxable sales growth for all communities (see **Table 3.2**). Several communities have experienced double digit increases.

TABLE 3.1: HISTORIC POPULATION

	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017 AAGR
Cedar Hills	9,852	9,951	10,058	10,188	10,269	10,214	10,325	10,334	0.68%
Alpine	9,617	9,747	9,849	10,016	10,114	10,191	10,319	10,371	1.08%
Lindon	10,096	10,241	10,389	10,542	10,645	10,748	10,879	10,968	1.19%
South Ogden	16,601	16,637	16,722	16,752	16,817	16,867	17,023	17,101	0.42%
Hurricane	13,794	14,016	14,314	14,577	15,018	15,497	16,154	17,135	3.15%
Centerville	15,360	15,553	16,167	16,557	16,749	16,828	17,247	17,657	2.01%
Highland	15,642	16,057	16,439	17,010	17,431	17,852	18,510	18,957	2.78%
Brigham City	17,966	18,043	18,164	18,421	18,543	18,640	18,890	19,182	0.94%
North Ogden	17,462	17,583	17,765	17,986	18,154	18,345	18,671	19,465	1.56%
Payson	18,630	18,956	19,164	19,391	19,540	19,551	19,818	19,892	0.94%
North Salt Lake	16,325	16,549	16,804	17,726	18,966	19,669	20,219	20,507	3.31%
Clinton	20,569	20,728	20,825	20,896	21,073	21,274	21,547	21,971	0.95%
Farmington	18,421	19,259	20,671	21,465	22,021	22,453	23,032	24,066	3.89%
Saratoga Springs	18,048	19,035	21,066	22,627	24,209	25,184	26,661	29,608	7.33%
Eagle Mountain	22,220	23,169	23,657	24,631	25,977	27,098	28,949	32,204	5.44%

Source: U.S. Census Population Estimates

TABLE 3.2: HISTORIC TAXABLE SALES

	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017 AAGR
Cedar Hills	\$47,658,982	\$50,177,203	\$55,152,126	\$60,462,176	\$62,483,238	\$64,819,888	\$65,238,255	\$68,871,296	5.40%
Alpine	\$24,897,549	\$26,847,412	\$26,886,801	\$29,357,976	\$31,297,719	\$34,753,125	\$44,335,682	\$59,116,861	13.15%
Lindon	\$341,010,210	\$390,477,510	\$415,020,138	\$465,374,621	\$489,198,631	\$542,082,936	\$544,063,636	\$629,573,876	9.15%
South Ogden	\$240,995,531	\$253,982,537	\$277,286,604	\$305,244,061	\$328,350,502	\$349,701,251	\$367,431,324	\$387,091,412	7.00%

	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017 AAGR
Hurricane	\$159,940,370	\$163,902,375	\$184,768,096	\$211,751,377	\$217,863,195	\$238,965,948	\$267,545,068	\$309,327,507	9.88%
Centerville	\$331,959,701	\$349,050,050	\$375,074,418	\$388,699,152	\$400,967,898	\$424,610,167	\$439,808,397	\$456,144,598	4.64%
Highland	\$62,756,815	\$67,047,625	\$72,673,396	\$76,681,520	\$82,414,226	\$89,064,673	\$91,970,541	\$100,277,945	6.92%
Brigham City	\$191,185,174	\$186,422,533	\$197,632,536	\$198,921,844	\$218,526,520	\$237,591,103	\$274,687,705	\$303,832,957	6.84%
North Ogden	\$89,249,994	\$91,562,890	\$97,222,379	\$105,324,592	\$121,506,911	\$135,748,454	\$152,336,666	\$167,714,857	9.43%
Payson	\$194,641,217	\$207,693,857	\$218,201,260	\$218,130,304	\$227,733,258	\$241,964,483	\$254,743,440	\$269,683,574	4.77%
North Salt Lake	\$237,676,484	\$253,364,634	\$286,129,345	\$328,303,124	\$363,932,185	\$379,088,040	\$373,093,077	\$446,497,636	9.43%
Clinton	\$190,751,946	\$193,670,970	\$205,901,906	\$215,529,249	\$226,546,626	\$233,902,088	\$241,225,704	\$249,056,363	3.88%
Farmington	\$118,534,250	\$160,063,322	\$196,298,262	\$238,418,623	\$299,275,281	\$350,953,919	\$419,392,009	\$476,249,469	21.98%
Saratoga Springs	\$122,049,598	\$141,948,632	\$153,753,651	\$169,269,351	\$176,039,155	\$192,496,508	\$218,267,157	\$260,889,032	11.46%
Eagle Mountain	\$33,097,700	\$36,964,875	\$41,043,596	\$44,788,686	\$59,942,661	\$72,026,171	\$86,257,486	\$120,388,021	20.26%
Utah County	\$5,784,837,566	\$6,264,355,589	\$6,886,069,801	\$7,186,924,961	\$7,555,120,301	\$8,151,075,563	\$8,679,093,435	\$9,556,494,262	7.43%
State of Utah	\$41,387,390,797	\$44,097,026,745	\$47,531,179,930	\$49,404,045,506	\$51,709,162,594	\$53,933,277,032	\$56,502,434,145	\$61,031,691,837	5.71%

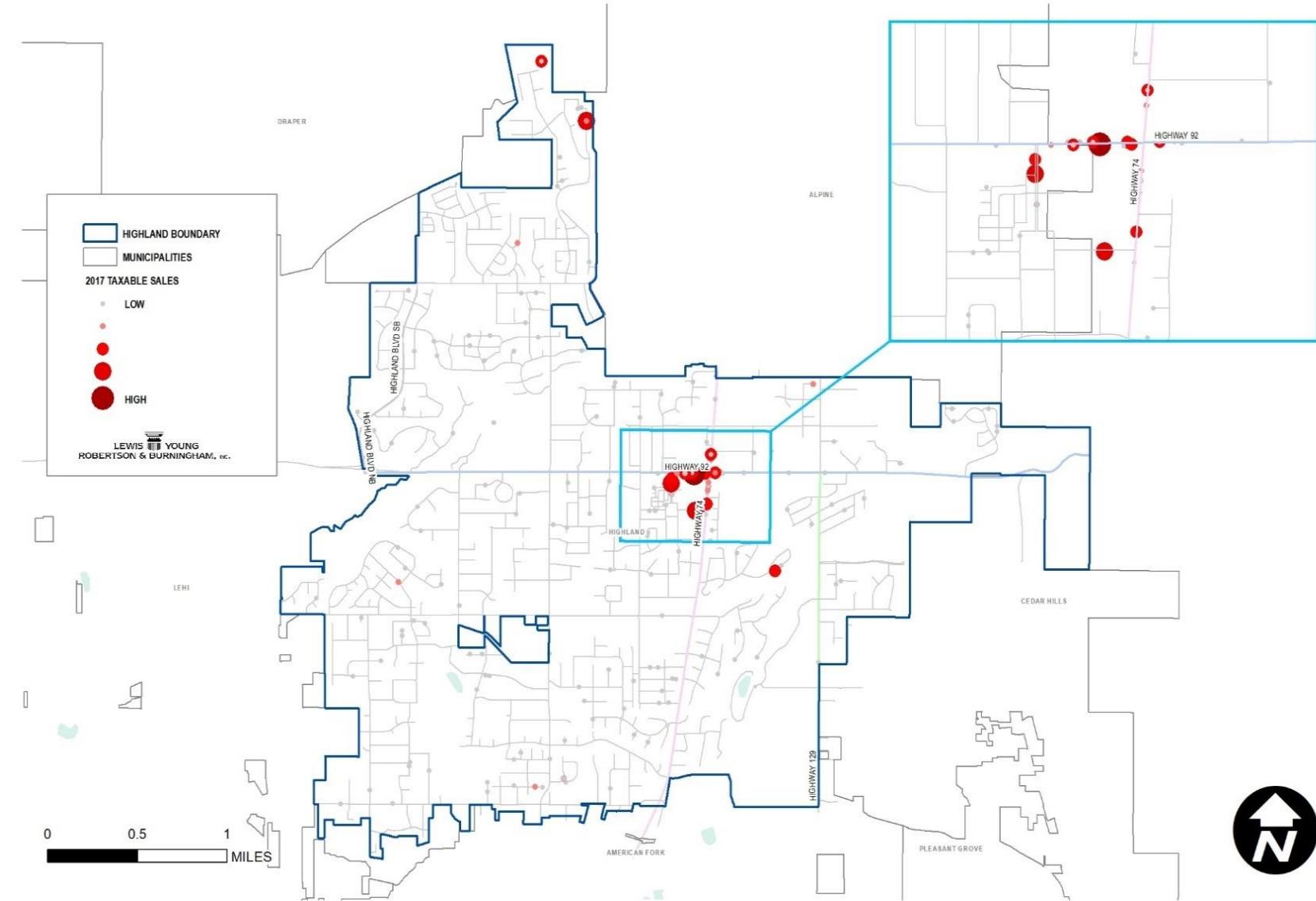
Source: State Tax Commission - Calendar Year Taxable Sales

Despite the growth in taxable sales, Highland's taxable sales per capita is one of the lowest in the benchmark comparison, ranking 16 out of the 17 communities. Highland taxable sales by location are illustrated in **Figure 3.1**.

TABLE 3.3: HISTORIC TAXABLE SALES PER CAPITA

	2010	2011	2012	2013	2014	2015	2016	2017	RANK
Cedar Hills	\$4,837	\$5,042	\$5,483	\$5,935	\$6,085	\$6,346	\$6,318	\$6,665	14
Alpine	\$2,589	\$2,754	\$2,730	\$2,931	\$3,094	\$3,410	\$4,297	\$5,700	15
Lindon	\$33,777	\$38,129	\$39,948	\$44,145	\$45,956	\$50,436	\$50,010	\$57,401	1
South Ogden	\$14,517	\$15,266	\$16,582	\$18,221	\$19,525	\$20,733	\$21,584	\$22,636	3
Hurricane	\$11,595	\$11,694	\$12,908	\$14,526	\$14,507	\$15,420	\$16,562	\$18,052	7
Centerville	\$21,612	\$22,443	\$23,200	\$23,476	\$23,940	\$25,232	\$25,501	\$25,834	2
Highland	\$4,012	\$4,176	\$4,421	\$4,508	\$4,728	\$4,989	\$4,969	\$5,290	16
Brigham City	\$10,641	\$10,332	\$10,880	\$10,799	\$11,785	\$12,746	\$14,541	\$15,839	8
North Ogden	\$5,111	\$5,207	\$5,473	\$5,856	\$6,693	\$7,400	\$8,159	\$8,616	13
Payson	\$10,448	\$10,957	\$11,386	\$11,249	\$11,655	\$12,376	\$12,854	\$13,557	10
North Salt Lake	\$14,559	\$15,310	\$17,027	\$18,521	\$19,189	\$19,273	\$18,453	\$21,773	4
Clinton	\$9,274	\$9,343	\$9,887	\$10,314	\$10,751	\$10,995	\$11,195	\$11,336	11
Farmington	\$6,435	\$8,311	\$9,496	\$11,107	\$13,590	\$15,631	\$18,209	\$19,789	5
Saratoga Springs	\$6,762	\$7,457	\$7,299	\$7,481	\$7,272	\$7,644	\$8,187	\$8,811	12
Eagle Mountain	\$1,490	\$1,595	\$1,735	\$1,818	\$2,308	\$2,658	\$2,980	\$3,738	17
Utah County	\$11,125	\$11,800	\$12,757	\$13,028	\$13,469	\$14,224	\$14,698	\$15,759	9
State of Utah	\$14,913	\$15,663	\$16,653	\$17,036	\$17,596	\$18,069	\$18,560	\$19,676	6

FIGURE 3.1: ILLUSTRATION OF 2017 HIGHLAND TAXABLE SALE BY LOCATION



RETAIL TAXABLE SALES

Existing taxable sales within the City are concentrated in the Town Center area. Highland's greatest retail strength is the Food & Beverage category, accounting for 15 percent of total taxable sales, followed by sales at Non-Store Retailers, Wholesale Trade-Durable Goods, Miscellaneous Retail Trade.

TABLE 3.4: RETAIL SPENDING BY PERCENT OF TOTAL

	2016	2017
Building Material & Garden Equip	0.3%	0.6%
Clothing & Accessories	1.3%	1.4%
Electrical & Appliance	1.5%	1.7%
Food & Beverage	18.0%	15.0%
Furniture & Home Furnishing	0.6%	0.8%
Gas Station	2.0%	1.9%
General Merchandise	1.3%	1.7%
Health & Personal	1.6%	1.4%
Miscellaneous Retail Trade	2.9%	3.1%
Motor Vehicle	0.7%	1.0%
Non-Store Retailers	1.4%	6.9%
Sporting Good	0.9%	1.0%
Wholesale Trade-Durable Goods	3.4%	3.1%
Wholesale Trade-Electronic Markets	0.0%	0.0%
Wholesale Trade-Nondurable Goods	0.3%	0.3%

INDUSTRY TAXABLE SALES

Nearly a quarter of the Highland's taxable sales are industry related. Each of the industry taxable sales categories, excluding construction, have a negative AAGR. Information sales represent the largest spending category. Information includes publishing, motion picture and sound recording, telecommunications, and data processing firms. Most of the taxable sales in Highland are related to telecommunications.

TABLE 3.6: INDUSTRY TAXABLE SALE AS PERCENT OF TOTAL

CATEGORY	2016	2017
Agriculture, Forestry, Fishing & Hunting	0.0%	0.0%
Construction	2.5%	3.3%
Information	7.6%	6.7%
Manufacturing	1.0%	0.9%
Mining, Quarrying, & Oil & Gas Extraction	0.0%	0.0%
Transportation & Warehousing	0.1%	0.1%
Utilities	13.2%	12.2%

SERVICES TAXABLE SALES

Services represent 25 percent of the City's total taxable sales. Food services and drinking places represent the largest spending category in this group. Industries in the Food Services and Drinking Places subsector are varied. Some provide food and drink only, while others provide various combinations of seating space, waiter/waitress services, and incidental amenities, such as limited entertainment.

TABLE 3.5: SERVICES SPENDING BY PERCENT OF TOTAL

CATEGORY	2016	2017
Accommodation	0.0%	0.1%
Administrative Support, Waste Management& Remediation Services	0.3%	0.4%
Arts, Entertainment, And Recreation	2.4%	2.8%
Educational Services	0.9%	0.8%
Finance & Insurance	1.3%	1.5%
Food Services & Drinking Places	14.3%	12.6%
Health Care & Social Assistance	0.7%	0.9%
Management of Companies & Enterprises	0.0%	0.0%
Other Services, Except Public Administration	2.1%	2.3%
Professional, Scientific, & Technical Services	1.7%	1.4%
Public Administration	0.0%	0.0%
Real Estate, Rental, & Leasing	1.8%	1.7%

SALE LEAKAGE ANALYSIS

The table below provides a general overview of leakage and retention by major category. Negative numbers estimate the approximate leakage of taxable sales from Highland City to other communities. When leakage is occurring, the capture rate is below 100 percent, indicating the City is not collecting the average sales expected based on a per capita basis relative to the State average. While not present for Highland, positive numbers indicate that Highland City is attracting more than the State average relative to that category, suggesting shoppers from outside the City are attracted to the area for certain types of purchases or that there is a high concentration of this type of spending. This is reflected in the capture rate as a number above 100 percent.

TABLE 3.7: RETAIL SALES LEAKAGE

	HIGHLAND DIRECT TAXABLE SALES	PER CAPITA SPENDING	UTAH INCOME ADJUSTED PER CAPITA SPENDING	CAPTURE RATE	PER CAPITA SALE LEAKAGE	TOTAL LEAKAGE
Retail						
Building Material & Garden Equip					Number of businesses is below the threshold for reporting.	
Clothing & Accessories	\$1,406,208	\$74	\$862	9%	(\$788)	(\$14,933,359)
Electrical & Appliance	\$1,692,204	\$89	\$490	18%	(\$401)	(\$7,605,423)
Food & Beverage	\$14,876,198	\$785	\$2,182	36%	(\$1,398)	(\$26,495,194)
Furniture & Home Furnishing	\$749,440	\$40	\$486	8%	(\$447)	(\$8,464,768)
Gas Station					Number of businesses is below the threshold for reporting.	
General Merchandise	\$1,660,311	\$88	\$3,162	3%	(\$3,074)	(\$58,276,812)
Health & Personal	\$1,369,318	\$72	\$267	27%	(\$194)	(\$3,683,737)
Miscellaneous Retail Trade	\$3,098,507	\$163	\$781	21%	(\$618)	(\$11,711,115)
Motor Vehicle	\$992,154	\$52	\$3,239	2%	(\$3,186)	(\$60,406,270)
Nonstore Retailers	\$6,815,194	\$360	\$666	54%	(\$306)	(\$5,802,909)
Sporting Good	\$1,032,280	\$54	\$503	11%	(\$449)	(\$8,512,047)
Wholesale Trade-Durable Goods	\$3,115,078	\$164	\$1,916	9%	(\$1,752)	(\$33,212,425)
Wholesale Trade-Electronic Markets					Number of Businesses is below the threshold for reporting.	
Wholesale Trade-Nondurable Goods	\$259,581	\$14	\$352	4%	(\$338)	(\$6,412,734)
Accommodation					Number of businesses is below the threshold for reporting.	
Arts, Entertainment, and Recreation					Number of businesses is below the threshold for reporting.	
Food Services & Drinking Places	\$12,507,152	\$660	\$2,285	29%	(\$1,626)	(\$30,817,467)
Other Services-Except Public Administration	\$2,286,187	\$121	\$763	16%	(\$642)	(\$12,176,948)
Total Retail	\$57,189,777	\$3,017	\$21,446	14%	(\$18,429)	(\$349,367,787)
Industry						
Agriculture, Forestry, Fishing & Hunting					Number of Businesses is below the threshold for reporting	
Construction	\$3,236,367	\$171	\$433	39%	(\$263)	(\$4,978,635)
Information	\$6,616,083	\$349	\$1,061	33%	(\$712)	(\$13,497,786)
Manufacturing	\$883,876	\$47	\$1,164	4%	(\$1,118)	(\$21,187,181)
Mining, Quarrying, & Oil & Gas Extraction					Number of Businesses is below the threshold for reporting	
Transportation & Warehousing					Number of Businesses is below the threshold for reporting	
Utilities					Number of Businesses is below the threshold for reporting	
Industry Total	\$22,942,524	\$1,210	\$4,066	30%	(\$2,855)	(\$54,129,689)

	HIGHLAND DIRECT TAXABLE SALES	PER CAPITA SPENDING	UTAH INCOME ADJUSTED PER CAPITA SPENDING	CAPTURE RATE	PER CAPITA SALE LEAKAGE	TOTAL LEAKAGE
Services						
Admin. & Sup & Waste Man.& Remed. Ser	\$371,681	\$20	\$110	18%	(\$90)	(\$1,709,303)
Educational Services	\$749,161	\$40	\$55	71%	(\$16)	(\$300,737)
Finance & Insurance	\$1,522,585	\$80	\$122	66%	(\$42)	(\$799,172)
Health Care & Social Assistance	\$868,111	\$46	\$64	72%	(\$18)	(\$339,623)
Management of Companies & Enterprises				Number of Businesses is below the threshold for reporting		
Professional, Scientific, & Technical Serv	\$1,411,083	\$74	\$306	24%	(\$232)	(\$4,391,864)
Public Administration				Number of Businesses is below the threshold for reporting		
Real Estate, Rental, & Leasing	\$1,718,733	\$91	\$676	13%	(\$586)	(\$11,104,342)
Services Total	\$6,646,185	\$351	\$1,466	24%	(\$1,115)	(\$21,139,606)
Other						
Other	\$12,371,815	\$653	\$1,204	54%	(\$551)	(\$10,454,452)
All Taxable Sales						
Total	\$99,150,301	\$5,230	\$28,182	19%	(\$22,951)	(\$435,091,534)

The City is leaking in all major categories relative to State average spending. The per capita spending in Highland is approximately \$5,230, compared to the State average of \$28,182. The total taxable sales leaking to other communities is estimated at \$435M. Assuming a sales tax levy of 0.5 percent based on point of sale, this equates to a loss of \$2.1M in tax revenues.

A comparison of communities of similar size and those slightly smaller than Highland shows capture rates that are more positive. South Ogden, Centerville and Hurricane all have capture rates above 100 percent. Factors that will influence a community's capture rate include total population, proximity to major freeways or roadway, population within a 360-degree trade area, geographic isolation and competitive market sites. These factors will be explored further in the market analysis.

TABLE 3.8: TAXABLE SALES CAPTURE RATES COMPARISON

Population	HIGHLAND		HURRICANE		SOUTH OGDEN		LINDON		VERNAL		WOODS CROSS		CENTERVILLE	
	18,957	18,957	17,135	17,135	17,101	17,101	10,968	10,968	10,291	10,291	11,362	11,362	17,657	17,657
	PER CAPITA LEAKAGE*	CAPTURE RATE	PER CAPITA	CAPTURE RATE										
Total	(\$22,951)	19%	\$2,175	114%	\$1,204	106%	\$37,350	286%	\$35,330	343%	\$8,837	145%	\$373	101%

*Income Adjusted

SECTION 4: MARKET ANALYSIS

EXISTING MARKET CONDITIONS

The following section will address existing market conditions within the City including property taxation, land uses and zoning, historic average annual daily trips on major City roadways, an illustration of competitive market sites, projected growth within Highland, supportable commercial zoning and potential barriers to future economic growth.

PROPERTY TAX COMPARISON

Utah's municipal tax rate setting process is designed to achieve budget neutrality. An entity's prior year budgeted revenue serves as the baseline for current year certified tax rate calculations. According to the Utah State Tax Commission:

The county assessor and State Tax Commission provide valuation information to the county auditor, including changes in value resulting from reappraisal, new growth, factoring and legislative adjustments. The State Tax Commission and the county auditor calculate certified tax rates and the county auditor provides taxing entities with valuation and certified tax rate information. The certified tax rate provides a taxing entity with the same amount of property tax revenue it received in the previous tax year plus any revenue generated by additional growth in its taxable value. When this information is received, taxing entities compute and adopt proposed tax rates. If an entity is proposing a property tax revenue increase, it may only adopt a tentative or proposed tax rate. The exact requirements to increase property tax revenue vary depending on whether the entity is a calendar year or a fiscal year entity. These procedures are discussed in more detail in Standard 10.9 "Truth in Taxation".¹

In order to adopt a tax rate that exceeds the Certified Tax Rate, an entity must go through what is known as the "Truth-in-Taxation" process. Truth-in-Taxation statutes require that entities proposing a tax increase must advertise the increase and hold a public hearing. The Certified Tax Rate or the proposed rate, if adopted, is applied to all taxable value within the boundaries of the taxing entity. For a historic overview of Utah's property tax system see: <https://propertytax.utah.gov/media/historic-overview.pdf>.

TABLE 4.1: TAX RATE COMPARISONS

	POPULATION	RANK	2018 TAX RATE	RANK	2017	2016	2015	2014	2013	2012	2011	2010	2009
Alpine	10,371	14	0.001179	22	0.001305	0.001388	0.001478	0.001611	0.001773	0.001916	0.001870	0.001226	0.001121
American Fork	29,527	9	0.002077	4	0.002082	0.002261	0.002362	0.002540	0.002750	0.002812	0.002794	0.002630	0.002423
Cedar Fort Town	392	23	0.000817	16	0.000924	0.001037	0.001099	0.001163	0.001279	0.001268	0.001244	0.001311	0.001280
Cedar Hills	10,334	15	0.001923	3	0.002024	0.002186	0.002315	0.002410	0.002873	0.003183	0.003153	0.002994	0.002768
Eagle Mountain	32,204	7	0.000924	18	0.001011	0.001081	0.001118	0.001192	0.001380	0.001668	0.001636	0.001510	0.001400
Elk Ridge	3,757	19	0.001841	11	0.001949	0.002180	0.002356	0.002360	0.002526	0.002715	0.002621	0.002494	0.002343
Fairfield (Town)	143	24	0.000976	6	0.001043	0.001012	0.000918	0.000801	0.001634	0.001665	0.001808	0.001921	0.001895
Genoala (Town)	1,520	21	0.001045	23	0.001045	0.000902	0.000949	0.000972	0.001045	0.001024	0.000957	0.000953	0.000993
Goshen (Town)	952	22	0.000637	24	0.000678	0.000799	0.000855	0.000885	0.000922	0.000936	0.000981	0.000980	0.000978
Highland	18,957	11	0.001327	13	0.001428	0.001494	0.001568	0.001681	0.001886	0.002005	0.002004	0.001948	0.001804
Lehi	62,712	3	0.001678	8	0.001830	0.002005	0.002090	0.002172	0.002432	0.002585	0.002519	0.002370	0.001789
Lindon	10,968	13	0.001392	17	0.001451	0.001630	0.001741	0.001862	0.002043	0.002107	0.002080	0.001873	0.001686
Mapleton	9,773	16	0.002523	2	0.002729	0.002729	0.002729	0.003052	0.003466	0.003639	0.003570	0.003416	0.003085
Orem	97,839	2	0.001281	12	0.001346	0.001550	0.001652	0.001716	0.001871	0.001921	0.001879	0.001739	0.001676

¹ Source: Utah State Tax Commission, <https://propertytax.utah.gov/standards/standard10.pdf>, p.4

	POPULATION	RANK	2018 TAX RATE	RANK	2017	2016	2015	2014	2013	2012	2011	2010	2009
Payson	19,892	10	0.001280	19	0.001280	0.001279	0.001280	0.001268	0.001353	0.001380	0.001323	0.001272	0.001213
Pleasant Grove	38,845	5	0.001884	9	0.002029	0.001775	0.001875	0.001997	0.002237	0.002315	0.002256	0.002085	0.001943
Provo	117,335	1	0.001888	5	0.002089	0.002239	0.002377	0.002775	0.002956	0.003032	0.002843	0.002394	0.002307
Salem	8,210	17	0.001524	20	0.001633	0.001697	0.001839	0.001896	0.002020	0.002106	0.002003	0.001336	0.001228
Santaquin	11,652	12	0.001644	14	0.001734	0.001909	0.002075	0.002176	0.002408	0.001817	0.001830	0.001677	0.001571
Saratoga Springs	29,608	8	0.001731	7	0.001822	0.001994	0.002083	0.002233	0.002761	0.003054	0.003120	0.002744	0.002436
Spanish Fork	39,443	4	0.000955	21	0.000955	0.001031	0.001091	0.001123	0.001221	0.001221	0.001186	0.001134	0.001076
Springville	33,294	6	0.001914	15	0.002087	0.002262	0.001896	0.002054	0.002159	0.002190	0.002103	0.002213	0.001538
Vineyard Town	6,210	18	0.003957	10	0.004015	0.003446	0.002878	0.002816	0.002740	0.002758	0.002249	0.001815	0.001695
Woodland Hills	1,548	20	0.004337	1	0.004613	0.004839	0.004615	0.005262	0.006272	0.005519	0.005469	0.005213	0.004530

The total Highland tax rate is made up of levies by Utah County, Multicounty and County Assessing, Alpine School District, Highland City, the Northern Utah Water Conservancy Water District and the Central Utah Water Conservancy District. As shown in **Figure 4.1**, the Alpine School District has historically accounted for approximately 70 percent of the tax rate. The Highland City municipal tax rate as a percent of the total tax rate has fluctuated historically between 12.7 percent and 16.4 percent as shown in **Figure 4.2**.

FIGURE 4.1: HISTORIC TOTAL TAX RATE FOR HIGHLAND CITY

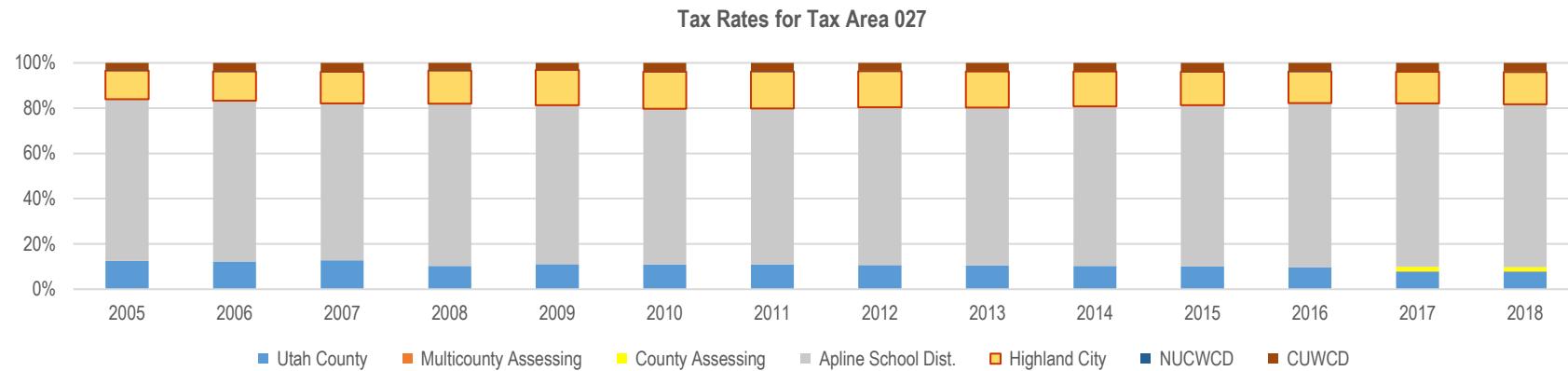
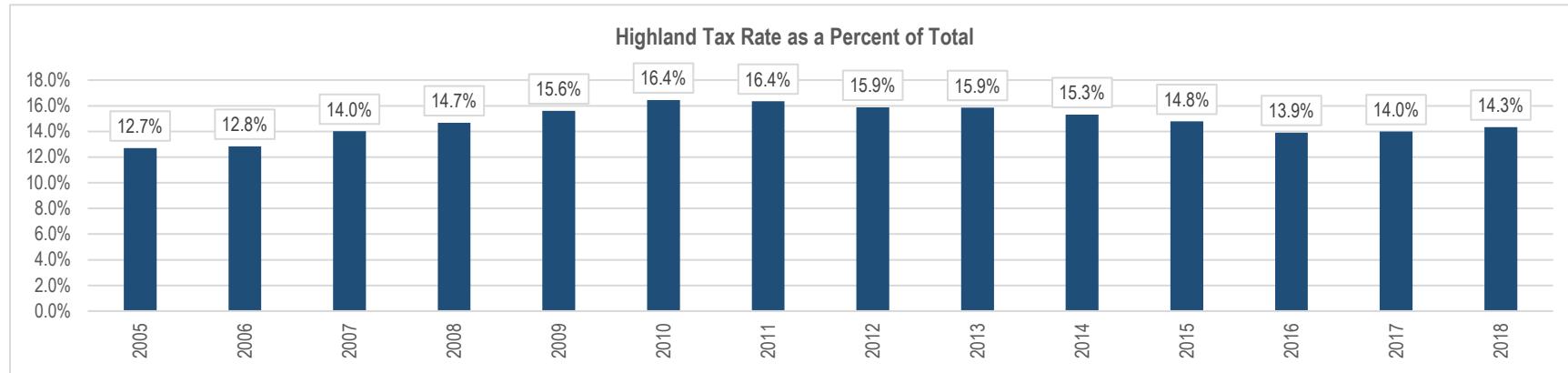


FIGURE 4.2: HIGHLAND TAX RATE AS A PERCENT OF TOTAL TAX RATE



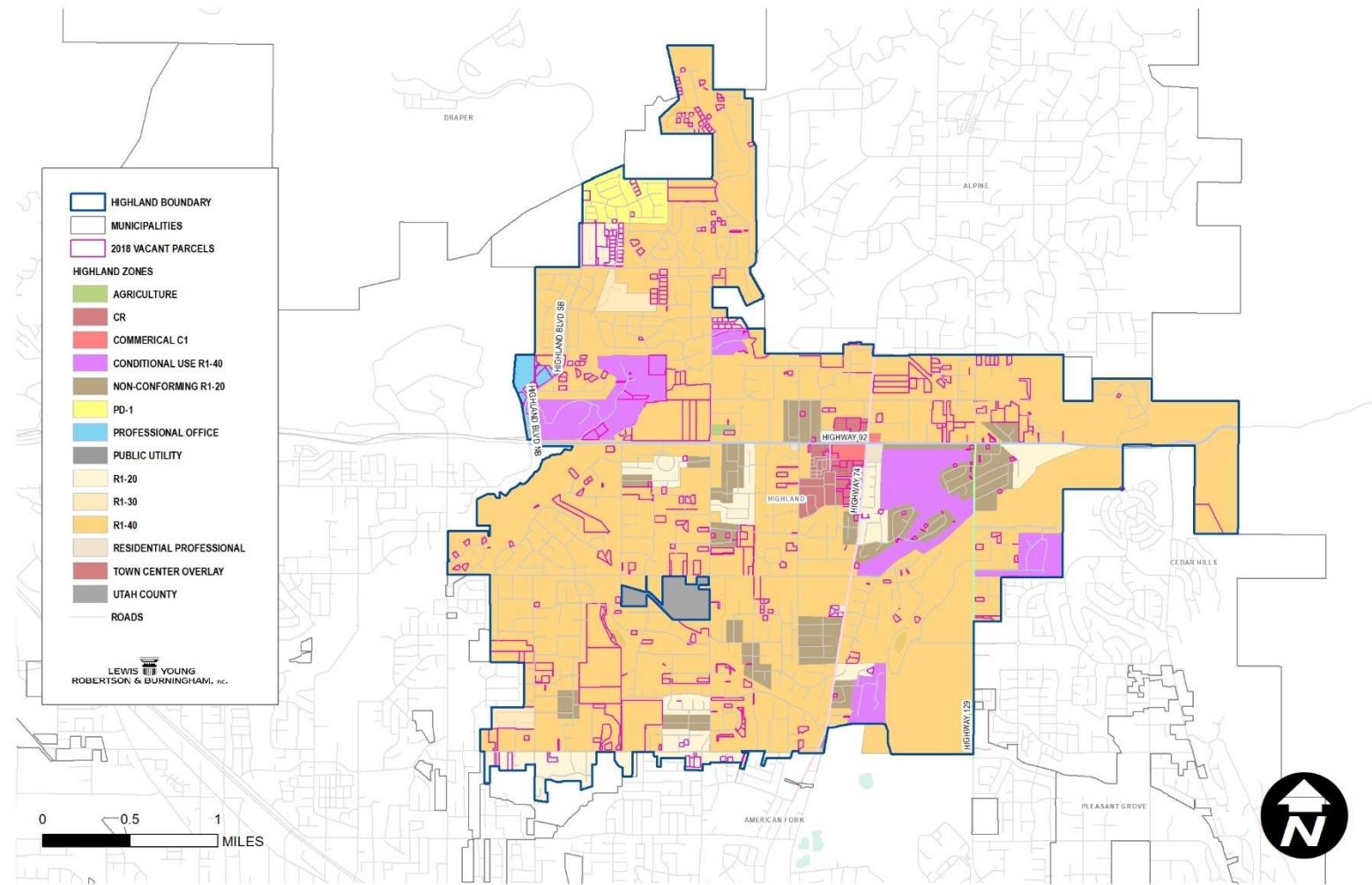
LAND USE AND ZONING ANALYSIS

The distribution of land uses in the City illustrate a concentration of residential development, with almost 90 percent of the market value and 87 percent of the taxable value attributed to single family residential property types. There are approximately 600 acres of vacant land, primarily in residential zones, as shown in **Figure 4.3**:

TABLE 4.2: DISTRIBUTION OF LAND USE TYPES WITHIN HIGHLAND CITY

PROPERTY TYPE	PARCELS	ACREAGE	MARKET VALUE	% OF TOTAL MARKET VALUE	TAXABLE VALUE	% OF TOTAL TAXABLE VALUE
Commercial	34.00	184.12	\$51,526,300	1.93%	\$51,526,300	3.40%
Commercial with Residential Exemption	1.00	2.23	\$6,670,100	0.25%	\$3,668,555	0.24%
Duplex	1.00	0.83	\$279,800	0.01%	\$153,890	0.01%
Exempt	697.00	1,597.02	-	0.00%	-	0.00%
Improved Condos	7.00	0.47	\$3,940,800	0.15%	\$3,940,800	0.26%
Mixed Use	2.00	11.64	\$10,658,300	0.40%	\$10,406,390	0.69%
Planned Unit Development	286.00	10.14	\$91,854,100	3.45%	\$50,519,755	3.33%
Single Family Residential	4,241.00	2,609.47	\$2,384,735,000	89.52%	\$1,318,842,749	87.00%
Vacant	443.00	597.02	\$99,488,100	3.73%	\$63,119,816	4.16%
Vacant Commercial	37.00	39.72	\$14,642,100	0.55%	\$13,661,050	0.90%
(Blank)	183.00	106.89	-	0.00%	-	0.00%
Grand Total	5,932.00	5,159.56	\$2,663,794,600	100.00%	\$1,515,839,305	100.00%

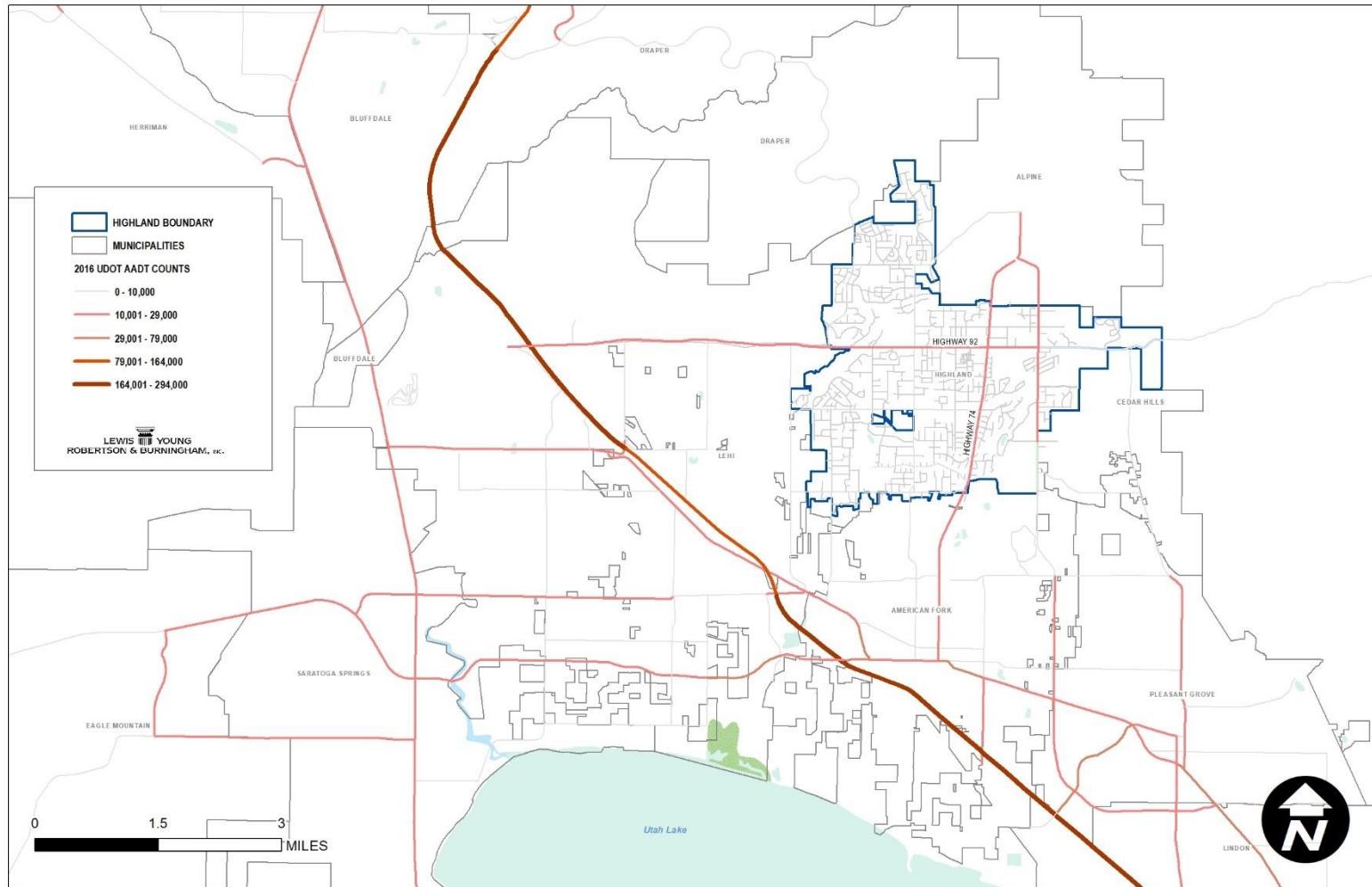
FIGURE 4.3: VACANT LAND OVERLAY WITH CITY ZONING



HISTORIC AADT GROWTH

Highway 92 and Highway 74 serve as the major roadways within the City. Average Annual Daily Trips (AADT) along these roadways range from 21,000 trips on Highway 92 and 15,000 trips on Highway 74. The trips decrease to 10,000 trips east of 4800 W and continue to decline as you enter American Fork Canyon.

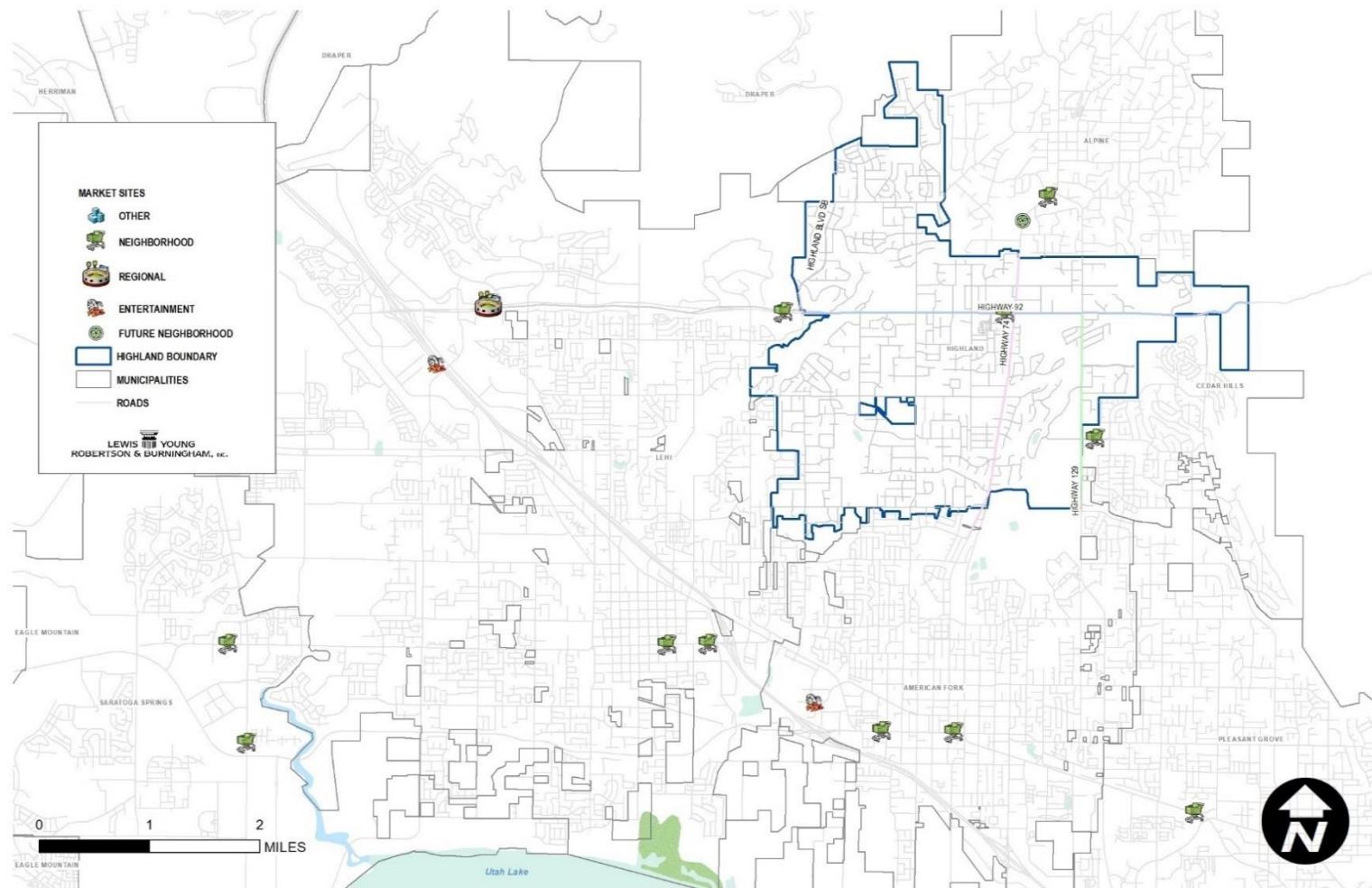
FIGURE 4.4: AVERAGE ANNUAL DAILY TRIPS



COMPETITIVE MARKET SITES

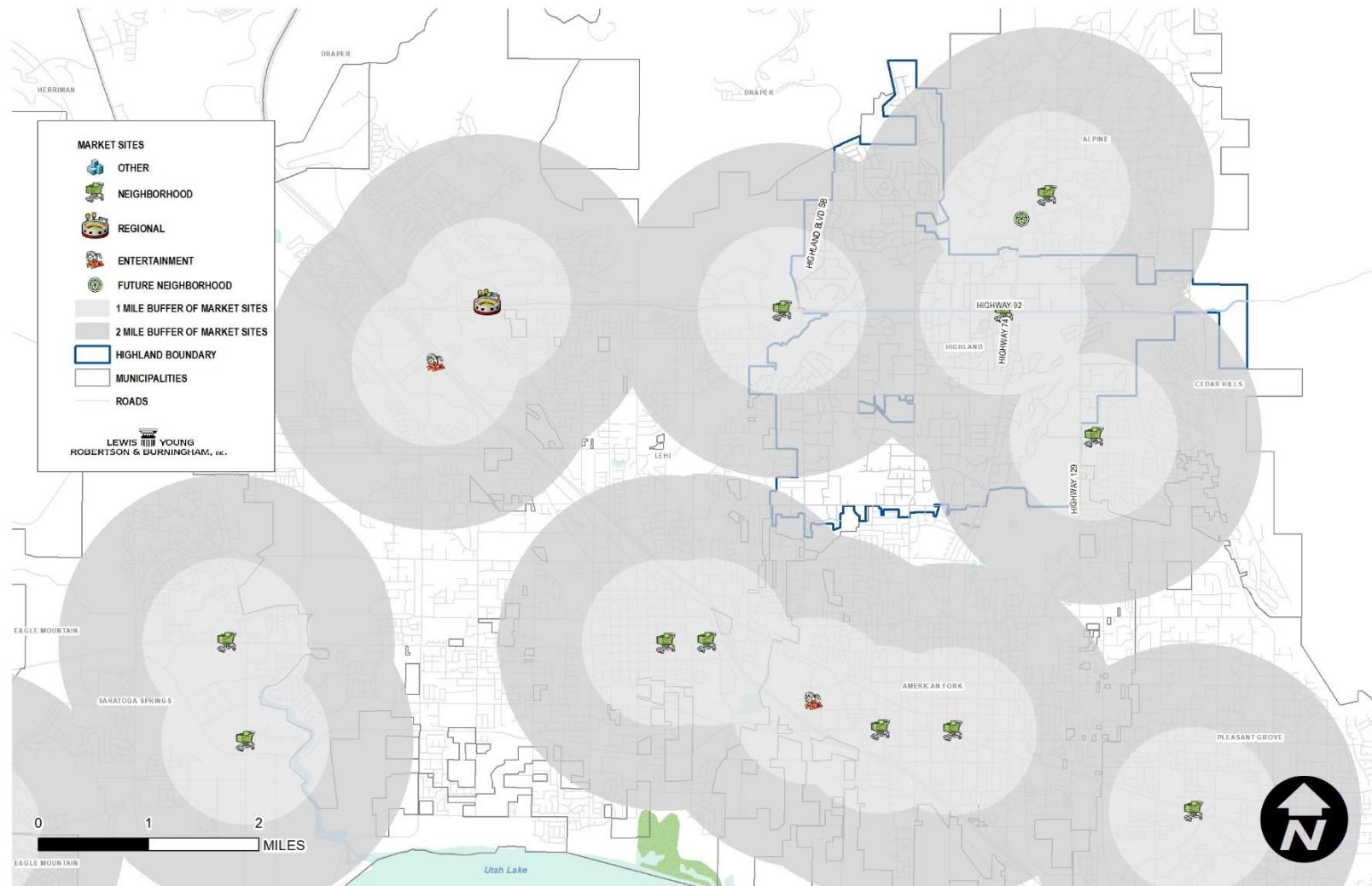
There are several competitive market sites surrounding Highland City, including neighborhood scale retail just west of the City's boundaries, within Cedar Hills along 4800 West, and in the adjacent communities of American Fork and Lehi. Alpine completed an analysis to develop neighborhood scale retail along Highway 74 (5300 West). This site includes nearly 30 acres of property intended for general neighborhood scale retail. Specifically, the market analysis completed by Alpine City calls for a neighborhood center anchored by a 45,000 square foot grocer. However, the future commercial site is not currently in a Community Reinvestment Area (CRA) and indications from the City suggest there may not be community support or demand for this site to develop commercially.

FIGURE 4.5: COMPETITIVE MARKET SITES



A two-mile buffer of the competitive market sites illustrates limited growth potential within the northeast portion of Utah County. Future commercial growth will continue to follow rooftops which are shifting concentration toward the west, as discussed in the following paragraphs.

FIGURE 4.6: BUFFER OF COMPETITIVE MARKET SITES



GENERAL GROWTH WITHIN THE CITY AND REGION

The City's population is projected to continue to increase through 2050, reaching 24,250 persons. However, the population in Utah County will shift from a concentration on the east side of the valley to the west, with Eagle Mountain and Saratoga Springs experiencing substantial growth.

FIGURE 4.7: ILLUSTRATION OF POPULATION GROWTH BY TRAFFIC AREA ZONE (TAZ) DATA IN UTAH COUNTY (2020 – LEFT, 2050 – RIGHT)

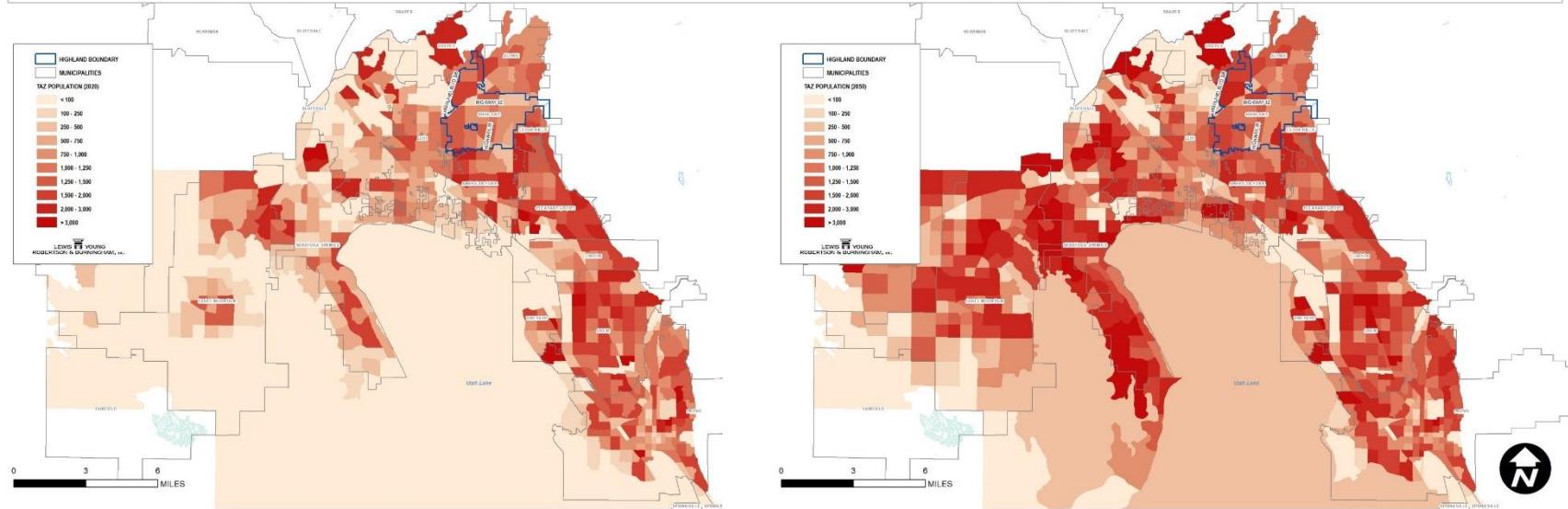


TABLE 4.3: UTAH COUNTY POPULATION PROJECTION

CITIES	POPULATION				GROWTH (2017-2050)		EMPLOYMENT				GROWTH (2017-2050)	
	2017	2030	2040	2050	ACTUAL	%	2017	2030	2040	2050	ACTUAL	%
Alpine	10,371	11,761	12,594	12,735	2,364	22.8%	1,342	1,511	1,554	1,615	273	20.3%
American Fork	29,527	40,752	48,846	51,391	21,864	74.0%	28,866	33,813	36,894	39,804	10,938	37.9%
Cedar Hills	10,334	10,442	10,288	10,232	(102)	-1.0%	1,006	1,314	1,476	1,513	507	50.4%
Eagle Mountain	32,204	65,038	99,064	141,252	109,048	338.6%	1,226	13,575	29,311	51,041	49,815	4063.2%
Highland	18,957	21,257	23,375	24,250	5,293	27.9%	2,229	2,574	2,956	2,959	730	32.8%
Lehi	62,712	88,555	110,747	124,436	61,724	98.4%	29,967	44,621	57,181	73,820	43,853	146.3%
Lindon	10,968	13,105	13,564	13,719	2,751	25.1%	12,535	16,299	18,356	21,336	8,801	70.2%
Mapleton	9,773	16,480	19,726	21,724	11,951	122.3%	993	2,619	3,309	3,912	2,919	294.0%
Orem	97,839	105,540	117,630	127,517	29,678	30.3%	63,111	67,664	66,876	66,535	3,424	5.4%
Payson	19,892	29,218	39,728	61,887	41,995	211.1%	7,798	10,492	13,793	21,552	13,754	176.4%
Pleasant Grove	38,845	46,029	47,679	48,252	9,407	24.2%	15,352	20,190	22,938	26,139	10,787	70.3%

CITIES	POPULATION				GROWTH (2017-2050)		EMPLOYMENT				GROWTH (2017-2050)	
	2017	2030	2040	2050	ACTUAL	%	2017	2030	2040	2050	ACTUAL	%
Provo	117,335	142,223	155,397	159,265	41,930	35.7%	88,123	96,767	103,994	107,500	19,377	22.0%
Salem	8,210	24,875	41,057	53,708	45,498	554.2%	1,370	3,433	7,355	11,835	10,465	763.9%
Santaquin	11,652	19,451	29,982	41,507	29,855	256.2%	1,100	4,371	7,810	11,821	10,721	974.6%
Saratoga Springs	29,608	79,815	117,641	138,600	108,992	368.1%	4,204	24,108	39,164	52,322	48,118	1144.6%
Spanish Fork	39,443	57,643	77,575	91,509	52,066	132.0%	19,742	27,389	34,137	41,673	21,931	111.1%
Springville	33,294	48,639	58,174	61,969	28,675	86.1%	15,234	24,942	30,700	36,947	21,713	142.5%
Utah County*	2,788	2,734	5,801	46,724	43,936	1575.9%	372	445	471	685	313	84.1%
Vineyard	6,210	24,017	33,870	36,265	30,055	484.0%	3,108	8,900	13,381	18,505	15,397	495.4%
Total	600,859	860,187	1,078,201	1,295,178	694,319	115.6%	297,911	405,681	493,054	593,648	295,737	99.3%

Source: Mountainlands Association of Governments (MAG) 2019 Draft Traffic Area Zone Data

* Growth in the unincorporated parts of the county as opposed to the whole county

TABLE 4.4: PROJECTED EMPLOYMENT

CITIES	EMPLOYMENT				GROWTH (2017-2050)	
	2017	2030	2040	2050	ACTUAL	%
Highland	2,229	2,574	2,956	2,959	730	32.8%
Total Utah County	297,911	405,681	493,054	593,648	295,737	99.3%

Source: Mountainlands Association of Governments (MAG) 2019 Draft Traffic Area Zone Data

Employment is also expected to increase in Highland. However, the total growth is marginal compared to the County. Future employment data indicates that Utah County will experience a shift in the location of the workforce. Eagle Mountain, Lindon, Payson and Saratoga Springs will all see an increase in the percentage of total employment. It is important to note that this data represents employment populations within a community and not the amount of workforce living within a community.

FIGURE 4.8: PROPORTIONATE SHARE OF EMPLOYMENT BY COMMUNITY, 2017 AND 2050



SUPPORTABLE COMMERCIAL ZONING

To determine the supportable commercial zoning within Highland, this analysis evaluates future taxable sales growth, per capita spending by sector, and general commercial zoning ratios from other communities. Using two different methodologies, this analysis provides an estimate of supportable acreage by the following categories: general retail, industry, services, and total commercial acreage.

The first methodology employed in this analysis utilizes estimated per capita spending of \$5,230 in Highland. Assuming a new population of 4,418 residents within the City, the total supportable commercial zoning is estimated at approximately 13 acres. This assumes a median sales volume of \$200 per square foot of gross leasable area (GLA) and a floor area ratio (FAR) of 0.2.

TABLE 4.5: SUPPORTABLE COMMERCIAL ZONING BASED ON PER CAPITA SPENDING

Analysis Based on State Per Capita Spending	General Retail	Industry	Services	Other	Total
Per Capita Spending (State Income Adjusted)	\$3,017	\$1,210	\$351	\$653	\$5,230
New Population	4,418	4,418	4,418	4,418	4,418
Total Spending at BO	\$13,328,292	\$5,346,841	\$1,548,918	\$2,883,298	\$23,107,350
Median Sales Volume Per Sq. Ft. of GLA	\$200	\$200	\$200	\$200	\$200
Supportable SF	66,641	26,734	7,745	14,416	115,537
General Commercial Floor to Area Ratio	0.20	0.20	0.20	0.20	0.20
Acres Supportable (Based on State per Capita Spending)	7.65	3.07	0.89	1.65	13.26

Employing an alternative methodology produces higher supportable acreage. A comparison of zoned commercial land per capita for other communities produces an average 0.026 acres per capita, with a high of 0.071 in Lindon and a low of 0.003 in Alpine. However, as discussed in **Section 3**, many of these communities have a much higher sales capture rate, resulting in higher commercial acreages. Using Highland's current total per capita of commercial and industrial acreage of 0.01, the total supportable acreage is estimated at 44 acres, based on new population growth (0.01 multiplied by 4,418 persons). The zoning analysis for Highland is skewed substantially due to the inclusion of the Alpine Country Club, which is approximately 150 acres. Removing this property results in a total of approximately 10 acres of new supportable commercial property.

TABLE 4.6: COMPARISON OF COMMERCIAL ACRES PER CAPITA FROM SELECTED CITIES

	2017 POPULATION	ZONED COMMERCIAL ACREAGE	INDUSTRIAL ACREAGE	TOTAL	COMMERCIAL ACREAGE PER CAPITA	INDUSTRIAL ACREAGE PER CAPITA	TOTAL PER CAPITA
Highland	18,957	191	-	191	0.010	-	0.010
North Salt Lake	20,507	351	1,239	1,590	0.017	0.060	0.078
Alpine	10,371	26	10	36	0.002	0.001	0.003
Cedar Hills	10,334	22	-	22	0.002	-	0.002
Lindon	10,968	427	349	776	0.039	0.032	0.071
Payson	19,892	213	169	381	0.011	0.008	0.019
North Ogden	19,465	64	7	71	0.003	0.000	0.004
South Ogden	17,101	259	-	259	0.015	-	0.015
Centerville	17,657	228	124	352	0.013	0.007	0.020
Woods Cross	11,362	153	260	413	0.013	0.023	0.036
Average							0.026

It is likely that commercial growth will develop around existing neighborhood scale retail, which provides personal services, food services, gas and lodging and general retail purchases. It is expected that the area will continue to see development in small scale office development as well, as shown in the comparison of average retail development requirements in **Table 4.7**. With a population of less than 20,000 residents and competition from neighboring communities, expansion will be limited to neighborhood scale developments.

TABLE 4.7: TYPICAL RETAIL DEVELOPMENT REQUIREMENTS

TYPE OF CENTER	LEADING TENANT	TYPICAL GROSS LEASABLE AREA (GLA)	GENERAL RANGE IN GLA	USUAL MINIMUM SIZE IN ACRES	APPROXIMATE MINIMUM POPULATION REQUIRED
Neighborhood	Supermarket	60,000	30,000 – 100,000	3 – 10	3,000 – 40,000
Community	Supermarket, drugstore/pharmacy, discount department store, mixed apparel	180,000	100,000 – 400,000	10 – 30	40,000 – 150,000
Regional	One or two full-line department stores	600,000	300,000 – 900,000	10 – 60	150,000 or more
Super Regional	Three or more full-line department stores	1,000,000	600,000 – 2,000,000	15 – 100 or more	300,000 or more

Urban Land Institute, Retail Development, 4th ed.

While the City has discussed the potential expansion of retail related opportunities, the City's ability to stimulate this type of development may be limited by population and competition from adjacent markets such as Lehi, American Fork, Pleasant Grove and Alpine. The US Census Bureau's estimate of retail e-commerce sales as percent of total quarterly retail sales continues to rise, increasing from nearly four percent in 2009 to over 10 percent in 2019.²

Official retail sales numbers by the Census Bureau show a steady growth in sales from non-store retailers like Amazon, eBay, QVC and Alibaba.³ This will likely result in a shift from location-based retail to online purchases. Highland's location, limited interstate access and small population will make it challenging to attract distribution centers that service this type of retail spending. Lower population levels or continued sales leakage will result in less commercial acreage within the community. However, if the City allows for greater densities, resulting in an increase in buying power and capture rates, the area could see higher levels of commercial development. Methods to promote increased commercial development include:

- ☒ Allow for more residential development and population growth;
- ☒ Provide development incentives;
- ☒ Promote niche markets that will capture sales from surrounding communities;
- ☒ Remove barriers to entry; and,
- ☒ Promote other types of commercial development (industrial, tech, office, etc.).

It is important to note that with increased population and development there will be an increase in public safety expense that may negate the benefits.

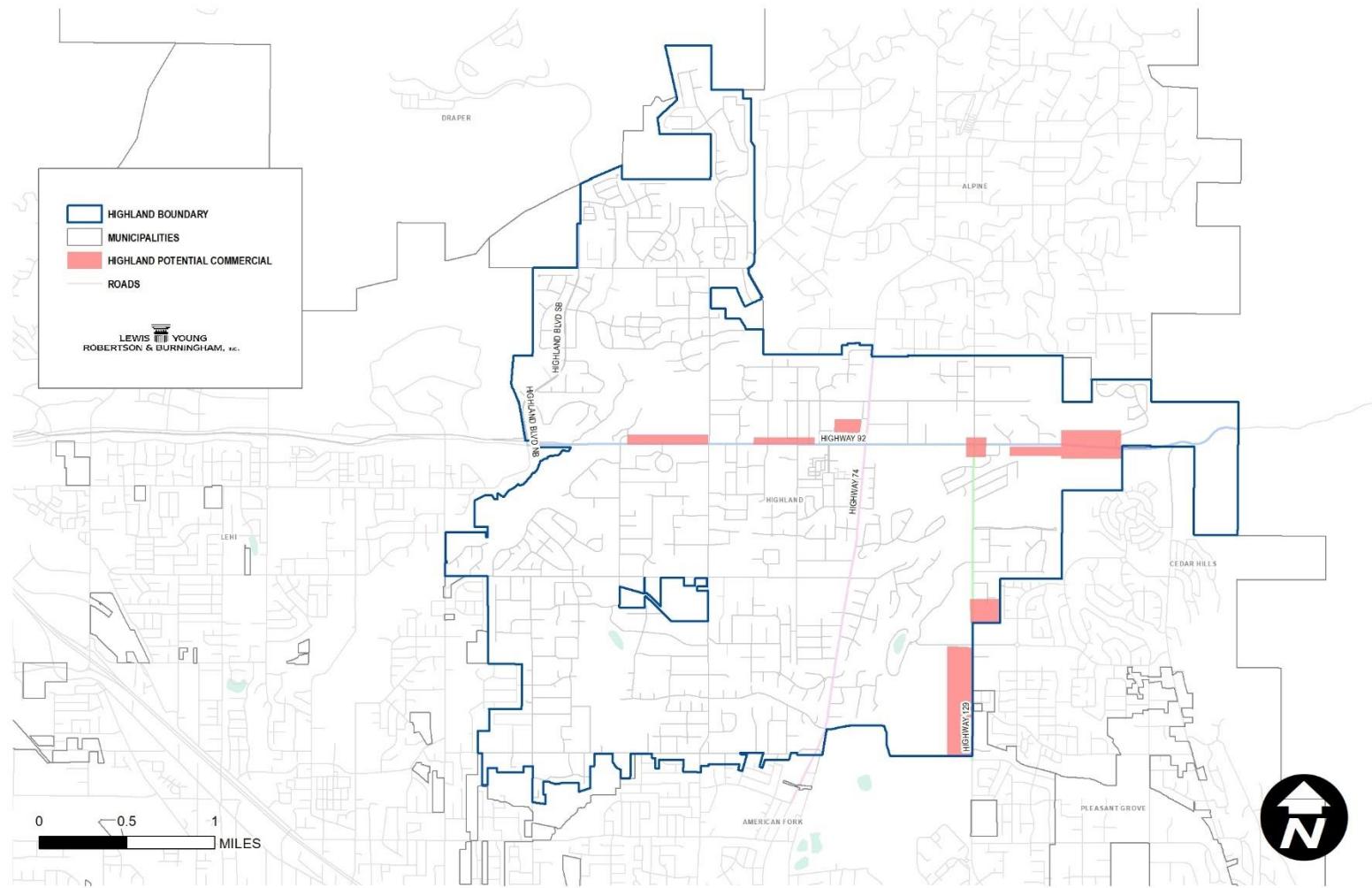
POTENTIAL COMMERCIAL ZONES

The potential commercial expansion zones have been identified in **Figure 4.9**. Approximately 160 acres have been identified as potential commercial areas, which likely exceeds what is supportable. While these areas provide opportunities for the consideration of commercial expansion, the City should evaluate the cost/benefit of proposed commercial developments. This evaluation may also include compatibility with the existing land use objectives of the City. For example, the City may not wish to shift from development focused around the Town Center to corridor commercial, as this may result in increased congestion within the City.

² Source: US Census Bureau News, https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

³ Source: 2015 Annual Retail Trade Report <https://www.census.gov/retail/index.html>

FIGURE 4.9: POTENTIAL COMMERCIAL EXPANSION ZONES



BARRIERS TO ENTRY

Some commercial development may be impacted by factors that serve as barriers toward unconstrained commercial growth within the community. These barriers may include City ordinances, development costs, or geographic challenges. Future commercial development in Highland may be hindered by these types of barriers. The following paragraphs discuss some of the barriers to entry that may exist within the City.

SUNDAY CLOSURE

In 2012, Highland residents voted to keep businesses closed on Sundays. According to Highland municipal code 5.04.170 "Hours of Operation", the hours of operation for all Highland City businesses is limited to Monday through Saturday during the hours of six a.m. until twelve a.m. (midnight). There are arguments for and against Sunday closure regulations. One day off a week may improve employee morale, foster a sense of community caring and encourage greater demand to visit retailers when open. However, there may be a substantial loss in revenue for some industries. Some businesses may view this ordinance as a barrier to entry.

LAND COST

Another barrier to entry may be the cost of land. A comparison of the total market value of land within Utah County versus Highland City may illustrate the land value disparity. The total market value of all land within Utah County is approximately \$25.7B. With a total of 1.3M acres of land, this equals nearly \$20K per acre. This data may be impacted by higher ratios of undevelopable, exempt, government, forest or other lower valued lands that are not as prevalent within a City. Highland's estimated market land value per acre is \$183K.

TABLE 4.8: COMPARISON OF MARKET LAND VALUES

2018	TOTAL LAND	MARKET LAND VALUE	MARKET VALUE PER ACRE
Utah County	1,341,950.14	\$25,699,201,073	\$19,151
Highland	5,932.00	\$1,086,150,700	\$183,100

DEVELOPMENT COST: IMPACT FEES

Many communities within Utah assess impact fees to offset the cost of needed infrastructure related to growth. Total impact fees vary from community based on level of service, age of infrastructure, proportional allocation of buy-in to new facilities, and the inclusion of financing mechanisms and inflation. While impact fees can be a barrier to limiting economic growth, municipalities have tools to mitigate this impact. These include waiving or reducing impact fees, establishing redevelopment areas to fund infrastructure, or allowing development to provide information that may result in a reduced fee.

LOCATION

The City is located at the crossroads of two major roadways: Highway 92 and Highway 74. Average Annual Daily Trips (AADT) along these roadways range from 21,000 trips on Highway 92 and 15,000 trips on Highway 74. However, the City is not adjacent to a major interstate. Proximity to a regional transportation network allows communities to attract larger developments like distribution centers or industrial centers, which in turn stimulate job growth and spending.

LOWER POPULATION AND ROOFTOPS

While the City's population is projected to continue to increase through 2050, reaching 24,250 persons, the population in Utah County will shift from a concentration on the east side of the valley to the west, with Eagle Mountain and Saratoga Springs experiencing substantial growth.

SECTION 5: SWOT ANALYSIS

Based on the preceding sections, the following SWOT Analysis provides a strategic planning tool for the City to examine the strengths, weaknesses, opportunities and threats ("SWOT") that bolster or stifle economic development. The SWOT Analysis considers both internal and external factors that affect the City and highlights both positive and negative conditions that affect the City's ability to sustain and attract businesses and create a vibrant community.

KEY FINDINGS

The following illustrates the key findings of the SWOT Analysis process:

ILLUSTRATION 5.1: SWOT ANALYSIS SUMMARY



SECTION 6: PROPERTY TAX AND FUNDING ANALYSIS

Limited commercial development will likely result in static or marginal increases in long term sales tax revenue trends. As a result, the City may need to pursue alternative revenue sources to mitigate funding gaps. In 2018, the City completed a Comprehensive Financial Sustainability Plan (“CFSP”) related to the City’s General Fund in order to address potential structural deficiencies in the City’s financial operations. This analysis was updated in 2019 to account for changes in public safety expenses and revisions to new operations and maintenance (“O&M”) and capital needs. In addition, the additional public safety fee revenue was included in the analysis and forecasted into the future. While a full update was not completed at this time, the update provides insight into the trajectory of the General Fund based on current budget estimates. It is the intent of the City to complete a full revision of the General Fund CFSP every two to three years. The CFSP includes modeling and forecasting of revenues, expenditures, capital improvement needs and tax rate analysis to ensure sufficient revenues to cover all operations and capital needs while maintaining a fund balance of 20 percent of General Fund revenues.

A baseline scenario analysis provides a review of projected revenues under the existing tax levy relative to proposed expenses. This scenario illustrates that the City would not be able to maintain a fund balance of 20 percent of the General Fund revenues over the next five years. Based on input from City staff and Council members, the City ultimately focused on the following scenarios to generate additional General Fund revenues to address the funding deficit:

- ☒ **Baseline Scenario – No Tax Increase**
- ☒ **Scenario 1: Tax increase each year from 2021 through 2025;**
- ☒ **Scenario 2: Tax increase in 2021 and 2023 and 2025;**
- ☒ **Scenario 3: Tax increase in 2021 and 2024;**
- ☒ **Scenario 4: Tax increase each year to fund inflation only (no new O&M or new capital); and,**
- ☒ **Scenario 5: Tax increase each year to fund inflation and new O&M (no new capital).**

The proposed rate increases, shown below, are designed to fund the proposed Capital Improvement Plan (“CIP”), necessary operations and maintenance (“O&M”) and other expenses forecasted within the planning horizon, as well as ensure an adequate fund balance. Each scenario assumes an annual four percent increase in general sales and use tax and a three percent annual increase in utility franchise tax.

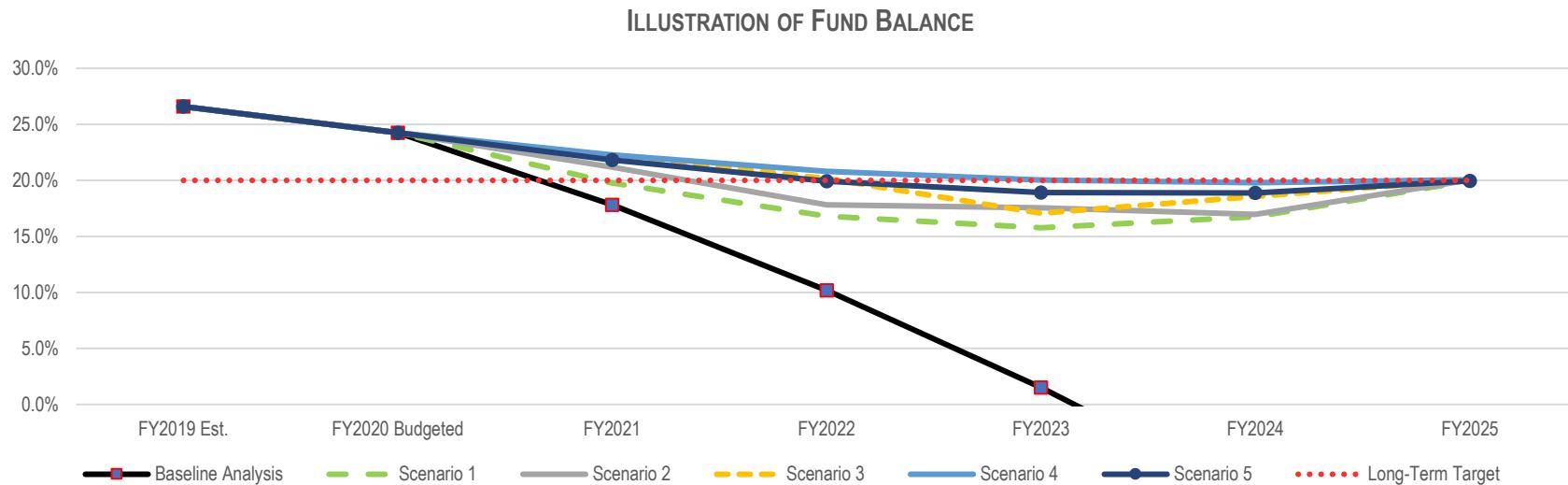
TABLE 6.1: PROPOSED INCREASE IN PROPERTY TAX REVENUES BY SCENARIO

ANNUAL REVENUE GROWTH ASSUMPTIONS	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Baseline Scenario – No New Taxes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
New Property Tax Revenues (Scenario 1) – Funding Inflation, New O&M & Capital	0.00%	0.00%	12.89%	12.89%	12.89%	12.89%	12.89%
New Property Tax Revenues (Scenario 2) – Funding Inflation, New O&M & Capital	0.00%	0.00%	22.74%	0.00%	22.74%	0.00%	22.74%
New Property Tax Revenues (Scenario 3) – Funding Inflation, New O&M & Capital	0.00%	0.00%	30.17%	0.00%	0.00%	30.17%	0.00%
New Property Tax Revenues (Scenario 4) – Funding Inflation Only (No New O&M or New Capital)	0.00%	0.00%	3.77%	3.77%	3.77%	3.77%	3.77%
New Property Tax Revenues (Scenario 5) – Funding Inflation & New O&M (No New Capital)	0.00%	0.00%	9.48%	9.48%	9.48%	9.48%	9.48%
General Sales and Use Tax	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Utility Franchise Tax	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

ILLUSTRATION OF FUND BALANCE BY SCENARIO

Each scenario is designed to achieve a fund balance of 20 percent at FY2025, as shown in **Figure 6.1**.

FIGURE 6.1: ILLUSTRATION OF FUND BALANCE BY SCENARIO



The CFSP illustrates the City's need for a diverse tax base. The City's lower per capita taxable sales and the limited supportable commercial zoning suggest the City will need to rely more on property tax revenues in the future, rather than continued economic development. Based on continued changes to public safety cost allocations and local priorities, the analysis of the General Fund should be updated regularly to determine sustainability.

ADDITIONAL ECONOMIC DEVELOPMENT FINANCING TOOLS

There are a wide variety of tools and incentives are available to help achieve economic development goals. Below is a brief description of several resources available to the City.

Redevelopment Areas – Tax Increment Financing

Tax increment financing ("TIF") is the most widely used tool for economic development in the State of Utah. The creation of CRAs, or historically URA, EDA or CDAs, provides a source of financing redevelopment through the creation of tax increment. Redevelopment agencies negotiate with taxing entities to share a portion of the property tax that is generated by new development in a certain area for a specific length of time.

Tax Increment Revenue Bonds

Tax Increment Revenue Bonds allow redevelopment agencies to pledge tax increment funds to repay the debt service. The projected tax increment is often discounted by the bond market, as the tax increment is the only source to repay the bonds, and project areas have little to no tax increment at the beginning of a new project. These bonds are generally more difficult to sell, due to the risk of repayment.

Industrial Development Bonds

Industrial Development Bonds have a \$10 million cap per issue for small manufacturing facilities and a \$150 million total annual state allocation cap. These bonds have strict

regulations regarding business types that are eligible; a qualified 501(c)(3) can use them for a wider variety of projects. For credit worthy borrowers, this can result in a reduction in the interest rate of up to 2.00 per annum, which during the course of a 10-20 year financed capital improvement can be millions of dollars of savings.

Revolving Loan Funds and Grants

A revolving loan fund is a source of money from which loans are made for small business development projects. A loan is made to a business and as repayments are made, funds become available for future loans to other businesses. This tool is mainly used to finance local, expanding, or small businesses within the community.

The funds used to create a revolving loan fund may have rules governing the program design. For example, the Department of Housing and Urban Development has specified rules for Community Development Block Grants. Matching grants or revolving loan funds have been very successful in various communities throughout Utah. Dilapidated areas within the City may benefit from creating a revolving loan fund that would encourage the upgrade of facades and other building renovations. Most businesses see increased traffic from improvements to their properties.

Community Development Block Grants

Community Development Block Grants can be used for development in parts of the community that qualify as low- and moderate-income areas. These funds may also be used for projects that remove impediments of access for elderly and the disabled.

Business Improvement Districts

A business improvement district (BID) is a public-private partnership that allows for additional taxes to be collected from businesses within a designated area. The taxes generated by a BID are used for public improvements based on the concept that well-maintained public spaces will increase commerce. BIDs are managed by nonprofit corporations created by the district. BIDs allow businesses to share the costs to increase business activity within the community through joint ventures including 1) joint marketing, 2) ad campaigns, 3) events in the district area, and 4) planning for parking and facility improvements. The City may contribute through facilitation of meetings at municipal buildings, advertising on municipal websites, etc.

Sales Tax Incentives

For strong destination retail anchors, the City may offer a sales tax incentive for a period of time. The City should consider sales tax incentives on a case-by-case basis. This should only be considered for a major tax-generating retailer or to retain a current major tax-generating business.

Special Assessment Bonds

Special Assessment Bonds allow a governmental entity to designate a specific area which will be benefited by public improvements and levy a special assessment, like a tax lien, to finance the public improvements. This assessment is then used to repay the debt service. Usually, only the property owners receiving the benefit from the improvements are assessed the costs.

Special Assessment Bonds may not be created if 50 percent or more of those liable for the assessment payment protest its creation. These bonds usually have a higher interest rate than the other bonds discussed in this section. All improvements must be owned by the issuer and repayment cannot exceed twenty years. The main advantage to these bonds is: 1) no bond election required, 2) only benefited owners pay for the improvements, and 3) limited risk to the City.

Municipal Building Authority Lease Revenue Bonds (“MBA”)

Cities, counties, and school districts are allowed to create a non-profit organization solely for the purpose of accomplishing the purpose of acquiring, constructing, improving, and financing the cost of a project on behalf of a public body that created it. Normally, MBA bonds are used to construct municipal buildings, however MBA bonds have been used to finance parks and recreation facilities as well. The legal limitation on MBA bonds issued is 40 years.

Sales Tax Revenue Bonds

Sales tax revenues can be utilized as a sole pledge for the repayment of debt. These bonds do not require a bond election and are often used for the acquisition and construction of any capital facility owned by the issuing entity. The bond market usually requires a higher debt service ratio of at least two or three times the revenue to debt.

APPENDIX A: GENERAL FUND CFSP ASSUMPTIONS

It is important to note that the General Fund CFSP is based on the following assumptions related to unfunded O&M and capital needs:

UNFUNDED OPERATION AND MAINTENANCE NEED

In addition to baseline expenditure growth assumptions, this analysis considered unfunded operational expenses anticipated from each department. Through meetings with City staff, the following cost have been identified as unfunded operation and maintenance expenses. These expenses represent needs from administration, emergency services, open space, parks, police, and streets and roads through the planning horizon. **Table A.1** outlines the new operation and maintenance needs.

TABLE A.1: UNFUNDED OPERATION AND MAINTENANCE NEEDS

Urgency Level	Category	Description	Year	Total Cost	Proposed Increase to GF
Medium	Open Space	Seasonal Employee Hourly Increase	2021	\$29,760.00	\$29,760.00
Medium	Open Space	Maintenance Equipment Replacement	2021	\$70,000.00	\$70,000.00
High	Open Space	Playground Equipment Replacement	2021	\$60,000.00	\$60,000.00
Low	Open Space	Open Space Improvements	2021	\$20,000.00	\$20,000.00
High	Parks	Playground Equipment Replacement	2021	\$17,000.00	\$17,000.00
Medium	Parks	Maintenance Equipment Replacement	2021	\$70,000.00	\$70,000.00
Medium	Parks	Seasonal Employee Hourly Increase	2021	\$18,240.00	\$18,240.00
Low	Parks	2 FTE's	2025	\$102,336.00	\$115,180.07
Low	Parks	Trail Maintenance	2021	\$10,000.00	\$10,000.00
TBD	Police	2 New Employees	2022	\$78,000.00	\$80,340.00
Medium	Streets and Roads	New FTE split between Streets and Storm	2021	\$67,500.00	\$67,500.00
Medium	Streets and Roads	New Vehicle split between Streets and Storm	2021	\$35,000.00	\$35,000.00
Low	Streets and Roads	Speed Limit Signs	2021	\$25,000.00	\$25,000.00
High	Administration	Building Maintenance	2021	\$10,000.00	\$10,000.00
Total				\$612,836.00	\$628,020.07

UNFUNDED CAPITAL IMPROVEMENT PLAN

Capital project costs may be paid through cash reserves, impact fees or debt financing. In this analysis, several projects are identified that must be constructed through 2025 and beyond. **Table A.2** summarizes the total proposed capital improvement estimated construction costs. These costs are in addition to the existing capital improvement funds allocated in the General Fund.

TABLE A.2: NEW CAPITAL IMPROVEMENT NEEDS

Urgency Level	Category	Description	Amount in CIP	2021	2022	2023	2024	2025	2026	2027
Medium	Planning and Zoning	General Plan Update	65,000	65,000	-	-	-	-	-	-
Medium	Streets and Roads	4 Snowplow Trucks	654,000	163,500	-	163,500	-	163,500	-	163,500
Medium	Parks	Additional Cost to Park Maintenance Building	50,000	50,000	-	-	-	-	-	-
Medium	Varies	General Fund Vehicle Replacement	700,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

Urgency Level	Category	Description	Amount in CIP	2021	2022	2023	2024	2025	2026	2027
TBD	Fire	Building Capital Expenditures	107,727	107,727	-	-	-	-	-	-
TBD	Fire	Other Capital Expenditures	50,000	50,000	-	-	-	-	-	-
	Total		\$1,626,727	\$536,227	\$100,000	\$263,500	\$100,000	\$263,500	\$100,000	\$263,500

Based on feedback from the City Council, the O&M and capital expenses occurring within the five-year planning horizon were averaged to produce an annualized expense. An average of \$125,604 new O&M expense has been added to the City's O&M budget based on highest priority line items, compounded through 2025. Further, the City identified an average of \$252,645 (an average of the CIP expense from 2021-2025) of capital expense needed annually as shown in **Table A.3**.

TABLE A.3: CUMULATIVE O&M EXPENSE & CAPITAL IMPROVEMENT PLAN

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Operations & Maintenance	\$125,604	\$251,208	\$376,812	\$502,416	\$628,020
Capital	\$252,645	\$252,645	\$252,645	\$252,645	\$252,645
Total	\$378,249	\$503,853	\$629,457	\$755,061	\$880,665