

July
2022

Building Value in Real Estate

NASTL
Park City

History

- Current configuration of Utah Trust Lands created in 1994 with approximately 3.5 million surface acres.
- Roughly half of initial grant
- Traditional revenue sources
 - Oil and Gas leasing
 - Minerals – Surface and Sub Surface
 - Grazing and Agriculture
 - Special Uses and Easements
 - Land Sales at Auction

Utah Trust Lands Set Up to Innovate

- Utah model was set up as Independent Agency in the quasi-governmental model
 - Independent Board of Trustees
 - Self Funding
 - Ability to operate “Other Business Arrangements”
- With these abilities was there room to enter the Real Estate Development realm in some capacity other than as a pure land seller?

What Makes Value?

- Intrinsic Value Drivers - Market
 - Scarcity – How much land is there?
 - Transferability – Can it be sold or used?
 - Utility – Can it be used?
 - Demand – Does anybody want it?
- Intrinsic Value Drivers – Characteristics
 - Soils
 - Slopes
 - Utility Access
 - Transportation Access

What Builds Value?

- Extrinsic Value Drivers
 - Is it entitled for it's highest and best use?
 - Is it planned for it's highest and best use?
 - Is it engineered for utilities and transportation?
 - Is it graded?
- Each of these steps build value in land a create more value up front than simply selling it raw.

Questions '97 and '98

- The Real Estate Planning and Development team at Utah Trust Lands was formed in 1996.
- In 1997 and 1998 the Trust started asking some of the preceding questions about our land holdings.
- Approximately 300,000 acres of holdings were identified to study and pursue.
- Most of the urban interface holdings were gone long ago. Most would have to wait until cities and counties grew to them, except in the deserty, south west corner of the state.
- Washington County grew later than northern Utah and presented opportunities to start models of development in partnership with the private market.

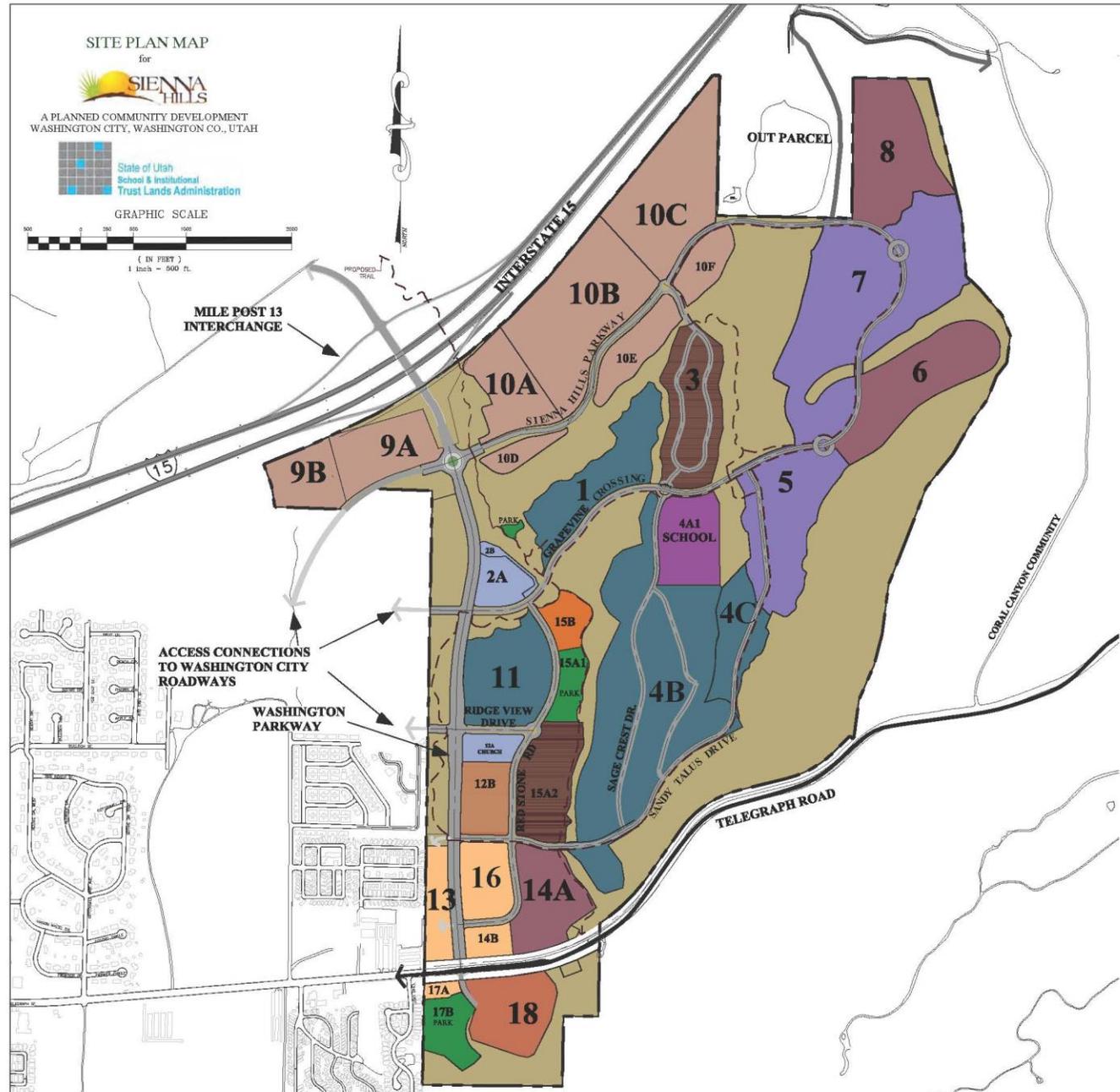
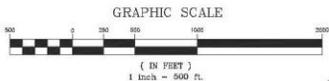
Development Models

- Sale of raw land through auction or advertisement.
- Sale of land once planned and entitled
- Self develop land
 - Stub off site utilities and transportation
 - Full development with all pertinent internal utilities, transportation infrastructure and grading.
 - Requires capital investment of land owner.
- Partner and Hold Model
 - Hold title to land in partnership with a private partner who invests cash in infrastructure.
 - Land owner is paid at final sale.

Experimentation

- Utah Trust Lands trialed all of the different types of development models.
- Started with simply building value through entitlement and planning
 - Trust capital is used to hire engineers and planners to complete work.
 - Land is then sold through a competitive RFP process.
- Eventually did a full self development model at Sienna Hills in Washington County

SITE PLAN MAP
for
SIENNA HILLS
A PLANNED COMMUNITY DEVELOPMENT
WASHINGTON CITY, WASHINGTON CO., UTAH



LAND USE LEGEND 5-10-2017

NEIGHBORHOOD	LAND USE	ACRES	UNITS	SQ.FT.	DU/AC
1	Residential	16.9	74	737,846	4.37
2A	Mixed Use	4.7	1	203,650	
2B	Mixed Use	1.0	1	42,805	
3	Residential (Multi Family/Vacation Rental)	17.4	145	759,225	8.30
4A1	School	11.1	1	482,640	
4.B	Residential (SF Medium)	63.2	177	2,755,128	2.80
4.C	Residential (SF Medium)	10.2	29	454,006	2.80
5	Residential (SF Low Density)	23.4	70	1,000,089	3.00
6	Residential (Multi Family)	20.6	144	896,459	7.00
7	Residential (SF Low Density)	52.4	157	2,282,201	3.00
8	Residential (Multi Family)	21.7	163	945,616	7.50
9.A	Freeway Commercial	11.9		518,500	
9.B	Freeway Commercial Lodging (Rooms)	8.4	200	364,090	
10.A	Freeway Commercial	11.4		498,400	
10.B	Freeway Commercial	30.2		1,317,130	
10.C	Freeway Commercial	25.3		1,104,120	
10.D	Freeway Commercial	3.2		139,700	
10.E	Freeway Commercial	7.8		338,000	
10.F	Freeway Commercial Lodging (Rooms)	5.5	600	238,500	
11	Residential (SF Medium)	16.5	64	717,985	3.88
12A	Mixed Use Church Site	3.2	1	140,340	
12B	Townhome	7.2	72	314,750	9.96
13	Commercial	5.7		248,000	
14.A	Residential (Multi Family)	12.6	277	549,200	22.00
14.B	Commercial	3.0		130,700	
15.A1	Park	4.1		180,350	
15.A2	Townhome / Vacation Rental	12.8	70	559,712	5.46
15.B	Patio Home	4.7	24	205,600	5.00
16	Commercial	7.9		343,958	
17A	Commercial	1.2		50,272	
17B1	Park	6.2		268,750	
18	Townhome	12.4	273	540,934	22.00

TOTALS

	Acres	Units	SQ.FT.	AVG. D.U./AC.
Lodging (Rooms)		800		
Commercial	121.5		5,291,370	
Residential	292	1740	12,728,701	6.0
Mixed Use	8.9	3	386,795	0.3
Parks	10.3		449,100	
School Site	11.1	1	482,640	
Developable Area	444.1		19,338,606	
Open Space	288.6		12,571,623	

* ALL AREAS ARE APPROXIMATE

LEGEND:

- FREEWAY RELATED COMMERCIAL
- NEIGHBORHOOD COMMERCIAL
- MIXED USE
- MULTI FAMILY
- MULTI FAMILY & TOWNHOME VACATION RENTALS
- TOWNHOME
- PATIO HOMES
- SINGLE FAMILY MEDIUM DENSITY
- SINGLE FAMILY LOW DENSITY
- PARKS
- PARK (NATURAL PRESERVE)
- SCHOOL
- OPEN SPACE (PRESERVE, TRAILS, RECREATION FACILITIES)
- TRAIL

DATE: 5-10-2017
JOB NUMBER: 4028-03
SCALE: 1" = 500'
DRAWN BY: CAC
CHECKED BY: DSH

ALLIANCE CONSULTING
A Planning and Engineering Firm

3030 N Centerville Blvd
Washington, Utah 84087

Tel: (435) 972-6600
Fax: (435) 972-6608

SITE PLAN MAP
FOR
SIENNA HILLS
LOCATED IN SECTION 12, TOWNSHIP 42 SOUTH,
RANGE 15 WEST, SALT LAKE BASE & MERIDIAN
CITY OF WASHINGTON, WASH. CO., UTAH

DRAWING NAME:
4028-PCD MP(Update)
FIGURE
1

Sienna Hills History

- Started planning in 2000
- Built interchange in conjunction with UDOT in 2003
- Started initial backbone infrastructure of roads, mass graded pads and park in 2004 and completed in late 2006.
- Went to market with initial phases in 2007.
- Market crashed in 2008.
- Slow down of market “trapped” capital for several years.

Inflection Point

- The market correction of 2008 created an inflection point for the Real Estate Development Group. Self develop, sell raw or find a hybrid approach?
- Could the Trust participate in development upside without putting significant amounts of capital at timing risk?

Partner and Hold Model

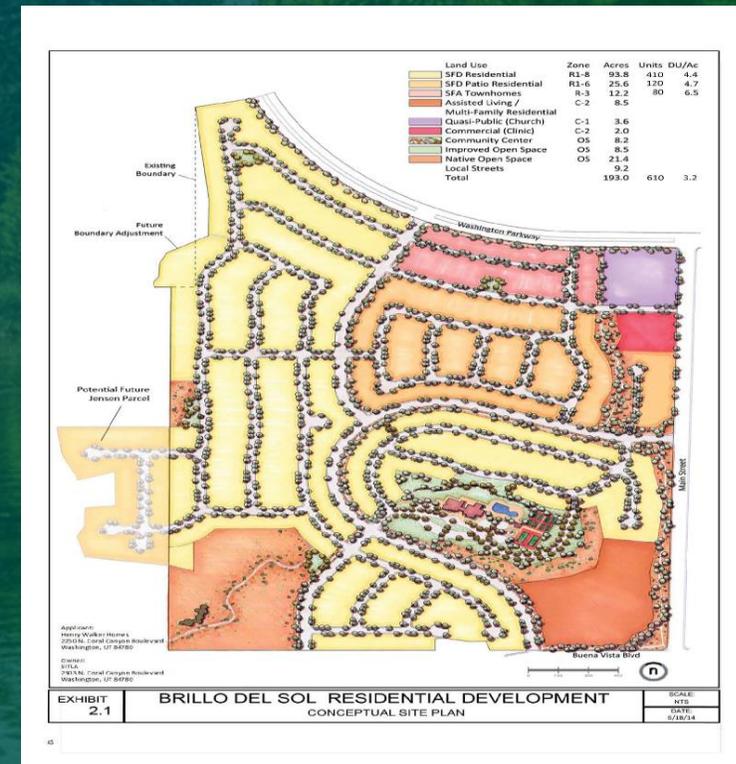
- Contract between the Trust and a private development partner.
- Trust grants rights to develop the property while maintaining ownership during development stage.
 - Eliminates carrying cost of land and property tax for the private partner.
- Private partner agrees to invest capital into full development of the parcel, including marketing and selling.
- Trust gets paid for land holding when property is sold to an end user.
- Payment is a gross percentage of final home or lot price.
- This allows the land owner to ride the value wave created by planning and development of the property.

Real World Example

Green Springs – Washington Utah



Brio – Washington Utah



ADD A FOOTER

A Case to Hold and Partner

- Both projects are within 2 miles of one another
- Both projects are roughly similar in size, density and market
- Both projects started within months of one another
- Brio was executed as a sale of raw land
- Green Springs was executed under the Hold and Partner model.
- What was the result?

Time to Geek Out on Numbers

- Cash Returns

Brennan Development Lease							
	Base Value	2014	2015	2016	2017	2018	2019
Investment	(3,890,560)	-	-	-	-	-	-
Revenue		-	920,691	951,269	3,497,505	3,063,398	2,170,331
		-	920,691	951,269	3,497,505	3,063,398	2,170,331
NPV	3,830,938.87						
Henry Walker Homes Land Sale							
	Base Value	2014	2015	2016	2017	2018	2019
Investment	(6,146,560)	-	-	-	-	-	-
Revenue		8,825,555	-	-	-	-	-
		8,825,555	-	-	-	-	-
NPV	2,063,258.60						

Invested Return Analysis

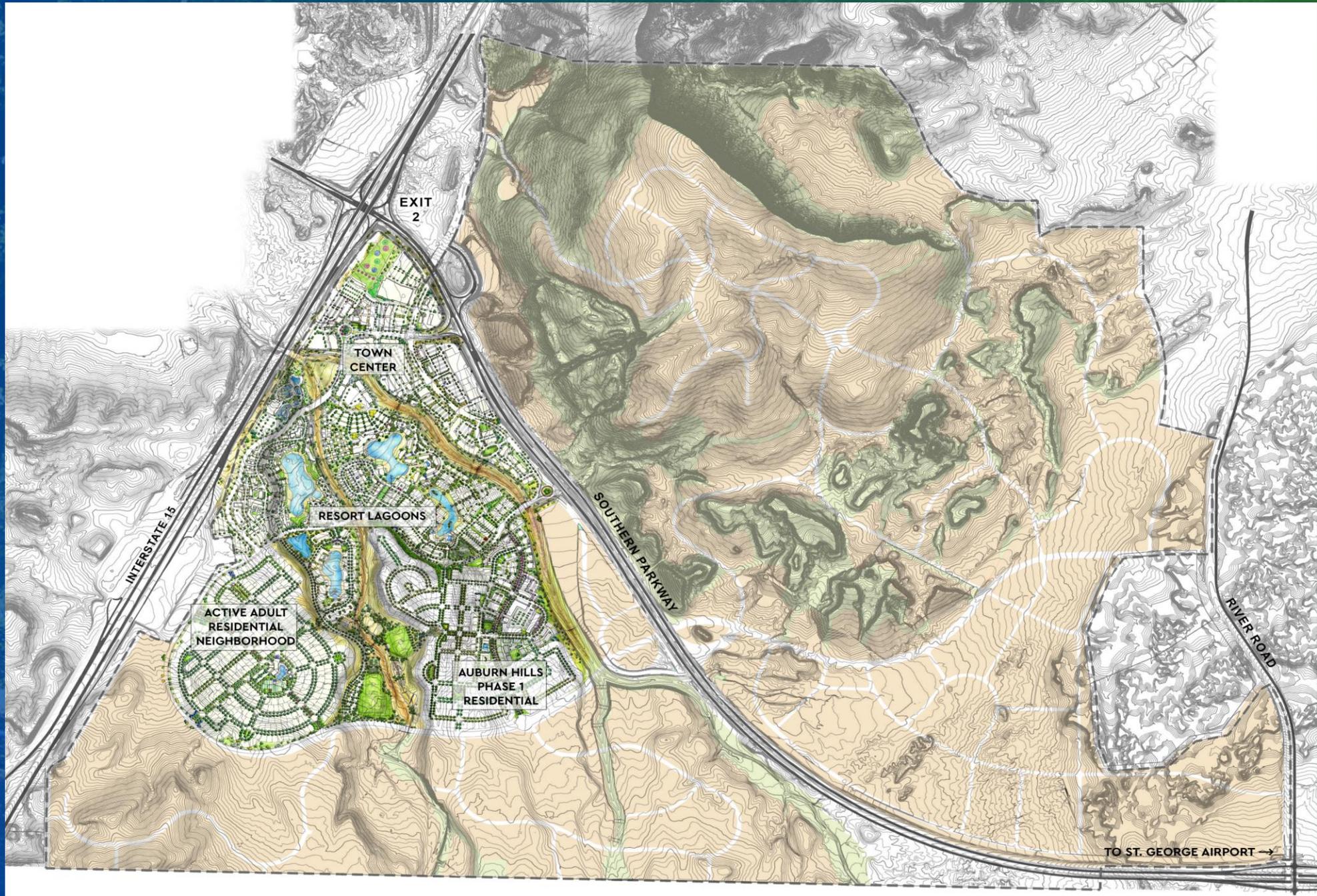
Brennan Development Lease									
	2014	2015	2016	2017	2018	2019	2020	Totals	Per Acre
Revenue	-	920,691	951,269	3,497,505	3,063,398	2,170,331	-	10,603,194	
Interest (7.5%)	-	69,052	145,576	418,807	679,972	893,745	960,776	3,167,928	
	-	989,743	1,096,845	3,916,312	3,743,370	3,064,076	960,776	13,771,122	113,268
Henry Walker Homes Land Sale (Brio)									
	2,014	2,015	2,016	2,017	2,018	2,019	2,020	Totals	Per Acre
Revenue	8,825,555	-	-	-	-	-	-	8,825,555	
Interest (7.5%)	661,917	711,560	764,927	822,297	883,969	950,267	1,021,537	5,816,474	
	9,487,472	711,560	764,927	822,297	883,969	950,267	1,021,537	14,642,029	76,229

Conclusions of this Case?

- Having two development projects being so geographically close, and sharing a nearly identical timing, partnering with a developer to ride the values of a successful development can be more lucrative than the straight cash fee-simple model. Although not all proposed projects will yield these same results (soils issues, market crashes, and other development related hardships could tip the scales in favor of a straight sale), the value of development leases with well-capitalized, experienced developers were made clear through these two similar residential development projects.

So Where Has this Led Us?

- Multiple Hold and Partner models throughout the state
- High value returns outpacing the market on both price per acre and rate of return
- A building reputation as a preferred land partner in the development community.



ADD A

Locally Driven Smart Growth

- • Plan regionally, implement locally
- • Conserve water and maintain air and water quality
- • Guard signature scenic landscapes
- • Provide rich, connected, natural recreation and open space
- • Build balanced transportation
- • Focus growth in walkable centers that include housing, jobs and services
- • Direct growth inward
- • Provide a broad range of housing types
- • Reserve key areas for industry to grow the economic pie
- • Engage in focused and strategic public-lands conversion

Questions?

Kyle Pasley

(435) 619-3164

kylepasley@utah.gov