



## Introduction

The proposed mixed-use redevelopment of the 57-acre Cottonwood Mall site was one of many casualties of the 2008 economic downturn. The once vibrant commercial center that created value and identity for the surrounding community was largely vacant and eventually fully demolished. Many of the areas surrounding the now-derelict site have enjoyed reinvestment including the burgeoning Holladay Village area to the east and new investment in the movie theaters and restaurants to the north. However, the former mall site sits vacant leaving a hole in the community fabric. In addition to a void in a once vibrant area that attracted shoppers and visitors from around the region, the lack of activity at the site results in lost opportunity for schools and other government services as well as the benefits existing adjacent businesses would realize from new homes and businesses on the site.

Realizing the importance of the Cottonwood Mall site as an economic engine for the area, the Board of the Holladay City RDA, the City Council and the Planning Commission created a vision for a mixed-use development on the site. The City and other taxing entities agreed to invest in the new development through a 20-year tax increment area. The 20-year period began in 2016 and is scheduled to expire in 2036.

Although the 20-year tax increment period has begun, new investment on the site has not yet started. The original mixed-use plan is no longer viable in a post-2008 market and a new proposal from Ivory Homes and Woodbury Corporation to create a mix of housing types and an office/retail/restaurant area on the site is under consideration.

The new mixed-use proposal is for a \$230 Million investment to create new housing, office, restaurants and stores on the site. Holladay City has completed analyses of the property tax increment benefits as well as an analysis of ongoing revenues and expenditures affecting Holladay City services from the proposed development. This analysis builds on the previous studies to evaluate the community-wide economic benefits from adding new families and jobs to the area. This study measures not only the jobs and benefits on the 57-acre site itself but the benefits to existing and possible future businesses in Holladay and the surrounding area. This study measures the economic benefits of developing the 57-acre site and making it back into the economic engine it was when the Cottonwood Mall was the first indoor mall in Utah.

## Methodology

To measure area-wide economic benefits we use a series of multipliers that track the way an investment in a construction project or an ongoing business benefits the overall economy. The benefits include materials and supplies purchases by the business and the spending of wages and salaries of the business's employees and owners. We use a program called Implan© to calculate the economic benefits. The model has been used to measure the benefits of all types of investments most recently the investment of public funds in the airport renovation project and the investment of private funds in the expansion and remodel of the Vivint Smart Home Arena. In this case, we used the Implan© model to measure the economic benefits first of the investment in the construction of the New Cottonwood Mall project and second of the ongoing benefit of having new jobs, families and stores in Holladay.

The benefits are measured as jobs, wages and salaries and overall economic output. We also measure the benefits based on the direct investment made or direct business activities, the benefits from suppliers or subcontractors to the investment or direct business and the benefits from employee spending in the broader economy. A more complete description is found in the box on the next page.

## Benefit Types

- **Direct** benefits are the expenditures made for construction of the project and the sales for retail business and income for office-based businesses.
- **Indirect** benefits include goods and services purchased from other industries for construction or operations.
- **Induced** benefits are generated by expenditure of payments and salaries by individuals at businesses throughout the community.

## Summary of Benefits

The estimated \$230 Million investment in the New Cottonwood Mall mixed-use development is projected to result in new property, sales and other revenue sources for Holladay City and other government entities. According to the Tax Increment Analysis completed by Bonneville Associates for the Holladay City Redevelopment Agency, there will be an estimated \$9.8 Million in net present value<sup>1</sup> available for reinvestment into the project to offset extraordinary infrastructure costs and overcome flood plain issues and other challenges identified by the original development team.

If the project goes forward now, Holladay City and the other entities that levy property taxes in the area can expect to receive the revenues identified in Table 1.

**Table 1: Estimated Total and Annual Revenues with New Cottonwood Mall Project**

Entity/Purpose	Time Period	Average Annual	Total
Holladay RDA Administration	2019-2036	43,436	738,415
Holladay Housing Plan	2019-2036	347,490	5,907,324
Other Holladay Government Expenses	2019-2036	173,320	2,946,433
Salt Lake County Government	2019-2036	218,662	3,717,249
Granite School District	2019-2036	568,868	9,670,755
Mt. Olympus Sewer District	2019-2036	26,041	442,698
Salt Lake County Library	2019-2036	43,110	732,877

Source: Bonneville Associates Revised Analysis 3/5/2018

In addition to the property tax revenues in Table 1, Holladay City can expect to receive sales taxes and other types of revenue from the development. Table 2 estimates the average annual revenues generated from the development itself and from spending by workers and new residents at existing and new businesses elsewhere in Holladay.

**Table 2: Estimated Total and Annual Revenues to Holladay City with New Cottonwood Mall Project**

Entity/Purpose	Time Period	Average Annual	Total
Property Tax	2019-2036	106,965	1,818,398
Sales Tax	2019-2036	605,297	10,290,054
Other Taxes	2019-2036	209,130	3,555,210
<b>Total to Holladay City Government</b>	<b>2019-2036</b>	<b>921,392</b>	<b>15,663,662</b>

Source: Bonneville Associated Revised Analysis 3/5/2018, Zions Bank Public Finance Draft Report 1/19/2018, Implan Analysis 3/5/2018

<sup>1</sup> NPV based on a 5 percent discount rate. Nominal value is \$22.8 million spread out over 18 years.

After the end of the tax increment period in 2036 each of the taxing entities, including Holladay City, will receive the full amount of taxes on the new development. Table 3 provides the estimated annual property tax revenues for each entity for 2037 and beyond.

**Table 3: Estimated Annual Property Tax Revenues after 2037 with New Cottonwood Mall Project**

Entity/Purpose	Time Period	Average Annual
Holladay RDA Administration	2037+	0
Holladay Housing Plan	2037+	0
Other Holladay Government Expenses	2037+	286,082
Salt Lake County Government	2037+	519,095
Granite School District	2037+	1,388,870
Mt. Olympus Sewer District	2037+	61,849
Salt Lake County Library	2037+	127,179

Source: *Bonneville Associates Revised Analysis 3/5/2018*

The increase in property taxes available to Holladay City will be added to the increased sales tax and other revenues already realized from the project.

By contrast, if the project does not move forward each of the entities will continue to receive taxes only on the current value. Table 4 estimates the revenues for the same 2019-2036 period if the project does not move forward.

**Table 4: Estimated Total and Annual Revenues NO New Cottonwood Mall Project**

Entity/Purpose	Time Period	Average Annual	Total
Holladay RDA Administration	2019-2036	0	0
Holladay Housing Plan	2019-2036	0	0
Other Holladay Government Expenses	2019-2036	52,819	897,916
Salt Lake County Government	2019-2036	98,161	1,668,733
Granite School District	2019-2036	241,068	4,098,164
Mt. Olympus Sewer District	2019-2036	11,680	198,553
Salt Lake County Library	2019-2036	23,768	404,062

Source: *Bonneville Associates Revised Analysis 3/5/2018*

For the Granite School District, the difference is approximately \$5.6 Million over the 2019 - 2036 time period and almost \$1.8 Million annual in 2037 and beyond. For Holladay City the impact is equally dramatic. Without the project Holladay City would not realize an estimated \$2 Million during the project and an estimated \$240,000 annually in 2037 and beyond.

The project will also benefit Holladay City and area businesses and residents. Table 5 provides estimated new jobs, income and overall economic value from the new businesses and homes in the New Cottonwood Mall development.

**Table 5: Economic Impacts, New Businesses and Households**

Impact Type	Jobs	Salaries/Wages	Total Benefit
Direct	1,001	90,689,251	122,597,252
Indirect	272	14,833,663	57,130,942
Induced	533	24,337,824	85,662,457
<b>Total</b>	<b>1,805</b>	<b>129,860,738</b>	<b>228,722,905</b>

Source: Implan

The office space in the new development will employ an estimated 800 people with an average annual salary of \$103,000 and add an additional 700 jobs to the area. The retail space in the new development will employ an estimated 200 people with an average annual wage of \$20,000 and add an additional 100 jobs to the area. Other Holladay City retail businesses in other areas of the City are estimated to benefit from approximately \$32 Million in new annual sales after the new families move in and the new employees start working in the area.

Table 6 estimates the benefits of the multi-year construction project.

**Table 6: Economic Impacts, Multi-Year Construction Project**

Impact Type	Jobs	Salaries/Wages	Total Benefit
Direct	1,663	103,291,748	339,813,255
Indirect	705	39,144,437	104,139,438
Induced	734	33,513,009	118,133,190
<b>Total</b>	<b>3,102</b>	<b>175,949,194</b>	<b>562,085,883</b>

Source: Implan

Implan© estimates that in addition to the 1,600 jobs to complete the construction, an additional 1,400 jobs will be created in the area. The total benefit includes more the \$79 million in new retail sales, most in Holladay itself.

Without the project little if any of this new economic growth will occur in Holladay.