



Orem City

Economic Development Strategic Plan

December 2014



DUANY PLATER-ZYBERK & COMPANY



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Introduction and Executive Summary

Orem City is well-known and highly respected in the State and nationally as a great place to live and do business, as a desirable place to raise a family, for its safety (low crime rates) and for its entrepreneurship, especially in technology-oriented companies. In addition, Orem is the regional retail hub of Utah County. The City accounts for one-third of retail sales countywide. This economic vitality is exciting to businesses and is attractive to employers who are drawn to the strong workforce from area universities, the low cost of living, and the recreation opportunities in the City's backyard.



Even with all these advantages, Orem, like all cities, has its challenges. The City's regional market share of sales is declining, and growth in the City has slowed and is projected to be modest through 2040. Cities to the north, such as American Fork and Lehi are rapidly growing, creating strong competition in the Valley to attract employers and new retail. Vineyard to the west is finally beginning to show signs of growth and could present significant competition in the future. These areas have a substantial advantage for development that Orem lacks – abundant vacant land. However, while vacant land allows easy, straightforward development, Orem has the opportunity to take economic growth and development to the next level to create a more sophisticated urban environment that establishes Orem as not only the retail hub of the County, but the employment and entertainment hub as well.

Process

The approach to this economic plan is holistic, involving experts and workshops in planning, marketing, real estate, transportation, housing and finance. During the week of August 18 – 21, 2014, a weeklong charrette was held in Orem, which included numerous workshops and public meetings intended to bring together a wide variety of perspectives and depth of experience in the various aspects of economic development. Through this process, the consulting team identified strengths and weaknesses, developed a vision/mission statement for the City and crafted development configurations that would enhance the tax base and quality of life in the City. This

economic plan outlines these findings, presenting a sustainable vision for economic growth and a plan to implement and encourage this vision.



Summary of Findings

Strengths

- Orem is the regional retail hub of Utah County, capturing over one-third of retail sales in the County, yet representing only 17 percent of the population
- Prime location in the center of Utah County
- Demographic profiles include a highly-educated population, young median age and large household sizes
- Large student population which provides one of the most attractive and skilled workforces in the entire nation
- Known for incubating start-up companies that are innovative and creative – a good startup culture
- Good access and visibility from I-15 and excellent traffic counts on major arterials
- Low cost of doing business
- City-owned utilities
- Multiple healthcare options
- Proximity to world-class recreation areas
- Arts and culture, including the Timpanogos Storytelling Festival
- Family-friendly culture
- Safe: low crime rates

Weaknesses

- Over-reliance on sales tax revenues which creates volatility in City revenues and loss of economic sustainability
- Lack of quality office space, especially Class A space, to attract mature companies; startup companies relocate as they mature to other locations in Utah County
- Lack of vacant land
- Lack of City identity and image – “Who is Orem?”
- Strip-mall, rundown appearance along State Street

- UVU remains “unconnected” with the City
- Little population growth projected
- Threat of competition from Vineyard development – large areas of open land

Opportunities

- Promote vision statement: *For the City of Orem’s economic development audience, Orem provides great value through a low cost of doing business and a quality workforce. Orem is the epicenter of Utah County, where start-up companies, established businesses and developers prosper.*
- Promote the idea of Orem as the epicenter of Utah County – “It all starts here!”
- Become the regional employment hub of Utah County, with Class A office space, at University Place
- Become the regional, employment and entertainment center of Utah Valley
- Attract more technology-oriented businesses
- Create an urban, sophisticated and dynamic “downtown” at University Place – become the “Downtown Rising” of Utah County
- Develop a walkable City Center at Center Street by bringing development up to the street and creating walkable blocks, using form based codes and making connections through blocks, such as with State Street and Orem Boulevard
- Capitalize on large amount of residential development at Vineyard (@Geneva) by encouraging retail development at “The Wedge” along Geneva Road
- Use redevelopment tools to clean up blighted areas along Geneva Road
- Add retail development at I-15 interchanges
- Create a business park in southwest annexation area
- Create a student gathering place near UVU – “Wolverine Hill” – to better integrate the students with the community
- Increase transit options along key corridors of the City
- Bring hotel development to the downtown of the City
- Expand the Arts District to include more activities, senior housing and higher-density housing

Orem Overview and Economic Base

Awards and Recognitions Received

Orem is well known for being business-friendly and has a history of innovation and economic start-ups. Entrepreneur Magazine named Orem the top area for entrepreneurs in mid-sized companies. Proximity to two large university campuses provides dynamism and energy to the area, in addition to low taxes, affordable business and living costs, and area amenities that encourage the area to be a center for business growth. Companies that got their start in Orem include Novell, Blendtec, Omniture (now owned by Adobe), doTERRA, WordPerfect, and MyFamily.com. Other awards that Orem (or the Orem/Provo region) has received in recent years include:

Table 1: Orem Awards and Recognitions

Ranking	Title	Organization
1	2014 Best Well-Being	Gallup
1	2013 Best Cities for Successful Aging	Milken Institute
2	2013 Best Performing Cities	Milken Institute
2	2013 Best Midsize Cities for Jobs	Forbes Magazine
2	2013 Best Places for Business and Careers	Forbes Magazine
12	2013 Most Secure Midsize Cities	Farmers Insurance
24	2013 Safest Cities	CQ Press
25	2014 Best Places to Live	Time Money
30	2014 America's 50 Best Cities to Live	24/7 Wall Street

Source: Orem Economic Development

In addition to the overwhelming recognition Orem has received, the City also benefits from the strong economic and pro-business climate of Utah. Utah is consistently ranked in the top states for categories in strong economic outlook,¹ best states for business,² and technology concentration.³ Other awards given to Utah recognize strong growth rates, low utility prices, high volunteerism, good health, and overall happiness of residents.

EDC Utah has compiled a list of factors that are most important to national site selectors as they look for business locations – Orem shines on almost all factors, and has the ability to improve in those factors that it does not. Things like crime rate or proximity of universities are things that cities often cannot change, but Orem stands out in many of these unchangeable categories providing true assets to a potential business. Other things that the City can improve, such as the availability of buildings, are more readily open to City action.

Table 2: National Site Selection Decision Factors

Top 10 Business Decision Factors	Top 9 Quality of Life Factors
Labor Costs	Low Crime Rate
State and Local Incentives	Colleges or Universities
Highway Accessibility	Housing Costs
Availability of Skilled Labor	Ratings of Public Schools
Energy Availability and Costs	Health Care Facilities

¹ Ranked first, ALEC-Laffer, Rich States Poor States (2013)

² Ranked third, Forbes magazine, Best States for Business and Careers (2013);

³ Ranked first in "Technology Concentration and Dynamism Composite Index", Milken Institute (2013)

Top 10 Business Decision Factors	Top 9 Quality of Life Factors
Proximity to Major Markets	Housing Availability
Tax Exemptions	Climate
Occupancy/Construction Costs	Cultural Opportunities
Corporate Tax Rate	Recreational Opportunities
Availability of Buildings	

Source: EDCUtah, PPBH

Demographics

The City's demographics are strong for economic development, with a youthful, educated population and a strong family culture. The City is the retail heart of the County, and the County provides an even larger base population that is also young and family-oriented. A large student population provides an energy and vitality to the region. However, population growth in Orem has leveled out as there is little developable and open land within the City. Other areas in the County are rapidly surpassing Orem in growth. These trends are projected to continue unless the City focuses on attractive in-fill development with higher housing and office density along key nodes and corridors (explored in later chapters) to attract and retain the youthful population as they search for jobs and homes.

Population and Population Growth

The City's population is estimated to be about 88,820 making it the second largest city in Utah County behind Provo.

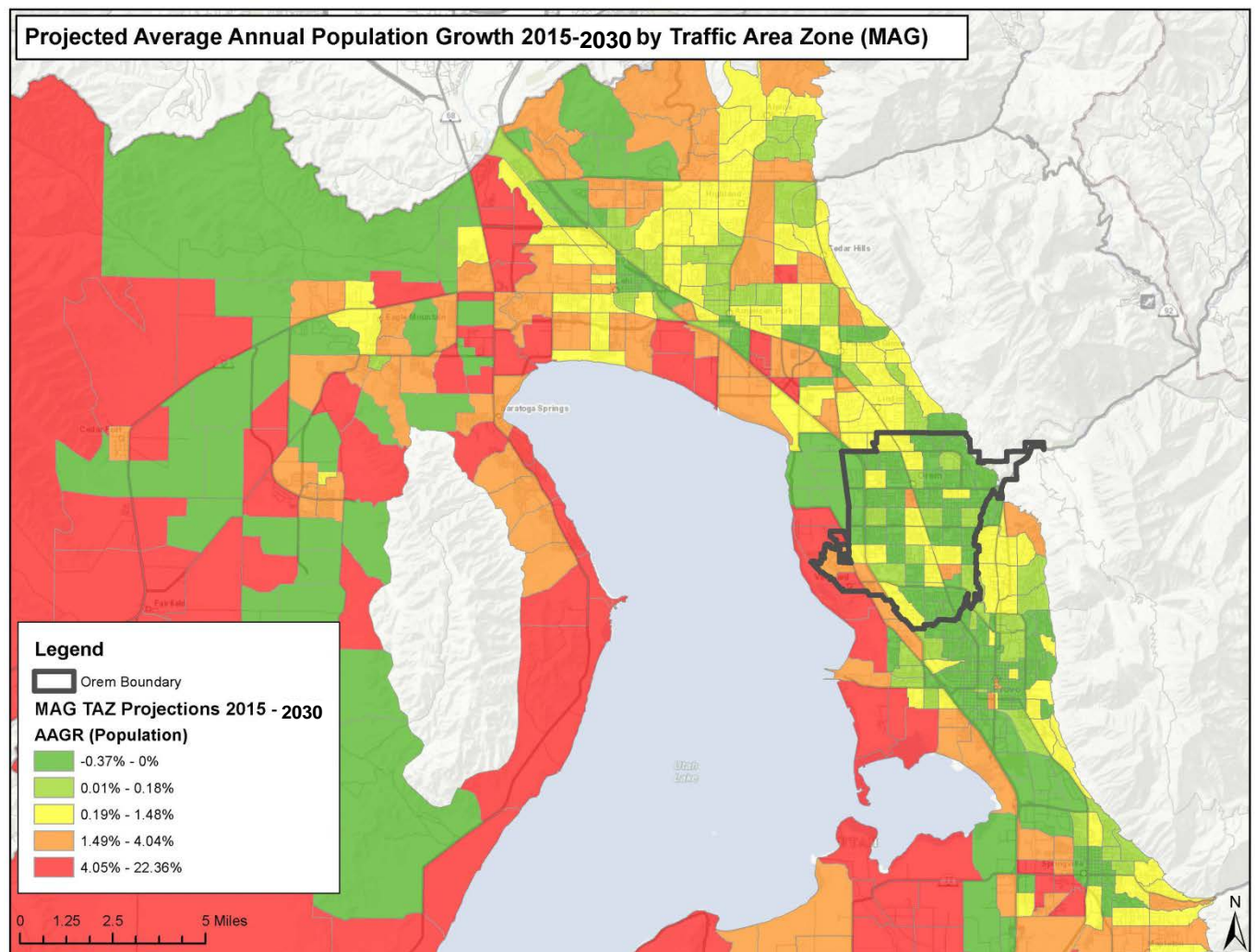
Orem is projected to have an annual average growth rate (AAGR) of less than one percent until 2030, the same as Provo and the lowest in the County except for Cedar Hills. In comparison, cities that are projected to have high growth are those in the County that still have open land available to develop, such as Lehi, Saratoga Springs, and Eagle Mountain.

Table 3: Population Growth Projections in Utah County

	2010 as % of Total	Absolute Growth 2030	2030 as % of Total	AAGR 2010-2030
Utah County		316,537		2.4%
Alpine	2%	2,112	1%	1.0%
American Fork	5%	13,372	5%	2.1%
Cedar Hills	2%	1,088	1%	0.5%
Eagle Mountain	4%	32,680	6%	4.7%
Highland	3%	5,189	2%	1.5%
Lehi	9%	35,182	10%	2.8%
Lindon	2%	2,389	1%	1.1%
Orem	17%	14,993	12%	0.8%
Pleasant Grove	6%	8,553	5%	1.1%
Provo	22%	18,580	16%	0.8%
Saratoga Springs	3%	40,715	7%	6.1%
Spanish Fork	7%	19,452	6%	2.3%
Vineyard	0%	8,276	1%	22.8%

Source: MAG TAZ Estimates

Analyzing AAGR at a detailed Traffic Area Zone (“TAZ”) level out to 2040, many areas in in Orem are projected to have negative population growth.



Population and Age

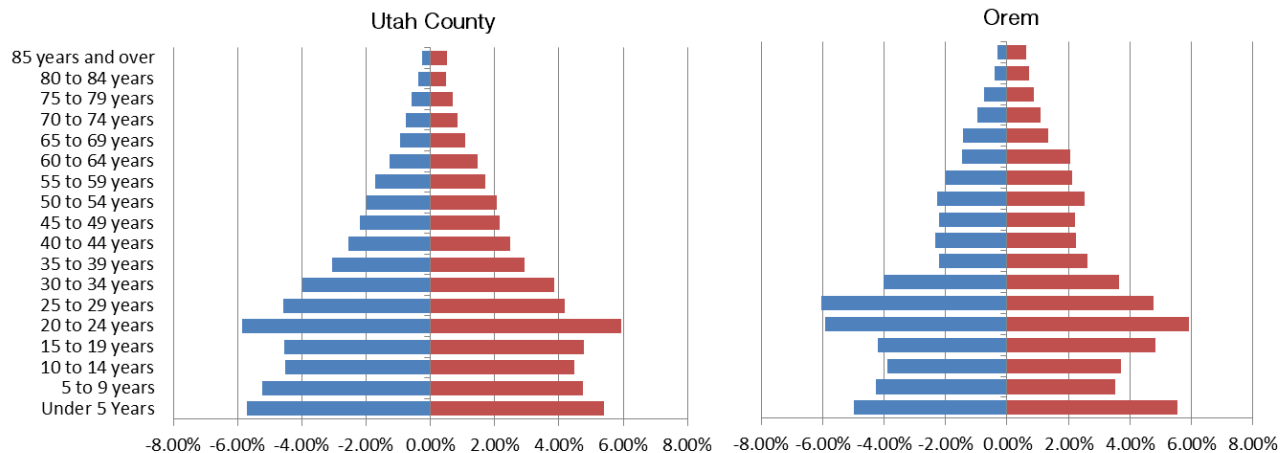
Utah has a very young population in comparison to the nation, and Utah County has among the lowest median ages in Utah with Orem being no exception. Utah County's median age is 24.5 compared to the State's at 29.3 and the national median of 36.8. While Orem is not the youngest in the County at 26.5 years, it is still well below the State median. Orem has the lowest percentage of its population under 20 in the County, indicating there are less young families in Orem than in other cities. However, there is a strong student population with 22.6 percent of the population in their twenties. Only Provo has a higher proportion of student-aged residents. This high student population could be skewing Orem's figures on its proportion of children in the City.

Table 4: Age Characteristics in Utah County

	Median Age	% of Population <20 Years Old	% of Population 20-30 Years Old
Utah	29.3	34.5%	16.6%
Utah County	24.5	39.4%	20.6%
Alpine	29.6	41.8%	8.7%
American Fork	27.2	41.0%	13.3%
Cedar Hills	23.6	46.8%	9.1%
Eagle Mountain	21.7	48.7%	18.0%
Highland	20.6	49.2%	7.5%
Lehi	23.5	46.3%	13.1%
Lindon	26.3	42.1%	11.8%
Orem	26.5	34.9%	22.6%
Pleasant Grove	25.9	40.5%	15.8%
Provo	23.5	31.7%	39.6%
Saratoga Springs	19.7	50.2%	10.6%
Spanish Fork	25.2	42.9%	14.0%
Vineyard	21.9	45.8%	7.8%

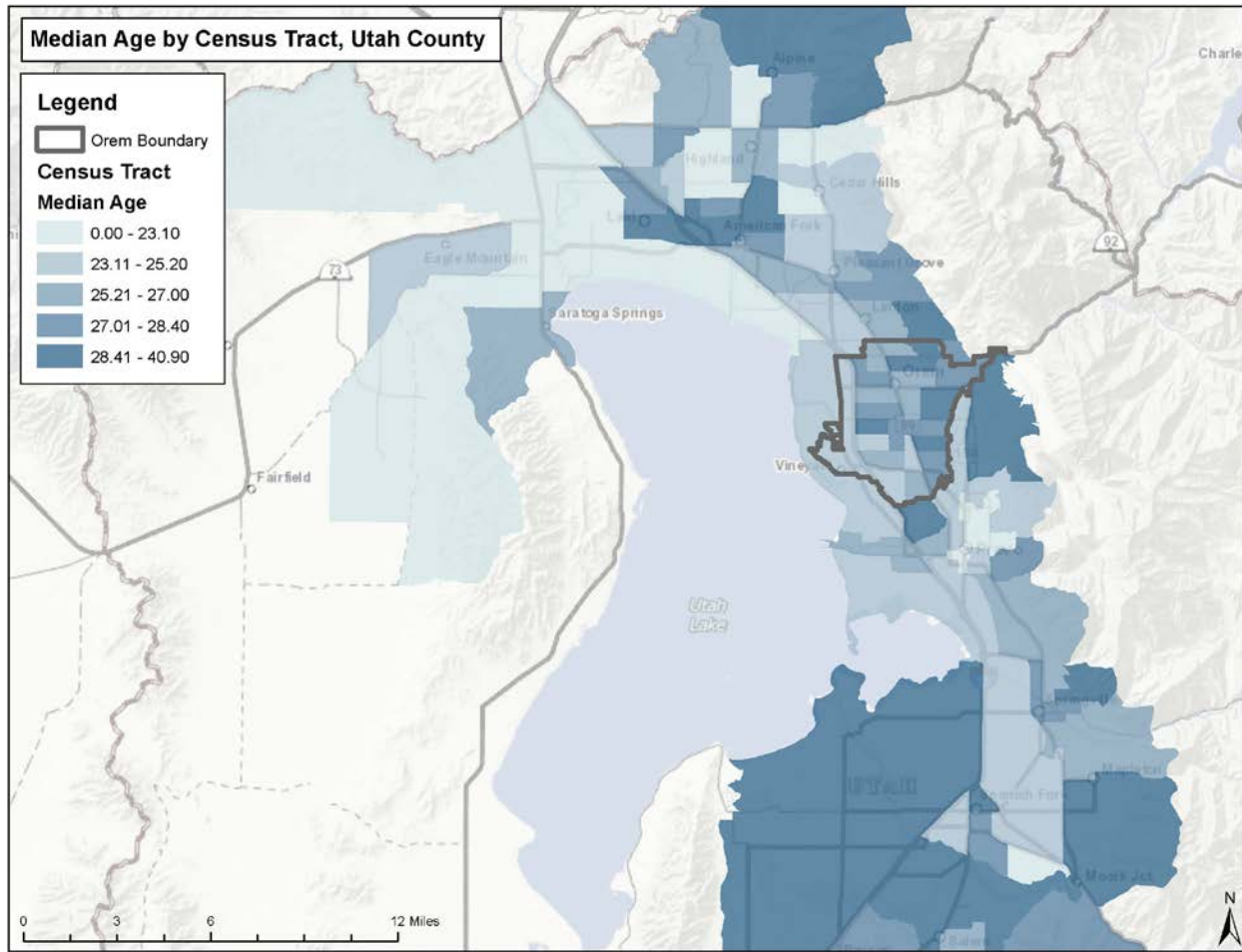
Source: 2012 ACS 3-Year Estimate

This distribution between children and students can be seen in the population pyramids shown below. Orem's largest population block is in the student population, with lower proportions in the child and middle-aged population categories.



Source: 2012 ACS 3-Year Estimate

Although Orem doesn't have the youngest population on a city-wide basis compared to other cities in the County, the map below shows that median age is highly varied within the City on a Census Tract Level. Rapidly growing areas in Lehi and Eagle Mountain still have younger median ages, but there are areas within Orem that are comparable, especially around UVU and University Parkway. Areas with higher median ages are the more established and older neighborhoods near the Foothills.



Household Size

Orem has the second smallest household size in the valley, behind Provo. These figures are again lower on average due to the smaller household sizes of the student population. Orem's household size is still larger than the State's already high average of 3.09 persons per household and much higher than the national average of 2.58 persons per household.

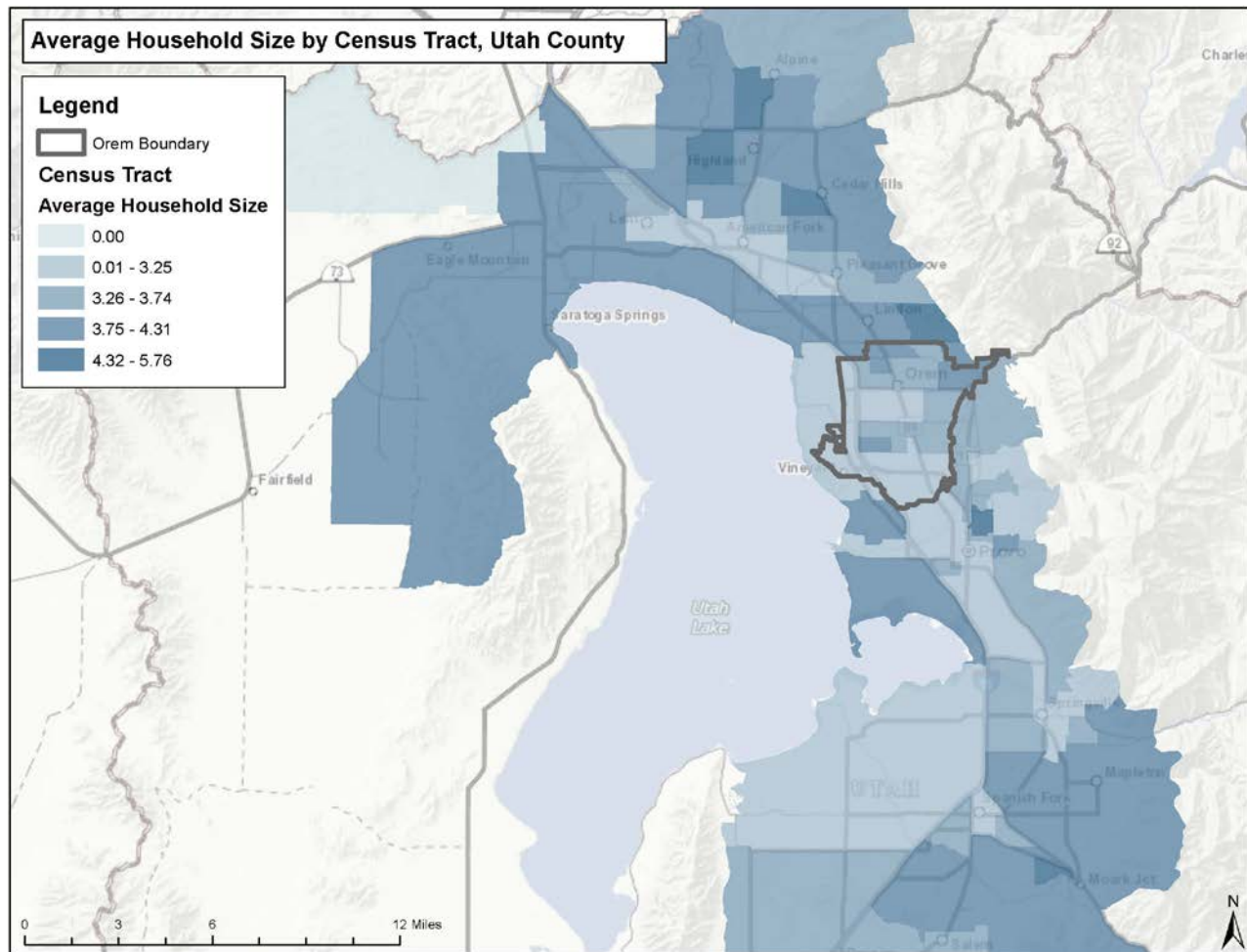
Table 5: Average Household Size in Utah County

	Average Household Size
Utah	3.09
Utah County	3.57
Alpine	3.81
American Fork	3.54
Cedar Hills	4.03
Eagle Mountain	4.16
Highland	4.48
Lehi	3.90
Lindon	4.12
Orem	3.34
Pleasant Grove	3.55

	Average Household Size
Provo	3.28
Saratoga Springs	4.13
Spanish Fork	3.67
Vineyard	4.31

Source: 2012 ACS 3-Year Estimate

The map below shows household sizes throughout the County at a detailed Census Tract level. Orem and Provo generally have lower household sizes, with areas in the north of Orem having larger households.



Educational Attainment

Residents in Orem, like residents in Utah, are highly educated, with over ten percent holding graduate degrees. Orem has, on average, more high school graduates, and people with Bachelor's or Graduate degrees than the Statewide proportions. Neighboring communities are also well-educated, adding to a strong workforce pool that is attractive to high-paying companies looking to locate in the area.

Table 6: Educational Attainment by City in Utah County

	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher	Percentage with Graduate Degree
Utah	90.6%	29.9%	9.7%
Utah County	93.6%	35.7%	10.8%
Alpine	99.0%	47.9%	17.8%
American Fork	93.5%	33.6%	10.9%
Cedar Hills	99.1%	53.9%	20.4%
Eagle Mountain	94.7%	29.5%	4.8%
Highland	99.3%	59.4%	22.6%
Lehi	95.3%	36.6%	9.3%
Lindon	95.3%	38.3%	13.4%
Orem	92.8%	34.8%	10.2%
Pleasant Grove	94.7%	35.7%	9.2%
Provo	90.5%	38.7%	12.0%
Saratoga Springs	97.9%	40.3%	11.6%
Spanish Fork	92.2%	26.7%	7.6%
Vineyard	88.3%	42.6%	10.6%

Source: 2012 ACS 3-Year Estimate

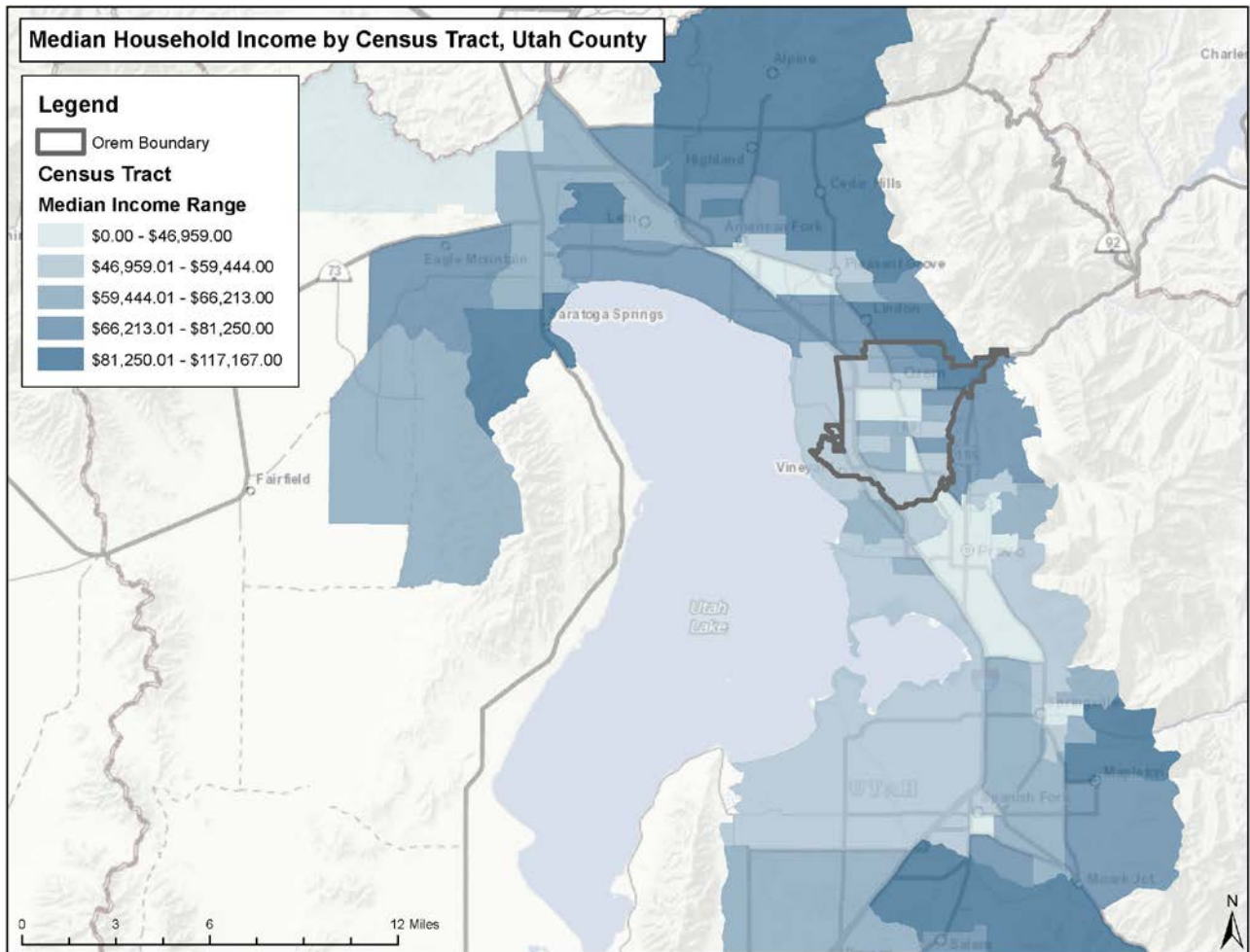
Income

While Orem's household income is among the lowest in the County, the per capita income levels keep pace with the other high-income cities, indicating that the spending ability of Orem residents is still equal to that of high-income households. Orem's median household income and per capita income levels are both significantly higher than Provo's income levels.

Table 7: Income Levels by City in Utah County

	Median Household Income	Per Capita Income
Utah	\$58,164	\$23,794
Utah County	\$59,864	\$20,853
Alpine	\$97,449	\$34,245
American Fork	\$66,504	\$21,277
Cedar Hills	\$95,873	\$25,786
Eagle Mountain	\$66,238	\$18,012
Highland	\$99,516	\$28,041
Lehi	\$71,652	\$21,867
Lindon	\$92,642	\$24,434
Orem	\$52,876	\$21,045
Pleasant Grove	\$63,920	\$21,684
Provo	\$40,288	\$16,865
Saratoga Springs	\$72,733	\$21,070
Spanish Fork	\$61,737	\$18,904
Vineyard	\$62,708	\$16,438

Source: 2012 ACS 3-Year Estimate

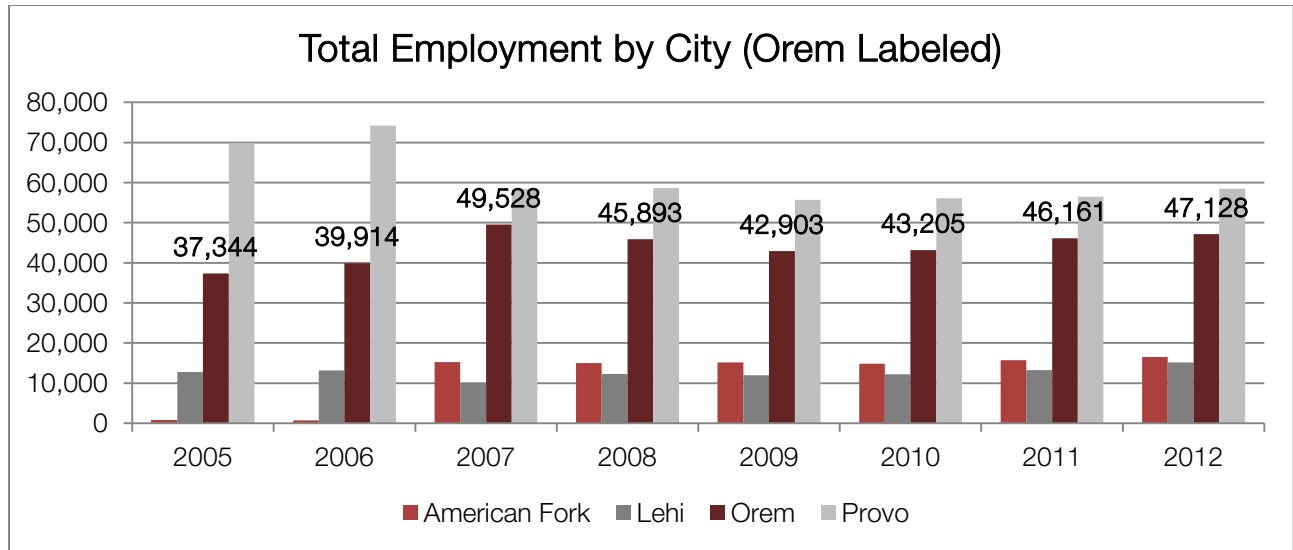


Employment and Wages

Orem is well-known for hosting start-up technology and information businesses. The two universities in Provo and Orem have an atmosphere of innovation and entrepreneurial energy, especially in the internet and technology sectors. This entrepreneurial spirit leads to creative new companies that add to Utah's successful "Silicone Slopes" identity. However, throughout interviews, public meetings and data analysis for this report, the sentiment was clear that many businesses move out of Orem once they grow out of their start-up phase, primarily due to the lack of move-up and Class A office space availability. The reasons for this will be analyzed in further detail later in this report, but this section will analyze employment and wage conditions that exist as a result.

Current Employment

Employment in the City has remained fairly steady in recent years, with the exception of a large leap in employment from 2006 to 2007. Since 2007, Orem and other cities competitive with Orem have all remained fairly even with small increases as cities recover from the recession.



Source: Utah Department of Workforce Services

The City is slightly above average in the County for wages, but its employment represents a sizable 25 percent of all employment in the County. Only Provo has more employment share, but only Orem and Provo are in double digits – no other cities come close to being such large employment centers. While Provo does have higher average wages, Orem's are lower on average due to the high amount of retail employment in the City. Considering the heavy retail concentration in the City, average wages are actually very strong given that they could be much lower.

Table 8: 2012 Employment and Wages in Utah County

City	Average Monthly Wages	Total Employment	% of Total Employment
London	\$3,820	8,001	4%
Lehi	\$3,668	15,207	8%
Provo	\$3,401	58,486	31%
Alpine	\$3,285	1,413	1%
Springville	\$3,019	10,863	6%
American Fork	\$2,853	16,547	9%
Orem	\$2,801	47,128	25%
Mapleton	\$2,616	1,318	1%
Pleasant Grove	\$2,557	6,052	3%
Highland	\$2,542	2,759	1%
Elk Ridge & Woodland Hills	\$2,541	339	0%
Spanish Fork	\$2,474	10,676	6%
Eagle Mountain	\$2,371	1,025	1%
Cedar Hills	\$2,365	755	0%
Salem	\$2,355	1,429	1%
Saratoga Springs	\$2,327	1,630	1%
Payson	\$2,321	5,553	3%
Genola	\$1,940	153	0%
Santaquin	\$1,898	777	0%
Utah County	\$3,057	190,112	100%

Source: Utah Department of Workforce Services, Annual Report of Labor Market Information

The table below breaks the average monthly wages down by industry, showing the average wage in the Trade, Transportation & Utilities category (which includes retail) as a lower wage industry.

Table 9: Average Monthly Wages by Sector and City, 2012

	Utah County	American Fork	Lehi	Orem	Provo
Mining	\$5,084	\$0	\$5,196	\$7,118	\$2,018
Construction	\$3,264	\$3,698	\$3,584	\$2,744	\$3,664
Manufacturing	\$4,040	\$3,836	\$5,895	\$4,181	\$3,845
Trade, Transportation & Utilities	\$2,799	\$2,617	\$2,795	\$2,425	\$3,475
Information	\$6,441	\$5,878	\$4,370	\$6,666	\$6,747
Financial Activities	\$4,294	\$3,363	\$9,270	\$3,904	\$3,955
Professional & Business Services	\$3,625	\$3,562	\$4,568	\$3,413	\$3,438
Education & Health Services	\$2,601	\$2,503	\$1,983	\$1,993	\$3,107
Leisure & Hospitality	\$1,137	\$1,171	\$1,221	\$1,209	\$1,191
Other Services	\$2,192	\$1,832	\$3,015	\$2,245	\$2,094
Government	\$2,704	\$2,553	\$2,563	\$2,773	\$3,040

Source: Utah Department of Workforce Services, Annual Report of Labor Market Information

Orem's largest employment category is in Trade, Transportation & Utilities, one of the lowest wage categories. Provo, which has higher wages on average, has more employment in higher-paying industries such as Information. This is a category where Orem should strive to increase market share, and the addition of Class A office space is critical in attracting these types of businesses. When comparing wages within industries, Orem is competitive in most categories.

Table 10: Employment 2012⁴ by Industry Sector and City

Employment	Employees				% of total			
	American Fork	Lehi	Orem	Provo	American Fork	Lehi	Orem	Provo
Mining	-	56	4	7	0%	84%	6%	10%
Construction	855	2,005	1,398	2,870	12%	28%	20%	40%
Manufacturing	459	2,168	3,413	2,469	5%	25%	40%	29%
Trade, Transportation & Utilities	3,209	3,129	9,458	6,359	14%	14%	43%	29%
Information	1,062	396	1,390	4,784	14%	5%	18%	63%
Financial Activities	535	687	1,877	1,800	11%	14%	38%	37%
Professional & Business Services	1,954	1,949	8,960	6,360	10%	10%	47%	33%
Education & Health Services	3,496	1,416	8,813	22,381	10%	4%	24%	62%
Leisure & Hospitality	1,636	1,433	3,818	4,412	14%	13%	34%	39%
Other Services	455	375	1,132	1,206	14%	12%	36%	38%
Government	2,877	1,592	6,868	5,838	17%	9%	40%	34%
TOTAL	16,538	15,206	47,131	58,486				

Source: Utah Department of Workforce Services, Annual Report of Labor Market Information

⁴ DWS has yet to release their 2013 annual report on employment. 2012 is the most recent data available.

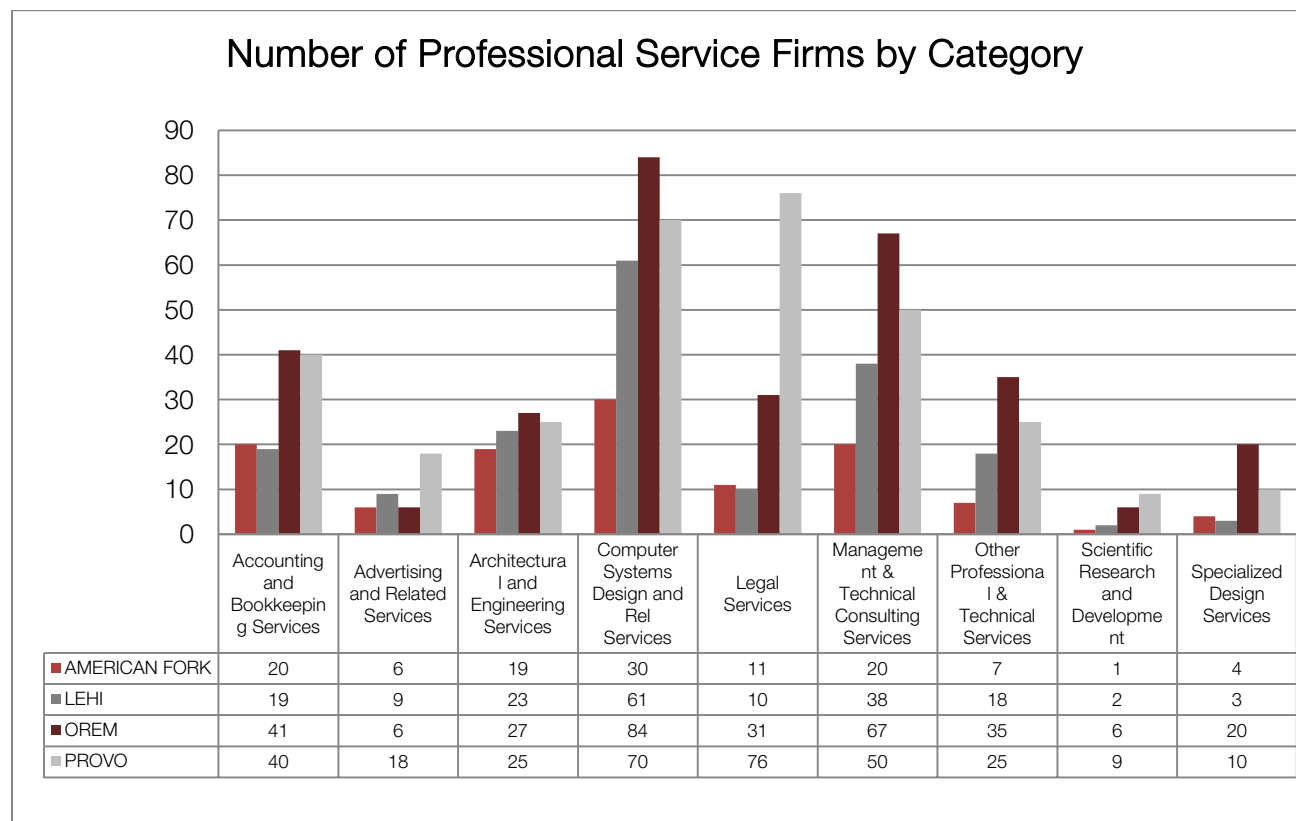
When Lindon and Pleasant Grove are added to the analysis, Orem's share of the Information Industry sector stays fairly constant, with the major player in this area being Provo.

Table 11: 2012 Employment – Information Industry Sector

City	% of County
American Fork	12%
Lehi	5%
Lindon	7%
Orem	16%
Pleasant Grove	0%
Provo	56%

Source: Utah Department of Workforce Services

Since non-retail jobs generally have higher wages, it is important that Orem be able to attract and retain these jobs in professional services, information, and finance. Orem currently has the highest number of firms compared to competitive cities in Computer Systems Design and Management & Technical Consulting Services and other professional service categories, a position the City can strive to maintain through attracting high-quality, high-paying employers and providing adequate office space for new or growing businesses.



Source: DWS Firm Find

The following table shows the City's largest employers by the number of employees. Utah Valley University is the largest, as expected. Other employers represent a good mix of manufacturing, technology, and retail.

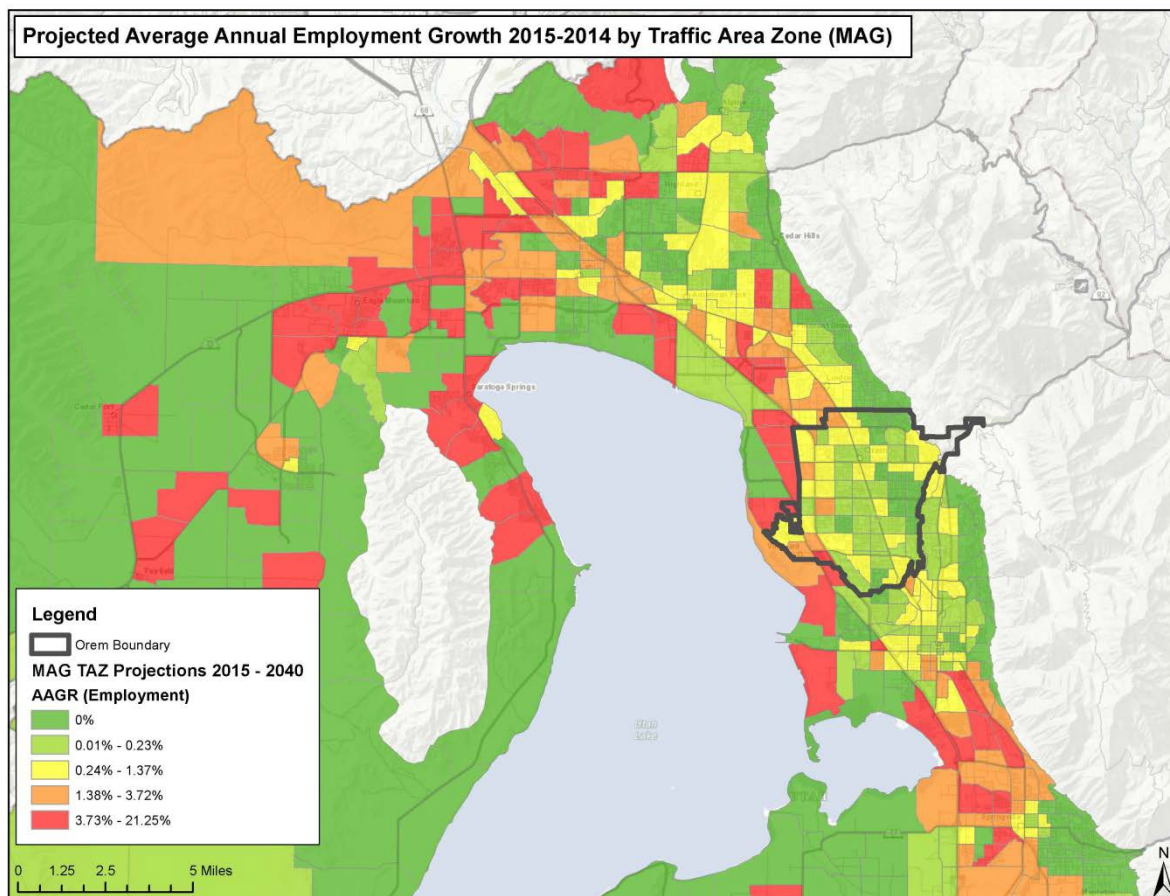
Table 12: Top 15 Employers in Orem

Employees	Name	Address
3,000-3,999	Utah Valley University	800 W University Pkwy
1,000-1,999	Nexeo Staffing, LLC	230 N State St
	Utah Valley University Foundation	800 W University Parkway
500-999	Chrysalis Utah, Inc.	570 E 1400 S
	Convergys Cm Delaware, LLC	1409 N Research Way Bldg J
	Doterra International, LLC	384 W Center St
	Timpanogos Regional Medical Service	750 W 800 N
	US Synthetic Corporation	1260 S 1600 W
250-499	Costco Wholesale	648 E 800 S
	K-Tec, Incorporated	1206 S 1680 W
	Response Marketing Group, LLC	703 South State Suite 4
	Securymetrics, Inc.	1275 W 1600 N
	Target	175 W Center St
	Wal Mart	1355 S Sandhill Rd

Source: Department of Workforce Services, FirmFind

Employment Projections

Under current trends, employment growth is generally projected to remain low, especially compared to other parts of the County. Like population growth projections, this is primarily related to land availability for office space development, but Orem can avoid this trend and encourage positive growth by facilitating in-fill office development. Office development should be high-quality, Class A space to attract and retain the high-paying jobs in Utah's fast-growing technology field.



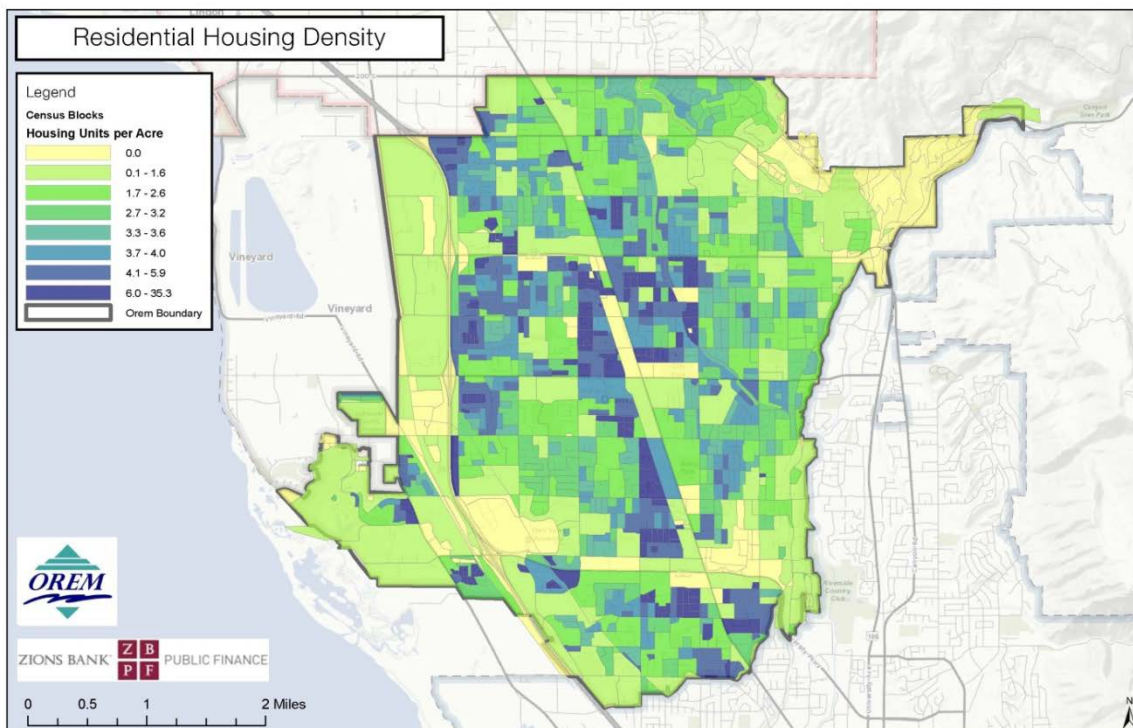
Improving offerings for office space and incentivizing employers to locate in Orem should target higher wage-paying industries that add value to the City and provide great opportunities for residents, including advanced manufacturing and information technology.

Advanced manufacturing has wages that are on average 1.4 times greater than the average wage. These positions look for workforce skills coming from area universities such as IT, engineering, CAD and CAM skills. In addition to being strong employment opportunities, the employers have significant investment in physical infrastructure. This improves property tax revenues to the City through high personal property values and also ensures a long-term investment and stability to the City. Important niches in advanced manufacturing for the future include electronics, energy (especially clean energy), circuitry and semiconductors, and nanotechnology.

Information technology provides even higher wages at 1.8 times the average wage plus similar investments in infrastructure. This is also a strong area to capitalize on university and student resources. Niches in information technology include data centers, digital media/animation, and software applications.

Housing

As with most development in the City, housing is largely built-out with few new developments. A quarter of the housing stock was built in the 1970's, 16 percent in the 1980's and another quarter in the 1990's.⁵ The City has a high rental rate of 37 percent of all housing units as a result of the large student population. However, it is not nearly as high as Provo's at 59 percent. Housing density, shown in the map below, is concentrated along State Street and between 800 North and Center Streets.



Source: MAG, ZBPF

⁵ ACS 2013 3 year estimates

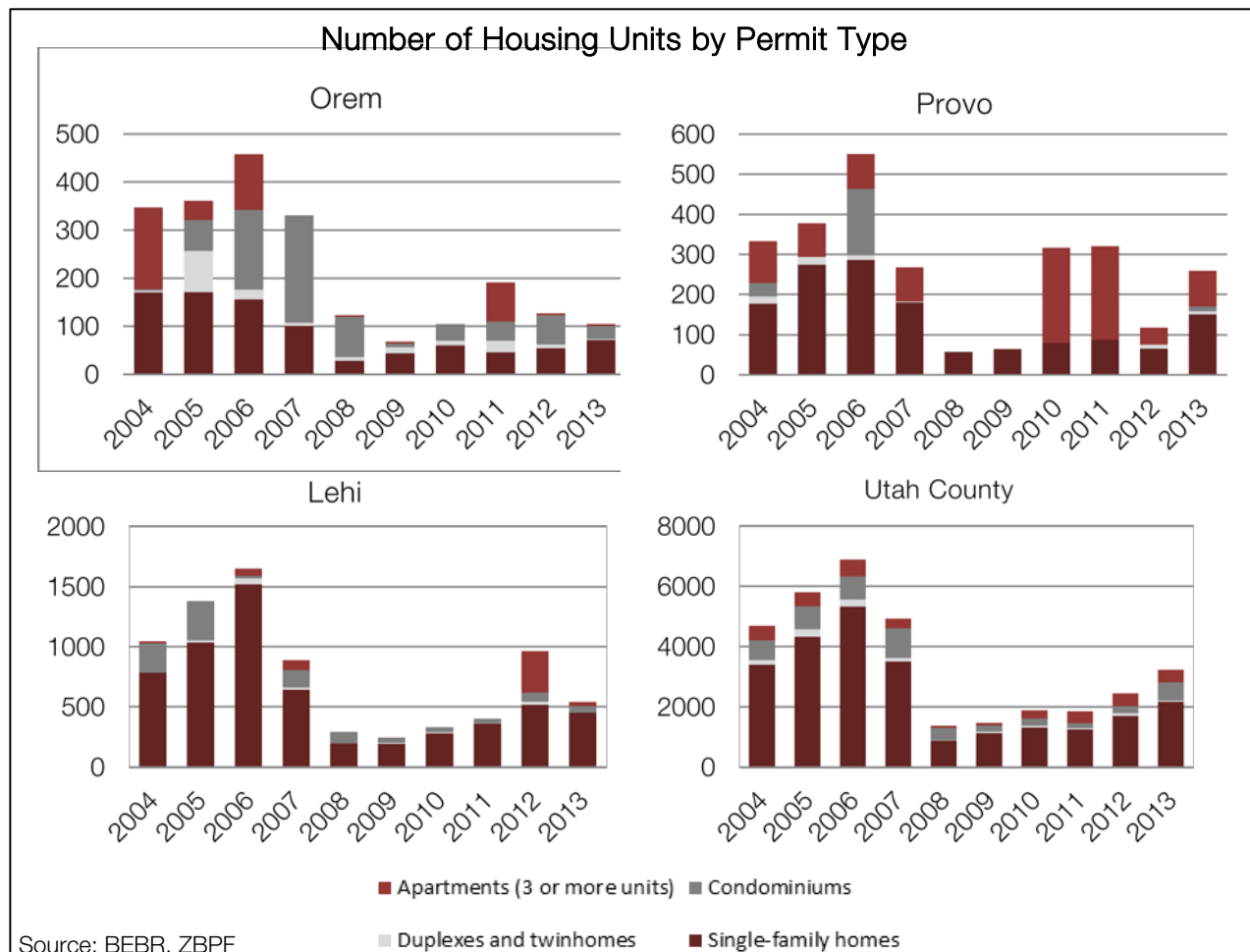
In the years since the recession and housing bust, Orem's building permits have not seen the gradual rebound in quantity to the extent that other cities in the County have. However, other cities have vacant land available. This land allows for builders to build a full neighborhood or planned community of new homes at a lower cost compared to the in-fill and redevelopment a similar housing development in Orem would require. Even Provo, which is generally similar in development density to Orem, has available land near Utah Lake with newly-developed communities in the last decade. In 2013 Orem had 105 new building permits compared to Provo's 259 and Lehi at 540.

Table 13: Number of Housing Units Permitted per Year by City

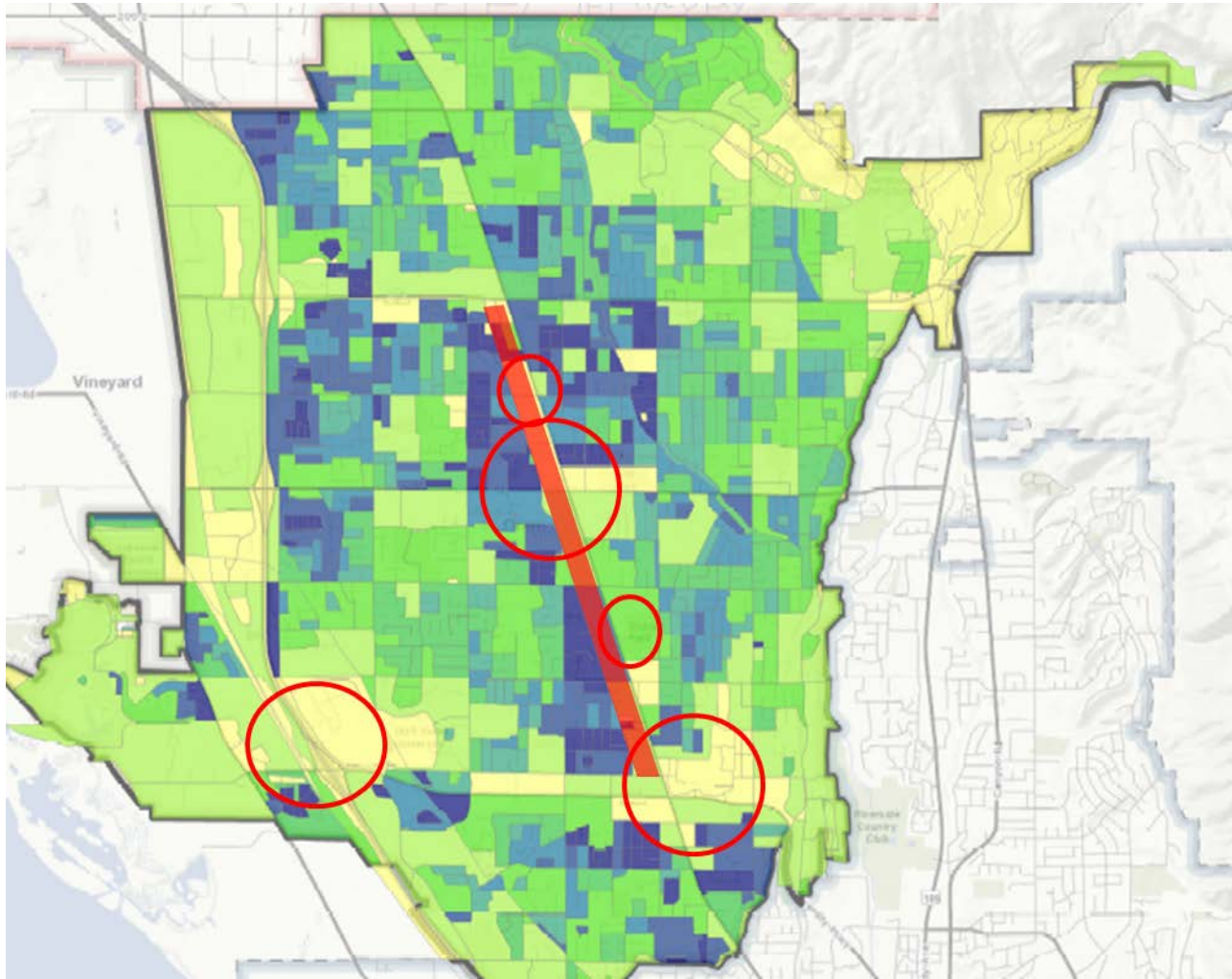
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Orem	347	361	458	331	123	68	105	191	127	105	2,216
Provo	333	378	550	268	57	64	317	321	117	259	2,664
American Fork	116	195	215	138	55	44	53	52	105	112	1,085
Lehi	1,045	1,382	1,649	889	294	247	333	400	963	540	7,742
Lindon	65	43	28	127	35	15	20	27	23	36	419
Pleasant Grove	457	579	509	318	72	60	55	54	54	717	2,875

Source: BEBR

The graphs below show permit numbers in competitive cities and the County broken down by permit type. While most permits county-wide have been for single-family homes, Orem has had a proportionately higher number of permits for higher-density units, especially condos.



Since land is limited for large single-family developments, Orem is in a position to redevelop property in key locations to improve land values, such as including higher-density housing in commercial corridors to improve walkability in the City and develop a downtown environment in Utah County. Specific options are explored in detail in the “Economic Development Nodes” chapter, but the map below shows in red the general areas where housing density should be explored. These areas are ideal to build upon commercial improvements and social needs. Additionally, these areas are located in corridors with housing already found in high-density concentrations without encroaching on single-family neighborhoods.

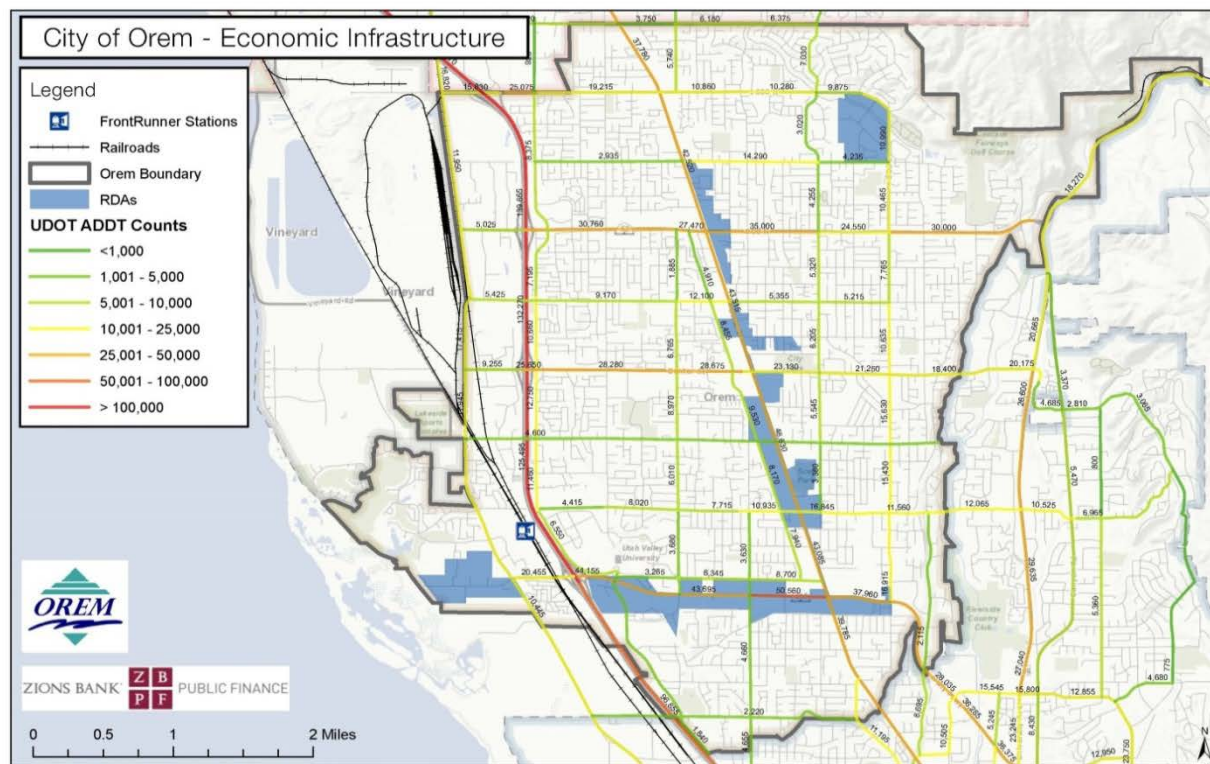


Source: BEBR, ZBPF

Economic Infrastructure

Physical conditions of the City such as traffic counts, land use, and property values influence economic potential. This section describes these in Orem as they relate to economic development.

Strong traffic counts are an indicator of a city's ability to support retail outlets. Orem has strong traffic counts throughout the City, especially along the main corridors. The map and table below show these counts. Supported by high traffic, sales figures show the City is already in a strong position to support retail; existing retail is performing well. The strongest traffic counts are along I-15, which has great access to the entire City through multiple interchanges. These assist the City in its status as a retail hub for the County, but there are significant additional opportunities to develop additional retail near the I-15 interchanges themselves.



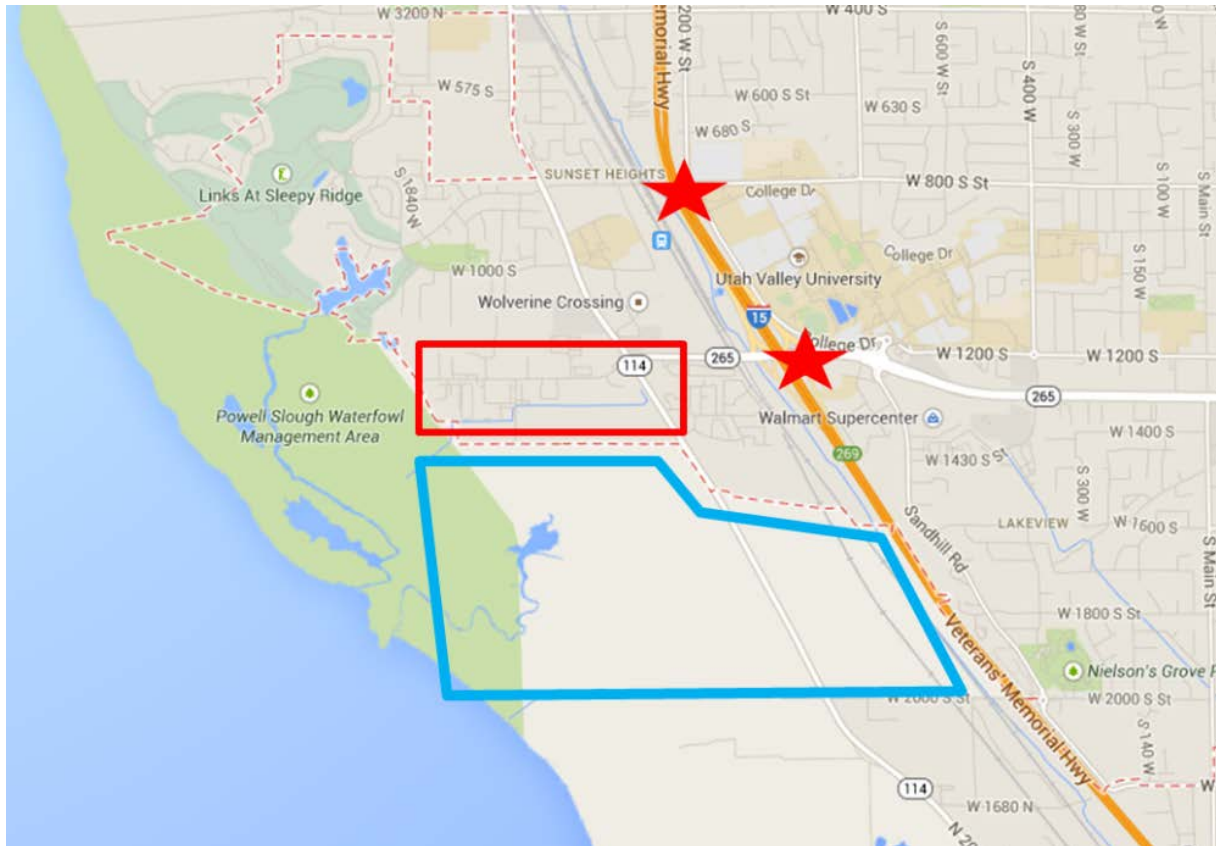
Source: UDOT, ZBPF, Utah AGRC

Table 14: Top Ten Highest Traffic Road Segments in Orem

Road Segment	AADT 2012
I-15 Between 1600 N and 800 N	139,665
I-15 Between 800 N and Center	132,270
I-15 Between Center and University Parkway	125,495
I-15 South of University Parkway	96,855
University Parkway from Main to State	50,560
State Street Between Center and 800 S	46,630
University Parkway from Interchange to Sandhill Road	44,155
University Parkway from Sandhill to Main	43,695
State Between 800 N and Center	43,515
State Between 800 S and University Parkway	43,085

Source: UDOT, ZBPF

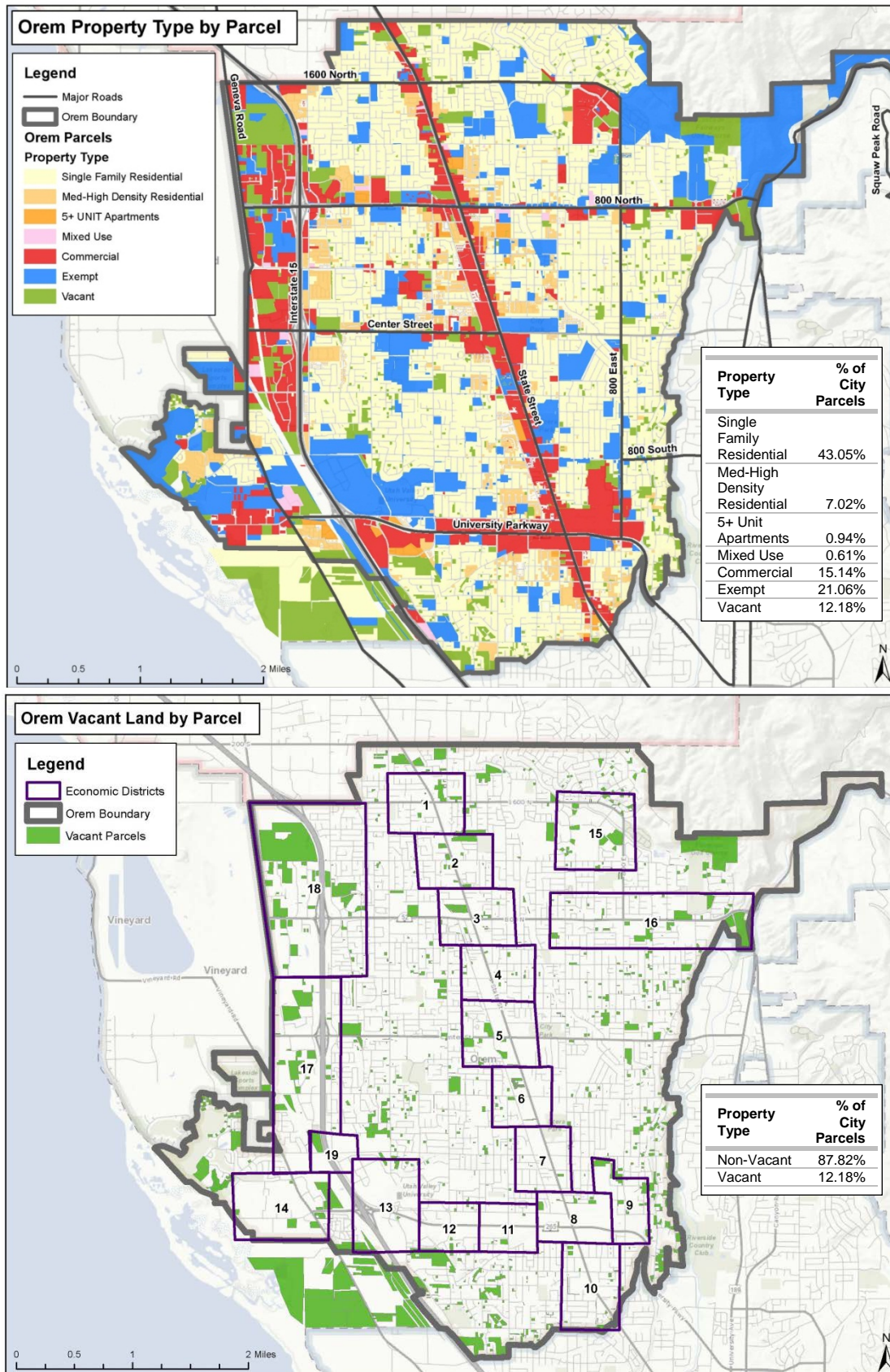
In addition to the four current interchanges that bring high traffic counts to the City, there is also a potential HOV off-ramp at 800 South that could further improve access to the area near ongoing TOD development. This off-ramp also would alleviate pressure from the congested University Parkway Exit, providing better access to advanced manufacturing space in the southwest corner of the City (in red), including a potential for manufacturing development in an annexation area (in blue).



Source: ZBPF, MAG, UDOT

With land-use, the City has well-established commercial corridors along State Street and University Parkway, as well as along the freeway, with little vacant land available in the City. The maps below show these attributes. In exploring options for commercial development and improvement in the City, the chapter on Economic Development Nodes explores ways to improve these corridors without seeing the lack of vacant land as a hindrance. These ideas will help the City elevate and add to these existing areas without the need for expanding the acreage of commercial areas.

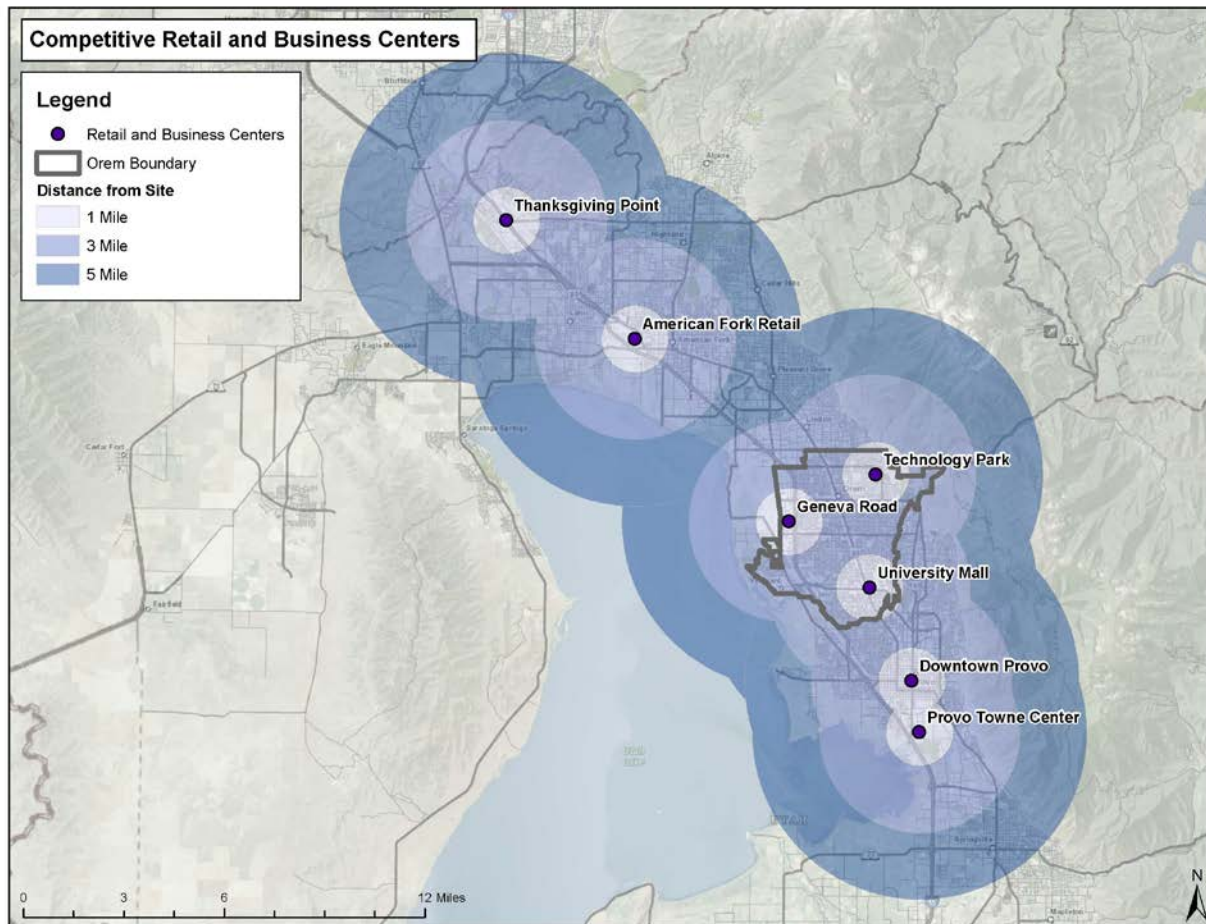
Also important in the vision for the City, these development shifts will help to better integrate these commercial corridors with the fabric of the City. As the property type map shows, the commercial corridors sit starkly segregated from residential neighborhoods. This vision will bring commercial to a more integrated neighborhood feel throughout the City. Any vacant land, especially in the southwest corner of the City, will then be available for the addition high-paying advanced manufacturing employers to the City.



Source: ZBPF, Utah County

Buying Power and Competitive Site Analysis

Retailers consider population and employment levels to determine whether a new outlet would be sustainable at a given site. For example, Super Target generally seeks a population of at least 100,000 within a three to five-mile radius. Using population and employment projections developed by Mountainland Association of Governments (MAG) in Traffic Analysis Zones (TAZ), the projected growth in employment and population within one, three and five-mile radii of a sampling of sites in Orem was analyzed compared to other competitive sites in the County. The map below shows these sites with the distance of these radii.



Using these circles to pull the current and projected population and employment indicates that Orem – especially at University Place – has a strong retail base supporting the City’s position as a retail hub in the County. The tables below for employment and population show that University Place has the highest numbers in both categories at three and five miles. Only Downtown Provo has higher numbers at a one mile distance, but that captures the very dense population at BYU. All three sites in Orem have a strong population and employment base to support a wide diversity of economic activity. These tables can be used in tandem with the Retail Tenant Database given to the City electronically to compare with various retailers’ population and employment guidelines.

Table 15: Population within 1, 3, and 5 Miles from Commercial Cites, Projected to 2040

Population				
	2015	2020	2030	2040
Thanksgiving Point				
1 Mile	7,793	9,063	10,976	12,763
3 Miles	37,944	46,071	65,874	85,448
5 Miles	100,839	119,240	157,390	194,218
American Fork Retail				
1 Mile	8,498	9,485	10,565	11,464
3 Miles	69,039	75,719	84,875	91,662
5 Miles	140,396	153,906	176,521	195,166
Technology Park				
1 Mile	14,848	14,926	14,853	14,804
3 Miles	93,239	95,378	98,689	99,831
5 Miles	176,877	183,927	197,305	208,395
Geneva Road				
1 Mile	10,377	10,800	11,648	12,472
3 Miles	89,869	94,253	104,929	113,834
5 Miles	185,312	194,189	210,490	223,283
University Mall				
1 Mile	19,032	19,199	19,413	19,658
3 Miles	154,297	157,937	164,416	167,940
5 Miles	227,652	235,460	254,457	267,043
Downtown Provo				
1 Mile	33,703	33,717	33,826	33,756
3 Miles	116,006	118,173	124,813	128,092
5 Miles	174,898	180,755	195,751	204,421
Provo Towne Center				
1 Mile	3,672	3,809	4,398	4,499
3 Miles	76,888	78,765	85,895	89,303
5 Miles	154,737	162,375	179,793	188,850

Source: MAG, ZBPF

Table 16: Employment within 1, 3, and 5 Miles from Commercial Cites, Projected to 2040

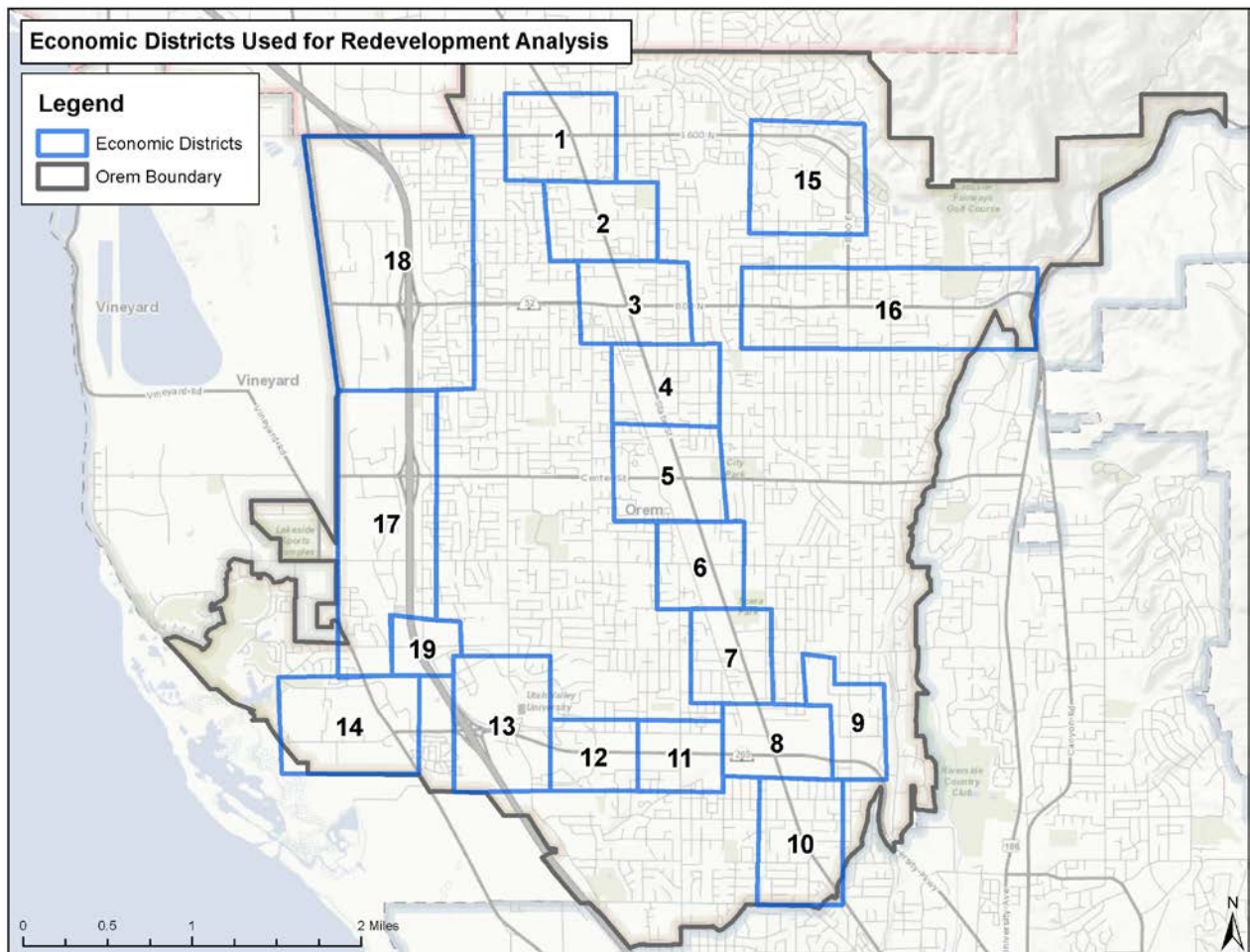
Employment				
	2015	2020	2030	2040
Thanksgiving Point				
1 Mile	6,470	8,443	10,871	12,618
3 Miles	14,182	20,515	30,642	39,595
5 Miles	38,824	51,516	74,240	95,515
American Fork Retail				
1 Mile	9,114	10,245	11,481	12,672
3 Miles	34,980	38,237	42,463	46,637
5 Miles	62,236	72,907	88,040	101,714
Technology Park				

1 Mile	8,763	8,896	9,071	9,301
3 Miles	52,557	54,904	58,426	60,694
5 Miles	120,451	128,195	140,740	150,419
Geneva Road				
1 Mile	8,963	9,706	12,073	13,762
3 Miles	70,139	75,349	84,116	89,683
5 Miles	128,073	136,971	151,148	162,394
University Mall				
1 Mile	21,835	22,333	22,934	23,465
3 Miles	109,212	111,947	115,521	118,837
5 Miles	161,955	168,934	180,867	190,565
Downtown Provo				
1 Mile	25,023	25,643	26,649	28,031
3 Miles	84,099	87,186	93,061	98,709
5 Miles	131,374	137,500	149,477	162,325
Provo Towne Center				
1 Mile	14,467	15,834	17,991	19,990
3 Miles	69,976	73,639	81,629	90,419
5 Miles	116,589	122,505	134,133	147,708

Source: MAG, ZBPF

Market Conditions – Sales, Revenue, and Area Opportunities

Market conditions in the City inform the strengths, weaknesses, and opportunities individual to Orem's economic development potential. Orem is large and its economic character can vary greatly depending on the area. In order to analyze data at this detailed level, economic districts were identified along key commercial corridors and sites in the City. These districts are compared in the analysis to show differences within the City, as appropriate. Later in the chapter on Economic Development Nodes, these districts are combined and associated with broader development nodes based on their character and potential. The map below shows these detailed analysis districts, along with the number they will be referenced by throughout the report.



Sales Leakage and Capture Rates

Orem is the regional retail hub for the County and performs very well in many retail categories, providing a strong sales tax base for the City. A sales gap analysis shows the estimated amount of retail purchases made by residents of Orem City⁶ and the percentage of those purchases being

⁶ Estimated consumer purchases are based on average annual consumer purchases in the State of Utah.

made within City boundaries (as reflected by the “Capture Rate”). Where the capture rate is less than 100 percent, this indicates that residents are leaving the City to make purchases elsewhere. Where the capture rate is greater than 100 percent, such as for Clothing and Clothing Accessories Stores, this indicates that consumers from outside of the City are making purchases within City boundaries.

Corresponding to the capture rate is the leakage amount in each category. Since Orem has high capture rates in most categories, the overall leakage is actually positive indicating the City is capturing more than its “fair share” of retail sales as compared to other communities. Categories where the capture rate is less than 100 percent and City residents are making purchases in other cities show a negative leakage amount. This is the amount Orem is losing in sales annually for that category. For example, Orem has a lower capture rate for gasoline sales, which translates into a loss of about \$6.7 million per year in potential sales in the City.

Table 17: 2013 Sales Leakage and Capture Rates in Orem

Category	2013 Leakage	2013 Capture Rate
General Merchandise Stores	\$123,428,141	165.16%
Motor Vehicle and Parts Dealers	\$105,724,362	165.24%
Clothing and Clothing Accessories Stores	\$69,146,835	234.44%
Furniture and Home Furnishings Stores	\$46,365,720	289.01%
Miscellaneous Store Retailers	\$34,632,928	170.15%
Sporting Goods, Hobby, Book, and Music Stores	\$34,487,643	210.33%
Electronics and Appliance Stores	\$29,058,628	211.20%
Food and Beverage Stores	\$23,709,935	119.55%
Food Services and Drinking Places	\$22,618,204	119.27%
Building Material and Garden Equipment and Supplies Dealers	\$12,573,804	117.66%
Repair and Maintenance	\$9,204,849	128.39%
Health and Personal Care Stores	\$1,982,276	114.01%
Nonstore Retailers	\$477,230	102.87%
Museums, Historical Sites, and Similar Institutions	-\$821,440	6.34%
Amusement, Gambling, and Recreation Industries	-\$2,734,797	77.98%
Performing Arts, Spectator Sports, and Related Industries	-\$3,522,080	2.03%
Personal and Laundry Services	-\$4,171,128	58.20%
Gasoline Stations	-\$6,706,634	77.77%
Accommodation	-\$29,813,411	28.62%
TOTAL	\$465,641,067	146.28%

Source: Utah State Tax Commission, ZBPF

The City’s low capture rate for performing arts is likely skewed due to the fact that the SCERA and Hale Center Theater are non-profit and their sales are not taxable (thus do not appear in State sales data), but the market need is likely being fulfilled more than the numbers indicate.

As the sales leakage table demonstrates, Orem has a high overall capture rate of 146 percent and over \$465 million in sales annually coming from residents of surrounding communities. While the City is very strong in most retail categories, indicating that there is little opportunity to actively pursue retail growth, the areas where there is sales leakage represent opportunities for the City to

increase sales and capture purchases within the City at a higher rate. The categories with the most opportunity are in Accommodation and Gasoline Sales. Accommodation will especially complement the City's growth in office development and will be a benefit to other large existing employers such as UVU. And, while the City is highly saturated with retail development, there are opportunities to add unique one-of-kind retail outlets such as Trader Joe's or Fish and Stream outlets that will continue to expand the regional draw to Orem. Further, there is potential for increased retail development near the freeway interchanges, such as a grocery store near the 1600 North interchange or other areas near Vineyard.

The following tables give sales leakage and capture rates in further detail by retail category, both for 2013 and 2009. While an overall category may have a positive capture rate, some sub-categories within the broader category may individually have a capture rate of less than 100 percent and be showing sales leakage.

Table 18: Detailed Sales Leakage and Capture Rates, 2009 and 2013

	2009 Leakage	2009 Capture Rate	2013 Leakage	2013 Capture Rate
<i>Motor Vehicle and Parts Dealers</i>				
New Automobile Dealers	\$67,824,749	199.60%	\$90,645,223	190.66%
Used Car Dealers	\$1,598,875	111.50%	\$16,649,594	164.76%
Other Motor Vehicle Dealers	-\$3,321,100	66.68%	-\$5,155,919	60.42%
Automotive Parts, Accessories, and Tire Stores	\$3,318,773	117.28%	\$3,585,463	115.36%
Subtotal	\$69,421,297	162.44%	\$105,724,362	165.24%
<i>Furniture and Home Furnishings Stores</i>				
Furniture Stores	\$34,572,919	293.00%	\$37,746,816	302.42%
Home Furnishings Stores	\$10,207,593	304.94%	\$8,618,904	246.49%
Subtotal	\$44,780,511	295.60%	\$46,365,720	289.01%
<i>Electronics and Appliance Stores</i>				
Appliance, Television and Other Electronics	\$35,617,126	249.10%	\$29,058,628	211.20%
Camera & Photographic Supplies	\$0	\$0	\$0	0.00%
Computer & Software Stores	\$0	\$0	\$0	0.00%
Subtotal	\$35,617,126	249.10%	\$29,058,628	211.20%
<i>Building Material and Garden Equipment and Supplies Dealers</i>				
Building Material and Supplies Dealers	\$4,618,842	108.41%	\$6,596,586	109.56%
Lawn and Garden Equipment and Supplies Stores	\$4,649,589	322.10%	\$5,977,219	376.36%
Subtotal	\$9,268,432	116.27%	\$12,573,804	117.66%
<i>Food and Beverage Stores</i>				
Grocery Stores	-\$8,229,612	91.84%	\$19,295,506	117.68%
Specialty Food Stores	\$9,048,543	423.23%	\$9,978,751	389.91%
Beer, Wine, and Liquor Stores	-\$3,564,437	48.87%	-\$5,564,321	36.09%
Subtotal	-\$2,745,506	97.52%	\$23,709,935	119.55%

	2009 Leakage	2009 Capture Rate	2013 Leakage	2013 Capture Rate
<i>Health and Personal Care Stores</i>				
Cosmetics & Perfume	\$2,364,917	211.53%	\$3,681,639	203.07%
Optical Goods	\$797,394	154.08%	\$166,300	109.96%
Other Health & Personal Care	-\$1,077,778	76.56%	-\$1,739,462	74.94%
Pharmacies & Drug Stores	\$173,455	110.27%	-\$126,201	93.59%
Subtotal	\$2,257,989	122.85%	\$1,982,276	114.01%
<i>Gasoline Stations</i>				
Gasoline Stations	-\$5,255,560	79.17%	-\$6,706,634	77.77%
Other Gas Stations	\$0	\$0	\$0	0.00%
Subtotal	-\$5,255,560	79.17%	-\$6,706,634	77.77%
<i>Clothing and Clothing Accessories Stores</i>				
Clothing Stores	\$67,252,525	300.21%	\$59,238,051	237.43%
Shoe Stores	\$1,989,226	161.44%	\$4,327,217	194.69%
Jewelry, Luggage, and Leather Goods Stores	\$5,834,917	286.34%	\$5,581,567	248.46%
Subtotal	\$75,076,669	287.88%	\$69,146,835	234.44%
<i>Sporting Goods, Hobby, Book, and Music Stores</i>				
Books, Periodical, and Music	\$12,001,410	325.11%	\$7,933,392	283.07%
Hobby, Toys & Games	\$16,367,270	458.34%	\$11,786,330	395.01%
Musical Instruments	\$2,273,919	269.38%	\$3,571,900	361.40%
Sewing, Needlework & Piece Goods	\$2,648,867	342.38%	\$1,576,726	346.36%
Sporting Goods	\$3,587,841	122.80%	\$9,619,296	145.98%
Subtotal	\$36,879,307	231.37%	\$34,487,643	210.33%
<i>General Merchandise Stores</i>				
Department Stores	\$137,203,350	189.81%	\$124,216,659	174.04%
Warehouse Club & Other General Merchandise Stores	\$276,289	101.45%	-\$788,517	96.36%
Subtotal	\$137,479,640	180.04%	\$123,428,141	165.16%
<i>Miscellaneous Store Retailers</i>				
Florists	\$1,219,548	204.01%	-\$760,667	31.10%
Office Supplies, Stationery, and Gift Stores	\$7,946,237	191.57%	\$3,554,588	142.73%
Other Miscellaneous Store Retailers	\$17,275,492	155.11%	\$29,479,298	177.06%
Used Merchandise	\$3,826,633	397.11%	\$2,359,710	239.38%
Subtotal	\$30,267,909	171.24%	\$34,632,928	170.15%
<i>Nonstore Retailers</i>				
Electronic Shopping and Mail-Order Houses	-\$263,640	94.95%	\$2,768,237	131.49%
Vending Machine Operators	-\$972,950	9.15%	-\$1,096,396	8.71%
Direct Selling Establishments	\$725,092	113.82%	-\$1,194,611	81.97%
Subtotal	-\$511,497	95.57%	\$477,230	102.87%

	2009 Leakage	2009 Capture Rate	2013 Leakage	2013 Capture Rate
<i>Performing Arts, Spectator Sports, and Related Industries</i>				
Performing Arts, Spectator Sports & Related Industries	-\$3,229,758	1.87%	-\$3,522,080	2.03%
Spectator Sports	\$0	\$0	\$0	0.00%
Promoters of Performing Arts, Sports, and Similar Events	\$0	\$0	\$0	0.00%
Agents and Managers for Artists, Athletes, Entertainers and Other Public Figures	\$0	\$0	\$0	0.00%
Independent Artists, Writers, and Performers	\$0	\$0	\$0	0.00%
Subtotal	-\$3,229,758	1.87%	-\$3,522,080	2.03%
<i>Museums, Historical Sites, and Similar Institutions</i>				
Museums, Historical Sites, and Similar Institutions	-\$868,626	5.05%	-\$821,440	6.34%
Subtotal	-\$868,626	5.05%	-\$821,440	6.34%
<i>Amusement, Gambling, and Recreation Industries</i>				
Amusement, Gambling & Recreation Industries	-\$1,614,886	84.65%	-\$2,734,797	77.98%
Subtotal	-\$1,614,886	84.65%	-\$2,734,797	77.98%
<i>Accommodation</i>				
Bed & Breakfast & Other Accommodation	\$10,196	0.00%	\$23,064	0.00%
Hotels & Motels	-\$21,416,140	24.65%	-\$28,760,225	29.32%
RV Parks & Recreational Camps	-\$743,589	0.00%	-\$964,425.1654	0.00%
Rooming and Boarding Houses	-\$115,013	0.00%	-\$111,824	0.00%
Subtotal	-\$22,264,546	23.96%	-\$29,813,411	28.62%
<i>Food Services and Drinking Places</i>				
Full-Service Restaurants	\$14,266,886	116.58%	\$23,016,142	122.12%
Limited-Service Eating Places	\$0	\$0	\$0	0.00%
Caterers & Other Special Food Services	\$2,618,716	137.45%	2683753.658	1.265162148
Drinking Places (Alcoholic Beverages)	-\$2,531,073	0.00%	-\$3,081,692	4.03%
Subtotal	\$14,354,529	115.02%	\$22,618,204	119.27%
<i>Repair and Maintenance</i>				
Automotive Repair and Maintenance	\$6,822,953	130.10%	\$8,623,847	131.70%
Electronic and Precision Equipment Repair and Maintenance	\$1,354,529	234.60%	\$1,965,002	348.01%
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	-\$776,145	16.51%	-\$1,551,764	2.29%
Personal and Household Goods Repair and Maintenance	\$339,340	113.99%	\$167,763	105.91%
Subtotal	\$7,740,677	128.64%	\$9,204,849	128.39%

	2009 Leakage	2009 Capture Rate	2013 Leakage	2013 Capture Rate
<i>Personal and Laundry Services</i>				
Personal & Laundry Services	-\$1,037,549	83.74%	-\$2,352,332	69.06%
Private Households	-\$13,047	32.57%	-\$4,493	72.96%
Religious, Grantmaking, Civic, Professional & Similar	-\$1,519,489	11.24%	-\$1,814,303	23.07%
Other Personal Services	\$0	\$0	\$0	0.00%
Subtotal	-\$2,570,085	68.32%	-\$4,171,128	58.20%
TOTAL	\$424,083,622	151.14%	\$465,641,067	146.28%

Source: Utah State Tax Commission, ZBPF

Competitive Market Leakage Analysis

Orem, the regional retail hub of the County, has an exceptionally strong sales tax base. A review of the capture rates and sales leakage amounts comparing other cities in the County show that Orem is the retail leader in the area. The analysis below compares capture rates according to each City's median income making Orem's rates appear slightly different than those figures shown above.

Orem has higher capture rates in almost all categories compared to Spanish Fork, Provo, Lehi, Lindon and Pleasant Grove. Provo does better in Arts, Entertainment and Recreation, but Orem also is underrepresented financially in this category due to the non-profit status of the two major theaters in the City. Provo also has the largest hospital in the valley, raising the figures in Health and Personal Care from complementary businesses. Pleasant Grove shows better numbers in accommodations, an area that Orem can decidedly improve upon. Pleasant Grove also has better capture rates in Sporting, Hobby & Music and Miscellaneous Retail. Lehi also has a higher capture rate in Sporting, Hobby and Music, likely because of the regional draw of Cabela's in Lehi. Lindon has higher rates in Motor Vehicles, Building Materials and General Merchandise, but is very low compared to Orem's rates in most other categories.

Table 19: Retail Sales Capture Rates in Utah County, 2013

Retail Area	American Fork	Lehi	Lindon	Pleasant Grove	Provo	Spanish Fork	Orem
Motor Vehicle	341%	17%	413%	42%	91%	36%	181%
Furniture & Home Furnishings	69%	31%	116%	116%	80%	39%	317%
Electronics & Appliance	248%	41%	97%	133%	124%	27%	232%
Building Materials & Garden	176%	51%	619%	104%	105%	6%	129%
Food & Beverage	35%	80%	9%	143%	104%	77%	131%
Health & Personal Care	184%	42%	9%	75%	167%	15%	125%
Gasoline Stations	68%	62%	0%	103%	83%	78%	85%
Clothing	148%	140%	12%	115%	86%	18%	257%
Sporting, Hobby & Music	207%	250%	29%	355%	80%	43%	231%
General Merchandise	209%	99%	220%	64%	73%	116%	181%
Miscellaneous Retail	174%	70%	82%	316%	105%	71%	113%
Non-Store Retail	57%	27%	123%	13%	72%	51%	187%
Services:							
Arts, Entertain. & Recreation	39%	72%	7%	39%	210%	32%	64%
Accommodation	14%	27%	0%	62%	72%	3%	32%
Food Services	179%	47%	48%	122%	122%	61%	131%
Other	169%	43%	101%	112%	102%	95%	123%
Total	176%	66%	176%	99%	93%	59%	161%

Source: State Tax Commission, ZBPF

When looking at overall sales leakage, Orem is clearly the leader, with the largest positive leakage in the most categories – in other words, Orem is attracting shoppers from outside of City limits. The City's total leakage is not only positive, indicating gains from consumers in other cities, but the amount gained is more than double that of American Fork. While American Fork appears very competitive by capture rates, Orem has the largest amount captured in many categories, including ones where American Fork has the higher capture rate. The capture rate shows what portion of that City's sales are being made in the City while leakage shows these portions translated into how much money is lost or gained by the City. In that respect, Orem is still gaining the most and pulling the most in terms of dollars from residents in the County. Orem is clearly the regional retail hub of the County.

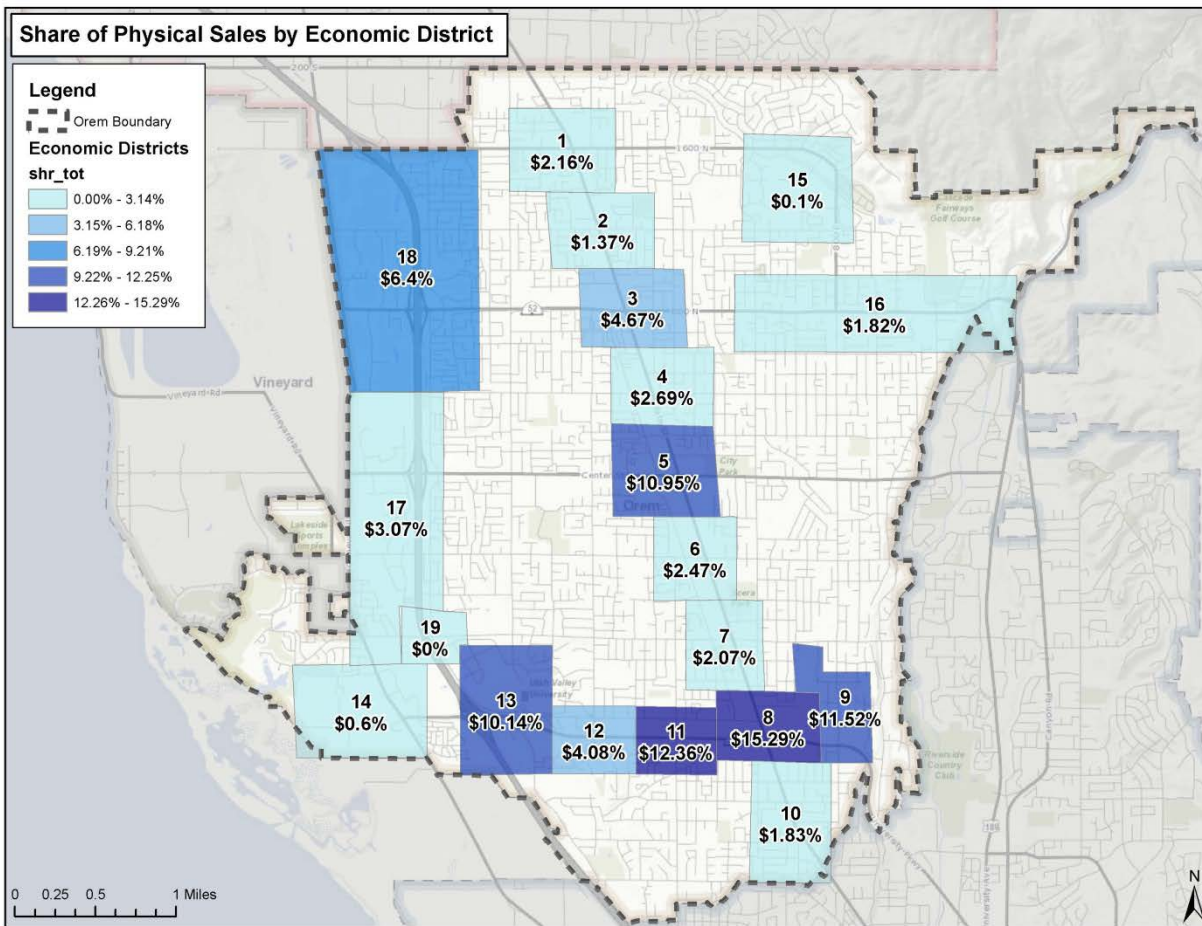
Table 20: Retail Sales Leakage Amounts in Utah County, 2013

Retail Area	American Fork	Lehi	Lindon	Pleasant Grove	Provo	Spanish Fork	Orem
Motor Vehicle	\$138,066,145	-\$100,374,894	\$90,185,439	-\$38,703,307	-\$13,016,521	-\$48,738,015	\$120,143,014
Furniture & Home Furnishings	-\$2,655,356	-\$12,571,821	\$696,932	\$1,641,110	-\$4,302,231	-\$7,051,544	\$48,548,373
Electronics & Appliance	\$13,690,743	-\$11,406,684	-\$127,574	\$3,534,206	\$5,395,337	-\$9,057,412	\$31,383,738
Building Materials & Garden	\$19,120,602	-\$26,125,201	\$65,678,091	\$1,185,398	\$3,096,329	-\$31,793,624	\$18,907,761
Food & Beverage	-\$27,978,783	-\$18,446,174	-\$19,566,506	\$21,376,575	\$4,343,310	-\$13,084,720	\$34,500,499
Health & Personal Care	\$4,205,259	-\$6,061,835	-\$2,301,765	-\$1,486,199	\$8,238,854	-\$5,671,129	\$3,241,405
Gasoline Stations	-\$3,395,620	-\$8,580,128	-\$5,364,735	\$419,788	-\$4,450,511	-\$3,158,964	-\$4,022,448
Clothing	\$8,801,121	\$15,484,066	-\$8,087,279	\$3,290,835	-\$6,272,113	-\$19,854,191	\$73,718,630
Sporting, Hobby & Music	\$11,786,239	\$34,865,424	-\$3,946,330	\$33,002,943	-\$5,466,360	-\$8,444,396	\$37,268,244
General Merchandise	\$72,636,983	-\$926,121	\$40,521,527	-\$28,148,079	-\$44,225,565	\$14,695,592	\$140,282,479
Miscellaneous Retail	\$12,971,615	-\$3,660,428	-\$1,547,446	\$14,844,083	\$740,334	-\$2,253,467	\$1,955,759
Non-Store Retail	-\$2,547,907	-\$26,888,341	\$688,172	-\$17,700,548	-\$12,078,477	-\$11,536,157	\$38,980,045
Services:							
Arts, Entertain. & Recreation	-\$3,660,791	-\$3,565,716	-\$2,803,410	-\$4,238,297	\$16,059,606	-\$5,440,866	-\$5,575,595
Accommodation	-\$12,739,096	-\$22,578,167	-\$7,427,593	-\$6,650,567	-\$10,005,470	-\$19,151,636	-\$26,052,168
Food Services	\$32,835,913	-\$46,234,503	-\$10,816,364	\$10,699,750	\$22,674,675	-\$21,724,130	\$33,062,765
Other	\$10,386,614	-\$18,055,699	\$66,503	\$2,167,798	\$597,347	-\$993,213	\$8,806,097
Total	\$271,523,683	-\$255,126,223	\$135,847,663	-\$6,028,073	-\$61,485,784	-\$193,257,871	\$555,148,596

Source: State Tax Commission, ZBPF

Retail Sales by Economic District

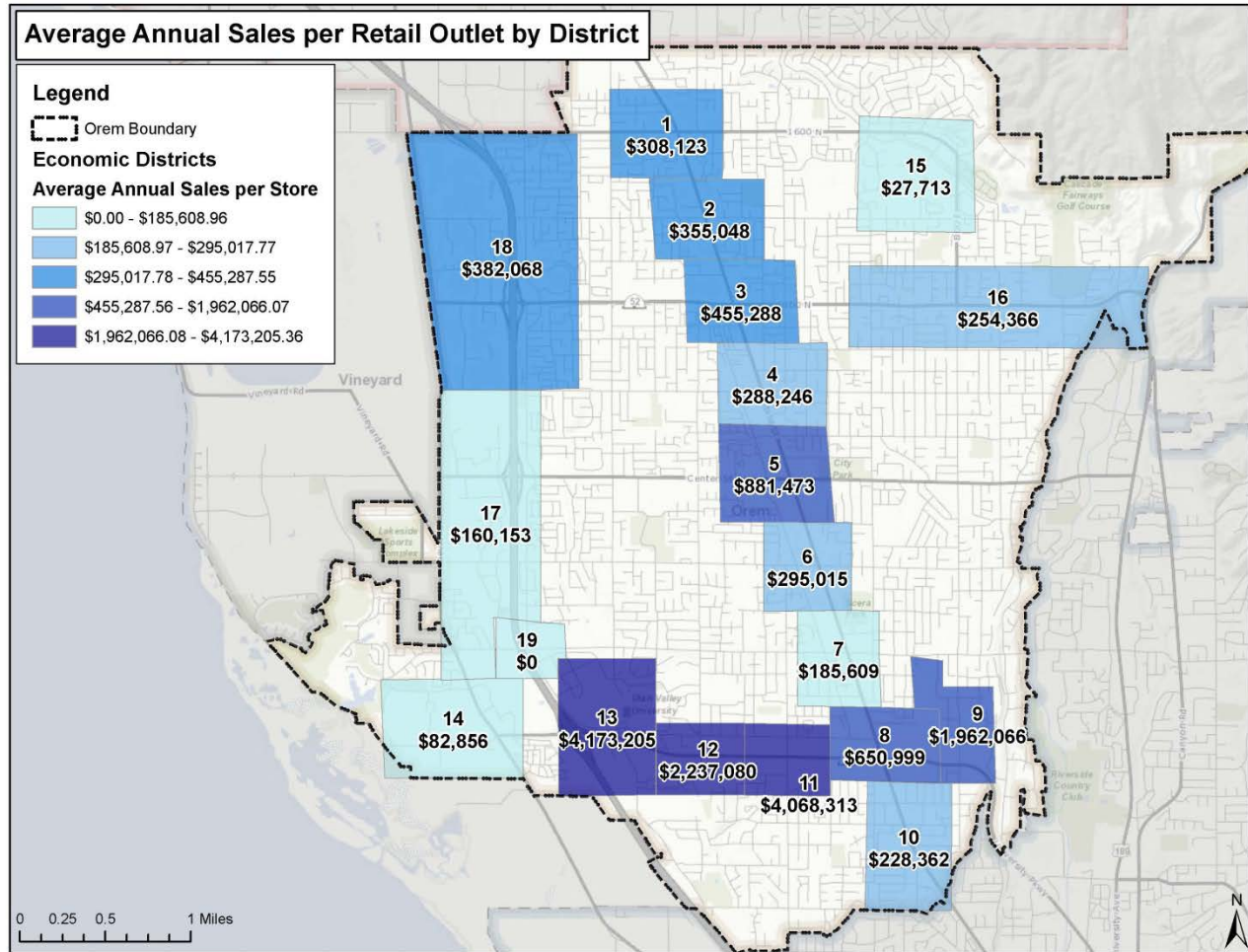
While the City as a whole is affected by sales leakage and capture rates, each economic district has a different character in its type of sales and its performance as a retail center. Some districts are not really retail centers at all, but serve other purposes such as employment or education. The map below shows which areas represent retail centers in the City by showing what portion of the City's physical sales⁷ are made in each district. District Eight, University Place, at over fifteen percent has the highest share of the City's sales as it includes the mall and retail at the intersection of University Parkway and State Street. District Fifteen – primarily office space – has the lowest with less than one percent of sales.



Source: Utah State Tax Commission, ZBPF

While a district may have a high portion of sales due to simply having a lot of stores, some districts perform well by having high sales per retail outlet. They provide high sales revenues to the City with high efficiency from only a few stores. For example, District 12 has a good portion of the City's sales but it isn't the highest. However, it has the third highest sales per store at over \$2 million annually per store.

⁷ Online sales, listed separately by the State Tax Commission, are not included as they cannot be associated to a geographic location in the City.



Source: Utah State Tax Commission, ZBPF

The high sales per store at District 12 can be explained by the predominance of car dealerships in this district with high value purchases. Comparatively, while District Eight has the highest portion of Orem's sales, its sales per store is much lower than neighboring districts on University Parkway. District Eight has a high number of small clothing and accessory stores at the mall that don't sell big-ticket items. The following tables detail the retail character at each district by showing what proportion of their sales come from each retail category.

Table 21: Percentage of Sales by Retail Category at Each Economic District (Table 1 of 2)

	1	2	3	4	5	6	7	8	9
Accommodation	0%	0%	0%	0%	0%	0%	0%	0%	0%
Amusement and Recreation	0%	0%	2%	0%	1%	1%	0%	0%	2%
Building and Garden Supply	0%	7%	0%	18%	4%	0%	1%	0%	0%
Clothing and Accessories	0%	0%	2%	1%	9%	0%	0%	33%	2%
Electronics and Appliances	1%	1%	0%	2%	1%	2%	0%	14%	5%
Food and Beverage	9%	0%	27%	24%	15%	0%	0%	4%	0%

	1	2	3	4	5	6	7	8	9
Food Services	25%	7%	7%	12%	14%	6%	4%	20%	5%
Furniture and Home Furnishings	4%	0%	2%	4%	2%	3%	8%	3%	0%
Gasoline and Convenience Stores	3%	7%	5%	4%	0%	0%	5%	0%	1%
General Merchandise	0%	0%	1%	15%	42%	0%	0%	6%	84%
Health and Personal Care	2%	0%	6%	0%	1%	0%	11%	3%	0%
Health Care and Social Assistance	0%	0%	0%	0%	0%	0%	0%	0%	0%
Motor Vehicle and Parts Dealer	27%	39%	35%	5%	0%	31%	46%	3%	0%
Personal Services	0%	1%	0%	0%	0%	3%	0%	0%	0%
Professional Services	13%	1%	0%	1%	0%	6%	0%	0%	0%
Professional Services	13%	1%	0%	1%	0%	6%	0%	0%	0%
Repair and Maintenance	0%	27%	7%	9%	1%	15%	9%	0%	0%
Specialty Retail - Hobby, Books, Music, etc	2%	10%	6%	5%	8%	27%	17%	13%	1%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Utah State Tax Commission, ZBPF

Table 22: Percentage of Sales by Retail Category at Each Economic District (Table 2 of 2)

	10	11	12	13	14	15	16	17	18
Accommodation	0%	0%	5%	2%	29%	0%	0%	0%	3%
Amusement and Recreation	2%	0%	0%	1%	0%	0%	1%	0%	0%
Building and Garden Supply	1%	13%	0%	0%	2%	0%	0%	54%	8%
Clothing and Accessories	4%	1%	34%	0%	0%	0%	0%	0%	1%
Electronics and Appliances	5%	0%	0%	0%	13%	8%	0%	0%	0%
Food and Beverage	22%	1%	1%	0%	0%	0%	83%	7%	43%
Food Services	21%	2%	11%	6%	28%	0%	6%	1%	3%
Furniture and Home Furnishings	2%	24%	3%	0%	0%	0%	1%	2%	0%
Gasoline and Convenience Stores	4%	0%	0%	0%	21%	0%	3%	3%	5%
General Merchandise	0%	0%	0%	56%	0%	0%	0%	0%	0%
Health and Personal Care	2%	0%	0%	0%	0%	0%	0%	0%	0%
Health Care and Social Assistance	0%	0%	0%	0%	0%	0%	0%	0%	0%
Motor Vehicle and	10%	53%	31%	35%	0%	0%	0%	8%	10%

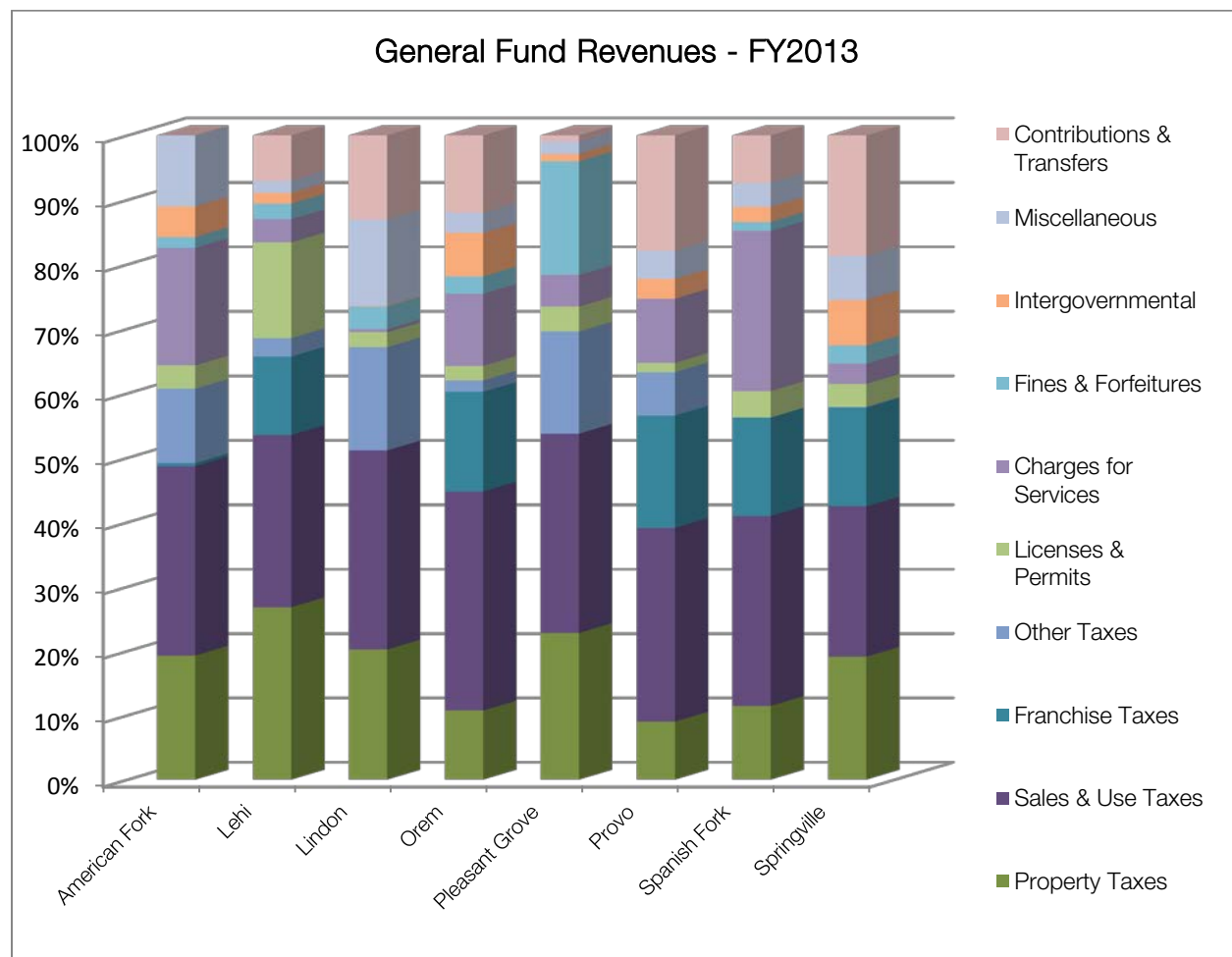
	10	11	12	13	14	15	16	17	18
Parts Dealer									
Personal Services	0%	0%	0%	0%	0%	0%	2%	0%	1%
Professional Services	0%	0%	0%	0%	0%	42%	0%	0%	1%
Professional Services	0%	0%	0%	0%	0%	42%	0%	0%	1%
Repair and Maintenance	9%	1%	0%	0%	0%	0%	0%	6%	6%
Specialty Retail - Hobby, Books, Music, etc	17%	5%	14%	0%	7%	7%	4%	20%	16%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Utah State Tax Commission, ZBPF

City Revenue Sources and Economic Stability

Important to economic stability in the City is the fiscal stability of the City government. A stable revenue stream to the City ensures that the City is able to provide basic services that businesses and development relies on to function. Stability also assists the City to better make long-term planning decisions. A healthy City budget is necessary for a City to be competitive in the market in attracting business, not only through guaranteeing services but also in the City's ability to offer financial incentives.

Orem currently has a strong and healthy sales tax base providing a robust income source; however, the City is heavily reliant on these sales which can be volatile and unsteady, like during the recent recession. The graph and table below show that Orem has the highest proportion of General Fund Revenues coming from sales tax at 34 percent of all revenues. Comparatively, the City has among the lowest proportion coming from the more stable property taxes. Eleven percent of revenues come from property taxes, the same as Spanish Fork and only higher than Provo at nine percent. The rest of the cities in the County are near twenty percent of revenues coming from property taxes.



Source: Financial Reports of Local Governments, Office of the Utah State Auditor, ZBPF

Table 23: General Fund Revenues by City in Utah County, FY 2013

	American Fork	Lehi	Lindon	Orem	Pleasant Grove	Provo	Spanish Fork	Springville
Property Taxes	19%	27%	20%	11%	23%	9%	11%	19%
Sales & Use Taxes	29%	27%	31%	34%	31%	30%	30%	23%
Franchise Taxes	0%	12%	0%	15%	0%	17%	15%	15%
Other Taxes	12%	3%	16%	2%	16%	7%	0%	0%
Licenses & Permits	4%	15%	2%	2%	4%	1%	4%	4%
Charges for Services	18%	4%	0%	11%	5%	10%	25%	3%
Fines & Forfeitures	2%	2%	4%	3%	18%	0%	1%	3%
Intergovernmental	5%	2%	0%	7%	1%	3%	2%	7%
Miscellaneous	11%	2%	13%	3%	2%	4%	4%	7%
Contributions & Transfers	0%	7%	13%	12%	1%	18%	7%	19%
Total General Fund Revenues	100%	100%	100%	100%	100%	100%	100%	100%

Source: Financial Reports of Local Governments, Office of the Utah State Auditor, ZBPF

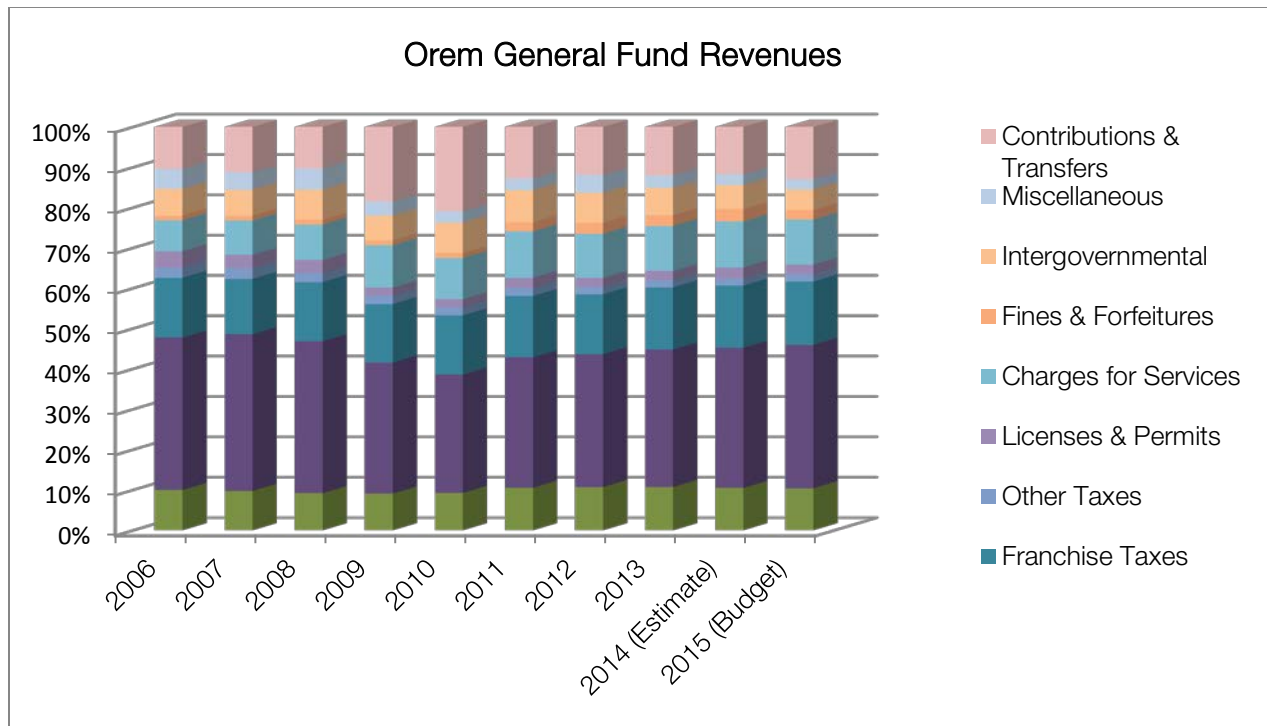
In the past decade the rate of growth in taxable sales has been slower in Orem and Provo than much of the County. Orem had an average annual growth rate of 3.7 percent from 2003 to 2013, which keeps the City ahead of recent sluggish inflation rates, but only at pace with rates pre-recession.

Table 24: Growth in Taxable Sales, 2003-2013

	Absolute \$	AAGR, 2003-2013
American Fork	\$419,159,069	7.9%
Lehi	\$516,822,906	14.7%
Lindon	\$276,829,586	9.5%
Orem	\$630,548,820	3.7%
Payson	\$126,240,574	9.0%
Pleasant Grove	\$96,174,932	6.0%
Provo	\$262,881,321	2.4%
Spanish Fork	\$187,926,569	6.5%
Springville	\$91,025,624	3.2%
TOTAL	\$2,607,609,401	5.3%

Source: Utah State Tax Commission, ZBPF

Sales tax revenues are far more volatile than property tax revenues due to their tendency to respond immediately to market changes. Orem experienced this volatility first-hand during the recession, seeing sales tax revenues dip significantly – in 2007 sales tax revenues represented 39 percent of the general fund revenues, but by 2010 it dropped to 29 percent. Comparatively, property tax revenues stayed stable throughout the recession.



Source: Financial Reports of Local Governments, Office of the Utah State Auditor, ZBPF

Table 25: Orem Actual Sales Tax Revenue by Year

Year	Sales & Use Tax Revenue
2006	\$17,510,210
2007	\$19,220,147
2008	\$18,684,690
2009	\$16,414,378
2010	\$15,277,498
2011	\$15,538,986
2012	\$16,453,749
2013	\$17,233,172
2014 (Estimate)	\$17,981,211
2015 (Budget)	\$18,200,246

Given the relative stability of property tax revenues, it is important that Orem work to improve property tax values in the City in tandem with business development. This can be achieved through the development of high-quality office space and advanced manufacturing. Specific ideas and plans are given in the chapter “Economic Development Nodes” later in this study.

One reason that property taxes are more stable is due to truth-in-taxation that automatically adjusts property tax rates for changes in property appreciation or depreciation. However, while this protects against decreasing revenues, it also does not allow for increasing property tax revenues needed to pay

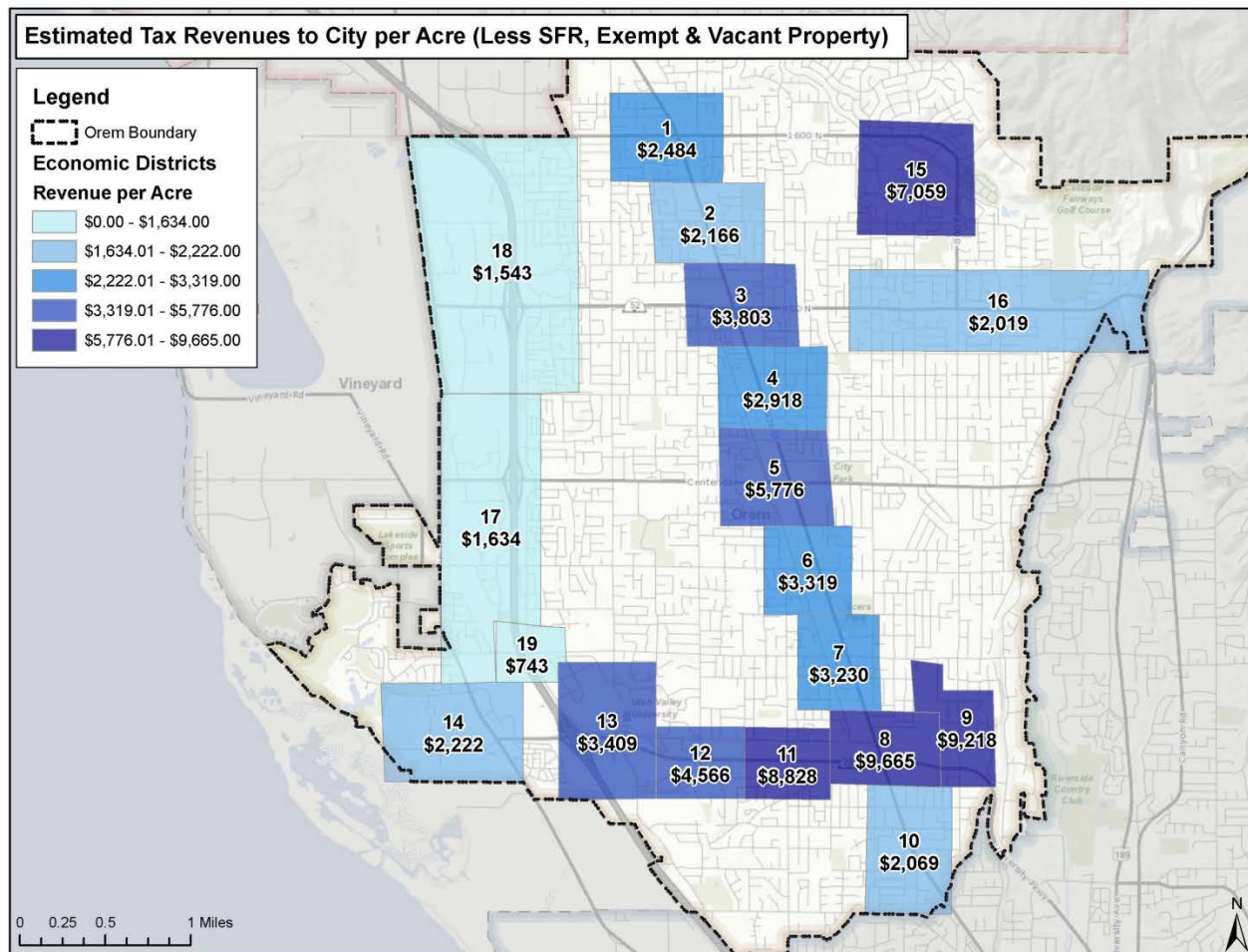
Table 26: Assessed Value Change

Total Assessed Value Percent Change (2007-2012)	
American Fork	1%
Lehi	12%
Lindon	7%
Orem	-4%
Pleasant Grove	-7%
Provo	-9%

Source: Utah County, ZBPF

for rising costs of government. Orem has had its assessed value drop four percent since 2007, while Lehi has increased 12 percent. Improving office spaces and overall property development can help to reverse this trend.

It is often assumed that improving sales tax revenues through retail development is the primary way to improve City revenues. While sales taxes are a great source of direct revenue and are certainly one of the strongest tools, Orem is a great example of the power of property taxes even when compared to strong retail sales tax revenues. The map below shows the estimated tax revenues to the City from each of the economic districts studied. Tax revenues include sales tax and property tax from commercial, industrial, and high-density residential property. The values and acres from single-family residential (SFR), exempt and vacant property are excluded. The districts with the highest revenues per acre are Districts Eight and Nine (University Place), Eleven (University Parkway) and Fifteen (Canyon Park). Districts Eight, Nine, and Eleven are retail centers; District Fifteen has almost no retail and is primarily office space.



Source: Utah State Tax Commission, ZBPF

These same numbers are shown in the table below, compared to taxable retail sales alone. Again, the top four districts in total revenues from both property and sales tax include District Fifteen with \$7,059 per acre. However, looking at taxable sales alone that then translate to sales tax revenues, district fifteen is almost the lowest with only \$6,438 in taxable sales per acre – less than one

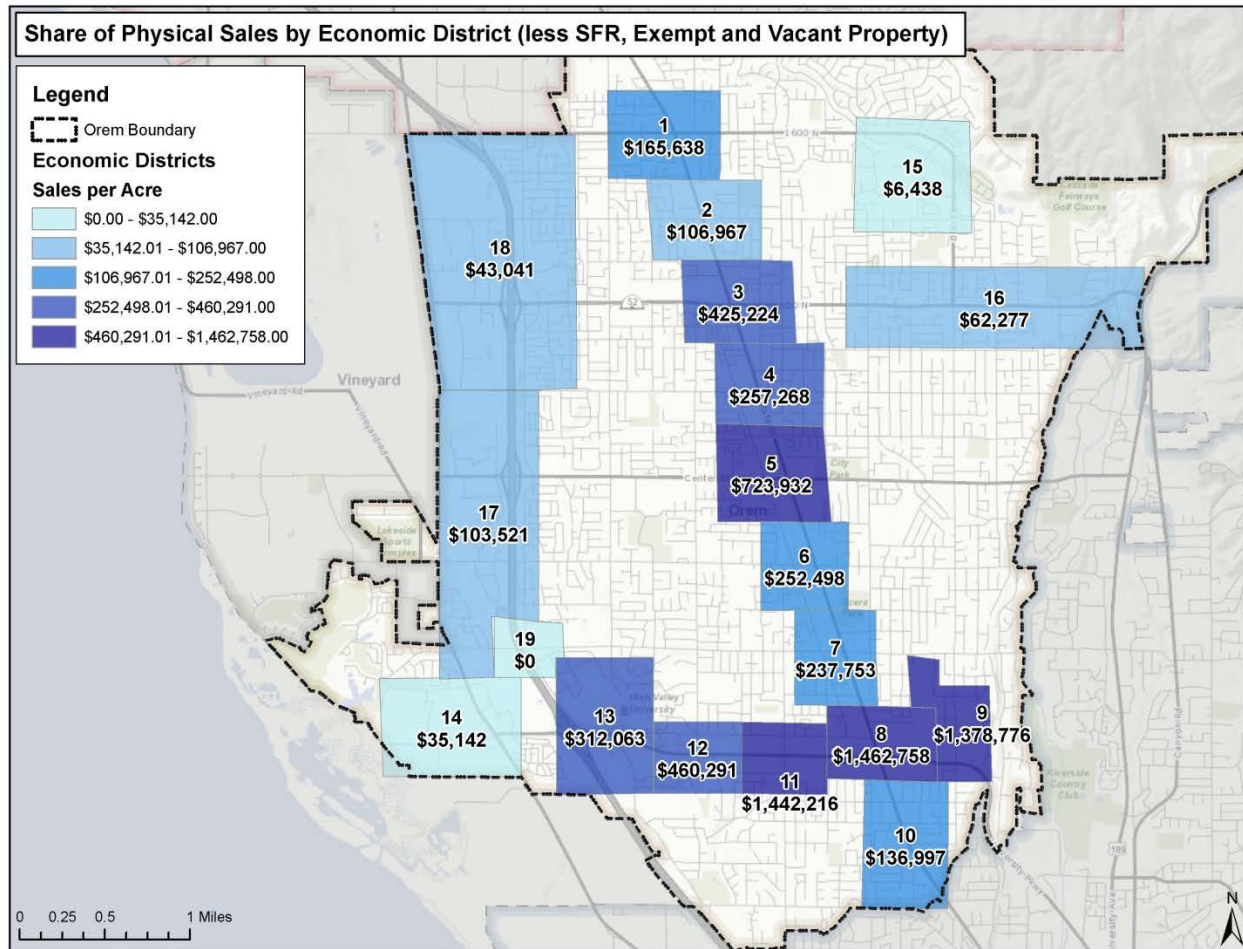
percent of the amount of sales per acre at District Eight. District Fifteen successfully relies on high property values to generate revenue, making it among the highest revenue earners in the City with almost no retail sales to generate sales tax revenues. The retail centers have to bring in significant sales to bring in comparative revenues to the City.

Table 27: Estimated Tax Revenues by Economic District and Taxable Sales by District

District	Est Revs (Prop and Sales) per Acre - Less SF, Exempt & Vacant	District	Taxable Sales per Acre
8	\$9,665	8	\$1,462,758
9	\$9,218	11	\$1,442,216
11	\$8,828	9	\$1,378,776
15	\$7,059	5	\$723,932
5	\$5,776	12	\$460,291
12	\$4,566	3	\$425,224
3	\$3,803	13	\$312,063
13	\$3,409	4	\$257,268
6	\$3,319	6	\$252,498
7	\$3,230	7	\$237,753
4	\$2,918	1	\$165,638
1	\$2,484	10	\$136,997
14	\$2,222	2	\$106,967
2	\$2,166	17	\$103,521
10	\$2,069	16	\$62,277
16	\$2,019	18	\$43,041
17	\$1,634	14	\$35,142
18	\$1,543	15	\$6,438
19	\$743	19	\$0

Source: Utah State Tax Commission, ZBPF

The following map shows the taxable sales per acre for each district, showing District Fifteen being among the lowest.



Source: Utah State Tax Commission, ZBPF

If each district were to meet its current combined sales and property tax revenues per acre with property taxes alone, the following tables show the development levels that would be needed either from commercial/office space or from multi-family housing. The first is in commercial or office space, which assumes a property assessment average of \$160 per square foot. Based on that property value, District Eight would need a Floor Area Ratio (FAR) of 0.74 to get property values of \$5,165,828 per acre to compare to similar revenues that include sales tax. Given plans for development at Districts Eight and Nine, this is a density that is realistic and shows the potential to easily increase property tax revenue potential on top of a strong sales tax base. These are not mutually exclusive goals.

Table 28: Equivalent Commercial Property Value and FAR to Achieve Revenue Levels by District

District	Est Revs per Acre - Less SF, Exempt & Vacant	Commercial Property Value per Acre Required to Meet this Amount	Office FAR at \$160 (assessed) per sf
8	\$9,665	\$5,165,828	0.74
9	\$9,218	\$4,926,746	0.71
11	\$8,828	\$4,718,154	0.68
15	\$7,059	\$3,772,951	0.54
5	\$5,776	\$3,087,246	0.44
12	\$4,566	\$2,440,329	0.35

District	Est Revs per Acre - Less SF, Exempt & Vacant	Commercial Property Value per Acre Required to Meet this Amount	Office FAR at \$160 (assessed) per sf
3	\$3,803	\$2,032,614	0.29
13	\$3,409	\$1,821,904	0.26
6	\$3,319	\$1,774,051	0.25
7	\$3,230	\$1,726,165	0.25
4	\$2,918	\$1,559,596	0.22
1	\$2,484	\$1,327,593	0.19
14	\$2,222	\$1,187,581	0.17
2	\$2,166	\$1,157,936	0.17
10	\$2,069	\$1,105,706	0.16
16	\$2,019	\$1,079,269	0.15
17	\$1,634	\$873,426	0.13
18	\$1,543	\$824,750	0.12
19	\$743	\$397,049	0.06

Source: ZBPF, Utah State Tax Commission

The following table shows a similar analysis for multi-family housing in order to estimate the housing density needed to meet revenue levels through property values. While it's not realistic to assume a District would be covered completely by housing or could necessarily support the number of units indicated, this illustrates that housing can be another tool to increase property values in combination with retail and commercial development.

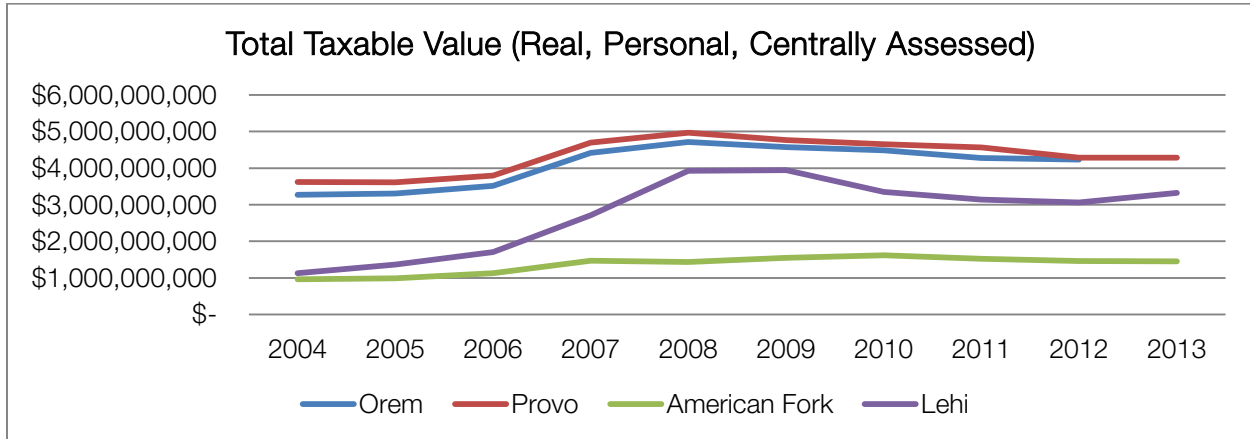
Table 29: Equivalent Medium-High Density Residential Development to Achieve Revenue Levels by District

District	Est Revs per Acre - Less SF, Exempt & Vacant	Multi-Family Property Value per Acre Required to Meet this Amt	# of Units per Acre at \$200,000/Door	# of Units per Acre at \$150,000/Door	# of Units per Acre at \$120,000/Door
8	\$9,665	\$9,392,415	85	114	142
9	\$9,218	\$8,957,720	81	109	136
11	\$8,828	\$8,578,462	78	104	130
15	\$7,059	\$6,859,911	62	83	104
5	\$5,776	\$5,613,175	51	68	85
12	\$4,566	\$4,436,962	40	54	67
3	\$3,803	\$3,695,662	34	45	56
13	\$3,409	\$3,312,553	30	40	50
6	\$3,319	\$3,225,547	29	39	49
7	\$3,230	\$3,138,482	29	38	48
4	\$2,918	\$2,835,629	26	34	43
1	\$2,484	\$2,413,806	22	29	37
14	\$2,222	\$2,159,238	20	26	33
2	\$2,166	\$2,105,339	19	26	32
10	\$2,069	\$2,010,375	18	24	30
16	\$2,019	\$1,962,307	18	24	30
17	\$1,634	\$1,588,047	14	19	24
18	\$1,543	\$1,499,545	14	18	23
19	\$743	\$721,907	7	9	11

Source: ZBPF, Utah State Tax Commission

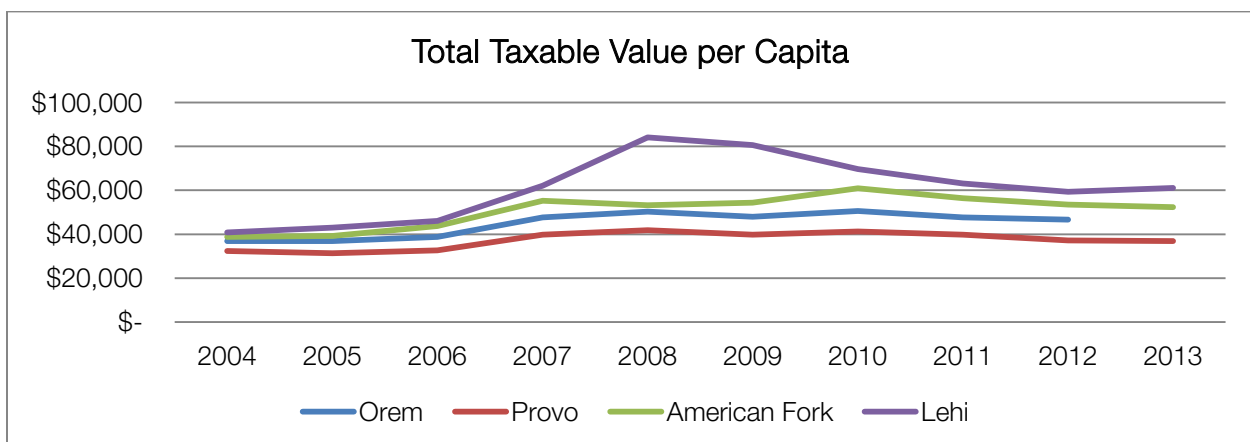
Property Tax Valuation

The City's taxable value base has remained fairly constant in recent years after a significant increase prior to the recession and slight decrease during the recession. Trends in the City's total taxable value have very closely mirrored values in Provo as the trends have simply been market trends on a largely built-out property base. In comparison, Lehi has had more dramatic changes due to heavy construction.



Source: Financial Reports of Local Governments, Office of the Utah State Auditor, ZBPF

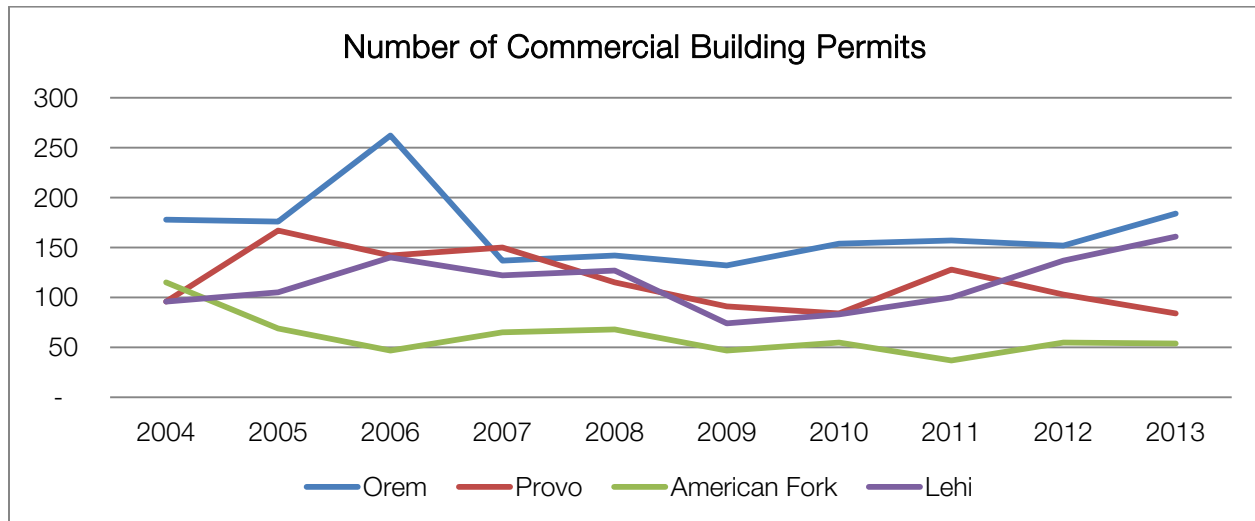
Total taxable value is largely dependent on the overall size of the city, making comparison difficult between differently-sized cities. In order to better compare these competitive cities, total taxable value was divided on a per capita basis. Again we see similar trends over time with Orem and Provo trending together and Lehi with significant gains with new construction. However, while the totals for Orem and Provo were higher in the graph above due to their size, this graph shows Lehi having overall higher taxable value per capita. Lehi is able to gain more property taxes per resident with its new construction compared to Orem and Provo. Also, while Provo has overall more taxable value, Orem has better taxable value on a per capita basis.



Source: Financial Reports of Local Governments, Office of the Utah State Auditor, ACS, ZBPF

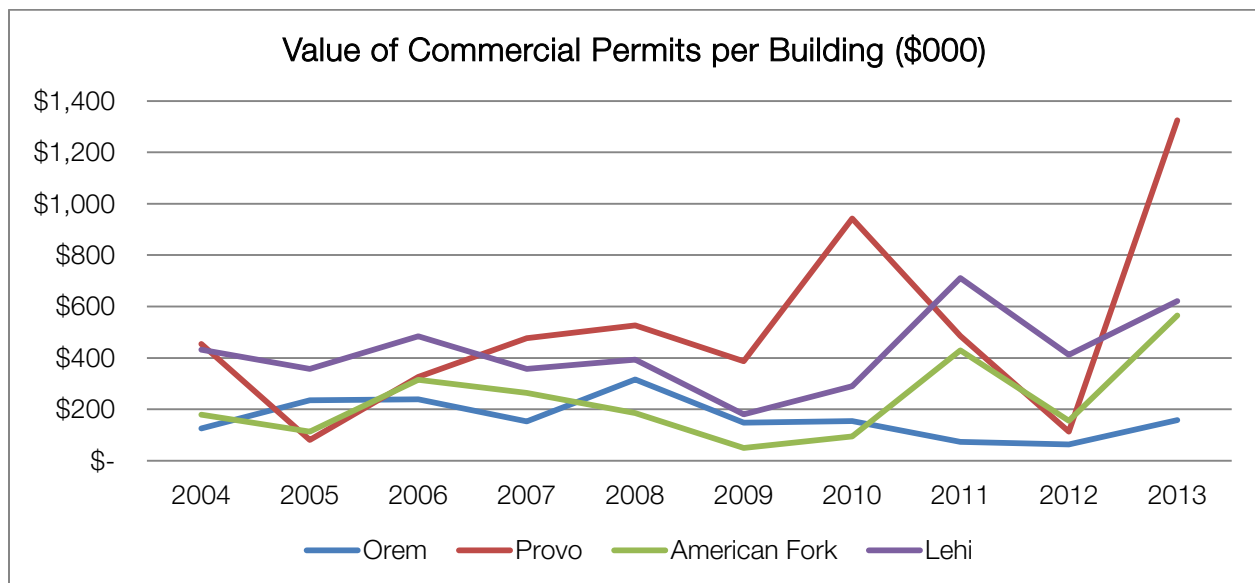
Building permits for commercial and residential permits were analyzed to compare potential property tax values from new construction in these cities.

Orem has had the highest overall number of building permits in recent years, compared to decreasing numbers in Provo. While Lehi is still below Orem, it has been close in the last few years – significant when comparing the sizes of the two cities.



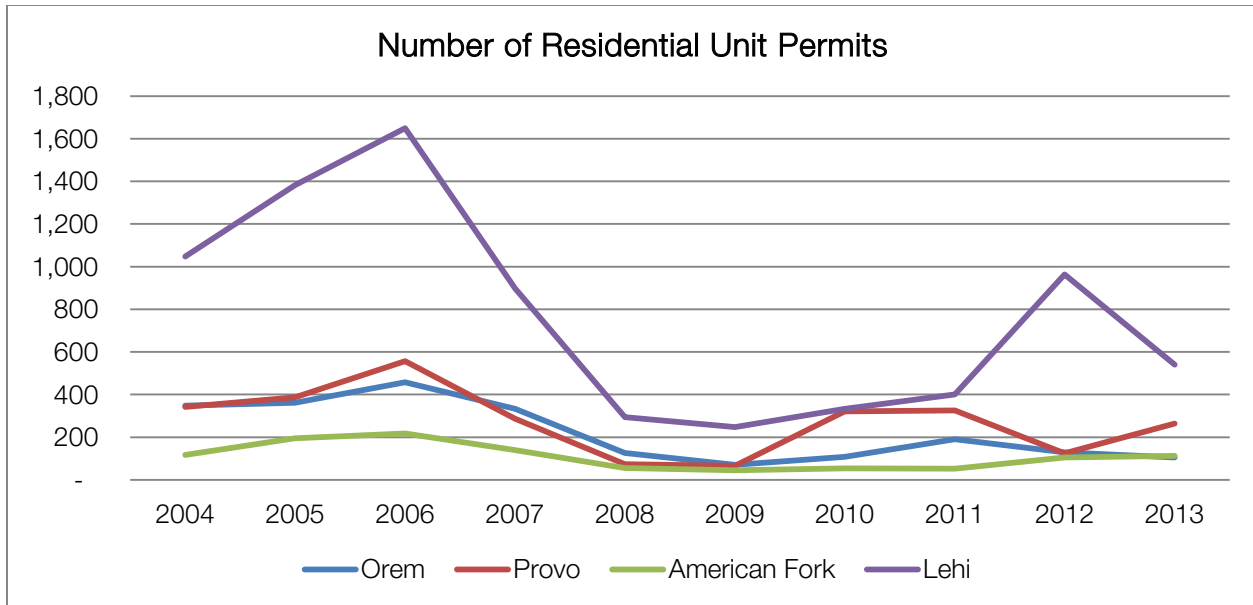
Source: BEBR, ZBPF

While Orem has had the most commercial permits, they have had low building values on average. Lehi's have been steadily high per building while Provo's have been varied. As commercial buildings with higher average values are built they can provide higher taxes to the City with less drain on City resources.



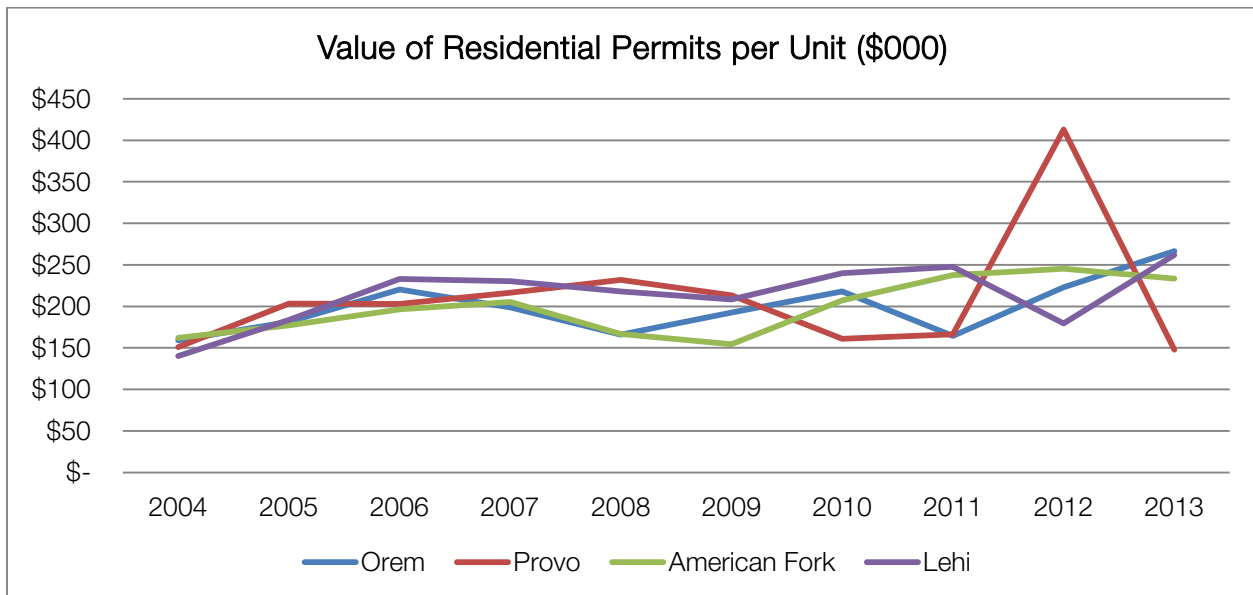
Source: BEBR, ZBPF

While Orem, Provo and American Fork have had similar trends and lower numbers in residential units permitted, Lehi has consistently had more each year. All Cities show the housing bubble prior to the recession with a sharp drop-off in 2008 and 2009.



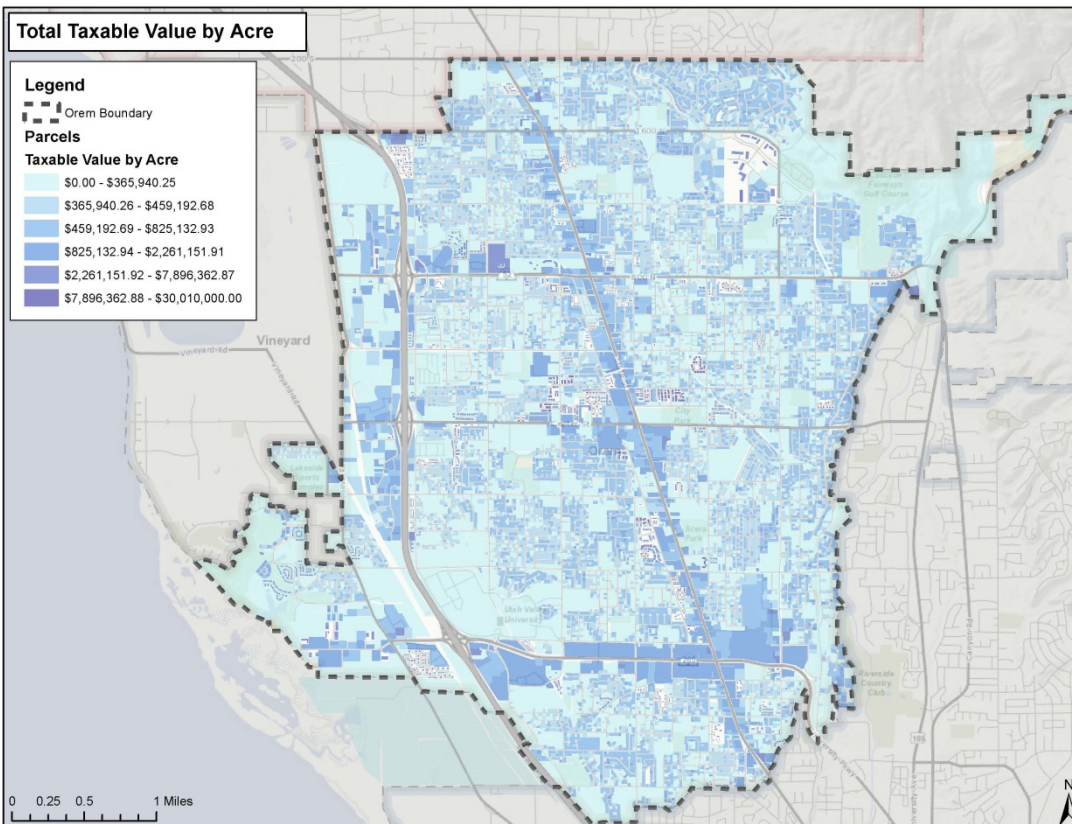
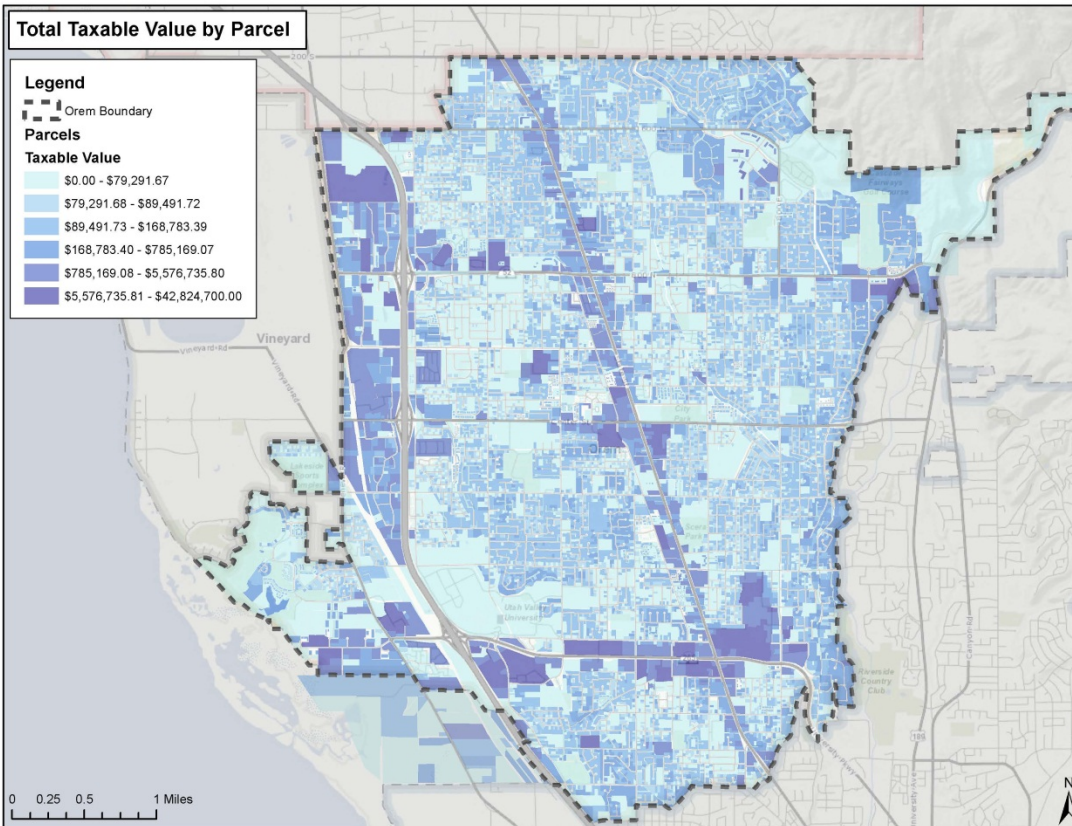
Source: BEBR, ZBPF

Compared to commercial buildings, the value of residential units built in recent years show few cohesive trends. Like commercial buildings, it is advantageous to the City to encourage higher valued property to generate higher property taxes.



Source: BEBR, ZBPF

The following maps show the current taxable values in the City by parcel and by acre. The first map shows by parcel and, as to be expected, primarily commercial and industrial parcels have the highest values. From the perspective of property taxes, this shows that the City can receive more tax revenues per property by encouraging business development. These parcels also are not subject to the residential exemption, thus providing a higher property tax value for the property. Similarly, commercial parcels usually have the highest taxable value per acre. However, some higher valued residential are also comparable per acre.



Redevelopment Areas

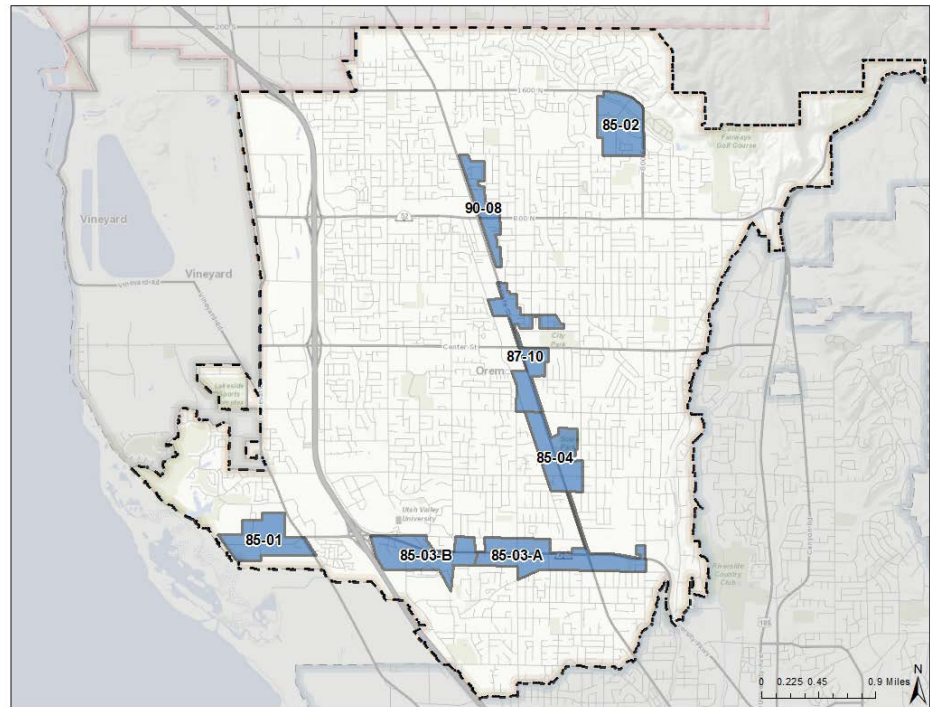
Orem has seven active redevelopment areas, six with regular increment expiring this year or last year. All of these RDAs were established pre-1993 when the “haircut” provision (i.e., declining percentages of tax increment paid to the Agency over time) was available to each of them. All seven have had the “haircut” provision applied to the increment and have extended the collection of the areas to about 2020. However, the increment collected from these additional years has already been allocated to a parks and recreation bond. This effectively locks up the ability for new increment to be generated for economic development at these sites in the near term.

Table 30: Current Orem RDAs

RDA #	RDA Location	Year Regular Increment Expires	Amount of Unappropriated Regular Increment	Haircut Year Expiration
85-01	Orem Business Park	2014	\$260,000	2021
85-02	Timp Research & Tech Park	2013	\$1,100,000	2020
85-03A	University Mall	2013	\$1,170,000	2020
85-03B	Golden Mile	2013	\$3,260,000	2020
85-04	State St & 800 S	2013	\$402,000	2020
87-10	State St & Center; Midtown Village; City Center	2014	\$0	2021
90-08	State St & 800 N	2020	\$78,000	2023

Source: Orem City

The current RDAs heavily cover the major commercial areas in the City along State Street, University Parkway, and Districts Fifteen and Fourteen. Fifteen is the Canyon Park offices and Fourteen includes the City’s high-quality industrial and manufacturing center. There is currently movement to create a CDA at University Place to assist in the development plans for higher-rise buildings and increased density.



Source: ZBPF, Orem City

Since there is very little vacant land in the City, future development will be largely infill and redevelopment of existing buildings. While many of the commercial areas studied in this report are already within RDAs, there are some additional

potential areas that could benefit from tax increment in spurring development and high-value property uses.

In addition to the pending CDA at University Mall, the City should consider the addition of redevelopment areas in Districts Seventeen and Eighteen along I-15 and Geneva Road. Those areas, collectively known as “the Wedge” (see “Economic Development Nodes” Chapter), are prime for conversion from underdeveloped industrial uses to high-quality, freeway-visible office space, in addition to retail and advanced manufacturing.

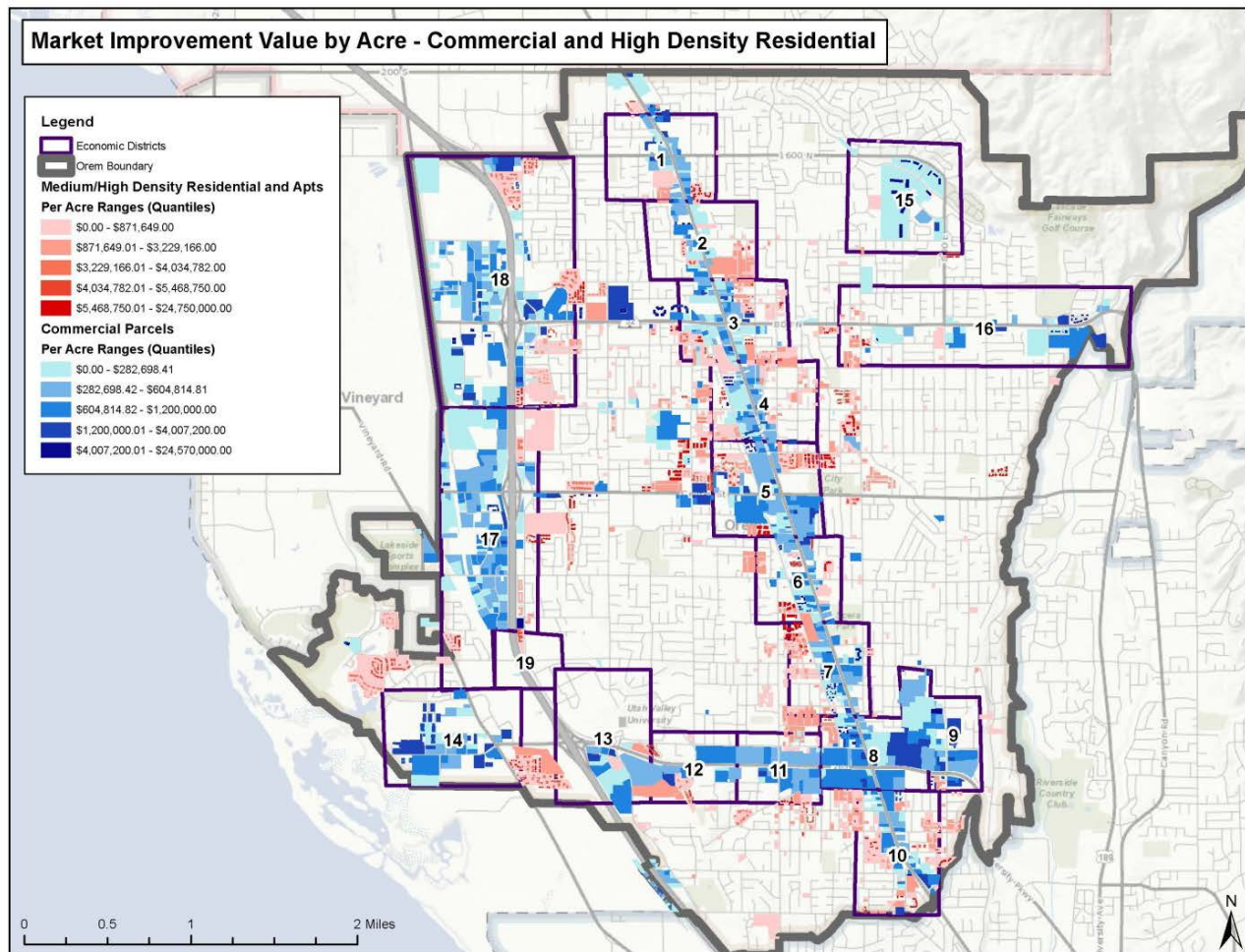
One way of identifying areas for redevelopment is by comparing improvement values per acre to the rest of the City. Districts Seventeen and Eighteen have low improvement values in both commercial and medium-high density residential categories.

Table 31: Improvement Values per Acre by Economic District

District	Commercial Improvement Value per Acre	District	Medium-High Density Residential Imp. Value per Acre
19	\$0	1	\$639,948
11	\$465,637	10	\$663,562
17	\$475,720	17	\$668,854
3	\$485,669	16	\$781,538
18	\$532,526	18	\$783,669
13	\$548,080	4	\$938,233
2	\$587,127	7	\$1,127,775
4	\$588,675	9	\$1,144,048
5	\$595,298	15	\$1,163,638
1	\$597,137	2	\$1,236,071
6	\$661,298	11	\$1,270,144
10	\$667,138	3	\$1,297,044
12	\$716,156	8	\$1,424,525
9	\$747,128	19	\$1,576,482
7	\$764,119	6	\$1,607,915
8	\$765,473	13	\$2,175,621
16	\$829,754	12	\$2,191,470
14	\$911,490	5	\$3,208,659
15	\$3,865,810	14	\$4,947,684

Source: ZBPF, Utah County Assessor

The map below shades improvement values by acre for both property types in the full City. Commercial properties in Seventeen and Eighteen are generally lower than other commercial areas of the City. The redevelopment potential for these districts is explored in detail in the “Economic Development Nodes” chapter under “The Wedge” analysis. Close up detail of this map is also shown in that analysis.



Source: ZBPF, Utah County Assessor

Retail Market Share and Analysis

In the Utah County retail market, there has been significant development of new retail space at Thanksgiving Point, mainly from food-related businesses such as Carl's Jr., Starbucks, J-Dawgs, Mountain West Burrito, Firehouse Subs and Popeye's Chicken. Walmart Neighborhood Grocery Stores have signed deals at two Utah County locations – Provo and Pleasant Grove. And, there has been significant new retail development approved for University Place in Orem.

Retail sales in the County have been steadily increasing in all communities, with sales growth especially strong in communities located north of Orem – American Fork, Lehi and Lindon.

Table 32: Retail Sales, 2003 - 2007

City	2003	2004	2005	2006	2007
American Fork	\$366,115,948	\$444,946,407	\$522,522,596	\$615,714,312	\$692,927,525
Lehi	\$175,218,788	\$167,087,359	\$251,783,912	\$361,896,812	\$460,120,851
Lindon	\$188,545,035	\$241,094,202	\$348,623,015	\$428,563,958	\$435,680,986
Orem	\$1,445,548,785	\$1,571,989,866	\$1,712,285,910	\$1,963,019,149	\$2,047,292,507

City	2003	2004	2005	2006	2007
Payson	\$91,889,730	\$133,231,511	\$146,469,801	\$167,398,383	\$189,612,899
Pleasant Grove	\$122,357,728	\$136,401,549	\$148,326,292	\$176,837,456	\$208,098,731
Provo	\$979,382,417	\$1,013,559,220	\$1,089,256,641	\$1,192,250,575	\$1,260,856,225
Spanish Fork	\$213,064,178	\$227,595,952	\$243,459,408	\$283,928,992	\$315,690,083
Springville	\$246,155,671	\$247,595,445	\$265,698,409	\$302,562,193	\$321,221,650
TOTAL	\$3,828,278,280	\$4,183,501,511	\$4,728,425,984	\$5,492,171,830	\$5,931,501,457

Table 33: Retail Sales, 2008 - 2013

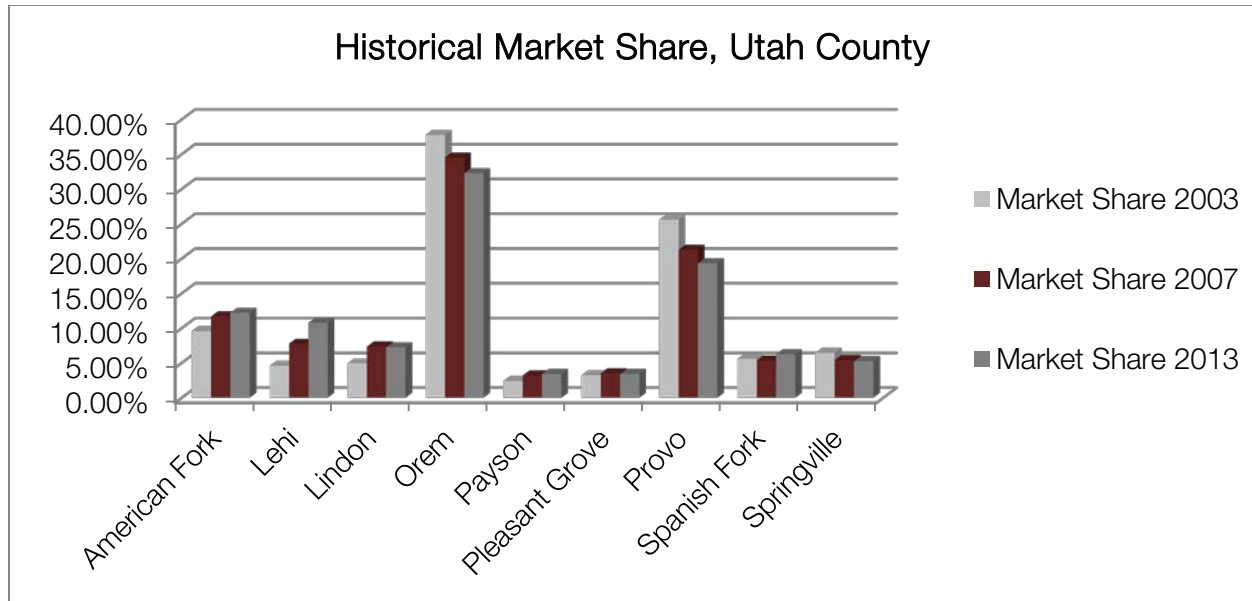
City	2008	2009	2010	2011	2012	2013
American Fork	\$708,125,922	\$620,153,855	\$613,085,650	\$663,326,769	\$736,774,186	\$785,275,017
Lehi	\$486,485,510	\$475,623,891	\$486,685,648	\$539,917,411	\$672,811,519	\$692,041,694
Lindon	\$394,202,419	\$319,815,353	\$341,010,210	\$390,477,510	\$415,020,138	\$465,374,621
Orem	\$1,981,523,494	\$1,714,693,384	\$1,768,348,060	\$1,857,063,330	\$1,966,232,793	\$2,076,097,605
Payson	\$205,509,652	\$187,209,528	\$194,641,217	\$207,693,857	\$218,201,260	\$218,130,304
Pleasant Grove	\$227,676,674	\$179,591,623	\$188,004,659	\$218,956,833	\$203,705,317	\$218,532,660
Provo	\$1,267,498,680	\$1,071,282,738	\$1,071,798,703	\$1,154,862,004	\$1,215,514,099	\$1,242,263,738
Spanish Fork	\$327,246,048	\$287,243,509	\$290,172,880	\$286,755,325	\$324,401,541	\$400,990,747
Springville	\$338,852,043	\$291,271,188	\$302,825,274	\$301,890,797	\$310,309,810	\$337,181,295
TOTAL	\$5,937,120,442	\$5,146,885,069	\$5,256,572,301	\$5,620,943,836	\$6,062,970,663	\$6,435,887,681

Sales in Orem took a fairly steep drop from over \$2 billion in 2007, to \$1.7 billion in 2009, and are just recovering today to 2007 levels. Large fluctuations in sales impact the City with increased or decreased, as in this case, sales tax revenues to the City's General Fund.

Orem's market share of retail sales has been steadily decreasing from 2003 to 2013, as growth takes place further north in the County and retail development expands in that area.

Table 34: Retail Sales, % Change 2003-2013; Market Share Analysis

City	% Change 2003 - 2013	% Change 2007 - 2013	% Change 2010 - 2013	Market Share 2003	Market Share 2007	Market Share 2013
American Fork	7.93%	2.11%	8.60%	9.6%	11.7%	12.2%
Lehi	14.72%	7.04%	12.45%	4.6%	7.8%	10.8%
Lindon	9.46%	1.10%	10.92%	4.9%	7.3%	7.2%
Orem	3.69%	0.23%	5.49%	37.8%	34.5%	32.3%
Payson	9.03%	2.36%	3.87%	2.4%	3.2%	3.4%
Pleasant Grove	5.97%	0.82%	5.14%	3.2%	3.5%	3.4%
Provo	2.41%	-0.25%	5.04%	25.6%	21.3%	19.3%
Spanish Fork	6.53%	4.07%	11.38%	5.6%	5.3%	6.2%
Springville	3.20%	0.81%	3.65%	6.4%	5.4%	5.2%
Total	5.33%	1.37%	6.98%	100.0%	100.0%	100.0%



Orem has absorbed, on average, about 100,000 square feet of new retail space per year over the past ten years. However, as the following table shows, more than half of retail growth is occurring in Utah County North. Most absorption has taken place in community centers such as The Meadows in American Fork.

Table 35: Retail Market Data

	Total Absorption 2004-2013	Average Annual Absorption 2004-2013
Orem	947,832	105,315
Provo	702,937	78,104
Utah County North	3,229,001	358,778
Utah County South	595,323	66,147
Overall	5,475,093	608,344
By Type:		
Freestanding		
Anchorless Strip	93,605	10,401
Neighborhood Center	(317,124)	(35,236)
Community Center	3,586,849	398,539
Regional Center		
Mall Space	637	71
Overall	5,475,093	608,344

Orem is uniquely and favorably situated with several strong retail factors in its favor:

1. Buying power (population and employment) around University Place are the highest of any competitive retail sites in Utah County;
2. University Place is well established as the regional retail hub of the area;
3. BYU and UVU provide strong employment centers and buying power at both ends of the University Parkway Corridor

4. Several freeway interchanges and excellent access and visibility provide opportunities for further retail development, especially at a neighborhood/community scale along I-15 and “The Wedge” that could capitalize on the increased development expected to occur at Vineyard
5. Opportunities to attract unique one-of-a-kind retailers to University Place to further distinguish and define the character and identity of Orem

Current retail conditions in Utah County are good, with CAP rates decreasing, showing increased developer confidence in the market.

Table 36: Utah County CAP Rates and Values

Utah County – 2013	
CAP Rate	7.75%
CAP Rate Range	(6% to 9%)
Land Values per SF	\$12.05
Land Values Range	(\$8 - \$16)
Average Asking Lease Rate, NNN psf	\$16.80

Source: Commerce CRG

Maps of all retail outlets by retail category are given in Appendix A.

Utah County Market Overview

Utah County has an unemployment rate of 4.9 percent, well below the national average. The County is attractive to national employers because of its exceptional workforce, known for its strong work ethic and moral values. Utah County and various communities within the County have won numerous awards as great places to do business.

Recent large projects announced or underway in the County include the construction of Xactware’s 200,000 plus square foot office campus in Lehi, the North Pointe industrial Buildings in American Fork, Google Fiber in Provo, Geneva Project (1,750 acres of land near Utah Lake), and the renovation of University Mall in Orem. Over \$1 billion of commercial construction permits were pulled in Utah County during 2013, more than double that of 2009. However, more than 25 percent of the permit values come from Lehi City.

Table 37: Projects Announced in Utah County 2014

Development Type	Size
Hotel	105 rooms
Industrial/Flex	439,362
Medical Office	73,800
Office	2,233,000
Retail	1,198,350

All of the projects announced in Utah County for 2014 are located in American Fork and Lehi, with 21 percent of the new construction square footage announced for American Fork and 79 percent announced for Lehi.

Table 38: Projects Announced in Utah County 2014 by City

Development Type	American Fork	Lehi
Hotel		105 rooms
Industrial/Flex	439,362	0
Medical Office	25,800	48,000
Office	357,000	1,876,000
Retail		1,198,350
Total	822,162	3,122,350

Specific projects announced in Orem are shown in the following table.

Table 39: Recent and Underway Projects in Orem

Project	Address	Description
Under Construction:		
Chick-Fil-A	121 North State Street	New free standing fast food restaurant
Dollar Tree	130 East University Parkway	New retail store in former Castle of Chaos location
Swig	584 West 1600 North	Drinks and cookies store, remodel of existing building
RC Willey (Relocation)	University Mall	Remodel of the former Nordstrom anchor building. RC Willey to relocate in Nov 2014
Charming Charlie	University Mall	New retail store in the mall.
Sorrento Park	900 North 1030 West	59 townhome units.
Tropical Smoothie Café	1163 South State Street	New restaurant in the former Quiznos location.
Lucy's Pizzeria	55 South State Street	New restaurant next to Café Zupas.
Roxberry Juice Co.	190 East University Parkway	New store in the former Red Mango location.
Recently Completed:		
Treco	280 East Center Street	143 Senior housing Apartments
Site Plan Approved:		
Marriott Fairfield Inn	900 North 1200 West	90 room hotel, developer is considering modifications to the site plan.
Seven Peaks Hotel	168 South 1200 West	240 room hotel, I heard this is in litigation, current Trafalga Fun Center
Center Street Marketplace	73 North Orem Blvd	110 apartment units, site preconstruction meeting complete.
Legacy at Orem	1450 South State Street	188 apartment units.
Cascade Village	920 North State	125 apartment units.
Lexington Townhomes	540 West 1430 South	143 townhome units.
Sun Canyon Plaza	460 South State Street	84 apartment units, 4 retail units on State Street
Summit Ridge	1675 South 400 East	72-74 apartment units.
Promenade Place	877 South Geneva Road	112 apartment units.

Source: Orem City

Industrial Market in Utah County

The industrial market is active in Utah County with recent expansions by prominent companies such as Doterra, Blendtec, US Synthetics, UIS, Blender Bottle, Flowserve and Best Vinyl. North Pointe Industrial Park has also broken ground in American Fork. North Utah County has seen the most interest from companies looking to expand, but also has the most vacant land for business park development. If Orem were to create a business park along I-15 or The Wedge, it would be a highly competitive site for this type of development.

Orem has absorbed, on average, 415,129 square feet of industrial space per year over the past eight years. Assuming a floor area ratio of 0.35, this represents absorption of roughly 27 acres per year which, according to the broker charrette meeting, is very achievable in Orem. Orem is an attractive industrial location due to its proximity and access to I-15.

Table 40: Historical Industrial Absorption

Area	Total Absorption 2004-2012	Average Absorption per Year 2004-2012
Orem	3,321,032	415,129
Provo	2,393,535	299,192
Utah County North	6,127,468	765,934
Utah County South	5,573,244	696,656
Totals	17,415,279	2,176,910

Current rates and values in Utah County are shown in the table below.

Table 41: Industrial Market Data, 2014

Utah County	Amount
CAP Rate	8.9%
CAP Rate Range	8% to 10%
Land Values per SF	\$4.25
Land Values Range	\$3.00 - \$7.00
Avg Asking Lease Rate, NNN, psf/mo	\$0.44

Table 42: Industrial SF Available in Utah County as of July 2014

County Areas	Industrial SF Available
Orem	193,648
Provo	166,200
Utah County North	1,377,498
Utah County South	1,304,377
Total Available	3,041,723

Table 43: Industrial SF Available in Utah County North as of July 2014

Utah County North	Industrial SF Available
American Fork	674,877
Lindon	648,302
Pleasant Grove	43,550
Saratoga Springs	5,894
Vineyard	4,875
Total	1,377,498

Business and industrial parks range greatly in size, with a typical size being approximately 200 acres. The only location where Orem could accommodate this size of development is on the southwest portion of the City.

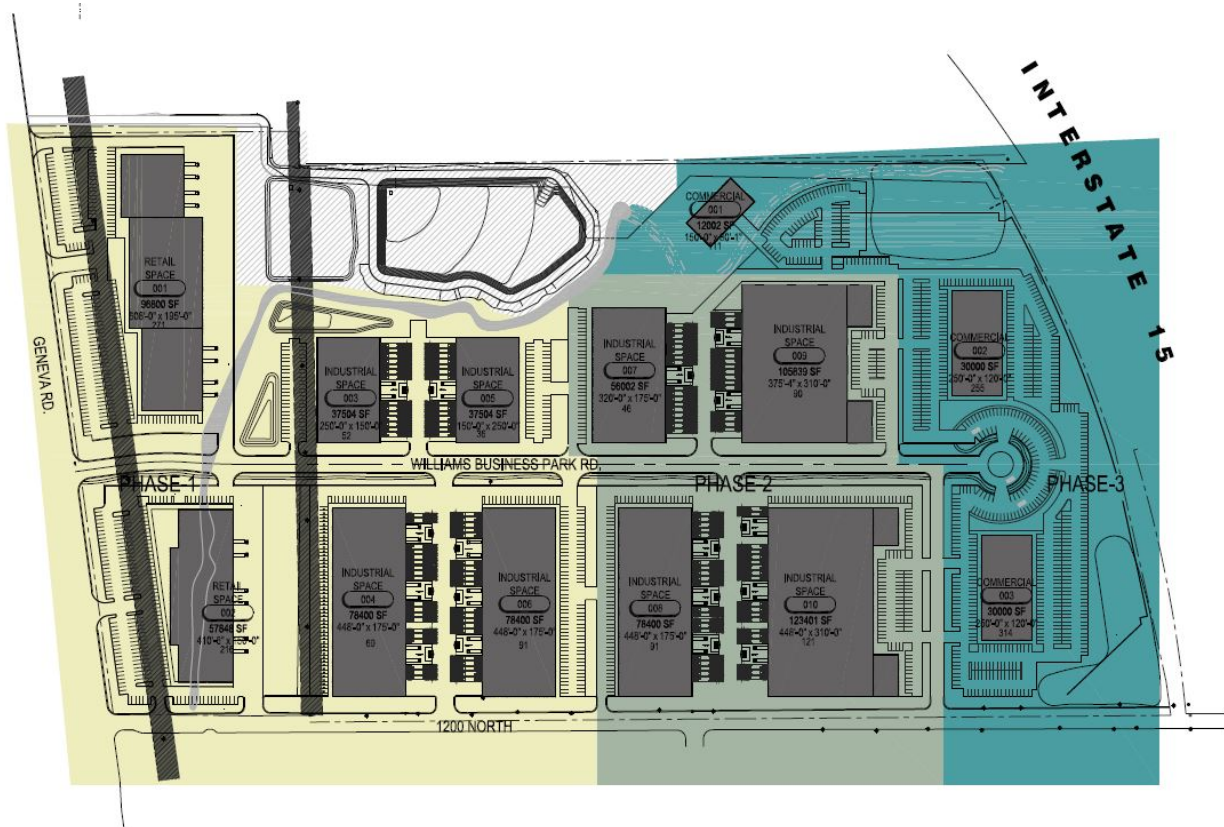
Table 44: Comparative Office Parks in Utah

This Year's Rank	Company	Acres	Building Square Footage
1	Freeport Center	735 Acres	7,720,000
2	Centennial Park	1,596 Acres	6,794,085
3	Business Depot Ogden	1,118 Acres	6,607,000
4	Wagner Park	500 Acres	5,201,957
5	Salt Lake International Center	720 Acres	4,777,888
6	Decker Lake Business Center	1,024 Acres	4,320,727
7	Utah Industrial Depot	1,500 Acres	3,000,000
8	Sorenson Technology Park	125	2,643,917
9	Ninigret Park	178 Acres	2,579,958
10	University of Utah Research Park	320 Acres	2,400,000
11	Landmark at Salt Lake City	450 Acres	1,783,526
12	Freeport West Industrial Park/Freeport West Industrial Park SLC	71.5 Acres	1,415,425
13	Tremonton City Industrial Park	200 Acres	1,100,000
14	West Jordan Industrial Park	420 Acres	1,100,000
15	Pioneer Industrial Park	78 Acres	1,042,770
16	Commerce Park	102 Acres	980,283
17	Jordan Industrial Center	120 Acres	840,000
18	Metro Business Park I	60 Acres	835,000
19	Bingham Business Park	250 Acres	730,000
20	Presidential Business Park	89 Acres	675,000
21	Price Business Center/Pioneer Square	78 Acres	673,334
22	Crossroads Corporate Center	30 Acres	637,800
23	21st Century Industrial Park	225 Acres	635,000
24	Draper Business Park	63 Acres	626,756
25	Sandy Parkway Business Center	22 Acres	600,000

Plans for a business park in the north portion of The Wedge are under development, utilizing some of the limited vacant land in that portion of the City. Preliminary drawings of this park are shown in the following diagrams.

Orem Business Park

1 Million Square Feet of Retail, Office, & Industrial Space



Office Market Analysis

North Utah County continues to be the center of office market growth for the County. Class A space is especially attractive in this market and suggests that if Orem could offer this type of space, demand exists for it. Most Class A office space development is centered on Thanksgiving Point, Traverse Mountain and Thanksgiving Center.

Absorption data suggests that Orem is struggling in the office market, especially in the development of Class A office space. Provo, while still lagging behind Utah County North, absorbs more than twice the office space of Orem, on a yearly basis. Class A office space is generally associated with higher-wage paying industries and, as such, should be especially attractive to the City.

Table 45: Office Space Absorption by City and Office Type

Office Space by Type	Total Absorption 2004-2012	Average Annual Absorption 2004-2012
Orem	390,694	48,837
Class A	332,776	41,597
Class B	80,622	10,078
Class C	-22,704	-2,838
Provo	1,028,835	128,604
Class A	688,953	86,119
Class B	187,179	23,397
Class C	152,703	19,088
Utah County North	1,448,358	181,045
Class A	464,220	58,028
Class B	1,001,159	125,145
Class C	-17,021	-2,128
Utah County South	132,401	16,550
Class A	6,400	800
Class B	43,512	5,439
Class C	82,489	10,311
Overall	3,000,288	375,036
Class A	1,492,349	186,544
Class B	1,312,472	164,059
Class C	195,467	24,433

Table 46: Office Market Data, 2014

Category	Amount
CAP Rate	8.25%
CAP Rate Range	7.0% - 10.0%
Land Values per SF	\$8.75
Land Values Range	\$5.00 - \$12.00
Avg Asking Lease Rate, NNN psf	\$13.55

Source: Commerce CRG

Orem has only 40 percent of the Class A office space that is found in Provo and absorbs less than half as much Class A space each year as Provo. This is an area on which Orem should focus – increasing the amount and availability of Class A office space. The most logical location for development of this type of space is at University Place.

Table 47: Class A Office Space Summary

City	Total Square Feet	Average Absorption 2001-2012
Orem	706,166	41,597
Provo	1,754,810	86,119
Utah North	2,144,200	58,028
Utah South	80,328	800

Table 48: Class B Office Space Summary

City	Total Square Feet	Average Absorption 2001-2012
Orem	1,204,246	10,078
Provo	1,608,754	23,397
Utah North	1,227,377	125,145
Utah South	162,121	5,439

Table 49: Class C Office Space Summary

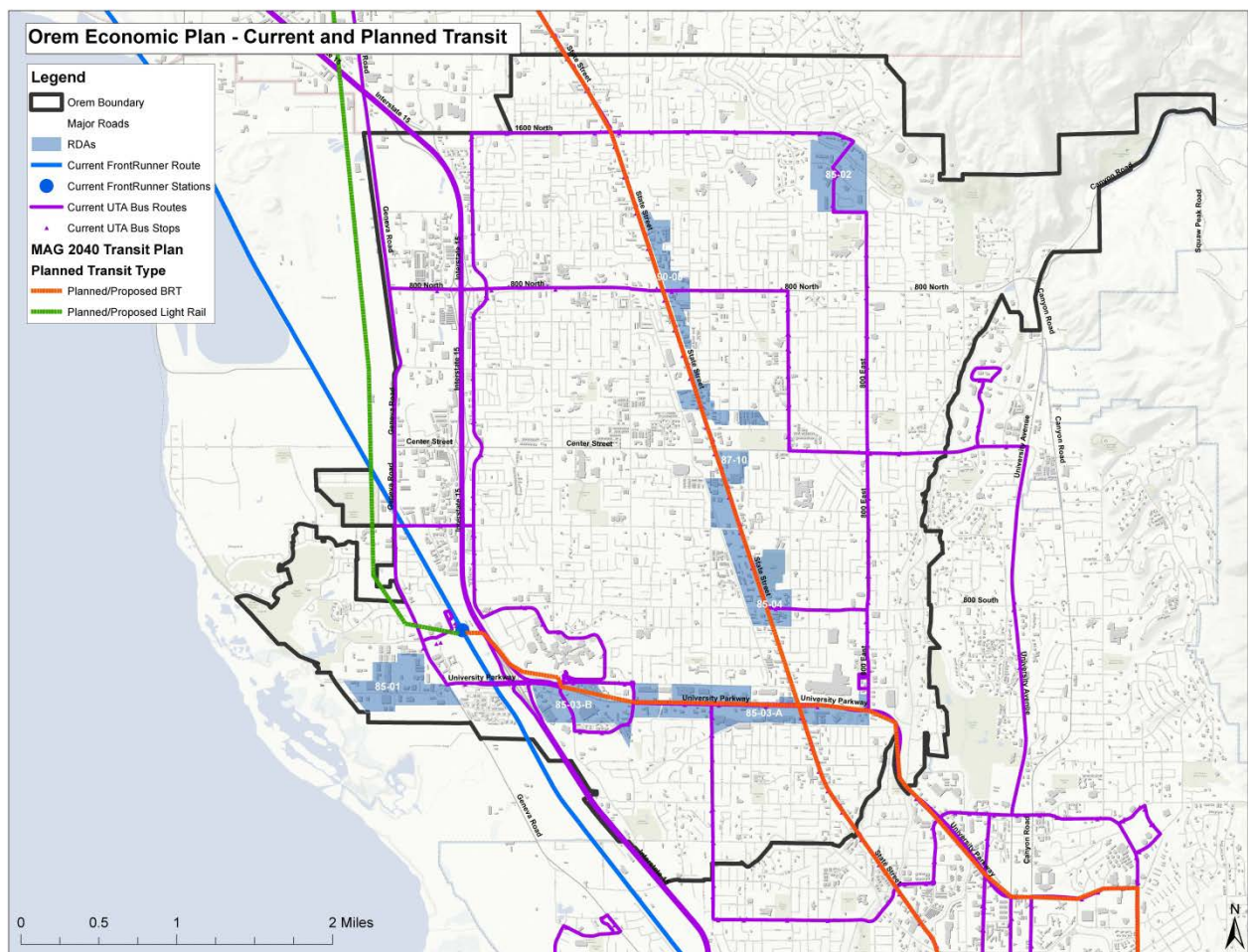
City	Total Square Feet	Average Absorption 2001-2012
Orem	444,276	-2,838
Provo	580,198	19,088
Utah North	73,017	-2,128
Utah South	60,588	10,311

Transit and TOD – Current, Future and Creating Beneficial Design

Orem currently has one FrontRunner station located on the west side of I-15, across from Utah Valley University. Plans for future transit options, including light rail and Bus Rapid Transit (BRT) are still in the forming stages with many options proposed. This section examines the different proposals being considered. Additionally, scenarios that would best serve Orem's economic development are explored with input from community leaders and transit experts. These scenarios would help Orem develop transit-oriented development (TOD) at key nodes and assist in future growth.

2040 Metropolitan Transportation Plan Transit Scenario

The map below shows the current transit routes in Orem from bus and commuter rail. It also shows some of the possible transit scenarios for planned and proposed BRT and light rail routes as projected by Mountainland Association of Governments in the 2040 Metropolitan Transportation Plan. These projected routes developed in 2011 are not official, although input was given from UDOT and UTA in the development of these routes. In these scenarios, light rail would bypass Orem along an existing rail corridor to run through Vineyard until reaching the Orem FrontRunner stop for an intermodal station. BRT would also start at this station to run along University Parkway, going to BYU. BRT is also projected to include a State Street Route.



Source: MAG, AGRC, ZBPF

Vineyard Alignment Scenario

MAG and UTA more recently have been in discussions about the alignment of light rail through the “@ Geneva” master development in Vineyard, which would put light rail even further from Orem. This scenario proposes it follow the same rail corridor through Vineyard but include a rail realignment to veer west of Geneva Road just north of 1600 North. It would then parallel the FrontRunner tracks southward to 400 North. It would have a stop in Vineyard combined with a future FrontRunner Stop in Vineyard. The rail realignment then would veer east to Geneva Road at 400 North and turn southward to meet at the Orem FrontRunner Intermodal Station.

Under this scenario, City staff see two options for Orem at 400 South Geneva Road:

1. Continue the light rail extension southward along the existing rail line to the Orem Intermodal Station (where light rail, commuter rail, bus rapid transit, etc., will come to one focal point). Provo would like Orem City to consider a light rail alignment that would then proceed southward to the Provo Airport; or
2. Build a light rail spur (or trolley, street car, etc.) eastward on 400 North to either Orem Boulevard or State Street and then proceed southward to the University Mall or some other high transit use destination.

Provo/Orem BRT Outlook

Plans for the Provo/Orem BRT route are currently deep in the planning and funding process and are likely to happen if funding becomes available. This route would connect the Orem and Provo FrontRunner stations, running generally along University Avenue and University Parkway to provide better connectivity for BYU, UVU and area amenities. Representatives from both cities, the County and UTA have been working with the State and Congress to find funding options for this project. The County has pledged up to \$75 million to match federal funding through bonds and real estate. It is estimated to cost \$15 million per mile to fund the project.

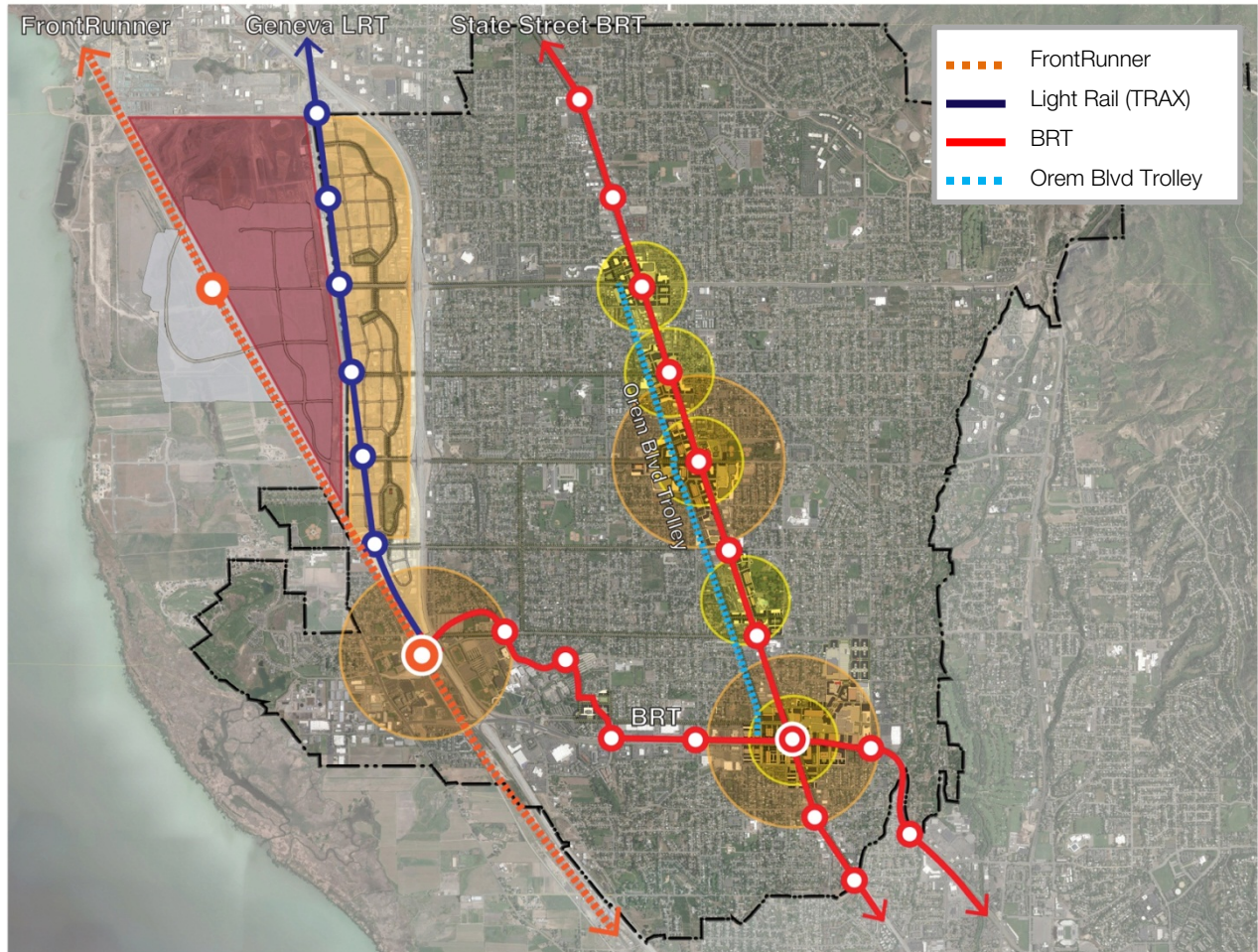
Priority Scenarios - Beneficial Design Alternatives for Orem Economic Development

During the on-site Charrette, a large meeting was held with City staff, community leaders, and transit planners from various organizations and agencies in the State to discuss future transit options and scenarios that would be feasible, likely, and beneficial to Orem. The following plan was developed as part of these discussions. It takes into account ongoing or other possible transit plans underway, such as those through Vineyard and the Provo/Orem BRT.

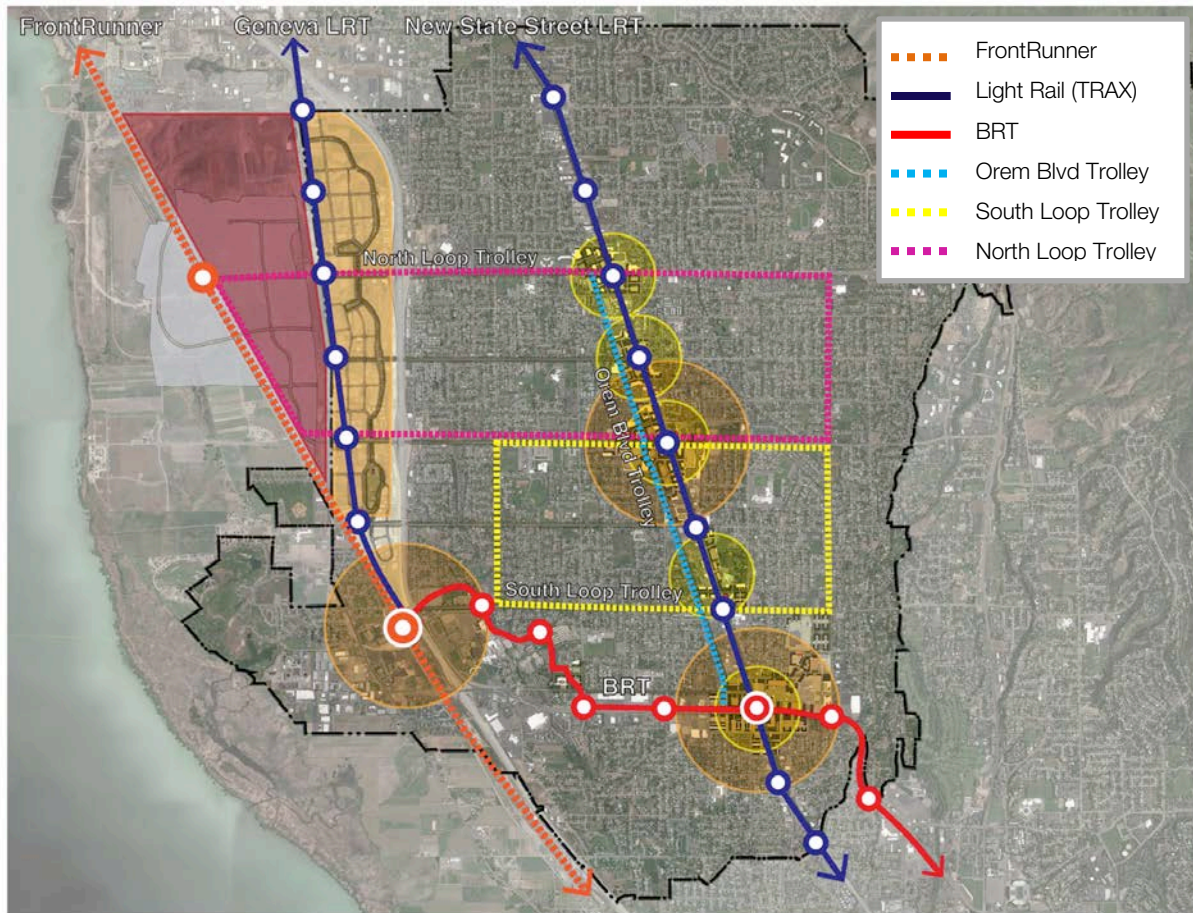
These scenarios complement the proposed visions of each of the Economic Development Nodes analyzed in detail later in these reports and influence transit-oriented development at key nodes. The top priority and strategy of the City is to advocate and lobby for these scenarios that bring transit options to the City, rather than bypassing key economic nodes through Vineyard-centric routes.

Vineyard’s plans to build its own light rail line along Geneva Road can be complemented by a parallel transit line along State Street that serves Orem directly. The State Street line can begin as a BRT line that serves all of the proposed urban centers on the State Street corridor (see “Economic Development Nodes” chapter). A proposed trolley line along Orem Blvd will serve the corridor with

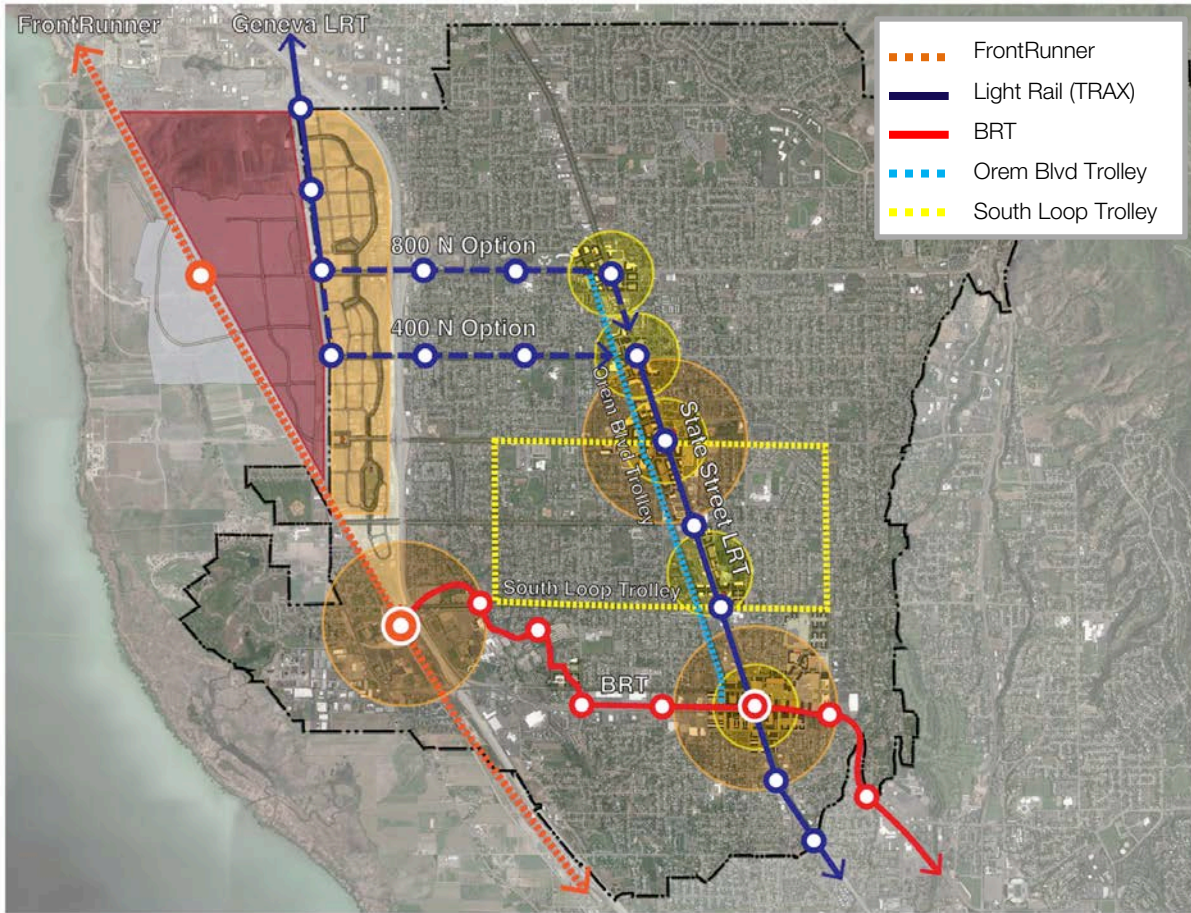
more frequent stops. UDOT is not interested in reducing lanes on State Street to fit BRT. However, they state there is room in the corridor, especially with most retail set far back from the road and with wide shoulders, to include transit without reducing lanes.



In the future, the State Street BRT can upgrade to light rail. BRT can establish the space needs to essentially reserve the road area for light rail. Two additional trolley loops (pink and yellow) will connect both light rail lines, and serve Orem's neighborhoods by placing a major transit line within half mile of most households. The trolleys also connect Orem's centrally-located schools and parks.



Should only one major transit line be built between Orem and Vineyard, Orem should work together with Vineyard to guide the planned Geneva light rail line into Orem either along 800 N or 400 N eastward toward State Street. With this option, both cities will be sufficiently served by a single line. This option works best if Vineyard does not shift its existing rail line westward toward the planned FrontRunner station, so area between I-15 and Geneva Road (shaded in peach, also known as “The Wedge” - See “Economic Development Nodes” chapter) may also be served by the line. This area is proposed to focus on office and retail space, which would be well served by transit options.



Integrating Transit Planning with TOD Development

Strategies

1. Employ multi-family units in single-family blocks that suit the character of the surrounding neighborhoods.
2. Integrate small housing units to provide options for low-income families, students and recent graduates.
3. Incorporate housing in commercial areas.
4. Infill interstitial spaces such as parking lots and residual green space with new blocks and walkable streets within the TOD district. "Wrap" big box stores with smaller scale retail and housing units to conceal large blank walls and create interesting frontages along the new streetscape.
5. Incorporate affordable commercial and retail space that supports start-ups and small businesses.
6. Provide the vast majority of a person's daily needs and services within a 5-minute walk of their residence within the TOD. The TOD should be no wider than a 10-minute walk (approximately ½ mile.)
7. Provide public space, well defined by pedestrian-friendly building frontages, in each TOD district, and enhance existing public spaces within those districts.

8. Preserve historic structures as much as possible. State Street has several examples of historic pedestrian-friendly retail frontages that could be incorporated into a complete streets program for the city.

Priorities

1. Pass a form-based zoning code to determine the character and quality of each TOD district. The code should support the strategies outlined above.
2. Adopt a citywide Complete Streets policy.
3. For each TOD district, select 1/4 mile of street frontage around its respective LRT or BRT station to transform into a complete street as a pilot project for the district. Each pilot project should aim to create a complete street experience on both sides of the street. Expand each pilot project as market forces allow. Orem City Center and The University District should be the first to undergo these transformations.
4. Begin implementation of the State Street Corridor LRT/BRT to connect major points of interest.

[illegible]

1. Prime, central location

- Situated in a prime location at the center of Utah Valley
- Highly visible from its central hillside location
- Accessible with major transportation corridors, transit and commuter rail
- “Prime” in more than just location – Orem is established and experienced
- Strong sense of community
- “Downtown” – opportunity to enhance downtown feeling at State Street & University Parkway, a Utah Valley “Downtown Rising” effect
- Epicenter – a place where there is an energy igniting economic activity
- Regional retail center pulling shoppers in from outside
- Location near two universities (with one university within City limits)
- Orem is the Main Street of Utah County

2. Young, skilled workforce

- With location near universities, Orem has many college students and recent graduates looking for work
- Lower cost of living = lower overhead costs of employees
- Community is known for clean and healthy living, meaning a healthy workforce (less absence from work)
- Many Orem residents have experience speaking different languages and living among different cultures of the world

3. Successful start-up culture

- History of successful companies that started in Orem
- Low cost of doing business
- Quality workforce
- Entrepreneurial culture
- College town
- Incubator node at 800 North

4. Low cost of doing business

- City-owned utilities
- Developer-friendly City
- Low impact fees
- Multiple healthcare options (other Utah Valley communities have one healthcare option)
- Young, educated workforce

The discussion yielded additional points of differentiation that are worth consideration:

5. Culture: Orem was the first city in Utah Valley to self-fund arts, culture and recreation through a tax increment. The City also has its own library. Other cultural assets include the annual Timpanogos Storytelling Festival, Hale Centre Theatre and SCERA.
6. Family-friendly: The previous tagline for Orem is “Family City, USA.” Orem is still a safe, friendly, welcoming home to families of all ages. It has abundant parks and recreation.

Brand Positioning Statement

The workshop discussion can be summarized in a simplified brand positioning statement:

For the City of Orem's economic development audience, Orem provides great value through a low cost of doing business and a quality workforce. Orem is the epicenter of Utah County, where start-up companies, established businesses and developers prosper.

In a longer format, a brand position for Orem could be:

Orem is the epicenter of Utah Valley

Shockwaves of economic activity are rolling to the outer rings of Utah County, but Orem is the epicenter where positive growth trends originate. Successful companies, careers, families and progressive government policies all start here. With its central location, its retail and cultural offerings, Orem is the Main Street of Utah County.

Orem has a long history of growing start-ups into successful, world-class companies. Omniture began in Orem and was acquired by the leading software company Adobe. MyFamily.com has evolved into the trailblazing genealogical resource Ancestry.com. Technology giant Symantec acquired Orem's PowerQuest.

In addition to companies, Orem is a great place to start a family. Historically known as "Family City, USA," Orem is friendly and safe. The community is known for its healthy and clean living. Its residents value different cultures based on their diverse experiences of living and traveling outside the United States.

Orem's love of culture is evident in its investment in the arts. It was the first city in Utah County to self-fund its own arts and cultural assets, including the Orem City Library and the SCERA Center for the Arts. Orem also has abundant parks and recreation programs and is home to the famous Timpanogos Storytelling Festival.

Orem is the unofficial Main Street of Utah County. It's a regional retail destination, drawing shoppers and visitors in from throughout the valley. It has an established network of roads and highways and a master-planned city center, with more development on the way. Orem is the only city in Utah situated between two major universities. Orem is at the epicenter of Utah County's economy.

Recommendations

Now that the City of Orem has had the opportunity to discuss its most marketable brand attributes, the following steps can further develop Orem's brand in economic development:

1. **Incorporate the brand attributes into marketing efforts.** As meetings, presentations, and marketing materials are planned and developed, consider whether Orem is presenting itself authentically to a targeted audience and differently than the competition. Include messages and visuals that reflect the brand attributes brainstormed in the workshop, promoting Orem's central location, start-up-friendly culture, quality workforce and low cost of doing business.
2. **Benchmark against the best.** Study how other successful cities and economic development areas are presenting their brands both visually and verbally. Consider how to adapt best branding practices for Orem's circumstances.

3. In addition to talking authentically about all that Orem already has to offer, **promote Orem's future**. Create summary information about future plans and developments to share with citizens and economic development audiences. Put this information on Orem's economic development website, press releases and in collateral materials. Promote project milestones on social media. Promote announcements about major companies and development opening in Orem.
4. **Assemble talking points** about each of Orem's best brand attributes. Share these talking points with elected officials, potential developers/businesses, city staff and citizens. Include appropriate talking points in marketing materials, on the city's economic development website, in press releases, in speeches, or as social media posts. Sample talking points:
 - a. **What makes Orem a regional retail center:** ____% of Orem shoppers come from outside the City. (Name of business)'s top-performing franchise/location is in Orem.
 - b. **Orem's legacy as the start-up capital of Utah:** Create a list of all the prominent companies that started here.
 - c. **Workforce:** Orem residents are fluent in ____ languages, or ____% of Orem residents are college-educated.
 - d. **Cost of doing business:** Orem's utility rates are ____% lower than average Utah County utilities.
5. **Develop case studies about past successes.** Research and write case studies about successful businesses, start-ups and developments in Orem. Include case studies about how the City of Orem overcame challenges or helped solve problems for businesses trying to locate there. Collect quotes and endorsements from business leaders and developers who have had a positive experience in Orem. Use the case studies in presentations, proposals, or as one-page flyers for economic development prospects.
6. **Make sure you're targeted to the right audience.** Review your list of economic development prospects. Prioritize the prospects who are most benefitted by Orem's strengths – the things that Orem uniquely has to offer. Seek out prospects who value Orem's brand attributes.

Economic Development Nodes – Where are Opportunities?

While strategically located in Utah Valley, Orem has little room to grow in terms of physical size. With the mountains to the east, Utah Lake to the west, and adjacent communities to the north and south, Orem must find ways to make the most of its limited geography.

This could be seen as a constraint to economic development, but it is also an opportunity. Instead of “sprawling” outward, Orem must constantly strive to improve and grow within its boundaries through a process called “placemaking” at key sites. By doing so, it has the potential to be a more dynamic and efficient economy that provides its residents with ample opportunities and preserves a high quality of life. Placemaking is a planning process that improves commercial areas to be recognizable, for people (not just cars), to have spatial definition and architectural character, and to make that place a destination in and of itself.

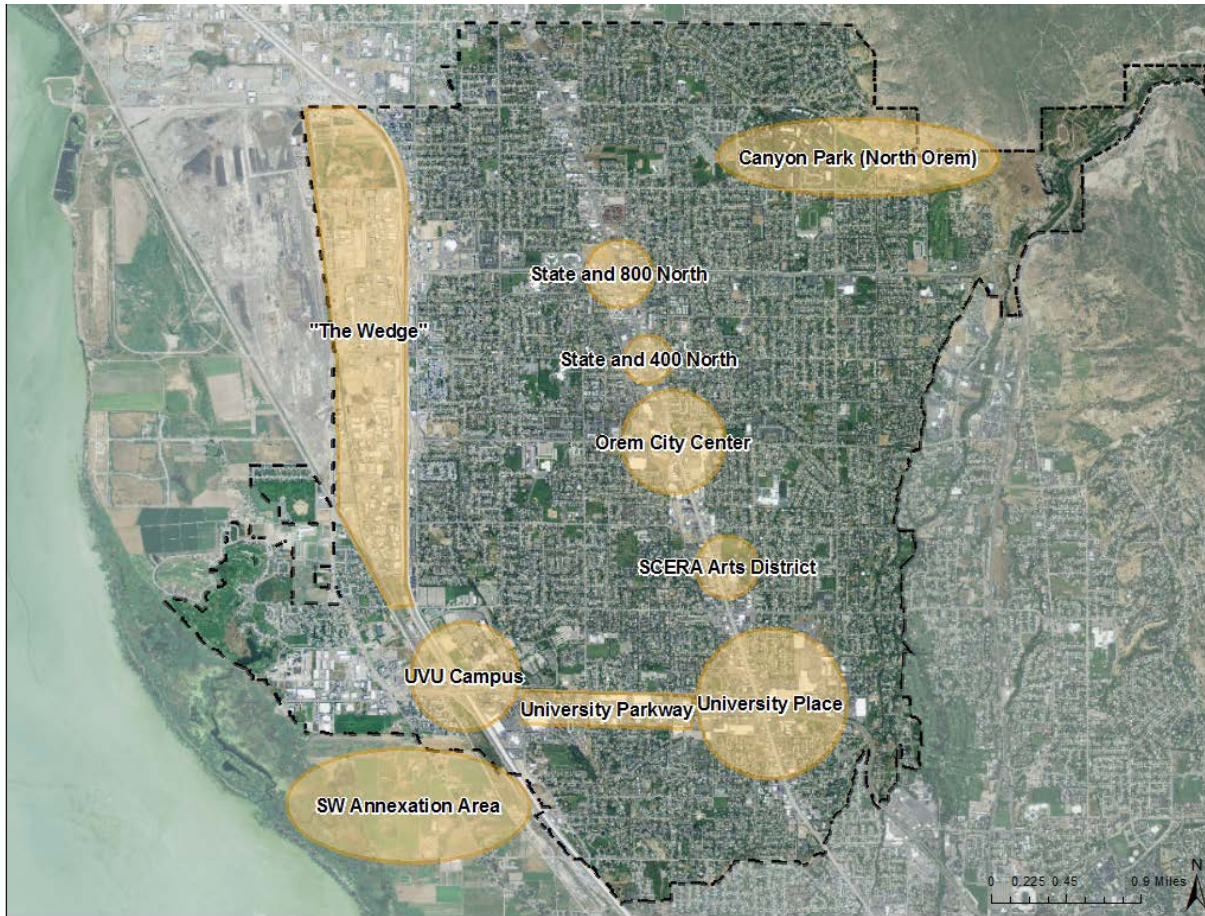


Examples: With and Without Placemaking

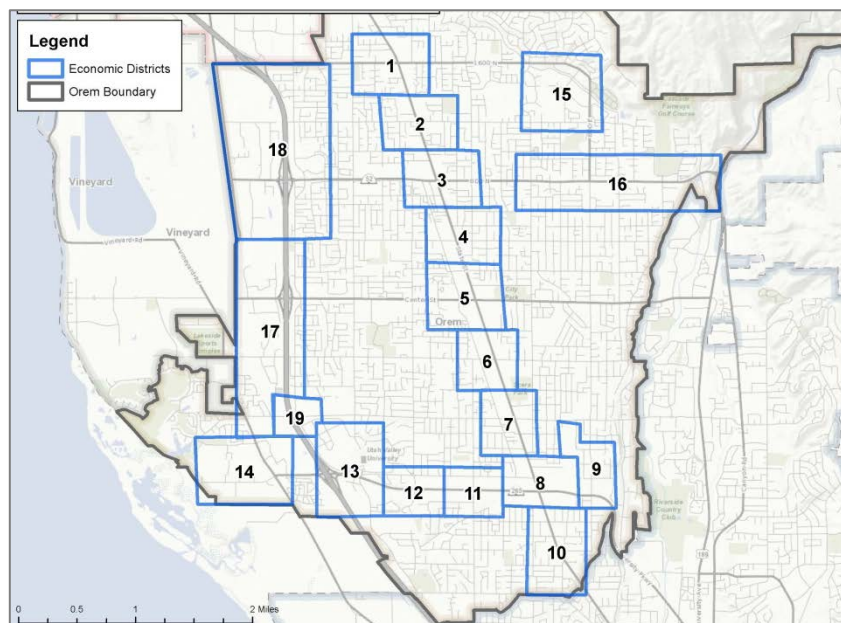


Using the background and analysis completed for the City in previous sections, this section provides a detailed analysis of specific economic nodes – areas of special opportunity to the City to build on strengths and weaknesses to enhance the City's economic and community strength. These nodes are the economic centers with the most potential to focus growth and improvement within the boundaries. By focusing on a vision for each node, Orem will be able to build a community identity at each center, such as a downtown or a civic center.

Potential nodes in Orem are located primarily along major transportation routes and intersections within the City. Along State Street, the greatest potential is centered at each major intersection. Focusing improvement and developing identities at these intersections will encourage growth along the full corridor. Other major nodes include University Parkway, UVU campus, and the current industrial area along I-15. The map below gives an overview of where these nodes are located in the City.



The analysis at each node is based in grouping the detailed economic districts numbered and analyzed earlier in this report. For example, the analysis of University Place as a broader economic node is based on data from Economic Districts Seven through Ten. See the “Market Conditions” chapter for detail.



University Place

Located at the busiest intersection in Utah County (and the third busiest in the State) at State Street and University Parkway, this node centered at University Mall has the potential to become Orem's downtown and a central district for the County as a whole – a downtown experience for the entire Valley. This district has incredible potential as a sophisticated urban center and the City is working closely with the developer to renovate this area. Current plans to revitalize the mall include an integrated mixed-use development with mid-rise office buildings (five to nine stories in height), open space, residential buildings and walkable shopping.



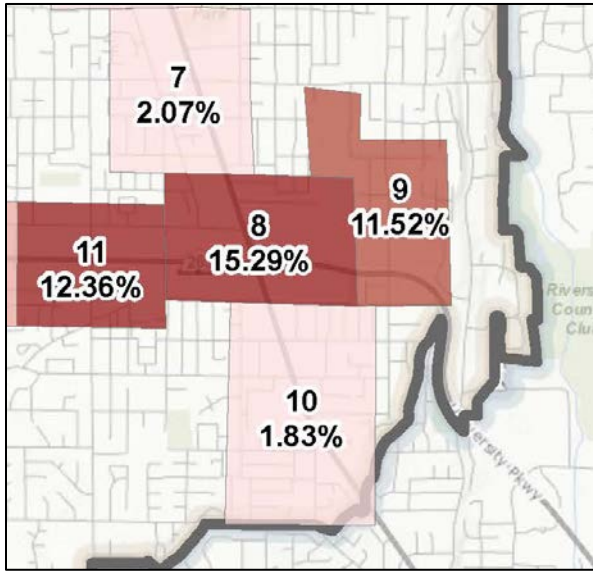
Developing this intersection as a modern, attractive, urbanized space with Class A office space provides one of the biggest economic assets possible to the City while addressing one of the City's current biggest weaknesses: providing an employment center for start-ups to grow into. Orem is strong in entrepreneurship and creation of strong, innovative companies. However, the City lacks sufficient Class A space for successful companies to use once they grow and the City is losing high-paying employers to northern Utah County who leave Orem when they grow out of their startup space. Developing an employment center rich with retail and housing opportunities will renew Orem's competitive edge with matured companies that started in the City.



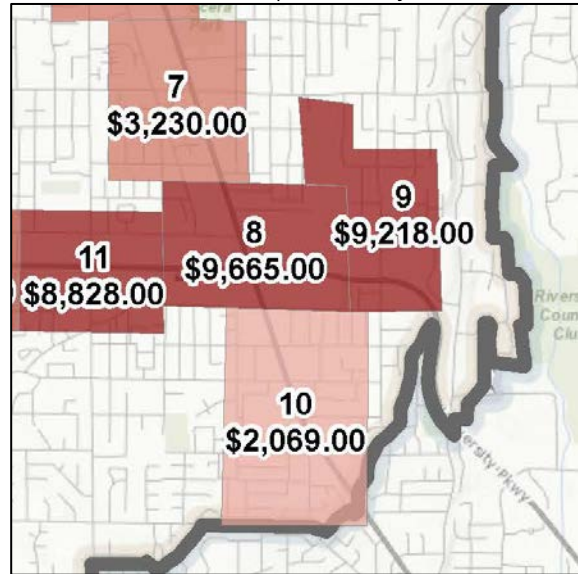
Economic Base of District

The University Place District, represented by economic districts eight and nine below, is the strongest economic epicenter in Orem. This area combined represents 27 percent of all City sales. This area is also the strongest in tax revenues in both property and sales taxes. Comparatively, districts seven and ten that directly neighbor this area are among the lowest in both sales and tax revenues, indicating potential to redevelop and improve these areas as University Place grows and improves the economic demand in the area.

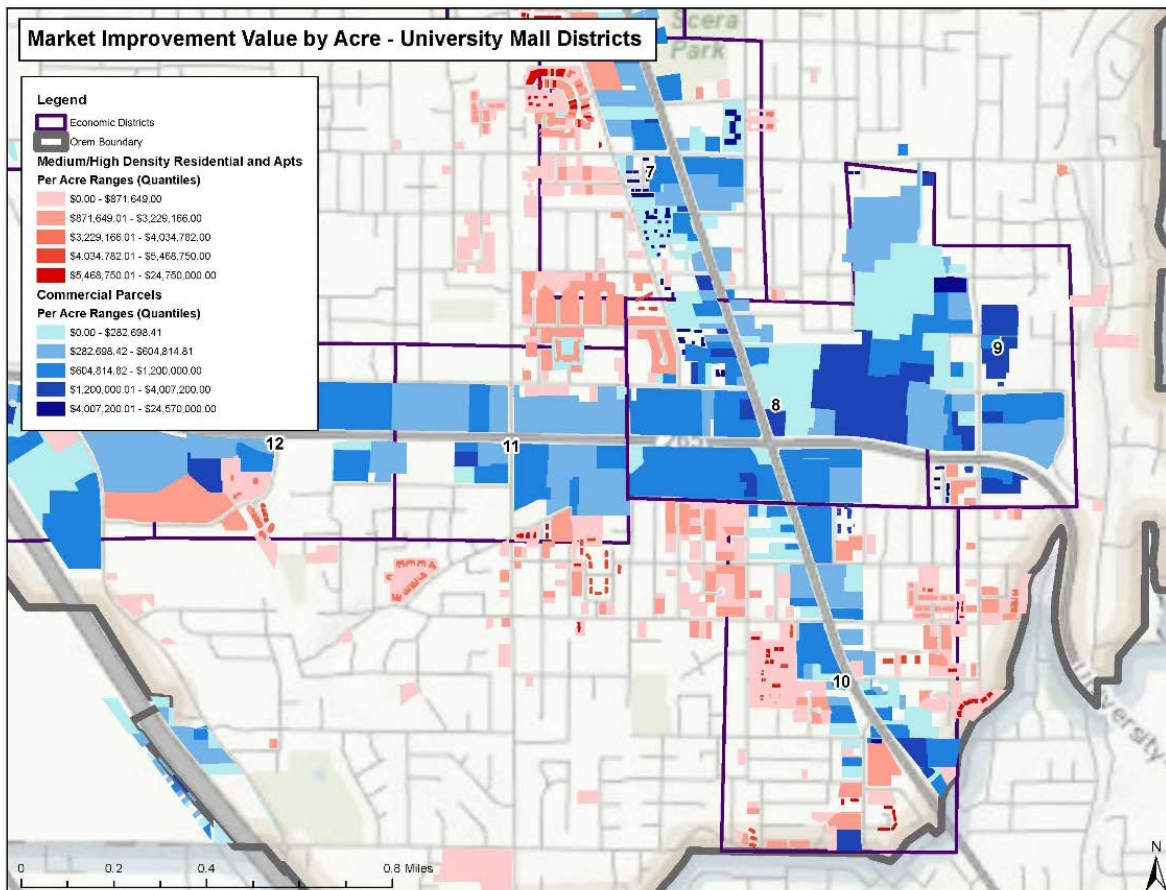
Share of City Sales by District



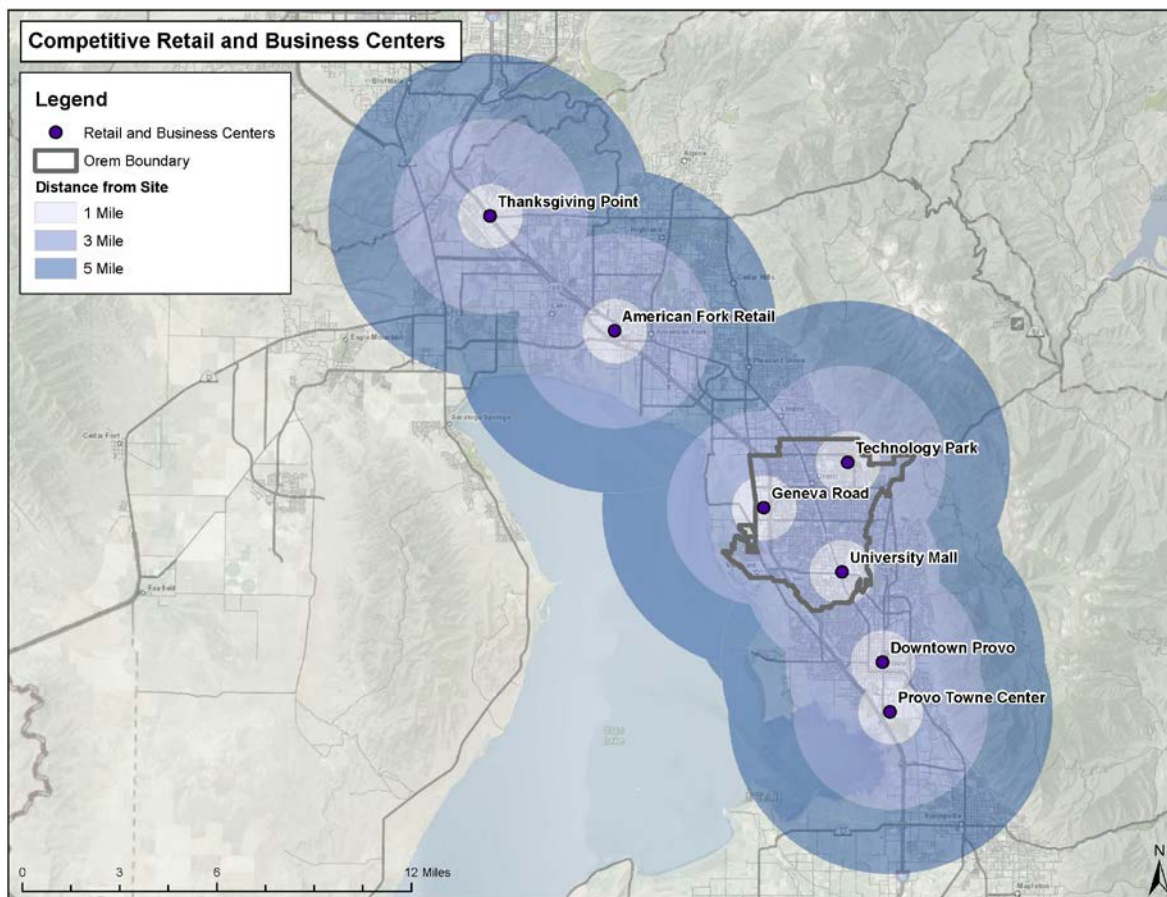
Tax Revenues per Acre by District



This trend holds true in comparing market improvement values per acre. Values per acre in eight and nine are much higher than in seven and ten. Low values per acre indicate that a property is ready to be redeveloped as it is undervalued with its current use in its market.



This district has among the best buying power in the County through high population and employment levels, in addition to traffic counts of over 50,000 cars daily. Retailers consider the traffic, population and employment levels within a certain area to determine if there is a large enough base to support retail sales, both now and in the future. Employment and population based on Traffic Analysis Zones⁸ was measured from distances from one, three and five miles from various economic centers in the County, including University Place. These measurements also include future projections. The map below shows these sites and the measurement distances.



At the three and five mile distances, University Place has the highest population both now and through the future. This indicates the current strength and staying power this intersection has in the retail market in the County.

Table 50: Population within 1, 3, and 5 Miles from Commercial Sites, Projected to 2040

Population				
	2015	2020	2030	2040
Thanksgiving Point				
1 Mile	7,793	9,063	10,976	12,763
3 Miles	37,944	46,071	65,874	85,448
5 Miles	100,839	119,240	157,390	194,218

⁸ Mountainland Association of Governments and Wasatch Front Regional Council

American Fork Retail				
1 Mile	8,498	9,485	10,565	11,464
3 Miles	69,039	75,719	84,875	91,662
5 Miles	140,396	153,906	176,521	195,166
Technology Park				
1 Mile	14,848	14,926	14,853	14,804
3 Miles	93,239	95,378	98,689	99,831
5 Miles	176,877	183,927	197,305	208,395
Geneva Road				
1 Mile	10,377	10,800	11,648	12,472
3 Miles	89,869	94,253	104,929	113,834
5 Miles	185,312	194,189	210,490	223,283
University Mall				
1 Mile	19,032	19,199	19,413	19,658
3 Miles	154,297	157,937	164,416	167,940
5 Miles	227,652	235,460	254,457	267,043
Downtown Provo				
1 Mile	33,703	33,717	33,826	33,756
3 Miles	116,006	118,173	124,813	128,092
5 Miles	174,898	180,755	195,751	204,421
Provo Towne Center				
1 Mile	3,672	3,809	4,398	4,499
3 Miles	76,888	78,765	85,895	89,303
5 Miles	154,737	162,375	179,793	188,850

The trends in employment figures are similar. This district has a significant economic base around employment compared to other major economic sites in the County.

Table 51: Employment within 1, 3, and 5 Miles from Commercial Sites, Projected to 2040

Employment				
	2015	2020	2030	2040
Thanksgiving Point				
1 Mile	6,470	8,443	10,871	12,618
3 Miles	14,182	20,515	30,642	39,595
5 Miles	38,824	51,516	74,240	95,515
American Fork Retail				
1 Mile	9,114	10,245	11,481	12,672
3 Miles	34,980	38,237	42,463	46,637
5 Miles	62,236	72,907	88,040	101,714
Technology Park				
1 Mile	8,763	8,896	9,071	9,301
3 Miles	52,557	54,904	58,426	60,694
5 Miles	120,451	128,195	140,740	150,419
Geneva Road				
1 Mile	8,963	9,706	12,073	13,762

3 Miles	70,139	75,349	84,116	89,683
5 Miles	128,073	136,971	151,148	162,394
University Mall				
1 Mile	21,835	22,333	22,934	23,465
3 Miles	109,212	111,947	115,521	118,837
5 Miles	161,955	168,934	180,867	190,565
Downtown Provo				
1 Mile	25,023	25,643	26,649	28,031
3 Miles	84,099	87,186	93,061	98,709
5 Miles	131,374	137,500	149,477	162,325
Provo Towne Center				
1 Mile	14,467	15,834	17,991	19,990
3 Miles	69,976	73,639	81,629	90,419
5 Miles	116,589	122,505	134,133	147,708

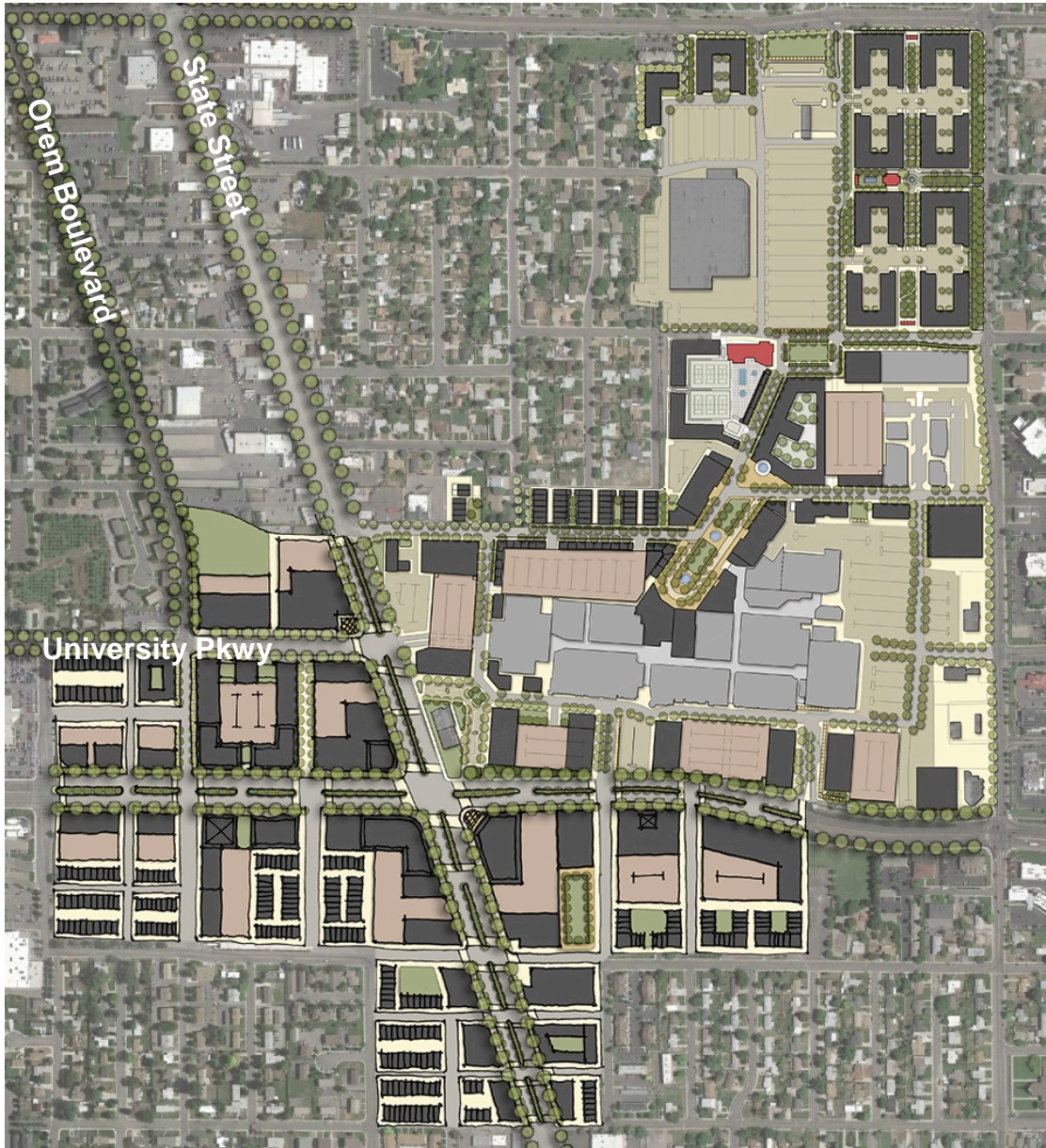
Although Provo's downtown has higher figures at the one mile distance pulling from a dense student population, that site doesn't maintain such strong levels at a broader geographic level compared to Orem's University Place – Orem's potential downtown. With the development of a skyline at this site, University Place not only has to the potential to be Orem's downtown, but also the County's downtown shopping and employment center.

Vision and Placemaking

University Place is proposed to be a regional office and commercial center with Class A office space that takes advantage of its proximity to retail and recreation amenities provided by the Mall. The project transforms the mall from a retail-only destination into a vibrant, mixed-use urban center for the entire community. Garage parking enables urban density and the plan extends existing public transportation lines. An elongated plaza connects the mall's retail components with the urban redevelopment site to the north. Building on these current plans and investment by Woodbury, the economic vision uses the energy at the site to envision a downtown development making Orem the center of the County.



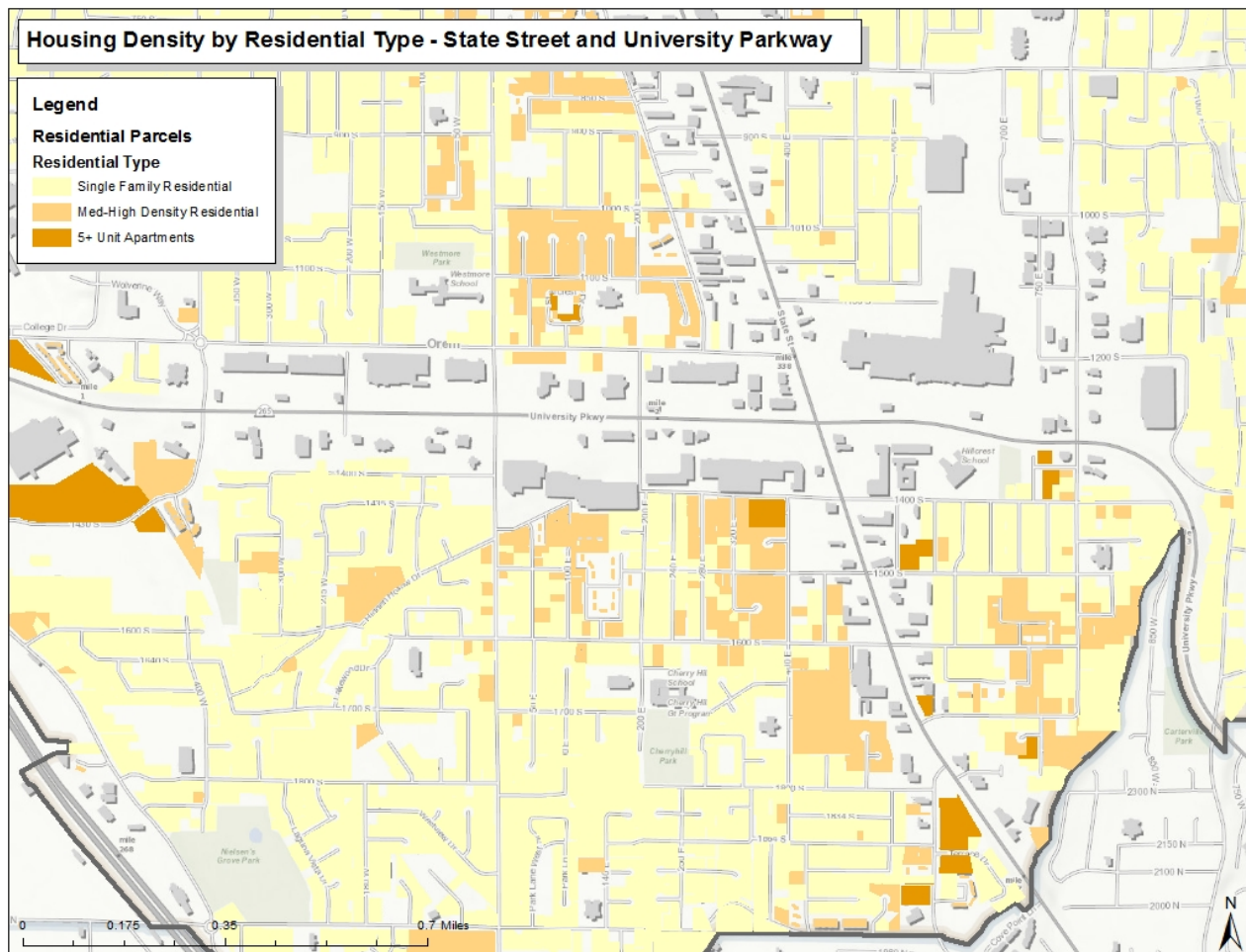
Expanding this vision beyond the University Mall property, this vision expands Orem's "downtown" to include the intersection and nearby neighborhoods to facilitate mid-high rise office and mixed-use development. It also connects the downtown experience into University Parkway shopping and creates connections to Orem Boulevard. In addition to developing office and residential space, this area would also be a prime location for hotels. Orem could currently support more hotel development given the sales leakage in the accommodation category and high-quality accommodation in this district would service the business development.

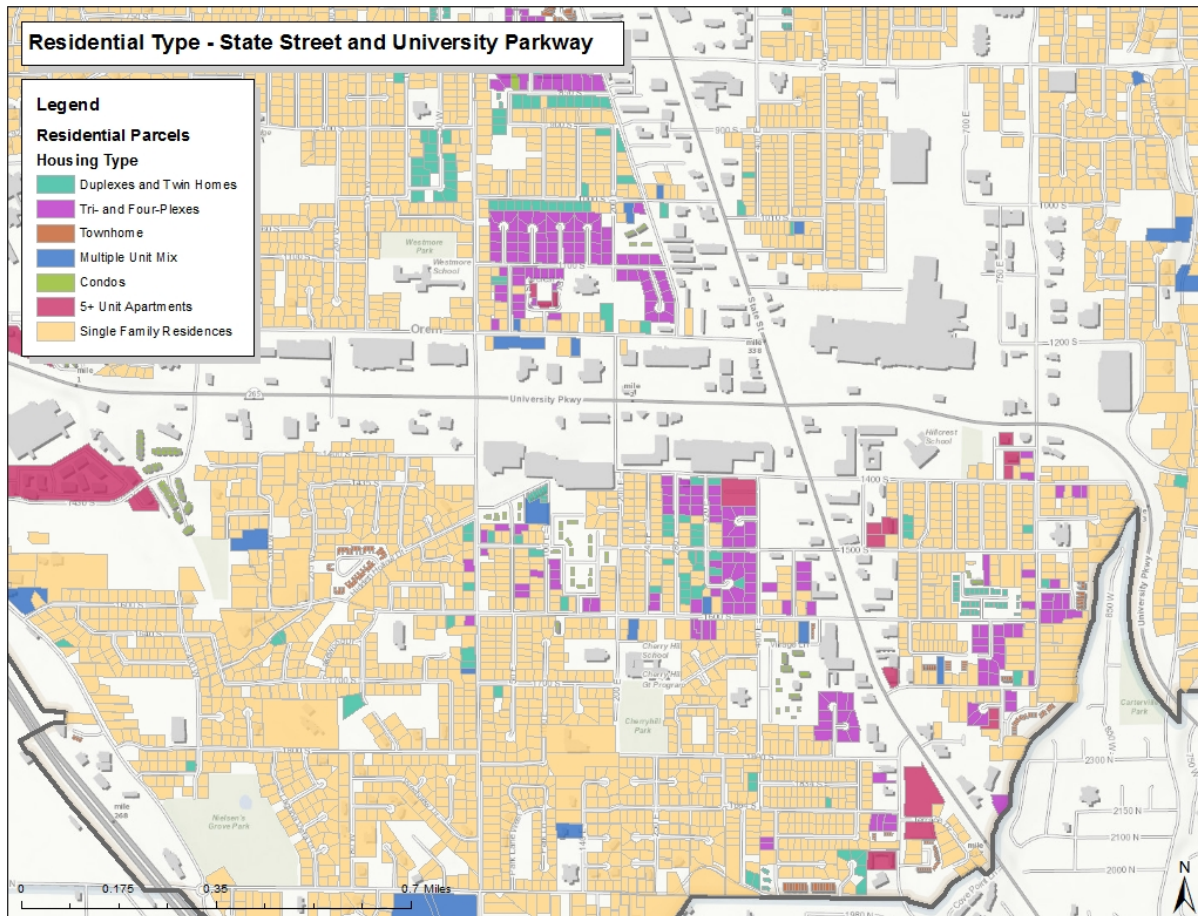


This 3-D study model shows the scale of the proposed new office developments at State Street and University Parkway. Important to this vision is providing transition between large scale development and single-family residential neighborhoods to prevent disruption to residential communities. The buildings modeled in yellow are low-rise buildings used to transition between the larger scale developments and the residential neighborhoods.

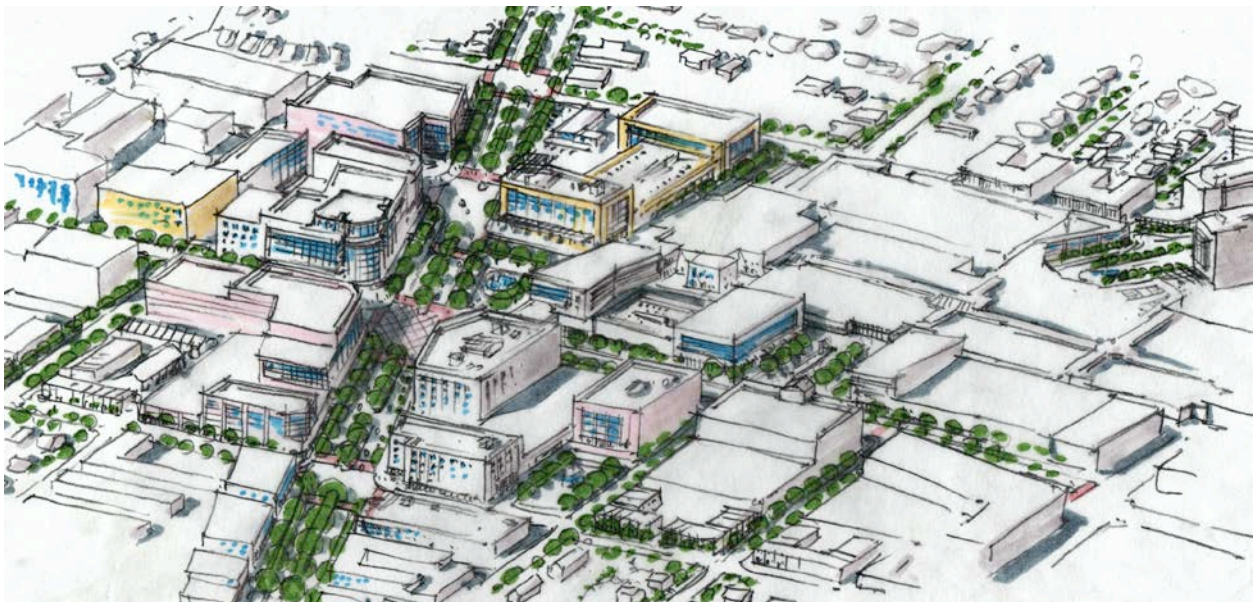


There is already some level of this transition of residential density moving outwards from the commercial areas. This plan continues and improves this pattern.

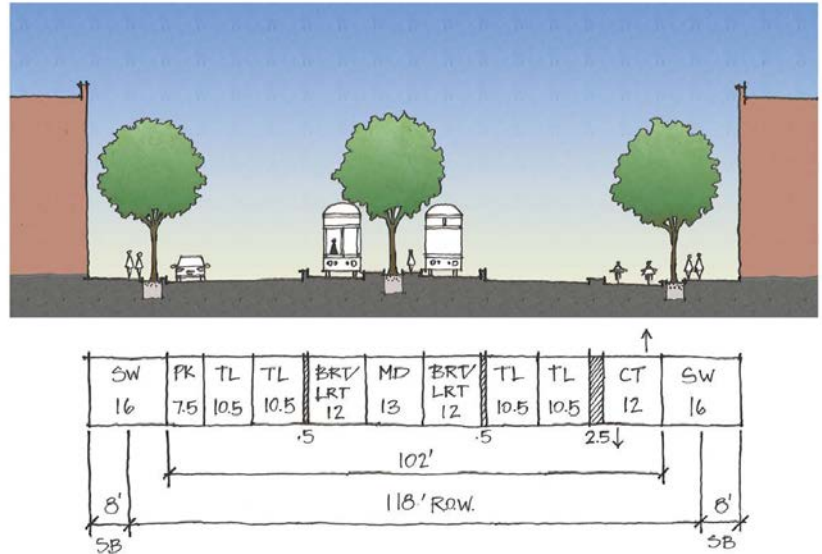
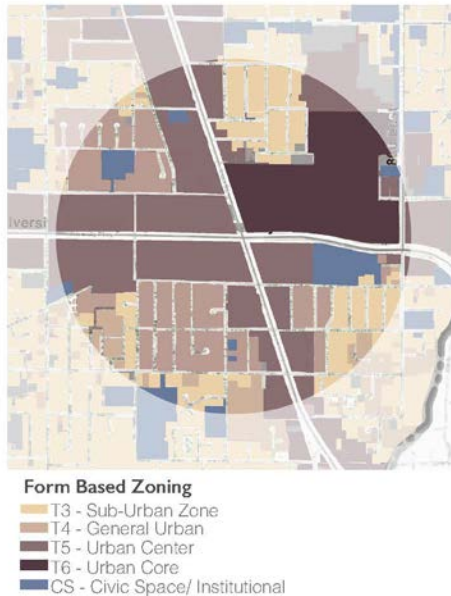




The rendering below illustrates the higher building scale proposed for the intersection of State Street and University Parkway. The Mall occupies the upper right side of the drawing and is the anchor for future development. The building scale steps down as it approaches the surrounding neighborhoods.



In addition to developing attractive buildings at the intersection, University Place will also benefit by integrating transit and pedestrian options, along with landscaping, along University Parkway, State Street and the intersection to make the downtown inviting, give it visual identity, and improve access. Shown in the above rendering and the pictures below, this can be accomplished through Complete Street development and a form-based code.

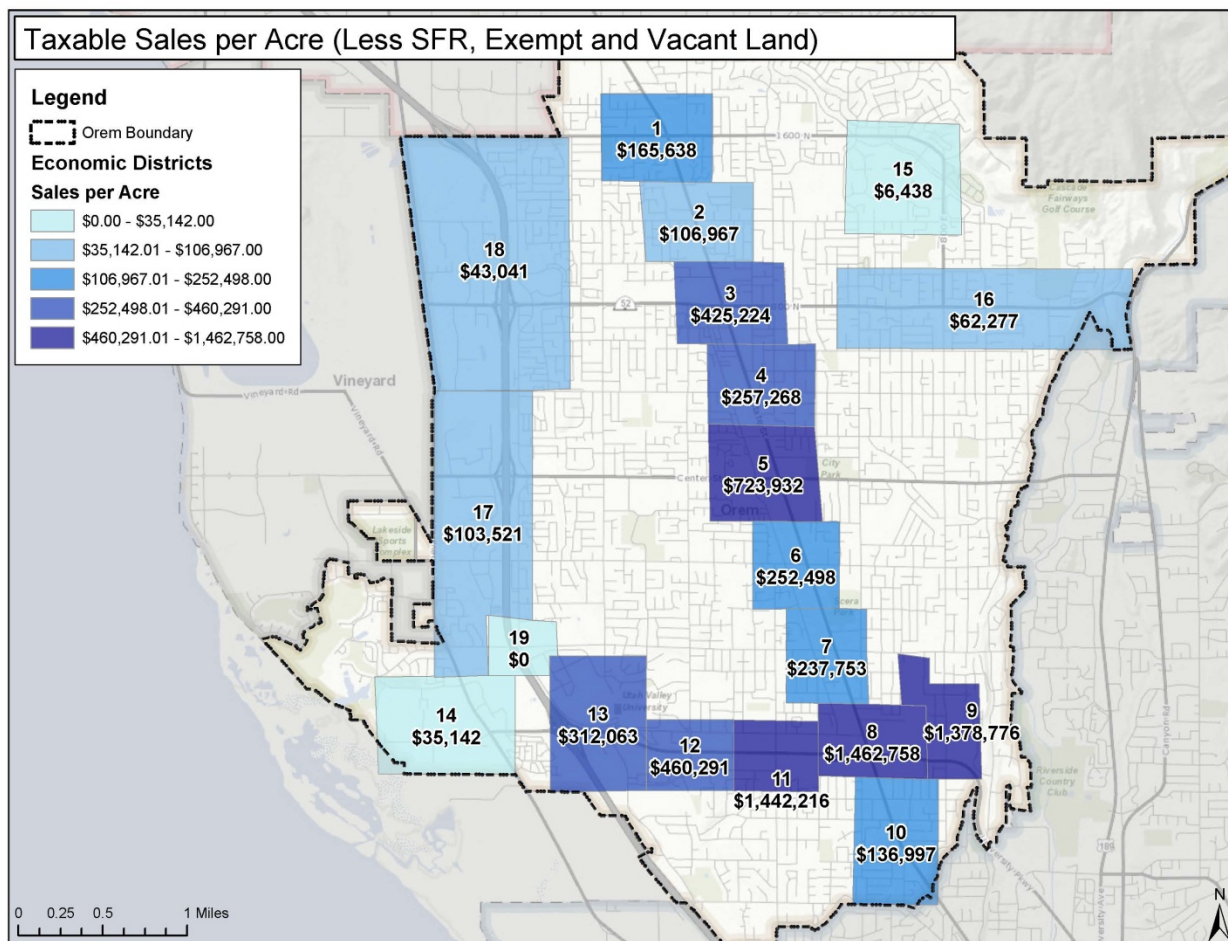


Orem City Center: Center & State, Orem Boulevard

The area in the vicinity of State Street and Center Street is proposed to be reinforced as Orem's civic center. This node currently contains the City Hall, the library, a park, and is located at a centralized location in the City, making it a great potential spot to become the City's "main street" or the civic heart of the City. In addition to civic amenities, there are also three grocery stores in walking distance and the potential to connect Midtown Village (soon to be "360 Place") as a walkable residential community to these amenities. Parallel to State Street is Orem Boulevard, a more residential street with opportunity to better connect to the economic activity along Center and State Streets.

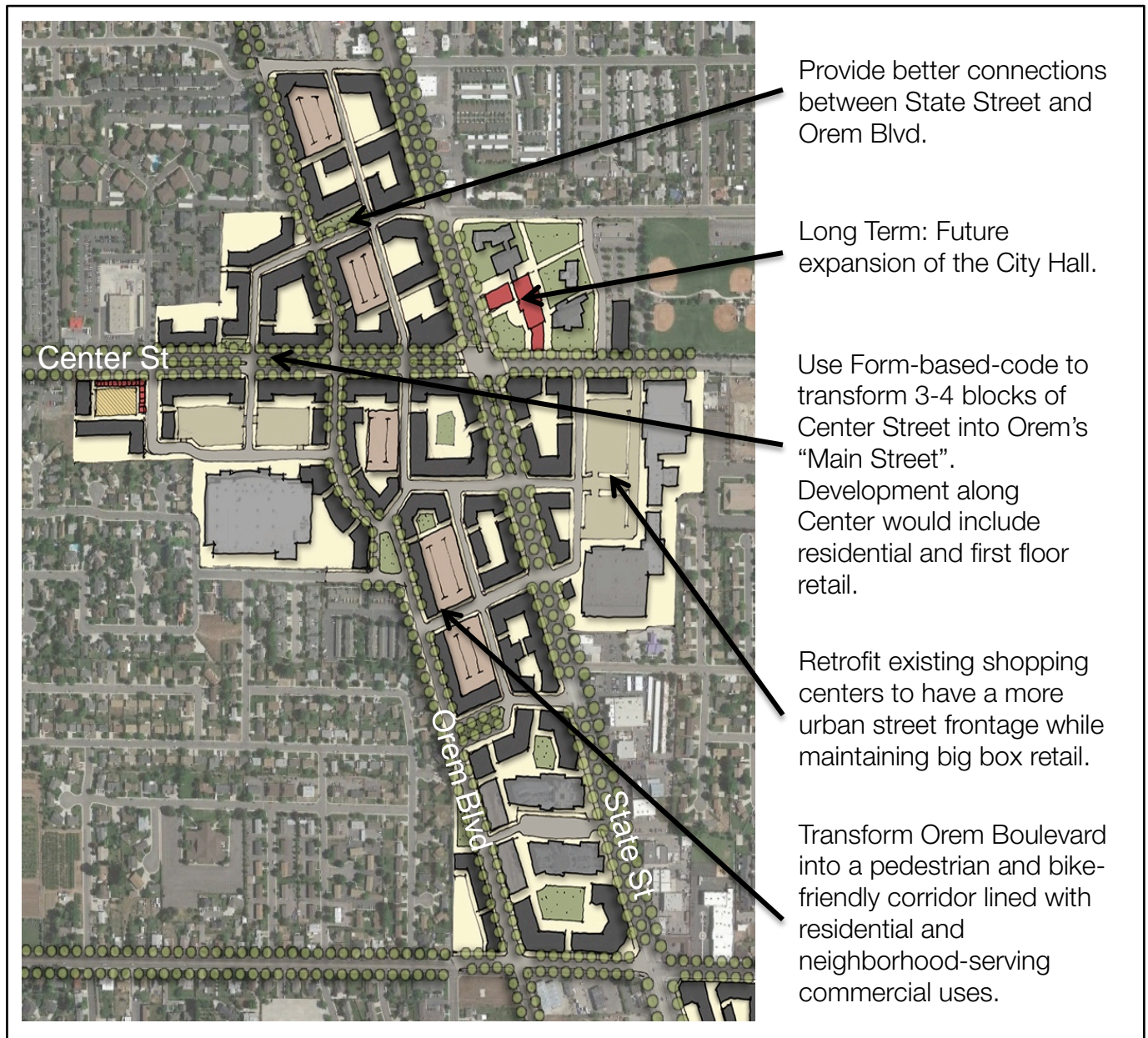


This intersection already has strong sales in the City, with 11 percent of total City sales – the third highest sales of the economic districts in the City behind those at University Mall and University Parkway. These sales are also densely concentrated per acre, making efficient use of the



commercial area it uses compared to other parts of the City.

Center Street has the potential to become Orem's "Main Street" featuring low-rise, mixed-use buildings with professional office space above commercial. Orem Boulevard could be transformed into a more pedestrian-friendly street with a predominance of residential uses. The two existing big box retail stores could also be retrofitted to establish a more urban character.



This district has the potential to have a visually rich and inviting character as a walkable “main street” in the City. The rendering below looks down Center Street towards an expanded City Hall, welcoming visitors coming from I-15. In contrast to University Place, the scale is low-rise with 2-5 story buildings and a more traditional character.



Orem City Center Retrofit - Steps

In order to achieve the vision rendered above, the steps below outline the process to transform the intersection from today’s development to a traditional feeling center of the community rich for families and true to Orem’s character. This plan allows for densification to connect a walkable area at the intersection, while largely keeping existing development untouched.

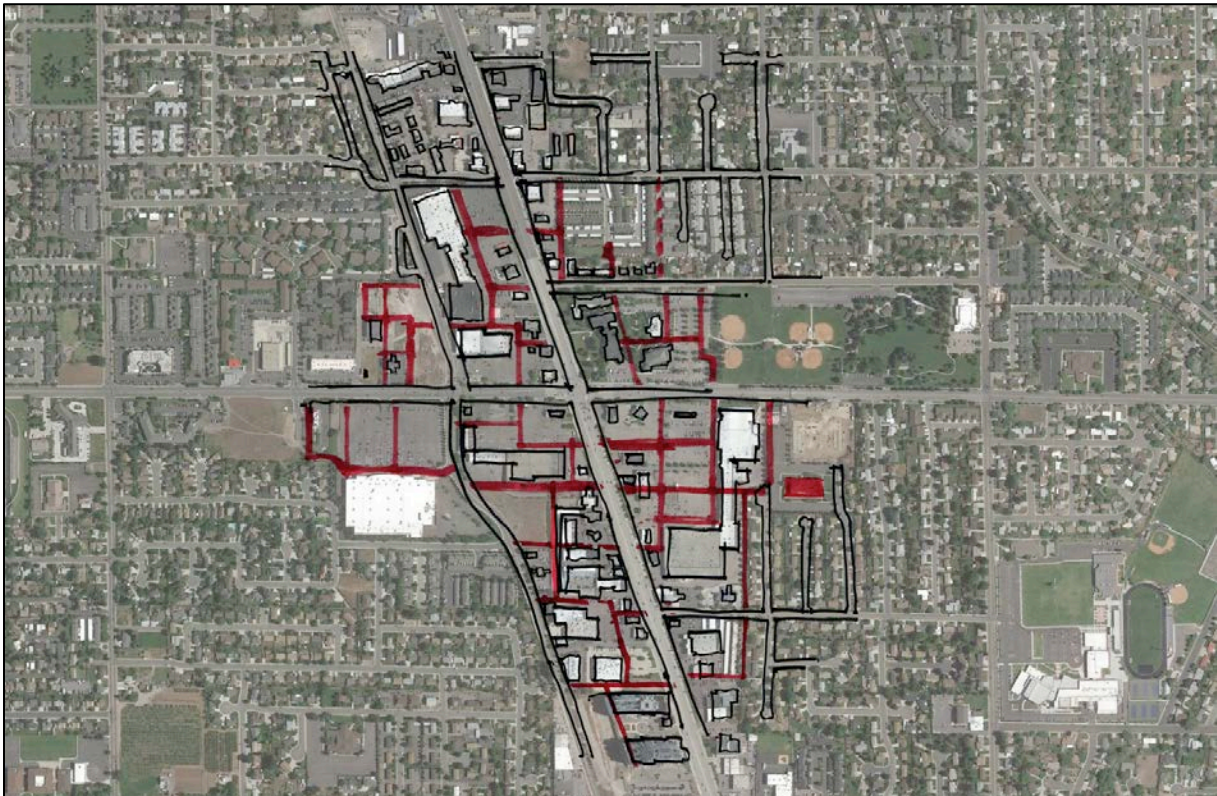
Step 1: Examine the neighborhood’s existing conditions.

The City Center’s commercial areas consist of quarter mile long blocks and approximately 60 percent asphalt for roads and parking.



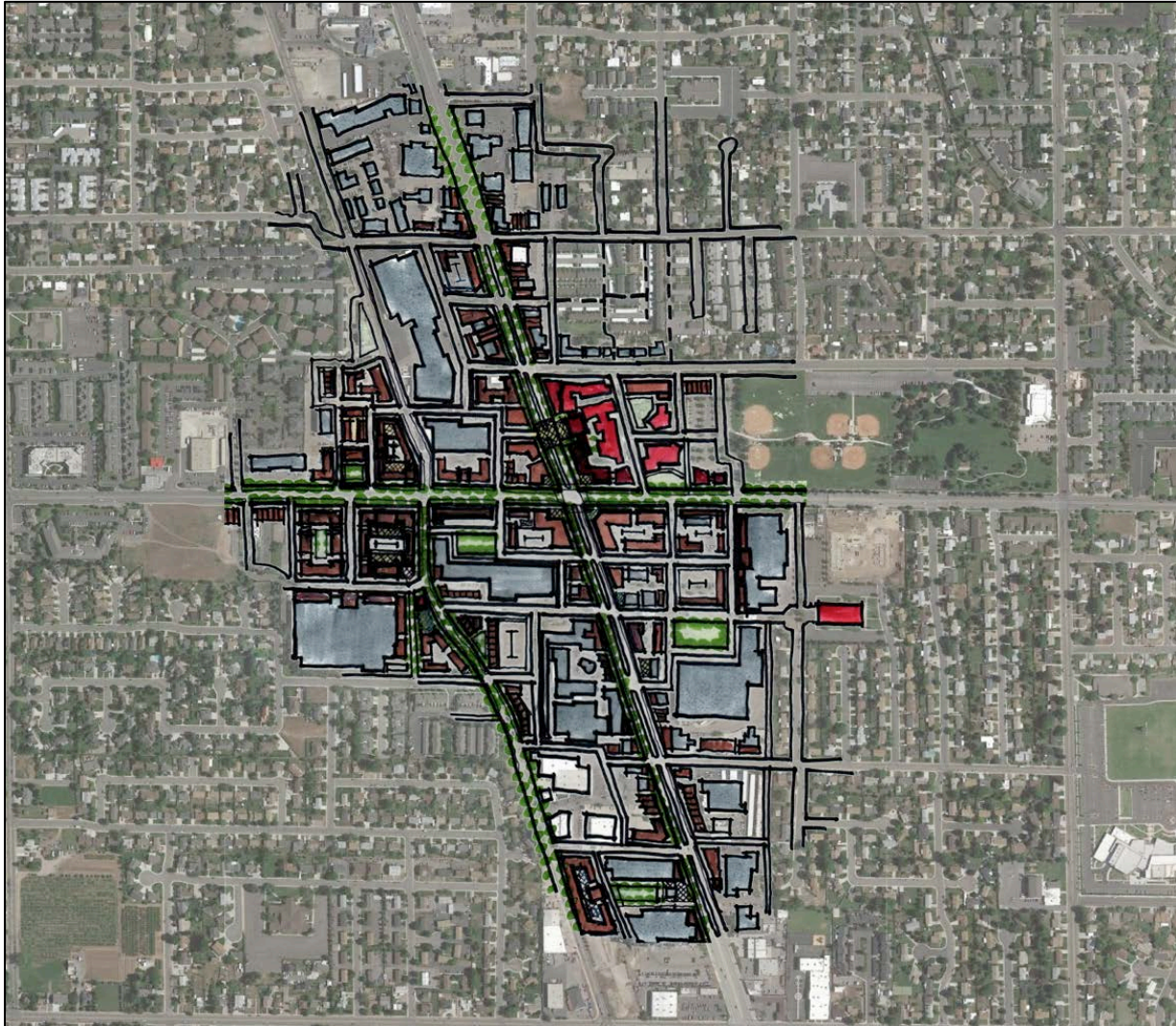
Step 2: Add new streets where appropriate.

This will reduce block sizes to approximately 300 feet per side, maximizing retail frontage, creating walkability, and establishing additional connections between State Street and Orem Blvd.



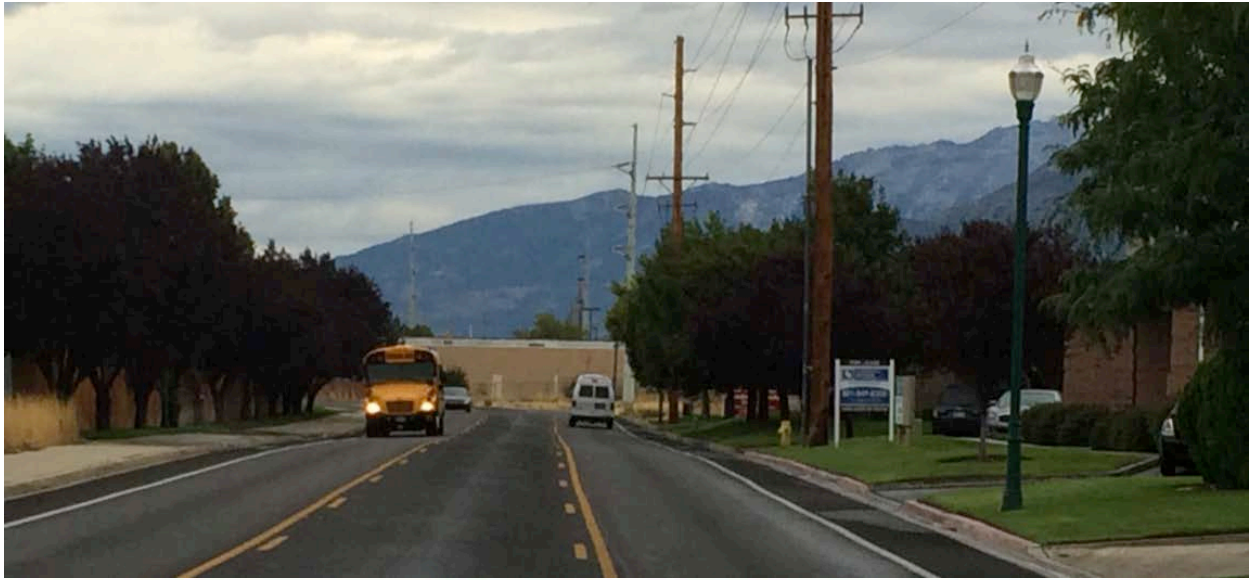
Step 3: Add infill buildings.

Complete the new blocks by adding urban infill, consolidating parking, and creating new public spaces for the surrounding neighborhoods. In this scheme, approximately 95 percent of existing structures remain untouched.



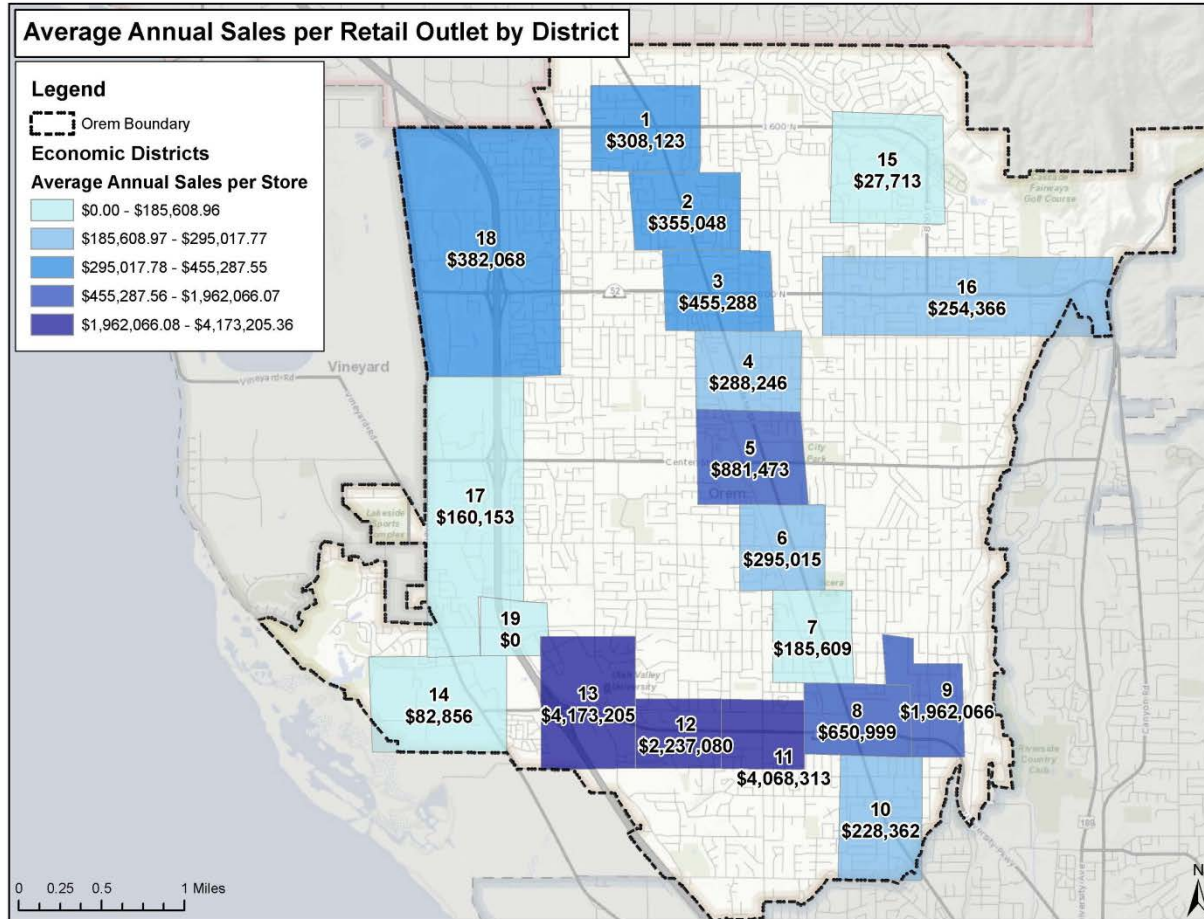
Orem Boulevard

In the University Place Node and the City Center Node visions, in addition to some of the following visions for smaller districts and along State Street, Orem Boulevard plays an important role as a potential corridor for improvement. Running parallel to State Street, Orem Boulevard has the potential to transform into a pedestrian and bike friendly street that serves retail along State Street. The potential to improve housing along this corridor and create a neighborhood feeling would further enhance State Street retail support and access.



University Parkway (“Golden Mile”)

The economic node along University Parkway currently yields great economic results to the City. It is a major route to the mall and BYU from the North, serving as the connection between two major student populations. Compared to State Street, it benefits from major retail outlets, improved access and pleasant landscaping. It has strong sales per acre, has a large portion of all City sales, provides good revenues to the City in both sales and property taxes, and has the strongest sales per store in the City.



Going forward, this corridor has few needs to improve its health, but continued maintenance of appearance and access will ensure its stability for the future.

UVU Campus



Utah Valley University (UVU) is a great economic asset to the City. It brings students to the region, provides an educated workforce, and the University works with local employers to provide economic resources to the community. However, traditionally UVU has been a commuter campus and its position on I-15 fails to draw commuting students deeper into Orem's community – both economically and socially. The only significant walkable retail available to students in Orem is Walmart and McDonalds on the other side of a busy intersection at the I-15 interchange.

Orem can capitalize on this economic and cultural powerhouse by encouraging development around UVU that keeps students more locally engaged. Shopping and entertainment that appeals to millennials includes options that are green, healthy, artistic and have character. Student-friendly amenities that have these attributes include fast-casual dining, healthy sandwich shops and delis, bakeries, ice-cream, personal care and beauty stores (such as Walgreens or Rite-aid), bookstores, recreation supplies and rentals, and a small-format, specialty grocery store.



One way to bring this type of development near campus is to build a student village with a mixture of housing, retail and recreation amenities. One vision of this would be a “Wolverine Hill” on campus. The plan below illustrates the concept for a proposed student “village” that would accommodate student-oriented commercial space, housing and recreational amenities. This may

or may not be the ideal location for such a proposal, but it illustrates the potential for better integration of UVU with the City of Orem.



Other great efforts to incorporate UVU to the Orem community currently include integrating TOD housing and retail on the opposite side of I-15 through connections to transit and considerations of a pedestrian walkway over the freeway.

Canyon Park/North Orem

In the northeast portion of the City there is a cluster of high-quality office space, including Canyon Park Technology Center. This cluster of office space provides a good case study to show that strong retail development is not necessary to provide the City strong tax revenues. Of the economic districts studied, this area has very strong tax revenues per acre – fourth highest in the City at \$7,059 per acre. However, even though the actual sales tax revenues to the City are strong, the area actually has the lowest taxable sales per acre at \$6,438. For comparison, District Eight at University mall brings \$9,665 per acre in tax revenues to the City, but only achieves this by having very high taxable sales of nearly \$1.5 million per acre and relies on sales tax from these sales.

The Canyon Park region achieves its high revenues through the very stable source of property taxes on its high quality buildings. Additionally, this area provides high-paying jobs in the City and brings revenues without the high burden on City services (such as police) that would increase the expenditures that often accompany retail uses. There is some vacant land in this area that could extend the office space and business parks in the area to meet the demand for office space in Orem, and provide more space to retain start-ups in the City.

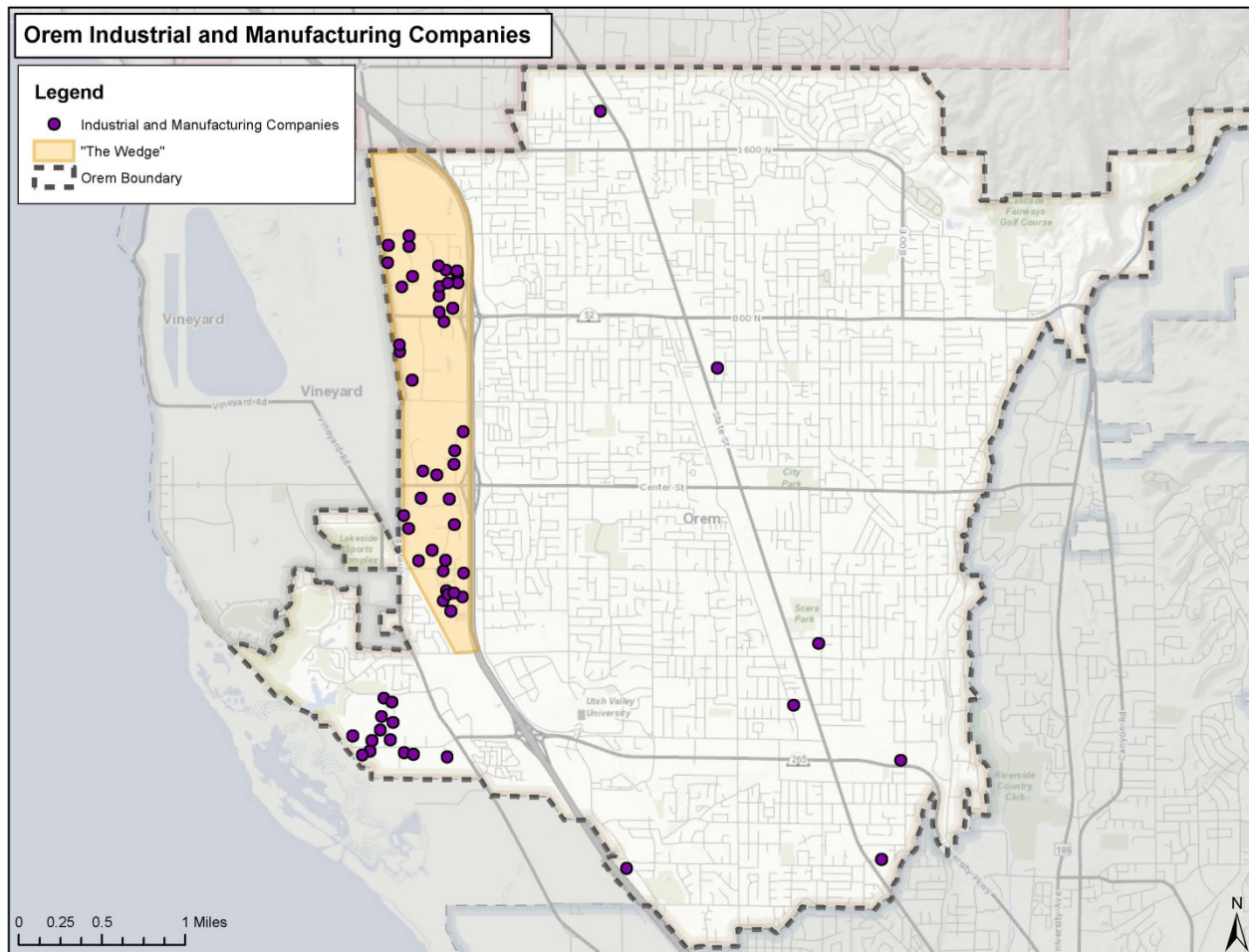
The jobs provided in this node come as a result of the area being a strong business incubator. It is home to technology start-ups and small businesses looking to grow rapidly. Examples include businesses such as Doba, Mozenda, Propay, Fishbowl Inventory, Advanced Learning Systems, and Unicity. The business park is successful as an incubator space because it has low rental rates, shared space and clustering of technology businesses.

Canyon Park has a mix of Class A and Class B office space. It has the flexibility to create Class A build-outs per tenant requirements. In addition to hosting start-up s and incubator businesses, the park is also home to large established companies with hundreds of employees, including Wayfair.com, Bluehost, Vivint Solar, and Convergys. As University Place grows with Class-A office space, additional growing businesses from this district could also easily transition to the office space in “downtown” Orem as they grow and thrive and stay in the City.



“The Wedge”

“The Wedge” is an underdeveloped area between I-15 and Geneva Road, with primarily industrial and manufacturing uses. The map below shows that of the City’s industrial and manufacturing companies, most are clustered in this area between the freeway and Geneva Road. However, this node has many qualities that make it desirable for higher uses in office and retail development. In order to maximize its economic potential, the area needs to be a subject of further planning efforts.



This area has many qualities that could make it desirable and suitable for Class A and B Corporate offices – something Orem is in great need of to stay competitive and retain start-ups. It has high visibility along the I-15 corridor, with multiple interchange accesses at 1600 N, 800 N, Center Street and University Parkway. With the right development conditions, this area could be a business center to compete with Lehi buildings at the Point of the Mountain. The area is also ideal for incubator sites within the interior. In addition to providing employment opportunities, office development would provide the City a strong source of revenues from property taxes to ensure stability to offset the uncertainty in sales tax revenues.



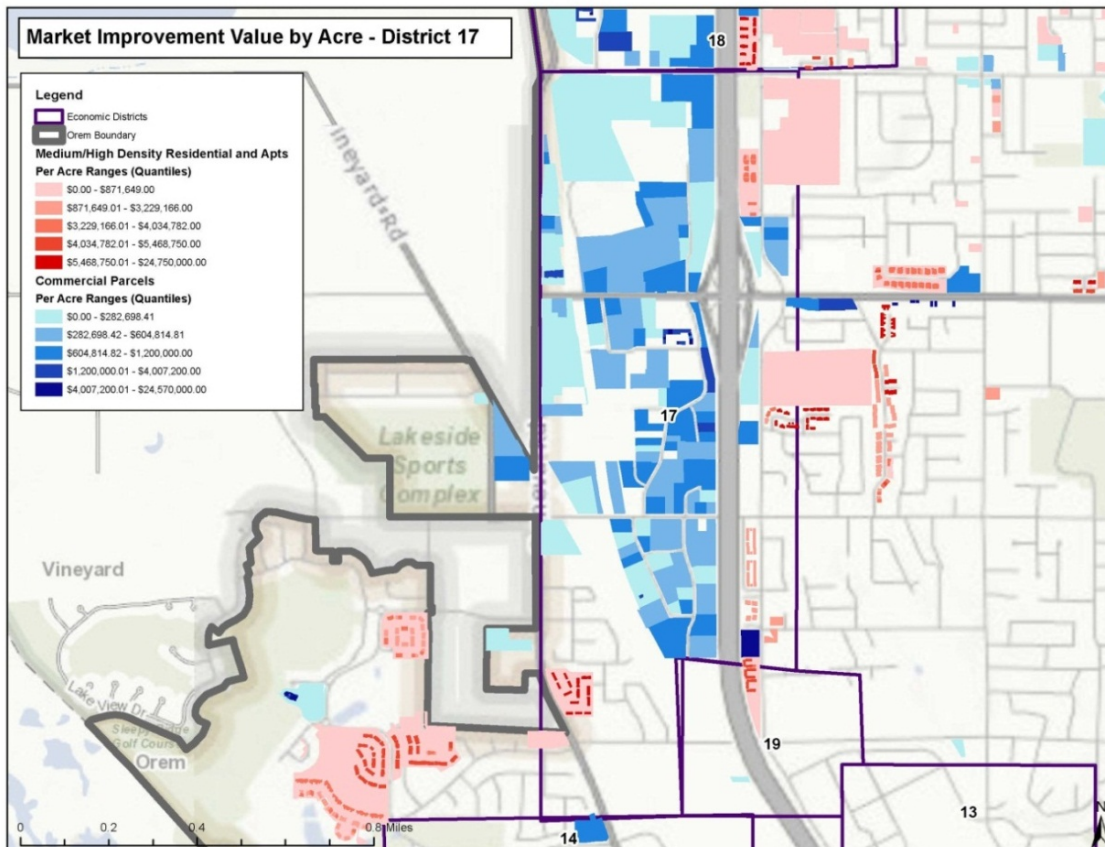
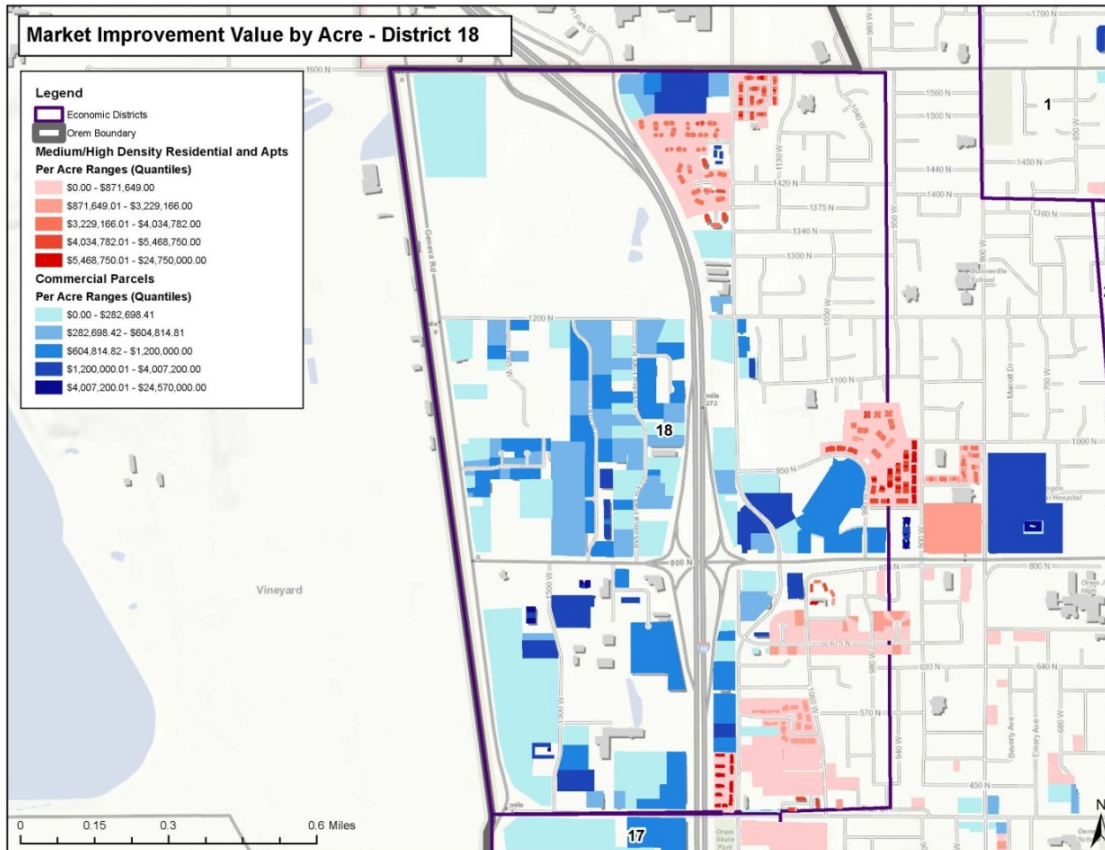
The most important aspect to this district's long-term plan is its proximity and access to future development at Vineyard. Planned development in Vineyard is significant with a projected 7,500 residential units (about 20,000+ population) with access to I-15 only through "The Wedge." Orem can strategically build retail at interchanges to serve this population growth, as well as current traffic and Orem residents exiting along I-15.

One example is to build a grocery store and supportive retail at an interchange. Grocery stores are generally needed for each 10,000 new residents, meaning there is projected buying power for two grocery stores to capture sales from the new Vineyard development and Orem residents on the West side. In addition to capturing this new development, grocery stores are already thin on this side of Orem. Capturing these opportunities early is important before they are lost to Vineyard.

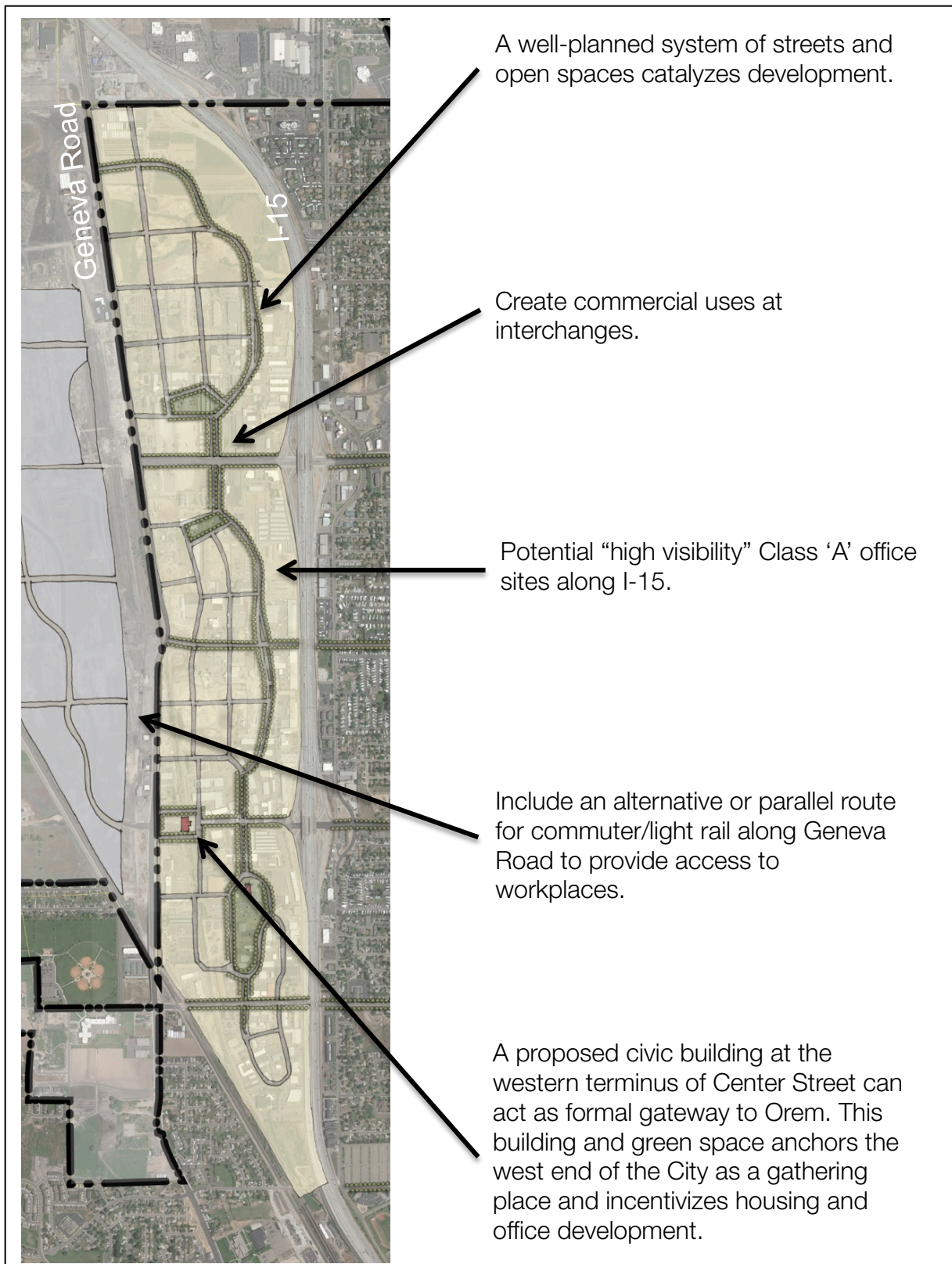
To achieve this long-term vision, first steps would include creating redevelopment areas (RDAs, EDAs or CDAs) in the area. There are currently none in "The Wedge" and these could spur properties to development through economic incentives. These redevelopment areas can focus on priority areas with especially low improvement values. Low improvement values lend to redevelopment as shown in the table where areas 17 and 18 (the analysis districts that make up "The Wedge") have among the lowest commercial improvement values per acre in the City. There are also small pockets of vacant land to capitalize upon. Shifting development from current industrial uses could be challenging due to highly fragmented ownership. The two maps below show improvement values in areas 17 and 18.

Table 52: Improvement Value per Acre

District	Commercial Improvement Value per Acre
19	\$0
11	\$465,637
17	\$475,720
3	\$485,669
18	\$532,526
13	\$548,080
2	\$587,127
4	\$588,675
5	\$595,298
1	\$597,137
6	\$661,298
10	\$667,138
12	\$716,156
9	\$747,128
7	\$764,119
8	\$765,473
16	\$829,754
14	\$911,490
15	\$3,865,810

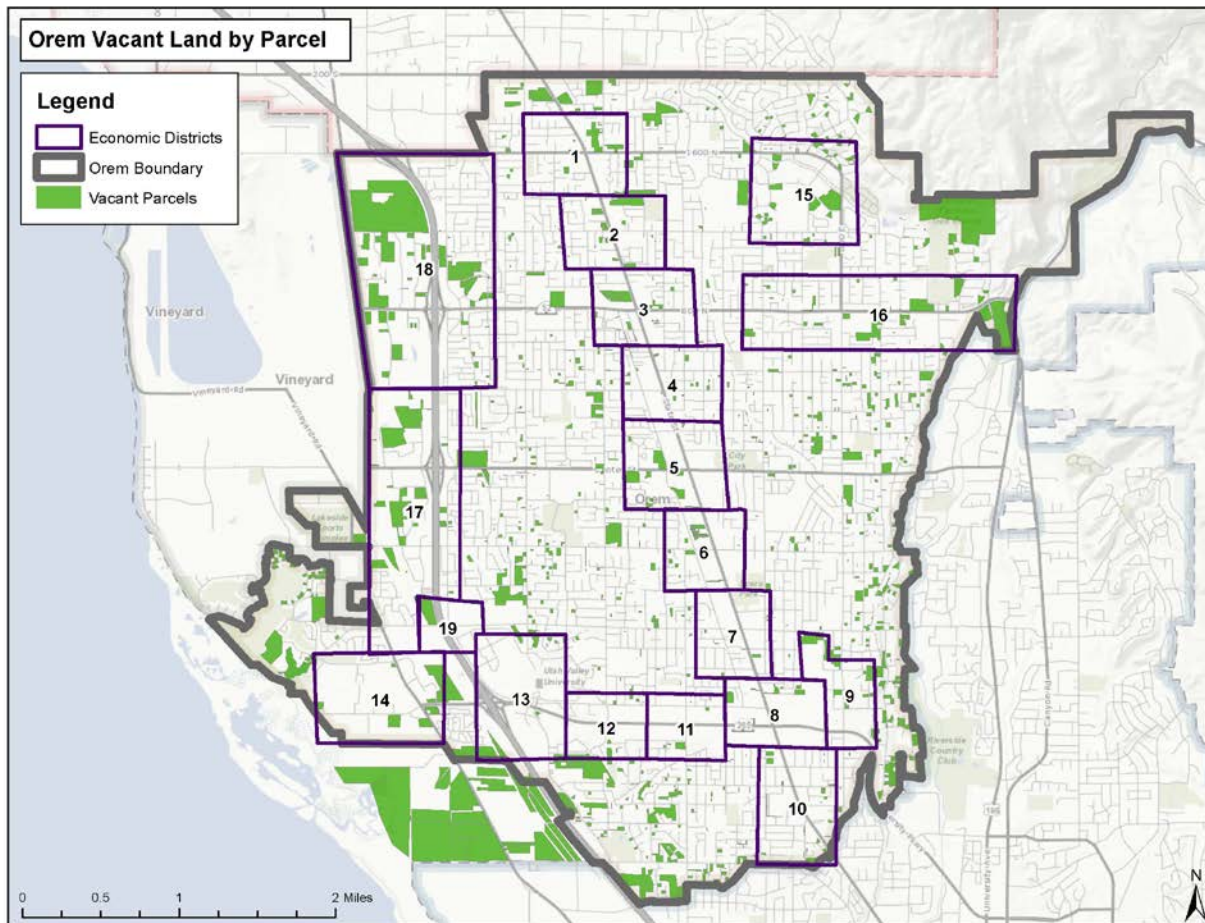


Incubator and start-up offices and workspaces are envisioned for the interior of the site. A well-planned system of streets and open spaces would catalyze new development. The plan below shows a general long-term vision for this area to encourage high-quality growth.

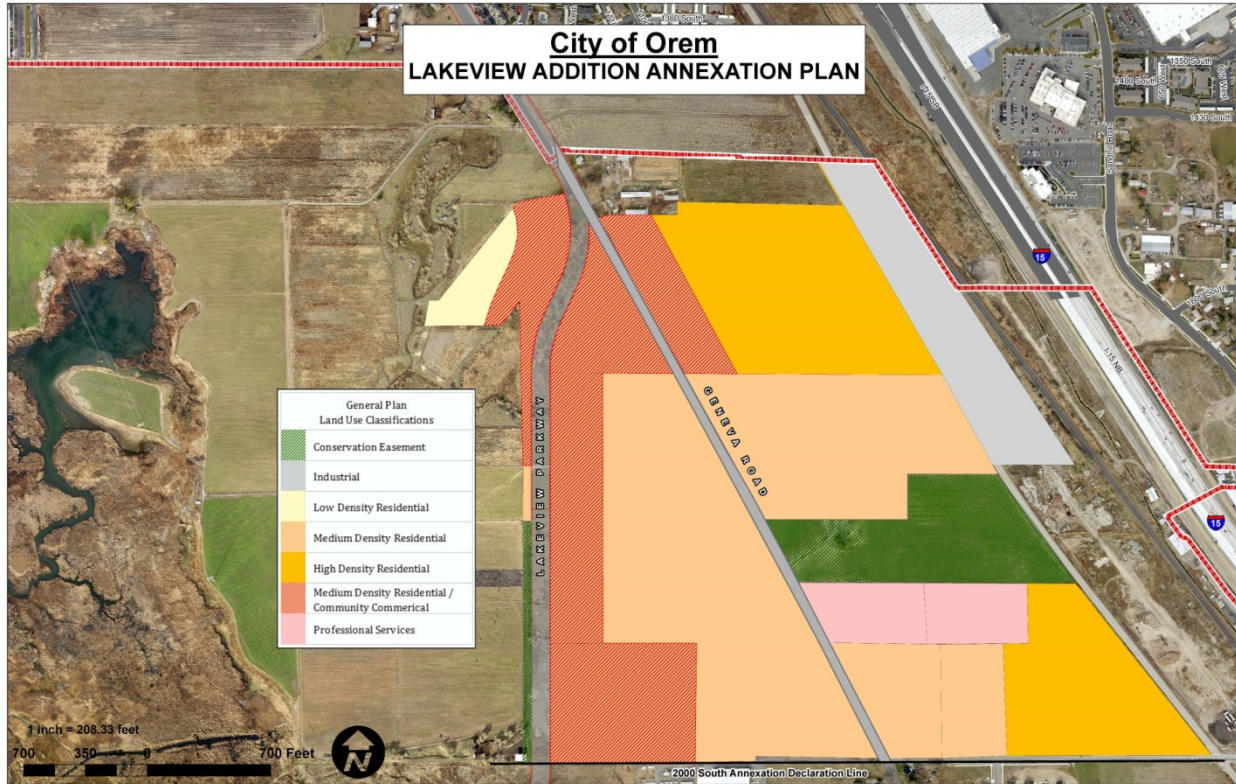


SW Annexation Area

One of the few areas with significant vacant land in the City isn't within Orem yet. An area to the southwest near Utah Lake is planned for annexation, with significant developer interest. The area currently proposed for annexation consists of 228 acres, but there is a total of 784 acres in the general unincorporated area extending to the lake.

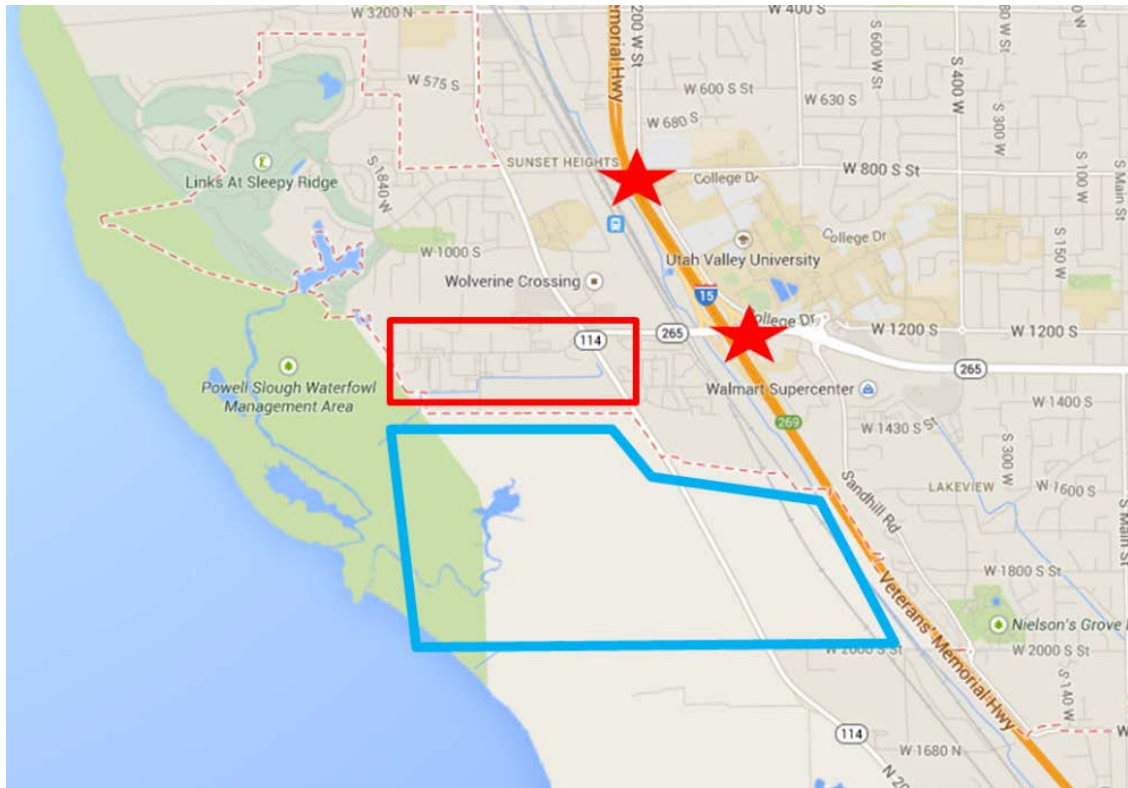


Current development interest is primarily focused on bringing high-density residential to this vacant land, but there may be better uses economically for the City to pursue based on the location and surrounding land uses. The City's strongest manufacturing and light-industrial, including companies like BlendTec, are located in District 14 (see map above). Given that this area of vacant land to be annexed is near this cluster of strong industrial businesses, it would be a natural extension to further strengthen the City's advanced manufacturing and job offerings. Without this use, there are no other areas in the City available with the open land needed for business park development. There is very close access to I-15, although there may be some traffic flow issues discussed below. The location is also offset from residential uses and buffered by the freeway to keep any industrial interruptions or annoyances away from neighborhoods.



Further, as the City is interested in strengthening the placemaking and economic support within the central part of the City, especially along State Street, any development of higher density housing should be focused on the other districts discussed in this study. For example, demand for high-density housing should be filled by building up the City's downtown at University Place, or improving and creating a walkable residential area around the City's civic center at Center Street. Building high-density housing in this location pulls population growth away from the City's commercial center.

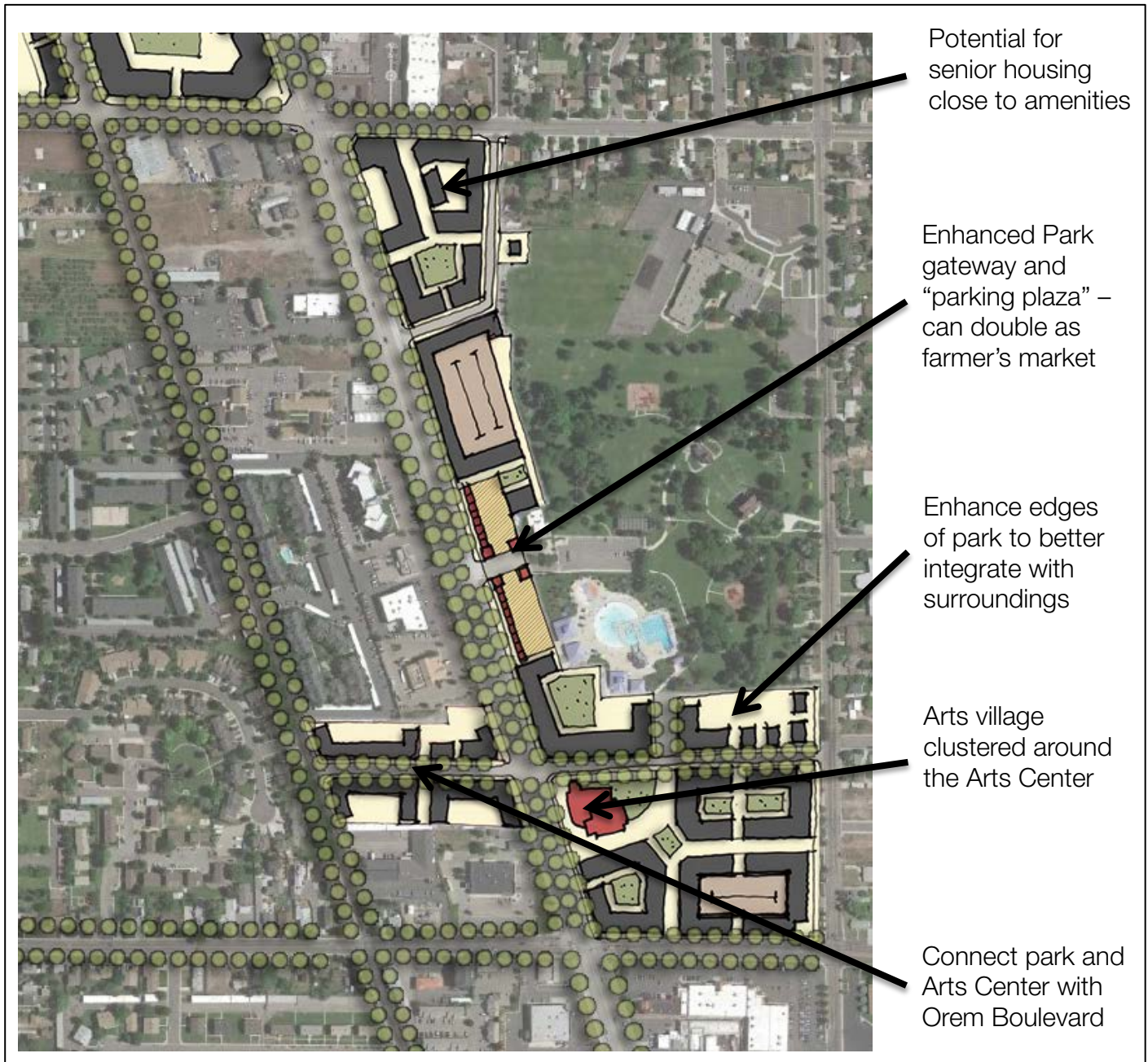
There have been concerns about infrastructure limitations at this site for industrial or manufacturing uses; however, some of those may be addressed or offset by current transportation plans. The main concern is that the primary off-ramp from I-15 for this area is at University Parkway. This very busy interchange is not currently ideal for large trucks, especially going west to this proposed annexation area due to high traffic volumes and configurations that primarily serve cars going east. This has been noted for businesses currently in this area in the City. However, there are plans to build an HOV off-ramp north of this exit at 800 South. The map below shows the annexation area in blue, next to current industrial in red, with the current and proposed interchanges starred. This addition could significantly lower traffic volumes on University Parkway and ease access at that interchange.



Another planned addition to the area could be of significant benefit to the area for industrial or manufacturing uses – a north/south road directly to the Provo airport. The Provo airport is growing and direct access to freight shipping could be a significant benefit to a manufacturing or industrial business depending on the product.

SCERA Arts Node

The SCERA Park Arts Node, featuring a recreational park, amphitheater, and adjacent Arts Center, is an important civic amenity for Orem. While not a source of City revenues, this area is vital to the City's character and draw in the region. The plan below shows a vision of an expanded arts village centered on the Arts Center building. The Arts Node can function as a catalyst for new development, including senior and family housing. Further, this new development can be used to better integrate the park with State Street and the surrounding neighborhoods and create a more attractive street.



State and 800 N

The node in the vicinity of State Street and 800 N is envisioned to be a low-rise residential and commercial center. The plan shows new housing clustered around a public green on a currently vacant parcel, with new pedestrian and vehicular connections between Orem Boulevard and State Street.



State and 400 N

The area around the intersection at State Street and 400 N is envisioned to be a residential neighborhood center with commercial uses anchoring the corners at State Street. Housing, possibly senior housing, would work well along Orem Boulevard to continue a walkable housing neighborhood along the street.



Implementation and Action Plan

Based on the major findings of this study and the recognition of strengths, weaknesses and opportunities, the following goals and action items are key to building on Orem's strengths and to address weaknesses in economic development.

Table 53: Action Plan and Implementation Priorities

GOAL	STRATEGY	TIMEFRAME	FUNDING/ACTION
1. Increase the sustainability of the City's tax base through increased property values	Pursue Class A office development at University Place; assist with incentives as required to gain height, a City skyline and sense of a "downtown"	1-10 Years	Adjust zoning to allow for greater building heights in key economic areas, such as University Place. Pursue CDA funding for Class A office and top quality (i.e., high property value) business park development.
	Encourage business park development at southwest annexation area	1-5 Years	Complete annexation process for southwest area. Ensure utilities are in place in this area through impact fees, developer contributions and potentially a CDA
2. Establish Orem as the employment hub of Utah County	Concentrate Class A development in the University Place downtown area in order to create a synergistic effect from clustered office development and a sophisticated urban office campus atmosphere, in conjunction with the retail at the site	1-10 Years	Adjust zoning to allow for greater building heights. Pursue greater public transit options to and from University Place. Pursue CDA funding for Class A office.
	Proactively contact startup businesses and major employers in the area to determine their interest in relocating "downtown" if and when they need expanded space	1-2 Years	Conduct one-on-one meetings with existing, expanding businesses. Provide quarterly "business breakfast" meetings and updates to local business owners to build a sense of community
	Work with EDCUtah to recruit technology companies to Orem; local incentives, such as a CDA, will be required if State EDTIF funds are used	1 Year	Meet with EDCUtah's representative, Ross Fotheringham, on a regular basis to assess opportunities
	Develop a City policy regarding the use of economic incentives	1 Year	City staff to review policies from other communities and devise a policy for Orem. Policy should be coordinated with County and Alpine School District.
3. Improve the visual and physical appearance of State Street	Establish a revolving low-interest loan fund for façade renovations and exterior improvements for properties located on State Street	1-10 years	General Fund revenues could be used to establish a fund; if in a CDA area, then tax increment monies could capitalize the fund.

GOAL	STRATEGY	TIMEFRAME	FUNDING/ACTION
	Increase the connectivity with Orem Blvd., through street connections that make places of a walkable scale – especially near Center Street	5-10 Years	Hire a planning firm to develop small area master plans for key areas in the City. Estimated cost: \$50,000 - \$70,000. Center Street should be a priority. Work with MAG to provide planning funds just as WFRC does.
	Retrofit the exteriors of shopping centers to have a more urban street frontage	1-20 Years	General Fund revenues could be used to establish a revolving loan fund; if in a CDA area, then tax increment monies could capitalize the fund.
	Make streetscape improvements to State Street	1-10 Years	B & C Road Funds Special Assessment Area
4. Create a Civic Center at Center Street	Develop a form-based code to transform 3-4 blocks of Center Street into a walkable Main Street	5-10 Years	Hire a planning consultant to develop a form-based code.
	Retrofit exteriors of big box stores to keep sales tax base from large-scale retail, yet bring a more urban environment to the area	5-10 Years	General Fund revenues could be used to establish a revolving loan fund; if in a CDA area, then tax increment monies could capitalize the fund.
	Prioritize and focus initial incentives and City assistance at key economic nodes along the State Street Corridor in order to obtain a “cluster” of improvements that will spur further improvements	1-20 Years	Strategically create CDA areas to clean up blight and make improvements along State Street Use CDA increment to promote development at key sites. Work with the City’s Public Works Department to prioritize and focus improvements at key economic nodes.
5. Redevelop and increase the viability of the Geneva Road “Wedge” area of Orem	Pursue light rail alignment along Geneva Road rather than through the interior of Vineyard	1-2 Years	Lobby UTA to align light rail along Geneva Road; demonstrate that it is a key focus of the City’s Economic Plan.
	Promote retail development on the east side of Geneva Road, neighborhood scale, such as a grocery store to draw from the increased buying power of the @Geneva development	3-5 Years	Contact grocery stores that do business in Utah to determine “what it would take” to locate on Geneva Road Provide necessary public infrastructure Increase code enforcement along Geneva Road Assist in the aggregation of properties at key sites along Geneva Road
	Promote office and retail development at the I-15 interchanges where visibility is high and access is good	5-10 Years	Assist in the aggregation of properties at the I-15 interchanges; contact existing property owners. Work closely with brokers, such as Commerce, to identify and contact potential tenants for these sites.

GOAL	STRATEGY	TIMEFRAME	FUNDING/ACTION
6. Develop a new and progressive image for Orem based on the mission statement developed as part of this study	Increase the reputation and image of Orem City through a new and vibrant marketing strategy.	1-2 years	Hire a marketing firm, such as Penna Powers, to prepare a marketing plan for the City
7. Increase cultural and arts activity in the City	Encourage development of a variety of cultural activities in the SCERA district, thereby creating an arts and entertainment district for the City; advertise the area as the City's "Arts District"	2-5 Years	Contact existing arts and entertainment organizations (i.e., Flowrider in Ogden, art galleries in Salt Lake who could have a second store in Orem, etc.)
	Add senior housing in the arts district, as well as higher-density housing to increase vitality in this district	5-10 Years	Adjust zoning to allow for increased residential densities
8. Increase connectivity with Utah Valley University	Develop small-scale, walkable retail near UVU with a distinct sense of place – such as "Wolverine Hill"	2-5 Years	Hire a planning consultant to develop a small area master plan for this area; work with MAG to provide planning funds just as WFRC does. Work with UVU to integrate campus with City and retail
9. Maintain supremacy as the regional retail hub of Utah County	Pursue "one-of-a-kind: retail destinations, or highly popular retail outlets, such as Trader Joe's or Field & Stream that will set Orem apart and add to the City's image as "the place to be"	1-5 Years	Work closely with brokers such as Commerce to keep current on retail trends Attend ICSC and bring marketing materials
10. Recapture lost sales tax leakage in the accommodations category	Pursue development of a hotel either near UVU or at University Place	1-2 Years	Work with a hotel consultant, such as Bob Benton of Boulder, CO (compiles the Rocky Mtn Lodging Report) to pursue hotel development
11. Develop and strengthen key economic nodes along State Street	Allow for higher-density housing and taller buildings at key intersections – Center Street, 800 North, etc., in order to create a destination	1-20 Years	Strategically create CDA areas to clean up blight and make improvements along State Street Use CDA increment to promote development at key sites. Work with the City's Public Works Department to prioritize and focus improvements at key economic nodes.
12. Proactively pursue transit development and alignment to benefit the City	Work with UTA, UDOT, and MAG to ensure Orem is a strong voice in decisions regarding transit planning and alignment. Stay competitive with Vineyard in providing transit within the City along economic nodes.	1-5 Years	Create CDAs at key sites to encourage TOD

Priorities

Priorities for economic development often change as opportunities arise. For example, if a developer is willing and ready to move, that project may move up the list in terms of importance. If UTA is making plans to move forward in the near term with transit, then the City needs to work with them to ensure that Orem's best interests are met.

However, given current conditions, the consultants feel that the greatest priority for Orem, at this time, is to increase its property tax base through increasing office and business park development in the City. Therefore, goals #1 and #2 above should receive the most attention, as well as financial and staff resources. It is important for the City to reduce its volatility in general fund revenues due to its heavy reliance on sales taxes. This can be done through increasing the property tax base of the City. Property taxes see the greatest increase through top-quality office and business park development with high building and personal property values. This type of development also requires less from City services than does residential or retail development, thereby providing the City with more financial resources.

The next priority should be to maintain supremacy as the regional retail hub of the County. Retail sales are vital to Orem and the City needs to stay abreast of retail trends in order to maintain its position as the center of shopping activity. This priority is reflected in Goal #9 above. Retail activity should be combined with increased entertainment options in order to create an image of Orem as the "happening place to be." This combination will also work well with the large student population in Orem and Provo.

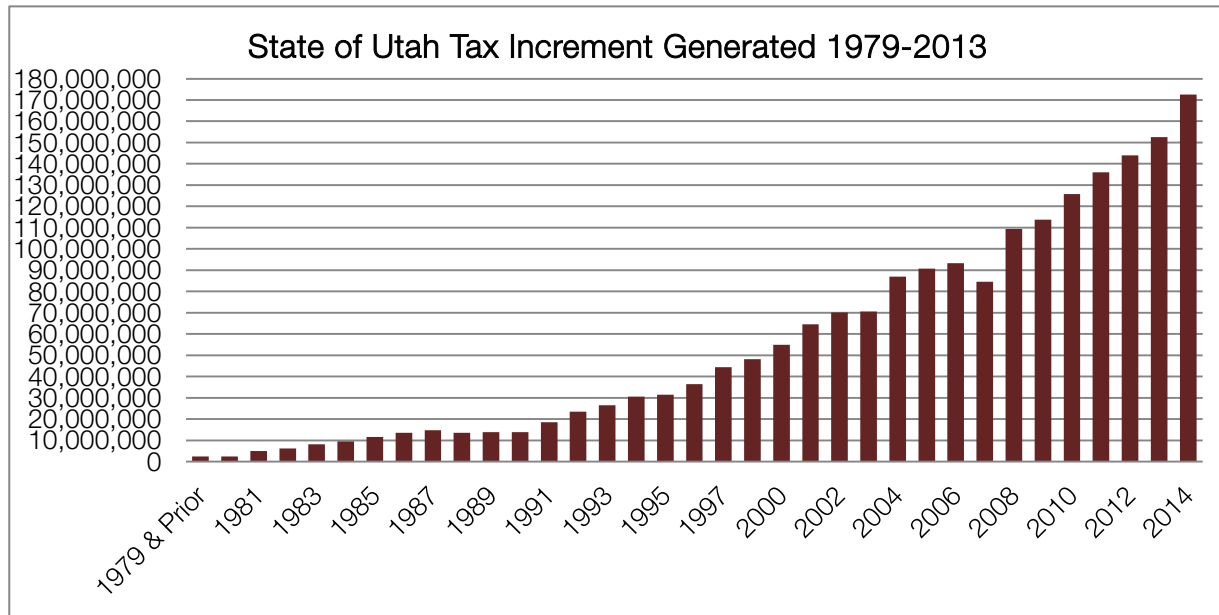
The top priorities should therefore be goals #1, #2 and #9 above. Other goals may depend on development timeframes for projects such as @Geneva and the buying power generated along Geneva Road. The redevelopment of State Street will be a long-term project that will take place over many years in the future. Key economic nodes – University Place being the chief node – should have priority over strip development between nodes.

Financial Tools – Economic Incentives

There are a wide variety of tools available to help the City in achieving its goals. Several of these tools have been discussed in more detail below

Redevelopment Areas – Tax Increment Project Areas

By far and away the most widely-used tool for economic development is the creation of some form of tax increment district – URA, EDA or CDA. The use of tax increment has increased dramatically throughout the State of Utah over the past 30 to 35 years. In 1980, only about \$2.5 million of tax increment was generated statewide; by 2013, this figure had increased to over \$170 million. There are many more communities participating today than there were 30 years ago, and those communities who are not actively involved are at somewhat of a disadvantage compared to those who participate.



Source: Utah State Office of Education

If the State of Utah provides economic development incentives, known as EDTIF, it requires that local communities participate with some kind of contribution. Local tax increment is the most commonly-used form of local contribution.

Urban renewal areas require a finding of blight, and require taxing agency approval of project area plans and budget. Economic development areas require the proof of job creation (not transference) and also require taxing agency approval of project area plans and budget. Community development areas are targeted to general municipal development, are more flexible in their formation, but are limited to the use of municipal sales and municipal property tax, unless other taxing entities opt-in.

Orem City may award incentives to companies locating in CDA, RDA or EDA districts. Incentives are generally based on a percentage of the property tax increment generated by a specific development or within the project area. Tax increment dollars are often returned to the developer in the form of infrastructure development, land cost write-down, or other appropriate means. Tax increment financing is dependent on *increment* – additional property value over the baseline property value at the time that the project area plan and budget are approved. Tax increment from a project area is available for a specific number of years only or to a specified increment amount as agreed upon with the taxing entities. Therefore, timing becomes especially important in the creation of project areas, in order to maximize the amount of increment generated and returned to development within the project area boundaries.

Existing redevelopment areas are shown in the map and table below.

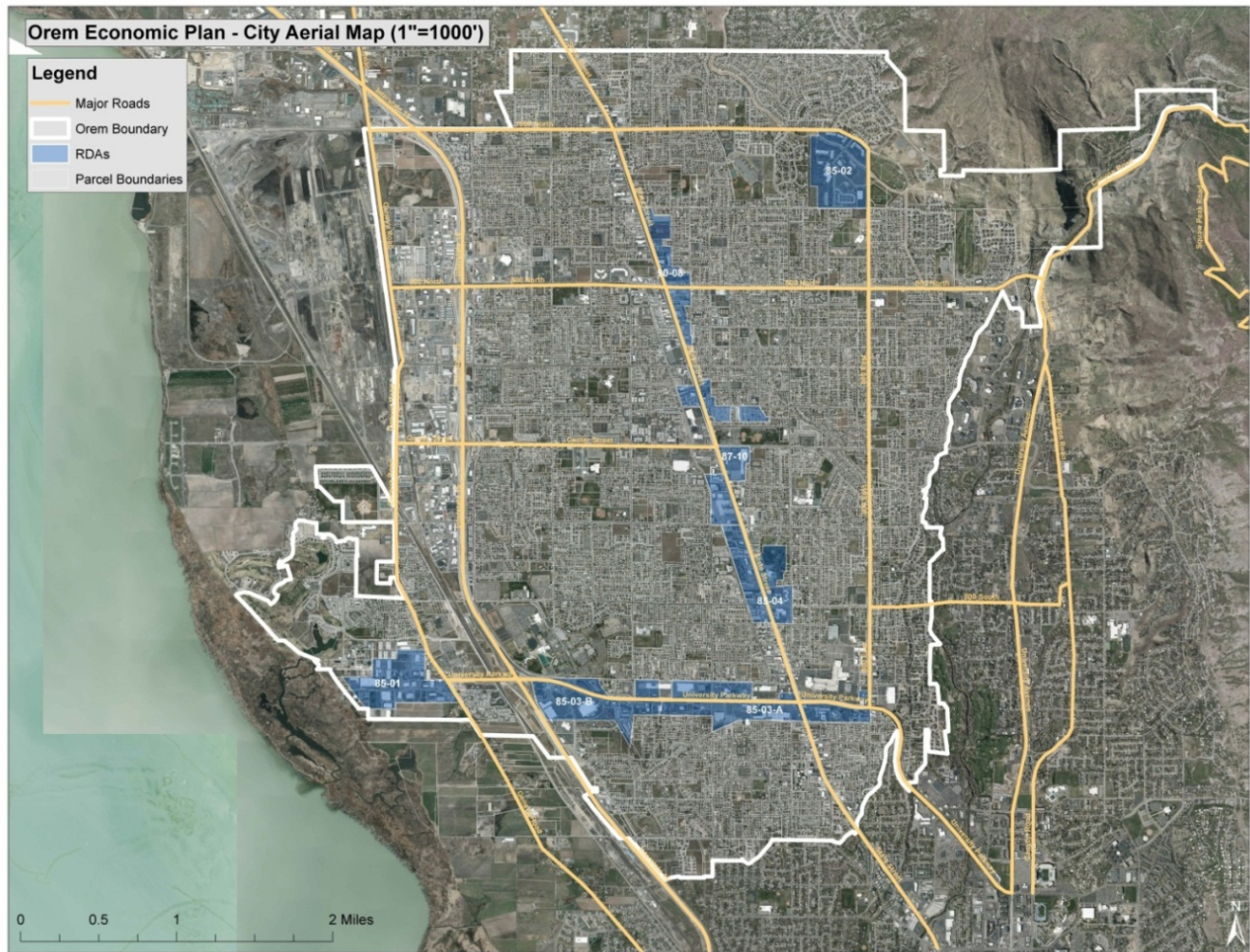


Table 54: Orem RDA Increment

Orem RDA #	RDA Location	Amt of Unappropriated Regular Increment
85-01	Orem Business Park	\$260,000
85-02	Timp Research & Tech Park	\$1,100,000
85-03A	University Mall	\$1,170,000
85-03B	Golden Mile	\$3,260,000
85-04	State St & 800 S	\$402,000
87-10	State St & Center; Midtown Village; City Center	\$0
90-08	State St & 800 N	\$78,000

Revolving Loan Funds and Grants

A revolving loan fund (“RLF”) 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 new loans to other businesses. The major purpose is to provide a source of financing, which may not otherwise be available within the community, for local, expanding, or start-up

businesses. Often they are used to fill a “financing gap” in a business development project. A gap occurs when the business lacks the funds to meet the equity requirements of bank financing or needs a lower interest rate.

The source of capitalization (the funds used to create the RLF) may have regulations governing program design. For example, RLF’s which are capitalized with Community Development Block Grant (CDBG) funds must follow the rules and regulations established by the U.S. Department of Housing and Urban Development (HUD), and must show some benefit to low- and moderate-income households.

A revolving loan fund may be a good tool for Orem to use in encouraging façade and building renovations along State Street. Capitalization could potentially be obtained through CDBG funds. There are many businesses along State Street that could benefit from storefront improvements. It is our experience that revolving loan funds are more successful during periods when interest rates are relatively high, rather than in the recent marketplace where low-interest loans have been fairly easy to obtain from the private sector.

Matching grants or revolving loan funds have been highly successful in a wide variety of communities. Businesses that choose to participate generally report increased sales from the improved appearance of their properties. Research shows that improvements that create more of a place increase property values and sales generation.





Orem may also want to sponsor a “building doctor” day, similar to the former Utah Main Street program, where interested businesses can sign up to have an architect visit their building and make specific suggestions for façade renovation. This program would cost Orem City approximately \$1,500 for a full day of services.

ZAP or RAP Taxes

Many communities have initiated Zoo, Arts, and Parks (ZAP) or Recreation, Arts, and Parks (RAP) taxes which have been very effective in raising funds to complete parks, recreation, trails and open space projects. They are generally administered by a municipality or county. Orem has enacted this tax for 0.10 percent.

Business Improvement District

The State Street business owners could potentially benefit from forming a Business Improvement District to facilitate State Street projects, including joint marketing opportunities, ad campaigns, festivals and events in the downtown area, signage, assistance with business recruitment, planning for parking facilities, and storefront improvement programs.

Community Development Block Grants

Community Development Block Grants (CDBG) can be used for development in areas of the City that qualify as low and moderate income areas. Additionally, CDBG funds may be used for projects that remove barriers to access for the elderly and for persons with severe disabilities.

Utah Arts Council

The Utah Arts Council offers grants to non-profit organizations and entities for arts education programs and program grants. The funding is limited and requires a match, and may be useful in developing a program or event within the community; however, these funds are not designed to develop arts facilities or enhance building programs.

Utah Historic Preservation Tax Credit

Historic homes can benefit from a 20 percent nonrefundable tax credit for the rehabilitation of historic buildings which are used as owner-occupied residences or residential rentals. Twenty percent of all qualified rehabilitation costs may be deducted from Utah income or corporate franchise taxes.

Streamlined Permitting Process

Generally permits are processed in the order they are received, and the City already prides itself on a fairly quick turnaround. However, the process can be further streamlined for those businesses that are dependent on a fast process. This can include allowing a fee to move to the front of the queue (a fee the City can waive as a developer incentive), reducing the number of items that have to in front of the city council, and the implementation of a form-based code to reduce further Council approval.

Retail Incentives

For businesses that are highly desirable to the City, sales tax incentives could be provided for a period of time. These would be considered on a case-by-case basis for a major tax-generating retailer to retain or improve the business.

Bonding

Prior to summarizing the financing mechanisms that may be used for each type of capital project, key federal tax laws that come into play when contemplating the issuance and timing of issuance of tax exempt bonds are listed below:

- With the exception of some facilities that can be funded through tax-increment bonds, all facilities funded must be owned by the tax-exempt issuer and generally cannot be utilized for the benefit of a single private entity unless allowed to do so free of charge;
- If the issuer chooses to utilize capitalized interest in the structuring of the debt, the capitalized interest can only be funded for a three-year period or less;
- With the exception of general obligation bonds, revenue bonds will sometimes require a debt service reserve fund, either funded from bond proceeds or with a surety policy;
- Generally, debt service can be structured to match estimated available revenues that will be used to pay the debt; and
- State law does not allow for the use of “double-barrel” bonds, those that pledge both an asset and a revenue stream.

Financing alternatives that are available to local governments in Utah are summarized as follows:

General Obligation Bonds. General Obligation bonds (“GO”) are subject to simple majority voter approval by the constituents of the issuing entity. General obligation elections can be held once each year, in November, following certain notification procedures that must be adhered to in accordance with State Statutes in order to call the election (pursuant to Utah State Code 11-14-2 through 12). Following a successful election, it is not necessary to issue bonds immediately, but all bonds authorized must be issued within ten years. Once given the approval to proceed with the issuance of the bonds, it would take approximately 90 days to complete the bond issuance.

General obligation bonds can be issued for any governmental purpose as detailed in Utah Code §11-14-1. The amount of general obligation debt is subject to the following statutory limitations:

- Counties are limited to two percent (2%) of the total taxable value of the County;
- School Districts are limited to four percent (4%) of the total taxable value in the District;
- Cities of the 1st and 2nd class are limited to a total of eight percent (8%) of the total taxable value, four (4%) for general purposes and four (4%) for water, sewer and lights; and
- Cities of other classes or towns are limited to a total of twelve percent (12%) of total taxable value, four percent (4%) for general purposes and eight percent (8%) for water, sewer and lights.

Notwithstanding the limits noted above, most local governments in Utah have significantly less debt than the statutory limitations. Practical limitations imposed on the market will be based on ratios such as general obligation debt per capita and general obligation debt compared to total taxable value. Medians vary somewhat depending on the size of the issuer. A summary of medians can be provided upon request.

Pursuant to state law, general obligation bonds must mature in not more than forty years from their date of issuance. Typically, however, most GO bonds mature in 15- 20 years.

Advantages of G.O. Bonds:

- Lowest cost form of borrowing
- 'New' source of revenues identified
- No encumbrance of utility system revenues
- No requirement to raise utility rates to meet debt service coverage requirements
- Lowest bond issuance costs
- No Debt Service Reserve Fund requirement

Disadvantages of G.O. Bonds:

- Timing issues; limited date to hold required G.O. election
- Risk of a "no" vote while still incurring costs of holding a bond election
- Possibility of election failure due to lack of perceived benefit to majority of voters
- Must levy property tax on all property even if some properties receive limited or no benefit from the proposed improvements
- Can only bond for physical facilities, not ongoing or additional operation and maintenance expense

Utility System Revenue Bonds. To some extent, a city operates in a manner similar to a private business in that it provides utility services for which city residents and businesses pay fees. The fees charged for service should be sufficient to allow a city to pay ongoing operation and maintenance costs, fund periodic replacement of capital facilities, issue debt when prudent and construct new facilities as demand for its services increase.

State law allows a city to issue debt secured by a pledge of the net revenues⁹ generated by the operation of the system. Bonds structured in this manner are typically referred to as System Revenue Bonds or Revenue Bonds and are commonly used by utility service providers to finance capital costs.

⁹ Net Revenues: Total system revenues less operation and maintenance expenses.

Under Utah law, Revenue Bonds may not be secured by a pledge of the physical assets of a city. Bondholders can look only to system revenues as the source of bond repayment. A city is obligated to (i) maintain the system in good operating condition such that the revenue stream is maintained and (ii) charge user rates sufficient to operate the system, service the debt and maintain net revenue coverage levels as required under the terms of such debt.

Revenue bonds do not require a bond election and may therefore be issued much more quickly than G.O. bonds. If revenue sufficiency exists, Revenue Bonds can typically be issued in as little as 90 days. Generally, entities that issue Revenue Bonds are required under the terms of the bond documents to maintain a rate structure that will insure net revenues are sufficient to provide debt service coverage of 125 percent. In other words, there should be net revenues of \$1.25 for each \$1.00 of Revenue Bond debt service.

Because Revenue Bonds are not secured by a city's ability to levy property taxes, but solely from revenues generated by the utility system, bond purchasers are likely to require a slightly higher interest rate to compensate them for the perceived increase in the risk related to the underlying security. Historically, the interest rate differential between a G.O. bond and a Revenue bond is between 10 and 25 basis points.¹⁰ Large cities that serve a wide customer base, including a diverse mix of residential and commercial users, and are not overly reliant on a small percentage of its users to generate the majority of its revenues, will be able to issue bonds at interest rates much closer to G.O. rates.

While G.O. bonds require that a city impose a property tax on all property within a city, System Revenue bonds are repaid from the service charges paid by all system users regardless of whether or not the individual system user benefits from a particular system addition or upgrade. Typically, all system revenues are pledged for the bond repayment and not just those within various service areas within a city even if the rate structure is different in different areas. Additionally, no revenues would be collected from properties until they are developed and using the utility services, which is unpredictable. Also, a city would be pledging all of its system revenues and would be required to covenant to raise its rates to meet the debt covenants. If revenues were insufficient to make the debt service payments, system rates would likely need to be increased.

Revenue bonds can be issued for any capital facility associated with the operation of the utility enterprise of the issuer. The amount of revenue bonds that a local government can issue is not subject to any specific statutory limitations. That stated, there are many practical limitations imposed by the tax-exempt bond market that may limit the capacity of an issuer to issue utility system revenue bonds. In addition, there are legal restrictions, including an Additional Bonds Test coverage ratio established in the bond documents that limits issuance. Credit considerations include, but are not limited to, the following;

- Availability of source (water, gas, electricity) to run the enterprise and meet projected demand
- Comparability of utility system user rates to the surrounding area
- Number of system users
- Revenue and expense history
- Reasonable debt service coverage ratios (1.25x coverage is typical but lower coverage factors have been negotiated down to as low as 1.10x)

¹⁰ Basis Point: 1/100th of a percent. (i.e. 25 basis points equals ¼ percent)

- Utility system not being overly dependent on impact fees
- Cash balances

In order to strengthen its credit or provide enough net revenues to support the issuance of bonds, an issuer, prior to the issuance of utility system revenue bonds, may need to go through a rate study and adjust its rate structure. New utility rates are implemented by resolution under the requirements of Utah Code Section 10-3-7. The Resolution may become effective any time within three months of passage of the Resolution, as determined by the governing body (10-3-719). The form of the Resolution will follow that of an Ordinance, as described in 10-3-704.

Since net revenues can, to a large degree, be controlled by the issuer, revenue bonds are considered low risk investments and generally viewed as strong credits in the bond market. Pursuant to state law, utility system revenue bonds, like G.O. bonds, must mature in not more than forty years from their date of issuance. Typically, however, most system revenue bonds mature in twenty to twenty-five years and are always constrained by the useful life of the facilities being financed that will be used to produce the system revenues.

In addition to issuing bonds through the public markets, the State of Utah has four state revolving loan funds that obtain funding through both state and federal sources that may be available. These entities are the Board of Water Quality, the Drinking Water Board, the Board of Water Resources, and the Community Impact Fund Board. Depending on the type of project, perceived need and benefits, and the current availability of funds at each of the boards, they may provide significant no or low interest loan funding or possibly some grant funding. The level of interest charged is generally a function of the utility rates being charged compared to the median gross household income in the area.

Advantages of Utility System Revenue Bonds:

- Low cost form of borrowing only slightly higher than G.O. Bonds
- No requirement to hold a bond election
- Can be completed relatively quickly

Disadvantages of System Revenue Bonds:

- Non system-wide improvements could end up being paid for by all users even though no benefit is realized by those outside the specific development area
- May require a user rate increase to all City residents to meet debt service coverage tests
- Revenues may be slow to materialize since they are somewhat dependent on new construction
- Typically require a Debt Service Reserve Fund

Excise Tax Revenue Bonds. Revenue bonds payable from excise tax revenues are governed pursuant to Utah State Code Section 11-14-307. Without the need for a vote, Cities and Counties may issue bonds payable solely from excise taxes levied by the City, County or those levied by the State of Utah and rebated to the City or County such as gasoline taxes or sales taxes. State law limits the amount of bonds that can be issued through this mechanism by limiting annual bond debt service to a maximum of 80 percent of the preceding fiscal year's receipts.

Class B&C Road Bonds. Gasoline taxes are collected and distributed pursuant to Cities and Counties in a formula that is based upon population and number of City or County road miles

within the local government's boundaries. These funds can be utilized by cities and counties to construct, repair and maintain City and County roads and can be utilized as a sole pledge for repayment of debt issued for those purposes.

State law limits the amount of bonds that can be issued through this mechanism by limiting annual bond debt service to a maximum of 80 percent of the preceding fiscal year's receipt of Class B & C road funds. These bonds may not exceed ten years. This state law matches well with the general requirements of the market relative to revenue bonds as it automatically serves to create a 1.25X debt service coverage ratio.

Practical consideration for the issuance of this type of debt for most cities and counties lies with the fact that most local governments spend these funds and more on the maintenance of roads. Therefore, while it is used as the means for securing the debt, other general funds may actually be utilized by the issuer to make the annual payments or to pay for maintenance while the excise tax bonds are being retired with Class B&C road fund revenues.

While toll roads are common in the east, they have only been used rarely in Utah for two specialized road projects.

Depending on the ownership of the road(s) being financed, the City or possibly the County could issue the excise tax revenue bonds. The issuer would need to adopt a Notice of Intent to Issue Bonds, hold a public hearing, and allow for a thirty-day contestability period prior to closing on the bonds. Once the Notice of Intent has been adopted it would take approximately 90 days to complete an issuance of these bonds.

While neither the City nor the State can control the amount of gas tax generated, there exists in State law a non-impairment clause (11-14-307 (a)) that restricts the State's ability to change the distribution formula in such a way that would harm bondholders while local governments have debt outstanding.

Sales Tax Revenue Bonds. Sales taxes are also collected and distributed by the State of Utah. With a change in the State's constitution in November of 2000, and with a clarification from the Attorney General's office regarding a technical matter, the first non-voted sales tax revenue bond was issued in July 2001. Sales tax revenues can also be utilized as a sole pledge for repayment of debt without a vote of the constituents and funds can be utilized for the acquisition and construction of any capital facility owned by the issuing local government. They are frequently used for parks and recreation facilities or other city buildings such as City Hall or Public Safety buildings.

Just as with Class B&C road bonds, state law limits the amount of bonds that can be issued through this mechanism by limiting annual bond debt service to a maximum of 80 percent of the preceding fiscal year's receipt of sales tax revenues. However, sales taxes are not limited to a pledge for a ten-year period but can legally be issued for up to forty years. While this state law provides an 1.25X debt service coverage ratio, due to the elasticity of sales tax revenues and local governments typical heavy reliance on these revenues for general government operations, the market will usually demand a significantly higher debt service coverage ratio of at least two or three times revenues to debt. Most sales tax revenue bonds are structured to mature in twenty-five years or less.

Depending on the ownership of the capital facilities to be financed, the City or the County could issue sales tax revenue bonds. The issuer would need to adopt a Notice of Intent to Issue Bonds, hold a public hearing, and allow for a thirty-day contestability period prior to closing on the bonds. Once the Notice of Intent has been adopted it would take approximately 90 days to complete an issuance of these bonds.

Municipal Building Authority Lease Revenue Bonds (“MBA”). Pursuant to the Utah Municipal Building Authority Act (17D-2-1) cities, counties and school districts¹¹ are allowed to create a non-profit organization solely for the purpose of accomplishing the public purpose of acquiring, constructing, improving and financing the cost of a project on behalf of the public body that created it.

The security for a MBA bond is a first trust deed on the real property, any buildings or improvements and a security interest in any furniture, fixtures and equipment financed pursuant to a particular MBA transaction and an annual lease payment from the City to the MBA. Bonds structured in this fashion are not considered long-term debt as the lease payments are subject to an annual appropriation by the City.

Due to the security structure, the best types of capital facilities to finance under this mechanism are those that are deemed as “essential purpose” by the bond market. Municipal buildings such as city halls, public safety buildings and public works buildings are typically considered essential public purpose. That stated, many other capital improvements and facilities have been funded using MBA bonds including parks and recreation facilities. To strengthen the credits of facilities that are not deemed as essential purpose, it is common to cross collateralize facilities. However, under Utah law once a facility has been completely paid for and is owned outright by the local government it cannot be utilized to collateralize debt on another facility.

The legal limitation for maturity on bonds issued pursuant to the Building Authority Act is forty years. From a market perspective however, the final term on this type of debt will be governed by the maximum useful life of the facility(ies). Most MBA bond transactions are structured to mature in 25 or less.

Due to the real property nature of the transaction it may take some additional time to process and close an MBA bond due to the need to run a title report and clear any liens or encumbrances that may appear on the title so that clear title policies can be provided to the owner and lenders.

Impact Fee Revenue Bonds. Utah State law allows the City to charge new development for the cost of providing service to newly-developed areas through the imposition of Impact Fees once a complete impact fee analysis has been completed and adopted. Impact fees are calculated to cover the cost of bringing new development up to the same or proposed service standard (if less than the existing standard), often referred to as the “level of service.”

Although impact fees can technically be pledged as a repayment source on bonds, due to the uncertainty related to timing of collection of impact fees, they are not considered a secure enough source of revenue on their own to secure financing at a reasonable cost. Typically impact fee revenues are utilized as one portion of the funding available to make debt payments when system revenue bonds are issued, with the bulk of the revenues coming from user fees. A city, if it wished

¹¹ Although available for use by school districts, the mechanism is rarely utilized by them.

to finance a capital project using impact fees, would still need to issue either G.O. Bonds or Revenue Bonds as previously discussed to secure the bonds and then use any impact fees received to offset the debt service payments due from the actual pledged sources. In this case, the city takes the risk that the impact fees will materialize and be available for debt repayment rather than investors.

Advantages of Impact Fee Revenue Bonds:

- Those benefiting from the improvements, pay for the improvements
- No requirement to hold a bond election

Disadvantages of Impact Fee Revenue Bonds:

- Unpredictable nature of source of revenues would significantly drive up the cost of financing and in today's market may be difficult
- In order for this type of financing to be marketable, the City would most likely have to pledge other revenue sources (such as user fees) as a backstop
- Would require a Debt Service Reserve Fund

Special Assessment Area Bonds. Special Assessment Areas ("SAAs"), formerly known as Special Improvement Districts or "SID"s, are a financing mechanism that allows governmental entities to designate a specific area which will be benefited by public improvement(s) and levy a special assessment, on parity with a tax lien, to pay for those improvements. The special assessment is then pledged to retire bonds, known as Special Assessment Bonds, issued to finance construction of the project.

The underlying rationale of an SAA is that only those property owners who benefit from the public improvements will be assessed for the improvement costs as opposed to previously discussed financing structures in which all City residents pay either through property taxes or increased service fees.

While not subject to a bond election as is required for the issuance of General Obligation bonds, SAAs may not be created if 50 percent or more of those liable for the assessment payment¹² protest its creation. Despite this legal threshold, most local government governing bodies tend to find it difficult to create an SAA if 10-20 percent of property owners oppose the SAA.

Once created, an SAA's ability to levy an assessment has similar collection priority / legal standing as a property tax assessment. However, since it is not a property tax, any financing secured by that levy would likely be done at higher interest rates than either of the other options discussed in this analysis. Interest rates will depend on a number of factors including the ratio of the market value to the assessment bond amount, the diversity of property ownership and the perceived willingness and ability of property owners to make the assessment payments as they come due. Even with the best of special assessment credit structure, the bonds are likely to be non-rated and therefore would be issued at rates quite a bit higher than similar General Obligation Bonds that would likely be rated. Compared to an 'A' rated GO bond, a special assessment bond will likely carry an interest rate about 300 basis points (three percent) higher. All improvements financed via an SAA must be owned by the City and the repayment period cannot exceed twenty (20) years.

¹² Based on the method of assessment selected, i.e. acreage, front footage, per-lot, etc.

If an SAA is used, the City will have to select a method of assessment (i.e. per lot, per unit (ERU), per acre, by front-footage, etc.) which is reasonable, fair and equitable to all property owners within the SAA. Typically for utility improvements, we would expect the City to utilize an assessment based on acreage, buildable acreage, or equivalent residential units (“ERUs”) rather than basing assessments on such factors such as front-footage which have no correlation to the utilization of utility services. State law does not allow property owned by local government entities such as cities or school districts to be assessed.

One possible advantage of SAA’s is their ability to finance the project during its construction phase through the use of Interim Warrants or Bond Anticipation Notes which work in a fashion similar to a construction loan on a new house. In our current market it is difficult to find buyers willing to take the construction risk without actual assessments levied, however, a lender is secured through either a negotiated or a competitive process and, as construction proceeds, advances are taken by the City against a pre-authorized loan amount. The use of Interim Warrants has two compelling advantages over bonding for all of the construction costs before actually beginning construction. First, interest accrues only on the amount actually drawn upon for actual construction whereas a bond begins to accrue interest on the entire par amount of the bonds as soon as the bonds are issued. Second, it allows the City to complete all construction, gather accurate cost data and calculate the assessment on each property once all actual costs are known rather than estimating the costs in advance. This second advantage is most pronounced in a time of escalating construction costs because once the assessment is levied on each property, it cannot be increased even if the actual construction costs exceed the original estimate on which the assessment was based. In such a circumstance, the City would have to pay any cost over-runs.

Advantages of Special Assessment Bonds:

- Tax-exempt interest cost although not as low as a GO or revenue bond but interest cost is passed along to the property owners who are assessed
- No requirement to hold a bond election but the City must hold a meeting for property owners to be assessed before the SAA can be created
- Only benefited property owners pay for the improvements
- Improvements are owned by the City
- Assessment lien is on parity with tax levy
- Expedited foreclosure procedures in the event of non-payment of assessment
- Limited risk to the City as there is no general tax or revenue pledge
- City controls the construction and can insure work is done to City standards
- Flexibility since property owners may pre-pay their assessment prior to bond issuance or annually thereafter as the bond documents dictate
- Diversity of property ownership reduces default risk
- Ability to issue interim warrants during construction phase
- Assessments can begin as soon as construction is completed

Disadvantages of Special Assessment Bonds:

- Fifty percent of the assessed liability, be it one property owner or many could defeat the effort to create the SAA if they do not want to pay the assessment
- Some increased administrative burden for the City although State law permits an additional amount to be included in each assessment to either pay the City’s increased administrative costs or permit the City to hire an outside SAA administrator
- The City cannot assess certain government-owned property within the SAA (none or little anticipated)

Community Development (CDA), Urban Renewal (RDA) and Economic Development Area (EDA) Tax Increment Revenue Bonds. Under Utah law, redevelopment agencies may create Community Development Project Areas (CDA's), Economic Development Areas (EDA's) and Urban Renewal Areas (URA's). Urban renewal areas are governed by Title 17C of the Utah State Code and can be created by a city or county for the general purpose of providing for redevelopment and economic development through various tools associated with the buying and selling of property and utilizing tax increment as a means to promote development.

The availability of property tax increment for urban renewal and economic development project areas is impacted by a number of matters including the date of adoption of the project area plan budget, the first taking of increment and the rate at which development occurs and property tax values increase.

Unfortunately, but understandably, the bond market will severely discount the projected tax increment cash flows due to the fact that they are solely reliant on tax-increment as the source for repayment of the debt and at the outset of a new project, little if any tax-increment is being generated. Without multiple years of historical tax-increment revenue receipts, the bonds may not be marketable at reasonable rates and at best projected increment will be discounted by at least half, if buyers are willing to buy at all.

One method that has been used to overcome the market challenges posed by direct tax-increment financing is to use a SAA in conjunction with the use of tax increment. This provides a means to leverage the potential tax-increment at an earlier stage in the development process by collateralizing land as opposed to immaterial future incremental dollars.

Under this structure, a tax increment project area (URA, EDA or CDA) is created and the developer / landowner enters into an Agreement to Develop Land ("ADL") with the local government wherein the developer negotiates receipt of a portion of the tax increment to be generated. Then, SAA bonds are issued and assessments are placed on the benefited property of the developer / landowner who provide security to the bonds noting that the property then serves as the ultimate security for the debt (not projected increment receipts). If the developers proceed with development and building in a timely fashion, they can utilize the increment received to make the assessment payments, although they are not pledging this stream of revenues.

Industrial Revenue Bonds. Industrial revenue bonds can be issued by Orem City. There is a \$10 million cap per issue for small manufacturing facilities and a \$150 million total annual state allocation cap. Industrial revenue bonds have strict regulations regarding business types that are eligible; a 501(c)(3) can generally use them for a wider variety of projects.

Bond or Tax Anticipation Notes (BAN's or TAN's). State statute (11-14-311) allows for the issuance of Notes in anticipation of a bond issue or future tax receipts if the legislative body of a City, County or School District deems it advisable and beneficial. These are sold in advance of bonds being sold and may only have to do with time.

TAN's are typically utilized by school districts that receive nearly all of their revenues in one lump sum in November when property tax revenues are received. Knowing that expenses occur monthly, or more frequently, the timing of revenues and expenses may not always be synchronized.

Special Service Districts (SSD's). Special Service Districts are not a type of debt security, but rather the creation of a legal entity that can provide some governmental services and issue debt. Special Service Districts have been widely used throughout the State for water, sewer and fire protection services.

Special Service Districts can be created by a county, city or town for the purpose of providing water service, sewer service, storm retention, electrical or natural gas services, fire protection, recreation, mosquito abatement and public transit.

Creation and appointment of board members is dependent on the type of district, who forms the district and when it is formed.

Local Districts. Local districts were authorized by the Utah Legislature to provide services for: 1) the operation of an airport; 2) the operation of a cemetery; 3) fire protection, paramedic, and emergency services; 4) garbage collection and disposal; 5) health care, including health department or hospital service; 6) the operation of a library; 7) abatement or control of mosquitoes and other insects; 8) the operation of parks or recreation facilities or services; 9) the operation of a sewage system; 10) street lighting; 11) the construction and maintenance of curb, gutter, and sidewalk; 12) transportation, including public transit, streets and roads; 13) operation of a system for the collection, storage, retention, control, conservation, treatment, supplying, distribution, or reclamation of water, including storm, flood, sewage, irrigation, and culinary water, whether the system is operated on a wholesale or retail level or both; 14) extended police protection; and 15) underground installation of an electric utility line.

A local district may not be created to provide, and may not after its creation provide, more than four of the services listed above.

Business Retention

Many of the same strategies that work for attracting businesses also work for business retention. In particular, business retention becomes important when a local company is looking to expand and then their new needs must be met as if the City were attracting them anew. The consultants conducted numerous interviews with City businesses and found that Orem is perceived as a good place to do business, with knowledgeable and helpful staff.

The following were mentioned as advantages to doing business in Orem. The City should make every effort to maintain these advantages:

- Young, well-educated and inexpensive workforce
- Geographic location at the center of Utah County
- Low permit fees in Orem
- Low utility rates in Orem
- Family friendly
- Diverse population
- Lower-cost space is available for startup businesses
- Proximity to two universities
- Safe, low crime rates
- Proximity to recreational facilities

- Regional, retail hub for the County

On the other hand, the following were mentioned as disadvantages to doing business in Orem:

- No space to grow your business into Class A office space
- Rundown appearance of State Street
- Perceived lack of community support for improving the City
- Lack of identity, lack of unified marketing
- Traffic congestion

One of the best approaches to retaining existing businesses is through a Business Expansion and Retention program (BEAR). In these types of programs, City staff meet regularly with a variety of business owners to assess their needs and concerns. Questions asked during these interviews may include:

- Do you have plans to expand your business during the coming year?
- What are the greatest obstacles you face in conducting your business?
- What can Orem City do to help in your business success?

These meetings are also a good time to provide local businesses with updated demographic and buying power information in order to encourage expanded development. The most successful BEAR programs then provide one-on-one assistance in helping businesses obtain the support they need, whether it is in locating funding sources, SBA assistance, etc.

The City may also want to consider holding quarterly breakfast meetings, open to all business owners in the City, to discuss development opportunities.

Keeping in close touch with local businesses is the single best means of encouraging business retention. In addition, the City can provide leadership in the following areas, which will make Orem an attractive place to do business:

- Marketing
- Assistance with land assemblage
- Infrastructure assistance. Streetscape improvements and beautification
- Financial assistance in helping businesses locate available capital
- Workforce training availability (support programs through UVU)
- Technical assistance, technology resources through SBA and other government programs
- Energy efficiency assistance
- Streamlining of permit and license processes

Value of Placemaking – Case Studies

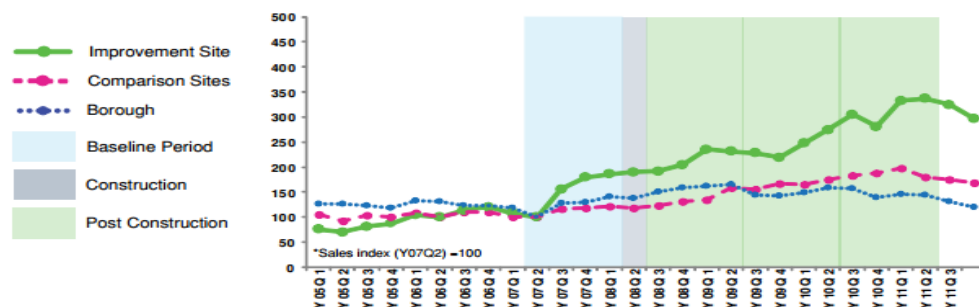
Placemaking has been indicated throughout this strategic plan as Orem's next step forward – the tool that the City can use to redevelop at economic nodes to become a sophisticated urban center. Orem will be able to grow beyond basic strip-mall development and to be a more dynamic and efficient economy that provides its residents with ample opportunities and preserves a high quality of life. Placemaking is a planning process that improves commercial areas to be recognizable, for people (not just cars), to have spatial definition and architectural character, and to make that place a destination in and of itself.

While placemaking is good for residents and improves the aesthetic quality of the City, research has extensively shown that placemaking improves economic outputs and business performance. Improvements in walkability, green space, bike access, and business appearance have a significant impact in the performance of local businesses.

New York City's Department of Transportation performed the most in-depth study on placemaking factors – specifically addressing walkability – finding that businesses in these improved areas saw significant increases in sales compared to similar areas over the same time period. A sample of these projects and their resulting sales increases include:

1. Bronx Hub, the Bronx – Changed traffic patterns and signals to cater to pedestrians, increased public space, added bicycle infrastructure and added greenery.
 - a. Results: Reduced injuries while maintaining the same level of service for traffic. The intersection had improved sales compared to the rest of the Bronx – by the third year post-construction, sales had increased 50 percent compared 18 percent in the Bronx.
2. St. Nicholas Avenue/Amsterdam Avenue, Manhattan – Improved pedestrian mobility with safety and business access in mind.
 - a. Results: Sales in the intersection increased each year post-construction, with a 48 percent increase by the third year compared to 39 percent improvement in Manhattan.
3. 8th and 9th Avenues, Manhattan – Established bike paths.
 - a. Results: Local business retail sales were up 49 percent compared to three percent borough-wide.
4. Vanderbilt Avenue, Brooklyn – Reduced to one lane each way, parking adjustments, added a bicycle lane and landscaped medians.
 - a. Results: Increased sales each year post improvement with a 102 percent increase in sales by year three compared to the overall 18 percent in all of Brooklyn.

Combined Sales : Improvement Sites vs. Comparisons Sites - Vanderbilt Avenue



5. Union Square North, Manhattan – Expanded walking facilities.
 - a. Results: Commercial vacancies reduced by 49 percent, compared to a 5 percent increase in vacancies borough-wide
6. Pearl Street, Brooklyn – Converted an underused parking lot into a public park.
 - a. Results: Nearby retail sales volumes increased by 172 percent, compared to only 18 percent borough-wide.
7. Fordham Road, Bronx – Established a bus lane and other transit improvements.

- a. Results: Increased nearby retail sales 71 percent compared to 23 percent borough-wide
- 8. First and Second Avenue, Manhattan – Developed bus and bike lanes along streets.
 - a. Results: Commercial vacancies were reduced by 47 percent compared to a small average two percent reduction in the rest of Manhattan over the same time period.

Another study completed by Kansas State University found that façade improvements improved gross sales after the improvements. Of the businesses studied, all experienced an increase in the annual percentage increase in the gross sales the year after improvements averaging 272 percent. The majority of businesses sustained an increase in sales an average increase of 222 percent in the average annual percentage increase in gross sales. A majority also experienced an increase in sales after façade improvements above their own business's average before improvements and above the performance of other local businesses over the same time period. Two-thirds of those owners that participated in the study stated that the improvements significantly impacted the increase in sales and all of the businesses reported favorable customer responses to the improvements.

San Francisco found that their Community Benefit Districts (CBDs) and Business Improvement Districts (BIDs) were insulated from the effects of the 07/09 recession: they retained value in properties, had less reduction in sales tax revenues, and maintained lower vacancy rates than rest of City. CBDs/BIDs are partnerships in which property and or business owners elect to make a collective contribution to the maintenance, development, and promotion of their mixed use neighborhood through a special assessment to their property or business. Four of five districts retained more value during the Recession. These districts only lost 8.9 percent of their value, while citywide declines reached 19.45 percent. Two districts grew by 50.02 percent and 23.93 percent in real value from 2006-2012, while citywide commercial office property values grew only 15.79 percent. Additionally, during the recession, citywide sales tax revenues declined by 20%. All 9 studied districts fared better during the recession, on average retaining 4.8% more value. Two districts grew sales tax revenues in real value by 7% and 5% during the recession. At the point of implementing services through the FY10-11 period, 6 of 9 Districts outperformed the City's growth pattern over the same period by an average of 8%.

The Brookings Institute studied how walkability in Washington, D.C. finding that increases in walkability were correlated with improvements in rental rates, retail sales and home values. Walkability in neighborhood and commercial centers in the City were scored on their walkability from one to five, with one being poor walkability and five being good. The following table shows the correlation with these scores on various economic performance measures.

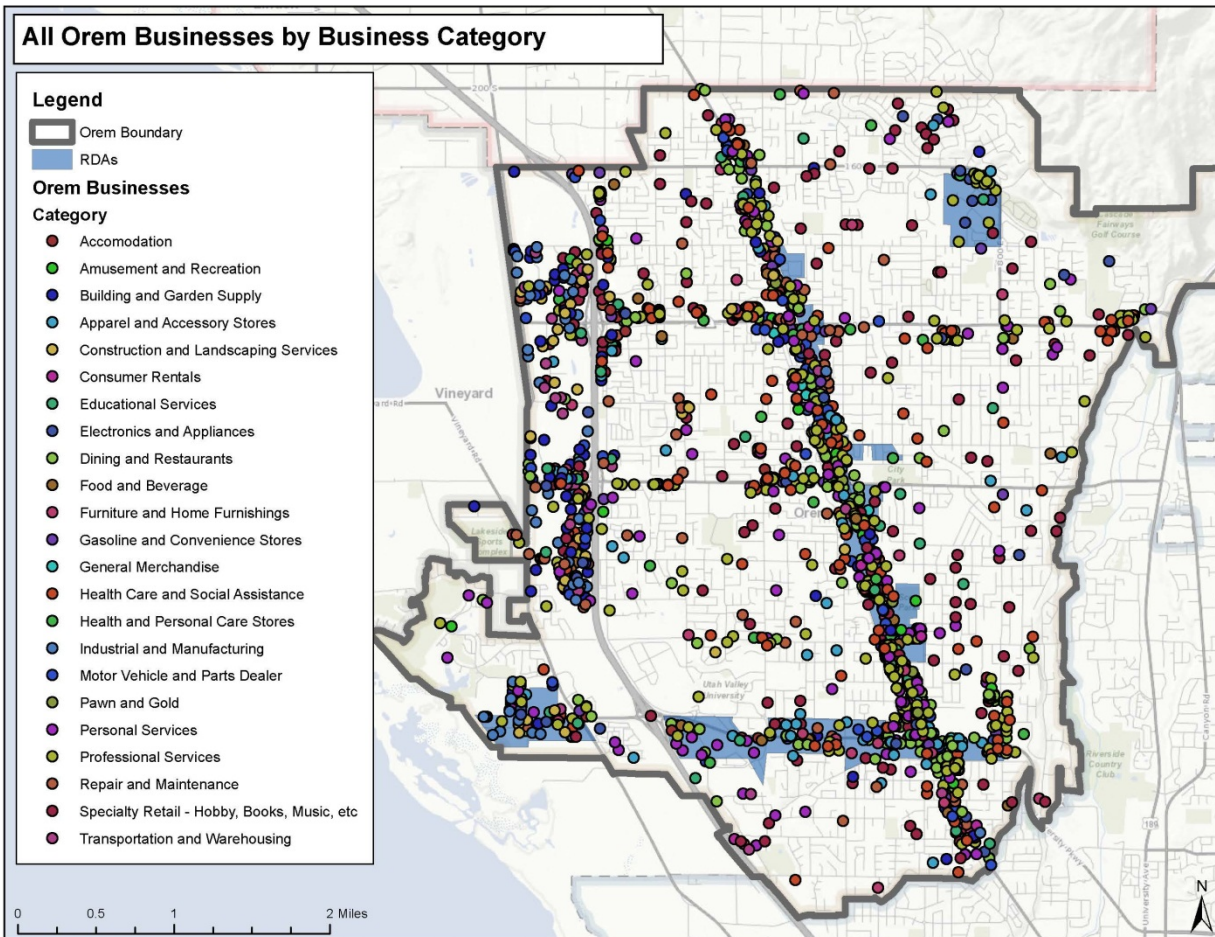
Table 55: Economic Improvements with Walkability Increase

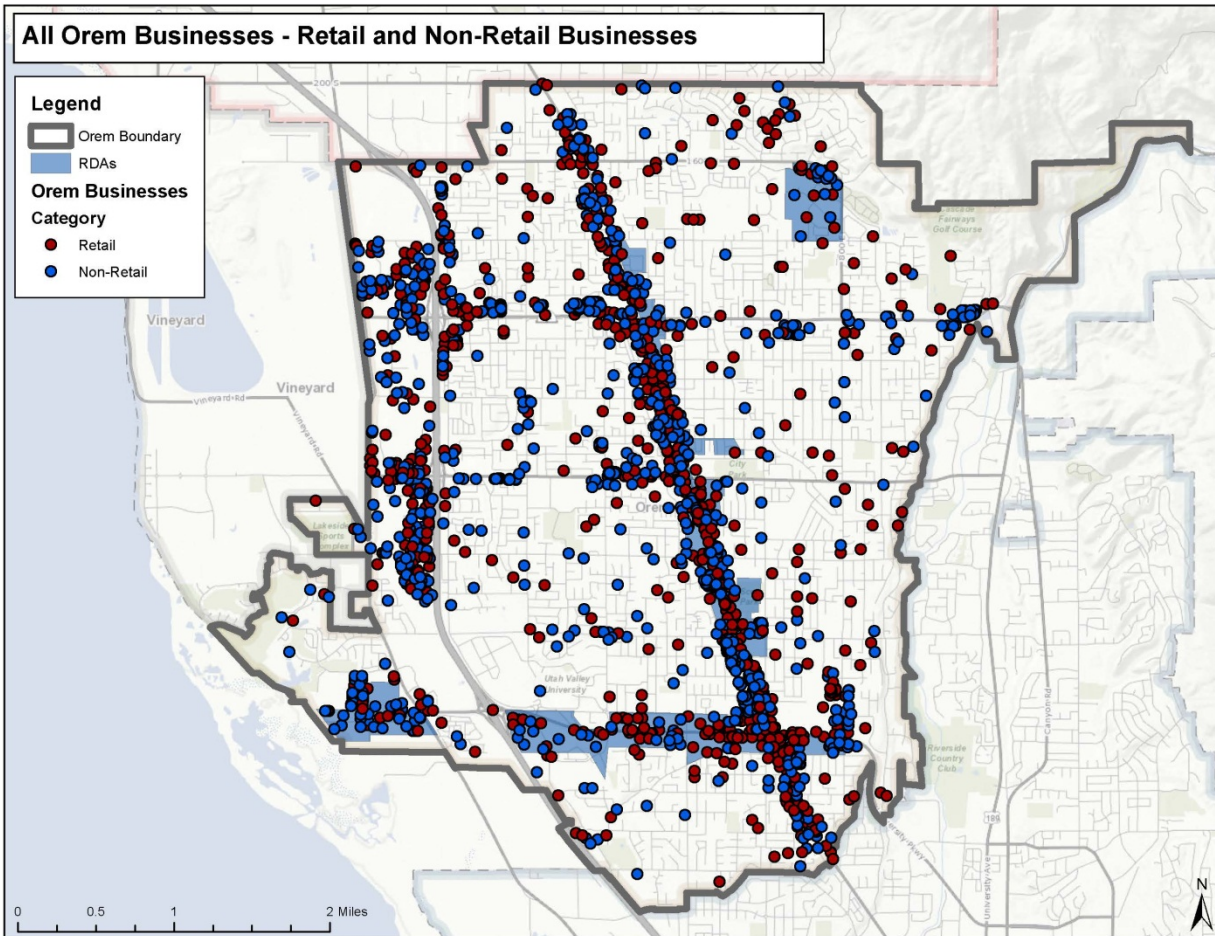
Economic Performance Measure	Increase with 1 Point Walkability Score Increase
Average Office Rent per Square Foot	\$8.88
Average Retail Rent per Square Foot	\$6.92
Percent Retail	80%
Average Residential Rent per Month	\$301.76
Average For-Sale Home Value per Square Foot	\$81.54

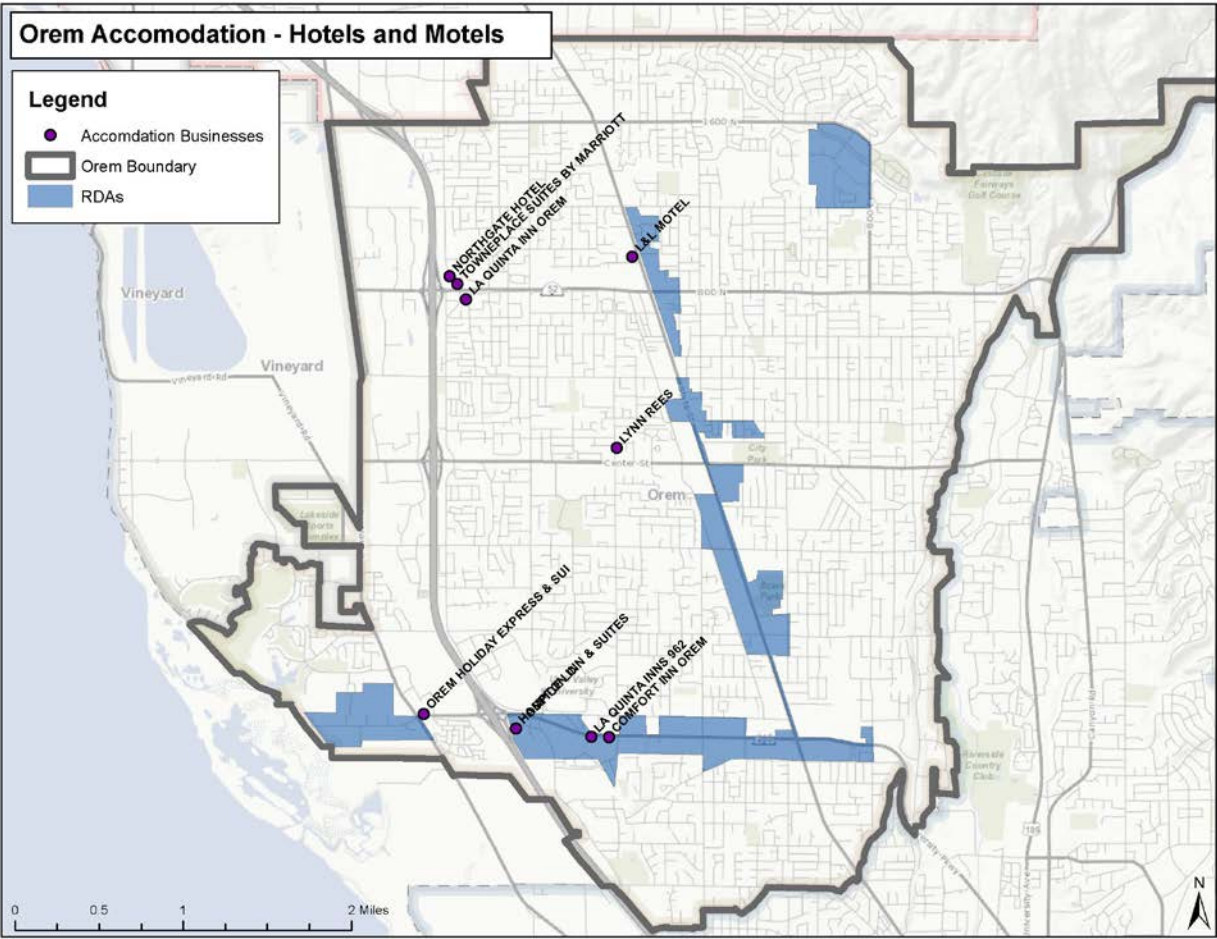
Other smaller case studies and various reports on placemaking factors show the following economic impacts as a result of placemaking efforts:

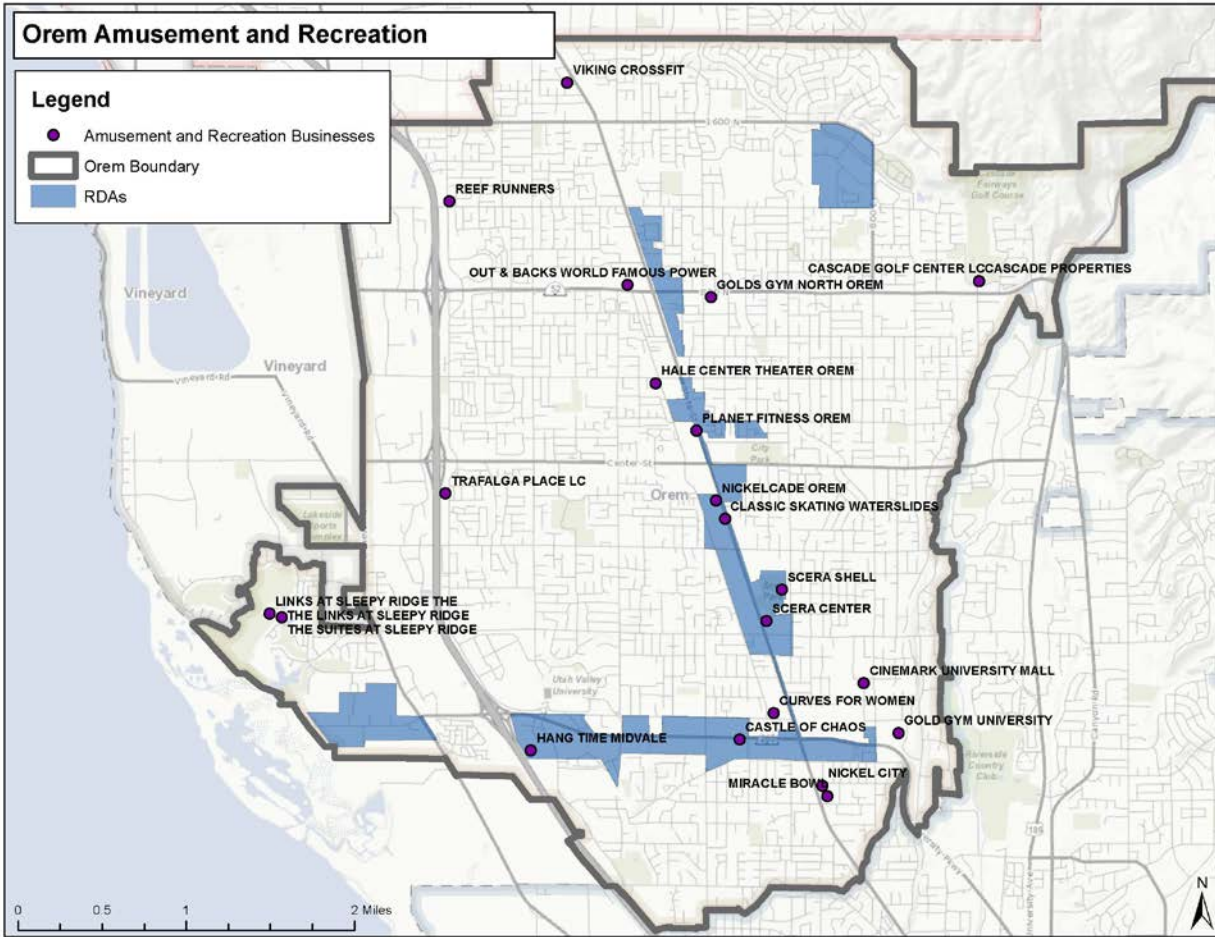
- **Michigan Municipal League:** “Streetscape improvements increase storefront occupancy rates, encourage private sector investments, and have shown to improve commercial trading by up to 40 percent.”
- **Lancaster, CA:** \$10M redesign with new lighting, landscaping, street furniture and promotions. Within 2 years, it spurred \$125M in private investment, a 26 percent increase in sales tax revenues, and 800 new jobs
- **Lodi, CA:** \$4.5M invested to retrofit five main street blocks with sidewalk widening, curb bump-outs, colored paving stones, street furniture, lighting, and other amenities. Resulted in 60 new businesses, drop in vacancy rate from 18 percent to six percent and a 30 percent increase in sales tax revenues in three years
- **West Palm Beach, FL:** Improvements in pedestrian crossings, traffic calming and streetscape. Went from 80 percent vacancy to 80 percent occupancy over 20 years. Property values increased from \$10-\$40/sq ft to \$50-\$100/sq ft. There was also \$350M in new private investment
- **Toronto Clean Air Partnership:** “Patrons of retail business who arrive by foot and bicycle in a neighborhood shopping area visit the most often and spend the most money per month.”
- **Urban Land Institute:** “Walkable retail areas with unique [...] qualities provide competitive advantages. Their ‘place-making dividend’ attracts people to visit often, stay longer and spend more money.”
- **Boarnet Study:** “In LA, walkable, densely-built shopping districts saw retail activity up to four times greater than strip shopping.”

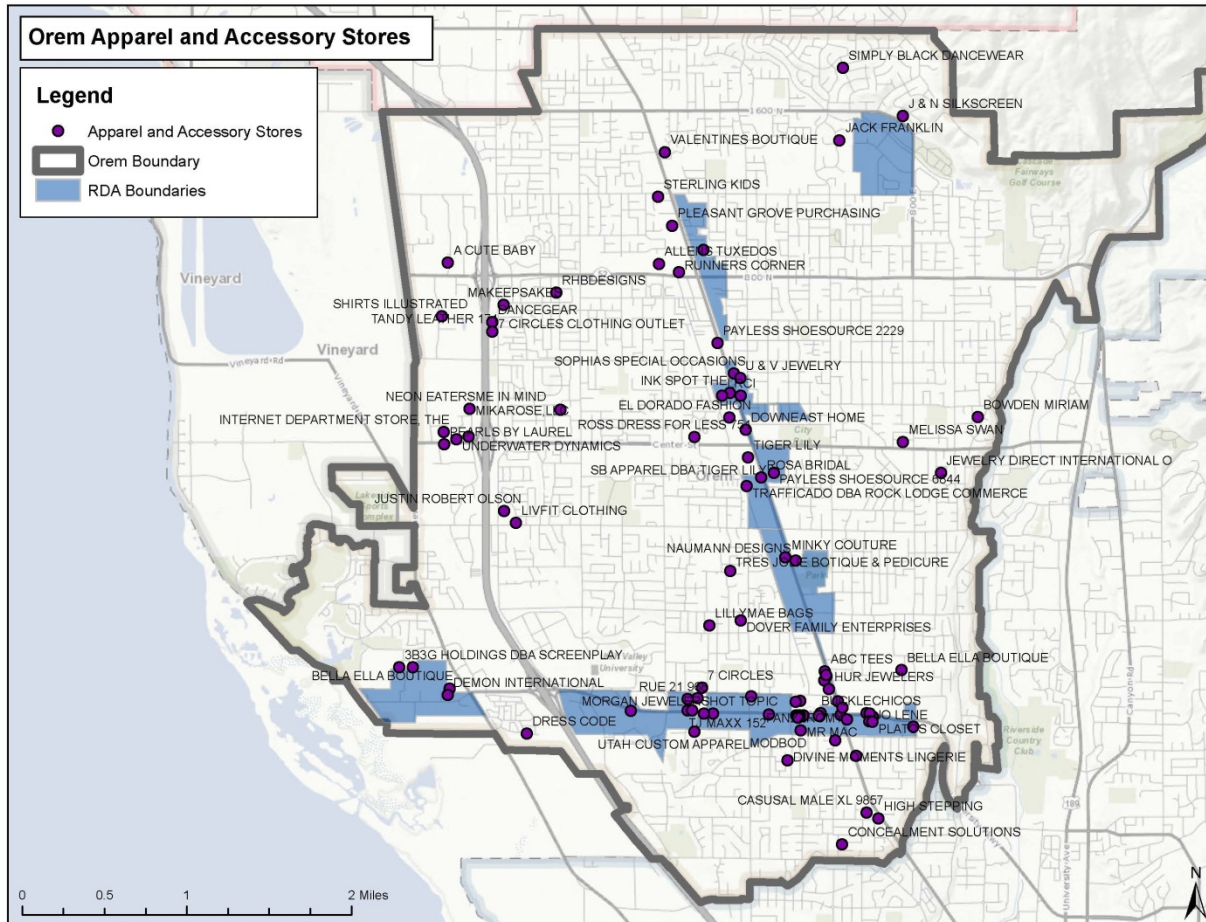
Appendix A: Retail Category Maps

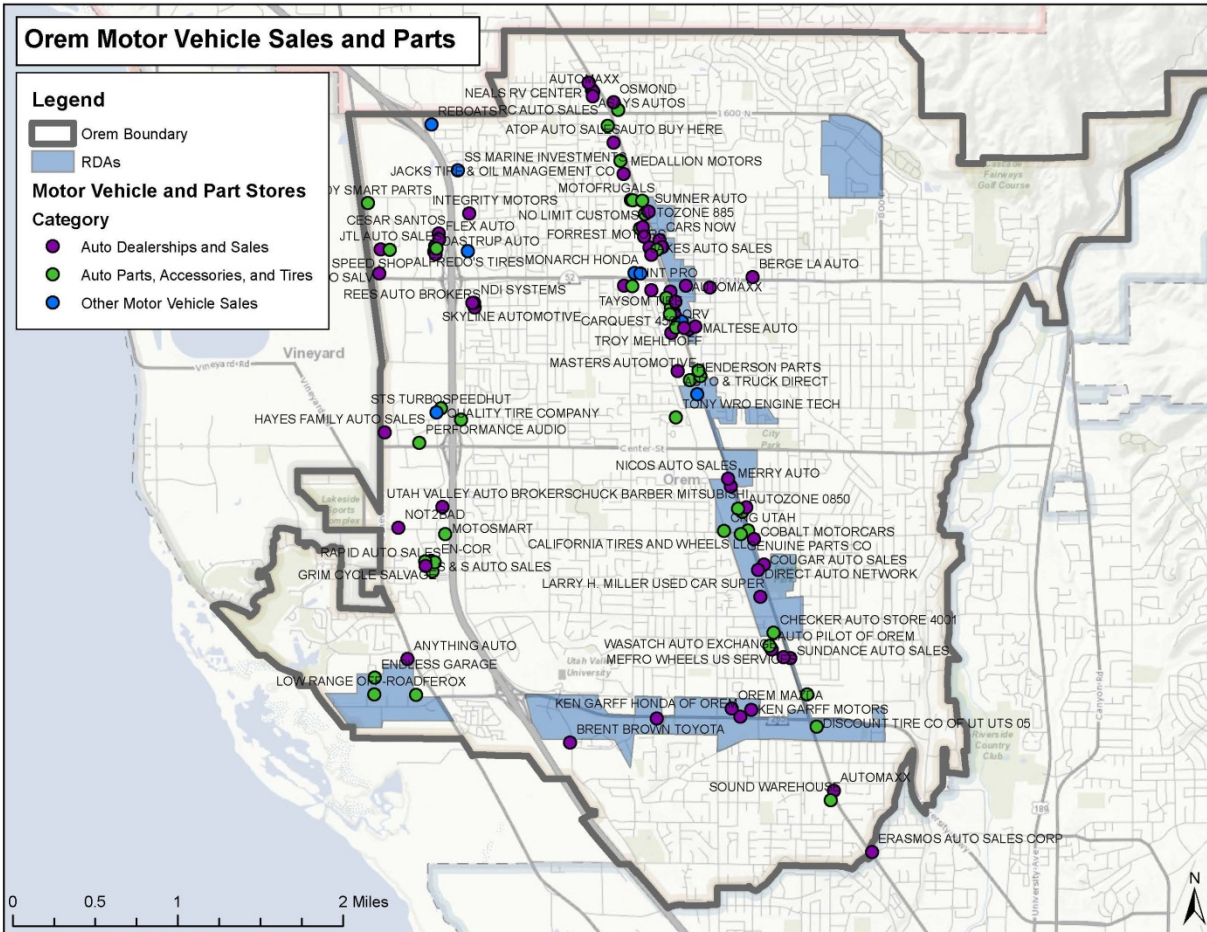


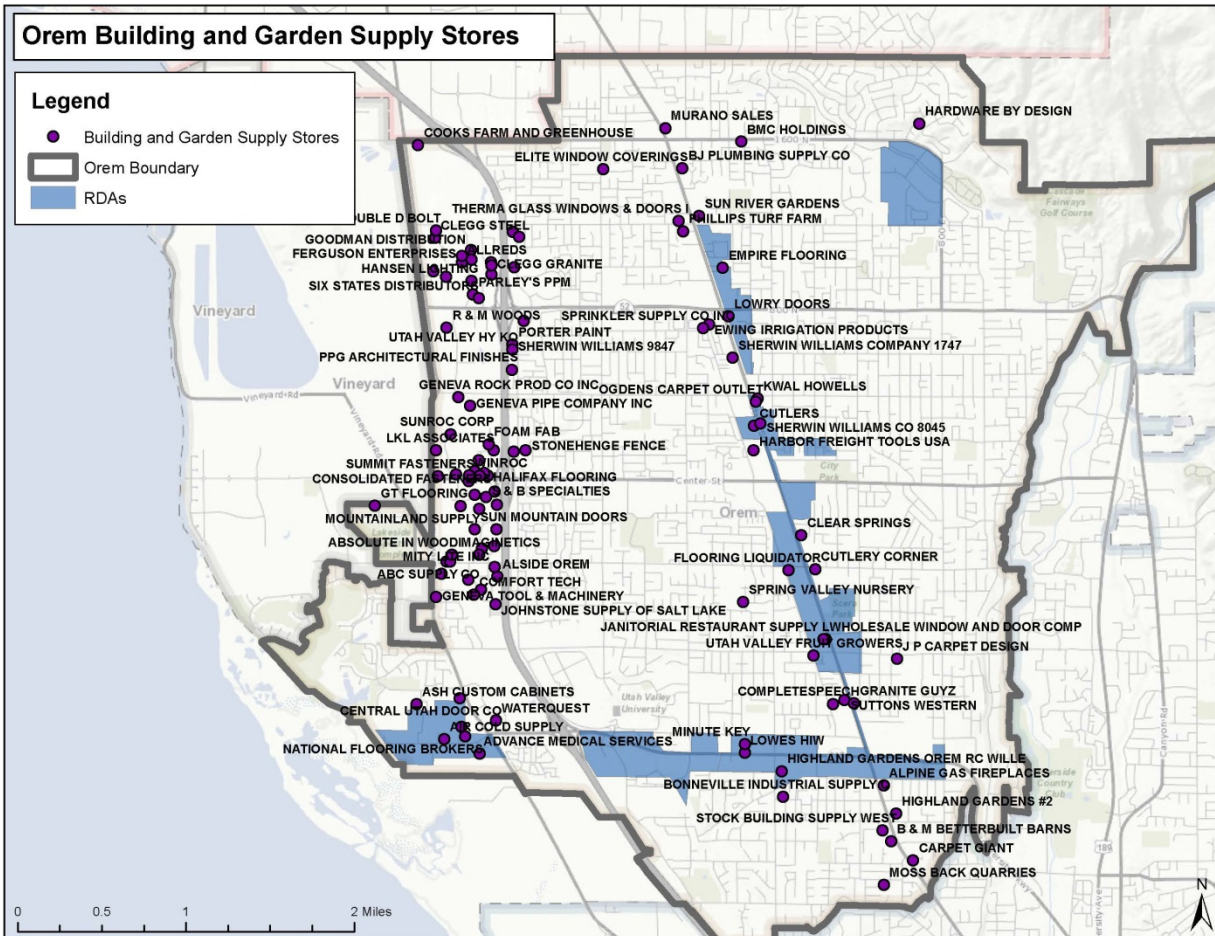


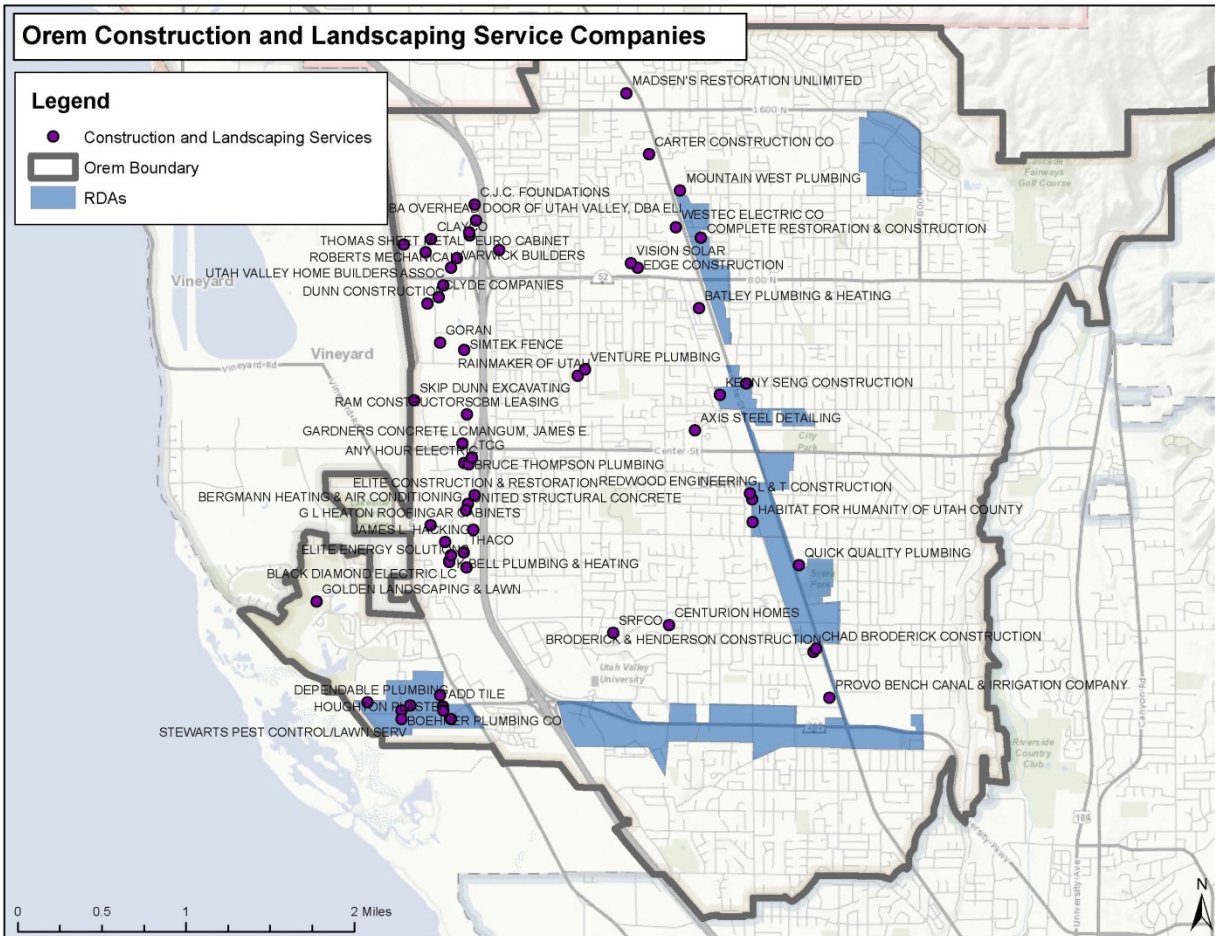


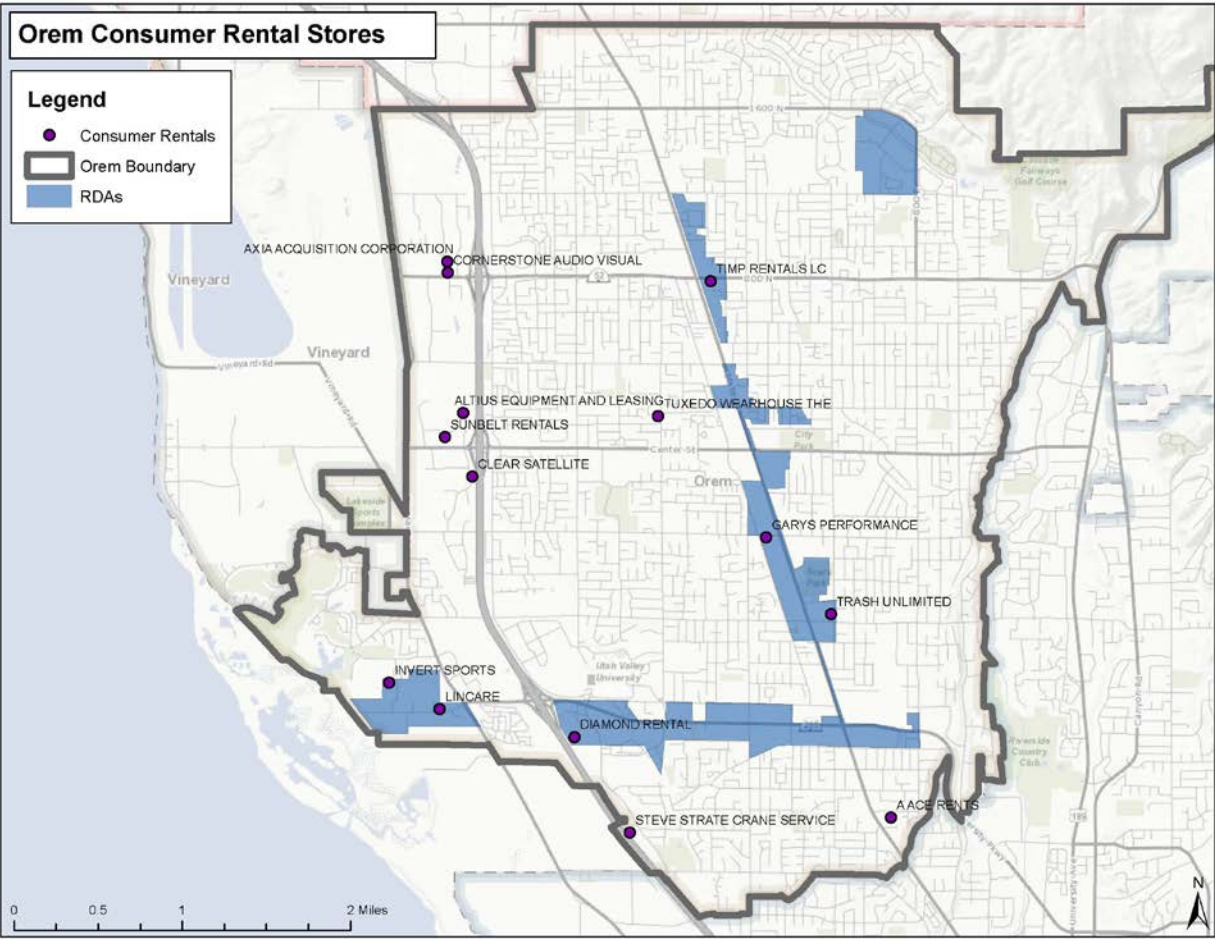


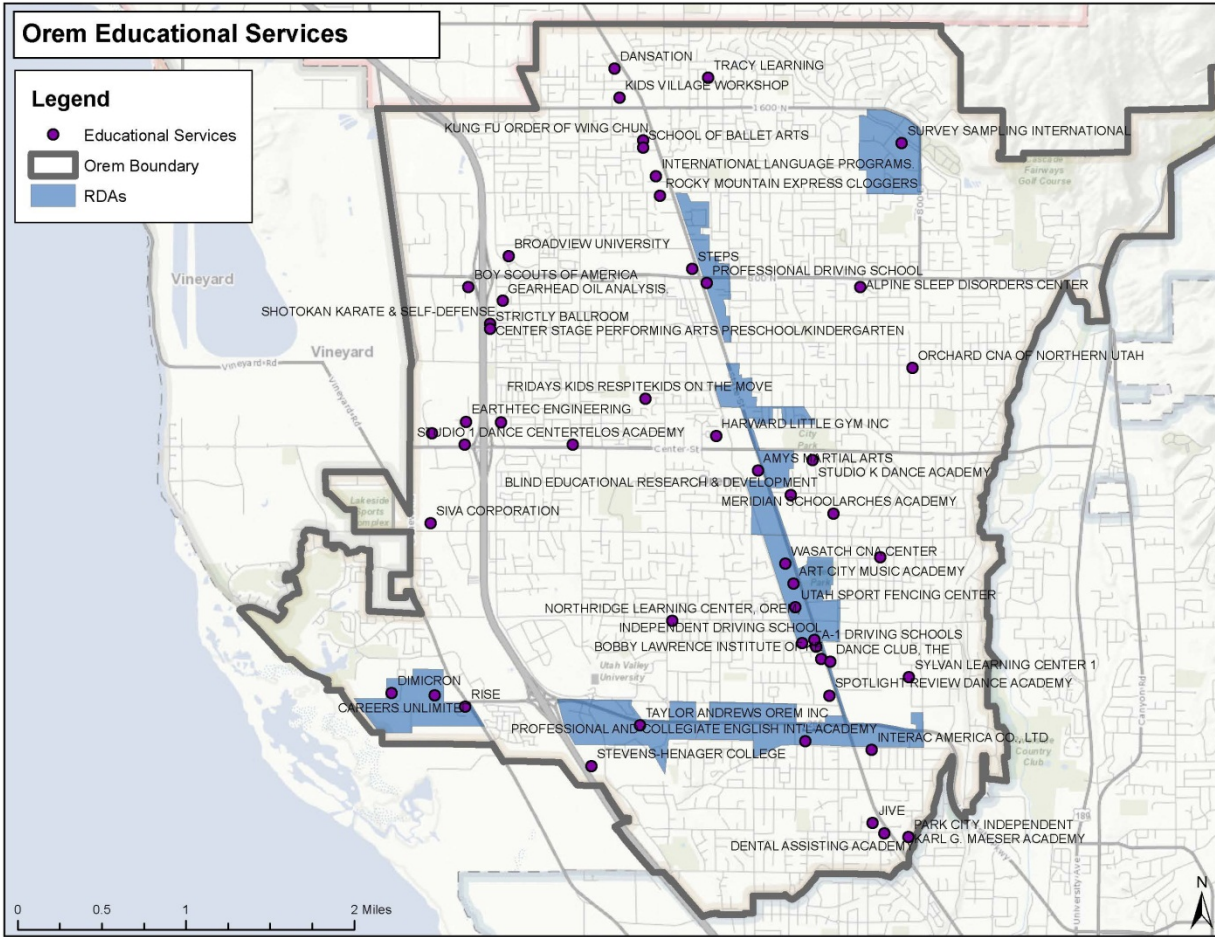


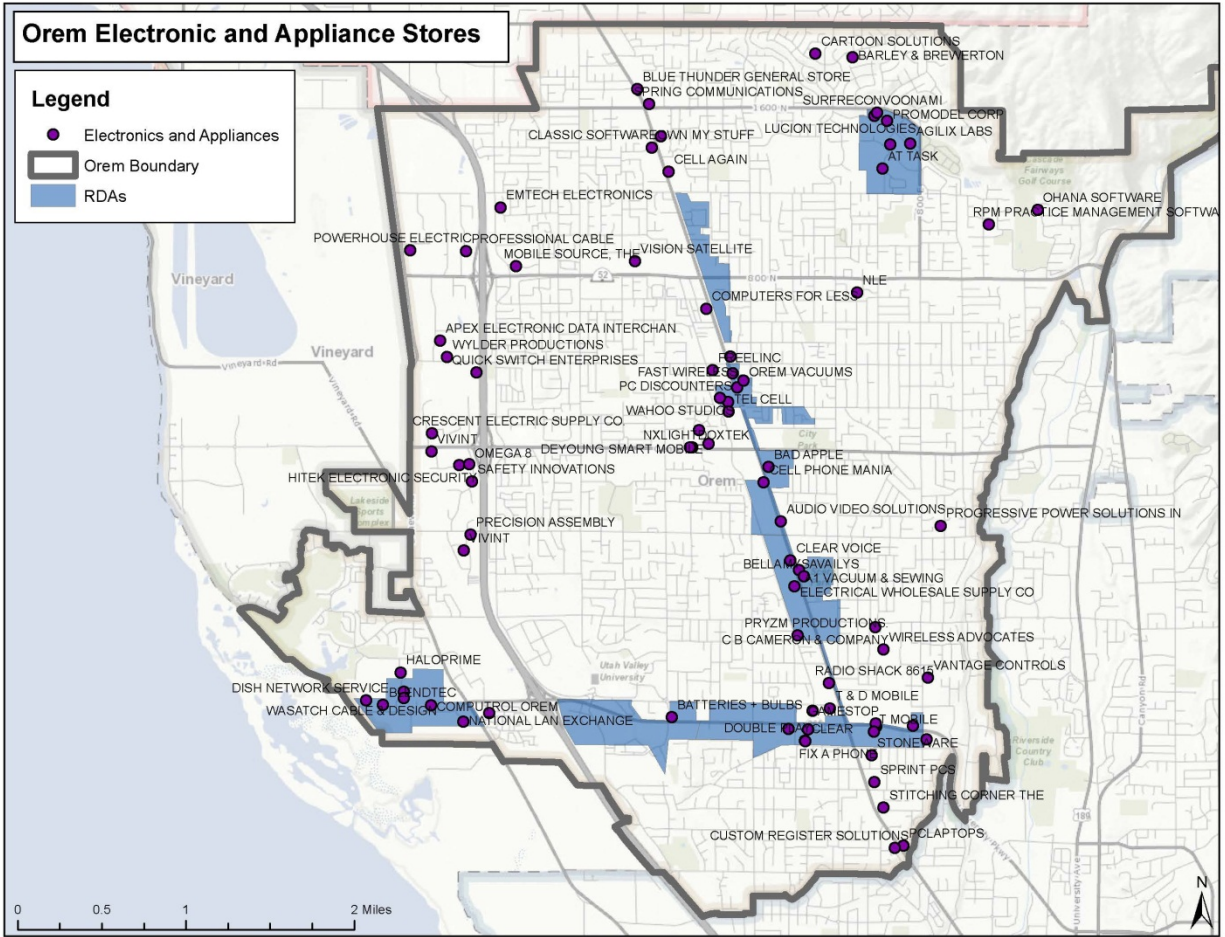




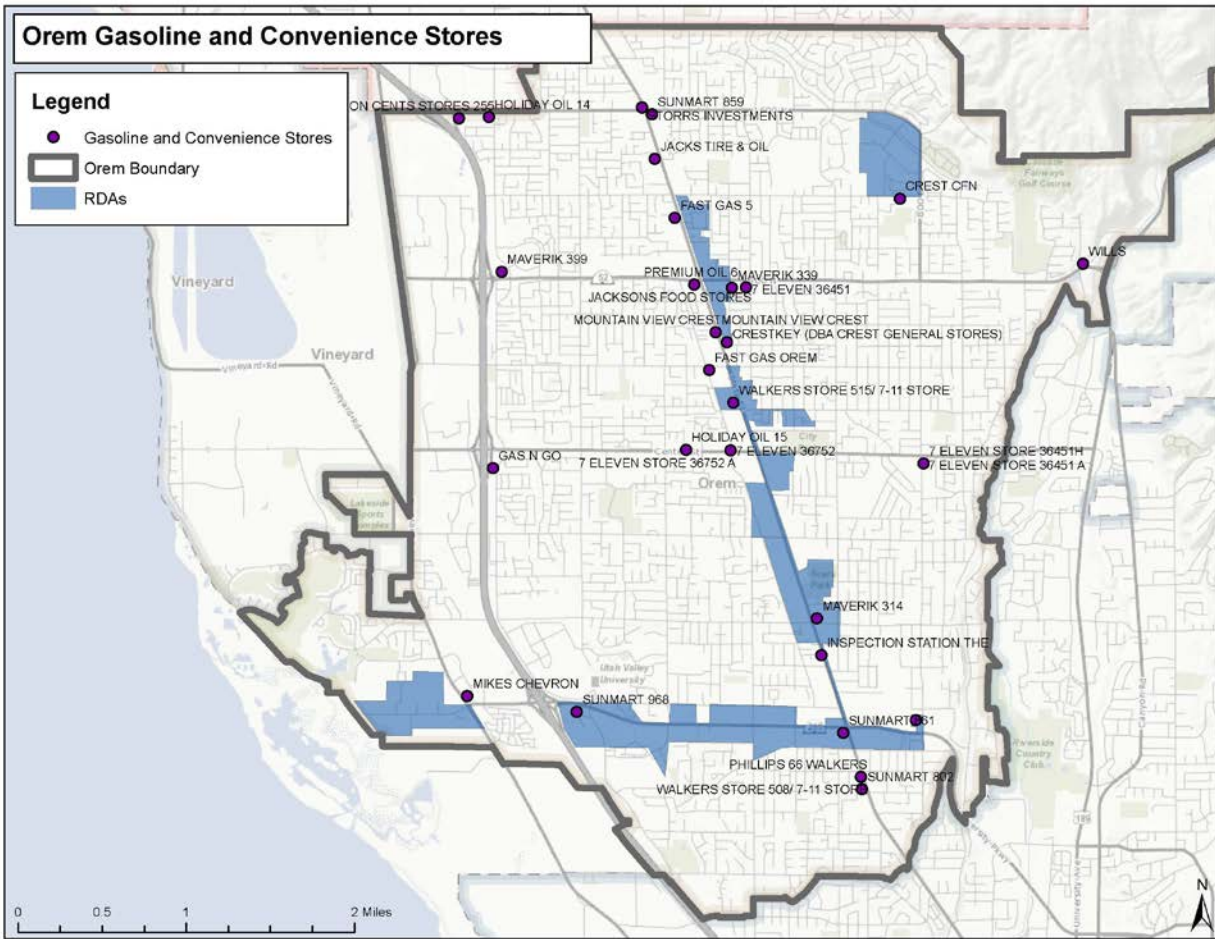


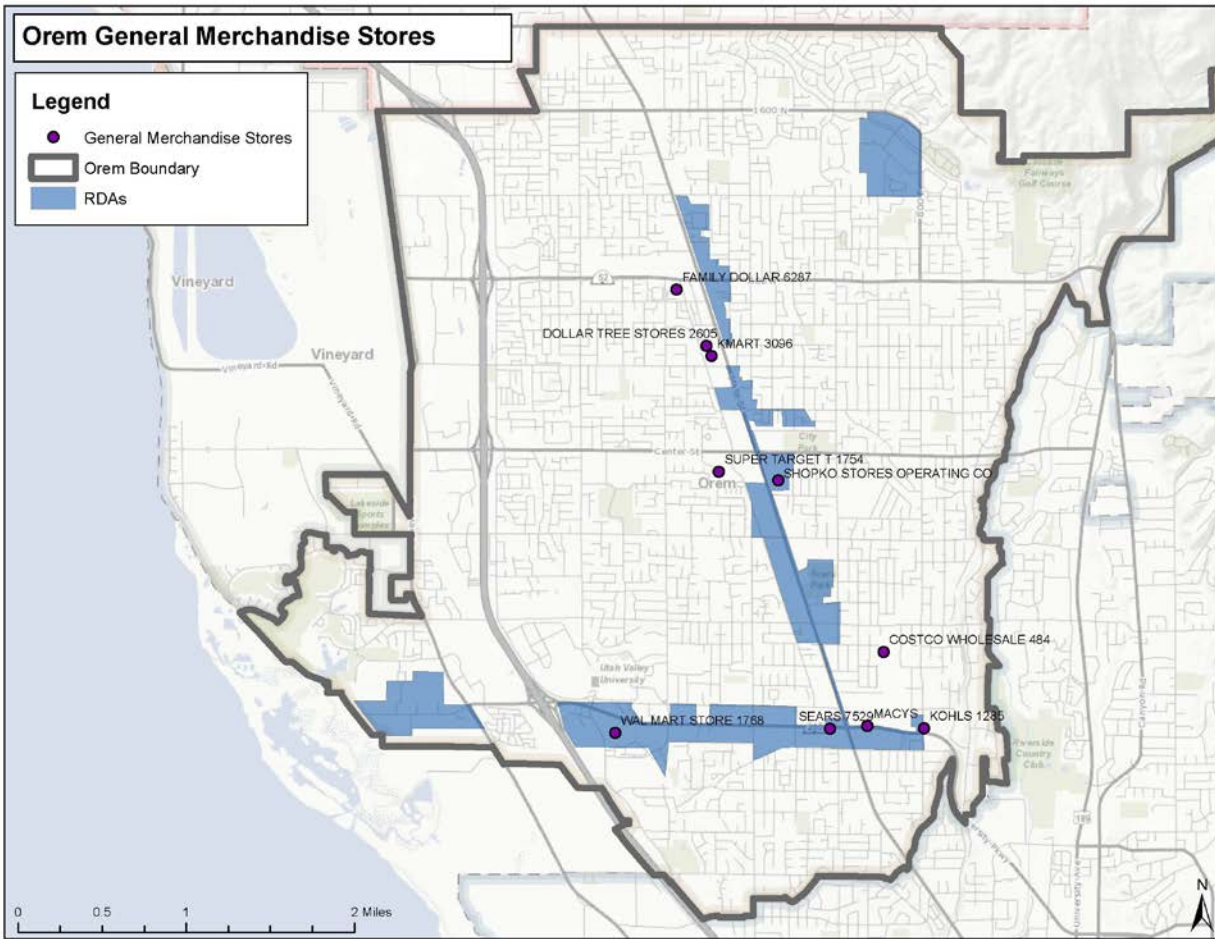


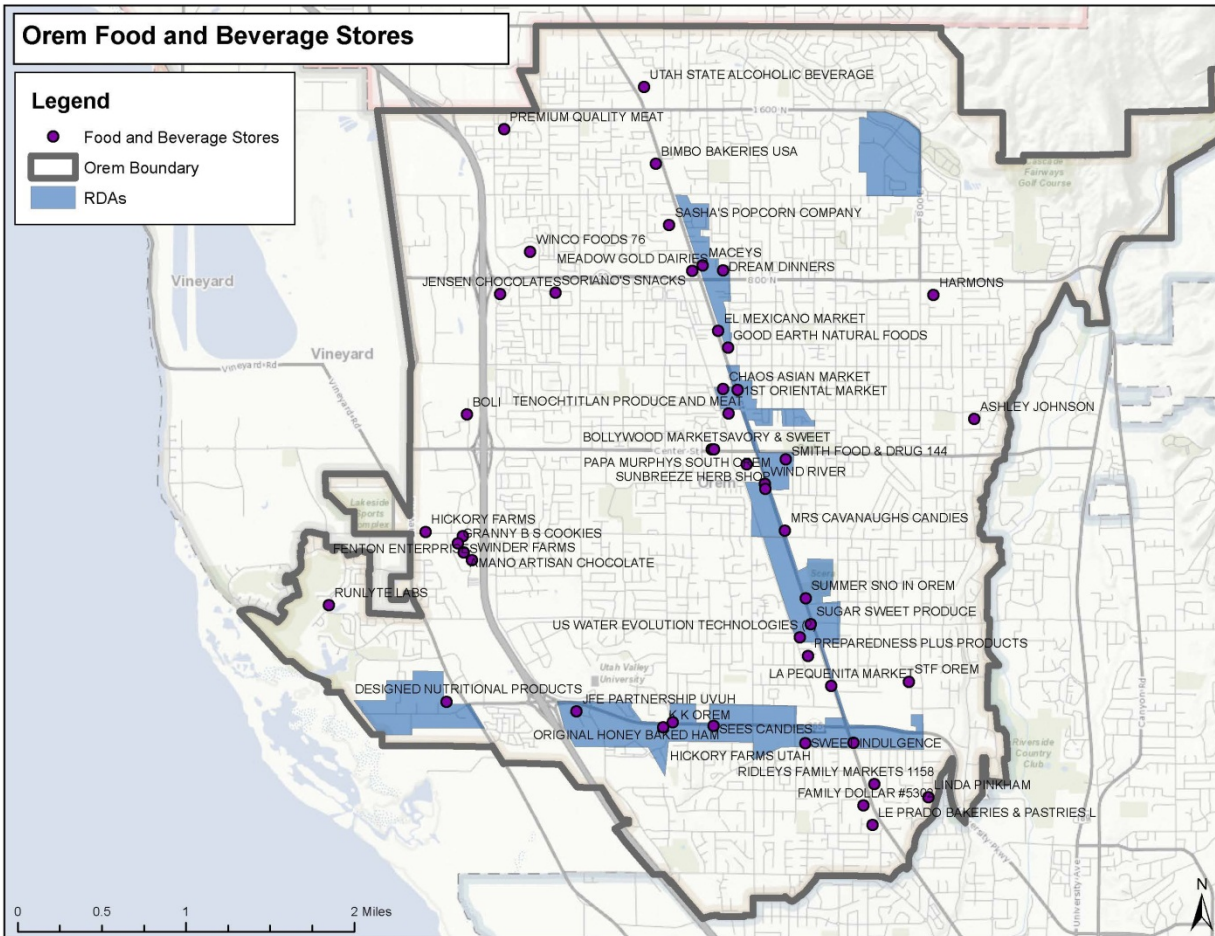


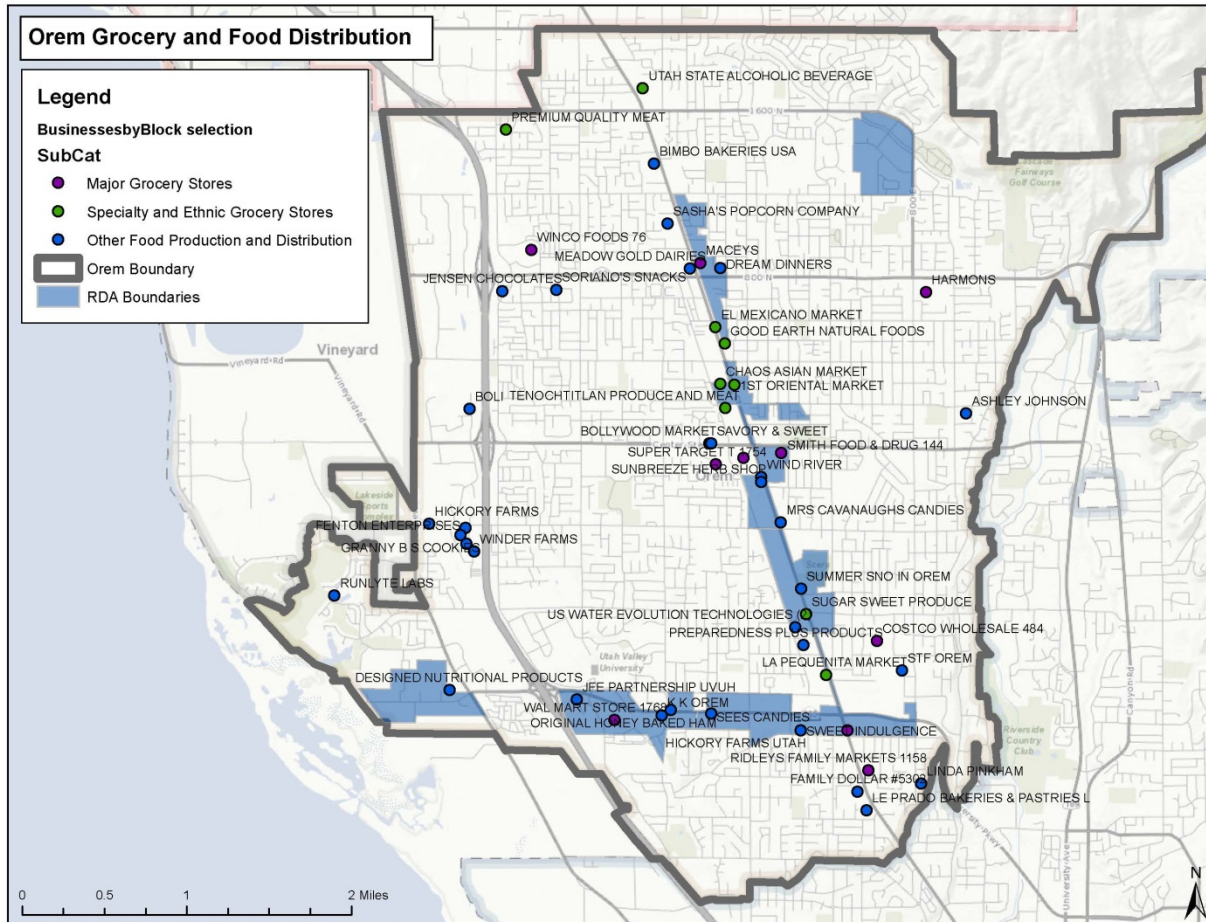


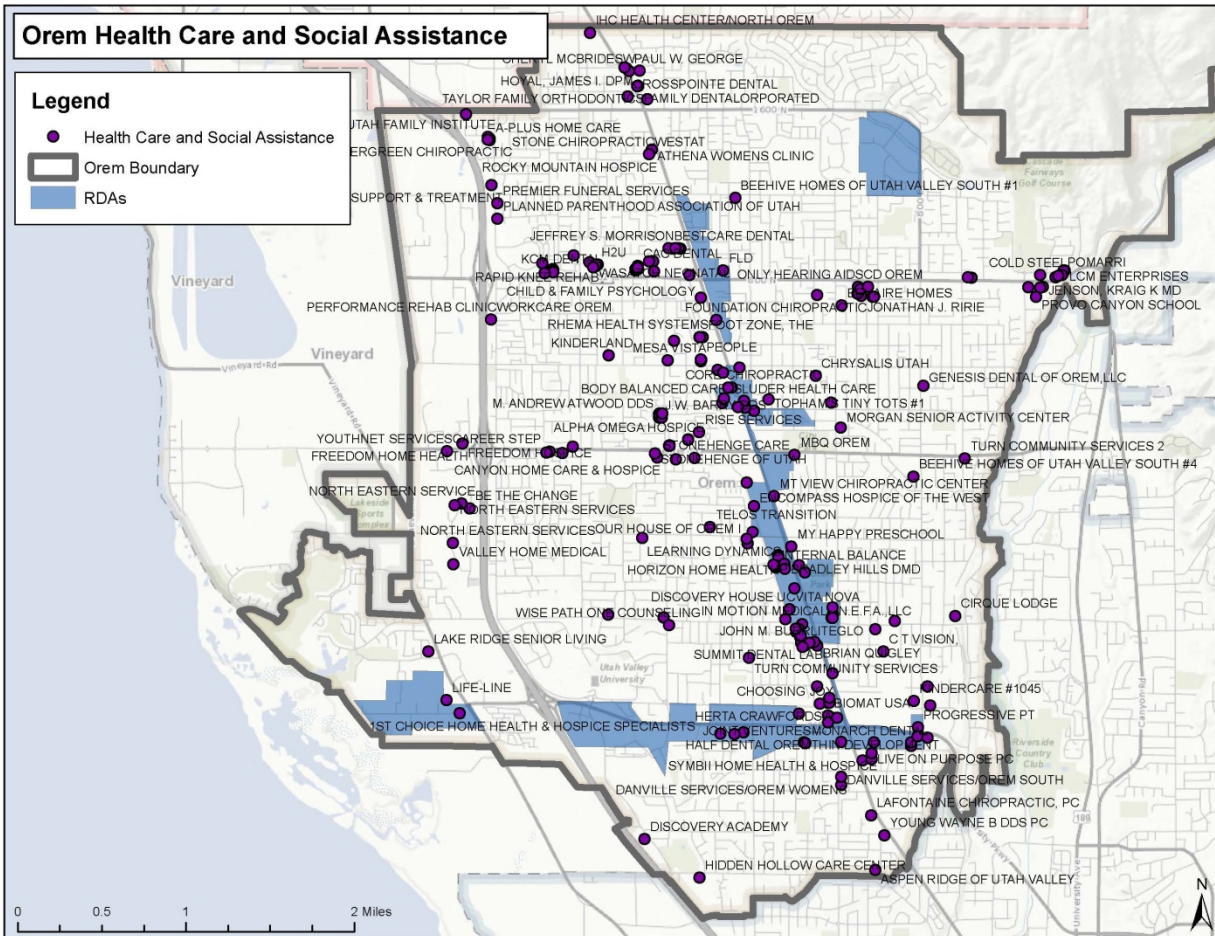


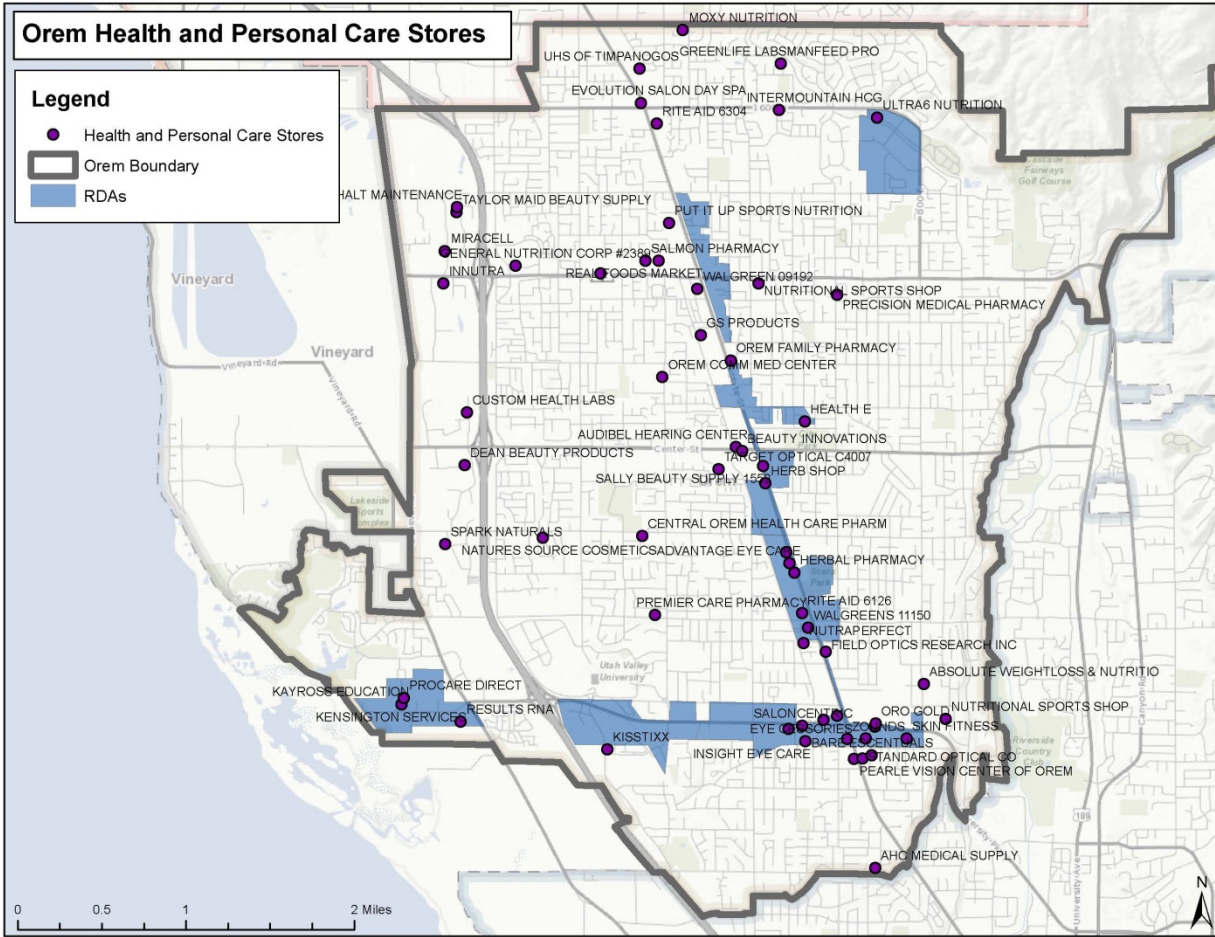


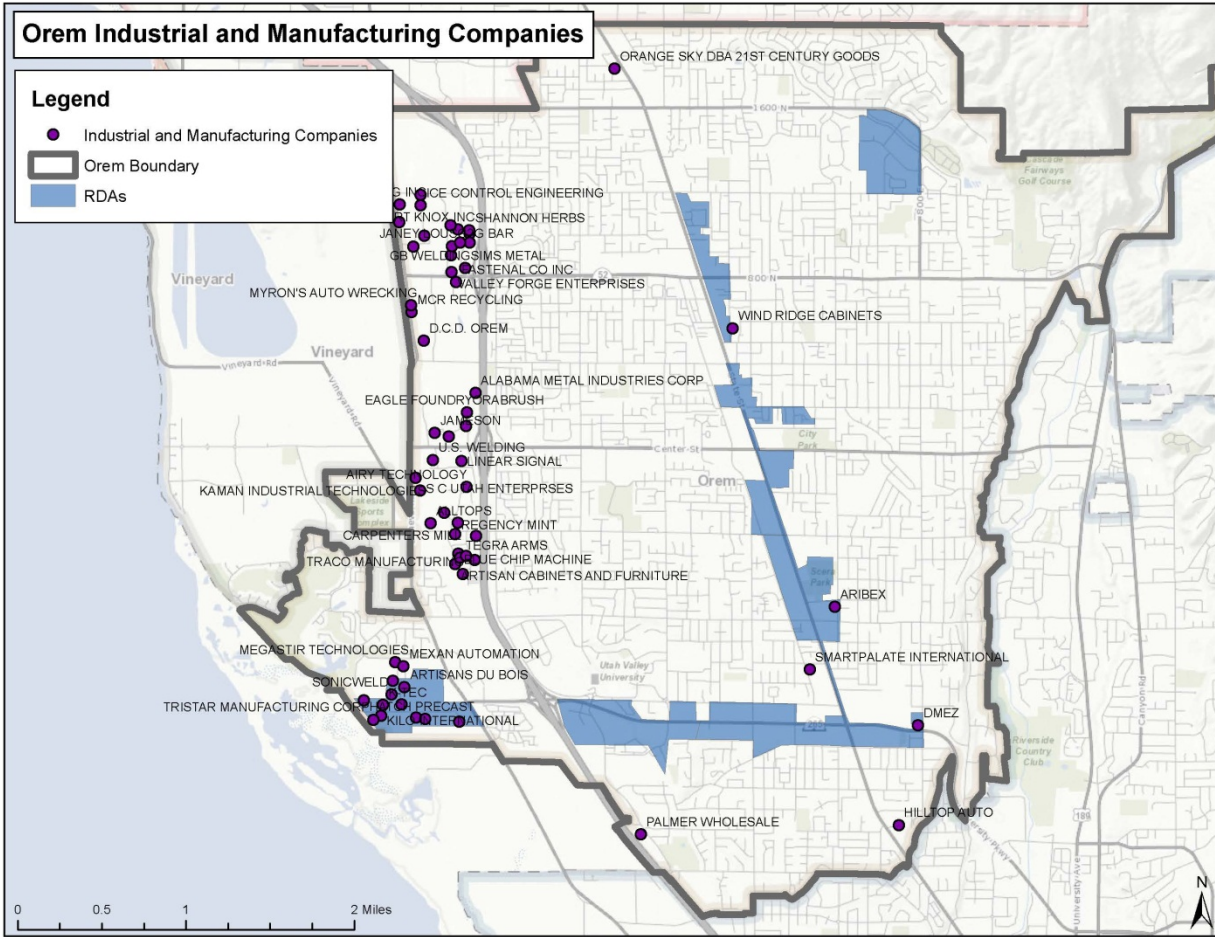


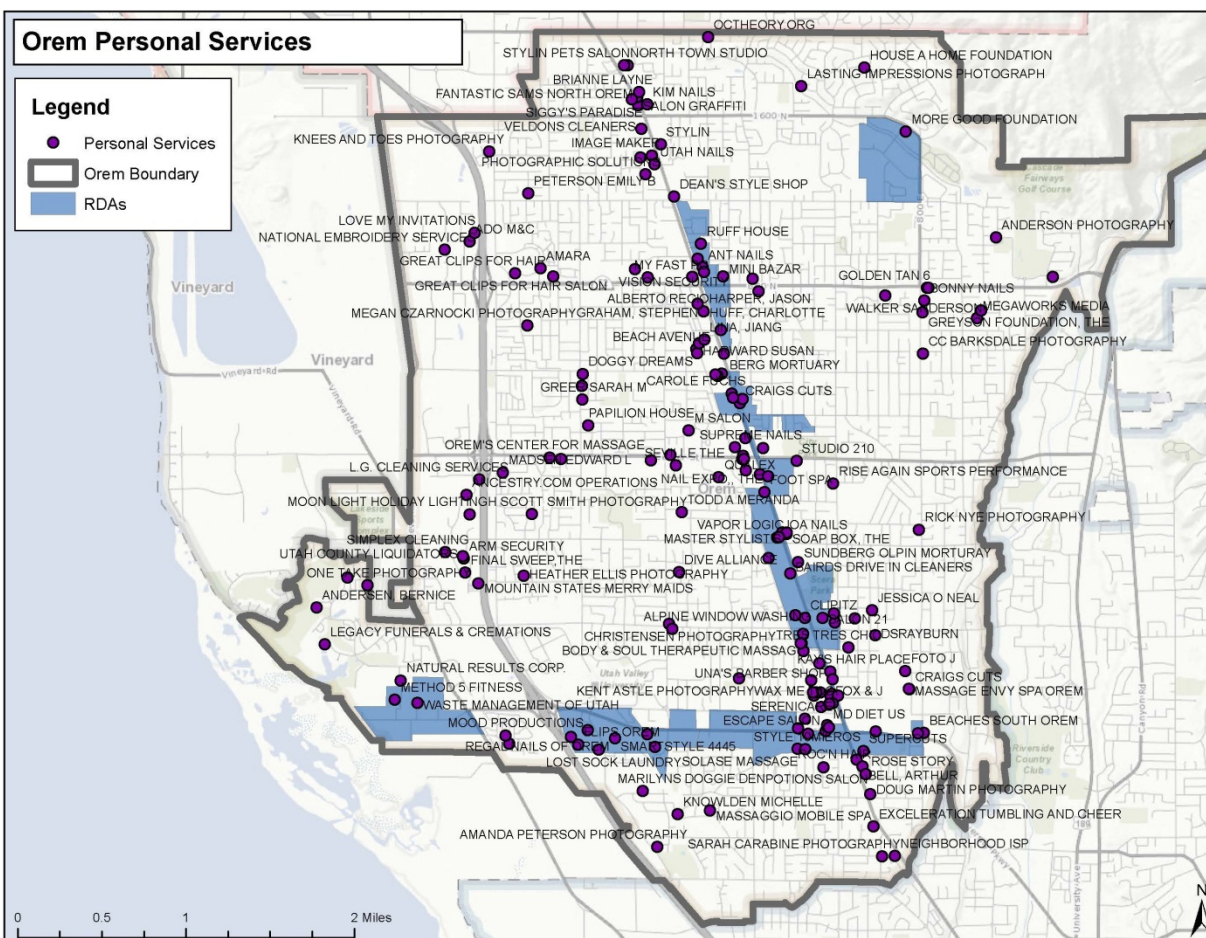


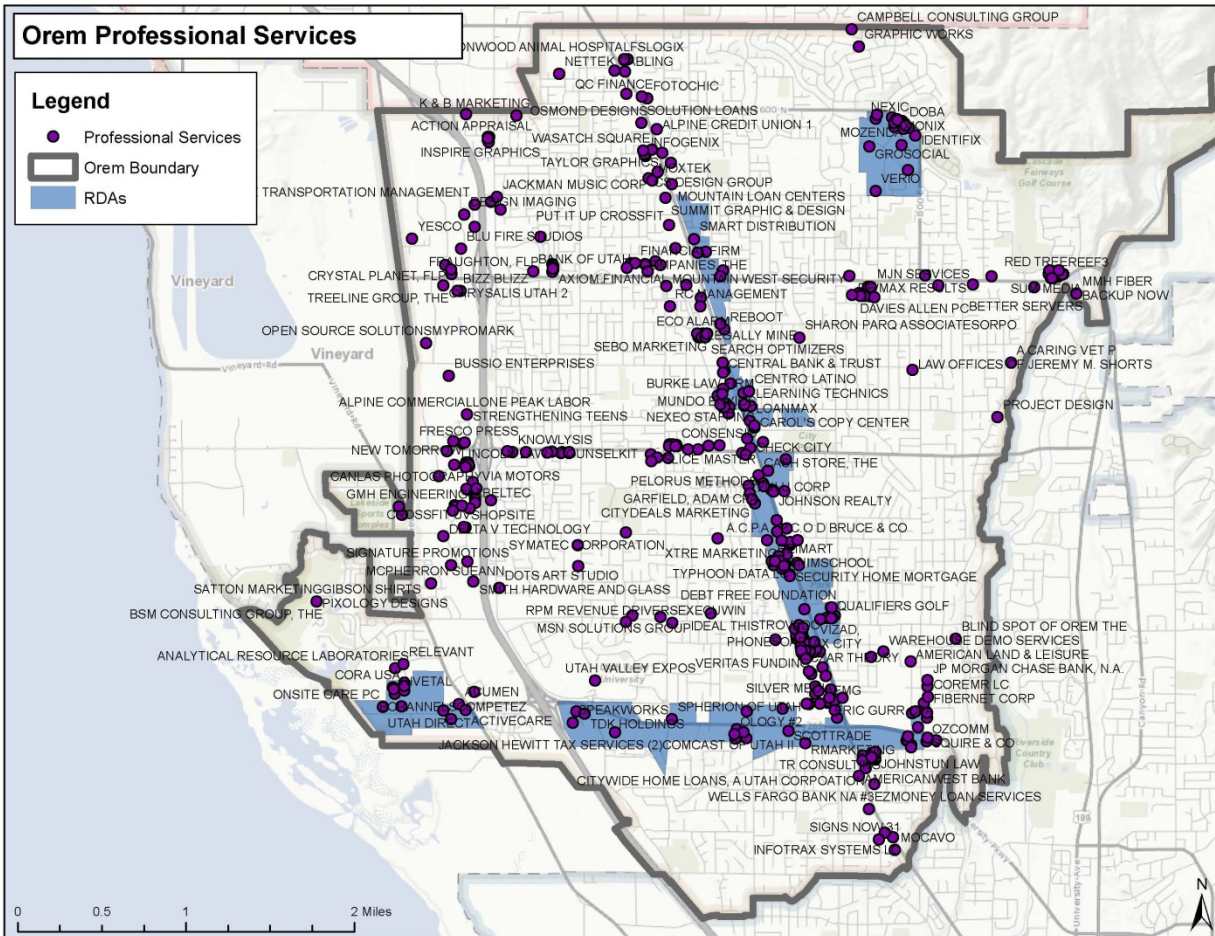


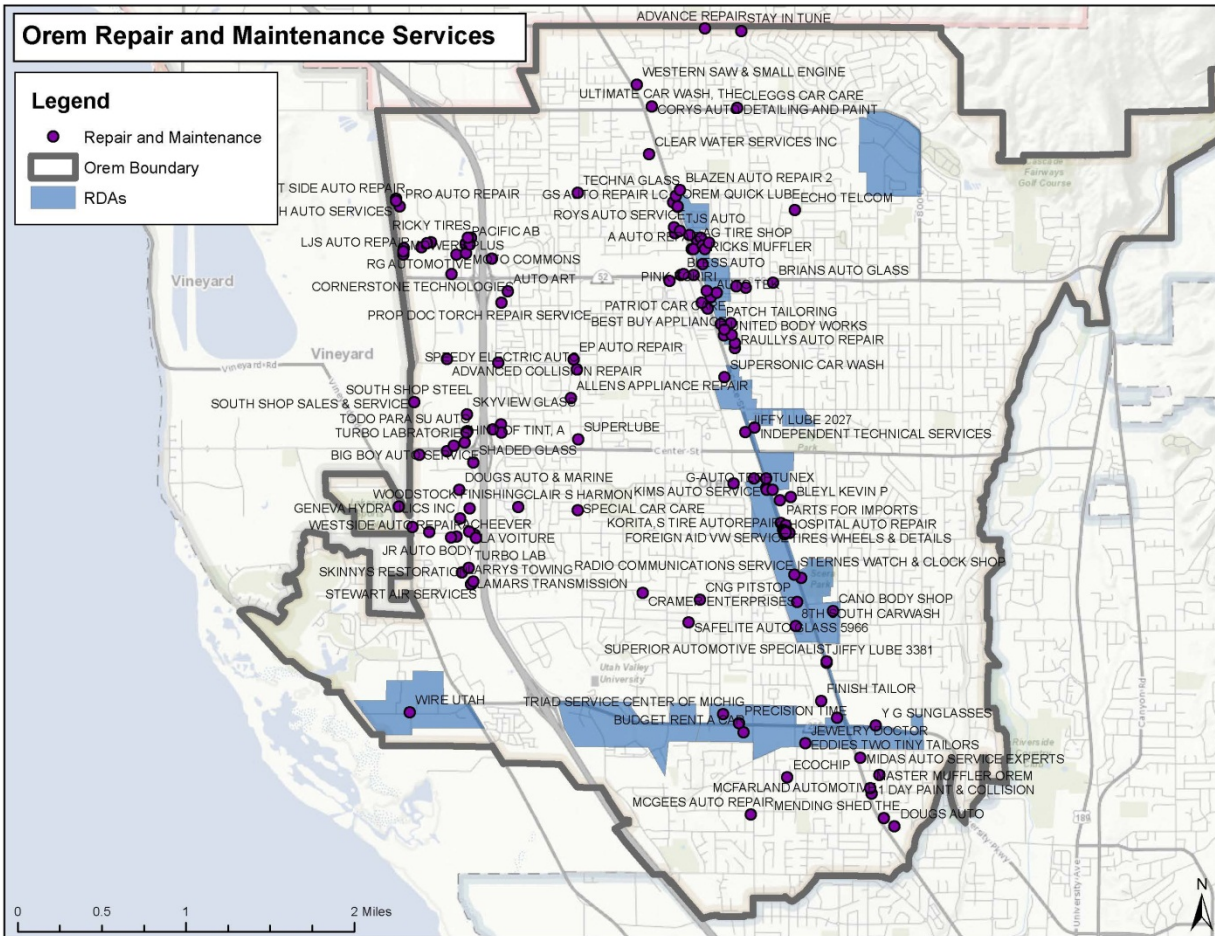


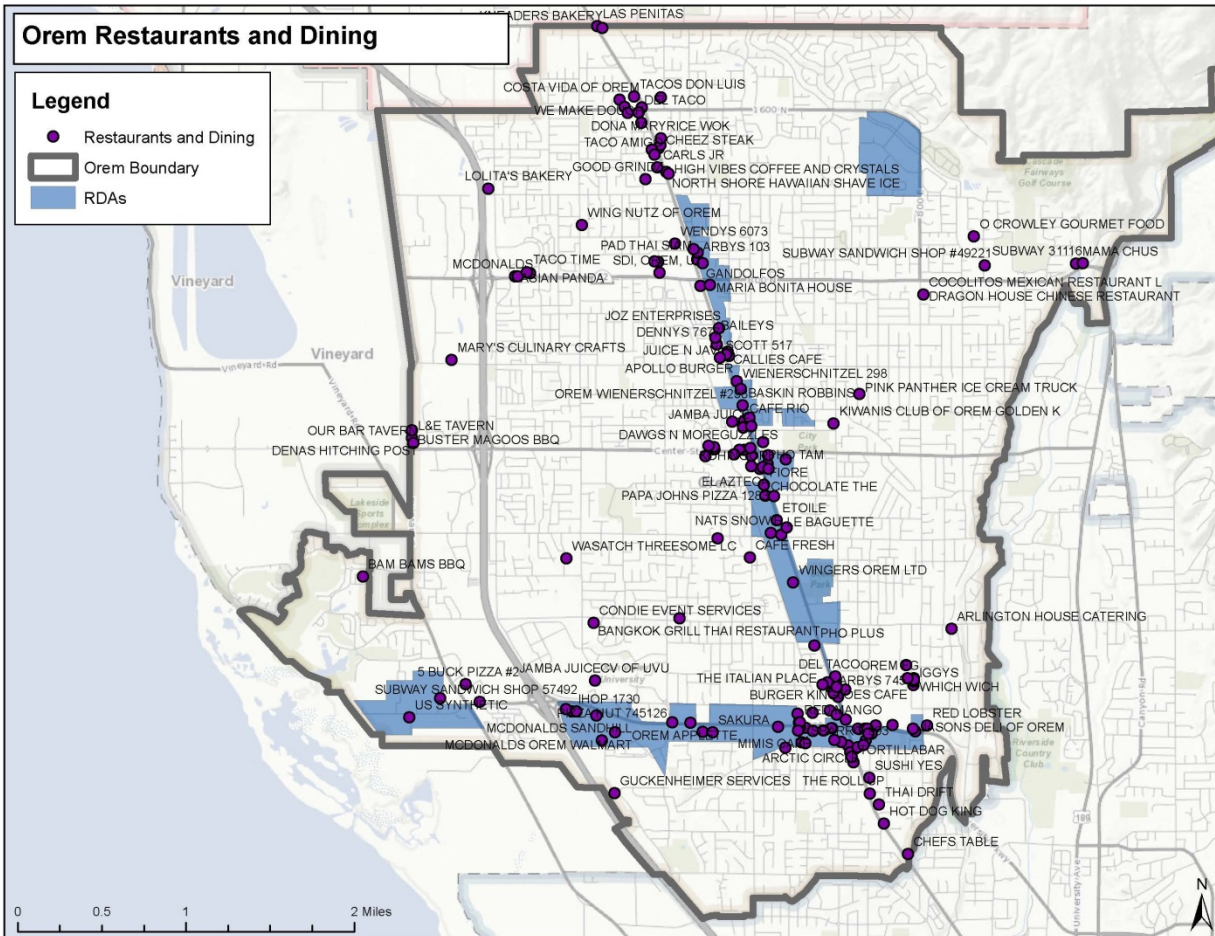


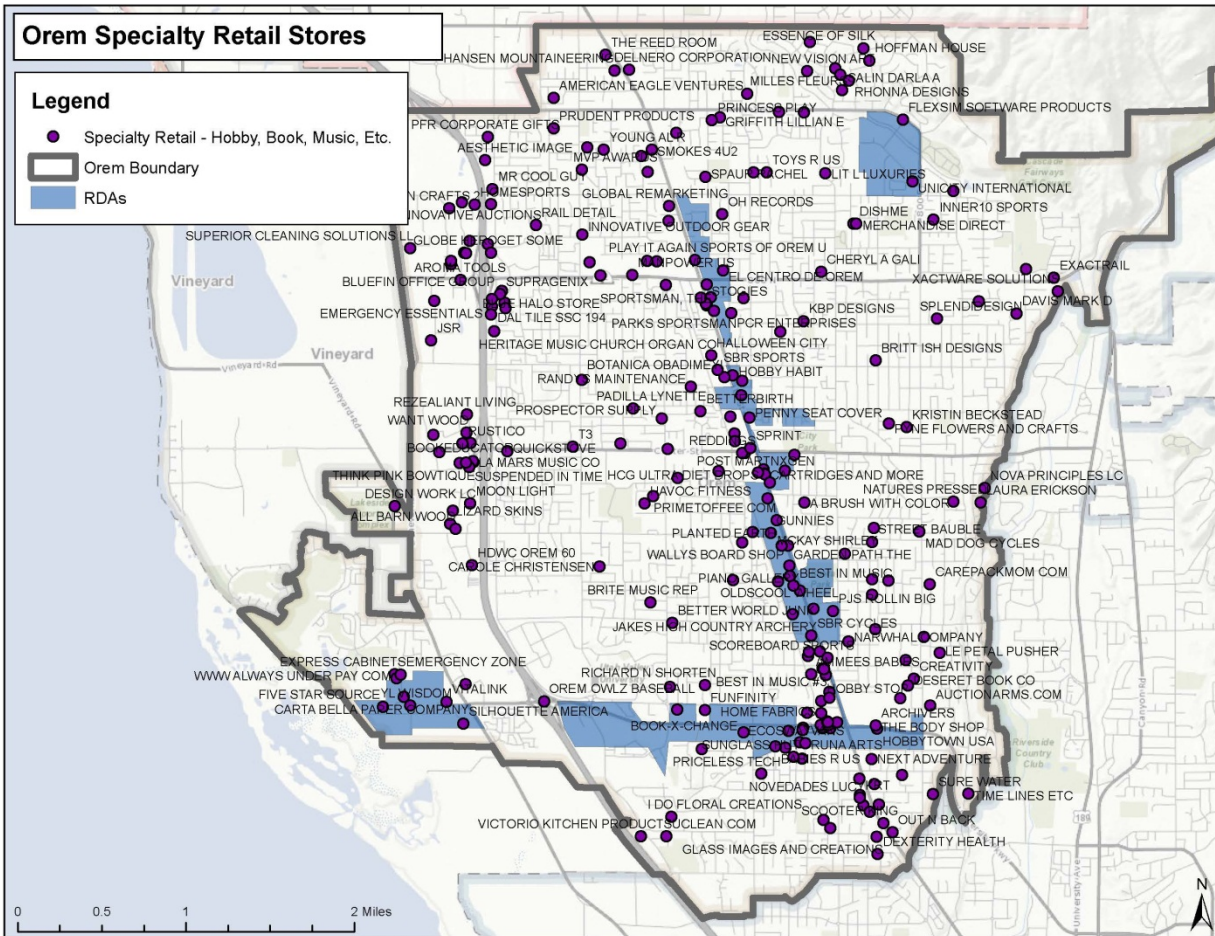












Appendix B: Additional Maps

