ECONOMIC CHANGE IN SALT LAKE CITY=S CENTRAL BUSINESS DISTRICT -1990 TO 2001

Prepared For
Downtown Alliance - Salt Lake City

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A Brief Summary of Economic Change in the CBD - 1990 to 2001

•This study is an examination of the economic change in Salt Lake City's Central Business District (CBD) since 1990. It is a *descriptive* rather than *prescriptive* study. The objective was not to produce an economic development or retail strategy but rather to produce an economic profile of the CBD and give an economic perspective to the public discussion now underway about the future of Salt Lake City's downtown.

•The central themes of the CBD economy over the past eleven years are briefly summarized below. In the body of the study these themes are discussed in detail using economic data, trends and analysis. The CBD is defined as the geographic area from North Temple to 400 South and 300 East to 400 West.

•This summary begins with the most fundamental of all economic indicators---employment. The number of employees in the CBD in 2001 was nearly 61,000, an increase of 12,000 since 1990. During the 1990 to 2001 period the average annual growth rate for employment in the CBD was a respectable 2.0 percent.

•Eighty percent of the job growth in the CBD was in the office sector, while the restaurant sector accounted for 10 percent of new employment growth and the retail sector another 5 percent.

•In 1996 retail sales in the CBD peaked at $473 million. By 2000, sales had declined 21 percent, to $373 million. (Retail sales are in constant or inflation adjusted dollars) Thus, despite a growing number of workers downtown and an expanding tourism sector, retail sales declined. The principal cause for the decline—intense competition from the expansion of suburban retail.

•For much of the 1990s the hotel, office and retail sectors experienced very low vacancy rates, however, a construction boom in all three sectors, partly induced by the Olympics, has created excess capacity. Office, retail and hotel vacancy rates are now at their highest levels in 10 years.

•No other period in the history of the CBD compares to the 1990s in the magnitude and range of public and private investment. The value of construction in the CBD since 1990 totals $1.4 billion, which represents an extraordinary commitment to the future of the CBD by public and private entities as well as the Church of Jesus Christ of Latter-day Saints.

•Entertainment has become an increasingly important sector in the CBD. During the 1990s, existing entertainment venues (Delta Center, Abravanel Hall and Capitol Theater) have been complemented with the addition of the Rose Wagner Center for the Performing Arts, 25 new restaurants, 15 private clubs and The Gateway, plus later this year, a new $18 million planetarium and $65 million public library. In sharp contrast to the retail sector, the CBD has a substantial competitive advantage in entertainment venues and events vis-a-vis the suburbs.

•An unprecedented housing boom is underway in the CBD. The current housing inventory is 3,300 units. Forty percent—1,354 units—of the inventory has been built since 1990.

•Seventy percent of new housing units and sixty percent of new restaurants in the CBD are west of West Temple. The concentration of entertainment and housing in the CBD is shifting west.

•The square footage of office space on Main Street has doubled since 1990 with the addition of One Utah Center, the renovated Joseph Smith Memorial Building, Gateway Tower West and the Wells Fargo Center. These four buildings added 1.5 million square feet of office space to Main Street. By 2001, nearly one quarter of all office square footage in the CBD was located on Main Street.

•Since 1990, the CBD has undergone exceptionally rapid expansion in public and private investment, new housing development, enhanced entertainment options combined with the worldwide exposure of the 2002 Olympics. Rapid expansion of facilities and infrastructure, however, is a two-edged sword not only creating some excess capacity—it is hoped only temporary—but also laying the groundwork for future growth in the CBD.

I. Economic Profile of the Central Business District

$A close examination of the economic change and current conditions of the CBD shows that with 61,000 employees and $2 billion in wages, the CBD is one of the largest economies in the state. Only four counties and two cities$Salt Lake and Provo cities$have more employment and wages.[1] A current economic profile is shown below.

Economic Profile of the CBD - 2001

Category	Amount
Employment	60,975
Wages Paid	$2.0 billion
Office Square Footage	13.3 million sq. ft.
Office Vacancy Rate (includes space available for sublease)	13.5%
Retail Sales	$373 million
Retail Square Footage	2.0 million sq. ft.
Retail Square Footage in Malls	1.5 million sq. ft.
Commercial Bank Deposits	$3.0 billion
Hotel Rooms (Limited to CBD)	3,000
Hotel Occupancy (Downtown)	64.5%
Maximum Est. Retail Spending by All Types of Travelers	$67 million
Convention Attendees Nights	109,088
Retail Spending by Convention Attendees	$17 million
Property Tax Revenue	$15.6 million
Sales Tax Revenue	$5.66 million
Public and Private Investment (1990 - 2002)	$1.35 billion
Housing Units	3,304
Parking Spaces	35,900

$The change between 1990 and 2001 for some of the most important economic indicators of the

[1] Salt Lake City has employment of 211,000 and Provo 81,000.

CBD are summarized below:

Change in Major Economic Indicators

Category	1990	2001	Change	% Change
Employment	49,150	60,975	11,825	24.0%
Wages (constant 2001 dollars)	$1.3 billion	$2.0 billion	$700 million	53.8%
Office Square Footage	10.2 million SF	13.3 million SF	3.1 million SF	30%
Retail Sales (constant 2000 dollars)	$351.8 million	$373.1 million*	$21.3 million	6.1%
Retail Square Footage	1.38 million SF	2.0 million SF	.62 million SF	44.9%
Housing Units	1,950	3,304	1,354	69%
Commercial Bank Deposits	$2.2 billion	$3.0 billion	$800 million	36.4%

*Retail sales in 2000.

II. Summary of Structural Changes in the CBD

$Despite the increase in employment in the CBD since 1990C11,825 new jobsCthere have been only minor changes in the overall structure of employment. Office employment has dropped from 85 percent of total employment to 84 percent. Furthermore, the sheer size of the office sector prevents or at least makes unlikely much change in the relative shares of other employment sectors.

$However, within the office sector there has been a shift in the composition of employment. In 1990 the CBD=s two largest office employersCthe Church of Jesus Christ of Latter-day Saints and governmentCaccounted for 26 percent of all office employment. Since 1990 the employment for both the LDS Church and government has increased by about 2,000 workers but their relative share remains unchanged at 26 percent. Therefore, growth in the office sectorC9,350 new jobsChas come primarily from expansion of professional and administrative offices in the private sector rather than LDS Church and government job growth.

$What would have certainly been an historic change as well as structural change in Salt Lake City=s office sector was regrettably short-lived. The location of American Stores= headquarters in the CBD would have given the city, for the first time ever, a headquarters location of a Fortune 500 firm. If the merger of American Stores and Albertson=s had not occurred, the CBD would have at least 2,000 to 3,000 more employees and very likely another large office building on Main Street. In economic development terms, American Stores= location in the CBD was the equivalent of the 2002 Olympics for the state of Utah. The presence of American Stores had the potential to change the growth path of the CBD.

$While structural change for the CBD economy as a whole was not particularly profound, there were significant changes at the sector level.

(1). The rapidly increasing importance of food and beverage sales within the retail sector, which coincides with a more entertainment based CBD.

(2). The extraordinary growth in housing units in the CBD and the growing share, although still modest, of condominium housing units.

(3). The commercial and residential development around Block 61 (300 West 300 South: Caputo=s, Uffens Marketplace, Artspace, Big City Soup, etc.) complemented by the improved environment at Pioneer Park. The gradual development of this block over the past ten years has been part of the structural shift in both retail and housing.

(4). A structural shift in the CBD economy is bound to follow the completion of The Gateway, a mixed use development with over 600,000 square feet of retail, 500 housing units and more than 300,000 square feet of office space. Gateway as an Urban Entertainment Center has introduced a bold and controversial concept to the CBD. It=s too soon too detect any impacts on the economic structure or the retail sector but there has been a dramatic impact on the geographic distribution of retail space.

(5). The completion of the Grand America Hotel, a 775-room (395 suites) five-star hotel has certainly changed the internal composition of the hotel sector. The quality of this new hotel is unique to the downtown market and may shift the structure of the hotel market toward higher-end conventions and travelers.

$There has been a structural change in investments over the past ten years. At no time in the history of the CBD has there been more public investment. About $425 million in new investment which includes: RDA assistance to various projects, Matheson Courts complex, Salt Lake Public Library, expansion of the Salt Palace Convention Center, Rose Wagner Performing Arts Center and new planetarium. TRAX represents another $430 million and although that investment is spread throughout Salt Lake County the benefits nevertheless disproportionately favor the CBD.

$There has been a shift in the location of restaurants and housing. Of the 25 new restaurants added to the CBD since 1990, 15 or 60 percent are located west of West Temple. Likewise of the 1,354 housing units built since 1990, 970 or 70 percent are located west of West Temple. Thus, the concentration of restaurants and housing within the CBD is shifting west.

$Office space square footage on Main Street doubled during the 1990s due to the completion of four large office buildings**C**Gateway West, Joseph Smith Memorial Building, One Utah Center and Wells Fargo Center. At the beginning of the decade there was approximately 1.5 million square feet of office space on Main Street and by 2001 it had increased 3.0 million square feet.

$The 2002 Olympics have the potential of changing the structure of the CBD economy. First, the Olympics were one of several factors that induced the extraordinary public and private investment. Second, the Olympics brought a concentration of new investment to the hotel sector as well as world-wide exposure to Salt Lake City that, it is hoped, will stimulate long-term growth for the CBD=s tourist and convention business. Third, the Olympics were important in encouraging the expansion of entertainment options, particularly the addition of new clubs and restaurants. And fourth, the future 10-acre Olympic park will provide an important public amenity**C**nearly doubling open public space**C**and further broaden the CBD=s public infrastructure.

III. CBD Economy: Employment and Wages, Land Use and Ownership

Over the past forty years, Salt Lake City=s CBD has been the subject of a number of studies beginning with ADowntown Salt Lake City - Second Century Plan@ published in September of 1962. All of these studies have focused on planning, transportation or retail strategies for downtown, none has examined in any detailed or comprehensive way the economy of the CBD. In contrast, this study focuses exclusively on the economy of the CBDCits performance and changing characteristics and structure.

A. Employment and Wages

In summary:

- *During the 1990s employment in the CBD increased from 49,100 to 60,975, a respectable annual growth rate of 2.0 percent. Office employment, with over 51,000 employees, dominates the CBD economy. Retail employment including restaurants accounts for about 6,600 jobs.*

- *The Church of Jesus Christ of Latter-day Saints is the single largest employer with 7,000 employees. The government sector, including city, county, state and the federal government, has about 6,000 employees.*

- *Employment is highly concentrated in the CBD. Sixty percent of the employment is located in the 10 blocks extending from North Temple to Fourth South and bisected by Main Street.*

The most basic or fundamental measure of the CBD economy is total employment. Total employment in 2001 is estimated to be 60,975. These employees work in several types of establishments: offices, malls, freestanding retail (non-food), restaurants, hotels, manufacturers and miscellaneous establishments. Office workers are the dominate category of downtown employment. Eighty-four percent of all workers are employed in office buildings while only 10.7 percent are employed in retail establishments (malls, freestanding retail and restaurants). About 3 percent of all CBD employees work in the hotel sector. The few hundred workers in manufacturing establishments are concentrated primarily in the publishing and newspaper industries while miscellaneous establishments includes employees at the Delta Center, Salt Palace, Family History Library, Museums, Symphony Hall, etc., see Table 1.

Since 1990 employment in the CBD has increased at an average annual growth rate of 2.0 percent compared to 4.0 percent for both the State and Salt Lake County. Total employment has grown by about 25 percent or 11,825 jobs. Employment growth has been tied to an expansion in office space, new free standing restaurants and The Gateway. Office employment increased by about 9,350 jobs followed by employment growth at restaurants of 1,125. The absolute and percentage change in employment by each category is shown in Table 2.

Table 1

Employment Estimates for CBD - 2001

Category	Employment	Percent
Office	51,350	84.2%
Restaurants	4,475	7.3%
Retail (Malls and Freestanding Retail)	2,100	3.4%
Hotels	1,800	3.0%
Manufacturing	500	0.8%
Miscellaneous	750	1.2%
Total	60,975	100.0%

Source: Bureau of Economic and Business Research, David Eccles School of Business, University.

Table 2
Estimated Change in Employment in the Central Business District

Category	1990	2001	Change	% Change
Office	42,000	51,350	9,350	22.3%
Hotels	1,250	1,800	550	44.0%
Manufacturing	500	500	0	---
Restaurants	3,350	4,475	1,125	33.5%
Retail	1,550	2,100	550	35.5%
Miscellaneous	500	750	250	50.0%
Total	49,150	60,975	11,825	24.0%

Source: Bureau of Economic and Business Research, David Eccles School of Business, University.

Although employment has increased in recent years the CBD=s share of total countywide employment has declined as the rapid growth in suburban areas has outpaced employment growth downtown. In 1990 the CBD accounted for 13.1 percent of countywide employment. By 2002, the

CBD=s share had dropped to 11.0 percent.

Total wages paid to workers in the CBD in 2001 were approximately $2.0 billion, of which more than 90 percent were paid to office workers. As was the case with employment, the CBD=s share of countywide wages has fallen since 1990, declining from 13.0 percent to 10.5 percent. The average wage for a downtown worker in 2001 is estimated to be $32,500 compared to the countywide average of $34,500. Over the past eleven years, in current (inflation adjusted) dollars, the total wages paid in the CBD have increased from $1.3 billion in 1990 to an estimated $2.0 billion in 2001. Estimated wages by employment category are given Table 4

Table 4
Wages Paid in the CBD in Millions
(Current 2001 Dollars)

Category	1990	2001	Percent Change
Office	$1,235.7	$1,820.0	47.3%
Restaurants	$28.1	$46.0	63.7%
Retail (nonfood)	$20.8	$28.7	38.0%
Hotels	$16.4	$30.1	83.5%
Miscellaneous	$15.0	$26.8	78.6%
Manufacturing	$12.7	$14.0	10.2%
Total	$1,328.7	$1,965.6	47.9%

Source: Bureau of Economic and Business Research and Utah Department of Workforce Services.

B. Employment by Block

The spatial distribution of employment in the CBD shows a relatively high concentration of employment within a few square blocks. There are 41 blocks in the CBD but nearly 60 percent of all employment is located in the 10 blocks extending from North Temple to Fourth South and bisected by Main Street. Block 88, the headquarters block for the Church of Jesus Christ of Latter-day Saints has the highest employment of any block**C**6,750 workers.

The block-by-block employment numbers include all categories of workers with the exception of freestanding retail. Due to the large number of small retail shops and restaurants in the CBD it was not possible to include each establishment in the estimates, however, the total number of employees in this group represent only about 5 percent of CBD employment. One more note about the data**C**office employment represents *potential* employment at full occupancy of office buildings. Since office vacancy rates can fluctuate dramatically it was deemed appropriate to use *potential* office employment. Therefore, the total employment estimates at the block level differ slightly from overall employment estimates in Table 1.

Employment by block is shown in Table 5 and Map 1.

Table 5
Blocks Ranked by Employment - Top 20

Rank	Block Number	Employment	Rank	Block Number	Employment
1	88	6,750	12	51	2,050
2	75	6,200	12	56	2,050
3	57	5,450	14	58	2,000
4	76	3,875	15	53	1,950
5	71	3,450	16	74	1,750
6	80,83	3,000	17	55	1,450
7	70	2,905	18	39	1,350
8	69	2,900	19	38	900
9	72	2,650	20	66	900
10	52	2,500	Remaining 21 blocks each have less than 900 emp.		
10	84	2,500			

Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Map 1
CBD Employment by Block – 2002*

*Employment estimates assume "full occupancy" of office buildings.

Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

C. Land Use and Land Ownership in the Central Business District

Land use statistics show that office space ranks as the number one type of land use. Nearly one out of every five acres in the downtown area is used for office space. Retail use ranks a distant second. The 35 acres classified as Aother@ includes a fair amount of vacant land scattered throughout the CBD. Keep in mind that land use differs from land ownership. Therefore, Table 1 below shows that government use of land totals 33 acres but Table 2 shows that government owns 94 acres. Government owned land has several uses including civic, open space and housing.

Table 1
Approximate Land Use by Type of Use

Type of Use	Acres*	Percent Share
Office	67	19.3
Retail	46	13.2
Other	35	10.0
Government	33	9.5
Civic	30	8.6
Hotels	25	7.2
Church	25	7.2
Commercial	23	6.6
Parking Structures and Lots	21	6.0
Open Public Space	20	5.7
Housing	12	3.4
Industrial	11	3.2

*About 85 percent of CBD acreage is included in Table 1. Those blocks that are only partial blocks in the CBD were not included.

Source: Salt Lake County Assessor=s Office.

Although it=s been 155 years since land in the CBD was first distributed by Brigham Young and Heber C. Kimball, current ownership patterns continue to emphasize the unique relationship

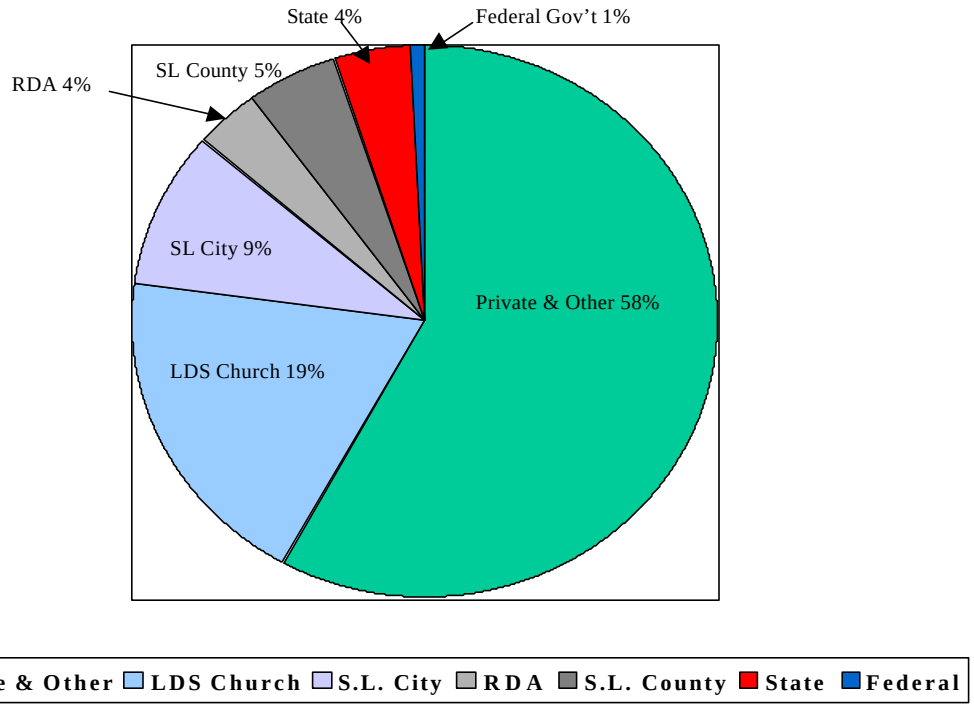
between the LDS Church and the downtown economy. Presently, the LDS Church owns about 78 acres or 19 percent of the land in the CBD. These holdings are comprised primarily of the headquarters block (Block 88), Temple Square (Block 87), Church History Museum and Family Library block (Block 86), the Olympic Medals Plaza (Block 85), much of Blocks 75 and 76 (ZCMI and Crossroads blocks) plus scattered sites throughout the CBD. The relationship of land ownership to economic development is beyond the scope of this baseline study, but without doubt the LDS Church has been the primary economic force in the downtown economy due, in large part, to substantial land holdings. Governments also own a large share of the land in the CBD. Federal, state and local governments own 94 acres or 23 percent of the land in the CBD. The remaining 238 acres are privately owned, see Table 2 and Chart 1.

Table 2
Land Ownership in the CBD

Owner	Acres	Percent Share
Privately Owned	238	58.0
LDS Church	78	19.0
Salt Lake City	38	9.3
RDA	15	3.7
Salt Lake County	21	5.1
State of Utah	17	4.1
Federal Government	3	0.8
Total	410	100.0

Source: Salt Lake County Assessor=s Office, property management offices of Salt Lake City and Salt Lake County, Department of Facilities and Construction Management, State of Utah and Zions Securities Corporation.

Chart 1
Land Ownership in the CBD



Source: Salt Lake County Assessor's Office, RDA of Salt Lake City, Property Management Offices of Salt Lake City and County, Utah Department of Construction and Facilities Management and Zions Securities.

D. Methodology for Deriving Employment and Wage Estimates

The Utah Department of Workforces Services is typically the source of employment data. However, in the case of the Downtown Alliance=s CBD, the geographic area is too small for reliable Workforce Services= estimates. For example, Workforce Services uses boundaries for the ADowntown Community@ which extends to 1300 South and 700 East, an area much larger than the CBD. Therefore, it was necessary to develop a methodology that would produce employment estimates for a relatively small geographic area. That methodology was based on ratios established between type of use and number of employees.

Office employment - Office employment was derived from the relationship between office square footage and employment. Office market real estate agents at two of the leading commercial real estate firms in Salt Lake City (CB Richard Ellis and Collier=s Commerce CRG) were asked to estimate the number of office workers per square foot. In addition, Karen Wikstrom of Wikstrom Economic and Planning Consultants, Inc. was also consulted. Wikstrom Economic and Planning Consultants has had experience with the downtown economy and in 1990 completed a study for UTA regarding TRAX alignment. The study produced employment estimates for the CBD. Using these three sources the following consensus estimates were used in this study:

(1) One office employee every 600 square feet -	For selected government offices to include City and County Building, Federal Reserve Bank and Frank E. Moss Federal Courthouse.
(2) One office employee every 225 square feet -	Office buildings built prior to 1990
(3) One office employee every 200 square feet -	Office buildings built post 1990. All sources noted enhanced space efficiencies in new office buildings.

These relationships were then applied to the square footage of office space in the CBD in 1990 and 2001. There are currently an estimated 13.3 million square feet of office space in the CBD. In 1990 the estimated square footage was 10.2 million square feet. The total square footage of office space was adjusted, both in 1990 and 2001 by the vacancy rate, which in 1990 was about 13 percent and in 2001 about 11 percent. The vacancy rates reflect vacancy in office buildings for lease, however, there is 4.5 million square feet of office space that is either institutional or owner/user (Church Headquarters, City and County Building, etc.). For institution and owner/user buildings full occupancy was assumed.

To determine the growth in office employment between 1990 and 2001 the square footage in the following buildings was used.

Table 1

Office Space Developed Since 1990

Building	Address	Year Completed	Square Footage
One Utah Center	201 South Main Street	1991	419,000
Department of Workforce Services	140 East 300 South	1991	140,000
Broadway Center	111 East 300 South	1992	240,529
Joseph Smith Memorial Building	15 East South Temple	1993	337,400*
Social Hall/IRS	150 East Social Hall Ave.	1996	161,146
Deseret News	30 East 100 South	1997	90,000
Gateway Tower West	South Temple and Main	1998	279,875
Wells Fargo Center	300 South Main Street	1998	535,270
Matheson Courts Complex	450 South State Street	1998	420,000
30 East 300 South	30 East 300 South	1999	23,095
One Gateway	400 West 100 South	2001	161,000
Gateway (Board of Regents)	400 West 100 South	2001	85,000
Total			2,892,315

*Building is 482,000 square feet but only 70 percent is used as office space.

Source: Collier-s International and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

The seven non-owner occupied/institutional buildings (excluding the Wells Fargo Center) have a total of 1,218,984 occupied square footage. This estimate assumes a vacancy rate of 11 percent. The three owner occupied/institutional buildings (excluding Matheson Courts Complex) have a total of 567,400 square feet of occupied space. However, the construction of the new office space demolished about 300,000 square feet of existing office space in the CBD. Only the net additional space was used, which totaled 1,486,384 square feet. To this estimate was added the 250,000 square feet of office space used by the Salt Lake Organizing Committee in the Wells Fargo Center. The remainder of the building was assumed to be vacant.

A total of 1,736,381 square feet of office space build since 1990 was therefore occupied. At 1 employee every 200 square feet this space yields 8,700 employees. To this estimate was added the additional 300 workers generated by the Matheson Courts Complex bringing the total to 9,000 employees. The final adjustment was a 4 percent increase for shift workers: janitorial,

security, etc., which brings total employment generated by new office buildings built since 1990 to a rounded 9,350.

Retail Employment - Retail workers were divided into two categories: food and non-food workers. In 1990, Wikstrom Economic and Planning Consultants used 1,000 square feet per retail worker for the non-food category. This estimate was used in the study. For the food related retail workers an estimate of one worker for every 75 square feet was used. This relationship was established through a survey of several restaurants in the CBD.

Hotel Employment - The number of hotel workers was derived from an employment survey of hotels in the CBD. The relationship established was between the number of workers in a specific hotel divided by total rooms in that hotel. In the CBD, each hotel room requires 0.6 of a worker.

Manufacturing employment - Estimated from firm data in *Utah Directory of Business and Industry*.

Miscellaneous - Includes estimate of employees in facilities such as Salt Palace Convention Center, State Historical Society, Road Home (homeless shelter), Delta Center, History Museum (Church of Jesus Christ of Latter-day Saints), Family History Library, Salt Lake Public Library, Hansen Planetarium , etc.

Wages - The Department of Workforce Services was the source of all average annual wage rate data. Wages were determined by multiplying the average annual wage rates for employment sectors by the estimated employment. The estimated average annual wage for office workers was derived from a weighted average annual wage rate for all employees in Salt Lake County in services (excluding hotel workers), trade, government and finance, insurance and real estate sectors.

For the non-food related retail workers the average statewide wage for employees in apparel sales was used. For food related retail workers the average wage of those working in the Aeating and drinking@ establishments. Likewise the statewide average wage for AHotels & Other Lodging Places@ was used for hotel workers and the average wage for printing and publishing for CBD manufacturing employment. The average annual office rate was used for employees in the miscellaneous category.

IV. An Analysis of the Economic Sectors of Central Business District

The CBD economy has been divided into eight sectors: (1) retail, (2) office, (3) hotels, (4) housing, (5) government, (6) church, (7) financial and (8) entertainment/culture. Each of these sectors will be analyzed regarding their economic structure, trends, strengths and weaknesses.

A. Retail Trade Sector

In summary:

$ *Although the retail trade sector, in terms of employment and wages, is not the largest sector in the CBD, it generally receives a disproportionate share of attention and is considered a principal indicator of economic conditions in any downtown area.*

$ *In 1996 retail sales peaked in the CBD at $473 million but by 2000 sales had fallen 21 percent to $373 million, (constant 2000 dollars).*

$ *What caused the sudden change in retail sales activity? There are a number of factors that contributed to the reversal. First, the expansion of the Salt Palace interrupted the downtown convention business. Second, the reconstruction of I-15, which began in the summer of 1997 and provided even more incentive for county residents to shop in the suburbs. Third, construction of TRAX, the Gateway West office tower and two underground parking facilities below Main Street resulted in periodic closure of downtown intersections and long-term closure of Main Street from North Temple to 100 South. Fourth, increasing competition from new retail power centers and Abig box@ facilities in suburban Salt Lake County.*

$ *The mix of retail sales has changed substantially during the 1990s. Department stores sales have dropped nearly 40 percent and by 2000 accounted for only 13 percent of all retail activity. The share of clothing sales has remained relatively constant at about 21 percent. Most remarkable has been the expansion of restaurant food and beverage sales, which increased by 103 percent (in constant 2000 dollars). In 2000 restaurant food and beverage sales accounted for almost 30 percent of the retail trade activity in the CBD. Restaurant food and beverage sales now exceed clothing sales in downtown Salt Lake City.*

$ *The retail sector has 2 million square feet of leased space. Malls dominate CBD retail with 76 percent of all leased space located in three malls*C*Crossroads, Gateway and ZCMI Center. Non-mall restaurants and fast food locations account for about 15 percent of total space while only 9 percent of retail space is free standing non-food retail.*

$ *The competition for the retail dollar is intense. In the 1990s there was 4.5 million square feet of new retail space developed in the county. Thus, in the past ten years the amount of new retail space added in the suburbs was more than double the total retail space developed in CBD over the past 150 years. Countywide the inventory of retail space is nearly 22 million square feet. The CBD accounts for less than 10 percent of total retail space countywide.*

The retail trade sector has important linkages to the entertainment, lodging, office and housing sectors and thereby contributes to the vitality and diversity of the CBD. The importance of the retail sector is pervasive and difficult to measure, nevertheless, the best single indicator of the sector's strength is retail sales.

For the purposes of this analysis retail sales data include only those categories relevant to downtown retail. For instance, sales of automobiles, gasoline, general merchandise, etc. were not included. The broad retail categories used in the study were: clothing, furniture, fast food, food and eating, drinking and specialty retail (books, stationary, gifts, luggage, sporting goods, hobbies, etc.)

The Utah State Tax Commission provides annual data on retail sales activity by type of retail category at the zip code level.[2] The two zip codes that correspond closely with the boundaries of the CBD are 84101 and 84111. Annual retail sales data, for the relevant retail categories, in each zip code were combined.[3] The sales data show that between 1990 and 1996 retail sales activity was increasing at about 8.3 percent annually. Countywide retail sales activity for the same categories was increasing at 9.9 percent annually.

In 1997 a sudden shift occurred, retail sales activity in the CBD began to contract. Over the next four years retail sales fell 21 percent while countywide sales increased 20 percent. Consequently the CBD=s share of countywide sales fell from 18 percent to 11.7 percent. See Tables 1 and 2 and Charts 1 and 2.

Sales by Sector - Retail sales data by category show that the restaurant sector has had the best performance in the 1990s. Restaurant sales now exceed clothing, shoes and apparel sales, which would include Nordstrom=s sales but not clothing sold in departments stores such as Meier & Frank, see Table 3. Utah Tax Commission classifies Nordstrom as family clothing.

The restaurant sector is the only retail sector in the CBD to come close to maintaining its share of countywide sales. The downtown restaurant sector had 16 percent of countywide restaurant sales in 1990. By 2000, the downtown=s share had fallen to 15 percent due entirely to a weak performance by the fast food sector. The performance of family and theme restaurants has been extraordinary. This sector has benefitted from the addition of over 25 new restaurants in the CBD including seven in The Gateway. Neither Crossroads nor the ZCMI Center have family or theme restaurants, only food courts. Theme and family restaurants are an important distinguishing characteristic of The Gateway. See Table 4 for leased square footage by mall by type of retail activity.

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[2] *Wasatch Front, Direct Sales by Zip Code*, Utah State Tax Commission, published annually.

[3] The 2001 estimates will not be published until August of 2002.

Table 1
Selected Retail Sales in the Central Business District
(Millions)

Year	Total Retail Sales (Current Dollars)	Total Retail Sales (Constant 2000 Dollars)	% Chg. Constant $
1990	$267.0	$351.8	---
1991	$300.9	$380.4	8.14
1992	$297.8	$365.5	-3.92
1993	$332.0	$395.6	8.24
1994	$382.4	$444.3	12.29
1995	$393.9	$445.1	0.18
1996	$430.6	$472.6	6.18
1997	$411.1	$441.1	-6.67
1998	$401.2	$423.8	-3.90
1999	$395.0	$408.3	-3.67
2000	$373.1	$373.1	-8.62

Source: Utah State Tax Commission and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 2
Selected Retail Sales in Salt Lake County
(Millions)

Year	Total Retail Sales (Current Dollars)	Total Retail Sales (Constant 2000 Dollars)	% Chg. Constant $
1990	$1,500.0	$1,976.8	---
1991	$1,625.6	$2,057.7	4.1
1992	$1,812.2	$2,223.6	8.1
1993	$1,995.5	$2,378.4	7.0
1994	$2,188.1	$2,541.3	6.8
1995	$2,411.6	$2,724.9	7.2
1996	$2,650.0	$2,908.9	6.7
1997	$2,769.5	$2,971.6	2.2
1998	$2,925.6	$3,089.3	3.9
1999	$3,030.3	$3,133.7	1.4
2000	$3,190.0	$3,190.0	1.8

Source: Utah State Tax Commission and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 3
Retail Sales by Category in the Central Business District - Constant 2000 Dollars
(Millions of Dollars)

Category	Retail Sales by Sector 1990	Retail Sale by Sector 2000	% Chg.
Family Clothing	$69.2	$71.4	3.2%
Shoes	$3.7	$5.3	43.2%
Apparel Accessories	$3.3	$5.4	63.6%
Subtotal Clothing	$76.2	$82.1	7.7%
Department Stores*	$82.3	$50.0	-39.2%
Fast Food	$43.3	$37.4	-13.6%
Restaurants	$53.6	$108.9	103.2%
Sporting Goods	$20.3	$3.8	-81.3
Books	$13.7	$13.7	0.0%
Jewelry	na	$12.6	na
Other	$62.3	$64.6	3.7%
Total	$351.8	$373.1	6.1%

*Estimated amount for Mervyn=s and Meier & Frank.

Source: Utah State Tax Commission and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 4
Distribution of Retail Square Footage in CBD Malls
(By Product Category)

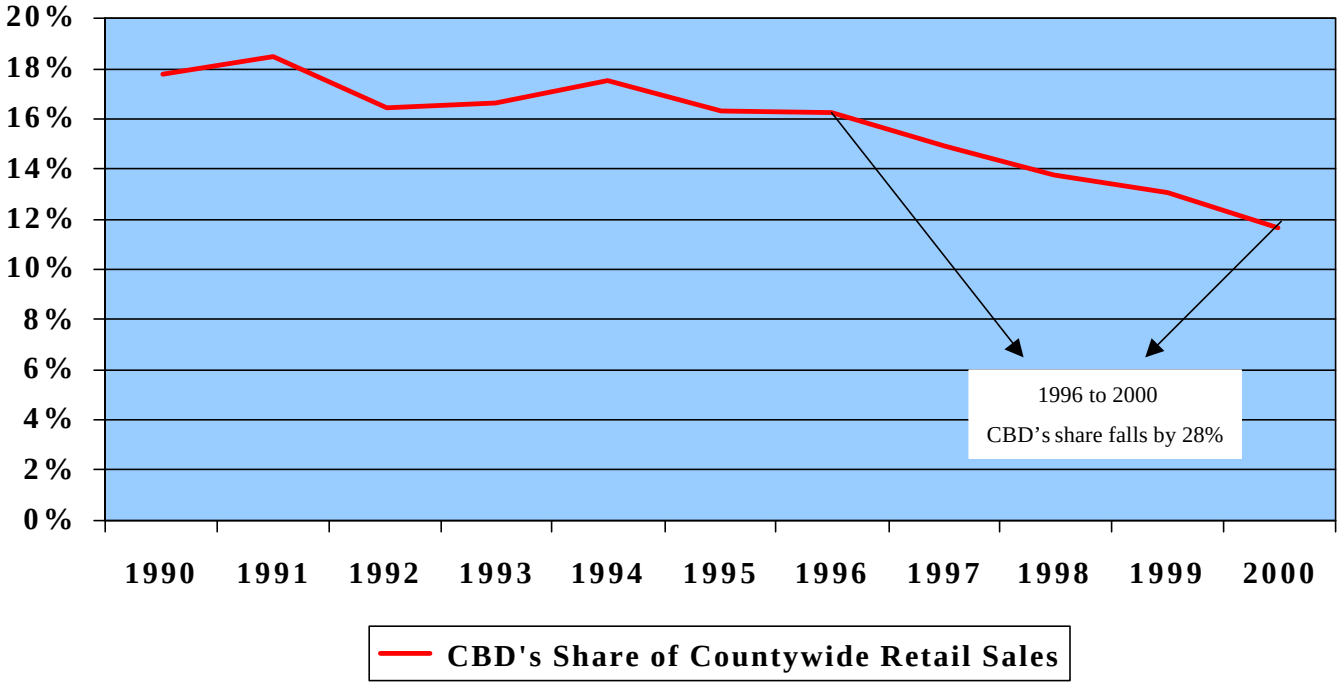
Category	Crossroads	Gateway	ZCMI	Total
Clothing	245,237	154,624	36,244	436,105
Shoes	11,433	4,186	13,798	29,417
Department Store	152,728	0	325,785	478,513
Entertainment	0	73,997	0	73,997
Accessories	6,402	12,314	1,161	19,877
Fast Food	16,147	7,242	8,459	31,848
Restaurant	0	59,890	0	59,890
Sporting Goods	0	94,726	16,880	111,606
Books	25,000	25,873	12,858	63,731
Jewelry	5,520	1,295	3,312	10,127
Other	95,091	52,666	70,407	218,164
Total	557,558	486,813	488,904	1,533,275

Source: Crossroads Plaza, ZCMI Center and The Gateway.

Chart 1
Retail Sales in the Central Business District - Constant 2001 Dollars
(Millions of Dollars)

Source: Utah State Tax Commission.

Chart 2
Selected Retail Sales: CBD's Share of Countywide Sales
(Millions of Constant 2000 Dollars)



Source: Utah State Tax Commission.

Retail Development in Suburban Salt Lake County - Since 1990 the population in suburban Salt Lake County has increased by about 200,000 people. This growth has encouraged the development of nearly 4.5 million square feet of new retail space in the county. Hence, during the 1990s the amount of new retail space added in the suburbs was more than twice as much as total retail space built in the CBD since 1850. Countywide the inventory of retail space is nearly 22 million square feet. The CBD accounts for less than 10 percent of this space.

Significant decentralization of retail activity in Salt Lake County began with the development of Cottonwood Mall, the first suburban shopping center to challenge downtown retailing. Cottonwood Mall, an 850,000 sq.ft. Aclimatized@ shopping center was built in 1962. The development of Cottonwood Mall was Asomething of a trauma to Salt Lake City=s traditional downtown shopping enclave.@[4] Since then there have been six other regional malls built in suburbs of Salt Lake County.

With the recent 225,000 square foot expansion at South Towne there is currently 4.8 million square feet of retail space in covered malls in Salt Lake County. About 25 percent of this covered space is in the ZCMI Center and Crossroads Plaza. But covered, climatized malls have fallen out-of-favor with retailers. There has not been a climatized regional mall built in Salt Lake County since South Towne in 1985.

The retail trend of the 1990s has been Apower centers@. Power centers are retail developments often anchored by large value-oriented retailers such as a Target, Shopko, or Wal-Mart surrounded by hundreds of thousands of square feet of additional discount retail. Several power centers have been developed in Salt Lake County in the 1990s, adding more than 2.5 million square feet of retail.

Another retail concept getting considerable attention in recent years has been the stand alone Abig box@ retailers (over 100,000 sq. ft buildings). This is not a new concept but certainly one that retailers have shown more interest in during the 1990s. The first Abig box@ retail in Salt Lake County was Sears (100,000 sq.ft.) built in 1962 at Main Street and 800 South. Kmart used the concept at several county locations in the 1960s and 1970s, followed by R.C. Willey, and more recently by Costco, Home Depot, and Lowes Home Improvement. Between 1962 and 1990 there were nine big box retail facilities built in Salt Lake County. Since 1990 there have been another twelve added for a combined 1.9 million square feet of retail space, see Table 5.

The extraordinary increase in suburban retail spaceC4.5 million new square feet in power centers and big boxes since 1990Chas shifted the Aheart of Salt Lake County=s retail@ to the Sandy/Murray corridor. This area includes two regional malls: Fashion Place and the South Towne, two power centers: Fort Union Family Center and Park Center and hundreds of thousands of square feet of retail space located in community shopping areas and big box retail. The Sandy/Murray corridor has an estimated 7.0 million square feet of retail space, which is about one-third of the 22 million square feet of retail space in the county.

[4] Robert H. Woody, Salt Lake Tribune, July 7, 1968.

Table 5
Regional Malls, Power Centers and Selected Big Box Retail in Salt Lake County - Gross Leaseable Retail

Regional Malls			Power Centers			Big Box Retail		
Project	Year Completed	GLA	Project	Year Completed	GLA	Project	Yr. Completed	GLA
Cottonwood Mall 4835 So. Highland Dr.	1962	850,000	Fort Union Family Ctr. 7200 South 1300 East	1979, 1995	687,000	Prior to 1990 9 Big Box Retail	---	1.1 mil
Valley Fair 3500 So. 2700 West	1972	640,000	Mid Valley Family Ctr. 5600 South Redwood Rd.	1982	960,000	Sam=s Club 6525 So. State St.	1990	135,000
Fashion Place 6300 South State	1972	976,000	Crosstowne 5400 South Redwood Rd.	1989	251,000	R.C. Willey 2400 South 300 W.	1991	310,000
Trolley Square 700 East 600 South	1972	240,000	Park Center 7000 South 1300 East	1990, 1995 1997	486,000	Highpoint 7800 South 1300 East	1993	247,000
ZCMI Center 36 South State	1974	550,500	Sugarhouse Center 2200 South 1300 East	1991	342,000	Hidden Valley S.C. 1300 East 12800 So.	1994	175,000
Crossroads Plaza 50 South Main	1980	620,000	South Twn Mkt. Place 10400 South State St.	1996	295,000	Kmart 1442 West 9000 S.	1995	110,000
South Towne 10600 South I-15	1985	980,000	Downtown Family Ctr. 400 South 600 East	1996	230,000	Lowes Home Imp. 4500 S. Riverside Dr.	1995	110,000
The Gateway 400 West So. Temple	2001	650,000	Commons at Sugarhouse 2100 South 1100 East	1998	182,000	Home Depot 2100 South 300 West	1995	125,000
			Jordan Landing Bangerter and 7600 So.	2000-2002	800,000	Cresent Village 10425 South State	1995	204,000
			Jordan Commons 9000 South State Street	2000	200,000	Fred Meyer 9000 So. Redwd. Rd.	1996	106,000
						Costco 11100 So. Automall	1996	180,000
						Home Depot 4600 South 4000	1998	120,000
.						Costco 1800 South 300 West	1997	120,000
Total Sq. Ft.		5.5 mil			4.3 mil			3.0 mil

Source: CB Richard Ellis.

Many of the power centers developed in the 1990s have included multiplex theaters. A total of 72 screens in multiplex theaters have been added in the suburbs in the past five years. The multiplex theater phenomenon is an example of the formidable retail/entertainment competition faced by the CBD from the suburbs. To recapture the CBD=s once thriving movie market, which included the Center Theater, Utah 1 & 2, Lyric, Broadway, Studio, Rialto and Crossroads Movies, will take more than the six screen multiplex at Broadway Center Cinema. The addition of the 12 screen Megaplex theaters at Gateway will improve the competitive position of the CBD.

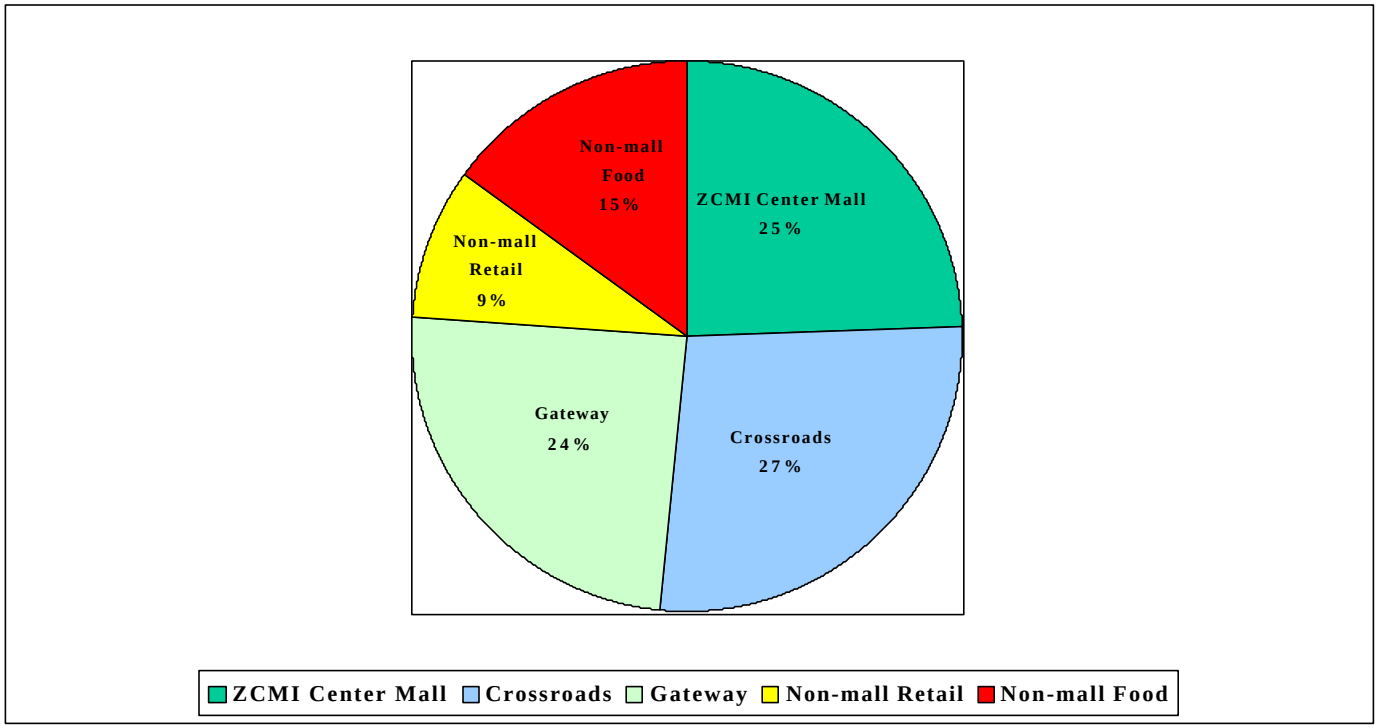
Whether it=s movies, clothing, furniture or restaurant food the competition for retail spending in Salt Lake County is intense and without a competitive response downtown retail faces future years of sluggish retail sales and further erosion of its retail position.

The Gateway - In a number of ways The Gateway has the potential of being a significant competitive response to suburban retail. It represents the first large expansion of retail space in the CBD since the completion of the Crossroads Plaza in 1980. The Gateway increased the inventory of retail space in downtown by one-third and just as important nearly 60 percent of Gateway=s space is occupied by retailers that are new to Salt Lake County. Unlike Crossroads and ZCMI, which are strictly retail malls, The Gateway is a mixed-use development, which includes housing, commercial, retail and entertainment. The concept of Gateway is that of an urban entertainment center (UEC), a concept which has been successful elsewhere in revitalizing downtown retail, bringing suburban residents to the CBD and getting tourists to stay longer and spend more. UECs Atend to offer a combination of entertainment, dining and retail with a pedestrian-oriented environment@.[5] In addition to 74,000 square feet for movie theaters and 60,000 square feet for dining, Gateway will also be the location of the new planetarium. In total space the new planetarium will be twice as large as the existing Hansen Planetarium and will have a star theater (206 feet high and 55 foot dome), as well as a 270 seat, IMAX theater. By 2004, the Children=s Museum, another entertainment option, will open a new $25 million facility in Gateway. No other mall in Salt Lake County or for that matter the state includes entertainment as an important component of their marketing concept. The Gateway with its Anew to Utah@ retailers, entertainment options, restaurants and interactive retail improves the competitive position of the CBD.

The Gateway and the two downtown malls**C**Crossroads and ZCMI Center**C**dominate downtown retail. Slightly more than 76 percent of all retail space in the CBD is located in Crossroads, Gateway and ZCMI Center. Non-mall restaurants and fast food locations account for about 15 percent of total retail space while non-mall retail has nearly 9 percent of retail space in the CBD, see Table 6 and Chart 3.

[5] *Developing Urban Entertainment Centers*, Urban Land Institute, Washington D. C. 1998.

Chart 3
Distribution of Leased Retail Space by Location
(Central Business District)



Retail Demand in the CBD - The three components of retail demand resident population, CBD employment and tourism/conventions have experienced relatively modest growth since 1990. Since 1990 employment in the CBD has increased from 49,000 to 61,000, an annual growth rate of 2.0 percent. Population growth has been even slower at 1.3 percent annually. Unlike population and employment, the tourist/convention business expanded rapidly during the early part of the 1990s but in recent years the number of convention attendees and nights booked has declined.

At first blush, the nearly captive convention market would seem to be a significant potential market for retail sales. However, conventioneers contribute little to total retail sales in the CBD. Of the $373 million in retail sales in 2000 in the CBD, conventioneers accounted for no more than 5 percent or $17 million of these sales. In addition, the business and leisure traveler may generate, at the most, another 10 percent or $37 million. At the upper bound or most optimistic level, travelers may account for $55 million of the $373 million in retail sales in the CBD. With no more than 15 percent of total retail sales, the travel industry can not be counted on to significantly change the level of retail sales in the CBD.

The surrounding population in Salt Lake City and south Davis County, downtown workers, and the travel industry are all important to downtown retail sales but none are experiencing rapid growth. If the demand for downtown retail is to expand significantly, new and dramatic retail additions are needed to entice suburban households to spent more of their time and retail dollars in downtown Salt Lake City.

Often public officials refer to the role that new housing in the CBD will play in revitalizing retail. Unfortunately, it would take a quantum leap in the number of new housing units and households in the CBD to make much difference in overall retail activity. If the 2,600 households now living in the CBD had average income levels of $50,000 and made all of their expenditures in the CBD for restaurant food and beverages, apparel, entertainment, furniture and specialty items (books, sporting goods, etc.) these expenditures would account for about 5 percent of total retail sales in downtown. This is not to diminish the role of new housing development in revitalization of the CBD. New housing is crucial for number of reasons but as an engine of expanded retail sales it will not be sufficient to support much new retail activity. At the end of the day, retail revitalization will depend on increased spending by residents of Salt Lake City and suburban households in the CBD.

Strengths of the Retail Sector

(1). The number of retail choices. In the roughly six square blocks of the CBD there are more than 250 different retail establishments (excluding fast food restaurants). Downtown retail must be dynamic and this dynamism creates competition and choice. The CBD in 2001 has three times as many retail choices as it did in 1970. Although the extent of retail competition may be a negative for some retailers for the consumer it is a positive market characteristic.

(2). The Gateway's forty "new to Utah" retailers, 12 screen megaplex, physical structure and environment. The Gateway introduction to the CBD and the State of the Urban Entertainment Center concept.

(3). The increase in new restaurants throughout the CBD, which complement the entertainment sector.

(4). The commitment by the LDS Church, Downtown Alliance, private individuals and corporations and the Mayor of Salt Lake City to improving the retail environment of the CBD.

Weaknesses of the Retail Sector

(1). There are a number of perceived weaknesses of downtown retail that are frequently cited. They include: streets are too wide, blocks too long, obsolete configuration of malls, no "social space" or feeling of gathering, wrong retail mix, disparate goals among individual retailers, too few local retailers, too many chains stores, etc.

(2). Measuring or even assessing the impact of any of these perceived weaknesses is impossible.

(3). Rising retail vacancy rates.

(4). Perhaps the biggest challenge for the CBD is decentralization, that is, retail competition from the suburbs.

(5). Sunday closing of the ZCMI Center.

(6). The possible loss of Nordstrom. The best outcome would be a major renovation of the Crossroads Mall and a Main Street presence for Nordstrom. The worst outcome would be for Nordstrom to leave downtown. With $37 million in sales Nordstrom accounts for 10 percent of the CBD's retail sales and close to $200,000 in sales tax revenue for the city. Nordstrom also has important synergistic effects on downtown retailers in terms of the mix of retail and Nordstrom is a destination retail establishment that has the ability to draw shoppers to the CBD. Without Nordstrom its is very likely that Salt Lake City residents as well as residents in communities to the north, in Davis and Weber Counties, will spend fewer retail dollars in the CBD

B. Office Sector

In summary:

$*The office sector dominates the economy of the CBD. Over 80 percent of all employees work in the 13.3 million square feet of office space. Since 1990 over 2.9 million square feet of new office space has been added to the downtown market. The single largest addition in the past twelve years was the Wells Fargo Center (originally American Stores Tower) with 535,270 square feet, completed in 1998.*

$*Thirty-six percent or 4.8 million square feet of office space in the CBD is institutional or owner/occupied. The relatively high percentage is due to the nearly 1.4 million square feet of office space owned and occupied by the Church of Jesus Christ of Latter-day Saints for administrative functions.*

$*The CBD office market at year-end 2001 had a vacancy rate of 10.9 percent, which includes the space recently made available in the Wells Fargo Center. The total square footage available was 735,000 but this amount does not include the 174,000 of square feet of vacant subleased space recently released on the market. A weaker economy, corporate mergers and downsizing along with new office construction at Gateway and vacant space at the Wells Fargo Center have combined to drive vacancy rates up to their highest level since 1994. Consequently very little new office space in the CBD is currently under construction. The only building under construction is a 108,000 square foot building at The Gateway, 200 South and 400 West.*

$*In addition to vacancy rates, absorption of office space is another important measure of market conditions. In the past four years the CBD has been able to absorb 575,000 square feet of space. In 2001, the CBD absorbed 354,00 square feet of space, certainly a positive sign for the office market.*

$*The third measure of market conditions is lease rates. Sluggish increases or declines in average lease rates are an indicator of a weak market. At the end of 2001, there were no signs, with respect to lease rates, of a distressed market. Despite rising vacancy rates lease rates have actually increased slightly in the past year. The average lease rate for office space in the CBD has increased by about $1.00/square foot. Since 1995, the average annual growth rate in the average lease rate for CBD office buildings was 6.3 percent. The average full service lease in downtown is currently $18.52/square foot. Class A space is $22.51/square foot.*

One of the most recent additions to the downtown office market—the renovated Brooks Arcade—happens to be the second oldest surviving office building in the CBD.[6] The Brooks Arcade built in 1891 is currently undergoing extensive renovation and expansion to become the national headquarters for Alphagraphics. Since 1891 there has been about 13.3 million square feet of office space built in the CBD. The most significant early office tower in the CBD was the sixteen story Walker Bank Building completed in 1912, which, at the time, was the tallest building between Kansas City and the West Coast. Fifty years later, the height of the Walker Bank Building was finally surpassed, with the completion of Gateway Tower East (Kennecott Building) in 1962. Soon thereafter came the University Club building in 1966 and in 1973 the tallest and largest office building in the CBD, the Church of Jesus Christ of Latter-day Saints headquarters building with 980,000 square feet of office space.

For the most part office development in the CBD was steady but unspectacular from 1891 to 1970, see Table 1 and Chart 1.[7] Over the last thirty years approximately 8.5 million square feet of office space have been added to the market. The growth in square footage by decade shows that the 1980s was the decade with the greatest absolute and relative increase in new office space. The absolute increase in office space was 3.5 million square feet, which represented a 53 percent increase in the inventory of office space in the CBD. New office construction slowed down in the 1990s, nevertheless over 2.6 million square feet of new space was added, increasing the inventory by 22 percent.

Decade	Increase	% Chg.
1970's	2,257,925	50%
1980's	3,562,378	53%
1990's	2,6,46,315	22%

Types of Office Space - The 13.3 million square feet of office space in the CBD is divided into four categories.[8] Estimates of the distribution by category are given below:

Class A	33%
Class B	19%
Class C	12%
Institutional/Owner-occupied	36%

[6]Only the Eagle Emporium (Zion=s First National Bank at 102 South Main Street), built in 1864 is older. The recently renovated Karrick Building at 236 Main Street was built in 1887, however, due to its relatively small size, less than 10,000 square feet, the Karrick Building was not included in the office market inventory.

[7]With the exception of the 1906 to 1912 period when 1.1 million square feet of space was added to the CBD. The development of the Exchange Place District, due in large part, Ato the efforts of Samuel Newhouse to establish a non-Mormon business section at the south end of Salt Lake=s central business district@ (*The Westside of Salt Lake City* by John McCormick, Utah Historical Society, 1982). The exchange place district includes the Boston Building, Commercial Club, Felt Building, Judge Building, Newhouse Building and across the street the federal/post office building (Frank E. Moss Building).

[8]Definition from Collier= International. Buildings that meet two or more of the following conditions typically will be placed in the category listed below.

Class A - 75,000 SF or greater; 10 years or newer; lease rate $19 full service/year or greater
Class B - 74,999 SF or smaller; 10 years or newer; lease rate $15 full service/year or greater.
Class C - 20,000 SF or greater; any age; lease rate $10 full service/year or greater

CBD Office Buildings by Year Built
(Includes Institutional and Owner/User Space)

Building	Address	Yr. Built	Square Footage
Eagle Emporium (Zions First National Bank)	102 South Main Street	1864	15,000
Brooks Arcade	300 South State Street	1891	30,000
Crane Building	307 West 200 South	1893	35,000
City/County Building	451 South State Street	1894	533,000
Henderson Building	375 West Second South	1898	20,000
Herald Building	165 South Main Street	1905	25,700
139 East South Temple	139 East South Temple	1906	65,778
Frank Moss Federal Building	350 South Main Street	1906	210,000
Firestone Building	175 West 200 South	1908	64,000
Salt Lake Hardware	105 North 400 West	1908	220,000
Boston Building	9 Exchange Place	1908	78,194
Commercial Club	32 Exchange Place	1908	55,195
Felt Building	341 South Main Street	1909	38,537
Judge Building	8 East Broadway	1909	74,776
Newhouse Building	10 Exchange	1909	87,000
Westgate	180 South 300 West	1909	200,000
Deseret Building	79 South Main Street	1910	135,000
Kearns Building	136 South Main Street	1910	145,904
Walker Center	175 South Main Street	1912	128,528
LDS Church Headquarters	47 East South Temple	1917	60,000
Clift Building	10 West 300 South	1920	79,712
Tribune Building	143 South Main	1924	76,000
Ford Motor Building	414 West 300 South	1925	80,000
200 East South Temple	200 East South Temple	1930	57,000
Exchange Plaza	51 East 400 South	1930	30,000
One Main Plaza	111 South Main Street	1937	80,000
Temple View	57 West South Temple	1940	48,284
Qwest	80 South State Street	1947	150,000
Crandall Building	10 West 100 South	1950	50,000
American Investment Bank	200 East South Temple	1950	54,000
55 South State	55 South State	1952	60,992
Federal Reserve	120 South State Street	1957	60,000
Questar	180 East 100 South	1960	220,000
Courtside	231 East 400 South	1961	55,000

Building (Con=t)	Address	Yr. Built	Square Footage
Gateway Tower East	10 East South Temple	1962	309,714
One Main Plaza	115 South Main Street	1963	75,000
Wallace Bennett Federal Building	125 South State Street	1963	360,000
136 East South Temple	136 East South Temple	1966	216,976
Wells Fargo Building	405 South Main	1967	131,000
J.C. Penny	310 South Main Street	1971	233,890
Utah Power	60 East 100 South	1972	37,089
Broadway Pharmacy	250 East 300 South	1973	45,000
LDS Church Office Building	50 East North Temple	1973	980,000
SNI	275 East 200 South	1974	47,205
Deseret Book Building	40 East South Temple	1975	44,010
275 East South Temple	275 East South Temple	1976	26,367
American Plaza I	47 West 200 South	1976	55,341
Beneficial Life Tower	36 South State	1976	296,000
Westpoint	254 West 400 South	1976	19,980
Kirton McConkie	330 South 300 East	1977	21,150
American Plaza II	77 West 200 South	1978	63,044
175 South West Temple	175 South West Temple	1979	148,340
American Plaza III	57 West 200 South	1979	65,056
Brighton Bank	311 South State Street	1979	35,453
Human Services State Government	120 North 200 West	1979	140,000
261 East 300 South	261 East 200 South	1980	21,100
Chapman Pehrson	155 South 300 West	1980	23,608
Key Bank Tower	50 South Main Street	1980	306,309
Qwest	250 East 200 South	1980	305,772
Broadway Building	324 South State Street	1981	180,000
185 South State	185 South State Street	1982	166,000
American Towers	48 West 300 South	1982	53,726
Bank One Tower	50 West 300 South	1983	106,416
Heber Wells Building	160 East 300 South	1983	194,400
Parkside Tower	215 South State Street	1984	191,193
Plaza 349	349 South 200 East	1984	71,500
Triad Center 3,4,5	300 West North Temple	1984	569,234
Wells Fargo	170 South Main	1984	248,560
Qwest	205 East 200 South	1984	200,000

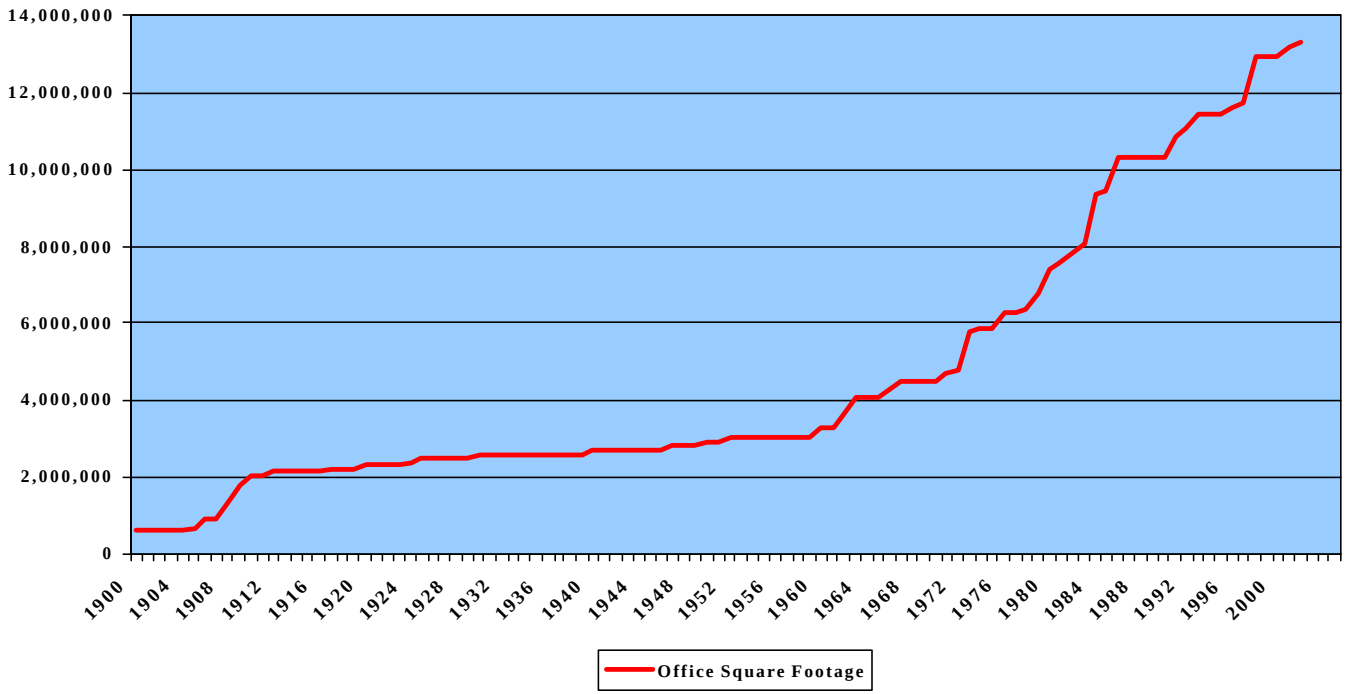
Building (Con=t)	Address	Yr. Built	Square Footage
265 East 100 South	265 East 100 South	1985	90,000
257 Tower	257 East 200 South	1986	260,234
City Centre	175 East 400 South	1986	207,630
Eagle Gate Plaza	60 East South Temple	1986	366,696
One Utah Center	201 South Main Street	1991	419,000
Department of Workforce Services	140 East 300 South	1991	140,000
Broadway Center	111 East 300 South	1992	240,529
Joseph Smith Memorial Building	15 East South Temple	1993	337,400(1)
Social Hall/IRS	150 East Social Hall Ave.	1996	161,146
Deseret News	30 East 100 South	1997	90,000
Gateway Tower West	South Temple and Main	1998	279,875
Wells Fargo Center	300 South Main Street	1998	535,270
Matheson Courts Complex	450 South State Street	1998	420,000
30 East 300 South	30 East 300 South	1999	23,095
One Gateway	400 West 100 South	2001	161,000
Gateway	400 West 100 South	2001	85,000
Alphagraphics Building	280 South State Street	2002	70,000 (2)
Gateway (under construction)	400 West 200 South	2002	108,000
Total			13,305,368

(1) Joseph Smith Memorial Building is 482,000 square feet but only 70 percent is used for office space. The remaining 30 percent is space for church services, theater, two restaurants, reception rooms, etc.

(2) The Alphagraphics Building is a renovation and addition of the original Brooks Arcade, 30,000 square feet. The net addition is 70,000 square feet.

Source: Collier=s Commerce CRG and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Chart 1
Growth of Office Square Footage in the Central Business District - 1900 to 2002
(Square Feet)



Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

The relatively high percentage of owner-occupied single tenant space is due to the nearly 1.4 million square feet of office space owned and occupied by the Church of Jesus Christ of Latter-day Saints for administrative functions. In addition to this space the LDS Church also owns and leases another 1.6 million square feet of office space, see Table 2.

Of course, the major office presence in the CBD of the Church of Jesus Christ of Latter-day Saints is due to two factors: (1) Salt Lake City is the international headquarters of the LDS Church and (2) early land distribution patterns in Salt Lake City.[9] To no surprise, the LDS Church is the largest single owner-occupant of office space as well as the principal office space developer in the CBD. As a developer, the LDS Church has often had the advantage of very low to zero land costs in their office projects—a considerable financial advantage for any real estate developer. The LDS Church has used this advantage to develop some of the highest quality commercial office space in the CBD. The Gateway Tower East (originally known as the Kennecott Building) was certainly the highest quality office building in the state when it was completed in 1962. Four other large office buildings developed by the LDS Church are also of high quality—J.C. Penney building, Eagle Gate Plaza, Social Hall/IRS and Gateway Tower West. Undoubtedly, the development of these buildings helped stimulate additional investment by private developers in the CBD.

Corporate Headquarters - The headquarters presence of the Church of Jesus Christ of Latter-day Saints has been vital to the development of the CBD. Currently, there are 13 major firms or organizations that have their corporate headquarters in the CBD (excluding banks, see Finance Sector), see Table 3.

During the 1990s three new headquarters offices were opened in the CBD, however, two of them have since left. Of course, the Salt Lake Organizing Committee for the 2002 Olympics has vacated their office space. But rather unexpectedly, in 1999, the CBD lost what was about to become the major corporate tenant in downtown, American Stores. A year earlier, American Stores had completed their 535,000 square foot office tower at 300 South Main Street and it was

[9] For example, Ain the summer of 1847 Church apostles were allowed to select their own inheritances mostly property fronting on the Temple Block, and at that time Brigham Young picked for himself and family the block immediately east of Temple Square.@ From Dale L. Morgan, AThe Changing Face of Salt Lake City, *Utah Historical Quarterly*, XXVII (July 1959), pp. 209-32. The Ainheritances@ were seized when the LDS Church was disincorporated in 1887 by the Edmunds-Tucker Act. Land near Temple Square was eventually reacquired by the LDS Church in the early 20th century.

Table 2
Office Space Owned by the Church of Jesus Christ of Latter-day Saints

LDS Church Office Space	Square Feet
Owned and Church Occupied	
LDS Church Headquarters	60,000
Office Building	980,000
Joseph Smith Memorial	337,400
Subtotal	1,377,400
Leased Office Space	
Gateway Tower East	309,714
J.C. Penney	233,890
Elks Building	65,778
Temple View	48,284
40 East 100 South	37,089
55 South State	60,992
Eagle Gate Plaza	366,696
Social Hall/IRS	161,146
Gateway Tower West	279,875
Subtotal	1,563,464
Grand Total	2,940,864

Source: Property Reserve and Zions Securities of Church of Jesus Christ of Latter-day Saints

Table 3
Corporate Headquarters in the CBD

Continuous Presence in CBD - 1990 to 2002
Beneficial Life
Bonneville International
Church of Jesus Christ of Latter-day Saints
Deseret News
Envirocare
Fidelity Investment (local headquarters)
Intermountain Health Care (IHC)
Newspaper Agency Corp.
Questar
Qwest (local headquarters)
Salt Lake Tribune
Union Pacific (local headquarters)
Utah Jazz
Left CBD between 1990 and 2002
American Stores
Bonneville Pacific
Huntsman Chemical
Salt Lake Organizing Committee (Olympics)
Located in CBD between 1990 and 2002
Alphagraphics
American Stores
Salt Lake Organizing Committee (Olympics)

Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

expected that over 2,000 American Stores' employees would be located in the CBD. American

Stores would be the first Fortune 500 firm to have their headquarters in downtown Salt Lake City. Unfortunately, the purchase of American Stores by Albertson=s (headquarters in Boise) in 1999 ultimately resulted in an empty office tower by 2000.[10]

The impact of the loss of American Stores on the CBD was severe, particularly in lost potential. The tally for the loss amounts to more than two thousand direct jobs and $80 million in wages, the forfeiture of significant synergistic affects on the demand for hotel rooms, housing and retail and finally the negative impact on the downtown office market that 535,000 vacant square feet created. For example, if American Stores would have remained in the CBD an additional office tower of 375,000 square feetCdeveloped by Hamilton PartnersCwould be nearing completion on Main Street. Hamilton Partners has postponed their start date indefinitely due to the uncertainty in the CBD office market.

The Huntsman Chemical Corporation moved their headquarters from the CBD to a suburban locations and IHC move much of their administrative staff from the CBD to West Valley City. The only new headquarters that has located in the CBD in the past 12 years and remains in the CBD is Alphagraphics. The loss of three major corporate headquarters and the corporate identity that goes with such firms is a serious blow to the CBD and a very troubling trend.

Increasing Decentralization of Office Space - Like retail, new office development in the CBD has been surpassed, as one would expect, by office development in the suburbs. As the demographics and economic activity of the county have shifted south so has office space development. A clear and unmistakable sign of decentralization is the increase of attorneys in the suburbs. In 1990, eighty percent of all attorneys in the county had offices in the CBDC1,450 of the 1,750 attorneys countywide worked in downtown. By 2001, the number of attorneys in the CBD had increased to 1,760 but downtown=s share of the 3,100 attorneys in the county had fallen to 57 percent.

In the past few years, the development of new office space for lease (excluding institutional or owner/user buildings) appears to be running at about an 8 to 1 advantage for the suburbs, see Table 4.

Office Market Conditions -The CBD office market at year-end 2001 had a vacancy rate of 10.9 percent, which includes the space recently made available in the Wells Fargo Center, see Table 5. The total square footage available was 735,000 but this amount does not include the 174,000 of square feet of vacant subleased space recently released on the market. A slowing economy, corporate mergers and downsizing along with new office construction at Gateway and vacant space at the Wells Fargo Center have combined to push vacancy rates up to their highest level since 1994. Consequently very little new office space in the CBD is currently under construction. The only building under construction is a 108,000 square foot building at Gateway, 200 South and 400 West.

[10] American Stores ranked 67th on the Fortune 500 list in 1998. Albertson=s currently ranks 38th on the Fortune 500.

Table 4
New Office Construction in the CBD and Suburbs*

Year	Class A	Class B	Class C	Total CBD	Suburban County	CBD % of Suburban Mkt.
1995	14,993	73,611	42,488	131,092	287,514	45.6%
1996	150,000	83,108		223,108	892,472	25.0%
1997	0	0	0	0	624,322	0.0%
1998	262,500	0	0	262,500	1,045,301	25.1%
1999	0	23,095	0	23,095	1,004,190	2.3%
2000	0	0	0	0	1,604,954	0%
2001	246,000	0	0	246,000	1,440,368	17.1%
Total	673,493	179,814	0	885,795	6,899,121	12.8%

*Does not include institutional or owner/user buildings therefore the table excludes the 535,000 square feet of office space developed by American Stores.

Source: Colliers Commerce CRG, Year-End Market Review. Collier-s does not include the 246,000 square feet of Gateway office space that began leasing at year end 2001. Collier-s will include the Gateway numbers in their 2002 Market Review.

Table 5
Office Vacancy Rates in CBD
(Percent)

Year	Class A	Class B	Class C	Total CDB	Total SL Co.
1990	6	13	22	13	14
1991	21	16	17	18	na
1992	14	16	19	16	na
1993	7	11	18	11	11
1994	5	10	20	10	8
1995	4	6	14	7	6
1996	3	1	11	8	7
1997	na	na	na	6	6
1998	4.5	13.3	7.7	8.7	8.0
1999	5.1	11.5	6.5	8.0	8.4
2000	4.5	13.3	7.7	8.7	8.9
2001	10.1	13.0	9.1	10.9	12.1

Source: Collier=s Commerce CRG.

The performance of the countywide office market has been very similar to the CBD=s. Vacancy rates have risen to their highest levels since 1993. The countywide vacancy rate was 12.1 percent at year-end 2001, slightly above the CBD=s rate. Total vacant office space countywide was 2.8 million square feet and in addition another 800,000 square feet of subleased space was available. Much of the weakness in the suburban area is related to Class B space used for telephone call centers. High vacancy rates in this type of space will have less impact on the downtown market. The large floorplate design used in call centers is not typical downtown office space.

In addition to vacancy rates, absorption of office space is another important measure of market conditions. In the past four years the CBD has been able to absorb 575,000 square feet of space as reported by Collier=s Commerce CRG. In 2001, the CBD absorbed 354,00 square feet of space. These data indicate a continued strong demand for office space in the CBD.

	Absorbed SF
1998	161,655
1999	28,313
2000	31,331
2001	354,115

The third measure of market conditions is lease rates. Sluggish increases or declines in average lease rates are an indicator of a weak market. However, the performance of lease rates does not indicate a distressed market. Despite rising vacancy rates, lease rates have increased. In the past year, the average lease rate for office space in the CBD has increased by about $1.00/square foot. Since 1995, the average annual growth rate in leases rate for CBD office buildings has been 6.3 percent. The average full service lease in downtown is currently $18.52/square foot. Class A space is $22.51/square foot, see Table 6.

Table 6
Average Office Lease Rates for CBD and Salt Lake County
(Full Service Lease)

Year	Class A	Class B	Class	Total	Total SL Co.
1995	$17.57	$13.01	$11.33	$12.84	$12.92
1996	19.02	14.53	12.90	14.44	14.03
1997	19.70	15.05	13.05	14.93	14.76
1998	19.69	15.55	13.39	15.47	15.43
1999	20.56	16.33	13.95	15.92	15.90
2000	21.46	16.41	13.51	17.53	17.26
2001	22.51	16.94	13.73	18.52	17.78
Annual Growth Rate	4.2%	4.5%	3.3%	6.3%	5.5%

Source: Collier-s Commerce CRG.

Strengths of the Office Sector
(1). The addition of over 2.5 million square feet of Class A office space in the CBD since 1990.

(2). The presence of the Church of Jesus Christ of Latter-day Saints both as a developer and user of office space.

(3). Salt Lake City as the county seat and capital city of Utah has a unique advantage as a location for government offices: federal, state and local.

(4). Absorption rates and lease rates have remained surprisingly strong despite a weakening market.

(5). The commitment by Hamilton Partners to office space ownership and development in the CBD.

Weaknesses of the Office Sector
(1). Decentralization of the office market, that is, once again competition from suburban markets.

(2). Rising vacancy rates that are currently at ten-year highs.

(3). The additional drag on the market of vacant subleased space.

(4). The loss of corporate headquarters in the CBD, most notably, American Stores followed by Huntsman Chemical and the large administrative staff of IHC.

C. Government Sector

The government sector is central to the economic structure of the CBD. As the capital city, Salt Lake benefits not only from state government offices but also from the presence of federal offices and of course, a large number of city employees. Salt Lake County has only a few employees at scattered sites in the CBD.

Besides employment, another important attribute of the government sector is ownership of both land and physical structures. Currently governments own about 94 acres in the CBD. Much of this land provides public infrastructure. One or another government entity owns the land and/or physical facility for the following public facilities. The Salt Palace Convention Center, Abravanel Symphony Hall, Salt Lake Arts Center, Delta Center, Capitol Theater, Rose Wagner Performing Arts Center, State Historical Society, Salt Lake City Library, state courts complex, Pioneer Park, City and County Building, Washington Square, Gallivan Center and Dinwoody Park, see Table 1.

Salt Lake City wields considerable influence over the CBD economy through zoning, licensing, various regulations and development assistance provided by the Redevelopment Agency (RDA) The role of the RDA in the economic development of the CBD has been crucial, particularly in the 1990s. A review of RDA programs shows that from 1975 to 1989 the agency provided about $18 million in assistance. Since 1990, RDA participation has totaled $123.3 million including assistance for the expansion of the Salt Palace Convention Center, Main Street beautification, Delta Center plaza and the development of Block 57, see Table 2.

Strengths of the Government Sector

(1). The commitment of capital and resources by governments to the economic development of the CBD.

(2). Major employer, 10 percent of the downtown workforce.

(3). Salt Lake City's resolve to improve the CBD.

(4). The near-term development of a 10-acre Olympic Park in the CBD.

Weaknesses of the Government Sector

(1). Relatively slow employment growth in the government sector.

(2). The phenomenal amount of investment and upgrading of the public infrastructure over the past ten years will leave future public investment at relatively modest levels.

Table 1
Government Owned Land and Structures

Government
State
Human Services Building
Matheson Courts Complex
Heber Wells Building
Department of Workforce Services
City
City and County Building *
City office building
Salt Lake Public Library
Delta Center (RDA owns land)
Pioneer Park
Washington Square
Dinwoody Park (RDA)
Gallivan Center (RDA)
County
Salt Palace Convention Center
Capitol Theater
Rose Wagner Performing Arts Center
Salt Lake Arts Center
Abravanel Hall
Scattered Sites near 200 West
Federal
Frank E. Moss Federal Courthouse
Wallace F. Bennett Federal Building
324 South State (shared with city)
Federal Reserve

*Salt Lake County owns one floor of the City and County Building which is leased to Salt Lake City. County owns no land at Washington Square.

Source: Government agencies.

Table 2
Salt Lake City=s Redevelopment Agency Projects and Investments

Project	Year	Type of Assistance	Investment
Dinwoody Park	1975	Acquisition, Construction	$255,500
Bank of Utah	1976	Acquisition, Write-Down	$318,400
American Plaza	1976	Acquisition, Write-Down	$1,000,000
Heber M. Wells	1977	Acquisition, Write-Down	$1,077,000
Symphony Hall	1978	Plaza Improvements	$150,000
Salt Lake Arts Center	1978	Plaza Improvements	$100,000
Capitol Theater	1978	Acquisition, Write-Down	$240,000
Salt Palace	1978	Sidewalk Improvements	$40,000
City Centre Development	1980	Acquisition, Write-Down	$3,075,000
Triad Center Park	1984	Plaza Improvements	$4,500,000
Triad Center Parking	1984	Acquisition, Construction	$6,200,000
Clift Building Renovation	1987	Loan Renovation	$1,050,000
Total 1975 through 1989			$18,005,900
Workforce Services	1990	Parking Construction	$3,000,000
Block 57 Plaza	1990	Acquisition, Construction	$18,000,000
One Utah Center Parking	1990	Construction	$14,500,000
Delta Center Arena & Plaza	1990	Acquisition, Plaza Improvements	$13,800,000
Plandome	1990	Loan Renovation	$650,000
Block 49 Housing	1990	Land Acquisition, Environmental	$4,400,000
Corporate Office Center	1991	Land Acquisition	$9,250,000
Brooks Arcade	1991	Land and Building Acquisition	$1,750,000
Hotel (Block 57 Northeast)	1991	Land Acquisition	$2,250,000
Broadway Centre Parking	1991	Acquisition, Construction	$5,425,000
Pierpont Walkway	1991	Plaza Improvements	$680,000
Additional Block 57 Plaza	1992	Land Acquisition	$3,000,000
Salt Palace Expansion I	1992	Grant	$15,000,000

Exchange Place Parking	1992	Loan	$2,300,000
Project (Con=t)	Year	Type of Assistance	Investment
Multi-Ethnic High Rise	1992	Land Acquisition	$200,000
Capitol Theater	1992	Grant	$240,000
California Tire & Rubber	1994	Grant	$1,000,000
David Keith Facade	1994	Loan	$165,000
Judge Building Facade	1994	Loan	$200,000
Block 49 Housing	1995	Land Write-down	$1,400,000
Main Street Beautification	1995	Bond	$12,000,000
Wagner Performing Arts	1995	Grant	$1,200,000
Pioneer Park Upgrades	1995	Grant	$1,000,000
Commercial Club	1995	Loan	$750,000
Henderson Block	1995	Loan	$300,000
Boston Store Facade	1996	Loan	$75,000
Tire Town Facade	1996	Loan	$300,000
328 Edison Street	1996	Loan	$53,000
Tommy=s Facade	1997	Loan	$66,815
West Temple Beautification	1997	Grant	$240,000
Hotel Monaco	1998	Loan Renovation	$1,000,000
Gateway			????
Crane Building	1999	Loan	$125,000
Public Improvements	several yrs	Grant	$9,000,000
Total 1990 to present			$123,319,815
Grand Total of RDA Investment			$141,325,715

Source: Redevelopment Agency of Salt Lake City.

D. The CBD Economy and the Church of Jesus Christ of Latter-day Saints

The LDS Church has played a formative role in *every* sector of the downtown economy. No other institution, government entity or corporation has had such a defining role on the size, shape and direction of the CBD economy. The LDS Church=s extensive holdings and widespread impact are briefly summarized below: (See also Chart 1)

$Office Sector - Largest owner and manager of office space in the CBD. Owns 1.4 million square feet of ecclesiastical office space and 1.6 million square feet of commercially leased office spaceC22 percent of total office space in the CBD.

$Retail Sector - Owner of ZCMI Center with more than 600,000 square feet of retail space plus other scattered retail sitesCover 30 percent of retail space in the CBD.

$Manufacturing Sector - Owner of the Deseret News and 50 percent of the Newspaper Agency Corporation, the largest manufacturer in the CBD.

$Housing Sector - Largest owner of rental units in CBD. Owns seven apartment communities with a total of 852 unitsC26 percent of residential units in the CBD.

$Finance Sector - Owner of Beneficial Life Insurance, an insurance company established in 1905, which is among the top 10 percent of American insurance companies.

$Communications Sector - Owner of Bonneville International Corporation organized in 1964. BIC is a major broadcasting group with 18 radio stations located in Chicago, Washington D.C., San Francisco, St. Louis and Salt Lake City, plus two television stations, and the subsidiaries of Bonneville Communications, Bonneville Satellite Company, and Video West Productions.

$Hospitality Sector - LDS Church owned properties provide hospitality services in three historic downtown buildings: Lion House, Joseph Smith Memorial Building and the Inn at Temple Square. For almost 80 years and until its renovation as the Joseph Smith Memorial Building, the Hotel Utah with 500 rooms was the state=s most elegant hotel.

$Entertainment and Culture - The Tabernacle Choir and Temple Square along with the Family History Library and the Joseph Smith Memorial Building are important cultural attractions visited by an estimated 5 million people annually. The cultural role of the LDS Church has been profound and includes the donation of land for the Salt Palace Convention Center, Salt Lake Arts Center and Abravanel Hall.

$CBD Investment 1990 to 2001 - Developed and built six new buildings in the CBD with a construction value of $302 millionC22 percent of the total value of new

construction in downtown. The Conference Center completed in 2000 is the highest construction value ever for a single building in the CBD$172 million.[11]

$Parking - Owns 9,850 parking stalls27 percent of all parking space in the CBD.

$Employment and Wages - One out-of-every eight employees in the CBD either work directly for the LDS Church or is employed by an establishment owned by the LDS Church. Consequently, the LDS Church is the largest single employer in the CBD. Wages paid to these employees are estimated at about $250 million.

$Land Ownership - Owns about 78 acres19 percent of the land in the CBD.

$Property Taxes - Largest property tax payer in the CBD.

The presence of the LDS Church in the CBD economy includes more than just quantifiable measures. The influence of the LDS Church extends far beyond their capital and land investment in the CBD. To quote the Deseret Management Corporation=s website describing Zions Securities Corporation. AOne important role filled by ZSC is to anticipate future growth needs and patterns. The company can then seek to acquire land and property in order to facilitate vital developments by itself or other organizations. In this role ZSC works closely with business and government organizations to provide support, planning, and coordination. For example, the Company helped stimulate additional growth by Apackaging@ properties for downtown developments, including the Crossroads Mall and the Matheson Courthouse complex.@

Strengths

(1). The Church of Jesus Christ of Latter-day Saints' historical, economic, social and cultural connection and identity with the Salt Lake City's CBD is unique and advantageous.

(2). The LDS Church is the most likely source of major investment and development in the CBD in the near-term.

(3). LDS Church facilities, particularly the Conference Center, the Salt Lake Temple and Temple Square bring a substantial number of people downtown that would not otherwise visit the CBD. The ability of the LDS Church to schedule significant events at their facilities is very beneficial to the CBD.

(4) The LDS Church's willingness to become involved with public and private parties to encourage investment in the CBD has been and will be essential for economic development.

[11] Does not include the cost of interior finish.

Weakness

(1). The religious doctrine of the LDS Church leads to some policies that may be incompatible with economic development issues: liquor laws, Sunday closings, nightclub district, etc.

Table 1
Office Space Owned by the Church of Jesus Christ of Latter-day Saints

LDS Church Office Space	Square Feet
Owned and Church Occupied	
LDS Church Headquarters	60,000
Office Building	980,000
Joseph Smith Memorial	337,400
Subtotal	1,377,400
Leased Office Space	
Gateway Tower East	309,714
J.C. Penney	233,890
Elks Building	65,778
Temple View	48,284
40 East 100 South	37,089
55 South State	60,992
Eagle Gate Plaza	366,696
Social Hall/IRS	161,146
Gateway Tower West	279,875
Subtotal	1,563,464
Grand Total	2,940,864

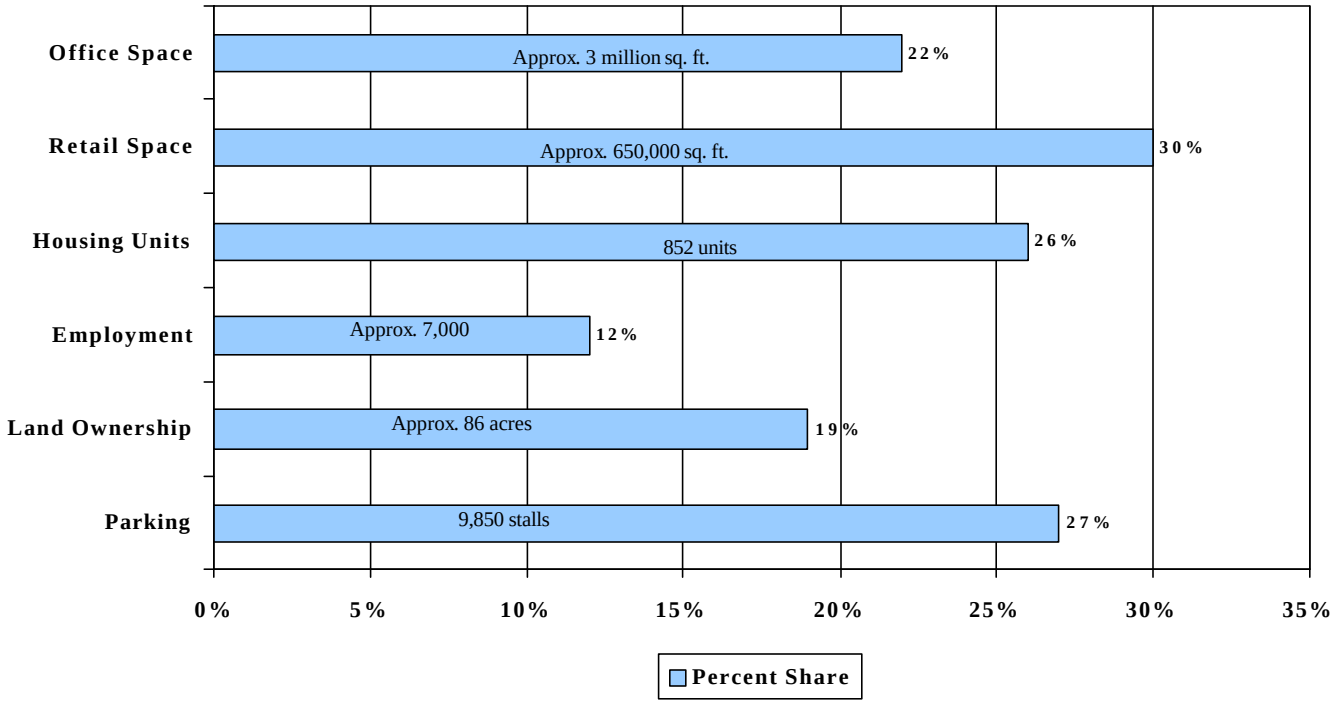
Source: Property Reserve and Zions Securities of Church of Jesus Christ of Latter-day Saints

Table 2
Rental Units in CBD Owned by the Church of Jesus Christ of Latter-day Saints

Apartment Community	Address	Number of Units
Brigham Street	201 East South Temple	337
Deseret Apartments	158 North Main Street	45
Eagle Gate	109 East South Temple	82
First Avenue homes	120 to 136 East 1st Avenue	43
Garden Apartments	200 North 200 West	196
Gateway	40 North State Street	55
West Temple Apartments	185 North West Temple	94
Total		852

Source: Zions Securities Corporation.

Chart 1
Church of Jesus Christ of Latter-day Saints' Percent Share of Selected CBD Sectors



Source: Zions Securities Corporation, Salt Lake County Assessor's Office and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

E. Hotel and Convention Sector

The addition of several new hotels, a $120 million expansion of the Salt Palace Convention Center and increased funding for marketing, have combined to significantly expand the CBD=s hotel sector in the 1990s. The addition of five new hotels increased the inventory within the boundaries of the CBD by 833 rooms. This expansion does not include the addition of the 775 rooms in the Grand America Hotel, completed in 2001, located just a block south of the CBD. The five new hotels created 550 new jobs increasing total employment in the sector from 1,250 in 1990 to 1,800 in 2001. These recent additions were all encouraged to some degree by the 2002 Olympics.

Three of five new hotels built during the 1990s are Marriot properties: the Marriott City Center, Courtyard by Marriott and Residence Inn by Marriott. The other two new hotels are Hotel Monaco and Renaissance Suites. The Marriott Corporation has a substantial presence in the downtown hotel market**C**four hotels with nearly 40 percent of the rooms, see Table 1.

Historically hotel development in the CBD seems to occur in fits and starts. About twenty years ago, which was the last hotel building boom, three new hotels added 1,400 rooms to the market over a period of four or five years: Salt Lake City Marriott, Hilton (built as Sheraton) and Wyndham (built as Doubletree). Occupancy and room rates declined as expansion in supply coincided with an economic downturn in the local economy. An economic scenario albeit more severe than that of the late 1990s but nevertheless very familiar.

Just like the 1980s, excess inventory**C**too many rooms**C**has driven down occupancy and room rates. Data from Rocky Mountain Lodging Report, which includes the downtown and downtown east area, show that the *available* rooms on a monthly basis have increased from 90,000 in 1996 to 119,000 by 2001, an increase of 32 percent. For the same period, *occupied* rooms increased only 7 percent. Consequently occupancy rates have fallen from 81.2 percent to 64.6 percent. The drop in occupancy rate, however, is caused entirely by the increase in supply not by declining demand for hotel rooms, see Tables 2 and 3.

Falling occupancy rates have pulled down average room rates. In 1998 the average room rate in the Salt Lake City market was $95.79 an all-time high. But once the 900 new rooms were added, room rates fell, dropping to $78.87 per night by 2001. Of course, total room revenue also fell. In constant 2001 dollars, total room revenue generated in the market dropped to $80 million, down from a peak of $102.5 million four years earlier, see Table 4.

While the 2002 Olympics helped to induce the development of new hotels and excess capacity, the hope is that the exposure of the Olympics will lead to greater demand for hotel rooms in 2002 and beyond. An improving economy, fading travel worries associated with September 11th , and strong convention bookings for 2002 and beyond should help to absorb the overcapacity in rooms.

Strengths

(1). Recent investment in several new hotels has improved the quality of lodging facilities in the CBD.

(2). The exposure of the 2002 Olympics and the strong advance bookings of the Convention and Visitors Bureau.

(3) The number of occupied rooms annually in the CBD has remained stable.

Weakness
(1). Excess capacity that has driven down the occupancy rate and room rates.

Table 1
Inventory of Hotel and Motels Rooms in CBD

Property	Number of Rooms
Salt Lake City Marriott	515
Hilton	499
Wyndham	381
Marriott City Center	359
Best Western Salt Lake Plaza	226
Hotel Monaco	225
Shilo Inn	200
Courtyard by Marriott	121
Residence by Marriott	118
The Inn at Temple Square	90
Peery Hotel	73
Carlton Hotel	60
Renaissance Suites	60
Total Rooms	2,927

Source: Salt Lake Convention and Visitors Bureau.

Table 2
Average Monthly Occupied and Available Lodging Rooms in Downtown and Salt Lake City East

Year	Occupied Rooms	Available Rooms
1996	78,947	89,829
1997	85,216	100,417
1998	78,794	100,981
1999	84,780	112,507
2000	83,279	117,533
2001	84,440	119,083

Source: Rocky Mountain Lodging Report.

Table 3
Hotel Occupancy Rate in Downtown Salt Lake

Year	Occupancy Rate %
1996	81.2
1997	76.6
1998	71.2
1999	68.0
2000	64.7
2001	64.6

Source: Rocky Mountain Lodging Report.

Table 4
Average Room Rate and Total Room Revenue in Downtown and Salt Lake East

Year	Average Room Rate	Total Room Revenue - Millions (Constant 2001 Dollars)
1996	$74.00	$79.3
1997	$90.60	$102.5
1998	$95.79	$98.6
1999	$89.75	$97.3
2000	$83.26	$85.8
2001	$78.87	$80.0

Source: Rocky Mountain Lodging Report.

F. Housing and the Central Business District

In summary:

$There has been an unprecedented boom in housing in the CBD during the 1990s. Seven new projects have been completed with a total of 1,140 unitsCthree are sizeable apartment communities: Palladio (250 units), Brigham Street (337 units) and Northgate Apartments (330 units). Thirty percent of the 3,300 housing units in the CBD were built in the 1990s.

$The housing boom continues into 2002. Additional new condominium and apartment projects are under construction and will add another 321 units to the housing inventory over the next year. And beyond 2002, the housing inventory should continue to increase with approval of several projects now in the planning process.

According to the 2000 Census there are approximately 4,500 people living in the CBD. The median age of the population is 37.2 years. The average household size is small, only 1.72 persons. There are 2,600 households in the CBD.

Housing Units in the CBD[12] -2002

Type of Housing	*Units*	*% of Total Units*
Apartment Units	*2,622*	*79.4*
Subsidized or Rent Assisted	*712*	*21.5*
Condominium Units	*682*	*20.6*
Total Units	*3,304*	*100.0*

Housing has never been completely foreign to Salt Lake City=s CBD. Adjacent and to the northeast of the CBD are the residential neighborhoods of West Capitol Hill, Capitol Hill and the Lower Avenues (west of I Street). These neighborhoods were largely developed by the 1920s and have since been home to between 10,000 and 12,000 people. The proximity to a CBD of such a large non-blighted residential neighborhood with detached single family homes is quite unique and advantageous to Salt Lake=s CBD.

These adjacent neighborhoods have augmented the CBD=s housing market throughout the twentieth century. But for bothCthe adjacent neighborhoods as well as the CBD=s housing marketCthere was very little change between 1930 and the late 1970s. During this time the

[12]The boundaries of the CBD were expanded on the north side by one block to include some significant rental projects. The rationale used was, if an adjacent block to the CBD includes sizeable housing projects then these projects should be included in the housing count.

housing market of the CBD was dominated by 17 apartment communities that were built between 1907 and 1930. Then suddenly from 1977 to 1985, 900 new housing units were added to the inventory, increasing the number of housing units in downtown by about 50 percent,[13] See Table 1.

The surge in new construction in the late 1970s was driven primary by the development of the American Towers, a 337-unit condominium project and three apartment communities---a total of 345 units---developed by Zions Securities. Following this burst of activity the market was dormant until 1997. But in the past five years the CBD=s housing inventory has jumped from 1,900 units to nearly 3,300 units, an increase of 74 percent. Certainly, the most highly concentrated period of new housing activity since the CBD=s early beginning as an agrarian village in the 1850s, see Table 2 and Chart 1.

One of the unique characteristics of this recent housing boom is the five condominium projects that have renovated existing commercial space into condominium lofts: Warehouse Condominiums (25 units), Dakota Lofts (39 units), Broadway Lofts (58 units), Pierpont Lofts (42 units) and Tire Town (3 units). The first two projects, Warehouse Condominiums and Dakota Lofts, both experienced brisk sales and were "sold out" within a few months of completion. However, for Broadway Lofts and Pierpont Lofts the sales success has been much slower as it also was for The Club, the only newly constructed condominium project. The Club took three years to sell 47 units. Price has been the principal impediment to sales. Most of the new units have been priced above $200 a square foot, more than double the cost of a detached new single-family home in the suburbs.

There has also been a number of new rental units added to the housing market in the past five years. Seven new projects have been completed with a total of 1,140 units**C**three are sizeable apartment communities: Palladio (250 units), Brigham Street (337 units) and Gateway Apartments (330 units).

The housing boom continues into 2002. Additional new condominium and apartment projects are under construction and will add another 321 units to the housing inventory over the next year. Beyond 2002, the housing inventory should continue to increase with approval of several projects now in the planning process, see Table 3.

[13] Included were: American Towers (337 units), Garden Apartments (196 units), West Temple Apartments (94 units), Deseret Apartments (55 units), Broadway Apartments (95 units) and the Multi-Ethnic Housing (142 units).

Table 1
Housing Units Built Between 1907 and 1989

Housing	Address	Number of Units	Approximate Year Built
Apartments			
Kensington	180 North Main	56	1907
Covey	239 East South Temple	75	1909
New Grand Hotel	7 East 400 South	80	1910
Stratford Hotel	169 East Second South	32	1910
Broadway Hotel	222 West 300 South	40	1910
Shubrick Hotel	68 West 400 South	31	1912
Jackson	274 West 200 South	80	1916
Buckingham	245 East South Temple	51	1916
Eagle Gate	109 East South Temple	82	1920
Kimball	136 North Main	25*	1920
Woodruff	235 South 200 East	32	1925
Pauline	110 South 300 East	14	1925
Embassy	130 South 300 East	31	1926
Embassy Arms	120 South 300 East	34	1926
Downing	136 South 300 East	34	1927
Smith	228 South 300 East	22	1927
No Name	254 South 300 East	20	1927
Sampson	276 East 300 South	8	1927
Altadena	310 South 300 East	8	1928
No Name	251 East 300 South	16	1928
La France	160 South 300 East	60	1930
No Name	68 East 200 North	24	1968
Garden Apartments	200 North 200 West	196	1978
Deseret	158 North Main	45	1980
Multi-Ethnic Apts.	120 South 200 West	142	1981
West Temple Apts.	185 North West Temple	94	1984
Broadway Tower	230 East 300 South	95	1985
Gateway	40 North State Street	55	1987
Total		1482	
Condominiums			
Belvedere	29 South State	131	1918
American Towers	48 West Broadway	337	1978
Total		468	

*Does not include 30 time-share units.

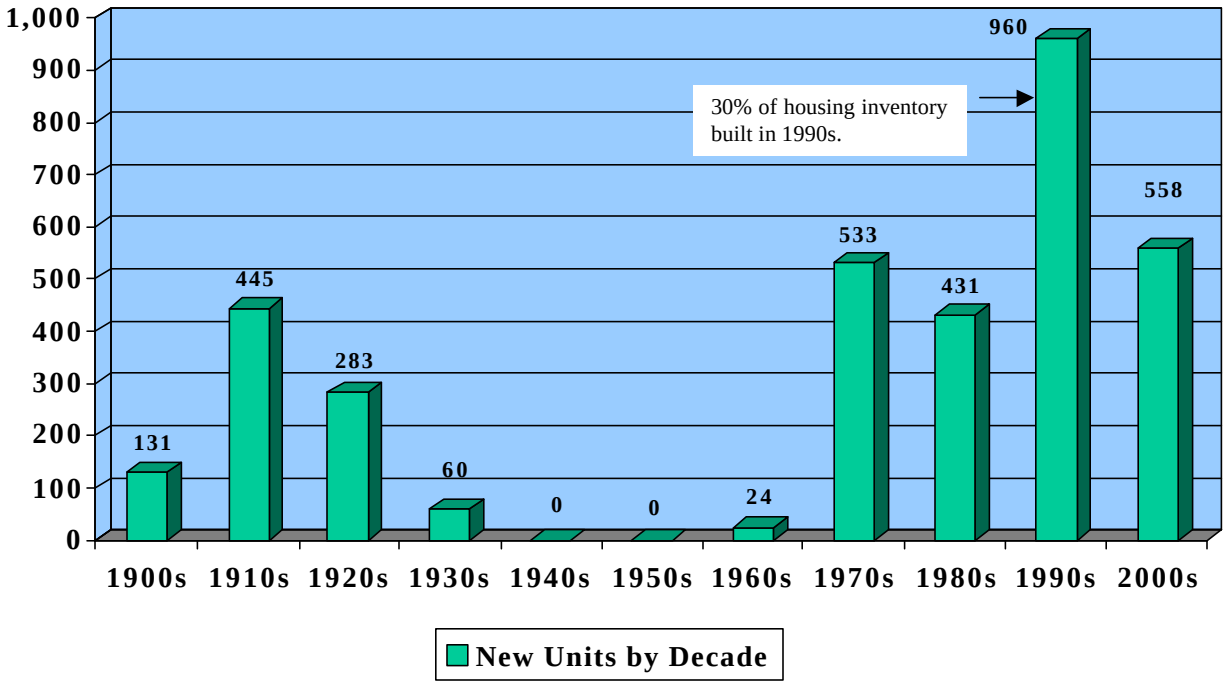
Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 2
Housing Development in the CBD Since 1990

Housing	Address	Number of Units	Approximate Year Built
Apartments			
Palladio	360 South 200 West	250	1997
Artspace on Pierpont	329 West Pierpont Ave.	48	1997
Arspace Rubber Co.	353 West 200 South	53	1997
Renaissance Suites	267 West Broadway	60	1998
Brigham Street	201 East South Temple	337	1998
Bridges	511 West 200 South	62	2001
Northgate Apartments	100 South & Rio Grand	330	2001
Total		1,140	
Condominiums			
Warehouse District	317 West 200 South	25	1997
Dakota Lofts	380 West 200 South	39	1997
The Club	150 South 300 East	47	1999
Broadway Lofts	159 West Broadway	58	1999
Pierpont Lofts	346 & 350 West Pierpont	42	1999
Tire Town	300 South 300 West	3	2000
Total		214	

Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Chart 1
Construction of Existing CBD Housing by Decade



Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 3
Housing Projects Under Construction and Proposed in the CBD

Type of Units	Address	Units
Apts. Under Construction		
City Front	641 West North Temple	155
Condos Under Construction		
Parc at Gateway	500 West South Temple	152
Uffens Marketplace	336 West 300 South	45
Karrick	236 South Main	5
Gardens	300 South State Street	9
Total Under Construction		366
Proposed Apartment Projects		
Block 84	South Temple 400 West	340
City Place	250 South 200 East	91
Proposed Condo Projects		
Ken Millo	300 West Pierpont Ave	24
City Place	250 South 200 East	74
Total Proposed		529

Source: Salt Lake City Office of Planning and Zoning and individual developers.

Characteristics of Residents of CBD - The 2000 Census shows that the CBD had a population 4,519 in 2000.[14] The number of households was 2,623Can average household size of only 1.72. As expected the median age was a very high 37.3 years. Unfortunately no income data have yet been released but undoubtedly many of the renters in the CBD are households with relatively low income. One indicator of low income is the high percentage of subsidized or assisted housing units. About one out of every five renters in the CBD lives in a rent assisted, subsidized or low income housing tax credit unit. Two of these projects are targeted for the elderly and one for special needs populations (e.g. emotional and/or mentally ill). The remaining projects are for family households, see Table 4.

The size of Salt Lake City=s downtown population compares favorably with many other cities in the west and midwest. A recent study by the Fannie Mae Foundation and the Brookings Institution, *Downtown Rebound*, shows that the downtown population in Salt Lake City is comparable to the downtown populations in Denver, Phoenix and St. Louis, see Table 5.

Programs to Offset the High Cost of Downtown Housing - Cities have stimulated downtown housing through various approaches but generally through some type of financial or development incentives. For example, the mayor of Denver in 1991 made housing the first priority in the drive for downtown revitalization. Mayor Webb said, Aone of the first things I did after taking office in 1991 was to convene a downtown summit focused on housing. Up to that point, the emphasis downtown had been on retail not on housing. We directed all our private activity bond allocations toward downtown housing projects for three years.@

There are a few mechanisms in place to make investments in downtown more attractive to developers such as RDA assistance or incentives from the Utah Housing Corporation, which administers the Private Activity Bond Fund and the Low Income Housing Tax Credit program. Utah Housing Corporation does, in fact, offer bonus points for projects that are built in downtown. Recently, tax credits were used in developing both Northgate and the Bridge apartments in the CBD while Uffens Marketplace received assistance from the RDA.

The development financing for downtown housing is difficult at best and almost always leads to higher costs and hence higher priced housing. The economic viability of the condominium market will be tested again later this year and in 2003 with the completion of the Parc at Gateway (152 units) and Uffens Marketplace (45 units), although these projects are targeted at two different markets, The Parc will have units priced between $200,000 and $300,000 while Uffens Marketplace units are priced at about $135,000.

Strengths
(1). The amount of new housing in the CBD.

Weakness
(1). High cost of owner occupied units, the poor physical condition of much of the rental inventory and the relatively high percentage of rental units compared to owner occupied units.

[14] Population estimates and demographic data were compiled from statistical data presented at the block level in the 2000 Census. For this analysis the CBD boundaries were extended by a few blocks on the north side of the CBD.

Table 4
Subsidized or Assisted Rental Housing in the CBD

Apartment Community	Units	Type of Project
Jackson Apartments	80	Elderly
New Grand Hotel	80	Special Needs
Pauline	14	Family
Embassy Arms	34	Family
Embassy	31	Family
Downing	34	Family
Smith	22	Family
Multi-Ethnic Housing	142	Elderly
Palladio	49	Family
Bridges	62	Family
Northgate Apartments	165	Family
Total	713	

Source: Salt Lake City Housing Authority and Utah Housing Corporation.

Table 5
Downtown Population by Selected Cities

City	Downtown	City
Salt Lake City	4,500	182,000
Denver	4,230	554,636
Des Moines	4,204	198,682
Phoenix	5,925	1,321,045
Portland	12,902	529,121
San Antonio	22,206	1,144,646
Seattle	16,443	563,374
St. Louis	7,511	348,189

Source: *Downtown Rebound*, Fannie Mae Foundation and Brookings Institution, 2001. Salt Lake City Downtown estimate by Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

G. Financial Sector

In summary:

$Mergers and consolidations have changed the landscape of the financial sector nevertheless, the CBD continues to dominate commercial banking activity. In 2000, the deposits in the banking institutions downtown totaled $2.98 billion or 37.6 percent of all bank deposits in Salt Lake County. In 1990, the CBD=s share of all banking deposits countywide was 40.6 percent.

Salt Lake City=s CBD has long been the Afinancial district@ of the state. Most of the large insurance companies in the county have headquarters in or near downtown and the greatest concentration of commercial banking in the state is in a few square blocks of downtown Salt Lake City. The 1990s, however, was a time of transition for financial institutions. Mergers and consolidations have shrunk the commercial banking landscape. Nine of the 17 commercial banks and savings and loan institutions that were operating in the CBD in 1990 no longer have a presence Aby name@ in downtown. Those institutions include:

1. Bank of Utah (consolidated downtown office with south State office)
2. Capital City Bank (purchased by Washington Mutual Bank)
3. Crossland Savings Bank (purchased by First Federal Savings Bank)
4. First Federal Savings Bank (purchased by Washington Federal Savings and Loan)
5. First Professional Bank (purchased by First Security Bank)
6. Olympus Bank (purchased by Washington Mutual Savings Bank)
7. Pacific First Bank (purchased by First Security Bank)
8. Sandia Savings & Loan (purchased by Zions Bank)
9. First Security Bank (purchased by Wells Fargo)

Seven of these eight institutions are no longer in business. The only surviving bank with the same name, is the Bank of Utah, which continues to have a strong presence in northern Utah.

Currently, there are 10 commercial banks operating in the CBD. Washington Mutual Bank, which purchased Capital City Bank, and Irwin Union Bank are the only new banks to enter the downtown market in the 1990s. Of course, the most profound change in the banking industry was the merger of Wells Fargo and First Security Bank.

Despite all the mergers, the dominance of the CBD in commercial banking activity has been largely unaffected. In 2000, the deposits in banking institutions downtown totaled $2.98 billion or 37.6 percent of all bank deposits in Salt Lake County. In 1990, the CBD=s share of all banking deposits countywide was 40.6 percent.[15] (The countywide data do not include deposits of Utah Chartered Industrial Loan Corporations). Deposits for each institution are shown in Table 1. In the 2000 data First Security=s deposits were listed separately from Wells Fargo=s. As a new institution in 2000, Irwin Union Bank=s deposit were not available.

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[15] The countywide data do not include deposits of Utah Chartered Industrial Loan Corporations.

Table 1
Deposits at Financial Institutions in the CBD

Financial Institution	1990	2000
American Investment Bank		
200 East South Temple	$98,639	$211,808
Bank One (Previously Valley Bank)		
80 West Broadway	$85,918	$165,745
185 South State Street	$0	$51,142
50 West Broadway, Suite 200	$0	$8,214
Bank of Utah		
175 South West Temple	$8,575	$0
Brighton Bank		
311 South State Street	$8,728	$23,156
Capital City Bank		
400 South State	$8,371	$0
Community First Bank (previously Guardian State Bank)		
142 East 200 South	$15,893	$52,917
Crossland Savings		
41 East 100 South	$106,105	$0
First Federal Savings Bank		
60 East South Temple	$62,172	$0
First Professional Bank		
285 West North Temple	$7,116	$0
First Security Bank		
79 South Main Street	$640,745	$933,739
401 South Main Street	$83,610	$165,579
Irwin Union Bank		
224 South 200 West	$0	NA
Key Bank		
50 South Main Street	$107,046	$44,480
79 South Main Street	$28,686	$20,253
Olympus Bank		
115 South Main	$35,107	$0

Financial Institution	1990	2000
Pacific First Bank		
63 South Main	$31,855	$0
77 West 200 South	$10,650	$0
Sandia Savings and Loan		
125 South Main Street	$14,221	$0
US Bank (previously West One Bank)		
107 South Main Street	$74,564	$140,168
340 South 200 East	$0	$0
200 South Main	$103,493	$0
2 East Broadway	$13,749	$0
Washington Mutual Bank		
201 South Main		$153,831
Wells Fargo Bank (Previously First Interstate Bank)		
180 South Main Street	$154,130	$65,046
280 East 200 South	$1,362	$6,836
Zions First National Bank		
1 Main Street	$362,837	$894,644
102 South Main Street	$51,347	$44,178
310 South Main	$67,543	$0
Total Deposits of Financial Institutions in CBD	$2,182,462	$2,981,736

Source: Utah Department of Financial Institutions.

H. Entertainment and Culture

The CBD=s entertainment sector has been undergoing a transformation during the 1990s. It began with the completion of the Delta Center in 1991 and slowly gained momentum with the addition of restaurants, brew pubs and then the Rose Wagner Performing Arts Center in 1997. Since 1997 the pace has quickened with more new restaurants and private clubsCThe Gateway alone has seven new restaurants. Since 1990 at least 25 new restaurants have been added to the CBD, which helps explain why food and beverage sales exceed clothing sales in downtown. And coming soon will be the new planetarium at The Gateway, an $18 million facility with a 55 foot domed Star Theater, a 275 seat IMAX theater, classrooms and laboratory space. Also later this year the new Salt Lake Public Library will open. The new facility will double the space and collection of the current library, offer a lecture hall (already booked are James Burke, Oliver Saks and William Safire) a 300 seat performing arts auditorium, two small 125 seat movie theaters and public open space with a park, reflecting pond and amphitheater.

Entertainment options are essential for growth in the downtown housing market. For a small number of households, living in an urban setting is attractive but only if there is entertainment and that entertainment includes restaurants and public amenities. The combination of dining and some night life (Opera, Symphony, Jazz game, etc.) makes the CBD unique. In sharp contrast to the retail or office sectors, which have been hurt by suburban competition, the suburbs can not compete with the entertainment and cultural events found in the CBD. Over 2 million people annually attend events at the Rose Wagner Performing Arts Center, Capitol Theater, Abravanel Hall, Hansen Planetarium and the Delta Center, see Table 1.

Strengths

(1). Unique set of facilities, infrastructure, programs and events that draw people to the CBD.

(2). The enormous public and private investment over the past few years in entertainment and cultural venues.

(3). The potential of the Olympics changing perceptions about downtown.

(4). The positive linkage between increased housing and more entertainment options.

Weaknesses

(1). Very little open public space.

(2). The absence of a large and significant visual arts museum. Denver recently invested more than $62 million in an expansion of their art museum.

Table 1
Annual Attendance at Entertainment and Cultural Venues

Year	Family History Library	Museum of Church History	Hansen Planetarium	Rose Wagner Center	Abravanel Hall	Capitol Theater	Delta Center	Total
1990	833,262	311,084	201,148	na	300,412	195,180		1,639,938
1991	819,556	297,718	178,151	na	344,413	251,530		1,713,217
1992	822,417	299,581	153,705	na	310,320	266,148		1,698,466
1993	756,264	401,827	170,630	na	281,783	313,715		1,753,589
1994	771,497	323,793	156,484	na	286,808	251,836		1,633,934
1995	814,464	293,244	172,025	na	322,238	364,699		1,794,645
1996	813,100	283,868	182,678	na	289,194	467,328		1,853,490
1997	816,869	307,973	169,561	8,233	286,957	249,417		1,669,449
1998	757,610	231,313	142,143	13,456	279,895	259,865		1,542,139
1999	708,347	202,038	132,017	11,132	300,266	330,070		1,551,853
2000	691,074	271,481	130,958	19,948	265,739	255,458		1,503,700
2001	608,097	234,528	114,428	38,685	240,551	230,121	1,400,000 (Est.)	1,351,982

Source: Attendance data was provided by each venue with the exception of the Delta Center. The attendance figures was estimated from 1998 data which showed attendance of 1.7 million.

I. Public and Private Investment and the Fiscal Role of the CBD

Public and Private Investments in the CBD - Since 1990, the level of investment in the CBD has been extraordinary. No other period in the economic history of Salt Lake=s CBD compares to the 1990s in terms of the magnitude and range of public and private investment. During the 1980s more square footage of office space was developed than the in the 1990s. Also the 1906 to 1912 period was impressive with the construction of the downtown Post Office, Newhouse Hotel, Boston and Newhouse Buildings, Salt Lake Stock and Mining Exchange, New Grand Hotel, Commercial Club and the Walker Bank Building. But even these two high growth periods do not approach the scale of investment of the 1990s.

Since 1990, the CBD has captured nearly 15 percent of all of the permit authorized nonresidential construction in the state**C**a total of $1.35 billion in construction valuation. Included are some significant new public buildings: the Salt Lake City Public Library, the Scott Matheson Courts Complex, the renovation and expansion of the Salt Palace Convention and the Delta Center. Just south of the CBD boundaries the Grand America Hotel, the largest hotel in downtown, was completed in 2001 and on the north side, the LDS Church=s Conference Center and The Gateway, the largest mixed use development in the state. Not included in the permit authorized valuation is TRAX, a $400 million light rail system that terminates in the CBD.

All projects with a *construction value* of $5 million or more are included in Table 1.

Table 1
Private and Public Investments in Downtown Area
(Projects Over $5 million)

Property	Construction Value (Millions)	Year Completed
The Gateway	$300	2001
LDS Conference Center	$172	2000
Grand Hotel	$130	2000
Delta Center	$90	1991
Salt Palace Expansion I	$82	1996
State Courts	$80	1998
Salt Lake City Library	$60	2002
American Stores	$55	1998
One Utah Center	$50	1991
Salt Palace Expansion II	$47	2000
Hotel Utah Renovation	$42	1993
Monaco Hotel	$35	2000
Gateway Tower West	$35	2000
Marriott Hotel	$32	2000
Broadway Center	$31	1992
Main Street Parking & Gardens	$27	2000
Federal Building Rehab	$20	2001
Social Hall/IRS	$15	1996
Deseret News Building	$11	1995
Rose Wagner	$14	1998
Questar Rehab	$10	1995
Alpha Graphics	$10	2002
Exchange Place Parking	$7.5	1998
Total	$1,355.5	

Source: Bureau of Economic and Business Research, University of Utah.

Fiscal Role of the CBD - Economic activity and investments in the CBD contribute significantly to Salt Lake City=s tax revenues. Property taxes are the largest source of revenue generating $15.6 million in 2001, close to 30 percent of all property taxes collected by Salt Lake City. Sales tax revenues include four different taxes: (1) local option sales tax of 0.5 percent on retail sales (point-of-sale distribution), (2) transient room tax of 3.0 percent on lodging accommodations of fewer than 30 days, (3) restaurant food tax of 1.0 percent and (4) tourism tax of 0.5 percent on lodging at hotels, motels, inns, etc. This tourism room tax is in addition to the transient room tax. Total sales taxes generated by the CBD in 2000 was an estimated $5.7 million, nearly 15 percent of all sales taxes collected by the city. In summary, the fiscal role of the CBD is considerable, producing more than 20 percent of Salt Lake City=s total property and sales tax revenue.

Table 2
Sources of Tax Revenue in CBD

Revenue Sources	Tax Rate	Tax Rate Applied to Assessed Value or Sales (Million)	Tax Receipts (Million)	Total City Tax Rev. (Million)	% of City Revenue Downtown
Property Tax	1.37%	$1,141	$15.6	$54.7	28.5%
Sales Taxes			$5.66	$38.4	14.7%
Retail Sales Tax	.5%	$373	$1.86		
Restaurants & Bev.	1.0%	$100	$1.0		
Transient Room Tax	3.0%	$80	$2.4		
Tourism Tax	.5%	$80	$.4		
Total			$21.3	$93.1	22.8%

Source: Department of Management Services, Salt Lake City and Utah State Tax Commission.