Public Benefit Analysis

Subject: EngineHouse Public Benefit Analysis 2025 Update
Author: Chris Eggleton, Ryan Blair and Cate Brabson
Department: Housing and Economic Development
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Summary

On June 22, 2023, staff presented to City Council a required public benefit analysis and study relating to the proposed below market rate ground lease with the developer on the EngineHouse affordable housing project. The EngineHouse project was developed via the strategic use of a public-private partnership tool to deliver more affordable housing in the City. After an analysis of the required factors, the study concluded that entering into a below market rate lease with JF EngineHouse Partners, LLC (JF) was an appropriate use of City resources. After a public hearing was held, the City Council voted to adopt the conclusions of the required study, and found that a waiver of a lease fee for the real property was an appropriate corporate purpose and the costs to the City were justified by the tangible and intangible benefits.

Recently, JF approached the City and requested an additional $754,497 be allocated by the City to JF to compensate for what it contends are unexpected and excessive landfill dump fees accrued by JF on the project. The staff report from August 26, 2025, summarizes the request and contains an audit and analysis of JF's supporting documentation. Environmental staff found that $586,605 could be accounted for in invoices from contractors attributed to landfill dump fees. An additional $186,252 was attributed to trucking and dump fees that were unable to be segregated. The total of these two amounts is $772,749. However, JF's request $754,497, which is $18,252 less than this total, and is the amount considered for this analysis.

In that meeting the Council reviewed JF's request and asked for a public benefit analysis as required applying the legal criteria. After a review and publication of this analysis, and after a public hearing, the City Council may appropriate the additional requested funds.

Legal Framework

Under Utah Code § 10-8-2(1)(a)(i), municipalities may appropriate funds and resources for "corporate purposes only." A corporate purpose is one that, "in the judgment of the municipal legislative body, provides for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the city." Utah Code § 10-8-2(3).

When there is an expenditure or transfer of property that is not approved as a line item in a budget or budget amendment, or is not (as here) objectively in exchange for the City receiving fair market or equivalent value, then a municipal legislative body must make a separate determination, after a study is conducted and published and after holding a public hearing, that the appropriation is for an appropriate corporate purpose.

Under the code, the municipal legislative body establishes the criteria it uses to make a determination of appropriate corporate purpose when considering a public benefits analysis. Utah Code § 10-8-2(3)(b)(i). But the legislative body is directed to measure the value received "on a project-by-project basis over the life of the project" and the legislative body "may consider intangible benefits received by the municipality in determining net value received." Utah Code § 10-8-2(3)(a), (c). Notably, the legislative determination of value received (applying its own criteria) "shall be presumed valid unless it can be shown that the determination was arbitrary, capricious, or illegal." Utah Code § 10-8-2(3)(b)(ii).

One purpose of the public benefits analysis process is to ensure transparency. Where, as here, the entity receiving the benefit is a for-profit entity, then a study ("Study") that demonstrates the purpose for the appropriation must be undertaken and posted for review by the public at least 14 days before the public hearing. Utah Code § 10-8-2(3)(e). The following factors are to be considered in the Study:

(i) what identified benefit the municipality will receive in return for any money or resources appropriated;

(ii) the municipality's purpose for the appropriation, including an analysis of the way the appropriation will be used to enhance the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality; and

(iii) whether the appropriation is necessary and appropriate to accomplish the reasonable goals and objectives of the municipality in the area of economic development, job creation, *affordable housing*, blight elimination, job preservation, the preservation of historic structures and property, and any other public purpose.

Utah Code § 10-8-2(3)(e)(i)-(iii) (emphasis added). The following Study examines the current JF request under each of these factors.

Analysis

Factor 1: Identified Benefits

The June 22, 2023 public benefit analysis identified 8 benefits to the City based on the documented housing needs assessment. We consider these to be a valid measuring tool for analyzing the additional funding request because the City may further support and preserve these benefits. They are summarized as follows:

1. Affordable Housing Units
    a. The neighborhood will be provided with a new housing resource known as "EngineHouse" which will consist of 123 new rental housing units. 99 units will be affordable [and] deed restricted units.
    b. Affordable units will be offered at 60% AMI, well below the current market rental rate.
2. Market-Rate Housing Units
    a. 24 units will consist of market-rate units.
    b. The integration of affordable and market-rate units creates a diverse and dynamic community in the core of Park City.
3. Publicly Accessible Open Courtyard Green Space
    a. The EngineHouse will provide approximately 20,000 square feet of greenspace entryway that remains open to the public year-round. This amenity will provide an outdoor social gathering area for residents of EngineHouse and the neighborhood alike.
4. Promotion of Alternative Transportation
    a. EngineHouse provides 500 square feet of internal bicycle storage and e-bike charging facilities for residents, which will accommodate 50+ bicycles.
    b. Additionally, bicycle parking and storage are available external to the facility for residents, guests, and neighbors with space for up to 15 bicycles.
    c. The EngineHouse's Condition of Approval also offers the potential for Summit County Bike Share to provide a location onsite if it so chooses.
5. Music and Child Playrooms
    a. EngineHouse will provide interior rooms for music study and child play areas available for residents.
6. Electric Vehicle Charging Stations
    a. The development provides a minimum of two electric vehicle charging stations with accommodation of future growth to 20 charging stations.
7. Rideshare Integration
    a. The EngineHouse site plan provides two dedicated surface parking spaces for rideshare services.
8. Accommodation for Future Roadway Infrastructure
    a. The development's site plan also accommodates future infrastructure investment in Munchkin Road, which will significantly increase connectivity in the Bonanza Park area. The site plan also provides for the accommodation of increased pedestrian connectivity on Homestake Road.

As an additional benefit to the above in return for this appropriation, JF will offer PCMC three (3) "floating" market rate units for employees of PCMC along the following lines:

- EngineHouse will set aside three (3) market rate units for PCMC employees. All market rate units include one (1) parking space at the standard additional cost to the tenant.

- Once a set-aside unit becomes available (e.g. notice to vacate issued), JF will notify PCMC of the upcoming available unit. The Unit floorplan (1-, 2- or 3-bedrooms) and location will be subject to the specific availability at that time.
- PCMC will then have 30 calendar days to provide an applicant for the available unit.
- If no acceptable applicant is identified by PCMC within 30 days of the notice, the unit will be released from the set-aside and made available for rent by the general public.
- If an applicant is presented but does not qualify for the available unit, PCMC will have the option to present a subsequent applicant; however, under no circumstances will the unit be held but not rented for more the 30 calendar days.
- Applicants must be PCMC employees at the time of application. If a PCMC employee leaves employment during their lease term, they may remain in their unit; however, that unit will no longer count toward the three-unit PCMC allocation after lease renewal. JF will offer the next available unit to a PCMC employee until the three-unit allocation is restored.
- PCMC has the right to lease an available unit and assign it in the future to an employee, but any future employee must go through the appropriate application screening for approval before the lease is assigned.
- Rental pricing will be set at the time units become available, based on current market rates for the respective floorplan, and may increase annually upon renewal. PCMC units will be treated equitably with all other market-rate units.

- In the event a unit is released to the general public and the PCMC employee set-aside unit count falls below three (3), then the next available market rate unit will be offered to a PCMC employee under this process (unless the project is obligated to fulfill the “Next Available Unit Rule” per Section 42 of the IRS code).

- The employee set-aside program will comply with all compliance, statutory, or other regulatory requirements under the fair housing programs, as well as compliance with the project’s debt, tax credit, and other capital obligations. In the event of conflict, compliance, statutory, or other regulatory requirement, including capital obligations, will take priority.
- This program will be mutually exclusive from the ninety-nine (99) deed-restricted Section 42 units.
- If approved, the PCMC employee set-aside program will be documented more formally through an MOU or other document, as approved by the City Attorney’s Office.

Factor 2 – Purpose.

The support of EngineHouse will help expand the stock of deed-restricted affordable housing and create a fundamental investment in the core of Park City, allowing residents to live in an area with direct access to Park City’s transit and trails, shopping and dining, public transit, schools, and more. In addition, the opportunity to access to 3 market rate units for City employees could not otherwise be achieved without a "master lease" approach with the City incurring the risk and administrative responsibilities. By making it possible for employees to live within Park City, the additional units strengthens the City's ability to recruit and retain talent, while reducing long commutes that contribute to traffic congestion and environmental impacts. Living closer to work also relieves stress and uncertainty of securing housing in a highly competitive market, creating stability for employees and supporting a stronger connection to the community they serve.

Factor 3 – Necessary and Appropriate to Accomplish Reasonable Goals and Objectives.

Under this factor, we must evaluate "whether the appropriation is necessary and appropriate to accomplish the reasonable goals and objectives of the municipality in the area of economic development, job creation, affordable housing, blight elimination, job preservation, the preservation of historic structures and property, and any other public purpose."

The City has an urgent need for affordable housing as demonstrated in the June 22, 2023 Study. The EngineHouse project is set to open before the end of this year and will deliver on its promise of 99 deed-restricted units. The development of the EngineHouse affordable housing project will provide opportunities for housing units at 60% of AMI, constructed using a sustainability EUI rating of 28, and the development will provide a catalyst for the evolution of the Bonanza Park Area, thus satisfying the City's goals of economic development, and affordable housing. With the addition of 3 market-rate units set aside for City employees, it serves the City's goals of economic development, recruitment and retention of employees. The costs to the City of providing below-market terms and the additional funds requested to offset the expense incurred under our prior ordinance are outweighed by both the tangible and intangible benefits to the City.

We recommend the appropriation of the requested funds for the public purpose of accomplishing the City's goals and objectives in the area of economic development, job creation, affordable housing, and job preservation.

Funding

The City's budget team has identified two capital projects that could serve as a source of funding. The first is CP0267 Soil Remediation and the second is CP0588 Housing Program Public Private Partnership funding source. Council could also direct staff to appropriate the funds from another source through a budget adjustment.