



Northern Utah

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We'd like to thank Ron Kusina, executive director of the Weber Economic Development Corporation, for moderating the discussion.

Weber County:

7.0 percent unemployment rate
231,236 population
\$60,433 median family income
Ogden largest city
Department of Treasury-IRS largest employer

Davis County:

5.7 percent unemployment rate
306,479 population
\$72,272 median family income
Layton largest city
Hill Air Force Base largest employer

*Source Department of Workforce Services

Let's start with Davis County. How is the area's economy faring?

J. SMITH: There's been some really good, positive momentum. We've had new businesses coming into our county, into our different cities, a lot of it related to Hill Air Force Base or to the composites training. Our legislators seem to be going into the legislative session with a little bit of optimism this year, and that's a positive thing. At the chambers, we've also joined ranks with not just our two counties but also Cache and Box Elder in a coalition of chambers that gives us a little bit bigger voice.

We see retail strengthening. There's still some concerns with the small businesses, but in general retail is looking better. I think that's all because of some improved basics. We're starting to see some positive feelings on housing and construction, things like Station Park in Farmington and developments in Centerville. There's just a lot of good things that are happening right now.

Some segments and some companies seem to be doing exceptionally well; one that comes to mind is the medical industry. When you combine Lakeview Hospital, Davis Hospital and Intermountain Healthcare—we've got companies that are not just winning awards locally, these people are winning some national recognition for healthcare. That's a bright spot for Davis County right now.

SULSER: Two items that come to mind. One is optimism, and the second is really long-term sustainability for the region. I applaud whatever happens along the Wasatch Front. When Weber County gets a win, we applaud you folks. We think that there's so much relationship and synergy that's created regionally, we have to think like a business. They strip away county boundaries. They look for opportunities within their sectors, and so we applaud your successes as we applaud our successes.

It is all about jobs in the region. Specifically to Davis County, we're experiencing a 6.6 unemployment rate. Utah collectively is 7.1. The nation is 8.5. We're almost 2 percent

below the national average. That is occurring because of the synergy and the opportunities right now at hand. We're close proximity to Salt Lake and we have great partners to the north.

How about Weber County?

HARDMAN: We're seeing some growth as well. I'll first just mention a few things on the retail side. Our auto industry is moving along really quite well. Most of the larger dealerships are seeing growth. They're not up to '07 standards but are seeing growth year over year for the last two years. This says that the economy is warming up a little bit. People are realizing that they are more stable in their employment and are willing to make a commitment and buy automobiles, which is the second-biggest purchase that they make.

Looking at general retail, it was a good holiday season for most of our retailers, especially those that are a little more established. Some of the smaller Ma and Pa retailers are still struggling. A lot of that is the capital needed to get their merchandise assortment up to where it needs to be. We're seeing some new retail come in. Our malls and major shopping areas are doing extremely well, but still under the peak that we had in '07. They're optimistic that if the economy continues to go as it's going right now, we're going to have some gains again in this year.

What are the counties and cities experiencing as this economy is slowly moving forward?

CURTIS: We're very fortunate in Layton to have not really experienced a heavy problem with the downturn. As far as housing, though, that has slowed, but it is on the up and up. So housing starts as well as occupation of existing new homes is moving along.

On the commercial side we feel very, very good about what's happening in Layton. Our Business Research Park on the east end of Layton is progressing along really well. So I feel very good about how the economy is doing up in our neck of the woods.

DOWNS: Davis County actually led the Wasatch Front in job growth. We had 4.5 percent job growth. That equated to a gain of about 4,600 jobs. So we're moving in a good direction. Are we where we want to be? No. But we're much farther ahead than most places in the nation—we're in a great state.

Because we have shovel-ready sites, we've been able to add East Gate. We've had our Station Park in Farmington. We have our Park Lane Commons that have gone in. We've got Falcon Hill that we're still watching. Even though it's slower than we would like, it's moving, and that's kind of a win for both counties. We've got Eaglewood Village going on in the south end of the county. And we've got a lot more shovel-ready sites.

From that perspective, Davis and Weber are headed in a very good direction and we're much healthier than most places. And we know we still have to push and continue to promote and work on things, but we've got a great crew, great businesses, great groups that are bringing new business to the area.

MILLHEIM: For a city to be successful it requires a three-legged stool. First, you need a good housing stock—a broad mix of all types of housing so you can meet the needs of all income levels. In Farmington's case, as well as many Davis and Weber cities, we've done that. We've got a good cross-section of all housing types, and that's really helping our economy.

The second leg of the stool is really good retail/service space. Now, Farmington is playing catch up with that. Station Park is a huge impact on that, and we're growing. Our sales tax increase trend is at the top of the charts right now statewide. But really we're just taking those dollars from somewhere else and bringing them over to Farmington. But you need that economic base from a sales tax standpoint.

The last thing is you need jobs. And so we're pushing a business park that's going to be a big part of our focus. Look at Falcon Hill, at Freeport Center, at what Syracuse is doing with the recent Ninigret project.

According to IRS records there's 146,000 full-time wage earners in Davis



Jeff Steagall, Alex Lawrence, Brandon Wood

County. About 42,000 of those leave Davis County every day, and they're either going a little north or they're going a little south. I think we're going to see that trend come down. And \$5-a-gallon gas is going to have a huge impact on that.

Davis and Weber have incredible geography. It's been kind of an underutilized unknown, if you will. We've treated ourselves as bedroom communities to Salt Lake and other areas. And I think you're going to see that paradigm shift a little bit.

RICE: To me, jobs are No. 1. It's not housing. It's not retail. It's all about jobs. Ninigret represents 1,200 potential jobs for northern Davis County. The business park will be in Syracuse, but it's a regional job center and it's all about jobs. The center of gravity for everything we do with the economy is jobs. We know that not all those people that work at the Ninigret Business Park will live in Syracuse, but that's OK. It's all about partnerships and regional development.

FAIRBANKS: I think my message today is that I've been a proponent for a long time of avoiding territorialism. We have to keep in mind that if a project happens in Davis County, Weber County, Cache County, southeastern Idaho, even Salt Lake, it's all healthy and it's good as long as it's somewhere in the region, and there's spinoff

businesses. That's why we're worried about Hill, because of all the support businesses that deal with Hill besides the employees that work there directly.

Discuss the area's industrial development projects.

FREEMAN: Our marketplace is very healthy, especially in the industrial sector. It was one of the least affected sectors in our marketplace. We see positive growth. We trend the market quite significantly to understand what dynamics exist. Obviously composites are a big part of that. The manufacturing sector as a whole seems to be rebounding for us.

We talked a little bit about speculative building, which has been slow. In a normal market we hit about 6 percent vacancy and you'll start to see buildings being built. It's been slower, and a lot of that has to do with our lending friends. Money is not as easy to get as it used to be, and so you have to be pretty well healed to be able to build speculative buildings. We're one of the very few markets in the country that are seeing speculative development.

In my lifetime, I've never seen buildings being pre-leased, and we're now seeing half-a-million-square-foot buildings being pre-leased before they're even completed. All of this points to a positive future for our industrial sector.

WOOD: I'm going to speak a little more broadly to the commercial real estate market here in Davis and Weber counties. We get to talk with the presidents and owners of lots of companies, and we get to hear how their businesses are doing, what their plans are for growth, expansion, downsizing, their challenges, their issues. For the first time since 2007, the majority of these businesses are optimistic for this coming year. Most are saying they're profitable. Most are saying they're considering expansion. There's a lot of positive things happening with businesses. From a real estate point of view, I don't think I felt optimistic about what's going on in the market since 2007 either.

Look at the year in review. We've seen the number of deals increase slightly. We've seen vacancy come down a little bit. I'm talking about a point or two, so nothing dramatic. Lease rates and sales prices have come down slightly, and have been driving a lot of that. But there really is a lot of feeling that the market bottomed in a lot of ways. Again, rates have started to come down, but vacancy is getting to a point where I think we're going to see growth and continued optimism.

Look at new projects coming online. There's office space being considered in Centerville.

East Gate is considering a speculative 200,000-square-foot building next to

Janicki. Farmington Station, in addition to their retail, they've broken ground on their first 36,000-square-foot office building. Falcon Hill is breaking ground on their second office building. So there's a lot of good things happening.

We need to see strong absorption up here. The number of square feet that's vacant, especially in the office side, is still relatively high. Industrial is strong. Vacancy in industrial has held its own. We need to see some strong absorption in the office side, especially with some of the projects being contemplated and coming online this year.

Discuss the real estate side from the home building perspective.

WRIGHT: Utah's demographics have always been great for home ownership, and they will always be with the creation of new households, young families. Currently there's a slight bias away from home ownership, but I don't think that will last long. The bad news is that 2011 was the lowest number of permits in the past 35 years for new home construction. We believe that 2011 was the bottom and that it will only get better. There will continue to be short sales and foreclosures in 2012 that we'll have to compete with. But the future is bright.

KIEFFER: To give you an idea about the construction industry, 2010 was actually

our company's worst year. We had about 425 employees that year. This year we have 810 employees. A lot of that was the Utah Data Center that we're part of. But if you take that out of the equation, we've added about 100 employees.

We're seeing a lot of activity in food and dairy in Utah and the surrounding states. Manufacturing distribution is very strong. We've got a handful of projects we're working on. Freeport West out by Ninigret has put a lot of square feet in the last couple years. They've leased that space up very quick, and they're looking to do other projects out south. We had a good year last year. We've got a good backlog going into this year, and we see a lot of opportunity.

MCCALL: It's my personal opinion we've bottomed out. Sales are up 5 percent this time of the year over what they were. People are just tired of waiting. Our phones are ringing, and we just think this is going to be a better year. It's not going to be a banner year. We still have issues with short sales and foreclosures. It's difficult for our first-time buyers to get loans. There's lots of inventory which continues to hold the prices low.

Davis and Weber counties represent the heart of Utah's aerospace industry. Discuss the impact of Hill Air Force Base.

MCCALL: Regarding Hill Air Force Base—every year, it seems we're either doing great or there's doom and gloom with the BRAC on the horizon. This year has been very interesting, especially the last six months. As you know, defense budgets are shrinking, and we are not exempt from defense budgets shrinking. There has been an attempt within the Air Force to reorganize, to save dollars wherever they can and in particular with Air Force material command, which is what I call the mother ship of Hill Air Force Base. They're the command that we report to.

We've been working through this, and I mean this very literally, night and day, day in and day out with the governor, with our delegation. Early in December when the plan was finally on the table it reported a loss of a couple hundred jobs. But if you read between the lines and if you really knew what the effects of the reorganization were and meant, we could have lost tens of thousands of jobs. That would be the end of Falcon Hill and all the contractors who support Hill Air Force Base.

I have to give great credit to the Utah Defense Alliance, to our governor, to the delegation, particularly Senator Hatch and Congressman Bishop because they have been tenacious. We didn't win on every front. There will be job losses to Hill, but certainly not what we thought months ago.

Mike Bouwhuis, Steve Curtis, Ron Richins





Ron Kusina, Tim Shumate

RICHINS: Numerous people at this table have been involved in the Utah Defense Alliance, which is really a nonprofit, a group of people in northern Utah who are very, very concerned and interested in keeping Hill right where it is, which just exactly straddles Davis and Weber. We're going to be looking to the legislature for some funding for the Utah Defense Alliance to ensure that we're able to keep those missions involved.

I'm also involved with Falcon Hill, which is a three-way partnership between the state of Utah, Sunset Ridge Development and the Air Force. Our project is over 500 acres. It goes from the Clearfield gate clear to the Roy gate in a strip of ground right through there. Now, there are certain things that will be preserved—the old historic area will be preserved. It will grow; it's a long-term project. It's a 50-year lease that the Air Force has given the Sunset Ridge Development Partners to develop the Falcon Hill aerospace department.

Discuss the area's growing composites industry and how it fits into the future of aerospace.

SHUMATE: You've probably read quite a bit about the commercial business [ATK has] picked up with customers such as Airbus, General Electric, Rolls-Royce. Really that's a leveraging of the composite

technology that ATK and formerly Hercules developed for a number of years that served the defense industry—we also have a very strong presence on the new Air Force fighter aircraft, the F-35. So the momentum we carry through from 2011 into '12 is very strong.

As a result of these contracts, we've expanded our facility, more than doubling its space with a new facility up in Clearfield adding 600,000 square feet and about 120 jobs in the last year, and we project a couple more hundred over the next two or three years, ultimately probably taking about 800 people. That's just from those particular contracts. We would certainly expect that we're not going to stop there. We're going to continue to expand.

Let's talk about education. How do we make that connection between education, a well-trained and ready workforce, and the needs of industry?

BOUWHUIS: Education is countercyclical to the economy. In the last three years our institution has grown 57 percent. It's been phenomenal to see the growth, which is good for almost everyone around this table that hires people.

In the area of manufacturing, this last six months has been phenomenal. Just about every welder that wants to go to work can go to work. Machining is going

strong. It's just been unbelievable to see what's happening in machining. It's back to almost the 2005/2006 level in terms of diesel technology, industrial maintenance, composites, all those programs that have to do with manufacturing. The students are being drawn out as quickly as we can train them.

The whole composites industry was pioneered in the state of Utah. We received a \$2.1 million grant and started programs at Weber State lab. University of Utah brings all their engineers in for composites training at our facility. We set up a program at Morgan High, Salt Lake Community College and DATC with this grant. So we're leading the group.

STEAGALL: One of the things that we've been talking about at Weber State is that the ATCs are doing a much better job in being responsive to business communities than we historically have. We have some opportunities at Weber State. We have seven academic deans, and four of us are new this year. We're going to have several meetings this spring where a group of faculty will sit down with a group of people from the business community and talk about what their needs are, and we'll talk about what our interests and abilities are, and try to figure out what we can do differently.

Partnerships again are very important. We've done a good job with that in some

areas in our MBA program, particularly, with the contract management certificate. We've got a certificate now in aerospace that has just been approved. So we're trying to be responsive in those areas too. Another area where we need to be more responsive is in the international area. There are a lot of international business in Utah and, frankly, it ought to be something we're really good at with the number of people who have language capabilities and the cultural sensitivity to deal with international business issues.

LAWRENCE: Part of my responsibilities is to manage the Utah Science Technology and Research for northern Utah out at the Weber State office. I'm a recovering entrepreneur. I come from a large software business. Couple of thoughts as it pertains to that. Infrastructure is really important. Facilities and bandwidth are really important. But part of the reason why our software company that I'm a partner in is the fastest-growing privately held business in Utah in the last seven years was located in Salt Lake instead of up here was the quantity of talent, not the quality. I live and work up here, and the quality of talent is as good as anything I see anywhere across the state.

So what I'm starting to see is more and more people that are interested in technical education. We've got some big companies in Ogden that do internet

marketing and things that are a little bit different flavor of technology. Weber State graduates more computer science-related degrees than any other institution in Utah. One of the things that we're seeing is more technology startups that are thinking about locating in northern Utah. So I'm working with companies in Bountiful, Layton and Ogden to think about actually starting companies here.

One of the key things to the long-term future of this community is more technology companies starting in northern Utah, and I'm seeing that. I'm seeing some cool research that's coming out of our campus. We're partnering with a number of private companies to spin out stuff that we've invented through USTAR or stuff that those companies have intended. They come to us to and say, "You've got facilities, you've got expertise, you've got staff to think about some of these things."

How are local and small businesses faring in today's economy?

FORSBERG: MarketStar provides outsource sales and marketing services for primarily multi-country tech organizations. In terms of the things we see, 2010 was actually our largest revenue growth year that we've ever had. So the big thing for us is availability of quality people. Late last year we had to

hire about 120 people in about eight weeks and place them in our facility in Ogden. These are people that had to represent one of the world's largest internet companies, and so they had a very high standard of quality for these personnel. What's nice is the people are there, they're available. It's just a matter of tapping into them and finding them.

What's also nice is the growing reputation of Davis and Weber counties. I've worked at MarketStar for almost 20 years, and it used to be when you would talk to somebody about being in Ogden it was like before Columbus discovered America. Now it's not like that at all, and we attract people from Utah County and Salt Lake County on a regular basis.

BARNES: At Candle Warmers, Etc. we've been fortunate to experience growth since 2006. We have expanded our operations in distribution globally. We're in Asia, and we'll be in Australia and Europe by the end of the year. We have a need for larger facilities—we've been bitten by the low vacancy bug that's out there right now. We've been searching for a bigger facility for quite some time.

About half of our business comes from the small mom-and-pop. And in 2009 about 14,000 mom-and-pop stores closed down in the gift industry alone, and that's primarily where we play. We also saw at

Chris Barnes, Bob Rice, Steve Keiffer





Steve Kieffer

that time the year-over-year sales at the mass stores like Wal-Marts and K-Marts start to decline. But since late 2010 that changed, and year over year sales with a lot of these stores is starting to creep back up.

Here in Utah our business is up. We used to do quite a bit of business in Utah with the independent gift stores. That declined in 2008 and 2009, but we're back up to 2005 and 2006 levels now.

PARKINSON: As a community bank, I focus on local business owners. That's what we do. We as a bank reflect what's going on in the community because all of our operations are on the Wasatch Front. We made net income of a little over \$15 million in '07. We went through the recession, a time period that hurt—actually a couple local banks closed. In '10 we made \$8.6 million, so there's the difference. And this past year we made \$9.8 million. So I think that's reflective.

How is the tourism and travel industry holding up through the recession and slow recovery?

TOLIVER: Travel and tourism in both Weber and Davis counties has done very well. It's obviously an industry that's an economic driver for both of our communities and has actually held very strong through this economic downturn.

One of our advantages is being an affordable destination, which is attractive to our meetings and conventions industry as well as for leisure marketing and ski tourists. It's the efforts we have out there to expose our areas as a destination for visitors that brings people in and makes them fall in love with the area and, in some instances, either relocate businesses or residences here.

2011 was actually the first year that we remained closer to flat. We had about a 3 percent growth overall in our tourism taxes, but our average daily rates were up over \$3 per room. So we have some great indicators in our pipeline. Going into '12 it's a lot more full than it was going into '11. So we feel really good about the efforts there.

RIDDLE: The leisure/hospitality industry is the fifth-largest employer for Davis County with an estimated 9,700-plus workers. We had a new hotel that came online in 2011, our Home2 Suites, the second in the nation with 104 rooms. And we expect to open another hotel this August with a new Best Western Plus.

Our hotels report to us, and with 71 percent of our hotels reporting, they're logging in over \$22 million in hotel revenue and showing almost an 8.8 percent growth year over year, an increase of 13,700 more rooms consumed in 2011

over the year previous. Our tourism taxes as a whole are coming in over 10.2 percent growth, which is a very healthy growth.

HILLIARD: Our conference center is really a business indicator of what's happening. In 2009 we dropped from an average of around 700 events a year to 525 events. In 2011 we had 654 events, and we had our banner year. We're finding, though, that we're working harder for each dollar.

M. SMITH: The discretionary income with companies, that's what kind of tapered off for us at the conference center in the downturn. We're starting to see that come back in 2012. So a lot of the stuff that cancelled or downsized is coming back larger. I will also say we had a record year with the Sundance Film Festival in our Egyptian Theater. Many of those are visitors from out of state that come to Ogden.

A real area of promise for us is affiliated with the outdoor industry. It's kind of a trickle-down—if you build it, they will come. We did that up in the Weber/Ogden area, and now we're seeing stuff affiliated with that—meetings, trade shows—come also, so that's our sign of promise there. **UB**