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## Inverness Square

**Murray, Utah**

Project Type: **Residential**

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### PROJECT TYPE

Comprising 119 Federal-style brick townhouses on a seven-acre (2.84-ha) site, Inverness Square is located on a former brownfield close to a regional commuter rail line. One of the first of its kind in Murray, Utah, a suburb of Salt Lake City, the new urbanist infill community has helped revitalize a formerly blighted area through environmental remediation and enhanced streetscapes. In addition, the project, developed by Hamlet Homes, was intended as workforce housing with opening prices starting at $140,000.

### LOCATION
Outer Suburban

### SITE SIZE
7.02 acres/2.84 hectares

### LAND USES
Townhomes

### KEYWORDS/SPECIAL FEATURES

- Brownfield
- Zero-Lot-Line Housing
- Infill Development


- Workforce Housing

**WEB SITE**

www.hamlethomes.com

**PROJECT ADDRESS**

300 West and 4800 South
Murray, Utah

**DEVELOPER**

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**ARCHITECT**

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**PLANNER**

Blake McCutchan & Associates
Salt Lake City, Utah
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## GENERAL DESCRIPTION

Providing workforce housing in a suburb of Salt Lake City, Inverness Square consists of 119 moderately priced Federal-style townhomes. Developed by Hamlet Homes, the project required environmental remediation of mining-related contaminants—a major development roadblock in the former industrial town of Murray, Utah. In addition to its dense, urban design, Inverness Square is within a half-mile (0.8 km) of the nearest TRAX station, the light-rail system that connects the greater Salt Lake area.

## SITE HISTORY

Bound by the Wasatch Mountains to the east and Great Salt Lake to the west, the greater Salt Lake area is home to over 1.7 million people, or approximately 80 percent of the population of Utah. Often referred to as the Wasatch Front, the greater Salt Lake area stretches narrowly from Provo in the north to Ogden in the south, with Salt Lake City at its center. All of the cities in the Wasatch Front are connected by continuous suburban development along the primary transportation routes of Interstate 15 and US Route 89.

Nine miles (14.5 km) south of Salt Lake City lies the municipality of Murray, with a population of 46,000 and a median household income of $45,569. It was an agricultural community until a body of ore was found in the

Wasatch Mountains in 1869. Because of its central location and access to the railroad, Murray became home to some of the largest smelters in the region. From 1900 to the end of World War II, 13 smelters were built and operated within the city limits. By 1949, operations had ceased, leaving approximately 500,000 tons of heavy metal slag and 150 acres (60.7 ha) of prime real estate contaminated. In addition, the shallow groundwater aquifer was contaminated by lead and arsenic.

The city of Murray anticipated that the former smelter locations could be designated as Superfund sites. To avoid designation on the U.S. Environmental Protection Agency's (EPA) National Priorities (Superfund) List, the city volunteered to become the lead agency in the remediation of the largest brownfield site within the municipality.

Located in the city's central business district, the 142-acre (57.5-ha) ASARCO Smelter site was once home to the country's largest lead smelter. Through a partnership with the EPA, the Utah Department of Environmental Quality (UDEQ), and ASARCO—the principal party responsible for the contamination—the city completed the four-year remediation process in 2005. Today, a medical campus, large retail store, and transit station have been developed on the former brownfield. During this transformation of downtown Murray, Hamlet was embarking on its first foray into infill housing with Inverness Square.

Lying two blocks from the former ASARCO Smelter location, the Inverness Square site was also found to be environmentally contaminated. It had previously been used by a trucking and construction equipment operation, and slag from mining operations had been used as fill on site.

An assemblance of six parcels, the 7.02-acre (2.84-ha) site was originally surrounded by a combination of older, dilapidated residential and vacant property. As an urban infill site, the property was at grade and all necessary utilities were available.

## DEVELOPMENT PROCESS AND APPROVALS

Formed in 1994 and led by CEO and owner Michael Brodsky, Hamlet Homes has developed over 4,200 lots and constructed more than 3,000 residences in 37 communities. Originally focused on suburban subdivision projects, Brodsky has relied on his prior corporate experience to guide the direction and business model of Hamlet, steadily increasing volume on an annual basis and growing the organization to more than 70 employees. More recently, Hamlet has turned its focus toward transit-oriented, infill, and brownfield development.

The city of Murray is well respected for the efficiency of its local government, the quality of its schools and infrastructure, and a history of aggressive economic development. The neighborhood around the site also has undergone significant redevelopment with the arrival of a new retail/shopping/dining complex, The Pointe at 53rd, and Intermountain Healthcare's new flagship hospital, the 1.2 million-square-foot (111,483-sq-m) Intermountain Medical Center.

Amid this atmosphere of redevelopment, Hamlet began to look at industrial sites in Murray as potential opportunities for residential infill. Hamlet believed that there was significant demand for moderately priced workforce housing in the area, though market research was anecdotal. Brodsky first approached the mayor and members of the city council to determine their willingness to support an urban renewal program. Having been an active builder and developer in the area for over ten years, Hamlet had garnered credibility with the local agencies and there were no significant hurdles during the approval process.

At the time, the site was zoned for commercial uses; however, residential uses were permitted within the zone. Because of the blighted nature of the site and surrounding properties, the public review process generated only encouragement and support from adjacent property owners. Consequently, the entitlement process for this property took less than 90 days from the first submission to the final approval of Phase I. Though the permitted density allowed up to 25 units per acre (62 units per ha), Hamlet felt that was too high for the marketplace, and developed the site at just under 18 units per acre (42 units per ha).

Developed in three phases, the seven-acre (2.84 ha) Inverness Square site was assembled from six separate parcels. At the time Hamlet purchased the property, the primary four-acre (1.62-ha) piece necessary for development was being used as a staging compound for an excavation contractor. The additional parcels allowed for better circulation, access, and increased unit counts but were not required for the project to move forward.

Environmental contamination was discovered during initial due diligence on the property. Mining slag had been deposited on the site and elevated levels of lead and arsenic were discovered. Working with the UDEQ, Hamlet created a voluntary cleanup program that identified the scope of contamination and provided a methodology for remediation. The cleanup involved burying the bulk of the contaminated materials beneath streets, paved areas, and parking lots. In 2006, they completed the cleanup under the supervision of the UDEQ.

## DESIGN

Hamlet determined that an urban, dense design would be appropriate for the property. The developer retained D.W. Taylor Associates, a prominent architecture firm located in Ellicott City, Maryland, to design a townhouse-style architecture reminiscent of homes seen in older sections of Baltimore and Philadelphia.

At the outset, Brodsky recognized the site's potential as an urban residential neighborhood. He visualized front stoops close to the sidewalk, with slightly wider sidewalks to promote a walkable neighborhood. Since much of the streetscape is hard surface, the design team decided to include tree wells in the sidewalk as well as ornate architectural features on the homes.

Parking, however, proved to be the biggest design challenge. Targeting an entry-level price point—$140,000 in 2005—Hamlet was trying to provide as much house for the money as possible. By buildout two years later, prices had increased to more than $200,000. Consequently, the developer elected to forgo rear-alley garages and instead develop two-story residences with basements providing close to 1,775 square feet (165 sq m) of living space. The parking challenge was solved by providing small parking lots on the end of the homes, between dwellings, as well as parking areas to the rear of the homes. The developer felt it was important to preserve the urban characteristic of the streetscape and avoid traditional head-in parking in front of the townhouses.

A significant benefit to the townhome owners is that all streets are public and the common areas are relatively minimal, which include the small parking lots, the private lanes behind the houses, and the minimal amount of open space. All of these amenities are controlled by a homeowners association (HOA), which is professionally managed.

The townhomes feature two or three bedrooms, up to 3.5 bathrooms, and a finished basement. Base plates for the townhouses were approximately 600 square feet (55.7 sq m) per level, with 100 square feet (9.3 sq m) of the basement left unfinished. A standard layout consists of a living room, dining room, and kitchen on the first floor; two bedrooms and two bathrooms upstairs; and a family room and storage space in the basement. All residences come with a ten-year warranty.

The project has 270 total parking spots; each unit is provided with one assigned covered parking area while the remaining spaces are open parking. HOA dues are $120 per month and include maintenance of the common areas as well as cable television and high-speed Internet access.

Hamlet designed flexibility into its townhome product from both a design and construction perspective. For instance, the kitchen location can be interchanged from the front to the back of the unit. Hamlet also took advantage of winter starts by pouring foundations in ten unit rows during the warmer seasons, allowing them to both frame during the winter and phase incrementally.

## FINANCING

Conceived as a traditional fee-simple townhouse development, Inverness Square was financed through traditional lender relationships. A single-purpose limited liability company was created to accommodate the transaction. While total acquisition and development costs were slightly in excess of $4 million, Hamlet's cost to develop the first phase of 49 lots was approximately $2 million because of the phased nature of the project. This arrangement required an equity participation of approximately $500,000—the only equity required.

Future phases were developed as the first phase was being sold and closed; consequently, there was enough additional collateral in the property to purchase the land and continue development of subsequent phases with no additional equity contributions. Phase I consisted of 49 units, Phase II comprised 50 units, and Phase III included 20 units. Hamlet raised the equity through private investors. The private investors retained approximately 30 percent ownership in the single-purpose limited liability company and Hamlet Homes Corporation retained the balance of the ownership. The investors are all minority partners who have no participation or vote in the operation of the transaction.

The acquisition and development financing, as well as the construction financing, was provided by Wells Fargo. The bank provided 75 percent loan-to-cost for the land development and acquisition and 100 percent cost to construct the townhomes.

## TRANSPORTATION AND TECHNOLOGY

Salt Lake City has been following the transit models of cities such as Minneapolis, Denver, and Portland by encouraging commercial and residential real estate expansion along modern light-rail systems. TRAX—Salt Lake City's $520 million, 19-mile (30.6-km), 23-station light-rail network—accommodates more than 55,000 riders per day. Transit-oriented development projects along the Wasatch Front are transforming downtrodden urban districts into connected downtowns. As a result, area builders such as Hamlet have expanded their business models to construct transit-focused residential and business districts at the center of Salt Lake Valley towns and cities.

The Utah Telecommunication Open Infrastructure Agency, better known as UTOPIA, includes 14 Utah cities that have banded together to create the UTOPIA Community Metronet. This open network allows for multiple service providers, ensuring competitive pricing and reliability. All residences at Inverness Square are connected to the UTOPIA network, providing residents with ultra-high-speed Internet access, telecommuting, videoconferencing, home security and utility management, remote data storage and retrieval, and Internet-based phone services.

## MARKETING AND PERFORMANCE

Hamlet is a merchant builder, broker, and developer, and the group marketed the project out of its own sales office with in-house sales agents. They did work with outside agents, paying the traditional 3 percent cooperating commission. Approximately 35 percent of sales came through outside agents.

Seventy-three percent of the buyers were under the age of 34, with 37 percent between the ages of 25 and 29. Total income for buyers ranged widely from $35,000 to $95,000. Forty-six percent of the units were sold to married couples while the remainder were sold to singles.

Hamlet broke ground on the project in May 2005 and the last closing occurred 24 months later, in April 2007. During that period, the base sale price increased 40 percent from $137,990 to $191,990, while costs per unit increased by 18 percent, or $25,000. Performance and returns went beyond original projections—over the initial two-year period, Hamlet realized a return on investment of 400 percent. The pro forma for the project, created in January 2005, anticipated a return on investment of 170 percent and a completion date of June 2007.

## EXPERIENCE GAINED

Hamlet has immediately applied the lessons learned at Inverness Square to other projects. Inverness Square proved to the company that there indeed was strong demand for close-in properties, and the size of the community overcame the negatives of the surrounding area.

In retrospect, the developer believes that the project was too dense for the product design, and in the future would make a number of changes. For future projects, the developer believes the space between houses in the rear yards should be wider. Also, the sidewalks should be two to four feet (0.6 to 1.2 m) wider so pedestrians can easily negotiate tree wells without feeling crowded.

Today, Inverness Square sits as an oasis of new development in an industrial neighborhood. Since its completion, the city has changed the zoning requirements for the development process. Residential use, which was previously permitted, has since been changed to a nonconforming use and is allowed only after submission of a zone application, adding months to the development timeline. This fact, coupled with the current slowdown in the residential market, has put redevelopment of surrounding blocks on hold.

As a result of Hamlet's experience in this community, the firm has undertaken two additional close-in, urban infill development projects. Altogether, Hamlet has assembled more than 700 building pads within a two-mile (3.2-km) radius in five communities, representing six housing product types ranging in price from $138,990 to over $300,000. Based on its success with Inverness Square, the firm will continue with infill development.

**PROJECT DATA**

**LAND USE INFORMATION**

Site area (acres/hectares): 7.02/2.84
Percentage complete: 100
Gross density (units per acre/hectare): 17/42
Number of off-street parking spaces: 270

**LAND USE PLAN**

| Use | Area (Acres/Hectares) | Percentage of Site |
|---|---|---|
| Buildings | 1.5/0.6 | 21 |
| Streets/surface parking | 3.4/1.4 | 49 |
| Landscaping/open space | 2.1/0.85 | 30 |
| Total | 7.02/2.84 | 100.0 |

**RESIDENTIAL INFORMATION**

| Unit Type | Number of Units | Area (Square Feet/Square Meters) | Percentage Sold | Average Sales Price |
|---|---|---|---|---|
| Townhome | 119 | 1,775/165 | 100 | $137,000–$165,000 |

**DEVELOPMENT COST INFORMATION**

**Site Acquisition Cost:** $2,356,216

**Site Improvement Costs:** $2,198,952
Excavation/grading: $619,189
Sewer/water/drainage: $646,508
Paving/curbs/sidewalks: $342,279
Landscaping/irrigation: $301,948
Fees/general conditions: $84,892
Other (environmental, soil testing, contingencies): $204,134

**Total Construction Costs:** $10,115,000

**Soft Costs:** $5,070,000
Architecture/engineering: $238,000
Project management: $1,190,000
Marketing: $1,428,000
Legal/accounting: $238,000
Taxes/insurance: $119,000
Title fees: $142,800
Construction interest and fees: $214,200
Other: $1,500,000

**Total Development Cost:** $19,740,168

## DEVELOPMENT SCHEDULE

Planning started: December 2004
Site purchased: April 2005
Construction started: May 2005
Sales/leasing started: June 2005
Phase I completed: June 2006
Project completed: June 2007

## DRIVING DIRECTIONS

*From Salt Lake City International Airport:* Start out going west 0.5 mile (0.8 km). Merge onto I-80 toward Ogden/Provo in 5.3 miles (8.5 km). Merge onto I-15 south via exit on the left toward Cheyenne/Las Vegas in 5.7 miles (9.2 km). Take the 4500 South/UT-266 exit (Exit 301) in 0.3 mile (0.5 km). Keep left at the fork to go west on 4500 South/UT-266 in 0.1 mile (0.16 km). Turn right onto W 4800 South.

*Driving time:* approximately 18 minutes in nonpeak traffic.

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Developed by Hamlet Homes, Inverness Square consists of 119 moderately priced townhouses within walking distance of a light-rail station, retail complex, and medical center.

Comprising a former brownfield, the seven-acre (2.84-ha) site required extensive environmental remediation—a common development challenge faced in former mining towns.


Sale prices for the 1,750-square-foot (162.8-sq-m) townhomes start at $200,000, providing a supply of workforce housing for the rapidly growing greater Salt Lake City area.

Narrow setbacks and open front stoops are emblematic of Inverness Square’s traditional neighborhood design.


The Federal-style townhouses feature two or three bedrooms, up to 3.5 bathrooms, and a finished basement.


Inverness Square site plan.