

Louisville Revitalization Commission

**Monday, February 11, 2019
Louisville Public Library
Library Conference Room
951 Spruce Street (Northwest entrance)
7:30 AM**

- I. Call to Order
- II. Roll Call
- III. Approval of Agenda
- IV. Approval of January 14, 2019 Meeting Minutes
- V. Public Comments on Items Not on the Agenda (Limit to 3 Minutes)
- VI. Welcome to Jeff Lipton
- VII. Reports of Commission
- VIII. Business Matters of Commission
 - a. RESOLUTION 19-01: A Resolution approving the Property Tax Increment Rebate Agreement with 712 Main LLC and 722 Main LLC
 - i. Staff Presentation
 - ii. Public Comments (Please limit to three minutes each)
 - iii. Commissioner Questions and Comments
 - iv. Action
 - b. Review of City Council Parking Discussion held on January 22, 2019
 - c. Future discussion meetings with City Council
- IX. Items for Next Regular Meeting March 11, 2019, 7:30 am Library Meeting Room
 - a. Review Budget and consider addition of line item for bond sinking fund/bond retirement.
 - b. Urban Renewal document refresher
- X. Commissioners' Comments
- XI. Adjourn

City of Louisville

City Manager's Office *749 Main Street* *Louisville CO 80027*
303.335.4533 (phone) *303.335.4550 (fax)* *www.LouisvilleCO.gov*

Louisville Revitalization Commission

Minutes

**Monday, January 14, 2019
Louisville Public Library
Library Conference Room
951 Spruce Street (NW entrance)**

Call to Order – Chair Steve Fisher called the meeting to order at 7:30 am in the Louisville City Library at 951 Spruce Street, Louisville, CO.

Commissioners Present: Chair Steve Fisher
Hank Dalton
Alex Gorsevski
Rob Lathrop
Mayor Bob Muckle
Bob Tofte

Staff Present: Aaron DeJong, Economic Development Director
Rob Zuccaro, Planning and Building Safety Director
Kathleen Kelly, Attorney to the City of Louisville
Dawn Burgess, Executive Assistant to the City Manager

Not Present:

Others Present: Randy Caranci, David Sinkey, John Leary, Jim Tienken,
Michael Menaker, Rick Kron, Rick Woodruff, Andy
Johnson, Eric Hartronft

Approval of Agenda

Approved as presented

Approval of December 10, 2018 Minutes:

Approved as presented

Public Comments on Items Not on the Agenda

None

Reports of Commission

Wildwood guitars heard rumor of hotel

City of Louisville

City Manager's Office 749 Main Street Louisville CO 80027
303.335.4533 (phone) 303.335.4550 (fax) www.LouisvilleCO.gov

Business Matters of Commission

- **Open Government Packet**

Per the City Charter, this document must be provided each year. It reminds everyone that we must be transparent in all business. DeJong asked Commissioners to please read.

- **Posting Notices of Public Places**

Motion to approve posting place made by Commissioner Lathrop. Seconded, motion passed.

- **Election of Officers/Vacant Commissioner position**

Commissioner Lathrop moved to retain current officers, Commissioner Dalton seconded. All in favor.

As far as vacancies, there are no candidates readily available. There are ongoing vacancies on several boards. January 18th is next deadline for applications.

- **Parking Structure presentation discussion**

Commissioner Dalton will be brief in his presentation to Council then turn it over to Andy. Andy will review designs. Hank reviewed presentation he will give to Council.

Andy Johnson reviewed slides for Council presentation included in this LRC packet. Took into account utility relocation, trash/recycling service, business delivery. Johnson reviewed pros and cons of each layout.

Commissioner Dalton suggested showing just elevation for scheme 2, then go to scheme 3. Talk less about scheme 2 because of scheme 3. Mention that on scheme 3, 37' is just stair tower. There was discussion of which slides to present to Council. Commissioner Dalton said the purpose is show Council conceptual design showing what you can expect to pay for these designs. If Council wants to have further discussion, here is what you can discuss and consider. Commissioner Tofte said we need historical references. DeJong will add information from previous parking studies.

Commissioner Gorsevski said wrap is an important point. Can designs show that? Only wrap is scheme 1. Show full wrap and talk about implications? Parking was lost in wrap options. Commissioner Dalton wants that mentioned. Mayor Muckle said he expects the conversation to be driven by public. Said Council asked for this presentation and that needs to be mentioned.

Eric Hartronft cost per space does not provide true cost. Operation and maintenance costs need to be added.

Randy Caranci asked about below grade per space cost. Johnson agrees it is important to add. Adds about 30% to per space cost. Johnson said we can add below and above grade costs.

Rick Kron is happy with the look. He suggests changing the word "scheme" to "concept."

Commissioner Dalton said the presentation will put the info in front of Council. Some of the considerations need to be quickly available.

The presentation to Council is at the January 22nd meeting

- **Terraces on Main TIF Application for Assistance**

Mayor Muckle has to leave to attend Finance Committee but supports Terraces package. Council member Lipton will be new liaison. Mayor left meeting at 8:16 am. Terraces on Main is scheduled to go before Council on February 19th. This item was been approved by Planning Commission.

Project Summary:

22,020 sf office and retail building

First floor retail design

First and second floor office

Third story serviced for rooftop area

18 parking stalls

\$6.6m estimated construction costs

This is the first application seeking direct financial assistance for redevelopment

DeJong gave presentation.

Staff believes several blights factor would be alleviated.

\$119,500 yearly in new tax revenues.

Advancement of Urban renewal area.

DeJong presented financial information to satisfy the "but for" test: the development will not happen "but for" the assistance provided.

Staff recommends the LRC move forward with preparing a development agreement for Terraces on Main project. Staff seeks direction on whether to move forward on redevelopment agreement.

David Sinkey, President, Boulder Creek Neighborhood thanked the LRC for consideration. He said Boulder Creek Neighborhoods has been a longtime

corporate resident occupying 4 buildings downtown. They have benefited from the environment and have been a part of it. He thinks it would be good for people to see what real numbers look like. He said the initial development proposal to the City, they received unclear feedback. They have spent more than \$100,000 thus far on design. Previously, they asked for 2 waivers from Council. Council did not approve nor deny project. Cost of the original parking design was \$50 – 60k per parking space. Removing the 3rd floor office space would appeal to Council but not meet Boulder Creek needs. Several PUDs approved but not built; one reason is the financial infeasibility. Cannot get an investor at 7.28% rate of return. This is best guess at what rents can be.

We want everyone to see the development's real numbers. Hope that investment criteria is different than other investors. We like and have benefited from being downtown.

Council member Dalton asked about the fee in lieu for 5 spaces. Dalton asked if the Council rejected 3rd story? Sinkey said Planning Commission and Council agreed plan met guidelines. Concerns about design elements and there was political concern about 3rd story. He wants to build something everyone in Louisville can be proud of.

Commissioner Lathrop said more retail vitality would improve circumstances for everyone.

Jim Tienken supports this and the previous design. He asked if Boulder Creek Neighborhoods wants original design with no TIF paid? Is there a comparison that can be made between the two designs and having or not having financial assistance? Sinkey stated without TIF, neither building will be buildable.

Michael Menaker said his preference would be for original design to come back with financial assistance. Gives headroom to grow. He is not concerned about parking – this is what a parking structure is intended to solve. Feels Council regrets the direction given to the last proposal. It would be better for Boulder Creek Neighborhoods and better for downtown. Ask for TIF help on project close to original giving you room to grow. Bring two problems to light: parking and development. Sales tax receipts have gone to the general fund. Catalytic effect that will increase sales tax. He would like to see TIF request on project close to original design.

Commissioner Lathrop would like to support the project financially somehow but currently uncomfortable with the funding not going directly to infrastructure. He would like to support it with some project we can see. He struggles with the idea that “we are giving something away”; the perception of handing out tax money. He would like the money spent to have some benefit to the public.

Sinkey would like to talk to Council and change perception. He would hate to see a misunderstanding of a finance mechanism prevent the project from moving forward.

Chair Fisher is comfortable with proposal.

Commissioner Lathrop is not opposed to the assistance. Would like to see a way to structure it more towards infrastructure.

Chair Fisher made a motion to direct staff to prepare an Agreement for financial assistance to the Terraces on Main project as requested by the Boulder Creek Neighborhoods. Commissioner Dalton seconded motion. All in favor.

Discussion Items for Monday, February 11, 2019 Regular Meeting

Bond sinking fund

Redevelopment agreement

Discuss Council's Jan 22 parking discussion

Commissioners Comments:

none

Adjourn:

The meeting adjourned at 9:03 am.

SUBJECT: DISCUSSION/DIRECTION – APPLICATION FOR TIF ASSISTANCE FOR TERRACES ON MAIN PROJECT AT 712-722 MAIN STREET

DATE: FEBRUARY 11, 2019

PRESENTED BY: AARON M. DEJONG, ECONOMIC DEVELOPMENT

SUMMARY:

Terraces on Main Street is an office and retail redevelopment project proposed by Boulder Creek Neighborhoods at 712-722 Main Street in downtown Louisville. The redevelopment consists of a new 22,020 sf office and retail building with 18 parking stalls. Boulder Creek Neighborhoods is requesting a 90% rebate of the expected increase in property taxes generated by the redevelopment.

This resolution, if approved, approves the attached TIF Rebate Agreement with 712 Main LLC and 722 Main LLC. The agreement must also be approved by the Louisville City Council in accordance with the Amended and Restated Cooperation Agreement last approved on November 17, 2015.

BACKGROUND:

Boulder Creek Neighborhoods has submitted plans to the City to redevelop 712-722 Main Street into a 2-3 story, 22,020 office and retail building with 18 off-street parking stalls. The properties currently have two single-story buildings totaling 7,558 sf which have been converted to office space for Boulder Creek Neighborhoods. The first floor is designed to accommodate retail and service-retail uses.

Boulder Creek submitted plans to the City for a larger project in 2018 that included a larger third story and additional parking along the alley. City Council requested the project be resubmitted with changes. Boulder Creek in response has provided the resubmitted plans currently proceeding through the development process.

The assistance requested is for direct financial assistance to facilitate the redevelopment project as the developer states the project is not financially feasible since the rental rates that can be achieved in the Louisville market today do not support the development costs. The assistance requested is 90% rebate of the increased property taxes resulting from the new value of development above the existing value of the property.

The LRC reviewed the application at their January 2019 meeting and directed staff to prepare a TIF Rebate Agreement with the Developer for the project. Staff and the applicant have finalized the attached agreement for LRC and City Council consideration.

DISCUSSION:

The LRC with previous applications have reviewed projects based on it furthering the following three goals:

- Removing Blight Factors
- Effect on Property Values
- Advancement of the Urban Renewal Area

Since this application is the first to submit for direct financial assistance to private development (previous projects have requested assistance with building infrastructure), staff also analyzed the project's need for financial assistance to construct the project.

This analysis does not go into the detail of the planning related components of the project. Boulder Creek Neighborhoods has resubmitted PUD documents to the City's Planning Department and will be reviewed by the Planning Commission and City Council separately.

The following is staff's analysis of the project and how it does or does not meet the three goals plus the need for public assistance.

Removing Blight Factors

The 2006 Louisville Highway 42 Revitalization Area Conditions survey identified properties that contributed to the blight conditions that were present in the area. Those blight conditions are as follows:

- a. Deteriorating Structures
- b. Faulty Street Layout
- c. Faulty Lots
- d. Unsanitary/unsafe Conditions
- e. Deteriorating Site or other improvements
- f. Unusual Topography or Inadequate Public Improvements
- h. Danger to Life or Property from Fire or Other Causes
- k.5 High Service Requirements or Site Underutilization

The determination of blight for the Highway 42 Urban Renewal Plan is for the entire defined district. It is not a determination for each and every parcel within the UR Area. Therefore, all of the properties within the UR Area are determined to have blighting factors present.

The Conditions Survey in 2006, which was used to determine whether blighting factors exist in the UR Area, identified 712-722 Main Street contributing to two of the identified blight factors.

The first is Condition F. Unusual topography or inadequate public improvements. The reason is due to the downtown area being reliant upon overhead power and

telecommunications infrastructure. It is considered an impediment to modern development and redevelopment in the current real estate market.

The second blight factor is Condition H. Danger to life or property from fire or other causes. The reason stated is most commercial structures lack sprinkler systems.

Boulder Creek in their application have noted the properties in their estimation meet additional blighting factors which include the following:

a. Deteriorating Structures

The buildings are becoming functionally obsolescent due to age and type of structure.

c. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness

The proposed lots will allow for additional square footage which will enhance the vibrancy of downtown

e. Deterioration of site or other improvements

The buildings are becoming obsolete.

In summary, Staff finds the Project will address blighting factors present in the Highway 42 Urban Renewal Area in the following ways:

- Unusual topography or inadequate public improvements. The new development will have underground utility service, removing this identified contributor to the blight factor. A new sidewalk will be constructed with the project. The project will also provide additional parking spaces and parking fee-in-lieu revenue for additional parking.
- Danger to life or property from fire or other causes. The new development will have fire suppression systems required of all new development in Louisville.
- Faulty lot layout in relation to size, adequacy, accessibility, or usefulness. A mixed-use building designed for retail and office uses can better mitigate the deep lot and building profile these properties need to better utilize the land. The two parcels are being combined to mitigate the deep lot and facilitates a better designed office and retail building.

Effect of Project on Property Values

The project when completed will have significant positive impact on property value. The following are the assumptions for valuing the property after the Terraces on Main project is completed:

	<u>Value per sf</u>	<u>Total Value</u>
Existing development (2017 value)	\$222.30	\$1,680,190
Per sf value of new development (office, retail, and parking)	\$250	\$6,604,250

SUBJECT: LRC RESOLUTION 19-01 712-722 MAIN STREET TIF AGREEMENT

DATE: FEBRUARY 11, 2019

PAGE 4 OF 8

Attached is a 10-year TIF valuation analysis for the Terraces on Main project. Boulder Creek's TIF 90% rebate request for a 10 year period would equal \$1,109,500 assuming the 90% rebate applies to the increases in property taxes levied on the development less its pro-rata share of the County's 7.15% shareback and City Staff payments.

The total annual TIF generated from this project at full buildout would be \$119,500 in 2022. This is a significant increase in downtown commercial property values and is worthy of due consideration for assistance from the LRC.

Advancement of the Urban Renewal Area

The Highway 42 Urban Renewal Plan was approved December 2006. The stated purpose of the Highway 42 Urban Renewal Plan is as follows:

The purpose of the Highway 42 Revitalization Area Urban Renewal Plan is to reduce, eliminate and prevent the spread of blight within the Urban Renewal Area and to stimulate growth and reinvestment within the Area boundaries, on surrounding blocks and throughout downtown. In particular, this Urban Renewal Plan is intended to promote local objectives with respect to appropriate land uses, private investment and public improvements provided that the delineation of such objectives shall not be construed to require that any particular project necessarily promote all such objectives. Specifically, the Plan promotes an environment which allows for a range of uses and product types which can respond to market conditions over time; further the goals and objectives of the Louisville Comprehensive Plan, Highway 42 Framework Plan and any other relevant policy document; and, leverage the community's investment in public improvement projects in the Area.

While the principal goal of the urban renewal effort is, as required by the Act, to afford maximum opportunity, consistent with the sound needs of the City of Louisville (the "City") as a whole to redevelop and rehabilitate the Area by private enterprise, it is not intended to replace the efforts of area business development or marketing organizations.

The rehabilitation and redevelopment of properties within the Urban Renewal Area will be accomplished through the improvement of existing structures and infrastructure, attraction of new investment and reinvestment, and prevention of deterioration of properties in the Area. The effort will involve the Commission and City with participation and cooperation by the private sector.

The Plan's purpose clearly states the desire eliminate blight and to stimulate growth and reinvestment. This project would be a significant reinvestment in downtown of over \$5,500,000 adding new business opportunities. The office and retail mixed-use design meets the evolving market conditions in downtown by increasing amenities and office space.

The Development and Design Objectives within the Highway 42 Urban Renewal Plan area as follows:

The development objectives for the Urban Renewal Area include establishment of a variety of uses that will allow projects to respond to changing market conditions. Proposed land uses within the Urban Renewal Area include commercial, office, residential, commuter, public, and parking. Design objectives for the Urban Renewal Area also promote flexibility, adaptability to a range of uses and product types and consistency with prevailing market conditions. Other objectives include:

- a) Eliminate and prevent blight*
- b) Improve relationship between this area and surrounding areas (neighborhoods, downtown, open space)*
- c) Increase property values*
- d) Provide uses supportive of and complementary to planned improvements (transit)*
- e) Encourage a mix of uses and/or mixed-use projects*
- f) Promote a variety of products to address multiple income segments*
- g) Provide ease of vehicular and pedestrian circulation and improve connections*
- h) Encourage continued presence of businesses consistent with the plan vision*
- i) Provide a range of financing mechanisms for private property re-investment and investment*
- j) Mitigate impacts from future transportation improvements*
- k) Encourage public-private partnerships to implement the plan*
- l) Adjust parking ratios to reflect future densities*
- m) Encourage shared parking among projects in area*
- n) Develop higher design standards including flexible lighting and signage standards*
- o) Landscape streetscapes to unify uses and plan components*

The proposed project meets the development and design objectives for several reasons:

- It will address the UR Area's blighting factors, as described above.
- It will enhance the downtown area with additional office and retail space.
- The resulting property values will be significantly more than the current value of the property.
- The office/retail mixed-use design will add to downtown.
- The project will enhance pedestrian circulation through new sidewalks adjacent to the project.
- The project will house multiple businesses in downtown.
- Assisting the development is an example of public-private partnerships.

SUBJECT: LRC RESOLUTION 19-01 712-722 MAIN STREET TIF AGREEMENT

DATE: FEBRUARY 11, 2019

PAGE 6 OF 8

- The project is expecting to pay the parking improvement fee, which will encourage shared parking through the City's parking program.
- The design meets the downtown design guidelines.

Staff finds the Terraces on Main project meets the intent of the Highway 42 Urban Renewal Plan and advances its goals.

Need for Financial Assistance

As the Applicant is requesting direct financial assistance from the LRC by way of Tax Increment Financing, analysis needs to be conducted to determine whether the development needs the assistance to be successful. In urban renewal terms, this is the "but for" test. The development will not happen "but for" the assistance being provided. The applicant has submitted a 10-year cash flow projection, a sources and uses summary and a summary of development costs to review its need for assistance.

Within the submitted financial documents, several assumptions are being made to model the financial performance of the project. The main assumptions are:

- Triple Net lease rate of \$29 per square foot (psf) for Retail, \$27.50 psf for office, and \$5 psf for basement storage space. Vacancy rate of 5%. Rental rates increase 2% annually.
- Acquisition for new ownership entity of \$1,387,750 representing paying off existing debt. Remaining equity will be rolled into the new ownership entity.
- Total construction cost and related costs of \$5,695,940. This assumes demolition, core and shell, architectural, and tenant finish costs per square foot of \$250.
- Exit in year 10 by way of a property sale based on 95% occupancy in 2028 with a capitalization rate of 7.5%.
- Debt financing with 25 year term, 5% annual interest, payments made monthly.

All of these assumptions appear to be reasonable from a proforma exercise as they are within the range of the downtown Louisville market and pricing expectations.

Attached is a 10-year TIF valuation analysis for the Terraces on Main project. Boulder Creek's 90% TIF rebate request for a 10 year period would equal \$1,109,500 assuming the 90% rebate applies to the increases in property taxes levied on the development less its pro-rata share of the County's 7.15% shareback and City Staff payments.

The key component of determining if the project needs the assistance is if the rate of return meets, exceeds, or is below a reasonable range for a project commensurate with its risk profile. In Colorado, commercial real estate development is highly speculative, takes a significant amount of time, expertise, and planning to receive approval for development, and the rental market can swing wildly with the macro economic conditions. Commercial projects tend to move forward when a project proforma identifies a capital rate of return greater than 15% annual return over a long period of

time. Projects with a proforma less than that either don't move forward, have characteristics which allow for returns to be less (i.e. an owner occupied project), or they need assistance to get the profit expectations higher to better reflect the associated risk.

Boulder Creek is modeling a 10 year rate of return on equity of .15% if no TIF assistance, and 7.28% if assistance is provided.

Achieving a proforma capital rate of return on equity of 7.28% with TIF assistance is a low expected return given the risk profile of a Louisville downtown redevelopment project. Without the TIF assistance, the expected rate of return of .15% is too low for a for-profit developer to choose to move forward with the project.

Staff finds the request for TIF assistance to meet the "but for" test in that the project would not move forward without the public assistance.

Redevelopment Agreement

Staff and the Applicant prepared the attached TIF Rebate Agreement upon the direction given by the LRC at their January 2019 meeting. Below is a summary of the main terms of the agreement:

1. Developer will construct and receive a Certificate of Occupancy (CO) from the City for the Project.
2. Once the project is complete, the LRC will begin making annual TIF Rebate payments to Developer equal to 90% of the increased taxes paid on the property less other defined LRC financial obligations (the 2015 Cooperation Agreement, the Tri-Party Agreement, and LRC operating expenses).
3. Total maximum Rebate payments is \$1,110,000. Annual payments will continue until the payment cap is met or the TIF revenue collection period for the Highway 42 Urban Renewal Area expires.
4. The agreement terminates on February 18, 2023 if the project has not be completed.
 - a. This date represents the three year initial term of the PUD plus one year for construction.
5. Assignment of the TIF Rebate Agreement is permitted if the assignment is to;
 - a. Any entity who is an affiliate of the Developer provided such assignment is of the Agreement in its entirety to a single entity;
 - b. A successor in title to 100% of the Developer's ownership interest in the Project; and
 - c. A lender to the Developer provided such assignment is limited to a collateral assignment or pledge of the amounts payable to the Developer

SUBJECT: LRC RESOLUTION 19-01 712-722 MAIN STREET TIF AGREEMENT

DATE: FEBRUARY 11, 2019

PAGE 8 OF 8

FISCAL IMPACT:

The TIF Rebate Agreement is based upon the increased property tax revenue generated by the redevelopment. It is a commitment to rebate future revenues not currently being received by the LRC. This agreement does not commit existing TIF revenue, so there is not current year fiscal impact. Future year LRC budgets will incorporate this rebate commitment once the redevelopment project is complete.

This agreement does not impact the City's budget as the committed property tax rebate payments are an obligation of the LRC, a separate organization from the City.

RECOMMENDATION:

Staff recommends approving the attached resolution approving the TIF Rebate Agreement with 712 Main LLC and 722 Main LLC to provide financial assistance to the planned redevelopment project. If approved, the agreement will go to the Louisville City Council for their consideration in accordance with the Amended and Restated Cooperation Agreement last approved on November 17, 2015.

ATTACHMENTS:

1. Resolution 19-01
2. Property Tax TIF Rebate Agreement with 712 Main LLC and 722 Main LLC
3. Application for Assistance from Boulder Creek Neighborhoods
4. Staff TIF Estimate

**LOUISVILLE REVITALIZATION COMMISSION
RESOLUTION NO. 19-01**

**A RESOLUTION APPROVING THE PROPERTY TAX INCREMENT REBATE
AGREEMENT WITH 712 MAIN LLC AND 722 MAIN LLC.**

WHEREAS, the Louisville Revitalization Commission (LRC) is charged with addressing issues contributing to blight within the Urban Renewal Area; and

WHEREAS, 712 Main LLC and 722 Main LLC has requested assistance from the LRC in the redevelopment of property at 712 and 722 Main Street, which is located within the Urban Renewal Area; and

WHEREAS, the LRC assistance to redevelop the property will reduce, eliminate and prevent the spread of blight within the Urban Renewal Area and stimulate growth and reinvestment within the Area boundaries; and

WHEREAS, a Property Tax Increment Rebate Agreement, attached hereto, has been developed to outline certain financial terms regarding financial assistance for new public and/or private improvements; and

WHEREAS, the LRC is willing to assist in public and private improvements associated with the redevelopment project.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE LOUISVILLE REVITALIZATION COMMISSION:

Section 1. The Property Tax Increment Rebate Agreement with 712 Main LLC and 722 Main LLC (the “Agreement”) is hereby approved, subject to approval by the Louisville City Council.

Section 2. The Chair of the Louisville Revitalization Commission is hereby approved to sign the Agreement once approved by the Louisville City Council in accordance with the Amended and Restated Cooperation Agreement between the LRC and City of Louisville dated November 17, 2015.

ADOPTED this 11th day of February, 2019.

ATTEST:

Chair

Secretary

PROPERTY TAX INCREMENT REBATE AGREEMENT

This Property Tax Increment Rebate Agreement (this "Rebate Agreement") is made as of _____, 2019, by and between the LOUISVILLE REVITALIZATION COMMISSION (the "LRC") and 712 MAIN LLC AND 722 MAIN ST LLC limited liability companies in the State of Colorado (the "Developer") (The LRC and Developer are collectively the "Parties").

RECITALS

A. The LRC is a public body corporate and politic authorized to transact business and exercise its powers as an urban renewal authority under and pursuant to the Colorado Urban Renewal Law, Part 1 of Article 25 of Title 31, C.R.S. (the "Act").

B. The Developer is the owner of certain real property legally described as follows: Lot 8 and 9, Block 3, Town of Louisville located in the SE ¼ Section 8, R69W of the 6th P.M. City of Louisville (the "Property").

C. The Developer proposes to redevelop the Property as a mixed-use development to include the construction of one mixed-use building consisting of 22,020 sf of office and retail uses and 5,802 sf parking area (the "Project"), to include associated public and private infrastructure improvements (the "Project Improvements"). A more detailed description of the Project Improvements is attached as Exhibit A.

D. The Project is located within the area (the "Plan Area") described in the Highway 42 Revitalization Area Urban Renewal Plan (the "Plan"). Completion of the Project and Project Improvements will remove barriers to development and remediate blight and adverse conditions within the Plan Area, and will be carried out in furtherance of the purposes of the Act and Plan.

E. The LRC finds that entering into this Rebate Agreement will promote the redevelopment of an area within the Plan Area and LRC boundaries and will remediate adverse conditions within the Plan Area in a manner consistent with the Plan, and will provide a mechanism for assisting in the financing of Project Improvements that benefit the City of Louisville (the "City") and its residents.

F. The Plan provides for financing the activities and undertakings of the LRC by means of property tax allocation or tax increment financing ("Property Tax TIF") in accordance with Section 31-25-107(9) of the Act.

G. The LRC previously entered into that certain Amended and Restated Cooperation Agreement dated November 17, 2015 (the "2015 Cooperation Agreement"), which provides that the LRC shall repay to the City Costs and Expenses incurred by the

City for the provision of Operating Funds and Support Services for the LRC, as further defined and set forth in the 2015 Cooperation Agreement.

H. The LRC also previously entered into that certain Tri-Party Agreement with the County of Boulder dated December 5, 2006 (the "Tri-Party Agreement") which provides that commencing on January 1, 2015, there shall be paid to the County certain County TIF Revenues, as further defined and set forth in the Tri-Party Agreement.

I. The LRC also previously executed that certain Term Sheet for the Core Area Infrastructure Project dated May 13, 2013 (the "Core Area Term Sheet"), which provides for the potential future issuance of LRC bonds payable from Property Tax TIF revenues from the Highway 42 Core Project Area as further defined and set forth in the Core Area Term Sheet.

J. The LRC intends that LRC financing assistance for the construction of the Project Improvements be limited to certain Property Tax TIF revenue received by the LRC from the Property (and no other properties in the Plan Area) and available to the LRC after payment of any amounts required to be paid pursuant to the 2015 Cooperation Agreement, the Tri-Party Agreement, and amounts the LRC may reasonably require for ongoing operating, administrative, consulting and other costs (the "LRC Operating Expenses"), and subordinate to bonds issued pursuant to the Core Area Term Sheet, all in accordance with the terms and conditions set forth herein.

K. The LRC is authorized to enter into this Rebate Agreement pursuant to the Act, including without limitation C.R.S. Section 31-25-105(1)(b), which authorizes an urban renewal authority to enter into agreements to carry out the purposes of the Act.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and the following terms and conditions, the Parties agree as follows:

1. Construction of Project. In conjunction with the development of the Project, Developer will finance, design and construct the Project and Project Improvements with its own funds.

2. LRC Financial Assistance. Commencing with the first full fiscal year following issuance of a certificate of occupancy for the Project and ending on the first to occur of (i) payment to Developer of \$1,110,000.00 of Pledged Revenue Payments or (ii) expiration of the Property Tax TIF provision of the Plan ("Pledged Revenue Term"), and in accordance with Section 31-25-107(9)(a)(II) of the Act, the LRC shall deposit within a special fund (the "Special Fund") all property tax revenues received by the LRC as a result of the property tax mill levies imposed upon the valuation of the Property, limited to

amounts generated from new valuation resulting from completion of the Project Improvements (by obtaining a Certificate of Occupancy for the new building) above the January 1, 2018 assessed valuation of the Property (\$320,030 for Parcel 157508423009 plus \$167,226 for Parcel 157508423005, for a total assessed valuation of \$487,256), and except for such amounts as the LRC may reasonably require for payment of obligations under the 2015 Cooperation Agreement, the Tri-Party Agreement, and payment of LRC Operating Expenses (which shall be limited to the Property's pro-rata share of such expenses) (the "Pledged Revenues"). This Rebate Agreement is limited solely to Pledged Revenues from the Property and includes no revenues generated from any other properties in the Plan Area. An illustrative example of the method for calculations is attached as Exhibit B. The Special Fund may be a new or existing fund and the Pledged Revenues may be comingled with other funds, all as shall be determined by the City Finance Director.

a. The Pledged Revenue shall be used to reimburse Developer for costs associated with the Project Improvements as shown in Exhibit A, and paid according to the payment schedule set forth below (the "Pledged Revenue Payments"). The Pledged Revenue available for reimbursement of costs associated with Project Improvements shall be transferred from the Special Fund to Developer within sixty (60) days after receipt of such funds by the LRC.

b. Notwithstanding any provisions of this Rebate Agreement to the contrary, the Parties agree:

- (i) The Pledged Revenue Payments shall be limited to no more than ninety percent (90%) of all Pledged Revenue generated from the Property.
- (ii) The total of all Pledged Revenue Payments made according to this Rebate Agreement is limited to \$1,110,000 or whatever lesser amount is generated from the Property during the Pledged Revenue Term prior to the time that the Property Tax TIF provision of the Plan expires.
- (iii) If, in any year, no Property Tax TIF revenue is generated by the Property and received by the LRC, no rebate payments under this Rebate Agreement shall be due to the Developer for that year.
- (iv) If, in any year, the LRC receives no Property Tax TIF revenues because there is for the Plan Area no increment value in excess of the base value for the Plan Area, no rebate payments under this Rebate Agreement shall be due to the Developer for that year.

- (v) If, in any year, the LRC receives Property Tax TIF revenues but the amount received is less than the amount necessary to pay all obligations that are on parity with this Rebate Agreement, then the rebate payments made to the Developer under this Rebate Agreement for such year shall be on a pro-rata basis.
- (vi) The LRC may prepay at any time without penalty any amounts payable under this Rebate Agreement, and may make payment with any source of funds available to the LRC.
- (vii) The LRC may use for any lawful purpose amounts not required for payments under this Rebate Agreement.

c. The Parties shall each keep, or cause to be kept, proper and current books and accounts in which complete and accurate entries shall be made for costs associated with the Project and amounts paid out from the Special Fund.

3. Entire Agreement. This instrument shall constitute the entire agreement between the LRC and Developer and supersedes any prior agreements between the Parties and their agents or representatives, all of which are merged into and revoked by this Rebate Agreement with respect to its subject matter. Contact information is as follows:

If to Developer:

712 Main St LLC and 722 Main St LLC
Attn: David Sinkey
712 Main Street
Louisville, CO 80027
Phone: (303) 544-5857
dsinkey@livebouldercreek.com

If to LRC:

Louisville Revitalization Commission
Attn: Economic Development
749 Main Street
Louisville, CO 80027
303.335.4531
aarond@louisvilleco.gov

4. Termination. This Rebate Agreement shall terminate and become void and of no force or effect upon the LRC if, by February 18, 2023, Developer has not completed the Project Improvements (as evidenced by a successful final inspections for the Project Improvements); or should fail to comply with any City code after proper notice and reasonable opportunity to cure the same. This Rebate Agreement shall automatically

terminate upon expiration or termination of the Property Tax TIF provision of the Plan, and upon such expiration or termination, the Parties' obligations hereunder shall terminate, whether or not any Pledged Revenues have been paid to Developer.

5. Subordination. The LRC's obligations pursuant to this Rebate Agreement are subordinate to the LRC's obligations for the repayment of any current bonded indebtedness, to the extent such obligations are in effect as of the date of this Rebate Agreement, and to the LRC's obligations for the repayment of any bonds issued pursuant to the Core Area Term Sheet and, further, are contingent upon the existence of a surplus of Property Tax TIF revenues in excess of the Property Tax TIF revenues necessary to meet such existing or future bonded indebtedness. The LRC shall meet its obligations under this Rebate Agreement only after the LRC has satisfied all other obligations with respect to the use of Property Tax TIF revenues for such existing or future bond repayment purposes. For the purposes of this Rebate Agreement, the terms "bonded indebtedness," "bonds," and similar terms describing the possible forms of indebtedness include all forms of indebtedness incurred by the LRC, including, but not limited to, general obligation bonds, revenue bonds, revenue anticipation notes, tax increment notes, tax increment bonds, and all other forms of contractual indebtedness of whatsoever nature that is in any way secured or collateralized by Property Tax TIF revenues of the LRC as of the date of this Rebate Agreement, including, the 2015 Cooperation Agreement, the Tri-Party Agreement, and such terms also include any bonds issued pursuant to the Core Area Term Sheet and payment of the Property's pro-rata share of LRC Operating Expenses, to all of which this Rebate Agreement is expressly subordinate. The LRC further shall have the right to issue other bonds that are on parity with or are junior to this Rebate Agreement.

6. Governing Law; Venue. This Rebate Agreement shall be governed and construed in accordance with the laws of the State of Colorado. In the event of a dispute concerning any provision of this Rebate Agreement, the Parties agree that prior to commencing any litigation, they shall first engage in good faith the services of a mutually acceptable, qualified, and experience mediator, or panel of mediators for the purpose of resolving such dispute. In the event such dispute is not fully resolved by mediation or otherwise within 60 days a request for mediation by either Party, then either Party may commence legal proceedings regarding the dispute. The venue for any lawsuit concerning this Rebate Agreement shall be in the District Court for Boulder County, Colorado.

7. Legal Challenge; Escrow. The LRC shall have no obligation to make any payment hereunder during the pendency of any legal challenge to this Rebate Agreement. The Parties covenant that neither will initiate any legal challenge to the validity or enforceability of this Rebate Agreement, and the Parties will cooperate in defending the validity or enforceability of this Rebate Agreement against any challenge by any third Party. Any funds appropriated for payment under this Rebate Agreement shall be escrowed in a separate LRC account in the event there is a legal challenge to

this Rebate Agreement. In the event performance of any material term of this Rebate Agreement is rendered impossible as the result of any legal challenge, the LRC at its option may terminate this Rebate Agreement, in which case the Parties' obligations hereunder shall terminate; provided, however, that the LRC shall pay to Developer any Pledged Revenues accrued and appropriated for payment under this Rebate Agreement prior to such termination, to the extent permitted by law and any applicable court order.

8. Assignment. This Rebate Agreement is personal to Developer and Developer may not assign any of the obligations, benefits or provisions of the Rebate Agreement in whole or in any part without the expressed written authorization of the LRC, which consent shall not be unreasonably withheld; provided, that an assignment shall be permitted (i) to any entity who is an affiliate of the Developer provided such assignment is of the Agreement in its entirety to a single entity; (ii) to a successor in title to 100% of the Developer's ownership interest in the Project; and (iii) to a lender to the Developer provided such assignment is limited to a collateral assignment or pledge of the amounts payable to the Developer hereunder. Any purported assignment, transfer, pledge, or encumbrance made without such prior written authorization shall be void.

9. No Joint Venture. Nothing in this Rebate Agreement is intended or shall be construed to create a joint venture between the LRC and Developer and the LRC shall never be liable or responsible for any debt or obligation of Developer.

NEXT PAGE IS THE SIGNATURE PAGE

This Rebate Agreement is enacted this _____ day of _____, 20__.

712 MAIN ST LLC

A Colorado Limited Liability Company

By: _____
David Sinkey

ATTEST:

Print Name

LOUISVILLE COMMISSION REVITALIZATION

Steve Fisher
Chair

ATTEST:

Alex Gorsevski, Secretary

722 MAIN ST LLC

A Colorado Limited Liability Company

By: _____
David Sinkey

ATTEST:

Print Name

EXHIBIT A

Description of Project Improvements

New Structure

- Construction of a new 3-level office and retail building of 22,262 square feet and 5,802 square feet parking area for 18 parking stalls.

Estimated Cost: \$5,500,000

Parking Improvement Fee

Parking improvement fee for 5 stalls not provided on-site but needed to achieve the Project's parking requirements

Estimated Cost: \$91,305

Public Walks

- New walkway along Main Street

Estimated Cost: \$30,000

Electrical

- New underground electrical service infrastructure

Estimated Cost: \$75,000

Total Project Improvements Cost: \$5,696,305

Formatted: Font: Bold

Exhibit B

Calculations to determine TIF Rebate for a Budget Year

Amounts described are for illustrative purposes only and are not amounts for the property subject to this agreement.

Taxable Value of Parcel for Budget Year (Value as January 1 of the previous Year)	\$200,000.00
Less: Taxable Value of Parcel for Base Year	<u>\$100,000.00</u>
Equals: Taxable Increment	\$100,000.00
Multiplied by Mill Levy (tax per \$1000 of taxable valuation)	85.187
Equals: Property Tax Increment from Property (\$100,000 * 85.187 / 1000)	\$8,518.70
Less: Property's portion of Tri-Party Agreement (Assessed Value of Property / Total Assessed Value of Urban Renewal Area * Total Increment collected * Tri-Party Agreement payment percentage) \$200,000 / \$30,000,000 * \$65,000 * 14.3%	\$61.96
Less: Property's portion of 2015 Cooperation Agreement (Taxable Value of Property / Total Value of Urban Renewal Area * 2015 Cooperation Agreement payment for Budget Year) \$200,000 / \$30,000,000 * \$31,000	\$206.66
Less: Property's Portion of LRC Operating Expenses (Taxable Value of Property / Total Value of Urban Renewal Area * LRC Operating Expenses payment for Budget Year) \$200,000 / \$30,000,000 * \$32,000	<u>\$213.33</u>
Equals: Total Pledged Revenues	\$8,036.75

Annual payment is 90% of Pledged Revenue calculated.

Louisville Revitalization Commission

Application for Assistance

Parties interested in assistance from the Louisville Revitalization Commission must provide the following information to be considered.

Project Name: 712-722 Main Street PUD (Terraces on Main Street)

Applicant Name: Boulder Creek Neighborhoods

Main Contact: Rick Woodruff

Address: 712 Main St, Louisville, Co. 80027

Phone: 303-591-5914 Email: rwoodruff@livebouldercreek.com

Project Location: Downtown Louisville

Name, Address & Phone of Property Owner of Project Location (if different than Applicant): _____

N/A

Summary of Project: The redevelopment consists of a two story office/retail redevelopment and a basement. The building is 26,417 sf and includes

an elevator, stairs and 18 parking spaces. The developer will need to pay for 5 additional parking spaces to meet the amount needed per code. The two current

buildings, 712 and 722 Main St., will be demolished and the new building will be developed on the same two lots.

Estimated Total Cost of Project: \$7,100,000

Summary of Request for Assistance: Applicant is requesting a TIF consisting of 90% of the property taxes above the current property

taxes paid.

Additional Items to be submitted as Attachments:

- 1) Detailed description of the Project with supporting visuals (i.e. plans, designs).
- 2) Applicant's experience with similar projects, if applicable.
- 3) Detailed description of the request for assistance from the Urban Renewal Authority.
- 4) Description of the community benefits resulting from the Project, including the blight conditions the project will address (complete Attachment C with description).
- 5) Discussion of how the project improves the project property and neighboring properties.
- 6) Financials for the project. Applicant must provide a 10-year proforma for the project, a Sources and Uses Budget for the entire project, and assumptions for retail sales and assessed value of the Project for residential and commercial uses by year. (not required is requested assistance is only for public infrastructure)
- 7) Timeframe of implementation of the Project
- 8) Discussion of Project risks.

Applicant Signature: _____

Name: _____

Date: _____

*Submitted applications and attachments are public documents and the information provided will be provided to and used by public entities to evaluate and describe the project.

Louisville Revitalization Commission

Blight Conditions Description for Project

Project Name: 712-22 Main Street PUD (Terraces on Main St)

Please provide a short description of how the project addresses the following blight conditions identified in the Urban Renewal Area.

a) Slum, deteriorated, or deteriorating structures;	The current building's are becoming functionally obsolescent due to their age and type of structure
b) Predominance of defective or inadequate street layout;	N/A
c) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;	The current lots will allow for additional square footage which will enhance the vibrancy of downtown
d) Unsanitary or unsafe conditions;	N/A
e) Deterioration of site or other improvements;	Building Obsolescence
f) Unusual topography or inadequate public improvements or utilities;	N/A
g) Defective or unusual conditions of title rendering the title nonmarketable;	N/A
h) The existence of conditions that endanger life or property by fire or other causes;	N/A
i) Buildings that are unsafe or unhealthy for persons to live or work	N/A
j) Environmental contamination of buildings or property;	N/A
k.5) The existence of health, safety, or welfare factors requiring high levels of services	N/A

LRC Application attachments

Question #1: Project Description

Project Overview:

The redevelopment of 712-722 Main Street is intended to provide additional office and retail space downtown. The existing one-story buildings, originally constructed in 1968/1960, totaling 7,558 sf, will be replaced by a new 22,020 sf building with a main floor parking garage that will provide 18 total spaces for the project. The intent of the design regarding parking is to provide the majority of required parking on-site, with the ability to convert the parking to commercial space if it is more desirable from the City's point of view, or the owners' perspective in the future. This could be due to future increases in the City's public parking capacity, changing demographics and attitudes towards private vehicles as primary transportation, or other factors. The building is also designed with a 5,560 sf basement which is not currently served by the on-site parking, and currently designated for storage and utility use.

If the basement is converted to be used as commercial space in the future, or if the space currently shown as parking on the main level is converted to commercial space, then the fee in lieu of on-site parking would be provided for the lost spaces, as well as the demand generated by the habitable space.

Architectural Design Concept:

Downtown buildings require particular attention to design and massing to relate to the existing architectural fabric of Downtown and to contribute to the history and vibrancy of Downtown. Louisville's Main Street is characterized by a diverse, eclectic mix of building styles and periods of Louisville's history, including our current time.

The building presents a one and two story facade at the street. Of particular importance to this project is the proximity to the historic building to the south, currently housing the Huckleberry Restaurant, formerly Louisville's bank at the turn of the last century. To respect this one-story historic structure, the southern half of the Main Street facade is designed at one-story, actually lower than the historic parapet. The second level steps up from the one story portion 26 feet back from the Main Street façade to accommodate this transition to the one story historic building.

The building facade at Main Street is envisioned as a composition of three parts: a pair of 2-story storefront facades, patterned after typical western false front buildings in scale and pattern; and a low, one-story retail storefront replacing the mid-century modern building in that location, with similar form and simple detail. The three storefronts divide the 95 feet of facade into modules that were historically used and that are prevalent today in Downtown. The rhythm of the buildings on the east side of the 700 block cycles from one story to two story, with alternating horizontal and vertical emphasis, with paired buildings such as the Singing

Cook/Book Cellar, and the Huckleberry buildings. These varying elements form the context for the new building at 712/722 Main. As the buildings being replaced are mid-century, it is appropriate to take cues from the simple, straight-lined architecture of that era.

The materials for the Main Street façade are wood, metal, and storefront glazing. A natural IPE hardwood siding, or similar wood is proposed for the major elements at pedestrian level, with a combination of black anodized and wood storefront detailing. Natural finish metals such as patina copper and dark mill finish steel provide accents. The northern portion of the second level features a synthetic wood siding due to the fire ratings at the property line. Storefront windows are generous to promote commerce and provide interest at the pedestrian level.

The southern half of the facade retains a significant setback from the property line, similar to the existing condition. This allows for outdoor seating, sheltered by an overhang, extending the season beyond that of the temporary patios. This relief from the street begins with a smaller area of setback at the northern part of the facade, then a minimum of 36" additional sidewalk width is maintained to a maximum of 7.5 feet at the southern end.

The small third story elevator/stair lobby is set back 40 feet from the front of the property to minimize its impact when viewed from Main Street. This is the design standard specified in the Downtown Design Handbook and Framework Plan. The Framework Plan states "In general, no more than 50 percent of the building footprint should be a third story". The lobby and service area on the third level represent approximately 10% of the building footprint.

The building design provides a break between the second level and the small third level lobby, which is set in on all sides, and accentuated with a change in material/color to make the third level subordinate to the rest of the building. The projecting stair tower and balconies help to create interest, along with the varied materials along the alley façade. The second level steps back from the north and south property lines to create an additional break in the massing between the first and second levels, which is a location for a vegetated 'green roof' planter to soften the architecture at the alley. We have proposed that a mural be provided along the north wall, visible from the alley, which will add further interest to the alley façade and streetscape, and help to promote this alley as 'Via Artista' as it has been named.

The color palette has been carefully studied and selections made to enhance the overall design. The wood tones with metal accents along the storefront and second level at Main Street present a natural, warm materiality to enhance the pedestrian experience, and to create a sense of scale at the street level. The colors of the second and third levels progressively lighten towards the upper levels to diminish the scale and impact of the upper stories against the sky.

Waiver Request:

Where a 20' rear setback at the alley is required, and provided for the majority of the building mass, we are requesting to project a stair tower and balconies into the setback to break down the scale and mass of the building, instead of providing a monolithic rear wall at the alley facade.

Construction Process Downtown:

Construction for the project shall require careful coordination with the City and with adjacent businesses and property owners. The contractor selected to do the work shall be required to have experience with zero-lot-line construction in tight urban areas. Hartronft Associates has extensive experience with this type of construction in Boulder, Denver, Louisville and elsewhere. The owners and architect have met with adjacent building owners and discussed the potential impacts, and required coordination with these owners before, and during construction. The Applicants are committed to minimizing the impacts of this construction on their neighbors and Downtown.

Demolition of the existing buildings and foundations will be one of the most disruptive events due to the equipment used, noise generated, and proximity to existing construction. Existing adjacent buildings will be inspected before and after such disruptive operations. Dust mitigation will be required. Staging can be primarily on-site for building demolition process. Foundation excavation and caisson drilling operations will also generate some noise and dust, but less than caused by demolition. Similar measures will be in place. The foundation excavation shall require shoring which is typical for this type of construction. A typical method would involve drilled reinforced concrete piers carrying vertical steel supports that retain the adjacent soil with shoring which is typically incorporated into the foundation system. Care will be taken to avoid impacts to any adjacent foundations.

The alley will be the primary access point for construction traffic, and during times when such activity is heavy, the contractor will employ traffic control personnel with a plan acceptable to the City and reviewed with nearby affected properties. The Main Street sidewalk access will be maintained with pedestrian protection measures as appropriate. Any street, alley, or sidewalk closures for utility work, crane or other equipment staging, paving and sidewalk replacement, etc. shall be coordinated with the City and shall require approval by the City of Louisville. It is anticipated that the owners will obtain nearby off-site staging area for material storage, equipment staging, worker parking, etc. Workers will be instructed to refrain from utilizing downtown public parking.

Question #2: Applicants Experience with similar projects.

- Boulder Creek Neighborhoods (BCN) does is not a commercial builder, but has significant experience in constructing residential, townhomes and commercial properties.
- In addition the CFO for BCN, Rick Woodruff, has over 30 years of commercial development experience along the Northern Front Range of Colorado. This includes 3 years of experience as the Director of Real Estate for King Soopers and 26 years with WW Reynolds Companies which is located in Boulder Colorado.

Question #3: Detailed description of the request for assistance from the URA

- Applicant is requesting the URA/LRC approve a TIF for the property that allows for the developer to capture 90% of the property tax increase over the current taxes being paid. Without this assistance the project is not financially feasible since the rental rates that can be achieved in the Louisville Market today do not support the cost to build the project.

Question #4: Description of the community benefits resulting from the project. Blight assessment is added as an additional attachment

- By replacing the two current old and outdated properties the following benefits should be achieved by the community
 - Viable retail and service-retail space that the current buildings do not provide
 - New architecture that would create a focal point for mid-block downtown Louisville
 - Additional office space to help the surrounding merchants and restaurants during daytime hours

Question #5: How does the project improve the project property and neighboring properties.

- By providing substantially more space than the current property this should help the surrounding merchants viability
- The current buildings on the property are do not allow the property to be used for its highest and best use

Question #6: Financial Analysis

- 10 Year Cash Flow Attached
- Sources and Uses Attached
- Development Costs Attached

Question #7: Timeframe for implementation of the project

- Assuming the project is approved, building plans are approved and the requisite financing has been achieved by June 30, 2019 the following are the time frames anticipated
 - June/July 2019 startup and building demolition
 - August 2019 to July 2020 building construction
 - August 2020 building opening

Question #8: Project risks

- Interest Rate risks during the construction
- Being able to lease the building at the proposed rents
- Cyclical nature of the commercial real estate market
- Finding a permanent loan when the project is complete if the market is in a downturn
- Increasing costs of labor and materials
- Black Swans

Redevelopment of 712/22 Recap

Development Costs

Core and Shell	\$	165	/sf
TI			
1st and 2nd	\$	60	/sf
Basement	\$	15	/sf
712 Loan Balance	\$	980,500	
722 Loan Balance	\$	407,250	
Total Cost for 2 Story	\$	7,083,690	
Total Cost for 3 Story	\$	<u>9,998,037</u>	
Diff	\$	(2,914,347)	

Pro-Forma

Rents

Retail	4,736	\$	29.00	SF same as with 3 story
Basement	5,115	\$	5.00	SF same as with 3 story
2nd Floor	10,686	\$	27.50	SF same as with 3 story
Total	20,537	\$	22.24	

Loan \$5,695,000
Equity \$ 1,703,015

Cash Flow \$ 2,610
ROE 0.15%

Cash Flow w/TIF and no Vac \$ 124,054
ROE 7.3%

TIF Calculation

Current Taxes Paid	\$	42,665
Taxes with New Bldg	\$	165,052
TIF at 90%	\$	110,149

IRR Calculation 9.28%

2 Story Proforma with Traditional Financing
Basement included

Assumptions

Vacancy		5%	
NNN Cost	\$	11.00 /sf	Class A office
Utilities	\$	- /sf	Tenant responsible for its own utilities
Reserves	\$	1.00 /sf	
Development Costs	\$	7,398,015	

Current Rent for 712 & 722 \$ 149,604

PGI	SF	Pure Net	Annual Rent
Retail	4,736	\$ 29.00	\$ 137,344
Basement	5,115	\$ 5.00	\$ 25,575
2nd Floor	10,686	\$ 27.50	\$ 293,872
3rd Floor	-	\$ -	\$ -
	20,537	\$ 22.24	\$ 456,791

Ground Floor SF			
Rentable	4372	100%	4372
Common	1455	25%	364
			4,736

Less Vacancy 5% \$ (22,840)

Common added to 2nd and 3rd			1,091
2nd Floor	9595	1,091	10,686
3rd Floor	0	-	-
	9,595	1091	10,686

Effective Gross Income \$ 433,951

Expenses

NNN's	\$	(11,295)	NNN's on Vacancy
Utilities	\$	-	
Reserves		(20,537)	
Total	\$	(31,833)	

Net Operating Income \$ 402,119

Value	Capped @	6.0%	\$ 6,701,977
		6.5%	\$ 6,186,440
		7.0%	\$ 5,744,551

Proj Rents		
30%	\$	2,010,593
50%	\$	3,093,220
20%	\$	1,148,910
	\$	6,252,723
		304.46 /sf

Financing

LTV	75.0%	\$ 4,689,542
LTC	80.0%	\$ 5,918,412
Loan Amount		\$ 5,695,000

LTV to create a 1.2 DSCR		
\$	7,398,015	Development Cost
\$	1,703,015	Equity Need

Interest Rate	5.00%
Term	10
Amortization Period	25
Annual Payments	\$ (399,509)

DSCR 1.01

Equity Needed \$ 1,703,015

Return		
NOI	\$	402,119
Less:		
Debt Cost	\$	(399,509)
TIF Credit	\$	-

TIF Credit				
Current Taxes	Actual	Assessed	Mill	Amount
	712 \$	1,103,550	\$ 320,030	87.561 \$ 28,022
	722 \$	576,640	\$ 167,226	87.561 \$ 14,642
Total	\$	1,680,190	\$ 487,256	\$ 42,665

Cash Flow before CapX and Taxes \$ 2,610

Taxes on New Building				
The Terraces	\$	6,500,000	\$ 1,885,000	87.561 \$ 165,052
% TIF Rebated				90% \$ 110,149

Return on Equity 0.15%

Without Vacancy \$ 13,905 0.82%

Without Vacancy and with TIF \$ 124,054 7.28%

Development Costs

Using \$165/sf Co SF or Unit

2 Story

Cost of 724 Land	3588	\$ - /sf	\$ -
712 and 722 Demo	7,637	\$ 15.00 /sf	\$ 114,555
Parking	11	\$ 12,000 /space	\$ 132,000
Core and Shell Constr	20,538	\$ 165.00 /sf	\$ 3,388,770
Tenant Finish			
Lower Level	5,115	\$ 15.00	\$ 76,725
New	15,422	\$ 60.00	\$ 925,335
A&E	20,538	\$ 10.00 sf	\$ 205,380
Leg/Ent/Etc.	20,538	\$ 2.50 /sf	\$ 51,345
Commissions	15,422	\$ 6.00 /sf	\$ 92,534
Loan Fees and CPI			\$ 203,916
Contingency	20,538	\$ 10.00 /sf	\$ 205,380
Development Fee			\$ 300,000
			\$ 5,695,940
712 Loan Balance			\$ 980,500
722 Loan Balance			\$ 407,250
			<u>\$ 1,387,750</u>
	Other		\$ -
			<u>\$ 1,387,750</u>
Total Capital Need			\$ 7,083,690

Terraces on Main Commerical expansion
TIF Estimate

2017 estimated value	1,680,190	
new value	6,604,250	as of Jan 1, 2021
County Payment %	7.15%	Assumed \$250 psf taxable value
Staff Payment %	3%	
Mill Levy	87.56	
Organic Value Appreciation	3%	
Comm Assessment Rate	29%	
% Available for Rebate	90%	

Valuation Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Tax Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Base Valuation	1,680,190	1,730,596	1,782,514	1,835,989	1,891,069	1,947,801	2,006,235	2,066,422	2,128,414	2,192,267	2,258,035	2,325,776	2,395,549	2,467,416	
New Construction Valuation	1,680,190	1,730,596	1,782,514	1,835,989	6,604,250	6,802,378	7,006,449	7,216,642	7,433,142	7,656,136	7,885,820	8,122,394	8,366,066	8,617,048	
Estimated TIF Revenue	-	-	-	-	119,678.99	123,269.36	126,967.44	130,776.46	134,699.75	138,740.75	142,902.97	147,190.06	151,605.76	156,153.93	
LESS:															
County Payment	-	-	-	-	8,557.05	8,813.76	9,078.17	9,350.52	9,631.03	9,919.96	10,217.56	10,524.09	10,839.81	11,165.01	
Staff Payment	-	-	-	-	3,590.37	3,698.08	3,809.02	3,923.29	4,040.99	4,162.22	4,287.09	4,415.70	4,548.17	4,684.62	
Subtotal	-	-	-	-	107,531.57	110,757.52	114,080.24	117,502.65	121,027.73	124,658.56	128,398.32	132,250.27	136,217.77	140,304.31	
Total Available with Rebate %	-	-	-	-	96,778.41	99,681.76	102,672.22	105,752.38	108,924.96	112,192.70	115,558.49	119,025.24	122,596.00	126,273.88	TOTAL 1,109,456.04

SUBJECT: FUTURE COORDINATION WITH CITY COUNCIL

DATE: FEBRUARY 11, 2019

PRESENTED BY: AARON M. DEJONG

SUMMARY:

At the January 2019 LRC Meeting, members requested an item on the February agenda to discuss the results of the January 22, 2019 parking structure presentation and discussion with City Council.

SUBJECT: FUTURE COORDINATION WITH CITY COUNCIL

DATE: FEBRUARY 11, 2019

PRESENTED BY: AARON M. DEJONG

SUMMARY:

The City Council for their 2019 Workplan would like to have discussions with the LRC to better align efforts within the Highway 42 Urban Renewal Area and 550 S. McCaslin UR Area. Staff would like the LRC to begin identifying discussion topics to have with the City Council. Currently, the City Council discussion is slated for May 2019.