City of Louisville
COLORADO • SINCE 1878

CITY COUNCIL COMMUNICATION
AGENDA ITEM 7A

SUBJECT: **RESOLUTION NO. 4. SERIES 2024 – A RESOLUTION APPROVING A PROPERTY TAX INCREMENT REBATE AGREEMENT WITH SCHLAGETER PROPERTIES, LLC PURSUANT TO THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE LOUISVILLE REVITALIZATION COMMISSION AND THE CITY OF LOUISVILLE**

DATE: **JANUARY 16, 2024**

PRESENTED BY: **AUSTIN BROWN, ECONOMIC VITALITY SPECIALIST**

SUMMARY:
Schlageter Properties, LLC submitted an application for direct financial assistance for their renovation project at 916 Main Street in downtown Louisville. The applicant is requesting a 90% rebate of the expected increase in property taxes generated by the redevelopment over a ten-year period.

The applicant purchased the property at 916 Main Street with the intention of renovating the property and opening a new retail and service business, Radiance MedSpa. Radiance MedSpa will offer a variety of state-of-the art nonsurgical medspa treatments along with an assortment of retail products for sale.

The project entails a combination of preservation, renovation, and upgrading of the 72-year old existing structure as further described in the applicant's project narrative. The primary undertakings include:

- Maintaining the existing storefront in its original configuration with modifications proposed to enlarge the windows and entry door to better support the retail use;
- A full interior renovation to meet code and current standards for Class-A commercial buildings including new building systems;
- Exterior improvements to the alley-facing elevation; and
- Provide for ADA compliance and numerous other upgrades and enhancements.

The Louisville Revitalization Commission (LRC) previously reviewed this request during its May 10, 2023 meeting. The LRC indicated that they supported this request at a high level and directed staff to advance the application to a third-party financial review. Economic & Planning Systems (EPS) completed its review on December 8, 2023.

The LRC approved the attached Property Tax Increment Rebate Agreement with Schlageter Properties, LLC (*Attachment #1)* at its December 20, 2023 meeting. The agreement must also be approved by City Council in accordance with the Amended and Restated Cooperation Agreement between the LRC and the City of Louisville.

BACKGROUND

The LRC can partner with developers/businesses to provide financial assistance for a project in two ways:

1) Public Infrastructure Improvements: Assists with the cost for public infrastructure improvements needed to facilitate the revitalization of property. Such infrastructure can be public or privately owned, but must be needed to remediate or prevent blight; OR

2) Direct Financial Assistance (Property Tax Rebate): Provides assistance to achieve financial feasibility for the project.

While the LRC has considered several projects for TIF financial assistance over the years, only one prior project has been considered for *direct financial assistance* for private development, the Terraces at 712-722 Main Street by Boulder Creek Neighborhoods in 2019; all other projects were considered for public infrastructure improvement assistance. Therefore, staff feels it is appropriate to provide an overview of the review process required for direct financial assistance applications, as well as the program assistance parameters.

<u>Review Process Overview</u>

Per the City's policy for direct financial assistance there is multi-step review procedure process to be conducted by the LRC as follows:

Step 1: The LRC is to review the proposed project at a high level. If the majority of the LRC is supportive of the project at this level, the project will be advanced to a third-party financial review.

- The cost of the third-party review will be shared between the applicant and the LRC with each party paying 50% of the cost. If the project is ultimately constructed, the LRC will rebate the applicant its 50% share upon issuance of the Certificate of Occupancy.

Step 2: At a future meeting, the analysis from the third-party financial review will be considered by the LRC, and a determination will be made as to whether they support or oppose providing Direct Assistance for the project, subject to the applicant's entrance into a Property Tax Increment Rebate Agreement. Should the LRC support the project, the LRC will give guidance about the parameters of terms for such Agreement.

Step 3: Staff will prepare the Property Tax Increment Rebate Agreement per the terms identified by the LRC. The Agreement will then be presented to the City Council for review and consideration.

Step 4: After consideration by the City Council, the Agreement will be brought to a meeting of the LRC for final approval.

Today's discussion with City Council constitutes Step 3 of the process.

Direct Financial Assistance Parameters

To be awarded financial support, projects must demonstrate that they would provide exceptional and unique public benefits and would not be reasonably expected to be feasible without City financial or other economic support. If the project demonstrates this, the LRC and City may consider awarding a 50% property tax increment rebate for a period of up to five (5) years from the direct collection of the *incremental* property taxes attributable to the project. However, for projects that provide extraordinary community benefits or will generate substantial sales and other taxes for the City an award of up to a 90% property tax increment rebate for a period of up to ten (10) years may be considered.

REQUEST:

The applicant is proposing a full renovation of the existing building which was constructed in 1950. This includes demolition of all existing interior improvements, new interior build-out for Radiance MedSpa including all walls, ceilings, finishes, new HVAC, plumbing and electrical, preserve the front façade and improve with larger storefront windows and entry door to support the retail use, and other exterior improvements and sitework. The applicant anticipates that the project will be completed by February 2024.

In their application, the applicant states that the project is not financially feasible given the required projects costs compared to the amount of income generation that is possible using comparable lease rates in downtown Louisville. The assistance requested is a 90% rebate of the increased property taxes resulting from the new value of development above the existing value of the property over a 10-year period.

DISCUSSION:

The following includes a brief overview of the Highway 42 Urban Renewal Plan (the ‘Plan’) purpose, project requirements to be considered for financial assistance, and staff’s review of the proposed project in terms of its alignment with the Plan objectives, the Property Tax Increment Financing Rebate Assistance Policy, and other applicable evaluation criteria. It also includes a high-level review of the project’s need for financial assistance.

Plan Purpose & Goals

The purpose of the Plan is to “reduce, eliminate and prevent the spread of blight within the Urban Renewal Area (URA) and to stimulate growth and reinvestment within the URA boundaries, on surrounding blocks, and throughout the Downtown.” Properties within the URA may be eligible for financial assistance where the rehabilitation, redevelopment or improvement of existing structures and infrastructure will promote new investment and reinvestment.

In 2019 the Louisville City Council and LRC adopted a “Property Tax Increment Financing Rebate Assistance Policy,” *(Attachment #2)* by which the LRC is authorized to make rebates of a percentage of property tax increment revenues generated by properties within the URA to the property owner in order to support projects that may provide exceptional and unique public benefits (“Direct Assistance”).

For a project to be considered for Direct Assistance under the Property Tax Increment Financing Rebate Assistance Policy, it must support the overall goals of the City and the Plan, including promoting 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, the Plan, Historic Preservation Plan, and other relevant policies; and leverage the community’s investment in public improvements projects in the Area.

In addition to eliminating and preventing blight, proposed projects must also address at least three or more of the objectives outlined in the Plan, including:

A. Improve relationship between the URA and surrounding areas
B. Provided uses supportive of and complimentary to planned improvements
C. Encourage a mix of uses and/or mixed-use projects
D. Promote a variety of products to address multiple income segments
E. Provide ease of vehicular and pedestrian circulation and improve connections
F. Encourage continued presence of businesses consistent with the plan vision
G. Mitigate impacts from future transportation improvements
H. Encourage public-private partnerships to implement the plan
I. Encourage shared parking among projects in the area
J. Landscape streetscapes to unify uses and plan components

Staff finds that the proposed project may be considered for assistance because it supports the overall goals of the plan, and it addresses at least three of the objectives outlined above, including:

C. Provides a mix of retail and services uses;
E. Provides ease of pedestrian circulation on the site and within the building by making improvements to comply with ADA accessibility; and
F. Encourages the continued presence of retail and service-based business in the URA.

<u>Criteria for Evaluation</u>

In addition to consideration of how the application furthers the Plan Goals, and how it addresses at least three or more of the Plan objectives, applications for direct assistance are evaluated on how they provide positive impacts to the community and how the project addresses the following criteria:

1. The elimination or prevention of blight in the URA.
2. The ability to stimulate growth and reinvestment in the URA.
3. The economic benefits to the community from the project.
4. The effect of the project on surrounding property.

5. The increase in property value created from the project.
6. For property within downtown Louisville, the project is consistent with the City's historic preservation goals and objectives.

The LRC will give special consideration to projects that will also provide potential sales and other forms of tax revenue increases to the City and/or other significant community benefits which might include but would not be limited to: providing outdoor and indoor public spaces, public art, affordable housing, transportation infrastructure improvements, parking beyond the needs of the project and historic building restoration or improvements.

STAFF ANALYSIS

The following is staff's analysis of the project in terms of how it does or does not meet the following:

- Supports the overall goals of the Plan;
- Addresses the Criteria for Evaluation required for Direct Assistance; and
- Demonstration of need for public assistance.

Advancement of the URA

The Highway 42 Urban Renewal Plan's purpose states the desire to eliminate blight and to stimulate growth and reinvestment. This project is an investment of over $2.5 million (including acquisition) in downtown.

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 appears to meet the development and design objectives for several reasons:

- It will address the three blighting factors, as described above.
- It will enhance the downtown area with new retail and service space.
- The resulting property values will be significantly more than the current value of the property.
- The project will enhance pedestrian circulation through the site and within the building by making ADA improvements.
- Assisting the development is an example of public-private partnerships.
- The project results in preservation of the original façade with some enhancements.

Staff finds that this project meets the intent of the Highway 42 Urban Renewal Plan and advances its goals.

Criteria for Evaluation

Elimination or Prevention of Blight in the URA

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 URA. Therefore, all properties within the URA are determined to have blighting factors present.

As part of the blight determination, a Louisville Highway 42 Revitalization Area Conditions Survey was completed in 2006 which identified properties that contributed to the blight conditions 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. Conditions that Endanger Life or Other Property

i. Unsafe or Unhealthy Buildings
k.5. High Service Requirements or Site Underutilization

The Conditions Survey in 2006, which was used to determine whether blighting factors exist in the URA, identified 916 Main Street as contributing to two of the identified blight factors.

1. Condition F – Unusual topography or inadequate public improvements.
    - The downtown area is reliant upon overhead power and telecommunications infrastructure. It is considered an impediment to modern development and redevelopment in the current real estate market.
    - The applicant added that the site slopes from north to south and from west to east (front to rear of the lot).The existing building does not have a code-compliant handicap accessible entrance, and the rear entrance is approximately 4 feet lower than the main entrance. A new ADA accessible entrance and interior accommodations are necessary to mitigate the current conditions.

2. Condition H – Danger to life or property from fire or other causes.
    - Most commercial structures lack sprinkler systems.

The applicant has indicated in their estimation the property meets additional blighting factors which include the following:

- Condition A - Deteriorating Structures.
    - The building is approximately 75 years old and deferred maintenance is an issue. Repairs of existing exterior walls, doors and windows, roof, mechanical, electrical and plumbing systems will be accomplished as part of the building renovation.

In summary, Staff finds the Project will address three blight factors associated with the current development in the following ways:

- Unusual topography or inadequate public improvements. The renovation will include updating systems to meet current code requirements. In addition ADA-accessibility will be addressed at the building entrances and within the interior of the building.
- Danger to life or property from fire or other causes. The renovation will be brought up to meet all building and fire code requirements.
- Deteriorating Structures. Repairs/replacement of the existing exterior walls, doors, windows, roof, and outdated mechanical, electrical and plumbing systems will be accomplished.

Ability to Stimulate Growth and Reinvestment in the URA, Economic Benefits to the Community, Effect of the Project on Surrounding Property, and Increase in Property Value Created from the Project

Specifically related to the use of property tax increment financing, a proposed project must clearly demonstrate that the project will provide the clear and present potential to generate substantial increases to the property tax values directly attributable to the project which could support the sharing of the incremental property tax increments between the property owners and the LRC.

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

	Total Value
Existing Property (2022 value)	$1,021,600
Future Property value	$1,400,000 ($442 per sf)

This is a significant increase in downtown commercial property values and is worthy of due consideration for further evaluation from the LRC.

Attached is a 10-year TIF valuation analysis for 916 Main Street *(Attachment #4)*. The applicant's TIF 90% rebate request for a 10-year period would equal $75,313 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.

TIF revenues are collected and distributed on a one-year lag, so the Applicant is expected to receive funds through 2032. The total annual TIF generated from this project at full buildout would be $17,293 in 2032. This is an increase in downtown commercial property values and is worthy of due consideration for assistance from the LRC.

Consistency with the City's Historic Preservation Goals and Objectives
The proposed project retains the majority of the current storefront façade in-tact, which is consistent with the historic preservation goals and objectives. Minor enhancements are proposed to better support the proposed retail component of the new business, including widened windows and entry door. These modifications are subject to review by the HPC.

Demonstration of 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 project pro-forma to review its need for assistance. Staff also had EPS review the financial analysis.

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 $47.27 per square foot (psf). Vacancy rate of 5%. Rental rates increase 2% annually.
- Total cost of $2,662,182 including acquisition cost, hard costs, and soft costs.
- Façade Improvement Program funding of $154,267.
- Exit in year 10 by way of a property sale for $1,932,339.

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.

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.

Because this is an owner-occupied project, we are assuming that an annual rate of return of 11% is required for the project to move forward. Based on the third-party analysis, the rate of return is 1.52% without any public investment and 2.50% with both Façade Improvement Program funding and TIF financing.

The expected rate of return of 2.50% with TIF financing 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 1.52% 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. Staff acknowledges that the applicant has already moved forward with the project without any guarantee of public assistance. The applicant would likely benefit from public assistance to help reduce its development and operating costs. The applicant's need for financial investment is justified as they are not realizing the desired returns for the project.

In its analysis, EPS recommends implementing a $200,000 cap to limit the maximum amount of TIF rebates received. The cap will also allow the applicant to continue to receive any future TIF revenues from increases in property value due to higher future property values above the current estimates. The recommended cap of $200,000 is lower than the estimated project gap. This means that if $200,000 in TIF revenues were to be realized by this project, the applicant would still not receive an unreasonable rate of return.

Redevelopment Agreement:

Staff and the City Attorney prepared the attached TIF Rebate Agreement for LRC review. Below is a summary of the main terms of the agreement:

1. Developer will construct and receive a Certificate of Completion 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 $200,000. Annual payments will continue until the payment cap is met or the TIF revenue collection period for the Highway 42 Urban Renewal Area expires. Although the collection period expires in 2031, the proposed agreement provides the LRC with an option to authorize pledged revenue payments following the expiration of the TIF provision.
4. The agreement terminates on December 31, 2024 if the project has not yet been completed.
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

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 no 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.

PROGRAM/SUB-PROGRAM IMPACT:
This application for direct financial assistance from the LRC supports the Business Retention & Development sub-program objective to assist property owners in finding locations and/or constructing new buildings in the City and the Economic Prosperity Program Goal to promote a thriving business climate that provides job opportunities, facilitates investment, and produces reliable revenue to support City services.

RECOMMENDATION:
Staff finds that the application for direct financial assistance at 916 Main satisfies the following:

- Meets the three primary goals of the Plan;
- Addresses the Criteria for Evaluation required for Direct Assistance; and
- Demonstrates a need for public assistance.

Therefore, staff recommends that City Council review the proposed Property Tax Increment Rebate Agreement between the LRC and Schlageter Properties, LLC. Council consideration is requested in accordance with the Amended and Restated Cooperation Agreement. Should Council support direct financial assistance for the project, it can approve the attached resolution *(Attachment #2)* approving the Property Tax Increment Rebate Agreement with Schlageter Properties, LLC.

ATTACHMENT(S):

1. Resolution No. 4, Series 2024
2. Property Tax Increment Rebate Agreement with Schlageter Properties, LLC
3. Property Tax Increment Financing Rebate Assistance Policy
4. Economic & Planning Systems Financial Analysis
5. Economic & Planning Systems Presentation
6. Schlageter Properties, LLC Application for Assistance

STRATEGIC PLAN IMPACT:

☐	**Financial Stewardship & Asset Management**	☐	**Reliable Core Services**
☒	**Vibrant Economic Climate**	☐	**Quality Programs & Amenities**
☐	**Engaged Community**	☐	**Healthy Workforce**
☐	**Supportive Technology**	☐	**Collaborative Regional Partner**

RESOLUTION NO. 4
SERIES 2024

A RESOLUTION APPROVING A PROPERTY TAX INCREMENT REBATE AGREEMENT WITH SCHLAGETER PROPERTIES, LLC PURSUANT TO THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE LOUISVILLE REVITALIZATION COMMISSION AND THE CITY OF LOUISVILLE

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

WHEREAS, Schlageter Properties, LLC (the "Developer"), the property owner and developer of the property at 916 Main Street has requested direct financial assistance from the LRC to remediate and prevent the spread of blight within the area of the Highway 42 Revitalization Area Urban Renewal Plan (the "Plan Area"); and

WHEREAS, remediating and preventing the spread of blight within the Plan Area will encourage property owners within the area to redevelop their properties in furtherance of the goals and purposes of the Highway 42 Revitalization Area Urban Renewal Plan; and

WHEREAS, a Property Tax Increment Rebate Agreement (the "Agreement") has been proposed between the LRC and the Developer to provide the requested financial assistance in the form of a partial rebate of property tax increment ("TIF") revenues received by the LRC and generated only by the Developer's project, as set forth in the Agreement; and

WHEREAS, in accordance with Section 5.6 of the Highway 42 Revitalization Area Urban Renewal Plan and Section 5.d of the Amended and Restated Cooperation Agreement between the LRC and the City of Louisville, prior to issuing bonds or any other capital financial obligations or financial obligations extending beyond the end of the current fiscal year of the LRC, the LRC shall notify the City Council in writing of its intention to do so, and shall promptly furnish to the City Council such information and documents relating to such bonds or other capital or long-term financial obligations as the City Council may request. The LRC shall not commit to or proceed with any such bonds or other capital or long-term financial obligations unless a majority of the City Council has adopted a resolution determining that the City's interests in connection with such bonds or other obligations are adequately protected.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOUISVILLE, COLORADO THAT:

Section 1. The City Council hereby approves the LRC proceeding with the Property Tax Increment Rebate Agreement with Schlageter Properties, LLC.

<u>Section 2</u>. The financial assistance contemplated within the Property Tax Increment Rebate Agreement is not to be an obligation of the City of Louisville, and the City Council determines the City's interests in connection with the Property Tax Increment Rebate Agreement with Schlageter Properties, LLC are adequately protected.

PASSED AND ADOPTED this 16th day of January, 2024.

____
Christopher M. Leh, Mayor

ATTEST:

____
Meredyth Muth, City Clerk

PROPERTY TAX INCREMENT REBATE AGREEMENT

This Property Tax Increment Rebate Agreement (this “Rebate Agreement”) is made as of ____________________, 2024, by and between the LOUISVILLE REVITALIZATION COMMISSION (the “LRC”) and SCHLAGETER PROPERTIES, LLC (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 9, less the North 15 feet, Block 1, Town of Louisville located in the SE ¼ Section 8, T1S, R69W of the 6th P.M. City of Louisville (the “Property”).

C. The Developer proposes to renovate and redevelop the Property as a redesigned 3,024 sf retail space (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 __________, 2023 (the “2023 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 2023 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 2023 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 completion for the Project and ending on the Expiration Date (defined below) ("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 Completion for the new building) above the January 1, 2023 assessed valuation of the Property ($285,026), and except for such amounts as the LRC may reasonably require for payment of obligations under the 2023 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"). As used in the above definition of Pledged Revenue Term, "Expiration Date" means the date on which the total of all Pledged Revenue Payments made to the Developer reaches $200,000.00; *except that,* "Expiration Date" shall mean the first to occur of (i) payment to Developer of $200,000.00 of Pledged Revenue Payments, or (ii) the expiration of the Property Tax TIF provision of the Plan *if* the LRC determines, in its discretion, that following the date on which the Property Tax TIF provision of the Plan expires, the LRC is prohibited by the Act, as then-currently amended, or any other law from making further Pledged Revenue Payments to Developer under this Rebate Agreement, or is required under the Act, including § 31-25-107(9), C.R.S., as then currently amended, or any other law to rebate sums contemplated under this Rebate Agreement to each taxing body (as such term is used in the Act). 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 $200,000 or whatever lesser amount is generated from the Property during the Pledged Revenue Term prior to the Expiration Date.

(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:
Schlageter Properties LLC
Attn: Stephanie Schlageter
7534 Brockway Drive
Boulder, CO 80303
Phone: (727) 466-8999
stephanie@radiancemedspa.com

If to LRC:
Louisville Revitalization Commission
Attn: Economic Development
749 Main Street
Louisville, CO 80027
303.335.4529
abrown@louisvilleco.gov

4. Termination. This Rebate Agreement shall terminate and become void and of no force or effect upon the LRC if, by December 31, 2024, 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 the Expiration Date, 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 2023 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 or either of the Party's rights or obligations hereunder. 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__.

SCHLAGETER PROPERTIES, LLC	**LOUISVILLE REVITALIZATION COMMISSION**
A Colorado Limited Liability Company	
By: _______________________	_________________________
Stephanie Schlageter, Owner	Alexis Adler, Chair
ATTEST:	ATTEST:
_________________________	_________________________
	Corrie Williams, Secretary
_________________________	
Print Name	

EXHIBIT A

Description of Project Improvements

- Redesigned Main Street storefront façade design that is cohesive with the Downtown Design Guidelines and adjacent storefront vocabulary, and upgrade of east alley elevation using the same materials as the Main Street elevation.
- Creation of a wheelchair accessible entrance that is ADA compliant and code compliant to augment the main entry.
- Screening of mechanical equipment, trash enclosure, and added bike parking.
- Renovation of the entire one-story building to meet code and current standards for Class-A commercial buildings, including exterior wall repair, structural floor repair, structural roof repairs and accommodation for new rooftop equipment. New building systems will be provided including Mechanical (HVAC and plumbing), Electrical, and building thermal envelope (insulation).

Estimated Project Costs
$1,500,000 Property Purchase
$769,836 Building Core and Shell Renovation
$304,500 Tenant Finish Allowance
$87,846 Soft Costs (professional fees, permit)

Total Project Improvements Cost: $2,662,182

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 2023 Cooperation Agreement (Taxable Value of Property / Total Value of Urban Renewal Area * 2023 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.

Adopted 6/11/2019 & Amended 8/18/2020 by Louisville City Council &
Adopted 7/15/19 & Amended 9/9/202 by Louisville Revitalization Commission

LOUISVILLE REVITALIZATION COMMISSION Property Tax Increment Financing Rebate Assistance Policy

Implementation Date: 7/15/19

Introduction:
The Louisville Revitalization Commission ("LRC") is the Urban Renewal Authority for the City of Louisville, Colorado ("City"). The LRC's mission includes implementing the Highway 42 Revitalization Area Urban Renewal Plan (the "Plan") which was adopted by the City of Louisville in December 2006.

The purpose of the Plan is to reduce, eliminate and prevent the spread of blight within the Urban Renewal Area ("URA") and to stimulate growth and reinvestment within the Area boundaries, on surrounding blocks and throughout the Louisville downtown business district.

Policy on Use of Property Tax Increment Rebates:
It is the principal goal of the urban renewal effort to afford maximum opportunity, consistent with the sound needs of the City as a whole, to redevelop and rehabilitate the Area by private enterprise. 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 preventing deterioration of properties in the Area. It is the City's general intent to use urban renewal funds to support public infrastructure improvements that are needed to facilitate private investment and reinvestment in the plan area.

In unique situations, and on a case-by-case basis, in the sole and absolute discretion of the LRC and the City, certain forms of financial and other economic assistance may be awarded to a private property owner to undertake projects to redevelop or rehabilitate properties contained in the Area. Projects that are awarded support must demonstrate that they would provide exceptional and unique public benefits to qualify and would not be reasonably expected to be feasible without City financial or other economic support.

Property Tax Increment Rebates for Private Development:
It is the policy of the LRC and the City that consideration may be given to requests for financial assistance by the use of property tax increment rebates to private property owners within the LRC authority to collect incremental property taxes from taxable new construction in the Area and to provide assistance to projects meeting the goals and objectives in the Highway 42 Urban Renewal Plan and which are also deemed to be in the best interests of the City.

To be considered for assistance, proposed projects must support the overall goals of the City and the Plan which specifically include promoting an environment which allows for a range of uses and product types which can respond to market conditions over time along with furthering the goals and objectives of the Louisville Comprehensive Plan; Highway 42 Framework Plan, Historic Preservation Plan and other relevant policies, while leveraging the community's investment in public improvement projects in the Area.

In addition to eliminating and preventing blight, proposed projects must address at least three or more of the objectives outlined in the Plan. Those objectives include:

A. Improve relationship between the URA and surrounding areas
B. Provide uses supportive of and complementary to planned improvements
C. Encourage a mix of uses and/or mixed-use projects
D. Promote a variety of products to address multiple income segments
E. Provide ease of vehicular and pedestrian circulation and improve connections
F. Encourage continued presence of businesses consistent with the plan vision
G. Mitigate impacts from future transportation improvements
H. Encourage public-private partnerships to implement the plan
I. Encourage shared parking among projects in the area
J. Landscape streetscapes to unify uses and plan components.

As specifically related to the use of property tax increment financing, a proposed project must clearly demonstrate that the project will provide the clear and present potential to generate substantial increases to the property tax values directly attributable to the project which could support the sharing of the incremental property tax increments between the property owners and the LRC.

<u>Criteria for Evaluation</u>

After a property owner submits an application for property tax increment rebate assistance, the project will be evaluated based on how the project provides positive impacts to the community and how the project addresses the following criteria:

1. The elimination or prevention of blight in the URA
2. The ability to stimulate growth and reinvestment in the URA
3. The economic benefits to the community from the project
4. The effect of the project on surrounding property
5. The increase in property value created from the project
6. For property within downtown Louisville, the project is consistent with the City's historic preservation goals and objectives.

In addition to the criteria listed above, the LRC will give special consideration to projects that will also provide potential sales and other forms of tax revenue increases to the City and/or other significant community benefits, which might include but would not be limited to; providing outdoor and indoor public spaces, public art, affordable housing, transportation infrastructure improvements, parking beyond the needs of the project and historic building restoration or improvements.

Potential Property Tax Increment Rebate Consideration

The LRC and the City may consider awarding a 50% property tax increment rebate for a period up to five (5) years from the direct collection of the incremental property taxes attributable to the project. However, for projects that provide extraordinary community benefits or will generate substantial sales and other taxes for the City, the LRC and the City Council may consider awarding up to a 90% property tax increment rebate for a period of up to ten (10) years. No assistance will be granted to a project beyond the 2033 LRC budget year.

Project Transfer Criteria

Transfers of a property tax increment rebate agreement may be made under at least one of the following circumstances:

- The new entity is wholly or significantly owned by the previous owners of the project
- The project is being transferred to at least one of the business/tenant (or an entity owned and controlled by the business/tenant) occupying the building
- To a non-related entity only after the project receives a Certificate of Occupancy after construction is complete, and only with the written consent of the City and LRC.

A property tax increment rebate agreement will contain an expiration date, upon which the agreement will expire if the project is not timely completed.

Applicants for tax increment property tax rebates or other financial assistance must first obtain the City's required land-use approvals for the project prior to receiving approval by the LRC and by the City for the financial assistance.

Applicants must submit all pertinent project financial information related to the project and the developer organization, including estimated development costs and a financing and operating plan. All financial information shall be referred by the City to a qualified professional for third-party review. The cost of the third-party review will be shared between the LRC and applicant, with each party paying a 50% share. If the project is ultimately constructed, when the Certificate of Occupancy is issued, the LRC will rebate to the applicant its 50% payment.

All information submitted to the LRC or to the City is subject to public disclosure consistent with the requirements of the Colorado Open Records Act, the City of Louisville Charter, and related City, policies and ordinances.

The application for property tax increment rebate assistance may be found on the City's website at the following address:

Contact Information
For additional information on Louisville's Urban Renewal assistance options, please contact Economic Vitality at abrown@louisvilleco.gov.

MEMORANDUM

To: City of Louisville Revitalization Commission

From: Daniel Guimond, Colton Harguth, and Christian Carroll
Economic & Planning Systems

Subject: Louisville URA TIF Review; EPS #233093

Date: December 8, 2023

The Economics of Land Use

Economic & Planning Systems, Inc.
730 17th Street, Suite 630
Denver, CO 80202-3511
303 623 3557 tel
303 623 9049 fax

Denver
Los Angeles
Oakland
Sacramento

www.epsys.com

Introduction

The City of Louisville Revitalization Commission (LRC) retained Economic & Planning Systems (EPS) to provide an independent third-party review of a request for tax increment financing (TIF) revenues and a Façade Reimbursement Program rebate. This memorandum summarizes the analysis and conclusions of EPS concerning the 916 Main Street proposal submitted by Schlageter Properties LLC (Applicant) as presented in the following sections:

- **Development Program –** A summary of the proposed development project including project location, amount and type of development, proposed market values, and expected timing of construction and absorption.
- **Market Conditions –** A high-level analysis of market conditions in the City of Louisville and the Highway 42 Urban Renewal Area (URA), including data on total inventory, recent growth, and current rental and vacancy rates for retail/commercial developments. This research, along with a review of recently completed comparable projects in downtown Louisville, provides a basis for evaluating the reasonableness of the revenue assumptions in the Applicant's financial pro forma.
- **Development and Construction Values –** A summary of the project's estimated development and construction costs and operating costs and revenues. Project revenues include the estimated rental and escalation rates.

- **Financial Analysis –** A review and evaluation of the Applicant's 10-year cash flow pro forma model including development program and timing, construction costs, operating revenues and expenses, and estimated project returns. EPS then developed its own financial model to calculate project returns utilizing the yield on cost (YOC) and time series approaches. The analysis calculated returns with and without a public investment to verify a project funding gap, and that the requested funds were needed for a feasible development project and reasonable developer return.

Development Program

The subject property, located at 916 Main Street, is an older Class C office space built in 1950. The structure is approximately 3,024 square feet and is proposed to be renovated for Radiance Medspa, the owner and tenant of the building. The proposed lease rate is $32.50 per square foot, which would generate $98,963 in annual income, as shown in **Table 1**.

Table 1. Development Program

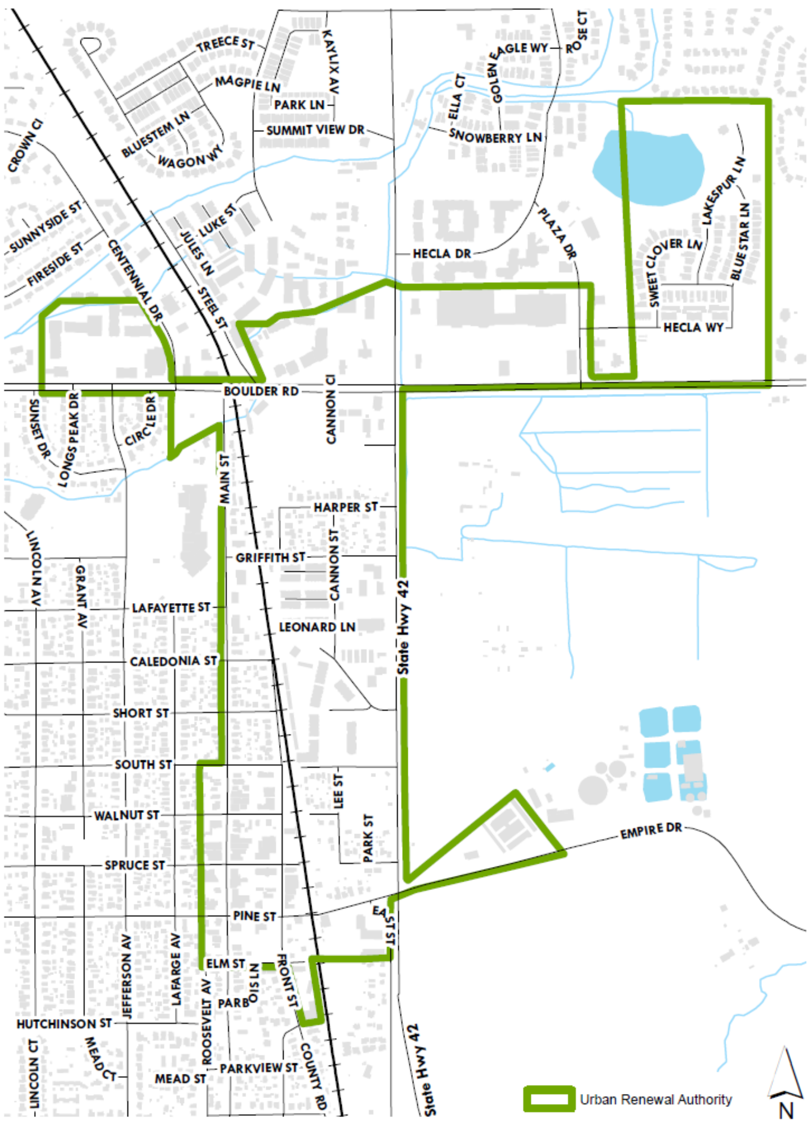
Description	Sq. Ft.	% of Total	Rent PSF	Total Rent
Building Area				
Rentable				
Net Rentable	3,045	100.0%	$32.50	$98,963
Subtotal/Average	**3,045**	**100.0%**	**$32.50**	**$98,963**
Other				
N/A	0	0.0%		
Subtotal/Average	**0**	**0.0%**		
Total/Average	**3,045**	**100.0%**	**$32.50**	**$98,963**

Source: Developer; Economic & Planning Systems

Market Conditions

EPS compiled data on new retail/commercial developments in the Highway 42 URA from CoStar. The boundaries for the URA include Roosevelt Avenue and Main Street to the west, State Highway 42 to the east, Hecla Way to the north, and Elm Street to the south, as shown in **Figure 1**.

Figure 1. Highway 42 Urban Renewal Area Map



Source: City of Louisville

Recent Development

This subarea added 122,091 square feet of rentable building area (RBA) space over the last decade as shown in **Table 2** below. There is an additional 13,500 square feet of RBA that is scheduled to begin construction in September 2023 at 511 E South Boulder Road. Most projects built over the last 13 years had an RBA of 5,000 to 13,000 square feet and are considered Class B space. The average rental rate for these developments is an estimated $24.31 per square foot.

Table 2. Highway 42 URA Recent Developments, 2010-2023

Address	Status	Year	Class	RBA (SF)	Avg. Rent (per SF)	Avail. Space (SF)	Vacancy %
Existing							
945 Front St	Existing	2016	B	7,087	$27.00	1,000	14.1%
1025 Cannon St	Existing	2018	A	31,637	$23.92	--	0.0%
1055-1071 Courtesy Rd	Existing	2017	B	13,659	$24.01	6,850	50.2%
630 Front St	Existing	--	C	1,709	$26.85	--	0.0%
721 Front St	Existing	--	B	4,435	$22.86	--	0.0%
917 Front St	Existing	--	C	12,500	$23.32	--	0.0%
957 Main St	Existing	2022	B	8,711	$24.15	--	0.0%
765 E South Boulder Rd	Existing	2014	B	8,291	$24.09	--	0.0%
785 E South Boulder Rd	Existing	2014	B	28,295	$23.98	28,295	100.0%
1655 Courtesy Rd	Existing	2020	B	5,767	$28.51	--	0.0%
Subtotal/Average				**122,091**	**$24.31**	**36,145**	**29.6%**
Proposed							
511 E South Boulder Rd	Proposed	2024	B	13,500	--	--	0.0%
Subtotal/Average				**13,500**	**--**	--	**0.0%**
Existing and Proposed Total/Average				**135,591**	**$24.31**	**36,145**	**26.7%**

Source: CoStar; Economic & Planning Systems

A selected sample of recent commercial developments located in the Highway 42 URA are profiled below.

1055-1071 Courtesy Rd

Class B
1055-1071 Courtesy Rd

Size (RBA): 13,659 sq. ft.

Year Built: 2017

Average Rent PSF: $24.01

917 Front St

Class C
917 Front St

Size (RBA): 12,500 sq. ft.

Year Built: 2010

Average Rent PSF: $23.32

957 Main St

Class B
957 Main St

Size (RBA): 8,711 sq. ft.

Year Built: 2022

Average Rent PSF: $24.15

1655 Courtesy Rd

Class B
1655 Courtesy Rd

Size (RBA): 5,767 sq. ft.

Year Built: 2020

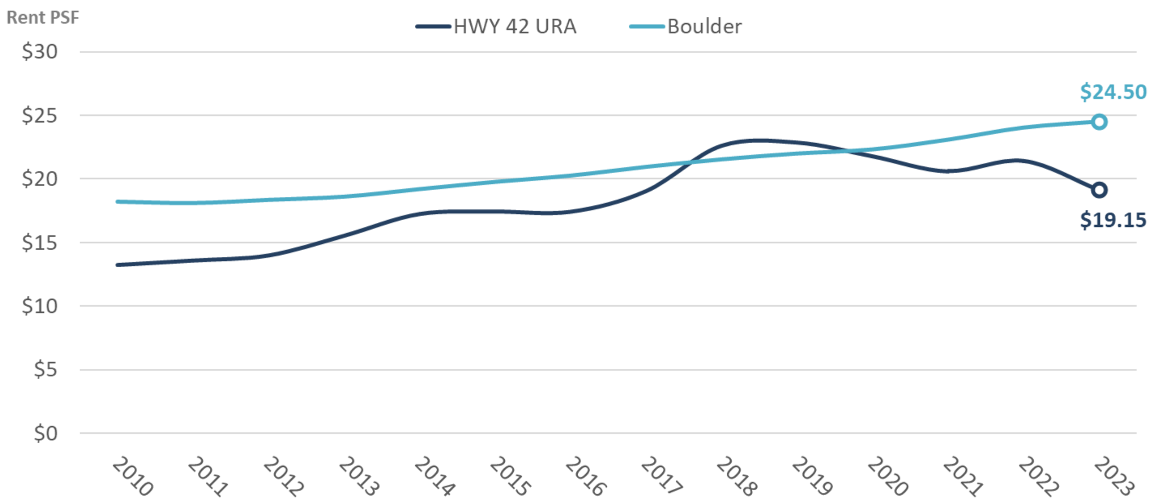
Average Rent PSF: $28.51

Source: CoStar; Mapillary; Economic & Planning Systems

Rental Rates

Base rental rates are currently estimated at $19.15 per square foot in the Highway 42 URA and $24.50 per square foot in the Boulder Metro subarea, as shown **Figure 2**.

Figure 2. Retail Rent Per Square Foot, 2006-2023



Source: CoStar; Economic & Planning Systems

Rental rates in the Highway 42 URA have increased at a higher rate than the Boulder Metro subarea from 2010 to 2023, as shown in **Table 3**. In the Highway 42 URA, rental rates increased by $5.90 per square foot, or 2.9 percent annually from 2010-2023. In the Boulder Metro subarea, rental rates increased by a total of $6.30 per square foot over the same period, from $18.20 per square foot in 2010 to $24.50 per square foot in 2023, representing an annual increase of 2.3 percent.

Table 3. Retail Rent per Square Foot, 2010-2023

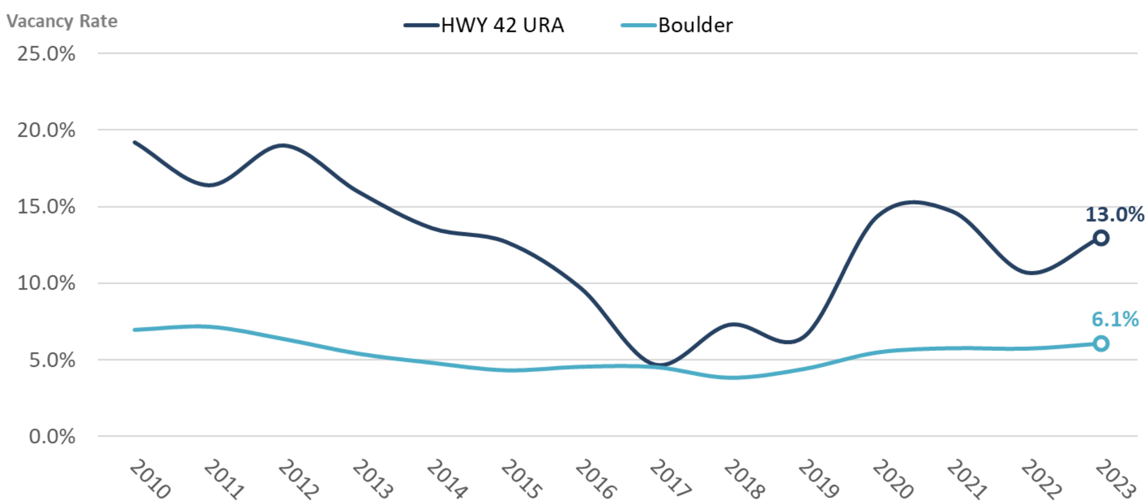
				2010-2023			2015-2023		
Rental Rate per SF	2010	2015	2023	Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
HWY 42 URA	$13.25	$17.45	$19.15	$5.90	$0.45	2.9%	$1.70	$0.21	1.2%
Boulder	$18.20	$19.75	$24.50	$6.30	$0.48	2.3%	$4.74	$0.59	2.7%

Source: CoStar; Economic & Planning Systems

Vacancy Rates

In addition to rent increases, vacancy rates in the Highway 42 URA declined from 2010 to 2018, and then increased sharply during the COVID-19 pandemic. In the Highway 42 URA, vacancy rates dropped from 19.2 percent in 2010, to 13.0 percent in 2023, a decrease of 6.2 percent, as shown in **Figure 3**. In the Boulder Metro subarea, vacancy rates dropped from 7.0 percent in 2010, to 6.1 percent in 2023, a decrease of 0.9 percent.

Figure 3. Retail Vacancy Rate, 2006-2023



Source: CoStar; Economic & Planning Systems

Inventory

Inventory of retail space in the Highway 42 URA has increased at a relatively steady pace since 2010, as shown in **Table 4**. The Boulder Metro subarea added a total of 1.2 million square feet of inventory from 2010 to 2023, equating to 90,212 square feet annually. When compared to the Highway 42 URA since 2015, the Boulder Metro subarea has continued to add retail space, while the Highway 42 URA lost inventory. Overall, the Boulder metro subarea has seen an uptick of retail inventory since 2015, with 2,642 square feet of space added per year.

Table 4. Retail Inventory, 2010-2023

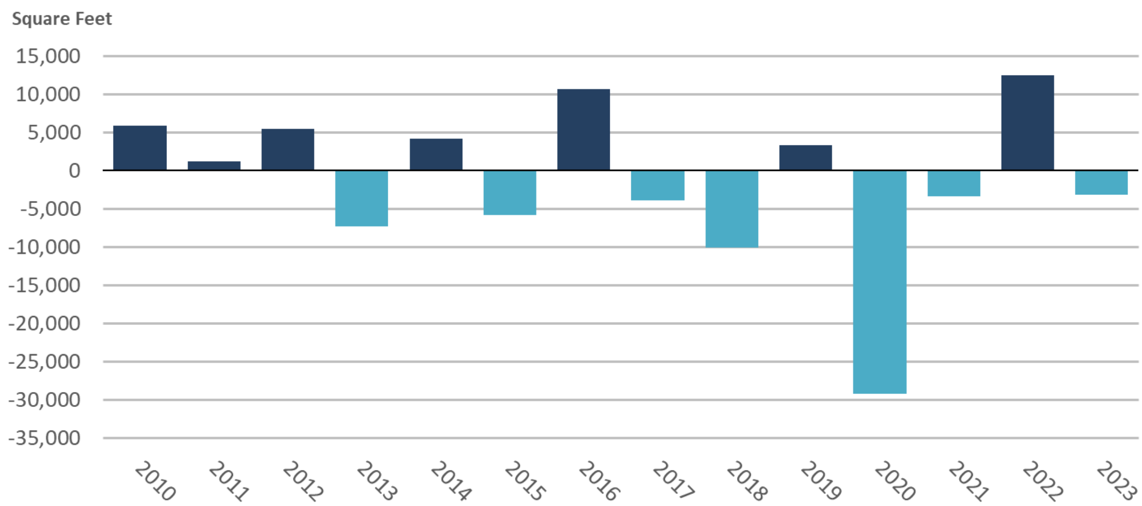
				2010-2023			2015-2023		
Inventory (sq. ft.)	2010	2015	2023	Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
HWY 42 URA	762,981	799,567	794,175	31,194	2,400	0.3%	-5,392	-674	-0.1%
Boulder	17,039,848	17,484,302	18,216,567	1,176,719	90,517	0.5%	732,265	91,533	0.5%

Source: CoStar; Economic & Planning Systems

Highway 42 URA Absorption

From 2010 to 2023, the Highway 42 URA has lost a total of 19,443 square feet of retail space or an average of 674 square feet annually, as shown in **Figure 4**. A contributing factor to the decline was the closure of Alfalfa's Market in 2020, which comprised 28,295 square feet of the overall inventory. Without this loss, the URA has seen marginal gains in net absorption, with 8,852 square feet of net inventory added since 2010, equating to an annual average of 632 square feet.

Figure 4. Retail Absorption, Highway 42 URA, 2010-2023



Source: CoStar; Economic & Planning Systems

Development Values

This section provides a summary of the project's estimated development and construction costs and operating costs and revenues. Project revenues include the estimated rental and escalation rates.

Development Costs

The development and construction budget totals $2.7 million as shown in **Table 5** and summarized below.

- **Acquisition Cost –** The 3,045 square foot building was acquired in November 2022 for $1.5 million, equating to $493 per square foot and 56.3 percent of the total project costs.
- **Hard Costs –** Hard costs are estimated at $1.1 million which equates to $353 per rentable square foot, accounting for roughly 40.4 percent of total costs.
- **Soft Costs –** The total soft costs are estimated at $87,846 and equate to 3.3 percent of the total project costs.

Table 5. Developer Project Cost Estimate

Description	Total	per RSF	% of Total
Acquisition Cost	**$ 1,500,000**	**$ 492.61**	**56.3%**
Purchase Price	$ 1,500,000	$ 492.61	56.3%
Hard Costs	**$ 1,074,336**	**$ 352.82**	**40.4%**
Core and Shell	$ 769,836	$ 252.82	28.9%
TI Allowance	$ 304,500	$ 100.00	11.4%
Soft Costs	**$ 87,846**	**$ 28.85**	**3.3%**
Permits	$ 11,095	$ 3.64	0.4%
A/E Fees	$ 76,751	$ 25.21	2.9%
Total Construction Cost	**$ 1,162,182**	**$ 381.67**	**43.7%**
Total Cost	**$ 2,662,182**	**$ 874.28**	**100.0%**

Source: Developer; Economic & Planning Systems

Project Revenues

The proposed rental rate for the development is estimated at $32.50 per square foot, higher than the downtown Louisville average of $24.31, as shown in **Table 6**.

Triple net operating expenses are estimated at $44,981 or $14.77 per square foot and include taxes, insurance, management, common area expenses, and maintenance. An additional $5,563 in advertising and commissions brings total operating expenses to $50,544.

These expenses are equal to 37.0 percent of gross income, which is consistent with other developments of this nature. Net operating income (NOI) for the project, which is annual gross revenues minus operating expenses, is estimated at $86,202 per year.

For the purpose of this analysis, operating revenues and expenditures were escalated by 3 percent annually.

Table 6. Development Net Operating Income (NOI)

Type	Value PSF		Total	% of Total	
REVENUE					
Rental Income	**$47.27**	PSF	**$143,943**	**100.0%**	of PGI
Net Rentable	$32.50	PSF	$98,963	68.8%	of PGI
NNN Recoveries	$14.77	PSF	$44,981	31.2%	of PGI
POTENTIAL GROSS INCOME (PGI)			**$143,943**	**100.0%**	of PGI
Less: General Vacancy	5.0%	per year	-$7,197	-5.0%	of PGI
EFFECTIVE GROSS INCOME (EGI)			**$136,746**	**95.0%**	of PGI
EXPENDITURES					
NNN Operating Expenditures	**-$14.77**	PSF	**-$44,981**	**32.9%**	of EGI
Mgmt Fees	4.0%	of PGI	-$3,959	2.9%	of EGI
Janitorial	$0.00	PSF	$0	0.0%	of EGI
Insurance	$2.02	PSF	-$6,162	4.5%	of EGI
Repairs & Maint	$0.75	PSF	-$2,284	1.7%	of EGI
Supplies/Misc	$0.00	PSF	$0	0.0%	of EGI
Taxes-Real Estate	$9.00	PSF	-$27,400	20.0%	of EGI
Taxes-Other	$0.10	PSF	-$305	0.2%	of EGI
Telephone	$0.00	PSF	$0	0.0%	of EGI
Trash & Grounds Maint	$0.60	PSF	-$1,827	1.3%	of EGI
Utilities - House Meters (no tenant utils)	$0.00	PSF	$0	0.0%	of EGI
Water & Sewer	$0.00	PSF	$0	0.0%	of EGI
Other Expense	$0.00	PSF	$0	0.0%	of EGI
Capital Reserve	$1.00	PSF	-$3,045	2.2%	of EGI
Other Operating Expenditures	**$1.83**	PSF	**-$5,563**	**4.1%**	of EGI
Advertising	$0.30	PSF	-$927	0.7%	of EGI
Commissions	$1.52	PSF	-$4,636	3.4%	of EGI
TOTAL OPERATING EXPENDITURES			**-$50,544**	**37.0%**	of EGI
NET OPERATING INCOME (NOI)			**$86,202**	**63.0%**	of EGI

Source: Developer; Economic & Planning Systems

Financial Analysis

In determining whether a project requires public investment to move forward, it is necessary to complete what is commonly referred to as a "but-for" analysis. This approach tests whether a given project will be able to achieve required market returns that reflect the given risk associated with an individual project "but-for" the investment of public revenues. This analysis relies on a comparison of the project's financial performance to the rate of return required by the market. The calculation of the public subsidy for a given project is based on the amount of public revenues needed to increase the project's return to a level that aligns with market expectations. To determine the feasibility of this project, EPS has evaluated the financial performance of the project using two approaches that include the yield on cost approach and the time series approach.

- **Yield on Cost Approach** – The first approach relies on an evaluation of the static performance of the project and is referred to as the project's YOC. Stabilized NOI is divided by its construction cost to calculate the YOC. The performance of the project is then compared to required rates of return calibrated for the Louisville market. For the purposes of this analysis, a YOC hurdle of 8.00 percent is utilized. The YOC hurdle rate is equal to the market capitalization (cap) rate plus 150 basis points (bps) to account for inherent market risk.

- **Time Series Approach** – The second approach used to estimate project feasibility relies on an estimate of the project's net cash flow over time and is referred to as a times series evaluation of project returns. The project's net cash flow reflects annual estimates of total project cost, ongoing rental revenues, operating costs, and revenues generated through project disposition in Year 10 (a standard assumption in real estate feasibility analysis). The internal rate of return (IRR) of annual project cash flow generated between Year 0 (project construction) and Year 10 (project disposition) is then compared to an estimated required rate of return that is also calibrated to reflect the Louisville market. For the purposes of this analysis, an IRR hurdle rate of 11.0 percent is applied to all future project cash flows. The IRR hurdle rate was established by estimating the project's weighted average cost of capital (WACC), which considers the cost of debt and equity.

Public Revenue Sources

The Applicant is requesting public assistance in the form of tax increment financing and a rebate from the Façade Improvement Program for businesses within the URA.

Tax Increment Financing

The LRC has the authority to collect incremental property taxes from improvements in the district through 2031, at which time the URA will sunset. The current (base) valuation of the property is equal to $1.0 million, and the assessed value is $285,026 as shown below in **Table 7**.

Table 7. Base Property Valuation

Description	Land	Building	Total
Actual Value			
916 Main Street	$334,800	$686,800	$1,021,600
Subtotal	**$334,800**	**$686,800**	**$1,021,600**
Assessment Rate	**27.90%**	**27.90%**	
Assessed Value			
916 Main Street	$93,409	$191,617	$285,026
Subtotal	**$93,409**	**$191,617**	**$285,026**

Source: Boulder County Assessor; Economic & Planning Systems

The difference between the current (base) valuation of the property and the future value of the property represents the tax increment. The future value of the property was estimated utilizing the income approach, which estimates the properties valuation by dividing the properties estimated NOI by the prevailing market capitalization (cap) rate. After the improvements have been made, the value of the property is estimated at $1.4 million, or $442 per square foot. To underpin this estimate, EPS also referenced market valuations of comparable retail properties in Louisville, as shown in **Table 8**. The properties had an average market valuation of $419 per square foot, suggesting that the income approach's estimate is accurate.

Table 8. Comparable Properties Valuation

Address	Year Built	Use	Total Value	Sq. Ft.	Value PSF
Comparable Properties					
1055-1071 Courtesy Rd	2017	Retail	$4,166,300	13,659	$305
945 Front St	2016	Retail	$1,077,600	3,638	$296
957 Main Street	2022	Retail/Office	$3,219,201	8,711	$370
1655 Courtesy Road	2007	Retail	$1,050,000	3,360	$313
1700 Dogwood St	2020	Retail	$5,508,700	5,771	$955
1413 Hecla Way	2020	Retail	$1,419,400	2,397	$592
765 E South Boulder Rd	2014	Retai/Office	$2,752,700	8,291	$332
Total	**2017**	**--**	**$19,193,901**	**45,827**	**$419**

Source: Boulder County Assessor's Office; Economic & Planning Systems

To understand the growth rate of comparable retail properties within Boulder County, EPS examined a data set with approximately 600 retail property valuations from 2015 to 2023. Property valuations for this subset grew at a rate of 6.0 percent, as shown in **Table 9**. This rate was applied to the estimated future value of the property to estimate the available tax increment to the Applicant.

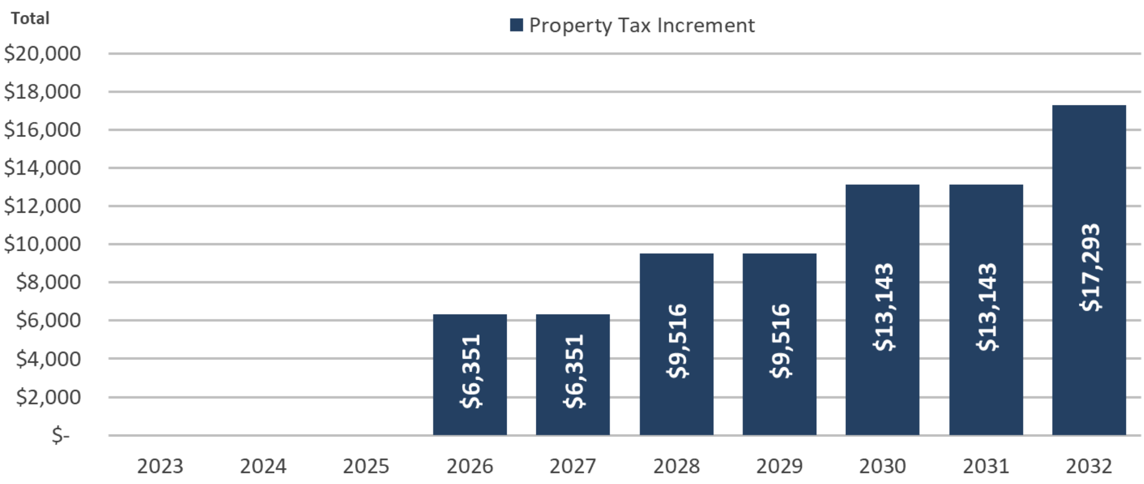
Table 9. Retail Property Valuation Growth, Boulder County Assessor

Description	2015	2019	2023	2015-2023 Total	2015-2023 Ann. #	2015-2023 Ann. %
Total Value	$741,099,139	$943,449,665	$1,180,920,095	$439,820,956	$54,977,620	6.0%

Source: Boulder County Assessor's Office; Economic & Planning Systems

At the 6.0 percent annual growth rate, TIF revenues from the property are anticipated to range from $6,351 in 2026 to $17,293 in 2032, totaling $75,313, as shown in **Figure 5**. TIF revenues are collected and distributed on a one-year lag, so the Applicant is expected to receive funds through 2032. Additionally, the TIF revenues equate to 90 percent of the total tax increment, the maximum allowed for consideration under the URA plan.

Figure 5. Annual TIF Revenues



Source: Economic & Planning Systems

Façade Improvement Program

In addition to TIF revenues, the Applicant requested a rebate totaling $154,267 from the Façade Improvement Program. The façade rebate represents 50 percent of the eligible construction costs, per the program's criteria.

Yield on Cost Approach

Under the YOC approach, the baseline project performance equates to a YOC of 3.24 percent and an estimated project gap of $1.6 million, as shown in **Table 10**. The net present value (NPV) of the TIF revenues and façade grant reduces total project costs to $2.5 million. Project performance with public investment results in a YOC of 3.51 percent and a project gap of $1.4 million. The return metrics suggest that the project does not reach the desired hurdle rate, regardless of whether there is public investment or not.

Table 10. Yield on Cost Summary

Description	Amount
Yield on Cost Target (NOI/Cost)	**8.0%**
Project Performance - Baseline	
Project Cost	
Acquisition Cost	$1,500,000
Hard Costs	$1,074,336
Soft Costs	$87,846
Total Cost	**$2,662,182**
Net Operating Income (NOI)	**$86,202**
Yield on Cost	**3.24%**
Project Gap	**$1,584,655**
Project Performance - Public Investment	
Project Cost	$2,662,182
Less: Present Value of Public Subsidy	$208,919
Net Cost	**$2,453,263**
Yield on Cost	**3.51%**
Project Gap	**$1,375,737**

Source: Developer; Economic & Planning Systems

Time Series Approach

Without public investment, the project is estimated to generate an NPV of a negative $1.4 million equating to an IRR of 1.52 percent, as shown in **Table 11**. With public investment, the project is anticipated to generate an NPV of negative $1.2 million and an IRR of 2.50 percent, as shown in **Table 12**. The time series metrics indicate the project would not be financially feasible with or without public investment if it were to be developed and leased by an independent developer. There are, however, additional qualitative benefits and tax benefits that make the investment attractive to an owner/ occupant.

Table 11. Baseline Project Cash Flows

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Construction Cost												
Acquisition Cost	-$1,500,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hard Costs	$0	-$1,074,336	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soft Costs	-$65,885	-$21,962	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**-$1,565,885**	**-$1,096,297**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Project Revenues												
Net Operating Income	$0	$0	$97,354	$100,274	$103,283	$106,381	$109,573	$112,860	$116,246	$119,733	$123,325	$127,025
Net Disposition Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,932,339
Subtotal	**$0**	**$0**	**$97,354**	**$100,274**	**$103,283**	**$106,381**	**$109,573**	**$112,860**	**$116,246**	**$119,733**	**$123,325**	**$2,059,363**
NET REVENUES	**-$1,565,885**	**-$1,096,297**	**$97,354**	**$100,274**	**$103,283**	**$106,381**	**$109,573**	**$112,860**	**$116,246**	**$119,733**	**$123,325**	**$2,059,363**

NPV w/out Subsidy	**-$1,363,013**	11.0% discount rate
Internal Rate of Return	**1.52%**	

Source: Developer; Economic & Planning Systems

Table 12. Project Cash Flows with Public Investment

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Construction Cost												
Acquisition Cost	-$1,500,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hard Costs	$0	-$1,074,336	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soft Costs	-$65,885	-$21,962	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**-$1,565,885**	**-$1,096,297**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Project Revenues												
Public Investment	$0	$154,267	$0	$6,351	$6,351	$9,516	$9,516	$13,143	$13,143	$17,293	$0	$0
Net Operating Income	$0	$0	$97,354	$100,274	$103,283	$106,381	$109,573	$112,860	$116,246	$119,733	$123,325	$127,025
Net Disposition Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,932,339
Subtotal	**$0**	**$154,267**	**$97,354**	**$106,625**	**$109,634**	**$115,897**	**$119,088**	**$126,003**	**$129,389**	**$137,026**	**$123,325**	**$2,059,363**
NET REVENUES	**-$1,565,885**	**-$942,030**	**$97,354**	**$106,625**	**$109,634**	**$115,897**	**$119,088**	**$126,003**	**$129,389**	**$137,026**	**$123,325**	**$2,059,363**

NPV w/ Subsidy	**-$1,185,677**	11.0% discount rate
Internal Rate of Return	**2.50%**	

Source: Developer; Economic & Planning Systems

TIF Cap

According to the analysis submitted by the Applicant, the projected TIF revenues could potentially reach $203,222, exceeding the EPS estimate by $127,909. Considering the baseline project gap estimates of $1.6 million using the YOC approach and $1.4 million under the time series approach, EPS suggests capping TIF revenues to $200,000, aligning closely with the Applicant's estimate and considerably lower than the amount of the gap, suggesting that if the $200,000 in TIF revenues were realized, the Applicant would still not receive an unreasonable rate of return. If the Boulder County assessor appraises the property at a higher value than EPS has estimated, the Applicant may have the opportunity to attain a higher TIF amount up to the recommended cap.

Conclusions

The above analysis indicates that the project would not be feasible for redevelopment by a third-party developer even with the negotiated TIF reimbursement and Façade Improvement Program rebate. However, as owner-occupants, Schlageter Properties will benefit from the public investment to help reduce its development and operating costs. The Applicant’s need for financial investment is justified as they are not realizing the desired returns for the project. Per the Applicant’s initial request, EPS recommends capping the TIF reimbursement at $200,000, which is lower than the estimated gap utilizing both a time series and YOC approach.

REQUEST FOR PROPERTY TAX INCREMENT REBATE ASSISTANCE

Louisville City Council

916 Main Street

Economic & Planning Systems, Inc.
The Economics of Land Use

730 17th Street, Suite 630 ▪ Denver, CO 80202
303.623.3557 ▪ www.epsys.com

PRESENTATION OVERVIEW

EVALUATION OF REQUEST FOR TIF

PURPOSE

- To provide the Louisville Revitalization Commission (LRC) and City Council with an overview of the market and financial analysis of the request for property tax increment rebate assistance submitted by the owner of the 916 Main Street property.

PRESENTATION OVERVIEW

- About EPS
- Project Overview
- Retail/Restaurant Market Overview
- “But for” Analysis
- TIF Revenue Estimates
- Summary
- Takeaways

EPS

REAL ESTATE ECONOMICS

PUBLIC FINANCE

LAND USE & TRANSPORTATION

ECONOMIC DEVELOPMENT & REVITALIZATION

FISCAL & ECONOMIC IMPACT ANALYSIS

HOUSING POLICY

PUBLIC PRIVATE PARTNERSHIPS (P3)

PARKS & OPEN SPACE ECONOMICS

PROJECT OVERVIEW

EXISTING CONDITIONS

- **Prior Users:** Louisville Times, Creative Framing & Art Gallery
- **Proposed Use:** Cosmetic services – Radiance Medspa
- **Rental Rate:** Project is anticipated to be owner-occupied. Supportable rental rates were estimated at $32.50 PSF (NNN), per the applicant.

Description	Sq. Ft.	% of Total	Rent PSF	Total Rent
Building Area				
Rentable				
Net Rentable	3,045	100.0%	$32.50	$98,963
Subtotal/Average	**3,045**	**100.0%**	**$32.50**	**$98,963**
Other				
N/A	0	0.0%		
Subtotal/Average	**0**	**0.0%**		
Total/Average	**3,045**	**100.0%**	**$32.50**	**$98,963**

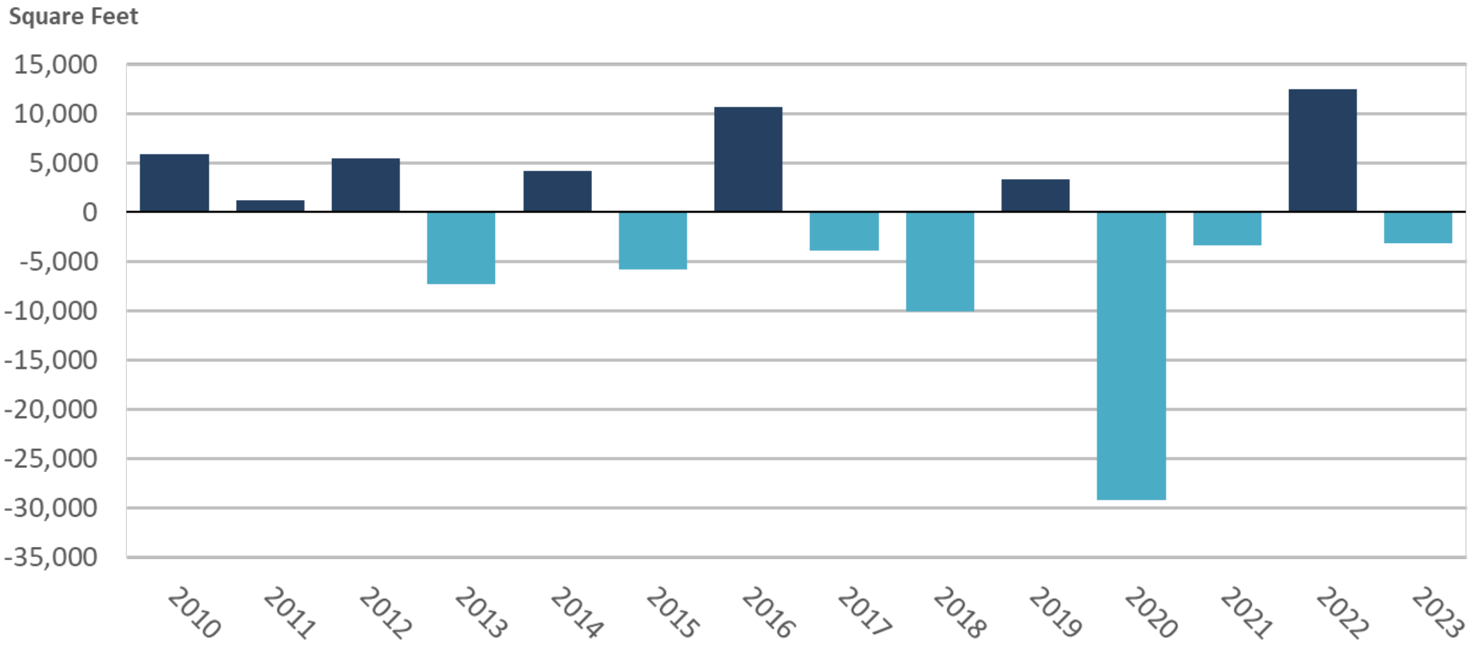
Source: Developer; Economic & Planning Systems

PROJECT OVERVIEW

ALTERNATIVE DESIGN

URA RETAIL/RESTAURANT MARKET OVERVIEW

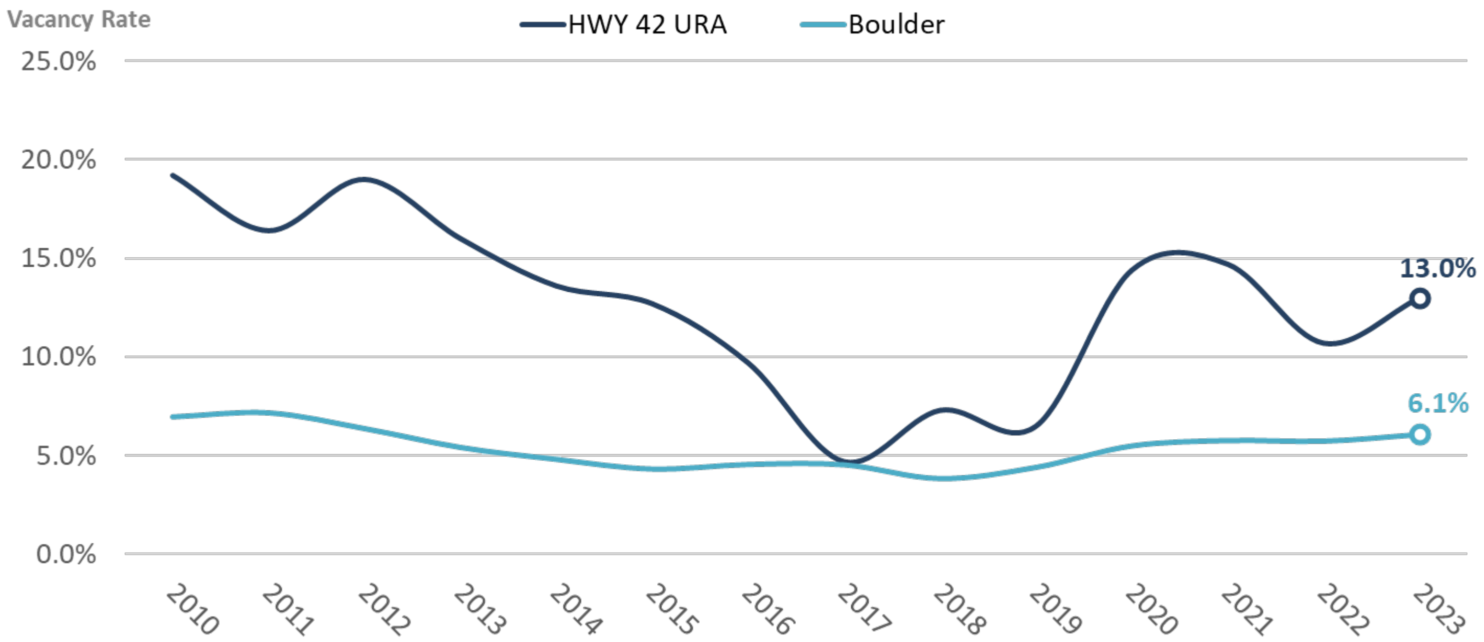
NET ABSORPTION (SF)



Source: CoStar; Economic & Planning Systems

URA RETAIL/RESTAURANT MARKET OVERVIEW

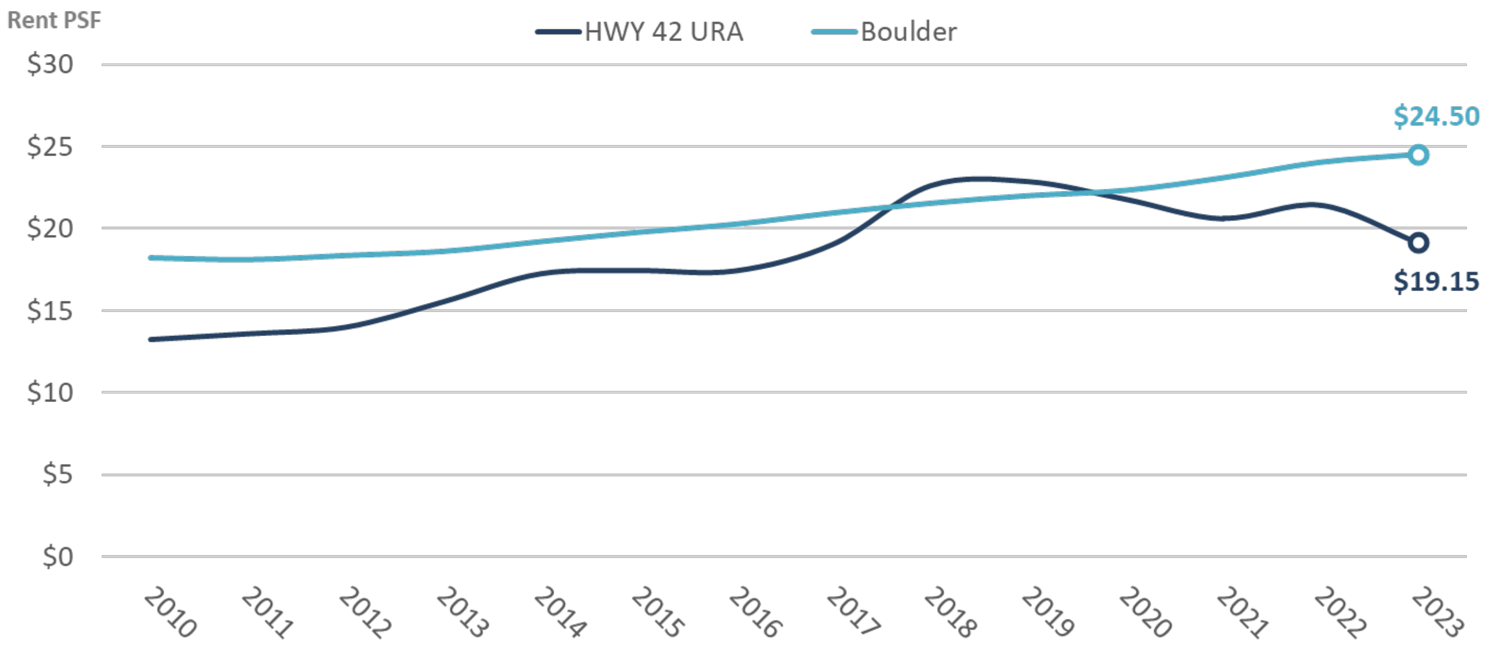
VACANCY RATE



Source: CoStar; Economic & Planning Systems

URA RETAIL/RESTAURANT MARKET OVERVIEW

RETAIL RENTAL RATE



Source: CoStar; Economic & Planning Systems

PROJECT FEASIBILITY EVALUATION – “BUT-FOR” TEST

METHODOLOGY

Evaluate the performance of the project with and without an investment of public funds (i.e., “but-for” the investment of public revenues is the project feasible?)

Yield on Cost (YOC)

- Evaluation of the static performance of the project based on net operating income (NOI) divided by total project costs
- Yield on cost for comparable retail/restaurant development typically ranges from 7.0% to 9.0%
- **Project YOC Hurdle: 8.0%**

Internal Rate of Return (IRR)

- IRR is estimated by evaluating the annual project cash flows over a 10-year period and calculating the project’s internal rate of return through an iterative process
- The project IRR is evaluated on an unleveraged basis and reflects risk factors unique to the project as well as the estimated weighted average cost of capital
- **Project IRR Hurdle: 11.0%**

DEVELOPER RETURN

YOC APPROACH

PROJECT COST

- Includes acquisition, site work, infrastructure, architecture & engineering, vertical construction, and others.

ANNUAL REVENUE

- Net operating income estimates revenues generated from future tenants and accounts for average vacancy and operating costs.

YIELD ON COST GAP ESTIMATE

= $1.58 million

YOC Gap Closure Target

Description	Amount
Yield on Cost Target (NOI/Cost)	**8.0%**
Project Performance - Baseline	
Project Cost	
Acquisition Cost	$1,500,000
Hard Costs	$1,074,336
Soft Costs	$87,846
Total Cost	**$2,662,182**
Net Operating Income (NOI)	**$86,202**
Yield on Cost	**3.24%**
Project Gap	**$1,584,655**

Source: Developer; Economic & Planning Systems

DEVELOPER RETURN

IRR APPROACH

- NOI escalated at 3.0% every year
- Terminal Cap Rate of 6.5%
- IRR hurdle rate of 11.0%

IRR HURDLE GAP ESTIMATE
= $1.36 million

IRR Gap Closure Target

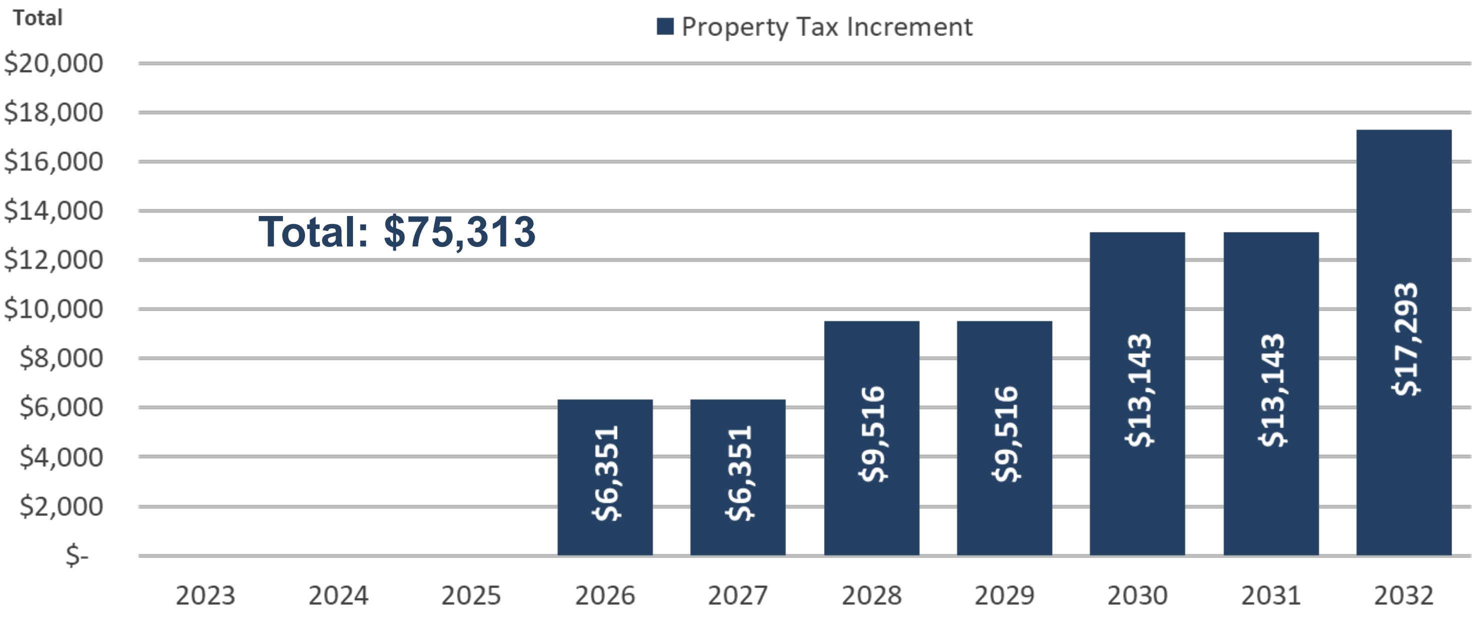
Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Construction Cost												
Acquisition Cost	-$1,500,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hard Costs	$0	-$1,074,336	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soft Costs	-$65,885	-$21,962	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**-$1,565,885**	**-$1,096,297**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Project Revenues												
Net Operating Income	$0	$0	$97,354	$100,274	$103,283	$106,381	$109,573	$112,860	$116,246	$119,733	$123,325	$127,025
Net Disposition Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,932,339
Subtotal	**$0**	**$0**	**$97,354**	**$100,274**	**$103,283**	**$106,381**	**$109,573**	**$112,860**	**$116,246**	**$119,733**	**$123,325**	**$2,059,363**
NET REVENUES	**-$1,565,885**	**-$1,096,297**	**$97,354**	**$100,274**	**$103,283**	**$106,381**	**$109,573**	**$112,860**	**$116,246**	**$119,733**	**$123,325**	**$2,059,363**
NPV w/out Subsidy	**-$1,363,013**	11.0% discount rate										
Internal Rate of Return	**1.52%**											

Source: Developer; Economic & Planning Systems

AVAILABLE INCREMENT

PROPERTY TAX

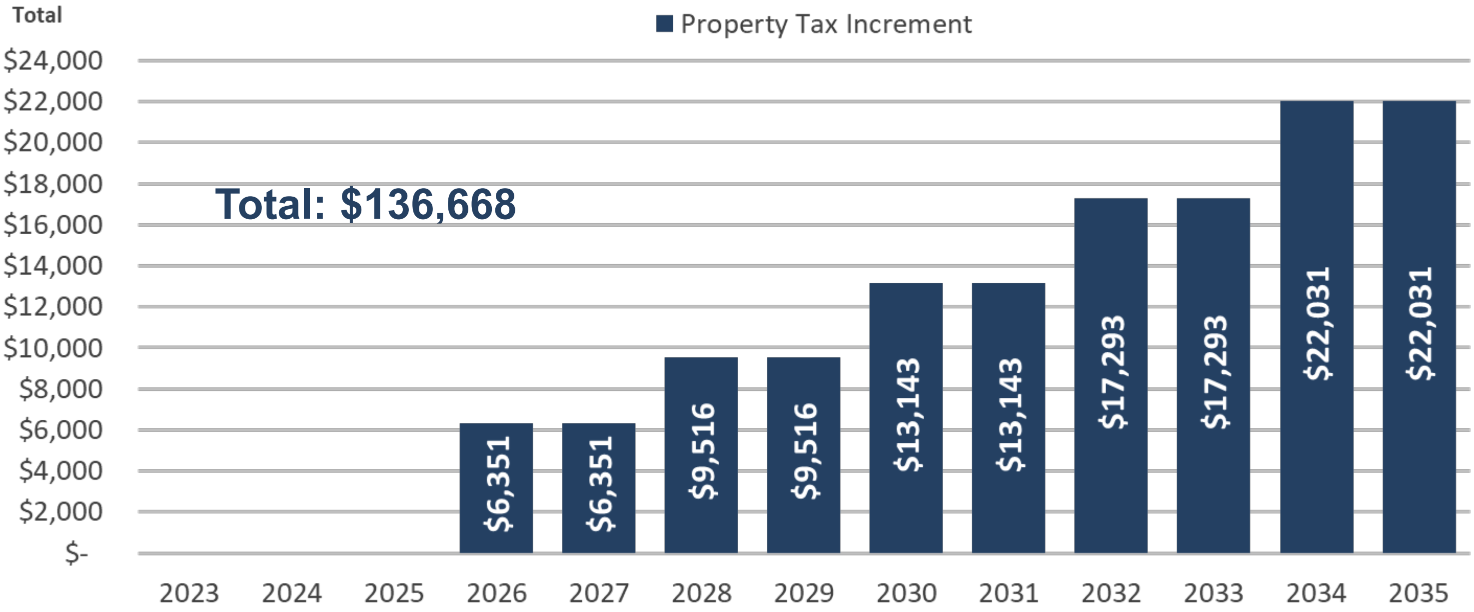
- **Scenario 1:** TIF revenues are collected and distributed on a one-year lag, so the Applicant is expected to receive funds through 2032 (1 year after the URA sunsets)



AVAILABLE INCREMENT

PROPERTY TAX

- **Scenario 2:** The Applicant receives TIF revenues for a full 10-year period, of which the final 3-years of TIF revenues would be generated from URA reserves



RECAP

Developer Request

- $154,267 façade grant
- TIF revenues:
  - Scenario 1: $75,313
  - Scenario 2: $136,668
- Total:
  - Scenario 1: $229,580
  - Scenario 2: $290,935

"But-For" Analysis

- YOC Approach:
  - Scenario 1: $1.38M gap
  - Scenario 1: $1.35M gap
- IRR Approach:
  - Scenario 1: $1.19M gap
  - Scenario 2: $1.17M gap

Developer Return with TIF

- Request of 90% of property tax increment results in a PV of TIF revenues of $54,652 under Scenario 1 and $90,417 under Scenario 2
- Total PV of investment including façade reimbursement grant = **$208,919** under Scenario 1 and **$244,684** under Scenario 2
- **Rates of Return with Investment:**
  - YOC:
    - **Scenario 1: 3.51%**
    - **Scenario 2: 3.55%**
  - IRR :
    - **Scenario 1: 2.50%**
    - **Scenario 2: 3.14%**

RECAP

URA REVENUES, SHARING PERIOD, AND INVESTMENT AS % OF TOTAL COST

TIF Cap

- $200,000
  - The Applicant requested $200,000 over a period of 10-years, which the LRC is proposing as a maximum cap

Sharing Period

- Remainder of LRC TIF period through 2032 or 10-years through 2035

Share of TIF Revenues

- Maximum distribution of 90% of generated TIF

Public Investment as % of Total Cost

- PV of public investment represents 7.8% of total project cost under Scenario 1, 8.7% under Scenario 2, or 11.1% if the $200,000 cap is reached

TAKEAWAYS

"BUT FOR" ANALYSIS AND NEXT STEPS

- The project would not be financially feasible with or without public investment if it were to be developed and leased by an independent developer
- Should project fail to perform, City would still have a renovated building

HARTRONFT ASSOCIATES P.C.
Planning . Architecture . Interiors
950 Spruce Street #2A, Louisville, CO 80027
p 303.673.9304 f 303.673.9319

916 MAIN STREET RENOVATION - RADIANCE MEDSPA

Schlageter Properties, LLC

LRC ASSISTANCE PROPOSAL - PROJECT NARRATIVE

Agenda Item for May 10, 2023

The redevelopment of 916 Main is intended to upgrade a 72-year-old existing stucco storefront to a more pedestrian friendly retail presentation that features large windows and upgraded level of finish to reinforce the Owner's business model. This renovation will also provide an accessible entrance that meets ADA codes. The storefront will be maintained in the original configuration as the original front, with modifications to the windows and entry door, and maintains the storefront alignment of the adjacent commercial storefronts.

The proposed storefront is consistent with the desired character and development concepts set forth in the Downtown Design Guidelines for the Commercial Core. The one-story façade is in scale with other one-story buildings along Main Street. See attached file for PUD revision: '916_Main-Façade_Renovation-042423.pdf.'

The design retains the original parapet and general configuration of the 1950 façade and evokes a historic sensibility in the details and proportions of the façade. A precast concrete base is provided below new display windows to provide a durable material at the walkway level and to anchor the enlarged display windows above. Above the storefront there is a traditional sign band. The main entry door is recessed and covered by a wood canopy that provides a sense of shelter and invitation to the pedestrians. Due to ADA requirements, a ramp and new entry door is also provided on the south side near the front façade.

All exterior lighting and signage will meet applicable Louisville design and code requirements.

The interior will be totally renovated with all new walls, finishes, etc. and the exterior walls will be brought up to standards, structural floor wall and roof repairs will be accomplished and new HVAC, Plumbing and Electrical will be provided throughout.

The major aspects of this proposed LRC assistance request are as follows:

- Redesigned Main Street storefront facade design that is cohesive with the Downtown Design Guidelines and adjacent storefront vocabulary, and upgrade of east alley elevation using the same materials as the Main Street elevation.
- Creation of a wheelchair accessible entrance that is ADA compliant and code compliant to augment the main entry.
- Screening of mechanical equipment, trash enclosure, and added bike parking.
- Renovation of the entire one-story building to meet code and current standards for Class-A commercial buildings, including exterior wall repair, structural floor repair, structural roof repairs and accommodation for new rooftop equipment. New building systems will be provided including Mechanical (HVAC and plumbing) Electrical, and building thermal envelope (insulation). Note that only the Landlord's portion of the interior renovation is included in the Project Cost.

LRC Property Tax Increment Rebate Assistance: Application

Application

Please complete all questions below to ensure staff has sufficient information to review and process your application. Applications will not be scheduled for consideration by the LRC until a completed application is received.

All information submitted to the LRC or the City of Louisville is subject to public disclosure, consistent with the requirements of the Colorado Open Records Act, the City of Louisville Charter, and related City policies and procedures.

* Indicates required question

Applicant Name*

Stephanie Schlageter

Applicant Email*

stephanie@radiancemedspa.com

Applicant Phone Number*

727-466-8999

Is applicant the owner? If applicant is not owner, staff will request a letter of authorization to proceed with the application. *

Yes

Project Name*

916 Main Street Renovation - Radiance MedSpa

Project Address*

916 Main Street, Louisville, CO 80027

Project Description*

The project includes a full renovation of the existing building, (built in 1950) including demolition of all existing interior improvements, new interior build out for Radiance Medspa (Tenant) including all walls, ceilings, finishes, new HVAC, plumbing and electrical, renovated front facade with new larger storefront windows and entry to support retail use, and exterior improvements at exterior walls, doors, windows, and roof, plus sitework and other improvements per City of Louisville standards.

Anticipated Project Start*
Date

06/01/2023

Anticipated Project Completion*
Date

10/31/2023

If this proposed project requires any zoning approvals (PUD amendment, variance, Special Review Use, etc.) please describe the status of the zoning application. If no zoning process is required, please answer "Not applicable".*

The exterior improvements require a PUD Amendment and review by the HPC for partial demolition of facade and other applicable exterior building elements. These reviews are currently in progress.

Please describe the Project Benefit to the Hwy 42 Urban Renewal Area as well as adjacent properties and neighborhood.*

A substantial investment in this property, including an updated, renovated facade with a new entry and improved storefront for a successful retail presentation will support the new business at this location. This will increase property values and promote other investment in Downtown. The owner is also pursuing potential landmark status for retaining the character defining portion of the facade which will preserve and enhance downtown Louisville's heritage.

Estimated Total Project Cost*

$ 1,500,000	Property Purchase
$ 769,836	Building Core and Shell Renovation
$ 304,500	Tenant Finish Allowance (Tenant TI Investment = $470,023)
$ 87,846	Soft Costs - Professional Fees, Permit
$ 2,662,182	Total Project Cost (without contingency)
	(Note that owner is also carrying $458,550 in other soft costs)

Amount of Public Infrastructure Assistance Funding Requested*

The project is very costly compared to the amount of income that is possible using comparable (higher end) lease rates for downtown Louisville. We understand that the LRC Direct Assistance maximum amount would be in the form of TIF reimbursement of 90% of the increased property taxes over 10 years. This is the amount of our request.

Outline of Public Infrastructure Improvements, with costs, to match assistance funding requested. Outline should break-out the improvements, any professional services or fees, and contingency.*

See attached Proforma

Please describe the risks associated with this project.*

- Market / economic downturn
- Occupancy challenges
- High / Increasing cost of labor and materials
- Interest rate increase

Please describe the applicant's experience with similar projects. *

- Schlageter Properties is 100% owned by Stephanie Schlageter who has more than 17 years of experience in business ownership and operations
- Stephanie has managed 3 business expansion projects over 17 years involving the successful planning, financing, and management of 3 major construction projects related to expansion of operations owned and operated in Florida.
- Stephanie has more than 27 years in business and financial management experience

Submit project financials, including a 10-year proforma for the project, a Sources & Uses Budget for the entire project, and assumptions for Retail Sales and Property Assessed Valuation of the project (for residential and commercial uses) by year. Please note: This form of financial assistance requires a third-party financial review. The cost of the third-party review will be shared between the LRC and the applicant (each pay 50%). If the project is ultimately constructed, when the Certificate of Occupancy is issued, the LRC will rebate the applicant's portion of the cost.*

See attached Proforma.

Submit a detailed project narrative and supporting visuals, such as concept plans, building design/elevations, etc. This information will form the substance of a presentation to the Commission to convey the nature and benefit of the project.*

See attached supporting materials.

916 Main Street Renovation
Blight Conditions Report

Blight Conditions Report: Please provide a short description of how the project addresses the following blight conditions identified in the Hwy 42 URA. Not all conditions are present on all properties; applicants should focus on describing the conditions related to the proposed Public Infrastructure Improvements for their specific project.
Urban Renewal Plan, see "Qualifying Conditions" section, pg. 12 of report:
https://www.louisvilleco.gov/home/showpublisheddocument/2901/637304169831030000
Conditions Survey:
https://www.louisvilleco.gov/home/showpublisheddocument/7730/637304148574700000

LRC Property Tax Increment Rebate Assistance: Application
* Indicates required question

A) Slum, deteriorated, or deteriorating structures

N/A

B) Predominance of defective or inadequate street layout

N/A

C) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness

N/A

D) Unsanitary or unsafe conditions

N/A

E) Deterioration of site or other improvements

The existing building is approximately 75 years old and deferred maintenance is an issue. Repairs of existing exterior walls, doors and windows, roof, mechanical, electrical and plumbing systems will be accomplished as part of the building renovation.

F) Unusual topography or inadequate public improvements or utilities

The site slopes from north to south and from west to east (front to rear of the lot). The existing building does not have a code compliant handicapped accessible entrance and the rear entrance is approximately 4 feet lower than the main entrance. A new ADA accessible entrance and interior accommodations are necessary to mitigate the current conditions.

G) Defective or unusual conditions of title rendering the title nonmarketable

N/A

H) Existence of conditions that endanger life or property by fire and 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) Existence of health, safety, or welfare factors requiring high levels of services

N/A

By entering your name below, you attest that all of the information contained above is correct and represents the intent to fund public infrastructure investments in the Hwy 42 Urban Renewal Area.*

Stephanie Schlageter
Schlageter Properties LLC
7534 Brockway Drive
Boulder, CO 80303

Date of application submission *

05/02/2023


CREATIVE FRAMING
Art Gallery
916
Contrology Studio
920 MAIN
COME IN !!
COOL
INSIDE
"SHEROES"
Jewelry
CARDS
SCULPTURE
303.658.0419


DRAFT 04-24-23
retail signage
MASSAGE
OCEAN STONE
skin care & massage
COME IN !! COOL INSIDE ! "SHEROES" Jewelry CARDS SCULPTURE
916 MAIN STREET RENOVATION
FINAL PUD - ALTERNATIVE DESIGN
HARTRONFT ASSOCIATES
A Professional Corporation

916 Main Street - Project Proforma

C&S Loan Amt (not incl tenant loan)		$2,662,182	7.5%	Interest Rate	25	Year Am.	$ 19,673.29 /	Month P&I	
C&S Construction Cost	$	769,836	Annual Principal Pmt	$105,363		$110,754	$116,420	$122,376	
Tenant Finish Allowance	$	304,500	Annual Interest Pmt	$130,716		$125,326	$119,659	$113,703	
Not incl full TI Cost $470,023	By Tenant								
Land/Building Cost		$1,500,000							
Soft Costs (permit, A/E fees, etc)	$	87,846							
Total Project Cost		$2,662,182							
Additional Equity		($0)	$539,631	= Non-financed Carrying Costs from Purchase through Construction incl. Mortgage Int. (C&S only)					
			$296,554	Minimum equity requred per loan requirements at current loan amount (C&S only).					

Loan To Proj Cost 100%	$2,662,182	Loan w/assumed Value of	$2,662,182	Project Value $/sf	$874.28	@	3,045 sf
Loan To Total Cost 83%	$2,662,182	Loan w/Total Cost of	$3,201,813	Land Value $/sf	$316.12	@	4,745 sf

3.09% Return = NOI / Total Project Costs

$4,750,000 Retail Sales Projected - 10 years
$430,350 Sales Tax @ 9.06%

INPUT VALUES:	3,045	RSF Leaseable Area (1st Level)
	$32.50	/sf Lease Rate (NNN Lease)
	$12.77	/sf NNN Expenses - Estimate
	3.0%	/yr Rent Escalation
	10%	Assumed Vacancy Rate