



Old Town Lafayette

Vision Plan Financial Analysis – Appendix C

Lafayette, Colorado

September 2011

Prepared for:

Lafayette Urban Renewal Authority

Prepared by:

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Old Town Lafayette Vision Plan Technical Memorandum

TO: Lafayette Urban Renewal Authority
Lafayette City Council

FROM: Anne Ricker

DATE: 19 September 2011

SUBJECT: Old Town Lafayette Financial Analysis

Historically, the planning, financing and implementation of projects in the downtown market were the primary responsibility of public sector entities. The city was understood to have the largest and longest term interest and responsibility for downtown, making it the obvious lead in any revitalization or reinvestment effort. It was also understood to be the logical conduit for local, regional, state and federal funding sources. In Lafayette, while the public sector has been identified as playing a significant role in Old Town's renaissance, it will be equally important that the private sector, along with various advocacy groups, partner with them and assist them in their efforts. Leveraging of scarce resources will be essential as no one entity, either public or private, has the means alone to sustain a long-term downtown improvement effort.

As explained in the implementation discussion presented in the full document, the resources needed for Public Road are multiplicative – financial, regulatory, and policy – all of which translate into economic risk and return. Financial resources, in particular, will be essential for removing barriers to investment, capitalizing on market opportunities and leveling the redevelopment balance sheet.

Among the barriers contributing to economic inequities in the Study Area (as reported in the full document) are:

Financial Barriers

- Market demand, but limited sales volume (translating into below market rents)
- Poor perception of Public Road by investment audiences
- Limited investment and / or reinvestment in properties
- Need for different funding sources – capital, operational and maintenance
- Few financial resources
- Inability to attract investors
- Existing urban renewal area with limited Tax Increment Financing (TIF) potential
- “Affordable heart – high-value soul”
- Necessity for public spaces that do not generate direct revenue

- Limited demand for new commercial construction

Market Opportunities

Among the market conditions contributing to economic inequities in the Study Area (as reported in the full document) are:

Trade Area (10 mile drive time), in 2010, comprised –

- 94,800 persons and 31,000 households
- \$35,371 per capita income compared to a national per capita income of \$27,851
- \$95,555 average household income compared to a national average household income of \$72,075

Public Road (Study Area) has an existing inventory of –

- 150,500 square feet of GAFO* sales tax generating space
 - 49,750 square feet of Food and Beverage sales tax generating space
 - 15,000 square feet of Food and Beverage non-sales tax generating space (vacant)
- GAFO = General Merchandise, Apparel, Accessories, Furniture and Other

Trade Area (10 mile drive time), in 2010 had –

- GAFO sales of \$383 million
- Food and Beverage sales of \$248 million

Public Road (Study Area), in 2010, had –

- GAFO sales of \$8.6 million (2.3% of trade area sales)
- Food and Beverage sales of \$6.5 million (2.6% of trade area sales)

Public Road (Study Area), in 2010, had –

- GAFO sales of \$57 per square foot (compared to Highway 287 sales of \$300 psf)
- Food and Beverage sales of \$130 per square foot (compared to Highway 287 sales of \$500 psf)

Public Road (Study Area) has the potential to **grow** (by 2016) –

- GAFO sales to \$21.6 million (5.6% of expanded trade area sales)
- Food and Beverage sales to \$15.5 million (6.2% of expanded trade area sales)

and add -

- Gallery and Studio sales of \$3.8 million

These estimates assume –

- No net new commercial or gallery space on the corridor
- Reconstituted existing operators
- New operators in existing uses
- Conversions of existing spaces for gallery and studio space
- Reinvestment and new investment beginning in 2012 and uses stabilizing in 2015

Redevelopment Balance Sheet

While all of the factors presented above (barriers and conditions) contribute to an imbalance on the Public Road redevelopment balance sheet, those that had the most significant influence on the sources and uses identified to advance the vision included:

- Limited TIF potential
 - No need for new commercial space
 - No new residential (regulation preclude)
 - High base
 - Limited life
- Market under-served by existing tenant mix
- Low sales performance and market capture

The Old Town Lafayette Vision balance is summarized as follows:

- **Uses**
 - Public Road capital expenses **\$1.0m - \$3.0m**
 - Building retrofits **\$6m to \$10m (\$300m through stabilization)**
 - Maintenance of public spaces **\$250K per year**
- **Sources**
 - CRA dollars
 - Loan pool
 - City grants / loans
 - Special district (5 mils) **\$80K per year**
 - Public Improvement Fee
 - Reconstituted TIF
 - Reset the base and start over
 - Combine TIF districts (**\$11.6m property, \$7.5m sales**)
 - Residential uses (**\$6.4m property**)

Assumptions inherent in the figures presented above include:

- Public Road improvements will be phased
- Public sector will participate in the adaptation of existing buildings for future tenants
- Property owners in the Study Area will fund the on-going maintenance of public spaces
- Tax Increment Financing will be a primary funding source, but that the projected revenue stream within the existing urban renewal area will have to increase (either by redefining its boundaries, resetting the base, starting the TIF clock over, combining existing districts and / or introducing new residential products)

Note: The impact of increasing TIF revenue through these means is summarized in the tables below. The detailed analysis that supports these figures is attached to this memo.



| Existing TIF Estimates (Old Town and South Boulder Road Combined): Through 2020 | |
|--|-----------------------------|
| Property Tax TIF: | \$1.0 million |
| Sales Tax TIF: | \$0.5 million |
| Other Revenue: | <u>\$0.2 million</u> |
| Total Revenue: | \$1.7 million |

| Potential New Development | Old Town | South Boulder Road | Combined Area |
|--|-----------------|---------------------------|----------------------|
| Retail (Sq Ft) | 15,000 | 35,000 | 50,000 |
| Office/Employment (Sq Ft) | 15,000 | 35,000 | 50,000 |
| Residential (2/3 Ownership;1/3 Rental) | 300 | 100 | 400 |

| New URA | Old Town | South Boulder Road | Combined Area |
|------------------|-----------------|---------------------------|-----------------------|
| Property Tax TIF | \$6.1 million | \$5.5 million | \$11.6 million |
| Sales Tax TIF | \$2.3 million | \$5.2 million | \$7.5 million |
| | | | \$19.1 million |

Downtown redevelopment is never easy, but always exciting. It is challenging, and as such requires higher levels of analysis, planning and assistance, in order to attract the right type of investment and developer interest. Downtown, while the heart of the community, is but one subset of a larger market, and as such, has strengths which can be capitalized on and limitations which should be overcome. These limitations, referred to in this report as barriers, pose unique obstacles which require unique solutions. Downtown has a tremendous influence on the economic well-being of the entire region. Regions with stronger downtowns have stronger regional economies. Therefore, it is widely accepted that early projects in any revitalization effort should be assisted at least until market conditions reach levels where new construction can more than support itself. The goal of this financing strategy for the Old Town Lafayette Vision is to assemble a variety of resources that can be used for different line items in the pre-development, development and operating spreadsheets.

TABLE 1
LAFAYETTE URBAN RENEWAL AUTHORITY
DOWNTOWN LAFAYETTE
POTENTIAL TIF ESTIMATES
AUGUST 2011

| <i>Downtown Lafayette Urban Renewal Area</i> | Cumulative Total By: | | | | |
|--|----------------------|--------------------|--------------------|---------------------|---------------------|
| | 2016 | 2021 | 2026 | 2031 | 2036 |
| Incremental Property Tax Revenues | \$93,856 | \$1,171,788 | \$3,704,469 | \$7,383,240 | \$11,601,929 |
| Incremental Sales Tax Revenues | \$78,045 | \$966,641 | \$2,913,126 | \$5,133,916 | \$7,467,990 |
| Total Tax Revenue Increment | \$171,901 | \$2,138,429 | \$6,617,595 | \$12,517,156 | \$19,069,918 |

Source: Ricker+Cunningham.

**TABLE 2
LAFAYETTE URBAN RENEWAL AUTHORITY
DOWNTOWN LAFAYETTE
POTENTIAL TIF ESTIMATES
AUGUST 2011**

Development Program

| | Building SF/Units |
|---|------------------------------|
| New Redevelopment: | |
| Retail | 50,000 |
| Office/Employment | 50,000 |
| Residential (2/3 Ownership; 1/3 Rental) | 400 |

| | | Year | | | | | | | | |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| <i>Estimated Cumulative Development Demand:</i> | | | | | | | | | | |
| Retail | | 0 | 0 | 0 | 0 | 10,000 | 10,000 | 20,000 | 20,000 | 30,000 |
| Office/Employment | | 0 | 0 | 0 | 0 | 10,000 | 10,000 | 20,000 | 20,000 | 30,000 |
| Residential (High-Density) | | 0 | 15 | 30 | 45 | 60 | 80 | 100 | 120 | 140 |
| <i>Estimated Development Market Value:</i> | | | | | | | | | | |
| Retail | \$120 | \$0 | \$0 | \$0 | \$0 | \$1,248,725 | \$1,261,212 | \$2,547,648 | \$2,573,125 | \$3,898,284 |
| Office/Employment | \$120 | \$0 | \$0 | \$0 | \$0 | \$1,248,725 | \$1,261,212 | \$2,547,648 | \$2,573,125 | \$3,898,284 |
| Residential (High-Density) | \$160,000 | \$0 | \$2,424,000 | \$4,896,480 | \$7,418,167 | \$9,989,798 | \$13,452,929 | \$16,984,322 | \$20,584,999 | \$24,255,990 |
| <i>Estimated Development Assessed Value:</i> | | | | | | | | | | |
| Retail | 29% | \$0 | \$0 | \$0 | \$0 | \$362,130 | \$365,751 | \$738,818 | \$746,206 | \$1,130,502 |
| Office/Employment | 29% | \$0 | \$0 | \$0 | \$0 | \$362,130 | \$365,751 | \$738,818 | \$746,206 | \$1,130,502 |
| Residential (High-Density) | 7.96% | \$0 | \$192,950 | \$389,760 | \$590,486 | \$795,188 | \$1,070,853 | \$1,351,952 | \$1,638,566 | \$1,930,777 |
| <i>Estimated Development Property Tax Revenues (80 mills):</i> | | | | | | | | | | |
| Retail | 0.08000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$28,970 | \$29,260 | \$59,105 | \$59,696 |
| Office/Employment | 0.08000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$28,970 | \$29,260 | \$59,105 | \$59,696 |
| Residential (High-Density) | 0.08000 | \$0 | \$0 | \$15,436 | \$31,181 | \$47,239 | \$63,615 | \$85,668 | \$108,156 | \$131,085 |
| Total Property Tax Revenues from New Development: | | \$0 | \$0 | \$15,436 | \$31,181 | \$47,239 | \$121,556 | \$144,188 | \$226,367 | \$250,478 |
| Total Property Tax Revenues from Existing Development: | | \$1,331,382 | \$1,344,696 | \$1,344,696 | \$1,358,143 | \$1,358,143 | \$1,371,724 | \$1,371,724 | \$1,385,441 | \$1,385,441 |
| Total Property Tax Revenues: | | \$1,331,382 | \$1,344,696 | \$1,360,132 | \$1,389,324 | \$1,405,382 | \$1,493,280 | \$1,515,913 | \$1,611,808 | \$1,635,920 |
| Existing Property Tax Base: | | \$1,331,382 | \$1,344,696 | \$1,344,696 | \$1,358,143 | \$1,358,143 | \$1,371,724 | \$1,371,724 | \$1,385,441 | \$1,385,441 |
| Total Property Tax Increment: | | \$0 | \$0 | \$15,436 | \$31,181 | \$47,239 | \$121,556 | \$144,188 | \$226,367 | \$250,478 |

| | | Year | | | | | | | | |
|---|--------------|------------|------------|------------|------------|-----------------|-----------------|------------------|------------------|------------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| <i>Annual Sales Tax Revenue Estimates</i> | | | | | | | | | | |
| Estimated Cumulative Retail Development: | | 0 | 0 | 0 | 0 | 10,000 | 10,000 | 20,000 | 20,000 | 30,000 |
| Estimated Taxable Retail Sales from New Development: | \$250 | \$0 | \$0 | \$0 | \$0 | \$2,601,510 | \$2,627,525 | \$5,307,601 | \$5,360,677 | \$8,121,425 |
| Total Sales Tax Revenues from New Development: | 3.00% | \$0 | \$0 | \$0 | \$0 | \$78,045 | \$78,826 | \$159,228 | \$160,820 | \$243,643 |
| Total Sales Tax Revenue from Existing Development: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Sales Tax Revenues: | | \$0 | \$0 | \$0 | \$0 | \$78,045 | \$78,826 | \$159,228 | \$160,820 | \$243,643 |
| Existing Sales Tax Base: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Sales Tax Increment: | | \$0 | \$0 | \$0 | \$0 | \$78,045 | \$78,826 | \$159,228 | \$160,820 | \$243,643 |

Source: Ricker+Cunningham.

**TABLE 2
LAFAYETTE URBAN RENEWAL AUTHORITY
DOWNTOWN LAFAYETTE
POTENTIAL TIF ESTIMATES
AUGUST 2011**

Development Program

| | Building SF/Units |
|---|------------------------------|
| New Redevelopment: | |
| Retail | 50,000 |
| Office/Employment | 50,000 |
| Residential (2/3 Ownership; 1/3 Rental) | 400 |

| Annual Property Tax Revenue Estimates | | Year | | | | | | | |
|--|---|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| <i>Estimated Cumulative Development Demand:</i> | | | | | | | | | |
| | Retail | 30,000 | 40,000 | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Office/Employment | 30,000 | 40,000 | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Residential (High-Density) | 165 | 190 | 215 | 240 | 265 | 290 | 315 | 340 |
| <i>Estimated Development Market Value:</i> | | | | | | | | | |
| | Retail | \$120 | \$3,937,267 | \$5,302,186 | \$5,355,208 | \$6,760,950 | \$6,828,560 | \$6,896,845 | \$6,965,814 |
| | Office/Employment | \$120 | \$3,937,267 | \$5,302,186 | \$5,355,208 | \$6,760,950 | \$6,828,560 | \$6,896,845 | \$6,965,814 |
| | Residential (High-Density) | \$160,000 | \$28,873,291 | \$33,580,513 | \$38,378,991 | \$43,270,081 | \$48,255,155 | \$53,335,603 | \$58,512,835 |
| <i>Estimated Development Assessed Value:</i> | | | | | | | | | |
| | Retail | 29% | \$1,141,807 | \$1,537,634 | \$1,553,010 | \$1,960,676 | \$1,980,282 | \$2,000,085 | \$2,020,086 |
| | Office/Employment | 29% | \$1,141,807 | \$1,537,634 | \$1,553,010 | \$1,960,676 | \$1,980,282 | \$2,000,085 | \$2,020,086 |
| | Residential (High-Density) | 7.96% | \$2,298,314 | \$2,673,009 | \$3,054,968 | \$3,444,298 | \$3,841,110 | \$4,245,514 | \$4,657,622 |
| <i>Estimated Development Property Tax Revenues (80 mills):</i> | | | | | | | | | |
| | Retail | 0.08000 | \$90,440 | \$91,345 | \$123,011 | \$124,241 | \$156,854 | \$158,423 | \$160,007 |
| | Office/Employment | 0.08000 | \$90,440 | \$91,345 | \$123,011 | \$124,241 | \$156,854 | \$158,423 | \$160,007 |
| | Residential (High-Density) | 0.08000 | \$154,462 | \$183,865 | \$213,841 | \$244,397 | \$275,544 | \$307,289 | \$339,641 |
| | Total Property Tax Revenues from New Development: | | \$335,343 | \$366,554 | \$459,862 | \$492,879 | \$589,252 | \$624,134 | \$659,655 |
| | Total Property Tax Revenues from Existing Development: | | \$1,399,296 | \$1,399,296 | \$1,413,289 | \$1,413,289 | \$1,427,422 | \$1,427,422 | \$1,441,696 |
| | Total Property Tax Revenues: | | \$1,734,638 | \$1,765,850 | \$1,873,151 | \$1,906,168 | \$2,016,674 | \$2,051,556 | \$2,101,351 |
| | Existing Property Tax Base: | | \$1,399,296 | \$1,399,296 | \$1,413,289 | \$1,413,289 | \$1,427,422 | \$1,427,422 | \$1,441,696 |
| | Total Property Tax Increment: | | \$335,343 | \$366,554 | \$459,862 | \$492,879 | \$589,252 | \$624,134 | \$659,655 |

| Annual Sales Tax Revenue Estimates | | Year | | | | | | | |
|---|---|--------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| | Estimated Cumulative Retail Development: | 30,000 | 40,000 | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Estimated Taxable Retail Sales from New Development: | \$250 | \$8,202,640 | \$11,046,221 | \$11,156,683 | \$14,085,313 | \$14,226,166 | \$14,368,428 | \$14,512,112 |
| | Total Sales Tax Revenues from New Development: | 3.00% | \$246,079 | \$331,387 | \$334,701 | \$422,559 | \$426,785 | \$431,053 | \$435,363 |
| | Total Sales Tax Revenue from Existing Development: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total Sales Tax Revenues: | | \$246,079 | \$331,387 | \$334,701 | \$422,559 | \$426,785 | \$431,053 | \$435,363 |
| | Existing Sales Tax Base: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total Sales Tax Increment: | | \$246,079 | \$331,387 | \$334,701 | \$422,559 | \$426,785 | \$431,053 | \$435,363 |

Source: Ricker+Cunningham.

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|---|------------------------------|
| New Redevelopment: | |
| Retail | 50,000 |
| Office/Employment | 50,000 |
| Residential (2/3 Ownership; 1/3 Rental) | 400 |

| Annual Property Tax Revenue Estimates | | Year | | | | | | | |
|--|---|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 |
| <i>Estimated Cumulative Development Demand:</i> | | | | | | | | | |
| | Retail | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Office/Employment | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Residential (High-Density) | 365 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| <i>Estimated Development Market Value:</i> | | | | | | | | | |
| | Retail | \$120 | \$7,105,827 | \$7,176,885 | \$7,248,654 | \$7,321,140 | \$7,394,352 | \$7,468,295 | \$7,542,978 |
| | Office/Employment | \$120 | \$7,105,827 | \$7,176,885 | \$7,248,654 | \$7,321,140 | \$7,394,352 | \$7,468,295 | \$7,542,978 |
| | Residential (High-Density) | \$160,000 | \$69,163,379 | \$76,553,438 | \$77,318,973 | \$78,092,163 | \$78,873,084 | \$79,661,815 | \$80,458,433 |
| <i>Estimated Development Assessed Value:</i> | | | | | | | | | |
| | Retail | 29% | \$2,060,690 | \$2,081,297 | \$2,102,110 | \$2,123,131 | \$2,144,362 | \$2,165,806 | \$2,187,464 |
| | Office/Employment | 29% | \$2,060,690 | \$2,081,297 | \$2,102,110 | \$2,123,131 | \$2,144,362 | \$2,165,806 | \$2,187,464 |
| | Residential (High-Density) | 7.96% | \$5,505,405 | \$6,093,654 | \$6,154,590 | \$6,216,136 | \$6,278,298 | \$6,341,080 | \$6,404,491 |
| <i>Estimated Development Property Tax Revenues (80 mills):</i> | | | | | | | | | |
| | Retail | 0.08000 | \$163,223 | \$164,855 | \$166,504 | \$168,169 | \$169,850 | \$171,549 | \$173,264 |
| | Office/Employment | 0.08000 | \$163,223 | \$164,855 | \$166,504 | \$168,169 | \$169,850 | \$171,549 | \$173,264 |
| | Residential (High-Density) | 0.08000 | \$406,204 | \$440,432 | \$487,492 | \$492,367 | \$497,291 | \$502,264 | \$507,286 |
| | Total Property Tax Revenues from New Development: | | \$732,650 | \$770,143 | \$820,500 | \$828,705 | \$836,992 | \$845,362 | \$853,815 |
| | Total Property Tax Revenues from Existing Development: | | \$1,456,113 | \$1,456,113 | \$1,470,674 | \$1,470,674 | \$1,485,381 | \$1,485,381 | \$1,500,235 |
| | Total Property Tax Revenues: | | \$2,188,763 | \$2,226,256 | \$2,291,174 | \$2,299,379 | \$2,322,373 | \$2,330,742 | \$2,354,050 |
| | Existing Property Tax Base: | | \$1,456,113 | \$1,456,113 | \$1,470,674 | \$1,470,674 | \$1,485,381 | \$1,485,381 | \$1,500,235 |
| | Total Property Tax Increment: | | \$732,650 | \$770,143 | \$820,500 | \$828,705 | \$836,992 | \$845,362 | \$853,815 |

| Annual Sales Tax Revenue Estimates | | Year | | | | | | | |
|---|---|--------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 |
| | Estimated Cumulative Retail Development: | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Estimated Taxable Retail Sales from New Development: | \$250 | \$14,803,805 | \$14,951,843 | \$15,101,362 | \$15,252,375 | \$15,404,899 | \$15,558,948 | \$15,714,538 |
| | Total Sales Tax Revenues from New Development: | 3.00% | \$444,114 | \$448,555 | \$453,041 | \$457,571 | \$462,147 | \$466,768 | \$471,436 |
| | Total Sales Tax Revenue from Existing Development: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total Sales Tax Revenues: | | \$444,114 | \$448,555 | \$453,041 | \$457,571 | \$462,147 | \$466,768 | \$471,436 |
| | Existing Sales Tax Base: | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total Sales Tax Increment: | | \$444,114 | \$448,555 | \$453,041 | \$457,571 | \$462,147 | \$466,768 | \$471,436 |

Source: Ricker+Cunningham.