PIONEER DEVELOPMENT COMPANY

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Lucile's Creole Café Gap Funding Analysis

Town of Erie

November 19, 2024

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Town of Erie Urban Renewal Authority
Town of Erie, Colorado

Dear Julian,

Pioneer Development Company (PDC) has been engaged by the Town of Erie Urban Renewal Authority (TOEURA) to review a redevelopment project requesting financial assistance within the Historic Old Town Urban Renewal Plan. This assistance would be provided by a public private partnership between TOEURA and the developer and would leverage Tax Increment Financing (TIF).

The proposed redevelopment would expand and improve the existing **Lucile's Creole Cafe,** a restaurant located at 554 Briggs Street. The property owner, who also operates the restaurant, intends to develop the adjacent parcel (544 Briggs Street) as part of the restaurant, effectively increasing their usable space by 1618 Square feet. The redevelopment is in alignment with the Historic Old Town Urban Renewal Plan, especially the Plan's #7,9,10,19,20 and 21 Objectives. The restaurant requires improvements to its existing space and is also constrained seasonally due to a lack of space during the winter months. In order to expand their restaurant without jeopardizing cash flow, the ownership intends to develop a second 1,618 SF building on their adjacent parcel. When complete, the existing building (2,016 SF) can be then be upgraded without pausing operations. Once the full project is complete, Lucile's Creole Café will have effectively expanded its business and become more sustainable by adding indoor seating. The owner is requesting additional funding resources to help construct the new building on site.

The Town of Erie URA and the site owner/developer provided project information, marketing information, budgets, and proformas that were reviewed and evaluated by this Gap Funding Report.

This development review is intended to provide a third-party, objective evaluation of market assumptions and development and operating proformas to inform public investment decision-making. This review also evaluates (TIF) projections and compares this future tax revenue to the funding gap evaluated. This memorandum summarizes PDC's review and findings.

Andrew Arnold
Founder | Principal
Pioneer Development Company
Durango, Colorado

CC: Jack Hill

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Executive Summary

Lucile’s Creole Café Gap Funding Analysis:

This report evaluates the Lucile Creole Café’s expansion project at 544 Briggs Street in Erie, Colorado and the public funding that may be required to make this project feasible. Lucile’s Creole Café is a restaurant located within the Town of Erie’s Historic Old Town Urban Renewal Plan. The restaurant is proposing to expand its operations onto an adjacent property (544 Briggs Street), adding a new building and ~1,618 square feet. The properties are owned by Bourbon on Briggs LLC, with Lucile’s Creole Café the tenant. The restaurant operator is also part owner.

The property owner and operator require this expansion for two reasons:

1) the restaurant is heavily impacted by seasonality. In the summer months, the restaurant can make use of its outdoor patio, providing additional seats that help with cash flow. In the winter months, however, seating is limited to the existing building. Sales are reduced during these months, risking the restaurant’s sustainability.
2) The existing building requires major capital improvements, including repairs to the kitchen, plumbing and structure. Conducting these improvements without access to additional space would effectively shut down the restaurant’s operations for an extended time period and jeopardize both the landowner’s and restaurant’s business.

Bourbon on Briggs LLC (The Developer) is seeking a public private partnership with the Town of Erie Urban Renewal Authority (TOEURA) and has submitted a Tax Increment Financing (TIF) request to the Town’s economic development and urban renewal staff. This request included a narrative explaining their businesses situation as well as a development proforma. The developer is requesting a TIF reimbursement agreement with TOEURA, but has not specified the amount needed to make their project viable. The developer maintains that ***but for*** TOEURA’s assistance, this project could not proceed as envisioned. This Report’s purpose is to evaluate the proposed development’s feasibility and estimate the amount of TIF necessary to close potential funding gaps.

The development proposal would redevelop the adjacent vacant parcel located at 544 Briggs Street into a new restaurant building with a covered porch area. This building would have a second kitchen, bathroom, dining room, and roughly double the existing restaurant’s operations. This new building will be 1,618 square feet in area and be set back to share the outdoor patio space with the existing restaurant. This development will help expand a popular restaurant within Erie’s Historic Old Town Urban Renewal Plan area, while also affording the opportunity to repair deferred maintenance on its existing facility without jeopardizing the businesses financial viability. The project represents a commercial retail opportunity within TOEURA’s Historic Old Town Urban Renewal Plan area, one that aligns with the Plan’s specific objectives (# #7,9,10,19,20 and 21) and urban renewal activities.

PDC evaluated this development on behalf of TOEURA to determine if a feasibility gap exists with the proposed project and if financial support is necessary to achieve market returns. This report provides a detailed analysis of the project’s assumptions benchmarked to the market. The analysis also performs a gap funding range analysis on various levels of financial assistance and examines the effect on return indicators. Finally, the report estimates TIF generated by the project as proposed. These estimates are compared with the funding gap to determine the revenue sharing range necessary for ensuring the Project's financial feasibility per market benchmarks.

After completing the analysis, **the Reviewers find that Lucile's Creole Café Redevelopment project will require funding assistance to become financially feasible.** The Gap Funding assistance range and its associated target market indicators are included in the tables below:

ROI Indicator	Description	Market Target
Return-on-Cost	Net Operating Income at Stabilization before debt service as % of Project Cost	7.0% to 8.0%
Internal Rate of Return (IRR, unleveraged, Pre-Tax Yield)	Annual revenue and asset sale over 10 years as return on development costs.	8.75% to 9.5%
Net Present Value (NPV)	Sum of Present Value Future Cash Flows, discounted at the appropriate Market Rate, less the initial Cash Outlay.	> $0

ROI Indicator	Market Target	GAP Funding Range[1]		
Estimated Gap (Stabilized Year)		***$90,000***	***$95,000***	***$100,000***
Return-on-Cost	**7.0% to 8.0%**	**7.45%**	**7.52%**	**7.59%**
IRR, Unlevered	**8.75% to 9.50%**	**8.73%**	**8.84%**	**8.96%**
NPV	**> $0**	**-$220**	**$4,780**	**$9,780**

Tax Increment Financing Projections

The development as proposed requires approximately $95,000 in gap funding to achieve financial feasibility based on market benchmarks and current investment metrics. The developer has proposed a TIF sharing agreement with TOEURA to overcome this funding gap. This Report evaluated the Project's taxable value to determine its future property and sales tax generation.

TOEURA's Historic Old Town Urban Renewal Plan was formed in 2013 and is set to expire in 2038. This leaves only 14 years to date when incremental revenues can be generated. This Report's TIF projection isolates the proposed project and only estimates incremental tax revenues generated by the new development. Incremental revenues generated outside this specific development but contained within the Historic Old Town Urban Renewal Plan area, are not included in these estimates.

The project is estimated to generate $100,400 in property taxes and $360,000 in sales taxes over the Historic Old Town Urban Renewal Plan's remaining 14 years. When discounted back at a current 10-year

[1] Gap Funding is applied to Construction Equity in this analysis. Gap Funding is assumed to be Present Value.

commercial mortgage rate average for retail use[2], this amount equates to a Net Present Value of $52,000 in property tax increment and $191,000 in sales tax increment.

This report recommends that TOEURA and the developer negotiate a TIF sharing agreement where shared incremental revenue (Present Value) meets or exceeds the estimated funding gap. Because the project as proposed is projected to generate more revenue than is necessary to close the funding gap, the report recommends TOEURA and the developer negotiate a TIF revenue sharing agreement where the net present value of future incremental cash flows equates to ~$100,000. This can be achieved in a variety of ways, such as sharing only a percentage of incremental sales taxes generated by the project or a percentage of incremental property taxes. However, given the current financial markets, **a TIF revenue sharing agreement capped at $200,000 gross increment over the next 14 years would be worth the project's estimated funding gap today.**

The development's TIF forecasts are illustrated in the table below:

Lucile's Creole Café Redevelopment Project – Tax Revenue Estimates Through 2038				
Estimated Base Taxable Value	**$141,240**			
Total New Taxable Real Property Value	**$229,148**			
Total Net Taxable Value	**$87,908**			
Tax Increment Financing Estimates (*Rounded)*	**Gross**	**Net Present Value**	**Annual Average**	**Town of Erie Only**
Total	**$460,400**	**$243,000**	**$31,000**	**$61,000**
Property Tax (100% Share)	$100,400	$52,000	$8,000	$1,000
Sales Tax (100% of Town's 3.5% Rate)	$360,000	$191,000	$23,000	$23,000

[2] 6.81% as of November 18, 2024 per select lenders.

Background

Scope of the Review

To benchmark the proposed project to the market, PDC reviewed and provided independent research regarding the following assumptions:

- Independent verification for market assumptions presented in the development proposal,
- Construction costs estimates verification,
- Financial gap analysis,
- Market verification on commercial mortgage loan rates and terms,
- Comparison with market rate investment criteria and yield indicators,
- Assessed Value appraisal and tax increment estimates,
- Potential impacts from current economic uncertainty.

Methodology

The Developer provided a detailed TIF application, architectural plans, and development and operating proformas. The Developer also allowed PDC to interview the development team and interrogate assumptions within their pro forma. This information helped inform this Report's analysis.

The Reviewers conducted independent research into market conditions and development costs to establish a market baseline for evaluating this Project's feasibility. The development's costs were independently verified to determine their reasonableness. Projected revenues, including commercial leases, were contrasted with comparable properties throughout the local and regional market. The same method was used to compare the project's expenses, including commercial operating expenses, absorption, lease-turnover, vacancy, and financial terms to local market realities. Once these assumptions were evaluated, the Reviewers performed a sensitivity analysis on a range of gap funding scenarios. These potential financial gaps were estimated by the Reviewers through an independent rate of return analysis targeting market-based investment expectations. The Reviewers then estimated the development's future property and sales tax revenue using similar assumptions. This TIF estimate was then compared to the Gap Funding Analysis to identify the optimal range for revenue sharing.

Project Basis

Proposed Redevelopment Project (Lucile's Creole Café)	
Weld County PIN	146718311025 and 146718311026
Weld County Account Number	R6778004 and R6778005
Property Owner (Per Assessor)	Rhonda Grassi and Nancy Welch
Street Address	544 Briggs Street and 554 Briggs Street

- The site is ~0.17 acres located along Briggs Street. The site is within TOEURA's Historic Old Town Urban Renewal Plan area and the Town of Erie's municipal limits.
- The proposed project will create a new single-story building. The structure is estimated at ~1,618 Square Feet, featuring dining space, a commercial kitchen, restrooms, and closets.
- The existing structure (Lucile's Creole Café) is estimated at ~2,016 square feet and is assumed to undergo capital improvements once the new building is completed.
- The proposed new restaurant is assumed to generate retail sales equating to $420 per square foot. The existing building's improvements are expected to increase current retail sales by $25 per square foot.
- The project will feature a common patio area utilized by the restaurant.
- The developer has not indicated whether this development will be self-financed or will require debt financing. This report assumes that the developer will self-finance the project, and does not compare financial terms with current market benchmarks.

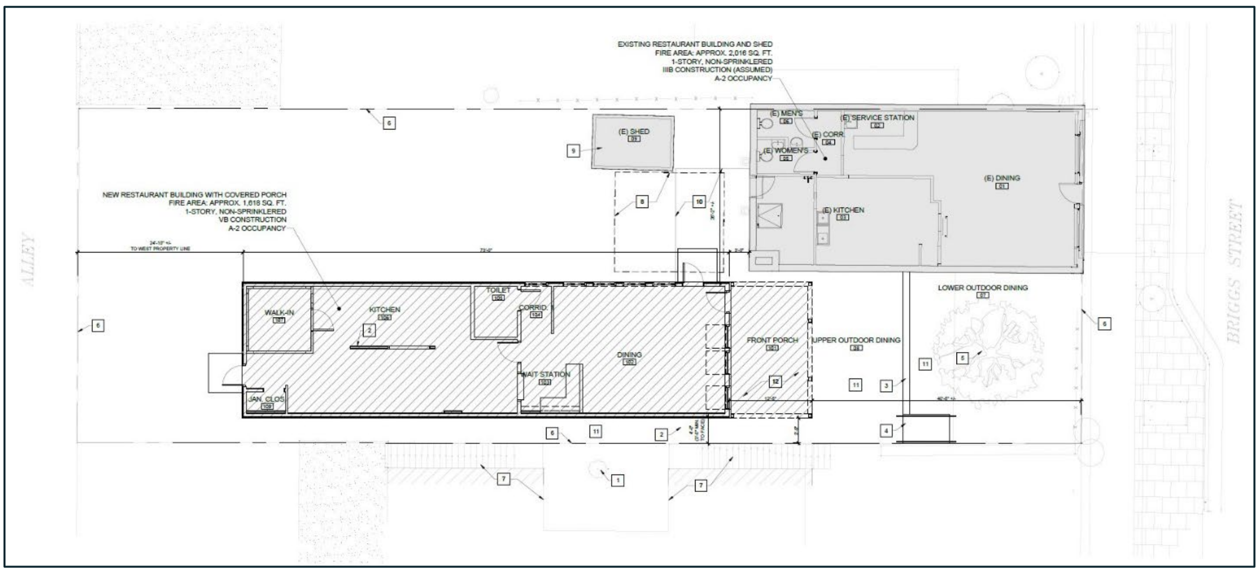

Figure 1 – Proposed Development Architectural Plans.

Current Economic Environment

The Town of Erie straddles two distinct submarket areas within Colorado, the Boulder submarket and Greely submarket. These submarkets are robust and growing. The Boulder submarket is home to several fortune 500 companies, has historically attracted tech companies, and is home to the University of Colorado main campus. In terms of retail commercial development, Boulder's asking rents are beginning to grow after suffering downturns triggered by e-commerce and the covid pandemic. Last year, boulder's retail asking rents grew by 1.8%, which is more aligned with the national benchmark of 2.0%. There is roughly 220,000 SF of retail development in the boulder submarket pipeline, although these projects take longer to realize due to strict zoning and planning standards. Overall, the boulder submarket enjoys higher asking rents than the Greely submarket, indicating increased demand as well as higher costs to doing business.

The Greely retail submarket poised for rapid growth, driven largely by the explosive population growth seen over the past decade. The Greely submarket is also more business friendly than the boulder submarket, and has 100,000 SF of retail space currently under construction. Vacancy rates in the Greely submarket have remained 3% over the past decade, indicating that supply is struggling to keep up with the region's demand. Market rents, however, are roughly $10 per square foot (NNN) less than in the Boulder Submarket. These rates only grew at 1.6% last year, highlighting the dynamic race between a growing population and new commercial retail development.

The Town of Erie is located within both submarkets, making it challenging to identify comparable retail businesses and market benchmarks. While both submarkets enjoy healthy growth and demand, their respective asking rents and expenses are very different. The town of Erie also lacks a significant number of restaurants or retail establishments, currently. While commercial development is in the Town's construction pipeline, these establishments are years away from being completed. The town has experienced explosive residential growth since 2010, increasing its population by over 22,000 residents between the 2010 and 2020 census. These factors indicate strong demand for increased retail establishments within the Town, but uncertainty around where asking rents and other market benchmarks will land. The proposed development will need to be benchmarked using a hybrid between both the Boulder and Greely submarkets.

In general, looking beyond Erie and its respective submarkets, Colorado's retail sector economic troubles that pre-dated the pandemic years appear to be fading. This is especially true of retail tenants focused on restaurants, bars and grocery stores. These retail establishments are expected to show strong demand in the coming years. The U.S. Census bureau reported 4.9% retail and food service sales gains through October 2023. Eating and drinking establishments, which are being proposed for this development, reported 11.5% growth during the same period. This growth indicates strong demand for specific restaurant services in the coming years.

Integra Realty Resources categorized the Denver Metro area's as in a "recovery" mode, meaning that vacancy rates are decreasing, absorption is stabilizing, and rents will see some moderate growth. Cap rates in this market are among the lowest in the nation, almost 50 basis points lower than the fast-growing southern US Region. However, housing affordability is a cause for concern. When households become cost-burdened (monthly housing costs exceed 30% or more of monthly income), retail expenditures decline. Given the area's decreasing housing affordability, this could impact future retail spending. CoStar's retail market summary for the Denver Metro area, as well as the Boulder and Greely submarkets, claims that retail demand remains in a position of strength. Vacancy rates remain low and new construction is modest. These factors will help new retail development remain competitive in the coming years.

To account for current economic conditions over a 10-year proforma, the Reviewers have estimated growth in rental/leasing rates and operating expenses to be 3% annually. The Reviewers also assume that this development's asking rents (NNN) will be closer to the Boulder submarket average than the Greely submarket average. This assumption reflects the developer's optimism that rental growth at this property will exceed market averages over the next two years.

Project Assumptions

Development Program

The Reviewers have evaluated this proposed development from the perspective of an open market. This analysis assumes that the proposed restaurant expansion is being developed as a for-lease product.

The following chart compares the as-proposed development proforma assumptions with PDC's market-derived assumptions.

Assumptions	As Proposed	Market Estimate	Comments
Use Type			
Residential Units	0	-	No Residential is being proposed.
Commercial Retail	1,618	-	The Reviewers assume that commercial space will be leased to maximize NOI. Commercial leases are assumed NNN.
Commercial Component			
Commercial Retail Leasing Rates Per Square Foot	$31 psf	$27.50 psf	The restaurant owner is also the operator. Currently, lease is charged as 6% of annual sales. In 2023, this equated to approximately $31 psf. However, this rate is not an indicator of the property's true asking rent if it were available in today's market. The new space is also likely to lower this lease rate simply because of scale. The reviewers evaluated comparable restaurants around the boulder and greely submarket and found that ~$28 psf asking rents are more in line with this proposed development's space. Reviewer's estimate based on a comparison of commercial retail space leases and expenses in the market area and within comparable mixed-use properties. Assumes NNN leases.
Commercial Retail Operating Expenses	N/A	$12.00 psf	Operating expenses based on comparable properties and estimated taxes. Developer is also owner and did not provide operating expenses based on a PSF estimate.
Growth Rate			The Reviewers growth rate is based on interviews with the Developer. Reviewers assume 3% annualized growth rates for revenue and expenses.
Revenue	3%	3%	
Expenses	3%	3%	
Financing Component			
Debt			The developer did not provide financing terms as part of their pro forma. Reviewers assume that developers are self-financing development.
Loan: Value Ratio	N/A	60% - 70%	
Interest Rate	N/A	7.00%	
Amortization	N/A	20-30 Years	

Capitalization Rates			
Stabilized – Retail	N/A	7.00%	Economic and market conditions in Denver Metro, Boulder, and Greely submarkets out perform national and west region averages by ~25 basis points. Retail cap rates, especially for food service tenants, are forecast to remain stable in the coming years. The going-in (stabilized) cap rate used in this Review reflects these market expectations. Typically, exit cap rates (at asset liquidation) are 50 to 150 basis points higher than going-in rates. The reviewers used a 75-basis point increase for liquidated capitalization rates.
Liquidated – Retail	N/A	7.75%	
Return on Investment Metrics			
Target Yield			
Yield Rate (IRR Unlevered)	n/a	8.75% to 9.0%	Market-based target yield rates are used to estimate the financial gap. These yield rates represent a blended return based on market surveys for retail commercial property investments. The NPV is calculated using the blended pre-tax yield rate. This is the rate of interest that discounts pre-tax income-tax cash flows received on an unlevered investment back to a present value that is exactly equal to the original equity investment.
Return on Cost	n/a	7.0% to 8.0%	
Net Present Value	n/a	> 0	
Development Cost			
Development Cost	**$615,000**	**$660,000**	The Reviewer's estimated development cost is based on the project concept as understood by the Reviewer using cost guide approximations. The Developer's estimated development costs are within 10% of the Reviewer's estimate and considered reasonable. The Reviewer's cost estimate was used in estimating the feasibility gap.

1. Source: CoStar, RERC; Realtyrates.com; RS Means; Zillow; CBRE; DMCAR; NAR, Commercial Real Estate Finance Co. of America, CommercialLoanDirect.com, Integra Realty Resources, Hoyt Advisory Services; NMHC/NAA; U.S. Census Bureau; RealPage, fixr.com, Statista: Denver, Fannie Mae, EV Studio, ARGUS College, Pioneer Development Company.

Estimated Feasibility Gap

Based on investor surveys and market data reviewed by PDC, the following target rates are used to proxy investment hurdle rates of return. In other words, it is assumed the cash flow projections must yield rates within the following ranges to be considered attractive to the market. Return On Investment (ROI) estimates are based upon stabilization in 2027, designated as Year 2 of the Proforma.

ROI Indicator	Description	Market Target
Return-on-Cost	Net Operating Income at Stabilization before debt service as % of Project Cost	7.0% to 8.0%
Internal Rate of Return (IRR, unleveraged, Pre-Tax Yield)	Annual revenue and asset sale over 10 years as return on development costs.	8.75% to 9.5%
Net Present Value (NPV)	Sum of Present Value Future Cash Flows, discounted at the appropriate Market Rate, less the initial Cash Outlay.	> $0

The following Gap Funding range analysis illustrates the application of total GAP funding against construction cost during the first year of construction.

ROI Indicator	Market Target	GAP Funding Range[3]		
Estimated Gap (Stabilized Year)		***$90,000***	***$95,000***	***$100,000***
Return-on-Cost	**7.0% to 8.0%**	**7.45%**	**7.52%**	**7.59%**
IRR, Unlevered	**8.75% to 9.50%**	**8.73%**	**8.84%**	**8.96%**
NPV	**> $0**	**-$220**	**$4,780**	**$9,780**

The development project as proposed indicates a **financial gap of approximately $95,000 to $100,000.** The gap funding range analysis reveals that the project will begin to achieve market target rates for "return-on-cost", unleveraged IRR and Net Present Value with **$95,000 in gap funding.**

To achieve market target rates, this Gap Funding estimate is assumed to be applied to construction equity. The funding, therefore, is estimated as **a net present value of at least $95,000. This review estimates that the project will achieve target market hurdle rates at this level of public funding.**

Because the developer is proposing a TIF reimbursement agreement, this agreement should be structured so that its future tax increment cash flows, when discounted back at current lending rates, equates to at least $95,000 in present value.

[3] Gap Funding is applied to Construction Equity in this analysis. Gap Funding is assumed to be Present Value.

Feasibility Gap Analysis

The proposed development has unique challenges that were considered in this analysis. This section will provide an explanation of these challenges and how they were considered by the analysis when estimating potential funding gaps.

Retail Component

The project's commercial retail component features an existing 2,016 square foot restaurant and a proposed 1,618 square foot new restaurant building. The Developer's pro forma indicates that this space will help increase the restaurant's existing annual sales by over 60% and allow the property owner to make repairs on the existing commercial space. The restaurant operator is also part owner, meaning that they do not have traditional lease rate. The current arrangement is that 6% of annual sales are allocated as rent. This equates to ~$31 per square foot based on 2023 total sales and the existing 2,016 SF commercial space. Using projected sales and the increased square footage of the proposed new restaurant building, the developer's lease rate would fall to $29 per square foot.

Both lease rates are much higher than the Town's average retail asking rent of $24 per square foot. They are also higher than the Boulder submarket's $28 per square foot average, and much higher than the Greely submarkets $198 per square foot average.

The Reviewers elected to assume this development, both new and existing, was treated as leasable restaurant space. Being both the property owner and tenant, it is inaccurate to use their 6% of gross sales method to estimate lease rates. Given this assumption, the reviewers used $27.50 per square foot as the asking rent. This assumes that the lease is triple net (NNN). Expenses, including CAM, Insurance and Taxes, are $12.00 per Square Foot. Rents and expenses are assumed to escalate by 3% annually.

Development Risk

Project proformas are projections and always carry market and other risks impacting costs, operations, and ROI. In reviewing this project, the following risks are summarized amongst other potential risks:

- Increased competition and prolonged inflation may decrease sales and increase financial risks with both the business and development;
- Capitalization Rates may be lower than can be realized, making the gap higher than expected;
- Potential Rent Concessions as a deduction to asking rents may become more common in the market;
- Public participation by the Town of Erie Urban Renewal Authority and the Town of Erie may be limited; and
- Current economic uncertainty as previously described.

Tax Increment Financing Projections

This Gap Funding analysis also analyzed the proposed development's tax projections. These projections were then used to estimate the amount of tax increment financing (TIF) that is likely to be generated by this project. This TIF forecast considers Weld County assessments, the property's overlapping millage rate, and the Town of Erie's existing tax rate.

The Reviewers estimated TIF by assuming both properties, 544 and 554 Briggs street, were part of their own, district Urban Renewal Plan area. This isolated the development's existing base value and helped project future property and sales tax increment based only on new development at this site.

The Reviewer's estimate the Project's taxable value at $229,148. This taxable value does not represent the cost to develop the project or its market value. Instead, this taxable represents the equalized commercial assessments. In general, property assessments run about 70%-80% of market value. The property's current taxable value is $141,240. This is essentially the base value, making the Project's incremental taxable value $87,908. The Reviewers used this incremental taxable value to project future tax revenues and TIF.

The Historic Old Town Urban Renewal Plan is set to expire in 2038, meaning that 2038 is final year the Project can generate incremental revenue[4]. The reviewers also assume that 100% of the property's overlapping millage rate is eligible for TIF (currently 103.086 mills). Sales tax was also forecast using the Town of Erie's 3.5% sales tax rate. The project's retail space is assumed to generate a weighted average of $200 per square foot in annual sales ($420 psf for the new building, and only $25 psf for the existing building's improvements).

The Reviewers modeled property and sales tax increment based on these assumptions. The model was adjusted for inflation and biennial reassessments. The Project is expected to generate ~$100,400 in property tax increment and $360,000 in sales tax increment over the next 14 years, until the Plan area sunsets in 2038. When discounted at a 6.81% rate, this forecast equates to $52,000 in property tax TIF (present value), and $191,000 in sales tax TIF (present value).

These present value TIF estimates are instructive when compared to the Project's estimated Gap Funding. The Reviewers estimate that the Project has a $95,000 funding gap, which is present value. These TIF forecasts can be compared with the funding gap to strategize a revenue sharing strategy that makes the project feasible.

TOEURA's position on revenue sharing is to share a percent of a project's property tax increment, generated by the project, with that project. This traditionally has been structured as a revenue sharing agreement where a percentage of the project's TIF is reimbursed to the developer, which is also capped at a not-to-exceed amount. This report recommends either sharing a specific percentage of the project's property and/sales tax TIF with the development, or capping gross tax increment reimbursements to a specific amount. Either strategy should be structured to achieve a present value equivalent to at least $95,000. These recommendations are purely financial, and do not consider the political feasibility of this project and its revenue sharing strategies.

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[4] Property tax increment will be collected in 2039, since property taxes are one year in arrears.

Conclusion

The Reviewer's conclusion is that the developer's request for Gap Funding assistance is reasonable, given current market conditions and the project's costs. The project has been designed to align with TOEURA's vision for this Urban Renewal Plan area and achieve the highest and best use of the site. However, this current proposal is unable to achieve market feasibility without additional funding assistance.

In conclusion, it is the reviewer's opinion that a feasibility gap does exist for the development as proposed, in the range of: **$95,000 to $100,000.** The reviewers recommend that TOEURA work with the developer on a unique revenue sharing agreement to overcome this funding gap.

Appendix

Gap Funding Summary

Scenario:
Lucile's Creole Café Redevelopment Scenario

PROJECT SUMMARY

Property Summary	
Residential Units	0
Rentable SF	1,618
Total Development Cost	$660,000
Development Cost per Rentable Square Foot	$408
Construction Equity	$297,000
ConstructionDebt	$363,000
Proforma	
Year Stabilized	2
Stabilized NOI	$42,488
Stabilized Cap Rate	7.00%
Stabilized Proforma Value	$606,973
Stabilized Value Per RSF	$375
Reversion Value	$715,325
Reversion Cap Rate	7.75%
Growth Rate	3.00%
GAP FUNDING - applied to contruction equity	**$95,000**

Construction Loan Summary
Loan : Cost Ratio
Contruction Loan Term (mos)
Construction Interest Rate
Construction Loan Amount
Construct Loan Per RSF

Perm Loan Summary
Perm Loan : Value Ratio
Perm Loan Amount
Perm Loan Ammortization (yrs)
Perm Interest Rate
Perm Loan Yearly Payment
Perm Term
Perm Loan Balance
Loan Fees/Closing Costs
DSCR
DSCR Loan Amount

[redacted]

Feasibility Indicators (10 yr hold)		Market Target Rate
Cost/Value*	108.7%	
Return on Cost*	7.52%	7.00% to 8.00%
IRR on Project (unleveraged)	8.84%	8.75% to 9.5%
NPV	$ 4,780	8.73%

*Stabilized Year 3

OPERATING PROFORMA

Proforma Year	**CONSTRUCT**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Investment												
Construction Equity	(297,000)											
Construction Debt	(363,000)											
Construction Cost	**(660,000)**											
Operating Income												
Net Income from Property Operations	$0	$0	$42,488	$43,763	$45,076	$46,428	$47,821	$49,255	$50,733	$52,255	$53,823	$55,438
GAP Funding	*$95,000*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NOI	**$95,000**	**$0**	**$42,488**	**$43,763**	**$45,076**	**$46,428**	**$47,821**	**$49,255**	**$50,733**	**$52,255**	**$53,823**	**$55,438**
Unleveraged Cash Flow (NET OF CONST GAP FUNDING)	**($565,000)**	**$0**	**$42,488**	**$43,763**	**$45,076**	**$46,428**	**$47,821**	**$49,255**	**$50,733**	**$52,255**	**$53,823**	**$770,763**
Rates of Return Analysis												
IRR on Project (unleveraged)	**8.84%**											
Return on Cost		0.00%	**7.52%**	7.75%	7.98%	8.22%	8.46%	8.72%	8.98%	9.25%	9.53%	9.81%
xNet Present Value	$4,780											

Luciles Redevelopment																End of URA Timeframe	Last Year of Increment
Combined Annual Proforma		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Absorption Schedule																	
Residential		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial		-	-	-	1,618	2,016	-	-	-	-	-	-	-	-	-	-	-
Total Residential Units		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Commercial SF		-	-	-	1,618	2,016	-	-	-	-	-	-	-	-	-	-	-
Project Total Value																	
Residential		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial		$ -	$ -	$ -	$ 541,135	$ 680,988	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Residential Actual Value		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Commercial Actual Value		$ -	$ -	$ -	**$ 541,135**	**$ 680,988**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Project Taxable Value																	
Residential Ratio	6.90%																
Commercial Ratio	25.0%																
Assessor % Reduction	75%																
Residential Taxable Value		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Taxable Value		$ -	$ -	$ -	$ 101,463	$ 127,685	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Project Assessed Value (Taxable Value)		$ -	$ -	$ -	**$ 101,463**	**$ 127,685**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Estimated Increment																	
Annual NET AV (Assessed Value)		$ -	$ -	$ -	**$ 101,463**	**$ 127,685**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Inflation Factor	1%																
Total NET AV (Inflation Adjusted)		$ -	$ -	$ -	$ 102,478	$ 230,163	$ 232,464	$ 232,464	$ 234,789	$ 234,789	$ 237,137	$ 237,137	$ 239,508	$ 239,508	$ 241,903	$ 241,903	**$ 244,322**
Estimated Base																	
Existing Taxable Value		$ 141,240	$ 144,065	$ 144,065	$ 146,946	$ 146,946	$ 149,885	$ 149,885	$ 152,883	$ 152,883	$ 155,940	$ 155,940	$ 159,059	$ 159,059	$ 162,240	$ 162,240	**$ 165,485**
Base Inflation Factor	2%																
Incremental Taxable Value		$ -	$ -	$ -	$ -	$ 83,217	$ 82,579	$ 82,579	$ 81,906	$ 81,906	$ 81,196	$ 81,196	$ 80,449	$ 80,449	$ 79,663	$ 79,663	**$ 78,837**
Project Sales Tax																	
Sales Tax Rate	3.50%																
Retail SALES		$ -	$ -	$ -	$ 679,560	$ 50,400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales Tax %																	
Total Retail Sales		$ -	$ -	$ -	$ 679,560	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	$ 729,960	**$ 729,960**
Estimated Annual Sales Tax		$ -	$ -	$ -	$ 23,785	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	**$ 25,549**
Property Tax TIF Estimates	*Plan Yr -->*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Property Tax																	
Total Incremental Taxable Value		$ -	$ -	$ -	$ -	$ 83,217	$ 82,579	$ 82,579	$ 81,906	$ 81,906	$ 81,196	$ 81,196	$ 80,449	$ 80,449	$ 79,663	$ 79,663	**$ 78,837**
Mill Levy	103.086																
Annual Incremental Estimate		$ -	$ -	$ -	$ -	**$ 8,578**	**$ 8,513**	**$ 8,513**	**$ 8,443**	**$ 8,443**	**$ 8,370**	**$ 8,370**	**$ 8,293**	**$ 8,293**	**$ 8,212**	**$ 8,212**	**$ 8,127**
Discount Rate	6.81%																
NPV	**$51,747**																
Sales Tax TIF Estimate		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Estimated Annual Retail Sales		-	-	-	679,560	729,960	729,960	729,960	729,960	729,960	729,960	729,960	729,960	729,960	729,960	729,960	729,960
Estimated Annual Sales Tax		$ -	$ -	$ -	$ 23,785	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549
Sales Tax Sharing %	100%																
Estimated Sales Tax Increment		$ -	$ -	$ -	$ 23,785	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549	$ 25,549
Inflation Adjustment	1%																
Inflation Adjusted Sales		$ -	$ -	$ -	$ 24,505	$ 26,586	$ 26,852	$ 27,120	$ 27,392	$ 27,665	$ 27,942	$ 28,222	$ 28,504	$ 28,789	$ 29,077	$ 29,367	$ 29,661
Rolling Inflation																	
Discount Rate	6.81%																
NPV /No Inflation	**$175,780**																
NPV w/ Inflation	**$190,714**																