Resolution 24-008: Approving a Reimbursement Agreement with Bourbon on Briggs LLC

TOEURA Board of Commissioners

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Presentation Overview

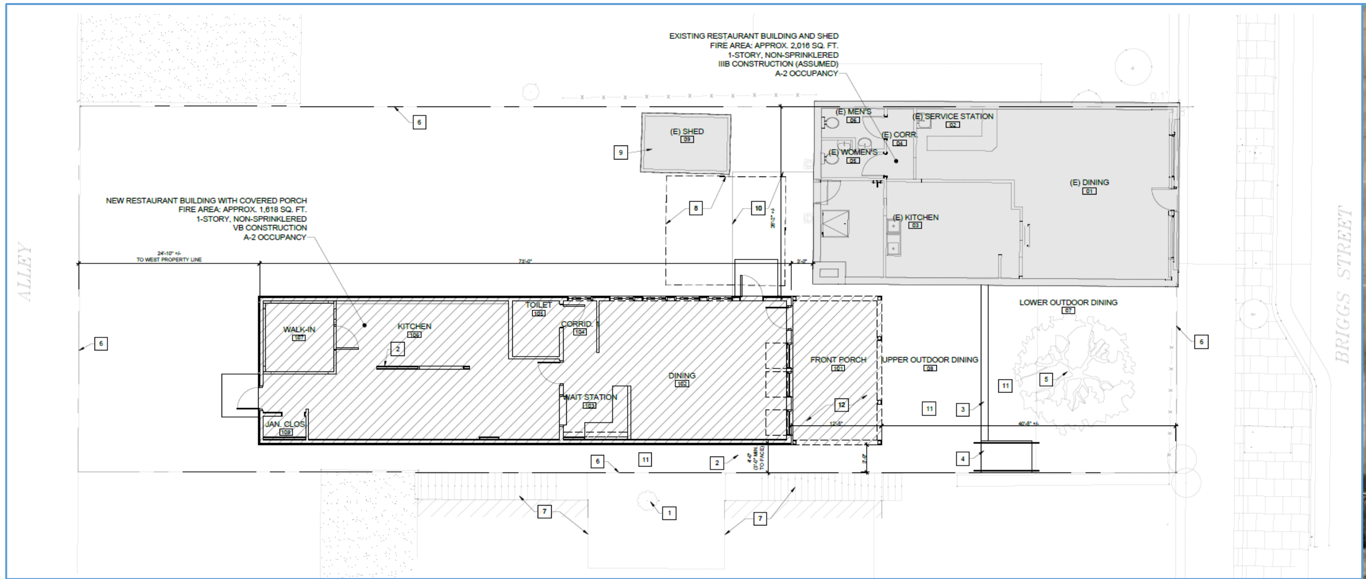
- Request
- Gap Funding Analysis
- Recommendation

TOWN OF ERIE
1874

Request

- Owners propose to expand and improve the existing Lucile’s Creole Café restaurant at 554 Briggs Street.
- To expand their restaurant without jeopardizing cash flow, the owners intend to develop a second 1,618 SF building on their adjacent parcel (544 Briggs Street).
- When complete, the existing building (2,016 SF) can be then be upgraded without pausing operations.
- The owner is requesting additional funding resources to help construct the second building on site.

Request



PROPOSED EAST/FRONT ELEVATION

SCALE: 1/4" = 1'-0"

Gap Funding Analysis

- Determine if a feasibility gap exists with the project and if financial support is necessary to achieve market returns.
- Analyze project assumptions benchmarked to the market. Perform a gap funding range analysis on various levels of financial assistance and examines the effect on return indicators.
- Estimate tax increment financing (TIF) revenue generated by the project, compared to the funding gap to determine the revenue sharing range necessary for ensuring financial feasibility per market benchmarks.

Gap Funding Analysis

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**

- The development as proposed requires approximately **$95,000** in gap funding to achieve financial feasibility based on market benchmarks and current investment metrics.

Gap Funding Analysis

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

- Recommend a TIF revenue sharing agreement capped at **$200,000 gross increment** to achieve the project's $95,000 estimated funding gap today.

Recommendation

- Approve Resolution 24-008, fully executing a Reimbursement Agreement with Bourbon on Briggs, LLC:
  - Validates $95,000 funding gap in project financing
  - Reimburses up to $200,000 in gross increment generated by project for period of 10 years to achieve $95,000 funding gap, expiring on Dec. 31, 2036, whichever first occurs:
    - 100% of property tax increment (est. $8,000/year)
    - 50% of sales tax increment (est. $12,000/year)

Questions & Discussion

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