

Proposed Golden West Flour Mill Redevelopment

Summary Market Analysis

Prepared for:
The City of Longmont



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Summary Market Analysis and Project Findings

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1. EXECUTIVE SUMMARY

Longmont is a tale of two cities and two disparate self-outlooks. Longmont's downtown is seen by some as an ill-functioning, under-parked blighted district and by others as worthy of major personal and business investment.

The Golden West Flour Mill, subject of this study, straddles these two outlooks. Either the Flour Mill is viewed as undevelopable or as Longmont's potential response to Denver's historic Lower Downtown. Those that view the downtown as moribund see pawn and gun shops occupying dilapidated store fronts, in part the result of conservative owners of debt-free property with no motivation to undertake the risks of increasing asset value. Those that invest in Downtown Longmont make incremental improvements to it by pushing the edges of development both in location and in quality. Just as it did in the early revival of Denver's Lower Downtown, this incremental development will steadily change the face of Downtown Longmont at an ever-quickenning pace.

The Downtown has assets about which no one can argue. It possesses:

- Historic fabric;
- Architecturally unique and attractive buildings;
- Access to a great park in Roosevelt;
- Strong traffic flow.

Other, less obvious strengths of Downtown Longmont are:

- Higher sales per foot for residential condominium, on average, than in the Longmont market;
- Higher average rent per square foot for residential rentals in Downtown Longmont than in suburban, western Longmont;
- Lower vacancies in Downtown rental residential than in suburban Longmont rentals;
- Though retail and office look as if they are languishing, much of the newer or renovated retail and office space leases within 15 percent of newer, more suburban-styled retail and office;
- The highest class of office space ever built in Longmont is open for business in Downtown (the Roosevelt).

These factors all suggest that there are reasons to be hopeful about the prospects of redevelopment at Golden West Flour Mill.

The chart below summarizes some critical real estate statistics that characterize Longmont and it's downtown and, purely for comparative purposes, the same statistics for Denver and its downtown.

Area	Residential Rent per SF	Residential Vacancy	Office Rent per SF	Retail Rent per SF	Condo Price per SF
Longmont - Downtown	\$1.05	5%	\$8-\$15	\$8-\$12	\$180
Longmont	\$0.95	12%	\$10-\$15	\$12-\$18	\$160
Denver - Downtown	\$1.45	6%	\$12-\$24	\$15-\$28	\$280
Denver	\$1.15	8%	\$8-\$20	\$10-\$25	\$200

2. BACKGROUND OF PROPERTY

A. BACKGROUND OF PROPERTY

The Golden West Flour Mill was built in 1915. Its first use was a feed co-op run by the Grant family. From the 1930's and 1940's the property was used as a flour mill that distributed throughout Longmont. In the 1950's the use turned again to livestock feed. The facility was closed in 1979. The property is an icon in Downtown Longmont.

B. CURRENT ENGAGEMENT

The City has long had an interest in facilitating the redevelopment of the Flour Mill site. Pursuant to this goal, the City interviewed consultants that could assist the City and the land owner in moving forward with a redevelopment by studying potential uses at the site. BYG of Denver was the successful respondent.

BYG's corporate focus is to assist investors, developers and owners in achieving their real estate goals through providing design, construction and development services.

C. GOALS OF THE ENGAGEMENT

As BYG understands it, the goal of the engagement is to analyze the site and the market in order to offer the City and the land owner a set of realistic, financially achievable redevelopment options. BYG is to analyze:

- Market – in order to determine the most viable options based on demand, rental, sale and vacancy rates of different types of real estate;
- Site Constraints – to determine access, site context, integration of the redevelopment with the adjacent uses and potential future, subsequent development in neighboring properties;
- Site Planning – to determine how the proposed uses and site constraints mold a plan for redevelopment.

D. CONSULTANT'S DIRECTIVES

The consultant's directives were among the following:

- Include the Logan/Stratton parcels (approximately 1.3 acres) between Terry and Coffman on 2nd as a part of the scope of the potential redevelopment area;
- Consider those real estate uses for which financing is quantifiable and commercially available. This rules out many potential uses such as homeless shelters, artist lofts, museums, etc.;
- Assume that the project must be financially viable and provide a commercially-acceptable return for the developer or owner;
- Consider all practical and commercially-reasonable financial structures which are often used in comparable redevelopment's;
- Assume that the City of Longmont would consider:
 - Changing current zoning from *Industrial Mixed-Use*;
 - Overlaying the existing zone with a PUD or MU zone
 - Providing funds for infrastructure improvement;
 - Providing *Tax Increment Financing*;
 - Providing *Private Activity Bonds*;
 - Provide access to a *Community Development Block Grant*
 - Granting administrative fee waivers and “enhanced” fee waivers, if needed;
 - Other means of facilitating redevelopment of the site.
 - The Market Study is not meant to be an exhaustive analysis of the entire Longmont real estate market. It is meant to be a broad survey and an analytical tool to aid in the identification of certain opportunities that may exist for development at the Flour Mill site.

3. MARKET SUMMARY

A. OVERVIEW

Though Downtown Longmont clearly suffers from certain perception issues, there is greater strength in certain real estate property types in Downtown than would first be imagined. The following overview reviews both sides of the above assertion.

Residential Rental

Residential rental in Downtown is relatively stronger than newer Longmont properties along Hoover and Nelson. Current and historic vacancy rates in Downtown are significantly less than these non-central properties. Downtown's market-rate units average a higher rent per square foot than their non-central Longmont counterparts.

But – The supply of market-rate rental housing in downtown is limited, whereas there are well over a thousand units of market-rate rental in along Nelson and Hoover. The fact that so many additional units have been added in the most recent development cycle accounts for the higher vacancy and also has kept rents lower. This market softness caused by overbuilding will, in the mid-term, correct itself.

Residential For-Sale

On a per-square-foot basis, houses within central Longmont sell at or slightly higher than the average for all of Longmont.

But – There are far fewer houses in central Longmont than in Longmont as a whole. Some of the highest-priced homes in central Longmont have been sold for land value which, in certain instances, is higher than house value, especially when the house is located in a business zone class. These alternate-use acquisitions may skew the statistics slightly.

Residential Condo

Residential condos have sold at a higher price, on average than in Longmont as a whole.

But – Only a few residential condos have been built or sold in Longmont or central Longmont. Some of those that have been built or sold in Central Longmont have been “live/work” condos that may skew the per-square-foot rates upward to a degree.

Office

In-place, existing tenants in Longmont's downtown pay in the range

of \$8 to \$12 per square foot, whereas southwestern Longmont office leases are in the range of \$10 to \$14.

But – As demand for office space in Longmont declines, Downtown's office market becomes less competitive to non-Downtown office space. Though there may be certain tenants that specifically desire downtown occupancy, demand for Downtown's office space is currently dramatically reduced. For space to clear the market, true lease rates today may be in the range of \$5 to \$9 per foot in the Downtown, below the rate of economic justification for development.

Retail

In-place, existing tenants in Longmont's downtown pay in the range of \$10 to \$14 per square foot, whereas non-Downtown Longmont retail leases are in the range of \$12 to \$18.

But – Today, Downtown's attractiveness as a retail destination is faint in comparison to southwestern Longmont. Though there may be certain retail tenants that specifically desire downtown occupancy, demand for Downtown's office space is dramatically reduced. The decision for a retailer to occupy in Longmont's Downtown may be purely one of economics. True retail lease rates today, those rates that would allow vacant retail space to clear the market, may be in the range of \$7 to \$10 per foot.

MARKET COMP: RESIDENTIAL – FOR-RENT

Name: The Cannery
Address: 15 Third Avenue
Year of Const.: 1887
Renovation: 1984
Total Units: 94
Vacancy Rate: Five to seven percent
Amenities: Historic building constructed in 1887. Exposed brick walls, good inside and outside play areas for children.



<u>Unit Rents & Mix:</u>	Units	Bedrooms	Baths	Avg. Sq. Ft.	Rent Range	\$/SF
	4	Studio	1	~450	\$400-500	\$1.10
	55	1	1	~650	\$500-\$700	\$1.10
	35	2	1	~800	\$725-900	\$1.05

Comments: Few changes to the units since the renovation in 1984 except for through-the-wall air-conditioning units. Original 20-year-old Formica countertops and white melamine cabinets show their age. Renovation of the building in 1984 was clearly durable and efficient but looks dated and tired today. This project has lower vacancy than all other more-suburban projects west of Downtown.

Neighborhood: Neighborhood uses are industrial and include an adjacent industrial supply and repair facility, the Longmont water/sewer treatment plant and other non-residentially sympathetic uses.

MARKET COMP: OFFICE

Name: Roosevelt Place
Address: 636 Coffman
Year of Const.: 2003
Total Square Feet: 18,266
Vacancy Rate: No signed leases
Amenities: Highest quality office development in Longmont that intends to raise the bar for office space in the City. Mix of uses with limited parking; relies in part on street parking.



Unit Types	Units	Expenses	Sq. Ft.	Rent/SF
Office - 3 rd Floor	1	NNN	7,100	\$18.50
Office - 2 nd Floor	1	NNN	6,730	\$18.50
Restaurant/Retail	1/2	NNN	4,436	\$20.50

Comments: Family trust that decided that if it couldn't buy the quality of office building that it desired in town, it would build it. The broker and developer anticipate that the property will attract like-minded tenants that seek the finest office space in Longmont. Potential users are services firms currently in Longmont, or well-capitalized start-ups, perhaps spin-offs of existing large companies in the County.

MARKET COMP: RETAIL

Name: 324 Main
Address: 324 Main
Year of Const.: 1871
Year of Renovation: 2002
Total Square Feet: 4,647
Vacancy Rate: 40%
Amenities: Renovated building with new commercial glazing system and store front.



Unit Types:	Units	Expenses	Sq. Ft.	Rent/SF
Retail/Commercial	1	NNN	2.866	\$10.00

4. SUMMARY OF SITE

A. SUMMARY OF SITE

The Golden West Flour Mill is located a few blocks south and west of Main Street in downtown Longmont. The existing mill buildings and warehouse are no longer in use, and are in disrepair.

The site is relatively flat throughout, with modest existing vegetation. As the site is not in active use, maintenance work is minimal, and this results in a neglected appearance. The adjacent uses of the site are somewhat industrial, including an electrical substation, railroad tracks, and roadway overpass.

B. LIMITATIONS AND OPPORTUNITIES

The primary limitations of the site are the existing surrounding conditions that landlocked the site. The Pratt Parkway overpass and associated grading limit the available space to the west of the existing mill buildings. The electrical substation to the east is currently being considered for upgrades and expansion, but within the existing

fence line. One of the existing rail lines to the south is proposed to be eliminated, but the other will remain.

The Pratt Parkway overpass to the west and the electrical substation to the east should not be considered for significant modifications due to the extensive costs involved. The rail line to the south should be considered an opportunity, as RTD plans to provide commuter rail along this right of way in the future. Additional access routes can minimize the access problems caused by the existing rail lines.

C. ACCESS

The site is located two blocks west of Main Street, bounded by the Pratt Parkway overpass, 1st and 2nd Avenues, and Coffman Street. The site is currently accessed from the adjacent neighborhood via 1st Avenue to the south. The Pratt Parkway cuts the site off to the north, but there are several potential access routes.

Access from the west could be provided via Pratt Street, passing under the Pratt Parkway overpass. Access from the east could occur from Coffman Street along the northern edge of the electrical substation. Access to the north could potentially be provided by a right-in / right-out access drive at the intersection of Pratt Parkway and 2nd Street. This access route would require significant study and review by Longmont Transportation engineering.

The existing route to the south could be narrowed to a standard 24' wide cross section throughout out the site.

D. PROPOSED LIGHT RAIL

RTD has proposed a potential commuter rail or light rail connection from Longmont to Denver, via Boulder. The proposed rail line would use the existing tracks immediately to the south of the project site. The proposed rail stop is several blocks east of the Golden West site, but as this proposal is likely ten or more years from implementation, consideration could be given to alternate locations for the rail stop.

During the public workshop sessions, the relocation of the existing abandoned rail station building to an area directly south of 1st Avenue was considered. This potential development could provide the impetus for transit oriented development in the immediate area, and would draw many more people to the Golden West site.

5. SUMMARY OF POTENTIAL USES

A. GOALS FOR THE SITE

The development of the Golden West site should include at least two new access routes as shown, that are not impacted by the rail lines. Improved pedestrian access and landscape enhancements will help integrate this site with the neighborhood to the north, while softening the industrial edges of the site.

Parking should be provided to the south, along the rail lines, where the mill buildings will screen it from the north. This will also allow additional space for landscape buffering of the electrical substation to the east. Consideration should be given to working with the utility company to provide additional fencing and screening of the substation as well.

B. INTEGRATION INTO DOWNTOWN

Its location relative to downtown Longmont and Main Street could provide easy walking access to nearby shops and businesses, within a five minute walking radius. The neighborhood to the north is attractive and well kept, with beautiful tree lined streets and active business and homes. The area to the east and south of the site is more industrial, and less well kept. The site is effectively cut off to the west by the Pratt Parkway overpass.

Pedestrian connections from the Golden West site should be provided to the north at the intersections of 2nd Avenue with Coffman and Terry Street. To the south, a pedestrian connection to the existing and proposed river trails should be considered.

Development of any new structures on the site should consider the existing setbacks of adjacent developments, along with building heights and materials. The building face along 2nd Avenue between Coffman and Terry should provide a storefront façade with parallel parking, street trees, and paved walks.

C. PROPOSED USES

There are two development scenarios outlined below. Scenario 'A' is the less-dense version and Scenario 'B' the higher-density. Density in Scenario 'B' is achieved through additional residential development. Except as specifically noted, the development scenarios are based on what we believe is the market's ability to absorb each of the development components. Certain of the specifically-noted components, e.g. the

“anchor” retail use for the commercial component, may need to be attracted to the redevelopment potentially through the use of City-controlled bonds, *Tax Increment Financing*, Section 108 Loan or other means. The City and land owners may be well-served by advancing a financing scheme to aid in attracting this anchor.

Scenario ‘A’

Phase One	
Product Type	<u>Retail/Commercial</u> – Destination retail at street edge with covered walk to create interesting, protected space for pedestrians. Create the opportunity for “small shop space” to allow a mix of retailing to produce a more interesting retailing experience for the visitor.
Parcel	Stratton/Logan parcel. Build on northern portion of Stratton parcel while egressing and parking on the southern portion of Stratton parcel and the entirety of Logan parcel.
Square Feet	12,000 to 30,000, depending on the needs of the anchor.
Units	N/A
Timing	Once an anchor is identified and a lease signed.
Market Niche	Opportunity to develop a unique destination shopping area distinct and separate from the Downtown. This new shopping district allows retailers to lease in “downtown” without occupying proximate to what a retailer may consider to be less-desirable uses.
Financing Options	If tenancy and rents are strong enough, commercial loan may be possible, but likely the project will need the support of a lower cost of capital. Private Activity Tax Exempt Bonds and Tax Increment Financing may be required to make the project viable.

Comments	<ul style="list-style-type: none">≡ Retail is first phase since retail rents may be effectively lowered to the degree required to attract an anchor tenant through financing vehicles such as tax exempt bonds, <i>Tax Increment Financing</i>, etc.≡ Good visibility and great daily traffic make the site great for a high-volume retailer or restaurant.≡ Critical to have an “anchor” retailer; small shops on their own may not have the critical mass to survive.≡ City may need to consider bringing financial tools like tax-exempt bonds, TIF funds, infrastructure costs, abatements of financing structures to make the project viable.
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Phase Two	
Product Type	<u>Small Office</u> – If the office market presents a demand sufficient to warrant investment, renovation of the Warehouse into affordable for-rent office could be a good long-term or intermediate use; intermediate if there exists a higher and better use to the site than office.
Parcel	The historic Warehouse building to the south of the Mill. <u>Parking</u> is at the southwest of the site.
Square Feet	Approximately 7,800
Units	N/A
Timing	If demand is sufficient, simultaneous to or preceding first-phase residential development.
Market Niche	Start-ups and funky, small offices that care to make a statement.
Financing Options	City could sponsor the project to facilitate a Section 108 loan that allows for lower interest rate. Commercial loans would require recourse guarantees and higher interest rates that may render the project infeasible.
Comments	<ul style="list-style-type: none"> ≡ Low-cost marketing, generated more through public curiosity than by advertising, may be sufficient for pre-leasing of the space. ≡ Low-cost leasing collateral developed by the residential architect. ≡ Potential use of the City's <i>Volume Cap</i> for tax-exempt bonds, if it includes a lengthy lease-up reserve, may limit risk to the office concept.

Phase Three	
Product Type	<u>Residential For-Rent</u> – The concept is the re-use of the historic structure into hip, affordable and simple rental “lofts” apartments that range between 700 and 900 square feet. The silo units, if economically developable, may be larger. Appliances, finishes, flooring and mechanical systems will be efficient and affordable.
Parcel	The historic Flour Mill building and silos. <u>Parking</u> for the residential would be a surface-parking solution at the southwest of the Flour Mill parcel, closest to the train tracks.
Square Feet	40,000 in Flour Mill and 8,000 (estimate) in silos (gross square feet).
Units	42 in the Flour Mill and 4 to 8 in the silos (one to two units per floor), if financially feasible to renovate silos.
Timing	Initiate more detailed building and market due diligence, financing preparation, and historic designation process. 12 to 18 months to break ground and 15 to construct. Units delivered in over 2 years.
Market Niche	20 ^s and 30 ^s that seek a differentiated rental property that better expresses their character than does suburban product or older existing Downtown Longmont apartments. These are less affluent renters (\$25,000 to \$45,000) that have fewer housing options. The rents would be affordably-priced, renting at or below the level of rental units west of Downtown Longmont.
Financing Options	HUD-guaranteed loan that allows for low interest rate and long amortization. Can be layered with Historic Investment Tax Credit or Low Income Housing Tax Credit.
Comments	<p>≡ Flour Mill and silo should immediately start process for historic designation on the federal register.</p> <p>Don't integrate the historic warehouse into <i>Phase One</i> and do not seek designation of the warehouse, thereby allowing that it either can be integrated into this or a later phase or as use of land after building demolition. Though there is not a clear immediate use, it is possible that this building could be converted to office. But lacking clarity of the condition of the office market two years hence, it would be inadvisable to suggest office unless the market presents clear demand or suitable financing allows for a low-risk conversion to office. Avoiding designation would leave all options available.</p>

Phase Four	
Product Type	<u>Residential For-Sale or For-Rent</u> – Lower-density, new-construction, townhouses that integrate with the look of the existing historic structures. Two-story attached townhouses with tuck-under garages. Unit sizes on smaller side of the market in order to keep affordability. Two-story, two and three-bedroom units.
Parcel	The southwest corner of the Flour Mill parcel. <u>Parking</u> for the residential would be effected through tuck-under garages accessible directly from the townhouse unit.
Square Feet	12,000 to 14,000
Units	Ten to twelve units
Timing	Take time to create higher-end demand for the site by moving through prior phases.
Market Niche	20 ^s to 40 ^s that seek a richer residential environment than may be available anywhere north of Boulder, especially for the cost.
Financing Options	If for-sale town homes, commercial construction loan. If for-rent, HUD-insured mortgage or commercial loan with mini-perm.
Comments	Marketing costs could be relatively small in order to identify the strength of demand for the proposed residential concept.

Scenario 'B'

Phase One	
Product Type	<u>Retail/Commercial & Residential</u> – Residential rental on the second and possibly third floors over destination retail at street edge with covered walk to create interesting, protected space for pedestrians and residents. Create the opportunity for “small shop space” to allow a mix of retailing to create a more-interesting retailing experience for the visitor.
Parcel	Stratton/Logan parcel. Build on northern portion of Stratton parcel, egressing and parking on the south portion of Stratton parcel and the entirety of Logan parcel.
Square Feet	12,000 to 25,000 for retail/commercial and 10,000 to 25,000 of residential.
Units	12 to 25 dwelling units.
Timing	After anchor retail tenant is found.
Market Niche	Extends the concept of a new corner of Downtown Longmont by creating a staple of the “Main Street” – retail under office or residential use. Opportunity to develop even a more unique district. This new shopping district allows retailers to lease in “downtown” without occupying proximate to what a retailer may consider to be less-desirable use and develops greater excitement with the addition of residential. This concept helped to revitalize big and small Front Range downtowns. Downtown Denver and Lower Downtown benefited, as did Niwot in the introduction of residential and office over first floor retail. The concept is now being reproduced in successful projects like Boulder’s Steelyard development by Coburn Development to a Downtown Littleton mixed-use residential development by Mendell/Allison.
Comments	<ul style="list-style-type: none"> ≅ Good visibility and great daily traffic make the site great for a high-volume retailer or restaurant. ≅ Criticality of an “anchor” is lessened, slightly, with the addition of residential.

Phase Two	
Product Type	<u>Small Office</u> – If the office market presents a demand sufficient to warrant investment, renovation of the Warehouse into affordable for-rent office could be a good long-term or intermediate use; intermediate if there exists a higher and better use to the site than office.
Parcel	The historic Warehouse building to the south of the Mill. <u>Parking</u> is at the southwest of the site.
Square Feet	Approximately 7,800
Units	N/A
Timing	If demand is sufficient, simultaneous to or preceding first-phase residential development.
Market Niche	Start-ups and funky, small offices that care to make a statement.
Comments	<ul style="list-style-type: none"> ≡ Low-cost marketing, generated more through public curiosity than by advertising, may be sufficient for pre-leasing of the space. ≡ Low-cost leasing collateral developed by the residential architect. ≡ Potential use of the City's private activity tax-exempt bonds, if it includes a lengthy lease-up reserve, may limit risk to the office concept.

Phase Three	
Product Type	<u>Residential For-Sale</u> – The concept is the re-use of the historic structure into hip, affordable and simple for-sale “lofts” condominiums that range between 750 and 1,000 square feet. Appliances, finishes, flooring and mechanical systems will be efficient and affordable.
Parcel	The historic Flour Mill building and silos. <u>Parking</u> for the residential would be a surface-parking solution at the southwest of the Flour Mill parcel, closest to the train tracks.
Square Feet	40,000 in Flour Mill and 8,000 (estimate) in silos (gross square feet).
Units	30 to 35 in the Flour Mill and 4 to 10 in the silos (one to two units per floor)

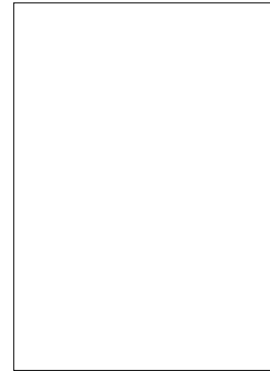
Timing	Initiate more detailed building and market due diligence, financing preparation, pre-sales process. 12 months to break ground and twelve to construct. Units delivered in 2 years.
Market Niche	20 ^s and 30 ^s , first- and second-time home buyers –generally singles– which seek a differentiated condo property that better expresses their character. These buyers make in the range of \$45,000 to \$75,000, would more likely have moved from out of state and see the uniqueness of the Flour Mill as capturing a portion of the “West” for which, in part, they moved.
Comments	<ul style="list-style-type: none"> ≡ Federal historic designation is not important or even desired since it will require restrictions in design and development. ≡ For-sale condominiums as a first Phase is risky; the owner can grow out of a slow market in rental but lives and dies in the current market into which he sells. ≡ But, the pre-sales of this element could be relatively inexpensive. Therefore, testing the market demand for this product could be achieved efficiently.

Phase Four	
Product Type	<u>Residential For-Sale or For-Rent</u> – New-construction, mid-rise that reflects the look of the existing historic structures. Most likely viable only as a for-sale, mid-rise building with surface parking, but higher quality/higher sales if structured parking. Unit sizes still on the smaller side of the market in order to keep affordability. Units of 750 to 1,100 square feet should be designed to allow for combination of units, should a buyer desire a larger unit.
Parcel	The southwest corner of the Flour Mill parcel. <u>Parking</u> for the residential would be either surface or structured parking, per above.
Square Feet	60,000
Units	45 to 50.
Timing	Take time to create higher-end demand for the site by moving through prior phases.
Market Niche	20 ^s to 40 ^s that seek a richer residential environment than may be available anywhere north of Boulder, especially for the cost.

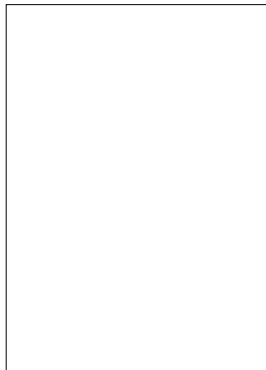
Comments	≅ Marketing costs could be relatively small in order to identify the strength of demand for the proposed residential concept.
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D. SURVEY OF ALTERNATE USES

Throughout the western hemisphere, flour mills are typically well known icons of the community. Their size, configuration and purpose may vary, but one thing remains constant: architectural heritage. Flour mills are highly recognizable and generally desirable for a variety of reasons including simple functional form, desirable scale, structural strength and durability, adaptability and historical significance. Their respected presence provides a sense of pride to many towns and cities, making them extremely appealing as the object of preservation. The following examples show a sampling of selected mills that have been renovated all over the world and that now serve in a new capacity as hotels, shops, restaurants, museums and lofts or condos.

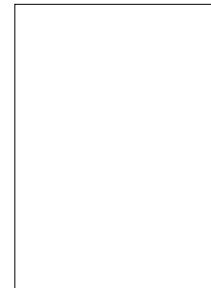


The Crowne Plaza, once a grain mill, is now a world-class hotel. It provides unique accommodations within its thirty-six grain silos and still houses some of the original mill equipment to give it an historic feel. The adjoining factory portion of the mill offers shopping and dining. This property is now listed on the National Register of Historic Places, bringing a sense of pride and history to the community of Akron.



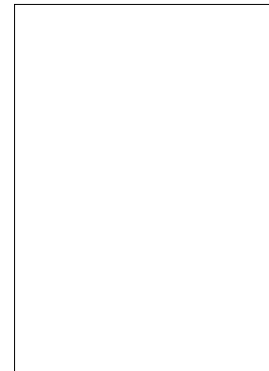
The Humboldt-Muhle is a former mill with silos and a mansion on the complex. Today it has been restored and modernized to function as a hotel with conference space and a restaurant. The hotel is located close to the city center but serves as a waterfront retreat that feels like the country.

The Flour Mill Lofts are located in lower downtown Denver. Once an operational mill, the seven-story building has evolved into the perfect setting for high-end city living. With large windows and superb views the functional look of the mill building is an architectural draw to professionals and reminds Denver of its historic roots.



The Baltic Flour Mill, situated on the edge of the River Tyne re-opened its doors in the summer of 2002 as a cutting edge "art factory." Always recognized for its strong presence in the area, the building's red brick façade and striking 140- foot-high silo made it an attractive choice for the new gallery, studios and museum in this burgeoning area of the city. The renovation for the existing building is the result of an international competition with the architect Dominic Wilson winning the commission.

For over one hundred years a red brick flour mill has stood on the bank of the Spokane River. For sixty of those years it served to generate energy from the waters to grind wheat into flour. The World's Fair of 1974 prompted a renewal of Spokane's downtown, and thus a renovation of the flour mill. After being sold, the new owner converted two floors into retail shopping and the remaining five floors into office space.



6. PRACTICAL FINANCIAL STRUCTURES

There are a series of financial structures that can be employed to facilitate the development of the aforementioned redevelopment schemes. In that a developer will require a certain minimum return for the risk of development and attempt to decrease financial exposure and risk, certain of the structures listed below may help to facilitate

Certain of these structures or vehicles are City-controlled and certain will be developer-controlled. They are as follows:

Golden West Flour Mill Financial Structures and Incentives			
Item	Issue	City- Controlled	Developer- Controlled
Tax Increment Financing	Is the Redevelopment Area in the TIF boundaries? Can the TIF include sales tax as well as property tax? What are the ramifications to the City in potentially giving up a part of sales or property tax?	Y	
Private Activity Bonds - Residential Development	Will the City/County allow the use of its bond cap for a multi-family rental project at this site?	Y	
Private Activity Bonds - Commercial Development	Will the City/County allow the use of its tax exempt bond cap for a commercial or retail project at this site?	Y	
Section 108 Loan	City would need to sponsor a development with HUD as described below.	Y	
Fee Waivers in addition to Administrative Programs	City has ability to waive a portion of tap, processing and other fees.	Y	
Historic Designation	Developer commits to strict and often expensive federal requirements for restoration of the historic building in return for tax credits for which the developer guarantees personally.		Y

Mixed-Income Housing Project	Developer would make 20-year commitment to capping rents for a portion of the rental units. Developer signs personally for capitalization.		Y
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Other financing mechanisms which the developer may pursue (with or without City support) include but are not limited to the following:

A. HUD 221(d)4

This HUD program provides a federally-insured AAA guarantee for multi-family housing projects. The (d)4 program alone carries no affordability requirements. It sets no income or rent limits, age restrictions, etc. It is simply a loan guarantee that helps to insure that housing of all types is available throughout the country.

The program provides up to 90 percent loan-to-cost, a two-year construction period and a 40-year amortized permanent loan. The loan is non-recourse except for fraud and environmental waste. Since it is a bond, costs of issuance are higher than for a commercial loan. Also, construction costs are as much as five percent higher due to the government’s imposition of Davis-Bacon wage requirements.

The (d)4 loan program, due to the AAA GinneMae guarantee, generally allows for lower interest rates than other commercial loans. The 40-year amortization makes the cost of capital less still.

The (d)4 program can be married with other federal programs like the Low Income Housing Tax Credit and the Historic Investment Tax Credit. The former of these does carry income and rent limits, though they are not related to the (d)4 itself.

Up to 20 percent of the project’s square footage can be for commercial uses.

B. TAX-EXEMPT BONDS - HOUSING

The City of Longmont and Boulder County each receive allocation of federal tax-exempt “private activity” bonds to facilitate the development of affordably-priced residential. The bonds can be used by developments that include a portion of affordable housing. The program is not Section 8 housing, but requires that the developer legally commit to providing at least either 40 percent of the units to those earning less than 60 percent of Area Median Income or 20 percent of the units to those earning less than 50 percent of Area Median Income. Rents are set by the Colorado Housing Finance Authority (CHFA). The fact that incomes are so high in the Boulder/Longmont MSA insures that

the developer gives up little cash for committing to the affordable guidelines. CHFA administers the program and monitors for compliance. The federal government requires that this affordable program remain in place for 15 years. CHFA requires a minimum of 20 years. Once the *Compliance period* is complete, the owner of the property can convert the units to condos, raise the rents of those dedicated affordable units to market, etc.

Another benefit of the program allows the development to receive a federal tax credit (the Low Income Housing Tax Credit), lowering or eliminating the amount of cash that the developer needs to provide to close on the loan.

A typical structure of these deals is as follows:

- ≡ The land for the project is purchased and contributed for the development of a multi-family rental project. Developer seeks endorsement from the City and then seeks an “inducement” from Boulder County or from CHFA for use of its tax exempt bonds. Developer commits to providing affordable units for 20 years.
- ≡ HUD or a private enhancement source provides a guarantee to the bond buyer.
- ≡ CHFA agrees to grant the project *Low Income Housing Tax Credit (LIHTC)*, which is sold to a Tax Credit Investor (TCI).
- ≡ City Council enacts the *Private Activity Bond Endorsement Resolution*.
- ≡ Tax Credit Partner invests cash in two to three phases before, during and/or after construction completion.
- ≡ Developer receives approximately 85% of cash flow; TCI receives 15%.
- ≡ Tax Credit Partner receives 99% of depreciation to show IRS “economic effect”.
- ≡ Developer’s investment banker sells bonds amounting to approximately 80% of total costs (including land). If the guarantee is a (d) 4, bonds are AAA-enhanced. Bonds provide for 2-year construction period and 40-year mortgage.
- ≡ Developer or broker places tax credits, structures cash flow and back-end split.
- ≡ HUD process from start to finish is 8-9 months; private enhancement is 5 to 6 months.
- ≡ TCI is in deal for 10 years. Federal law requires 15-year compliance period. CHFA will require longer period.
- ≡ CHFA monitors the compliance. HUD allows for self-management or 3rd-party management of the tax-credit unit.

C. TAX-EXEMPT BONDS - INDUSTRIAL

The City of Longmont and Boulder County both can provide developers access to industrial revenue bonds that, like Tax Exempt Bonds for multi-family residential, help to facilitate developments desired by the municipality. Industrial revenue bonds, as

distinguished from *General Obligation Bonds*, are so-called limited liability bonds in that the full faith and credit of the issuing municipality are not pledged. Instead, the rental payments from the lessee(s) are depended on to cover interest and principal payments on the bonds. The types of developments that these bonds are used to facilitate often are those that will increase employment or otherwise are generally non-residential developments desired by the municipality.

D. SECTION 108

Section 108 loans are city-sponsored, HUD-insured loans that provide public benefits. The loan can be used for housing, for public-purpose buildings or for land acquisition, land improvements, etc. for private developments that serve an economic development function.

E. COMMERCIAL LOANS

Commercial loans made by local or regional banks will generally be for construction and, potentially, for mid-term three to five years “mini-perm” loans that allow a property to lease-up and stabilize prior to refinancing the commercial bank loan with longer-term debt. Commercial loans will generally carry recourse guarantees and will, today and for the foreseeable future, require substantial pre-leasing and equity or cash.