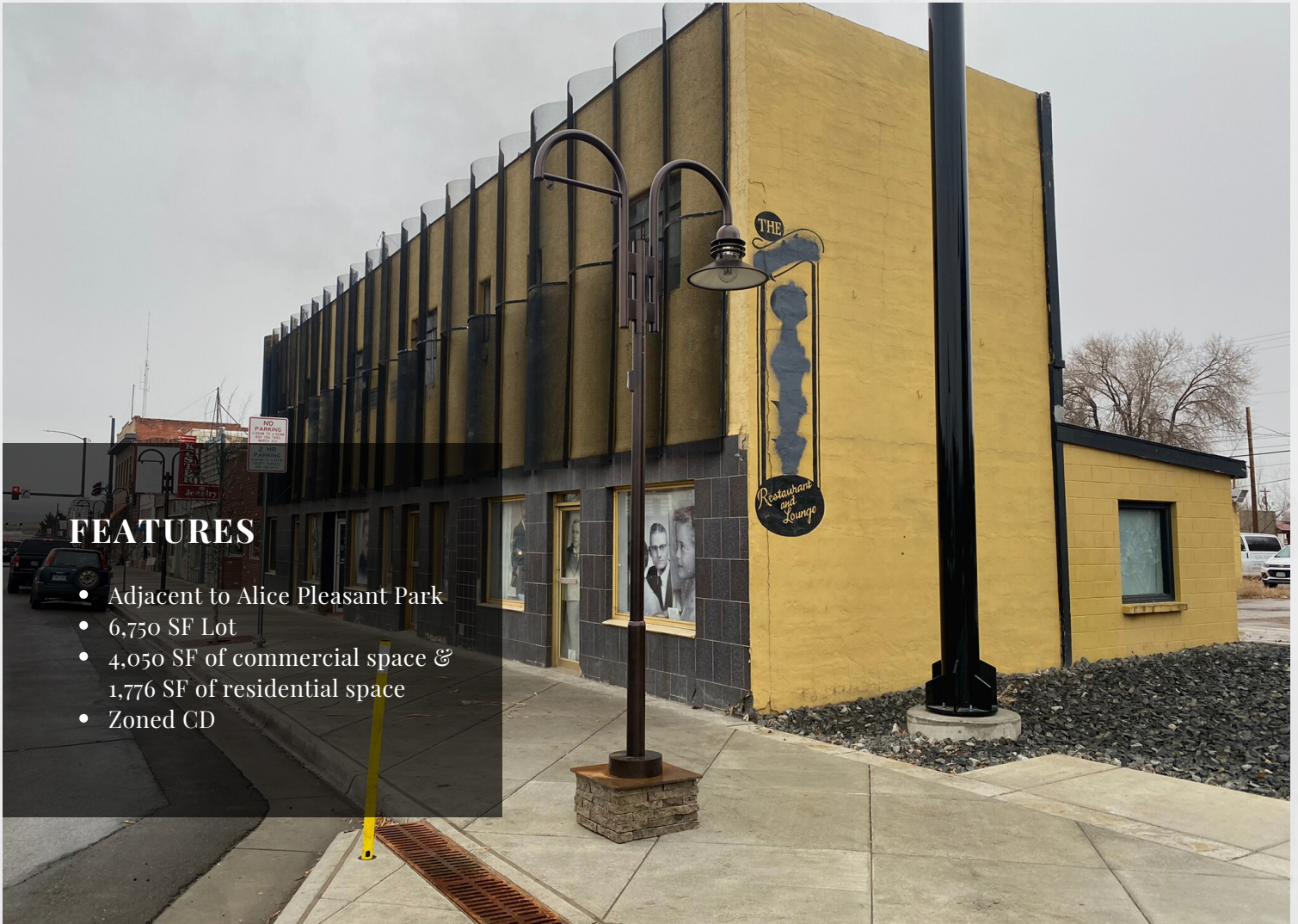


# RETOOLING CRAIG

REDEVELOPMENT OPPORTUNITY AT 538 YAMPA AVENUE



## FEATURES

- Adjacent to Alice Pleasant Park
- 6,750 SF Lot
- 4,050 SF of commercial space & 1,776 SF of residential space
- Zoned CD

## 538 YAMPA AVENUE

Located in the downtown core, 538 Yampa Avenue (the former Golden Cavy restaurant), is situated near several attractive neighborhoods and community destinations. The property is considered a key catalyst site based on its mid-term development potential, ability to help spur reinvestment and redevelopment of surrounding properties, and its potential to help meet the demands of the community.

The site is located in Craig's newly formed Urban Renewal Authority District, making it eligible to receive financial assistance to redevelop the site. In addition to URA assistance, the City has utilized an EPA Brownfields Assessment Grant to

gather environmental information in the form of a Phase I ESA. The grant has also funded preliminary design, future reuse, and financial information to help potential developers achieve the highest and best use of the property. Other incentives available are outlined on page 6.

The City of Craig, in partnership with the current property owner, is in search of interested development teams to purchase and redevelop the property. Provided in this report are property conditions, environmental information, and redevelopment options based on a financial analysis.

# ABOUT THE PROPERTY

## THE BUILDING

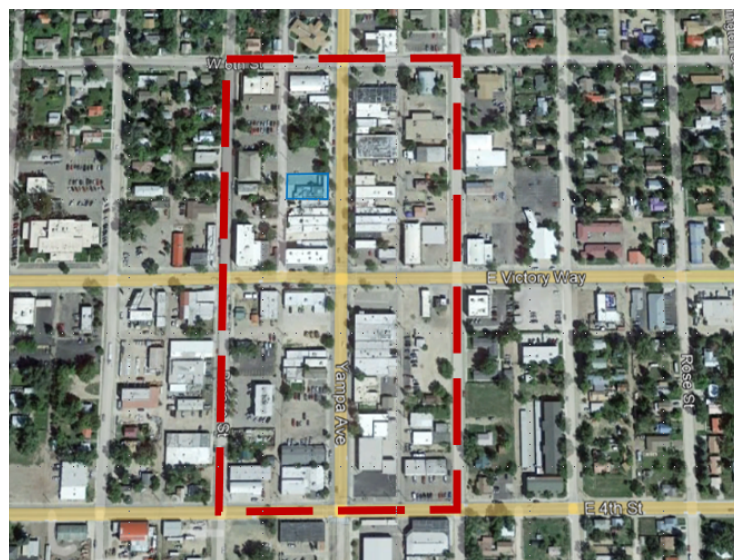
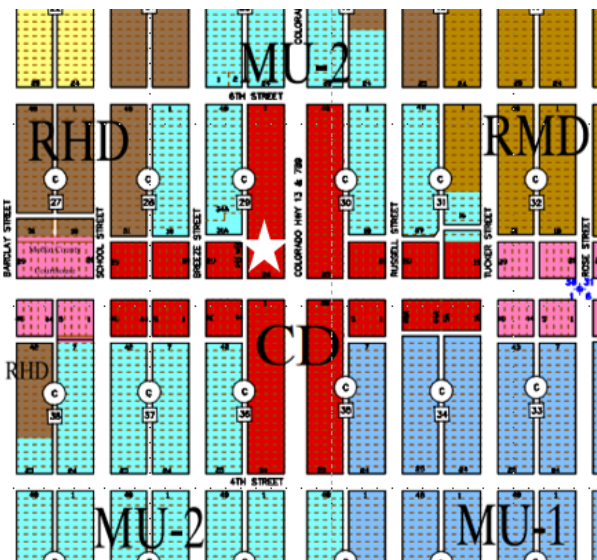
538 Yampa Avenue has been a central part of Craig's downtown since it was constructed in 1900. Historical uses have included commercial and retail with residential units on the second floor. The property operated as the Golden Cavy Restaurant from 1998 to 2012, when it closed its doors permanently. The upper level contains six apartment units.

The building sits on 0.15 acres of land (~6,750 SF) and offers approximately 4,050 SF of building space on the lower level and 1,776 SF on the upper level.

## ZONING

The property is zoned CD Commercial Downtown District, which includes the traditional downtown business district. This district is intended to encourage

the redevelopment and expansion of the existing downtown business area and provide a concentration and mix of civic, office, retail, restaurant, housing and cultural land uses. The CD zoning category allows for a wide range of uses and there should not be a need to rezone the property.



## ENVIRONMENTAL ASSESSMENT

A Phase I Environmental Site Assessment was conducted as part of the project. The objective of conducting a Phase I is to assess the environmental conditions on a subject property and surrounding area to identify recognized environmental conditions (RECs) that might adversely affect the subject property. Phase I reports are based on site reconnaissance, review of historical records, and interviews, and are meant to provide accessible information to potential developers.

The following environmental conditions were identified during the Phase I ESA:

- Potentially asbestos-containing material was observed. Aged tile caulking, exposed subflooring, and linoleum flooring is recommended for testing for confirmation prior to removal or disturbance of tile, subflooring, and linoleum.
- During the site reconnaissance, the accumulation of trash and debris from trespassing activities on the second level near the studio apartments were discovered. The volume of debris and unsanitary conditions are considered a REC. Although access to the second level to the studio apartments has been removed, this can pose risk to human health and the environment without being properly disposed of.

Further investigation of the RECs identified above is recommended. A phase II ESA will be completed at a future date as part of the grant activities.



# REDEVELOPMENT VISION

The subject property is located in the heart of Craig's downtown core on Yampa Avenue, which runs north/south. Yampa Avenue is the main thoroughfare from US HWY 40 through the northern part of Craig. Along Yampa, many commercial buildings have undergone degrees of changes/modifications over the years and as a result have lost their historic character. These buildings still, however, contribute to the urban fabric of the downtown. Further renovation or alteration of these buildings should strive to retain or get back to the historic design integrity of the original building by preserving traditional design elements as much as possible. Redevelopment of 538 Yampa should elevate the level of design and improvements on site and achieve the following:

- **Support the downtown vision.** The vision of a thriving and vibrant downtown is already in the hearts and minds of Craig residents. Redevelopment of the Cavvy property should build on the community vision by activating and repurposing this historic building into a place where people can come together and connect. Successful activation of the property will guarantee sustained momentum in making Craig's downtown a worthy destination.
- **Urban renewal demonstration.** Using this new tool available in Craig is a great way to encourage more projects to get familiar with urban renewal.
- **Development Program.** The building could be broken up into three separate retail spaces on the ground floor while maintaining the residential component on the second floor. Each ground floor space would be approximately 1,350 SF in floor area. The space adjacent the parking lot north of the building is ideally suited to support a restaurant or tap house due to the functional aspects of the site and the outdoor patio area can which can provide additional seating.
- **Design.** The rendering below shows three distinct facades and utilizes architectural details such as awnings, private balconies, and various building materials to add visual interest and promote human scale design. The goal will be to design the facades in a way that contributes to a safe, active, and vibrant street life. In 2014, the City developed Façade Improvement Guidelines for Yampa Avenue. This document is available upon request and should be used to guide design decisions during the redevelopment process.
- **Phasing.** The redevelopment of the property could be phased to allow the site to develop over time. The first phase could include the restaurant or tap house, while the other spaces could be developed in future phases.



# DEVELOPMENT ANALYSIS

## Construction Cost Estimate:

Based on a cursory review that looks at the condition of the building and the current real estate market, we have completed a rough estimate regarding the redevelopment opportunity for the property. These estimates are based on a limited investigation by the City building official and visual inspections by our team. For more complete estimates, a licensed architect and/or engineer will need to be engaged to provide a full plan.

With the current construction market and the condition of the buildings considered, we would estimate that the cost to occupy 538 would be \$150/foot for the first floor and \$50/foot for the upper floors.

Effective Gross Income	\$53,987
Total Operating Expenses (10%)	\$5,399
Net Operating Income	\$48,588
Debt Coverage Ratio	1.25
Available for Debt Service	\$38,870
Cash flow (income)	\$9,718

## History & Facilities:

The space has previously been used as a retail space with six small studio apartment units on the second floor. The first floor would require significant investment to allow for a commercial occupancy.

The 2nd floor apartment units are in better condition but still require some upgrades and new finishes. The apartment units are small, less than 400 square feet per unit and some consideration may need to be given to the layout. With a robust housing market, affordable small units may be desirable, but some consideration may be given to combining the units to create larger units.

## Development Costs:

The total development costs excluding the cost of acquisition is estimated to be roughly \$696,300. This assumes \$150/square foot on the first floor and \$50/square foot on the 2nd floor is inclusive of all soft cost, including architectural and engineering fees, financing costs, permit fees and marketing costs.

For purposes of this analysis, we used \$9/square foot lease rate for the commercial space and three apartment units (assumes units are combined) at \$600 month. We believe this is a reasonably conservative estimate given the limited comparable retail/commercial units in the market though the demand for residential units is more robust.

With these lease rates, the project would yield a Net Operating Income of \$48,588 and allow for \$38,870 to be available for debt service.

The assumptions do not include furniture, fixtures, and equipment for the commercial space. Additional care would need to be given to ensure the 2nd floor apartment units would be usable, the configuration as a series of units connected by a shared hallway not ideal.

**Additional Funding Resources:**

The condition of the building presents a significant challenge to re-occupancy. However, The property is located within the boundaries of the downtown Craig Urban Renewal Authority project area. As a redevelopment priority, its estimated that the project could yield up to \$20,000 in property tax revenue and upwards of \$68,000 in sales tax revenue annually depending on the use of the property.

While the Urban Renewal Authority has historically helped with façade improvements, the URA could consider rebating a portion of the property and sales tax generated by the property in support of building improvements that help with occupancy. The sales tax estimates are based on a restaurant or retail use generating around \$150/square foot in sales.

The URA reviews each project independently and based on its ability to generate Tax Increment Revenue. Generally, based on the project impact, anywhere from 50 to 60 percent of the Tax Increment Revenue could be allocated to the project in support of redevelopment either through direct project investment or a rebate of a portion of the Tax Increment revenue.

Also, the City may be able to use some of the EPA brownfields grant funding and the Colorado Department of Public Health and Environment to support any environmental remediation requirements.

**FOR MORE INFORMATION CONTACT:**

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