

RETOOLING CRAIG

REDEVELOPMENT OPPORTUNITY



520 & 524 YAMPA

Located in the downtown core, the former Spicy Basil restaurant is ready to be purchased and redeveloped into a successful project that will enhance downtown's viability and long-term success. The subject property is a combination of two parcels with single story buildings that are adjoining, which allowed for the expansion of the restaurant operation.

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.

FEATURES

- 6,362 SF LOT
- 6,135 SF OF COMMERCIAL SPACE
- ZONED CD

Listing Agent Contact:

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ABOUT THE PROPERTY

The Site

The subject property is approximately 6,362 SF (0.15 acres) and includes two single-story buildings that have a combined footprint of approximately 6,135 SF- one of the building's measures approximately 3,510 SF and the other measures approximately 2,625 SF. The building located at 520 Yampa was constructed in 1898 with the adjoining building at 524 Yampa being built in 1927. The exterior walls consist of concrete block and wood frame, with drywall material in the interior. The buildings extend to the alley, which allows access for waste disposal.

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. Historically the property has operated as commercial and/or retail, which the most recent use being a restaurant (The Spicy Basil), which closed in 2020.



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:

- During the site reconnaissance two rusted 55-gallon drums of kitchen grease and an empty kitchen grease storage container were identified outside the rear of the building along the alleyway. The volume of grease is unknown within the drums. Due to the condition of the drums, was unable to open and determine the volume. The drums and storage container may pose risk to human health and the environment without being properly disposed of.
- Potentially asbestos-containing material was observed. Aged tile caulking and linoleum flooring is recommended for testing for confirmation prior to removal or disturbance of tile and linoleum.

The following are de minimis conditions in connection with the subject property:

- Accumulation of grease on kitchen appliances and roof ventilation equipment was observed. The extent of the observed grease was indicative of de minimis releases that would require mitigation and cleanup prior to handling of or rehabilitation and reuse of equipment. Due to leaking roof, water damage of flooring would require mitigation. Observations of mold were not noted; however, mold may be present if water leaks and mitigation is not conducted soon. ****Please contact the listing agent for a full list of disclosure items.**

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. Additionally, the following environmental reports are available upon request.

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 520 & 524 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 former Spicy Basil 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.
- Design. The rendering below shows two distinct facades and utilizes architectural details such as awnings, lighting, 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.



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.

Close attention will need to be paid to the condition of the kitchen equipment and kitchen infrastructure including the hood. To the extent that the equipment can be reused, it will help minimize the cost of renovation and occupancy.

With the current construction market, we estimate that the cost to occupy both 520 and 524 Yampa would be \$150/foot. At 6,100 square feet, the total cost, excluding acquisition is estimated at around \$920,000.

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| Effective Gross Income | \$51,350 |
| $-$ | |
| Total Operating Expenses (10%) | \$5,135 |
| $=$ | |
| Net Operating Income | \$46,215 |
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| Debt Coverage Ratio | 1.25 |
| $=$ | |
| Available for Debt Service | \$36,972 |
| Cash flow (income) | \$9,243 |

History & Facilities:

520 Yampa has previously been used as a restaurant but closed in 2020 due to COVID. The kitchen is likely to require some upgrades, but it does have a hood. 524 Yampa has been used for additional restaurant seating and could be a separate retail space. If the units are divided, a fire-rated demising wall would need to be installed. Alternatively, and depending on further investigation, the new owner may wish to combine the parcels to reduce the need for upgrades and take advantage of shared facilities such as restrooms.

Development Costs:

If you include all costs including, acquisition, the total development cost is roughly \$1,170,000. This assumes \$150/square foot is inclusive of all soft cost, including architectural and engineering fees, financing costs, permit fees and marketing costs.

For purposes of the analysis, we use \$9/square foot lease rate for the project. We believe this is a reasonably conservative estimate given the limited comparable units in the market. There are two existing restaurant spaces in much better condition listed for sale with the option for owner occupancy.

At \$9/square foot the project would generate an Effective Gross Income of \$51,350. Subtracting the 10 percent annual operating costs, which include capital reserve and other owner expense yields a Net Operating Income of \$46,215. At this rate the property would cash flow an additional \$9,243 and allow \$36,972 for debt service of redevelopment costs.

The assumptions do not include furniture, fixtures, and equipment. However, there is some equipment in the building that could be re-used with some maintenance.

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 \$21,000 in property tax revenue and upwards of \$35,000 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.

Next Steps/Recommendations:

- Consider walking the building with a licensed architect or engineer to understand any building code deficiencies.
- Review opportunities for public investments through the Urban Renewal to remediate any environmental conditions, upgrade infrastructure and support occupancy.
- Create a collaborative relationship with the seller to share information with any potential buyer of the building.