



**Business Plan and Proforma Analysis for the
Belvidere Theater Redevelopment
Central City, Colorado**

Presented to:

City of Central, Colorado

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I. EXECUTIVE SUMMARY

This business plan and proforma analysis for the Belvidere Theater is intended to provide a guide for implementation of the theater's redevelopment, discuss the competitive economic environment, and summarize issues associated with the building's reuse.

BACKGROUND

- *Background:* The Belvidere Theater redevelopment is taking place as the City is attempting to broaden its appeal beyond casino gambling so that it is not a gaming centric destination alone. It is embracing the tremendous potential of arts and recreation. In order to be successful, the Belvidere Theater needs to appeal to both residents and visitors.
- *Visitation:* Central City's economy is based on tourism and visitation. Gaming drives visitation to Central City with the majority of visitors from the Denver metro area although the City does see national and sometimes international visitors. Central City's gaming industry has remained somewhat consistent, while Black Hawk has seen tremendous increases. Black Hawk has a number of planned developments which aim to expand recreational and entertainment options in the City. Central City's visitor estimates range from 40,000 to 90,000 visitors annually based on estimates of hotel stays, parkway traffic, and attendance at special events including the Opera. Black Hawk sees much higher visitation. All of these visitors, however, are potential Belvidere Theater customers.
- *Residents:* The City has a population of approximately 750 persons currently. The broader Primary Market Area includes Central City and Black Hawk and is estimated at about 2,000 residents. The Secondary Market Area (including Idaho Springs and Rollinsville) includes over 9,000 residents. The audience for the Belvidere Theater's goods and services needs to include Central City residents, the Primary and Secondary Market Areas as well as the larger Denver metro area market.
- *Commercial:* Commercial vacancies in Central City are estimated at 40%. Many of the vacant buildings had been converted into casino uses and are now vacant. Conversion to other uses (with small square foot uses) is costly and difficult. Estimated building rents and costs are \$8-\$9 per square foot on a triple net basis¹. Generally, building owners charge enough to recoup their costs and to keep their buildings occupied.

BELVIDERE THEATER BUILDING

- *Theater Uses:* The Belvidere Theater building will be redeveloped in two phases. Phase I is the Shoo-Fly portion of the building while Phase II is the Theater. The Belvidere Theater building is approximately 15,520 gross square feet and an 845 square foot outdoor patio. Future uses include restaurant, community and event space, retail space, and a theater.

¹ Tenant agrees to pay all real estate taxes, building insurance, and maintenance on the property in addition to any normal fees that are expected (utilities)

- *Governance:* While the City intends to retain ownership of the building, the Central City Building Authority has been established as its lessee and is a Colorado nonprofit organization created to assist the City in the redevelopment and reuse of the Belvidere Theater.
- *Capital Cost Sources and Uses:* The Shoo-Fly capital costs are estimated at \$2.8 million. The Theater costs are estimated at \$4.2 Million. Sources to pay for capital costs include a DOLA EIAF grant, Colorado ITC State Rehabilitation Tax Credits, as well as grant funds, and a portion of the City funds received directly for historic preservation and held in reserve for this project.
- *Operating Costs:* Operating costs for the building are estimated at approximately \$6.77 per square foot. While the City will help offset costs such as Property Management and Maintenance (through its staffing), this estimate also includes utilities, marketing, and replacement reserves.
- *Operating Revenues:* Rent is divided into base rent and operating expense reimbursement. In an effort to keep rents as low as possible to attract tenants and events that activate the building, tenants would be charged a gradually increasing percentage of their pro-rata share of building operating expenses, including common areas for the first five years. No base rent would be charged initially. After 5 years, rents of \$2.50 per square foot for private tenants would be charged in addition to operating expense reimbursements bringing rents to a level commensurate with rents charged at other commercial buildings. The theater and associated space would be charged \$.25 per square foot (on top of operating expense reimbursements).
- *Schedule:* While operating revenues for the Shoo-Fly are forecast to be net positive by Year 5, the Theater building is forecast to need ongoing gap funding, driving the need for ongoing gap funding for the building as whole. Phase 2 which is the redevelopment of the Theater is expected to commence a year after the commencement of the Shoo-Fly. *Given the principal and interest payments needed to pay back even a low interest loan for the Theater portion of the redevelopment, it is recommended that the search for grant funding continue, and that the Theater development not commence until funding for all capital costs for Phase 2 can be ascertained.*
- *Case Studies:* Two case studies are provided of City involvement in redevelopment of historic structures. In Longmont, redevelopment involved a private business which has flourished with City assistance. The Loveland case study is an example of a building that was redeveloped for entertainment and community purposes. While the Loveland case study involved a public-private partnership, the City continues to subsidize the operations of its historic theater eight years into its operation. While the use and building has contributed to downtown Loveland's turnaround, the City is working hard on increasing its cost recovery percentage on ongoing operations.
- *Marketing:* There are significant marketing and tenant recruitment challenges. Marketing needs to be undertaken in cooperation (ideally) with other marketing efforts undertaken by the various organizations within the City. The City, Opera, and other organizations within the City should meet in order to align their efforts, as well as to discuss the potential Theater reuse and their collective budgetary challenges. Given the level of competition, tenant

recruitment needs to focus on providing out-of-the-ordinary services and experiences for area residents and visitors.

II. INTRODUCTION AND BACKGROUND

2.1 Central City

Central City, founded in 1859, is located approximately 35 miles west of Denver in both Gilpin and Clear Creek Counties. It is the county seat of Gilpin County. The City abuts both the City of Black Hawk and the City of Idaho Springs. Gold was first discovered here in 1858, which brought significant population growth and mining development. More than 4.2 million ounces of gold was mined from the area, dubbing the City as the “Richest Square Mile on Earth”. As with all mining communities, there have been boom and bust cycles that left their mark on the development of the City.

More recently, in 1990, limited gaming was approved in the State of Colorado to revitalize and maintain the historical integrity of the three communities in the state where it is allowed - Black Hawk, Central City and Cripple Creek (Department of Gaming Fact Book and Abstract 2017). In Central City, while gaming has historically driven the local economy, the City is now attempting to broaden its appeal so that it is not a gaming centric destination alone. It is also now embracing the tremendous potential of arts and recreation.

Tourism accounts for 95% of area employment (Central City Comprehensive Plan, 2017). In Central City, visitors are drawn to visit the City’s six (6) casinos, the historic Central City Opera House, and other area attractions and events. Central City, along with the neighboring City of Black Hawk, are included within a nationally designated Historic Landmark District. However, despite visitation, Central City commercial vacancy rates are high at an estimated 40% and there is a need for the community to transition to appeal to a new generation of visitors.

The City has recently undertaken a number of steps to plan for economic diversification:

- Updated the Comprehensive Plan, Design Guidelines and Land Development Code in 2018
- Granted inclusion into the Northwest Colorado Enterprise Zone in 2017
- Commissioned an Urban Land Institute Technical Advisory Panel with a focus on steps needed for economic diversification
- Received GoCo grant for Parks and Trails Master Plan
- Pursuing Department of Local Affairs grant for reconstruction of the Belvidere Theater

2.2 Belvidere Theater

The Belvidere Theatre has fulfilled many roles since its construction in 1875. The building was initially conceived as a 450-seat performing space with a raised stage (on the second floor), with business space on the ground floor. Although the Belvidere became an instant success among the residents and visitors of Central City, it had limitations as a theater and was not large enough to accommodate the public. Shortly thereafter the Central City Opera House was constructed.

Theatrical uses of the Belvidere declined after the opening of the Central City Opera House in 1878, however, the building was successful in accommodating a number of uses over the years which have included:

- Beaman’s Central Bottling Works (which opened in 1886 and continued until 1904).
- Various retail outlets
- Armory Hall for the Colorado National Guard
- The Central City Garage
- Basketball court for the school district
- Community center for dances, movies and other community events

In 1991, demolition was undertaken to convert the space into a casino, which was never completed. Between 1992 and 2015, the property was unused and neglected. In 2015, Gilpin County acquired the building due to unpaid property taxes. It then deeded the property to Central City which is its current owner on July 26, 2016.

2.3 Business Plan and Proforma Analysis

Various efforts are currently underway to shore up the Belvidere Theater and prepare it for reuse as a community asset. The purpose of the business plan is to provide a guide for implementation of the theater’s redevelopment, discuss the competitive economic environment, and summarize issues associated with the theater’s reuse. The business plan is outlined as follows:

- *Introduction and Background:* A brief overview of Central City and the background for this business plan and proforma analysis are provided.
- *Community Characteristics:* This section discusses the demographic characteristics of the market areas (residents). While Central City is a small city, it has a broad potential market area.
- *Area Visitation:* The Central City area sees a significant number of annual visitors. They are outlined and enumerated.
- *Potential Uses and Community Needs:* Potential spending (demand), potential uses, as well as community needs that can potentially be fulfilled in the Belvidere are discussed.
- *Governance:* Management of the Belvidere during construction and ongoing operations is discussed.
- *Development Program and Phasing:* This section discusses potential uses for different parts of the building and the schedule for re-use.
- *Proforma Analysis:* the feasibility of redevelopment, capital cost sources and uses, development schedule, and operating revenues and expenses are summarized.
- *Case Studies:* Two case studies are presented of comparable projects as well as the role of the City
- *Tenant Recruitment and Marketing:* Suggestions for reaching out to potential tenants are highlighted in this section.

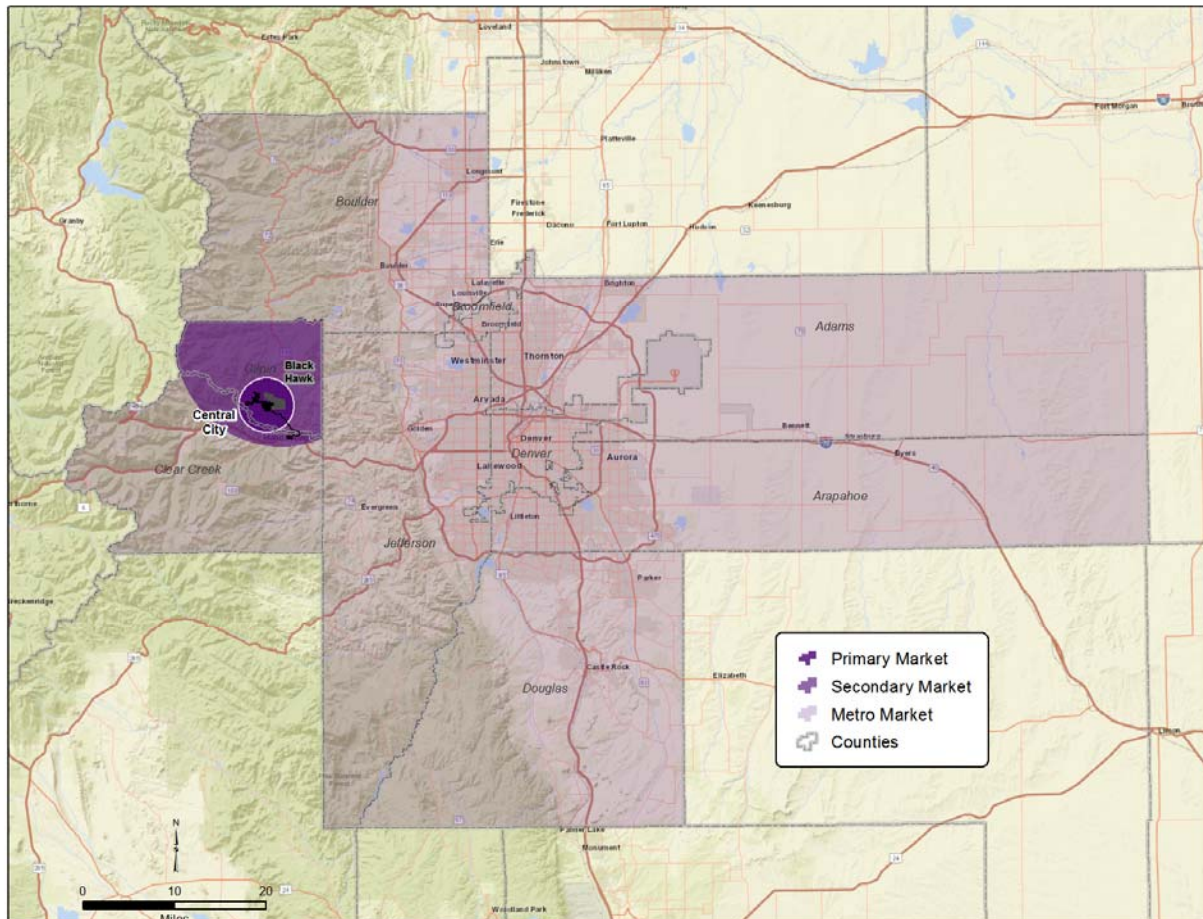
III. COMMUNITY CHARACTERISTICS

In order to be successful, the Belvidere Theater needs to appeal to both residents and visitors. Project interviews reveal a strong desire among area residents for a community gathering space, outside of casinos, which can also accommodate children and non-casino activities. At the same time, the large number of area visitors visiting casinos and attending area events, including the Central City Opera, provide opportunities. The following section discusses demographic characteristics in the project’s market areas and commercial characteristics / challenges in Central City.

3.1 Market Area Demographic Characteristics

Central City primarily draws its visitors from Denver’s Front Range as well as the visitors who visit the Denver metro area. Figure 1 shows the Denver metro region.

Figure 1.
Primary and Secondary Market Areas, Denver Metro Region



Source: ARland

At the same time, as shown in Figure 1, local residents are also an important resource to examine for their potential spending and need for services potentially located at the Belvidere. There is a Primary

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Market Area which encompasses an area including Central City and Black Hawk and is encircled. If the offerings at the Belvidere are compelling enough, additional potential spending is available from residents even further from Central City in the Secondary Market area, which encompasses the area from Idaho Springs on the south to Rollinsville on the north, and from St. Mary's on the west to the Gilpin County line on the east.

Table 1.
Summary Demographics, 2019

| | Central City | (Local) Primary Market Area | (Local) Secondary Market Area | (Regional Visitors) Denver Metro Market Area | Colorado State |
|------------------------------------|-----------------|-----------------------------------|-------------------------------------|--|-------------------|
| Persons 2010 | 663 | 1,694 | 8,229 | 2,798,757 | 5,029,196 |
| Persons 2019 | 750 | 1,920 | 9,074 | 3,243,922 | 5,731,594 |
| CAGR 2010-2019 | 1.4% | 1.4% | 1.1% | 1.7% | 1.5% |
| Households 2010 | 331 | 804 | 3,787 | 1,108,442 | 1,972,868 |
| Households 2019 | 379 | 936 | 4,278 | 1,298,211 | 2,275,868 |
| CAGR 2010-2019 | 1.5% | 1.7% | 1.4% | 1.8% | 1.6% |
| Average Household Size 2019 | 1.98 | 2.05 | 2.12 | 2.46 | 2.52 |
| Median Age 2019 | 51.68 | 52.23 | 49.52 | 37.11 | 37.4 |
| % of Population 17 and Younger | 15.2% | 14.3% | 17.7% | 22.5% | 22.5% |
| % of Population 25-34 | 9.5% | 8.4% | 9.2% | 15.4% | 14.7% |
| % of Population 65+ | 17.9% | 18.7% | 18.4% | 13.4% | 14.5% |
| Educational Attainment 2019 | | | | | |
| High School Graduate or Higher (%) | 93.4% | 95.8% | 97.4% | 91.0% | 91.3% |
| Bachelor's Degree or Higher (%) | 23.6% | 28.9% | 34.4% | 44.0% | 39.5% |
| Housing Tenure 2019 | | | | | |
| Owner Occupied (%) | 49.9% | 66.2% | 74.5% | 63.5% | 65.4% |
| Renter Occupied (%) | 50.1% | 33.9% | 25.5% | 36.5% | 34.6% |
| Incomes | | | | | |
| 2019 Est. Average Household Income | \$69,646 | \$83,554 | \$84,553 | \$108,408 | \$97,371 |
| 2019 Est. Median Household Income | \$54,807 | \$66,479 | \$69,086 | \$78,064 | \$70,742 |

Source: Claritas, ArLand

As seen in Table 1, the estimated 2019 Central City population is approximately 750 persons. There are about 2.5 times that number of people in the Primary Market area and 12.5 times Central City's population in the Secondary Market Area. Central City and the Primary Market area have grown at roughly the same rate over most of the past decade as the State of Colorado, but faster than the Secondary Market area. In general, the rate of population growth in the metro area (defined here as Boulder, Jefferson, Adams, Denver, Broomfield, Arapahoe, Douglas, Clear Creek, and Gilpin Counties) has outpaced the other geographic areas.

Central City and the local market areas generally have a lower percentage of the population 34 or younger and a higher percentage of the population aged 65+ than the State and the metro area. Central City and the other market areas are well educated. In Central City, very high rates of high school graduates combined with about a quarter of the population with at least an undergraduate degree is notable.

Central City’s occupied homes are equally split between renters and owners. The city has a higher percentage of renters than the surrounding market areas, the metro area, and the State. Current average household incomes in Central City are approximately \$70,000 while the median household income is estimated at \$55,000. Median and average household incomes in the metro area, Primary and Secondary market areas are higher.

3.2 Central City Commercial Market

Vacancies

Central City’s commercial market is challenging. One of the challenges for commercial space reuse is that many spaces had been converted for casino use, and reconfiguring some of the space back into other uses can be difficult and costly.

The significant commercial vacancies (40%) in downtown Central City pose a competitive challenge. It presents a perception problem to potential outside investors and businesses as well as current property owners. Vacancies are scattered across all size spaces and buildings.

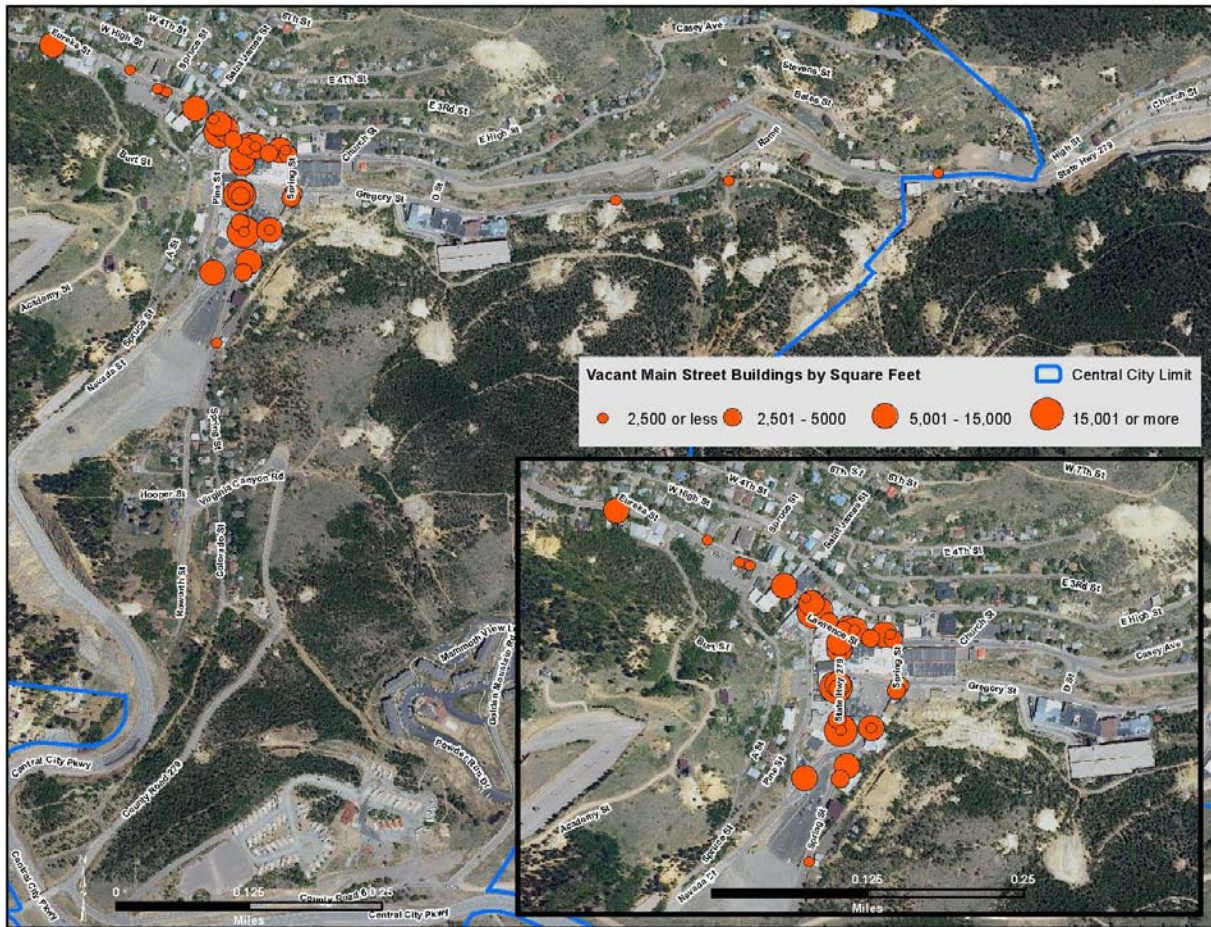
Table 2.
Vacant Commercial Buildings by Square Feet

| Square Feet | Number of Buildings | % of Total |
|----------------|---------------------|-------------|
| 400 - 1,500 | 8 | 24% |
| 1,500 - 5,000 | 12 | 35% |
| 5,000 - 15,000 | 12 | 35% |
| 15,000 + | 2 | 6% |
| Total | 34 | 100% |

Source: Central City, ArLand

The two largest vacant buildings in the downtown area are located at 130 and 131 Main Street (other than the Belvidere). The other vacancies are scattered throughout the downtown area predominately along Lawrence Street and Main Street south of Lawrence Street (Figure 2).

Figure 2.
Vacant Commercial Buildings



Source: Central City, ArLand

Rental Rates

Interviews indicate that there is a great deal of flexibility in rental considerations in the Central City market. The cost to building owners to operate a building is estimated at \$8-\$9 per square foot triple net and many building owners set their rent in order to at least recoup building operating costs and ideally keep their spaces full. Restaurant rents are typically set at percentage of revenues (typically 7%) with the goal that at least building operating costs are paid for. There is significant seasonality to business operations in Central City that must also be taken into consideration.

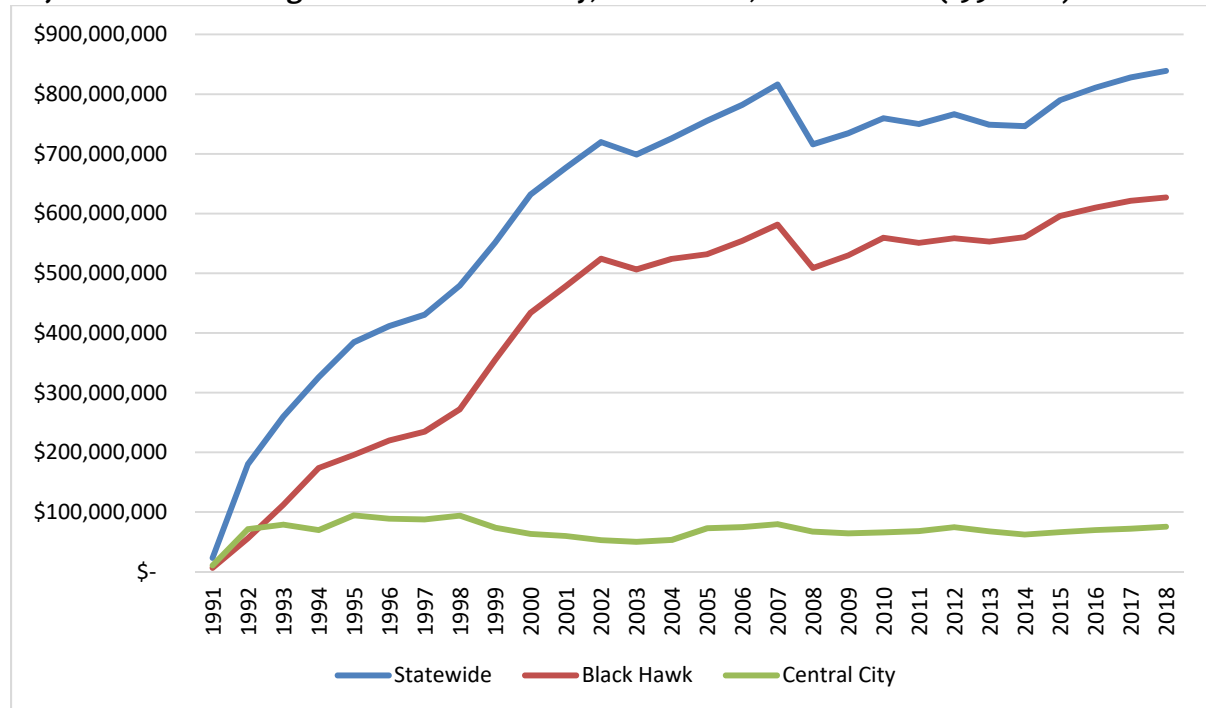
IV. AREA VISITATION

In Central City, gaming drives the tourism economy. While there are estimates of up to 90,000 annual visitors to the Central City / Black Hawk area (or more), actual numbers are difficult to come by. While the Denver metro area supplies the majority of visitors, Central City does benefit from national and international visitors who are increasing in number to the metro area. Casinos track these numbers but typically don't widely share the results of their research. And, casinos have typically tried to maintain their visitors within their properties, plying patrons with low-and no-cost food and drinks.

Limited gaming was approved in the State of Colorado in 1990 to revitalize and maintain the historical integrity of the three communities in the state where it is allowed - Black Hawk, Central City and Cripple Creek (Department of Gaming Fact Book and Abstract 2017).

The number of casinos in operation has varied over the years. As of 2017, there were about 34 casinos operating statewide. About 16 of those were in Black Hawk and six in Central City. As of 2018, Colorado's casinos had generated \$17.3 billion in adjusted gross proceeds (Department of Gaming 2019). As seen in Figure 3, the adjusted gross gaming proceeds in Black Hawk represent a large portion of statewide proceeds. Since 2001, over 70% of the State's gaming proceeds have come from Black Hawk. Central City's proceeds have remained relatively consistent over time, representing about 7-10% of the State's proceeds since 2000.

Figure 3.
Adjusted Gross Gaming Proceeds - Central City, Black Hawk, and Colorado (1991-2018)



Source: CO Dept. of Revenue, Enforcement Division, ArLand

4.1 Primary Market Area Hotels

There are approximately 145 hotel rooms located in Central City affiliated with two casinos. Tracking occupancy is difficult because hotel stays are often “comped” for casino patrons. However, interviews indicate an annual average of 80% occupancies which fluctuate by season and day of the week. Figure 4 provides an estimate of visitors based on number of hotel rooms and average occupancies. Assuming a 1.5 person average occupancy and a 1.5 day average length of stay, Central City may see over 40,000 visitors based on hotel occupancies alone.

Figure 4.
Estimated Central City Hotel Visitors

| Variables | Indicator |
|------------------|---------------------------------|
| 145 | Hotel Rooms |
| 80% | Average Occupancy |
| 365 | Days Per Year |
| 1.5 | Estimated Occupancy Per Room |
| 1.5 | Estimated Length of Stay (Days) |
| 42,340 | Estimated Visitors |

Source: Central City, ArLand

Figure 5.
Estimated Black Hawk Hotel Visitors

| Variables | Indicator |
|------------------|---------------------------------|
| 1,290 | Hotel Rooms |
| 80% | Average Occupancy |
| 365 | Days Per Year |
| 1.5 | Estimated Occupancy Per Room |
| 1.5 | Estimated Length of Stay (Days) |
| 376,680 | Estimated Visitors |

Source: CoStar, ArLand

In the broader Primary Market Area, there are an estimated 790 existing hotels room in Black Hawk with the majority at Ameristar (536 rooms) and Isle of Capri (238 rooms). The Monarch expansion (described below) will add over 500 rooms to the hotel mix in Black Hawk. Using similar metrics (because actual data is unavailable), Figure 5 shows that there are over 375,000 visitors to Black Hawk annually. While many stay primarily in casinos, there are opportunities for Central City and the Belvidere to take advantage of the large number of visitors to the area who may also be looking for additional activities while in the area.

4.2 Plans for Increased Primary Market Area Visitation

There are several projects underway that will serve to expand the number of visitors to the Primary Market Area. These projects are located in Black Hawk.

Monarch Expansion

Monarch Casino & Resort, Inc. owns and operates the Monarch Casino Black Hawk, which is nearing completion of a \$442 million addition. The addition primarily consists of a 516-room hotel. This expansion will nearly double the existing casino space to 70,000 sq. ft. and will feature over 500 guest rooms and suites. It includes a full-service spa and roof-top swimming pool, new restaurants, bars, banquet facilities, convention and meeting rooms.

Figure 6.
Monarch Expansion



Source: Monarch

As of October, 2019, there have been construction delays due to a potential lawsuit. In an early September 2019 press release, Monarch indicated that they expect the expansion to be fully open in the first quarter of 2020. Remaining remodeling of some of the existing casino is anticipated to be completed in the second quarter of 2020.

Gregory Street Project, HARD District

The HARD (History Appreciation Recreation Destination) District is a public use zoning district in Black Hawk that was established in March 2013. The establishment of this district was soon followed by the Gregory Street Sub-Area Plan (comp plan amendment) in October 2013. The sub-area is bounded by properties just south of Gregory Street, High Street and Church Street to the north, Main Street to the east, and Cooper Street to the west. The sub-area plan focuses on transforming the Gregory Street corridor into a destination district for visitors and residents. It envisions a relocated vehicular Gregory Street south of its original location to make room for a “Pedestrian

Street/Plaza.” Possible uses envisioned, among others, included eating and drinking (brew pub, taverns, bars, distillery), lodging (B&B, hotel), retail, and entertainment (live entertainment, museums) uses, and parking garage. Plans include an elevated walkway for pedestrians and a pedestrian bridge over Gregory Street. The goal is to provide visitors coming to gamble with other things to do. The whole area is envisioned as a pedestrian plaza. The expansion of recreational and entertainment opportunities would also draw non-gambling visitors too.

Key infrastructure within the district has been completed, including the street walls and associated infrastructure, and a new parking garage. Design work is ongoing for many of the publicly owned buildings in the district.

Maryland Mountain Recreational Park

Outside of the district, the 600-acre Maryland Mountain Recreational Park, a new mountain trail system to be developed above the City, is also getting underway. The initial phase of work to grade the Maryland Mountain Main Tramway (the historic Gilpin Tramway railbed) is anticipated to be completed in mid-2020. To facilitate ease of access to the new mountain park, the City began construction during the summer of 2019 on the Maryland Mountain Park trailhead. Once the trailhead and initial phase are in place, visitors will be able to park at the trailhead, cross over Highway 119 and connect with the main tramway to walk or bike to historic mines and get great views of the area. When the park is finished, which is several years away, visitors to the area will not only have access to a new hiking and biking trail system, but also a mountain biking skills park and a banquet/event facility at Quartz Valley. This facility will be capable of hosting indoor and outdoor events (weddings, etc.) and visitors will be able to enjoy sleigh rides in the winter and wagon rides in the summer.

Figure 7.
Gregory Street Project, HARD District



Source: City of Blackhawk

4.3 Central City Events and Traffic Indicators

Events

Not only is summer a busy tourism season in Colorado generally, but Central City also actively works to activate the city from May to September through a variety of events, as seen in Table 2. Average attendance is estimated at 1,600 per event, although some of the more popular events can attract up to 5,000 attendees. As seen in Table 2, there were an estimated 15 to 22 events scheduled in 2019. Assuming 1,600 average person per event is equivalent to 35,200 visitors annually. It is assumed that there is overlap with hotel visitors; however, event visitors are out and about on Central City streets.

Table 2.
2019 Events

| Event | J | F | M | A | M | J | J | A | S | O | N | D |
|--|---|---|---|---|---|---|---|---|---|---|---|---|
| Museums Open | | | | | x | x | x | x | x | | | |
| Central Jazz Fest | | | | | | x | | | | | | |
| Annual Madam Lou Bunch Day and Famous Bed Races | | | | | | x | | | | | | |
| Old West Shows and Shootouts | | | | | | x | | | | | | |
| Stills in the Hills | | | | | | x | | | | | | |
| Hidee Mine: Special Events | | | | | | x | | x | | | | |
| Central City Opera | | | | | | | x | | | | | |
| Great Central City Beer Fest | | | | | | | | x | | | | |
| 31 st Annual Cemetery Crawl | | | | | | | | | x | | | |
| Hot Rod Hill Climb | | | | | | | | | x | | | |
| Plein Air Festival | | | | | | | | | x | | | |
| 11 th Annual Creepy Crawl | | | | | | | | | | x | | |
| 5 th Annual Paranormal Night with the Spirits | | | | | | | | | | x | | |
| Pumpkin Patch | | | | | | | | | | x | | |
| Tommyknocker Holidays | | | | | | | | | | | x | |

Source: Central City

Central City Opera

The Central City Opera helps define Central City. Originally built in 1878, the main opera house building is a National Historic Landmark and has hosted performances since 1932. Its summer festival attracts a wide national and international audience to enjoy performances in its 550 seat opera house. During its six week festival in the summer, the Opera hosts multiple productions at the Opera House and the William Stables Theater. It also owns multiple properties throughout Central City.

In recent years, the Opera has shrunk its performance schedule.

Total ticket sales in 2019 were estimated at 12,200. Like many traditional forms of entertainment, the Opera is seeking to redefine and broaden its offerings to appeal to a broader audience. It has indicated that it is interested in venues outside of the Opera House, like the Belvidere (long-term), in order to provide a broader array of entertainment to audiences.

Other Area Attractions

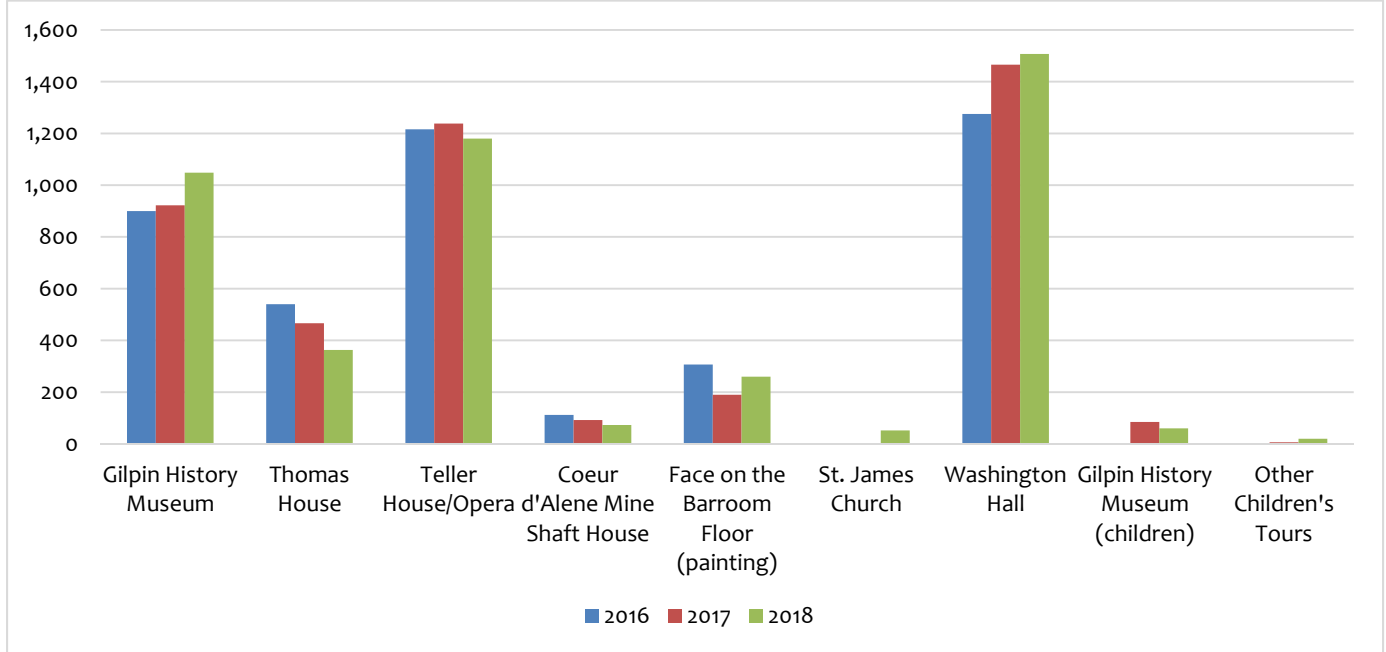
Central City also houses attractions that draw visitors on their own or are destinations while visitors are in town. The top three attractions in terms of visitation from 2016 to 2018 are Washington Hall, the Teller House / Central City Opera, and the Gilpin History Museum.

The attractions above had over 4,300 visitors each year from 2016 to 2018. As seen in Figure 10, visitation to these attractions is growing, with 2018 eclipsing 4,500 visitors.

Figure 8.
Central City Opera

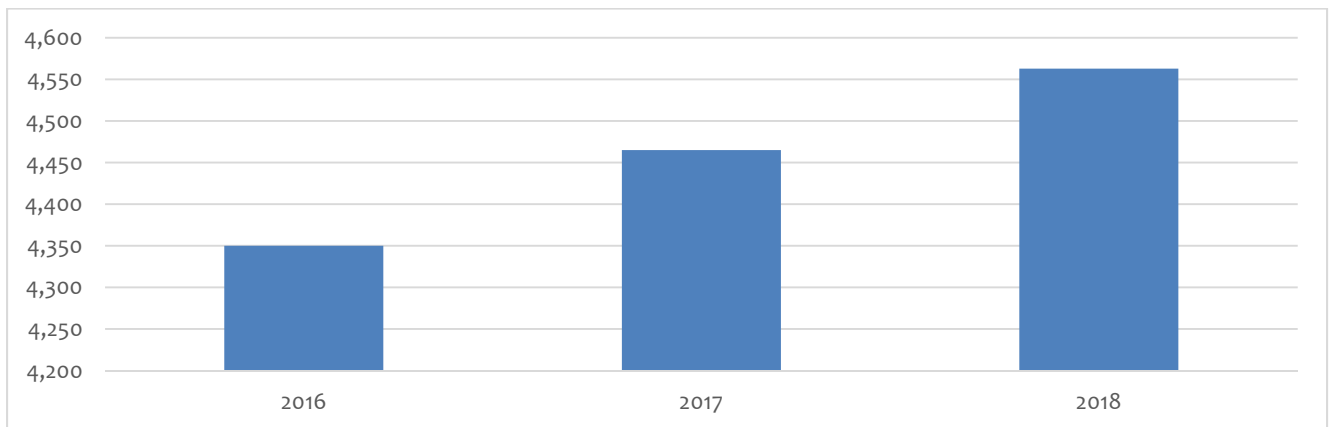


Figure 9.
Visitation at Central City Area Attractions



Source: Central City, ArLand

Figure 10.
Visitation at Area Attractions, 2016 - 2018

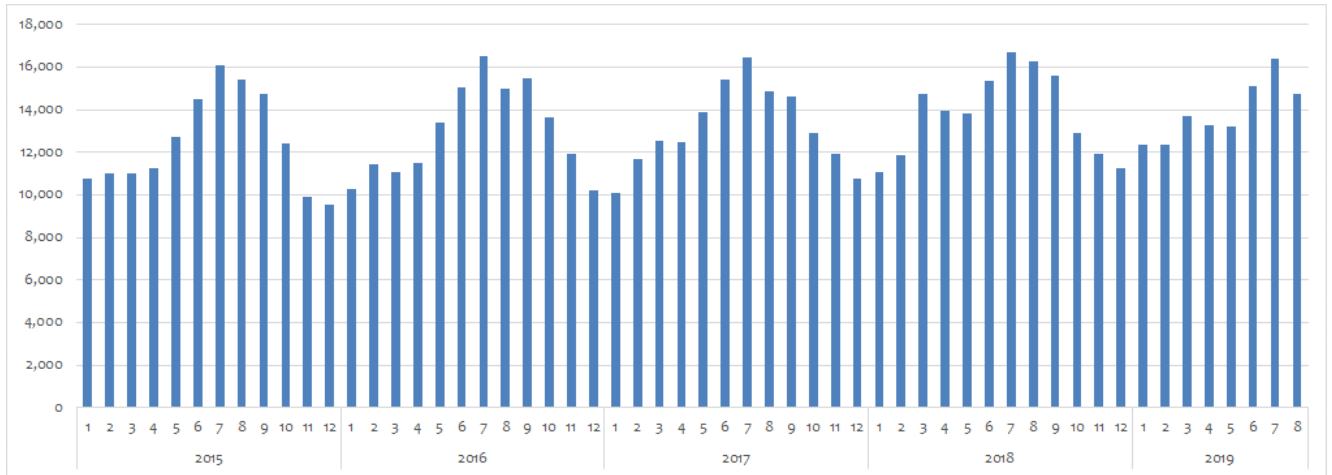


Source: Central City, ArLand

Parkway Traffic

The Central City Parkway was originally constructed to provide visitors with direct access to the City from I-70. When average parkway traffic is viewed by month (see Figure 11), the cyclical pattern of a spike in summer seasonal traffic is evident year after year. In recent years, average monthly traffic ranges from 10,000 to about 16,000 vehicles per month which translates to 120,000 to 156,000 vehicles per year. These figures include commuters, employees and repeat visitors. In each year, the highest average traffic volume is in July, due to summer events like the Central City Opera. The summer season remains the busiest, however, Central City is actively working to expand their visitation beyond the busy summer and early autumn months.

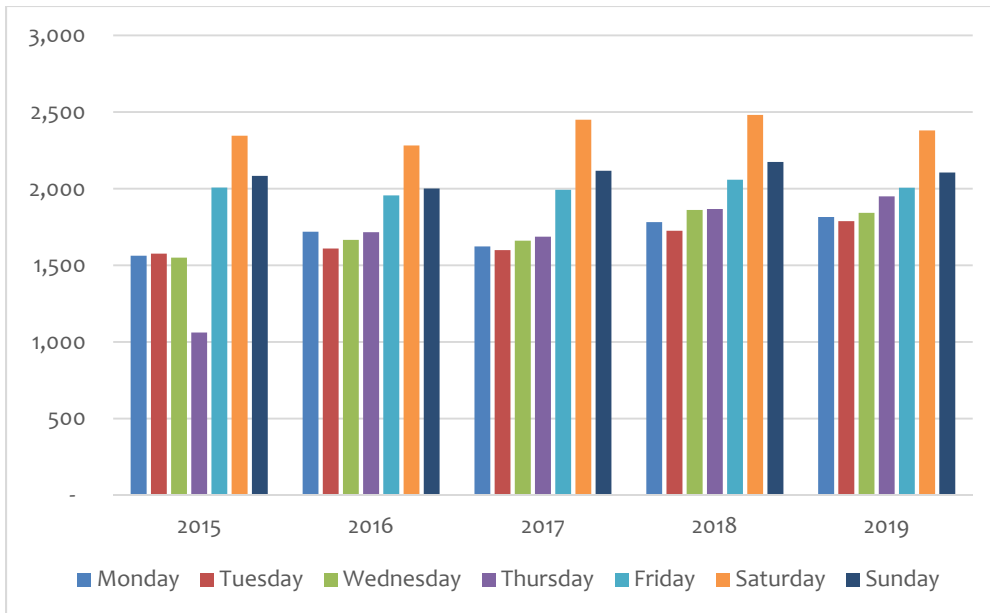
Figure 11.
Average Central City Parkway Traffic by Month



Source: Central City, ArLand

As seen in Figure 12, average parkway traffic is, unsurprisingly, highest on Friday, Saturday, and Sunday. It potentially indicates that large number of weekend warriors and day trippers visiting from the Front Range on their days off work.

Figure 12.
Average Central City Parkway Traffic by Day of Week



Source: Central City, ArLand

4.4 Visitation Summary

Visitation is significant in the Primary Market Area. Based on hotel visitors alone, there are an estimated 42,000 visitors to Central City annually and over 375,000 visitors to Black Hawk. Parkway traffic serves 10,000 to 16,000 vehicles per month. Events like the Central City Opera (12,200 visitors) and the large number of summer events bring tens of thousands of visitors to the City of Central. There are local estimates of up to 90,000 annual visitors.

At the same time, technological and generational change requires constant adjusting to ensure that visitor destinations remain relevant. While Black Hawk is doubling down on the “Las Vegas” style casino gambler, which appears to be successful, Central City casinos are maintaining but not seeing significant growth. The Opera also recognizes that its historic audience is changing, and is also experimenting with new options in order to remain relevant.

V. POTENTIAL BELVIDERE USES AND COMMUNITY NEEDS

The Belvidere Theater redevelopment is anticipated to take place in at least two phases. The first phase is the Shoo-Fly portion of the building (in blue) on the left with the remainder to occur in the Theater portion of the building (in yellow on the right). While the description of the building activities will refer to the Shoo-Fly (Phase 1) and the Theater (Phase 2), they are both part of the larger Belvidere Theater redevelopment.

Figure 13.
The Belvidere: Shoo-Fly and Theater



The City, architects, and engineers, have worked with the community to identify potential uses for the Belvidere Theater buildings (Shoo-Fly and Theater). The following section will discuss those potential uses, and potential market support. Primary uses identified for both buildings include restaurant uses, theater uses, and special event space. There are also a few undefined tenant spaces. Interviews also indicate that there is a strong desire among Central City residents for community gathering space.

Potential Shoo-Fly uses will be discussed first followed by the Theater uses. Phasing will also be discussed in this section, and then in more detail in the following section on the pro-forma.

**Table 3.
Potential Uses at the Shoo-Fly and Theater Buildings**

| Unit Type | First Floor Occupant Rentable Area | Mezz Space Occupant Rentable Area | Second Floor Occupant Rentable Area | Total Occupant Rentable Area | Common Area Allocation | Net Rentable Area | Net Rentable % of Total | Outdoor Area Sq. Ft. (Patio) |
|----------------------------|---|--|--|---------------------------------------|------------------------------|-------------------------|-------------------------------|------------------------------------|
| Shoo-Fly | | | | | | | | |
| Tenant B | 740 | | | 740 | 139 | 879 | 26.0% | |
| Restaurant (1/) | | | 1,394 | 1,394 | 262 | 1,656 | 48.9% | 845 |
| Green Room/Dressing Room | | | 717 | 717 | 135 | 852 | 25.1% | |
| Subtotal | 740 | | 2,111 | 2,851 | 536 | 3,387 | 100% | 845 |
| Belvidere Theater | | | | | | | | |
| Welcome Center/Lobby Space | 770 | | | 770 | 217 | 987 | 11.5% | |
| Tenant A | 549 | | | 549 | 155 | 704 | 8.2% | |
| Theater Space (2/) | | 1,225 | 4,162 | 5,387 | 1,518 | 6,905 | 80.3% | |
| Subtotal | 1,319 | 1,225 | 4,162 | 6,706 | 1,890 | 8,596 | 100% | |
| TOTAL | 2,059 | 1,225 | 6,273 | 9,557 | 2,426 | 11,983 | | 845 |

Source: Dunakilly, Arland, CIVISTRUCT Strategy + Development

Notes

1/ Restaurant space includes 575 sq. ft. kitchen area and 819 sq. ft. restaurant seating area

2/ Theater space includes on 2nd floor (assembly area, stage, storage, bathrooms, and lobby) and mezzanine (assembly and office space)

5.1 Restaurant

Plans call for approximately 1,394 square feet of interior restaurant space in the Shoo-Fly (Table 3). There will also be with 845 square feet of outdoor dining space with the potential to be used in the summer. On the first floor, there is 740 square feet of space that can be used as an interim welcome center, community center and multipurpose space. It can potentially offer coffee and/or light alcoholic beverages.

Although there are metrics for restaurant demand, success or failure is based on intangible factors including the uniqueness of the restaurant offering, comfort level, price, and a whole range of other subjective matters. One of the biggest challenges to a restaurant at the Belvidere is the tough competition posed by casino restaurants. They are often no-cost or very low cost dining options for patrons. However, casino restaurants are often typically buried within casinos, rather than being easily accessible from the street. There are both residents and visitors that would prefer to patronize a non-casino dining establishment as well as casino patrons that would prefer a meal or two outside of a casino.

A successful restaurant at the Belvidere would ideally need to appeal to both residents and visitors.

Table 4.
Total Household Incomes in Primary and Secondary Market Areas

| Primary Market Area | |
|------------------------------|---------------|
| Households | 936 |
| Average Household Incomes | \$83,554 |
| Total Household Incomes | \$78,206,544 |
| Secondary Market Area | |
| Households | 4,278 |
| Average Household Incomes | \$84,553 |
| Total Household Incomes | \$361,717,734 |

Source: ArLand, Claritas

In order to estimate restaurant demand, we calculate an estimate of spending potential. Local retail demand is calculated by estimating households and incomes in the market area in order to derive the total household income potentially available for retail expenditures (Table 4). There is \$78 million of household incomes in the Primary Market Area and \$360 million of Secondary Market Area (including the Primary Market Area) of household incomes. A portion of that income is available for retail spending.

Table 5 shows that 3% of an average household’s income is spent at full-service (sit-down) restaurants, 2.25% at limited service restaurants, etc. The total spending is divided by an estimate of sales per square foot in each of the restaurant categories to derive an estimate of total supportable square feet of approximately 25,600. Assuming that 4% of the demand is spent at the Belvidere / Shoo-Fly results in demand for about 1,024 square feet by area residents.

There are an estimated 40,000-90,000 visitors to Central City and over 375,000 visitors to the region. Conservatively assuming that 20% of 75,000 visitors spend \$30 each for dining at the Belvidere Theater results in sales from these visitors of \$450,000. At revenues of \$350 per square foot, visitor demand is estimated at approximately 1,286 square feet. Adding resident and visitor demand results in overall demand for 2,309 square feet. The estimated size of restaurant space at the Shoo-Fly is approximately 2,239 square feet for both interior and exterior restaurant space, indicating sufficient demand for a restaurant assuming both resident and visitor patronage.

Table 5.
Estimated Household Demand for Food Services and Drinking Places

| | % Retail Expenditures [1] as % of Income | Primary Market Area | Secondary Market Area | Est. Sales / SF [2] | Primary Market Area | Secondary Market Area | Est. Demand SF |
|---|--|---------------------|-----------------------|---------------------|---------------------|-----------------------|----------------|
| Resident Spending | | | | | | | |
| Full-Service Restaurants | 3.02% | \$2,362,512 | \$2,141,121 | \$350 | 6,750 | 6,117 | 12,868 |
| Limited-Service Eating Places | 2.25% | \$1,762,673 | \$1,597,493 | \$350 | 5,036 | 4,564 | 9,600 |
| Special Food Services | 0.50% | \$390,145 | \$353,585 | \$350 | 1,115 | 1,010 | 2,125 |
| Drinking Places (Alcoholic Bevs.) | 0.30% | \$234,882 | \$212,871 | \$450 | 522 | 473 | 995 |
| | | | | | 13,423 | 12,165 | 25,588 |
| 4% of Residential Demand for the Belvidere / Shoo-Fly | | | | | | | 4.0% |
| Demand for Restaurants from Residents | | | | | | | 1,024 |
| Estimated Visitors - 60,000-90,000 Annually | | | | | | | |
| 20% of 75,000 Visitors | | | | | | | 15,000 |
| \$30 each for dining | | | | | | | \$30 |
| Potential Revenues | | | | | | | \$450,000 |
| At \$350 Sales / SF [2] | | | | | | | 1,286 |
| Supportable Square Feet of Restaurant Demand from Residents and Visitors | | | | | | | 2,309 |
| Shoo-Fly 2nd Floor Restaurant Space | | | | | | | 1,394 |
| Patio Space | | | | | | | 845 |
| Total Restaurant Space at Shoo-Fly and Belvidere | | | | | | | 2,239 |
| Demand-Supply | | | | | | | 70 |

Source: Claritas, Census of Retail Trade for CO, ULI, ArLand

[1] Demand percentages based on local and state averages

[2] National averages per Urban Land Institute, research and retailer interviews

Although there appears to be restaurant demand, any restaurant needs to be special and unique in some way in order to survive the tough local competition. A typical burger joint, for example, may not likely to stand out. JKQ Barbecue is a good example of a stand-out local independent restaurant with a strong local following. Other potentials include ethnic restaurants, draft houses, and microbreweries. A great local example of good restaurants helping drive demand is downtown Idaho Springs which has seen a resurgence recently, for a number of reasons including the addition of distinctive and hip restaurant offerings.

5.2 Community Space

Interviews indicate that the community has a strong desire for community gathering space which doesn't exist, currently, within the community. The space should be as flexible as possible. In the short term, this could be the first floor of the Shoo-Fly or in the long term, the first floor of the Belvidere Theater. Although the allocation of space would need to be thought through, community space could potentially accommodate a café, co-working space, movie theater, small community events, and meeting space. If desired, special community programs could be developed that could be housed in the space. Potentials include light medical needs, such as flu shots, and the like as well as health and wellness services.

5.3 Performance / Event Space

In order to successfully program these types of events, there would need to be a wide variety of potential partnerships, both locally and beyond the City boundaries:

- *Cultural Performances / Events:* The Theater space, which includes a 5,387 square feet of space, including assembly / seating area, stage, storage, and bathrooms, can provide a flexible entertainment venue with seating for up to 260 people. With support spaces for live production, including a Green Room / dressing room, the flexible nature of the theater space can be leased out for multiple programmatic elements, including live production, performing arts, film (including independent/classic/art and second run films), experimental film, small recitals, corporate speakers, meetings and conferences for business and civic groups, comedy shows, weddings and dances and other types of performances. It should remain as “flexible” and as “black box” as possible in order to be workable for any organization or individual who wishes to use it. It could include community sponsored rental activities including the Opera, Peak to Peak and other performing arts organizations, the Gilpin County Arts Organization, local as well as regional touring organizations.

Central City Opera would be potentially interested in using the space because it provides some flexibility and different type of space than the Opera House. It could expand options for them during their busy summer festival season. Further conversations would be necessary in order to figure out specifications, etc. At this point, the organization has no funds for potential contribution to the capital costs for the building.

In addition, the Theater could differentiate itself as a unique movie theater with digital technology but feature additional programming elements to supplement its operation. This could include accommodating interactive video gaming (including tournaments) to provide for a more family friendly environment. It will be important for the City to engage in a third party booking representative or undertake intensive marketing to lease out this theater space to maximize the opportunity for additional revenue.

- *All Purpose Community Events:* The schools can use the building for arts productions and programs. The City can use the building for meetings and presentations. Other potential events include special interest meetings, graduations and weddings. Local churches have expressed an interest in partnering on wedding packages. Community education and medical events are also options for the building use.

5.4 Retail

Retail is in a state of flux nationally as shopping habits have changed with the advent of the internet. Like the rest of the spaces, approaching retail flexibly and potentially in a unique and quirky way has met with success. Sporting goods is a niche that meets with success in many mountain towns for both residents and visitors alike. As Central City's recreation sector begins to grow, complementary retail may be supportable. One example of a flexible, funky, retail hybrid is the Denver Bicycle Cafe which is a three-in-one taphouse, coffee house and bike shop. They have a full bar and two happy hours every day, and a small menu of quick food items. Another example is the Alamo Draft House which shows a wide variety of movies supplemented by bar and restaurant items served during showings.

VI. GOVERNANCE

The Belvidere Theatre is intended to serve a public, catalytic role for the City of Central. In addition to helping catalyze downtown redevelopment, the building(s) are also intended to help serve the local community.

In order to meet the public mission of the Belvidere, Central City intends to retain ownership of the building both during development as well as during ongoing operations. In 2018, the City of Central approved an ordinance establishing a long-term lease between the City and the Central City Building Authority for the Belvidere Theatre. The City is the Lessor and the Building Authority is the Lessee. The Building Authority is a Colorado nonprofit corporation and was established to assist the City in its purchase of City Hall. It is now envisioned as a means to support the redevelopment and reuse of the Belvidere. The Authority should be required to make an annual report to the City on how the Belvidere is meeting its Mission and Goals.

- *During Construction:* IRS rules regarding tax credits are the ultimate determiner of the legal structure for historical rehabilitation. The Building Authority, as a nonprofit corporation, can also apply for grants, raise funds, as well as receive tax credits for qualified costs for preserving and rehabilitating historic structures.
- *Ongoing Operations:* As the building transitions to active use, the Authority's role changes to one more focused on marketing, tenant recruitment, lease negotiations, event management, property management, etc. According to the ordinance establishing the Authority, however, City Council maintains an active role in approving long-term rentals or leasehold agreements having a duration of more than one year.

6.1 Non-Profit Management

Advantages of non-profit management include the ability to:

- Coordinate public and private interests
- Allow for more flexible, entrepreneurial management
- Raise funds from government, private donors, foundations and corporations
- Work with small-scale businesses
- Make decisions quickly
- Attract volunteers
- Establish strategic partnerships
- Recruit appropriate tenants
- Have mechanisms for listening to customers, producers and vendors

Figure 14 shows a structure of governance for the Belvidere during construction whereby the City retains ownership but has a master lease with the Central City Building Authority which is a non-profit organization. The City would provide design and construction oversight, while the Authority would be responsible for initial marketing as well as developing a Capital Campaign and grant applications.

Figure 14.
Governance during Construction

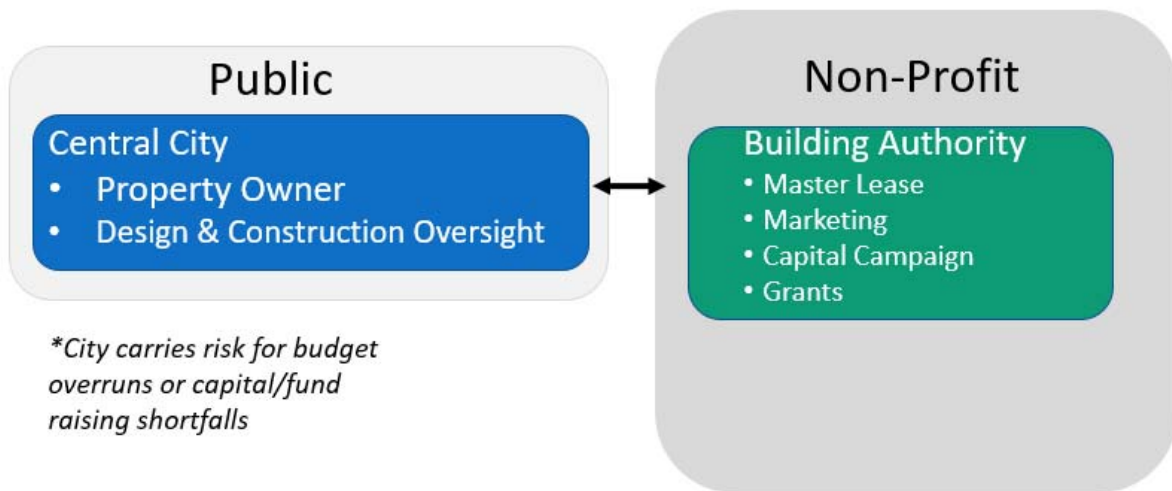
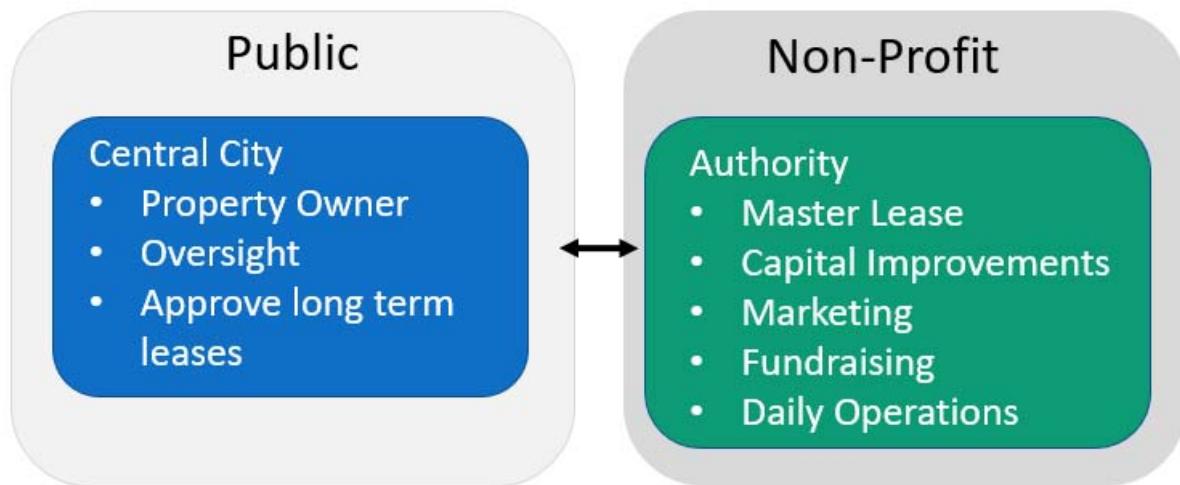


Figure 15.
Governance during Operations



Source: ArLand

During operations, the Authority would be responsible for daily operations and any ongoing maintenance and small capital improvement needs. It would also be responsible for marketing and fundraising.

6.2 Non-Profit Board

Nonprofits typically have boards that can provide the expertise, professionalism, representation, and balance that will be necessary to properly manage and market the Belvidere in a manner consistent with its public purpose.

A nonprofit must have a board of at least 3 members, according to IRS regulations. One of the challenges is that the same community leaders in Central City tend to serve in multiple roles. However, at least a 5 member board (or an odd number) would be ideal for the Belvidere representing areas of needed expertise.

Leverage a board with expertise in legal issues, accounting, a specialist in retail leasing or commercial property management, a marketing professional, events professional, etc. Community members should also be represented including a representative from the Opera, casinos, etc. Board members do not necessarily need to live or work in Central City, however, should have a keen understanding of local issues.

The Board could initially serve for either 2- or 4-year terms. Following the initial Board, it is recommended that all future Board members serve 4-year terms to assure continuity. Board members can be reselected for up to two additional terms.

Board members could also change over time depending on needs. For example, during construction, it might be helpful to have Board members with expertise in historic preservation and fundraising. As the building moves towards operations, Board members with expertise in areas relevant to ongoing operations should be sought.

VII. DEVELOPMENT PROGRAM AND PHASING

This section describes the potential program and phasing for the Belvidere Theatre.

7.1 Building Information

As shown in Table 6, the Shoo-Fly comprises approximately 5,962 gross square feet of space on three levels. The first floor totals 2,223 gross square feet, second floor totals 2,930 gross square feet, and mezzanine level totals 809 gross square feet. (It should be noted that the mezzanine level is comprised of mechanical / utility equipment.) The total interior net rentable square footage totals 3,387 square feet, with occupant (tenant) space comprising 2,851 square feet and common area totaling 536 square feet. The common area includes the hallways and stairs. The mechanical/utility rooms that service the building comprise 1,930 square feet.

The Theater comprises approximately 9,558 gross square feet of space on three levels. The first floor totals 3,258 gross square feet, second floor totals 4,730 gross square feet, and mezzanine level totals 1,570 gross square feet. The total interior net rentable square footage totals 8,596 square feet, with occupant (tenant) space comprising 6,706 square feet and common area totaling 1,890 square feet. The common area includes the hallways, stairs, elevators, and a room that can be used for storage which also houses some mechanical / utility functions.

Table 6.
Shoo-Fly and Theater Building Information

| Building | Gross Building Sq. Ft. | Occupant Usable Sq. Ft. | Common Area Sq. Ft. | Total | | Outdoor Area Sq. Ft. (Patio) |
|--------------------|------------------------|-------------------------|---------------------|-------------------------------|-----------------|------------------------------|
| | | | | Interior Net Rentable Sq. Ft. | Mechanical (1/) | |
| Shoo-Fly | | | | | | |
| First Floor | 2,223 | 740 | 117 | 857 | 1,121 | |
| Mezzanine | 809 | | | | 809 | |
| Second Floor | 2,930 | 2,111 | 419 | 2,530 | | 845 |
| Subtotal | 5,962 | 2,851 | 536 | 3,387 | 1,930 | 845 |
| The Theater | | | | | | |
| First Floor (2/) | 3,258 | 1,319 | 1,637 | 2,956 | | |
| Mezzanine | 1,570 | 1,225 | 132 | 1,357 | | |
| Second Floor | 4,730 | 4,162 | 121 | 4,283 | | |
| Subtotal | 9,558 | 6,706 | 1,890 | 8,596 | | |
| TOTAL | 15,520 | 9,557 | 2,426 | 11,983 | | 845 |

Source: ArLand, CIVISTRUCT Strategy + Development

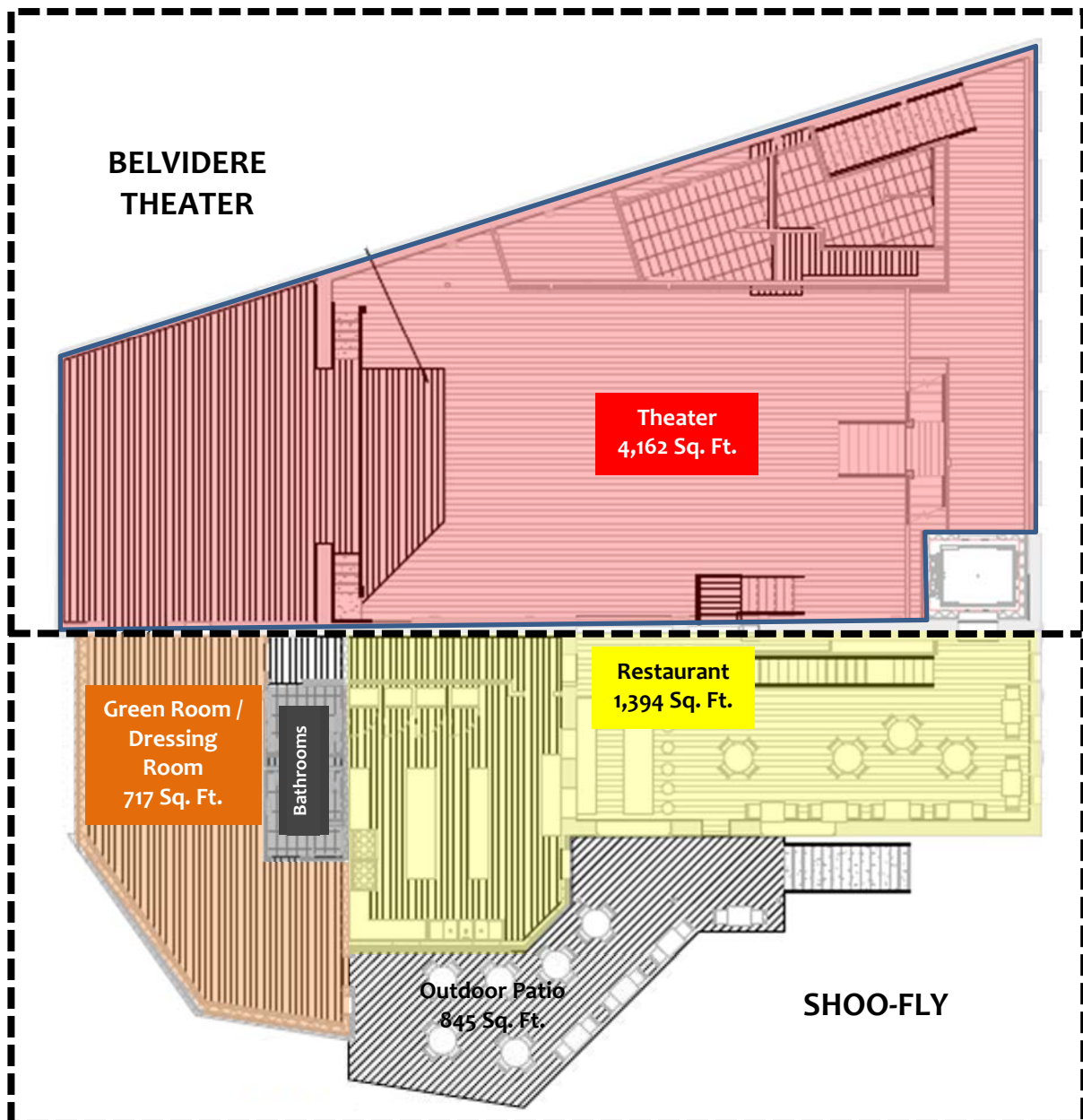
Notes

1/ Includes 716 gross sq. ft. utility room (ductwork, plumbing) and 405 sq. ft. exterior mechanical vault (HVAC, air handler) on the first floor and 809 gross sq. ft. on the mezzanine level that services both the Shoo-Fly and Belvidere Theater that is not part of the common area sq. ft.

2/ Includes 368 sq. ft. storage room; excludes unexcavated space

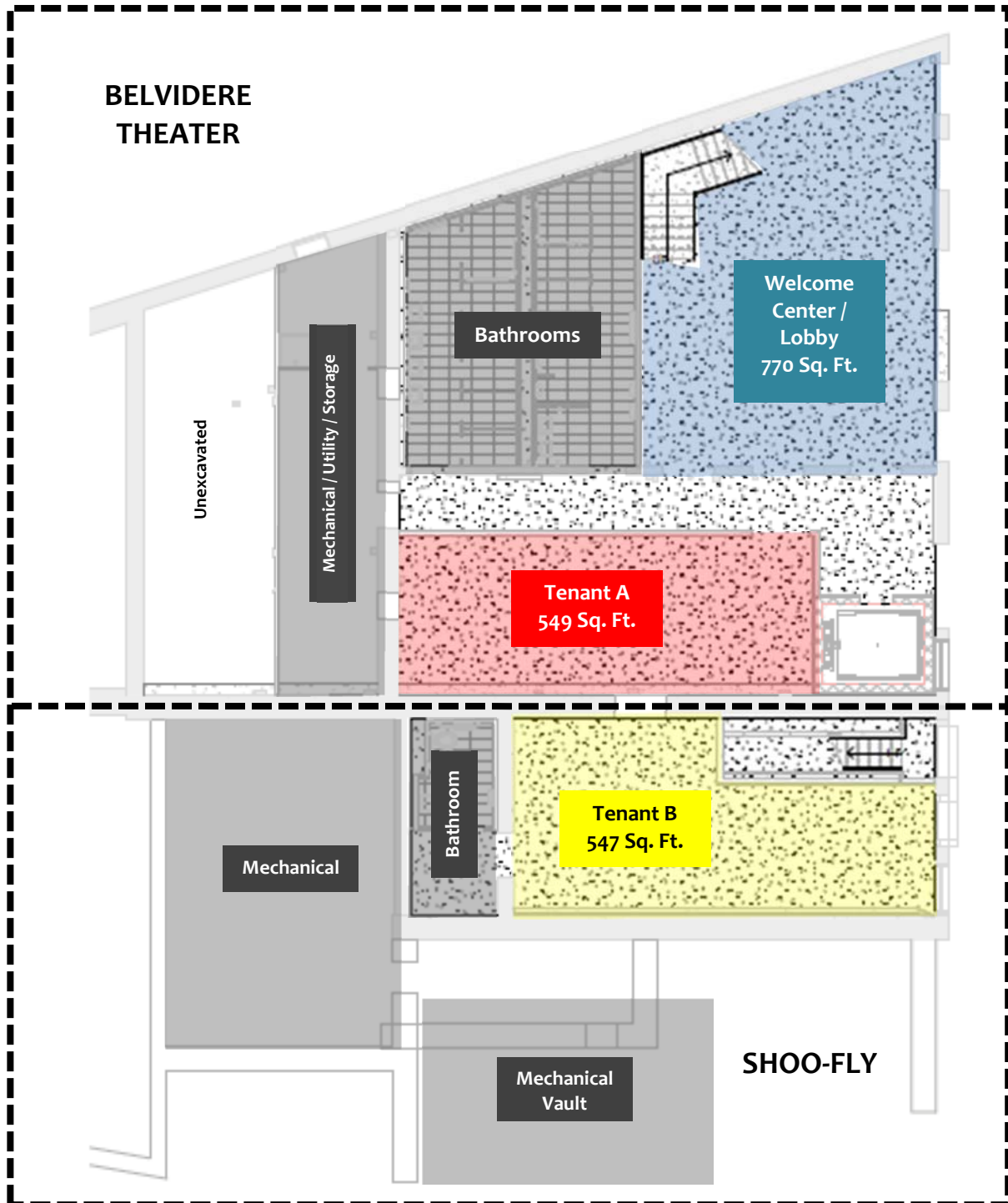
Figure 16 (Second Floor Finish Plan), Figure 17 (First Floor Finish Plan), and Figure 18 (Mezzanine Finish Plan) shown below depict the locations of the Theater space (including Green Room / Dressing room), restaurant space, tenant spaces and common areas (including bathrooms and mechanical / utility rooms) within the Shoo-Fly and the Belvidere Theater.

Figure 16.
Second Floor Finish Plan



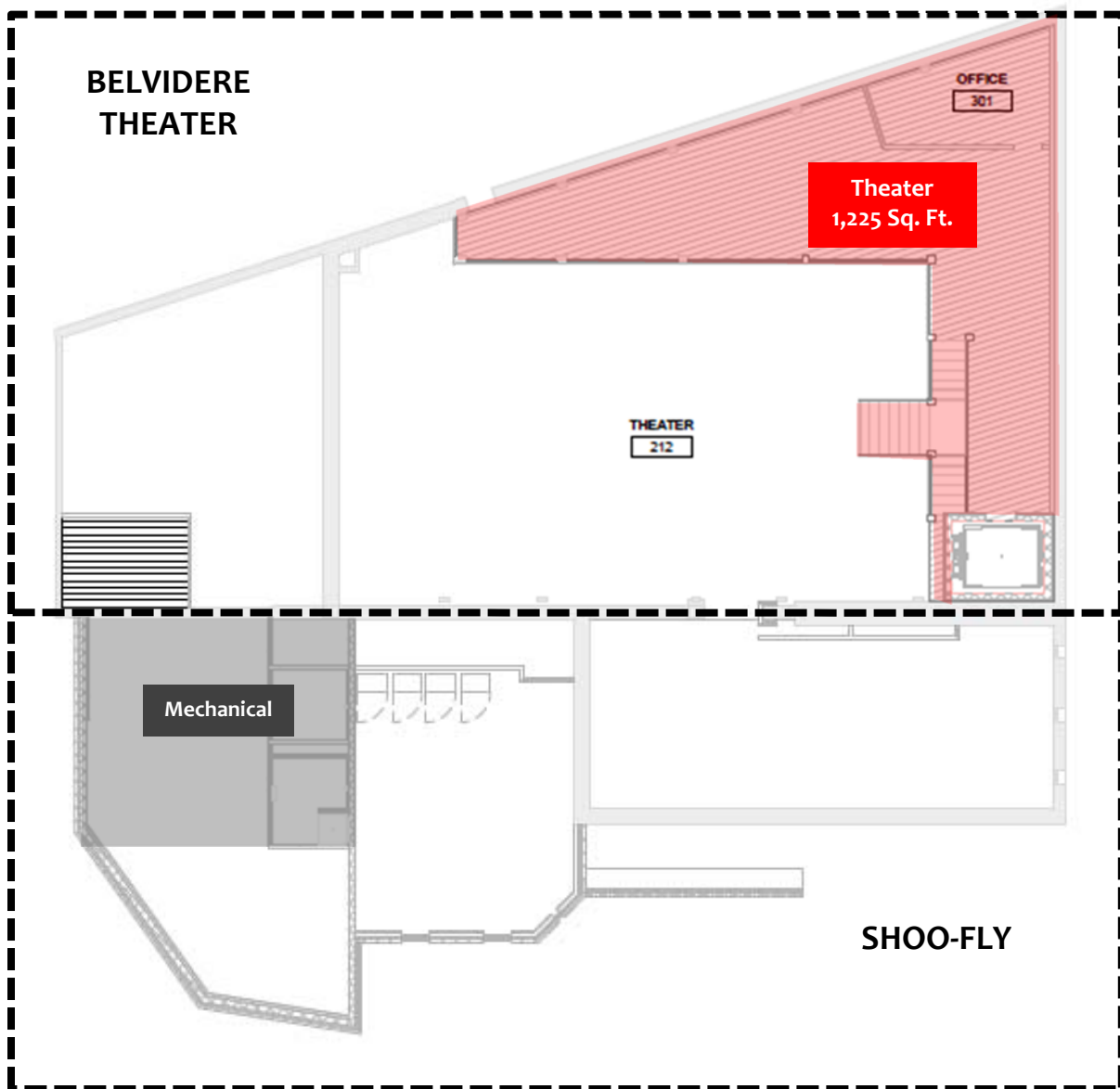
Source: Form + Works Design Group, LLC, Dunakilly

Figure 17.
First Floor Finish Plan



Source: Form + Works Design Group, LLC, Dunakilly

Figure 18.
Mezzanine Floor Finish Plan



Source: Form + Works Design Group, LLC, Dunakilly

7.2 Rentable Space and Building Uses

As shown in Table 7, the Shoo-Fly contains approximately 2,851 square feet of usable (occupant) rentable area. This is the area occupied by the tenant for their programming. Tenant B space is located on the first floor and comprises 740 square feet. The restaurant space on the second floor comprises 1,394 square feet, of which 575 square feet is for the kitchen and 819 square feet is for the seating area. There is also a 717 square foot Green Room / Dressing Room that is associated with the theater space, but could provide an interim use until the theater space is renovated. The Shoo-Fly's total net rentable area (including common area space) totals 3,387 square feet.

The Theater contains approximately 6,706 square feet of usable (occupant) rentable area. This is the area occupied by the tenants and users for their programming. The Theater space totals 5,387 square feet, of which 4,162 square feet is on the second floor and includes the assembly / seating area, stage, storage, lobby and bathrooms. There is 1,225 square feet of usable theater space on the mezzanine floor which includes assembly / seating area and a small office. Tenant A space is located on the first floor and comprises 549 square feet. There is a Welcome Center/Lobby space on the first floor that comprises 770 square feet. The Belvidere Theater's total net rentable area (including common area space) totals 8,596 square feet.

Table 7.
Shoo-Fly and Theater Occupant Space Breakdown

| Unit Type | First Floor Occupant Rentable Area | Mezz Space Occupant Rentable Area | Second Floor Occupant Rentable Area | Total Occupant Rentable Area | Common Area Allocation | Net Rentable Area | Net Rentable % of Total |
|----------------------------|---|--|--|---|---------------------------------------|----------------------------------|--|
| Shoo-Fly | | | | | | | |
| Tenant B | 740 | | | 740 | 139 | 879 | 26.0% |
| Restaurant (1/) | | | 1,394 | 1,394 | 262 | 1,656 | 48.9% |
| Green Room/Dressing Room | | | 717 | 717 | 135 | 852 | 25.1% |
| Subtotal | 740 | | 2,111 | 2,851 | 536 | 3,387 | 100% |
| Belvidere Theater | | | | | | | |
| Welcome Center/Lobby Space | 770 | | | 770 | 217 | 987 | 11.5% |
| Tenant A | 549 | | | 549 | 155 | 704 | 8.2% |
| Theater Space (2/) | | 1,225 | 4,162 | 5,387 | 1,518 | 6,905 | 80.3% |
| Subtotal | 1,319 | 1,225 | 4,162 | 6,706 | 1,890 | 8,596 | 100% |
| TOTAL | 2,059 | 1,225 | 6,273 | 9,557 | 2,426 | 11,983 | |

Source: Dunakilly, Arland, CIVISTRUCT Strategy + Development

Notes

1/ Restaurant space includes 575 sq. ft. kitchen area and 819 sq. ft. restaurant seating area

2/ Theater space includes on 2nd floor (assembly area, stage, storage, bathrooms, and lobby) and mezzanine (assembly and office space)

7.3 Development Programming / Phasing

Phase 1 – Shoo-Fly

The proposed Phase 1 of the project includes the redevelopment of the Shoo-Fly space. It is expected that the Shoo-Fly space will be rehabilitated during this first phase to be followed by redevelopment of the Theater space. Programming of the Shoo-Fly space will be critical to attract visitors to the site and also to provide for additional revenue to help offset the annual operating costs of the City's costs to maintain the building. Table 8 below summarizes the proposed tenant / user space utilization of the Shoo-Fly.

Table 8.
Shoo-Fly Proposed Tenant / User Space Utilization

| User Space | Proposed Phase 1 Tenant Types / Uses |
|----------------------------|---|
| Tenant B | Welcome / Visitor Center / Coffee Kiosk |
| Restaurant | Destination restaurant |
| Green Room / Dressing Room | Theater dressing and relaxation room |

Source: Dunakilly, ArLand, CIVISTRUCT Strategy + Development

Since the Belvidere Theater will be rehabilitated during Phase 2 of the project after the Shoo-Fly space is completed, the Tenant B space in the Shoo-Fly could, initially, be used as the location of the Welcome / Visitor Center. This Welcome / Visitor Center could also include a coffee kiosk / stand and seating area that will provide an opportunity for visitors to learn more about the Belvidere Theater and Central City history, Central City activities, including family friendly activities, in a relaxing, informal space. Once the Belvidere Theater space is completed the Welcome / Visitor Center could relocate to the theater space. This would open up an opportunity to attract new tenants to this space, including neighborhood serving uses (e.g. health services, yoga studios), local businesses, pop-up shops, space for smaller start-up firms and other uses to address the gap of lack of amenities found in Central City. Having a strong internet connection can help with attracting tenants to both the Shoo-Fly and Belvidere Theater spaces.

The restaurant space (including the kitchen and dining area) is located on the second floor of the Shoo-Fly. With the limited dining options in Central City and existing restaurants located in the casinos that cater to casino visitors, it will be important that the City engage in an intensive marketing effort to attract a destination type restaurant to the Shoo-Fly space that can attract patrons looking for an alternative type of restaurant, and more family-friendly, than what is found in the casinos. The outdoor patio space will also provide an opportunity for outdoor restaurant seating.

The second floor of the Shoo-Fly also includes a 717 square foot "Green Room" that, once the Belvidere Theater space is renovated, would function as a waiting area and lounge for performers before and after a performance, and during the show when they are not engaged on stage. The Green Room typically will have seating for the performers, such as upholstered chairs and sofas, and may include a dressing room area as well.

Phase 2 – The Theater

The proposed Phase 2 of the project includes the redevelopment of the Theater space. Programming of the Theater space will be important to attract visitors to the site and also to provide for additional revenue to help offset the annual operating costs to maintain the building. Table 9 below summarizes the proposed tenant / user space utilization of the Theater.

Table 9.
The Theater Proposed Tenant / User Space Utilization

| User Space | Proposed Tenant Types / Uses |
|------------------------------|--|
| Welcome Center / Lobby Space | Welcome Center / Community Use Gathering Space |
| Tenant A | Creative Space, Health and Wellness Services |
| Theater Space | Special Event Programming |

Source: Dunakilly, ArLand, CIVISTRUCT Strategy + Development

Once the theater rehabilitation is completed, the large 770 square foot lobby area can serve as a Welcome / Visitor Center and community gathering space to welcome visitors to the theater and to also provide an informal gathering space for City residents and visitors. This welcome area could serve as a “Grand Lobby” for events, receptions, and other activities. In terms of phasing, the Welcome / Visitor Center and coffee kiosk originally located in the Shoo-Fly can relocate to this larger space in the theater once the renovation is completed.

The Tenant A space (549 sq. ft.) located on the first floor could be leased out for a variety of users, such as affordable studio space for arts and crafts, arts galleries, and other creative type operators. In addition, depending on market demand, this space could be used to provide services to the community, such as a medical clinic and other health and wellness services.

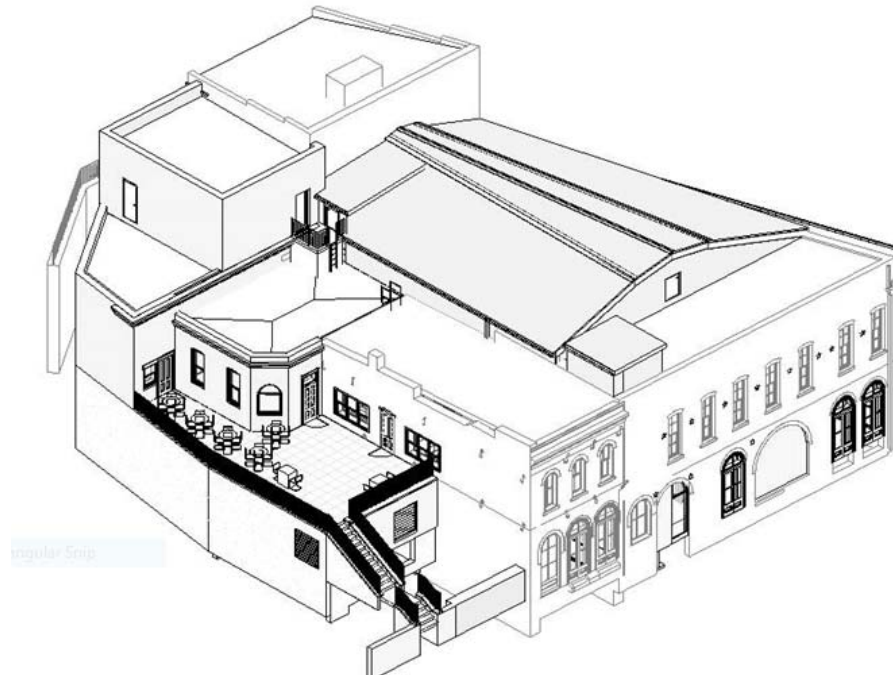
The Theater space, which includes 5,387 square feet of space, including assembly / seating area, stage, storage, and bathrooms, can provide a flexible entertainment venue with seating for up to 260 people. With support spaces for live production, including a Green Room / dressing room, the flexible nature of the theater space can be leased out for multiple programmatic elements, including live production, performing arts, film (including independent/classic/art and second run films), experimental film, small recitals, corporate speakers, meetings and conferences for business and civic groups, comedy shows, weddings and dances and other types of performances.

The theater also could potentially accommodate spillover programming from the Opera House. In addition, the Theater could differentiate itself by as a unique movie theater with digital technology but feature additional programming elements to supplement its operation. This could include accommodating interactive video gaming (including tournaments) to provide for a more family friendly environment.

In addition, the adjacent restaurant space in the Shoo-Fly provides an opportunity for a cinema/brewpub combination (e.g. Cinema and Draft House) depending on market demand, which offers alcohol in addition to concessions, up to full-service dining provided while viewing movies.

VIII. BELVIDERE PRO-FORMA ANALYSIS

Figure 19.
Shoo-Fly and Theater Rehabilitation



Source: form + works design group, LLC

8.1 Capital Costs

Shoo-Fly

The estimated development cost to rehabilitate the Shoo-Fly space is approximately \$2.8 million. This development cost is based on estimates prepared by Dunakilly (8/23/19) and is broken out in Table 10 below. These costs have been adjusted 5% for Central City and as well as a 5% cost escalation to account for the inflation between the construction estimates to construction award. The total development costs include General Conditions (18%), Insurance (2%), Bonds (1.2%), Overhead and Profit (6.8%), and Permits and Fees (1.5%). We have also included \$75,000 (\$5,000 per month x 15 month construction period) in the construction budget associated with architectural and engineering costs (coordination with general contractor, change orders, etc.).

Please note that the Dunakilly cost estimate does not include any land acquisition costs, soft costs such as architectural and engineering, and financing and legal costs that have already been paid for (or are to be paid for) by the City and through other funding sources.

Table 10.
Design Development Estimate Summary – Shoo-Fly

| | Cost Estimate | Cost/Sq. Ft. (Gross) | % Cost |
|------------------------|----------------------|-----------------------------|---------------|
| Site Improvement Costs | \$118,271 | \$61.60 | 4.2% |
| Construction Costs | \$2,552,871 | \$1,329.62 | 89.8% |
| Tenant Finishes | \$172,320 | \$232.87 | 6.1% |
| TOTAL | \$2,843,462 | \$1,624.09 | 100% |

Source: Dunakilly

As shown in Table 10, the Shoo-Fly site improvement costs total \$118,271 square feet (\$61.60 per square foot) comprising site preparation (e.g. site clearing, site demolition and relocations, site earthwork), site improvements (e.g. right-of-way work, pedestrian paving, site development, landscaping), and site mechanical and utilities (e.g. water supply, sanitary sewer, storm sewer).

The Shoo-Fly building construction costs total \$2.6 million (\$1,329.62 per square foot) based on 1,920 square feet total. This includes hard construction costs such as building demolition and relocations, foundations, roofing, interior construction, interior finishes, plumbing and kitchen equipment, HVAC, fire protection and electrical.

The Shoo-Fly tenant finishes costs total \$172,320 (\$232 per square foot) based on 740 gross square feet for the Tenant B space. The tenant finishes cost is based on the Dunakilly estimate for providing “square box” finishes to the Tenant B space, including painted walls, flooring, lighting, interior construction, plumbing, electrical and HVAC, and a bathroom.

The construction cost estimates for the remaining user space in the Shoo-Fly, such as the restaurant and Green Room/Dressing Room, is also by “square box” finish standards and included in the construction budget. In addition, the construction budget includes approximately \$44,390 in kitchen equipment for the restaurant space broken out as follows:

- 1 commercial kitchen exhaust hood (4'x4'x7'),
- 4 commercial kitchen freezers,
- 2 commercial kitchen gas range (6 burners and 1 oven),
- 1 commercial kitchen fryer (2 basket),
- commercial kitchen counters (45 feet), and
- 1 commercial sink

Table 11.
Design Development Cost Estimate Detail – Shoo-Fly

| | Cost Estimate | Cost/Sq. Ft. (Gross) | % Cost |
|---|----------------------|---------------------------------|---------------|
| Site Improvement Costs (1/) | \$118,271 | \$61.60 | 4.2% |
| Site Preparation | \$31,004 | \$16.15 | 1.1% |
| Site Improvements | \$44,862 | \$23.37 | 1.6% |
| Site Mechanical / Utilities | \$42,405 | \$22.09 | 1.5% |
| Construction Costs (1/) | \$2,552,871 | \$1,329.62 | 89.8% |
| Demolition | \$29,568 | \$15.40 | 1.0% |
| Foundations | \$176,320 | \$91.83 | 6.2% |
| Superstructure | \$84,619 | \$44.07 | 3.0% |
| Exterior Closure | \$308,812 | \$160.84 | 10.9% |
| Roofing | \$18,718 | \$9.75 | 0.7% |
| Interior Construction | \$76,481 | \$39.83 | 2.7% |
| Stairs | \$42,197 | \$21.98 | 1.5% |
| Interior Finishes | \$88,627 | \$46.16 | 3.1% |
| Elevators and Lifts | \$364,339 | \$189.76 | 12.8% |
| Plumbing & Kitchen Equipment (2/) | \$127,298 | \$66.30 | 4.5% |
| HVAC | \$278,697 | \$145.15 | 9.8% |
| Fire Protection | \$9,283 | \$4.83 | 0.3% |
| Electrical | \$107,568 | \$56.02 | 3.8% |
| Indirect Costs (3/) | \$573,039 | \$298.46 | 20.2% |
| Construction Cost Contingency | \$192,307 | \$100.16 | 6.8% |
| A&E Costs During Construction Period (4/) | \$75,000 | \$39.06 | 2.6% |
| Tenant Finishes (5/) | \$172,320 | \$232.87 | 6.1% |
| Tenant Finishes | \$172,320 | \$232.87 | 6.1% |
| TOTAL (6/) | \$2,843,462 | \$1,624.09 | 100% |

Source: Dunakilly, ArLand, CIVISTRUCT Strategy + Development

Notes

1/ Site improvement costs and building construction costs based on Design Development Estimate provided by Dunakilly (8/23/19) based on Shoo-fly space at 1,920 sq. ft.; Costs adjusted 5% for Central City and 5% cost escalation to Construction Award

2/ Includes cost for the following kitchen equipment: 1 commercial kitchen exhaust hood (4'x4'x7'), 4 commercial kitchen freezers, 2 commercial kitchen gas range (6 burners and 1 oven), 1 commercial kitchen fryer (2 basket), commercial kitchen counters (45 feet), 1 commercial sink TOTAL COST = \$44,390

3/ Include General Conditions (18%), Insurance (2%), Bonds (1.2%), Overhead and Profit (6.8%), and Permits and Fees (1.5%)

4/ Assumes \$5,000 / month x 15 months for A&E costs associated with coordination, changes, change orders, etc.

5/ Tenant Finishes based on Dunakilly estimate for providing Square Box Finishes to Tenant B space (740 sq. ft.), including painted walls, flooring, lighting, interior construction, plumbing, electrical and HVAC, bathroom

6/ Does not include costs associated with architecture/engineering and other soft costs paid or to be paid for by City funds and/or grant funds

The Theater

The estimated development cost to rehabilitate the Theater space is approximately \$4.2 million. This development cost is based on estimates prepared by Dunakilly (8/23/19) and is broken out in Table 12 below. These costs have been adjusted 5% for Central City and 5% and as well as a 5% cost escalation to account for the time lag and inflation between the construction estimates to construction award. The total development costs include General Conditions (18%), Insurance (2%), Bonds (1.2%), Overhead and Profit (6.8%), and Permits and Fees (1.5%). We have also included \$75,000 (\$5,000 per month x 15 month construction period) in the construction budget associated with architectural and engineering costs (coordination with general contractor, change orders, etc.).

Please note that these costs do not include any land acquisition costs, soft costs such as architectural and engineering, and financing and legal costs that have already been paid for (or are to be paid for) by the City and through other funding sources.

Table 12.
Design Development Estimate Summary – The Theater

| | Cost Estimate | Cost/Sq. Ft. (Gross) | % Cost |
|------------------------|----------------------|-----------------------------|---------------|
| Site Improvement Costs | \$0 | \$0.00 | 0.0% |
| Construction Costs | \$3,794,386 | \$364.84 | 90.9% |
| Tenant Finishes | \$156,485 | \$232.87 | 3.7% |
| Façade Improvements | \$223,214 | \$21.46 | 5.3% |
| TOTAL | \$4,174,085 | \$619.17 | 100% |

Source: Dunakilly

The Theater construction costs total \$3.8 million (\$364.84 per square foot) based on 10,400 square feet total. This includes hard construction costs such as building demolition and relocations, foundations, roofing, interior construction, interior finishes, plumbing and kitchen equipment, HVAC, fire protection and electrical.

The Theater tenant finishes total \$156,485 (\$232.87 per square foot) based on 672 square feet for the Tenant A space. The tenant finishes cost is based on the Dunakilly estimate for providing “square box” finishes to the Tenant A space, including painted walls, flooring, lighting, interior construction, plumbing, electrical and HVAC, and a bathroom. Façade improvements total \$223,214 (\$21.46 per square foot).

The construction cost estimates for the remaining user space in the Theater, such as the Welcome Center/lobby and theater space (assembly area, stage, office), is also by “square box” finish standards. These costs include interior construction, painting, flooring, plumbing, electrical, HVAC and associated bathrooms. The estimated budget does not any specialty systems (e.g. lighting, sound) that may be required by the operators.

Table 13.
Development Cost Estimate Detail – The Theater

| | Budget | Cost/Sq. Ft. (Gross) | % Cost |
|---|--------------------|-------------------------|--------------|
| Site Improvement Costs (1/) | \$0 | \$0.00 | 0.0% |
| Site Preparation | \$0 | \$0.00 | 0.0% |
| Site Improvements | \$0 | \$0.00 | 0.0% |
| Site Mechanical / Utilities | \$0 | \$0.00 | 0.0% |
| Construction Costs (1/) | \$3,794,386 | \$364.84 | 90.9% |
| Demolition | \$140,626 | \$13.52 | 3.4% |
| Foundations | \$19,214 | \$1.85 | 0.5% |
| Superstructure | \$229,028 | \$22.02 | 5.5% |
| Exterior Closure | \$19,663 | \$1.89 | 0.5% |
| Roofing | \$75,122 | \$7.22 | 1.8% |
| Interior Construction | \$215,174 | \$20.69 | 5.2% |
| Stairs | \$31,665 | \$3.04 | 0.8% |
| Interior Finishes | \$130,603 | \$12.56 | 3.1% |
| Elevators and Lifts | \$0 | \$0.00 | 0.0% |
| Plumbing | \$186,572 | \$17.94 | 4.5% |
| HVAC | \$564,174 | \$54.25 | 13.5% |
| Fire Protection | \$76,044 | \$7.31 | 1.8% |
| Electrical | \$935,022 | \$89.91 | 22.4% |
| Indirect Costs 2/ | \$820,970 | \$78.94 | 19.7% |
| Construction Cost Contingency | \$275,510 | \$26.49 | 6.6% |
| A&E Costs During Construction Period (3/) | \$75,000 | \$7.21 | 1.8% |
| Tenant Finishes (4/) | \$156,485 | \$232.87 | 3.7% |
| Tenant Finishes | \$156,485 | \$232.87 | 3.7% |
| Façade Improvements | \$223,214 | \$21.46 | 5.3% |
| Façade Improvements | \$223,214 | \$21.46 | 5.3% |
| TOTAL (5/) | \$4,174,085 | \$619.17 | 100% |

Source: Dunakilly, Arland, CIVISTRUCT Strategy + Development

Notes

- 1/ Site improvement costs and building construction costs based on Design Development Estimate provided by Dunakilly (8/23/19) based on Belvidere Theater space at 10,400 sq. ft.; Costs adjusted 5% for Central City and 5% cost escalation to Construction Award
- 2/ Include General Conditions (18%), Insurance (2%), Bonds (1.2%), Overhead and Profit (6.8%), and Permits and Fees (1.5%)
- 3/ Assumes \$5,000 / month x 15 months for A&E costs associated with coordination, changes, change orders, etc.
- 4/ Tenant Finishes based on Dunakilly estimate for providing Square Box Finishes to Tenant A space (672 sq. ft.), including painted walls, flooring, lighting, interior construction, plumbing, electrical and HVAC interior construction, plumbing, electrical and HVAC
- 5/ Does not include costs associated with architecture/engineering and other soft costs paid or to be paid for by City funds and/or grant funds

8.2 Sources and Uses (Capital Costs)

Central City and the Central City Building Authority will utilize a combination of grant funds, historic preservation tax credits, and City funds to fund the capital cost of rehabilitation of the Shoo-Fly and the Theater.

Sources of Funding – Shoo-Fly

Funding for the capital cost of the Shoo-Fly and the Theater will come a variety of sources. These sources and estimated amount of funds, including how the funds will be used, are summarized in Table 14 and Table 15. These grant funds and tax credit applications for the Shoo-Fly are expected to be applied for in the 2019-2020 application cycle. Grant funds and tax credit applications for the Theater are expected to be applied for in the following year.

Table 14.
Sources and Uses Summary – Shoo-Fly

| SOURCES | Amount | % to Total |
|--------------------------------------|--------------------|-------------------|
| DOLA EIAF Grant | \$1,000,000 | 35% |
| Colorado ITC State Rehab Tax Credits | \$850,000 | 30% |
| Gates Family Foundation | \$50,000 | 2% |
| El Pomar Foundation | \$75,000 | 3% |
| City Funds in Reserve | \$868,462 | 31% |
| TOTAL SOURCES | \$2,843,462 | 100% |
| USES | | |
| Site Improvement Costs | \$118,271 | 4% |
| Construction Costs | \$2,552,871 | 90% |
| Tenant Finishes | \$172,320 | 6% |
| TOTAL USES | \$2,843,462 | 100% |

Source: Three Gables Preservation, ArLand, CIVISTRUCT Strategy + Development

Table 15.
Sources and Use Summary – The Theater

| SOURCES | Amount | % to Total |
|--------------------------------------|--------------------|-------------------|
| DOLA EIAF Grant | \$1,000,000 | 24.0% |
| Colorado ITC State Rehab Tax Credits | \$1,147,500 | 27.5% |
| Gates Family Foundation | \$100,000 | 2.4% |
| City Low Interest Loan | \$1,821,585 | 43.6% |
| El Pomar Foundation | \$95,000 | 2.3% |
| Quick Foundation | \$10,000 | 0.2% |
| TOTAL SOURCES | \$4,174,085 | 100% |

| USES | | |
|------------------------|--------------------|-------------|
| Site Improvement Costs | \$0 | 0.0% |
| Construction Costs | \$3,794,386 | 90.9% |
| Tenant Finishes | \$156,485 | 3.7% |
| Belvidere Façade | \$223,214 | 5.3% |
| TOTAL USES | \$4,174,085 | 100% |

Source: Three Gables Preservation, ArLand, CIVISTRUCT Strategy + Development

These funding sources are explained in greater detail below.

- DOLA Energy and Mineral Impact Assistance Fund (EIAF) Grant.** The State of Colorado Department of Local Affairs’ (DOLA) Energy and Mineral Impact Assistance Fund Grant program was created to assist political entities that are socially and/or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels. Funds come from the state severance tax on energy and mineral production and from a portion of the state’s share of royalties paid to the federal government for mining and drilling of minerals and mineral fuels on federally-owned land. Central City has applied for a \$1 million grant for the (Phase 1) Shoo-Fly redevelopment. Application by the Central City Building Authority is expected to be made for a \$1 million grant for the (Phase 2) Belvidere Theater rehabilitation during the 2020 or 2021 grant cycle.
- Colorado Investment Tax Credit (ITC) State Rehabilitation Tax Credits.** The Historic Preservation Tax Credit program is a tax credit program to owners and qualified tenants of certified historic structures that perform a certified rehabilitation of income producing property. The program is managed jointly by the Colorado Office of Economic Development and International Trade (OEDIT) and History Colorado. Both the Shoo-Fly and the Belvidere Theater qualify as an eligible building for this tax credit program as a building that is at least 50 years old and is a certified Historic Structure. Central City will work with the nonprofit Building Authority to apply for a \$1 million tax credit in 2019 for the Shoo-Fly rehabilitation costs. The actual value of this credit once sold is estimated to be \$850,000 (85% of value of credit).

For the Theater, two tax credit applications will be made for the Historic Preservation Tax Credit – the first application for \$1 million (or \$850,000 in value after the credits are sold) is

expected to be made in 2021 and the second application for \$350,000 (or \$297,500 in value after credits are sold) is expected to be made in 2022. Total estimated value of sold tax credits is \$1,147,500.

- **Gates Family Foundation Capital Grant.** The Gates Family Foundation provides capital grants, typically for building purchases, construction, expansion, renovation and/or land acquisition that can help transform the ability of nonprofit and community organizations to serve Colorado communities. Only non-profit organizations with capital projects that benefit Colorado and its residents are qualified to apply. The Central City Building Authority has applied for a \$50,000 grant to be used for the Shoo-Fly rehabilitation. The Central City Building Authority is expected to apply for a \$100,000 grant to be used for the Belvidere Theater rehabilitation during the 2021 grant cycle.
- **El Pomar Foundation.** The El Pomar Foundation is a private general purpose foundation whose mission is to enhance, encourage and promote the current and future well-being of the people of Colorado. The Foundation accepts applications from 501(c)(3) organizations in the areas of arts and culture, civic and community initiatives, education, health, and human services. The Central City Building Authority has applied for a \$75,000 grant to be used for the Shoo-Fly rehabilitation. The Central City Building Authority is expected to apply for a \$95,000 grant to be used for the Theater rehabilitation during the 2021 grant cycle.
- **Quick Foundation Grant.** The Edmund T and Eleanor Quick Foundation is a small private foundation created by Mary Eleanor Quick in honor of her husband, Edmund T Quick. The Quick Foundation benefits general charitable entities in the State of Colorado. One of the targeted areas for grants is historic preservation. The Central City Building Authority is expected to apply for a \$10,000 grant to be used for the Theater rehabilitation during the 2021 grant cycle.
- **City Funds in Reserve.** City funds set aside for the Shoo-Fly and Theater rehabilitation will be used for any required matches for grant funding and for any remaining costs not funded through grants and tax credits. Based on the latest capital cost estimate, this cost is estimated to be \$868,462 (for the Shoo-Fly).
- **City Low Interest Loan.** To close the finance gap on capital funding for the Belvidere Theater rehabilitation, the City may need to seek a low interest loan. Based on the latest capital cost estimate and remaining finance gap, this loan amount is estimated to be \$1.8 million. However, at a 3.5% interest rate (30 year mortgage), the project would need to pay an annual Principal and Interest payment of \$98,150.

Uses of Funding

The uses of the funds described would be to offset the total capital costs of building reconstruction. The costs are estimated at approximately \$7 million. A summary breakdown of these costs, which have been previously discussed, are shown in Table 16.

Table 16.
Estimated Capital Costs for the Belvidere Theater Redevelopment

| | Shoo-Fly | | The Theater | | Total Cost |
|------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| | Cost Estimate | Cost/Sq. Ft. (Gross) | Cost Estimate | Cost/Sq. Ft. (Gross) | |
| Site Improvement Costs | \$118,271 | \$61.60 | | | \$118,271 |
| Construction Costs | \$2,552,871 | \$1,329.62 | \$3,794,386 | \$364.84 | \$6,347,257 |
| Tenant Finishes | \$172,320 | \$232.87 | \$156,485 | \$232.87 | \$328,806 |
| Façade Improvements | | | \$223,214 | \$21.46 | \$223,214 |
| TOTAL | \$2,843,462 | \$1,624.09 | \$4,174,085 | \$619.17 | \$7,017,547 |

Source: Dunakilly

8.3 Operating Expenses

The Belvidere Theater is owned by the Central City and leased to the Central City Building Authority, a Colorado non-profit organization. Annual operating expenses associated with maintaining the Shoo-Fly and the Theater will be the responsibility of the Central City Building Authority.

Annual operating expense estimates for the Shoo-Fly and the Theater are summarized in Table 17. The Shoo-Fly annual operating expenses total approximately \$22,992, or \$6.79 per square foot. The Belvidere Theater annual operating expenses total approximately \$58,194, or \$6.77 per square foot. Utility costs account for around 60% of these costs. The operating expense budget assumes a 10% operating contingency for any unforeseen costs.

Table 17.
Operating Expense Estimate

| | Shoo-Fly | | | Belvidere Theater | | |
|-------------------------|-----------------|----------------------------|--------------|-------------------|----------------------------|--------------|
| | Expense | \$ / Rentable Sq. Ft. (1/) | % of Expense | Expense | \$ / Rentable Sq. Ft. (1/) | % of Expense |
| Property Management | \$1,694 | \$0.50 | 7% | \$4,298 | \$0.50 | 7% |
| Repairs and Maintenance | \$847 | \$0.25 | 4% | \$2,149 | \$0.25 | 4% |
| Marketing | \$3,387 | \$1.00 | 15% | \$8,596 | \$1.00 | 15% |
| Property Taxes | \$71 | \$0.02 | 0% | \$38 | \$0.00 | 0% |
| Property Insurance | \$0 | \$0.00 | 0% | \$0 | \$0.00 | 0% |
| Utilities | \$13,548 | \$4.00 | 59% | \$34,384 | \$4.00 | 59% |
| Replacement Reserves | \$1,355 | \$0.40 | 6% | \$3,438 | \$0.40 | 6% |
| Subtotal | \$20,901 | \$6.17 | 91% | \$52,903 | \$6.15 | 91% |
| Operating Contingency | 10% \$2,090 | \$0.62 | 9% | \$5,290 | \$0.62 | 9% |
| Total | \$22,992 | \$6.79 | 100% | \$58,194 | \$6.77 | 100% |

Source: ArLand, CIVISTRUCT Strategy + Development

1/ \$/sf expenses are calculated on rentable sq. ft. which does not include patio space and mechanical space (vault)

Assumptions regarding operating expense items are described below. The estimated operating expenses are provided to assist the City and Central City Building Authority with an estimate for budgetary purposes of the annual cost to maintain the property (even though some of these costs may already be accounted for in the City’s operating budget). It should be noted that interviews indicate that typical annual operating expenses for Central City commercial buildings are \$8-\$9 per square foot, including property taxes.

- Property Management:** The Central City Building Authority will be the property manager for both the Shoo-Fly and the Theater space. Property management services include: general and administrative costs such as accounting, legal, IT services, leasing commissions, and other typical office and facility related costs, as needed. The Central City Building Authority will need to dedicate some staffing to assist in property management. This expense is estimated at \$.50 per square foot, as the City is likely to share some of these responsibilities.
- Repairs and Maintenance:** Similar to property management, the Building Authority will be the entity responsible for repairs and maintenance of the Shoo-Fly and the Theater. Expenses include: cleaning, repairs and supplies (e.g. HVAC, lighting, electrical, plumbing), landscaping and outdoor maintenance, snow removal, trash and recycling, preventative maintenance and other contracted services as needed. This expense is estimated at \$.25 per square foot as the City is likely to share some of these responsibilities.
- Marketing:** A key element for the Shoo-Fly and Theater to be successful is targeted marketing and advertising that creates a buzz for the community and larger metropolitan area of the opportunities at the property. Marketing the property will be crucial from the time the facility begins redevelopment to project opening and beyond in order to continuously attract people to the property and generate the necessary foot traffic to make the Shoo-Fly and the Theater economically successful. The City will handle the initial marketing efforts. Marketing costs not only include print and broadcast advertising, but planning and running special events, public relations campaigns, and promotions. While this

expense is estimated at \$1.00 per square foot, it is expected that this budget will be leveraged by broader City, Main Street Commission, and other organizational efforts to market the City.

- **Property Taxes:** The Belvidere Theater is owned by Central City and being publicly owned does not pay property taxes. Because a portion of the building is expected to be leased out to private vendors, these tenants will be expected to pay a possessory interest tax in lieu of building property taxes. This tax applies to the private vendors using real property owned by a non-taxable entity. The calculation of possessory interest tax is based on the net present value (after applying a discount rate) of the lease term and applying the commercial property assessed rate (29% of this market lease value) and then applying the County mill levy rate (17.693 per \$1,000 value) to determine annual tax due. Given the minimal lease rates applied to the tenants, such as the restaurant, the expected possessory interest tax is projected to be minimal (less than \$500 annually). The Building Authority/City could offer to pay this tax as an incentive for businesses to locate in the building.
- **Property Insurance:** While the property is owned by the City, it is assumed that the cost of insurance will be rolled into a City policy that covers its properties.
- **Utilities:** Utility costs includes water, sewer, gas, and electricity for the tenant spaces and the common areas. This expense is estimated at \$4.00 per square foot.
- **Replacement Reserves:** A replacement reserve is built into the operating expenses for a fund that would be a set-aside for routine and unforeseen capital needs and significant future physical repairs and capital improvements. This expense is estimated at \$0.40 per square foot.
- **Operating Contingency:** An operating contingency expense is placed on expenses in order to provide a buffer for unforeseen expenses. This expense is estimated at 10% of the operating expenses described above, or approximately \$0.62 per square foot.

8.4 Operating Revenues

Operating revenue for the Shoo-Fly and the Belvidere Theater primarily comes from rent charges to businesses operating within the building, including any operating expense reimbursements.

The Shoo-Fly has 2,851 square feet of occupant (usable) space -- this is space that the tenant actually occupies and excludes common area space such as hallways, bathrooms, mechanical rooms and storage rooms used to service the building. If common area is included, the total rentable space is 3,387 square feet. This space is broken out as follows:

- Tenant B - 740 square feet with 139 common area square feet for a total of 879 rentable square feet
- Restaurant- 1,394 square feet with 262 common area square feet for a total of 1,656 rentable square feet
- Green Room/Dressing Room - 717 square feet with 135 common area square feet for a total of 852 square feet

The Theater has 6,706 square feet of occupant (usable) space -- this is space that the tenant actually occupies and excludes common area space such as hallways, bathrooms, mechanical rooms and storage rooms used to service the building. Including the common area, total rentable space is approximately 8,596 square feet. This space is broken out as follows:

- Tenant A - 549 square feet with 155 common area square feet equals 704 rentable square feet
- Welcome Center / Lobby Space- 770 square feet with 217 common area square feet equals 987 rentable square feet
- Theater Space - 5,387 square feet with 1,518 common area square feet equals 6,905 rentable square feet

For purposes of this analysis, rent is comprised of base rent and operating expense reimbursement. Our recommendation is that for the first five years of operation the tenants within the Shoo-Fly and the Theater are not charged any base rent. In an effort to keep the rents as low as possible to attract tenants and events that activate the building, the tenants would be charged a steadily increasing share of their pro-rata share of building operating expenses based on their occupant square footage, including common areas. Initially, the City and Central City Building Authority would be responsible for much of the common area operating expenses. Over time, the goal would be to transition these common area operating expenses to the tenant as the property is leased up and stabilized, typically found in a triple net lease structure.

Table 18 summarizes the projected operating revenue generated at the Shoo-Fly and the Theater. As noted in the table, no base rent revenue is assumed to be generated during the first five years of operation. Rents of \$2.50 per square foot are projected beginning in Year 5 for the Tenant B, Restaurant space and Tenant A. Rents of \$.25 per square foot is assumed by Year 5 for the theater space in the Theater building.

- For purposes of the analysis, the outdoor patio space is not assumed to generate rental income on a per square foot basis because it will only operate seasonally. The proforma analysis assumes that the restaurant pays base rent (starting at \$2.50 and its share of operating expense reimbursements) for its indoor space and its share of the common area. In actuality, however, the restaurant benefits from revenue it makes from the outdoor patio during fair weather. In order to ensure that rent is fairly charged, and because it is hard to forecast exactly when the patio will be used, during lease negotiations with the restaurant, rental rates for all restaurant space (including the outdoor space) should be calibrated so that the restaurant is paying no more than 7% of gross restaurant revenues for rent and operating expense reimbursement in order to ensure the restaurant's financial viability.

The Green Room/Dressing Room rent in the Shoo-Fly will be an associated lease to the theater space tenant. The Welcome Center / Lobby Space in the Belvidere Theater is not expected to generate rental revenue as this space will be used as a gathering space. The City could explore renting out this space for events which could generate additional revenue.

Table 19 shows the operating revenues and costs for the Shoo-Fly. While it shows full building operating expenses from Year 1, it also shows that the tenants in Years 1 through 5 pay for a gradually increasing share of operating expense reimbursements. By Year 5, they are paying their full

share of operating expense reimbursements as well as minimal base rent. By Year 5, the Shoo-Fly starts to break even and even generates some revenue to help offset previous deficits.

Table 20 shows operating revenues and costs for the Theater which operates on a cost-recovery basis versus a revenue generating basis. If all capital costs are paid for through tax credits and grants, cost recovery is estimated at 50% by Year 5. Table 21 shows the ongoing Building Authority operational obligations should a low interest loan be used to help pay for the Theater redevelopment compared to a scenario where all capital costs are paid for prior to operations. While operational obligations would be relatively small without a loan repayment obligation (an estimated \$33,000 to \$39,000 annually), paying a loan back (Principal and Interest) would potentially be very challenging for the building's operational budget (\$98,000 to \$114,000 annually). It is recommended that the search for grant funding continue, and that development not commence until funding for all capital costs for Phase 2 can be covered.

Table 18.
Operating Revenue Estimate for the Shoo-Fly and the Theater

| Space Type | Occupant Sq. Ft. | Common Area Sq. Ft. | Total Rentable Sq. Ft. | Base Rent | | | | Operating Expense Cost Reimbursement (1/) | | TOTAL | | | | |
|----------------------------|---------------------|---------------------------|------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|--|------------------|-----------------------------|---------|-----------------------------|---------|--|
| | | | | YEAR 1 | | YEAR 5 | | \$ / Sq.Ft. | \$ Total / Yr | YEAR 1 | | YEAR 5 | | |
| | | | | Base Rent/Sq. Ft. | Proposed Contract Rent/Yr | Base Rent/Sq. Ft. | Proposed Contract Rent/Yr | | | Rent Total / Total/Yr | Sq. Ft. | Rent Total / Total/Yr | Sq. Ft. | |
| | | | | | | | | | | | | | | |
| Shoo-Fly | | | | | | | | | | | | | | |
| Tenant B | 740 | 139 | 879 | \$0.00 | \$0 | \$2.50 | \$2,198 | \$6.79 | \$5,968 | \$5,968 | \$6.79 | \$8,165 | \$9.29 | |
| Restaurant | 1,394 | 262 | 1,656 | \$0.00 | \$0 | \$2.50 | \$4,140 | \$6.79 | \$11,242 | \$11,242 | \$6.79 | \$15,382 | \$9.29 | |
| Green Room/Dressing Room | 717 | 135 | 852 | \$0.00 | \$0 | \$0.25 | \$213 | \$6.79 | \$5,782 | \$5,782 | \$6.79 | \$5,995 | \$7.04 | |
| Subtotal | 2,851 | \$536 | 3,387 | | \$0 | | \$6,551 | | \$22,992 | \$22,992 | | \$29,543 | | |
| The Theater | | | | | | | | | | | | | | |
| Welcome Center/Lobby Space | 770 | 217 | 987 | \$0.00 | \$0 | \$0.00 | \$0 | \$6.77 | \$6,682 | \$6,682 | \$6.77 | \$6,682 | \$6.77 | |
| Tenant A | 549 | 155 | 704 | \$0.00 | \$0 | \$2.50 | \$1,759 | \$6.77 | \$4,764 | \$4,764 | \$6.77 | \$6,523 | \$9.27 | |
| Theater Space | 5,387 | 1,518 | 6,905 | \$0.00 | \$0 | \$0.25 | \$1,726 | \$6.77 | \$46,748 | \$46,748 | \$6.77 | \$48,474 | \$7.02 | |
| Subtotal | 6,706 | 1,890 | 8,596 | | \$0 | | \$3,486 | | \$58,194 | \$58,194 | | \$61,679 | | |
| TOTAL | 9,557 | 2,426 | 11,983 | | \$0 | | \$10,037 | | \$81,185 | \$81,185 | | \$91,222 | | |

Source: ArLand, CIVISTRUCT Strategy + Development, Dunakilly

1/ \$/sf expenses are calculated on rentable sq. ft. which does not include patio space and mechanical space (vault)

Table 19.
Operating Proforma for the Shoo-Fly

| | | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year |
|--|-----------------|-------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Occupancy | | 80% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| Operating Expense Reimbursement Percentage | | 20% | 40% | 60% | 80% | 100% | 100% | 100% | 100% | 100% | 100% |
| REVENUE | Inflator | | | | | | | | | | |
| Gross Scheduled Rent | 3.0% | \$0 | \$0 | \$0 | \$0 | \$6,551 | \$6,747 | \$6,950 | \$7,158 | \$7,373 | \$7,594 |
| Other Income | 3.0% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Operating Expense Reimbursement | 3.0% | \$4,598 | \$9,473 | \$14,635 | \$20,099 | \$25,877 | \$26,654 | \$27,453 | \$28,277 | \$29,125 | \$29,999 |
| Potential Gross Income | 3.0% | \$4,598 | \$9,473 | \$14,635 | \$20,099 | \$32,428 | \$33,401 | \$34,403 | \$35,435 | \$36,498 | \$37,593 |
| Vacancy | 3.0% | | | | | (\$1,670) | (\$1,720) | (\$1,772) | (\$1,825) | (\$1,880) | (\$1,936) |
| Effective Gross Income | | \$4,598 | \$9,473 | \$14,635 | \$20,099 | \$30,758 | \$31,681 | \$32,631 | \$33,610 | \$34,619 | \$35,657 |
| | per Net Sq. Ft. | \$1.36 | \$2.80 | \$4.32 | \$5.93 | \$9.08 | \$9.35 | \$9.63 | \$9.92 | \$10.22 | \$10.53 |
| OPERATING EXPENSES | Inflator | | | | | | | | | | |
| Operating Expenses | 3.0% | \$20,901 | \$21,528 | \$22,174 | \$22,840 | \$23,525 | \$24,230 | \$24,957 | \$25,706 | \$26,477 | \$27,272 |
| Operating Contingency | 3.0% | \$2,090 | \$2,153 | \$2,217 | \$2,284 | \$2,352 | \$2,423 | \$2,496 | \$2,571 | \$2,648 | \$2,727 |
| Total Operating Expenses | | \$22,992 | \$23,681 | \$24,392 | \$25,124 | \$25,877 | \$26,654 | \$27,453 | \$28,277 | \$29,125 | \$29,999 |
| | per Net Sq. Ft. | \$6.79 | \$6.99 | \$7.20 | \$7.42 | \$7.64 | \$7.87 | \$8.11 | \$8.35 | \$8.60 | \$8.86 |
| OPERATING SURPLUS / (DEFICIT) | | (\$18,393) | (\$14,209) | (\$9,757) | (\$5,025) | \$4,881 | \$5,027 | \$5,178 | \$5,333 | \$5,493 | \$5,658 |
| % Cost Recovery | | 20% | 40% | 60% | 80% | 119% | 119% | 119% | 119% | 119% | 119% |
| Source: ArLand, CIVISTRUCT Strategy + Development | | | | | | | | | | | |
| Notes | | | | | | | | | | | |
| 1/ Assumes application of base rent for Restaurant space and Tenant B space at \$2.50 / sq. ft. for each | | | | | | | | | | | |

Table 20.
Operating Proforma for the Theater

| | | Year | Year | Year | Year | Year | Year | Year | Year | Year | Year |
|--|-----------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Occupancy | | 80% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| REVENUE | Inflator | | | | | | | | | | |
| Gross Scheduled Rent | 3.0% | \$0 | \$0 | \$0 | \$0 | \$3,923 | \$4,041 | \$4,162 | \$4,287 | \$4,415 | \$4,548 |
| Other Income | 3.0% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Operating Expense Reimbursement | 3.0% | \$26,824 | \$27,629 | \$28,458 | \$29,311 | \$30,191 | \$31,096 | \$32,029 | \$32,990 | \$33,980 | \$34,999 |
| Potential Gross Income | 3.0% | \$26,824 | \$27,629 | \$28,458 | \$29,311 | \$34,114 | \$35,137 | \$36,191 | \$37,277 | \$38,395 | \$39,547 |
| Vacancy | 3.0% | (\$5,365) | (\$1,423) | (\$1,466) | (\$1,510) | (\$1,757) | (\$1,810) | (\$1,864) | (\$1,920) | (\$1,977) | (\$2,037) |
| Effective Gross Income | | \$21,459 | \$26,206 | \$26,992 | \$27,802 | \$32,357 | \$33,328 | \$34,327 | \$35,357 | \$36,418 | \$37,511 |
| | per Net Sq. Ft. | \$2.50 | \$3.05 | \$3.14 | \$3.23 | \$3.76 | \$3.88 | \$3.99 | \$4.11 | \$4.24 | \$4.36 |
| OPERATING EXPENSES | Inflator | | | | | | | | | | |
| Operating Expenses | 3.0% | \$52,903 | \$54,490 | \$56,125 | \$57,809 | \$59,543 | \$61,330 | \$63,169 | \$65,064 | \$67,016 | \$69,027 |
| Operating Contingency | 3.0% | \$5,290 | \$5,449 | \$5,613 | \$5,781 | \$5,954 | \$6,133 | \$6,317 | \$6,506 | \$6,702 | \$6,903 |
| Total Operating Expenses | | \$58,194 | \$59,940 | \$61,738 | \$63,590 | \$65,498 | \$67,462 | \$69,486 | \$71,571 | \$73,718 | \$75,930 |
| | per Net Sq. Ft. | \$6.77 | \$6.97 | \$7.18 | \$7.40 | \$7.62 | \$7.85 | \$8.08 | \$8.33 | \$8.58 | \$8.83 |
| OPERATING SURPLUS / (DEFICIT) | | (\$36,735) | (\$33,734) | (\$34,746) | (\$35,788) | (\$33,141) | (\$34,135) | (\$35,159) | (\$36,214) | (\$37,300) | (\$38,419) |
| % Cost Recovery | | 37% | 44% | 44% | 44% | 49% | 49% | 49% | 49% | 49% | 49% |
| Principal and Interest Payment | | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) | (\$98,157) |
| Costs with a Principal and Interest Payment | | (\$134,891) | (\$131,890) | (\$132,902) | (\$133,945) | (\$131,297) | (\$132,292) | (\$133,316) | (\$134,370) | (\$135,457) | (\$136,576) |
| OPERATING SURPLUS / (DEFICIT) | | (\$113,432) | (\$105,685) | (\$105,910) | (\$106,143) | (\$98,941) | (\$98,964) | (\$98,988) | (\$99,013) | (\$99,039) | (\$99,065) |
| Source: ArLand, CIVISTRUCT Strategy + Development | | | | | | | | | | | |
| Notes | | | | | | | | | | | |
| 1/ Assumes application of base rent for Tenant A space at \$2.50 / sq. ft. | | | | | | | | | | | |

Table 21.
Estimated Operating Gap for the Shoo-Fly and the Theater

| Year | Shoo-Fly Cash Flow (Estimate) | |
|---------|--------------------------------------|--|
| Year 1 | (\$18,393) | |
| Year 2 | (\$14,209) | |
| Year 3 | (\$9,757) | |
| Year 4 | (\$5,025) | |
| Year 5 | \$4,881 | |
| Year 6 | \$5,027 | |
| Year 7 | \$5,178 | |
| Year 8 | \$5,333 | |
| Year 9 | \$5,493 | |
| Year 10 | \$5,658 | |
| | | |
| Year | Theater Cash Flow (Estimate) NO loan | Theater Cash Flow (Estimate) WITH Loan |
| Year 1 | (\$36,735) | (\$113,432) |
| Year 2 | (\$33,734) | (\$105,685) |
| Year 3 | (\$34,746) | (\$105,910) |
| Year 4 | (\$35,788) | (\$106,143) |
| Year 5 | (\$33,141) | (\$98,941) |
| Year 6 | (\$34,135) | (\$98,964) |
| Year 7 | (\$35,159) | (\$98,988) |
| Year 8 | (\$36,214) | (\$99,013) |
| Year 9 | (\$37,300) | (\$99,039) |
| Year 10 | (\$38,419) | (\$99,065) |
| | | |

Source: ArLand, CIVISTRUCT Strategy + Development

The case study on the following pages will illustrate the role that the City of Loveland plays in the operational existence of the Rialto Theater. Through its General Fund, it helps fund ongoing operational gaps for the theater activities. Our analysis assumes that a similar level of subsidy will be required for the Theater.

Given the community serving role that the Belvidere Theater is intended to play, ongoing grant funds should be sought to offset various programs held within the buildings. Further research would be needed to identify the potential appropriateness of these programs. Unfortunately, most of these programs are intended for specific programmatic needs, rather than to offset operational building costs. However, programs typically take place within facilities and consideration can be given to buildings where activities take place.

Theater

Inside Philanthropy

<https://www.insidephilanthropy.com/fundraising-theater-grants>

Inside Philanthropy's sole goal is to provide information about foundations and major donors. They have compiled an extensive list of funders that support theater in some manner. A few examples are included below.

- **Creative Capital**
<https://creative-capital.org>
Creative Capital supports innovative and adventurous artists across the country through funding, counsel, gatherings, & career development services.
- **Sprint Foundation**
<https://newsroom.sprint.com/csr/sprint-foundation-guidelines-and-faqs.htm>
Established in 1989, the Sprint Foundation (the philanthropic arm of Sprint) supports hundreds of organizations every year that focus on a variety of things, including arts and culture, youth development, and community development. They support visual and performing arts organizations, theatres, symphonies, museums, and other cultural organizations and activities that contribute to a thriving and diverse community.
- **The Capital Group Companies Charitable Foundation**
<https://fconline.foundationcenter.org/fdo-grantmaker-profile/?key=CAP1027>
The foundation supports community foundations and organizations involved with arts and culture, education, the environment, health, youth development, human services, international relief, and leadership development.
- **Western States Arts Federation (WESTAF)**
<https://www.westaf.org>
Founded in 1974, WESTAF (located in Denver, CO) weaves technology, diverse thought leadership, and innovation to energize, network, and fund public sector arts agencies and communities. Their TourWest grant program provides subsidies to arts and community organizations for the presentation of out-of-state touring performers and literary artists

Community Health

- **Rural Health Information Hub**
<https://www.ruralhealthinfo.org/states/colorado/funding>
This hub is supported by funding from the Health Resources and Services Administration of the U.S. Department of Health and Human Services. It is a source of information, opportunities, and resources on rural health, including funding opportunities.
- **RCAC**
<https://www.rcac.org/lending/community-facility-loans/>
Founded in 1978, RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals and visions. They provide assistance in a variety of areas, with a few funding examples being seed grants and a community facilities loan

program. The loan program includes financing for treatment centers, human services, child care, and educational and cultural facilities.

- **Colorado Health Foundation**

<https://www.coloradohealth.org>

The Colorado Health Foundation's mission is to improve the health of Coloradans. The foundation's funding is focused on the following four areas – maintain healthy bodies, nurture healthy minds, strengthen community health, and champion health equity. Grant opportunities are varied, but include assistance with improving health equity and physical activity of youth.

- **Colorado Health Access Fund**

<http://www.denverfoundation.org/Community/Special-Projects-Funds/Colorado-Health-Access-Fund>

The Colorado Health Access Fund (the CHA Fund) is a Field of Interest Fund managed by The Denver Foundation, which is entrusted to oversee its grantmaking and evaluation. The fund has four focus areas for funding of behavioral health care projects, which include innovation of care delivery and improved access to care, particularly in rural communities.

- **Colorado Trust**

<https://www.coloradotruster.org>

The Colorado Trust partners with people and organizations across Colorado that are working to make positive changes in their communities. The trust funds efforts in four main areas – community partnerships, health policy & advocacy, health data & information, and health equity investments.

- **Caring for Colorado Foundation Grants**

<http://www.caringforcolorado.org/grantmaking/grantseekers>

Caring for Colorado is a grantmaking foundation dedicated to improving the health and health care of the people of Colorado.

Children Activities / Care

- **The Daniels Fund**

<https://www.danielsfund.org/grants/overview>

The Daniels Fund provides grants to support highly effective nonprofit organizations in Colorado, New Mexico, Utah, and Wyoming through the Daniels Fund Grants Program. Funding areas include amateur sports, early childhood education, and youth development.

- **The PeyBack Foundation**

<http://www.peytonmanning.com>

Created by Denver Broncos' quarterback Peyton Manning, the foundation awards grants of up to \$10,000 for youth development programs in Colorado, Indiana, Louisiana, and Tennessee.

IX. CASE STUDIES

Two downtown case studies are provided – the Rialto Theater Center in Loveland and the Cheese Importers in Longmont -- in order to provide context and lessons learned from other situations where a city was involved in a historic structure renovation in order to help catalyze downtown redevelopment.

9.1 Rialto Theater Center – Loveland, CO

- Catalyzed adjacent downtown Loveland development
- One of several different developments that have helped revitalize downtown Loveland
- Part of a mixed use development which added 20,000 square feet of new space to the theater center
- The building also includes privately owned office and restaurant uses which are operating successfully
- The theater operates successfully, although it continues to receive ongoing City subsidies and operates on a cost recovery basis

History

Constructed in 1920, the Rialto Theater was originally a silent movie theater and hosted traveling vaudeville shows. New owners took over in 1935 and the theater underwent its first renovation. There were a number of ownership changes over the years. It ceased operations as a movie theater in 1977, when it was subsequently converted into a retail mall with a café, shops and office space.

The mall eventually failed and the building fell into disrepair. In February 1987 Loveland's Downtown Development Authority (DDA) purchased the building. The next year it was listed on the National Register of Historic Places. In 1993, a State Historical Fund grant was used to support 14 months of work to remove the vestiges of the mall so that additional restoration work could begin.

In 1995, \$500,000 was allocated by the Loveland City Council to purchase the Rialto Theater and complete its restoration, with the official grand opening of the restored theater being held in February 1996. The City leased the theater back to the DDA for \$1 per year and a friends group operated it until the summer of 1998 at which point the DDA turned its operation back over to the City of Loveland.

In 2011, The Rialto Bridge Project got underway with the demolition of the two buildings immediately west of the theater to make room for construction of a new 20,000 square foot building. This project was the result of a partnership between the City of Loveland, the Community Foundation of Northern Colorado and a private developer. The three-story building began operating in 2012. Today, the theater and adjacent event space is referred to as the Rialto Theater Center.

Current Use and Configuration

Rialto Theater

The Rialto Theater is situated in downtown Loveland halfway between North Cleveland Avenue and North Lincoln Avenue on the south side of East 4th Street. Its mission is to serve as a center for the cultural arts. It is Loveland's premier performing arts venue and used for a variety of concerts,

theater, film, dance performances, comedy, lectures and community events. The theater has 446 seats, additional disabled seating, and state-of-the-art sound and lighting equipment.

Adjacent Three-Story Building

Adjacent to the theater is the three story, 20,000 square foot building referred to as the Rialto Bridge Project. The project entailed purchasing and merging the two lots adjacent to the theater, demolishing the two buildings on site, constructing the new building, and then creating condominiums to divide ownership. The total project cost, including demolition, was approximately \$4 to \$5 million. About \$2.5 million of the capital budget was from the City and foundations, including the Community Foundation of Northern Colorado that contributed for the purpose of ensuring that event and meeting space (2nd floor) could be used by nonprofit organizations at discounted rates.

To summarize by floor:

- *Floor 1:* the back one third is owned by the City and used for theater-related operations, including storage. The front two thirds facing East 4th Street is a privately-owned restaurant called Door 222 (owned by restaurateur).
- *Floor 2:* the entire second floor is owned by the City; the back one third is used for theater-related operations, including a green room. The front two thirds consist of the Devereaux Room and other rentable space (e.g. small conference room) for weddings, business meetings, corporate events, cocktail parties, etc.
- *Floor 3:* the third floor (approx. 5,400 s.f.) is entirely privately owned by the original developer and leased to a technology company.

About 66% of the Rialto Theater Center is owned by the City of Loveland and 33% is privately owned.

Funding

The Rialto Theater Center is part of the Loveland Cultural Services department. It is not self-supported, but rather operates on a cost recovery basis. It has and continues to rely on general fund contributions from the City of Loveland. In addition to general fund contributions, the center also receives sizeable gifts and donations. A 501(c)3 called Backstage Rialto was founded in 2014 to assist with programming by providing additional funding and support. The center's final revenue source is from ticket sales, space rentals, and concessions and alcohol sales. Its cost recovery rate from fees and charges was quite low early on (27% range) and has been a challenge over time.

As of 2011, the target recovery rate was 60% by 2017, and 70% by 2018. A 2014 business plan was developed for the Rialto Theater Center following a directive from the Loveland City Council to increase the cost recovery percentage over time. The 2011 targets have not been reached, although the 2018 projected recovery rate from fees and charges of about 48% in the business plan is not too far off the current rate of approximately 42%.

The detailed revenue and expenditure projections in the business plan, along with the resulting general fund contribution projections, are shown in Table 22 below. The largest expense line item shown in the table is "Personal Services," which represents expenses associated with the 4.5-5.0 full time equivalent (FTE) staff working for the theater. The City's 2019 Rialto Theater budget is about \$850,000.

Table 22.
Rialto Theater Center Revenue and Expenditure Projections (2011 - 2018)

| Rialto Theater Center Revenue Projections | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Source of Revenue | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Fees/Charges | | | | | | | | |
| Rents- Theater | 37,099 | 64,421 | 81,712 | 42,500 | 76,500 | 81,000 | 81,000 | 85,500 |
| Rents- Events | - | - | - | 16,200 | 21,200 | 26,200 | 31,200 | 36,200 |
| Alcohol Sales | - | - | - | 3,500 | 3,850 | 4,235 | 4,660 | 5,125 |
| Community Foundation | - | - | - | 817 | 817 | 817 | 817 | 817 |
| Seat Fee | 17,546 | 26,344 | 26,990 | 26,000 | 54,400 | 57,600 | 72,000 | 76,000 |
| Box Office/Ticketing Charges | 7,313 | 10,403 | 11,151 | 12,000 | 19,600 | 23,040 | 23,040 | 24,320 |
| Staff | - | - | - | - | - | - | 62,400 | 62,400 |
| Concessions- Movie | 3,826 | 3,906 | 2,499 | 2,500 | 2,500 | 2,700 | 2,700 | 2,800 |
| Concessions- Performance | 19,654 | 24,281 | 25,961 | 25,000 | 25,000 | 26,000 | 26,000 | 27,000 |
| Tech Fees | 7,313 | 10,403 | 11,151 | 9,500 | - | - | - | - |
| Merchandise Fees | 352 | 463 | - | 700 | - | - | - | - |
| Ticket Sales Fee | 2,720 | 4,006 | 4,134 | 3,500 | - | - | - | - |
| Ticket Sales- Movie | 3,996 | 8,585 | 5,770 | 6,000 | 6,000 | 6,000 | 6,500 | 6,500 |
| Ticket Sales- Performance | 25,419 | 43,687 | 45,473 | 70,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Subtotal | \$125,237 | \$196,498 | \$214,840 | \$218,217 | \$284,867 | \$302,592 | \$385,317 | \$401,662 |
| Revenue Development | | | | | | | | |
| Gifts/Donations | 6,130 | 123,599 | 25,000 | 80,000 | 97,000 | 106,000 | 115,000 | 120,000 |
| Misc. | 6,302 | 8,448 | 10,020 | - | - | - | - | - |
| Advertising | - | 800 | - | - | - | - | - | - |
| Subtotal | \$12,432 | \$132,847 | \$35,020 | \$80,000 | \$97,000 | \$106,000 | \$115,000 | \$120,000 |
| Grand Subtotal | \$137,669 | \$329,345 | \$249,860 | \$298,217 | \$381,867 | \$408,592 | \$500,317 | \$521,662 |

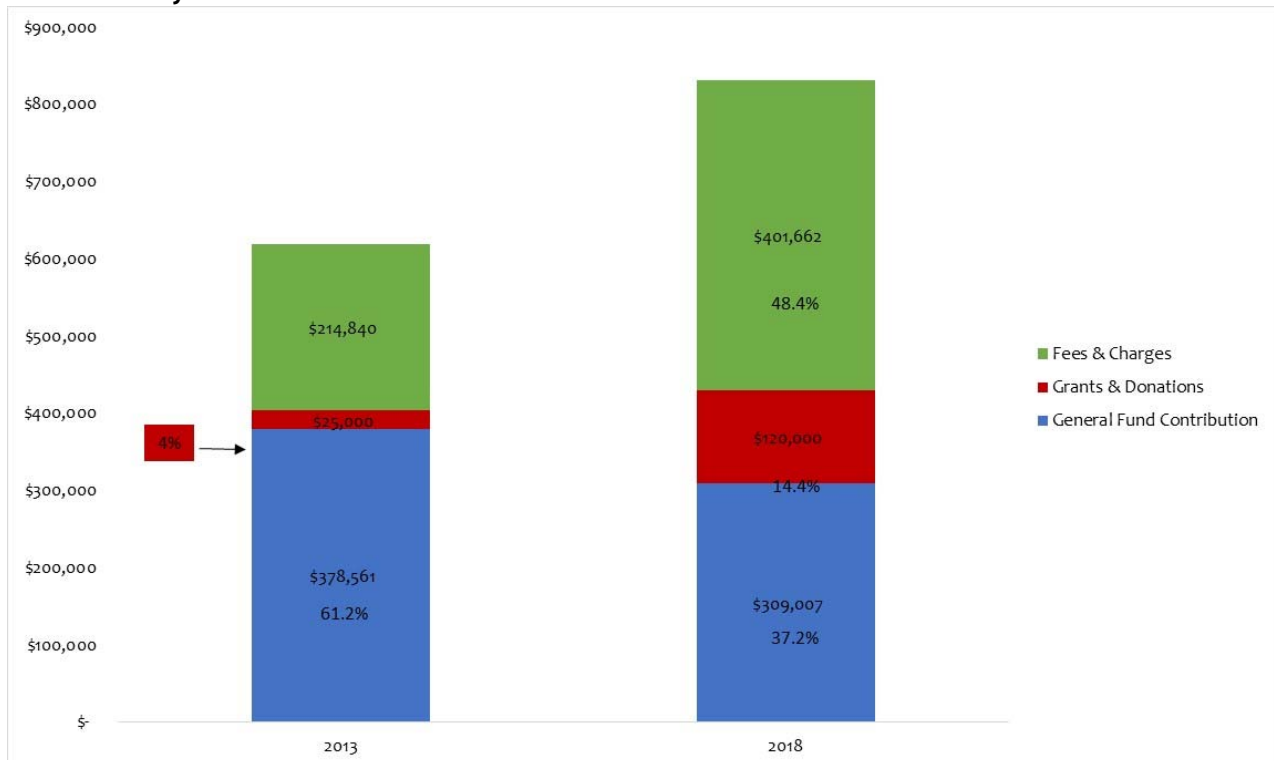
| Expenditure Projections | | | | | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Source of Expense | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Personal Services | 232,360 | 315,793 | 318,875 | 352,410 | 364,744 | 377,510 | 390,723 | 404,399 |
| Supplies | 36,238 | 128,955 | 64,035 | 25,390 | 26,279 | 27,198 | 28,150 | 29,136 |
| Purchased Services | 97,232 | 159,815 | 146,647 | 178,940 | 185,203 | 191,685 | 198,394 | 205,338 |
| Costs Allocated | - | - | 98,863 | 146,140 | 151,255 | 156,549 | 162,028 | 167,699 |
| Capital | - | 35,490 | - | 21,000 | 21,735 | 22,496 | 23,283 | 24,098 |
| Totals | \$ 365,830 | \$ 640,053 | \$ 628,421 | \$ 723,880 | \$ 749,216 | \$ 775,438 | \$ 802,579 | \$ 830,669 |

| | | | | | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund Contribution | 228,161 | 310,708 | 378,561 | 425,663 | 367,349 | 366,846 | 302,262 | 309,007 |
| % of Total Revenue | 62.37% | 48.54% | 60.24% | 58.80% | 49.03% | 47.31% | 37.66% | 37.20% |
| Totals | \$ 365,830 | \$ 640,053 | \$ 628,421 | \$ 723,880 | \$ 749,216 | \$ 775,438 | \$ 802,579 | \$ 830,669 |

Source: Rialto Theater Center Business Plan, 2014

A snapshot of the 2013 revenue figures compared to the 2018 projections were included in the plan, which are recreated in Figure 20. The cost recovery pro forma shows that if the proposed policy and rental rates were implemented, cost recovery from fees and charges would increase from about 35% to 48% of total theater center expenses in five years, and that grants and donations would increase significantly to cover about 14% of expenses. And as a result, the general fund contribution would decrease by about 24% over the five-year period to just under \$310,000, or about 37% of total expenses.

Figure 20.
Cost Recovery Pro Forma



Source: Rialto Theater Center Business Plan, 2014

Even when rate and fee increases were accounted for, the total cost recovery projection for 2018 was only 62.8%. This recovery rate exceeded the 60% target set in 2011, but was under the desired 70% by 2018. One of the recent challenges is that actual expenditures exceeded projections in all four years (2015 to 2018) after the business plan was completed making the cost recovery goal difficult.

At the same time, this investment in the Rialto Theater Center has been a catalytic event in helping turn downtown Loveland into a destination with the ability to attract private investment. Current development activities include a public-private partnership aimed at redeveloping three blocks of downtown Loveland into the Foundry which will offer luxury apartments, restaurants, a seven-screen movie theater, hotel, and a central plaza for community entertainment.

9.2 Cheese Importers – Longmont, Colorado

- 2016 Recipient of Downtown Colorado Inc. Governor’s Award for Downtown Excellence – Best Adaptive Reuse or Rehabilitation
- Transformed a historic building that formerly housed the City of Longmont’s museum artifacts with no access to the public and turned it into a community and visitor hub economic generator for the City and the Downtown
- Public-private partnership between Cheese Importers, City of Longmont and Longmont Downtown Development Authority
- Destination retailer brings 80,000+ visitors to this previously neglected part of the downtown area

Building History

The 10,500 square foot building at 103 Main Street was originally constructed in 1931 as the old City Electric Building and held five diesel electric generating engines. Located at the intersection of 1st and Main Street in downtown Longmont, the building is a classic example of 1930s industrial architecture. Its large windows, open plan and solid brick construction are all hallmarks of industrial design of that time. The building served as an electric generating plant, growing as the community grew, from 1931 to 1969. The City of Longmont Sanitation Department used the building from 1979 to 1996 as a workshop, storage, office space and break room. Between 1998 and 2012, the city used the building as a storage facility for the museum’s three dimensional collection. It is of particular historic interest because of Longmont’s longstanding history owning its own electrical utility, as it still does today. The building has been designated as a local historic landmark.



About Cheese Importers

Cheese Importers is a Colorado family-owned business founded in 1976 in Longmont nearly 45 years ago. Cheese Importers is a unique, destination retailer with a strong brand and draw customers to Longmont from throughout the region and state. Cheese Importers offers natural/organic and imported cheeses, specialty oils, spices, chocolates, and other unique specialty foods and retail goods. Cheese Importers also provide wholesale service to over 600 restaurants, natural grocers, hotels and neighborhood buying groups throughout the Front Range and across the country, including some of the finest restaurants in Longmont, Boulder and Denver.

Cheese Importers Longmont store draws more than 80,000 customers annually from areas such as Denver, Boulder, Lafayette, Fort Collins, Loveland, even Wyoming and Nebraska. The Longmont store is also a favorite destination for luxury car and bicycle clubs. Cheese Importers supports a variety of local Longmont businesses including bakeries, restaurant supply and insurance companies.

Public-Private Partnership

In August 2011, Cheese Importers approached the City of Longmont to assist them with finding a new space in the City for their retail store and cafe, with preference for the downtown area. Cheese Importers had outgrown their space at their current location with their lease ending in June 2012 (no option to extend) and was looking for new space to accommodate their growth.

The City of Longmont along with the Longmont Downtown Development Authority worked closely with Cheese Importers to identify a variety of locations for their retail store and cafe based on their building requirements, budget, available parking, location and other factors. After conducting site visits of more than a dozen properties in the downtown area, the preferred site identified by Cheese Importers was the 1st and Main building, which at the time was the location of the museum's collections storage facility.

In February 2012, the City of Longmont adopted an ordinance for the City of Longmont to enter into a lease with Cheese Importers to open a retail store and cafe at a city-owned property at 103 Main Street. The City's museum collection storage facility, which was located at 103 Main Street, was relocated to another facility in the city at a City cost of over \$250,000.

Cheese Importers store and café opened at 103 Main Street in August 2012 after taking possession of the building in June 2012 and completing a \$1.5 million renovation to the property. The business owners kept and reused all the existing windows, reused all the lighting, kept the historic gas pump at the site and kept the façade completely intact. Additionally, they used all natural clay paints and invested in state of the art, low energy use kitchen equipment and HVAC equipment.

In 2016, Cheese Importers approached the City with an interest in purchasing the property. Cheese Importers desired to purchase the property as they saw the benefits financially to owning their own building in terms of potential additional investment they would like to make in the property in addition to the original \$1.5 million invested. Cheese Importers wanted to ensure that their company remains in Longmont as a destination and owning their property would help provide that security. In addition, the City has determined that the property is surplus to the needs of the City.

In April 2016, the City sold the property to Cheese Importers for \$901,750 based on an appraisal adjusted to account for permanent improvements made to the property by the tenant and associated permit fees pursuant to the lease agreement. The revenue generated by this sale was used to help build a permanent facility for the museum's collection storage on a nearby City property. In addition, by removing this building from City ownership, the property was fully back on the tax rolls generating revenue to the taxing entities.

As part of the process associated with the sale of the property, the City received a grant from the Petroleum Cleanup and Redevelopment Fund administered by State of Colorado Division of Oil and Public Safety which provided funding for 90% of the costs of required environmental assessments

and testing completed in November 2015. In addition, Cheese Importers received grant funding through the Longmont Downtown Development Authority through its Downtown Improvement Program (DIP) in the amount of \$18,890 that was used for kitchen equipment and other building improvements.

Since their store has opened at 103 Main Street, Cheese Importers has enjoyed tremendous success and has expanded their operations and offerings. This has included an expanded bistro with outdoor seating, larger market store offering new product lines, and community activities such as educational classes and cultural events. Their menu offering has expanded to 10 times from their original location. They were granted a liquor license and have been expanding their wine inventory and drink menu. Cheese Importers now has seating for over 130 guests compared to 20 at the prior location. They also offer offsite caterings for weddings, birthdays, local business grand openings and many other events. Their dinner service includes live music on Friday's and Saturday's.

In terms of fiscal impact to the community, since opening at their new location, Cheese Importers has seen constant increases in sales year over year and month over previous month in the range of 5% - 15%. Total City and State sales tax generated at 103 Main Street is more than three (3) times than what it was at their old location.

Keys to Success include:

- Having a long term vision for the area
- Elected officials support long term vision
- Strong working relationship between business and public sector (City of Longmont, Longmont Downtown Development Authority)
- Destination retailer with strong reputation and visitor following
- Flexible City process
- Public sector team committed to the success of the project
- City takes responsibility for environmental remediation
- Incentives to assist in building rehabilitation costs



X. TENANT RECRUITMENT AND MARKETING

Marketing the building and finding potential tenants is an ongoing activity that should be undertaken while the building is under construction. There are a number of Central City organizations that engage in ongoing marketing. Central City also has a draft marketing plan for increasing visitation, website visits, and special events. Coordinating among the City, Opera, and other organizations is recommended in order to align efforts, as well as to discuss synergies with potential Theater reuse and their collective budgetary challenges. Given the level of competition, tenant recruitment needs to focus on providing out-of-the-ordinary experiences and services for area residents and visitors.

10.1 Finding the Commercial Tenant

A number of different options are available for leasing out the commercial space in the Belvidere. For the eating and drinking places (including coffee), they include:

Leasing Agents

Leasing agents are hired by the landlord to list commercial property. It's helpful when a potential tenant may have a tenant broker representing their interests in a deal. Familiarity with the local market situation is one of the primary criteria. Leasing agents earn a commission that is paid by the landlord which is negotiable, but typically between 3% - 6% of the total lease amount. If there is a broker for the tenant, they would get a portion of the commission paid by the landlord.

Other Marketing Methods

- Listing space for lease on large, existing websites like CoStar and LoopNet.
- Reach out to existing culinary institutions, associations, etc. and existing businesses in neighboring communities
- Talk to the area financial institutions about small business interest
- Spread the word through existing events which attract local food-oriented businesses
- Spread the word through pop up and food truck events

These activities can be undertaken even if a leasing agent is retained. Some potential entities to reach out to are listed below.

Table 23.
Food Resources

| Category | Details |
|------------------|---|
| Culinary Schools | Contact Info Here: https://acfcoloradochefs.org/colorado-culinary-program/ <ul style="list-style-type: none">• Colorado Mountain College• Western Colorado Community College• Johnson and Wales University• Auguste Escoffier School of Culinary Arts• Cook Street School of Culinary Arts• American Master Chefs• Metropolitan State University of Denver |

- Pueblo Community College

| | |
|---|---|
| Colorado Restaurant Association | https://corestaurant.org/ |
| Colorado Chefs Association (a chapter of the American Culinary Federation) | https://acfcoloradochefs.org |
| Food Incubators | Comal Heritage Food Incubator (Denver, CO) https://www.focuspoints.org/comal/ |
| | Northern Colorado Food Incubator http://www.nocofoodincubator.com |
| Reach out to Colorado Commissaries and Commercial Kitchens (often used by caterers and food trucks) | https://www.thekitchendoor.com/kitchen-rental/colorado |

Source: ArLand

There are a variety of partnerships with any number of local and regional organizations for cultural performances and events which can be explored by the Building Authority which can lead these partnership efforts. Partners include the Opera, Peak to Peak and other performing arts organizations, the Gilpin County Arts Organization, local schools, medical institutions, local as well as regional touring organizations. For connection with other entertainment and cultural options, it will be important for the City to engage in a third party booking representative or an organization well-connected in the industry in order to maximize the opportunity for additional revenue.

10.2 Tenant Considerations

Questions to ask of the potential tenant early in the process including the following. Legal counsel should be consulted in order to identify any legal restrictions in asking these questions.

Key interview questions and topics to discuss include the following:

- Tenant background
- Is there a “business team” in place (e.g. legal, accounting, and maybe a restaurant consultant)? If so, what is their background?
- Is the restaurant/retail/entertainment concept new or existing?
- Who is the target market/expected customers?
- Is there a business plan?
- If existing, ask for proof of financial success (financial statements and/or tax returns) over the life of the existing concept.
- Who will guarantee the lease (legal business entity and/or an individual(s))?
- Has the business ever filed for bankruptcy?

Complete a credit and background check on the key individual(s) involved. If it is an existing business, complete a business credit check, which should provide information like a credit logic score, credit limit recommendation, company information and corporate linkage, collections, and any legal filings.

10.3 Legal Considerations

Although the City's Attorney will be involved in deal terms, topics of negotiation typically include the following for commercial properties:

- The entity signing the lease
- Landlord improvements (current or at time of occupancy)
- Lease rate and how calculated
 - Leasable square feet (rentable vs. useable)
- Lease duration
- Relocation assistance, if applicable
- Permitted use
- Continuous operation (yes/no)
- Common Area Expenses (share of maintenance and operating expenses; to include capital repairs or improvements)
- Exclusive Use
- Tenant Alterations (non-structural elements or building systems)
- Tenant Maintenance
 - Public stairs, mechanical systems, etc.
- Landlord Obligations
- Assignments of the lease

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Scott Finlay, Central City Opera

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Richard Jortberg, Commercial Appraiser

Dana Laratta, Century Casino

Judy Laratta, Central City Council

Jackie Mitchell, Central City Council

Jeanne Nicholson, Colorado State Senator

Tom Robb, Central City BID

Barbara Thielemann, Central City Main Street Commission

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