



Concept Paper

**The Downtown Development Authority and
the Hynds Redevelopment Project**

Goal: To reopen the Hynds Building and rejuvenate Downtown Cheyenne

Issue: For 30+ years the City of Cheyenne has struggled to reopen an icon of our downtown: The Hynds Building. Closed since 1985, many attempts have been made to reopen the building, but so far all of them have fallen short, primarily because the economics of fixing up the building have not made sense for a strictly private venture. It will cost between \$12M - \$15M to renovate the building, and at rental rates downtown of between \$16/sf and \$20/sf, the numbers don't work without a large, long-term anchor. So far, this hasn't happened, and realistically it will be hard to find a single private sector business that can make that commitment. And the timing of the project has prevented us from recruiting many smaller businesses to make it work. Without a long term tenant, it is most likely the Hynds cannot be re-opened.

Possible solution: A public/private partnership could bridge the leasing, timing and financing gaps, as well as allowing more kinds of financing to be sought.

Benefits: Patterns of commerce across the nation are changing, and, mostly due to the boom of the internet, many downtowns have suffered. Additionally we've seen the decline of malls and many large chain retail stores. However, one bright spot across the county has been the revitalization of downtown areas and 'Main Street' areas. Cheyenne is well positioned to take advantage of this, as the trend is that the most robust rebounds by downtowns have been those that take advantage of their history, architecture and character... all areas in which Cheyenne abounds.

To be successful, our downtown will need pursue these opportunities and combine them with a new direction of economic vitality which will include small business innovation, entrepreneurship and new skills training for our youth. In addition, our downtown can attract businesses that emphasize the experiential and social component of shopping and leisure activities. Working, living and playing in an environment where things are more hands-on and social are things that can't be replaced by the internet. This live/work/play is a model that is working across the country and our downtown is poised do it very successfully as well.

Vision: The Hynds and Downtown can become a strategic economic development destination to promote new and innovative businesses, promote Cheyenne as a business development center, spur new job creation, and attract new, larger businesses to Cheyenne and Wyoming through a better prepared workforce.

Hard Costs

General Contracting	\$400,000
Mechanical: all HVAC, plumbing	\$2,200,000
Electrical incl base lighting	\$1,700,000
Fire Protection Sprinklers	\$275,000
Fire Alarm System	\$150,000
Roof	\$100,000
Rooftop garden, gazebo	\$150,000
Stairs, egress, int. & ext.	\$350,000
Windows, plate glass, installation	\$150,000
Solar Roof Panels	\$350,000
Insulation	\$325,000
Elevators (2)	\$850,000
IT Wiring, cabling	\$225,000
Interior finish work	\$700,000
Demolition	\$300,000
Geothermal	\$300,000
Exterior: façade, gutters, masonry, signage	\$325,000
Skylights	\$200,000
Structural: atrium, west wall foundation	\$300,000
Carpet	\$425,000
Kitchens	\$500,000

\$10,275,000

Soft Costs

Interest Reserves, 17months (Sept '18)	\$620,000
Architecture & Design	\$275,000
Electrical Engineering	\$100,000
Mechanical Engineering	\$100,000
Structural Engineering	\$75,000
Permits	\$100,000
Builder's Risk Insurance	\$300,000
Phase I, other reports	\$25,000
City design review & fees	\$75,000
Special inspections	\$27,000
Closing fees, title work, orig fees	\$40,000
Appraisals	\$20,000
Tax credit commissions, fees	\$475,000
Contingency 10%	\$1,250,700

\$3,482,700

Building purchase price (no mark up)	\$1,675,000
Building remodel total: 5R Construction, GC for Botanic Gardens (see attached chart)	\$13,757,700
The 'Hole' purchase: Current owner: LEADS	\$390,000
The 'Hole' construction To include: engineering, backfill, paving, and 30 'stackable' parking spaces	\$1,150,000
Total project costs incl contengencies:	\$16,972,000

IMPORTANT: This page lists POSSIBLE sources of financing. NO assumptions are made, and unless specifically noted, amounts listed are ESTIMATES and PROPOSALS only.

Financing Sources

A number of different financing sources have been identified to fund the renovation of the building and the development of the Hole.

Development of the entire project, including the vacant 'Hole' next door, will be approximately \$17M.

Of the \$17M, approximately \$10M has been identified as possible funding from grants and other fundraising.

The remaining \$7M would need to be a loan or a bond, and could be serviced by the leasing of the Hynds at \$20/sf.

Possible tenants: Private businesses, DDA, Chamber, City, State, LCCC.

Building purchase price:	\$1,675,000
Building Renovation costs:	\$13,757,000
The Hole purchase price:	\$390,000
The Hole renovation costs:	\$1,150,000
Total:	\$16,972,000

NOTES:

** It is *possible* the current lien holder may continue to carry some of the mortgage. Interest accruing daily.
 ** Estimates are the best available at this time. 5R Construction has been the consultant on this.
 ** It is *possible* that LEADS may carry the loan. NO assumptions are being made, however.
 ** \$750k for engineering, filling and blacktopping the Hole; \$400k for 30 'stackable' parking spaces

TAX CREDITS - EQUITY CASH VALUE:

\$2,300,000	Hist Preservation Tax Credits: 20% of total spent on renovation (not incl acquisition) minus approx 7% fees.
\$2,200,000	New Market Tax Credits: 39% of \$\$ spent on renovation (not incl acq) minus approx 14% fees.

** Estimate only. Will depend on the price of the finished project and final approval from Wash DC that the rehabilitation of the building meets their specifications.

** Estimate only. NMTC's involve a complicated structure of investments, and would probably require that the owner of the building be a private LLC. (A public entity could be the sole owner of the private LLC.)

GRANTS, OTHER:

\$140,000	DDA Community Improvement Grant	** \$40k appr'd and spent on arch work and the Tax Credit app. NO assumption being made on add'l \$
\$158,000	Façade Improvement Grant	** Approved, not yet spent. Was approved for improvements to the awning of the building.
\$750,000	USDA Energy Grant	** Estimate. The City of Cheyenne would have to first be approved as a "rural" community by the USDA
\$100,000 \$500,000	Miscellaneous grants Fundraising 2017 - 2020	** There are a number of private and public grants available, to both private and public entities. ** Estimate only.
\$250,000	Naming rights	** Naming rights, if the DDA and City choose to
\$250,000	USDA Econ Impact Initiative Grant	** No application has been made at this time. City would need to meet "rural" def'n standards by USDA
<u>\$25,000</u> \$2,173,000	Black Hills Power Rebates	** Estimate. The amounts of rebates available by Black Hills Power change annually.

CONDOMINIUM SALES, top floor

\$1,000,000

Net from sale of 8 units, top floor

** 8 units, 800sq ft each, \$160k per, gross: \$1.28M

TAX INCREMENT FINANCING

\$1,000,000

** Estimate based on increase in property value taxes over the next 10 years

CITY FUNDING

\$750,000

** This money has ONLY been discussed at this point; no money has been apportioned.

WYOMING BUSINESS COUNCIL

\$250,000

** NO assumptions are being made. Not sure if WBC even has money to bring to the table or not.

JOINT POWERS BOARD

\$125,000

** NO assumptions are being made that they have money available or would want to spend it.

LOANS, BONDS

\$7,174,000

Servicing the debt on the \$7.174M loan/bonds:

Rent from Floors #1-4: 32,000 rentable square feet @ \$20/sf = \$416,000/year NET after expenses.

\$416k/yr will service, approximately, a loan or bond of \$7.174M at 4%, 30yr amortization.

TOTAL:

\$2,300,000

Historic Tax Credits

\$2,200,000

New Market Tax Credits

\$2,173,000

Grants, Other

\$1,000,000

Condominium Sales

\$1,000,000

TIF Financing

\$750,000

Possible City Funds

\$250,000

WY Business Council

\$125,000

Joint Powers Board

\$7,174,000

Loans, Bonds

\$16,972,000

Total

The public/private partnership that could be structured to do the Hynds Redevelopment Project would be a collaboration between the current owner of the building, Cheyenne Development Partners, and the Downtown Development Authority.

Both parties would be necessary to get the project done. To get the approximately \$4.5M in tax credit revenue, a private corporation is by law required to develop and own the building for a period of 7 years. However, in the case of this project, so many public resources will be required that it needs to be done in a way that the public, not a private developer, is the beneficiary of the resources. If a public entity, in this case the DDA, is in control of the development, guaranteed to retain all profits gained by the partnership and project, and after 7 years becomes the owner of the building, public sentiment and WY constitutionality questions can be addressed.

Like any economic development project, there are risks and returns involved. The risk for the DDA in this project is that they would be a guarantor for a lease that would need to generate approximately \$400k/yr. Approximately \$416k/yr net would be generated by renting out the building to different tenants, but the DDA would remain as guarantor.

Besides the small amount of profit generated annually (\$16k), the greater return on investment during the 7 year 'hold' period would be that the Hynds would be a catalyst for innovation and economic development downtown. New business growth would be spurred as well as the development of a better trained workforce, which would in turn help attract more, larger businesses to Cheyenne. Small business workshops, programming classes, office sharing, art co-ops, hands-on retail, a community center, and other businesses that promote social interaction are some of the ideas being floated. Additionally, the corner of the first floor lobby nearest Lincolnway and Capitol could be utilized by a city group to promote Cheyenne and Wyoming. For example, a area of the lobby would have an interactive kiosk to demonstrate and sell products from around the City and State.

Additionally, at the end of the required 7 year 'hold' period, the Hynds Building would be donated to the DDA. At that time, the estimated loan or bond amount on the property would be \$5.9M, and the estimated value of the building would be \$13M, resulting in an equity position of approximately \$7M. The DDA could then choose to hold the property as owner, or sell the property and recoup the equity.

The process would be that the current owner, Cheyenne Development Partners (CDP), would lease to the DDA the entire building, allowing CDP to obtain the necessary financing, grants and tax credits.

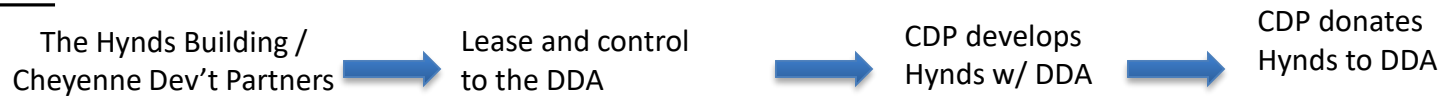
At the same time of the lease, CDP would give to the DDA control of the development and sub-leasing process, and turn over rights to profits gained to the DDA. In other words, the DDA would be in control of the design of the renovation, the cost of the renovation, and who the sub-lessees would be. CDP would be the owner of record in order to get the tax credits, but the DDA would be in charge in every other respect, and retain profits generated by the project. CDP will not gain from the project; it will become a project of and for the DDA and the City of Cheyenne.

The DDA and CDP would seek and sign up as many sub-lessees as necessary to fill the building and service the \$7M loan. A project manager would be hired by the DDA to take over this role as well as other fundraising, project coordination, etc.

At the end of the required 7-year hold period for the tax credits, the Hynds Building would be donated to the DDA, giving the DDA full ownership and title to the property, including the equity developed over that time.

A flowchart describing the structure and process of this arrangement follows.....

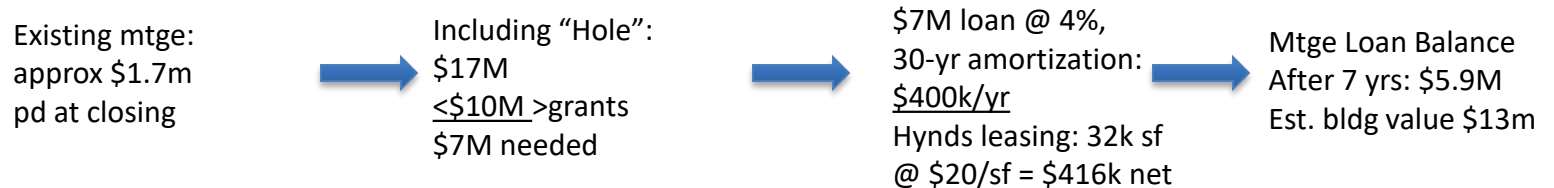
Overview:



Timeline:



Financing:



Risk and Return on Investment:

Risk: guarantor on loan obligation
of \$400k/yr payment. (Leases may pay
\$416k/yr, but still would be guarantor.)

Return on Investment: \$7M equity position in 7 years,
retaining full ownership and control of the building

+
The Hynds and Downtown OPEN for business!

Suggested project names:

The Cheyenne Business Development Center

The Downtown Cheyenne Business Center

Cheyenne Innovation & Economic Development Building

Cheyenne Economic Development Building

Downtown Cheyenne Business & Innovation Center

Cheyenne Economic & Entrepreneurial Center

Cheyenne Economic & Innovation Center

Other naming suggestions:

The community could help in the process of naming the building, or as a fundraiser a corporate sponsor could be selected and they could work with the City and community to designate a name. Alternatively, the building name could remain the same.

Proposals and suggestions

First Floor: Emphasizing experiential activities to promote Cheyenne and bring people downtown.

Ideas:

- ☐ Hynds Showcase: Cheyenne history and future
- ☐ DDA / Chamber / Visit Cheyenne / LEADS offices
- ☐ LCCC showcase of programs, talents, opportunities
- ☐ Art gallery
- ☐ Hynds Showcase: Cheyenne history and future
- ☐ Flex Space: workshops, meetings, events
- ☐ Kids playplace
- ☐ Businesses/store fronts emphasizing 'watch it being made' processes
- ☐ Made in Wyoming: Sales kiosk of products from statewide

Second Floor: Small business and entrepreneurial activities, LCCC programs

- ☐ LCCC classes, particularly tech: coding, programming, graphic arts
- ☐ Learning labs and classrooms
- ☐ Business incubators
- ☐ Co-office spaces
- ☐ Small manufacturing

Third Floor:

- ** City / County / State offices

Fourth Floor

- ** Private business offices (\$20 - \$25/sq ft)
- ** Condos
- ** Access to rooftop terrace and gardens

Fifth Floor:

- ** Private business offices (\$20 - \$25/sq ft)
- ** Condos
- ** Access to rooftop terrace and gardens

Rooftop Terrace and Gardens:

- ** Receptions, musical events, new business open houses, school field trips
- ** Cheyenne history and architecture tours stop
- ** City special events, gatherings