

1ST STREET FARM



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Director of Economic Development
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AGENDA

- Project Overview
- Partnership Request
- Study Session Overview
- Proposed Agreement
- Strategic Alignment
- Public-Private Partnerships
- Public & Community Benefits
- Economic Analysis & Considerations
- Partnership & Agreement Terms
- City Considerations

PROJECT OVERVIEW



**PEYTON
MANNING**

**1ST STREET
FARMS**

**GASTAMO
GROUP**

LITTLETON, COLORADO

FINANCIAL FEASIBILITY ANALYSIS

ROI Indicator	Description	Market Target
Return-on-Cost	Net Operating Income at Stabilization ¹ before debt service as % of Project Cost	7.00% to 7.50%
Internal Rate of Return (IRR, unleveraged, Pre-Tax Yield)	Annual revenue and asset sale over 10 years as return on development costs.	8.25% to 9.25%
Net Present Value (NPV)	Sum of Present Value Future Cash Flows, discounted at the appropriate Market Rate, less the initial Cash Outlay.	> \$0

ROI Indicator	Market Target	GAP Funding Range ²			
<i>Estimated Gap (Stabilized Year)</i>		\$5,000,000	\$5,250,000	\$5,500,000	\$5,750,000
Return-on-Cost	7.00% to 7.50%	6.88%	6.97%	7.06%	7.14%
IRR, Unlevered	8.25% to 9.25%	8.31%	8.48%	8.65%	8.83%
NPV ³	> \$0	\$290,270	\$40,270	\$209,730	\$459,730

Source: 1st Street Farms Feasibility Analysis, PDC, 2026

Project Gap

- The project's real estate development costs are expected to exceed \$25.6 million, including \$4.0 million in public improvements.
 - Operation expenses, such as FF&E, pre-opening costs, and taxes, are considered business expenses and are not part of the real estate feasibility analysis.
- The project, as proposed, will require at least \$5.5 million in gap funding to achieve financial feasibility and to begin to meet market-target hurdle rates of return.



COUNCIL DIRECTION FROM STUDY SESSION

April 14th Study Session:

- Negotiate draft agreement and bring forward for Council consideration
- Adjust project pro forma and revenue estimates to remove beer garden concept (appx. \$175-200K annual sales tax adjustment in years 8+)
- Address council questions and priorities:
 - Ensure that City loans funds are used exclusively for public-facing infrastructure
 - Ensure public use of trails and turf field infrastructure in agreement
 - Address “forgiveable loan” concept; structure as actual loan with terms for repayment if nonperformance
 - Address both benefits and risks to City
 - Include Inclusionary Housing Ordinance (IHO) in-lieu fee estimate, in case alternative project decides to pay fees instead of building units

PROPOSED PARTNERSHIP AGREEMENT

Developer Receives:

- 100% sales tax revenues generated Years 1-5 (up to max amt.)
- Estimated \$531,108 in use tax and fee waivers
- \$2.0M loan for public improvements

City Receives:

- Estimated revenues:
 - 100% sales tax revenues Year 6+
 - \$775K - \$1M+ per year starting in year 6
 - Other general revenue and property tax revenues
 - \$22K year 1; \$40K year 30
 - \$2.0M loan is retired in Year 7; net positive revenues generated Year 8+
 - Indirect tourism & marketing benefits (e.g. lodger's tax, increased event revenues)
- Net Fiscal Impact to Littleton: \$21.5M at 30 years (or \$7.8M present value at 5% discount rate)
- Benefits for term of agreement:
 - Use of event space at no charge to City and non-profit organizations- 5 years
 - Public-access sports field - 7 years
 - Public-access trail connections to South Platte Park - 7 years



PROJECT FULFILLS CITY STRATEGIC GOALS & PLANS

- Horizon 2027 Strategic Plan - Vibrant Community, Sustainable Community, & Robust and Resilient Economy
- Comprehensive Plan - South Platte Corridor Vision
- Comprehensive Econ. Dev. Strategy (CEDS 2024)
- Mineral Area Station Plan
- Arts and Culture Strategic Plan



ECON DEV STRATEGY: INCENTIVE POLICY

Economic Partnership Incentive Policy (EPIP)

- City's first incentive policy adopted in 2024 by City Council
- Designed to encourage:
 - Business investment
 - Job creation
 - Retail development
 - Revenue growth
- How?
 - Tax rebates
 - Grants
 - Fee waivers
- Why?
 - Public investment drives & leverages private investment
 - Keeps Littleton competitive & prevents retail leakage
 - Incentivizing strategic growth preserves character
 - Expands amenities and community vitality for residents



EPIP REVIEW

Economic Partnership Incentive Policy – Review Criteria

- Long-term commitment to city
- Positive fiscal and economic impact
- Beneficial impact on a particular area of the city
- Significant private-sector financial investment
- Compatible with the associated development plan
- Economic and employment benefits of the incentive accrues to the residents and taxpayers
- Positively impacts the diversification of the city's economy
- Potential for future expansion and additional job creation
- Benefits outweigh the direct public costs of infrastructure costs, utility, increased police, and other public expenses
- Project would not otherwise be established in the city if it were not for an incentive partnership
- The incentive intends to achieve significant economic growth and/or the creation of new jobs
- ST-Shareback analagous with EPIP parameters

PUBLIC-PRIVATE PARTNERSHIPS



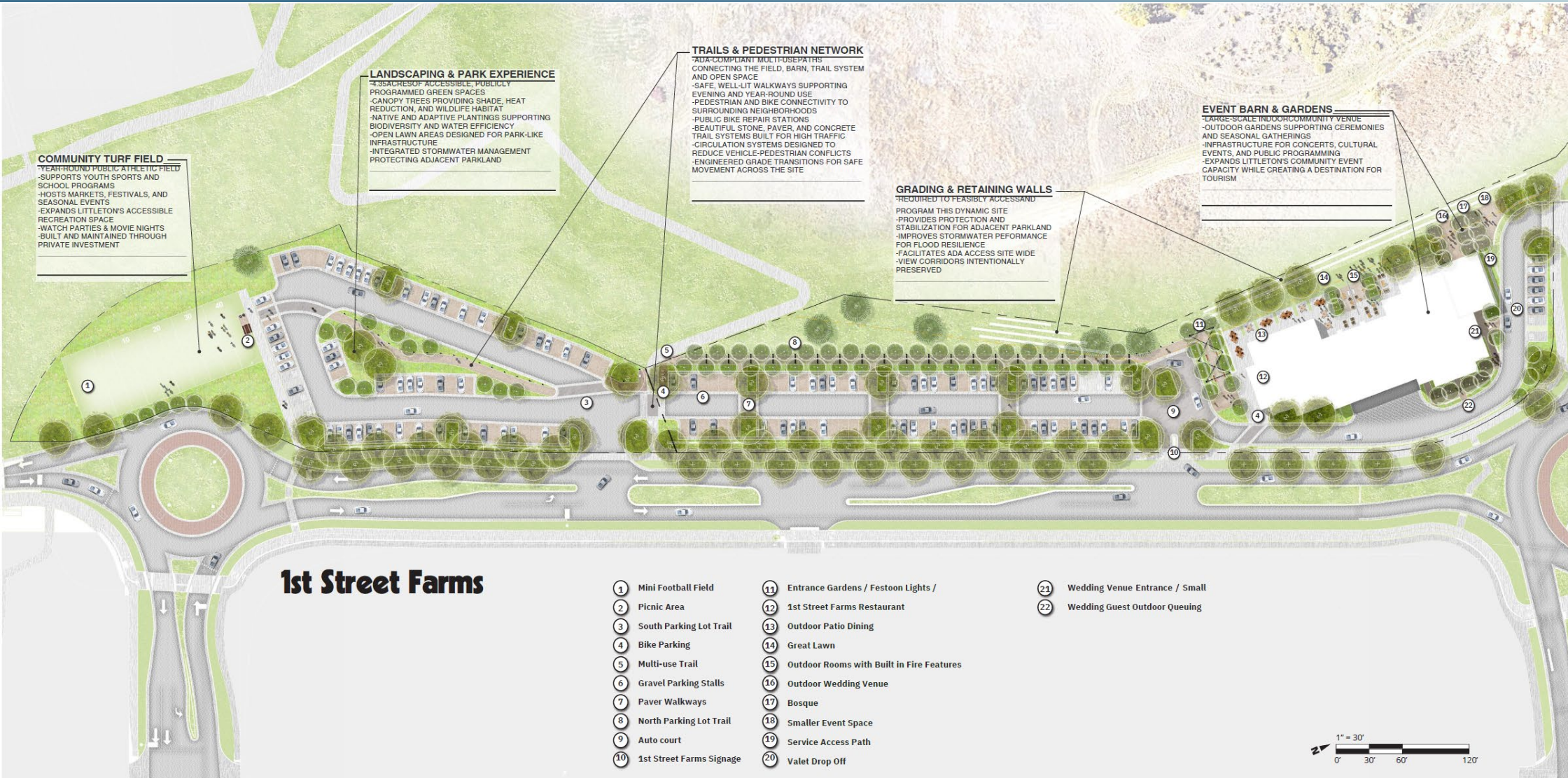
Government Finance Officers Association on P3s:

- P3: “Complex arrangements that use public and private sector resources to accomplish a stated goal.”
- Historically focused on economic development projects proposed by developers looking for financial assistance from a jurisdiction that stands to benefit from the project
- Use of P3 for economic development or redevelopment purposes involves the use of public resources or financing capabilities to promote local economic development
- Public entity: provide some combination of tax incentives, public land or other assets, infrastructure investments or financing assistance
- Private entity: contribute capital investments, commit to provide jobs, contribute development expertise and should assume most of the financial risk for the ultimate project outcomes

PUBLIC BENEFITS INFRASTRUCTURE

<u>Public Improvements</u>	<u>Cost</u>
Community Turf Field <ul style="list-style-type: none"> • Year-round public athletic field • Supports youth sports and school programs • Hosts markets, festivals, and seasonal events • Maintained through private investment 	\$1,050,000
Landscaping & Park <ul style="list-style-type: none"> • 4.35 acres of accessible, publicly programmed green spaces • Canopy trees providing shade, heat reduction, and wildlife habitat • Open lawn areas designed for park-like infrastructure 	\$900,000
Trails & Pedestrian Network <ul style="list-style-type: none"> • Ada-compliant multi-use paths connecting the field, barn, trail system and open space • Safe, well-lit walkways supporting evening and year-round use • Pedestrian and bike connectivity to surrounding neighborhoods • Public bike repair stations 	\$775,000

PUBLIC ACCESS BENEFITS



COMMUNITY BENEFITS SUMMARY

Multi-use turf field

- Open to general public
- 12x/year nonprofit use
- 4x/year public events
- Free community events and public programming hosted by FSF team or partners
- Lit at night for extended access and safety
- Managed and monitored by FSF team

Trail connections, park space, and landscaping

- Uninterrupted extension from/to E-trail through grounds, open to the public
- Enhanced activation of trails with picnic benches, bike repair stations, tree canopy installations
- Managed and monitored by FSF team

Event venue

- 12x/year City use
- 12x/year nonprofit use
- No rental fee
- Discounted food & beverage
- Managed by FSF team

Additional inclusions

- Naming turf field as "Little's Field"
- Art installations
- Community gardens
- Farmer's market partnerships
- First responder, teacher, and military appreciation benefits
- Possible marketing collaborations with City

FINANCIAL FEASIBILITY ANALYSIS

Economic Planing Systems Analysis

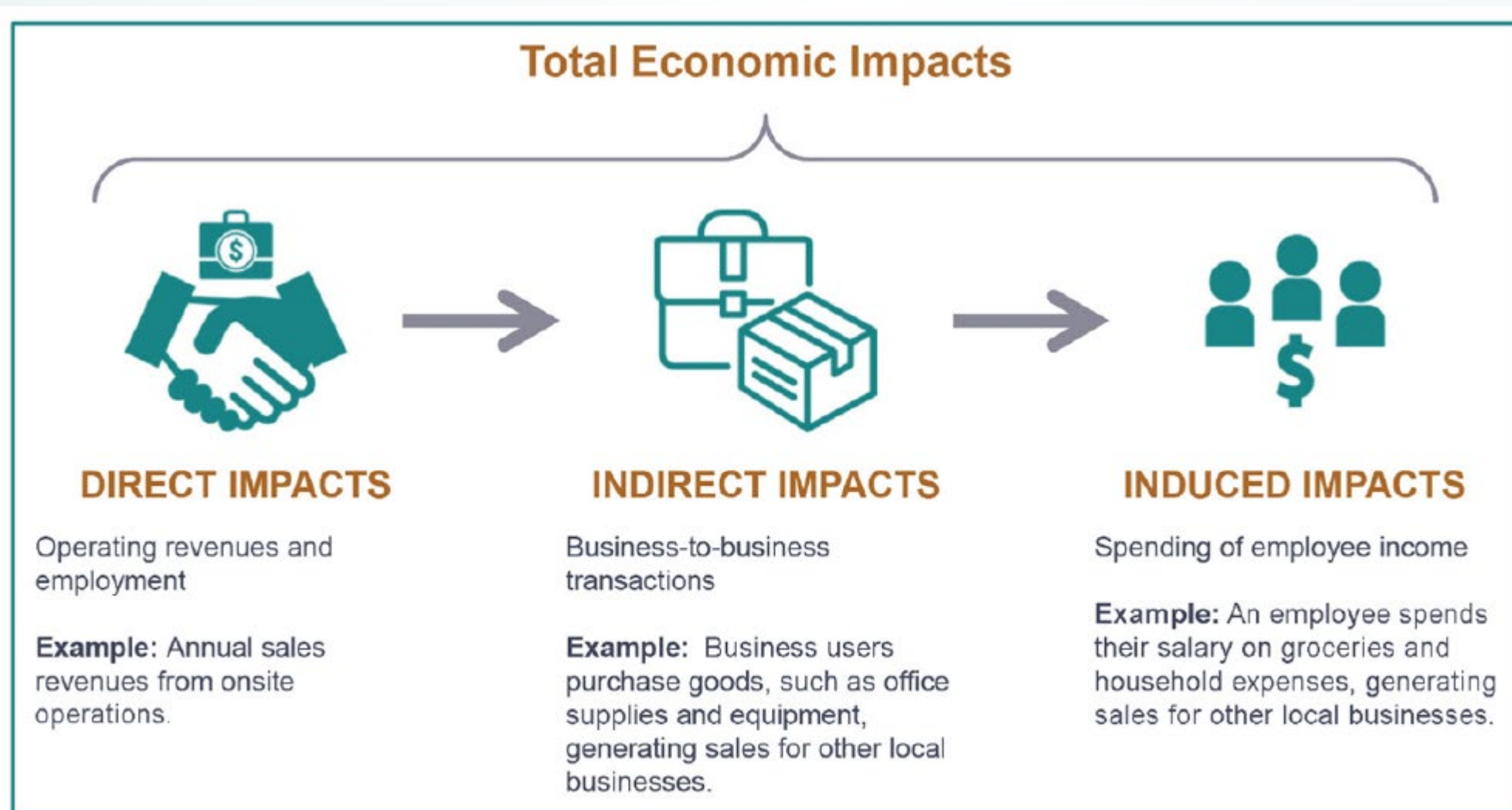
- **Present Value v. Nominal Value**
- **Revenue Projections:** Gastamo Group provided detailed revenue projections, which EPS reviewed and tested for reasonableness. Where appropriate, EPS benchmarked the applicant's assumptions against industry standards and comparable establishments in Littleton to ensure that projected sales volumes and taxable portions align with local market conditions and operational norms.
- **Sales assumptions:** EPS evaluated the applicant's sales assumptions for reasonableness by converting total projected sales into a sales per square foot metric and comparing the results to benchmarks from other high-performing restaurants in Littleton. The projected level of sales productivity is considered reasonable and achievable for a destination-oriented food and beverage concept of the proposed scale and quality.
- **Retail Leakage/Cannibalization:** Resident spending leakage in Eating and Drinking is estimated at \$52.2 million, demonstrating a level of unmet demand within the city (Retail and Mixed-Use Market Analysis, EPS, 2023). The First Street Farms project can likely recapture a portion of this leakage without displacing significant sales from existing establishments.
 - The project is expected to function as a regional draw, generating additional inflows from non-resident visitors and further mitigating concerns about sales cannibalization from existing city restaurants.

FINANCIAL BENEFIT ASSUMPTIONS

	Year 6	30-year total
Community Economic Benefit*		
Nominal value	\$24,600,000	\$738,000,000
Net Present value	\$20,238,481 (year 5)	\$397,070,410
City Sales tax		
Nominal value	\$774,964	\$28,377,195
Net Present value	\$491,865	\$13,497,866
City Property taxes and other rev.		
Nominal value	\$25,014	\$924,223
Net Present value	\$9,309	\$440,940
Total		
Nominal value	\$739,795	\$21,535,232
Net Present value	\$552,047	\$7,819,776
Return on \$5.5M Total Agreement (ROI)	N/A	2.59X
Return on \$2M Loan Investment (ROI)	N/A	3.56X

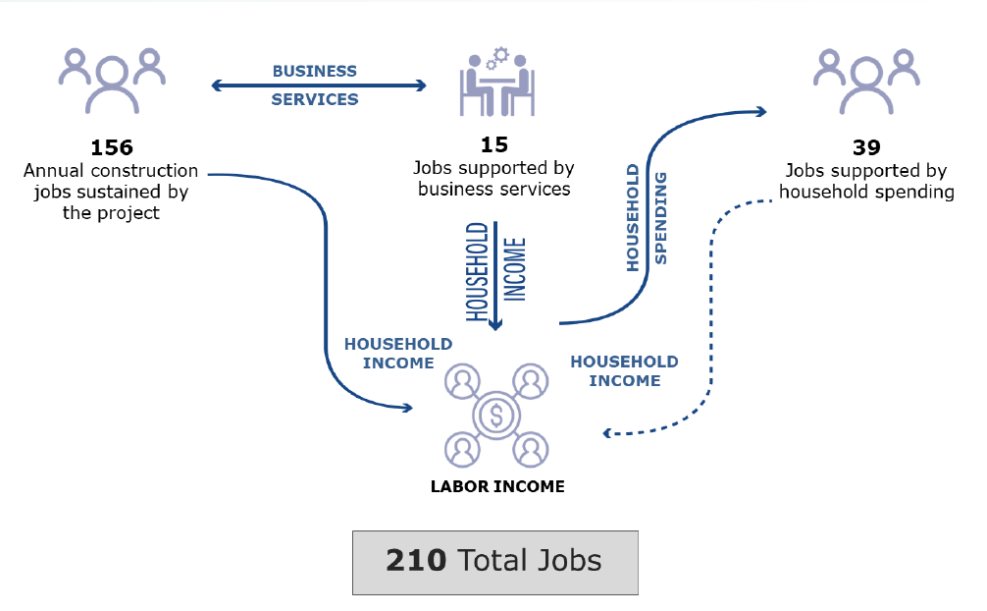
* Includes lodger's tax, as it is not generated directly by the project. Estimated revenue is at least \$250K/year

ECONOMIC IMPACT



Source: Economic & Planning Systems, Inc.

ECONOMIC IMPACT – ONE-TIME



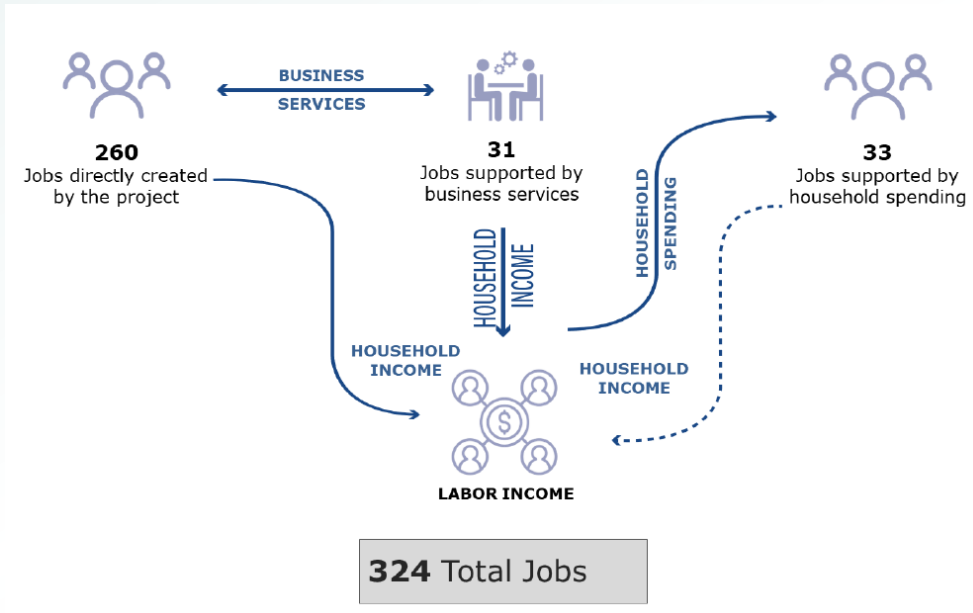
One-time Sustained Construction Employment

One-time Construction Impact

One-Time Economic Impact **\$30.6 Million**
One-Time Economic Impact of Construction

- \$20.0 million Direct Impact** The direct impact stemming from the project's construction is represented by the average annual expenditure associated with material costs.
- \$3.6 million Indirect Impact** The indirect impacts from the project's construction are the business-to-business purchases in the supply chain taking place in the region that stem from the initial direct impact (material costs).
- \$7.1 million Induced Impact** The induced impacts represent the value from the spending by the construction employees and the supply chain companies.

ECONOMIC IMPACT – ANNUAL



Annual Employment Impact

Ongoing Annual Impact

Annual Economic Impact	\$24.6 Million Average Annual Economic Impact of First Street Farms
\$15.5 million Direct Impact	The direct impact reflects the annual economic activity generated by the project's commercial uses within the region. This includes on-site spending, sales, and operations occurring directly at the new restaurant and event venue.
\$5.0 million Indirect Impact	The indirect impact captures the business-to-business supply chain spending that occurs in the region as a result of the project's operations. This includes purchasing from local suppliers, service providers, and vendors throughout the region.
\$4.1 million Induced Impact	The induced impact represents the additional economic activity generated when employees of the restaurant, event venue, and their regional suppliers spend their earnings on household goods and services throughout the region.

KEY AGREEMENT PROVISIONS

- **Loan: \$2M**
 - Interest rate: 5.28%
 - Fund Disbursement:
 - No cash up front - Funds reimbursed solely for payment of contractors and suppliers for public-facing improvements (e.g. turf field, trails) at set completion intervals
 - Repayment obligation to be forgiven when \$2M revenue and accrued interest generated
- **Sales tax reimbursement incentive:**
 - 100% for 5 years, or \$2,968,892, whichever is met first
- **Tax & Fee waivers:**
 - Business Use Tax Waiver: \$438,012**
 - Development Fee Waiver: \$93,096**
- **Community benefits agreement - event venue, and other inclusions**
 - 5 years - aligns with sales tax reimbursement period
- **License agreement secures public use of turf field and trails**
 - 7 years - aligns with loan repayment period

CITY CONSIDERATIONS FOR FUNDING LOAN

Loan Characteristics

Funding Source: Use tax Revenues

- Paid from unallocated fund balance in Capital Sales Tax Fund
- Development paying for development

No impact on:

- General fund
- Reserves
- Existing capital projects
 - Possible impact to future capital priorities
- Capital Sales tax fund approved by voters

RISKS OF LOAN FUNDED BY CAPITAL FUND

- Adopted CIP (2026-2030) = \$167.4M (excluding Utilities), funded with existing budgeted revenues
- \$2M loan paid from unallocated/unbudgeted Business Use Tax revenues would result in potential deferral of next, unbudgeted priorities, beyond existing CIP

Project categories that could be funded with \$2M of unallocated Use tax:

- Public safety capital/technology
- Facility repairs/improvements
- Pavement Preservation / Management
- Transportation Improvements
- Grounds and Irrigation
- Information Technology infrastructure
- City-owned property redevelopment
- Environmental capital Improvements
- Parks and Open Space
- City Fleet Replacement

\$2M could also be used to supplement funds for any existing project, as desired

FINANCIAL BENEFIT ASSUMPTIONS – IF RESIDENTIAL PROJECT INSTEAD

In the event 1st Street Farms cannot fund this project, Evergreen Development intends to utilize the site for residential development.

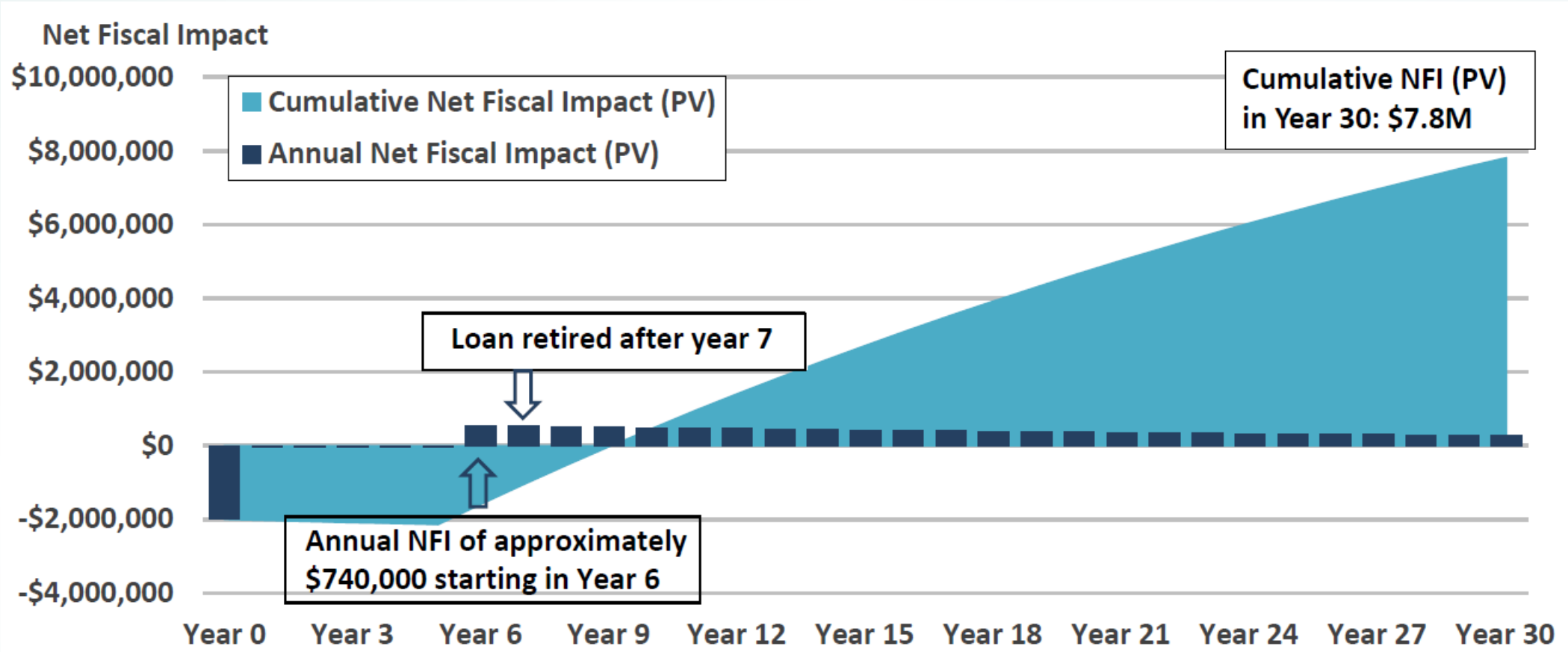
An estimated 270 multi-family / townhomes would generate the following revenues and incur the following expenditures:

	Year 1	Annual, after Year 1	30-year total
Use Tax	\$2,025,000	\$0	\$2,025,000
Property tax	\$19,305	\$25,847 (avg.)	\$775,413
Sales tax (including online)	\$71,095	\$96,139 (avg.)	\$2,884,176
City service costs	-\$319,604	-\$432,191 (avg.)	-\$12,965,740
Total			
Total (NPV)	\$1,753,612	-\$116,751	-\$1,632,179
Add'l revenue if choice to pay IHO in-lieu fees	\$4,086,963 (for sale)	N/A	N/A

COMPARISON WITH ALTERNATIVE DEVELOPMENT

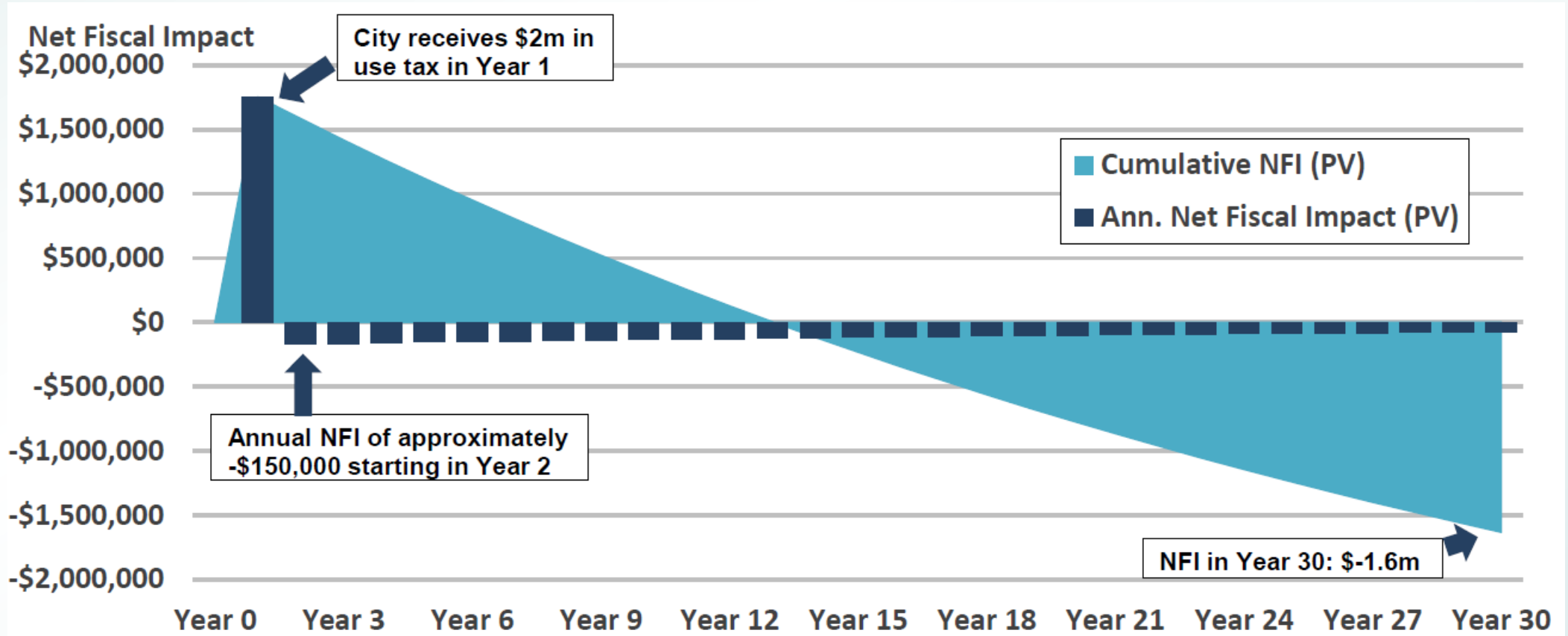
	Alternative – residential development	Recommended Agreement
City Investment	N/A	<ul style="list-style-type: none"> • \$2M forgivable loan • \$531,108 in fee waivers • 100% sales tax share back for 5 years
Net Fiscal Impact	NFI -\$1.2M at year 15 (-\$250K net loss per year) NFI -\$5.4M at year 30	NFI \$5.9M at year 15 NFI \$21.5M at year 30
Net Gain/Loss	Net loss after year 1	Net gain after year 7
Budget Policy Consideration	No investment & revenue loss > economic growth & public benefits	Capital reserves > sales tax revenues

AGREEMENT RETURN ON INVESTMENT



Source: Economic & Planning Systems

RESIDENTIAL RETURN ON INVESTMENT



Source: Economic & Planning Systems

SUMMARY

Benefits

- Fulfillment of City long-range plans
- Positive long-term fiscal impact to city vs. negative (residential development)
- Sales tax (General Fund):
 - Future annual = \$775,000+ \$1,200,000
 - Present value annual = \$550,000 - \$275,000
- Lodgers tax / support for arts and culture: \$250,000 annually
- Community Benefits: trails/parks and use of event space
- Funding Source: Use tax Revenues
 - Paid from unallocated fund balance in Capital Sales Tax Fund
 - Development paying for development
 - No impact on:
 - General fund
 - Reserves
 - Existing capital projects
 - Capital Sales tax fund approved by voters
- Impact to Local Economy:
 - Jobs: 324 ongoing
 - Construction (immediate, one-time): \$30.6M
 - Annual: \$26.4M
- Regional tourism / Peyton Manning brand for Littleton

Risks

- Development financing risk - project delay or stall
 - Economic climate uncertain
 - Interest rates for borrowing
 - Investors interest / timing
- Project under performs / fails after initial success; risk non-repayment of \$2M loan
- Potential delay of new, yet unbudgeted capital projects:
 - Public safety capital/technology
 - Facility repairs/improvements
 - Pavement Preservation / Management
 - Transportation Improvements
 - Grounds and Irrigation
 - Information Technology infrastructure
 - City-owned property redevelopment
 - Environmental capital Improvements
 - Parks and Open Space

RECOMMENDATION

Staff recommends approval of the partnership agreement
with the Gustamo Group

