

Pocatello Development Authority

Board of Commissioners
SPECIAL MEETING
November 1, 2018 – 12:00 noon
City Council Chambers

City of Pocatello
911 North 7th Avenue
Pocatello, Idaho 83205

An urban renewal agency for the City of Pocatello, Idaho

Call to Order and Acknowledgment of Guests

Agenda Item No. 1: Disclosure of Conflicts of Interest

Agenda Item No. 2: Northgate TIF Plan

Agenda Item No. 3: Request for Funding – BGS Holdings [ACTION ITEM]

Adjourn

City Hall is accessible to persons with disabilities. Program access accommodations may be provided with three (3) days' advance notice by contacting Skyler Beebe at sbeebe@pocatello.us; 208.234.6248; or 5815 South 5th Avenue, Pocatello, ID.

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BRIAN C. BLAD
Mayor

Pocatello City Council:

HEIDI ADAMSON
ROGER BRAY
RICK CHEATUM
W. JAMES JOHNSTON
LINDA LEEUWRIK
BEENA MANNAN

NOTICE OF SPECIAL MEETING

POCATELLO DEVELOPMENT AUTHORITY

Notice is hereby given that the Pocatello Development Authority will convene a special meeting at 12:00 p.m. Thursday, November 1, 2018, in the Council Chambers at City Hall, 911 N. 7th Avenue, Pocatello, Idaho for the following purposes:

Draft Northgate TIF Plan
BSG Funding Request.

Submitted by:
Melanie Gygli, Executive Director
Pocatello Development Authority
October 30, 2018

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**AN EQUAL OPPORTUNITY EMPLOYER
VETERAN'S PREFERENCE**

Pocatello Development Authority
Commitments by Fund

	General Fund	North Yellowstone	Naval Ordnance	North Portneuf	Airport
Commitments					
Olympus Drive Connection	\$ 300,000				
Station Square	\$ 200,000				
Bridge	\$ 44,418				
Electrical upgrades			\$ 200,000		
HOKU Land Purchase				\$ 241,988	
Inergy	\$ 25,000				
Jim Dandy Brewing	\$ 15,000				
Bonded Debt principal only		\$ 3,533,000			
	<u>\$ 584,418</u>	<u>\$ 3,533,000</u>	<u>\$ 200,000</u>	<u>\$ 241,988</u>	<u>\$ -</u>

Bank Balance 09/30/2018	\$ 1,522,820	\$ 3,497,432	\$ 869,100	\$ 343,089	\$ 499,508
less committed funds	\$ 584,418	\$ 3,533,000	\$ 200,000	\$ 241,988	\$ -
Adjusted Balance	<u>\$ 938,402</u>	<u>\$ (35,568)</u>	<u>\$ 669,100</u>	<u>\$ 101,101</u>	<u>\$ 499,508</u>

-60,000 BGS
878,402

Note: estimated property tax based on Jan 2018 remit \$ 702,499

TIF's		
North Yellowstone Increment	\$	76,529,626.00
Current Levy Rate		0.011511509
<i>Tax Dollars Available</i>	\$	880,971.48

Amy's Kitchen Abatement Available FY2020	\$	48,072,063
Current Levy Rate		0.011511509
<i>Tax Dollars Available</i>	\$	553,382

Great Western Malting Abatement Available FY2023	\$	77,784,357
Current Levy Rate		0.011511509
<i>Tax Dollars Available</i>	\$	895,415

Western States Abatement Available FY2023	\$	50,693,257
Current Levy Rate		0.011511509
<i>Tax Dollars Available</i>	\$	583,556

ON Semi-conductor Abatement Available FY2022/2023	\$	16,918,279
Current Levy Rate		0.011511509
<i>Tax Dollars Available</i>	\$	194,755

Total Abatement tax dollars available	\$	2,227,108
Total TIF and Abatement tax dollars available	\$	3,108,080



Off the Rails Brewing will be the neighborhood gathering spot in Old Town Pocatello, offering our handcrafted beers, family friendly atmosphere, open space, and our unique menu. We are excited to be part of the Old Town Pocatello experience.

Mission

Our mission at Off The Rails Brewing (OTRB) is to produce quality beers that are second to none. We will operate in ethical and environmentally friendly operations while we produce hand-crafted products. We strive to be the destination for the craft drink lover and eventually become the area's center for food and entertainment. Our goal in creating a valued regional brewery is enhanced by being a low-impact and environmentally friendly company producing the best craft drinks in the area. We strive to use locally sourced goods whenever possible in order to strengthen the local economy.

Vision

Our vision for Off The Rails Brewing is to become the premium craft brand in the areas we operate, starting in Southeast Idaho. We wish to grow the company quickly and steadily while keeping our core values intact.

The People

There are four (4) principal members of Off The Rails Brewing. The founders of OTRB are Bill Coryell, Hunter Rodriguez, Sterling Davie, and Stephen Wright. Together, we will perform the management duties for OTRB as defined in the LLC Operating Agreement.

Our plan is to initially increase cash flow by having each principal member performing the work associated with brewing, washing kegs, sales and deliveries. Bill, Sterling, and Stephen, are not leaving their current employment and will perform any duties uncompensated. Bill will be the Brewmaster. He has nine years experience in homebrewing. Hunter has twelve years experience in the food and alcohol industry. Hunter will be the only founding member working for a salary. His responsibilities will include the day to day operations of the business.

Description of Our Business

Our plan is to offer unique alcoholic beverages to our patrons in Southeastern Idaho such as handcrafted beers and eventually ciders. Off The Rails Brewing is a for-profit microbrewery that will produce quality hand-crafted beers. We are locally owned and will sell retail in our location as well as self-distribute to local bars, restaurants and stores in the Pocatello area. Our plans are to produce beer year round that we will self-distribute in the Pocatello area. Some examples of these beer styles are a Blonde Ale, India Pale Ale and an American Stout. Our distribution sales will allow us to get our brand out in the market and generate initial cash flows. For our retail operations, we will have taps at our retail location and offer unique styles of beer.

We have purchased a building at 228 S Main Street (formerly Chopsticks Cafe) so that our customers will be able to enjoy our craft beers and ciders in a comfortable environment.

Targeted Market and Customers

At OTRB our target markets will focus on a smoke free, family friendly environment. We anticipate our customers to be recreational enthusiasts, blue collar, ISU students, professionals, etc. and customers who enjoy hand-crafted beers and food.

Our customers can be certain only the finest ingredients are used in every batch of our offerings and it is our intention to provide our customers only the best tasting, locally brewed drinks. This we can promise not only because we are the owners of Off The Rails Brewing but more importantly because we love the products we make.

Growth Trends In This Business

Market data shows that craft beer is growing nationally and we believe that to be true for the State of Idaho and the Pocatello area. Boise currently has 25 breweries serving a population of approximately 225,000 residents and Idaho Falls has three operating breweries. From a December 2014 Wall Street Journal article, craft beer sales have been increasing 25% or more from 2008 to 2013 and cider sales have increased 27.3% annually from 2011 – 2016.

Data compiled by the Brewers Association, the trade association representing small and independent American craft breweries, shows that craft breweries make up 12% market share of the overall beer industry.

Pricing Power

Off The Rails Brewing will produce many styles of craft ales as we grow our market share. Our goal is to open our own state-of-the-art brewery in the Pocatello area. Initially we will establish a 7 bbl brewery to sell beer on- and off-premise through retail and self-distribution where we will deliver to restaurants and bars in the State of Idaho. Local examples we feel strongly that we can have one tap or more are Texas Roadhouse, Buffalo Wild Wings, Mackenzie River, Grapevine, and Jaker's.

Our plan is to open a brewpub immediately. We will serve and sell 5, 7.75, and 15.5 gallon kegs, growlers, pints, and samplers to the public on-site and self-distribute. We plan to add SWAG such as mugs, growlers, and apparel to our sales offerings as well.

The key factors that will give us a competitive advantage will be our beers – the taste, quality and freshness. With a 7 bbl system, we will be able to brew different styles on a weekly basis and develop the loyal following that we are looking for.

We will promote our brewery using graphic images on hats, dress apparel, growlers, etc. We have had our logo designed by a local artist and will use the railroad logo on the cover

sheet of this business plan to promote our brand. Our brand will use railroad themes for our beer and support the history the railroad played in Pocatello and the growth of the west. Our beer tap handles will be Railroad spikes with the beer style marked on the spike.

Selling wholesale is also promoting our beers. While selling retail is a higher margin, selling to bars and restaurants will get our name out in the public which we believe will drive business to the brewery and our restaurant.

To connect with customers, we will use social media to keep them abreast of new locations offering our beer and new beer releases at our tap room. Twitter, Facebook, Instagram, email, and our website are the media we plan to use to inform followers of new beer releases, events and locations serving our brews.

Growth

We plan to start brewing operations for retail and self-distribution locally in the Pocatello area. This will help us to promote our brand, bring in cash, and to give us time to build our business. We will add more fermenters to increase our brewing capacity to support our retail and wholesale offerings. This will also allow us to bottle some of our beer styles for customers who wish to take beer to go.

- We have purchased a building located at 228 S Main Street, Pocatello, ID. The building includes kitchen appliances: Gas stove and oven, flat top grill, fryers, cold storage units, freezer, dishwasher, prep tables, etc. Tables and chairs in the dining area were included as well, but our plan is to sell them since they don't meet the décor we envision.
- This building is 4,150 sq ft and has no basement. Having no basement is very important for our brewing because when our tanks are full, their weight will be almost 3,000 lbs each.
- We like the location in Old Town Pocatello and we have an abundance of parking across Main Street and behind our building.
- There is a big push to revitalize Old Town Pocatello.

Menu

Due to our extensive market research, we will offer approximately twenty menu items at a price point between \$5.00 to \$14.00, which will feature classic deep dish Chicago pizza, and a traditional pub menu. We will use fresh and local ingredients as much as possible. We will have rotating items based on the season.

Existing establishments in Old Town Pocatello

- Yellowstone - Upscale dining
- Villano's - Italian
- Grecian Key - Greek
- First National Bar - Traditional bar food
- Taste of Nepal - Nepalese

What makes us different

- Unique experience.
- Specialty beers that are not offered anywhere else in town.
- The customized local pub menu offers a wide variety of options for lunch and dinner, that is not currently offered in Old Town Pocatello.
- Our great Old Town Pocatello location allows us to cater to a wide variety of customers.

Myers Anderson Architects

We are working with Myers Anderson Architects. They have developed conceptual drawings for the remodel. They have estimated the remodel costs at \$94.00 per square foot (sf) for a total \$296,100. Based on 3150 (sf).

Our goal is to use our sweat equity to bring the price to \$63.50 per sf for a total of \$200,000.

Remodel

Loan (interior) \$200,000

- Energy efficient HVAC
- Two public ADA restrooms
- Energy efficient LED lighting
- Grease Trap and Containment System
- New membrane roof
- Removal of asbesto flooring
- New flooring
- Ceiling insulation (Spray on foam)
- Create office area
- Employee restroom
- New plumbing
- New electrical

Grant (exterior) \$60,000

- Refurbish neon sign
- Garage doors (Front and back)
- Facade work
- LED lighting to promote safety

Assets

- \$46,505 existing equipment.
- \$18,000 experimental 1 bbl system. Allows us to test new recipes and customer feedback.
- \$52,000 equity in the building.
- \$116,505 total equity.

Full Loan Repayment

Our plan is to repay the loan as soon as possible.

No partner will not take any profits until the loan is fully repaid.

We will report our financials to the PDA on a quarterly basis.