



GOLDEN URBAN RENEWAL AUTHORITY

Memorandum

To: GURA Board of Commissioners
From: Mark Heller
Date: 8/8/05
RE: NexCore Proposal

As you know, NexCore Group, LLC has been working for several months to devise a redevelopment plan for the Evans properties. The plan has evolved almost daily, and NexCore is to be commended for seriously considering almost any suggestion. On August 9, 2005, NexCore faces a decision on committing new funds to secure additional time to complete the PUD and other entitlement processes, financing, and other due diligence. GURA's decisions at the August 8 meeting are therefore critical.

The plan before the Board at the moment is for the following:

Phase 1a: This is the mixed-use redevelopment of the Hested's and Linder blocks. NexCore proposes a first-floor of retail/restaurant; second floor of office/residential condo; third and fourth floor residential condos; and a fifth floor of five penthouse condos. The fifth floor would be set back so as to not be visible from the street in the surrounding area. Underground parking would satisfy all the residential parking demand for this phase, but none of the office or retail demand. The parking for the office and retail would be located at the Jackson street surface lots as they are, or in a parking structure on those same parcels. Steve Glueck has been consulted as to the parking solution for the proposal as a whole, but as of the date of this memo has not issued his determination as to the accuracy of the analysis.

NexCore has supplied an itemized list of expenditures that might be considered as public purpose expenditures eligible for reimbursement through an OPA. These total nearly \$1,400,000, which is near the gap projected by NexCore for the redevelopment of this Phase 1a only, but NexCore is limiting its request to \$1,250,000. The Golden Civic Foundation has agreed to loan GURA \$1,250,000 at 4.5% for a pass through to NexCore under an OPA. Depending on the GURA Board's decision on raising additional capital, the Board might consider allocating such additional capital to this Phase 1a rather than taking a loan from the Civic Foundation. Also, because NexCore has submitted its PUD to include the parking and

utility credits of the Dry Cleaner parcels, NexCore would receive what amounts to a \$75,000 subsidy if approved by City Council.

NexCore has also supplied a spreadsheet setting out the anticipated property and sales tax increment from its redevelopment plan. NexCore projects about \$300,000 per year of property and sales tax increment for just this Phase 1a. If this estimate proves accurate, 100% of the increment would pay off the OPA obligation in just under five years, or the OPA could be structured at somewhere near 50% through 2014.

NexCore Request: NexCore is asking GURA to authorize an OPA for Phase 1a only of up to \$1,250,000.

Recommendation: Authorize an OPA of up to \$1,250,000 contingent on the following conditions:

- 1. Approval by City Council**
- 2. Approval by GURA of the public purpose expenditures and the NexCore development, design, and parking plan, and pro forma for Phase 1a.**
- 3. Conclusion that more favorable terms are available from the Civic Foundation than from bond proceeds or a new loan, and the execution of a loan from the Foundation. If not, the recommendation would be to fund the OPA through the bond sale or new loan.**

Phase 1b: This is the construction of the parking garage on the site of most of the City/GDGID surface lots along Jackson between 12th and 13th Streets. The current budget for the parking garage is about \$3,550,000. This Phase 1b is linked to Phase 1a because of the construction cost savings, design continuity, and availability of parking that would be realized by NexCore building the garage and Phase 1a together. Construction of the parking garage as designed would first require the remediation of the “Dry Cleaner” parcels 7a and 7b. Such remediation would cost about \$600,000, although substantial increases are possible. Additional costs are also likely if a third party such as the Colorado Brownfield Foundation is brought in to shield GURA from liability and manage the remediation. These parcels are currently under contract by NexCore.

Request: NexCore is requesting that GURA remediate parcels 7a and 7b, and in exchange is suggesting that some combination of GURA/City/GDGID pay for the construction of the garage, and perhaps share in the cost of construction of a retail pad at the northern end of the garage along 12th Street, with NexCore coordinating the remediation and construction.

Recommendation: Contingent on final GURA approval of NexCore’s remediation estimates and pro forma for Phases 1b and 2, as well as the approval of City Council of this recommendation, GURA should work with the NexCore and the City/GDGID to purchase and remediate parcels 7a and 7b. Funds for this project should be allocated from an imminent bond sale or new loan. GURA should also work with NexCore and the City/GDGID to engineer, design, and finance a parking garage and a retail pad at the 12th St end of the block. Funds for the retail component of Phase 1b should also be allocated from a bond sale or new loan.

Since the garage would be built on City/GDGID property, GURA should agree to fund the remediation of parcels 7a and 7b, and should agree to fund the parking garage pursuant to negotiations between the City/GDGIG and NexCore.

Phase 2: This phase would follow the remediation of parcels 7a and 7b (at GURA's expense), and would require the swapping of land such that NexCore obtains fee to a 61 foot deep parcel fronting 13th Street between Prospectors Alley and Jackson Street. On its new site, NexCore proposes constructing a three story mixed use building with underground parking for the residential portion; first floor retail; and second and third floor residential.

Request: NexCore requests that GURA purchase parcels 7a and 7b for \$525,000, obtain No Further Action (NFA) determinations from the CDPHE for the southern portions of both parcels, subdivide and re-assemble the parcels so that they are aligned north/south instead of east/west, and so that the southern parcel is 61 feet deep. Further, NexCore proposes that GURA then sell the newly created southern parcel as well as a 61 foot deep frontage along the southern portion of the adjacent GDGID surface lot to NexCore for \$525,000. This proposal would not involve remediation costs, but it would involve expenses associated with carrying a potential loan for the purchase price and obtaining the NFA determination from CDPHE.

Recommendation: Since this phase involves property GURA does not own, the ultimate disposition of the property can only be decided by those who own or control the property, ie, NexCore and the City/GDGID. However, if the City and GDGID approve the swap, GURA should fund the purchase of the parcels 7a and 7b subject to the following conditions:

- 1. Approval of NexCore's redevelopment and design plan for phase 2 and phase 1b;**
- 2. Appraisal of the market value of the newly assembled and remediated parcel that would be conveyed to NexCore, and negotiation of the re-purchase based on that new appraisal;**
- 3. Establishment of the financing gap and public benefit of swap and redevelopment plan for phase 2.**