



## Council Memorandum

**To:** The Honorable Mayor and City Council  
**From:** Steve Glueck, Director of Community and Economic Development  
**Through:** Jason T Slowinski, City Manager  
**Date:** April 2, 2019  
**Re:** Resolution Authorizing a Contract to Buy and Sell Real Estate re 311 10<sup>th</sup> Street

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**Purpose of Agenda Item:** This item appears before Council related to a potential contract that, if fully implemented, provides for the City to acquire approximately 7.1 acres of land on seven different parcels, including a 160,000 square foot office building at 311 Tenth Street. Approval of the contract by City Council, if desired, facilitates a substantial in depth due diligence and inspection process intended to allow the City to make an informed decision about whether to close on the property for potential municipal and civic uses. As is customary when the City acquires or disposes of real property, the City Manager has preliminarily executed the contract subject to City Council formal approval.

**Background:** On February 14, 2019, the City Manager made a public presentation during the regular Council meeting and subsequently provided a Guiding Golden page describing an opportunity under preliminary investigation related to a possible municipal/ civic center project for Golden. This web page has been updated with the information discussed herein. The opportunity first came to the City's attention when the owner, MillerCoors USA, indicated their probable intention to dispose of the property depicted on the attached vicinity map.

The contract attached hereto, sets out the timeframe for the above referenced inspections and due diligence and the terms under which the City can acquire the property if supported by the due diligence. This memorandum focusses primarily on the contract and the evaluation related to the potential purchase. The larger community discussion of the use of this property, if acquired, and the potential related projects affecting much of the public realm along Clear Creek and downtown Golden, will be presented in much greater detail if the purchase proceeds.

**Transaction Terms:** The attached contract document is a standard real estate contract used in Colorado for commercial properties. It contains several pages of standardized provisions, and a detailed addendum negotiated between the City and MillerCoors USA representatives and associated legal counsels to address the specifics of the proposed transaction. The main points of the contract include:

- The subject property includes two parcels on the south side of 10<sup>th</sup> Street (one on the west side of Archer Street with two small parking lots, and the main parcel with the five story, 160,000 square foot office building) and five additional parking lot parcels on the north side of 10<sup>th</sup> Street. Pending the survey, the total property is about 7.1 acres. The building was constructed in the early 1980's.
- The agreed upon price is \$12,250,000. In real estate terms, commercial buildings are often quoted in terms of dollars per square feet. The purchase price equates to \$76.56 per square foot of building area.
- The purchase price includes a substantial amount of office furniture and equipment to remain after the buyer vacates, currently located in a lower level cafeteria and medical clinic, and general offices on 2<sup>nd</sup> floor (ground level) and 3<sup>rd</sup> floor.
- The seller can remain in the medical clinic and consolidated office space without rental payments until January 31, 2020 and may ask to negotiate a longer market rent occupancy.
- The main inspection period runs until mid-June, with approximately a month to file and resolve any objections identified in the inspections. Closing would then be scheduled, if appropriate, for the middle of August or later.
- The major inspections include:
  - Title Insurance Commitment and Information
  - Engineering to include structural, mechanical, electrical, and plumbing
  - Environmental
  - Appraisals
  - Americans with Disabilities Act audit
  - Energy Audit
  - Survey
  - Review of maintenance and operations records
- The City Manager is also working on preliminary space planning ideas to make sure that the due diligence inspections consider all aspects of the potential uses of the building.

**Financial/ Fiscal Considerations of the Transaction:**

As mentioned by the City Manager on February 28, 2019, while the timing of the evaluation and decisions about this opportunity was not anticipated in advance, it has come at a good time for the City. One main benefit is the 2017 and 2018 discussion of the Golden Investment Forum Task Force that included detailed discussion about municipal center needs, civic and cultural entity space needs, and Clear Creek Corridor and park planning ideas. This opportunity may be able to address many identified community investments. From a financial and fiscal perspective, the most advantageous aspect of this timing is that the City will have measurable reductions in debt service payments for prior major community projects at the end of 2020 and the end of 2026. The availability of these resources will allow the City to structure debt service payments for the acquisition (and most or all of the associated building and property renovations) without burdening the City's Sales and Use Tax capital investment fund or significantly limiting the City's ability to fund other moderate sized capital investments.

As indicated in the past, the financing of the project, if pursued, would include the use of Certificates of Participation debt financing, as was used for the construction of the City shops

and the main Fire Station on 10<sup>th</sup> Street. The Finance Director has previously provided background on this financing method authorized for City use.

In order to demonstrate the possible structuring of debt service payments to allow the most flexibility for Council to also pursue other identified capital investments, the Finance Director has prepared three sample debt service schedules (attached hereto) based upon the building purchase only, a rough estimate of a moderate level of building renovation (\$20 million total project) and a more aggressive level for a \$24 million project scope. By comparing these debt service levels over the years to the current debt service and currently unprogrammed reserves in the SUT fund after 2020, Council will see a rough estimate of resources still available for other community needs. Council may also note that even with an upper end main project cost of \$24 million, the per square foot building cost would be \$150 per square foot or about ½ to 1/3 of the cost of new construction for institutional users. To be clear, staff cannot estimate the overall project cost without the due diligence inspections, preliminary space planning, and determination of community partner tenants. The project estimates of \$20 million or more seem reasonable, but other choices may need to be made down the road.

The specific details of note in the three scenarios depicted on the attachment can best be characterized as follows:

- All three scenarios assume interest only payments for the balance of 2019 and for 2020. In this fashion, the SUT fund is still able to meet anticipated demands.
- The primary goal in the structuring of the payments after 2020 has been to limit total debt service payments to substantially less than the current amount, to increase the amount of resources available for other community investments.
  - For the \$20 million and \$24 million debt assumptions, the total SUT debt service for 2021 thru 2026 is reduced from the current approximately \$3.4 million to about \$2.15 million.
  - After 2026, the total SUT debt service is about \$1.5 million for the \$20 million issuance and \$2 million for the \$24 million issuance.
- Through the annual review of the Capital Improvement Program, Council will continue to program currently un-programmed anticipated revenues and the additional resources associated with the reduced debt service payments.
- This sample analysis does not assume any ancillary revenues related to partner investments in the civic center building or rent payments (which would likely be split between operational budgets and debt service).
- If the project proceeds past the inspection phase, the City Manager and Finance Director will be presenting more detailed and refined information about the various financing scenarios and the overall status of the SUT fund resources, most likely in June of this year.

**Other Civic Center Project Considerations:**

While the Civic Center building itself is an extremely exciting project, Council is asking the community to come together to envision the next era for downtown in three separate but coordinated projects.

By acquiring the 311 10<sup>th</sup> Street building at an affordable price, we will be able to assure a long-term home for our municipal offices as well as including space for partner community groups. To date no agreements have been formalized for other community uses, but the long-term opportunity to co-locate municipal and civic and community uses has great potential for Golden. Planning for the building will continue during the balance of 2019 and 2020. The location of office users in the building is rather straightforward. Other City uses such as police and City Council Chambers and certain potential partner groups will require much planning and evaluation. Council will be very involved in these planning efforts.

One of the biggest questions raised by the idea of creating our next municipal and civic center will be the future of the entire Clear Creek Corridor and public lands from Vanover Park west to 6<sup>th</sup> Avenue. Two big areas of discussion will be the evolution of Parfet Park and Vanover Park, and connections between, and what should happen to the City properties west of Washington Avenue between 10<sup>th</sup> Street and Clear Creek? The long-term future of this area has been a topic of community discussion since the 1990's and is specifically part of the focus of the Clear Creek Corridor Master Plan. With the possibility of the municipal offices (excluding the Fire Department) and the Golden History Museum moving into the new Civic Center, the community will have many options for this area. City Council intends to initiate a very inclusive and complete review of this exciting element of the downtown core and to seek the very best uses for the long-term future of the community. This community planning project will likely begin sometime in 2020.

The third aspect of the project relates to the area east of Ford Street on the north side of 10<sup>th</sup> Street. This area has traditionally been known as Goosetown but much of it now is paved surface parking lots for the proposed Civic Center. This area is discussed in detail in the North Clear Creek Neighborhood Plan and is considered a future area of change. Provided that sufficient parking can be developed to serve the proposed Civic Center, the City and the Downtown Development Authority can jointly look to develop the community discussion recommended by the Neighborhood Plan and begin the redevelopment of this sub area in a manner to support Golden Vision and the Neighborhood Plan. Evaluation of the potential to consolidate Civic Center parking to allow future redevelopment of other parcels may also begin in 2020.

Given the large-scale scope of the above projects, the community processes and decisions need to be scheduled to allow enough time and opportunity for the community to consider options and alternatives. Once City Council makes a decision on whether to acquire the proposed Civic Center building, planning for its use and the associated community processes for the second and third elements of the project can begin.

**Public Outreach/ Decision Making Process:** Public outreach on the Civic Center project ramped up with the February 28<sup>th</sup> City Manager presentation and Golden Guide page. The response has been quite positive. By nature, the negotiation of the real estate transaction part of the overall project is not a public process, and the decision is the responsibility of City Council. Council's action can be in the form of a resolution authorizing the Contract.

As noted above, the most community-oriented elements of the overall project(s) will be the decisions about the Clear Creek Corridor area and the Goosetown redevelopment opportunities, if realized. These processes must be extremely inclusive and transparent.

**Community Impact:** Based on Golden Vision, associated neighborhood plans, the Clear Creek Corridor plan and the Golden Investment Forum project, the community impact over the coming generations would be substantial and positive, if even part of the overall ideas are implemented.

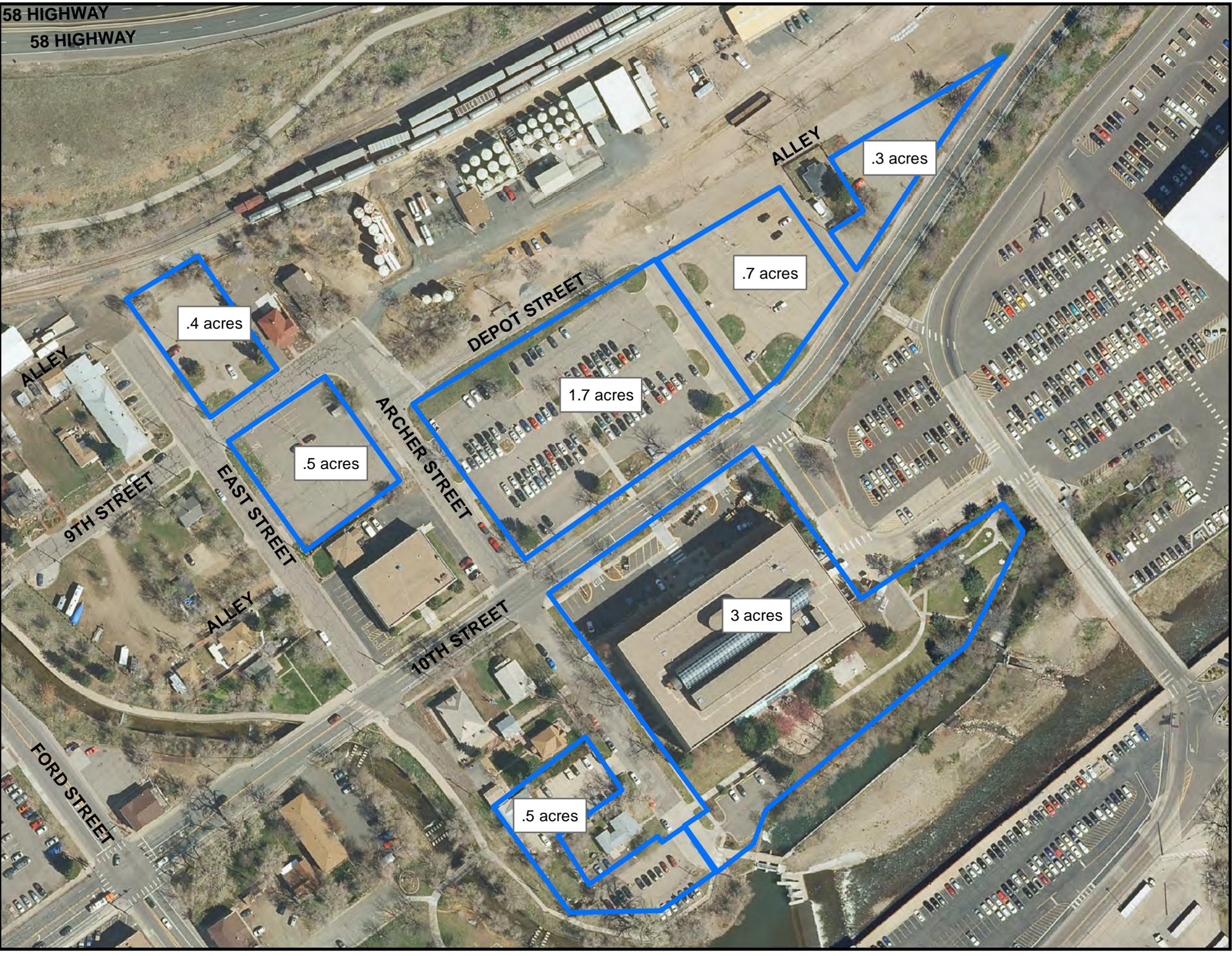
**Sustainability Impact:** The acquisition of a building of this size will present both an opportunity and challenge to the community in terms of energy conservation, production, and management. The consolidation of municipal uses, co-location of community uses, and synergies created would be sustainability benefits. The inspection process will likely identify improvements to be implemented over time, including the large skylight feature, more efficient windows, etc.

**Alternatives:** City Council's main alternatives are to either discontinue consideration of the project now, or to authorize the contract and completion of the due diligence and associated expenses. If Council authorizes the contract now, Council will have the option (based upon the due diligence and inspections) whether or not to close on the transaction.

**Recommendations:** Staff recommends that City Council consider the implications of pursuing or declining the Civic Center project opportunity at this time and provide such direction by your vote on the attached resolution.

Attachments:        Vicinity Map  
                              Sample Debt Service Schedules  
                              Resolution 2664 and Contract to Buy and Sell Real Estate

58 HIGHWAY  
58 HIGHWAY



.4 acres

.5 acres

1.7 acres

.7 acres

.3 acres

3 acres

.5 acres

ALLEY

ALLEY

ALLEY

DEPOT STREET

ARCHER STREET

9TH STREET

EAST STREET

10TH STREET

FORD STREET



**Certificates of Participation, Series 2019  
Alternative Structures Review  
City Council Meeting**

**April 11, 2019**

# Series 2019 COPs Assumptions and Sources and Uses

Year	Existing Debt Service	Sale and Use Tax Debt Service	COP Debt Service Amount	Series 2019 COPs Alternative Structure Scenarios - Sources and Uses					
				\$12.5 Million Proceeds		\$20 Million Proceeds		\$24 Million Proceeds	
2019	\$3,373,615	\$2,413,500	\$960,115	<b>Sources</b>		<b>Sources</b>		<b>Sources</b>	
2020	3,365,011	2,403,500	961,511	Par Amount	11,735,000	Par Amount	18,725,000	Par Amount	22,450,000
2021	957,665		957,665	Premium	1,037,725	Premium	1,647,908	Premium	1,967,299
2022	958,658		958,658	<b>Total Sources</b>	<b>\$12,772,725</b>	<b>Total Sources</b>	<b>\$20,372,908</b>	<b>Total Sources</b>	<b>\$24,417,299</b>
2023	959,409		959,409	<b>Uses</b>		<b>Sources</b>		<b>Sources</b>	
2024	959,919		959,919	Capital Program	12,500,000	Capital Program	20,000,000	Capital Program	24,000,000
2025	960,188		960,188	Cost of Issuance	150,000	Cost of Issuance	170,000	Cost of Issuance	170,000
2026	960,215		960,215	Underwriter's Discount	46,834	Underwriter's Discount	74,731	Underwriter's Discount <sup>1</sup>	89,598
<b>Total</b>	<b>\$12,494,680</b>	<b>\$4,817,000</b>	<b>\$7,677,680</b>	Certificate Insurance <sup>1</sup>	52,207	Certificate Insurance <sup>1</sup>	84,932	Certificate Insurance <sup>1</sup>	103,625
				DSRF Surety Policy <sup>1</sup>	22,180	DSRF Surety Policy <sup>1</sup>	38,861	DSRF Surety Policy	50,481
				Additional Proceeds	1,503	Additional Proceeds	4,383	Additional Proceeds	3,595
				<b>Total Uses</b>	<b>\$12,772,725</b>	<b>Total Uses</b>	<b>\$20,372,908</b>	<b>Total Uses</b>	<b>\$24,417,299</b>

Series 2019 COP Financing Scenarios Summary			
Debt Structure	Level	Wrap	Wrap
Project Proceeds	12,500,000	20,000,000	24,000,000
Par Amount	11,735,000	18,725,000	22,450,000
True Interest Cost	3.102%	3.145%	3.182%
Average Life (Years)	12.449	13.202	13.896
Total Interest	5,667,461	9,585,609	12,091,683
Total Repayment	17,402,461	28,310,609	34,541,683

<sup>1</sup>Preliminary and subject to change; the use of the 'A+' rating is based on the City's anticipated rating; interest rate assumptions are based on current market conditions and similar credits; the City's actual results may differ, and Stifel makes no commitment to underwrite at these levels; costs of issuance and underwriter's discount are estimates for discussion purposes. Insured scenarios assume a 30 basis point premium for insurance policy and 2.5% of reserve requirement for surety policy. MMD is December interpolated AAA as of 3/26/2019.

# Series 2019 COPs Estimated Amortization



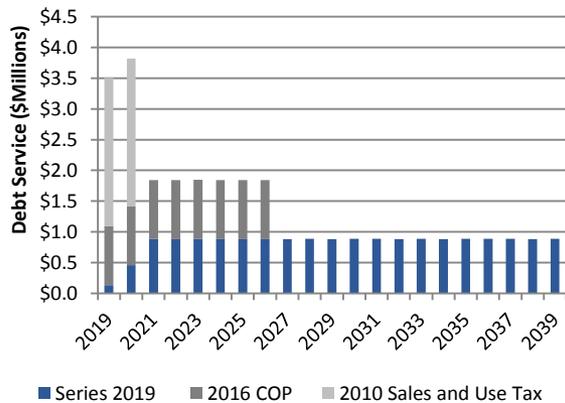
**\$12.5 Million Proceeds (Level Debt)**

**\$20 Million Proceeds (Wrap Structure Debt)**

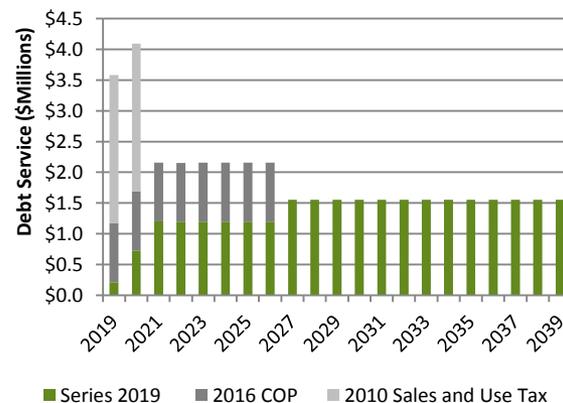
**\$24 Million Proceeds (Wrap Structure Debt)**

Year	Existing Debt Service	\$12.5 Million Proceeds (Level Debt)				\$20 Million Proceeds (Wrap Structure Debt)				\$24 Million Proceeds (Wrap Structure Debt)			
		Principal	Interest	Series 2019 Debt Service	Aggregate Debt Service	Principal	Interest	Series 2019 Debt Service	Aggregate Debt Service	Principal	Interest	Series 2019 Debt Service	Aggregate Debt Service
2019	3,373,615	-	131,936	131,936	3,505,551	-	210,759	210,759	3,584,374	-	252,958	252,958	3,626,573
2020	3,365,011	-	456,700	456,700	3,821,711	-	729,550	729,550	4,094,561	-	875,625	875,625	4,240,636
2021	957,665	430,000	456,700	886,700	1,844,365	470,000	729,550	1,199,550	2,157,215	320,000	875,625	1,195,625	2,153,290
2022	958,658	440,000	443,800	883,800	1,842,458	480,000	715,450	1,195,450	2,154,108	330,000	866,025	1,196,025	2,154,683
2023	959,409	460,000	426,200	886,200	1,845,609	500,000	696,250	1,196,250	2,155,659	345,000	852,825	1,197,825	2,157,234
2024	959,919	475,000	407,800	882,800	1,842,719	520,000	676,250	1,196,250	2,156,169	360,000	839,025	1,199,025	2,158,944
2025	960,188	495,000	388,800	883,800	1,843,988	540,000	655,450	1,195,450	2,155,638	375,000	824,625	1,199,625	2,159,813
2026	960,215	515,000	369,000	884,000	1,844,215	565,000	633,850	1,198,850	2,159,065	390,000	809,625	1,199,625	2,159,840
2027	-	535,000	348,400	883,400	883,400	940,000	611,250	1,551,250	1,551,250	1,225,000	794,025	2,019,025	2,019,025
2028	-	560,000	327,000	887,000	887,000	980,000	573,650	1,553,650	1,553,650	1,270,000	745,025	2,015,025	2,015,025
2029	-	580,000	304,600	884,600	884,600	1,020,000	534,450	1,554,450	1,554,450	1,325,000	694,225	2,019,225	2,019,225
2030	-	605,000	281,400	886,400	886,400	1,060,000	493,650	1,553,650	1,553,650	1,375,000	641,225	2,016,225	2,016,225
2031	-	630,000	257,200	887,200	887,200	1,100,000	451,250	1,551,250	1,551,250	1,430,000	586,225	2,016,225	2,016,225
2032	-	650,000	232,000	882,000	882,000	1,145,000	407,250	1,552,250	1,552,250	1,490,000	529,025	2,019,025	2,019,025
2033	-	680,000	206,000	886,000	886,000	1,190,000	361,450	1,551,450	1,551,450	1,545,000	469,425	2,014,425	2,014,425
2034	-	705,000	178,800	883,800	883,800	1,240,000	313,850	1,553,850	1,553,850	1,610,000	407,625	2,017,625	2,017,625
2035	-	735,000	150,600	885,600	885,600	1,290,000	264,250	1,554,250	1,554,250	1,675,000	343,225	2,018,225	2,018,225
2036	-	765,000	121,200	886,200	886,200	1,340,000	212,650	1,552,650	1,552,650	1,740,000	276,225	2,016,225	2,016,225
2037	-	795,000	90,600	885,600	885,600	1,395,000	159,050	1,554,050	1,554,050	1,810,000	206,625	2,016,625	2,016,625
2038	-	825,000	58,800	883,800	883,800	1,450,000	103,250	1,553,250	1,553,250	1,885,000	134,225	2,019,225	2,019,225
2039	-	855,000	29,925	884,925	884,925	1,500,000	52,500	1,552,500	1,552,500	1,950,000	68,250	2,018,250	2,018,250
<b>Total</b>	<b>12,494,680</b>	<b>11,735,000</b>	<b>5,667,461</b>	<b>17,402,461</b>	<b>29,897,141</b>	<b>18,725,000</b>	<b>9,585,609</b>	<b>28,310,609</b>	<b>40,805,289</b>	<b>22,450,000</b>	<b>12,091,683</b>	<b>34,541,683</b>	<b>47,036,363</b>

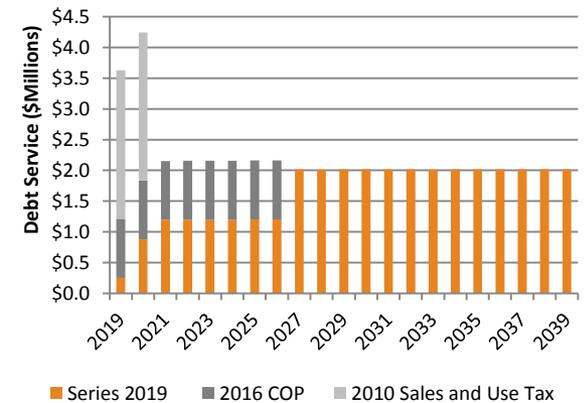
**\$12.5 Million Proceeds - Level Debt**



**\$20 Million Proceeds - Wrapped Debt Service**



**\$24 Million Proceeds - Wrapped Debt Service**



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