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South Platte Crossing Update

**Summary & Background**

Council had engaged in a Purchase and Sale Agreement with the Urban Land Conservancy to purchase 10,800 square foot Unit 6 (the fifth floor) of the South Platte Crossing building located at 7190 Colorado Blvd. Staff has closed the deal and as of January 28, 2021, the city owns the property. This acquisition was the culmination of significant work by staff and council to identify the need for the space, develop a vision for it, and allocate the funds necessary to make the space a community resource. Staff last updated Council on the project in November, where Council directed staff to close on the deal and indicated it saw the space as a community investment (rather than a profitable real estate investment) to be used in collaboration with non-profit partners.

**Purpose:**

This communication is to inform Council of current remodel efforts underway to prepare the space for tenant occupancy, and to seek direction from Council as to how to select tenants for the space.

**Remodel:**

Council previously allocated \$1.2M for the remodel of the property. This amount is in line with the estimate developed by the facilities team for a commercial remodel of the space. The remodel project will proceed in two phases, with an estimated completion date of the end of the year. In the first phase, facilities will 'freshen up' the space by installing new carpet, ceiling tiles, repairing damaged drywall, and repainting the space. The first phase will prepare the space for future use. The second phase will tailor the space for its ultimate use. Once staff has a clear idea of the type of tenants (i.e. tenants that largely engage in office work versus ones with more specialized requirements, such as a health clinic), it will begin configuring the space. This work may entail installing movable internal partitions, furnishing the space, and preparing it from an IT perspective based on staff direction.

Phase one is in progress and does not require further action from Council. The extent of phase two will be based on Council direction and vision for the nature of the partnership with the tenants - how much of the remodel will be paid for by the city versus by the tenant; does Council envision the city

paying for computers, phones, other 'final' items, or will those be provided by the tenant, or potentially provided by the city and then repaid through the lease? This conversation will occur at a later study session, but is something for councilmembers to begin considering now.

### **Tenant Selection:**

Council has stated that its intended use for the unit is as a space for local non-profit agencies. While staff has begun outreach efforts to non-profits, Council has discretion as to who will occupy the space. Staff is seeking Council direction as to the method for selecting a tenant, and has developed three potential options for Council's consideration. Should Council determine it wishes to pursue a separate method, it may; there are few legal constraints on how Council ultimately selects a tenant for the space. There are, however, other considerations to keep in mind when making this decision. Any method for selection should ensure that the space will be in keeping with Council's vision while also maintaining relationships with partner non-profits, especially those who are not selected; The appearance of a fair, transparent process, therefore, is important.

### **The three proposed methods for tenant selection are:**

- Direct selection by Council
- RFP/Application
- Outsource

#### **Option A - Direct selection by Council**

In this method, Council will determine through internal deliberations which organizations will be tenants in the space. It will make its selections and extend an offer to those organizations.

Pros: This method gives Council the most direct control over the project. Council can ensure that the organizations in the space will be aligned with Council's vision. Additionally, this method cuts down on the time needed for the project.

Cons: This method does risk damaging relations with non-profit partners. Since it does not give organizations an equal opportunity, or a chance to present their case, it could create a perception of favoritism by Council. This perception could damage existing relationships and inhibit future partnerships between the city and non-profits. While the method does save time, time is not a critical factor. Based on the timeline for the remodel, the space will not be ready for tenants until the beginning of 2022. This constraint extends the timeline for tenant selection, making time savings less of a benefit.

#### **Option B - RFP/Application**

In this method, Council will solicit applications from non-profit partners based on criteria developed by Council in collaboration with staff. It will then review these applications, potentially allowing organizations to make presentations, before making a selection.

Pros: This method offers the most transparency and creates the fairest circumstances for the potential partners. It also gives each organization the chance to make their case directly to Council, whether in person or in writing, and ensures that Council does not overlook a new or less-established non-profit.

Cons: Soliciting applications, reviewing them, asking any follow-up questions or getting more information, and then making a decision will take time. Although as previously discussed, time is not a serious constraint for this project.

### **Option C - Outsource**

In this method, Council will outsource tenant selection to a third-party property management company. This company will conduct its own process and present Council its ultimate selection (or potentially a short list of candidates from which Council can select).

Pros: This method minimizes the amount of time and effort invested in this project. By outsourcing the work, Council and staff can dedicate time to other projects. Additionally, outsourcing the decision making avoids the appearance of favoritism, since Council is not directly involved in the decision.

Cons: Since Council is not directly involved in the process, it has less control in ensuring the selection furthers its vision for the space. Since time is not a critical factor, those savings are not necessarily enough to offset other drawbacks. Additionally, outsourcing to a third-party will increase the project cost.

### **Staff Recommendation: Option B**

Option B still provides Council a large degree of control over the process while also making the process fair, transparent, and open. The main drawback to this option, the time it will take, is mitigated by other factors.

### **Outreach Efforts:**

Staff has begun outreach efforts to some local non-profits in order to cultivate relationships and begin developing a slate of potential candidates for the space. The main effort has been in meeting with the Commerce City Community Campus (C4) alignment group. C4 is a group focused on developing wellness infrastructure in the community. Two of the partner organizations within C4 (Kids First Health Care and Kids in Need of Dentistry) have either purchased or leased floors of the Adams Tower building as well. Developing a partnership with C4 and leveraging their connections to solicit applications for use of the space could help develop a dedicated space for providing human services in Commerce City.

### **Council Direction:**

Staff is seeking Council direction as to the method of tenant selection - Options A, B, C, or an alternative method. Based on Council direction, staff will finalize the process and begin the necessary outreach.

### **Future Steps:**

After determining a method for tenant selection, Council will have to develop criteria for picking a tenant. This criteria will inform the selection process. Staff will come back at a later study session to discuss these criteria in depth with Council. Additionally, staff will continue to provide regular updates to Council on the status of the project.

**Staff Responsible (Department Head):** Cathy Blakeman, Interim Deputy City Manager

**Staff Presenting:** John Bourjaily, Management Analyst

**Financial Impact:** N/A

**Funding Source:** N/A