

## **Arvada Urban Renewal Authority (AURA) Board Meeting, December 03, 2014**

Notes taken by Nancy Young

*Farewell, Vineyard Church? Hello Hotel?*

5:30 pm - Board members present Fred Jacobsen, Page Bolin, Tony Cline, Michelle Delaria, Alan Parker, and Marc Williams. Commissioner Moni Piz Wilson was expected to attend - she arrived about 10 minutes after the meeting began. Two citizens were present. There were 3 representatives each for the two presenters, for a total of 6 presenters.

The former Brooklyn's site (aka Vineyard Church) at 5445 Olde Wadsworth, was designated as the Village Commons urban renewal district in 2008, with the express purpose of building an hotel on the site. AURA has now received a proposal for an hotel, and this evening's meeting was devoted to presentations by the Vineyard Church and the potential Hotel developer.

Ms. Phair introduced the presentations concerning the former Brooklyn's site (aka Vineyard Church) with AURA's background and timeline regarding this property.

- 2007: AURA acquired the property for \$2,745,000 when the former owner defaulted on a loan guaranteed by AURA at 8.25% interest. In 2009, the interest rate was reduced to 6.25%.
- 2008: AURA purchased an additional acre of the site for \$542,800, making their total investment in the property \$3,287,800.
- 2008: AURA created the Village Commons urban renewal area with the express purpose of attracting an hotel.
- 2010: the City of Arvada purchased AURA's \$2.7 mm loan from FirstTier Bank. The interest rate was reduced to 3.5%, or \$8,000 per month from AURA to the City of Arvada.
- 2010: AURA rented the property to the Vineyard Church for \$8,000 per month (the monthly interest cost).

Ms. Phair then addressed four attempts, from 2009 to 2012, to attract an hotel to the site, involving several different hotel developers [Note: in 2008 and 2009, AURA financial statements showed a \$50,000 deposit from a hotel developer]. The poor economy of that period was a constraint.

In 2011-2012, Renascent Hospitality was ready and willing to develop an hotel at the site, but was unable to secure financing from 1stBank.

Jay Pathak, Senior Pastor at Vineyard Church, presented background on the Church's presence in Arvada, its desire to remain at the site, and an offer for the property. He extended his sincere and profuse gratitude to the City of Arvada. His presentation included the following:

- 2001 - on 9/11, he moved his family to Arvada to establish a Church. He watched the Twin Towers fall on a television at the rental truck agency. He moved from Columbus, OH, specifically selecting Arvada, to establish a new Church.
- 2003: about 80 people met at his church in the old Post Office Building on Yukon.

- 2008: about 250 people worshiped at the middle school (originally an high school at Ralston & Balsam). The school system re-evaluated its space requirements, creating a K-8 school at this location by adding students from the closure of Russell Elementary. They also decided that they could no longer accommodate the Church at this site.
- 2010: with a congregation of 400, the Church rented their current site from AURA. They spent about \$250,000 to improve the building, such as replacing copper pipe that was stolen while the building was vacant.

The congregation now numbers 1,500, and Pastor Jay stated “This is our home”. He also noted that the Vineyard Church is one of two new churches established in the Metro Area that has survived more than three years.

Pastor Jay cited letters from organizations supported by the Church, ranging from JeffCo Human Services to Youth With A Mission to Whiz Kids to Alcoholics Anonymous, and many more. He read from one particularly touching letter, with the story of an 80-year old volunteer who danced with her elderly, frail husband because his favorite song was playing. The letter’s author stated “I hope that when my husband and I are in our eighties and nineties that there is a place we can go during the day to dance, eat, socialize, and learn...” [from Susan Franklin, JeffCo Human Services].

Pastor Jay addressed “what’s next - the Dream”. He wants the Church to stay in Arvada - preferably east of Kipling, west of Lamar, north of I-70, south of W. 64th. He believes that this area has the greatest need for the Church’s community efforts.

1. Ideal: Community center with 50,000 square feet housing a variety of community non-profit organizations, where many services are available at one place.
2. Less perfect: 18,000 to 25,000 sq. ft. of space, but at one location.
3. Least preferred: office space only for the Church, with space for community services rented elsewhere.

The Pastor concluded his remarks with an offer, by the Church, to acquire the property for \$2.0 million, with \$50,000 earnest money.

He acknowledged that another offer was pending and asked for help in finding an alternative site for the Church in Arvada. He suggested that a low (or zero) interest loan for 10 years to assist in relocating the Church, and/or waiver of rent being paid to AURA, would be appreciated. He noted that a “gift” to address the \$250,000 of improvements that the Church has made to the property should be a consideration, although the Church is asking for only \$100,000.

Commissioner questions on this presentation included the following:

- Can the Church finance this offer? Response: annual collections are \$1.5 million per year, and the Church is confident in its ability to obtain financing.

Scott Somerville of Renascent Hospitality, a hotel developer and manager, then presented information on their proposal. Renascent and Brinkman Partners (represented by Dave Derbes) are 50-50 owners of this project.

Renascent's 2011-12 proposal for a Cambria Suites was rejected by the bank lending committee, purportedly because a member of that committee thought it was "a terrible site". Mr. Somerville admitted that the financing should have been secured before pursuing this previous proposal. He now has letters of intent from banks and is confident that financing will be approved.

They expect to construct a Hilton Garden Inn on the site at an estimated cost of \$17 million, with construction beginning in June 2015 and completed about a year later. The structure would be a 4-story "stick and concrete" structure, with 136 rooms/suites and 3,000 square feet of event space. The event space could accommodate about 250 people "theater" style, and about 125 "banquet" style.

He presented a variety of exterior designs, noting that Hilton is quite flexible. He estimated that the project would create about 75-115 jobs, depending on the season. In the hotel business, they "hire for personality and train for skill". He expects ancillary tax revenues to be generated by local suppliers, some who might be in Arvada.

Brinkman Partners, Ft. Collins (established in 2005), provides integrated real estate development services. Brinkman would lead the construction and development phase of the project, while Renascent would manage the property once completed. Renascent is one of only 54 groups nationwide authorized by Hilton and Marriott to manage their full-service hotels. Franchisees who are not on that list have their hotels managed by Hilton or Marriott, who want to protect their brands' reputation.

Scott Somerville stated that bank lending on hotel projects has resumed just in the last 9-12 months. Right now is a "window" that might, or might not, remain open. Dawn Davis, commercial lender at 1stBank (Ft. Collins), reinforced this observation. She also noted that her bank had financed numerous Brinkman projects.

Commissioner questions:

- Williams: Does the Hilton "flag" make a difference?
- Response: a big difference since Hilton is more highly regarded than Cambria Suites that was turned down in 2012.
- Phair: What will be your equity position on completion?
- Response: 35%, which is typical
- Williams: Does the Gold Line impact this project?
- Response: TOD (transit-oriented development) gets priority in bank financing. It is another amenity, from the hotel's perspective, providing a competitive advantage relative to hotels that are not near a transit station. The Gold Line itself is not a big draw.
- Jacobsen: Do you plan to keep the property or sell your interest?
- Response: Renascent plans to stay around for the long term. Their business is service-based as a hotel manager.
- Parker: How many of the hotels that you have developed are you managing now?
- Response: Nearly all 7 hotels. Originally, Renascent was a hotel manager only, with a portfolio of 24 hotels. When the economy deteriorated, they lost many contracts as franchisees reduced costs. Since then, the company is more vertically integrated, with ownership an important aspect of their business.

- Maureen Phair then read, very quickly, through the term sheet. The net present value of the project through 2033 (expiration of the urban renewal area) is \$14.7 million. AURA's proposed subsidies are summarized here, but there might be errors due to the poor acoustics in the "visitors seating" area.
- Land subsidy: \$2.8 million (site cost to AURA - \$3.3 million less Renascent purchase price of \$500,000 with \$50,000 down payment). AURA would use the \$500,000 to pay down the loan from the City of Arvada.
- PIF (public improvement fee): \$5.8 million. Arvada's lodging tax is currently 2%. If this were raised to the Metro-area level of 10%, then 2% could be rebated to Renascent for 10 years, with AURA receiving the balance. - Benefits to AURA/City: \$2.7 million in annual sales tax revenues; \$1.8 million property tax.
- Revenues: \$250,000 per year to AURA, of which all but \$80,000 would be used to repay the City's loan for 10 years.
- Conditions: if another hotel is built within 3 miles during the first 3 years of occupancy, the PIF would be extended for an additional 2 years.
- There followed an extensive discussion regarding the timing of the notice to the Church to vacate. Commissioner Williams stated that a "real deal" on the hotel was needed along with a discussion on how to keep the Church in Arvada. The following points were discussed:
- The Church has been kept informed about the hotel from the beginning.
- If the hotel term sheet were approved at this meeting, a contract could be presented at the January meeting.
- Renascent has requested that notice to vacate be given the Church in January on approval of the contract, with financing secured over the following 6 months, thus enabling construction to begin in June 2015.
- Typically, AURA does not give notice to vacate until financing has been secured, which would mean giving notice in June, with groundbreaking in December.
- Ms. Davis of 1stBank noted that lenders typically commit for 90-120 days, although some might be willing to stretch that time frame to 6 months. Usually the construction lender will assume that they will also provide the permanent financing. Permanent financing is easier to obtain since there is substantially less risk.
- Renascent stated that they have incurred costs of \$100,000 to \$120,000 to date, and are very committed to completing the project to recoup these costs.
- Commissioner Williams asked Pastor Jay if there might be interest in a site on W. 66th Avenue, which seemed amenable for discussion by the Church.

#### New business:

AURA needs to authorize a second amendment to the 2014 budget to balance the accounts at JCMD (Jefferson Center Metropolitan District). An appropriation of \$350,000 is needed. The funds are available and have been identified for the transfer. However, this change must be a 2014 event, requiring a public hearing and the required public notice. If the notice is published in 2014, it meets the requirement and the hearing can be held in January. Motion passed.

#### Development Update:

- Buckingham negotiations have become "sticky" - they want more money.
- AutoZone has submitted drawings for a new Arvada Plaza site and hopes to begin construction early next year. Once that construction begins, then Walmart can begin construction.

- Current RTD bus lot: efforts to move the lot are being slowed by Federal requirements. Trammell Crow prefers to establish a grocery store at that site first, but if there are further delays, they could begin work on the residential component to the north by the railroad tracks.
- Former McDonalds on Ralston: a contract to sell the property to Stone Leaf has been signed and is expected to close at the end of February 2015.
- Other Comments:
- Commissioner Cline requested a small card with milestone dates for all of the current projects. Ms. Phair stated that it can be done and posted on the AURA website.
- Commissioner Williams attended the unveiling of the new commuter lines downtown on December 2.
- Commissioner Jacobsen commented that spouses are welcomed at the AURA Christmas party and can participate in the white elephant/book gift exchange challenge.
- Commissioner Parker commented about an AEDA meeting, which Ms. Phair said she made that presentation. She then corrected herself by saying “I get AEDA and the Chamber mixed up” - her presentation was made to the Chamber of Commerce.
- Attorney Mike Polk noted that in the process of acquiring part of the Theater for the parking structure, some residual AURA “rights” (not identified) were discovered. It is necessary for the City to “sue”
- AURA for these rights, but the lawsuit is a procedural matter without substance.

At 7:35 pm, AURA entered executive session regarding negotiations for purchase and acquisition. The public was required to depart.