



Agenda Memorandum

Agenda Item – {{section.number}}.A.

City Council Study Session
May 1, 2023



Strategic Priority 1: Preparedness and Resilience

Build a system of intentional support for residents, businesses and the environment that mitigates risks and proactively seeks out ways to ensure the community not only endures but thrives.



Strategic Priority 3: Shared Sense of Community

Foster equitable opportunities that help residents feel at home and connected in their community and empowered to live their best lives.

Subject: Options for the Rodeo Market Building - 3915 West 73rd Avenue

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Recommended City Council Action:

Instruct Staff to issue a Request for Qualifications for a restaurateur for the Rodeo Market Building at 3915 West 73rd Avenue and return to City Council for direction after a restaurateur has been identified and deal points negotiated; if no viable restaurant options are identified, renovate the building to the minimal level needed while determining an alternative use.

Summary Statement:

- The Rodeo Market property has a rich history, dating back to the mid-1950s, and was the City's first supermarket. The City purchased the building in 2004 and, in 2006, it became listed as a historic landmark by both the state and local historic landmark boards.
- The building is in stable condition, however it is not fit for occupancy. Significant upgrades to the building's major systems will be needed to meet the City's Building Codes no matter what its end use is. There have been no known improvements made to the building's major systems since it was built, and no other improvements made to the building since 2009.
- The previously planned Olde Westminster Pub and Tavern project had met several criteria needed for redevelopment before the project was terminated in late 2021 as result of the pandemic. The property has seen no other activity since that time.

- There is a strong desire from the community to put the property back into an active use that is complementary to the Historic Westminster/Harris Park area.
- To gather input from the community, the City conducted an online survey to measure the importance of different values used for evaluating possibilities, the desirability of different uses, the potential impacts of the project, and open-ended thoughts respondents had in regard to the property. A restaurant use had 84 percent support from respondents.
- As directed by City Council on June 7, 2022, Staff analyzed three options for cost, feasibility, specific conditions, and pros and cons.
 - Option 1 – Restaurant use = \$2,300,000 to \$2,852,102
 - Option 2 – Renovate to minimal level needed = \$1,813,346 to \$2,300,000
 - Option 3 – Disposal of the property, recently appraised at \$0
- Consistent with community feedback, Staff is seeking direction from City Council to issue a Request for Qualifications (RFQ) for a restaurateur for the property.

Fiscal Impact:

\$1,813,346 to \$2,852,102 in expenditures depending on whether a restaurateur can be identified.

Source of Funds:

Not applicable

Policy Issue(s):

Does City Council wish to instruct Staff to issue an RFQ for a restaurateur and return to City Council after a restaurateur has been identified and deal points negotiated and, if no viable restaurant options are identified, renovating the building to the minimal level needed while determining an alternative use?

Alternative(s):

City Council could choose to not instruct Staff to issue an RFQ. Staff does not recommend this option because there is consensus from the community that the site be activated, and that a restaurant is the preferred use.

Background Information:

Property Background

The property has an established history in Harris Park and in the City and is commonly referred to as the Rodeo Market property. Constructed in 1943, the 4,298-square foot building served as the City's first supermarket. The supermarket was owned and operated by the Valente Family from ~~1954 to 1971~~ 1953-1970*, who then sold the property. It was then used as office space up until the City acquired it.

In 2004, the Westminster Housing Authority (WHA) purchased the building for \$485,000. The City's concept was twofold: for the City to work with the adjacent Westminster Grange Hall to combine the two buildings into a community center; and for the City to partner with the South Westminster Arts Guild (SWAG) to revitalize the area through arts and cultural programming. The City received a State Historic Fund (SHF) grant in 2009 for \$50,000 for façade improvements. The total investment in the

façade improvements equaled \$190,000. As a term of accepting the grant for the improvements to the property, the City also accepted a covenant stating that the SHF must approve any work done to the façade or the roof. Since that time, there have been no other improvements made to the building. While the property is currently not suitable for lease without renovations, there are no immediate concerns regarding the stability of the building. The proposed building project with the Westminster Grange Hall never materialized, even though \$50,000 of Community Development Block Grant (CDBG) funds were spent in 2013 on a study to support the project. Those funds were repaid in 2019 to the United States Department of Housing and Urban Development (HUD). The City did work to develop the arts and cultural programming component of the project and leased the property to SWAG from October 1, 2009 to June 1, 2018.

From 2018 through 2021, and at the direction of City Council, Staff worked on the Olde Westminster Pub and Tavern Project. The intent of the project was for it to be a catalyst that would start a cycle of private investment along West 73rd Avenue and in the broader commercial area. The first and second readings for the lease with Olde Westminster Pub and Tavern went to City Council on May 6, 2019, and May 20, 2019, respectively. Several milestones were met and included: State and local historic landmark board approval obtained for proposed changes to the façade and roof of the building; final plat submitted; Official Development Plan (ODP) finalized and submitted; and Building Permit application submitted. Redevelopment work continued until the early onset of the pandemic. The project was paused, by mutual agreement, with the plan to re-evaluate the project's feasibility. Staff maintained steady contact with the tenants until they requested that the lease be terminated in fall 2021.

After the Olde Westminster Pub and Tavern project was not able to move forward, the City re-engaged the community to gather input via an online survey. The City wanted to measure the importance of different values used for evaluating possibilities, the desirability of different uses, the potential impacts of the project, and open-ended thoughts respondents had in regard to the property. A summary of these results, as well as a breakdown of responses from Historic Westminster/Harris Park residents, was presented to City Council on June 7, 2022. Among Historic Westminster and Harris Park residents, 84 percent of respondents said that they would love to see or like to see the space be used as a restaurant. Space for the arts was also a popular choice with 58 percent of respondents noting that they would love to see or would like to see this outcome. City Council then directed Staff to return to City Council with an analysis including cost estimates and pros and cons of three end use options for the property. The first being a restaurant; the second being to renovate the building to the minimal level needed including basic working systems like electric and HVAC; and the third being the disposal, or selling, of the property.

Staff consulted with two outside and independent contractors to determine the costs of each of the options. One consultant produced cost estimates for the restaurant end use, or Option 1, and one to renovate the building to the minimal level needed by any end user, or "core and shell", Option 2 (Attachment A). The other consultant produced a property appraisal (Attachment B) for the disposal of the property, or Option 3. The property is listed as a local historic landmark and has an SHF covenant. Approvals from the Historic Landmark Board and the SHF will be needed prior to any work starting on the building regardless of the path forward.

Option 1 – Restaurant Use = \$2,300,000 to \$2,852,102

Cost estimates were based on previously produced estimates and bids from the design build effort. For the complete restaurant estimate individual line items' costs were updated based on industry knowledge to reflect current pricing. Although specific restaurant needs will vary based on end user, the estimate reflects the cost to develop a mid- to upper mid-level restaurant, patio area, and kitchen. It is also important to note that tenant finishes included in this estimate could be covered

and negotiated with a future tenant, potentially bringing the cost down by an approximate \$500,000 and the City's investment closer to \$2,300,000.

The current construction market is highly variable due to inflation, supply chain issues, and labor issues. The estimates are the best information available to provide representative prices; however, pricing can change quickly by 10 to 15 percent based on current industry trends. It is recommended to plan accordingly with a larger contingency and flexibility with regards to the end product.

Pros:

- Several milestones had been met and included: State and local Historic Landmark Board approval obtained for proposed changes to the façade and roof of the building; final plat submitted; Official Development Plan (ODP) finalized and submitted; and Building Permit application submitted. Minor updates would be needed.
- When surveyed, 86 percent of Harris Park and Historic Westminster listed a restaurant as the preferred end use. Existing infrastructure: the property already has a building and parking lot, which could save time and money on construction costs.
- The Rodeo Market property has a distinct history and character that could be leveraged to create a unique dining experience.
- The cost of construction could be lowered by having the tenant pay for interior finishes.
- A restaurant will generate sales tax revenue for the City, creating a return on the City's investment.

Cons:

- Residents have expressed concerns about parking at this location.
- The existing building requires significant renovations or upgrades to meet restaurant requirements.

Recommendation

After careful consideration of the options for the future use of the Rodeo Market property, and taking into account the input from the community, it is Staff's recommendation that the City pursue the restaurant option. This option provides the most potential for economic growth and redevelopment for the neighborhood. If City Council instructs Staff to pursue this option, Staff will begin the process of requesting qualifications from restaurant operators for the redevelopment of the property. The City will continue to engage with the community to gather more input and feedback on the proposed development to ensure that it meets the needs and desires of the residents in the area.

Option 2 – renovate the building to the minimal level needed = \$1,813,364 to \$2,300,000

Renovating the building to the minimal level needed by any end user, to include basic infrastructure such as electrical, plumbing, and HVAC systems, but without any interior finishings or fixtures can provide flexibility for potential tenants to customize the space to their specific needs. The "core and shell" estimate reflects the cost to address any code and building deficiency issues and produce a finished building that could be used for a variety of end uses through the normal tenant finish process. There would be additional pre-design costs and not knowing what the final interior costs would be, up to an additional \$500,000 could be added, bringing the total cost up to approximately \$2,300,000.

With the volatility in the current construction market, prices can change quickly, and it is recommended to plan accordingly with a larger contingency and flexibility with regards to the end product.

Pros:

- Renovating the building to the minimal level needed could provide more flexibility to attract a wider variety of potential tenants who have specific needs for their business.
- Renovating the building to the minimal level needed may be completed faster than a fully finished building, allowing potential tenants to move in sooner.

Cons:

- Some businesses may prefer a space with specific interior finishes that align with their brand or business needs, so could be less attractive to some end users.
- There is no known use for this and developing the property would be highly speculative as to whether or not the City or community would benefit from a return on the investment.
- Tenants may need to invest more in tenant improvements to make the space suitable for their needs. Tenant improvements could increase the cost up to \$500,000, making or breaking a deal.
- The City may have less control over the finished product and the overall aesthetic of the space.
- The local Historic Landmark Board and the SHF would need to approve changes to the building. If the City requests more than one change, it risks not being approved and thus not being able to move a project forward.
- Parking, regardless of use, is listed as a concern from the neighborhood.

Recommendation

Updating the space, without a clear end use in mind, runs certain risks as mentioned above. If Option 1 were to not be successful, the City can pivot and explore Option 2.

Option 3 – Minimal work to only maintain building integrity for a future sale of the property

Based on the property appraisal, the value of this property equates to \$0. Given the significantly deferred maintenance, the cost to update this property makes it unlikely the City would be successful with its disposal. It is worth noting that there could be additional and potential drawbacks to selling the property to a private business, such as a loss of control over the development, potential negative impacts on the community, and loss of public ownership of the property.

Recommendation

This property has strong historic value to the community. Given the appraised value, Staff does not recommend the sale of this property.

The adaptive reuse of the Rodeo Market is consistent with the City's Strategic Plan Objective Preparedness and Resilience which states "Build a system of intentional support for residents, businesses and the environment that mitigates risks and proactively seeks out ways to ensure the community not only endures, but thrives". The thoughtful redevelopment and reuse of the site,

consistent with the resident's input received from the survey, will bring new activity and energy to the community. This project will also support the City's Strategic Plan objective of a "Shared Sense of Community" by "foster(ing) equitable opportunities that help residents feel at home and connected in their community and empowered to live their best lives".

Respectfully Submitted,

Mark A Freitag

Mark A. Freitag
City Manager

*This was a scrivener's error, corrected after the packet was published.

Attachments:

Attachment A – Cost estimates summary for options 1 and 2

Attachment B – Property appraisal for 3915 West. 73rd Avenue

Attachment C – Presentation: Rodeo Market - Future Use Options and Analysis