

## **MEMORANDUM REGARDING LEASES AT 5300 FRANKLIN STREET (NWC)**

### **Recommendation**

The Division of Real Estate recommends that the City and County of Denver enter into new lease agreements with Bolder Enterprises, LLC and Great West Bio Fuels for the property located at 5300 Franklin Street.

### **Overview**

The City and County of Denver entered into a Purchase and Sale Agreement with Rocking M Cattle Co on February 12, 2016 for the property located at 5300 Franklin Street for the use as part of the National Western Center Project with an anticipated closing date in October 2016. The intent of the acquisition is to provide a replacement site for Denver Rock Island Railroad's maintenance facility which will be acquired as part of the National Western Center Project.

During due diligence, structural issues were identified in the building. To mitigate long term risks for the City and the tenants, the City has offered to terminate the current leases, enter into limited term leases and buy out the lease of one tenant. The City will schedule the demolition of the building upon both tenants vacating the building.

### **Bolder Enterprises, LLC**

Bolder Enterprises, LLC currently leases approximately 28,985 square feet with the lease terminating in 2022. The proposed new lease would allow for the tenant to remain through December 2016 with one (1), four (4) month option (First Option Period) and one (1) additional one (1) month option (Second Option Period) at \$1/month. The tenant would be responsible for its pro-rata share of operating expenses and capital expenses related to its premises. The City has worked with the tenant to develop a timeframe which allows the tenant to relocate to a new facility. The City will pay a onetime lease termination fee of \$250,000 at closing when the tenant's current lease is terminated and the tenant executes the new City lease. The City will also pay a onetime exit fee of \$258,000 if the tenant has moved within the timelines identified in the lease.

### **Great West Bio Fuels**

Great West Bio Fuels currently leases approximately 4,110 square feet with the lease terminating in 2017. The owners of Great West Bio Fuels are also the owners of Rocking M Cattle Co, the seller of the property. The proposed new lease would allow for the tenant to remain through December 2016 with one (1), four (4) month option (First Option Period) at \$1/month. The tenant would be responsible for its pro-rata share of operating expenses and capital expenses related to its premises. No termination fee or exit fee will be paid since the tenant is also the seller.

### **Conclusion**

Due to the known structural issues in the building, it is in the best interest of the City and County of Denver and the tenants to terminate existing leases and enter into new City leases which shorten the term of the lease so that both tenants vacate the building by May 2017.