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MULTI USE

DENVER DRY GOODS BUILDING

DENVER, COLORADO

PROJECT TYPE

An adaptive reuse of the historic Denver Dry Goods Building, built in 1888. The six-story structure, located in downtown Denver, has been renovated for affordable and market-rate housing, retail, and office uses. The building's 350,000 square feet of space was subdivided into smaller condominium units and repackaged, using 23 different financing sources.

SPECIAL FEATURES

- Mixed-use planning in a historic structure
- Condominium division of spaces
- Joint public/private effort
- Multiple financing sources

SPONSOR

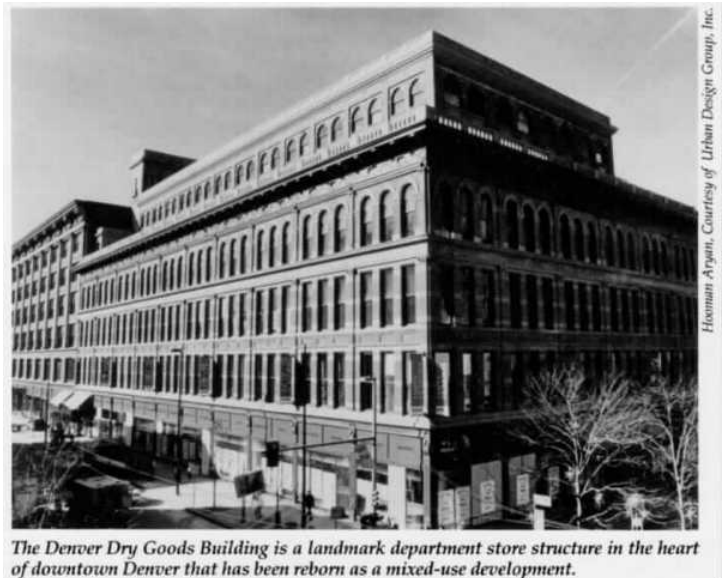
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GENERAL DESCRIPTION

For nearly 100 years the Denver Dry Goods department store served as the retail heart of downtown Denver. Built in 1888 and added onto three times over the years, the 350,000-square-foot Denver Dry was the city's premier department store for generations of Denver residents. But fortunes change, and in 1987 the building was sold and the store closed.

With the beloved Denver Dry facing reincarnation as a parking lot, the Denver Urban Renewal Authority (DURA) stepped in and purchased the building in 1988. After several false starts, DURA selected the Affordable Housing Development Corporation (AHDC) as project developer, and together, DURA and AHDC have managed to resurrect the Denver Dry, fashioning it into a vibrant mixed-use project of affordable and market rate housing, retail, and office space. Ultimately, the key to the Denver Dry's resurrection was an echo of its past: just as the building was built in increments, so its reconstruction and reuse were accomplished piece by piece. The mammoth structure was broken down, figuratively and legally, into smaller condominium units to provide for more manageable and "financeable" packages of development. In these smaller pieces, separate housing, retail, and office units could be planned and then variously bundled together into financing and construction packages.

THE SITE AND BUILDING

The Denver Dry Goods Building occupies the entire frontage of California Street from 15th Street to 16th Street. The building has a strategic location: it sits where the 16th Street Pedestrian/Transitway Mall joins the new light rail system, which began operation in fall 1994. The Denver Dry also links the convention center, retail business district, and downtown hotels.

The Denver Dry Goods Building was erected in 1888 as a three-story structure occupying half of the California Street frontage closest to 16th Street. The red brick, sandstone, and limestone structure was designed by Frank D. Edbrooks, the architect of several notable Denver buildings, including the historic Brown Palace Hotel. In 1898, a fourth story was added to the original structure, and in 1906, a six-story addition was constructed on the 15th Street side of the original building. In one last expansion, in 1924, an additional two stories were constructed on top of the original building, which became the location of the Denver Tearoom restaurant.

DEVELOPMENT PROCESS

The city of Denver regarded the preservation of the Denver Dry Goods Building as critical to the health of downtown. The department store had closed, and the vacated building was becoming an eyesore and was threatened with demolition. In the depressed real estate market of the late 1980s, no private buyer emerged to save the Denver Dry. As a last resort, the city of Denver and DURA stepped in and purchased the building for \$6.9 million. The city financed approximately half of the purchase price, and the remainder was financed by a consortium of local banks and union pension funds.

Over the next two years several developers responded to DURA's requests for proposals, offering a variety of adaptive reuse schemes, including a retail mall, a hotel, an aquarium, movie theaters, and upscale housing, but none was able to obtain leasing or financing commitments.

Out of these failed attempts, however, a new concept emerged: breaking the building down into smaller pieces. Based on this concept, DURA sold two floors of the building to the Robert Waxman Camera Company, a strong local retailer that had been in the downtown market for 30 years.

The plan that ultimately took shape provided for three development phases, of which two have been completed. Phase I consisted of 51 units of affordable and market-rate housing, 73,370 square feet of retail space, and 28,780 square feet of office space. Phase II consisted of an additional 42,000 square feet of retail space, and Phase III, now in the planning stage,

is expected to provide 77,000 square feet of housing and office space.

PLANNING, DESIGN, AND CONSTRUCTION

The first phase of development, completed in October 1993, concentrated on the 15th Street building and one floor of the 16th Street building. Waxman's Camera and Video took over the first floor and basement of the 15th Street building. National retailer T.J. Maxx committed to taking most of the second floor of the 15th Street and 16th Street buildings with the proviso that an escalator be installed to provide direct access from the street to the second floor. The remainder of the second and third floors of the 15th Street building was improved for office use, and the top three floors of the building were renovated for housing. The housing use takes advantage of its high elevation and the building's large windows to afford spectacular views of Denver and the Rocky Mountains beyond. Construction of this phase lasted ten months.

In Phase II the first floor and basement of the 16th Street building were converted to retail space and leased by Media Play. Phase II took seven months to complete. The remaining portions of the 16th Street building, floors three through six, are expected to be renovated for housing and office space in Phase III.

Renovation to the exterior of the building included the removal of over 30 layers of white lead-based paint, to expose the original orange-red brick, sandstone, and limestone surface of the building. This process took eight months to complete and cost \$800,000. The original wood windows were renovated and retrofitted with double-pane glass. In addition, new canopies and signage were installed.

The interior of the Denver Dry Goods Building was gutted except for historic elements to allow building of the phases described above. Architectural plans for the reconfiguration of the approximately 50,000 square-foot floorplates provided for separate, dedicated elevators for the housing and office uses, reusing the existing department store elevator banks. New, direct access was provided to the second floor retail space.

Significant fire and life safety improvements were made all at once for the entire building. In addition, new heating, ventilation, and air conditioning (HVAC) and electrical systems were installed and tenant finishes constructed for Phases I and II. Evaporative coolers were installed in lieu of central air conditioning in the apartments, and city steam was used in heating.

For the housing component, the challenges for designers were to use the deep bays of the existing space and to bring light to these deep interiors. Solutions included wide hallways with adjacent leasable storage units and the provision of clerestory windows to light interior bedrooms.

For the office space, the greatest challenge was to provide space for new HVAC systems while respecting the high window openings of the historic structure. Designers decided to construct dropped soffits in part of the space while maintaining the original 18-foot-high ceilings along window walls and other significant areas.

FINANCING

Twenty-three separate sources of funding were pieced together to finance the several uses and phases of the project. Financing sources included pension funds, state bond issues, tax increment bonds, U.S. Department of Housing and Urban Development grants (urban development action grants), and the sale of low-income housing and historic tax credits, as well as loans and equity investments from public agencies and private nonprofits, private bank loans, and developer equity.

Organizationally, the development of Phase I was split between two limited partnerships: the Denver Building Housing Ltd. and the Denver Dry Retail L.P.

The first partnership, the Denver Building Housing Ltd., was responsible for the development of the 51 units of rental apartments and office space for the Denver Metro Convention and Visitors Bureau. This partnership was made up of two entities, the Federal National Mortgage Association (FNMA), which purchased the tax credits, providing the equity for the deal, and the Denver Dry Development Corporation, a nonprofit 501(c)(3) corporation formed by DURA. The partnership selected AHDC and its president, Jonathan F.P. Rose, as the fee developer for these portions of the project.

The second Phase I partnership, the Denver Dry Retail L.P., was responsible for development of the entire second floor of the building, consisting of the T.J. Maxx store and office space for DURA. The Denver Dry Retail Corporation, an affiliate of AHDC, is the general partner of the Denver Dry Retail L.P.

The development team for Phase II of the Denver Dry Goods Building consists of a single limited partnership, the Denver Dry Retail II, L.P., also an affiliate of AHDC. This partnership was responsible for the development of the Media Play store in the basement and first floor of the 16th Street building.

The adaptive reuse of the Denver Dry Goods Building has been successful for both the developers and the city of Denver. The two national retailers who have leased space in the project are the first national large-space retailers to locate in downtown Denver in ten years. The housing component, which leased up in just two months, now has a 200-person waiting list and has acted as a catalyst to six other residential projects in downtown Denver. More generally, the renovation of the Denver Dry has acted as a catalyst for eight other historic renovation projects in downtown Denver.

EXPERIENCE GAINED

- While large, unconventional adaptive reuse projects such as the Denver Dry Goods Building may not be feasible when viewed monolithically, redefining the project into smaller components and packages may allow for a variety of development and financing options.
- Housing can be a valuable partner in a commercial project by providing a 24-hour presence and stimulating an active retail environment.
- The public/private partnership, such as that between DURA and AHDC, can be most successful when the approach is open on both sides and the parties work by consensus.

PROJECT DATA

LAND USE INFORMATION

Site Area: 1.15 acres

Gross Building Area (GBA): 350,000 square feet

<i>Building Plan</i>	<i>Square Feet</i>
Office	28,780
Retail	115,370
Residential	47,235
Undeveloped (Phase III)	77,000
Circulation and common areas	<u>81,615</u>
Total	350,000

RESIDENTIAL UNIT INFORMATION

<i>Unit Type</i>	<i>Floor Area (Square Feet)</i>	<i>Number Planned/Built</i>	<i>Monthly Rent</i>
Affordable			
One-bedroom	590-950	31/31	\$440-540
Two-bedroom	1,100-1,400	9/9	\$523-623
Market-rate			
One-bedroom	890-950	2/2	\$800-850
Two-bedroom	1,100-1,265	9/9	\$995-1,050

COMMERCIAL TENANT INFORMATION

Average Annual Rents

Office: \$12.74 per square foot

Retail: \$10 per square foot

Average Annual Retail Sales: \$250 to \$650 per square foot

Length and Type of Leases

Office: Ten to 15 years full service

Retail: 15 to 20 years triple net

DEVELOPMENT COST INFORMATION

Site Acquisition Cost \$6,900,000¹

Construction Costs

Superstructure	\$ 7,050,000
HVAC	2,150,000
Electrical	1,500,000

Plumbing/sprinklers	1,100,000
Fees/general conditions	975,000
Graphics/specialties	100,000
Tenant improvements	<u>5,600,000</u>
Total	\$18,475,000

Soft Costs

Architecture/engineering	\$860,000
Leasing/marketing	530,000
Legal/accounting	600,000
Taxes/insurance	90,000
Construction interest and fees	1,175,000
Other	<u>1,500,000</u>
Total	\$4,755,000

Total Development Cost to Date \$30,130,000

Note

¹Includes \$900,000 for asbestos removal.

MAJOR FINANCING SOURCES

Affordable Housing Development Corporation
City of Denver Housing Trust Council
Colorado Historical Society
Colorado Housing and Finance Authority/Bank One
Denver Dry Retail II, L.P.
Denver Urban Renewal Authority
Dominion Bank
Federal National Mortgage Association
First Bank of Republic Plaza
First Interstate Bank of Denver (Norwest)
Rocky Mountain Investors
Tax credit purchasers
United Bank of Denver
U.S. Department of Housing and Urban Development
Women's Bank

DEVELOPMENT SCHEDULE

Site Purchased: July 1988
Planning Started: July 1988
Construction Started: January 1993
Sales/Leasing Started: July 1993
Phase I Completed: October 1993
Phase II Completed: May 1994

DIRECTIONS

From Downtown: Located at the corner of 15th Street and California in downtown Denver.

The Project Reference File is intended as a resource tool for use by the subscribers in improving the quality of future projects. Data contained herein were made available by the Development team and constitute a report on, not an endorsement of, the project by ULI - The Urban Land Institute.

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DOCUMENT IMAGES



Hooman Aryan, Courtesy of Urban Design Group, Inc.

The Denver Dry Goods Building is a landmark department store structure in the heart of downtown Denver that has been reborn as a mixed-use development.

*Hooman Aryan, Courtesy of
Urban Design Group, Inc.*



*The first and second floors are occupied
by three major retail tenants: Media
Play, Waxman's Camera and Video,
and T.J. Maxx.*



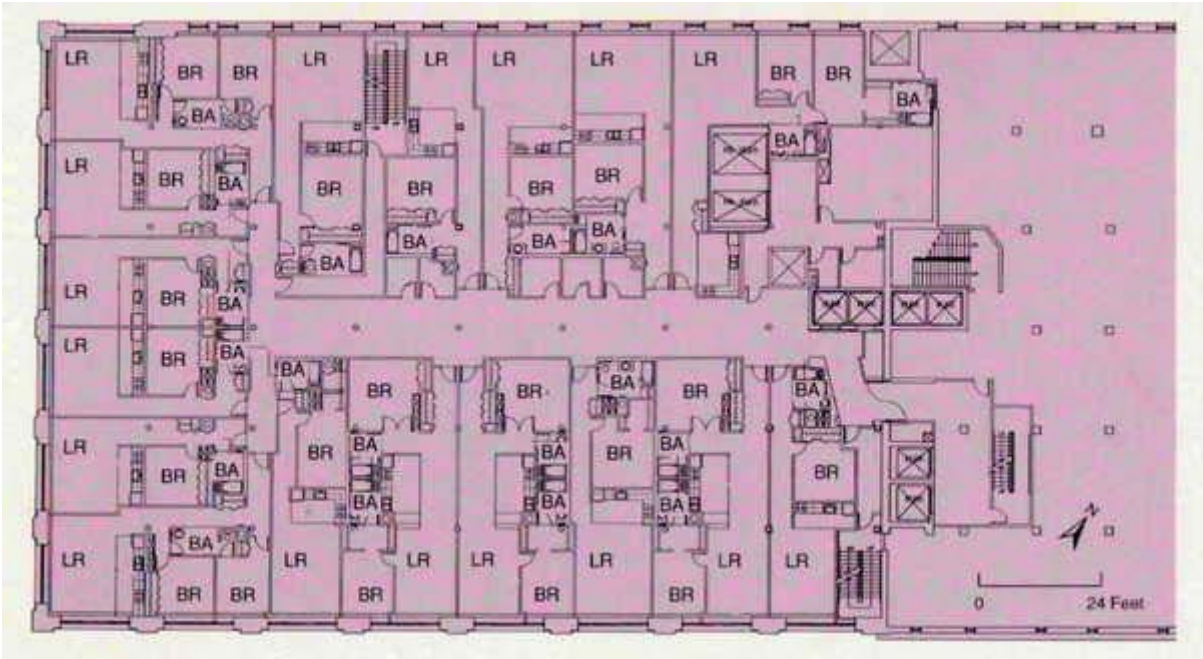
Hooman Aryan, Courtesy of Urban Design Group, Inc.

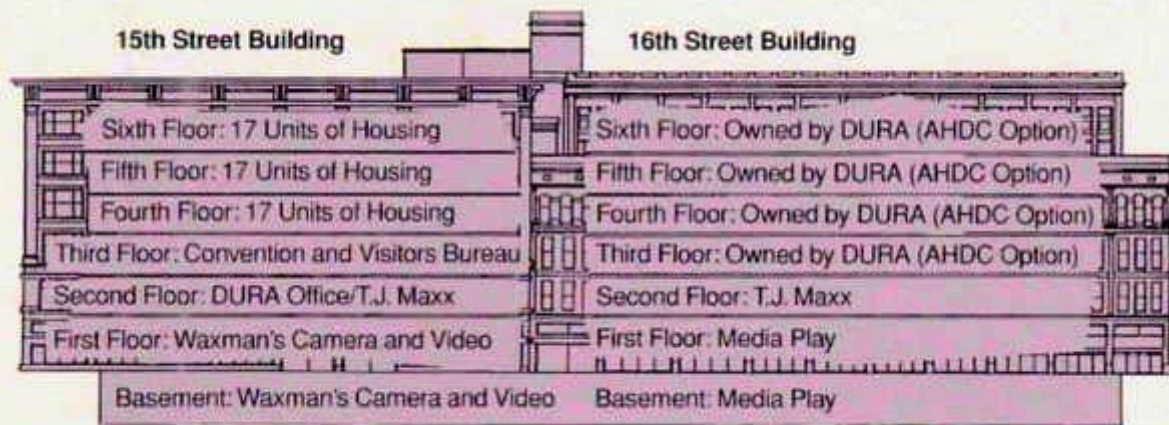
One of the fourth-floor residential units.



Hoonan Aryan, Courtesy of
Urban Design Group, Inc.

*The interior of Waxman's Camera and Video;
original column capitals were retained.*





Elevation