

# THE FOUNDRY

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WILLIAMS, GRANT (EID)

THE FOUNDRY  
EDUCATION  
CENTRE



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**EXECUTIVE SUMMARY**

Before The Foundry, there sat 14 dilapidated properties that leeched energy out of Loveland, Colorado’s historic downtown district. Through a public-private partnership, Brinkman and the City of Loveland created a dynamic mixed-use development that transformed this part of the “Sweetheart City” into a rejuvenated economic environment.

In 2015, the City of Loveland set goals to redevelop this rundown area. After acquiring the existing land, their plan kickstarted through advertising a request for proposal. Brinkman had a strong northern Colorado presence and familiarity with local government operations, which resulted in them winning the bid. The synergistic public-private partnership that ensued led to a win-win scenario for both parties. The City paid for about one-third of the total project cost, and in return, Brinkman developed several city-requested establishments. The duo sought out help from several key partners, including OZ Architecture for design, Cushman and Wakefield for property management, Brue Baukol and Colmena Group for equity financing, and several private banks for debt financing.

<b>PROJECT OVERVIEW</b>	
<i>Name</i>	The Foundry
<i>Address</i>	From 1st to 3rd Streets Between Cleveland & Lincoln Avenues, Loveland, CO, 80537
<i>Type</i>	Mixed-Use
<i>Cost</i>	\$74.1 M
<i>Site Area</i>	8.94 Acres
<i>Building Size</i>	Residential - 142,000 sf Commercial - 15,000 sf Hotel - 63,000 sf Theater - 24,000 sf Plaza - 43,000 sf
<i>Features</i>	155 Luxury Apartments 102 Room Hotel 7 Screen Dine-In Movie Theater 460 Space Parking Garage Central Plaza, Bandshell, and Splash Pad
<i>Developer</i>	Public - Private Partnership City of Loveland - Brinkman Colorado
<i>Builder</i>	Brinkman Construction
<i>Architect</i>	OZ Architecture
<i>Tenants</i>	TownePlace Suites by Marriott MetroLux Dine-In Theatre Patina Flats Living
<i>Property Management</i>	Cushman & Wakefield

In total, the development encompasses 389,542 square feet of land located a block away from downtown Loveland, Colorado. It resides within 45 minutes of several major Colorado attractions including Fort Collins, Boulder, Denver, and Rocky Mountain National Park. When the northern Colorado city was first established, its economy was largely dependent on the railroad and agriculture industries. However, after the move-in of Hewlett-Packard and other national corporations, Loveland quietly grew to become the 14th largest city in the state. The city claims a rich artistic heritage, which inspired The Foundry’s thematic vision. Jay Hardy, the Chief Development Officer at Brinkman, imagined an authentic development that symbolized Loveland’s most unique, nationally-acclaimed artistic style: sculpturing. Everything from the development’s name to the color scheme draws upon the distinctive art form. As The Foundry’s website fittingly describes, the development is “where bold creativity and daring ideas take shape.”

## ***CITY OVERVIEW***

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Loveland, Colorado, not to be confused with Loveland Ski Area in Colorado, is the 14th most populous municipality in the state. It is the second most populous city in its respective county, Larimer County, hosting nearly 77,446 residents. It is positioned roughly 45 miles north of the state's capital city of Denver, and is considered a suburb to its larger, northern neighbor Fort Collins. The city is only a 45-minute drive or less to other prominent Colorado destinations such as Boulder, Denver International Airport, and Rocky Mountain National Park. Loveland resides a few miles west of the heavily trafficked Interstate 25, which runs north to south and is infamous in the state for its congestion.

Established in 1877, Loveland was named after the late president of the Colorado Central Railroad, William A.H. Loveland. Its nicknames include the "Sweetheart City" and "Gateway to the Rockies." For the first part of the 20th century, Loveland's economic engine came from agriculture and food manufacturing. However, in 1960, Hewlett-Packard opened a manufacturing facility in Loveland, initiating much of the city's subsequent growth. Today, it is home to many other corporate habitants and entertainment facilities, most notably the Budweiser Events Center, a multi-purpose event center.

The city is known for its deep-rooted artistic culture. Within the city limits, an art-enthusiast can find numerous galleries, an art museum, and a sculpture garden which beckons national attention. In fact, Loveland is so prominent for its sculptures that it hosts

The annual Sculpture in the Park show that attracts nearly 20,000 visitors. George Lundeen, a well-known sculpture artist famous for his sports-oriented figures, resides in the city, along with several other distinguished sculpture artists.

## ***OPPORTUNITY***

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Prior to 2015, the City of Loveland acquired 14 parcels of land adjacent to the downtown district through open market deals. The intent was to acquire land over the long term, to eventually use as a blank slate for re-development. City leaders had a vision to revitalize the downtown community with some new amenities: a movie theater, communal plaza, upscale retail space, and a public parking garage. Aside from these desired additions, the City of Loveland wanted the alleyway and streetscapes that were next to the project area to be improved. The alleyway would create a more exposed foot-traffic lane from the downtown area to the development, and the streetscapes would allow for car share services to drop off and pick up people safely. City officials saw unprecedented potential for a development that could give its downtown more energy, community, and economic value. At the same time, the City looked at a new, mixed-use development as an opportunity to expand its tax base with property taxes, use taxes, and sales taxes.

In early 2015, the City of Loveland put out a request for proposal (RFP) with the afore-mentioned features in mind. One development company, Michael's Group

took immediate interest and submitted a proposal. The company gained some traction with the City of Loveland winning the bid against competition. During the planning stages for development, soft costs such as inspection fees and design fees immediately started to accumulate. Michael's Group, consistent with their core business model, envisioned a solely residential development, which did not align directly with the City's vision. To make matters more difficult, the City was still in the process of preparing the land for development and Michael's Group was still incurring soft costs. These cumbersome variables became a problem for both Michael's Group and the City, so the two parties decided to part ways.

After falling through with the previous contract, the City resubmitted its RFP in seek for a new developer. Two appealing proposals came in from local developers in mid-2016. One developer, clearly stood out. Brinkman had an extensive presence in the northern Colorado area, and, one of the executives had a background working as the Executive Director of the Downtown Development Authority in Fort Collins, which the City viewed as synergistic. Not only would the City get an experienced partner with a great local reputation, they would also be collaborating with a professional who understood the ins and outs of development with a northern Colorado municipal government.

### **DEVELOPMENT TEAM**

Brinkman is a northern Colorado-based integrated real estate solutions company with a record of developing high-quality, successful projects that has given the company the opportunity to grow in

property markets throughout Colorado. Brinkman describes themselves as “a community-focused, mission-driven real estate development and investment company.” In 2005, brothers Paul and Kevin Brinkman founded Brinkman Partners, which housed commercial construction, development, investment, and property management under the same umbrella. In 2016, however, they split the companies into Brinkman and Brinkman Construction in a rebranding effort. Today, the two entities still work closely together as complements.



## **BRINKMAN**

Brinkman operates with three key pillars in mind: people, place, and prosperity. Brinkman calls this their triple bottom line, and they are uncompromising when it comes to maintaining these principles. They are a certified B Corp, making them the first developer and one of only five real estate companies in the state of Colorado to bear that title. The unifying goal of B Corps is to be a purpose-driven, for-profit company that creates benefits for all stakeholders. As part of their mission to create value for their stakeholders, Brinkman donates 10% of their net income to non-profit organizations that are committed to improving the lives of people and their communities. Included in the company's real estate portfolio is mixed-use, multi-family, office, retail, and hospitality, allowing for ample community-building opportunity.



## DEVELOPMENT VISION

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*“Understand the politics first,  
neighborhood second, and  
finances last.”*

~ Jay Hardy  
Chief Development Officer Brinkman

With that motto in mind, Brinkman’s next step was to create an aligning business plan that fit not only the City’s vision but also their triple bottom line: people, place, and prosperity.

Another important piece of the design was the incorporation of art and sculptures. A large majority of the US sculptures are made in Loveland, and that’s where the project also got its name from. A Foundry is a place where a sculptor bronzes and casts a sculpture. Thus, the project was named “The Foundry” to symbolize the city’s love for sculptures. To tie this theme to all the aspects of the development, the City initially wanted to use metals as accents on all the buildings. However, it was an expensive choice and would drive the cost of the project high. Thus, orange colored paint was used on the mixed-use buildings to symbolize the molten bronze. A few days after this idea, Brinkman announced its brand vision, and two local rotary clubs offered to gift the company several sculptures, which would become central features in the development.



Aside from the artistic element, Brinkman wanted to establish a central gathering place in downtown Loveland that was walkable, multifunctional, and inspirational. Jay Hardy elaborated on this through his notion of the 8/24 framework. In his view, the best developments first capture the 8 a.m. to 5 p.m. weekday crowd, with office features and daytime retail such as coffee shops and lunch restaurants. Next, it should seek to attract the 8 a.m. to 8 p.m. crowds seven days a week, with entertainment and supplementary retail such as shopping, dinner restaurants, and bars. Finally, it should complete the full circle and capture the 24/7 demographic, with the addition of residential units. Hardy realized the opportunity to complete all three steps in one initial development, so the company was eager to partner with the City on the project.

**SITE DESCRIPTION**

The development site is 8.94 acres, located between 1st and 3rd Streets and Lincoln and Cleveland Avenues, in the center of Loveland, Colorado. The site is located about one mile south of U.S. Route 34, which connects Interstate 25 (6.5 miles away) to Rocky Mountain National Park. It is walking distance (0.1 miles) from the main commerce area, 4th Street, which features dozens of consumer-friendly attractions such as eateries, breweries, galleries, fitness centers, and workplaces. Both adjacent avenues, Cleveland and Lincoln, act as major north-south arteries connecting commuters from Loveland to Fort Collins. The cross-roads; 1st, 2nd, and 3rd Streets; are each two-way, smaller roads which serve as the main ingress and egress to and from the site. Its close proximity to downtown and easy access to various transportation routes made it an appealing, upmarket development that was intended to drive economic activity.



## **MARKET ANALYSIS**

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In determining the property types that would go into The Foundry, Brinkman had to comply with a few non-negotiables coming from the City's demands. These included the cinema, plaza, parking garage, and public improvements. Beyond those elements, Brinkman analyzed the economic environment and determined it would add a hotel franchise and two mixed-use buildings with multi-family and retail elements.

The median income for a Loveland household in 2017 was \$60,993, which was a 22% increase from 2000. Aside from the strong income growth, the age distribution skewed relatively young. With upward pressure on wealth and a younger population, Brinkman saw high potential for an upscale, experiential development that appealed to these demographic groups. Below is a brief analysis of the market for each property type.

### *Housing*

Loveland's housing market was on the upward trend. The average monthly rent for an apartment in the timeframe of the development was roughly \$1,453, a 5% increase year over year (YoY). This was about \$100 cheaper than its northern neighbor Fort Collins and \$200 cheaper than its southern neighbor Denver, attracting suburb residents seeking more affordable rents. Additionally, the low vacancy rate of 2.7% was intriguing in Loveland. Brinkman evaluated these data points and determined that there was ample demand for upscale multi-family units.

### *Entertainment (Cinema)*

Downtown Loveland lacked a movie theater that was in close proximity. The next closest cinema was 7 miles (15-minute drive) away from the center of town. The next closest dine-in cinema was 10 miles (25-minute drive) away in Fort Collins. With growing incomes and a trending preference for experiential consumption, the City of Loveland saw a dine-in cinema as a major catalyst in enhancing the downtown environment.

### *Retail*

Northern Colorado witnessed positive indicators in its retail sector. Base rents increased in 2017 to an average of \$17.50/sf, which is converging in on Denver's rates and 25% higher than the national average. Especially booming in northern Colorado retail were restaurants, entertainment, and fitness. Per the City's request, Brinkman planned to incorporate roughly 14,000 square feet of mixed-use retail.

### *Hospitality*

Hotels in the City of Loveland finished 2018 with the highest average occupancy rate across the state. According to one report, Loveland ended the year with a 12-month average occupancy rate of 75.7%. The average daily price per room was \$129.57 and revenue per available room (RevPar), a key metric in developing hotels, was \$93.54. The next closest hotel to downtown was 1.5 miles away and was located on a busy road which made it difficult for travelers to get downtown. Originally, Brinkman planned to have office space in The Foundry; however, after assessing the favorable hotel market, they decided to substitute a



franchise hotel instead of office space. The hotel turned out to be a key component in the finished product. Brinkman viewed the hotel as a safe property type, and it brought in diverse occupants who would be more inclined than routine workers to spend money at the surrounding retail locations, generating sales tax revenue for the City. Furthermore, Loveland claims the title “Gateway to the Rockies,” as it is just a short drive from the ever-popular Estes Park and Rocky Mountain National Park. In 2018 alone, the park had 4.6 Million visitors, making it the 3rd most visited National Park in the United States. Hotel rates were substantially cheaper in Loveland compared to rates in the National Park’s neighboring city, Estes Park, which primed it as a more practical option for overnight stay. With a shortage of supply, an anticipated surge in demand, and a strong hospitality market, Brinkman decided to develop and franchise a TownePlace Suites Hotel by Marriott. The hotel would be highly accessible to the historic downtown district, and would be the first hotel nearest to the district.

## **PLANNING AND ENTITLEMENT**

The City of Loveland had a crucial decision to make in selecting the developers for the project, with whom their vision would align. They requested a few requirements in which the public would benefit from.

The improvements requested by the City are listed below.

- *Parking garage*
- *Public plaza*
- *Streetscapes with loading zone for ride sharing services*
- *Alleyway connecting downtown to the development*
- *Movie theater*

Brinkman recognized the opportunity to work with the City. They agreed to design, develop, construct and install the project according to the public improvements listed above. The parking garage was to be owned and operated by the City and would be available to the general public. Brinkman also agreed to remit tax payments to the City in the form of property taxes, use taxes, and sales taxes. The tenants of the buildings would pay the agreed-upon tax payments to Brinkman, who would then hand the revenue to the City. This would provide an expanded tax base for the City, which would allow for further economic stimulation.

Brinkman met all the criteria the City was looking for in a developer. On New Year’s Eve of 2016, the City of Loveland officially selected Brinkman as the General Developer for the project.

The timeline of the planning process into final completion is found in Figure 1 In the Appendix. Terms of the partnership can be found in Figure 2 of the Appendix.

**BUILDING AND LANDSCAPE DESIGN**



OZ Architecture spent sufficient time combining the vision of the City of Loveland and Brinkman to construct a cohesive development that aligned everyone's vision. The Foundry is OZ Architecture's mock-up of the modernization of the downtown area, while incorporating the community's local art and design, true to the name "The Foundry". Brinkman Colorado's very own construction company built the project in five phases, one phase per building, with a sixth phase for greenspace and street improvements.

The site houses two mixed-use buildings, a parking garage, a movie theater, a hotel, and a central public plaza with greenspace and bandshell stage.



3D VIEW LOOKING NORTH TOWARDS 4TH STREET

## 1 MetroLux Movie Theater

MetroLux Dine-in theater is a seven-screen theater offering reserved luxury recliners and in-seat full dining services. Scripted Bar and Kitchen sits right in the lobby with a separate entrance as well as a direct access from the theater. It features an open dining area with a full-service bar, hi- and low- top dining tables, along with multiple TV screens. The theater was designed to provide a state-of-the-art experience to the people of Loveland.

The City of Loveland agreed to pay for the first-run movie theater as an incentive to Brinkman for a total amount of \$2.2 Million spanning over 10 years. The City worked out a deal with Brinkman to split a share of the proceeds above a 10% return. As part of the deal, the City also requested that Brinkman remit \$0.50 per movie theater ticket sold to help recoup their out-of-pocket expenditures.



## Mixed-Use Buildings

Named Patina Flats at The Foundry, these two mixed-use buildings act as the anchor of the development.

Brinkman built multi-family living space into the development because of a high demand for upscale and urban living in

downtown Loveland. The prime location directly next to city center makes the development stand out against competitors. Both the Cleveland and the Lincoln Building, named after their respective neighboring roads, enclose either side of the center communal gathering space. Patina Flats includes 155 units of studio, 1-, 2-, and 3-bedroom style residential apartment living options between both buildings. Units feature amenities such as stainless appliances, granite or quartz countertops, and open floor plans. Community amenities, which are shared by the two apartment buildings, include a fitness center, lobby/lounge space, and rooftop patio/kitchen area with west-facing mountain views.



The first floor of these two, five-story buildings offer more than 15,000 square feet of commercial space for retail, restaurant, and office use. Per city requirements, this space generates tax revenue for the city. The first-floor space was roughed in as “open box construction”, offering variable floor plans completed per tenant needs.



#### 4 Public Plaza and Walking Space

The public plaza is a centralized outdoor urban square space where families can gather, and artists can display their art. It was designed to be a safe, noise-free space where people can relax and enjoy the 300+ days of sunshine each year. All summer long, the city hosted summer series events such as Wednesday night concert series, movies in the park, and kids in the plaza, to name a few.

The public plaza is owned and operated by the downtown district of Loveland. The plaza was another important piece of the development as the City wanted to create a space which would attract more people to downtown and spend time with their families. The downtown district uses this space to organize concerts, set up pop-up shops, and host food trucks for entertainment purposes.

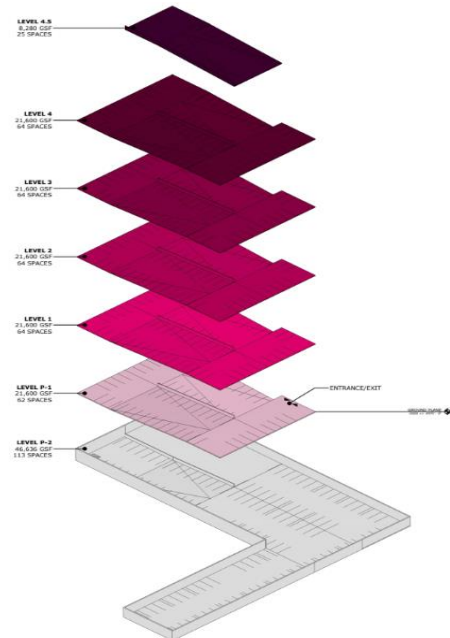


## 5 Parking Garage

Composed of 460 spaces, the lower 155 basement parking stalls are reserved for Patina Flats Residents. Per City requirements, free parking is offered 24 hours a day and is shared between hotel users, movie go-ers, and visitors of the development and downtown.

In the spirit of linking the community to the development, and supporting local art, the City encouraged Brinkman to choose a world famous artist named Daas to paint a large mural on site. Rather than dull, dark cement walls on the parking garage, the surface acted as a 57 foot tall canvas. His two painted murals are called “My Favorite Things” as they are a representation of all the things Loveland is famous for. The facade facing Lincoln Avenue depicts a young girl painting her favorite things about Loveland on a heart, displaying why the “sweetheart” city is so special to all. The second mural wraps around the corner onto 2nd street, depicting the Devil’s Backbone, a local geological hiking site at the base of the local Rocky Mountains, just a few minutes outside of town. Bold colors were used by the artist to catch eyes of passerby and draw them into noticing new and everyday sights they see around Loveland.

The parking garage is owned and operated by the City and will serve the general public as well as the users of the development. To better regulate the structure, the City agreed to pay all the costs for constructing, operating, and maintaining the parking garage. In the development contract, the City imposed an annual fee of \$0.50 per square foot for all commercial and retail spaces in the project, excluding the movie theater, which was subject to an annual increase of 2% for 10 years. Brinkman issued a \$42 per month fee per parking space for the residential units, but the public could use the garage for free. Brinkman agreed to remit the operations and maintenance fees back to the City.





6 *TownePlace Suites by Marriott*

The four-story hotel offers 102 rooms with features like an indoor pool, fitness center, lounge, and 1,000 sf. of divisible meeting space. The hotel offers convenient and innovative style choices to travelers. The spacious suites feature home-inspired amenities, including fully-equipped kitchens, larger public spaces, and home office spaces. Large HDTV's and plush beds allow guests to relax. The hotel is paired with laid-back modern designs and simple details.

Due to the soft commercial market, Brinkman exchanged building hard-to-lease office space for a luxury hotel. Coincidentally, Loveland lacked a luxury hotel within a ten-mile radius of downtown. This overnight-stay environment draws tourism income and generates diversity within the community.



*Development Landscape Design*

All walkway alleys spur away from the communal center of the site, leading visitors to and from the surrounding parts of town. These alleys enforce Brinkman's idea of "bringing light between the buildings," making all areas of the development serve a purpose.





## Environmental Impacts

### *Environmental Remediation*

One of the 14 acquired parcels on the old site had housed a dry cleaner prior to development. Dry cleaning facilities have a history of spreading harmful contaminants into the environment. These mainly consist of chlorinated and non-chlorinated solvents that find their way into the groundwater and soil through leakage, poor transportation, and storage malfunctions. In order to clear the land before development, the City agreed to pay for the remediation efforts. To do so, they needed to excavate 405,000 cubic yards of soil, transport it away, and fill the site with new, clean soil. This turned out to be a difficult process.

### *Sustainability*

Careful consideration was given to the sustainability aspect of the project. Brinkman designed a walkable community to reduce traffic and re-developed the pedestrian pathways for easy access. With the site's proximity to necessities such as groceries, public transport, and parks, most residents choose to walk or bike, eliminating the need for a car. Additionally, Patina Flats was recognized by Xcel Energy for their outstanding efforts to save energy which won them the Heating Efficiency Achievement Award earlier this year. Brinkman often does not pursue getting "LEED" certified, due to the extensive approval process and price tag associated to receive the honorary plaque: However, the firm still follows the necessary guidelines for LEED requirements. Jay Hardy from Brinkman mentions going the extra mile in their projects by building the space to get

people outside, on top of environmentally friendly fixtures in their developments

## ***Capital Structure***

The total cost of the project post completion is \$74.1 Million. The City provided 31% of the total construction costs, with Brinkman covering the remaining 69% of the expenses.

<b>Project Costs</b>	
<b>City Of Loveland</b>	
Hard Costs	
<i>Land Aquisition</i>	\$7.0
<i>Parking Structure</i>	\$13.7
<i>Park and Plaza</i>	\$3.9
<i>Street Scape</i>	\$0.5
<i>Water Utilities</i>	\$1.0
<i>Site Prep</i>	\$0.2
Soft Costs	
<i>Waived Fees And Entitlement</i>	\$0.7
<b>Total Public Items</b>	<b>\$27.0</b>
<b>Brinkman And Partners</b>	
Hard Costs	
<i>West Apartment</i>	\$11.7
<i>West Retail</i>	\$0.9
<i>East Apartment</i>	\$7.6
<i>East Retail</i>	\$0.8
<i>Movie Theater</i>	\$9.3
<i>Hotel</i>	\$12.7
<i>Water Mitigation</i>	\$0.5
<i>Utilities/ Street Items</i>	\$0.4
Soft Costs	
<i>Architctual Design</i>	\$1.2
<i>Engineering</i>	\$2.0
<i>Entitlement</i>	\$0.1
<b>Total Brinkman And Partners</b>	<b>\$47.1</b>
<b>Project Total</b>	<b>\$74.1</b>

The total \$74.1 Million in funding came from the following financial partners:

*City of Loveland*

The City of Loveland contributed \$27 Million in land and other incentives for the development. This constituted 31% of the total project cost, funded through a combination of tax revenue and private debt. During the capital funding process, the deal almost broke when the City submitted a request from its people to borrow the money through a public debt offering. In order for the City to borrow money through municipal bonds, it needed voter approval from the people to fulfill the Certificate of Participation (COP). However, when the City issued the COP, the vote failed and the City had to utilize creative financing as a workaround. Instead of issuing bonds with a COP, the City decided to acquire private debt through a loan, offering very valuable collateral: Loveland’s City Hall, and their local Police Station. The City was approved for a BBVA Bank for \$16 Million. Due to the uniqueness of the valuable collateral, the City was given a remarkably favorable interest rate between banks eager to lend.

*Brinkman*

After the city’s capital allocation, Brinkman was left to cover 69% of the construction costs totaling \$47 Million. Brinkman worked with the following lenders to allocate capital split.

*Brue Baukol*

Brue Baukol financed half of the remaining 69% of the project, minus the hotel. This amounted to a total of \$20.4 Million through private loans. They initially agreed to fund entire remaining portion of the project, less the City contributions, when Brinkman planned on developing office buildings; however, once the decision was made to build a hotel, Brue Baukol chose to withdraw its

capital from only the hotel. After logistics, Brue Baukol ended up financing 27.5% of the total project cost.

*Colmena Group*

Colmena loaned 50% the remaining cost on solely the hotel with Brinkman. Hotel cost was \$12.7 Million, leaving the lender willing to cover \$6.35 Million of construction costs (8.5% of the total project cost).

Financial Sources	
<b>City of Loveland</b>	
Cash	\$11.0
BBVA Loan	\$16.0
Total	\$27.0
<b>Brinkman</b>	
Cash	\$14.1
Colmena	\$6.4
Brue Baukol	\$20.4
Private Lenders	\$6.2
Total	\$47.1
<b>Project Total</b>	<b>\$74.1</b>

**Exit Strategy**

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*“Always figure out how you are going to get out before you get in”*

~ Jay Hardy  
Chief Development Officer Brinkman

Brinkman strategically incorporated Special Purpose Vehicles for each of its buildings in order to take out separate bank loans. This way, if one of the buildings were to undergo financial distress, it would not impact any of the other properties.

The long-term holding plan for each building as follows:

- The movie theater is currently loaned out with Guaranty Bank, but will be refinanced with Canvas Credit Union within the next 60 days.
- The two mixed-use buildings have had fifty-five offers to buy-out ownership. Brinkman plans to hold the property for the time being to generate cash flow.
- The parking garage and plaza are owned, operated, and maintained by the City of Loveland.
- Brinkman will hold the hotel long-term, to generate cash flow.

## **DEVELOPMENT IMPACTS**

### *Building Community During Construction*

Aside from the direct building additions, The Foundry motivated several other unique opportunities. Brinkman worked with a local brewery, Crow Hop Brewers, to originate a new beer branded as “The Foundry Cream Ale.”



Crow Hop Brewery was operating out of one of the two properties that was held out from acquisition in the development

region, but since moved a few buildings away. During the construction phase, Brinkman employees met with Crow Hop employees to discuss development impacts, and ultimately decided to create the ale. Fifteen Brinkman employees journeyed over to the brewery one Saturday afternoon to help Crow Hop brewers craft the original beer. The end result was the “easy-drinking beer” that the brewery plans to have on tap and in cans in honor of the new project. Another prominent communal event was the hosting of the Boys and Girls Club on the day the first shovel hit the ground for construction. Brinkman provided each kid with a hard hat and the kids embraced their own artistic skills by painting the hat. Following the artistry, each kid told their story to the audience, and then assisted in starting the construction with a scoop of excavated dirt.

### *Increased GDP*

Based on 25-year projections, it was estimated that the development would create 458 total ongoing jobs, including 248 direct jobs and 210 indirect jobs. The total labor income was forecasted at \$27 Million with a total value added, in terms of GDP, of \$71 Million. Construction would account for 683 total one-time jobs created, leading to a total labor income of \$34 Million and a total value added (GDP) of \$43 Million between the construction, and post completion operation.

### *Tax Impacts*

A major financial addition came in the form of an increased tax base for the City of Loveland. In The Foundry’s opening year of 2019, the City mandated a minimum of \$417,483 paid through property taxes. The following year in 2020, Brinkman was required to remit a



minimum of \$630,549 in property taxes to the City, on behalf of the tenant property tax payers. This tax would then be escalated by 2% each year thereafter through the final year of 2046. On top of this, the City would collect a 3% sales tax and an additional 1% public improvement fee (PIF) for all retail sales. Other City revenues came from a theater ticket surcharge of \$0.50 per ticket, parking charges of \$42 per month per parking space, and other fees. The City predicted that all tax and fees revenues would total cumulative \$23,805,421 in 25 years after opening.

### Culture

The Foundry's mission drove under motives to revitalize the life within the local community, offering a central space to mix cultures of all kinds. Throughout the short time it's been open, the community connection between the town and its people has skyrocketed with positive feedback. Whether it be introducing local music through summer concert series, offering a splash park for kids to play in during the hot summer months, or a movie theater to bring life into town late at night, the space offers as a home base for many different dialects of community engagement.



## Operational Issues

### Property Acquisition

Over the course of seven years, the City had acquired 14 open-market deals, all within a three and a half square block vicinity in the heart of the town. The 15th and final property lay on the northwest corner of the 3rd Street parcel, next to the proposed movie theater. The owner of this property was unwilling to sell, as they felt it was more valuable than the City was willing to offer. Unable to make a deal to add this parcel into the mix for developable space, it added challenges for Brinkman to work around this awkward property line. They worried it may be seen as an eye sore and deemed it an unfortunate misuse of space reducing the full potential the land could serve. Fortunately, the space is not crucial to the project as a whole and Brinkman was able to comfortably add the desired pieces to make this a well-rounded center.



### *Dewatering System*

When the construction team opened up the ground, they ended up going below the water table, which meant a dewatering system needed to be purchased and deployed. The City told Brinkman that the water would come in at 85 gallons per minute, so they engineered a machine to clear that specific amount of water. When the machine was deployed, however, the water flowed in at an unexpected 400 gallons per minute. This error wound up inflating estimated costs, of which Brinkman and the City agreed to split 50/50. In order to protect itself from potential negative residual impacts, Brinkman worked out a deal with the City for which the City paid the premiums on a \$10 million environmental insurance policy.

### *Rising Construction Costs*

With construction time on the project spanning just under two years, and installation occurring during “construction boom” in the Colorado, consistently increased construction costs posed pressure to make building expenses work relative to proforma. Higher construction costs meant cutting down on profit margins, pressuring the debt service coverage ratio (DSCR). In correspondence with this, Brinkman changed plans to install “core and shell” construction for the lower retail portions of the mixed-use buildings to minimize up-front costs, deciding to finish the interior renovations once tenants sign long-term leases, rather than front the cost years prior to completion.

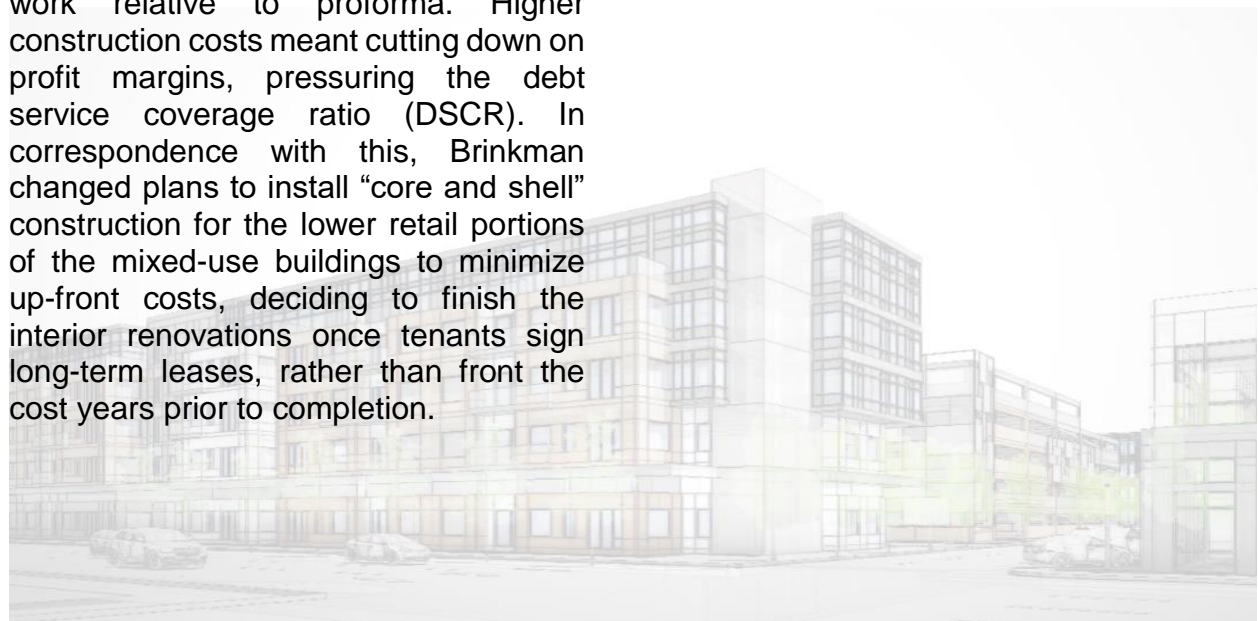
### **Performance to Proforma**

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Extensive projections were performed by Brinkman (through subcontracted agencies) to compose a proforma per each aspect of the development, forecasting revenue and IRR (investment). Due to the confidentiality of financial documentation, Brinkman did not disclose sensitive information involving current performance of the hotel or movie theater.

However, The Patina Flats residential apartments (mix-use buildings) leased months ahead of projections. Between the two buildings, the current average occupancy rests above the northern Colorado average of 97%. (The Lincoln Building is 100% leased, and the Cleveland building is 97% leased.)

The first-floor retail space took longer than expected to lease, however are steadily gaining attraction with three undisclosed tenants planning to begin leasing terms in the spring, leaving only 1/3 of the commercial use space still open for tenant installation.



## Epilogue

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“Build politics first, build business plan and neighborhood second, build finances last”- Jay Hardy, Brinkman, Colorado, Chief Development Officer

The development of The Foundry changed the dynamics of downtown Loveland significantly. The public-private partnership between Brinkman and the City of Loveland played a key role in redeveloping the land to create a space for the people of Loveland. Patina Flats are currently 97% occupied which shows that the project is greatly appreciated by the community. The market demand for the mixed-use buildings is so high that Brinkman already has about 55 groups looking to buy the property if they refinance in the future.

The Foundry has received immense attention since its Grand Opening, leading to the migration of multiple businesses to their commercial/retail spaces. Mo’Beta Gumbo is the first business to become a part of this incredible project and they intend to move in by the end of November.

The Foundry opened several doors for the businesses in the downtown district to flourish economically along with keeping the community happy. Therefore, the project serves as a catalyst for the revitalization of the downtown district and is expected to grow and house larger businesses in the future.





# Appendix

Figure 1

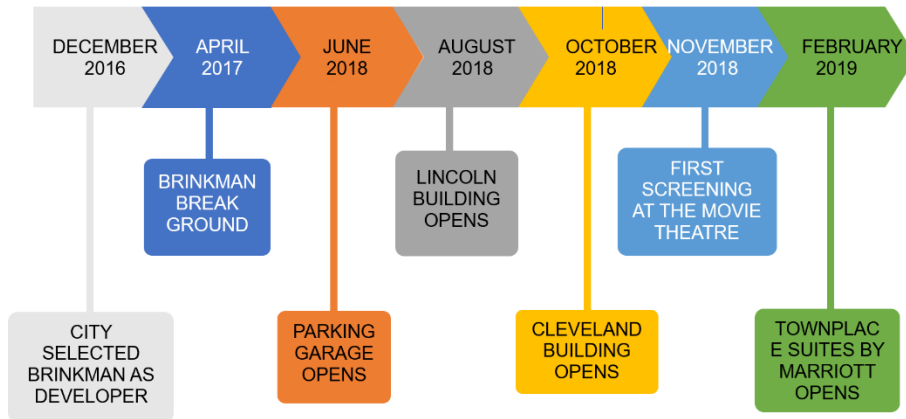


Figure 2

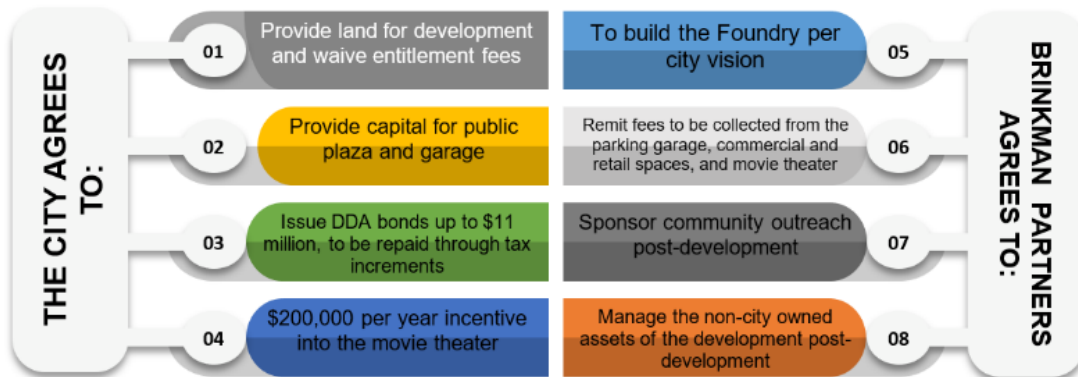


Figure 3



## Environmental impacts

<https://www.caufieldjames.com/environmental-issues-associated-with-dry-cleaning-contaminant-tracking-and-liability/>

## Public Private Partnership

<http://www.cityofloveland.org/Home/Components/News/News/4258/>

<http://www.lovelandpartnership.org/revitalize-downtown/the-authority/more-about-dda>

<https://www.reporterherald.com/2019/07/04/the-foundry-nears-completion-in-downtown-loveland/>

<https://milehighcre.com/the-foundry-celebrates-grand-opening-in-downtown-loveland/>

## Architecture Firm

<http://ozarch.com/2016/09/the-foundry-an-art-inspired-epicenter-in-loveland/>

<https://www.lovelandpublicart.org/the-foundry-parking-garage/>

## TownPlace Suites

[https://www.hotel-online.com/press\\_releases/release/concord-hospitality-opens-towneplace-suites-by-marriott-in-downtown-loveland-colorado/](https://www.hotel-online.com/press_releases/release/concord-hospitality-opens-towneplace-suites-by-marriott-in-downtown-loveland-colorado/)

## MetroLux Movie Theatre

<https://www.boxofficepro.com/metropolitan-theatres-announces-grand-opening-of-7-screen-dine-in-theater-and-full-service-restaurant-bar-in-loveland-co/>