



DATE: March 16, 2017
 TO: Transportation Commission
 FROM: David Fox, Project Manager
 SUBJECT: HQR1 and R2 Building Project Update

Background

CDOT has begun construction on a new combined Headquarters/Region 1 Administrative Office Building. The new building necessitates the sale of the existing campuses at 4201 East Arkansas (HQ) and 2000 South Holly (R1).

Statutory Guidance

C.R.S. 43-1-210(5) dictates, that if the department determines a property it intends to sell is of use to more than one owner or potential owner, any political subdivision of the state including but not limited to any state agency, city or town, or county located within the boundaries of the property or interest therein shall have first right of refusal to purchase or exchange such property or interest at the fair market value.

In accordance with the statute CDOT evaluated several potential disposition scenarios. The table below shows that the least risky and most expeditious sale option was to sell to another political subdivision of the state through the first right of refusal process.

DESCRIPTION	Sale to a Public Entity	As-Is Where Is Sale to User (Campus use)	As-Is Where Is Sale to Developer	Fully Entitled Sale to Retail User	Fully Entitled Sale to Developer
TIMEFRAME TO CLOSE	3 – 6 Months + (from contract date)	3 – 6 Months (from contract date)	3 – 6 Months (from contract date)	6 – 24 Months (from contract date)	6 – 24 Months (from contract date)
PROS	<ul style="list-style-type: none"> Potential quick close Process starts 30-60 days before OM to private sector 	<ul style="list-style-type: none"> Potentially highest price Potential quick close / less market risk Less historic concern if structure reused 	<ul style="list-style-type: none"> Potential quick close / less market risk No exposure to entitlements and public finance 	<ul style="list-style-type: none"> Potential political support <ul style="list-style-type: none"> City of Denver City Council 	<ul style="list-style-type: none"> Potentially highest price
CONS	<ul style="list-style-type: none"> Sale approval process (legislative, board, etc.) & associated potential delays 	<ul style="list-style-type: none"> Limited pool of buyers Environmental concerns Use must conform to existing zoning 	<ul style="list-style-type: none"> Lowest price due to entitlement and finance risks Private financing could be difficult – likely cash deal Historic / environmental concerns 	<ul style="list-style-type: none"> Would likely require public finance Longer timeframe to close due to rezone & public finance Historic / environmental concerns 	<ul style="list-style-type: none"> Significant market risk Entitlement risk Finance risk due to timing Historic / environmental concerns
RISKS	<ul style="list-style-type: none"> Historic Environmental Public financing 	<ul style="list-style-type: none"> Environmental Private financing Public financing 	<ul style="list-style-type: none"> Historic Environmental Private financing Market 	<ul style="list-style-type: none"> Historic Environmental Public financing Entitlements Market 	<ul style="list-style-type: none"> Historic Environmental Private financing Public financing Entitlements Market

Sale Process Summary

Denver Public Schools (DPS) and the City and County of Denver (CCD) both made offers on the R1 property. CCD was the only entity who offered to purchase the HQ property. CDOT made counter offers to all three proposals with the intent to maximize value and minimize risk. The counter offer on HQ was accepted without modification by CCD. CCD and DPS both accepted CDOT's counter offer on the R1 property however CCD also included leaseback abatement for CDOT from the time of closing until January 1, 2018 for the R1 property. CDOT made the decision to sell both properties to CCD.

Financial Analysis

	HQ Sale to CCD	R1 Sale to CCD	Combined Sale	Financial Model Projection*	Sale Vs Projection
Sale Proceeds	\$14,000,000	\$ 5,250,000	\$19,250,000	\$17,700,216	\$ 1,549,784
Leaseback Costs	\$ 233,000	\$ 87,500	\$ 320,500	\$ 0	(\$ 320,500)
Net Proceeds	\$13,767,000	\$ 5,162,500	\$18,929,500	\$17,700,216	\$ 1,229,284

*Financial Model Projection includes sale of two additional properties that have not been marketed or sold yet. Additional estimated revenue of \$1,000,000 from the sale of those properties expected late 2017/Early 2018.

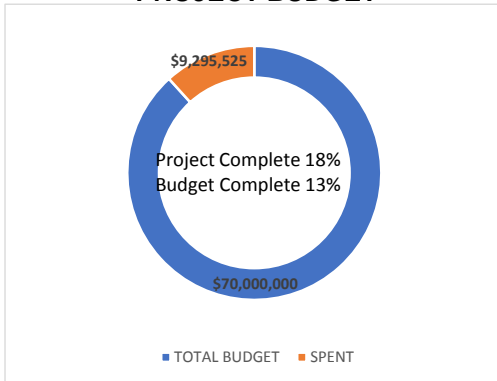
Estimated Transaction Timing

	HQ		R1	
	Start Date	End Date	Start Date	End Date
Contract Execution	March 10, 2017	June 12, 2017	March 10, 2017	June 12, 2017
Due Diligence	June 12, 2017	November 13, 2017	June 12, 2017	September 12, 2017
Closing	November 13, 2017	December 30, 2017	September 12, 2017	October 12, 2017
Move	April 24, 2018	April 30, 2018	April 24, 2018	April 30, 2018

CDOT HQR1 EXECUTIVE DASHBOARD

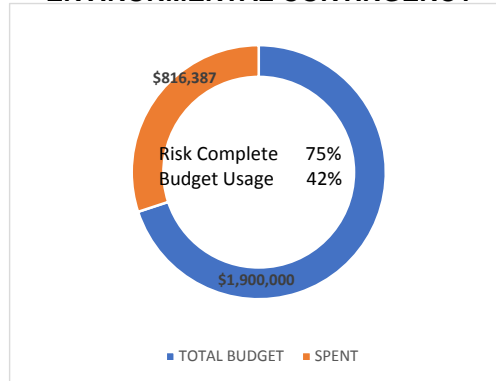
UPDATED: March 2, 2017

PROJECT BUDGET

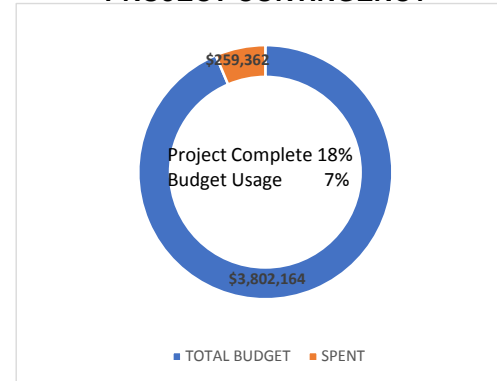


(ORIGINAL BUDGET: 70,000,000)

ENVIRONMENTAL CONTINGENCY



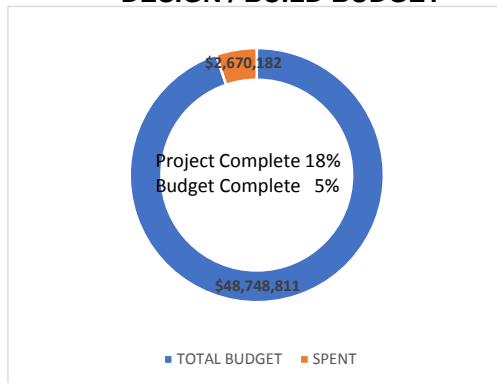
PROJECT CONTINGENCY



CHANGES
See Budget Spreadsheet

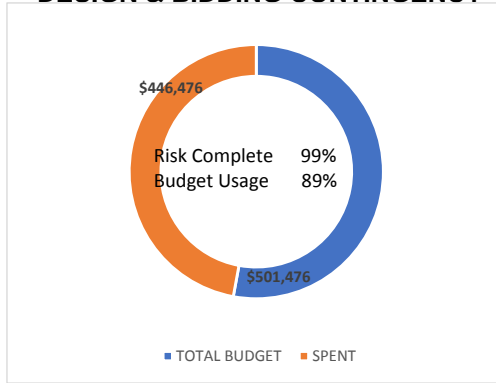
PROJECTIONS
Amend 9 - Low Voltage & VMS-\$1,339,778
Amend 10 - ECO Land Closing Work-\$29,630

DESIGN / BUILD BUDGET

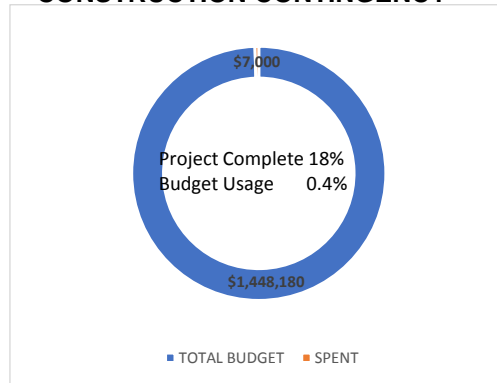


(ORIGINAL BUDGET: 47,777,977)

DESIGN & BIDDING CONTINGENCY



CONSTRUCTION CONTINGENCY



CHANGES
Martin and Martin Gas Line Coordination - \$7,000

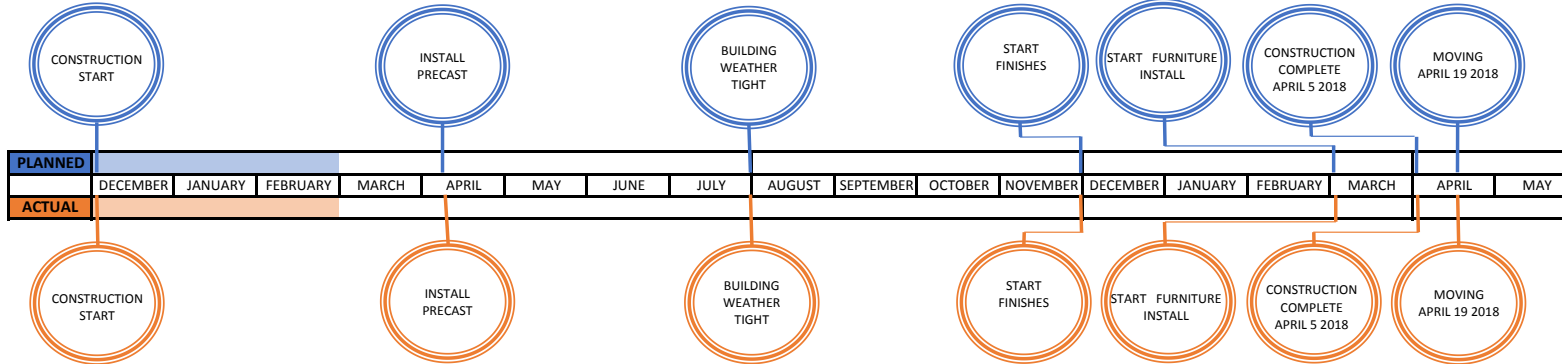
PROJECTIONS
Wet Soils Extra Work



CDOT HQR1 EXECUTIVE DASHBOARD

UPDATED: FEB 23, 2017

CONSTRUCTION TIMELINE



RECENT ACCOMPLISHMENTS

95% Complete with Drilled Piers in the Building
Completed the First Foundation Concrete Pour

THREE MONTH LOOK AHEAD

MARCH	APRIL	MAY
Started Drilled Piers in the Garage Continuing Foundations in the Building Continuing Overexcavation in the Garage	Start Setting Precast Panels in the Building Starting Site Utilities	Start Concrete Deck Pours Start MEP Underground in Building

KEY RISKS & ISSUES

XCEL Gas Lines
Hazardous Materials in SW Corner
Wet Soils in Garage OverEx Area

REQUIRED DECISIONS & GUIDANCE

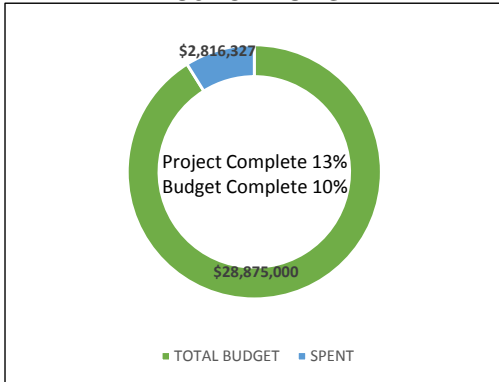
TSMO Accident Reporting Unit Privacy



CDOT R2 EXECUTIVE DASHBOARD

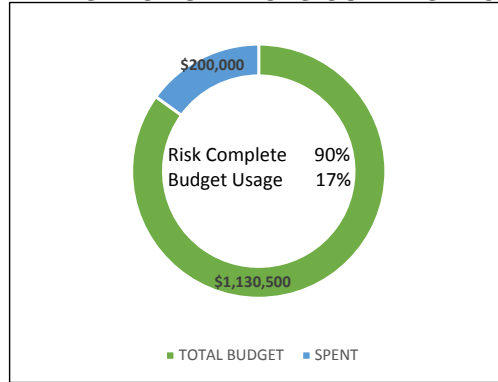
UPDATED: FEB 27, 2017

PROJECT BUDGET

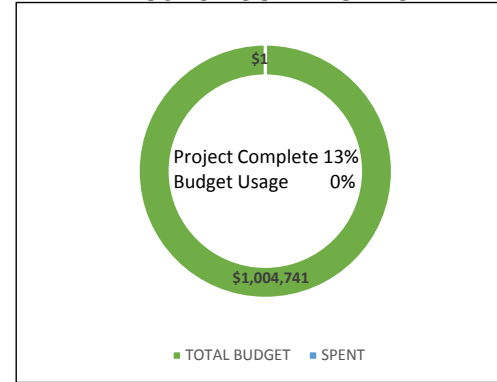


(ORIGINAL BUDGET: 28,875,000)

EMERGENCY SERVICES CONTINGENCY



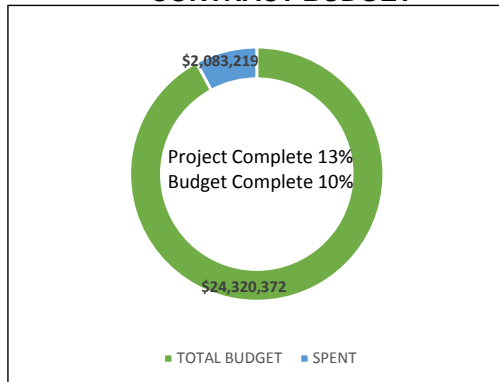
PROJECT CONTINGENCY



CHANGES

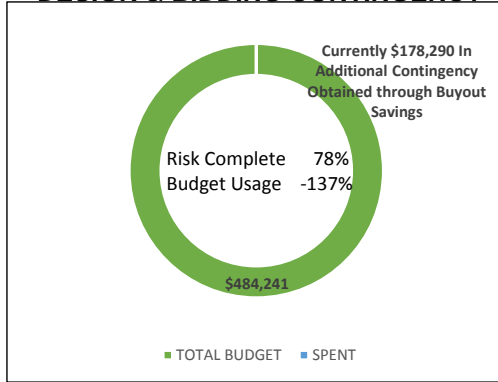
PROJECTIONS

CONTRACT BUDGET

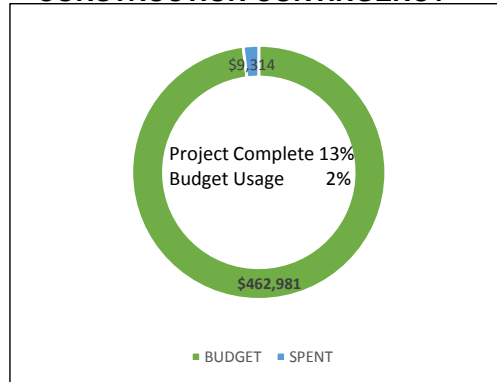


(ORIGINAL BUDGET: 24,320,372)

DESIGN & BIDDING CONTINGENCY



CONSTRUCTION CONTINGENCY



CHANGES

Design and Bidding
Buyout Savings = \$184,672
OIT Design Changes = (\$6,381)
Construction
Site Fencing = (\$9,314)

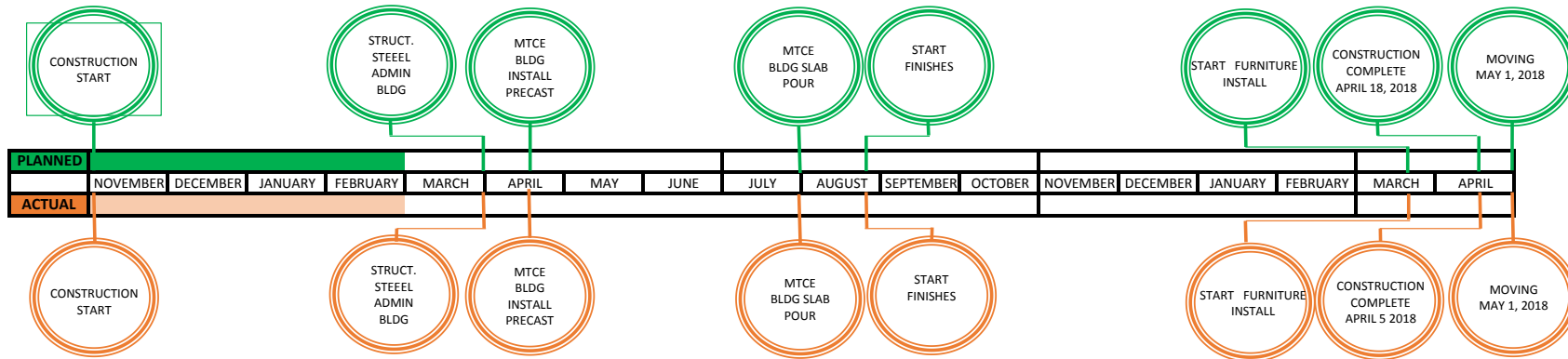
PROJECTIONS



CDOT R2 EXECUTIVE DASHBOARD

UPDATED: FEB 27, 2017

CONSTRUCTION TIMELINE



RECENT ACCOMPLISHMENTS
Overex and Compaction Complete Caisons Complete Ahead of Schedule Grade Beams on Schedule

THREE MONTH LOOK AHEAD		
MARCH	APRIL	MAY
Continue Grade Beam Work	4/1 - Structural Steel Admin 4/18 - Precast Panel MTCE BLDG	5/30 - CMU Admin Building

KEY RISKS & ISSUES
Full Code Compliance Approval for structural steel erection on March 28th Concrete foundation subcontractor crew size and quality City of Pueblo street and utility improvements work / schedule Black Hill Energy Power to the site (temporary and permanent)

REQUIRED DECISIONS & GUIDANCE
Black Hills - Need Temp Power prior to Steel Erection

