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## How multimillion-dollar makeovers are transforming 2 Denver-area shopping centers into mixed-use developments

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On the surface, the shopping centers at Bowles Crossing and The Orchard Town Center share few similarities.

Littleton, where Bowles Crossing is located, is a far cry from Westminster, the site of The Orchard Town Center. The shopping centers are home to different anchor tenants, operate in different markets and offer distinct shopping experiences.

But their common owner, Arizona-based Vestar, has been busy instituting sweeping changes at both of these shopping centers. Vestar has spent the past several years drawing new tenants to revitalize retail options, tearing up empty parking lots to add density and soliciting developers to add apartment buildings adjacent to the shopping centers.

With construction now underway on multifamily developments at each of the shopping centers — a combined 600 units across the two developments — and traffic picking up thanks in part to new tenants, Vestar is beginning to see the fruits of these changes.



PROVIDED BY KAIROI RESIDENTIAL

A rendering of apartments currently under construction at The Orchard Town Center in Westminster.

## **In need of a facelift**

Vestar, in a joint venture with an investor account advised by UBS Global Asset Management, purchased The Orchard Town Center in December 2013 for \$123.5 million, according to property records.

It was the first move in Colorado for the Phoenix-based firm, which specializes in the acquisition, management and development of retail and entertainment properties, according to its website. Vestar's portfolio currently includes properties across the Southwestern and Western United States.

Two years later, Vestar closed on the purchase of Bowles Crossing for \$76.15 million, according to property records.

At both properties, Vestar began examining how it could make better use of vacant space. Each shopping center had a large parcel of mostly unused parking lots, with potential for multifamily development — provided Vestar could find the right partners.

But in order to attract developers, Vestar first needed to present a coherent vision for revitalizing the shopping centers.

At Bowles Crossing, that meant updating the architecture, which was dated and inconsistent across the center, according to Taylor Alvey, vice president of leasing for Vestar. New landscaping and fresh paving for parking lots were also in order, all of which was completed over the past summer.

Beyond the cosmetic, the revamp also involved making changes to anchor tenants and tweaking the overall tenant mix to fill gaps.

One anchor tenant, Ross Dress for Less, was oversized, putting a strain on its business, Alvey said. Vestar allowed Ross to downsize and began looking for a new tenant to take 10,000 square feet of the previous space, as well as other tenants to occupy 50,000 square feet of leasable space that it planned to build on top of a former parking lot.

When former anchor tenant Sports Authority filed for bankruptcy and shuttered its Bowles Crossing store, Vestar had another opportunity to consider the kind of

anchor tenant that would be most likely to draw traffic and fill needs at the shopping center.

They settled upon Vasa Fitness, which now occupies 51,534 square feet.

All told, Vestar has added eight new tenants at Bowles Crossing, with two more under construction, which will bring the center to between 92 and 93% occupied. Noteworthy new tenants include Longhorn Steakhouse, First Watch, Bishops, and Corvus Coffee, which is currently under construction but expected to open before the end of the year.

Those updates didn't come cheap — the cost of building out new spaces and upgrading tenants came out to roughly \$20 million.

"The center now really looks and acts like one cohesive property," Alvey said

Vestar went through a similar evaluation when it purchased The Orchard Town Center, reviewing the merchandise mix and whether they could add more retail spaces. In 2015, it initiated an extensive facelift for the shopping complex, adding a new playground, entertainment stage, landscaping and other amenities at a cost between \$25 million and \$30 million.

This year, The Orchard Town Center has added 11 new tenants (with four more currently under constructions). New tenants include Nordstrom Rack, Chipotle, Smoothie King, and a Marriott Aloft Hotel, a 120-room hotel that broke ground in February and is expected to open in late summer of 2020.

### **Added density**

Three years ago, Vestar began marketing two parcels at the shopping centers for development: a six-acre lot at Bowles Crossing and a seven-and-a-half-acre lot at The Orchard Town Center.

Andy Clay, managing director at Alliance Residential, a Phoenix-based multifamily developer, said the firm hadn't previously pursued the lot at Bowles Crossing because it was an "older, fairly tired retail center at the time."

"If there's no plan or vision for it by the current owner, then you're just kind of near a tired retail location," Clay said. "Vestar's vision for the retail at that location is

really what made us interested."

By the time Alliance came around, the lot had already gone under contract but failed to close. Enticed by a site that offered high walkability for future apartment tenants, Alliance purchased the lot in April of this year for \$5 million, according to property records.

At The Orchard Town Center, San Antonio-based Kairoi Residential was also interested in Vestar's vision for the project. The development company initially missed out on landing the property. But when that contract fell through, Kairoi jumped on the opportunity, closing on the lot for \$7 million in July.

Chris Cowan, executive managing director at Newmark Knight Frank, represented Vestar on both transactions.

"It starts and ends with everything that Vestar has done throughout the center," said Tyler Sibley, vice president of development at Kairoi. "Cultivating a tenant mix is paramount."

Both apartment developments will offer walkability in a suburban settings, with tenants able to access dining and entertainment without needing a car. Both developers said they anticipate attracting everyone from millennials to empty-nesters who desire more of a downtown feel but can't afford an apartment in the heart of Denver.

"People are willing to go out to the suburbs, but it really helps if they can be within a quarter mile of a lot of walkable retail," Clay said.

Alliance Residential is building a \$90 million, 326-unit apartment project at Bowles Crossing, which will feature mostly one- and two-bedrooms, with a few studios and three-bedrooms. The apartment's common areas includes a golf simulator (which Clay likened to as a "mini-Top Golf") that is meant to harken to the nearby Raccoon Creek Golf Course, which is also a walkable distance from the project on Bowles Avenue.

Kairoi is currently building a 270-unit apartment complex at The Orchard Town Center, which is expected to come online in roughly two years. Sibley estimated the total cost at \$60-70 million.

"Considering the access, right there off I-25, I think we're going to pull from everywhere — young professionals, young families, older families, single folks that want a more low-key lifestyle in a suburban market that has some aspects of urban living," Sibley said.

Kairoi's project will feature about 250,000 rentable square feet and a clubroom, fitness center, ground-level cabana and two sky lounges where residents can work collaboratively or entertain guests.

And there's more activity on the horizon. Alvey said there are still a few areas at The Orchard Town Center earmarked for office space or residential development. And the hotel being built there has the right to construct a second hotel, which could come as soon as 2021 or 2022 (discussions are already underway).

Alvey said they have their eyes on additional tenant mixes. Should another large space open up at Bowles Crossing, he said "eatertainment" concepts such as a Dave & Busters or Punch Bowl Social would likely be the next category they would seek out to fill the space.

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