

Mattress King Property Redevelopment
Owner's Representative for Brownfield Property Redevelopment
Denver, CO



OWNER:
Mattress King

The locally well-recognized Mattress King "Castle" is located on a 5-acre site just north of the I-25/I-70 interchange, with highly visible frontage on I-25. The property is developed with a 147,000 square foot building housing a mattress warehouse and distribution center, offices, and retail sales showroom that was leased to Mattress Firm, Inc. The building was constructed in 1972, and is severely outdated. With their lease nearing expiration, Mattress Firm determined that as a condition to renewing their lease, they wanted a new, more efficient retail and regional warehouse/distribution center.

The initial plan for meeting these requirements was for the current owner, Mattress King, to sell the property to a build-to-suit developer who would buy the property, construct a modern replacement facility and enter into a new, long-term lease with Mattress Firm. A major issue arose, however, when the developer/buyer discovered during due diligence that the property is located on a portion of a former 38-acre wood-treating facility. Both soil and groundwater at the property became contaminated as a result of historic wood treating operations. Although the environmental conditions did not prohibit the current, grandfathered use of the property, the proposed redevelopment would encounter contaminated materials during site development work, such as excavation for future utilities and new foundations. In addition, a new owner could face environmental liability for the existing conditions. As a result, the Mattress Firm developer elected not to purchase the site.

Desiring to retain Mattress Firm as a tenant, current owner decided to redevelop the property directly. The decision to take this approach was based on both business considerations and an evaluation of the risks and benefits of continuing to own and redevelop the property.

RES provided support during the prospective buyer's due diligence process, and later helped Mattress King evaluate its options for controlling environmental risks during redevelopment of the property. RES provided input regarding the Colorado Voluntary Cleanup Program (VCUP) process, including likely outcomes from both a regulatory and technical remediation perspective, liability relief and availability of state tax credits. RES also advised Mattress King with respect to environmental risk management structures, and assisted in the underwriting of environmental insurance.

Following the decision by Mattress King to redevelop the property, RES was engaged as owner's representative to manage the process of entering the property into the VCUP Program, and to oversee and coordinate the asbestos abatement and cleanup of the property during site demolition and redevelopment. The cleanup work will be performed in accordance with the VCUP Plan, which was approved in April 2016.

