

Lender doesn't want office tower

Columbine Plaza in deteriorating condition and has increasing vacancy

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BUSINESSDEN

Downtown Denver boasts multiple office buildings that are owned by a lender.

Denver Energy Center. Civic Center Plaza. Market Center. Trinity Place. 1660 Lincoln.

In each case, the former owner defaulted on a loan backed by the property, so the lender took ownership, either through a voluntary agreement or a county-facilitated foreclosure auction. Five years after the onset of the pandemic, the procedures have become almost routine.

But at 216 16th St., a 17-story office tower dubbed Columbine Place stands as a dubious anomaly. The tower's owner has defaulted on its loan — but the lender doesn't want the building.

The situation reflects Columbine Place's increasing vacancy and deteriorating condition, but also the ground beneath it. And while the lender's decision means Columbine Place remains for now in the hands of its longtime owner.

The 150,000-square-foot Columbine Place building sits near the intersection of the 16th Street Mall and Cleveland Place in Upper Downtown. It's sandwiched between downtown's largest hotel and a former McDonald's that shuttered at the end of 2022.

The county assessor values the building at \$8 million, and the land beneath it at \$3.9 million. Tenants include Robinson & Henry, a law firm. On the ground floor, there's a Bank of America branch that will close at the end of this month. Next to it, a poke lunch spot closed long ago.

Columbine Place was built in 1981 and is owned by Columbine West 2 LLC, an affiliate of Montreal's Toulon Development Co. In 2015, ownership took out a \$15.5 million, 10-year loan against the building from Société Générale, a French bank.

In 2023, according to court records, the loan was assigned to an affiliate of Florida-based Rialto Capital. Later that year, Rialto asked a judge to appoint a receiver to oversee the building, saying ownership had defaulted on the loan and owed \$17.7 million.

The judge agreed. John Rothschild Jr. of Newmark was given the job.

In quarterly reports over the past two years, Rothschild has described Columbine Place's decline.

In his first report, in December 2023, he said the building was 54% leased. That figure fell to 36% as of this past July.

The building has five elevators. Three are out of service, according to Rothschild, but modernization efforts have been on hold because of a "lack of funding."

Rothschild has found the funds for some repairs, including the replacement of an underground storage tank this year. But he wrote this month that "other unresolved maintenance issues include ongoing HVAC issues, utility outage issues, garage ventilation fan replacement, building access (key fob) issues, fire dry system repairs, and other general Property maintenance issues."

But Rothschild is wrapping up his involvement with Columbine Place.

That's because, earlier this month, the building's owner and lender reached a settlement. In it, the lender effectively agreed to walk away from the situation, writing off the loan despite having not been repaid and opting not to take steps to seize the building

despite having the right to do so.

Avery Palevsky, an executive with Toulon Development Co. who signed the settlement agreement, did not respond to a request for comment.

Rialto Capital also didn't respond to a request for comment on Monday. But Rothschild wrote that he was told in late May that the firm had determined a sale of Columbine Place "would not yield any net funds" — meaning Columbine Place was effectively worthless.

That doesn't just reflect the condition of the building. It's also due in large part to the fact that the owner of Columbine Place doesn't own the land beneath it.

Instead, the owner has a ground lease. It was struck before the building went up and runs for 99 years, ending in 2079, according to court documents.

None of the downtown properties that lenders have gained control of in recent years has been on a ground lease.

Rothschild wrote in August that he lacked funds to pay the landowner, meaning it could take steps to terminate the ground lease. If that were to occur, the landowner would then own Columbine Place.

"The Receiver believes the Ground Lessor will ultimately become the owner of the Trust Property," Rothschild wrote in August.