



CASTLE ROCK

ECONOMIC

DEVELOPMENT

C O L O R A D O

Roseau Minn.



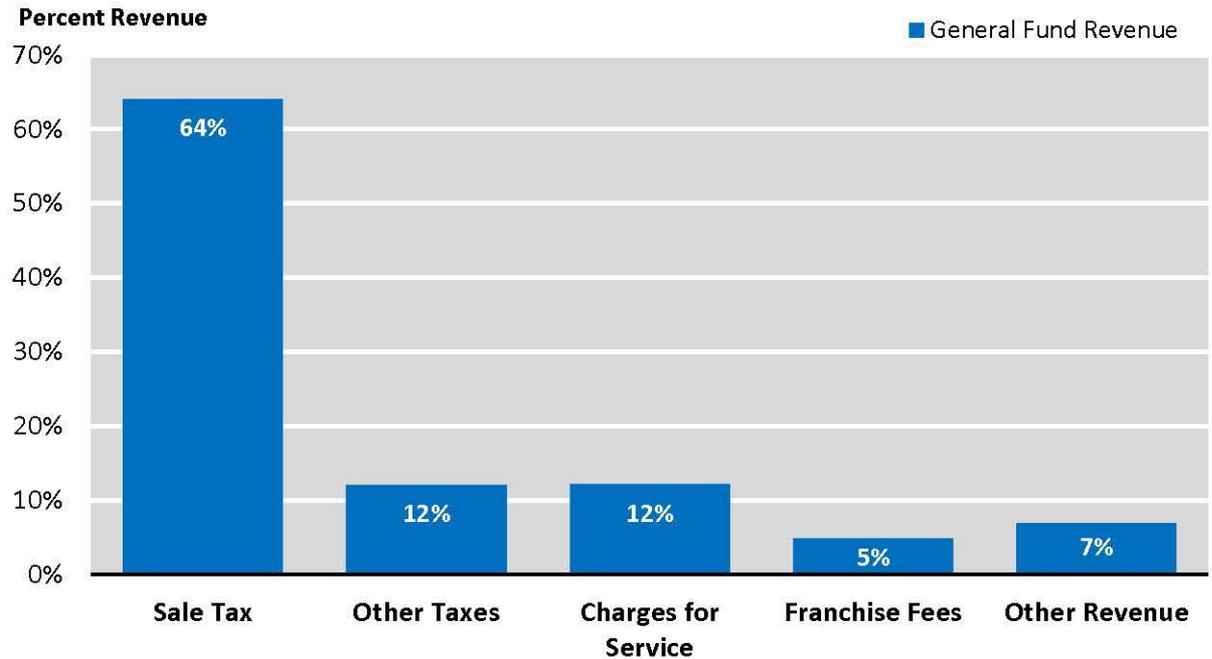
Polaris Plant - Primary Employer



ECONOMIC AND FISCAL CONTEXT

FISCAL IMPORTANCE OF SALES TAX

- Sales tax is the largest source of funds for the Town budget, including 64% of the General Fund
- The Town's success in attracting regional serving retail helps keep property taxes low and quality of service high



Source: Castle Rock Budget; Economic & Planning Systems

EDC's Organizational Structure

- Non Profit (Public Private Partnership)

Mission

- Support the Town's Vision to be a "Distinct Stand Alone Self-Sufficient Community"

Core Services

- Implement the Town's Strategic Economic Development policies
 - Attract and Retain Primary Employers
 - Grow and maintain a tax base that supports the core Town Services

“Castle Rock is the premier stand-alone front range community with an energetic business climate, diverse economy built on its unique assets, and vibrant set of employment opportunities.”

Work Session Agenda:

- EPS Executive Summary-Castle Rock
 - Primary Employment / Office Challenges
- Benefits of Primary Employment
- Economic Development Policy Discussion
 - Primary Office Loan Program
 - Office Master Lease Program

INTRODUCTION

ASPIRATIONAL COMMUNITIES

- **Aspirational Community Selection**
 - Conversations with EDC and Board
 - Similar market positions
 - Comparable size
 - Desirable economic attributes (e.g. % primary employment)
- **Purpose**
 - Point of comparison with Castle Rock
 - Inventory of economic development strategies
 - Serve both as aspirations for the Town and proof of what it can accomplish

Cities	CBSA	Primary City
Aspirational		
Round Rock, TX	Austin	Austin, TX
Woodlands, TX	Houston-The Woodlands-Sugar Land	Houston, TX
Overland Park, KS	Kansas City	Kansas City, KS
Cary, NC	Raleigh	Raleigh, NC
Ogden, UT	Ogden-Clearfield	Salt Lake City, UT
Murfreesboro, TN	Nashville-Davidson-Murfreesboro	Nashville, TN
Competitor		
Loveland, CO	Fort Collins	Denver, CO
Longmont, CO	Boulder	Denver, CO
Parker, CO	Denver-Aurora-Lakewood	Denver, CO
Golden, CO	Denver-Aurora-Lakewood	Denver, CO

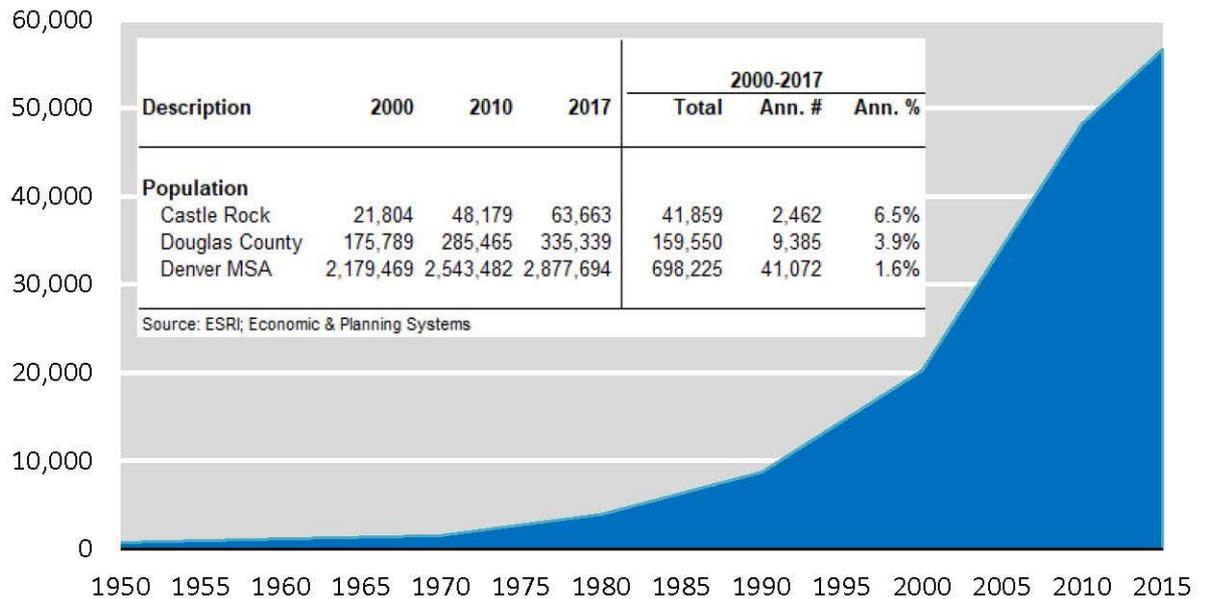
Source: Economic & Planning Systems

ECONOMIC AND FISCAL CONTEXT

POPULATION GROWTH

- Castle Rock's population has grown rapidly over the last 50 years
- The Town is entitled to grow up to ~140,000
- This rapid growth has put pressure on Castle Rock's resources and led to increased traffic
- In such rapidly changing environments, growing pains are inevitable and **backlashes to growth** are possible

Population

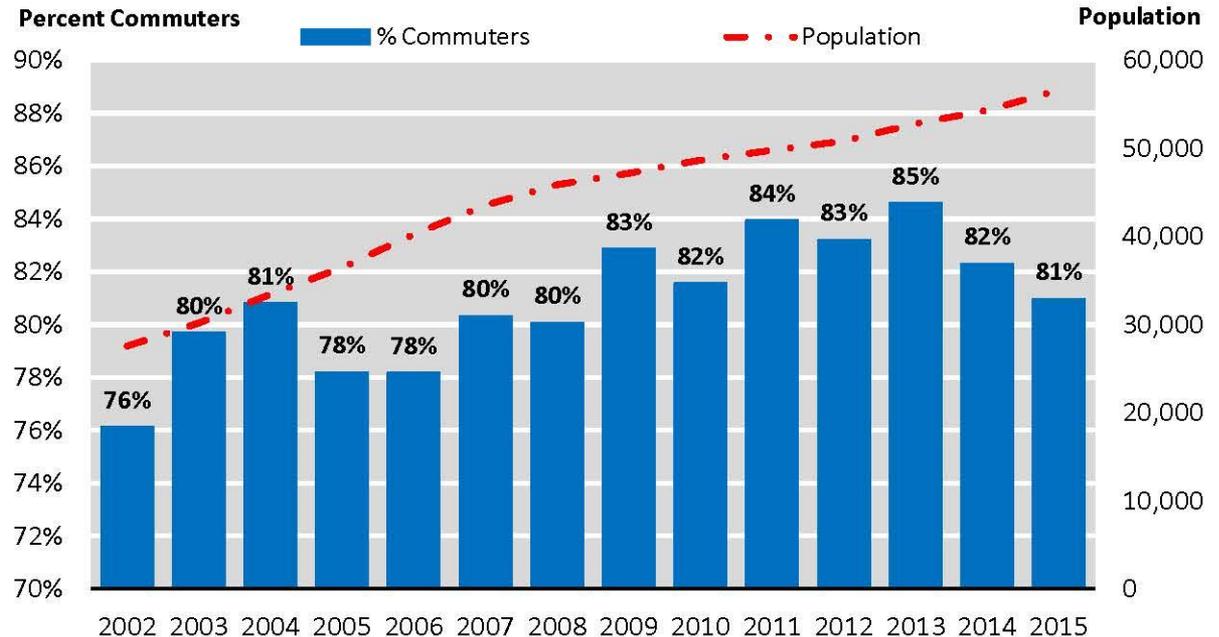


Source: Economic & Planning Systems

ECONOMIC AND FISCAL CONTEXT

COMMUTING FOR WORK

- Over 80% of the community's labor force leave town each day—even as population continues to grow
- This leads to a high degree of reliance on I-25 and means that the community is drained of its talent each workday
- Primary employment gives resident more work options and helps Castle Rock become a stand-alone community

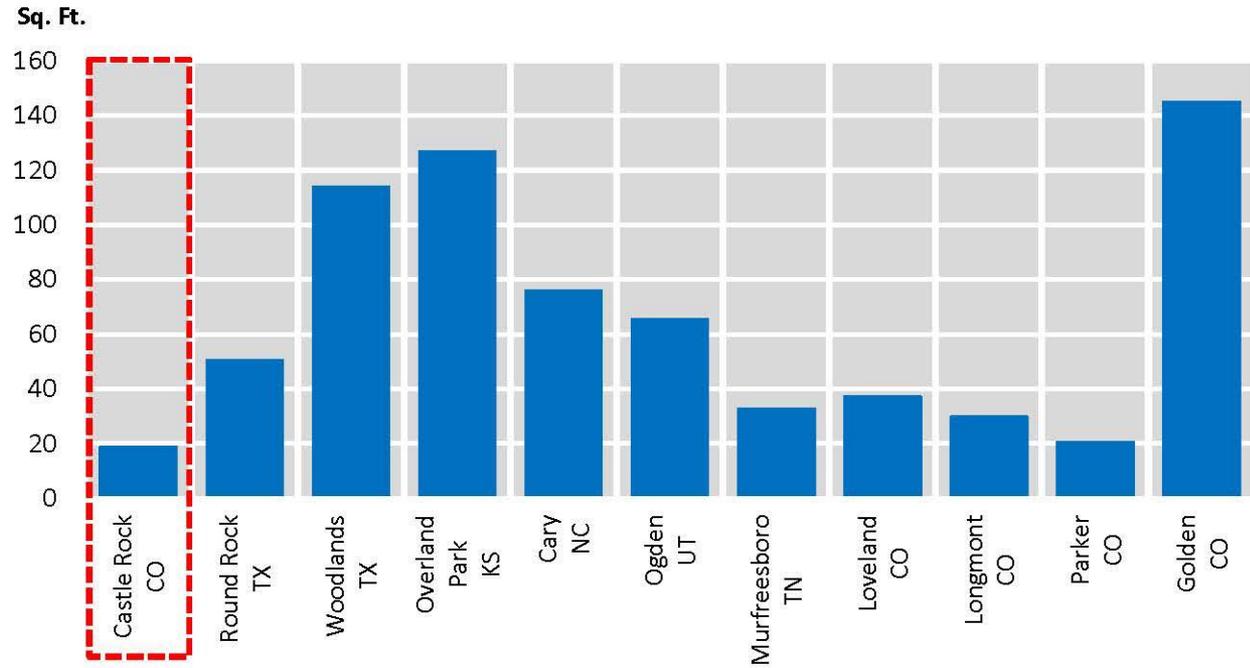


Source: LEHD; DOLA; Economic & Planning Systems

WEAKNESSES AND CHALLENGES

LOW OFFICE PER CAPITA

- Castle Rock also has the lowest office square footage per capita of the aspirational communities
- Lack of office space is a detriment to attracting employment
- Primary employers making location decisions are looking for available space
- Correspondingly, developers are looking for strong office demand

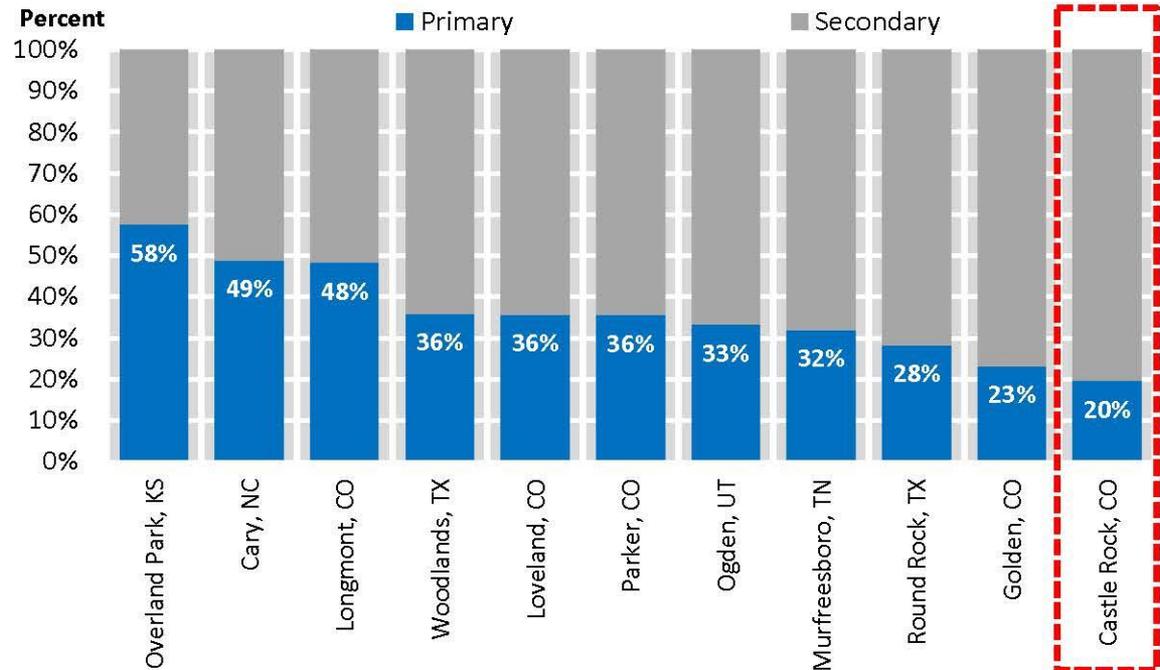


Source: CoStar; Economic & Planning Systems

WEAKNESSES AND CHALLENGES

LOW PERCENTAGE OF PRIMARY EMPLOYMENT

- Castle Rock has the lowest percentage of primary employment out of the 10 aspirational communities
- Primary employment is defined as a business where a majority of its products are sold to consumers outside the community
- Primary employment drives growth

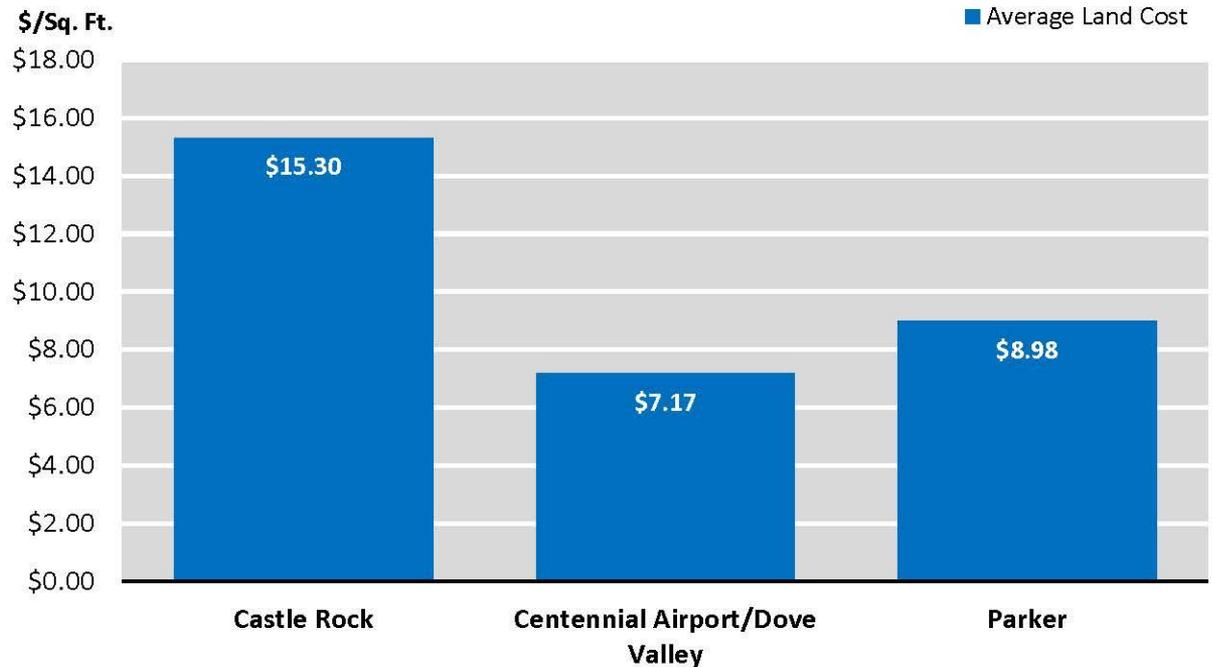


Source: LEHD; Economic & Planning Systems

WEAKNESSES AND CHALLENGES

DEVELOPMENT—HIGH LAND COSTS

- Castle Rock has higher average commercial land cost than Centennial Airport/Dove Valley and Parker
- Greater land costs are likely due to rolling topography, which adds an estimated \$2:00 to \$4:50 per square foot to cost before land is development ready

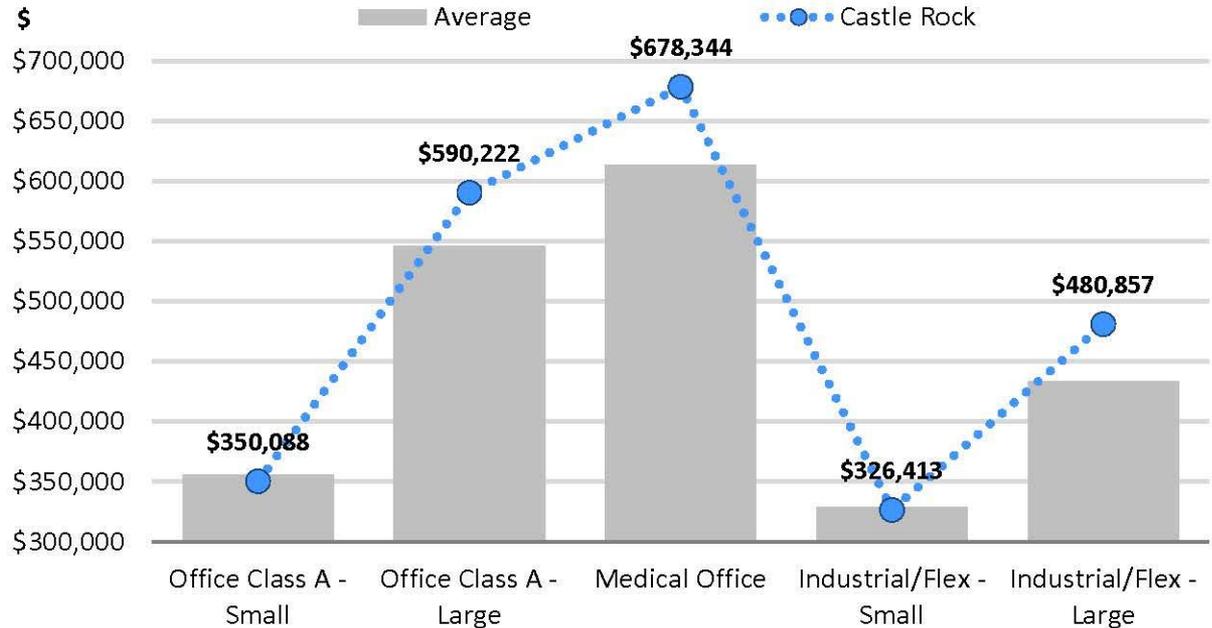


Source: Economic & Planning Systems

WEAKNESSES AND CHALLENGES

DEVELOPMENT—HIGH DEVELOPMENT FEES

- Castle Rock has higher development fees for large office (50,000 sq. ft.) and medical office (60,000 sq. ft.) than a competitive set of peers
- Competitive Set
 - Lone Tree
 - Parker
 - Centennial
- Development fees increase cost of development, but also are an important revenue for the Town



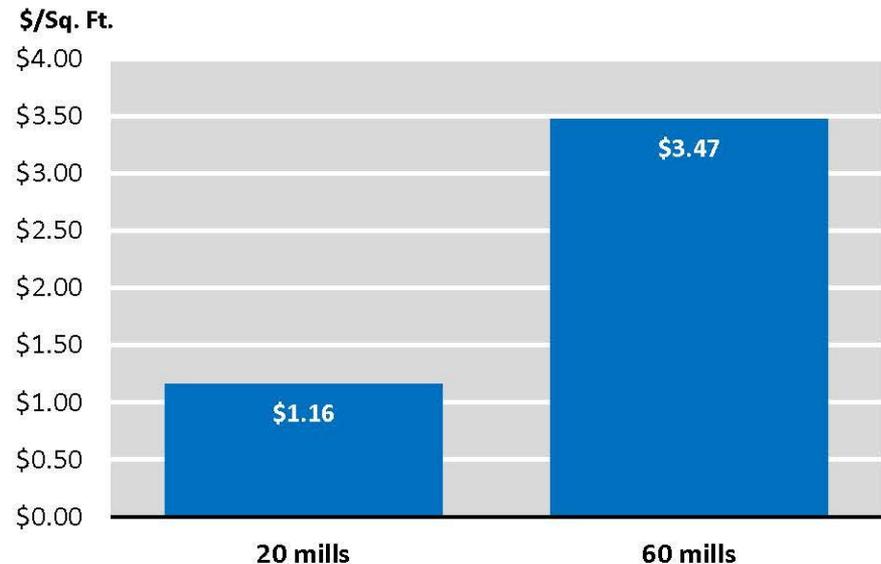
Source: Economic & Planning Systems

WEAKNESSES AND CHALLENGES

INFRASTRUCTURE COSTS AND IMPROVEMENT DISTRICTS

- Infrastructure can introduce significant cost burdens onto developments
- For many developments in Castle Rock, metro and other improvement districts are used to financing the cost through an additional mill levy
- The improvement district mill levy increases the expenses for the owner of the building, effectively reducing the achievable rent
- Commercial assessment rate (29%) heightens impact on office buildings vs. residential land use
- EPS's development feasibility analysis found that these additional mills can have significant detrimental impact on development feasibility

Estimated expense per sq. ft. on a 50,000 sq. ft. office building

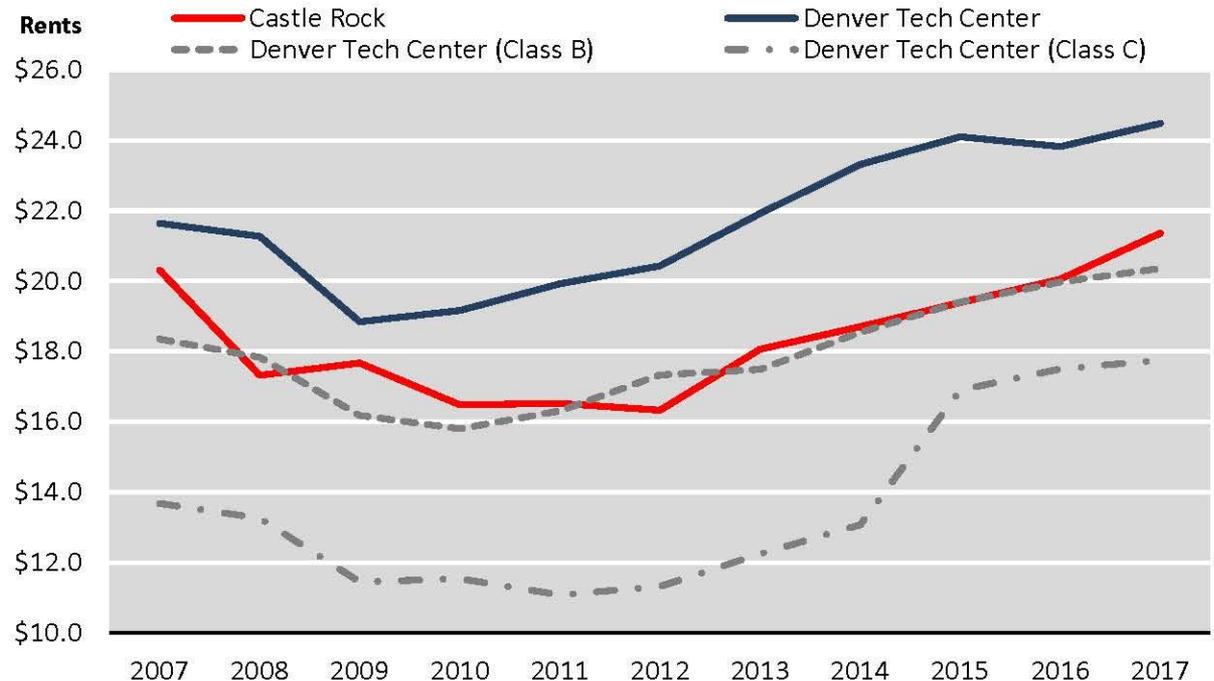


Source: Economic & Planning Systems

WEAKNESSES AND CHALLENGES

COMPARABLE RENTS TO MORE COMPETITIVE COMMUNITIES

- Rents in Castle Rock are comparable to those in more competitive communities
- For new developments, rents are driven in part by cost of construction
- As a result, new construction in Castle Rock must compete with Class B and C space in office clusters like the Denver Tech Center, which may even have cheaper rents

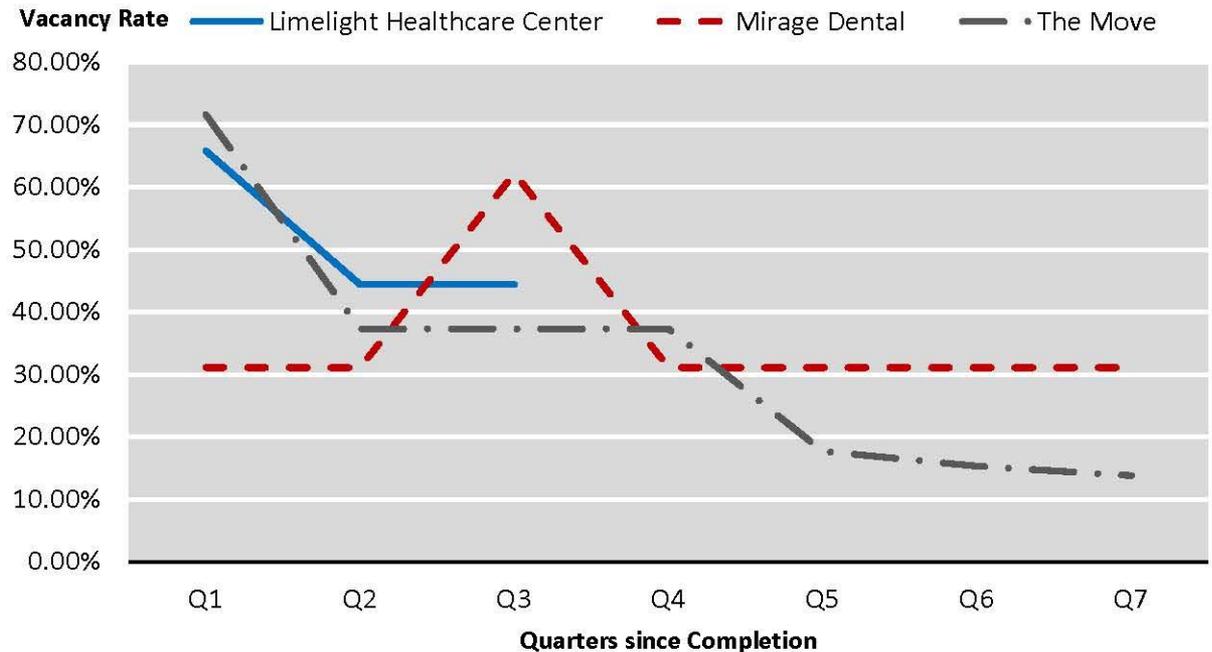


Source: CoStar; Economic & Planning Systems

WEAKNESSES AND CHALLENGES

VACANCY AND LEASE-UP

- New construction in Castle Rock takes an extended period of time to lease-up
- This is due to a demand for smaller retail spaces from local tenants
- Approximately 80 percent of all office space leased was 2,500 square feet or less
- Stabilized vacancy also appears to be higher



Source: CoStar; Economic & Planning Systems

WEAKNESSES AND CHALLENGES

ACCESS TO WORKFORCE—PUBLIC TRANSIT

- Public transit is another way to increase access to employment pools
- **Castle Rock is the only aspirational community without some form of a public transit system**
- There are many different types and levels of public or mass transit that can serve primary employment from employer run shuttle to a light rail system



PRIMARY EMPLOYERS IN CASTLE ROCK



CR PRIMARY EMPLOYERS GENERATE INCOME



PRODUCT OR SERVICE
SOLD OUTSIDE CR



BUSINESS
RECEIVES INCOME



BUSINESS
INDUCED
SPEND (B2B
RETAIL, ETC.)

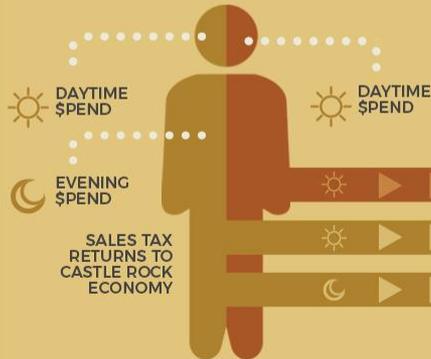
BUSINESS INVESTMENT MADE IN CR ECONOMY

CASTLE ROCK
RESIDENT

NON-
RESIDENT



CR EMPLOYERS CREATE JOBS & GENERATE PAYROLL



INCOME IS INVESTED IN THE CR ECONOMY



PUBLIC SAFETY



PARKS & REC



PUBLIC WORKS

REVENUE GENERATED FUND FOR TOWN SERVICES

PRIMARY EMPLOYERS OUTSIDE CASTLE ROCK



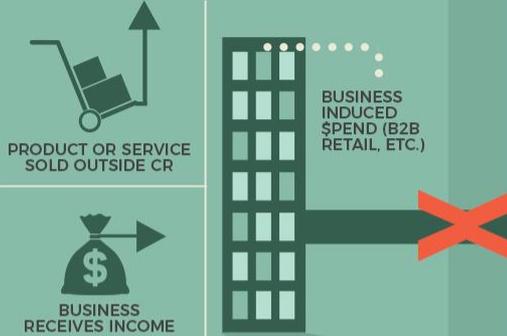
PRIMARY EMPLOYERS GENERATE INCOME



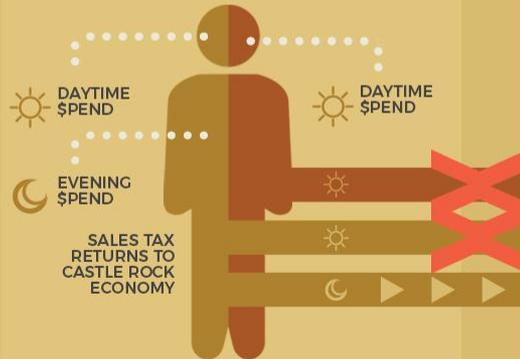
- CASTLE ROCK RESIDENT
- NON-RESIDENT



EMPLOYERS CREATE JOBS & GENERATE PAYROLL



BUSINESS INVESTMENT MADE IN CR ECONOMY



INCOME IS INVESTED IN THE CR ECONOMY



PUBLIC SAFETY



PARKS & REC



PUBLIC WORKS

REVENUE GENERATED FUND FOR TOWN SERVICES

PRIMARY EMPLOYERS IN CASTLE ROCK



CR PRIMARY EMPLOYERS GENERATE INCOME



PRODUCT OR SERVICE
SOLD OUTSIDE CR



BUSINESS
RECEIVES INCOME



\$28,000,000
INDIRECT SPEND

\$5,600,000
RETAIL SPEND

BUSINESS INVESTMENT MADE IN CR ECONOMY



- CASTLE ROCK RESIDENT
- NON-RESIDENT



1000
EMPLOYEES
\$80 MM PAYROLL

\$25,000,000
INDUCED SPEND

CR EMPLOYERS CREATE JOBS & GENERATE PAYROLL

\$6,177,000
RETAIL SPEND

\$1,444,000
RETAIL SPEND

SALES TAX
RETURNS TO
CASTLE ROCK
ECONOMY



INCOME IS INVESTED IN THE CR ECONOMY



PUBLIC SAFETY



PARKS & REC



PUBLIC WORKS

REVENUE GENERATED FUND FOR TOWN SERVICES

PRIMARY EMPLOYERS OUTSIDE CASTLE ROCK



PRIMARY EMPLOYERS GENERATE INCOME



PRODUCT OR SERVICE
SOLD OUTSIDE CR



BUSINESS
RECEIVES INCOME



\$28,000,000
INDIRECT SPEND

\$5,600,000
RETAIL SPEND

BUSINESS INVESTMENT MADE IN CR ECONOMY



■ CASTLE ROCK
RESIDENT
■ NON-
RESIDENT



1000
EMPLOYEES
\$80 MM PAYROLL

\$25,000,000
INDUCED SPEND

EMPLOYERS CREATE JOBS & GENERATE PAYROLL

\$5,779,000
RETAIL SPEND

\$1,444,000
RETAIL SPEND

SALES TAX
RETURNS TO
CASTLE ROCK
ECONOMY

INCOME IS INVESTED IN THE CR ECONOMY



PUBLIC SAFETY



PARKS & REC



PUBLIC WORKS

REVENUE GENERATED FUND FOR TOWN SERVICES

Proposed Solutions

Objective

Attract primary employers by investing in new office development

Proposed Structure

- Loan up to 10% of the project not to exceed 1MM
- Years 1 – 3, 1% interest only – OR – until office is 75% leased
- Year 4, variable rate 20 year amortized loan, rate to be tied to prime index, increasing annually by 1% with a cap of prime + 3%

Eligibility Criteria

- Class A office building with a minimum of 40,000 SF
- Site that can accommodate at least two 40,000 SF buildings
- Promotes and establishes a primary employment market

Example

- Developer borrows 1MM from Primary Office Loan Program to secure 10MM project.
 - Assuming prime is 5.25%

Years 1-3:	1% interest only
Year 4 or 75%:	6.25% (prime + 1%)
Year 5:	7.25% (prime + 2%)
Year 6:	8.25% (prime + 3%) capped

Objective

Attract primary employers by investing in new office development

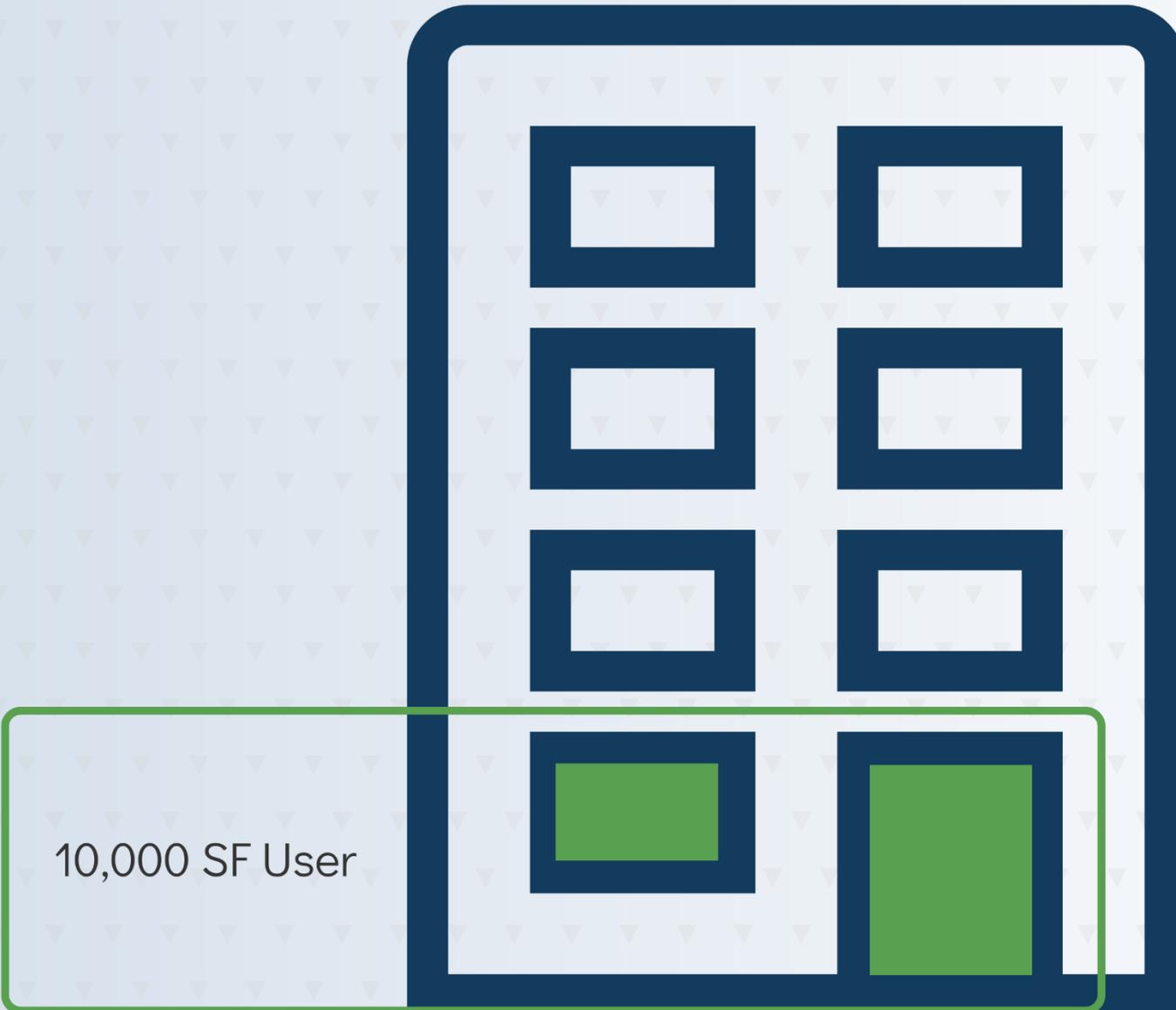
Proposed Structure

- Town leases the lesser of 25% or 10,000 SF
- Rate TBD at the time of project for unoccupied core & shell
- Master Lease phases out proportionate to the amount leased above 75%

Eligibility Criteria

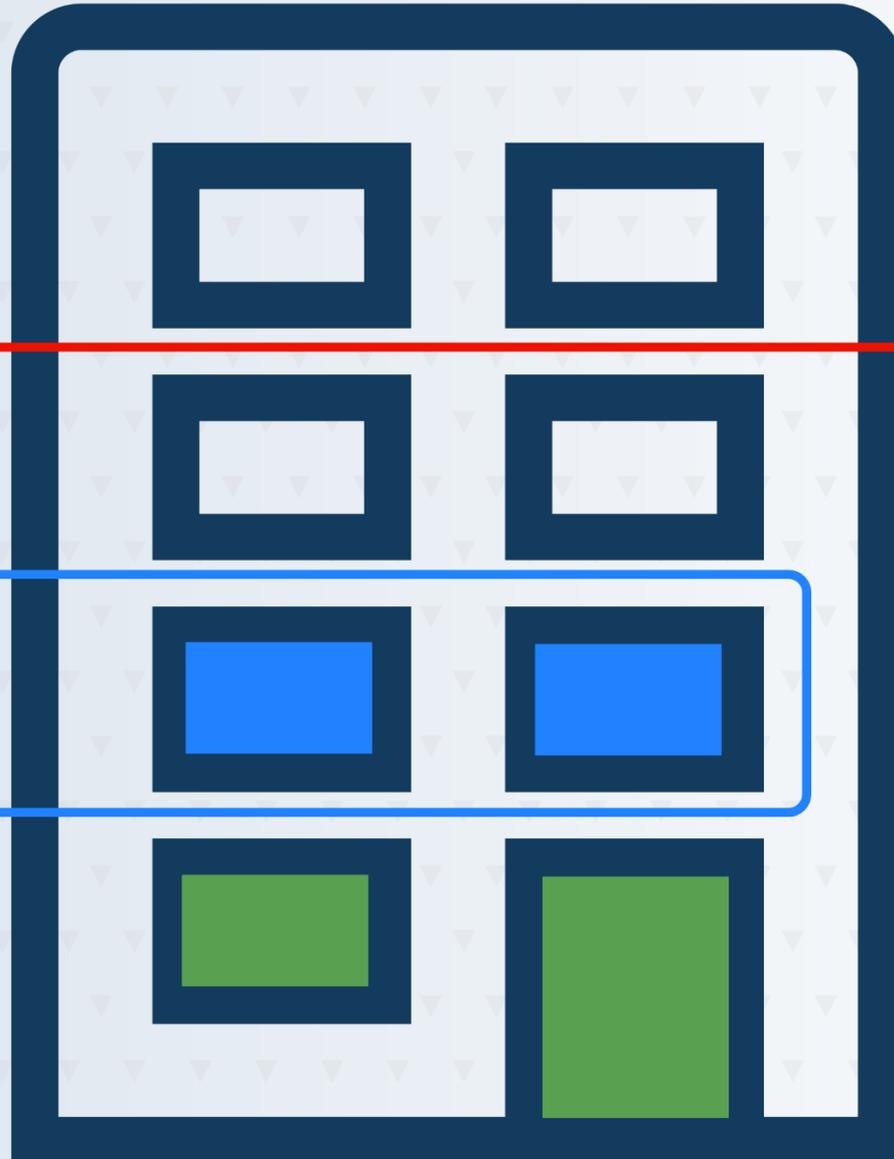
- Class A office building with a minimum of 40,000 SF
- Site that can accommodate at least two, 40,000 SF buildings
- Promotes and establishes a primary employment market
- Minimum of 25% pre-leased to primary employer

Master Lease Concept



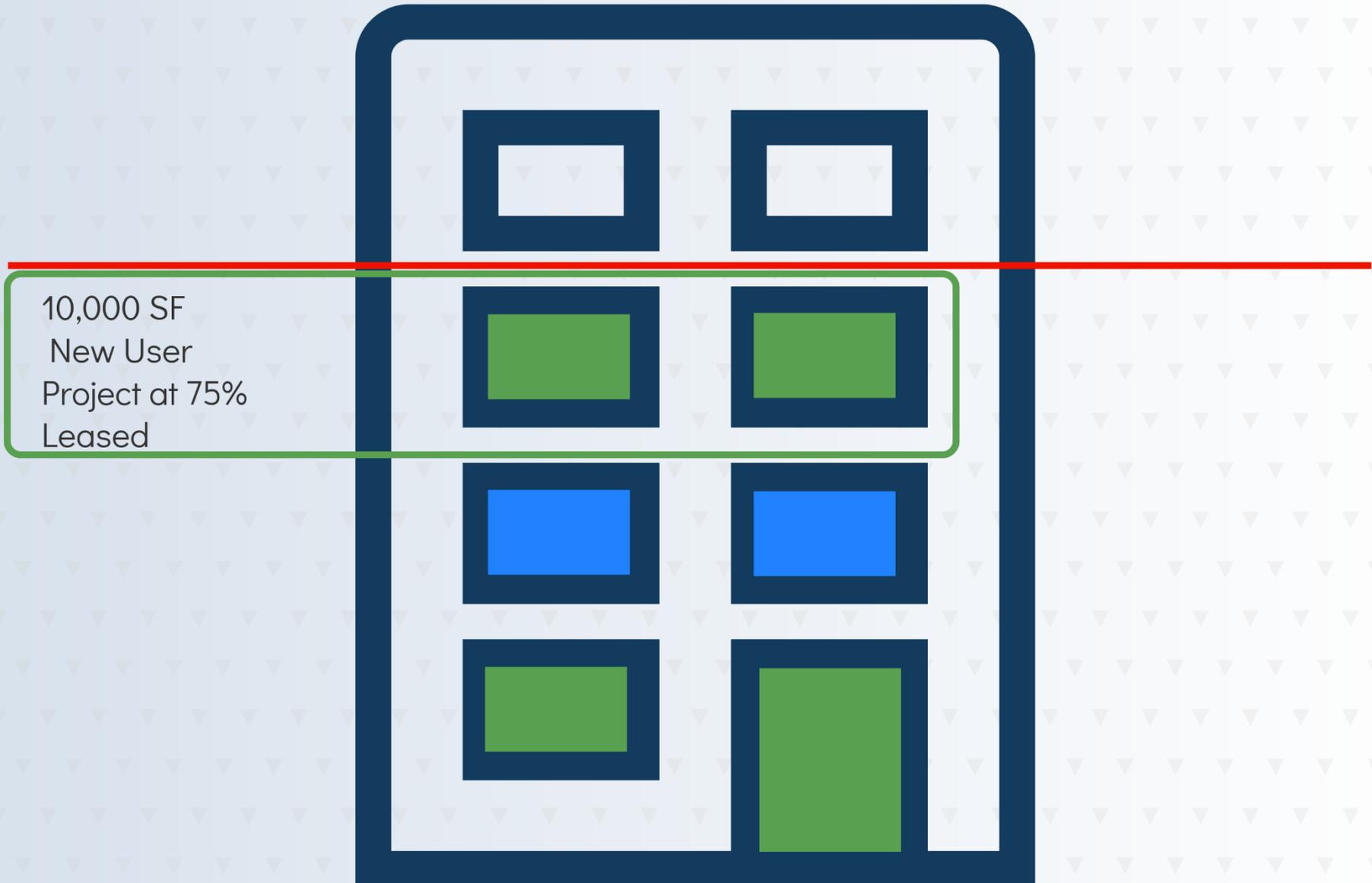
10,000 SF User

Master Lease Concept

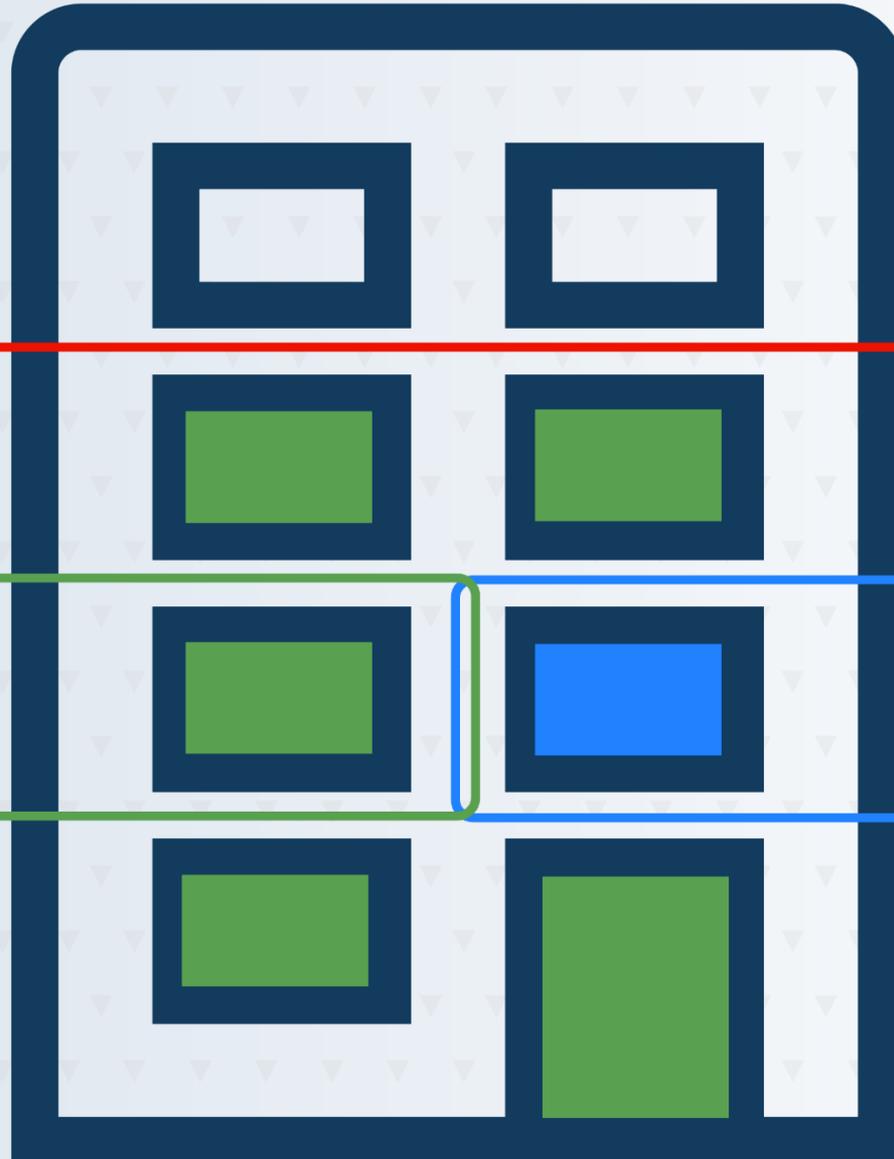


10,000 SF
Castle Rock
Master Lease

Master Lease Concept



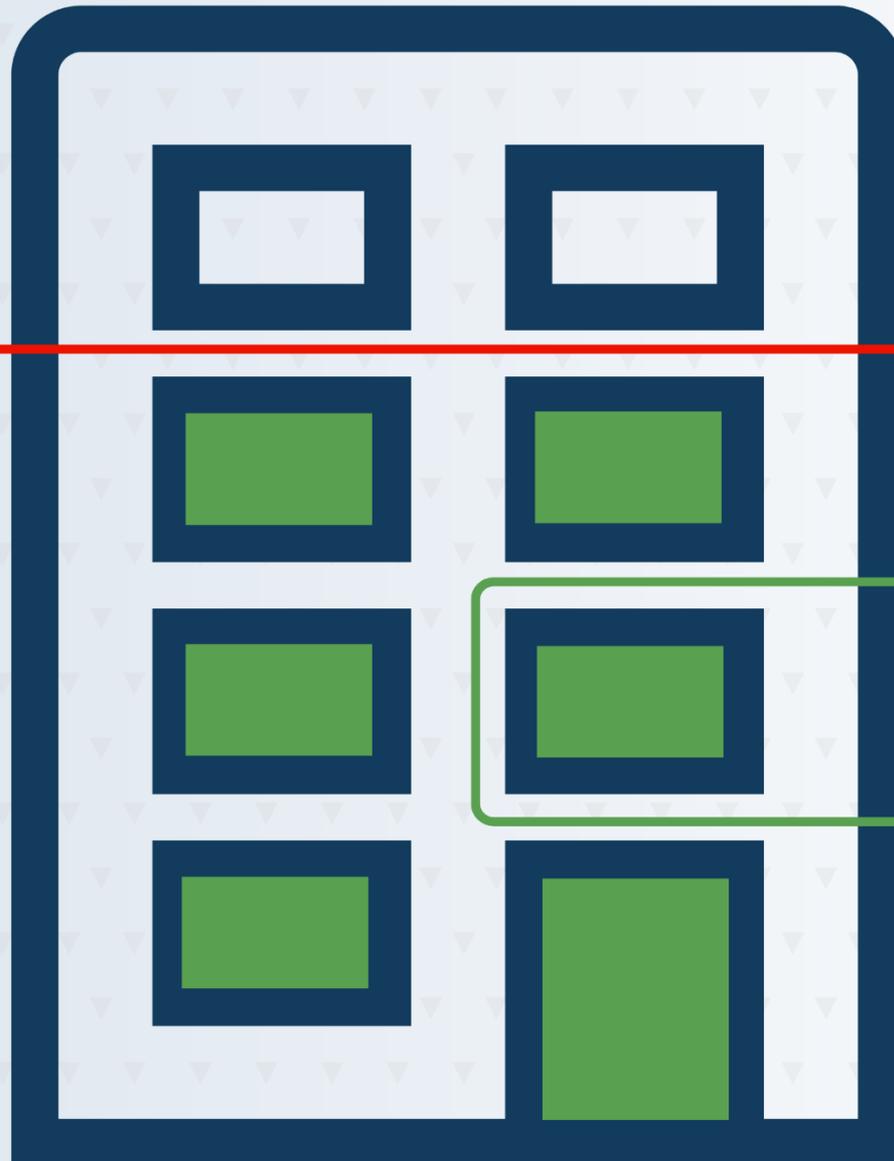
Master Lease Concept



5,000 SF User

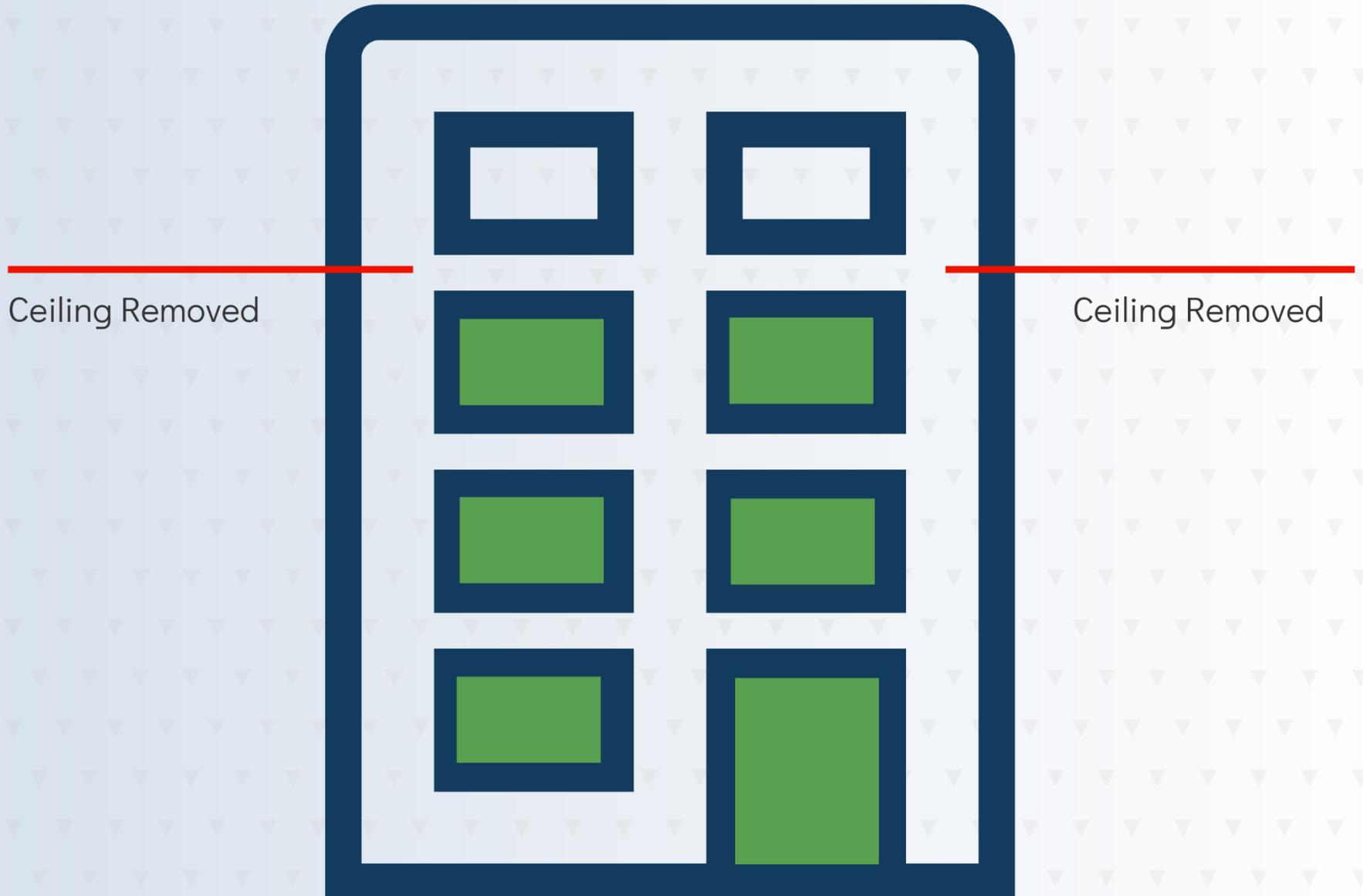
Reduces Master Lease by 5,000 SF

Master Lease Concept



Next 5,000 SF User
Retires Castle Rock
Master Lease in-FULL

Master Lease Concept



Master Lease Concept

