

# 2018 Mid-Year Report

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Mayor, Town Council, County Commissioners and Economic Development Council Investors:

Re: Castle Rock EDC Mid-Year Report to Investors

## **2018 Economic Overview**

The Colorado Economy continued its strong performance in the first two quarters of 2018. Employment in Metro Denver increased 2.7% between May 2017 and 2018 resulting in an additional 44,700 jobs. The state of Colorado as a whole, experienced an increase of 2.8% adding 74,000 new jobs. The only two sectors to experience negative job growth were Government and Miscellaneous Services which declined .1% and 1.1% respectively. Nationally employment has increased 1.6% adding 2.37 Million new jobs.

## **2018 Year-To-Date Executive Summary:**

Castle Rock Economic Development Council's (EDC) mission is to attract and support job creation and expand the tax base for the Town of Castle Rock. The three fundamental functions of the EDC include:

- Business retention and expansion
- New prospect development (primary employment & retail)
- Creation of a business- friendly environment

## **EPS Report (2017/2018 Special Project)**

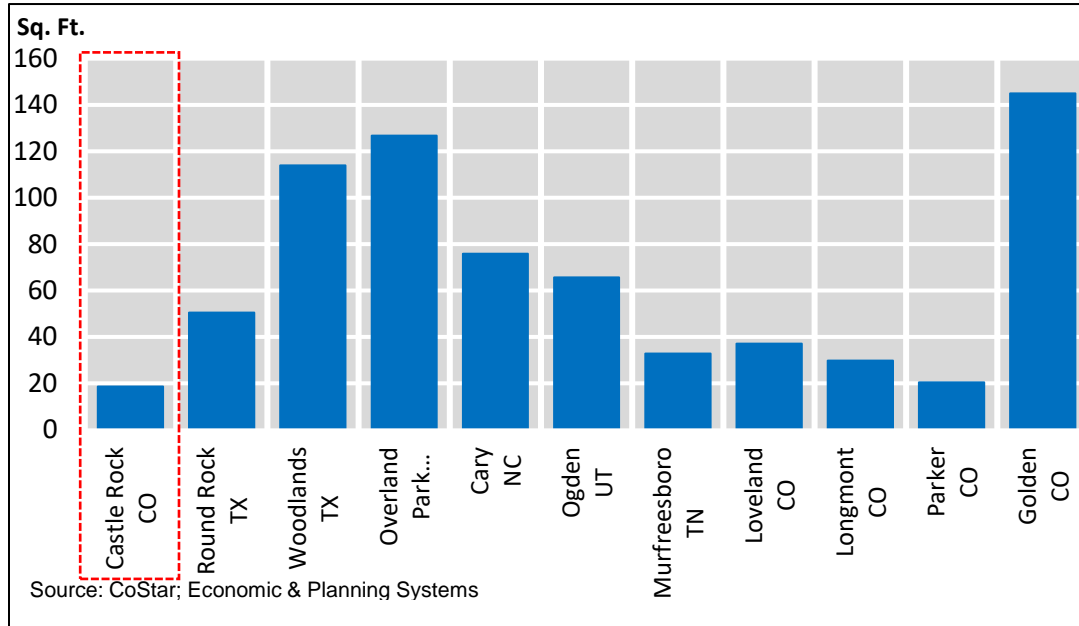
In an effort to continually evaluate our strategic economic development priorities and streamline our processes, Castle Rock EDC and the Town of Castle Rock contracted with Economic Planning Systems Inc. (EPS) to provide an independent third-party analysis of the Castle Rock market. The objective of the analysis is to actively engage Town Council, business leaders, civic leaders and primary employers so that Castle Rock EDC and its partners can create a shared economic development vision.

The data collected by EPS confirms that the Town of Castle Rock will need to develop a strategy that encourages additional office development in order to maintain its position as a premier stand-alone Front Range community.

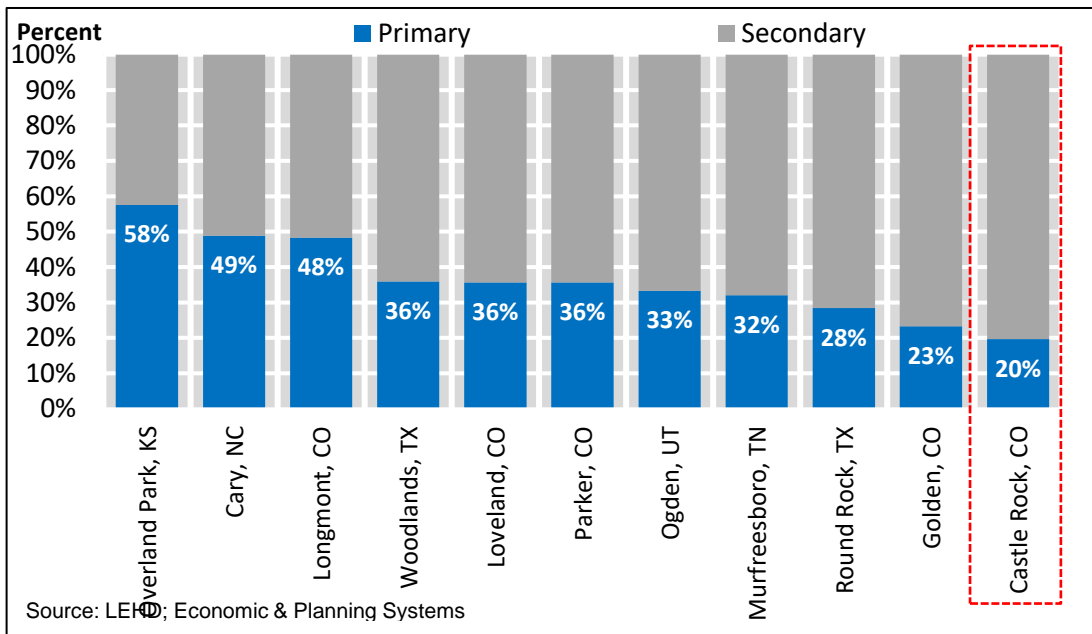
- Notable Findings:
  - Castle Rock has the lowest office square footage per capita of the 10 aspirational communities compared - *See chart below.*
  - Castle Rock has the lowest percentage of primary employment out of the 10 aspirational communities examined - *See chart below.*
  - Castle Rock has higher than average commercial land cost than Centennial Airport/Dove Valley and Parker – *See chart below.*

- Castle Rock has higher development fees for large office and medical office than a competitive set of peers, Lone Tree, Parker, Centennial – See chart below
- SWOT Analysis – See chart below

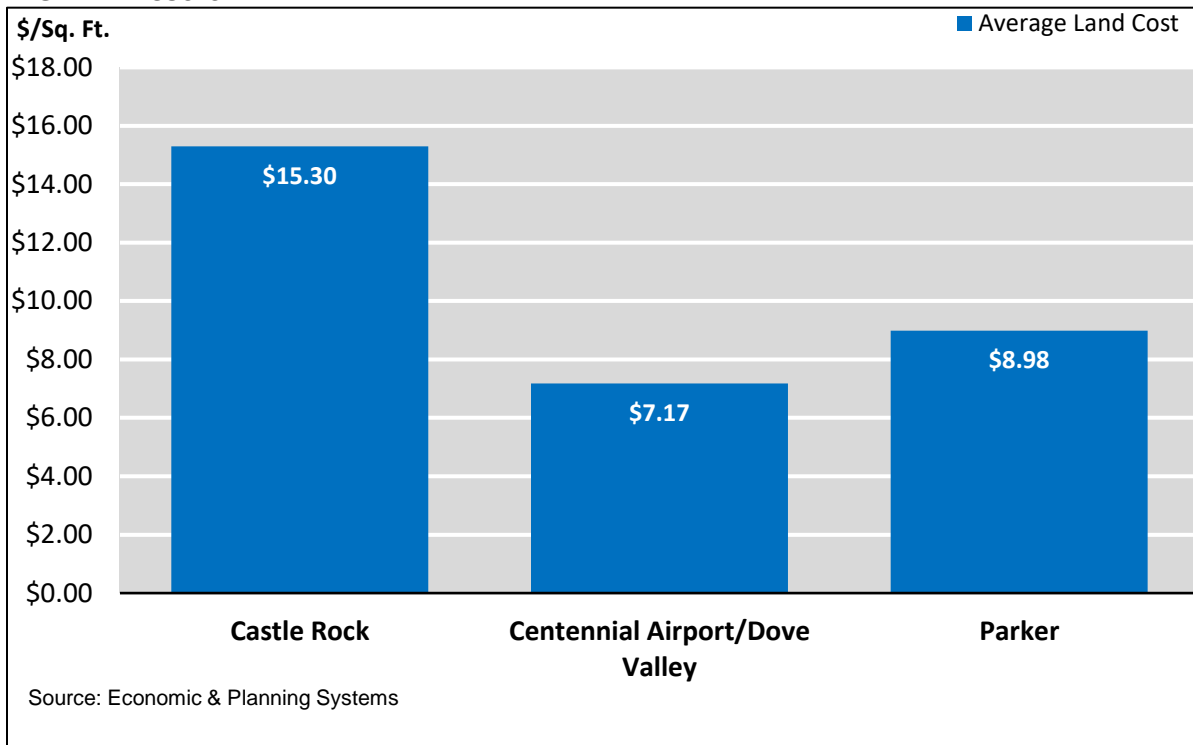
#### LOW OFFICE PER CAPITA



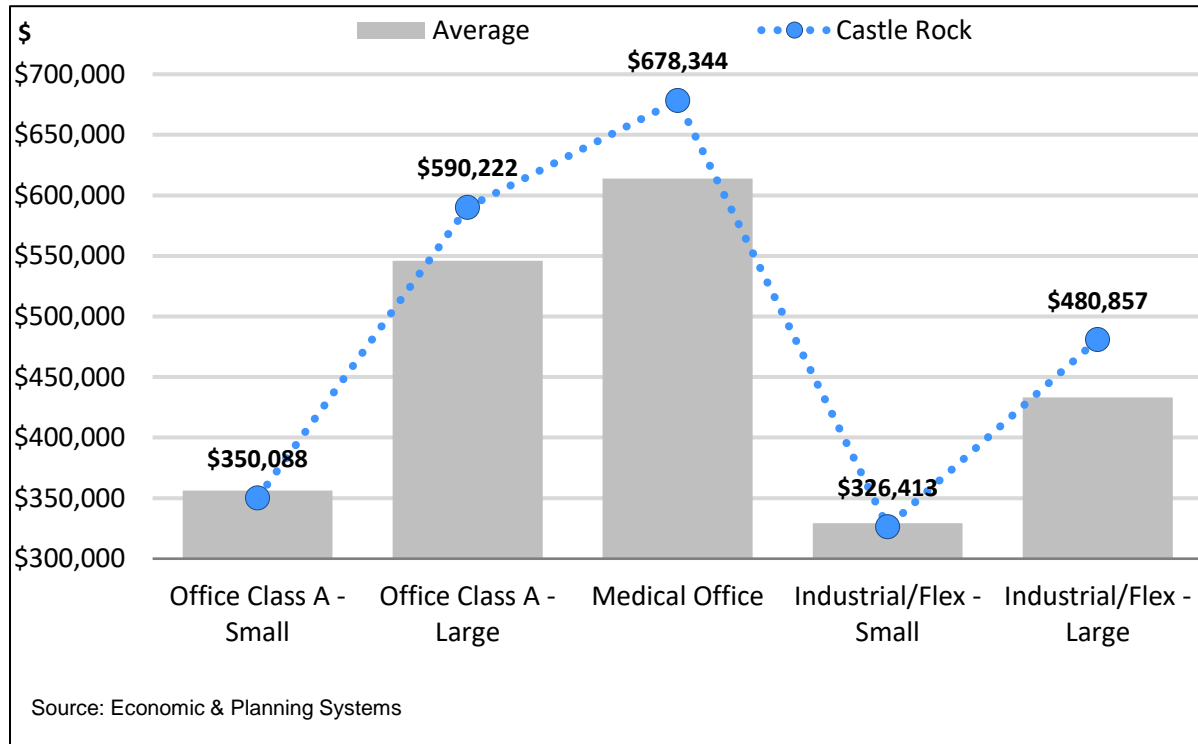
#### LOW PERCENTAGE OF PRIMARY EMPLOYMENT



## HIGH LAND COSTS



## HIGH DEVELOPMENT FEES



## S.W.O.T. ANALYSIS

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"><li>• Small Town Feel</li><li>• Active Downtown</li><li>• Natural and Recreation Opportunities</li><li>• Central Location</li><li>• Attractive Place to Live</li><li>• Collaboration Campus</li></ul>	<ul style="list-style-type: none"><li>• Expanded Recreation and Open Space</li><li>• Mixed-Use Development</li><li>• Public Transit</li><li>• Targeted Attraction vs. "Grow Your Own"</li><li>• Communication and Educational Opportunities</li><li>• Diversity of Development Opportunity Areas</li></ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"><li>• Cost of Housing/Housing Diversity</li><li>• Breadth and Depth of Labor Force</li><li>• Water Rights</li><li>• Lack of Public Transit Options</li><li>• Lack of Primary Employment</li><li>• Lack of Office Inventory</li><li>• High Development Costs and Fees</li></ul>	<ul style="list-style-type: none"><li>• Over-Reliance on I-25</li><li>• Growth Backlash</li><li>• Role of Governing Agencies</li><li>• DDA Debt Limit</li><li>• Water Supply and Entitlements</li><li>• Evolution of Retail</li><li>• Keep Pace with Peer Communities</li><li>• Lack of Resident Diversity</li></ul>

### **Business Retention Expansion (B.R.E.)**

One of the signature missions of the EDC is to help grow the tax base and create a quality business climate. By establishing a Business Retention and Expansion (BRE) Task Force, the EDC and Town leverage a wide range of professional expertise that provide value to Castle Rock based businesses. Each month members of the B.R.E. task force meet with local businesses to discuss strategies for expansion, address challenges in the market place, and establish the necessary methods to follow-up. The objective is to ensure that each business in Castle Rock understands the value they provide to the community and the commitment of the Town and the EDC to support their goals and encourage their growth. In addition to BRE, the EDC hosts a **Primary Employer Roundtable**, **Development Roundtable** and the newly formed **Castle Rock TechTable**.

#### **Business Retention Visits**

- Task Force Meetings – The BRE Task Force has conducted 6 monthly meetings with a variety of local companies ranging from tech companies, architectural firms and a local brewery.
- Onsite Meetings – Members of the BRE Task Force have joined EDC staff to formally and informally visit with local companies to discuss strategies for expansion, address challenges and celebrate success.

**Primary Employer Roundtable** exists to provide a forum for Castle Rock Primary Employment Leaders to exchange ideas, best practices, and to develop strategic relationships. Membership is open to any primary employer in Castle Rock and the group is inspired to give back to our community and to promote economic growth both locally and regionally.

#### **2018 year-to- date discussion items**

- Attainable Housing Challenges for Employees
- Discussion on DCSD Bond Initiative

- I-25 Gap Coalition Support and Future Transportation Challenges
- Provided professional and financial support to the Douglas / Elbert Task Force

**Castle Rock Development Roundtable's** objective is to bring together Town staff and the development community to build trust and relationships, improve communication and create best practices in the development of our community. The group meets quarterly under the principals of **YUMUTSU** (*Your Understanding, My Understanding, The Same Understanding*) for updates and discussion on topics impacting the development process.

2018 year-to-date discussion items

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Water Use/Drought Management Plan / Rebate Program</li> <li>• Landscape Criteria Manual Updates</li> <li>• Bulk Water / Hydrant Meters – Policy and Fee Change Proposals</li> <li>• Discussion: Curb Stop in Driveways</li> <li>• Update: Title 4 Subcommittee Work</li> <li>• Land Use Application Submittal Process Follow-up</li> </ul> | <ul style="list-style-type: none"> <li>• 2018 Impact Fee Study</li> <li>• Utility Tie-In Standards</li> <li>• Plan Submittal Requirements</li> <li>• Update TDR – Transferable Development Rights</li> <li>• Laboratory Testing Fees/Plum Creek Water Reclamation Authority</li> </ul> |
|---|--|

**Castle Rock TechTable** is an extension of the BRE Task Force, designed to create relationships among the many tech companies in Castle Rock. Castle Rock TechTable was created in early 2018 and provides a platform for the leaders in this industry sector to discuss and strategize challenges, share success and potentially share resources.

2018 year-to-date outcomes & objectives

- Created a SLACK Channel to increase communication
- Identified the need to create a promotional tool to market Castle Rock tech companies

**Business Attraction Team (BAT)**

The Castle Rock Business Attraction Team oversees one of the core services of the Castle Rock EDC, attracting new primary employers to Castle Rock. BAT meets monthly and consists of private sector volunteers with expertise in business development, real estate, construction, land planning, title work and marketing. BAT focuses on both direct and indirect marketing strategies for attracting primary employment. Additionally, BAT fosters relationships with developers to encourage office development in the Castle Rock market.

**Projects of Significance**

**Innosphere** is a Science and Technology Incubator that was founded in 1999. Headquartered in Fort Collins, Innosphere provides support to entrepreneurs, building high-growth companies in the industries of natural & organic foods, health innovation, life sciences, software & hardware, and energy & advanced materials. Since 2009, Innosphere has raised over \$220MM, supported the creation of 1,400 Colorado jobs and graduated over 52 companies.

Based in large part to the early work of the 104 Initiative and the Collaboration Campus, Innosphere selected Castle Rock as a location for one of its 2018 satellite expansions. Innosphere-Castle Rock offers support to start-up and early stage companies increasing the exposure of Castle Rock to the tech start-up industry.

2018 year-to-date update

- Establish the Innosphere-Castle Rock office at the ConneXion Spot
- Working with 8 Castle Rock/South Denver area client companies
- Organized 2 pitch events to support 10 tech start-up companies gain access to angel investment

**Master Magnetics (Expansion)** was founded in 1976 and has maintained a Castle Rock presence at 747 S. Gilbert Street. They are one of Castle Rock's oldest manufactures, distributing a variety of magnet-based products throughout the world. In 2018 Master Magnetics purchased 1211 Atchison Court and consolidated all Colorado operations into the new facility. This resulted in the relocation of 66 Castle Rock employees and 19 employees from the Elbert County facility. This will allow Master Magnetics to continue their growth projections of 10-15 new employees over the next 2 years.

2018 year-to-date update

- Purchased 1211 Atchison Court
- Relocated 19 employees from the Elbert County facility

**Castle Rock Collaboration Campus** represents a first of its kind higher education facility. Located in the Meadows just north of the Castle Rock Adventist Health campus, the Collaboration Campus consists of two 50,000SF buildings and a partnership between Arapahoe Community College, Colorado State University and the Douglas County School District. The Collaboration Campus provides the opportunity to educate, recruit and retain a Castle Rock work force.

2018 year-to-date update

- Ground Breaking Ceremony held on May 21, 2018
- Estimated opening date of Fall 2019

**Promenade at Castle Rock** is a 200-acre site located between I-25 and Highway 85. Upon completion, this master developed site will bring a combined 900,000SF of large-format retail, service and restaurant space oriented within four distinct districts. The Town has agreed to share 1.1% of the Town's 4% sales tax for up to 25 years or until the \$24.48MM (13% of the project costs) in infrastructure bonds have been paid off. Alberta Development Partners purchased the site in October of 2014 and anticipate stabilization to occur in 2021. It is estimated that at completion, the project would generate \$3MM to \$5MM of annual revenue to the Town.

2018 year-to-date update

- 636,000SF of built and/or under construction space
- Roughly 300,000SF remaining space to be constructed
- Tenants Recently Opened:

- TJ Maxx & Homegoods
- Ulta
- Petco
- Hobby Lobby
- Bank of America
- Sleep Nation
- Chase Bank
- Zoe's Kitchen
- Rocket Fizz
- Tenants Under Construction & Coming Soon
  - Sierra Trading Post
  - Ross
  - La Loma
  - Les Schwab
  - 7-11
  - Del Taco
  - Chick Fil A
  - Fuzzy Taco
  - Black Rock Coffee

**Miller's Landing** is a 65-acre site that is situated on the north-west corner of Plum Creek and I-25. It boasts tremendous visibility and access to I-25. In 2012, the Town and the EDC reached an agreement with the existing taxing entities to create a URA designation to mitigate the challenges associated with the former municipal landfill.

In 2017, P3 Advisors assembled the property and entered into a Public Finance Agreement (PFA) with the Town of Castle Rock and the Castle Rock Urban Renewal Authority to support the development of public infrastructure and the full remediation of the landfill. A requirement of the PFA mandates a 250-room (minimum), full-service hotel and conference center. The project is designed to accommodate 450,000SF of office and up to 200,000SF of retail.

#### 2018 year-to-date update

- Performed extensive pre-construction site planning and design of public improvements for Miller's Landing with the objective of providing excellent connectivity between Philip S. Miller Park and Downtown Castle Rock.
- Prepared all planning documents, contracts, and permits for the complete remediation and removal of the former municipal landfill.
- Marketed bonds pursuant to the Public Finance Agreement with the Town of Castle Rock in order to initiate landfill remediation and engineering design of the public improvements. Over \$14M of bonds are expected to be sold and available for the project by the end of the 3<sup>rd</sup> Quarter, 2018.

**Castle Rock Adventist Health Campus** is located on 50 acres in The Meadows and is committed to being more than just a hospital, it's a Health Campus with a commitment to be the overall health infrastructure of the Castle Rock community. The land was acquired in the early 2000's and by 2011 the Health Campus consisted of a premier ER and imaging center. Following quickly was the 50-bed hospital and two 60,000SF medical office buildings.

#### 2018 year-to-date update

- Mary Briscoe Building (MOB II) 100% occupied
- Limelight MOB 100% occupied (off site MOB)

**Meadow's Town Center** is located off of Meadows Blvd. and adjacent to the Castle Rock Adventist Health Campus. The concept was originally created in 2003 by Castle Rock

Development Company. The Center was designed to become the focal point of the community, providing residents with a walkable, urban, mixed-use market place.

2018 year-to-date update

- Meadow's Town Center Building II
  - Construction complete June 2018
  - 100% leased
  - Tenants include:
    - The Library Co. Bar & Kitchen
    - Crush Wine Bar
    - Astro Tap House
    - SDG Castle Rock Endoscopy Center
    - South Denver Gastroenterology
    - Touchstone Imaging
- Meadow's Town Center Building III
  - Pre-Construction
  - 21,000SF of planned office space
  - Construction expected to start Fall 2018

**Milestone Center** is located at the southeast corner of Founders Blvd. and I-25. The center was established in 1996 as a grocery anchored shopping center with roughly 70,000SF occupied by King Soopers and an additional 44,000SF dedicated to inline retail and pad sites. In May of 2017, King Soopers decided to close the store and relocate to Promenade, opening a King Soopers Market Place.

2018 year-to-date update

- Murdoch's Ranch and Home Supply signed a lease for 50,000SF in Q2 of 2018
- Anticipated grand opening, May 2019

**Downtown Development Authority (DDA)** is a governmental entity that functions as an extension of the Town guided by a seven-member board that is appointed by Town Council. The DDA is charged with furthering development and place-making in Downtown Castle Rock using Tax Increment Financing (TIF) and is guided by a Plan of Development. The Plan of Development provides guidance from Town Council on the mission of the DDA and encourages the DDA to pursue "development projects" which include projects to beautify downtown, increase commerce in Downtown and development projects which bring physical construction of buildings to Downtown.

2018 year-to-date update

- Riverwalk South – Under construction, expected completion Q4 2018
- Riverwalk North – Under construction, expected completion Q1 2019
- Festival Park Commons – Castle Rock DDA and Town Council signed a non-binding MOU. Developer purchased three lots that include 8, 14, and 20 Wilcox Street.
- Wild Blue Yonder Brewing Company – Under construction and expected to be complete by years end.



The EDC values our partnership with the Town of Castle Rock and remains committed to the vision of being a premier stand-alone community.

Respectfully,

A handwritten signature in blue ink, appearing to read 'F. Gray', with a stylized, flowing script.

Frank Gray  
President and CEO

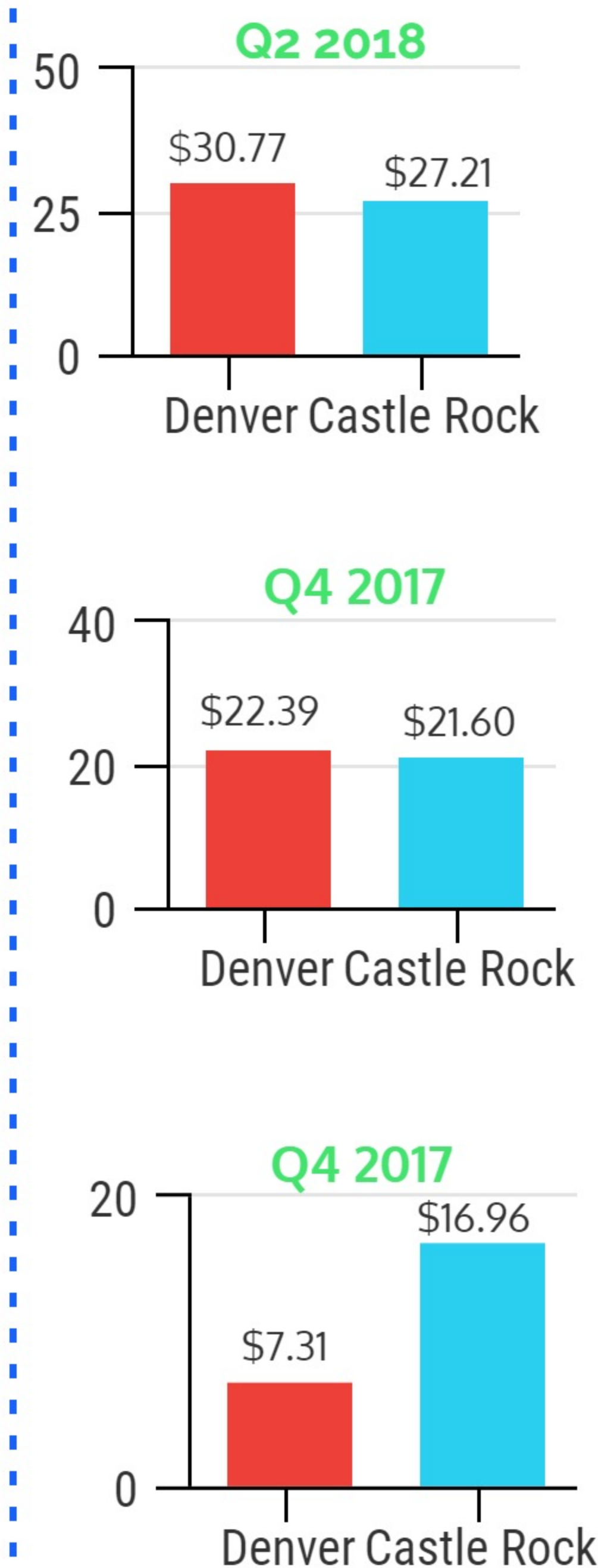


# 2018 Mid-Year Report

## Vacancy Rate Comparison \*

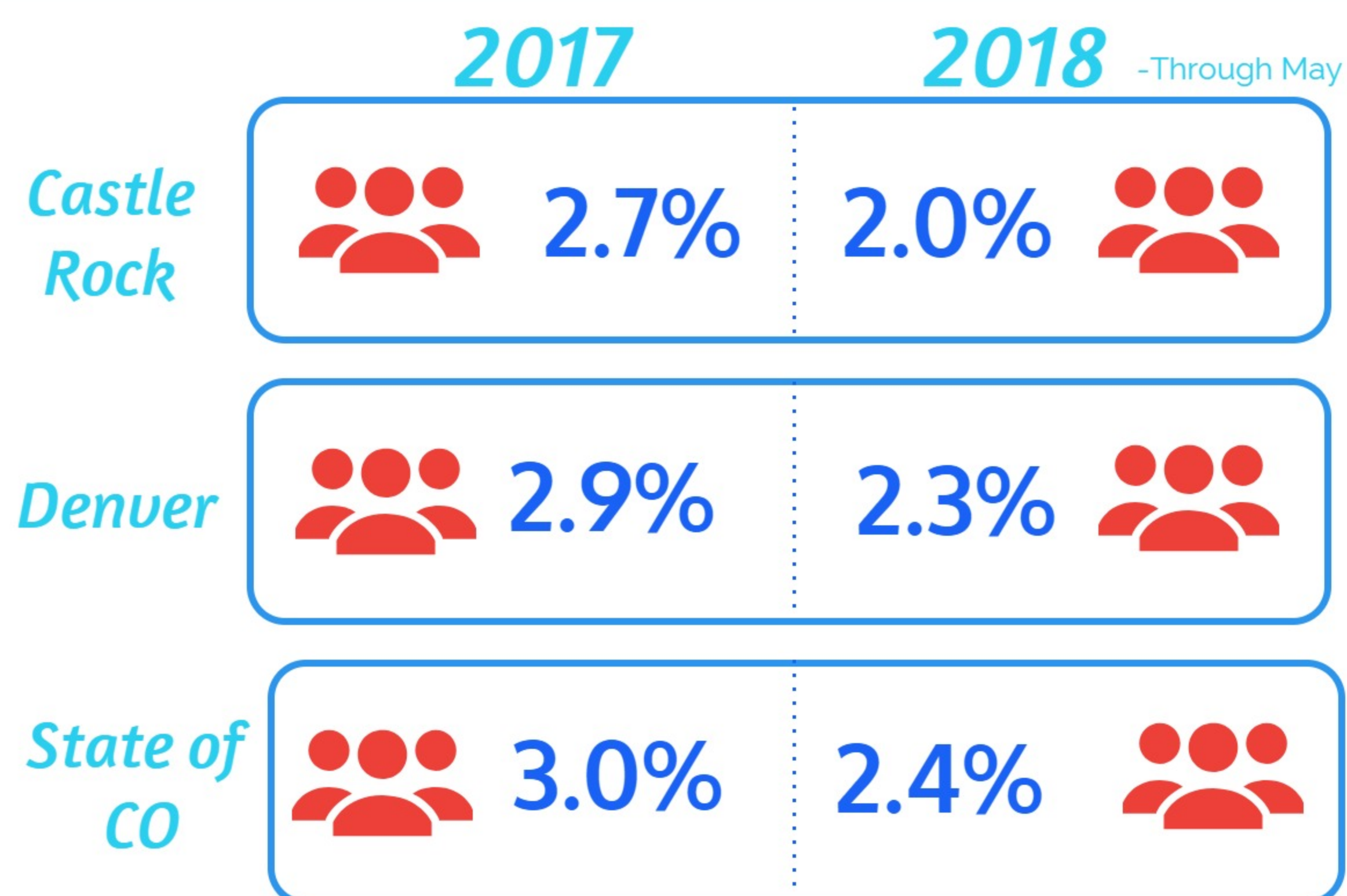


## Lease Rate Comparison\*



\* Data provided by NavPoint Real Estate Group; NNN Lease Rates

## Unemployment Comparison



## Castle Rock Sales Tax Comparison



## Promenade Update

### Signature Tenants Opened

TJ Maxx  
Homegoods  
Ulta  
Petco  
Hobby Lobby

### Coming Soon

La Loma  
Ross  
Les Schwab  
Sierra Trading Post  
7-11  
Del Taco  
Chick Fil A  
Fuzzy Taco  
Black Rock Coffee

### Recently Opened

Sleep Nation  
Chase Bank  
Zoe's Kitchen  
Rocket Fizz  
Bank of America



### 2018 Awards

**Metropolitan Cooperation Award**  
~ Metro Denver EDC





## Castle Rock Development Highlights

### Collaboration Campus

Status: Excavation in process  
Ground Breaking: May 2018

### Meadows Town Center Bldg. II

Status: Complete  
27,140 sf  
100% leased

### Meadows Town Center Bldg. III

Status: Pre-Construction  
21,000 sf

### Master Magnetics

Purchased 1211 Atchison Court

### I-25 Gap

18 mile stretch between Castle Rock & Monument  
Status: INFRA Grant Awarded  
Construction to begin in 2019

### Miller's Landing

Status: Ground closed: August 2017  
Dump Remediation: Fall 2018

### Milestone Center

Murdoch's signs lease Q2 2018  
Opening May 2019

### Riverwalk South

Status: Under Construction  
Expected Completion Q4 2018

### Riverwalk North

Status: Under Construction  
Expected Completion Q1 2019

### Festival Park Commons

Status: Proposed Development  
Mixed-Use Project / For Sale Condos  
300 Public Parking Spaces

### Wild Blue Yonder Brewing

Status: Under Construction  
Expected Completion Q4 2018

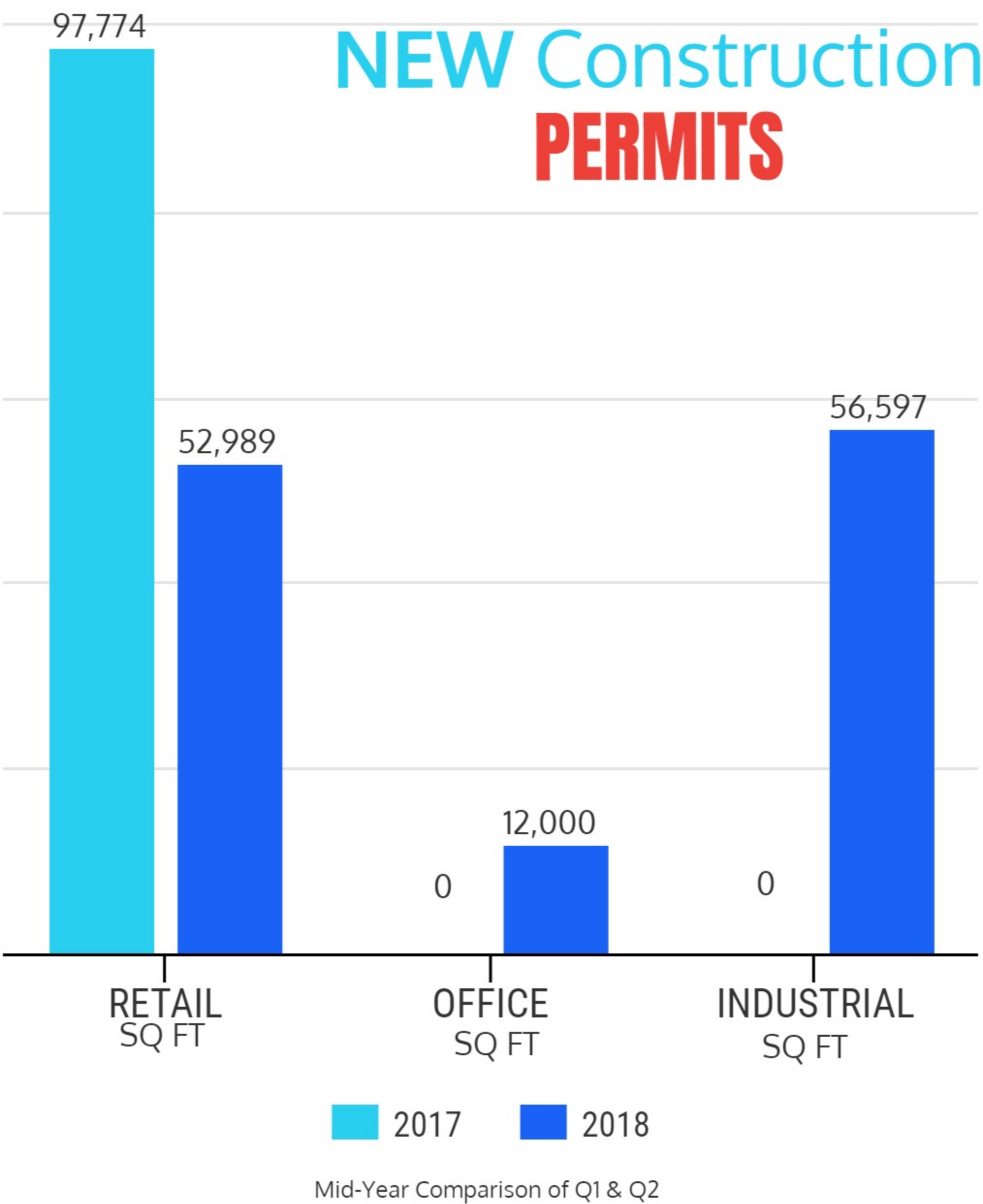
### Project of Significance

#### Innosphere

Selects Castle Rock as one of their 2018 satellite locations  
Working with 8 local client companies



## New Construction



## Development Prospects

