



## 2022 Annual Report

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

Re: Castle Rock EDC 2022 Annual Report to Investors

### **National Regional and Local Economic Update: Realistic Expectations**

All things considered; the U.S. economy performed better than expected in 2022. Despite the highest inflation in the past four decades, the highest interest rates in 15 years, and persistent supply chain disruptions causing stockouts and leaving businesses and consumers seeking substitutes, real gross domestic product grew 2.1% for the year, beating the 20-year average. Inflation and energy prices peaked in 2022 and showed signs of improvement by the end of the year. The country continued to grow employment, recouping jobs lost to the pandemic recession. The continued high levels of job openings and low levels of unemployment perpetuated a worker shortage perceived by many employers spanning most disciplines.

Despite a relatively good year in 2022, some warning signs flashed as 2022 closed. The broad measure of fixed investment fell as interest rates moved higher (especially residential fixed investment). The manufacturing sector closed the year under pressure with the ISM Manufacturing Index signaling contraction. Industrial production and capacity utilization flattened. So much economic growth has rested on the consumer, and there is concern that high inflation, decreased savings, and negative real wage growth has depleted the consumer's ability to continue to push the economy forward in 2023. In fact, monthly consumption data from the BEA (U.S. Bureau of Economic Analysis) supports this idea—the U.S. recorded two consecutive months of declining consumption in November and December. As well, national retail sales recorded two consecutive months of broad-base declines in November and December, according to data from the U.S. Census Bureau. Concurrent with weak investment and global trade, softer consumption teeters the economy between recession and slow growth.

The labor market has remained a bright spot for employees but a strain for employers. Job openings have come down but are notably higher than the years preceding this post-pandemic era. Jobless claims and the unemployment rate both remain low, and the country added 223,000 jobs in December (a solid number, but the slowest number of jobs added in two years).

Colorado's economy continued to outperform in 2022 according to the latest data. Real GDP expanded at the 6th-fastest rate in Q3 (3.2%). All of Colorado's GDP growth came from the services sector, which grew by about \$19.5 billion, and most of that services growth was from the Information and Professional Business Services sectors. The detractors from GDP growth were in the goods-producing sectors—Agriculture, Mining, Utilities, Construction, and Manufacturing—collectively subtracting \$5 billion from state output. Personal income and per capita personal income grew at the 2nd- and 1st-fastest rates nationally. The state also has favorable labor market conditions—the 2nd-highest labor force participation rate, 12th-fastest labor force growth, 8th-fastest employment growth, and 6<sup>th</sup>-

highest rate of job openings. In November, there were two job openings for every unemployed individual in the state. The preliminary year-end employment numbers show Colorado ranked 13th in 2022 for annual job growth (120,400, 4.4%).

Despite Colorado having an out-performing economy, an economic slowdown will cast a shadow that Colorado cannot escape—the state is not decoupled from the national economy. Colorado’s employment forecast for 2023 is predicated on a slowing economy—57,100 jobs added (2%), with most industries posting job gains, but some (notably finance and construction) are projected to lose jobs for the year. Demographics in Colorado is a real headwind—the slow net migration places risk on the inflow of a skilled workforce, while the slow birth rate will ripple through the economy in future years.

While Colorado is not immune to a slowdown, population growth (albeit slow), industry composition, and the natural amenities of state make Colorado poised to outperform even during a downturn. Within the state, Douglas County continues to demonstrate comparative strength, outperforming in population growth, the labor market, and gross domestic output. Recent infrastructure investment provides the region with expanded access to the labor pool, and the local economy is drawing more primary employers. But the region has exposure to some of Colorado’s industries that are under pressure in 2023—Financial Activities, Construction, Manufacturing, Information, and Retail. Even in a slowdown, Douglas County is poised to outperform—but we must be realistic about economic expectations in 2023 and what that means for various stakeholders in the economy.

*-Brian Lewandowski is Executive Director of the Business Research Division at the University of Colorado’s Leeds School of Business.*

## **2022 Committees Economic Development Report & Prospects**

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

- Business Attraction (new prospect development)
- Business Retention and Expansion
- Creation of a business-friendly environment

### **Business Development**

#### ***Business Attraction Team & Business Retention Expansion***

Business Attraction (BAT) and Business Retention Expansion (BRE) are two of Castle Rock EDC’s core services.

BAT oversees the strategic attraction of new primary employers to Castle Rock, focusing on both direct and indirect marketing strategies. Additionally, BAT fosters relationships with developers to encourage office development in the Castel Rock market.

BRE recognizes that 70% of job growth in a community occurs from existing businesses. The BRE Task Force supports existing businesses by leveraging a wide range of professional expertise from within the committee to provide resources with the intent to facilitate growth.

Throughout 2022, Castle Rock EDC worked with over 74 prospective business and development prospects, 25 of which are Castle Rock businesses exploring expansion opportunities. Castle Rock EDC

also hosted a range of real estate broker and developer events, continuing the mission of promoting opportunity for office development.

***Economic Development Fund Report (Business Expansions)***

Economic vitality is a critical factor in ensuring Castle Rock’s long-term success in achieving its vision of being a self-sufficient community; a community in which residents can live, work, play and purchase the goods and services they need; and to create a tax base adequate to support provision of core Town services.

With increasing regional competition, the Town of Castle established an Economic Development Fund (2011) along with a set of policies designed to strengthen the local economy and prepare for the economic impacts associated with the Town’s expected growth. The fund is sustained through the collection of commercial use tax ensuring that commercial development supports the Town’s development objectives, which is to actively seek out highest and best commercial uses, as defined in the Town’s 2030 masterplan.

The program includes elements to support core Castle Rock EDC priorities include the attraction and expansion of primary employers, attraction and expansion of targeted retail and investments in projects of economic significance or serving as economic catalysts. The program is designed to create jobs, expand the tax base, encourage existing businesses to make capital investments, spur new office, industrial, and retail expansions and developments. It is critical that all incentive programs create a net positive job or economic impact on the community.

**Castle Rock Industrial in the Meadows** is a collaboration between Saunders Commercial Development Company, Colorado Powerline Inc., and Lakewood Electric Company, Inc. Together, they purchased a 15.5-acre site within the Meadow COI ground (Lot 19) to construct two 80,000 SF industrial buildings. The first phase of the development included building one; of which Colorado Powerline Inc. (CPI) and Lakewood Electric intend to relocate their company headquarters and occupy 40,000 SF of the building. As part of this phase, CPI and Lakewood Electric will relocate approximately 42 full-time employees to Castle Rock. The remaining 40,000 SF of building one will be brought to market and be made available for lease.

**Moore Lumber & Hardware** is a 75-year-old family-owned company headquartered in Castle Rock, with six Front Range stores. The company employs 23 full-time positions in Castle Rock. Their core services are based around providing quality lumber and home building materials to both professional builders and homeowners. In May 2020, Moore Lumber Castle Rock added ACE Hardware and Benjamin Moore Paint to its brand operations. As part of this expansion, paint sales increased by 627%. While ecstatic about the growth, the new line began to experience supply chain challenges. In response, Moore secured a short-term lease on a 10,000 SF facility at 1041 Park Street to open a commercial mixing facility. This ultimately led to additional sales and the conclusion that they would need to find a more permanent location for the Benjamin Moore product line. With limited purchase options in Town, Moore Lumber explored building in Castle Rock and settled on a lot in the Meadows (Lot 1, Filing 17, Area 2). Moore intends to continue operating Moore Lumber & Hardware at 1335 Park Street and is building a 16,880 SF industrial flex building in the Meadows to house their Benjamin Moore and Marvin Windows product lines.

**Castle Rock Microwave (CRM)** was founded in 2014. CRM is a regional wireless systems integrator, bridging the digital divide. CRM’s customer base falls into four major categories rural broadband

(TELCOs, ISP's and Tribes), public safety (municipalities and School Districts), Utilities (water, electric, oil & gas) and transportation (rail & airports). Currently, 85% of CRM's business is contracted out of Douglas County.

CRM has grown by over 40% in the past two years. This trend is expected to continue, as CRM continues to take on new projects and markets. With their recent office warehouse acquisition, CRM has begun a renovation that will add an additional 2,400 SF of office with the intent to hire an additional 8 employees by the end of 2024.

**Limelight MOB II** is 33,639 SF of Class "A" medical office. The project is being proposed by Partnering with Physicians, LLC. The site is a 2.38 acre parcel of land located just west of the Castle Rock Adventist Hospital, in the Meadows. This will represent the second MOB project built by Partnering with Physicians.

**Owen Ames Kimball (O-A-K) Construction** is a 130-year-old commercial construction company with approximately 100 employees. They specialize in K-12, higher education, civic and municipal construction projects. In 2014, O-A-K expanded into Florida and over the last eight years have grown the company by an additional 30 employees. O-A-K believes that Colorado presents similar opportunities and has hired Mike Beaudoin to manage the expansion. As part of their expansion, O-A-K leased 4,500 SF of office space at 202 6<sup>th</sup> Street in Downtown Castle Rock (The Move). O-A-K currently has 5 employees in Castle Rock and intends to grow the company by an additional 30 within the next 4 to 5 years.

**Dawson Trails (Commercial/Retail/Residential)** - The Dawson Trail project is located in the southwest quadrant of Castle Rock on the west side of I-25. The property is currently owned by Westside Investment Partners, which closed on the property in October of 2022. The project was originally entitled for 7,900 single family homes and sat dormant, under suspension agreement, for the past 30 years for a variety of different challenges that encumber the site. Westside Development worked with the Town to reactivate the plan of development which was formally presented and adopted by Council in December 2022. The plan now includes a significant reduction in housing units and substantial increases in trail connectivity and open space. In addition, they envision a strong mix of office, retail, and industrial zoned development. As part of the project, Dawson Trails will make a significant contribution to the construction of the Crystal Valley Interchange.

**Costco Infrastructure Incentive** was approved by Town Council in December of 2022. The agreement provides Dawson Trails with 10MM of public infrastructure. In exchange, Dawson Trails agreed to execute a contract with Costco and provide \$50MM to the cost of the Crystal Valley Interchange. Costco anticipates a 2025 opening following the completion of the interchange. Estimated sales are expected to generate \$150-\$200MM providing significant sales tax resources for essential Town services.

**Infinity Laboratories** is a medical device and pharmaceutical drug testing company that employs approximately 50 people. Over the past four years, Infinity has expanded from their single Castle Rock location on Perry Street just south of Downtown, to 11 locations and 160 employees across the United States. As a result of this growth, Infinity worked with the Town and EDC to secure additional office space at 230 3<sup>rd</sup> Street in Downtown Castle Rock. The new location will host its six-member Executive Team and will officially establish Castle Rock as their corporate headquarters.

**Centura** is currently constructing MOB 3 and expects construction to be substantially complete by March of 2023. The building is 70,000 SF and was originally designed to serve as a third medical office building on campus with private sector medical programming similar to that of Alexander (MOB 1) and Briscoe (MOB 2). Following the groundbreaking of MOB 3, Centura was presented with an opportunity to program the 1<sup>st</sup> floor with an ambulatory surgery center, the 2<sup>nd</sup> floor with comprehensive orthopedics and therapy center, and finally, the ground floor and 3<sup>rd</sup> floor with medical oncology (cancer) services. To achieve this vision, Centura will need to raise \$14MM in philanthropic donations, of which Centura is committed to accomplish. Of the \$14MM to be raised, \$9MM will directly contribute to a Linear Accelerator (LINAC) Vault on the ground floor and \$5MM will be used to support the medical oncology infusion bays on the 3<sup>rd</sup> floor.

Radiation and medical oncology services represent a significant opportunity for the community as these types of cancer treatments are currently unavailable in Castle Rock. Each year 600 Castle Rock residents are diagnosed with cancer. On average, cancer patients will be involved in three different types of treatments averaging between 60 to 100 doctor visits over a 6-to-8-month treatment plan. By reprogramming MOB 3 with this type of cancer treatment, it could save the average Castle Rock patient over 50 hours of travel time. This is incredibly impactful when most patients are unable to drive themselves and must rely on family and friends for help.

#### ***Employment Centric Developments (Overview & Updates)***

**Montana Vista** (Office/Commercial) – Montana Vista, located off Founders Blvd is home to the headquarters of HEI Civil. HEI Civil recently added a second office building to the campus that was completed in Q2 of 2021 and is currently 90% leased, with 1,800 SF available. The EDC is currently working with three retail users to develop the balance of the site.

**ACME Brick** (Redevelopment/Reuse) - In 2018 the ACME Brick Factory announced that they would be closing their Castle Rock operation which opened in the early 1900's. The site was acquired by Confluence Companies in 2020. The team at Confluence has been working with the EDC and the Town to reimagine the site for a redevelopment and reuse project that will revitalize, activate, and connect the site to the community while simultaneously honoring the historical role of ACME in the Castle Rock Community. While the final vision for the project is still being crafted it will bring a variety of local and regional restaurants and retailers, including a proposed a state-of-the-art community recreation center.

**The Meadows** (Commercial Office Industrial (COI)) – The Meadows is a master planned community located in the northwest corner of Castle Rock that includes both single family, multifamily, mixed-use, traditional office, medical office, recreation, and entertainment. The development is anchored by the Castle Rock Adventist Health Campus and the ACC Sturm Collaboration Campus. The Meadows COI ground has vast ability to attract primary employment to Castle Rock. In 2022 Saunders Commercial Development in partnership with Colorado Power Line Inc. and Lakewood Electric, Inc. purchased 15.5 acres and has broken ground on two 80,000 SF buildings. In addition, the EDC is engaging with several other prospects that include, a medical office building, family entertainment concept, boutique hotel, regional office expansion and educational facility expansion.

**Downtown Castle Rock** – The Downtown Development Authority (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 to

pursue development projects, beautification and increase commerce. The success of recent redevelopment projects combined with the Town’s and DDA’s investment in Festival Park has driven some exciting new concepts to Downtown. The View broke ground in February 2022 and will include 14,000 SF of office space, 5,000 of restaurant space, 221 residential apartments, 399 parking spaces of which 100 will be dedicated to the public. In May, Douglas County Libraries broke ground on the Philip S. Miller Library. The library will be two stories, 62,000 SF and home to the administrative headquarters. In June, the Town Council approved a TIF agreement for 221 Wilcox located at the corner of 3<sup>rd</sup> and Wilcox Street. This mixed-use project broke ground in the fall of 2022 and will include 28 residential apartments, 11,257 SF of office space, 8,353 SF of retail space, 28 subsurface and 27 offsite parking spaces.

**Promenade (Retail/Mixed-Use)** – The Promenade is a 200-acre site located between I-25 and Highway 85. Upon completion, the master developed site will bring a combined 900,000 SF of large-format retail, service, and restaurant space. Alberta Development Partners purchased the site in October of 2014 and is close to stabilization with approximately 800,000 SF that has been delivered to the market. Currently under construction on Block 3A is an independent Mexican restaurant and brewery concept, Los Dos Potrillos. Additionally, the EDC is working with Alberta to bring a unique first in market restaurant concept to the development.

**The Outlets at Castle Rock (Retail)** – The Outlets at Castle Rock is located west of I-25 between Castle Rock Parkway and Meadows Parkway. The Outlets are the largest open-air outlet center in the State of Colorado and continues to be the economic engine of sales tax generation for the Town attracting visitors from around the region which fuels the critical services of the Town. IN-N-OUT Burger opened in early 2022 and construction on a new restaurant will begin later this year.

***Challenges Persist:***

The major challenge to primary employment in Castle Rock continues to be, the lack of office product. While low vacancy is great for our existing building owners, the lack of available office space works against both the retention and attraction of primary employment in Castle Rock. In Q2 of 2021 two primary employers were forced to leave the community due to lack of available office space to accommodate their growing companies. The factors working against Castle Rock are low vacancy rates, high lease rates, 2MM SF of “ready to go” available office space in DTC and the time/cost required to bring new construction to the market. In addition, the future of remote working combined with additional vacancy (“shadow vacancy”) expected to come online, will contribute to continued challenges for future office development in Castle Rock.

***Development Roundtable***

The Development Roundtable was established with the objective to bring Town staff and the development community together. To build trust, establish relationships, to 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. The group also discusses significant development progress and reviews specific real time opportunities for increased communication and coordination on projects.

**2022 Discussion Items & Updates**

- Creating a new Industrial Employment based Zone District
- Building Inspections Scheduling
- CORE Electric Cooperative Updates

- Code Enforcement Related Items
- Revisions to Landscaping Criteria
- 2022 CIP & Top Long-Term Projects
- New Residential Landscape Criteria
- Draft System Development Fees
- Dawson Trails & CVI Update
- Significant Development Coordination
- Subcommittee Updates
- Residential Permit Numbers
- Transportation Design Criteria Manual

**Sub-Committee Breakout Meetings**

**Water - Subcommittee** met monthly through 2022 to discussed major updates to the code and master plan. This sub-committee is led by the Town of Castle Rock Water Department and the private sector. The following topics have been discussed:

- Meter Set Changes
- Standard Detail for Water, Sewer & Stormwater
- ColoradoScape Changes (Commercial/Industrial & Residential)
- .67SFE
- Turf Replacement Legislation
- Standard Detail Revisions
- Changes to Water Efficiency Plans for Developers
- Require 0.8 gallon Flush Toilets
- Landscape & Irrigation Changes
- Draft Memo on Changes to Landscape & Criteria Manual
- Permit Requirements
- Rates & Fees Discussion
- Drainage Analysis on ColoradoScapes
- Permit requirement for crossing/connecting/modifying water transmission mains, raw water supply mains, other critical water infrastructure

**Development Process - Subcommittee** began meeting monthly in June 2022 and is led by the Town of Castle Rock Development Services Department and the private sector. The purpose of the sub-committee is to work collaboratively to identify areas of the Town’s land development process that can be improved, keeping YUMUTSU in mind. The following topics have been discussed thus far:

- Speed and predictability
- Best practices
- Quality of submissions
- Overview of Town Land Development Process
- SDP Amendment Examples

**New Regional Partnership**- (Douglas County Economic Collaborative)

In collaboration with the Douglas County Regional Partnership of Governments Castle Rock EDC joined forces with the Douglas County Commissioners and other municipal Economic Development partners to launch the Douglas County Economic Collaborative. The mission of the Economic Collaborative is to work together and leverage resources as a region to attract primary employment to Douglas County. In September of 2022 the Mayor’s of each municipality and the County Commissioners officially signed the MOU and will begin strategic planning in Q1 of 2023.

**2022 Annual Summary**

While 2022 provided plenty of potential threats to the economy such as the conflict in the Ukraine, rising interest rates, inflation, increased fuel prices, labor shortages and a year-end decline in consumer demand, the economic trends in Douglas County and Castle Rock remained largely immune and

unshaken. Castle Rock's sales tax continued a torrid double-digit pace of over 10%, thanks in part to the Town's regional retail strategy. Castle Rock experienced opportunities in industrial, retail and primary employment and also finalized an investment in infrastructure partnering with Westside Development Partners (Dawson Trail) that will result in the completion of the new Crystal Valley Interchange and the opening of Costco by 2025. Castle Rock also added a significant amount of commercial space in 2022, much of that coming from the addition two 80,000 SF industrial buildings build by Saunders Construction and home to the HQ of CPI and Lakewood Electric in the Meadows, the new MOB 3 building at the Centura Health Campus and the local expansion of the Moore Lumber Facility. Additional positive development activity in 2022 was the The Brickyard re-development project, expansion of the Douglas County Library and new retail concepts in both Downtown and Promenade. While the lack of available office space remains a focus for the EDC in attracting and retaining primary employment, Castle Rock continues to have an overwhelmingly positive outlook with many small local primary employer expansions, some announcement coming in 2023 and new exciting developments on the horizon. Castle Rock is fortunate to be in a position where many of our primary employers continue to grow and thrive and opportunities to add new retail continue to present themselves. Castle Rock EDC sees a promising 2023 ahead of us.

Respectfully,

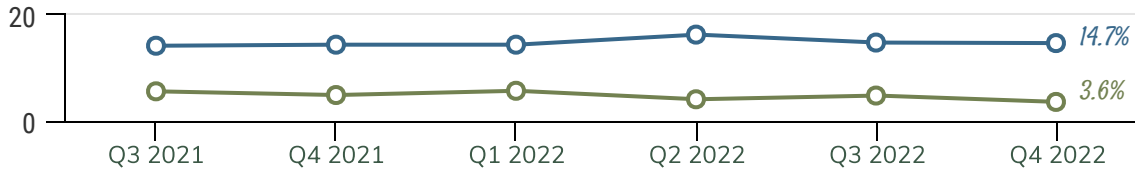
A handwritten signature in blue ink, appearing to read "Frank Gray". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Frank Gray  
CEO

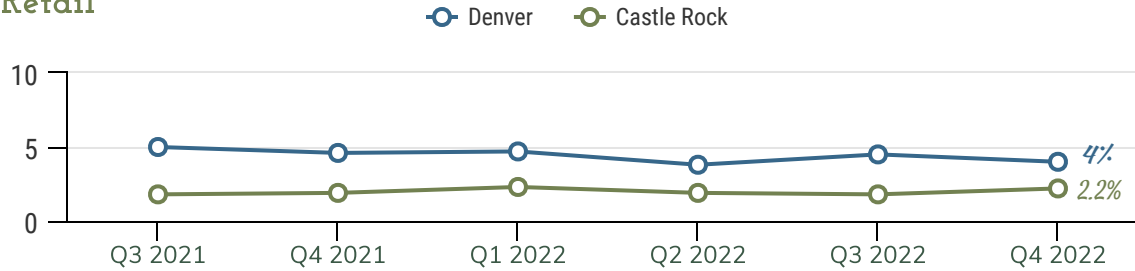


## Vacancy Rate Percentages

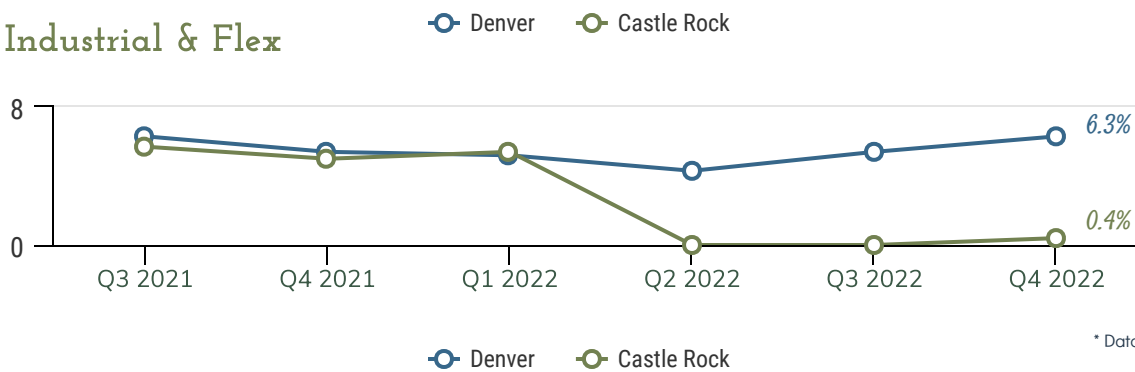
### Office



### Retail

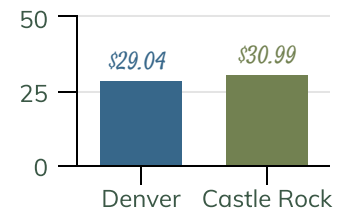


### Industrial & Flex

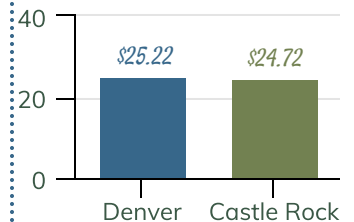


## Lease Rates

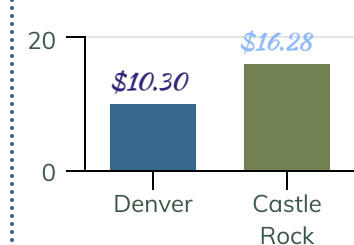
### Office



### Retail



### Industrial & Flex



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

## Unemployment Rate Comparison

	Nov 2019	Nov 2020	Nov 2021	Nov 2022
Castle Rock	2.2%	4.5%	3%	2.8%
Denver	2.3%	6.3%	4%	3.3%
State of CO	2.4%	6%	3.9%	3.3%
National	3.6%	6.7%	4.2%	3.7%

-Not Seasonally Adjusted, US Bureau of Labor Statistics

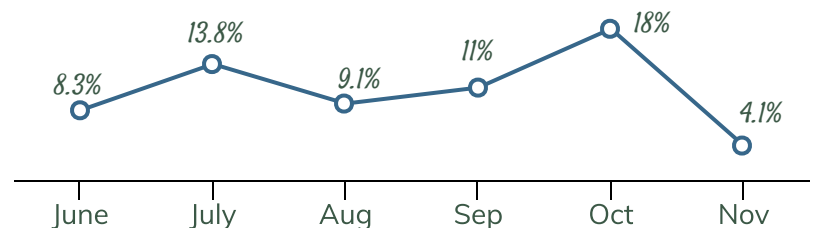
## YOY Comparison

2021  
+15.7%

2022  
+11.7%

## Sales Tax

## YOY % Change



\*Data Provided by the Town of Castle Rock, through Nov.



## Recent Development Activity



### The View

- Broke Ground February 2022
- 14,232 SF of Office Space
- 5,000 SF of Restaurant Space
- 221 Residential Apartments
- 399 Parking Spaces
- 100 of the 399 are Public

### 221 Wilcox

- Broke Ground in Fall of 2022
- 28 Residential Apartments
- 28 Subsurface Parking Spaces
- 27 Offsite Parking Spaces
- 11,257 SF Office
- 8,353 SF Retail

### Meadows

- COI Ground - Two, 80,000 SF Industrial Flex Buildings Under Construction
- HQ Relocation - Colorado Power Line Inc.
- Castle Rock Adventist - MOB 3 Under Construction
- Cancer Services Agreement

### Dawson Trails

- Approved Master Planned Development
- 5,850 Residential Units
- 748 Acres of Open Space
- 3.2 Million SF of Commercial, Industrial & Retail

### Montana Vista

- Office Development Complete
- 90% Leased
- Restaurant Concepts to Break Ground Q4 2022/Q1 2023

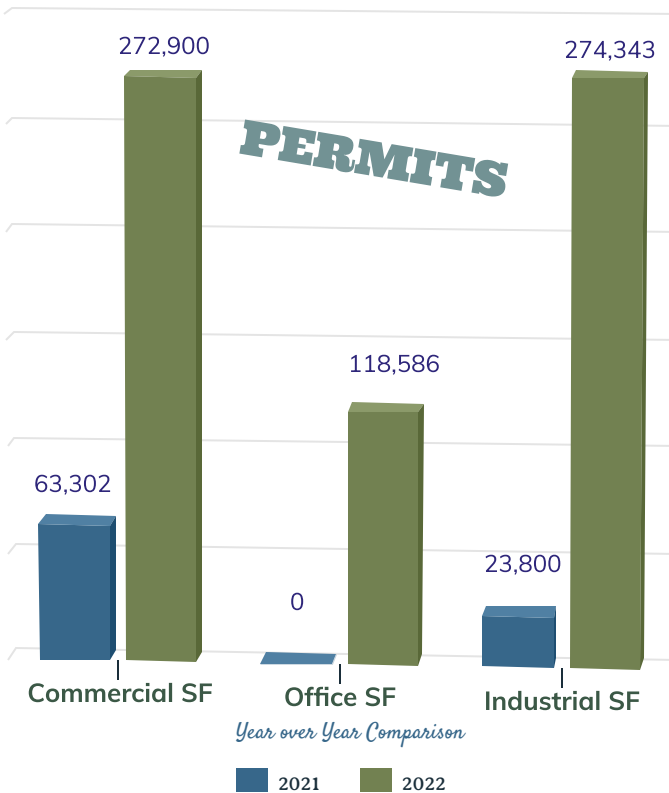
### The Brickyard

- Proposed Redevelopment Project
- Mixed Use Development
- Proposed Rec Center
- Proposed Boutique Hotel

### PSM Library

- Broke Ground May 2022
- Two Story 62,000 SF Library
- Douglas County Library Headquarters

## NEW Construction



## Development Prospects

