



Castle Rock Downtown Alliance

A partnership between the Downtown Development Authority and Downtown Merchants Association

To: DDA Board and Town Council

From: Staff

Date: August 20, 2020

RE: The View at Castle Rock Project

Executive Summary

At the beginning of 2020, the DDA and Town were contacted by a development team that was interested in building a mixed-use project at the northeast corner of 6th and Jerry Street, where P&J Storage Units are currently located. In March of 2020, the proposed project held a neighborhood meeting to share their concept with the public and collect feedback. The project also introduced their concept to the DDA Board and public at a DDA Board meeting on March 5, 2020. At that DDA Board Meeting, the DDA Board approved a motion stating that the project fit the DDA Plan of Development and directed staff to work with the Town and project team as they pursue their proposed project. Staff received feedback to explore the ability to add public parking in Downtown Castle Rock with the project.

For the past several months the project has worked through preliminary engineering and development challenges, working closely with Town and DDA staff, and currently proposes to build a roughly \$50,000,000 mixed use development project. The project proposes to include:

- 218 For-rent Residential Units in 182,028 square feet
- 14,500 square feet of office space
- 5,000 square feet of retail space
- As well as amenities to include a clubhouse, pool and terrace space
- 429 parking spaces (100 spaces proposed to be owned by the Town of Castle Rock)

DDA and Town Staff have been working with the development team and has negotiated terms for a potential redevelopment agreement, that staff believes are reasonable, accomplishes the goals of the Downtown Plan of Development and would improve Downtown Castle Rock. The details of these proposed terms are explained later in this memo.

The proposed deal structure for this project accomplishes a number of goals of the Town and DDA, including adding 100 public parking spaces on the north end of Downtown, as well as adding additional on street public parking spaces, in addition to accomplishing many of the goals in the Plan of Development namely, the addition of retail/restaurant, office and residential space, which brings both attractions to Downtown as well as daytime, evening and weekend customers.

Discussion

Background

As has been discussed in DDA and Town Council and meetings in the past, the Castle Rock community has taken a number of steps including putting in place tools, code, regulation, public boards, etc., with the goal to encourage, facilitate and attract investment and vibrancy to Downtown Castle Rock. These efforts include public meetings with residents, business owners, property owners, Chamber members, EDC members, Alliance members, and Town Council members, to:

- Create the Downtown Advisory Commission
- Pass ballot measures where business owners voted to tax themselves to create the DDA
- Create the Plan of Development (DDA Document)
- Create the Downtown Master Plan (Town Document)
- Update the Downtown Overlay District to encourage a more vibrant downtown
- Update the signage code in Downtown to allow signage that fits in a historic downtown

Before the DDA was created, starting in 2006, recognizing that vibrant Downtown's "don't just happen", the community came together to chart a course to become a more vibrant Downtown. It was this effort that led to the creation of the DDA, and ultimately the creation of the Downtown Plan of Development.

The function of the Downtown Development Authority is to revitalize, redevelop and energize Downtown Castle Rock through strategic public investment that facilitates and provides the infrastructure and environment that allows the goals of the Plan of Development to be realized.

An active and vibrant downtown includes many components. The DDA Plan of Development and industry experts often point to the need for daytime, evening and weekend populations that live, work and play in a downtown, in order to have strong economy. For all of these things to be successful, an abundance of public parking is needed.

This project proposes to bring additional parking, as well as the addition of a daytime population (office space) and an evening and weekend population (residential space), and retail and potentially restaurant space that is so needed in downtown shopping and dining districts.

The creation of a walkable environment, where "window shopping" can occur, is facilitated by development with little to no setback from the street so that pedestrians can find interesting shops, goods and services as they walk. This project would eliminate a large parcel of land that contains block storage units and replace it with a mixed-use building bring retail, office and residential space. In the last 10 years the property across the street to the west and to south have both received investment, as has the property adjacent to the south east, which include the retail and office space at 695 Jerry Street, the tech oriented office space at The Move building at 202 6th Street, and The Wild Blue Yonder Brewery at 519 Wilcox Street. This proposed project and investment would be a nice compliment to recent investment nearby

As the DDA has discussed in the past, downtown industry experts have provided guidance that facilitating projects that bring residents to a community's downtown is one of the best things that you can do to strengthen a downtown economy and vibrancy. It is believed that the growing desire to live in

downtowns is not just a fad, but a long-term trend that is expected to remain for many years and multiple generations into the future, not just the millennial generation. With the recent potential shift in demand for residential space, caused by the COVID-19 pandemic, it is believed that the desire to live in smaller so called second-tier cities in urban environments is expected to increase.

Proposed Project

The proposed project is a mixed redevelopment of a current storage unit site in Downtown. The proposed project proposes the following:

- 182,028 residential SF made up of 218 for rent apartment units
- 14,500 square feet of office space
- 5,000 square feet of retail space
- 429 total parking spaces (400 spaces onsite structured)
 - 100 of those spaces are proposed to be owned by the Town of Castle Rock and used for public parking
 - By Town Code, a credit is allowed from existing commercial space for new development. In this case, the storage units would provide a credit that would not require the proposed office and retail space to provide dedicated parking for this space. However, without this credit, the Town Code would require 39 parking spaces to be provided for the office and retail space. Although not required, the project proposes to provide the 39 dedicated parking spaces for the retail and office.
 - Town Code requires 218 parking spaces for the residential space, and the project proposes to provide 261 parking spaces for the residential space.
 - Currently there are 16 public parking spaces on the east side of Jerry Street, and the project proposes to increase this to 29 angled spaces, and utilize 17 of those spaces for public parking, 10 spaces to be reserved for the retail space, and 2 spaces to be reserved for the office space.

The renderings and floor plans of the proposed project are included with this memo. These renderings will also be included as an exhibit in the proposed redevelopment agreement, and substantial deviation would require approval.

Pro Forma and Gap Analysis

Town and DDA staff utilized the services of Development Research Partners to conduct an independent, unbiased, third party review of the pro forma and gap on this project. This analysis also included a check on developer assumptions and projections. This analysis is included with this memo, and summarizes the following:

- That market and cost assumptions are reasonable.
- The incentives provided by the Town and DDA are necessary for the private developer to generate a reasonable return on investment, without windfall profits.

A copy of this analysis provided from Development Research Partners is included with this memo.

Agreement Structure

The terms of the proposed agreement are outlined below. If approved by the DDA Board now, and Town Council on September 1, 2020, staff will work to draft a redevelopment agreement that accomplishes these items, and will bring it back to the DDA Board and Town Council.

Recognizing the identified gap with the proposed pro forma for The View project in Downtown Castle Rock, and recognizing that the proposed project meets the DDA Plan of Development and helps accomplish many of the goals in the Plan, the following terms are proposed for a redevelopment agreement:

Terms:

- Project to include:
 - 218 Residential Units: 182,028 SF
 - Office Space: 14,500 SF
 - Retail Space: 5,000 SF
 - Parking Spaces: approx. 429 spaces. Per code the following 400 spaces will be within the parking structure:
 - 218 spaces for residential units
 - 100 spaces for the Town of Castle Rock
 - 29 spaces for the office space
 - 10 spaces for our retail/restaurant space
 - The additional 43 parking spaces reserved for the residential space
 - Street Parking after the project is constructed will include 29 angled spaces per below:
 - 17 public parking spaces
 - 10 reserved to retail
 - 2 reserved for office user
 - Note: Current Street Parking includes 16 public parallel parking spaces on Jerry Street
 - Amenities to include clubhouse, pool and terrace space.
- Developer and Town to utilize a share of 2 revenue sources:
 - Property Tax Increment:
 - Town/DDA to share back 55% of Property Tax Increment generated by the project until 2038, with a cumulative cap of \$3,250,000.
 - Sales Tax Increment:
 - Town/DDA to share back 55% of Sales Tax Increment generated by the project until 2038, with a cumulative cap of \$1,000,000.
- Town/DDA to purchase 100 parking spaces for public use by waiving Town Fees and Town Use Tax up to an amount equal to \$30,000 per space purchased, or equivalent to \$3,000,000 in waived fees. Town will pay pro-rata share of maintenance, etc.
- The Town in coordination with IREA will utilize \$100,000 in credits specifically for the burying of off-site utilities.
- The developer proposes to have a 1% Public Improvement Fee (PIF) captured by the development.

Requirements:

- Façade materials to be presented to the Design Review Board and receive approval.
- Façade materials to also be presented to the DDA Board for approval before installation.
- Project to receive a building permit by 6/31/2021.

- Project must receive a Certificate of Occupancy by 8/1/2023 with an optional 6-month extension.
- Project must include infrastructure necessary for at least 1 restaurant tenant (grease interceptor and hood).

An increment payment will only be made to the developer if increment is generated by the project and the district as a whole, and after existing debt obligations are fulfilled.

Project Responsibilities and Development Fees

The developer would be responsible for preparing various applications and proposals for Town consideration. The Town will be responsible for reviewing and processing these applications/requests on a timely basis for Town Council consideration following required public processes.

The Town will receive various permit fees, development impact fees and utility system development fees, which will cover the costs of development review services and capital infrastructure demand created by the project. While these fees are proposed to be waived for the developer in order to effectively purchase 100 public parking spaces, these fees will be paid by the Downtown Special Fund over time as available.

Staff Recommendation

Town staff members and department heads have been part of the team working on this proposed project, as well as the Castle Rock EDC. The Castle Rock Economic Partnership (CREP) including the Town, Castle Rock EDC, Chamber of Commerce, Downtown Merchants Association and Downtown Development Authority have also been working on this proposed project to analyze information presented and identify important and needed components of this project.

Staff recommends that the Downtown Development Authority and Town Council approve this proposed deal structure, and direct staff to draft a redevelopment agreement to be drafted consistent with the details provided above, and bring it back to the DDA and Town Council for action. This recommendation is made because these terms would allow the Town and DDA to purchase 100 public parking spaces in Downtown, as well as add additional on street public parking spaces, in addition to accomplishing many of the goals in the Plan of Development namely, the addition of retail/restaurant, office and residential space, which brings both attractions to Downtown as well as daytime, evening and weekend customers.

Suggested Motion: " I motion that The View at Castle Rock project is consistent with the goals set out in the DDA Plan of Development and direct staff to work with the Town to draft a redevelopment agreement that accomplishes the terms presented today and bring the redevelopment agreement back to the DDA for action."