



2021 Annual Report

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

Re: Castle Rock EDC Annual Report to Investors

Castle Rock Economic Development Council (EDC) is a 501(c)6, nonprofit organization, incorporated in November of 1997 as a partnership between the Town of Castle Rock, Douglas County, private sector businesses and key community stakeholders. The mission today, as it was then, is to facilitate a proactive and collaborative working relationship between the Town, County, and private businesses to execute the Town's vision. Practically, that means, a proactive strategic development effort to attract and retain primary jobs for Castle Rock citizens, grow the tax base from which critical community services are realized and create a business-friendly environment that all support a unique stand-alone community.

The Castle Rock community has grown from 9,000 residents in the 1990's to its current population of nearly 80,000. Castle Rock is currently adding roughly 1,000 new permitted homes each year, which equates to approximately 3,000 new residents. With an anticipated population of 140,000+ at full buildout, it is critical that our work is collaborative, thoughtful, and strategic to encourage the right kind of commercial development that reflects the Town's vision and supports the highest and best use of the developable commercial ground. The objective is to diversify the local economy, create more primary jobs, reduce outbound commuter traffic on I-25 and support local independent businesses. The EDC and its partners must ensure that both current and future Castle Rock residents have a great stand-alone community to live, work, recreate and thrive in. As the residential community grows, it becomes essential that the Town actively seeks out the resources needed to invest in Castle Rock's infrastructure. The question is not if the community is growing, but how is Castle Rock going to effectively influence, invest and prepare for that community growth while maintaining the Town's vision, in keeping the core characteristics that its residents love about the community intact? The only constant in a developing community is change.

Economic Development Services

Castle Rock EDC's core services are outlined below:

- **Growing Castle Rock's Existing Businesses**
 - Business Retention and Expansion (BRE)
 - Small Business Development Advocate
- **Attracting Primary Employers to Castle Rock**
 - Marketing to Brokers, Developers and Primary Employers
 - Serving and Tracking Prospects
 - Business Attraction Team (BAT)

- **Retail Development and Recruitment**
 - Highly Targeted, Strategic Marketing to Developers and Users
- **Positive Business Environment**
 - Castle Rock Economic Partnership (CREP)
 - Development Roundtable Collaboration
 - CEO Roundtable
 - Start Up and Entrepreneurial Infrastructure Support
- **Informed Economic Council**
 - Public/Private collaboration solving strategic micro and macro-economic development issues
 - Economic and Demographic Data, Analysis and Reporting
 - Customized Economic Impact Analysis

Economic Overview – State & Local

Many of the functions of traditional economic development were disrupted due to the continuation of the Pandemic. Challenges associated with remote, hybrid, limited in person meeting and uncertainty in the retail, office and employment markets tempered early expectations within the Front Range Economic Development Community. By mid-year, concerns expanded to supply chain break downs, “quit rates” and inflation.

Despite these concerns, State and local economies fared well in 2021. Colorado generally outperformed the Nation, ranking 4th in labor force participation, 12th for employment growth and 12th for personal income growth. Commercial vacancy/lease rates remained relatively stable even though office occupancy dropped, and retail spending continued to migrate to virtual marketplaces.

Castle Rock also had a stellar year posting YTD sales tax (Oct 2020 - Oct 2021) growth of 14.7%, highlighted by 47% YTD increase at the Outlet Mall (largely attributed to the increase sale/revenue when compared to the 2020 shutdowns) and the Promenade which experienced 18% YTD sales tax growth (largely associated to natural growth and the addition of Whole Foods).

Yearly Sales Tax Revenue						
	2016	2017	2018	2019	2020	2021
Prior Year Collections *	\$ 166,999	\$ 175,216	\$ 82,847	\$ 129,200	\$ 92,664	\$ 81,315
Jan	2,708,833	2,939,153	3,303,966	3,446,276	3,765,446	4,362,286
Feb	2,628,882	2,942,236	3,044,888	3,305,719	3,687,547	4,017,991
Mar	3,274,629	3,856,165	4,103,325	4,364,815	4,438,082	5,156,455
Apr	2,991,981	3,559,192	3,487,035	3,928,407	3,632,258	5,130,611
May	3,235,763	3,703,943	4,043,517	4,181,083	4,284,260	5,317,831
Jun	3,836,672	4,304,723	4,493,392	4,987,026	5,425,011	6,129,278
Jul	3,547,768	3,899,703	4,080,724	4,402,098	5,146,996	5,576,937
Aug	3,551,913	3,898,049	4,266,934	5,295,701	5,061,764	5,480,811
Sep	3,946,825	4,190,106	4,319,640	4,823,346	5,435,934	5,837,471
Oct	3,528,073	3,513,275	3,984,307	4,008,060	4,779,022	5,378,454
Nov	3,479,493	3,877,471	4,104,407	4,316,630	4,836,626	5,583,167
Dec	4,855,770	5,426,023	5,562,531	5,980,282	6,455,117	-
Totals	\$ 41,753,601	\$ 46,285,255	\$ 48,877,513	\$ 53,168,643	\$ 57,040,727	\$ 58,052,607
Year to Year Change		10.9%	5.6%	8.8%	7.3%	

*Town of Castle Rock

Economic Development Uncertainty in the Office Markets Associated with the Pandemic

As part of the 2021 Castle Rock EDC Midyear report, the EDC took a deep dive into the Primary Employment office markets. Primary Employment is the cornerstone of economic development, and the nation was experiencing an unprecedented “quit rate”, identifying that 2.7% of the labor market had quit their job in April without having a replacement job in place at the time of resignation. This event was coined “The Great Resignation” and many believed that it correlated to a workforce pushback associated with the back to the office policies of corporate America. Looking back, office policies may have been an oversimplification, as the months that followed April, the Bureau of Labor Statistics recorded seven months of an elevated “quit rate” between 2.7% in June to 3% in November. In total, an astonishing 38 million US workers quit in 2021.

For additional context, economists typically categorize “quit rate” as an expression of optimism, in that employees quit when they are confident that a replacement job can be found. In contrast, 2021’s “quit rate” largely happened in a less than confident backdrop leaving labor irregularities difficult to interpret. According to Forbes, the top 5 reasons for the Great Resignation include:

- 1) Burnout: 40%
- 2) Company going through organizational changes: 34%
- 3) Lack of flexibility: 20%, Instances of discrimination: 20%, contributions and ideas not being valued: 20% (three-way tie)
- 4) Insufficient benefits: 19%
- 5) Well-being not supported by the company: 16%.

Conversely, the top traits job seekers are looking for in a company include:

- 1) Ability to work remotely according to personal preference: 40%
- 2) Better compensation: 37%
- 3) Better management: 31%
- 4) Better company reputation: 29%
- 5) Better work-life balance: 26%
- 6) Flexible work schedule: 24%.

The remote workforce which was documented in the EDC 2021 Mid-Year Report is still highly discussed within the economic development community, as office development is vital to high growth communities’ economic development policies. Throughout 2021, commercial real estate publications predicted the reimagining of office development. Many concluded a mass exodus of office from urban centers to suburbia, but that has not yet materialized. When attending the Colorado Real Estate Journal’s Office Summit, the EDC experienced a tale of two conferences. The first being the panel which largely suggested that Commercial Office and specifically Denver were foundationally strong. They supported this position by referencing nearly unchanged vacancy and lease rates throughout 2021. However, informally a different conversation was being had. Brokers and developers claimed that significant changes to the office market are still on the horizon and that 2021 lease rates and vacancy stabilization was largely influenced by landlords’ willingness to provide rent abatement to avoid vacancy and decreased rents, which would directly influence valuation. In the end, the consensus was that changes to the office market are still likely, as the market adjusts to the new realities.

This is supported by the Bureau of Labor Statistics, which identified that the national workforce pre-Pandemic had approximately 5% categorized as fully remote and an additional 20% of workers categorized as hybrid. Cushman and Wakefield predict that we should expect those numbers post-Pandemic to settle in at 10% remote and 40% hybrid. While it is reasonable to conclude that Castle Rock will benefit from an increase in remote/hybrid workforce it is important to note that it does not substitute the value of attracting primary

employers to Town, especially when considering the importance of growing the tax base to support the additional operating costs and services associated with a growing community.

In 2017, the Town of Castle Rock and the Castle Rock EDC executed an Economic Development Strategic Plan with the assistance of Economic Planning Systems (EPS), which summarized a vision for growing the Town's economy and provided a set of guiding principles based on the Town's economic strengths and weaknesses. The analysis identified three major initiatives.

- Continue to focus on attraction and growth of primary employment within the EDC's target industries.
- Improve the market position of office development in Castle Rock and continue to incentivize office development in the Town.
- Increase the number of people that live and work in Castle Rock.

These initiatives are especially important when evaluating the effects that the Pandemic has had on the office market in the Denver MSA. The Denver Tech Center (DTC), Castle Rock's number one competitor for primary employment, has approximately 12,300,000 SF of office inventory with an astounding 1,800,000 SF of vacancy (17% vacancy). In contrast, Castle Rock has 1,264,332 SF of inventory with 51,539 SF of vacancy (4% vacancy). This juxtaposition between the two markets has placed Castle Rock in a challenging position. While the EDC is trying to encourage new construction solutions to retain/grow existing employers and entice new employers to relocate, DTC is able to offer a move in ready, less expensive option. An additional challenge is that primary employers are, by definition, location agnostic. They sell their goods and services to markets outside of their trade area, which affords them the opportunity to select real estate based on cost and ability to access employees. In order for Castle Rock to compete for primary employers, our community will need to understand and acknowledge these deficiencies and be willing to strategically apply resources.

2021 Committees & Prospects

Business Attraction Team (BAT) & Business Retention Expansion (BRE)

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 the development community to encourage office development in the Castle 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.

Annual Prospect Report

2021 has been surprisingly active. As Pandemic restrictions have subsided, the economy continues to climb and in some cases, exceed pre-pandemic levels. In turn, Castle Rock and the EDC have seen a strong surge of prospect activity in Q2-Q4 as projects get "back on track". The following is an update of major project activity in Castle Rock for 2021.

Montana Vista (Office/Commercial) – Montana Vista, located off Founders Blvd is home to the headquarters of HEI Civil. HEI Civil recently added a new office expansion that was completed in Q2 of 2021 and the additional office space has been filled. The developer and the EDC are currently working with multiple retail food service industry users to develop the balance of the site.

The Brickyard (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 Castle Rock while simultaneously honoring the historical role of ACME in Castle Rock. While the final vision for the project is still being crafted it will bring a variety of exciting, proposed uses including office, boutique hotel, craft retail and multi-family.

Dawson Trail (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 under contract with Westside Development. The project was originally entitled for 7,900 single family homes and has sat dormant (under suspension agreement) for the past 30 years for a variety of different challenges that encumber the site. Westside Development is currently working with the Town to reactivate the plan of development. The plan includes a proposal to significantly reduce the housing component and increase the open space. In addition, they envision a strong mix of office, retail, and industrial zoned development. Initial market interest has been high, and the EDC is interacting with several different prospects. Should the project move forward it would make a significant contribution to the Crystal Valley Interchange. The passage of the TABOR Timeout in November of 2021 by the Castle Rock voters will be a significant boost to the funding of the interchange which will ultimately reduce traffic in the area upon completion.

Miller's Landing (Mixed Use) – Is a 65-acre site situated between Philip S. Miller Park and Downtown Castle Rock at the northwest corner of Plum Creek and I-25 with excellent access and visibility from the interstate. The Town of Castle Rock and the EDC originally created an Urban Renewal Authority (URA) with the existing taxing entities at the site in 2012 to help attract a private developer, create a higher and better use at one of the Town's major interchanges, and mitigate the challenges associated with the municipal landfill, which occupied the property.

In 2017, P3 Advisors took ownership of the property, assembling the two parcels that made up the entirety of the URA, placing it under a single ownership and entered into a Public Finance Agreement (PFA) with the Town of Castle Rock and the URA. P3 Advisors removed the landfill in 2019 and have fully remediated the site, completed pre-construction planning and is actively marketing Miller's Landing to prime hotel operators and office users through national, regional, and local efforts collaborating with Denver Metro Denver EDC and Castle Rock EDC. P3 Development envisions a mixed-use site that includes hospitality, retail, office, and mixed-use residential. P3 is actively working with the Town to move forward on infrastructure that is anticipated to begin construction in Q2 of 2022 for pad site delivery.

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 Arapahoe Community College Sturm Collaboration Campus. The Meadows COI ground has vast ability to attract primary employment to Castle Rock. Currently the EDC is collaborating with Castle Rock Development Company on a significant primary employer that has proposed to occupy 40,000 SF of an 80,000 SF industrial flex building. The project will also include a second 80,000 SF speculative industrial building, for a total of 160,000 SF of new industrial product. 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. The Castle Rock Development Company has made the decision to invest in putting in the infrastructure, including a bridge connecting their property along HWY 85. As a result, they have seen tremendous interest in their site and there are several parcels currently under contract.

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 Riverwalk and Encore coupled with Festival Park has driven some exciting activity in Downtown. The EDC, in close collaboration with DDA is currently working on the retention and expansion of two existing primary employers, the development of a mixed-use office/retail project, iconic regional retailer, medical office building, library re-development, and additional restaurant concepts.

Wolfensberger Trade Area (Industrial) - While much of the Wolfensberger Trade Area is built-out, there remain a few pockets of development potential and many re-development opportunities. In 2021 the EDC finalized an agreement to retain a longstanding family business that continues to grow and add jobs in the community.

The Promenade at Castle Rock (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 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 is close to stabilization with approximately 750,000 SF that has been delivered to the market. The Town and Alberta have finalized an agreement for the development of Block 3A, that will bring a mixed-use development that includes multi-family, restaurants, and small format office. Additionally, the EDC is working with Alberta Development Partners to bring a 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, home to over 100 name brand stores and receives approximately 6 million visitors per year. The Outlets continue to be a strong economic engine of sales tax generation for the Town. With the addition of In-N-Out Burger in 2022 the Outlets will remain in a position to grow their regional retail presence.

Prospect Challenges

While the qualified prospects and expansions present great opportunities they also expose one of our major challenges to primary employment in the community, the lack of available office space. 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 (Tecobi and White Construction) were forced to leave the community due to lack of available office space to accommodate their growing companies. The factors working against Castle Rock were low vacancy rate, high rent/development costs, 1.8 MM SF of “ready to go” available office space in DTC and the time needed to bring new construction to the market. All of these factors put Castle Rock in a very difficult position to attract and retain primary employers.

Development Roundtable

The Development Roundtable was established with the objective to bring Town staff and the development community together. To build trust, 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.

2021 Discussion Items & Updates

- Town Development Activity Updates
- Yellow, Red Green Application Standards
- Electric Code Stakeholder Meetings
- Proposed ballot measures for General Fund
- 1041 Regulations
- Tankless Water Heater Implementation
- Water Rates & Fees
- 1041 Regulations
- Water Efficiency Plan Changes
- Landscape & Irrigation Inspection Fees
- Water Meter Set Inspection Fees
- Water Resources Strategic Master Plan Update
- Updated Recommendation on System Development Fees for 2022
- Construction Site Holiday/Weekend Work

Sub-Committee Breakout Meetings

The Water Sub-Committee held monthly meetings throughout 2021. This sub-committee is led by the Town of Castle Rock Water Department and the private sector. The following topics have been discussed:

Water Subcommittee

- Landscape & irrigation criteria manual
- Changes to Water Efficiency Plan Guidance
- Potential gray water system pilot test project
- Changes to water efficiency plans for developers
- Using ColoradoScape for site development plans
- Potential changes to Allied Water meters
- Landscape and meters set inspection
- New meter tampering policy
- Water efficiency plans
- Update to the Water Shut-Off Policy
- Non-Residential Landscape Inspection Fees
- Meter Set Inspection Details
- Water Resources Master Plan Update & Open House
- Meter Supply Situation
- Meter Set Inspections
- ColoradoScape

Pandemic Community Support

FirsTier CommUNITY Loan Program

In 2020, the EDC, in partnership with the Town of Castle Rock and Town Council, leveraged \$400,000 of the Economic Development Incentive Fund with FirsTier Bank to offer \$2,000,000 in 0% interest loans to Castle Rock businesses during the Pandemic. FirsTier Bank was the lead financial partner, and the loan servicing and underwriting was supported by Colorado Lending Source (CLS), which is now BSide Capital. The loan program began on June 25th and concluded on August 31st, 2020. In total, 35 businesses applied to the loan program and 24 loans were approved, for a total funding of \$600,000 in support of Castle Rock businesses. Following the conclusion of the loan program \$159,317 of unused Economic Development Incentive Fund dollars were returned to the Town. The balance of the loans remain current and in good standing with the exception of one that is in “work out” with BSide Capital. When the loans are completed in 2022 the balance will return to the Economic Development Fund.

KIVA Loan Program

In partnership with the Town of Castle Rock and CLS, now BSide Capital, the EDC unveiled the KIVA Loan Program, a crowd sourcing loan platform, in April 2020. KIVA offered 0% interest loans up to \$15,000. Qualifying Castle Rock businesses were eligible for up to \$4,000 or half their raise (whichever was less) from the Economic Development Incentive Fund. The EDC became a KIVA Trustee on the online platform. This enabled the EDC to endorse Castle Rock businesses as worthy investments to the greater KIVA investor community. In total \$25,000 from the Economic Development Incentive Fund was invested in 16 local businesses allowing them to leverage this investment to \$146,000 through the private raise. Currently, 6 businesses have fully repaid their loan, 6 are in their repayment phase, 4 are delinquent and are in “work out”.

Regional Collaboration

Castle Rock EDC collaborates regionally with the Metro Denver EDC, Denver South and Douglas County.

In Q3 of 2021 Castle Rock EDC participated in the Metro Denver EDC Site Selection Conference and the key takeaways were that Metro Denver is a hot market for talent, but the rising cost of housing and its lack of diversity are areas in which the Metro Denver needs to improve.

In Q4 of 2021, Castle Rock EDC and its economic development partners throughout the County worked alongside the Douglas County Commissioners to launch a platform to collectively market Douglas County’s assets to brokers, developers, and business leaders. The Douglas County Partnership of Governments, economic development committee, will be completing a strategic plan and a proposed budget in Q1 of 2022. That group will be examining the feasibility of a launch in Q3 of 2022. If adopted, this would give Castle Rock EDC and its economic development partners the opportunity to market Douglas County to a wider national audience.

2021 Annual Report Summary

While the first quarter of 2021 was erratic due to Pandemic restrictions and concerns around the Delta variant, the Castle Rock market saw increasingly strong performances from both the retail (+14.7%) and primary job markets (RHG, Kolbe Striping, SRP). The fate of the office market continues to be uncertain across metro Denver and the nation as “stop-gap” measures were deployed by landlords to keep renters in place. In contrast, Castle Rock continues to suffer from a lack of available office space which continues to be a major impediment to attracting and retaining primary employment. However, there is reason for optimism as Q4 provided some promise on the horizon with The Brickyard, Dawson Trail, The Meadows, and Miller’s Landing all announcing major infrastructure improvement plans that should help activate the market in Castle Rock. Those private investments combined with the ballot measures that passed in November of 2021 supporting “Parks & Recreation” and the “TABOR Time Out” supporting infrastructure/safety improvement all provided optimism. While many national and state macroeconomic policies and challenges remain, Castle Rock EDC is optimistic that the Castle Rock economy will remain strong through 2022 as both online retail revenue and new dining options continue to grow in the community.

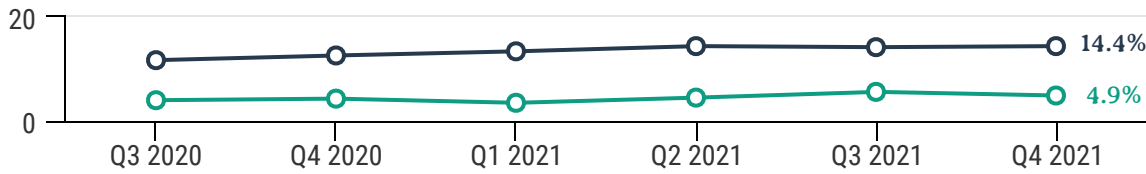
Respectfully,

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.

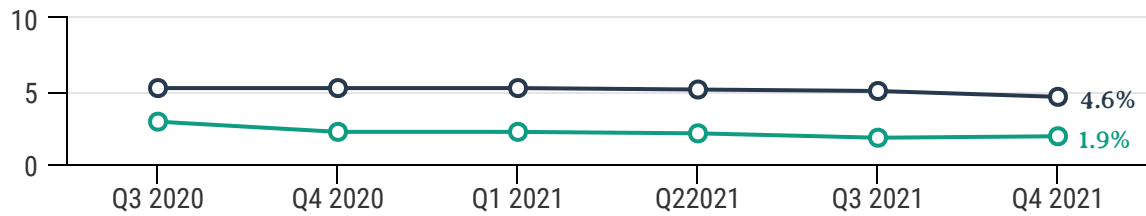
Frank Gray
CEO

Vacancy Rate Percentages

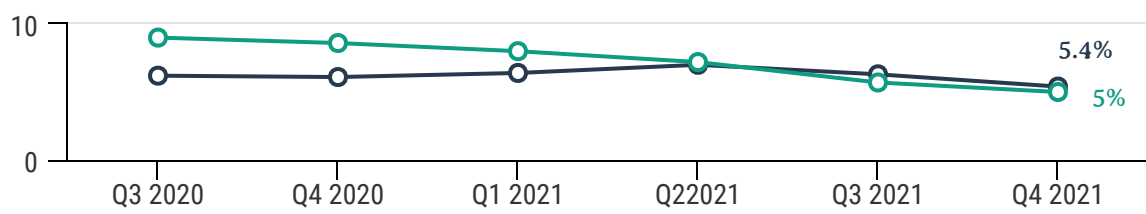
Office %



Retail %



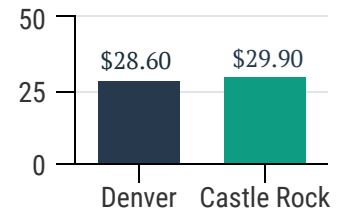
Industrial & Flex %



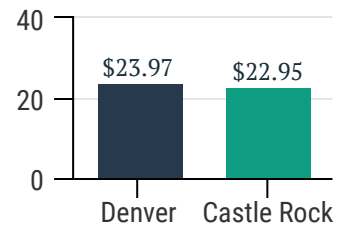
○ Denver ○ Castle Rock

Q4 Lease Rates

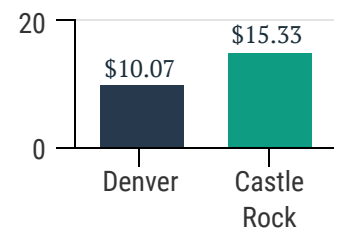
Office



Retail



Industrial & Flex



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

Unemployment Rate Comparison

-Not Seasonally Adjusted, US Bureau of Labor Statistics

	April 2020	June 2020	Nov 2020	June 2021	Nov 2021
Castle Rock	10.4%	9.3%	5%	5%	3.4%
Denver	12.4%	11.8%	7%	6.3%	4.5%
State of CO	12.1%	11.3%	6.9%	6.2%	5.1%
National	14.8%	11.1%	6.7%	5.9%	4.2%



YOY Comparison

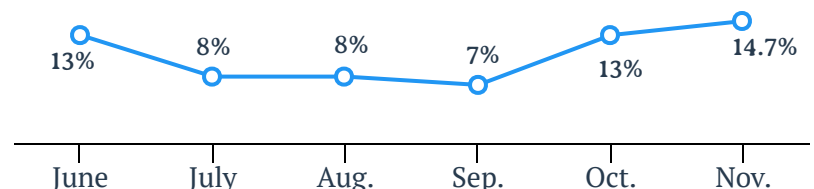
Sales Tax

YOY % Change



2020
+7.3%

2021
+14.7%





Recent Development Activity

Dawson Trails

- Proposed Master Planned Development
- Mixed Use
- Commercial
- Industrial
- Residential

Montana Vista

- Office Expansion Complete Q2 of 2021
- Proposed Restaurant Concepts

Castle Rock Adventist Health Campus

- 4th Floor Build Out Complete
- MOB #3 in Development Process

The Brickyard

- Redevelopment Project
- Mixed Use

PSM Library

- Proposed Project
- Two Story 62,000 SF Library
- Douglas County Library Headquarters

Encore

- 100% Sold - Residential & Commercial
- Residential move in's began in Q4
- 30,000 SF Commercial, majority OPEN
- 300+ Public Parking Spaces Now OPEN

The View

- Approved by Town Council in April
- 14,232 SF of Office Space
- 5,000 SF of Restaurant Space
- 221 Residential Apartments
- 399 Public Parking Spaces + 11 Additional Street Spaces

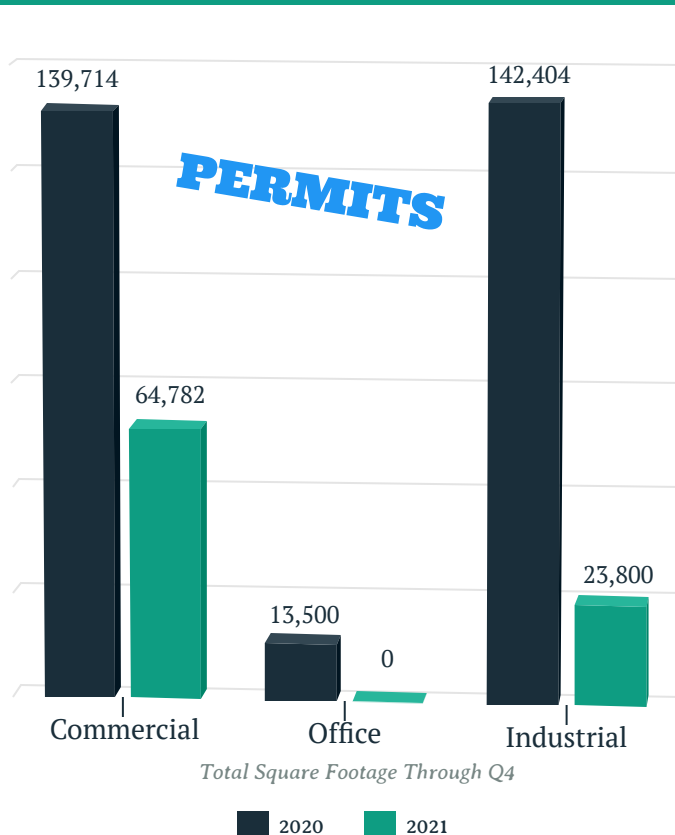
221 Wilcox

- Proposed Mixed-Use Development

Meadows COI Ground

- Primary Employer
- Proposed, 2 - 80,000 SF Industrial Flex Buildings

NEW Construction



Development Prospects

