

Mayor, Town Council, County Commissioners and Economic Development Council Investors:
Re: Castle Rock EDC 2024 Annual Report

The 2024 Castle Rock economy could best be classified as defiant. Despite some macro headwinds (higher interest rates and declining new home permits) the Castle Rock market continued to plow forward and defy many of the regional and national trends with positive news and indicators. Of note, the Town's sales tax was up nearly 5% (YOY), the Citizens of Castle Rock approved a sales tax increase for Public Safety, the Town and Westside Development LLC broke ground on the new Crystal Valley Interchange and finalized agreements with Costco, HealthOne and Kroger. Additionally, there were encouraging long-term Economic Development investments made in 2024 with the purchase of the Lost Canyon Open Space, the Pre-Annexation agreement with Pine Canyon and the partnership of Westside LLC and Stapleton Family on Castle Meadows. All great indicators that Castle Rock is primed to outperform state and national forecasts again in 2025.

Economic Overview – State & National - provided by CU Leeds School of Business

Colorado ranks 12th in one-year employment growth (Nov. 2024), 38th in GDP growth (Q3 2024), and 20th in income growth. Benchmarking against the state itself, year-over-year employment growth slowed from 2.1% in November 2023 to 1.8% in November 2024, GDP growth slowed from 4.8% to 1.7% in Q3 2024, and average weekly wages largely maintained the pace of growth (4.9% year-over-year in November 2024 versus 4.8% in November 2023).

The 2025 Colorado Business Economic Outlook projects growth of 36,700 jobs in 2025, an increase of 1.2%. Aside from the pandemic losses in 2020, this would yield the slowest employment growth since emerging from the Great Recession in 2010-2011. Nearly all industries are projected to add jobs in 2025, led by Education and Health Services (8,900 jobs), Government (6,500 jobs), and Construction (6,000 jobs). Goods-producing industries (mining, construction, and manufacturing) are projected to all post gains in output.

Demographics appear to be working against the state. An aging population with tens of thousands of new retirees each year, coupled with slow net migration to the state, place pressure on the labor force. Intuitively, slowing labor force growth means slower employment growth, slower employment growth means slower aggregate personal income growth, and slower personal income growth means slower consumption. (As an aside, Colorado taxable sales grew just 0.8% through the first nine months of 2024). Colorado boasts the 4th-highest labor force participation rate in the country, with 67.9% of the population 16 and over opting into the workforce. This is close to first place, held by Tennessee with 68.2% of the population in the labor force, and well above Mississippi, which tallied a rate of 55%. Long-term demographic trends are impacting labor force participation across the country.

Colorado's labor force participation rate peaked at 74.1% in 1998. In 2023, if Colorado's rate matched the rate in 1998, that would equate to an additional 268,000 individuals in the state's labor force—plenty of room for growth. But compared to 1998, Colorado's population grew by 44%, while the 25-64

population grew 40% and the 65+ population grew 141%. Notably, Colorado's participation from the younger side (25-29 and 30-34) ranks high—3rd and 4th, respectively, in 2023, with rates higher than they were in 2013. Thus, it may be difficult to add significantly to the labor force without growth in net migration. Population growth through migration—domestic and international—imports a ready workforce. But over the past three years, Colorado recorded the slowest period of net migration since the early 2000s.

States with the greatest share of population 65 and over still record economic growth, and even states with a decreasing total population still tend to post growth in real output. There is a long-run positive correlation between labor productivity and real GDP growth. Growth in productivity can continue to maintain state economic growth.

Douglas County population recorded the second-fastest growth in 2023 and touts the 6th-largest population and the 5th-highest personal income in the state. The county has outperformed the state in net migration, according to data from the State Demography Office, a trend that is expected to continue, helping the local supply of labor.

Colorado maintains above-average growth in labor productivity, and the state is poised to continue to post growth in GDP, especially if the state can maintain productivity gains. Colorado should maintain economic growth even in a slower employment and older population environment.

Brian Lewandowski is the executive director of the Business Research Division at CU Boulder's Leeds School of Business. He may be reached at brian.lewandowski@colorado.edu.

Sources: Employment, wage, and productivity data was sourced from the Bureau of Labor Statistics, GDP and personal income data was sourced from the Bureau of Economic Analysis, and population data was sourced from the U.S. Census Bureau and the Colorado Department of Local Affairs, State Demography Office.

2024 Committees, Strategic Attraction, Development & Prospects Updates

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

Committees

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

- BAT oversees the strategic attraction of new primary employers to Castle Rock, by actively working with the Town of Castle Rock, Douglas County, the Douglas County EDC and industry partners (ACC, CSU, DCSC, Metro Denver EDC, and EDC Investors) to identify targeted industries (i.e. Aerospace), participate in site selection activities, support community place making and foster a business-friendly environment.
 - Year-to-date, Castle Rock EDC worked with 67 prospective business and development prospects.
- BRE recognizes that 70% of job growth in a community occurs from existing businesses. The BRE Committee 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 2024, BRE Committee has met with over 43 Castle Rock based businesses. These

businesses include primary employers, local retailers (restaurants) and national retailers. Highlights from these visits include the following.

- Castle Rock Primary Employers
 - Generally, report they are experiencing growth and continue to hire throughout 2024/2025.
 - They report that inflation is a significant challenge to capital investment.
- Local Retailers (specifically restaurants)
 - Reported a flattening of sales, largely driven by consumers spending less on entertainment and non-essential items.
 - They also reported that their margins have been affected by not being able to pass on the additional cost of goods sold to their customers.
 - Labor costs continue to rise.
- Discount Retailers (The Outlets at Castle Rock)
 - Reported increase in sales as consumers look to value shop.
 - The Outlets opened 24 new stores since Q4 of 2023.
 - The Outlets have established the largest collection of outdoor lifestyle brand retailers in the county.

Strategic Attraction Initiatives

Douglas County Economic Collaborative:

Castle Rock EDC partners with Douglas County on many fronts through the Douglas County Economic Collaborative. The Collaborative meets quarterly with key staff and elected officials from each community and provides Castle Rock with additional opportunities to collaborate regionally and leverage resources to gain additional exposure to targeted industries.

In July of 2024, The Douglas County Commissioners made an investment in economic development creating the DOUGLAS COUNTY EDC (Formerly *the NW Douglas County EDC and Chamber*). The Commissioners passed a series of economic development incentives for the unincorporated portions of Douglas County and have provided over \$900,000 of programing and marketing for Douglas County economic development.

Aerospace:

Colorado's aerospace industry is poised for continued growth in 2025, building upon its established position as a national leader in the sector. The state boasts the highest concentration of private aerospace workers among the 50 largest U.S. metropolitan areas, with over 33,460 employees and 290 companies as of 2020.

Recent developments underscore this growth trajectory. In December 2024, Safran Defense and Space, Inc. announced plans to establish operations in Douglas County, marking a significant addition to the state's aerospace ecosystem.

Moreover, Colorado's commitment to fostering a skilled workforce is evident through institutions like Arapahoe Community College's aerospace curriculum commitment, which is being designed to prepare the next generation of aerospace professionals.

While the broader economic forecast for Colorado in 2025 anticipates slower growth compared to previous years, the aerospace sector remains a bright spot. The state's diversified economy and

strategic investments in high-tech industries position it well to leverage the expanding demand for aerospace products and services.

Castle Rock EDC continues to target Aerospace as a viable industry cluster that would serve as a catalytic economic development initiative for the community. Over the last year, the EDC has worked with representatives of Lockheed, United Launch Alliance, Boeing, Booz Allen, Nooks, Raytheon, Castle Rock Development Company, Bryan Construction, Jones Lang LaSalle (JLL), Arapahoe Community College (ACC), Colorado State University (CSU), and the Douglas County School District (DCSD) to identify targeted projects that would be of benefit to the aerospace community and could locate in Castle Rock. These efforts have identified two distinct projects that are currently being pursued with the support of the aforementioned industry partners. The first is the establishment of an aerospace campus and the second is the development of a coworking SCIF (Secure Compartmental Information Facility).

Ongoing Aerospace Objectives

- Continue to work with industry partners to identify and build community assets that support the aerospace industry.
 - Work with ACC, CSU, and DCSD to create an Aerospace curriculum for the Sturm Collaboration Campus.
 - Work with Castle Rock Development Company and Nooks to support the development of a co-working SCIF in Castle Rock.
 - Continue to build industry partnerships in aerospace.
 - Continue to participate in aerospace trade organizations.
 - Aerospace Sector Partnership meetings
 - Colorado Space Symposium
 - Colorado Space Business Roundtable

Data Centers:

The data center industry in Colorado is experiencing notable growth, driven by the increasing demand from technology and artificial intelligence sectors. A report by JLL highlights the potential for a significant rise in data centers in the Denver and Colorado Springs areas, attributed to the expanding tech landscape. Denver, in particular, has become a central hub for large tech companies, which fuels the demand for colocation, cloud, and connectivity services. The city is currently home to at least 30 colocation data centers from 15 providers, as well as enterprise data centers owned by major corporations.

However, this rapid expansion presents challenges, as data centers are substantial consumers of electricity and water. The increasing electricity demand from data centers is currently outpacing supply. Xcel Energy has reported receiving 8,900 megawatts of requests from data center companies, prompting the utility company to unveil a \$45 billion capital plan to address anticipated demand.

Castle Rock is currently engaged with two data center prospects. Data centers provide value to the Town in the form of sales tax, franchise fees, use tax, coupled with low traffic/impact for services. Both The Meadows and Dawson Trails developments are under consideration based on their ability to provide the prerequisite power.

Development & Prospects Updates

The Meadows (Commercial/Retail/Residential) – 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 AdventHealth Castle Rock and the ACC Sturm Collaboration Campus. The Meadows COI ground has the 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 completed two 80,000 SF buildings that boast 93% occupancy.

2024 Meadows updates include:

- Development is under way on the last 77 single family lots (Chateau) which is located west of the golf course off Coachline Road. Homes should be available in 2025 with pricing starting at around \$1.2 million.
- The Meadowmark, a 200-unit affordable senior apartment project, opened in December of 2004. The project is located off Timber Mill Parkway and North Meadows.
- 77 apartments and for-rent townhomes currently under construction in the Town Center with an anticipated completion of mid-2025.
- The Castle Rock VA Clinic broke ground in January 2024 and anticipates opening in Q2 2025.
- Construction of Kiddie Academy branded daycare facility broke ground late summer of 2024.
- AdventHealth Oncology Center has submitted permits to begin tenant improvement work this fall with a projected completion date of Q2 2025.
- New Class A Medical Building on Meadows Parkway, 4 Stories - 60,000 SF – 15,000 SF floorplates.

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 blighted site to the community while simultaneously honoring the historical role of ACME in the Castle Rock Community.

The Brickyard will be a regional destination for recreation, travel, living, and dining. The 31-acre master planned mixed-use development is located directly west of Downtown Castle Rock and adjacent to the regionally renowned Philip S. Miller Park. Visible from I-25, the Brickyard will have easy access to the interstate via the Plum Creek Interchange and will connect to regional bike and walking trails.

The Brickyard will be anchored by the new Castle Rock Sport Center, a 144,000 SF state-of-the-art facility containing an Olympic-sized swimming pool, multiple basketball and sport courts, a weight room, play areas, and fitness rooms. The Brickyard will also include a 125-room hotel and spa with a restaurant, lobby bar, and event space. In total, The Brickyard will include 32,000 SF of restaurant, retail, and event space, 57,500 SF of office space, and 511,500 SF of multifamily residences. The 535 residential units will include a variety of housing types including townhomes, garden-style apartments, and traditional apartments.

The project is planned to be developed in 3 phases and will go in front of Council in early 2025. Phase 1 is scheduled to break ground in Q2 of 2025. Phase 1 includes mixed-use residential, ground-floor restaurant, retail, office, and Sports Center. Phase 2 will add additional residential, two mixed-use commercial buildings, and the hotel. The final phase will include lower-density residential buildings and town homes.

Dawson Trails (Commercial/Retail/Residential) - The Dawson Trails project is in the southwest quadrant of Castle Rock on the west side of I-25. The property is owned by Westside Development. 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 encumbered the site. In early 2023, Westside Development and the Town of Castle Rock agreed to a plan that includes increased open space, a reduction in housing units to 5,800 and includes \$50M of private bond funding for the Crystal Valley Interchange. In addition, agreements have now been reached with COSTCO, Kroger and HealthOne to occupy a significant portion of the 3.2 million SF of available commercial ground with several additional opportunities working through letters of intent. The Interchange is now under full construction with progress moving as planned led by Kraemer North America and scheduled for delivery in early 2027. The first 500 single-family lots are currently in permitting with the Town of Castle Rock with another 100 townhomes in the pipeline.

Miller's Landing (Mixed Use/Management Change) – 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 previously occupied the property. P3 Advisors removed the landfill in 2019 and have fully remediated the site. In 2023 Crown Community Development (CCD) took the lead on the property's development. The team at CCD is currently in the process of reassessing the site and evaluating potential partnerships.

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 projects, which include projects of beautification, projects that increase commerce, development and re-development projects which impact the experience in Downtown Castle Rock in a positive way. Downtown is excited about several projects that continue to make progress including:

- The View, consisting of 14,250 SF of office space, 5,000 SF of restaurant space, 221 residential apartments, 399 parking spaces, of which 100 will be dedicated to the public, continues to make progress on construction and expects completion in summer of 2025.
- Riverwalk Luxe, located at 221 Wilcox, is a mixed-use project that includes 28 residential apartments, 11,257 SF of office space, 8,353 SF of retail space, 28 subsurface and 27 offsite parking spaces. The project completed construction in late July and residents began moving in prior to the end of the year. First-floor commercial space will be occupied by Homegrown Tap & Dough and Playa Bowls. These tenants were in process with the Town of Castle Rock at the end of the year to complete their own tenant improvements. The second-floor office space has been completed and is currently occupied.
- The Historic City Hotel property at 415 Perry Street plans to fully restore the historic structure and incorporate a food and beverage concept into the restored space. Plans also include a newly constructed 4-story building which will wrap the historic structure and connect via breezeway. The new building consists of a boutique 33-room hotel, first floor leasable retail space and rooftop bar. The project was first presented to the DDA Board in the fall of 2023, and was approved by Town Council in January 2025.

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. In 2024 Los Dos Petrillo's opened to huge success. The Brinkerhoff is currently under construction and will integrate an intimate event center slated to open in Q2 of 2025. Other 2024 announcements include, The Lazy Dog, Woodspring Suites Hotel and the Alana Apartments (300 units). Leasing at the Alana is exceeding expectations and stabilization is expected in early 2025. There is about 75,000 to 100,000 SF remaining to full build out.

The Outlets at Castle Rock (Retail) – The Outlets at Castle Rock are 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 continue to be a significant economic engine of sales tax generation for the Town, attracting visitors from around the region, which fuels critical services of the Town. They are currently 97% leased with almost all national name brand stores. 2024 holiday sales represented some of the highest volumes many retailers have achieved since opening.

<i>Store Openings Since Q4 2023:</i>	<i>Opened in the 2nd half of 2024:</i>	<i>Announced 2025 Openings:</i>
<ul style="list-style-type: none"> • Ariat • Cotipaxi • Crocs • Fabletics • Flip Flop Shop • Freebird • Michale Kors Expansion • Pandora • Prana • Rally House • Sorel • Spyder • Stance • Timberland 	<ul style="list-style-type: none"> • Mammut • Tumi • Hollister • New Balance • Altra Footwear • Spencer's • Hey Dude • Spencer's • Paris Market Vintage • Sola Salons 	<ul style="list-style-type: none"> • Sephora Opening • Vuori Outlets • Huntington National Bank • Arc'Teryx (Expansion)

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 the 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.

2024 Discussion Items & Updates

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| <ul style="list-style-type: none"> • Process Streamline/Continuous Improvement • Castle Rock Fire; Wildland Urban Interface State Regulations, Responsibility of Fire and Life Safety, Enhanced Communication Efforts • Castle Rock Development Services; Budget/Fee Updates, Staffing Updates • 2024 Building Code Updates | <ul style="list-style-type: none"> • Market Challenges • Communication to Developers, 2024 Building Code Update • Pine Canyon Development/Pre-Annexation • Building Remodel Permit Types • Draft Updates to ColoradoScape Criteria • Crystal Valley Interchange • Project Updates: Crystal Valley, City Hotel, The View, Brickyard, Dawson Trails, The Meadows |
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- CIP Priority List
- Areas of Improvement: SDP

Sub-Committee Breakout Meetings

Water - Subcommittee has continued to meet monthly and has 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:

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| • No Turf Ordinance Policy Change | • Update to the Mile Hi Flood Plan |
| • Long Term Water Update | • Grey Water; New Legislation, Current Pilot |
| • Plumbing Code Changes | • Stormwater Design Criteria |
| • Meters Update | • Drought Plan Stakeholder Meetings |
| • Water Dedication Code Changes | • Rates and Fees Schedule |
| • After Hour Repairs | • Supply Side Plumbing Study |
| • Landscaping & Irrigation Criteria Manual | • ColoradoScape Proposed Changes |
| • PCWRA Industrial Pretreatment Guidance | • Variances |
| • Groundwater Dedication | • Stormwater Criteria Changes |

Development Process - Subcommittee meets quarterly and is led by the Town of Castle Rock Development Services Department and the private sector. The following topics have been discussed thus far:

- Site Development Land Process
- Building Tenant Finish Application/Process
- What's Working, What's Not, Ideas to Improve
- Town Feedback from Staff and Developers
- Developer Feedback to Town
- Areas for Improvement
- Common Commercial Tenant/Building Remodel Building Permit Types

2024 Annual Report Summary

In 2024 the Castle Rock economy was stubbornly consistent and positively defiant. Despite regional and national headwinds that include, elevated interest rates, rising inflation, increases in labor and construction costs, the Castle Rock market continued to show positive current and future economic vitality. The EDC continues to make progress in the Aerospace and Data Center industry sectors. Castle Rock will need to stay increasingly diligent, patient, and selective while maintaining its focus on quality long-term investments in primary employment and infrastructure. Dawson Trails, The Brickyard, The Promenade, The Outlets, The Meadows COI and Pine Canyon have all made steady progress in 2024 and that will be realized in 2025 and beyond.

Respectfully,

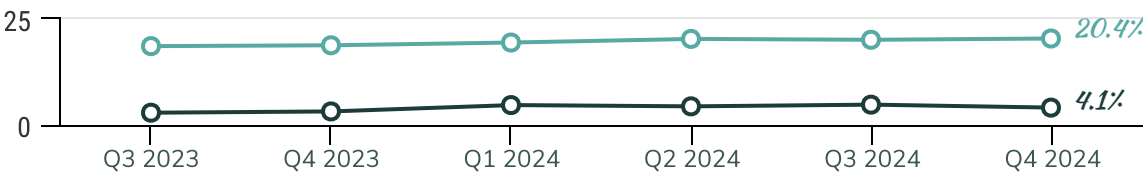


Frank Gray; Castle Rock EDC CEO

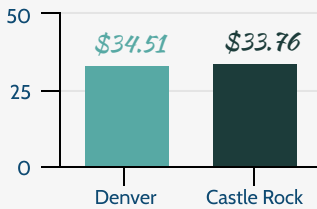
Vacancy Rate Percentages

Lease Rates

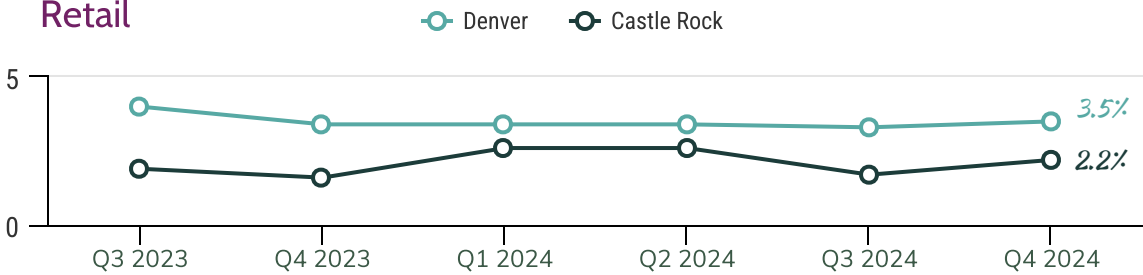
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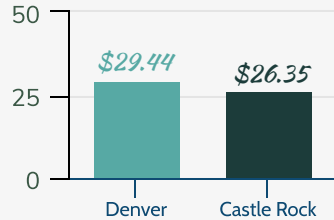
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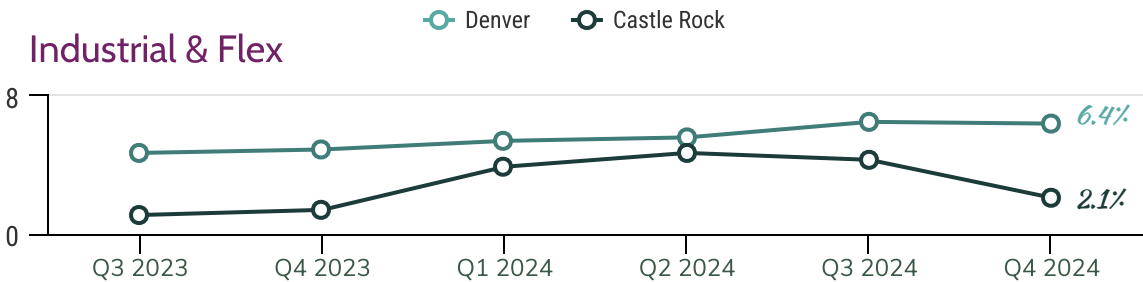
Retail



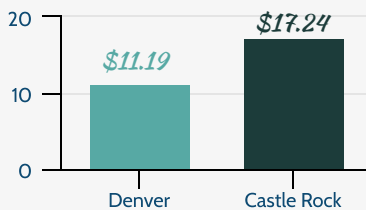
Retail



Industrial & Flex




Industrial & Flex



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

Denver Castle Rock

Unemployment Rate Comparison

	Oct 2021	Oct 2022	Oct 2023	Oct 2024
Castle Rock	3.5%	2.4%	3.1%	4.4%
Douglas County	3.5%	2.3%	3%	4.3%
State of CO	4.6%	2.9%	4.1%	4.1%

-Not Seasonally Adjusted, US Bureau of Labor Statistics

YOY Comparison

Sales Tax

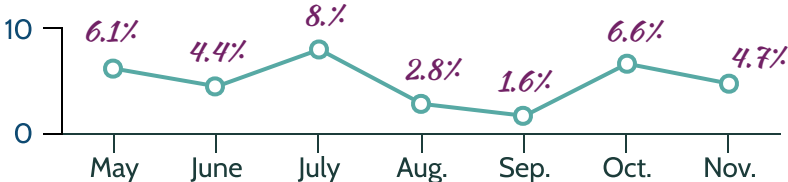
YOY Monthly Comparison



2023
+2.6%

2024
+5.0%

*Through Nov.



*Data Provided by the Town of Castle Rock



Recent Development Activity

The View

- Under Construction
- 14,250 SF of Office Space
- 5,000 SF of Restaurant Space
- 221 Residential Apartments
- 399 Parking Spaces
- 100 of the 399 are Public

Riverwalk Luxe

- Completed Fall 2024
- 28 Luxury Residential Apartments
- 28 Subsurface Parking Spaces
- 27 Offsite Parking Spaces
- 11,257 SF Office
- 8,353 SF Retail

The Meadows

- AdventHealth Oncology Center (under construction, TI)
- Meadowmark Assisted Living (completed)
- New Meadows Parkway MOB
- VA Clinic (near completion)

Dawson Trails

- Approved Master Planned Development
- Sitework Under Construction
- 5,850 Residential Units
- 748 Acres of Open Space
- 3.2 Million SF of Commercial
- Crystal Valley Interchange (under construction)
- Health One Campus Agreement
- Costco Agreement
- Kroger Agreement

The Brickyard

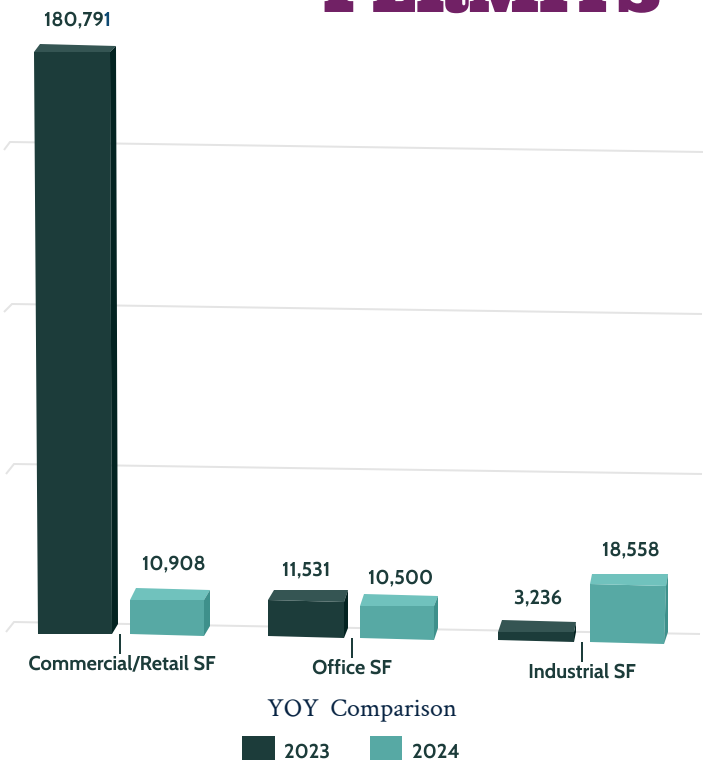
- Proposed Redevelopment Project
- Mixed Use Development
- Proposed Rec Center, Office, Boutique Hotel, Multi-Family Residential

Promenade

- The Brinkerhoff (under construction)
- Coming Soon: Lazy Dog, Woodsprings Suites Hotel, Alana Apartments

NEW Construction

PERMITS



Development Prospects

