



## STAFF REPORT

**To:** Honorable Mayor and Members of Town Council

**Through:** David L. Corliss, Town Manager

**From:** Mark Marlowe, P.E., Director of Castle Rock Water  
Matt Benak, P.E., Water Resources Manager

**Title:** **Resolution Approving the Purchase and Sale Agreement for the Castle Rock Reservoir Property and the Extraterritorial Water and Wastewater Service Agreement between the Town of Castle Rock and the Plum Creek Trust** *[Douglas County near Sedalia, Colorado]*

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### Executive Summary

The purpose of this memorandum is to seek Town Council approval of a resolution (**Attachments A**):

- 1) A Purchase and Sale Agreement with Plum Creek Trust for a 145 acre parcel near Sedalia, Colorado, upon which current and future Castle Rock Water infrastructure resides and is being constructed; and
- 2) A Water Service Agreement with the PCT which describes how Castle Rock will service a potential future development on lands adjacent to the 145 acre parcel (see **Attachment B**).

Key terms of each agreement are as follows:

- 1) Purchase and Sale Agreement
  - a. Castle Rock will pay \$2,269,794 for the 145 acre parcel.
  - b. All non-renewable groundwater underneath the parcel will be transferred to Castle Rock as part of the purchase.
  - c. All mineral rights under the property will be transferred to Castle Rock as part of the purchase.
  - d. Both parties agree to work with each other for easements that may be needed going forward at no cost to the other party.
  - e. The purchase is contingent on a Water Service Agreement to serve surrounding property owned by the Seller.
  - f. Closing this purchase agreement will essentially eliminate a 100 acre foot per year water service commitment to United Water and Sanitation District (United) associated with the property from our 2017 purchase of the United assets including the original 118 acre water infrastructure easement.

## 2) Water Service Agreement

- a. Castle Rock Water agrees to be the retail water and sewer provider for the PCT development which could have up to a maximum of 600 housing units.
- b. All non-renewable groundwater under the 145 acre parcel and the developable acres will be dedicated to the Town and be credited towards meeting the Town's water dedication code requirements. This consists of approximately 397 acre-feet (AF) of non-renewable groundwater.
- c. Castle Rock Water will agree to let PCT purchase "cash in lieu" groundwater credits for any additional credits needed for the development.
- d. Castle Rock agrees to share the savings from the 100 acre foot water commitment to United that goes away and use some additional savings to reimburse for additional valuable property around the 118 acre water infrastructure easement, taking the total property interests to 145 acres. In total a 90 AF credit towards renewable water dedication requirements will be provided.
- e. Castle Rock Water will allow PCT to sign an option agreement to purchase credits for any additional renewable water required for the property through expansion of one of Castle Rock's existing renewable water projects.
- f. Castle Rock Water will charge a 10% extraterritorial surcharge on all rates and fees associated with providing service to the property.
- g. PCT will be responsible for all costs associated with extending services to the property to be served as well as all infrastructure within the property consistent with Castle Rock's approach to any development.
- h. Castle Rock Water will provide a "Will Serve Letter" consistent with the requirements of Douglas County for PCT to use in getting entitlements and zoning from Douglas County.

### **History of Past Town Council, Boards & Commissions, or Other Discussions**

November 2017, Castle Rock closed on assets owned by United. A portion of these assets included a blanket easement for water infrastructure on 118 acres owned by PCT.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on February 28, 2024, and the Castle Rock Water Commission voted 4 to 0 to recommend Town Council approval of the Resolution as presented.

### **Discussion**

In 2017, Castle Rock purchased the United Water and Sanitation District's infrastructure and water rights assets in Douglas County, which included the Ravenna Diversion (now known as the Plum Creek Diversion) and Sedalia Reservoir (now known as Castle Reservoir No. 1 [CRR1]). Since then, Castle Rock Water (CRW) has improved the Plum Creek Diversion, constructed a 25.8 million gallon per day capacity Plum Creek Pump Station, built a 30-inch diameter pipeline (Plum Creek Raw Water Return Pipeline) back to Town, and is in the process of constructing Castle Rock Reservoir No. 2 (CRR2). These water assets are important elements of the Town of Castle Rock's

long-term water plan to maximize the use of our local renewable supplies. In total the investments to date and future planned investments around this key property are shown in the table below and total approximately \$109 million.

<b>Existing Town Capital Investment associated with PCT Parcel</b>	<b>Onsite Cost</b>	<b>Offsite Cost</b>
Diversion Structure, CRR1 Reservoir, Ravenna Pipeline	\$10,000,000	
Plum Creek Pump Station	\$10,500,000	
Plum Creek Raw Water Return Pipeline		\$14,800,000
Ravenna Pipeline Capacity/Roxborough Interests		\$2,230,000
CRR1&2 Reservoir Construction (completed work)	\$6,259,000	
<i>Subtotal =</i>	<i>\$26,759,000</i>	<i>\$17,030,000</i>
<b>Estimated Future Town Capital Investment associated with PCT Parcel</b>	<b>Onsite Cost</b>	<b>Offsite Cost</b>
CRR1&2 Reservoir Construction (remaining work)	\$24,279,000	
Plum Creek PS Capacity Expansion & Ravenna Pump Station Revisions		\$2,500,000
Diversion Structure Upgrades	\$3,000,000	
Chatfield/Hwy 85 Wastewater Pump Back Infrastructure	\$1,100,000	\$33,000,000
Indian Creek (Meadow Ditch) Pump Back Infrastructure	\$300,000	\$1,500,000
<i>Subtotal =</i>	<i>\$28,679,000</i>	<i>\$37,000,000</i>
<b>Estimated Total (Existing &amp; Future Capital Investment) =</b>	<b>\$55,438,000</b>	<b>\$54,030,000</b>

**Attachment B** provides a map showing the various infrastructure on the property and future improvements that are planned to go through the property.

The property upon which this infrastructure exists is owned by PCT, however, Castle Rock enjoys a blanket easement on 118 acres of this property to construct, maintain and operate water facilities. The Town believes that outright fee simple ownership of this land makes sense and PCT is agreeable to the sale of the property. In exchange for the sale, PCT must have assurance that their adjacent land that they intend to develop will be able to be served with water and sanitary sewer services. CRW is in a good position to do this and has therefore negotiated a Water Service Agreement with PCT.

Through a property appraisal (see **Attachment C**) and negotiation with PCT, The Town is willing to pay \$2,269,794 for a 145 acre parcel which includes the 118 acre easement and additional property located to the southwest and to the east which will allow for better access and use of the overall property by Castle Rock Water. Following closing, the Town's reservoir contractor will be able to use a portion of this property for dam fill borrow material and excavated rock disposal which has the potential to cause

significant cost increases for CRR2 construction if offsite borrow and disposal locations would need to be used.

As for the Water Service Agreement, CRW believes PCT will need approximately 125 AF of renewable water supply, with 50 AF credit given for the past United obligation and 40 AF credit for the value of the additional 27 acres of property. Thus, only 35 AF of additional renewable water credit (approximately) would need to be purchased by PCT for their planned development. Castle Rock would provide an option agreement to allow PCT the opportunity to purchase the additional needed renewable water credits through expansion of one of Castle Rock’s renewable water projects. Additionally, there will be a 10% extraterritorial surcharge to PCT which would apply to all System Development Fees and water and sewer rates.

All Denver Basin groundwater rights will be dedicated to the Town. CRW has estimated the amount of groundwater that could be used to meet the Town’s dedication requirements in the table below.

<b>Western Parcel</b>			
Aquifer	Type	Quantity (AF)	Credit (AF)
Denver	Not non-tributary	110.43	0
Upper Arapahoe	Non-tributary	152.86	152.86
Laramie Fox-Hills	Non-tributary	67.83	0
	<i>Subtotal =</i>	<i>331.12</i>	<i>152.86</i>
<b>Central Parcel</b>			
Denver	Not non-tributary	63.06	0
Upper Arapahoe	Non-tributary	83.22	83.22
Laramie Fox-Hills	Non-tributary	37.79	0
	<i>Subtotal =</i>	<i>184.07</i>	<i>83.22</i>
<b>Eastern Parcel</b>			
Denver	Not non-tributary	29.31	0
Upper Arapahoe	Non-tributary	34.79	34.79
Laramie Fox-Hills	Non-tributary	16.51	0
	<i>Subtotal =</i>	<i>80.61</i>	<i>34.79</i>
<b>Southern Parcel</b>			
Denver	Not non-tributary	110.33	0
Upper Arapahoe	Non-tributary	125.90	125.90
Laramie Fox-Hills	Non-tributary	56.26	0
	<i>Subtotal =</i>	<i>292.49</i>	<i>125.90</i>
		<b><i>Total =</i></b>	<b><i>396.77</i></b>

Based on a review of the table, CRW believes the development will be short on the needed groundwater. CRW recommends allowing PCT to purchase “cash in lieu” groundwater credits from CRW’s groundwater bank.

CRW would be amenable to a no (or low) cost lease back for stock watering until development starts and would charge our raw water retail rate for construction water (similar to what is being done for Dawson Trails development).

**Budget Impact**

The cost for the purchase of the 145 acre PCT property will be paid for out of the Water Resources Fund/Capital Projects/Reservoir Upgrades <Account Number 211-4375-

443.79-15> which has a 2024 budget balance of \$0. Thus, a budget amendment will be necessary to cover the \$2,269,794 purchase price.

### **Recommendations**

Staff discussed this item with Castle Rock Water Commission on February 28, 2024, and the Commission recommended Council approval of the Operations Agreement. Staff also recommends that Town Council approve the Purchase and Sale Agreement and the Water Service Agreement with PCT.

### **Proposed Motion**

*“I move to approve the Resolution as introduced by title”*

### **Alternative Motions**

*“I move to approve the resolution as introduced by title, with the following conditions: (list conditions).”*

*“I move to continue this item to the Town Council meeting on \_\_\_\_\_ date to allow additional time to (list information needed).”*

### **Attachments**

Attachment A:	Resolution
Exhibit 1:	Agreements
Attachment B:	Map of Property and Infrastructure
Attachment C:	Property Appraisal