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

Re: Castle Rock EDC 2024 Mid-Year Report to Investors

National, Regional and Local Economic Update: The Economy is Entering a New Equilibrium

Reflecting on the economy halfway through 2024, the year has ushered in an era of slower real GDP growth, lighter employment growth, cooler inflation, and modest real wage growth. The Federal Reserve’s policy response to high inflation appears to be working—cool the economy to bring employment and inflation near their target equilibriums.

The U.S. economy grew to an annualized \$28.6 trillion in Q2 2024 as tallied in gross domestic product—the value of the goods and services sold within the country. Adjusting for price changes, the U.S. economy grew 3.1% year-over-year and at an annualized rate of 2.8% in Q2. Eyes are particularly focused on consumption as the health of the consumer has been impacted by elevated inflation, growing debt, diminished savings, and modest real wage growth.

While the U.S. labor market has also shown signs of slowing, it still remains a point of optimism. June added 206,000 jobs, and year-over-year growth totaled 2.6 million jobs (1.7%). Initial jobless claims are running below the short-term and long-term average. While the labor force grew to the second-highest level on record—an encouraging sign of availability of workers for employers, the unemployment rate has also topped 4% for the past two months. Worker supply and demand remain imbalanced as job postings continue to outstrip the unemployed; however, these two metrics are converging, resulting in an openings-to-unemployed ratio of 1.2 in May 2024—similar to pre-pandemic levels.

Colorado continues to be an outperforming economy. State GDP grew 3.3% year-over-year in Q1 ranking the state 13th. Personal income was up 4.8% (14th) and per capita personal income grew 4.2% (16th) in Q1. Total average annual pay ranked 7th in 2023, and average hourly wage growth ranked 2nd in June 2024. The labor market remains tighter in Colorado, with the country’s 2nd-highest job openings rate in April and an openings-to-unemployed ratio of 1.7 (18th). The state grew 53,400 jobs year-over-year in the first six months of 2024, a rate of 1.8% (13th), and the state’s unemployment rate of 3.8% remained below the national average.

Douglas County exists in a metro area that has generally been thriving, both over the medium-term and short-term, but challenges have emerged. While it is reasonable to expect an upward revision in the data, the official employment series suggests Denver-region employment growth slowed more than Colorado and the Nation. In June, the unemployment rate reached 3.9% in Douglas County and 4.1% in Castle Rock. Single family residential activity is up modestly in the first five months of 2024 compared to 2023, but multifamily activity decreased. Castle Rock is experiencing lower commercial vacancy rates than some of its urban peers in the region.

Be mindful of near-term economic risks stemming from households, industry, and demographics. Consumer headwinds—inflation, cost of living, savings, debt, and debt delinquency—could spell trouble in the short term. From industry, softer demand, slower job growth, and strained central business districts leading to office vacancy, pose risks. Locally, below-average population growth poses a headwind for talent and employment growth.

Despite the risks, there remains plenty to be bullish about in Colorado. The state continues to outperform on many economic fronts. Colorado is branded as a great place to live and work, with high-paying industries and strategic key industry clusters. The awarding of the Elevate Quantum Tech Hub and the NSF Engines grant demonstrate how the state continues to strategically invest, compete, and leverage the strengths of skilled workforce, private-sector companies, and public-sector institutions.

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

2024 Mid-Year 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 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, by actively working with the Town of Castle Rock, Douglas County, the Douglas County Collaborative 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 43 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 the first half of 2024, BRE Committee has met with over 30 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
 - Report they are experiencing growth and plan to continue to hire throughout 2024.
 - See inflation as a significant challenge to capital investment.
 - Local Retailers (specifically restaurants)
 - Report a flattening of sales, largely driven by consumers spending less on entertainment and non-essential items.
 - They also report that their margins have been affected by not being able to pass on the additional cost of goods sold to their customers.

- Discount Retailers (The Outlets at Castle Rock)
 - Have reported increase in sales as consumers look to value shop.
 - The Outlets have opened 14 new stores since the end of 2023.
 - The Outlets have established the largest collection of outdoor lifestyle brand retailers in the county.

2024 Strategic Attraction Initiatives

Douglas County Economic Collaborative (The Collaborative) – Alongside the leadership of the Douglas County Commissioners, Castle Rock EDC has been working with private sector consultants to research, craft, and execute a strategic business attraction plan for Douglas County. The group was established in late 2022 and received funding from the County in June of 2023. The Collaborative meets quarterly with key staff and elected officials from each community and will provide Castle Rock an additional opportunity to collaborate regionally and leverage resources to gain additional exposure to strategic targeted industries. In 2024, the Collaborative has been working directly with PM&P to complete the initial research phase, start building the industry target list and design The Collaborative's informational website for launch in Q3/Q4 of 2024. In addition, the Douglas County Commissioners have bolstered staff support of the Collaborative by establishing the Douglas County EDC, which will act as staff to The Collaborative board in order expedite much of the internal work.

Castle Rock Targeted Industry (Aerospace) – 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, we have worked with representatives of Lockheed, United Launch Alliance, Boeing, Booz Allen, Nooks, Raytheon, Castle Rock Development Company, Bryan Construction, 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).

2024 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

2024 Mid-Year Project 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 88% 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 is nearing completion. The project is located off Timber Mill Parkway in 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 project completion in 2025.
- Construction of Kiddie Academy branded daycare facility anticipates breaking 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. Castle Rock EDC has supported The Rock of Hope Campaign to bring cancer services to Castle Rock. The campaign has raised \$9 Million of the \$14 Million required to fully build out all the oncology services. They currently have a \$1M donor ready to match the next \$1 Million dollar donation. If successful, \$11 Million of the \$14 Million total will be raised by the end of 2024.
- New Class A Medical Building on Meadows Parkway
 - 4 Stories - 60,000 SF – 15,000 SF floorplates
 - Delivering 4th Q 2025/1st Q 2026

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 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 renown 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. Phase 1 is scheduled to break ground in the spring 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 townhomes.

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 has 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 (CVI). In addition, agreements have been reached with COSTCO and Health One to occupy a significant portion of the 3.2 million SF of available commercial ground with several additional opportunities working through letters of intent. Recent updates include full regulatory approval of the Crystal Valley Interchange with Kraemer North America selected to construct the project. Work is underway and interchange completion is slated for Spring 2027. The first 500 single family homes 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) has taken the lead on the property's development. The team at CCD are 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. The project continues to make progress on construction and has an expected completion of winter 2024.
- Riverwalk Luxe, located at 221 Wilcox, is a mixed-use project that will include 28 residential apartments, 11,257 SF of office space, 8,353 SF of retail space, 28 subsurface and 27 offsite parking spaces. Construction has made rapid progress in 2024 and tenant improvement construction is underway. Confluence has announced that the second level office space has been filled and the first-floor retail will include Homegrown Tap and Dough. Construction is expected to be complete by the end of 2024.
- Proposed redevelopment of the City Hotel property at 415 Perry Street. The proposal consists of a food and beverage concept and hotel lobby in the historic structure, a 4-story new development which will wrap the historic structure on two sides and consist of leasable retail space on the first floor, an approximate 30 room boutique hotel, and rooftop bar. The project was presented to the DDA Board in the fall of 2023. In April of 2024, the Site Development Plan was submitted, and the

project is working through the public review process. Once the review is complete it will be presented to Town Council.

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. Bar Hummingbird @ The Brinkerhoff is under construction and will integrate an intimate event center slated to open early in 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.

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 the 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 and have opened 14 new stores since the end of 2023 with another 7 stores set to open before the end of the year. Currently, Town and EDC staff are working with Craig Realty Group to finalize two strong pad site users by Q3 of 2024 including a bank and new to market restaurant.

New Store Openings Since Holiday 2023:

- Ariat
- Cotipaxi
- Crocs
- Fabletics
- Flip Flop Shop
- Freebird
- Michale Kors Expansion

- Pandora
- Prana
- Rally House
- Sorel
- Spyder
- Stance
- Timberland

Stores Coming Soon:

- Altra Footwear
- Hey Dude
- Hammut
- New Balance
- Sola Salons
- Spencer’s
- Tumi

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.

2024 Discussion Items & Updates

- 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, Communication to Developers, 2024 Building Code Update
- Crystal Valley Interchange
- CIP Priority List
- 2024 Building Code Updates
- Market Challenges

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:

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

Development Process - Subcommittee meets monthly and 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

2024 Mid-Year Summary

The first two quarters of 2024 in Castle Rock could be categorized as steady progress. Interest rates remain elevated but stable, attempting to keep inflation in check. Families are still feeling the sting from the rising costs of day-to-day goods, as retailers debate how to pass on the additional costs of inputs and labor. The residential markets across the Front Range and in Castle Rock are slowly adjusting to current interest rates but the market continues to plod forward. The Fed rate decrease anticipated this summer has not materialized but there are encouraging signs for Castle Rock as the Outlets have experienced record-breaking June sales numbers and overall Town sales tax is up over 4% YTD. The EDC is making strong progress in the Aerospace industry and is working closely with industry partners to bring Aerospace opportunities to Castle Rock. Castle Rock will need to stay increasingly diligent and patient, maintaining a strong bias toward quality long-term investments in primary employment and infrastructure. Dawson Trails, The Brickyard, Downtown Castle Rock, The Promenade, The Outlets and The Meadows have all made steady progress in early 2024 and that is expected to continue through 2025.

Respectfully,



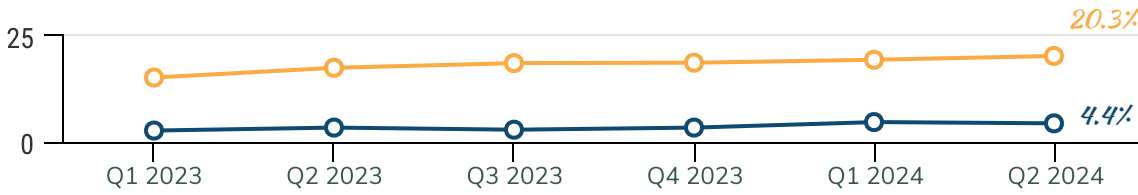
Frank Gray; Castle Rock EDC CEO

2024 Mid-Year Report

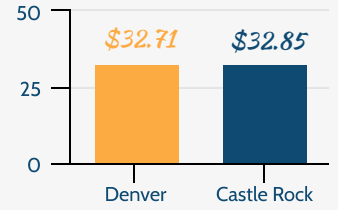
Vacancy Rate Percentages

Lease Rates

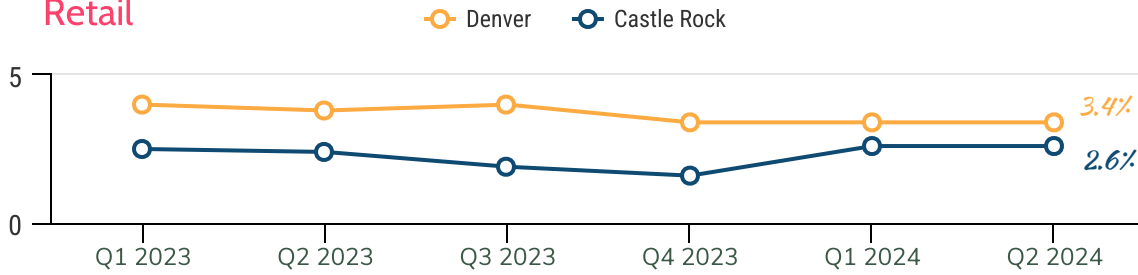
Office



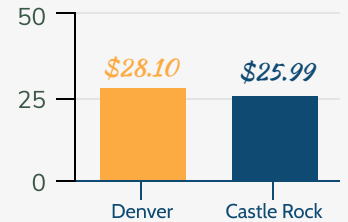
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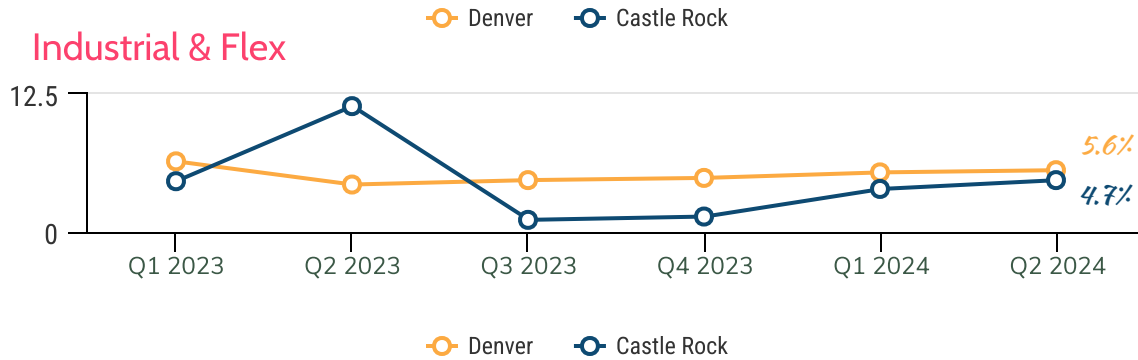
Retail



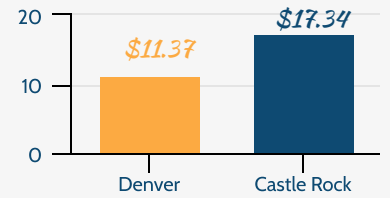
Retail



Industrial & Flex



Industrial & Flex



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

Unemployment Rate Comparison

	2021	2022	2023	As of April 2024
Castle Rock	4.2%	2.6%	3%	2.5%
Denver	5.9%	3.1%	3.3%	3.7%
State of CO	5.5%	3.1%	3.2%	3.7%
National	6.2%	3.5%	3.2%	4.1%

*Not Seasonally Adjusted, US Bureau of Labor Statistics



YOY Comparison

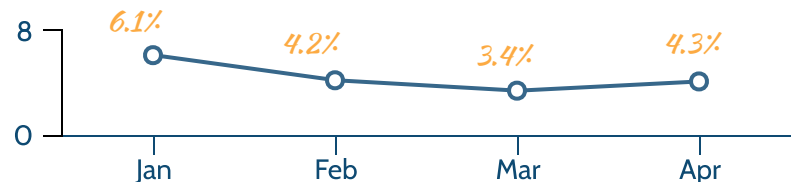
Sales Tax

YOY Monthly Comparison



2023
+2.8%

2024
+4.7%



*Through April

*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

- Under Construction
- 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
- Meadowmark Assisted Living
- Final Residential Buildout
- New Meadows Parkway MOB
- VA Clinic Under Construction

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

The Brickyard

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

Miller's Landing

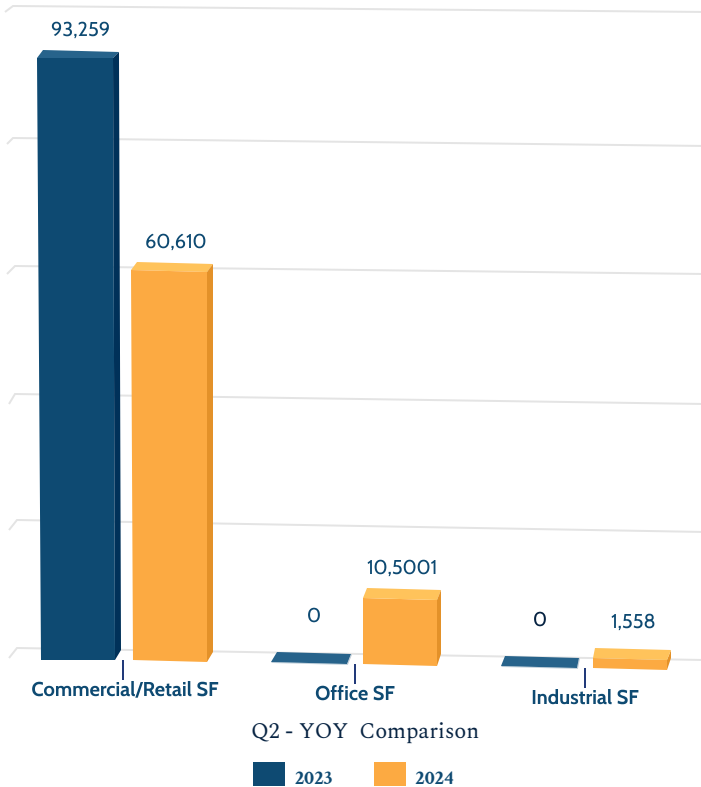
- Strategic Site Evaluation Underway

Promenade

- The Brinkerhoff Under Construction
- Coming Soon: Lazy Dog, Woodsprings Suites Hotel, Alana Hotel

NEW Construction

PERMITS



Development Prospects

