



**Meeting Date:** December 17, 2024

## **AGENDA MEMORANDUM**

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

**Through:** Dave Corliss, Town Manager

**From:** Tara Vargish, P.E., Director Development Services  
Mark Marlowe, P.E. Director Castle Rock Water

**Title:** **Resolution Approving the Pre-Annexation Agreement By And Among JRW Family Limited Partnership LLLP And The Town Of Castle Rock, Colorado, For The Pine Canyon Planned Development**

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### **Executive Summary**

JRW Family Limited Partnership LLLP (JRW) is requesting to enter into a Pre-Annexation Agreement with the Town for property known as Pine Canyon. The 535-acre site is in central Douglas County surrounded by the Town of Castle Rock. It is located on both the east and west sides of Interstate 25 (I-25). The portion of the property east of I-25 is generally north of Scott Boulevard, south of Black Feather Trail, west of Founders Parkway, and east of Front Street. The portion of the property west of I-25 is generally east of Prairie Hawk Drive, south of Highway 85 and bisected by Liggett Road. (Figure 1).

The property is currently under consideration for a Planned Development (PD) rezoning in Douglas County. During public hearings in front of the Douglas County Planning Commission and with the Board of County Commissioners in August and September of this year, Town Councilmembers, staff, and numerous

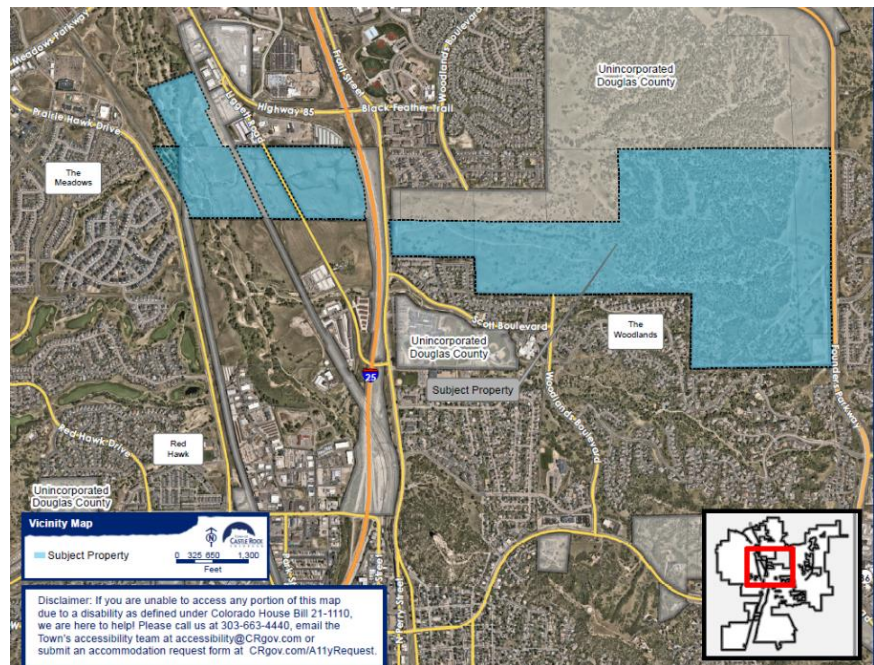


Figure 1: Site Vicinity Map

residents expressed their concern on this urban level development occurring in unincorporated Douglas County. The majority of the concerns center on how this urban development will impact the Town's water supply, wastewater treatment, transportation system, and parks and trails without, or with unknown, mitigation to the Town's facilities.

At the September 16, 2024 Board of County Commission meeting, the Commission directed the applicant to work with Town staff to see if progress could be made toward annexation and zoning within the Town. Annexation and zoning in the Town would allow for development to occur to Town standards, including inclusion in the Town's water and wastewater systems, and ensure that roads, parks and trails are designed to Town standards and integrated into the Town's systems. It would also allow for the Town collection of use tax, impact fees and system development fees for all building permits within the development, allowing the Town to use those fees for their intended purposes, such as regional transportation, parks, water/renewable water, and wastewater capital projects for the community.

Town staff and JRW's development team have met several times over the past three months and have developed a Pre-Annexation Agreement for consideration by Town Council. Pre-Annexation Agreements are allowed under the Colorado Municipal Annexation Act of 1965. The Pre-Annexation Agreement is a legal contract between JRW and the Town that outlines the terms and conditions under which the property may be annexed into the Town at a future date, acknowledging the rights and obligations of each party throughout the annexation and zoning processes. Both Town staff and JRW have determined that this agreement's terms and conditions are reasonable in connection with their respective activities to facilitate the annexation and zoning process within the Town.

If the Pre-Annexation Agreement is approved by Town Council, Town Council retains the legislative discretion to determine whether to approve the annexation and zoning in the future. The Town has no legal obligation arising under this Agreement to approve a future application for Annexation, Development/Annexation Agreement, or PD Zoning for Pine Canyon.

Town staff recommends Town Council enter into this Pre-Annexation Agreement with JRW, which will set in motion JRW moving forward with applications for annexation and zoning of Pine Canyon within the Town's jurisdiction in early 2025.

### **Pre-Annexation Agreement**

The Pre-Annexation Agreement, included in Attachment B, is designed to address the rights and obligations of both JRW and the Town as they work together in good faith toward annexation and zoning of the property within the Town's jurisdiction. JRW has three pending applications with Douglas County, including the Pine Canyon PD zoning, the creation of a Special District Service plan for their proposed metropolitan districts, and a Water Appeal. These applications will be put on hold with the County while they work with the Town on annexation and zoning. The Town's opposition to the applications with Douglas County is noted in the agreement, as is the Town's desire for any development to occur within the Town's jurisdiction.

The Pre-Annexation Agreement addresses several topics specific to the future annexation and zoning for the property and lays out the agreed upon terms for both the Town and JRW. Following are highlights of these sections:

#### *Annexation and Zoning Process*

- JRW will submit an annexation petition and application to the Town within 45 days of execution of this agreement, including all required plans and reports prepared at JRW's expense.
- The Town will not charge new application fees, and instead will credit them for application fees paid with their previous submittals to the Town.
- The Town will notice, host and present at the three neighborhood meetings for the project, allowing residents to see and hear about the plan under the Town's noticing requirements. Town staff plan to present and discuss the concerns with the development proposal in the County and the benefits of developing this area in the Town.
- Town will move forward with the Zoning review with the current Traffic Impact Study prepared for Douglas County, and may require more detailed Traffic Impact Studies identifying specific transportation obligations with each future Site Development Plan, per Town Code.
- Town will update or amend maps within the Comprehensive Master Plan as needed with this annexation and zoning to show this property inside the Town's boundary.
- Nothing in the agreement will require Town approval or otherwise effect the Town Council's quasi-judicial decision-making authority.

#### *Zoning Content*

- JRW is willing to annex to the Town if they are able to obtain substantially the same zoning in the Town as they have proposed in the County. This includes:
  - Residential zoning for 1,800 dwelling units, comprised of 800 single family detached and attached (paired or townhome) homes and up to 1,000 multifamily units.
  - Nonresidential zoning for 600,000 square feet commercial/office/retail, hotel/spa facility, and an elementary school site.
  - Mobility hub is labeled specifically as an allowed use in Planning Area 17. CDOT is beginning their process of working with the Town to identify if and where a mobility hub may be located within the Town. Including this language in the PD Zoning does not obligate the Town to having a mobility hub at this, or any other, location in Town. While some existing zone districts in Town expressly allow transit terminals, multi-modal facilities, or park-and-ride facilities, most all of the business and industrial zoning allow for parking lots and/or public facilities, which would all allow a mobility hub type use.
- Open space will meet the Town's minimum 20% requirement, and ownership and maintenance of parks, trails and open space will be designated at time of Site Development Plan.
- The PD Zoning will exempt this property from the Town's Skyline/Ridgeline regulations and instead include a tree preservation/viewplane protection regulation specific to this property. This will prevent clear cutting/overlot grading for home lots in the sensitive areas that would have otherwise been subject to the

Skyline/Ridgeline mapping, and utilize mature trees for screening and buffering. This includes portions of Planning Areas 1, 4, 5, 7, 9, 10 and 11. The developer will demonstrate with each Site Development Plan how the visibility of proposed structures will be reduced and screened with the viewplane protection regulations. Town will update the Skyline/Ridgeline maps to show this property is not included in these areas, upon final approval of the zoning.

- Water treatment and wastewater treatment facilities will be prohibited in the zoning, unless they are owned and operated by the Town.
- Vested Property Rights will be negotiated during the PD Zoning process and established in the Development/Annexation Agreement.

#### *Groundwater Dedication/Retained Groundwater*

- Groundwater dedication- Town staff is recommending approval of the PD Zoning with a nonrenewable groundwater dedication of approximately 757 acre-feet, which is short of the normal nonrenewable groundwater dedication required for a development of this size. The Town will reserve existing excess nonrenewable groundwater already owned by the Town to ensure the appropriate amount of nonrenewable groundwater is available for the benefit of the development. The development will pay all system development fees at current and future rates, including Castle Rock Water's renewable water fee. The development will meet all of the Town's water conservation standards including the Coloradoscape requirements put in place at the end of 2022. Town staff believe that getting this development into the Town's water system and off of sole reliance on nonrenewable groundwater is important for the region and the long term sustainability of water supply for the Town and this development. Additionally, having Town water services to this area will greatly improve the water supply for Castle Rock Fire, who is the responding fire agency.
- Retained Groundwater – JRW has requested the right to retain 106 acre-feet of groundwater solely for irrigation, stock watering, domestic and other agricultural purposes for the use of the existing homestead, located on the far west side of the property, west of the BNSF railroad and east of East Plum Creek. JRW would agree to a restrictive covenant on these groundwater rights, limiting their use for agriculture and irrigation for this 61.3 acre homestead, and it would grant the Town first right of refusal to purchase them in the future. The Town will also grant JRW a lease agreement to allow them to lease, at the Town's going rates, a very small amount of water (~1 acre-foot) to augment their agricultural use of the 106 acre-feet of groundwater.

#### *Metropolitan District/Service Plan*

- JRW intends to form metropolitan districts to finance the construction of infrastructure, and may also finance operation and maintenance of some elements like parks and trails. The district may also commission studies for weed, forest or fire mitigation, tree preservation, etc. And they may also create and enforce design and architectural guidelines for specific areas of the property.
- The Town's model service plan will be used in the drafting of the service plan, which includes a regional 5 mill levy that would be remitted to the Town for regional services, as well as a cap on the overall mill levy for the district.

### *Target Dates*

- The Pre-Annexation Agreement lays out a target schedule for processing of the land use items in Exhibit D. Both parties agree to use reasonable diligence to work toward achieving these dates:
  - January 31, 2025: JRW submit Annexation Petition and application materials
  - February 18, 2025: Town Council Substantial Compliance Resolution
  - February 19, 2025: JRW submit PD Zoning application
  - April 1, 2025: Town Council Eligibility Hearing
  - April 13, 2025: Finalize negotiation of Development/Annexation Agreement
  - April 24, 2025: Town Planning Commission Hearing on PD Zoning
  - May 1, 2025: Town approval of Town Initiated Amendment (effective upon approval of PD Zoning Ordinance)
  - May 6, 2025: Town Council First Reading on Annexation, Development/Annexation Agreement, and PD Zoning Ordinances
  - May 20, 2025: Town Council Second Reading and Adoption of Annexation, Development/Annexation Agreement, and PD Zoning Ordinances
  - June 19, 2025: Expiration of Legal Challenge Periods (Depending on Date of Publication)
  - June 20, 2025: Legal Effective Date of Annexation

### *Termination*

- If the Town acts in bad faith or does not honor the terms of the Pre-Annexation Agreement, and denies or fails to act upon the Pine Canyon annexation and zoning applications by July 31, 2025, then JRW may move forward with the County applications for Pine Canyon, but only if JRW has acted in good faith and abided by the terms of the Pre-Annexation Agreement.

### **Findings**

Castle Rock, as well as our neighboring front range communities north and south along I-25, will continue to see development pressure into the foreseeable future. This region has good economic growth, jobs, and desirable communities to live in. This property will ultimately see some level of development, whether it is in the County or in the Town's jurisdiction.

Staff strongly opposes the current proposed development within unincorporated Douglas County for many reasons, most notably due to:

- Proposed water & sanitary district creation and operation in the heart of Town. Their two proposed nonrenewable groundwater wells would be pulling from the same aquifer's the Town relies on, and which the Town has plans to store water in.
- Operation of a wastewater treatment facility adjacent to Town residents.
- Operation of a new concept for water/wastewater utilizing treated wastewater for irrigation by an unproven/new water and sanitary district, potential for this water to contaminate the creek which the Town uses for water supply.

- Reliance on nonrenewable groundwater only for this community, going against 2 decades of water planning to move to renewable water supplies for this region.
- Wasting of reusable water supplies on large amounts of non-functional grass turf.
- Future failure of this small water/sanitary district that will need Castle Rock Water to aid them in the future (as recently occurred with Bell Mountain Ranch).
- Not having transportation impacts defined or controlled by the Town, as the primary impacted roadways of this development are Town owned and maintained.
- Overall impacts to the Town, including parks, trails, and community services, which will not be offset by the development paying Town impact fees if it develops in the County.

These are just some of the concerns that Town staff have if this development were to continue now, or in the future, to develop within the unincorporated Douglas County area. If this property is successfully annexed and zoned within the Town, then the Town controls the process, including future Site Development Plan applications, can apply Town standards for infrastructure construction, ensure integration with the Town's water, sanitary, transportation and trail systems, and is able to collect impact fees to assist with mitigation of regionally impacted facilities.

Town Staff finds that this Pre-Annexation Agreement is a path forward to allow JRW to request a continuation in the County, while they work with the Town on consideration within the Town's jurisdiction. Nothing in the agreement will require Town approval or otherwise effect the Town Council's quasi-judicial decision-making authority on land use applications for this property.

### **Budget Impact**

The Pine Canyon Pre-Annexation Agreement includes a credit for application fees that have been previously paid to the Town, as well as the Town covering the costs of mailing notices for the annexation and zoning neighborhood hearings. Town staff finds these costs nominal in comparison to the overall costs JRW will incur to modify their applications to submit to the Town, and the costs they have already incurred on their County application.

If the future annexation and zoning approvals are obtained within the Town, then this development will pay their share of building and impact fees, as all other developments within the Town pay.

### **Recommendation**

Staff recommends approval of the Pine Canyon Pre-Annexation Agreement to Town Council as the best path forward, laying out the rights and obligations of both JRW and the Town.

### **Proposed Motions**

#### **Option 1: Approval**

*“I move to approve the Pine Canyon Pre-Annexation Agreement, as presented.”*

**Option 2: Approval with Conditions**

*“I move to approve the Pine Canyon Pre-Annexation Agreement, with the following conditions:”* (list conditions)

**Option 3: Continue item to next hearing (need more information to make decision)**

*“I move to continue this item to the Town Council meeting on [date], 2025, at [time].”*

**Attachments**

Attachment A: Resolution

Attachment B: Pine Canyon Pre-Annexation Agreement