

Final Report

Dawson Trails Fiscal Impact Analysis

The Economics of Land Use



Prepared for:
Town of Castle Rock

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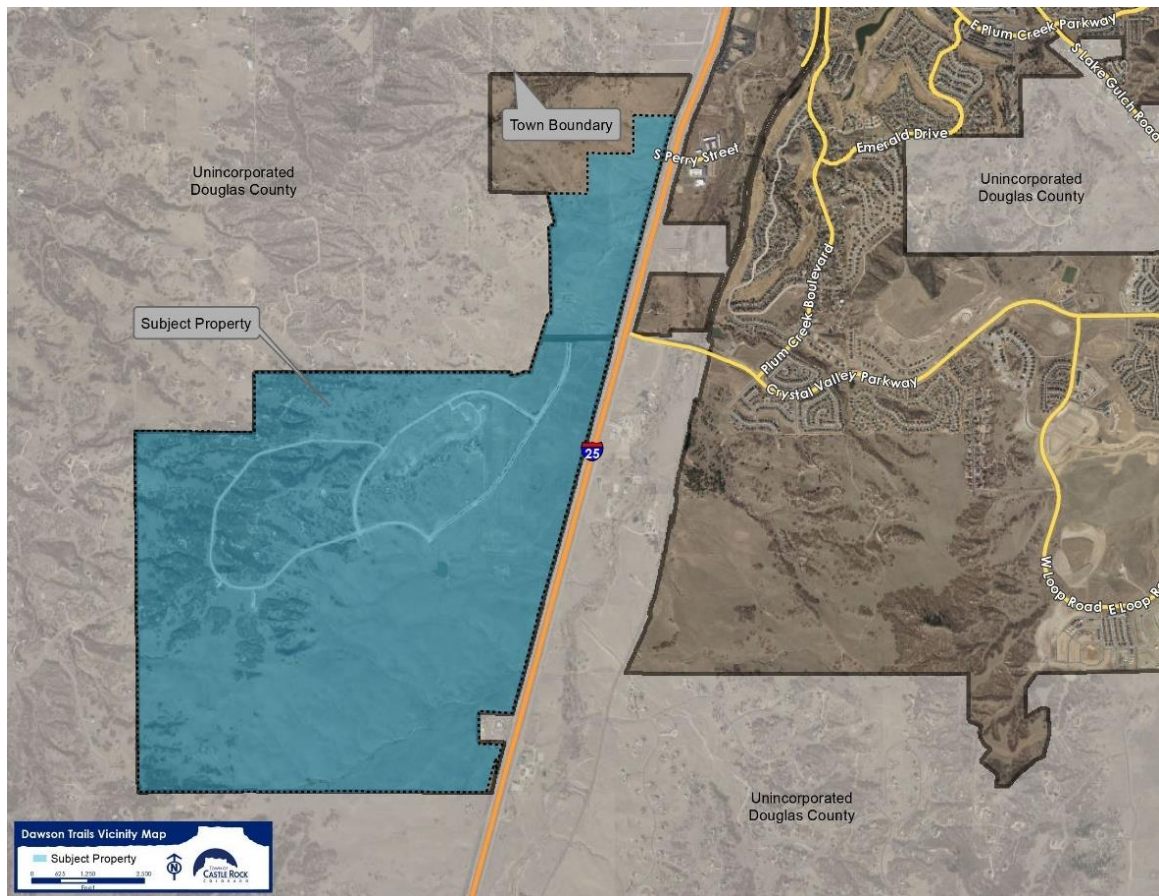
1. Introduction and Summary of Findings

Introduction

This report summarizes the analysis and conclusions of Economic & Planning Systems (EPS) regarding the fiscal impacts of the proposed Dawson Trails Planned Development in the Town of Castle Rock, Colorado. The Dawson Trails project includes property in the Dawson Ridge and Westfield Trade Center areas previously annexed to the Town as part of the Castle Rock Ranch Planned Development. Westside Property Investment Company, Inc., and its affiliates (Developer), have submitted a rezoning proposal for Dawson Trails Planned Development that includes the entire Dawson Ridge Planned Development and a portion of Westfield Trade Center Planned Development.

The Dawson Trails Planned Development property consists of approximately 2,064 acres and is located west of Interstate 25, south of Plum Creek Parkway and north of Tomah Road, as shown in **Figure 1**.

Figure 1. Dawson Trails Vicinity Map



The development plan includes 5,850 residential dwelling units and 3.2 million square feet of commercial space, including retail, office, hotel, and industrial uses, as summarized in **Table 1**. The project is also planned to include 500 acres of publicly dedicated open space and an additional 243 acres of private open space areas.

Table 1. Dawson Trails Development Program

Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total	% Total
Residential For Sale (Sq. Ft.)								
Single Family Detached	516	535	911	790	192	0	2,944	50%
Duplex	120	112	40	42	0	0	314	5%
Townhome	124	0	40	0	0	0	164	3%
Total	760	647	991	832	192	0	3,422	58%
Residential For Rent (Sq. Ft.)								
Single Family Detached	0	90	0	0	0	0	90	2%
Multifamily	555	320	353	300	330	480	2,338	40%
Total	555	410	353	300	330	480	2,428	42%
Total Residential	1,315	1,057	1,344	1,132	522	480	5,850	100%
Commercial (Sq. Ft.)								
Retail	180,000	125,000	100,000	75,000	120,000	0	600,000	19%
Office	0	0	0	0	800,000	0	800,000	25%
Hotel	75,000	75,000	75,000	75,000	0	0	300,000	9%
Industrial	1,500,000	0	0	0	0	0	1,500,000	47%
Total Commercial	1,755,000	200,000	175,000	150,000	920,000	0	3,200,000	100%

Source: Developer; Economic & Planning Systems

The commercial uses are primarily located along with west side of I-25. The higher-density residential development would be located in proximity to the planned Crystal Valley interchange, while the single family homes would be located in the center, west, and south areas of the property. The planned development also includes buffer areas along the north, west, and southern edges of the proposed residential neighborhoods. Over 50 percent of the property would be planned for open space, parks, and trails.

Scope of Work

This report and analysis are presented in three sections following this Introduction and Summary of Findings as follows:

- **Development Program and Market Inputs** – This section presents the proposed development program by phase, detailing market inputs including estimated annual absorption and sales and lease values.
- **Fiscal Model Assumptions** – This section describes the public finance model developed by EPS to estimate the fiscal impacts of the proposed development on the Town of Castle Rock. The model was developed using the Town’s annual budget and annual comprehensive financial report (ACFR) to identify the major revenues, expenditures, and trends. The model inputs include revenue and expenditure factors by land use category.
- **Fiscal Impacts** – This section provides a summary of the estimated revenues, expenditures, and net fiscal impacts of the proposed development program by phase, land use category, and in total. Additionally, a sensitivity analysis was included to demonstrate the estimated fiscal impact of a reduced retail development program.

Summary of Findings

1. *The proposed Dawson Trails development program has a balance of land uses that will result in a positive fiscal balance for the Town.*

The average annual net fiscal impact of Dawson Trails on the Town’s General Fund, Transportation Fund, and Community Center Fund is estimated at a positive \$1.5 million, \$3.1 million, and \$89,000 at full stabilization, respectively. The total annual net fiscal impact at full stabilization is estimated at \$4.6 million.

2. *The estimated household incomes for new residents generates sufficient sales tax revenues from new household retail spending to offset the cost burden of providing services by the Town.*

Approximately 61 percent of total sales tax revenue generation is estimated to be attributable to local spending by new households in the residential development. If the retail square footage was reduced to zero across the six phases of development, the project is estimated to still have a positive ongoing net fiscal impact of \$2.0 million annually.

3. *At full stabilization, retail development has the highest net fiscal impact for the Town, followed by for sale single family detached housing and hotel space.*

The ongoing net fiscal impact of retail, single family and hotel land uses totals \$2.7 million, \$1.8 million, and \$1.2 million annually, respectively. Additionally, office space and multifamily residential housing represent the greatest cost burden for the Town, with ongoing net fiscal impacts of negative \$380,000 and negative \$165,000 annually, respectively.

4. *The positive net fiscal impacts of the development are contingent upon the relatively high average household incomes that support the capture of taxable retail sales.*

For sale single family detached housing has the highest residential ongoing net fiscal impact of \$624 per unit. The high revenue generation relative to other residential housing types is primarily attributable to the high household income at an average of \$150,000. By comparison, multifamily residential development, which has the lowest net fiscal impact of any residential use, has an average household income of \$54,000.

2. Development Program and Market Inputs

This section of the report summarizes the proposed development program by land use category and by phase. The market inputs to the fiscal model are also identified including estimated annual absorption and sales and lease values for the proposed development land uses.

Residential Development Program

For-Sale Housing

Dawson Trails is proposed to contain a total of 3,422 for-sale housing units including 314 duplexes, 164 townhouses, and 2,944 single family detached housing units as shown in **Table 2**. The single family detached units range from 32-foot-wide alley loaded homes to 100-foot-wide estate lots. The majority of the units (2,134 out of a total of 3,422) are proposed to be standard 40- to 60-foot-wide suburban density lots.

Table 2. For Sale Housing Development Program

Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total	% Total	Sale Value
Residential For Sale (Sq. Ft.)									
Duplex	120	112	40	42	0	0	314	9%	\$495,000
Townhome	124	0	40	0	0	0	164	5%	\$427,500
32' Alley Loaded	0	150	34	0	0	0	184	5%	\$495,000
40' Alley Loaded	0	75	100	0	0	0	175	5%	\$540,000
40s	130	210	228	80	24	0	672	20%	\$540,000
50s	240	100	305	175	28	0	848	25%	\$607,500
60s	146	0	244	224	0	0	614	18%	\$675,000
70s	0	0	0	100	45	0	145	4%	\$765,000
80s	0	0	0	100	45	0	145	4%	\$900,000
90s	0	0	0	111	0	0	111	3%	\$1,125,000
100s	0	0	0	0	50	0	50	1%	\$1,350,000
Total/Average	760	647	991	832	192	0	3,422	100%	\$624,608
Development Timing									
Start Year	2026	2028	2030	2033	2035	N/A			
End Year	2029	2030	2036	2036	2037	N/A			

Source: Developer; Economic & Planning Systems

The annual volume of development, year of initial development, and average sales value of each product type in current dollars is also shown. Estimated sales values range from \$427,500 for townhouses and \$495,000 for duplex units up to \$1.35 million for the 50 100-foot-wide estate lots. The majority of housing units with 40- to 60-foot lot frontages are expected to be priced at \$540,000 to \$675,000.

For Rent Housing

The Dawson Trails Development is proposed to contain 2,428 rental units, as shown in **Table 3**, which comprises 42 percent of the total 5,850 planned units. The majority of the rental housing, 2,338 units, is expected to be built as apartments and spread out over the six development phases. The project also proposes to contain a single family detached neighborhood with 90 housing units that are planned to be rented.

Table 3. For Rent Housing Development Program

Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total	%Total	Sale Value
Residential For Rent (Sq. Ft.)									
Multifamily	555	320	353	300	330	480	2,338	96%	\$225,000
Single Family Detached	0	90	0	0	0	0	90	4%	\$450,000
Total/Average	555	410	353	300	330	480	2,428	100%	\$233,340
Development Timing									
Start Year	2026	2026	2027	2031	2035	2040			
End Year	2034	2032	2033	2037	2041	2046			

Source: Developer; Economic & Planning Systems

The estimated market values for rental units for purposes of estimating assessed values for property taxes is \$225,000 per apartment and \$450,000 per single family detached housing unit. Apartment construction is expected to be started in Phase 2 in 2026. The single family units for rent are also planned for development in Phase 2, with construction starting in 2028.

Commercial Development Program

The Dawson Trails development is proposed to contain 3.2 million square feet of commercial development comprised of 600,000 square feet of retail, 800,000 square feet of office, 300,000 square feet of hotel space, and 1.5 million square feet of industrial space. The development values, date of initial development, and average absorption are shown in **Table 4** below.

Table 4. Commercial Development Program

Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total	% Total	Market Value
Commercial (Sq. Ft.)									
Retail	180,000	125,000	100,000	75,000	120,000	0	600,000	19%	\$194.08
Office	0	0	0	0	800,000	0	800,000	25%	\$200.00
Hotel	75,000	75,000	75,000	75,000	0	0	300,000	9%	\$135.00
Industrial	1,500,000	0	0	0	0	0	1,500,000	47%	\$175.00
Total/Average	1,755,000	200,000	175,000	150,000	920,000	0	3,200,000	100%	\$181.08
Development Timing									
Start Year	2027	2028	2028	2029	2029	N/A			
End Year	2037	2032	2034	2036	2044	N/A			

Source: Developer; Economic & Planning Systems

Development Values

Key assumptions for the development, used as inputs to the fiscal impact analysis, are summarized in **Table 5**. Based on sales and construction values, the project is estimated to have a total market value of \$3.3 billion.

Table 5. Dawson Trails Property Valuation

Description	Factor	Total Value
Residential Development Value		
Multifamily	\$225,000 per unit	\$526.1M
Duplex	\$495,000 per unit	\$155.4M
Single Family Detached (For Rent)	\$450,000 per unit	\$40.5M
Single Family Detached (For Sale)	\$649,412 per unit	\$1.9B
Townhome	\$427,500 per unit	\$70.1M
Total	\$462,215 per unit	\$2.7B
Commercial Development Value		
Retail	\$194 per sq. ft.	\$116.5M
Office	\$200 per sq. ft.	\$160.0M
Hotel	\$135 per sq. ft.	\$40.5M
Industrial	\$175 per sq. ft.	\$262.5M
Total	\$181 per sq. ft.	\$579.5M
Total Development Value		\$3.3B

Source: Developer; Economic & Planning Systems

Employment is estimated based on an average factor of 650 square feet per employee for retail, 250 square feet for office, 850 square feet for hotel, and 1,000 square feet for industrial. There are expected to be an estimated 5,976 jobs in the commercial space at Dawson Trails at buildout, as shown in **Table 6**.

Table 6. Dawson Trails Employment

Description	Factor	Total Jobs
Total Employment		
Retail	650 sq. ft. per emp.	923
Office	250 sq. ft. per emp.	3,200
Hotel	850 sq. ft. per emp.	353
Industrial	1,000 sq. ft. per emp.	1,500
Total	733 sq. ft. per emp.	5,976

Source: Developer; Economic & Planning Systems

Retail sales taxes are an important generator of revenues for the Town. The 600,000 square feet of retail space is estimated to generate an average of \$307 per square foot in taxable sales, as shown in **Table 7**. Retail sales levels range from \$180 per square foot for large retail support space and \$265 per square foot for smaller “main street” retail stores to \$536 per square foot for grocery stores. Revenues subject to sales tax range from 75 to 100 percent of the total depending on the store type. Additionally, the percentage of net new retail revenues, revenues that would not otherwise be generated if the development did not occur, ranges from 25 to 50 percent depending on the type of retail.

Table 7. Retail Value and Sales per Square Foot Assumptions

Description	Sq. Ft.	Imp. Value	Personal Prop.	Total Value	Sales per SF[1]	% Taxable	Taxable Sales per	% Net New
Retail								
Large Format Retail	180,000	\$85	\$10	\$95	\$334	100%	\$334	50%
Large Support	100,000	\$185	\$5	\$190	\$180	75%	\$135	50%
Grocer	125,000	\$175	\$25	\$200	\$536	85%	\$455	25%
Grocer Support	75,000	\$400	\$10	\$410	\$536	75%	\$402	25%
Mainstreet	120,000	\$200	\$5	\$205	\$265	75%	\$198	25%
Total/Average	600,000	\$183	\$11	\$194	\$362	85%	\$307	37%

[1] Avg. of 2019 and 2020 sales

Source: Economic & Planning Systems

3. Fiscal Model Assumptions

This section describes the revenue and expenditure factors used in the fiscal impact model to estimate the fiscal impacts of the proposed development on the Town of Castle Rock. The Town's 2021 annual budget was used to identify the major revenues, expenditures, and trends. The calculation of model inputs, including revenue and expenditure factors by land use category, are then estimated.

Demographic Factors

Demographic inputs are used to determine baseline Town service levels on a per resident or per employee basis. For many of the Town's revenues and expenditures, this analysis utilizes a "Proportionate Share" methodology to estimate the cost of providing services to future development based on current expenditures. It also estimates current revenues in a similar manner. This methodology derives demand for Town services, proportional to Town residents and employees over a typical 24-hour period. It provides a basis in the model for computing the cost per service hour for a given population across Town departments providing services to the proposed development. These factors are summarized in **Table 8**, and show an overall service demand split of approximately 78 percent residential, 22 percent commercial.

Table 8. Demographic Factors

Description	Factor	Amount
Demographic Factors		
Population		72,168
Households		24,273
Housing Units		25,596
Jobs		21,200
Maintained Lane Miles		711
Retail Area (sf)		4,187,958
Office/Inst. Area (sf)		1,251,398
Industrial Area (sf)		1,233,466
Lodging Area (sf)		N/A
Proportionate Share Estimate		
Residential Conditions		
Population		72,168
Non-Working Residents	55.8%	40,264
Working Residents	44.2%	31,904
Out Commuter Residents	82.5%	26,310
Live/Work Residents	17.5%	5,594
Residential Service Demand		
Non-Working Residents	20 hours per day	805,276
Out Commuter Residents	14 hours per day	368,346
Live/Work Residents	14 hours per day	<u>78,313</u>
Residential Total		1,251,935
Commercial Conditions		
Total Jobs		21,200
Less: Mult. Job Holders	5.60%	<u>1,187</u>
Total Employment		20,013
In-Commuting Employees	72.05%	14,419
Live/Work Employees	27.95%	5,594
Employment Service Demand		
Non-Working Residents	4 hours per day	161,055
In-Commuting Employees	10 hours per day	144,190
Live/Work Employees	10 hours per day	<u>55,938</u>
Commercial Total		361,183
Total Service Demand		1,613,118
Residential Service Demand		1,251,935
% of Total		77.6%
Commercial Service Demand		361,183
% of Total		22.4%

Source: Town of Castle Rock; Economic & Planning Systems

Nexus to Growth Factors

Specific revenues and expenditures are tied to future development through nexus to growth factors, which account for the relationship between revenues/expenditures and new development. Factors used in this model include:

- **Case Studies** – Indicate that a specific revenue or expenditure item was estimated using a tailored approach. Case studies used in this analysis include detailed estimates of property tax and sales tax revenues.
- **Residents** – Correlates the specific revenue or expenditure item to future growth in residents.
- **Employees (Commercial)** – Correlates the specific revenue or expenditure item to future growth in employees.
- **Service Population** – Reflects the service demand hours associated with residents and employees in the town. The model shows roughly 78 percent of service demand is attributed to providing services to residential development and 22 percent of service demand is attributed to serving commercial development.
- **Fixed Revenues/Expenditures** – Indicates that a specific revenue or expenditure item does not have a nexus to growth and as a result is not tied to future development. For specific revenue items that are estimated to be fixed, expenditures are adjusted accordingly, thus both the revenues and expenditures are adjusted equally. Net expenditures for individual departments are calculated by subtracting department-specific revenue items or the department's pro rata share of fixed revenues from total department expenditures.

Variability Factors

In addition to nexus to growth factors, the model includes assumptions relating to fixed and variable revenues and expenditures. This is captured in a "Variability Factor" that enables the model to account for the proportion of revenues or expenditures that are assumed to be variable (i.e., impacted by future development). Generally, revenues are typically assumed to be 100 percent variable and expenditures are estimated to be 25 to 100 percent variable, depending on the department. For example, Town administrative functions are relatively fixed and therefore have a lower variability. Existing staff are able to accommodate a substantial amount of growth without adding staff or other costs. By contrast, other functions, such as streets, have a high variability, reflecting a strong correlation between new growth and the need to expand services.

General Fund

This section summarizes the revenue and expenditure assumptions used to estimate the net fiscal impact of the Dawson Trails development to the Town's General Fund. The analysis is based on the Town's adopted 2021 budget.

Revenues

The model accounts for General Fund revenue impacts from the Dawson Trails development by linking each major revenue source to a nexus to growth factor and variability factor, as summarized below and shown in **Table 9** below.

Sales Tax – Annual sales tax revenues are estimated based on the amended 2021 budget and account for 61.9 percent of the Town's General Fund revenue. Of the Town's total 4.0 percent sales tax rate, 70.29 percent of the generated revenue is allotted to the General Fund. Sales tax revenues from the Dawson Trails development are estimated through a case study, which incorporates two methodologies to estimate sales tax revenue: Point of Sale and Point of Origin.

The Point of Sale methodology relies on an estimate of total sales and corresponding sales tax generated by commercial uses associated with a specific project. The Point of Origin methodology estimates future sales tax revenues based on the spending potential and local capture of households associated with each individual project.

Property Tax – Property taxes represent 2.4 percent of the Town's General Fund revenues and are estimated through a case study based on the total development value of Dawson Trails. The development values, corresponding with the project's anticipated absorption schedule, are applied the state's residential assessment rate of 7.15 percent and the commercial assessment rate of 29.00 percent, and multiplied by the Town mill levy of 1.196.

Other Revenues – Other revenue sources represent the remaining 35.7 percent of the Town's General Fund revenue. Of these revenue sources, the largest are Motor Vehicle Taxes (8.1 percent of total revenue), management fees (7.4 percent of total revenue), and charges for services (4.9 percent of total revenue). These revenue streams are primarily estimated based on a service population nexus to growth factor. The remaining revenue sources have no direct nexus to this project and are assumed to be fixed revenue sources. Fixed revenues are netted from the overall estimated revenues for the project.

Expenditures

All departments funded through the Town's General Fund, apart from Parks, are accounted for on a service population basis, as shown in **Table 9**. Based on the anticipated level of future growth in the Town and the current staffing levels in these departments, department expenditures are estimated to range from 25 to 100 variable. Parks are accounted for on a residential population basis, linking all future growth in park expenditures to the additional residents anticipated from the Dawson Trails development.

Table 9. General Fund Nexus to Growth Factors

Description	Amended Budget 2021		Nexus Factor	Variability	Res.	Comm.	Total	Per Ln
		% of Total			Hourly	Hourly	Hourly	Mile
					1,251,935	361,183	1,613,118	711
General Fund Revenues								
Property Tax	\$ 1,391,327	2.4%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Use Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 35,779,398	61.9%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 4,676,142	8.1%	Service Population	100.0%	\$ -	\$ -	\$ 2.90	\$ -
Other Taxes	\$ 419,690	0.7%	Service Population	100.0%	\$ -	\$ -	\$ 0.26	\$ -
Franchise Fees	\$ 2,533,582	4.4%	Service Population	100.0%	\$ -	\$ -	\$ 1.57	\$ -
Licenses & Permits	\$ 104,819	0.2%	Service Population	100.0%	\$ -	\$ -	\$ 0.06	\$ -
Intergovernmental	\$ 361,485	0.6%	Service Population	100.0%	\$ -	\$ -	\$ 0.22	\$ -
Charges for Service	\$ 2,852,385	4.9%	Service Population	100.0%	\$ -	\$ -	\$ 1.77	\$ -
Management Fees	\$ 4,304,660	7.4%	Service Population	100.0%	\$ -	\$ -	\$ 2.67	\$ -
Fines & Forfeitures	\$ 423,989	0.7%	Service Population	100.0%	\$ -	\$ -	\$ 0.26	\$ -
Investment Earnings	\$ 349,353	0.6%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
System Development Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Contributions & Donations	\$ 28,000	0.0%	Service Population	100.0%	\$ -	\$ -	\$ 0.02	\$ -
Transfers In	\$ 638,142	1.1%	Service Population	100.0%	\$ -	\$ -	\$ 0.40	\$ -
Interfund Loan Revenue	\$ 780,450	1.4%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Debt & Financing Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 280,830	0.5%	Service Population	100.0%	\$ -	\$ -	\$ 0.17	\$ -
Fund Balance Transfer	\$ 2,876,894	5.0%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Total	\$ 57,801,146	100.0%			\$ -	\$ -	\$ 10.31	
General Fund Expenditures								
Town Council	\$ 365,510	0.6%	Service Population	25.0%	\$ -	\$ -	\$ 0.05	\$ -
Town Manager	\$ 1,065,830	1.8%	Service Population	25.0%	\$ -	\$ -	\$ 0.14	\$ -
Human Resources	\$ 820,110	1.4%	Service Population	50.0%	\$ -	\$ -	\$ 0.22	\$ -
Community Relations	\$ 908,970	1.6%	Service Population	50.0%	\$ -	\$ -	\$ 0.24	\$ -
DoIT	\$ 3,974,850	6.9%	Service Population	50.0%	\$ -	\$ -	\$ 1.06	\$ -
Facilities	\$ 1,477,770	2.6%	Service Population	50.0%	\$ -	\$ -	\$ 0.39	\$ -
Town Attorney	\$ 1,176,380	2.0%	Service Population	50.0%	\$ -	\$ -	\$ 0.31	\$ -
Town Clerk	\$ 393,100	0.7%	Service Population	50.0%	\$ -	\$ -	\$ 0.10	\$ -
Municipal Court	\$ 453,392	0.8%	Service Population	50.0%	\$ -	\$ -	\$ 0.12	\$ -
Finance - Departmental	\$ 3,162,710	5.5%	Service Population	50.0%	\$ -	\$ -	\$ 0.84	\$ -
Police	\$ 16,510,480	28.6%	Service Population	100.0%	\$ -	\$ -	\$ 8.82	\$ -
Fire	\$ 17,695,361	30.6%	Service Population	100.0%	\$ -	\$ -	\$ 9.45	\$ -
Development Services	\$ 656,929	1.1%	Service Population	50.0%	\$ -	\$ -	\$ 0.18	\$ -
Parks	\$ 7,736,848	13.4%	Residential	100.0%	\$ 5.32	\$ -	\$ -	\$ -
Finance Non-Departmental	\$ 1,402,906	2.4%	Service Population	50.0%	\$ -	\$ -	\$ 0.37	\$ -
Total	\$ 57,801,146	100.0%			\$ 5.32	\$ -	\$ 22.31	\$ -

Source: Town of Castle Rock; Economic & Planning Systems

Transportation Fund

This section summarizes the revenue and expenditure assumptions used to estimate the net fiscal impact of the Dawson Trails development to the Town's Transportation Fund. The analysis is based on the Town's adopted 2021 budget.

Revenues

Variable revenue sources for the Transportation Fund are primarily attributable to sales tax, use tax, and motor vehicle tax, as shown in **Table 10**.

Sales Tax - The Town of Castle Rock's sales tax rate is 4.0 percent, of which 24.46 percent is allotted for the Transportation Fund. Similar to the General Fund, sales tax revenue generation from the Dawson Trails development is estimated through a case study, which incorporates the Point of Sale and Point of Origin methodology. Sales tax revenues account for 42.2 percent of the fund's total revenue.

Motor Vehicle Tax - Motor vehicle tax accounts for roughly 8.6 percent of the Town's Transportation Fund revenues. It is estimated using a service population nexus factor.

Use Tax - Roughly 36 percent of the Town's residential use tax revenues are allotted to the Transportation Fund. Use tax revenues are estimated on a one-time basis based on the estimated development value and corresponding material value associated with each use. The total material value is multiplied by the Town's 4.0 percent use tax rate to provide an estimate of revenues attributable to the Dawson Trails development. Use tax revenues account for 7.3 percent of the fund's total revenue.

Expenditures

Transportation Fund expenditures are estimated based on a Cost per Lane Mile case study. This approach applies the average cost of maintaining one lane mile in the town to the estimated number of new lane miles associated with Dawson Trails. The development is anticipated to require 10.4 new miles of 4 lane roads, 3.8 new miles of 6 lane roads, and 73.4 new miles of 2 lane roads.

Table 10. Transportation Fund Nexus to Growth Factors

Description	Amended Budget		Nexus Factor	Variability	Res.	Comm.	Total	
	2021	% of Total			Hourly	Hourly	Hourly	Per Ln Mile
					1,251,935	361,183	1,613,118	711
Transportation Fund Revenues								
Property Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Use Tax	\$ 2,165,522	7.3%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 12,448,201	42.2%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 2,535,979	8.6%	Service Population	100.0%	\$ -	\$ -	\$ 1.57	\$ -
Other Taxes	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Franchise Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Intergovernmental	\$ 7,285,191	24.7%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Charges for Service	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Management Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Investment Earnings	\$ 218,921	0.7%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Impact Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
System Development Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Contributions & Donations	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Interfund Loan Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Debt & Financing Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 1,500	0.0%	Service Population	100.0%	\$ -	\$ -	\$ 0.00	\$ -
Fund Balance Transfer	\$ 4,811,328	16.3%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Total	\$ 29,466,642	100.0%			\$ -	\$ -	\$ 1.57	
Transportation Fund Expenditures								
Personnel	\$ 4,955,470	16.8%	Per Lane Mile	50.0%	\$ -	\$ -	\$ -	\$ 571.90
Services & Other	\$ 15,916,805	54.0%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 3,673.84
Supplies	\$ 826,173	2.8%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 190.69
Capital	\$ 5,391,113	18.3%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 1,244.35
Debt & Financing	\$ 909,500	3.1%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 209.93
Interfund Loan	\$ -	0.0%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ 1,467,581	5.0%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 338.74
Total	\$ 29,466,642	100.0%			\$ -	\$ -	\$ -	\$ 6,229.45

Source: Town of Castle Rock; Economic & Planning Systems

Community Center Fund

This section summarizes the revenue and expenditure assumptions used to estimate the net fiscal impact of the Dawson Trails development to the Town's Community Center Fund. The analysis is based on the Town's adopted 2021 budget.

Revenues

Variable revenue sources for the Community Center Fund are primarily attributable to sales tax, use tax, motor vehicle tax, and charges for services, as shown in **Table 11** below.

Sales Tax – Of Castle Rock's 4.0 percent sales tax rate, 5.25 percent is allotted to the Community Center Fund. Similar to the General Fund and Transportation Fund, sales tax revenue generation from the Dawson Trails development is estimated through a case study that incorporates the Point of Sale and Point of Origin methodology. Sales tax revenues account for 31.1 percent of the fund's total revenue.

Motor Vehicle Tax – Motor vehicle tax accounts for 5.3 percent of the Town's Community Center Fund revenues. It is estimated using a service population nexus factor.

Charges for Services – Charges for services accounts for 54.5 percent of the fund's total revenues and are estimated based on a residential nexus factor.

Use Tax – Approximately 6 percent of the Town's residential use tax revenues are allotted to the Community Center Fund. Use tax revenues are estimated on a one-time basis based on the estimated development value and corresponding material value associated with each use. The total material value is multiplied by the Town's 4.0 percent use tax rate to provide an estimate of revenues attributable to the Dawson Trails development. Use tax revenues account for 3.9 percent of the fund's total revenue.

Expenditures

Community Center Fund expenditures are estimated based on the Town's service population and all expenditure line items are estimated based on a variability factor of 100 percent, apart from Personnel, which is assumed to be 80 percent variable.

Table 11. Community Center Fund Nexus to Growth Factors

Description	Amended Budget		Nexus Factor	Variability	Res.	Comm.	Total	Per Ln
	2021	% of Total			Hourly	Hourly	Hourly	Mile
					1,251,935	361,183	1,613,118	711
Community Center Fund Revenues								
Property Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Use Tax	\$ 334,764	3.9%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 2,672,024	31.1%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 458,716	5.3%	Service Population	100.0%	\$ -	\$ -	\$ 0.28	\$ -
Other Taxes	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Franchise Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Intergovernmental	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Charges for Service	\$ 4,680,242	54.5%	Residential	100.0%	\$ 3.74	\$ -	\$ -	\$ -
Management Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Investment Earnings	\$ 7,704	0.1%	Fixed	100.0%	\$ 0.1	\$ -	\$ -	\$ -
Impact Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
System Development Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Contributions & Donations	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Interfund Loan Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Debt & Financing Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 41,616	0.5%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Fund Balance Transfer	\$ 399,184	4.6%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Total	\$ 8,594,250	100.0%			\$ 3.74	\$ -	\$ 0.28	
Community Center Fund Expenditures								
Personnel	\$ 4,785,820	55.7%	Service Population	80.0%	\$ -	\$ -	\$ 2.13	\$ -
Services & Other	\$ 2,620,131	30.5%	Service Population	100.0%	\$ -	\$ -	\$ 1.45	\$ -
Supplies	\$ 675,800	7.9%	Service Population	100.0%	\$ -	\$ -	\$ 0.38	\$ -
Capital	\$ 400,000	4.7%	Service Population	100.0%	\$ -	\$ -	\$ 0.22	\$ -
Debt & Financing	\$ -	0.0%	Service Population	100.0%	\$ -	\$ -	\$ -	\$ -
Interfund Loan	\$ -	0.0%	Service Population	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ 112,499	1.3%	Service Population	100.0%	\$ -	\$ -	\$ 0.06	\$ -
Total	\$ 8,594,250	100.0%			\$ -	\$ -	\$ 4.24	\$ -

Source: Town of Castle Rock; Economic & Planning Systems

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4. Fiscal Impacts

The section of the reports summarizes the estimated Town revenues, expenditures, and net fiscal impacts of the proposed development program by fund, phase, and land use category.

Fiscal Impact by Fund

Revenues

Ongoing and one-time revenue generation estimates were provided for the General Fund, Transportation Fund, and Community Center Fund. Ongoing annual revenue associated with the Dawson Trails project is estimated to average \$16.3 million at full stabilization. Additionally, one-time use tax revenues total an estimated \$71.1 million over the course of buildout, from 2026 to 2046. Revenue generation estimates are shown in **Table 12** and summarized below.

Ongoing Revenue

Property Tax Revenues – Property tax revenues are allotted to the General Fund. The project has an overall development value of \$3.3 billion at full buildout. Applying the state’s residential assessment rate of 7.15 percent and the commercial assessment rate of 29.00 percent, multiplied by the Town mill levy of 1.196, Dawson Trails is estimated to generate \$434,000 in property tax revenue at full stabilization.

Sales Tax Revenues – Sales tax revenues are estimated based on the Point of Origin and Point of Sale methodologies.

- **Point of Sale methodology** - The project is estimated to generate a weighted average of \$307 per square foot in taxable retail sales, of which 37 percent are estimated to represent net new revenues to the Town. At full stabilization, the development is anticipated to generate \$94.0 million annually in net new retail sales. After applying the 4.0 percent sales tax rate retained by the Town, Dawson Trails generates \$4.0 million annually in sales tax revenue.
- **Point of Origin methodology** – After full buildout, new households from the project are estimated to spend \$148.0 million annually on retail goods within the Town of Castle Rock. After applying the 4.0 percent sales tax rate retained by the Town, Dawson Trails households generate \$6.4 million annually in additional sales tax revenue at full stabilization.

In total, at full stabilization Dawson Trails is estimated to generate \$10.4 million in annual sales tax revenue. Approximately 39 percent the total sales tax generated can be attributed to the retail and hotel development on the site, while 61 percent can be attributed to additional household spending from the residential uses. Of the total sales tax generated, 70.3 percent, 24.5 percent, and 5.2 percent are allotted to the General Fund, Transportation Fund, and Community Center Fund, respectively.

General Revenue – General revenue is a funding source for the Community Center Fund and includes the motor vehicle tax and charges for services, which are generated based on a service population and residential nexus factor, respectively. General revenue totals an estimated \$1.1 million annually at full stabilization.

Other Revenue – Other revenue includes smaller funding sources generated by the General Fund and Transportation Fund. These sources are primarily generated on a service population basis and total \$3.7 million annually in the General Fund and \$569,000 in the Transportation Fund, at full stabilization.

One-Time Revenue

Use Tax Revenues – Use tax revenues are allotted to the Transportation Fund, Community Center Fund, Transportation Capital Fund, General Long-Term Planning Fund, and Economic Development Fund.

The total material value associated with new construction from Dawson Trails averages \$187.5 million and totals \$1.7 billion over the 21-year buildout period from 2026 to 2046. After applying the 4.0 percent use tax rate retained by the Town, Dawson Trails generates an average of \$3.7 million annually and a total of \$71.1 million, in use tax revenue.

Expenditures

Annual expenditures are estimated on a service population, residential, or per lane mile basis, depending on the fund, as shown in **Table 9**, **Table 10**, and **Table 11**. The Dawson Trails development is estimated to generate a total annual service cost of negative \$11.6 million per year, which is comprised of negative \$9.5 million from General Fund services, negative \$546,000 from Transportation Fund services, and negative \$1.5 million from Community Center Fund services, as shown in **Table 12**.

Ongoing Net Fiscal Impact

The average annual net fiscal impact of Dawson Trails on the Town's General Fund, Transportation Fund, and Community Center Fund is estimated at a positive \$1.5 million, \$3.1 million, and \$89,000 at full stabilization, respectively, as shown in **Table 12**. The total net fiscal impact at full stabilization is estimated at \$4.6 million.

Table 12. Summary of Revenues, Expenditures, and Net Fiscal Impact by Fund

Description	General Fund	Transportation Fund	Community Center Fund	Other Funds [1]	Total
Ongoing Revenues					
Sales Tax - General	\$6,802,978	\$2,367,347	\$508,118	--	\$9,678,443
Sales Tax - County Transfer	--	\$725,883	--	--	\$725,883
Property Tax	\$434,050	--	--	--	\$434,050
Other Revenues	\$3,726,225	\$568,779	--	--	\$4,295,004
General Revenue	--	--	\$1,113,630	--	\$1,113,630
Total	\$10,963,253	\$3,662,009	\$1,621,748	--	\$16,247,011
Ongoing Expenditures					
Total	-\$9,505,452	-\$546,059	-\$1,533,189	--	-11,584,700
Ongoing Net Fiscal Impact	\$1,457,801	\$3,115,950	\$88,560	\$0	\$4,662,311
One-Time Revenues					
Use Tax - General	--	\$19,782,114	\$3,058,078	\$43,260,007	66,100,200
Use Tax - County Transfer	--	\$4,957,515	--	--	\$4,957,515
Total	--	\$24,739,629	\$3,058,078	\$43,260,007	71,057,715

[1] Other Funds include the Transportation Capital Fund, General Long-Term Planning Fund, and Economic Development Fund
Source: Economic & Planning Systems

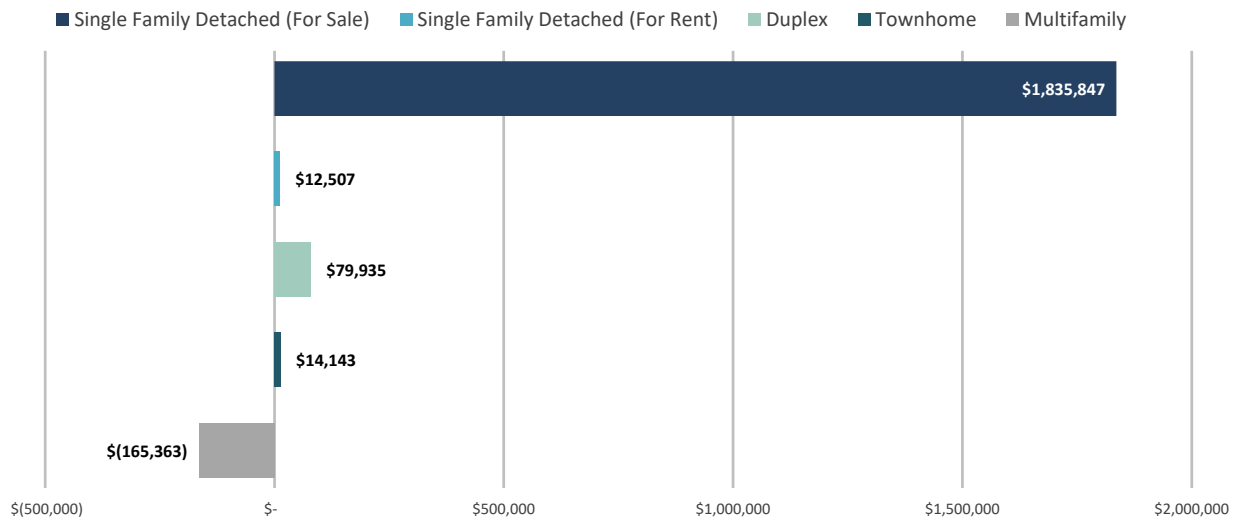
Fiscal Impact by Land Use

Residential Fiscal Impact

Ongoing Net Fiscal Impact

The proposed residential land uses result in a positive ongoing net fiscal impact to the Town in aggregate, as shown in **Figure 2**. At full buildout, the impacts range from negative \$165,000 annually for the multifamily product to positive \$1.8 million annually for the single family for sale product. The variations are largely due to the estimated household income for each unit type, which is related to sales tax revenues attributed to household spending under the Point of Origin methodology.

Figure 2. Residential Ongoing Net Fiscal Impact at Full Stabilization

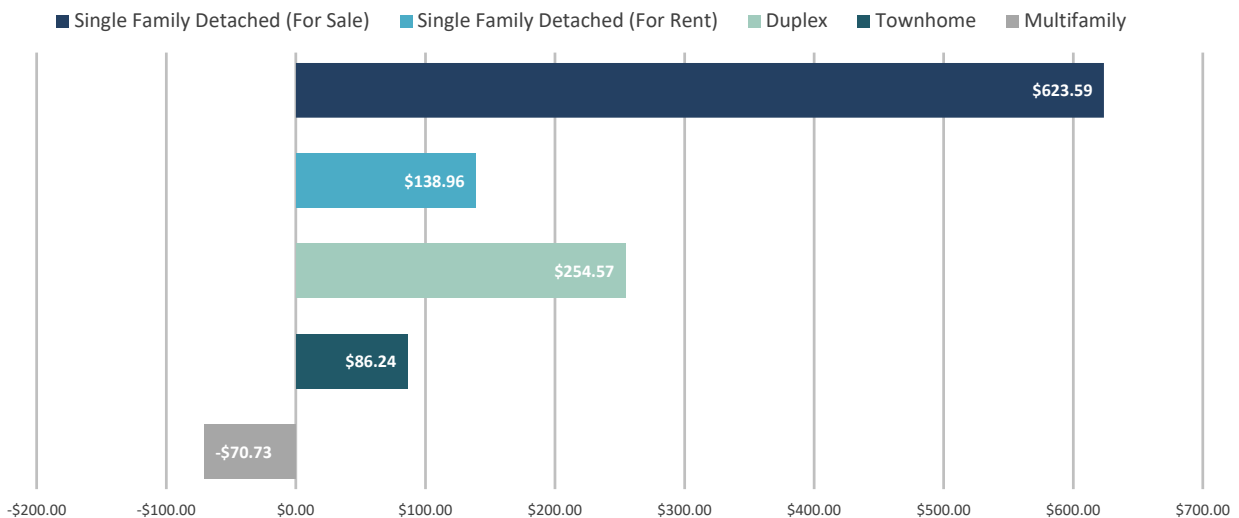


Source: Economic & Planning Systems

Ongoing Net Fiscal Impact Per Unit

The ongoing net fiscal impact per unit of each residential use track similarly to the net fiscal impacts in aggregate, as seen in **Figure 3**. At full stabilization, for sale single family detached housing has the highest ongoing net fiscal impact at \$624 per unit. Multifamily residential housing has the lowest ongoing net fiscal impact at negative \$71 per unit. For rent single family detached housing, duplexes, and townhomes have net fiscal impacts of \$139, \$255, and \$86 per unit, respectively.

Figure 3. Residential Ongoing Net Fiscal Impact per Unit at Full Stabilization

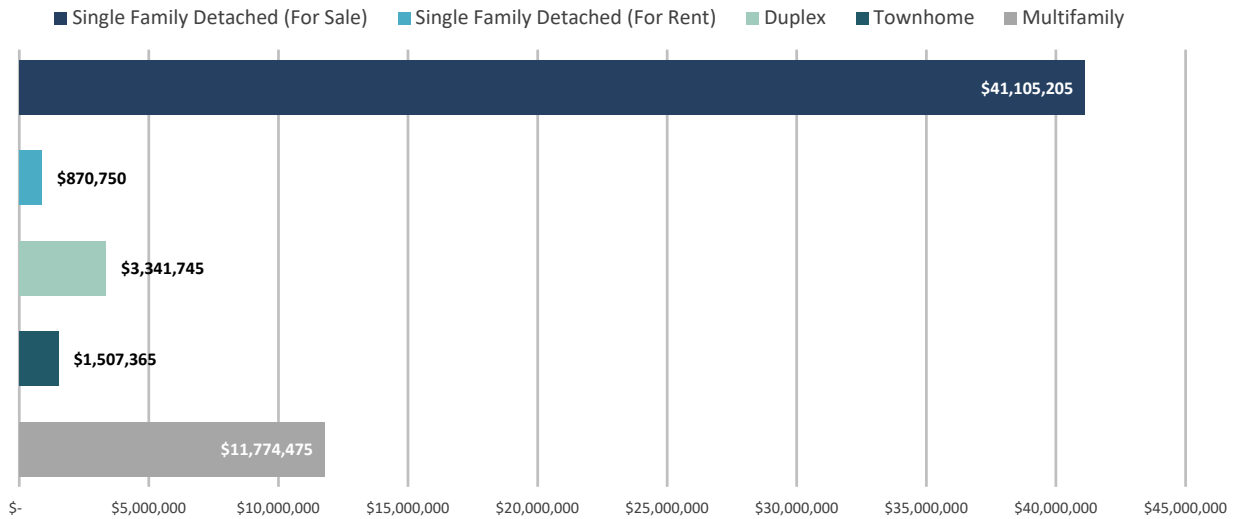


Source: Economic & Planning Systems

One-Time Revenues

In addition to ongoing revenues, the residential uses account for a total of \$58.6 million in one-time use tax revenues generated between 2026-2046, as seen below in **Figure 4**. Residential use tax revenues account for approximately 82 percent of the total use tax revenues generated throughout the project’s buildout.

Figure 4. Residential One-Time Use Tax Revenue, 2026-2046



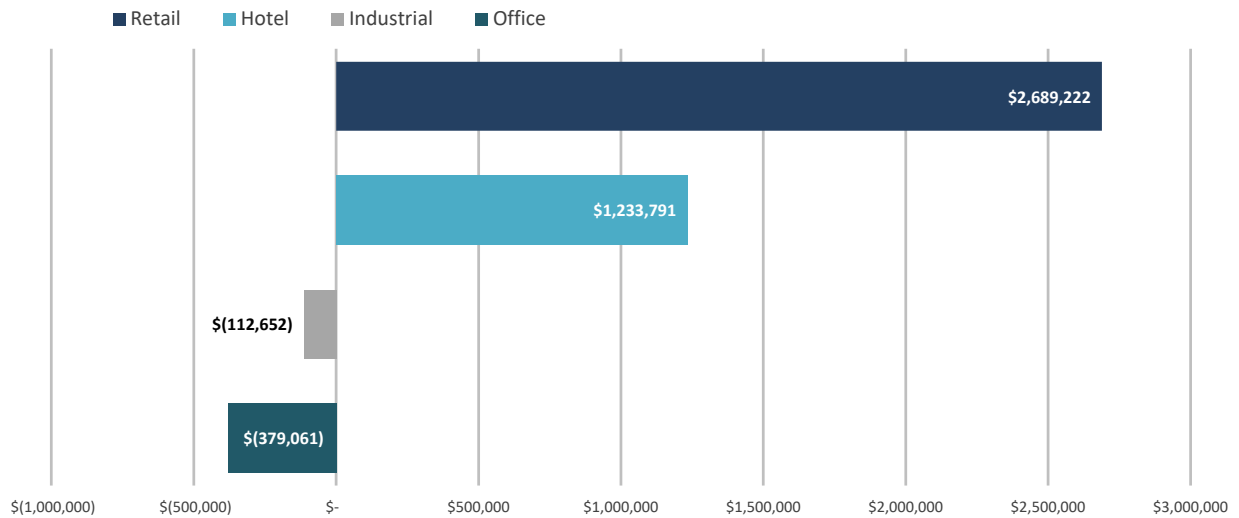
Source: Economic & Planning Systems

Commercial Fiscal Impact

Ongoing Net Fiscal Impact

The highest fiscal returns associated with the commercial component of the project are generated by the retail and hotel land uses, as shown in **Figure 5**. The retail and hotel space have a positive average annual fiscal impact of \$2.7 million and \$1.2 million, respectively. The positive fiscal returns are buoyed largely by the generation of retail sales tax. Industrial and office space have a net fiscal impact of negative \$113,000 and negative \$379,000, respectively.

Figure 5. Commercial Ongoing Net Fiscal Impact at Full Stabilization

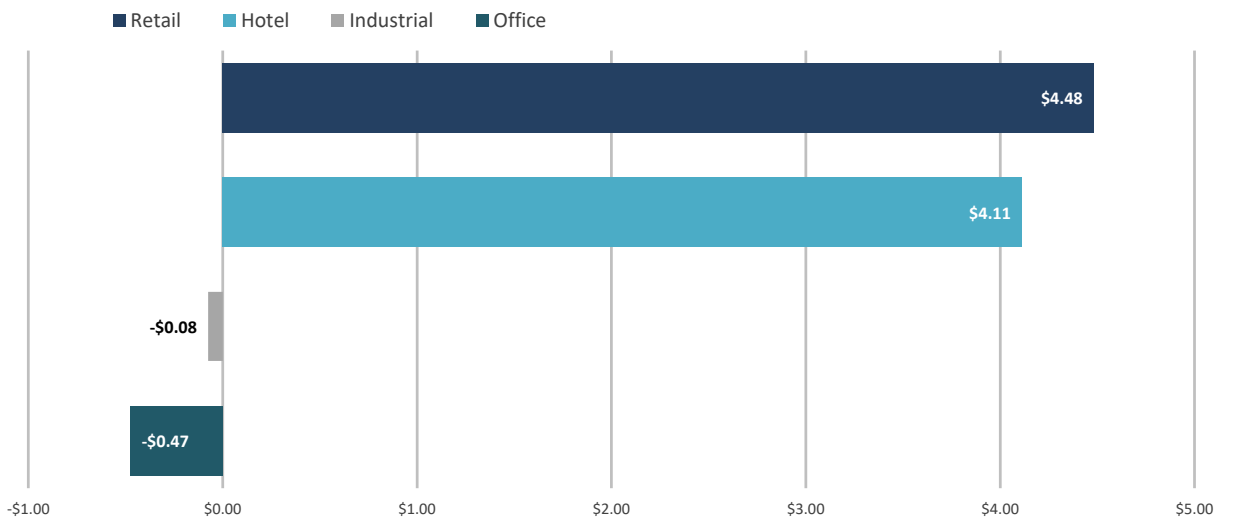


Source: Economic & Planning Systems

Ongoing Net Fiscal Impact Per Square Foot

The ongoing net fiscal impact for square foot of the commercial uses closely mirrors the net fiscal impact of each use in aggregate, as seen in **Figure 6**. The retail and hotel uses have the highest ongoing net fiscal impact at \$4.48 and \$4.11 per square foot, respectively. The office and industrial uses have ongoing net fiscal impacts of negative \$0.08 and negative \$0.47 per square foot, respectively.

Figure 6. Commercial Ongoing Net Fiscal Impact per Square Foot at Full Stabilization

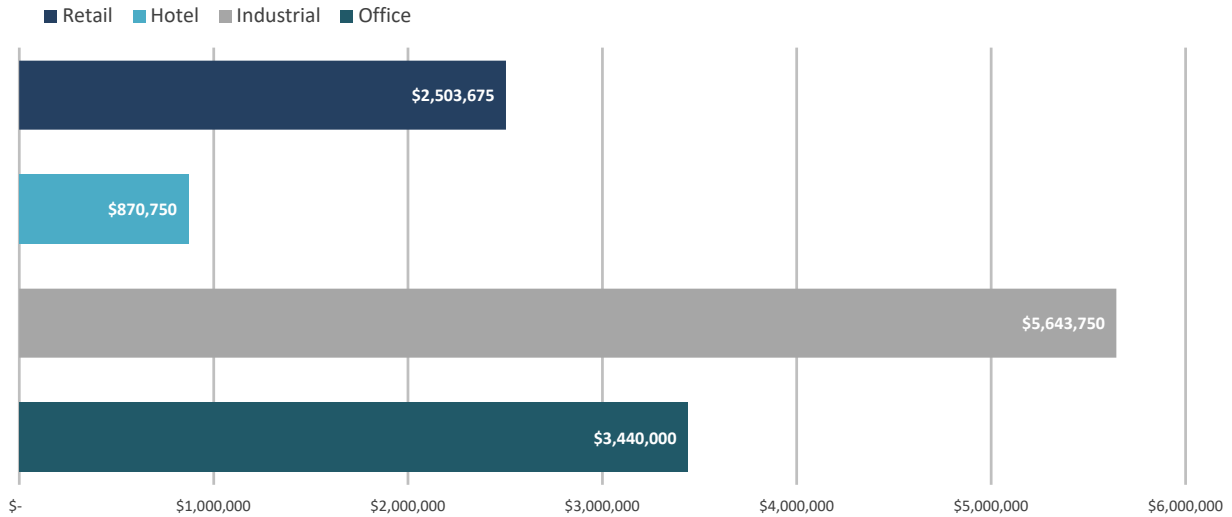


Source: Economic & Planning Systems

One-Time Revenues

Commercial uses account for \$12.5 million in one-time use tax revenues, which represents 18 percent of total use tax revenues generated between 2026-2046, as seen below in **Figure 7**. Use tax revenues range from \$871,000 generated by hotel space to \$5.6 million generated by industrial space.

Figure 7. Commercial One-Time Use Tax Revenue, 2026-2046



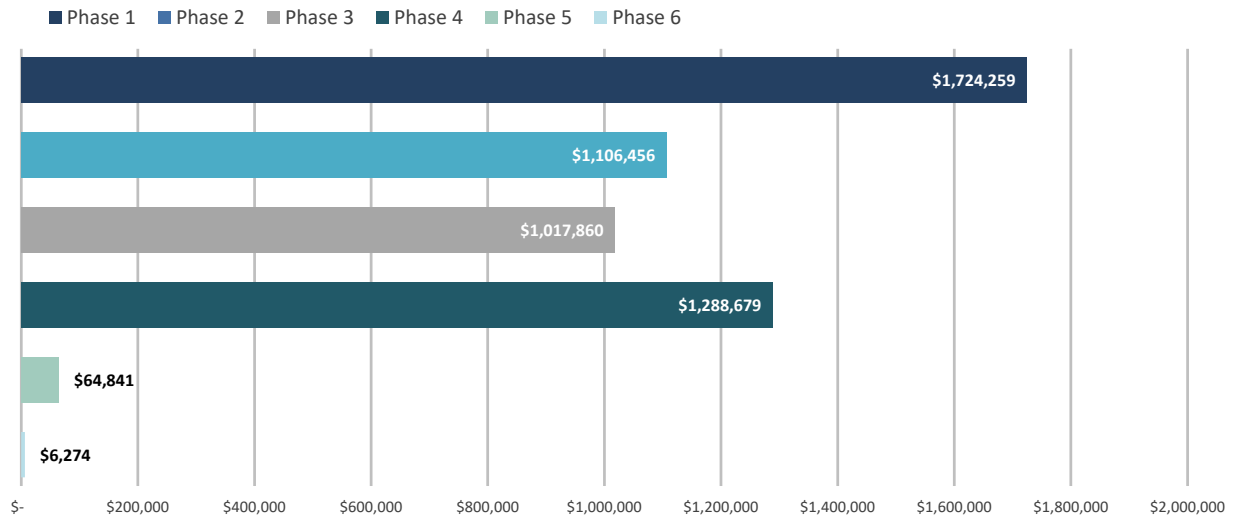
Source: Economic & Planning Systems

Fiscal Impact by Phase

Ongoing Net Fiscal Impact

The net fiscal impacts are also tabulated by phase of development, as shown in **Figure 8**. The greatest positive fiscal benefits are estimated to be generated in Phase 1, which has a net fiscal impact of \$1.7 million annually at full stabilization. Phase 1 is anticipated to include 30 percent of the total retail space and approximately 20 percent of the total single family for sale households, which account for the highest household incomes of any residential component. Phase 6 has the lowest fiscal impact at roughly \$6,274 annually in large part because it is proposed to contain the lowest volume of development out of the six phases.

Figure 8. Ongoing Net Fiscal Impact at Full Stabilization by Phase

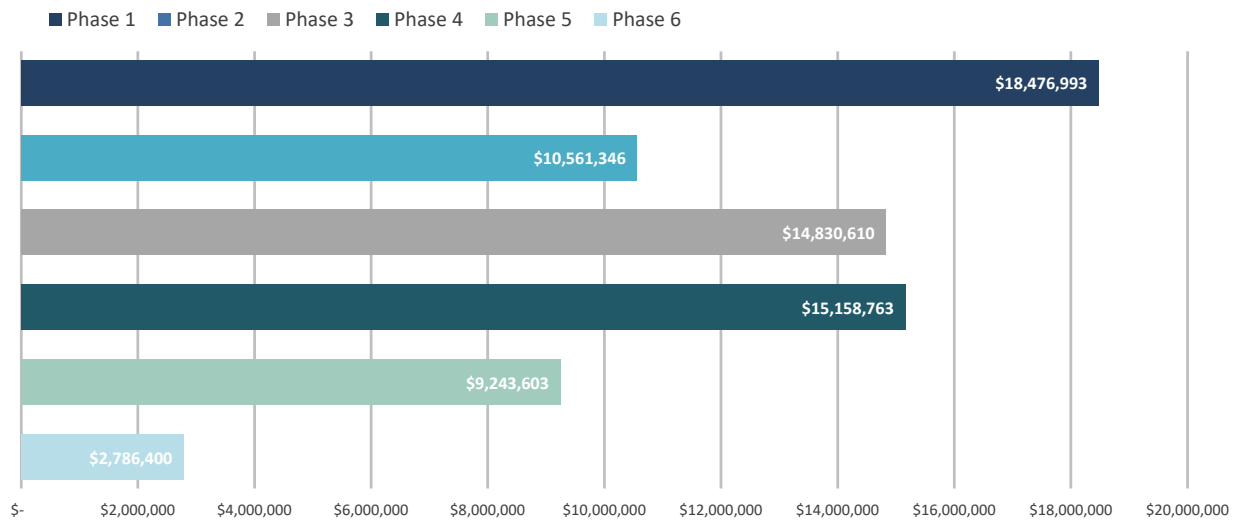


Source: Economic & Planning Systems

One-Time Revenues

The one-time use tax revenues associated with each phase follow a similar pattern to the net fiscal impacts. Phase 1 is anticipated to generate the most use tax revenue with a total of \$18.5 million, as shown in **Figure 9**. The lowest use tax generation is anticipated to occur in phase 6, with a total of \$2.8 million.

Figure 9. One-Time Use Tax Revenue Generation by Phase, 2026-2046



Source: Economic & Planning Systems

Retail Sensitivity Analysis

The development's reliance on retail was analyzed by reducing the square footage in each phase by factors ranging from 20 to 100 percent, as shown in **Table 13**. The results of the analysis indicate that at full stabilization, the development would have a positive net fiscal impact of \$2.0 million annually if the retail square footage was reduced to zero square feet. The project's reliance on retail is relatively low due to sales tax generation potential attributed to residential development in the Point of Origin methodology. Under the current set of assumptions, commercial development is anticipated to generate only 39 percent of total sales tax revenue.

Table 13. Retail Sensitivity Analysis, Ongoing Net Fiscal Impact

Description	Retail Square Footage Reduction					
	Baseline	20%	40%	60%	80%	100%
Retail Deliveries (Sq. Ft.)						
Phase 1	180,000	144,000	108,000	72,000	36,000	-
Phase 2	125,000	100,000	75,000	50,000	25,000	-
Phase 3	100,000	80,000	60,000	40,000	20,000	-
Phase 4	75,000	60,000	45,000	30,000	15,000	-
Phase 5	120,000	96,000	72,000	48,000	24,000	-
Phase 6	-	-	-	-	-	-
Total	600,000	480,000	360,000	240,000	120,000	-
Average Annual Net Fiscal Impact	\$4,662,311	\$4,124,466	\$3,586,622	\$3,048,777	\$2,510,933	\$1,973,088

Source: Economic & Planning Systems