

Draft Report

Canyons South Fiscal Impact Analysis

The Economics of Land Use



Prepared for:
Town of Castle Rock

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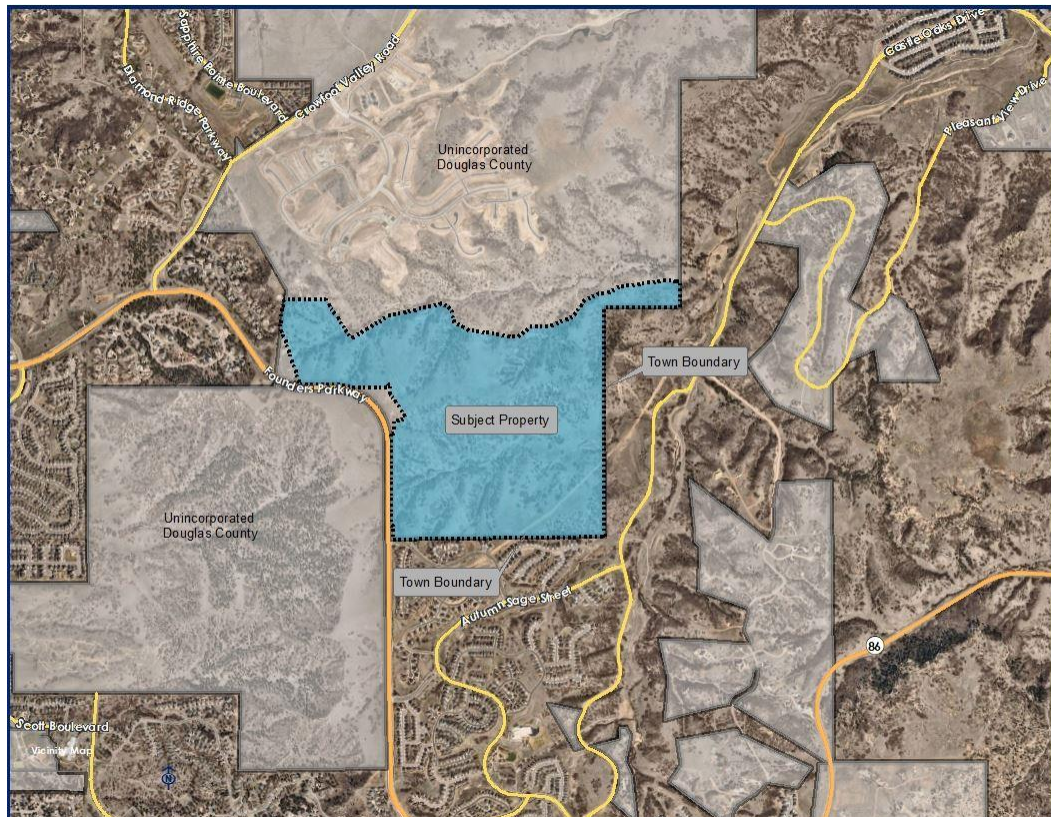
1. Introduction and Summary of Findings

Introduction

This report summarizes the analysis and conclusions of Economic & Planning Systems (EPS) regarding the fiscal impacts of the proposed Canyons Far South Planned Development (Canyons South) on the Town of Castle Rock, Colorado. Canyons South LLC and its affiliates (Developer) is proposing to annex the property into the Town of Castle Rock and zone the property as a Planned Development Plan to permit 474 single family residential units, 60,000 square feet of neighborhood commercial space, and 200 acres of open space.

The Canyons South property consists of approximately 409 acres and is located south of Crowfoot Valley Road, east of Founders Parkway, north of Crimson Sky Drive and west of Castle Oaks Drive, as shown in **Figure 1**.

Figure 1. Canyons South Vicinity Map



The development plan includes 474 residential dwelling units of varying densities and 60,000 square feet of retail space, as summarized in **Table 1**. The project is also planned to provide 200 acres of open space.

Table 1. Canyons South Development Program

Type	% of Total	Total	2024	2025	2026	2027
Residential For Sale (Sq. Ft.)						
Paired Homes	13%	60	0	6	36	18
Quad/Cluster Units	12%	56	10	46	0	0
Cottage Lots	7%	34	0	8	26	0
Small Lots	20%	97	18	22	43	14
Medium Lots	34%	159	27	66	48	18
Large Lots	14%	68	24	44	0	0
Total	100%	474	79	192	153	50
Nonresidential (Sq. Ft.)						
Retail	100%	60,000	0	30,000	30,000	0
Office	0%	0	0	0	0	0
Hotel	0%	0	0	0	0	0
Industrial	0%	0	0	0	0	0
Total	100%	60,000	0	30,000	30,000	0

Source: Developer; Economic & Planning Systems

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 2022 adopted budget 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 in total and by land use category.

Summary of Findings

- 1. The proposed Canyons South development, which is anticipated to deliver predominantly single family detached housing and retail development, is estimated to result in a modest positive fiscal balance for the Town at full buildout.***

The ongoing annual net fiscal impact of Canyons South on the Town's General Fund, Transportation Fund, and Community Center Fund is estimated at a positive \$262,121, \$18,783, and \$1,450 per year at full stabilization, respectively. The total annual net fiscal impact at full stabilization is estimated at \$282,354, which is a modest positive fiscal balance. The inclusion of a requirement for the Development's metro district to impose a 5-mill regional improvement levy accounts for \$154,141 in revenues to the General Fund annually at buildout, which is 59 percent of its positive fiscal balance.

- 2. At full stabilization, retail development has the highest net fiscal impact for the Town, followed by medium lot single family housing units.***

The ongoing net fiscal impact of the retail and medium lot housing land uses totals \$115,187 and \$78,872, respectively. The quad/cluster units and cottage lots generate the lowest fiscal impact, with ongoing net fiscal impacts of negative \$7,337 and negative \$1,589, respectively.

- 3. The positive fiscal impact of the development is contingent upon the relatively high average household incomes required to afford the higher value medium density and estate lot single family product types and that support the capture of higher levels of retail sales generating local sales tax revenue.***

The land uses with the lowest ongoing net fiscal impacts—paired homes, quad/cluster homes, cottage lots, and small lots—also have the lowest household income assumptions. If the assumed household incomes do not materialize, the development may fail to generate sufficient net new retail sales tax to cover the estimated costs of serving the project.

- 4. It should be noted that a fiscal impact analysis provides an order of magnitude estimate of project revenues and expenses based on the current Town budget.***

The aggregate fiscal impacts could be lower if the estimated household incomes are lower than estimated or if the household sizes are larger resulting in higher service level costs to the Town. The objective of the analysis is not to forecast a precise level of cost and revenues, but rather to determine if the project can be expected to not cause an unreasonable cost burden to the Town government and to the Town's existing residents, businesses, and taxpayers.

As with any fiscal projection, there is an assumed margin of error associated with the estimates. Results are best interpreted as an estimate of fiscal impacts based on the Town's current budget. To the extent that the Town is providing services at a level below desired levels based on budget constraints, the analysis may underrepresent the future costs of providing services to the project.

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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.

Development Program

Residential Development Program

Canyons South is proposed to contain a total of 474 for-sale housing units including 60 paired homes, 56 quad/cluster units, 34 homes on cottage lots, and 324 homes on small, medium, or large lots, as shown in **Table 2**.

The annual absorption and average sales value of each product type, in current dollars, is also shown. Estimated sales values range from \$500,000 for paired homes to \$950,000 for the large lot homes. The majority of residential development, medium lot homes, are expected to be priced at \$775,000.

Commercial Development Program

The Canyons South development is proposed to contain 60,000 square feet of neighborhood commercial development, all of which is anticipated to be comprised of retail space. The retail space is estimated by the Developer to have a market value of \$400 per square foot, also shown in **Table 2**.

Table 2. Residential and Commercial Development Program

Type	Value per SF/Unit	Total Value	% of Total	Total	2024	2025	2026	2027
Residential Development (Units)								
Paired Homes	\$500,000	\$30.0M	13%	60	0	6	36	18
Quad/Cluster Units	\$550,000	\$30.8M	12%	56	10	46	0	0
Cottage Lots	\$580,000	\$19.7M	7%	34	0	8	26	0
Small Lots	\$675,000	\$65.5M	20%	97	18	22	43	14
Medium Lots	\$775,000	\$123.2M	34%	159	27	66	48	18
Large Lots	\$950,000	\$64.6M	14%	68	24	44	0	0
Total/Average	\$704,262	\$333.8M	100%	474	79	192	153	50
Commercial Development (Sq. Ft.)								
Retail	\$400	\$24.0M	100%	60,000	0	30,000	30,000	0
Office	\$0	\$0.0M	0%	0	0	0	0	0
Hotel	\$0	\$0.0M	0%	0	0	0	0	0
Industrial	\$0	\$0.0M	0%	0	0	0	0	0
Total/Average	\$400	\$24.0M	100%	60,000	0	30,000	30,000	0

Source: Developer; Economic & Planning Systems

Development Values

Key assumptions for the development, used as inputs to the fiscal impact analysis, are summarized in **Table 3**. Based on sales and construction values, the project is estimated to have a total market value of \$357.8 million.

Table 3. Canyons South Property Valuation

Description	Factor	Total Value
Residential Development Value		
Paired Homes	\$500,000 per unit	\$30.0M
Quad/Cluster Units	\$550,000 per unit	\$30.8M
Cottage Lots	\$580,000 per unit	\$19.7M
Small Lots	\$675,000 per unit	\$65.5M
Medium Lots	\$775,000 per unit	\$123.2M
Large Lots	\$950,000 per unit	\$64.6M
Total	\$704,262 per unit	\$333.8M
Commercial Development Value		
Retail	\$400 per sq. ft.	\$24.0M
Office	\$0 per sq. ft.	\$0.0M
Hotel	\$0 per sq. ft.	\$0.0M
Industrial	\$0 per sq. ft.	\$0.0M
Total	\$400 per sq. ft.	\$24.0M
Total Development Value		\$357.8M

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 92 jobs in the commercial space at Canyons South at buildout, as shown in **Table 4**.

Table 4. Canyons South Employment

Description	Factor	Jobs
Total Employment		
Retail	650 sq. ft. per emp.	92
Office	250 sq. ft. per emp.	0
Hotel	850 sq. ft. per emp.	0
Industrial	1,000 sq. ft. per emp.	0
Total	650 sq. ft. per emp.	92

Source: Developer; Economic & Planning Systems

Retail sales taxes are an important generator of revenues for the Town. The 60,000 square feet of retail space is estimated to generate an average of \$265 per square foot in taxable sales, as shown in **Table 5**. 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 5. Retail Value and Sales per Sq. Ft. Assumptions

Description	Sq. Ft.	Sales per SF [1]	% Taxable	Taxable Sales per SF	% Net New
Retail					
Large Format Retail	0	\$334	100%	\$334	50%
Large Support	0	\$180	75%	\$135	50%
Grocer	0	\$536	85%	\$455	25%
Grocer Support	0	\$536	75%	\$402	25%
Mainstreet	60,000	\$265	75%	\$198	50%
Total/Average	60,000	\$265	75%	\$198	50%

[1] Avg. of 2019 and 2020 sales

Source: Economic & Planning Systems

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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 2022 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 6**, and show an overall service demand split of approximately 77 percent residential/23 percent commercial.

Table 6. Demographic Factors

Description	Factor	Amount
Demographic Factors		
Population		79,364
Households		27,662
Housing Units		29,227
Jobs		24,312
Maintained Lane Miles		715
Retail Area (sf)		4,247,357
Office/Inst. Area (sf)		1,299,529
Industrial Area (sf)		1,242,105
Lodging Area (sf)		N/A
Proportionate Share Estimate		
Residential Conditions		
Population		79,364
Non-Working Residents	55.8%	42,746
Working Residents	44.2%	36,618
Out Commuter Residents	82.5%	29,990
Live/Work Residents	17.5%	6,628
Residential Service Demand		
Non-Working Residents	20 hours per day	854,912
Out Commuter Residents	14 hours per day	419,867
Live/Work Residents	14 hours per day	<u>92,791</u>
Residential Total		1,367,570
Commercial Conditions		
Total Jobs		24,312
Less: Mult. Job Holders	5.60%	<u>1,361</u>
Total Employment		22,951
In-Commuting Employees	72.05%	16,323
Live/Work Employees	27.95%	6,628
Employment Service Demand		
Non-Working Residents	4 hours per day	170,982
In-Commuting Employees	10 hours per day	163,226
Live/Work Employees	10 hours per day	<u>66,279</u>
Commercial Total		400,488
Total Service Demand		1,768,057
Residential Service Demand		1,367,570
% of Total		77.3%
Commercial Service Demand		400,488
% of Total		22.7%

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 project-specific data. 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 77 percent of service demand is attributed to providing services to residential development and 23 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 Canyons South development on the Town's General Fund. The analysis is based on the Town's adopted 2022 budget.

Revenues

The model accounts for General Fund revenue impacts from the Canyons South development by linking each major revenue source to a nexus to growth factor and variability factor, as summarized below and shown in **Table 7**.

Sales Tax – Annual sales tax revenues are estimated based on the adopted 2022 budget and account for 66.6 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 Canyons South 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 2.3 percent of the Town's General Fund revenues and are estimated through a case study based on the total development value of Canyons South. 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 31.1 percent of the Town's General Fund revenue. Of these revenue sources, only four were determined to have a nexus to growth, the largest being Motor Vehicle Tax (6.7 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 7**. 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 Canyons South development.

Table 7. General Fund Nexus to Growth Factors

Description	Adopted Budget 2022		Nexus Factor	Variability	Res.	Comm.	Total
		% of Total			Hourly	Hourly	Hourly
					1,367,570	400,488	1,768,057
General Fund Revenues							
Property	\$ 1,467,849	2.3%	Case Study	100.0%	\$ -	\$ -	\$ -
Use Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -
Sales Tax	\$ 43,106,714	66.6%	Case Study	100.0%	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 4,331,278	6.7%	Residential	100.0%	\$ 3.17	\$ -	\$ -
Other Taxes	\$ 396,730	0.6%	N/A	100.0%	\$ -	\$ -	\$ -
Franchise Fees	\$ 2,509,241	3.9%	Service Population	100.0%	\$ -	\$ -	\$ 1.42
Licenses & Permits	\$ 133,816	0.2%	Service Population	100.0%	\$ -	\$ -	\$ 0.08
Intergovernmental	\$ 2,614,092	4.0%	N/A	100.0%	\$ -	\$ -	\$ -
Charges for Service	\$ 2,906,638	4.5%	N/A	100.0%	\$ -	\$ -	\$ -
Management Fees	\$ 4,205,990	6.5%	N/A	100.0%	\$ -	\$ -	\$ -
Fines & Forfeitures	\$ 391,764	0.6%	Service Population	100.0%	\$ -	\$ -	\$ 0.22
Investment Earnings	\$ 368,383	0.6%	Fixed	100.0%	\$ -	\$ -	\$ -
System Development Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -
Contributions & Donations	\$ 1,336,000	2.1%	N/A	100.0%	\$ -	\$ -	\$ -
Transfers In	\$ 719,259	1.1%	N/A	100.0%	\$ -	\$ -	\$ -
Interfund Loan Revenue	\$ 1,112,318	1.7%	N/A	100.0%	\$ -	\$ -	\$ -
Debt & Financing Revenue	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -
Other Revenue	\$ 245,343	0.4%	N/A	100.0%	\$ -	\$ -	\$ -
Fund Balance Transfer	\$ (1,131,160)	-1.7%	Fixed	100.0%	\$ -	\$ -	\$ -
Total	\$ 64,714,255	100.0%			\$ 3.17	\$ -	\$ 1.72
General Fund Expenditures							
Town Council	\$ 382,381	0.6%	Service Population	25.0%	\$ -	\$ -	\$ 0.04
Town Manager	\$ 1,045,192	1.6%	Service Population	25.0%	\$ -	\$ -	\$ 0.12
Human Resources	\$ 807,103	1.2%	Service Population	50.0%	\$ -	\$ -	\$ 0.18
Community Relations	\$ 1,009,388	1.6%	Service Population	50.0%	\$ -	\$ -	\$ 0.23
DoIT	\$ 3,910,294	6.0%	Service Population	50.0%	\$ -	\$ -	\$ 0.89
Facilities	\$ 1,392,413	2.2%	Service Population	50.0%	\$ -	\$ -	\$ 0.32
Town Attorney	\$ 1,145,619	1.8%	Service Population	50.0%	\$ -	\$ -	\$ 0.26
Town Clerk	\$ 452,775	0.7%	Service Population	50.0%	\$ -	\$ -	\$ 0.10
Municipal Court	\$ 467,163	0.7%	Service Population	50.0%	\$ -	\$ -	\$ 0.11
Finance - Departmental	\$ 3,401,247	5.3%	Service Population	50.0%	\$ -	\$ -	\$ 0.77
Police	\$ 19,865,933	30.7%	Service Population	100.0%	\$ -	\$ -	\$ 9.02
Fire	\$ 18,494,264	28.6%	Service Population	100.0%	\$ -	\$ -	\$ 8.40
Development Services	\$ 690,788	1.1%	Service Population	50.0%	\$ -	\$ -	\$ 0.16
Parks	\$ 10,389,061	16.1%	Residential	100.0%	\$ 6.10	\$ -	\$ -
Finance Non-Departmental	\$ 1,260,634	1.9%	Service Population	50.0%	\$ -	\$ -	\$ 0.29
Total	\$ 64,714,255	100.0%			\$ 6.10	\$ -	\$ 20.88

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 Canyons South development on the Town's Transportation Fund. The analysis is based on the Town's adopted 2022 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 8**.

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 Canyons South development is estimated through a case study, which incorporates the Point of Sale and Point of Origin methodology. Sales tax revenues account for 40.8 percent of the fund's total revenue.

Motor Vehicle Tax – Motor vehicle tax accounts for roughly 6.4 percent of the Town's Transportation Fund revenues. It is estimated using a residential 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 Canyons South development. Use tax revenues account for 7.6 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 Canyons South. The development is anticipated to require 12.6 new miles of 2 lane roads.

Table 8. Transportation Fund Nexus to Growth Factors

Description	Adopted Budget		Nexus Factor	Variability	Res.	Comm.	Total	Per Ln
	2022	% of Total			Hourly	Hourly	Hourly	Mile
					1,367,570	400,488	1,768,057	715
Transportation Fund Revenues								
Property Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Use Tax	\$ 2,803,639	7.6%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 14,998,011	40.8%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 2,348,951	6.4%	Residential	100.0%	\$ 1.72	\$ -	\$ -	\$ -
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	\$ 8,069,414	22.0%	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	\$ 112,865	0.3%	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	\$ 5,155	0.0%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Fund Balance Transfer	\$ 8,390,148	22.8%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Total	\$ 36,728,183	100.0%			\$ 1.72	\$ -	\$ -	\$ -
Transportation Fund Expenditures								
Personnel	\$ 5,362,650	14.6%	Per Lane Mile	50.0%	\$ -	\$ -	\$ -	\$ 2,057
Services & Other	\$ 23,273,286	63.4%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 17,858
Supplies	\$ 814,487	2.2%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 625
Capital	\$ 1,115,950	3.0%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 856
Debt & Financing	\$ 907,400	2.5%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 696
Interfund Loan	\$ -	0.0%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ 5,254,410	14.3%	Per Lane Mile	100.0%	\$ -	\$ -	\$ -	\$ 4,032
Total	\$ 36,728,183	100.0%			\$ -	\$ -	\$ -	\$ 26,125

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 Canyons South development to the Town's Community Center Fund. The analysis is based on the Town's adopted 2022 budget.

Revenues

Variable revenue sources for the Community Center Fund are primarily attributable to sales tax, use tax, and motor vehicle tax, as shown in **Table 9** 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 Canyons South development is estimated through a case study that incorporates the Point of Sale and Point of Origin methodology. Sales tax revenues account for 38.1 percent of the fund's total revenue.

Motor Vehicle Tax – Motor vehicle tax accounts for 5.0 percent of the Town's Community Center Fund revenues. It is estimated using 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 Canyons South development. Use tax revenues account for 5.1 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 9. Community Center Fund Nexus to Growth Factors

Description	Adopted Budget		Nexus Factor	Variability	Res.	Comm.	Total	Per Ln
	2022	% of Total			Hourly	Hourly	Hourly	Mile
					1,367,570	400,488	1,768,057	715
Community Center Fund Revenues								
Property Tax	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Use Tax	\$ 433,409	5.1%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 3,219,305	38.1%	Case Study	100.0%	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Tax	\$ 424,886	5.0%	Residential	100.0%	\$ 0.31	\$ -	\$ -	\$ -
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	\$ 4,292,533	50.8%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Management Fees	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	\$ -	0.0%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Investment Earnings	\$ 11,903	0.1%	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	\$ 17,918	0.2%	N/A	100.0%	\$ -	\$ -	\$ -	\$ -
Fund Balance Transfer	\$ 46,486	0.6%	Fixed	100.0%	\$ -	\$ -	\$ -	\$ -
Total	\$ 8,446,440	100.0%			\$ 0.31	\$ -	\$ -	
Community Center Fund Expenditures								
Personnel	\$ 5,051,860	59.8%	Service Population	80.0%	\$ -	\$ -	\$ 1.10	\$ -
Services & Other	\$ 2,367,220	28.0%	Service Population	100.0%	\$ -	\$ -	\$ 0.65	\$ -
Supplies	\$ 569,822	6.7%	Service Population	100.0%	\$ -	\$ -	\$ 0.16	\$ -
Capital	\$ 350,000	4.1%	Service Population	100.0%	\$ -	\$ -	\$ 0.10	\$ -
Debt & Financing	\$ -	0.0%	Service Population	100.0%	\$ -	\$ -	\$ -	\$ -
Interfund Loan	\$ -	0.0%	Service Population	100.0%	\$ -	\$ -	\$ -	\$ -
Transfers Out	\$ 107,538	1.3%	Service Population	100.0%	\$ -	\$ -	\$ 0.03	\$ -
Total	\$ 8,446,440	100.0%			\$ -	\$ -	\$ 2.03	\$ -

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 Canyons South project is estimated to average \$1.2 million at full stabilization. Additionally, one-time use tax revenues total an estimated \$7.7 million over the course of buildout, from 2024 to 2027. Revenue generation estimates are shown in **Table 10** 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 \$357.8 million 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, Canyons South is estimated to generate \$35,113 in annual property tax revenue at full stabilization. Additionally, a regional improvement mill levy of 5 mills will be collected by the project’s metro district and remitted to the city to fund capital improvements associated with regional improvements. The regional improvement mill levy is anticipated to generate \$154,141 in annual 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 \$265 per square foot in taxable retail sales, of which 38 percent are estimated to represent net new revenues to the Town. At full stabilization, the development is anticipated to generate \$6.0 million annually in net new retail sales. After applying the 4.0 percent sales tax rate retained by the Town, Canyons South generates \$255,904 annually in point of sale sales tax revenue.

- **Point of Origin methodology** – After full buildout, new households from the project are estimated to spend \$18.1 million annually on retail goods within the Town of Castle Rock. After applying the 4.0 percent sales tax rate retained by the Town, Canyons South households generate \$778,645 annually in additional sales tax revenue at full stabilization.

In total, at full stabilization Canyons South is estimated to generate \$1.0 million in annual sales tax revenue. Approximately 25 percent of the total sales tax generated can be attributed to the retail development on the site, while 75 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 includes funding sources estimated using a residential or service population nexus to growth factor. At full stabilization, these sources total \$123,699 annually in the General Fund, \$41,171 in the Transportation Fund, and \$7,447 in the Community Center Fund, totaling \$172,317.

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 Canyons South averages \$44.7 million and totals \$178.9 million over the 4-year buildout period from 2024 to 2027. After applying the 4.0 percent use tax rate retained by the Town, Canyons South generates an average of \$1.9 million annually and a total of \$7.7 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 7**, **Table 8**, and **Table 9**. The Canyons South development is estimated to generate a total annual service cost of \$1.1 million per year, which is comprised of \$727,282 from General Fund services, \$329,961 from Transportation Fund services, and \$56,522 from Community Center Fund services, as shown in **Table 10**.

Ongoing Net Fiscal Impact

The average annual net fiscal impact of Canyons South on the Town's General Fund, Transportation Fund, and Community Center Fund is estimated at a positive \$262,121, \$18,783, and \$1,450 at full stabilization, respectively, as shown in **Table 10**. The total net fiscal impact at full stabilization is estimated at \$282,354.

These project returns can be characterized as revenue neutral, given the margin of error applicable to a fiscal impact analysis. The analysis suggests that the project is estimated to largely cover the costs of providing Town services under current funding levels but should not be considered a revenue generator for the Town.

Table 10. 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	\$676,451	\$235,396	\$50,524	--	\$962,371
Sales Tax - County Transfer	--	\$72,178	--	--	\$72,178
Property Tax - City	\$35,113	--	--	--	\$35,113
Property Tax - Metro District	\$154,141	--	--	--	\$154,141
General Revenue	\$123,699	\$41,171	\$7,447	--	\$172,317
Total	\$989,404	\$348,745	\$57,972	--	\$1,396,120
Ongoing Expenditures					
Total	-\$727,282	-\$329,961	-\$56,522	--	-1,113,766
Ongoing Net Fiscal Impact	\$262,121	\$18,783	\$1,450	\$0	\$282,354
One-Time Revenues					
Use Tax - General	--	\$2,422,866	\$374,546	\$4,358,988	7,156,400
Use Tax - County Transfer	--	\$536,730	--	--	\$536,730
Total	--	\$2,959,596	\$374,546	\$4,358,988	7,693,130

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

Source: Economic & Planning Systems

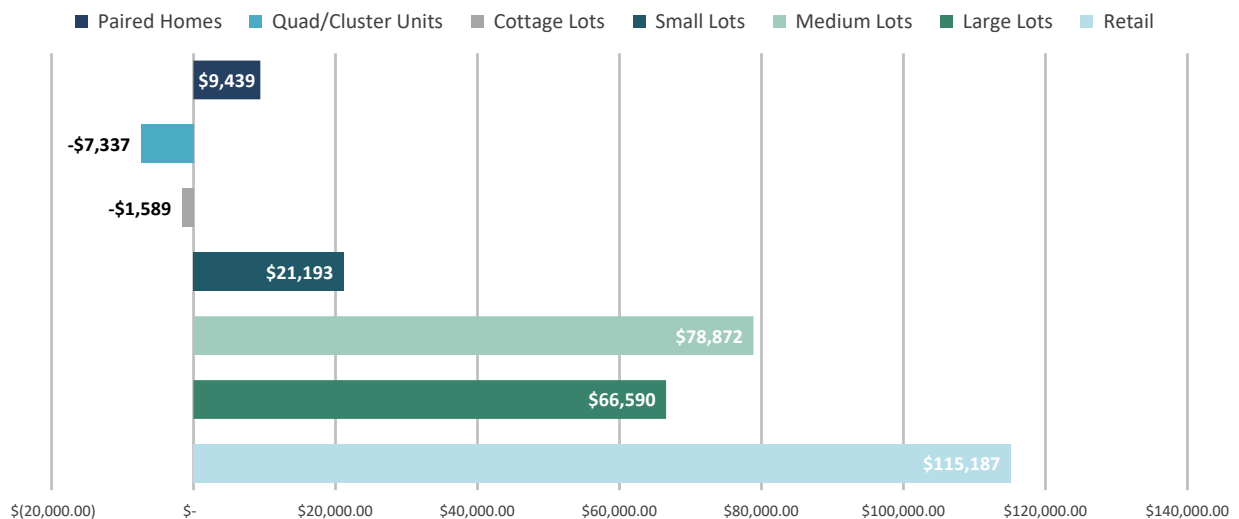
Fiscal Impact by Land Use

Ongoing Net Fiscal Impact

The proposed residential land uses result in a modest positive ongoing net fiscal impact to the Town in aggregate, as shown in **Figure 2**. At full buildout, the impacts range from negative \$7,337 annually for the quad/cluster unit product to positive \$78,872 annually for the medium lot 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, in addition to the total number of proposed units of each product type.

The highest fiscal returns associated with the project are generated by retail development, which has an estimated ongoing net fiscal impact of approximately \$115,187. In total, the combined net fiscal impact of residential and commercial uses equates to \$282,354. Should the residential be developed and the retail not completed, the net fiscal impact would be reduced to \$167,168.

Figure 2. Ongoing Net Fiscal Impact at Full Stabilization

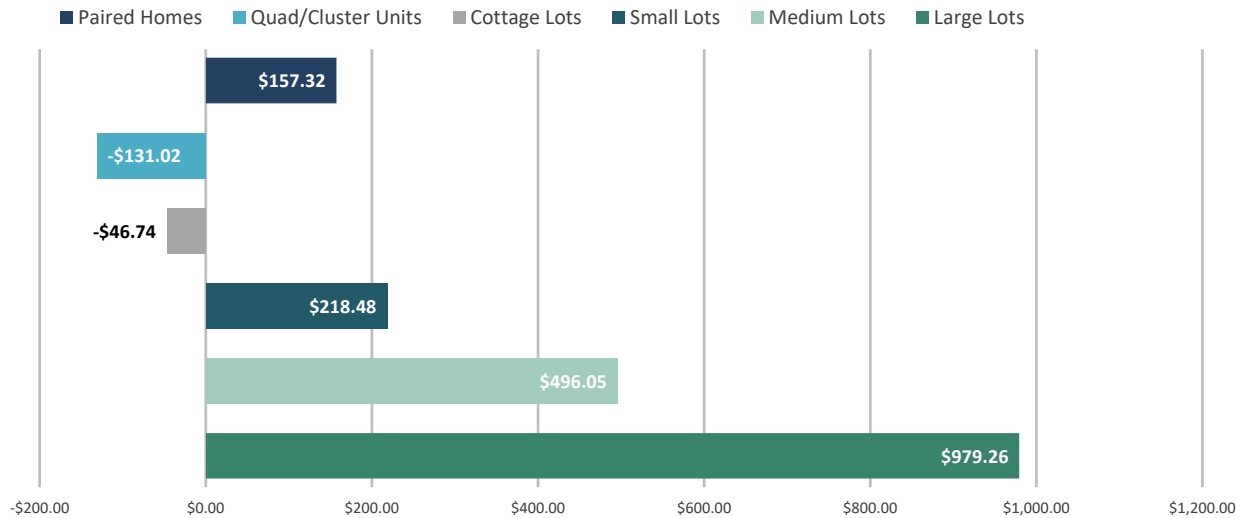


Source: Economic & Planning Systems

Ongoing Net Fiscal Impact Per Unit and Square Foot

At full stabilization, the large lot housing units have the highest ongoing net fiscal impact at \$979.26 per unit, as seen in **Figure 3**. The quad/cluster housing units have the lowest ongoing net fiscal impact at negative \$131.02 per unit. The retail development, which is not represented graphically, has a net fiscal impact of \$1.92 per square foot.

Figure 3. Ongoing Net Fiscal Impact per Unit



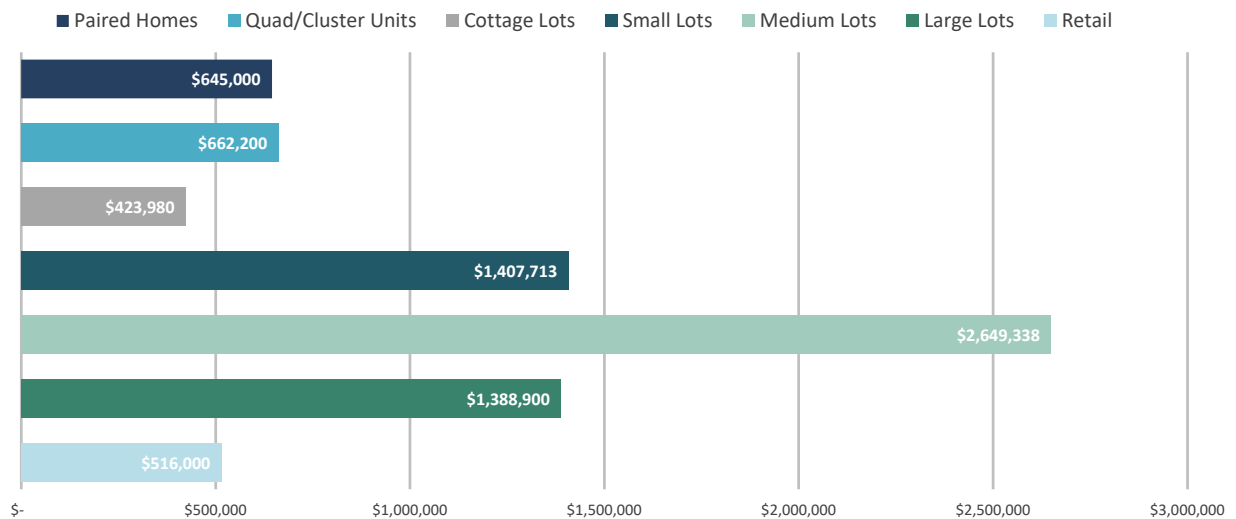
Source: Economic & Planning Systems

One-Time Revenues

In addition to ongoing revenues, the residential uses account for a total of \$7.2 million in one-time use tax revenues generated between 2024 to 2027, as seen below in **Figure 4**. Residential use tax revenues account for approximately 93 percent of the total use tax revenues generated throughout the project’s buildout.

The retail development accounts for approximately 7 percent of the total use tax revenues, for a total of \$516,000.

Figure 4. Residential and Commercial One-Time Use Tax Revenue, 2024-2027



Source: Economic & Planning Systems