

# Annual Report 2016

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## **2016 Executive Summary:**

Castle Rock Economic Development Council's (EDC) mission is to attract, grow and retain new jobs and expand the tax base in the Town of Castle Rock. The three fundamental functions of the EDC include:

- New prospect development (primary & retail)
- Business retention and expansion (primary & retail)
- Creation of a business-friendly environment

## **2016 Economic Overview:**

In 2016, Castle Rock and the State of Colorado experienced positive economic gains that were tempered in the 4<sup>th</sup> quarter by the US presidential election. The US Economy slowed to 1.6%, its worst performance in the 4<sup>th</sup> Quarter since 2011. The Metro Denver Region remained one of the nation's hot spots for job growth, exceeding the CU Lead's School of Business forecast, finishing close to 70,000 new jobs in the Metro Denver economy. Douglas County and Castle Rock's unemployment rates continued to stay near historic lows hovering around 2.5% to 2.3%. The Castle Rock Economic Partnership's 2016 objectives focused on expanding digital, financial, educational, and physical infrastructure and attracting development partners. All areas made significant progress. Additionally, the EDC, in partnership with the Downtown Alliance, aggressively advanced the re-development of the historic Downtown with a projected \$114M in redevelopment projects and municipal investment.

## **Retail**

Castle Rock's year over year (2016) sales tax is projected to grow an additional 8.8% following up a strong 8% increase in 2015. The steady uptick is largely due to a solid overall Castle Rock market performance from Downtown, The Outlets at Castle Rock and the opening of The Promenade at Castle Rock. The Promenade had strong store openings and in some cases, regional and national record sales numbers. Castle Rock EDC projects that 2017 will continue to bring in strong retail numbers as The Promenade at Castle Rock opens new stores and the Hilltop Retail center opens in the Meadows.

## **Primary Employers**

Primary Employment experienced steady local expansion, as the Adventist Health Campus, Digital Globe Services (DGS), Great Southwestern Construction and Master Magnetics all added additional employees. New prospects were highlighted with the additions of Infinity Labs, Infinite Peaks Holdings and Vista Petroleum. Overall, 2016 employment growth was tempered by the availability of space and options. Currently, 24,000SF of uncommitted office space is coming to the market and an additional 140,000SF of office and industrial flex product is on the books for 2017.

## **Prospect Activity**

As expected, overall prospect activity was light in 2016 due in part to the uncertainty in the market caused by the presidential election in the 4<sup>th</sup> quarter of 2016 combined with the EDC focused almost exclusively attracting development projects. The focus of the EDC will shift to the attraction of primary employers in 2017. The EDC's attention will be on assisting the new development projects as they come on line while continuing the objective of creating primary job opportunities in Castle Rock for Castle Rock residents.

## **Economic Development Challenges**

In 2016, Castle Rock made some notable progress toward tackling some of its traditional market challenges; availability of shovel ready ground and demand for industrial flex space. The industrial flex vacancy rates continue to stay at or below 1%, due to lack of available product and excessively high costs of new development construction. Significant progress was made in the Downtown market to bring additional office product on line as part of several new mixed-use development projects take shape. The new developments will help mitigate the risk that growing Castle Rock companies will not have any space to move into and are at risk of leaving the community to expand their company.

At an employment level, competition across the metro area continues to drive wages higher, as employers are often fighting for limited talent. As this competition grows, public and private amenities are often considered to be the deciding factors. Additionally, the rising cost of housing in the greater Metro Denver market combined with the State's inability to solve for the construction defects laws is putting extreme pressure of the affordability of the Metro Denver market. Despite these challenges in the market, Castle Rock EDC remains committed to making progress towards the Town's objectives of attracting and retaining primary jobs, growing the tax base and creating a positive business climate.

## **Business Attraction Team (BAT)**

**History** - Over the last three years the Castle Rock Business Attraction Team (BAT) led a concerted effort to attract new development to Castle Rock. This was based on the findings of the "No Space Committee" that worked with the Town to analyze the impact of attracting new business to the Town while at the same time experiencing historically low vacancy rates and limited new office deliverables.

2016 represented the culmination of these efforts, as the Town experienced deliverables of 83,942SF of new office and is presently under construction with an additional 147,000SF of office/flex product. 2017 is trending similarly with 264,000SF on the books in Downtown and the anticipation that Miller's Landing will bring the 65-acre site to the market late 2017/early 2018.

**Marketing** - With a shift back toward traditional business attraction activities, the EDC Business Attraction Team contracted with Paul Sutter; Suter Media Relations, a well-known Community Publicist. The focus of this relationship is to generate a consistent flow of third party articles to promote the Castle Rock business and development community.

## New Construction

***The Move*** opened in early 2016 and is a 50,000SF technology oriented office building in Downtown Castle Rock. Its signature tenants include Digital Globe Services, Innovative Business Solutions, IMI Global, and White Construction.

***Mirage Dental*** opened in October of 2016 The Mirage Dental Building is an 18,000SF medical office building in Downtown Castle Rock, that has the first two floors committed to dentistry. The 3<sup>rd</sup> floor is comprised of 6000SF and was delivered to the market uncommitted.

## Under Construction

***iMotion*** is in the process of constructing a 9,000SF flex building just south of Medved. Upon completion, expected in the first quarter of 2017, iMotion intends to occupy a little over a third of the project and plans to lease the remaining space. This additional uncommitted space provides Castle Rock significant value, as our vacancy rate in this product type has remained at sub 1%, limiting options for companies looking to move or expand in our community.

***Meadows Town Center Building Two*** is a two-story mixed-use retail/office building located in the Meadows Town Center. The building will be approximately 30,000SF that will be anchored by Lost Coffee and self-serve tap house. The second-floor office space will boast tremendous views and will benefit from the proximity to the hospital.

***Personal Warehouse*** consists of 46,333SF of office, flex and warehouse. Personal Warehouse is located just east of iMotion and offers some of the most flexible zoning in Town. The project is also visible from I-25, and has options that include both to purchase or lease.

***Mary Briscoe Medical Office Building*** is a 60,000SF medical office building that is presently under construction on the Castle Rock Adventist Health Campus. Upon completion, the medical office building will provide additional private practice medical expertise to serve our community.

***Limelight Medical Office Building*** is located on 4350 Limelight Avenue, just east of the Castle Rock Adventist Health Campus emergency entrance. It is a 20,000SF Medical Office Building that will be physician owned and is offering 10,000SF of uncommitted space to the market.

***Mercantile Commons*** represents Downtown Castle Rock's first residential mixed use project. It consists of 6,489SF of ground floor retail, 6,450SF second floor office, and a combination of studio, one, and two bedroom apartments on the 3<sup>rd</sup> and 4<sup>th</sup> floors.

***Hilltop Retail*** is in the Meadows and consists of 10,000SF of community retail that will be anchored by Orange Theory Fitness and an end cap restaurant.

***The Promenade (2016)*** currently 500,424SF is under construction, 140 acres are in production with 70 acres still to be developed. 614,246 SF is in the process of being entitled with site development plans.

## Proposed Development

***Riverwalk*** is a signature mixed use development that will offer 13,715SF of retail, 34,520 of office, 228 residential units and over 320 structured parking spaces. The projects as proposed will consist of two builds that are bifurcated by Seller Gulch.

***221 Wilcox*** when redeveloped will assemble the block of development between Mercantile Commons and Riverwalk. As presently proposed, the site accommodates a 54,000SF 4 story mixed use development with retail on the first floor, office on the second, and residential on the third and fourth floors.

***Miller's Landing*** is a 65-acre site that is situated on the north-west corner of Plum Creek and I-25. It boasts tremendous visibility and access to I-25. While this is a site that has been discussed for some time as an important first step towards opening the southwest quadrant the challenges associated with the former municipal landfill remain formidable. In 2012, the Town began discussions with the EDC and the existing taxing entities, where it was determined that a URA Area Designation was an appropriate tool to mitigate the many challenges and bring the site to its highest and best use. While there is certainly more work to be done, we are excited that project has been assembled and is under contract by P3. The plan that has been submitted to Town proposes a mixed use of office, retail and hospitality; it is anticipated to be anchored by a full-service hotel. The development of this site will be catalytic in connecting Historic Downtown Castle Rock to the many amenities associated with Philip S. Miller Park.

***Collaboration Campus*** represents a first of its kind higher education facility in Castle Rock. Located in the Meadows just east of the Castle Rock Adventist Health Campus, the Collaboration Campus consists of two 54,000SF building and a partnership between Arapahoe Community College, Colorado State University and the Douglas County School District. All three institutions have an established articulation agreements that will afford students of Douglas County the opportunity to seamlessly transition from High School to a four-year University all while staying in the community. From an economic development perspective, the opportunity for the community to hold onto and ultimately employ its own residents will provide a more balanced employment base.

## New Castle Rock Companies

***Infinity Labs*** is a leading life-science contract laboratory that specializes in the analysis of medical devices and pharmaceutical drugs. The company currently employs 16 full time employees, which includes a PhD Chemist, PhD Microbiologist, and other chemistry/micro experts.

***Vista Petroleum/Infinite Peaks Holding*** is a wholesale marketer and rail transportation supplier specializing in petroleum products. Vista recently purchased 18 S. Wilcox and has relocated 10 employees to Downtown Castle Rock. They are also planning to add an additional 6-10 employees over the next couple of years.

***Tecobi*** is a small application based tech company that has a marketing and sales platform that seamlessly interacts with Facebook and other social media platforms to bring education and

evaluation tools to the customer to create a great sales experience for both the sales office and the customer.

**Clear Connect** is a second stage company that was launched from a partnership that was forged at the Move building. Digital Globe Services and Innovative Business Solutions are collaborating on a new tech driven platform that will bring together the expertise and resources of the two companies into one new company. Clear Connect is currently at seven employees with a projected job total of 12 by the end of 2017.

### **Business Retention/Expansion**

Castle Rock EDC takes a proactive role in meeting with existing businesses and connecting those businesses with valuable resources. As part of the 2016 Business Retention/Expansion program the EDC and its public and private sector partners visited with over 50 local businesses.

### **Local Expansions**

**iMotion Expansion** - iMotion is a Castle Rock based business located at 121 Wilcox that is made up of two small but rapidly growing companies. Founded in 2001, iMotion designs automotive components for medical, data storage, oil & gas, military and life sciences. In 2014, iMotion created a new entity titled Motion Express. Motion Express leverages the research and design focus of iMotion to include manufacturing and kitting production. This additional scope of work required iMotion to search for a new corporate headquarters which ultimately led to the discussion to build a new 9,000SF building south of Medved. Upon completion iMotion intends to hire an additional 5 to 10 employees.

**Master Magnetics Expansion** – Master Magnetics was founded in 1976 and has maintained a Castle Rock presence at 747 S. Gilbert Street. They are one of Castle Rock's oldest manufactures, distributing a variety of magnet based products throughout the world. In 2013 Master Magnetics submitted plans to the Town to expand their facility by an additional 5,000SF. Unfortunately, their intent was derailed by the FEMA flood plain map that identified their expansion would encroach the flood plain. Through encouragement from the Town, Master Magnetics continued to stick with their plans and found enough solutions that they could construct the expansion by late 2016. Their intent is to hire an additional 10-15 employees.

**Great Southwestern Construction Expansion** - Great Southwestern Construction is an existing Castle Rock based business, located at 1100 Topeka Way. The company was founded in 1977 by current Castle Rock resident, Bob Martinez and provides construction services to a wide range of utility companies throughout the nation. In 2000, Great Southwestern Construction was acquired by MYR Group and has maintained the Castle Rock office as its headquarters while at the same time expanding their office presence in Texas, Oklahoma, and West Virginia. The office is currently made up of 25 employees that include executives, project managers, estimators, and support staff needed to assist over 360 field personnel throughout the country. In late 2015, Great Southwestern Construction determined that it had outgrown its space and began to work with the EDC and the Town of Castle Rock to expand its building to accommodate an additional 10-15 employees.

## **CEO Roundtable**

Each month the EDC meets with our Primary Employers to discuss key issues facing our primary employers and our community. In 2016, the group focused on the following topics:

- ✓ Supporting entrepreneurship and the Castle Rock 104 Initiative
- ✓ Supporting community based charity work
- ✓ Retention and attraction of mission critical workforce
- ✓ Challenges of workforce housing and rising cost of living
- ✓ Transportation challenges

## **2016 Developer Roundtable**

The objective of the quarterly Development Roundtable discussion is to foster open and honest communication between the town of Castle Rock and the development community. Through this process this group works to create win/win outcomes by communicating directly and respectfully and vows to tack critical development obstacles. It considers all participants' perspective for the benefit of the community. The group works on both rapid short term problem solving as well as long term solutions. The topics addressed and discussed and often resolved in 2016 include the following:

- ✓ 2016 Impact fee study and negotiation
- ✓ 2016 Transportation construction priorities
- ✓ Challenges of Colorado's construction defects
- ✓ Increase the strength of the language around the notice of public meetings
- ✓ Round-a-bouts vs. traffic signal discussion

## **104 Initiative- Awarded "Most Innovative Economic Development Organization"**

The Castle Rock 104 Initiative was developed by the EDC, Chamber and the ConneXion Spot to support and attract start-up / second stage companies to Castle Rock by providing an organizational framework that integrates relevant education, active mentorship, collaborative working environments and accessible alternative funding through an angel investment platform.

The 104 investors engaged in pitches from three different startups in late 2016 and have begun to solidify the structure for future activity. Based on this work, Castle Rock EDC was awarded "Most Innovative Economic Development Organization in the State" by Rockies Venture Club at the 2016 Colorado Capitol Conference for the creation and launch of the 104 Initiative.

*Criteria for the award included:*

- Activity participating in the startup community
- Creating the environment from a community perspective to address the needs of 2<sup>nd</sup> stage companies
- Organizing the first Community Based Economic Development Angel Investment group in the State

## Summary

While Castle Rock has its share of challenges, it continues to be a premier stand-alone front range community with a vibrant business climate, low unemployment and a resurgent historic Downtown. The Town, Douglas County and the private sector have all made significant investments in the future of Castle Rock. The EDC anticipate the collaboration of public and private sector investment to continue into 2017 with several impactful projects that will bring critical infrastructure, grow the tax base and increase job opportunities for Douglas County and Castle Rock residents.

Frank Gray

President/CEO



# 2016 Annual Report

## Development Highlights



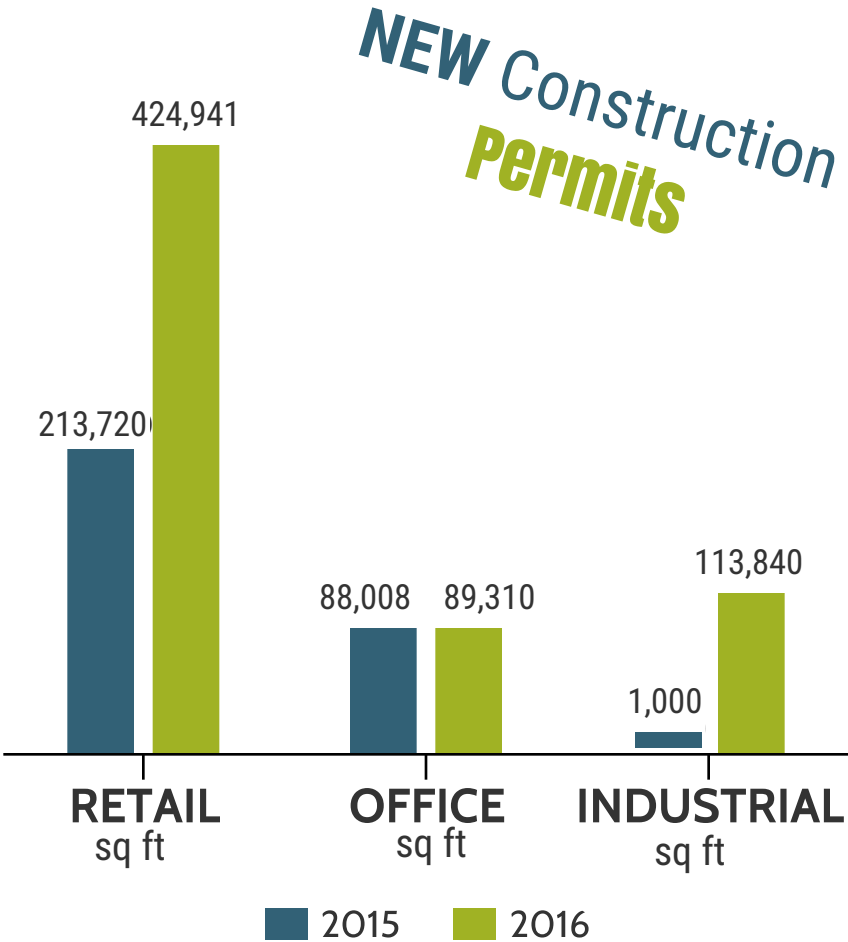
### Deliverables and/or Under Construction

<b>The Move</b> -Opened	<b>Master Magnetic Expansion</b> -Completed 2016
<b>Promenade Parkway</b> -Opened Fall 2016	<b>Mirage Dental</b> -Complete
<b>Tripp Construction Building</b> -Completed -5,942 sf (office/warehouse)	<b>Mercantile Commons</b> -Under Construction
<b>Brooklyn Veterinary Clinic</b> -Under Construction	<b>Meadows Town Center</b> -Under Construction
<b>iMotion Expansion</b> -In Progress -9,000 sf office/warehouse	<b>The Promenade</b> -140 acres in production -70 acres to be developed
<b>Personal Warehouse Space</b> -Under Construction -47,231 sf office/retail/warehouse	<b>Hilltop Retail</b> -Under Construction -11,000 sf (retail)
<b>Castle Rock Adventist Hospital MOB II Mary Briscoe Building</b> -Under Construction -56,000 sf (medical office)	<b>Great Southwestern Construction</b> -Expansion In Progress
	<b>Limelight MOB</b> -Under Construction -21,351 sf medical office

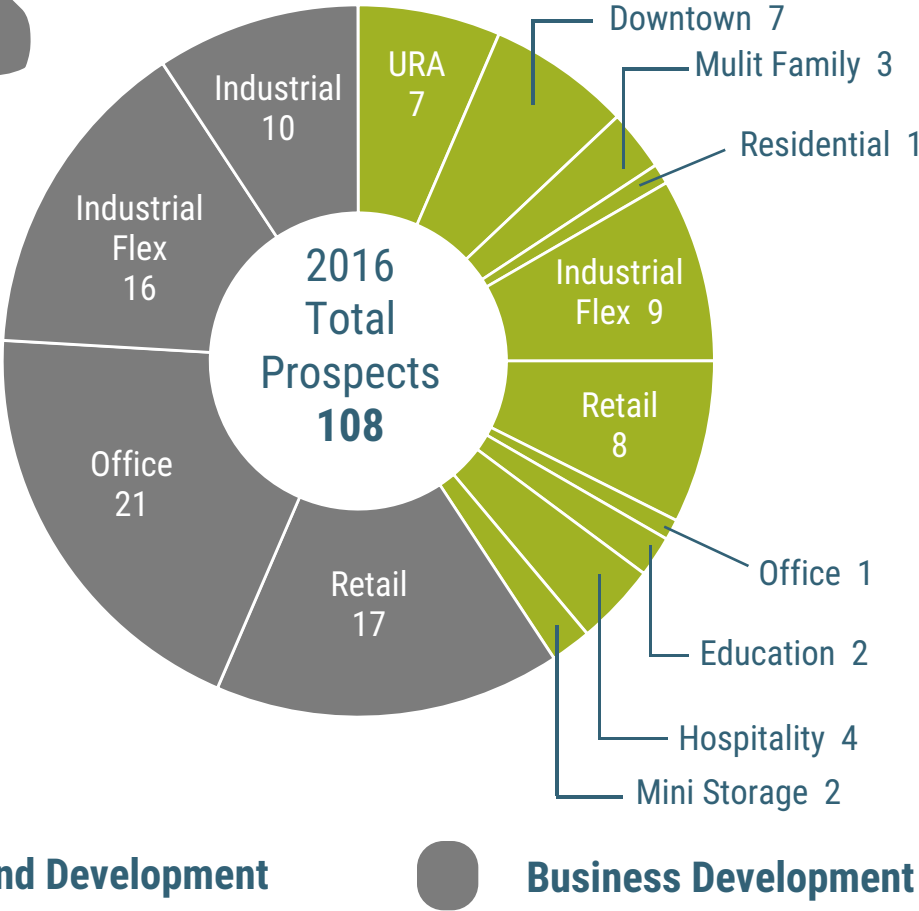
### Projects Coming Soon

<b>Riverwalk</b> -13,715 sf retail -34,520 sf commercial -288 apartment units -328 parking spaces
<b>221 Wilcox</b> -Mixed Use Building
<b>Collaboration Campus</b> -108,000 sf -ACC, CSU, DCSD
<b>Miller's Landing</b> - 65 Acre Proposed Development -Hospitality -Food & Beverage/Entertainment -Office -Retail
<b>2016 Awards</b> <b>Most Innovative Economic Development Group</b> -Rockies Venture Club

## New Construction



## Development Prospects

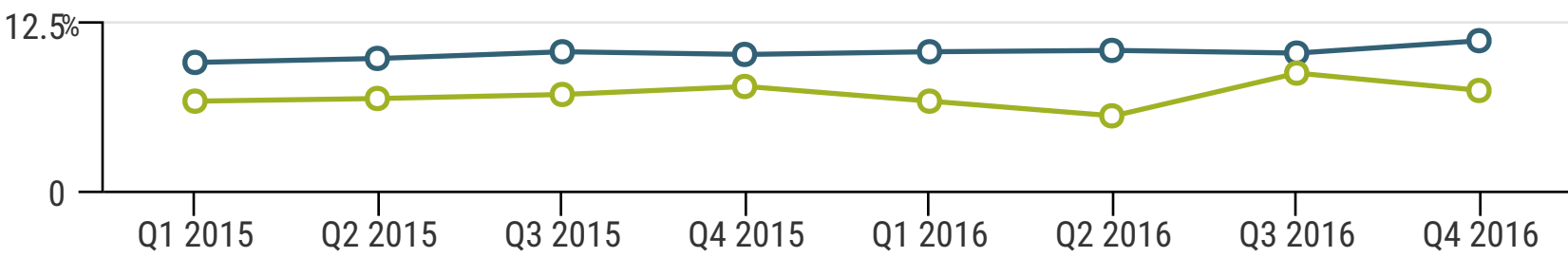




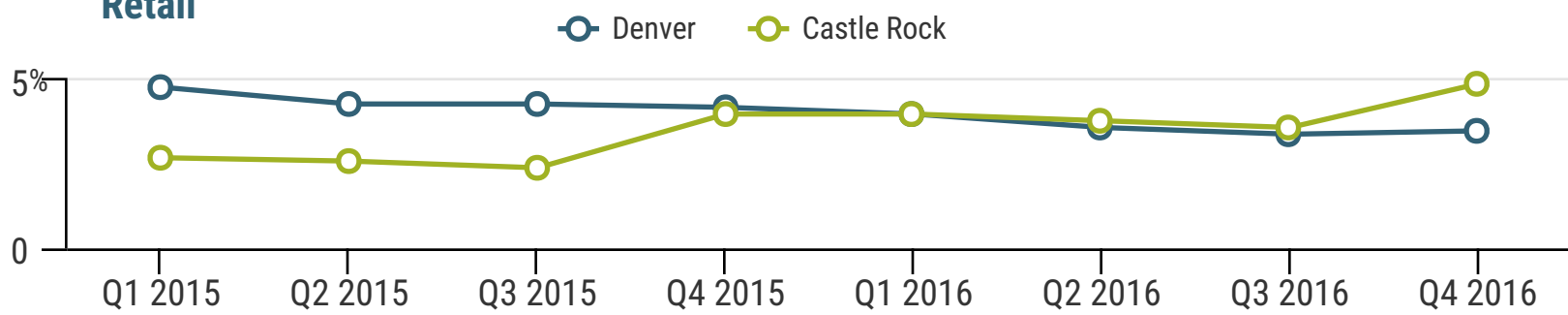
# 2016 Annual Report

## Vacancy Rates Comparison\*

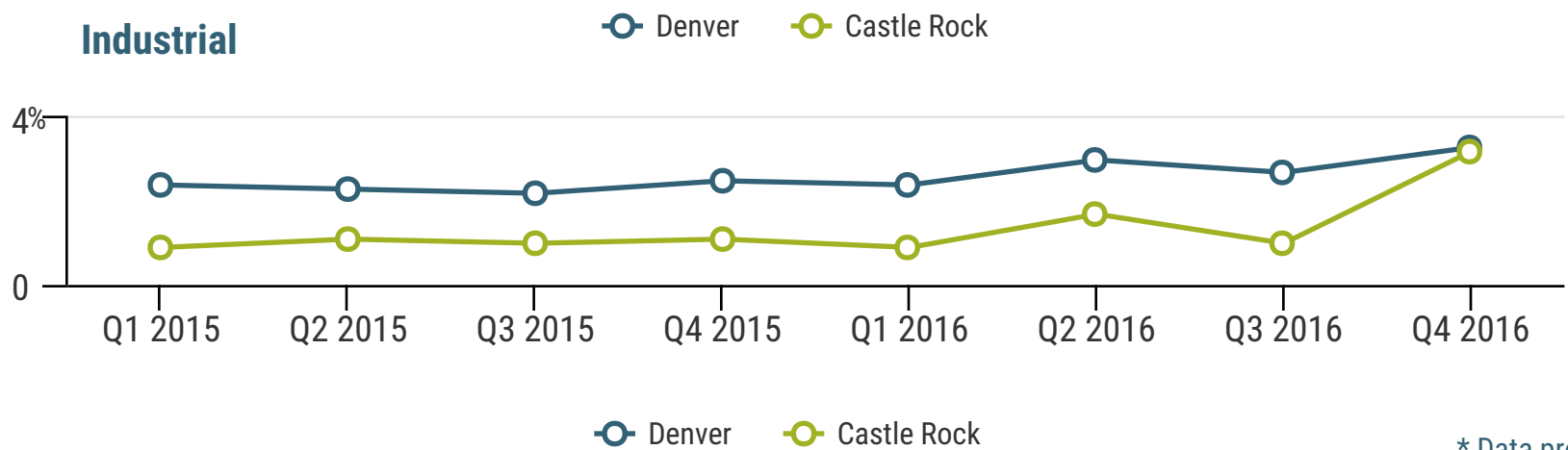
### Office



### Retail

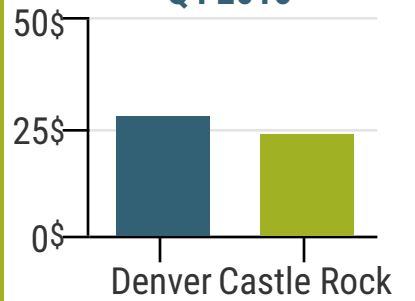


### Industrial

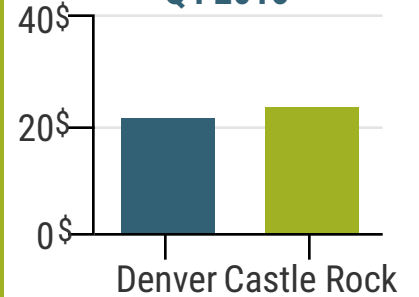


## Lease Rates Comparison\*

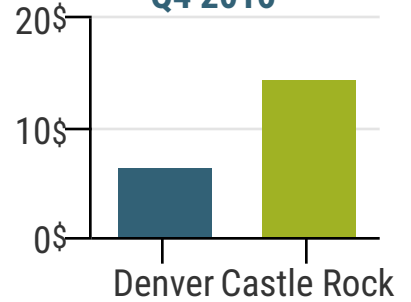
### Q4 2016



### Q4 2016



### Q4 2016



\* Data provided by NavPoint Real Estate Group

## Unemployment Comparison

	2015	2016 -Through Nov.
Castle Rock	2.7%	2.3%
Douglas County	2.6%	2.3%
Denver	3.1%	2.6%

### Castle Rock Sales Tax Comparison



2015	2016
+8.2%	+8.7%

## Promenade Update

### Signature Tenants Under Construction

- Sam's Club
- King Soopers
- 24 Hour Fitness

### Recently Opened

- In & Out Smart Repair
- Vitality Bowls

### New Signed Tenants

- Super Cuts
- Health Images
- Maurices
- Berry Blendz
- Sprint
- Hobby Lobby
- European Wax Center
- Bank of America
- Potbelly Sandwiches
- Popcorn Bliss
- Cub Pilates
- Torrid

500,424 sq  
Under  
Construction