



## 2020 Mid-Year Report

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

Re: Castle Rock EDC Mid-Year Report to Investors

Castle Rock Economic Development Council's (EDC) mission is to support local job creation and expand the Town of Castle Rock's tax base. The three fundamental functions of the EDC include:

- Business Attraction (new prospect development)
- Business Retention and Expansion
- Creation of a business-friendly environment

### **2020 Economic Overview (COVID-19 ECONOMY)**

#### ***National & Regional***

2019 concluded with experts predicting that 2020 would continue with another year of economic growth and prosperity, albeit at a slower pace. The country was to continue to experience record low unemployment and consumer confidence was expected to remain high. Headwinds were predicted with foreign trade slowing and interest rates beginning to rise. That was the 2020 prediction. As we are now keenly aware, the COVID-19 pandemic has disrupted markets and economies worldwide and inflicted a record 32% crash in US GDP. Despite that fact, there is reason for optimism in Castle Rock.

The Congressional Budget Office (CBO) summarized the ongoing and expected economic impact in a May 2020 report:

- The unemployment rate increased from 3.5% in February to 14.7% in April, representing a decline of more than 25 million people employed, plus another 8 million persons that exited the labor force.
- Job declines were focused on industries that rely on "in-person interactions" such as retail, education, health services, leisure and hospitality. For example, 8 of the 17 million leisure and hospitality jobs were lost in March and April.
- The economic impact was expected to hit smaller and newer businesses harder, as they typically have less financial cushion.
- Real (inflation-adjusted) consumer spending fell 17% from February to April, as social distancing reached its peak. In April, car and light truck sales were 49% below the late 2019 monthly average. Mortgage applications fell 30% in April 2020 versus April 2019.
- Real GDP was forecast to fall at a nearly 38% annual rate in the second quarter, or 11.2% versus the prior quarter, with a return to positive growth of 5.0% in Q3 and 2.5% in Q4 2020. However, real GDP was not expected to regain its Q4 2019 level until 2022 or later.
- The unemployment rate was forecast to average 11.5% in 2020 and 9.3% in 2021.<sup>[1]</sup>

The CBO also forecast in April 2020 that the federal budget deficit in fiscal year 2020 would be \$3.7 trillion (17.9% GDP), versus the January estimate of \$1 trillion (4.6% GDP). This increase reflected relief legislation such as the CARES Act.<sup>[2]</sup>

Variable	Feb	Mar	Apr	May
Jobs, level (000s) <sup>[3]</sup>	152,463	151,090	130,403	132,912
Jobs, monthly change (000s) <sup>[4]</sup>	251	-1,373	-20,687	2,509
Unemployment rate % <sup>[5]</sup>	3.5%	4.4%	14.7%	13.3%
Number unemployed (millions) <sup>[6]</sup>	5.8	7.1	23.1	21.0
Inflation rate % (CPI-All) <sup>[9]</sup>	2.3%	1.5%	0.4%	0.2%

\*Source US Bureau of Labor and Statistics

### **Castle Rock**

Castle Rock, like many communities across Colorado, relies heavily on sales tax generation to fund public services. Town leadership, Castle Rock EDC, Downtown Alliance, and Castle Rock Chamber of Commerce have worked for many years to strategically position Castle Rock as a regional retail draw and supported the creation of a diverse economy in order to maintain a strong sales tax base. Castle Rock’s sales tax reports took a hit in April of 2020 (-7.9%) as expected, however the positive trend is that in May 2020 sales tax was up +1.3% year over year, showing there was pent up demand from the stay at home orders. Additionally, year to date sales tax is up 2.3%. Just like many other communities Castle Rock main street businesses have been disproportionately impacted by COVID-19, which is why Castle Rock Town Council, supported by the Castle Rock EDC, Chamber of Commerce, Downtown Alliance and Town staff partnered to launch programs such as Community Town Hall Zoom calls, The Town Grant Program, Kiva Loan Program and the FirstTier CommUNITY Loan Program.

### **Castle Rock COVID-19 Economic Response (\$1,300,000)**

The Town’s response to the COVID-19 Pandemic has been timely, efficient and measured. While the economic impacts of the COVID-19 pandemic will be immediate to some and more long term to others, almost all will have to pivot and adapt their business model in one way or another. The Town’s response appropriately addressed both the immediate needs and long-term objectives of Castle Rock businesses with the financial resources available.

### **Immediate-Response**

#### ***Community Zoom Calls***

In response to COVID-19 the Castle Rock Economic Partnership (CREP) worked with Colorado Lending Source CEO Mike O’Donnell, SBA Rep. Stephen Collier, Centura Adventist CEO Brandon Nudd, Town of Castle Rock Mayor, Jason Gray, Town Manager Dave Corliss, Douglas County Commissioner Roger Partridge, Deputy Director of Tri-County Health, Jennifer Ludwig, and Director of the South Metro SBDC Marcia McGilley to provide live ZOOM calls to the Castle Rock business community. These meetings included up to the minute information on EIDL loans, Paycheck Protection Program (PPP), CARES Act, and community COVID-19 public health updates to all licensed Castle Rock Business (2000+).

### ***KIVA Loan Program (\$150,000 allocated)***

In partnership with the Town of Castle Rock and Colorado Lending Source, Castle Rock EDC unveiled the KIVA Loan Program, a crowd sourcing loan platform, for Castle Rock businesses in April 2020 to offer 0% interest loans up to \$15,000. Qualifying Castle Rock businesses were eligible for up to \$4,000 or half their raise (whichever was less) from the Economic Development Incentive Fund. The EDC became a KIVA Trustee on the online platform enabling the ability of an endorsement of Castle Rock businesses as a worthy investment. The KIVA Loan Program has impacted 16 businesses injecting over \$146,000 of loan assistance to Castle Rock businesses.

### ***EDC Private KIVA fund (\$12,750 allocated)***

The EDC raised private sector dollars from its partners to compliment and expedite the investment made by the Town on the KIVA loan program.

### ***Town Grant Program (\$267,000 allocated)***

The Town Grant Program was executed in a little over a week and provided critical rapid access to 94 Castle Rock Businesses awarding grants between \$500 and \$5,000. The Town received over 200 applicants for the program.

### **Ongoing Response**

#### ***FirsTier CommUNITY Loan Program (\$400,000 allocated)***

The EDC, in partnership with the Town of Castle Rock leveraged \$400,000 provided by Town Council from the economic development fund to offer \$2,000,000 in 0% interest loans to Castle Rock businesses. FirsTier Bank was the lead financial partner and the loan servicing and underwriting is supported by Colorado Lending Source. The loan program began on June 25<sup>th</sup> and will terminate August 31<sup>st</sup>, 2020. To date there have been 21 applicants and 12 approved and 6 fully funded.

### **Regulatory Easing**

The Town Staff and Downtown Alliance have responded brilliantly to the request from Town Council and the Governor to do whatever they can to easing or eliminate restrictions on businesses so that they are able to safely transact with customers. Some of those restrictions include helping add both public and private outdoor seating for restaurants and dedicated parking for curbside pick-up.

### **Projects of Economic Significance**

#### ***Sturm Collaboration Campus***

- The Castle Rock Sturm Collaboration Campus continues to exceed expectations. The goal for fall of 2019 was 500 students and they received over 700. The campus continues to find ways to balance in-person learning and online classes and reports that student enrollments have remained steady at 700 students for the fall 2020 semester.

#### ***The Promenade at Castle Rock***

- Whole Foods had a phased opening with online sales only in February and a full in-person opening in June.
- Alberta Development continues to work with the EDC and Town staff to bring block 3A into play with a mixed-use project.

### ***Miller's Landing***

- Miller's Landing is pressing forward with their grading and horizontal infrastructure. They continue to move toward an amenity rich office, hotel resort and mixed-use concept for the site. They have relationships established for the design and operation of the resort hotel and look forward to unveiling their partners and new design plans in Q3 of 2020.

### ***South West Quadrant (SWQ) and Crystal Valley Ranch (CVR) Interchange***

- The SWQ Interchange Coalition continues discussion toward the funding of the CVR Interchange, a CDOT approved \$70M interchange. The Town has moved forward on right of way acquisition and progress continues to be made.

### ***Meadows Highlights***

- The [UberGrippen Climbing Gym](#) project continues to move forward and is looking to break ground and begin construction in Q4 of 2020.

#### **Meadows Town Center**

- The Whiskey Lodge Bar & Restaurant is now open in the old Astro Tap House space.
- Meadows Town Center Building 3 (approx. 21,400 SF) completed construction in early 2020 and has both office and retail space available.
- The Merc, a new, \$2.2M park located between Mercantile Street and N. Meadows Drive, is currently under construction. The Merc is expected to be completed in Q3.
- The Talus Flats apartment community is under construction in Town Center. Talus Flats includes 111 apartment units and a 5,000 SF restaurant space on Mercantile Street.

#### **Limelight Center**

- The Meadows Family Eyecare's new building is under construction at the intersection of Prairie Hawk Drive and Dacoro Lane. The building is approximately 5,000 SF with 3,500 reserved for The Meadows Family Eyecare and 1,500 SF for a retail/office tenant.

### ***Downtown Castle Rock***

- The Encore mix-use condo project continues progress with sales hitting 35 units of 124.
- The Riverwalk project reported that their residential units are 91% leased. The 7,000 SF Craft Co-Working space is fully leased, and leasing has begun on the additional Craft Co-Working space and is already 50% leased. Great Divide Brewery and Roadhouse is now open and seeing good numbers and they expect Tribe (restaurant) to open in Q4 2020.
- The View at Castle Rock (proposed project) continues to progress forward. The initial third-party analysis has demonstrated a significant gap and negotiations are ongoing.

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

The Castle Rock Business Attraction Team oversees one of the core services of the Castle Rock EDC, attracting new primary employers to Castle Rock. BAT focuses on both direct and indirect marketing strategies for attracting primary employment. Additionally, BAT fosters relationships with developers to encourage office development in the Castle Rock market. BAT hosts a series of events that seek to promote, educate and encourage the creation of primary employment opportunities in the Castle Rock Market.

- Third Party Marketing- Thanks to an investment from Town Council Castle Rock EDC engaged a third party media relationship that will seek to place positive articles in local and regional media by producing relevant content to positively influence real estate and business leaders across the Front Range.
- While normal in-person commercial real estate and development community networking events were all cancelled due to COVID-19, the EDC did host a socially distanced marketing event with 30 developers, brokers and prospects at an outdoor venue and intends to host an additional outdoor event in the fall.

**Business Retention Expansion (BRE)**

One of the major objectives of the EDC is to help grow the tax base and create a quality business climate. By establishing a Business Retention and Expansion (BRE) Task Force, the EDC and Town leverage a wide range of professional expertise that provide value to Castle Rock based businesses.

***Business Retention Visits***

- Task Force Meetings – The BRE Task Force conducted 2 monthly meetings prior to COVID-19, the committee met monthly from March through June via Zoom to discuss availability of resources, formulate survey questions and share feedback received from the business community.
- Onsite Meetings – Members of the BRE Task Force joined EDC staff to formally and informally visit with approximately 10 local companies prior to COVID-19 halting all in person meetings.
- Community Zoom Calls - In an effort to reach as many local business who were navigating the ever changing environment caused by COVID-19 the Castle Rock Economic Partnership conducted weekly Zoom calls reaching out to 2,000+ Castle Rock businesses resulting in 750 businesses participating in the emergency resource that was available.

**Castle Rock Development Roundtable**

The Development Roundtable was established with the objective to bring Town staff and the development community together. To build trust, relationships, to improve communication and create best practices in the development of our community. The group meets quarterly under the principals of **YUMUTSU** (*Your Understanding, My Understanding, The Same Understanding*) for updates and discussion on topics impacting the development process.

***2020 Discussion Items & Updates***

<ul style="list-style-type: none"> <li>• Development Process; Speed &amp; Predictability</li> <li>• Changes to water use management plan impacting landscape design &amp; nonresidential</li> <li>• Water policy on emergency locates</li> <li>• New outdoor dining permit- Temporary use</li> <li>• Permit activity with current COVID 19 economy</li> </ul>	<ul style="list-style-type: none"> <li>• Proposed changes to cash in lieu code sections</li> <li>• Proposed code related to grease interceptors</li> <li>• Landscape manual updates</li> <li>• Fire line code amendment</li> <li>• Land development review updates</li> </ul>
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### ***Small Team Breakouts***

It was determined during the second quarter meeting to break up into three subcommittees centered around the topics of: Water, Infrastructure/Development, Process. Two of those committees have already begun to meet.

#### **Process Subcommittee**

Meetings held on 6/9/20 & 7/27/2020

1. Speed and predictability, open forum, working together to make improvements.
2. Red Yellow Green- how is this working? Concerns? Areas to improve upon.
3. Post Project Reviews – set a plan, discuss last one, select next one.
4. Where can Town Improve on Review process?
5. Where can Applicant Improve on submittal and review process?

#### **Water Subcommittee**

First meeting held on 6/5/20

1. Update on long term renewable water plan
2. Cash in lieu changes
3. Temporary irrigation criteria changes
4. Additional landscape criteria discussions
5. Fluvial hazard zones
6. Potential water meter type change

### **2020 Mid-Year Summary**

While the first quarter of 2020 began as projected with slow but steady growth, the second quarter has been a global roller coaster ride on the “COVID-19 Express” with highly volatile world and national markets that seem to pivot on daily news. Despite the national volatility, Castle Rock has remained steady. Businesses are trying to navigate regional and local health regulations while simultaneously figuring out how to successfully adapt their business model to the ever-changing economic environment. Despite the disproportionate impact on individual local businesses, Castle Rock has proven to be a positive anomaly in the Front Range with overall increases in retail sales, solid residential permit activity and robust development projects. While the balance of 2020 is likely to remain economically clouded amongst record drops in GDP and increases in COVID-19 deaths, positive news of COVID-19 therapies and vaccines continue to bolster investors and the stock market. It is our belief that Castle Rock’s strategic regional retail presence, diversity in primary employment combined with the Town Council’s decisive leadership and investment during the COVID-19 pandemic has allowed Castle Rock to abate a great deal of the economic impact on the Town.

Respectfully,

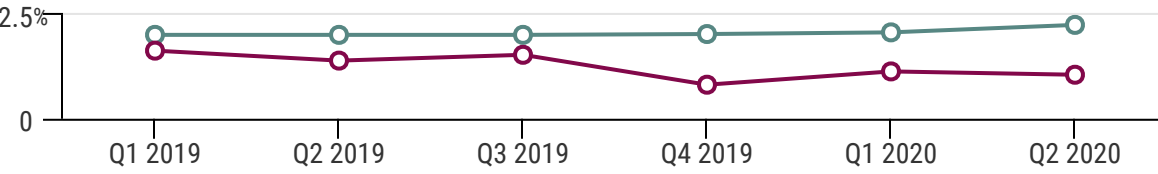
A handwritten signature in blue ink, appearing to read 'Frank Gray'.

Frank Gray  
CEO

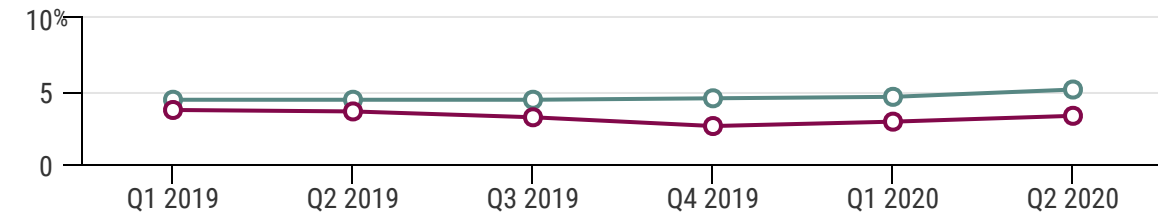
# 2020 Mid Year Report

## Vacancy Rate & Lease Rate Comparison \*

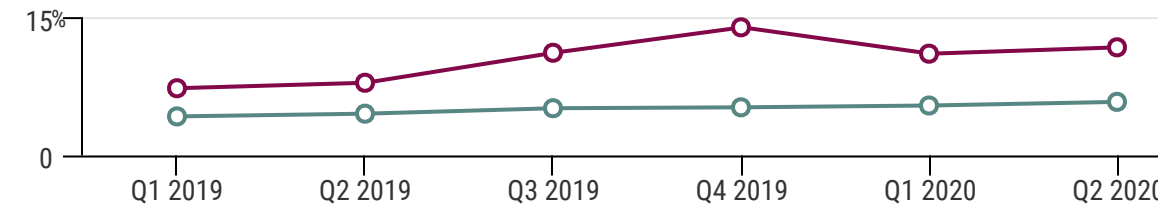
### Office



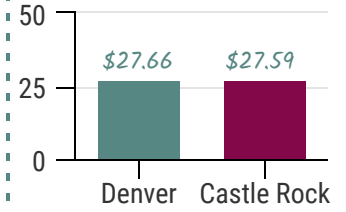
### Retail



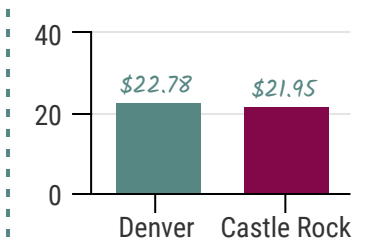
### Industrial



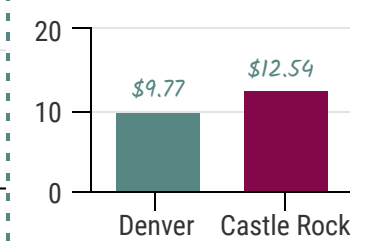
### Office Q2



### Retail Q2



### Industrial Q2



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

## Unemployment Comparison

-Not Seasonally Adjusted, US Bureau of Labor Statistics

	May 2019	Feb. 2020	Mar. 2020	Ap. 2020	May 2020
Castle Rock	2.2%	2.6%	4.7%	10.7%	8.4%
Denver	2.5%	2.8%	5.2%	12.3%	10.4%
State of CO	2.6%	2.9%	5.4%	12.2%	10%
National	3.6%	3.5%	4.4%	14.7%	13.3%



YTD Comparison

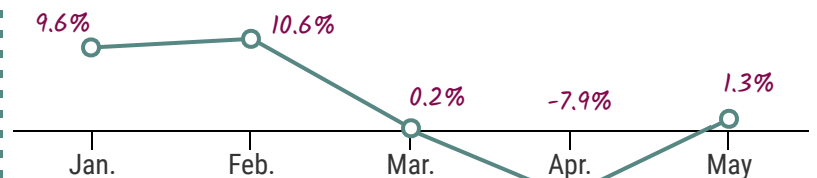
## Sales Tax

2019 - 2020 % Change



May 2019  
+3.4%

May 2020  
+1.3%



## COVID-19 Response

### Community ZOOM Calls

- Partnered with; CREP, CLS, SBA, SBDC, Castle Rock Adventist, Douglas County, Tri-County Health
- Updates on: EIDL, PPP, CARES Act, COVID-19 public health updates
- 9 Meetings Hosted
- Approximately 750 Businesses Reached

### Town Grant Program

- 94 Business Received Grants from \$500 - \$5,000
- \$267,000 Granted

### KIVA Loan Program

- Launched April 3rd
- 0% Interest Loans up to \$15,000
- 16 Business Funded
- \$146,000 Raised

### FirsTier CommUNITY Loan Program

- Launched June 24th
- 0% Interest Loans up to \$25,000
- 21 Applications in Process
- 12 Approved
- \$2MM

## Projects of Significance

### Encore

- Groundbreaking January 2020
- 30,000 sf Commercial
- 601 Parking Spaces
- 124 For Sale Condos



### Whole Foods

- Opened May 2020

### Manatt Ct. Industrial Flex

- 2275 Manatt, C/O June / 9,400 sf
- 2277 Manatt, C/O January / 3,896 sf

## NEW Construction



## Development Prospects

