



February 24, 2022

TO: Dave Corliss, Town Manager
FROM: Tara Vargish, Director Development Services
Phil Kranz, Business Administration Manager
SUBJECT: 2021 Summary of New Building & Infrastructure Activity

Executive Summary

The Town of Castle Rock continues to have plentiful inventory of developable land that is zoned and entitled for residential and non-residential/commercial development. Development Services tracks and reports on new construction building permit activity on a regular basis. This report is a summary of 2021 building permit and infrastructure construction activity townwide.

2021 was a strong year for building and development activity in Castle Rock. Building permit activity was strong in all three areas of new commercial, multifamily, and single-family residential construction. Overall, the Town issued building permits for an additional 87,102 square feet of non-residential/commercial construction and 1,707 new residential dwelling units. Of these residential units, new single-family homes totaled 1,169 dwelling units and new multifamily construction resulted in 538 dwelling units. Building and construction activity occurred in most areas of Town, except the southwest quadrant, as shown on the 2021 permit activity map below.

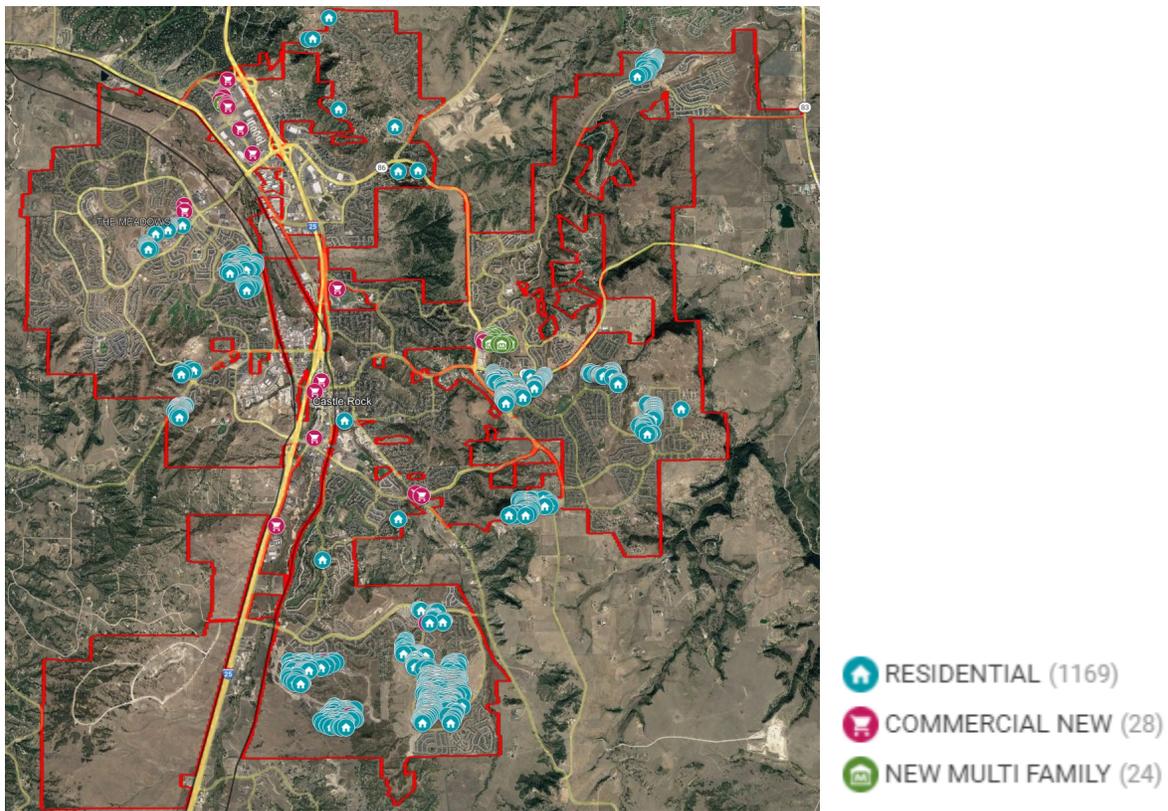


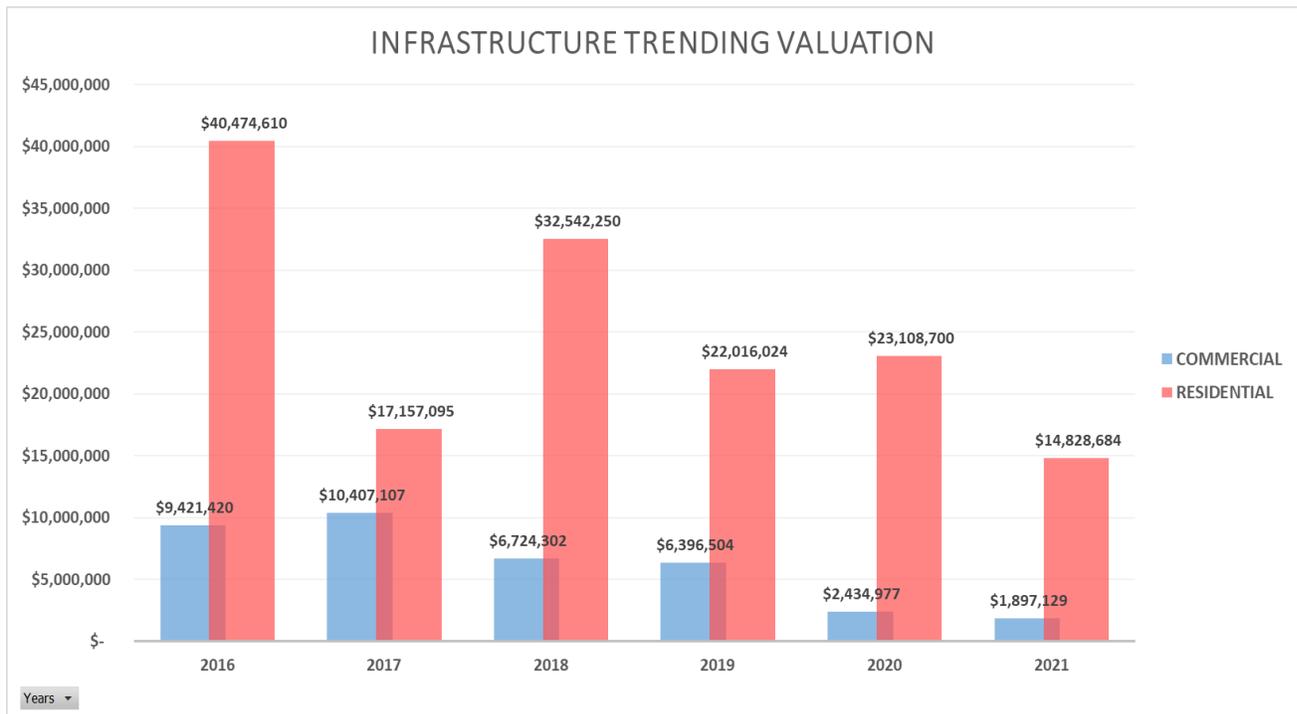
Figure 1: 2021 New Construction Permit Activity

Additionally, the Town saw continued investment in the construction of new public infrastructure, with \$16.7M invested in new residential subdivisions and non-residential/commercials areas in 2021.

Infrastructure Construction Activity

Development Services regularly reports on building permit activity. However, before building permit activity can occur, the public infrastructure for the subdivision or commercial area must be constructed and accepted by the Town. Public infrastructure, such as utilities, roadways, drainage and other necessary items, is what allows a lot to become “buildable.” Infrastructure construction can take several months to more than a year, depending on the size of the area and level of work needed. The amount of infrastructure construction activity varies each year, and is often the result of the timing of preceding land use approvals, availability of site construction crews and the inventory of buildable lots on the market. When the local inventory of buildable home lots in Town starts to decline, typically due to strong building activity, land developers work to install public infrastructure in new subdivisions to create additional buildable lot inventory. Construction of public infrastructure directly results in future buildable lots. Therefore, tracking the infrastructure investment in the community may be a preceding indicator of potential future building permit activity.

In 2021, \$14.8M in residential infrastructure construction permits were issued, along with another \$1.9M in non-residential/commercial infrastructure construction permits. This represents a combined \$16.7M investment in the community through the construction of public infrastructure to support new neighborhoods and non-residential/commercial areas in Town. Compared to the last five years of infrastructure permit activity, this \$16.7M investment in 2021 was the lowest. Castle Rock had some very strong infrastructure permitting activity in preceding years, which is also demonstrated in the Town’s current strong market of buildable lots. The graph below shows the past five years of infrastructure permitting valuation, split between residential subdivision construction and non-residential/commercial area construction activity.



Residential Infrastructure Permit Activity

The construction of new residential subdivisions has been consistently strong in Castle Rock, but it does dip in the years that the national economy and home building markets have slowed. In the last five years, Castle Rock saw an average of \$21.9M annually in residential public infrastructure permits, the result of a continued strong regional residential market. The 2021 total of \$14.8M in residential infrastructure is the lowest in the last five years. Infrastructure construction occurs all across Town, however, some years had a large amount of subdivision work that increased the permit activity. For example, 2018 was the highest of these last five years for residential infrastructure investment, with \$32.5M in permitted activity due to strong activity in Terrain, The Meadows and Crystal Valley Parkway improvements. 2019 residential permit work totaled \$22M, with the highest activity that year occurring in Lanterns and Terrain/Sunstone Village. A large driver of the 2020 total of \$23.1M in residential infrastructure activity was Lanterns Filing 3, the Echelon Multifamily project off Founders Parkway and Crystal Valley Ranch Filing 15.

For 2021, the largest residential projects were in the Liberty Village and Lanterns subdivisions, adding \$13.9M to the year's total residential infrastructure investment. The Town has recently seen a decrease in infrastructure permitting activity. The prior years all show a strong investment in residential infrastructure in the Castle Rock market, which has facilitated back-to-back years of more than 1,000 single-family homes being constructed.

Non-Residential/Commercial Infrastructure Permit Activity

Commercial infrastructure construction in Castle Rock has been more varied over the years, although the Town saw high levels of activity in the Promenade commercial area in 2015-2017. In 2021, commercial permitting work resulted in \$1.9M of infrastructure, compared to the current five-year average of \$5.6M in public infrastructure investments. To provide context for this strong five-year average on commercial permitting, the past few years have included several large commercial shopping plazas that required the installation of large amounts of public infrastructure. In 2017, projects included The Meadows commercial area on the north side of Meadows Parkway, just east of the railroad tracks at Lombard and Regent Streets, and the Prairie Hawk roadway expansion. In 2019, the Arapahoe Community College Collaboration Campus and Limelight Street infrastructure were constructed. These are large projects that drove the five-year average for commercial infrastructure up to the current level. There is available land in the Town for future commercial development, so it is possible this type of permit activity may increase in upcoming years.

Summary of Infrastructure Activity

Overall, Castle Rock's land development process takes multiple years for developing areas to be fully built out. Land use approvals can take years to be finalized, however, they then lead to land being available for infrastructure development. After entitlement/zoning of the land, infrastructure construction can take several months to more than a year to complete. This results in an inventory of buildable lots on the market once infrastructure construction is complete. Depending on the size of the subdivisions and the strength of the home building market, it can then take years for an area to fully build out with completed homes. The high level of new residential building permit activity in 2019-2021 was possible due to the strong residential home market and the available building lot inventory that resulted from the high infrastructure permitting activity in 2018-2020.

Although 2021 was a year of reduced construction permitting for both residential and commercial infrastructure, this is likely a sign of strong current buildable lot inventory in these

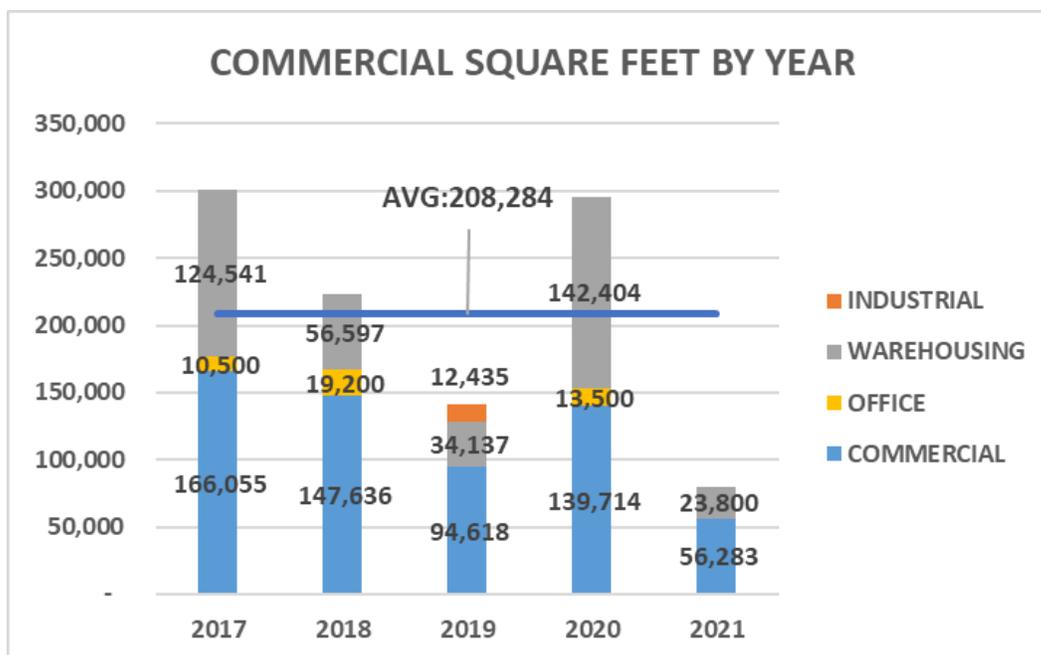
two markets. The Town is also seeing strong activity in land development approvals, which will lead to additional building lot inventory in future years.

Commercial Building Activity

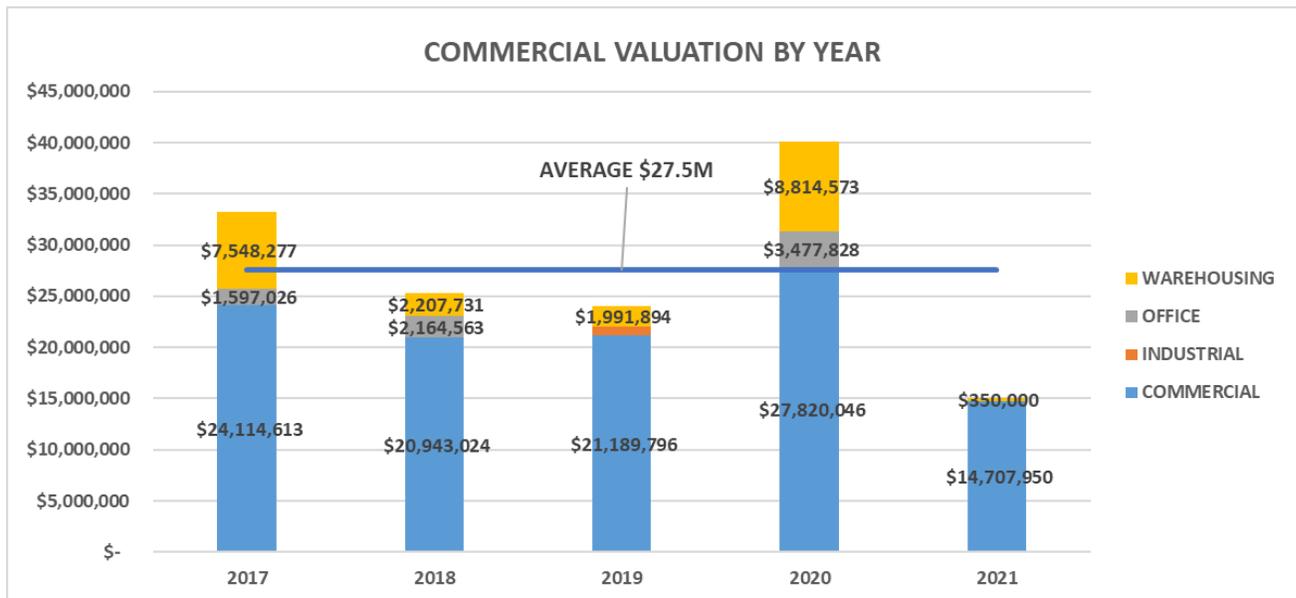
Development Services looks at two main factors related to new commercial (non-residential) building permits to gauge annual activity in the community. One is the amount of new square footage of space added to the community, and the second is the valuation of this new building space in dollars. Quantifying the number of new commercial building permits is reported on monthly with residential permit activity. However, due to the variability in size of commercial building permits, the number of permits is not the best indicator of activity in the commercial building market. Commercial permits are broken into four main types of uses in the permit tracking software: commercial, office, industrial and warehousing.

New commercial building permits in 2021 resulted in 80,083 square feet of new commercial building space. This included 56,283 square feet of commercial/retail space and 23,800 square feet of new warehousing space added to the community. The 23,800 square feet of warehousing space was created with the indoor car storage project on the south frontage road area of town. While no large commercial/retail projects were permitted in 2021, the Town did see a number of smaller projects, such as 7-Eleven, Olinger Funeral Home, Buffalo Wild Wings, In-N-Out and Shake Shack. For new construction of mixed-use buildings, the square footage for residential units is separated out and only commercial/non-residential square footage is represented in the numbers below.

Over the past five years, new commercial building construction has added an annual average of 120,861 square feet of commercial/retail space, 8,640 square feet of office space, 2,487 square feet of industrial space and 76,296 square feet of warehouse space to the community, with a combined average of approximately 208,284 square feet per year. The following chart shows the past five years of commercial building permit square footage, separated by general building permit categories. While 2021 was not as strong from a gross square footage standpoint, the Town added a number of high sales tax generating businesses.



When looking at the valuation in commercial building permits, the 2021 building activity added \$15.1M in real property value to the Town. The average increase in real property value over the last five years is \$27.5M. High value commercial building projects during the last five years included the Promenade commercial development, as well as both Riverwalk North and Riverwalk South mixed-use buildings in downtown. The Encore project in 2020 had a very high building valuation, which contributed to the increase in building valuation for that year. The Encore project includes seven stories of mixed-use construction, as well as a seven-story parking garage. For these types of mixed-use projects, the total building valuation is split between multi-family and commercial uses based on the square footage of each use. This is a change in methodology from previous years, where the entire mixed-use building valuation was categorized as commercial. In this year's report, staff has separated out the building valuation based on square footage, to more accurately reflect the valuation of the multi-family areas versus the commercial/ non-residential areas. This multi-family data was corrected going back to 2017 also, so the chart below reflects comparable commercial valuations for each year. Overall, the valuation of new commercial buildings added to the community in 2021 is \$15.1M, which is lower than the five-year average of \$27.5M.

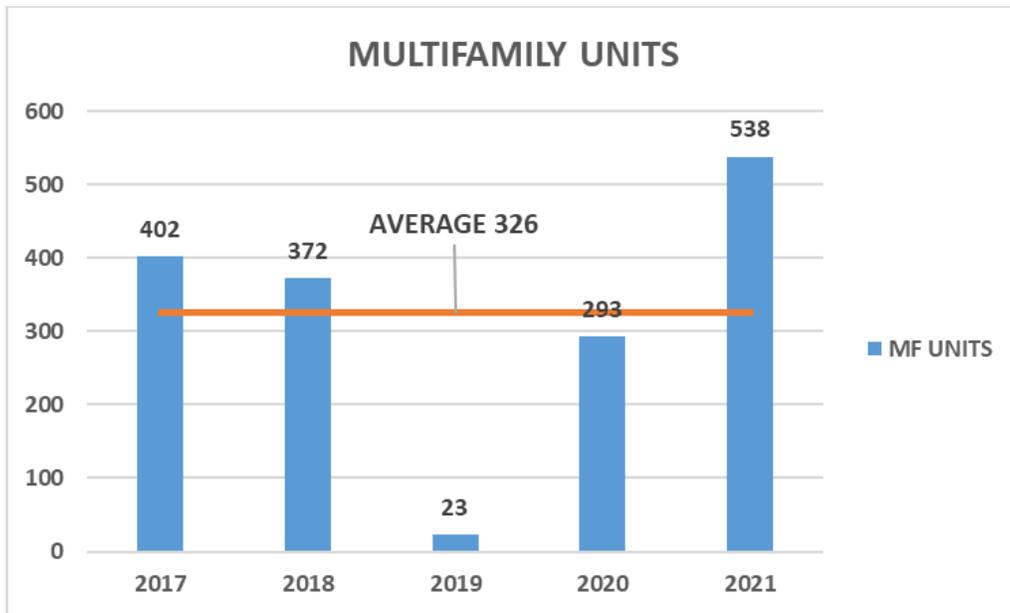


Residential - Multi-Family Building Activity

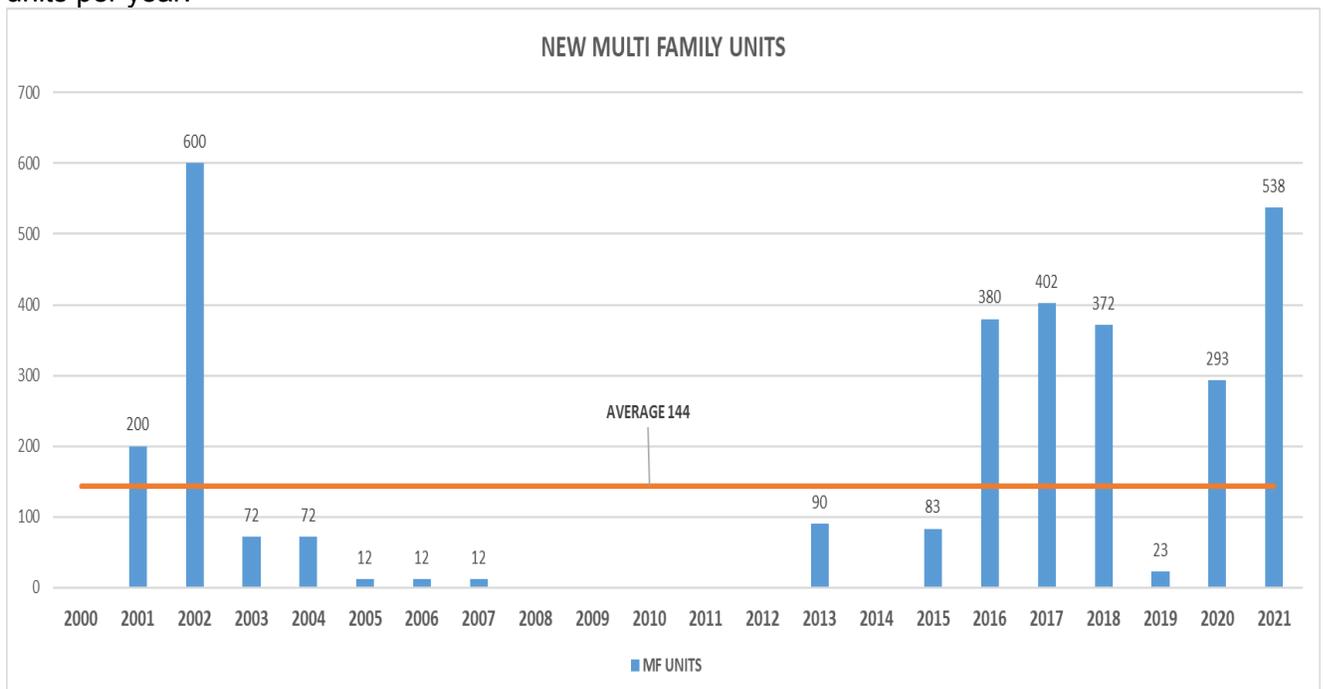
Castle Rock has historically been a very strong market for single-family home construction, although interest in multifamily has been on the rise since 2015. In 2021, building permits were issued for a total of 538 new multifamily units, with an increase in real property value of \$51.9M. These 2021 projects included Echelon (238 units), located east of Founders Parkway, and Alana at Promenade (300 units). These two projects were traditional multi-family projects, without a mixed-use component, however mixed-use multifamily projects have become more common in Castle Rock, beginning with Mercantile Commons in 2016, and continued with the Riverwalk North building in 2017, Riverwalk South in 2018 and Encore in 2020.

Over the last five years, the Town has averaged 326 new multifamily units per year, making 2021 the second highest year for multifamily permitting activity in the last 20 years. Multifamily projects over the past five years have included the Springs multifamily project in The Meadows

(204 units), Riverwalk North and South as well as Encore in downtown Castle Rock (combined 358 units), Echelon (238 units), the Alana at Promenade Apartments (300 units), and various smaller projects.

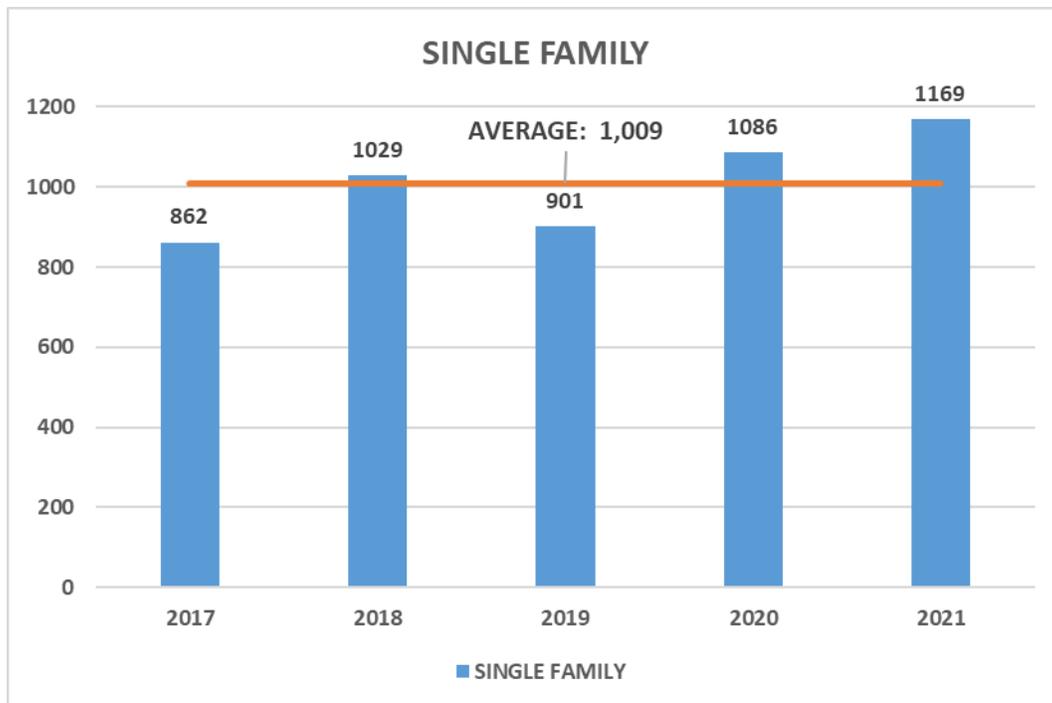


Development Services has also regularly reported on new multifamily residential units since 2000, as shown below. 2002 is still the year with the highest number of new multifamily units, with 600 units added to the Town. However, recent increased market interest in new multifamily units in the community is apparent in the data below. The average over the past 22 years is 144 units per year.



Residential – Single-Family Building Activity

Single-family home construction activity is historically the largest type of building permit activity in Castle Rock. As a desirable and sought out community, Castle Rock has continued to be a high-growth community. The scenic beauty, historic downtown, acres of open space and miles of trails, as well as being a safe community with a thriving economy are all reasons why people continue to choose Castle Rock as a place to call home. Although there was a global pandemic affecting most activities in 2020 and 2021, it did not slow down the residential permit activity in Castle Rock. In 2021, a total of 1,169 new single-family home permits were issued, with a combined real property value of \$378.7M. For comparison, this is slightly higher than the previous year (2020), when a total of 1,086 new single-family home permits were issued, with a combined real property value of \$325.2M. The last five years have seen an average of 1,009 single-family homes permits issued annually, with an average combined real property value of \$296.8M. The chart below shows the last five years of single-family home permits issued in Castle Rock. Single-family home permits include detached homes as well as paired homes and attached townhomes.



Single-Family Building Permit Locations

Single-family building activity in 2021 occurred in many areas of Town, as shown by the various locations of purple home icons on the map at the beginning of this report. Almost all areas of Town saw some permit activity, except for the southwest quadrant. In reviewing the single-family home permit activity around Town, the southeast area of Town stood out for having the highest activity this year. The top five subdivisions for permit activity in 2021 were Crystal Valley Ranch, Terrain, Lanterns/Montaine, The Meadows and Founders Village, as shown in the table below.

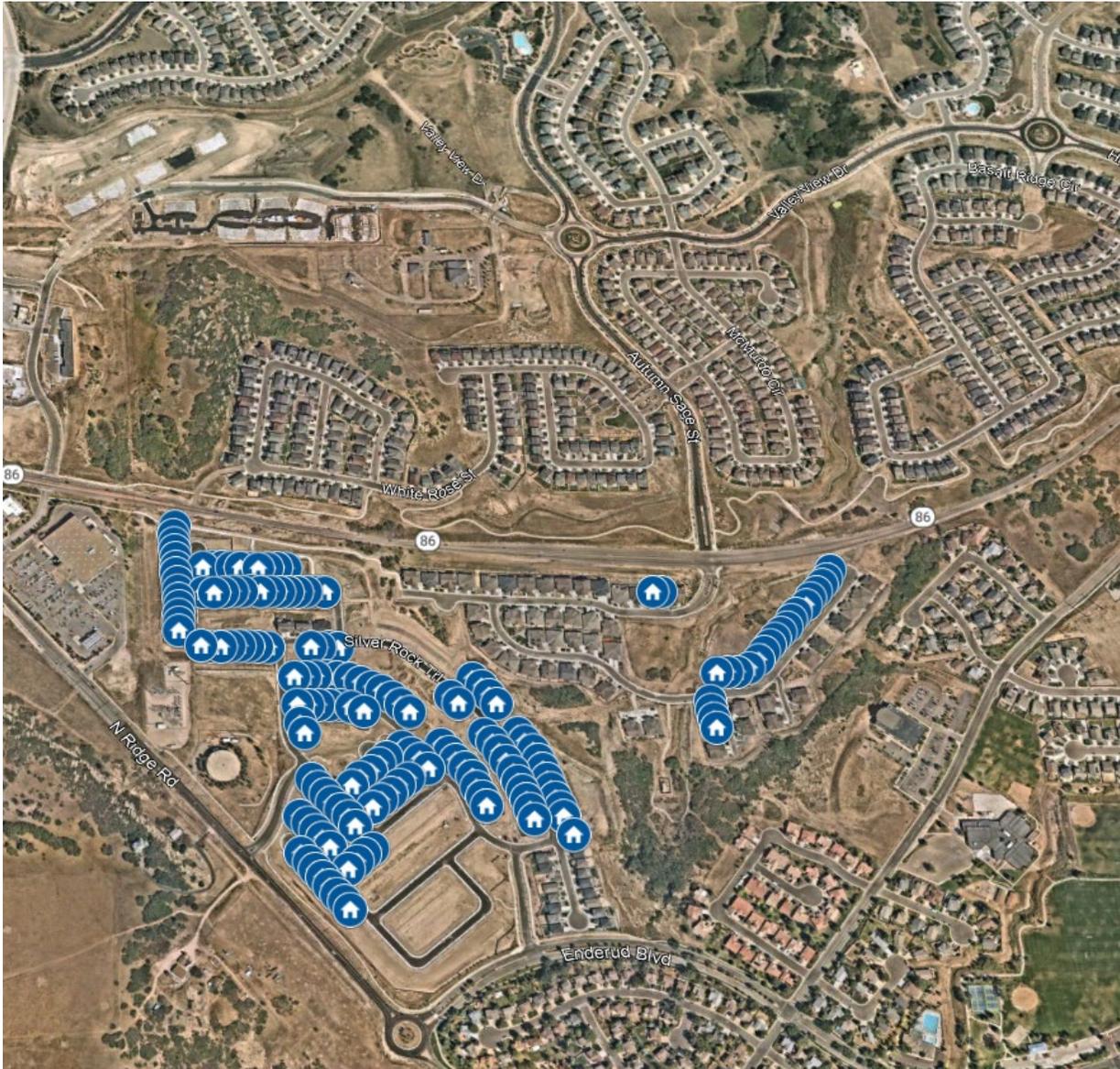
2021 Top Residential Subdivisions for Building Permit Activity	
Subdivision Name	Number of New Residential Building Permits
CRYSTAL VALLEY RANCH	450
TERRAIN	168
LANTERNS	168
MEADOWS THE	150
FOUNDERS VILLAGE	108

Maps showing the 2021 permit activity areas for each of these subdivisions are shown below, with colored house icons representing where new residential single-family permits were issued.

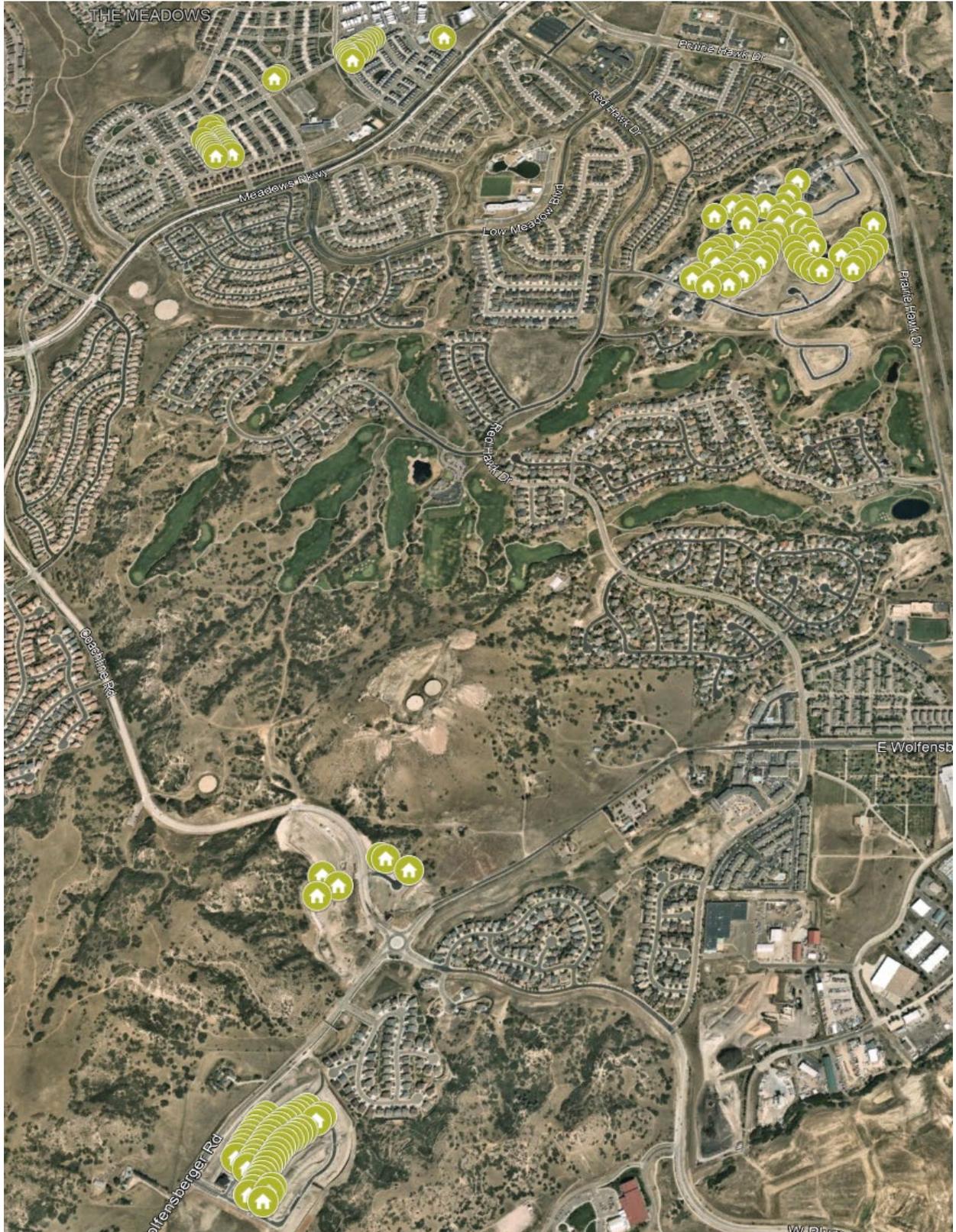
Crystal Valley Ranch, 450 Single-Family Residential Permits in 2021



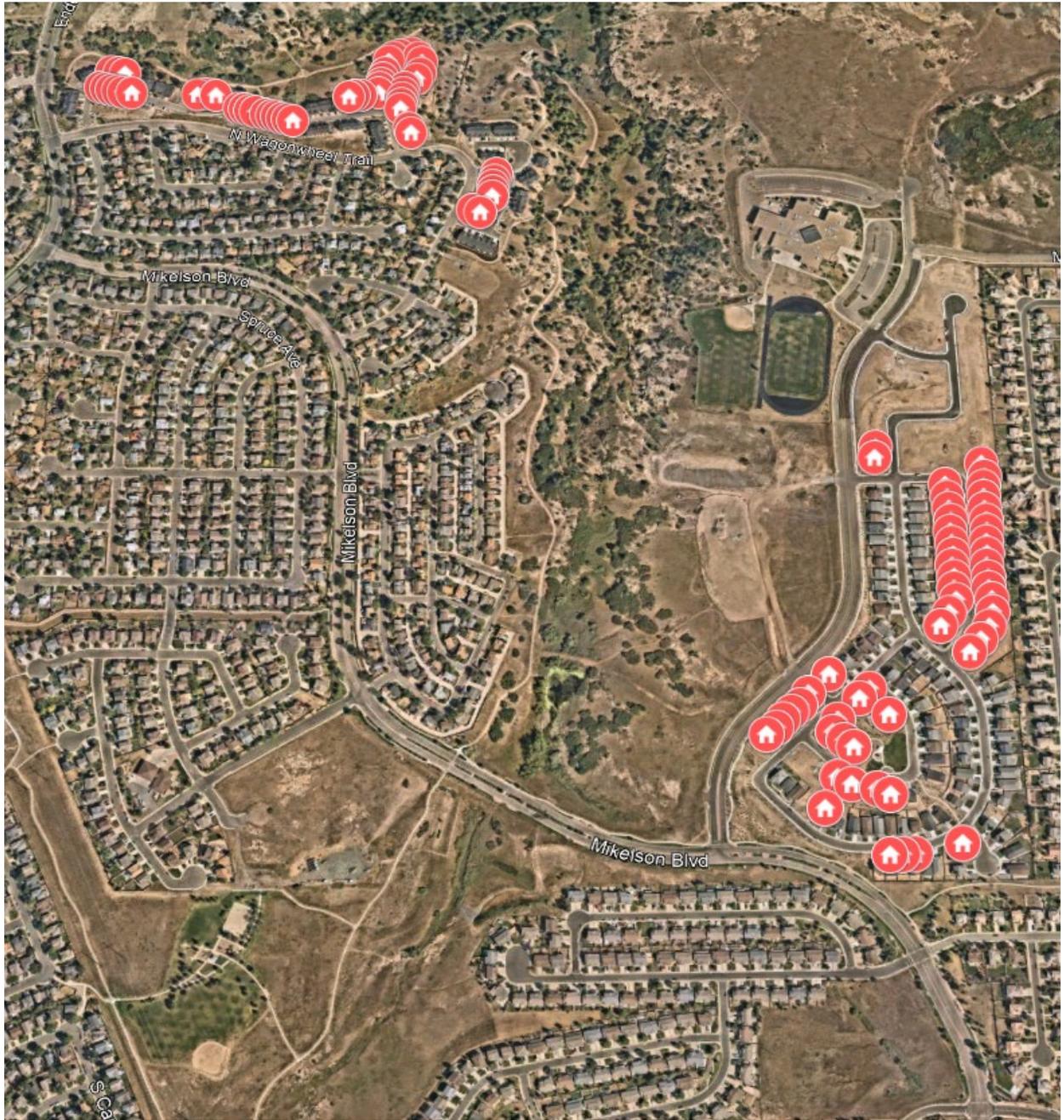
Terrain, 168 Single-Family Residential Permits in 2021



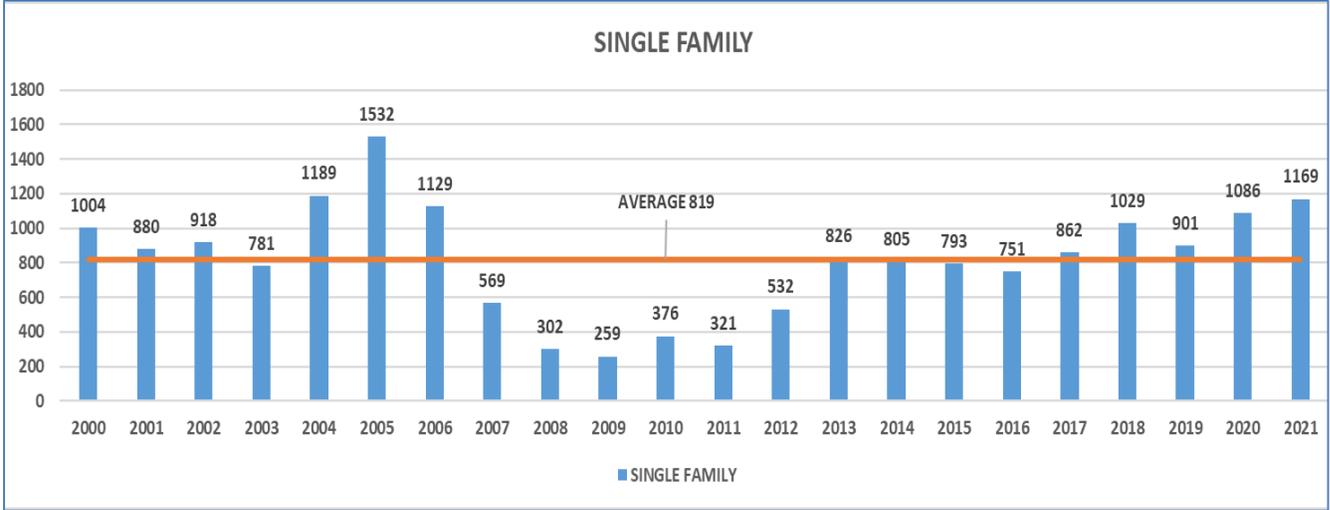
Meadows, 150 Single-Family Residential Permits in 2021



Founders Village, 108 Single-Family Residential Permits in 2021



When reviewing the past 22 years of single-family permit activity in Castle Rock on the chart below, 2021 annual activity was the third highest year. The previous three-year average high between 2004-2006 still remains the highest single-family permitting years over this period, with an average of 1,283 permits per year. The most recent three-year period of 2019-2021 has come the closest to matching this growth, with an average of 1,051 permits per year. Over the past 22 years of data, Castle Rock averages 819 new single-family permits per year.



Summary

2021 was a strong year for residential building permit activity in Castle Rock in both single-family new home construction, as well as multifamily residential units, exceeding the five-year average for both single-family homes and multifamily units. Single-family homes are expected to continue to represent the largest sector of development activity in Castle Rock in the coming years. Additionally, it is expected that more multifamily units will have permits issued over the next two years.

New commercial (non-residential) activity in 2021 was much lower compared to past years for both square footage added to the community and the average in valuation. Commercial activity highly fluctuates in Castle Rock, and 2021 may be an indicator of a more typical year than the preceding high activity years of 2017, 2018 and 2020. Additional commercial permitting activity is expected to continue over the next several years, as there continues to be a strong economy and available land for commercial development.

Infrastructure construction for new neighborhoods continued, but at a slower pace than the past five years. However, given the level of interest in new entitlements, public infrastructure investment is expected to remain steady or increase in the coming years.

Overall, building permit and infrastructure construction activity in 2021 remained active in Castle Rock and is expected to continue at a similar pace as long as the residential home market stays strong and commercial interests in the Castle Rock community continue.