

2018 OPERATING PLAN AND BUDGET

MILLER'S LANDING BUSINESS IMPROVEMENT DISTRICT

Town of Castle Rock, Douglas County, Colorado

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2018
OPERATING PLAN FOR MILLER’S LANDING BUSINESS IMPROVEMENT DISTRICT

1. PURPOSE AND SCOPE OF THIS DISTRICT

A. Requirements for this Operating Plan

The Business Improvement District Act, section 31-25-1201, *et seq.*, C.R.S., as amended (the “Act”), and specifically section 31-25-1211, requires that Miller’s Landing Business Improvement District (the “District”) file an operating plan and proposed budget with the Town Clerk of the Town of Castle Rock (the “Town”) no later than September 30 of each year. This is the District’s operating plan and proposed budget for 2018 (the “Operating Plan”).

Under the Act, the Town is to annually approve an operating plan and budget within 30 days of the submittal of all required information.

The District will operate under the authorities and powers allowed under the Act, as further described and limited by this Operating Plan.

B. What Must Be Included in the Operating Plan

Pursuant to the provisions of the Act, this Operating Plan specifically identifies: (1) the composition of the Board of Directors; (2) the services and improvements to be provided by the District; (3) the taxes, fees, and assessments to be imposed by the District; (4) the estimated principal amount of the bonds to be issued by the District; and (5) such other information as the Town may require.

C. Purposes

The ongoing and/or contemplated purposes of the District for 2018 include the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts to support the development of a mixed-use commercial project which is anticipated to include office, retail, restaurant, bar, hospitality, and accessory uses within the District’s boundaries. A further goal of the Operating Plan is to align with the Town of Castle Rock’s Citadel Station – Castle Meadows Urban Renewal Plan, which was established to reduce, eliminate and prevent the spread of blight within the Citadel Station – Castle Meadows Area (collectively, the “Project”).

2. ORGANIZATION AND COMPOSITION OF THE BOARD OF DIRECTORS

A. Organization

The District was organized by the Town by Ordinance No. 2016-027, adopted September 20, 2016.

B. Governance

The District is governed by an appointed board of directors (the “Board of Directors”).

C. Board

The Board of Directors is comprised of five electors of the District who are appointed by the Town Council to serve at the pleasure of the Town Council. The following Directors have been appointed by the Town Council and are currently serving as the Board of Directors:

1. Hampton Barclay (Treasurer and Secretary)
2. Cheryl Temple
3. Shawn Temple (President)
4. (vacant)
5. (vacant)

Director and other pertinent contact information is provided in Exhibit A.

3. AREA BOUNDARIES

A legal description of the territory within the boundaries of the District is provided in Exhibit C, and a map depicting the District’s boundaries is provided in Exhibit D (the “Property”).

4. PUBLIC IMPROVEMENTS

A. Improvements and Services

The District is empowered to provide the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts, including “Improvements” as that term is defined in section 31-25-1203(5), C.R.S., services as described in section 31-25-1212(1)(f), and other powers granted to such districts under section 31-25-1212.

All improvements furnished by the District shall be public improvements that will be owned or leased by the Town, the District, the Castle Rock Urban Renewal Authority (“URA”), Douglas County or the State of Colorado.

All improvements furnished by the District shall be located on land that is or will be owned in fee or by an easement, or leased by the District, the Town, the URA, Douglas County or the State of Colorado.

It is anticipated that in 2018 the District will commence and continue the planning, design, construction and/or work on the following preconstruction activities, improvements and services for the Project:

- a) preconstruction design and engineering;
- b) grading and retaining walls;
- c) water and sanitary sewer improvements;
- d) storm water improvements; and
- e) landfill remediation.

5. ADMINISTRATION, OPERATIONS, SERVICES AND MAINTENANCE

A. 2016 and 2017 Elections

The District held an election on November 8, 2016, for the purpose of authorizing District debt and financial powers for all authorized uses of the District per the Act. It is anticipated the District will construct, own, and maintain public conference/meeting facilities. The District's legal counsel has recommended one additional ballot question be voted on this November in order to more specifically authorize debt for the proposed public conference/meeting facilities. Accordingly, the District will hold an election on November 7, 2017, for the sole purpose of authorizing District debt for the proposed public conference/meeting facilities. Such proposed debt is part of, and does not increase, the District's overall debt limit pursuant to this Operating Plan.

B. Public Improvement Fee

As required by the Public Finance Agreement (see Section 6.E.) the owner of the Property will impose a Public Improvement Fee ("PIF") on all sales and lodging rentals within the District for the benefit of the District. The purpose of the PIF will be to support improvements and services provided to the Property and to retire the indebtedness of the District as required by the Public Finance Agreement. Revenues generated by the PIF and pledged to the District will be used only for improvements and services which touch and concern the land and which benefit the Property or as are required under the Public Finance Agreement.

C. Administration

The District is not expected to have employees and all administrative functions are expected to be furnished by contract with private entities.

D. Marketing

The District will undertake promotional and marketing activities in support of District activities, business recruitment, management and development of the Project consistent with the Section 31-25-1212, C.R.S.

6. FINANCIAL PLAN AND BUDGET

A. 2018 Budget

The proposed 2018 Budget for the District is attached as Exhibit B.

B. Authorized Indebtedness

Subject to the later approval by the Town of the Plan of Finance required under the Public Finance Agreement, the principal amount of debt authority authorized by this Operating Plan is that amount that will be sufficient to yield, after costs of issuance, \$65,000,000 of bond or other debt proceeds to the District for public improvement acquisition and construction purposes, including survey, design, planning, engineering, land acquisition, completion, construction, acquisition and/or installations of the proposed public improvements, plus construction contingencies, design and construction engineering, construction management and other capitalized costs ("Capital Costs"). Bond or other debt proceeds may also cover costs and expenses for financing the facilities, including, but not limited to, capitalized interest, bond issuance costs, bond reserve funds, credit enhancement costs, and District organizational costs.

The District is authorized to issue all, none or some of the bonds or other debt associated with the Project upon compliance with the applicable conditions in the Public Finance Agreement (see Section 6.E.).

C. Property Tax and Debt Service Mill Levy Cap

The District is authorized to levy a mill levy and to impose, collect and spend rates, tolls, charges, special assessments, and any and all fees and revenue from other sources available to the District pursuant to the Act. It is anticipated that the District will impose a mill levy of 50 mills to repay District debt, applicable in the first year that such debt is issued. The District shall not impose a mill levy in excess of 50 mills for the purposes of debt service without Town approval.

The cost of the District's operations, maintenance and administrative costs shall be paid through a variety of revenue sources, including ad valorem taxes, PIF revenues, and fees, rates, tolls and charges as deemed necessary, prudent and appropriate in the estimation of the Board of Directors.

D. District Revenues

See proposed 2018 Budget attached hereto as Exhibit B.

E. Public Finance Agreement

The District entered into a Public Finance Agreement (the "PFA") by and among the District, the Town, the URA and Citadel Development, the project developer, in order to generally allow the District to: (1) collect (or receive from the URA) all of the District's incremental property tax, (2) impose a property tax mill levy of not less than 50 mills within the District, and (3) issue Bonds to finance the remediation of the landfill and develop public improvements for the Project.

In addition to the limitations of the Act and those provided in this Operating Plan, the District shall undertake the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements for the

Project only in accordance with the terms and conditions of the PFA, a copy of which is attached to this Operating Plan as Exhibit E and incorporated by reference herein. This Operating Plan shall not be construed as having or have the effect of amending the Public Finance Agreement. In the event of any conflict between this Operating Plan and the PFA, the PFA shall govern and control.

7. DISSOLUTION

The District may be dissolved under the conditions of section 31-25-1225, C.R.S.

8. CONCLUSION

This Operating Plan meets the requirements of the Act and further meets applicable requirements of the Colorado constitution and other law. The types of services and improvements to be provided by the District are those services and improvements which satisfy the purposes of Part 12 of Article 25 of Title 31, C.R.S.

EXHIBIT A
Director and Other Contact Information

BOARD OF DIRECTORS:

Hampton Barclay
4161 Hooker Street
Denver, CO 80211
Phone: 314-477-6681
Email: hamptonsb@gmail.com

Shawn Temple
2473 Crestridge Drive
Castle Rock, CO 80104
Phone: 708-805-9474
Email: shawn@P3advisorsllc.com

Cheryl Temple
2473 Crestridge Drive
Castle Rock, CO 80104
Phone: 708-822-3204
Email: Cheryl_temple@sbcglobal.net

DISTRICT LEGAL COUNSEL:

Spencer Fane LLP
1700 Lincoln Street, Suite 2000
Denver, CO 80203
Matt Dalton
Tom George
Phone: 303-839-3800
Email: mdalton@spencerfane.com; tgeorge@spencerfane.com

EXHIBIT B
District Budget 2018

GENERAL FUND

	Proposed 2018	
Beginning Fund Balance		-
REVENUES		
Property Taxes		-
Specific Ownership Taxes		-
Public Improvement Fees		-
Developer Advance	150,000	
Net Investment Income		-
Intergovernmental Revenue		-
Total Revenues	150,000	
EXPENDITURES		
Accounting	10,000	
Audit	5,000	
Contingency		-
District Management		-
Dues and Membership	5,000	
Insurance	10,000	
Legal	100,000	
Miscellaneous	5,000	
Total Expenditures	135,000	
ENDING FUND BALANCE	15,000	
Emergency Reserve	5,000	
Total Reserve	10,000	

DEBT SERVICE FUND

	Proposed 2018
Beginning Fund Balance	-
REVENUES	
Property Taxes	-
Public Improvement Fees	-
Developer Advance	-
Net Investment Income	-
Intergovernmental Revenue	-
Total Revenues	-
EXPENDITURES	
Bond Interest – Series 2017	-
Bond Principal – Series 2017	-
Miscellaneous	-
Contingency	-
Total Expenditures	-
ENDING FUND BALANCE	-

**NOTE: The Project will be in the early stages of development through 2018. As a result, the District does not anticipate any debt service revenues or expenditures in 2018. It is anticipated that any debt obligations of the District existing in 2018 will not require debt service payments in 2018.*

CAPITAL PROJECTS FUND

	Proposed 2018	
Beginning Fund Balance	-	
REVENUES		
Property Taxes	-	
Public Improvement Fees	-	
Developer Advance	-	
Net Investment Income	-	
Intergovernmental Revenue	-	
Bond Issuance – Series 2017	40,000,000	
Revolving Loan Fund	2,500,000	
Total Revenues	42,500,000	
EXPENDITURES		
Bond Issue Costs	-	
Preconstruction Design and Engineering	1,700,000	
Grading and retaining walls	3,100,000	
Storm and Sanitary Sewer Improvements	1,300,000	
Industrial Tributary Improvements	1,700,000	
Landfill Remediation Improvements	11,000,000	
Water Infrastructure	850,000	
Roadways	7,800,000	
Total Expenditures	27,450,000	
ENDING FUND BALANCE	15,050,000	
Emergency Reserve	1,000,000	
Total Reserve	14,050,000	

EXHIBIT C

District Bounday Legal Description

A PARCEL OF LAND BEING A PART OF LOT 2, BLOCK 7, CITADEL STATION FILING NO. 6, A SUBDIVISION PLAT RECORDED UNDER RECEPTION NO. 8708767 AND A PART OF THE SOUTHEAST QUARTER OF SECTION 10 AND A PART OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 8 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, TOWN OF CASTLE ROCK, COUNTY OF DOUGLAS, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTER QUARTER CORNER OF SAID SECTION 10 AND ASSUMING THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10 TO BEAR SOUTH 89°27'26" EAST, 2616.68 FEET AS PLATTED, WITH ALL BEARINGS CONTAINED HEREIN BEING RELATIVE THERETO;

THENCE NORTH 00°35'04" WEST ALONG THE WEST LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10, A DISTANCE OF 403.83 FEET TO THE SOUTHWESTERLY CORNER OF OUTLOT B, SAID CITADEL STATION FILING NO. 6; THENCE NORTH 70°14'23" EAST ALONG THE SOUTHERLY LINE OF SAID OUTLOT B, A DISTANCE OF 21.48 FEET, TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF WEST PLUM CREEK PARKWAY (ALSO KNOWN AS COACHLINE ROAD) AS DESCRIBED IN DEED RECORDED UNDER RECEPTION NO. 2008075142, SAID POINT BEING A POINT ON THE NORTHERLY LINE OF SAID LOT 2, BLOCK 7, SAID POINT ALSO BEING THE **POINT OF BEGINNING**;

THENCE ALONG THE NORTHERLY AND EASTERLY LINE OF SAID LOT 2, BLOCK 7 THE FOLLOWING TWENTY-TWO (22) COURSES:

1. CONTINUING NORTH 70°14'23" EAST, A DISTANCE OF 420.04 FEET;
2. NORTH 89°42'53" EAST, A DISTANCE OF 60.00 FEET;
3. NORTH 0°17'7" WEST, A DISTANCE OF 41.71 FEET;
4. NORTH 71°29'11" EAST, A DISTANCE OF 22.78 FEET;
5. NORTH 57°11'1" EAST, A DISTANCE OF 127.32 FEET;
6. NORTH 79°57'40" EAST, A DISTANCE OF 150.30 FEET;
7. NORTH 33°12'60" EAST, A DISTANCE OF 188.02 FEET;
8. NORTH 67°16'37" EAST, A DISTANCE OF 98.12 FEET;
9. NORTH 89°36'24" EAST, A DISTANCE OF 218.51 FEET;
10. NORTH 57°52'24" EAST, A DISTANCE OF 190.11 FEET;
11. NORTH 52°55'43" EAST, A DISTANCE OF 279.75 FEET;

12. SOUTH 7°13'59" EAST, A DISTANCE OF 36.25 FEET, TO A POINT ON A CURVE;
13. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 170.00 FEET, A CENTRAL ANGLE OF 58°05'53", AN ARC LENGTH OF 172.38 FEET, THE CHORD OF WHICH BEARS SOUTH 36°16'56" EAST, 165.09 FEET;
14. SOUTH 65°19'52" EAST, A DISTANCE OF 10.92 FEET;
15. NORTH 14°31'34" EAST, A DISTANCE OF 120.00 FEET;
16. NORTH 50°36'4" EAST, A DISTANCE OF 187.64 FEET;
17. NORTH 82°51'32" EAST, A DISTANCE OF 87.69 FEET;
18. NORTH 22°23'46" EAST, A DISTANCE OF 59.05 FEET;
19. NORTH 53°48'14" EAST, A DISTANCE OF 202.23 FEET;
20. SOUTH 23°36'32" EAST, A DISTANCE OF 793.03 FEET;
21. SOUTH 88°3'18" WEST, A DISTANCE OF 134.81 FEET;
22. SOUTH 0°0'15" EAST, A DISTANCE OF 700.98 FEET TO A POINT ON THE SOUTH LINE OF NORTHEAST QUARTER OF SAID SECTION 10;

THENCE SOUTH 89°27'26" EAST ALONG SAID SOUTH LINE, A DISTANCE OF 329.66 FEET TO THE EAST QUARTER CORNER OF SAID SECTION 10;

THENCE SOUTH 89°46'21" EAST ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 11, A DISTANCE OF 572.43 FEET TO A POINT ON THE WESTERLY RIGHT OF WAY LINE OF THE ATCHISON, TOPEKA & SANTA FE RAILROAD;

THENCE ALONG SAID WESTERLY RIGHT OF WAY LINE THE FOLLOWING THREE (3) COURSES:

1. SOUTH 1°56'48" EAST, A DISTANCE OF 173.53 FEET, TO A POINT ON A CURVE;
2. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 880.93 FEET, A CENTRAL ANGLE OF 37°31'24", AN ARC LENGTH OF 576.93 FEET, THE CHORD OF WHICH BEARS SOUTH 16°48'53" WEST, 566.67 FEET;
3. SOUTH 35°34'35" WEST, A DISTANCE OF 193.47 FEET TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF WEST PLUM CREEK PARKWAY AS DESCRIBED IN DEED RECORDED UNDER RECEPTION NO. 2008054850;

THENCE ALONG THE RIGHT OF WAY AS DESCRIBED THE FOLLOWING FOURTEEN (14) COURSES:

1. NORTH 75°34'19" WEST, A DISTANCE OF 170.83 FEET, TO A POINT ON A CURVE;
2. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 665.50 FEET, A CENTRAL ANGLE OF 17°49'03", AN ARC LENGTH OF 206.95 FEET, THE CHORD OF WHICH BEARS NORTH 66°39'48" WEST, 206.12 FEET;
3. NORTH 32°14'44" EAST, A DISTANCE OF 6.00 FEET;
4. NORTH 57°45'16" WEST, A DISTANCE OF 709.16 FEET;
5. NORTH 18°59'47" WEST, A DISTANCE OF 32.16 FEET;
6. NORTH 32°14'44" EAST, A DISTANCE OF 275.60 FEET, TO A POINT ON A CURVE;
7. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 910.00 FEET, A CENTRAL ANGLE OF 07°46'45", AN ARC LENGTH OF 123.55

FEET, THE CHORD OF WHICH BEARS NORTH 28°21'22" EAST, 123.46 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10;

8. NORTH 89°27'26" WEST AND ALONG SAID SOUTH LINE, A DISTANCE OF 133.30 FEET, TO A POINT ON A CURVE;
 9. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 790.00 FEET, A CENTRAL ANGLE OF 03°51'20", AN ARC LENGTH OF 53.16 FEET, THE CHORD OF WHICH BEARS SOUTH 30°19'4" WEST, 53.15 FEET;
 10. SOUTH 32°14'44" WEST, A DISTANCE OF 274.89 FEET;
 11. SOUTH 83°29'15" WEST, A DISTANCE OF 33.31 FEET;
 12. NORTH 57°45'16" WEST, A DISTANCE OF 380.82 FEET;
 13. SOUTH 32°14'44" WEST, A DISTANCE OF 6.00 FEET, TO A POINT ON A CURVE;
 14. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 14°13'19", AN ARC LENGTH OF 214.59 FEET, THE CHORD OF WHICH BEARS NORTH 64°51'56" WEST, 214.04 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10, SAID POINT ALSO BEING A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF WEST PLUM CREEK PARKWAY AS DESCRIBED IN DEED RECORDED UNDER RECEPTION NO. 2008075142;
- THENCE ALONG SAID NORTHERLY RIGHT OF WAY LINE THE FOLLOWING THREE (3) COURSES:

1. CONTINUING ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 17°28'53", AN ARC LENGTH OF 263.77 FEET, THE CHORD OF WHICH BEARS NORTH 80°43'02" WEST, 262.74 FEET;
2. NORTH 89°27'28" WEST, A DISTANCE OF 548.00 FEET, TO A POINT ON A CURVE;
3. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 500.50 FEET, A CENTRAL ANGLE OF 75°02'22", AN ARC LENGTH OF 655.50 FEET, THE CHORD OF WHICH BEARS NORTH 51°56'17" WEST, 609.64 FEET TO THE POINT OF BEGINNING,

SAID PARCEL CONTAINING A CALCULATED AREA OF 2,871,687 SQUARE FEET OR 65.925 ACRES, MORE OR LESS.

ALL REFERENCES TO RECORDED DOCUMENTS ARE FILED WITH THE DOUGLAS COUNTY CLERK AND RECORDER.

THE LINEAL UNIT USED IN THE PREPARATION OF THIS PLAT IS THE U.S. SURVEY FOOT AS DEFINED BY THE UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY.

I, WILLIAM F. HESSELBACH JR., A SURVEYOR LICENSED IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THE ABOVE LEGAL DESCRIPTION AND ATTACHED EXHIBIT WERE PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND CHECKING. THE LEGAL DESCRIPTION WAS PREPARED FROM EXISTING

PLATS AND RECORDED DOCUMENTS. THIS DOES NOT REPRESENT A
MONUMENTED LAND SURVEY.

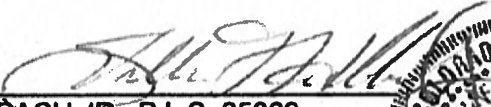

WILLIAM F. HESSELBACH JR., P.L.S. 25369
FOR AND ON BEHALF OF
CVL CONSULTANTS OF COLORADO, INC.



EXHIBIT D
District Boundary Map



EXHIBIT E
Public Finance Agreement

ORDINANCE NO. 2017-022

AN ORDINANCE MAKING A TECHNICAL CORRECTION TO THE MILLER'S LANDING PUBLIC FINANCE AGREEMENT BETWEEN CITADEL DEVELOPMENT, LLC, THE TOWN OF CASTLE ROCK, THE MILLER'S LANDING BUSINESS IMPROVEMENT DISTRICT AND THE CASTLE ROCK URBAN RENEWAL AUTHORITY BY AMENDING EXHIBIT A THERETO AND MAKING A CONFORMING AMENDMENT TO ORDINANCE NO. 2017-003; AND PROVIDING FOR ITS EMERGENCY ADOPTION ON FIRST AND FINAL READING

WHEREAS, by Ordinance 2017-002, the Town Council approved the Miller's Landing Public Finance Agreement ("PFA") and by Ordinance 2017-003 the Town Council authorized a sales tax credit in accordance with the PFA for the Miller's Landing Project,

WHEREAS, after approval of the PFA, the parties discovered the legal description of the Miller's Landing project contained in Exhibit A to the PFA was incorrect,

WHEREAS, the corrected Exhibit A legal description is attached hereto and encompasses the entirety of the property comprising of the Miller's Landing project, the Miller's landing Business Improvement District and the Citadel Station-Castle Meadows Urban Renewal Plan area,

WHEREAS, Citadel Development, LLC, the proposed developer of the Miller's Landing project intends to acquire title to a portion of the property within the Miller's Landing project by June 30, 2017, and the substitution of the corrected legal description to the PFA is a condition to such closing, and therefore it necessary for this Ordinance to be adopted on an emergency basis on first and final reading on June 20, 2017.

NOW, THEREFORE, IT IS ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF CASTLE ROCK, COLORADO:

Section 1. Amendment. The Miller's Landing Public Finance Agreement dated April 18, 2017 is hereby amended to replace Exhibit A with the revised Exhibit A description attached hereto and Ordinance Nos. 2017-002 and 2017-003 are amended accordingly.

Section 2. Severability. If any part or provision of this Ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance which can be given effect without the invalid provisions or application, and to this end the provisions of this Ordinance are declared to be severable.

Section 3. Emergency Clause. For the reasons stated in the recitals to this Ordinance, it is declared that an emergency exists and it is necessary for the immediate preservation of the public peace, health or safety for this Ordinance to take effect upon its adoption.

Section 4. Safety Clause. The Town Council finds and declares that this Ordinance is promulgated and adopted for the public health, safety and welfare and this Ordinance bears a rational relation to the legislative object sought to be obtained.

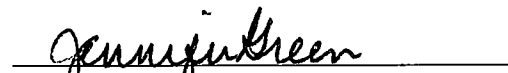
PASSED, APPROVED AND ADOPTED AS AN EMERGENCY ORDINANCE ON FIRST AND FINAL READING this 20th of June, 2017, by a vote of the Town Council of the Town of Castle Rock, Colorado of 6 for and 0 against, constituting the extraordinary majority required by Section 2.02.100 of the Castle Rock Municipal Code.

ATTEST:

TOWN OF CASTLE ROCK



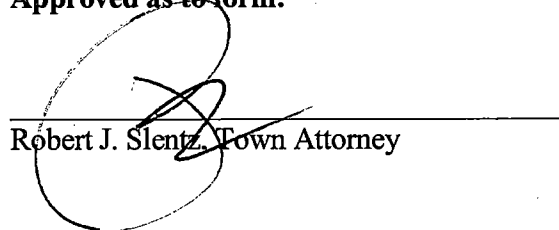
Lisa Anderson, Acting Town Clerk



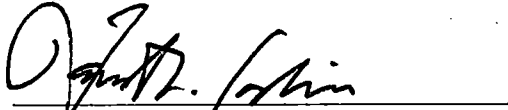
Jennifer Green, Mayor

Approved as to form:

Approved as to content:



Robert J. Slentz, Town Attorney



David L. Corliss, Town Manager

**REVISED
EXHIBIT A**

A PARCEL OF LAND BEING A PART OF LOT 2, BLOCK 7, CITADEL STATION FILING NO. 6, A SUBDIVISION PLAT RECORDED UNDER RECEPTION NO. 8708767 AND A PART OF THE SOUTHEAST QUARTER OF SECTION 10 AND A PART OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 8 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, TOWN OF CASTLE ROCK, COUNTY OF DOUGLAS, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

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11. NORTH 52°55'43" EAST, A DISTANCE OF 279.75 FEET;

12. SOUTH 7°13'59" EAST, A DISTANCE OF 36.25 FEET, TO A POINT ON A CURVE;
13. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 170.00 FEET, A CENTRAL ANGLE OF 58°05'53", AN ARC LENGTH OF 172.38 FEET, THE CHORD OF WHICH BEARS SOUTH 36°16'56" EAST, 165.09 FEET;
14. SOUTH 65°19'52" EAST, A DISTANCE OF 10.92 FEET;
15. NORTH 14°31'34" EAST, A DISTANCE OF 120.00 FEET;
16. NORTH 50°36'4" EAST, A DISTANCE OF 187.64 FEET;
17. NORTH 82°51'32" EAST, A DISTANCE OF 87.69 FEET;
18. NORTH 22°23'46" EAST, A DISTANCE OF 59.05 FEET;
19. NORTH 53°48'14" EAST, A DISTANCE OF 202.23 FEET;
20. SOUTH 23°36'32" EAST, A DISTANCE OF 793.03 FEET;
21. SOUTH 88°3'18" WEST, A DISTANCE OF 134.81 FEET;
22. SOUTH 0°0'15" EAST, A DISTANCE OF 700.98 FEET TO A POINT ON THE SOUTH LINE OF NORTHEAST QUARTER OF SAID SECTION 10;

THENCE SOUTH 89°27'26" EAST ALONG SAID SOUTH LINE, A DISTANCE OF 329.66 FEET TO THE EAST QUARTER CORNER OF SAID SECTION 10;
 THENCE SOUTH 89°46'21" EAST ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 11, A DISTANCE OF 572.43 FEET TO A POINT ON THE WESTERLY RIGHT OF WAY LINE OF THE ATCHISON, TOPEKA & SANTA FE RAILROAD;

THENCE ALONG SAID WESTERLY RIGHT OF WAY LINE THE FOLLOWING THREE (3) COURSES:

1. SOUTH 1°56'48" EAST, A DISTANCE OF 173.53 FEET, TO A POINT ON A CURVE;
2. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 880.93 FEET, A CENTRAL ANGLE OF 37°31'24", AN ARC LENGTH OF 576.93 FEET, THE CHORD OF WHICH BEARS SOUTH 16°48'53" WEST, 566.67 FEET;
3. SOUTH 35°34'35" WEST, A DISTANCE OF 193.47 FEET TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF WEST PLUM CREEK PARKWAY AS DESCRIBED IN DEED RECORDED UNDER RECEPTION NO. 2008054850;

THENCE ALONG THE RIGHT OF WAY AS DESCRIBED THE FOLLOWING FOURTEEN (14) COURSES:

1. NORTH 75°34'19" WEST, A DISTANCE OF 170.83 FEET, TO A POINT ON A CURVE;
2. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 665.50 FEET, A CENTRAL ANGLE OF 17°49'03", AN ARC LENGTH OF 206.95 FEET, THE CHORD OF WHICH BEARS NORTH 66°39'48" WEST, 206.12 FEET;
3. NORTH 32°14'44" EAST, A DISTANCE OF 6.00 FEET;
4. NORTH 57°45'16" WEST, A DISTANCE OF 709.16 FEET;
5. NORTH 18°59'47" WEST, A DISTANCE OF 32.16 FEET;
6. NORTH 32°14'44" EAST, A DISTANCE OF 275.60 FEET, TO A POINT ON A CURVE;
7. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 910.00 FEET, A CENTRAL ANGLE OF 07°46'45", AN ARC LENGTH OF 123.55

FEET, THE CHORD OF WHICH BEARS NORTH 28°21'22" EAST, 123.46 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10;

8. NORTH 89°27'26" WEST AND ALONG SAID SOUTH LINE, A DISTANCE OF 133.30 FEET, TO A POINT ON A CURVE;
9. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 790.00 FEET, A CENTRAL ANGLE OF 03°51'20", AN ARC LENGTH OF 53.16 FEET, THE CHORD OF WHICH BEARS SOUTH 30°19'4" WEST, 53.15 FEET;
10. SOUTH 32°14'44" WEST, A DISTANCE OF 274.89 FEET;
11. SOUTH 83°29'15" WEST, A DISTANCE OF 33.31 FEET;
12. NORTH 57°45'16" WEST, A DISTANCE OF 380.82 FEET;
13. SOUTH 32°14'44" WEST, A DISTANCE OF 6.00 FEET, TO A POINT ON A CURVE;
14. ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 14°13'19", AN ARC LENGTH OF 214.59 FEET, THE CHORD OF WHICH BEARS NORTH 64°51'56" WEST, 214.04 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 10, SAID POINT ALSO BEING A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF WEST PLUM CREEK PARKWAY AS DESCRIBED IN DEED RECORDED UNDER RECEPTION NO. 2008075142;

THENCE ALONG SAID NORTHERLY RIGHT OF WAY LINE THE FOLLOWING THREE (3) COURSES:

1. CONTINUING ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 17°28'53", AN ARC LENGTH OF 263.77 FEET, THE CHORD OF WHICH BEARS NORTH 80°43'02" WEST, 262.74 FEET;
2. NORTH 89°27'28" WEST, A DISTANCE OF 548.00 FEET, TO A POINT ON A CURVE;
3. ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 500.50 FEET, A CENTRAL ANGLE OF 75°02'22", AN ARC LENGTH OF 655.50 FEET, THE CHORD OF WHICH BEARS NORTH 51°56'17" WEST, 609.64 FEET TO THE POINT OF BEGINNING,


SAID PARCEL CONTAINING A CALCULATED AREA OF 2,871,687 SQUARE FEET OR 65.925 ACRES, MORE OR LESS.

ALL REFERENCES TO RECORDED DOCUMENTS ARE FILED WITH THE DOUGLAS COUNTY CLERK AND RECORDER.

THE LINEAL UNIT USED IN THE PREPARATION OF THIS PLAT IS THE U.S. SURVEY FOOT AS DEFINED BY THE UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY.

I, WILLIAM F. HESSELBACH JR., A SURVEYOR LICENSED IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THE ABOVE LEGAL DESCRIPTION AND ATTACHED EXHIBIT WERE PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND CHECKING. THE LEGAL DESCRIPTION WAS PREPARED FROM EXISTING

PLATS AND RECORDED DOCUMENTS. THIS DOES NOT REPRESENT A
MONUMENTED LAND SURVEY.


WILLIAM F. HESSELBACH JR., P.L.S. 25369
FOR AND ON BEHALF OF
CVL CONSULTANTS OF COLORADO, INC.



ORDINANCE NO. 2017-002

**AN ORDINANCE APPROVING A PUBLIC FINANCE AGREEMENT
BETWEEN THE TOWN OF CASTLE ROCK, CITADEL DEVELOPMENT, LLC,
THE MILLER'S LANDING BUSINESS IMPROVEMENT DISTRICT AND THE CASTLE
ROCK URBAN RENEWAL AUTHORITY**

WHEREAS, Citadel Development, LLC ("Citadel") has under contract and intends to acquire approximately 65 acres within the Miller's Landing and Castle Meadows IOPDs and develop a mixed-use commercial project to include office, retail, restaurant, bar, hospitality and accessory uses (the "Project"),

WHEREAS, the Town administrative staff and consultants have completed an in-depth examination of the cost of environmental contamination of existing conditions of the subject property, the development economics of the Project, including the projected development cost of infrastructure and improvements for the Project, and the projected sales tax and other municipal revenues the Project will generate,

WHEREAS, based on this financial analysis, the Town Council has concluded that it is unlikely the development of the Project will be feasible without making available certain financial incentives and assistance to the Project through the Miller's Landing Business Improvement District ("District"), on the terms, conditions and limitations of the Public Finance Agreement approved by this Ordinance ("Agreement"),

WHEREAS, the Project is projected to draw a full service hotel with conference facilities as well as significant office development both of which are key economic development targets,

WHEREAS, to assure that the Project in fact achieves these targeted economic development goals, it is necessary and advisable to place mutually acceptable restrictions on the Project and the financial incentives for the Project, and

WHEREAS, under the Agreement, District and Citadel will realize the financial assistance under the Agreement from the generation of retail sales at the Project and a District mill levy, but not directly from any Town financial sources, and consequently the development and financial risk of the Project remains with Citadel in development of the Project infrastructure and improvements.

NOW, THEREFORE, IT IS ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF CASTLE ROCK, COLORADO:

Section 1. Approval. The Public Finance Agreement in the form attached as *Exhibit 1* is hereby approved. The Mayor and other proper Town officials are authorized to execute the Agreement by and on behalf of the Town of Castle Rock, Colorado. Pursuant to Section 31 of the Agreement, minor

changes to the Agreement may be made with concurrence of the Town Manager and Town Attorney.

Section 2. Severability. If any part or provision of this Ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance which can be given effect without the invalid provisions or application, and to this end the provisions of this Ordinance are declared to be severable.

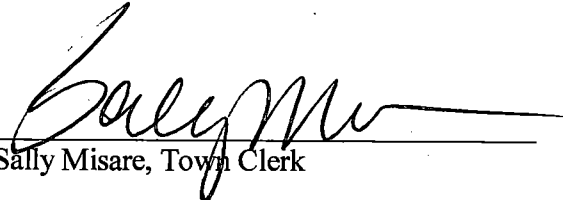
Section 3. Safety Clause. The Town Council finds and declares that this Ordinance is promulgated and adopted for the public health, safety and welfare and this Ordinance bears a rational relation to the legislative object sought to be obtained.

APPROVED ON FIRST READING this 21st day of February 2017 by a vote of - 4 - for and - 1 - against, after publication in compliance with Section 2.02.100.C of the Castle Rock Municipal Code; and

PASSED, APPROVED AND ADOPTED ON SECOND AND FINAL READING this 18th of April, 2017 by the Town Council of the Town of Castle Rock, Colorado, by a vote of 5 for and 2 against.

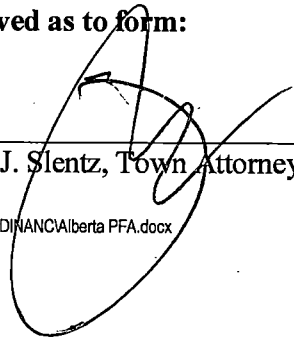
ATTEST:

TOWN OF CASTLE ROCK


Sally Misare, Town Clerk


Jennifer Green, Mayor

Approved as to form:


Robert J. Slentz, Town Attorney

J:\LEGAL\ORDINANCE\Alberta PFA.docx

PUBLIC FINANCE AGREEMENT

This PUBLIC FINANCE AGREEMENT (this "**Agreement**") dated as of April 18, 2017, is made by and among CITADEL DEVELOPMENT, LLC, a Delaware limited liability company ("**Developer**"), the TOWN OF CASTLE ROCK, a municipal corporation ("**Town**"), MILLER'S LANDING BUSINESS IMPROVEMENT DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado ("**District**"), and the CASTLE ROCK URBAN RENEWAL AUTHORITY, a body corporate and politic of the State of Colorado ("**Authority**"). Developer, Town, District, and Authority are sometimes collectively called the "**Parties**," and individually, a "**Party**."

RECITALS

All capitalized terms used, but not defined, in these Recitals, have the meanings ascribed to them in this Agreement. The Recitals are incorporated into this Agreement as though fully set forth in the body of this Agreement.

WHEREAS, Developer is the contract purchaser of the real property described in Exhibit A (the "**Property**") and desires to develop the Property by constructing a mixed-use commercial project in one or more phases, which may include office, retail, restaurant, bar, hospitality, and accessory uses, but not residential uses, together with related amenities and uses on the Property (the "**Project**").

WHEREAS, Developer is an affiliate of P3 Advisors, LLC ("**P3**"), a real estate development company that specializes in public private partnerships, with an emphasis on brownfield redevelopment. P3 brings years of real estate development experience to the Project, and has the expertise necessary to develop a mixed-use commercial project with the magnitude and complexity of the Project, including remediation of the Landfill (defined below).

WHEREAS, Developer has engaged the Town process for entitlement of the Project and accordingly the Town and Fenway Partners, LLC, the contract seller of the Property, have entered into the Miller's Landing Development Agreement, dated December 6, 2016 (the "**Development Agreement**") that addresses development of the Property and Project.

WHEREAS, the District will issue one or more series of District Bonds to finance all or a portion of the costs of the Eligible Improvements (defined below).

NOW THEREFORE, in consideration of the mutual covenants and promises of the Parties contained in this Agreement, and other valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree to the terms and conditions in this Agreement.

AGREEMENT

1. **DEFINITIONS AND QUALIFICATIONS.** In this Agreement, unless a different meaning clearly appears from the context, capitalized terms mean:

"**Act**" means the Colorado Urban Renewal Law, Part 1 of Article 25 of Title 31 of the Colorado Revised Statutes.

"Add-On PIF" means the public improvement fee in the amount of up to 1.25% on Taxable Transactions, as set forth in the Add-On PIF Covenant, which will be (i) collected in accordance with the terms of the Add-On PIF Covenant and (ii) accounted for and spent in accordance with this Agreement.

"Add-On PIF Covenant" means a declaration of covenants by Developer imposing and implementing the Add-On PIF within the Property.

"Add-On PIF Revenue" means the revenue derived from the imposition of the Add-On PIF in accordance with the Add-On PIF Covenant and this Agreement.

"Agreement" means this Public Finance Agreement, as it may be amended or supplemented in writing, from time to time. References to sections or exhibits are to this Agreement unless otherwise qualified. All Exhibits are incorporated to this Agreement.

"Authority" means the Castle Rock Urban Renewal Authority, a body corporate and politic of the State of Colorado, and its successors and assigns.

"Authority Administrative Fee" means a fee up to a maximum of 0.5% of the gross Pledged Property Tax Increment Revenue received by the Authority from the Douglas County Treasurer each year, which fee includes all amounts required to pay collection, enforcement, disbursement, and administrative fees and costs required to carry out the Plan, including, without limitation, collection and disbursement of the Pledged Property Tax Increment Revenue.

"Complete Construction" or **"Completion of Construction"** means, for any Eligible Improvement, initial acceptance in accordance with the Town Requirements, applicable laws, ordinances, and regulations of the Town and any other governmental entity or public utility with jurisdiction, subject to any applicable conditions of maintenance and warranty, or if such Eligible Improvement would require a certificate of occupancy, the issuance of a certificate of occupancy by the Town in accordance with Town Regulations.

"Costs of Issuance" means, collectively, the reasonable and necessary costs incurred in connection with the issuance of the District Bonds, including, without limitation, underwriter's compensation, financial consultant fees, fees and expenses of bond counsel, counsel to the underwriter, counsel to the Town, and counsel to any party or entity from which an opinion of counsel is required, fees and expenses of any provider of credit enhancement, bond insurance, or guaranty, fees and expenses of the District Bond Trustee, bond registrar, paying agent, and transfer agent and rating agency fees. Costs of Issuance may be paid from the proceeds of the District Bonds.

"Credit PIF" means the public improvement fee in the amount of 2.4% on all Taxable Transactions, as set forth in the Credit PIF Covenant, which will be (i) collected in accordance with the terms of the Credit PIF Covenant and (ii) accounted for and spent in accordance with this Agreement. Except as set forth in Section 3.3, the Credit PIF shall not apply to any Taxable Transactions originating from within a Restricted Grocery Store or Relocated Retailer.

"Credit PIF Covenant" means a declaration of covenants by Developer imposing and implementing the Credit PIF within the Property.

“Credit PIF Revenue” means the revenue derived from the imposition of the Credit PIF in accordance with the Credit PIF Covenant and this Agreement.

“CRMC” means the Castle Rock Municipal Code, as the same may be amended or supplemented.

“Default” or **“Event of Default”** means any of the events described in Section 15; provided, however, that such events will not give rise to any remedy until effect has been given to all notice requirements, grace periods, cure periods, Force Majeure Events, and periods of enforced delay provided for in this Agreement.

“Developer” means Citadel Development, LLC, a Delaware limited liability company, and any successors and assigns approved or allowed in accordance with this Agreement.

“Developer Advances” means, collectively, amounts advanced or incurred by Developer to pay any Eligible Costs. Developer Advances shall include, without limitation, (a) Eligible Costs paid directly or advanced by Developer, (b) advances to the District for engineering, design, and construction by the District of Eligible Improvements pursuant to a Reimbursement Agreement; and (c) Pre-Financing Costs.

“Development Agreement” means the Miller’s Landing Development Agreement, dated December 6, 2016, by and between the Town and Fenway Partners, LLC recorded in the public records of Douglas County, Colorado on April 18, 2017 at Reception No. 2017025807.

“District” means Miller’s Landing Business Improvement District, a quasi-municipal corporation and political subdivision of the state formed pursuant to C.R.S. §31-25-1201, *et seq.*, and its successors and assigns.

“District Administrative Account” means an account established by the Authority into which the Authority shall deposit all of the District Operating Revenue received by the Authority from time to time pursuant to the rules and regulations of the Property Tax Administrator of the State of Colorado.

“District Bonds” means, collectively, one or more series of bonds or other evidences of indebtedness issued or incurred by the District to finance or refinance the Eligible Costs in accordance with the terms and provisions of this Agreement, including any bonds, other financial obligations or securities issued by the District to refund the District Bonds, but specifically exclusive of any Reimbursement Agreement entered into between the Developer and the District.

“District Bond Documents” means, collectively, the District Bond Indenture and any other documents pursuant to which the District Bonds are issued.

“District Bond Indenture” means any indenture or similar documents pursuant to which the District Bonds are issued.

“District Bond Requirements” means the principal, premiums, and interest due on the District Bonds, any amounts required to replenish any Reasonably Required Reserve, any amounts required to repay any bond insurer or other guarantor of the debt service on the District Bonds,

fees and expenses of the District Bond Trustee, bond registrar, paying agent, authenticating agent, and any other amounts approved in writing by the Town.

“District Bond Trustee” means the trustee in connection with the issuance of any District Bonds.

“District Debt Service Mill Levy” means a property tax levy of a minimum of 50 mills which will be levied by the District on the taxable property of such District, except as provided herein; provided, however, that such rates may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or their method of calculation so that, to the extent possible, the revenue produced by such District Debt Service Mill Levy is neither diminished nor enhanced as a result of such changes. The District Debt Service Mill Levy shall not be less than 50 mills during the term of this Agreement unless the District obtains approval of a lower amount from the Town, which determination shall be in the discretion of the Town.

“District Pledged Revenue” means, collectively, the revenue produced by (a) the District Debt Service Mill Levy, (b) the District Specific Ownership Taxes, and (c) Pledged PIF Revenue.

“District Operating Revenue” means revenue produced by the District’s imposition of a mill levy to pay the operations and maintenance expenses of the District and other revenue designated by the District for such purpose

“District Specific Ownership Taxes” means the specific ownership tax revenues received by the District in each year from the levy of the District Debt Service Mill Levy.

“EDC” means the Castle Rock Economic Development Council.

“Effective Date” has the meaning provided in Section 11.

“Eligible Accrued Interest” means interest accrued on unreimbursed Developer Advances as follows:

(a) If the Developer constructs Eligible Improvements or finances Eligible Costs from money it does not borrow, including any Developer Advances made to the District to acquire or construct Eligible Improvements from non-borrowed money, interest shall accrue at a rate equal to Prime plus 4% (but not to exceed 9%), and shall be simple per annum interest, and shall not compound.

(b) If the Developer constructs Eligible Improvements or finances Eligible Costs from money that it borrows, including any Developer Advances made to the District to acquire or construct Eligible Improvements from borrowed money, interest shall accrue at a rate equal to the rate of interest that the Developer is paying to the Developer’s lender under the applicable loan documents (but not to exceed 10%).

Eligible Accrued Interest shall begin to accrue on Developer Advances on the date the Developer makes such Developer Advance, provided that in no event shall Eligible Accrued Interest accrue on Developer Advances made to pay for Pre-Financing Costs.

“Eligible Costs” means, collectively, (a) the reasonable and customary expenditures for engineering, design, and construction of Eligible Improvements and investigation and remediation of the Landfill, including necessary and reasonable soft costs, as certified and approved in accordance with Exhibit C or the District Bond Documents, (b) Land Acquisition Costs, (c) Eligible Accrued Interest, (d) Pre-Financing Costs, and (e) Town Fees paid by the Developer or District.

“Eligible Improvements” means the improvements described in Exhibit B. Notwithstanding anything to the contrary in this Agreement, Eligible Improvements shall not include any Retail surface parking lots.

“Escrow Agent” means a state or national bank or trust company in good standing located in the State of Colorado that is authorized to exercise trust powers, which is selected by the Developer, with the prior written approval of the Town Manager, and is authorized pursuant to an escrow agreement, which shall also be subject to the prior written approval of the Town Manager, to undertake the duties of the Escrow Agent in accordance with Section 4.7.

“Exhibits” The following Exhibits are a part of this Agreement:

- Exhibit A: Legal Description of the Property
- Exhibit B: Eligible Improvements
- Exhibit C: Procedure for Documenting, Certifying and Paying Eligible Costs and Town Costs
- Exhibit D: List of Prohibited Uses
- Exhibit E: Conceptual Depiction of Project Parking
- Exhibit F: Form of Sales Tax Credit Ordinance
- Exhibit G: List of Existing Retailers

“Existing Retailer” means a retailer listed on Exhibit G.

“Force Majeure Event” means any one or more of the following events or circumstances that, alone or in combination, directly or indirectly adversely affects a Party’s performance of an obligation pursuant to this Agreement: fire, earthquake, storm or other casualty; strikes, lockouts, or other labor interruptions or shortages; war, rebellion, riots, acts of terrorism, or other civil unrest; acts of God or of any government (except that, as to any obligation of the Town, any acts of the Town itself shall not be considered Force Majeure Events); disruption to local, national, or international transport services; prolonged shortages of materials or equipment, epidemics; severe adverse weather; the discovery of previously unknown facilities, improvements, or other features or characteristics of the Property (including the Landfill); any other event, similar to the above, beyond the applicable Party’s reasonable control.

“Full-Service Hotel” means a hotel that is generally recognized in the hotel industry as such, that offers at least a selection of the following amenities: on-site mid-range to high-end

restaurant(s) and bar(s), group meeting spaces, banquet facilities, spas, doormen, valet parking, extended room service, concierge services, retail stores, pools, business center, and fitness center. Examples of Full-Service Hotels include, without limitation, the brands: Conrad Hotels, Hyatt, Regent Hotels & Resorts, Marriott, InterContinental, Renaissance, Crowne Plaza, Luxury Collection, Ritz-Carlton, DoubleTree, Le Meridien, Sheraton, Embassy Suites, Preferred Hotels & Resorts, St. Regis, Hilton, Holiday Inn, Radisson, W Hotels, Red Lion, Weston, and Peabody.

“GLA” means gross leasable area measured in square feet in the usual and customary manner in commercial leasing.

“Grocery Store” means any conventional grocery store or supermarket that primarily sells: (a) food and beverages for offsite consumption and (b) household supplies. Examples of grocery stores doing business in the Denver area as of the Effective Date include Safeway, King Soopers, Albertsons, Kroger, Super Target, Walmart Supercenter, Whole Foods, Sprouts and Natural Grocers. The following uses are not Grocery Stores for purposes of this Agreement: craft or specialty food retailers, marketplaces (including without limitation, Tony’s Market, Cook’s Fresh Market, The Denver Central Market), butchers, mongers, liquor stores, businesses primarily selling premade meals, restaurants, bars, vitamin stores, nutritional stores, any store that is primarily for pick-up of items purchased online or from a different location, convenience stores, and wholesalers and warehouse stores (including, without limitation, Amazon, Costco, or Sam’s Club).

“Intergovernmental Agreement” means the Intergovernmental Agreement between the Town and District approved by the Town concurrently with the Operating Plan.

“Land Acquisition Costs” means the costs incurred by Developer in connection with the acquisition of land or easements required for Eligible Improvements based upon an appraisal of such land or easements, including without limitation costs related to due diligence, title and survey, brokerage commissions, and attorneys’ fees.

“Landfill” means Citadel Landfill on the Property as more particularly described in the VCUP.

“Legal Requirements” means all laws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all government and governmental authorities applicable to the Project.

“Non-Hotel Retail Uses” means Retail uses that are not within, attached to, or situated closer than 300 feet from the building foundation of the main Required Hotel and on the same lot as the Required Hotel.

“Office” means commercial office uses, including commercial offices, medical offices, educational facilities, and Qualified Flex Users.

“Operating Plan” means the annual operating plan adopted by the District and approved by the Town Council pursuant to §31-25-1211 C.R.S, as such plan may be modified or amended from time to time, including any amendment required in connection with approving the Plan of Finance.

“Party” or “Parties” means one or all of the parties to this Agreement.

“PIF Collection Agent” means an entity or entities retained by the Developer, as declarant under the Add-On PIF Covenant and Credit PIF Covenant, with the reasonable approval of the District, for the purpose of collecting, accounting for, and disbursing the Add-On PIF Revenue in accordance with the Add-On PIF Covenant, the Credit PIF Revenue in accordance with the Credit PIF Covenant, or both.

“PIF Collection Agreement” means, collectively, an agreement or agreements related to the collection and remittance of the Add-On PIF Revenue and/or the Credit PIF Revenue between the Developer and the PIF Collection Agent. The District may also be a party to the PIF Collection Agreement.

“Plan” and **“Urban Renewal Plan”** mean the Citadel Station – Castle Meadows Urban Renewal Plan adopted and approved by the Town in September 2014, as it may hereinafter be amended from time to time.

“Plan of Finance” means a plan approved by Town in accordance with the Operating Plan which sets forth the sources and uses of District Bonds, the proposed District Bond Requirements, and the projected District Pledged Revenue, including the assumptions supporting the plan. The Plan of Finance may also include projections of District Operating Revenue and operating and maintenance expenses.

“Pledged PIF Revenue” means (a) prior to the issuance of any District Bonds, all of the Add-On PIF Revenue and Credit PIF Revenue, and (b) after the issuance of any District Bonds, all of the Credit PIF Revenue, and the portion of the Add-On PIF Revenue that is required to be pledged to the District Bonds pursuant to the District Bond Documents.

“Pledged Property Tax Increment Revenue” means the annual ad valorem property tax revenue received by the Authority from the Douglas County Treasurer in excess of the amount produced by the levy of those taxing bodies that levy property taxes against the Property Tax Base Valuation in the TIF Area in accordance with the Act and the regulations of the Property Tax Administrator of the State of Colorado, but not including, (a) the District Operating Revenue, (b) the Authority Administrative Fee, and (c) any offsets collected by the Douglas County Treasurer for return of overpayments or any reserve funds retained by the Authority for such purposes in accordance with Sections 31-25-107(9)(a)(III) and (b) of the Act.

“Pledged Revenue” means, collectively, the District Pledged Revenue and the Pledged Property Tax Increment Revenue.

“Pre-Financing Costs” means the reasonable and necessary costs incurred by the Developer and the District in forming the District and drafting, negotiating, and obtaining approval of the Operating Plan and Plan of Finance, drafting and negotiating this Agreement, drafting and negotiating documentation necessary or appropriate for the issuance of the District Bonds (including, without limitation, the District Bond Documents, Add-On PIF Covenant, Credit PIF Covenant, and PIF Collection Agreement), drafting and negotiating loan documents for construction loans for Eligible Improvements, and closing costs for such construction loans. Pre-

Financing Costs shall include, without limitation, reasonable attorneys' fees incurred by the District and Developer related to the above items.

"Prime" means the prime rate as published in the Wall Street Journal on the first business day of each calendar month, which shall be adjusted on a current monthly basis as of the first business day of each calendar month.

"Property" means the real property described in Exhibit A. Such Property is either owned by Developer, Developer is under contract to purchase such Property, or Developer otherwise has the right or will have the right to develop the Property.

"Property Tax Base Valuation" means \$229,370, the total certified assessed value of property subject to ad valorem property taxes in the TIF Area as of the date of last certification prior to adoption of the Plan. The Property Tax Base Amount and increment value shall be calculated and adjusted from time to time by the Douglas County Assessor in accordance with Section 31-25-107(9) of the Act and the rules and regulations of the Property Tax Administrator of the State of Colorado.

"Project" means a mixed-use commercial project constructed in one or more phases, which may include office, retail, restaurant, bar, hospitality, and accessory uses, but no residential uses, together with related amenities and uses on the Property. This Agreement prescribes certain required elements and parameters for the Project.

"Qualified Flex User" means a business: (a) engaged in light manufacturing, production, assembly, laboratory, research and development, warehouse, scientific, distribution, industrial flex, or such other uses as are reasonably approved in writing by the Town Manager after consultation with the CEO of the EDC in accordance with Section 2.4, and (b) at least 50% of whose GLA within the Project is initially designated for traditional commercial office uses.

"Reasonably Required Reserve" means any bond reserve fund held by the District Bond Trustee, which may be funded by the proceeds of the District Bonds at the discretion of the District Bond Trustee or as required by the District Bond Documents.

"Reimbursement Agreement" means, collectively, one or more agreements between the Developer and the District setting forth terms and conditions under which the Developer will be reimbursed for Developer Advances made by the Developer to the District for construction or acquisition of the Eligible Improvements, which Reimbursement Agreements must be in conformance with applicable terms and conditions of this Agreement.

"Relocated Retailer" means an Existing Retailer that completes a Relocation.

"Relocation" means the opening to the general public of a Retail use of more than 25,000 GLA by an Existing Retailer within 12 months after the closing to the general public of the same Retail use within the corporate boundaries of the Town; provided, however, that the following shall not constitute a Relocation: (a) any closures resulting from casualty, expiration of the lease, landlord termination of the lease, or, as certified to the Town by the Existing Retailer, that were scheduled prior to the Effective Date, or (b) the opening of a different brand or product type in the Project from the retail store that closed. For example, it shall not be a Relocation if a Walmart opens a Sam's Club after closing an existing Walmart.

“Remaining Add-On PIF Revenue” means the Add-On PIF Revenue that is not pledged to the District Bonds or dedicated to a specific purpose, as required by the District Bond Documents.

“Restricted Grocery Store Costs” means Eligible Costs: (a) incurred to construct Eligible Improvements that serve a Restricted Grocery Store; or (b) resulting from any increases in the size or capacity of specific Eligible Improvements if such increases are required to accommodate a Restricted Grocery Store.

“Restricted Grocery Store” means a Grocery Store exceeding 10,000 GLA.

“Retail” means businesses selling goods or services to the general public that are subject to the Town’s Sales Tax, which may include, without limitation goods, restaurant, bar, or lounge. Retail expressly does not include conference center, lodging, hotel, or motel uses, but does include restaurant, bar, lounge, private or membership facilities, food and beverage service, catering, gift shop, convenience store, equipment and furniture rental uses within or accessory to such conference center, lodging, hotel, and motel uses.

“Sales Tax” means the municipal sales tax of the Town on sales of goods and services that are subject to municipal sales taxes at such rate and on such terms and conditions as prescribed in the CRMC, as amended from time to time.

“Sales Tax Credit” means the credit against the Town’s Sales Tax in an amount equal to the Credit PIF imposed and collected on Taxable Transactions, in the amount of 2.4%, as implemented pursuant to the Sales Tax Credit Ordinance. Except as set forth in Section 3.3, the Sales Tax Credit shall not apply to any Taxable Transactions originating from within a Restricted Grocery Store or Relocated Retailer.

“Sales Tax Credit Ordinance” means the ordinance adopted by the Town Council of the Town approving the Sales Tax Credit.

“Special Fund” means the fund defined in Section 107(9)(a)(II) of the Act.

“Taxable Transactions” means the sale or provision of goods within the Project that are subject to the Town’s Sales Tax, as amended from time to time.

“TIF Area” means the Property described on Exhibit A, within which the tax increment provisions of Section 31-25-107(9) of the Act apply, as such area may be expanded or contracted from time to time by the Authority in compliance with the Act.

“Town” means the Town of Castle Rock, Colorado, a home rule municipal corporation.

“Town Contribution Cap” means \$56,000,000, which is the maximum amount of the Sales Tax Credit that shall be granted by the Town against Sales Tax collectible on Taxable Transactions.

“Town Costs” means the Town’s reasonable and necessary third-party out of pocket fees, costs and expenses incurred in drafting, reviewing or negotiating this Agreement, the Operating Plan, the Plan of Finance, the Add-On PIF Covenant, the Credit PIF Covenant, the Sales Tax Credit

Ordinance, the PIF Collection Agreement, the District Bond Documents, and all other related documents, certificates or agreements, including without limitation legal fees and consultant fees. Town Costs shall be paid or reimbursed from proceeds of the District Bonds in accordance with the District Bond Documents or from Pledged Revenue on deposit with the Escrow Agent in accordance with Section 4.8 and Exhibit C.

“**Town Fees**” means any fee or charge imposed under the CRMC as a condition to the applicant’s entitlement to issuance of a Town permit for the development or construction of Eligible Improvements or private improvements.

“**Town Requirements**” means, collectively, (i) the CRMC, (ii) Town regulations and (iii) obligations imposed through the Miller’s Landing IOZ (as defined in Section 2.2 hereof), the applicable site plans required for the Project and/or (iv) requirements or restrictions imposed on development of the Property under this Agreement.

“**VCUP**” means the voluntary cleanup plan for the Landfill submitted by the Developer and approved by the Colorado Department of Public Health and Environment pursuant to its letter dated September 26, 2016 signed by Fonda Apostolopoulos, as such plan may be amended from time to time with approval of the Colorado Department of Public Health and Environment.

Any reference to a section or article number, without further qualification, shall mean such section or Article in this Agreement.

2. PROJECT, LAND USE APPROVALS.

2.1 Project Attributes. The Parties intend for the Project to reflect a design and build quality that will maximize the ability of Developer to attract national and regional tenants and end-users to the Project. However, Town acknowledges that Developer has not committed to secure any particular tenant mix as of the Effective Date.

2.2 Entitlement. On December 6, 2016, the Town Council adopted Ordinance No. 2016-042, An Ordinance Amending the Town’s Zone District Map by Approving the Miller’s Landing Interchange Overlay Planned Development Plan; the Miller’s Landing Interchange Overlay Planned Development Zoning Regulations; the Miller’s Landing Development Agreement; and Vesting a Site Specific Development Plan through December 31, 2036 (collectively, the “**Miller’s Landing IOZ**”). The development of the Project also requires additional land use approvals mandated by the CRMC, and public works and construction permits for public improvements (inclusive of Eligible Improvements) and private improvements (collectively, “**Town Approvals**”). Developer will submit applications to the Town for the Town Approvals as necessary for the development of the Project. The Town agrees to review and expeditiously process and act on applications for Town Approvals in accordance with its standard practice and applying applicable standards for review and approval.

2.3 Office Uses. Developer shall obtain certificates of occupancy for at least 150,000 GLA of Office uses in the Project (“**Minimum Office GLA**”) prior to obtaining final certificates of occupancy for more than 250,000 GLA of Retail uses in the Project. If Developer desires to obtain final certificates of occupancy for more than 250,000 GLA of

Retail uses prior to obtaining certificates of occupancy for at least the Minimum Office GLA, then Developer must obtain the prior written consent of the Town, which determination shall be in the absolute discretion of the Town Council. Should the Town Council approve a relaxation of the Minimum Office GLA, it shall do so by adoption of a Town Council resolution, after finding that additional retail uses will better serve the public interests than additional office uses.

2.4 Qualified Flex Users. The Developer shall provide written notice to the Town of any tenant or occupant that desires to locate within the Project which Developer asserts is a Qualified Flex User (“Notice”), and the Town shall respond in writing to the Notice within 30 days after receipt thereof stating whether such tenant or occupant is a Qualified Flex User, which statement shall be binding upon the Town and Developer for purposes of this Agreement. Town may consult with the EDC in making such determination. Developer shall furnish Town with reasonable documentation evidencing the qualification of the user as a Qualified Flex User. If the Town fails to respond in writing with such a statement within such 30-day period, such tenant or occupant shall be deemed to be Qualified Flex User for purposes of this Agreement. Once certificates of occupancy have been issued for a Qualified Flex User and such Qualified Flex User has occupied its space, the GLA of such Qualified Flex User shall thereafter be included in the calculation of Minimum Office GLA, regardless of whether such business continues to be a Qualified Flex User (for example, if the business changes its use or does not use at least 50% of its GLA for traditional commercial office uses).

3. DEVELOPER.

3.1 Construction of Eligible Improvements. Developer or the District, as applicable, in accordance with the provisions of this Agreement, will be responsible for (i) financing and constructing all Eligible Improvements, (ii) compliance in all material respects with the Town Requirements, (iii) payment of Town Fees related to development of the Property, and (iv) developing the Project as required by this Agreement and the CRMC. Subject to the requirement of 3.6, Developer may, in its sole discretion, elect to undertake all or only certain phases of the Project and Developer and the District are only responsible to finance and construct those Eligible Improvements required to serve the phase(s) of the Project which Developer so elects to undertake, as required under the Development Agreement and the CRMC. Developer or the District shall commence construction or cause commencement of construction of the Eligible Improvements required for each phase of development as required by any applicable subdivision improvement agreements and site development plans approved by the Town, and shall reasonably proceed with or require such construction until Completion of Construction of such Eligible Improvements, all in accordance with the approved applicable subdivision improvement agreements and site development plans, this Agreement, Development Agreement, and the CRMC. In the event of any conflict between this Agreement and the Development Agreement with regard to construction of the Eligible Improvements (including without limitation any requirements as to when specific Eligible Improvements are required to be constructed), this Agreement shall control; provided, however, that upon approval of a subdivision improvement agreement and site development plan for all or any portion of the Property, such subdivision improvement agreement and site development plan shall control with respect to the portion of the Property that is the subject of such

subdivision improvement agreement and site development plan. The Parties acknowledge that construction of the Prairie Hawk Improvements (as defined in the Development Agreement) is an important goal for the Town.

3.2 Compliance with Design and Construction Regulations; Payment of Fees and Costs. The design and construction of all Eligible Improvements will comply in all material respects with all applicable codes and regulations of entities having jurisdiction, including the Town Requirements. As required by the Development Agreement, CRMC and Town Requirements, Developer will enter into one or more subdivision improvements and/or public improvement agreement(s) with the Town as required under the CRMC. Also, Developer or the District will pay or cause to be paid all required fees and costs, including the Town Fees, in connection with the design, construction, applicable warranty requirements, and use of the Eligible Improvements.

3.3 Relocated Retailers and Restricted Grocery Stores. This Agreement provides significant economic assistance to enable construction of the Eligible Improvements necessary for the opening and development of the Project. A material inducement for such assistance is the representation by Developer that it will attempt to attract to the Project national and regional retailers and other businesses which are not currently located in the Town. In addition to providing additional retail options for the community, these new retail and entertainment venues will significantly increase municipal revenues. However, if the Project is leased or sold to any Relocated Retailer or any Restricted Grocery Store, the public benefit and rationale for these economic incentives will be significantly undermined. Accordingly, notwithstanding anything to the contrary in this Agreement, the Credit PIF and Sales Tax Credit shall not apply to Taxable Transactions that originate from within any Relocated Retailer or Restricted Grocery Store. Further, notwithstanding anything to the contrary in this Agreement, no Credit PIF Revenue shall be used to pay for or reimburse Restricted Grocery Store Costs, and the District Bond Documents shall contain such prohibition.

The Developer shall have the right (but not the obligation) to a determination as to whether any tenant or occupant that the Developer desires to locate within the Project would qualify as a Relocated Retailer or a Restricted Grocery Store by providing written notice to the Town setting forth information concerning such proposed tenant or occupant. The Town shall respond in writing to such notice within 30 days after receipt thereof stating whether such tenant or occupant qualifies as an Existing Retailer or Restricted Grocery Store, which statement shall be binding upon the Town for purposes of this Agreement. If the Town fails to respond in writing with such information within such 30-day period, such tenant or occupant shall be conclusively determined to not be an Existing Retailer or Restricted Grocery Store for purposes of this Agreement. In the event that the Developer does not send such notice to the Town, this shall not preclude the Town's right to determine that a tenant or occupant within the Project constitutes a Relocated Retailer or a Restricted Grocery Store. Upon any such determination by the Town, the Town shall notify the Developer of its determination that a particular tenant or occupant qualifies as a Relocated Retailer or a Restricted Grocery Store, as applicable. In the event that the Developer does not respond in writing to such notice within 30 days after receipt thereof disputing the Town's classification, such tenant or occupant shall be conclusively determined to be a

Relocated Retailer or a Restricted Grocery Store, as applicable, for purposes of this Agreement.

Notwithstanding the foregoing, the Town Council may approve development of a Relocated Retailer or Restricted Grocery Store within the Project upon receipt of written request for the same from the Developer, in which event the Credit PIF and Sales Tax Credit shall apply to Taxable Transactions that originate from within such approved Relocated Retailer or Restricted Grocery Store, and Credit PIF Revenue may be used to pay for or reimburse Restricted Grocery Store Costs related to such approved Restricted Grocery Store. Should the Town Council approve the location or relocation of a Relocated Retailer or a Restricted Grocery Store within the Project, it shall do so by adoption of a Town Resolution. Such determination shall be in the absolute discretion of the Town Council.

3.4 Add-On PIF and Credit PIF. Developer agrees to impose the Add-On PIF and Credit PIF and to irrevocably assign the Pledged PIF Revenue to the District, through and until the payment in full of the District Bonds contemplated hereunder. Prior to the issuance of any District Bonds, the Developer or the District agrees to cause all Add-On PIF Revenue and Credit PIF Revenue to be remitted to the Escrow Agent in accordance with Section 4.7. Upon the issuance of any District Bonds, the District agrees to pledge the Pledged PIF Revenue exclusively to the District Bonds until the District Bonds are paid in full or defeased, Remaining Add-On PIF Revenue shall be remitted to the Developer, which may use any Remaining Add-On PIF Revenue for any lawful purpose.

The Developer shall terminate the Credit PIF upon the earlier to occur of (a) payment in full or defeasance of all outstanding District Bonds, (b) the aggregate Credit PIF Revenue received by the PIF Collection Agent and offset by the Sales Tax Credit equals the Town Contribution Cap, or (c) December 31, 2042. The Developer, at its election, may discontinue, continue, increase, or decrease the Add-On PIF following payment in full of the District Bonds and use such revenues for any legal purpose.

3.5 PIF Collection Agreement. The Developer shall engage one or more PIF Collection Agent(s) to collect, disburse, and account for the Add-On PIF Revenue and Credit PIF Revenue pursuant to one or more mutually acceptable PIF Collection Agreement(s). The Town shall have the right to review the PIF Collection Agreement to ensure compliance with the terms and provisions of this Agreement.

3.6 Remediation of Landfill. The Developer or the District shall substantially complete all on-site physical work necessary to remediate the Landfill in accordance with the VCUP as the initial phase of Eligible Improvement (the "**Remediation**"), and provide to Town a certificate of such completion from the contractor performing the Remediation (the "**Certification**") prior to and as a condition to the Town's issuance of any final certificates of occupancy for any commercial building or use on the Property. Notwithstanding the foregoing, the Developer, or third parties shall have the right to apply for temporary certificates of occupancy prior to issuance of the Certification, and the Town shall review and process such applications in accordance with the Town Regulations, but the Town shall not issue such final certificates of occupancy until the completion of the Remediation has been certified as provided above. Any such temporary certificate(s) of

occupancy issued prior to completion of the Remediation shall have a term of no longer than 180 days.

3.7 Prohibited Uses. During the period in which taxes are authorized to be divided in the TIF Area pursuant to the Act, Developer shall not lease or sell any portion of the Property to users who intend to initially operate for any of the uses listed on Exhibit D.

3.8 Publicly Accessible Parking. As part of the Project, Developer intends to construct parking as generally depicted on Exhibit E ("Parking Lots"), which will be constructed as needed to serve the applicable phases of the Project. The Parking Lots shall be owned, operated, and maintained by the District or individual property owners, and the Town shall have no responsibility therefor. All Parking Lots owned or maintained by the District shall be generally available to the public, subject to reasonable restrictions on time, place, and manner of use. At least 60% of the parking spaces in the structured Parking Lot generally depicted on Exhibit E shall be generally available to the public, subject to reasonable restrictions on time, place, and manner of use. Each site development plan for the Project shall depict the parking spaces on the subject portion of the Property that will be generally available to the public, if any.

4. DISTRICT. The District agrees to comply with the following provisions:

4.1 Compliance with Operating Plan and Applicable Law. At all times the District will comply with the requirements of the Operating Plan, as it may be amended from time to time. The Operating Plan includes (i) provisions for the District to have the flexibility required to implement this Agreement; (ii) limitations as to the District Debt Service Mill Levy that may be imposed for payment of District Bonds and other District Obligations (as defined in the Operating Plan), subject to adjustment for changes in the manner in which assessed valuation is calculated; and (iii) no limitation on the mill levy imposed for operations. To the extent authorized by the Operating Plan, the District may design, construct, finance, own, acquire, maintain, and operate Eligible Improvements in accordance with all applicable laws, ordinances, standards, policies, and specifications of the State of Colorado, the Town, any Intergovernmental Agreement and any other entity with jurisdiction. The District shall submit its annual Operating Plan to the Town for its approval, as required by statute.

4.2 District Pledged Revenue. The District covenants to impose the District Debt Service Mill Levy in the amount of not less than 50 mills beginning on the Effective Date and for so long as any District Bonds remain outstanding, and further covenants to pledge and cause remittance of the District Debt Service Mill Levy to the District Bond Trustee for such outstanding District Bonds, to the extent that the District receives such revenues. The Town shall be entitled to an order of mandamus to compel the District to certify such levy, as well as any other remedies of law or in equity. The District further covenants that so long as any District Bonds remain outstanding, that the District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds. Notwithstanding expiration of the time or times that the Pledged Property Tax Increment Revenue may be collected pursuant to the Act, the District agrees that the full amount of the District Debt Service Mill Levy shall at all times remain

pledged to the payment of any outstanding District Bonds to the extent required by the District Bond Documents or to the payment of any outstanding District Bonds to the extent required by the District Bond Documents.

After the issuance of any District Bonds, the District Pledged Revenue shall be pledged to the payment of the principal of, interest on, and any premium due in connection with the redemption of the District Bonds, and may also be pledged to the payment of any other District Bond Requirements. Prior to the issuance of any District Bonds, the District Pledged Revenue shall be remitted to the Escrow Agent in accordance with Section 4.7 hereof and applied to the payment or reimbursement of Eligible Costs and Town Costs in accordance with Section 4.8 and Exhibit C.

4.3 District Bonds.

(a) District Bonds may be issued in one or more series by the District to pay for Eligible Costs or reimburse the Developer for Eligible Costs and to apply the proceeds of the District Bonds as authorized under this Agreement, including without limitation, payment of the Costs of Issuance and Town Costs. All Pledged Revenues shall be pledged to the payment of outstanding District Bonds. The proceeds of such District Bonds will be subject to requisition by the Developer to pay or reimburse Eligible Costs and to requisition by the Town to pay or reimburse Town Costs upon receipt of a requisition substantially in accordance with the requirements set forth in the District Bond Documents.

(b) The District Bonds shall be issued in one or more series in an aggregate principal amount not exceeding an amount that can be serviced by the then-projected Pledged Revenue, as reasonably determined by the District. The Parties shall use commercially reasonable efforts to maximize the amount of District Bonds that may be issued as bonds, the interest on which is excluded from gross income for federal income tax purposes ("tax-exempt bonds"), but only to the extent the District's bond counsel delivers an opinion to the District that some or all of the District Bonds may be issued as tax-exempt bonds under the laws in effect at the time of the proposed issuance of the District Bonds. The portion of the Add-On PIF Revenue that shall be pledged to the payment of the District Bonds under the District Bond Documents shall be the maximum amount that may be pledged thereunder without adversely impacting the tax-exempt status of interest on the District Bonds, as determined by the District's bond counsel.

(c) Prior to the issuance of any District Bonds, the substantially final drafts of the District Bond Documents shall be provided to the Town, which shall be accompanied by a Plan of Finance. The Town shall be permitted to review the District Bond Documents and Plan of Finance to confirm compliance with this Agreement, the Operating Plan, and related documents. The Town will have ten (10) business days after receipt of such District Bond Documents and Plan of Finance by the Town Attorney and the Town's bond counsel to notify the District in writing if it objects to any provisions set forth in such District Bond Documents and Plan of Finance setting forth its specific objections. If the Town does not object in writing to such District Bond Documents and Plan of Finance within such ten

(10) business day period, then the Town will be deemed to have consented to the form and substance of such District Bond Documents and Plan of Finance. If the Town objects in writing to any provisions of such District Bond Documents and Plan of Finance, the District Bonds shall not be issued until Town approves such District Bond Documents. The Town's right to object to the District Bond Documents and Plan of Finance shall be limited to objections necessary to ensure compliance with the terms and conditions of this Agreement.

(d) Unless the Town agrees otherwise in writing, the District Bond Documents shall provide that in each year the Pledged Revenue shall be used as follows: (i) first to pay the District Bond Requirements, (ii) second to pay any other administrative costs related to the District Bonds, including without limitation, payment of rebate consultants and analysts, the reasonable fees and expenses of the PIF Collection Agent, and any rating maintenance fees, (iii) any remaining Pledged Revenue shall be used to redeem as much principal of the District Bonds as possible in inverse order of maturity or if the District Bonds are not then subject to redemption, shall be irrevocably set aside for redemption of the District Bonds on the earliest redemption date, if any; provided, however, that the District may pledge such remaining Pledged Revenue to one or more series of subordinate bonds issued by the District.

(e) The Parties acknowledge that under current federal tax rules and regulations, that pledging Add-On PIF Revenue to the repayment of District Bonds may result in one or more series of the District Bonds being initially issued as taxable bonds. The Parties acknowledge that the structure for the District Bonds will be based on current market conditions and current tax law and that in determining the appropriate structure that due consideration will be given to the overall financing cost.

4.4 Conditions Precedent to Issuance of District Bonds. The following conditions must be satisfied on or prior to the issuance of the District Bonds, unless waived in writing by the Town:

- (a) Town approval of the Operating Plan for the District;
- (b) Town approval or deemed approval of the District Bond Documents and Plan of Finance, as provided in Section 4.3;
- (c) Recording of the Add-On PIF Covenant and Credit PIF Covenant against the Property in the real estate records of Douglas County, Colorado; and
- (d) District imposition of the District Debt Service Mill Levy upon the Property.

Upon satisfaction of the above conditions, the District may issue the District Bonds in one or more series, at the District's sole and absolute discretion. Notwithstanding anything to the contrary in this Agreement, the District may issue other bonds and

debt that are supported by revenues other than the Pledged Revenue, at its sole and absolute discretion.

4.5 District Operating Revenue. The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the District or for any other lawful purpose.

4.6 No Impairment. The District will not enter into any agreement or transaction that impairs the rights of the Parties, including, without limitation, the right to receive and apply Pledged Revenue to payment of the District Bonds.

4.7 Disposition of Pledged Revenue Prior to Issuance of District Bonds. To the extent that the Pledged Revenue is being generated prior to the issuance of any District Bonds, the following provisions shall apply:

(a) the Developer or District shall require that all Add-On PIF Revenue and Credit PIF Revenue shall be remitted to the Escrow Agent;

(b) The Authority shall remit the Pledged Property Tax Increment Revenues to the Escrow Agent; and

(c) The District shall remit the District Specific Ownership Taxes to the Escrow Agent.

The Escrow Agent shall hold all Pledged Revenue in segregated accounts and shall invest all such amounts so held as directed by the District and in accordance with applicable law. The Escrow Agent shall keep accurate books and records of all deposits of Pledged Revenue and investment earnings thereon, which books and records shall be available for inspection during regular business hours by the Developer, the District, the Authority, and the Town.

Except as hereinafter provided, upon the issuance of any District Bonds, all Pledged Revenue on deposit with the Escrow Agent shall be remitted by the Escrow Agent to the District Bond Trustee and applied to one or more of the following purposes: (i) deposited in an interest payment fund for the District Bonds, (ii) deposited in a Reasonably Required Reserve Fund or supplemental reserve fund for the District Bonds, (iii) applied to the payment of Eligible Costs, Costs of Issuance, and Town Costs, or (iv) applied to the payment of District Bond Requirements. After the issuance of any District Bonds, all Pledged Revenue shall thereafter be deposited with the District Bond Trustee in accordance with the terms and provisions of the District Bond Documents. To the extent that any Add-On PIF Revenue is on deposit with the Escrow Agent and not pledged to the payment of any outstanding District Bonds, the Escrow Agent shall continue to hold such Add-On PIF Revenue until District Bonds are issued that are payable from such Add-On PIF Revenue, or until the Parties hereto provide written instructions to the Escrow Agent to apply such Add-On PIF Revenue to the payment or reimbursement of Eligible Costs and Town Costs in accordance with Section 4.8 and Exhibit C.

4.8 Application of Pledged Revenue Prior to Issuance of District Bonds. To the extent no District Bonds have been issued, Pledged Revenue on deposit with the Escrow

Agent shall be applied to the payment or reimbursement of Eligible Costs and Town Costs upon receipt of a requisition substantially in accordance with the requirements set forth in Exhibit C.

5. **THE AUTHORITY.** The Authority agrees to carry out the Plan and to comply with the following provisions:

5.1 **Special Fund; Application of Pledged Revenues.** In accordance with the provisions of this Agreement and the Act, the Authority shall establish the Special Fund and deposit the Pledged Property Tax Increment Revenues into the Special Fund upon receipt. All moneys on deposit in the Special Fund, and any other District Pledged Revenues received by the Authority, shall be applied as follows: (a) so long as any District Bonds remain outstanding, such amounts shall be remitted to the District Bond Trustee in accordance with the terms and provisions of the District Bond Documents; or (b) in the event that no District Bonds are issued or outstanding, such amounts shall be remitted to the Escrow Agent to reimburse the District and/or Developer for Eligible Costs and the Town for Town Costs in accordance with Section 4.8 and Exhibit C. Notwithstanding anything to the contrary in this Agreement, upon repayment in full of all District Bonds, the Authority shall have no obligation under this Agreement to pledge the Pledged Property Tax Increment Revenues to the District or deposit the Pledged Property Tax Increment Revenues into the Special Fund.

5.2 **District Operating Revenue.** The Authority hereby irrevocably pledges all District Operating Revenue it receives to the District. The District Operating Revenue, when and as received by the Authority shall be subject to the lien of such pledge without any physical delivery, filing, or further act. The Authority shall deposit into the District Administrative Account all of the District Operating Revenue received by the Authority from time to time in accordance with Section 31-25-107(9)(a)(II) of the Act and the rules and regulations of the Property Tax Administrator of the State of Colorado from the levy of the District on taxable property within the TIF Area. The Authority shall transfer all of the revenue in the District Administrative Account to the District on or before the 20th day of each month. The obligation of the Authority to make deposits in the District Administrative Account and to transfer such revenue to the District shall expire when the Authority's right to receive such revenue expires pursuant to the Act. The District shall use the District Operating Revenue to pay its normal and reasonable operating and maintenance expenses.

5.3 **Multi- Fiscal Year Obligation.** The Parties acknowledge that, according to the decision of the Colorado Court of Appeals in *Olson v. City of Golden*, 53 P.3d 747 (2002), an urban renewal authority is not a local government and therefore is not subject to the provisions of Article X, Section 20 of the Colorado Constitution. Accordingly, the Authority's obligation to remit the Pledged Property Tax Increment Revenues and the District Operating Revenue in accordance with the terms and provisions of this Agreement does not require voter approval in advance and is not subject to annual appropriation.

5.4 **No Impairment.** The Authority shall not enter into any agreement or transaction that impairs the rights of the Parties under this Agreement or prohibits or restricts the Authority's performance of any of its obligations under this Agreement,

including, without limitation, the right and obligation to receive and apply Pledged Property Tax Increment Revenue and the District Operating Revenue in accordance with the terms and provisions of this Agreement.

5.5 Cooperation with District and Developer. The Authority agrees to cooperate in a reasonable manner to assist the District in issuing District Bonds and to the pledge of the Pledged Property Tax Increment Revenue to the payment of such District Bonds and to payment of the District Operating Revenue to the District and/or Developer for payment of Eligible Costs, in accordance with this Agreement.

6. **THE TOWN.**

6.1 Entitlements. The Town agrees to cooperate with the Developer and the District in reviewing, scheduling hearings for, and acting upon all other entitlements necessary for the Project in a timely manner. The Miller's Landing IOZ prohibits development of any residential uses on the Property. In the event the Developer, or its successors or assigns, desires to develop any residential uses on the Property, Developer must submit an application to rezone the applicable portion of the Property.

6.2 Sales Tax Credit Ordinance. The Town shall adopt the Sales Tax Credit Ordinance to implement the Sales Tax Credit in substantially the form set forth in Exhibit F. Provided this Agreement is in effect, the Town will authorize, grant and implement the Sales Tax Credit pursuant to the Sales Tax Credit Ordinance in order for the Credit PIF to be collected for payment of the District Bonds and payment and reimbursement of Eligible Costs and Town Costs in accordance with the Credit PIF Covenant and this Agreement. Except as hereinafter provided, the Sales Tax Credit shall terminate upon the earlier of (a) payment in full or defeasance of all outstanding District Bonds, (b) the aggregate Sales Tax Credit granted by the Town to offset the Credit PIF Revenue imposed and collected by the Credit PIF Collection Agent equals the Town Contribution Cap, or (c) December 31, 2042.

(a) Post Credit PIF Period. Notwithstanding any language in any agreement to the contrary, if the Town determines that termination of the Sales Tax Credit in accordance with the terms and provisions of this Agreement may be precluded by or require a refund of the Sales Tax under Article X, Section 20 of the Colorado Constitution, the Town may elect to continue the Sales Tax Credit and submit a written request to Developer to continue to impose the Credit PIF. Upon receipt of such request, the Credit PIF shall remain in full force and effect and the full amount derived from imposition of the Credit PIF that is offset by the Town's Sales Tax Credit shall be paid to the Town as a substitute for the Sales Tax revenue it is unable to collect.

(b) Town Contribution Cap. Notwithstanding anything to the contrary in this Agreement, the maximum amount of Credit PIF Revenue that shall be collected pursuant to the PIF Collection Agreement and pledged to the payment of the District Bonds or available to pay or reimburse Eligible Costs or Town Costs in accordance with Section 4.8 shall not exceed the Town Contribution Cap.

(c) Extent of Sales Tax Credit. In adopting the Sales Tax Credit Ordinance, the Town is agreeing that it will grant a credit against the Town's Sales Tax in the maximum amount of 2.40% on Taxable Transactions within the Property only to the extent that the Credit PIF is imposed and collected.

6.3 Hotel Milestone. Notwithstanding anything to the contrary in this Agreement, the Credit PIF Revenue shall not be pledged to the repayment of any District Bonds, and the District shall not issue any District Bonds payable in whole or in part from Credit PIF Revenue, unless and until the owner-operator of a Full-Service Hotel ("**Hotel User**") with at least 250 rooms and at least 10,000 GLA of conference space (the "**Required Hotel**") has (a) acquired ownership of, or executed a ground lease for, the portion of the Property upon which the Required Hotel will be developed, and (b) delivered to the Town evidence of the Hotel User's financial capability to commence development of the Required Hotel (such evidence to be in a form approved by the underwriter of the District Bonds as sufficient to issue the District Bonds, which may include, by way of example, any combination of the following: the construction loan closing, equity commitment, design and bid construction costs, construction contract execution, issuance of Town construction permits and approvals, and other forms of evidence as reasonably acceptable to the underwriter), and (c) delivered to the Town either a letter of intent outlining the conceptual site and building plan for the Required Hotel or an application for approval of a site development plan for the Required Hotel (the "**Hotel Milestone**"). Upon satisfaction of the Hotel Milestone and without need for additional notice hereunder, all Credit PIF Revenue collected since the Effective Date and not already used to reimburse the Developer or District for Eligible Costs or the Town for Town Costs pursuant to Section 4.8 shall be pledged to the repayment of the District Bonds and the District may issue District Bonds payable in whole or in part from Credit PIF Revenue. The Town shall not issue final certificates of occupancy for more than 100,000 GLA of Non-Hotel Retail Uses ("**Non-Hotel Retail Cap**") unless and until the Town issues a final certificate of occupancy for the Required Hotel ("**Hotel Certificate**"); provided, however, that upon written request from the Developer the Town Council, in its sole discretion, may increase or waive the Non-Hotel Retail Cap or approve the issuance of individual final certificates of occupancy for Non-Hotel Retail Uses in excess of the Non-Hotel Retail Cap. Notwithstanding the foregoing, the Developer, or third parties shall have the right to apply for temporary certificates of occupancy for Non-Hotel Retail Uses in excess of the Non-Hotel Retail Cap prior to issuance of the Hotel Certificate, and the Town shall review and process such applications in accordance with the Town Regulations. Each such temporary certificate of occupancy issued prior to issuance of the Hotel Certificate shall have a term of no longer than 180 days, after which such temporary certificate of occupancy shall terminate. No structure may remain open for longer than 180 consecutive days on the basis of a temporary certificate of occupancy.

6.4 Water and Sewer Serving the Property. The Town represents and warrants that it provides water and sewer services to the Property and will provide water and service in connection with the Project upon compliance with Town Requirements.

6.5 Town Fees. Developer and all permittees shall pay all Town Fees at the time prescribed by the Town Requirements. However, the Parties acknowledge that individual future potential users of the site may propose reimbursements, discounts, or

other similar incentive arrangements as part of their individual site selection choices. The Town agrees to consider such proposals in accordance with its normal practices and policies.

6.6 Town Costs. The Town shall be entitled to be reimbursed for the Town Costs from the District Bond proceeds in accordance with the District Bond Documents or from Pledged Revenue on deposit with the Escrow Agent in accordance with Section 4.8 and Exhibit C.

6.7 Compliance with Law. Nothing set forth in this Agreement is intended or shall be construed to constitute or to require (a) an unlawful delegation of authority by the Town; (b) an unlawful restraint on the legislative discretion of future Town Councils; or (c) the undertaking of any multiple fiscal year obligation by the Town except as permitted by applicable law. Nothing in this Agreement is intended to nor shall be construed to create any multiple-fiscal year direct or indirect debt or financial obligation on the part of the Town within the meaning of the Constitution or laws of the State of Colorado, or the Town's home rule charter, and any such financial obligation of the Town created by this Agreement is expressly subject to annual appropriation by the Town.

6.8 Change in Sales Tax. Nothing in this Agreement shall impair the right of the Town Council to modify the imposition of sales tax through the CRMC including the reduction in the rate of taxation or adding exemptions from taxation provided such modifications shall not have retroactive effect.

7. REIMBURSEMENT OF ELIGIBLE COSTS AND TOWN COSTS. Upon compliance with the requisition process set forth in Exhibit C if no District Bonds have been issued or upon compliance with the District Bond Documents if any District Bonds have been issued, Developer and the District will be paid or reimbursed for Eligible Costs and the Town will be paid or reimbursed for Town Costs, in accordance with the terms of this Agreement. Any such payment or reimbursement of Eligible Costs or Town Costs pursuant to this Agreement shall be made: (a) from the proceeds of the District Bonds in accordance with the District Bond Documents, or (b) with Pledged Revenue in accordance with Section 4.8 and Exhibit C to the extent that no District Bonds have been issued. If such payment or reimbursement is to be made from the proceeds of District Bonds, the Developer, the District and the Town will not be subject to any additional conditions for payment or reimbursement of Eligible Costs or Town Costs, as the case may be, except as provided in the District Bond Documents. If no District Bonds have been issued, all Eligible Costs or Town Costs shall be certified by the District, the Developer or the Town, as the case may be, in accordance with procedures set forth in Exhibit C. Cost savings in the line items listed in Exhibit B may be allocated to cost overruns in any other line item.

8. BOOKS AND ACCOUNTS; FINANCIAL STATEMENTS. The District and the Authority shall keep proper and current itemized records, books, and accounts in which complete and accurate entries will be made of the receipt and use of all amounts of revenue received from any and all sources and such other calculations required by this Agreement, the District Bond Documents, and any applicable law or regulation. The District and Authority shall each prepare, after the close of each fiscal year, a complete financial statement prepared in accordance with generally accepted accounting principles accepted in the United States of America for such year in reasonable detail covering the above information, and if required by statute, certified by a public

accountant, and will furnish a copy of such statement to the other Parties within two hundred and ten (210) days after the close of each fiscal year, or upon such earlier date as may be required by the District Bond Documents.

No later than sixty (60) days after the end of each fiscal year, the District shall prepare, or cause to be prepared, and delivered to the Town, a report setting forth the amount of Credit PIF Revenues collected by the PIF Collection Agent during the preceding fiscal year and the total amount of Credit PIF Revenue collected by the PIF Collection Agent from the Effective Date through the end of the preceding fiscal year.

All books, records and reports (except those allowed or required by applicable law to be kept confidential) in the possession of the Town, the Authority, and the District, including, without limitation, those relating to the Pledged Revenue, Eligible Improvements, Eligible Costs, District Operating Revenue, and District Bonds will at all reasonable times be open to inspection by such accountants or other agents as the respective Parties may from time to time designate.

9. INDEMNIFICATION. Developer agrees to indemnify, defend and hold harmless the Town, its officers, agents and employees, from and against all liability, claims, demands, and expenses, including fines imposed by any applicable state or federal regulatory agency, court costs and attorney fees, on account of any injury, loss, or damage, which arise out of or are in any manner connected with any of the work to be performed by Developer, any subcontractor of Developer, or any officer, employee, agent, successor or assign of Developer under this Agreement, if such injury, loss, or damage is caused in whole or in part by, the negligent act or omission, error, professional error, mistake, accident, or other fault of Developer, any subcontractor of Developer, or any officer, employee, agent, successor or assign of Developer, but excluding any injuries, losses or damages which are due to the negligence, breach of contract, or willful misconduct of the Town. Developer's obligation to indemnify the Town pursuant to this Agreement shall survive termination of this Agreement but only for a period of two years after the date of completion of construction of the improvement or completion of the activity to which the claim relates.

10. REPRESENTATIONS AND WARRANTIES.

10.1 Representations and Warranties by the District. The District represents and warrants as follows:

(a) The District is a quasi-municipal corporation and political subdivision of the State of Colorado, organized and existing in accordance with Title 32, Article 25, section 1211, C.R.S., and has the legal capacity and the authority to enter into and perform its obligations under this Agreement and the documents to be executed and delivered pursuant hereto.

(b) The execution and delivery of this Agreement and such documents and the performance and observance of their terms, conditions and obligations have been duly and validly authorized by all necessary action on its part, and such documents and such performance and observance are valid and binding upon the District.

(c) The execution and delivery of this Agreement and the documents required and the consummation of the transactions contemplated by this Agreement will not (i) conflict with or contravene any law, order, rule or regulation applicable to the District or to the District's governing documents, (ii) result in the breach of any of the terms or provisions or constitute a default under any agreement or other instrument to which the District is a party or by which it may be bound or affected, or (iii) permit any party to terminate any such agreement or instruments or to accelerate the maturity of any indebtedness or other obligation of the District.

(d) The District knows of no litigation, proceeding, initiative, referendum, or investigation or threat of any of the same contesting the powers of the District or any of its officials with respect to this Agreement that has not been disclosed in writing to the Parties.

(e) The District Pledged Revenue is not subject to any other or prior pledge or encumbrance, and the District will not pledge or encumber it except as specified herein or as may be provided in the District Bond Documents or the documents related to the issuance of the District Bonds.

(f) This Agreement constitutes a valid and binding obligation of the District, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity.

10.2 Representations and Warranties by Developer. Developer represents and warrants as follows:

(a) Developer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and in good standing and authorized to do business in the State of Colorado and has the power and the authority to enter into and perform in a timely manner its obligations under this Agreement.

(b) The execution and delivery of this Agreement have been duly and validly authorized by all necessary action on its part to make this Agreement and are valid and binding upon Developer.

(c) The execution and delivery of this Agreement will not (i) conflict with or contravene any law, order, rule or regulation applicable to Developer or to Developer's governing documents, (ii) result in the breach of any of the terms or provisions or constitute a default under any agreement or other instrument to which Developer is a party or by which it may be bound or affected, or (iii) permit any party to terminate any such agreement or instruments or to accelerate the maturity of any indebtedness or other obligation of Developer.

(d) Developer knows of no litigation, proceeding, initiative, referendum, or investigation or threat or any of the same contesting the powers of

Developer or any of its principals or officials with respect to this Agreement that has not been disclosed in writing to the other Parties.

This Agreement constitutes a valid and binding obligation of the Developer, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity.

10.3 Representations and Warranties by the Town. The Town represents and warrants as follows:

(a) The Town is a body corporate and politic and a home rule municipality of the State of Colorado, and has the power to enter into and has taken all actions to date required to authorize this Agreement and to carry out its obligations under this Agreement.

(b) The Town knows of no litigation, proceeding, initiative, referendum, investigation or threat of any of the same contesting the powers of the Town or its officials with respect to this Agreement that has not been disclosed in writing to the Parties.

(c) The execution and delivery of this Agreement and the documents required hereunder and the consummation of the transactions contemplated by this Agreement will not: (i) conflict with or contravene any law, order, rule or regulation applicable to the Town or to its governing documents, (ii) result in the breach of any of the terms or provisions or constitute a default under any agreement or other instrument to which the Town is a party or by which it may be bound or affected, or (iii) permit any party to terminate any such agreement or instruments or to accelerate the maturity of any indebtedness or other obligation of the Town.

(d) This Agreement constitutes a valid and binding obligation of the Town, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity, except to the extent limited by the subsequent exercise of its retained governmental powers.

10.4 Representations and Warranties by the Authority. The Authority represents and warrants as follows:

(e) The Authority is a body corporate and politic of the State of Colorado, duly organized under the Act, and has the legal capacity and the authority to enter into and perform its obligations under this Agreement and the documents to be executed and delivered pursuant hereto.

(f) The execution and delivery of this Agreement and such documents and the performance and observance of their terms, conditions and obligations have been duly and validly authorized by all necessary action on its part, and such documents and such performance and observance are valid and binding upon the Authority.

(g) The execution and delivery of this Agreement and the documents required and the consummation of the transactions contemplated by this Agreement will not (i) conflict with or contravene any law, order, rule or regulation applicable to the Authority or to the Authority's governing documents, (ii) result in the breach of any of the terms or provisions or constitute a default under any agreement or other instrument to which the Authority is a party or by which it may be bound or affected, or (iii) permit any party to terminate any such agreement or instruments or to accelerate the maturity of any indebtedness or other obligation of the Authority.

(h) The Authority knows of no litigation, proceeding, initiative, referendum, or investigation or threat of any of the same contesting the powers of the Authority or any of their officials with respect to this Agreement that has not been disclosed in writing to the Parties.

(i) The Pledged Property Tax Increment Revenue is not subject to any other or prior pledge or encumbrance, and the Authority will not pledge or encumber them except as specified herein or as may be provided in the District Bond Documents or the documents related to the issuance of the District Bonds.

(j) This Agreement constitutes a valid and binding obligation of the Authority, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity.

11. COMMENCEMENT, TERM, AND TERMINATION. The term of this Agreement ("Term") shall commence upon the later to occur of ("Effective Date"): (a) the date that the Town Council ordinance approving this Agreement is final and no longer subject to referendum, or (b) the date upon which the Developer (or an entity created by Developer to acquire the Property) has acquired fee ownership of the entirety of the Property. This Agreement shall terminate upon the later to occur of: (i) the date of payment in full of the District Bonds, or (ii) the full performance of the covenants of this Agreement. Provided further, if Developer has not acquired title to the Property on or before December 31, 2017, the Town shall have the right to terminate this Agreement by written notice to the other parties and this Agreement shall thereafter be of no further force or effect, except for those provisions that expressly survive termination of this Agreement. This Agreement may also be terminated pursuant to the provisions set forth in Section 17 hereof.

12. CONFLICTS OF INTEREST. None of the following will have any personal interest, direct or indirect, in this Agreement: a member of the governing body of the Town or an employee of the Town who exercises responsibility concerning the Town Requirements, or an individual or firm retained by the Town who has performed consulting services to the Town or this Agreement. None of the above persons or entities will participate in any decision relating to this Agreement that affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

13. ANTIDISCRIMINATION. Developer, for itself and its successors and assigns, agrees that in the construction of the Eligible Improvements and in the use and occupancy of the Property and the Eligible Improvements, Developer will not discriminate against any employee or applicant

for employment because of race, color, creed, religion, sex, sexual preference, disability, marital status, ancestry, or national origin.

14. NOTICES. Any notice required or permitted by this Agreement will be in writing and will be deemed to have been sufficiently given for all purposes if delivered in person, by prepaid overnight express mail or overnight courier service, by certified mail or registered mail, postage prepaid return receipt requested, addressed to the Party to whom such notice is to be given at the address set forth on the signature page below or at such other or additional addresses as may be furnished in writing to the other Parties. Additionally, the Parties agree to provide concurrent notice via electronic mail.

15. EVENTS OF DEFAULT. The following event shall constitute an Event of Default under this Agreement: any Party fails in the performance of any covenant in this Agreement, (except for those events allowing the termination of this Agreement as set forth herein) and such failure continues for thirty (30) days after written notice specifying such default and requiring the same to be remedied is given by a non-defaulting Party to the defaulting Party. If such default is not of a type which can be cured within such thirty (30) day period and the defaulting Party gives written notice to the non-defaulting Party or Parties within such thirty (30) day period that it is actively and diligently pursuing such cure, the defaulting Party shall have a reasonable period of time given the nature of the default following the end of such thirty (30) day period to cure such default, provided that such defaulting Party is at all times within such additional time period actively and diligently pursuing such cure in good faith.

16. REMEDIES. Upon the occurrence and continuation of an Event of Default, the non-defaulting Party's remedies will be limited to the right to enforce the defaulting Party's obligations by an action for injunction, specific performance, or other appropriate equitable remedy or for mandamus, or by an action to collect and enforce payment of sums owing hereunder, and no other remedy (unless otherwise expressly authorized by this Agreement), and no Party will be entitled to or claim damages for an Event of Default by the defaulting Party, including, without limitation, lost profits, economic damages, or actual, direct, incidental, consequential, punitive or exemplary damages. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions of this Agreement, the prevailing party in such litigation or other proceeding will receive, as part of its judgment or award, its reasonable attorneys' fees and costs.

17. TERMINATION. This Agreement may be terminated by the Developer at any time prior to the earlier to occur of (a) the issuance of any District Bonds, (b) the reimbursement or payment of any Eligible Costs or Town Costs from Pledged Revenue on deposit with the Escrow Agent, or (c) commencement of construction of any of the Eligible Improvements.

To terminate this Agreement, the Developer shall provide written notice of such termination to the other Parties. Such termination will be effective thirty (30) days after the date of such notice unless prior to such time, the Parties are able to negotiate in good faith to reach an agreement to avoid such termination. Upon such termination, this Agreement will be null and void and of no effect, and no action, claim or demand may be based on any term or provision of this Agreement, except as otherwise expressly set forth herein. In addition the Parties agree to execute a mutual release or other instruments reasonably required to effectuate and give notice of such termination.

Provided that no District Bonds have been issued, this Agreement may be terminated by Town if the District or Developer has not, on or before June 30, 2020: (a) executed a contract for the Remediation; (b) issued a notice to proceed for the Remediation; and (c) obtained the required state permits to commence the Remediation. Such termination shall be initiated by Town with written notice to all Parties and shall take effect thirty (30) days thereafter provided that if the District or Developer satisfies requirements (a)-(c) above within such thirty (30) day period, the Town's notice of termination shall be null and void and of no force or effect.

Upon any termination pursuant to this Section 17, this Agreement will be null and void and of no effect, and no action, claim or demand may be based on any term or provision of this Agreement, except as otherwise expressly set forth herein. In addition the Parties agree to execute a mutual release or other instruments reasonably required to effectuate and give notice of such termination.

If this Agreement is terminated pursuant to the provisions of this Section 17, any Credit PIF Revenue on deposit with the Escrow Agent shall be remitted to the Town.

18. NONLIABILITY OF OFFICIALS, AGENTS, MEMBERS, AND EMPLOYEES.

Except for willful or wanton actions, no trustee, board member, commissioner, official, employee, consultant, manager, member, shareholder, attorney or agent of any Party, nor any lender to any Party or to the Project, will be personally liable under this Agreement or in the event of any default or for any amount that may become due to any Party.

19. ASSIGNMENT. This Agreement shall not be assigned in whole or in part by any Party without the prior written consent of the other Parties; provided, however, Developer may assign, pledge, collaterally assign, or otherwise encumber all or any part of this Agreement, including its right to receive any payment or reimbursement, without any Party's consent but after written notice to the Town containing the name and address of the assignee: (a) to any lender or other party that provides acquisition, construction, working capital, tenant improvement or other financing to Developer in connection with development of the Property, acquisition of the Property, and/or construction of the Eligible Improvements; (b) to one or more special purpose entities formed by Developers or with its investors or partners created to develop, own, and/or operate all or a portion of the Property or of the Eligible Improvements to be constructed thereon; (c) to a joint venture entity with another developer or investor; or (d) to a national or regional developer with at least 10 years' experience developing projects similar to the Project and with a net worth equal to or better than Developer's.

20. COOPERATION REGARDING DEFENSE. In the event of any litigation or other legal challenge involving this Agreement, the District Bonds, or any other material part or provision of this Agreement or the ability of any Party to enter into this Agreement, the Parties will cooperate and jointly defend against such action or challenge, to the extent permitted by law.

21. SECTION CAPTIONS. The captions of the sections are set forth only for the convenience and reference of the Parties and are not intended in any way to define, limit, or describe the scope or intent of this Agreement.

22. ADDITIONAL DOCUMENTS OR ACTION. The Parties agree to execute any additional documents or take any additional action, including but not limited to estoppel

documents requested or required by lenders, that is necessary to carry out this Agreement or is reasonably requested by any Party to confirm or clarify the intent of the provisions of this Agreement and to effectuate the agreements and the intent. Notwithstanding the foregoing, however, no Party shall be obligated to execute any additional document or take any additional action unless such document or action is reasonably acceptable to such Party. If all or any portion of this Agreement, or other agreements approved in connection with this Agreement are asserted or determined to be invalid, illegal or are otherwise precluded, the Parties, within the scope of their powers and duties, will cooperate in the joint defense of such documents and, if such defense is unsuccessful, the Parties will use reasonable, diligent good faith efforts to amend, reform or replace such precluded items to assure, to the extent legally permissible, that each Party substantially receives the benefits that it would have received under this Agreement.

23. **AMENDMENT.** This Agreement may be amended only by an instrument in writing signed by the Parties.

24. **WAIVER OF BREACH.** A waiver by any Party to this Agreement of the breach of any term or provision of this Agreement must be in writing and will not operate or be construed as a waiver of any subsequent breach by any Party.

25. **GOVERNING LAW.** The laws of the State of Colorado govern this Agreement. The District Court of Douglas County will be the exclusive venue for any litigation.

26. **BINDING EFFECT, ENTIRE AGREEMENT.** This Agreement will inure to the benefit of and be binding upon the Parties and their respective legal representatives, successors, heirs, and assigns, provided that nothing in this paragraph permits the assignment of this Agreement except as set forth in Section 19. This Agreement represents the entire Agreement among the Parties and supersedes any prior written or oral agreements or understandings with regard to the Property or Project not specifically set forth in this Agreement.

27. **EXECUTION IN COUNTERPARTS.** This Agreement may be executed in several counterparts, each of which will be deemed an original and all of which will constitute but one and the same instrument.

28. **LIMITED THIRD-PARTY BENEFICIARIES.** This Agreement is intended to describe the rights and responsibilities only as to the Parties to this Agreement. This Agreement is not intended and shall not be deemed to confer any rights on any person or entity not named as a Party to this Agreement, provided that the Bond Trustee and the Escrow Agent shall be deemed to be third party beneficiaries hereunder. Notwithstanding anything in this Agreement to the contrary, and except as otherwise provided in the District Bond Documents, (a) no third party beneficiary's consent or approval shall be required for any amendment, modification or termination of this Agreement entered into by the Parties or for any waivers or consents granted hereunder by any Party, and (b) the rights of said third party beneficiaries may be amended, modified or terminated by the mutual agreement of the Parties, and waivers and consents granted, without the consent or approval of said third party beneficiaries.

29. **NO PRESUMPTION.** The Parties and their attorneys have had a full opportunity to review and participate in the drafting of the final form of this Agreement. Accordingly, this

Agreement will be construed without regard to any presumption or other rule of construction against the Party causing this Agreement to be drafted.

30. **SEVERABILITY**. If any provision of this Agreement as applied to any Party or to any circumstance is adjudged by a court to be void or unenforceable, the same will in no way affect any other provision of this Agreement, the application of any such provision in any other circumstances or the validity, or enforceability of this Agreement as a whole.

31. **MINOR CHANGES**. This Agreement has been approved in substantially the form submitted to the governing bodies of the Parties. The officers executing this Agreement are authorized to make and may have made, minor changes to this Agreement and attached exhibits as they have considered necessary. So long as such changes were consistent with the intent and understanding of the Parties at the time of approval by the governing bodies, the execution of this Agreement will constitute the approval of such changes by the respective Parties.

32. **DAYS**. If the day for any performance or event provided for herein is a Saturday, a Sunday, a day on which national banks are not open for the regular transactions of business, or a legal holiday pursuant to Section 24-11-101(1), C.R.S., such day will be extended until the next day on which such banks and state offices are open for the transaction of business.

33. **RECORDING**. This Agreement will not be recorded in the real property records of Douglas County, Colorado.

34. **GOOD FAITH OF PARTIES**. In the performance of this Agreement or in considering any requested approval, consent, acceptance, or extension of time, the Parties agree that each will act in good faith and will not act unreasonably, arbitrarily, capriciously, or unreasonably withhold, condition, or delay any approval, acceptance, or extension of time required or requested pursuant to this Agreement.

35. **PARTIES NOT PARTNERS**. Notwithstanding any language in this Agreement or any other agreement, representation, or warranty to the contrary, the Parties will not be deemed to be partners or joint venturers, and no Party is responsible for any debt or liability of any other Party.

36. **NO WAIVER OF IMMUNITY**. Nothing contained in this Agreement constitutes a waiver of sovereign immunity or governmental immunity by any Party under applicable state law.

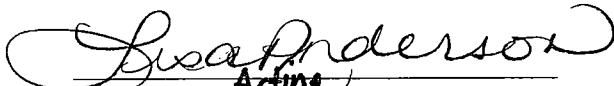
37. **SUBORDINATION**. Developer shall cause any mortgagee or deed of trust beneficiary to subordinate its interest in the Property to this Agreement.

IN WITNESS WHEREOF, this Agreement is executed by the Parties as of _____,
2017.

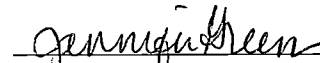
TOWN:

ATTEST:

TOWN OF CASTLE ROCK

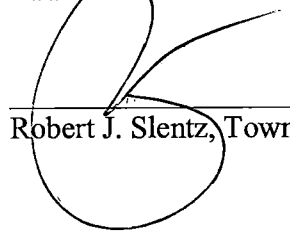


~~Sally A. Misak, Town Clerk~~
Lisa Anderson,
(SEAL)



Jennifer Green, Mayor

Approved as to form:




Robert J. Slentz, Town Attorney

Notice Address:
Town of Castle Rock
100 N. Wilcox Street
Castle Rock, Colorado 80104
Attention: Robert Slentz, Town Attorney
Email: BSlentz@CRgov.com
Fax: 303-660-1028

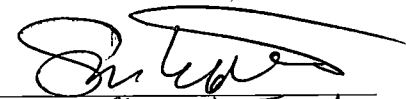
AUTHORITY:

CASTLE ROCK URBAN RENEWAL AUTHORITY

By: 
Name: Bill Detweiler
Title: Executive Director

DEVELOPER:

CITADEL DEVELOPMENT, LLC,
a Delaware limited liability company

By: 
Name: Shawn Temple
Title: Managing Director

DISTRICT:

MILLER'S LANDING BUSINESS IMPROVEMENT DISTRICT

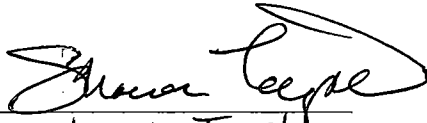
By: 
Name: Shawn Temple
Title: President

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

LEGAL DESCRIPTION:

PARCEL ONE:

A PARCEL OF LAND SITUATED IN THE COUNTY OF DOUGLAS, STATE OF COLORADO AND IS DESCRIBED AS FOLLOWS:

LOT 2, BLOCK 7, CITADEL STATION FILING NO. 6, COUNTY OF DOUGLAS STATE OF COLORADO, LESS AND EXCEPT THE FOLLOWING WHICH WAS RELEASED BY PARTIAL RELEASE RECORDED NOVEMBER 12, 2008 AT RECEPTION # 2008075749,

A PARCEL OF LAND BEING A PORTION OF THE NORTHEAST 1/4 OF SECTION 10, TOWNSHIP 8 SOUTH, RANGE 67 WEST OF THE 6TH P.M., IN DOUGLAS COUNTY, COLORADO, ALSO BEING A PORTION OF LOT 2, BLOCK 7, CITADEL STATION FILING NO. 6, SAID PARCEL BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE CENTER 1/4 CORNER OF SAID SECTION 10, A 3 1/2 ALUMINUM CAP (LS 12046) ALSO BEING THE TRUE POINT OF BEGINNING;

1. THENCE SOUTH 89°27'29" EAST ALONG THE SOUTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 1 DISTANCE OF 1,303.43 FEET;
2. THENCE ON THE ARC OF A NON-TANGENT CURVE TO THE LEFT HAVING A DISTANCE OF 263.73 FEET, SAID CURVE HAS A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 17°28'53", AND A LONG CHORD THAT BEARS NORTH 80°43'05" WEST A DISTANCE OF 262.74 FEET;
3. THENCE NORTH 89°27'31" WEST A DISTANCE OF 548.00 FEET;
4. THENCE ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 655.56 FEET, SAID CURVE HAS A RADIUS OF 500.50 FEET, A CENTRAL ANGLE OF 75°02'48", AND A LONG CHORD THAT BEARS NORTH 51°56'07" WEST A DISTANCE OF 609.69 FEET TO A POINT ON THE SOUTHERLY LINE OF OUTLOT B OF SAID CITADEL STATION FILING NO. 6;
5. THENCE ALONG SAID LINE SOUTH 70°14'23" WEST A DISTANCE OF 21.53 FEET TO A POINT ON THE WEST LINE OF THE NORTHEAST 1/4 OF SAID SECTION;
6. THEN ALONG SAID LINE SOUTH 00°35'37" EAST A DISTANCE OF 403.88 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL TWO:

A PARCEL OF LAND IN THE SOUTHEAST ¼ OF SECTION 10, TOWNSHIP 8 SOUTH, RANGE 67 WEST OF THE 6TH P.M., IN DOUGLAS COUNTY, COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE EAST ¼ CORNER OF SAID SECTION 10, A 2 ½" ALUMINUM CAP (LS 6935), THENCE WESTERLY ALONG THE NORTH LINE OF THE SOUTHEAST ¼ OF SAID SECTION 10, NORTH 89°27'29" WEST, A DISTANCE OF 587.50 FEET TO THE TRUE POINT OF BEGINNING;

1. THENCE ALONG SAID NORTH 89° 27'29" WEST, A DISTANCE OF 725.68 FEET;
2. THENCE ON THE ARC OF A NON-TANGENT CURVE TO THE RIGHT HAVING A DISTANCE OF 214.59 FEET, SAID CURVE HAS A RADIUS OF 864.50 FEET, A CENTRAL ANGLE OF 14°13'19", AND A DISTANCE OF 214.04 FEET;
3. THENCE NORTH 32°14'41" EAST, A DISTANCE OF 6.00 FEET;
4. THENCE SOUTH 57°45'19" EAST, A DISTANCE OF 380.82 FEET;
5. THENCE NORTH 83°29'12" EAST, A DISTANCE OF 33.31 FEET;
6. THENCE NORTH 32°14'41" EAST, A DISTANCE OF 274.89 FEET;
7. THENCE ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 53.16 FEET TO THE TRUE POINT OF BEGINNING, SAID CURVE HAS A RADIUS OF 790.00 FEET, A CENTRAL ANGLE OF 3°51'20", AND A LONG CHORD THAT BEARS NORTH 30°10'01" EAST, A DISTANCE OF 53.15 FEET;

COUNTY OF DOUGLAS,

STATE OF COLORADO.

EXHIBIT B

ELIGIBLE IMPROVEMENTS

Exhibit B – Eligible Improvements and Eligible Costs

The following are estimated Eligible Costs for the Eligible Improvements only. Payments and reimbursement will be based upon actual Eligible Costs incurred for the Eligible Improvements, in accordance with the Public Finance Agreement.

Estimated Cost

Public Infrastructure. All costs associated with the investigation, remediation and certification of the former landfill. Construction costs for the public improvements including (but are not limited to) Prairie Hawk Extension, Plum Creek Parkway, and public utilities. This includes associated engineering/design costs and applicable approval/permitting fees.	\$56,220,537
Grading	\$3,747,610.5
Parking	\$19,842,970.4
Retaining Walls	\$1,660,807.1
Sewer	\$1,037,192.3
Water	\$2,407,919.7
Roadways (External - PH, PCP, I-25)	\$9,420,799.6
Roadways (Internal)	\$2,852,413.9
Stormwater	\$2,167,619.2
Industrial Tributary Improvements	\$2,510,350.8
Landfill Cleanup	\$10,572,853.9
Public Amenities. Costs to provide public amenities within the Project. Improvements include (but are not limited to) trails/walkways, signage, playgrounds, fountains/fireplaces, artwork, seating, shade structures, technology, and other amenities meant to enhance the enjoyment of the Property. This includes associated engineering/design costs, applicable approval/permitting fees, etc	\$583,846
Land Acquisition. Costs incurred in connection with the acquisition of land and easements required for the Eligible Improvements	\$5,896,707
Fees. Any other applicable permitting, impact or connection fees necessary to develop the Project.	\$4,029,189

Cost savings in the line items listed for Eligible Improvements on this Exhibit B may be allocated to cost overruns in any other line item.

EXHIBIT C

PROCEDURE FOR DOCUMENTING, CERTIFYING AND PAYING ELIGIBLE COSTS

1. Applicability. All capitalized terms that are not specifically defined in this Exhibit C will have the same meaning as defined in this Agreement. The Parties recognize and acknowledge that in connection with issuance and sale of District Bonds, the District Bond Documents related to such District Bonds shall establish a procedure for the requisition of District Bond proceeds, in which event that procedure shall be substituted for the procedure in this Exhibit C to the extent that they conflict with the procedures in this Exhibit C; provided, however, the Parties agree to cooperate so that the District Bond Documents or bond documents related to District Bonds will include a procedure for certifying the Eligible Costs payable under in-process construction and other contracts to permit District Bond proceeds to be applied to direct payments under such contracts.

2. Engineer. The District will select an independent licensed engineer experienced in the design and construction of public improvements in the Denver metropolitan area (the "**Engineer**"). The Engineer shall be responsible for reviewing, approving, and providing the certificate required by paragraph 3.

3. Documentation. The District or Developer will be responsible for documenting all Eligible Costs. Eligible Costs may be certified when a pay application has been submitted by a contractor that complies with the procedure set forth in this Exhibit C or upon Completion of Construction of an Eligible Improvement. All such submissions shall include a certification signed by both the Engineer and an authorized representative of the District or Developer, as applicable. The certificate shall state that the information contained therein is true and accurate to the best of each individual's information and belief and, to the best knowledge of such individual, qualifies as Eligible Costs. Such submissions will include copies of backup documentation supporting the listed cost items, including bills, statements, pay request forms from first-tier contractors and suppliers, conditional lien waivers, and copies of each check issued by the District or Developer for each item listed on the statement. Unless required by the District or Developer construction contract then being performed, statements for payment of Eligible Costs shall not include advance payments of any kind for unperformed work or materials not delivered and stored on the Property.

4. Verification, Submission and Payment from Pledged Revenue on Deposit with the Escrow Agent. To the extent that no District Bonds have been issued, Eligible Costs may be paid from Pledged Revenue on deposit with the Escrow Agent in accordance with Section 4.8. In such event, each such payment request shall be submitted to the District Representative and the Escrow Agent for review within ten (10) business days. In the case of Pre-Financing Costs, such payment request shall include supporting documentation verifying that the Developer or District, as the case may be, has incurred such Pre-Financing Costs. Such review is for the purpose of verifying that the work or Pre-Financing Costs represented in each payment request and supporting documentation complies with the requirements of this Agreement. Upon the earlier of approval of such documentation or expiration of the ten (10) business day period, the Escrow Agent will allocate the Eligible Costs applicable to the Eligible Improvements according to the category for each listed in Exhibit C and compile an aggregate running total of Eligible Costs paid from Pledged Revenue to the District or to the Developer as provided in this Agreement. So long as the payment

request is properly certified according to this procedure, payment will be made within twenty (20) days of submission of the payment request.

To the extent that no District Bonds have been issued, Town Costs may be paid from Pledged Revenue on deposit with the Escrow Agent in accordance with Section 4.8. In the case of Town Costs, the Town Representative may submit a request for the payment of Town Costs to the District Representative and the Escrow Agent for review within ten (10) business days. Such payment request shall include supporting documentation verifying that the Town has submitted the required supporting documentation. Upon the earlier of approval of such documentation or expiration of the ten (10) business day period, the Escrow Agent will pay or reimburse the Town for Town Costs from Pledged Revenue on deposit with the Escrow Agent.

Notwithstanding the foregoing provisions, the Parties acknowledge and agree that Pledged Revenue on deposit with the Escrow Agent may be insufficient to make the payments or reimbursements permitted by Section 4.8 and this Exhibit C. In the event that there are insufficient Pledged Revenue to make such payments or reimbursements that have been requested by the Developer, the District, or the Town, this shall not constitute an event of default under this Agreement any such payments or reimbursements shall be made only from available Pledged Revenue and any unpaid request, or portion thereof, shall be made when Pledged Revenue is thereafter received by the Escrow Agent. In the event that the Escrow Agent receives multiple requests for payment or reimbursement of Eligible Costs, Town Costs, or Pre-Financing Costs and the Pledged Revenue is insufficient to make all such requested payments, the Pledged Revenue shall be applied to the payment of such requisitions pro rata based on the applicable amounts requested.

EXHIBIT D

LIST OF PROHIBITED USES

1. Any public or private nuisance;
2. Any obnoxious odor, except odors customarily emanating from a restaurant;
3. Any use which permits the use of hazardous materials beyond legal limits on, about, under, or in its tract, except in the ordinary course of its usual business operations conducted thereon and in compliance with all environmental laws;
4. Any mobile home or trailer court, labor camp, junk yard, stock yard, or animal raising (provided that the foregoing shall not prohibit any pet stores or animal grooming shops or the rental or sale of mobile homes or trailers incidental to another use such as a Cabela's or Bass Pro Shops);
5. Any dumping of garbage or refuse except in containers designated for garbage or refuse;
6. Any massage parlor (provided that the foregoing shall not prohibit a so-called day spa, health spa, chiropractor, beauty or hair salon, physical therapy center, health club, or other business that offers massage therapy as part of its services, or a massage provider common in first-class shopping centers such as a Massage Envy);
7. Any establishment selling or exhibiting marijuana or paraphernalia for use with marijuana; and
8. Any establishment selling, renting, or exhibiting so-called adult entertainment, adult videos or pornographic materials, except such incidental materials associated with the operation of a traditional book or video store or convenience store.

EXHIBIT E

CONCEPTUAL DEPICTION OF PROJECT PARKING

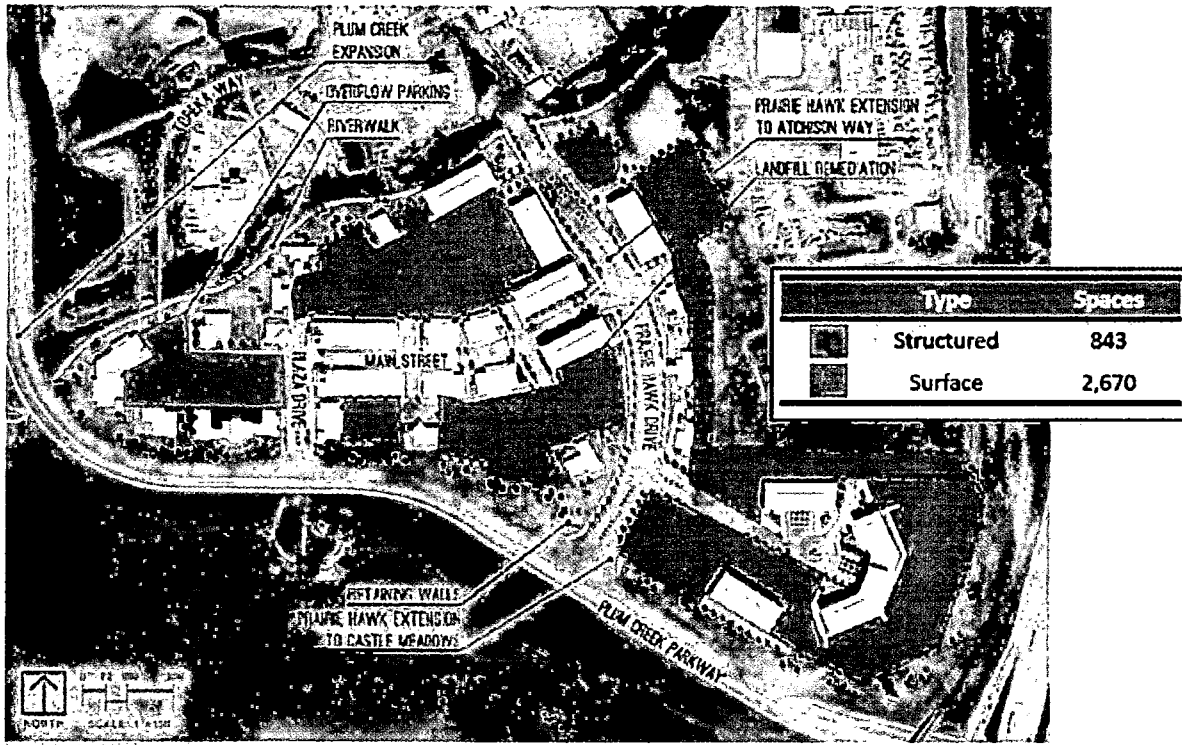


EXHIBIT F

FORM OF SALES TAX CREDIT ORDINANCE

ORDINANCE NO. 2017-003

**AN ORDINANCE AMENDING CHAPTER 3.04 OF THE CASTLE ROCK
MUNICIPAL CODE CONCERNING THE TOWN'S SALES TAX,
BY PROVIDING FOR A SALES TAX CREDIT AGAINST CERTAIN
PUBLIC IMPROVEMENT FEES PAID AT MILLER'S LANDING**

WHEREAS, the Town of Castle Rock, Colorado (the "Town") has entered into a Public Finance Agreement (the "Public Finance Agreement") with Citadel Development, LLC, Millers Landing Business Improvement District and the Castle Rock Urban Renewal Authority, concerning the finance and construction of certain public improvements in association with the development of a mixed-use project known as Miller's Landing (the "Property"); and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Public Finance Agreement; and

WHEREAS, pursuant to Section 6.2 of the Public Finance Agreement, the Town Council of the Town has agreed to consider adoption of an ordinance granting a Sales Tax Credit in the amount of 2.4% against the collection of Taxable Transactions to the extent that a public improvement fee in the amount of 2.4% (the "Credit PIF") has been collected on Taxable Transactions occurring within the Property, subject to the terms and limitations set forth in the Public Finance Agreement; and

WHEREAS, providing for such Sales Tax Credit against the Credit PIF collected and paid on Taxable Transactions occurring within the Property will substantially aid in the finance and development of necessary public improvements that will benefit the residents of the Town and patrons of the Property, and will protect and promote the public health, safety and general welfare of the residents of the Town.

**NOW, THEREFORE, IT IS ORDAINED BY THE TOWN COUNCIL OF THE
TOWN OF CASTLE ROCK, COLORADO:**

Section 1. Amendment. Chapter 3.04 of the Castle Rock Municipal Code, concerning the Town's sales tax, is hereby amended by the addition of a new Section 3.04.152 to read as follows:

**3.04.152 Tax Credit Against Payment of Public Improvement Fees in Miller's
Landing.**

A. Notwithstanding any other provisions of this Chapter to the contrary, and in order to implement the provisions of the Public Finance Agreement entered into by the Town of Castle Rock, Citadel Development, LLC, the Miller's Landing Business Improvement District and the Castle Rock Urban Renewal Authority (the "Public Finance Agreement"), there is hereby granted to each person

or entity obligated to pay, collect or remit the sales tax on the sale or provision of goods or services which are subject to the Town's sales taxes described in this Chapter occurring within the property known as Miller's Landing, and more particularly described in Exhibit "A" of the Public Finance Agreement (the "Property"), a tax credit against the collection of the sales taxes as hereinafter set forth. All capitalized terms used in this section and not otherwise defined herein shall have the meanings given to them in the Public Finance Agreement, as amended from time to time. Such tax credit shall be granted in the form of a reduction in the applicable sales tax rate in an amount equal to 2.4%, and shall attach to a particular transaction only to the extent that the Credit PIF Revenue is collected and received by the PIF Collection Agent for such transaction. Notwithstanding the foregoing, in the event that the Credit PIF is imposed at a rate less than 2.4%, the tax credit shall be accordingly reduced to the amount of the Credit PIF so imposed. The tax credit shall be automatic and shall take effect immediately upon the occurrence of a Taxable Transaction, but shall be subject to the applicable retailer's remittance to and receipt by the PIF Collection Agent of the Credit PIF Revenue in accordance with the Credit PIF Covenant and the Public Finance Agreement (as reflected on the retailer's periodic sales tax report).

B. Notwithstanding the foregoing, in the event that a Relocated Retailer or Restricted Grocery Store, as defined in the Public Finance Agreement, opens a store on the Property, no Sales Tax Credit shall be granted against any Taxable Transactions occurring at any such Relocated Retailer or Restricted Grocery Store, unless such Sales Tax Credit on a Relocated Retailer or Restricted Grocery Store is authorized by the Town Council and the Credit PIF is imposed all in accordance with the Public Finance Agreement and this Ordinance.

C. The sales tax credit granted pursuant this Section shall remain in effect for the period set forth in the Public Finance Agreement and shall thereafter automatically terminate.

Section 2. Invalidity. In the event the sales tax credit established herein or the Credit PIF is determined by a final court decision to be unconstitutional, void or ineffective for any cause, retailers shall immediately be required to collect and remit the full Town sales tax as provided in Chapter 3.04 of the Castle Rock Municipal Code.

Section 3. Change in Tax Rate. Nothing contained in this Ordinance shall prohibit the Town, after complying with all requirements of law, from increasing or decreasing the Town's sales tax rate.

Section 4. Effect of Credit, Applicability of TABOR. The Town Council hereby determines that the creation or termination of this tax credit does not constitute a tax increase, the imposition of a new tax, or a tax policy change directly causing a net tax revenue gain to the Town, and that nothing herein creates a multiple fiscal year financial obligation or other indebtedness of the Town, nor does the tax credit established by this Ordinance and the termination of such credit

meet any of the other criteria requiring approval by the electors pursuant to Article X, Section 20 of the Colorado Constitution, also known as the Taxpayer's Bill of Rights (TABOR).

Section 5. Repealer. Any bylaws, orders, resolutions, ordinances, or parts thereof, inconsistent with this Ordinance are hereby repealed to the extent only of such inconsistency. This repealer shall not be constructed to revise any bylaw, order, resolution or ordinance or part thereof, heretofore repealed.

Section 6. Effective Date. The amendment to Chapter 3.04 of the Castle Rock Municipal Code shall become effective on the later of: (i) thirty (30) days following publication of this Ordinance, and (ii) the Effective Date of the Agreement.

Section 7. Severability. If any part or provision of this Ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance which can be given effect without the invalid provisions or application, and to this end the provisions of this Ordinance are declared to be severable.

Section 8. Safety Clause. The Town Council finds and declares that this Ordinance is promulgated and adopted for the public health, safety and welfare and this Ordinance bears a rational relation to the legislative object sought to be obtained.

APPROVED ON FIRST READING this 21st day of February, 2017 by a vote of 4 for and 1 against, after publication in compliance with Section 2.02.100.C of the Castle Rock Municipal Code; and

PASSED, APPROVED AND ADOPTED ON SECOND AND FINAL READING this _____ of _____, 2017 by the Town Council of the Town of Castle Rock, Colorado, by a vote of _____ for and _____ against.

ATTEST:

TOWN OF CASTLE ROCK

Sally Misare, Town Clerk

Jennifer Green, Mayor

Approved as to form:

Robert J. Slentz, Town Attorney

EXHIBIT G

LIST OF EXISTING RETAILERS

Retailer Name	Sq. Footage
Walmart Supercenter #984	205,707
Sam's Club #4853	136,454
Target Store #1326	125,374
Lowe's Home Centers LLC	117,132
Home Depot	116,417
King Soopers (Promenade)	114,742
Kohls #728	88,043
King Soopers 71	69,281
Safeway Store #1877	68,113
King Soopers 132	59,509
AMC Theatres Castle Rock 12	45,255
Medved Chevrolet South	40,880
Medved Ford Lincoln Mercury Inc	40,880
24 Hour Fitness (Promenade)	40,000
Sprouts Farmers Markets	28,793
Bubbles Liquor World	27,395
TJ Maxx/Home Goods	22,000
Tractor Supply Company	21,702
Michaels Stores Inc.	21,235
Petsmart #1183	19,464
Kids R Kids	17,494
Office Depot #2192	16,172
Nike Factory Store	15,069
Polo Ralph Lauren Factory Store	14,527
Walgreens #06514	14,399
Walgreens #06987	14,300
212 Pizza Co.	14,387
Gap Outlet #7760	13,094
Petco #2449	12,500
Restoration Hardware	12,500
Tuesday Morning	11,141
Natural Grocers by Vitamin Cottage	10,556
Discount Tire Co. Inc.	10,556
Big 5 Sporting Goods #401	10,251



Town of Castle Rock

100 North Wilcox Street
Castle Rock, CO 80104

Agenda Memorandum

Agenda Date: 4/18/2017

Item #: 12. File #: ORD 2017-002

To: Honorable Mayor and Members of Town Council

From: David L. Corliss, Town Manager
Robert J. Slentz, Town Attorney
Bill Detweiler, Director of Development Services
Trish Muller, Finance Director

Ordinance Approving a Public Finance Agreement between the Town of Castle Rock, Citadel Development, LLC, the Miller's Landing Business Improvement District and the Castle Rock Urban Renewal Authority [Northwest corner of Plum Creek and I-25] (Second Reading) (Continued from the March 7, 2017 Town Council Meeting)

The Ordinance was approved on First Reading on February 21, 2017 by a vote of 4-1.

Second Reading Revisions to Public Finance Agreement

Text changes to the Public Finance Agreement made between first and second reading are highlighted. Please note the following more significant changes:

- **Page 5 - Eligible Improvements definition - surface parking lots serving retail development may not be funded with Bond proceeds.**
- **Page 7 - Based on recommendation of District bond counsel, flexibility as to the application of Add-On PIF Revenue is added in order to assure Bonds are issued tax-exempt, however the Town retains the right to assure the appropriate Add-On PIF Revenue is pledged through Town review and approval of Bond documents.**
- **Page 9 - Restricted Grocery Store threshold reduced from 27,000 sf to 10,000 sf.**
- **Page 12 - Added acknowledgement of the priority of the Prairie Hawk Extension project.**
- **Page 18 - Property Tax Increment pledge terminates when Bonds are retired.**
- **Page 20 - Added requirement that prior to Bond issuance, there be demonstration of the hotel operator's financial ability to undertake development of the hotel.**
- **Exhibit B -Eligible Improvements are broken out by category**
- **Exhibit G - Updated to include retailers over 10,000 sf.**

Executive Summary

This Public Finance Agreement ("PFA") serves two principal functions. It provides the financial tools for the Miller's Landing Business Improvement District ("BID") to issue bonds ("Bonds") to finance the remediation of the existing landfill and the construction of the bulk of the public improvements for the

proposed Miller's Landing project ("Project"). Repayment of the Bonds will be supported by (i) a 2.4% public improvement fee ("Credit PIF") on taxable retail transactions within the Project, (ii) a 50-mill levy on real property within the Project imposed by the BID, (iii) capture of the incremental property tax generated by the Project as authorized in the Citadel Station - Castle Meadows Urban Renewal Plan, and (iv) imposition of a surcharge on taxable transactions ("Add-On PIF"). Secondly, the PFA prescribes development limitations in order to assure the remediation and to incentivize development of a full service hotel and conference facilities and office space within the 900,000 square foot (sf) Project. No existing Town revenues or funds are committed to the Project.

Project

The Project is proposed for 900,000 sf of mixed use commercial/light industrial but no residential on 65 acres in the northwest quadrant of Plum Creek Parkway and I-25 ("Property"). The Project is within the Interchange Overlay Zoning District which encourages the innovative siting of complimentary land uses and enhanced development standards. No specific development plan or end users for the Project are known at this time, and the PFA does not guarantee that any particular end user will in fact locate at the Project. Rather the PFA limits the amount of retail development to 100,000 sf until a 250-room full service hotel with 10,000 sf of meeting space is opened and further limits retail development to a total of 250,000 sf until at least 150,000 sf of office space is constructed. These provisions will encourage the Project developer to make best efforts to secure the hotel and office for the Project. Either limitation is subject to review and relaxation by a future Town Council taking into account the then current development and market conditions.

Remediation of the abandoned landfill on the property must be completed with the initial phase of development of the Project. This was one of the principal goals of incorporating the Property into a designated urban renewal area. The projected cost of the remediation is \$11 million. The cost of the remediation and construction of the public improvements to service the entirety of the Project (referred to as "Eligible Improvements" in the PFA) are estimated at \$65 million. This cost will be financed principally with the proceeds of Bonds discussed in the following section.

To discourage existing large retailers to relocate an existing store to the Project, the Credit PIF may not be collected on such relocations. In addition, any grocery store locating on the Project will similarly not generate Credit PIF. The existing Safeway center is a significant contributor to the sales tax increment captured by the Downtown Development Authority.

BID Bonds

Last year the Town Council approved formation of the BID for the 65 acres encompassing the Project. The BID will issue tax exempt Bonds yielding approximately the projected cost of the Eligible Improvements. The PFA commits four funding sources for repayment of the Bonds:

- Property tax of 50 mills imposed on the Project through the BID.
- Property tax increment generated from the Project as a qualified URA project for the statutory maximum of 23 years. The total mill levy for all taxing jurisdictions (including the Town) is currently 66 mills. The Project is estimated to generate \$65 million in property tax increment.
- Credit PIF at 2.4% on taxable transactions limited to a total of \$56 million but in any event,

Item #: 12. File #: ORD 2017-002

ending after 25 years or when the Bonds are paid.

- Add-On PIF which may be imposed by the developer as a surcharge on taxable transactions in an amount not to exceed 1.25%.

The PFA authorizes the Town to review and approve Bond documents prior to issuance. The first Bond issuance is projected by year-end.

The Council must also consider and approve a financial Operations Plan for 2017 for the BID which will be presented with second reading.

URA

The Castle Rock Urban Renewal Authority ("Authority") will consider the PFA to coincide with second reading of this Ordinance. Approval of the PFA by the Authority will be by Board Resolution finding that the Project is an eligible urban renewal project under the approved Citadel/Castle Meadows URA Plan and URA statute, inasmuch as the Project directly mitigates the blight conditions identified in the Plan. With PFA approval by the Board the property tax increment will be secured for application by the Authority in accordance with the PFA.

Conditions

The Developer which is the signatory to the PFA has not yet closed on the Property. The Developer must complete that acquisition by year-end. The PFA does not take effect until that closing occurs. In addition the remediation of the landfill must be commenced by June 30, 2020 or the PFA terminates.

Economic & Planning Systems Report

The Town has retained Economic & Planning Systems to provide a review and analysis of the project. Their report is included in the attachments and they will be present to present at the Council meeting.

Staff Recommendation

Staff recommends approval of the Ordinance as presented on second reading.

Proposed Motion

"I move to approve Ordinance 2017-002 as introduced by title on second and final reading"

Attachments

Attachment A: Ordinance

Exhibit 1: Public Finance Agreement

Attachment B: Economic & Planning Systems Executive Summary and Report

Attachment C: Fact Sheet

Final Report

The Economics of Land Use



Miller's Landing Public Finance Review

Prepared for:

Town of Castle Rock, Colorado

Prepared by:

Economic & Planning Systems, Inc.

*Economic & Planning Systems, Inc.
730 17th Street, Suite 630
Denver, CO 80202-3511
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*Denver
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Oakland
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www.epsys.com

March 17, 2017

EPS #173010

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1. EXECUTIVE SUMMARY

Introduction

This report summarizes Economic & Planning System's (EPS) review and analysis of the proposed Public Finance Agreement (PFA) for the Miller's Landing Project, a proposed mixed-use development located adjacent to the Plum Creek I-25 Interchange in Castle Rock, Colorado.

The Town of Castle Rock, through its urban renewal authority (URA), has been approached by a private developer to implement a public-private development partnership (P3) on a 66-acre parcel of land near the Plum Creek I-25 interchange. Citadel Development LLC (Developer) has a contract to purchase the property which includes a former municipal landfill site in need of remediation. The proposed Project is an ambitious mixed use development named Miller's Landing, including a full-service hotel with conference space, as well as additional destination retail uses and professional office development sites.

The Developer is proposing to undertake the required redevelopment mitigation work as well as to construct the major trunk infrastructure needed to develop the property under a proposed P3 agreement at no risk to the City. A Business Improvement District (BID) was formed to undertake the infrastructure and remediation work partially funded by tax increment revenues from the URA and a credit public improvement fee from the Town.

The Town of Castle Rock (Town) retained EPS, a full service economic consulting firm with offices in Denver, CO, to provide an independent third-party review of the proposed finance agreement. This report is presented in three chapters following this Executive Summary as follows:

- **Development Program and Market Assumptions** – Verification of the supportable land and market values, associated property and sales tax values, and absorption estimates upon which the Project financing plan is based.
- **Financial Analysis** – A "But For" financial analysis of the Developer's financing plan to determine 1) "but for" the public investment the Project is financially infeasible, and 2) with public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated level of developer risk.
- **Project Benefits and Risks**– An assessment of the economic development benefits of the Project to the Town and evaluation of any associated financial risks.

EPS has extensive experience working for cities, towns, and URAs evaluating market and financial components of public-private development proposals involving TIF, metropolitan and other special districts, and other economic development incentives. Our analysis of market conditions relies on our recent project experience in Castle Rock as well as elsewhere in the Colorado Front Range along the I-25 Corridor. We also have a current understanding of property and sales tax values in Castle Rock having completed an independent analysis of revenue projections for the Promenade at Castle Rock Metropolitan District revenue bonds issued by DA Davidson.

Public Financing Request

The Developer of Miller's Landing has requested a significant public finance package from the Town of Castle Rock and the Castle Rock URA including the following components:

- **Tax Increment Financing** – 100 percent property tax increment from all taxing entities in the Town of Castle Rock, as enabled by the URA, including Douglas County, Douglas County School District, and the Town of Castle Rock. The Town's URA approved an urban renewal plan on the site on September 2014, making the Project eligible for TIF for which the 25-year clock was triggered in 2014. As a result, each subsequent year without development the Town loses potential development incentives. This "ticking clock" adds a sense of urgency to the Project.
- **Credit Public Improvement Fee (PIF)** – A 2.4 percent "credit" PIF, which results in a 60 percent reduction of the Town's 4 percent sales tax rate.

In addition, the Developer intends to generate additional financing revenues from the formation of a special district and the imposition of a privately imposed fee applied to the Citadel Station-Castle Meadow Urban Renewal Plan area as follows:

- **Business Improvement District (BID)** – A 50 mill property tax levy against all property owners for eligible capital improvements as well as an additional 10 mill levy for operations and maintenance (O&M).
- **Add-on PIF** – A 1.25 percent "add-on" PIF to be applied over and above the existing sales tax and credit PIF.

Table 1
Miller's Landing Public Finance Request

Vehicle	Request	Payer
URA	100% of property tax increment 2.4% Credit PIF (60% of 4% sales tax)	URA Town
BID	50 mills on property tax levy for capital 10 mills on property tax levy for O&M	Property-owners
PIF	1.25% add-on PIF to sales tax	Public/Patrons

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Summary of Findings

Development Program and Market Assumptions

The proposed program and the assumed absorption rates are well above historic development rates in Castle Rock, and the success of the development likely depends on the Developer's ability to attract large hotel and office anchor tenants. Class A office and full-service hotels would be the first of their kind, both in use and scale, in the Town, and are largely untested in the Castle Rock market. However, this type of development program has precedents in communities comparable to the Town, and the lack of significant development may be an indicator of a gap in the market.

While hotel and office are untested, the retail market in Castle Rock is fairly saturated. Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the Castle Rock Outlets and the Promenade at Castle Rock project, which is only about 50 percent complete. The Town's community serving retail is also more heavily concentrated on the north end, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses, which the developer has proposed. These types of uses would be complementary to both hotel and office uses as well as the park and recreational facilities adjacent to the development.

The Developer has estimated project costs of \$72.1 million, including \$8.5 million in land costs, \$54.7 million in construction costs, and \$8.9 in operating expenses. Approximately \$60 million of the land and construction costs are related to public infrastructure improvements to be built by the BID and, as such, eligible for public financing. The Developer has provided documentation from its technical team to verify the estimates of public improvements.

Financial Analysis

Without public financing, the Developer estimates that the Project will earn negative \$37.7 million and, as a result, will not be viable. With the complete public financing package requested by the Developer, the Project is estimated to make \$11.4 million in profits with the Developer achieving an internal rate of return (IRR) of 19.6 percent. An IRR of approximately 20 percent is a reasonable return for a land development project of this size and scale, expected development time period, and level of market risk. Therefore, "but for" the public financing, the Project would not be viable.

Project Benefits and Risks

The proposed Miller's Landing Project is an ambitious undertaking that has the potential to address a number of key economic development objectives of the Town:

- Remediate the Town municipal landfill enabling full utilization of the subject property;
- Provide a location for Class A office space to attract business and professional service tenants;
- Attract a full-service 4-star hotel with conference, meeting and banquet space; and
- Develop destination retail/entertainment and recreation uses that bring new customers and that do not compete with existing retailers in the Town.

The Project would be new and unique to Castle Rock and therefore there is not sufficient historical development trend data upon which to base an estimate of absorption. The ultimate buildout of the Project may therefore take longer than anticipated by the Developer, and may also end up having a somewhat different allocation of space by land use category. However, in our opinion, the Town has proposed appropriate and reasonable minimum thresholds on the development of hotel and office uses to ensure that its basic economic development objectives are met. The proposed development agreement also provides defined triggers as to when the Developer can receive the requested public financing revenues. The property needs to be fully remediated and a full-service hotel property acquired with the first phase of development. The Town is also not front-ending any financing and the risks of slower absorption and corresponding slower TIF and/or PIF revenues are borne by the Developer.

Disclaimer

This analysis was based on cost and revenue estimates and proposed programming as of February 2017. Updates to costs, revenues and/or program subsequent to February 2017 are not reflected in this analysis, and EPS cannot guarantee that report conclusions are still accurate, and may change underlying conclusions of the report.

2. DEVELOPMENT PROGRAM AND MARKET ASSUMPTIONS

This chapter of the report reviews the proposed development program and the estimated market values and absorption timing if the Project. The Developer has not provided a market supporting its market value and absorption assumptions which are key inputs to the financial "but for" analysis presented in the next chapter. EPS' review therefore is based on its recent experience in the Castle Rock and larger Denver metro area market as well as for a comparative analysis of Castle Rock to other smaller Front Range markets.

Development Program

The proposed Miller's Landing Project is located on 66 acres of land made up of the Citadel and Castle Meadows parcels near the Plum Creek I-25 Interchange in Castle Rock, as shown in **Table 2**. The site is also adjacent to Philip S. Miller Park, a 300 acre public park with a recreation center, amphitheater, adventure park, and extensive hiking and bike trail system. Its proximity to the highway interchange and the park has the potential to add significant attraction and draw to the proposed Project. The Developer has executed purchase sale agreements (PSA) for the two parcels comprising the Project site.

In addition, the property has also been rezoned from Industrial One (I-1) to Interchange Overlay District (IOD) which allows for a mixed-used and flexible development program at higher densities. As part of the proposed development agreement, the Town has excluded residential from the site, and limits the amount of retail the Developer can build until minimum thresholds of office and hotel uses are completed.

Table 2
Parcel Information

Description	Acres	Sq. Ft.	% Area
Parcel Information			
Citadel	48.19	2,099,156	73%
Castle Meadows	<u>17.78</u>	<u>774,497</u>	<u>27%</u>
Subtotal	65.97	2,873,653	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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The Developer has proposed an ambitious program. Importantly for the Town, the program includes a full-service hotel with conference space and Class A office development. The bond revenue model includes a 250-room hotel and 480,000 square feet of office employment. However, in interviews, the Developer has suggested that the hotel could be larger. For purposes of contractual commitment, the Developer is committing to a pad site for a 250-room hotel with a minimum of 10,000 square feet of conference space. This allows the developer flexibility in seeking a wider range of hoteliers in negotiations.

In addition to the hotel and conference space and office development, the proposed program includes a mix of retail, entertainment, and food and beverage uses. The Developer has suggested that the retail will be "destination retail" with a focus on uses that are synergistic with both the hotel and the recreation use of Philip S. Miller Park. The goal is that, taken together, the mix of hotel, retail, entertainment, and restaurants will create an "experiential lifestyle district" that is distinct from the other retail and restaurants in the area and will be a unique draw to Castle Rock.

The development is organized into four distinct phases, with overlap in years. Phase 1 includes the hotel and the initial retail development. Phase 2 includes the initial office development, located in closest proximity to the highway interchange. Finally, Phase 3 is primarily retail, and Phase 4 is primarily office with a little retail. **Table 3** and **Figure 1** summarize the Developer's program by phase.

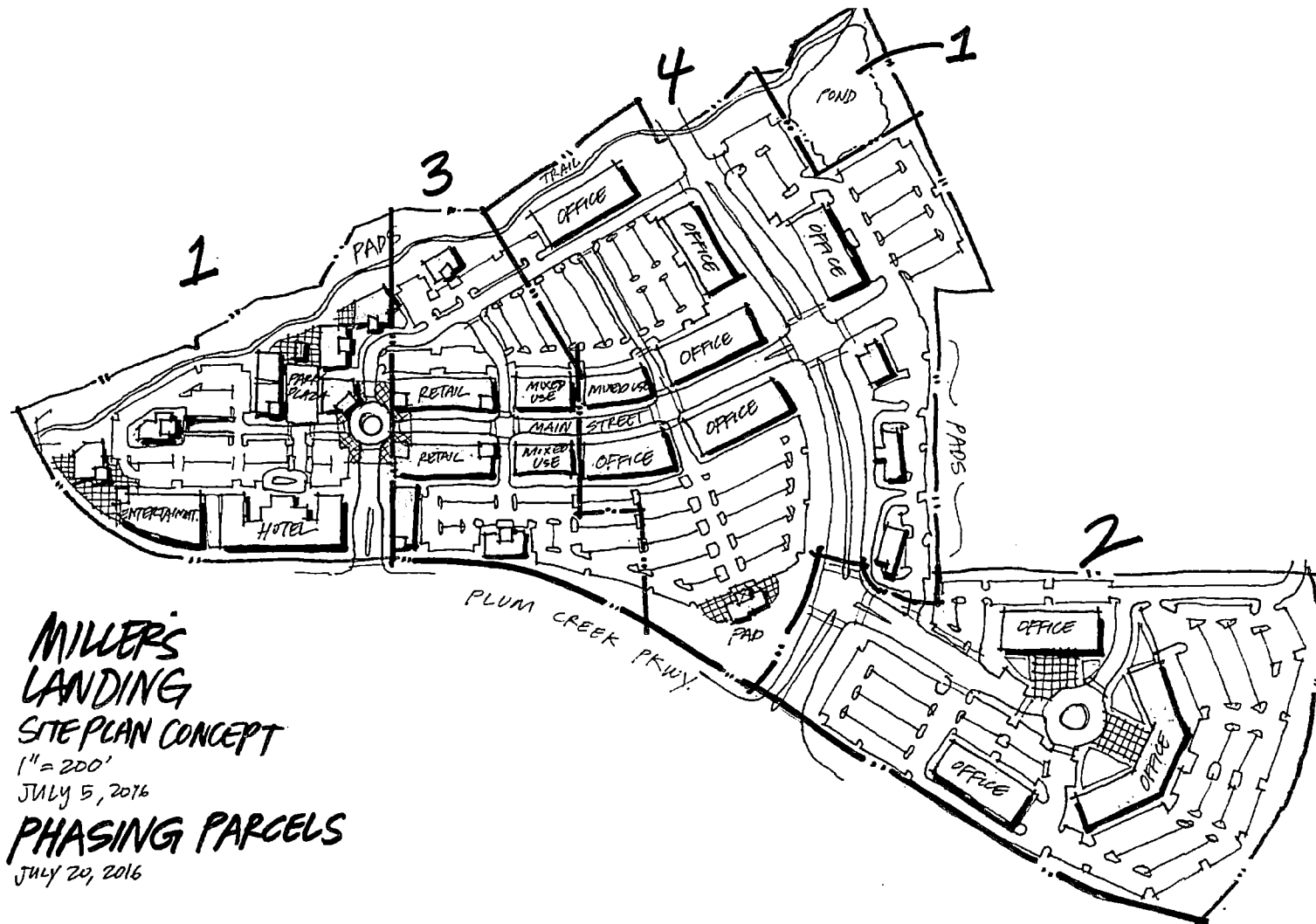
Table 3
Miller's Landing Program by Phase

Description	Phase 1 2019	Phase 2 2021	Phase 3 2022	Phase 4 2022/3	Total
Program					
Hotel & Conference	165,000	0	0	0	165,000
Retail	24,000	0	120,000	30,000	174,000
Entertainment	24,000	0	0	0	24,000
Food and Beverage	34,000	0	0	0	34,000
Office	0	<u>250,000</u>	0	<u>230,000</u>	<u>480,000</u>
Subtotal	247,000	250,000	120,000	260,000	877,000

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Figure 1
Miller's Landing Phasing Diagram



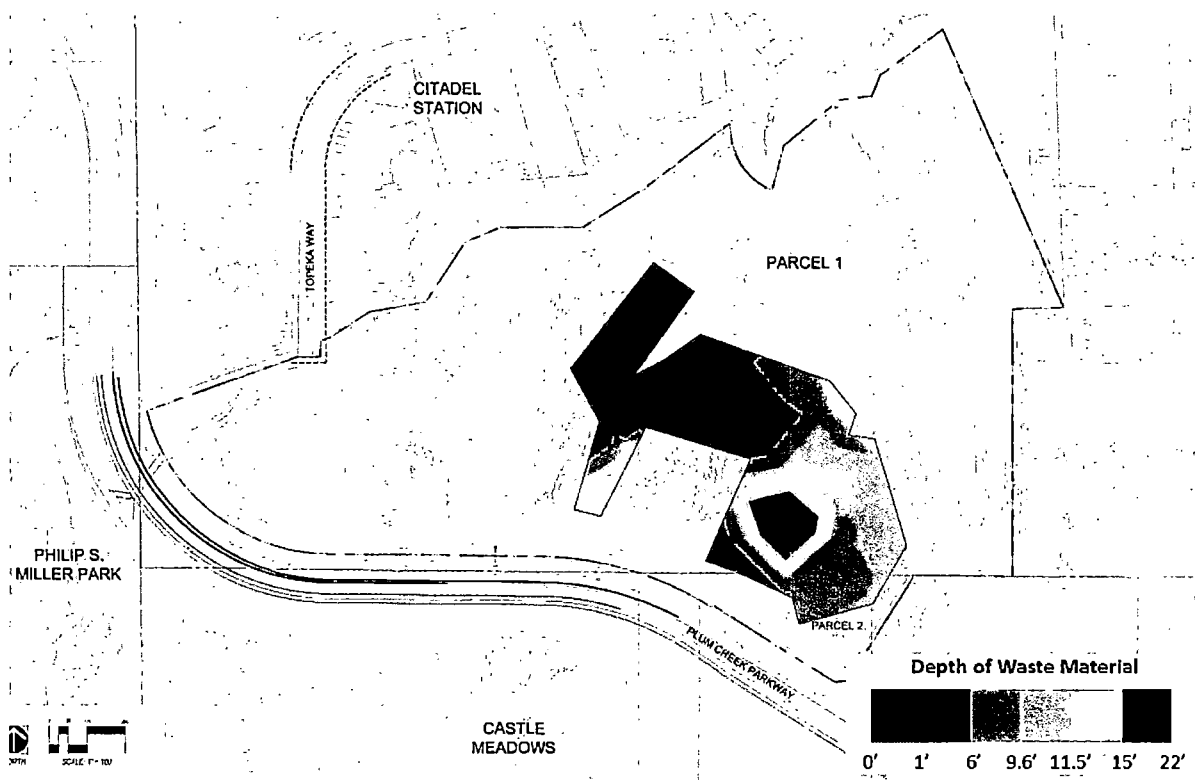
Public Improvements

This section outlines the public improvements that are eligible to be funded by public sources. The most significant is an old Town dump facility that must be remediated before any substantial development can occur (**Figure 2**). The Developer has fully delineated the extent of the contamination and estimates the cost of the remediation to be approximately \$10 million. Given the environmental liability to the Town and limitations on development imposed by the landfill, the proposed remediation is perhaps the key public infrastructure improvement and benefit justifying the public contributions to the Project.

The plan incorporates a number of infrastructure improvement and public amenities in addition to the land fill remediation. These include:

- Roadway networks, including two intersections, and a lane extension on Plum Creek Drive and a road extension of Prairie Hawk Drive
- Public parking and overflow parking for Philip S. Miller Park
- Storm drain and storm water management infrastructure
- Sanitary sewer and water infrastructure
- Industrial ditch
- Open space

Figure 2
Miller's Landing Site with Contaminant Delineation



Market Values and Assumptions

The section reviews: (1) market conditions and absorption assumptions, which affect timing of cash flows for both the Developer and bond investors; (2) land sale prices and cost of development, which affect revenue and expense projections outside of the financing decisions of the Project; and (3) public finance inputs, including property tax and sales tax assumptions, which affect the level of bond capital that the Project can raise. Ultimately, the inputs affect the level of return for the Project, and the section provides perspective on the likelihood that the Developer is able to achieve the return reported in its financial documents.

The Developer has not provided a market study substantiating the land and market values, associated property and sales tax values, and absorption estimates upon which the Project financing plan is based. EPS has reviewed and evaluated the values used based on available secondary data and its knowledge of the Castle Rock and larger Front Range market.

Absorption Rate and Market Conditions

Project absorption rates affect how soon the district will start generating public financing revenues and cash flows. **Table 4** presents the proposed Miller's Landing program square footage and year in which this programming is projected to come online. In Year 2, the development is projected to absorb a 165,000 square feet hotel with 250 rooms, 82,000 square feet of retail, entertainment, and restaurants, and 250,000 square feet of office. In Year 4 (Phase 3), the development is projected to absorb 230,000 square feet of office. Finally, in Years 5 and 6, the development is projected to absorb 150,000 square feet of additional retail/entertainment uses.

It is important to note that the IOD zoning provides a great deal of flexibility in the allowable mix of uses. The development plan may therefore evolve and include more hotel and/or retail uses and less office or vice versa. The proposed development agreement however establishes a number of key triggers to ensure that the Project remains consistent with the Town's economic development objectives.

- No more than 100,000 square feet of retail can be built prior to a full service hotel with at least 250 rooms and 10,000 square feet of conference space.
- No Credit PIF revenues will be pledged until closing of the property for the full-service hotel.
- Retail space is capped at 250,000 square feet until at least 150,000 square feet of office is completed.

Table 4
Miller's Landing Development Program

Description	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	0	1	2	3	4	5	6	
	2017	2018	2019	2020	2021	2022	2023	
Hotel & Conference	0	0	165,000	0	0	0	0	165,000
Retail	0	0	24,000	0	0	120,000	30,000	174,000
Entertainment	0	0	24,000	0	0	0	0	24,000
Food and Beverage	0	0	34,000	0	0	0	0	34,000
Office	0	0	250,000	0	230,000	0	0	480,000
Total	0	0	497,000	0	230,000	120,000	30,000	877,000

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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EPS has researched the historic development trends of Castle Rock and four comparable exurban communities in the Denver market area. These communities are referred to as the comparable cities from here on and include: Lone Tree, Longmont, Loveland, and Parker, Colorado. (This section presents a summary and the key takeaways from this market assessment. The full research is presented in **Appendix A.**)

When compared to the historic development rates in Castle Rock and the comparable cities, EPS finds the assumed absorption rates to be aggressive, although not completely unprecedented. **Table 5** presents the most optimistic annual absorption rate assumption used in the Developer's financial analysis and compares this to the historic and maximum delivery rates of Castle Rock and the comparable cities in its competitive set. In terms of average rates, the development would generally have to capture many times more than the historic market average for retail and office. In Castle Rock, for example, for the Project to meet the retail absorption assumptions modeled in Year 4 of the pro forma and the office absorption assumptions modeled in Year 5, it would have to capture 205 percent of historic annual retail deliveries and 679 percent of historic annual office deliveries in the Town over the last 10 years. These Project absorption rate assumptions look a little more reasonable when compared to maximum deliveries, where in Castle Rock, for example, the Project would only have to capture 49 percent of maximum delivery. The numbers look worse for office, though there are examples of Projects of similar size.

The hotel is different in that the Project is only looking to attract one tenant. However, a 250-room hotel (165,000 square feet) is large when compared to the historic maximum delivery in the comparable cities. The largest hotel built in the last 10 years in the comparable cities is the 300-room 4-Star Embassy Suite Hotel with 40,000 square feet of conference space built in Loveland in 2008.

For retail sales, the Developer models a more conservative revenue estimate by assuming that the retail will not reach full occupancy until three years after land sales, in essence modeling a three year absorption rate. While more realistic, this absorption rate is still fairly aggressive. Moreover, the Developer does not apply these same conservative factors to property tax revenue estimates, which, in the end, account for a larger portion of the public finance contribution.

Table 5
Annual Project Absorption Compared to Historic Deliveries

Description	Average Deliveries (2006-2016)			Max Deliveries (2006-2016)		
	Hotel	Retail	Office	Hotel	Retail	Office
Program	<u>Year 1</u>	<u>Year 5</u>	<u>Year 4</u>	<u>Year 1</u>	<u>Year 5</u>	<u>Year 4</u>
Assumed Absorption	165,000	120,000	250,000	165,000	120,000	250,000
Historic Deliveries						
Castle Rock	4,935	58,665	36,819	54,280	244,919	85,900
Lone Tree	13,165	29,553	126,856	80,812	116,029	380,000
Longmont	0	179,927	20,149	0	923,576	80,808
Loveland	35,240	97,179	85,749	307,636	623,397	211,099
Parker	4,545	105,869	33,003	50,000	328,753	157,204
Percent Market						
Castle Rock	3344%	205%	679%	304%	49%	291%
Lone Tree	1253%	406%	197%	204%	103%	66%
Longmont	—	67%	1241%	—	13%	309%
Loveland	468%	123%	292%	54%	19%	118%
Parker	3630%	113%	758%	330%	37%	159%

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Given this context, the success of the development likely depends on the Developer's ability to attract large hotel and office anchor tenants. Without attracting such a large anchor tenant and relying instead on the historic trends in Castle Rock, the Project will take longer to absorb.

The Developer is in discussions with a national hotel development firm regarding a proposed full service hotel with additional conference space. The development program used in the pro forma analysis includes a 250-room hotel with 10,000 square feet of conference space. The Developer has also indicated that it is also pursuing a larger and more unique destination hotel/resort property.

The Castle Rock market to date is primarily composed of limited service hotels without a significant conference, banquet, or event space. There is clearly a need and desire for a full service property with a higher level of amenities. It is unclear however, given the lack of a competitive local inventory, how soon and how large a hotel may be built on this site, and, as noted above, the proposed development agreement between Miller's Landing and the Town would require that a full-service hotel with a minimum of 250 rooms and 10,000 square feet of conference space be completed before more than 100,000 square feet of retail can be built.

The retail market in Castle Rock in particular is already fairly saturated. Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the 478,000 square foot Castle Rock Outlets and the 1.0 million square foot Promenade at Castle Rock project, which is only about 50 percent complete. The Town's

community serving retail is also more heavily concentrated on the north end, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses proposed. However, there is more uncertainty surrounding how fast this type of retail space might develop. Destination retail/entertainment uses would likely be developed in a "lumpy" fashion in larger increments.

If completed at the proposed or larger level, the hotel portion of the Project would be a major anchor and help catalyze the additional proposed uses including the destination retail and office development. While EPS believes that while the office development is viable with or without the complementary hospitality and retail uses, the level of retail proposed is likely only viable with a successful hotel and conference center.

Market Value and Sales Tax Assumptions

Table 6 summarizes the property and sales tax assumptions used by the Developer in the bond model. EPS finds that these assumptions are reasonable assumptions, especially given that the retail, food and beverage, and entertainment portions of the program are still not full-detailed. Once more specific tenant selection begins, the percent taxable sales for different uses may decrease. In particular, service tenants are not subject to sales tax. A reduction in this taxable rate will in turn reduce public finance revenues and the resulting level of bond issuance.

Table 6
Property and Sales Tax Assumptions

Description	Property Tax		Sales Tax (PIF)		
	Unit	Market Value (2015 \$ per Unit)	Sales (2015 \$ per Sq. Ft.)	Occupancy (Yr1, Yr2, Yr3)	Taxable % Sales
Retail/Food and Beverage	Sq. Ft.	\$100	\$250	50%, 65%, 100%	100%
Entertainment	Sq. Ft.	\$200	\$500	50%, 65%, 100%	100%
Office	Sq. Ft.	\$200	---	---	---
Hotel & Conference	Room	\$80,000	\$150	50%, 60%, 70%	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Land Sales

Land price per square foot assumptions affect the total revenues that the Developer can raise from land sales. The Developer's financial model lists land sale prices by phase with prices ranging between \$11.00 and \$13.00 per square foot. To test these assumptions, EPS created a range of likely land sale prices based on interviews with developers and CoStar data. EPS established prices by different commercial types, as shown in **Table 7**. EPS then calculated a land price per square foot per phase based on a weighted average of the different uses in each phase by square foot, as shown in **Table 8**.

Table 7
Land Price per Sq. Ft. by Land Use Type

Description	EPS Consensus		
	Lower	Upper	Average
Retail	\$7	\$10	\$9
Entertainment	\$7	\$10	\$9
F&B	\$14	\$31	\$22
Office	\$4	\$8	\$6
Hotel & Conference	\$12	\$14	\$13

Source: Costar; Economic & Planning Systems

H:\173010-Castle Rock Millers Landing TIF Analysis\Data\173010-Land Sales.xlsx\T-COMparison by Phase

In its research, EPS found that a land price per square foot between \$11.00 and \$13.00 is reasonable for retail, entertainment, food and beverage, and hotel uses. The range is slightly high for retail and entertainment, low for food and beverage, and just about average for hotel use. Phases 1 and 3 are primarily made up of these components. As a result, the Developer's land price most closely matches EPS's consensus in these phases. The ultimate land price per phase will depend on the relative proportion of retail, entertainment, hotel, and food and beverage. For example, a higher proportion of upscale restaurant/bar will increase the price of the land. It is likely that the mix of potential tenants is still in flux as the Developer looks to find potential tenants.

The range of \$11.00 to \$13.00 is high for office development when compared to EPS research into recent office sales in the comparable cities surveyed. EPS found that in these exurban office locations recent sales typically range between \$4 and \$8 per square foot. The office land values reflect the size of office buildings being built, and the land value is ultimately determined by the value per buildable square footage. Miller's Landing will have the ability to achieve higher values in later phases if the site is established and larger office buildings are marketable.

Further, the property tax applied by the BID is essentially an extra cost passed on to prospective tenants in the district. This extra cost will be factored into the investment decision of these tenants and in turn the investment decision of the horizontal developers, ultimately deflating the price that they will be willing to pay for land. As a result, EPS believes that it is likely the Developer has overestimated its land sale revenues, resulting in higher returns than the Project is likely to achieve.

Table 8
Land Price per Sq. Ft. by Phase

Description	Program	EPS Consensus [1]		
		Lower	Upper	Average
Phase 1	\$12.00	\$9.91	\$18.73	\$14.32
Phase 2	\$13.00	\$4.00	\$8.00	\$6.00
Phase 3	\$13.00	\$7.00	\$10.24	\$8.62
Phase 4	\$11.00	\$4.35	\$8.26	\$6.30

[1] Calculated based on the weighted average of different land uses in each phase.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Construction Costs and Eligibility

Construction costs and expenses will obviously affect project cash flows. In this case, the Developer has divided expenses into two categories: operating expenses and investment expenses. Operating expenses account for cost associated with the administration of the development entity and the horizontal development, and includes general and administration (G&A) expenses, developer operation expenses, and property taxes. In total, operating expenses are approximately \$8.9 million or 12 percent of total costs. Investment expenses include those associated with land purchases and horizontal development. These costs are estimated to be \$63.2 million. In total, the development expenses equal \$72.1 million, as shown in **Table 9**.

However, project costs also determine the level of eligible project financing. There are a number of rules defined by the URA and special district statutes regarding eligible public expenses, but general remediation and trunk infrastructure are eligible. The Developer's model includes \$52.6 million of reimbursable costs, which sets the upper range of the bond financing. To justify this level of eligible public improvement costs, the Developer included documentation of these costs estimates from its technical team in its submittal to EPS. **Table 10** summarizes the eligible costs from this documentation, and includes a total of \$62.7 million of reimbursable expenses.

In addition to cost eligibility, the projected public finance revenues from property and sales tax will also limit the amount of reimbursement. In the financial information submitted by the Developer, the current estimated Project funds from bond issues are projected to be \$55.7 million, which is 3.1 million higher than the current projected reimbursable Project costs of \$52.7 million, but still below the \$62.7 million in the separate cost documentation.

Table 9
Operating and Investment Expenses

Description	Total Expense	% Total	Per Land Sq. Ft.
Operating			
G&A Expenses [1]	\$3,803,797	5%	\$1.32
Developer Operations	\$3,600,000	5%	\$1.25
Property Taxes	<u>\$1,541,907</u>	<u>2%</u>	<u>\$0.54</u>
Subtotal	\$8,945,704	12%	\$3.11
Investment			
Land Purchase	\$8,486,750	12%	\$2.95
Reimbursable	\$515,000	1%	\$0.18
Non-Reimbursable	\$7,971,750	11%	\$2.77
Horizontal	\$54,745,974	76%	\$19.05
Reimbursable	\$52,060,565	72%	\$18.12
Non-Reimbursable	<u>\$2,685,409</u>	<u>4%</u>	<u>\$0.93</u>
Subtotal	\$63,232,724	88%	\$22.00
Total	\$72,178,428	100%	\$25.12
Reimbursable	\$52,575,565	73%	\$18.30
Non-Reimbursable	\$19,602,863	27%	\$6.82

[1] Prices include a 2% escalation rate per year.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 10
Eligible Public Improvement Costs

Description	Amount	% Total
Public Infrastructure	\$52,743,914	84%
Public Amenities	\$543,257	1%
Land	\$5,491,730	9%
<u>Fees</u>	<u>\$3,950,186</u>	<u>6%</u>
Total	\$62,729,087	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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3. FINANCIAL ANALYSIS

This chapter of the report summarized EPS' independent analysis of the proposed public financing agreement with the Town and URA. The review is based on a "But For" financial analysis of the Developer's proposed financing plan to determine 1) "but for" the public investment to Project would be financially infeasible and 2) with the public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated developer risk.

The Developer provided EPS with the necessary financial information including its own pro forma analysis (on a confidential basis) and documentation on its bond revenue estimation. EPS used this information to construct its own financial model to evaluate the Project against acceptable measures of return for public investment in real estate projects. In its analysis, EPS calculated the Developer's returns without public investment to determine if (1) "but for" the public investment the Project is financially infeasible and (2) with the public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated level of Developer risk.

In addition to the analysis of financial returns with and without public investment, referred to as the Baseline Model, EPS also calculated the Developer's return under a number of different public finance scenarios. This latter analysis provides the Town insight into the degree each additional layer of public finance contributes to the Project returns.

Baseline Model

Under this baseline scenario, EPS used the financial information provided by the Developer to calculate and present Project returns with and without public finance. This section reviews Project revenues, sources and uses, and the resulting returns.

Project Revenues

The Developer is a horizontal land developer that will remediate the brownfield condition and install trunk infrastructure and then sell development pads to vertical developers. In total, the Developer plans to sell approximately 2.8 million square feet of land for an average of \$11.99 per square foot, as shown in **Table 11**. The Developer's pro forma includes land sales of open space and ROW setbacks for total revenue of \$3 million. The Town understands that the BID will purchase the necessary ROW/open space/easement dedications.

Table 11
Developer Revenues from Land Sales

Description	Total Revenue	% Total	Per Unit	
			Sq. Ft.	Price [1]
Land Sales				
Phase 1	\$5,227,200	15%	435,600	\$12.00
Phase 2	\$10,475,224	30%	774,497	\$13.53
Phase 3	\$4,236,633	12%	307,098	\$13.80
Phase 4	\$11,467,533	33%	963,112	\$11.91
Open Space	\$1,905,475	6%	246,550	\$7.73
ROW, setbacks	<u>\$1,134,532</u>	<u>3%</u>	<u>146,797</u>	<u>\$7.73</u>
Total	\$34,446,596	100%	2,873,653	\$11.99

[1] Prices include a 2% escalation per year.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Source and Uses

There are three sources of debt financing or leverage for the Project: a land loan, a construction loan, and bond revenue, as shown in **Table 12**. The Developer has assumed that the land loan will be an interest only loan at 50 percent of the cost of the land purchase. The loan will have a term of three years and a 10 percent interest rate. The horizontal construction loan is also assumed to be 50 percent of the development costs, with a five year term and 4.5 percent interest rate. The higher interest rate for the land loan reflects the lack of collateral associated with the land before the completion of remediation and horizontal development. The Developer's investment firm (D.A. Davidson) projects that it will issue two bond series, one in 2018 and the other in 2022, each with a coupon rate of 6.5 percent.

Table 12
Debt Financing

Description	Term	Int. Rate	Amount	Notes
Land Loan	3	10%	\$3,725,000	Interest only; 50% of land cost
Horizontal Construction	5	4.5%	\$26,030,283	50% of development cost
Bond Issue 1	23	6.5%	\$28,152,297	Issued 2018
Bond Issue 2	19	6.5%	\$27,555,481	Issued 2022

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 13 summarizes the sources and uses for the Project. In addition to the debt financing, the Developer will invest \$10.9 million in equity, and land sales will provide \$34.4 million of funds available for the Project. In terms of uses, the Developer estimates that the Project will have \$33.1 million in financing costs, including financing fees, interest payments, and loan repayments as well as \$22.3 million of cash distributable to equity holders in addition to the land, operating, and development costs. The distributable cash account is the balancing account for the uses of Project funds and the source of return for the Developer.

Table 13
Source and Uses

Description	Total	% Total
Sources		
Land Loan	3,725,000	3%
Horizontal Construction	\$26,030,283	20%
URA & BID Bond	\$52,575,564	41%
Equity	\$10,918,908	9%
Land Sales	<u>\$34,446,596</u>	<u>27%</u>
Total	\$127,696,351	100%
Uses		
Land	\$8,486,750	7%
Horizontal Development	\$54,745,974	43%
Operating	\$8,945,704	7%
Financing Costs	\$33,199,955	26%
Distributable Cash	<u>\$22,317,967</u>	<u>17%</u>
Total	\$127,696,351	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Returns

Without public financing, the Project would have negative profits of \$37.7 million and would not be viable. These are the unleveraged cash flows for the Project. However, given its overall negative fundamentals, leverage would not improve Project returns or make the Project viable. With the complete public financing package requested by the Developer, the Project is projected to make \$11.4 million in profits with the Developer achieving an IRR of 19.6 percent. In short, "but for" the public financing, the Project would not be viable. An IRR of approximately 20 percent is a reasonable return for a land development project of this size and scale and level of market risk.

Table 14
Leverage and Unleveraged Returns

Description	Unleveraged/Project (without Public Financing)	Leveraged (with Public Financing)
Project Profits	-\$37,731,831	\$11,399,060
IRR	—	19.6%
NPV @ 15% discount	-\$28,860,416	\$1,591,649

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 15
Leveraged and Unleveraged Cash Flows

Description	Totals	Year 0 2017	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Year 6 2023
PROJECT CASH FLOWS								
REVENUES								
Land Sales	\$34,446,596	\$0	\$5,227,200	\$0	\$10,475,224	\$4,236,633	\$11,467,533	\$3,040,007
EXPENSES								
Operating								
G&A Expenses	-\$3,803,797	\$0	-\$603,000	-\$615,060	-\$627,361	-\$639,908	-\$652,707	-\$665,761
Development operations	-\$3,600,000	\$0	-\$600,000	-\$600,000	-\$600,000	-\$600,000	-\$600,000	-\$600,000
Property Taxes	<u>-\$1,541,907</u>	<u>\$0</u>	<u>-\$331,008</u>	<u>-\$337,628</u>	<u>-\$314,140</u>	<u>-\$234,734</u>	<u>-\$182,488</u>	<u>-\$141,909</u>
Subtotal	\$34,446,596	\$0	-\$1,534,008	-\$1,552,688	-\$1,541,501	-\$1,474,642	-\$1,435,195	-\$1,407,670
Investing								
Land Purchase	-\$8,486,750	-\$8,486,750						
Reimbursable	-\$515,000	-\$515,000						
Non-Reimbursable	-\$7,971,750	-\$7,971,750						
Horizontal	-\$54,745,974	\$0	-\$10,902,163	-\$10,039,454	-\$13,851,469	-\$3,683,451	-\$3,687,749	-\$12,581,688
Reimbursable	-\$52,060,565	\$0	-\$10,734,913	-\$9,362,571	-\$12,929,273	-\$3,447,040	-\$3,467,940	-\$12,118,828
Non-Reimbursable	<u>-\$2,685,409</u>	<u>\$0</u>	<u>-\$167,250</u>	<u>-\$676,883</u>	<u>-\$922,196</u>	<u>-\$236,411</u>	<u>-\$219,809</u>	<u>-\$462,860</u>
Subtotal	-\$63,232,724	-\$8,486,750	-\$12,436,171	-\$11,592,142	-\$15,392,970	-\$5,158,093	-\$5,122,944	-\$13,989,358
Total	-\$72,178,428	-\$8,486,750	-\$13,970,179	-\$13,144,830	-\$16,934,471	-\$6,632,736	-\$6,558,138	-\$15,397,027
PROJECT CASH FLOWS	-\$37,731,831	-\$8,486,750	-\$7,208,971	-\$11,592,142	-\$4,917,746	-\$921,460	\$6,344,589	-\$10,949,351
IRR	—							
NPV @ 15% discount	<u>-\$28,860,416</u>							
LEVERAGED CASH FLOWS								
DEBT FINANCING								
Land Loan								
Proceeds	\$3,725,000	\$3,725,000	\$0	\$0	\$0	\$0	\$0	\$0
Fees, appraisal, escrows	\$140,675	-\$140,675	\$0	\$0	\$0	\$0	\$0	\$0
Interest reserve	\$93,125	-\$93,125	\$0	\$0	\$93,125	\$0	\$0	\$0
Interest	-\$1,117,500	\$0	-\$372,500	-\$372,500	-\$372,500	\$0	\$0	\$0
Principal repayment	<u>-\$3,725,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$3,725,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	-\$1,258,175	\$3,491,200	-\$372,500	-\$372,500	-\$4,004,375	\$0	\$0	\$0
Construction Loan								
Proceeds	\$26,030,283	\$0	\$5,367,457	\$4,681,286	\$6,464,637	\$1,723,520	\$1,733,970	\$6,059,414
Fees, appraisal, escrows	\$540,454	\$0	-\$540,454	\$0	\$0	\$0	\$0	\$0
Interest reserve	\$292,841	\$0	-\$292,841	\$0	\$0	\$0	\$0	\$292,841
Interest	-\$1,646,044	\$0	-\$241,536	-\$452,193	-\$290,909	-\$77,558	-\$155,587	-\$428,261
Principal repayment	<u>-\$26,030,283</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$10,048,742</u>	<u>-\$6,464,637</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$9,516,904</u>
Subtotal	-\$2,186,498	\$0	\$4,292,626	-\$5,819,650	-\$290,909	\$1,645,962	\$1,578,383	-\$3,592,910
BID and URA Bonds								
Bond Issue 1	\$27,191,000	\$0	\$0	\$20,612,483	\$6,578,517	\$0	\$0	\$0
Bond Issue 2	<u>\$25,384,564</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,384,564</u>
Subtotal	\$52,575,564	\$0	\$0	\$20,612,483	\$6,578,517	\$0	\$0	\$25,384,564
Total	\$49,130,891	\$3,491,200	\$3,920,126	\$14,420,333	\$2,283,233	\$1,645,962	\$1,578,383	\$21,791,654
LEVERAGED CASH FLOWS	\$11,399,060	-\$4,995,550	-\$3,288,845	\$2,828,191	-\$2,634,513	\$724,501	\$7,922,972	\$10,842,303
IRR	19.6%							
NPV @ 15% discount	<u>\$1,591,649</u>							

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems
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Scenario Analysis

To gain a more accurate estimate with and without public financing, EPS evaluated Project returns under a series of tiered public finance scenarios. **Table 16**, at the end of this chapter, summarizes the scenarios and the resulting Project finances, and is organized into two sections. The first section describes the scenario assumptions. In this section, **green** highlighted cells indicate that the scenario includes the corresponding public financing in the row, and the **red** highlighted cells indicates that the scenario does not include the public financing. **Yellow** highlighted cells indicate a divergence from the public finance factors or the program as modeled in Developer's pro forma financial statement. The second section presents the estimated bond revenues to the Project, the reimbursable expense coverage (or the amount of the \$52.5 million in reimbursable project expenses covered by the bond revenues), and the Project returns (IRR).

Scenarios 1 through 5 evaluate the individual impact of the layers or tiers of public financing outlined in the proposed public finance agreement (PFA). Only Scenario 1 and 5 have a positive IRR. Scenario 1 models returns without the add-on PIF, and the estimated IRR is 13.7 percent. This is below the 20 percent target IRR identified as reasonable for a land development project of this size and level of risk. Further, the returns have been modeled using, in EPS's consideration, optimistic inputs, and the financial returns are therefore likely to represent the upper end of the possible range of returns. Scenario 5 models returns without the credit PIF, and the estimated IRR is 3.6 percent. Such a return would not compensate for the Developer for the project risk. Scenarios 2, 3, and 4 all have negative profits and are not viable.

Scenario 6 presents the Project assuming a 40 percent credit PIF instead of a 60 percent credit PIF, with all other sources of public financing remaining the same as the Baseline scenario. This change results in a 2.2 percent decrease in the IRR of the Project from 19.6 percent to 17.4 percent.

Scenario 7 and 8 were evaluated to gain perspective on what would happen to Developer returns if the development team decided to focus exclusively on retail development after the Project met the triggers or guarantees outlined by the proposed PFA, which caps retail at 250,000 square feet until the Developer builds a 250 room hotel with 10,000 square feet of conference space and at least 150,000 square feet of office development. Both scenarios assume these guaranteed levels of hotel and office. In addition, Scenario 7 assumes a total of 250,000 square feet of retail, and Scenario 8 assumes a total of 424,000 square feet of retail. As proposed, the 424,000 square feet of retail assumed in Scenario 8 is based on the amount of retail needed for the Developer to achieve the same return as estimated in the Baseline scenario. In other words, the Developer would have to build an additional 192,000 square feet of retail on top of the 232,000 square feet used in the Baseline pro forma financial analysis – an 83 percent increase in retail. Given the already saturated retail market in the Town, it is unlikely that Miller's Landing would be able to support this amount of retail in the next 10 years.

Table 16
Public Finance Scenarios and Associated Returns

Description	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8
Scenario Description									
<i>Public Finance</i>									
URA Property Tax TIF (mills)	67.882	67.882	67.882	67.882	—	67.882	67.882	67.882	67.882
Credit PIF (% sales)	60.00%	60.00%	60.00%	—	—	—	40.00%	60.00%	60.00%
BID Mill Levy (mills)	50.000	50.000	—	—	50.000	50.000	50.000	50.000	50.000
Add-on PIF (% sales)	1.25%	—	—	—	1.25%	1.25%	1.25%	1.25%	1.25%
<i>Program</i>									
Hotel & Conference (rooms)	250	250	250	250	250	250	250	250	250
Office (sq. ft.)	480,000	480,000	480,000	480,000	480,000	480,000	480,000	150,000	150,000
Retail/Entertainment/Restaurant (sq. ft.)	232,000	232,000	232,000	232,000	232,000	232,000	232,000	250,000	424,000
Project Funds from Bond Issues									
Bond Issue 1	\$28,152,297	\$24,800,000	\$16,700,000	\$10,300,000	\$11,400,000	\$21,800,000	\$26,000,000	\$19,900,000	\$27,200,000
Bond Issue 2	\$27,555,481	\$24,300,000	\$16,400,000	\$10,100,000	\$11,200,000	\$21,300,000	\$25,500,000	\$20,100,000	\$27,900,000
Total	\$55,707,779	\$49,100,000	\$33,100,000	\$20,400,000	\$22,600,000	\$43,100,000	\$51,500,000	\$40,000,000	\$55,100,000
Reimbursable Expense Coverage									
Total Reimbursable Expenses	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565	\$52,575,565
Surplus/Deficit	\$3,132,214	-\$3,475,565	-\$19,475,565	-\$32,175,565	-\$29,975,565	-\$9,475,565	-\$1,075,565	-\$12,575,565	\$2,524,435
Returns									
Project Profits	\$11,399,060	\$7,923,496	-\$8,076,504	-\$20,776,504	-\$18,576,504	\$1,923,496	\$10,323,496	-\$1,176,504	\$11,399,060
IRR	19.6%	13.7%	-16.3%	—	—	3.6%	17.4%	-2.2%	19.6%
NPV @ 15% discount	\$1,591,649	-\$449,359	-\$9,576,507	-\$17,139,490	-\$15,832,172	-\$3,718,891	\$858,453	-\$5,557,235	\$1,593,676

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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To gain further insight into the importance of office to development returns in the Baseline scenario as well as to potential bond holder, **Table 17** presents the percentage of property tax and taxable sales attributable to each land use type, and **Table 18** presents the percentage of public finance revenues attributable to each land use type. Office accounts for 60 percent of the estimated property taxes (which affect TIF and BID revenues) due both to its programmed square footage as well as a market value at \$200 per square feet, which is twice as much as the assumed market value of retail. Based on the estimated property tax valuation, office accounts for 43 percent of estimate public finance revenues. The Developer would therefore likely be motivated, to the degree the market would allow, to maximize the amount of office space in the project.

Table 17
Baseline Scenario Estimated Property Tax and Taxable Sales

Description	Property Tax		Taxable Sales	
	Amount	% Total	Amount	% Total
Retail [1]	\$189,009,390	20%	\$1,452,425,431	86%
Office	\$639,877,098	66%	\$0	0%
Hotel & Conference	\$138,114,840	14%	\$239,701,516	14%
Total	\$967,001,329	100%	\$1,692,126,947	100%

[1] Includes retail, entertainment, and food & beverage.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 18
Baseline Scenario Estimated Public Finance Revenues

Description	URA Property Tax TIF	Credit PIF (2.4%)	BID Mill Levy	Add-on PIF (1.25%)	Total	% Total
Retail [1]	\$12,501,994	\$34,858,210	\$9,817,148	\$18,155,318	\$75,332,669	43%
Office	\$42,324,560	\$0	\$33,235,216	\$0	\$75,559,777	43%
Hotel & Conference	\$9,135,582	\$5,752,836	\$7,173,685	\$2,996,269	\$25,058,372	14%
Total	\$63,962,136	\$40,611,047	\$50,226,049	\$21,151,587	\$175,950,819	100%
% Total	36%	23%	29%	12%	100%	

[1] Includes retail, entertainment, and food & beverage.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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4. ECONOMIC BENEFITS AND RISKS

This chapter summarizes EPS' opinion on the economic benefits and associated risks of the Project.

Economic Benefits

The proposed Miller's Landing Project is an ambitious undertaking that has the potential to address a number of key economic development objectives of the Town:

- Remediate the Town municipal landfill enabling full utilization of the subject property;
- Provide a location for Class A office space to attract business and professional service tenants;
- Attract a full-service 4-star hotel with conference, meeting and banquet space; and
- Develop destination retail/entertainment and recreation uses that bring new customers and that do not compete with existing retailers in the Town and that generate tax revenues to pay for the requested public financing.

The Project would be new and unique to Castle Rock and therefore there is not sufficient historical development trend data upon which to base an estimate of absorption. The ultimate buildout of the Project may therefore take longer than anticipated by the Developer, and may also end up having a somewhat different allocation of space by land use category. However, in our opinion, the Town has proposed appropriate and reasonable minimum thresholds on the development of hotel and office uses to ensure that its basic economic development objectives are met. The proposed development agreement also provides defined triggers as to when the Developer can receive the requested public financing revenues. Specifically, the property needs to be fully remediated and a full-service hotel property acquired with the first phase of development.

Conclusions

The "but for" analysis, based on the Developer's pro forma and market and financial information, estimates that the development achieves negative \$37.7 million in Project and no return without public financing and \$11.4 million in profits and a 19.6 percent return with public financing. A return of approximately 20 percent is a reasonable return for a land development project of this size and scale and level of market risk, completed over a five to 10 year period. Given the public benefits and the market risk, EPS believes that it is reasonable to conclude that the requested level of public investment is appropriate.

Further, EPS found the market assumptions, including the absorption and potentially the land price assumptions to be optimistic. As a result, a 20 percent return likely represents the upper range of outcomes for the Project. That said, the ultimate return will depend on the Developer's success in attracting and leasing the property to the desired hotel, retail and office uses to comprise a successful mixed use business park.

The ultimate mix of hotel, retail and office uses may vary from what is proposed. EPS believes that a high quality full-service hotel with associated conference space will be critical to the Project's overall success. The hotel will be the anchor that can attract the entertainment/

destination retail envisioned for the site. Without the hotel, this site would be a more standard retail location in a market that is largely saturated with neighborhood and community retail uses as well as in a less desirable location on the south end of Town. The hotel will also be a key amenity to the business and service uses anticipated in the office park and can help establish the location and accelerate absorption for this desired economic development use.



Appendix A

Market Assessment and Competitive Analysis

Hotel and Conference

The Castle Rock market to date is primarily composed of limited service hotels without a significant conference, banquet, or event space. There is clearly a need and desire for a full service property with a higher level of amenities. It is unclear however, given the lack of a competitive local inventory, how soon and how large a hotel may be built on this site or elsewhere in the Town. The proposed development agreement between Miller's Landing and the Town would require that a full-service hotel with a minimum of 150 rooms and 10,000 square feet of conference space be completed before more than 100,000 square feet of retail can be built.

An analysis of the largest hotels built in the four comparable communities in the past 10 years, as shown in **Table 19**, suggests that the proposed 250 key hotel falls within range of hotels built. The potential for a larger 4-star hotel and conference space in the range of 450 keys is less historically supported. The largest hotel is the 300-room 4-Star Embassy Suite Hotel with 40,000 square feet of conference space built in Loveland in 2008.

Table 19
Largest Hotel Built since 2006

Description	Phase 1 2019
Program	
Hotel & Conference	65,000
Largest Hotel Built Since 2006 [1]	
Castle Rock	54,280
Lone Tree	80,812
Longmont	0
Loveland	307,636
Parker	50,000

[1] Inventory does not include motels.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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A comparison of the hotel square footage per capita of Castle Rock and its competitive set, as shown in **Table 20**, does not in and of itself reveal market opportunities. Castle Rock is largely in line with its competitive set. Lone Tree presents as a notable outlier primarily due to its relatively low population and high retail and hospitality base. However, this may suggest the potential for Castle Rock to also serve the hotel market in a larger capture area.

Table 20
Hotel Square Feet per Capita

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Sq. Ft. per Capita					
Inventory (Sq. Ft.) [1]	238,666	388,384	298,396	457,384	154,529
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>
Sq. Ft. per Capita	4.6	31.2	3.3	6.4	3.3

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

H:\173010-Castle Rock Millers Landing TIF Analysis\Data\173010-CoStar_v2.xlsxJT-Hotel Per Capita

However, a view of inventory accounting for hotel segmentation by star rating, as shown in **Table 21**, does reveal a low percentage of four and five star hotels in Castle Rock when compared to the competitive set. Such a gap may present an opportunity for Miller's Landing to fill a need and differentiate from the current market. Further, a higher end hotel will better complement with other proposed uses in the development program, including supporting business traveler market.

Table 21
Hotel Inventory by Star Rating

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory [1]					
2 Star	0%	21%	3%	0%	0%
3 Star	77%	16%	0%	33%	20%
4 Star	23%	19%	52%	67%	80%
5 Star	<u>0%</u>	<u>43%</u>	<u>45%</u>	<u>0%</u>	<u>0%</u>
Total	100%	100%	100%	100%	100%

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

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Retail and Entertainment

The proposed development program includes nearly 200,000 square feet of retail and entertainment space. The target market, as represented by the Developer, would be destination retail and entertainment uses attracted by the hotel and by the adjacent Miller Park recreation complex.

Competitive Analysis

Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the 500,000 square foot Castle Rock Outlets and the 750,000 square foot partially completed Promenade at Castle Rock Project. The community serving retail is also more heavily concentrated on the north end of Town, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses proposed.

There is more uncertainty surrounding how fast this retail space might develop. Destination retail/entertainment uses would likely be developed in a "lumpy" fashion in larger increments. However, a comparison to historic delivery rates suggests that the proposed retail and entertainment program would be a significant amount for the market to absorb based on historic deliveries.

Table 22 presents Miller's Landing retail and entertainment programs broken out by phase. In addition, the table shows the number of years that it would take for the development to become fully absorbed based on historic rates of deliveries from 2010 to 2016. Optimistically, the analysis assumes that Miller's Landing will capture 100 percent of these historic deliveries, essentially presenting a best case scenario. Based on these factors, the analysis finds that Phase 1 and Phase 4 would be absorbed in one to two years. However, the Phase 3 retail would more likely take between three and five years to absorb. If the capture assumption was reduced to 50 percent of historic deliveries, a more realistic assumption, then the estimate would jump to full absorption occurring between six and 10 years.

Again, this level of development is not unprecedented in Castle Rock or its competitive set, as revealed in **Table 28** at the end of this section. However, the analysis suggests that the success of retail will depend on the delivery and success of the hotel and office aspects of the program, or on the Developer's ability to attract specialty tenants.

Table 22
Years to Absorption based on Historic Retail Deliveries

Description	Phase 1 2019	Phase 3 2022	Phase 4 2023
Program			
Retail	24,000	120,000	30,000
Entertainment	<u>24,000</u>	<u>0</u>	<u>0</u>
Subtotal	48,000	120,000	30,000

Years until Absorption [1]

Castle Rock	1	3	1
Lone Tree	2	5	1
Longmont	0	1	0
Loveland	2	5	1
Parker	1	3	1

[1] Years to absorption calculated based on average retail deliveries from 2010 to 2016. Assumes 100% capture.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Expanding the analysis beyond historic deliveries to retail inventory reveals a market already fairly saturated. The retail per capita of Castle Rock is slightly below its competitive set, but higher than the Denver metropolitan statistical area (MSA), as shown in **Table 23**. Further, Castle Rock already has significant nodes of specialty retail, including Lifestyle Center and Outlet Center nodes, as shown in **Table 24**.

Again, the analysis suggests the importance of proposed development differentiating itself from the existing market and importance of the other aspects of the proposed program to the success of the retail. In particular, EPS believes that it the hotel and conference center will be of importance to bring traffic and patrons to the retail.

Table 23
Castle Rock Retail Square Footage per Capita in Comparison to Competitive Set

Description	Castle Rock	Comparable Cities				Denver MSA
		Lone Tree	Longmont	Loveland	Parker	
Inventory (Sq. Ft.)	3,839,948	3,634,625	6,722,914	6,383,963	4,292,006	149,745,147
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>	<u>2,814,330</u>
Sq. Ft. per Capita	74	292	75	89	91	53

Source: CoStar; US Census; Economic & Planning Systems

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Table 24
Retail Inventory by Type

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory					
General Retail	1,563,571	1,046,652	2,359,085	2,545,103	1,351,187
Strip Center	160,378	96,506	405,498	232,057	345,955
Neighborhood Center	823,833	342,898	1,081,708	659,628	709,717
Community Center	350,028	517,852	1,408,205	1,152,823	963,904
Lifestyle Center	479,737	0	470,600	638,684	0
Outlet Center	477,998	0	0	0	198,012
Power Center	0	263,474	838,373	1,155,668	723,231
Super Regional Mall	0	1,367,243	0	0	0
Total	3,855,545	3,634,625	6,563,469	6,383,963	4,292,006

Source: CoStar; Economic & Planning Systems

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Office

The development proposal includes 480,000 square feet of office space built in two phases. There is currently no significant amount of Class A professional office space in the Castle Rock area; the Project therefore would be a major economic development element for the Town.

Competitive Analysis

A comparison to historic delivery rates of office development also suggests that the proposed program is outside the business as usually development trends for Castle Rock and its competitive set, and that the proposed office program would be a significant amount for the market to absorb. **Table 25** presents Miller's Landing office broken out by phase. As with the retail analysis, the table shows the number of years that it would take for the development to become fully absorbed based on historic rates of deliveries from 2010 to 2016 and assuming the best case scenario of a 100 percent capture rate of the historic rate. The analysis finds that Phase 2 and Phase 4 would be absorbed between two and thirty-two years based on the competitive set. Using Castle Rock specific rates, the analysis estimates that the program would take eight years to absorb under a 100 percent capture scenario and 16 years to absorb under a 50 percent capture scenario. While historic delivery rates suggest that the development may take a number of years to absorb, there are a number of examples of office parks of similar size to the proposed program in the competitive set being delivered in short timeframe.

Outside of the question of absorption, **Table 26** lists major office park development over 100,000 square feet that have been development since 2000. While Castle Rock currently does not include such an office park, the analysis again suggests that there is opportunity for such a development.

Table 25
Years to Absorption based on Historic Office Deliveries

Description	Phase 2 2019	Phase 4 2021
Program	250,000	230,000
Years until Absorption [1]		
Castle Rock	8	8
Lone Tree	2	2
Longmont	18	17
Loveland	6	6
Parker	32	29

[1] Years to absorption calculated based on average retail deliveries from 2010 to 2016. Assumes 100% capture.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

H:\173010-Castle Rock Millers Landing TIF Analysis\Data\173010-CoStar_v2.xlsx\T-Office Absorption

Table 26
Major Office Parks, 2000-2016

Description	Most Recent Delivery	Rentable Building Area
Lone Tree		
Park Meadows Corp Center	2003	300,695
Park Ridge Corporate Ctr	2004	397,071
Lincoln Station	2008	210,787
Sky Ridge Medical Center	2015	343,964
Longmont		
Creekside Business Park	2001	257,955
Front Range Office Park	2002	106,336
Loveland		
Medical Center of the Rockies	2008	160,303
Rangeview	2010	235,145
Centerra	2016	350,365
Parker		
Meridian Commons Office Park	2008	115,362

Source: CoStar; Economic & Planning Systems

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In addition to examples of similar types of office parks in the competitive set, an analysis of the per capita square footage of office in Castle Rock compared to the competitive set reveals a potential opportunity to attract office users to the market. Based on this metric, Castle Rock lags behinds Longmont and Loveland and has similar office inventory to Parker, as shown in **Table 27**. Lone Tree once again represents an outlier due to its low population. Given the site's access to I-25 and proximity to both Denver and DIA, the site should be able to attract a large office user.

Table 27
Castle Rock Office Square Footage Comparison

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory (Sq. Ft.)	1,072,746	2,780,556	2,768,647	2,639,876	1,032,013
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>
Sq. Ft. per Capita	21	223	31	37	22

Source: CoStar; US Census; Economic & Planning Systems

H:\173010-Castle Rock Millers Landing TIF Analysis\Data\173010-CoStar_v2.xlsx\T-Office Per Capita

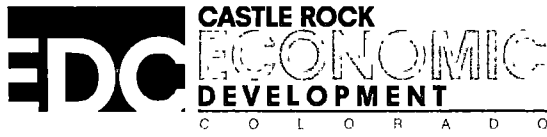
Table 28
Historic Delivery of Commercial Development

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2006-2016		2010-2016	
												Total	Ann #	Total	Ann #
HOTEL [1]															
Castle Rock	0	0	0	0	0	0	0	0	0	54,280	0	54,280	4,935	54,280	7,754
Lone Tree	0	0	0	0	80,812	0	0	64,000	0	0	0	144,812	13,165	144,812	20,687
Longmont	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loveland	0	0	307,636	0	0	0	0	0	0	0	80,000	387,636	35,240	80,000	11,429
Parker	50,000	0	0	0	0	0	0	0	0	0	0	50,000	4,545	0	0
RETAIL															
Castle Rock	76,807	244,919	31,038	13,192	4,318	28,244	17,332	42,367	4,945	29,587	152,564	645,313	58,665	279,357	39,908
Lone Tree	74,869	11,090	5,556	55,488	49,433	0	0	116,029	0	0	12,615	325,080	29,553	178,077	25,440
Longmont	923,576	184,067	93,725	11,182	0	215,764	0	8,074	52,117	299,550	191,144	1,979,199	179,927	766,649	109,521
Loveland	238,628	623,397	17,582	10,535	38,384	13,272	8,104	12,063	67,879	0	39,124	1,068,968	97,179	178,826	25,547
Parker	222,937	267,529	328,753	21,440	22,466	3,010	18,841	0	3,798	180,493	95,289	1,164,556	105,869	323,897	46,271
OFFICE															
Castle Rock	41,000	70,852	57,164	22,600	0	0	0	85,900	39,527	10,171	77,800	405,014	36,819	213,398	30,485
Lone Tree	41,157	9,080	288,711	92,960	0	0	0	275,000	380,000	308,505	0	1,395,413	126,856	963,505	137,644
Longmont	80,808	27,544	16,718	0	46,384	7,500	0	0	3,084	0	39,600	221,638	20,149	96,568	13,795
Loveland	147,055	211,099	171,733	139,996	85,800	38,817	30,579	0	16,779	0	101,376	943,234	85,749	273,351	39,050
Parker	42,125	19,072	157,204	89,989	25,899	15,375	0	0	0	0	13,368	363,032	33,003	54,642	7,806

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

H:\173010-Castle Rock Millers Landing TIF Analysis\Data\173010-CoStar_v2.xlsx\T-Commercial Summary



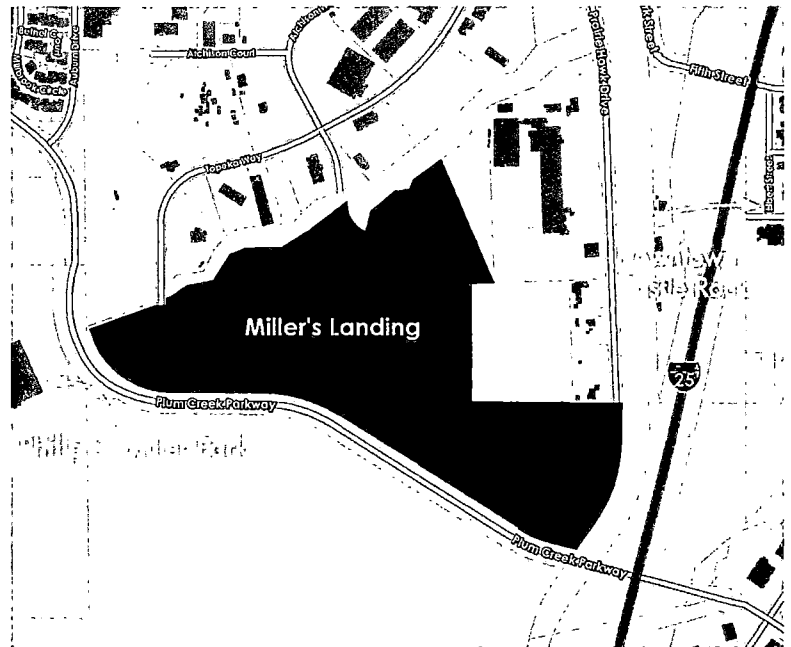
What is Miller's Landing?

Miller's Landing is a proposed 877,000-square-foot, mixed-use development on 65 acres at the northwest corner of Interstate 25 and Plum Creek Parkway. The development plan has not been finalized, but estimated uses by square footage are at right.

What is Town Council considering, and why?

Town Council is considering an agreement in which local property-taxing entities would provide 100 percent of new property tax revenue and in which the Town would provide 60 percent of sales tax revenue generated by the development back to the project to:

- Pay for the remediation of a former landfill on the site
- Construct various public improvements
- Incentivize the development of a full-service conference hotel and office space as part of the project
- Limit the amount of retail to 100,000 square feet until a full-service hotel is operating and limit the amount of retail to 250,000 square feet until 150,000 square feet of office space is built



Planned use	Estimated square footage
Hotel/conference	165,000
Retail	232,000
Office	480,000
TOTAL	877,000*

Source: Citadel Development LLC

*These estimates are not limits but reflect the most recent plan from the proposed developer

What are the top five benefits a fully developed Miller's Landing WOULD BRING TO CASTLE ROCK?

- 1) The development would bring a minimum 250-room, full-service conference hotel and other amenities to Town
- 2) The project would provide at least 150,000 square feet of office space to bring new primary jobs to Castle Rock
- 3) The developer would remediate an old landfill on the site, estimated to cost \$12 million
- 4) The project would improve public infrastructure estimated to cost \$56 million, including widening Plum Creek Parkway, extending Prairie Hawk Drive across the site, connecting Philip S. Miller Park and Downtown by trail and adding public parking to the area
- 5) The development would maximize the potential of the land at this undeveloped interchange, which would generate tax revenue to help support community services like public safety, transportation and parks maintenance for years to come

Turn this sheet over to learn more about the proposed agreement. The full agreement is posted at CRgov.com/MillersLanding. The Town will issue updates at key decision points. Sign up for general Town announcements at CRgov.com/NotifyMe.

More about the proposed Miller's Landing

PUBLIC FINANCE AGREEMENT

The agreement would serve two primary purposes:

- 1) It would allow the Miller's Landing Business Improvement District to issue bonds to finance the remediation of the landfill and to construct public improvements for the project.
- 2) It would assure remediation of the landfill by June 30, 2020, and would incentivize development of a full-service hotel and conference facilities – as well as office space – as part of the project

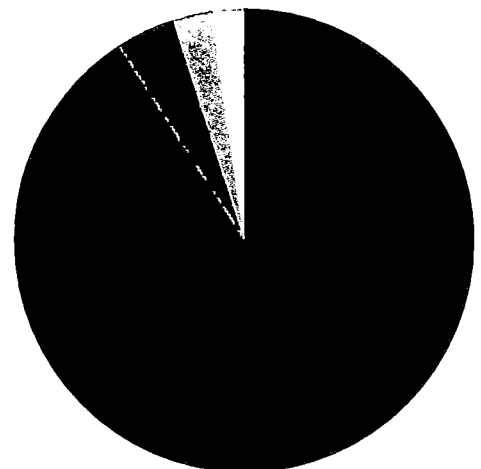
Further, the agreement would discourage relocations of large businesses that already exist within Town.

► The agreement would not commit any Town debt nor current Town revenue to the project

Miller's Landing's proposed financing

- **Private investment** estimated at \$350 million to \$500 million would comprise the bulk of the funding necessary to construct the development.
- The development would generate **new property tax (increment, or "TIF")***, 100 percent of which would be returned to the project for up to 23 years in an amount not to exceed \$64 million. This is estimated to generate \$19 million in project funds.
- A Business Improvement District would impose a **special property tax*** within the development, which could generate up to \$50 million and which is estimated to generate \$15 million in project funds.
- The Town is considering sharing back to the development 2.4 percent of its 4 percent sales tax within the development for up to 25 years and in an amount not to exceed \$56 million; this is known as a **credit PIF*** and is estimated to generate \$12 million in project funds. The Town would retain the remaining 40 percent of the new sales taxes to help fund Town services, estimated to total \$40 million during the share-back period. When the bonds are paid off, 100 percent of this revenue would go to the Town to support Town services.
- The developer would impose a **public improvement fee (PIF)*** of up to 1.25 percent on taxable transactions. This could generate up to \$30 million and is expected to generate \$9 million in project funds.

Estimated project funds**



Private investment	86%
TIF	5%
Special property tax	4%
Credit PIF	3%
PIF	2%

***Estimates are from the Public Finance Review prepared by EPS*

**These revenue streams will be combined into bond offerings issued by the Miller's Landing Business Improvement District.*

Other items of note about the proposed project and agreement:

- The developer, Citadel Development LLC, would front the funding to build the project. There is no risk to the Town, because if the developer does not perform, the Town would not have any financial commitment to the project.
- The land in question has been idle since 1979, when it ceased operating as a landfill. In 2014, the Castle Rock Urban Renewal Authority (URA) designated the area as blighted, due to the landfill. This designation allows for additional tax-sharing for projects at the site to foster economic development. Douglas County, Douglas County Schools, Douglas County Libraries and the Cedar Hill Cemetery District support the proposed tax-sharing arrangement.
- The Town hired a third-party expert, Economic & Planning Systems Inc. (EPS), to verify the need for the proposed tax-sharing arrangement.



MILLER'S LANDING PUBLIC FINANCE REVIEW - EXECUTIVE SUMMARY

Background

The Town of Castle Rock, through its urban renewal authority (URA), has been approached by a private developer to implement a public-private development partnership (P3) on a 66-acre parcel of land near the Plum Creek I-25 interchange. Citadel Development LLC (Developer) has a contract to purchase the property which includes a former municipal landfill site in need of remediation. The proposed Project is an ambitious mixed use development named Miller's Landing, including a high-end full-service hotel with conference space, as well as additional destination retail uses and professional office development sites.

The Developer is proposing to undertake the required redevelopment mitigation work as well as to construct the major trunk infrastructure needed to develop the property under a proposed P3 agreement at no risk to the City. A Business Improvement District (BID) was formed to undertake the infrastructure and remediation work partially funded by tax increment revenues from the URA and a credit public improvement fee from the Town.

The Town of Castle Rock (Town) retained Economic & Planning Systems (EPS), a full service economic consulting firm with offices in Denver, CO, to provide an independent third-party market review of the finance agreement. This Executive Summary summarizes the **key findings** of EPS's independent review of the Project, which EPS has divided into three major tasks:

- **Development Program and Market Assumptions** – Verification of the supportable land and market values, associated property and sales tax values, and absorption estimates upon which the Project financing plan is based.
- **Financial "But For" Analysis** – A "But For" financial analysis of the Developer's financing plan to determine 1) "but for" the public investment the Project is financially infeasible, and 2) with public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated level of developer risk.
- **Project Benefits and Risks**– An assessment of the economic development benefits of the Project to the Town and evaluation of any associated financial risks.

Development Program and Market Assumptions

Absorption Rate and Market Conditions

The proposed program and the assumed absorption rates are well above historic development rates in Castle Rock, and the success of the development likely depends on the Developer's ability to attract large hotel and office anchor tenants. Class A office and full-service hotels would be the first of their kind, both in use and scale, in the Town, and are largely untested in the Castle Rock market. However, this type of development program has precedents in communities comparable to the Town, and the lack of significant development may be an indicator of a gap in the market.

While hotel and office are untested, the retail market in Castle Rock is fairly saturated. Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the Castle Rock Outlets and the Promenade at Castle Rock project, which is only about 50 percent complete. The Town's community serving retail is also more heavily concentrated on the north end, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses, which the developer has proposed. These types of uses would be complementary to both the hotel and office uses as well as the park and recreational facilities adjacent to the development.

Construction Costs and Eligibility

The Developer has estimated project costs of \$72.1 million, including \$8.5 million in land costs, \$54.7 million in construction costs, and \$8.9 in operating expenses. Approximately \$60 million of the land and construction costs are related to public infrastructure improvements to be built by the BID and, as such, eligible for public financing. The Developer has provided documentation from its technical team to verify the estimates of public improvements.

Financial "But For" Analysis

Financial Returns

Without public financing, the Developer estimates that the Project will earn negative \$37.7 million and, as a result, will not be viable. With the complete public financing package requested by the Developer, the Project is estimated to make \$11.4 million in profits with the Developer achieving a return of 19.6 percent. A return of approximately 20 percent is a reasonable return for a land development project of this size and scale and level of market risk. In short, "but for" the public financing, the Project would not be viable.

Project Benefits and Risks

Economic Development Benefits

The proposed Miller's Landing Project is an ambitious undertaking that has the potential to address a number of key economic development objectives of the Town:

- Remediate the Town municipal landfill enabling full utilization of the subject property;
- Provide a location for Class A office space to attract business and professional service tenants;
- Attract a full-service 4-star hotel with conference, meeting and banquet space; and
- Develop destination retail/entertainment and recreation uses that bring new customers and that do not compete with existing retailers in the Town.

Development Risks

The Project would be new and unique to Castle Rock and therefore there is not sufficient historical development trend data upon which to base an estimate of absorption. The ultimate buildout of the Project may therefore take longer than anticipated by the Developer, and may also end up having a somewhat different allocation of space by land use category. However, in our opinion, the Town has proposed appropriate and reasonable minimum thresholds on the development of hotel and office uses to ensure that its basic economic development objectives are met. The proposed development agreement also provides defined triggers as to when the Developer can receive the requested public financing revenues. The property needs to be fully remediated and a full-service hotel property acquired with the first phase of development. The Town is also not front-ending any financing and the risks of slower absorption and corresponding slower TIF and/or PIF revenues are borne by the Developer.

MEMORANDUM

To: Dave Corliss, Town of Castle Rock, CO

From: Dan Guimond and Elliot Kilham
Economic & Planning Systems

Subject: Miller's Landing Public Finance Review; EPS# 173010

Date: February 28, 2017

The Economics of Land Use



This memorandum summarizes Economic & Planning System's (EPS) review and analysis of the proposed Public Finance Agreement for the Miller's Landing Project, a proposed mixed-use development located adjacent to the Plum Creek I-25 Interchange in Castle Rock, Colorado.

Background

The Town of Castle Rock, through its urban renewal authority (URA), has been approached by a private developer to implement a public-private development partnership (P3) on a 66-acre parcel of land near the Plum Creek I-25 interchange. Citadel Development LLC (Developer) has a contract to purchase the property which includes a former municipal landfill site in need of remediation. The proposed Project is an ambitious mixed use development named Miller's Landing, including a high-end full-service hotel with conference space, as well as additional destination retail uses and professional office development sites.

The Developer is proposing to undertake the required redevelopment mitigation work as well as to construct the major trunk infrastructure needed to develop the property under a proposed P3 agreement at no risk to the City. A Business Improvement District (BID) was formed to undertake the infrastructure and remediation work partially funded by tax increment revenues from the URA and a credit public improvement fee from the Town.

The initial review of the Project by the URA indicates that it has the potential to be a significant economic development driver for the community. The Town retained EPS to provide an independent third party review and additional analysis of the Project.

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303 623 3557 tel
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www.epsys.com

173010-Memorandum-Miller's Landing Public Finance Review_3-2-2017 with edits

EPS' analysis of the Project includes three major tasks as follows:

- Verification of the supportable land and market values, associated property and sales tax values, and absorption estimates upon which the Project financing plan is based and the associated development pro forma quantifying a financing gap and need for public assistance.
- A "But For" financial analysis of the Developer's and BID's financing plan to determine 1) "but for" the public investment the Project is financially infeasible, and 2) with public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated level of Developer risk.
- An assessment of the economic development benefits of the Project to the Town and evaluation of any associated financial risks.

EPS has extensive experience working for cities, towns, and URAs evaluating market and financial components of public-private development proposals involving TIF, metropolitan and other special districts, and other economic development incentives. Our analysis of market conditions relies on our recent project experience in Castle Rock as well as elsewhere in the Colorado Front Range along the I-25 Corridor. We also have a current understanding of property and sales tax values in Castle Rock having completed an independent analysis of revenue projections for the Promenade at Castle Rock Metropolitan District revenue bonds issued by DA Davidson.

Public Financing Request

The Developer of Miller's Landing has requested a significant public finance package from the Town of Castle Rock and the Castle Rock URA including the following components:

- **Tax Increment Financing** – 100 percent property tax increment from all taxing entities in the Town of Castle Rock, as enabled by the URA, including Douglas County, Douglas County School District, and the Town of Castle Rock. The Town's URA approved an urban renewal plan on the site on September 2014, making the Project eligible for TIF for which the 25-year clock was triggered in 2014. As a result, each subsequent year without development the Town loses potential development incentives. This "ticking clock" adds a sense of urgency to the Project.
- **Credit Public Improvement Fee (PIF)** – A 2.4 percent "credit" PIF, which results in a 60 percent reduction of the Town's 4 percent sales tax rate.

In addition, the Developer intends to generate additional financing revenues from the formation of a special district and the imposition of a privately imposed fee applied to the Citadel Station-Castle Meadow Urban Renewal Plan area as follows:

- **Business Improvement District (BID)** – A 50 mill property tax levy against all property owners for eligible capital improvements as well as an additional 10 mill levy for operations and maintenance (O&M).
- **Add-on PIF** – A 1.25 percent "add-on" PIF to be applied over and above the existing sales tax and credit PIF.

Table 1
Miller's Landing Public Finance Request

Vehicle	Request	Payer
URA	100% of property tax increment 2.4% Credit PIF (60% of 4% sales tax)	URA Town
BID	50 mills on property tax levy for capital 10 mills on property tax levy for O&M	Property-owners
PIF	1.25% add-on PIF to sales tax	Public/Patrons

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Development Program

The proposed Miller's Landing Project is located on 66 acres of land made up of the Citadel and Castle Meadows parcels near the Plum Creek I-25 Interchange in Castle Rock, as shown in **Table 2**. The site is also adjacent to Philip S. Miller Park, a 300 acre public park with a recreation center, amphitheater, adventure park, and extensive hiking and bike trail system. Its proximity to the highway interchange and the park has the potential to add significant attraction and draw to the proposed Project. The Developer has executed purchase sale agreements (PSA) for the two parcels comprising the Project site.

In addition, the property has also been rezoned from Industrial One (I-1) to Interchange Overlay District (IOD) which allows for a mixed-used and flexible development program at higher densities. As part of the proposed development agreement, the Town has excluded residential from the site, and limits the amount of retail the Developer can build until minimum thresholds of office and hotel uses are completed.

Table 2
Parcel Information

Description	Acres	Sq. Ft.	% Area
Parcel Information			
Citadel	48.19	2,099,156	73%
Castle Meadows	<u>17.78</u>	<u>774,497</u>	<u>27%</u>
Subtotal	65.97	2,873,653	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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The Developer has proposed an ambitious program. Importantly for the Town, the program includes a full-service hotel with conference space and Class A office development. The bond revenue model includes a 250-room hotel and 480,000 square feet of office employment. However, in interviews, the Developer has suggested that the hotel could be larger. For purposes of contractual commitment, the Developer is committing to a pad site for a 250-room hotel with a minimum of 10,000 square feet of conference space. This allows the developer flexibility in seeking a wider range of hoteliers in negotiations.

In addition to the hotel and conference space and office development, the proposed program includes a mix of retail, entertainment, and food and beverage uses. The Developer has suggested that the retail will be "destination retail" with a focus on uses that are synergistic with both the hotel and the recreation use of Philip S. Miller Park. The goal is that, taken together, the mix of hotel, retail, entertainment, and restaurants will create an "experiential lifestyle district" that is distinct from the other retail and restaurants in the area and will be a unique draw to Castle Rock.

The development is organized into four distinct phases, with overlap in years. Phase 1 includes the hotel and the initial retail development. Phase 2 includes the initial office development, located in closest proximity to the highway interchange. Finally, Phase 3 is primarily retail, and Phase 4 is primarily office with a little retail. **Table 3** and **Figure 1** summarize the Developer's program by phase.

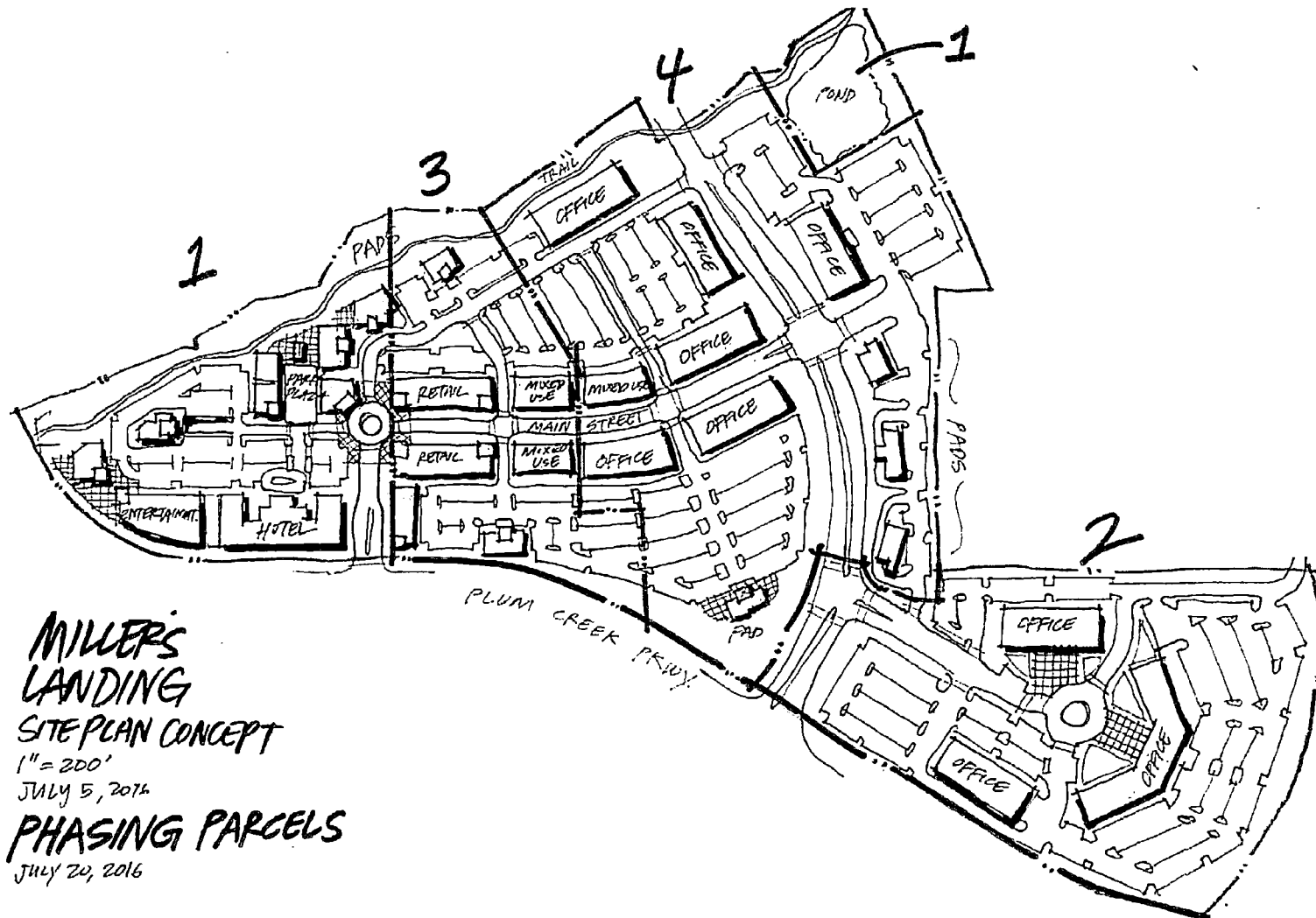
Table 3
Miller's Landing Program by Phase (Based on Bond Revenue Underwriting and Pro Forma)

Description	Phase 1 2019	Phase 2 2021	Phase 3 2022	Phase 4 2022/3	Total
Program					
Hotel & Conference	165,000	0	0	0	165,000
Retail	24,000	0	120,000	30,000	174,000
Entertainment	24,000	0	0	0	24,000
Food and Beverage	34,000	0	0	0	34,000
Office	0	<u>250,000</u>	0	<u>230,000</u>	<u>480,000</u>
Subtotal	247,000	250,000	120,000	260,000	877,000

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Figure 1
Miller's Landing Phasing Diagram



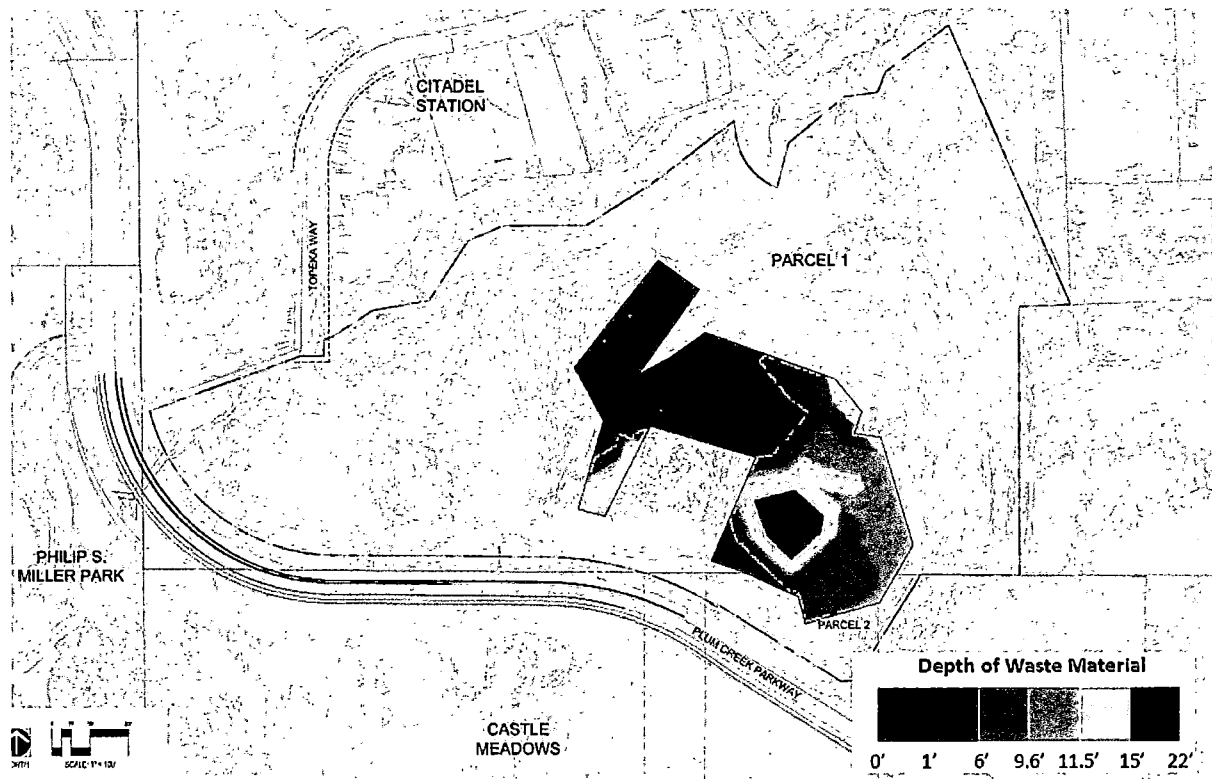
Public Improvements

This section outlines the public improvements that are eligible to be funded by public sources. The most significant is an old Town dump facility that must be remediated before any substantial development can occur (**Figure 2**). The Developer has fully delineated the extent of the contamination and estimates the cost of the remediation to be approximately \$10 million. Given the environmental liability to the Town and limitations on development imposed by the landfill, the proposed remediation is perhaps the key public infrastructure improvement and benefit justifying the public contributions to the Project.

The plan incorporates a number of infrastructure improvement and public amenities in addition to the land fill remediation. These include:

- Roadway networks, including two intersections, and a lane extension on Plum Creek Drive and a road extension of Prairie Hawk Drive
- Public parking and overflow parking for Philip S. Miller Park
- Storm drain and storm water management infrastructure
- Sanitary sewer and water infrastructure
- Industrial ditch
- Open space

Figure 2
Miller's Landing Site with Contaminant Delineation



Market Values and Assumptions

The section reviews: (1) market conditions and absorption assumptions, which affect timing of cash flows for both the Developer and bond investors; (2) land sale prices and cost of development, which affect revenue and expense projections outside of the financing decisions of the Project; and (3) public finance inputs, including property tax and sales tax assumptions, which affect the level of bond capital that the Project can raise. Ultimately, the inputs affect the level of return for the Project, and the section provides perspective on the likelihood that the Developer is able to achieve the return reported in its financial documents.

The Developer has not provided a market study substantiating the land and market values, associated property and sales tax values, and absorption estimates upon which the Project financing plan is based. EPS has reviewed and evaluated the values used based on available secondary data and its knowledge of the Castle Rock and larger Front Range market.

Absorption Rate and Market Conditions

Project absorption rates affect how soon the district will start generating public financing revenues and cash flows. **Table 4** presents the proposed Miller's Landing program square footage and year in which this programming is projected to come online. In Year 2, the development is projected to absorb a 165,000 square feet hotel with 250 rooms, 82,000 square feet of retail, entertainment, and restaurants, and 250,000 square feet of office. In Year 4 (Phase 3), the development is projected to absorb 230,000 square feet of office. Finally, in Years 5 and 6, the development is projected to absorb 150,000 square feet of additional retail/entertainment uses.

It is important to note that the IOD zoning provides a great deal of flexibility in the allowable mix of uses. The development plan may therefore evolve and include more hotel and/or retail uses and less office or vice versa. The proposed development agreement however establishes a number of key triggers to ensure that the Project remains consistent with the Town's economic development objectives.

- No more than 100,000 square feet of retail can be built prior to a full service hotel with at least 250 rooms and 10,000 square feet of conference space.
- No Credit PIF revenues will be pledged until closing of the property for the full-service hotel.
- Retail space is capped at 250,000 square feet until at least 150,000 square feet of office is completed.

Table 4
Miller's Landing Development Program

Description	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	0	1	2	3	4	5	6	
	2017	2018	2019	2020	2021	2022	2023	
Hotel & Conference	0	0	165,000	0	0	0	0	165,000
Retail	0	0	24,000	0	0	120,000	30,000	174,000
Entertainment	0	0	24,000	0	0	0	0	24,000
Food and Beverage	0	0	34,000	0	0	0	0	34,000
Office	0	0	250,000	0	230,000	0	0	480,000
Total	0	0	497,000	0	230,000	120,000	30,000	877,000

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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EPS has researched the historic development trends of Castle Rock and four comparable exurban communities in the Denver market area. These communities are referred to as the comparable cities from here on and include: Lone Tree, Longmont, Loveland, and Parker, Colorado. (This section presents a summary and the key takeaways from this market assessment. The full research is presented in **Appendix A.**)

When compared to the historic development rates in Castle Rock and the comparable cities, EPS finds the assumed absorption rates to be aggressive, although not completely unprecedented. **Table 5** presents the most optimistic annual absorption rate assumption used in the Developer's financial analysis and compares this to the historic and maximum delivery rates of Castle Rock and the comparable cities in its competitive set. In terms of average rates, the development would generally have to capture many times more than the historic market average for retail and office. In Castle Rock, for example, for the Project to meet the retail absorption assumptions modeled in Year 4 of the pro forma and the office absorption assumptions modeled in Year 5, it would have to capture 205 percent of historic annual retail deliveries and 679 percent of historic annual office deliveries in the Town over the last 10 years. These Project absorption rate assumptions look a little more reasonable when compared to maximum deliveries, where in Castle Rock, for example, the Project would only have to capture 49 percent of maximum delivery. The numbers look worse for office, though there are examples of Projects of similar size.

The hotel is different in that the Project is only looking to attract one tenant. However, a 250-room hotel (165,000 square feet) is large when compared to the historic maximum delivery in the comparable cities. The largest hotel built in the last 10 years in the comparable cities is the 300-room 4-Star Embassy Suite Hotel with 40,000 square feet of conference space built in Loveland in 2008.

For retail sales, the Developer models a more conservative revenue estimate by assuming that the retail will not reach full occupancy until three years after land sales, in essence modeling a three year absorption rate. While more realistic, this absorption rate is still fairly aggressive. Moreover, the Developer does not apply these same conservative factors to property tax revenue estimates, which, in the end, account for a larger portion of the public finance contribution.

Table 5
Annual Project Absorption Compared to Historic Deliveries

Description	Average Deliveries (2006-2016)			Max Deliveries (2006-2016)		
	Hotel	Retail	Office	Hotel	Retail	Office
Program	<u>Year 1</u>	<u>Year 5</u>	<u>Year 4</u>	<u>Year 1</u>	<u>Year 5</u>	<u>Year 4</u>
Assumed Absorption	165,000	120,000	250,000	165,000	120,000	250,000
Historic Deliveries						
Castle Rock	4,935	58,665	36,819	54,280	244,919	85,900
Lone Tree	13,165	29,553	126,856	80,812	116,029	380,000
Longmont	0	179,927	20,149	0	923,576	80,808
Loveland	35,240	97,179	85,749	307,636	623,397	211,099
Parker	4,545	105,869	33,003	50,000	328,753	157,204
Percent Market						
Castle Rock	3344%	205%	679%	304%	49%	291%
Lone Tree	1253%	406%	197%	204%	103%	66%
Longmont	—	67%	1241%	—	13%	309%
Loveland	468%	123%	292%	54%	19%	118%
Parker	3630%	113%	758%	330%	37%	159%

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems
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Given this context, the success of the development likely depends on the Developer's ability to attract large hotel and office anchor tenants. Without attracting such a large anchor tenant and relying instead on the historic trends in Castle Rock, the Project will take longer to absorb.

The Developer is in discussions with a national hotel development firm regarding a proposed full service hotel with additional conference space. The development program used in the pro forma analysis includes a 250-room hotel with 10,000 square feet of conference space. The Developer has also indicated that it is also pursuing a larger and more unique destination hotel/resort property.

The Castle Rock market to date is primarily composed of limited service hotels without a significant conference, banquet, or event space. There is clearly a need and desire for a full service property with a higher level of amenities. It is unclear however, given the lack of a competitive local inventory, how soon and how large a hotel may be built on this site, and, as noted above, the proposed development agreement between Miller's Landing and the Town would require that a full-service hotel with a minimum of 250 rooms and 10,000 square feet of conference space be completed before more than 100,000 square feet of retail can be built.

The retail market in Castle Rock in particular is already fairly saturated. Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the 478,000 square foot Castle Rock Outlets and the 1.0 million square foot Promenade at Castle Rock project, which is only about 50 percent complete. The Town's

community serving retail is also more heavily concentrated on the north end, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses proposed. However, there is more uncertainty surrounding how fast this type of retail space might develop. Destination retail/entertainment uses would likely be developed in a "lumpy" fashion in larger increments.

If completed at the proposed or larger level, the hotel portion of the Project would be a major anchor and help catalyze the additional proposed uses including the destination retail and office development. While EPS believes that while the office development is viable with or without the complementary hospitality and retail uses, the level of retail proposed is likely only viable with a successful hotel and conference center.

Market Value and Sales Tax Assumptions

Table 6 summarizes the property and sales tax assumptions used by the Developer in the bond model. EPS finds that these assumptions are reasonable assumptions, especially given that the retail, food and beverage, and entertainment portions of the program are still not full-detailed. Once more specific tenant selection begins, the percent taxable sales for different uses may decrease. In particular, service tenants are not subject to sales tax. A reduction in this taxable rate will in turn reduce public finance revenues and the resulting level of bond issuance.

Table 6
Property and Sales Tax Assumptions

Description	Property Tax		Sales Tax (PIF)		
	Unit	Market Value (2015 \$ per Unit)	Sales (2015 \$ per Sq. Ft.)	Occupancy (Yr1, Yr2, Yr3)	Taxable % Sales
Retail/Food and Beverage	Sq. Ft.	\$100	\$250	50%, 65% ,100%	100%
Entertainment	Sq. Ft.	\$200	\$500	50%, 65% ,100%	100%
Office	Sq. Ft.	\$200	---	---	---
Hotel & Conference	Room	\$80,000	\$150	50%, 60% ,70%	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Land Sales

Land price per square foot assumptions affect the total revenues that the Developer can raise from land sales. The Developer's financial model lists land sale prices by phase with prices ranging between \$11.00 and \$13.00 per square foot. To test these assumptions, EPS created a range of likely land sale prices based on interviews with developers and CoStar data. EPS established prices by different commercial types, as shown in **Table 7**. EPS then calculated a land price per square foot per phase based on a weighted average of the different uses in each phase by square foot, as shown in **Table 8**.

Table 7
Land Price per Sq. Ft. by Land Use Type

Description	EPS Consensus		
	Lower	Upper	Average
Retail	\$7	\$10	\$9
Entertainment	\$7	\$10	\$9
F&B	\$14	\$31	\$22
Office	\$4	\$8	\$6
Hotel & Conference	\$12	\$14	\$13

Source: Costar; Economic & Planning Systems

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In its research, EPS found that a land price per square foot between \$11.00 and \$13.00 is reasonable for retail, entertainment, food and beverage, and hotel uses. The range is slightly high for retail and entertainment, low for food and beverage, and just about average for hotel use. Phases 1 and 3 are primarily made up of these components. As a result, the Developer's land price most closely matches EPS's consensus in these phases. The ultimate land price per phase will depend on the relative proportion of retail, entertainment, hotel, and food and beverage. For example, a higher proportion of upscale restaurant/bar will increase the price of the land. It is likely that the mix of potential tenants is still in flux as the Developer looks to find potential tenants.

The range of \$11.00 to \$13.00 is high for office development when compared to EPS research into recent office sales in the comparable cities surveyed. EPS found that in these exurban office locations recent sales typically range between \$4 and \$8 per square foot. The office land values reflect the size of office buildings being built, and the land value is ultimately determined by the value per buildable square footage. Miller's Landing will have the ability to achieve higher values in later phases if the site is established and larger office buildings are marketable.

Further, the property tax applied by the BID is essentially an extra cost passed on to prospective tenants in the district. This extra cost will be factored into the investment decision of these tenants and in turn the investment decision of the horizontal developers, ultimately deflating the price that they will be willing to pay for land. As a result, EPS believes that it is likely the Developer has overestimated its land sale revenues, resulting in higher returns than the Project is likely to achieve.

Table 8
Land Price per Sq. Ft. by Phase

Description	Program	EPS Consensus [1]		
		Lower	Upper	Average
Phase 1	\$12.00	\$9.91	\$18.73	\$14.32
Phase 2	\$13.00	\$4.00	\$8.00	\$6.00
Phase 3	\$13.00	\$7.00	\$10.24	\$8.62
Phase 4	\$11.00	\$4.35	\$8.26	\$6.30

[1] Calculated based on the weighted average of different land uses in each phase.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Construction Costs and Eligibility

Construction costs and expenses will obviously affect project cash flows. In this case, the Developer has divided expenses into two categories: operating expenses and investment expenses. Operating expenses account for cost associated with the administration of the development entity and the horizontal development, and includes general and administration (G&A) expenses, developer operation expenses, and property taxes. In total, operating expenses are approximately \$8.9 million or 12 percent of total costs. Investment expenses include those associated with land purchases and horizontal development. These costs are estimated to be \$63.2 million. In total, the development expenses equal \$72.1 million, as shown in **Table 9**.

However, project costs also determine the level of eligible project financing. There are a number of rules defined by the URA and special district statutes regarding eligible public expenses, but general remediation and trunk infrastructure are eligible. The Developer's model includes \$52.6 million of reimbursable costs, which sets the upper range of the bond financing. To justify this level of eligible public improvement costs, the Developer included documentation of these costs estimates from its technical team in its submittal to EPS. **Table 10** summarizes the eligible costs from this documentation, and includes a total of \$62.7 million of reimbursable expenses.

In addition to cost eligibility, the projected public finance revenues from property and sales tax will also limit the amount of reimbursement. In the financial information submitted by the Developer, the current estimated Project funds from bond issues are projected to be \$55.7 million, which is 3.1 million higher than the current projected reimbursable Project costs of \$52.7 million, but still below the \$62.7 million in the separate cost documentation.

Table 9
Operating and Investment Expenses

Description	Total Expense	% Total	Per Land Sq. Ft.
Operating			
G&A Expenses [1]	\$3,803,797	5%	\$1.32
Developer Operations	\$3,600,000	5%	\$1.25
Property Taxes	<u>\$1,541,907</u>	<u>2%</u>	<u>\$0.54</u>
Subtotal	\$8,945,704	12%	\$3.11
Investment			
Land Purchase	\$8,486,750	12%	\$2.95
Reimbursable	\$515,000	1%	\$0.18
Non-Reimbursable	\$7,971,750	11%	\$2.77
Horizontal	\$54,745,974	76%	\$19.05
Reimbursable	\$52,060,565	72%	\$18.12
Non-Reimbursable	<u>\$2,685,409</u>	<u>4%</u>	<u>\$0.93</u>
Subtotal	\$63,232,724	88%	\$22.00
Total	\$72,178,428	100%	\$25.12
Reimbursable	\$52,575,565	73%	\$18.30
Non-Reimbursable	\$19,602,863	27%	\$6.82

[1] Prices include a 2% escalation rate per year.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 10
Eligible Public Improvement Costs

Description	Amount	% Total
Public Infrastructure	\$52,743,914	84%
Public Amenities	\$543,257	1%
Land	\$5,491,730	9%
<u>Fees</u>	<u>\$3,950,186</u>	<u>6%</u>
Total	\$62,729,087	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Financial "But For" Analysis

The Developer provided EPS with the necessary financial information including its own pro forma analysis (on a confidential basis) and documentation on its bond revenue estimation. EPS used this information to construct its own financial model to evaluate the Project against acceptable measures of return for public investment in real estate projects. In its analysis, EPS calculated the Developer's returns without public investment to determine if (1) "but for" the public investment the Project is financially infeasible and (2) with the public investment the Project is feasible with a reasonable rate of return given current financial conditions and the associated level of Developer risk.

In addition to the analysis of financial returns with and without public investment, referred to as the Baseline Model, EPS also calculated the Developer's return under a number of different public finance scenarios. This latter analysis provides the Town insight into the degree each additional layer of public finance contributes to the Project returns.

Baseline Model

Under this baseline scenario, EPS used the financial information provided by the Developer to calculate and present Project returns with and without public finance. This section reviews Project revenues, sources and uses, and the resulting returns.

Project Revenues

The Developer is a horizontal land developer that will remediate the brownfield condition and install trunk infrastructure and then sell development pads to vertical developers. In total, the Developer plans to sell approximately 2.8 million square feet of land for an average of \$11.99 per square foot, as shown in **Table 11**. The Developer's pro forma includes land sales of open space and ROW setbacks for total revenue of \$3 million. The Town understands that the BID will purchase the necessary ROW/open space/easement dedications.

Table 11
Developer Revenues from Land Sales

Description	Total Revenue	% Total	Per Unit	
			Sq. Ft.	Price [1]
Land Sales				
Phase 1	\$5,227,200	15%	435,600	\$12.00
Phase 2	\$10,475,224	30%	774,497	\$13.53
Phase 3	\$4,236,633	12%	307,098	\$13.80
Phase 4	\$11,467,533	33%	963,112	\$11.91
Open Space	\$1,905,475	6%	246,550	\$7.73
ROW, setbacks	\$1,134,532	3%	146,797	\$7.73
Total	\$34,446,596	100%	2,873,653	\$11.99

[1] Prices include a 2% escalation per year.

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Source and Uses

There are three sources of debt financing or leverage for the Project: a land loan, a construction loan, and bond revenue, as shown in **Table 12**. The Developer has assumed that the land loan will be an interest only loan at 50 percent of the cost of the land purchase. The loan will have a term of three years and a 10 percent interest rate. The horizontal construction loan is also assumed to be 50 percent of the development costs, with a five year term and 4.5 percent interest rate. The higher interest rate for the land loan reflects the lack of collateral associated with the land before the completion of remediation and horizontal development. The Developer's investment firm (D.A. Davidson) projects that it will issue two bond series, one in 2018 and the other in 2022, each with a coupon rate of 6.5 percent.

Table 12
Debt Financing

Description	Term	Int. Rate	Amount	Notes
Land Loan	3	10%	\$3,725,000	Interest only; 50% of land cost
Horizontal Construction	5	4.5%	\$26,030,283	50% of development cost
Bond Issue 1	23	6.5%	\$28,152,297	Issued 2018
Bond Issue 2	19	6.5%	\$27,555,481	Issued 2022

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 13 summarizes the sources and uses for the Project. In addition to the debt financing, the Developer will invest \$10.9 million in equity, and land sales will provide \$34.4 million of funds available for the Project. In terms of uses, the Developer estimates that the Project will have \$33.1 million in financing costs, including financing fees, interest payments, and loan repayments as well as \$22.3 million of cash distributable to equity holders in addition to the land, operating, and development costs. The distributable cash account is the balancing account for the uses of Project funds and the source of return for the Developer.

Table 13
Source and Uses

Description	Total	% Total
Sources		
Land Loan	3,725,000	3%
Horizontal Construction	\$26,030,283	20%
URA & BID Bond	\$52,575,564	41%
Equity	\$10,918,908	9%
Land Sales	<u>\$34,446,596</u>	<u>27%</u>
Total	\$127,696,351	100%
Uses		
Land	\$8,486,750	7%
Horizontal Development	\$54,745,974	43%
Operating	\$8,945,704	7%
Financing Costs	\$33,199,955	26%
Distributable Cash	<u>\$22,317,967</u>	<u>17%</u>
Total	\$127,696,351	100%

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Returns

Without public financing, the Project would have negative profits of \$37.7 million and would not be viable. These are the unleveraged cash flows for the Project. However, given its overall negative fundamentals, leverage would not improve Project returns or make the Project viable. With the complete public financing package requested by the Developer, the Project is projected to make \$11.4 million in profits with the Developer achieving a return of 19.6 percent. In short, "but for" the public financing, the Project would not be viable. A return of approximately 20 percent is a reasonable return for a land development project of this size and scale and level of market risk.

Table 14
Leverage and Unleveraged Returns

Description	Unleveraged/Project (without Public Financing)	Leveraged (with Public Financing)
Project Profits	-\$37,731,831	\$11,399,060
IRR	—	19.6%
NPV @ 15% discount	-\$28,860,416	\$1,591,649

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Table 15
Leveraged and Unleveraged Cash Flows

Description	Totals	Year 0 2017	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Year 6 2023
PROJECT CASH FLOWS								
REVENUES								
Land Sales	\$34,446,596	\$0	\$5,227,200	\$0	\$10,475,224	\$4,236,633	\$11,467,533	\$3,040,007
EXPENSES								
Operating								
G&A Expenses	-\$3,803,797	\$0	-\$603,000	-\$615,060	-\$627,361	-\$639,908	-\$652,707	-\$665,761
Development operations	-\$3,600,000	\$0	-\$600,000	-\$600,000	-\$600,000	-\$600,000	-\$600,000	-\$600,000
Property Taxes	-\$1,541,907	\$0	-\$331,008	-\$337,628	-\$314,140	-\$234,734	-\$182,488	-\$141,909
Subtotal	\$34,446,596	\$0	-\$1,534,008	-\$1,552,688	-\$1,541,501	-\$1,474,642	-\$1,435,195	-\$1,407,670
Investing								
Land Purchase	-\$8,486,750	-\$8,486,750						
Reimbursable	-\$515,000	-\$515,000						
Non-Reimbursable	-\$7,971,750	-\$7,971,750						
Horizontal	-\$54,745,974	\$0	-\$10,902,163	-\$10,039,454	-\$13,851,469	-\$3,683,451	-\$3,687,749	-\$12,581,688
Reimbursable	-\$52,060,565	\$0	-\$10,734,913	-\$9,362,571	-\$12,929,273	-\$3,447,040	-\$3,467,940	-\$12,118,828
Non-Reimbursable	-\$2,685,409	\$0	-\$167,250	-\$676,883	-\$922,196	-\$236,411	-\$219,809	-\$462,860
Subtotal	-\$63,232,724	-\$8,486,750	-\$12,436,171	-\$11,592,142	-\$15,392,970	-\$5,158,093	-\$5,122,944	-\$13,989,358
Total	-\$72,178,428	-\$8,486,750	-\$13,970,179	-\$13,144,830	-\$16,934,471	-\$6,632,736	-\$6,558,138	-\$15,397,027
PROJECT CASH FLOWS	-\$37,731,831	-\$8,486,750	-\$7,208,971	-\$11,592,142	-\$4,917,746	-\$921,460	\$6,344,589	-\$10,949,351
IRR	—							
NPV @ 15% discount	-\$28,860,416							
LEVERAGED CASH FLOWS								
DEBT FINANCING								
Land Loan								
Proceeds	\$3,725,000	\$3,725,000	\$0	\$0	\$0	\$0	\$0	\$0
Fees, appraisal, escrows	\$140,675	-\$140,675	\$0	\$0	\$0	\$0	\$0	\$0
Interest reserve	\$93,125	-\$93,125	\$0	\$0	\$93,125	\$0	\$0	\$0
Interest	-\$1,117,500	\$0	-\$372,500	-\$372,500	-\$372,500	\$0	\$0	\$0
Principal repayment	-\$3,725,000	\$0	\$0	\$0	-\$3,725,000	\$0	\$0	\$0
Subtotal	-\$1,258,175	\$3,491,200	-\$372,500	-\$372,500	-\$4,004,375	\$0	\$0	\$0
Construction Loan								
Proceeds	\$26,030,283	\$0	\$5,367,457	\$4,681,286	\$6,464,637	\$1,723,520	\$1,733,970	\$6,059,414
Fees, appraisal, escrows	\$540,454	\$0	-\$540,454	\$0	\$0	\$0	\$0	\$0
Interest reserve	\$292,841	\$0	-\$292,841	\$0	\$0	\$0	\$0	\$292,841
Interest	-\$1,646,044	\$0	-\$241,536	-\$452,193	-\$290,909	-\$77,558	-\$155,587	-\$428,261
Principal repayment	-\$26,030,283	\$0	\$0	-\$10,048,742	-\$6,464,637	\$0	\$0	-\$9,516,904
Subtotal	-\$2,186,498	\$0	\$4,292,626	-\$5,819,650	-\$290,909	\$1,645,962	\$1,578,383	-\$3,592,910
BID and URA Bonds								
Bond Issue 1	\$27,191,000	\$0	\$0	\$20,612,483	\$6,578,517	\$0	\$0	\$0
Bond Issue 2	\$25,384,564	\$0	\$0	\$0	\$0	\$0	\$0	\$25,384,564
Subtotal	\$52,575,564	\$0	\$0	\$20,612,483	\$6,578,517	\$0	\$0	\$25,384,564
Total	\$49,130,891	\$3,491,200	\$3,920,126	\$14,420,333	\$2,283,233	\$1,645,962	\$1,578,383	\$21,791,654
LEVERAGED CASH FLOWS	\$11,399,060	-\$4,995,550	-\$3,288,845	\$2,828,191	-\$2,634,513	\$724,501	\$7,922,972	\$10,842,303
IRR	19.6%							
NPV @ 15% discount	\$1,591,649							

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems
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Scenario Analysis

However, to gain a more accurate estimate with and without public financing, EPS also reviewed Project returns under tiered public finance scenarios. To do this, EPS built a model to estimate bond revenues. This model provides a rough approximation of the Project funds available from the bond issue under these scenarios. **Table 16** summarizes the Project bond revenues, the coverage of reimbursable expenses, and the associated returns from different public finance scenarios. In the scenario section, the "Yes" indicates that the scenario includes the corresponding public financing in the row, and the "No" indicates the opposite. The reimbursable expense coverage section presents the surplus/deficit comparing the total Project funds available from the bond to the \$52.5 of reimbursable expenses modeled for the Project.

Only Scenario 1 has positive returns, with an IRR of 13.7 percent. Such a return may be attractive enough for a private developer to undertake the Project. However, as mentioned, there is significant market risk associated with the Project. Further, the returns have been modeled using, in EPS's consideration, optimistic inputs, and the financial returns are therefore likely to represent the upper end of the range. As a result, it is reasonable to consider the add-on PIF as a necessary additional incentive for the Project to happen. The other scenarios, including one that just includes the public financing paid by the tenants and public/patrons of the district and not the City or County (the BID and add-on PIF), all have negative profits and are not viable.

Table 16
Public Finance Scenarios and Associated Returns

Description	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Scenarios					
URA Property Tax TIF	Yes	Yes	Yes	Yes	No
Credit PIF (2.4%)	Yes	Yes	Yes	No	No
BID Mill Levy	Yes	Yes	No	No	Yes
Add-on PIF (1.25%)	Yes	No	No	No	Yes
Project Funds from Bond Issues					
Bond Issue 1	\$28,152,297	\$24,800,000	\$16,700,000	\$10,300,000	\$11,400,000
<u>Bond Issue 2</u>	<u>\$27,555,481</u>	<u>\$24,300,000</u>	<u>\$16,400,000</u>	<u>\$10,100,000</u>	<u>\$11,200,000</u>
Total	\$55,707,779	\$49,100,000	\$33,100,000	\$20,400,000	\$22,600,000
Reimbursable Expense Coverage					
Total Reimbursable Expenses	<u>\$52,575,565</u>	<u>\$52,575,565</u>	<u>\$52,575,565</u>	<u>\$52,575,565</u>	<u>\$52,575,565</u>
Surplus/Deficit	\$3,132,214	-\$3,475,565	-\$19,475,565	-\$32,175,565	-\$29,975,565
Returns					
Project Profits	\$11,399,060	\$7,923,496	-\$8,076,504	-\$20,776,504	-\$18,576,504
IRR	19.6%	13.7%	-16.3%	—	—
NPV @ 15% discount	\$1,591,649	-\$449,359	-\$9,576,507	-\$17,139,490	-\$15,832,172

Source: Miller's Landing Program and Financial Documentation; Economic & Planning Systems

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Economic Benefits

The proposed Miller's Landing Project is an ambitious undertaking that has the potential to address a number of key economic development objectives of the Town:

- Remediate the Town municipal landfill enabling full utilization of the subject property;
- Provide a location for Class A office space to attract business and professional service tenants;
- Attract a full-service 4-star hotel with conference, meeting and banquet space; and
- Develop destination retail/entertainment and recreation uses that bring new customers and that do not compete with existing retailers in the Town.

The Project would be new and unique to Castle Rock and therefore there is not sufficient historical development trend data upon which to base an estimate of absorption. The ultimate buildout of the Project may therefore take longer than anticipated by the Developer, and may also end up having a somewhat different allocation of space by land use category. However, in our opinion, the Town has proposed appropriate and reasonable minimum thresholds on the development of hotel and office uses to ensure that its basic economic development objectives are met. The proposed development agreement also provides defined triggers as to when the Developer can receive the requested public financing revenues. Specifically, the property needs to be fully remediated and a full-service hotel property acquired with the first phase of development.

Conclusions

The "but for" analysis, based on the Developer's pro forma and financial information, estimates that the development achieves negative \$37.7 million in Project and no return without public financing and \$11.4 million in profits and a 19.6 percent return with public financing. A return of approximately 20 percent is a reasonable return for a land development project of this size and scale and level of market risk, completed over a five to ten year period. Given the public benefits and the market risk, EPS believes that it is reasonable to conclude that the requested level of public investment is appropriate. Further, EPS found the market assumptions, including the absorption and potentially the land price assumptions to be optimistic. As a result, a 20 percent return likely represents the upper range of outcomes for the Project. That said, the ultimate return will depend on how the program and market develop during the remediation and construction.



Appendix A

Market Assessment and Competitive Analysis

Hotel and Conference

The Castle Rock market to date is primarily composed of limited service hotels without a significant conference, banquet, or event space. There is clearly a need and desire for a full service property with a higher level of amenities. It is unclear however, given the lack of a competitive local inventory, how soon and how large a hotel may be built on this site or elsewhere in the Town. The proposed development agreement between Miller's Landing and the Town would require that a full-service hotel with a minimum of 150 rooms and 10,000 square feet of conference space be completed before more than 100,000 square feet of retail can be built.

An analysis of the largest hotels built in the four comparable communities in the past ten 10, as shown in **Table 17**, suggests that the proposed 250 key hotel falls within range of hotels built. The potential for a larger 4-star hotel and conference space in the range of 450 keys is less historically supported. The largest hotel is the 300-room 4-Star Embassy Suite Hotel with 40,000 square feet of conference space built in Loveland in 2008.

Table 17
Largest Hotel Built since 2006

Description	Phase 1 2019
Program	
Hotel & Conference	65,000

Largest Hotel Built Since 2006 [1]	
Castle Rock	54,280
Lone Tree	80,812
Longmont	0
Loveland	307,636
Parker	50,000

[1] Inventory does not include motels.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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A comparison of the hotel square footage per capita of Castle Rock and its competitive set, as shown in **Table 18**, does not in and of itself reveal market opportunities. Castle Rock is largely in line with its competitive set. Lone Tree presents as a notable outlier primarily due to its relatively low population and high retail and hospitality base. However, this may suggest the potential for Castle Rock to also serve the hotel market in a larger capture area.

Table 18
Castle Rock Hotel Square Footage per Capita in Comparison to Competitive Set

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Sq. Ft. per Capita					
Inventory (Sq. Ft.) [1]	238,666	388,384	298,396	457,384	154,529
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>
Sq. Ft. per Capita	4.6	31.2	3.3	6.4	3.3

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

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However, a view of inventory accounting for hotel segmentation by star rating, as shown in **Table 19**, does reveal a low percentage of four and five star hotels in Castle Rock when compared to the competitive set. Such a gap may present an opportunity for Miller's Landing to fill a need and differentiate from the current market. Further, a higher end hotel will better complement with other proposed uses in the development program, including supporting business traveler market.

Table 19
Castle Rock Hotel Inventory by Star Rating Segmentation in Comparison to Competitive Set

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory [1]					
2 Star	0%	21%	3%	0%	0%
3 Star	77%	16%	0%	33%	20%
4 Star	23%	19%	52%	67%	80%
5 Star	<u>0%</u>	<u>43%</u>	<u>45%</u>	<u>0%</u>	<u>0%</u>
Total	100%	100%	100%	100%	100%

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

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Retail and Entertainment

The proposed development program includes nearly 200,000 square feet of retail and entertainment space. The target market, as represented by the Developer, would be destination retail and entertainment uses attracted by the hotel and by the adjacent Miller Park recreation complex.

Competitive Analysis

Existing regionally oriented destination retail development in Castle Rock is concentrated in the northern part of the Town including the 500,000 square foot Castle Rock Outlets and the 750,000 square foot partially completed Promenade at Castle Rock Project. The community serving retail is also more heavily concentrated on the north end of Town, including King Soopers and Walmart. The best opportunities for retail uses at the Miller's Landing site are therefore for the destination type uses proposed.

There is more uncertainty surrounding how fast this retail space might develop. Destination retail/entertainment uses would likely be developed in a "lumpy" fashion in larger increments. However, a comparison to historic delivery rates suggests that the proposed retail and entertainment program would be a significant amount for the market to absorb based on historic deliveries.

Table 20 presents Miller's Landing retail and entertainment programs broken out by phase. In addition, the table shows the number of years that it would take for the development to become fully absorbed based on historic rates of deliveries from 2010 to 2016. Optimistically, the analysis assumes that Miller's Landing will capture 100 percent of these historic deliveries, essentially presenting a best case scenario. Based on these factors, the analysis finds that Phase 1 and Phase 4 would be absorbed in one to two years. However, the Phase 3 retail would more likely take between three and five years to absorb. If the capture assumption was reduced to 50 percent of historic deliveries, a more realistic assumption, then the estimate would jump to full absorption occurring between six and 10 years.

Again, this level of development is not unprecedented in Castle Rock or its competitive set, as revealed in **Table 26** at the end of this section. However, the analysis suggests that the success of retail will depend on the delivery and success of the hotel and office aspects of the program, or on the Developer's ability to attract specialty tenants.

Table 20
Years to Absorption based on Historic Retail Deliveries

Description	Phase 1 2019	Phase 3 2022	Phase 4 2023
Program			
Retail	24,000	120,000	30,000
Entertainment	<u>24,000</u>	<u>0</u>	<u>0</u>
Subtotal	48,000	120,000	30,000

Years until Absorption [1]

Castle Rock	1	3	1
Lone Tree	2	5	1
Longmont	0	1	0
Loveland	2	5	1
Parker	1	3	1

[1] Years to absorption calculated based on average retail deliveries from 2010 to 2016. Assumes 100% capture.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Expanding the analysis beyond historic deliveries to retail inventory reveals a market already fairly saturated. The retail per capita of Castle Rock is slightly below its competitive set, but higher than the Denver metropolitan statistical area (MSA), as shown in **Table 21**. Further, Castle Rock already has significant nodes of specialty retail, including Lifestyle Center and Outlet Center nodes, as shown in **Table 22**.

Again, the analysis suggests the importance of proposed development differentiating itself from the existing market and importance of the other aspects of the proposed program to the success of the retail. In particular, EPS believes that the hotel and conference center will be of importance to bring traffic and patrons to the retail.

Table 21
Castle Rock Retail Square Footage per Capita in Comparison to Competitive Set

Description	Castle Rock	Comparable Cities				Denver MSA
		Lone Tree	Longmont	Loveland	Parker	
Inventory (Sq. Ft.)	3,839,948	3,634,625	6,722,914	6,383,963	4,292,006	149,745,147
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>	<u>2,814,330</u>
Sq. Ft. per Capita	74	292	75	89	91	53

Source: CoStar; US Census; Economic & Planning Systems

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Table 22
Retail Inventory by Type

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory					
General Retail	1,563,571	1,046,652	2,359,085	2,545,103	1,351,187
Strip Center	160,378	96,506	405,498	232,057	345,955
Neighborhood Center	823,833	342,898	1,081,708	659,628	709,717
Community Center	350,028	517,852	1,408,205	1,152,823	963,904
Lifestyle Center	479,737	0	470,600	638,684	0
Outlet Center	477,998	0	0	0	198,012
Power Center	0	263,474	838,373	1,155,668	723,231
Super Regional Mall	0	1,367,243	0	0	0
Total	3,855,545	3,634,625	6,563,469	6,383,963	4,292,006

Source: CoStar; Economic & Planning Systems

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Office

The development proposal includes 480,000 square feet of office space built in two phases. There is currently no significant amount of Class A professional office space in the Castle Rock area; the Project therefore would be a major economic development element for the Town.

Competitive Analysis

A comparison to historic delivery rates of office development also suggests that the proposed program is outside the business as usually development trends for Castle Rock and its competitive set, and that the proposed office program would be a significant amount for the market to absorb. **Table 23** presents Miller's Landing office broken out by phase. As with the retail analysis, the table shows the number of years that it would take for the development to become fully absorbed based on historic rates of deliveries from 2010 to 2016 and assuming the best case scenario of a 100 percent capture rate of the historic rate. The analysis finds that Phase 2 and Phase 4 would be absorbed between two and thirty-two years based on the competitive set. Using Castle Rock specific rates, the analysis estimates that the program would take eight years to absorb under a 100 percent capture scenario and 16 years to absorb under a 50 percent capture scenario. While historic delivery rates suggest that the development may take a number of years to absorb, there are a number of examples of office parks of similar size to the proposed program in the competitive set being delivered in short timeframe.

Outside of the question of absorption, **Table 24** lists office park development over 100,000 square feet that have been development since 2000. While Castle Rock currently does not include such an office park, the analysis again suggests that there is opportunity for such a development.

Table 23
Years to Absorption based on Historic Office Deliveries

Description	Phase 2 2019	Phase 4 2021
Program	250,000	230,000
Years until Absorption [1]		
Castle Rock	8	8
Lone Tree	2	2
Longmont	18	17
Loveland	6	6
Parker	32	29

[1] Years to absorption calculated based on average retail deliveries from 2010 to 2016. Assumes 100% capture.

Source: Miller's Landing Program and Financial Documentation; CoStar; Economic & Planning Systems

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Table 24
Office Parks with over 100,000 Sq. Ft. of Development and a Delivery since 2000

Description	Most Recent Delivery	Rentable Building Area
Lone Tree		
Park Meadows Corp Center	2003	300,695
Park Ridge Corporate Ctr	2004	397,071
Lincoln Station	2008	210,787
Sky Ridge Medical Center	2015	343,964
Longmont		
Creekside Business Park	2001	257,955
Front Range Office Park	2002	106,336
Loveland		
Medical Center of the Rockies	2008	160,303
Rangeview	2010	235,145
Centerra	2016	350,365
Parker		
Meridian Commons Office Park	2008	115,362

Source: CoStar; Economic & Planning Systems

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In addition to examples of similar types of office parks in the competitive set, an analysis of the per capita square footage of office in Castle Rock compared to the competitive set reveals a potential opportunity to attract office users to the market. Based on this metric, Castle Rock lags behinds Longmont and Loveland and has similar office inventory to Parker, as shown in **Table 25**. Lone Tree once again represents an outlier due to its low population. Given the site's access to I-25 and proximity to both Denver and DIA, the site should be able to attract a large office user.

Table 25
Castle Rock Office Square Footage per Capita in Comparison to Competitive Set

Description	Castle Rock	Comparable Cities			
		Lone Tree	Longmont	Loveland	Parker
Inventory (Sq. Ft.)	1,072,746	2,780,556	2,768,647	2,639,876	1,032,013
Population	<u>52,143</u>	<u>12,462</u>	<u>89,814</u>	<u>71,755</u>	<u>47,342</u>
Sq. Ft. per Capita	21	223	31	37	22

Source: CoStar; US Census; Economic & Planning Systems

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Table 26
Historic Delivers of Commercial Development in Castle Rock and the Competitive Set

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2006-2016		2010-2016	
												Total	Ann #	Total	Ann #
HOTEL [1]															
Castle Rock	0	0	0	0	0	0	0	0	0	54,280	0	54,280	4,935	54,280	7,754
Lone Tree	0	0	0	0	80,812	0	0	64,000	0	0	0	144,812	13,165	144,812	20,687
Longmont	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loveland	0	0	307,636	0	0	0	0	0	0	0	80,000	387,636	35,240	80,000	11,429
Parker	50,000	0	0	0	0	0	0	0	0	0	0	50,000	4,545	0	0
RETAIL															
Castle Rock	76,807	244,919	31,038	13,192	4,318	28,244	17,332	42,367	4,945	29,587	152,564	645,313	58,665	279,357	39,908
Lone Tree	74,869	11,090	5,556	55,488	49,433	0	0	116,029	0	0	12,615	325,080	29,553	178,077	25,440
Longmont	923,576	184,067	93,725	11,182	0	215,764	0	8,074	52,117	299,550	191,144	1,979,199	179,927	766,649	109,521
Loveland	238,628	623,397	17,582	10,535	38,384	13,272	8,104	12,063	67,879	0	39,124	1,068,968	97,179	178,826	25,547
Parker	222,937	267,529	328,753	21,440	22,466	3,010	18,841	0	3,798	180,493	95,289	1,164,556	105,869	323,897	46,271
OFFICE															
Castle Rock	41,000	70,852	57,164	22,600	0	0	0	85,900	39,527	10,171	77,800	405,014	36,819	213,398	30,485
Lone Tree	41,157	9,080	288,711	92,960	0	0	0	275,000	380,000	308,505	0	1,395,413	126,856	963,505	137,644
Longmont	80,808	27,544	16,718	0	46,384	7,500	0	0	3,084	0	39,600	221,638	20,149	96,568	13,795
Loveland	147,055	211,099	171,733	139,996	85,800	38,817	30,579	0	16,779	0	101,376	943,234	85,749	273,351	39,050
Parker	42,125	19,072	157,204	89,989	25,899	15,375	0	0	0	0	13,368	363,032	33,003	54,642	7,806

[1] Inventory does not include motels.

Source: CoStar; Economic & Planning Systems

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