

RESOLUTION NO. 2018-053

**A RESOLUTION APPROVING THE MURDOCH'S RANCH AND HOME
SUPPLY) ECONOMIC DEVELOPMENT ASSISTANCE AGREEMENT**

WHEREAS, Murdoch's Ranch and Home Supply, LLC ("Murdoch's") intends to enter into a lease agreement with Milestonecenter18, LLC, at the location of the former King Soopers grocery store in the Milestone Shopping Center and open a ranch and home supply store ("Project"); and

WHEREAS, as a condition to the lease, Murdoch's is responsible for making certain building improvements with the estimated cost of \$2,000,000 and Murdoch's is seeking economic development assistance from the Town for a portion of the cost of such building improvements; and

WHEREAS, the Town is willing to provide economic assistance for the Project, as the Project conforms with the Town's Comprehensive Master plan, Economic Strategic Action Plan and Economic Development Assistance Policies, and meets the criteria for the dedication of incremental sales tax revenue under 3.04.025 of the castle Rock Municipal Code; and

WHEREAS, the Town and Murdoch's have agreed to the terms of the Murdoch's Ranch and Home Supply Economic Development Assistance Agreement ("Agreement") which specifically provides that the economic assistance authorized under the Agreement is subject to future budget and appropriation of the Town Council.

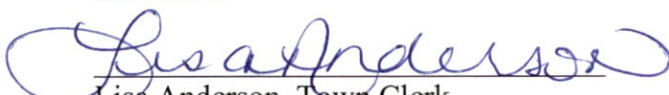
**NOW, THEREFORE BE IT RESOLVED BY THE TOWN COUNCIL OF
THE TOWN OF CASTLE ROCK AS FOLLOWS:**

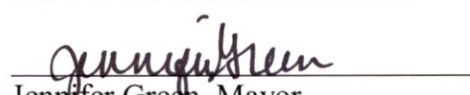
Section 1. Approval. The Murdoch's Ranch and Home Supply, LLC Economic Development Assistance Agreement in the form attached as *Exhibit 1* is hereby approved. The Mayor and other proper Town officials are hereby authorized to execute the Agreement by and on behalf of the Town of Castle Rock, Colorado.

PASSED, APPROVED AND ADOPTED this 5th day of June, 2018, by the Town Council of the Town of Castle Rock, Colorado, on first and final reading by a vote of 4 for and 2 against.

ATTEST:

TOWN OF CASTLE ROCK


Lisa Anderson, Town Clerk


Jennifer Green, Mayor

Approved as to form:

Approved as to content:


Robert J. Slentz, Town Attorney


David L. Corliss, Town Manager



Handwritten signature



**MURDOCH'S RANCH AND HOME SUPPLY
ECONOMIC ASSISTANCE AGREEMENT**

DATE: June 5, 2018.

PARTIES: **TOWN OF CASTLE ROCK**, a home rule municipal corporation, 100 N. Wilcox Street, Castle Rock, Colorado 80104 ("Town").

MURDOCH'S RANCH AND HOME SUPPLY, LLC, a Montana limited liability company, 2311 N. 7th Avenue, Bozeman, Montana 59715 ("Murdoch's").

RECITALS:

A. Murdoch's will enter into a ten year lease at 100 Founders Parkway, Castle Rock, Colorado, within a portion of the former King Soopers store located in the Milestone Shopping Center. The leased premises is further described and depicted on the attached *Exhibit 1* (the "Leased Property").

B. Pursuant to the Lease, Murdoch's will be responsible for certain tenant finish improvements, with an estimated cost of \$2.5 million, as further described in the attached *Exhibit 2* ("Building Improvements").

C. Murdoch's seeks economic development assistance from the Town for the Building Improvements. The project conforms with the Town's Comprehensive Master Plan, Economic Development Strategic Action Plan, Economic Development Assistance policies and the zoning and other applicable regulations on the Leased Property.

D. Occupancy of the vacant space within the Milestone Shopping Center will generate an increase in sales tax and will likely increase patronage to the other businesses located within the Milestone Shopping Center. Accordingly, the Town finds that Murdoch's has demonstrated that economic development assistance is warranted due to the cost of Building Improvements, and accordingly, Murdoch's request for sales tax pledge qualifies for economic assistance under 3.04.025 of the Code.

THEREFORE, in reliance on the matters set forth above and in consideration of the mutual promises contained in this Agreement, the Parties agree and covenant as follows:

COVENANTS:

ARTICLE I DEFINITIONS

1.01 Defined Terms. Unless the context expressly indicates to the contrary, the following words when capitalized in the text shall have the meanings indicated:

Agreement: this Murdoch's Economic Development Assistance Agreement.

Building Improvements: those items, types of expenditures or substantially (in use or nature) similar items listed/identified on *Exhibit 2*.

Code: the Castle Rock Municipal Codes, as amended from time to time.

Development Fees: the fees and charges imposed by the Town under the Town Regulations on development and construction, including all permit fees.

Lease: the Lease between Murdoch's and Milestonecenter18, LLC for the Leased Property dated May 24, 2018

Leased Property: the property described and/or depicted in the attached *Exhibit 1*.

Project: the operation of a Murdoch's Ranch and Home Supply store of approximately 50,000 square feet located within the Milestone Shopping Center at 100 Founders Parkway, Castle Rock, Colorado 80104, of a quality and scope of a ranch and home goods and services consistent with the same in comparable Murdoch's stores, and include the scope of Building Improvements as set forth in *Exhibit 2*.

Project Approvals: the construction permits required under the Town Regulations for the Project, inclusive of applicable public works and building permits.

Town Regulations: the Town Charter, ordinances, resolutions, rules, regulations and technical criteria of the Town, including the Code, and other provisions of all zoning, subdivision and building codes, as the same may be amended from time to time.

Certain other terms are defined in the text of the Agreement and shall have meaning indicated.

1.02 Cross-reference. Any reference to a section or article number, without further description, shall mean such section or article in this Agreement.

ARTICLE II APPLICATION AND EFFECT

2.01 Applicability. This Agreement and the financial incentives extended the Project are exclusive to Murdoch's and to the Project, and are not assignable or transferable to any other property, other development interests or other activity/operations at the Leased Property or the Milestone Shopping Center.

2.02 Town Regulations. Town Regulations shall apply to the development of the Project in the same manner and effect as within other areas of the Town. The development and use of the Leased Property shall be subject to the payment of all Development Fees, fees and taxes imposed by the Town through the Town Regulations.

2.03 Not Exclusive. This Agreement does not restrict the Town from extending financial assistance incentives to any other project or enterprise, including projects that may offer similar goods and services to those of the Project.

ARTICLE III FINANCIAL ASSISTANCE

3.01 Qualifying Project. All financial assistance contained in this Article III is conditioned on the receipt of an application for a building permit for the Project that includes the Building Improvements substantially similar to those outlined in *Exhibit 2* not later than August 15, 2018, and opening of the Project to the public not later than February 1, 2019 ("Compliance Date(s)"). If, (i) the Project is not constructed in substantial conformance with the *Exhibit 2* criteria, or (ii) either of the Project progression dates is not met by Murdoch's, then at the option of the Town, this Agreement may be terminated, in which event it shall then have no force or effect, and all financial assistance established in this Article III shall lapse. The date the Project is open to the public shall be referred to as the "Opening Date."

Alternatively, Town, at its sole option and discretion, may waive the deviation from *Exhibit 2* criteria and/or extend the Compliance Date(s). Any action taken by the Town under this Section shall be effected by written notice to Murdoch's by the Town Manager, and shall become effective and irrevocable as of the date of such notice. The cure rights afforded to Murdoch's under Section 4.03 shall not be applicable to notice given pursuant to this Section 3.01.

3.02 Sales Tax Pledge. Provided Murdoch's develops and opens the Project in substantial conformance with this Agreement, pursuant to 3.04.025 of the Code, and subject to the

conditions set forth below, Town shall rebate to Murdoch's 25% of the Town's 4% sales tax actually collected and received for taxable sales at the Project/Leased Property for a period not to exceed four (4) years (48 months) commencing with the month taxable sales are first generated from the Project, but not to exceed the aggregate sum of \$300,000 ("Pledged Revenue"). Pledged Revenue is limited to either (a) the actual documented and certified costs (in a form determined by the Town) incurred by Murdoch's for the Building Improvements set forth in **Exhibit 2**, or (b) \$300,000, whichever is less. Pledged Revenue will be forwarded to Murdoch's on a monthly basis within 60 days following the close of the month being remitted.

The Town's commitment to rebate Pledged Revenue is subject to the following appropriation conditions: the annual budget and appropriation by the Town Council of the rebate of Pledged Revenue for the succeeding calendar year, and in the event Town Council should fail to so authorize the rebate of Pledged Revenue for the following year, the Town's obligation to rebate Pledged Revenue shall expire and lapse with rebate of Pledged Revenue on taxable sales through December 31 of the lapse year.

The rebate of Pledged Revenue under this Agreement is based, in part, on the representation of Murdoch's to Town, that under the terms of the lease/financial transaction between Murdoch's and Milestonecenter18, LLC, Murdoch's is solely responsible for the cost of the Building Improvements. Not later than the issuance of a building permit for the Project, Murdoch's shall provide Town with a fully executed copy of the Lease that evidences (i) a primary lease term of a minimum of ten years, and (ii) Murdoch's is in fact contractually obligated to construct the Building Improvements, at Murdoch's cost. Murdoch's failure to comply with this information shall void any obligation of Town under this Agreement, notwithstanding any other provision of this Agreement to the contrary.

3.03 Business Termination. This Agreement is specific to the Project and the Leased Property, including the continued operation of a Murdoch's Ranch and Home Supply. In the event Murdoch's materially changes the nature of its business or terminates its business operations on the Leased Property as a ranch and home supply store, as that business operation is commonly understood (except for temporary closures necessitated by remodeling, etc., damage or destruction due to casualty or other force majeure events) this Agreement shall terminate. In the event of such early termination, the Town shall make a final rebate of Pledged Revenues accrued to the date of termination. In the event of Murdoch's terminates its operation of a Murdoch's Ranch and Home Supply at the Leased Property prior to the expiration of the 10-year Lease term ("Closing Date"), Murdoch's shall reimburse Town 10% of the Pledged Revenue rebated to Murdoch's up to the date of termination multiplied by the number of full calendar years between the Closing Date and the tenth anniversary of the Opening Date. In other words, the Pledged Revenue is vested at the rate of 10% for each anniversary of the Opening Date that Murdoch's remains open.

3.04 Subordination. The Town's obligation to pay Pledged Revenue is subordinate to the Town's obligation to pay any current or future bonds or other indebtedness which are backed by a sales and use tax pledge. In addition, the Town's obligation to pay Pledged Revenue under 3.02 is contingent upon the existence of surplus in sales and use tax revenues in excess of the sales and use tax revenues necessary to meet such existing or future bond or debt services.

3.05 Exclusive to Murdoch's. All interest and benefit of Murdoch's under this Agreement including specifically the right to receive Pledged Revenue is exclusive to Murdoch's. No third party shall have any claim to Pledged Revenue or otherwise the right to enforce or benefit from this Agreement. This Agreement creates no third party beneficiaries. The Town will have fully discharged its obligation to rebate Pledged Revenues in any particular fiscal year by disbursement to Murdoch's. Accordingly, Murdoch's shall indemnify and defend the Town against any claims to the Pledged Revenues made by any third party. Such indemnification shall extend to the reasonable attorney's fees incurred by the Town.

ARTICLE IV OTHER PROVISIONS

4.01 Event of Default. Failure of the Town or Murdoch's to perform any covenant, agreement, obligation or provision of this Agreement, shall constitute an event of default under this Agreement.

4.02 Remedies. Upon default of this Agreement and failure to timely cure, the non-defaulting party shall have the right to take whatever action at law or in equity necessary or desirable to enforce performance and compliance with this Agreement, or to collect the monies then due and thereafter to become due, however in the event of a default without cure by Murdoch's, the Town's sole remedy shall be to deny payments under Article III which become due to Owner after the event of default. In any such legal action, the prevailing party shall be entitled to recover its reasonable attorney's fees and litigation costs from the other party. To the extent necessary, and only to such extent, Town waives any immunity provided by law to permit enforcement of this Agreement pursuant to the terms hereof by Murdoch's.

4.03 Default Notice. In the event either party alleges that the other is in default, the non-defaulting party shall first notify the defaulting party in writing of such default, and specify the exact nature of the default in such notice. The defaulting party shall have twenty (20) working days from receipt of such notice within which to cure such default before the non-defaulting party may exercise any of its remedies.

4.04 TABOR and Appropriation Compliance. This Agreement does not create a multiple-fiscal year obligation under Article X, Section 20 of the Colorado Constitution, nor does it create indebtedness of the Town within the meaning of any constitutional, home rule charter or

statutory limitation or provision. The obligations of the Town under this Agreement shall be from year to year and the decision to annually continue with payment of the Pledged Revenue in the succeeding fiscal year is entirely at the discretion of the Town Council.

4.05 Governing Law. This Agreement shall be governed and construed in accordance with Colorado law, and Douglas County, Colorado shall be the proper venue for the commencement of any claims in state court.

4.06 Amendment. Any and all changes to this Agreement, in order to be mutually effective and binding upon the parties and their successors, must be in writing.

4.07 Notice. The addresses of the parties to this Agreement are listed below. Any and all notices allowed or required to be given in accordance with this Agreement are deemed to have been given when delivered to the other party, or three (3) days following the date the same is deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, addressed to the other party at the address noted; or such address as is subsequently endorsed in writing.

If to Town:	Town of Castle Rock 100 N. Wilcox Street Castle Rock, Colorado 80104 Attn: Town Attorney
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If to Murdoch's	Murdoch's Ranch and Home Supply, LLC 2311 N. 7 th Avenue Bozeman, MT 59715
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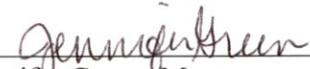
4.08 Entire Agreement. This instrument embodies the whole agreement of the parties. There are no promises, terms, conditions or obligations other than those contained herein, and this Agreement shall supersede all previous communications, representations or agreements, either verbal or written.

(SIGNATURE PAGES TO FOLLOW)

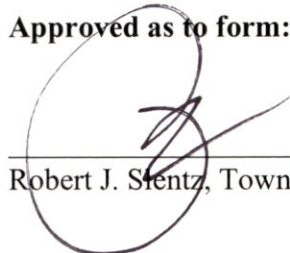
ATTEST:

TOWN OF CASTLE ROCK


Lisa Anderson, Town Clerk


Jennifer Green, Mayor

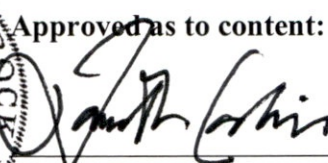
Approved as to form:



Robert J. Stentz, Town Attorney



Approved as to content:



David L. Corliss, Town Manager

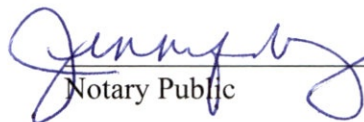
STATE OF COLORADO)
) ss.
COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this 11th day of June, 2018 by Lisa Anderson as Town Clerk and Jennifer Green as Mayor of the Town of Castle Rock, Colorado.

Witness my official hand and seal.

My commission expires: 9-21-2019

(SEAL)


Notary Public

JENNIFER L. KING
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19954015016
MY COMMISSION EXPIRES SEPT. 21, 2019

MURDOCH'S RANCH AND HOME SUPPLY, LLC,
a Montana limited liability company.

By: _____

Its: _____

STATE)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018 by _____ as _____ for Murdoch's Ranch and Home Supply, LLC, a Montana limited liability company.

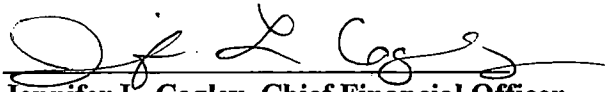
Witness my official hand and seal.

My commission expires: _____

(S E A L)

Notary Public

RANCH AND HOME SUPPLY, LLC,
a Montana limited liability company.

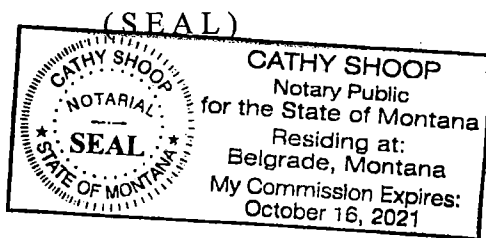
By: 
Jennifer L. Cogley, Chief Financial Officer

STATE)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 2nd day of July, 2018 by Jennifer L. Cogley as Chief Financial Officer for Ranch and Home Supply, LLC, a Montana limited liability company.

Witness my official hand and seal.

My commission expires: 10-16-2021





Notary Public

Exhibit 1

Lot 1,
Milestone Filing No. 1, according to the plat thereof recorded December 28, 1995 and as
amended by Affidavit of
Correction recorded March 7, 1996 in Book 1323 at Page 2160,
County of Douglas,
State of Colorado.

Parcel 2:

Non-exclusive Reciprocal Easements for Vehicular and Pedestrian Ingress and Egress and
Parking, and
Permanent Service Drive as created and granted by Declaration of Covenants and Restrictions
for Milestone
Shopping Center as Recorded December 29, 1995 in Book 1309 at Page 1326.

First Amendment

Recording Date: September 5, 1997
Recording No.: Book 1462 at Page 240

Second Amendment

Recording Date: October 12, 1998
Recording No.: Book 1610 at Page 1397

Parcel 3:

Non-exclusive Easements for Utility Lines and Facilities and Signage Construction and
Maintenance as
created and by Declaration of Covenants and Restrictions for Milestone Shopping Center as
Recorded
December 29, 1995 in Book 1309 at Page 1326.

First Amendment

Recording Date: September 5, 1997
Recording No.: Book 1462 at Page 240

Second Amendment

Exhibit 2

Tenant's initial improvements and alterations to the Premises will include:

- Construction necessary to create a warehouse area and any additional needed office space for Murdoch's business operations
- Necessary HVAC, electrical and ceiling work after demising wall is complete
- Install two sets of swinging doors (~6-8 feet in width) if needed between wall separating the warehouse space from the retail space
- Construct a vestibule if necessary
- Install LED depending on existing lights
- Install new flooring
- Redo lighting based on configuration of fixtures
- Paint interior and ceiling as deemed necessary
- Install U-shaped cash stands at the front of the retail area
- Install new dressing rooms
- Construction necessary to add fixtures etc. to create a typical Murdoch's
- Remodel restrooms as needed
- Construction of exterior yard



Town of Castle Rock

Agenda Memorandum

Agenda Date: 6/5/2018

Item #: 18. **File #:** RES 2018-053

To: Honorable Mayor and Members of Town Council

From: David L. Corliss, Town Manager

Resolution Approving the Murdoch's Ranch and Home Supply Economic Incentive Agreement (former King Soopers site - 100 Founders Pkwy)

Please see the attached memorandum from the President/CEO of the Castle Rock Economic Development Council for background.

Proposed Motion

"I move to approve a Resolution approving the Murdoch's Ranch and Home Supply Economic Incentive Agreement."

Attachments

Attachment A: CREDCO Memorandum

Attachment B: Resolution/Agreement



Thursday, May 31, 2018

From: Frank Gray

President/CEO | Castle Rock EDC | 18 S. Wilcox Street Suite 202 | Castle Rock | CO 80104

To: Mayor Jennifer Green, Town Council and Town Manager, Dave Corliss

Town Manager | 100 N. Wilcox Street | Castle Rock | CO 80104

Mayor Green, Town Council and Mr. Corliss,

Murdoch's has submitted a request to the Town of Castle Rock requesting financial assistance in order to ensure the former King Sooper's location at the Milestones Center becomes their flagship location. The primary reason for their request is directly tied to the significant costs associated with retrofitting a 70,000SF former grocery store so that it can accommodate a second-generation multi-tenant opportunity. The request is designed to offset the significant upfront costs and support Murdoch's stabilization in the first few years of operations.

Background

The Town's Comprehensive Master Plan identifies four cornerstones of the community which include: Distinct Town Identity, Responsible Growth, Community Services and Thriving Economy. As the Town has grown, **Castle Rock's leadership has prioritized low tax rates for citizens** on residential property (1.3 Mills) and adopted a "growth pays for growth" strategy, this structure makes the Town heavily dependent on maximizing sales tax dollars as the major funding source of Town services (which include: public safety, water, roads, parks and recreation). The EDC's role in supporting the Town's vision is to grow the tax base and grow primary employment opportunities for Castle Rock. Town staff and the EDC believe that an agreement with Murdoch's is in line with three of the four major cornerstones of the Master Plan.

Town of Castle Rock's Economic Development Strategy

Economic vitality is a critical factor in ensuring Castle Rock's long-term success in achieving its vision of being a standalone community and creating a tax base adequate to support core Town services. Increasing regional competition makes it important for Castle Rock to consistently maintain a competitive business environment and support a strong retail economy. In this case, filling a vacant 70,000 sqft box.

Castle Rock Economic Development priorities include the attraction and expansion of primary employers, attraction and expansion of targeted retail and investments in projects of economic significance or serving as economic catalysts. The Economic Development policies are designed to create jobs, expand the tax base, encourage



existing businesses to make capital investments, and spur new office, industrial, and retail expansion and development. It is critical that all incentive programs create net positive jobs and have positive fiscal impacts for the community.

The nature of retail is constantly evolving, due in part to the growth in internet sales, retail consolidation and consumer preferences. Therefore, the Town's reliance on retail means that it must constantly monitor and cultivate its retail market. To accomplish its vision, the Town must continue to take a proactive role in supporting retail development to ensure that Castle Rock residents have the goods and services they demand and the Town of Castle Rock captures local sales tax dollars and reduces retail sales leakage.

Solving a Declining Center

Castle Rock EDC understands that there may be some apprehension from Town Council and the Castle Rock community about additional retail deals, especially with the Promenade at Castle Rock agreement only a few years in the rear-view mirror. I think it is important to differentiate this request from a request for a new development. The Murdoch's deal is about being proactive in filling an existing vacant box, not building a new one. Castle Rock EDC view's a vacant box in our community much different than ground up retail and see's this agreement as a very strategic and surgical strike to solve a very specific challenge in our community that brings great economics and help existing businesses all against a backdrop of very few viable options.

History of King Soopers/Milestone

King Soopers moving to the Promenade was always a concern. As a result, Town Council directly addressed this issue in the PFA for the Promenade by removing any sales tax share to Alberta for existing Castle Rock retailers of 50,000sf or greater. The intent of that carve out was to discourage public incentives being used to relocate any of Castle Rocks existing retail anchors. Ultimately, King Soopers decided to execute a market deal with Alberta Development without the benefit of any sales tax sharing and closed the Milestone location in May of 2017. It is important to note that Alberta had incentives in their agreement for reaching total square footage thresholds and that the new King Soopers location did contribute in reaching those milestones.

One year later, the Milestone Center and the Town have begun to feel the effects of a vacant anchor. The Center has lost several tenants that include Massage Green, Mattress Firm, Le Peep and Starbucks. In addition, concerns have been expressed by Papa Murphy's and the Castle Pines Wine & Spirits specifying that the decline in traffic and revenues is unsustainable and is putting their businesses at risk. This was confirmed by the Town's Finance Department that reported a 11.4% year (2016) over year (2017) decline as of December 2017 in sales at Milestone center (accounting for only 7 months of the King Soopers vacancy). The downward spiral is expected to increase as Starbucks has only recently closed and other tenants may soon follow.



Some of the concerns that follow *any* center that experiences a loss of a grocery store is the loss of traffic to the center, limited second generation tenants to fill larges vacant spaces (70,000 sf), loss of revenue/traffic for existing tenants, increased closures/vacancy and shrinking revenues for the existing property owner (limiting their ability to assist current tenants and invest in the reactivating/rebranding of the center). **Currently the Milestone Center is experiencing all the above.**

Over the last year of vacancy, the EDC and Kroger's broker have had a very limited amount of prospect activity interested in the site. This is not surprising, as the retail industry as a whole has experienced a retraction in large and junior box activity. Additionally, the Castle Rock market already includes many of the likely candidates to fill a vacant space of this size. The EDC has explored opportunities in the entertainment industry and has received feedback that the economics and lack of trade area population significantly challenges the feasibility. Murdoch's has actively pursued the Castle Rock market for well over 5 years and represents not only the highest and best use but is also a regional draw.

Request from Murdoch's

Murdoch's is requesting a 25% sales tax share not to exceed 4 years or \$400,000 (attached). The request is based on the significant costs associated with transitioning a grocery anchored shopping center to a second-generation use. Significant challenges include the following:

- Subdivision – Due to limited availability of tenant interest in 70,000sf, the property owner intends to subdivide the space to accommodate a 50,000sf user (Murdoch's) and a 20,000sf user (TBD).
- HVAC System – (\$600,000) The existing system needs a complete re-configuration, as grocery stores run their HVAC systems through the coolers and are not able to be retrofitted for non-grocery uses.
- Tenant Improvements – (\$2.5 Million).

Murdoch's has provided the EDC a confidential proforma for discussion and negotiation with Town Council. They have projected annual gross revenue for the Castle Rock store of \$11M in year one, equating to approximately \$240,000 of taxable revenue to the Town. The estimate includes a very conservative 25% cannibalization rate and the 25% sales tax share. The proforma estimates provided have been verified to be in line with other Murdoch's locations verified by Town of Castle Rock's Finance Department and Castle Rocks EDC third party industry contacts.

Feinberg Properties Contribution

Feinberg Properties, owner of the surrounding inline retail (does not own the former King Soopers 70,000sqft box), is extremely supportive of Murdoch's and understands the benefit of an anchor tenant to its surrounding retail center. They have agreed to assist with the removal of parking spaces, so Murdoch's can utilize the parking lot for



retail space. They will also coordinate the aesthetic/visual elements of the center, upgrade the monument signage to enhance the property's image and marketability as well as plan a "re-launch" event for the property once Murdoch's is ready to open.

Potential New Ownership

GDA Real Estate Services, LLC is closing on a series of properties as part of a larger national deal that includes the former King Soopers box (not the inline retail). They have indicated to the EDC and Town that without a Murdoch's lease in place they intend to carve out the Castle Rock location from the greater portfolio purchase, which would result in the box remaining with Kroger and likely remaining vacant. The Castle Rock purchase is strictly tied to their ability to have a national credit tenant in place prior to closing. GDA Real Estate Services have reduced their rent expectations from those of Kroger to be more in line with second generation space, making this potential agreement possible.

Negotiation and Recommendation

At the direction of Town Council, Castle Rock EDC with the support of Town Staff have negotiated a deal with Murdoch's that contains the following mutually agreed upon terms:

Murdoch's would receive a 25% sales tax share back off the revenues that Murdoch's generates not to exceed 4 years or \$300,000 whichever comes first. The agreement represents a conservative approach by the Town, factoring in a 25% sales transfer rate as Murdoch's presence may transfer a small amount of sales in Castle Rock's growing market.

The Town will take no financial risk. Murdoch's has agreed to sign a minimum of a 10-year lease agreement with the property owner which includes a 10% "claw back" provision should Murdoch's cease operations during the 10-year lease agreement. The agreement is exclusive to Murdoch's and is non-transferable. Additionally, the 70,000 sqft box would have no deed restrictions of any kind that could impede future redevelopment of the site.

Summary

Positives

- Sales tax share requires zero upfront dollars and only shares revenue not risk that would not otherwise be generated
- Secures a quality regional second-generation tenant in a vacant grocery anchored center limiting the potential for continued decline.



- Strong economics on relatively small investment (14.6 to 1 ROI) for the tax payers estimated at \$4.4 M total.
- Growing Castle Rock market minimizes the long-term impact of transfer of sales of existing retailers.
- No future Grocery deed restrictions on the property

Drawbacks

- Potential transfer of sales from existing retail
- Perception that all retail needs/receives assistance

One of the primary goals of Castle Rock EDC is secure a strong long-term tax base. It is our opinion that this agreement will help offset the very real challenges associated with retrofitting an old grocery store anchored site, will support our struggling local business owners in the Milestone Center, create jobs, stave off blight and bolster the tax payer's revenue to pay for core Town services. Ultimately, we believe this agreement has more positive impact than it has drawbacks and moves our community one step closer to realizing the Town's vision of Castle Rock.

Respectfully,

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

Frank Gray, President/CEO

