

# 2018 Annual Report

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

Re: Castle Rock EDC Annual Report to Investors

## **2018 Economic Backdrop**

### National

The US Economy's GDP increased by 2.9% in 2018, up from 2.2% in 2017. This marked nine consecutive years of positive growth. The national unemployment rate dropped to 3.7% tightening the national labor market. The stock market experienced some volatility in Q4 which has carried into 2019.

### Colorado

As expected, the Colorado economy outpaced the Nation in many categories rebounding from a slow 2016, with GDP growth at 3.6% in 2017 and 3.5% in Q2 of 2018. In 2018, jobs expanded by 2.4% or 65,000 new jobs. The job growth, while impressive fell short of the 74,000 jobs projected by the Colorado Leeds School of Business despite 9.3% rise in new business filings. The shortfall is largely attributed to the tight labor market which hovered around 3% unemployment. In 2019, the Leeds School is forecasting that the Colorado economy will cool down, with job growth projected at 2%.

### Douglas County/Castle Rock

In 2018, Douglas County continued to show strong employment growth at 3.9% through Q3. The Douglas County unemployment rate mirrored that of Castle Rock and rose slightly to 2.9% over Q2 of 2017. Castle Rock and Douglas County continue to see significant residential growth with permits up in Douglas County 42.7% (1,112) over Q2 of 2017. While vacancy rates remained steady in Douglas County, commercial lease rates in Castle Rock saw significant growth led by industrial and retail rates increasing approximately \$4.00 per SF respectively.

## **2018 Year-To-Date Executive Summary:**

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

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

## **2018 Highlights**

**Miller's Landing** is a 65-acre site that is situated on the north-west corner of Plum Creek and I-25. It boasts tremendous visibility and access to I-25. In 2012, the Town and the EDC reached an agreement with the existing taxing entities to create a URA designation to mitigate the challenges associated with the former municipal landfill.

In 2017, P3 Advisors assembled the property and entered into a Public Finance Agreement (PFA) with the Town of Castle Rock and the Castle Rock Urban Renewal Authority to support the development of public infrastructure and the full remediation of the landfill. A requirement of the PFA mandates a 250-room (minimum), full-service hotel and conference center. The project is designed to accommodate 450,000SF of office and up to 200,000SF of retail.

### **2018 year-to-date update**

- Performed extensive pre-construction site planning and design of public improvements for Miller's Landing with the objective of providing excellent connectivity between Philip S. Miller Park and Downtown Castle Rock.
- As an initial step in the development, P3 Advisors and Iron Woman Construction started remediation of the former municipal landfill on the site in September 2018. The remediation is being handled under a Voluntary Cleanup Plan approved by the EPA and Colorado Department of Public Health and the Environment and is now approximately 70% complete with an expected finish date March 2019.
- Once the remediation is complete, CDPHE will issue a "No Further Action" letter certifying that no additional cleanup will be required, and that environmental liability has been removed for property transfers.
- Following the remediation, the first phase of infrastructure will be built on the site, the product of a design-build collaboration between PCL Construction, Shears Atkins Rockmore, CORE Engineering and Norris Design.
- Design of the first phase of the development is underway: the start of integrated experience-oriented lifestyle district that will attract a range of families, employers, hotel guests, conference attendees to experience the unique restaurants and higher-end retailers. First pads will be delivered in Q4 2019.
- Visitors will be able to "*land, linger and launch*" at Miller's Landing: *land* after a day at Philip S. Miller Park, *linger* for a lunch and a relaxing stroll and *launch* into a day in Castle Rock along the trails and roads connecting the rest of the Town.
- Final plans call for the site to be the vibrant new link that connects Downtown and Philip S. Miller Park with a modern vibe.

**Castle Rock Collaboration Campus** represents a first of its kind higher education facility, located in the Meadows just north of the Castle Rock Adventist Health campus. The Collaboration Campus consists of two 50,000SF buildings and a partnership between Arapahoe Community College, Colorado State University, Douglas County School District and the Town of Castle Rock. The Collaboration Campus provides the opportunity to educate, recruit and retain a Castle Rock work force.

2018 year-to-date update

- Ground Breaking Ceremony held on May 21, 2018
- Estimated opening date of Fall 2019
- EDCC Economic Development Partnership of the Year Award

**Promenade at Castle Rock** is a 200-acre site located between I-25 and Highway 85. Upon completion, this master developed site will bring a combined 900,000SF of large-format retail, service and restaurant space oriented within four distinct districts. The Town has agreed to share 1.1% of the Town's 4% sales tax for up to 25 years or until the \$24.48MM (13% of the project costs) in infrastructure bonds have been paid off. Alberta Development Partners purchased the site in October of 2014 and anticipate stabilization to occur in 2021. It is estimated that at completion, the project would generate \$3MM to \$5MM of annual revenue to the Town.

2018 year-to-date update

- 713,000 SF of built and/or under construction space
- Approximately 187,000SF remaining space to be constructed
- Whole Foods broke ground in late 2018
- 71% Leased

Tenants Recently Opened	
○ TJ Maxx & Homegoods	○ Sleep Nation
○ Ulta	○ Chase Bank
○ Petco	○ Zoe's Kitchen
○ Hobby Lobby	○ Rocket Fizz
○ Bank of America	○ Sierra Trading Post
○ Fuzzy Taco	○ Ross
○ Del Taco	○ Les Schwab
○ 7-11	

Tenants Under Construction & Coming Soon	
○ Whole Foods	○ Chick Fil A
○ La Loma	○ Black Rock Coffee
○ Starbucks	○ Premier Credit Union
○ Cuba Cuba	

**Master Magnetics (Expansion)** was founded in 1976 and has maintained a Castle Rock presence at 747 S. Gilbert Street. They are one of Castle Rock's oldest manufactures, distributing a variety of magnet-based products throughout the world. In 2018, Master Magnetics purchased 1211 Atchison Court and consolidated all Colorado operations into the new facility. This resulted in the relocation of 66 Castle Rock employees and 19 employees from the Elbert County facility. This will allow Master Magnetics to continue their growth projections of 10-15 new employees over the next 2 years.

2018 year-to-date update

- Purchased 1211 Atchison Court
- Relocated 19 employees from the Elbert County facility

**Innosphere** is a Science and Technology Incubator that was founded in 1999. Headquartered in Fort Collins, Innosphere provides support to entrepreneurs, building high-growth companies in the industries of natural & organic foods, health innovation, life sciences, software & hardware, and energy & advanced materials. Since 2009, Innosphere has raised over \$220MM, supported the creation of 1,400 Colorado jobs and graduated over 52 companies.

Based in large part to the early work of the 104 Initiative and the Collaboration Campus, Innosphere selected Castle Rock as a location for one of its 2018 satellite expansions. Innosphere-Castle Rock offers support to start-up and early stage companies increasing the exposure of Castle Rock to the tech start-up industry.

2018 year-to-date update

- Established the Innosphere-Castle Rock office at the ConneXion Spot
- Working with 8 Castle Rock/South Denver area client companies
- Organized 2 pitch events to support 10 tech start-up companies gain access to angel investment

**Castle Rock Adventist Health Campus** is located on 50 acres in The Meadows and is committed to being more than just a hospital, it's a Health Campus with a commitment to be the overall health infrastructure of the Castle Rock community. The land was acquired in the early 2000's and by 2011 the Health Campus consisted of a premier ER and imaging center. Following quickly was the 50-bed hospital and two 60,000SF medical office buildings.

2018 year-to-date update

- Mary Briscoe Building (MOB II) 100% occupied
- Limelight MOB 100% occupied (off site MOB)

**Meadow's Town Center** is located off of Meadows Blvd. and adjacent to the Castle Rock Adventist Health Campus. The concept was originally created in 2003 by Castle Rock Development Company. The Center was designed to become the focal point of the community, providing residents with a walkable, urban, mixed-use market place.

2018 year-to-date update

- Meadow's Town Center Building II
  - Construction complete June 2018
  - 100% leased
  - Tenants include:
    - The Library Co. Bar & Kitchen
    - Crush Wine Bar
    - Astro Tap House
    - SDG Castle Rock Endoscopy Center
    - South Denver Gastroenterology
    - Touchstone Imaging

**Milestone Center** is located at the southeast corner of Founders Blvd. and I-25. The center was established in 1996 as a grocery anchored shopping center with roughly 70,000SF occupied by King Soopers and an additional 44,000SF dedicated to inline retail and pad sites. In May of 2017, King Soopers decided to close the store and relocate to Promenade, opening a King Soopers Market Place.

#### 2018 year-to-date update

- Murdoch's Ranch and Home Supply signed a lease for 50,000SF in Q2 of 2018
  - Anticipated grand opening, May 2019
  - Planet Fitness will occupy the remainder of the former King Soopers space

**Downtown Development Authority (DDA)** is a governmental entity that functions as an extension of the Town guided by a seven-member board that is appointed by Town Council. The DDA is charged with furthering development and place-making in Downtown Castle Rock using Tax Increment Financing (TIF) and is guided by a Plan of Development. The Plan of Development provides guidance from Town Council on the mission of the DDA and encourages the DDA to pursue "development projects" which include projects to beautify Downtown, increase commerce in Downtown and development projects which bring physical construction of buildings to Downtown.

#### 2018 year-to-date update

- Riverwalk – Expected completion Q1 2019
- Festival Park Commons – Developer purchased three lots that include 8, 14, and 20 Wilcox Street, Castle Rock DDA and Town Council signed a non-binding MOU
- Wild Blue Yonder Brewing Company – Successfully opened late fall 2018
- Festival Park – Awarded the *Merit Award* from the Colorado Chapter of American Society of Landscape Architects and *2018 Best Projects* from Engineering News-Record.

**Crystal Valley Interchange (CVI)** Castle Rock Town Council passed a resolution in October 2018 to formally recognize the Crystal Valley Interchange Coalition and encouraged the coalition to coordinate its efforts with the Town. The Coalition meets twice a month to engage the public private partnership on key stakeholder issues and explore potential funding options. Highlight from 2018 Include:

#### 2018 year-to-date update

- Coalition agreement on paired interchange solution
- Lunched strategic interchange funding plan to solve for \$55MM estimated project cost

**I – 25 Gap Project** is an 18-mile stretch of I-25 between Castle Rock and Monument that is split into three geographic sections – north, middle and south. Work began in September 2018, focused on the northern section of the project between Plum Creek Parkway and Sky View Lane/Tomah Road. Construction is anticipated to begin in early 2019 on the southern section of the project between Greenland Road and Monument. Project completion is forecasted for 2022.

#### Scope of work

- Over 800,000 tons of asphalt paving
- 20 Miles of median barrier
- 100+ drainage crossings
- 44 Miles of fiber conduit
- 8 Bridge structures (4 Wildlife Bridge Structures)
- 29 Miles of deer fence
- 6000 Lf of new wall structures

## **Primary Employment Expansions**

### **Solar Ray Pugs (SRP)**

- SRP begins expansion of their corporate Headquarters in Downtown Castle Rock
- As part of the expansion SPR plans to create an additional 30 primary jobs
- The project was supported by Town Council and is viewed as a project of economic development significance

### **Hollis + Miller Architects**

- Entered into negotiation with the Town of Castle Rock and the EDC for economic assistance that would support their proposed expansion into The Riverwalk location in Downtown Castle Rock
- Plans include expanding the current office of 7 to 50 in the next 5-10 years

### **Master Magnetics**

- Master Magnetics purchased 1211 Atchison Court as part of a consolidation and expansion securing Castle Rock as their corporate headquarters
- As part of the expansion they were able to retain 66 employees, relocate 19 employees and plan to hire an additional 10-15

## **EPS Report (2017/2018 Special Project)**

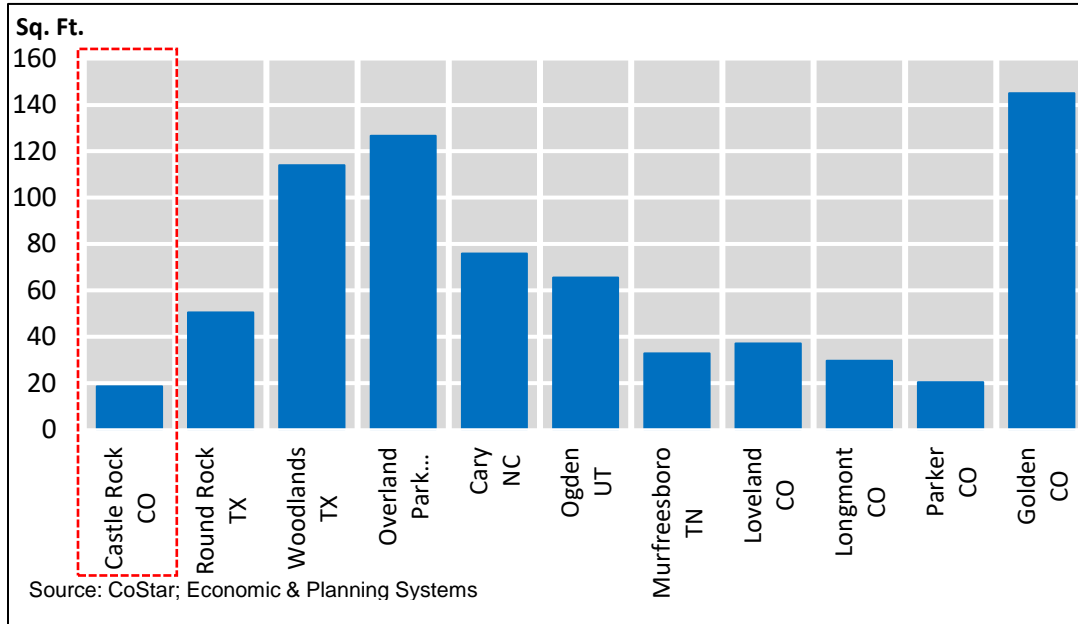
In an effort to continually evaluate our strategic economic development priorities and streamline our processes, Castle Rock EDC and the Town of Castle Rock contracted with Economic Planning Systems Inc. (EPS) to provide an independent third-party analysis of the Castle Rock market. The objective of the analysis is to actively engage Town Council, business leaders, civic leaders and primary employers so that Castle Rock EDC and its partners can create a shared economic development vision.

The data collected by EPS confirms that the Town of Castle Rock will need to develop a strategy that encourages additional office development in order to maintain its position as a premier stand-alone Front Range community.

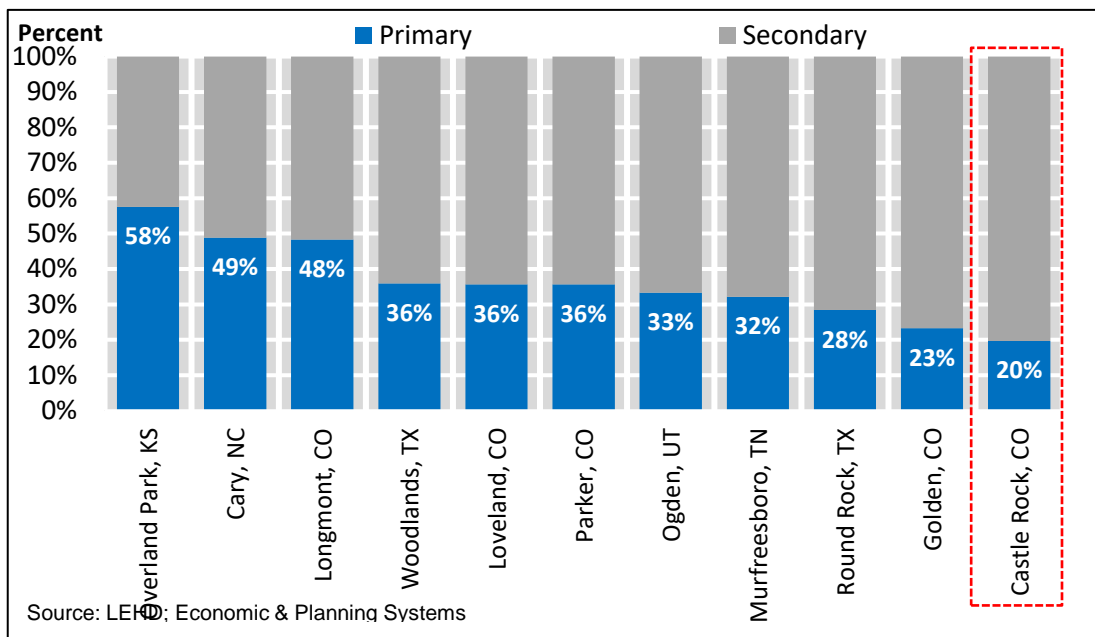
### **Notable Findings**

- Castle Rock has the lowest office square footage per capita of the 10 aspirational communities compared - *See chart below.*
- Castle Rock has the lowest percentage of primary employment out of the 10 aspirational communities examined - *See chart below.*
- Castle Rock has higher than average commercial land cost than Centennial Airport/Dove Valley and Parker – *See chart below.*
- Castle Rock has higher development fees for large office and medical office than a competitive set of peers, Lone Tree, Parker, Centennial – *See chart below*
- SWOT Analysis – *See chart below*

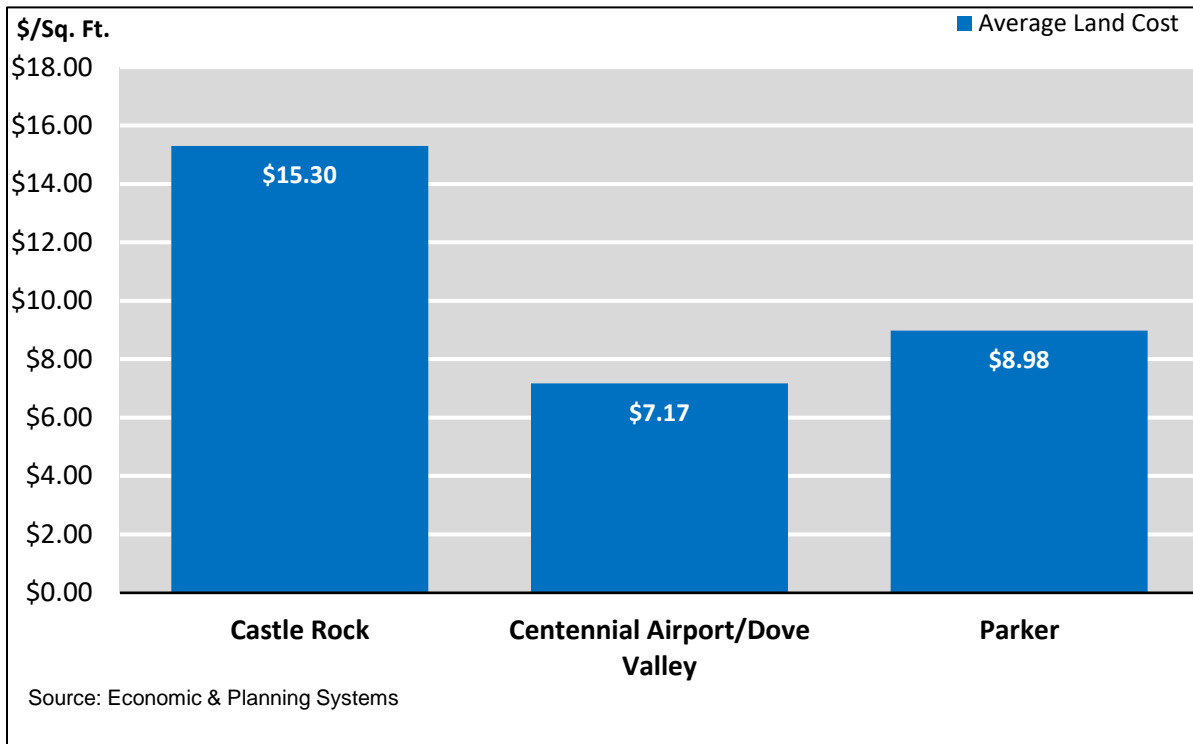
## LOW OFFICE PER CAPITA



## LOW PERCENTAGE OF PRIMARY EMPLOYMENT



## HIGH LAND COSTS

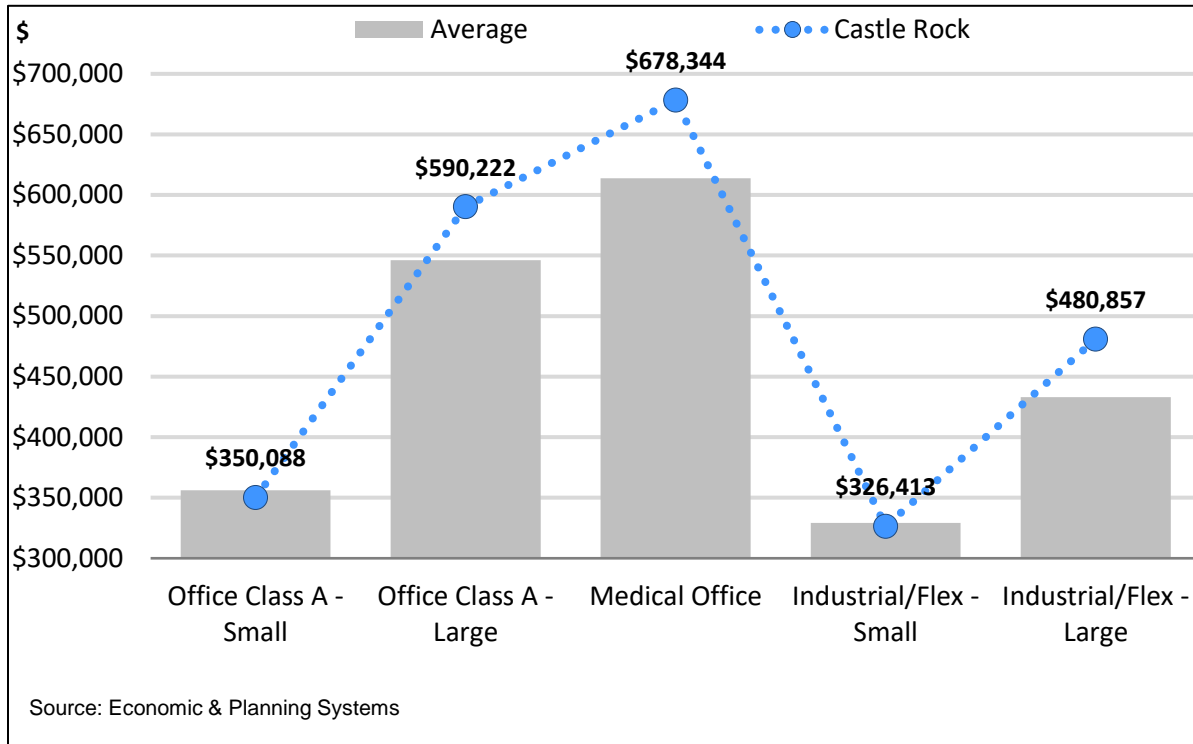


## S.W.O.T. ANALYSIS

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Small Town Feel</li> <li>• Active Downtown</li> <li>• Natural and Recreation Opportunities</li> <li>• Central Location</li> <li>• Attractive Place to Live</li> <li>• Collaboration Campus</li> </ul>	<ul style="list-style-type: none"> <li>• Expanded Recreation and Open Space</li> <li>• Mixed-Use Development</li> <li>• Public Transit</li> <li>• Targeted Attraction vs. "Grow Your Own"</li> <li>• Communication and Educational Opportunities</li> <li>• Diversity of Development Opportunity Areas</li> </ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• Cost of Housing/Housing Diversity</li> <li>• Breadth and Depth of Labor Force</li> <li>• Water Rights</li> <li>• Lack of Public Transit Options</li> <li>• Lack of Primary Employment</li> <li>• Lack of Office Inventory</li> <li>• High Development Costs and Fees</li> </ul>	<ul style="list-style-type: none"> <li>• Over-Reliance on I-25</li> <li>• Growth Backlash</li> <li>• Role of Governing Agencies</li> <li>• DDA Debt Limit</li> <li>• Water Supply and Entitlements</li> <li>• Evolution of Retail</li> <li>• Keep Pace with Peer Communities</li> <li>• Lack of Resident Diversity</li> </ul>



## HIGH DEVELOPMENT FEES



## Business Retention Expansion (BRE)

One of the signature objectives of the EDC is to help grow the tax base and create a quality business climate. By establishing a Business Retention and Expansion (BRE) Task Force, the EDC and Town leverage a wide range of professional expertise that provide value to Castle Rock based businesses. Each month members of the BRE Task Force meet with local businesses to discuss strategies for expansion, address challenges in the market place and establish the necessary methods to follow-up. The objective is to ensure that each business in Castle Rock understands the value they provide to the community and the commitment of the Town and the EDC to support their goals and encourage their growth. As an extension of BRE, the EDC hosts a **Primary Employer Roundtable**, **Development Roundtable** and the newly formed **Castle Rock TechTable**.

### Business Retention Visits

- Task Force Meetings – The BRE Task Force has conducted 12 monthly meetings with a variety of local companies ranging from tech companies, architectural firms and a local brewery.
- Onsite Meetings – Members of the BRE Task Force have joined EDC staff to formally and informally visit with approximately 15 local companies to discuss strategies for expansion, address challenges and celebrate success.

**Primary Employer Roundtable** exists to provide a forum for Castle Rock Primary Employment Leaders to exchange ideas, best practices, and to develop strategic relationships. Membership

is open to any primary employer in Castle Rock and the group is inspired to give back to our community and to promote economic growth both locally and regionally.

2018 year-to-date discussion items

- Tight labor market
- Attainable Housing Challenges for Employees
- Discussion on DCSD Bond Initiative
- I-25 Gap Coalition Support and Future Transportation Challenges
- Charitable community engagement; provided professional and financial support to the Douglas / Elbert Task Force

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

2018 discussion items

- |   |  |
|---|--|
| • Water Use/Drought Management Plan / Rebate Program            | • 2018 Impact Fee Study  |
| • Landscape Criteria Manual Updates                             | • Utility Tie-In Standards                                       |
| • Bulk Water / Hydrant Meters – Policy and Fee Change Proposals | • Plan Submittal Requirements                                    |
| • Discussion: Curb Stop in Driveways                            | • Update TDR – Transferable Development Rights                   |
| • Update: Title 4 Subcommittee Work                             | • Laboratory Testing Fees/Plum Creek Water Reclamation Authority |
| • Land Use Application Submittal Process Follow-up              | • Transferable Un-platted Water Rights                           |
| • Water Rate Fee Update   | • Inspection Time Lines  |
| • Plan Review Process   | • Crystal Valley Interchange Coalition                           |
|   | • Development Services Department Reorganization                 |

**Castle Rock TechTable** was designed to create relationships among the many tech companies in Castle Rock. Castle Rock TechTable was created in early 2018 and provides a platform for the leaders in this industry sector to discuss and strategize challenges, share success and potentially share resources.

2018 year-to-date outcomes & objectives

- Created a SLACK Channel to increase communication
- Identified the need to create a promotional tool to market Castle Rock tech companies
- Engaged the Castle Rock ACC Collaboration Campus
  - Exploring a Tech based internship program
  - Onsite business engagement

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

The Castle Rock Business Attraction Team oversees one of the core services of the Castle Rock EDC, attracting new primary employers to Castle Rock. BAT meets monthly and consists of private sector volunteers with expertise in business development, real estate, construction, land planning, title work and marketing. BAT focuses on both direct and indirect marketing strategies for attracting primary employment. Additionally, BAT fosters relationships with developers to encourage office development in the Castle Rock market. BAT hosts a series of events that seek to promote, educate and encourage the creation of primary employment opportunities in the Castle Rock Market.

### **Year-to-date update**

- Sponsored and presented at the Colorado Real Estate Journal's Office Summit
- Contracted with Suter Media Relations to market Castle Rock through various media outlets (Colorado Real Estate Journal, Denver Business Journal, ColoradoBiz.com, Denver Post)

## **Community Recognition - Economic Development Council of Colorado 2018 EDIE Awards**

### **Large Community of the Year – Town of Castle Rock, Colorado**

*The award for 'Large Community of the Year' was presented to the Town of Castle Rock for demonstrating a strong commitment to economic development through vision and execution. The community fostered two \$60 Million mixed use projects in Downtown Castle Rock as well as partnered on the Promenade at Castle Rock project adding 1 million sq. ft. of retail and \$300 Million investment, which has become one of the top 5 retail projects in the U.S. Adding to its list of accomplishments, the Town of Castle Rock invested \$3 Million of economic development funds into a partnership with Colorado State University, Arapahoe Community College, and the Douglas County School District to create the 100,000 sq. ft. Castle Rock Collaboration Campus, which will house an office for Innosphere in partnership with the Denver South Economic Development Partnership.*

### **Partnership Award – Castle Rock Collaboration Campus**

*The Partnership Award was presented to the Castle Rock Collaboration Campus. A partnership between the Town of Castle Rock, Arapahoe Community College, Colorado State University, and Douglas County School District created the \$45 million, 100,000 sq. ft. educational campus. The Campus will open in fall of 2019 and will be capable of enrollment up to 1,500 students. The Campus will deliver 21st Century education in a completely seamless process to the students by offering concurrent enrollment options that can deliver a 4-year path from Douglas County High School through Arapahoe Community College and Colorado State University at 1/3 of the cost.*

### **Economic Development Achievement Award - Frank Gray, Castle Rock Economic Development Council**

*The Economic Development Achievement Award was presented to Frank Gray, President & CEO of the Castle Rock Economic Development Council. Gray has been in economic development for 15 years, working in Castle Rock for the past 10 years. Gray has served as the board chair for the EDCC, Arapahoe Community College, Colorado Lending Source, and is a founding member of Colorado Companies to Watch. He has been instrumental in projects such as the Castle Rock Collaboration Campus, the Riverwalk redevelopment project in Downtown Castle Rock, and the 65-acre mixed use development project, Miller's Landing.*

### **Company of the Year – Comcast, Denver, Colorado**

*The award for 'Company of the Year' was presented to Comcast. Since 2011 Comcast has invested \$2.3 billion in Colorado's technology and infrastructure to offer multi-gig speeds to keep our communities competitive and our businesses running beyond fast. The company has shown its commitment to our communities and contributed more than \$14 million in financial and in-kind resources to community organizations just this past year.*

*In 2018, Comcast approved more than \$20 million to further expand Comcast's infrastructure in Colorado with plans to serve an additional 4,064 businesses. The company approved over \$2 million in infrastructure commitments in*

*Douglas County alone for 2018 that will impact 466 businesses. The company's partnership with Castle Rock has been critical to building out the needed infrastructure to support business growth in that community.*

*Comcast is committed to Colorado communities and partners with 14 economic development organizations statewide. Their partnership and commitment to the Colorado communities they support made them a clear winner for Company of the Year.*

The EDC values our partnership with the Town of Castle Rock and remains committed to the vision of being a premier stand-alone community.

Respectfully,

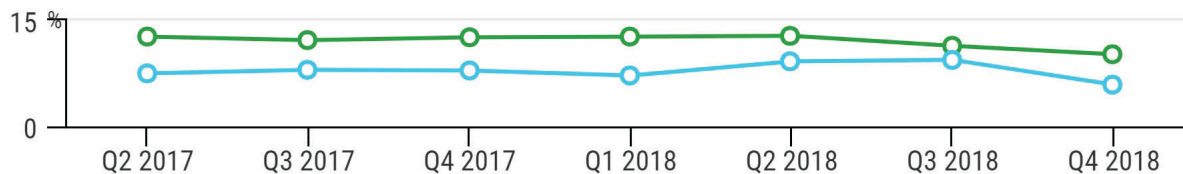
A handwritten signature in blue ink, appearing to read 'F. Gray', with a stylized flourish extending to the right.

Frank Gray  
President and CEO

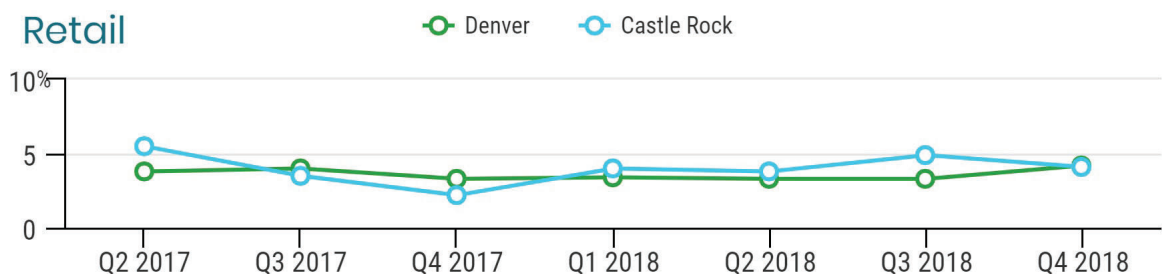
# 2018 Annual Report

## Vacancy Rate Comparison \*

### Office

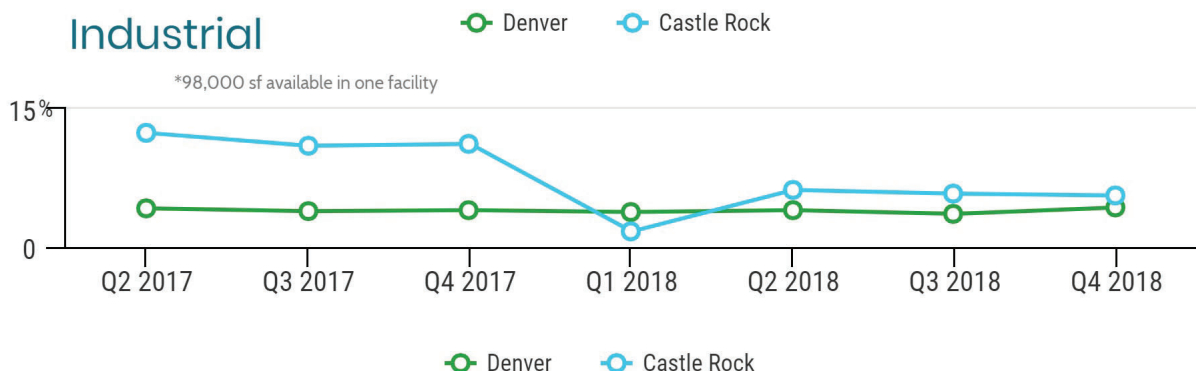


### Retail

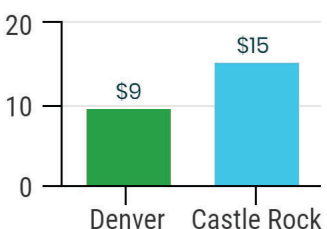
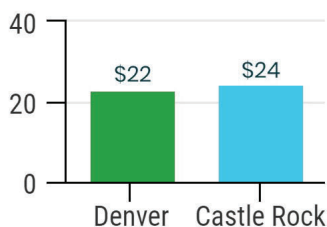
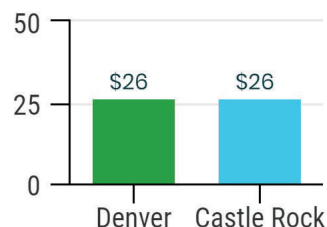


### Industrial

\*98,000 sf available in one facility



## Q4 2018 Lease Rate Comparison\*



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

## Unemployment Comparison

  
**Castle Rock**  
  
**Denver**  
  
**State of CO**

2017

2018 - Through Nov.

2.7%

3.0%

2.9%

3.3%

3.0%

3.4%

## 2018 Awards

### Metropolitan Cooperation Award

Castle Rock EDC ~ Metro Denver EDC

### Large Community of the Year

Town of Castle Rock ~ EDCC

### Partnership Award

Castle Rock Collaboration Campus ~ EDCC

### Economic Development Achievement Award

Frank Gray ~ EDCC



## Castle Rock Sales Tax Comparison



2017  
+10.1%

2018  
+6%

## Promenade Update

### Newly Signed Tenants

Starbucks  
Cuba Cuba  
Whole Foods



### Recently Opened

Ross  
Sierra Trading Post  
Les Schwab  
Car Wash Express  
Fuzzy Tacos  
Del Taco

713,000 SF  
Complete/Under  
Construction

71% Leased

## Castle Rock Development Highlights

### Meadows Town Center Bldg. II

Status: Complete  
27,140 sf  
100% leased

### Meadows Town Center Bldg. III

Status: Pre-Construction  
21,000 sf

### Master Magnetics

Purchased 1211 Atchison Court

### I-25 Gap

18 mile stretch between Castle Rock & Monument  
Under Construction  
Anticipated Completion 2022

### Miller's Landing

Status: Ground closed: August 2017  
Dump Remediation: Fall 2018

### Milestone Center

Murdoch's opening May 2019

### Riverwalk South

Status: Under Construction  
Expected Completion Q1 2019

### Riverwalk North

Status: Under Construction  
Expected Completion Q1 2019

### Festival Park Commons

Status: Proposed Development  
Mixed-Use Project / For Sale Condos  
300 Public Parking Spaces

### Wild Blue Yonder Brewing

Status: Opened

### Project of Significance

### Castle Rock Collaboration Campus

ACC . CSU . DCSD  
Under Construction  
Opening Q3 2019



## NEW Construction

## Development Prospects

