



Castle Rock Downtown Alliance

A partnership between the Downtown Development Authority and Downtown Merchants Association

To: DDA Board and Town Council

From: Staff

Date: July 18, 2019

RE: Encore Discussion

Executive Summary

In 2017, the DDA and Town were approached by several developers that were interested in proposing projects on the Town Hall parking lot that would increase public parking and add commercial and residential redevelopment. In response, the DDA and Town put together an RFP, allowing the public to propose ideas for the site that could be considered.

From the RFP process, a developer was selected who proposed to triple the amount of public parking on the Town Hall parking lot, construct a mixed-use project adjacent to the parking and pay for the parking garage using revenues from the project. Ultimately this developer partnered with Confluence Companies who became the lead developer.

This project now known as the Encore Project, formerly known as the Festival Park Commons project, has been discussed in public meetings for several years as this potential project has solved engineering and financial challenges, leading up to its current form.

The Encore Project, proposes a \$72,000,000 mixed use development project with:

- 124 for-sale residential condominiums,
- 30,000 SF of commercial space and
- 601 parking spaces – 300 public spaces and 301 private spaces.

The project also proposes to:

- pay for a train horn quiet zone at all 3 stops in Downtown (up to \$900,000),
- construct a town plaza between Town Hall and Encore (financed by revenue from the project),
- construct, pay for and maintain a public dog park on the SE corner of the project.

The proposed deal structure for this project accomplishes a number of goals of the Town, DDA and developer, primarily, paying for a public parking garage in the Downtown Core using the revenues generated from the project. In addition, the project proposes for sale residential condominiums, strengthening the Downtown economy, as well as adding commercial retail and office space, and bringing another great dining option to Downtown.

Discussion

Background

The function of the Downtown Development Authority is to revitalize, redevelop and energize Downtown Castle Rock through strategic public investment that facilitates and provides the infrastructure and environment that allows the goals of the Plan of Development to be realized.

In the last 10 years or more, the Castle Rock community has taken a number of steps to put in place tools, code, regulation, public boards, etc., that are aimed at facilitating a more active and vibrant Downtown. This includes many public meetings with residents, business owners, property owners, Chamber members, EDC members, Alliance members, and Town Council members, to:

- Create the Downtown Advisory Commission
- Pass ballot measures where business owners voted to tax themselves to create the DDA
- Create the Plan of Development (DDA Document)
- Create the Downtown Master Plan (Town Document)
- Update the Downtown Overlay District to encourage a more vibrant downtown
- Update the signage code in Downtown to allow signage that fits in a historic downtown

An active and vibrant downtown includes many components. The DDA Plan of Development and industry experts often point to the need for daytime, evening and weekend populations that live, work and play in a downtown, in order to have strong economy. For all of these things to be successful, an abundance of public parking is needed.

This project proposes to bring additional parking, as well as the addition of a daytime population (office space) and an evening and weekend population (residential space), and retail and restaurant space that is so desired in downtown shopping and dining districts.

The creation of a walkable environment, where “window shopping” can occur, is facilitated by development with little to no setback from the street so that pedestrians can find interesting shops, goods and services as they walk. This project would eliminate three locations with asphalt parking lots off street, bring the building store front up to the street and put parking in the rear of the building. This creates a more walkable environment and leads to the customer often being willing to walk greater distances from their parking space, because the walk is interesting and engaging.

At a seminar put on by Downtown Colorado Inc., “downtown experts” Brad Segal and Deana Swetlik opined that facilitating projects that bring residents to a community’s downtown is one of the best things that you can do to strengthen a downtown economy and vibrancy, and indicated the growing desire to live in downtowns is not just a fad, but a long term trend that is expected to remain for many years and multiple generations into the future, not just the millennial generation.

Proposed Project

The proposed project is a mixed redevelopment of an old liquor store and two oil change garages. The project will include 151,151 residential SF made up of 124 for sale condominiums, 29,802 commercial SF made up of an estimated 17,881 SF retail/restaurant space and 11,921 SF of office space. The project will have 601 total parking spaces with the Town owning 300 of those spaces for the public. The project

is proposed to be 7 stories, at 84'4" feet tall. This project is 10'4" taller than the Riverwalk South building across Wilcox Street. The first 2 and 3 floors will have a façade of brick, providing a quality finish at pedestrian scale.

The project will have parking on all 7 stories, including 301 spaces for the private development. Town code requires 124 spaces for the residential space on this project. The project will provide 241 spaces in addition to 60 spaces for the commercial.

The renderings and floor plans of the proposed project are included with this memo. These renderings will also be included as an exhibit in the proposed Redevelopment Agreement, and material deviation would require approval.

The location of the proposed parking garage is on a site already owned by the Town, and on one of the largest tracts of land near the Downtown Core that could accommodate a parking garage. This location strengthens public parking near the new Riverwalk project, that recently announced an 8,000 SF brewery, as well as near the recently expanded Festival Park, that often hosts Farmers Markets and other great community events. Public parking is an important component of any active and vibrant downtown, and is something that Downtown needs now and will need more of in the future.

Pro Forma and Gap Analysis

Town and DDA staff utilized the services of Economic and Planning Systems (EPS) to conduct an independent, unbiased, third party review of the pro forma and gap on this project. This analysis also included a check on developer assumptions and projections. This analysis is included with this memo, and summarizes the following:

- That market and cost assumptions are reasonable.
- The incentives provided by the Town and DDA are necessary for the private developer to generate a reasonable return on investment, without windfall profits.
- The revenues from the project are sufficient to pay for the debt on the 300 parking spaces the Town will own.

Agreement Structure

The terms of the proposed agreement are outlined below. A redevelopment agreement with these terms is being drafted and can be presented at a future DDA and Town Council meeting.

Terms:

- Developer to build a \$72 million mixed use redevelopment project, with 601 space parking garage, town plaza, public dog park and pay for a train horn quiet zone (up to \$900,000).
- Developer and Town to utilize a share of 4 tax revenue sources from the project, as follows:
 - Property Tax TIF
 - Developer will receive 80% for up to 12 years, ending collection year 2032.
 - Developer estimated to receive 42% of the total Property Tax TIF and the Town 58%.
 - Sales Tax
 - Developer will receive 50% for up to 12 years, ending in year 2032.
 - Developer estimated to receive 16% of the total Sales Tax and the Town 84%.

- Developer Imposed Sales Tax Add-on PIF
 - Developer will receive 50% for up to 12 years, ending in year 2032.
 - Developer estimated to receive 16% of the total Sales Tax Add-on PIF and the Town 84%.
- Developer Imposed Property Tax GID
 - Developer will receive 0%.
 - Project estimated to generate \$11,460,000 and 100% will go to the Town.
- Confluence to transfer condominium ownership in 300 public parking spaces to the Town, to be financed using the revenue sources listed above.
- Fees and use tax collected by the Town would be waived for up to \$2,760,000 (to be repaid by the DDA as explained below), as well as County Use Tax on the Town owned public parking garage.
- Town to transfer the Town Hall Parking Lot land to the developer, estimated at \$2.5 million.
- Town to utilize IREA Credits for some improvement and relocation expenses related to utilities.
- Developer to include infrastructure necessary for at least 1 restaurant tenant (grease trap and hood) in the project.
- Project to be completed as described in this memo and shown in the renderings and floor plans, and contingent on approval of these details by the Design Review Board and Downtown Development Authority.

An increment payment will only be made to the developer if increment is generated by the project and the district as a whole, and after existing debt obligations are fulfilled.

Property Entitlements/Development Fees

The developer would be responsible for preparing various applications and proposals for Town consideration. The Town will be responsible for reviewing and processing these applications/requests on a timely basis for Town Council consideration following required public processes.

The Town will receive various permit fees, development impact fees and utility system development fees, which will cover the costs of development review services and capital infrastructure demand created by the project. These fees will be paid by the Downtown Special Fund over time as available.

Staff Recommendation

Town staff members and department heads have been part of the team working on this proposed project, as well as Frank Gray, CEO and Marcus Notheisen, Vice President of the Castle Rock EDC. The Castle Rock Economic Partnership (CREP) including the Castle Rock EDC, Chamber of Commerce, Downtown Merchants Association and Downtown Development Authority have also been working on this proposed project to analyze information presented and identify important and needed components of a project like the Encore project.

Staff recommends that the Downtown Development Authority and Town Council approve this proposed deal structure and approve a Redevelopment Agreement to be drafted consistent with the details provided above, with Confluence Companies, as it would allow the Town and DDA to add a 300 space public parking garage, as well as a mixed-use redevelopment project, town plaza, train horn quiet zone, dog park to Downtown Castle Rock.