



2020 Annual Report

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

Re: Castle Rock Annual Report to Investors

Castle Rock Economic Development Council (EDC) is a 501(c)6, nonprofit organization, incorporated in November of 1997 as a partnership between the Town of Castle Rock, Douglas County, private sector businesses and key community stakeholders. The mission today, as it was then, is to facilitate a proactive and collaborative working relationship between the Town, County, and private businesses to execute the Town's vision. Practically, that means, a proactive strategic development effort to attract and retain primary jobs for Castle Rock citizens, grow the tax base from which critical community services are realized and create a business-friendly environment that all support a unique stand-alone community.

The Castle Rock community has grown from 9,000 residents in the 1990's to its current population of 75,000. Castle Rock is currently adding roughly 1,000 new permitted homes each year, which equates to approximately 3,000 new residents. With an anticipated population of 140,000+ at full buildout, it is critical that our work is collaborative, thoughtful, and strategic to encourage the right kind of commercial development that reflects the Town's vision and supports the highest and best use of the developable commercial ground. The objective is to diversify the local economy, create more primary jobs, reduce outbound commuter traffic on I-25 and support local independent businesses. The EDC and its partners must ensure that both current and future Castle Rock residents have a great stand-alone community to live, work, recreate and thrive in. As the residential community grows, it becomes essential that the Town actively seeks out the resources needed to invest in Castle Rock's infrastructure. The question is not if the community is growing, but how is Castle Rock going to effectively influence, invest and prepare for that community growth while maintaining the Town's vision, in keeping the core characteristics that its residents love about the community intact? The only constant in a developing community is change.

Economic Development Services

Castle Rock EDC's core services are outlined below along with the corresponding progress that has been made in each category in 2020.

- **Growing Castle Rock's Existing Businesses**
 - Business Retention and Expansion (BRE)
 - Small Business Development Advocate
- **Attracting Primary Employers to Castle Rock**
 - Marketing to Brokers, Developers and Primary Employers
 - Serving and Tracking Prospects
 - Business Attraction Team (BAT)
- **Retail Development and Recruitment**
 - Highly Targeted, Strategic Marketing to Developers and Users

- **Positive Business Environment**
 - Castle Rock Economic Partnership (CREP)
 - Development Roundtable Collaboration
 - CEO Roundtable
 - Start Up and Entrepreneurial Infrastructure Support
- **Informed Economic Council**
 - Public/Private collaboration solving strategic micro and macro-economic development issues.
 - Economic and Demographic Data, Analysis and Reporting
 - Customized Economic Impact Analysis

2020 COVID-19 Impact - While 2020 started off as any other year, the COVID-19 pandemic disrupted many of the traditional activities associated with economic development and increased the focus on supporting local businesses, particularly those that required significant day to day foot traffic, examples include: local restaurants, bars, coffee shops etc. The EDC and the Castle Rock Economic Partnership (CREP) demonstrated strong resolve in creating programs, loans, grants and guiding the Castle Rock business community to State, County and Federal resources. While devastating to experience the impact on the local business community, it was equally impressive to see the response of the Castle Rock partnership.

Growing Castle Rock's Existing Businesses

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 marketplace 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.

In 2020, due to COVID-19, the BRE Task Force combined efforts with the Town of Castle Rock, Downtown Alliance, Castle Rock Chamber of Commerce, and our private sector partners to support local businesses that were negatively impacted by the pandemic. The economic impacts of COVID-19 affected businesses differently. Some smaller customer facing businesses were immediately impacted by government shutdown, while many others required access to updated information in order to navigate the ever-changing environment. The response included community Zoom calls, KIVA Loan Program, Town of Castle Rock Gran Program, the FirstTier CommUNITY Loan Program, a strategic marketing campaign, Shop Local Gift Card Program, and Small Business Advocacy.

Community Zoom Calls - In response to COVID-19, CREP worked with Colorado Lending Source CEO Mike O'Donnell, Small Business Administration (SBA) Rep. Stephen Collier, Centura Adventist CEO Brandon Nudd, Town of Castle Rock Mayor, Jason Gray, Town Manager Dave Corliss, Douglas County Commissioner Roger Partridge, Deputy Director of Tri-County Health, Jennifer Ludwig, and Director of the South Metro Small Business Development Center (SBDC), Marcia McGilley to provide live Zoom calls to the Castle Rock business community. These meetings included up to the minute information on EIDL loans, Paycheck Protection Program (PPP), CARES Act, and community COVID-19 public health updates and was available to over 2,000 Castle Rock Business.

KIVA Loan Program - In partnership with the Town of Castle Rock and Colorado Lending Source, the EDC unveiled the KIVA Loan Program, a crowd sourcing loan platform, in April 2020. KIVA offered 0% interest loans up to \$15,000. Qualifying Castle Rock businesses were eligible for up to \$4,000 or half their raise (whichever was less) from the Economic Development Incentive Fund. The EDC became a KIVA Trustee on the online platform. This enabled the EDC to endorse Castle Rock businesses as worthy investments to the greater KIVA investor community. In total \$25,000 from the Economic Development Incentive Fund was invested in 16 local businesses allowing them to leverage this investment to \$146,000 through the private raise. Currently, 14 of the 16 businesses are in their repayment phase.

EDC Private KIVA Fund - The EDC raised \$12,750 as part of a private fund from its partners to compliment and expedite the investment made by the Town of Castle Rock on the KIVA loan program. As these dollars are repaid, the private sector requested that the funds be redistributed in the form of a donation to the Castle Rock Fire Department, Police Department and Castle Rock Centura Foundation. To date \$9,000 has been donated.

Town Grant Program - The EDC served on the Town Grant Selection Committee, which invested a total of \$1.85 Million in grants to 160 Castle Rock Businesses. The Town Council provided three rounds of funding for Castle Rock businesses awarding between \$500 and \$5,000 individual grants.

FirsTier CommUNITY Loan Program - The EDC, in partnership with the Town of Castle Rock and Town Council, leveraged \$400,000 of the Economic Development Incentive Fund with FirsTier Bank to offer \$2,000,000 in 0% interest loans to Castle Rock businesses. FirsTier Bank was the lead financial partner and the loan servicing and underwriting was supported by Colorado Lending Source. The loan program began on June 25th and concluded on August 31st, 2020. In total, 35 businesses applied to the loan program and 24 loans were approved, for a total funding of \$600,000 in support of Castle Rock businesses. Following the conclusion of the loan program \$159,317 of unused Economic Development Incentive Fund dollars was returned to the Town.

Marketing Campaign - At the Direction of Town Council, Castle Rock EDC partnered with Suter Media Communications to share the positive response and resources available to Castle Rock Businesses during the pandemic. Articles appeared in the DBJ, Co-Biz online and Construction & Design Colorado Magazine, highlighting innovative business support in Castle Rock. Below are a few examples of the articles that were created.

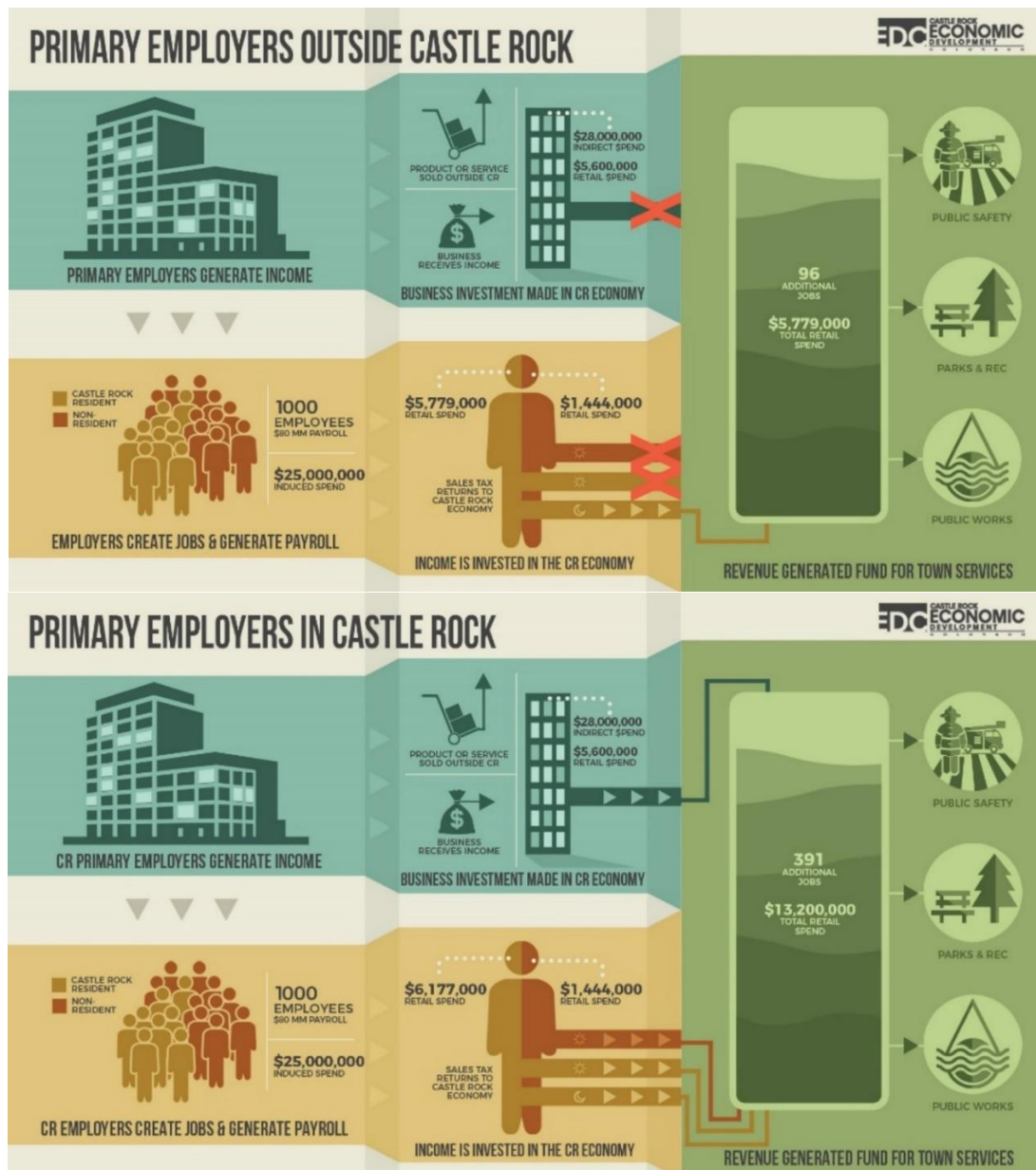
- <https://www.bizjournals.com/denver/news/2020/07/23/grants-loans-castle-rock-lakewood-arvada-colorado.html>
- <https://www.cobizmag.com/going-above-and-beyond-ppp-loans/>

Shop Local Gift Card Program – In December, the EDC launched a shop local challenge to our corporate investors encouraging them to purchase gift cards from Castle Rock based food and beverage industries. To further support the program, the EDC offered to shop on their behalf. This generated nearly \$25,000 in local gift card purchases.

Small Business Development Advocacy - The Town Staff and Downtown Alliance responded to the request from Town Council and the Governor to do whatever they can to temporarily ease or eliminate restrictions on businesses so that they are able to safely transact with customers. Examples included adding outdoor seating for restaurants and dedicated parking for curbside pick-up. This required support from the Fire Department, Public Works, and Planning and Zoning. It has been reported by many small businesses that these subtle changes provided significant impact.

Attracting Primary Employment to Castle Rock

Benefit to the Community - Primary employers fuel the local economy by bringing new dollars into the community through their indirect and induced spend. The high paying jobs they create allow for more residents to live and work locally. This in turn increases the community's daytime population and allows the community to capture an expanded tax base which enhances the Town's ability to provide essential services i.e., public safety, infrastructure, parks, and recreation to its residents. Please see the infographic below comparing Primary Employment in Castle Rock vs. Outside of Castle Rock.



Business Attraction Team (BAT) - BAT oversees one of the core services of the 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 Castle Rock.

While COVID-19 directly affected the financing of new developments and slowed prospect activity, Castle Rock's major developments continued to proceed.

2020 Update on Significant Development Areas

The Meadows - Castle Rock Development Company (CRDC) purchased The Meadows at Historic Castle Rock™ (www.meadowscastlerock.com) in 1997. At approximately 4,000 acres, The Meadows is Castle Rock's largest residential and commercial master planned development. It is set against the backdrop of natural ridges, high prairie land and the Rocky Mountains, offers a blend of nature's most popular assets, with more than 1,100 acres of public land dedication, and dedicated open space, including parks, trails, schools and other community facilities. The Meadows is home to an estimated 21,000 residents. Additionally, The Meadows boasts the full-service Castle Rock Adventist Hospital campus, the Arapahoe Community College Sturm Collaboration Campus, a mixed-use modern Town Center, AMC Castle Rock 12 movie theater and a variety of boutique dining options and community retail services.

Significant development highlights that occurred in 2020:

- UberGrippen Climbing Crag broke ground in the Town Center and anticipates opening to the public in late summer of 2021.
- The Whiskey Lodge Bar & Restaurant is now open in the old Astro Tap House space.
- Ohana Grille (a local Sloan's Lake favorite in Denver) opened in the Town Center where My Café previously operated.
- The Meadows Town Center Building #3 (approx. 21,400 SF) was completed in early 2020 and is well on its way to be leased having moved in five tenants, including Liorah Gene Clothing Boutique, Jack-Be-Click and Code Ninjas (computer coding for kids).
- Mercantile Park (The Merc), a new, \$2.2M park located between Mercantile Street and N. Meadows Drive in The Town Center was completed in the fall of 2020. The Merc will be owned and operated by the Meadows Neighborhood Company master homeowners' association.
- Talus Flats apartment community is under construction in Town Center. Talus Flats includes 111 apartment units and a 5,000 SF restaurant space on Mercantile Street. Talus Flats expects its first apartment residents to move in in the late summer, along with the grand opening of I.C. Brewhouse restaurant.
- The Meadows Family Eyecare completed construction of their new building at the intersection of Prairie Hawk Drive and Dacoro Lane. The building is approximately 5,000 SF with 3,500 SF reserved for The Meadows Family Eyecare and 1,500 SF for a retail/office tenant.
- Richmond American Homes purchased 57 lots in The Meadows Filing No. 16 near the intersection of Coachline Road and Wolfensberger. They started construction of on-site improvements in 2020 and will offer new homes for sale in 2021.
- Aspirant Development purchased land adjacent to the Church of Jesus Christ of Latter Day Saints along Meadows Boulevard for the construction of The Learning Experience Academy of Early Education.

Since the opening of N. Meadows Drive/Castle Rock Parkway from the north end of The Meadows to I-25, CRDC has invested approximately \$5M in additional infrastructure improvements to prepare the N. Meadows land that is situated between Highway 85 and the railroad tracks (Filing No. 19) for development. Filing No. 19 is currently zoned C-O-I (commercial-office-industrial) pursuant to The Meadows PD. Although there was traction on several development deals in early 2020 for parts of Filing No. 19 and other C-O-I and mixed-use zoned property throughout The Meadows, the COVID-19 Pandemic had a negative impact on the feasibility of those deals. There has been a tremendous negative impact to the dining & entertainment sector, along with senior housing and other senior services. CRDC is optimistic that both of those sectors, once they adapt to the long-term operational impacts of the pandemic, will rebound and be an integral part of future development at The Meadows.

In the meantime, while dining, entertainment, and senior services lag, CRDC saw a noticeable market shift in mid-2020 toward distribution and other light industrial uses that have been positively impacted by the new demands of consumers during the pandemic or have been relatively unaffected by the pandemic. The Meadows PD has the flexibility to respond to this market shift and CRDC hopes to collaborate with developers that will enhance the local job market and provide a boost to the overall economy in Castle Rock.

Miller's Landing – Is a 65-acre site situated between Philip S. Miller Park and Downtown Castle Rock at the northwest corner of Plum Creek and I-25 with excellent access and visibility from the interstate. The Town of Castle Rock and the EDC originally created an Urban Renewal Area (URA) with the existing taxing entities at the site in 2012 to help attract a private developer, create a higher and better use of off one of the Town's major interchanges and mitigate the challenges associated with the municipal landfill, which occupied the property at the time.

In 2017, P3 Advisors took ownership of the property, assembling the two parcels that made up the entirety of URA placing it under a single ownership and entered into a Public Finance Agreement (PFA) with the Town of Castle Rock and the Castle Rock Urban Renewal Authority. P3 Advisors removed the landfill in 2019 and have fully remediated the site, completed pre-construction planning and design and is actively marketing Miller's Landing to prime hotel operators and Class A Office users through national, regional & local efforts combined with Denver Metro Denver EDC and Castle Rock EDC. A full-service hotel and conference center is to be built at the site in addition to 450,000 SF of office and up to 200,000 SF of retail.

2020 Update - In the first quarter of 2020 COVID-19 caused unprecedented insecurity in the commercial real estate markets and devastated the hospitality industry including hotels through the remainder of the year. The office market has also been severely impacted by the pandemic, as employers are reassessing what their future real estate footprint will look like. Capital markets are understandably unwilling to take significant risk in this environment which may remain the case for some time.

There is still long-term optimism for both the hospitality and office markets, but to put it in perspective, office leasing activity is down 45.1% year over year for 2020 according to CBRE and available sublease space has reached levels not seen in the Metro Denver MSA in at least 20 years. To be a successful community-centered project it may require readjusting expectations and timing to realize the potential of developing a full-service hotel, Class A Office, and other potential uses on the site.

The South West Quadrant (SWQ) – The SWQ encompasses the land from Plum Creek Parkway on the west side of I-25 down to the southern boundary of the Dawson Ridge development, just north of Tomah Road. The property is currently owned by a multitude of different landowners, which has vastly complicated the development of this ground, which includes a significant amount of commercially zoned development that is virtually impossible to develop under current conditions. While the background is complex the opportunity is equally exciting.

The Challenges: The Dawson Ridge development (of which the Haney family is the largest landowner), is currently under a suspension agreement with the Town, as a result of a downturn in the real estate market in the late 1980's and the subsequent bankruptcy of the developer. The original infrastructure was partially completed 30+ years ago and is now in disrepair. Until 2020, the Haney family had previously been unwilling to engage with the Town or any potential buyers in any meaningful way. This lack of activity over the past 25 years has held the entire Crystal Valley Ranch Interchange (CVRI) and the development of the SWQ hostage, largely due to the significant amount of infrastructure dollars necessary for the construction of the CVRI and other off-site improvements (i.e. relocation of the west frontage road).

The Opportunity: In the last couple of years a group called SWQ LLC acquired a portion of the Dawson Ridge development and was able to get under control some of the northern properties in the SWQ. Currently, Westside Property Investment Company, Inc. (Westside) is under contract to acquire both the Haney and SWQ LLC owned portions of Dawson Ridge as well as an additional 170 acres in the Westfield Trade Center. This creates 2,000+ acres under the control of a single developer, significantly improving the opportunity to generate private sector funding for the CVRI. The CVRI is significant in that its completion would improve primary employment opportunities for Castle Rock residents, increase mobility, alleviate traffic congestion, and provide retail opportunities to grow the tax base. While many challenges remain, optimism remains high in realizing the Town's Master Planned vision.

Retail Development and Recruitment

Retail recruitment has been a signature strategy of the Town dating back to the 1990's. The Town's goals are/and have been to provide the highest level of service through retail sales tax collection to keep property tax low for its residents. As an example, Castle Rock has one of the lowest property tax mill levy rates of any full-service community across the Front Range.

Following the Governor's orders to shut down all nonessential businesses in the spring, municipalities across the Front Range voiced concerns due to their reliance on sales tax. This led many to predict the need to prepare for sales tax deficits as high as 20% to 30%. Fortunately, Castle Rock's position as a regional hub for retail helped Castle Rock outperform those expectations. Year-to-date, Castle Rock experienced an annual sales tax growth of 7.5% through Nov. 2020 which compares favorably to Colorado's 2.3%. Castle Rock fared well overall, due in large part to a combination of factors which include a stronger day time population (remote working), new retail development (Whole Foods, Great Divide) and exceptionally strong performances from the Grocery and Home Improvement categories. In contrast many small restaurants, coffee shops, gyms and businesses that were deemed to be non-essential were disproportionately affected by reduced traffic and forced shutdowns, reflecting retail numbers that were exceptionally stratified. It stands to reason that with the coming of vaccinations that the situation for all retailers will steadily improve as the US draws closer to herd immunity in 2021.

Below are examples of how other Colorado communities performed.

<u>Municipality</u>	<u>Sales Tax Percent</u>
Castle Rock	+7.3%
Louisville (Oct.)	-3.4%
Boulder (Oct.)	-8.4%
Lone Tree (July)	-28.1%
Longmont (Oct.)	-3.4%
Fort Collins (Dec.)	-3.3%
Greeley (Nov.)	-6.8%
Thornton (Sep.)	+3.8%
Grand Junction (Dec.)	-2.0%
Colorado Springs (Dec.)	-0.2%
Pueblo	+2.6%
Parker (Dec.)	+7.1%
Superior (Sep.)	+16.0%
State of Colorado	+2.3%

**Data provided by the Colorado Leeds School of Business*

Positive Business Environment

Castle Rock Development Roundtable - The Development Roundtable was established with the objective to bring Town staff and the development community together. To build trust, relationships, to improve communication and create best practices in the development of the 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.

2020 Discussion Items & Updates

- Development Process; Speed & Predictability
- Changes to water use management plan impacting landscape design & nonresidential
- Water policy on emergency locates
- New outdoor dining permit- Temporary use
- Permit activity with current COVID 19 economy
- Proposed changes to cash in lieu code sections
- Proposed code related to grease interceptors
- Landscape manual updates
- Fire line code amendment
- Land development review updates
- 2021 Proposed Water Development Fees
- Red/Yellow/Green Update

Small Team Breakouts - It was determined during the second quarter meeting to break up into three subcommittees centered around the topics of: Water, Utilities, and the Development Process.

Development Process Subcommittee - Meetings held on 6/9/20 & 7/27/2020

- Speed and predictability, open forum, working together to make improvements.
- Red, Yellow, Green- how is this working? Concerns? Areas to improve upon.
- Post Project Reviews – set a plan, discuss last one, select next one.
- Where can Town Improve on Review process?
- Where can Applicant Improve on submittal and review process?

Water Subcommittee - Meetings held on 6/5/20, 8/14/20, 9/11/20, 10/23/20, 12/14/20

- Update on long term renewable water plan
- Cash in lieu changes
- Temporary irrigation criteria changes
- Additional landscape criteria discussions
- Fluvial hazard zones
- Potential water meter type change
- Underdrain requirements and detail – stormwater
- Type 16 Inlet Revision – Stormwater
- System Development Fees
- Underdrain and Swale Detail Update
- Grease Interceptors
- Site Plan Amendments/ColoradoScape
- Rates & Fees
- Structure & Roles of Review Team
- Landscape Criteria Manual
- MS4 Compliance – Updated Form

Informed Town Council

Community Data and Research – Research will be available to prospects, brokers, residents, and relevant businesses through the Castle Rock EDC website and SiteConnect. The data available includes, demographics, retail sales data, Mosaic market data, labor force information, residential development data, market land/lease rates, business profiles, available commercial land, and buildings currently on the market.

Economic Policy Advocate - Castle Rock EDC will continue work through CREP in partnership with the Town Council to assist in the management and effective use of the established economic performance fund.

Negotiating Incentives - Castle Rock EDC, in partnership with CREP, will take the lead in filtering, guiding and acting as an advocate to potential prospects through the local, County and State incentive process.

Economic Development Public Policy - Castle Rock EDC, in partnership with CREP, will take the lead on keeping its investors and the Town informed on key economic development public policy issues via its involvement with Economic Development Council of Colorado (EDCC), Douglas County Business Alliance (DCBA) and involvement in the Metro Denver Economic Development Corporation.

2020 Year End Summary

While 2020 began as projected, with slow but steady growth, the COVID-19 pandemic turned everything on its side. Despite the national volatility, Castle Rock has remained steady. Businesses navigated regional and local health regulations while simultaneously figuring out how to successfully adapt their business model to the ever-changing economic environment. Despite the disproportionate impact on individual local businesses, Castle Rock has proven to be a positive anomaly in the Front Range with overall increases in retail sales (7.5%), solid residential permit activity (1,000+) and robust development projects. It is the EDC's belief that Castle Rock's strategic regional retail presence, diversity in primary employment combined with the Town Council's decisive leadership and investment during the COVID-19 pandemic has allowed Castle Rock to abate a great deal of the economic impact on the Town. As nationwide vaccination increases, 2021 is poised to see a broad-based economic recovery.

Respectfully,

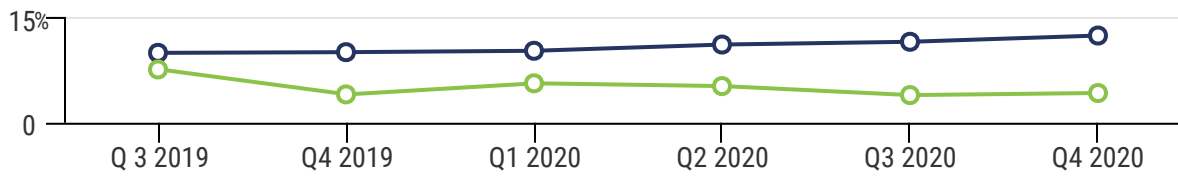
Frank Gray



2020 Annual Report

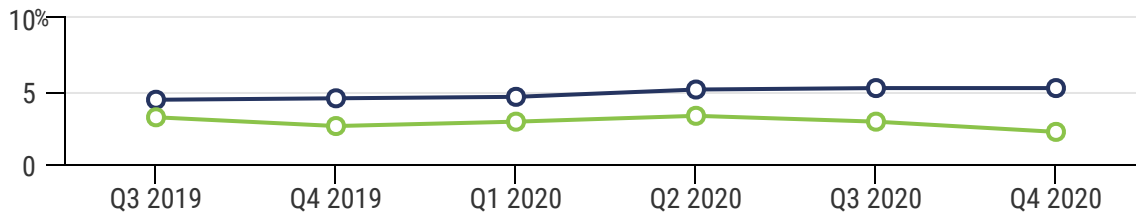
Q4 Vacancy Rates

Office



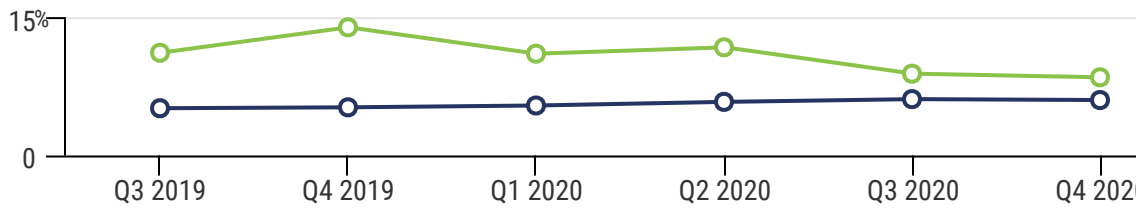
Retail

Denver Castle Rock



Industrial

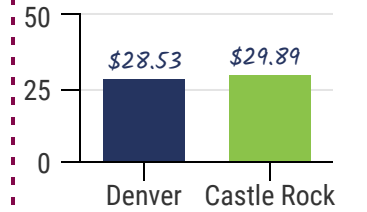
Denver Castle Rock



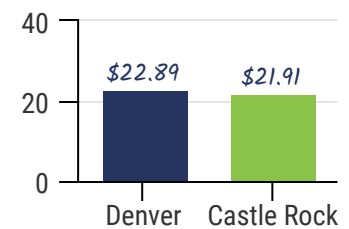
Denver Castle Rock

Q4 Lease Rates

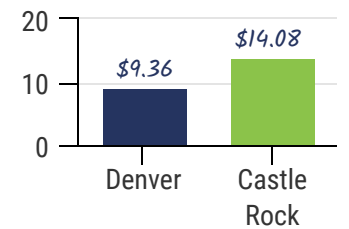
Office



Retail



Industrial



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

Unemployment Comparison

-Not Seasonally Adjusted, US Bureau of Labor Statistics



Castle Rock

Nov. 2019

Q1 2020

Q2 2020

Q3 2020

Nov. 2020

2.2%

4.7%

9%

4.7%

4.7%

Denver

2.3%

5.2%

11.1%

6.5%

6.4%

State of CO

2.4%

5.4%

10.7%

6.2%

6.2%

National

3.3%

4.5%

11.2%

7.7%

6.4%



YTD Comparison

Sales Tax

2019 - 2020 % Change

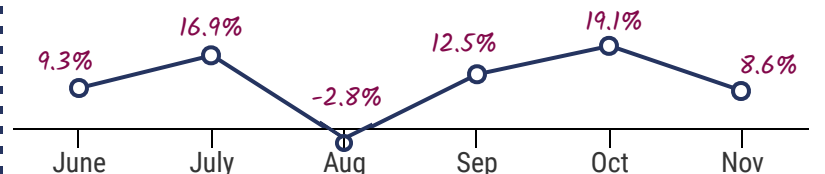
%

2019

+6

2020

+7.5%



2020 Annual Report

COVID-19 Response

Community ZOOM Calls

- Partnered with; CREP, CLS, SBA, SBDC, Castle Rock Adventist, Douglas County, Tri-County Health
- Updates on: EIDL, PPP, CARES Act, COVID-19 public health updates
- 9 Meetings Hosted
- Available to over 2,000 Castle Rock businesses

Town Grant Program

- EDC served on the Town Grant Selection Committee
- \$1.85 Million in grants to 160 businesses

KIVA Loan Program

- Launched April 3rd
- 0% Interest Loans up to \$15,000
- 16 Business Funded
- \$146,000 Raised
- 14 Paying Back

FirstTier COMMUNITY Loan Program

- Launched June 24th
- 0% Interest Loans up to \$25,000
- 35 Applications
- 24 Approved & Funded
- \$600,000 Lent

Projects of Significance

Encore

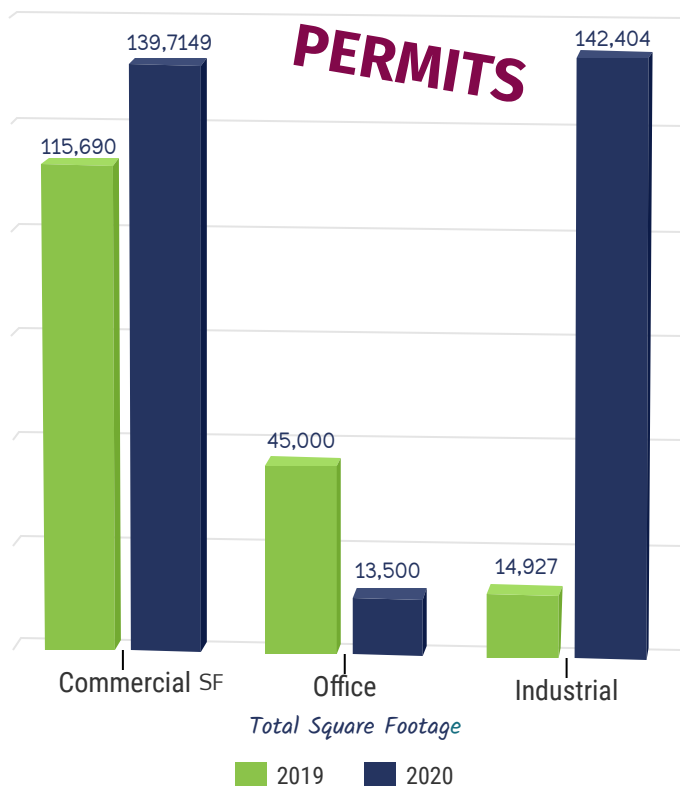
- Jan. 2020 Groundbreaking
- 73 of 124 Condo Units Sold
- 30,000 sf Commercial - Nearly 100% Sold
- 601 Parking Spaces Under Construction

Promenade

- Whole Foods - Opened
- La Loma - Opened
- Block 3A in negotiation



NEW Construction



Development Prospects

