



## Castle Rock Downtown Alliance

*A partnership between the Downtown Development Authority and Downtown Merchants Association*

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**To: DDA Board and Town Council**

**From: Staff**

**Date: April 6, 2021**

**RE: The View at Castle Rock Project**

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### **Executive Summary**

In early 2020, the DDA and Town were contacted by a development team that was interested in building a mixed-use project at the northeast corner of 6<sup>th</sup> and Jerry Street, where P&J Storage Units are currently located. In March of 2020, the proposed project held a neighborhood meeting to share their concept with the public and collect feedback. The project also introduced their concept to the DDA Board and public at a DDA Board meeting on March 5, 2020. At that DDA Board Meeting, the DDA Board approved a motion stating that the project fit the DDA Plan of Development and directed staff to work with the Town and project team as they pursue their proposed project. Staff received feedback to explore the ability to add public parking in Downtown Castle Rock with the project.

After working through engineering and development challenges, working closely with Town and DDA staff, the developer proposed to build a roughly \$70,000,000 mixed use development project. The project proposes to include:

- 221 For-rent Residential Units in 182,028 square feet
- 14,242 square feet of office space
- 5,000 square feet of retail space
- As well as amenities to include a clubhouse, pool, and terrace space
- 399 parking spaces
  - Including 100 spaces proposed to be owned by the Town of Castle Rock
  - 33 parking spaces on the street (there are currently 22 on street spaces).

This project was presented in public meetings to the DDA in August of 2020 and to the Town Council in September of 2020, and at those meetings both boards directed staff to prepare a redevelopment agreement for The View project and bring it back to the DDA and Town Council. In addition, The View held neighborhood meetings on September 17, 2020, November 16, 2020, and March 4, 2021 for a total of 4 neighborhood meeting including the meeting March 5, 2020 mentioned earlier.

The proposed deal structure for this project accomplishes a number of goals of the Town and DDA, including adding 100 public parking spaces on the north end of Downtown, as well as adding additional on street public parking spaces, in addition to accomplishing many of the goals in the Plan of

Development namely, the addition of retail/restaurant, office and residential space, which brings both attractions to Downtown as well as daytime, evening and weekend customers.

## **Discussion**

### **Background**

As has been discussed in DDA and Town Council and meetings in the past, the Castle Rock community has taken a number of steps including putting in place tools, code, regulation, public boards, etc., with the goal to encourage, facilitate and attract investment and vibrancy to Downtown Castle Rock. These efforts include 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

Before the DDA was created, starting in 2006, recognizing that vibrant Downtown's "don't just happen", the community came together to chart a course to become a more vibrant Downtown. It was this effort that lead to the creation of the DDA, and ultimately the creation of the Downtown Plan of Development.

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.

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 potentially restaurant space that is so needed 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 a large parcel of land that contains block storage units and replace it with a mixed-use building bring retail, office, and residential space. In the last 10 years the property across the street to the west and to south have both received investment, as has the property adjacent to the south east, which include the retail and office space at 695 Jerry Street, the tech oriented office space at The Move building at 202 6<sup>th</sup> Street, and The Wild Blue Yonder Brewery at 519 Wilcox Street. This proposed project and investment would be a nice compliment to recent investment nearby.

As the DDA has discussed in the past, downtown industry experts have provided guidance 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. It is believed that 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. With the recent potential shift in demand for residential space, caused by the COVID-19 pandemic, it is believed that the desire to live in smaller so called second-tier cities in urban environments is expected to increase.

### **Proposed Project**

The proposed project is a mixed redevelopment of a current storage unit site in Downtown. The proposed project proposes the following:

- 182,028 residential SF made up of 221 for rent apartment units
- 14,242 square feet of office space
- 5,000 square feet of retail space
- 399 total structured parking spaces with 33 additional spaces on street (22 currently on site)
  - 100 of those spaces are proposed to be owned by the Town of Castle Rock and used for public parking
  - The project meets all parking requirements for the residential, office and retail space.

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 substantial deviation would require approval.

### **Pro Forma and Gap Analysis**

Town and DDA staff utilized the services of Development Research Partners 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.

A copy of this analysis provided from Development Research Partners is included with this memo.

### **Agreement Structure**

The terms of the proposed agreement are outlined below. These terms were approved by the DDA Board on August 20, 2020, and on September 1, 2020 the Town Council directed staff to pursue and draft a redevelopment agreement that accomplishes these items and bring it back to the DDA Board and Town Council.

Recognizing the identified gap with the proposed pro forma for The View project in Downtown Castle Rock, and recognizing that the proposed project meets the DDA Plan of Development and helps accomplish many of the goals in the Plan, the following terms are proposed in the included redevelopment agreement:

#### Terms:

- Project to include:
  - 221 Residential Units: 182,028 SF
  - Office Space: 14,242 SF
  - Retail Space: 5,000 SF
  - Parking Spaces: 399 spaces with 100 of those proposed to be owned by the Town.
    - After the project is constructed it is proposed to include 33 on street spaces where there are currently 22 on street spaces.
  - Amenities to include clubhouse, pool, and terrace space.
- Developer and Town to utilize a share of 2 revenue sources:
  - Property Tax Increment:
    - Town/DDA to share back 55% of Property Tax Increment generated by the project until 2038, with a cumulative cap of \$3,250,000.
  - Sales Tax Increment:
    - Town/DDA to share back 55% of Sales Tax Increment generated by the project until 2038, with a cumulative cap of \$1,000,000.
- Town/DDA to purchase 100 parking spaces for public use by waiving Town Fees and Town Use Tax up to an amount equal to \$30,000 per space purchased, or equivalent to \$3,000,000 in waived fees. Town will pay pro-rata share of maintenance, etc.
- The Town in coordination with IREA will utilize \$100,000 in credits specifically for the burying of off-site utilities.
- The developer proposes to have a 1% Public Improvement Fee (PIF) captured by the development.
- Project to receive a building permit by 6/31/2021.
- Project must receive a Certificate of Occupancy by 8/1/2023 with an optional 6-month extension.
- Project must include infrastructure necessary for at least 1 restaurant tenant (grease interceptor and hood).

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.

#### **Project Responsibilities and 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. While these fees are proposed to be waived for the developer in order to effectively purchase 100 public parking spaces, 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 the Castle Rock Economic Partnership. The Castle Rock Economic Partnership (CREP)

including the Town, 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 this project.

Staff recommends that the Downtown Development Authority and Town Council approve this redevelopment agreement. This recommendation is made because these terms would allow the Town and DDA to purchase 100 public parking spaces in Downtown, as well as add additional on street public parking spaces, in addition to accomplishing many of the goals in the Plan of Development namely, the addition of retail/restaurant, office and residential space, which brings both attractions to Downtown as well as daytime, evening and weekend customers.