



2023 Annual Report

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

Re: Castle Rock EDC Annual Report to Investors

The Economy has been More Resilient than Expected—Will it Last?

A year ago, there were broad expectations for a sharp slowdown in the economy, with many projecting a recession. The ingredients were there—high inflation, high interest rates, shrinking savings, growing debt, and the expectations that policy moves by the Fed would result in a cooling economy (either a recession or a “soft landing”). While some industries worked through their own business cycles, the broader U.S. economy did slow, but as 2023 marched on, the U.S. economy avoided both a recession and a soft landing. In Colorado, weaker data signaled a much greater slowdown than other states, but expected revisions to the data placed Colorado’s economy in the top half of the country. The outlook for 2024 is a bit mixed with part of the economy accelerating and other parts cooling. Nonetheless, the economy has arguably outperformed expectations, and is perhaps more resilient than expected.

Starting with the big picture, U.S. real gross domestic product, the value of all the goods and services produced in the United States, accelerated from 1.9% growth in 2022 to an expected growth of 2.4% in 2023, according to an average of 27 forecasters nationally (Consensus Forecasts, December 2023). Expectations for 2024 averaged 1.2% as of the December publication, with broadly slower growth across the components of GDP (consumption, investment, and government spending). Inflation improved to 3.1% year-over-year in November, and the Fed signaled that rates may begin to come down in 2024. The S&P 500 and the Dow Jones Industrial Average were both at all-time highs in December, and Consumer Confidence increased in December. The labor market shifted from hot to warm, adding an average of 232,000 jobs per month nationally, compared to 399,000 jobs per month in 2022. But the slowdown is relative to two enormous recovery years, and 232,000 jobs per month is the 4th-fastest growth since 2000 (including the two massive employment recovery years of 2021 and 2022). The rate of job openings continues to be at levels well-above the pre-pandemic norm, signaling little abeyance in demand for workers, and the labor force (supply of workers) has grown to an all-time high. Job growth should weaken in 2024 on a mix of lower demand from companies and a tight labor supply.

Colorado’s economy continues to perform comparatively well. Real GDP growth in the second quarter of 2023 increased 3.1% year-over-year (ranking 16th). Employment data was signaling some stalling in hiring, but expected revisions push Colorado’s job growth up to an estimated 64,500 for the year. Colorado’s job opening rate ranked 4th-highest in October, signaling continued demand from Colorado companies for workers. Colorado continues to thrive in areas of the economy where the state has technical expertise and human capital to compete well (e.g., aerospace, R&D, healthcare, tourism, etc.). Douglas County also

continues to outperform, growing real GDP at the 5th-fastest rate among the 17 metro counties across the state in 2022 (newest available data). Douglas County's industry employment grew 4% in June (5th-highest in urban areas), and the unemployment rate was 3% in October (8th-lowest in urban areas).

While the tailwinds favor continued growth, the headwinds present risks that could be disruptive. At a macro level, commercial real estate, particularly office space, appears to be a risky asset due to high vacancy rates, lower net operating income, and debt that must soon be refinanced. The tight labor market and the availability of workers continues to put pressure on companies when hiring and retaining a qualified workforce—without these workers, companies, and the economy, grow below potential. Fiscal and monetary pressures pose financial risks, including the debt ceiling, debt ratings, interest rates, and crowding out. In Colorado, there are additional risks from the cost of living to slow net migration to the state.

Colorado is poised to post another year of stable growth, with real GDP growth exceeding 3%, and job growth of a projected 41,900 jobs in 2024. Inflation is projected to remain below 4% but stay above the national rate.

-Brian Lewandowski is Executive Director of the Business Research Division at the University of Colorado's Leeds School of Business.

2023 Committees, Economic Development Report & Prospects

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

- Business Attraction (new prospect development (primary and retail))
- Business Retention and Expansion (existing employers)
- Creation of a business-friendly environment

Business Attraction Team (BAT) & Business Retention Expansion (BRE)

Business Attraction (BAT) and Business Retention Expansion (BRE) are two of Castle Rock EDC's core services.

BAT oversees the strategic attraction of new primary employers to Castle Rock, focusing on both direct and indirect marketing strategies. Additionally, BAT fosters relationships with developers to encourage office and industrial development in the Castle Rock market.

BRE recognizes that 70% of job growth in a community occurs from existing businesses. BRE supports existing businesses by leveraging a wide range of professional expertise from within the committee to provide resources with the intent to facilitate growth.

Throughout 2023, Castle Rock EDC worked with nearly 60 prospective business and development prospects, many of which are Castle Rock businesses exploring expansion opportunities.

2023 Strategic Attraction Initiatives (BAT)

Douglas County Economic Collaborative (The Collaborative)- Alongside the leadership of the Douglas County Commissioners, Castle Rock EDC has been working with private sector consultants to research, craft, and execute a strategic business attraction plan for Douglas County. The group was established in late 2022 and received funding from the County in June of 2023. The Collaborative meets quarterly with key staff and elected officials from each community and will provide Castle Rock an additional

opportunity to collaborate regionally and leverage resources and gain additional exposure to strategic targeted industries (data analytics attached). In late 2023 the Collaborative hosted an Aerospace Bisnow event that was a strong success. In 2024 the collaborative plans to narrow down target industries and visit prospective trade industry events and prospects.

Castle Rock Targeted Industry (Aerospace):

The pursuit of primary employment continues to remain challenging (in 2023), as employers report that they are hesitant to invest in new office products/relocations while at the same time navigating the recent remote work force trends and resistance to the back-to-the-office movement. In response, Castle Rock EDC has shifted its targeted industry pursuits to prioritize industries that mandate traditional office use. One industry that has risen to the top is Aerospace. The Aerospace industry is currently in expansion mode. They are also responding to cyber security concerns by bringing employees and consultants back to the office. Early discussions support Castle Rock's pursuit, as the Town is well positioned geographically and already has an established workforce within the trade area.

In response to this initiative, Castle Rock EDC has:

- Joined the state's Aerospace Sector Partnership Committee.
- Hosted several luncheons that include industry partners from Lockheed, Boeing, United Launch Alliance, Colorado Space Business Roundtable, and Aerospace Industry Brokers.
- Worked with the Sturm Collaboration Campus to explore aerospace partnerships and the viability of an Aerospace component as part of phase two of the campus.
- Attended a Metro Denver EDC Aerospace recruitment event in Florida.

2nd half of year update:

- Hosted the Colorado Space Business Round Table board meeting at the Sturm Collaboration Campus. The EDC provided an overview of the Castle Rock EDC Aerospace initiative.
- Participated in a series of meetings between the Sturm Collaboration Campus and Aerospace Industry Partners to plan essential curriculum associated with phase 2 of the campus.
- Attended the 2023 Aerospace Round-Up.
- Worked with Bryan Construction to explore a co-working SCIF (Sensitive Compartmentalized Information Facility) located in Castle Rock.
- Organized a Bisnow Aerospace event as part of the Douglas County Collaborative

Economic Development Fund Report

Economic vitality is a critical factor in ensuring Castle Rock's long-term success in achieving its vision of being a self-sufficient community; a community in which residents can live, work, play and purchase the goods and services they need; and to create a tax base adequate to support provision of core Town services.

With increasing regional competition, the Town of Castle Rock established an Economic Development Fund (2011) along with a set of policies designed to strengthen the local economy and prepare for the economic impacts associated with the Town's expected growth. The fund is sustained through the collection of commercial use tax ensuring that commercial development supports the Town's development objectives, which is to actively seek out the highest and best commercial uses, as defined in the Town's 2030 masterplan.

The program includes elements to support core Castle Rock economic development priorities including 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 program is designed to create jobs, expand the tax base, encourage existing businesses to make capital investments, spur new office, industrial, and retail expansions and developments. It is critical that all incentive programs create a net positive job or economic impact on the community.

The following is a list of economic development incentive projects finalized in 2023:

- Brinkerhoff (Hummingbird Events Center)
- AdventHealth Cancer Center
- Infinity Labs HQ
- Castle Rock Microwave

Prospect Challenges Persist

While the qualified prospects and expansions present great opportunities they also expose one of our major challenges to primary employment in the community, the lack of office space. While low vacancies are great for our existing building owners, the lack of available office space works against both the retention and attraction of primary employment in Castle Rock. All these factors put Castle Rock in a very difficult position to attract and retain primary employers.

2023 Project Updates

Castle Rock Industrial in the Meadows is a collaboration between Saunders Commercial Development Company, Colorado Powerline Inc., and Lakewood Electric Company, Inc. Together, they purchased a 15.5-acre site within the Meadow COI ground (Lot 19) to construct two 80,000 SF industrial buildings. The first phase of the development has been completed and Colorado Powerline Inc. (CPI) and Lakewood Electric have both relocated their company headquarters. CPI and Lakewood Electric have relocated all their full-time employees to Castle Rock. The EDC is in conversation with several users on these two buildings and the project is currently 87% leased.

Moore Lumber & Hardware is a 75-year-old family-owned company headquartered in Castle Rock, with six Front Range stores. The company employs 23 full-time positions in Castle Rock. Their core services are based around providing quality lumber and home building materials to both professional builders and homeowners. Moore intends to continue operating Moore Lumber & Hardware at 1335 Park Street and is currently transitioning their Benjamin Moore and Marvin Windows product lines to their new 16,880 SF facility. They received their C of O in December and are currently up and running.

Castle Rock Microwave (CRM) was founded in 2014. CRM is a regional wireless systems integrator, bridging the digital divide. CRM's customer base falls into four major categories rural broadband (TELCOs, ISP's and Tribes), public safety (municipalities and School Districts), Utilities (water, electric, oil & gas) and transportation (rail & airports). Currently, 85% of CRM's business is contracted out of Douglas County. CRM has added 2,400 SF of office which will allow them to hire an additional 8 employees by the end of 2024, they continue to grow and are hitting their projections.

Owen Ames Kimball (O-A-K) Construction is a 130-year-old commercial construction company with approximately 100 employees. They specialize in K-12, higher education, civic and municipal construction projects. O-A-K leases 4,500 SF of office space at 202 6th Street in Downtown Castle Rock

(The Move) and is currently at 8 employees in Castle Rock and intends to grow the company by an additional 30 within the next 4 years. Sales for 2023 trended upward and exceed projected numbers.

Employment Centric Developments (Overview & Updates)

Montana Vista (Office/Commercial) – Montana Vista, located off Founders Blvd is home to the headquarters of HEI Civil. HEI Civil's second office building is currently fully leased. The EDC is currently working with a desirable higher-end retail user to take advantage of the views and develop the balance of the site.

The Brickyard (Redevelopment/Reuse) - In 2018 the ACME Brick factory announced that they would be closing their Castle Rock operation which opened in the early 1900's. The site was acquired by Confluence Companies in 2020. The team at Confluence has been working with the EDC and the Town to reimagine the site for a redevelopment and reuse project that will revitalize, activate, and connect the site to the community while simultaneously honoring the historical role of ACME in the Castle Rock Community. While the final vision for the project is still being crafted, they have begun demolition of the site and have increased the amount of office space being offered on the site. The project will bring a variety of local and regional restaurants and retailers, including a proposed state-of-the-art community recreation center.

Dawson Trails (Commercial/Retail/Residential) - The Dawson Trail project is in the southwest quadrant of Castle Rock on the west side of I-25. The property is owned by Westside Development. The project was originally entitled for 7,900 single family homes and has sat dormant (under suspension agreement) for the past 30 years for a variety of different challenges that encumber the site. In early 2023, Westside and the Town of Castle Rock agreed to a plan that includes increased open space, a reduction in housing units down to 5,800 and includes \$50M of private bond funding for the Crystal Valley Interchange (CVI). In addition, agreements have been reached with COSTCO and Health One to occupy a significant portion of the 3.2 million SF of available commercial ground. The project continues to progress forward with an exciting mix of office, retail, and industrial zoned development. The Interchange is currently anticipated for opening in 2025/2026.

Miller's Landing (Mixed Use/Management Change) – 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 Authority (URA) with the existing taxing entities at the site in 2012 to help attract a private developer, create a higher and better use at one of the Town's major interchanges, and mitigate the challenges associated with the municipal landfill, which occupied the property.

P3 Advisors removed the landfill in 2019 and have fully remediated the site. In 2023 Crown Community Development (CCD) has taken the lead on the property's development. The team at CCD are currently in the process of reassessing the site and evaluating potential partnerships. It is expected that a new direction will be presented in 2024.

Downtown Castle Rock – The Downtown Development Authority (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 to pursue development projects, beautification and increase commerce. The success of recent

redevelopment projects combined with the Town's and DDA's investment in Festival Park has driven some exciting new concepts to Downtown.

- The View, consisting of 14,000 SF of office space, 5,000 of restaurant space, 221 residential apartments, 399 parking spaces of which 100 will be dedicated to the public, continues progress on construction and has an expected completion of winter 2024.
- Douglas County Libraries broke ground on the Philip S. Miller Library in May of 2022 and celebrated its Grand Opening on July 26th, 2023. The library was later re-named Philp & Jerry Miller Library to honor both Mr. and Mrs. Miller. The library now consists of two stories, 62,000 SF, is home to the administrative headquarters and includes 218 parking spaces which is an additional 80 spaces to what was existing.
- Riverwalk Luxe, located at 221 Wilcox, is a mixed-use project that will include 28 residential apartments, 11,257 SF of office space, 8,353 SF of retail space, 28 subsurface and 27 offsite parking spaces. Construction has made steady progress and celebrated the Topping Out on December 13th. The project is expected to be complete in the fall of 2024.
- Parking continues to be a top priority for the DDA as well as the Town. This year an agreement was reached with Douglas County School District, to lease 55 parking spaces for public parking to ease parking stress on the north side of downtown.
- The ownership of the historic City Hotel property at 415 Perry Street has proposed redevelopment, which includes stabilizing the historic existing building and transforming it into an upscale lounge. The historic building will be wrapped by a new 4-story development which includes first floor retail, a 24-room boutique hotel and a rooftop bar. The project and redevelopment agreement was approved by the DDA Board in August and will go before the Town Council following the submittal of the Site Development Plan.

Promenade (Retail/Mixed-Use) – The Promenade is a 200-acre site located between I-25 and Highway 85. Upon completion, the master developed site will bring a combined 900,000 SF of large-format retail, service, and restaurant space. Alberta Development Partners purchased the site in October of 2014 and is close to stabilization with approximately 800,000+ SF that has been delivered to the market. Currently under construction on Block 3A is an independent Mexican restaurant and brewery concept, Los Dos Potrillos. Los Dos Potrillos is in the final stages of development and expects to open to the public in early January 2024.

In addition to Los Dos Potrillos, Brinkerhoff Hospitality, the owner operator of La Loma, has begun construction on their second restaurant concept in Town titled The Brinkerhoff. The Brinkerhoff will be an independent restaurant that specializes in providing a high-end dining experience.

The Outlets at Castle Rock (Retail) – The Outlets at Castle Rock are located west of I-25 between Castle Rock Parkway and Meadows Parkway. The Outlets are the largest open-air outlet center in the State of Colorado and continue to be the economic engine of sales tax generation for the Town, attracting visitors from around the region, which fuels critical services of the Town. Town and EDC staff have been in several meetings with Craig Realty group discussing the potential for increased investment of pad site development on the property.

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 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.

2023 Discussion Items & Updates

- Castle Rock Economic Incentive Policy Updates
- Proposed New Industrial/Employment Zoning
- Development Plan Review Staffing Challenges
- Time and Materials Permit Process
- Residential Turf Program
- High efficiency toilets & hot water recirculation systems.
- Multifamily Parking Requirements - Potential Code Update
- Residential Permit Number changes
- Weekend Enforcement of Sign Code
- Multi Family Parking Standards
- Skyline/Ridgeline Variance Changes
- Permitting/Project Review Residential & Commercial
- Crystal Valley Interchange
- Updates on the Dawson Trail Project
- Development Services and Water Department rates and fees for 2024
- Development Services staffing and budget
- Building Code – National Electric Code Update
- Updates on Crystal Valley Interchange Project
- Changes to ColoradoScape Ordinance

Sub-Committee Breakout Meetings

Water - Subcommittee has continued to meet monthly and has discussed major updates to the code and master plan. This sub-committee is led by the Town of Castle Rock Water Department and the private sector. The following topics have been discussed:

- o CAD details for CRW
- o Time & Materials Permit
- o Landscape Criteria Guidelines – flexibility in ColoradoScape
- o .08 GPF Flush Toilet Ordinance
- o New “No Turf” Ordinance & Policy Change
- o Overnight Work Reminder
- o Certificate of Occupancy for ColoradoScape Homes
- o Water Supply Plumbing Code Change

Development Process - Subcommittee meets monthly and led by the Town of Castle Rock Development Services Department and the private sector. The following topics have been discussed thus far:

- o SIA/DA Process Improvements
- o Dry Utility CD Review Process
- o Development Procedure Manual
- o Project Track Dashboards
- o Online Submittals for FCOs
- o Submittal Review Updates
- o Fee Schedule

2023 Annual Summary

The start of 2023 in Castle Rock came with mixed signals. Interest rate hikes from the Fed in late '22 and early '23 have clearly slowed down the residential market across the Front Range and in Castle Rock. In addition, inflation has taken its toll on consumer spending as the robust sales tax growth which has been a staple of the past few years is anticipated to slow and finish around 3% growth in 2023. Encouraging signs are that many existing projects are still attracting attention, project quality (highest and best use) has been very strong, and volume remains on par with previous years. Castle Rock will need to stay increasingly diligent and patient with limited remaining development opportunities going forward, which should include a strong focus on long-term sustainability and primary job creation. Dawson Trails, The Brickyard, and the Meadows developments have all made significant investments in Castle Rock as well as positive gains with significant primary employers and retailers in 2023. The Miller's Landing development continues to evolve, and the EDC remains optimistic that it can work with the development team to make some positive progress in 2024. Aerospace prospects, infrastructure (CVI) and strong retail additions were the highpoints of 2023. While macro-economic challenges persist (inflation, interest rates and labor shortages) the Castle Rock Economy continues to thrive. The EDC anticipates 2024 to start slowly but see consistent improvement by Q3 of 2024.

Respectfully,

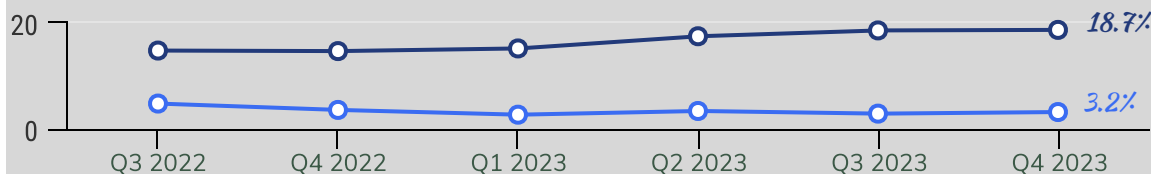
A handwritten signature in blue ink, appearing to read "Frank Gray".

Frank Gray; Castle Rock EDC CEO

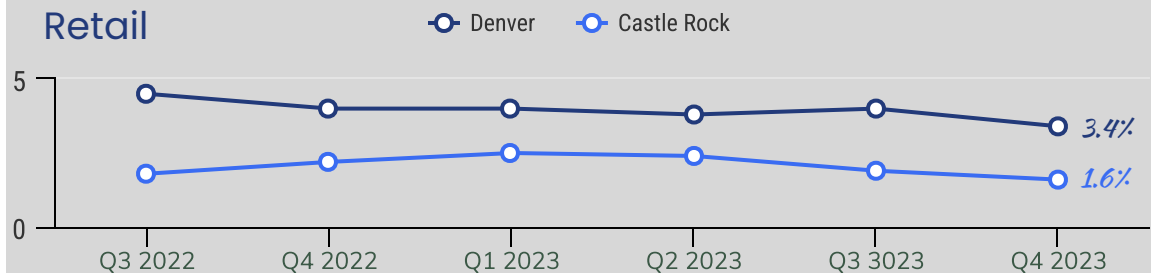
2023 Annual Report

Vacancy Rate Percentages

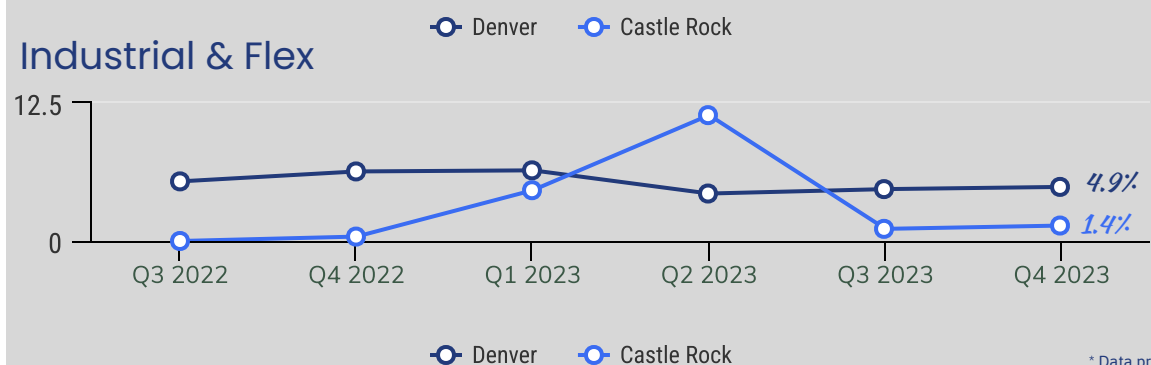
Office



Retail



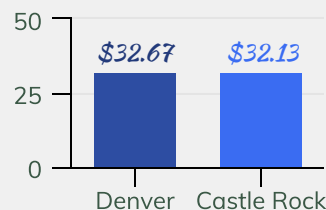
Industrial & Flex



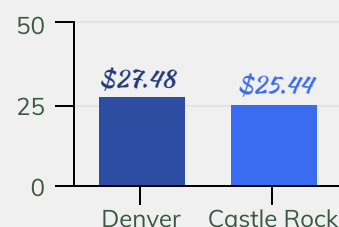
* Data provided by NavPoint Real Estate Group; NNN Lease Rates

Lease Rates

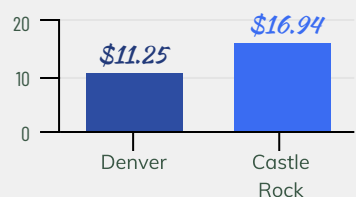
Office



Retail



Industrial & Flex



Unemployment Rate Comparison

	Sep. 2020	Sep. 2021	Sep. 2022	Sep. 2023
Castle Rock	4.6%	3.5%	2.1%	3.2%
Denver	6.6%	4.8%	2.5%	3.3%
State of CO	6.2%	4.7%	2.5%	3.2%
National	7.7%	4.6%	3.3%	3.6%

Not Seasonally Adjusted, US Bureau of Labor Statistics



YOY Comparison

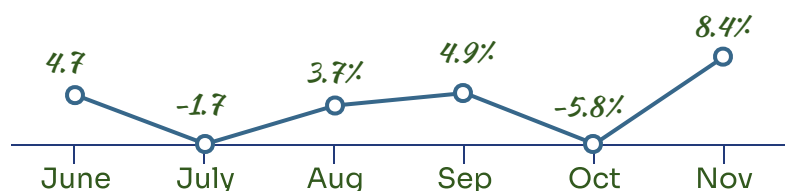
Sales Tax

YOY Monthly Change



2022
+10.8%

2023
+2.6%



*Data Provided by the Town of Castle Rock, through Nov



Recent Development Activity



The View

- Under Construction
- 14,232 SF of Office Space
- 5,000 SF of Restaurant Space
- 221 Residential Apartments
- 399 Parking Spaces
- 100 of the 399 are Public

River Walk Luxe

- Under Construction
- 28 Residential Apartments
- 28 Subsurface Parking Spaces
- 27 Offsite Parking Spaces
- 11,257 SF Office
- 8,353 SF Retail

The Meadows

- COI Ground - Two, 80,000 SF Industrial Flex Buildings Under Construction
- HQ Relocation - Colorado Power Line Inc.
- Castle Rock Adventist - MOB 3 Completed
- Cancer Services Agreement

Dawson Trails

- Approved Master Planned Development
- 5,850 Residential Units
- 748 Acres of Open Space
- 3.2 Million SF of Commercial
- Health One Campus Agreement
- Costco Agreement

The Brickyard

- Proposed Redevelopment Project
- Mixed Use Development
- Proposed Rec Center
- Proposed Boutique Hotel

Philip & Jerry Miller Library

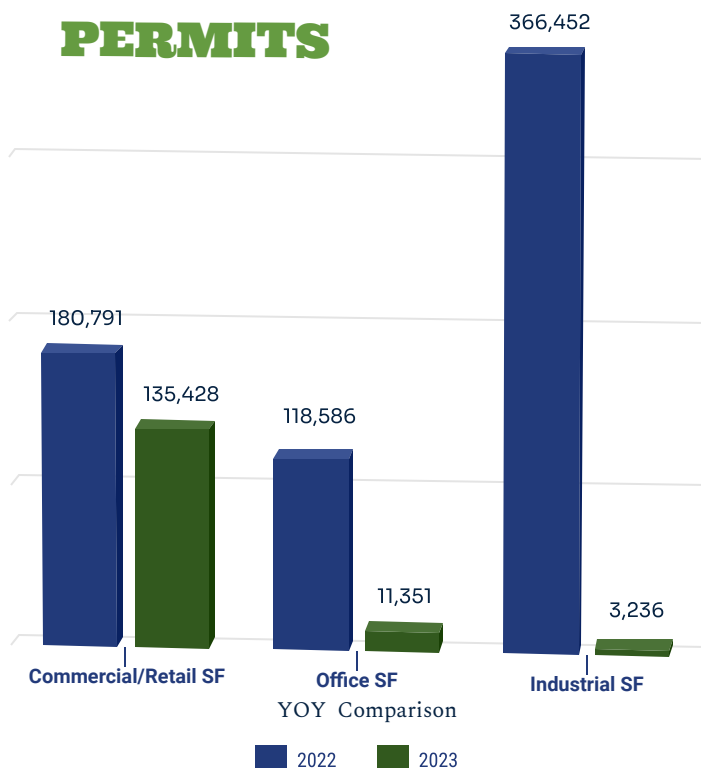
- Two Story 62,000 SF, 218 parking spaces
- Douglas County Library Headquarters
- Opened July 2023

Miller's Landing

- Strategic Site Evaluation Underway

NEW Construction

PERMITS



Development Prospects

