



City of Castle Pines, CO

# 2020 Economic Action Plan

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Prepared For:

City of Castle Pines City Council



Prepared By:



Ricker|Cunningham

Creating partnerships. Building communities.

Ricker|Cunningham  
10959 Ashurst Way  
Littleton, CO 80130  
303.458.5800  
[www.rickercunningham.com](http://www.rickercunningham.com)

## Section 1:

# Introduction

During the fall of 2018, Ricker & Cunningham (RC), Real Estate Economists and Community Strategists, the Consultant Team, was retained by the City of Castle Pines, Colorado (herein referred to as the “City”) to assist with preparation of a guide for elected and appointed officials to use in advancing key economic development objectives essential for the successful growth and development of the community. With a recently adopted Comprehensive Plan, new management and numerous other initiatives completed, including conversion to a Home Rule community, City Council identified the necessity for alignment of its policy and regulating documents, and development of a strategic approach to prioritizing municipal resources in furtherance of stated intentions. This City of Castle Pines 2020 Economic Action Plan (herein referred to as the “Plan”) provides that direction. Since it grew out of the comprehensive planning effort, it both relied on and benefited from related analyses and outreach events. Where that plan left off, this document picks up, offering an understanding of prevailing market conditions and industry trends that will influence Castle Pines’ built environment, along with the fiscal implications of these and related land use and capital investment decisions.

## Strategy Purpose

Whereas one objective of the 2016 Comprehensive Plan is to “... guide policy and land use development decisions while managing growth and the provision of services,” the purpose of this strategic document is to provide a road map for accomplishing this objective, along with providing an understanding of possible impacts associated with various approaches, and circumstances that could either hinder or support your efforts. Collectively, the recommendations presented here are intended to capitalize on opportunities for, and barriers to investment, in an effort to “ready the market (or community) for desired development. It should be used as a “check” on the use of municipal resources, both monetary and staff, to ensure they effectively leverage desired outcomes.

## Methodology

The method used to ensure delivery of a truly instructive resource for community leaders involved multiple steps including detailed analyses of factors impacting investment decisions, both public and private, including: local and regional real estate markets, the intentions and actions of competitive communities, and existing policy and regulating directives. This work was supplemented by discussions with stakeholder audiences such as property and business owners, lender groups, local officials, professional planners and developers, and institutional representatives familiar with Castle Pines. Within these forums, input received from participants suggested alignment regarding the necessity to better position vacant and improved infill

properties for economic activity. Widely held goals included:

- 🌳 capital improvements that both optimize and protect the physical realm;
- 🌳 more and safer accommodations (bicycle and pedestrian) for non-vehicular mobility;
- 🌳 greater variety of connections between concentrations of residents, businesses and centers of activity; and
- 🌳 a built environment that meets the needs of a more diverse community profile.

Participants also expressed recognition that while existing non-residential properties are largely occupied, their commercial and business offerings are primarily local-serving, and therefore undervalued given the community's strategic location in one of the region's fastest growing submarkets, and spending capacity of day-and nighttime populations in the trade area.

## Guiding Documents

Reports and analyses prepared prior to and during development of this document, and which collectively provide the foundation for moving beyond city hall and into the community to advance the recommendations identified here include:

- 🌳 Conditions Survey and Urban Renewal Plan (2010)
- 🌳 Multi-Modal Enhancement Plan I Castle Pines Parkway I Monarch Boulevard (2011)
- 🌳 Downtown Colorado Inc. (DCI) Castle Pines Study (2012)
- 🌳 Downtown Colorado Inc. (DCI) Village Square Library Sub-Area Study (2014)
- 🌳 City of Castle Pines Citizens Survey (2012)
- 🌳 Buxton Retail Assessment (2015)
- 🌳 City of Castle Pines Comprehensive Plan (2016)
- 🌳 Castle Pines Master Transportation Plan (2017)
- 🌳 Parks and Recreation Comprehensive Plan (2017) Mixed-Use Design Guidelines (2018)
- 🌳 Urban Land Institute Central Business District Technical Advisory Panel (TAP) Report (2018)
- 🌳 National Civic League Visioning Study (2019)
- 🌳 Conversion to Home Rule City (2019)
- 🌳 Gateway Design Study (2019)

A key distinction regarding the recommended approach to economic development by Castle Pines is that it balances investment promotion with fiscal sustainability. While many communities encourage development, few seek to adequately anticipate the potential consequences of their actions, and in so doing, refine their efforts accordingly. Through the process that resulted in this report, the City of Castle Pines recognized that those attributes which will limit its capacity for growth are the same ones that ensure its authenticity. Despite its geographic location in Douglas County, with some of the Denver Metro Area's most valuable real estate assets and highest income groups, its competitive position between the rapidly growing cities of Lone Tree and Castle Rock and natural surroundings have served to elevate its standing as one of the most desirable destinations for entrepreneurs, executives, families, and those individuals and businesses seeking quality over quantity and certainty over volatility. To this end, the City of Castle Pines' efforts for the foreseeable future will be deliberate and intentional, particularly related to development within both vacant, yet entitled tracts, as well as redevelopment in established locations. Further, it will continually evaluate and encourage market opportunities that align with stated community objectives, identify and mitigate potential obstacles to investment, and preserve and protect its valued assets. Finally, given its distinctive set of circumstances, including the potentially finite nature of existing plans and agreements, and possibility for more than doubling the residential base, the city will frequently evaluate its fiscal health.

## Report Format

The City of Castle Pines 2020 Economic Action Plan is presented in three sections. The **Introduction** describes its purpose and intentions, the methodology employed, and previous initiatives that informed this one. The **Economic Development Infrastructure** section offers a description of those community elements that represent its "value proposition," or competitive advantages, and that will continue to influence the city's share of development growth in the region. Finally, the **Priorities and Actions** section outlines the economic development framework, as well as specific initiatives and associated tools and actions necessary to move them forward. Supporting **Appendices** include:

- 🌲 detailed descriptions of those lifestyle segments most represented in the trade area;
- 🌲 overview of market demand by land use category;
- 🌲 fiscal impact analysis of potential development over the next 10 years;
- 🌲 maps illustrating various market conditions and indicators;
- 🌲 professional paper regarding high-performing economies;
- 🌲 vision statement and potential redevelopment scenario for the community's central core and associated economic feasibility;
- 🌲 description of various mechanisms which may be used to finance public infrastructure and improvements; and
- 🌲 a glossary of terms used herein.

## Section 2:

# Economic Development Infrastructure

In addition to being tailored to specific community goals and objectives, an effective and implementable economic development program is based on a holistic view of an area's or community's investment climate. To this end, efforts to foster a favorable environment for businesses must consider not only the needs of corporations, but those of their employees as well. While business siting decisions tend to place the greatest emphasis on conditions associated with supply, operational costs and personnel linkages, similar consideration is given to the availability of a diverse mix of housing product types, opportunities for entertainment and physical activity, and access to natural and cultural resources. As revealed in the list below, a community's "economic development infrastructure" is comprised of its people, places, and policies, not just its sites and service levels.

**People** – a community's resident and non-resident employees, its labor force, and its employers

**Sites and Buildings** - opportunity sites and buildings which can effectively leverage public incentives for development and redevelopment

**Housing Choices** – housing products that serve a wide range of age, income and lifestyle stages

**Incentives and Business Support** - public programs, projects, and policies which overcome limited resources and facilitate private investment

**Infrastructure** - physical networks such as transportation (roadways, mobility, service, coordination, connections, etc.) and utility systems (power, water, sewer, cable, etc.) which support private investment

**Quality of Life** - recreation amenities, social services, public facilities, etc., which both visitors and residents can access

In order to effectively accomplish community objectives with regard to growth, development and economic sustainability, the city must first understand the components of its economic development infrastructure. The perspective taken in researching these was one of the corporate site selector's since the city's potential is continually being assessed in terms of those factors that are important in the facility location and business expansion decision, notwithstanding quality-of-life factors which are important to both residents and business owners.



## Local and Regional Context

Castle Pines is located in the northern portion of Douglas County, Colorado, and straddles both the east and west sides of Interstate 25 (I-25), the state's principal north-south thoroughfare connecting its borders to New Mexico on the south and Wyoming on the north. Douglas County, Denver's southern-most county, serves as a strategic gateway to the Metropolitan Area.

Incorporated on February 12, 2008, the City is a Home Rule city under Colorado law and follows the Council-Manager form of government. The community is recognized for its outstanding quality of life, unprecedented views of the Rocky Mountains, extensive network of trails and open spaces, superior schools, and strategic location between the state's two largest employment centers, Denver and Colorado Springs.

At the time of its incorporation, Castle Pines was comprised of approximately 2,417 acres and included a small business district, 3,912 households, a 250-acre undeveloped residential development, and a single point of access to I-25 at Castle Pines Parkway. Since then, the city has grown by more than 6,117 acres to more than 9.55 square miles. With the incorporation of a proposed multi-use development called The Canyons, forming the eastern extent of its municipal boundaries, the city effectively established a scenario whereby its existing population base would more than double with the addition of 4,175 new dwelling units, and its commercial base grow by nearly 10 times, with allowances for more than approximately 2.6 million square feet. Whereas this magnitude of growth will inevitably affect the delivery of services and capacity of existing infrastructure, the city is committed to exploring various approaches to restructuring its economic base and maintaining its incomparable standard of living.

The population growth that Castle Pines anticipates in the future will necessitate a focus on job growth, as well as the attraction and retention of businesses. Comprehensive plans can encourage economic growth using land use policies to retain and expand businesses in locations that provide optimal benefits to the community. This Plan establishes the blueprint for directing new growth and redevelopment into key areas where job centers and retail development will be most successful, and where the community can realize its full potential.

In May 2019, residents voted to approve the city's new Home Rule Charter, making Castle Pines the state's 102<sup>nd</sup>, and newest, municipality to be governed by Home Rule. As a Home Rule municipality, the city has the opportunity to self-collect sales tax, which is anticipated to increase the city's primary source of revenue, through local control of its tax base, and improved and accelerated collection.

A synthesis of key market, physical, economic and fiscal indicators which provide an objective, unbiased assessment of Castle Pine's future competitive position in the trade area (Castle Pines I

Douglas County) and region (Denver Metro Area) over the next decade is presented below.

### Market Influences

- 🌳 Approximately 50% of parcels in the Business District, as identified on the city's Zoning Map, are owned by out-of-state or out-of-country interests, totaling approximately half of area acreage (less apartments);
- 🌳 Properties are performing (low vacancy rate), yet under-delivering a diverse mix of uses;
- 🌳 Not on the "edge" of the Denver Metro Area, but "sandwiched" between growth areas north (Lone Tree), south (Castle Rock), east (Parker) and west (Sterling Ranch);
- 🌳 20% to 25% higher local lease rates relative to similar space in competitive subareas;
- 🌳 In excess of 40,000 square foot existing void in trade area Food and Beverage establishments 35+ additional food and beverage operators supportable over the next 10 years;
- 🌳 5 million square feet of demand for trade area employment space over same timeframe;
- 🌳 Opportunity for corporate anchor within "mixed-use" areas as identified in the city's Comprehensive Plan;
- 🌳 48% of Trade Area households represent potential buyers | renters of products that are not single family detached units;
- 🌳 "Missing middle" housing market or products in the \$200k to \$350k for sale and \$1,250 to \$2,250 rent ranges;
- 🌳 Department store deconstruction and increasing obsolescence;
- 🌳 Retail and industrial space interface allowing for less onsite inventory;
- 🌳 Mandate for experience retail; and
- 🌳 E-commerce | main street interface.
- \* More than half of shoppers walk into a brick and mortar store to touch and feel, and then walk out to place their order online.

### Physical Influences

- 🌳 No obvious (historic) value in built environment;
- 🌳 Significant portion of undeveloped Business District properties maintain suboptimal design and format;
- 🌳 Approximately 15 vacant parcels, totaling nearly 10 acres in Business District, yet only 50% of this area could potentially accommodate new development;

- 🌳 65% parcel utilization rate among current properties in Business District;
- 🌳 Limited diversity in housing product mix, few opportunities to attain higher values (and revenues) per acre associated with these development types;
- 🌳 Development pattern that fails to efficiently use and leverage existing infrastructure or support an “identifiable place”;
- 🌳 Limited public ownership of infrastructure and private rights-of-way within Business District; and
- 🌳 Utilization rate = improvement value / total value.

### Economic Influences

- 🌳 Assembling land for redevelopment difficult Limited options for creatively-financed projects;
- 🌳 Inequities between area revenues and costs (i.e., lease rates) in established areas  
Established development pattern too low to support mixed-use venue;
- 🌳 Property owner basis low enough to make them risk averse and reluctant to reinvest and reposition properties; and
- 🌳 Value of existing properties high enough to make acquisition challenging.

### Fiscal Influences

- 🌳 Ongoing development of new low-density residential product types will require higher public service levels;
- 🌳 New development generates on one-time revenues (Use Tax and Fees from new construction);
- 🌳 Uncertain timing of future sales tax revenue (character of existing retail and timing of new retail);
- 🌳 Impending imbalance between revenue-generating and cost-producing land uses;
- 🌳 Intermittent acquisition of public assets by city and heightened maintenance costs;
- 🌳 Modest densities within Business District and uses with limited potential to generate significant levels of sales tax revenue;
- 🌳 Development pattern that fails to efficiently use and leverage existing infrastructure or support an “identifiable place”; and
- 🌳 City’s current land use balance may negatively impact its capacity to maintain service levels within the next decade.



Detailed analyses of market, economic and fiscal influences are included in the [Appendix](#).

## Competitive Position

In light of the local and regional influences previously outlined, the City of Castle Pine has singular attributes that offer a competitive advantage over other communities in the South Denver Metro Area and Douglas County for business development and private sector investment, including:

- 🌳 Highly educated, affluent community;
- 🌳 Vacant land with visibility from, and access to, region-serving infrastructure (I-25);
- 🌳 Current entitlements allow for sizable assemblages able to accommodate commercial and mixed-use master-planned development;
- 🌳 Attractive physical setting and natural amenities;
- 🌳 Alternative modes of access to regional and interstate systems;
- 🌳 Comparatively modest land costs for new development;
- 🌳 Access to area training and higher educational facilities;
- 🌳 A “front door” to the Denver Metro Area from points south;
- 🌳 Favorable school ratings across multiple grade levels;
- 🌳 Location within a nationally-recognized high growth market;
- 🌳 Quality of life desired by highly educated and technically skilled workers seeking a live-work balance;
- 🌳 Strategic location along I-25, the state’s major north-south region-serving roadway;
- 🌳 Branding potential that promotes healthy, active lifestyles;
- 🌳 Proximity to Denver Metro Area labor pool; and
- 🌳 Environment attractive to the “creative class” of professionals and entrepreneurs.

In light of both external influences and internal assets, Castle Pines has the potential to maintain and expand on its image as “the” community in which to live, work and play. With its attractive setting, quality inventory of home products, vast system of parks and interconnected trails, and committed leadership, it maintains a strong foundation on which to shape its economic vitality. To remain competitive for investment that reflects the community’s established values and intentions for the future, the city will need to maintain a level of openness to product types that do not currently exist in the market, but for which there is both need and demand. A consistent commitment by the city’s leaders to economic resiliency and superior levels of service will depend on their ability to successfully position the community as a high-quality environment for sustainable investment.

## Section 3:

## Priorities and Actions

An effective plan for economic growth and stability must be tailored to specific community goals and objectives. To this end, the City of Castle Pines 2020 Economic Action Plan is based on the city's intent to be an "economically resilient community with a diverse, yet stable economic base." This intention is memorialized in both the Vision Statement prepared by the Castle Pines City Council in 2018 and Strategic Objectives, both of which are presented below.

### City Council Vision Statement for the City of Castle Pines (2018)

- 🌳 An inclusive Colorado community that embraces our unique neighborhood character;
- 🌳 A community that creates outdoor and active lifestyle living amenities; and
- 🌳 A community that supports conscientious development where we live, work, play, and shop.

### City Council 2018-19 Strategic Objectives

- 🌳 Financial resiliency and vitality
- 🌳 Reliable and safe infrastructure
- 🌳 Intentional development
- 🌳 Foster community
- 🌳 High performing operations
- 🌳 Economic strength

The vision and objectives also represent the community's "value proposition" in the competitive South Denver Metro market. A value proposition refers to the value a company (or community) promises to deliver to customers (or residents, business and property owners) should they choose to buy their product. A value proposition is also a declaration of intent or a statement that introduces a company's (or community's) brand to consumers by telling them what it stand for, how it operates and why it deserves their business. The value proposition also reflects the community's understanding of "risk" and "opportunity cost" as defined here.

### Risk

The risk of failing to act may be defined as (and realized as) a loss in retail sales. For the reasons stated previously and generally attributed to an imbalance in revenue- generating versus service cost-producing land uses, the city cannot afford any measurable reduction in sales tax revenue. This Plan proposes alternative approaches to ensuring adequate levels of

revenue.

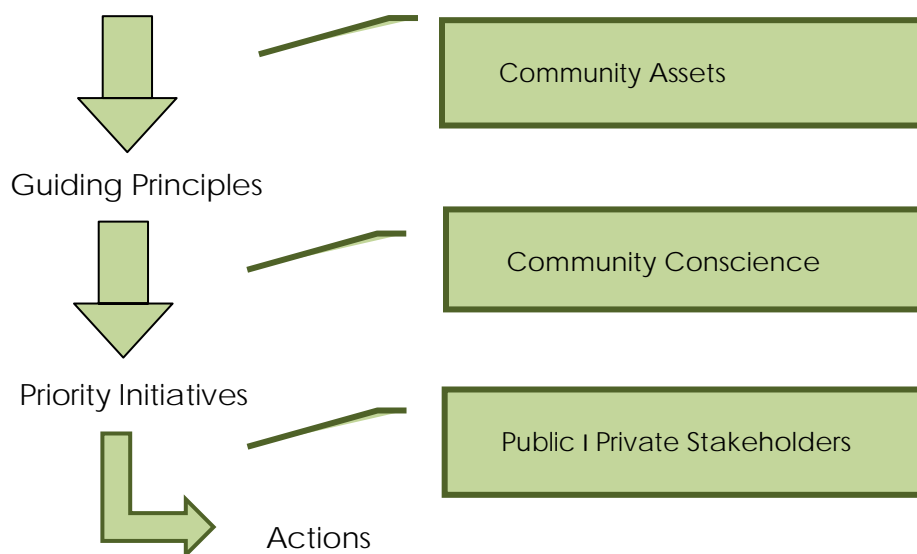
## Opportunity Cost

The cost of doing nothing may be defined as a lost opportunity. With retail trends continuously shifting, the city must maintain a heightened awareness of industry trends and commit resources to attracting emerging retail operators, helping to mitigate declines among existing operators and minimize leakage to other jurisdictions.

## Economic Development Framework

Part of the recommended strategy for advancing economic development priorities in Castle Pines is the design of, and commitment to, a process that keeps multiple initiatives moving forward simultaneously. The definition of initiative is broad – it includes public, private or public- private projects (physical), programs (social, educational, public relations and financial), and supportive policies. What is most important, strategically, is to maintain a number and variety that are constantly being introduced and which address the near- and long-term goals of the community. Through this approach, the community will build goodwill and an informed constituency, provide opportunities for public participation, allow special interest groups and partner organizations to play a meaningful role, and put forth visible evidence that Castle Pines is successful and making positive strides. Investors, developers and lenders seek out environments with market opportunity and areas with prospects for success. “Success breeds success.” Figure 1 illustrates a potential framework for taking advantage of economic development opportunities. Each of these framework components are summarized below.

Figure 1: Economic Development Framework



## Guiding Principles

The range of priorities and actions identified to move the Plan forward were selected based on a foundation of guiding principles. These guiding principles, while general in nature, are responsive to current and future market opportunities and stakeholder input.

1. The city will maintain a proactive and entrepreneurial attitude towards new development and redevelopment that is consistent with the community vision.
2. Public commitment will be long-term.
3. Development will be guided by short-term guidelines and long-term standards.
4. The city may provide assistance for eligible projects that have verifiable financing gaps (to the extent reasonable and possible), but for the minimum possible length of time.
5. Preferences will be given to projects emphasizing a greater diversity of uses and serving broader market segments.
6. The city will consider the fiscal impacts of new development and redevelopment.

**Public Sector Commitment.** The role of the public sector in any (re)development initiative is to “ready the environment for investment.” They can do this in a variety of ways that can be characterized as mitigating or eliminating barriers to, and capitalizing on opportunities for, investment.

## Priority Initiatives

As government has the longest-term investment in the community, it is appropriate for the city to “pave” the way for investment and reinvestment by the private sector. The priority initiatives identified below assume private investment will follow public commitment to create a supportive investment climate.

1. Evaluate and modify existing incentive offerings in order to ensure the judicious use of municipal resources.
2. Establish proactive initiatives to better encourage property investment and reinvestment, as well as business expansion and attraction.
3. Leverage partnerships with organizations and institutions that support the vision expressed herein.
4. Protect and enhance those attributes of the community that are unique to Castle Pines and valued by existing and future populations.
5. Coordinate and align efforts and messaging regarding Castle Pines’ vision and objectives.

6. Amend policy, regulations and strategic resources to ensure consistency.
7. Balance flexibility and certainty when considering land use applications and product design.
8. Ensure fiscal stability and predictability with respect to the city's land use balance.

## Actions

To advance these priority initiatives, targeted actions by the city will be necessary to achieve desired economic development outcomes. The following actions represent a “work plan” going forward – specific actions designed to “ready the environment for investment”.

1. Adopt this Economic Action Plan to enhance the city's potential for sustained fiscal health.
2. Conduct fiscal impact analyses for annexation requests and rezoning land use applications.
3. Periodically (e.g., annually) monitor the city's real estate products and land use mix to ensure consistency with intended development patterns.
4. Monitor real estate market conditions and engage the “Delivery System”<sup>1</sup> periodically (e.g., quarterly) to share information and insights.
5. Complete the trails system that connects existing and developing neighborhoods to the Business District.
6. Establish a moniker for the Business District that can be consistently used and which will serve to identify the area as a destination in the region.
7. Streamline development review and approval processes.
8. Research and identify potential special districts that could be established in targeted areas to provide funding for improvements, maintenance, marketing, etc..
9. Establish funding mechanisms and holding entities for publicly-acquired properties to be positioned for development by private entities.
10. Complete capital improvements, especially public roadways, as quickly as possible in order to more easily allow for consistent levels of investment, maintenance and programming.
11. Complete gateway improvements at the Castle Pines Parkway I I-25 interchange that

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<sup>1</sup> “Delivery System” refers to any entity, public or private, that affects the delivery of a product to the market. This can include property owners, developers, lenders, investors, neighborhood groups, regulatory agencies, etc.

are “balanced” and consistent on both the east and west sides, and which communicate a single entrance rather than two separate development areas.

12. Consider providing financial assistance and incentives in the redevelopment of strategically-located parcels in the Business District for their secondary and tertiary benefits (e.g., cultivate community identity, anchor neighborhoods, diversify city’s balance sheet and provide public amenities).
13. Engage and educate developers to ensure a greater diversity of residential product types, greater balance of non-residential uses, resources spent recruiting certain land uses and tenant types, and messaging with regard to commercial offerings in the city.
14. Consider the strategic acquisition of infill parcels for desired development and redevelopment consistent with expressed objectives.
15. Create a dedicated funding source for economic development efforts.
16. Consider hiring an Economic Development Specialist to guide recommended initiatives and actions detailed herein.
17. Rezone the Business District to promote integrated land uses and higher densities.

The economic development priorities and considerations were identified and intended to provide a bridge between the city’s intentions with regard to growth and development, and potential consequences resulting from local circumstances and past agreements. They reflect an understanding of the area’s locational attributes as well as potential obstacles to desired outcomes. Since the primary purpose of this Plan is to ensure the community’s image is preserved through thoughtful planning and development, decisions regarding the same must be deliberate.

## Conclusion

This City of Castle Pines 2020 Economic Action Plan was prepared to confirm the visionary intentions expressed in the Comprehensive Plan and reflected in supporting policy documents, and advance objectives related to fiscal balance and livability. The recommendations offered should be used to prioritize expenditures on capital improvements, both functional and aesthetic, and demonstrate the public’s commitment to this effort.

The ability of the city to attract market share and encourage desired investment will be largely based on continued growth in the region, as well as the community’s willingness to commit long-term to the stated objectives. Until all of the necessary resources are in place to protect the stated vision, city officials are encouraged to use guidance provided here in the form of intentions and desired outcomes to review and consider development proposals. Finally, this report acknowledges that it could take many years to advance this strategy and that market conditions will inevitably change during that timeframe. Therefore, the city is further encouraged to be somewhat flexible in its interpretation of how different product types align with the stated intentions.