

To: Mike Farina, Finance Director  
From: Carson Bise, TischlerBise  
RE: Review of Crowsnest Annexation Petition Fiscal Impact Statement  
Date: January 9, 2026

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## Executive Summary

We have reviewed the Crowsnest Fiscal Impact Analysis (Crowsnest FIA), prepared on behalf of VT Crowfoot Valley Landco, LLC, by THK Associates. The Crowsnest FIA claims the City of Castle Pines will receive the following fiscal benefits as part of this annexation:

- A 236% increase in annual property tax revenue. As our analysis will discuss, this is an erroneous statement. Property tax to the City would increase by approximately 55%.
- The Crowsnest FIA shows a 102% increase in annual sales tax revenue. As our analysis will discuss, we think their estimate double counts revenue coming from new employees. Their 20-year cumulative sales tax projection is drastically overstated since their projection assumes all retail will be available in year one. In fact, not all retail space will be built in year one, and development of the retail space will likely lag behind the development of the residential units. Therefore, the cumulative (20-year) sales tax revenue will be lower than projected. How much lower is difficult to determine.
- The Crowsnest FIA projects a \$10 million net surplus after all service costs. As our analysis will discuss, we estimate a much lower surplus of \$3,309,249.

TischlerBise undertook a review of the assumptions and methodology utilized to prepare the Crowsnest FIA by the applicant's consultant (THK) to verify the accuracy of the applicant's analysis. Our findings are as follows:

- Annexation of the proposed Crowsnest development will add 4,000 housing units and an estimated 11,200 persons, an increase of 64% over the current City population.
- The Crowsnest development will contain 544,500 square feet of commercial space and an estimated 1,178 employees, an increase of 57% over the current City employment base.
- The Crowsnest FIA has a correct projection of annual property tax at full buildout (\$3.65 million). However, the 20-year (or cumulative) property tax projections are drastically overstated since the analysis assumes the entire development program is completed in year 1.
- The methodology used in the Crowsnest FIA to estimate sales tax is flawed and drastically overstates sales tax revenue that is likely to accrue to the City. Similar to the property tax

discussion, not all retail space will be built in year one, and development of the retail space will likely lag behind the development of the residential units, resulting in lower cumulative (20-year) sales tax revenue than projected. How much lower is difficult to determine. Further, the sales tax projection methodology “double counts” a percentage of the \$475 sales per square foot factor which already considers employment spending.

- The Crowsnest FIA estimates \$72,724,782 in one-time revenue to the City of Castle Pines. Since these estimates are largely based on the City’s adopted fee schedules, TischlerBise feels this is an accurate projection of revenue that will accrue to the City of Castle Pines.
- The Crowsnest FIA utilized a very simplistic version of the average cost approach that simply asserted that “there will be some General Fund costs to serve Crowsnest property. Primary expenses will be for public works, police, roads and parks. THK determined the City spends approximately \$6.0 million annually to provide these services and then estimated that approximately 70% (4,300 acres) of the City is currently developed, equating to \$1,420 per acre cost to serve, resulting in a cost to serve of \$948,730.”
- As our analysis indicates, this approach is overly simplistic and drastically understates the cost to the City of Castle Pines to serve the proposed Crowsnest development. For example, under the Crowsnest FIA approach an acre of land with one single unit has the same impact as an acre of land with 16 apartment units.
- Using the methodologies developed by TischlerBise as part of 2015 fiscal impact model development, we estimated our projected annual operating expenditures at buildout are \$7,615,933, which is \$6,667,203 higher than the Crowsnest FIA estimate. This estimate is based on the City’s 2026 budget and current levels of service. Annual revenue at buildout is estimated at \$10,925,182. It is important to note this is based on TischlerBise’s more conservative estimate of sales tax, which we believe has a certain percentage of “double counting.” This results in a net surplus of \$3,309,249 annually, which is much less than projected annual surplus of \$10,145,177 contained in the Crowsnest FIA.

## Development Program and Existing Demographics

According to the City of Castle Pines, the current population estimate is 17,370. The latest employment data obtained from Esri estimates there are 2,057 jobs within the City of Castle Pines in 2025.

The development program illustrated in the Crowsnest FIA for the proposed Crowsnest annexation is shown in the table Figure 2 below. There is a total of 4,000 single family dwelling units proposed on a variety of lot sizes. A fiscal impact analysis will normally project the number of persons that will likely result from the proposed development, as a fiscal impact analysis will typically tie the projection of certain costs and revenues to population as well as use population (and sometimes employment) to determine levels of service for various City services. According to an analysis of the latest American Community Survey data published by the US Census Bureau, a single family unit has a persons per housing unit factor of 2.80. This is shown in Figure 1 below. By applying the 2.8 persons per housing unit factor to the 4,000

proposed housing units, a population of 11,200 persons can be estimated. In other words, this proposed annexation will increase the City's population by 64 percent.

**Figure 1.**

The Crowsnest development also proposed 544,500 square feet of retail/commercial square footage. The Crowsnest fiscal impact analysis did estimate 1,178 employees generated by this square footage. TischlerBise estimated a similar number using employment density factors from the Urban Land Institute and the Institute of Transportation Engineers. When compared to the City's existing employment base (2,057 jobs), the proposed Crowsnest development will increase the number of jobs within the City by approximately 57 percent.

The Crowsnest FIA did not assume an absorption schedule as part of the revenue and cost calculations. This is an important consideration that will be discussed in more detail in subsequent sections of this review.

**Figure 2.**

Estimated Land Use Mix and Values for the Crowsnest						
Use	Units	DU/ AC	Size per Unit (Sq. Ft.)	Value per Unit	Square Feet	Value per Sq. Ft.
<b>Residential</b>						
SFD 40' Lots	1,900	10.89	1,900	\$575,000	--	--
SFD 50' Lots	600	7.92	2,350	\$725,000	--	--
SFD 70' Lots	1,360	5.19	2,900	\$850,000	--	--
2.5 Acre Estate Lots	140	0.65	5,000	\$1,500,000		
Total/Average	<b>4,000</b>			<b>\$723,375</b>		
<b>Retail Commercial</b>					<b>544,500</b>	<b>\$275</b>

**Source: LJA and THK Associates, Inc.**

## Revenue Projections

### Property Tax

The Crowsnest FIA estimates annual property tax to the City of Castle Pines at \$3,651,002, and a 20-year total of \$73,020,049. This is shown in Figure 3 below. It is important to note we have not evaluated

assumptions for market values per housing unit and per square foot of residential space. The Crownsnest FIA claims the proposed development will increase City property tax revenue by 236%. Property tax totals \$6,662,000 in the 2026 Budget. The City's property tax consists of 4.5 mills for law enforcement (\$1,817,000) and 12 mills for parks, recreation, trails, and open space (\$4,845,000). Our calculations show that the proposed Crownsnest development will increase property tax revenue by approximately 55%.

**Figure 3.**

Table III-3: Estimated Property Tax Revenue to Castle Pines		
<b>4,000 Residential Units</b>		
Estimated Market Value	\$2,893,500,000	
Market Value per Unit	\$723,375	
Assessment Rate	6.25%	
Estimated Assessed Value	\$180,843,750	
Annual Property Tax Revenue Castle Pines (16.50 Mills)	\$2,983,922	
<b>544,500 Commercial Sq. Ft.</b>		
	Value Per Sq. Ft.	
Estimated Market Value	\$275	\$149,737,500
Assessment Rate		27.00%
Estimated Assessed Value		\$40,429,125
Annual Property Tax Revenue Castle Pines (16.50 Mills)		\$667,081
	One Year	Twenty Years
<b>Tax Revenue to Castle Pines</b>	<b>\$3,651,002</b>	<b>\$73,020,049</b>
<b>Source: Douglas County Assessor and THK Associates, Inc.</b>		

As the following discussion will illustrate, while the one year property tax projection is correct, the 20-year property tax projections are drastically overstated. The 20-year (or cumulative) projection of \$73,020,049 assumes the entire development program is completed in year 1. Simply assuming a 6-year absorption schedule, as was done in the Metro District Bond analysis completed by the Applicant, the cumulative (20-year) property tax revenue is \$56,590,538, or \$16,429,511 less than what is projected in the Crownsnest FIA. It is important to note that 667 housing units annually is an optimistic absorption schedule, so cumulative revenue is likely to be lower. By way of example, the City's best development year was 620 in 2021 and has averaged just under 200 units per year since then.

## Sales Tax

The Crowsnest FIA states that the methodology used in the Crowsnest FIA to estimate sales tax is also flawed and drastically overstates sales tax revenue that is likely to accrue as a result of annexing the proposed Crowsnest development.

First, the Crowsnest FIA projects retail sales occurring from the retail space itself, assuming annual sales per square foot of \$475. As shown in Figure 4 below, the Crowsnest FIA estimated annual sales tax accruing from the retail square footage is \$7,274,180. We make no assurance regarding Crowsnest FIA's claim that 75% of the total commercial square footage will be taxable space or that \$475 per square foot is a realistic revenue expectation.

Figure 4.

<b>Table III-6: Potential Sales Tax Revenue from the Proposed Crowsnest Retail Development</b>			
Taxable Retail Sq. Ft.	Retail Sales	Sales Tax Rate	Annual City Sales Tax Revenues
408,375	\$193,978,125	3.75%	\$7,274,180

\*75% of the total commercial square footage of 544,500 is estimated to be taxable space

In addition to sales tax revenue being generated from the proposed retail space, the Crowsnest FIA assumes a percentage of permanent employee income will be spent in Castle Pines, further increasing potential sales tax revenues. Assumptions are made regarding percentage of disposable income (70%), percentage of disposable income available for retail spending (45%), and an estimate of retail spending in Castle Pines (20%). No documentation is provided as where these percentages were derived. As shown in the Figure 5 below, the Crowsnest FIA is projecting annual sales tax revenue of \$168,726, and a 20-year (or cumulative) projection of \$3,374,514.

Figure 5.

<b>Table III-7: Potential Sales Tax Revenue From the Crowsnest Related New Employees</b>			
<b>1,178 Employees</b>			
Total Annual Permanent Employee Salaries			\$71,418,286
Disposable Income	70.0%		\$49,992,800
Percent of Disposable Income Available For Retail	45.0%		\$22,496,760
Dollars Available for Retail			\$22,496,760
Estimated Retail Spending in Castle Pines	20.0%		\$4,499,352
<b>Estimated Annual Castle Pines New Sales Tax Revenue</b>	3.75%		<b>\$168,726</b>
<b>Estimated 20-Year Castle Pines New Sales Tax Revenue</b>			<b>\$3,374,514</b>

Source: THK Associates, Inc.

Thus, the Crowsnest FIA states that the total sales tax revenue generated annually will be \$7,442,906 (see Figure 6 below), which represents a 102% increase over the City's 2026 budgeted sales tax revenue of \$7,323,000.

In our opinion, the retail sales tax that is projected to accrue to the City of Castle Pines is overstated in the Crowsnest FIA. Similar to the property tax discussion, not all retail space will be built in year one, and development of the retail space will likely lag behind the development of the residential units. Therefore, the cumulative (20-year) sales tax revenue will be lower than projected. How much lower is difficult to determine. Additionally, for example, the Crowsnest FIA utilizes a sales per square foot factor of \$475. This sales per square foot factor includes sales from residents of Castle Pines, people employed in Castle Pines but live elsewhere, and sales to persons who live outside of the Castle Pines. So, by projecting sales tax revenue from retail space, as well as spending by those employed as a result of the Crowsnest development is "double counting" of a percentage of the \$475 sales per square foot.

### **One-Time Revenue**

Several one-time revenues from sales and use tax on construction materials, as well building-related fees will accrue to the City of Castle Pines. The Crowsnest FIA estimates one-time building permit fees will total \$31,931,163. The City's calculation is \$31,780,745, a slight difference of \$150,418. Plan review fees are estimated to total \$4,097,011. The City's calculation is \$3,999,239, a slight difference of \$97,772. Use tax fees are estimated at \$36,557,578. There are also some smaller community development fees. The Crowsnest FIA estimates \$72,724,782 in one-time revenue to the City of Castle Pines. The City's calculations are slightly lower at \$72,337,562, a difference of \$387,220. Since these estimates are largely based on the City's adopted fee schedules, TischlerBise feels this is an accurate projection of revenue that will accrue to the City of Castle Pines.

Figure 6.

Table III-12: Summary of Tax Revenues & One-Time Fees to the City of Castle Pines

<b>Taxes</b>	<b><i>Annual</i></b>	<b><i>Twenty Years</i></b>
Property Taxes	\$3,651,002	\$73,020,049
Sales Taxes	\$7,442,905	\$148,858,108
<b>Total Tax Revenues</b>	<b>\$11,093,908</b>	\$221,878,157
<b><u>One-Time Fees</u></b>	<b><u>One-Time</u></b>	
Building Permit Fees	\$31,931,163	
Initial Plan Review Fees	\$4,097,011	
Community Development Fees	\$139,031	
Use Tax Fees	\$36,557,578	
<b>Total One-Time Fees</b>	<b>\$72,724,782</b>	

Source: THK Associates, Inc.

## Cost Projections

The table below shows the organization of City operating departments and Funds. Fire Protection is provided by the South Metro Fire District and Law Enforcement is provided through an arrangement with the Douglas County Sheriff where the City's 4.5 mill property tax for Law Enforcement goes to Douglas County. The City of Castle Pines has 17.25 full-time equivalent employees in FY2026.

The two most used fiscal impact methodologies are the average cost and the case study-marginal approach. The average cost approach is the most popular and frequently used method for evaluating fiscal impacts. Since this approach usually focuses on the average cost per capita (or in some cases per capita and per job), it does not consider the available capacities of existing capital facilities. In addition, it masks spatial relationships and the timing of additional facilities required to serve new growth. A major advantage of the case study-marginal approach is greater accuracy in forecasting short-term impacts of growth and policy decisions. Using the Fire Department as an example, the average cost approach would divide the expenditure for fire services by population and possibly employment to arrive at a figure, say \$21 per person. This cost would occur regardless of any spatial distribution.

In contrast, the case study-marginal approach would reflect whether the Fire Department required additional space and apparatus to meet level of service times and responses. If new growth were primarily infill versus leap-frog development, the cost differential could be significant since in the former case there would likely be no additional cost for capital and associated personnel, while in the latter case there might be a need for a new station with associated apparatus and personnel. A series of sensitivity evaluations would allow the client to understand whether any or all proposed plans make sense from the perspective of timing and phasing.

The case study-marginal approach is particularly important to estimate and project costs to serve annexed areas. It is crucial to understand the available capacity in existing facilities and infrastructure that can serve annexed growth, the need for additional facilities and infrastructure, and the resulting operating impacts for those facilities.

The Crownsnest FIA utilized a very simplistic version of the average cost approach that simply asserted that “there will be some General Fund costs to serve Crownsnest property. Primary expenses will be for public works, police, roads and parks. THK has reviewed the City of Castle Pines’ adopted budget for 2025 and the City currently spends approximately \$6.0 million annually to provide these services. The incorporated



area of Castle Pines is 9.6 square miles or just under 6,150 acres. It is estimated that approximately 70%, or 4,300 acres of this land is currently developed. This equates to service costs being \$1,420 per acre. With Crownsnest being close to 670 acres it is estimated that the cost to serve Crownsnest, using the \$1,420 per acre cost, would be \$948,730.” This approach, as our discussion will illustrate, is overly simplistic and drastically understates the cost to the City of Castle Pines to serve the proposed Crownsnest development. For example, under the Crownsnest FIA approach an acre of land with one single unit has the same impact as an acre of land with 16 apartment units.

So, to explain this from a City cost perspective let us look at the City’s Parks and Recreation Department. The Department really doesn’t program recreation, so the majority of expenses are related to individual parks. If the City wants to maintain current levels of service going forward, additional park land will need to be acquired. Our assumption is that park land and park amenities will be provided for by the developer as per the annexation agreement or subsequent site improvement agreements. Once that park land is acquired, the operating budget for parks maintenance is driven by number of acres that need to be maintained. By way of example, the City currently has an inventory of 122.16 acres of park land, which equates to a level of service of 0.0070 acres per person (122.16 acres divided by 17,370 persons). In order to maintain this level of service the City would need to obtain 65.76 acres of additional park land to maintain current levels of service. Based on the current non-capital equipment budget of \$5,283,000, the cost per acre to maintain is \$42,428. Assuming a six-year absorption schedule, 20-year cumulative costs for park maintenance is \$72,522,598. At buildout the annual operating costs are \$2,844,023. Our projected annual Parks Fund costs alone total almost \$1.9 million more than the Crownsnest FIA projection of total annual City costs of \$948,730. It is our understanding from the City that the City’s 12 mills property tax revenue will be used to cover all additional park maintenance and future replacement capital costs.

Similarly, we evaluated the probable costs for the Roads Fund, which has a FY2026 Budget of \$3,638,500. Road maintenance costs are a function of lane miles added to the City road system, which is predominately associated with residential streets. We do know from the “flagpole” nature of this proposed annexation that the City of Castle Pines will be responsible for a minimum of 6 lane miles of maintenance for Crowfoot Valley Road (3 miles x 2 lanes). Crowfoot Valley Road will eventually be widened to 4 lanes, meaning at some point the City will be responsible for 12 miles of arterial roadways and whatever lane mileage is constructed as part of the residential portion of the proposed Crownsnest development. To calculate the impact of the maintenance cost for Crowfoot Valley Road, we determined the cost to maintain a mile of road is \$26,952 (\$3,638,500 divided by 135 lane miles currently maintained). Assuming the City takes over Crowfoot Valley Road in year 1 and assuming it is expanded to 4 lanes in year 10, the 20-year cumulative cost for just Crowfoot Valley Road is \$4,851,360, or \$323,424 annually beginning in year 10. Additionally, conversations with City staff and the applicant reveal that there will be another 25 lane miles added as part of the proposed Crownsnest development, bringing cumulative 20-year costs of \$15,440,177, or \$996,140 annually in year 10.

TischlerBise also estimated costs for other operating departments using the fiscal impact model we developed for the City in 2015. Utilizing the City’s current budget and current estimates of population, housing units, employment, nonresidential square footage, etc., and current levels of service, we have estimated annual operating costs at buildout.

Figure 7 below is our statement of Full Annual Impact at Buildout. As shown in the table below, annual revenue at buildout is estimated at \$10,925,182. It is important to note this is based on TischlerBise's more conservative estimate of sales tax, which we believe has a certain percentage of "double counting." As the table below indicates, our projected annual operating expenditures at buildout are \$7,615,933, which is \$6,675,110 higher than the Crowsnest FIA estimate. As shown in the table below, this still results in a net surplus of \$3,309,249 annually, which is much less than their projected annual surplus of \$10,145,177.

**Figure 7.**