FISCAL IMPACT ANALYSIS:
IMPACT OF PROPOSED PINE CANYON DEVELOPMENT ON THE TOWN OF CASTLE ROCK

PREPARED BY:
COLEY/FORREST, INC.

DATE:
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October 14, 2012

Dear Mr. Walker:

Attached is our report:

**FISCAL IMPACT ON PROPOSED PINE CANYON DEVELOPMENT
ON THE TOWN OF CASTLE ROCK**

It has been a pleasure preparing this assignment for your use. We have benefited not only by helpful support from your planning staff but also from helpful and knowledgeable staff of the Town of Castle Rock and Douglas County.

If I can respond to any questions, please call on me.

Respectfully,
Coley/Forrest, Inc.

Jean C Townsend

Jean Coley Townsend
President

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Appendices:

1. SUMMARY. A fiscal impact model has been built to measure financial effects of the proposed Pine Canyon development in Town of Castle Rock. The model is unique to the Town of Castle Rock and is calibrated using the 2012 Town of Castle Rock Budget.

The model estimates annual revenues and annual expenditures for 12 funds that are summarized in the table below. Other funds have been excluded from the model; reasons for fund inclusion and exclusion are summarized in Appendix A.

FUNDS INCLUDED IN THIS ANALYSIS			
Governmental	Special Revenue	Capital Projects *	Proprietary *
General Economic Development	Conservation Trust Transportation	Parks Municipal Facilities Fire Police Recreation Center Transportation Capital	Community Center Development Services
* Model assumes that expenditures equal revenues.			

The model measures anticipated revenues received by the Town and expenditures incurred by the Town to serve Pine Canyon, a proposed development in the Town of Castle Rock. At build-out, the proposed development will include approximately 1,290 residential units, and 1.36 million square feet of privately-constructed non-residential uses, including office, retail, industrial/warehouse, and lodging.

This submittal includes text which summarizes key input assumptions, five appendices (A through E) and results of the fiscal impact model (Appendix F).

Appendix A summarizes funds included and excluded from the analysis.
Appendix B summarizes how the fiscal model estimates revenues.
Appendix C summarizes how the fiscal model estimates expenditures.
Appendix D summarizes the assumptions that underlie the population and employment forecasts.
Appendix E summarizes how the Sales Tax Revenue calculations were derived.
Appendix F contains the fiscal impact model run results, Tables 1 through Table 15.

The fiscal impact model contains 14 linked spreadsheets. Each displays different information. They are listed in the table on the following page.

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2. PINE CANYON DEVELOPMENT SUMMARY.

Pine Canyon is proposed as a mixed use development with community amenities to attract a broad mix of households and businesses. The fiscal impact model results presented below apply the following development assumptions.

PINE CANYON DEVELOPMENT AT BUILD-OUT – 11 YEAR CONSTRUCTION SCHEDULE		
PARAMETER		UNITS OR BLDG. SQUARE FEET
Residential	Small Lot Single-Family	95
	Typical Single-Family	255
	Semi-Custom Single Family	153
	Custom Single Family	37
	Multi-Family	750
	Total Residential	1,290
Office		906,500
Retail		129,450
Light Industrial / Warehouse		208,000
Lodging		117,500
TOTAL NONRESIDENTIAL SF		1,361,450
Sites for fire station and elementary school		N/A
Estimated Population at Build-Out		2,782
Estimated Households (Occupied Units) at Build-Out		1,224
Estimated Permanent Jobs at Build-Out [1]		4,762
Estimated Building Construction Workers (in full-time equivalents) over 11-year construction schedule)[2]		3,792
Source: Property Owner plus industry factors for employment metrics and wages.		

Annual absorption estimates are presented in more complete detail in Table 2 of the fiscal impact model. These absorption estimates are only approximations based on the developer's best judgment at this time. The developer does not warrant that these forecasts will actually occur.

Pine Canyon is proposed to include a metropolitan district that will construct on-site roads, drainage improvements, water and sewer improvements and might develop and maintain some private parks and construct a recreation facility.

Pine Canyon will dedicate land or pay cash-in-lieu for a fire station and a police station and will dedicate land for open space, a neighborhood park and a community park.

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[1] This estimate applies square-feet-per-employee metrics that are listed in Appendix D to non-residential square feet at build-out. Vacancy factors are applied to the office, retail and industrial square footage estimates before calculating employment estimates.

[2] This figure is calculated by estimating construction costs attributable to labor and dividing by average construction worker wages. Details are described in Appendix D. The figure is conservative in that it excludes construction costs related to land development, such as construction for roads, utilities and drainage.

3. Model Features and Major Working Assumptions.

The model estimates annual tax and fee revenues generated by Pine Canyon and remitted to the Town and expenditures incurred by the Town to serve Pine Canyon from 12 Town Funds listed in a prior page.

Year 1 of the fiscal model is year 1 of construction. Current (pre-development) assessed valuation for this property and current costs to deliver services to the property are excluded from the analysis.

New Development Impacts on Existing Development. Any new development can have an indirect and counterbalancing adverse impact on existing competitive development particularly if the existing development is dated; it can also have a positive impact on complementary development.

An example of a potentially adverse retail sales impact would be an impact that new retail may have on existing retail within the same competitive market area.[3] An example of a positive retail sales impact is the additional 1,244 Pine Canyon households who would likely shop at existing retailers in downtown and at the outlet mall. Another positive impact might be that households outside of the Town elect to shop at Pine Canyon retailers rather than other retailers outside of Town.

A potentially adverse impact might be on the value of existing and dated office or industrial buildings due to the presence of newer office and industrial buildings in Pine Canyon. An example of a positive impact would be the introduction of complementary retail, office, schools and public sector service buildings in Pine Canyon that enable the Town to grow in a comprehensive manner.

Fiscal Model Applications:

- This model does not assume any negative impact on property values of other office, industrial, medical or lodging development in Town of Castle Rock.
- Pine Canyon retailers might have an impact on the closest community-scale retail development in Town of Castle Rock as existing and new Pine Canyon residents choose a Pine Canyon retailer in lieu of an existing retailer. To be conservative in estimating revenues attributable to Pine Canyon, a potential retail adverse impact factor has been added in the model. This does not imply that any adverse impact will actually occur.

Incremental Revenues and Expenditures. This fiscal model estimates incremental tax and fee revenues that Town of Castle Rock is expected to receive from Pine Canyon and incremental expenditures that Town of Castle Rock is expected to incur to serve Pine Canyon because, from a practical perspective, that is the circumstance that will occur as the development proceeds.

Because the model estimates incremental expenditures, it was necessary to distinguish between relatively fixed costs that do not change as the Town grows and variable or growth-related costs that increase as the Town grows. A few examples of relatively fixed expenditures include upper management personnel and support staff, related operations and building maintenance of administrative structures. A few examples of variable or primarily growth-related expenditures include purchase of supplies, direct service vehicles, and direct-service delivery personnel. The model includes

[3] For example, retail sales generated by a new convenience store in a trade area that already has other convenience stores may impact some retail sales at the other convenience stores, assuming that the trade area customers have not grown sufficiently to accommodate one more convenience store. The amount will depend on the quality and detail product mix of each retailer and location.

In contrast, to the extent that a new retailer sells products that are not sold elsewhere in the retail trade area, it will not impact other retailers in the trade area. Rather, it will attract additional retail sales to the trade area and additional customers that might choose to frequent existing retailers on their shopping trip.

incremental or growth-related costs only. (See Table 15, Expenditure Metrics, for detailed working assumptions.)

Expenditure Metrics. Each expenditure metric (equation) is summarized in Appendix C and quantified in Table 14 using expenditure metrics described in Table 15. The equations apply adjustments to the 2012 Town of Castle Rock Budget by department as they relate to the funds included in the analysis. Each equation includes some judgments such as the proportion of expenditures that are attributable to new growth versus the proportion that are relative fixed and unrelated to new growth.

The judgments are intended to be reasonable, conservative approximations of current conditions. However, they are not based on detailed activity analysis and have not been reviewed with individual department heads.

Equivalent Dwelling Unit (EDU). A denominator called an Equivalent Dwelling Unit (EDU) is applied to a number of expenditure figures. EDUs are units of measure that standardize all land use types (housing, retail, office, etc.) to the level of demand created by one dwelling unit. When the concept is applied to broadly distributed government services such as those in this fiscal impact analysis, the philosophy is that an employee is a "resident" of the Town for about 8 to 9 hours of the 24 hour day, hence a 35% factor is applied to employees and a 100% factor is applied to residents. If someone lives and works in the Town, then they are appropriately counted 1.35 times. If the concept were applied to transportation, then the measurement standard would be vehicle trips; if the concept were applied to sewer service, then the measurement standard would be the amount of sewer treatment required by an average household.

Revenues = Expenditures. For nine funds (Conservation Trust Fund, Parks Capital, Fire Capital, Municipal Facilities, Police Capital, Transportation Capital, General Long Term Planning, Community Center and Development Services), the model simply assumes revenues equals expenditures. While this technique generates no "net revenues" by definition, the analysis quantifies substantial sales and use tax, development impact fee, and development-related permit and fee revenues that will be available to the Town for open space land acquisition or improvements, growth-related capital needs, and development-related permit and inspections services.

Development Assumptions regarding construction values, market or actual values, taxable sales per square foot, lodging room rate and vacancy rate, etc. are bundled in Table 3 so the reviewer has easy, comprehensive access to the figures. The commercial appraisers in metropolitan area Assessor's offices were helpful in providing "comps" used to estimate market or actual values. Residential market values have been estimated by Pine Canyon.

Inflation Rates. The model is set up so that Town staff may apply different rates of inflation for real estate values (Table 3), Town revenues (Table 8) and expenditures (Table 14). All model runs presented in this text assume no inflation for revenues and expenditures so results can be observed without inflation effects.

Annual Absorption Schedule, Households, Population and Employment. The annual absorption or construction schedule extends over an 11-year time horizon; details are contained in Table 2. The working assumptions that underlie the household, population and employment assumptions are summarized in Appendix D and Table 3. The model is built for a 13-year time period so that results can be observed without construction activity and with all relevant property tax revenues. Year 13 is representative of all future years.

Sales Tax Allocation to Land Uses. A significant set of judgment factors in the model is in the sales tax allocation method. This is an art, not a science. Two methods are calculated:

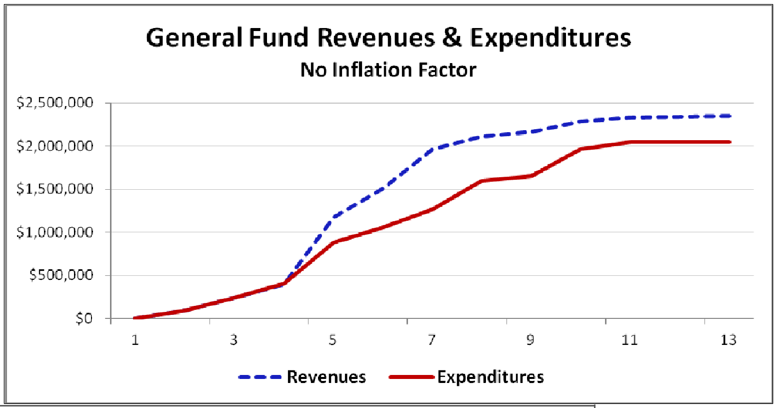
– *On-Site Sales Tax Revenues.* (Method A) This method assigns 100% of sales tax revenues from on-site retailers and on-site lodging but no sales tax revenue from on-site households, office or industrial users.

– *Shared Attribution.* (Method B) This method assigns a portion of sales tax revenues from on-site retailers and a portion of sales revenue from on-site households, office and industrial users, making appropriate counterbalancing adjustments for "cannibalization" and potential double counting. The detailed methodology is explained more fully in Appendix E and quantified in Table 11 using working assumptions provided in Table 3.

4. MODEL RESULTS. A summary of fiscal impact model results are presented below and detailed more specifically in Tables 7, 8 and 14.

General Fund Model Results. An illustration of annual General Fund revenues generated by Pine Canyon and annual expenditures incurred by the Town to provide General Fund services to Pine Canyon is illustrated in the graph to the right and in detail in the fiscal model spreadsheets.

Estimates for Year 13 are highlighted below because this year is indicative of on-going annual revenues received from Pine Canyon and annual expenditures incurred by the Town to serve the Pine Canyon development.



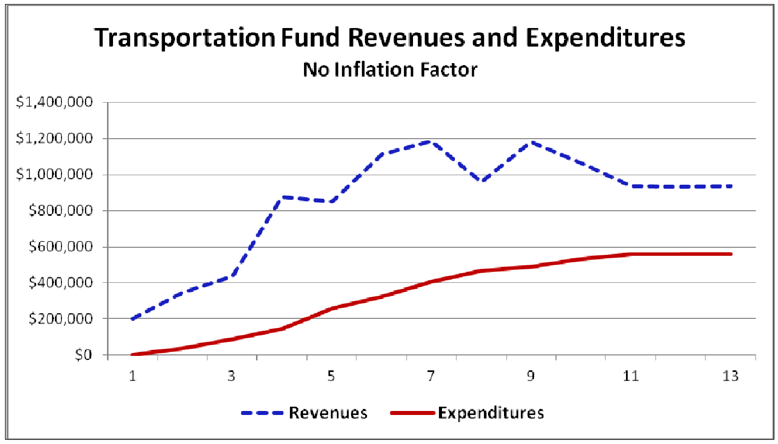
GENERAL FUND – YEAR 13 (estimated figures)		
Annual Revenues	Annual Expenditures	Net Revenues
$2,376,617	$2,104,167	$272,450
Source: Fiscal Impact Model Table 7		

There will be substantial one-time development fees during the 11-year absorption time period; the model assumes that these one-time development fee revenues will equal Town expenditures to deliver related services. The fees are attributed to the enterprise fund, Development Services. Over the 11-year construction period, total development permit and fee revenues (excluding building use tax revenues) are estimated to total $5.5 million, excluding inflation. Since Year 1 of the model is the first year of construction, pre-construction fees such as rezoning and annexation fees are excluded from this figure. These fees are calculated in Table 13.

Over the 13 year study period, the General Fund will generate estimated cumulative revenues of $19,161,182 and will incur cumulative expenditures of $15,726,312, yielding net revenues of $3,434,870.

GENERAL FUND – CUMULATIVE – YEAR 1 THROUGH YEAR 13 (estimated figures)		
Cumulative Revenues	Cumulative Expenditures	Net Revenues
$19,161,182	$15,726,312	$3,434,870
Source: Fiscal Impact Model Table 7		

Transportation Fund Model Results. This Fund primarily provides transportation services, including road maintenance for the 550 lane miles of roads maintained in the Town of Castle Rock.



An illustration of Transportation Fund revenues and expenditures are presented in the graph to the right and in detail in the fiscal model spreadsheets. The model assumes that all Pine Canyon roads (32 lane miles at build-out) will be maintained by the Town.

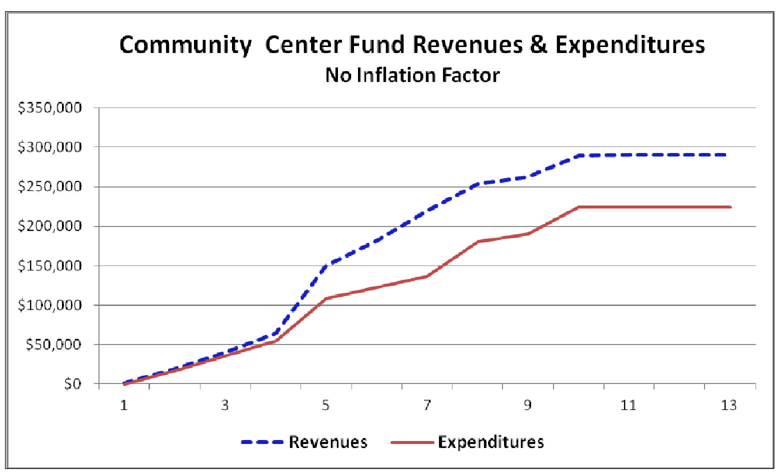
Estimates for the Year 13 are highlighted below because this year is indicative of on-going annual revenues received by Pine Canyon and annual expenditures incurred by the Town of Castle Rock to serve Pine Canyon.

Transportation Fund – Year 13 (estimated Figures)		
Annual Revenues	Annual Expenditures	Net Revenues
$948,069	$565,648	$382,421
Source: Fiscal Impact Model Table 7		

Over the 13 year study period, the Transportation Fund will generate estimated cumulative revenues of $11,100,698 and will incur cumulative expenditures of $4,474,971, yielding net revenues of $6,625,727.

Transportation Fund – Cumulative – Year 1 through Year 13 (estimated figures)		
Cumulative Revenues	Cumulative Expenditures	Net revenues
$11,100,698	$4,474,971	$6,625,727
Source: Fiscal Impact Model Table 7		

Community Center Fund. This enterprise fund accounts for recreation facilities and child care programs. Revenues are from portions of the Town sales tax and building use tax and fees. The graph to the right illustrates estimates of Community Center Fund revenues and expenditures.



Estimates for Year 13 are highlighted below because this year is indicative of on-going annual revenues from sales tax and fees. By year 13, building use tax revenues are at zero because construction was complete in year 11.

Community Center Fund – Year 13

Annual Revenues	Annual Expenditures	Net Revenues
$291,415	$224,319	$67,095
Source: Fiscal Impact Model Table 7		

Over the 13 year study period, the Community Center Fund will generate estimated cumulative revenues of $2,359,842 and will incur cumulative expenditures of $1,742,465, yielding net revenues of $612,377.

COMMUNITY CENTER FUND – CUMULATIVE – YEAR 1 THROUGH YEAR 13 (estimated figures)		
Cumulative Revenues	Cumulative Expenditures	Net Revenues
$2,359,842	$1,742,465	$617,377
Source: Fiscal Impact Model Table 7		

Other Funds – Model Results. For the other nine funds represented in the fiscal model, expenditures are assumed to equal revenues.

- For the Conservation Trust Fund, lottery revenues are estimated based on the State's per capita formula for population, recreation license revenues are estimated per person, assumptions underlying the Town's share of the County Parks, Trails and Open Space (PTOS) sales and use tax revenues are described in Tables 11 and 12. Cumulative revenues over the 13-year time period are estimated to total $922,985.

- For the Parks Capital, Recreation Center, Municipal Facilities, Fire Capital and Police Capital Funds, revenues are from development impact fees and related interest earnings. Development impact fees are collected at construction, based on the 2012 fee schedule. Cumulative revenues over the 13 year time period for all of these funds are estimated to total $5.0 million. Revenues from each fund are summarized in the table below and in more detail in Table 13.

- For the Transportation Capital Fund, revenues are from the transportation capital development impact fees and a portion of the Town's use tax. Cumulative revenues over the 13-year time period are estimated to total $3.8 million.

- For the General Long-Term Planning Fund, revenues are from a portion of the Town Building Use tax. Cumulative revenues over the 13-year time period are estimated to total $81,353.

- For the Development Services Fund, an enterprise fund, revenues are from the administrative cost allocation fee, building permit and plan review fees, fire and rescue, and numerous development construction permit and inspection fees. The model only estimates major fees. Cumulative revenues over the 13-year time period are estimated to total $5.5 million.

The table below summarizes estimated cumulative revenues and expenditures for each of these funds in Year 13.

OTHER FUNDS – CUMULATIVE REVENUES & EXPENDITURES		
Fund	Cumulative Revenues	Cumulative Expenditures
Conservation Trust	$922,985	$922,985
Development Impact Fee Funds:		
Parks Capital	$2,266,869	$2,266,869
Recreation Center	$668,165	$668,165

Municipal Facilities	$831,513	$831,513
Fire Capital	$379,450	$379,450
Police Capital	$896,688	$896,688
Total Development Impact Fee Funds	$5,042,684	$5,042,684
Transportation Capital	$3,781,626	$3,781,626
General Long Term Planning	$81,353	$81,353
Development Services	$5,465,912	$5,465,912
Source: Fiscal Impact Model Tables 8 and 13		

APPENDIX A:
TOWN FUNDS INCLUDED AND EXCLUDED FROM ANALYSIS

FUND	INCLUDED?	REASON / REMARKS
GOVERNMENTAL FUNDS		
General	Yes	This is the primary operating fund of the Town. Functions accounted for in this Fund include general government, police, fire, parks, maintenance, zoning, historic preservation
Economic Development	Yes	This is a sub-fund of the General Fund. Transfers from other funds into this fund are accounted for in the originating fund and not in this fund. In the fiscal model, this fund is merged with the General Fund.
SPECIAL REVENUE FUNDS		
Transportation	Yes	This fund accounts for services provided to construct, acquire, install, remain and maintain streets, bridges, sidewalks and transit.
Conservation Trust	Yes	This fund accounts for lottery proceeds from the State which are received on a formula-driven basis and the Town's share of sales tax revenues from the Douglas County Open Space Sales Tax.
Philip S. Miller Trust	No	This fund accounts for donations to the Town from the Miller Trust. And finances community service programs. It is excluded because donations are not a predictable, growth-related source of revenue.
Public Art	No	This fund accounts for public are endeavors. Revenues are transfers from the Miller Trust Fund.
CAPITAL PROJECTS FUNDS		
Parks Capital	Yes	These funds receive revenues from the Town's development impact fees. The funds transfer revenue to other funds as needed to construct projects. The fiscal model calculates impact fee revenues at construction and assumes that expenditures equal revenues. The model does not account for transfers into or from these funds.
Municipal Facilities Capital	Yes	
Fire Capital	Yes	
Police Capital	Yes	
Recreation Center Capital	Yes	
Transportation Capital Projects	Yes	This fund manages construction of major transportation projects. The fiscal model estimates this fund's share of building use tax and impact fee revenues but excludes transfers from other funds. The fiscal model assumes that expenditures equal revenues.
General Long Term Planning	Yes	This fund manages the construction of any major capital project not accounted for elsewhere. The fiscal model estimates the funds share of building use tax revenue but excludes transfers from the General Fund. The fiscal model assumes that expenditures equal revenues.
ENTERPRISE FUNDS		
Water	No	These funds account for operations that are financed similarly to private enterprise. User charges are intended to pay for all operations including administration, operations, maintenance, and related debt service. Since they are self-sustaining they are excluded from the fiscal model.
Water Resources		
Stormwater		
Wastewater		
Golf		

APPENDIX A:
TOWN FUNDS INCLUDED AND EXCLUDED FROM ANALYSIS

FUND	INCLUDED?	REASON / REMARKS
Community Center	Yes	This fund accounts for recreational facilities and child care programs. The fiscal model estimates revenues from its share of Town sales and building use tax and assumes that expenditures equal revenues. Transfers in from other funds are accounted for in the originating fund and are not accounted for in this fund.
Development Services	Yes	This fund accounts for revenues and expenses related to community development. The fiscal model estimates all major development-related permits and charges for services and assumes that expenditures equal revenues.
INTERNAL SERVICE FUNDS		
Employee Benefits	No	This fund accounts for insurance benefits for Town employees. This fund is excluded from the fiscal model because its revenues are from transfers from other funds which are accounted for in the originating fund.
Fleet Services	No	This fund accounts for centralized acquisition and maintenance of vehicles. This fund is excluded from the fiscal model because its revenues are from transfers from or charges to other funds which are accounted for in the originating fund.

Appendix B: Methods to Calculate Revenues		
Revenue	**Funds**	**Method**
Property Taxes	General	The mill levy is set by the Town in December of each year on taxable assessed valuation. The model assumes that the levy set in December 2011 for the 2012 Budget (1.703 mills) will remain constant for the 13-year study period. The model assumes the relationships between actual and assessed values will remain constant in future years. Table 2 provides estimated actual and assessed values for each type of property based on metrics contained in Table 3.
Specific Ownership Tax	General	This tax is levied on vehicle ownership and is collected when license plates are renewed; the tax is proportional to the value and age of each vehicle. Revenues are collected at the County level and distributed to each government organization receiving property tax revenues, proportional to expected property tax revenues. The model calculates budgeted 2012 specific ownership tax revenues per registered motor vehicle. Registered motor vehicles are provided by the State Department of Revenue at the County level. The model assumes that registered vehicles per person are the same at the County and Town level.
Town Sales Tax	General Fund Transportation Community Center	The Town levies a 4% tax. Appendix E describes how sales tax revenues are calculated; see Table 11 for sales tax revenue estimates. Sales tax revenues are distributed to three funds. The model assigns each fund's share of Town sales tax revenues based on the 2012 allocation (Table 10) While 1.35% of the 4.00% sales and use tax is pledged to the Transportation Fund, consistent with bond documents commitments which extend through 2028, the fiscal model applies the 2012 allocation because this is consistent with the basis of the fiscal model.
Town Sales Tax - Motor Vehicles	General Transportation Community Center	This is the Town sales tax (4%) paid on the purchase price of a vehicle registered to a resident or business in the Town. The County typically collects the tax through the licensing process and remits to the Town. In 2012, revenues are shared among three funds: General Fund, Transportation and Community Center. The fiscal model estimates total motor vehicle tax revenues per registered motor vehicle and then assigns revenues per vehicle, based on the 2012 allocation of revenues. (Table 10)
County Sales & Use Tax County Shareback of the Douglas County Transportation Tax	Transportation	Douglas County imposes a 0.4% Transportation Sales and Use Tax that extends through January 2030. A portion of tax revenues are shared back to municipalities. The shareback is 75% of sales and use tax collections transacted in each municipality. All County Transportation sales and use tax revenues received are distributed to the Transportation Fund. The model assigns a 0.3% (75% x 4.0%) sales and use tax rate. (See Table 11 for taxable sales and sales tax rate calculations.) Douglas County exempts food for home consumption and gas and electric for residential use. Adjustments for these exemptions are made in the fiscal model.

Appendix B: Methods to Calculate Revenues		
Revenue	**Funds**	**Method**
County Sales & Use Tax County Shareback Douglas County Parks, Trails and Open Space (PTOS) Tax	Conservation Trust	Douglas County imposes a 0.17% Parks, Trails and Open Space (PTOS) sales and use tax that extends through December 2023. A portion of tax revenues are shared back to municipalities based on 50% of the net proceeds after deduction of County administration, planning and maintenance activities (which may be up to 8%) and based on their attributable share of license plate registrations. All County PTOS sales and use tax revenues received are distributed to the Conservation Trust Fund. The fiscal model estimates future PTOS sales tax revenues based in 2012 revenues per registered vehicle, using registered vehicles as a proxy for license plate registrations. The model estimates future County PTOS use tax revenues based on the value of building materials times the PTOS use tax rate, 0.17%. Literally, the County retains revenues in an account earmarked for the Town of Castle Rock. Castle Rock applies to use its PTOS revenues when they have an eligible project that is ready to go.
Town Use Tax – Building Materials	Transportation Trans. Cap. Projects Gen. L. T. Planning Community Center	Use taxes are imposed on building materials when a building permit is pulled. The Town use tax rate is 4%. Town use tax revenues are allocated among four funds based on the 2012 Budget distribution of revenues. The model assumes that the allocation among will extend through the duration of the absorption time period. All County Transportation Use Tax revenues are distributed to the Transportation Fund; all County PTOS Use Tax revenues are distributed to the Conservation Trust Fund.
Tobacco Tax *(State shared revenues)*	General	The State levies a flat tax on cigarette sales ($0.01 per cigarette) and distributes a portion of the revenues to municipalities and counties based on their proportion of State sales tax revenues collected. The fiscal model estimates cigarette sales tax revenues as a percent of 2011 Town taxable sales, provided by the Colorado Department of Revenue. (2012 statistics are not available)
State Highway Users Trust Fund (HUTF)Revenues *(State shared revenues)*	Transportation	HUTF revenues are collected by the State and distributed among the State, counties and municipalities. HUTF revenues are from gas and special fuels tax, state sales tax attributable to motor vehicles and parts, various motor vehicle registration title, and license fees. Each municipality receives a share of HUTF revenues based on a formula that is primarily weighted by number of registered vehicles, but also includes the previous year's miles of streets. For simplicity, the fiscal model estimates Town's share of HUTF revenue on the basis of 2012 HUTF revenues per estimated registered vehicle. The model allocates revenues based on average revenues per registered vehicle using 2010 revenues and 2010 estimated registered vehicles and applies this figure to estimated registered vehicles at Pine Canyon. Calculations are developed in two steps: (1) the proportion of vehicles registered to households (85%) and

Appendix B: Methods to Calculate Revenues		
Revenue	**Funds**	**Method**
		businesses (15%) is estimated for Douglas County. Household vehicles is divided by County households; 2.2 vehicles per household. Business vehicles is divided by employees; 0.4 vehicles per employee. (Table 5) (2) These ratios are applied to estimated households and employees in Castle Rock to derive a 2012 estimate of registered vehicles in Castle Rock. These figures are used to estimate revenues per vehicle for households and businesses. *(Data from the CO Department of Revenue 2010 Annual Report, Colorado State Demographer and DRCOG)*
Road and Bridge Fund *(County-shared revenues)*	Transportation	For taxes payable in 2012, Douglas County imposed a countywide Road and Bridge Fund mill levy of 4.493. Each municipality may receive 50% of the Fund revenues based on its proportion of assessed valuation in the county. Castle Rock anticipates receiving 7% or $1,465,777 from Douglas County Road and Bridge Fund; this is "equivalent" to a citywide mill levy of 0.764 in Castle Rock. [($1,465,777/ $20,239,778) x 1000]. The model applies an equivalent mill levy of 0.764 to the estimated assessed valuation in Pine Canyon.
Conservation Trust Fund (Lottery Revenues) *(State-shared revenues)*	Conservation Trust	Colorado lottery net proceeds are distributed as follows: 40% to Conservation Trust Fund; 50% to State Capital Construction Fund; 10% to State Parks and Recreation. Local governments receive a portion of Conservation Trust Fund revenues on the basis of population and their per capita share. The Town receives revenues on a per capita basis from residents that reside in the Town that are also in park and recreation districts ("districted" population) and residents in the Town which are outside of park and recreation districts ("nondistricted" population). Districted population receives 50% of the revenues per capita that nondistricted population receives. The model estimates lottery revenues on a per capita basis, assigning districted population at 50%. This fiscal model run assumes that the Pine Canyon metropolitan district will not receive revenues from the Conservation Trust Fund.
Franchise Fees	General	The Town imposes franchise fees on utility companies that provide services within the Town. Companies include Intermountain Rural Electric Association, Black Hills Energy Corporation and Comcast Cable. The Town collects 3% of Black Hills Energy Corporation gross sales, 5% of Comcast's gross sales and 3% of IREA's gross revenue per customer up to $10,000 and 2% over $10,000. The fiscal model applies 2012 total franchise fee revenues per EDU, since both businesses and residents are utility customers.
Public Education Government (PEG) Fee	General	This $0.50 monthly fee is collected from every residential cable subscriber by Comcast and is remitted to the Town. The fiscal model estimates this revenue by dividing 2012 Town Revenues by Town households.
Recreation License	Community Center	This is a fee imposed to lease sports and multi-purpose fields. The fiscal model estimates these revenues by dividing 2012 Town revenue by Town population.

Appendix B: Methods to Calculate Revenues		
Revenue	**Funds**	**Method**
Licenses and Permits	General	These include revenues from business, liquor, solicitor and peddler, and fire permit reports. For purposes of the fiscal model, all General Fund licenses and permit revenues are bundled. Since these fees are primarily imposed on businesses, not households, the fiscal model applies a per employee estimate of revenues. See Tables 8 and 9 for details.
Charges for Services	General Community Center	There are 13 types of charges-for-services that are distributed to the General Fund. About 85% of total revenues from these charges are from the EMS Transport Fees and Fire Contracts. All General Fund charges for services are consolidated in a single calculation. The fiscal model applies a forecast standard based on equivalent dwelling units. See Tables 8 and 8 for detailed calculations. There are 25 types of charges-for-services that are distributed to the Community Center Fund. Since these charges are for recreation and child care, the fiscal model applies a forecast standard based on population. Development-related charges-for-services are discussed in a Development-Related Fees and Charges for Services.
Fines & Forfeitures	General	The Town imposes nine types of fines and forfeitures that flow into the General Fund. In 2012, 73% of the fine and forfeiture revenues are related to traffic, parking or DUI which are imposed on residents and others using Town streets. The fiscal model consolidates these revenues into a single calculation and applies a forecast standard based on equivalent dwelling units. See Tables 8 and 9 for detailed calculations.
Cost Allocation Fees	General	These are internal fees charged by the General Fund to other operating funds, such as Transportation. Since cost allocation charges are included in the fiscal model expenditures of the originating fund, they subtracted from General Fund expenditures based on revenues received.
Development Impact Fees *(A Special Assessment)*	*Capital Funds:* Parks Capital Recreation Center Municipal Facilities Fire Police Transportation	These fees are imposed to pay for growth-related capital improvements, facilities and equipment in the areas of parks, fire, police, municipal facilities, stormwater, recreation and transportation. The fiscal model calculates each fee and assigns it to the respective fund. The model assumes that revenues equal expenditures. Stormwater fees are excluded because stormwater is a self-sustaining enterprise fund.
Administrative Cost Allocation Recovery Fee	Development Services	This is a flat fee that is imposed on all new construction development. It is imposed on individual building permits. (Table 13)
Other Development-Related Fees and Charges for Services	Development Services	These development-related fees and charges for services occur only once, at the rezoning, platting or construction stage. Since "year 1" of the fiscal impact model is the first year of construction, a number of pre-construction fees, such as special

Appendix B: Methods to Calculate Revenues		
Revenue	**Funds**	**Method**
		district requests, are excluded from the model. The fiscal model assumes preliminary plat submittal every three years, based on the future forecasted development activity. Included are: Building Permits, Plan Review Fees, Planning Fees, PW Plan Check Fees, Inspection Fees. Some development related permits, charges and fees are excluded because the total annual revenues are relatively minimal; an example is an elevator inspection fee. Other permits, charges and fees are excluded because they are unpredictable. (Table 13) Developer contributions and cash-in-lieu payments are excluded because revenues and expenditures are offsetting.
Earnings on Investments	All funds represented in Fiscal Model	The model estimates earning on revenues generated based on the average percent of earnings in the 2012 Budget from all funds represented in the fiscal model.

Appendix C: Methods to Calculate Expenditures		
Department or Division	**Fund and 2012 Budget**	**Remark / Expenditure Equation**
Town Council	General: $629,898	These General Fund divisions provide services to both resident households and businesses. The fiscal model combines these expenditure entries and then assigns expenditures on a per equivalent dwelling unit (EDU) basis which incorporates households and businesses.
Town Manager	General: $588,820	
Town Clerk	General: $319,395	
Municipal Court	General: $306,132	
Com. Relations	General: $562,699	
DoIT	General: $1,770,162	
Facilities	General: $964,774	
Finance	General: $3,110,076	
Town Attorney	General: $498,765	
Dev. Services	General: $464,804	
Human Resources	General: $601,852	This General Fund division provides services primarily to residents. The fiscal model assigns 2012 expenditures on a per person basis.
Police	General: $8,186,191	Police services are provided to both resident households and businesses. The fiscal model assigns expenditures per equivalent dwelling unit.
Fire	General: $9,150,212	Fire and emergency medical services are provided to both resident households and businesses. The fiscal model assigns these expenditures per equivalent dwelling unit.
Parks	General: $3,782,251	General Fund parks services are provided primarily for residents. The fiscal model assigns 2012 expenditures on a per person basis.
Economic Development	Econ. Development: $5,000,000	The fiscal model assigns an expenditure figure that is more indicative of future years. The $5,000,000 line item is for start-up.
Transportation – Administration	Transportation:$254,791	These Transportation Fund divisions provide services to both residents and businesses. The fiscal model sums these expenditure entries, subtracts a one-time transfer to the Transportation Capital Fund, and assigns 2012 expenditures per equivalent dwelling unit.
Traffic Operations	Transportation: $1,752,323	
Public Transit	Transportation: $55,000	
Transportation Planning	Transportation: $393,753	
Transportation Capital Projects	Transportation: $1,223,600	
Transportation: Debt Service	Transportation: $1,601,051	
Transportation Street Operations	Transportation: $2,681,933	This division provides operations services related to the Town's 550 lane miles that it maintains. The fiscal model calculates expenditures on the basis of lane miles.
Transportation Engineering	Transportation: $3,990,900	Since most of these costs relate to street maintenance, expenditures are calculated on the basis of lane miles.
Conservation Trust Fund	Conservation Trust: $332,482	Expenditures from this Fund are for development and renovation of parks, recreation facilities and parks infrastructure. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Actual expenditures fluctuate significantly from year to year with capital expenditures.
Parks Capital	Parks Capital: $270,000	This fund provides for the construction, expansion and improvement of Town parks. In the fiscal model, annual expenditures are assumed to

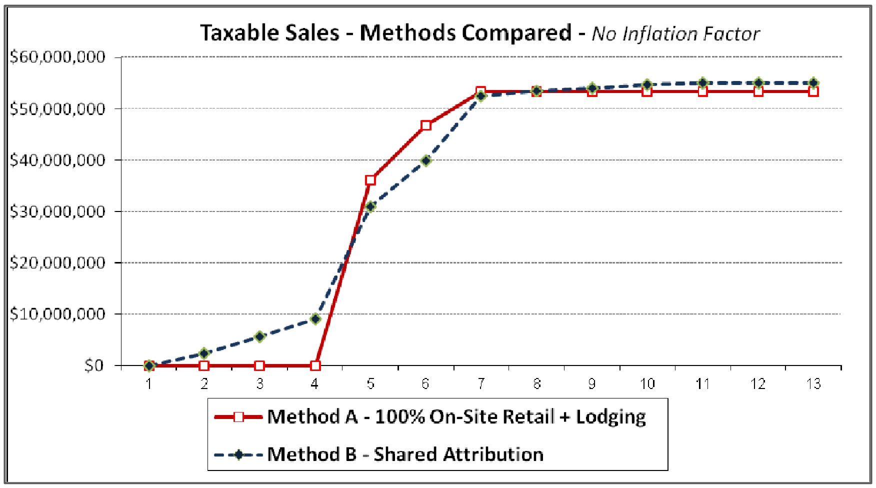
Appendix C: Methods to Calculate Expenditures		
Department or Division	**Fund and 2012 Budget**	**Remark / Expenditure Equation**
		equal annual revenues generated by Pine Canyon. Fund revenues are primarily from parks capital development impact fees.
Municipal Facilities	Municipal Facilities: $824,560	This fund accounts for construction, expansion and improvement of Town facilities. There can be substantial transfers to and from this account to fund other capital projects. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Fund revenues are primarily from municipal facilities development impact fees.
Fire Capital	Fire Capital: $1,950,000	This fund provides for the construction, expansion and improvement of fire facilities and other capital needs of the Fire Department. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Fund revenues are primarily from fire capital development impact fees.
Police Capital	Police Capital: $61,599	This fund provides for the construction, expansion and improvement of police facilities and related capital needs of the Police Department. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Revenues are primarily from police capital development impact fees.
Recreation Center	Recreation Center Capital: $654,465	In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Revenues are primarily from recreation center development impact fees.
Transportation Capital	Transportation Capital: $8,745,000	This is a new fund that was established in 2011 to account for major, new growth-related transportation projects. Revenues fluctuate significantly, since in any given year, this fund might receive substantial developer contributions and transfers from other funds. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon including transportation capital development impact fees, and portions of the Town building use tax.
General Long Term Planning	Gen. Long Term Planning: $522,364	This fund was created to prioritize and fund needed repairs, improvements and replacement of Town facilities, technology, and infrastructure. Annual expenditures fluctuate significantly due to transfers in from other funds to finance specific projects. Other than fund transfers, this fund receives a portion of the Town's use tax revenues. In the fiscal model, annual expenditures are assumed to equal the portion of Town use tax revenues allocated to this Fund.
Community Center Fund	Community Center: $4,709,193	Expenditures accounted for in this enterprise fund are for services, operations and maintenance of a recreation center, and outdoor pools as well as for related services such as child care. After subtracting a transfer to the Recreation Center Capital Fund for a final debt service payment, the fiscal model assigns expenditures on the basis of population.

Appendix C: Methods to Calculate Expenditures		
Department or Division	**Fund and 2012 Budget**	**Remark / Expenditure Equation**
Development Services Fund	Development Services: $2,411,940	This enterprise fund accounts for community development revenues and expenditures. In the fiscal model, annual expenditures are assumed to equal annual revenues generated by Pine Canyon. Annual revenues are from the administrative cost allocation recovery fee, building permits, plan review and inspections and other site development fees.

Appendix D: Underlying Assumptions – Households, Population & Employment	
	Explanation / Sources
Residential Land Uses	
Households	Housing unit construction by type was provided by the developer. A housing vacancy factor of 5.0% has been applied to housing units, based on 2010 US Census data. The model assumes one household per occupied housing unit and occupied housing units equals households.
Population Per Household	Population is calculated on the basis of occupied housing units using these average person-per-household factors. Single-Family: 3.00 Multi-Family: 1.75
Non-Residential Land Uses:	
Constructed and Occupied Non-Residential Square Feet	Nonresidential construction estimates have been provided by the developer. They are presented on page 3 of the text and in Table 2 of the fiscal model. For purposes of estimating employment and retail sales tax revenues, these vacancy factors have been applied: 5.0% for retail, 7.5% for office and light industrial, and 35% per room night for lodging.
Permanent Employment Per Square Foot at Build-Out	<u>Land Use</u> — <u>Avg. Employment Per Square Foot</u> Office — 195 Retail — 500 Light Industrial / Warehouse — 1,000 Lodging — 0.1 employees per room All figures are based on industry standards from a variety of sources. Industrial assumes low-intensity warehouse, not manufacturing. A vacancy factor is applied to office, retail and industrial before calculating employment estimates.
Building Construction Workers during the 11-year construction schedule	30% of building construction costs are estimated to be labor; 70% are estimated to be building materials, profit, administrative costs, equipment and miscellaneous. Labor construction costs are divided by the average construction worker wage, $31,690. The wage figure is from the US Bureau of Labor Statistics for Colorado, May 2012. (The figure is expressed in full-time equivalents.)

APPENDIX E
Sales Tax Attribution to Land Uses

The fiscal impact model provides two alternative techniques to attribute sales tax revenues to Pine Canyon uses. This is an art, not a science. Method A estimates sales tax revenues attributed to on-site retailers only. Method B is a more complex set of calculations where revenues are assigned to residents, businesses, and on-site retailers with careful attention not to double count revenues and to account for cannibalization. (Table11 contains the results of both methods). The graph below illustrates taxable sales for Method A and Method B. For this development, the taxable sales figures are similar.



Method A. 100% Attribution to On-Site Retailers. This method is a straightforward attribution of all retail sales generated by on-site retailers to Pine Canyon and no attribution of sales generated by Pine Canyon residents or Pine Canyon office and industrial users. This is a straightforward method.

Method B. Shared Attribution. This is a more complex method where a portion of residential, office and industrial user sales are attributed to the site and a portion of retail sales generated by retailers are attributed to the site. This method includes an estimate of cannibalization by Pine Canyon retailers from other retailers in trade area in Town of Castle Rock. It is the method that has been used in the sales tax revenue calculations in the fiscal model. The cannibalization factor is (25%) not backed by definitive research but is a reasonable approximation.

Step-by-step calculations for each method is summarized below and quantified in Table 11, using information from Tables 2 and 3.

Part A: Taxable Sales Generated by Pine Canyon Residents and Office Users.

> *Step #1. Household income of occupied units.* Household income is estimated as a percent of housing values, using some assumptions about mortgages. Occupied units are total built units less a 5% vacancy factor. (See Table 3 for these assumptions and Table 11 for detailed calculations)

Step #2. Resident Purchases of Taxable Items. This step estimates the percent of household income spent on various taxable items. It uses percentage assumptions derived from the Consumer Expenditure Survey, compiled by the US Bureau of Labor Statistics. The parameters are presented in Table 2. In Table 11, the model adjusts for the fact that the Town collects sales tax on groceries and residential utilities and the County exempts these purchases.

Step #3. Office and Industrial Users' Purchases of Taxable Items. This step estimates retail expenditures made by businesses occupying Pine Canyon office and industrial space by applying estimates developed for the City of Aurora using specialized (confidential) data. (We are not able to develop comparable calculations for the Town of Castle Rock.) A 7.5% vacancy factor is applied to completed office and industrial space.

PART 2: On-Site Retail Taxable Sales and Sales Tax Revenues.

Step #4. On-Site Retail Square Feet. This step estimates retail square feet occupied on site by product type (convenience, shopper goods, eating and drinking, building materials and garden) and applies a vacancy factor of 5% to retailers.

Step #5. On-Site Retail Taxable Sales & Sales Tax Revenues. This step applies average taxable sales per square foot figures to the square feet of on-site retail to estimate taxable sales generated at Pine Canyon. Two taxable sales figures are developed: one for the Town and one for the County, which exempts groceries and residential utilities. The calculations then apply the Town and County sales tax rates. Taxable sales figures per square foot estimates are presented in Table 3.

PART 3: Attribution of all On-Site Retail Sales to Pine Canyon – This is Method A.
This is Step #5.

PART 3 – Shared Attribution to Pine Canyon – This is Method B.

Step #6. Percent Taxable Sales Attributable to Pine Canyon Residents and Office and Industrial Users. This step estimates the percent capture of on-site residents and office and industrial users' taxable sales purchases attributable to Pine Canyon in Castle Rock. Capture rates are presented in Table 3.

Step #7. Percent Taxable Sales Attributable to Pine Canyon On-Site Retailers. This step estimates taxable sales attributable to on-site retailers as follows: total taxable sales (Step #5) minus percent capture by on-site residents and office users (Step #6) equals an interim figure. Interim figure minus an estimated percent of cannibalization (25%) equals amount of on-site retailer sales attributable to Pine Canyon. The cannibalization factor represents percent that Pine Canyon retailers might cannibalize (take sales away from) from other Town of Castle Rock retailers, assuming that other retailers exist or will develop within the Pine Canyon trade area that is also in the Town of Castle Rock.

Step #8. This step is the amount attributable to Pine Canyon. It is Step #6 plus Step #7.