

July 1, 2015

Mr. Edward Scott  
Scott Land Development Company, LLC  
2034 Liggett Road,  
Castle Rock, CO 80109

## Pioneer Ranch Fiscal Impact Analysis

Dear Mr. Scott,

The analysis below indicates the probable fiscal effects of developing approximately 1,123 dwelling units on the Scott Ranch/Pioneer Ranch parcel located within the Town of Castle Rock.

### Introduction

The Town of Castle Rock is centrally located in Douglas County, Colorado, approximately 30 miles south of downtown Denver and 40 miles north of downtown Colorado Springs. Castle Rock is the county seat of Douglas County which consistently ranks as one of the highest median household income counties in the United States. The Town of Castle Rock has approximately 18,000 households and an estimated population of 56,000 as of 2014. The town provides services traditionally associated with government through a general fund budget of approximately \$36 million per year. Other major governmental funds include the economic development fund and transportation fund. Additionally the town operates other non-major governmental funds as well as enterprise funds which operate similar to a private enterprise in which annual revenues are sufficient to recover annual costs of operations. These enterprise funds include water and water resources, storm water, wastewater, golf, community center, and development services.

Pioneer Ranch development area is approximately 388 acres located in the center of the Town of Castle Rock. The parcel lies east of Interstate 25, west of Highway 86 and south of Founder's Parkway. This is an infill site with existing development surrounding it on most of its perimeter including the neighborhoods of Metzler Ranch, The Haven, Pinion Solei, Canyons South, and Terrain. Pine Canyon, a similar parcel to Pioneer Ranch, is a planned development with residential and commercial uses which lies to the south of the property and is a pending application with the town.

### Analysis

This analysis shows how development of Pioneer Ranch will affect funds for the Town of Castle Rock by comparing revenues and associated costs of providing services. The analysis is derived from a model used by Tariko Consultants LLP with demographic, economic, and budgetary inputs collected from multiple sources including the Town of Castle Rock, Douglas County Assessor's Office, the State of Colorado, and Bureau of Labor Statistics. Scott Land Development Company provided project specific information regarding expected densities and home values as well as time phasing for development.

## Economic Structure

The Town of Castle Rock benefits from being a regional service and retail center which generates considerable revenues from residents as well as persons living outside the town boundaries. Revenues to the Town of Castle Rock's General Fund predominantly originate from Sales Taxes generated by the town's commercial and retail areas. Other contributions to the general fund revenues are derived from Motor Vehicle Taxes, Franchise Taxes, Property Taxes and other Fees.

Residential growth in the Town of Castle Rock bolsters the communities sales tax revenue generation by stimulating a substantial and sustainable commercial retail environment. Currently the Town of Castle Rock benefits from sales tax importation from outside communities which could lessen as surrounding communities compete for sales tax dollars from consumers by enhancing and developing their own commercial retail centers. Residential development within the town will help ensure and promote spending within the town's boundaries in the future.

## Assumptions

The analysis done by Tariko Consultants estimates annual tax and fee revenues generated by Pioneer Ranch and remitted to the Town and expenditures incurred by the Town to serve Pioneer Ranch.

New developments are capable of having an indirect impact on existing competitive developments. In growing communities such as the Town of Castle Rock it can have a positive impact on development. The Pioneer Ranch development has a conscious mix of residential and commercial areas which should complement the town's significant addition of commercial retail space to the north of Pioneer Ranch. This positive retail sales impact is reflected in the addition of 1,123 Pioneer Ranch households who will likely shop at existing retailers in downtown Castle Rock, the existing outlet mall, as well as the new additions with the Promenade project. Other positive impacts will be households outside of the boundaries of the Town of Castle Rock electing to shop at Pioneer Ranch retailers rather than other retailers outside of Town.

This analysis estimates incremental tax and fee revenues which the Town of Castle Rock is expected to receive from Pioneer Ranch and incremental expenditures that Town of Castle Rock is expected to incur to serve Pioneer Ranch. Analysis presented in this text assumes no inflation for revenues and expenditures so results can be observed without inflation effects. The analysis estimates incremental expenditures where it may be necessary to distinguish between fixed costs that do not change as the Town grows and variable or growth-related costs that increase as the Town grows. An example of a fixed expenditure includes management personnel and support staff, related operations and building maintenance of administrative structures. Examples of variable or primarily growth-related expenditures include purchase of supplies, direct service vehicles, and direct-service delivery personnel.

## Pioneer Ranch Summary

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

PIONEER RANCH DEVELOPMENT AT BUILD-OUT	
Residential Units	1,123
Single Family Units	643
Multi Family Units	480
Estimated Residential Population at Build Out	2,727
Estimated Occupied Households at Build Out	1,067
Commercial	
Office Square Footage <sub>1</sub>	100,000 SF
Retail Square Footage <sub>1</sub>	100,000 SF
Estimated Permanent Jobs at Build Out <sub>2</sub>	564

Actual unit numbers for residential areas and actual square footage in commercial areas may be subject to change contingent upon the areas designated as a mixed use district. In the areas zoned mixed use commercial square footage may decrease if a residential use is proposed, ultimately increasing the residential unit count. Likewise, commercial square footage may increase, ultimately decreasing the residential unit count.

Pioneer Ranch is proposed to include a metropolitan district that may construct on-site roads, drainage improvements, water and sewer improvements and may develop and maintain some private parks.

Pioneer Ranch will dedicate land or pay cash-in-lieu for an elementary school site and will dedicate land for open space and neighborhood parks.

### General Fund Analysis

Estimates for Year 15 at complete build-out are shown below to indicate on-going annual revenues received from Pioneer Ranch and annual expenditures incurred by the Town to serve the Pioneer Ranch development.

PIONEER RANCH IMPACT GENERAL FUND YEAR 15 (BUILD-OUT)	
Annual Revenues	\$ 2,207,313
Annual Expenditures	\$ 2,156,588
Net Revenues	\$ 50,726

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There will be substantial one-time development fees during the 15 year development of Pioneer Ranch. The one-time development fee revenues are assumed to equal Town expenditures to deliver related services. The fees are attributed to the Development Services enterprise fund. Over the 15-year construction period, total development permit and fee revenues (excluding building use tax revenues) are estimated to total \$4.8 million.

GENERAL FUND - CUMULATIVE YEAR 1 THROUGH YEAR 15 -		
Cumulative Revenues	Cumulative Expenditures	Net Revenues
\$ 16,287,005	\$ 13,367,365	\$ 2,919,640

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## Transportation Fund Analysis

This Fund provides transportation services, including road maintenance for roads maintained in the Town of Castle Rock. It is important to note that the net revenues may be understated if costs are double accounted for in the Pioneer Ranch and Pine Canyon projects. The two projects share major arterial access roads and therefore some costs could potentially be shared.

Estimates for Year 15 at complete build-out are shown below to indicate on-going annual revenues received from Pioneer Ranch and annual expenditures incurred by the Town to serve the Pioneer Ranch development.

PIONEER RANCH IMPACT TRANSPORTATION FUND YEAR 15 (BUILD-OUT)	
Annual Revenues	\$ 805,859
Annual Expenditures	\$ 480,801
Net Revenues	\$ 325,058

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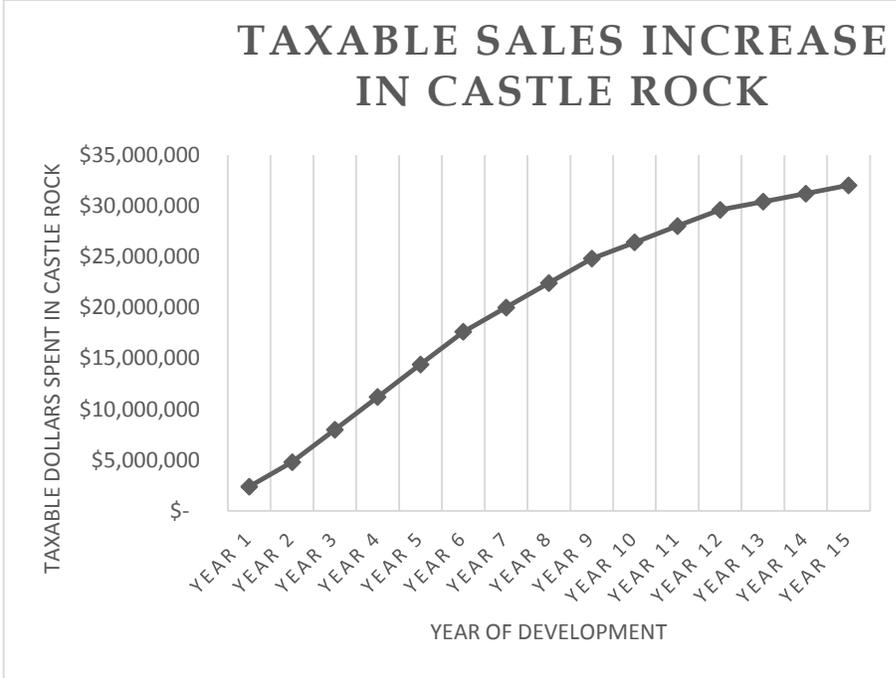
Over the 15 year development period, the Transportation Fund will generate estimated cumulative revenues of \$9,435,508 and will incur cumulative expenditures of \$4,035,277, yielding net revenues of \$5,400,231

TRANSPORTATION FUND - CUMULATIVE YEAR 1 THROUGH YEAR 15 -		
Cumulative Revenues	Cumulative Expenditures	Net Revenues
\$ 9,435,508	\$ 4,035,277	\$ 5,400,231

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## Taxable Sales Increase

Pioneer Ranch consist of approximately 400,000 SF of on-site commercial space for retail and office use which will contribute to growth in the Town of Castle Rock's sale tax revenues. In addition to the expanded sales tax revenue from commercial property, Pioneer Ranch residents will also contribute to growth of sale tax revenues by increasing the taxable sales within the boundaries of Castle Rock. The Taxable Sales Increase in Castle Rock graph below shows growth in the taxable sales over the 15 year development period within the Town of Castle Rock which will have a positive impact on town revenues.



◁ Taxable dollars subject to Town of Castle Rock 4.0 percent Sales Tax

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### General Limiting Conditions

Every effort has been made to insure that the data contained in this study reflect the most accurate and timely information as possible and is believed to be reliable. This study is based on estimates, assumptions, and other information developed by Tariko Consultants LLP with the client and its representatives. This report is based on information that was current as of July 2015.

Our report may contain prospective financial information, estimates, or opinions that represent reasonable expectations at a particular point in time, however such information estimates or opinions are not offered as predictions or as assurance that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the development of Pioneer Ranch may exceed or fall short of predictions made in this report based on economic factors and pace of development.

Possession of this study does not carry with it the right of publication thereof or to use the name “Tariko Consultants LLP” in any manner without first obtaining the prior written consent of Tariko Consultants LLP. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of Tariko Consultants LLP.

Best regards,

Maria Poltorak  
Tariko Consultants LLP