

Evans East Side Subarea Strategic Plan

Market Context Summary

24 April 2015

“... supplanting ourselves between the public and private sectors, explaining the challenges of each to the other ...”

Client:



Presented by:

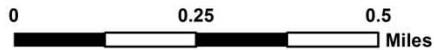
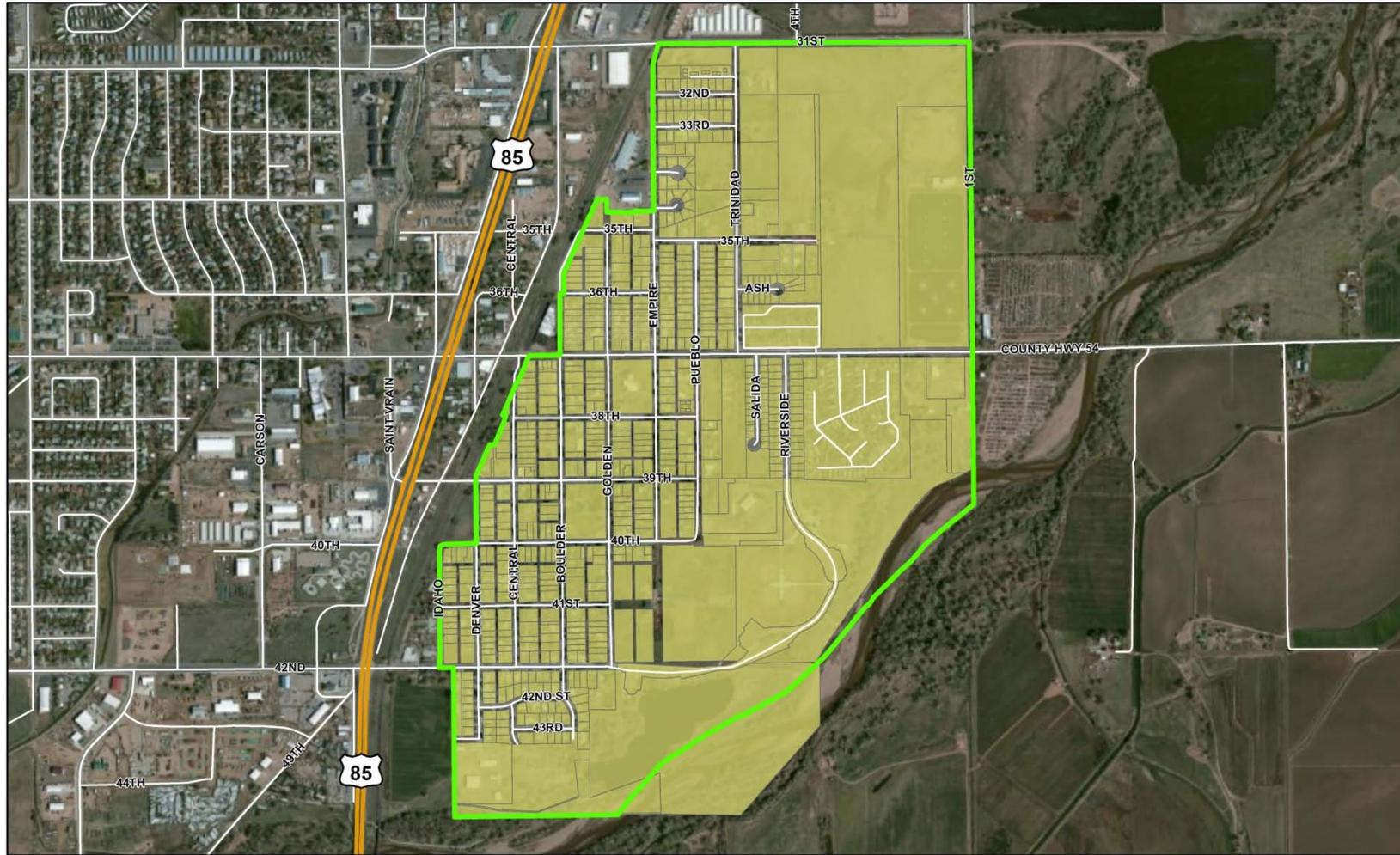


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Purpose of Market Analysis

- Provides a “reality check” for the planning process
- Ensures that land use decisions are grounded in market and economic reality
- Offers an independent, third-party, “story to tell” to public and private development/investment partners

Evans East Side Subarea

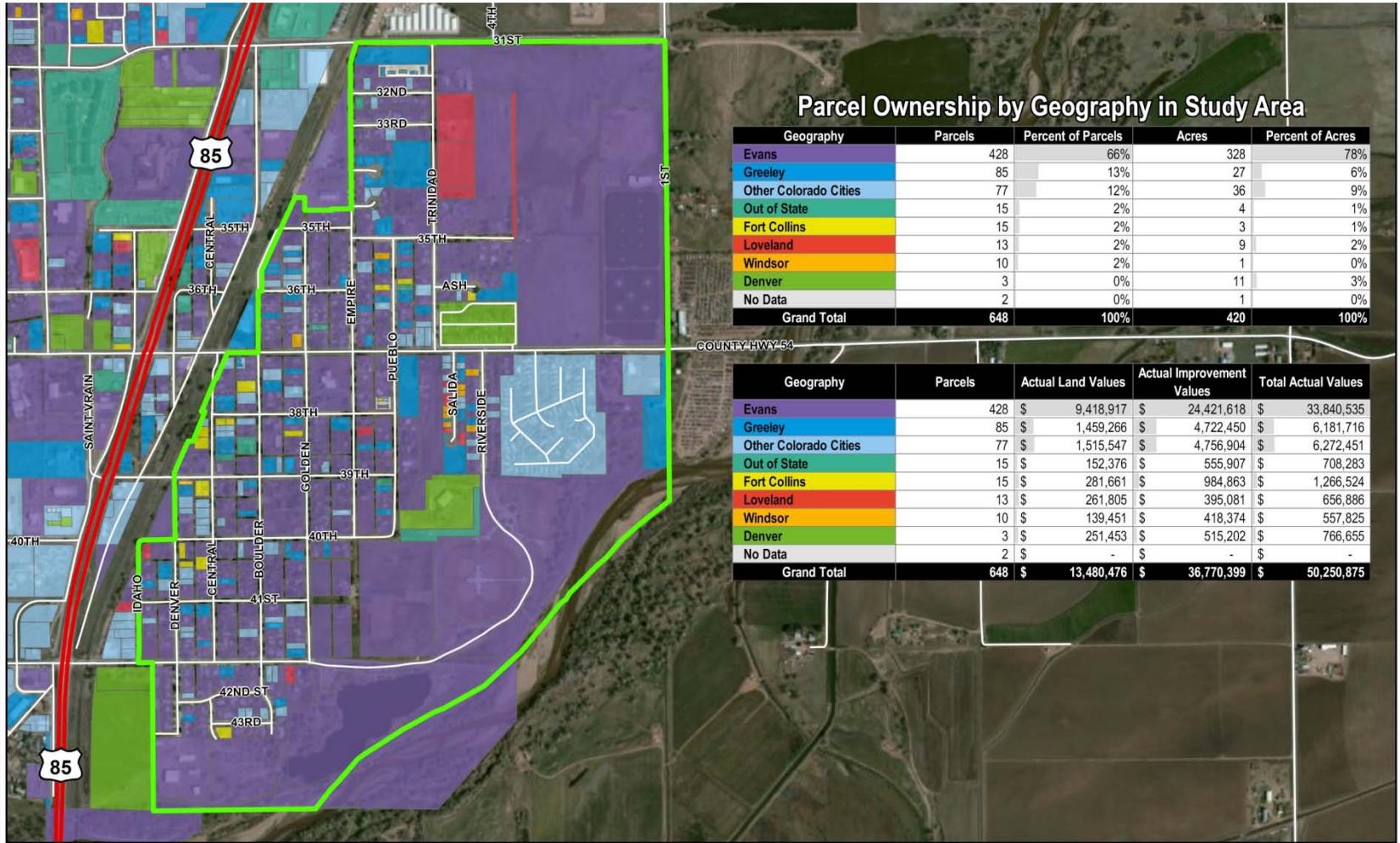


 Study Area  Study Area Parcels

Influences on Revitalization

- Property conditions that may not be obvious from visual inspections
- Begins to identify and locate potential challenges to and opportunities for reinvestment or new investment
- Helps set the stage for stakeholder involvement (what is possible given existing “realities”)

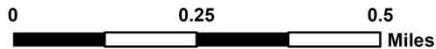
Property Ownership



Parcel Ownership by Geography in Study Area

Geography	Parcels	Percent of Parcels	Acres	Percent of Acres
Evans	428	66%	328	78%
Greeley	85	13%	27	6%
Other Colorado Cities	77	12%	36	9%
Out of State	15	2%	4	1%
Fort Collins	15	2%	3	1%
Loveland	13	2%	9	2%
Windsor	10	2%	1	0%
Denver	3	0%	11	3%
No Data	2	0%	1	0%
Grand Total	648	100%	420	100%

Geography	Parcels	Actual Land Values	Actual Improvement Values	Total Actual Values
Evans	428	\$ 9,418,917	\$ 24,421,618	\$ 33,840,535
Greeley	85	\$ 1,459,266	\$ 4,722,450	\$ 6,181,716
Other Colorado Cities	77	\$ 1,515,547	\$ 4,756,904	\$ 6,272,451
Out of State	15	\$ 152,376	\$ 555,907	\$ 708,283
Fort Collins	15	\$ 281,661	\$ 984,863	\$ 1,266,524
Loveland	13	\$ 261,805	\$ 395,081	\$ 656,886
Windsor	10	\$ 139,451	\$ 418,374	\$ 557,825
Denver	3	\$ 251,453	\$ 515,202	\$ 766,655
No Data	2	\$ -	\$ -	\$ -
Grand Total	648	\$ 13,480,476	\$ 36,770,399	\$ 50,250,875

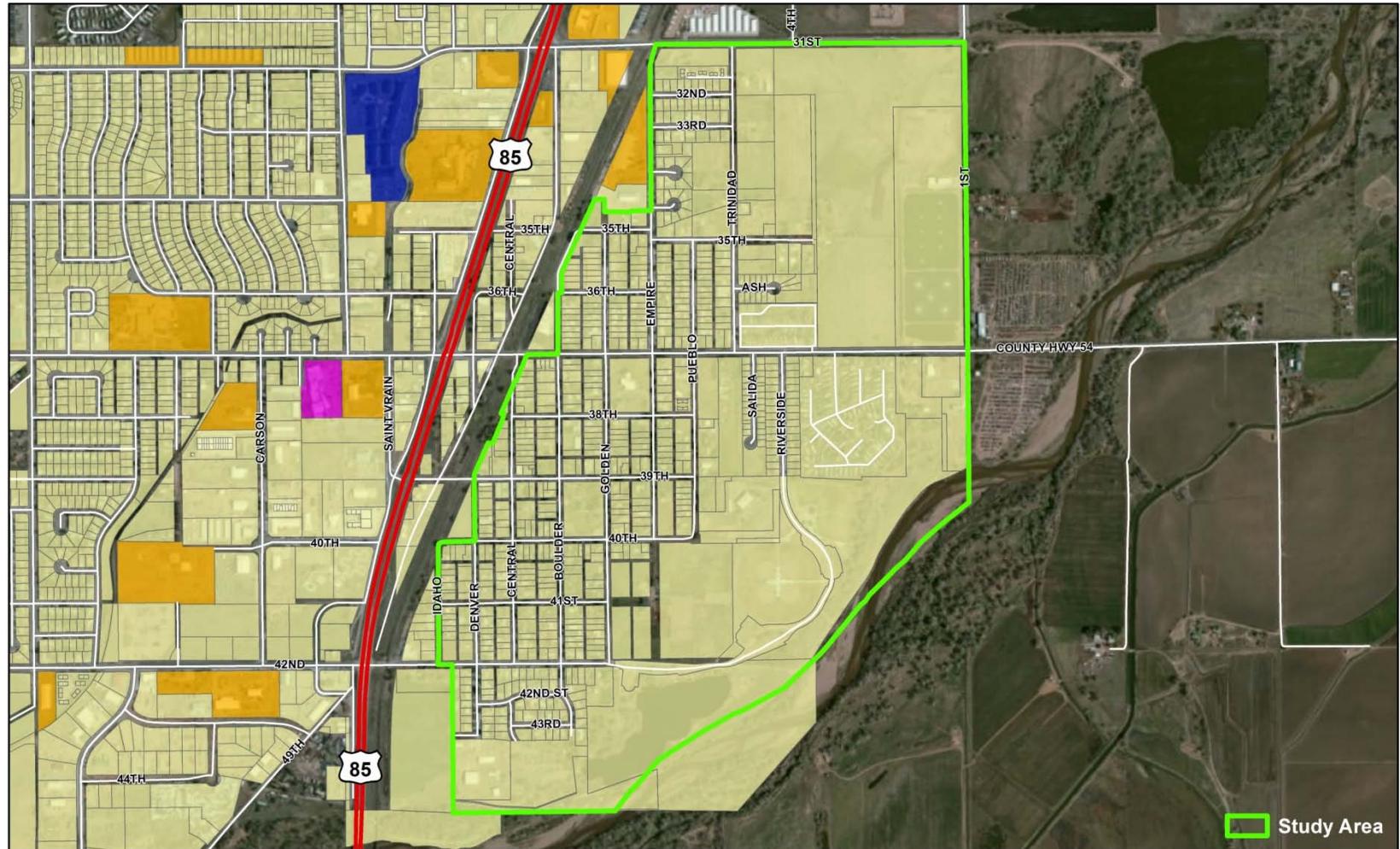


Study Area

Date: Monday, April 20, 2015

N

Total Value

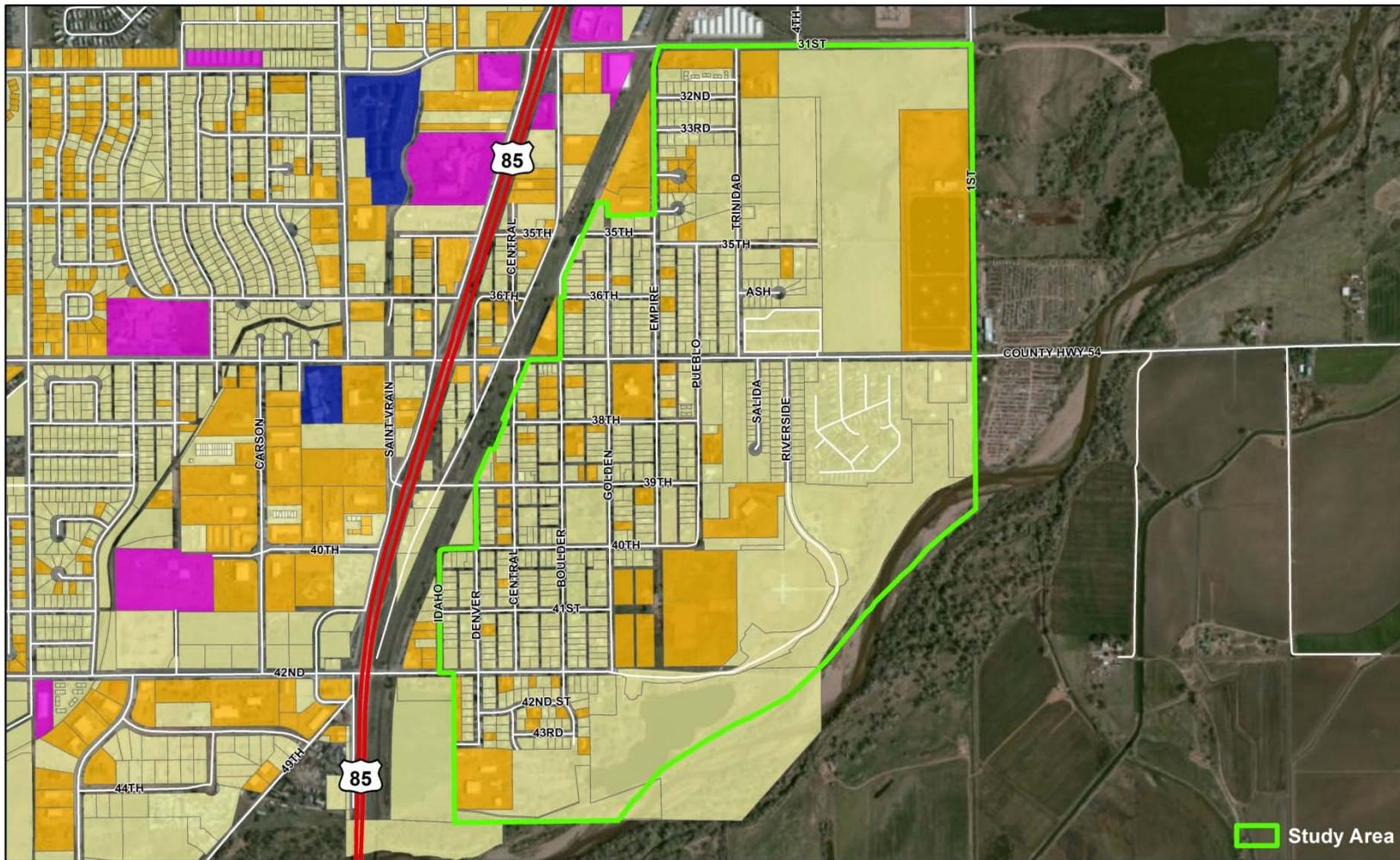


0 0.25 0.5 Miles

Actual Total Values

- Less than \$1,000,000
- \$1,000,001 - \$5,000,000
- \$5,000,001 - \$10,000,000
- \$10,000,001 and Greater

Improvements Value



0 0.25 0.5
Miles

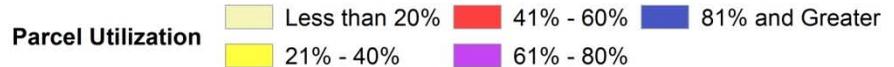
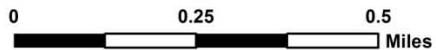
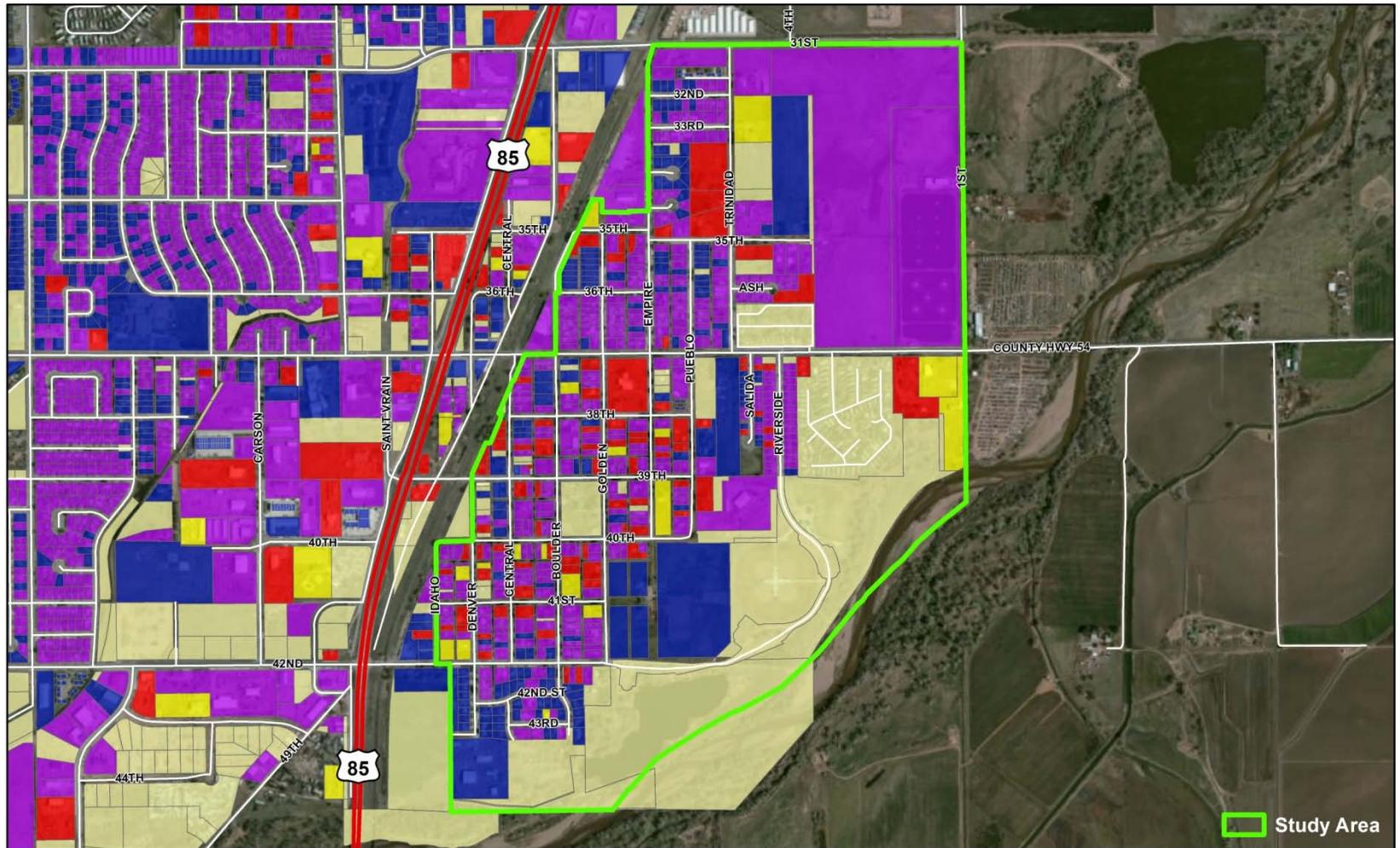
Actual Improvement Values

- Less than \$100,000
- \$1,000,001 - \$5,000,000
- \$100,001 - \$1,000,000
- \$5,000,001 and Greater

Date: Monday, April 20, 2015



Property Utilization



N
 Date: Monday, April 20, 2015

Preliminary Observations

- Like many revitalization/redevelopment areas, the Study Area indicates a mix of investment profiles, from small, established residences and businesses to larger private and public developments
- The strong presence of “local” property ownership provides a solid foundation from which to build support for revitalization
- While there are varying levels of property utilization (improvement value/total value), significant opportunities for reinvestment and/or new investment exist
- Overall, the Study Area is at a desirable point for revitalization, with a mix of steady values but with property underutilization resulting from recent flood events

Market Analysis For Revitalization Effort

Fundamental Questions . . .

1. Are we seeking to identify market voids or opportunities for the market that are there today, or the market we hope to attract?

Based on the answer to this question ...

2. Is there demand in the trade area, but not within the study area?
3. What would it take to create a favorable investment environment within the study area?
4. What is the impact to other areas of the community? (study area as an asset within the larger portfolio)
5. What stays, what goes, what gets fixed ... where and how?

Real Estate Industry Trends

Source: [Urban Land Institute](#).

- Growth of Generation Y will continue to impact all real estate sectors – more urban and less suburban, but less driving; collaborative office space; close-in warehousing to ensure same-day delivery from online retailers
- Retailers want more urban formats
- Office users will require less individual space (100 sf per employee), but more collaboration space
- Much of existing office space will require amendments that reflect changing tenant needs
- Industrial tenants want space where they can meet the needs of online retailers for faster delivery
- Industrial products are considered the best development opportunity (replacing apartments)

Trade Area Considerations

Physical Barriers – the presence of certain physical barriers including highways, arterials, and significant structures which influence driving and shopping patterns

Location of Possible Competition – inventory of potentially competitive project which could diminish the market share available to the project

Proximity to Population and/or Employment Concentrations – concentrations in an area which could translate into more population and households to support the project (“rooftops”)

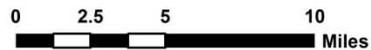
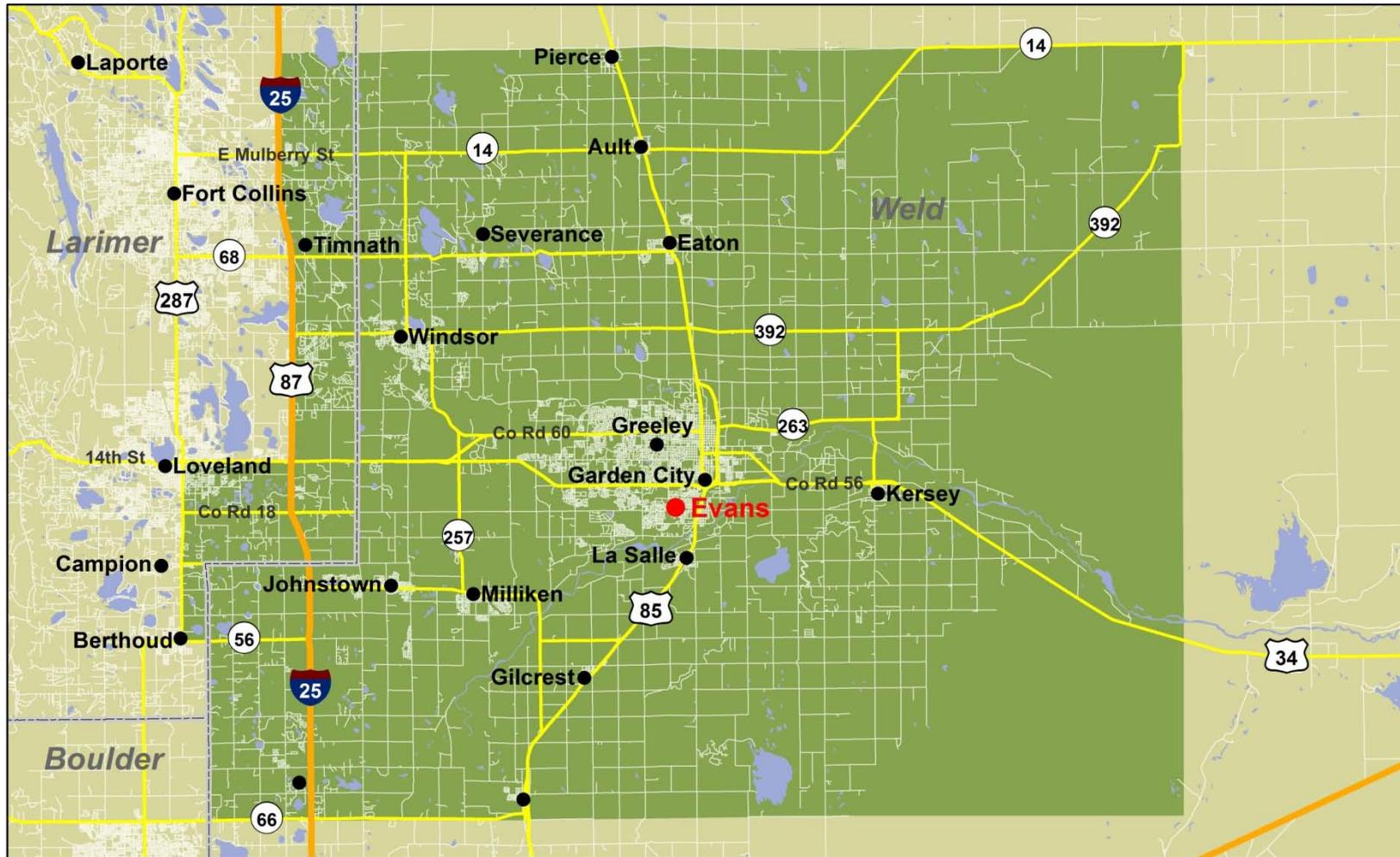
Zoning – restrictive or favorable regulatory environment which will influence a developer’s interest in delivering projects in one location vs. another

Market Factors – conditions which will set sale and lease prices, influence a developer’s interest, or impact the project’s revenue potential (value)

Drive Times, Spending and Commuting Patterns – habits and patterns that have been established which could impact the project’s ability to capture market share (or require re-education)

The Evans East Side Trade Area corresponds to the Central/West Weld County Sub-Region identified by Upstate Colorado Economic Development. The Trade Area includes the I-25 North, U.S. 34 and U.S. 85 corridors.

Evans East Side Trade Area



● Evans ■ Evans Trade Area Boundary

Trade Area Demographics

- Over the last 5 years, the City of Evans has grown at a higher annual rate than the Trade Area.
- The City's average household size is higher than the Trade Area. Not surprisingly, the City also has a lower share of both one- and two-person households and renter households.
- The City's age profile skews considerably younger than the Trade Area's, with higher shares of school-age children and lower shares of residents 65+.
- The City has lower education and household income levels than the Trade Area as a whole.

2015 Estimates unless noted	City of Evans	Evans East Side Trade Area
2010 Population	18,537	205,600
2015 Population	20,900	225,800
Annual Population Growth (2010-2015)	2.4%	1.9%
Average Household Size	2.94	2.68
% 1- and 2-Person Households	49%	60%
Percent Renters	39%	43%
Percent Age 65+	7%	12%
Percent Age <25	46%	37%
Percent Bachelors Degree or higher	16%	26%
Median Household Income	\$47,300	\$54,800

Source: U.S. Census Bureau; Claritas, Inc.; Colorado Division of Local Affairs; and Ricker | Cunningham.

Trade Area Psychographics

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak to attitudes, interests, opinions and lifestyles. PRIZM (Claritas, Inc.) is a leading system for categorizing neighborhoods and the local workforce into one of 65 distinct market segments

There are numerous audiences interested in this information, among them commercial retail and residential developers. Commercial developers are particularly interested in understanding a market's psychographic profile, as this is an indication of propensity to spend across select retail categories -- residents' (nighttime) and employees' (daytime). Residential developers are interested as it tends to suggest preferences for certain housing product types.

The Evans East Side Trade Area is characterized by a wide diversity of lifestyle segments, from "starter" families to empty nesters and retirees. These segment groups also exhibit a wide range of income levels.

Lifestyle Segment	Area Households	% of Total Households	U.S. Index=100*
Mobility Blues	4,153	5.0%	376.1
City Startups	3,563	4.3%	334.1
Greenbelt Sports	2,988	3.6%	261.4
God's Country	2,930	3.5%	237.4
Suburban Sprawl	2,307	2.8%	222.8
Younger Years Subtotal	15,941	19.2%	--
Country Squires	4,506	5.4%	297.7
Big Sky Families	4,274	5.2%	285.9
Suburban Pioneers	3,727	4.5%	461.8
Family Thrifts	3,313	4.0%	211.0
New Homesteaders	3,105	3.7%	206.6
Family Life Subtotal	18,925	22.8%	--
Big Fish, Small Pond	2,391	2.9%	133.5
Park Bench Seniors	1,931	2.3%	194.7
Sunset City Blues	1,743	2.1%	110.5
Traditional Times	1,625	2.0%	72.5
Middleburg Managers	1,606	1.9%	92.3
Mature Years Subtotal	9,296	11.2%	--
Total Above Segments	44,162	53.3%	--
Total Trade Area	82,857	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of employees/households compared to the average U.S. community.

Source: Claritas, Inc. and Ricker | Cunningham.

Residential Market Conditions (Supply)

- Over the past 8 years, the Trade Area as a whole averaged approximately 826 housing units per year – 72% of these were single family detached.
- During that same period, the City of Evans accounted for only 4% of single family detached building permits in the Trade Area, but accounted for the second highest share of multifamily building permits, comprising 39% of the Trade Area.
- Johnstown and Greeley led the Trade Area with annual average building permit levels of 193 and 147 units, respectively.

Unit Type	2007	2008	2009	2010	2011	2012	2013	2014	Total	Annual Average	% of Trade Area
City of Evans											
Single Family Detached	41	18	15	16	15	24	32	36	197	25	4.1%
Multi-Family (5+ units)	198	113	43	69	85	0	80	34	622	78	33.7%
Total Units	239	131	58	85	100	24	112	70	749	107	13.0%
Town of Eaton											
Single Family Detached	11	3	3	8	11	20	47	36	139	17	2.9%
Multi-Family (5+ units)	0	0	0	0	0	0	0	0	0	0	0.0%
Total Units	11	3	3	8	11	20	47	36	103	15	1.8%
City of Greeley											
Single Family Detached	168	90	46	85	40	56	203	361	1,049	131	22.0%
Multi-Family (5+ units)	71	0	0	0	2	42	227	428	770	96	41.7%
Total Units	239	90	46	85	42	98	430	789	1,030	147	17.8%
Town of Johnstown											
Single Family Detached	164	94	97	124	180	315	376	273	1,623	203	34.1%
Multi-Family (5+ units)	0	0	0	0	0	0	0	0	0	0	0.0%
Total Units	164	94	97	124	180	315	376	273	1,350	193	23.4%
Town of Milliken											
Single Family Detached	26	2	2	4	4	17	33	83	171	21	3.6%
Multi-Family (5+ units)	414	0	0	0	0	0	0	0	414	52	22.4%
Total Units	440	2	2	4	4	17	33	83	502	72	8.7%
Town of Windsor											
Single Family Detached	211	61	66	9	18	146	178	179	868	109	18.2%
Multi-Family (5+ units)	0	0	0	0	0	15	10	15	40	5	2.2%
Total Units	211	61	66	9	18	161	188	194	714	102	12.4%
Unincorporated Weld County											
Single Family Detached	146	75	48	50	50	84	99	159	711	89	14.9%
Multi-Family (5+ units)	0	0	0	0	0	0	0	0	0	0	0.0%
Total Units	146	75	48	50	50	84	99	159	552	79	9.6%
Total Trade Area											
Single Family Detached	767	343	277	296	318	662	968	1,127	4,758	595	100.0%
Multi-Family (5+ units)	683	113	43	69	87	57	317	477	1,846	231	100.0%
Total Units	1,450	456	320	365	405	719	1,285	1,604	6,604	826	100.0%

Source: U.S. Census Bureau and Ricker|Cunningham.

Residential Market Conditions (Demand)

Residential Demand Analysis					Trade Area Demand from New Households (10-yr)			
Evans East Side Trade Area		Households		2015	82,900	Annual Growth Rate		1.7%
10-yr Demand Estimates		Households		2020	90,190	Adjust for 2nd homes, demolition, vacancy		1.0%
		Household Growth (2015-25)		2025	98,121	% Rental		44%
		Adjusted Unit Requirement		15,374				
Household Income Range (2014 dollars)	Approximate Rent Range	Supportable Home Price Range	Current Households in Income Bracket	New Households by Income Bracket	Total Units	Estimated % Rental	Total Rental Units	Total Ownership Units
up to \$15K	up to \$375	up to \$75K	12%	10%	1,537	95%	1,461	77
\$15-25K	\$375 - \$625	\$75 to \$100K	10%	9%	1,384	90%	1,245	138
\$25-35K	\$625 - \$875	\$100 to \$150K	10%	10%	1,537	70%	1,076	461
\$35-50K	\$875 - \$1,000	\$150 to \$200K	14%	14%	2,152	60%	1,291	861
\$50-75K	\$1,000+	\$200 to \$250K	18%	18%	2,767	40%	1,107	1,660
\$75-100K	\$1,000+	\$250 to \$350K	13%	14%	2,152	15%	323	1,829
\$100-150K	\$1,000+	\$350 to \$500K	14%	15%	2,306	10%	231	2,075
\$150K and up	\$1,000+	\$500K and up	9%	10%	1,537	5%	77	1,461
Totals			100%	100%	15,374	44%	6,811	8,563

Source: North Front Range MPO; U.S. Census; Claritas, Inc.; and Ricker|Cunningham.

- The Evans East Side Trade Area has the potential to accommodate significant residential development growth over the next 10 years – over 15,000 new housing units, approximately 44% of which will be rental units.
- The Study Area should be able to capture a modest share of this residential demand for a range of ownership and rental housing products.

Residential Market Conditions (Demand)

Single Family Detached

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Detached	Single Family Detached Demand
\$15-25K	\$75 to \$100K	138	70%	97
\$25-35K	\$100 to \$150K	461	70%	323
\$35-50K	\$150 to \$200K	861	70%	603
\$50-75K	\$200 to \$250K	1,660	70%	1,162
\$75-100K	\$250 to \$350K	1,829	70%	1,281
\$100-150K	\$350 to \$500K	2,075	70%	1,453
\$150K and up	\$500K and up	1,461	70%	1,022
Totals		8,486	70%	5,940

Single Family Attached

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Attached	Single Family Attached Demand
\$15-25K	\$75 to \$100K	138	30%	42
\$25-35K	\$100 to \$150K	461	30%	138
\$35-50K	\$150 to \$200K	861	30%	258
\$50-75K	\$200 to \$250K	1,660	30%	498
\$75-100K	\$250 to \$350K	1,829	30%	549
\$100-150K	\$350 to \$500K	2,075	30%	623
\$150K and up	\$500K and up	1,461	30%	438
Totals		8,486	30%	2,546

Multifamily (Rental)

Annual Household Income Range	Approximate Rent Range	Trade Area Rental Demand (Incomes \$15K+)
\$15-25K	\$375 - \$625	1,245
\$25-35K	\$625 - \$875	1,076
\$35-50K	\$875 - \$1,000	1,291
\$50-75K	\$1,000+	1,107
\$75-100K	\$1,000+	323
\$100-150K	\$1,000+	231
\$150K and up	\$1,000+	77
Totals		5,350

- Trade Area residential demand will include single family detached and attached units, as well as multifamily rental units.

Retail Market Conditions (Demand)

Trade Area Demand – Existing Leakage

Retail Category	Estimated 2015 Household Retail Demand	Estimated 2015 Retail Sales (Supply)	Estimated 2015 Retail Void (Leakage)	Estimated Retail Sales/s.f.	New Retail Space Needed to Recapture Void/Leakage
Furniture & Home Furnishings	\$72,480,726	\$183,739,036	\$0	\$200	0
Electronics & Appliance	\$49,147,871	\$50,644,391	\$0	\$250	0
Bldg Materials, Garden Equipment	\$272,690,298	\$237,362,358	\$35,327,940	\$300	117,760
Food & Beverage (Grocery, Beer, Wine)	\$345,474,562	\$210,865,581	\$134,608,981	\$400	336,522
Health & Personal Care	\$128,829,853	\$123,474,151	\$5,355,702	\$350	15,302
Clothing and Accessories	\$118,666,801	\$95,802,653	\$22,864,148	\$225	101,618
Sporting Goods, Hobby, Book, Music	\$73,249,022	\$170,190,636	\$0	\$225	0
General Merchandise	\$436,606,149	\$607,315,063	\$0	\$350	0
Miscellaneous Stores	\$69,180,119	\$61,484,016	\$7,696,103	\$200	38,481
Foodservice & Drinking Places	\$271,316,053	\$260,885,670	\$10,430,383	\$350	29,801
Total	\$1,837,641,453	\$2,001,763,555	\$216,283,257		639,484

Source: U.S. Census; Claritas, Inc.; Urban Land Institute; and Ricker|Cunningham.

- Future demand for retail space is determined by potential level of retail expenditures from two sources: those dollars spent by trade area residents outside the trade area, or “leakage”; and those generated by new household growth. As shown, “leakage” exists in several retail categories, generating demand for an additional 639,500 square feet of space.

Retail Market Conditions (Demand)

Trade Area Demand – New Household Growth

Retail Category	Estimated 2015 Household Retail Demand	Estimated 2015 Retail Sales (Supply)	Annual Household Growth Rate (2015-2025)	Net New Household Retail Demand	New Retail Space Needed for Household Growth
Furniture & Home Furnishings	\$72,480,726	\$183,739,036	1.7%	\$13,308,365	66,542
Electronics & Appliance	\$49,147,871	\$50,644,391	1.7%	\$9,024,162	36,097
Bldg Materials, Garden Equipment	\$272,690,298	\$237,362,358	1.7%	\$50,069,337	166,898
Food & Beverage (Grocery, Beer, Wine)	\$345,474,562	\$210,865,581	1.7%	\$63,433,435	158,584
Health & Personal Care	\$128,829,853	\$123,474,151	1.7%	\$23,654,767	67,585
Clothing and Accessories	\$118,666,801	\$95,802,653	1.7%	\$21,788,704	96,839
Sporting Goods, Hobby, Book, Music	\$73,249,022	\$170,190,636	1.7%	\$13,449,433	59,775
General Merchandise	\$436,606,149	\$607,315,063	1.7%	\$80,166,330	229,047
Miscellaneous Stores	\$69,180,119	\$61,484,016	1.7%	\$12,702,332	63,512
Foodservice & Drinking Places	\$271,316,053	\$260,885,670	1.7%	\$49,817,009	142,334
Total	\$1,837,641,453	\$2,001,763,555		\$337,413,872	1,087,211

Source: U.S. Census; Claritas, Inc.; Urban Land Institute; and Ricker|Cunningham.

- An additional 1.1 million square feet of space could be supported by new households in the Trade Area.

Retail Market Conditions (Demand)

Trade Area Demand – Total

Retail Category	New Retail Space Needed to Recapture Void/Leakage	New Retail Space Needed for Household Growth	Total 10-Year New Trade Area Retail Demand (s.f.)
Furniture & Home Furnishings	0	66,542	66,542
Electronics & Appliance	0	36,097	36,097
Bldg Materials, Garden Equipment	117,760	166,898	284,658
Food & Beverage (Grocery, Beer, Wine)	336,522	158,584	495,106
Health & Personal Care	15,302	67,585	82,887
Clothing and Accessories	101,618	96,839	198,457
Sporting Goods, Hobby, Book, Music	0	59,775	59,775
General Merchandise	0	229,047	229,047
Miscellaneous Stores	38,481	63,512	101,992
Foodservice & Drinking Places	29,801	142,334	172,135
Total	639,484	1,087,211	1,726,696

Source: U.S. Census; Claritas, Inc.; Urban Land Institute; and Ricker|Cunningham.

- Combining demand from “leakage” and new household growth results in 10-year Trade Area demand for 1.7 million square feet of new retail space.
- The Study Area should be able to capture a modest share of this retail demand, for a wide range of retail product types.

Office Market Conditions (Demand)

Trade Area Demand

Industry Category	Estimated 2015 Employees	Estimated Growth Rate 2015-2025	Estimated 2025 Employees	Estimated New Employees	Estimated % in Office Space	Estimated Net New Office Employees	Sq Ft per Office Employee	Estimated 10-yr Office Demand
Natural Resources, Mining and Construction	18,700	5.2%	31,046	12,346	15%	1,852	180	333,329
Manufacturing	12,200	2.4%	15,465	3,265	5%	163	180	29,388
Trade, Transportation and Utilities	17,900	4.5%	27,798	9,898	10%	990	180	178,167
Information	700	2.0%	853	153	80%	123	180	22,075
Financial and Real Estate Activities	4,400	3.3%	6,088	1,688	90%	1,519	180	273,413
Professional and Business Services	9,600	5.2%	15,938	6,338	80%	5,070	180	912,645
Educational and Health Services	17,300	2.3%	21,717	4,417	20%	883	180	159,017
Leisure and Hospitality	8,100	3.8%	11,761	3,661	10%	366	180	65,905
Other Services	3,200	3.6%	4,558	1,358	30%	407	180	73,317
Government	17,400	2.8%	22,934	5,534	30%	1,660	180	298,838
Totals	109,500	3.7%	158,158	48,658	27%	13,034	180	2,346,093

Source: Colorado Department of Labor and Employment; Colorado Department of Local Affairs; and Ricker|Cunningham.

- Future demand for new office space is derived from two primary sources: expanding industries and the relocation of new companies into the market. Based on annual employment growth of approximately 3.7%, the Trade Area could support an additional 2.3 million square feet of new office space over the next 10 years.
- The Study Area should be able to capture a modest share of this office demand, particularly for local service and small business space.

Industrial Market Conditions (Demand)

Trade Area Demand

Industry Category	Estimated 2015 Employees	Estimated Growth Rate 2015-2025	Estimated 2025 Employees	Estimated New Employees	Estimated % in Industrial Space	Estimated Net New Industrial Employees	Sq Ft per Industrial Employee	Estimated 10-yr Industrial Demand
Natural Resources, Mining and Construction	18,700	5.2%	31,046	12,346	20%	2,469	400	987,642
Manufacturing	12,200	2.4%	15,465	3,265	80%	2,612	400	1,044,908
Trade, Transportation and Utilities	17,900	4.5%	27,798	9,898	90%	8,908	400	3,563,335
Information	700	2.0%	853	153	20%	31	400	12,264
Financial and Real Estate Activities	4,400	3.3%	6,088	1,688	5%	84	400	33,755
Professional and Business Services	9,600	5.2%	15,938	6,338	10%	634	400	253,512
Educational and Health Services	17,300	2.3%	21,717	4,417	10%	442	400	176,685
Leisure and Hospitality	8,100	3.8%	11,761	3,661	5%	183	400	73,228
Other Services	3,200	3.6%	4,558	1,358	10%	136	400	54,309
Government	17,400	2.8%	22,934	5,534	20%	1,107	400	442,722
Totals	109,500	3.7%	158,158	48,658	34%	16,606	400	6,642,360

Source: Colorado Department of Labor and Employment; Colorado Department of Local Affairs; and Ricker|Cunningham.

- Future demand for new industrial space is derived from two primary sources: expanding industries and the relocation of new companies into the market. Based on annual employment growth of approximately 3.7%, the Trade Area could support an additional 6.6 million square feet of new industrial space over the next 10 years.
- The Study Area should be able to capture a modest share of this demand, for a wide range of industrial product types.

Study Area Share of New Development

A number of factors influence a community's ability to capture investment and reinvestment dollars. These can be categorized as – top down considerations, bottom up considerations, external considerations and others. Some the City (or stakeholder entities) can control, and others they cannot.

Top Down Considerations

- **Demand** for certain land uses
- **Demographic and psychographic conditions** which support certain product types
- Untapped **market niches** (product voids)
- **Competitive projects** (proposed, planned and under construction)

Bottom Up Considerations

- **Physical capacity** of the community / individual parcels to accommodate market-supported product types – less physical constraints
- **Vision** of the community for certain uses
- **Size** of parcels, parcel **ownership** (public and private), owner **investment objectives**
- **Zoning** (and other regulations) and presence of **easements**

Study Area Share of New Development

External Considerations

- **Delivery system** – who are the area's builders / developers, what are they willing and able to offer
- **Financing markets** – availability of capital with reasonable funding terms for certain product types
- **Market forces** beyond those currently in the market

Other Considerations

- **Available resources** to position and promote investment in the community
- **Public support** for a long-term vision

Market Demand Summary

Potential Study Area Market Share

Land Use Type	Trade Area Demand (10 Year)	Evans East Side Study Area			
		Market Share		Absorption (Units/Sq Ft)	
		Low	High	Low	High
Residential (Units):					
Single Family Detached	5,940	2%	4%	119	238
Single Family Attached	2,550	4%	6%	102	153
Multifamily	5,350	4%	6%	214	321
Non-Residential (Sq Ft):					
Retail	1,727,000	2%	4%	34,540	69,080
Office	2,346,000	2%	3%	46,920	70,380
Industrial	6,642,000	2%	3%	132,840	199,260

Source: Ricker | Cunningham.

- The Trade Area is expected to grow steadily over the next 10 years, with support for new residential (all product types), retail, office, and industrial development.
- The Study Area is well-positioned to compete for a modest market share with capture rates ranging from 2% to 6% depending on the product type. Actual investment levels will be dictated by numerous factors including – the physical capacity of the area to accommodate development, desires of property owners, community vision, and effectiveness of the City’s ability to position itself and its assets and “ready the environment” for investment.

Next Steps

- Identify Areas/Parcels for Potential “Catalyst” Investments
- Formulate “Catalyst” Concepts
- Test Concepts for Feasibility (physical, market, financial, regulatory, political)

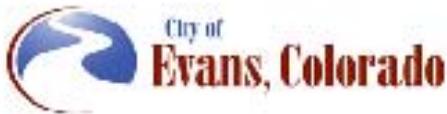
Evans East Side Subarea Strategic Plan

Catalyst Investment Overview

26 June 2015

“... supplanting ourselves between the public and private sectors, explaining the challenges of each to the other ...”

Client:



Presented by:



8200 South Quebec Street
Suite A3-104
Centennial, CO 80112-4411
Ph: 303.458.5800
Fax: 303.458.5420
rickercunningham.com

Purpose of Catalyst Investment Analysis

- Identify areas/properties which could kick-start redevelopment efforts
- Test concepts for feasibility (physical, market, financial, regulatory, political) analysis objectives
- Determine financial impact of potential development programs
- Quantify economic “gaps” between prevailing market conditions and desired real estate products
- Educate public and private partners
- Engage potential private sector partners

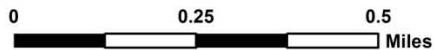
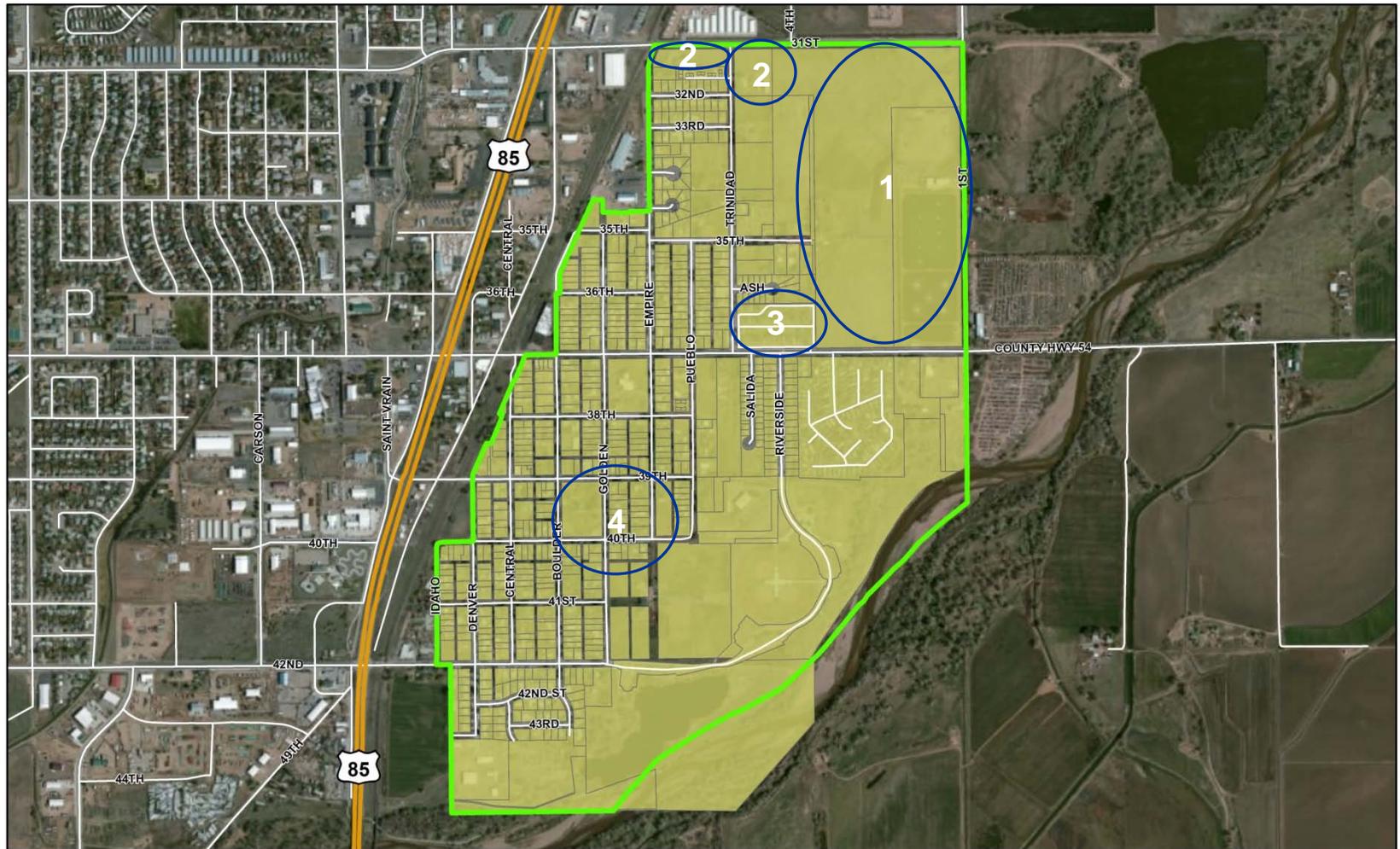
Reinvestment Challenges

- Difficulty in assembling land
- Comparatively high land costs
- Heightened regulation and review
- Limited examples of creatively-financed projects
- Public opinion
- Parking costs
- Shared infrastructure
- Lot depths
- Curb cuts
- Perceived greater risk in serving narrow markets
- Construction staging

Catalyst Investment Characteristics

- Potential to provide early “wins” in the redevelopment process by stimulating private sector investment
- Establish the basic prototype of the desired future vision for the area
- May require public sector policy and/or financial support

Potential Catalyst Project Areas



 Study Area  Study Area Parcels

Catalyst Development Programs

1. Redevelopment of City-owned property for mixed-residential uses
2. Redevelopment to accommodate convenience/neighborhood retail/service uses
3. Redevelopment to accommodate permanent owner-occupied housing
4. “Floating” redevelopment concept – assembly of residential lots to accommodate employment uses

Analysis Methodology

- Assumed private developer perspective – How much development value can be created from each program?
- Prepared build-out economic analysis for each program
- Sale prices/commercial rents for each program based on current and future market conditions
- Estimated project value vs. project cost, resulting in margin or “gap”
- Once “gap” quantified, estimated potential “contributions to gap”
- Range of “gap filling” measures considered
- Goal in redevelopment is to balance variables in an aesthetically and economically responsible manner

Market Demand Summary

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Catalyst Project Summary

Project Indicator	Catalyst Project Concepts			
	Catalyst #1: Mixed-Residential Neighborhood	Catalyst #2: Neighborhood / Convenience Retail	Catalyst #3: Permanent Owner-Occupied Housing	Catalyst #4: "Floating" Employment Concept
Private Sector Investment				
Development Sq Ft:				
Project Land Area (Acres)	48.96	5.00	5.32	1.10
Retail/Service	0	40,000	0	0
Office/Employment	0	0	0	15,000
Residential (Rental)	120,000	0	0	0
Residential (For-Sale)	450,000	0	72,000	0
Total Private Development	570,000	40,000	72,000	15,000
Floor Area Ratio	27%	18%	31%	31%
Total Project Value (@ Build-Out)	\$66,693,686	\$6,338,286	\$7,440,000	\$1,341,429
Total Project Costs (@ Build-Out)	\$79,524,003	\$6,635,959	\$9,858,133	\$2,034,615
Project Margin/(Gap)	(\$12,830,318)	(\$297,673)	(\$2,418,133)	(\$693,186)
Project Margin/(Gap) %	-16%	-4%	-25%	-34%
Potential Contributions to Gap				
Land Acquisition/Writedown	\$0	\$0	\$231,739	\$0
Site Improvements Contribution	\$2,357,698	\$467,800	\$463,478	\$246,000
Supportable TIF (25 Years)	\$9,600,000	\$0	\$1,100,000	\$500,000
Sales Tax Sharing (10 Yrs)	\$0	\$0	\$0	\$0
Special Improvement District (20 Years)	\$2,123,527	\$0	\$0	\$0
Development Fee Waivers	\$0	\$0	\$0	\$0
Federal/State/Local Grants	\$0	\$0	\$0	\$0
Streamlined Development Approval Process	\$0	\$0	\$0	\$0
Total Contributions to Gap	\$14,081,225	\$467,800	\$1,795,218	\$746,000
Project Margin/(Gap) % After Contributions	2%	3%	-6%	3%

Source: Matrix Design Group and Ricker | Cunningham.

- The catalyst project economic gaps of 4% to 34% are not uncommon in redevelopment areas
- “Gaps” result from higher land costs, site improvements and discounting due to level of market readiness
- With one exception, contributions can fill gaps without direct impact on the City’s general fund

Leveraged Investment

Catalyst Project	Total Private Investment	Total Public Investment*	Leverage Ratio**
Catalyst #1: Mixed-Residential Neighborhood	\$79,500,000	\$14,100,000	5.6
Catalyst #2: Neighborhood / Convenience Retail	\$6,600,000	\$500,000	13.2
Catalyst #3: Permanent Owner-Occupied Housing	\$9,900,000	\$1,800,000	5.5
Catalyst #4: "Floating" Employment Concept	\$2,000,000	\$700,000	2.9
Totals	\$98,000,000	\$17,100,000	5.7

* Reflects both "direct" and "indirect" public investment.

** Reflects amount of private investment generated for every \$1 dollar in public investment.

Source: Matrix Design Group and Ricker | Cunningham.

- Catalyst projects should be measured by their ability to “leverage” private investment.
- Strategic public investment (infrastructure, parking, land, etc.) that encourages or “readies the environment” for private investment is a key to successful redevelopment.
- The public sector’s return on investment can then be measured by the ratio of private investment to public investment – in this scenario, the public sector’s contributions to economic “gaps” could potentially return a 5.7:1 leverage ratio (\$5.70 spent by the private sector for every \$1.00 spent by the public sector).

Catalyst Project #1: Mixed-Residential

Development Program			Assumption Factors	
	Units/Spaces	Square Feet		
Retail/Service		0		
Office/Employment		0		
Residential (Rental)	150	120,000	800	SF/Unit
Residential (For-Sale)	250	450,000	1,800	SF/Unit
Gross Floor Area		570,000		
Project Land Area		2,132,698	48.96	Acres
Floor Area Ratio		27%		
Surface Parking	180	57,600	320	SF/Space
Structured Parking	0	0	320	SF/Space
Estimated Project Value (Stabilized Yr)				
Total Retail/Restaurant Rentable SF		0	90%	Bldg. Efficiency Ratio
Rent/SF*		\$14.00		
Total Office/Employment Rentable SF		0	90%	Bldg. Efficiency Ratio
Rent/SF*		\$12.00		
Total Residential Rentable SF		96,000	80%	Bldg. Efficiency Ratio
Rent/SF		\$14.40	\$1.20	Monthly Rent/SF
Total Parking Spaces (Structured)		0		
Rent/Space		\$720	\$60	Monthly Rent/Space
Gross Income		\$1,382,400		
Occupancy		92%		
Effective Gross Income		\$1,271,808		
Operating Costs		\$672,000	\$5.60	\$/SF (Wtd. Avg. All Uses)
Net Operating Income		\$599,808		
Capitalization Rate		7.0%		
Project Value -- Retail/Office/Rental Hsg		\$8,568,686		
Total Housing Units		250		
Sales Price/Unit (Wtd Avg)		\$250,000		
Gross Revenue		\$62,500,000		
Less Marketing Costs		(\$4,375,000)	7%	% of Sales
Net Sale Proceeds		\$58,125,000		
Project Value -- For-Sale Housing		\$58,125,000		
Total Project Value		\$66,693,686		
* Retail based on triple net lease; Office based on gross lease.				
Development Cost Estimate				
Property Purchase (Acquisition/Demolition)		\$2,132,698	\$1.00	\$/SF Land (20% Premium)
On-Site Improvements (Surface Parking)		\$450,000	\$2,500	\$/Space
On-Site Improvements (Structured Parking)		\$0	\$15,000	\$/Space
Site Development/Infrastructure		\$4,265,395	\$2.00	\$/SF
Building Construction (Hard Costs)		\$56,294,910	\$99	\$/SF (Wtd. Avg. All Uses)
Construction Contingency		\$3,050,515	5%	% of Construction Costs
Soft Costs (% of Hard Costs)		\$6,101,031	10%	% of Hard Costs
Developer Profit		\$7,229,455	10%	% of Total Costs
Total Project Cost		\$79,524,003	\$139.52	\$/SF
Development Economic Summary				
Total Project Cost		\$79,524,003		
Total Project Value		\$66,693,686		
Project Margin/"Gap"		(\$12,830,318)		
% Project Margin/"Gap"		-16%		
Potential Contributions to "Gap":				
Land Acquisition/Writedown		\$0	0%	of Land Cost
Site Improvements Contribution		\$2,357,698	50%	of Total Site Costs
Supportable TIF (25 Years)		\$9,600,000	0.083316	Total Property Tax Rate
Sales Tax Sharing (10 Yrs)		\$0	50%	% of Local Sales Tax
Special Improvement District (20 Years)		\$2,123,527	0.020000	Total Property Tax Rate
Development Fee Waivers		\$0		
Federal/State/Local Grants		\$0		
Streamlined Development Approval Process		\$0		
Tax Credit Equity (LIHTC, Historic, New Market)		\$0		
Total Contributions to "Gap"		\$14,081,225		

Source: Matrix Design Group and Ricker | Cunningham.

Catalyst Project #2: Neighborhood Retail

Development Program			Assumption Factors	
	Units/Spaces	Square Feet		
Retail/Service		40,000		
Office/Employment		0		
Residential (Rental)	0	0	800	SF/Unit
Residential (For-Sale)	0	0	1,800	SF/Unit
Gross Floor Area		40,000		
Project Land Area		217,800	5.00	Acres
Floor Area Ratio		18%		
Surface Parking	200	64,000	320	SF/Space
Structured Parking	0	0	320	SF/Space
Estimated Project Value (Stabilized Yr)				
Total Retail/Restaurant Rentable SF		36,000	90%	Bldg. Efficiency Ratio
Rent/SF*		\$14.00		
Total Office/Employment Rentable SF		0	90%	Bldg. Efficiency Ratio
Rent/SF*		\$12.00		
Total Residential Rentable SF		0	80%	Bldg. Efficiency Ratio
Rent/SF		\$14.40	\$1.20	Monthly Rent/SF
Total Parking Spaces (Structured)		0		
Rent/Space		\$720	\$60	Monthly Rent/Space
Gross Income		\$504,000		
Occupancy		92%		
Effective Gross Income		\$463,680		
Operating Costs		\$20,000	\$0.50	\$/SF (Wtd. Avg. All Uses)
Net Operating Income		\$443,680		
Capitalization Rate		7.0%		
Project Value -- Retail/Office/Rental Hsg		\$6,338,286		
Total Housing Units		0		
Sales Price/Unit (Wtd Avg)		\$250,000		
Gross Revenue		\$0		
Less Marketing Costs		\$0	7%	% of Sales
Net Sale Proceeds		\$0		
Project Value -- For-Sale Housing		\$0		
Total Project Value		\$6,338,286		
* Retail based on triple net lease; Office based on gross lease.				
Development Cost Estimate				
Property Purchase (Acquisition/Demolition)		\$816,750	\$3.75	\$/SF Land (25% Premium)
On-Site Improvements (Surface Parking)		\$500,000	\$2,500	\$/Space
On-Site Improvements (Structured Parking)		\$0	\$15,000	\$/Space
Site Development/Infrastructure		\$435,600	\$2.00	\$/SF
Building Construction (Hard Costs)		\$3,600,000	\$90	\$/SF (Wtd. Avg. All Uses)
Construction Contingency		\$226,780	5%	% of Construction Costs
Soft Costs (% of Hard Costs)		\$453,560	10%	% of Hard Costs
Developer Profit		\$603,269	10%	% of Total Costs
Total Project Cost		\$6,635,959	\$165.90	\$/SF
Development Economic Summary				
Total Project Cost		\$6,635,959		
Total Project Value		\$6,338,286		
Project Margin/"Gap"		(\$297,673)		
% Project Margin/"Gap"		-4%		
Potential Contributions to "Gap":				
Land Acquisition/Writedown		\$0	0%	of Land Cost
Site Improvements Contribution		\$467,800	50%	of Total Site Costs
Supportable TIF (25 Years)		\$0	0.000000	Total Property Tax Rate
Sales Tax Sharing (10 Yrs)		\$0	0%	% of Local Sales Tax
Special Improvement District (20 Years)		\$0	0.000000	Total Property Tax Rate
Development Fee Waivers		\$0		
Federal/State/Local Grants		\$0		
Streamlined Development Approval Process		\$0		
Tax Credit Equity (LIHTC, Historic, New Market)		\$0		
Total Contributions to "Gap"		\$467,800		

Source: Matrix Design Group and Ricker | Cunningham.

Catalyst Project #3: Ownership Housing

Development Program			Assumption Factors	
	Units/Spaces	Square Feet		
Retail/Service		0		
Office/Employment		0		
Residential (Rental)	0	0	800 SF/Unit	
Residential (For-Sale)	40	72,000	1,800 SF/Unit	
Gross Floor Area		72,000		
Project Land Area		231,739	5.32 Acres	
Floor Area Ratio		31%		
Surface Parking	0	0	320 SF/Space	
Structured Parking	0	0	320 SF/Space	
Estimated Project Value (Stabilized Yr)				
Total Retail/Restaurant Rentable SF		0	90% Bldg. Efficiency Ratio	
Rent/SF*		\$14.00		
Total Office/Employment Rentable SF		0	90% Bldg. Efficiency Ratio	
Rent/SF*		\$12.00		
Total Residential Rentable SF		0	80% Bldg. Efficiency Ratio	
Rent/SF		\$14.40	\$1.20 Monthly Rent/SF	
Total Parking Spaces (Structured)		0		
Rent/Space		\$720	\$60 Monthly Rent/Space	
Gross Income		\$0		
Occupancy		92%		
Effective Gross Income		\$0		
Operating Costs		\$0	\$0.00 \$/SF (Wtd. Avg. All Uses)	
Net Operating Income		\$0		
Capitalization Rate		7.0%		
Project Value -- Retail/Office/Rental Hsg		\$0		
Total Housing Units		40		
Sales Price/Unit (Wtd Avg)		\$200,000		
Gross Revenue		\$8,000,000		
Less Marketing Costs		(\$560,000)	7% % of Sales	
Net Sale Proceeds		\$7,440,000		
Project Value -- For-Sale Housing		\$7,440,000		
Total Project Value		\$7,440,000		
* Retail based on triple net lease; Office based on gross lease.				
Development Cost Estimate				
Property Purchase (Acquisition/Demolition)		\$231,739	\$1.00 \$/SF Land (25% Premium)	
On-Site Improvements (Surface Parking)		\$0	\$2,500 \$/Space	
On-Site Improvements (Structured Parking)		\$0	\$15,000 \$/Space	
Site Development/Infrastructure		\$463,478	\$2.00 \$/SF	
Building Construction (Hard Costs)		\$7,128,000	\$99 \$/SF (Wtd. Avg. All Uses)	
Construction Contingency		\$379,574	5% % of Construction Costs	
Soft Costs (% of Hard Costs)		\$759,148	10% % of Hard Costs	
Developer Profit		\$896,194	10% % of Total Costs	
Total Project Cost		\$9,858,133	\$136.92 \$/SF	
Development Economic Summary				
Total Project Cost		\$9,858,133		
Total Project Value		\$7,440,000		
Project Margin/"Gap"		(\$2,418,133)		
% Project Margin/"Gap"		-25%		
Potential Contributions to "Gap":				
Land Acquisition/Writedown		\$231,739	100% of Land Cost	
Site Improvements Contribution		\$463,478	100% of Total Site Costs	
Supportable TIF (25 Years)		\$1,100,000	0.083316 Total Property Tax Rate	
Sales Tax Sharing (10 Yrs)		\$0	50% % of Local Sales Tax	
Special Improvement District (20 Years)		\$0	0.000000 Total Property Tax Rate	
Development Fee Waivers		\$0		
Federal/State/Local Grants		\$0		
Streamlined Development Approval Process		\$0		
Tax Credit Equity (LIHTC, Historic, New Market)		\$0		
Total Contributions to "Gap"		\$1,795,218		

Source: Matrix Design Group and Ricker | Cunningham.

Catalyst Project #4: Employment

Development Program			Assumption Factors
	Units/Spaces	Square Feet	
Retail/Restaurant		0	
Employment		15,000	
Residential (Rental)	0	0	800 SF/Unit
Residential (For-Sale)	0	0	1,800 SF/Unit
Gross Floor Area		15,000	
Project Land Area		48,000	1.1 Acres
Floor Area Ratio		31%	
Surface Parking	60	19,200	320 SF/Space
Structured Parking	0	0	320 SF/Space
Estimated Project Value (Stabilized Yr)			
Total Retail/Restaurant Rentable SF		0	90% Bldg. Efficiency Ratio
Rent/SF*		\$14.00	
Total Office/Employment Rentable SF		13,500	90% Bldg. Efficiency Ratio
Rent/SF*		\$12.00	
Total Residential Rentable SF		0	80% Bldg. Efficiency Ratio
Rent/SF		\$14.40	\$1.20 Monthly Rent/SF
Total Parking Spaces (Structured)		0	
Rent/Space		\$720	\$60 Monthly Rent/Space
Gross Income		\$162,000	
Occupancy		95%	
Effective Gross Income		\$153,900	
Operating Costs		\$60,000	\$4.00 \$/SF (Wtd. Avg. All Uses)
Net Operating Income		\$93,900	
Capitalization Rate		7.0%	
Project Value -- Office/Retail/Rental Hsg		\$1,341,429	
Total Housing Units		0	
Sales Price/Unit (Wtd Avg)		\$200,000	
Gross Revenue		\$0	
Less Marketing Costs		\$0	7% % of Sales
Net Sale Proceeds		\$0	
Project Value -- For-Sale Housing		\$0	
Total Project Value		\$1,341,429	
* Retail based on triple net lease; Office based on gross lease.			
Development Cost Estimate			
Property Purchase (Acquisition/Demolition)	\$480,000		\$10.00 \$/SF Land (20% Premium)
On-Site Improvements (Surface Parking)	\$150,000		\$2,500 \$/Space
On-Site Improvements (Structured Parking)	\$0		\$15,000 \$/Space
Site Development/Infrastructure	\$96,000		\$2.00 \$/SF
Building Construction (Hard Costs)	\$945,000		\$63 \$/SF (Wtd. Avg. All Uses)
Construction Contingency	\$59,550		5% % of Construction Costs
Soft Costs (% of Hard Costs)	\$119,100		10% % of Hard Costs
Developer Profit	\$184,965		10% % of Total Costs
Total Project Cost		\$2,034,615	\$135.64 \$/SF
Development Economic Summary			
Total Project Cost		\$2,034,615	
Total Project Value		\$1,341,429	
Project Margin/"Gap"		(\$693,186)	
% Project Margin/"Gap"		-34%	
Potential Contributions to "Gap":			
Land Acquisition/Writedown	\$0		0% of Land Cost
Site Improvements Contribution	\$246,000		100% of Total Site Costs
Supportable TIF (25 Years)	\$500,000		0.083316 Total Property Tax Rate
Sales Tax Sharing (10 Yrs)	\$0		50% % of Local Sales Tax
Special Improvement District (20 Years)	\$0		0.000000 Total Property Tax Rate
Development Fee Waivers	\$0		
Federal/State/Local Grants	\$0		
Streamlined Development Approval Process	\$0		
Tax Credit Equity (LIHTC, Historic, New Market)	\$0		
Total Contributions to "Gap"		\$746,000	

Source: Matrix Design Group and Ricker | Cunningham.