



MEMORANDUM

Date: March 7, 2018

To: Mr. Andrew Trietley, Ventana Capital

From: Patty Silverstein, Development Research Partners
David Hansen, Development Research Partners

RE: The Economic and Fiscal Impacts of the Red Rocks Ranch Development

The purpose of this memo is to provide a summary of the projected economic and fiscal benefits of the Red Rocks Ranch development. Red Rocks Ranch will be a 350-acre mixed-use, commercial and residential development along C-470 and Morrison Road in Jefferson County, Colorado. The area is bounded by large open space areas, William F. Hayden Green Mountain Park to the north and Bear Creek Lake Park to the south. The Solterra development borders Rooney Valley to the east. At buildout, Red Rocks Ranch will consist of an estimated 1,350 homes and apartments and 316,000 square feet of commercial and retail development. Current plans include a 70,000-square-foot grocery store, 96,000 square feet of inline retail and stand-alone commercial, and 150,000 square feet of self-storage. Red Rocks Ranch will also include open space that will complete the connection from Bear Creek Lake Park to the C-470 regional trail.

The Red Rocks Ranch development is slated to break ground in 2018, with construction occurring over an estimated five-year timeframe. This report analyzes the impact of the estimated \$520.6 million development based on the benefits of construction activity and estimated annual operations at buildout. At buildout, based on maximum allowable residential zoning, Red Rocks Ranch will be home to an estimated 3,300 residents. Businesses located in the development will employ an estimated 400 employees. This study is not a market analysis and does not project the success or failure of the development. Rather, the report details the expected impacts as proposed.

ECONOMIC AND FISCAL IMPACT ANALYSIS DEFINED

Economic impact analysis is the analytical approach used to assess the measurable direct and indirect benefits resulting from the project over a specific time period for a specific geographic area. Only those benefits that can be measured or quantified are included. Intangible benefits, such as enhancement of community character or diversification of the job base, are not included. The economic benefits are calculated within the framework of two broad categories of impacts and activities, including one-time construction spending and on-going annual operations. This study focuses on the project's direct economic benefits only; it does not include any indirect benefits that would be calculated through an economic multipliers analysis.

Fiscal impact analysis is used to assess the direct public revenues and public costs resulting from a project over a specific time period. A project may generate a broad array of public revenues ranging from sales/use tax, property tax, franchise fees, licenses and permits, and other charges for services. In turn, the local government provides a variety of public services such as police protection, public works, community social and recreational programs, and community development services, to name a few. This report estimates the net fiscal impacts to Jefferson County; any fiscal benefits to the region, state, school district, or other special districts are not included.

The project benefits in this study were calculated within the framework of the SiteStats™ economic and fiscal impact model, a proprietary economic modeling system developed by Development Research Partners. In addition, Ventana Capital has provided projections and estimates of the construction and operations of the proposed development. It should be noted that changes in land use, anticipated annexation, commercial and residential development plans, economic conditions, and other variables that factor into the construction and business operations of Red Rocks Ranch may change the impacts reported in this analysis. The parameters used in this analysis were carefully considered and selected to accurately report and avoid overstating potential economic and fiscal impacts. The economic and fiscal impacts estimated in this report are dependent on the project parameters and are not guaranteed. This analysis considers the economic and fiscal impact in 2017 dollars.

Benefits from the proposed Red Rocks Ranch development are discussed in four sections. The first two sections detail the one-time benefits of construction and the on-going annual benefits of business operations once stabilized. The third section details the annual spending patterns Red Rocks Ranch residents will have in Jefferson County. The fourth section combines all costs and benefits to present the total economic and fiscal benefits of the project.

SECTION 1: TOTAL BENEFITS OF CONSTRUCTION ACTIVITY

Construction of Red Rocks Ranch is expected to commence in 2018. Construction benefits are one-time impacts, occurring only during the construction period. The following analysis describes the total benefits over the entire construction period. Red Rocks Ranch is zoned for an estimated 720 single-family detached residential units, 330 single-family attached units, 300 multi-family apartments. Additionally, current plans include 316,000 square feet of commercial and retail development.

Economic Benefits to Jefferson County

- The total project cost is estimated to be \$520.6 million. Of this amount, residential and nonresidential construction activity for the Red Rocks Ranch development will cost about \$464.2 million, including an estimated \$407.3 million for general infrastructure, site work, and residential construction activity, and \$56.9 million for commercial construction activity and site work. The remaining \$56.4 million of the total project cost represents the estimated cost of development fees to specific governmental entities, which is considered in the fiscal benefits section of this report. The project will employ an estimated 1,788 full-time equivalent workers¹ throughout the construction period.
- Not all of the construction costs associated with the development will be transacted with businesses and suppliers located in Jefferson County. Of the total \$464.2 million construction cost (excluding development fees), the estimated amount spent directly in Jefferson County on construction labor, construction materials and equipment, and soft costs is about \$75.8 million (Table 1). The Jefferson County spending consists of the following components:
 - Based on the concentration of establishments, employees, and sales in the Metro Denver region for construction materials, estimated purchases captured in the county will be about \$35.1 million (Table 1).

¹ A full-time equivalent construction worker is defined as one worker working full time for one year.

- A portion of the project’s soft costs, including such items as design and engineering, may be purchased in Jefferson County. Based on the concentration of Metro Denver establishments, employees, and sales, estimated spending captured in the county will be about \$19.6 million (Table 1).
- Based on an analysis of U.S. Census Bureau data describing the occupations of county residents, it is estimated about 320 full-time equivalent construction workers will be residents of the county. The remaining construction workers will likely travel to the site from other parts of the Metro Denver region. This will result in a direct economic benefit of an estimated \$18.4 million in payroll and \$2.8 million in employee benefits for construction workers residing in Jefferson County over the development period (Table 1).

**Table 1: Economic and Fiscal Benefits of Red Rocks Ranch
Construction Activity in Jefferson County**

	Total	Jefferson County
Economic Benefits		
Construction Materials	\$232,124,000	\$35,051,000
Soft Costs	\$85,417,000	\$19,646,000
Payroll	\$102,695,000	\$18,382,000
Benefits	\$44,012,000	\$2,757,000
Total Economic Benefits	\$464,248,000	\$75,836,000
Employees (Person-Years)	1,788	320
Fiscal Benefits		
Sales Tax on Construction Materials		\$175,000
Building Permit and Traffic Impact Fees		\$7,713,000
Total Government Revenues		\$7,888,000
Total Government Costs		\$0
Net Fiscal Benefit		\$7,888,000
Net Economic and Fiscal Benefits		\$83,724,000

Fiscal Benefits for Jefferson County

- Jefferson County will receive construction sales tax revenue from the Red Rocks Ranch development. The county levies a 0.5 percent sales tax rate on the value of construction materials. Construction period sales tax will total an estimated \$175,000. The county does not levy a use tax.
- Jefferson County building permit and traffic impact fees will total an estimated \$7.7 million for the development.
- The total fiscal benefit of Red Rocks Ranch construction activity in Jefferson County from construction sales tax, building permit, and traffic impact fees is an estimated \$7.9 million over the construction period (Table 1).

- In addition, water, sewer, school, and metro districts serving the property will receive an estimated \$48.7 million in development fees.
- Construction benefits are one-time impacts that occur only during the construction period.

SECTION 2: TYPICAL ANNUAL BENEFITS OF ON-GOING BUSINESS OPERATIONS

The economic and fiscal benefits of business operations in Jefferson County are derived from employment in the county, business to business purchases, and retail sales activity. The following analysis describes expected annual economic and fiscal benefits at project buildout. However, the economic and fiscal impacts actually begin as the first commercial business operations begin; annual benefits prior to buildout will ramp up as the project is completed.

Economic Benefits to Jefferson County

- Plans for Red Rocks Ranch include about 39 acres for an estimated 316,000 square feet of commercial and retail space. This will consist of a grocery store, inline retail, stand-alone retail, and self-storage. Based on an analysis of average operating expenditures, businesses at Red Rocks Ranch will spend an estimated \$17.1 million each year on business operations once operations stabilize (Table 2).
- Not all of the business spending activity associated with the development will be transacted with businesses and suppliers located in Jefferson County. Of the total \$17.1 million spent annually on business operations, the estimated amount spent directly in the county on employment, operational materials, and other business purchases is an estimated \$5.3 million (Table 2). This factors in expected long-term occupancy², replacement purchases, utilities, and operational materials.
- Based on the planned development, businesses at Red Rocks Ranch will employ about 403 workers. Based on the most recent average annual wages in Jefferson County³ for industries associated with the planned development and estimated employee benefits, earnings for the employees will total an estimated \$14.5 million each year. Isolating the employment benefits to just those employees who will also be residents of the county⁴ based on recent commuting patterns data, Red Rocks Ranch will have an economic benefit in Jefferson County from payroll and employee benefits of \$5 million for about 164 employees (Table 2).
- Based on various sources of data and the expected mix of businesses, the space could generate an estimated \$495 in sales per square foot. Assuming long-term average occupancy for the space of about 96 percent, retail sales will total an estimated \$78.5 million each year (Table 2).

² Based on an estimated average occupancy rate of 95.5 percent.

³ Colorado Department of Labor and Employment, "Quarterly Census of Employment and Wages," Jefferson County, 2016 Annual Average. The average wage was derived from industries that would likely occupy the commercial space.

⁴ According to data from the U.S. Census Bureau's Local Employment Dynamics database, about 40.6 percent of employees in Jefferson County are also residents of the county.

**Table 2: Economic and Fiscal Benefits of Red Rocks Ranch
Business Operations in Lakewood**

	Total	Jefferson County
Economic Benefits		
Personal Property	\$751,000	\$117,000
Materials for Operations	\$587,000	\$140,000
Business Services	\$384,000	\$76,000
Utilities	\$644,000	<i>Not Estimated</i>
Telecommunications	\$153,000	<i>Not Estimated</i>
Payroll	\$10,185,000	\$4,135,000
Employee Benefits	\$4,365,000	\$851,000
Total Economic Benefits	\$17,069,000	\$5,319,000
Employees	403	164
Retail Sales		\$78,472,000
Fiscal Benefits		
Property Tax		\$314,000
Sales Tax		\$5,000
Sales Tax from Retail Operations		\$267,000
Other Revenue		\$60,000
Total Government Revenues		\$646,000
Total Government Costs		\$115,000
Net Fiscal Benefit		\$531,000
Net Economic and Fiscal Benefits		\$5,850,000

Net Fiscal Benefit to Jefferson County

- Jefferson County will generate tax revenue from the business operations at Red Rocks Ranch once business operations stabilize, totaling an estimated \$586,000 each year. This potential revenue includes real and personal property taxes of \$314,000, sales tax from business purchases of \$5,000, and sales tax from retail operations totaling \$267,000 (Table 2).
- Jefferson County will benefit from other revenue related to the business activity at Red Rocks Ranch. The county will also incur costs of services for the businesses and employees. Using an intensity of land use analysis based on an Urban Land Institute methodology and the Jefferson County budget, revenues other than taxes and the cost of providing county services are estimated on a per employee basis, which is used as the proxy for business operations. Other revenue includes such things as charges for services, licenses and permits, and fines and forfeitures. Revenue other than sales and property taxes amounts to about \$150 per employee each year. Therefore, the commercial space will generate approximately \$60,000 in other revenue for Jefferson County. The cost of providing county services to these businesses and their employees is

estimated to be about \$285 per employee each year. The total cost of providing services to the businesses at Red Rocks Ranch will be an estimated \$115,000 (Table 2).

- The net fiscal benefit to Jefferson County of the business activity at Red Rocks Ranch considering all tax revenue, other revenue, and costs will be an estimated \$531,000 per year at buildout and once operations are stabilized (Table 2).
- These economic and fiscal benefits will occur annually after buildout assuming similar business operations and conditions.

SECTION 3: TYPICAL ANNUAL BENEFITS OF RESIDENT SPENDING

The Red Rocks Ranch development will have a maximum of 1,350 homes at buildout, consisting of 720 single-family detached units, 330 townhomes, and 300 multi-family units. The following analysis describes the typical annual benefit of spending by the residents as estimated at full buildout. However, the economic and fiscal impacts actually begin as the first residents move into the development; annual benefits prior to buildout will ramp up as the project is completed.

Economic Benefits to Jefferson County

- Assuming future residential vacancy rates reflect the current average residential vacancy rates in Metro Denver of 99.3 percent for single-family and 96.6 percent for multi-family in Jefferson County, Red Rocks Ranch will have about 1,333 occupied housing units and about 3,300 residents at buildout. The residents will bring total annual household income of \$132.9 million to Jefferson County, based on the income that is needed to afford the housing mix offered.
- Based on the Consumer Expenditure Survey by the U.S. Bureau of Labor Statistics, the typical household in Jefferson County spends approximately 34.7 percent of its income on taxable retail sales, suggesting that the Red Rocks Ranch households will spend about \$46.1 million on taxable retail sales throughout the Metro Denver region. Total taxable retail sales were then isolated to reflect only that spending occurring in the county. Red Rocks Ranch households will spend an estimated \$31.9 million in taxable retail sales in the county each year (Table 3).

Net Fiscal Impact to Jefferson County

- Resident spending in Jefferson County on taxable goods and services will generate sales tax revenue for the county. Based on the current sales tax rate of 0.5 percent in Jefferson County and the estimated taxable retail sales in the county from the households, the county will collect an estimated \$159,000 in sales tax revenue each year (Table 3).
- Based on the expected single-family and multi-family housing mix, the market value of the residential real estate in the Red Rocks Ranch development will total about \$499.1 million. Based on the current residential assessment rate of 7.2 percent and the county mill levy of 24.709, annual residential property tax revenue will total about \$888,000 each year at buildout (Table 3).
- Jefferson County will benefit from other revenue related to the people living at Red Rocks Ranch. The county will also incur costs of services for the residents. Based on the county budget and intensity of land use of residential development, revenues other than taxes and the cost of providing county services are estimated on

a per resident basis. Revenue other than sales and property taxes amounts to about \$444 per resident each year. Therefore, the residents will generate approximately \$1.5 million in other revenue for Jefferson County. The cost of providing county services to the residents is estimated to be about \$847 per resident each year. The total cost of providing services to the Red Rocks Ranch residents will be an estimated \$2.8 million (Table 3).

- The net fiscal benefit or cost of Red Rocks Ranch residents is calculated by adding all revenues and subtracting the cost of providing services. The net fiscal cost to the county of the residents at Red Rocks Ranch is an estimated \$281,000 per year at buildout considering all tax revenue, other revenue, and costs. The cost of servicing residents for most Colorado communities exceeds the revenues those residents generate. These communities are supported in part from sales to residents outside of the county and by business-related tax and fee revenue (Table 3).

Table 3: Economic and Fiscal Benefits of Red Rocks Ranch Residents in Jefferson County

	Total	Jefferson County
Economic Benefits		
Total Residents		3,300
Total Occupied Housing Units		1,333
Total Household Income		\$132,930,000
Market Value of Resident Housing		\$499,109,000
Taxable Retail Sales (Total Econ Benefits)	\$46,127,000	\$31,874,000
Fiscal Benefits		
Property Tax		\$888,000
Sales Tax		\$159,000
Other Revenue		\$1,466,000
Total Government Revenues		\$2,513,000
Total Government Costs		\$2,794,000
Net Fiscal Benefit		(\$281,000)
Net Economic and Fiscal Benefits		\$31,593,000

SECTION 4: SUMMARY

Construction Benefits to Jefferson County

- The ***economic benefit of Red Rocks Ranch construction activities will total \$75.8 million to Jefferson County*** including \$21.1 million in payroll and employee benefits for an estimated 320 county residents. The ***fiscal benefit of the construction activities is an estimated \$7.9 million*** including sales tax, building permit

fees, and traffic impact fees. Construction benefits are one-time impacts that occur only during the construction period.

Annual On-Going Benefits to Jefferson County

- The **on-going annual economic benefit of business operations at Red Rocks Ranch to Jefferson County will be \$5.3 million**. This benefit includes \$5 million of payroll and employee benefits to 164 employees working at commercial and retail businesses on the site that are also residents of the county. The **net fiscal benefit of business operations to Jefferson County is \$531,000**, consisting of \$646,000 in government revenues less \$115,000 in government service costs.
- The **on-going annual economic benefit of residents of Red Rocks Ranch to Jefferson County will be \$31.9 million** in retail sales activity for county businesses. The **net fiscal cost of the residents to Jefferson County is \$281,000 per year**, consisting of \$2.5 million in revenues less \$2.8 million governmental service costs to the residents.
- **The annual economic benefit derived from all on-going operations at project buildout is estimated to be \$37.2 million per year**. This represents the value of the business-to-business and resident-to-business spending likely to occur each year in Jefferson County.
- **The combined net fiscal benefit to Jefferson County at buildout of the Red Rocks Ranch development will be an estimated \$250,000 each year based on business operations and resident spending activity.**

