Rooney Valley

Summary Report

Product of:

Request for Proposal (RFP) No. 3778
Rooney Valley Market Study

Prepared for:

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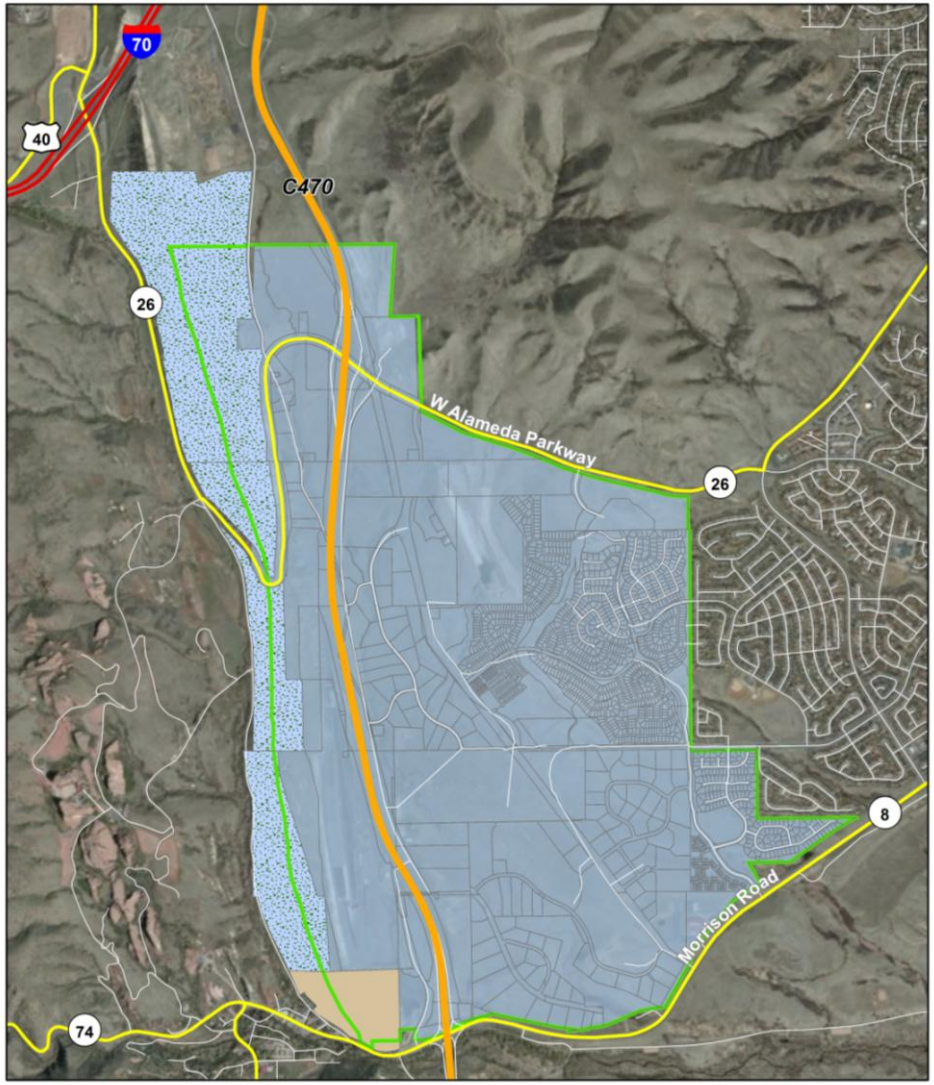
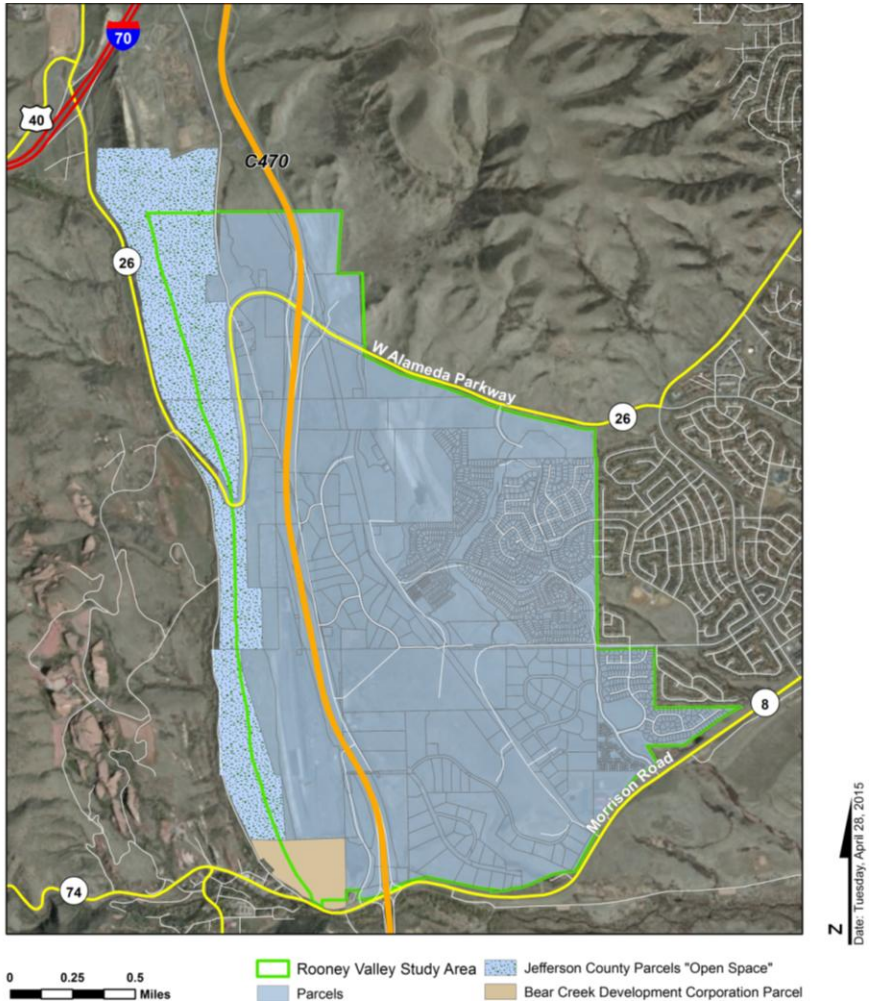


Introduction

Ricker|Cunningham (RC) was retained by the City of Lakewood (the City) to understand prevailing and anticipated market conditions as they may impact investment in and around the Rooney Valley. For the purpose of this analysis, the Valley is comprised of two geographies – the **Area of Influence** (also referred to herein as the **Study Area, Area, Valley** or some combination thereof) and the **Rooney Valley Project Area** (also referred to herein as the **Project Area** or **Intergovernmental Area** (or **IGA Area**) which is a subarea within the larger Study Area (see **Exhibit 1**). The Rooney Valley, a significant geographic area, is situated in the western part of the Denver Metro Area with properties located in three jurisdictions – the city of Lakewood, town of Morrison and Jefferson County. Conversely, the Project Area is located within only the city and town as it is generally bound by Morrison Road on the south, the Hogback and Jefferson County Open Space on the west, Alameda Parkway on the north, and the Green Mountain and Tamarisk neighborhoods on the east. In its entirety, the Project Area is comprised of approximately 990 acres in size, or roughly 45% of the Study Area's 2,200 acres.

Notable investment in the Valley over the last two decades has been largely limited to the Solterra development located within the city of Lakewood east of C-470 and Bandimere Speedway located in unincorporated Jefferson County west of C-470, along with select parcels located east of C-470 and north of the Alameda Parkway interchange, also in Jefferson County. The balance of the Valley, which represents approximately 80% of its total acreage, remains vacant or under-utilized. The lack of development activity during the 1990s and following decade when the rest of the Denver Metro Area was growing can be attributed to a variety of circumstances described in greater detail in the discussion that follows, all of which were further complicated during the period between 2008 and 2012 when real estate lending and construction stalled in nearly every major city in the country. This event, widely recognized as the Great Recession, is defined as "a sharp decline in economic activity." Although nearly three years into a recovery, activity in the Rooney Valley remains well-below that in other areas of the metro area and state whereas those circumstances that existed pre-Great Recession continue to impact investment and development decisions and serve as "barriers to investment." While the number and type of barriers differ from one location in the Study Area to another, as well as from one parcel to another, they all fall into one of the following six categories -- physical, regulatory, market (consumer profile and developer capacity), financial, political and organizational with the majority physical and due to the absence of infrastructure and services (water and service). The Area's natural setting with numerous open spaces and archeologically-significant sites, while an amenity, also serves to constrain its total developable acreage. Collectively these conditions limit the potential for select land uses and product types, as well as the capacity of developers to respond to product preferences.

Exhibit 1: Area of Influence and Project Area Boundaries



Project Purpose

The purpose of the *Rooney Valley Market Context Analysis*, as identified in the City's request is, "… to create a document that will serve as a resource to inform planning and development decisions based on an understanding of market and area conditions, and emerging industry trends." The role of the market analysis in the context of a community planning initiative such as this is multi-faceted. It provides a "reality check" for conceptual planning, ensures that recommendations are grounded in market and economic reality, sets the stage for implementation; and, provides an accurate and independent "story" to tell potential developer and investor audiences. Given its purpose and role, this market report seeks to answer the following questions for the City and its partner jurisdictions (Town of Morrison and Jefferson County):

Are the land use designations and corresponding quantity of development identified in the *Rooney Valley Joint Masterplan (the Masterplan), adopted in 2002,* feasible and can they succeed? If feasible, what might be the final mix of uses and product types, and when might they be expected to come on-line? What will the impact (consequences / benefits) of this type of development in the Valley be and how will it fit into the larger community portfolio? Finally, are there specific actions that could influence these uses and their timing? Conversely ….

If not feasible, what uses and products are feasible and what might be their timing? What will the impact (consequences / benefits) of these uses and product types be and how do they fit into the larger community portfolio? Finally, are specific actions necessary to make development feasible and / or expedite its timing?

Feasible Development

In the context of this assignment, feasibility is based on the following factors:

a. **appropriateness and ability of sites** to support select uses and product types;
b. **consistency of proposed development with existing policies** and regulations (vision, goals, standards);
c. **supportive industry trends** and **available capital** for select uses and products;
d. **ability and desire of property owners and developers** to deliver select products;
e. **consumer profile** that supports desired uses and products;
f. **favorable conditions among comparable projects** within a competitive trade area;
g. **market depth** (from existing voids and anticipated growth) by price point and product type; and
h. **equitable relationship between** the **cost** of development **and value** created.

Successful Development

Different than “feasible development "which is primarily measured quantitatively, “successful development” is measured both qualitatively and quantitatively, and informed in large part by one’s role in the project and their perspective. For instance, if you are the *project developer*, success may be measured by your return on investment, or how well the project complements your portfolio. If you are a *community planner* where the project is located, success may be measured by its consistency with the community’s master plan or its ability to meet specific goals or objectives. If you are the *project lender*, success will inevitably be measured by the timeliness with which loans are repaid and the rate of return achieved. Finally, and perhaps most importantly, if you are the *individual or entity that lives, works, or shops within the project*, success will most likely be measured by the quality of life it affords. To this end, RC has attempted to provide information that addresses the interests of each of these audiences.

Past and Ongoing Efforts (Policies and Regulations)

The *Rooney Valley Joint Masterplan* (the Masterplan), adopted by both the City of Lakewood and Town of Morrison during the first

half of the last decade, describes its ideal development concept as follows. "There is an opportunity to utilize this site for unique high quality residential, office and commercial development. With visibility from highway C-470, the site potentially can be used for uses such as a signature corporate site, an office campus, or neighborhoods integrating natural amenities." In addition to the Masterplan, whereas the Rooney Valley is situated in three jurisdictions -- the city of Lakewood, town of Morrison, and portions of unincorporated Jefferson County -- their respective community plans describe a vision for properties located within their boundaries which lie within the Project Area. Those planning documents include the *Rooney Valley Joint Masterplan* (the Masterplan*)*, *City of Lakewood Comprehensive Plan* and all updates, *Morrison Comprehensive Plan*, and specific Jefferson County subarea and transportation plans. While there are few, if any, differences among these plans with regard to their vision for the Valley, there is some deviation among the originally envisioned general use categories and those considered market-supportable, today. Since the 2002 Masterplan was prepared with limited consideration of prevailing market conditions, it offers few product recommendations, yet suggests specific public improvements. Comparatively, this market report identifies a variety of viable product types that reflect current and anticipated shifts in market demand and the lifestyle preferences of different social groups.

Recommended improvements by location, as per the Masterplan, included: open space and park uses located adjacent to and south of Alameda Parkway; single family homes west of this park and open space; and, McIntyre Road, a new north-south arterial spine connecting Morrison Road and Alameda Parkway that is currently under-construction and two interchanges at Alameda Parkway and Yale Avenue. General use categories included: commercial west of C-470 in its southern segment, mixed-use and corporate headquarters along Morrison Road; and, a mix of commercial and office east of C-470 north and south of the then future Alameda Parkway interchange. While the Alameda Parkway interchange was opened in the summer of 2008, the Yale Avenue interchange has not been constructed and there are no imminent plans to do so. Whereas the original development concept was to build-out the Valley as a "west-side business park," as evidenced by the mix of uses defined here, elimination of the Yale Avenue interchange effectively solidified Rooney Road as a service road to C-470 making significant levels of non-residential development less likely.

Elements of the *Rooney Valley Joint Masterplan* which continue to be relevant and informative include guidelines for development and intentions related to joint planning. Directives intended to inform development in the Valley are largely described in an Intergovernmental Agreement (IGA) between the Town of Morrison and City of Lakewood which also explains how investments in infrastructure and land purchases will be shared, and revenues distributed. The Valley Joint Project Review Committee (the JPRC or Committee) with representatives of both communities, administers

the terms of the agreement and provides initial plan review and approvals.

While joint planning for development in the Valley has been and continues to be a desirable objective, practices under the terms of the IGA have proven unintentionally protracted and costly. To this end, and based on feedback received, the City of Lakewood and Town of Morrison are actively engaged in restructuring the agreement to facilitate a more streamlined approach that allows for a more timely response to prevailing market conditions, while also ensuring quality development.

Investment Climate (Existing Conditions)

Following is a synthesis of salient findings regarding the feasibility of, and potential for, successful development within the Rooney Valley Study Area. Consistencies and deviations between supportable uses and products and those identified in existing plans are referenced herein and explained in the conclusion, along with a discussion of actions and resources that could influence the type and timing of development.

Physical Attributes

Parcel attributes in the Valley that have, and will continue to impact development are primarily related to the Area's topography, geology, open space, waterways and infrastructure. Relative to its topography, slopes within the Rooney Valley range from flat to grades exceeding 30%. According to the *Rooney Valley Joint Masterplan*, 2002, nearly one-quarter of the Valley's land area is impacted by slopes in excess of 20% making them undevelopable; with another half impacted by slopes ranging from 11% to 20% and requiring engineered mitigation in order to stabilize them for development.

In addition to topography, the majority of parcels in the Rooney Valley have soils characterized as “expansive” and requiring varying levels of mitigation to minimize swelling when wet and shrinking when dry. While not unusual in Colorado given its soil, rich in mineral and clay content, when extreme it can destroy building foundations and improved structures. Over half of the Valley's land area is characterized as having "moderate to high swell potential."

A final threat from natural features is associated with the presence of various waterways which currently have seasonal flows, but which are expected to transition to year-round watercourses creating downstream flooding concerns. As with adverse

topographic and soil conditions, water flows can be mitigated with a range of storm water management techniques.

Significant open space systems and several major paleontological sites surround and intercept the Study Area, offering unprecedented views, yet collectively rendering nearly half of the Valley's land area undevelopable. While an amenity and feature unique at this scale, when taken in combination with the above site constraints which further diminish the Area's total developable acres, it has a significant impact on the cost of development per buildable acre, creating economic gaps in the developer's (and / or builder's proforma) and potentially making investment infeasible.

A lack of water and sewer infrastructure and resources has further delayed development in the Valley. Mt. Carbon Metropolitan District, initially created to be the Valley's primary source of utilities, was replaced following its bankruptcy by Consolidated Mutual Water Company, Green Mountain Water & Sanitation and the Town of Morrison, the latter through agreements with various ownership entities and providers.

In terms of vehicular access to and within the Valley, the only major roadways offering regional access via Highway C-470 and local access are Alameda Parkway and Morrison Road. Indiana Street serves as the Area's only existing north-south connection, however McIntyre Road, centrally located between Indiana Street and C-470 is currently under-construction. Original plans for the Area assumed "a third interchange would be constructed along C-470 at Yale Avenue to support significant levels of commercial development"; however, to-date this interchange has not been constructed and there is no known revenue source in place to fund its construction either near- or long-term. The lack of a third interchange in this location has effectively limited the development potential of internal parcels for most uses other than residential given their constrained access and visibility.

Whereas the majority of undeveloped parcels in the Valley lack water or sewer service, the competitive attributes of one site over another to support specific uses and product types, is largely limited to size, shape and developable acreage; along with factors such as proximity to open and public spaces, access and visibility from major thoroughfares, and property owner intentions. Parcels with service include the remaining unimproved properties located in the Solterra development, all properties located within the planned Red Rocks Centre, and property in the southeast quadrant of Alameda Parkway and C-470 which has water resources, but lacks appropriate infrastructure.

Ownership and Development Community

Of the Study Area's near 1,700 parcels, 60% are held by a Lakewood interest (individual or entity) and 33% by an interest located in the

Denver Metro Area, making implementation of a coordinated development initiative easier given the low percent of absentee and portfolio ownership. Some property owners and developers are, while highly familiar with conditions in the Valley, limited in their direct experience with mixed- and multi-use developments similar to those envisioned in the Masterplan and recently updated community plans. New investor interests appear to have the most experience with these concept formats, as well as greater access to capital, but current proposals are largely limited to requests for fairly traditional single family detached and rental apartment units along with some commercial development, but nothing that seeks to integrate uses within their own developments, much less with other developments in the Valley. Further, to-date, none appear to show interest in exploring untapped market niches or voids which have been identified herein as having market support and being more in-line with consumer preferences.

Industry Trends (and Capital Markets)

The "changing face of space" is the Urban Land Institute's (ULI's) characterization of current trends in the real estate industry across nearly all product types. Factors particularly impactful on the evolving form of development are shifts associated with emerging and aging social groups, technological advances, and stricter (for the moment) financing terms.

Two social groups -- Millennials (Y-Geners) and Baby Boomers, are having a significant impact on real estate in markets across the country. Millenials, of which nearly 67% nationwide anticipate moving and changing jobs within the next five years, value mobility over stability and are; therefore, growing preferences for renting over owning (residential), and sharing over exclusivity (home rentals over hotels and shared offices and conference rooms over primary long-term leases). Baby Boomers that are beginning their encore careers and downsizing from their single family detached homes, are driving a portion of the demand for mixed- and multi-use developments which comprehensively meet their living (rental and ownership), medical, learning, shopping, dining and entertainment needs.

The 2010 Census reported, for the first time, a higher percent of single and un-related households than traditional family households, a trend reflected in the increase in smaller unit sizes, both rental and ownership. The ratio of renters to home owners in markets across the United States and throughout the Denver Metro Area has changed significantly in recent years with a growing number of individuals not only unable to own, but preferring to rent. During the Great Recession, scores of individuals and families lost their homes, forcing them to either live with family or friends or find a house or apartment to rent. Since the Great Recession, while some of these householders have chosen to purchase another home (assuming they can, given stricter lending practices), others have elected to continue to rent. Young professionals desiring

greater mobility, and burdened by disproportionately high student loan debt relative to wages, are also driving demand for more rental product types; as are a growing number of seniors and students.

One of the most obvious and talked about by-products of technological advances is the decline in demand for commercial bricks and mortar spaces. The convergence of a growing technological infrastructure and correspondingly more expedient system of on-line shopping has in fact fueled consumers' expectations of immediacy and driven down the size of the commercial "box". Correspondingly, however, it has increased demand for more and larger industrial distribution facilities whereas stores are no longer holding their inventories on-sight, but rather having them shipped in after the sale or shipped directly to the customer.

In addition to strengthening the connection between retail and industrial products, a growing technological infrastructure has created opportunities for greater isolation whereas there are fewer reasons to leave your home. "Third place" spaces (those that are not home or work where community is created), community rooms and collaboration spaces are all the market's response to promote social interaction and minimize seclusion.

New work space models are also responding to an evolving balance between work and home and a heightened environmental awareness among members of all age groups (X- and Y-Generations, and Baby Boomers), and correspondingly contributing to the disappearing line between suburban office and flexible industrial product types. The pursuit for greater balance between work and personal time is contributing to the decline in driving office space needed per employee from 250 square feet per employee in 2000 to an anticipated 100 square feet per employee in 2020. While individual spaces are getting smaller, however, collaborative and shared work spaces are increasing. While development of speculative office space is anticipated to continue, particularly in urbanized locations served by transit, it is expected to be comparatively negligible to corporate campus consolidations and turn-key (owner-occupied) construction. Declines in traditional speculative development are a product of all of the above, as well as tighter underwriting practices that now require 60% to 80% preleasing commitments, and higher debt coverage ratios.

Denver's ranking as one of the top five real estate development and investment markets for 2015 has increased available capital for development of favorable product types such as select industrial uses, urban housing, and campus offices supported by transit.

Economic, Demographic and Psychographic Indicators

The alignment of economic, demographic and psychographic characteristics with development is essential for success. These characteristics were analyzed for a geography referred to herein as the Rooney Valley Residential Trade Area or Residential Trade Area (see **Exhibit 2**), as well as Jefferson County and Denver Metro Area. A trade area is the geography from which projects within its boundaries will draw and compete for the majority of its residents, customers, and tenants. Since the Study Area is located in the western portion of the Metro Area and connected via the region-serving C-470 roadway, development projects there can be expected to attract and compete for residents, consumers, users and visitors from multiple geographies, making a comparative analysis of each one essential. Finally, because the Study Area has the potential to support development of a variety of product types, trade areas were defined for each major land use type.

While the City of Lakewood total population declined between 2000 and 2010, it increased between 2010 and 2013 by approximately 2.5%. The Trade Area, during this same timeframe, increased its population base by 5.9%, benefitting from growth in other municipalities located within its boundaries. Growth in both population and households in the Trade Area over the long- term (20 years) is estimated at an average annual rate of 1.3%, resulting in demand for approximately 30,300 housing units by 2035. Given a median age of 41.5 years among residents in the Trade Area, and 38.8 years in the city, compared to the Metro Area's 36.5 years, several of these housing units will be needed, designed and located to support an aging populous with unique lifestyle preferences and needs.

Exhibit 2: Area Residential Trade Area Boundaries

Wealth among residents in the Trade Area is reflected in their educational accomplishments and income. 48% of residents in the Trade Area hold an advanced degree, and 40% report a household income over $100,000, while only 13% report an income below $25,000. This explains the historical success of move-up products and executive homes and disproportionately high demand (over 50%) for ownership units priced over $300,000.

The Trade Area, which skews older, with higher incomes and advanced degrees, further explains the fact that fewer than 22% of its residents are renters, compared to 29% in the County and 35% in the Metro Area. While the available mix of products (supply) can influence these percentages, in this instance it appears to be more a reflection of the Area's resident profile.

An analysis of migration among different age cohorts -- Baby Boomer, X Generation and Y Generation -- reflects the importance of product offerings among these groups over stability. While the overall Trade Area population consistently grew over the past several decades, the Baby Boomer and Y Generation cohorts declined between 2000 to 2010, suggesting movement to other locations within the Metro Area with a greater variety of product offerings.

Psychographic characteristics among the Trade Area's largest population groups and across all lifestyle segments appear to show the greatest support for executive housing products; and, attached ownership units including townhomes, rowhouses, and paired units; along with market-rate and upscale rental units with significant amenity offerings. Further, the majority of Trade Area residents have a profile that suggests a preference for owning versus renting.

Supply and Demand

Residential Market

Over the past two years (2013 to 2015), new residential construction in the Trade Area rebounded to pre-recession levels, although at varying levels by product type with multi-family units representing 61% of all permits issued, single family attached ownership 2% of all permits issued, and single family detached ownership 37% of all permits issued. For comparison, multi-family units in 2008 represented 33% of permits issued, attached ownership units 5%, and detached ownership units 64%.

In 2014 and the first quarter of 2015, there were 70 active for-sale housing projects in the Trade Area, only five of which offered an alternative product to a single family detached unit. In addition, among the new product offerings in the Trade Area, unit prices were 20% to 25% higher than the Metro Area average. As stated above, this trend is supported by the fact that among the more than 13,500 ownership units in demand in the Trade Area over the next

decade, the highest percent of demand is anticipated for units priced between $350,000 and $500,000, and over $500,000.

Sales in Solterra, the only active project offering new homes in the city of Lakewood, represented 16% of total Trade Area sales in 2013, 19% in 2014, and 16% during the first quarter of 2015. Product prices in Solterra averaged 10% to 20% higher than the Trade Area average.

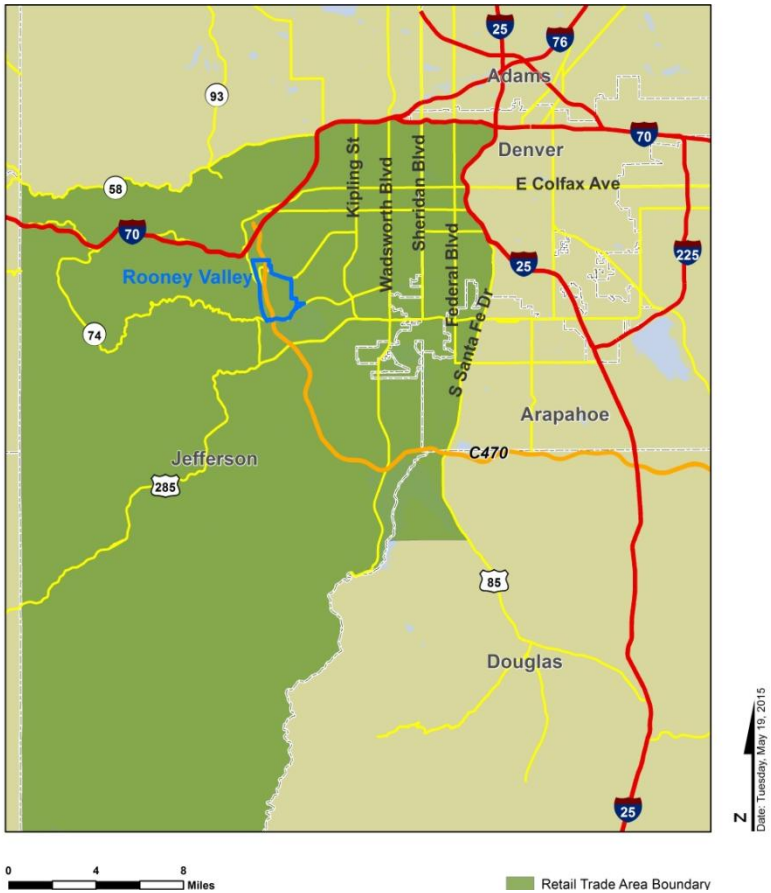
Unlike the for-sale market, the Trade Area rental market is operating closer to Metro Area averages with a vacancy rate of 4.7% and average rent of $1,224, compared to 3.8% and $1,169, both figures considered favorable indicators of demand. With 2,100 rental units under construction and expected to be completed by mid-2016, and demand for approximately 5,300 rental units over the next 10 years, there remain 3,200 units which will need to be delivered somewhere in the Trade Area to address demand.

Retail Market

Current conditions within the retail Trade Area (See **Exhibit 3**) are comparable to those in the Denver Metro Area in terms of vacancy, quoted rental, and net absorption rates, and new construction activity. General retail space in the Trade Area reported a blended (among various product types) commercial retail vacancy rate of 5% and rental rate ranging from $14.00 to $17.91 per square foot (psf) and average of $16.91.

Commercial vacancy rates in the Denver Metro Area average less than 5% and rental rates among shopping centers range between $13.10 and $15.32 psf with vacancy rates averaging approximately 8.5%.

Exhibit 3: Retail Trade Area Boundaries



Demand for commercial retail, service and restaurant space is derived from two principal sources -- expenditures by trade area residents made outside the area, otherwise referred to as "leakage"; and, expenditures by new households resulting from growth. Twenty-year demand in the Trade Area associated with the recapture of leakage is estimated to be 489,000 square feet (sf), with an additional 3.0 million square feet from household growth. Despite sufficient demand within select commercial categories to support new store development, and vacancy rates which suggest pent-up demand, rental rates could be considered modest as an indicator of support for new construction. Taken in combination along with limited capital for new retail development, and reticence on the part of many developers to act without more certainty of market and financial stability, significant levels of commercial activity in the Trade Area will more likely occur mid-term (three to five years). Commercial development within the Project Area will likely occur even later, and only among certain product types which can be supported by a moderate residential build-out. Presented in **Table 1** is an overview of siting criteria among select commercial retail tenants, showing typical site and store sizes, as well as population and income thresholds for new development.

Interchange Retail Demand

In addition to an analysis of demand for commercial retail space within a representative trade area, a more focused analyses of demand was conducted within targeted areas around the Area's two major interchanges – C-470 and Morrison Road and C-470 and Alameda Parkway. These analyses specifically investigated conditions and support for grocery and general merchandise stores within a 3-mile radius of each interchange. Current and anticipated household growth over the next 10 years within both the C-470 and Morrison Road and C-470 and Alameda Parkway 3-mile trade areas were considered sufficient to support a grocery and / or general merchandise opportunity. While the C-470 and Morrison Road interchange trade area appeared to offer slightly more support for a grocery anchored commercial center, due in large part to an existing higher concentration of households within 3-miles, and considering current "leakage" of retail spending within that trade area. However, long-term and depending on the ultimate development concept for the Valley and location of specific day- and nighttime activity generating uses, both interchanges will likely be well-positioned to accommodate commercial development of some form. Finally, what will be equally important as market demand, will be the physical capacity and attributes of each area to the extent that they can address the access and visibility requirements of select retailers.

Office and Industrial Markets

The Study Area is located within the West and Southwest submarkets, as defined by CoStar Group, a nationally-recognized source for real estate information. These submarkets compare somewhat favorably to the Denver Metro Area in terms of vacancy and quoted rental rates. Net absorption and new construction

Table 1: Sample Retail Tenant Siting Criteria

Retailer	Preferred Site Size (acres)	Floor Size Required (square feet)	Population and Site Criteria	Rooney Valley Trade Area Characteristics
In-line Hardware (Ace)	2 to 3 acres	10,000 square feet plus 2,000 square feet for home & garden	10,000 trade area population $35,000 median household income	271,000 trade area population $81,600 median household income
Pharmecy (Walgreens, CVS)	1.5 to 2 acres	14,500 square feet	20,000 trade area population intersection with "significant" traffic counts	33,000 population within 3 miles $81,600 median household income
Specialty Grocer (Whole Foods Market)	4 acres	15,000 to 40,000 square feet	130,000 population within 3 miles	33,000 population within 3 miles
Specialty Grocer (Sprouts)	2 to 3 acres	28,000 to 30,000 square feet	100,000 population within 3 miles $60,000 median household income	33,000 population within 3 miles $81,600 median household income
Regional Fitness Brand (Bally Total Fitness)	3.5 acres	25,000 to 30,000 square feet	75,000 population within 3 miles 150,000 within 5 miles $40,000 to $80,000 median household income	33,000 population within 3 miles 108,000 population within 5 miles $81,600 median household income
National Fitness Brand (24 Hour Fitness)	2 to 3 acres	28,000 to 42,000 square feet	100,000 population within 3 miles 30,000 daily traffic volume $60,000 median household income	33,000 population within 3 miles 70,000+ daily traffic volume $81,600 median household income
The Container Store	2 acres	25,000 square feet	300,000 within 5 miles plus 60,000 daily traffic volume $80,000 median household income	108,000 population within 5 miles 70,000+ daily traffic volume $81,600 median household income
Sit-Down Restaurant with Extended Hours (Bennigan's)	2 acres	6,500 to 7,100 square feet	50,000 to 70,000 population within 5 miles near movie theaters ideal	108,000 population within 5 miles
Family Sit-Down Restaurant (Ruby Tuesdays)	1.5 acres	3,000 to 4,500 square feet	25,000 within 3 miles 50,000 within 5 miles	33,000 population within 3 miles 108,000 population within 5 miles
Deli (Schlotzsky's, Mike's Sub)	1 acre	3,200 square feet	10,000 within 1 mile 20,000 within 2 miles 10,000 to 30,000 daily traffic volume 1,000 businesses within 1 mile 40% of trade area pop over $55,000 median household income	33,000 population within 3 miles 108,000 population within 5 miles 70,000+ daily traffic volume $81,600 median household income 65% of hhs over $50,000 median household income
Children's World Learning Centers	1 acre	8,500 to 10,000 square feet plus 14,000 square feet of outside play area (or 75 sf per child)	2,400 kids ages 0 to 6 modest median household incomes	1,900 population aged 0 to 6 $81,600 median household income
In-line Electronics (Radio Shack)	1 acre	2,300 to 3,000 square feet	40,000 population within 3 miles	33,000 population within 3 miles
Coffee Shop with Bakery (Seattle's Best)	1 acre	3,000 to 5,000 square feet	20,000+ daily traffic volume	15,000 daily local traffic volume
Great Harvest Bread Company	1 acre	2,000 square feet	"upscale urban neighborhood"	upscale but suburban neighborhood

Source: Crittendon and Ricker|Cunningham.

the first quarter of 2015 in both submarkets was also similar in scale to that of the Metro Area.

The greatest existing concentrations of office and industrial space are located in the western and northwestern portion of the Denver Metro Area, north and northeast of the Study Area, while smaller new concentrations are developing along C-470 to the southeast. (See **Exhibits 4 and 5**)

There was a total of over 280,000 square feet of industrial space proposed in the Trade Area during the first quarter of 2015, but nearly 90% in the West Submarket, all of which is leased. In the Southwest Submarket, where the Study Area is located, approximately 30,000 square feet is proposed, of which 46% is leased.

Demand for primary employment space (office and industrial) is derived from two primary sources -- expansion of the existing business and existing base, and the relocation of new companies into the trade area. At a sustained annual rate of 1.8%, employment growth in the Trade Area should result in the addition of approximately 99,500 new jobs over the next 20 years. Whereas differing levels of office versus industrial space is needed among different industries, the analysis here suggests support for approximately 6.3 million square feet of new office space and 8.9 million square feet of new industrial space.

Exhibit 4: Office Trade Area Boundaries

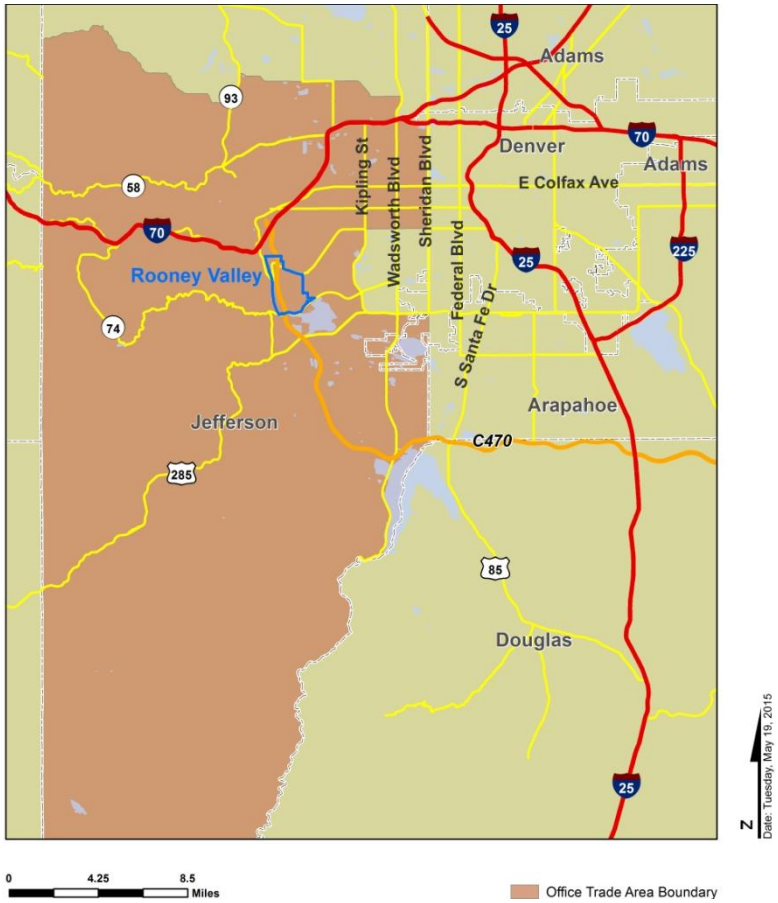
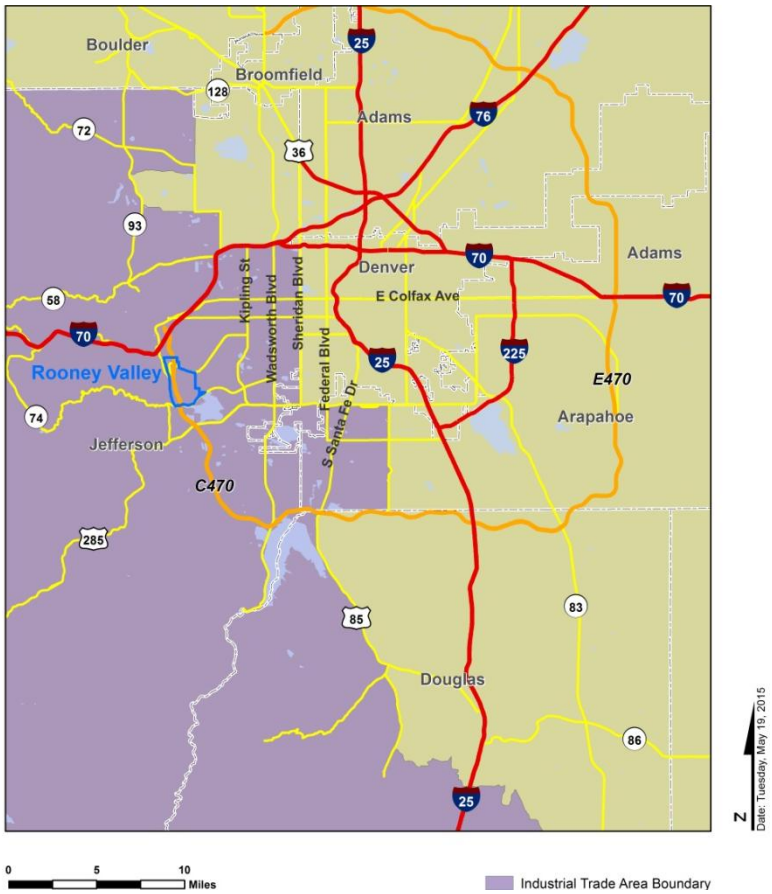


Exhibit 5: Industrial Trade Area Boundaries



Despite sufficient demand due to anticipated employment growth, as well as movement among existing employers, there remains limited capital for new development of traditional office products, particularly those located in suburban markets and lacking access to transit. Although new office construction is beginning to occur in "Class A" locations in the Metro Area, the Study Area opportunity will more likely occur in the mid- to long-term, and in a form that will more likely blend the line between office and light industrial product types. Capital for industrial product types, on the other hand, is healthy and growing. While certain parcels within the Valley could support a light industrial product, offering appropriate access and visibility, what could deter investment decisions is the high cost of development in the Valley. Whereas industrial has rental rates significantly lower than office rental rates, and given the comparatively high cost of land development, it may be difficult to make this type of product financially feasible. Flex office space, with higher rental rates, would likely have a better chance to succeed.

The only other employment product type, corporate headquarter or corporate campus, would likely favor a location like the Rooney Valley with regional access to points north and south in the Metro Area, Downtown Denver and Denver International Airport (DIA) via Highway C-470; proximity to the mountains, its resorts and sports offerings, and regional trail systems; and, attractive natural setting. However, limiting conditions exist which will potentially continue to preclude interest among these users if not resolved include the lack of: diversity in housing product types including executive housing and employee housing options; daily services, restaurants, and hotels; and, alternative forms of transit infrastructure.

Market Summary

A number of factors influence an area's ability to capture investment dollars. These can be categorized as: top down considerations; bottom up considerations; external considerations; and others. Some the public sector (or stakeholder entities) can control, and others they cannot. Examples of each include:

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 – fewer physical constraints
- **Vision** and desire for certain uses and product types
- Size of **parcels**, parcel ownership (public and private), owner investment objectives
- **Zoning** (and other regulations) and presence of easements

External Considerations

- **Delivery system** – who are the area's builders / developers, what are they willing and able to provide
- **Financing markets** – availability of capital with reasonable funding terms for certain product types
- **Market forces** - growth and consumer preferences)

Other Considerations

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

Demand for select land uses and product types in the respective Trade Areas over the next 20 years are summarized in **Table 2**. Those which could be supported in the Study Area and their timing will largely be informed by the "bottom up considerations," as well as efforts to remove the identified barriers to investment. The range of potential capture rates for parcels within the Project Area assumes that any barriers to development have either been resolved, or there is a program in place to resolve them. Based on anticipated growth in competitive Trade Areas, and as presented, the Valley's potential market shares by land use over the near- and long-term could range between 2,500 and 3,200 residential units and between 1.5 and 1.9 million square feet of retail and employment space, including products traditionally classified as office and industrial. At densities typical of projects in similar

locations, this magnitude of development would represent between 700 and 800 acres, or approximately 70% to 80% of the Project Area's land base. In terms of which uses and products will ultimately locate within its boundaries, ideally they will be a mix which capitalizes on the Area's natural environment and regional access and addresses market voids and niches. Specific product recommendations are presented in **Table 3**.

Table 2: Market Absorption Summary

		Rooney Valley Study Area					
	Trade Area Demand	Market Share		Absorption (Units/Sq Ft)		Absorption (Acres*)	
Land Use Type	(20 Year)	Low	High	Low	High	Low	High
Residential (Units):							
Single Family Detached	16,200	9%	11%	1,458	1,782	486	594
Single Family Attached	6,900	7%	9%	483	621	16	21
Rental Apartments	7,200	9%	11%	648	792	22	26
Subtotal	**30,300**			**2,589**	**3,195**	**524**	**641**
Non-Residential (Sq Ft):							
Retail	3,400,000	14%	16%	476,000	544,000	44	50
Office	6,300,000	7%	9%	441,000	567,000	29	37
Industrial	8,900,000	7%	9%	623,000	801,000	72	92
Subtotal	**18,600,000**			**1,540,000**	**1,912,000**	**144**	**179**
					Total Acres	**668**	**820**

*Based on following densities/FARs:

Single Family Detached	3	units/acre
Single Family Attached	8	units/acre
Rental Apartments	30	units/acre
Retail	0.25	FAR
Office	0.35	FAR
Industrial	0.20	FAR

Source: Ricker | Cunningham.

Whereas the Valley has several property owners, and each one maintains individual entitlements, achieving an appropriate balance of uses will be highly dependent on the partner entities' efforts and their willingness and ability to employ a combination of policies, incentives and regulations to inform and guide investment. Beyond its uses, successful development of the Valley will depend on a commitment to quality over quantity as reflected in a unified program of signs, gathering places, and landscaped features; appropriate transitions between uses; access to, yet preservation of natural amenities; and, improvements of a suitable scale.

Table 3: Supportable Real Estate Product Types

Land Use Category	Product Type	Building Size (Sq Ft)	Density (units per acre or floor area ratio)	Project Site Area Required (Acres)
Residential	Ownership - Detached			
	Single Family Detached	3,000 to 5,000	3	50
	Cottage	1,500 to 2,500	5	50
	Patio Home	1,500 to 2,500	6	50
Residential	Ownership - Attached			
	Townhome	1,500 to 2,500	8	5 to 10
	Row House	1,500 to 2,500	8	5 to 10
	Paired Home	1,500 to 2,500	6	25 to 50
	Condominium	800 to 1,800	25	5 to 10
Residential	Rental			
	Apartments (affordable and market rate)	600 to 1,400	20 to 30	15 to 20
	Independent (Senior)	600 to 1,200	15 to 20	10 to 15

Land Use Category	Product Type	Building Size (Sq Ft)	Density (units per acre or floor area ratio)	Project Site Area Required (Acres)
Commercial Retail				
	Neighborhood Center (grocery store anchor)	50,000 to 150,000	25%	5 to 15
	Community Center (junior or discount department store anchor)	150,000 to 300,000	25%	15 to 30
	Convenience/Service	15,000 to 25,000	25%	2 to 4
Lodging				
	Full-Service	150,000 to 200,000	50%	6 to 8
	Limited-Service	80,000 to 100,000	40%	3 to 5
	Boutique	60,000 to 80,000	70%	2 to 4
Mixed-Use				
	Town Center (vertical and / or horizontal mix of integrated uses)	150,000 to 250,000	30%	15 to 25
	Housing or Office Over Retail (vertical)	60,000 to 80,000	50%	3 to 5
	Free-Standing (horizontal mix of uses)	150,000 to 250,000	25%	15 to 30

Table 3: Supportable Real Estate Product Types (cont'd)

Table 3: Supportable Real Estate Product Types (cont'd)

Land Use Category	Product Type	Building Size (Sq Ft)	Density (units per acre or floor area ratio)	Project Site Area Required (Acres)
Commercial Office				
	Mid-Rise (4 to 9 stories, often Class B or C)	80,000 to 180,000	60%	5 to 10
	Local Service (2 to 3 stories, often Class B or C)	40,000 to 60,000	30%	3 to 5
	Corporate Campus	250,000 to 750,000	40%	20 to 50
Industrial				
	Light Industrial	15,000 to 50,000	25%	2 to 5
	Research and Development	15,000 to 50,000	25%	2 to 5
	Manufacturing	15,000 to 50,000	25%	2 to 5

Source: Ricker|Cunningham.

Conclusions and Strategic Initiatives

Conclusions

The desired role of the Rooney Valley, while different among the various stakeholders, has some shared elements:

- **For Morrison** – beyond the fact that an ODP is in place for Red Rocks Centre, the Valley represents a critical source of revenue for the Town that affords its residents the ability to maintain their "status quo" including existing levels of service, form of government and other attributes associated with a community of their size and population;
- **For Lakewood** – the Valley represents one of the few remaining opportunities to fully integrate multiple land uses in an effort to enhance the experience of existing and future residents, reduce vehicle miles and strike a healthier fiscal balance in terms of land uses and municipal resources;
- **For Jefferson County** – the Valley represents a commercial interchange with the potential to host revenue-generating land uses and a center of activity that complements other employment centers within its boundaries and balances its jobs-housing mix; and
- **For Area Land Owners** – the Valley offers a venue to respond to prevailing capital and market opportunities, with the potential for near-term economic returns, resulting from the development of real estate product types succeeding in spite of significant physical challenges.

The Rooney Valley offers an unprecedented opportunity in the Denver Metro Area for a high-quality, multi-use environment that offers immediate and regional access to the state's recreational offerings, area employment centers, and air and rail transportation services. A diverse, yet limited inventory of non-residential product offerings that are primarily local-serving, will complement several high-quality residential neighborhoods, also offering a range of products that address both un-served and under-served markets in both the Trade Area and Metro Area as a whole.

Based on an analysis of somewhat comparable land development projects throughout the Front Range, it appears that site development costs in the Valley are higher than similar costs in other "greenfield" and "fringe" areas. These higher costs are generally attributable to:

- less developable acreage over which to spread site costs (impacts of slope/topography);
- slope/topography constraints and lack of infrastructure;

- higher "soft costs" due to permitting process (Joint Review); and
- higher carrying costs associated with longer permitting process.

This said, it will be paramount that public sector entities with a presence in the Area acknowledge these economic deficiencies and, on a case-by-case basis, explore the need to participate in offsetting economic gaps created by actions to overcome obstacles to development, as well as those that will likely result from increasing the quality of development in the Valley which will be essential in to achieve desired levels of value.

Existing land owners and / or developers, to-date, have not asked for financial assistance from the respective jurisdictions to address imbalances in economic risk and return. Rather, they have asked, and continue to ask, for: greater flexibility in the uses that will be permitted within their properties; relief from existing regulations and regulatory processes (specifically the Joint Review Committee) which are comparatively lengthy and ultimately more costly; and, municipal support for the creation of special districts to fund Area infrastructure.

(Potential)Strategic Initiatives

Based on the findings and observations of the work described herein, the best development concept for the Valley is likely one that:

- encourages quality or quantity (as reflected in design, materials and diversity) and therefore value, in an effort to overcome financial inequities
- reflects established and consistently maintained and shared standards of development among the participating jurisdictions; and
- involves the public sector as a partner in minimizing risks associated with developing in an economically challenging, yet vitally important, area of the community and region.

To this end ...

Irrespective of municipal or ownership boundaries, shared standards of development should be considered to inform the design and quality of public improvements. If, through current revisions to joint planning processes, the JPRC's role is modified, a new program might be considered with regard to their consistent enforcement.

Whereas the average cost of development in the Valley appears to be higher than in comparable locations within the Metro Area, and required quality standards (referenced above) will further increase project costs, the participating entities should consider establishing a range of resources which would serve to fill "economic gaps" among meritorious projects and shared improvements.

In addition to financial resources, it is advisable that relevant policy and regulating documents among the participating jurisdictions are in alignment with the vision and desired outcomes. This may require either updates to existing documents, but regardless, ideally the shared goal will be to eliminate unnecessary barriers to investment.

Density, as a component of entitlements, while often a solution to overcome economic challenges associated with development, might be considered a measure of last resort with other participatory measures used to balance private sector risk and return expectations and still accomplish high-value development.

Given the Project Area's location at a highly visible gateway to all three jurisdictions, the Denver Metro Area from the west, and the Rocky Mountains from the east, improvements will ideally be mutually-beneficial and the cost of those improvements will be shared. This cost sharing arrangement could be formalized in new or updated agreements.

Whereas some existing agreements, both intergovernmental and parcel-specific, have been considered to be less than productive relative to the evolving vision for the Valley and changing market conditions, a thorough review of each one and their supporting processes could benefit both public and private interests and eliminate any unintentional barriers to investment.

Although each prospective stakeholder entity has a different role in the Valley's development, jointly prepared marketing and promotion materials and collective promotion could prove more efficient and valuable in the long term. Participating groups might include: City of Lakewood, Town of Morrison, Jefferson County, Jeffco ED, special districts (with a presence in the Valley), property and business owners, and developers.

Since infrastructure challenges continue to play a significant role in delaying development in the Valley, a joint infrastructure strategy might be considered which: quantifies required service levels relative to existing resources based on a new vision for the Valley; identifies opportunities and locations for shared infrastructure improvements and offers a more comprehensive (and less redundant) and shared approach to cost allocation; and, considers existing agreements and their debt structure, so as to ensure the provision of uninterrupted services to Area users.

While the original *Rooney Valley Masterplan* envisioned a stronger mix of non-residential to residential products, particularly west of the then planned McIntyre Street, it is the findings of the market research presented here that primary uses in the Valley be residential, with a market-supported mix of non-residential uses, and primarily those that serve the needs and address the lifestyle preferences of existing and potential residents. Therefore, while the number of broad categories of uses might be fewer than

originally conceived, a great variety of product offerings among these uses will be essential for success.

To this end, a final strategic initiative might include a comprehensive housing strategy for the entire city, with deliberate focus on key strategy areas, and that identifies in greater detail than this report can allow, the range of market-supported product types necessary to address community goals such as “aging in place”, “co-location of uses to minimize vehicle trips” and “growing primary jobs and the delivery of a comprehensive economic development infrastructure”.