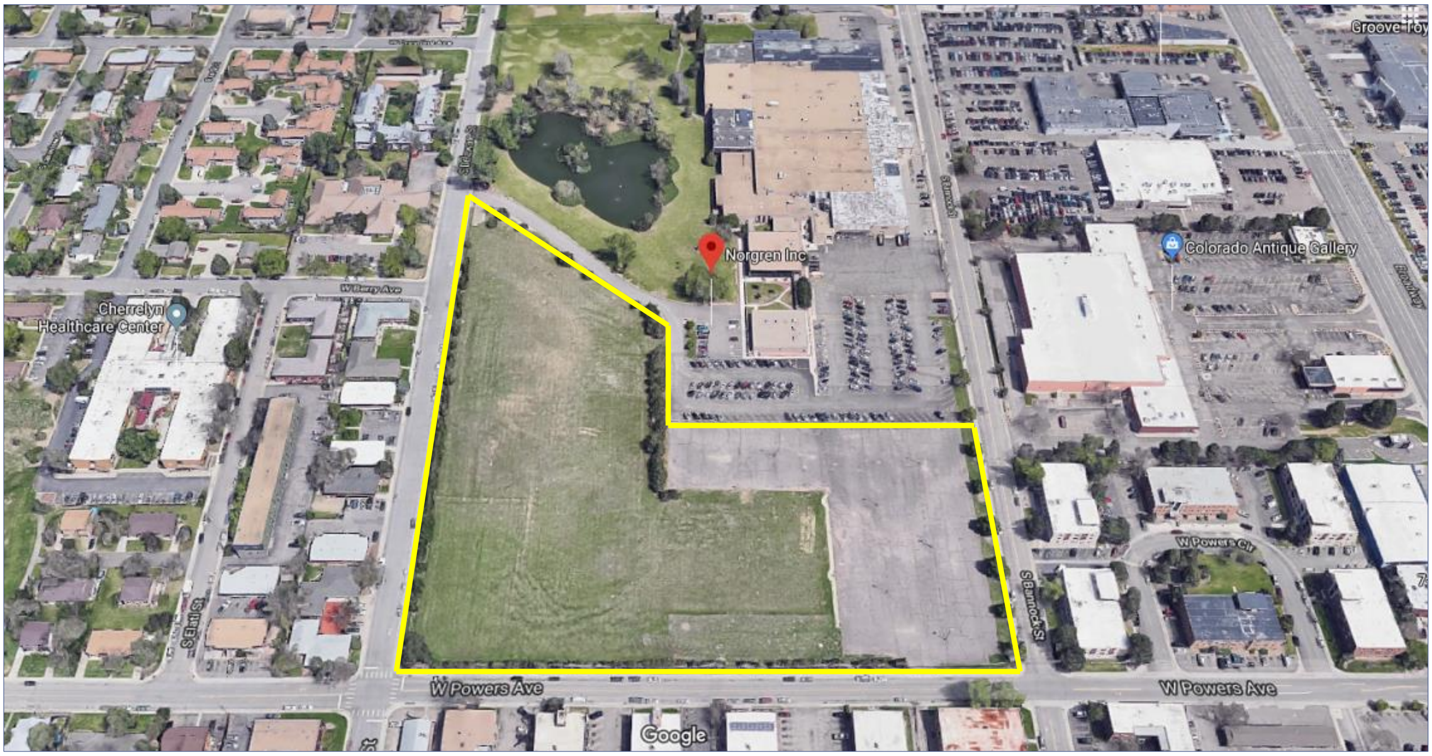

Economic Analysis:

Richmond American Homes
241 W Powers Ave

Economic Development Department
City of Littleton
10/18/2019

Conceptual Site Plan

Project Summary

Richmond American Homes is requesting a zoning change from I-P to PD-R for a vacant, 8.57 acre parcel adjacent to the Norgren facility. A rezoning to PD-R would eliminate commercial uses indefinitely and limit land uses to: single-family dwelling units, multiple-family dwelling units, churches, schools, and recreational facilities. Richmond Homes' conceptual site plan indicates 85 single-family, three story homes with roof top patios and an average of 1,750 square feet per home with alley loaded garages as the most likely pattern of development.

The following economic analysis is based on the most current conceptual site plan as it represents the most likely pattern of development. The final development mix and the conclusion of the economic development team are subject to change pending a formal Site Development Plan (SDP).

A response to the analysis was submitted to city staff on October 17, 2019. Applicable counter points were added to the report. Counter points not included in the final report can be presented to planning commission and/or council later and will be addressed by city staff.

Executive Summary

This report provides an analysis and evaluation of the current and future financial stability, commercial real estate health, and overall economic performance of 241 W Powers Ave and its contribution to the economic sustainability of the City of Littleton. Methods of analysis include an examination of retail, office, and industrial space potential, application of a fiscal sustainability study, an Input-Output analysis regarding job and earnings impact, an examination of recommended housing development from BBC Research and Consulting, and a Streetlight Data analysis. Results of the economic analysis highlight an undersupply of industrial real estate, an opportunity cost in future jobs and earnings loss, and a potential adverse impact to the fiscal sustainability of the city should the site be rezoned to PD-R. The Economic Development Department does not support a zoning change from I-P to PD-R.

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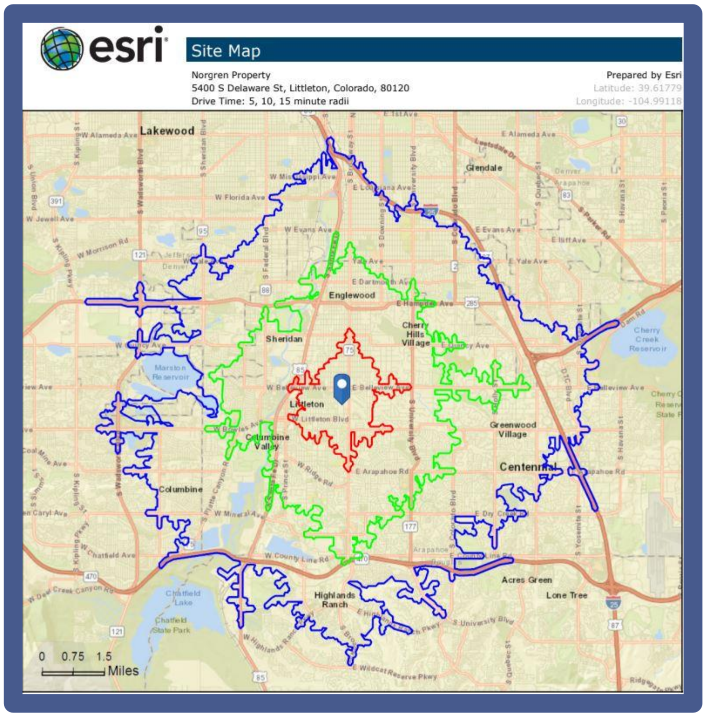
2018 Economic Analysis

Commercial Real Estate Analysis

Retail

The proposed rezone would eliminate any future opportunity for a retail establishment. Retail uses are supported under the current I-P zoning but not under PD-R.



To determine the highest fiscal opportunity for the property, a retail market GAP Analysis Report using 5, 10, and 15 minute drive times was performed. The purpose of a GAP analysis is to estimate supply (retail sales) and demand (retail potential) in a specified trade area. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales.

Results of the analysis indicated a negative retail gap and negative Leakage/Surplus Factor, leading the economic development department to conclude the retail trade area was saturated:

Total Retail Trade: NAICS 44-45			
	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time
Supply (Retail Sales)	$962,307,279	$2,479,672,786	$5,352,341,626
Demand (Retail Potential)	$228,489,958	$1,434,495,498	$4,967,853,571
Retail Gap	-$733,817,321	-$1,045,177,288	-$384,488,055
Leakage/Surplus Factor	-61.6	-26.7	-3.7

Despite these results, the analysis highlighted an opportunity to pursue a 'Specialty Food Store':

Specialty Food Stores: NAICS 4452			
	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time
Supply (Retail Sales)	$351,353	$5,253,603	$32,442,911
Demand (Retail Potential)	$3,318,316	$20,325,322	$69,877,879
Retail Gap	$2,966,963	$15,071,719	37,434,968
Leakage/Surplus Factor	80.9	58.9	36.6

Though the analysis provided positive results pertaining to specialty food stores, the ED team understands the many factors retailers use to determine locational decisions (i.e. demographics, visibility, etc.), and acknowledges the site is most likely best suited for an industrial or office use should the zoning remain unchanged.

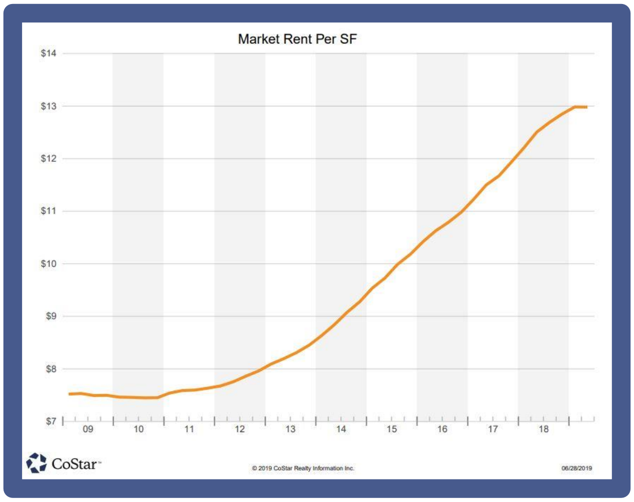
Regardless, the cities sales tax dependence (projected 76% of 2020 general funds) requires all prospective retail avenues be explored.

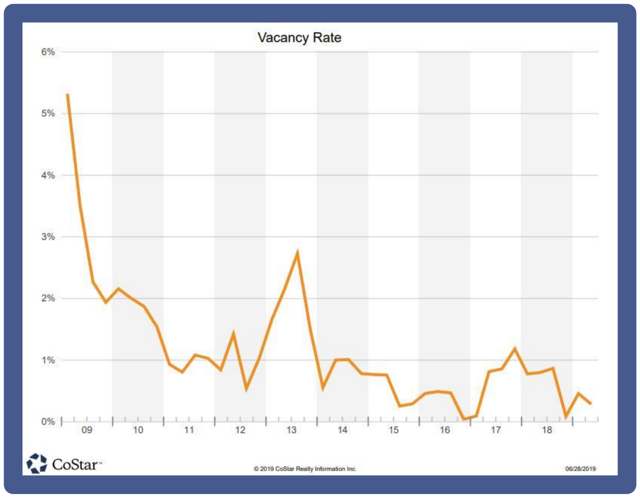
Office

The proposed rezone would eliminate any future opportunity for an office use. Under the current I-P zoning, administrative and executive; business and professional; and general offices are identified as allowed uses.

Industrial

A rezone to PD-R could be disadvantageous to the commercial real estate health of the city for several of reasons. When analyzing current market indicators, it might be determined that Littleton has a shortage of industrial space. The vacancy rate in the City of Littleton is 0.1%, a ten year low, and the average market rent/sf is $13.00, a 10-year high. For perspective, the Denver-Metro (including Littleton) vacancy rate and market rent/sf for industrial space is 5.0% and $9.10, respectively. From a commercial real estate perspective, a rezone to allow for single family residential housing could further exacerbate an undersupply of commercial industrial space.





Fiscal Sustainability

Retail Sales Tax is the largest single source of revenue for the City of Littleton. The sales tax rate for the city is 3.0%. TischlerBise, a fiscal, economic, and planning consulting firm, performed a fiscal impact analysis to provide information regarding how specific land use scenarios impact the fiscal sustainability of the City of Littleton.

For the analysis, TischlerBise identified three land use scenarios with varying levels of residential and non-residential development. Results are below:

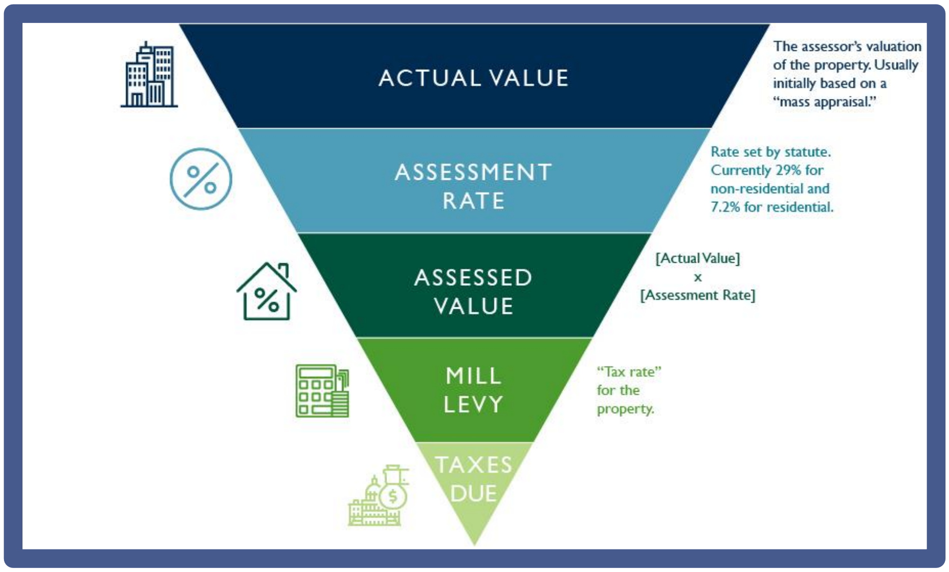
Scenario 1, in which the majority of the developable land was used for residential development, yielded a negative revenue-expenditure ratio. According to TischlerBise, “residential development generates less revenue but greater costs than nonresidential development.” Based upon these findings, TischlerBise recommended the city shift its developmental approach to facilitate less residential development and more nonresidential development.

The Richmond American Homes conceptual site plan, representing the most likely pattern of development, indicates 100% of the square footage put forward will be multi-family residential housing. If the site is developed in this manner, the financial sustainability of the City of Littleton could be adversely impacted, per TischlerBise's findings.

Property Tax

Property taxes will account for 4% of the general fund revenue in 2020. This includes commercial and residential real property and business personal property. Commercial real property and business personal property are assessed at 29%, while residential properties are assessed at 7.2%.The 2019 City of Littleton property tax mill levy is 6.662 mills per $1,000 of assessed value. In 2020 the mill levy will drop to 2.0 mills per $1,000 in value to compensate for the South Metro Fire Rescue merger and the residential assessment rate will drop to 7.15%.

Due to the reduced mill levy and the resulting low proportion of overall general fund revenue, the impact of additional property taxes on the long term fiscal sustainability of the city is negligible.



Job Impact

Potential Jobs with Existing Zoning

An allowed manufacturing, office, or retail use under I-P zoning would result in job creation.

To quantify the number of potential jobs lost due to a rezone from I-P to PD-R, the economic development team requested an Input-Output (I-O) analysis under current conditions from Arapahoe/Douglas Works. The results can be viewed as the opportunity cost, or alternative cost, pertaining to number of potential jobs.

The opportunity cost of making a particular choice is the value of the most valuable choice out of those that were not taken. For this analysis, an industrial user the size of Norgren, who occupies a similar sized parcel adjacent to this property, will be used as the estimated “most valuable choice not taken.” Our records indicate the Norgren facility on the west side employs 220 people.

Results of the I-O Analysis:

The 220 jobs, representing the most valuable choice not taken, would have supported another 599 jobs either directly or indirectly. The 220 initial jobs lost, plus the 599 indirect jobs lost, would have earned on average $40,493,337 per year. The estimated tax income generated from the industrial company employing the 220 personnel would have been $3,113,033 and would have been split between local, state, and federal government.

$40,493,337	599	$3,113,033
Change in Earnings	Change in Jobs	Change in Taxes on Production and Imports (TPI)
2.22 Multiplier	2.72 Multiplier	

Potential Jobs with Proposed Rezone

PD-R zoning would allow housing and no commercial uses. The potential for job creation would be limited to home occupations (additional employees are not allowed by code).

Proposed Housing

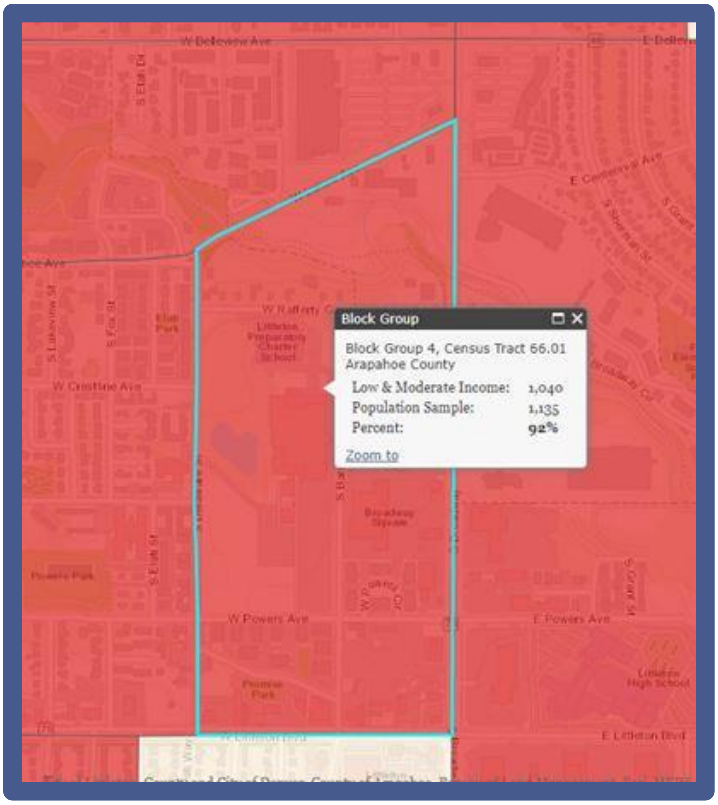
BBC Research and Consulting (BBC) Recommendations

Richmond is proposing to build their “Cityscape” product, which is selling for a price that starts at $450,000 at their nearby Cityscape at Highline community. Recommendations from the 2018 BBC Housing Study include additional affordable rentals (priced below $623 per month), specifically for residents earning less than $25,000; starter homes and family homes priced near or below $300,000 (roughly affordable to a household earning at least $73,000 per year); and housing options attractive to seniors (primarily low-maintenance units with few or no stairs). The economic development department recognizes the importance of market forces, and understands the challenge of offering rents at this price, but recommends offering a small percentage of rentals close to the BBC recommendation.

Additional Data

Housing Department Income Data

According to the Colorado Department of Local Affairs, 92% of the households within the subject property Census Block Group are classified as either low or moderate income.



A household or resident located in a **moderate-income** census block earns between 50% and 80% of the Housing and Urban Development's (HUD) definition of area median income for the county where the census block is located.

A household or resident located in a **low-income** census block earns below 50% of the HUD area median income for the county where the census block is located.

As the applicants noted in their memorandum, "this neighborhood will attract higher income residents with improved shopping power…redevelopment often raises home values, income levels, and even test scores to the surrounding neighborhoods."

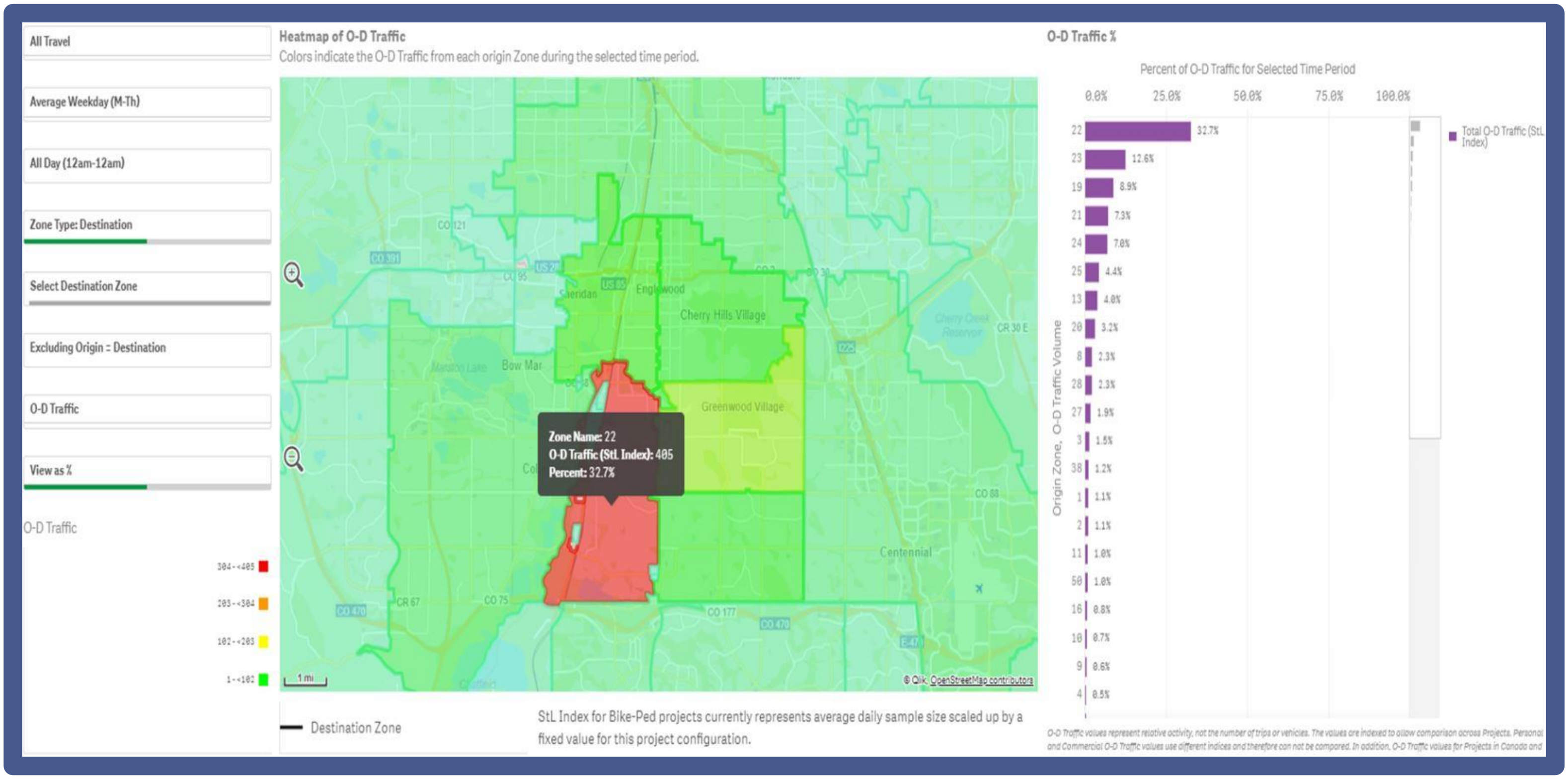
The Economic Development Department shares a similar sentiment, but has concerns that the proposed development, comparable to similar dwellings selling at $450,000, will also contribute to gentrification, defined as "the process of renovating and improving a house or district so that it conforms to middle-class taste." This process might further exacerbate an affordable housing problem.

Streetlight Data

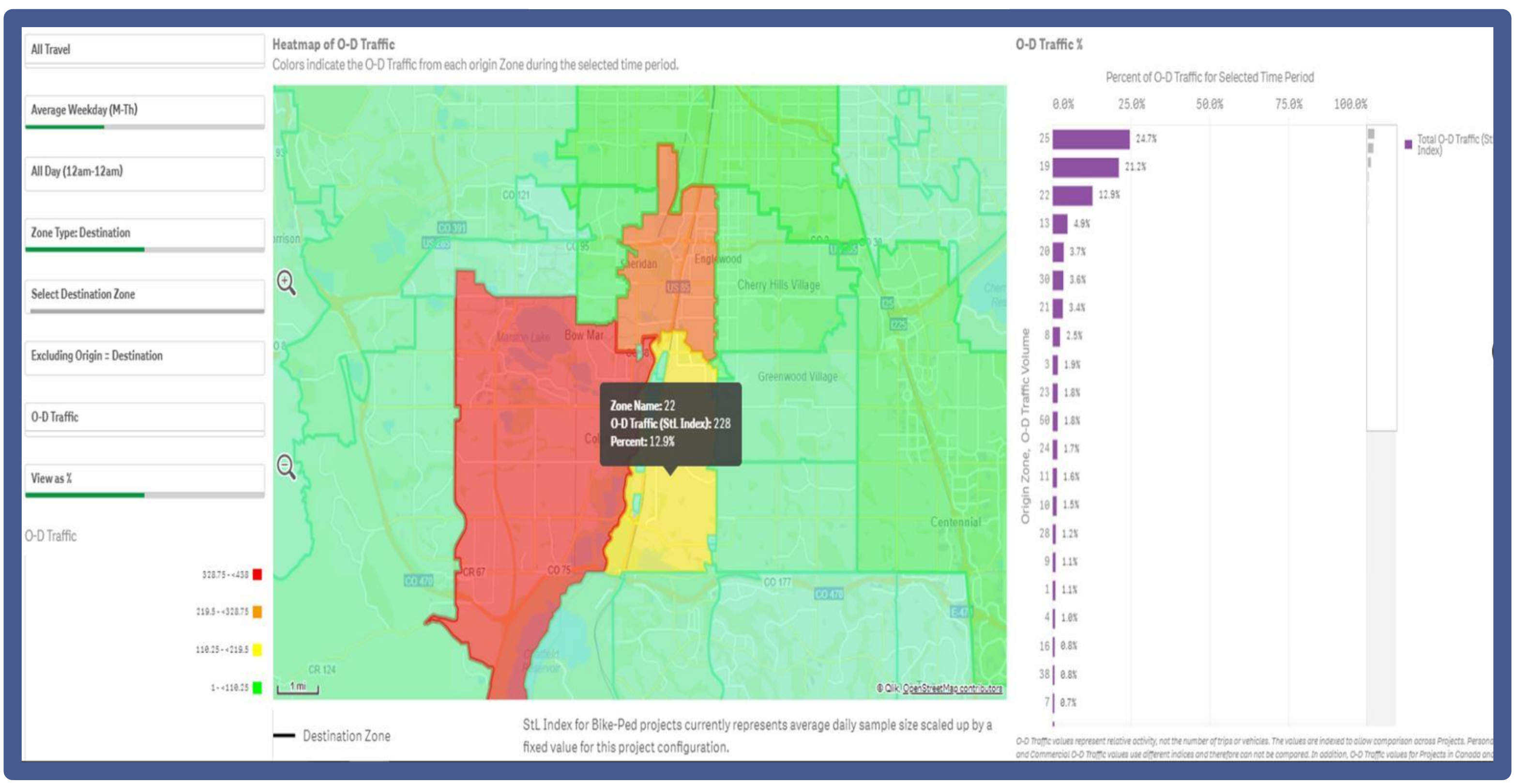
The following maps depict the percentage of travelers residing in a particular area with a final destination of the Littleton (Littleton Blvd. & Broadway) or Englewood (Belleview & Federal) King Soopers on an average weekday. In reviewing this information, we can see those living in the general 80120 zip code make up 32.7% of the daily visitors to the Littleton King Soopers. Conversely, that same 80120 zip code area makes up only 12.9% of the Englewood King Soopers shoppers. From this data we can conclude that residents from any potential residential development at 241 W Powers Ave would spend much of their disposable income within Littleton city limits on groceries alone. According to the USDA, in 2017, households in the middle income quintile spent an average of $7,061 on food, representing 14.3 percent of income, while the lowest income households spent $4,070 on food, representing 34.1 percent of income. Based on this data, the economic development department would suggest most disposable income from households of this development could be spent within the City of Littleton.

(Please see results on the next page)

Littleton King Soopers



Englewood King Soopers



Conclusion

The research indicates the proposed residential development at 241 W Powers Ave could adversely affect the fiscal health, commercial real estate health, and overall economic performance of the City of Littleton. The economic analysis indicates the development would positively result in more disposable income being spent within city limits, but that benefit could be outweighed by negative impacts.

The first potential negative impact articulated in the report is a large opportunity cost in retail, office, and industrial space. Retail was identified to be a questionable fit, but industrial space, with historically low vacancy rates and historically high market rent per square foot rates, was shown to be in high demand. A rezone would eliminate the city's opportunity to develop industrial space in the future.

The second prospective aspect of the development is the lack of commercial space. TischlerBise, a city consultant noted "residential development generates less revenue but greater costs than nonresidential development." Based upon this finding, city staff was encouraged to facilitate non-residential development.

The third potential opportunity cost was exemplified by an Input-Output analysis. The analysis indicated an opportunity cost of 599 jobs, $40,493,337 in earnings, and $3,113,033 in taxes and imports absorbed by the area. Though these costs would be shared over the entire Metro-Denver region, Littleton could be affected more severely due to its proximity to the development.

The fourth prospective problem with the development is its lack of affordable housing. None of the proposed housing meets the 2018 BBC Housing Study's core recommendations and is also in a census block group with a high percentage of "low and moderate income." The core recommendations are not considered, which could further exacerbate the lack of affordable market-rate and work force housing the city is experiencing.

The Economic Development Department does not support a zoning change from I-P to PD-R.