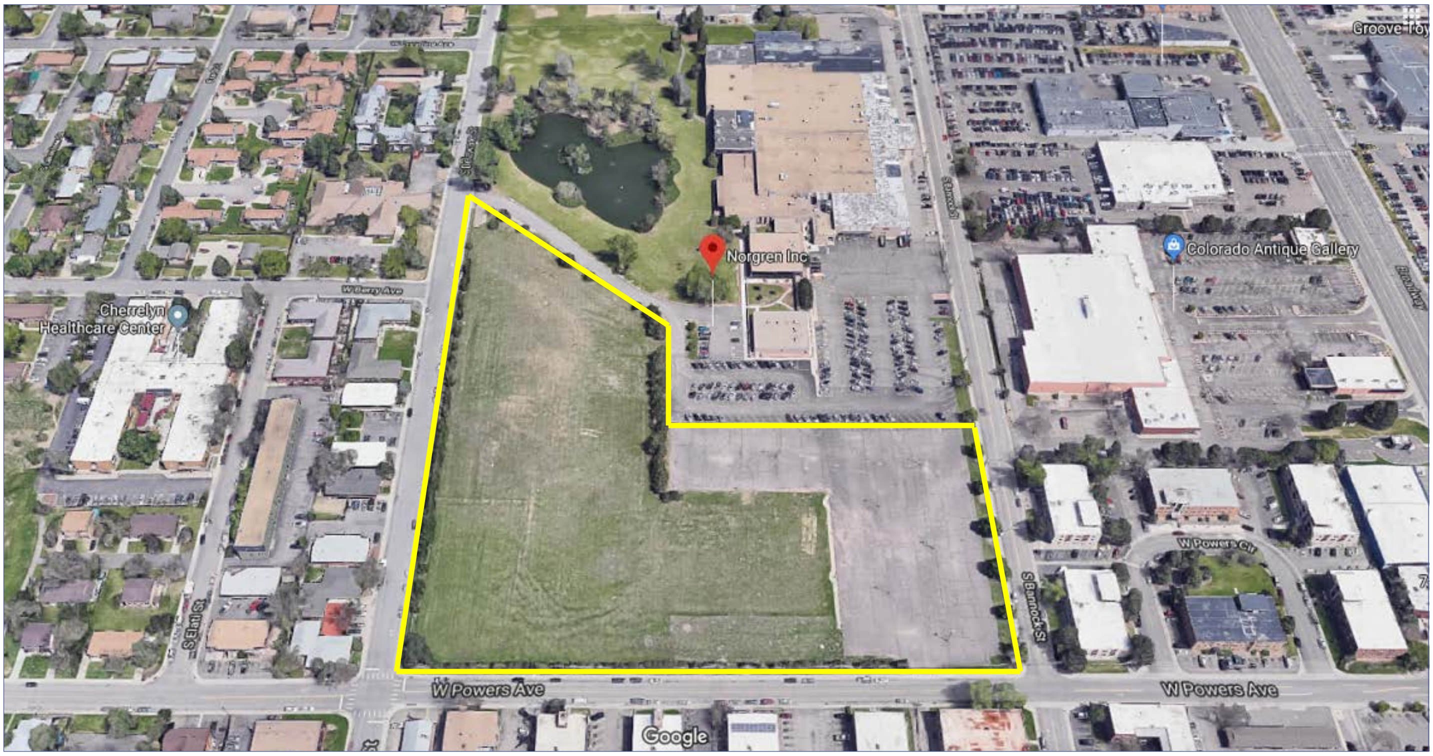


Economic Analysis:

Richmond American Homes
241 W Powers Ave

Economic Development Department
City of Littleton
11/7/2019

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.

After meeting with the planning commission, further edits were made to the report and an addendum addressing specific points presented by city staff, the applicant, and the public is provided in a separate document.

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.

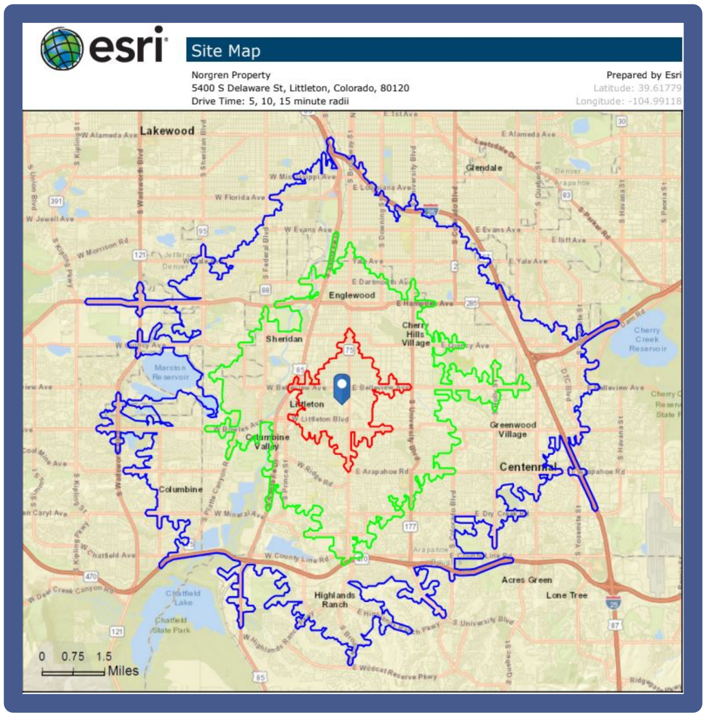
Contents

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.

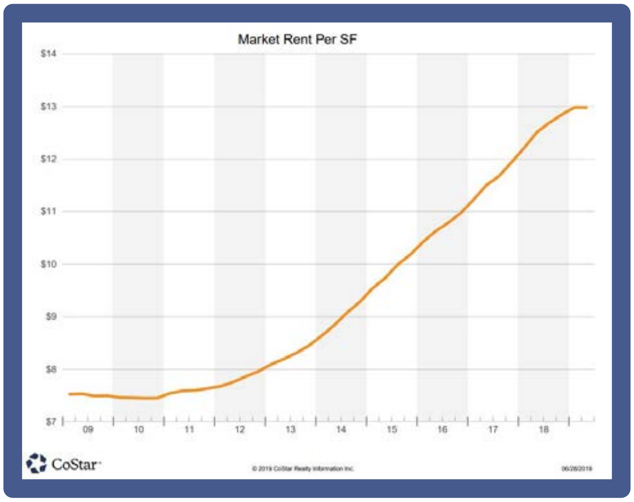
Regardless, the cities sales tax dependence (projected 76% of 2020 general funds) requires all prospective retail avenues be explored.

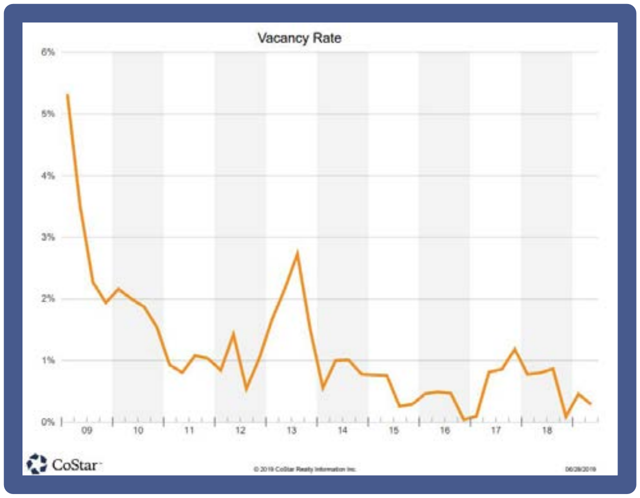
Office

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:

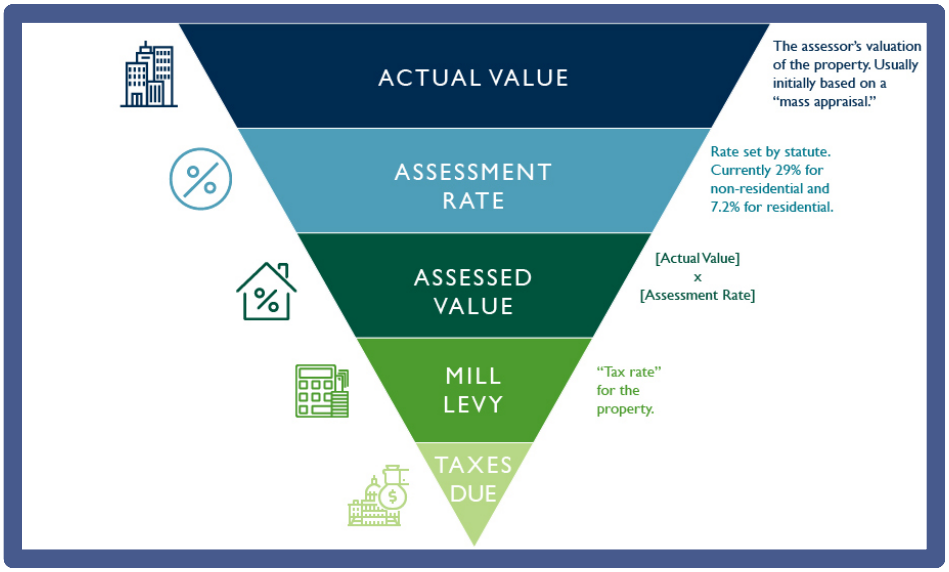
Scenario 1, in which the majority of the developable land was used for residential development, yielded a negative revenue-expenditure ratio. According to TischlerBise, “residential development generates less revenue but greater costs than nonresidential development.” Based upon these findings, TischlerBise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

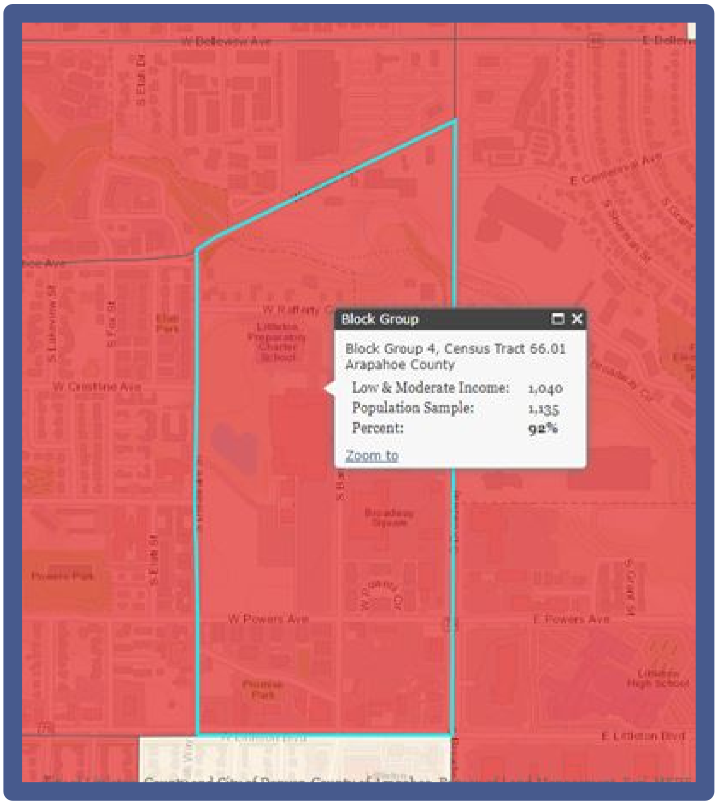
BBC Research and Consulting (BBC) Recommendations

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."

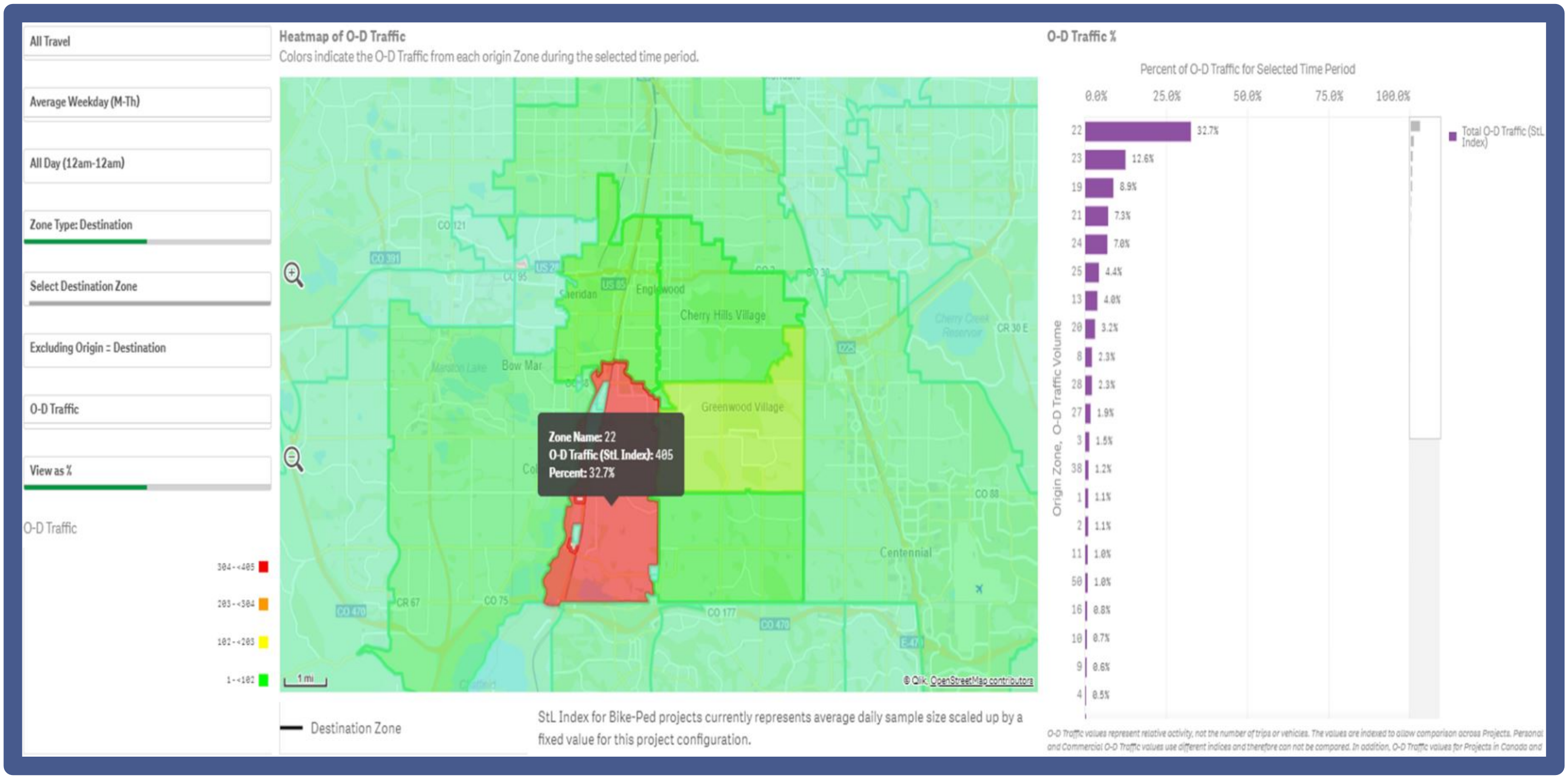
The Economic Development Department shares a similar sentiment, but has concerns that the proposed development, comparable to similar dwellings selling at $450,000, will also contribute to gentrification, defined as "the process of renovating and improving a house or district so that it conforms to middle-class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

Streetlight Data

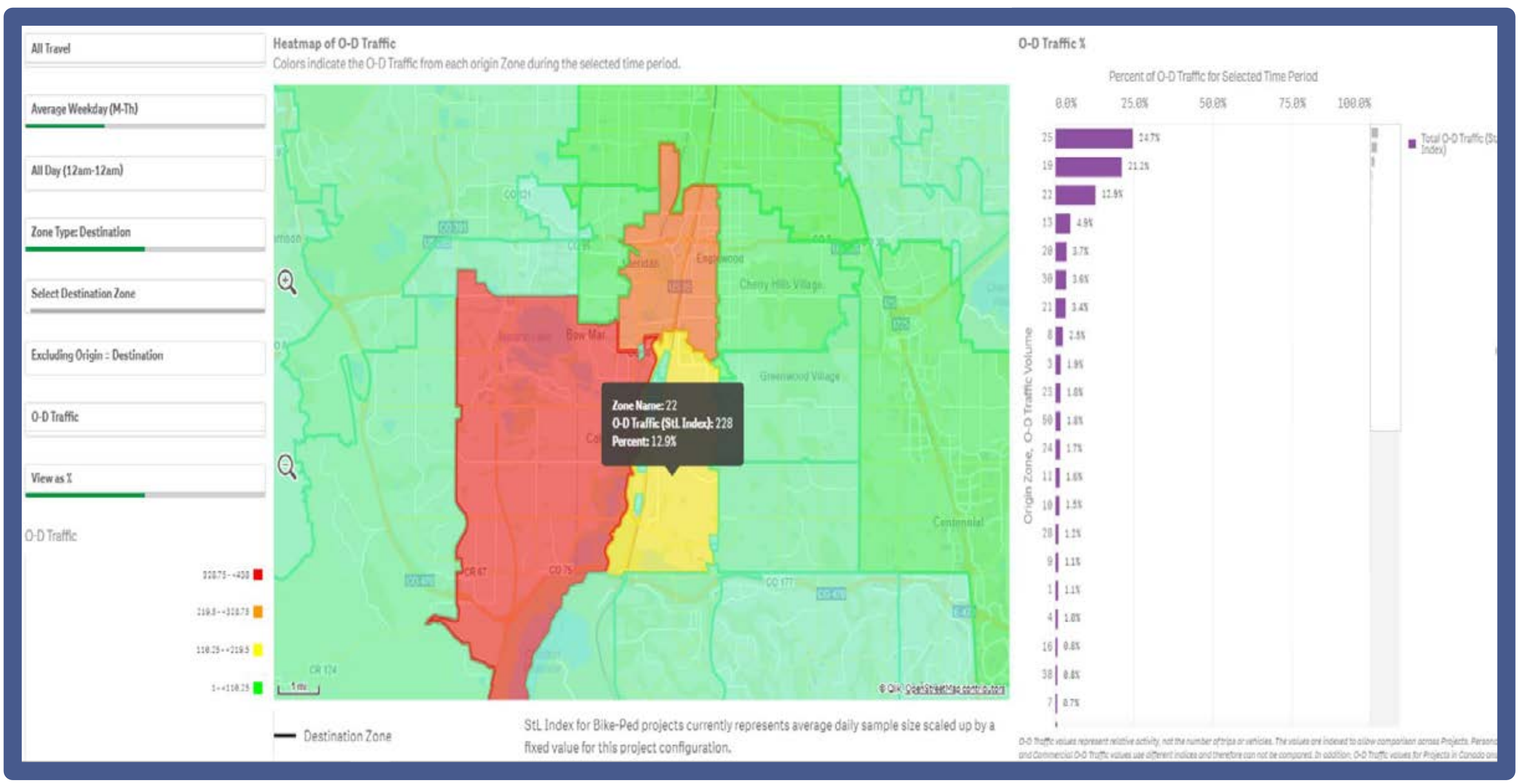
The following maps depict the percentage of travelers residing in a particular area with a final destination of the Littleton (Littleton Blvd. & Broadway) or Englewood (Belleview & Federal) King Soopers on an average weekday. In reviewing this information, we can see those living in the general 80120 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



Pros and Cons

Pros

- New residents with disposable income to spend in the area
- Infrastructure improvements
- An investment into a low income neighborhood possibly stimulating additional improvements in the area

Cons

- A lost opportunity to develop either office or industrial space – once rezoned as residential, the property will remain residential, most likely for decades if not longer
- Residential development generates less revenue and costs greater than non-residential development
- A lost opportunity to capture primary jobs within the city
- The proposal includes no affordable housing

Addendum to Richmond Homes Economic Analysis

Purpose

Additional research indicates corrections should be made regarding information provided by the economic development department, the applicant, and public attendees during the planning commission meeting on Monday, October 28, 2019.

Clarifications/Revisions

1. **Property for sale and time on the market:** Per a representative at the listing broker, Cushman Wakefield, 2011 was confirmed to be the first time the property was put on the market. In addition, according to CoStar, the city's source for commercial real estate market information, the property was on the market for 53 months and 16 days before its initial sale date on January 6, 2016. This means the property was initially put on the market in 2011. To put 53 months and 16 days in perspective relative to the Littleton property market, "months to sale" for vacant land in Littleton has historically been highly variable. Per CoStar, "months to sale" ranged from a low of 1.84 months to a high of 177.77 months from 2009-2019.

Transaction Details

Sale Date	Jan 6, 2016	On Market	53 Mos 16 Days
Sale Price	$2,300,000	Recording Date	Jan 4, 2016
Price/AC Land	$264,368		
Price/SF Land	$6.07		
Price Status	Confirmed		
Sale Type	Investment		
Document #	6000361		
Comp Status	Research Complete		

2. **Retail potential:** The property is not on a heavily trafficked arterial, which is generally a major site determinant for retailers. Thus, the retail potential for the site at present is low.

3. **Industrial or office potential:** A commercial real estate broker consulted by the ED team indicated the properties lack of visibility would not affect office demand and is favorable for an industrial user. Visible properties on a heavily trafficked street would likely command a higher premium than the subject property. Industrial users rely on deliveries and do not necessitate heavy traffic to succeed; therefore paying a premium for a more visible property would not benefit an industrial user.

4. **Industrial vs residential vs vacant property taxes:** Property taxes, including both real and business personal property, will account for only 4% of Littleton's general fund revenue in 2020. Richmond Homes could not provide a base price for their houses due to final construction and market considerations, so a figure of $538,553 (the median price of City Scape houses sold in Littleton Village) was used to estimate how much property tax a residential development would yield. It is estimated that the prospective development would yield approximately $6,592 annually to the City of Littleton.

   Norgren, an industrial user occupying the northern section of the property, currently pays $23,927 in property taxes to the City of Littleton. That figure will drop to $7,183 in 2020 when the mill levy drops to two mills. An industrial user on the southern portion of the property would likely have a higher assessed value and business personal property would be new and assessed at a higher, non-depreciated value, thus would contribute more in property tax. The real property and business personal property tax would most likely exceed the residential real property taxes.

   Either of the above uses would yield more than the vacant land does as it contributes only $1,980 to the property tax base.

   Source: Arapahoe County Assessors.

5. **Average price per square foot:** To better understand the affordability of the Richmond Homes product, the city compared Richmond Homes' Littleton Village City Scape product (as a proxy) vs similarly sized homes and newer homes in the City of Littleton to determine an average price per square foot comparison. The analysis suggests the average price per square foot of Richmond Homes' Littleton Village City Scape product is higher than the city average for newer, similarly sized homes and newer homes in general. Affordability is more appropriately analyzed when making an "apples to apples" comparison such as price per square foot vs. price per square foot rather than base price vs. base price. Base price of homes can vary for several reasons, including property size. Though the Richmond Homes product has a cheaper base price than new or resold homes, the average price per square foot is notably higher:

	Richmond Homes City Scape product (Littleton Village)	Average City of Littleton Home (built 2001 or later)	Average City of Littleton Home (built 2001 or later, 1501-2000 SF)
Median Price Per Square Foot	$282	$208	$247

Source: RE Colorado