

DOWNTOWN LITTLETON ZONING AND DESIGN GUIDELINES

Development Feasibility Analysis



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The Economics of Land Use

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PRESENTATION OVERVIEW

- **PURPOSE:** To provide Council and Planning Commission with an overview of the development types that are currently feasible or may be feasible in the future based on the contemplated zoning requirements.
- **GOALS:** Refine contemplated zoning guidelines based on development feasibility analysis and Council/Commission input.
- **ACTIONS:**
 - Recognize the competing goals relating to mass and bulk, economic feasibility, and character and urban design
 - Build on community input provided to date
 - Provide direction to staff and consulting team with refinements based on Council and Planning Commission priorities

PRESENTATION OVERVIEW

- About EPS
- Status Update
- Market Conditions
- Development Type Overview
- Baseline Feasibility Analysis
- Sensitivity Analysis
- Recommendations and Key Questions

EPS

REAL ESTATE ECONOMICS

PUBLIC FINANCE

LAND USE & TRANSPORTATION

ECONOMIC DEVELOPMENT & REVITALIZATION

FISCAL & ECONOMIC IMPACT ANALYSIS

HOUSING POLICY

PUBLIC PRIVATE PARTNERSHIPS (P3)

PARKS & OPEN SPACE ECONOMICS



STATUS UPDATE

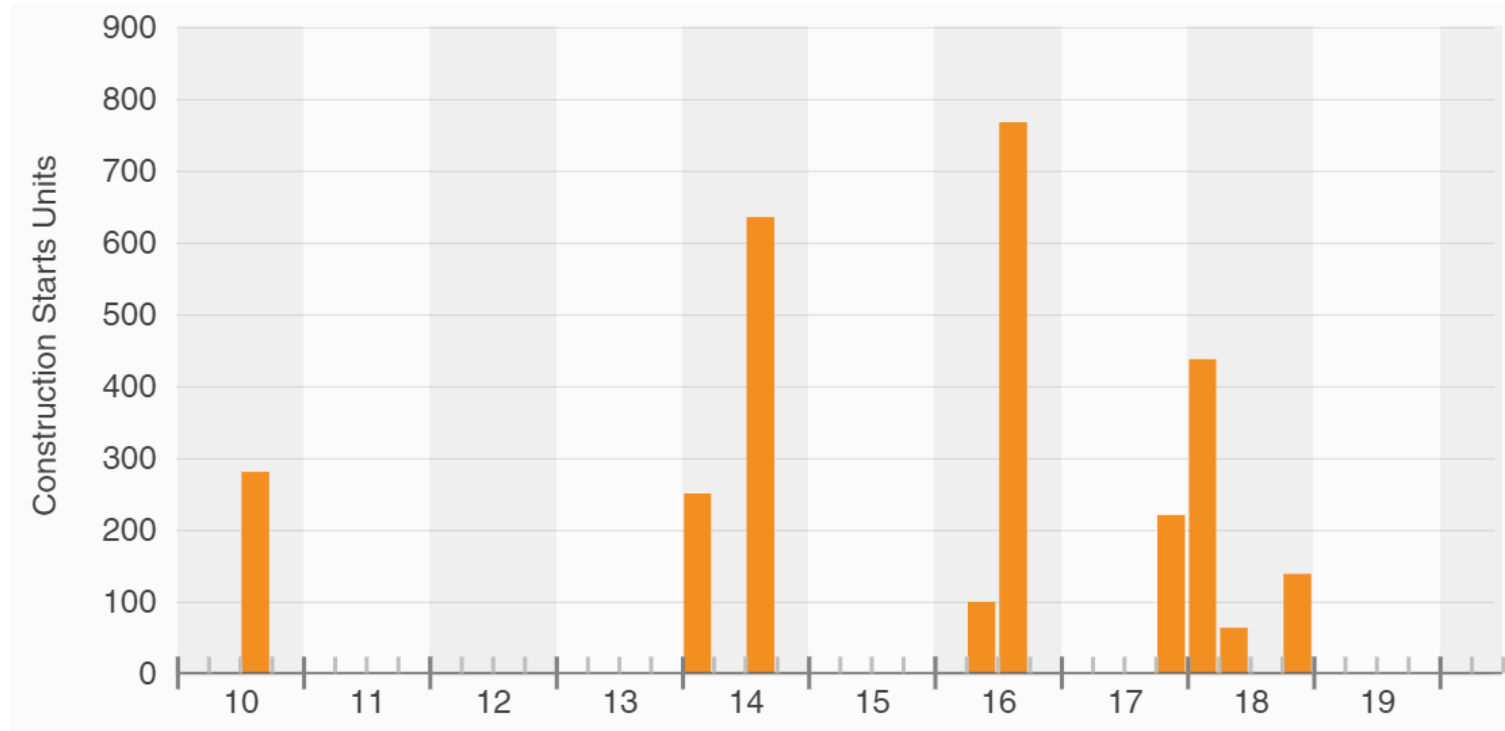
- From the beginning of this process, the goal has been to draft zoning guidelines that reflect current market conditions and facilitate appropriate development types
- Team has developed draft zoning and design guidelines that will continue to be refined
- Council has provided direction in terms of desired guidelines, including use types and height restrictions that are reflected in this analysis
- EPS has developed a draft financial model to test the impact of alternative zoning and design guidelines on development feasibility
- Next steps are to incorporate feedback and make further refinements to the proposed zoning guidelines

MARKET OVERVIEW

DOWNTOWN LITTLETON DEVELOPMENT FEASIBILITY ANALYSIS

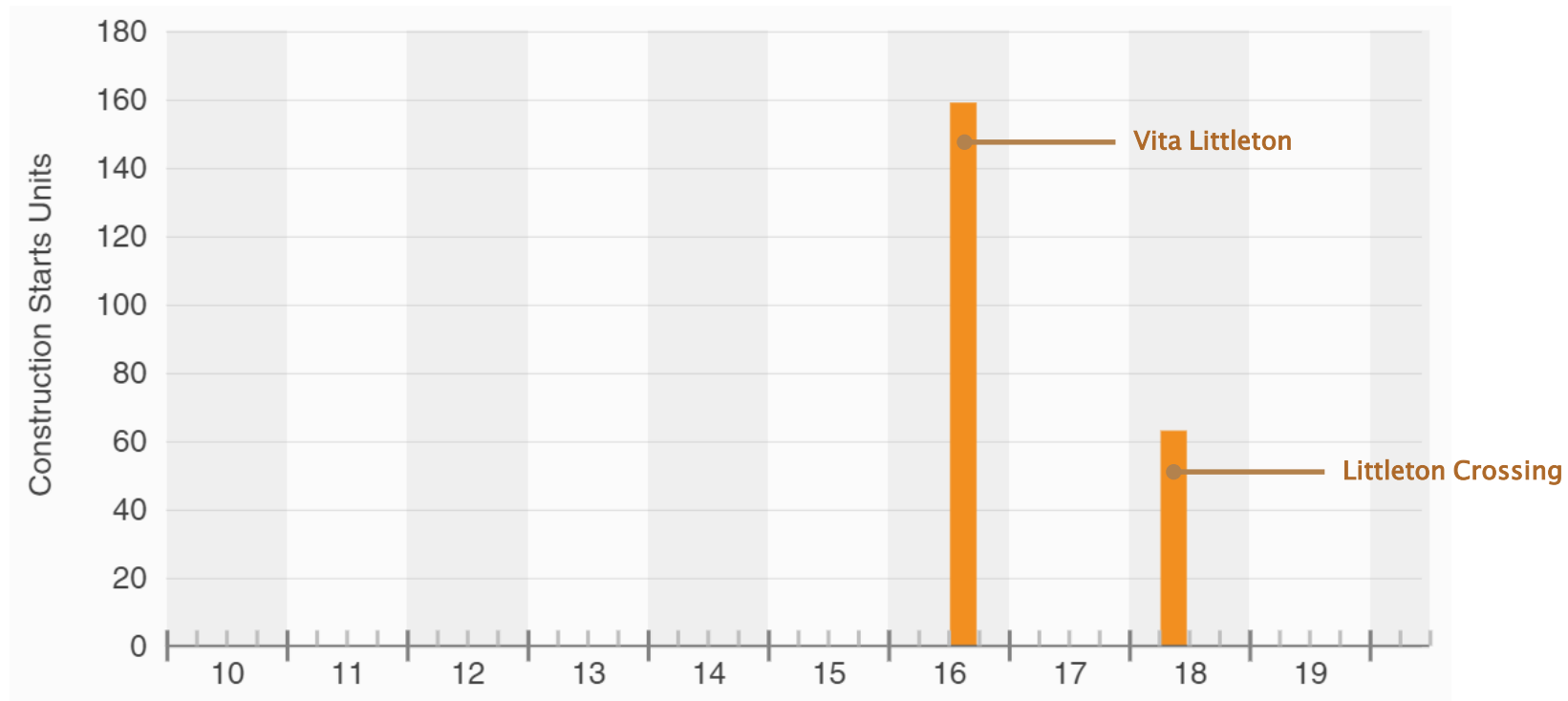
MARKET OVERVIEW

MULTIFAMILY – CONSTRUCTION STARTS BY YEAR



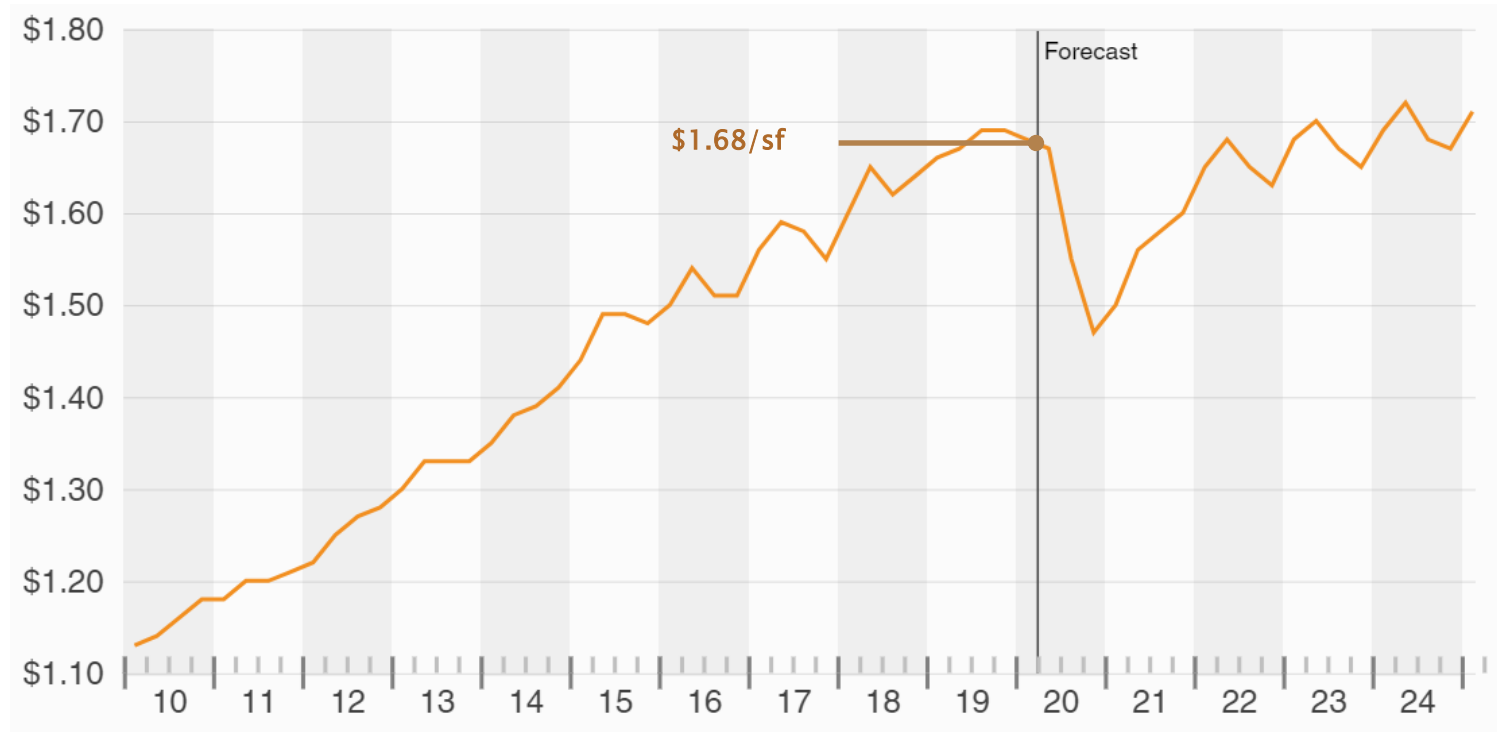
MARKET OVERVIEW

MULTIFAMILY – CONSTRUCTION STARTS BY YEAR – 0.5 MI FROM DOWNTOWN



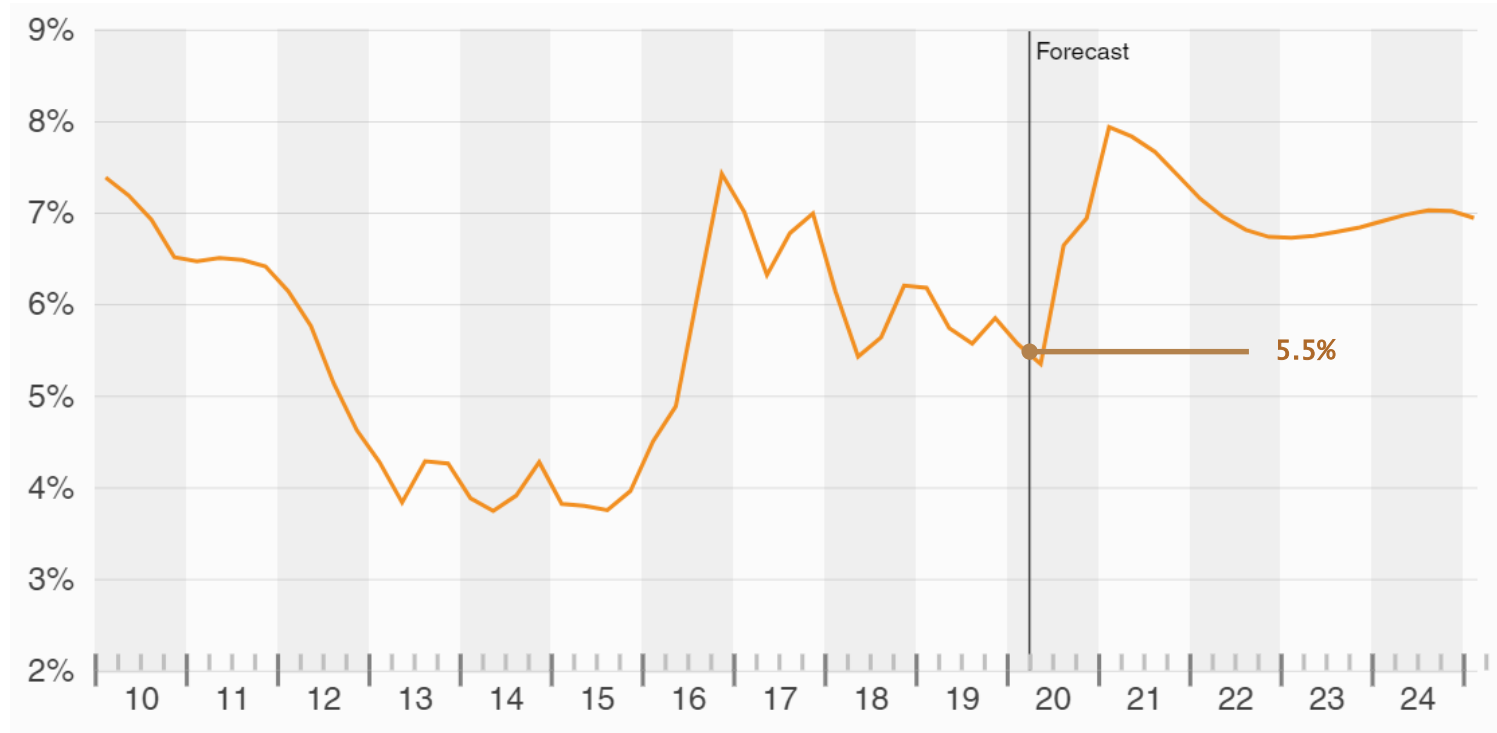
MARKET OVERVIEW

MULTIFAMILY – RENT PER SF BY YEAR



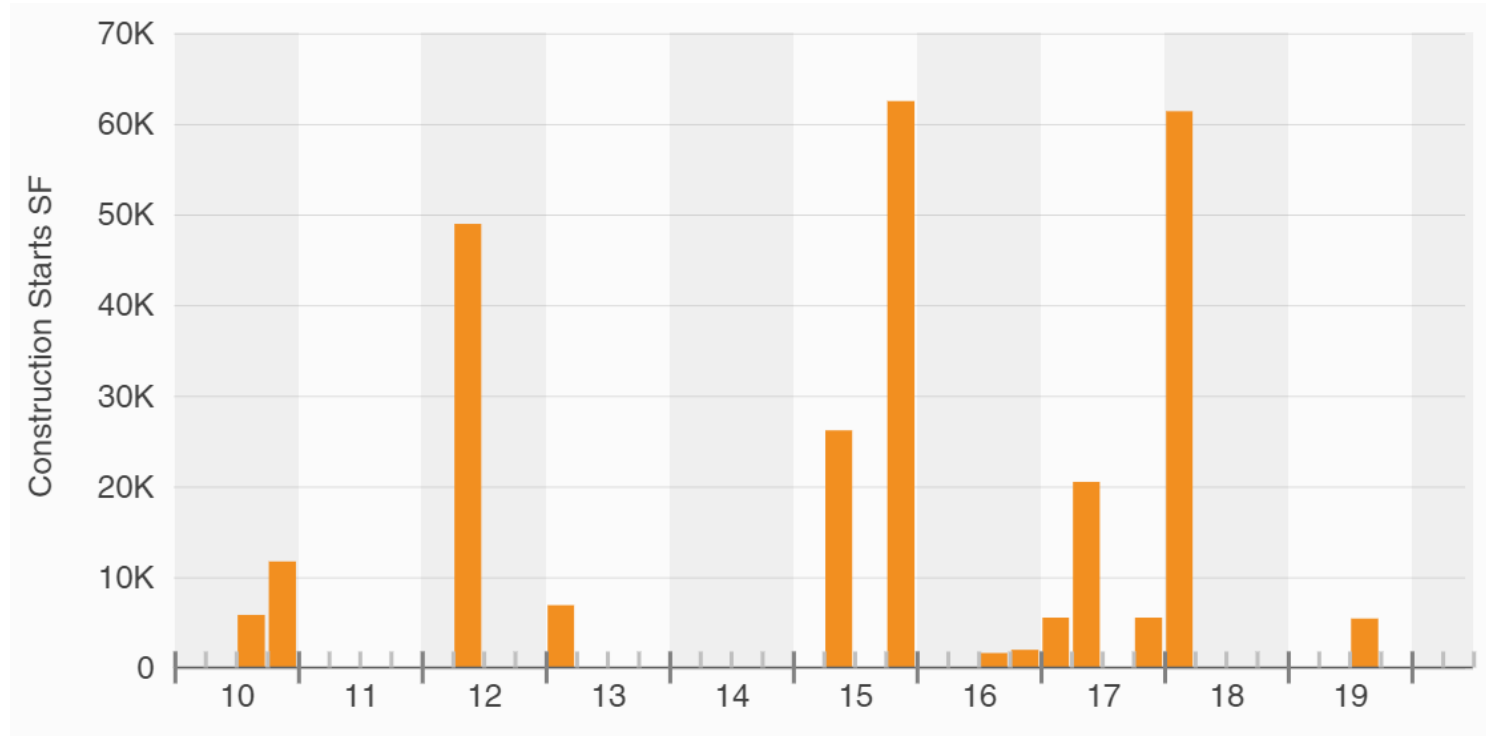
MARKET OVERVIEW

MULTIFAMILY – STABILIZED VACANCY RATE BY YEAR



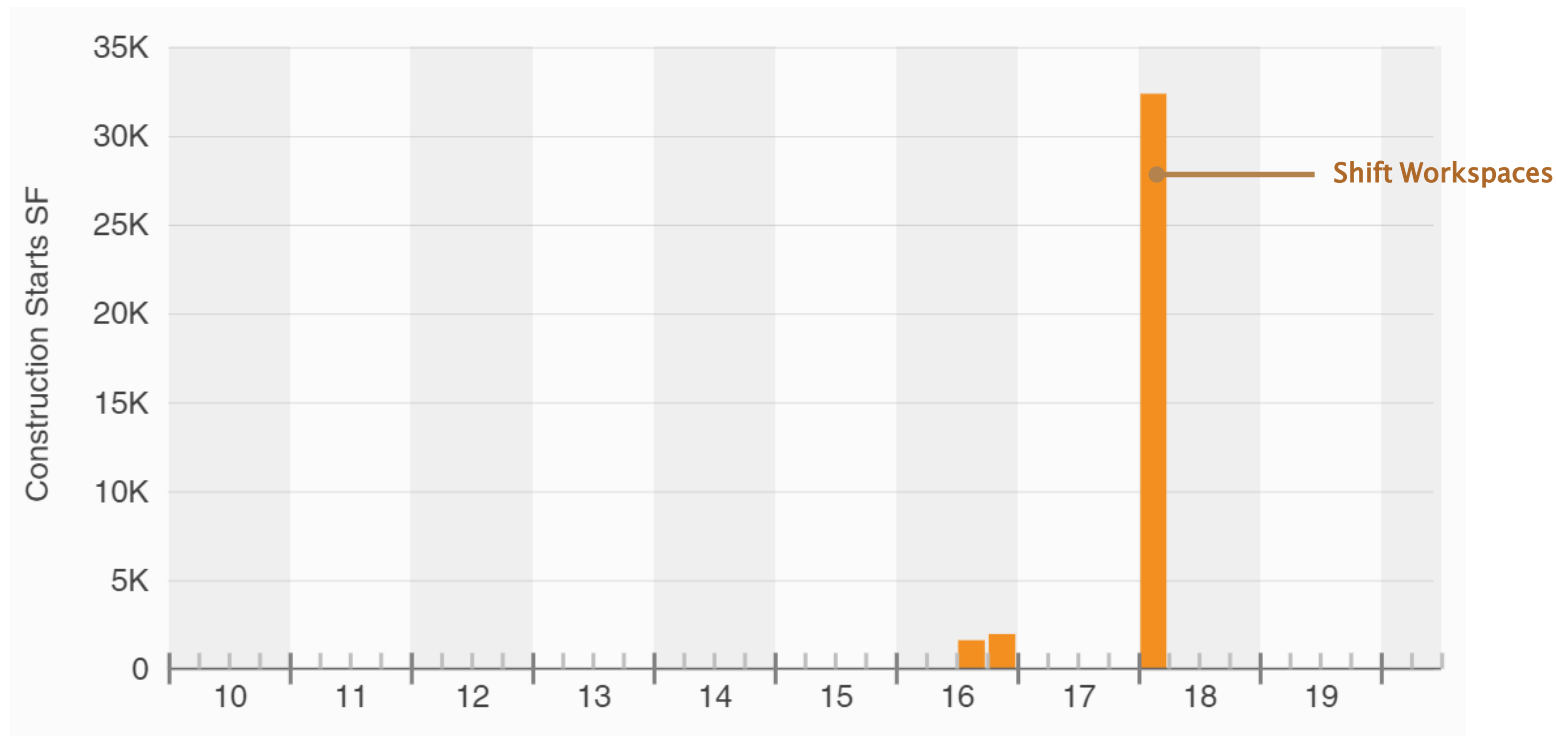
MARKET OVERVIEW

OFFICE – CONSTRUCTION STARTS BY YEAR



MARKET OVERVIEW

OFFICE – CONSTRUCTION STARTS BY YEAR – 0.5 MI FROM DOWNTOWN



MARKET OVERVIEW

OFFICE – RENT PER SF BY YEAR (NET OF TAXES, MAINTENANCE, AND INSURANCE (NNN))



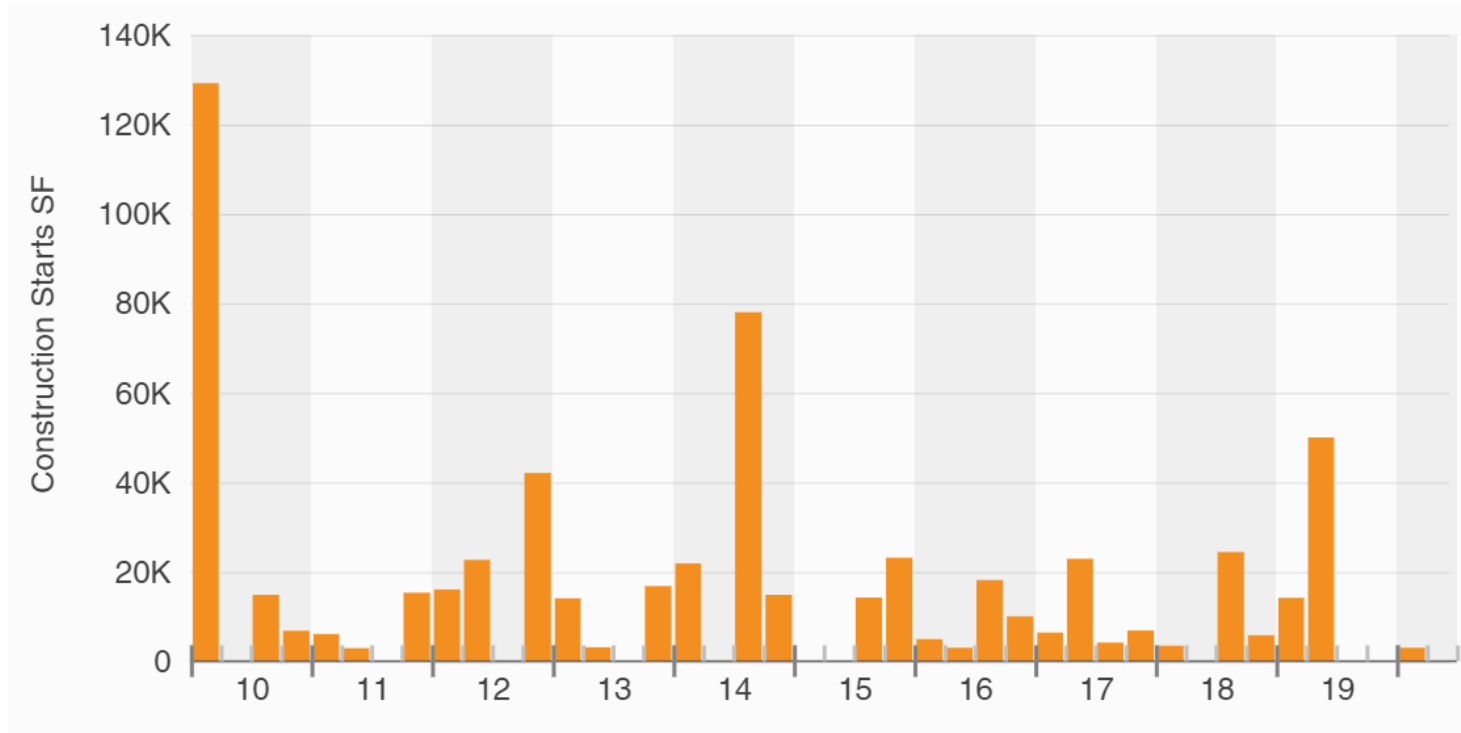
MARKET OVERVIEW

OFFICE – VACANCY RATE BY YEAR



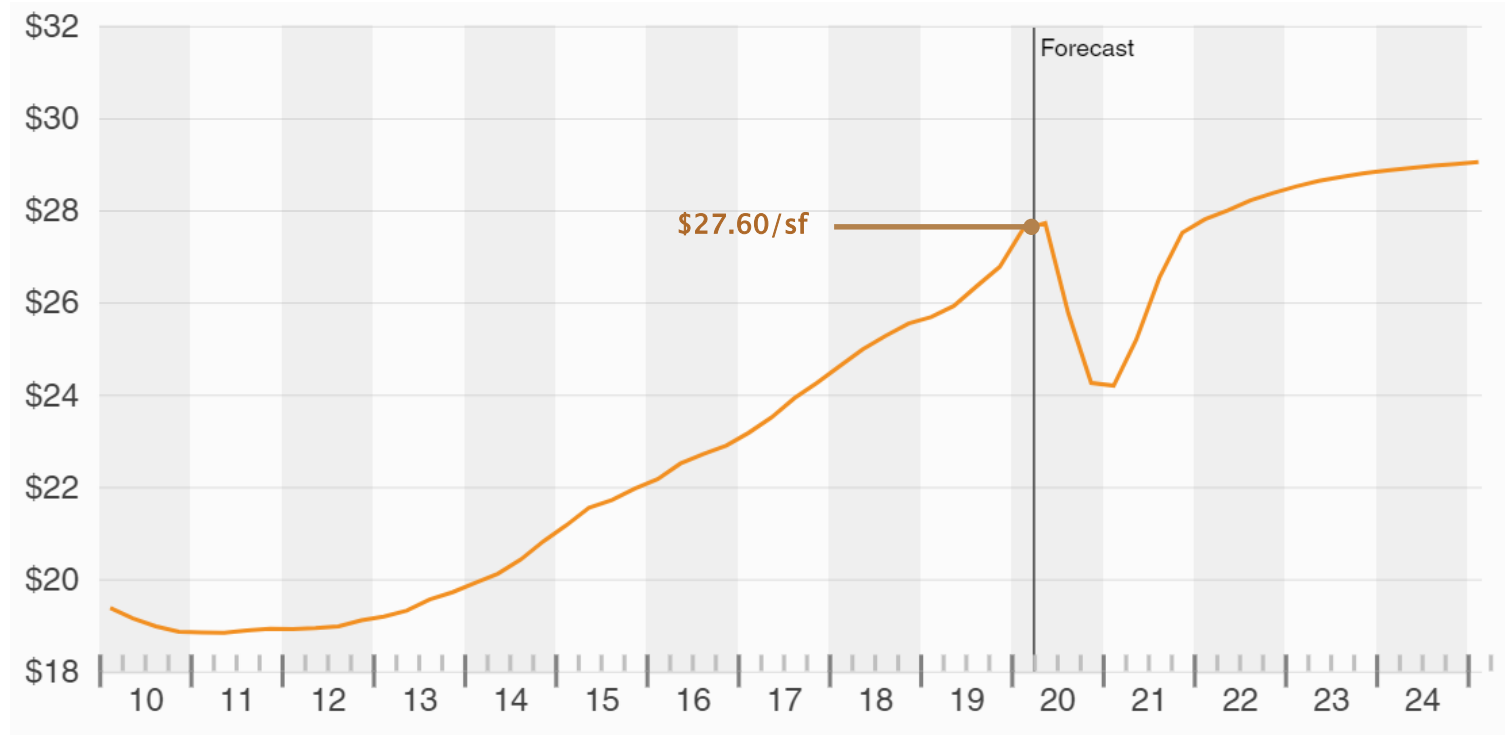
MARKET OVERVIEW

RETAIL – CONSTRUCTION STARTS BY YEAR



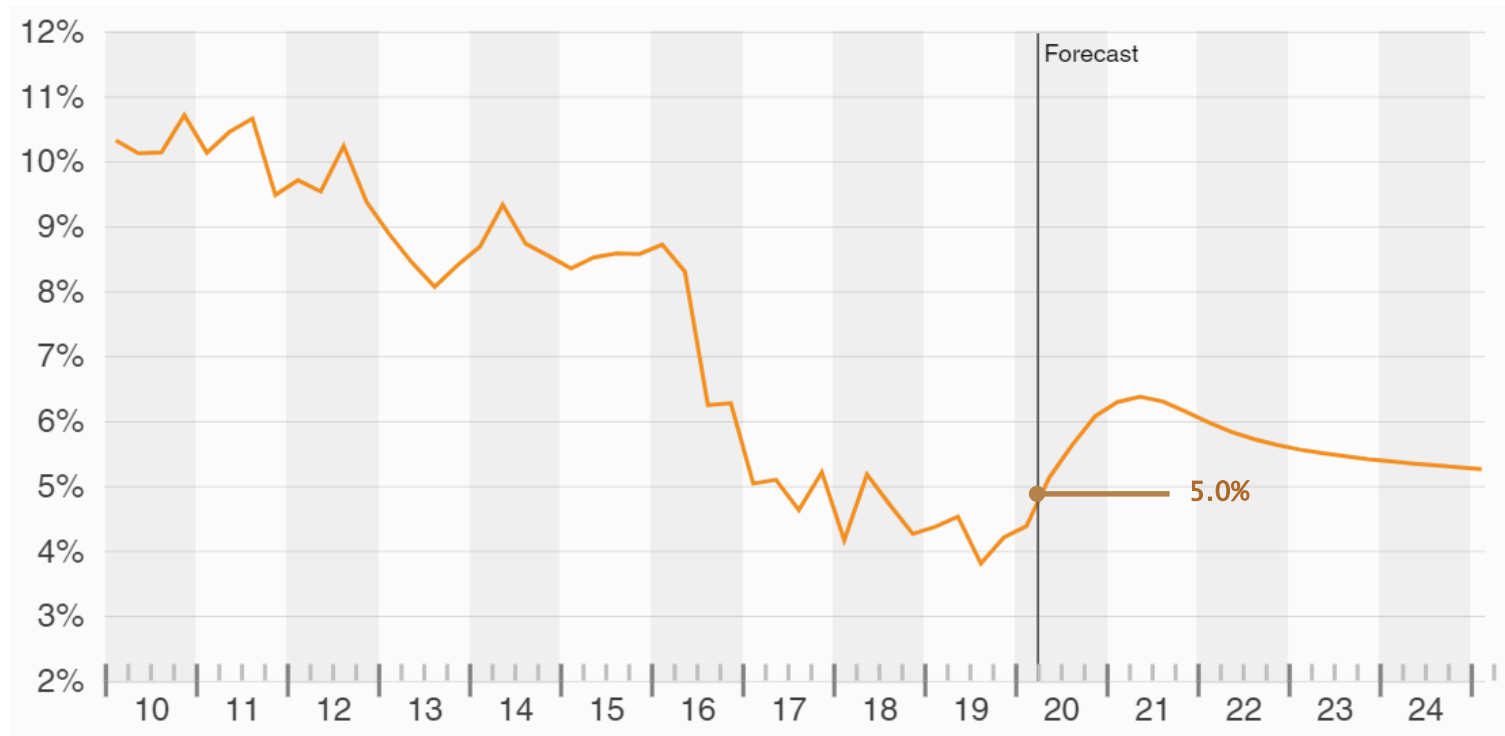
MARKET OVERVIEW

RETAIL – RENT PER SF BY YEAR (NNN)



MARKET OVERVIEW

RETAIL – VACANCY RATE BY YEAR



FEASIBILITY ANALYSIS

DOWNTOWN LITTLETON DEVELOPMENT FEASIBILITY ANALYSIS

USE AND BUILDING TYPES

RESIDENTIAL DOWNTOWN BUILDING TYPES

Single-Family Detached



Multiplex



Apartment



Single-Family Attached



Townhouse

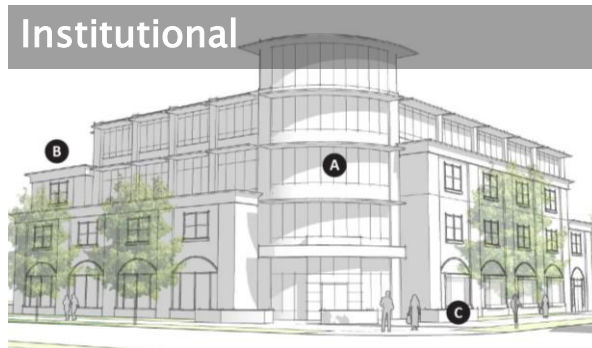


Live/Work



USE AND BUILDING TYPES

COMMERCIAL DOWNTOWN BUILDING TYPES



USE AND BUILDING TYPES

ANALYSIS FOCUS

- Single-Family Detached
- Single-Family Attached
- Multiplex
- Townhouse



Lower intensity uses that will continue to be feasible in the appropriate zone districts. Most are not significantly impacted by changes in guidelines.

- Apartment
- Live/Work
- Mixed-Use
- Commercial
- Office



Focus of analysis. Potentially impacted by changes to guidelines.

- Institutional



Not directly impacted by development feasibility. Driven by specific user demand.

PROJECT FEASIBILITY ANALYSIS

METHODOLOGY

(1) Yield on Cost (YOC)

- Evaluation of the static performance of the project based on net operating income (NOI) divided by total project costs.
- YOC typically ranges from 6.0% to 9.0% depending on the use type
- EPS applied to following YOC hurdle rates by development type:
 - Multifamily – **6.0%**
 - Office – **8.5%**
 - Retail – **7.5%**

(2) Internal Rate of Return (IRR)

- IRR is estimated by evaluating the annual project cash flows over a 10-year period
- The project IRR is evaluated on an unleveraged basis and reflects risk factors unique to the project as well as the estimated weighted average cost of capital.
- The IRR hurdle rate is estimated to range from **9.0% to 11.5%**, depending on the use type

Type	Factor	Rate	Lease Rate per year	Total Revenue Annual	% of
REVENUE					
NRSF					
Multifamily		41,448	NRSF	\$ 994,752	
Ground Level		0	NRSF	\$ -	
Floor 2		23,276	NRSF	\$ 556,624	
Floor 3		18,172	NRSF	\$ 436,128	
Floor 4		0	NRSF	\$ -	
Floor 5		0	NRSF	\$ -	
Other MF Income					
Storage Units	50% of units	46	units	\$ 50.0 per unit/mo	\$ 13,916
Parking Revenue	50% of units	46	units	\$30.0 per unit/mo	\$ 8,290
Trash Fee	100% of units	46	units	\$10.0 per unit/mo	\$ 5,526
Admin Income	100% of units	46	units	\$250.0 per unit/yr	\$ 11,513
Retail Income					
Ground Level	8,400	sf	\$25.0 per sf	\$ 210,000	
Office Income					
Ground Level	0	sf	\$30.0 per sf	\$ -	
Floor 2	0	sf	\$30.0 per sf	\$ -	
Floor 3	0	sf	\$30.0 per sf	\$ -	
Floor 4	0	sf	\$30.0 per sf	\$ -	
Floor 5	0	sf	\$30.0 per sf	\$ -	
POTENTIAL GROSS INCOME (PGI)					
Less: Vacancy (Residential)	5.0%	per year		\$ (51,695)	
Less: Vacancy (Retail)	7.0%	per year		\$ (14,700)	
Less: Vacancy (Office)	7.0%	per year		\$ -	
EFFECTIVE GROSS INCOME (EGI)				\$ 1,177,502	
EXPENDITURES					
Variable Operating Expenses					
Repairs & Maintenance	\$ 2,400.0	per unit/yr	Adjustment	\$ (110,528)	
Service Contracts	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
Turnover Costs	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
Payroll (Inc. Taxes & Benefits)	\$ 1,000.0	per unit/yr	46 units	100% % of total	\$ (46,053)
Administrative	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
Leasing & Marketing	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
Utilities	\$ 500.0	per unit/yr	46 units	100% % of total	\$ (23,027)
Non-Variable Expenses					
Property Taxes	92.5630	mill levy	\$15,382,279 total vol.	100% % of total	\$ (101,142)
Insurance	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
Management Fee	3.5% of EGI		\$1,177,502 EGI	100% % of total	\$ (41,213)
DCA	92.5630	mill levy	\$15,382,279 total vol.	0% % of total	\$ -
BID Assessment				100% % of total	\$ -
TOTAL OPERATING EXPENSES				\$ (262,093)	
Replacement Reserves					
Replacement Reserves	\$ 200.0	per unit/yr	46 units	100% % of total	\$ (9,211)
TOTAL EXPENSES				\$ (271,304)	
UNLEVERAGED RETURN METRICS					
Net Operating Income				\$ 906,199	
Total Project Cost				\$ 15,282,279	
Yield on Cost (YOC)				5.93%	
Hurdle Rate				5.25%	
Cap/Surplus: Cost				\$982,215	
Cap/Surplus: NOI				\$62,243	

Source: Economic & Planning Systems
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Option A
Operating Revenues and OpEx: Time Series
Feasibility Model: Downtown Littleton

Description

DEVELOPMENT COSTS

% of Cost

Acquisition and Site
Hard Costs
Soft Costs

Construction Cost

Acquisition and Site
Hard Costs
Soft Costs

Total Construction Costs

NET OPERATING INCOME

% of Revenue

Residential Income
Retail Income
Office Income
Operating Expenditures

Revenue (Effective Gross In

Residential Income
Retail Income
Office Income
Multifamily Vacancy

Operating Expenses

Operating Expenditures
Operating Expenditures

Net Operating Income

DISPOSITION REVENUE

Gross Revenue

Project

Cost of Sale

Project

Project Net Sale Revenue

PROJECT CASH FLOWS

Net Project Cash Flows

Construction Costs
Net Operating Income
Project Disposition Income

Net Present Value

Project IRR

Source: Economic & Planning Systems

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Option A
Operating Revenues and OpEx: Time Series
Feasibility Model: Downtown Littleton

Description

DEVELOPMENT COSTS

% of Cost

Acquisition and Site
Hard Costs
Soft Costs

Construction Cost

Acquisition and Site
Hard Costs
Soft Costs

Total Construction Costs

NET OPERATING INCOME

% of Revenue

Residential Income
Retail Income
Office Income
Operating Expenditures

Revenue (Effective Gross Income)

Residential Income
Retail Income
Office Income
Multifamily Vacancy

Operating Expenses

Operating Expenditures

Operating Expenses

Operating Expenditures

Net Operating Income

DISPOSITION REVENUE

Gross Revenue

Project

Cost of Sale

Project

Project Net Sale Revenue

PROJECT CASH FLOWS

Net Project Cash Flows

Construction Costs
Net Operating Income
Project Disposition Income

Net Present Value

Project IRR

Source: Economic & Planning Systems

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DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT



KEY ASSUMPTIONS	Neighborhood	Mixed	Main Street	Transition
Build-to-Zone	N/A	10'/30'	N/A	10'/30'
Max Stories within 20' of property line	N/A	2	N/A	2
Max Height	N/A	4	N/A	3
Current Parking Ratio	N/A	1.5/unit	N/A	1.5/unit

DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 3-STORY TUCK UNDER / SURFACE PARKING



DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 3-STORY TUCK UNDER / SURFACE PARKING

- Reflects older residential development types
- Lower parking requirement results in projects that are generally feasible or just below
- Escalation in land values may limit the future potential of this development type in specific zones

DESCRIPTION	Baseline	Reduced Parking	Reduced Stepback	Reduced Parking and Stepback
Building Height	3-Story	3-Story	3-Story	3-Story
Parking Solution	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface
Max stories within 20' of property line	2	2	3	3
Residential Parking Ratio	1.5/unit	1.0/unit	1.5/unit	1.0/unit
Retail Parking Ratio	N/A	N/A	N/A	N/A
Office Parking Ratio	N/A	N/A	N/A	N/A
Internal Rate of Return				
Target	8.99%	8.99%	8.99%	8.99%
Actual	8.45%	9.01%	8.66%	9.20%

DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 4-STORY TUCK UNDER / SURFACE PARKING



DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 4-STORY TUCK UNDER / SURFACE PARKING

- Additional height increases viability under lower parking requirement scenarios

DESCRIPTION	Baseline	Reduced Parking	Reduced Stepback	Reduced Parking and Stepback
Building Height	4-Story	4-Story	4-Story	4-Story
Parking Solution	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface
Max stories within 20' of property line	2	2	3	3
Residential Parking Ratio	1.5/unit	1.0/unit	1.5/unit	1.0/unit
Retail Parking Ratio	N/A	N/A	N/A	N/A
Office Parking Ratio	N/A	N/A	N/A	N/A
Internal Rate of Return				
Target	8.99%	8.99%	8.99%	8.99%
Actual	8.98%	9.51%	9.12%	9.73%

DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 4-STORY PODIUM BUILDING



DEVELOPMENT FEASIBILITY BY USE TYPE

APARTMENT: 4-STORY PODIUM BUILDING

- Generally the highest and best use for larger parcels in areas zoned for apartments
- Feasible with lower parking requirements

DESCRIPTION	Baseline	Reduced Parking	Reduced Stepback	Reduced Parking and Stepback
Building Height	4-Story	4-Story	4-Story	4-Story
Parking Solution	Podium	Podium	Podium	Podium
Max stories within 20' of property line	2	2	3	3
Residential Parking Ratio	1.5/unit	1.0/unit	1.5/unit	1.0/unit
Retail Parking Ratio	N/A	N/A	N/A	N/A
Office Parking Ratio	N/A	N/A	N/A	N/A
Internal Rate of Return				
Target	8.99%	8.99%	8.99%	8.99%
Actual	8.66%	9.79%	8.81%	9.86%

DEVELOPMENT FEASIBILITY BY USE TYPE

MIXED-USE



KEY ASSUMPTIONS	Neighborhood	Mixed	Main Street	Transition
Build-to-Zone	N/A	0'/10'	0'/5'	10'/20'
Max Stories within 20' of property line	N/A	2	2	2
Max Height	N/A	3	3	3
Current MF Parking Ratio	N/A	1.5/unit	1.5/unit	1.5/unit
Current Retail Parking Ratio	N/A	5/1,000 sf	5/1,000 sf	5/1,000 sf
Current Office Parking Ratio	N/A	3.3/1,000 sf	3.3/1,000 sf	3.3/1,000 sf

DEVELOPMENT FEASIBILITY BY USE TYPE

MIXED-USE: 3-STORY TUCK UNDER / SURFACE PARKING



DEVELOPMENT FEASIBILITY BY USE TYPE

MIXED-USE: 3-STORY TUCK UNDER / SURFACE PARKING

- Lower parking requirement and retail space increase project viability
- Future escalation in land values may limit opportunities for this development type

DESCRIPTION	Baseline	Reduced Parking	Reduced Stepback	Reduced Parking and Stepback
Building Height	3-Story	3-Story	3-Story	3-Story
Parking Solution	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface
Max stories within 20' of property line	2	2	3	3
Residential Parking Ratio	1.5/unit	1.0/unit	1.5/unit	1.0/unit
Retail Parking Ratio	5.0/1,000 sf	2.0/1,000 sf	5.0/1,000 sf	2.0/1,000 sf
Office Parking Ratio	N/A	N/A	N/A	N/A
Internal Rate of Return				
Target	9.20%	9.20%	9.15%	9.25%
Actual	8.45%	9.39%	8.67%	9.66%

DEVELOPMENT FEASIBILITY BY USE TYPE

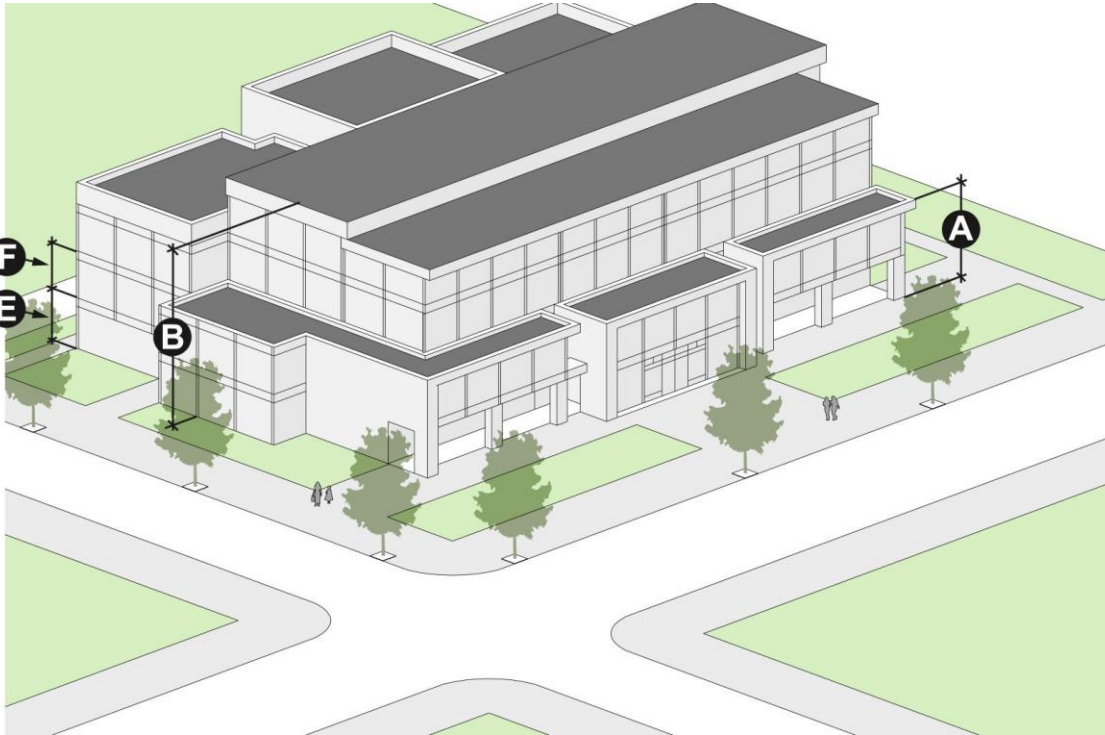
OFFICE



KEY ASSUMPTIONS	Neighborhood	Mixed	Main Street	Transition
Build-to-Zone	N/A	0'/20'	0'/10'	0'/20'
Max Stories within 20' of property line	N/A	2	2	2
Max Height	N/A	3	3	3
Current Office Parking Ratio	N/A	3.33/1,000 sf	3.33/1,000 sf	3.33/1,000 sf

DEVELOPMENT FEASIBILITY BY USE TYPE

OFFICE: 3-STORY TUCK UNDER / SURFACE PARKING



DEVELOPMENT FEASIBILITY BY USE TYPE

OFFICE: 3-STORY TUCK UNDER / SURFACE PARKING

- Build-to-Zone requirement of 10'
- Office use in urban context requires lower parking ratio in order to achieve feasibility

DESCRIPTION	Baseline	Reduced Parking	Reduced Parking	Reduced Parking and Stepback	Reduced Parking and Stepback
Building Height	3-Story	3-Story	3-Story	3-Story	3-Story
Parking Solution	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface
Max stories within 20' of property line	2	2	2	3	3
Residential Parking Ratio	N/A	N/A	N/A	N/A	N/A
Retail Parking Ratio	5.0/1,000 sf	2.0/1,000 sf	2.0/1,000 sf	2.0/1,000 sf	2.0/1,000 sf
Office Parking Ratio	3.3/1,000 sf	2.5/1,000 sf	2.0/1,000 sf	2.5/1,000 sf	2.0/1,000 sf
Internal Rate of Return					
Target	11.31%	11.32%	11.33%	11.32%	11.33%
Actual	8.87%	10.39%	11.39%	10.71%	11.69%

SUMMARY OF FINDINGS AND NEXT STEPS

DOWNTOWN LITTLETON DEVELOPMENT FEASIBILITY ANALYSIS

SUMMARY OF FINDINGS

CONCLUSIONS

- Development feasibility is sensitive to minimum parking requirements for all land use categories
- Building height and setback/stepback requirements are important in maintaining the historic character of Downtown Littleton and have less of an impact on development feasibility than parking ratios
- Depending on land prices, development feasibility may require additional building height and lower parking ratios in certain downtown areas
- Projects achieve feasibility in the main street area with maximum building heights of 3-stories and the recommended stepback requirements
- **Rooftops drive retail/restaurant space. Additional residents in the downtown area will support existing and future retail and restaurant space.**

SUMMARY OF FINDINGS

KEY FINDINGS, CONSIDERATIONS, AND APPROACH

PARKING REQUIREMENTS

- **Finding:** Lower parking requirements will facilitate a range of development types in the downtown area.
- **Key Consideration:** How does Council balance the need for lower parking from a project feasibility perspective with additional pressure on on-street parking?
- **Approach:**
 - Build on existing market trends that support lower parking ratios
 - Define parking demand from a market perspective by land use type
 - Leverage the impact of TOD on Downtown Littleton
 - Address the future need for parking in the downtown area and consider a shared parking facility
 - Identify funding and financing strategies for a shared parking facility
 - **Downtown Development Authority (DDA)** has the potential to fund a significant portion of a shared parking facility that would support commercial development throughout Downtown Littleton

SUMMARY OF FINDINGS

KEY FINDINGS, CONSIDERATIONS, AND APPROACH (CON'T)

HEIGHT AND STEPBACK REQUIREMENTS

- **Finding:** Additional height and lower stepback requirements may facilitate certain development types in specific downtown areas. Height and stepback requirements also help to preserve the existing character of Downtown Littleton.
- **Key Consideration:** How does Council balance the need for additional building height in certain areas with the historic character of downtown?
- **Approach:**
 - Identify downtown areas that may be appropriate for additional height or lower stepback requirements
 - Potential areas may include Downtown Mixed, Downtown Transition (South), and others
 - Define the specific terms of potential conditional use permits that may allow higher building heights
 - Define what is desired and what is not

SUMMARY OF FINDINGS

KEY QUESTIONS

CURRENT CHALLENGE: Baseline scenarios do not “pencil.” Reduced parking requirements and/or additional height allow projects to achieve feasibility.

PARKING

- Is a lower parking ratio something that Council is comfortable with the team continuing to define and analyze?
- What uses should be considered for lower parking requirements? Multifamily, office, retail?
- What areas or zones should be considered for lower parking requirements?

BUILDING HEIGHT AND STEPBACK

- Are there certain areas or sites that are appropriate for buildings with heights that are greater than 3–stories? Is a 4–story building appropriate in specific zones? Is a 5–story building appropriate in certain locations?
- If additional height is supported, what specific building characteristics need to be considered? More specific design guidelines? Specific uses? Others?