

TO: Mr. Joe Fowler
Douglas County Planning Division

FROM: Diana Love, Rich Love, Alan Angus, Debbie Schmidt, Sally Swain, Larry Falter and Jennifer Drybread (Deerfield HOA Fact-finding Committee), Mike Mullinex (Burning Tree HOA) and Rob Graft (Franktown Citizens Coalition)

SUBJECT: Review of the “FRANKTOWN FISCAL IMPACT ANALYSIS FOR MAJOR SERVICE PROVIDERS” by THK ASSOCIATES, INC. for the KIOWA HOLDING GROUP, LLC. REGARDING THE PROPOSED DEVELOPMENT OF FRANKTOWN

DATE: June 5, 2014

Introduction:

The Franktown Fiscal Impact Analysis for Major Service Providers (“Analysis”), upon which the success of the Franktown Village Development (“Development”) rests, has several significant deficiencies. The major deficiencies are outlined in this review. This review is not intended to cover all of the problems with the Analysis. **It must be noted that the source which supports the conclusions in this Analysis many times is the same company that drafted the Analysis--THK Associates (THK). The difficulty with this is that in most parts of the Analysis THK is supporting its own work. This significantly undercuts the value and accuracy of the Analysis. In many places the Analysis makes conclusions without factual, analytical support. Examples of that will be indicated throughout this review. E.g., See No. 8 below.**

REQUEST: Because of the noted major shortcomings in the Analysis outlined below, we request that the Douglas County Planning Commission require the developers do a more complete analysis that is supported by facts and data that can

be referenced, verified and supported by an independent credible(s) source—not the same company doing the analysis.

Major Deficiencies:

1. Definitions needed to understand this Analysis:

- a. “Value.” This is used in many places throughout the Analysis. It is not clear whether it’s fair market value, rental value, or construction value. This lack of definition obfuscates many points through the use of this word.
- b. “Transitional.” Page 26, Table 14 uses the word “transitional” in describing 16 single family detached residences. After a search on the internet, several definitions of “transitional” were located. Because there’s no definition in the Analysis, it is unclear what is meant in this table. Here are several different definitions that were found:

--“**Transitional Housing in Aurora, CO**

Transitional housing provides supportive housing along with drug and alcohol treatment for selective locations. Search through our list of supportive housing below to find the transitional resource in Aurora, CO you need.”

--“**Colorado Transitional Housing.** Transitional, sober housing provides supportive housing along with drug and alcohol treatment for selective locations. “

--**CO Chapter 9-16: Definitions** " ‘**Transitional housing**’ means a facility providing long-term housing in multifamily dwelling units with or without common central cooking facilities, where participation in a program of supportive services is required as a condition of residency to assist tenants in working towards independence from financial, emotional, or medical conditions that limit their ability to obtain housing for themselves.”

--“**Transitional Style 101:** Transitional style is a marriage of traditional and contemporary furniture, finishes, materials and fabrics equating to a classic, timeless design. Furniture lines are simple yet sophisticated, featuring either straight lines or rounded profiles. Fabric is as diverse as graphic patterns on overstuffed sofas and textured chenilles on sleek wood frames.”

--**Transitional Construction:** “Modern rustic.”

2. Page 2. In Paragraph three, the Analysis lists the revenue to be generated by the Development for the amount of debt the Development will support and upon which THK bases the efficacy of the entire Analysis and Development. NOTE: The projections supporting these numbers are projections done by THK. See Introduction above. Listed here are the problems with these numbers.

a. Ad Valorem Property Taxes (Page 29): These taxes are a major source of income to the service providers in this area. The property taxes in this Analysis are at best an estimated value of the Development and what “might” be collected. Table 29 lists costs for needs such as police, fire schools, etc., but these costs are supported in part by THK Associates.

b. Retail Sales Taxes (Page 30): NOTE: The projected moneys from retail sales tax are predicated on the presumption that the Franktown Business Area Metro District will implement an “additional 1.0% metro district sales tax for any retail sales at the site.”

3. Page 4: **IMPORTANT.** There is a conflict in the Analysis that deals directly with the very important issue of water. On page 4 the last paragraph reads: “Site ownership and management has *adequate water rights* to support the proposed density for the entire Franktown Village development, . . .” (Emphasis added). But on Page 32, Paragraph 2, in an apparent direct conflict, it reads: “Franktown Village management is currently in negotiations to provide adequate water for the proposed size/density of the Franktown Village development. . . . “ Even if THK’s

growth projections by 2024 for the Development area are correct (See page 18), the issue of adequate water for the future is questionable.

NOTE: Right now the USGS is in the process of a well-monitoring study in Douglas County. The results of the study should be taken into account before any new development projects are accepted and/or approved. It is important for the residents of Douglas County to know if the Douglas County Planning Commission is going to review the water issues in Douglas County in conjunction with ALL of the new developments being proposed.

4. Page 9: The pictures on this page depict a nice area, BUT *nowhere* in the designs or in any document submitted to the County for the Franktown Village development are there any guarantees, submittals, and/or agreements/contracts to support a build out of this nature and design.

5. Page 11: This Analysis is based on a 341unit residential density. NOTE: In January 2014 there was a meeting with two of the developers (Jody Newton and Allen Westfall) and 3 of the representatives in “From” above. In good faith, the representatives requested a lower residential density than 341 units—300 or less. In that meeting, the developers indicated that a residential density of 300 units would work. Recognizing that this Analysis was done in September 2013, the Analysis based its conclusions on a residential density of 341units. If the developers are going to honor their statement that a residential density of 300 will work, this entire Analysis must be redone for this reason alone.

In the long run, there is no analysis of the impact on water, traffic, and neighboring developments based on either the 341 or the 300 density numbers included in this Analysis, or in any other analysis yet submitted. An analysis of the impacts of either of these numbers--or a more reasonable density number for the amount of acreage involved to keep the “rural character, ” as mandated by the subarea plan -- is crucial to any development going forward.

6. Page 12, the Franktown Village Primary Trade Area (“PTA”): IMPORTANT: First and foremost, it must be emphasized that the entire Analysis is based on the choice by THK to define the PTA as “within an approximate 15 minute drive from the Franktown Village subject site and it is within this area that the subject site will generate much of it[‘]s demand for retail/commercial space and residential housing unit demand.” The PTA covers much of the commercial area of Parker, CO, Castle Rock, CO, and Elizabeth CO. For this reason alone, this decision by THK to choose this area renders the entire Analysis deficient. It is inconceivable that residents of the PTA will drive down to Franktown to purchase items/patronize establishments that are within a much shorter distance from their homes in Parker, Castle Rock and Elizabeth. Franktown would have to offer something totally unique for residents in the PTA to drive to Franktown. It makes no economic sense for residents of the PTA to drive further than necessary to patronize the same types of businesses in their area that are contemplated by the Development. It is imperative that a further fiscal analysis of the Franktown Village proposal MUST consider the existing communities and other planned developments underway, and/or proposed, in the PTA.

7. Page 14: Computation of the spendable retail income in the PTA is erroneous. THK added its “spin” to the numbers generated by the Department of Labor, Bureau of Statistics, to embellish the amount of money available in the PTA for retail expenditures. See Table No. 4, Page 15. (NOTE: See No. 6 above outlining why the use of the PTA to determine the amount of money available for retail expenditures in the Franktown area is flawed.). Note: This page lists the median income as \$93,852. Page 30 states the median income is expected to be \$102,639. There are no facts/details to clarify why these are different, for what timeframe, and from what source these numbers come. The amount of spendable income this Analysis relies on is way beyond what any family can spend and survive.

8. Page 17: The Analysis lists retail/commercial sq. ft. demands for 2014-2024. There are no calculations, analyses, facts, surveys, studies, polls, etc., that support the numbers on this page. They are only mere unsubstantiated conclusions by THK. See Table No.6. THK is wholly responsible for these numbers.
9. Page 18: The same concerns noted in No. 8 apply equally to project residential demand indicated on this page. See Table. No. 7. THK is wholly responsible for these numbers.
10. Page 19. The same concerns noted in No. 8 apply equally to project the demand for the price range of single-family detached units and attached units. See Table 8. THK is partially responsible for these numbers.
11. Page 21: The information on this page seems to militate against the Development. This information indicates that residential development within the PTA already underway is extensive.
12. Page 25-28: The Analysis indicates that the cost of the single-family detached residences will be an average of \$394,000. The Analysis shows the number residential density (341 units), the range of the size of the lots (the largest lot for 16 of the detached residences is approximately 1.30 acres), and the density, but does not show the sq. ft. range for the size of the residences (See Table No. 14). Also, Table No. 15 indicates that the prices may range as high as \$116,000 or more for the lot and \$580,000 or more for the residence = \$696,000 or more. Real estate comps in the Franktown area for homes with 5 acres or more and approximately 3500 sq. ft., average in the neighborhood of \$450,000 (*Per* comps on “Zillow”). This indicates that the Analysis’s determination for financial viability is disingenuous at best. The Analysis projects rental prices to range from less than \$820 to \$1749 or more with a rental average of \$1049 per month (See Table No. 16), but gives

no comparisons with the many rental properties in Parker and Castle Rock—which are much closer to jobs and commercial areas already built.

13. Page 32: The debt sizing analysis states: “...there are not currently inclusion fees nor sales taxes charged by the [Franktown Business Area Metro] District.” THK presupposed these would be approved. Despite no approval at this time, the Analysis by THK assumed:

- a. 1.0% Sales Tax
- b. Inclusion Fees of \$7,500 per new residential unit
- c. Inclusion Fees of \$7,500 per each 5,000 commercial sq. ft.

And also assumed:

- a. An annual inflation rate of 3.0%
- b. An interest rate of 5%
- c. A discount rate of 5%

Conclusion:

As noted in the Introduction, because the source which supports the conclusions in this Analysis many times is the same company that drafted the Analysis--THK Associates, Inc., the Analysis makes many conclusions without independent, factual, analytical support. This lack of support for the conclusions, coupled with the unsubstantiated assumptions, renders the Analysis inadequate, and, thus, without merit in determining the fiscal impact of the proposed development.

And as requested above: Because of the noted major shortcomings outlined in the Analysis, we request that the Douglas County Planning Commission require the developers do a more complete analysis that is supported by facts and data that can be referenced, verified and supported by *independent*, credible sources—not the same company doing the analysis.

Thank you for your consideration from all of the concerned citizens of Franktown.

