Riverfront Activation Feasibility Study

Delta, CO

Prepared by: Better City

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Executive Summary

Project Identification

Delta's inactive riverfront represent a significant opportunity to develop recreational assets that will reposition the community as a destination attraction and community of choice for employers and their associated workforce. Riverfront property at the entrance to the city of Delta was identified as a prime location to develop a gateway project and activate the river and a number of lakes for recreational purposes. The purpose of this study is to evaluate the potential uses at this site that the market can currently support and strategic public investments that will catalyze future private investment.

Supply and Demand

Market demand analysis indicated little support for new office development and no demand for new retail based on existing demographics and purchasing power within the trade area. Residential demand analysis indicated higher demand and absorption occurring in new construction with older demographic cohorts. A separate hotel feasibility study indicated market support for a nationally branded hotel and conference center.

Retail is oversupplied in the current marketplace, given existing demographics and purchasing power within the trade area. Quality office space (Class A and Class B) is lacking but additional speculative office is unwarranted. However, there is an opportunity to develop office condominiums provided they could be pre-sold prior to construction.

Project Financing

Public sector investment would entail funding river channel, lake, and trail improvements and the development of parks. The activation costs are just under $10 million, however, grants are available through the State to fund the majority of these costs. Private sector investment in retail and office can be incentivized through the use of tax increment, new markets tax credits (primarily for new office users), and grants through DOLA, EDA, USDA and CDBG. However, population growth will be critical prior to the development of these uses.

Conclusion

Public investment will be required to catalyze the gateway project and securing grant funding from the State can help cover much of the anticipated cost. A residential master planned community initially tailored to retirees should be developed as a way to pay for infrastructure improvements and river/lake activation costs that can be used to catalyze the other proposed uses and subsequent residential development.

Introduction

Delta is named for the river delta on which it is located at the confluence of the Gunnison River and Uncompahgre River. However, a lack of river amenities including trails, scenic overlooks, green space, ingress and egress points means there is little that links City residents to its namesake. In addition, the riverfront has not been leveraged by the development community with the historic downtown along Colorado Highway 50 and new development along Colorado Highway 92 being located a half mile and a third mile, respectively, from the river.

The Gunnison River and lakes lining its banks represent an unparalleled opportunity to reposition the river as a critical asset that can be leveraged to attract tourists, new development, and rebrand the community as a center of outdoor recreation.

Project Area

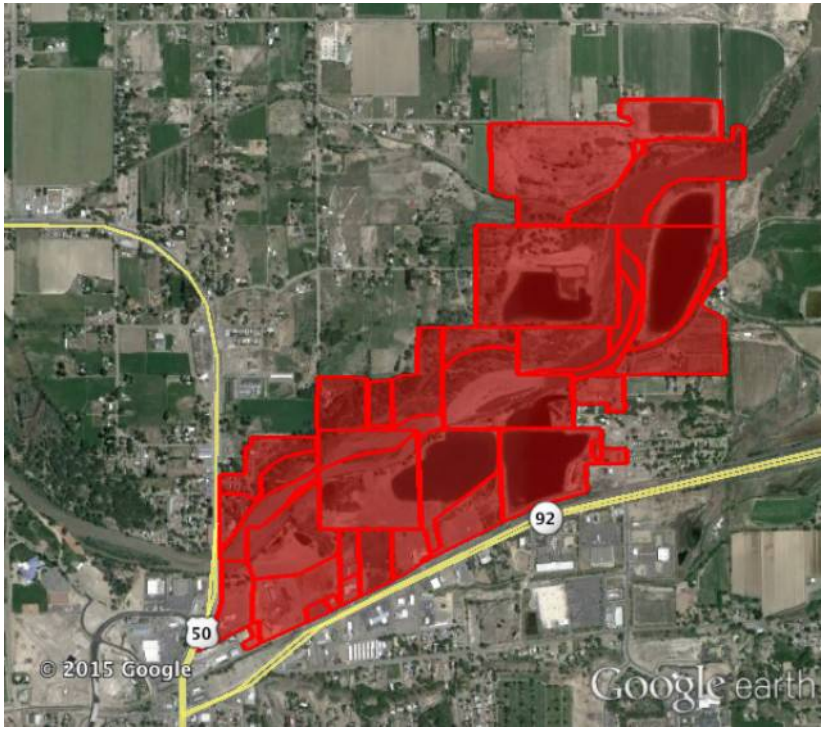
Phase 1 of the project area contemplated in this study includes approximately 95-acres of prime developable property bounded by the Gunnison River to the north and Colorado Highway 92 to the south. Also included in the project area are a number of lakes and riverfront beginning at the Colorado Highway 50 bridge and extending eastward for 1.75 miles. It also includes acreage across the river with developable acreage of approximately 120 acres.

Ownership & Parcels

There are a number of parcels with various owners within the subject area as shown in the map below.

Existing Uses & Zoning

Zoning within the subject area is primarily comprised of industrial (I) and Business 3 (B-3) as illustrated in the map below. Existing uses in the subject area include primarily industrial / warehouse uses and a drive-in movie theater.



Available Infrastructure

Infrastructure in the project area includes “TriCW_Waterlines2012” bordering Colorado Highway 92 and a Source Gas line entering the project area in three different locations. There is a 12” waterline and 15” sewer line running parallel to Colorado Highway 92 across the street. There is also an 8” waterline, 8” sewer line, and Source Gas

lines that runs along Ute Street in the southeast corner of the project area.

Per discussions with Delta-Montrose Electric Association (DMEA) engineers, the subject area is bounded by service lines and there is plenty of capacity to accommodate a new commercial development. There is a 12,470-volt 3-phase line along Highway 92 and service can be provided to the site with a 7,200 line-to-ground single-phase line. However, there is current uncertainty regarding whether DMEA or Delta City Power will service that area.

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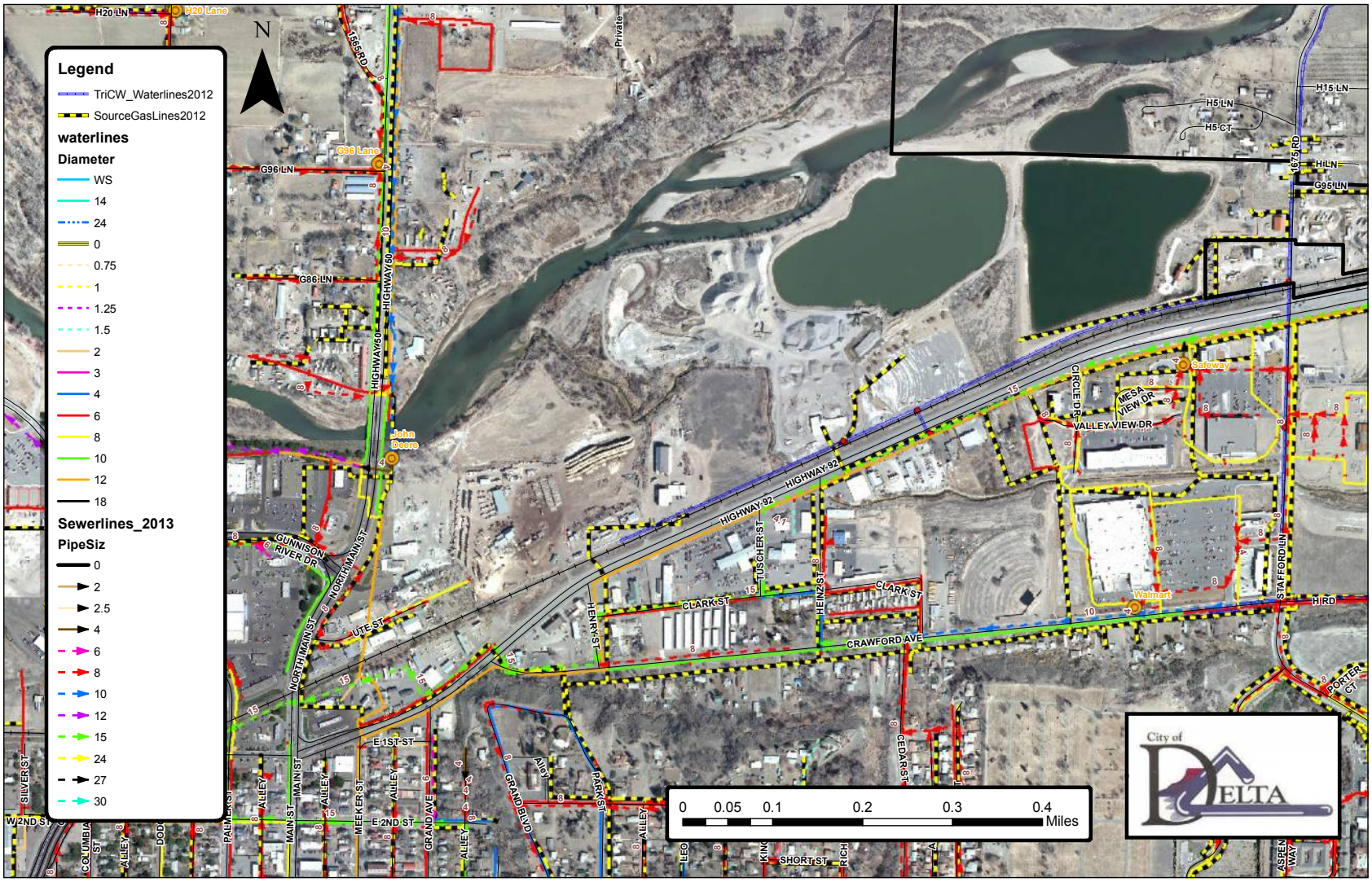
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CRAWFORD AVE
NORTH MAIN ST
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MAIN ST
MEEKER ST
GRAND AVE
GRAND BLVD
PARK ST
HENRY ST
TUSCHER ST
HEINZ ST
CEDAR ST
SHORT ST
SILVER ST
COLUMBIA ST
ALLEY
CIRCLE DR
MESA VIEW DR
VALLEY VIEW DR
STAFFORD LN
PORTER CT
ASPEN WAY
H20 LN
H20 Lane
1665 RD
G96 LN
G96 Lane
G86 LN
John Deere
Private
H5 LN
H5 CT
H15 LN
1675 RD
H1 LN
G95 LN
Safeway
Walmart
H RD

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Natural Assets

The Gunnison River in Delta is an underutilized corridor with significant recreation, tourism, and development opportunities. The development of river and lake recreation infrastructure including trail systems that create permeable corridors to the built environment will encourage private investment, attract tourists, and help to recruit and retain employers and their workforce.

The development of additional linkages to and focused marketing efforts on nearby natural attractions such as the Grand Mesa National Forest, Dominguez-Escalante National Conservation Area, Gunnison National Forest, and Gunnison Gorge National Conservation Area will further enhance Delta's position as a hub of outdoor recreation.

Gunnison & Uncompahgre Rivers

The Gunnison River begins in Gunnison County and flows through Montrose County and into Delta County at its southeast corner. The North Fork of the Gunnison River starts in northern Gunnison County and enters Delta County at its eastern border and flows through the cities of Paonia and Hotchkiss.

The Uncompahgre River is one-third the size of the Gunnison River, as measured in daily discharge cubic feet per second. The Uncompahgre River begins in San Juan County to the South and becomes a tributary to the Gunnison River at Delta City.

The project area contemplates riverfront improvements on 1.75 miles of the river shoreline upstream from the confluence of the Gunnison and Uncompahgre River, with daily discharges of 1,060 and 367 cubic feet per second, respectively.[1] This confluence provides greater river capacity and flow downstream from the project area, which will encourage expansion of the recreation corridor and development of additional amenities.

Lakes

There are two well-known lakes in Delta, Confluence Park and Sweitzer Lake, which are primarily used for recreation purposes. Although Sweitzer Lake is well outside the project area, Confluence Park is only a half-mile downriver. Future phases should focus on integrating Confluence Park as an additional amenity along the river recreation corridor.

There are four small lakes located within the project area along the south shoreline and a fifth located along the north shoreline totaling approximately 75 acres. Four of these lakes are of sufficient size to accommodate waterskiing, wakeboarding, boating, sailing, personal watercraft, and beach activities.

[1] http://waterdata.usgs.gov/usa/nwis/uv?site_no=09144250

National Parks

Gunnison, Grand Mesa, and Uncompahgre National Forests, Dominguez-Escalante National Conservation Area, and Gunnison Gorge National Conservation Area are located within a reasonable drive time from Delta City. A brief description of these areas is included below.

Gunnison, Grand Mesa, and Uncompahgre National Forests

There are three national forests in Delta County managed by the US Forest Service. The largest of these is the Gunnison National Forest, which covers 1.67 million acres with 1.14 million acres located in the southeast corner of Delta County. The next largest national forest is the Grand Mesa National Forest, which spans 347 thousand acres in Mesa, Delta and Garfield Counties in Western Colorado. Approximately 92 thousand acres are within Delta County. The last national forest covers a much smaller acreage within Delta County: the Uncompahgre National Forest of 0.96 million acres covers only 3 acres in the southwest corner of Delta County.

The Grand Mesa National Forest borders the White River National Forest to the north and the Gunnison National Forest to the east. The forest covers most of Grand Mesa and the southern portion of Battlement Mesa.

The Mesa is the largest flat-topped mountain in the world. The Grand Mesa Scenic Byway, north of Cedaredge sits above 10,000 feet at the top of Grand Mesa providing one of the most scenic drives in Colorado.

Over 300 lakes are scattered throughout the Grand Mesa National Forest, half of which are found along the north border of Delta County. Camping, fishing, hunting and other outdoor activities are available in this National Forest all year long.

Dominguez-Escalante National Conservation Area

This 209,000-acre National Conservation Area spreads across Mesa, Montrose and Delta Counties. The southwest corner of Delta County contains approximately one fifth of the Conservation Area, including scenic canyons along the Uncompahgre Plateau and the Gunnison River. The area, managed by the Bureau of Land Management (BLM) contains several trails and campsites. Indian petroglyphs and other artifacts are also available for the public to see. Rafting, fishing and hunting are popular in the summer and fall.

Gunnison Gorge National Conservation Area

The Gunnison Gorge National Conservation Area covers 58 thousand acres and is managed by the Bureau of Land Management. It is located just downstream from the Black Canyon of the Gunnison National Park. Delta County Road 2200, located approximately 10

miles east of Delta on Colorado Highway 92 provides access to the area from the north.

Trails

Although there are a number of popular trails in the forests and parks around Delta City, there are no trailheads in the City that connect to these trail systems. One of the notable forest trails includes the Flowing Park Loop, a 15-mile trail through the Grand Mesa National Forest overlooking the City of Delta.

The Flat Top-Peach Valley recreation area in the Gunnison Gorge National Conservation Area is a 9,700-acre area managed by BLM for motorized and non-motorized recreation. The area has over 95 miles of trails and other open areas suitable for motorcycling, OHVs, mountain biking, hiking, and horseback riding.

The Sidewinder Trail located in the center of the County, is the most popular mountain bike trail in the region and connects Delta and Montrose counties with approximately 20 miles of diverse and challenging single-track trails.

Recreational Opportunities

River Activation

The process of developing river amenities for recreational use, integrating green space design elements with the built environment, and encouraging sustainable riverfront development is often referred to as “river activation”.

Many communities have performed successful river activations by reclaiming industrial land, investing in river recreation infrastructure, and making riverfront improvements. This in turn has attracted significant private investment, spurred economic growth, and attracted and retained critical human capital.

Well known examples of riverfront activation include major metropolitan areas such as Washington DC, Pittsburgh, Chattanooga, Portland, and Ogden. The same principles employed by these communities can be implemented on a much smaller scale in rural communities as the Colorado communities of Fruita, Glenwood Springs, Salida, and Cañon City have demonstrated.

River Recreation

River recreation in Colorado has been a focus of many communities seeking to expand their amenities for tourists and residents. The ability for a community to develop river recreation is largely dependent on river flow and depth as well as ownership and water rights issues.

The largest river flow in Colorado is along the Colorado River between Grand Junction and the Colorado-Utah border. In Grand Junction, the Gunnison River merges into the Colorado River and continues westward through the neighboring communities of Appleton, Redlands, and Fruita before crossing the Utah border.

Located upstream from Grand Junction along the Colorado River are the communities of Clifton, Cameo, Palisade, De Beque, Parachute, Battlement Mesa, Rulison, Rifle, Antlers, Silt, New Castle, Chacra, and Glenwood Springs. Here the Roaring Fork River merges into the Colorado River. Upstream from Glenwood Springs along the Colorado River is Dotsero, located at the confluence of the Eagle River and Colorado River.

Located upstream from Grand Junction along the Gunnison River is the community of Delta, located at the confluence of the Gunnison and Uncompahgre rivers. Upstream from Delta along the Gunnison River is the Black Canyon of the Gunnison, Blue Mesa Reservoir, followed by the City of Gunnison.

Water Sports

Regulation size lakes used in three-event competitions, which include slalom, tricks, and jump, must measure 2,200 feet by 300 feet. None of the lakes in the project area are large enough to host a three-event competition. However, an individual event would require a much smaller footprint. One lake could be dedicated to slalom, another lake to tricks, and a third to jumps. That is, the existing lakes could be configured to create multiple venues, allowing for simultaneous use for hosting competitions. Alternatively the three southeastern most lakes could be combined to form one large lake capable of hosting a three-event competition.

According to the 2015 American Water Ski Association Rule Book, Slalom courses are 849 feet long and require 180 feet at either end of the course, for a total length of 1,209 feet. The course is to be 75' in width. The jump course is to be 688 feet long plus an additional 328 feet for landing, bringing its total length to 1,016 feet. The trick course is a total length of 1,082 feet. Four out of the five lakes fit the competition criteria and size of the cable park. One fits all except for the slalom course. The smallest lake is not large enough for competitions or the cable park but may be used for other water sports.

			Required Size		1,209	1,016	1,082	6 acres
#	Length	Width	Perimeter	Acres	Slalom	Jump	Trick	Cable Park
1	1,480	770	3,784	20	Y	Y	Y	Y
2	880	330	2,131	4	N	N	N	N
3	1,325	840	3,582	17	Y	Y	Y	Y
4	1,935	700	4,393	23	Y	Y	Y	Y
5	1,130	580	3,475	11	N	Y	Y	Y
			Total Acreage	75				

By linking together the lakes through a river trail system, competitors and spectators could easily transit from one lake venue to another by walking, biking, or using a motorized cart.

A cable system should be installed in at least one of the five lakes to accommodate water sports enthusiasts that do not have a motorboat. A cable park will increase sport participation rates by removing barriers to entry and position the community as a destination attraction. A rope would pull water-skiers and wakeboarders by a handle that is connected to an electrically driven cable system suspended overhead. Jumps or other obstacles can be incorporated as part of the experience.

Wakeboarding should be the focus of the attraction as it is a great spectator sport and will draw locals to the venue for weekly entertainment. Patronage at cable parks is typically dominated by wakeboarders although waterskiiers still participate. Many cable parks are also seeing a rise in the popularity of wakeskating. With wakeskating, nothing binds the rider to the board.

The lack of cable park venues in proximity to population centers has limited the growth of summer boardsports in Colorado to those that have access to and can afford hauling a boat. However, as new cable park venues are developed and opportunities for recreation are provided, these barriers to entry will be removed, allowing summer boardsport participation rates to increase significantly.

Five lakes in close proximity to each other presents an unparalleled opportunity to develop a world-class cable park development that can host regional and national competitions. Alternatively, three of these lakes could be combined to create a “donut lake” with an island in the middle. The lake would be wide enough to accommodate a dual track cable system that would be a singular attraction. Either way, the development of a cable park can be a powerful growth engine in terms of branding the community, attracting tourists, and creating demand drivers for hotel rooms.

The river corridor also represents an ideal opportunity for water sports such as paddle-boarding, kayaking, canoeing, tubing, and rafting. Ingress and egress points should be developed along the river corridor within the project area. This will allow convenient river access for water sport participants.

Fly-Fishing

Many Delta residents have shared their passion for fly-fishing along the Gunnison River. River improvements including habitat restoration, preservation, and run-off prevention can safeguard fish populations and create a thriving ecosystem that can sustain fly-fishing activities. A trail system along both sides of the river combined with soft edge landings can provide convenient access for fly-fisherman throughout the river corridor.

Mountain Biking

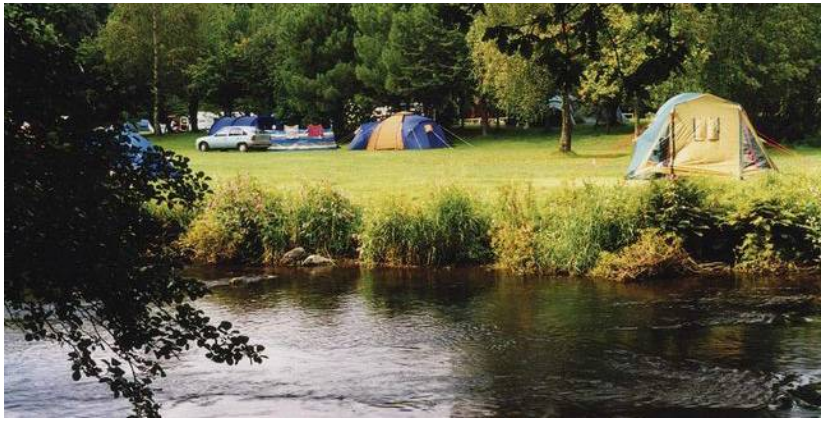
Delta is located between two mountain biking destinations in Fruita and Crested Butte, and could entice mountain bikers to make a stop in the City while traveling between these major destinations. The sidewinder trail in Gunnison Gulch is the most popular trail in the area, and efforts to enhance the trail and promote it could increase visitation to the City. There is also a possibility of creating a new and unique venue with a “natural pump track” utilizing the white sand hills just out of town. There could also be trails built along the bluff in town to some of the white sands areas and river trail, making it possible to ride from home to trails to town easily.

Trail Running

Trail running is a sport that is growing in popularity. River trails with connections to neighborhoods can provide trail-running opportunities for residents. Future phases of trail development should be focused on expanding access to additional neighborhoods throughout the City as well as connecting the river and neighborhood trails to a larger regional trail system based around the river and surrounding national parks. This would be developed out over decades and would require a significant effort to create a trail master plan.

Amenities

Other amenities along the river corridor include camping areas along with pavilions to provide gathering and eating areas for visitors, large youth groups, events or family reunions.



Market Demand Analysis

Product Types

Product types being considered for the proposed project include hospitality, office, retail, multi-family, and for-sale residential. A demand and supply analysis will be conducted below for each of the product types using available market data.

Hospitality

A hotel feasibility study was performed separately by Better City. This report identified existing market demand for a nationally branded hotel. Please refer to this study for additional information.

Office

Defining the Market Area

Market areas are generally defined through a drive-time analysis using the average commuting time of local residents, commuting patterns, and geographic boundaries and then extracting demographic data from this defined market area. This works well in larger markets but in a rural community such as Delta with smaller

satellite communities in Cederedge and Paonia, this type of analysis may yield inaccurate results.

Although these communities are within an acceptable drive time for rural commuters, office demand can be accommodated in these satellite communities through second and third generation Class C building space. That means the market area for office space demand is largely self-contained within the city of Delta and surrounding unincorporated areas.

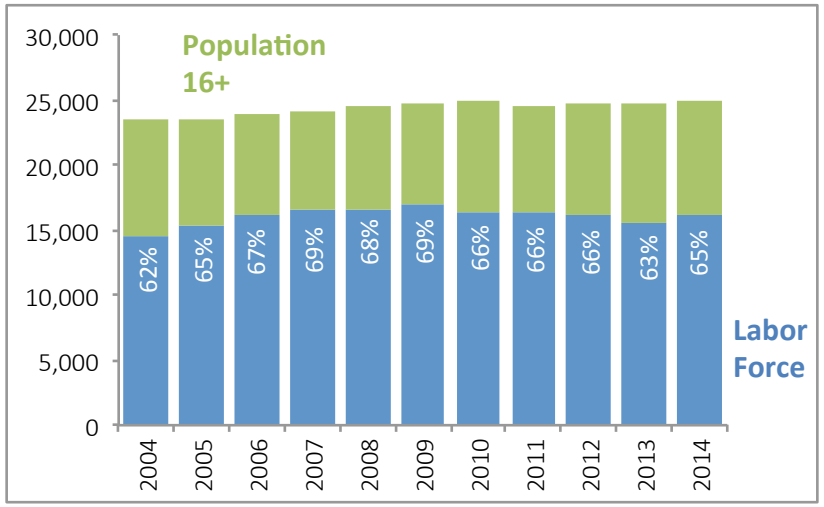
Employment Data

Office demand is typically tied to demographic trends as well as job creation among business types in the professional service areas of finance, insurance, and real estate (FIRE), as well as corporate, government, and institutional users.

Employment and demographic data points have been analyzed as part of the economic assessment previously performed by Better City, which will be relied upon for purposes of evaluating office demand drivers. Additional demographic and market condition information can be found in the Delta Economic Assessment report conducted by Better City.

As shown in the chart below, the local labor force and workforce population has remained relatively stagnant at around 65% of the 16 and older population, which has hovered just below 25,000 over the last ten years. This demographic data of a stagnant workforce would indicate a lack of office demand drivers in the marketplace.

Other metrics such as unemployment rate and total employment are deceiving as they show favorable trends but do not reflect workforce exodus and out-commuters. There is a positive trend in active business registrations but that data is not tracked by NAICS code and is difficult to draw conclusions from regarding office users and associate demand.



Shift share analysis indicates that Information and Real Estate are segments in the economy with positive job growth trends and may indicate some demand for office use within those segments.

Demand Assessment

Economic data indicates a lack of office demand within Delta. However, the market area for office space can be expanded if a recruitment strategy were to be implemented. In particular, communities along the Western Slope have seen job growth from location neutral businesses that have chosen to relocate to the region to accommodate an amenity-focused lifestyle. These businesses need broadband connectivity in order to accommodate working remotely and are typically not dependent on local market forces. Delta will be well positioned to accommodate location neutral businesses once fiber infrastructure investments that are

now in the planning stages have been completed. The Information segment (a growth segment in Delta) includes many of these types of local neutral businesses. These are both positive developments.

The development of quality of life assets combined with a targeted recruitment strategy of location neutral businesses will help drive office demand. It should be noted that these businesses are typically not large office users and have only a small number of employees.

The community may also see some success in targeting office users in Grand Junction and Montrose to relocate to Delta because of the quality of life assets and proximity to the river. This combined with favorable incentives and tax credits may attract interest from business owners.

Most likely, office demand will be limited to less than a few thousand square feet per year driven by service professionals or location neutral businesses with a few employees relocating to the City. Demand can be enhanced by actively recruiting new entrepreneurs to the area for the food manufacturing and organics center of excellence. Additionally, the active/outdoor life-stylists will be attracted to this area as a result of investments in quality of life assets. We would anticipate increased demand for office space as a result of these efforts.

Retail

Primary Trade Area

The primary trade area for Delta based retail includes the City of Delta as well as the other communities in the County: Orchard City and Cedaredge to the north and Hotchkiss, Paonia, and Somerset (in Gunnison County) to the east, as well as Crawford. Delta's location in the mountain valley positions it as a retail node that draws from these other Delta County communities located east along Colorado Highway 92 and north along Colorado Highway 65. As such, the primary trade area is defined as being Delta County.

Trade Area Demand Demographics

There are just over twelve thousand households within the trade area. With a median household income of $42,078, this represents total purchasing power within the trade area of $533 million. ESRI estimates of household budgetary expenses were used to determine the total amount of estimated purchases by retail category. Industry standard average sales per square foot by category were gathered from various sources and used to determine the amount of retail square footage supported by the marketplace. Lastly, an estimate of market share was used to determine what percentage of patrons would purchase their goods from within the trade area. Based on this analysis, the market appears to be over-absorbed in every major category, although only slightly over in restaurants and household furniture & equipment. See table below for this analysis.

# of Households	*12,671*	*12,671*	*12,671*	*12,671*
Median Household Income	*42,078*	*42,078*	*42,078*	*42,078*
Total Household Income	*533,170,338*	*533,170,338*	*533,170,338*	*533,170,338*
Retail Segment	**Groceries**	**Restaurants**	**Soft Goods**	**Furn. & Equip.**
Total Estimated Retail Expenditures	9.8%	5.6%	3.9%	1.9%
Retail Expenditure Potential Purchasing Power	52,413,972	29,816,510	20,849,624	10,187,484
Estimated Sales per Square Foot	624	534	300	300
Estimated Market Share	90%	85%	70%	50%
Supportable Sq. Ft.	**75,597**	**47,461**	**48,649**	**16,979**
Estimate of Existing	112,000	47,675	55,000	17,100
(Over) / Under	**(36,403)**	**(214)**	**(6,351)**	**(121)**

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Retail Demand Drivers

Retail demand drivers can be improved by growing the population and high wage jobs. Absent this growth, the opportunity for retail expansion will be limited. However, the expansion of the tourism industry can help facilitate additional demand for restaurants and entertainment, which could be attracted to the marketplace provided that a change in demand drivers could be demonstrated. One of the goals of this strategy is to drive additional traffic to existing retailers and small businesses and not just to add more retail.

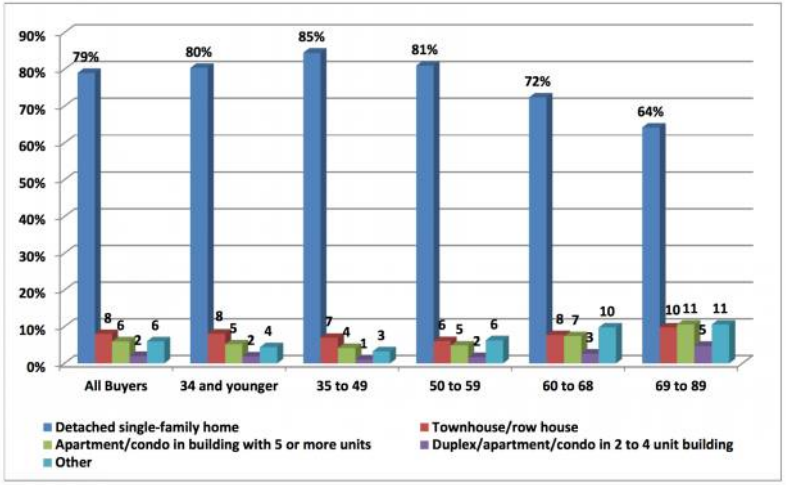
For Sale Residential

The for-sale residential market in Delta County is primarily comprised of suburban housing and farm ranch options. This product reflects the traditional housing affordability of the wage earners in the community, which has been traditionally comprised of farming, ranching, extraction, and manufacturing jobs. To date, traditional lifestyle and housing preferences in the community may be a reason for a limited number of different housing types. The development of future housing stock within the community should reflect consumer preferences of the workforce and retiree demographic segment.

According to the National Association of Realtors Home Buyer and Seller Generational Trends Report 2015, younger buyers in the Gen Y and Gen X demographic tend to stay close to their previous residence, while upgrading to larger homes, and relocating for job opportunities. Driven by affordability, younger buyers are more likely to purchase older homes while older buyers are more likely to purchase newer homes.

Older buyers tend to move longer distances and are more likely than younger buyers to buy in other regions and in a different state. This would indicate a market opportunity exists to attract the older home-buying demographic from outside the Delta region, which is comprised of Younger Boomers (age 50 to 59), Older Boomers (age 60 to 68), and the Silent Generation (age 69 and older).

Older Boomers often move longer distances from their previous residence, 30 miles on average. They move for a variety of reasons including retirement, a smaller home, and proximity to friends, family, and relatives. Nearly one-quarter of the Silent Generation purchased a home in senior-related housing. Although this age group has the smallest share of the home buying demographic they tend to move long distances from their previous residence as well, 20 miles on average. They also prefer convenient access to healthcare facilities. Buyers over the age of 59 are also more likely than other generations to purchase new construction and increasing prefer townhomes and condos.



Source: NAR Home Buyer and Seller Generational Trends Report 2015.

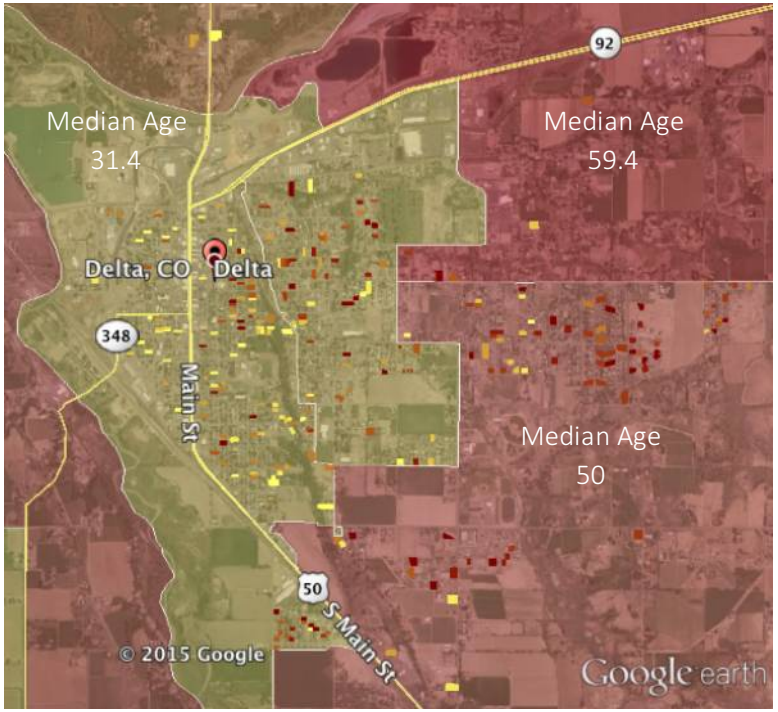
The table above shows home-buying trends nationwide by demographic cohort. There are small percentages in each cohort that purchase homes other than detached single-family homes. In addition to consumer preferences, these product types can also be dependent on market location and land prices.

A small number of single-family attached product types such as dual homes, townhomes, and garden-style condominiums should be considered to diversify the housing stock in locations with higher residential demand.

Demand Drivers & Market Observations

Unfavorable workforce, employment, and job growth data indicates weakness in demand for new residential development. Per the County Assessor, recent sale prices of single-family detached homes over the last few years vary by neighborhood and age of construction. Older homes near the urban core (i.e. Main Street) trade at lower values on a per square foot basis than newer construction in developing subdivisions. This low sales price is even more pronounced on the west side of Main Street.

This sales data pulled from the Assessor's website when combined with census block group data indicates that there is market support for new construction within the older cohort. The map below shows median age by census block and sales per square foot by parcel. Sales per square foot are shaded beginning with yellow for sales at or below $50/SF and moving along the color spectrum to dark red at above $120/SF. In general, the older homes trade between $50 and $100 per square foot with newer construction trading at or above $100 per square foot. This map also shows absorption in the newer subdivisions to the east of the City core with higher median age demographics.



Interestingly, the average median age in these census block groups correlates with the national trends reported by the National Association of Realtors: the younger demographic is purchasing older homes and the older demographic is purchasing newer homes. The census block group that has the most new construction trading at over $100 per square foot has a median age of 50. Conversely, the neighboring census block group shows a median age of 31.4 and many older homes trading at lower sales per square foot.

Market-Rate Multi-family

Multi-family demand is closely tied to job figures, housing affordability, demographic data, and occupancy and lease rates in comparable products currently offered in the marketplace.

Unfavorable employment numbers and other demographic data from the demographic and economic assessments performed as part of the economic development strategic plan indicate a weakness for multi-family. In addition, affordable housing stock is available as indicated by the yellow parcels highlighted in the map above that traded between $50 and $100 per square foot within the last few years.

There are no comparable multi-family properties in Delta. The vast majority of properties are either obsolete or subsidized housing. The only potential comparable is The Windsors, which offers 1 and 2 bedroom apartments of 650 and 900 square feet at lease rates of $0.70/SF and $0.45/SF, respectively. Although there are apartments available for rent in this complex, occupancy rate information is not available.

Based on market lease rates, demographic data, and housing affordability, new construction is not warranted at this time.

Market Supply Analysis

Current Built Environment

The current built environment consists of one and two-story historic buildings along Main Street in the downtown, suburban housing stock, farm ranches, commercial development along state highway 92 and at its intersection with state highway 50, as well as industrial uses along the river and 1st Street.

New commercial construction has been primarily limited to the commercial corridor along state highway 92, Stafford Lane, and state highway 50 at the entrance to the City. New residential construction is concentrated in a number of subdivisions east of the City core.

Path of Development

The current path of development in Delta has been along Colorado Highway 92 as evidenced by the commercial growth along this corridor. A Wal-Mart anchored center has been developed within the last few years along with retail and outparcels pads available for development and additional development occurring along Stafford Lane.

As previously mentioned, the primary trade area for Delta based retail also includes the communities of Orchard City, Cedaredge, Hotchkiss, Paonia, Somerset (in Gunnison County), and Crawford. This primary trade area further enhances Delta's ability to catalyze additional private investment along the Colorado Highway 95 corridor.

Businesses and tenants are attracted to areas that demonstrate momentum and are within a community's established path of development. Being within the path of development is an important advantage for the project area. As the project uses are built-out and river and lake recreation infrastructure improved, the project will serve as a catalyst to facilitate and accelerate additional private investment within the path of development.

Product Types

Hospitality

A hotel feasibility study was performed separately by Better City. This report evaluated supply and demand and identified market opportunity for a nationally branded hotel. Please refer to this study for additional information.

Office

Existing Supply

Comparable office space is primarily limited to the historic downtown along Main Street and periphery neighborhoods as well as along state highway 92. There is no Class A office with the existing supply being comprised of Class B or Class C. Office property is thinly traded in Delta and two active listings on Loopnet.com at the time of this report indicate sales prices of between $72 and $92 per square foot. Mason Real Estate had two office condominiums listed for sale for $88.75 per square foot in addition to various older Class C office properties that are not comparable to newer construction and are excluded for purposes of this analysis.

Market Conditions (Vacancy & Rents)

Active lease listings on Loopnet.com at the time of this report indicate the following lease rates:

- $5.95-$6.57/SF Modified Gross for older Class B office with showroom and warehouse space at the entrance to the city along state highway 50 at 203 Ute Street;
- $9.96/SF NNN for new Class B office at the Delta Shoppes along state highway 92; and
- $16/SF Full Service for aged Class C office at 488 State Highway 92;

As the first listing contains alternative uses it is not a pure office comparable. The second listing is the most indicative listing rate of Class B office and has been listed since July 2015. Class A office will likely not be supported in the current market environment unless it is a build-to-suit product.

The $16/SF Full Service listing has been on and off market for the past three years and is being listed by US Bank Commercial Real Estate. This property is priced above market even as a full service lease with utilities included and will likely sit vacant until the lease rate comes down to market.

The $9.96/SF NNN rate would be the most likely office space comparable for a mixed-use development contemplated at the project site due to it's similar mix of use and location.

There were no additional office space listings on local brokerage websites such as Grand Mesa Commercial Real Estate, Renfrow Realty, and Mountain Valley Realty.

Vacancy rates are difficult to determine based on available data but the lack of overall quality supply is more indicative of a weak market for office space than users absorbing available space and driving occupancies lower. Existing mid-quality and low-quality offerings of second or third generation condominiums in non-prime locations has been available to accommodate professional office users. This indicates potential existing and future demand for office condominiums. One-story four-suite office condominiums in a dedicated professional business park may appeal to many users dissatisfied with current market offerings. This would also fit well with the size characteristics of location neutral businesses. This type of product can be developed out over multiple phases and business

condominiums can be pre-sold to reduce the risk to the development community.

New speculative Class B office will not likely be supported in the marketplace until the available space at Delta Shoppes is absorbed. This could take a number of years, as there is 12,970 total square feet available.

Retail

Existing Supply & Tenants

Retail properties currently on the market in Delta City are primarily comprised of the following general categories:

- Ground-floor retail along Main Street;
- Second or third generation ground-floor retail combined with office and warehouse components in non-anchored locations;
- In-line space and outparcels in anchored retail centers; and
- Various non-prime locations.

Of these, the most useful product type for comparable purposes is the anchored location at the Delta Shoppes and Walmart center and nearby locations along state highway 92.

Market Conditions (Vacancy & Rents)

Retail rents along state highway 92 range between $8 and $14 per square foot. The Valley View Plaza is a neighborhood center with inline suites available between $8 and $10 per square foot NNN. Spaces available at The Shoppes in Delta include restaurant space at $14 per square foot NNN. Lastly, in-line retail stores in the Walmart Center are listed at $8 to $10 per square foot NNN. Existing vacancy in higher quality retail along this corridor stands at 20,000 square feet, which indicates weak retail demand in the marketplace as many properties struggle to reach full occupancy. This is consistent with the demand analysis that shows the marketplace is over-absorbed in every major category.

Residential

Existing Supply & Product Types

The existing residential supply consists primarily of single-family detached products in suburban and rural settings. There are few duplex, multi-unit apartments, and condominiums totaling less than four percent (4%) of the existing housing stock. As previously mentioned, existing multi-family product is old, obsolete, or subsidized and the only potential comparable has very low lease rates that indicate little demand for new construction.

Code & Description	# of Parcels
1112 - single family residence- land	426
1115 - duplex/triplex land	2
1120 - multi-units (4-8) land	1
1125 - multi-units (9 & up) land	1
1135 - manufactured housing- land	220
1140 - manufactured housing park- land	8
1177 - Non-integral land	6
1212 - single family residence- improvements	3,124
1215 - duplex/triplex- improvement	51
1220 - multi-units (4-8) improvements	21
1225 - multi-units (9 & up) improvements	4
1230 - condos- improvements	54
1235 - manufactured housing- improvements	1
1240 - manufactured housing park- improvements	1
1277 - Non-integral residence-imp	19
Total	**3,939**

Product Type Recommendations

Median household income of $44,600 and average household size of 2.3 in the census block group with median age of 50 indicates market support for single-family detached (SFD) products on lots between a fifth acre and half acre. An opportunity exists for new construction of single-family detached product type focused on the older buyer demographic. A master planned community with amenities and a mix of product types should be considered in order to target this demographic and facilitate age-in-place neighborhoods.

Although it would be a new product type in the Delta residential market, single-family attached (SFA) such as dual homes (SFA DH) or townhomes (SFA TH) could be supported in limited quantities where neighborhood demand is highest, primarily along the river corridor. These could also double as for-rent product to cater to renters that are unsatisfied with the quality of apartments currently available and would provide low-maintenance properties to the local real estate investment community.

Observable trends in family home-care for aging parents as well as cultural traditions in certain minority demographics indicate growth in consumer preferences for multi-generational product types. As Delta County has a 14% hispanic population and an older median age there may be market opportunity to develop multi-generational product types designed to accommodate grandparents, parents, and children within the same home.

These product types are not common in the community and will push the market envelope but will be critical to the community in order to create greater product and demographic diversification.

Amenities and location will be critical to the success of market absorption of these proposed product types. Phasing will also be important in order to mitigate the risk to the private sector. A master planned community incorporating green space, amenities, and a variety of product-types is recommended for areas of the project that are more suitable for residential use.

Project Identification

The area of greatest market potential includes the hotel and convention center as previously reported as well a mix of residential product types mainly comprised of single family detached residential that is catered towards older demographic cohorts that are more likely to relocate from other communities and purchase new construction. These market opportunities should be strategically leveraged to develop quality of life assets that will be appealing to the workforce demographic and employers. A gateway project that incorporates a variety of different product types and quality of life amenities should be developed.

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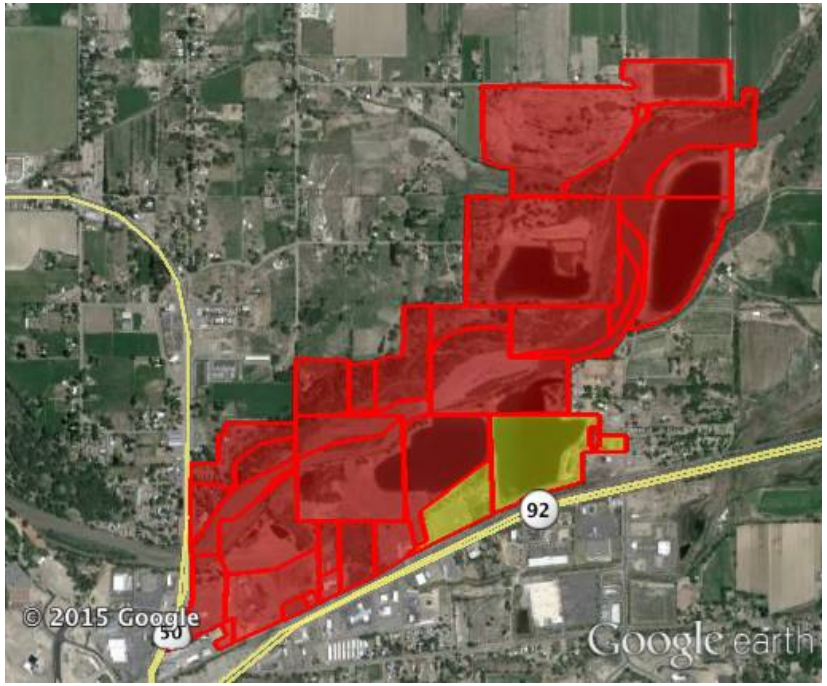
Gateway Project & Phasing

Vacant land, lakes, and river front property make the proposed project site below an ideal location. Two different scenarios will be considered for the two yellow highlighted parcels.



Proposed Uses

Hotel + Conference Center

A nationally branded hotel with attached conference center overlooking the river will be the anchor to the gateway project. This development will attract in visitors and business travelers to stay in Delta. As the hotel and conference center is in the path of development it will enhance and strengthen the commercial corridor and catalyze additional investment.

For Sale Residential

Residential development will be necessary in order to create the foot traffic and vibrancy needed for the proposed project. Proximity to the river and commercial corridor will be appealing to many homebuyers. As previously mentioned, a master planned community that incorporates a variety of residential product types should be developed. Although primarily catered towards an older cohort, this development will provide funding mechanisms to seed infrastructure in the project area as well as the development of river and lake amenities. These infrastructure investments and quality of life assets can then be leveraged to catalyze other product types.

Future Office Condos

To accommodate professionals and the creative class, acreage should be reserved within the project area for the development of single story office condominiums. Recruitment of location neutral businesses can be accomplished through the development of quality of life amenities that are attractive to the creative class.

Restaurants

Restaurants need demand drivers for lunch and dinner in order to be successful. The development of the hotel, convention center, and office condos will create lunch demand drivers that will warrant the development of a new restaurant. New residential will provide additional demand for dinner. A nationally recognized chain next to the hotel and convention center that can accommodate professional lunch and dinner meetings as well as local residents would be preferred. As the hotel, convention center, residential, and office condos are planned, restaurant operators should be approached

about opening a new location in the project area, preferably very close to the hotel and convention center.

Future Retail

Although little to no retail appears to be supported in the local market place, outparcels lining state highway 92 should be reserved to accommodate future retail growth. This will ensure that the corridor will continue to be well positioned as a commercial and retail hub.

Expand Recreational Amenities

River trails, boardwalks crossing over wetland areas, whitewater parks, swimming safe rapids, fishing areas, beaches, picnic and playground areas, and concentrated river and lake access points should be developed to provide unparalleled recreational opportunities.

Enhance River Shoreline Experience

River shoreline enhancements should focus on developing vibrant natural areas that connect and provide a sustainable interface to the built environment. Viewing and interpretative stations should be included to provide patrons with an opportunity to connect with nature.

Riparian Edges

Design features should include interior floodplains, diversified currents, storm water buffering, and riparian habitat expansion to improve overall stream health. These elements will create vibrant natural areas that will provide long-term sustainability to stream health and protect the river and shorelines from degradation.

Beaches and Soft Edge Landings

River bank improvements should focus on stabilizing the bank while providing residents with convenient access in specific egress and ingress locations. The vast majority of improvements should include soft edges such as shallow banks with floodplain vegetation or where steep banks exist they should be stabilized with planted vegetation. Hard edge conditions such as abutments or riprap should be avoided as much as possible as they disrupt the natural fluctuations of water that support a riparian plant environment.

A sandy beach area that provides residents with access to the river should be considered and combined with other amenities such as trail access, picnic tables and grills, restrooms, and playground equipment. As children will be patronizing the beach area, a life jacket loaner program should be made available to improve safety.

Greenway

Landscaped greenways should serve a dual purpose of providing pedestrian access corridors to the river from the built environment as well as channel floodwater to the interior floodplain. The master plan of the project area should include greenways to connect patrons to the river. Greenways should be designed with sightlines that provide visual corridors between the river and the built environment.

According to riverlife.org, native or non-invasive species should be planted throughout the river corridors. Native species are preferred for the river edge landscapes because of their adaptation to the local environment, response to flood conditions, and biodiversity enhancement.

Lake Activation

Leveraging the existing lakes within the project area to create additional water amenities will assist with the absorption of the neighboring product types. Many residents of the community aren't even aware of these lakes because they are privately owned and aren't available to the public for recreation purposes. In addition to the river activation initiative, lake activation will help brand the community as a center for outdoor recreation.

Lake improvements should be integrated with the planning design for the other proposed project uses. Improvements should include bank adjustments as necessary to host waterskiing competitions, ingress and egress ramps for motorboats, landscaping, and sandy beaches where appropriate. Picnic areas, playground equipment, and restrooms should also be considered.

Cable Systems

Cable parks should be developed on the southeastern most lake with expansion opportunities to the other lakes that can accommodate these systems in future phases. A cable system would provide access to water sports to those individuals that do not have a motorboat and otherwise would not be able to participate. This lake should include obstacles for wake boarders that are similar to terrain parks at ski resorts. This would increase the rate of participation within the community and attract hotel patrons and other visitors to the community. This type of venue will create a regional draw for snowboarders who are looking for ways to participate in a similar sport that will continue to hone their skills. Competitions should be held to create awareness and drive room nights to the new hotel.

Create Monument Bridges

Monument bridges stand as recognizable architectural icons to residents and visitors alike and create memorable visual experiences and gateway markers. The existing bridges in Delta do not leave the appropriate impression for a community desiring to highlight the beauty and recreational aspects of its river.

Colorado Highway 50

The Colorado Highway 50 entrance to Delta is a minimal design and should be rebuilt as a monument bridge. This is not a short-term project and may require many years of lobbying to secure transportation funding in order to undertake this type of project.

Pedestrian Bridges

Pedestrian activity is critical in order to create vibrancy in the project area as well as along the river corridor. A pedestrian bridge spanning the Gunnison River near the lakes will provide convenient access, provide a scenic overlook of the river, and provide river sports spectators with an excellent vantage point.

The design of the bridge should be aesthetically pleasing, encourage foot traffic and pedestrian activity, and accommodate bicyclists and motorized carts.

Automobile Bridge

A second bridge to accommodate automobiles should be included in long-term plans to connect the project area to future residential development on the north bank of the river. Targeted funding should be sought to create a monument bridge that will serve as an architectural icon and gateway to the project area.

Design Elements

The automobile and pedestrian bridges should include stairways and ramps to provide pedestrian and bicycle access to the planned river trails. Bridges should not be an impediment to the trail system and spans should be re-engineered to include enough clearance for pedestrians, bicyclists, and motorized carts.

The design of the automobile and pedestrian bridges should include structural materials that provide scenic overlooks to the river as permitted by engineering standards.

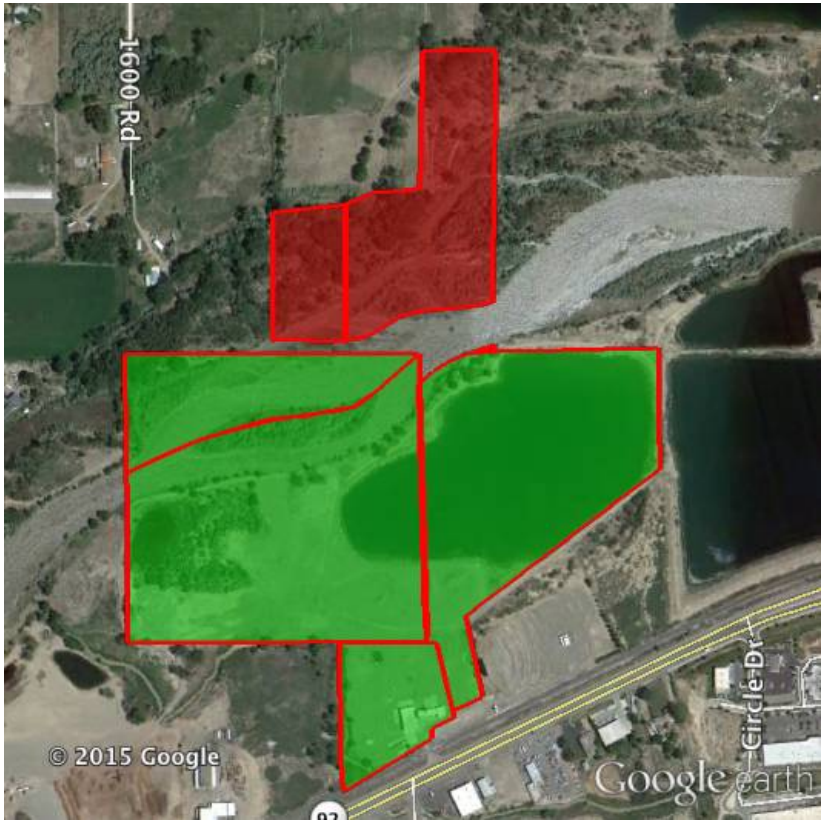
Capital Costs

For purposes of analyzing the feasibility of the proposed gateway project and the anticipated participation of the public and private sector, capital costs and return on investment will be analyzed. The cost of automobile monument bridges will not be included as these would be dependent on state funding. Cost estimates from comparable projects will be used as a proxy.

Land Value

Two sales transactions in the subject area are shown in the map below. The green area, comprised of four parcels totaling 67 acres, was sold on 6/19/13 for $475k, or $7,087 per acre. The red area comprised of two parcels totaling 17 acres was sold on 9/9/15 for $100k, or $5,738 per acre. The same buyer purchased these properties. These may have been opportunistic purchases so additional research using Assessor valuations was performed.

County Assessor data was examined to determine the value of land for each phase. There are a total of 102 parcels with a market value for 2015 tax purposes of $15.3 million. Phase 1 blended market value is $11,789 per acre, which has been used to estimate the land costs for the river and lake improvements below.



Phase	Parcels	Land Market Value	Improvements Market Value	Total Market Value
1	33	3,157,089	3,044,365	6,201,454
2	15	892,840	1,478,211	2,371,051
3	10	282,156	738,126	1,020,282
4	44	2,835,209	2,910,458	5,745,667
Total	**102**	**7,167,294**	**8,171,160**	**15,338,454**

Source: Delta County Assessor

The proposed river and lake projects would involve the acquisition of approximately $1.9 million in land by the public sector for the development of trails and parks. This would be a little bit less if the parcels highlighted in yellow in the map above are not acquired as part of the project. The remaining land would be acquired by the private sector as warranted by demand for new development.

River Improvements

Estimates for the river bank improvements and two recreation access points are shown in the table below. This estimate incorporates the riverfront from Route 50 up to the last lake in the project area. Included in this estimate are bank stabilization costs, landscaping, improved dirt trails along the river, and two recreational access points. Cost estimates are derived from a Panguitch, Utah study conducted by River Restoration that included riverbank stabilization and improvements.

Crusher trails are estimated at $37k per mile. The Cottonwood Trail Construction project along the Salida Mountain Trials was a 3.6 mile project costing $132,250, or about $37k /mile and approved for funding by the Colorado Parks and Wildlife Division as shown on the 2015 Non-Motorized Trail Grant Summaries.[2] This project was used as a cost proxy for the crusher trails. Land consists of 76 acres of river property and 6.9 acres of trails at a market value of $11,790 per acre, according to County Assessor data. This results in a land cost of just under $1.0 million.

Description	Quantity	Unit	Unit Cost	Total Cost
Land Acquisition / River Access	82.9	Acre	11,790	977,100
Site Preparation				
Mobilization/Demobilization/Bonding/Insurance	1	LS	367,700	367,700
Construction Survey and Stake	1	LS	50,000	50,000
Erosion and Sediment Control - Entire Site	1	LS	73,540	73,540
Total Site Preparation				**491,240**
Bank Improvements				
Bank Stabilization	9,132	LF	100	913,200
Recreation Access	2	LS	400,000	800,000
Planting and Seeding	25	ACRE	7,500	188,678
Total Bank Improvements				**1,901,878**
River crusher trails	2.8	MILE	37,000	104,952
Total Construction				**2,498,070**
Contingency (25%)				624,518
Construction with Contingency				**3,122,588**
Project Site - Engineering and Permitting (15%)				468,388
Construction Management (10%)				312,259
Total Project Cost				**4,880,335**

Lakeside & Park Improvements

Two scenarios are contemplated, one, which includes all the parcels in the subject area and the other that excludes those parcels that were highlighted in yellow in the map above. In Scenario 1, there is a total of 75 acres of lakes, 8.0 acres of parks, and 3.43 acres of trails, resulting in 86 total acres. At a market value of $11,790 per acre, according to County Assessor data, this results in a land price of about $0.9 million. Scenario 2 excludes 17.7 acres of lake and trail property and 3,500 feet of trails, resulting in a lower acquisition price of approximately $0.7 million.

[2] https://cpw.state.co.us/Documents/Commission/2015/March/ITEM29-2015-MotorizedTrailGrantAwards.pdf

Phase 1 would include the development of 4 parks adjacent to the lakes and river with interconnecting trails. Site infrastructure costs include landscaping, off-street parking, open space improvements, site utilities, lighting, trees, and irrigation. Running utilities from state highway 92 and other utility corridors to the park areas will leverage the park development as a mechanism to seed infrastructure through the project area. These costs are estimated at approximately $120,000 per acre, or $2.75/SF.

Improved crusher trails would also be developed around each lake. Playground areas including equipment for ages 2-5 and 6-12, picnic areas, open fields with irrigated grass, and site furnishings are included in the estimate.

	Scenario	
Description	**1**	**2**
Land & Lake Acquisition	879,928	679,501
Site Infrastructure	960,000	960,000
Site Furnishings	45,000	45,000
Playground	200,000	200,000
Picnic Area	150,000	150,000
Beach Areas	90,000	90,000
Cable System, Install, Concrete Anchors, Docks	500,000	500,000
Lake Connector Channel	115,000	-
Boat Ramp	200,000	200,000
Lake Crusher Trails	127,075	100,559
Total Construction	**2,387,075**	**2,245,559**
Contingency (10%)	238,708	224,556
Construction with Contingency	**2,625,783**	**2,470,115**
Project Site - Engineering and Permitting (10%)	262,578	247,011
Construction Management (5%)	131,289	123,506
Grand Total	**3,899,579**	**3,520,133**

One boat ramp for the southwestern most lake is estimated at $200k and a channel can be created to link that lake to the adjoining lake. Under Scenario 2, no channel connection would be needed. Cable park system equipment costs around $150k - $250k. Including installation, concrete anchors, and a starting dock, the total cost comes to $500k. The build-out of these cable parks should be phased as participation rates increase in the community and Delta becomes established as a water sports destination attraction. The development should start with one cable park with expansion opportunities available in the other nearby lakes. Total cost with land acquisition is estimated between $3.5 million and $3.9 million for the two scenarios.

Pedestrian Bridge

A pedestrian bridges spanning the river and connecting the project site to the other side will help catalyze additional development. The span will need to be approximately 300 feet, which is approaching the limit of prefabrication trusses, which are by far the most economical engineering solution and average $350/SF.

At a standard width of 8 feet, the total square footage would be 2,400 and cost $840k. Concrete pillars, bulkheads, and installation as well as soft costs for engineering, design, and construction management will add additional costs to the project and bring the total up to $1.0 million. A smaller pedestrian bridge will be necessary to span a smaller 40-foot channel of the river and is estimated to cost $152k.

Description	Scenario 1	Scenario 2
River Channel and Trail Improvements	4,876,277	4,876,277
Lake & Park Improvements	3,899,579	3,520,133
Pedestrian Bridges	1,152,000	1,152,000
Total Activation Costs	**9,927,856**	**9,548,410**

These amounts are significant but there are State funds available to fund catalytic recreation projects. A request from the State for just under $10 million would be excessive and not competitive. As such, Delta should consider breaking these projects down into smaller phases and solicit participation funds every year from the State for each phase until the activation project is complete. This is a pattern followed by other Colorado communities that have had success in developing recreational assets.

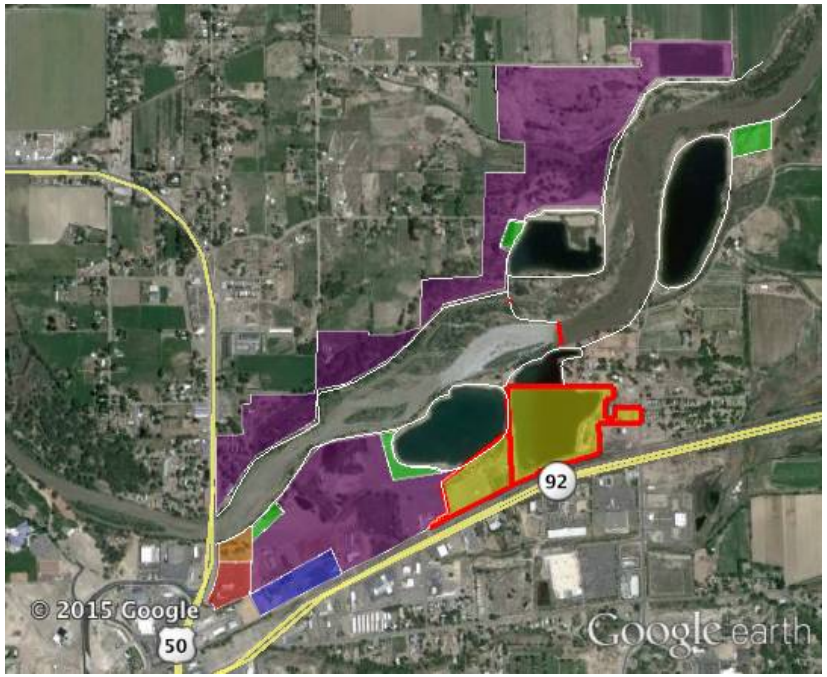
The green areas in the map above are proposed parks, white lines represent trails, and red lines represent the pedestrian and trail bridges. Bridges were placed at the narrowest sections of the river and areas where fewer small channels were present to avoid additional spans as much as possible.

Initial phases for each proposed project should include planning and engineering, followed by land acquisition. River channels and the river trails should be initiated first as this project construction may impact the lakes and future trail development. Splitting this project up into three smaller projects may make it more competitive for grant funding. Once the river improvements are completed, the lake and park improvements can commence beginning with planning and engineering, followed by land acquisition. Again, grant applications may be more competitive by breaking up the lake and park improvements into smaller projects. The final phase could consist of the pedestrian bridge. Discussions with State granting entities may provide additional insight in the best approach to fund the project over multiple phases.

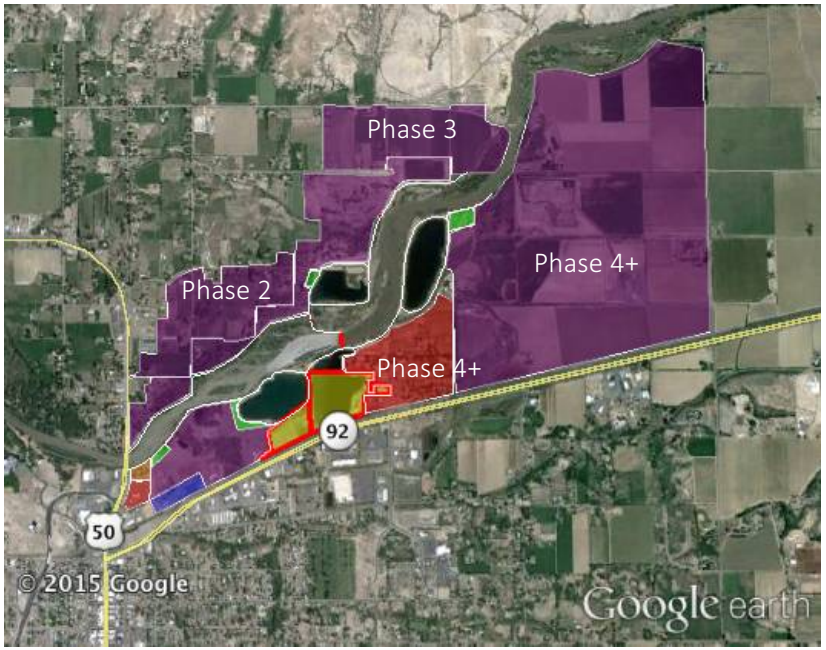
Phase	Description	Scenario 1	Scenario 2
1	River channel planning & engineering	468,388	468,388
2	Land acquisition / river access	975,758	975,758
3	River channel & trails	1,144,152	1,144,152
4	River channel & trails	1,144,152	1,144,152
5	River channel & trails	1,144,152	1,144,152
6	Lake, parks, & trail engineering	262,578	247,011
7	Land acquisition / lake access	879,928	679,501
8	Lake, parks, & trail development	689,268	648,405
9	Lake, parks, & trail development	689,268	648,405
10	Lake, parks, & trail development	689,268	648,405
11	Lake, parks, & trail development	689,268	648,405
12	Pedestrian bridge	1,152,000	1,152,000
	Total	**9,928,181**	**9,548,736**

Commercial and Residential Uses

Commercial uses include a 3.0-acre site to accommodate a nationally flagged hotel and conference center (orange), 5.0-acre retail outparcels (red), 8.0 acres for professional office condominiums (blue), and 178.0 acres for a residential master planned community (purple). A hotel and convention center feasibility study has been previously conducted and these uses will be excluded for purposes of this analysis. See the map below for phase 1 uses.



There are two scenarios being contemplated for the project: Scenario 1 that includes the yellow parcels highlighted above and Scenario 2 that excludes these parcels. Should these parcels be included, the available developable land would be used for 10 acres of additional future retail. As previously mentioned, the market for retail appears to be over-absorbed based on existing demographics. As additional residential is developed and absorbed and a tourism industry is established, support for retail will improve. In the meantime, prime areas for retail development along state highways 50 and 92 should be reserved for future development. See the map below for uses contemplated in future phases. Future phases may take decades to build out to full absorption, which is typical of large master planned communities.



Acreage by phase is shown in the table below.

Use	Acres by Phase				
	1	2	3	4+	Total
Hotel	3.0	-	-	-	3.0
Retail	11.5	-	-	69.0	80.5
Residential	178.0	90.0	102.0	628.0	998.0
Office	8.0	-	-	-	8.0
Total Uses	**200.5**	**90.0**	**102.0**	**697.0**	**1,089.5**

Procure State Funds

Delta County has received a total of 178 grants from three separate entities for conservation and recreation purposes as shown in the table below.

Grantor	Grants	Amount
CO Parks & Wildlife	2	43,000
Conservation Trust Fund	118	2,222,141
Great Outdoors Colorado	58	6,170,111
Grand Total	**178**	**8,435,252**

Compared to other counties in the state, Delta County is number 41 out of 64 in terms of grants awarded on a per capita basis at $272 per capita. Should 75% of the total proposed project of $10 million be awarded through these funding sources, the county would rise to number 23 in the state at $622 per capita, which appears feasible.

Funding from the Conservation Trust Fund is provided annually to communities on a per capita basis and is administered through DOLA. GOCO offers various grant programs with application deadlines in November and March. Colorado Parks & Wildlife also has various grant programs, those most relevant to this project include the Colorado Wildlife Habitat Protection Program, Fishing is Fun, and the Non-Motorized Trails grant programs. In some cases, matching funds of 25% to 50% are required and for others, matching funds provide a more competitive application but are not required.

Other Funding Sources

Tax increment incentives may be made available to office and retail users in order to catalyze investment. Other programs such as new markets tax credits should be considered for new office users. This program offers investors a $0.39 tax credit for every dollar invested in a distressed census tract, such as the one where the project is being contemplated. Job creation requirements under this program make office use the most competitive. Projects typically must be more than $10.0 million to warrant consideration and if awarded are typically used as a project enhancement. Other funding sources include Community Development Block Grants, DOLA, EDA, Trout Unlimited, Colorado Health Foundation and multiple private, Federal and State waterway improvement grants.

Colorado also allows local governments to pass an Open Space Sales Tax, which provides counties the authority to seek voter approval of up to a half-cent sales and use tax to fund open space programs. This may be a mechanism to secure matching funds for state grant programs. The City of Delta currently has a 0.75% sales tax that can be used to fund recreation projects.

Local Incentives

Due to the lack of demand drivers in the community, there will need to be incentives during the first phase of the project to catalyze investment. Pre-development work will also need to be accomplished by the municipality through its RDA, acting in capacity

as a land developer. That is, land assemblage for the project area should be done through the RDA. This can be accomplished through the use of option contracts that would provide an exclusive purchase right, not a purchase obligation. These option contracts would be held by the RDA until a developer is secured.

As funding for parks, river and lake improvements can be subsidized by the State through recreation and conservation grants, utilities and infrastructure costs should be included in these projects. Main utility lines and access corridors should be incorporated in the budget to the extent possible. Theses projects could thereby help seed the infrastructure for the benefit of future development.

With the development of recreational assets, green space, and main utility lines being undertaken by the public sector, initial phases of the project become economically feasible. This combined with concessions on land and impact fees on the first phase of the development will be useful in the ability to attract a sophisticated development firm to undertake a project of this size.

The EDA should be approached regarding funding business park site improvements including infrastructure and utilities. Tax increment should be used to create competitive pricing for initial residential lots, as needed. Rough estimates of sources and uses are shown below for the first phase project area between state highway 92 and the river.

	Office	Residential	Retail
Sources			
EDA	618,750	-	-
GOCO	-	7,361,070	-
Tax Increment	2,012,670	1,780,000	350,000
Recreation funding	-	4,812,619	-
Private Sector	9,757,440	98,057,537	10,827,224
Total Sources	**12,388,860**	**112,011,226**	**11,177,224**
Uses			
Infrastructure	1,237,500	4,510,000	-
River, lake, park	-	9,927,856	-
Land ($4/SF Comm., $1.50/SF Res.)	1,393,920	11,630,520	2,003,760
Construction Cost	9,757,440	85,942,850	9,173,464
Total Cost	**12,388,860**	**112,011,226**	**11,177,224**

Economic Impact Analysis

Assuming standard coverage ratios and dwelling unit densities, the proposed project upon full absorption would add $0.5 billion in taxable improvements as shown in the table below.

	Retail	Office	Residential	Total
Acres	80.5	8.0	998	1,087
Coverage Ratio	0.25	0.35	n/a	
Dwelling Units / Acre	n/a	n/a	3.5	
# of Units	n/a	n/a	3,493	
Avg. SF	n/a	n/a	1,550	
SF	876,645	121,968	5,414,150	6,412,763
Cost / SF	65	80	89	
Property Valuation	**56,981,925**	**9,757,440**	**481,859,350**	**548,598,715**
Existing Valuation				15,338,454
Improvement Value				**533,260,261**

The increase in population will help support additional retail and office uses, which will create a virtuous cycle of investment in the community. As previously mentioned, new housing supply should initially focus on older cohorts until quality of life recreational amenities are developed. At that time, focus should shift towards younger home-buying cohorts and their employers.

The project will fully absorb over many decades and will increase the community's tax base by $0.5 billion, as shown above. Assuming 3,500 additional households and median household income remains at current levels, new residents will contribute just over $147 million in annual purchasing power. This will provide demand for additional retail and create vibrancy in the surrounding lake and river amenities through additional visitation.

Return on Investment

ROI is difficult to measure due to the long-term absorption timeframes for master planned communities as well as the additional municipal services and infrastructure costs associated with build-out and new residents.

It is anticipated that incremental property taxes from the residential uses will be offset by corresponding municipal service expenditures and infrastructure investments. Retail sales will provide incremental revenue for the City. As a home rule City, Delta collects a 3.0% sales tax. Should the community contribute 50% match to the lake, river, and trail improvements of $8.5 million, the return on investment will be 13% per year at full build-out.

Residential Households	3,511
Median HH Income	42,078
Purchasing Power	147,714,819
Local Goods Mkt Share	0.25
Sales Tax Base	36,928,705
Tax Rate	3%
Sales Tax Revenue	**1,107,861**
Local Match	8,558,402
ROI	**13%**

Job Creation

Job creation in retail uses and hospitality will most likely be comprised of part-time low-skilled labor. The professional business park will have a total of 120 thousand square feet. Assuming 150 square feet per employee, the business park can accommodate a total of 813 employees.

Office SF	121,968
SF / Employee	150
Employees supported	813
Average Salary by NAICS	55,380
Total New Wages	**45,030,586**
Multiplier	1.11
Grand Total	**49,983,950**

Assuming an annual salary of $55k per industry NAICS code, new wages would total just over $45 million. Combined with the multiplier effect, the business park will provide just under $50 million in total wages.

Community Rebranding

The development of the lake and river amenities will position the community as a hub of recreational activity. Tournaments hosted by the community and held at the lakes will further enhance Delta as a recreation destination. There are very few communities that will have lakes so close to each other with cable parks, obstacle courses for wake boarders, and the ability to host multiple water sport events at different lakes in the same location.

Although Delta is well positioned to become the western U.S. water sport capital, the greatest risk of competition lies with Grand Junction and surrounding cities where they have more lakes along the river and a larger population. A first mover strategy must be adopted in order to effectively compete. As such, there must be a sense of urgency in rolling out this rebranding strategy in order to position the community as the western U.S. water sport capital in hosting events and competitions.

Human Capital Attraction & Retention

The development of quality of life assets will attract the creative class and younger demographics that are seeking an active outdoor lifestyle. This will help facilitate the food manufacturing industry and provide an attractive location for employers and their associated workforce. It will increase the demographic that has been fleeing the community and has the greatest potential to increase the average household income and create generational prosperity.