

PLANNING AND ECONOMIC DEVELOPMENT MEETING

February 12, 2020

8:30 a.m.

Mt. Elbert Conference Room, 5th floor

Council Member Francoise Bergan, Chair

Council Member Crystal Murillo, Vice Chair

Council Member Alison Hiltz, Member

Be a great place to locate, expand and operate a business and provide for well-planned growth and development.

- | | | | |
|----|--|-----------------------|-----------|
| 1. | Approval of January 8 draft Minutes | Council Member Bergan | 8:30 a.m. |
| 2. | 2019 Development Review Annual Report | Vinessa Irvin | 8:35 a.m. |
| 3. | Mineral Leasing Program Update | Hector Reynoso | 9:05 a.m. |
| 4. | Miscellaneous Matters for Consideration <ul style="list-style-type: none">• Aurora Economic Development Council• Havana Business Improvement District• Aurora Chamber of Commerce• Planning Commission• Oil and Gas Committee – See Attachment | Council Member Bergan | 9:30 a.m. |
| 5. | Confirm Next Meeting
March 11, 2020 | Council Member Bergan | 9:55 a.m. |

**PLANNING AND ECONOMIC DEVELOPMENT (PED)
POLICY COMMITTEE MEETING**

January 8, 2020

Members Present: Councilmember Francoise Bergan, Chair; Councilmember Crystal Murillo, Vice Chair;
Councilmember Allison Hiltz

Others Present: Councilmember Juan Marcano, Jason Batchelor, George Adams, Andrea Amonick,
Scott Berg, Dan Money, Elena Vasconez, Andrea Barnes, Sara Wile, Liia Koiv-Haus,
Vinessa Irvin, Jose Rodriguez, Daniel Krzyzanowski, Heather Lamboy, Mark Smith,
Mark Withiewicz, Chance Hourichi, Yuriy Gorlov, Kevin Hougen, Dennis Lyon,
Margee Sobey, Bob Bengen, Daniele Stufft, Gayle Jetchick, Leigh Hettick, Melvin Bush,
Brad Pierce, Stephenie Baca

APPROVAL OF MINUTES

November 13, 2020 minutes were approved by Chair Francoise Bergan.

BUSINESS ADVISORY BOARD UPDATE

Summary of Issue and Discussion:

The committee was informed that the Business Advisory Board (BAB) staff liaison has changed from Chad Argentar to Elena Vasconez.

Manager of Development Services Andrea Amonick gave an explanation of what Mr. Argentar's role has changed to and that Ms. Vasconez will be taking over the BAB as lead staff person. Ms. Vasconez was introduced and informed the committee of her background.

Garrett Walls, Chairman for BAB was present and gave a 2019 BAB recap and highlighted that there were three specific issues that came to the BAB in 2019. He summarized how the board had worked closely with Tax and Licensing over the Massage Therapy Ordinance; established staff relationships with Fire Protection over kennel issues. He mentioned they received an in-dept presentation from Tri-County Health and reviewed a Healthy Kids Meals Ordinance over sugary beverages but there were still a lot of questions the board had regarding the ordinance and felt as though they didn't have enough information. The Board voted unanimously to reject the proposal and requested that Tri-County Health do additional research about the subject, seek other potential pathways with Tri-County Health for enforcement of this initiative rather than a city ordinance and return with their findings. The BAB also suggested that a more thorough impact survey of restaurant or effected licensees be completed by Tri-County Health. Mr. Walls expressed that the BAB's focus is to look at the impact to the business community in Aurora that any regulation or policy might pose. The BAB wants to have businesses view the city as a place for business opportunities and not to create future regulatory burdens on business licensees. He mentioned that a letter was submitted with the Board's full recommendations.

Mr. Walls talked about the Economic Development Administration (EDA) Revolving Loan Fund (RLF). That the BAB voted to terminate those funds but will be reviewing the issue again at the first meeting in January and are excited about partnering with Community Enterprise Development Services (CEDs). He mentioned that the Board doesn't have the mechanisms to administer a loan program but are happy to give approvals and recommendations to city council on those loans but don't have the staff to maintain a fiduciary responsibility to underwrite those loans.

Ms. Amonick gave some background on what the EDA RLF was and how numerous loans had defaulted since the economic downturn. Since then the program has been struggling and had been assigned to the Loan and

Grant Committee for review which members consisted of bankers and various members with similar backgrounds who were more prepared to make recommendations on those loans, but the group dissolved for various reasons. The legislation has been updated to have the BAB responsible for making recommendations on the loans, but the BAB members are appointed by city council and now only have one banker on the board.

She announced that city budget granted approval to open a Small Business Development Center in the northwest community of Aurora who will hold classes for small business owners and partner with CEDS Finance who is the administrator of the Transforming Safety Grant (TSG) that provides loans specifically to the northwest area. Aurora Urban Renewal Authority (AURA) is renting the building that will be used for the center and in trade rent will be charged to CEDS but will lower that rent in exchange take the current EDA program and have them underwrite those loans and adding loans from the TSG to assist more businesses in the Westerly Creek and northwest area. This will be an opportunity to take advantage of all the development that is happening in the area and be able to provide funds. CEDS will underwrite the loans and provide the BAB with recommendations that they could feel comfortable with moving forward and approving or denying those loans.

Mr. Walls expressed that the BAB appreciated hearing from city council in 2019 and is excited to work closer with PED and close the gap between the council and the BAB about reviewing issues in the business community and making recommendations in the future. Chair Bergan agreed with better working communication and understands the BAB is important because the city is driven by sales tax and invited the BAB to return to PED anytime they would like to present an issue.

Ms. Amonick noted that each council member appoints their own BAB members and that they are council's resource to get discussions regarding small business issues into a forum where they could be discussed and have appropriate recommendations forwarded to council.

Council Member Murillo asked about the bylaws for BAB and would like more business members on the BAB and asked if the structure for the BAB was in the council rules. Ms. Amonick said there was an ordinance that changed the structure of the BAB and additional information about the structure is held with the City Clerk's office. Discussion continued about the subject of the BAB's structure and Mr. Walls mentioned that since the position is voluntary, getting all board members present for every meeting is difficult due to their time commitments to their businesses. He said that he would like to have more participants and members on the board and believes additional voices from the business community are needed.

Outcome: Staff will review the structure of the BAB for the committee.

Follow-up Action: BAB's structure information will be presented at a future PED meeting.

PED AGENDA TOPICS FOR 2020

Summary of Issue and Discussion:

Planning and Development Services Director George Adams gave an overview of potential and recurring annual agenda items for 2020 PED Meetings. Timing was set to be presented to some of the items.

Potential Annual Updates

- Development Update – February 2020
- Development Review – TTO/Accela Update
- Retail/ICSC Convention Update – July or August 2020
- Aurora Chamber of Commerce Update
- Aurora Economic Development Council
- SBDC Programmatic Update

- Office Market Update – (Development Services and AEDC will present the existing state of the office market)
- BAB Update
- Oil and Gas Update

Potential New Items

- Aurora Places Update
- UDO Amendments – March 2020
- Havana Street Corridor Plan
- TOD Update
- Opportunity Zone Update
- City Center Update
- Capital Impact Fee Update

Outcome: Timing was set agenda items for the next meeting.

Follow-up Action: The 2019 Development Update will be presented at the February meeting.

MISCELLANEOUS MATTERS

Aurora Economic Development Council Update (Yuriy Gorlov):

- Recap of 2019: Helped create 2,000 jobs were created, \$350,000 in new capital investments with about one dozen deals involved, between Majestic and Porteos and some of the R Line Station and are trying to get a lot more in the couple two years. We are continuing focus on Opportunity Zones and on the 64th corridor, Gaylord, HighPoint and Metropolis areas and continue to talk to a lot of site selectors locally, nationally and internationally. Overall it was a successful 2019.

Havana Business Improvement District Update (Chance Horiuchi):

On Havana Street - New businesses:

- AmCap - Market Square - Ali Grill former Koshari Time (King Soopers shopping center)
- Kim’s Fashions (former Havana Flea)
- New Pupusa Restaurant coming soon located at Havana & 3rd Street
- Living Water Car Wash - Opened in December 2019 & gave away 5,000 free car washes during their grand opening week

Village on the Park – KIMCO Properties:

- First Watch - A Day Time Cafe - Opening 2/10/2020
- Old Navy opened in 10/2019
- Share Tea
- Five Below Coming in 2020

Amcap Properties:

- Gardens on Havana - new restaurant to be announced is developing on the pad near Chick-Fil-A
- AFC URGENT CARE coming soon
- Ross will be opening in half of the former Toys R Us space (the Ross at the Village on the Park will remain open)

Bicycle Village:

- Milk-rolled Ice Cream opened 10/2019
- Uncle Joe’s Hong Kong Style Bistro coming in 2020 - under construction & received liquor license
- Kum and Go - Ground Breaking 1st quarter

CLOSED Businesses:

- Koshari Time and Havana Flea

2020 Multimodal study in progress and Argenta is in progress and will host a ground breaking in the 1st quarter.

Aurora Chamber of Commerce Update (Kevin Hougen):

- Growth limitations and how that would affect Aurora. We see a lot of rent controlled legislation coming forward and the concerns are with apartment business partners.
- We are in favor of minimum wage increases but are concerned with challenges because about 70% of Aurora's population work in the service industry.
- Health care policies and how they will affect the Medical Center of Aurora, University, Children and VA Hospital employees.
- Renaming of Buckley Air Force Base to Buckley Air and Space Base, more information to come regarding Space Command being assigned to Buckley.
- State of the Base is on January 22, 2020
- R Line concerns about cutting services and how that will affect those developers who have invested in the area it services. A committee is being assembled and will need to get out to our 4 RTD Directors that represent Aurora and need 8 votes to be affective.
- Concerns with brick and mortar retail being affected by Amazon and mentioned the need to support brick and mortar retailers and are working on a campaign to Always Buy Aurora (ABA).

Chair Bergan requested BAB to look at the minimum wage increase from a business perspective. Mr. Walls said that minimum wage increases is one of the agenda items on the 2020 BAB calendar up for discussion.

Planning Commission Update (Bob Bengen):

- 2019 highlight – approval of In-N-Out Burger
- 2020 recommendation for rezoning of land near Blackhawk and Montview
- Election of a new Planning Commission Chairman – each member can serve three, three-year terms.

Oil & Gas Advisory Committee Update (Brad Pierce)

Committee consists of 11 people: 5 citizens, 3 Service owners, and 3 Oil and Gas members.

Third Quarter 2019 Report :

- Draft Changes to the O&G Bylaws quorum requirements changed to having a majority of the committee members present at meetings.
- Mentioned that he was elected as Chair of the committee for 2020 and will update on the Fourth Quarter report at the next PED meeting.

Mr. Hougen requested to be included as a future agenda item is the drafting of a bill at the State Capital regarding the Mill Levy stabilization for the State of Colorado for education which will create major challenges to the Cherry Creek school district and affect their budget by \$100,000,000.

Approved: _____
Committee Chair Francoise Bergan

Next meeting date: February 12, 2020 at 8:30 a.m. in Mt. Elbert Conference Room



Planning and Economic Development Policy Committee Agenda Item Commentary

Item Title: 2019 Development Review Annual Report
Item Initiator: Vinessa Irvin
Staff Source: Vinessa Irvin, Manager, Office of Development Assistance
Deputy City Manager Signature:
Outside Speaker:
Council Goal: 5.0: Be a great place to locate, expand and operate a business and provide for well-planned growth and development

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item and Move Forward to Study Session
- Approve Item and Move Forward to Regular Meeting
- Information Only

HISTORY *(Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)*

At this time every year staff presents an annual reporting of the development review functions conducted by the Development Review Team for the previous year.

ITEM SUMMARY *(Brief description of item, discussion, key points, recommendations, etc.)*

The attached memo is the Annual Report for activities conducted during 2018. The memo is arranged under three main headings:

- Development Review Fund
- Development Review Workload/Performance Measures/ Staffing
- Development Review Process.

QUESTIONS FOR Committee

Information only

EXHIBITS ATTACHED:

2.12.20 PED Memo.docx
Exhibit 1 and 2.docx



MEMORANDUM

TO: Planning & Economic Development Policy Committee

THROUGH: Jason Batchelor, Deputy City Manager
Nancy Freed, Deputy City Manager

FROM: George Adams, Director, Planning and Development Services
Cindy Colip, Director, Public Works
Vinessa Irvin, Manager, Office of Development Assistance

DATE: February 12, 2020

RE: **2019 Development Review Annual Report**

Executive Summary

The purpose of this memo is to provide an annual reporting of the development review functions conducted by the city during 2019. The memo is arranged under three main headings; **Development Review Fund, Development Review Workload/Performance Measures/Staffing** and **Development Review Process**.

The fund began 2019 with funds available balance of \$11.7 million. Total revenue collected was \$17.6 million. After all expenditures, including the \$2.2 million payment to the General Fund and monies allocated to make payments for the new workflow system, the balance in the Development Review Fund at the end of 2019 was \$12.0 million.

Development activity remained strong in 2019, with workloads increasing in most areas over what was experienced in 2018. The performance measures in many areas remained at or near the 95% goal. Of note however is the area of PW – Engineering. There was approximately a 70% increase in their workload. This significant increase caused their performance to decrease.

In 2019, staff continued to work closely with the development community on the zoning code update. The new code was approved by City Council and became effective on September 21, 2019. There was continued progress made on the Accela workflow system implementation project.

Development Review Fund

Background

The Development Review Fund (DRF) was created to account for all the revenues and expenditures of the city's development review activities. It operates like an enterprise fund in that the fees charged for the development review services should be sufficient to cover all the costs of providing them.

2019 Budget and Actuals

The table below provides a fund balance history back to 2016, and also compares 2019 Budgeted Revenue and Expenditures to Actual Revenue and Expenditures in the Development Review Fund. The variance figures provide the difference between the projected planned target budget and actual for the year.

The total revenue for 2019 was \$17.6 million and expenditures were \$17.3 million which includes the \$2.2 million transfer to the General Fund.

- Ending funds available 12/31/2018: \$11,708,717
- Ending funds available 12/31/2019: \$12,028,045

Beginning Fund Balance	10,925,907	10,938,478	10,650,804	11,708,717		
	FY2016 Actuals	FY2017 Actuals	FY2018 Actuals	FY2019 Adopted Budget	FY2019 Actuals	FY2019 Variance
Licenses and Permits	12,476,826	11,550,560	13,033,424	12,747,659	12,099,885	(647,774)
Charges for Services	2,867,845	4,095,811	4,560,674	3,860,428	5,169,435	1,309,007
Investment Income	143,687	180,085	237,423	210,777	307,666	96,889
Proceeds from Sale of Assets	-	4,100	-	-	-	-
Other Revenues	5,777	19,515	2,804	-	10,382	10,382
Total Sources	15,494,136	15,850,071	17,834,324	16,818,864	17,587,368	768,504
Personal Services	9,530,803	10,649,064	11,473,544	12,129,647	12,330,615	(200,968)
Allocated Expenses	53,004	53,000	252,372	258,716	258,720	(4)
Supplies and Services	2,577,471	3,572,024	2,799,897	1,696,849	2,213,257	(516,408)
Interfund Charges	186,516	195,302	198,245	207,177	228,539	(21,362)
Capital Related	1,798,352	81,262	45,981	75,000	80,000	(5,000)
Transfers	1,335,419	1,587,094	2,006,371	2,156,909	2,156,909	-
Total Uses	15,481,564	16,137,746	16,776,411	16,524,298	17,268,040	(743,742)
Net Change in Funds Available	12,572	(287,675)	1,057,913		319,328	
Ending Fund Balance	10,938,478	10,650,804	11,708,717		12,028,045	

Development Review Workload/Performance Measures/Staffing

The goal for management of staffing levels within development review is to ensure that we are providing the high quality level of service and on-time review performance that has been committed to our customers. The method used is based on an historical average and the relationship between an optimum workload that allows staff to meet the performance measure goals that have been established.

Development activity in all areas continued to be robust during 2019. Workload statistics in most areas increased from what was experienced in 2018 and remain above historical averages (Exhibit #1). Of particular note, is the significant increase in the civil engineering review workload which saw an increase of approximately 70% over 2018. There was a decrease in the area of *new* building permits but because of an increase in the permits issued on *existing* buildings, the total permits issued overall in 2019 increased over the previous year.

Historically, ODA statistics for pre-application meetings, which occur at the beginning of the process, have been a fairly accurate indicator of the trend for the rest of the process over the next 12-18 months. The number of Pre-apps conducted increased 20% over the previous year and remain significantly above the historical average. We are tracking these numbers closely and believe that development activity will remain strong for the next 2 years.

During 2019 performance measures were above 95% in most areas with only a few exceptions (Exhibit #2). The Planning Department struggled to meet their performance goals, due to staff turnover and challenges filling vacant positions. As vacant positions were filled and staff trained, there was significant improvement in 4th quarter 2019. The performance goals for Public Works-Engineering were not met in 2019. This was due to the combined impacts of the overwhelming increase in workload and difficulty in filling positions. Management has been reviewing several options to address the workload and performance issues in this area and may determine it necessary to request additional staffing in 2020. At the end of 2019, there were 126 staff conducting development review activities, 122 FTE and 4 contingent/contract employees.

Development Review Process

The development review team is committed to providing exceptional service to our customers by continually finding ways to improve our processes and our approach to development review. In 2019 staff were involved in several ongoing efforts to enhance the environment for business growth.

➤ **Zoning Code Update**

This effort continued during 2019 with additional meetings and feedback being gathered from stakeholder groups. The Unified Development Code (UDO) was adopted unanimously by City Council in August 2019 and became effective on September 21, 2019. Since adoption, staff has been working to provide training on the UDO to internal and external users, update materials such as applications and manuals and identify any needed amendments to the code.

➤ **Building Division Accomplishments**

The International Code Council (ICC) designated the City of Aurora, Building Division, as a certified provider of ICC's continuing education (CEU) code training through their "Preferred Provider Program" (PPP). As a member of the "PPP", qualified Building staff will curate, design, and teach onsite code curriculum to ICC-Certified Staff and Contractors. Classes are free and held at the Aurora Municipal Center through the year.

➤ **Certifications and Awards**

In 2016 the city's Public Works Department received its third accreditation by the American Public Works Association (APWA), this is a 4 year accreditation. The next review will be completed in 2020.

In 2018 the Building Division was re-accredited by the International Accreditation Service (IAS) for an additional 3 years. The Building Division has been accredited since 2008 and remains the only jurisdiction in Colorado to have this distinction.

➤ **Business Process Management Improvements**

The goal is to provide services that are customer-centric, transparent and offer a seamless process from the customer's first point of contact throughout their entire interaction with the city. Staff remains focused on continuous improvement of our development review processes. As a result, the staff regularly examines and adjusts processes in response to changing conditions and customer input. Several efforts are currently being implemented and new initiatives are planned to begin in 2020:

▪ **Software System Upgrade**

Significant progress was made in 2019 for the implementation of the software system upgrade to Accela. A phased roll-out of the system is slated to begin in Q2 2020.

- Payment Processes
The effort has been to consolidate and simplify how fees are calculated and paid. Similarly, simplified fee structures were created for Planning and Civil reviews and are expected to be implemented after the new software implementation. A standardized invoicing system and predictable timeline for payment will also be established.
- Performance Measures
A data driven approach to managing the development review process is essential in providing the level of predictability and customer service the city has aspired to meet. The work underway is to create a more robust, balanced set of performance measures for development review.
- Development Review Analysis
The development review processes are a critical component of ensuring the successful achievement of the city's goal of economic development and business growth. Over the past several years, the city has experienced a significant increase in development activity and workload over historical averages. There have also been turn-over in key management staff, mainly due to retirements. This has resulted in many challenges within the development review functions. Therefore, it was determined that a "start to finish" analysis of the city's processes and practices was necessary. An RFP was issued in October 2019 for a consultant to conduct the analysis and identify opportunities for enhancements and improvements. A consultant was chosen at the end of the year and their work will begin early in 2020.

Exhibit #1

WORKLOAD	Defining Activity	Historical Average (2008-2018)	2016 Actual	2017 Actual	2018 Actual	2019 Actual
ODA	Pre-application Meeting	127	171	161	163	195
Planning	Development Applications	322	270	344	288	317
PW – Engineering	Civil Plan Sets	130	135	149	212	359
PW – Building	Permits Issued (total)	14,717	14,340	13,273	14,739	17,047
	-New Building	957	1,440	1,737	1,510	1,288
	-Existing Building	13,791	12,282	11,536	13,229	15,759
PW – Real Property	Development Applications	N/A	N/A	N/A	574	543
	Easements Reviewed	N/A	N/A	N/A	134	128
	Building Permits Reviewed	N/A	N/A	N/A	1,443	1,681
	Licenses Reviewed	N/A	N/A	N/A	97	94

Exhibit #2

PERFORMANCE	Defining Activity	Performance Measure Goal	2016 Actual	2017 Actual	2018 Actual	2019 Actual
ODA	Pre-application Meeting	Pre-app meeting notes completed within established timeframes	98%	99%	100%	98%
		Respond to new customer inquiries within 24 hours	92%	96%	92%	97%
Planning	Development Applications	Plans reviewed within established timeframes	100%	96%	91%	88%
		Permit and plan referrals reviewed within 7 days	77%	96%	97%	98%
PW - Engineering	Civil Plan Sets	Plans reviewed within established timeframes	85%	90%	83%	62%
PW - Building	Permits Issued	Plans reviewed within established timeframes	86%	99%	99%	99%
		Calls answered within 30 seconds or less	78%	85%	96%	95%
		Inspections completed on day requested	99%	98%	98%	99%
PW – Real Property	Reviews	Subdivision Plats reviewed within established timeframes	N/A	N/A	77%	86%
		Easement releases/dedications reviewed within established timeframes	N/A	N/A	87%	97%
		Building permits reviewed within established timeframes	N/A	N/A	76%	81%
		Development related licenses reviewed within established timeframes	N/A	N/A	99%	100%



Planning and Economic Development Policy Committee Agenda Item Commentary

Item Title: Update on the Mineral Leasing Program
Item Initiator: Hector Reynoso
Staff Source: Hector Reynoso, Real Property Services Manager, 303-739-7327
Deputy City Manager Signature:
Outside Speaker:
Council Goal: 3.0: Ensure excellent infrastructure that is well maintained and operated.--2012: 3.0--Ensure excellent infrastructure that is well maintained and operated

ACTIONS(S) PROPOSED (*Check all appropriate actions*)

- Approve Item and Move Forward to Study Session
- Approve Item and Move Forward to Regular Meeting
- Information Only

HISTORY (*Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.*)

This item went to Planning and Economic Development Committee on August 15, 2017, the Oil and Gas Advisory Committee on September 20, 2017, and City Council Study Session on September 25, 2017.

ITEM SUMMARY (*Brief description of item, discussion, key points, recommendations, etc.*)

Staff will provide an update and general overview of the Mineral Leasing Program that was established in 2017 in order to ensure efficient leasing of City-owned minerals. This item went to Planning and Economic Development Committee on August 15, 2017, the Oil and Gas Advisory Committee on September 20, 2017, and City Council Study Session on September 25, 2017.

The City, as a mineral rights owner, may choose to extract minerals by drilling or by leasing mineral rights to a drilling company. Since 2011, the City has entered into thirteen oil & gas leases with five different companies - ConocoPhillips, Anadarko, Bison Oil & Gas, Rocky Mountain Hydrocarbon, and Aspired Energy. The City is continually approached by additional companies seeking to lease City-owned mineral rights. Mineral extraction companies have expressed interest in competing for leasing rights to City-owned minerals. The City requires a non-surface use agreement from mineral extraction companies in order to lease City-owned minerals.

Leasing City-owned minerals involves negotiating terms for bonus payments, production royalties, non-surface use, and other terms. Title reports determine who owns mineral rights to a specific tract of land. A bonus payment is a one-time payment made at the time of signing a lease and is based on a certain dollar

amount per net mineral acre. The amount of funds received from royalty payments depends upon production, net of expenses (i.e. costs of acquiring rights-of-way, drilling costs, etc.). Currently, the City negotiates non-surface use agreements with potential lessees. Other negotiable terms include initial lease period, shut-in royalties, shut-in period, and pooling & unitization.

In an effort to ensure the efficient leasing of City-owned mineral rights, Real Property Services (RPS) adopted and implemented a Mineral Leasing Program (MLP) that is modeled after the programs of Weld County and Colorado State Land Board. The MLP provides standard policies, procedures, and dictates minimally acceptable terms. Implementation of this program allows the City to dictate terms by establishing a minimum acceptable bonus payment & production royalty, and establishing a maximum term of 3-years with a 5-year shut-in period. If production has not begun in 8 years the City regains control of its minerals and could lease them anew. The process works as follows:

- 1) Companies submit an application seeking to lease City-owned minerals
- 2) Upon receipt of the application, RPS requests highest and best offers from competing companies, and advertise with the Colorado Oil and Gas Association.
- 3) Applicants are provided 45 days from the date their applications are requested by the City.
 - a. Instructions detailing terms acceptable to the City are provided to applicants and can be read in the attachment titled "Instructions Packet".
 - b. The proposed terms are similar to Weld County & Colorado State Land Board requirements.
- 4) Upon receipt of applications (45 days after initial request), RPS compiles the offers and recommends to the highest and best offer City Council, at executive session, for their review and recommendation.
- 5) Upon receipt of a favorable recommendation at executive session, RPS proceeds to obtain approval at regular session. (If no favorable recommendation is received at executive session then RPS does not proceed with approval at regular session. At this point, companies may proceed with statutory pooling.)
- 6) Upon approval at regular session, the Mayor executes a lease and the City receives the upfront bonus payment and long-term royalties per the executed lease.

Advantages of implementing this MLP can include:

- Ability to negotiate surface non-use,
- Potential for higher bonus payments,
- Potential for higher royalty payments,
- Ability to standardize terms, conditions and duration in a transparent fashion

The City may decide not to enter into mineral lease with a particular company or any company at all. However, a company seeking to extract minerals could petition the Colorado Oil & Gas Conservation Committee (COGCC) to force the City into a lease through Forced or Statutory Pooling. Forced Pooling is the consolidation of minerals and combining of land within a drilling unit. Terms of a Forced Pool lease are dictated by the COGCC and include certain penalties for non-consenting mineral owners.

Disadvantages of Statutory Pooling can include:

- Non-payment of bonus payments, and
- Penalties on royalty payments.

QUESTIONS FOR Committee

Does the Committee agree with continuing this process?

EXHIBITS ATTACHED:

Instructions Packet for Leasing City-Owned Minerals.pdf

Oil and Gas Advisory Committee Meeting Minutes 09-20-17.pdf

PED 8-Aug2017.pdf

Signed Continuation Page.pdf

Public Works Department

15151 E. Alameda Parkway, Ste. 3200
Aurora, Colorado 80012
303.739.7300
Email: nwade@auroragov.org

January 2, 2018

TO WHOM IT MAY CONCERN:

The Real Property Services Division has adopted the following procedures in an effort to ensure the efficient leasing of city-owned minerals.

An application to lease city-owned minerals and all criteria detailed in the “Instructions” must be strictly adhered to. Any applications not conforming to the procedures detailed in the Instructions will be rejected.

Upon receipt of an application to lease city-owned minerals, the Real Property Services Division will request applications from competing companies. Applicants will be provided 45 days from the date their applications are requested by the City of Aurora (“City”).

Instructions detailing terms acceptable to the City will be provided to applicants upon receipt of the initial application to lease city-owned minerals.

The Public Works’ Department Real Property Manager (“Manager”) will review all applications and recommend terms from the highest & best application for City approval. RECOMMENDATION FOR APPROVAL OF APPLICATION TERMS IS NOT A GUARANTEE, WHETHER IMPLIED OR EXPRESSED, OF ACCEPTANCE BY THE CITY OF ANY APPLICATION TO LEASE CITY-OWNED MINERALS.

THE CITY RESERVES THE RIGHT TO REJECT ANY AND ALL APPLICATIONS OR TO ACCEPT ANY OTHER APPLICATION DEEMED APPROPRIATE IN THE SOLE DISCRETION OF THE CITY. ALL APPLICATIONS MUST COMPLY WITH THE TERMS IDENTIFIED IN THE ATTACHED “INSTRUCTIONS”, FAILURE TO ADHERE WILL RESULT IN YOUR APPLICATION BEING REJECTED.

Your attention to these matters is greatly appreciated.

Hector Reynoso
Manager Real Property Services

**CITY OF AURORA
REAL PROPERTY SERVICES DIVISION**

PROCEDURE FOR LEASING CITY-OWNED MINERALS

In order to process an application for leasing city-owned minerals, the following items must be submitted to the offices of Real Property Services, City of Aurora, 15151 E. Alameda Parkway, 3rd Floor, Aurora, CO 80012-1555 or via email to nwade@auroragov.org and the following procedure will govern:

- 1) Submit application to lease city-owned minerals (see attached)
- 2) City will request applications from competing companies
 - i. Applicants will be allowed 45 days to submit from the date City requests applications
- 3) Invitations to apply will be made via email to interested firms and/or be made available at the City of Aurora’s Public Works Real Property Services website:
https://www.auroragov.org/business_services/development_center/tools_and_resources/real_property/
- 4) All offers must be accompanied with the summary page, detailing the City’s percentage of ownership interest, of a Mineral Estate Ownership Report prepared by a licensed title examiner of an independent title company which is licensed through the Colorado Title Insurance Commission
- 5) The City of Aurora Real Property Manager (“Manager”) will review all applications and recommend the highest & best terms for City approval.
 - i. A commitment by Manager to recommend terms does NOT constitute acceptance of any application by the City.

THE CITY RESERVES THE RIGHT TO REJECT ANY AND ALL APPLICATIONS OR TO ACCEPT ANY OFFER IT DEEMS APPROPRIATE. ALL APPLICATIONS MUST COMPLY WITH THE TERMS IDENTIFIED IN THE ATTACHED “INSTRUCTIONS” WHICH ARE MADE A PART HEREOF, FAILURE TO ADHERE WILL RESULT IN REJECTION OF APPLICATION.

For further information, contact the Real Property Services Division Manager at (303) 739-7300 or via email at nwade@auroragov.org.

INSTRUCTIONS

The City of Aurora, Colorado, “Paid-up Oil, Gas & Mineral Lease” (“Lease”) will be used as the application. Please note the Lease contains a signature line which must be signed and notarized by the Lessee or its authorized representative.

- 1) Instructions regarding submittal of applications may be found on our website https://www.auroragov.org/business_services/development_center/tools_and_resources/real_property/.
- 2) Please send a courtesy email or fax to let us know if you are intending to submit an application to nwade@auroragov.org.
- 3) Provide name and address of Lessee in the introductory paragraph of the Lease.
- 4) Complete Paragraph #1 titled “Description” by writing the dollar amount for the up-front bonus payment on a per net mineral acre basis.
- 5) Recommended minimum of \$2,000 per net mineral acre shall be required.
- 6) Sign as Lessee and have notarized.
- 7) Certified checks or cashier’s check for the up-front bonus amount of bid must accompany the sealed bid. Other forms of security will not be accepted.
- 8) Initial lease term shall be for 3 years, unless held by production with a 20% royalty interest.
- 9) Where there is a conflict concerning the ownership of the lease, the owner of the lease shall provide evidence of ownership.
- 10) Summary Page of a Mineral Estate Ownership Report prepared by a licensed title examiner of an independent title company which is licensed through the Colorado Title Insurance Commission.
- 11) The City of Aurora or its agents, representatives or employees are not liable for any inconvenience or loss caused by errors in this listing which may occur.
- 12) The City reserves the right to reject any or all applications, to waive any informalities in applications, and to accept the application that, in the opinion of the City, is to the best interests of the City, its citizens, agents, employees and representatives.

Public Works Department

15151 E. Alameda Parkway, Ste. 3200
Aurora, Colorado 80012
303.739.7300
Email: nwade@auroragov.org

APPLICATION TO LEASE CITY-OWNED MINERALS
****EMAIL OR MAIL TO PUBLIC WORKS AT ADDRESS LISTED ABOVE****

DATE _____

FIRM _____ BY _____
(Please Print)

Business Address _____

CITY, STATE, ZIP CODE _____

TELEPHONE NO. _____ E-MAIL _____

SIGNATURE _____

Please identify property you are applying for below, then email your form to Public Works at the email address listed above.

	DESCRIPTION OF LAND	SECTION	TOWNSHIP	RANGE	ACRES	NMA	PRICE OFFERED PER NMA	ROYALTY %
1							\$	
2							\$	
3							\$	
4							\$	
5							\$	
6							\$	
7							\$	
8							\$	
9							\$	
10							\$	

THE CITY RESERVES THE RIGHT TO REJECT ANY AND ALL APPLICATIONS OR TO ACCEPT ANY APPLICATION DEEMED APPROPRIATE IN THE SOLE DISCRETION OF THE CITY. ALL APPLICATIONS MUST COMPLY WITH THE TERMS IDENTIFIED IN THE ATTACHED "INSTRUCTIONS", FAILURE TO ADHERE WILL RESULT IN YOUR APPLICATION BEING REJECTED.

Meeting was called to order at 4:00 p.m.

The following were present:

Stephen Rodriguez, Local Government Designee, City of Aurora Planning and Development Services
Sarah Wieder, Planner, City of Aurora Planning and Development Services
Mindy Parnes, City of Aurora, Planning Manager
Christine McKenney, Assistant City Attorney, City of Aurora Civil Division
Debbie Bickmire, City of Aurora Planning and Development Services
Jim Rogers, Committee Member Chairman, Industry
Polly Page, Committee Member, Citizen
Josh Reddel, Committee Member, Citizen
Nicole Johnston, Committee Member, Citizen
John Dougherty, Committee Member, Citizen
Chad Polak, Committee Member, Surface Owner, Phillips 66
Maxwell Blair, Committee Member, Industry, Conoco Phillips
Marc Morton, COGCC
Ryan Seastrom, COGA
Hector Reynoso, City of Aurora, Real Property Manager
Natasha Wade, City of Aurora, Real Property Division
Margie Sobey, Citizen
Susan Chapel, City of Aurora Planning and Development Services

Absent:

Susan McClain, Committee Member, Citizen
Bruce Rau, Committee Member, Surface Owner, Oakwood Homes
Marc Cooper, Committee Member, Surface Owner

A quorum was not met.

1. Chairman Rogers introduced himself and asked those present to introduce themselves.
2. Polly Page, Vice-Chairman, moved and all present agreed, but there was not a quorum of the committee members to approve the July 19, 2017 meeting minutes as submitted.
3. Stephen Rodriguez reported that since the last meeting on July 19, 2017 two new Oil and Gas Applications have been submitted and the Oil and Gas map is up-to-date. He demonstrated the location of the newest wells on the map. He also reported that the applications that he reported on at the last meeting have all been approved. A general discussion ensued.
4. Nicole Johnston, Committee Member, mentioned that she took a site tour of the Lowry Superfund site and she met with Denver Waste Management, which is the administrator of the site. She had asked them what their role in the application approval process for oil and gas well permits was. They replied that they were presented with the plans but not involved in the recommendations regarding the proximity to the Superfund site. She asked that staff explain the process. Chairman Rogers stated that is beyond the scope

of the Committee. A general discussion ensued regarding setback limits from the Superfund site and pad sites. Chairman Rogers noted that a presentation should be done for the Committee by a group that can address the concerns of Ms. Johnston.

5. Hector Reynoso, Real Property Manager, gave a presentation on the proposal for the City's Mineral policy. There was a question and answer period during and after the presentation.

Mr. Reynoso asked the Committee if they would like to forward comments on this item to City Council. It was agreed that the item be moved forward to City Council with the following recommendations:

1. Recommend that Real Property be directed to exclude surface occupancy as part of the leasing procedures and that surface occupancy should be sought as a separate negotiation and be presented to City Council before any leases are signed.

2. Recommend that the eight year open period be reduced to a three period in which production has to occur or the lessor receives another 1.5 bonus payment which will extend the lease for an additional two years after which time the lease will be declared void.

3. Recommend that the Real Property Manager be requested to examine the State Land Board's and other agencies open bid lease process rather than the proposed 45 day process and report back to the City Council and this Committee on the findings.

6. There was a preliminary discussion regarding Flowlines/Gathering Lines at Producing Wells in Aurora. This discussion was in light of the Firestone incident. Chairman Rogers presented a map which he had produced from data gathered from the COGCC website. Mr. Rogers indicated that this map showed the locations of producing wells and those that have been shut down and it also demonstrated that there are no gathering lines within the city of Aurora that are within a ½ mile of residential homes. Chairman Rogers answered questions regarding the map.

Chairman Rogers suggested to postpone a more extensive discussion on Flowlines/Gathering Lines at producing wells in Aurora. All agreed to postpone the discussion.

7. Public Comment Period

Margie Sobey suggested that if an agency is asked to do a presentation on the Superfund site that it not be Waste Management, but another agency such as the Colorado Department of Public Health.

Chairman Rogers suggested that at the next meeting that an independent petroleum engineer speak on the technical process of plugging wells and the aspects of it.

8. Chairman Rogers adjourned the meeting at 5:26 p.m. until Wednesday, December 20, 2017.

Minutes Approved

James P. Rogers, Chairman

Approved

PLANNING AND ECONOMIC DEVELOPMENT
POLICY COMMITTEE MEETING
August 15,2017

Members Present: Chair Marsha Berzins, Council Member Françoise Bergan, Council Member Mounier

Others Present: Nancy Freed, Jason Batchelor, Dan Money, Christine McKinney, Dave Chambers, Andrea Amonick, Mindy Parnes, Malcolm Hankins, Anita Burkhart, Chris Davis, Vinessa Irvin, Karen Hancock, Daniel Krzyzanowski, Chad Argentar, Diana Denwood, Greg Baker, Julie Patterson, Nate Owens, Kim Brown, Tony Chacon, Sarah Wieder, Hector Reynoso, Natasha Wade, Phil Nachbar, Brandon Cammarata, Ryan Thompson, Gayle Jetchick, Margee Sobey, Yuriy Gorlov, Tim Huffman, Bob Bengen, Bob Hagedorn, Garrett Walls, Rachelle Ayala, Stephenie Baca

MINERAL LEASING PROGRAM

Summary of Issue and Discussion:

Hector Reynoso, Manager of Real Property Services gave a presentation to the committee recommending a Mineral Leasing Program (MLP) that is modeled after the programs of Weld County and the Colorado State Land Board. The presentation included a summary of Aurora's existing leases, state regulations regarding statutory pooling, and an overview of the proposed program.

Mr. Reynoso mentioned that the City, as a mineral rights owner, may choose to extract minerals by drilling or by leasing mineral rights to a drilling company. Since 2011, the City has entered into eleven oil & gas leases with four different companies - ConocoPhillips, Anadarko, Bison Oil & Gas, and Rocky Mountain Hydrocarbon. In 2017, the City was approached by five additional companies seeking to lease City-owned mineral rights. Companies with existing leases and the five additional companies are interested in competing for leasing rights to City-owned minerals. He informed the committee that he has learned through research that the best way to negotiate the City's mineral rights is through an auction style process. He explained the standard and efficient MLP that is being proposed and explained its four goals:

- Standardize negotiation process
- More-efficiently process applications
- Maximize up-front payments
- Maximize long-term revenue from royalties

A map was presented indicating eleven oil and gas basins of Colorado. It was stated that they are eleven 100 largest natural gas basins in the country and are wholly or partly located in the State of Colorado. The formations are high producing. He said historically the San Juan Basin located in the southwestern corner of the state, was the highest producing basin until recently. State output has doubled since the year 2000. The Denver-Julesburg (DJ) Basin where Aurora is located, has seen significant increases in production because it produces liquid natural gas and oil.

He continued giving additional background information and presented another map showing a close-up view of two high producing shale formations located in the DJ Basin- the Wattenberg and Niobrara Shale formations. The Wattenberg field is the fourth largest US oil field in the country by proven reserves. The Niobrara Formation encompasses eleven counties and partially in Wyoming. The Federal government estimates that there are possibly two billion barrels of oil recoverable from the entire Niobrara Formation. In addition, there are three types of minerals oil hi-products the basin produces which makes it very appealing to oil and gas companies. He said he expects to receive another dozen offers over the coming year so a standard and efficient model for negotiating mineral leases is necessary. The proposed MLP dictates minimally acceptable terms for bonus payments, production royalties, non-surface use, and other terms. He said that title reports determine who owns mineral rights to a specific tract of land. A bonus payment is a one-time payment made at the time of signing a lease and is based on a certain dollar amount per net mineral acre. The amount of funds received from royalty payments depends upon production, net of expenses (i.e. costs of acquiring rights-of-way, drilling

costs, etc.), and currently, the City negotiates non-surface use agreements with potential lessees. Other negotiable terms include initial lease period, shut-in royalties, shut-in period, and pooling & unitization.

In an effort to ensure the efficient leasing of City-owned mineral rights, Real Property Services seeks to adopt and implement a standard, efficient MLP that is modeled after the programs of Weld County and Colorado State Land Board. The MLP provides standard policies, procedures, and dictates minimally acceptable terms. Companies seeking to lease City-owned minerals will submit applications. Upon receipt of an application, Real Property Services will request applications from competing companies mentioned above and future interested entrants to the market. Applicants will be provided 45 days from the date their applications are requested by the City. Instructions detailing terms acceptable to the City will be provided to applicants. The proposed terms are also in-line with what Weld County & Colorado State Land Board require. Hence, implementation of this program allows the City to dictate terms by establishing a minimum acceptable bonus payment and production royalty and establish a maximum term of 3-years with a 5-year shut-in period. If production has not begun in 8 years, the City regains control of its minerals and could lease them anew.

Advantages of implementing this MLP can include:

- Ability to negotiate surface use
- Potential for higher bonus payments
- Potential for higher royalty payments
- Ability to dictate all terms, conditions and duration in a transparent fashion
- Ability to easily regain control of City-owned minerals
- A more City-friendly lease agreement

The City may decide not to grant a mineral lease with a specific company or any company at all. However, a company seeking to extract minerals could petition the Colorado Oil & Gas Conservation Committee (COGCC) to force the City into a lease called Forced or Statutory Pooling. Forced Pooling is the consolidation of minerals and combining of land within a drilling unit. Terms of a Forced Pool lease are dictated by the COGCC and include certain penalties for non-consenting mineral owners.

Disadvantages of Statutory Pooling can include:

- Inability to negotiate surface use
- Non-payment of bonus payments
- Penalties on royalty payments

Mr. Reynoso asked if the committee concurs with implementation of a new Mineral Leasing Program and if they wish to move to the full council to be heard at study session.

CM Bergan asked for clarification when oil and gas companies approach the City for mineral rights, is this on City owned land. Mr. Reynoso said yes and they will approach the City to lease the City's interest in its minerals. He said there are two choices in this state, one is to participate in drilling a well and negotiate terms, the second choice is to become a non-consenting owner and watch consenting owners participate in drilling the well within the unit. Non-consenting mineral owners are Force Pooled and are unable to stop the drilling or oil and gas extraction. The City has taken the role as the consenting property owner assuming that its official to the citizens and staff is looking to make it more beneficial with the MLP.

CM Bergan reiterated, consenting party can negotiate and non-consenting is considered force pull, correct. Staff agreed.

Assistant City Attorney Christine McKinney mentioned that minerals will be pooled underneath the City's roads. Our lease agreements are stating that oil and gas companies cannot touch the City's surface units. CM Bergan suggested if roads are touched, the money should be applied to road maintenance.

Chair Berzins asked if this will be Mr. Reynoso's sole function and he explained what the other Public Works Real Property functions are and said one person will be committed to the MLP.

CM Bergan reiterated that we negotiate but don't have a standardized process? Mr. Reynoso said that is correct

but the negotiations are one-on-one, then move to council for permission to enter into a lease agreement. With the MLP, it allows oil and gas companies to compete against one another which the City will benefit from that competition.

CM Bergan asked if rates are being set up front. He said they are minimally acceptable terms. There are multiple companies interested in competing for the City's mineral interests. He mentioned that additional negotiating power is created by holding off the competing companies until council agrees with the MLP and its terms. Currently, there are twelve offers from several companies who are willing to compete against other offers.

Chair Berzins and the committee was in favor of moving this on to the full council to be heard. Mr. Reynoso said only City Council can approve leases and he will make this presentation to the Oil and Gas Advisory Committee on September 20, 2017 to inform them of the MLP.

CM Mounier requested to reflect that the Oil and Gas Advisory Committee is an advisory committee only and will not have a roll in the negotiations of the City's oil and gas mineral rights. Staff concurred.

Outcome: The committee concurred with implementation of a new Mineral Leasing Program and recommended the item to be added as an informational agenda item to the Oil and Gas committee before moving to council study session.

Follow-up Action: Staff will move the Mineral Leasing Program agenda item to study session.

Approved: 
Chair Marsha Berzins

Next Meeting: September 13, 2017
8:30a.m.
Mt. Elbert Conference Room



City of Aurora

COUNCIL AGENDA CONTINUATION PAGE

Item Title: Mineral Leasing Program
Item Initiator: Hector Reynoso, Manager Real Property Services
Staff Source: Hector Reynoso, Manager Real Property Services ^{#K}
City Attorney Signature: <i>Christine McKenney</i>
City Manager/Deputy City Manager Signature: <i>[Signature]</i>
Date of Change/Update: September 25, 2017

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Amended Item and Move Forward at Study Session
- Approve Amended Item as proposed at Regular Meeting
- Information Only

ITEM SUMMARY *(Brief description of changes or updates with documents included.)*

This item was presented to the Oil and Gas Advisory Committee (“Committee”) on September 20, 2017. The Committee made the following three (3) recommendations:

- 1) No surface use on leased property
- 2) Recommendation of a 3-year initial lease term with a 2-year option to renew
- 3) Request staff to examine the State Land Board’s lease process

The proposed Mineral Leasing Program (MLP) will heed the Committee’s recommendations by establishing minimally acceptable terms that include a “No Surface Use” provision and an initial lease term of 3-years with a 2-year option to renew.

Additionally, staff examined the State Land Board’s (“SLB”) leasing process as recommended by the Committee. Staff found SLB generally offers leases by competitive auction on a quarterly basis for large-acre tracts. The SLB also allows surface drilling operations to be performed as part of their leases. SLB auctions are conducted via online auction through a 3rd party auctioneer which charges commissions ranging from 4.75% - 10% of gross sales price. The City’s mineral interests are mainly found under roadways and other small-acreage tracts of land. The City’s proposed MLP will not allow surface drilling operations nor pay commissions to 3rd party auctioneers.

EXHIBITS ATTACHED: N/A

MEMO

TO: COUNCIL MEMBER FRANCOISE BERGAN,
CHAIR PLANNING AND ECONOMIC DEVELOPMENT POLICY COMMITTEE

FROM: BRAD PIERCE, CHAIR OIL AND GAS ADVISORY COMMITTEE

SUBJECT: FOURTH QUARTER 2019 REPORT

DATE: JANUARY 16, 2020

I am pleased to provide the Fourth Quarter 2019 Report of the activities of the Oil and Gas Advisory Committee. We had one meeting in the Fourth Quarter on November 20, 2019.

November 20, 2019 meeting:

- Staff provided an update on current Oil and Gas Permit applications.
- Public Comment:
 - A citizen attended and stated he was there for informational purposes.
 - Another citizen asked for information on an Extraction well site. Staff and a committee member provide a response.
- A discussion took place about City Council utilizing the resources of the Committee.
- There was discussion of a possible field trip.
- Topics for the next Committee meeting was discussed.
- 2020 Meeting dates were approved.
- We received one application for the vacant Surface Owner category. We interviewed the applicant and he was recommended for appointment to the Committee by City Council.

Respectfully Submitted,



Brad Pierce
Chair, Oil and Gas Advisory Committee