

PLANNING AND ECONOMIC DEVELOPMENT MEETING

July 10th, 2019

8:30 a.m.

Mt. Elbert Conference Room, 5th floor
Council Member Chair, Francoise Bergan
Council Member Johnny Watson, Vice Chair
Council Member Marsha Berzins, Member

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

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|----|---|-----------------------|-----------|
| 1. | Approval of May 8 th , 2019 Minutes | Council Member Bergan | 8:30 a.m. |
| 2. | Data Centers - Economic Impact & Attraction Strategy | Yuriy Gorlov | 8:35 a.m. |
| 3. | ICSC Retail Convention Update | Tim Gonerka | 9:00 a.m. |
| 4. | DRF Staffing | Vinessa Irvin | 9:15 a.m. |
| 5. | Oil and Gas Staffing and Fees | Vinessa Irvin | 9:35 a.m. |
| 6. | Miscellaneous Matters for Consideration <ul style="list-style-type: none">• Aurora Economic Development Council• Havana Business Improvement District• Aurora Chamber of Commerce• Planning Commission | Council Member Bergan | 9:50 a.m. |
| 7. | Confirm Next Meeting
August 7, 2019 | Council Member Bergan | 9:55 a.m. |

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

May 8, 2019

Members Present: Councilmember Francoise Bergan, Chair, Councilmember Johnny Watson, Vice Chair, Councilmember Marsha Berzins

Others Present: George Adams, Andrea Amonick, Stephenie Baca, Andrea Barnes, Jason Batchelor, Bob Bengen, Scott Berg, Melvin Bush, Frank Butz, Liz Fuselier, Tim Gonerka, Yuriy Gorlov, Daniel Green, Maya Green, Karen Hancock, Leigh Hettick, Chance Horiuchi, Kevin Hougen, Vinessa Irvin, Gayle Jetchick, Chris Johnson, Tod Kuntzleman, Paige Langley, Heather Lamboy, Dennis Lyon, Dan Money, Mindy Parnes, Diana Rael, Jose Rodriguez, John Schoenfeld, Kevin Smith, Sarah Wieder, Jonathan Woodward, Bill Wichterman, Heidi Williams, Mark Witkiewicz, Anita Bauer

APPROVAL OF MINUTES

April 10, 2019 minutes were approved.

OPPORTUNITY ZONE UPDATE

Summary of Issue and Discussion:

Yuriy Gorlov, Aurora Economic Development Council, (AEDC), explained that we are more than a year into the Opportunity Zone program. Opportunity Zones were part of the 2017 tax reform bill that the President signed last December. It's supposed to serve need-based development in low-income population census tracts. Each tract is about 4,000 to 5,000 people. The City of Aurora has 5 tracts. AEDC worked with Jason Batchelor, Deputy City Manager, and other City staff to ensure these areas were designated Opportunity Zones.

Mr. Gorlov explained that timing is confusing to a lot of people. To take full benefit of the Opportunity Zone Program, investment needs to be made by December 31st, 2019 for maximum deferral of capital gains and maximum elimination of any future appreciation, and investing in an Opportunity Zone can be done up to December 21st, 2026.

AEDC has been talking to investors from across the Nation and locally including discussions on land near the Aurora Municipal Center of about 60 acres. We are really excited about this, because developers are actively looking at the site now. It's our "gem" that we want to develop into a dense, mixed-use place. AEDC is having some serious conversations with investors, investors being family money, family funds, endowments, hedge fund portfolio managers, and other kinds of investors that are here trying to figure out how to make it work for them.

Chair Bergan asked if the City is getting more investors that may never have considered Aurora in the past, to which Mr. Gorlov answered, yes. As many assets as Aurora has, i.e., it's labor force, some people think of Denver in terms of capital investment, rather than development. Councilmember Berzins commented that she's heard Opportunity Zones are for rich people only wanting to get richer, and asked how Mr. Gorlov would answer to that statement. Mr. Gorlov replied that there's a lot of money in the world. We don't just talk to the rich kids on the block. There are a lot of ways to answer that question. If they invest, that helps the entire region, which helps jobs for people, and adds value for the City.

Mr. Gorlov explained how the State has been a great partner, and has dedicated 2 full-time-employees to be sure everyone is aware of the Program. Vinessa Irvin, Manager of Development Assistance, went to a

workshop attended by some key people, including dozens from around the State of Colorado, about a 60-40 split, 40 percent being urban. The State is trying to be the facilitator, and a lot of other communities and States have built prospectuses. Mr. Gorlov stated it is not recommended that Aurora build a prospectus. The need to find resources to do that as an informational update would be required.

Vice Chair Watson commented that there has been some discussion about going back to Congress where areas were split, and asked if there are any areas in Aurora that have potential for expanding. Mr. Gorlov responded that certainly we have other zones that would qualify, but not as a split. Mr. Watson asked if Colfax would be the first go and why is it split. Mr. Gorlov responded there are different Municipalities, County levels, and then there are some tracts along North Havana that would qualify, but didn't make it. Ultimately, Congress will look at this again, probably within the next few years, and is probably not imminent. There is a Clause in the language that says any tract adjacent to the Zone would qualify, (25% qualifying tracts), but that is in the future (to have this conversation). Vice Chair Watson asked if restaurant expansions qualify, and Chair Bergan responded that the size of the investment doesn't matter.

Daniel Green, Owner of J. A. Green, was introduced. He explained how his company bought 250 acres from Porteos, just south of the Denver Airport. J.A. Green is a family business in operation since 1941. Mr. Green explained how his business specializes in the development of areas around airports, knows airports very well, and has 27 years of experience. He identified their major challenge as infrastructure. That's where the Opportunity Zone came in to go forward with the project. We have a vast infrastructure need; drainage, sewage, all the challenges developers have.

Mr. Green provided additional background information. The Federal Government offered to lend money, interest free, up to the year 2026, and then after a period of hold-time, you sell, and that's tax free. An interest free loan, from the Federal Government, where you keep your money when you sell as long as you're successful throughout the length of the project. We are historically long term investors over a period of many years. We are licensed in the City of Aurora, and manage the projects ourselves. Mr. Green stated that if he could write the law, he wouldn't change a letter. We have to build the buildings for the businesses to move into. They want you to invest in business. In response to Councilmember Berzin's comment, it isn't just for the wealthy. A retail investor can invest as little as \$10,000 and get the benefits that a multibillionaire could have. This law is meant to work, is not a tax trap, and should spur growth and development. If you want to help businesses grow and invest, give them a little boost. In areas that need help, this is meant to do just that.

Mr. Green commented that to get 1,300 acres near Denver airport is a great move. The challenge is infrastructure, he repeated. With the Opportunity Zone, developers can come in. The tenants that live there have to pay higher taxes. With the Opportunity Zone, that takes some of the edge off. This is that extra little incentive that helps. For us to incentivize this, we are pioneering, and want to attract those people from Denver to come to Aurora. We are moving our business headquarters here. We are moving our families here. This is where people want to be. We are doing everything we can to bring those businesses here. If you move to Aurora, sell your business, in 10 years and a day, you keep your money.

It was asked of Mr. Green if he had any concern of an Administration change. Mr. Green responded that Congress isn't getting along well, but this is a bi-partisan supported program. Our understanding is that this should be alright, but that you never know.

Chair Bergan asked Mr. Green if it was an email blast that had alerted him to the opportunity, and what his first steps were. Mr. Green responded that it was the email blast that alerted him, and the timing, tour, and airport-adjacent factors involved coincided with the decision. Mr. Green negotiated with Mr. Batchelor and others about the long term vision being a positive and symbiotic relationship with all involved.

Vice Chair Watson asked Mr. Green for his perception as an investor and developer about a prospectus being a good idea for getting the Aurora word out, as Mr. Watson was at a conference and that's what people were discussing. Mr. Green responded that the City of Aurora does much to attract businesses here, and have a great product to sell. He lives in Connecticut. When he tells people he's moving to Denver, people are jealous. Developers know about this program. It's for businesses. Aurora has 5 Opportunity Zones, and is the 5th biggest airport in the Country. Opportunity Zone is part of the story, and not the whole story. It takes a viable project and makes it a great project. That's the overall story and how to go about selling it. Raising money has become infinitely easier. People are looking for investment and a good deal. With the Opportunity Zone Program, he gets stopped in his neighborhood and asked if investment in this project can be done. This is family money. He has turned down money from institutionalized investors.

Chair Bergan asked if the biggest selling point is the deferral of capital gains, is it typical for investors to keep their projects for a long length of time? Mr. Green responded that this is even more attractive because they know at some point they are going to turn it over and sell it to someone else.

Mr. Green explained that investors have different time intervals. This almost forces the hand of the investors to stay with the investment. From the City's perspective, you almost have the developer's feet over the fire. I think they did this with intention. We've always felt if you invest in the long term you've got a better formula for success. You can use any type of capital gain. There's 3 trillion dollars in appreciated assets in this Country. We need people to spend that money. That's what this program is trying to do. This program has done a lot to make sure it's not abused. It will be interesting to see what happens 2 or 3 years down the road. There's 8700 tracts, and not all of them are good. Not all of them are near this area of the Country.

Mr. Gorlov thanked Ms. Amonick, Planning & Development Services Urban Renewal Manager, and Ms. Irvin, who have helped with getting the word out about the program. Ms. Irvin commented that they are continuing to work to get the word out, and the State has a great website for Opportunity Zones, as well as a great map. If you look at Aurora from their map, it links to our website. We are working on getting all the property ownership records to put a mailing together and ensure all property owners are made aware. Bigger developers know, but there are a lot of folks who own businesses in Opportunity Zones that aren't aware, so we are doing a large mailer in a couple weeks. Part of the outreach to property owners is that we will list it on our website. The Opportunity Zones is also linked on the Planning and Development Services website. If you are a developer looking for an Opportunity Zone, you can go to the regular website and Opportunity Zones are listed there.

Outcome: For informational purposes only.

Follow-up Action: For informational purposes only.

DEVELOPERS OBSERVATIONS ON THE MARKET

Summary of Issue and Discussion:

Mr. Batchelor introduced the topic as a request from this Committee, having employment being a major focus. Westside Developer, Mark Witkiewicz, was introduced. Mr. Witkiewicz commented initially that a couple things he heard in the previous discussion worked well as an introduction for his presentation about the market. He introduced Kevin Smith and Paige Langley, also from Westside, who collaborated on this presentation.

Mr. Witkiewicz explained that one of the Opportunity Zone concepts in development of Highpoint is pioneering, and that it also has challenges with infrastructure needs. One portion of development is industrial. Industrial is important for Aurora because it creates jobs and opportunity. Industrial today brings prestige to a community. In the past, industrial areas were not places people wanted to be part of. Class A areas have amenities in order to attract employees. The cap rates are lowest in industrial, and a future growth pattern across the Country. Direction towards high-tech industrial is moving forward. A job growth chart shows over

the past 5 years how many jobs and dollars have been added because of industrial, with the most important factor being wages. Increased leasing around the airport has attracted high quality business and a substantial amount of growth since 2012. Investors are looking to put their money in opportunity zones. A percentage of where capital is going is in industrial. This is a strong market that the City of Aurora wants to be in front of.

There is a market for this today and in the future over the next 10 to 15 years is directly correlated to growth patterns of the State. Class A offices in this area 20 years down the road's problem is also solved. If capital says it's better use of the land to upgrade to Class A office, it's simple to do. A point of reference is the Aurora Mall. Once a better use arises, the Mall comes down, and a single-use land owner can move forward easily.

Chair Bergan asked in terms of zoning, do we need to change use of that area from industrial to office, in other words, is the code flexible, to which George Adams, Director, Planning and Development Services responded that it allows for both. The Highpoint property was one of the areas that triggered the Economic and Planning Systems (EPS) study. Changes to the Highpoint zoning will be coming forward to the Planning Commission and City Council in the coming months.

Vice Chair Watson asked what was being developed in that area north of Gaylord, to which Mr. Witkiewicz responded that it's different and not the same compared to what we are showing here is 450 acres, you can't deliver what the market is asking for. Vice Chair Watson asked again what are you developing, to which Mr. Witkiewicz responded that he doesn't know. It is zoned commercial. He has zero leads.

Chair Bergan commented about 7,000 jobs over the course of the whole area being developed, and asked if these are airport related businesses with good paying jobs? Mr. Witkiewicz explained how it benefits the community. A key take away is that what we are hearing the City wants value creation and jobs. This satisfies both today, and he can prove it. Market demand is there. Capital to invest is there. Aurora has the Opportunity Zone program to further lift up the community and that's what we can do today. What we are showing today is you can have both. You can satisfy where capital wants to invest today and in the future, 20 years down the road, if capital says we want Class A offices, then it's easy to go to that at that time.

Chair Bergan commented that if you look at development over decades, trends change, and it's hard to predict what is needed. Mr. Witkiewicz responded that we are not building something that is today's hot thing. There are facts. 17 years of net positive absorption is a fact. Direct correlation to increase in population and a willingness to put a lot of capital in to this to capture this now. Statistics around the ecommerce industry are every billion that amazon, etc., ecommerce revenue produces, that's another million square feet that's in demand across the Country.

Vice Chair Watson asked about Infrastructure. Is the City slowing you down? In response, Mr. Witkiewicz stated that is a loaded question. Developer perspective's candid answer, on the one hand we slowing ourselves down, there is opportunity for improvement on both sides of table. We finally figured out from a staff perspective what is the right fit. It wasn't easy to do, but from a staff level we are there. Getting the full package in. The Final Draft Proposal (FDP) submittal process is daunting. A lot of stuff required to get it done, for good reason.

Vice Chair Watson asked if there are ways we could streamline the process, and in response, Mr. Witkiewicz said it's part of the package. Developers have done a good job coordinating themselves. They are all talking and trying to coordinate infrastructure and other factors, and are doing a good job. They've done a lot of work to help us. Mr. Witkiewicz concluded that we are going a little slow but will pick up speed with what is put in front of us. If City Council doesn't approve FDP, all of this is for naught, and hopefully this doesn't happen.

Mindy Parnes, Planning and Development Services Manager, commented that FDPs are part of infrastructure, roads, drainage, and are huge activities that have to be resolved.

Outcome: For informational purposes only.

Follow-up Action: For informational purposes only.

UNIFIED DRAFT ORDINANCE (UDO) UPDATE

Summary of Issue and Discussion:

Karen Hancock, Planning Supervisor, provided an overview of the long history of the UDO project. Staff has uploaded the latest version of the UDO on the City's website: www.auroragov.org/ZoningCodeUpdate. A summary also linked to the website provides a high level overview that is geared toward the lay person. The conversation map is linked under the red icon. The map provides a side-by-side comparison and we hope that owners will be looking at their properties in detail. Staff has met all objectives on the project and hopes to meet the following proposed timeline:

- April 30 Press release sent out
- May 1 New UDO version posted on City's website/public comment begins
- May 2 Presentation to Joint Task Force
- May 21 Open house public meeting 4:00 pm-6:30 pm in the Aurora Room
- May 31 Public comment period ends
- June 12 Public hearing at Planning & Zoning Commission
- June 24 Present to full Council at Study Session
- July 15 Ordinance introduction and public hearing at City Council
- August 5 2nd reading at City Council
- Sept 5 UDO final & adopted
- 2Q 2020 Review of potential adjustments & corrections (if needed)

Some discussion around Bill Wichterman's concern about the Porteos project will be taken offline before May 31st. Mr. Wichterman wants to know if there is a way to redline between versions. Mr. Adams commented there are too many redlines and footnotes at this point to be useful, but staff is always willing to meet and go over issues.

Chair Bergan asked if meeting with Joint Task Force (JTF) brought out any more concerns that are not resolved and asked if workshops were productive. Mr. Adams responded that the group achieved consensus on all issues, but we still need everyone to read the sections and make sure we captured everything accurately. If stakeholders find issues, then staff will evaluate and propose schedule delays, if needed, to address concerns.

Diana Rael, Norris Design, explained that she and her colleagues are reviewing the UDO draft mostly for version control. Their issues were resolved at the workshops, but the group needs to make sure the changes were incorporated correctly.

Outcome: Staff will meet with individual stakeholders before May 31, 2019.

Follow-up Action: The Committee agreed to the proposed schedule for taking the UDO to Planning and Zoning Commission for a Public Hearing and scheduling the item for presentation at City Council Study Session.

MISCELLANEOUS MATTERS

Aurora Economic Development Council Update (Yuriy Gorlov):

- AEDC was in London last month on a business mission, international initiative

- Attending World Trade Day Conference next week on export import business to understand that market with tariffs (interesting times)
- Not set up with booths. Networking sessions, etc.
- Space port, Japanese company going there, will see how long that takes to see what they can put out there. “PD Aerospace”, a start-up company. Ready to go to that area.
- County Commissioners went out there and met with them a couple weeks ago.
- Investor’s Forum at Gaylord a couple weeks ago. Presented to 60 to 80 people from across Nation about Opportunity Zone, Northeast corridor. Questions about market, why this, why that.
- Part of Planning Committee National Guild Senior Economic Developers, all consultants working with start-ups trying to help hem expand, etc. Adams County specific, looking at Spaceport Fitzsimons coming up this summer. Vice Chair Watson, July 4th? No, Spaceport Showcase being put together separate from Site Selectors meeting. Showcase not open to public nor this meeting.

Havana Business Improvement District Update (Chance Horiuchi):

- PED Havana BID Notes
- MAY 8, 2019
- LOTS COMING SOON
- ARGENTA - 86 market rate townhomes
- Bicycle Village/ Havana Exchange Shopping Center area:
- Kum & Go - 8 pump & 2500 sq ft convenience store proposed & held a public meeting on 5/7 (former Salvage Restaurant property)
- Milkroll Ice Cream (behind Former Salvage)
- Uncle Joe’s Hong Kong Bistro (former CarQuest)
- Gianna’s Adult Day Care - NOW OPEN
- Prestige Adult Day Care - NOW OPEN (next to Yum Yum, begins HoneyBaked Ham)
- New restaurant concept coming to VILLAGE ON THE PARK, next to TJ Maxx and America’s Best Optical, Plus Old Navy and 13 new leases
- GARDENS ON HAVANA: prospects for 1/2 of Toys R Us space (40k sq ft space), new business inquire for the plot near Chick Fil A, new laser center coming in near Dick’s Sporting Goods
- My Favorite Muffin near Safeway & Gibby’s - Opening week of May 20th
- Living Water Car Wash, Havana and Kentucky Coming soon, ground breaking expected Q2
- Shortline MITSUBISHI Closing, new business to Havana coming soon, will announce at the next PED when transaction is public
- Lucky China closed, Ten Seconds Yunnan Rice Noodles - NOW OPEN
- Seoul BBQ has added Hot Pot with new owner & new remodel NOW OPEN
- Paris Bakery Closed, Menya Ramen & Poke - NOW OPEN (next to Sushi Katsu, near Havana & Iliff)
 - Havana Cafe Closed, Thank Sool Pocha K Pub - NOW OPEN (next to Sushi Katsu, near Havana & Iliff)
- Branding and Identity
- selected 13 new SCULPTURES for the 2019 Art 2C Public Art program with AIPP
 - proposing new
- met with Anna Bruce to do canvas wraps of the electric boxes along the BID
- ADI AUTO SPORT - adding a new sign and adding another “On Havana Street” logo panel, near Havana & Jewel
- Next board meeting May 18 at 8:30am at Denny’s
- 9/19 - Board Meeting - Meet and Greet Municipal Candidates
- Hosted the Rose Garden Clean up in May 4 with about 20 community volunteers - check out the roses in a few weeks

- Save the dates:
- Restaurant Week - Eat On Havana Street- May 1-8th, 2019, Wednesday to Wednesday
- \$500 VISA GIVEAWAY GOING ON NOW AT ONHAVANASTREET.com
- Plus restaurant gift card giveaways during restaurant week
- Cruzin' Havana Car Show and Poker Run
- June 8, 2019 12-6pm
- 3 Festival Sites
- 1st Concert & FREE hoagie night
- June 25th, 2019 6-8 pm
- Gardens on Havana
- 1250 S Ironton St Aurora, CO 80012
- Near Maurice's & Xfinity in the Rose Garden

Aurora Chamber of Commerce Update (Kevin Hougen):

- Largest economic opportunity ever had coming up as Space Command work progresses, Buckley is one of the final 5. 15,000 people.
- May 30th President doing Academy Graduation, working to get him to come to Buckley
- Space Command happening in August announcement
- Peterson Air Force Base closed golf course to accommodate
- We can expand by 1,030 acres, Space Command wants to be next to International Airport, near opportunities, close to NSA, 4,000 working there under golf balls. Schriever, east of Pederson, needs million dollars of upgrades. Advanced team happy about investment, Highlights higher education, Colorado Springs great competitor, don't have educational workforce like Aurora. Vandenberg north of Santa Barbara, massive base, no population, no international airport. Huntsville Redstone Army Post, huge competitor, that or Peterson. Colorado Springs not happy with competition.
- Couple weeks ago Denver diversified institutional investments over oil and gas. Think about opportunity there – oil and gas are mad about that pulling 50 million out of investment portfolios
- Friday - sold out Double Tree, 700 guests coming
- Next day at Hyatt, Casino Night for Leadership Class
- Chamber won award from State Chamber for largest member increase (210)
- Armed Forces luncheon 800 people, May 10th scheduled
- May 8th State of the City at the Hyatt

Planning Commission Update (Bob Bengen):

- 2 items: Impact Fees Residential Development
- CSP Amendment Rocking Horse
- First Accessory Dwelling Site Application
- 2 hotels site plans

Approved: _____

Committee Chair Francoise Bergan

Date

Next meeting: June 13th, 2019 meeting is cancelled. Next meeting is July 10th, 2019

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Planning and Economic Development Policy Committee Agenda Item Commentary

Item Title: Data Centers - Economic Impact & Incentives
Item Initiator: Amonick, Andrea
Staff Source: Yuriy Gorlov, AEDC Vice President
Deputy City Manager Signature:
Outside Speaker:
Council Goal: 5.3: Aggressively pursue primary job attraction, retention and expansion

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.)*

Data centers present a unique opportunity to satisfy the city’s economic development priorities to create jobs and increase the tax base. At city council’s instruction, AEDC staff has been working with site selectors and the private sector to develop such facilities. The State does not provide incentives for data centers which causes Aurora's offers to be disregarded early in the process. Discussions with the private sector revealed that attraction efforts could be more successful with these businesses if the City had a written incentive policy that the site selectors could refer to in their searches.

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

In order to attract more data center operations to the city, AEDC is recommending the implementation of a specific incentive policy. Other markets offer automatic incentives to users. Our local electricity provider is now working on a special rate. Adams and Arapahoe Counties will also participate.

QUESTIONS FOR Committee

Does the Committee wish to forward the proposed Data Center Incentive Policy to City Council for review and consideration?

EXHIBITS ATTACHED:

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Planning and Economic Development Policy Committee Agenda Item Commentary

Item Title: ICSC Retail Convention Update
Item Initiator: Tim Gonerka
Staff Source: Tim Gonerka, Retail Manager
Deputy City Manager Signature:
Outside Speaker:
Council Goal: 5.7: Develop and maintain an aggressive retail retention and expansion strategy

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.)*

The City annually sends a team comprising of staff and elected officials to the ICSC RECON Leasing & Retail Conference. This is the largest retail and development conference in the world and is attended by retailers, brokers, developers, investors, and municipalities. It offers the City an opportunity to meet face to face with potential development & retail stakeholders with the goal of attracting development & investment in Aurora, as well as creating and maintaining relationships which drives retail in the City now and in the future.

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

Staff will present a summary report on the success and interactions that occurred during the conference, as well as any impressions or pertinent trends that may have been learned from the conference.

QUESTIONS FOR Committee

For information only

EXHIBITS ATTACHED:

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Planning and Economic Development Policy Committee Agenda Item Commentary

Item Title: Request for additional staffing in DRF
Item Initiator: Vinessa Irvin
Staff Source: Jason Batchelor, Deputy City Manager
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.)*

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. City staff worked closely with the development community to establish timeframes and set fees commensurate with costs to review and approve plans and conduct inspections for the projects being developed within the timeframes allotted.

A framework for managing development review staffing levels relative to the economy was established. The framework outlined criteria, guidelines and process for adding or reducing staffing relative to development activity, economic environment and revenue shifts within the fund.

The current policy for managing staffing in the Development Review Fund relative to the economy was approved in 2015 and adopted in the 2016 Budget (Exhibit #1). This policy is attached and summarized below:

The method uses the historical average workload and the relationship to the optimum workload that allows staff to meet the performance measurement goals that have been established for each department. Staff will review development activity, workload, performance statistics and fund balance on a quarterly basis. If activity levels have consistently increased above the historic average, then the following measures will be taken (in no particular order):

- Overtime will be instituted
- Supervisors will conduct plan review and inspection duties

- Some services may be provided by commissioning of a 3rd party consultant on a temporary basis
- Prioritizing workload to meet performance measures for services that directly impact customers

These measures should be sufficient to withstand an increase for a short time. If the increase is sustained, then process for activation of the over-hire FTE position should begin.

There were a total of 15 over-hire positions authorized but unfunded within the Development Review Fund. The process for activation of these positions is to notify the Planning and Economic Development Council Policy Committee with justification for activating positions and then include in the next budget supplemental process. The policy further outlines that the minimum fund balance is to be maintained at \$10 million to sustain staffing level through a downturn in development activity. This fund balance requirement was recently revised to account for the increase in staffing levels since its adoption in 2016.

Thus far, five (5) of the 15 over-hire positions have been activated.

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

Management is requesting the activation of five (5) of the designated over-hire FTE position to meet the workload demands across the development review divisions. Specifically, one (1) in ODA, one (1) in Planning, three (3) in Public Works – Engineering Division and Building Division.

The current workload numbers indicate that an increase over historic averages will be seen in several divisions. Last year when projections were being done for 2019, staff was anticipating a leveling or even a slight decline in development activity. However, based on the first two quarters of 2019, there has been an increase in most areas over 2018 (Exhibit #2).

Historically, ODA statistics for pre-application meetings occurring 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. Pre-apps for Q1 & Q2 have increased significantly over last year and by the end of the year could be as much as 50% above the historical average. As mentioned previously, the majority of divisions are already experiencing workloads above 2019 projections. As these projects that have conducted pre-application meetings move through the development process, this will add to the baseline increase already being experienced. Additionally, workload related to growth and development activity in the northeastern areas of the city is expected to continue for several years.

All of the measures listed in the policy to adjust for additional workload have been implemented with the exception of the 3rd party consultant which is not a practical option for the work needing to be accomplished. As an example, staff has worked over 1,500 hours of overtime year to date to meet performance standards and some divisions are still unable to meet the performance goals established.

Development activity and fee collections remain strong and above projections. The current fund balance is \$13.0, well above the recommended minimum balance of \$10 million.

QUESTIONS FOR Committee

Does the committee agree to activation of five (5) over-hire positions within the Development Review Fund?

EXHIBITS ATTACHED:

- Exhibit 1 - DRF Policy for Managing Staffing Levels.docx
- Exhibit 2 - DRF Workload.docx

Policy for Managing Staffing in the Development Review Fund

Staff is focused on managing the staffing levels in the development review fund 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 following outlines a plan to manage these staffing levels along with creating a fiscally sound foundation for the Development Review Fund that supports and sustains these services both at the height of development activity as well during a downturn.

General Staffing Concept

The method used to determine staffing is to use an historical average and the relationship to the optimum workload that allows staff to meet the performance measure goals that have been established. All staff would be Full Time Employees (FTE) except when the use of a contingent/contract employee for a specific project is appropriate.

Criteria for Workload and Staffing Management

Staff will review development activity, workload, performance statistics and fund balance on a quarterly basis. They will analyze across the fund and by individual departments/divisions for specific activities so that changes can be tracked, trends identified and the following actions taken when necessary:

Increase

Activity levels have consistently increased above the historic average, then the following measures will be taken (in no particular order):

- Overtime will be instituted in order to meet performance measure goals.
- Supervisors will conduct plan review and inspection duties.
- Some services may be provided by commissioning of a 3rd party consultant on a temporary basis.
- Prioritizing workload to meet performance measures for services that directly impact customers.

These measures should be sufficient to withstand a 6 month increase. If the increase is sustained then process for activation of an over-hire position should begin.

Over-hires - There are 15 positions that have been authorized but unfunded within the Development Review Fund. Following is the process for activation of these positions:

- Notify appropriate council policy committee (currently Planning and Economic Development) with justification for activating position(s)
- Include in the next budget supplemental process

Decrease - Activity levels have consistently decreased below the historic average, then following measures will be taken:

- Reduce expenditures (i.e. training, professional services etc.)
- Hold vacancies

These measures should be sufficient to withstand a decrease that has a multi-year duration.

Fund Balance

The fund balance proposed to be maintained is \$10 million. This has been determined to be the necessary balance to sustain staffing levels through a downturn in development activity for a period of 3-5 years.

Revised April 2019

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Exhibit #2

WORKLOAD	Defining Activity	Historical Average (2008-2018)	2016 Actual	2017 Actual	2018 Actual	2019 Projected	2019 Actual	
							Q1	Q2
ODA	Pre-application Meeting	127	171	161	163	160	45	57
Planning	Development Applications	322	270	344	288	290	85	68
PW – Engineering	Civil Plan Sets	130	135	149	212	153	64	109
PW – Building	Permits Issued (total)	14,717	14,340	13,273	14,739	14,600	3,173	4011
	-New Building	957	1,440	1,737	1,510	1,600	275	358
	-Existing Building	13,791	12,282	11,536	13,229	13,000	2898	3653
PW – Real Property	Development Applications	N/A	N/A	N/A	574	500	83	124
	Easements Reviewed	N/A	N/A	N/A	134	100	19	70
	Building Permits Reviewed	N/A	N/A	N/A	1,443	1,300	317	437
	Licenses Reviewed	N/A	N/A	N/A	97	90	17	17

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**Planning and Economic Development Policy Committee
Agenda Item Commentary**

Item Title: Oil and Gas Fees and Staffing
Item Initiator: Vinessa Irvin
Staff Source: Jason Batchelor, Deputy City Manager
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.)*

The increase in oil and gas activity within the city and the recent state legislation allowing more local involvement in regulating this activity, has prompted the need to assess how the city will process the development of the well sites and facilities moving forward.

A multi-departmental team was established to look at the staffing needs and costs to process applications for permitting, inspection and on-going monitoring associated with oil and gas well site applications. The team analyzed the two operator agreements, one recently approved and the other currently being negotiated, and have based our recommendations on the process and BMPs outlined within those agreements.

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

Staff is recommending that a separate Oil and Gas Division be established to conduct all of the plan review and ongoing monitoring of the industry facilities within the city. Similar to the city's approach taken to regulate the marijuana industry. Initially, staff is proposing that the new division would include the following positions:

- o Local Government Designee (LGD) to manage the division and act as the city's liaison with the COGCC and the industry;
- o Senior Planner to conduct plan review of well sites and facilities;
- o Project Coordinator to track all required documentation and monitoring required for the wells and facilities; and
- o Two (2) Inspectors to conduct construction inspections and on-going required inspections of the wells and facilities.

Further, staff would recommend that the cost of staffing this new division be funded by implementing additional plan review fees, permit fees and an Operator License fee to be paid by the oil and gas operators annually.

As Council is aware, the Development Review Fund (DRF) has been in place for many years and has a fee structure sufficient to cover all the cost of providing plan review and inspection services. Although many of the processes and requirements outlined in the operator agreements would be considered part of the city's standard site plan, stormwater management, and inspection practices, there are a significant amount of additional requirements which are outside of the city's standard process and are specific to oil and gas development. Additionally, all of the monitoring requirements identified in the agreements after construction are new activities for the city with no existing staff conducting similar functions currently in place. The team identified these additional requirements and allocated the required staff time and costs associated with each.

Based on this analysis staff is recommending the following:

- **O&G Plan Review Fees**
In addition to the standard plan review fees, there would be an added per acre fee charged commiserate with the staff time necessary to review the requirements specific to oil and gas facilities. This additional fee represents an approximate 50% increase in the per acre fee. Total Site Plan review fees would be in the range of \$15K-\$25K for an average size well site.
- **Stormwater Quality Discharge Plan Review and Permit**
Does not involve any additional requirements and therefore fees would be charged at the standard rate.
- **O&G Permit Fee**
This would be a new fee to cover the costs associated with inspections that will be necessary during the construction phase of a new well site or other facility. This fee would also be based on a per acre fee. An average site would be approximately \$1500-\$2000 per permit.
- **Operator License Fee**
The annual fee for this new Operator License would cover the costs associated with the on-going inspections and monitoring of the well sites. These fees would fund the majority of the costs of operating the Oil and Gas Division. Therefore, with the expected number of wells to be permitted, the annual fee would be \$2640 per well. Therefore, a larger operator would be charged approximately \$200K-\$225K for their Operator License Fee annually. These fees have been calculated on the expected number of wells permitted per year, as more wells are added an adjustment in the fee may be considered.

If the Committee is in agreement with these recommendations, the next step would be to hire staff and establish the division. In the interim, current staff can be utilized to conduct plan review until the new positions can be hired to either conduct the reviews or backfill existing staff. The two (2) inspector positions are specialized and therefore no existing staff would have the expertise necessary to conduct these inspections. Staff expects the first new well site permits to be issued in approximately 2-3 months and construction to begin soon after. Staff is recommending implementation of the new fees and creation of an Oil and Gas Operator License to be effective January 1, 2020.

QUESTIONS FOR Committee

- 1) Does the committee agree with staff recommendations as presented?
- 2) Does the committee wish staff to present these recommendations to full Council at Study Session?

EXHIBITS ATTACHED: