PLANNING AND ECONOMIC DEVELOPMENT POLICY COMMITTEE MEETING MINUTES

Date: **October 11, 2023**
Time: **8:30 am**

Members Present	Chair: Council Member Francoise Bergan, Vice Chair: Council Member Steve Sundberg, Council Member Angela Lawson
Others Present	Adrian Botham, Andrea Amonick, Andrea Barnes, Becky Hogan, Brandon Cammarata, Bruce Dalton, Cathy DeWolf, Chad Argentar, Crystal Vigil, Daniel Brotzman, David Schoonmaker, Gayle Jetchick, Ian Best, Jacob Cox, Jeannine Rustad, Jeffrey Moore, Jennifer Orozco, Julie Patterson, Laura Perry, Laurie Womer, Leah Ramsey Lena McClelland, Mac Callison, Marcia McGilley, Marisa Noble, Mark Smith, Melissa Rogers, Mindy Parnes, Naomi Colwell, Rachel Allen, Robert Oliva, Stephen E Rodriguez, Thomas Blevins, Tod Kuntzelman, Tom Oldenburg, Trevor Vaughn, Yuriy Gorlov

1. CALL TO ORDER

2. APPROVAL OF SEPTEMBER 13, 2023, DRAFT MINUTES–COUNCIL MEMBER BERGAN

2.a. The minutes were approved.

3. GENERAL BUSINESS

3.a. October 2023 Retail Update

Summary of Issue and Discussion:
Robert Oliva, Retail Commercial Supervisor

Robert Oliva, Retail Commercial Supervisor, presented this item. R. Oliva discussed the latest retail sales tax generation report, along with highlighting new business openings categorized by Ward. The GIS team, led by Marisa Noble, effectively determined the addresses within each Ward. Among the six Wards, five produced between 650 and 750 business openings in the last year, while Ward IV stood out with approximately 1,076 openings.

R. Oliva noted that all categories changed. To address the question of performance pre- and post-COVID, they reverted to pre-COVID categories. In the bar graph presented, the motor vehicle sales tax category was expanded, showing a consistent increase over the past four years. Although a spike in the last year was attributed to higher auto sales prices. Gas stations remained consistent, experiencing a slight slowdown during COVID-19 but steadily increasing afterward. The category of auto repair saw a decline during COVID-19 due to reduced car usage. However, as people resumed driving, it rebounded, followed by a slight slowdown in the past year, indicating a trend of stabilization. A new category, truck, trailer, and car leasing displayed a consistent trend over three years, with a minor flattening during COVID-19.

R. Oliva proceeded to discuss home centers, formerly known as home improvement centers, which originally focused on stores like Lowe's and Home Depot. However, the category expanded to encompass home furnishings, appliances, and electronics, collectively referred to as durable goods. In the presentation, home furnishings experienced a rise during the period of lockdowns when people were enhancing their living spaces. However, in the last year, there was a dip attributed to inflation and growing concerns about a recession. He noted a general trend of rounding off in various aspects, possibly influenced by widespread anticipation of an impending recession. Electronics and appliances saw an increase during the COVID-19 lockdowns, a dramatic drop after the shutdown, and a subsequent rise to new heights in the last year. The category home improvement centers which included window coverings, flooring stores, paint stores, nursery and garden centers, and farm supplies, exhibited significant increases during the COVID-19 lockdowns and the easing of restrictions but has started to level off recently. He attributed the leveling off to a stabilization in new home sales, which, in turn, was linked to inventory issues—although prices remained high, the limited inventory resulted in fewer homes sold, subsequently affecting the demand for home improvement.

R. Oliva proceeded to discuss food and beverage retail sales, breaking it down into three categories: supermarkets with liquor, specialty retail stores (such as bakeries, meat markets, and confectionery stores), and retail liquor stores. In the case of grocery stores, they remained open throughout COVID-19, experiencing increased sales every year for the past four years, with the largest spike occurring in the last 24 months. Specialty food retailers, including bakeries, confectionery, and meat markets, witnessed a slight increase during COVID-19 and a spike in the year following, but sales flattened out in the last 12 months. Liquor stores, which also stayed open during COVID-19, initially performed well, but between the second and third periods, they experienced a decline in sales as grocery stores began selling beer and wine during that time. This was seen as a tradeoff, with liquor store sales decreasing while grocery store sales increased.

Moving on to the health and beauty care category, pharmacies and health supplement stores were increasing sales until last year. The increased time spent in such stores during COVID-19 contributed to their sales growth. However, in the last year, there was a significant drop, likely reflecting a decrease in consumer visits. Other health and personal care items, such as optical stores, beauty salons, barber shops, nail salons, cosmetics, beauty supplies, and perfume stores, sustained their sales, defying early COVID-19 predictions that these businesses would struggle due to people not returning to offices. Contrary to those expectations, these stores continued to perform well.

R. Oliva then discussed the categories of clothing, hobby stores, and general merchandise. Previously, general merchandise referred only to department stores, but this has changed. Starting with clothing and accessory stores, which include shoe stores, handbags, jewelry, and luggage, these establishments performed well, consistently increasing their sales tax volume by over $1 million for three consecutive years. However, in the last year, this growth rounded off to about $700,000, reflecting a common trend observed throughout various categories.

Sporting goods, encompassing music stores, hobby stores, and bookstores, faced challenges, experiencing moderate growth but flattening out in the last year, indicating a lack of excitement in this category. General merchandise not only includes department stores but also features retailers like Target and Walmart, along with florists, gift shops, office supply stores, pet stores, art galleries, and mail-order houses, which are now called facilitators. This comprehensive category witnessed three years of strong growth that moderated in the last year. Notably, the significant aspect here is the rise of mail order and/or online shopping, contributing to $16 million in sales in the last year, with $17 million of that attributed to online shopping. This implies that almost a third of retail sales are now online and continue to increase each year.

On entertainment and accommodations, R. Oliva detailed three subcategories: motion pictures and theaters, sports and amusement, and accommodations. Motion pictures initially suffered during COVID-19 but rebounded strongly in the last two years. Sports and amusement, covering sporting events, amusement centers, golf centers, fitness centers, and activities like bowling, consistently grew each year for four years. Accommodations, which include spending at hotels on items other than the room and hotel tax, such as restaurants, gift shops, and bars, took a substantial hit during COVID-19 but showed a robust recovery in the following years.

The specialty food category, focusing on restaurants and bars, was categorized into three groups. Specialty food, including food trucks and caterers, exhibited a flat trend for two years after COVID-19. However, in the subsequent two years, their sales doubled, showing a significant increase.

Full-service restaurants, which encompass sit-down restaurants and bars, experienced a slight increase during COVID-19, followed by a jump after reopening and another increase in the last 12 months. This observation was noted as somewhat surprising, given that sit-down restaurants, which struggled during COVID-19, managed to increase their sales slightly during that period. While the increase was more noticeable in the second and third periods, there was a modest rise during COVID-19, which was considered positive news.

Limited-service restaurants comprising fast food and quick-service (QSR) establishments, performed exceptionally well. Their numbers consistently increased every year, seemingly unaffected by the challenges posed by COVID-19. The distinction between fast food and quick serve was clarified, with fast food exemplified by places like Taco Bell, where you order at the counter and receive the bag, and quick serve represented by places like Chipotle, where you order at the counter, sit down and have the food brought to you. R. Oliva emphasized that the real difference lies in the quality of the food, citing the example of a burrito from Taco Bell compared to one from Chipotle. Despite both being called burritos, they differ significantly in quality.

R. Oliva then presented the overall sales tax generation for the past four years. There was consistent growth of about $20 million each year in years two and three, followed by $12 million in the last 12 months. Notably, the facilitator tax came into play around the second period, when an expected drop in retail sales did not occur. This was attributed to the inclusion of facilitator tax, wherein entities like Amazon and Etsy were now responsible for the tax instead of individual players. This shift was a significant factor in why the sales in the second period increased instead of the expected decrease.

Focusing on the net rental rates, it was observed that as COVID-19 hit, rental rates significantly dropped due to increased vacancies. However, rental rates gradually and consistently started to rise into the $19 to $20 range. R. Oliva acknowledged that the vacancy rate, represented in the chart, was not accurate as it was based on CoStar's data, which only includes buildings listed on their website or listing service and does not account for fully leased buildings. Despite this limitation, the positive note was the upward trend in rental rates, seen as good news because rental rates typically correlate with sales – as sales increase, rental rates tend to go up as well.

R. Oliva provided updates on some news from the current year. He mentioned that Safeway and King Soopers merged, and there was anticipation about the future of Safeways located close to King Soopers. Nordstrom Rack and Lululemon opened in Southlands, and the arrival of Bowlero was anticipated. In the restaurant program, a Japanese restaurant in Havana and Cerebral Brewing, which had its brewery open and was constructing its taproom, were part of the developments. Additionally, the small restaurants from the troubled Parkside Center were now back in operation, with people having moved back into the building. Four establishments were also mentioned, which were part of the efforts to assist businesses during the challenging period.

- CM Sundberg expressed gratitude to R. Oliva for sharing the information, expressing sadness about independent liquor stores losing ground to supermarkets. He highlighted the significance of these stores, often owned by mom-and-pop immigrant owners who invested their life savings and dreams into such businesses. Regarding the increase in sales tax revenue, CM Sundberg asked whether it was due to inflation on goods and services rather than an actual increase in sales. R. Oliva acknowledged that a significant portion of the increase was indeed due to inflation, as they didn't have unit sales data but received sales tax information. He noted that despite some leveling off, the combination of inflation and recession fears tended to slow things down. He expressed concern about the impact on smaller liquor stores, especially mom-and-pop shops, as larger stores with expanded offerings posed a threat. He mentioned the trend of larger liquor stores occupying 100,000 square feet and competing with grocers. He highlighted the challenges faced by smaller stores, emphasizing that their survival often relied on liquor sales. While beer and wine were being sold in grocery stores, hard liquor remained exclusive to liquor stores. He discussed advising some smaller store owners to focus on hard liquor to differentiate themselves from larger competitors. He mentioned the observable shift in grocery sales, where an entire aisle was dedicated to beer and wine, resulting in a more active aisle. However, he acknowledged the challenges faced by smaller stores in this competitive landscape, expressing sadness for their plight.

- CM Lawson expressed gratitude to R. Oliva for the presentation and then posed a general question. Referring to the map that delineated businesses by Ward, she asked about the number of businesses that entered and left each Ward. She suggested that this information could be useful for comparison. R. Oliva explained that the challenge with tracking businesses that shut down is that many owners don't renew their licenses, but there's typically a 12-month lag before the license renewal comes up. Additionally, some businesses might not report their closure officially, choosing to keep their LLCs open even if the business shuts down. He suggested that if they focused on businesses that closed their LLCs, it would provide a clearer indication of closures. R. Oliva mentioned the possibility of reporting the number of businesses that didn't renew their licenses consistently to show a trend over time if the same numbers were used in each reporting period.
- CM Lawson asked about the renewal of licenses, using the example of a retail store near Arapahoe Crossing that closed, particularly mentioning the closure of Bed Bath & Beyond. She sought clarification on whether these closures were considered in the licensing data or if they were businesses that had transitioned to online operations. R. Oliva responded that it was a bit tricky, suggesting that Trevor Vaughn might provide more clarity. He explained that some businesses might report combined sales, such as multiple King Soopers locations grouping their sales. If one of those King Soopers locations closed, it might affect the specific license for that branch, but the licenses for the remaining locations might still be active. R. Oliva acknowledged the challenge of determining closures based on how businesses report to them, expressing uncertainty about whether businesses report individually or collectively. He emphasized that they could produce a version of the closure numbers, but it would be somewhat lagging, with a full year's worth of data needed to identify closures that happened a year

prior. He reiterated that some businesses close but keep their LLCs open, emphasizing the need to understand these caveats for a more accurate assessment.

- CM Lawson asked a question, addressing the challenge of attracting new businesses to vacant spaces, especially in areas like Ward V with large box stores and strip malls. She expressed concern about how the city could make progress in filling these spaces if the businesses were still owned, based on the discussion about licenses and LLCs. R. Oliva clarified that these were likely two distinct situations. R. Oliva explained that in the case of businesses leaving space and terminating their lease, the closure of the LLC might occur at a later date, possibly on an annual basis. He emphasized that the alignment might not be exact, but by considering a consistent 12-month period, there could be a relatively stable comparison. Regarding vacancies, he noted that they were aware of vacant spaces as CoStar tracked that information. He also mentioned that they were continually working on filling large-box vacancies, emphasizing their significance in generating substantial sales tax volume and providing employment opportunities.
- CM Bergan expressed gratitude for the presentation, particularly appreciating the clarity in defining different categories. She noted the information that about one-third of sales were happening online and inquired if this trend of online sales surpassing the one-third mark would continue, especially considering the introduction of the market facilitator tax. R. Oliva mentioned that they expected the trend of online sales to continue gradually increasing, chipping away at the share of traditional in-store sales. While there was a significant initial increase, the expectation was for this trend to persist until an equilibrium was reached between online and in-store shopping. He emphasized the importance of physically going into stores to maintain their existence. He noted that stores track customer preferences, and continuous online shopping might lead to store closures, underscoring the importance of both in-store and online purchases to support the survival of the physical stores.
- CM Bergan reflected on CM Lawson's concerns about vacant stores, highlighting that if a corporate office observed strong online sales, they might lack the incentive to keep physical stores open. She also mentioned an incentive she had sponsored, which had contributed to securing Nordstrom and Bowlero as tenants. This incentive could be extended to any vacant space in the city, provided a desirable tenant was interested. R. Oliva affirmed the possibility, stating that when the council approved such incentives, they applied citywide. He mentioned that the initial testing had been done in Southlands due to an available deal, but the same approach could be implemented in any ward within the city.
- CM Bergan inquired about the tracking of car leasing, questioning if it had been monitored previously or if it was included along with auto sales. R. Oliva clarified that car leasing had not been tracked before. He explained that initially, they considered auto sales as not entirely falling under the category of pure retail. However, upon reevaluating the overall sales tax,

they realized that significant data was being missed. As a result, they expanded the categories, encompassing all aspects of the market. He noted that they didn't actively pursue car dealers or parts stores; instead, those entities naturally appeared in the data. The goal was to comprehensively address the entire market, distinguishing between entities they interacted with and those that simply contributed to sales tax figures.

- CM Bergan raised concerns about liquor stores losing revenue to grocery stores, particularly due to lower prices. She asked whether this shift might lead to a decrease in overall sales tax revenue, considering that if prices were lower but the same quantity was being purchased, the total sales might be lower. R. Oliva responded that while prices might be lower in supermarkets, the key point was that when customers bought liquor in a supermarket, they typically added other items to their purchase, increasing the average ticket amount. This resulted in a higher average transaction value from grocery stores selling liquor compared to standalone liquor stores. He acknowledged the trade-off was not ideal, but it wasn't a direct one-to-one exchange. The supermarkets, by selling liquor at lower prices, attracted higher volumes and additional purchases, offsetting the lower prices with higher overall sales.

Outcome:
Information only.

Follow-up Action:
None required.

3.b. Office Market Update Fall 2023

Summary of Issue and Discussion:
Andrea Amonick, Development Services Manager & Yuriy Gorlov, AEDC Vice President

Andrea Amonick, Development Services Manager, and Yuriy Gorlov, AEDC Vice President, presented this item. A. Amonick mentioned that they would provide a high-level overview of the Aurora office market, offering statistics and insights into its position compared to other office markets in the region. She emphasized the dynamic nature of the market, shaped by significant changes during the pandemic, with the effects still unfolding.

She proceeded to describe the Aurora office market, highlighting key statistics. The office space in Aurora measured approximately 10,500,000 ft². Notably, this figure had seen minimal additions since 2005, except for medical office buildings and related structures on the Fitzsimons campus. She mentioned two exceptions to this, namely Class A Office Spaces, Corporex, and the Children's Building, both situated across the street from the campus.

A. Amonick pointed out that the Denver Central Business District (CBD) and the Denver Tech Center in Greenwood Village were nearly four times larger than the Aurora market. This size difference was attributed to the presence of larger office buildings in both the CBD and the Tech Center. The breakdown of office space in Aurora was provided, indicating a 25% share for Class A, which had slightly increased since 2005, 65% for Class B, and 10% for Class C, with a suggestion that the Class C share might be slightly higher. She emphasized that losing ground in the Class C space was viewed positively, as better space rented faster, contributing to an increase in rental rates. Over the past 16 years, there was a notable rise in average rates, from $15 to $16 per square foot to an average of $23.25. She attributed this increase to the demand for newer spaces, which commanded higher prices. Additionally, the introduction of newer spaces positively impacted rates across different classes as businesses sought to enhance their spaces to remain competitive. She also stated that the vacancy rate was 9.6%.

Regarding leasing rates, there was a comparison with Denver, where rates were typically $0.75 to $0.80 lower, with Denver's rate being $28.25. This difference persisted over time. The vacancy rate of 9.6% was noted as the highest since the pandemic started but still aligned with the ten-year average, suggesting it was not as alarming as it might seem.

Different vacancy rates were observed in various classifications, influenced by the nature of the spaces in Aurora. Most of Aurora's spaces were smaller, with about 1,865 companies listed as office tenants, and only 200 of those occupying more than 5,000 SF. This contrasted with larger buildings in the tech center or downtown, where tenants occupied much more square footage per office, such as law firms with multiple floors in an office tower. Aurora's market was characterized by smaller businesses, with less than 11% having spaces larger than 5,000 SF per office user. Approximately a third of the market fell within a median range of 1,500 to 3,000 SF. There were only 22 buildings larger than 100,000 SF, excluding the City of Aurora office building and the facilities at Fitzsimons, both of which were notably large. The City of Aurora's building was highlighted as one of the biggest Class A office buildings in the market.

A. Amonick explained that in the downtown market, especially in the DTC, larger buildings were predominant. As companies downsized during the pandemic and embraced remote work, these larger buildings had less occupied space, leading to naturally higher vacancy rates.

Y. Gorlov discussed the characteristics, absorption, and other aspects observed in the market. He highlighted that the vacancy rate in the CBD and the DTC was double that of Aurora. He then discussed the age of the product type in Aurora, noting that since 2005, there had been minimal construction outside the campus. Buildings newer than 25 years old, constructed post-1998, had a vacancy rate half of the overall rate, reflecting a trend during the pandemic and post-pandemic era where companies preferred newer spaces.

For older buildings built before 1998, which constituted the majority of the market, the vacancy rate was higher, nearly 12%, and fluctuated between 10% and 20% over the last decade. Regarding absorption statistics, Y. Gorlov mentioned that it had been negative for most quarters since the shift to remote work. The overall vacancy rate, which was around 5% to 6% before the pandemic, had increased from 9% to 9.6%. He acknowledged the impact and discussed ongoing conversations with companies considering downsizing, consolidating, or relocating. He mentioned the influence of capital markets on these trends and the collaboration between companies, tenants, developers, and financing entities to navigate changes and move into newer spaces.

Y. Gorlov mentioned that despite the negative absorption trend, lease activity remained relatively decent. It was at two-thirds of the pre-pandemic levels, defying predictions from the real estate community that companies would refrain from signing long-term leases. He noted a shift from 5 to 7-year leases to shorter commitments of 2 to 3 years due to the evolving landscape. He highlighted that the office's activity, specifically in terms of Request for Proposals (RFPs) from various office users, remained consistent. Even during the period from March 2020 to May 2020, when activity dipped, prospects for office space remained steady. This was seen as a positive sign, indicating that companies were still considering the Metro Area Aurora markets for their operations.

Lastly, Y. Gorlov pointed out that the majority of the 10.5 million SF of office space in the market was occupied by aerospace companies, defense-related contractors, and healthcare-related entities, including hospitals and medical offices. The emphasis was on Fitzsimons, where several buildings, including a new 80,000 SF medical office building, contributed to the space. He also mentioned positive feedback from site selectors visiting the new Health Sciences research building, showcasing its appeal compared to other locations in the country.

Y. Gorlov mentioned the presence of headquarters and data centers occupying office buildings, particularly the older types that have been in existence for decades, not the recent developments discussed with the Council. He proceeded to list some companies outside these industries, such as 2-10, a home warranty company, Citywide, which is a bank, Avitus, which is a headquarters for business services, Primoris in renewable energy, IBeta, which is a technology company, and Flexential, which is a data center. These companies occupied spaces ranging from 25,000 to 75,000 SF, serving as examples of major companies in the area. He indicated that larger users like Raytheon, hospitals, and Karchers would be discussed on the next page, as they fell into the 10% of the market that comprised larger businesses.

A. Amonick discussed trends that were mentioned earlier and provided insights into what was happening. The first trend mentioned was "flight to quality." Vacancies, especially in larger office buildings, led to available space for subleasing or market movement. Companies took advantage of this opportunity, without a significant change in overall activity. Instead, they considered it a chance to relocate to more cost-effective options or smaller spaces. In Aurora, specifically, companies previously located downtown were now opting for more remote locations, potentially requiring less space. Aurora's rental rates were more attractive than their previous locations in larger buildings, resulting in companies moving to Aurora for amenities, dynamic spaces, and shorter commutes. Newer spaces in Aurora were gaining popularity, with companies both within and outside the Aurora market seeking smaller footprints. This trend was also observed in smaller markets.

A. Amonick noted observations of moves from Denver to Aurora for smaller footprints, shorter commutes, and increased access. It was believed that Aurora's market could effectively cater to the demand for smaller spaces. The primary focus was on the smaller spaces within the market. There was a recognition of the increasing demand for such spaces, prompting consideration of maximizing opportunities in newer spaces. The plan involved enhancing amenities in B spaces to make them more competitive. Additionally, there was a noted decrease in C spaces, potentially due to some offices relocating from traditional retail spaces. This presented opportunities, as these spaces could either go vacant and become blighted, or they could be seen as opportunities for redevelopment. She suggested keeping an eye on these spaces, as vacant C spaces could be redeveloped into new buildings, resulting in higher rents and providing opportunities for repositioning properties in the market.

A. Amonick mentioned retrofitting first floors for retail, co-working spaces, and suites, aimed at making spaces more flexible. The goal was to increase the supply of smaller, flexible spaces in the market. This approach was intended to attract new people, facilitate the entry of new businesses, and support the growth of existing businesses. Starting with new spaces provided the opportunity to nurture small companies, particularly those in the tech and medical fields, where companies often begin in smaller spaces and quickly expand, requiring larger spaces. Smaller and improved spaces were viewed as a means to foster the growth of the local business community.

Y. Gorlov then discussed larger businesses and those experiencing aggressive growth. He expressed gratitude to Andrea and summarized the ongoing conversation about the company's direction. He mentioned that they were now focused on accommodating smaller businesses with fewer footprints, while not excluding larger opportunities. The company transitioned from being just a suburban market to an outer ring market. Since March 2020, discussions have been ongoing, with specific attention given to major corridors like E-470 and 225, which are recognized as significant in the outer ring market. He highlighted the appeal of these corridors, particularly due to the high concentration of people living there who don't have to endure long commutes. Despite some increase in travel times since Labor Day, the community's average drive time was just over half an hour. He emphasized the abundance of skilled and unskilled workforce in these areas, with location quotients high enough to attract companies interested in establishing campuses. The term "campuses" was redefined in the context of the conversation. Unlike the traditional large campuses associated with Fortune 500-type companies in other regions, these campuses, exemplified by Karchers and WICs, were portrayed as different in structure and scale.

Karcher, a well-known company, relocated its North American headquarters to the discussed location. The headquarters, a three-story office with 90,000 SF of space, opened just before the pandemic, but they had to temporarily return home due to the circumstances. The building included training facilities, R&D facilities, a warehouse, and production space—all housed in an industrial building.

Similarly, Western Industrial Contractors (WIC), another company, also established their North American headquarters close to Karchers, contributing to the envisioned cluster of such companies. WIC specializes in servicing the e-commerce sector, constructing conveyor systems, and engineering various systems for industrial buildings. Their building encompassed 150,000 SF, with 50,000 SF dedicated to office and administrative space and the remaining 100,000 SF serving as an industrial floor plate. Karchers' total space was mentioned to be 380,000 SF, with 90,000 SF allocated for office purposes and a considerably larger industrial section behind it. Similarly, WIC followed a comparable structure with a 150,000 SF building, including office space and an extensive industrial floor plate at the back.

Y. Gorlov discussed the preferences of companies, emphasizing their desire for consolidated spaces that provide not only dynamic work environments and access to their workforce but also open spaces and additional amenities. Some business parks were mentioned incorporating basketball courts and other facilities to meet the needs of the workforce outside of office spaces. The expectation was that such trends would become more prevalent. The importance of flexibility and adaptability to the desires of the workforce, whether skilled or unskilled, and clientele was highlighted. He anticipated continued efforts in securing deals of this nature, particularly along the E-470 corridor. Specific developments such as Windler and Aurora Highlands, as well as the area between Buckley and Murphy Creek, were identified as having substantial land available with hundreds of acres. Notably, the E-470 frontage of Windler and Aurora Highlands was dedicated to commercial use, indicating the potential for constructing the buildings mentioned. He also emphasized the avoidance of having residential fences along E-470, envisioning the presence of these types of commercial buildings in the area.

Y. Gorlov mentioned potential alternatives to the buildings mentioned, sharing conversations with Andrea about prospects interested in constructing 4 to 6-story office buildings with a smaller footprint. These buildings would be denser and sit on 4 or 5 acres of land, in contrast to larger developments like WIC's ten-acre site. He envisioned a mixed-use approach, possibly including structured or shared parking lots with retail and multifamily components nearby. Emphasizing the need for flexibility, Y. Gorlov expressed the ongoing collaboration with a group requiring 100,000 SF, exploring whether it would be a pure office building or involve additional space outside the office. This adaptive problem-solving approach was highlighted as part of the current efforts. He suggested that the next generation of products would likely resemble these mixed-use and more compact buildings, indicating a shift from the current appearance of the tech center. Anticipating changes in neighboring areas like the tech center and downtown Denver, he predicted retrofits rather than the construction of new office buildings, except for specific build-to-suit projects. Older office buildings might transform data centers, and residential spaces, or be replaced by new product types.

Y. Gorlov discussed ongoing developments, expressing gratitude for having greenfield opportunities, particularly along E-470 and at transit-oriented development sites such as Metro Center, Second and Abilene, 13th Avenue, and the north side of Fitzsimons. It was noted that these sites could be ideal for the bioscience community, with the expectation that they would operate in smaller footprint buildings, primarily 2 to 3 stories high, containing lab spaces. Despite the smaller size, these buildings were emphasized as Class A office buildings. He highlighted the potential for additional development on Fitzsimons and around transit-oriented stops, anticipating increased opportunities when RTD resumed regular operations. He then expressed eagerness to assist more companies in establishing a presence in these locations.

- CM Sundberg commented, acknowledging that it wasn't directly related to office space. He mentioned the recent opening ceremony for Ambrose and noted that Crane Logistics was also active that day. He expressed the view that there was a lot of activity in the area, making it challenging to keep up. He appreciated the efforts of those involved in attracting economic activity to the city and thanked them for their good work.
- CM Lawson began by expressing gratitude for the presentation and then raised a question regarding diversity in the business climate. She inquired whether there were any considerations for utilizing some of the spaces for co-op-type innovation within the community. The idea involved creating shared spaces where different types of innovative businesses could operate collaboratively. She noted that similar initiatives were undertaken in the bioscience field and Ward I.
- CM Lawson’s question focused on addressing businesses without dedicated spaces. She shared the example from Washington, DC, where individuals could rent affordable spaces for meetings and have access to amenities like phone lines. She envisioned a similar concept for businesses in the local community that may not be able to afford their own spaces. This would involve creating a model where entrepreneurs could rent spaces for their businesses, fostering innovation and collaboration. She expressed curiosity about whether there were any ideas or concepts regarding the utilization of the spaces discussed, extending beyond the topics covered in the presentation.

- Y. Gorlov responded to CM Lawson, acknowledging the interest in alternative uses for the spaces discussed. He mentioned ongoing efforts in working with both innovation hub collaboratives seeking a presence in the metro area and co-working space providers. There were specific mentions of discussions with companies like Thrive, which operates multiple offices in Denver and along the Front Range. He mentioned the existence of co-working space for industrial users, acknowledging that it deviated from the main topic of the conversation. The co-working space for industrial users was noted to be appealing to sole proprietors, startups, and small businesses, allowing them access to resources without committing to a long-term lease. While no significant setups had occurred on a large scale, he highlighted ongoing discussions with interested parties. The benefits of being in Aurora, proximity to the workforce, and the available amenities were consistently communicated to potential users. He also connected this concept to retail trends discussed earlier by R. Oliva. He remarked that Aurora doesn't necessarily have to replicate the model seen in Washington, DC, as there are numerous facilities of that nature around town. He observed that such facilities were previously gravitating towards central business districts and tech center environments before the pandemic. He expressed that these types of facilities were facing challenges in establishing themselves in markets like Aurora. The difficulties were attributed to the dynamics of capital markets and the complexities involved in financing such deals. He acknowledged the higher level of risk associated with these ventures compared to traditional office leasing.
- CM Lawson acknowledged the team’s efforts in reaching out to companies but raised a consideration for the city. She wondered if the city had discussed or could contemplate an initiative for individuals in the community operating as sole proprietors, particularly those with consulting businesses. She emphasized the desire for such individuals to have access to meeting spaces for in-person interactions with clients, as opposed to relying solely on virtual platforms like Zoom. Drawing on the example of Washington, DC, she described a concept where the city could offer spaces with amenities by paying a specific fee. These individuals could rent these spaces within a larger floor or facility. She acknowledged uncertainty about the term for such a concept but expressed a desire to explore the possibility of incorporating it into the city. The suggestion included potential implementation at Transit-Oriented Development (TOD) sites or areas that could attract local entrepreneurs within the community who faced challenges in affording dedicated spaces for their businesses.
- A. Amonick responded, stating that on the smaller business side, they had an aggressive cooperative business model counseling initiative. She mentioned working closely with various cooperatives in different areas, such as the El Alba Cooperative of caterers and food vendors. A specific example was given about a space on Montview operating similarly for a long time, distinct from WeWorks, where they collaborated with small legacy businesses in the area to facilitate growth. She emphasized the ongoing

efforts to redefine spaces in collaboration with cooperatives and smaller property owners in the neighborhoods, aiming to attract more clients to benefit both the property owners and smaller businesses. While acknowledging existing opportunities, she noted the potential for further expansion of the concept into more underserved neighborhoods, expressing a willingness to utilize available resources for this purpose.

- CM Lawson expressed appreciation for the response and mentioned that her question was not addressed clearly. To illustrate her point, she provided a personal example, mentioning her consulting business and the desire to have a dedicated space in the city of Aurora where she could meet clients. She clarified that she was not part of a cooperative but an individual business owner seeking a space for client meetings, possibly with amenities like a phone line, for which she could pay a fee. She acknowledged a potential lack of clarity in her explanation and suggested discussing the matter offline. Despite this, she thanked the presenters for responding to her questions.
- CM Sundberg, addressing CM Lawson's point, suggested the existence of a similar concept beneath the Six Capital Brewery building, specifically mentioning the bicycle shop that had office space. Y. Gorlov acknowledged the point and expressed familiarity with the situation. CM Sundberg sought confirmation from the others if they were aware of the mentioned location. Y. Gorlov mentioned the availability of space in Southlands, noting that it had disappeared. CM Sundberg acknowledged this, suggesting it might align with CM Lawson's vision for such spaces. A. Amonick added that the space on Montview also fits this model—small with storefronts and additional rented space in the back for meetings or amenities like phone lines. A. Amonick suggested that efforts could be made to identify and assist people in accessing such spaces.
- CM Bergan suggested connecting individuals interested in such spaces with A. Amonick's office and A. Amonick affirmed the possibility. Y. Gorlov quickly addressed CM Lawson, mentioning that Thrive might align with what she was discussing. He expressed understanding and suggested that if CM Lawson's question pertained to private sector-funded spaces versus publicly funded spaces, it might be outside his expertise. However, he expressed openness to incentive programs for more offices.
- CM Bergan inquired about the leasing status of properties like Majestic and others with significant square footage. Y. Gorlov clarified the focus on office space. He mentioned that, apart from their corporate office, Majestic didn't have much office space. He highlighted that, in general, office spaces were surviving with a decent vacancy rate not exceeding the ten-year running average. He anticipated challenges in the next 12 to 18 months due to upcoming events affecting office building valuations, potentially causing changes and turmoil. Despite this, he saw it as an opportunity to collaborate with the development and real estate community to identify ways to upgrade these facilities, echoing a point made by A. Amonick.

- CM Bergan raised a question about owners of properties in older parts of the city allowing buildings to become blighted intentionally. The concern was whether owners might intentionally let their properties deteriorate, anticipating that the city would then provide incentives for redevelopment. A. Amonick responded, highlighting that it depended on the motivations of property owners, influenced by factors such as the duration of ownership and existing debts. Some long-term owners, with limited debt, might choose not to divest their property. She stressed the need for proactive measures, anticipating an increase in such situations due to fallout from larger properties and aging structures. Emphasizing the importance of addressing long-term vacancies, she advocated for finding ways to incentivize property owners to either sell or collaborate on updating the space. The focus was on actively engaging with older properties, particularly those left vacant for extended periods. She drew a parallel with successful retail programs, citing the restaurant program as an example, where functionally obsolete spaces were revitalized through incentives, aligning them with newer business models.
- CM Bergan inquired about the preferences of property owners regarding older buildings in the context of seeking newer, upgraded spaces and considering technological advancements. The question addressed whether there was a greater inclination among owners to renovate existing structures or opt for demolishing them and starting anew. A. Amonick explained that the decision to renovate or demolish a building depends on its current condition. If the building has good structural integrity, renovating by gutting it is usually less expensive than tearing it down and building anew. However, there's a consideration of whether the desired level of quality can be achieved in a functionally obsolete space. She acknowledged the complexity of these decisions in the redevelopment world and stressed the need for evaluating each case individually. She also mentioned that the evaluation process requires a detailed examination of specific conditions. She stated the involvement of a lot of handholding, especially in comparison to larger centers. In addressing vacancies, efforts involve understanding whether tenants are intentionally holding space or if the owner, often represented by a broker, is actively seeking to fill it. She highlighted the importance of working with brokers, similar to strategies employed at events like ICSC, to incentivize them to fill office spaces in the evolving business environment.
- CM Bergan asked about the incorporation of restaurants or eating spaces within large buildings, particularly in the northeast. A. Amonick emphasized the need for such incorporation, stating that if they don't have them, they should. Y. Gorlov agreed, noting that they hadn't seen it much yet, but anticipated a future trend in that direction. A. Amonick added that assisting could facilitate this trend, drawing attention to the growing realization in industrial areas that amenities, including restaurants, are essential for creating a more dynamic environment, aligning with the evolving preferences of employees.

- CM Bergan acknowledged the need for a place to eat lunch and expressed gratitude for the presentation.
- Jeannine Rustad, Director of Planning and Development Services, shared information from Marcia McGilley, Executive Director of the Aurora - South Metro Small Business Development Center, about the existence of 11 co-working locations in Aurora in response to CM Lawson's question. She expressed the intention to conduct further research to determine the specific types of co-locations relevant to the discussed topic and promised to provide additional information.
- CM Lawson expressed satisfaction upon learning about the existence of 11 co-working locations, noting that this information wasn't widely publicized. She mentioned receiving questions on the topic and thanked J. Rustad for sharing the information. CM Bergan also thanked J. Rustad.

Outcome:
Information only.

Follow-up Action:
None required.

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4. MISCELLANEOUS MATTERS FOR CONSIDERATION

4. a. Aurora Economic Development Council
- Yuriy Gorlov

NO REPORT

4.b. Havana Business Improvement District
- Chance Horiuchi

NO REPORT

4.c. Aurora Chamber of Commerce
- Naomi Caldwell

NO REPORT

4.d. Planning Commission
- Becky Hogan

NO REPORT

4.e. Oil and Gas Committee
- Brad Pierce

CM Bergan mentioned the absence of reports, noting that Brad Pierce, who wasn't present at the time, included the Oil and Gas report in the backup materials.

4.f. Business Advisory Board

- Garrett Walls

NO REPORT

4.g. Retail

- Bob Oliva

NO REPORT

4.h. Small Business

- Elena Vasconez

NO REPORT

4.i. Visit Aurora

- Bruce Dalton

NO REPORT

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5. CONFIRM NEXT MEETING DATE

Scheduled for November 8, 2023, at 8:30 AM MT.

CM Bergan discussed the upcoming meeting schedule, mentioning that the next meeting was scheduled for November 8 and considering the possibility of not having a December meeting.

J. Rustad shared information about the agenda for November, including presentations on Marketing Aurora for Business. A. Amonick added the reports of the outreach efforts by the Aurora Small Business Development Center. J. Rustad also mentioned the reporting of the annual oil and gas update. The absence of updates on UDO (Unified Development Ordinance) was noted, with J. Rustad mentioning that such updates might occur in the New Year. CM Bergan acknowledged this information.

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6. ADJOURNMENT

APPROVED: ______________________________________

Francoise Bergan, Committee Chair