



CITY COUNCIL STUDY SESSION MEETING

STUDY SESSION MINUTES

TUESDAY, JUNE 22, 2021, 1:00 PM

201 S. Cortez Street
Prescott, AZ 86303
Council Chambers

Greg Mengarelli, Mayor

Alexa Scholl, Mayor Pro Tem

Steve Blair, Councilman

Phil Goode, Councilman

Cathey Rusing, Councilmember

Steve Sischka, Councilman

Clark Tenney, Councilman

MINUTES OF THE STUDY SESSION OF THE PRESCOTT CITY COUNCIL STUDY SESSION HELD ON JUNE 22, 2021, IN THE 201 S. CORTEZ STREET PRESCOTT, AZ 86303 COUNCIL CHAMBERS.

1. CALL TO ORDER

Mayor Mengarelli called the meeting to order at 1:00 p.m.

2. ROLL CALL

Greg Mengarelli	Mayor
Alexa Scholl	Mayor Pro Tem
Steve Blair	Councilman
Phil Goode	Councilman
Cathey Rusing	Councilmember
Steve Sischka	Councilman
Clark Tenney	Councilman

3. DISCUSSION

- A. Arizona Eco Development - Pre-Annexation Development Agreement Public
Comments for Statutory Public Hearing Meeting

City Attorney Jon Paladini provided a presentation to Council with an update on the AED Development Agreement (DA) and added that there is a list of FAQs on the AED portion of the website for the public to review.

Revisions to Development Agreement:

- * Vested Rights – revisions to DA to clarify the vested rights. AED does not have any rights to do anything until after the referendum period has passed with the exception of demanding in writing that Council rescind all previous votes to avoid referendum
- * Section 5.7C – corollary to previous revision
- * Section 1.10 South Parcel Resort & Grade Separated Crossing – there are a number of steps for approval of Zoning Ordinances, grading permits, and building permits. If no master plan is submitted as part of the zoning it has to be submitted prior to the grading permit or building permit being issued. Letter of Intent granted developer right to an at-grade crossing, however, since that time a desire has been expressed for a grade crossing. In order to meet this need, a CFD will be formed to fund the crossing or the city will pay the difference in cost. The added language commits the city to the crossing via EITHER the CFD or paying the difference in costs based on Council decision
- * Changes will be made regarding the sever and transfer of 375 acre feet of water (SRP is now involved)

Councilman Sischka asked Mr. Paladini to clarify that if the Annexation is approved the Developer can pull out during the 30 days following the vote.

Mr. Paladini confirmed.

Councilman Sischka asked who pays for the CFD.

Mr. Paladini responded that the creation of the CFD is funded by the bond issuance, and the landowners within the district pay to maintain the District. Formation of a CFD does not affect the general tax payer.

Mr. Paladini continued with a review of the zoning for the Resort parcels. The reason the zoning will be specific is because Prescott Zoning is inclusive so zoning in this manner will limit the use of the land and the water, rezoning would have to go through Planning & Zoning Commission, then Council and the DA would have to be amended by Council as well. This agreement is based on mutual performance. There is a three year timeframe to acquire easements necessary for water transfer.

With regard to the transfer of Mr. Gisi's 375 acre feet of water, there are some specific limitations from ADWR and SRP that have made it necessary to revise the specifics of the water rights. Water must be for recharge and use, not just recharge.

Public Works Director Craig Dotseth added that SRP will be part of the review of transfer of the water rights. ADWR will confer with SRP for their review, they want water to go to recharge which we do as well. They are interested in seeing us move water away from Chino as we have been doing and will

continue to speak with them as the Development Agreement and Master Plan are developed.

Mr. Paladini continued with an overview of costs related to the Development and Master Plan:

- * Section 1.10 – grade separated crossing funded by way of a CFD OR the city agrees to pay the difference between the cost of an at-grade crossing and a grade separated crossing
- * Section 2-6 through 2-14 – developer will pay for and construct all public and private infrastructure; no city funds including water/sewer/street funds will be used to pay for infrastructure. Local streets will be owned and maintained by CFD or HOA (private streets)
- * Granite Creek Crossing – Development Impact Fee Project; developer shall construct the crossing and the city shall coordinate and review the design plans for the crossing
- * Granite Creek Bridge – city will use reasonable efforts to acquire the old Granite Creek Bridge from Yavapai County; once acquired the bridge will be open for public vehicular, pedestrian, equestrian and bicycle use; city shall pay for the cost of the bridge refurbishment
- * Sections 4.1 thru 4.3
 - Purchase and sale of north parcel open space: developer agrees to sell to the city at a cost to be determined by a qualified appraiser mutually agreed to approximately 131 (+/-) acres of land for open space and airport uses; 95-100% FAA reimbursement.
 - Purchase and sale of the “W Parcel”: developer agrees to sell to the city approximately 159 (+/-) acres for industrial and airport uses; approximate cost of \$9,877,000; 43 acres 95-100% reimbursed by the FAA; 30 acres to be sold to industrial employer at same price as city pays per acre creating 200-300 jobs

City Manager Michael Lamar added that staff is working with private sector industrial real estate in order to determine the cost of the land.

Councilman Goode commented that the true and legitimate value needs to be justified. He has asked City Real Estate Administrator to review the value as well to determine this.

Mr. Paladini continued with an overview of costs and benefits:

- * North Parcel Private & Public Open Space - \$1.5-\$2 million in value; city acquires at no cost ownership of approx. 270 acres of land on the north parcel for open space and airport use
- * South Parcel Private and Public Open Space – city acquires at no cost ownership of approximately 474 acres of land on the South Parcel for use as permanent public open space. Conveyance of open space to occur not later than 30 days following expiration of the referendum period following approval and concurrent conveyance of the “W Parcel” from developer to the city. City acquires at no cost an easement corridor for pedestrian/bicycle/equestrian uses located along Granite Creek between the old bridge and Hwy 89. Valued at approx. \$6.5-\$7 million
- * Section 4.5 – potential purpose of up to 3 acres from AED for an environmental library and learning center
- * Article VI – north Peavine Trail 6 mile easement acquired by the city at no cost

Councilmember Rusing commented that she would like to hear from Airport Director Robin Sobotta

regarding the importance of the airport and North Parcel.

Dr. Sobotta addressed Council regarding how impactful this deal is for the future of the airport and economic development for Prescott and the Region. Looking at the extension of the runway, the “W Parcel” which presents a lot of opportunities for the airport area. This year the airport will hit the 2040 projections for emplanements and Embry Riddle is increasing their aircraft and training as well.

City Clerk Sarah Siep provided a summary of the seventy-eight (78) comments that have been received and forwarded to Council.

Member of the public Larry Springer addressed Council regarding wireless service to the Development not being addressed in the DA. Why are these needs not being addressed or discussed.

Member of the public Howard Mechanic addressed Council regarding the FAQs which Council has addressed, he added that last week there was an additional question regarding development standards regarding landscaping/low water usage plants. He feels it doesn't matter who is paying for the water in the right of way it needs to be uniform with city standards and asked why the city would agree to bend standards.

Mr. Paladini responded that this development will follow all of the city's standards. Deep Well created it's own development standards but this one is by the book meaning that individual yards, public space, medians, etc. all have to follow the city's standards with regard to landscaping. Additionally, potential Section 33 users will have to agree to follow the city's plant palate. Medians and roadways will have no landscape unless developer determines to put in items that they have to follow palate but cover costs of maintenance and water. There is no bending of the rules in this agreement. With regard to cell tower locations, they are driven by the industry. All applicants must go through the city's process for monopole cell towers and code currently allows for placement based on topography in residential/commercial/industrial. There is no way to pre-pinpoint locations.

Mr. Lamar added that the nature of the topography in the area is flat and a tower would need to address that.

Member of the public D. Carter LaBarge addressed Council regarding the additional redlines to the DA and stated that he feels there needs to be more information discussed before there is a vote. City has stated that Prescott has a 100 year supply of water but what happens when that supply is gone. He asked if the city has compiled a report on the wells and how many acre feet of water were used in 2020. He also expressed his concern regarding the "additional properties" provision in the DA. Development and this process need to slow down.

Mr. Paladini responded clarifying the additional land provision which identifies Section 32 (State Trust Land) and the eastern third of Granite Dells Estates. If the city determines in its discretion that adding additional land is beneficial to the city the DA can be amended. There is no guarantee of anything to

that land, it all has to go through the city process.

Councilman Sischka commented that the fear seems to be that additional rooftops would be added if additional property is added as well and that could cause an issue with the water.

Mr. Paladini commented that the water allocations could be moved if a section is added in, but any additional development would have to go through the annexation and zoning process.

Mayor Mengarelli commented that there are concerns about future water supplies, but we need to determine that if growth is going to happen do we want it to happen in the city where we can control that or in the county where it doesn't meet standards.

Member of the public Tom Collins addressed Council regarding the Environmental Library and statement made regarding the three acres that the city has not been able to obtain, he feels Council is negotiating for one of the most desired areas in northern Arizona and there should be more give and take. This deal is not ready.

Mayor Mengarelli commented that negotiating teams have been working together and meeting every week since January. He believes this is a good deal for Prescott and important for our future.

Member of the public Joe Trudeau addressed Council regarding the helpful explanation of the benefits for the city and said he feels in the future that type of information should be shown up front for transparency. Based on Save the Dells conversations during a meeting yesterday, all previous comments are rescinded and they look forward to future discussions. After yesterday's meeting there was an expression of interest in the surface water being transferred to be used as recharge but as it cannot be exclusively for that purpose the suggestion would be to have another 375 acres from the city's water portfolio as permanent recharge. Mr. Trudeau added that the modifications and explanation of terms are sufficient to cover their previous concerns, however, Save the Dells is disappointed that the Dells land is tied to the purchase of the "W Parcel" and that the land will not be conveyed at the time of the acceptance of the DA but all concerns can't be relieved entirely so it is time to try and trust in this process. They would like verbal assurances from AED that the land will be transferred.

Mr. Paladini concurred that terms have changed since the adoption of the LOI last year, this was a give and take process.

Mayor Mengarelli added that the 375 acre feet for permanent recharge from the city's portfolio is a good idea that staff will continue to look into. He also commented that he stands by his word that the acreage in the Dells will be conveyed and thanked Save the Dells for their time.

Councilman Sischka commented that the "W Parcel" was originally a part of the annexation and agreement, however, as the plans were being reviewed the city determined that it did not approve of the manner in which the developer planned to handle the area and modifications have been made for the

protection of the airport and it's surrounding land.

Mr. Lamar confirmed. The LOI was a baseline and things have changed, over the course of several months there are evolutions. We've all had to adjust and have to reach a point where you can trust the people you are negotiating with.

Member of the public Steve Pierce addressed Council regarding his support of this project and stated that he wishes that we could get it done. Should've been Preserve the Dells, nobody would ever have been able to destroy them. This is going in the right direction and what everyone wanted to have happen. He encouraged Council to vote on the DA and get it behind us.

Member of the public Ralph Hess addressed Council regarding the costs as presented by Mr. Paladini and commented that the unknowns would seem to add up to a lot. He added that staff should look into whether the Prop401 threshold will be applicable to this project.

Mr. Paladini responded that there is an order of things before firm costs can be established and addressed Mr. Hess' focus on Charter provision that would require a \$50 million threshold be approved by the voters, he is confident this project will not meet that threshold.

Member of the public Tom Rusing addressed Council stating that time isn't of the essence but doing is right is important. Save the Dells has performed an extensive analysis and comments have been provided to the city and he would encourage the public to review those on their website. He feels if this isn't done right it will come back to haunt us in the future and commented on his concern with regard to mass grading which destroys the unique topographical nature of this community, he believes only the developer benefits from this.

Member of the public Todd Geiler addressed Council as a fifth generation in Prescott and commented on the wildlife corridor adjacent to the resort parcel. The conservation easement that comes along with this will propagate a species in the area and it is critically important that this development be done right and in the city of Prescott to protect this corridor. He urged Council to move forward and preserve the Dells to ensure wildlife corridor.

Member of the public Bill Feldmeier addressed Council regarding declining population and collapse of the city many years ago and commented on how fortunate we are today to be a destination for things like trails. He urged Council to not let the negative voices that influenced the Stringfield Ranch annexation impact this. They need to get this done so that the development does not happen in the County without the city's standards.

Member of the public Rory Levy addressed Council regarding revisions to the Land Development Code revisions and if they are going to be redone including the wireless communication facilities.

Mr. Paladini responded that discussions regarding the Land Development Code came up regarding the

airport issues, but cell towers are not agendized with regard to the city code.

Mr. Mengarelli commented that any Land Development Code revisions will protect the airport and development around it. With regard to cell tower provisions, Council does not have any intentions of changing those at this time.

Councilman Blair added that things change over time and have heard that we need to address those and it is all a process to be put on our workload.

Developer Jason Gisi addressed Council regarding the need to vote on this item at this point. His life is ruled by contracts, this DA has assurances for him and for the city. He looks forward to the day when the deed for the Point of Rocks leaves the hands of AED and comes to the city and added that it has always been part of the deal and will remain so. Citizens have the right of referendum and that process needs to be respected, but during that time AED will be preparing everything necessary for the transfer. He would like to restore calm, peace and trust in our community and get this all wrapped up. AED doesn't do telecom, the private sector does. Will need to reach out and find someone to have a plan regarding that and is happy to do so.

Councilmember Rusing asked if Mr. Gisi is willing to work with the city on future planning for police and fire substation.

Mr. Gisi responded that the master plan did anticipate that and he is willing to work with the city on sorting that out. Doesn't want to create a rabbit hole issue, but is ok with tagging in the DA.

Councilman Goode commented that over the series of public comment meetings he has heard from over 78 people that were expected to have their comments read into the record but a cumulative analysis of the comments was necessary due to the number. Council has seen improvements in the DA based on the comments of the citizens whether they agree with them or not.

This item was for presentation only, no formal action was taken.

B. Discussion Regarding Prescott Frontier Days Rodeo Grounds Lease

*****Mayor Mengarelli recused himself from this item due to a conflict of interest*****

City Attorney Jon Paladini provided a presentation to Council regarding proposed updates to the Prescott Frontier Days (PFD) lease with the City. Current term is 25 years (from July 2016) with additional five year auto renewal, use of premises has limitation for the Rodeo and other Rodeo related events or as authorized or permitted by the City. Income from the premises is rolled into capital improvements. There are some items missing in the lease including the fact that PFD does not pay any rent to the city. Chris Graff and staff have worked on it at an administrative level.

Proposed New Terms:

- * 30 year term with two 10 year extensions
- * Rent provision (5% of gross revenues after PFD earns \$1,250,000 per annum up to \$125,000 per annum.
- * Clarifies the property (all rodeo grounds with the exception of other tenant buildings)
- * Expands permitted uses (rodeo, fair, carnival, concerts, equestrian or other animal events).

This becomes a more traditional commercial lease with the city as landlord and the PFD as tenant. Have been working on this since about Jan/Feb as a broad concept and working in earnest in March.

Councilman Tenney asked how the lease extensions would be determined. He asked if the current zoning allows for an RV park.

Mr. Paladini responded that the renewal will continue automatically for each 10 year term unless cancelled by one of the parties. Would generate tourism and sales tax, direct revenue experienced over the 30 years.

Staff will look into the zoning allowed in the area.

Councilmember Rusing asked how many acres comprise the rodeo grounds and commented that it doesn't look used most of the year and seems like this would bring that area alive, looks at it as we are becoming partners.

Mr. Paladini responded the grounds are 38 acres.

Councilman Sischka commented that there has long been a desire to find other uses for the rodeo grounds and this is a great way to accomplish that. He asked what the inflation factor is each year.

Mr. Paladini responded that it is a fixed amount.

Recreation Services Director Joe Baynes continued the presentation stating that the city owns an underperforming asset and this gives us an opportunity to have a partner that can enhance that. It is difficult for us to be an event promoter and make capital investment.

PFD General Manager Chris Graff addressed Council regarding the age of the buildings, newest is 50 years old, so there are enhancements that need to be made. The Board is happy to write a rent check because it means the rodeo is doing extremely well, looks forward to being partners with Prescott.

Councilman Goode congratulated Mr. Graff and the Board for bringing this forward, Rodeo activities over the course of the year were underperforming and this gives them the opportunity to develop for the benefit of the organization and the city as well. One provision allows the organization the opportunity to make investments in the facility, this will be a benefit for PFD and the city. He added that he would suggest that a periodic review of progress be done so the city can monitor how well things are going.

Mr. Paladini commented that there is a section in the agreement that provides for a presentation to the Council annually.

Councilman Blair stated that they are here every year to review so that can continue.

City Manager Michael Lamar commented that staff confirmed the zoning is MF-HD and would require re-zoning.

Member of the public Howard Mechanic addressed Council regarding his appreciation of the city being willing to help out a non-profit that has been around a long time but wanted to know what the market value of the land is and therefore, what kind of subsidy is the city providing PFD. He also asked about the Mayor's employment contract with PFD and stated that he believes that is what this is all about.

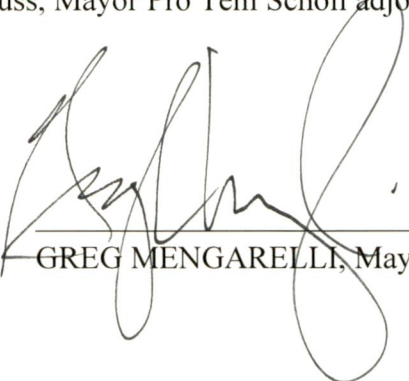
Mayor Pro Tem Scholl commented that the Rodeo provides millions of dollars in revenue to the city and added that Mayor Mengarelli disclosed his job with PFD and has recused himself and pointed Mr. Mechanic to the Sunday Courier articles regarding this topic.

Council consensus to move this forward for approval at the July 13 Voting Meeting.

This item was for presentation only, no formal action was taken.

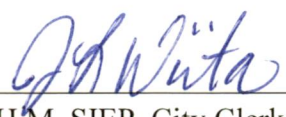
4. ADJOURNMENT

There being no further business to discuss, Mayor Pro Tem Scholl adjourned the meeting at 3:30 p.m.



GREG MENGARELLI, Mayor

ATTEST:



SARAH M. SIEP, City Clerk

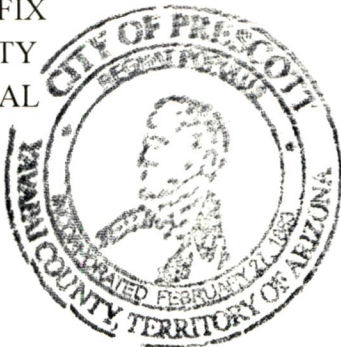
CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council Study Session of the City of Prescott, Arizona held on June 22, 2021. I further certify the meeting was duly called and held and that a quorum was

present.

Dated this 14th day of July, 2021.

AFFIX
CITY
SEAL



S. M. Siep *for:*
Sarah M. Siep, City Clerk