

AGENDA

3:00 P.M.

CITY OF SEDONA, SPECIAL CITY COUNCIL MEETING

WEDNESDAY, OCTOBER 11, 2017

NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov


PLEASE NOTE THAT NO PUBLIC COMMENT WILL BE TAKEN AT THIS MEETING. ALL PUBLIC COMMENT WILL BE TAKEN DURING THE PUBLIC HEARING ON OCTOBER 25, 2017.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

2. ROLL CALL

3. SPECIAL BUSINESS

LINK TO DOCUMENT = 

- a. AB 2292 **Discussion/possible direction** regarding an application for a Major Community Plan Amendment to the Future Land Use Map from "Single Family Low Density (.5-2 DU/AC)" to "Planned Area (PD)" and Zone Change from "Single Family Residential (RS-18b)" to "Planned Development (PD)" to allow for the production of hard cider within the existing buildings. The property is located at 145 Copper Cliffs Lane, west of State Route 179 near the Canyon Drive roundabout. APN: 401-26-004 Applicant: John R. Graham Case Number: PZ17-00007 (Major CPA, ZC). 
- b. AB 2293 **Discussion/possible direction** regarding a proposed Major Community Plan Amendment to the text of the Land Use, Housing and Growth Chapter (Chapter 3) to create a Multi-family High Density designation allowing for consideration of more than 12 dwelling units per acre for development projects that provide strategies for achieving housing diversity, affordability, and availability in order to address local housing needs. No specific properties have been identified or are being re-designated as part of this proposed amendment. A separate, privately-initiated Major amendment request for a Multi-family High Density apartment project (PZ 17-00009) is contingent upon this proposed text amendment. Applicant: City of Sedona. Case Number: PZ 17-00008 (Major CPA). 
- c. AB 2294 **Discussion/possible direction** regarding an application for a Major Community Plan Amendment to the Future Land Use Map from "Commercial", within the Lodging Area Limits to "Multi-Family High Density (Greater than 12 DU/AC)" and outside the Lodging Area Limits to allow for the development of a 45 unit apartment complex. The property is located at 3285 W State Route 89A, at the southeastern corner of the intersection of W State Route 89A and Pinon Drive. APN: 408-11-086A Applicant: Keith Holben, MK Company, Inc. Case Number: PZ17-00009 (Major CPA). 
- d. AB 2295 **Discussion/possible direction** regarding an application for a Major Community Plan Amendment to the Future Land Use Map from "Single Family Low Density (.5-2 DU/AC)" to "Planned Area (PA)" to allow for the consideration of a future rezoning to potentially allow a parking lot to serve the adjacent conditionally allowed commercial use. The property is located at 1535 State Route 179, on the western side of State Route 179 south of Arrow Drive. APN: 401-31-011 Applicant: Francis J. Slavin, Esq. and Heather N. Dukes, Esq., Francis J. Slavin, PC Case Number: PZ17-00010 (Major CPA). 
- e. **Discussion/possible action** regarding future meeting/agenda items.

**CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ**

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

Page 2, City Council Meeting Agenda Continued

4. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action on executive session items.

5. ADJOURNMENT

Posted: _____

By: _____

Susan L. Irvine, CMC
City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.



**CITY COUNCIL
AGENDA BILL**

**AB 2292
October 11, 2017
Special Meeting**

Agenda Item: 3a

Proposed Action & Subject: Discussion/possible direction regarding an application for a Major Community Plan Amendment to the Future Land Use Map from “Single Family Low Density (.5-2 DU/AC)” to “Planned Area (PD)” and Zone Change from “Single Family Residential (RS-18b)” to “Planned Development (PD)” to allow for the production of hard cider within the existing buildings. The property is located at 145 Copper Cliffs Lane, west of State Route 179 near the Canyon Drive roundabout. APN: 401-26-004 Applicant: John R. Graham Case Number: PZ17-00007 (Major CPA, ZC).

| | |
|-------------------------------|--|
| Department | Community Development |
| Time to Present | 10 Minutes |
| Total Time for Item | 30 Minutes |
| Other Council Meetings | N/A |
| Exhibits | A. Staff Report and Attachments, Planning and Zoning Commission – September 19, 2017 B. Public Comments |

| | | | |
|-------------------------------|---|-----------------------------|-------------------------------------|
| City Attorney Approval | Reviewed 10/3/17 RLP | Expenditure Required | \$ 0 |
| City Manager’s Recommendation | Discuss and provide possible direction on four Major Plan Amendments. | Amount Budgeted | \$ |
| | | Account No. (Description) | N/A |
| | | Finance Approval | <input checked="" type="checkbox"/> |

SUMMARY STATEMENT

This is a special work session for the October 25, 2017 Public Hearing on four proposed Major Amendments to the Sedona Community Plan, including the following item. This work session is for discussion only. The October 25th Public Hearing will include possible action by the Council.

Major Plan Amendment Applications

There are four proposals under review which are considered Major Community Plan Amendments. While the City routinely considers proposals to amend the Community Plan, the decision of whether or not to make a particular amendment is a legislative policy choice left to the judgment and discretion of the Planning and Zoning Commission and City Council. In all four cases the Planning and Zoning Commission has evaluated the proposal and forwarded a recommendation to the City Council.

Factors to consider in making decisions on the proposals:

- How the proposals relate to the community's vision, adopted plans, overall consistency with the goals and policies of the Sedona Community Plan.
- Determining whether such amendment is in the interest of the public and not detrimental to the community.

The Planning and Zoning Commission staff reports for each Future Land Use Map amendment proposal include an analysis of how the proposal addresses Community Plan goals by noting how they:

- Comply;
- Partially comply;
- Do not comply; or
- Are not applicable.

Each application is:

- Evaluated based on its individual merit in meeting the Community Plan goals and policies.
- Not expected to meet or achieve each individual goal or policy.
- Expected to achieve several goals or policies.

By state law, Major Community Plan Amendments are:

- Considered once a year.
- A substantial alteration of the City's land use mixture or balance as established in the Plan's land use element. It is up to the City to develop criteria that meet this definition. The Major Amendment criteria are identified on page 113 of the Community Plan.
- Subject to public participation procedures adopted by the City Council.
- Required to be presented at a single public hearing in the same calendar year the proposal is made.
- Required to be approved by an affirmative vote of at least two-thirds of the members of the City Council.
- Initiated by the City or requested by the private sector.

Background:

The following is a summary of the proposal; for more specific information about the proposal and staff's analysis, please review the Planning and Zoning Commission's September 19, 2017 Staff Report provided in Exhibit A. Public comments are included in Exhibit B. The Planning and Zoning Commission's September 19, 2017 minutes will be available and included in the Council's October 25, 2017 packet. The minutes for the Planning and Zoning Commission's meetings held on August 15, September 14, and September 19 (audio only) are located online at <http://sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents>.

The property under consideration is currently developed with a single-family residence and various accessory structures. The property is approximately 3.36 acres, is zoned Single-family Residential (RS-18b), and is designated Single-family Low Density (.5 to 2 DU/AC) by the Community Plan.

According to Coconino County records, the single-family home was constructed in 1955. There is no record of when the other buildings were constructed, though the property owner believes they were constructed soon after the house. The City has no permit record for this property.

There is an orchard on this property consisting of 250 apple trees along with approximately 30 other fruit trees. The applicant has stated that apple cider has been produced on this property for over 40 years. In addition, other properties in the area have a history of growing, harvesting, and selling apples and apple related products along with other agricultural products.

Community Plan Amendment and Zoning Proposals

The proposal is for the consideration of a Major Community Plan Amendment to change the Community Plan Future Land Use Designation from Single-family Low Density to Planned Area and a zone change to change the zoning from Single-family Residential (RS-18b) to Planned Development (PD). The proposal states that the reason for this request is to allow for use of the existing buildings for the production of hard cider. In order to accomplish this, the following must be approved:

1. *Major Community Plan Amendment to the Future Land Use Map*, redesignating the property from Single-family Low Density (.5 to 2 DU/acre) to Planned Area (PA)
2. *Zone Change*, rezoning the property from Single-family Residential (RS-18b) to Planned Development (PD).

A full explanation of the proposed business is included in the applicant's submitted materials. The following is a summary of their proposal:

- Use of existing buildings for production of hard apple cider. All pressing, fermenting, and bottling will take place inside existing structures.
- Cider to be produced primarily from existing orchards, which contains approximately 250 apple trees and 30 pear, peach, and cherry trees.
 - Deliveries from other orchards in the Verde Valley will require a total of up to 6 trips per year, using the company van.
- Water is supplied to the orchard through the existing irrigation ditch, using the property's existing water rights.
- No retail sales or tasting room on the property are proposed. The property will not be open to the public.
- Existing production building is more than 100 feet from closest structure on a neighboring lot.
- The following licenses and permits are needed for the proposed use:
 - Federal Alcohol Production Permit
 - State of Arizona Farm Winery License
 - City of Sedona Business License
 - Coconino County Health Certificate
- No new construction is needed to implement the proposal.

Implications of Planned Area and Planned Development Designations

The applicant is proposing to change the Community Plan designation from Single-family Low Density (.5 to 2 DU/AC) to Planned Area (PA) and to change the zoning from Single-

family Residential (RS-18b) to Planned Development (PD). The Planned Area, rather than the Commercial designation in the Community Plan, allows for a Planned Development zoning district that would limit the land use and apply conditions specific to the site and its context area.

Copper Cliffs Community Focus Area (CFA) and Community Plan

The subject property is located within the Community Plan's Copper Cliffs CFA. CFAs are identified in the Community Plan (page 34), and are described as follows:

A Community Focus Area is a location where the City will play a proactive planning role to implement the community's vision. With participation from property owners, neighbors, and stakeholders, the City will develop a Specific Plan, including any necessary rezoning, for adoption by the City Council. These Specific Plans may be adopted to bring properties into closer alignment with community expectations as expressed on the following pages. The specific planning process is intended to maintain flexibility for future creativity and innovation. The "Community Expectations" listed on each CFA page describe future conditions for each area that the Plan will strive to achieve over time. These Community Expectations are not intended as definitive requirements, but to provide guidance for community-level planning efforts.

Although the City has not yet adopted a CFA plan for this area, the Community Expectations for the Copper Cliffs CFA are one component of the Community Plan that are used for this analysis. The following are the Community Expectations for this CFA (Community Plan, page 46).

- *Retain large parcels and rural character.*
- *Preserve the agricultural plantings and residential land balance currently in existence.*
- *Accept alternative forms of housing.*
- *Evaluate potential non-residential uses (e.g. neighborhood market) if tied to preservation of agricultural uses and protection of the riparian environment along Oak Creek.*

The Community Plan Checklist (included in Exhibit A) provides a full evaluation of the proposal in relation to applicable Community Plan goals, policies, and CFA Expectations. In general the proposal to redesignate the property to Planned Area will accomplish many of the goals of the Community Plan.

Findings of Fact

- *The current Future Land Use Designation is Single-family Low Density. The current zoning is Single-family Residential (RS-18b).*
- *The surrounding properties have Future Land Use Designations of Single-family Low Density and zonings of RS-18b.*
- *The Planned Area proposed Future Land Use Designation, in conjunction with the Planned Development proposed zoning, is compatible with surrounding Future Land Use Designations.*
- *The property is located within the Sedona Community Plan's Copper Cliffs CFA.*
- *There is no CFA plan for the Copper Cliffs CFA.*
- *The Planned Area proposed Future Land Use Designation, in conjunction with the Planned Development proposed zoning, addresses the Copper Cliffs CFA's Community Expectations.*

Staff Recommendation

Staff recommended that the Commission forward a recommendation of approval to Council for both requests based on compliance with applicable Community Plan goals as enumerated in this Agenda Bill, the Planning and Zoning Commission Staff Report, and accompanying background material (Exhibit A).

Planning and Zoning Commission Recommendation

The Planning and Zoning Commission held two work sessions and one public hearing on this item. During the work sessions the Commissioners discussed the proposal at length. Comments and concerns focused on the specifics such as the number of employees, anticipated vehicular trips, the seasonal nature, and potential odor.

The public comment received was minimal. There was one written correspondence in support and no public comment at the meetings.

At the September 19, 2017 public hearing, the Planning and Zoning Commission moved to forward a recommendation of approval for both the Major Community Plan Amendment and the zone change.

Community Plan Consistent: Yes - No - Not Applicable

Staff believes that the proposed amendment to the Future Land Use Map and rezoning is in compliance with applicable Community Plan goals as enumerated in this Agenda Bill, the Planning and Zoning Commission Staff Report and accompanying background material (Exhibit A).

Board/Commission Recommendation: Applicable - Not Applicable

On September 19, 2017, the Planning and Zoning Commission, in a 5-0 vote (Commissioners Levin and Cohen excused) unanimously recommended City Council approval of this item.

Alternative(s): N/A

MOTION

I move to: for discussion only.

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PZ 17-00007 (Major CPA, ZC)

Exhibit A – Planning and Zoning Staff Report and Attachments

Staff Report

PZ17-00007 (Major Community Plan
Amendment, Zone Change)
Sedona Hard Cider
Summary Sheet



City of Sedona

Community Development Department

102 Roadrunner Drive Sedona, AZ 86336
(928) 282-1154 • Fax: (928) 204-7124

Meeting Date: **Work Session:** September 14, 2017
Public Hearing: September 19, 2017

Hearing Body: **Planning and Zoning Commission**

Actions Requested: Consideration of a Major Community Plan Amendment to the Future Land Use Map and Zone Change

Staff Recommendation: Recommendation of Approval of a Major Community Plan Amendment to the Future Land Use Map and Zone Change

Location: 145 Copper Cliffs Lane (No Subdivision)

Parcel Number: 401-26-004

Owner/Applicant: John R. Graham
145 Copper Cliffs Lane; Sedona, AZ 86336

Authorized Agent: Alan Everett
3017 E Stella Lane; Phoenix, AZ 85016

Project Summary: Major Community Plan Amendment and Zone Change to allow for the use of existing buildings for production of hard cider

Site Size: ± 3.36 acres

Sedona Community Plan Designation: Single-family Low Density Residential

Proposed Sedona Community Plan Designation: PA (Planned Area)

Zoning: RS-18b (Single-family Residential)

Proposed Zoning: PD (Planned Development)

Current Land Use: Single-family residence, orchard and cider production, guest house

Surrounding Properties:

| | Subdivision | Community Plan Designation | Zoning | Current Land Use |
|--------------|--------------------|--|---------------|-------------------------|
| NORTH | No Subdivision | Single-family Low Density Residential | RS-18b | Residential |
| EAST | No Subdivision | Single-family Low Density Residential | RS-18b | Residential/Vacant |
| SOUTH | No Subdivision | Single-family Low Density Residential | RS-18b | Residential |
| WEST | No Subdivision | Single-family Medium Density Residential | RS-10b | Residential/Oak Creek |

Report Prepared By: Cari Meyer, Senior Planner

Attachments:

1. Vicinity and Aerial Maps
2. Applicant Submitted Documents
 - a. Application, Letter of Intent, Pictures

- b. Site Plan
 - c. Public Participation Plan
 - d. Applicant Responses to Comments
 - e. Citizen Participation Report
3. Staff Evaluation
- a. Community Plan Checklist
 - b. Staff Response to Planning and Zoning Commission Work Session
 - c. Staff comments: Letter of Intent
 - d. Copper Cliffs History
 - e. LDC Section 915 (Home Occupation Uses)
4. Staff and Review Agency Comments
- a. City of Sedona Community Development Department
 - b. City of Sedona Public Works Department
 - c. Sedona Fire District
 - d. UniSource Energy Services

Staff Report

PZ17-00007 (Major CPA, ZC)

Sedona Hard Cider



City of Sedona

Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

PROJECT SUMMARY

The applicant is seeking a Major Community Plan Amendment and Zone Change with the expressed intent of using the existing buildings onsite for the production of hard cider.

SITE CHARACTERISTICS (EXISTING)

- The project site is one parcel of approximately 3.36 acres.
- The property is located in Coconino County.
- The property is currently developed with a single-family house, accessory buildings, and an orchard and is not part of a subdivision.
- There is existing access to the site from Copper Cliffs Lane, which connects to State Route 179 via Copper Cliffs Drive on the opposite side of the highway from the entrance to the Hillside Shopping Center, an uncontrolled access point.
- The entire property is within the 100 year floodplain of Oak Creek.

BACKGROUND

The property proposed for development is currently developed with a single-family residence and various accessory structures. The property is approximately 3.36 acres, is zoned RS-18b (Single-family Residential), and is designated SFLD (Single-family Low Density) by the Community Plan.

According to Coconino County records, the single-family home was constructed in 1955. There is no record of when the other buildings were constructed, though the property owner believes it was constructed soon after the house. The City has no permit record for this property.

There is an orchard on this property consisting of 250 apple trees along with approximately 30 other fruit trees. The applicant has stated that apple cider has been produced on this property for over 40 years. In addition, other properties in the area have a history of growing, harvesting, and selling apples and apple related products along with other agricultural products.

PUBLIC INPUT

- The proposal documents were placed on the Projects and Proposals page of the Community Development Department website (www.sedonaaz.gov/projects).
- The applicant notified property owners within 300 feet of the subject property.
- The Citizen Participation Report for the proposal is included as Attachment 2.b.
- This proposal was included in the City-wide notice distributed by the City regarding all 2017 proposed Major Community Plan Amendments.
- A notice was published in the Red Rock News on September 1, 2017.

REVIEW AGENCY COMMENTS AND CONCERNS

The submitted documents were routed to review agencies for comments. Comments were received from the following agencies and are included as Attachment 4:

1. City of Sedona Community Development Department
2. City of Sedona Public Works Department

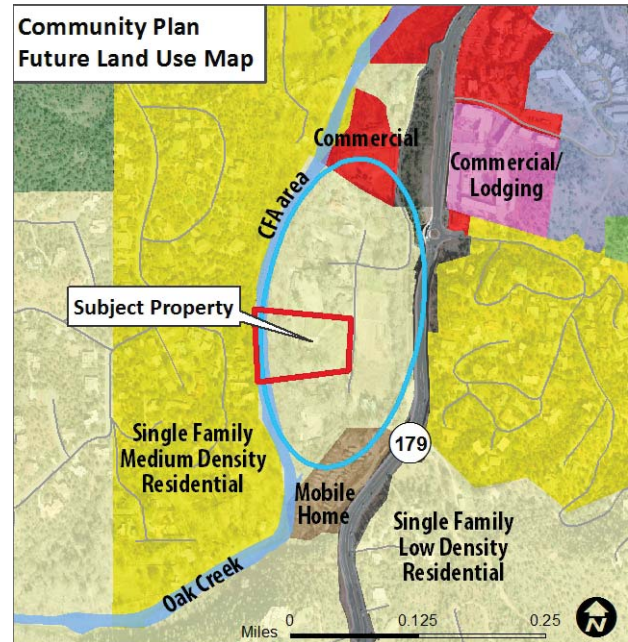
3. Sedona Fire District
4. UniSource Energy Services

COMMUNITY PLAN

The Sedona Community Plan Future Land Use Designation for this property is Single-family Low Density (0.5 to 2.0 dwelling units per acre). This land use designation only supports low density residential zoning for the property and the existing zoning of RS-18b (Single-family Residential) is in compliance with that designation. The proposal is to use the existing buildings for the production of hard cider. As the extent of the business will exceed what is allowed as a home occupation use, a zone change is necessary. However, as the current Future Land Use Map Designation only supports Single-family Low Density zoning districts for this property, a Community Plan Amendment is needed as well.

Potential Community Plan Designations

There are only three Future Land Use Designations that would support the use of the existing buildings for the production of hard cider – Commercial, Commercial/Lodging, or Planned Area. The proposal is requesting the Planned Area designation. Planned Areas were established in the 2002 Community Plan and brought forward in the current Plan to address needs and provide benefits for certain areas including land use transition or buffers between residential areas, commercial uses, and highway corridors. Where a Planned Area designation falls within a Community Focus Area (CFA), the Community Plan's Community Expectations for that area apply. The subject property falls within the Copper Cliffs CFA. Accordingly, the Community Expectations associated with the Copper Cliffs CFA will apply to this proposal.



AMENDMENT PROPOSAL

The proposal is for the consideration of a Major Community Plan Amendment to change the Community Plan Future Land Use Designation from Single-family Low Density to Planned Area and a zone change to change the zoning from RS-18b (Single-family Residential) to PD (Planned Development). The proposal states that the reason for this request is to allow for use of the existing buildings for the production of hard cider. In order to accomplish this, the following must be approved:

1. *Major Community Plan Amendment to the Future Land Use Map*, redesignating the property from SFLD (Single-family Low Density, 0.5 – 2 DU/acre) to PA (Planned Area)
2. *Zone Change*, rezoning the property from RS-18b (Single-family Residential) to PD (Planned Development)

A full explanation of the proposed business is included in the applicant's submitted materials. The following is a summary of their proposal:

- Use of existing buildings for production of hard apple cider. All pressing, fermenting, and bottling will take place inside existing structures.
- Cider to be produced primarily from existing orchards, which contains approximately 250 apple trees and 30 pear, peach, and cherry trees.
 - Deliveries from other orchards in the Verde Valley will require a total of up to 6 trips per year, using the company van.
- Water supplied to the orchard through the existing irrigation ditch, using the property's existing water rights.
- No retail sales or tasting room on the property are proposed. The property will not be open to the public.
- Existing production building is more than 100 feet from closest structure on a neighboring lot.
- The following licenses and permits are needed for the proposed use:
 - Federal Alcohol Production Permit
 - State of Arizona Farm Winery License
 - City of Sedona Business License
 - Coconino County Health Certificate
- No new construction is needed to implement proposal.

Phasing

As there is no new development associated with this application, no phasing is proposed.

Access and Traffic

- Vehicular access to the site exists off Copper Cliffs Lane.
- Copper Cliffs Lane connects to State Route 179 via Copper Cliffs Drive opposite the entrance to the Hillside Shopping Center.
- The Copper Cliffs Drive/State Route 179 intersection is not a controlled intersection.
- The applicant has stated that deliveries to the site will be via a "Sprinter" van.
 - A "Sprinter" van is approximately 17 feet long and is smaller than many trucks typically used for deliveries. The applicant has provided a picture of a Sprinter van similar to the one they will be using, which is included as Attachment 2.d.
- Traffic generation for the proposed business has been estimated at 2 trips per week. This would be in addition to the traffic typically generated by the existing single-family use.
- The City's Public Works Department has reviewed the proposal and determined that a traffic impact analysis is not required.

Pedestrian Traffic and Connectivity

- There are no existing sidewalks to the site. Given the low volume of traffic and character of the area, none are proposed.

Parking

- Sufficient parking areas for the proposed uses are provided in existing parking areas on-site.

Preliminary Grading and Drainage Report and Plan

- As no new development is proposed, a grading and drainage report and plan are not required.

Wastewater Disposal

- The property is currently connected to the City's wastewater system.

Sedona Land Development Code: Article 9 (Development Standards) and Article 10 (Design Review Manual)

- As no new development is proposed, no review for adherence to the development standards and design review manual was required.

Vegetation and Landscaping

- All existing vegetation will remain. No changes to existing vegetation are proposed.

Signage

- The applicant is not proposing any signs for the proposed use.

Outside Lighting

- No changes to the existing lighting are proposed.

Mechanical Equipment

- All existing mechanical equipment is screened. No new mechanical equipment that would need to be screened is proposed.

Utilities

- All necessary utilities currently serve the site. No new utility service is required.

PUBLIC COMMENT

Staff has not received any written comments regarding this proposal. The applicant has submitted a Citizen Participation Report detailing their outreach efforts, included as Attachment 2.e.

PLANNING AND ZONING COMMISSION WORK SESSION

The Planning and Zoning Commission conducted a site visit to the subject property on August 10, 2017, and held a work session on the proposal on August 15, 2017. Questions and comments raised during those meetings and Staff's responses are included in Attachment 3.b.

REVIEW GUIDELINES

The following is requested from the Planning and Zoning Commission:

MAJOR COMMUNITY PLAN AMENDMENT

Recommendation from the Planning and Zoning Commission

ZONE CHANGE

Recommendation from the Planning and Zoning Commission

In making a recommendation regarding a Major Community Plan Amendment to City Council, the Planning and Zoning Commission should determine whether such amendment is in the interest of the public and is consistent with the community's vision, adopted plans, Community Focus Area (CFA) Community Expectations, and overall consistency with the Sedona Community Plan.

DISCUSSION (MAJOR COMMUNITY PLAN AMENDMENT AND ZONE CHANGE)

*****Due to the similarities in purposes behind the two requests, the discussion regarding the Major Community Plan Amendment (CPA) and Zone Change applications is combined.*****

Criteria, Major Community Plan Amendment

As defined by A.R.S. 9-461.06, a major amendment is defined as a substantial alteration of the City's land use mixture or balance as established in the Community Plan's Land Use Element. It is up to the City to develop criteria that meet this definition. Based on the criteria set by the City of Sedona in the Community Plan (p. 113 of the Plan), the following Major Amendment criteria apply to this application:

A. A change to the Future Land Use Map where:

There is a change in the land use designation from Residential to Planned Area.

When it has been determined that a Major Amendment is required, the following are required for the review of the application:

1. Major amendments are subject to public participation procedures adopted by the City Council.
 - a. Property owners within 300 feet of the subject property were notified of the application by the applicant. An open house was not held, however, the applicant's Citizen Participation Report contains a summary of the outreach efforts. Note, holding an open house is not required.*
 - b. The public hearing was noticed in the Red Rock News with a ¼ page display ad on September 1, 2017.*
 - c. City-wide notification regarding all 2017 Major Community Plan Amendments was distributed on August 28, 2017 and included this proposal.*
2. Shall be presented at a single public hearing in the same calendar year the proposal is made.
 - a. The proposal was made in 2017. The Planning and Zoning Commission hearing is scheduled to be held on September 19, 2017, and the City Council public hearing is tentatively scheduled for October 25, 2017.*
 - b. All Major Community Plan Amendments will be presented at the same public hearing.*
3. Be approved by an affirmative vote of at least two-thirds of the members of the City Council.
 - a. The proposal will not become effective unless approved by two-thirds of the City Council.*
4. May be initiated by the City or requested by the private sector.
 - a. This proposal was requested by the property owner.*

Zone Change Criteria

In considering an application for Zone Change, the review process is guided by Section 400 (Amendments) of the Land Development Code. Zone Change applications are reviewed for conformance with the Community Plan, Community Focus Area (CFA) Plans, and other adopted plans and policies of the City, if applicable. In accordance with the Land Development Code, Section 400.10, in order to mitigate the negative impact of the applicant's proposed use on citizens and surrounding properties and to assure compatibility with adjacent land uses, the Commission may recommend, and the Council may approve, a rezoning conditioned upon one or more of the following:

- 1. Development in accordance with a specific schedule for the development of specific improvements or uses for which zoning is requested;*
- 2. Development in accordance with a specific Site Plan or a Site Plan to be subsequently approved under this Code;*

3. *Modifications in the otherwise applicable floor area ratio, lot coverage, building height, or density;*
4. *Public dedication of rights-of-way for streets, alleys, public ways, drainage, public utilities and the installation of improvements that are reasonably required by or directly related to the effect of the rezoning;*
5. *Other conditions reasonably calculated to mitigate the impact of the proposed development.*

EVALUATION OF PROPOSAL

Considerations for Major Community Plan Amendments

When considering a change to the Future Land Use Designation, consideration should be given to the following:

- The Community's Vision
- Adopted Plans
- Community Expectations
- Overall consistency with the Sedona Community Plan

Implications of Planned Area and Planned Development Designations

The applicant is proposing to change the Community Plan designation from SFLD (Single-family Low Density) to PA (Planned Area) and to change the zoning from RS-18b (Single-family Residential) to PD (Planned Development). The Planned Area, rather than the Commercial designation in the Community Plan allows for a Planned Development zoning district that would limit the land use and apply conditions specific to the site and its context area.

Copper Cliffs Community Focus Area and Community Plan

The subject property is located within the Community Plan's Copper Cliffs CFA. CFAs are identified in the Community Plan (page 34), and are described as follows:

A Community Focus Area is a location where the City will play a proactive planning role to implement the community's vision. With participation from property owners, neighbors, and stakeholders, the City will develop a Specific Plan, including any necessary rezoning, for adoption by the City Council. These Specific Plans may be adopted to bring properties into closer alignment with community expectations as expressed on the following pages. The specific planning process is intended to maintain flexibility for future creativity and innovation. The "Community Expectations" listed on each CFA page describe future conditions for each area that the Plan will strive to achieve over time. These Community Expectations are not intended as definitive requirements, but to provide guidance for community-level planning efforts.

Although the City has not yet adopted a CFA plan for this area, the Community Expectations for the Copper Cliffs CFA are one component of the Community Plan that is used for this analysis. The following are the Community Expectations for this CFA (Community Plan, page 46).

- *Retain large parcels and rural character.*
- *Preserve the agricultural plantings and residential land balance currently in existence.*
- *Accept alternative forms of housing.*
- *Evaluate potential non-residential uses (e.g., neighborhood market) if tied to preservation of agricultural uses and protection of the riparian environment along Oak Creek.*

The Community Plan Checklist (Attachment 3.a) provides a full evaluation of the proposal in relation to applicable Community Plan goals, policies, and CFA Expectations.

Other Considerations

The applicant is required to go through the Major Community Plan Amendment and Zone Change processes for this project due to the proposed business exceeding the limits of a Home Occupation, which would be permitted by right in the current zoning district of RS-18b (Single-family Residential). While the proposal meets the Home Occupation in many areas (as outlined in Staff's response to the Planning and Zoning Commission questions, Attachment 3.b), there are a few key ways in which the proposal would not be considered a home occupation under current code requirements, including:

1. Residency

- For home occupations, the LDC requires that the business owner use the home as their primary residence. In this case, the applicant (business owner) uses the home as a secondary residence.

2. Employees

- For home occupations, the LDC does not permit employees who do not live at the residence. The applicant is proposing to have two employees for this business.

3. Traffic

- For home occupations, the LDC requires that the use not generate more traffic than typical for the district in which the use is located. The applicant has stated that they anticipate two (2) trips per week (deliveries) related to the business, in addition to the employee trips. While this is a slight increase over what currently exists for the property, it could be argued that the additional trips are of a low enough volume to be considered typical for the district, as even without the proposed business, the property owner may have deliveries being made or guests visiting the property.

CONCLUSION

The proposal under consideration is a Major Community Plan Amendment and Zone Change. While the City routinely considers proposals to amend the Community Plan and change zoning, the decision of whether or not to make a particular amendment or zone change is a legislative policy action left to the judgement and discretion of the Planning and Zoning Commission and City Council. A variety of factors are considered when making these decisions, including how the proposal relates to the community's vision, adopted plans, Community Expectations and overall consistency with the Sedona Community Plan. In this case, the Planning and Zoning Commission is being asked to evaluate the proposal and forward a recommendation to the City Council.

The proposal is requesting a change in the Community Plan's Future Land Use Designation from Single-family Low Density to Planned Area and a Zone Change from RS-18b (Single-family Residential) to PD (Planned Development). While the current land use designation and zoning allow for single-family uses, the proposed Future Land Use Designation and zoning would allow for the continuation of the single-family use as well as allow for production of hard cider in the existing buildings. Since the Community Plan Amendment and Zone Change are being considered concurrently, the Planned Development zoning will ensure the property is used for the proposed use.

The surrounding properties all have a Community Plan Future Land Use Designation of Single-family Low Density. These properties are located within the Copper Cliffs CFA. A CFA plan has not been completed thus considerations should include whether the proposal is meeting the Community Expectations identified for the Copper Cliffs CFA, whether a change to Future Land Use Designation of Planned Area and a zone change to Planned Development answers the following questions:

- Does the Planned Area designation and Planned Development zoning retain large parcels and rural character?
- Does the Planned Area designation and Planned Development zoning preserve the agricultural plantings and residential land balance currently in existence?
- Does the Planned Area designation and Planned Development zoning accept alternative forms of housing.
- Does the Planned Area designation and Planned Development zoning allow for potential non-residential uses (e.g., neighborhood market) if tied to preservation of agricultural uses and protection of the riparian environment along Oak Creek?

Findings of Fact

- The current Future Land Use Designation is Single-family Low Density. The current zoning is RS-18b (Single-family Residential).
- The surrounding properties have Future Land Use Designations of Single-family Low Density and zonings of RS-18b.
- The Planned Area proposed Future Land Use Designation, in conjunction with the Planned Development proposed zoning, is compatible with surrounding Future Land Use Designations
- The property is located within the Sedona Community Plan's Copper Cliffs CFA
- There is no CFA plan for the Copper Cliffs CFA
- The Planned Area proposed Future Land Use Designation, in conjunction with the Planned Development proposed zoning, addresses the Copper Cliffs CFA's Community Expectations

In conclusion, staff believes the request is in compliance with the Copper Cliffs CFA Community Expectations, and applicable goals and policies as enumerated in the Community Plan and outlined in this staff report.

Staff Recommendation

Staff is recommending approval of the proposed Major Community Plan Amendment and Zone Change based on the following:

1. The proposal is in substantial alignment with the Community Expectations of the Copper Cliffs CFA as follows: (see also Community Plan checklist)

The major amendment and zone change will ensure that the property remains as one large parcel and not subdivided into 8 separate lots and will ensure that the long-standing rural character of the property is maintained.

The agricultural plantings and residential land balance will be preserved since the proposal utilizes existing structures with no additional construction; does not include retail sales, uses

apple trees on-site; does not significantly increase traffic and does not require additional use of water.

The riparian environment of Oak Creek is protected with the continuation of the historic use and through no additional construction on-site.

2. The proposal is in substantial compliance with applicable Community Plan goals including Land Use, Open Space, Environment, Economic, and Community goals (see Community Plan checklist).
3. Concurrent review and approval of the Major Community Plan Amendment and Zone Change will ensure the representations made by the applicant will be realized in the use of the site.



Staff Recommendation (Major Community Plan Amendment):

Staff recommends approval of the proposed Major Community Plan Amendment as set forth in case number PZ17-00007 (Major CPA), Sedona Hard Cider.

Sample Motions for Commission Use

(Please note that the following motions are offered as samples only and that the Commission may make other motions as appropriate.)

Recommended Motion for Approval:

I move to recommend to the Sedona City Council approval of case number PZ17-00007 (Major CPA), Sedona Hard Cider, based on the findings as outlined in the Staff Report, and subject to all applicable ordinance requirements and the recommended conditions of approval.

Alternative Motion for Denial:

I move to recommend to the Sedona City Council denial of case number PZ17-00007 (Major CPA), Sedona Hard Cider, based on the following findings (please specify findings).

Staff Recommendation (Zone Change):

Staff recommends approval of the proposed Zone Change as set forth in case number PZ17-00007 (Zone), Sedona Hard Cider.

Sample Motions for Commission Use

(Please note that the following motions are offered as samples only and that the Commission may make other motions as appropriate.)

Recommended Motion for Approval:

I move to recommend to the Sedona City Council approval of case number PZ17-00007 (ZC), Sedona Hard Cider, the proposed Major Community Plan Amendment as set forth in case number PZ17-00007 (Zone Change), Sedona Hard Cider, based on compliance with Land Development Code requirements, conformance with the requirements for approval of a zone change and consistency and conformance with the Community Plan, and subject to all applicable ordinance requirements and the recommended conditions of approval.

Alternative Motion for Denial:

I move to recommend to the Sedona City Council, denial of case number PZ17-00007 (Zone Change), Sedona Hard Cider, based on the following findings (please specify findings).



As recommended by Staff

1. Development of the subject property shall be in substantial conformance with the applicant's representations of the project, including the site plan, letter of intent, and all other supporting documents submitted, as reviewed, modified, and approved by the Planning and Zoning Commission and City Council, including, but not limited to, the following:
 - a. Property shall not be open to the public and shall not include a tasting room.
 - b. Vehicles used for business purposes, including deliveries and shipments, shall not exceed the size, capacity, and frequency as outlined in the Letter of Intent.
 - c. Property shall not be used for short term vacation rental purposes.
2. The zoning for this property shall allow for development in accordance with the approved development plan. Any changes to the development plan shall be done in accordance with the provisions of Sedona Land Development Code 624.08: Amendments to the Development Plan.
3. Within thirty days of approval of the Major Community Plan Amendment and Zone Change, the property owner of record of the subject property voluntarily agrees to sign and record a waiver acknowledging their waiver of any right to claim just compensation for diminution in value under A.R.S. §12-1134 related to the granting of this Major Community Plan Amendment and Zone Change approval.

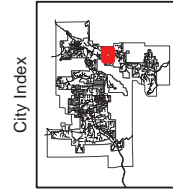
Vicinity Map

Parcel #
401-26-004
Sedona
Hard Cider

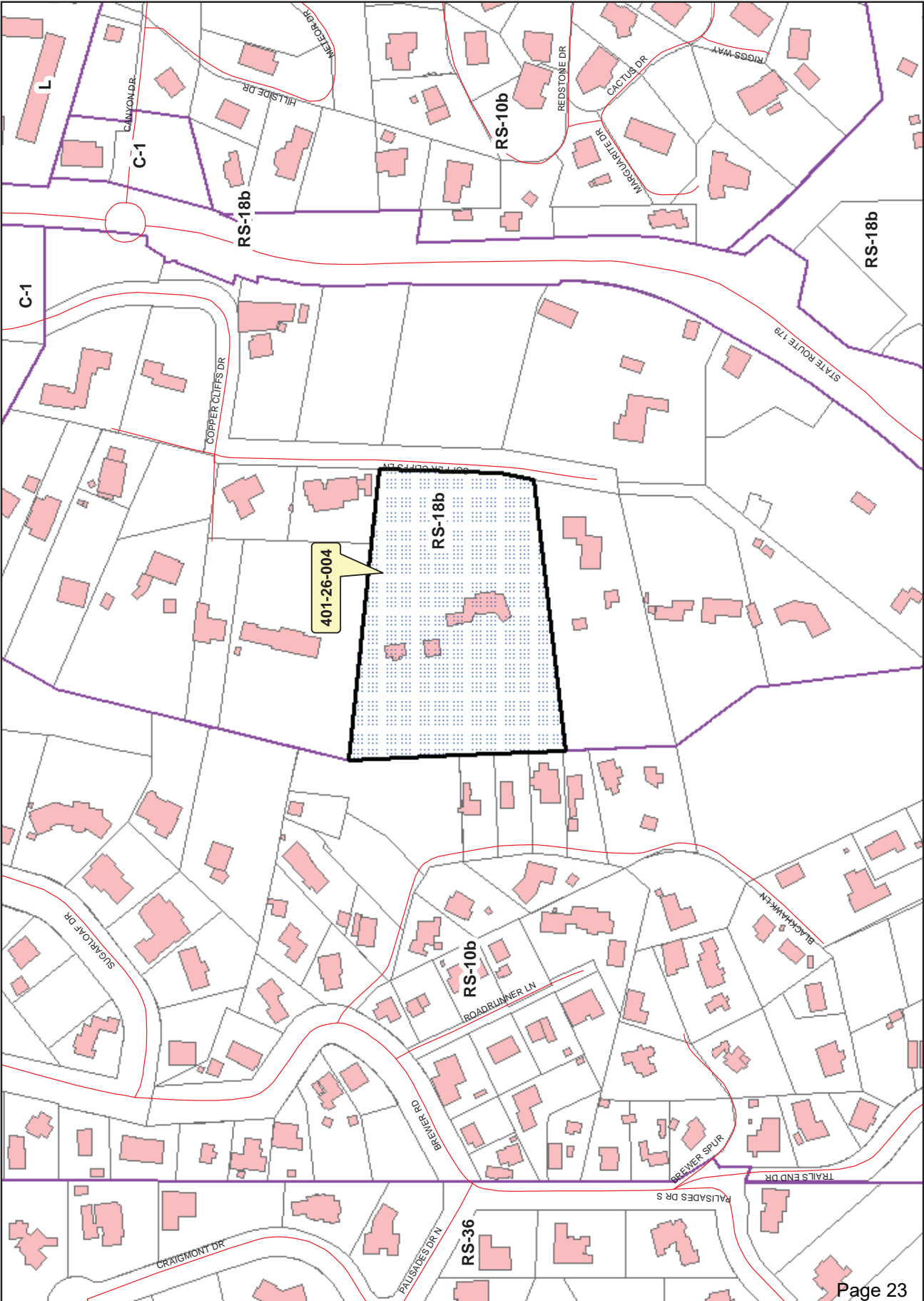
- Parcel #401-26-004
- Zoning Boundary
- Building Footprint
- Parcel Boundary
- Trail
- Street Centerline



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06/22/2017
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Aerial View

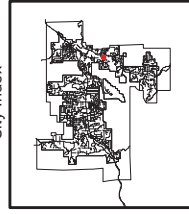
Parcel
#401-26-004
Sedona
Hard Cider

- Parcel #401-26-004
- Parcel Boundary
- Street Centerline



0 15 30 Feet

City Index



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401-26-004

COPPER CLIFFS LN

Project Application



City Of Sedona
Community Development Department
 102 Roadrunner Drive Sedona, AZ 86336
 (928) 282-1154 • Fax: (928) 204-7124

The following application is for:

- Conceptual Review
 Final Review
 Appeal
 Time Extension
-
- Development Review
 Subdivision
 Variance
 Conditional Use Permit
 Zone Change
 Major Community Plan Amendment
 Minor Community Plan Amendment

| | | | | | |
|---------------------------|----------------------------|-------------|--------------|-------------|--|
| PROJECT CONTACT: | Alan Everett | Phone: | 602-448-6927 | App. #: | |
| Address: | 3017 E Stella Lane | Cell Phone: | | Date Rec'd: | |
| E-mail: | aeverett01@msn.com | Fax: | | Rec'd by: | |
| PROJECT NAME: | Sedona Hard Cider | Parcel #: | 401 26 004 | Fee Pd: | |
| Project Address/Location: | 145 Copper Cliffs Ln 86336 | Acres: | 3.63 | Zoning: | |

| | |
|----------------------|---|
| Project Description: | Major Community Plan Amendment From Single-family, Low Density Residential to Planned Area The proposed zone change is from RS-18b to Planned Area Development |
|----------------------|---|

| | | | |
|----------------------------|----------------------------|--------------------------------|------|
| OWNER NAME: | John R. Graham | APPLICANT NAME: | Same |
| Address: | 145 Copper Cliffs Ln 86336 | Company Name: | |
| Phone: | 602-524-8223 | Address: | |
| Cell Phone: | | Phone: | |
| E-mail: | johnrgraham@gmail.com | Cell Phone: | |
| | | E-mail: | |
| ARCHITECT/ENGINEER: | | AUTHORIZED AGENT/OTHER: | |
| Company Name: | | Company Name: | |
| Address: | | Address: | |
| E-mail: | | E-mail: | |
| Phone: | | Phone: | |
| Cell Phone: | | Cell Phone: | |
| ID #/Exp. Date: | | | |
| City Business License #: | | | |

John R. Graham
145 Copper Cliffs Lane
Sedona, Arizona 86336
602-524-8223

May 30, 2017

City of Sedona Community Development Department
102 Roadrunner Road
Sedona, Arizona 86336

Re: Letter of Intent for the proposed Major Community Plan Amendment from Single-family, Low Density Residential to Planned Area. The proposed zone change is from RS-18b to PD (Planned Development). Assessor's Parcel #401-26-004, also known as 145 Copper Cliffs Lane, Sedona, Arizona

To Whom It May Concern.

The owner, John R. Graham, is proposing to change the zoning of the above referenced property from RS-18b to Planned Area to allow the production of hard apple cider in an existing building. Converting the zoning of the parcel from Residential (RS-18b) to Planned Area (PA) will require a major amendment to the Sedona Community Plan.

CURRENT USE

The parcel, 3.63 acres, currently has a single family residence, guest house, and production building of approximately 700 square feet. There are also 250 apple trees and 30 pear, peach, and cherry trees on the property. An irrigation ditch, which has been in use for approximately 100 years, supplies water to the orchard. The distance from the production building to the closest neighboring structure is more than 100 feet. It is the applicant's belief that low intensity production of cider on the property is in keeping with the area's history and preferable to trucking whole apples offsite for processing.

PROPOSED USE

- Production will occur in an existing building on the property. No addition construction is required.
- There will not be any retail sales on the property and it will not be open to the public.
- The cider will be produced primarily from apples grown on the property's 250 apple trees.
- The pressing of the apples, for juice, will be inside the building, just a sweet cider has been produced.
- The fermentation process and bottling will take place inside the building.
- Additional traffic on Copper Cliffs Lane will be minimal; one additional trip per week in the first year of operation and approximately 2 trips per week in years 3 and 4.
- No additional use of water will be required.

HISTORY

Since early settlement, Sedona, and this area in particular, has been known for its apple orchards and apple cider. This property and the adjoining properties have a long history of growing, harvesting, and selling both fresh apples and apple cider. Apple cider has been produced on these properties for over 40 years. During this same period there has been a retail fruit stand selling apple products above the property along SR 179. Other properties on Copper Cliffs Lane have large gardens, growing vegetables that are sold to local restaurants.

This proposal conforms to numerous provisions in the Sedona Community Plan.

Our Vision: Sense of Place.

In this proposal a 250 tree apple orchard is retained and 3.63 acres remain intact without being subdivided. It creates a serene and beautiful place and helps to retain the small town character of Sedona.

Community:

This proposal respects Sedona's community character and helps preserve and celebrate the community's history. Long known for its apple orchards, this proposal retains an orchard of 250 trees.

Community Focus Area 10: Copper Cliffs.

This proposal conforms to the Focus Area attributes of large lots, orchards, rural character, and agricultural plantings. This Focus Area supports the potential for non-residential use tied to preservation agricultural uses.

CONCLUSION

The Sedona Community Plan outlines a path for the future of the city. This proposal, a Planned Area Development for the production of hard apple cider, addresses the desire to retain the rural character, large parcels, agricultural uses, and the history of apple orchards along Oak Creek. We believe this proposal is compatible with the intent and spirit of the Sedona Community Plan. We request your concurrence in allowing its implementation.

Yours truly,

John R. Graham

CC: Alan Everett
602-448-6927

CONCEPTUAL SITE PLAN:

Enclosed is a vicinity map, list of property owners within 300 feet, and mailing labels. There will be no changes to the property or buildings that currently exist on the property.

PUBLIC PARTICIPATION PLAN:

All property owners within 300 feet of this proposal shall receive a mailing describing the proposal. They will be provided contact information where questions, concerns, and issues may be submitted. This mailing is planned for June 15, 2017. Depending on the response to this mailing, additional mailing and/or public meetings with the neighbors will be planned. We are not aware of any active homeowner/property owner/neighborhood associations in the area. After the deadline of July 1, 2017 for comments, a report of all comments and issues received from the affected property owners will be promptly provided to the Sedona Community Development Staff. Attached is a draft copy of the letter that will be mailed to property owners.

LEGAL DESCRIPTION; ACREAGE:

3.63 acres 401 26 004

Legal Summary

Sixteenth: NW Quarter: SE Section: 18 Township: 17N Range: 06E TR IN NE4NW4SE4; PT R DOUGLASS TR; BEG AT PT LYNG S 26DEG 42MIN 3SEC W 3173.21' FROM NE COR SEC 18 TH S 9DEG 44MIN W 210.60' THS 77DEG 27MIN W 449.21' TH N 2DEG 22MIN W 274.76' TH N 86DEG 24MIN E 486.49' TO POR SEC 18 17N 6E (2.54AC) TR IN NE4 NW4SE4 & SE4SW4NE4 SEC 18 17N 6E BEG AT PT LYNG S 28DEG 21MIN 22SEC W 2983.56' FROM NE COR SEC 18 TH S 2DEG 24MIN W 209.40' TH S 86DEG 24MIN W 486.49' TH N 2DEG 22MIN W 292.17' TH S 84DEG 8MIN E 509.03' TO POB SEC 18 17N 6E (2.85AC) TOT 5.39AC LESS PCL SOLD T & G BELLWOOD 1.763AC REMAINING 3.627AC

LETTER OF AUTHORIZATION:

The applicant is the property owner. Attached is a copy of the title report.

TRAFFIC IMPACT STATEMENT:

City of Sedona Public Works Department has determined that a traffic study is not necessary as the impact on Copper Cliffs Lane and SR 179 will be minimal.

ECONOMIC IMPACT ANALYSIS:

In the first year of operation, Sedona Hard Cider is expected to produce 1000 gallons of Cider. By year 3 and 4, production is estimated to be 6000 gallons of Cider. This business will add two additional employees, when approved.

Licenses and Permits

The following licenses and permits will be applied for after approval of the zone change.

- Federal Alcohol Production permit
- State of Arizona Farm Winery License
- City of Sedona Business License
- Coconino County Health Certificate – received.









401-26-004

Aerial View

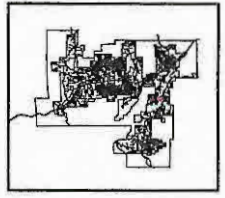
Parcel
#401-26-004
Sedona
Hard Cider

-  Parcel #401-26-004
-  Parcel Boundary
-  Street Centerline



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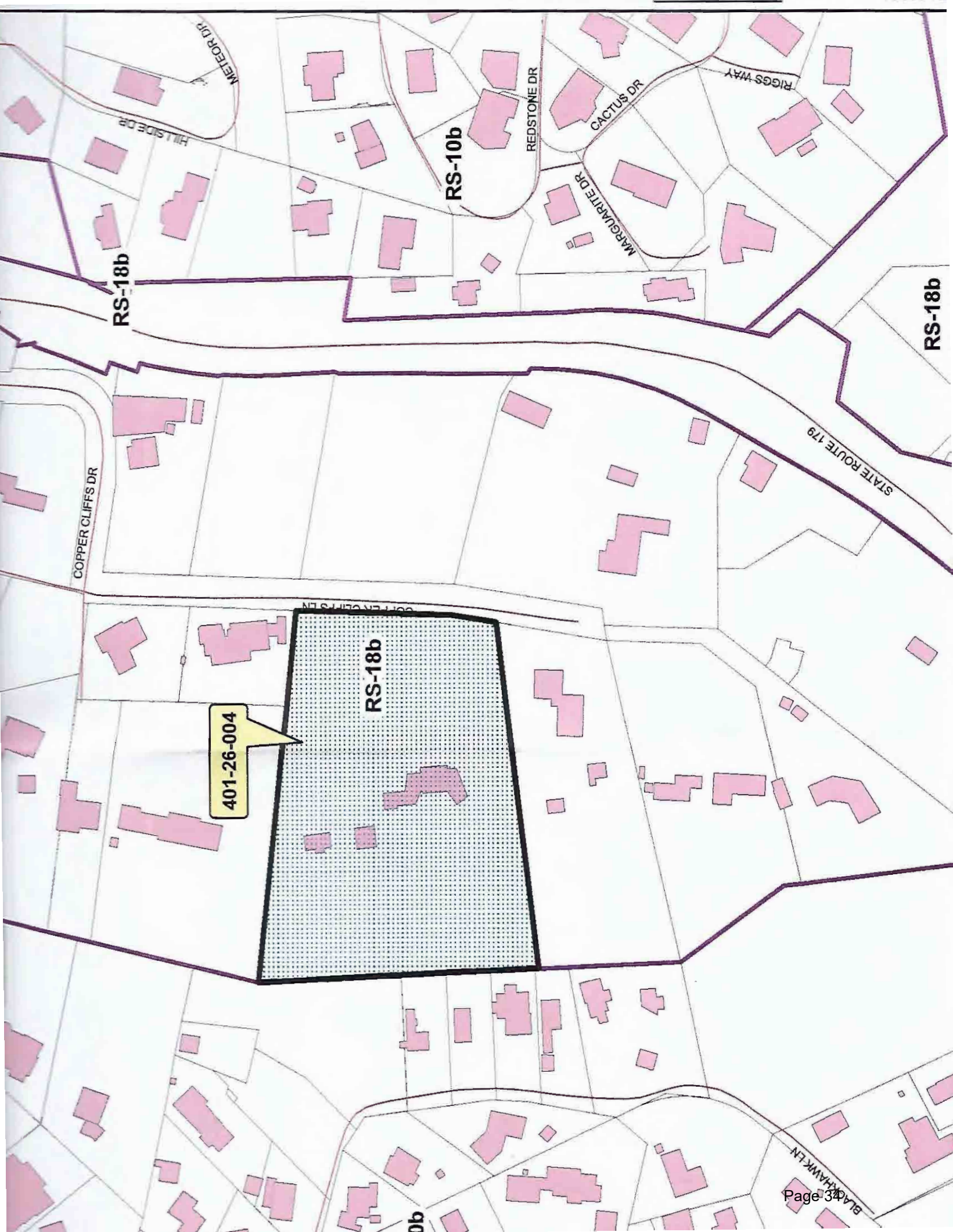
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RS-18b

RS-10b

RS-18b

RS-18b

401-26-004

COPPER CLIFFS DR

HILLSIDE DR

METEOR DR

REDSTONE DR

CACTUS DR

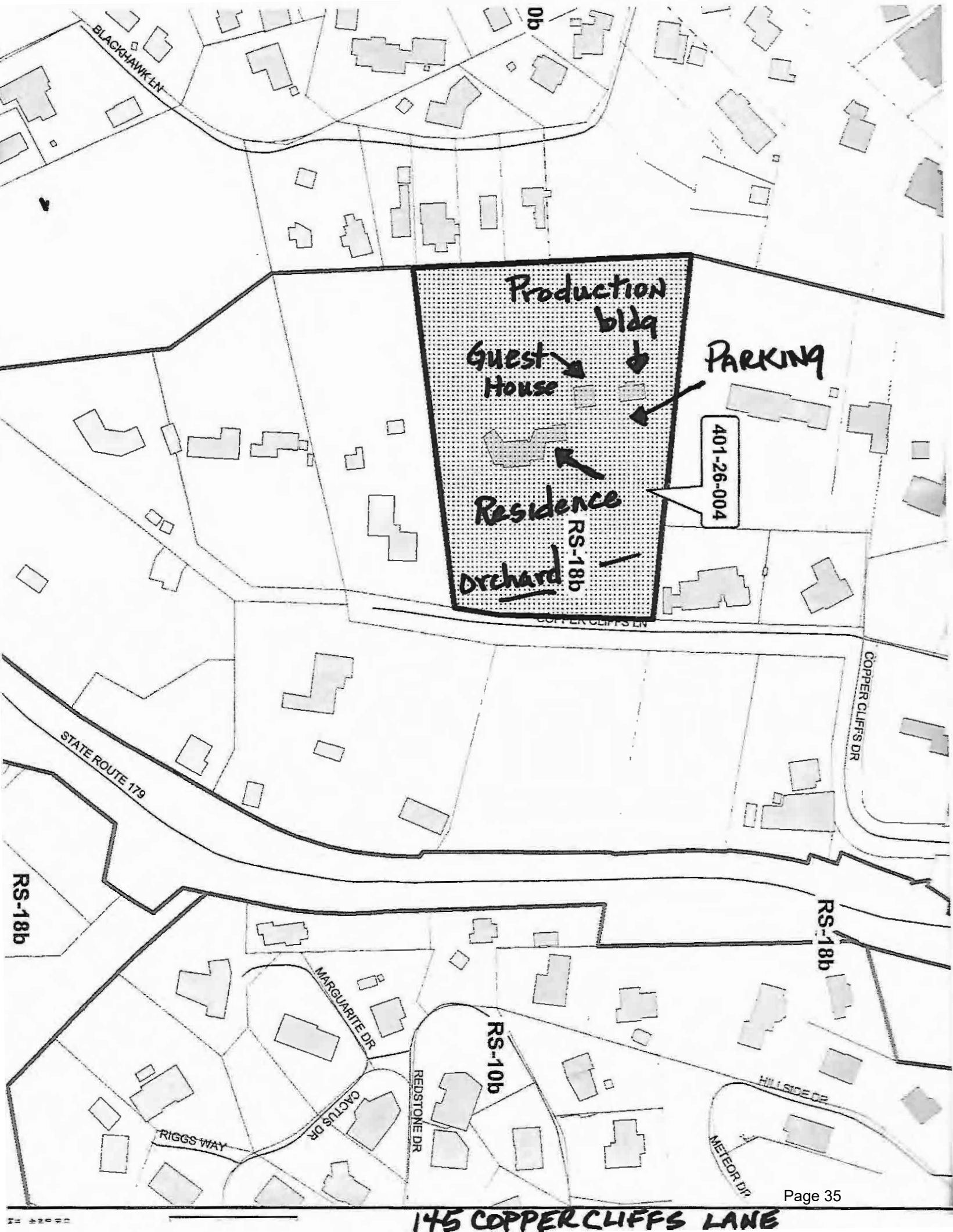
RIGGS WAY

MARGARITE DR

STATE ROUTE 179

SOFT ENGLIS LN

BLANK LN



BLACKHAWK LN

0b

Production bldg

Guest House

PARKING

401-26-004

Residence

RS-18b

orchard

COPPER CLIFFS LN

STATE ROUTE 179

COPPER CLIFFS DR

RS-18b

RS-18b

MARGUARITE DR

RS-10b

REDSTONE DR

HILLSIDE DR

RIGGS WAY

CACTUS DR

METEOR DR

145 COPPERCLIFFS LANE

Aerial View

Parcel
#401-26-004
Sedona
Hard Cider

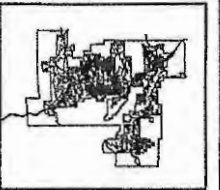
Parcel
#401-26-004
Parcel Boundary

Street Centerline



0 15 30 Feet

City Index



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John R. Graham
145 Copper Cliffs Lane
Sedona, Arizona 86336
602-524-8223

June 5, 2017

RE: 145 Copper Cliffs Lane, Sedona, Arizona 86336
Major Community Plan Amendment and Zone Change

John Graham, owner of the subject property, is proposing to produce hard apple cider in an existing building on the property. This will require a Major Community Plan Amendment and a change in zoning from single-family residential to Planned Development.

Below is information regarding this project:

- Production will occur in an existing building on the property. No additional construction is required.
- There will not be any retail sales on the property and it will not be open to the public.
- The cider will be produced with apples harvested from the existing 250 apple trees.
- The pressing of the apples, for juice, will be inside the building, just as sweet cider has been produced in the area.
- The fermentation process and bottling will take place inside the building.
- The production of cider will be seasonal.
- Additional traffic on Copper Cliffs Lane will be minimal; one additional trip per week in the first year of operation and approximately 2 trips per week in years 3 and 4. Delivery vans will be used to transport the product, no large trucks.
- No additional use of water will be required other than for cleaning the equipment.

This information is provided to you as a property owner within 300 feet of this proposal. This proposal will go through a formal process with a comment period, Planning and Zoning Commission hearing and City Council review and approval.

Should you wish additional information, have comments or concerns, please contact either of us by telephone, mail, or email, July 1, 2017.

John Graham
145 Copper Cliffs Lane
Sedona, Arizona 86336
602-524-8223
johnrgraham@gmail.com

Alan Everett
3017 E. Stella Lane
Phoenix, Arizona 85016
602-448-6927
aeverett01@msn.com

300ft Owners

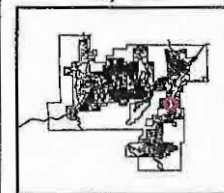
Parcel
#401-26-004
Sedona
Hard Cider

-  Parcel #401-26-004
-  Parcels within 300ft
-  Parcel Boundary
-  Street Centerline



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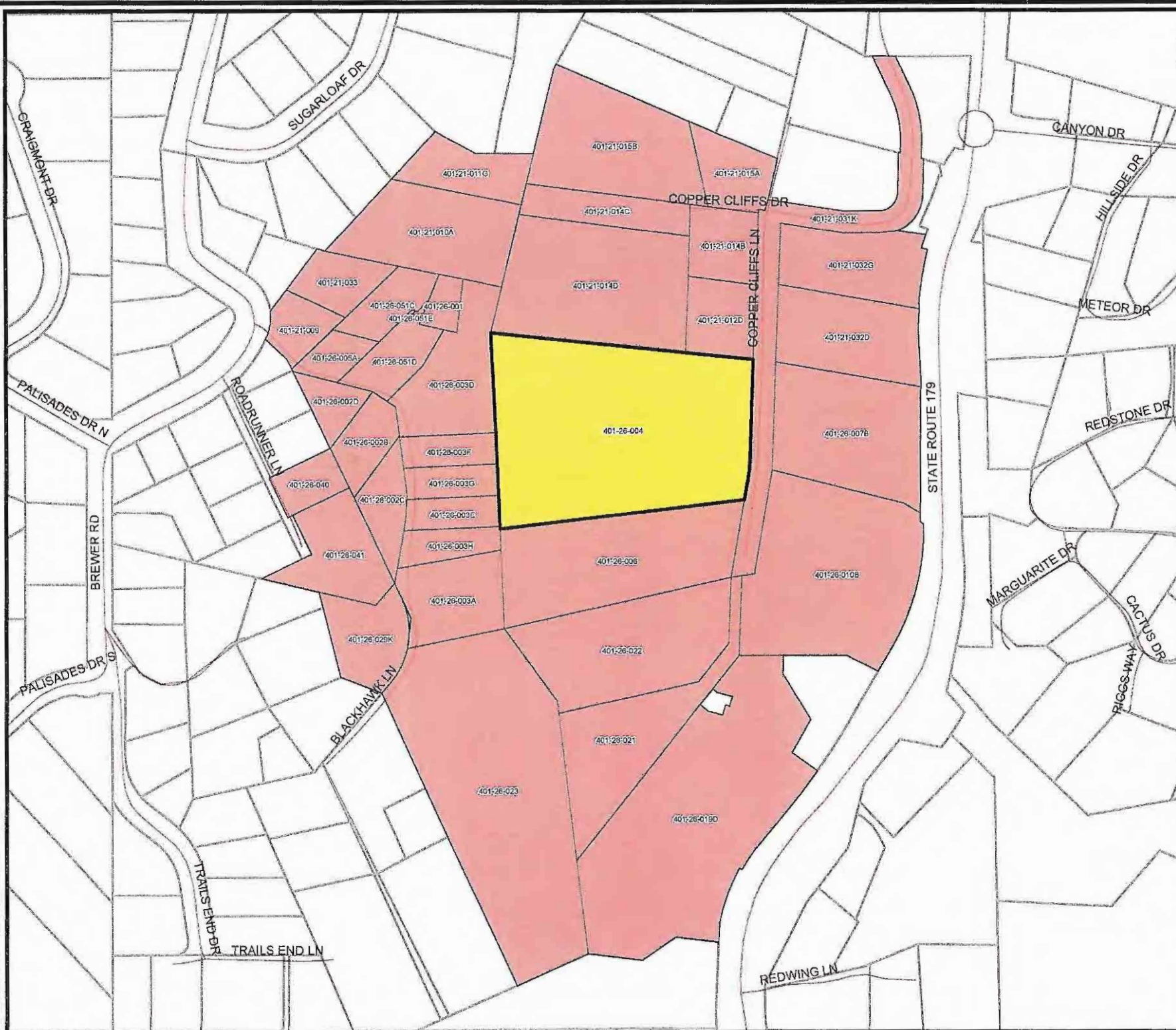
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**Parcel #401-26-004 = Parcel Owners within 300ft
Project: Sedona Hard Cider**

| TPARCEL | OWNER | OSTREET | OCITY | OSTATE | OZIP |
|-------------|---|-------------------------------|-----------------|--------|-------|
| 401-21-009 | CHALAT DAVID B | 10 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-21-010A | BOAL BERNARD H & PAMELA S | 2 SPRUCE ST APT 6B | GREAT NECK | NY | 11021 |
| 401-21-011G | BUCHER RALPH ERIC & GRACE ISOBEL | 7722 N IRONWOOD DR | PARADISE VALLEY | AZ | 85253 |
| 401-21-012D | GARLAND DANIEL JAMES JR & MONICA KAY | PO BOX 171 | SEDONA | AZ | 86336 |
| 401-21-014B | FULLER/HILLER REVOCABLE TRUST | 2716 E 4TH STREET | TUCSON | AZ | 85716 |
| 401-21-014C | TEVIS-NOELTING DEBORAH | 60 MINGUS MT RD | SEDONA | AZ | 86336 |
| 401-21-014D | GOLDSMITH MERYL | 22217 N FREEMONT RD | PHOENIX | AZ | 85050 |
| 401-21-015A | STAADECKER JOEL & ROBIN LIVING TRUST | 280 COPPER CLIFFS DR | SEDONA | AZ | 86336 |
| 401-21-015B | STAADECKER JOEL & ROBIN LIVING TRUST | 280 COPPER CLIFFS DR | SEDONA | AZ | 86336 |
| 401-21-031K | COPPER CLIFFS IMPROVEMENT ASSOC | 145 COPPER CLIFFS LN | SEDONA | AZ | 86336 |
| 401-21-032D | INDIAN GARDENS TRADING POST INC | 3951 N STATE ROUTE 89A | SEDONA | AZ | 86336 |
| 401-21-032G | SATHER JOHN E & MARY MARGARET | PO BOX 115 | SEDONA | AZ | 86339 |
| 401-21-033 | ALBERT LAURA RUTH | 866 BREWER RD | SEDONA | AZ | 86336 |
| 401-26-001 | DIXON RICHARD C REV LIVING TRUST | 5221 E JANICE WAY | SCOTTSDALE | AZ | 85254 |
| 401-26-002B | NICHOLSON JOHN FRASIER CPWROS | 41 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-26-002C | MULLIS RONALD JAI | 235 WAVETREE DR | ROSWELL | GA | 30075 |
| 401-26-002D | CONWAY R JOHN JR & ANNE M | 31 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-26-003A | SCHAIRER DONALD W & KAREN E | 130 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-26-003D | DIXON RICHARD C REV LIVING TRUST | 5221 E JANICE WAY | SCOTTSDALE | AZ | 85254 |
| 401-26-003E | HEIRIGS ROSS | 100 BLACKHAWK LANE | SEDONA | AZ | 86336 |
| 401-26-003F | DIXON RICHARD C REVOCABLE LIVING TRUST | 5221 E JANICE WAY | SCOTTSDALE | AZ | 85254 |
| 401-26-003G | 1050 LLC | 4735 E ARROYO VERDE DR | PARADISE VALLEY | AZ | 85253 |
| 401-26-003H | SCHAIRER DONALD W & KAREN E JT | 130 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-26-004 | GRAHAM JOHN R & DANA J TRUST | 3613 E CAT BALUE DR | PHOENIX | AZ | 85050 |
| 401-26-005A | ELLISON STEPHEN L & MAUREEN E | 20 BLACKHAWK LN | SEDONA | AZ | 86336 |
| 401-26-006 | HAURY LOREN R & JESSICA DANSON TRUSTEES | 165 COPPER CLIFFS LN | SEDONA | AZ | 86336 |
| 401-26-007B | DANSON EB III FAMILY TRUST | 10866 WILSHIRE BLVD SUITE 300 | LOS ANGELES | CA | 90024 |
| 401-26-010B | SCOTT ANDREW | PO BOX 565 | SNOWMASS | CO | 81654 |
| 401-26-019D | CAMPBELL DAVID F & CATHERINE A TRUSTEE | 1156 STATE ROUTE 179 | SEDONA | AZ | 86336 |
| 401-26-021 | MCINNIS JAMES B SR & PENNINGTON-MCINNIS PHYLLIS C COMMUNITY | 1070 NEPTUNE AVE | ENCINITAS | CA | 92024 |
| 401-26-022 | THOMAS JACQUELINE F | 195 COPPER CLIFFS LN | SEDONA | AZ | 86336 |
| 401-26-023 | SYCAMORE COVE LLC | 39 STEPHENS WAY | BERKELEY | CA | 94705 |
| 401-26-029K | BRYANT REVOCABLE TRUST U/A DTD 11/5/15 | 10757 N 74TH ST UN 1005 | SCOTTSDALE | AZ | 85260 |
| 401-26-040 | HANZAWA MITSUAKI | PO BOX 574 | SEDONA | AZ | 86339 |
| 401-26-041 | CAILLOU NADIA | PO BOX 1212 | SEDONA | AZ | 86339 |
| 401-26-051C | SCHOCK HERBERT J & FRANCINE | 150 GRASSHOPPER LANE | SEDONA | AZ | 86336 |
| 401-26-051D | SCHOCK HERBERT J & FRANCINE | 150 GRASSHOPPER LANE | SEDONA | AZ | 86336 |
| 401-26-051E | SCHOCK HERBERT J & FRANCINE | 150 GRASSHOPPER LANE | SEDONA | AZ | 86336 |

John R. Graham
145 Copper Cliffs Lane
Sedona, Arizona 86336
602-524-8223

July 18, 2017

Ms. Cari Meyer
Senior Planner
City of Sedona
102 Roadrunner Drive
Sedona, Arizona 86336

Mr. Michael Raber
Senior Planner
City of Sedona
102 Roadrunner Drive
Sedona, Arizona 86336

RE: PZ17-00007 (Major CPA, ZC) Sedona Hard Cider
145 Copper Cliffs Lane, Sedona, Arizona 86336

Dear Cari and Mike,

Thank you for the opportunity to provide additional information as requested in your letter of July 6, 2017, specifically in Section 4 – LOI and Site Plan.

4.a: Use of existing buildings.

Building 1; owner's residence.
Building 2; guest house used by family and close friends.
Building 3; production building for producing hard cider.
(attachment 1)

4.b: Square footage of existing buildings.

| | |
|-------------------------|---------------------|
| Building 1; 2672 sq ft. | Owner's residence |
| Building 2; 616 sq ft. | Guest House |
| Building 3; 864 sq ft. | Production building |

4.c: Additional construction.

No additional construction is anticipated.

4.d: Percentage of apples used from on-site vs. elsewhere.

It is estimated that 75% of the production will come from apples on-site.
The remaining 25% will come from orchards in the Verde Valley requiring a total of 5 to 6 delivery trips using the company van, per season. Deliveries will be a combination of fresh apples and pressed juice brought in off-site.

4.e: Size and types of trucks used for deliveries/pickups.

The primary vehicle used for deliveries will be the company's Dodge Sprinter Van, which is 17 feet in length. (attachment 2)

Delivery and service vehicles, much larger than the company van, are currently using Copper Cliffs Lane without difficulty (trash haulers, UPS).

The entrance into the property from Copper Cliffs Lane is 18 feet wide.

Copper Cliffs Lane is generally 15 feet wide.

Sedona Fire District has made a property inspection and determined suitable accessibility.

4.f: Parking spaces available.

There is a minimum of eight (8) parking spaces on the property and space to expand if necessary.

4.g: Signage.

There will be no commercial or business signage on the property.

4.h: Additional employees.

There will be two full time employees added if the proposal is approved. The employees will not live on site.

Should you have questions or require additional information regarding the information provided, please contact Alan Everett, 602-448-6927, or John Graham, 602-524-8223. Thank you.

Yours truly,

2004 Dodge Sprinter

Height: 93" Width: 76" Length: 197"



© 2004

Cari Meyer - Sedona Hard Cider

From: Alan Everett <aeverett01@msn.com>
To: Cari Meyer <CMeyer@sedonaaz.gov>
Date: 7/18/2017 10:55 AM
Subject: Sedona Hard Cider

Cari.

In your letter of 7/6/17, you asked if the “Fact Sheet” and “Cider Information” article should be part of the application.

No, not necessary. This information would be redundant. Thanks for asking.

Alan

John R. Graham
145 Copper Cliffs Lane
Sedona, Arizona 86336
602-524-8223

July 2, 2017

Ms. Cari Meyer
Senior Planner
City of Sedona
102 Roadrunner Drive
Sedona, Arizona 86336

✓ Mr. Michael Raber
Senior Planner
City of Sedona
102 Roadrunner Drive
Sedona, Arizona 86336

RE: Public Participation
Major Plan Amendment and Zone Change Application
145 Copper Cliffs Lane, Sedona, Arizona 86336

Dear Cari and Mike,

On June 1, 2017, a letter was mailed to all property owners within 300 feet of the subject property. The letter explained the proposal and requested comments/concerns from the neighbors by July 1, 2017.

As of this date only one comment was received, from Mr. Joel Staadecker. Answers were provided to Mr. Staadecker's questions and he has indicated that he has no concerns with the project. A copy of the correspondence is attached.

Also included are signed letters from ten (10) neighbors indicating that they have no concerns with the proposal.

Due to the lack of concerns or issues by the property owners, additional public participation effort does not appear to be necessary, at this time. If issues arise, we will be ready and willing to provide a project update or host a neighborhood meeting.

Should you have questions or require additional information regarding the public participation plan, please contact Alan Everett, 602-448-6927, or John Graham, 602-524-8223. Thank you.

Yours truly,

Alan Everett for John Graham



From: Joel Staadecker <jstaad@ix.netcom.com>
Date: June 14, 2017 at 10:26:55 AM PDT
To: John Graham <johnrgraham@gmail.com>
Subject: Re: City Zoning change for 145 Copper Cliffs Ln

John,

Your word is good enough for us!! Attached is a signed PDF copy of your letter acknowledging "no concern".

Best,

J + R

P.S. When does the "Batch Sampling" begin ?? ;-)

On 6/13/17, 4:54 PM, "John Graham" <johnrgraham@gmail.com> wrote:

Hi Joel and Robin,

Glad to hear you both are doing well! Thanks for the comments and questions.

Most of the trips will be deliveries, off site, of the finished product. As many of the deliveries will be small quantities, 30-50 gallons, to local business, they will be combined with our normal activities, post office, supermarket, etc. Our van will be used for deliveries, no large trucks. After pressing the juice, the product must ferment for 3-4 months before it is ready for market.

If the business exceeds our 3-4 year projections, it would be necessary to move to a larger production facility in a different location in the Verde Valley.

The plan is to use apples grown in the Copper Cliffs Valley. There could be an unusual situation, due to weather or other factors, when apples would be brought in from other locations in AZ. Hopefully, this would be a rare event but if it were to happen, only our van would be used; no large trucks.

This is 100% my venture -- no partners. Mr. Everett is assisting with the Federal, State and local regulatory process as the past Director of the Arizona State Liquor Department.

I hope this answers your questions/concerns. Please let me know if it does and/or you have additional questions/concerns. As someone who grew up in Copper Cliffs since the age of 5, and who has only done things to try and improve the neighborhood, you have my word that I would never do anything to change the tranquility of the the neighborhood we both love.

All the best,

John Graham

On Tue, Jun 13, 2017 at 10:21 AM, Joel Staadecker <jstaad@ix.netcom.com> wrote:

Hi John,

We're doing well, thanks. Sounds like you have found a way to use your apples!. All sounds very low key and quaint.

We have some follow-up questions we would like your responses to, as follows:

1. Wondering about the ultimate scale of the business, we note that you expect delivery trucks to make trips through the neighborhood two times per week. Is that during harvest season or year-round? If during harvest season, approximately how many months would this represent?
2. If the business scales up would this number of trips increase?
3. You say the apples " primarily" come from your orchard. What percentage will that be now? In the future? Might we expect you to bring apples in from outside our Copper Cliffs Valley if the business scales up?
4. Is this a personal venture of your own or do you now have partners in the business? We notice that your recent correspondence sent to us lists Alan Everett as a signatory to the letter. Is this the former Councilman from Sedona? What role does this person have in the venture?

We are concerned about this little venture "scaling up," potentially becoming a successful "brand" which could mean more vehicle trips, larger trucks, and more months of the year. It is hard enough to navigate with garbage trucks and regular UPS and Fed Ex Trucks racing down our road as it is. We do not want to loose the serenity that is unique to our little valley.

We look forward to your reply.

Our best to you and your family,

-Joel and Robin Staadecker

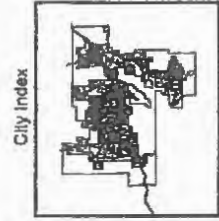
300ft Owners

Parcel
#401-26-004
 Sedona
 Hard Cider

- Parcel #401-26-004
- Parcels within 300ft
- Parcel Boundary
- Street Centerline

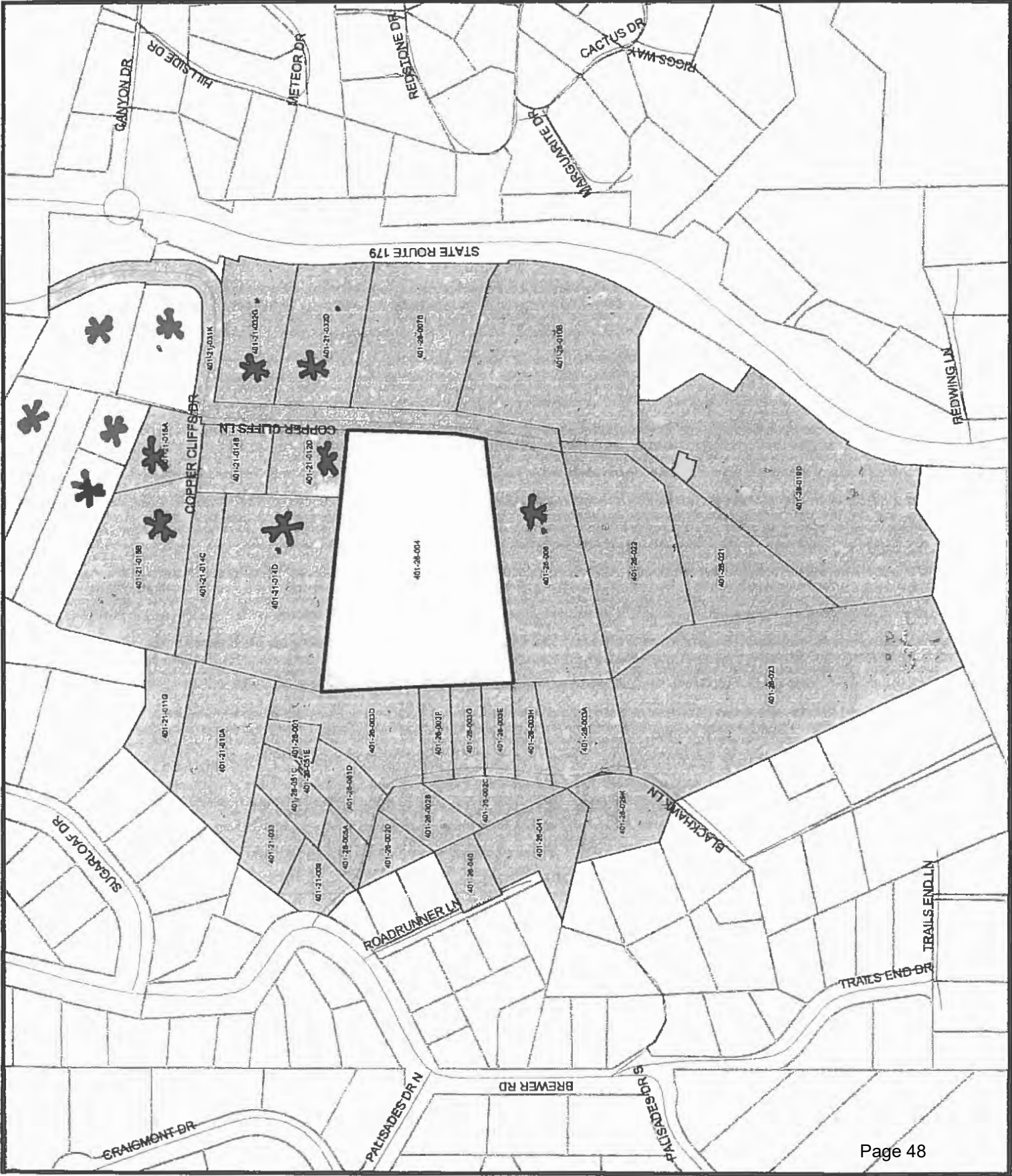


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City of Sedona
 06222017
 9 / 6/6/2017 9:41:10 AM
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This document is prepared by a computer program and is not intended to be used as a substitute for a professional survey. The information is provided for your information only and should not be used for any purpose other than that intended. The City of Sedona is not responsible for any errors or omissions in this document. The information is provided for your information only and should not be used for any purpose other than that intended.



PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

Sedona Hard Cider (John Graham) proposes to produce hard apple cider at 145 Copper Cliffs Lane. This will necessitate a Community Plan Amendment and a zoning change.

The cider will be produced primarily from apples harvested from the 250 apple trees currently on the property. The production will be seasonal, commencing with the annual apple harvest. As a resident of the Copper Cliffs neighborhood, I will commit to conducting this production in a method that will not impact my neighbors in the enjoyment of their property or property values.

Noise: The apple press, fermentation, and container filling will be conducted inside the shed. The noise transmitted from this operation is minimal. Apple cider has been produced in this neighborhood historically.

Traffic: The increase in traffic on Copper Cliffs Lane will be negligible with only a few additional van-loads of finished product delivering off-site. No large scale trucks will be used.

Oak Creek: No impact as no free-flowing liquids will leave the property.

There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.

John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name  Joel Stuedeker

Address 280 Copper Cliffs Dr. Date June 13, 2017
Sedona, AZ 86336

12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name Jason R. Henry
Address 165 COPPER CLIFFS LN. Date 19 May 2017

12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

Sedona Hard Cider (John Graham) proposes to produce hard apple cider at 145 Copper Cliffs Lane. This will necessitate a Community Plan Amendment and a zoning change.

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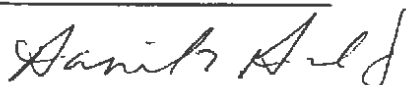

John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name DANIEL J GARLAND, JR.

Address 111 COPPER CLIFFS LN.

Date 5/18/17



12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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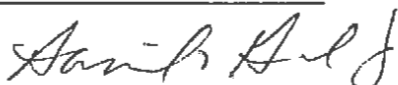
John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name DANIEL J. GARLAND, JR - PRESIDENT, INDIAN GARDENS TRADING POST, INC.

Address 120 COPPER CLIFFS LN.

Date 5/18/17



12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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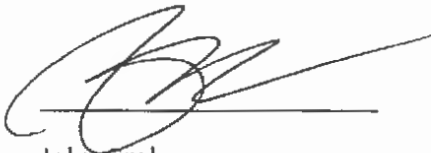
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Oak Creek: No impact as no free-flowing liquids will leave the property.

There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name Mary Margaret Sathier
Address Mary Margaret Sathier Date 5-13-17
236 Copper Cliffs Dr.

12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

Sedona Hard Cider (John Graham) proposes to produce hard apple cider at 145 Copper Cliffs Lane. This will necessitate a Community Plan Amendment and a zoning change.

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Oak Creek: No impact as no free-flowing liquids will leave the property.

There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name MERYL GODSMITH

Address 351 Copper cliffs Date 5/13/17


12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name David P. Johnson 
Address 45 Copper Cliffs Ln Date 05/13/17
Sedona, AZ 86336

12May17

401 21 028 A

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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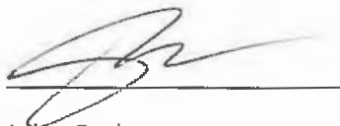
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There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name ELLEN FRANCK - Ellen Franck
Address 55 Copper Cliffs Lane Date 5/15/17

12May17

40121030

PROPOSAL



Christina Charlesworth
99 Copper Cliffs Drive
Sedona, AZ 86336
Christina@creeksideinn.net
Phone: 928-282-4992
Toll free: 800-390-8621

Creekside Inn is not only unique & unforgettable, but one you'll want to experience time & time again™

✉ mail@creeksideinn.net
www.creeksideinn.net

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

Sedona Hard Cider (John Graham) proposes to produce hard apple cider at 145 Copper Cliffs Lane. This will necessitate a Community Plan Amendment and a zoning change.

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There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name 

Address 99 Copper Cliffs Dr

Date 5/15/17

12May17

PROPOSAL

Sedona Hard Cider
145 Copper Cliffs Lane
Sedona, AZ 86336

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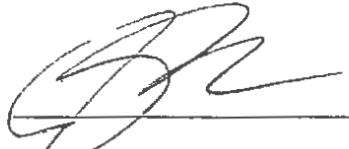
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There will not be a retail store or retail sales of product at this location.

Should you have any questions or concerns relating to this proposal, please contact me at 602-524-8223.



John Graham

I have reviewed the proposed project at 145 Copper Cliffs Lane and have no concerns regarding the Community Plan Amendment or zone change.

Name SHERI GRAHAM 
Address 16 COPPER CLIFFS LN Date 5/15/17

12May17

401 21 031 G-L

Community Plan Checklist
 PZ17-00007 (Major CPA, ZC)
 Sedona Hard Cider



City Of Sedona Community Development Department
 102 Roadrunner Drive Sedona, AZ 86336
 (928) 282-1154 · Fax: (928) 204-7124

This checklist includes all of the Community Plan’s goals. If there are directly applicable policies they will be addressed under the relevant goal. Other important elements of the Community Plan which are summarized in the Community Plan Summary (p. vi) include:

- An inclusive goal of the Plan:
 - Sustainability
- Vision Themes:
 - Environmental Stewardship
 - Community Connections
 - Improved Traffic Flow
 - Walkability
 - Economic Diversity
 - Sense of Place
- Major Outcomes:
 - Commitment to Environmental Protection
 - Housing Diversity
 - Community Gathering Places
 - Economic Diversity
 - Reduced Traffic
 - Access to Oak Creek

| | | | |
|----------|---|-----------------|--------------|
| Project: | PZ 17-00007 (Major CPA, ZC) – Sedona Hard Cider | Date Submitted: | May 30, 2017 |
|----------|---|-----------------|--------------|

| | | | |
|--|---|--|--|
| Is this project in a CFA? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| Name of the CFA: | CFA #10 Copper Cliffs | | |
| If the project is in a CFA, is there an approved CFA Plan? | <input type="checkbox"/> Yes | If there is an approved CFA Plan, please refer to the attached CFA Checklist. | |
| | <input checked="" type="checkbox"/> No | If there is no CFA Plan, please address the Community Expectations at the end of this checklist. | |

| LAND USE, HOUSING, AND GROWTH GOALS | | Community Plan, p. 17 |
|-------------------------------------|--|-----------------------|
| 1 | Grow only within currently established residential and commercial limits. | |
| | Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable | |
| 2 | Ensure harmony between the built and natural environments. | |
| | This proposal does ensure harmony between the built and natural environments by retaining the existing use, with no new development or impacts to the natural environment. Whereas with the current zoning (RS-18B), the lot could be split resulting in development of additional houses and thus greater impacts to the environment. | |
| | Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable | |
| 3 | Reflect a unique sense of place in architecture and design. | |
| | The rural, agricultural nature of this property reflects a sense of place unique to Sedona with its | |

| | |
|---|--|
| | <p>location on Oak Creek, and orchards which was a historic land use along the creek. The smaller size of the buildings and presence of smaller outbuildings is also reflective of the historic, agricultural character of early Sedona. This proposal would retain the existing conditions, thus retaining sense of place that currently exists on this property.</p> <p><i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i></p> |
| 4 | <p>Provide public gathering spaces that promote social interaction.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> |
| 5 | <p>Create mixed use, walkable districts.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> |
| 6 | <p>Encourage diverse and affordable housing options.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> |

| CIRCULATION GOALS | | Community Plan p. 57 |
|--------------------------|---|----------------------|
| 1 | <p>Reduce dependency on single-occupancy vehicles.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |
| 2 | <p>Provide for safe and smooth flow of traffic.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |
| 3 | <p>Coordinate land use and transportation planning and systems.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |
| 4 | <p>Make the most efficient use of the circulation system for long-term community benefit.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |
| 5 | <p>Limit the building of new roads and streets and make strategic investments in other modes of travel.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |
| 6 | <p>Create a more walkable and bike-able community.</p> <p><i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i></p> | |

| ENVIRONMENT GOALS | | Community Plan p. 71 |
|--------------------------|---|----------------------|
| 1 | <p>Preserve and protect the natural environment.</p> <p>This proposal does not propose any new development and will retain the site as it now exists without any new impacts to the environment. If the property were to remain single-family</p> | |

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| | residential it could be divided into multiple lots with additional new houses, which would have a greater impact on the natural environment. | <i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i> |
| 2 | Ensure a sufficient supply of quality water for the future. | <i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i> |
| 3 | Protect Oak Creek and its riparian habitat. This property is located on the banks of Oak Creek, and this proposal will retain the property in its current state, with no new development, which will preserve and protect this portion of the creek and its riparian habitat. The proposal would allow for a use that may make it economically feasible for the property owner to keep the property in its current state rather than begin to explore other possibilities such as subdividing to build additional houses. | <i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i> |
| 4 | Reduce the impacts of flooding and erosion on the community and environment. | <i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i> |
| 5 | Promote environmentally responsible building and design. This proposal will retain the existing buildings with no new development which could be considered more environmentally responsible than the potential for the property to be split up for the development of up to 8 new houses. | <i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i> |

| PARKS, RECREATION, AND OPEN SPACE GOALS | | Community Plan p. 71 |
|--|---|---|
| 1 | Protect and preserve natural open space. See Environment Goal 1 above. | <i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i> |
| 2 | Ensure the protection of the environment while providing for responsible outdoor recreation. | <i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i> |
| 3 | Provide activities and amenities that allow for community interactions and encourage active and healthy lifestyles. | <i>Compliance:</i> <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input checked="" type="checkbox"/> <i>Not Applicable</i> |

| ECONOMIC DEVELOPMENT GOALS | | Community Plan p. 89 |
|-----------------------------------|--|---|
| 1 | Support locally owned businesses. This proposal directly supports a locally owned business through the expansion of the business to begin producing hard cider. The applicant has cited a long history in the area of selling apples, cider, and vegetables to local restaurants. | <i>Compliance:</i> <input checked="" type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>Partial</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/> <i>Not Applicable</i> |
| 2 | Recruit new businesses and organizations representing different business and institutional sectors that | |

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| | diversify Sedona’s economic base. |
| | This will be a new business and a new product that is not currently produced in the city, thus diversifying the type of businesses in the city. The City’s Economic Development Director has reviewed the proposal and provided comments stating that this business will help diversify the economy and capitalize on the local history and agriculture industries. |
| | Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable |
| 3 | Preserve and enhance Sedona’s tourist based economic sector. |
| | This proposal could be seen as enhancing the tourist economy by providing a unique, locally produced product that is anticipated to be sold and marketed to tourists (and residents). Many tourists seek out destinations with locally produced products, with some tourists particularly interested in locally grown and produced food, including craft beverages. |
| | Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable |
| 4 | Incorporate an assets-based framework into the City’s economic development efforts. |
| | This proposal can be seen as focusing on several assets unique to Sedona: a locally produced product, based on a historic industry, and located along Oak Creek, all of which can be considered assets. |
| | Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable |
| 5 | Improve the City’s transportation, information and communication infrastructure to allow businesses to compete regionally, nationally and globally. |
| | Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable |

| COMMUNITY GOALS | | Community Plan p. 97 |
|-----------------|--|----------------------|
| 1 | Cultivate an appreciation and respect for Sedona’s distinctive community character. | |
| | Oak Creek, and the historic use of land along the creek for orchards are both distinct elements of Sedona’s community character, and this proposal would preserve the creek and retain the land use. The marketing of the cider as being from Sedona can also cultivate an appreciation and respect for those characteristics that are often overlooked or forgotten. | |
| | Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable | |
| 2 | Ensure that the needs and aspirations of the community now and into the future are met through a variety of cultural activities, opportunities, and facilities. | |
| | Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable | |
| 3 | Create increased opportunities for formal and informal social interactions. | |
| | Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable | |
| 4 | Enhance opportunities for artistic display, engagement and learning. | |
| | Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable | |
| 5 | Preserve and celebrate the community’s history. | |
| | This proposal preserves and celebrates the community’s history. Sedona has a strong agricultural history along Oak Creek, particularly orchards. While the city has grown there are few areas left that reflect the original agricultural emphasis along the creek that was the basis of the community’s original settlement. The orchards on the property are reminiscent of what many of | |

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| | <p>the homesteads along the creek once looked like. Over time the orchards along the creek have been lost to development. This proposal would preserve the agricultural character, thus preserving a piece of Sedona’s character and history that is now in short supply. By selling a product such as hard cider, the community’s history can be celebrated through the sale of a product with ties to this historic land use.</p> |
| | <p>Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable</p> |

CFA COMMUNITY EXPECTATIONS

CFA 10 COPPER CLIFFS Community Plan p. 46

| | |
|---|---|
| 1 | <p>Retain Large Parcels and Rural Character.</p> <p>The proposal will retain the large parcel and its rural character. The current zoning of RS-10b has a minimum lot size of 18,000 square feet. Since the property is 146,362 square feet (3.36 acres), there is the potential for 8 individual home sites. This proposal would ensure that the property remains as one large parcel and not become subdivided into smaller lots.</p> <p>The rural, agricultural character will be preserved in its current state since there is no additional development proposed for the site, the orchard trees will be retained, and Oak Creek will remain undisturbed.</p> <p>Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable</p> |
| 2 | <p>Preserve the agricultural plantings and residential land balance currently in existence.</p> <p>This proposal will preserve the agricultural plantings of orchard trees, and retain the residential land balance that exists. The property will be maintained and utilized in the same capacity as it has historically which will be tied to the approved site plan. Any changes to the site plan would require a zone change review process. The only significant change in use is the production of hard cider in addition to the continuation of apple cider production. This proposal will:</p> <ul style="list-style-type: none"> • Utilize existing structures with no additional construction. • Not include retail sales. • Utilize the 250 existing on-site apple trees for cider production. • Produce cider within an existing building. • Not significantly increase traffic on Copper Cliffs Lane. • Not require the additional use of water. <p>Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable</p> |
| 3 | <p>Accept alternative forms of housing.</p> <p>Compliance: <input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable</p> |
| 4 | <p>Evaluate potential non-residential uses (e.g. neighborhood market) if tied to preservation of agricultural uses and protection of the riparian environment along Oak Creek.</p> <p>This proposal is centered on the preservation of an agricultural use, an apple orchard. The riparian environment of Oak Creek will be protected with the continuation of this historic use which will preclude any additional development of the site.</p> <p>Compliance: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No <input type="checkbox"/> Not Applicable</p> |



On August 15, 2017, the Planning and Zoning Commission held a Work Session to discuss the proposed Major Community Plan Amendments the City is considering for 2017. The purpose of the work session was for the Planning and Zoning Commission to review the proposals and request additional information they felt would be needed to allow them to act on each proposal.

During the discussion for Sedona Hard Cider (PZ17-00007), the Commission requested clarification on a number of items. The following is provided in response to that request.

1. History of the Area

- a. This area of Sedona has a history of agricultural uses, which are acknowledged in the Sedona Community Plan in the description of Community Focus Area 10: Copper Cliffs. A number of the parcels in the area are large lots with orchards, gardens, and other agricultural uses. One of the parcels in this area has a legal non-conforming produce stand on State Route 179.
- b. The properties in this area are designated SFLD (Single-family Low Density) in the Community Plan and zoned RS-18b (Single-family Residential), with the exception of properties closer to State Route 179, which are designated and zoned for Commercial uses.
- c. See Attachment 3.d for a detailed history of the area provided by the Sedona Historical Society.

2. Planned Area / Planned Development Implications

- a. The Planned Area designation and Planned Development zoning are unique land use designations that allow for flexibility when a proposed use does not neatly fit within a standard categories or zoning districts. In addition, the PD zoning gives assurances that the property will be used for the intended use. In this case, the proposed use as hard cider production and orchard is a very specific use that does not align well with the general commercial districts.
- b. If the use were be allowed within another zoning district, that district would include other permitted uses that may not be appropriate for the site under consideration.
- c. In order to ensure that the property is used for the proposed use and other, potentially inappropriate, uses are not introduced, the Planned Area/Planned Development designations appropriate.

3. Inclusion of Conditional Uses in Planned Developments

- a. The PD (Planned Development) zoning district is a site specific zoning district. If conditional uses are included, they are typically a continuation of the conditional uses allowed in the zoning district prior to the rezoning to PD. In this case, that would mean that uses such as churches, schools, and public utility installations would continue to be allowed with a conditional use permit. As these uses are not generally compatible with the proposed use as an orchard and cider production, Staff is not recommending that any conditional uses be permitted and that uses be limited to those described in the LOI (single family residence, guest house, production building, and orchard).

4. Clarification of Home Occupation Regulations

- a. One of the reasons that this application is being considered is because the proposed business exceeds the limitations of the home occupation regulations.
- b. Home Occupations are regulated by the Land Development Code (LDC), Section 915 (Home occupation uses), included as Attachment 3.e.
- c. The following are the home occupation regulations, along with Staff's evaluation of whether this request fits that requirement.
 - A. A home occupation shall be conducted in a dwelling or accessory building on a property that is also used as a primary residence by the proprietor of the home occupation.
 - (1) *The owner of the business lives part time in the existing single family home on site. This application would allow the proposed business despite the property not being the business owner's primary residence.*
 - B. In no way shall the appearance of the structure or premises be altered or the conduct of the occupation within the structure be reasonably recognized as serving a nonresidential use (by color, materials, construction, lighting, signs, sounds, vibrations, display of equipment, and the like).
 - (1) *The buildings will be used in their existing condition. No changes to the exterior of the buildings are proposed and the buildings will continue in appearance as they have historically.*
 - C. No one other than a resident of the dwelling shall be employed in the conduct of a home occupation. The category "Home Occupations" does not include a family of unrelated persons with disabilities residing in a group home licensed by the State of Arizona, including staff persons, as defined by this Code.
 - (1) *The business owner would hire two employees for the business.*
 - D. The use shall not generate more pedestrian or vehicular traffic than typical to the district in which it is located.
 - (1) *The proposal indicates that the traffic impact will be a maximum of 2 additional trips per week using the company's Dodge Sprinter Van. This van is 17 feet in length and is smaller than other delivery trucks and trash trucks currently using Copper Cliffs Lane. In addition, the two employees are not proposed to live on site and would generate additional trips.*
 - E. No indoor or outdoor storage of materials and/or supplies, including vehicles or equipment used in the occupation, shall be permitted which will be hazardous to surrounding neighbors or detrimental to the residential character of the neighborhood.
 - (1) *Storage is proposed inside of the existing structures. If outdoor storage is needed, there is sufficient space on site for screening from neighboring properties.*
 - F. The total usable floor space area dedicated to home occupation uses in any primary dwelling or accessory structure shall not exceed 25% of the gross floor area on the site.
 - (1) *There are 3 existing structures on the site, including the main house (2,672 square feet), the guest house (616 square feet), and the proposed production building (864 square feet), for a total of 4,152 square feet. The proposed production building, at 864 square feet, is 20.8% of the gross floor area on the site.*
 - G. There shall be no use of utilities or community facilities beyond that typical to the use of the property for residential purposes.

- (1) All necessary utilities currently serve the site and no expansions are anticipated with the proposed use. The site will not be open to the public and no community spaces are proposed on the site.*
- H. A home occupation shall not create any radio, television, computer or power line interference or noise audible beyond the boundaries of the site.
- (1) The use is not anticipated to create any radio, television, computer or power line interference or noise audible beyond the boundaries of the site.*
- I. No smoke, odor, liquid or solid waste shall be emitted.
- (1) The use is not anticipated to create any smoke, odor, liquid or solid waste, beyond what is typical for a single family property.*
- J. The conduct of the home occupation shall not interfere with the maintenance of the required off-street parking spaces on the property.
- (1) There are a minimum of 8 parking spaces available onsite. This is sufficient for the single-family residential use as well as the cider business.*
- K. There shall be no rental of residential space for commercial uses by others.
- (1) The owner of the property owns the business and is not proposing to rent it to another party.*

5. Potential for a fire hazard

- a. The Sedona Fire District has reviewed this application and met with the applicant to discuss their proposal. While the Fire District does not have any immediate concerns regarding the proposal, they will need to sign off on the final occupancy permit for the buildings.



The following are provided as general comments on the Letter of Intent.

The applicant's Letter of intent describes the current and proposed uses of the property, the history of the area and how the applicant believes this proposal conforms to the provisions of the Sedona Community Plan. The staff report and attachment for this item also address the current and proposed use and the history of the Copper Cliffs area.

The applicant has described how the proposal is consistent with the Community Plan's vision theme for "Sense of Place" by retaining the orchard and current acreage, retaining small-town character and helping to preserve and celebrate the community's history. The Letter of Intent also addresses the project's conformity to the Copper Cliffs CFA by retaining large lots, orchards, rural character and agricultural plantings.

Staff is in agreement that this proposal complies with the Community Expectations of the Copper Cliffs CFA and in the staff report and accompanying Community Plan checklist, has provided a more in-depth evaluation of how this project meets the Community Plan goals and the Copper Cliffs CFA Community Expectations.



Prepared by: Janeen Trevillyan, Sedona Heritage Museum

After 2 lonely years John James (JJ) Thompson, Oak Creek Canyon's first permanent Anglo settler, wrote to friends in Nevada and invited them to join him. Abraham James moved his family to a place we know as Copper Cliffs today, and filed for the first homestead within what we know as the Sedona city limits. The Jameses' 16-year-old daughter, Margaret/Maggie married 39 year-old JJ.

James claimed "Squatters Rights", since there were no surveys and no way to claim homestead yet. The family built cabins, corrals and dug an irrigation ditch. Abraham died a 2-3 years after the family arrived, Maggie tried to continue on the farm with help of her son, but couldn't make it work. She traded this land to John Lee for land at Crescent Moon. The James place remained mostly vacant until 1908 when Elijah Lay and family moved there. He and his son built 2 new houses and re-built the ditch and much improved the land. Elijah proved up a homestead there and took deed to this land, staying until 1913-14. He almost immediately sold to L.E. (Dad) Hart.

Hart's son Ed lived there until about 1920, then son Fred lived there until the 1950s. During this time, Fred had 80 acres and homesteaded another adjacent 20 acres. The Harts had cattle and planted alfalfa for feed. They also had an orchard and sold produce to the public. They later operated a dairy, and the river rock home/dairy barn still exists in Copper Cliffs with its historic integrity mostly intact. Fred's wife Nellie helped deliver the milk. Their children worked the dairy after they came home from World War II.

When the movies were filming in Sedona, the Hart place was very busy. It was used for workers to camp or rent rooms. They also had a barn where they stabled the horses for the movie companies. John Wayne kept his horse there. He would come and wash his horse there each night, or make the kids help brush it!! He visited with Fred frequently in the evenings. They enjoyed big cigars, a little beer and big stories. Nellie cooked for the movie people. She was a very good cook and baked pies and bread. She said there was always a pot of beans to eat. She gardened and canned fruits and vegetables that they grew on the place.



- Photo : Courtesy of Sedona Heritage Museum

915 Home occupation uses.

915.01 General Requirements. The following requirements shall apply to home occupation uses:

- A. A home occupation shall be conducted in a dwelling or accessory building on a property that is also used as a primary residence by the proprietor of the home occupation.
- B. In no way shall the appearance of the structure or premises be altered or the conduct of the occupation within the structure be reasonably recognized as serving a nonresidential use (by color, materials, construction, lighting, signs, sounds, vibrations, display of equipment, and the like).
- C. No one other than a resident of the dwelling shall be employed in the conduct of a home occupation. The category "Home Occupations" does not include a family of unrelated persons with disabilities residing in a group home licensed by the State of Arizona, including staff persons, as defined by this Code.
- D. The use shall not generate more pedestrian or vehicular traffic than typical to the district in which it is located.
- E. No indoor or outdoor storage of materials and/or supplies, including vehicles or equipment used in the occupation, shall be permitted which will be hazardous to surrounding neighbors or detrimental to the residential character of the neighborhood.
- F. The total usable floor space area dedicated to home occupation uses in any primary dwelling or accessory structure shall not exceed 25% of the gross floor area on the site.
- G. There shall be no use of utilities or community facilities beyond that typical to the use of the property for residential purposes.
- H. A home occupation shall not create any radio, television, computer or power line interference or noise audible beyond the boundaries of the site.
- I. No smoke, odor, liquid or solid waste shall be emitted.
- J. The conduct of the home occupation shall not interfere with the maintenance of the required off-street parking spaces on the property.
- K. There shall be no rental of residential space for commercial uses by others.

[Ord. 2006-02, 1-10-2006].



City Of Sedona Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

To: John R. Graham, Property Owner/Applicant
Alan Everett, Project Contact

From: Mike Raber, Senior Planner, (928) 204-7126, mraber@sedonaaz.gov
Cari Meyer, Senior Planner, (928) 203-5049, cmeyer@sedonaaz.gov

RE: PZ17-00007 (Major CPA, ZC) Sedona Hard Cider
Community Development Department Comments

Date: July 6, 2017

Staff has completed a preliminary review of the submitted materials for the above request and has the following comments. Please note that this preliminary review does not constitute a recommendation to approve or deny the request and does not seek to verify the accuracy of statements made by the applicant.

The following is provided as comments on the initial submittal package for the proposed Major Community Plan Amendment and Zone Change, focusing on the additional information Staff will need in order to complete the review of the application. As the project moves through the process and we come to a better understanding of the proposal, additional questions and comments may be generated.

1. Project Schedule

As this project involves a Major Community Plan Amendment, the following schedule has been set and must be adhered to in order to process the application in accordance with state requirements. If the project misses a meeting, deadline, or does not provide the required information to City Staff by the specified dates, the project may not be able to move forward and would have to wait until next year to be considered. Please note that for these meeting dates, all applications for Major Community Plan Amendments will be included on the agenda. The order of the agenda is yet to be determined and the agenda will be provided to you a minimum of one week in advance of the meeting.

- a. July 21, 2017: Deadline for additional information to be provided to Staff for inclusion in Planning and Zoning Commission meeting materials for Planning and Zoning Commission Work Session #1. Responses to comments are not required at this time, but will be accepted and provided to the Commission if received by the deadline.
- b. August 10, 2017, 3:30 pm: Planning and Zoning Commission Site Visit
- c. August 10, 2017, 6:00 pm: Deadline to withdraw application and receive a refund of noticing fees (if project is withdrawn after this date, the applicant will be responsible for their share of noticing fees incurred by the City).
- d. August 15, 2017, 5:30 pm: Planning and Zoning Commission Work Session #1
- e. August 24, 2017: Revisions in response to comments and public participation report due to Staff for inclusion in meeting materials for Planning and Zoning Commission Work Session #2 and Planning and Zoning Commission Public Hearing

- f. September 14, 2017, 3:30 pm: Planning and Zoning Commission Work Session #2
- g. September 19, 2017, 5:30 pm: Planning and Zoning Commission Public Hearing
- h. October 11, 2017, 3:00 pm: City Council Work Session
- i. October 25, 2017, 3:00 pm: City Council Public Hearing

2. General Comments

- a. The applicant is requesting approval of a Major Sedona Community Plan Amendment and Zone Change to allow for production of hard apple cider. The subject parcel comprises 3.63 acres along the west side of Copper Cliffs Lane (145 Copper Cliffs Lane, Sedona) and is designated "Single-family Low-density (0.5-2 DU/AC)" on the Sedona Community Plan's Future Land Use Map. The major amendment request would re-designate the property as "PA (Planned Area)" on the map. The applicant is also requesting to rezone the property from "RS-18b (Single-family Residential)" to "PD (Planned Development)."
- b. The proposal is located within the Copper Cliffs Community Focus Area (CFA) in the Sedona Community Plan. The Copper Cliffs CFA allows for the consideration of projects that retain large parcels and rural character, preserve the agricultural plantings and the residential land balance currently in existence, accept alternative forms of housing, and evaluate potential non-residential uses (e.g. neighborhood market) if tied to preservation of agricultural uses and protection of the riparian environment along Oak Creek.
- c. Please ensure that any changes made based on the following comments are reflected on all applicable pages of the submitted materials.

3. Community Plan Amendment and Zone Change

- a. While the information provided is generally sufficient for the Major Community Amendment portion of the application, additional information will need to be provided for the Zone Change portion of the application (see additional comments under Comment 4 – LOI and Site Plan). While the Zone Change application may be separated from the Community Plan Amendment application, the proposed use would not be permitted unless a Zone Change request is approved; the standards in place at the time of application submittal will be used in reviewing the Zone Change request application.

4. Letter of Intent (LOI) and Site Plan

- a. Please include a description for how all of the existing buildings will be used.
- b. Please provide total square footage calculations for each existing building.
- c. The Letter of Intent (LOI) states that there is no additional construction required. Please be aware that, if the requested zoning of Planned Development (PD) is approved, future construction may require approval of an amended PD, which may require approval by City Council.
- d. Please provide the estimated percentage of apples that would come from the site vs. elsewhere that are to be used in the cider production. Please describe the types and frequencies of anticipated deliveries.
- e. Please indicate whether there will be a size limit on the trucks used for deliveries and pickups. Please provide information on the road widths and turning movements in the area to ensure

they are sufficient for the sizes of trucks proposed and to allow the Fire District to evaluate accessibility for fire trucks.

- f. Please indicate the total number of parking spaces provided on site, including employee and delivery truck loading/unloading and parking.
- g. Please indicate whether any signs will be proposed as a part of this use. If signs will be proposed, please include detailed sign plans with the application.
- h. The LOI notes that two additional employees will be added if the proposal is approved. Please clarify the current total number of employees for the business, whether they are full time or part time, year-round or seasonal, and how many of those future employees (if any) will live on site.

5. Potential Fees

- a. New construction or a change in use, such as that being proposed, may trigger the need for additional sewer fees, development impact fees, and/or storm drainage fees to be paid. Based on the additional information provided in response to the comments above, Staff will make the determination as to whether additional fees are due.

6. Additional Information

- a. Some additional information ("Fact Sheet" and "Cider" information) was submitted prior to the application that was not included in the application packet. Please indicate whether this is meant to be a part of the application.

Cari Meyer - Re: City of Sedona Major Community Plan Amendments and Development Applications

From: Ryan Mortillaro
To: Meyer, Cari
Date: 6/22/2017 5:20 PM
Subject: Re: City of Sedona Major Community Plan Amendments and Development Applications
Cc: Holland, Roxanne
Attachments: 170622 Multifamily HD Conceptual Comments.docx; 170622 Pinon Multifamily Conceptual Comments.docx

Hi Cari,

Attached are my review comments. I do not have any comments for Sedona Hard Cider and 140 Navajo Drive.

Thank you,

Ryan Mortillaro, EIT
 Assistant Engineer
 City of Sedona Public Works Dept.
 Office: [928-203-5091](tel:928-203-5091)
 Cell: [928-821-6982](tel:928-821-6982)

>>> Cari Meyer 6/13/2017 1:41 PM >>>

****I use the same distribution list for all new development projects. If the project(s) on this list are not in your county or area of service, do not feel obligated to respond, but feel free to contact me with any questions you have or clarifications you may need.****

Good Afternoon,

Major amendments to the Sedona Community Plan are considered once per year by state law. The City has received three amendment proposals for consideration this year. The Community Development Department is also proposing a Major text amendment. A memo with additional information on these applications is attached and complete application materials are at <http://www.sedonaaz.gov/your-government/departments/community-development/projects>. The following is a summary of the proposals being considered this year:

1. **Sedona Hard Cider (PZ17-00007, Major CPA & ZC); 145 Copper Cliffs Lane (APN 401-26-004).** The property is in *Coconino County*. The applicant is requesting approval of a Major Community Plan Amendment and Zone Change to allow for the production of hard apple cider.
2. **Multifamily High Density Plan Amendment (PZ17-00008, Major CPA).** City-initiated request to amend the Land Use, Housing, and Growth Chapter of the Community Plan to allow for consideration of multifamily densities above 12 units per acre for development project that address housing diversity, affordability, and availability in order to address local housing needs.
3. **Pinon/89A Multifamily Project (PZ17-00009, Major CPA, ZC, DEV); 3285 W SR 89A (APN 408-11-086A).** The property is in *Yavapai County*. The applicant is requesting approval of a Major Community Plan Amendment, Zone Change, and Development Review to allow for the construction

of a 45 unit apartment complex. The zone change and development review portions of this project are considered a conceptual review at this point in the process.

4. **Son Silver West Parking Lot (PZ17-00010, Major CPA, ZC); 1535 SR 179 (APN 401-31-011).**

The property is in *Coconino County*. The applicant is requesting approval of a Major Community Plan Amendment and Zone Change to allow for construction of a parking lot.

In addition to the above Major Amendments, the City of Sedona Community Development Department has received the following development application. As a final review, your comments should focus on the accuracy and completeness of all information provided and whether the plans submitted meet your agency's requirements.

1. **140 Navajo Drive Zoning Reestablishment (PZ17-00011, ZC); 140 Navajo Drive (APN 408-24-496C).** The property is in *Yavapai County*. The property was originally rezoned from RMH-10 to RM-1 in 2002 in conjunction with a proposed multifamily project. The multifamily project was never completed and the zoning was never vested. A new development review and zoning was approved in 2013 for an apartment project. Again, the project was never completed and the zoning was not vested. The applicant is requesting approval of a Zone Change (ZC) to confirm the RM-1 zoning for this property and allow future development of the property to occur under the RM-1 standards. No development is proposed at this time. This project site is approximately 1.00 acres and is located at the northeast corner of the terminus of Navajo Drive.

Please review the materials at the link below. There will be a review agency meeting for these projects on **Wednesday, June 21, 2017, from 8:00 am to 10:00 am** in the Schnebly Conference Room at the Community Development Department Office. Comments are due by **Friday, June 30, 2017**.

Application materials can be found on the City's website at the following link:

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If you are not the correct person in your agency to review these types of projects, please let me know so that I can update my mailing list and get these projects to the correct people to review them. Thank you for your time and please let me know if you have any questions.

Cari Meyer, Senior Planner
City of Sedona Community Development
[\(928\) 203-5049](tel:9282035049)

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<https://www.surveymonkey.com/r/CommDevCustomerSurvey>

Mike Raber - Re: 145 Copper Cliffs Lane, Sedona

From: Andy Dickey
To: Alan Everett
Date: 5/24/2017 4:28 PM
Subject: Re: 145 Copper Cliffs Lane, Sedona
Cc: Raber, Mike; Holland, Roxanne; Ryan Mortillaro

Hi Alan,

It was nice talking with you earlier this week. We've reviewed the information provided below, in relation to our code requirements for traffic analysis. After considering this information, we determined no traffic studies or reports will be necessary for the proposed changes.

Per the City of Sedona City Code Article 14.10, a traffic impact study shall be submitted by the developer for any nonresidential development where 100 or more trips are expected to be generated by the development during either the peak traffic hours of the development, or during the peak traffic hours of the city as specified in writing by the city engineer.

Again, this determination is based on the information below. If anything changes when the application is made we can revisit the proposal in relation to the code.

Thanks,

J. Andy Dickey, P.E.
 Director of Public Works/ City Engineer
 City of Sedona
 Office: [928.203.5039](tel:928.203.5039), Cell: [928.239.0481](tel:928.239.0481)

City of Sedona
 Project Updates: www.SedonaAz.gov/CIP
 Bids & RFQ's: www.SedonaAz.gov/RFQ
 Be a Fan on Facebook: www.Facebook.com/CityofSedonaAZ

Please consider the environment before printing this email.

>>> Alan Everett <aeverett01@msn.com> 5/23/2017 5:01 PM >>>

Andy.

Thank you for discussing the above property with me yesterday

The owner, John Graham, will be requesting a Community Plan Amendment and zone change in order to produce hard apple cider.

The product will be produced from apples grown on his property which is 3.6 acres with 250 trees.

Information relating to traffic;

- No new construction as there is an existing building.
- No retail sales at the location; not open to the public.
- Currently fresh apples are delivered off the property. With the proposal they will be delivering the processed cider, rather than fresh apples.
- All deliveries off the property will be made by van, no large trucks. (Copper Cliffs Lane would not accommodate larger vehicles.)
- First year production estimate=1000 gallons. If delivered by van at 50 gallons per trip that would be 40 total trips-annually.
- 3rd/4th year production estimate=6000 gallons. If delivered by van at 50 gallons per trip that would be 120 total trips or about 2 per week.
- During peak periods, there may be 2 additional employees on site.

Some deliveries made locally will be in conjunction with other planned trips (post office, supermarket, appointments, etc).

This is a low intensity operation. Is there any additional information that we can provide that would assist you in determining what, if any, traffic study/report will be required for the plan amendment application?

Thanks.

Alan Everett

602-448-6927

From: Jon Davis <jdavis@sedonafire.org>
To: John Graham <johnrgraham@gmail.com>
CC: Cari Meyer <CMeyer@sedonaaz.gov>, Rick Evans <REvans@sedonafire.org>
Date: 6/29/2017 8:26 PM
Subject: Re: Sedona Orchards

John,

After researching the issue I have been able to draw a couple of conclusions regarding the access and water supply issues your proposed use would require.

- 1) Site access utilizing current layout meets the requirements of the fire code.
- 2) The enhanced use of the site to produce hard cider does not increase the square footage of structures on the site. Nor does the enhanced use of the site present a greater life safety hazard than currently exists. I will not require the addition of any fire hydrants for this project. I will not require the addition of a sprinkler system to any structure on this site.

Items #1 & #2 above shall be re-evaluated should any of the following occur;

- A) Any building onsite is increased in size.
- B) The residence or any other structure onsite is used for other than a single family dwelling or its current approved use, i.e B&B, short term rental (less than 180 Days), tasting room, assembly or mercantile occupancy.

Please contact me if you require any clarification of this assessment.

Thanks---Jon Davis

Fire Marshal

From: John Graham <johnrgraham@gmail.com>
Sent: Thursday, June 29, 2017 12:03
To: Jon Davis
Subject: Sedona Orchards

Hi Jon,

Great meeting you this morning and again thanks for your help. I wanted to confirm with you that I did look deeper into what the city has expressed that were going to need from us from an engineering standpoint, and that there was nothing more they wanted. So if we can avoid having to hire an engineering firm to do the turning radius study that would be great.

Have a great rest of the day!

John Graham

Cari Meyer - RE: [EXTERNAL E-Mail] City of Sedona Major Community Plan Amendments and Development Applications

From: <IFreeman@uesaz.com>
To: <CMeyer@sedonaaz.gov>
Date: 6/13/2017 2:08 PM
Subject: RE: [EXTERNAL E-Mail] City of Sedona Major Community Plan Amendments and Development Applications

Unisource has no conflicts with any of the projects.

Thanks for the info.

Irene

From: Cari Meyer [CMeyer@sedonaaz.gov]
Sent: Tuesday, June 13, 2017 1:41 PM
Cc: Audree Juhlin <AJuhlin@sedonaaz.gov>; Warren Campbell <WCampbell@sedonaaz.gov>
Subject: [EXTERNAL E-Mail] City of Sedona Major Community Plan Amendments and Development Applications

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If you are not the correct person in your agency to review these types of projects, please let me know so that I can update my mailing list and get these projects to the correct people to review them. Thank you for your time and please let me know if you have any questions.

Cari Meyer, Senior Planner
City of Sedona Community Development

[\(928\) 203-5049](tel:(928)203-5049)



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Sedona City Hall is open for business Monday through Thursday from 7 a.m. to 6 p.m. and closed on Fridays. The Municipal Court and Wastewater system maintenance remain on a Monday through Friday, 8 a.m. to 5 p.m. schedule. Police and maintenance services are not impacted.

PZ 17-00007 (Major CPA, ZC)

Exhibit B – Public Comment

From: william pattison <williampattison@yahoo.com>
To: Mike Raber <mraber@sedonaaz.gov>
CC: Andy Dickey <adickey@sedonaaz.gov>
Date: 9/11/2017 9:29 AM
Subject: REQUESTED CHANGES TO SEDONA COMMUNITY PLAN

Hi Mike, We have reviewed the proposed changes as put forth in the "Major Amendment Requests Sedona Community Plan" and concur with all those changes put forth. I personally am very fond of cider, and cider production would greatly assist our orchardists in the area. Further, the changes put forth to increase multi-family (and attendant parking) will provide for any housing shortfall into the future. Thank you, Bill & Lesley Pattison
125 Vista Grande Ct. 86336



**CITY COUNCIL
AGENDA BILL**

**AB 2293
October 11, 2017
Special Meeting**

Agenda Item: 3b

Proposed Action & Subject: Discussion/possible direction regarding a proposed Major Community Plan Amendment to the text of the Land Use, Housing and Growth Chapter (Chapter 3) to create a Multi-family High Density designation allowing for consideration of more than 12 dwelling units per acre for development projects that provide strategies for achieving housing diversity, affordability, and availability in order to address local housing needs. No specific properties have been identified or are being re-designated as part of this proposed amendment. A separate, privately-initiated Major amendment request for a Multi-family High Density apartment project (PZ 17-00009) is contingent upon this proposed text amendment. Applicant: City of Sedona. Case Number: PZ 17-00008 (Major CPA).

| | |
|-------------------------------|--|
| Department | Community Development |
| Time to Present | 20 Minutes |
| Total Time for Item | 1 Hour |
| Other Council Meetings | N/A |
| Exhibits | A. Staff Report and Attachments, Planning and Zoning Commission – September 19, 2017 B. Public Comments |

| | | | |
|-------------------------------|---|-----------------------------|-------------------------------------|
| City Attorney Approval | Reviewed 10/3/17 RLP | Expenditure Required | \$ 0 |
| City Manager's Recommendation | Discuss and provide any direction on a proposed Multi-Family High Density zone. | Amount Budgeted | \$ |
| | | Account No. (Description) | N/A |
| | | Finance Approval | <input checked="" type="checkbox"/> |

SUMMARY STATEMENT

This is a special work session for the October 25, 2017 Public Hearing on four proposed Major Amendments to the Sedona Community Plan, including the following item. This work session is for discussion only. The October 25th Public Hearing will include possible action by the Council.

Major Plan Amendment Applications

There are four proposals under review which are considered Major Community Plan Amendments. While the City routinely considers proposals to amend the Community Plan, the decision of whether or not to make a particular amendment is a legislative policy choice

left to the judgment and discretion of the Planning and Zoning Commission and City Council. In all four cases the Planning and Zoning Commission has evaluated the proposal and forwarded a recommendation to the City Council.

Factors to consider in making decisions on the proposals:

- How the proposals relate to the community's vision, adopted plans, overall consistency with the goals and policies of the Sedona Community Plan.
- Determining whether such amendment is in the interest of the public and not detrimental to the community.

The Planning and Zoning Commission staff reports for each Future Land Use Map amendment proposal include an analysis of how the proposal addresses Community Plan goals by noting how they:

- Comply;
- Partially comply;
- Do not comply; or
- Are not applicable.

Each application is:

- Evaluated based on its individual merit in meeting the Community Plan goals and policies.
- Not expected to meet or achieve each individual goal or policy.
- Expected to achieve several goals or policies.

By state law, Major Community Plan Amendments are:

- Considered once a year.
- A substantial alteration of the City's land use mixture or balance as established in the Plan's land use element. It is up to the City to develop criteria that meet this definition. The Major Amendment criteria are identified on page 113 of the Community Plan.
- Subject to public participation procedures adopted by the City Council.
- Required to be presented at a single public hearing in the same calendar year the proposal is made.
- Required to be approved by an affirmative vote of at least two-thirds of the members of the City Council.
- Initiated by the City or requested by the private sector.

Background:

The following is a summary of the proposal; for more specific information about the proposal and staff's analysis, please review the Planning and Zoning Commission's September 19, 2017 Staff Report provided in Exhibit A. Public comments are included in Exhibit B. The Planning and Zoning Commission's September 19, 2017 minutes will be available and included in the Council's October 25, 2017 packet. The minutes for the Planning and Zoning Commission's meetings held on August 15, September 14, and September 19 (audio only) are located online at: <http://sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents>.

The Sedona Community Plan has had a limit on multi-family residential density of 12 units per acre since it was first adopted in November 1991. Over the past several years, a number of developers have expressed a desire to develop apartment complexes, particularly to serve

the local workforce. However, based on the unit sizes and price ranges that would provide a multi-family product to meet the demands of the local workforce, the densities needed to make a project feasible exceed 12 units per acre. Based on the current language in the Community Plan, those densities would not be supported.

- The limit of 12 units per acre has been a stumbling block for the type of housing development (unit size and price range) that provides more diverse and affordable housing options.
- The City is proposing a Major Community Plan Text Amendment to add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs.
- The proposed text amendment would add a new designation to the Future Land Use Map and Land Use Element of the Community Plan.
- The proposed text amendment would add an additional Land Use Policy addressing multi-family high density development.
- The proposed text amendment would not redesignate any specific properties to the new land use designation.
- Another application (Pinon/89A Multi-family Project, PZ17-00009) is proposing to apply this designation to a property. This is included on the Council's October 11 and October 25 agendas.
- The text amendment must be approved for the Pinon/89A project to be considered.
- Approval of the text amendment does not guarantee approval of the Pinon/89A proposal.
- Without approval of the text amendment, the Pinon/89A project cannot be considered.

The Sedona Community Plan does not currently have a Future Land Use Designation that allows for more than 12 units per acre. However, one of the "Six Major Outcomes" of the Community Plan is Housing Diversity and the Land Use, Housing, and Growth element encourages "...diverse and affordable housing options". The Plan's Density limit does not align with this goal.

- The proposed text amendment is intended to better align Community Plan density with the Community Plan's goals and outcomes.
- In order to be able to consider applications that propose more than 12 units per acre, a new Land Use Designation is needed.
- Text amendment provides a process to consider projects with higher densities.

Community Plan Amendment Proposal

The proposed text amendments are as follows:

1. Future Land Use Map – page 27 and 51. Add the following to the Map legend:
"Multi-family High Density (Greater than 12 DU/AC)"
2. Page 26 – Multi-family Residential. Add the following:
"High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs."

3. Page 54 – Policies. Add a new policy #17:

“Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density”.

Evaluation of Proposal

The Sedona Community Plan notes that:

- A sustainable community offers a range of housing types by providing opportunities for people to live near jobs, shopping and services, which enable shorter trips, the use of alternative transportation, and a reduction in traffic congestion.
- Apartments provide a versatile housing type from the point of view of both individuals and developers.
- Apartments make up 4 percent of Sedona’s housing units compared with the statewide average of 22 percent.

One of the reasons the City has a low percentage of apartment housing is the density limit of 12 units per acre. This has often been cited as too low to support diverse multi-family housing options, including affordable units. Given the current density maximum of 12 units per acre, developers do not have the option of building more units and will instead build larger units in order to recoup their investment, leading to higher price points.

There are only two scenarios where multi-family housing of more than 12 units per acre can be approved:

- The City’s existing High Density Multi-family Residential (RM-3) zoning district allows a maximum of 20 units per acre. Though the City has had this zoning district since incorporation, the density limits in the Community Plan have not allowed new rezonings to this district.
- The current Community Plan includes a provision for residential densities greater than 12 units per acre in Community Focus Areas (CFAs) through the approval of a CFA plan. However, there are currently no opportunities for higher densities to be considered in areas outside of a CFA or in areas where a CFA plan has not been adopted.

In exploring options to address the current shortage of housing, Staff felt it was necessary to have a mechanism through the Community Plan to consider higher densities. The proposed text amendment would allow for the consideration of residential densities higher than 12 units per acre under certain circumstances.

In order to implement the text amendment, any new multi-family development proposing more than 12 units per acre would have to:

- Obtain a Major Amendment to the Community Plan’s Future Land Use Map.
- Obtain a rezoning approval. During the rezoning process, the project would be reviewed for compliance with the Community Plan language regarding the circumstances under which higher density residential development can be considered. A rezoning to the High Density Multi-family Residential (RM-3), Planned Development (PD) or Planned Residential Development (PRD) districts could be considered.

One of the comments brought up during the City's public outreach was that this proposal would not create enough of an incentive for developers to propose multi-family high density projects. Some of the other hurdles that were identified include the following:

- Need for a Major Community Plan Amendment.
- City Fees (Sewer Fees, Development Impact Fees, Building Permit Fees).
- High Cost of Land.

Staff recognizes that these all play a role in the difficulties that are encountered for developers desiring to build multi-family high density projects. However, before any of these items can be addressed, the first question that needs to be answered is whether or not the Community Plan is supportive of multi-family high density projects. Currently, with the density cap of 12 units per acre, the Community Plan is not supportive of multi-family high density projects, so trying to address the other hurdles is not a prudent use of resources. If the proposed Community Plan Text Amendment is approved, with City Council direction, Staff can begin to explore solutions that may address the other hurdles identified by developers.

For example, if given direction from Council, Staff could bring forward another Community Plan Amendment that would change the major amendment criteria so that a project that applies for the Multi-family High Density designation and meets the criteria could be considered as a Minor Amendment rather than a Major Amendment.

Summary

What the amendment will do:

- Create a process through which multi-family housing proposals with densities greater than 12 units per acre could be considered on a case-by-case basis.

What the amendment will not do:

- Change any property or result in any new "on-the-ground" development projects.
- Provides new entitlements to property owners.
- Create "affordable housing" projects.

Findings of Fact

- The Community Plan limits residential densities to 12 units per acre.
- The City has an extremely limited supply of multi-family developments and multi-family zoned land.
- One of the 6 desired outcomes of the 2014 Community Plan is Housing Diversity and the plan housing goals include encouraging diverse and affordable housing.
- Potential multi-family developers have cited the City's density cap of 12 units per acre as a significant impediment to development of multi-family projects.
- The State of Arizona's recent passage of SB 1350 has further tightened the Sedona housing market as many houses are being converted into short term rentals.
- Without a mechanism to consider multi-family projects with densities greater than 12 units per acre, it is unlikely that development of workforce housing will be feasible in Sedona.
- There may still be hurdles to seeing multi-family high density housing developed in Sedona. If given City Council direction to do so, Staff can explore other ways to incentivize development of multi-family high density residential projects.

Staff Recommendation

Based on the above findings, staff recommended that the Commission forward a recommendation of approval to Council for this request.

Planning and Zoning Commission Recommendation

The Planning and Zoning Commission held two work sessions and one public hearing on this item. The Commissioners discussed the proposal at length. Comments were focused mostly on whether or not to place an upper limit on the density. The Commission discussed placing a “cap” of 20 units per acre on the density. However, after discussing the effects of current development regulations (e.g. building height, parking, lot coverage) on new development, the Commission believed that these regulations will help limit the maximum number of units per acre and felt that a cap was not necessary.

Public comment in the meetings included those in support of the proposal and those opposed. Comments in the meetings included traffic concerns, the lack of a “cap” on the density, and that the amendment provides an opportunity to accomplish Community Plan goals and provide needed housing.

At the September 19, 2017 public hearing, the Planning and Zoning Commission moved to forward a recommendation of approval for the Major Amendment to the Community Plan.

Community Plan Consistent: Yes - No - Not Applicable

Staff believes that the proposed text amendment is in compliance with applicable Community Plan goals as enumerated in this Agenda Bill, the Planning and Zoning Commission Staff Report and accompanying background material (Exhibit A).

Board/Commission Recommendation: Applicable - Not Applicable

On September 19, 2017, the Planning and Zoning Commission, in a 5-0 vote (Commissioners Levin and Cohen excused) unanimously recommended City Council approval of this item.

Alternative(s): N/A

MOTION

I move to: for discussion only.

PZ 17-00008 (Major CPA)

Exhibit A – Staff Report and Attachments

Staff Report

PZ17-00008 (Major Community Plan
Amendment) Multi-family High Density
Text Amendment
Summary Sheet



City of Sedona

Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

Meeting Date: **Work Session:** September 14, 2017
Public Hearing: September 19, 2017

Hearing Body: **Planning and Zoning Commission**

Action Requested: Consideration of a Major Community Plan Text Amendment

Staff Recommendation: Recommendation of Approval of a Major Community Plan Text Amendment

Applicant: City of Sedona Community Development Department

Sedona Community Plan Designation:
Proposed new designation: Multi-family High Density (MFHD)

Report Prepared By: Cari Meyer, Senior Planner

Attachments:

1. Application Packet: Project Description, Amendment Process, Public Participation Plan
2. Background Report
3. Facts and Figures
4. Citizen Participation Report
5. Staff Responses to Planning and Zoning Commission Work Session
6. Public Comments

Staff Report

PZ17-00008 (Major Community Plan Amendment) Multi-family High Density Text Amendment



City of Sedona

Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

PROJECT SUMMARY

The City of Sedona is proposing a Major Community Plan Text Amendment to add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The text amendment would add a new designation to the Future Land Use Map and Land Use Element of the Community Plan along with adding an additional Land Use Policy addressing multi-family high density development. The proposed text amendment would not redesignate any specific properties to the new land use designation.

BACKGROUND

The Sedona Community Plan has had a limit on multi-family residential density of 12 units per acre since it was first adopted in November 1991. Over the past several years, a number of developers have expressed a desire to develop apartment complexes, particularly to serve the local workforce. However, based on the unit sizes and price ranges that would provide a multi-family product to meet the demands of the local workforce, the densities needed to make a project feasible exceed 12 units per acre. Based on the current language in the Community Plan, those densities would not be supported.

While the housing market in Sedona has been tight, in the past, the demand has been able to be met through the existing housing stock, with houses being rented out as long term rentals to the local workforce. However, with the State's passage of Senate Bill (SB) 1350 in 2016 (effective January 2017), much of that rental housing stock was converted into short term rentals, further taxing the local housing market.

As the City has begun exploring strategies for addressing local housing concerns, the limit of 12 units per acre has been a stumbling block for the type of housing development (unit size and price range) that provides more diverse and affordable housing options. Therefore, the City is proposing a Major Community Plan Text Amendment to add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The proposed text amendment would add a new designation to the Future Land Use Map and Land Use Element of the Community Plan along with adding an additional Land Use Policy addressing multi-family high density development.

While the proposed text amendment would not redesignate any specific properties to the new land use designation, another application being considered at the same public hearing (Pinon/89A Multi-family Project, PZ17-00009) is proposing to apply this designation to a property. While the text amendment must be approved for the Pinon/89A project to be considered, approval of the text amendment does not guarantee approval of the Pinon/89A proposal. However, without approval of the text amendment, the Pinon/89A project cannot be considered.

PUBLIC INPUT

- The proposal documents were placed on the Projects and Proposals page of the Community Development Department website (www.sedonaaz.gov/projects).

- An open house was held on August 22, 2017.
- The Citizen Participation Report for the proposal is included as Attachment 4.
- This proposal was included in the City-wide notice distributed by the City regarding all 2017 proposed Major Community Plan Amendments.
- A notice was published in the Red Rock News on September 1, 2017.

REVIEW AGENCY COMMENTS AND CONCERNS

The submitted documents were routed to review agencies for comments. Comments were received from the following agencies:

1. City of Sedona Public Works Department
 - a. No comments on the proposed text, but a general comment stating that increased density may require the developer to install additional infrastructure. Those requirements will be reviewed for individual projects when an application is made.
2. UniSource Energy Services
 - a. No conflicts with proposal.

COMMUNITY PLAN

The Sedona Community Plan does not currently have a Future Land Use Designation that allows for more than 12 units per acre. However, one of the “Six Major Outcomes” of the Community Plan is Housing Diversity and the Land Use, Housing, and Growth element encourages diverse and affordable housing options. In order to be able to consider applications that propose more than 12 units per acre, a new Land Use Designation is needed.

AMENDMENT PROPOSAL

The proposed text amendments are as follows:

1. Future Land Use Map – page 27 and 51. Add the following to the Map legend:
“Multi-family High Density (Greater than 12 DU/AC)”
2. Page 26 – Multi-family Residential. Add the following:
“High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs.”
3. Page 54 – Policies. Add a new policy #17:
“Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density”.

PUBLIC COMMENT

Below is a summary of the comments received:

- The City needs to be considering how to provide housing for various sectors of the population, including workforce, seniors, and families.
- The City should consider alternative forms of housing to address housing needs (tiny homes, modular units).

- The City should provide a build out estimate to accompany this proposal.
- The City should not increase densities. Solving the issue of low cost housing should not be an objective of the City.
- Sedona incorporated to preserve its scenic surroundings, small-town character and quality of life. High density should not be allowed.
- The Plan is only 3 years old and should not be changed. Additional density will create more traffic and noise.
- Cottonwood is not the solution for housing. There should be an option for a professional, hard-working person to live here.
- This amendment does not provide enough incentive for multi-family high density projects due to the following:
 - It requires another major amendment to change the Future Land Use Map to the new High Density designation.
 - Land costs and city fees (sewer, development impact fees) are still too high

City Staff completed the required citizen outreach for this project. A summary of that outreach is included as Attachment 4. All written comments received are included as Attachment 6.

PLANNING AND ZONING COMMISSION WORK SESSION

The Planning and Zoning Commission conducted a site visit to the subject property on August 10, 2017, and held a work session on the proposal on August 15, 2017. Questions and comments raised during those meetings and Staff's responses are included in Attachment 5.

REVIEW GUIDELINES

The following is requested from the Planning and Zoning Commission:

MAJOR COMMUNITY PLAN AMENDMENT

Recommendation of Approval from the Planning and Zoning Commission

In making a recommendation regarding a Major Community Plan Amendment to City Council, the Planning and Zoning Commission should determine whether such amendment is in the interest of the public and is consistent with the community's vision, adopted plans, Community Focus Area (CFA) Community Expectations, and overall consistency with the Sedona Community Plan.

DISCUSSION (MAJOR COMMUNITY PLAN AMENDMENT)

As defined by ARS 9-461.06, a major amendment is a substantial alteration of the City's land use mixture or balance as established in the Community Plan's Land Use Element. It is up to the City to develop criteria that meet this definition. Based on the criteria set by the City of Sedona in the Community Plan (page 113), the following Major Amendment criteria apply to this application:

1. *A change to the Future Land Use Map where a new land use designation is applied to the Map.*
2. *A modification to the text of the Community Plan that proposes:*
 - a. *A change in the density ranges within the residential land use categories or a change in the intensity of any land use category.*
 - b. *Substantial changes to goals and policies in the Land Use, Housing, and Growth Chapter.*

c. Addition of a new land use designation.

Once it has been determined that a Major Amendment is required, the following are required for the review of the application:

1. Major amendments are subject to public participation procedures adopted by the City Council.
 - a. As the property is not for a specific parcel, there is no notification radius for the project. A community open house was held on August 22, 2017. This open house was advertised in the Red Rock News and on the City's website. In addition, citizens who have previously indicated that they are interested in housing issues were informed of the meeting. A summary of that meeting is included in the Citizen Participation Report*
 - b. The public hearing was noticed in the Red Rock News with a ¼ page display ad on September 1, 2017.*
 - c. City-wide notification regarding all 2017 Major Community Plan Amendments was distributed on August 28, 2017 and included this proposal.*
2. Shall be presented at a single public hearing in the same calendar year the proposal is made.
 - a. The proposal was made in 2017. The Planning and Zoning Commission hearing is scheduled to be held on September 19, 2017, and the City Council public hearing is tentatively scheduled for October 25, 2017.*
 - b. All Major Community Plan Amendments will be presented at the same public hearing.*
3. Be approved by an affirmative vote of at least two-thirds of the members of the City Council.
 - a. The proposal will not become effective unless approved by two-thirds of the City Council.*
4. May be initiated by the City or requested by the private sector.
 - a. This proposal was initiated by the City of Sedona.*

EVALUATION OF PROPOSAL

Considerations for Major Community Plan Amendments

When considering a change to the Community Plan, consideration should be given to the following:

- The Community's Vision
- Adopted Plans
- Community Expectations
- Overall consistency with the Sedona Community Plan

Background Information and Community Plan Considerations

For a complete explanation of this proposal, the reasons it being proposed, and Community Plan implications, please see the following attachments:

- Background Report (Attachment 2)
- Facts and Figures (Attachment 3)

The following is a summary of the information contained in the documents listed above.

The Sedona Community Plan notes that “a sustainable community offers a range of housing types by providing opportunities for people to live near jobs, shopping and services, which enable shorter trips, the use of alternative transportation, and a reduction in traffic congestion” (Community Plan; Land Use, Housing, and Growth, page 23). However, while the Community Plan acknowledges that

“apartments provide a versatile housing type from the point of view of both individuals and developers,” it also notes that “apartments make up 4 percent of Sedona’s housing units compared with the statewide average of 22 percent” (ibid, page 24).

One of the reasons the City has a low percentage of apartment housing is the density limit of 12 units per acre. This has often been cited as too low to support diverse multi-family housing options, including affordable units. Given the current density maximum of 12 units per acre, developers do not have the option of building more units and will instead build larger units in order to recoup their investment, leading to higher price points.

Understanding that the density limits can be an impediment to housing development, the current Community Plan included a provision for residential densities greater than 12 units per acre to be permitted in Community Focus Areas (CFAs) through the approval of a CFA plan. However, these provisions are limited to the areas contained within the boundaries of the adopted CFA areas. Though City Staff is working diligently on CFA planning, there are a number of CFAs without adopted plans as well as significant areas of the City that will never have a CFA plan. Consequently, there are currently no opportunities for higher densities to be considered in areas outside of a CFA or in areas where a CFA plan has not been adopted.

In exploring options to address the current shortage of housing, Staff felt it was necessary to have a mechanism through the Community Plan to consider higher densities. The proposed text amendment would allow for the consideration of residential densities higher than 12 units per acre under certain circumstances.

Adoption of the text amendment would not redesignate any properties to the new land use designation. However, another Major Community Plan Amendment being considered in this same cycle (Pinon/89A Multi-family Project) is requesting a redesignation to this designation. Other properties desiring higher densities will need to apply for a Major Community Plan Amendment, along with potentially a zone change, development review, and/or subdivision, depending on the scope of the project.

Any new multi-family development would have to obtain rezoning approval in addition to a Community Plan Amendment. During the rezoning process, the project would be reviewed for compliance with the Community Plan language regarding the circumstances under which higher density residential development can be considered. Currently, the proposed language states:

“High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs.”

The City would use the zone change process and the language in the Community Plan to determine whether a proposal meets the criteria laid out in the Community Plan for consideration of densities greater than 12 units per acre.

While this application proposes to add a new land use designation to the Community Plan, a corresponding zoning district is already in place. The City’s existing RM-3 (High Density Multi-family Residential District) allows a maximum of 20 units per acre. Though the City has had this zoning district since incorporation, the density limits in the Community Plan have not allowed new rezonings to this district. Adoption of the new Community Plan land use designation would allow for Community Plan

support for rezonings to this district when the criteria in the Community Plan are being met. In addition to the RM-3 zone, a high density residential project could be considered through an application for a PD (Planned Development) or PRD (Planned Residential Development). Given the existing zoning districts, no changes to the Land Development Code are needed in conjunction with the Major Community Plan Text Amendment.

Other Hurdles for Multi-family High Density Development

One of the comments brought up during the City's public outreach was that this proposal would not create enough of an incentive for developers to propose multi-family high density projects. Some of the other hurdles that were identified include the following:

- Need for a Major Community Plan Amendment
- City Fees (Sewer Fees, Development Impact Fees, Building Permit Fees)
- High Cost of Land

Staff recognizes that these all play a role in the difficulties that are encountered for developers desiring to build multi-family high density projects. However, before any of these items can be addressed, the first question that needs to be answered is whether or not the Community Plan is supportive of multi-family high density projects. Currently, with the density cap of 12 units per acre, the Community Plan is not supportive of multi-family high density projects, so trying to address the other hurdles is not a prudent use of resources. If the proposed Community Plan Text Amendment is approved, with City Council direction, Staff can begin to explore solutions that may address the other hurdles identified by developers.

For example, if given direction from Council, Staff could bring forward another Community Plan Amendment that would change the major amendment criteria so that a project that applies for the Multi-family High Density designation and meets the criteria could be considered as a Minor Amendment rather than a Major Amendment.

CONCLUSION

The proposal under consideration is a Major Community Plan Amendment. While the City routinely considers proposals to amend the Community Plan, the decision of whether or not to make a particular amendment is a legislative policy action left to the judgement and discretion of the Planning and Zoning Commission and City Council. A variety of factors are considered when making these decisions, including how the proposal relates to the community's vision, adopted plans, Community Expectations and overall consistency with the Sedona Community Plan. In this case, the Planning and Zoning Commission is being asked to evaluate the proposal and forward a recommendation to the City Council.

The proposal is requesting a add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The proposed text amendment would not redesignate any specific properties to the new land use designation, but would create a mechanism through which multi-family high density projects could be considered. Applications to apply this new land use designation to the map would be considered on a case-by-case basis.

Findings of Fact

- The Community Plan limits residential densities to 12 units per acre.
- The City has an extremely limited supply of multi-family developments and multi-family zoned land.
- One of the 6 desired outcomes of the 2014 Community Plan is Housing Diversity and the plan housing goals include encouraging diverse and affordable housing.
- Potential multi-family developers have cited the City's density cap of 12 units per acre as a significant impediment to development of multi-family projects.
- The State of Arizona's recent passage of SB 1350 has further tightened the Sedona housing market as many houses are being converted into short term rentals.
- Without a mechanism to consider multi-family projects with densities greater than 12 units per acre, it is unlikely that development of workforce housing will be feasible in Sedona.
- There may still be hurdles to seeing multi-family high density housing developed in Sedona. If given City Council direction to do so, Staff can explore other ways to incentivize development of multi-family high density residential projects.

In conclusion, staff believes that the proposed text amendment is in compliance with applicable goals and policies as enumerated in the Community Plan and outlined in this staff report and is recommending approval.



Staff Recommendation (Major Community Plan Amendment):

Staff recommends approval of the proposed Major Community Plan Amendment as set forth in case number PZ17-00008 (Major CPA), Multi-family High Density Text Amendment.

Sample Motions for Commission Use

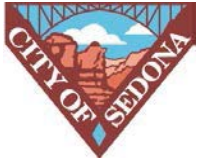
(Please note that the following motions are offered as samples only and that the Commission may make other motions as appropriate.)

Recommended Motion for Approval:

I move to recommend to the Sedona City Council approval of case number PZ17-00008 (Major CPA), Multi-family High Density Text Amendment, based on the findings as outlined in the Staff Report.

Alternative Motion for Denial:

I move to recommend to the Sedona City Council, denial of case number PZ17-00008 (Major CPA), based on the following findings (please specify findings).



City Of Sedona Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

Memorandum

DATE: June 12, 2017

TO: **Planning and Zoning Commission**
City Council

FROM: Michael Raber, Senior Planner

SUBJECT: PZ 17-00008: City-Initiated Major Community Plan amendment proposal

The request is for approval of a City-initiated request for a Major Sedona Community Plan text amendment to the Land Use, Housing, and Growth Chapter (Chapter 3) of the Sedona Community Plan. The text amendment will create a Multi-family High Density designation allowing more than 12 dwelling units per acre for development projects that provide strategies for achieving housing diversity, affordability and availability in order to address local housing needs. Based on City Council priorities, this designation could only be applied through a major Community Plan amendment request for multi-family projects that provide these types of strategies.

The proposed text changes to the Sedona Community Plan are as follows:

1. Future Land Use Map – page 27 and 51. Add the following to the Map legend:
“Multi-family High Density (Greater than 12 DU/AC)”
2. Page 26 – Multi-family Residential. Add the following:
“High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs.”
3. Page 54 – Policies. Add a new policy #17:
“Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density”.

COMMUNITY PLAN AMENDMENT PROCESS AND PUBLIC PARTICIPATION

PZ 17-00008 (Major CPA)

This is a Major Amendment to the Sedona Community Plan. By State Law, all Major Amendments must be considered together at one public hearing this calendar year. The Planning and Zoning Commission must first make a recommendation on the proposed amendments, including this one, to the City Council in a public hearing. The Council will consider whether or not to approve the amendments in a public hearing. A 2/3 vote of the City Council is required to approve the Plan amendments.

At least 60 days prior to the public hearing notification process for the Planning and Zoning Commission, the City will transmit the amendment proposals to the Planning and Zoning Commission; City Council; Coconino and Yavapai Counties; Northern Arizona Council of Governments, Arizona Department of Commerce and Department of Water Resources. The proposals will also be transmitted to other agencies, utilities, internal City departments and other City Commissions for comment.

During this 60-day period (mid-June to mid-August 2017), the public will have an opportunity to comment on this and other Major Amendment proposals.

In September 2017, plan amendment proposals will move into the public hearing phase. A public notice will be mailed to all City residents and property owners describing the proposals, announcing the Planning and Zoning Commission public hearing, where additional information may be reviewed, additional input opportunities and how the City can be contacted regarding comments and concerns. The notice will also be placed in the paper.

A Planning and Zoning Commission public hearing is tentatively scheduled for September 19, 2017. The Commission may forward a recommendation to Council or they may continue the hearing to another date.

The City Council public hearing is tentatively scheduled for October 25, 2017. The Council may take action or continue the proposal. However, the Council must take action by the end of the year in order to approve the amendment. Noticing for the Council public hearing is the same as that for the Planning and Zoning Commission.

EXISTING CONDITIONS

The following information about the availability of multi-family residential housing in Sedona provides a background for understanding why this amendment to the Sedona Community Plan (Plan) is being proposed. Attachment 1b is a supplement to the following background information and includes a variety of data and figures on the history, number, and distribution of multi-family housing in the city.

Explanation of Terms:

First, an explanation of “multi-family” housing: the term differentiates housing with multiple living units as opposed to single-family detached homes. Multi-family can be further broken into various categories such as an apartment, townhouse, or duplex. Apartments are individual dwelling units for rent within a portion of a building. Townhouse and condominiums are individually owned dwelling units, typically with shared ownership of common areas, and may be owner occupied or rented.

Another term important to this discussion is “density”, or the number of housing units per acre of land. Single-family houses on large lots are low density, whereas high density can accommodate more housing units within the same land area.

Density Examples



Density: 1 unit/acre



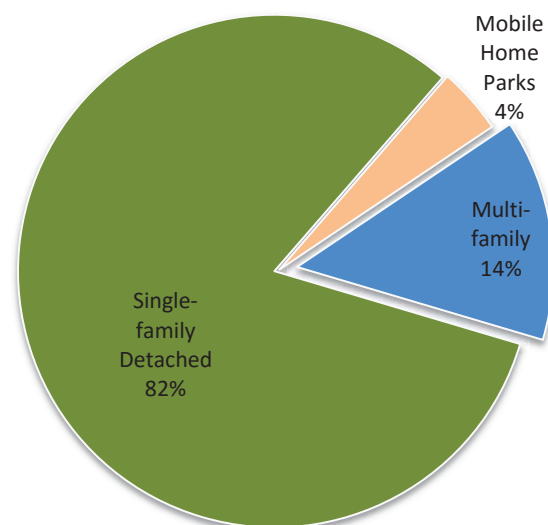
Density: 6 unit/acre

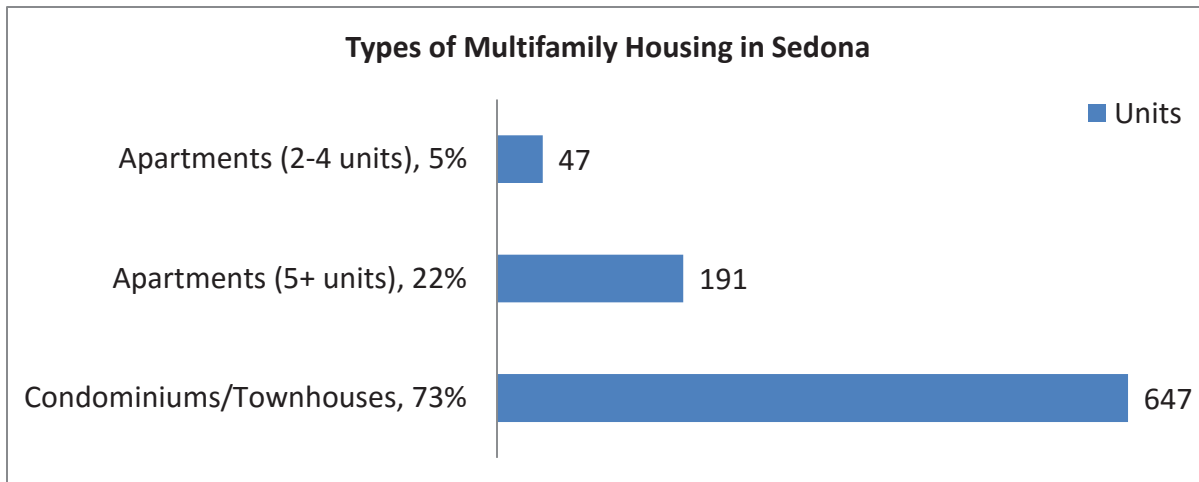
Existing Multi-family Housing

There are a total of 885 units of multi-family housing in the city. For comparison, there are 5,326 single-family detached housing units in the city. The total number of built housing units in the city, including mobile homes, is 6,516. To provide yet another comparison, there are more lodging units in the city than there are multi-family units (2,527 lodging to 885 multi-family units).

Among the city’s various types of housing, multi-family housing makes up approximately 14% of all housing units (see Existing Housing Types chart to the right). In comparison, the national average is 32% multi-family (U.S. Census Bureau). The chart on the following page (Types of Multi-family Housing) breaks down the city’s existing multi-family into 3 different categories with the number of units for each type.

Existing Housing Types





Current Multi-family Zoning

There are 4,453 acres of land in the city zoned for residential housing. Of that, 60 acres are within one of three multi-family zoning districts (RM-1, RM-2, and RM-3). Of the 60 acres, 18 acres are now vacant. Considering the allowable density of the vacant land, a maximum of 220 new multi-family units could be built. However some of the 18 acres may be unbuildable due to topography or other constraints.

The RM-3 zoning district allows for a maximum of 20 units per acre. 18 acres of land in the city is currently zoned RM-3 and only 2 acres of that is vacant, which would allow for a maximum of 40 new units on land zoned RM-3. While the RM-3 district allows for a maximum of 20 units per acre, the Plan's future land use designations limit multi-family density to 12 units per acre. This application proposes to amend the Plan so that it is aligned with the zoning districts.

| Multi-family Zoning Districts and Acreage | | |
|---|--------------------|--------------|
| <u>Zoning</u> | <u>Max Density</u> | <u>Acres</u> |
| RM-1 Medium Density Multi-family Residential | 8 units/acre | 4 |
| RM-2 High Density Multi-family Residential | 12 units/acre | 38 |
| RM-3 High Density Multi-family Residential | 20 units/acre | 18 |
| Total: | | 60 |
| All other residentially zoned property (e.g. single family residential and planned residential developments): | | 4,453 |

Challenges to the Availability of Multi-family Housing:

One of the Plan's goals is to "Encourage diverse and affordable housing options." Yet there is a wide variety of challenges to doing so, including:

- A diminishing supply of vacant land
- Zoning limitations (as described above)
- The cost of land
- The historic trend in Sedona for single-family homes

These and other challenges, some of which are unique to Sedona, are described in more detail below.

Development Limitations

Over the past few years, several developers have expressed a desire to develop multi-family and apartment complexes with a goal of tapping into the demand for local workforce housing. During these conversations developers often express concern and frustration with one or more of the following:

- Density limit of 12 units/acre
- Cost of land
- Sewer connection fees
- Development impact fees
- Requirements for affordability
- Development standards (e.g. parking, height, site coverage)
- Approval and permitting process (e.g. length and controversy)

To develop a multi-family project that provides elements of affordability and housing choice, without some kind of financial subsidy, higher densities are crucial to make a project viable. The city's density limit of 12 units per acre is often cited by potential developers as too low to support diverse multi-family housing options, including affordable units.

To build a project such as an apartment complex, developers need to offset the costs of development. A greater number of units allows fixed costs (e.g. land, road improvements) to be distributed among more units, resulting in reduced costs per unit. Another factor that contributes to consumer affordability is unit size; smaller units typically rent for lower prices than larger units. However, in order for a project with smaller units to work financially for the developer, the number of units needs to increase. Given the current density maximum of 12 units per acre, developers do not have the option of building more units and will instead build larger units in order to recoup their investment, which tend to be at a higher price point. In an Urban Land article "Why Aren't More Small Apartment Projects Built?", the author, Beth Mattson-Teig, highlights the fact that the effort to design, develop, and receive entitlements for a small project (less than 50 units) is roughly equal to the effort to develop a large project (more than 150). Thus, staff believes that the limits on density and thus the limited number of potential units, discourages the development of multi-family projects in the city.

Cost of Housing

Sedona's median price home in 2016 was \$479,000 and appears to be climbing in 2017. In 2006-2007 the median price was approximately \$600,000 and dipped to \$330,000 in 2011. In 2003 when the Housing Commission was established, the median price of approximately \$420,000 was considered unaffordable for most of Sedona's workforce. According to the City of Sedona Human Resources Department and the Sedona Unified School District, in 2011, the average salaries for service employees such as police and teachers were in the range of \$38,000-\$50,000. The Yavapai College Regional Economic Center Report entitled "Verde Valley Economic & Workforce Analysis 2017" states that the average earnings in 2016 were \$39,312. Even at salaries of up to \$50,000, a median priced home in Sedona is unaffordable. For those unable to afford to buy a home in Sedona, there is a need for alternative types of housing.

Vacation Rentals

Effective January 1, 2017 a State senate bill (SB 1350) ended the prohibition on short-term vacation rentals in Sedona (A.R.S. § 9-500.39). The statute defines vacation rentals as:

"Vacation rental" or "short-term rental" means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

Based on this definition, properties that may have been previously used as long-term housing rentals can now be used as vacation rentals and include: single-family homes, duplex/fourplex (1-4 units), guest homes, accessory dwelling units (ADUs), and condominiums/townhouses. Many of these have been long-term rental housing options (both single-family and multi-family) that are being converted to vacation rentals, which in many cases have led to the eviction of renters forced to find housing elsewhere.

ADUs were originally intended to help increase the inventory of affordable housing. However, with the passage of SB 1350 the city's ADU regulations were repealed, as ADUs may now be used as vacation rentals. Thus, the allowance for vacation rentals has resulted in a smaller pool of rental housing, exacerbating the issue of housing availability and affordability, including increases in monthly rental rates and substandard living conditions.

Substandard Housing

As a tourist destination with a high cost of living, the city has seen substandard housing in the past; however with the increasing number of conversions to vacation rentals and displaced renters looking for new housing options, the amount of substandard and unsafe housing has increased. City code enforcement staff has seen more complaints and concerns about unusual, illegal, and unsafe living conditions. Often, the people found to be living in these conditions are employees working in the city. Some property owners have seen the need as an opportunity and have illegally converted buildings to create spaces for rent that are often not habitable.

There have been cases of unpermitted (and often unsafe) building additions or building interiors being divided up to create more space to rent. Examples of other substandard housing that has been encountered include: storage units, garages, sheds, walk-in closets, crawl spaces underneath a house, as well as people living in cars or camping.

The Housing Issue in Context

Since incorporation, the city has recognized the need for diverse and affordable housing. It was addressed in the first Plan in 1991 and each subsequent update. For many years, neighboring communities such as Cottonwood and Camp Verde have met a great deal of Sedona's housing needs. It has been historically recognized that Sedona itself could never address the full spectrum of affordable and diverse housing needs and that any solution would require a regional aspect. The Verde Valley region's housing needs are also increasing, and with Cottonwood growing, their supply of housing for both cities may not be able to keep up with the demand.

Responding to these concerns, City Council established a Housing Commission in 2003 for the purpose of examining ways to improve the city's role in creating additional housing opportunities. The importance of this issue was reaffirmed in 2004 as City Council included affordable housing as one of their top five priorities, and it remains a Council priority today.

This is not only a local issue. According to the Urban Land Institute's 2015 report "Preserving Multifamily Workforce and Affordable Housing":

America's multi-family housing stock for "lower- and middle-income renters"—those who earn up to the area median income (AMI)—is slowly but surely disappearing. The often-overlooked apartment properties that provide decent, affordable homes for millions of workers, senior citizens, and young children in households with modest incomes exist in all parts of the country. These "workforce and affordable" properties are an essential element of our national infrastructure and the fabric of our local communities. They will not likely be replaced in nearly the numbers that are needed, absent unforeseen policy interventions.

The continued loss of this critical if underappreciated real estate asset class, already playing out in many markets, will impose ever-greater social and economic costs on our country in the years ahead. "Preserving" the nation's existing housing for lower- and middle-income renters—ensuring that it remains in good physical condition and affordable to households that most need it—must be a top priority for the real estate community, public officials, and the nation as a whole.

The mix of housing types available is also not keeping up with changes in preferences. The National Multifamily Housing Council stated:

Importantly, this supply-constrained market comes at a time of historic growth in renter households. Changing lifestyle preferences and major demographic shifts are driving growing apartment demand. Only five times since 1966 has the annual growth in renter households exceeded one million; three of those have been in the last four years.

The 76 million Baby Boomers who may consider downsizing their homes and moving to more walkable neighborhoods where rental housing is prevalent are just part of what's driving the growth of renter households to historic levels. There are also the nearly 80 million Millennials who will create up to 25 million new households from 2015-2025. Their preferences, which initially favor rental housing, will reshape housing demand. Finally, the primary driver of suburban development—married couples with children—has fallen from 44% of households in 1955 to under 20% today, and that number continues to fall.

Community Plan Recommendations:

This application is addressing the discrepancy between the zoning districts and the Plan's future land use designations (see the table below). The first Community Plan, after city incorporation in 1988 chose to limit the multi-family housing density to 12 units per acre, which at the time was considered sufficient. Since then the lack of housing diversity has become more apparent, so much so that it is one of six desired outcomes in the 2014 Plan. These outcome statements are intended to reflect future conditions, and in the Plan's summary (page vi) under "Housing Diversity" the desired outcome is that:

Sedona has fostered the building of different housing types to provide more options for all ages and income levels by using innovative public policies and programs and nurturing partnerships with private developers. This housing diversity has attracted more young people, families, and professionals, to become a vital part of our community life.

| Comparison of Multi-family Zoning Districts and Future Land Use Designations | | | |
|---|------------------------|--|--------------------|
| <u>Land Development Code Zoning Districts</u> | <u>Max Density</u> | <u>Community Plan Future Land Use Designations</u> | <u>Density</u> |
| RM-1 Medium Density Multi-family Residential | 8 units/acre | Multi-family Medium Density | 4 to 8 units/acre |
| RM-2 High Density Multi-family Residential | 12 units/acre | Multi-family Medium & High Density | 4 to 12 units/acre |
| RM-3 High Density Multi-family Residential | 20 units/acre | No corresponding designation | |

The Plan's housing goal (page 17) of encouraging diverse and affordable housing options overlaps with other goals in the Plan such as sustainability, circulation, economic development, and community. Furthering the housing goal positively influences these other goals, moving Sedona closer to achieving the community's vision, as summed up on page 24 of the Plan:

Encouraging a variety of choices in housing types is consistent with the community's vision for a future that "nurtures connections between people, encourages healthy and active lifestyles, and supports a diverse and prosperous economy, and values the protection of the environment."

The following is another excerpt from the housing section that further explains how the different elements of the community vision are intertwined (page 23):

Choice in housing is important to both individual families and the community as a whole. The home is the foundation of any community, and a diversity of housing choices is essential for a prosperous, sustainable, and healthy place to live.

A sustainable community offers a range of housing types by providing opportunities for people to live near jobs, shopping, and services, which enable shorter trips, the use of alternative transportation, and a reduction in traffic congestion. There are also economic benefits associated with a diversity of housing choices, such as the ability to attract and retain businesses and employees. A lack of choices may mean a loss in revenue when employees choose to live in another community that has more housing options, where they spend their income outside the City.

Housing choices are also important to seniors whose needs will change as they age, whether they are downsizing, want a lower maintenance home, or need support services, or a full service healthcare facility. Without a range of options, elderly residents may relocate to meet their needs. Similarly, families and young people who grew up in Sedona may relocate due to the lack of housing choices.

Understanding that the City's current density limits can be an impediment to housing development, the Plan includes a provision for residential densities greater than 12 units per acre to be considered in Community Focus Areas (CFA) through the approval of a CFA plan. The Western Gateway CFA Plan, adopted in 2016 includes provisions that promote housing diversity and affordability with more specific incentives to allow for increased densities over 12 units per acre. However, these provisions are limited to property within the Western Gateway CFA boundary. While CFA planning is one way to potentially address needs for higher densities, not all CFA plans will include such provisions, and not all areas of the city will fall within a CFA.

The following are additional Community Plan Goals and how this proposal relates to those goals.

- *Create mixed use, walkable districts.* Land Use Goal, p. 17

This goal is also discussed in the Community Expectations for several CFA's including consideration for densities greater than 12 units per acre in conjunction with CFA planning. Housing diversity plays a key role in creating a mixed use environment, which also encourages pedestrian access to jobs, shopping and services.

- *Create a more walkable and bike-able community.* Circulation Goal, p. 57

A higher density housing option is an opportunity for more residents to live closer to jobs and services within walking and biking distance and with better access to transit.

- *Support locally owned businesses.* Economic Development Goal, p. 89

Higher density housing contributes to housing diversity with other housing options for professionals, employees and residents.

- *Ensure that the needs and aspirations of the community now and into the future are met through a variety of cultural activities, opportunities and facilities.* Community Goal, p. 97

This proposal provides a needed housing option to help support professionals and businesses with housing options for themselves, employees and residents of the community.

PROPOSED AMENDMENT

This application proposes several changes to the text of the Community Plan that would address high density multi-family housing. The following explains each of the proposed changes.

1. Addition of a new future land use designation

This application proposes to add the following new land use designation to the Future Land Use Map legend (shown to the right) on page 27 and 51 of the Community Plan:

“Multi-family High Density
(Greater than 12 DU/AC)”

This addition would better align the Plan’s goals with its future land use designations. The Plan’s lack of a high density multi-family designation is inconsistent with the Plan’s goal to “encourage diverse and affordable housing options.” This amendment proposes to remove this inconsistency and align the Plan’s density allowances and housing goals.



Community Plan, page 27 and 51
Placement of proposed new designation

This amendment will also align the Plan with the city’s zoning designations. Since city incorporation, the RM-3 zoning district has allowed densities of up to 20 units per acre. Yet the Plan’s maximum density for multi-family is only 12 units per acre.

Without this proposed text amendment, there are only two scenarios that would allow a developer to build multi-family housing at more than 12 units per acre:

- Locate on property zoned RM-3 (see the discussion about zoning on page 2 above).
- Locate within the area of an approved CFA Plan that supports more than 12 units per acre. This would require a zone change and a *minor* Plan amendment (see discussion on page 7).

Since the Plan does not have a future land use designation for higher density, it is not possible to request a rezoning to RM-3 if the above conditions are not met.

2. Addition of text to the Plan's "Land Use Designations" descriptions.

This application proposes to add the following language to the paragraph about multi-family housing (shown to the right) on page 26 of the Plan:

"High density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs."

Any projects requesting a higher density would need to positively impact the community's housing issues such as enhancing the different types of housing choices, providing affordable housing options, and increasing the supply of multi-family housing.

By evaluating each project individually, a variety of factors will be considered to determine the suitability of a project. Some of those factors will include the suitability of the location, the impacts on neighboring land uses, the effects of a higher density of land use, and the community benefits.

3. Add a Land Use Policy

This application proposes to add an additional policy (#17) about high density multi-family housing on page 54 of the Community Plan:

"Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density".

Since the high density designation did not exist prior to this amendment, implementation of this policy would require that a landowner first request a change to their property's land use designation. A landowner would then be able to request a zone change to RM-3, PD (Planned Development), or PRD (Planned Residential Development) when the housing needs criteria are being met. Given that these zoning districts are established, no changes to the Land Development Code are needed in conjunction with this amendment. However future updates to the Land Development Code may propose new mixed use zoning categories that would support higher multi-family densities for the purpose of providing diverse and affordable housing options.

LAND USE DESIGNATIONS

The Future Land Use Map is the graphic depiction of desired future land uses for Sedona. The following are the descriptions of the Future Land Use Map designations.

Residential

Single-family Residential

Clustering of residential units is strongly encouraged for new residential projects in concentrated areas to direct development away from more environmentally sensitive portions of a site. New development adjacent to the National Forest should provide maximum feasible open space buffers to these lands to minimize urban interface impacts.

Multi-family Residential

Includes patio homes, townhouses, condominiums, apartments, single-family attached uses. Multi-family development is also encouraged within commercial areas and mixed use development in Community Focus Areas (CFA). *

Community Plan, page 26

* New text to be added

Please note that there is currently another application for a Major Plan Amendment now being considered that will be contingent upon this amendment. The Pinon/89A Multi-family Plan Amendment Proposal (PZ17-00009) is requesting a change to this new land use designation and a zone change to RM-3 in order to build a 45 unit apartment complex on State Route 89A.

What the amendment will not do

This amendment alone will not result in any changes to property or directly result in any new on-the-ground development projects. It does not change any properties to the new land use designation. It adds a designation to the *legend* of the Future Land Use Map, but does not change the map itself. It does not provide landowners with any new entitlements.

How this amendment will be utilized

To see any on-the-ground changes that result from this amendment will require a series of steps initiated by a landowner. This would involve multiple applications and evaluations that may or may not result in approvals of the proposed changes. The proposals would be evaluated on a case-by-case basis to assess the merits of the request and whether the proposal addresses the community's housing needs.

Since this will be landowner initiated, the first step is that the landowner applies for a Major Community Plan Amendment to change the land use designation of their property to the new designation of multi-family high density. This step would be required because of the criteria for major amendments that includes changes to the Future Land Use Map and increases in residential densities above 12 units per acre. The Planning and Zoning Commission and the City Council would review both the applications, take public comments, and determine the outcome. The request for a Major Community Plan Amendment would require a 2/3 vote of City Council. If the requested amendment was approved, the Plan's Future Land Use Map would be amended accordingly.

In addition, the landowner would also need to request a zone change and development review approval. Those applications would be reviewed based on the currently established processes. The zone change would require a recommendation from the Planning and Zoning Commission and approval by the City Council while the development review application would only require Commission approval. Once all approvals are obtained, the City would be able to issue building permits based on the approved project.

Although not specifically proposed here, if the requirement for each high density project to obtain Major Amendment approval is considered as too much of a disincentive for future applicants, language could be added to the Major Amendment Criteria on page 113 of the Plan that would only require a Minor Amendment for these High Density Multi-family projects that meet local housing needs. Minor Amendments can be considered at any time and do not require a 2/3 vote of the City Council to approve. If City Council gives staff this direction, the changes to the Major Amendment Criteria can be brought forward by staff as a Minor Amendment.

Major Plan Amendment Criteria

As defined by A.R.S. § 9-461.06, a major amendment is defined as a substantial alteration of the City's land use mixture or balance as established in the Plan's land use element. It is up to the City to develop criteria that meet this definition. Based on the criteria set by the City of Sedona in the Plan (page 113 of the Plan), the following are the Major Amendment criteria. Those that apply to this application are in bold:

A. A change to the Future Land Use Map where:

- 1. There is an increase in density beyond the density range of a specific residential land use category and the density allowed by the Zoning Map.*
- 2. There is an increase in residential density above 12 DU/AC.*
- 3. There is a change in the land use designation from:*
 - Residential to Commercial; Commercial/Lodging and Planned Area*
 - Public/Semi-Public to Residential; Commercial; Commercial/Lodging and Planned Area.*
 - Planned Area to Commercial; Commercial/Lodging.*
 - Commercial to Commercial/Lodging if outside the Lodging Area Limits in the Future Land Use Map designation.*
 - Parks and Open Space to any other land use designation.*

4. A new land use designation is applied to the Map.

B. A modification to the text of the Community Plan that proposes:

- 1. A change in the density ranges within the residential land use categories or a change in the intensity of use in any land use category.*
- 2. Substantial changes to goals and policies in the Land Use, Housing and Growth chapter.*
- 3. Addition of a new land use designation.*

Major Plan Amendment Procedures

Once it has been determined that a Major Amendment is required, the following are required for the review of the application:

- 1. Major amendments are subject to public participation procedures adopted by the City Council.*
 - a. As the property is not for a specific parcel, there is no notification radius for the project. A community open house was held on August 22, 2017. This open house was advertised in the Red Rock News and on the City's website. In addition, citizens who have previously indicated that they are interested in housing issues were informed of the meeting.
 - b. The public hearing was noticed in the Red Rock News with a ¼ page display ad.
 - c. City staff completed the noticing with a City-wide notification for all Major Plan Amendments, including this proposal.

2. *Shall be presented at a single public hearing in the same calendar year the proposal is made.*
 - a. The proposal was made in 2017. The Planning and Zoning Commission hearing is scheduled to be held on September 19, 2017, and the City Council public hearing is tentatively scheduled for October 25, 2017.
 - b. All Major Plan Amendments will be presented at the same public hearing.
3. *Be approved by an affirmative vote of at least two-thirds of the members of the City Council.*
 - a. The proposal will not become effective unless approved by two-thirds of the City Council.
4. *May be initiated by the City or requested by the private sector.*
 - a. This proposal was initiated by the City of Sedona.

REFERENCES

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Mazur, Christopher. 2013. *Physical Characteristics of Housing: 2009-2011*. United States Census Bureau, American Community Survey Briefs.

Williams, Stockton. 2015. *Preserving Multifamily Workforce and Affordable Housing: New Approaches for Investing in a Vital National Asset*. Washington, DC: Urban Land Institute.
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Yavapai College Regional Economic Development Center. 2017. *Verde Valley Economic & Workforce Analysis 2017*.

Multi-family Housing in Sedona – Facts and Figures

The following is a supplement to the background report, and provides additional details about multi-family residential housing in the city. The attached maps show 1) Existing Multi-family Housing in Sedona, and 2) Vacant Land Zoned for Multi-family Housing in Sedona.

Existing Multi-family Housing by Number of Units

The largest multi-family developments by units, all of which are condos or townhouses:

| Name | Units | Density | Acres | Date built | Location |
|-------------------------|------------|---------|-------|------------|---------------------------------------|
| Nepenthe Townhomes | 182 | 8 | | 1996 | Shelby Drive/ S Monte Verde Dr. |
| Anasazi Village Condos | 74 | 8 | | 1989 | Sunset Dr./ Morning Sun Dr. |
| Vista Montana Townhomes | 66 | 8 | | 1983* | Soldiers Pass Rd/ Vista Montana Rd |

*First phase of construction.

The largest apartment complex in the city:

| | | | | | |
|------------------------|-----------|------|--|------|----------------|
| Shadowbrook Apartments | 54 | 12.5 | | 1987 | 145 Navajo Dr. |
|------------------------|-----------|------|--|------|----------------|

Density of Existing Multi-family

While there are a variety of factors that influence density, of the existing multi-family developments in Sedona, the trend is that the smallest properties have the highest densities.

Average density of 1+ acre properties: 9 units/acre

Average density of properties less than 1 acre: 17 units/acre

Looking at the 9 highest density apartments in the city, the following are the characteristics typical of these developments.

- 6 to 15 units
- Built between 1960-1981
- Densities average 34 units/acre
- Average lot size is 0.23 acres (largest lot is .41 acres)
- Located in Uptown

Since it may be difficult to picture what different densities looks like, the following are developments that are visible from major roads and thus may be familiar examples.

| Name | Units | Density | Acres | Date built | Location |
|-----------------------|-------|-----------|-------|------------|---------------------------------|
| Arroyo Seco Townhomes | 45 | 4 | 11 | 1983 | Dry Creek Rd/Arroyo Seco Dr |
| Casita Bonita Condos | 22 | 6 | 4 | 1983 | 260 Coffeepot, behind Bashas |
| Nepenthe Townhomes | 182 | 8 | 22 | 1996 | Shelby Dr/S Monte Verde Dr |
| Tierra Sienna Condos | 32 | 15 | 2 | 1987 | 250 Sunset Dr |

Acres of Multi-family Zoned Property

Multi-family residential zoning includes the three districts: RM-1, RM-2, RM-3. This table includes how much land that is zoned multi-family is vacant versus built, and for comparison how much land is zoned as other residential uses and how much of that is vacant.

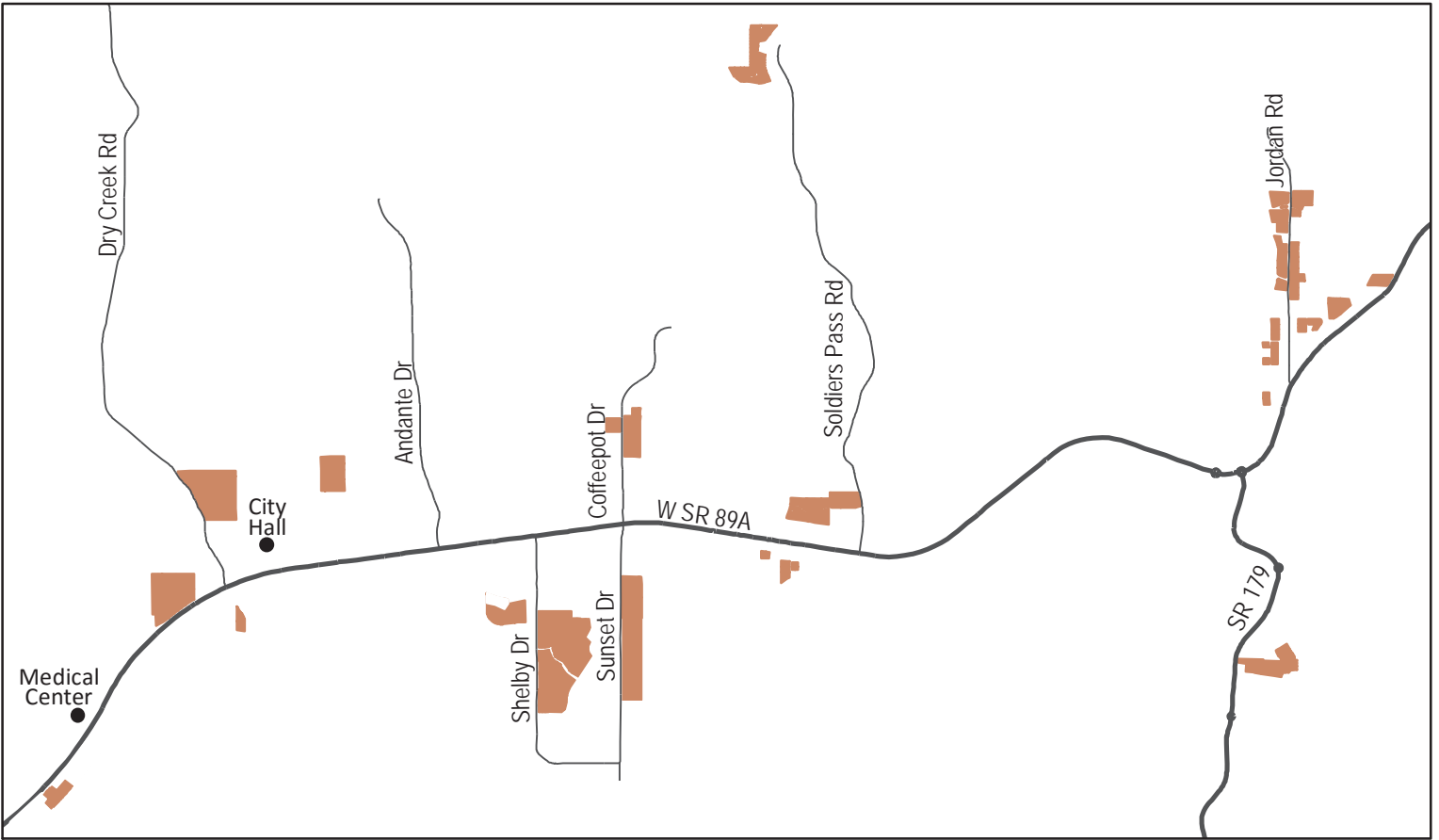
| <u>Zoning</u> | <u>Acres zoned Multi-family</u> | <u>Acres built as Multi-family</u> | <u>Acres built as other*</u> | <u>Acres Vacant</u> |
|--|---------------------------------|------------------------------------|------------------------------|---------------------|
| RM-1 Medium Density Multi-family Residential | 4.24 | 0.6 | 0.9 | 2.7 |
| RM-2 High Density Multi-family Residential | 38.63 | 21 | 4 | 13 |
| RM-3 High Density Multi-family Residential | 18.41 | 11 | 5 | 2 |
| Total: | 60 | 32 | 5 | 18 |
| All other residentially zoned property, such as Single-family Residential and Planned Residential Development: | 4,453 | | | 1003 |

*Some properties that are zoned for multi-family are currently occupied by other land uses such as lodging or commercial.

Density of Multi-family Zoned Property

The following table lists the densities for each of the multi-family zones, how many acres are vacant, and if the vacant land were built to the maximum density, the number of total new units possible is listed.

| Zoning | Max Density (units/acre) | Acres Vacant | Max new units possible |
|--|--------------------------|--------------|------------------------|
| RM-1 Medium Density Multi-family Residential | 8 | 3 | 24 |
| RM-2 High Density Multi-family Residential | 12 | 13 | 156 |
| RM-3 High Density Multi-family Residential | 20 | 2 | 40 |
| Total: | | 18 | 220 |



Existing Multi-family Housing in Sedona



Vacant Land Zoned for Multi-family Housing in Sedona

Multi-family Zoning = RM-1, RM-2, RM-3



City Of Sedona Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

PUBLIC PARTICIPATION REPORT

Major Amendment to Sedona Community Plan Multi-family High Density Text Amendment (PZ 17-00008)

Public Outreach

Application materials were submitted by City staff on June 1, 2017, distributed to the Planning and Zoning Commission and City Council on June 12, 2017, and distributed to review agencies on June 13, 2017. This proposal was also included on the Projects and Proposals page of the Community Development Department's website. An online comment form was also included. Comments as of September 5, 2017, are attached in the public comments section of the Public Hearing packet materials for this item.

The following is the schedule regarding public outreach and public meetings related to this proposal:

- August 15, 2017: Planning and Zoning Commission Work Session
- August 22, 2017: Public Open House
 - Noticed in the Red Rock News with a display ad, August 11, 2017.
 - Press Release placed on City Website
 - Follow-up article in Red Rock News August 16, 2017.
 - Public Notice Posted
- August 28, 2017: City Wide notice for September Planning and Zoning Commission meetings.
- September 14, 2017: Planning and Zoning Commission Work Session.
- September 19, 2017: Planning and Zoning Commission Public Hearing

August 22, 2017 Open House

On August 22, 2017, City staff hosted a public open house at the Community Development Department office. Approximately 20 citizens in were in attendance. Staff distributed a fact sheet regarding the proposal, gave an overview of the proposal, and answered questions from the attendees. After the meeting, the presentation and fact sheet were posted on the project page on the City's website.

Summary of Concerns/Comments

The following is a summary of the comments received by Staff during the outreach process.

- 1) Written Comments: August 22, 2017 Open House
 - a) We need to provide quality housing for our workers; they are the foundation of our economy.
 - b) We need to plan and build large enough dwellings that can follow the concepts developed in the Community Plan for walkability, accessibility, interaction of age groups and income levels (i.e. neighborhoods vs. complexes).

- c) We need to be proactive in helping seniors age in place by providing housing that appropriately meets their needs. The homes can be rented out to those needing affordable housing. Set up a housing exchange.
 - d) Support for the proposed text amendment.
 - e) Need to provide a range of potential buildout by zoning. For example, if amendment passes, it could be potentially applied to how many lots at 12 units/acre, 20 units/acre, and greater than 20 units/acre.
 - f) Densities need to increase and City fees need to be lowered. Land cost is a barrier to affordability but so are construction costs and City fees.
 - g) Allow for modular buildings that meet IBC: multi-family modulars.
 - h) Apply deed restrictions.
 - i) Apply City credits to offset or eliminate Impact/Sewer Fees.
 - j) Consider three stories to help with parking.
 - k) Consider ADUs in areas that allow them and create incentives for them (bring back for long term rentals).
 - l) Need clearer definition of the Community Plan goal: Encourage diverse and affordable housing options.
 - m) What are the parameters under which proposals will be considered for more than 12 units?
- 2) Additional Comments – August 22, 2017 Open House
- a) City should contribute bed tax to housing.
 - b) Harmony neighborhood has many affordable options and a lot of amenities, including within walking distance to many services. The City should designate districts in these established neighborhoods and help provide assistance in helping residents improve and enhance their properties and existing amenities. People like these neighborhood areas and are not wanting small apartments.
 - c) There may be a demographic shift today vs several years ago with trends toward tiny homes and more urban living.
 - d) The requirement for a major amendment in addition to this text amendment is too onerous for an applicant.
- 3) Additional Comments – General
- a) Solving the issue of low cost housing should not be an objective of the City. It is totally wrong to increase densities. This is a violation of the community, the serenity, the landscape and the hope of residents and future visitors.
 - b) We must diversify our housing options to support the infrastructure (labor and material) that has evolved.
 - c) If you want to destroy what remains of Sedona, make it a high density traffic-clogged tourist trap, not just a traffic-clogged tourist trap.

- d) One of the reasons Sedona incorporated was to control development to maintain open space and preserve scenic surroundings and small-town character and quality of life. Amending the Community Plan to allow high density development should not be allowed.
- e) This will impact area character, will be costly to construct and maintain, will create additional traffic, noise and need for more cell towers. Why change the 3-year-old Community Plan?
- f) The High density designation is worse than insanity as the current circulation system is already inadequate to move current traffic. This will make traffic congestion worse as well as health, safety and welfare issues.
- g) Cottonwood is not the solution for housing. There should be an opportunity for a professional, hard-working person to live here. We should encourage people to live and work here, quality of life is what will attract the best people for all of the businesses here and what will make our community well-rounded and more interesting.

Response to Concerns/Comments

- One of the concerns raised is that this amendment does not provide enough incentive for high density multi-family projects since it requires another major amendment to change the Future Land Use Map to the new High Density designation. A major amendment can only be considered once per year, so timing has been an issue. An alternative to provide additional incentive could include changing the major amendment criteria to require a minor Community Plan amendment for high density multi-family projects that meet local housing needs. Minor amendments can be considered at any time. A zone change would also continue to be required.
- A couple comments supported the evaluation of potential buildout estimates. This may be difficult to do relative to future projects that propose more than 12 units per acre. This proposal provides an opportunity to evaluate future projects. This is not the evaluation itself. It is also not possible to predict where a future project may be located and each would need to be evaluated based on Community Plan consistency, development standards and community benefits (e.g. potential impacts, location and ability to meet local housing needs).

**PZ17-00008 (Major CPA)
Multi-family High Density Text
Amendment**

*Planning & Zoning Commission Work
Session Responses*



**City of Sedona
Community Development Department**
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-1154 • Fax: (928) 204-7124

On August 15, 2017, the Planning and Zoning Commission held a Work Session to discuss the proposed Major Community Plan Amendments the City is considering for 2017. The purpose of the work session was for the Planning and Zoning Commission to review the proposals and request additional information they felt would be needed to allow them to act on each proposal.

During the discussion for the Multi-family High Density Text Amendment (PZ17-00008), the Commission requested clarification on a number of items. The following is provided in response to that request.

1. Impact on the Pinon/89A Multi-family Project

- a. While two separate applications, both this application and the application for a multi-family project are being considered at the same public hearing. The proposed text amendment would establish the process and criteria for multi-family projects with a density greater than 12 units per acre to be considered. If the text amendment is approved, the Pinon/89A project would be evaluated based on the text amendment.
- b. While the text amendment must be approved for the Pinon/89A project to be considered, approval of the text amendment does not guarantee approval of the Pinon/89A proposal. However, without approval of the text amendment, the Pinon/89A project cannot be considered.

2. Existing Community Plan Language Related to Multi-family Housing

- a. Staff has provided information related to existing Community Plan language related to multi-family housing in the Background Report (Attachment 2).

3. Traffic and Noise Concerns

- a. While Staff understands that traffic and noise, along with other quality of life issues, are important factors to consider when evaluating development proposals, these are not being considered with the text amendment.

4. Outreach Efforts

- a. The City's outreach efforts are summarized in the Citizen Participation Report (Attachment 4).

5. How the Proposed Designation Will be Applied

- a. The proposed designation would be considered in response to an application submittal, such as the Pinon/89A project that is being considered at the same public hearing. The City is not proposing to redesignate any properties and has no plans to move forward with City-initiated redesignations of land.

6. Clarification on the Process for Rezoning

- a. In addition to having a Community Plan Amendment approved, potential projects would need to rezone to RM-3 (High Density Multifamily Residential), PD (Planned Development), or PRD (Planned Residential Development). These are existing zoning designations and applications would be reviewed under the City's established zoning process. In addition to meeting other applicable Community Plan goals, objectives, and policies, rezonings in this designation would need to demonstrate how the proposal includes strategies to address local housing needs.

PZ 17-00008 (Major CPA)

Exhibit B – Public Comments

Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 8/15/2017 11:07 PM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 08/15/2017 11:07 p.m.
Response #: 7
Submitter ID: 250
IP address: 97.117.189.253
Time to complete: 7 min. , 47 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below.

If you have questions about a proposal, please enter your contact information so that we can respond.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

NO NO NO

If you want to destroy what remains of Sedona make it a high density traffic clogged tourist trap, not just a traffic clogged tourist trap.

I've lived here for 25 years, if it was like this then I would never have moved here. I'm not alone, the population of Sedona had dropped where nearly everywhere else in the world has grown. Baby boomers retiring in droves, but not to one of the most beautiful places in the country. If you were working for the residents, by voting with their feet they say you are doing it wrong.

Typical government, if it doesn't work, do more of it.

3. Your contact information

Name: Anthony Tonsich
E-mail: Not answered
Mailing Address: 61 Hillside Dr, Sedona

4. **Would you like to receive notices about this proposal, such as public meeting dates?**

(o) Yes

Thank you,
City of Sedona

This is an automated message generated by the Vision Content Management System™. Please do not reply directly to this email.

Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 8/15/2017 7:32 AM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 08/15/2017 7:31 a.m.
Response #: 5
Submitter ID: 248
IP address: 24.156.95.157
Time to complete: 25 min. , 27 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below.

If you have questions about a proposal, please enter your contact information so that we can respond.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

Creating a Multifamily High Density designation allowing for more than 12 DU/AC is worse than insanity as SR 89A, SR 179 and the "Y" Roundabout, the only game in town, are woefully inadequate to move the traffic Sedona currently has. Worse traffic congestion and nightmares--as well as health, welfare and safety issues--be damned if this plan amendment proposal ever gets approved.

Please be advised that I'm vehemently opposed to the Multifamily High Density Plan Amendment Proposal.

3. Your contact information

Name: Jean Jenks
E-mail: jeanjenks@live.com
Mailing Address: 250 Hillside Avenue

4.

Would you like to receive notices about this proposal, such as public meeting dates?

(o) No

Thank you,
City of Sedona

This is an automated message generated by the Vision Content Management System™. Please do not reply directly to this email.

Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 8/14/2017 6:20 PM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 08/14/2017 6:20 p.m.
Response #: 3
Submitter ID: 246
IP address: 24.156.94.81
Time to complete: 32 min. , 27 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below.

If you have questions about a proposal, please enter your contact information so that we can respond.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

Major Concerns:

1. Character of Area - where is the closest apartment with such density?
2. Cost to construct and maintain - surely this will need an "affordable housing" stamp which means HUD money and HUD rules.
3. Additional traffic - cars already line up on the 179 crawling to enjoy a cup of coffee with a view
4. Noise - voices, music, all carry in Sedona more than North Scottsdale, it is the echo thing.
5. Counter to "small town" character touted as the reason for moving to Sedona
6. Need for new cell towers - is this the reason for the new "urban" 2x push to get more towers?
7. Major change to community plan only 3 years old - no change in cost of living (COLA) why this need to add density ?

Is Sedona trying to become Scottsdale North-North?

Is Sedona trying to feel like Aspen, CO?

Why is Sedona's population of full-time residents declining?
Is the quality of live in Sedona eroding?
Does Sedona have a grand plan for creating a diverse economic base away from tourism dependency?

3. Your contact information

Name: Not answered
E-mail: Not answered
Mailing Address: Not answered

4.

Would you like to receive notices about this proposal, such as public meeting dates?

Not answered

Thank you,
City of Sedona

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Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 8/14/2017 11:01 AM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 08/14/2017 11:01 a.m.
Response #: 1
Submitter ID: 243
IP address: 47.215.236.74
Time to complete: 9 min. , 8 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below.

If you have questions about a proposal, please enter your contact information so that we can respond.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

One of the reasons Sedona incorporated was to control development - in particular density, height, color, and design - essentially for the purpose of maintaining open space to preserve scenic surroundings and small town character and quality of life. Amending the Community Plan to allow High Density Development should not be allowed. It would be a betrayal to the purpose for which Sedona was incorporated.

3. Your contact information

Name: Eddie S. Maddock
E-mail: eddies@npgcable.com
Mailing Address: 70 Cypress Drive, Sedona 86336

4.

Would you like to receive notices about this proposal, such as public meeting dates?

Not answered

Thank you,
City of Sedona

This is an automated message generated by the Vision Content Management System™. Please do not reply directly to this email.

From: "mpurcellaz@outlook.com" <purcellaz@outlook.com>
To: "mraber@sedonaaz.gov" <mraber@sedonaaz.gov>
Date: 8/30/2017 4:01 PM
Subject: Comments Comments on MFHD Community Plan

Hi Michael,

Last week I attended the Open House, and appreciate the meeting was scheduled. Respecting your time, I will attempt be as concise as possible with my bullet point comments as follows:

A. As a community, we must diversify our housing options to support the infrastructure (labor and material) that has evolved in the Sedona area. IMO, based on land available and density restrictions, the more viable demographic are young professionals (teachers, entry-level hospitality/retail managers, health care) that we need to enhance livability for all our residents but are unable to afford to financially maintain an enduring presence.

B. As stated in the meeting, whatever may be developed will not significantly affect the total population. If development is oriented towards the high school/health campus side of Sedona, any additional traffic should be well dispersed as the highest concentrations of employment for the aforementioned will also be the same.

C. Certainly, I am no expert in construction, but I did hear the concerns of a general contractor about the expense of building in Sedona before even the first shovel hits the dirt. I also do not claim discernment if these costs deviate substantially from what other similar communities charge. However, I can envision that some moderation of cost, and expedition of process, may better attract a developer willing to assume the risk with little or no outlay of public funds.

Thanks for entertaining my thoughts.

Mark Purcell

West Sedona

From: Lou DeSerio <deseriogallery@gmail.com>
To: <mraber@sedonaaz.gov>
Date: 9/1/2017 10:50 AM
Subject: amendment for higher density

Hello Michael,

I was at the meeting last week at City building you held and I asked about how 20 units on one acre with over 40 cars would provide parking? Let alone the increase density of traffic and noise activity. There are also the guests, the delivery trucks, the repair vehicles, etc. Trying to solve issue of low cost housing is not and should not be an objective of the city of Sedona!

The city of Sedona was formed in 1988 to preserve the natural wonder of Sedona. I have been a resident professional photographer here since 1982! I have watched the erosion of our natural wonder consistently taking place ever since Sedona incorporated! Why? Because city staff want to keep making the city of Sedona like OTHER cities.

We are totally unique! We are not like other cities and should never be attempting to be like other cities. We should be maintaining our uniqueness which is dominated by natural beauty and not the erosion of the space and the tranquility provided in this unique location.

All during the decade of the 1990's while operating a gallery business in uptown Sedona in Sinagua Plaza to be exact, we kept hearing high end visitors, which were movies stars, politicians, CEO's etc., commenting that they would never return here due to the development of the density and commercial direction the community was moving towards. So what we have now is an inundation of unqualified people that cannot afford the lifestyle that Sedona should present.

As for photographing and capturing the beauty, I can say that I am glad I was here in the 1980's as today it is almost impossible to capture the landscape without distractions in the way. To conceive of increasing the density of the existing land, the existing land use, the current zoning and proposals is totally wrong. The damage is irreversible and we will never be able to maintain or restore the beauty that brought each and every one of us here. This community was built on providing space and does not have nor could ever have an infrastructure that can sustain higher and higher density. It is absurd to spend any time conceiving of such!!

Still having a gallery, now located in the Hyatt Shops, we witness every day the steady demise of the clientele to a lower class and less appreciative class of people of which the numbers and quantities exceed the towns ability to accommodate. To lose this quality of life forever would be the worst thing that any city personnel could leave behind for the future. To increase density in any capacity is a violation of the community, the serenity, the landscape and the hope of not only the residents but all future visitors who will be met with nothing but more density, more traffic, less facilities and a terrible experience that will leave a fowl taste that will linger in the hearts and minds forever.

Please do not keep trying to be other cities. Try to be the exception and the model that preserves the wonder, that still in a much smaller way than before, but still attracts and is the envy of all who visit.,

Sincerely,
Lou De Serio

The DeSerio Gallery Website | info@deseriogallery.com
SEDONA: (928) 282-1980 | 101 North State Route 89A, Suite D17 | Sedona, Arizona 86336

From: Audree Juhlin
To: Cari Meyer; Mike Raber
Date: 9/5/2017 11:37 AM
Subject: Fwd: Fwd:

Audree Juhlin, Director
Community Development Department
(928) 204-7107

>>> Michael Raney <mike@otesports.com> 9/5/2017 11:24 AM >>>

To Whom It May Concern,

I am writing today in support of higher density zoning and the Pinion Apartment complex . Sedona is facing a unique challenge right now in terms of how the community will look in the near future. Prices are going up and the people that live here are moving out. It is harder and harder for people to make a living in town and be able to rent or purchase a home. This is making it impossible to attract new talented people to the area and retain the flavor that makes sedona what it is.

What am I talking about?

The median household income for Sedona according to the last census in 2015 for Sedona is \$55,135 per year. Meaning that half of the households make more and half make less than \$55,135. That also is a combined income of the house. If this median wage earner pays 25% of their income to rent then they need to be renting a place for \$1,149 per month. What do you get in Sedona for \$1149 per month?

Sedona Elite Properties as on 8/31/2017 has one 2bdr apartment in the Village Of Oak Creek that is under \$1149

Foothills Property Management has three 1bdr apartments starting at \$900 and going to \$1150

Sedona Properties has no rentals under \$1300 per month.

So in this example half of all the households in Sedona either have to rent 1bdr apartments for their whole family or move out. We are not talking about min wage earners here who make \$10 per hour or \$20,800 per year, we are not talking about the lowest earners we are talking about the bottom half of all households in town. What I am trying to illustrate is that we are not talking about low income housing that brings in crime and problems we are talking about housing that is affordable to our teachers, police, fire, and other professionals that are being priced out of Sedona.

In the last year my business has lost 6 employees due to the higher cost of housing. We also hired another employee that accepted an employment package and then could not find housing within 30 days ultimately giving up and not moving here. Cottonwood is not the solution for housing. While it is cheaper people want to live in Sedona for the same reasons we do. Sedona is never going to be the same price or offer the same things, but there should be an option for a professional hard working person to live here. These people understand that there are compromises to living here and that for the same price as their one bedroom apartment they could rent a much larger house in Cottonwood. We should encourage people to live and work here, quality of life is what will attract the best people for all of the businesses here and what will make our community well rounded and more interesting.

We will lose the flavor of Sedona if everyone moves out. We always want to preserve what Sedona is, but by not investing in the people that live here we are not preserving, we are changing it at the fastest rate possible. This is why I believe that Sedona should take every step to make this a well rounded community and one of these steps is allowing for higher density housing.

Thank you for your consideration,
Michael Raney

--

Mike Raney

Over The Edge Sedona
p 928-282-1106

To Whom It May Concern,

I would like to express my support for the Conceptual Rezoning, Design Review, Community Plan Amendment, creating a higher density zoning plan, and I support the Pinon Apartment complex in West Sedona.

As a Sedona resident, business owner and general manager of Sedona Real Inn for over 20 years, I believe we need more affordable housing in our city. This doesn't mean that we need low income housing, but housing that is affordable for the people that work and want to live in Sedona.

We are falling short with the housing needs in Sedona and the surrounding towns. I believe we have an opportunity to create quality, affordable housing while maintaining the integrity of our city.

Thank you for your time with this important matter.

Sincerely,

Robert H Holeman

From: John West <johnandgailwest@gmail.com>
To: Mike Raber <mraber@sedonaaz.gov>
Date: 9/15/2017 12:53 PM
Subject: P&Z meeting September 14th

Hi Mike,

The Planning and Zoning meeting yesterday went well. From comments made by the Commissioners, I gather the previous emails sent were forwarded to them. Please forward this email to the Commissioners as well.

Some clarity was provided but additional clarification is needed. As well, in my opinion, certain items briefly discussed will need more solidification for the final review.

With reference to #2 on the Sept. 14th Agenda, Major Community Plan Amendment to the text, Multi Family High Density

There needs to be a cap on the number of units per acre allowed. If it currently is zoned "Up to 12 units per acre", can the new zoning criteria state "up to 20 units per acre"? This designation already exists and provides the cap necessary to avoid an "open ended senario" for future requests for development. Leaving the proposed language at "greater than 12" gives future developers the notion that the sky is the limit.* This is a MAJOR Zoning Plan change that necessitates a cap. RM-3 is capped at 20 units (before incorporation). Stick with this language.*

With reference to #3 on the Sept. 14th Agenda, Major Community Plan Amendment to Multi- Family Density, Applicant Keith Holben

It was stated in the Staff Report that this proposal is "conceptual", yet a vote to move forward will occur next Tuesday.

Now, in my opinion, is the time for specifics, BEFORE the developer moves forward with this project.

1. Phrases such as "High Density", "Diverse Housing" and "Affordable Housing" need to be defined in relation to this project, from an economic perspective.

Here are the facts, as presented.

The developer, Keith Holben plans 3 separate structures, 2 stories each with a total of 45 units. So that means 15 units per building.

25- small, 1 bedroom units and 1 bedroom, larger units \$1,100-\$1,200 rent per month

20 -larger, 2 bedroom 1 bath units and 2 bedroom 2 bath units \$1,350-\$1,450 per month

We still do not know the size of the units. What is the proposed size of each of the 4 options proposed?

A. Zoning Allowance - Criteria restrictions

There was brief discussion regarding criteria that the builder will need to conform to prior to initial approval of his plan. Some items discussed include:

a.* Traffic impact study*- How many cars will these residents have?

Roughly, 80 parking spaces are planned, so 80 cars?

b.* Noise/light impact study.* There have been discussions with the Relics owner and the developer regarding his concerns. These should be resolved.

c.* Subsidized units*- I have heard that NO Federal or State subsidies will be utilized by the residents for this project.

These items should be specifically noted in the final approval.

*d. No ability to convert units to condominiums *and sell individually in the future.

B. Lease Restriction Criteria

a. Currently, it is proposed that no lease can be less than 90 days. In my opinion, a* 90 day lease is a short term lease*. If the objective is to provide, long term rentals, 90 day leases are for a transient population. 6 month minimum or *1 year leases more closely resembles the City's plan objectives.*

b.* Occupancy limits* - Assuming 2 people per 1 bedroom. Without specific restrictions here, population in these units can soar.

c.* No subletting-* this was discussed in the form of occupancy being limited to lease signers only. Who will monitor this?

d.* No government entitlements*

It is up to the landlord to specify in the lease agreement what the terms of the contract are. Then, the terms need to be enforced. Since the general public has voiced concerns here, it may be prudent to provide these restrictions before the developer gets final zoning approval. *The P&Z has this authority.*
The Developer mentioned an ON SITE MANAGER. So this should be specified in the Plan Approval.

Final Analysis;

If you do the math. In order for this project to meet the City's established desire to provide "Affordable Housing" and "Diverse Housing" then the rents need to be affordable for... *What is the target population the City is attempting to target?*

25 - 1 bedroom units (maximum 2 per bedroom) equals up to 50 residents
And,
20 - 2 bedroom units (maximum 2 per bedroom) equals up to 80 residents for a*
Maximum total of 130 people on 2.260 acres*
If all are working residents that can equate to up to 130 cars!

This project in its conceptual stage APPEARS to target Middle class, Professional people who must earn what income to qualify for these units?

Assuming no Government subsidies are permitted.

1 bedroom - \$1,100 per month (minimum) x 12 = \$13,300 annual cost for rent (not including utilities)
And, no more than 30% of a person's income should go towards rent . Roughly 1/3
\$48,000 GROSS earnings per year or \$4,000 GROSS monthly leaves take home pay of \$37,523.17 or \$3,126.93 per month*
This is \$25 per hour wages! And a person has taxes, health insurance expenses, car payment, car insurance, food, utilities...
*Federal Tax form calculator -California (so AZ would be little less) includes Federal ,State, Social Security, Medicare.

2 bedroom - \$1,450 per month (maximum) x 12 = \$17,400 annual cost for rent (not including utilities)
And, no more than 30% of a person's income should go towards rent. Roughly 1/3 or \$52,200 NET or *\$4,350 net per month. T*his is a \$33 per hr wage.
So, take home pay would need to be over \$52,000 per year.

Using the same Federal tax form calculator, a resident's family income would have to be over \$64,000 GROSS per year to have a take home pay of \$46,920 or *\$3,910 net per month.* This applicant WOULD NOT QUALIFY. The Area Median Income in Sedona, (AMI) is \$54,000 (as stated at the meeting) Is this Gross earnings?

So, as I stated in a previous email. How can you determine the feasibility of this project without having all the information (as referenced above)? I hope this analysis helps to put a spot light on what exactly the City Staff is attempting to do with these Major Zoning Use changes, specifically in relation to Mr. Holben's project and providing "Affordable housing" for working residents in Sedona.

Gail West- Sedona individual single family residential Property Manager.

Audree Juhlin - Fwd: Text amendment

From: Justin Clifton
To: Audree Juhlin
Date: 9/18/2017 6:01 PM
Subject: Fwd: Text amendment
Attachments: Justin Clifton.vcf

FYI

>>> Jessica Williamson <jessicaw86336@gmail.com> 9/15/2017 11:59 AM >>>
 Justin

Below is an email to the P&Z Commissioners about the proposed text amendment. Can you please distribute it to them.

Thank you.

Jessica

Dear P&Z Commissioners

The misinformation campaign opposing the density text amendment is in full swing. A week ago, I saw an email alleging that the city's intent is to build subsidized tenements and destroy Sedona. At the P&Z meeting on Thursday evening I heard that the amendment will allow 10 story buildings blocking everyone's view.

The Sedona fear machine can be effective. One group of vocal Sedona citizens intentionally spreads misinformation intended to frighten people into opposition. While I agree with Chair Losoff that accurate information about the proposed text amendment needs to be circulated, I urge the P&Z Commissioners to understand that the Sedona fear machine will not be swayed by facts. No amount of accurate information will "educate" them.

I urge the P&Z Commissioners to put aside the effects of the fear machine when considering the text amendment. The fact is that Sedona has woefully few rental apartment options. The Community Plan's goal of diversifying the housing stock and addressing a variety of housing needs is a sound one. If the city is serious about that goal, an amendment that allows private developers to propose rental housing options is the first step. Every proposed project will be subject to the extensive and public review and approval process. All the questions about who is served and affordability will be addressed as specific projects are proposed. I urge you to make your decision based on what you know to be the facts rather than on the opposition generated by the fear machine and its misinformation campaign.

Many thanks.

Jessica Williamson
 255 Kachina Drive
 Sedona

928-699-7071

From: John West <johnandgailwest@gmail.com>
To: <mraber@sedonaaz.gov>
Date: 9/9/2017 8:48 AM
Subject: Major Community Plan Amendments to the Future Land use map

Michael,
Good Morning!

I am a long term resident of Sedona and manage single family resident rentals here in Sedona.

I have in the past, managed HUD, or low income housing rental units in California.

I have some questions for you that I trust will be answered in the upcoming Planning and Zoning meetings scheduled for September 14th and 19th.

A. With reference to #2 of the Public Notice Request for Approval to Amend Chapter 3 to *Multifamily High Density *designation to allow for MORE THAN 12 units per Acre.

No specific project has been identified: Applicant City of Sedona.

I have located the parcels that I believe are projected to be changed on the *Soldiers Pass Road boundary map*. This area is between Saddlerock road, Valley view road and Airport road and currently borders single family residential properties and commercial property on 89 A.

With this area identified the following questions are raised.

1. Who owns this land?

a. If the land is privately owned, why hasn't the owner submitted this request BASED ON A SPECIFIC PROJECT (as is being reviewed on #3 Public Notice).

b. If the City of Sedona owns this land, how can they propose a *major land use amendment* with NO PLAN PROPOSED?

Will the City then put this land up for sale (should the zoning be changed) and advertise for some developer to build?

2. Consideration of more than 12 dwelling units per acre.

So, up to how many units per acre are permitted if the LEAST amount of units are 12? There is no cap?

3. Numerous unknowns including traffic impact on 89A.

Will there need to be a new traffic light signal placed on Saddlerock or Airport road to handle the increased traffic?

Making a MAJOR LAND USE CHANGE without a specific Plan in mind leads to numerous unknowns to be decided later. This is a risky proposition at best.

Residents need to be informed on exactly what the City (Planning and Zoning Commission) is proposing here before signing over a blank voucher.

B. With reference to #3 of the Public Notice Request for Approval to Amend Future Land use map "Commercial" to Multi Family High Density to allow for MORE THAN 12 units per Acre.

Specific Project has been identified: Applicant Keith Holben, MK Company

I have reviewed his specific proposal presented to the City and I see that the land projected for development is currently "Pending sale" (based on this proposed zoning amendment).

*Mr. Holben identifies 44 units on 2.260 acres 24- 1 bedroom and 21+ 2 bedroom apartments with 83 parking spaces. Up to 83 ca*r*s?*

I did not however, see how big each unit will be. He states the 1 bedroom units would be about "studio" size (or 650 sq feet?).Nor did I see how much each unit would command for rental income. He did not specify the maximum occupancy per unit, or the length of a lease (minimum 1 year?)

Will his company manage the apartment or will he sell the complex once it is finished ?

Currently, rentals of less than 1,000 sq feet command ABOVE \$1,000 per month rent for older apartments in Uptown.

In West Sedona, 2 story units over 1,000 sq feet command over \$1,300 per month (Grasshopper rd units).

So, based on what the market in Sedona will command, any new unit apartments are looking at a minimum of \$1,000 per month rent which is way more than a low income earner can afford.

This then leads to the question... Will these apartments be subsidized by HUD? Please see the 2nd email I will send you regarding HUD housing availability in Cottonwood for YAVAPAI County (and how all of this is figured out).

Currently, Cottonwood addressed subsidized housing for Yavapai County based on the county averages for rent to provide affordable housing for residents in our vicinity.

This presents the following dilemma. Based on current market rents that Sedona can command for small apartments and the low income earners wages, BEFORE HUD subsidies, the GAP APPEARS TOO GREAT for any new apartment developments to provide ACCESSIBLE housing for the low-wage-earner working here in Sedona.

Mr Holben's development WILL attract single, professional, near retirement 2nd career wage earners who can pay OVER \$1,000 per rent and want to test out Sedona before moving here permanently.

If he is trying to provide AFFORDABLE housing for the low income wage earner, then expect the 1 bed room unit occupancy to exceed 2.25 persons per unit. Will the City be managing the excessive occupancy of these small units in order for low wage earners to afford them?

Or will these units be HUD subsidized (using the formula for Yavapai County)?

And, finally, can this proposed Apartment complex be converted to condominiums for individual sale based on this current, proposed zoning change?

*In conclusion: *The desires of the City Council to provide affordable housing for low income wage earners that work in Sedona may not be achievable or feasible based on what the market can command for rents and the incomes earned at hotels, restaurants etc. *The Gap may just be too great.*

Cottonwood, being less than 30 minutes away has achieved this goal. Reviewing what our bordering sister City has done needs to be explored in its entirety before any Major Zoning change is made to *Multi-Family High Density* in Sedona.

Sincerely,
Gail West- Property Manager Sedona (805)-473-9290

From: dell willmon <dell.willmon@gmail.com>
To: <mraber@sedonaaz.gov>
Date: 9/7/2017 2:52 PM
Subject: PZ17-00008 and PZ17-00009

I am writing to express my disapproval of both these proposals. I do not agree with increasing housing density, nor do I wish to see the property on Pinon Dr. used to build a 45-unit apartment complex.

I have been following this proposal to increase housing density in Sedona and am frankly appalled at the arguments put forth in its favor; for instance, the argument that most cities already allow more housing units per parcel than Sedona does. Sedona is unique. Do we really want it to look like most other American cities? I don't, and I can't imagine that most people who move here or who visit here want it to look like most other American cities. We are already inundated with traffic. Do we really want to bring in multi-unit dwellings that pack more cars into a smaller area, ultimately putting even more cars on the road? Must we fill every available empty space - not just fill it, but pack it with housing units?

I live on Pinon and I certainly do not want to see 45 affordable housing units go in at the end of my street. For one thing, Pinon Dr. is set at a peculiar angle and I assure you that there will be auto accidents at that intersection unless it is reconfigured. The only reason it hasn't happened already is that the only people who use this street live in this small neighborhood. Somewhere between 45 and probably 90 cars would be added to the mix. The only way these units could be affordable is if many people live in each one, so there could be even more than 90 cars.

Frankly, the idea of "affordable" housing in Sedona is laughable. What is affordable for someone who is making minimum wage and probably not working a full-time job? In this town the jobs are exactly that - minimum wage and generally part-time. So you have people who are living on a meager wage trying to live in a town where even the more financially stable residents go to Cottonwood to shop for groceries and other staples. It seems to me the investor who wants to build "affordable" housing here probably just wants to build high-density housing here. See my original statements about high-density housing and its attendant issues.

I wish I thought my opinions would make any difference, but I've talked to too many people who have lived here many years. The consensus among them is that Planning and Zoning makes up its mind, then asks for public input as a way of complying with rules. This city appears to be interested solely in generating money however it can on the backs of the residents who truly love this town and wish to see it remain beautiful. I believe it is already too late and I have begun to search for the kind of community I hoped I was getting when I moved here. I think the City Council will not be happy until Sedona is inhabited solely by part-time residents, short-term renters and tourists.

I cannot bring myself to attend the public meeting because I fear I could not keep a civil tongue in my head.

Sincerely,
Lorena Willmon

To: <mraber@sedonaaz.gov>
From: stephen carr <stevecarrx@gmail.com>
Date: 9/11/2017 10:27 PM
Subject: Plan for "Multifamily High Density" Housing

Because my wife and I own a home in Sedona, we have received a "Public Notice" of a plan to permit "Multifamily High Density" housing of "more than 12 dwelling units per acre" at an unspecified location in the city. (City of Sedona Case Number: PZ17-00008: Major CPA.) I am writing to voice my strong objection to this plan, and to ask that my objection be entered into the record at the upcoming hearing.

We bought our home in Sedona, as I'm sure many others did, to escape an urban neighborhood that contained high-density housing, so we are well aware of how this kind of housing can harm a community's quality of life, including: a decline in property values, even more traffic on our already crowded streets, more noise, more litter, and an increase in crimes like vandalism, burglary, and car break-ins, etc. etc. It would be a shame to burden our cherished community with these big-city problems, reversing all our efforts down through the years to keep it pristine, merely for the sake of "diversity, affordability and availability."

I realize people need a place to live, but surely there is some larger city that could accommodate this housing plan without foisting it on a small place like Sedona, thereby threatening its unique grandeur and beauty. Knowing Sedona as I do, I have little doubt that if this proposal were put to vote of the home owners it would be resoundingly defeated. I'm asking you to heed our voices and reject this terrible measure.

Stephen Carr.

Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 9/8/2017 3:23 PM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 09/08/2017 3:23 p.m.
Response #: 8
Submitter ID: 265
IP address: 107.77.229.90
Time to complete: 3 min. , 18 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below. If you have questions about a proposal, please enter your contact information so that we can respond. Please note that all information submitted (including name and addresses) will become part of the public record and will be available for public inspection.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

We need multi family developments, there are no rental in Sedona

3. Your contact information

Name: Travis Storey
Mailing Address: P.O. Box 1985 Sedona, Az
E-mail: travtonia04@yahoo.com

4.

Would you like to receive notices about this proposal, such as public meeting dates?

(o) Yes

Thank you,
City of Sedona

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Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 9/10/2017 4:11 AM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 09/10/2017 4:11 a.m.
Response #: 9
Submitter ID: 266
IP address: 98.223.247.43
Time to complete: 4 min. , 46 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below. If you have questions about a proposal, please enter your contact information so that we can respond. Please note that all information submitted (including name and addresses) will become part of the public record and will be available for public inspection.

1. Proposal Name:

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

This is a well designed and thought out plan that will fill a need in the community.

3. Your contact information

Name: Mike Feinstein
Mailing Address: PO Box 20306 Sedona AZ 86341
E-mail: fjustus@comcast.net

4.

Would you like to receive notices about this proposal, such as public meeting dates?

(o) No

Thank you,
City of Sedona

This is an automated message generated by the Vision Content Management System™. Please do not reply directly to this email.

From: william pattison <williampattison@yahoo.com>
To: Mike Raber <mraber@sedonaaz.gov>
CC: Andy Dickey <adickey@sedonaaz.gov>
Date: 9/11/2017 9:29 AM
Subject: REQUESTED CHANGES TO SEDONA COMMUNITY PLAN

Hi Mike, We have reviewed the proposed changes as put forth in the "Major Amendment Requests Sedona Community Plan" and concur with all those changes put forth. I personally am very fond of cider, and cider production would greatly assist our orchardists in the area. Further, the changes put forth to increase multi-family (and attendant parking) will provide for any housing shortfall into the future. Thank you, Bill & Lesley Pattison
125 Vista Grande Ct. 86336

From: John West <johnandgailwest@gmail.com>
To: Mike Raber <MRaber@sedonaaz.gov>
Date: 9/11/2017 2:41 PM
Subject: Re: Major Community Plan Amendments to Future land use map

Thanks Mike,

I have reviewed the Staff Reports and see how the Applicant, Keith Holben is modifying his initial request to reduce the number of parking spaces. He states "Based on the size of the one bedroom..." So, what size are we talking about?

I still think it prudent to KNOW the exact size of the units and how much each will rent for to grasp the feasibility of this project. If the goal of this project's approval is to provide "affordable housing" and address "diversity" (economic or multicultural diversity?) then the size and rental cost must be known upfront. Due to unanticipated project cost overruns, the developer may be "forced" to raise monthly rates (he can get it) once completed.

To merely reduce the number of parking spaces (based on the size of the units* that is undefined*) does not dictate how many cars each renter will have (or their guests). The size of the unit also does not dictate the number of residents who occupy them unless the management of the apartment complex* limits occupancy based on the unit's size. *

"Affordable housing" is a nebulous term. It is the market that dictates unit rental cost based on condition/location, size and demand/availability. A 1 bedroom, newly constructed unit at 650-800 sq feet will command well over \$1,000 per month. Is this affordable housing for a single person working in Sedona?

And, a 3 month lease is considered a short term rental. Landlords with properties in POA's that have 30 day minimums are finding 3 month leases work just fine to accommodate demands for non-permanent residents giving Sedona a try. A 1 year lease is standard and makes more sense to provide long term housing for a working resident. This allowance of 90 days for the Pinion/89A project should be revisited.

How can you possibly determine the feasibility of this project without knowing the size of the units and the cost per month?
Addressing the need for long term housing means having a lease longer than 90 days. This developer would have no problem charging top dollar to accommodate demand for 3 month leases for a transient population visiting Sedona.

If this project is to meet the criteria City officials have established then particular attention needs to be given to these areas.

My thoughts.
Gail West

On Mon, Sep 11, 2017 at 1:14 PM, Mike Raber <MRaber@sedonaaz.gov> wrote:

>
> <<https://maps.google.com/?q=City+of+Sedona+102+Roadrunner+Drive&entry=gmail&source=g>>
> Thanks Gail.
>
> I just had a few comments.
>
> #1. The Pinion/89A project is for 45 units.
>
> #2. The initial preference for local residents working in Sedona is on 25
> of the 45 units.
>
> #3. There are several properties already identified in the Sedona
> Community Plan's Future Land Use Map for Multi-family, but, without this
> proposed text amendment, there are only two scenarios that would allow
> multi-family housing at more than 12 units per acre. The adopted Plan for
> the Western Gateway (area including the former Cultural Park) would allow
> for consideration of densities higher than 12 units per acre through a

> minor Community Plan amendment and zone change. The RM-3 (multi-family)
> zone, which existed before the City's incorporation, allows 20 units per
> acre, but there are only 2 vacant acres of this zoning left at the end of
> Sunset Drive within the AAA Industrial Park area. If the text amendment
> is approved, no properties will be changed to the new high density (above
> 12 units per acre) designation and land owners are not provided with any
> new entitlements. Any new project applying for this new designation would
> need to apply for a Major Community Plan amendment and rezoning (just like
> the Pinion/89A project) to be considered by the Planning and Zoning
> Commission and City Council. For Major amendments, public notice is sent
> to all Sedona residents. This text change does not provide a blank approval
> for any future proposals.
>
>
>
> Here are the links to the meeting materials for both the City-initiated
> proposal and the Pinion/89A proposal. One link is for the 14th work
> session and the other is the 19th public hearing. Both of these are
> identical except for the agendas. This provides much more of the detail
> for both of these proposals.
>
> [http://www.sedonaaz.gov/your-government/council-](http://www.sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents/-cfs-2531)
> [commissions-committees-boards/meetings-documents/-cfs-2531](http://www.sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents/-cfs-2531)
>
> [http://www.sedonaaz.gov/your-government/council-](http://www.sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents/-cfs-2532)
> [commissions-committees-boards/meetings-documents/-cfs-2532](http://www.sedonaaz.gov/your-government/council-commissions-committees-boards/meetings-documents/-cfs-2532)
>
> _____
> Michael Raber, Senior Planner
> City of Sedona
> <<https://maps.google.com/?q=City+of+Sedona+102+Roadrunner+Drive&entry=gmail&source=g>>
> 102 Roadrunner Drive
> <<https://maps.google.com/?q=City+of+Sedona+102+Roadrunner+Drive&entry=gmail&source=g>>
> Sedona, AZ 86336
>
> 928-204-7106 <(928)%20204-7106>
> mraber@SedonaAZ.gov
> Visit: www.SedonaAZ.gov
> Be a fan on Facebook: www.Facebook.com/CityofSedonaAZ
>
>
>>>> John West <johnandgailwest@gmail.com> 9/11/2017 10:11 AM >>>>
> Mike,
>
> Thank you so much for taking the time 1st thing Monday morning to respond
> to my letter (email) regarding the proposed changes.
> This is now my understanding following our conversation. Please clarify or
> add any comments you might have.
>
> 1. The approval of Keith Holben's "Multi-Family High Density" Development
> cannot occur without an Amendment to the Major Community Plan to lift the
> limit of "no more than 12 dwelling units per acre". Currently, MK Company
> has submitted a proposal for 2 story, 44 units on 2.260 acres at the corner
> of Pinion road and 89A.
>
> 2. Though it has not been identified in Keith Holben's Proposal how large
> each unit will be or how much each unit will rent for at this stage of the
> process, the initial pending Proposal includes deed restrictions to
> provide: a. Initial preference to local residents working in Sedona, b. A
> minimum 90 day lease restriction, and c. The complex could not be converted
> to Condominiums. In addition, HUD Housing or subsidized housing is not in
> consideration on this project.
>
> 3. There are several properties already identified as Multi-Family High
> Density in the Master Land Use Plan, though no other projects can move
> forward without a specific RFP presented to the City Planning and Zoning
> before being considered. A Public Notice would be sent to residents of
> Sedona prior to approval. The change in the Major Community Plan does NOT
> provide a blank approval for any FUTURE proposals in existing Multi-Family
> Use zoning areas.

- >
- > 4. Public comment will be permitted at Thursday's Planning and Zoning meeting.
- >
- > As I conveyed to you, providing the public with initial clarification as to what this all means goes a long way to mitigate "fear based thinking".
- > "Multi-Family High Density", "affordable housing" and "diversity" are words that can carry connotations or interpretations equating to low income, subsidized housing.
- > This I understand, is not what is being proposed.
- >
- > Thanks again, Mike.
- > It was a pleasure speaking with you. Good luck on Thursday.
- > Gail
- >
- > Sedona City Hall is open for business Monday through Thursday from 7 a.m. to 6 p.m. and closed on Fridays. The Municipal Court and Wastewater system maintenance remain on a Monday through Friday, 8 a.m. to 5 p.m. schedule.
- > Police and maintenance services are not impacted.
- >

From: Linda Martinez <lmartinez@shradermartinez.com>
To: Mike Raber <MRaber@sedonaaz.gov>
Date: 9/12/2017 2:06 PM
Subject: Email for P & Z

Mike, please forward to the commission:

Dear Chairman Losoff and P & Z Commissioners,

You will receive many angry emails regarding the Community Plan amendment to increase density and also for the proposed apartment complex on 89A and Pinion Dr.

I am in favor of both of these. As a member of the grass roots group investigating the state of housing in Sedona, we need as many tools as possible. Sedona has not seen a new apartment complex in 20 years.

Consider these:

1. Can those who state that this apartment complex will bring crime, drugs, etc. prove it? We heard the same argument over ADUs and none materialized.
2. Is the author of the email or statement own a business in Sedona and had to hire and retain workers? Ask any business owner or school what they are experiencing. Please separate personal opinion from the common good.
3. The apartment complex would bring 19-20 additional units if the density increase passes. All this fear over an additional 19-20 units? New Lodging adds a few hundred units... of strangers who don't volunteer, etc.
4. The developer could build condos, 12 per acre, that would be purchased by investors and turned into short term rentals, leaving Sedona with very little workforce housing.
5. Check out the Harvard Study on multi-family housing (I can send it to you) which shows that people who live in apartments engage with the community as much as homeowners.
6. The housing shortage in Sedona is real - 4% of our housing stock is apartments. People are renting crawl spaces, garages, and closets. Ask Audree about phone calls she has received.
7. Be aware that Sedona's median income of \$56,000 is far below what most employees earn in retail, hospitality, tourism, and education.
8. We just do not have housing to rent. See Mike Rainey's email sent to you. Cottonwood is seeking more workforce housing and is welcoming a new 172 unit apartment complex near Candy Lane.
9. I trust our process. This commission will thoroughly vet each project. Your hands are tied without this amendment.
10. We cannot fulfill our Community Plan to provide diverse housing without this amendment.

I would be happy to further the conversation.

Thank you,
Linda

[cid:image002.jpg@01D32BD0.47710EE0]Linda Martinez | VP, Business Development
Shrader & Martinez Construction Inc.
O 928-282-7554 x 2201 | C 928-239-0074
www.shradermartinez.com<http://www.shradermartinez.com/>

Mike Raber - City of Sedona: Comments on Plan Amendment Proposal

From: <donotreply@sedonaaz.gov>
To: <mraber@sedonaaz.gov>, <wcampbell@sedonaaz.gov>
Date: 9/12/2017 12:18 PM
Subject: City of Sedona: Comments on Plan Amendment Proposal

A new entry to a form/survey has been submitted.

Form Name: Comments on Community Plan Amendment Proposals
Date & Time: 09/12/2017 12:18 p.m.
Response #: 12
Submitter ID: 271
IP address: 174.22.225.85
Time to complete: 2 min. , 57 sec.

Survey Details

Page 1

We want to hear what you think. Please share your thoughts below. If you have questions about a proposal, please enter your contact information so that we can respond. Please note that all information submitted (including name and addresses) will become part of the public record and will be available for public inspection.

1. **Proposal Name:**

(o) Multifamily High Density Plan Amendment Proposal

2.

What are your comments, concerns, ideas, and suggestions about this proposal?

Comments:

There's not enough rental inventory in Sedona. I've been wanting to move there for a couple of years but the few rentals that do exist are way to expensive.

3. **Your contact information**

Name: John R DePasquale
Mailing Address: 1895 S. Nada St. Cottonwood 86326
E-mail: john@sundance-wealth.com

4.

Would you like to receive notices about this proposal, such as public meeting dates?

(o) Yes

Thank you,
City of Sedona

This is an automated message generated by the Vision Content Management System™. Please do not reply directly to this email.

Mike Raber - Housing crisis

From: Linda Martinez <lmartinez@shradermartinez.com>
To: Mike Raber <MRaber@sedonaaz.gov>
Date: 9/28/2017 12:23 PM
Subject: Housing crisis
Cc: Warren Campbell <wcampbell@sedonaaz.gov>, Justin Clifton <jclifton@sedon...
Attachments: HUD Market Study - May 4 2017.pdf; SLC Lodging wage compensation study 2015.pdf

Mike, please forward to the Mayor and Council.

Dear Mayor Sandy and Council,

You will soon hold work sessions on increased density, PZ17-00008 and the 45 unit apartment project behind Relics, PZ17-00009. I support both for two reasons:

1. Short term rentals has created a tipping point in the loss of workforce housing, affecting our businesses, schools, and our identity as a community.
2. As leaders, you need both of these to fulfill the Community Plan in providing diverse housing. The people of Sedona voted on the Community Plan – please consider this when petitions are presented against these two items.

The conversion to short term rentals has been prolific and fast. We cannot support tools and projects that foster diverse housing fast enough.

The following are samples of what I hear almost daily:

- A worker at Sedona Rouge spa lives in a 300SF tiny house behind a mobile unit in Harmony. While she is grateful to have something, the owner is a hoarder. Her 10 month search for something in her \$800 range has brought nothing. Two of her co-workers recently left the community due to lack of housing.
- Mike Rainey, owner of Over the Edge bike shop, has lost 7 workers over the past 6 months due to housing – many tried living in their cars before they left. Seven young people gone.
- We have an employee who owns a modest 2 bedroom home in Sedona. Her daughter manages Staples and had to move in with her due to housing. Let them live in Cottonwood? Well, her son and his wife moved from Sedona to Cottonwood three years ago with their 3 small children; he used to work in Sedona, now at the Black Bear Diner as a server. Their rented house in Cottonwood just sold and they cannot find a place to rent in Cottonwood for their \$900 budget. No Section 8 housing, no affordable units. He recently told his mother that they lived in their car for three weeks earlier this year as they sought housing. All five of them will move in with his mother temporarily. He will probably transfer to Phoenix... and we will lose another young family. Addendum: today she said that her son and his family will move to Phoenix, due to housing costs, after living here 10 years. She also added that another house in her neighborhood has 5 unrelated adults living in a 2 bedroom home – all work in hospitality.

- Per Terry Campbell who owns several affordable apartment complexes in Cottonwood (30-35% of income is considered affordable), there are over 100 names on his senior waiting lists with very low turnover. They stopped taking names. His other affordable units have similar waiting lists with just slightly faster turnover.

We have too many stories like this. Prefer facts? Check out the two attachments:

1. The recent HUD feasibility study contracted by Bill Jump, as part of his pending 172 unit multi-family complex near the hospital. Although lengthy, it is comprehensive and states that the Verde Valley needs 1779 units of rental housing units by 2021.
2. The 2015 Sedona Lodging Council wage compensation report that shows the number of workers and wages for all positions in lodging in Sedona. We can extrapolate the gap between wages and housing costs.

Thank you for your thoughtful consideration. It is time to act.

Respectfully,
Linda Martinez



Linda Martinez | VP, Business Development
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**NOVOGRADAC
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

**A MARKET FEASIBILITY STUDY OF:
INSPIRATION AT
COTTONWOOD**

A MARKET FEASIBILITY STUDY OF:

INSPIRATION AT COTTONWOOD

SR 260 and Candy Lane
Cottonwood, Yavapai County, Arizona 86326

Effective Date: April 26, 2017
Report Date: May 2, 2017

Prepared for:
Ms. Linda Wills
Paragon Mortgage Corporation
1130 East Missouri Avenue, Suite 204
Phoenix, Arizona 85014

Prepared by:
Novogradac & Company LLP
6700 Antioch Road, Suite 450
Merriam, KS 66204
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**NOVOGRADAC
& COMPANY** LLP®
CERTIFIED PUBLIC ACCOUNTANTS

May 2, 2017

Linda Wills
Paragon Mortgage Corporation
1130 East Missouri Avenue, Suite 204
Phoenix, Arizona 85014

Re: Market Study for Inspiration At Cottonwood located at SR 260 and Candy Lane in Cottonwood, Arizona

Dear Ms. Taynton:

At your request, Novogradac & Company LLP has performed a study of the multifamily rental market in the Cottonwood, Yavapai County, Arizona area relative to the above-referenced proposed market rate apartment property.

The purpose of this market study is to assess the viability of Inspiration At Cottonwood (the "Subject"), a proposed new construction 174-unit market rate multifamily development. The following report provides support for the findings of the study and outlines the sources of information and the methodologies used to arrive at these conclusions. The scope of this report meets the requirements of the HUD MAP program, per the HUD MAP guide dated January 2016, including the following:

- Inspection of the Subject site and comparable properties.
- Analyzing appropriateness of the unit mix, rental levels, available amenities, and site.
- Estimating market rent, absorption and stabilized occupancy level for the market area.
- Investigating the health and conditions of the multifamily market.
- Calculating income bands, given the Subject rents.
- Estimating the number of income appropriate households.
- Reviewing relevant public records and contacting appropriate public agencies.
- Analyzing the economic and social conditions in the market area in relation to the Subject.
- Establishing the Subject Primary Market Area.

This report contains, to the fullest extent possible and practical, explanations of the data, reasoning, and analyses that were used to develop the opinions contained herein. The depth of discussion contained in the report is specific to the needs of the client as well as HUD.

Please do not hesitate to contact us if there are any questions regarding the report or if Novogradac & Company LLP can be of further assistance. It has been our pleasure to assist you with this project.

Respectfully submitted,
Novogradac & Company LLP



Rebecca S. Arthur, MAI
Partner



Matt Hummel
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1. DESCRIPTION OF SITE AND IMMEDIATE SURROUNDING AREA

The Subject site is located along the southwest side of SR 260, just southwest of South Candy Lane within Census Tract 20.04 in the central portion of Cottonwood, Yavapai County, Arizona 86326. Cottonwood is located in the central portion of Arizona in the Prescott, Arizona Metropolitan Statistical Area (MSA), which is comprised of Yavapai County.

The Subject site is generally level and is approximately 9.42 acres or 410,335 square feet in size. The site is currently vacant, is irregular in shape, has frontage along the southwest side of SR 260.

The Subject site is currently pending zoning change to either R-3 (Multiple Family Residential) or PAD (Planned Area Development), both of which will allow for the proposed multifamily development.

The Subject site is located in a mixed-use neighborhood in the City Center neighborhood of Cottonwood. Surrounding land uses consist primarily of commercial and retail uses as well as vacant land and some single-family and multifamily uses. The general boundaries of the Subject’s neighborhood are the Verde River to the north, Arizona Highway 89 and Airpark Road to the west, Cottonwood Street to the south, and Main Street to the east.

Areas to the north of the Subject site includes undeveloped land, followed by several retail uses in good condition. Land use to the northeast consists of the Verde Valley Medical Center in good condition, as well as other medical buildings and a house of worship in good condition. To the south and southeast, land use consists of a mobile home park in average condition and several commercial uses in average to good condition, followed by undeveloped land. Further southeast are single-family homes in average to good condition. Immediately west of the Subject site, land use consists of a self-storage facility in average condition and several commercial buildings in average to good condition. Further west is the Cottonwood Airport followed by undeveloped land and single-family homes in good condition. Areas east and northeast consist of several retail and commercial uses in average to good condition, government buildings in good condition, and multifamily uses in average condition. Retail and commercial uses in the Subject’s area appear to be approximately 95 percent occupied. According to Trulia.com, the median list price for a single-family home in the Subject’s zip code is currently \$189,500. It should be noted the Subject site is located approximately 0.1 miles east of the Cottonwood Airport-P52. The airport is primarily used for local aircraft owners with small aircrafts and appears to be lightly utilized. According to the developer, the Subject is located outside the regulated noise zone and the airport features noise-barriers. Therefore, we do not believe its presence will contribute to noise issues. There were no other observed significant negative influences in the area.

| SUMMARY OF SUBJECT SITE | |
|-------------------------|-----------------------|
| Visibility/Views | Good/ Average |
| Access/Traffic Flow | Excellent / Excellent |
| Layout/Curb Appeal | Excellent /Excellent |

2. PROJECT SUMMARY

The Subject is a proposed new construction market rate multifamily development that will offer a total of 172 one, two, and three-bedroom units and will be improved with 16 two-story garden-style buildings with 40 detached garage spaces, 172 carport spaces, and 50 surface parking spaces for 262 total spaces (includes handicap spaces). The Subject will consist of 26 one-bedroom units, 120 two-bedroom units, and 26 three-bedroom units. According to the developer, the proposed construction start date is September 2017 with a

construction timeline of 18 months for a completion date of January 2019. The proposed unit mix is detailed below.

| PROPOSED RENTS | | | | |
|-----------------------|-----------------------|------------------------|--------------------|------------------------------|
| Unit Type | Unit Size (SF) | Number of Units | Asking Rent | Price Per Square Foot |
| <i>Market Rate</i> | | | | |
| 1BR/1BA | 625 | 26 | \$800 | \$1.28 |
| 2BR/1BA | 825 | 34 | \$900 | \$1.09 |
| 2BR/2BA | 1,050 | 43 | \$1,025 | \$0.98 |
| 2BR/2BA | 1,150 | 43 | \$1,125 | \$0.98 |
| 3BR/2BA | 1,250 | 26 | \$1,225 | \$0.98 |
| Total | | 172 | | |

3. SUMMARY STATEMENTS REGARDING ECONOMIC AND DEMOGRAPHIC CONDITIONS AND COMPETITIVE ENVIRONMENT

- Employment in the PMA is greatest in the accommodation/food services, healthcare/social assistance, and retail trade sectors which together represent 40.6 percent of the total PMA employment. Total employment has increased by 11.7 percent since 2013, and total employment has returned to pre-recession levels as of 2016. From February 2016 to February 2017, total employment has increased 2.0 percent, compared to an increase of 1.0 percent nationally. From February 2016 to February 2017, the unemployment rate decreased 0.1 percentage points. The national unemployment rate has decreased 0.3 percentage points over this same time period. Based on the strong recent employment growth outpacing the nation, the near term economic outlook is strong. According to the Arizona Department of Administration, job growth is expected to increase 16.7 percent from 2012 to 2022 within the Prescott, AZ MSA.
- The overall population for the PMA and MSA is projected to increase over the next five years, continuing the trend from 2000 to 2016. Population is expected to grow at a slightly faster rate in the MSA relative to the PMA through 2021. Similar to the population, the total number of households in the PMA and the MSA is projected to increase at a similar steady pace over the next five years with the total households in the PMA increasing 0.9 percent annually and 1.3 percent annually in the MSA. Approximately 59.1 percent of the renter households in the PMA will income-qualify to reside at the Subject. As population continues to grow, the need for good quality market rate housing is also expected to increase.
- Novogradac performed a competitive analysis of the local rental market. Seven of the 10 comparables used are located in the PMA within Cottonwood and Sedona, while three are located outside the PMA with the cities of Flagstaff and Prescott Valley. All of the comparables are located within 42.7 miles of the Subject, and all offer good access to amenities and employment opportunities. However, the comparables in Flagstaff and Prescott Valley are located in slightly superior areas and were included due the limited number of new multifamily developments in the Cottonwood area and due to the lack of comparables with three-bedroom units. The selected comparables represent the most comparable market rate rental product in the PMA. The comparables located within the PMA are exhibiting an overall vacancy rate of 0.8 percent and the

comparables in Cottonwood reported an average vacancy rate of 0.6 percent. Overall, the majority of the comparables illustrate stabilized occupancy rates, indicating a healthy market.

4. STATEMENT OF KEY CONCLUSIONS

- Upon completion, the Subject will exhibit excellent condition. The development will be located in the central portion of Cottonwood and will primarily target singles, couples, and families. The Subject will also offer a competitive amenities package, including walk-in closets, garage and carport parking, microwaves, fitness center, dog park, and scenic views. The Subject site is located in a mixed-use neighborhood in the City Center neighborhood of Cottonwood. Surrounding land uses consist primarily of commercial and retail uses as well as vacant land and some single-family and multifamily uses. The general boundaries of the Subject’s neighborhood are the Verde River to the north, Arizona Highway 89 and Airpark Road to the west, Cottonwood Street to the south, and Main Street to the east. The proposed Subject will positively impact the neighborhood and the availability of good quality rental housing in Cottonwood; the site is suitable for the proposed use.
- We were able to obtain recent absorption information from two of the comparables, located just outside the Subject’s PMA. The following table summarizes our findings.

| ABSORPTION | | | | | |
|----------------------------|--------|---------|------------|-----------------|------------------------|
| Property name | Type | Tenancy | Year Built | Number of Units | Units Absorbed / Month |
| Elevation Apartments* | Market | Family | 2012 | 291 | 23 |
| Mountain Trail Apartments* | Market | Family | 2016 | 160 | 32 |
| Average | | | | 226 | 28 |

*Located outside the PMA

The comparables have absorption rates ranging from 23 to 32 units per month with an overall average of 28 units per month. Taking this data into consideration, as well as our estimate of demand and the low vacancy rates among market rate units in the area, we estimate the Subject will reach a stabilized occupancy of 95 percent within eight to nine months of the development’s completion. This estimate equates to an absorption pace of 18 to 20 units per month.

- Comparable properties reported vacancy rates ranging from zero to 3.4 percent with an average of 1.7 percent, with the exception of Mountain Trail Apartments which is currently undergoing initial lease-up. The comparables located within the PMA are exhibiting an overall vacancy rate of 0.8 percent and the comparables in Cottonwood reported an average vacancy rate of 0.6 percent. Overall, the majority of the comparables illustrate stabilized occupancy rates, indicating a healthy market. Three of the comparable properties reported no vacancies, with the remaining reporting vacancy of 1.3 to 3.4 percent, excluding Mountain Trail Apartments.

Overall, the comparables illustrate stable occupancy rates. Therefore, we believe the Subject will maintain a vacancy of five percent or less after the initial lease-up phase has been completed due to the fact that it is new construction and will exhibit superior condition to the comparables in an area of limited supply and strong demand. We believe this vacancy rate is reasonable given the performance of the majority of comparables in the same market.

- Only two of the comparables, Elevation Apartments and Mountain View Villa Apartments, currently maintain a waiting list. Waiting lists do not appear to be common among market rate properties in the Cottonwood area. As a newly constructed market rate property, we do not believe it will be necessary for the Subject to maintain a waiting list.

- The most comparable market rate developments to the Subject are Rio Verde Cottonwood, Shadowbrook Apartments, and The Terraces. Rio Verde Cottonwood is an 80-unit market rate property and is located 1.0 miles east of the Subject site in Cottonwood in a similar location. The property offers one and two-bedroom units and is 98.7 percent occupied. The development was constructed in 1998 and exhibits average condition, which is considered inferior to the Subject’s condition. Rio Verde Cottonwood offers slightly inferior to inferior in-unit and community amenities as well as slightly superior unit sizes relative to the Subject.

Shadowbrook Apartments is a 54-unit market rate property and is located 15.6 miles northeast of the Subject site in a similar to slightly superior location. The property offers one, two, and three bedroom units and is 98.1 percent occupied. The development was constructed in 1986 and exhibits average condition, which is considered inferior to the Subject’s condition. Shadowbrook Apartments offers slightly inferior to inferior in-unit and community amenities relative to the Subject, and similar to slightly smaller unit sizes.

The Terraces is a 226-unit market rate property and is located 21.7 miles southwest of the Subject site in a slightly superior location. The property offers one, two, and three-bedroom units and is 98.7 percent occupied. The development was constructed in 2003 and exhibits good condition, which is considered slightly inferior to the Subject’s condition. The Terraces offers slightly superior to superior in-unit and community amenities, and superior unit sizes relative to the Subject.

The Subject will exhibit slightly superior to superior condition when compared to these three comparables and will offer a similar to slightly inferior location compared to the comparable in Sedona and a slightly inferior location than the comparable in Prescott Valley. The Subject will offer generally similar in-unit and community amenities, along with similar to slightly smaller unit sizes. As such, we have placed the Subject’s achievable one, two, and three-bedroom market rents within or slightly below rents being achieved at these three comparables.

The Subject’s proposed one, two, and three-bedroom net rents, as well as on a per square foot basis, are generally within the range of the competition and deemed appropriate. The Subject will be the newest development in the area. As such, we believe the proposed one, two, and three-bedroom rents are appropriate with upward potential. The estimated achievable market rents for the Subject are located in the following chart. It should be noted that we have tempered our rent conclusions slightly given the Subject’s location and lack of new development in the Cottonwood market.

| ACHIEVABLE RENTS | | | | | | | | |
|------------------|-------|----------------|-------------|----------------------|------------------------|-----------------|--|-----------------------------|
| Unit Type | Units | Unit Size (SF) | Asking Rent | Rio Verde Cottonwood | Shadowbrook Apartments | The Terraces | NOVOCO's Estimated Achievable Market Rents | Achievable Market Rent/SQFT |
| 1BR/1BA | 26 | 625 | \$800 | \$722 | \$972-\$1,002 | \$995-\$1,095 | \$800 | \$1.28 |
| 2BR/1BA | 34 | 825 | \$900 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$900 | \$1.09 |
| 2BR/2BA | 43 | 1,050 | \$1,025 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$1,025 | \$0.98 |
| 2BR/2BA | 43 | 1,150 | \$1,125 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$1,125 | \$0.98 |
| 3BR/2BA | 26 | 1,250 | \$1,225 | - | \$1,552 | \$1,500 | \$1,225 | \$0.98 |

| COMPARABLES RENT PER SQUARE FOOT | | | | | | |
|----------------------------------|----------------|--|-----------------------------|----------------------|------------------------|---------------|
| Unit Type | Unit Size (SF) | NOVOCO's Estimated Achievable Market Rents | Achievable Market Rent/SQFT | Rio Verde Cottonwood | Shadowbrook Apartments | The Terraces |
| 1BR/1BA | 625 | \$800 | \$1.28 | \$1.11 | \$1.47-\$1.50 | \$1.18-\$1.33 |
| 2BR/1BA | 825 | \$900 | \$1.09 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 2BR/2BA | 1,050 | \$1,025 | \$0.98 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 2BR/2BA | 1,150 | \$1,125 | \$0.98 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 3BR/2BA | 1,250 | \$1,225 | \$0.98 | - | \$1.44 | \$1.33 |

- The following table summarizes our calculations and estimate of net demand, including an estimate of the number of demanded units over the forecast period.

| NET DEMAND | | | | | | | |
|--|----------|------------|------------|------------|------------|------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Renter Households | 9,913 | 10,010 | 10,108 | 10,205 | 10,303 | 10,400 | - |
| Income-Eligible Households | 57.6% | 58.4% | 59.1% | 59.8% | 60.5% | 61.2% | |
| Income-Appropriate Renter Households | 5,714 | 5,842 | 5,972 | 6,103 | 6,235 | 6,369 | - |
| New Income Qualified Renter Growth (a) | - | 131 | 131 | 131 | 131 | 131 | - |
| Less Unstabilized Properties (c) | - | 0 | 0 | 0 | 0 | 0 | - |
| Less Proposed Rental Units (excluding Subject) (d)* | - | 36 | 0 | 0 | 0 | 0 | - |
| Plus Estimated Units Removed from Supply Due to Demolition, Conversion (b) | - | 222 | 227 | 232 | 237 | 242 | - |
| Net Annual Demand | - | 317 | 358 | 363 | 368 | 373 | 1,779 |

(a) Per Item A

(b) Per Item C

(c) Per Item D

(d) Per Item E

*Inclusive of 6% vacancy loss

According to these calculations, there are approximately 1,779 units of rental housing needed over the forecast period. The Subject will represent 172 units, or 9.7 percent of the net demand. Therefore, based on our analysis of the Subject's particular submarket, current leasing trends, and projected demand, we believe the Subject is feasible as proposed, and will be well-accepted in the market.

- In terms of effective demand, the Subject as proposed has an average overall capture rate of 2.7 percent, which is relatively low. Likewise, the calculated penetration rate is 13.0 percent. Both of these indicators suggest sufficient demand for the Subject.

5. COMPETITIVE ADVANTAGES/DISADVANTAGES

There are no apparent weaknesses of the development scheme, rents, or market that would result in a competitive disadvantage. Strengths of the Subject development and market include:

- There are many services and amenities located less than two miles from the Subject site, including Walmart Supercenter, a gas station, Verde Valley Medical Center, a public park, a pharmacy, a bank, Cottonwood Public Library, Cottonwood Elementary School, Cottonwood Middle School, a bus stop, and a grocery store. The site is also located within close proximity to several major employers.

- The local economy is generally performing well and total employment has increased by 11.7 percent since 2013, and total employment has returned to pre-recession levels as of 2016. The unemployment rate in the MSA as of 2017 year-to-date (5.0 percent) is 10 basis points higher than that of the nation. Total employment has increased each of the last five years with the exception of 2017 year-to-date.
- The population and number of households have steadily increased in the PMA since 2010. As the total population and number of households continue to grow, the demand for housing units will continue to increase.
- There have been no new market rate developments constructed in the PMA over the past ten years. The Subject will offer good quality multifamily housing units in a desirable location.
- The Subject will be in excellent condition and will offer competitive in-unit and common area amenities as well as generally competitive unit sizes.

6. NUMBER OF UNITS CURRENTLY UNDER CONSTRUCTION IN THE DEVELOPMENT PIPELINE

We contacted the City of Cottonwood Planning Department to obtain information regarding proposed, under construction, and recently completed multifamily developments in Cottonwood. We spoke to Christina Anderson, Planning Technician, who is aware of three developments under construction, one proposed development, and one recently completed development. The projects located within the PMA are summarized below.

| RENTAL PIPELINE SUMMARY | | | | |
|-----------------------------------|----------------|---------|------------|--------------------|
| Name | Rent Structure | Tenancy | Units | Status |
| Ridgecrest Townhomes | Market | Family | 38 | Under Construction |
| Highland Square Senior Apartments | LIHTC | Senior | 60 | Under Construction |
| Yavapai-Apache Homes V | LIHTC | Family | 38 | Under Construction |
| Yavapai-Apache Homes VI | LIHTC | Family | 35 | Proposed |
| Total | | | 171 | |

Source: Cottonwood Planning Department, Arizona Department of Housing's LIHTC Allocation Lists; 4/2017

- Ridgecrest Townhomes is a market rate development that will consist of 38 two-bedroom duplex apartment units. Ms. Anderson was unable to provide a completion date for this development; however, according to our online research, the units are expected to be available in the summer of 2017 and will compete with the Subject's units for tenancy.
- Highland Square Senior Apartments is a senior LIHTC development that will consist of 60 one and two-bedroom apartment units targeted to seniors aged 62 and older. Construction broke ground in January 2017 and is anticipated to be complete in May 2017. As a senior affordable development, the property will not directly compete with the Subject.
- Yavapai-Apache Homes V is a proposed LIHTC development that will consist of 38 two and three-bedroom units targeting families earning 40, 50, and 60 percent of the AMI. Yavapai-Apache Homes VI is a proposed LIHTC that will consist of 35 two and three-bedroom units targeting families earning

30 and 60 percent of the AMI. Construction timelines for these developments were unavailable. Both developments will not be directly competitive with the Subject due to affordable rent structures.

- Taylor Huntley Village is a recently completed market rate development that consists of eight two-bedroom units. Ms. Anderson was unable to provide further information for this development; however, according to our online research, the property opened in 2016 and is directly competitive with the Subject. Despite numerous attempts to contact the property, our calls have not been returned as of the date of this report.

We researched the Arizona Department of Housing allocation list to determine if there have been any new affordable properties allocated funds within the past three years. According to the allocation lists from 2014, 2015, and 2016, there have been three recent LIHTC allocations in the Subject's PMA. Details regarding those developments are discussed above.

7. ANALYST'S OPINION OF MARKET FEASIBILITY

According to our survey, the market for rental development within the PMA is good. Stabilized comparable properties reported vacancy rates ranging from zero to 3.4 percent with an average of 1.7 percent. The Subject will be similar to superior to the majority of the comparables in terms of in-unit amenities, common area amenities, and condition. We believe the Subject's proposed rents are in line our achievable market rents. The Subject will provide good quality housing with excellent street appeal and competitive amenities.

8. RECOMMENDATIONS AND/OR SUGGESTED MODIFICATIONS

We have no major recommendations with respect to the development scheme as the Subject appears to be a well-conceived development.

DESCRIPTION OF PROPOSED PROJECT

DESCRIPTION OF PROPOSED PROJECT

1. UNIT MIX AND SIZE

Inspiration At Cottonwood is a proposed new construction market-rate multifamily development that will consist of 172 one, two, and three-bedroom units. The Subject site will be improved with 16 two-story garden-style buildings with 40 detached garage spaces, 172 carport spaces, and 50 surface parking spaces for 262 total spaces (includes handicap spaces). The buildings will have both masonry and hardiplank siding. The unit mix is detailed below.

The unit mix is detailed below.

| UNIT MIX AND SQUARE FOOTAGE | | | |
|-----------------------------|-----------------|----------------|----------------|
| Unit Type | Number of Units | Unit Size (SF) | Gross Area |
| 1BR/1BA | 26 | 625 | 16,250 |
| 2BR/1BA | 34 | 825 | 28,050 |
| 2BR/2BA | 43 | 1,050 | 45,150 |
| 2BR/2BA | 43 | 1,150 | 49,450 |
| 3BR/2BA | 26 | 1,250 | 32,500 |
| Total | 172 | | 171,400 |

The Subject's square footages are based on an underwriting packet provided by the client. A copy of the floor plans was unavailable at the time of the report.

2. PROPOSED RENTS

Proposed rents, based on the developer's pro forma, are as follows.

| PROPOSED RENTS | | | | |
|--------------------|----------------|-----------------|-------------|-----------------------|
| Unit Type | Unit Size (SF) | Number of Units | Asking Rent | Price Per Square Foot |
| <i>Market Rate</i> | | | | |
| 1BR/1BA | 625 | 26 | \$800 | \$1.28 |
| 2BR/1BA | 825 | 34 | \$900 | \$1.09 |
| 2BR/2BA | 1,050 | 43 | \$1,025 | \$0.98 |
| 2BR/2BA | 1,150 | 43 | \$1,125 | \$0.98 |
| 3BR/2BA | 1,250 | 26 | \$1,225 | \$0.98 |
| Total | | 172 | | |

3. DESCRIPTION OF ANY INCOME OR RENT RESTRICTIONS

The Subject will be a 172-unit market rate development. There will be no rent restrictions imposed on the project, nor will there be income restrictions. However, according to several of the comparable property managers, the general convention in the market to establish income guidelines is for tenants to earn at least two and a half to three times the monthly rent. Therefore, for the purposes of our analysis, we have

estimated the minimum income limit to be three times the Subject’s proposed rent. Novogradac’s estimate of appropriate income ranges for the Subject’s units is summarized in the following table.

| INCOME LIMITS | | |
|----------------------|--------------------------|--------------------------|
| Unit Type | Minimum Allowable Income | Maximum Allowable Income |
| | <i>Market Rate</i> | |
| 1BR/1BA | \$28,800 | \$100,000+ |
| 2BR/1BA | \$32,400 | \$100,000+ |
| 2BR/2BA | \$36,900 | \$100,000+ |
| 2BR/2BA | \$40,500 | \$100,000+ |
| 3BR/2BA | \$44,100 | \$100,000+ |

*Based on developer's proposed rents

According to the developer, the Subject will target general family tenancy including singles, couples, and families.

4. UTILITY POLICY

Tenants will be responsible for all utility expenses, including electric cooking, electric hot water heating, electric air conditioning and heating, general electric expenses, water, sewer, and garbage expenses. The landlord will be responsible for all common area utility expenses.

5. UNIT AND PROJECT AMENITIES AND SERVICES

The Subject’s unit amenities will include blinds, laminate and carpet flooring, central heating and air conditioning, ceiling fan, coat closets, walk-in closets, oven, refrigerator, garbage disposal, microwave, dishwasher, scenic views, and in-unit washers and dryers. Common area amenities at the Subject will include a community room/clubhouse, courtyard, picnic area, on-site management, exercise facility, and recreation areas that will likely include a dog run area. The Subject will offer 50 off-street surface parking spaces, as well as 40 detached garage spaces for an additional \$75 per month and 172 carport spaces at no additional charge.

6. REHABILITATION PROJECT INFORMATION

Not applicable, as the Subject is proposed new construction.

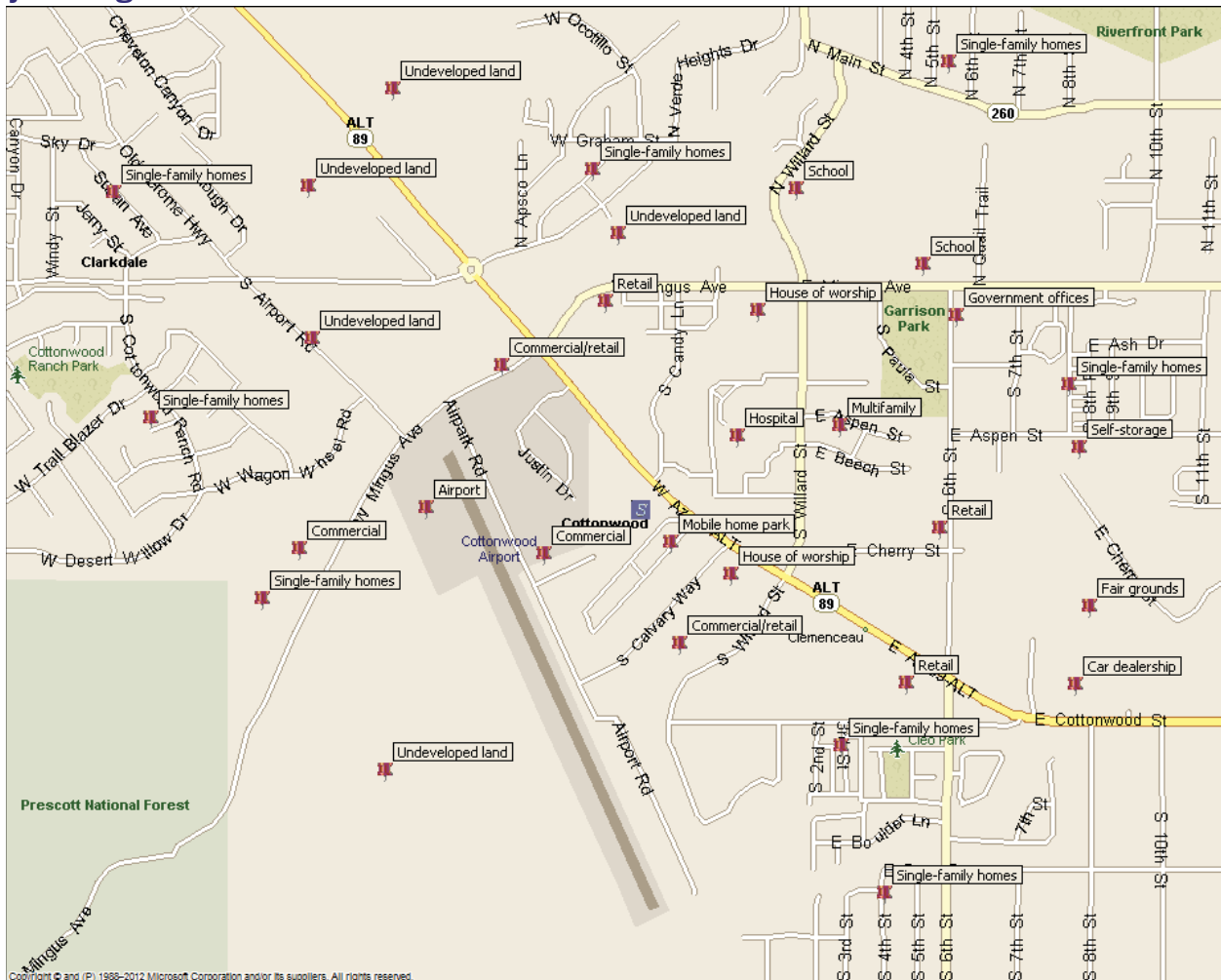
7. PROJECT LOCATION/NEIGHBORHOOD CHARACTERISTICS

Location and Accessibility

Inspiration At Cottonwood (Subject site) will be located along the southwest side of SR 260, just southwest of South Candy Lane in the city of Cottonwood, which is located in the central portion of Arizona. Cottonwood is located in Yavapai County, which is in the Prescott, Arizona Metropolitan Statistical Area (MSA).

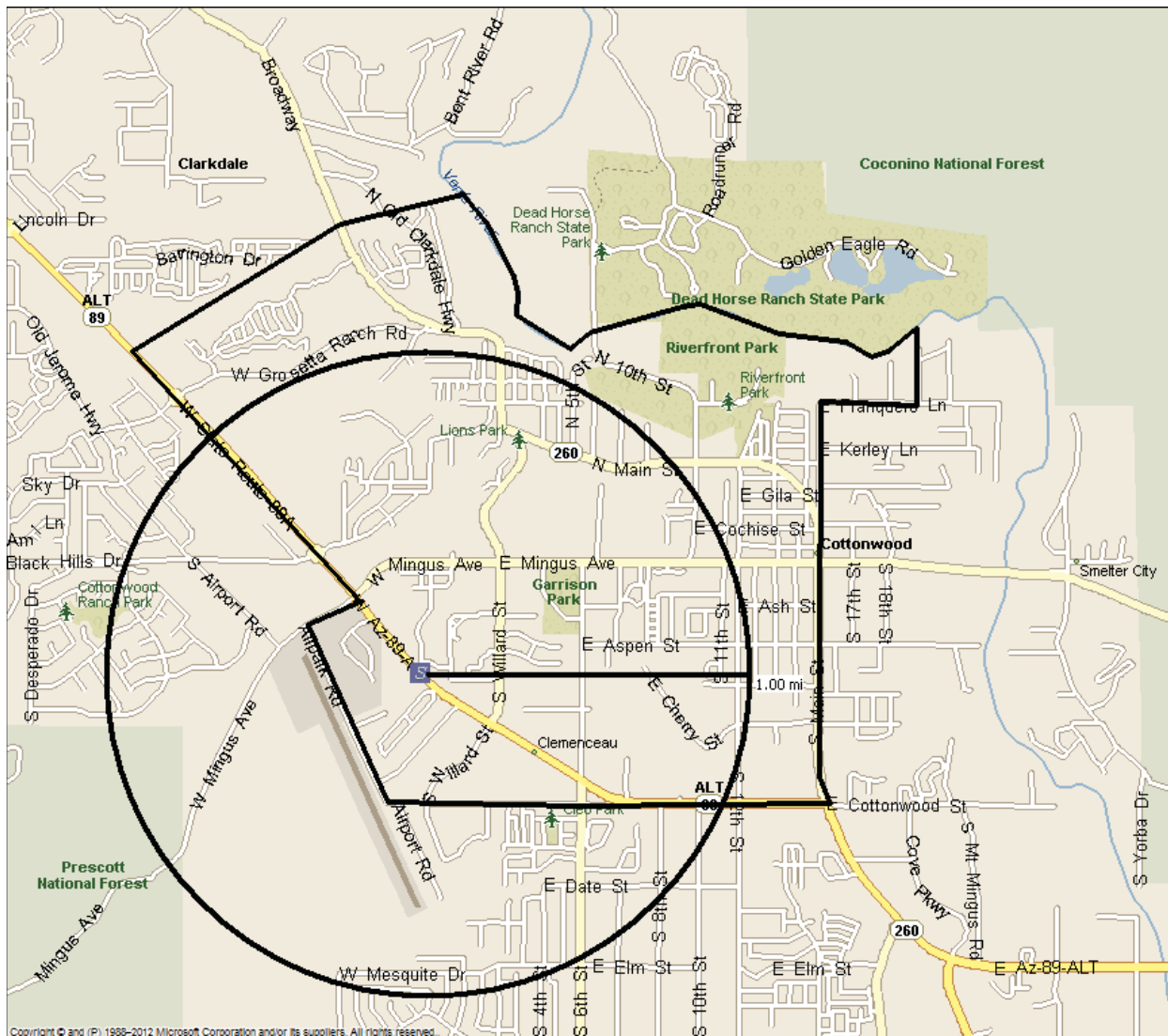
SR 260 is a four-lane moderately-traveled northwest/southeast traversing roadway which runs from Clarkdale, approximately 2.6 miles to the northwest of the Subject. SR 260 connects State Route 89A in Cottonwood to U.S. Route 180 and U.S. Route 191 in Eagar, approximately 155 miles southeast of Cottonwood. SR 260 also connects to Interstate 17 approximately 13.3 miles southeast of the Subject. Interstate 17 provides access to Phoenix approximately 90 miles south of the Subject and to Flagstaff approximately 40 miles northeast of the Subject. The Subject will have good access and traffic flow given its access to SR 260, the major arterial city street for Cottonwood. Overall, access and traffic flow are considered good.

Subject Neighborhood



Subject’s Neighborhood Boundaries

The Subject site is located in a mixed-use neighborhood in the City Center neighborhood of Cottonwood, Arizona. Surrounding land uses consist primarily of commercial and retail uses as well as vacant land and some single-family and multifamily uses. The general boundaries of the Subject’s neighborhood are the Verde River to the north, Arizona Highway 89 and Airport Road to the west, Cottonwood Street to the south, and Main Street to the east. A neighborhood map is illustrated following.



Transportation

Highway: The Subject site is located along the southwest side of SR 260. SR 260 connects State Route 89A in Cottonwood to U.S. Route 180 and U.S. Route 191 in Eagar, approximately 155 miles southeast of Cottonwood. SR 260 also connects to Interstate 17 approximately 13.3 miles southeast of the Subject. Interstate 17 provides access to Phoenix approximately 90 miles south of the Subject and to Flagstaff approximately 40 miles northeast of the Subject.

Air: Prescott Regional Airport offers daily flight service to Los Angeles and Denver via Great Lakes Airlines. Prescott Regional Airport is located approximately 23.2 miles southwest of the Subject. Phoenix Sky Harbor International Airport (PHX) is located approximately 90 miles south of the Subject and is the largest and busiest commercial airport in the American Southwest.

Rail: Rail service is not available in Cottonwood.

Public Transportation

Bus service is provided by the Cottonwood Area Transit (CAT) five days a week between the hours of 6:45am and 6:45pm for a one-way fare of \$1.25. The closest bus stop to the Subject is located approximately 0.3 miles northwest of the Subject at the intersection of Mingus Avenue & SR 89A. Dial-a-ride service is also available at a rate of \$2.00 per mile.

Public Education

The Subject site is located within the Cottonwood-Oak Creek School District. The district has four elementary schools, two middle schools, one high school, and one alternative school. Tenants at the Subject would send their children to Cottonwood Elementary School (PK-5), Cottonwood Middle School (6-8), and Mingus Union High School (9-12).

Higher Education

The Cottonwood area offers one community college. Yavapai College Verde Valley Campus is located in Clarkdale, AZ. It offers 12 degree programs and 20 certificate programs. There are approximately 3,500 students enrolled. It is located approximately 1.3 miles northwest of the Subject site.

Healthcare

Verde Valley Medical Center, a 110-bed general hospital, is located approximately 0.1 miles northeast of the Subject. Verde Valley Medical Center is the primary care center for residents of Cottonwood, Clarkdale, and Camp Verde. The facility offers hospital services ranging from surgical, emergency, obstetrician/labor and delivery, cardiac, and pediatrics.

Retail

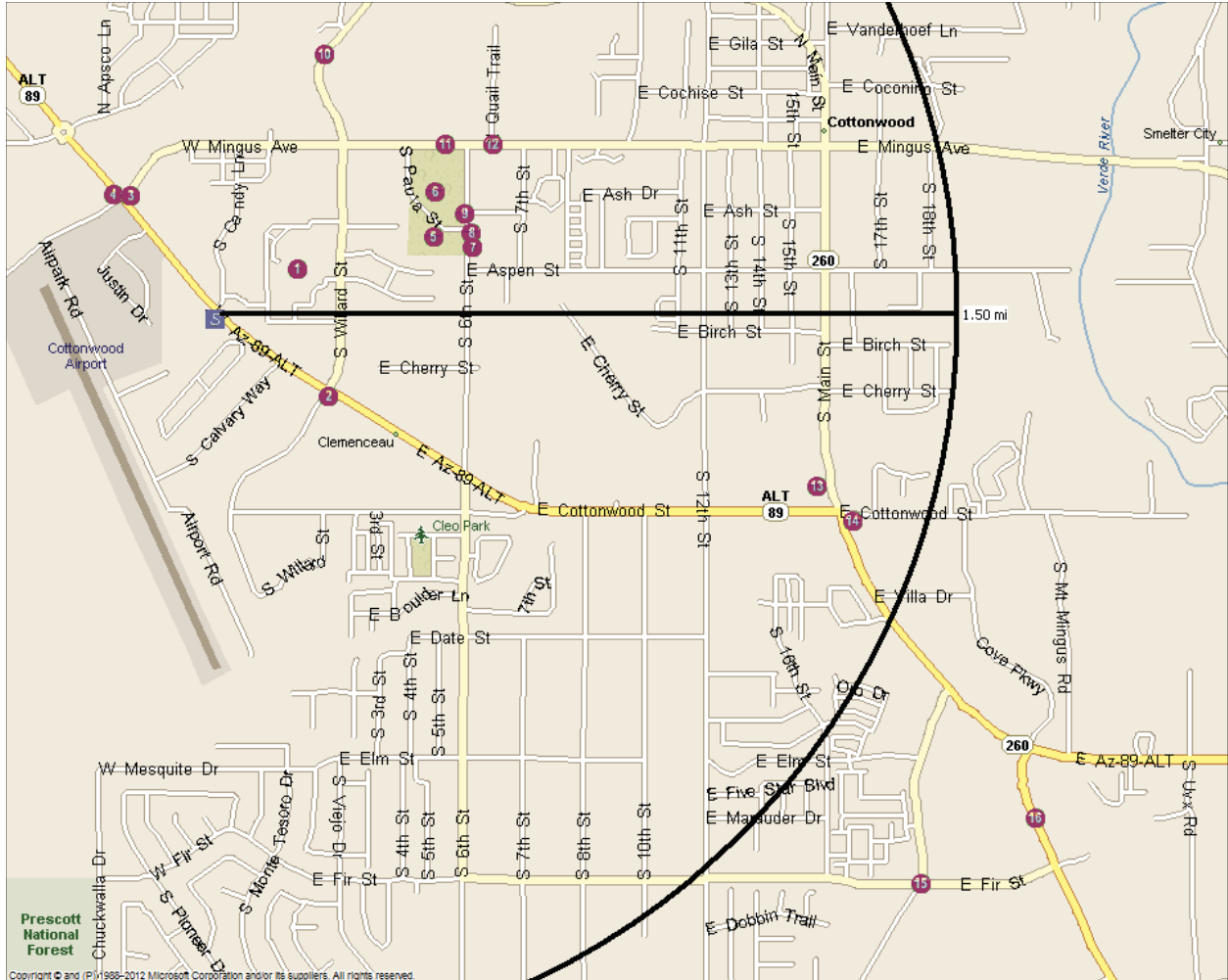
It appears that the adequacy of retail/shopping options for tenants at the Subject will be good. The SR 260/South Main Street corridor features most big box retailers, including a Wal-Mart Supercenter approximately 2.2 miles to the southeast. This corridor offers numerous other retail options within two miles of the Subject in either direction.

Adequacy/Availability of Utilities

All utilities are available in the neighborhood.

Proximity to Local Services

The Subject site offers good access to services including schools, healthcare, and retail shopping. The following are distances of various services from the Subject. A map depicting the location of services in relation to the Subject's location follows.



LOCATIONAL AMENITIES

| Map # | Amenity or Service | Distance | Map # | Amenity or Service | Distance |
|-------|----------------------------------|-----------|-------|----------------------------------|-----------|
| 1 | Verde Valley Medical Center | 0.1 miles | 9 | Cottonwood Public Library | 0.6 miles |
| 2 | National Bank of Arizona | 0.2 miles | 10 | Cottonwood Elementary School | 0.6 miles |
| 3 | Maverik's First Stop Gas Station | 0.3 miles | 11 | Cottonwood Middle School | 0.6 miles |
| 4 | Bus Stop | 0.3 miles | 12 | Post Office | 0.7 miles |
| 5 | Cottonwood Recreation Center | 0.5 miles | 13 | Walgreens Pharmacy | 1.3 miles |
| 6 | Garrison Park | 0.5 miles | 14 | Safeway Grocery Store | 1.4 miles |
| 7 | Cottonwood Fire Department | 0.6 miles | 15 | Mingus Union High School | 1.9 miles |
| 8 | Cottonwood Police Department | 0.6 miles | 16 | Cottonwood Plaza Shopping Center | 2.0 miles |

8. OTHER CHARACTERISTICS/CONCLUSION

Upon completion, the Subject will exhibit excellent condition. The development will be located in the central portion of Cottonwood and will primarily target singles, couples, and families. The Subject will also offer a competitive amenities package, including walk-in closets, garage and carport parking, microwaves, fitness center, dog park, and scenic views. The Subject site is located in a mixed-use neighborhood in the City Center neighborhood of Cottonwood. Surrounding land uses consist primarily of commercial and retail uses as well as vacant land and some single-family and multifamily uses. The general boundaries of the Subject's neighborhood are the Verde River to the north, Arizona Highway 89 and Airpark Road to the west, Cottonwood Street to the south, and Main Street to the east. The proposed Subject will positively impact the neighborhood and the availability of good quality rental housing in Cottonwood; the site is suitable for the proposed use. An aerial view of the Subject site is outlined below.



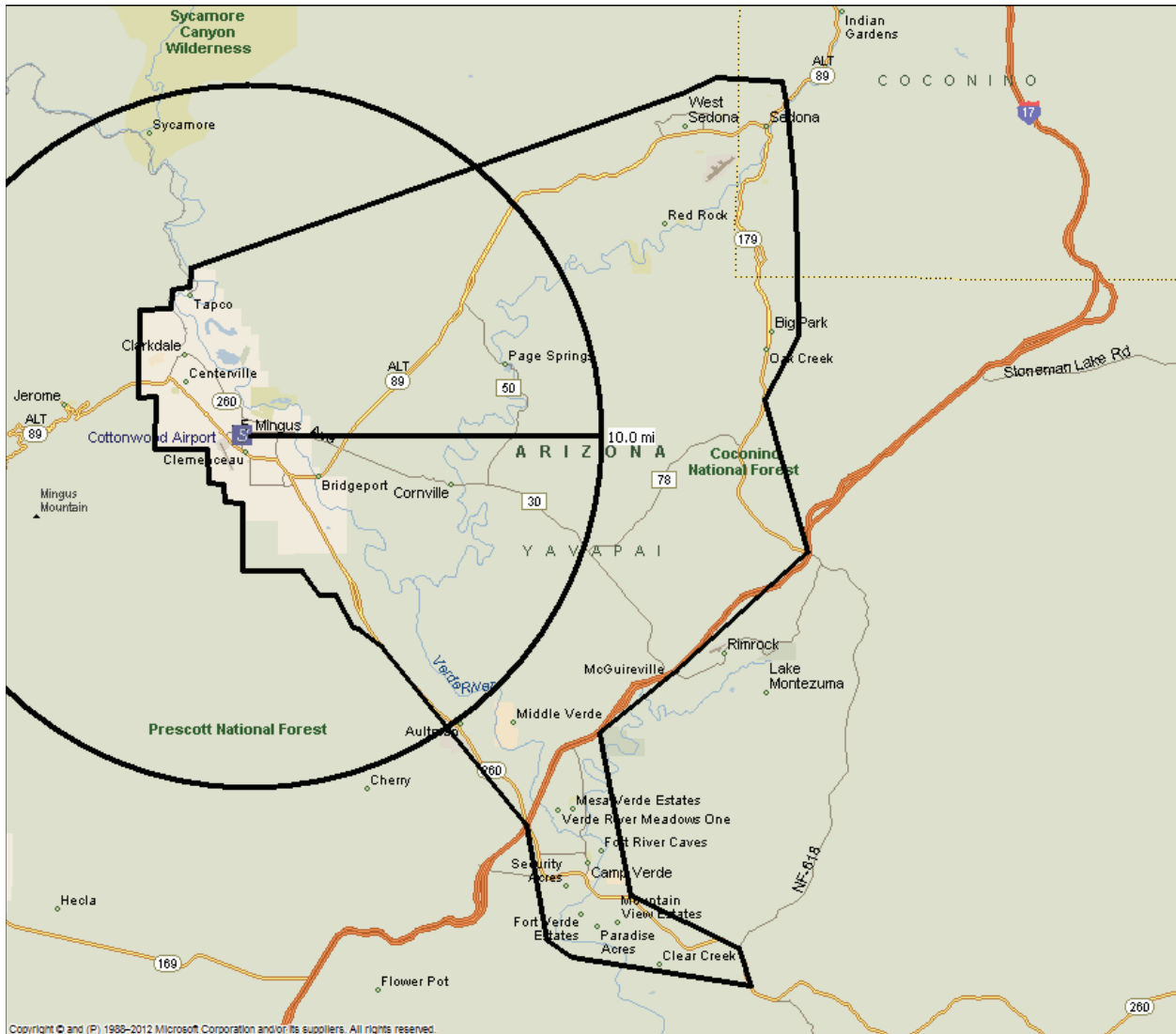
PRIMARY MARKET AREA DEFINITION

PRIMARY MARKET AREA DEFINITION

1. PRIMARY MARKET AREA MAP

In some areas, residents are very much “neighborhood oriented” and are generally very reluctant to move from the area where they have grown up. In other areas, residents are much more mobile and will relocate to a completely new area. The Subject is located in the central portion of Cottonwood, Arizona. The Primary Market Area (PMA) boundaries reflect the likelihood that renters would consider communities within this area. The Primary Market Area for the Subject generally encompasses the city of Cottonwood, as well as a portion of the cities of Clarkdale, Sedona, Camp Verde, and surrounding communities. Specific PMA boundaries include:

- North: NF-258, NF-525C, NF-633
- East: Red Rock Scenic Byway, Interstate 17
- South: Camp Verde Payson Highway, Salt Mine Road
- West: AZ-260, Prescott National Forest



2. DESCRIPTION AND JUSTIFICATION OF THE PRIMARY MARKET AREA

The PMA boundaries and overall market health assessment are based upon an analysis of demographic and socioeconomic characteristics, target tenant population, political jurisdictional boundaries, natural boundaries, experience of nearby comparable developments, accessibility to mass transit or key transportation corridors and commute patterns, and market perceptions. The PMA boundaries were defined based upon general neighborhood boundaries. We recognize several sub-markets exist within this PMA; however, market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. Given the opportunity to locate good quality housing, the renter base will move within these areas. We anticipate the majority of demand will be generated from this geographic area. We estimate 90 percent of the Subject's tenants will originate from the PMA, which is based upon conversation with local property managers, several of whom stated that a significant portion of their tenant-base originates from outside the PMA. The demand estimates will be adjusted to reflect this potential for leakage.

The Subject site is located in a mixed-use neighborhood in the City Center neighborhood of Cottonwood, Arizona. The Subject will be located within close proximity to retail, healthcare, employment, public transportation, and educational uses. The majority of the comparables are located in a similar location to the Subject. Given the rural nature of surrounding communities, and commuting patterns in the area, it is reasonable that the Subject would draw from a relatively wide area within Yavapai and surrounding counties, thus providing support for our PMA definition. Several local stakeholders indicated many residents in the area commute long distances for employment due to the lack of multifamily housing in the area. According to conversations with property managers, tenants are willing to relocate within the area to find good quality housing due to the lack of newly constructed multifamily units in the market.

ECONOMIC CONTEXT

ECONOMIC CONTEXT

Overview

The Subject will be located in a mixed-use neighborhood in Cottonwood, Arizona. The following section illustrates the findings of our analyses of key economic indicators, such as employment by industry, major employers, and unemployment trends. We analyzed data trends for the Subject’s PMA, as well as the metropolitan area, which is considered to be the Prescott, AZ Metropolitan Statistical Area (MSA). This MSA consists of Yavapai County in central Arizona and is anchored by the city of Prescott. As of the 2010 census, the MSA had a population of 211,033.

Novogradac & Company LLP obtained economic information from the State of Arizona, the US Bureau of Labor Statistics, ESRI Demographics, Cottonwood Economic Development Corporation, and the Yavapai County Regional Economic Development Center, along with various other sources. These data sources are reliable and current sources.

Employment by Industry

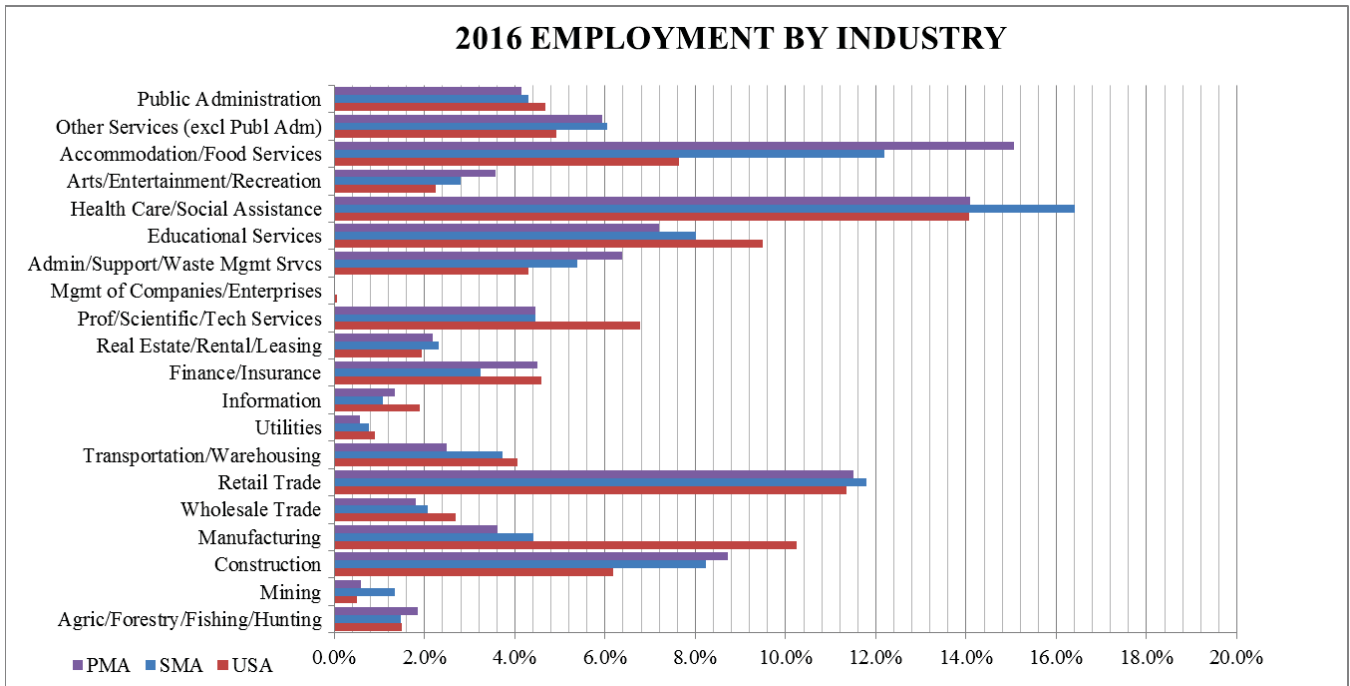
The following table illustrates the distribution of employment sectors by industry in the PMA and the nation.

| 2016 EMPLOYMENT BY INDUSTRY | | | | |
|--------------------------------|-----------------|------------------|--------------------|------------------|
| Industry | PMA | | USA | |
| | Number Employed | Percent Employed | Number Employed | Percent Employed |
| Accommodation/Food Services | 3,919 | 15.1% | 11,574,403 | 7.6% |
| Healthcare/Social Assistance | 3,665 | 14.1% | 21,304,508 | 14.1% |
| Retail Trade | 2,994 | 11.5% | 17,169,304 | 11.3% |
| Construction | 2,270 | 8.7% | 9,342,539 | 6.2% |
| Educational Services | 1,872 | 7.2% | 14,359,370 | 9.5% |
| Admin/Support/Waste Mgmt Svcs | 1,662 | 6.4% | 6,511,707 | 4.3% |
| Other Services (excl Publ Adm) | 1,547 | 5.9% | 7,463,834 | 4.9% |
| Finance/Insurance | 1,174 | 4.5% | 6,942,986 | 4.6% |
| Prof/Scientific/Tech Services | 1,161 | 4.5% | 10,269,978 | 6.8% |
| Public Administration | 1,077 | 4.1% | 7,093,689 | 4.7% |
| Manufacturing | 943 | 3.6% | 15,499,826 | 10.2% |
| Arts/Entertainment/Recreation | 927 | 3.6% | 3,416,474 | 2.3% |
| Transportation/Warehousing | 645 | 2.5% | 6,128,217 | 4.0% |
| Real Estate/Rental/Leasing | 567 | 2.2% | 2,946,196 | 1.9% |
| Agric/Forestry/Fishing/Hunting | 483 | 1.9% | 2,253,044 | 1.5% |
| Wholesale Trade | 469 | 1.8% | 4,066,471 | 2.7% |
| Information | 350 | 1.3% | 2,862,063 | 1.9% |
| Mining | 153 | 0.6% | 749,242 | 0.5% |
| Utilities | 148 | 0.6% | 1,344,219 | 0.9% |
| Mgmt of Companies/Enterprises | 0 | 0.0% | 89,612 | 0.1% |
| Total Employment | 26,026 | 100.0% | 151,387,682 | 100.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

As the table above illustrates, employment in the PMA is concentrated in the accommodation/food services, healthcare/social assistance, and retail trade sectors. These industries alone account for 40.6 percent of total employment in the PMA. Compared to the nation as a whole, the accommodation/food services, construction, and administration/support/waste management services sectors, are overrepresented in the PMA. Conversely, the manufacturing, and professional/scientific/technical services, and educational services sectors are underrepresented in the PMA when compared to the nation.

The following table illustrates the 2016 employment by industry within the PMA, MSA, and the nation.



Employment and Unemployment Trends

The following table details employment and unemployment trends for the MSA and the nation from 2007 through February 2017.

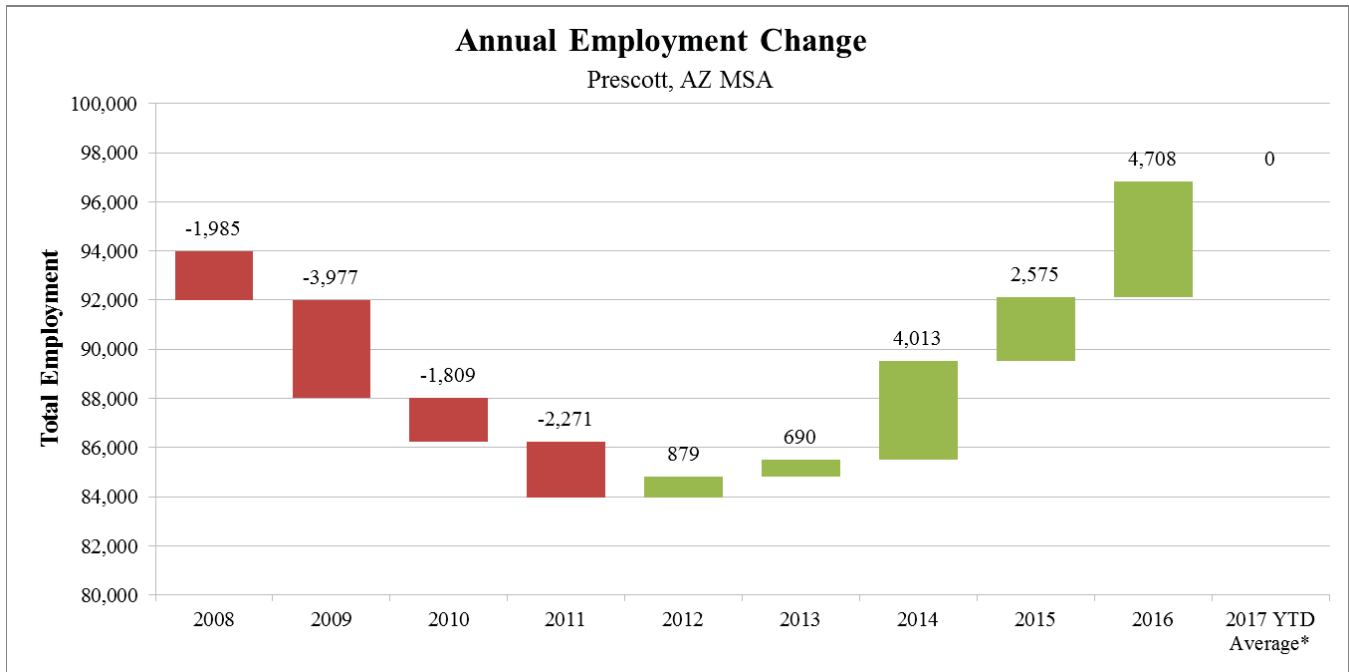
EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

| Year | Prescott, AZ MSA | | | | USA | | | |
|-------------------|------------------|----------|-------------------|--------|------------------|----------|-------------------|--------|
| | Total Employment | % Change | Unemployment Rate | Change | Total Employment | % Change | Unemployment Rate | Change |
| 2007 | 93,996 | - | 3.7% | - | 146,047,000 | - | 4.6% | - |
| 2008 | 92,011 | -2.1% | 6.2% | 2.4% | 145,363,000 | -0.5% | 5.8% | 1.2% |
| 2009 | 88,034 | -4.3% | 10.5% | 4.3% | 139,878,000 | -3.8% | 9.3% | 3.5% |
| 2010 | 86,224 | -2.1% | 10.7% | 0.2% | 139,064,000 | -0.6% | 9.6% | 0.3% |
| 2011 | 83,953 | -2.6% | 9.9% | -0.8% | 139,869,000 | 0.6% | 9.0% | -0.7% |
| 2012 | 84,832 | 1.0% | 8.6% | -1.3% | 142,469,000 | 1.9% | 8.1% | -0.9% |
| 2013 | 85,523 | 0.8% | 7.7% | -0.9% | 143,929,000 | 1.0% | 7.4% | -0.7% |
| 2014 | 89,536 | 4.7% | 6.3% | -1.4% | 146,305,000 | 1.7% | 6.2% | -1.2% |
| 2015 | 92,111 | 2.9% | 5.6% | -0.7% | 148,833,000 | 1.7% | 5.3% | -0.9% |
| 2016 | 96,818 | 5.1% | 4.9% | -0.7% | 150,501,000 | 1.1% | 5.0% | -0.3% |
| 2017 YTD Average* | 95,837 | -1.0% | 5.0% | 0.1% | 151,435,833 | 0.6% | 4.9% | -0.1% |
| Feb-2016 | 94,896 | - | 5.0% | - | 150,060,000 | - | 5.2% | - |
| Feb-2017 | 96,796 | 2.0% | 4.9% | -0.1% | 151,594,000 | 1.0% | 4.9% | -0.3% |

Source: U.S. Bureau of Labor Statistics April 2017

*2017 data is through Dec

The charts below depict employment and unemployment trends in the MSA.



Overall, total employment in the MSA has increased in five out of the last 10 years. The MSA experienced a significant decrease in total employment in 2009 through 2011 following the most recent national recession, exceeding the decline nationally. However, the area recovered in 2012 through 2016, whereas the nation as a whole recovered at a much slower rate. Over the last three years, the MSA has experienced gains in total employment, with the exception of 2017 year-to-date. However, from February 2016 through February 2017 the MSA experienced an increase in total employment of 2.0 percent compared to an increase of 1.0 percent for the nation as a whole.

Historically, the unemployment rate within the MSA generally remained similar to or slightly higher than the rate for the nation as a whole. Since 2008, during and immediately after the most recent national recession, the unemployment rate has remained higher than the nation, with a peak of 10.7 percent unemployment in 2009. From February 2016 to February 2017, the unemployment rate in the MSA decreased by 0.1 percentage points, and, as of February 2017, was 4.9 percent, similar to the nation’s unemployment rate. Based on the strong recent employment growth outpacing the nation, the near term economic outlook is strong.

Employment Contraction/Expansion

We spoke with Casey Rooney, Director of the Cottonwood Economic Development Corporation regarding employment expansions/contractions in the Cottonwood area over the past year. He noted that the Northern Arizona Healthcare (NAH) opened a 26,000 square foot outpatient facility in Camp Verde, just southeast of Cottonwood, in June of 2016. The facility offers a new, state-of-the-art primary care suite, an expanded clinical suite for EntireCare Rehab & Sports Medicine, and many other features. The number of new positions added at the facility was unavailable. Mr. Rooney also noted that viticulture is becoming an important part of the local economy. Cottonwood alone has 11 of the area’s 25 wineries. Recently, Yavapai College added a viticulture and enology program to their curriculum.

We also spoke with Stephen Ayers, Director of Economic Development for Camp Verde, in regards to new business openings in Camp Verde. He reported that Cliff Castle Casino is adding an additional 122-room

luxury hotel addition. The project will include a 300-space parking garage, retail space, pool, and 5,000-square foot meeting center. Construction is anticipated to be complete in late 2017.

We spoke with Warren Campbell, Assistant Director of Community Development for the City of Sedona, about new businesses in the area. He indicated a new CVS Pharmacy is planned to open in late 2017 in central Sedona, and will add approximately 15 jobs to the area. Mr. Campbell also indicated there are preliminary plans for a new retail center located in central Sedona off Highway 89A, the primary corridor in Sedona. The site will feature several spaces ranging from 1,000 square feet to 15,000 square feet; however, the plans for the site have not yet been approved.

We also spoke with Beth Escobar, Senior Planner with the City of Clarkdale, regarding new business in Clarkdale. She reported that a Dollar General opened in 2014, adding 10 full time and five part time positions to the area. Violette Café and Bakery also opened in 2015, adding 12 to 15 positions.

Additionally, the owner of Out of Africa reported a planned expansion of the park beginning in 2017 that will include an RV Resort, water park, conference center, new gift shop, café, food services, safari camps, and a Kalahari-style resort hotel. The expansion is expected to take place over the next five to ten years and is estimated to add approximately 500 to 600 jobs to the area. As part of the park expansion, there is a planned \$66 million expansion of the SR 260. Several roundabouts will be added to facilitate the park expansion and new park entrance.

We have reviewed publications by the Arizona Job Connection listing WARN (Worker Adjustment and Retraining Notification Act) notices for the past five years in Yavapai County, as detailed in the following table.

| WARN NOTICES | | | | |
|--|-----------------|--------------------|---------------------------|-------------|
| Yavapai County 2013 to YTD 2017 | | | | |
| Company Name | Industry | Location | Employees Affected | Date |
| Fortner Aerospace/PCC Aerostructures | Manufacturing | Prescott | 78 | 12/4/2013 |
| Life Care Centers of America | Healthcare | Prescott | 231 | 4/30/2015 |
| Haggen, Inc. | Grocery Stores | Multiple Locations | 51 | 8/14/2015 |
| Total | | | 360 | |

Source: Arizona Job Connection, retrieved 4/2017

As the preceding table demonstrates, there have been a total of three layoffs reported in Yavapai County since January 2013, resulting in the loss of 360 jobs.

Major Employers

The following table details the major employers in the Cottonwood area. It should be noted that the number of employees was not available for every major employer.

| MAJOR EMPLOYERS - COTTONWOOD, AZ AREA | | | |
|---------------------------------------|----------------------|-----------------------|------------|
| Company Name | Location | Industry | # Employed |
| Northern Arizona Healthcare | Cottonwood | Healthcare | 1,000 |
| Salt River Materials | Clarkdale/Camp Verde | Mining | 250 |
| Out of Africa Adventure Park | Camp Verde | Recreation | 250 |
| The Home Depot | Cottonwood | Retail | 250 |
| Walmart Super Center | Cottonwood | Retail | 200 |
| City of Cottonwood | Cottonwood | Government | 150 |
| Sedona Unified School District | Sedona | Education | 143 |
| Yavapai County | Cottonwood | Government | 100 |
| City of Sedona | Sedona | Government | 74 |
| Sedona Kombucha | Sedona | Manufacturing | 70 |
| Cottonwood-Oak Creek School District | Cottonwood | Education | 52 |
| Double Tree Sedona Resort | Sedona | Tourism/Accommodation | N/Av |
| Enchantment Resort | Sedona | Tourism/Accommodation | N/Av |
| L'Auberge de Sedona Resort | Sedona | Tourism/Accommodation | N/Av |
| Los Abrigados Resort & Spa | Sedona | Tourism/Accommodation | N/Av |

Source: Cottonwood Economic Development Corporation, 4/2017

As the above table illustrates, the major employers in the Cottonwood area are concentrated in the tourism/accommodation, education, healthcare, and government sectors. Historically, these industries are more stable during times of recession, which indicates that the Subject is located in a stable market area.

Wages by Occupation

The following table details the number of employees, the mean hourly wage and the mean annual wage by occupation in the Prescott, AZ Metropolitan Statistical Area (MSA), which consists of Yavapai County. The 2nd quarter 2016 data is the most recent information available for this region.

| PRESCOTT, AZ MSA - 2ND QTR 2016 AREA WAGE ESTIMATES | | | |
|--|---------------------|------------------|------------------|
| Occupation | Number of Employees | Mean Hourly Wage | Mean Annual Wage |
| Total all occupations | 59,270 | \$19.46 | \$40,470 |
| Management Occupations | 3,140 | \$40.60 | \$84,440 |
| Healthcare Practitioners and Technical Occupations | 3,980 | \$37.12 | \$77,220 |
| Legal Occupations | 250 | \$35.10 | \$73,000 |
| Architecture and Engineering Occupations | 510 | \$33.30 | \$69,260 |
| Computer and Mathematical Occupations | 440 | \$29.27 | \$60,890 |
| Business and Financial Operations Occupations | 1,530 | \$28.27 | \$58,790 |
| Protective Service Occupations | 1,910 | \$25.64 | \$53,320 |
| Life, Physical, and Social Science Occupations | 390 | \$24.90 | \$51,780 |
| Education, Training, and Library Occupations | 3,360 | \$21.97 | \$45,690 |
| Community and Social Services Occupations | 1,380 | \$21.49 | \$44,700 |
| Arts, Design, Entertainment, Sports, and Media Occupations | 730 | \$19.59 | \$40,750 |
| Installation, Maintenance, and Repair Occupations | 2,740 | \$19.14 | \$39,810 |
| Construction and Extraction Occupations | 2,800 | \$18.71 | \$38,920 |
| Production Occupations | 2,510 | \$17.22 | \$35,820 |
| Transportation and Material Moving Occupations | 3,650 | \$16.52 | \$34,370 |
| Office and Administrative Support Occupations | 9,030 | \$15.80 | \$32,870 |
| Healthcare Support Occupations | 1,500 | \$15.51 | \$32,260 |
| Sales and Related Occupations | 7,070 | \$14.57 | \$30,310 |
| Building and Grounds Cleaning and Maintenance Occupations | 2,460 | \$12.57 | \$26,150 |
| Farming, Fishing, and Forestry Occupations | 110 | \$12.23 | \$25,430 |
| Personal Care and Service Occupations | 2,210 | \$12.05 | \$25,060 |
| Food Preparation and Serving-Related Occupations | 7,570 | \$11.02 | \$22,920 |

Source: Department Of Labor, Occupational Employment Statistics, 5/2016, retrieved 4/2017

The previous chart illustrates average hourly and annual wages by employment classification. The classification with the lowest average hourly wage is food preparation and serving related occupations, at \$11.02 per hour. The highest average hourly wage of \$40.60 is for management occupations.

The qualifying incomes for the Subject's tenants will range from \$28,800 to \$100,000+ which encompasses a significant portion of the employment in the area. Utilizing the lower end of the mean wage range of \$28,800 per year at 2,080 annual hours equates to a per hour wage of \$13.85. A significant portion of the employment area would qualify to live at the Subject.

Employment Analysis

The Subject will be located in the City Center neighborhood of central Cottonwood. The Subject site is located along the southwest side of SR 260, just southwest of South Candy Lane. SR 260 is a four-lane

moderately-traveled northwest/southeast traversing roadway which runs from Clarkdale, approximately 2.6 miles to the northwest of the Subject. SR 260 connects State Route 89A in Cottonwood to Sedona approximately 17 miles northeast of Cottonwood. SR 260 also connects to Camp Verde and Interstate 17 approximately 13 miles southeast of the Subject. Interstate 17 provides access to Phoenix approximately 90 miles south of the Subject and to Flagstaff approximately 40 miles northeast of the Subject. As such, we have focused on Cottonwood, Sedona, and surrounding areas, combined known as the Verde Valley, as a whole in framing our employment analysis.

According to market participants as well as our in depth analysis, the Cottonwood economy is based on tourism, accommodation, healthcare, and retail trade. Cottonwood serves as the trading center for the Verde Valley, with a wide variety of retail establishments, professional services and manufacturing concerns. Verde Valley Medical Center is one of the finest diagnostic and treatment centers in Northern Arizona. Travel and tourism industry are also important to Cottonwood's economy. Nearby national forests, state parks, national monuments and wilderness areas attract hundreds of thousands of tourists each year. According to the Verde Valley Tourism Survey prepared by the Arizona Hospitality Research & Resource Center, "Approximately 3,425,000 tourists visited the area from September 2014 through August 2015. Visitors to the Verde Valley had an estimated \$529 million in direct expenditures, which resulted in an indirect economic impact of \$103.8 million, and induced impact of \$139 million for a total economic impact of \$772 million. Indirect business taxes based on direct expenditures produced an additional \$64 million and the total economic impact supported 9,490 direct jobs or 12,130 direct and indirect jobs." According to a Lodging Feasibility Study prepared for the City of Cottonwood in 2016, approximately \$5.8 million was collected by the city through hotel/motel tax revenues in 2015.

According to the 2015 Cottonwood Economic Development Strategic Plan, U.S. Census data indicates nearly three fourths of Cottonwood's workforce out commute to jobs in other cities. The combined area of Cottonwood and Verde Village has a workforce of 8,493 people, of which 6,308 or 74.3 percent of the residents commute outside of the area to work. At the same time, 3,526 people commute into Cottonwood and Verde Village to work, while 2,185 both live and work in Cottonwood and the Verde Village. A greater percentage of residents out commute to goods producing jobs and a greater percentage of internal jobs are filled by outside workers in the trade, transportation and utilities industry. An equal number of people flow into, out of and within the study area are earning more than \$3,333 a month."

Interviews with local stakeholders indicate many of Cottonwood's residents commute to Sedona for employment. Sedona has more than 2,500 small and medium-sized businesses composed of lodging, food and entertainment businesses, lifestyle and service businesses, and a large number of home-based businesses. According to the Sedona Chamber of Commerce's 2016 annual report, the tourism industry in Sedona is a \$600 million industry and supports more than 10,000 jobs.

According to HUD's Regional Market Conditions for the fourth quarter of 2016, "Economic conditions in the Pacific region, which began to improve during the fourth quarter of 2010, continued to strengthen during the fourth quarter of 2016. All four states in the region added jobs, with total nonfarm payrolls increasing by 446,000 jobs, or 2.1 percent, from the fourth quarter of 2015 to approximately 21.4 million jobs. By contrast, the national rate of nonfarm job growth was 1.5 percent. Since the fourth quarter of 2010, the region has added 2.8 million jobs, a cumulative gain of 15.3 percent. The education and health services and the leisure and hospitality sectors were the primary drivers of job growth in the region. The two sectors combined contributed approximately 41 percent of net job gains during the fourth quarter of 2016, with additions of 103,200 and 78,600 jobs, respectively. Before the most recent quarter, the professional and business services sector was one of the top two leading sectors for year-over-year job growth in the region in every quarter since the third quarter of 2013 because of significant expansions in the tech industry. During the fourth quarter of 2016, 65,800 jobs, or 2.0 percent, were added in the professional and business services sector, 35 percent fewer than the addition of 101,400 jobs, or 3.2 percent, during the fourth

quarter of 2015. The manufacturing sector declined in three of the four states of the region, but 90 percent of the job losses occurred in California. California's high land and energy costs resulted in relocations of manufacturing companies to relatively lower-cost areas such as Nevada (the only state in the region to record an increase in manufacturing jobs), New Mexico, or abroad.

The unemployment rate in the region averaged 5.0 percent during the fourth quarter of 2016, down from 5.7 percent a year earlier but still more than the national average of 4.5 percent. Hawaii had the lowest average unemployment rate in the region at 2.8 percent, down from 3.2 percent a year ago. The unemployment rate in Arizona declined from 5.7 to 4.9 percent. At 5.1 percent each, Nevada and California had the highest unemployment rates in the region; in Nevada, the unemployment rate declined from 6.2 percent and in California from 5.8 percent during the fourth quarter of 2015. The unemployment rates in California and Nevada were tied for the 10th highest rate in the nation, and the unemployment rate in Hawaii was the 5th lowest

During the fourth quarter of 2016:

- California added 363,700 jobs, a year-over-year gain of 2.2 percent, after 2.9-percent growth during the fourth quarter of 2015. The education and health services sector led job gains in the state, similar to the region, and the professional and business services sector was the second fastest growing sector in the state. The two sectors combined accounted for 40 percent of net job growth in the state, up by 83,000 and 57,100 jobs, respectively. Several large-scale hospital modernization projects currently are under way, including the \$400 million expansion at the Riverside Community Hospital in southern California. The project is expected to add a new 251,000-square-foot tower with seven floors that will house 105 rooms, a new medical office building, and a 1,060-space parking garage when it is complete in 2018. An estimated 300 full-time positions are expected to be added on completion.
- Nonfarm payrolls in Arizona increased by 36,600 jobs, or 1.4 percent, from a year ago, less than one-half of the 76,000 jobs added, or 2.9 percent growth, recorded during the fourth quarter of 2015. The education and health services sector led job growth in the state, adding 14,200 jobs, or 3.5 percent. After its purchase of the University of Arizona Health Network in 2015, the Phoenix-based Banner Health hospital system plans to invest nearly \$1 billion in clinics and new teaching hospitals in both Tucson and Phoenix. One of the projects currently under way is the new \$400 million Banner–University Medical Center Tucson, which will replace the existing 40-year-old hospital and add 335 private rooms and 22 operating rooms. The project is expected to be complete by January 2019. The number of potential additions to permanent hospital jobs has not been announced.
- In Nevada, nonfarm payrolls expanded by 32,000 jobs, or 2.5 percent. The mining, logging, and construction and the leisure and hospitality sectors—the two fastest-growing sectors in the state—added 8,600 and 6,700 jobs, increases of 9.9 and 2.0 percent, respectively. At least seven major expansions or new casino and resort projects currently are under way in Las Vegas, including the 6,500-room Resorts World Las Vegas casino and resort, which is expected to add 8,500 direct jobs when the project opens in 2018. During buildout, 30,000 construction jobs are expected to be created.
- Hawaii added 13,600 nonfarm payroll jobs, a gain of 2.1 percent. The leisure and hospitality and the education and health services sectors led job gains, expanding by 5,400 and 2,500 jobs, or 4.7 and 3.0 percent, respectively. Total tourism spending rose 5.8 percent from a year earlier to \$4.0 billion during the fourth quarter of 2016 (Hawaii Tourism Authority).

During the fourth quarter of 2016, sales housing market conditions in the Pacific region ranged from balanced to tight, unchanged from a year ago. Continued economic growth has contributed to rising home sales prices throughout the region since 2012, however, the pace of growth is slowing. The average home

sales price for the region (including single-family homes, townhomes, and condominiums) increased nearly 4 percent, to \$454,200, during the 12 months ending November 2016, after a 5-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average home sales price in the nation rose 6 percent, to \$274,200, during the 12 months ending November 2016, higher than the 5-percent growth a year earlier. Average home sales prices rose in all 10 major metropolitan areas referenced in this report, ranging from a 2-percent gain in the Oxnard-Thousand Oaks-Ventura metropolitan area, where conditions were balanced, to a 15-percent gain in the Urban Honolulu metropolitan area, where conditions tightened.

During the 12 months ending November 2016, the number of home sales rose to 741,700, a 1-percent increase from a year earlier, after an 8-percent expansion during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales nationwide contracted 5 percent during the 12 months ending November 2016. Home sales decreased in 5 of the 10 largest metropolitan areas in the region, with declines ranging from 1 percent in the Riverside-San Bernardino-Ontario metropolitan area to 6 percent in the San Jose-Sunnyvale-Santa Clara metropolitan area. Recent declines in sales are primarily a result of shortages of for-sale inventories rather than of decreased demand, particularly for homes priced in the most affordable ranges. The unsold inventory averaged a 1.6-month supply in Santa Clara County (part of the San Jose metropolitan area) and a 3.3-month supply in Los Angeles County (California Association of Realtors®). Home sales were stable in the San Diego-Carlsbad metropolitan area but expanded in the relatively more affordable metropolitan areas of the region, including the Sacramento–Roseville–Arden-Arcade, where sales increased 7 percent.

Regionwide growth in new home sales and regular (nondistressed) resales of 8 and 3 percent, respectively, was partially offset by declines in the number of distressed sales (real estate owned [REO] and short sales) because fewer distressed properties were on the market. During the 12 months ending November 2016, REO and short sales fell 22 and 18 percent, respectively, after decreases of 17 and 21 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and properties that had transitioned to REO status in the region declined 0.5 percentage points, from 1.9 percent in November 2015 to 1.4 percent in November 2016. By comparison, the national decline was 0.7 percentage points, to 2.6 percent. In the region, the percentages of seriously delinquent mortgage loans and REO properties were highest in Hawaii and Nevada, at 3.1 and 3.0 percent, respectively; however, the overall regional rate also reflected the lesser rates in California and Arizona of 1.3 and 1.4 percent, respectively.

During the fourth quarter of 2016 (preliminary data):

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 13 percent in the region, to 19,350 homes, from a year earlier. The increase was less than the 16-percent gain during the fourth quarter of 2015. By comparison, the number of homes permitted nationally expanded 7 percent from a year earlier after a 6-percent gain in the fourth quarter of 2015.
- Approximately 56 percent of the single-family homes permitted in the region were in California. The number of single-family homes permitted in California rose to 10,750, a 17-percent gain from the fourth quarter of 2015, after a 6-percent gain during the same period a year earlier.
- Single-family permitting increased 8 percent from the previous year in Arizona, where 5,625 homes were permitted.
- Although all four states recorded increases in single-family homebuilding activity, growth was slowest in Nevada, where 2,450 homes were permitted, a 6-percent increase from the previous year, and in Hawaii, where 520 homes were permitted, a 4-percent gain from the previous year.

Apartment market conditions in the largest metropolitan areas in the Pacific region ranged from balanced to tight. Of the 10 major metropolitan areas referenced in this report, 7 recorded apartment vacancy rates less than the national average of 5.3 percent during the fourth quarter of 2016. The apartment vacancy rate rose in 5 of the metropolitan areas, however, and remained stable in the Los Angeles-Long Beach-Anaheim metropolitan area (Axiometrics, Inc., and MPF Research). In the apartment markets that posted vacancy rate increases, the changes ranged from 0.1 percentage point in the Sacramento–Roseville–Arden-Arcade metropolitan area to 0.5 percent in the San Francisco-Oakland-Hayward metropolitan area. Overall apartment market conditions remained unchanged from a year ago in all major metropolitan areas. Conditions remained tight in the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara markets, with apartment vacancy rates of 3.5 and 3.8 percent, respectively, but both markets recorded the highest apartment vacancy rate increases because of high levels of apartment construction since 2012 and significant rent growth that has reduced affordability of rental units. Average rents rose in all the major metropolitan areas referenced in this report except San Jose-Sunnyvale-Santa Clara, the most expensive rental market in the region, where rents declined 1 percent to \$2,444. Among areas with rent increases, the growth in the average rent ranged from 2 percent in San Francisco-Oakland-Hayward to 8 percent in Urban Honolulu. Rent growth exceeded the national average of 3 percent in all but the two most expensive metropolitan areas in this report; rents per square foot in the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara metropolitan areas averaged \$3.24 and \$2.99, respectively, more than twice the national rent average of \$1.41 per square foot.

During the fourth quarter of 2016 (preliminary data):

- Builders in the region responded to tight apartment market conditions with increased multifamily building activity, as measured by the number of units permitted. Multifamily permitting expanded 13 percent, to 18,500 units, after an 11-percent decline during the fourth quarter of 2015. By comparison, the number of units permitted nationally fell 10 percent from the fourth quarter of 2015 after a 15-percent gain during the same period a year earlier.
- California accounted for 73 percent of the multifamily units permitted in the region, up 10 percent, to 13,600 units. Multifamily permitting activity in the state during the fourth quarter has grown year-over-year since 2009, except for the fourth quarter of 2015, when multifamily permitting activity fell.
- In Nevada, where multifamily permitting has fluctuated since 2010, the number of units permitted grew 74 percent, to 1,925, after a 9-percent decline during the fourth quarter of 2015.
- The number of multifamily units permitted in Arizona increased 40 percent, to 2,825, compared with the 2,025 units permitted during the fourth quarter of 2015. The Phoenix-Mesa-Scottsdale metropolitan area accounted for 89 percent of multifamily permitting in Arizona during the past year compared with a 75-percent contribution during the fourth quarter of 2015.
- Multifamily permitting activity declined only in Hawaii, to 150 units, an 85-percent drop from the 1,000 units permitted during the fourth quarter of 2015. As in Nevada, multifamily permitting activity in Hawaii is highly variable from quarter to quarter.

Employment Projection over the Forecast Period

Per the HUD MAP Guide, the analyst should provide an estimate of employment projection over the forecast period. In order to determine an appropriate forecast we consulted the Arizona Department of Administration's *2012-2022 Industry Employment Projections* report. According to this report, total nonfarm employment in the Prescott, AZ MSA is projected to increase from 84,832 to 98,999 between 2012 and 2022, which represents an increase of 16.7 percent or 1.7 percent per annum. Between 2012 and 2022 the Arizona Department of Administration projects 14,167 new jobs within the MSA, or 1,417 new jobs per year. The following table outlines this data, excerpted from the report.

| Prescott, AZ MSA Employment Forecast | | |
|--------------------------------------|--------|--------|
| | 2012 | 2022 |
| Total Nonfarm Employment | 84,832 | 98,999 |
| Numerical Change | | 14,167 |
| Numerical Change Per Annum | | 1,417 |
| Percent Change | | 16.7% |
| Percent Change Per Annum | | 1.7% |

Source: Arizona Department of Administration, 4/2017

The above data is based on regional employment. On an annual basis, the projected growth equates to a net increase of 1,417 jobs. In order to estimate the percentage share of jobs in the PMA, we considered the population in the MSA area versus the PMA; the indicated ratio is approximately 28.6 percent as detailed in the *Demographic Analysis*. Given the nature of the PMA, which includes many of the MSA’s largest employers, it is reasonable to assume that the PMA has a larger concentration of jobs than the population indicates. However, as a benchmark, we have relied upon the percentage indicated by the demographic breakdown. Therefore, 28.6 percent of the 1,417 projected annual job growth will be located in the PMA. This equates to approximately 405 new jobs annually. An increasing job base bodes well for continued demand for rental housing units within the PMA.

Summary

Employment in the PMA is greatest in the accommodation/food services, healthcare/social assistance, and retail trade sectors which together represent 40.6 percent of the total PMA employment. Total employment has increased by 11.7 percent since 2013, and total employment has returned to pre-recession levels as of 2016. From February 2016 to February 2017, total employment has increased 2.0 percent, compared to an increase of 1.0 percent nationally. From February 2016 to February 2017, the unemployment rate decreased 0.1 percentage points. The national unemployment rate has decreased 0.3 percentage points over this same time period. Based on the strong recent employment growth outpacing the nation, the near term economic outlook is strong. According to the Arizona Department of Administration, job growth is expected to increase 16.7 percent from 2012 to 2022 within the Prescott, AZ MSA.

DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS

Population and Households

The tables below illustrate general population and household trends in the PMA, MSA, and the nation from 2000 through 2021.

| POPULATION | | | | | | |
|------------|--------|---------------|------------------|---------------|-------------|---------------|
| Year | PMA | | Prescott, AZ MSA | | USA | |
| | Number | Annual Change | Number | Annual Change | Number | Annual Change |
| 2000 | 53,172 | - | 167,517 | - | 281,421,906 | - |
| 2010 | 60,753 | 1.4% | 211,033 | 2.6% | 308,745,538 | 1.0% |
| 2016 | 64,585 | 1.0% | 225,968 | 1.1% | 323,580,626 | 0.8% |
| 2021 | 67,541 | 0.9% | 239,730 | 1.2% | 337,326,118 | 0.8% |

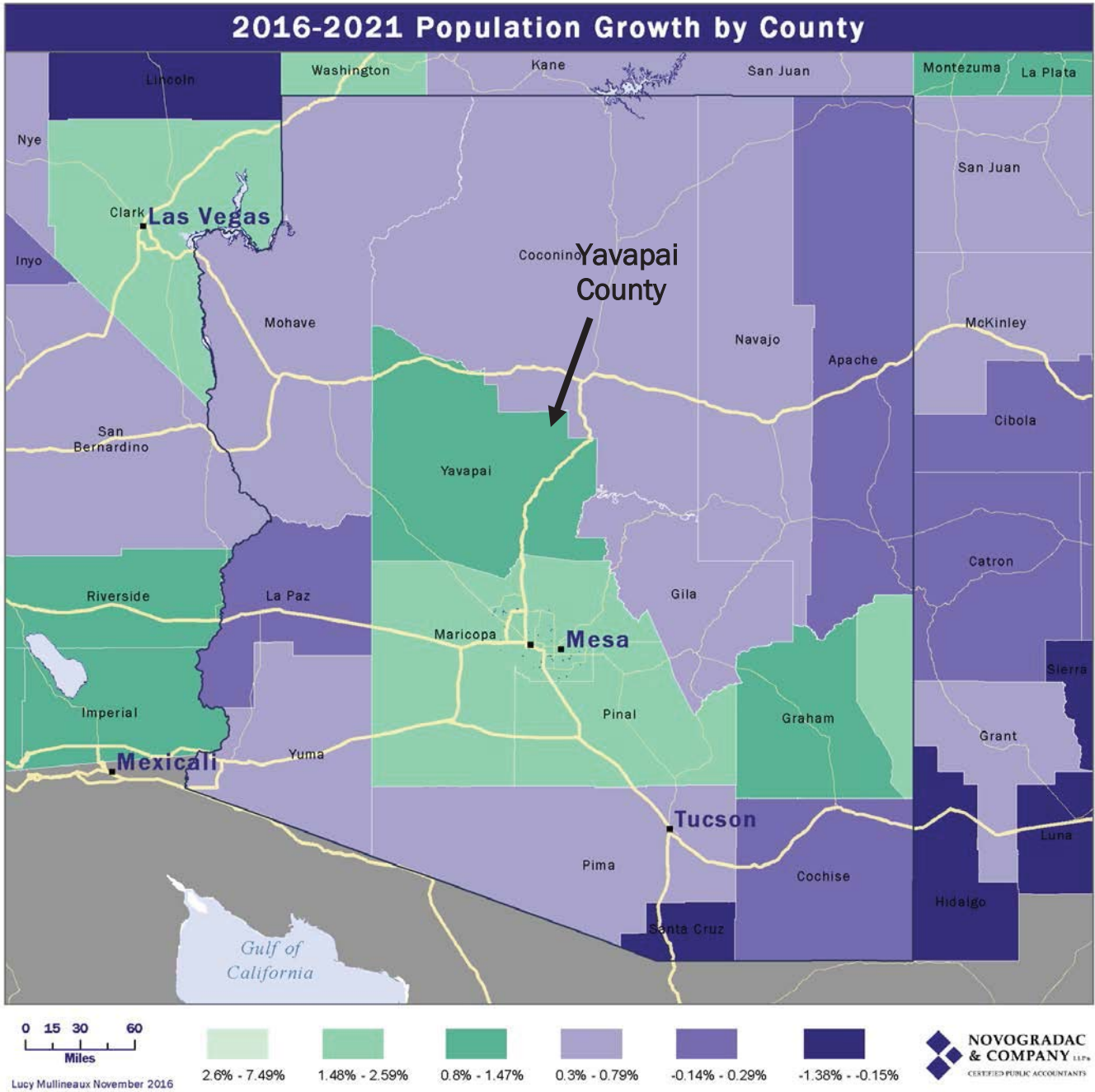
Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

| HOUSEHOLDS | | | | | | |
|------------|--------|---------------|------------------|---------------|-------------|---------------|
| Year | PMA | | Prescott, AZ MSA | | USA | |
| | Number | Annual Change | Number | Annual Change | Number | Annual Change |
| 2000 | 22,654 | - | 70,171 | - | 105,480,101 | - |
| 2010 | 26,648 | 1.8% | 90,903 | 3.0% | 116,716,292 | 1.1% |
| 2016 | 28,427 | 1.1% | 98,002 | 1.2% | 121,786,233 | 0.7% |
| 2021 | 29,755 | 0.9% | 104,433 | 1.3% | 126,694,268 | 0.8% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

As the previous tables illustrate, total population increased in both the PMA and the MSA by 1.4 percent and 2.6 percent, respectively, from 2000 to 2010. Population growth continued through 2016 and is projected to continue through 2021 in both the PMA and the MSA. Similarly, the number of households increased by 1.8 percent and 3.0 percent, respectively, in the PMA and MSA from 2000 to 2010. Household growth is projected to continue through 2021 in the PMA and MSA at a similar pace.

The map below illustrates the annual population growth in the state of Arizona by county.



Annual population growth is high in the Subject’s county with an annual growth rate between 0.8 percent and 1.47 percent.

Average Household Size

The following table illustrates average household size in the PMA, MSA, and nation from 2000 to 2021.

| AVERAGE HOUSEHOLD SIZE | | | | | | |
|------------------------|--------|---------------|------------------|---------------|--------|---------------|
| Year | PMA | | Prescott, AZ MSA | | USA | |
| | Number | Annual Change | Number | Annual Change | Number | Annual Change |
| 2000 | 2.30 | - | 2.33 | - | 2.59 | - |
| 2010 | 2.24 | -0.3% | 2.28 | -0.2% | 2.58 | -0.1% |
| 2016 | 2.23 | -0.1% | 2.27 | -0.1% | 2.59 | 0.1% |
| 2021 | 2.23 | 0.0% | 2.26 | -0.1% | 2.60 | 0.1% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

Average household size decreased in the PMA, MSA, and the nation from 2000 to 2010. From 2010 to 2016, however, average household size increased by 0.1 percent in the nation, while average household size decreased by 0.1 percent in the PMA and MSA. This trend is projected to continue nationwide and in the MSA through 2021, while the average household size in the PMA is projected to remain constant.

Household Income Distribution

The following tables illustrate the household income distributions in 2016 and 2021 for the PMA and MSA.

| HOUSEHOLD INCOME PMA | | | | | | |
|----------------------|---------------|---------------|---------------|---------------|----------------------------|------------|
| Income Cohort | PMA | | | | | |
| | 2016 | | 2021 | | Annual Change 2016 to 2021 | |
| | Number | Percentage | Number | Percentage | Number | Percentage |
| \$0-9,999 | 1,939 | 6.8% | 1,874 | 6.3% | -13 | -0.7% |
| \$10,000-19,999 | 3,726 | 13.1% | 3,434 | 11.5% | -59 | -1.6% |
| \$20,000-29,999 | 3,626 | 12.8% | 3,464 | 11.6% | -32 | -0.9% |
| \$30,000-39,999 | 3,394 | 11.9% | 3,370 | 11.3% | -5 | -0.1% |
| \$40,000-49,999 | 2,893 | 10.2% | 2,979 | 10.0% | 17 | 0.6% |
| \$50,000-59,999 | 2,070 | 7.3% | 2,166 | 7.3% | 19 | 0.9% |
| \$60,000-74,999 | 2,915 | 10.3% | 2,956 | 9.9% | 8 | 0.3% |
| \$75,000-99,999 | 3,084 | 10.8% | 3,455 | 11.6% | 74 | 2.4% |
| \$100,000-124,999 | 1,872 | 6.6% | 2,183 | 7.3% | 62 | 3.3% |
| \$125,000-149,999 | 911 | 3.2% | 1,254 | 4.2% | 69 | 7.5% |
| \$150,000-199,999 | 947 | 3.3% | 1,185 | 4.0% | 48 | 5.0% |
| \$200,000+ | 1,050 | 3.7% | 1,435 | 4.8% | 77 | 7.3% |
| Total | 28,427 | 100.0% | 29,755 | 100.0% | | |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

| HOUSEHOLD INCOME MSA | | | | | | |
|----------------------|---------------|---------------|----------------|---------------|----------------------------|------------|
| Prescott, AZ MSA | | | | | | |
| Income Cohort | 2016 | | 2021 | | Annual Change 2016 to 2021 | |
| | Number | Percentage | Number | Percentage | Number | Percentage |
| \$0-9,999 | 6,439 | 6.6% | 6,233 | 6.0% | -41 | -0.6% |
| \$10,000-19,999 | 12,266 | 12.5% | 11,304 | 10.8% | -193 | -1.6% |
| \$20,000-29,999 | 11,812 | 12.1% | 11,485 | 11.0% | -65 | -0.6% |
| \$30,000-39,999 | 11,031 | 11.3% | 11,041 | 10.6% | 2 | 0.0% |
| \$40,000-49,999 | 10,568 | 10.8% | 10,335 | 9.9% | -46 | -0.4% |
| \$50,000-59,999 | 8,376 | 8.5% | 9,080 | 8.7% | 141 | 1.7% |
| \$60,000-74,999 | 10,518 | 10.7% | 10,976 | 10.5% | 92 | 0.9% |
| \$75,000-99,999 | 10,835 | 11.1% | 12,457 | 11.9% | 324 | 3.0% |
| \$100,000-124,999 | 6,645 | 6.8% | 8,104 | 7.8% | 292 | 4.4% |
| \$125,000-149,999 | 3,571 | 3.6% | 4,971 | 4.8% | 280 | 7.8% |
| \$150,000-199,999 | 2,932 | 3.0% | 4,081 | 3.9% | 230 | 7.8% |
| \$200,000+ | 3,009 | 3.1% | 4,366 | 4.2% | 271 | 9.0% |
| Total | 98,002 | 100.0% | 104,433 | 100.0% | | |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

Renter Household Income Distribution

The following tables illustrate renter household income distribution in 2016 and 2021 for the PMA and MSA.

| RENTER HOUSEHOLD INCOME PMA | | | | | | |
|-----------------------------|--------------|---------------|---------------|---------------|----------------------------|------------|
| Income Cohort | PMA | | | | Annual Change 2016 to 2021 | |
| | 2016 | | 2021 | | Number | Percentage |
| | Number | Percentage | Number | Percentage | | |
| \$0-9,999 | 1,029 | 10.4% | 1,017 | 9.8% | -2 | -0.2% |
| \$10,000-19,999 | 1,739 | 17.5% | 1,637 | 15.7% | -20 | -1.2% |
| \$20,000-29,999 | 1,626 | 16.4% | 1,564 | 15.0% | -12 | -0.8% |
| \$30,000-39,999 | 1,320 | 13.3% | 1,291 | 12.4% | -6 | -0.4% |
| \$40,000-49,999 | 1,033 | 10.4% | 1,108 | 10.7% | 15 | 1.4% |
| \$50,000-59,999 | 596 | 6.0% | 641 | 6.2% | 9 | 1.5% |
| \$60,000-74,999 | 786 | 7.9% | 813 | 7.8% | 5 | 0.7% |
| \$75,000-99,999 | 679 | 6.9% | 816 | 7.8% | 27 | 4.0% |
| \$100,000-124,999 | 498 | 5.0% | 626 | 6.0% | 26 | 5.1% |
| \$125,000-149,999 | 150 | 1.5% | 242 | 2.3% | 18 | 12.2% |
| \$150,000-199,999 | 212 | 2.1% | 291 | 2.8% | 16 | 7.4% |
| \$200,000+ | 244 | 2.5% | 353 | 3.4% | 22 | 9.0% |
| Total | 9,913 | 100.0% | 10,400 | 100.0% | | |

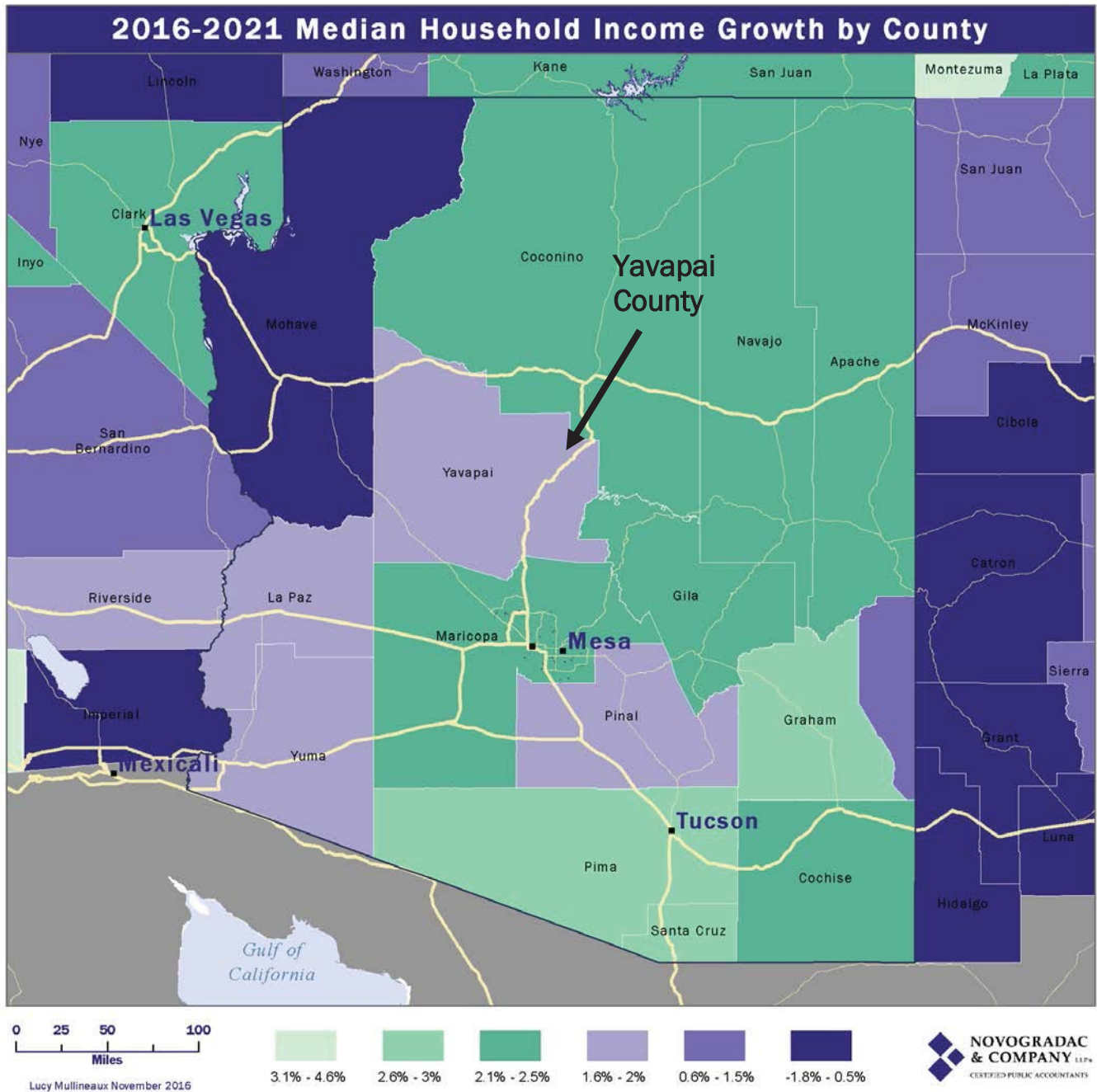
Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

| RENTER HOUSEHOLD INCOME MSA | | | | | | |
|-----------------------------|------------------|---------------|---------------|---------------|----------------------------|------------|
| Income Cohort | Prescott, AZ MSA | | | | Annual Change 2016 to 2021 | |
| | 2016 | | 2021 | | Number | Percentage |
| | Number | Percentage | Number | Percentage | | |
| \$0-9,999 | 3,492 | 11.1% | 3,406 | 10.2% | -17 | -0.5% |
| \$10,000-19,999 | 5,477 | 17.4% | 5,207 | 15.6% | -54 | -1.0% |
| \$20,000-29,999 | 4,515 | 14.4% | 4,458 | 13.3% | -11 | -0.3% |
| \$30,000-39,999 | 3,814 | 12.1% | 3,826 | 11.4% | 2 | 0.1% |
| \$40,000-49,999 | 3,197 | 10.2% | 3,182 | 9.5% | -3 | -0.1% |
| \$50,000-59,999 | 2,234 | 7.1% | 2,434 | 7.3% | 40 | 1.8% |
| \$60,000-74,999 | 2,598 | 8.3% | 2,788 | 8.3% | 38 | 1.5% |
| \$75,000-99,999 | 2,364 | 7.5% | 2,875 | 8.6% | 102 | 4.3% |
| \$100,000-124,999 | 1,505 | 4.8% | 2,017 | 6.0% | 102 | 6.8% |
| \$125,000-149,999 | 850 | 2.7% | 1,197 | 3.6% | 70 | 8.2% |
| \$150,000-199,999 | 639 | 2.0% | 958 | 2.9% | 64 | 10.0% |
| \$200,000+ | 713 | 2.3% | 1,072 | 3.2% | 72 | 10.1% |
| Total | 31,399 | 100.0% | 33,420 | 100.0% | | |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

The minimum income limit for the Subject's units will be \$28,800 and there will be no maximum income limit. As such, approximately 57.6 percent of the renter households in the PMA will income-qualify to reside at the Subject.

The map below illustrates the annual median household income growth in the state of Arizona by county.



As depicted in the previous image, median household income has grown annually between 1.6 percent and 2.0 percent in the Subject's county.

Household Size Distribution

The following tables illustrate the overall household size distribution for the PMA and the MSA.

| PMA HOUSEHOLD SIZE DISTRIBUTION | | | | | | |
|---------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Household Size | 2000 | | 2016 | | 2021 | |
| | Total Households | Percent | Total Households | Percent | Total Households | Percent |
| 1 person | 6,336 | 28.0% | 9,355 | 32.9% | 10,003 | 33.6% |
| 2 persons | 9,727 | 42.9% | 11,142 | 39.2% | 11,451 | 38.5% |
| 3 persons | 2,840 | 12.5% | 3,543 | 12.5% | 3,753 | 12.6% |
| 4 persons | 2,105 | 9.3% | 2,271 | 8.0% | 2,353 | 7.9% |
| 5+ persons | 1,647 | 7.3% | 2,117 | 7.4% | 2,195 | 7.4% |
| Total | 22,654 | 100.0% | 28,427 | 100.0% | 29,755 | 100.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

| MSA HOUSEHOLD SIZE DISTRIBUTION | | | | | | |
|---------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Household Size | 2000 | | 2016 | | 2021 | |
| | Total Households | Percent | Total Households | Percent | Total Households | Percent |
| 1 person | 18,657 | 26.6% | 30,419 | 31.0% | 32,963 | 31.6% |
| 2 persons | 30,281 | 43.2% | 39,818 | 40.6% | 42,086 | 40.3% |
| 3 persons | 8,900 | 12.7% | 12,296 | 12.5% | 13,051 | 12.5% |
| 4 persons | 6,901 | 9.8% | 8,191 | 8.4% | 8,646 | 8.3% |
| 5+ persons | 5,432 | 7.7% | 7,278 | 7.4% | 7,687 | 7.4% |
| Total | 70,171 | 100.0% | 98,002 | 100.0% | 104,433 | 100.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

The majority of households are between one and three persons, which bodes well for the Subject, which will offer one, two, and three-bedroom units.

Renter Household Size Distribution

The following tables illustrate the renter household size distribution for the PMA and the MSA.

| RENTER HOUSEHOLD INCOME BY HOUSEHOLD SIZE | | | | | |
|---|----------|-------|-------|-----|-----|
| Income Cohort | PMA 2016 | | | | |
| | 1 | 2 | 3 | 4 | 5+ |
| \$0-9,999 | 669 | 108 | 59 | 76 | 117 |
| \$10,000-19,999 | 1,313 | 175 | 182 | 40 | 29 |
| \$20,000-29,999 | 608 | 557 | 180 | 78 | 202 |
| \$30,000-39,999 | 564 | 265 | 281 | 93 | 117 |
| \$40,000-49,999 | 269 | 338 | 182 | 152 | 91 |
| \$50,000-59,999 | 239 | 219 | 63 | 42 | 32 |
| \$60,000-74,999 | 152 | 340 | 115 | 157 | 22 |
| \$75,000-99,999 | 192 | 171 | 119 | 93 | 103 |
| \$100,000-124,999 | 163 | 145 | 41 | 95 | 54 |
| \$125,000-149,999 | 72 | 41 | 17 | 9 | 11 |
| \$150,000-199,999 | 107 | 48 | 30 | 16 | 12 |
| \$200,000+ | 72 | 34 | 36 | 54 | 47 |
| Total | 4,423 | 2,441 | 1,306 | 905 | 839 |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

| PMA RENTER HOUSEHOLD SIZE DISTRIBUTION | | | | | | |
|--|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| Household Size | 2000 | | 2016 | | 2021 | |
| | Total Renter Households | Percent | Total Renter Households | Percent | Total Renter Households | Percent |
| 1 person | 2,339 | 37.7% | 4,423 | 44.6% | 4,743 | 45.6% |
| 2 persons | 1,699 | 27.4% | 2,441 | 24.6% | 2,452 | 23.6% |
| 3 persons | 811 | 13.1% | 1,306 | 13.2% | 1,380 | 13.3% |
| 4 persons | 729 | 11.7% | 905 | 9.1% | 953 | 9.2% |
| 5+ persons | 629 | 10.1% | 839 | 8.5% | 872 | 8.4% |
| Total | 6,206 | 100.0% | 9,913 | 100.0% | 10,400 | 100.0% |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

| MSA RENTER HOUSEHOLD SIZE DISTRIBUTION | | | | | | |
|--|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| Household Size | 2000 | | 2016 | | 2021 | |
| | Total Renter Households | Percent | Total Renter Households | Percent | Total Renter Households | Percent |
| 1 person | 6,561 | 35.2% | 13,174 | 42.0% | 14,296 | 42.8% |
| 2 persons | 5,448 | 29.2% | 8,074 | 25.7% | 8,335 | 24.9% |
| 3 persons | 2,759 | 14.8% | 4,351 | 13.9% | 4,610 | 13.8% |
| 4 persons | 2,162 | 11.6% | 3,069 | 9.8% | 3,282 | 9.8% |
| 5+ persons | 1,722 | 9.2% | 2,732 | 8.7% | 2,897 | 8.7% |
| Total | 18,652 | 100.0% | 31,399 | 100.0% | 33,420 | 100.0% |

Source: Ribbon Demographics 2016, Novogradac & Company LLP, April 2017

The Subject will target households containing one to five persons. As such, all sized renter households will be size-eligible to reside at the Subject.

Building Permit Activity

The following table demonstrates building permit information from 2005 through February 2017 (the most current data available).

| NUMBER OF BUILDING PERMITS ISSUED | | | | | | |
|-----------------------------------|----------------|-----------|-----------|----------------|------------|------------|
| Year | Cottonwood, AZ | | | Yavapai County | | |
| | Single Family | 2-4 Units | 5+ Units | Single Family | 2-4 Units | 5+ Units |
| 2005 | 122 | 0 | 9 | 4,369 | 91 | 19 |
| 2006 | 94 | 0 | 0 | 2,916 | 54 | 64 |
| 2007 | 52 | 12 | 0 | 1,444 | 45 | 0 |
| 2008 | 8 | 0 | 0 | 604 | 7 | 176 |
| 2009 | 0 | 0 | 0 | 348 | 0 | 140 |
| 2010 | 0 | 0 | 0 | 237 | 6 | 96 |
| 2011 | 0 | 0 | 0 | 290 | 4 | 8 |
| 2012 | 0 | 0 | 0 | 444 | 8 | 0 |
| 2013 | 30 | 0 | 0 | 841 | 20 | 0 |
| 2014 | 29 | 0 | 0 | 948 | 12 | 8 |
| 2015 | 35 | 4 | 60 | 1,120 | 29 | 228 |
| 2016* | 0 | 0 | 0 | 1,115 | 14 | 230 |
| YTD 2017** | 0 | 0 | 0 | 166 | 6 | 0 |
| Total | 370 | 16 | 69 | 14,842 | 296 | 969 |

Source: HUD SOCDS Building Permit Database, 4/2017

*Preliminary data report

**2017 YTD data through February

As the above table illustrates, a majority of permits issued in Cottonwood have been for single-family home construction, which comprised 81.3 percent of overall construction activity since 2005. The increasing population, limited existing housing stock, and number of households indicate the need for additional housing. The construction of the Subject will provide good quality rental housing in an area where population is increasing.

Conclusion

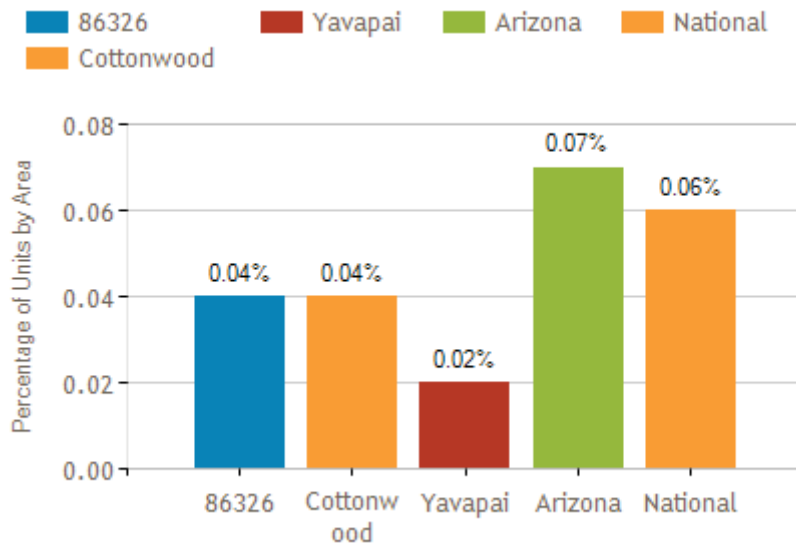
The overall population for the PMA and MSA is projected to increase over the next five years, continuing the trend from 2000 to 2016. Population is expected to grow at a slightly faster rate in the MSA relative to the PMA through 2021. Similar to the population, the total number of households in the PMA and the MSA is projected to increase at a similar steady pace over the next five years with the total households in the PMA increasing 0.9 percent annually and 1.3 percent annually in the MSA. Approximately 59.1 percent of the renter households in the PMA will income-qualify to reside at the Subject. As population continues to grow, the need for good quality market rate housing is also expected to increase.

CURRENT HOUSING MARKET CONDITIONS

CURRENT HOUSING MARKET CONDITIONS

According to RealtyTrac.com, “there are currently 37 properties in the Subject’s zip code (86326) that are in some stage of foreclosure (default, auction or bank owned) while the number of homes listed for sale on RealtyTrac is 105. In March 2017, the number of properties that received a foreclosure filing in the Subject’s zip code was 20 percent lower than the previous month and 75 percent lower than the same time last year.”

The following chart depicts the percentage of units by area currently in some stage of foreclosure within the Subject's zip code, as well as the city of Cottonwood, Yavapai County, Arizona, and nation for comparison purposes. Overall, the Subject's zip code is experiencing a similar foreclosure rate compared to that of the city, a higher foreclosure rate than the county, and a lower foreclosure rate compared to that of the state and nation as a whole.

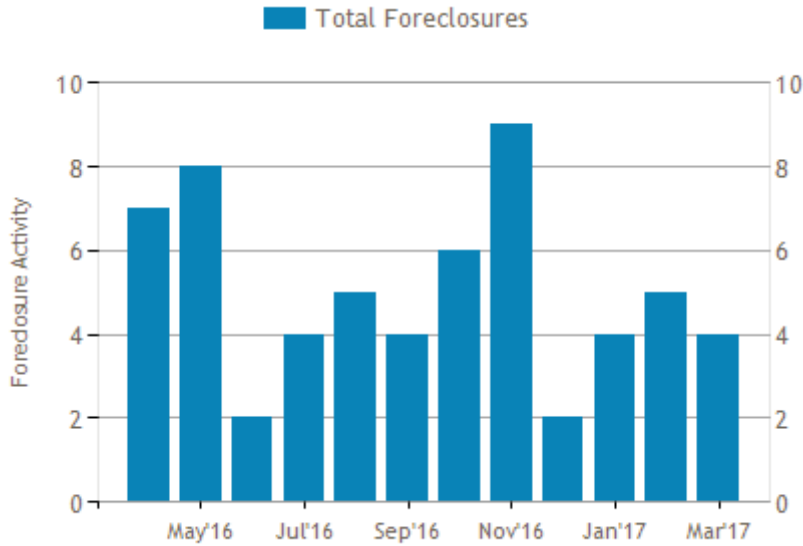


Source: Realtytrac.com, April 2017

According to Realtor.com, the median listing price of homes in Cottonwood is \$200,000, the median listing price per square foot is \$118, and the median closing price is \$190,000. Additional details for the area were unavailable; however, due to the somewhat rural nature of the PMA, it is likely that the region has experienced fewer foreclosures than the nation as whole, as real estate assets never reached inflated peak values due to an overbuilt real estate market such as occurred throughout the country prior to the recent national recession.

Shadow Market

The Cottonwood area has been affected by single-family and condominium foreclosures over the past several years. However; in March 2017, the number of properties that received a foreclosure filing in Cottonwood was 20 percent lower than the previous month and 75 percent lower than the same time last year.



Source: Realtytrac.com, April 2017

Based on the relatively strong occupancy rates at the comparables and recent stabilization in the local economy, we do not believe the existence of a shadow market created by single-family and condominium foreclosures will have an impact on the Subject’s market or ability to maintain a stabilized vacancy rate.

The following chart details median listing prices in Cottonwood over the last three years.

Cottonwood, AZ Real Estate Market Trends



Source:Realtor.com, 4/2017

As indicated, median listing prices in Cottonwood have increased steadily over the last three years.

Rent/Buy Analysis

We performed a rent/buy analysis. Our inputs assume a three-bedroom single-family home listing on www.Zillow.com in the Subject's neighborhood with a purchase price of \$205,000 and an interest rate of 4.33 percent for a 30-year fixed mortgage with a ten percent down payment. This was compared to the cost to rent the Subject's most expensive three-bedroom unit. The rent buy analysis is illustrated in the following table.

Three-Bedroom Re-Sale Starter Home

| | |
|---------------------|---|
| Unit Price: | \$205,000 for a three-bedroom |
| Equity Required: | 10% |
| Financing: | 90% for 30 years at 4.33% fixed. |
| Real Estate Taxes: | Calculated based on 2.00% of market of value. |
| Mortgage Insurance: | Estimated at 0.50% of total mortgage amount. |
| Insurance: | Estimated at 1.0 % of total mortgage amount. |

The Subject's proposed three-bedroom rents are at a slight advantage when compared to the cost of home ownership in the Subject's neighborhood. The Subject's highest proposed three-bedroom rents are \$1,200 whereas the monthly cost of an average three-bedroom home in the area is estimated at \$1,425 per month. The analysis indicates that with a monthly differential of \$212, it is more affordable to rent a three-bedroom unit at the Subject than it is to purchase a three-bedroom single-family home in the Subject' neighborhood. Further, it should be noted that the cash due at the closing of a home is a barrier for many households and some households may face credit qualification issues. The rent-buy analysis is located in the following table.

| THREE-BEDROOM RENT VS. BUY ANALYSIS | | | | |
|-------------------------------------|--------------|------------------|----------|--|
| Inputs | | Ownership | Rental | Notes |
| Average Price | | \$205,000 | | Zillow.com |
| Closing Costs | 3% | \$6,150 | | |
| Down payment | 10% | \$20,500 | | |
| Principal | | \$184,500 | | |
| Interest Rate | 4.33% | | | Bankrate.com |
| Amortization period | 30 | | | |
| Monthly Payment | | \$916 | | |
| Annual Payment | | \$10,995 | | |
| Real Estate Taxes | 2.00% | \$4,100 | | |
| Private Mortgage Insurance | 0.50% | \$923 | | |
| Homeowner's Insurance | 1.00% | \$2,050 | | |
| Utilities | | \$0 | | |
| Maintenance and Repairs | 1.00% | \$2,050 | | Assumes a 1% cost for maintenance and repairs. |
| Tax Benefit | | | | |
| Marginal Tax Bracket | 25% | | | |
| Annual Interest | | \$7,989 | | Assumes first year |
| Annual Tax Savings | | (\$3,022) | | |
| Rental Costs | | | | |
| Annual Rent | | | \$14,400 | 3 BR net rent: \$1,200 per month |
| Insurance (renter) | | | \$150 | |
| Total Annual Cost | | \$17,096 | \$14,550 | |
| Total Monthly Cost | | \$1,425 | \$1,213 | |
| Differential per year | \$2,546 | | | |
| Differential per month | \$212 | | | |
| Cash Due at Occupancy | | \$26,650 | \$1,500 | |

1. COMPETITIVE RENTAL INVENTORY

Household Tenure General Population

The table below illustrates the breakdown by household tenure within the PMA.

| TENURE PATTERNS PMA | | | | |
|---------------------|----------------------|---------------------------|-----------------------|----------------------------|
| Year | Owner-Occupied Units | Percentage Owner-Occupied | Renter-Occupied Units | Percentage Renter-Occupied |
| 2000 | 16,448 | 72.6% | 6,206 | 27.4% |
| 2016 | 18,514 | 65.1% | 9,913 | 34.9% |
| 2021 | 19,355 | 65.0% | 10,400 | 35.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

Owner-occupied housing units represent the majority of the housing market in the PMA. Nationally, approximately two-thirds of households are homeowners and one-third are renters. The PMA has a similar percentage of renter households as the nation as a whole.

Housing Units by Units in Structure in PMA

The table below illustrates the housing units by units in a structure within the PMA.

| HOUSING UNITS BY UNITS IN STRUCTURE IN PMA | |
|--|---------------|
| 1-Detached | 21,713 |
| 1-Attached | 1,308 |
| 2 | 814 |
| 3-4 | 832 |
| 5-9 | 710 |
| 10-19 | 348 |
| 20-49 | 261 |
| 50+ | 361 |
| Mobile Homes | 6,199 |
| Other | 60 |
| Total | 32,606 |

Source: American Community Survey, Novogradac & Company LLP, April 2017

The above table illustrates that 66.6 percent of housing units in the PMA are single-family detached homes.

Age of Housing Stock in PMA

The below table illustrates the age of housing stock in the PMA.

| AGE OF HOUSING STOCK IN PMA | | |
|-----------------------------|-----------------|--------------------------|
| Years | Number of Units | Percent of Housing Stock |
| 1999-3/2000 | 1,038 | 4.1% |
| 1995-1998 | 3,685 | 14.5% |
| 1990-1994 | 3,416 | 13.5% |
| 1980-1989 | 7,571 | 29.9% |
| 1970-1979 | 5,727 | 22.6% |
| 1960-1969 | 1,938 | 7.6% |
| 1950-1959 | 737 | 2.9% |
| 1940-1949 | 300 | 1.2% |
| 1939 and Before | 948 | 3.7% |
| Total | 25,360 | 100.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

As the table indicates, 15.5 percent of the housing stock was constructed prior to 1970 in the PMA. It is reasonable to assume that a portion of the existing housing units constructed prior to 1970 will leave the market based upon the loss of functional or physical inadequacies of the units.

Tenure by Units in Structure (Number of Bedrooms)

The following table illustrates the tenure by bedroom in Cottonwood, AZ and Yavapai County, AZ. Information was unavailable for the PMA.

| | TENURE BY NUMBER OF BEDROOMS | | | | | | | |
|-------------|------------------------------|---------|-----------------|---------|--------------------|---------|-----------------|---------|
| | Cottonwood, AZ | | | | Yavapai County, AZ | | | |
| | Owner Occupied | | Renter Occupied | | Owner Occupied | | Renter Occupied | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Total: | 2,097 | 100.0% | 1,835 | 100.0% | 51,519 | 100.0% | 18,652 | 100.0% |
| No bedroom | 22 | 1.0% | 98 | 5.3% | 485 | 0.9% | 879 | 4.7% |
| 1 bedroom | 138 | 6.6% | 656 | 35.7% | 3,109 | 6.0% | 4,166 | 22.3% |
| 2 bedrooms | 640 | 30.5% | 824 | 44.9% | 17,375 | 33.7% | 8,501 | 45.6% |
| 3 bedrooms | 1,077 | 51.4% | 257 | 14.0% | 25,222 | 49.0% | 4,304 | 23.1% |
| 4 bedrooms | 171 | 8.2% | 0 | 0.0% | 4,611 | 9.0% | 694 | 3.7% |
| 5+ bedrooms | 49 | 2.3% | 0 | 0.0% | 717 | 1.4% | 108 | 0.6% |

Source: U.S. Census Bureau, 2010 American Community Survey, Novogradac & Company LLP, 4/2017

As the table illustrates, 94.7 percent of the renter-occupied housing units in Cottonwood contain one, two, or three bedrooms. Within Yavapai County, 91.0 percent of the renter-occupied housing units contain one, two, or three bedrooms.

Gross Rent

The following table illustrates the gross rent in Cottonwood, AZ. Information was unavailable for the PMA.

| 2010 GROSS RENTS | | |
|-----------------------------------|--------------|---------------|
| Cottonwood, AZ | | |
| | Number | Percentage |
| Occupied units paying rent | 2,036 | 100.0% |
| Less than \$200 | 507 | 24.9% |
| \$200 to \$299 | 1,039 | 51.0% |
| \$300 to \$499 | 430 | 21.1% |
| \$500 to \$749 | 0 | 0.0% |
| \$750 to \$999 | 60 | 2.9% |
| \$1,000 to \$1,499 | 0 | 0.0% |
| \$1,500 or more | 0 | 0.0% |
| No rent | 99 | 4.9% |

Source: U.S. Census Bureau, 2010 American Community Survey, Novogradac & Company LLP, 4/2017

The Subject’s asking rents will range from \$775 to \$1,200. According to the table above, less than three percent of renters within Cottonwood have gross rents similar to or above this range. However, we do not believe this is an accurate representation of the area given many residents in the area commute to find good quality housing due to the lack of newly constructed multifamily developments in Cottonwood.

2. RECENT MARKET EXPERIENCE

Comparable properties are examined on the basis of physical characteristics, i.e. building type, age/quality, level of common amenities, absorption, as well as similarity in rent. We attempted to compare the Subject to properties from the competing market to provide a picture of the health and available supply in the market.

Description of Property Types Surveyed

To evaluate the competitive position of the Subject, we surveyed several market rate properties in depth. We also visited and surveyed other properties that were excluded from the market survey because they are not considered comparable to the Subject or would not participate in the survey. Property managers were interviewed for information on unit mix, size, absorption, unit features, and project amenities; tenant profiles; and market trends in general.

There are several multifamily developments located in the Subject's PMA that we did not use in our analysis. The following table identifies these properties and the reason for their exclusion.

| EXCLUDED PROPERTIES IN THE PMA | | | | |
|--------------------------------|------------|----------------|---------|---------------------------------|
| Property Name | Location | Rent Structure | Tenancy | Reason for Exclusion |
| Aspen Ridge Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Courtside Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Parkway Apartments | Camp Verde | LIHTC | Family | Affordable rents |
| Pine Creek Villas | Big Park | LIHTC | Family | Affordable rents |
| Verde Vista Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Yavapai-Apache Homes I - IV | Camp Verde | LIHTC | Family | Affordable rents |
| Cottonwood Manor | Cottonwood | Section 8 | Senior | Subsidized rents/senior tenancy |
| Mingus Pointe Apartments | Cottonwood | LIHTC/RD | Family | Affordable rents |
| Tuzigoot Village | Cottonwood | Section 8 | Senior | Subsidized rents/senior tenancy |
| Verde View Senior Apartments | Camp Verde | Section 8 | Senior | Subsidized rents/senior tenancy |
| Verde Valley Manor | Cottonwood | Section 8/RD | Senior | Subsidized rents/senior tenancy |
| Arnold Terrace Apartments | Camp Verde | RD | Family | Subsidized rents |
| Highland Square Senior | Cottonwood | RD | Senior | Subsidized rents/senior tenancy |
| Verde Plaza Apartments | Cottonwood | Market/RD | Family | Inferior condition/rents |
| Taylor Huntley Village | Cottonwood | Market | Family | Unable to contact |

We performed an extensive search for comparable properties near the proposed Subject site. To evaluate the competitive position of the Subject, 1,150 units in 10 rental properties were surveyed.

Seven of the 10 comparables used are located in the PMA within Cottonwood and Sedona, while three are located outside the PMA with the cities of Flagstaff and Prescott Valley. All of the comparables are located within 42.7 miles of the Subject, and all offer good access to amenities and employment opportunities. However, the comparables in Flagstaff and Prescott Valley are located in slightly superior areas and were included due the limited number of new multifamily developments in the Cottonwood area and due to the lack of comparables with three-bedroom units. The selected comparables represent the most comparable market rate rental product in the Subject’s market.

Provided on the following pages are maps and individual property profiles of the comparable properties used in the rental analysis. In addition, Novogradac has provided summary matrices to facilitate the analysis of the comparable properties.

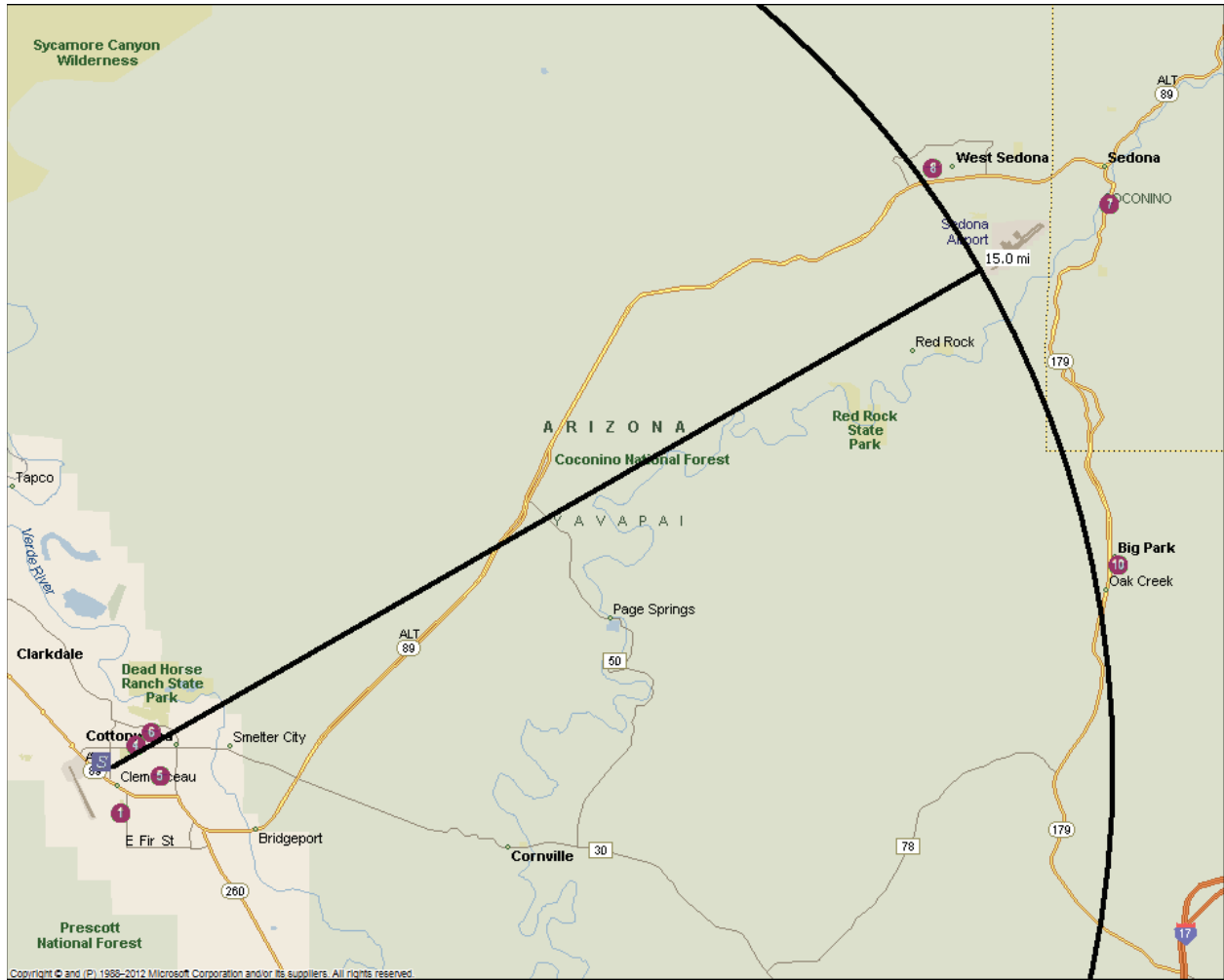
Comparable Property Map I



| COMPARABLE PROPERTIES | | | | |
|-----------------------|--------------------------------|-----------------|--------|------------|
| # | Property Name | City | Type | Distance |
| 1 | Copper Creek Apartments | Cottonwood | Market | 0.8 miles |
| 2 | Elevation Apartments* | Flagstaff | Market | 42.7 miles |
| 3 | Mountain Trail Apartments* | Flagstaff | Market | 37.1 miles |
| 4 | Mountain View Villa Apartments | Cottonwood | Market | 0.8 miles |
| 5 | Rio Verde Cottonwood | Cottonwood | Market | 1.0 miles |
| 6 | Sage Wood Apartments | Cottonwood | Market | 1.1 miles |
| 7 | Sedona Terrace | Sedona | Market | 17.6 miles |
| 8 | Shadowbrook Apartments | Sedona | Market | 15.6 miles |
| 9 | The Terraces* | Prescott Valley | Market | 21.7 miles |
| 10 | Villa Cortez | Sedona | Market | 15.8 miles |

*Located outside the PMA

Comparable Property Map I



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| COMPARABLE PROPERTIES | | | | |
|-----------------------|--------------------------------|-----------------|--------|------------|
| # | Property Name | City | Type | Distance |
| 1 | Copper Creek Apartments | Cottonwood | Market | 0.8 miles |
| 2 | Elevation Apartments* | Flagstaff | Market | 42.7 miles |
| 3 | Mountain Trail Apartments* | Flagstaff | Market | 37.1 miles |
| 4 | Mountain View Villa Apartments | Cottonwood | Market | 0.8 miles |
| 5 | Rio Verde Cottonwood | Cottonwood | Market | 1.0 miles |
| 6 | Sage Wood Apartments | Cottonwood | Market | 1.1 miles |
| 7 | Sedona Terrace | Sedona | Market | 17.6 miles |
| 8 | Shadowbrook Apartments | Sedona | Market | 15.6 miles |
| 9 | The Terraces* | Prescott Valley | Market | 21.7 miles |
| 10 | Villa Cortez | Sedona | Market | 15.8 miles |

*Located outside the PMA

INSPIRATION AT COTTONWOOD – COTTONWOOD, ARIZONA – MARKET STUDY

| SUMMARY MATRIX | | | | | | | | | | | | | | |
|----------------|---|------------|-------------------------------------|------------------|--------------|------|-------|-------------|-------------|-----------|-----------|------------|--------------|--------------|
| Comp # | Project | Distance | Type / Built / Renovated | Market / Subsidy | Units | # | % | Restriction | Rent (Adj.) | Size (SF) | Max Rent? | Wait List? | Units Vacant | Vacancy Rate |
| Subject | Inspiration At Cottonwood SR 260 And Candy Lane Cottonwood, AZ 86236 Yavapai County | n/a | Garden (2 stories) Proposed | Market | 1BR / 1BA | 26 | 15.1% | Market | \$800 | 625 | n/a | N/A | N/A | N/A |
| | | | | | 2BR / 1BA | 34 | 19.8% | Market | \$900 | 825 | n/a | N/A | N/A | N/A |
| | | | | | 2BR / 2BA | 43 | 25.0% | Market | \$1,025 | 1,050 | n/a | N/A | N/A | N/A |
| | | | | | 2BR / 2BA | 43 | 25.0% | Market | \$1,125 | 1,150 | n/a | N/A | N/A | N/A |
| | | | | | 3BR / 2BA | 26 | 15.1% | Market | \$1,225 | 1,250 | n/a | N/A | N/A | N/A |
| | | | | | 172 | 100% | | | | | | N/A | N/A | |
| 1 | Copper Creek Apartments 400 East Date Street Cottonwood, AZ 86326 Yavapai County | 0.8 mile | Garden 1998 / n/a | Market | 2BR / 2BA | 12 | 100% | Market | \$800 | 1,000 | n/a | No | 0 | 0.0% |
| | | | | | | 12 | 100% | | | | | | 0 | 0.0% |
| 2 | Elevation Apartments 5000 North Mall Way Flagstaff, AZ 86004 Coconino County | 42.7 miles | Garden (3 stories) 2012 / n/a | Market | 1BR / 1BA | 10 | 3.4% | HUD | N/A | 755 | n/a | Yes | 0 | 0.0% |
| | | | | | 1BR / 1BA | 52 | 17.9% | Market | \$1,245 | 775 | n/a | No | 2 | 3.8% |
| | | | | | 1BR / 1BA | 45 | 15.5% | Market | \$1,225 | 755 | n/a | Yes | 0 | 0.0% |
| | | | | | 2BR / 2BA | 14 | 4.8% | HUD | N/A | 1,005 | n/a | Yes | 0 | 0.0% |
| | | | | | 2BR / 2BA | 76 | 26.1% | Market | \$1,545 | 1,005 | n/a | No | 8 | 10.5% |
| | | | | | 2BR / 2BA | 62 | 21.3% | Market | \$1,525 | 1,005 | n/a | Yes | 0 | 0.0% |
| | | | | | 3BR / 2BA | 4 | 1.4% | HUD | N/A | 1,158 | n/a | Yes | 0 | 0.0% |
| | | | | | 3BR / 2BA | 16 | 5.5% | Market | \$1,745 | 1,158 | n/a | Yes | 0 | 0.0% |
| | | | | | 3BR / 2BA | 12 | 4.1% | Market | \$1,725 | 1,158 | n/a | Yes | 0 | 0.0% |
| | | | | | | | | | | 291 | 100% | | | |
| 3 | Mountain Trail Apartments 927 West Forest Meadows Street Flagstaff, AZ 86001 Coconino County | 37.1 miles | Garden (3 stories) 2016 / n/a | Market | 1BR / 1BA | 56 | 35.0% | Market | \$1,350 | 705 | n/a | No | 2 | 3.6% |
| | | | | | 1BR / 1.5BA | 26 | 16.2% | Market | \$1,350 | 912 | n/a | No | 8 | 30.8% |
| | | | | | 2BR / 2BA | 39 | 24.4% | Market | \$1,575 | 960 | n/a | No | 11 | 28.2% |
| | | | | | 2BR / 2BA | 39 | 24.4% | Market | \$1,735 | 1,183 | n/a | No | 11 | 28.2% |
| | | | | | 160 | 100% | | | | | | 32 | 20.0% | |
| 4 | Mountain View Villa Apartments 740 East Mingus Avenue Cottonwood, AZ 86326 Yavapai County | 0.8 miles | Garden 1985 / n/a | Market | Studio / 1BA | 40 | 22.2% | Market | \$697 | 450 | n/a | Yes | 0 | 0.0% |
| | | | | | 1BR / 1BA | 80 | 44.4% | Market | \$742 | 600 | n/a | Yes | 0 | 0.0% |
| | | | | | 2BR / 1BA | 60 | 33.3% | Market | \$817 | 745 | n/a | Yes | 0 | 0.0% |
| | | | | | | 180 | 100% | | | | | | 0 | 0.0% |
| 5 | Rio Verde Cottonwood 355 South 12th Street Cottonwood, AZ 86326 Yavapai County | 1 miles | Garden 1998 / n/a | Market | 1BR / 1BA | 40 | 50.0% | Market | \$722 | 650 | n/a | No | 0 | 0.0% |
| | | | | | 2BR / 1BA | 40 | 50.0% | Market | \$890 | 960 | n/a | No | 1 | 2.5% |
| | | | | | | 80 | 100% | | | | | | 1 | 1.3% |
| 6 | Sage Wood Apartments 330 North 10th Street Cottonwood, AZ 86326 Yavapai County | 1.1 miles | Garden 2000 / n/a | Market | 1BR / 1BA | 40 | 50.0% | Market | \$807 | 578 | n/a | No | 1 | 2.5% |
| | | | | | 2BR / 1BA | 40 | 50.0% | Market | \$892 | 732 | n/a | No | 0 | 0.0% |
| | | | | | | 80 | 100% | | | | | | 1 | 1.3% |
| 7 | Sedona Terrace 50 Sombart Lane Sedona, AZ 86336 Coconino County | 17.6 miles | Garden (2 stories) 1971 / n/a | Market | 1BR / 1BA | 4 | 26.7% | Market | \$787 | 650 | n/a | No | 0 | 0.0% |
| | | | | | 2BR / 1BA | 10 | 66.7% | Market | \$892 | 950 | n/a | No | 0 | 0.0% |
| | | | | | 2BR / 1.5BA | 1 | 6.7% | Market | \$932 | 1,000 | n/a | No | 0 | 0.0% |
| | | | | | | 15 | 100% | | | | | | 0 | 0.0% |
| 8 | Shadowbrook Apartments 145 Navajo Dr. Sedona, AZ 86336 Yavapai County | 15.6 miles | Garden (2 stories) 1986 / n/a | Market | 1BR / 1BA | 14 | 25.9% | Market | \$972 | 650 | n/a | No | 0 | 0.0% |
| | | | | | 1BR / 1BA | 14 | 25.9% | Market | \$1,002 | 682 | n/a | No | 1 | 7.1% |
| | | | | | 2BR / 1BA | 10 | 18.5% | Market | \$1,382 | 960 | n/a | No | 0 | 0.0% |
| | | | | | 2BR / 2BA | 10 | 18.5% | Market | \$1,407 | 982 | n/a | No | 0 | 0.0% |
| | | | | | 3BR / 2BA | 6 | 11.1% | Market | \$1,552 | 1,080 | n/a | No | 0 | 0.0% |
| | | | | | 54 | 100% | | | | | | 1 | 1.9% | |
| 9 | The Terraces 5700 E Market Street Prescott Valley, AZ 86314 Yavapai County | 21.7 miles | Garden (3 stories) 2003 / n/a | Market | 1BR / 1BA | 36 | 15.9% | Market | \$995 | 746 | n/a | No | 1 | 2.80% |
| | | | | | 1BR / 1BA | 12 | 5.3% | Market | \$1,080 | 839 | n/a | No | 0 | 0.00% |
| | | | | | 1BR / 1BA | 2 | 0.9% | Market | \$1,095 | 925 | n/a | No | 0 | 0.00% |
| | | | | | 2BR / 2BA | 36 | 15.9% | Market | \$1,285 | 1,005 | n/a | No | 2 | 5.60% |
| | | | | | 2BR / 2BA | 84 | 37.2% | Market | \$1,300 | 1,038 | n/a | No | 0 | 0.00% |
| | | | | | 3BR / 2BA | 56 | 24.8% | Market | \$1,500 | 1,125 | n/a | No | 0 | 0.00% |
| | | | | | 226 | 100% | | | | | | 3 | 1.3% | |
| 10 | Villa Cortez 205 E. Cortez Dr. Sedona, AZ 86351 Yavapai County | 15.8 miles | Garden (2 stories) 1986 / n/a | Market | 2BR / 2BA | 50 | 100% | Market | \$929 | 850 | n/a | No | 1 | 2.0% |
| | | | | | | 50 | 100% | | | | | | 1 | 2.0% |

Rent Per Square Foot Ranking

The following chart illustrates the Subject and the comparables rent per square foot ranking.

| RENT AND SQUARE FOOTAGE RANKING – All rents adjusted for utilities and concessions extracted from the market. | | | | | | | |
|---|--------------|----------------------------------|--------------|--------------------------------------|----------------|----------------------------------|----------------|
| Effective Rent Date: | Apr-17 | Units Surveyed: | 1,148 | Weighted Occupancy: | 95.7% | | |
| | | Market Rate | 1,148 | Market Rate | 95.7% | | |
| | | Tax Credit | 0 | Tax Credit | N/A | | |
| One Bedroom One Bath | | Two Bedrooms One Bath | | Two Bedrooms Two Bath | | Three Bedrooms Two Bath | |
| Property | Average | Property | Average | Property | Average | Property | Average |
| Mountain Trail Apartments | \$1,350 | Mountain Trail Apartments (2BA) | \$1,735 | Mountain Trail Apartments | \$1,735 | Elevation Apartments | \$1,745 |
| Elevation Apartments | \$1,245 | Mountain Trail Apartments (2BA) | \$1,575 | Mountain Trail Apartments | \$1,575 | Elevation Apartments | \$1,725 |
| Elevation Apartments | \$1,225 | Elevation Apartments (2BA) | \$1,545 | Elevation Apartments | \$1,545 | Shadowbrook Apartments | \$1,552 |
| The Terraces | \$1,095 | Elevation Apartments (2BA) | \$1,525 | Elevation Apartments | \$1,525 | The Terraces | \$1,500 |
| The Terraces | \$1,080 | Shadowbrook Apartments | \$1,382 | Shadowbrook Apartments | \$1,407 | Inspiration At Cottonwood | \$1,225 |
| Shadowbrook Apartments | \$1,002 | The Terraces (2BA) | \$1,300 | The Terraces | \$1,300 | | |
| The Terraces | \$995 | The Terraces (2BA) | \$1,285 | The Terraces | \$1,285 | | |
| Shadowbrook Apartments | \$972 | Villa Cortez (2BA) | \$929 | Inspiration At Cottonwood | \$1,125 | | |
| Sage Wood Apartments | \$807 | Inspiration At Cottonwood | \$900 | Inspiration At Cottonwood | \$1,025 | | |
| Inspiration At Cottonwood | \$800 | Sage Wood Apartments | \$892 | Sedona Terrace (1.5BA) | \$932 | | |
| Sedona Terrace | \$787 | Sedona Terrace | \$892 | Villa Cortez | \$929 | | |
| Mountain View Villa Apartments | \$742 | Rio Verde Cottonwood | \$890 | Sage Wood Apartments (1BA) | \$892 | | |
| Rio Verde Cottonwood | \$722 | Mountain View Villa Apartments | \$817 | Rio Verde Cottonwood (1BA) | \$890 | | |
| | | Copper Creek Apartments (2BA) | \$800 | Mountain View Villa Apartments (1BA) | \$817 | | |
| | | | | Copper Creek Apartments | \$800 | | |

INSPIRATION AT COTTONWOOD – COTTONWOOD, ARIZONA – MARKET STUDY

| RENT AND SQUARE FOOTAGE RANKING – All rents adjusted for utilities and concessions extracted from the market. | | | | | | |
|---|----------------------------------|-----------------|----------------------------------|---------------------|--------------------------------------|-------------------------|
| Effective Rent Date: | Apr-17 | Units Surveyed: | 1,148 | Weighted Occupancy: | 95.7% | |
| | | Market Rate | 1,148 | Market Rate | 95.7% | |
| | | Tax Credit | 0 | Tax Credit | N/A | |
| One Bedroom One Bath | | | Two Bedrooms Two Bath | | | Three Bedrooms Two Bath |
| SQUARE FOOTAGE | Property | Average | Property | Average | Property | Average |
| | The Terraces | 925 | Mountain Trail Apartments (2BA) | 1,183 | Mountain Trail Apartments | 1,183 |
| | The Terraces | 839 | The Terraces (2BA) | 1,038 | Inspiration At Cottonwood | 1,150 |
| | Elevation Apartments | 775 | Elevation Apartments (2BA) | 1,005 | Inspiration At Cottonwood | 1,050 |
| | Elevation Apartments | 755 | Elevation Apartments (2BA) | 1,005 | The Terraces | 1,038 |
| | The Terraces | 746 | The Terraces (2BA) | 1,005 | Elevation Apartments | 1,005 |
| | Mountain Trail Apartments | 705 | Copper Creek Apartments (2BA) | 1,000 | Elevation Apartments | 1,005 |
| | Shadowbrook Apartments | 682 | Mountain Trail Apartments (2BA) | 960 | The Terraces | 1,005 |
| | Rio Verde Cottonwood | 650 | Rio Verde Cottonwood | 960 | Copper Creek Apartments | 1,000 |
| | Sedona Terrace | 650 | Shadowbrook Apartments | 960 | Sedona Terrace (1.5BA) | 1,000 |
| | Shadowbrook Apartments | 650 | Sedona Terrace | 950 | Shadowbrook Apartments | 982 |
| | Inspiration At Cottonwood | 625 | Villa Cortez (2BA) | 850 | Mountain Trail Apartments | 960 |
| | Mountain View Villa Apartments | 600 | Inspiration At Cottonwood | 825 | Rio Verde Cottonwood (1BA) | 960 |
| | Sage Wood Apartments | 578 | Mountain View Villa Apartments | 745 | Villa Cortez | 850 |
| | | | Sage Wood Apartments | 732 | Mountain View Villa Apartments (1BA) | 745 |
| | | | | | Sage Wood Apartments (1BA) | 732 |
| RENT PER SQUARE FOOT | | | | | | |
| | Mountain Trail Apartments | \$1.91 | Mountain Trail Apartments (2BA) | \$1.64 | Mountain Trail Apartments | \$1.64 |
| | Elevation Apartments | \$1.62 | Elevation Apartments (2BA) | \$1.54 | Elevation Apartments | \$1.54 |
| | Elevation Apartments | \$1.61 | Elevation Apartments (2BA) | \$1.52 | Elevation Apartments | \$1.52 |
| | Shadowbrook Apartments | \$1.50 | Mountain Trail Apartments (2BA) | \$1.47 | Mountain Trail Apartments | \$1.47 |
| | Shadowbrook Apartments | \$1.47 | Shadowbrook Apartments | \$1.44 | Shadowbrook Apartments | \$1.43 |
| | Sage Wood Apartments | \$1.40 | The Terraces (2BA) | \$1.28 | The Terraces | \$1.28 |
| | The Terraces | \$1.33 | The Terraces (2BA) | \$1.25 | The Terraces | \$1.25 |
| | The Terraces | \$1.29 | Sage Wood Apartments | \$1.22 | Sage Wood Apartments (1BA) | \$1.22 |
| | Inspiration At Cottonwood | \$1.28 | Mountain View Villa Apartments | \$1.10 | Mountain View Villa Apartments (1BA) | \$1.10 |
| | Mountain View Villa Apartments | \$1.24 | Villa Cortez (2BA) | \$1.09 | Villa Cortez | \$1.09 |
| | Sedona Terrace | \$1.21 | Inspiration At Cottonwood | \$1.09 | Inspiration At Cottonwood | \$0.98 |
| | The Terraces | \$1.18 | Sedona Terrace | \$0.94 | Inspiration At Cottonwood | \$0.98 |
| | Rio Verde Cottonwood | \$1.11 | Rio Verde Cottonwood | \$0.93 | Sedona Terrace (1.5BA) | \$0.93 |
| | | | Copper Creek Apartments (2BA) | \$0.80 | Rio Verde Cottonwood (1BA) | \$0.93 |
| | | | | | Copper Creek Apartments | \$0.80 |

PROPERTY PROFILE REPORT

Copper Creek Apartments

Effective Rent Date 4/17/2017
Location 400 East Date Street
Cottonwood, AZ 86326
Yavapai County
Distance 0.8 miles
Units 12
Vacant Units 0
Vacancy Rate 0.0%
Type Garden
Year Built/Renovated 1998 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors None
Tenant Characteristics Mixed tenancy, some seniors
Contact Name Steve
Phone 928-639-2687



Market Information

Program Market
Annual Turnover Rate 25%
Units/Month Absorbed N/App
HCV Tenants 0%
Leasing Pace Pre-leased to one week
Annual Chg. in Rent None reported
Concession None

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat not included -- electric
Heat not included -- electric
Other Electric not included
Water not included
Sewer not included
Trash Collection not included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 2 | 2 | Garden | 12 | 1,000 | \$800 | \$0 | Market | No | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------|-------|-------------|-------|-----------|
| 2BR / 2BA | \$800 | \$0 | \$800 | \$0 | \$800 |

Amenities

| In-Unit | Security | Services |
|---------------------|----------|----------|
| Balcony/Patio | None | None |
| Carpeting | | |
| Coat Closet | | |
| Garbage Disposal | | |
| Refrigerator | | |
| Washer/Dryer hookup | | |
| Blinds | | |
| Central A/C | | |
| Dishwasher | | |
| Oven | | |
| Washer/Dryer | | |

| Property | Premium | Other |
|--------------------|---------|-------|
| Carpport | None | None |
| Off-Street Parking | | |

Comments

The contact noted that carports are included in the rent and that many residents had lived at property for over 15 years.

Copper Creek Apartments, continued

Trend Report

Vacancy Rates

| 4Q07 | 2Q17 |
|------|------|
| 0.0% | 0.0% |

Trend: Market

2BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 0.0% | \$725 | \$0 | \$725 | \$725 |
| 2017 | 2 | 0.0% | \$800 | \$0 | \$800 | \$800 |

Trend: Comments

4Q07 No additional comments.

2Q17 The contact noted that carports are included in the rent and that many residents had lived at property for over 15 years.

Photos



PROPERTY PROFILE REPORT

Elevation Apartments

| | |
|-------------------------------|---|
| Effective Rent Date | 4/24/2017 |
| Location | 5000 North Mall Way Flagstaff, AZ 86004 Coconino County |
| Distance | 42.7 miles |
| Units | 291 |
| Vacant Units | 10 |
| Vacancy Rate | 3.4% |
| Type | Garden (3 stories) |
| Year Built/Renovated | 2012 / N/A |
| Marketing Began | N/A |
| Leasing Began | 8/01/2012 |
| Last Unit Leased | 8/01/2013 |
| Major Competitors | Timberline Village |
| Tenant Characteristics | Mixed tenancy, students, families, singles |
| Contact Name | Lisa |
| Phone | 928-526-0599 |



Market Information

| | |
|-----------------------------|--------------------------|
| Program | Market, HUD |
| Annual Turnover Rate | 27% |
| Units/Month Absorbed | 23 |
| HCV Tenants | 0% |
| Leasing Pace | Pre-Lease to 1 Week |
| Annual Chg. in Rent | 6% increase since 2Q2015 |
| Concession | None |

Utilities

| | |
|-------------------------|--------------------------|
| A/C | not included -- central |
| Cooking | not included -- electric |
| Water Heat | not included -- gas |
| Heat | not included -- gas |
| Other Electric | not included |
| Water | not included |
| Sewer | not included |
| Trash Collection | not included |

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|---------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden (3 stories) | 10 | 755 | N/A | \$0 | HUD | Yes | 0 | 0.0% | N/A | None |
| 1 | 1 | Garden (3 stories) | 52 | 775 | \$1,245 | \$0 | Market | No | 2 | 3.8% | N/A | HIGH |
| 1 | 1 | Garden (3 stories) | 45 | 755 | \$1,225 | \$0 | Market | Yes | 0 | 0.0% | N/A | LOW |
| 2 | 2 | Garden (3 stories) | 14 | 1,005 | N/A | \$0 | HUD | Yes | 0 | 0.0% | N/A | None |
| 2 | 2 | Garden (3 stories) | 76 | 1,005 | \$1,545 | \$0 | Market | No | 8 | 10.5% | N/A | HIGH |
| 2 | 2 | Garden (3 stories) | 62 | 1,005 | \$1,525 | \$0 | Market | Yes | 0 | 0.0% | N/A | LOW |
| 3 | 2 | Garden (3 stories) | 4 | 1,158 | N/A | \$0 | HUD | Yes | 0 | 0.0% | N/A | None |
| 3 | 2 | Garden (3 stories) | 16 | 1,158 | \$1,745 | \$0 | Market | Yes | 0 | 0.0% | N/A | HIGH |
| 3 | 2 | Garden (3 stories) | 12 | 1,158 | \$1,725 | \$0 | Market | Yes | 0 | 0.0% | N/A | LOW |

Unit Mix

| HUD | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent | Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------|-------|-------------|-------|-----------|-----------|-------------------|-------|-------------------|-------|-------------------|
| 1BR / 1BA | N/A | \$0 | N/A | \$0 | N/A | 1BR / 1BA | \$1,225 - \$1,245 | \$0 | \$1,225 - \$1,245 | \$0 | \$1,225 - \$1,245 |
| 2BR / 2BA | N/A | \$0 | N/A | \$0 | N/A | 2BR / 2BA | \$1,525 - \$1,545 | \$0 | \$1,525 - \$1,545 | \$0 | \$1,525 - \$1,545 |
| 3BR / 2BA | N/A | \$0 | N/A | \$0 | N/A | 3BR / 2BA | \$1,725 - \$1,745 | \$0 | \$1,725 - \$1,745 | \$0 | \$1,725 - \$1,745 |

Elevation Apartments, continued

Amenities

In-Unit

Balcony/Patio
Carpet/Hardwood
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Vaulted Ceilings
Washer/Dryer

Blinds
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Walk-In Closet
Washer/Dryer hookup

Security

Limited Access
Perimeter Fencing
Video Surveillance

Services

None

Property

Business Center/Computer Lab
Exercise Facility
On-Site Management
Recreation Areas

Clubhouse/Meeting
Off-Street Parking
Picnic Area
Swimming Pool

Premium

None

Other

Dog Park

Comments

The contact reported that approximately 10 percent of the units at the property benefit from a city administered HUD subsidy program, where rent is based on household income. These units maintain a waiting list that is 40 households in length. The lower priced market rate units maintains a waiting list that is approximately 20 households in length.

Elevation Apartments, continued

Trend Report

Vacancy Rates

| 1Q14 | 3Q14 | 1Q15 | 2Q17 |
|------|------|------|------|
| 6.2% | 1.0% | 0.0% | 3.4% |

Trend: HUD

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2017 | 2 | 0.0% | N/A | \$0 | N/A | N/A |

2BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2017 | 2 | 0.0% | N/A | \$0 | N/A | N/A |

3BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2017 | 2 | 0.0% | N/A | \$0 | N/A | N/A |

Trend: Market

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-------------------|-------|-------------------|-------------------|
| 2014 | 1 | N/A | \$955 - \$1,025 | \$0 | \$955 - \$1,025 | \$955 - \$1,025 |
| 2014 | 3 | 2.9% | \$995 - \$1,025 | \$0 | \$995 - \$1,025 | \$995 - \$1,025 |
| 2015 | 1 | 0.0% | \$1,020 - \$1,050 | \$0 | \$1,020 - \$1,050 | \$1,020 - \$1,050 |
| 2017 | 2 | 2.1% | \$1,225 - \$1,245 | \$0 | \$1,225 - \$1,245 | \$1,225 - \$1,245 |

2BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-------------------|-------|-------------------|-------------------|
| 2014 | 1 | N/A | \$1,175 - \$1,205 | \$0 | \$1,175 - \$1,205 | \$1,175 - \$1,205 |
| 2014 | 3 | 0.0% | \$1,175 - \$1,205 | \$0 | \$1,175 - \$1,205 | \$1,175 - \$1,205 |
| 2015 | 1 | 0.0% | \$1,205 - \$1,250 | \$0 | \$1,205 - \$1,250 | \$1,205 - \$1,250 |
| 2017 | 2 | 5.8% | \$1,525 - \$1,545 | \$0 | \$1,525 - \$1,545 | \$1,525 - \$1,545 |

3BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-------------------|-------|-------------------|-------------------|
| 2014 | 1 | N/A | \$1,395 - \$1,415 | \$0 | \$1,395 - \$1,415 | \$1,395 - \$1,415 |
| 2014 | 3 | 0.0% | \$1,395 - \$1,415 | \$0 | \$1,395 - \$1,415 | \$1,395 - \$1,415 |
| 2015 | 1 | 0.0% | \$1,430 - \$1,450 | \$0 | \$1,430 - \$1,450 | \$1,430 - \$1,450 |
| 2017 | 2 | 0.0% | \$1,725 - \$1,745 | \$0 | \$1,725 - \$1,745 | \$1,725 - \$1,745 |

Trend: Comments

1Q14 The contact stated that the high vacancy rate is due to the time of year, and added that the property has generally operated at 97 percent occupancy since stabilization. Approximately 20 percent of the units are offered at 30 percent of the tenant's monthly income, a program that is operated by the City of Flagstaff. The property does not accept Housing Choice Vouchers. The contact stated that the difference in rent for each unit type is due to the floor and whether or not the apartment has air conditioning.

The property participates in a preferred employer discount, as the property is waiving the administration fee for qualified applicants.

As stated above, only select units have air conditioning. The property has vaulted ceilings on third floor units. The property does not charge a fee for exterior storage.

3Q14 The contact stated that the rents may differ for each unit type depending on the floor and whether or not the apartment has air conditioning.

The property participates in a preferred employer discount, as the property is waiving the administration fee for qualified applicants.

As stated above, only select units have air conditioning. The property has vaulted ceilings on third floor units. The property does not charge a fee for exterior storage.

1Q15 The contact stated the current waiting list consists of over 60 households.

2Q17 The contact reported that approximately 10 percent of the units at the property benefit from a city administered HUD subsidy program, where rent is based on household income. These units maintain a waiting list that is 40 households in length. The lower priced market rate units maintains a waiting list that is approximately 20 households in length.

PROPERTY PROFILE REPORT

Mountain Trail Apartments

Effective Rent Date 4/24/2017
Location 927 West Forest Meadows Street
 Flagstaff, AZ 86001
 Coconino County
Distance 37.1 miles
Units 160
Vacant Units 32
Vacancy Rate 20.0%
Type Garden (3 stories)
Year Built/Renovated 2016 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors Elevation
Tenant Characteristics Mixed tenancy
Contact Name Kevin
Phone 928-220-7833



Market Information

Program Market
Annual Turnover Rate N/A
Units/Month Absorbed 32
HCV Tenants 0%
Leasing Pace Pre-leased to two weeks
Annual Chg. in Rent None reported
Concession None

Utilities

A/C not included -- none
Cooking not included -- electric
Water Heat not included -- gas
Heat not included -- gas
Other Electric not included
Water not included
Sewer not included
Trash Collection not included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|---------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden (3 stories) | 56 | 705 | \$1,350 | \$0 | Market | No | 2 | 3.6% | N/A | None |
| 1 | 1.5 | Garden (3 stories) | 26 | 912 | \$1,350 | \$0 | Market | No | 8 | 30.8% | N/A | None |
| 2 | 2 | Garden (3 stories) | 39 | 960 | \$1,575 | \$0 | Market | No | 11 | 28.2% | N/A | None |
| 2 | 2 | Garden (3 stories) | 39 | 1,183 | \$1,735 | \$0 | Market | N | 11 | 28.2% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-------------|-------------------|-------|-------------------|-------|-------------------|
| 1BR / 1BA | \$1,350 | \$0 | \$1,350 | \$0 | \$1,350 |
| 1BR / 1.5BA | \$1,350 | \$0 | \$1,350 | \$0 | \$1,350 |
| 2BR / 2BA | \$1,575 - \$1,735 | \$0 | \$1,575 - \$1,735 | \$0 | \$1,575 - \$1,735 |

Mountain Trail Apartments, continued

Amenities

In-Unit

Balcony/Patio
Carpeting
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Blinds
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Security

Video Surveillance

Services

None

Property

Business Center/Computer Lab
Courtyard
Garage
Off-Street Parking
Picnic Area
Recreation Areas
Theatre

Clubhouse/Meeting
Exercise Facility
Jacuzzi
On-Site Management
Playground
Sauna
Wi-Fi

Premium

None

Other

Library

Comments

The contact reported that the property began occupying units in January of 2017 and have leased approximately 151 units, resulting in an absorption pace of 32 units per month. Of the 160 total units, 156 are completed and four are under construction. Construction is anticipated to be complete by the end of June 2017.

Mountain Trail Apartments, continued

Trend Report

Vacancy Rates

| 1Q14 | 1Q15 | 2Q17 |
|------|------|-------|
| N/A | N/A | 20.0% |

Trend: Market

1BR / 1.5BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|-------|-----------|-------|-------------|-----------|
| 2014 | 1 | N/A | \$1,150 | \$0 | \$1,150 | \$1,150 |
| 2015 | 1 | N/A | \$1,330 | \$0 | \$1,330 | \$1,330 |
| 2017 | 2 | 30.8% | \$1,350 | \$0 | \$1,350 | \$1,350 |

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------------|-------|-----------------|-----------------|
| 2014 | 1 | N/A | \$850 - \$950 | \$0 | \$850 - \$950 | \$850 - \$950 |
| 2015 | 1 | N/A | \$875 - \$1,110 | \$0 | \$875 - \$1,110 | \$875 - \$1,110 |
| 2017 | 2 | 3.6% | \$1,350 | \$0 | \$1,350 | \$1,350 |

2BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|-------|-------------------|-------|-------------------|-------------------|
| 2014 | 1 | N/A | \$1,125 - \$1,375 | \$0 | \$1,125 - \$1,375 | \$1,125 - \$1,375 |
| 2015 | 1 | N/A | \$1,155 - \$1,475 | \$0 | \$1,155 - \$1,475 | \$1,155 - \$1,475 |
| 2017 | 2 | 28.2% | \$1,575 - \$1,735 | \$0 | \$1,575 - \$1,735 | \$1,575 - \$1,735 |

Trend: Comments

1Q14 N/A

1Q15 N/A

2Q17 The contact reported that the property began occupying units in January of 2017 and have leased approximately 151 units, resulting in an absorption pace of 32 units per month. Of the 160 total units, 156 are completed and four are under construction. Construction is anticipated to be complete by the end of June 2017.

PROPERTY PROFILE REPORT

Mountain View Villa Apartments

| | |
|-------------------------------|--|
| Effective Rent Date | 4/17/2017 |
| Location | 740 East Mingus Avenue Cottonwood, AZ 86326 Yavapai County |
| Distance | 0.8 miles |
| Units | 180 |
| Vacant Units | 0 |
| Vacancy Rate | 0.0% |
| Type | Garden |
| Year Built/Renovated | 1985 / N/A |
| Marketing Began | N/A |
| Leasing Began | N/A |
| Last Unit Leased | N/A |
| Major Competitors | None |
| Tenant Characteristics | Mixture |
| Contact Name | Carrie |
| Phone | 928-634-9429 |



Market Information

| | |
|-----------------------------|----------------------|
| Program | Market |
| Annual Turnover Rate | 35% |
| Units/Month Absorbed | N/A |
| HCV Tenants | 2% |
| Leasing Pace | Pre-leased to a week |
| Annual Chg. in Rent | None reported |
| Concession | None |

Utilities

| | |
|-------------------------|--------------------------|
| A/C | not included -- central |
| Cooking | not included -- electric |
| Water Heat | not included -- electric |
| Heat | not included -- electric |
| Other Electric | not included |
| Water | not included |
| Sewer | not included |
| Trash Collection | included |

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 0 | 1 | Garden | 40 | 450 | \$715 | \$0 | Market | Yes | 0 | 0.0% | N/A | None |
| 1 | 1 | Garden | 80 | 600 | \$760 | \$0 | Market | Yes | 0 | 0.0% | N/A | None |
| 2 | 1 | Garden | 60 | 745 | \$835 | \$0 | Market | Yes | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|--------------|-----------|-------|-------------|-------|-----------|
| Studio / 1BA | \$715 | \$0 | \$715 | -\$18 | \$697 |
| 1BR / 1BA | \$760 | \$0 | \$760 | -\$18 | \$742 |
| 2BR / 1BA | \$835 | \$0 | \$835 | -\$18 | \$817 |

Amenities

| | | | |
|---|--|-------------------------|-------------------------|
| In-Unit Blinds Central A/C Dishwasher Garbage Disposal Refrigerator | Carpeting Coat Closet Fireplace Oven | Security None | Services None |
| Property Carport Exercise Facility Off-Street Parking Picnic Area Swimming Pool | Clubhouse/Meeting Central Laundry On-Site Management Playground | Premium None | Other None |

Comments

The contact reported that the property maintains a waiting list of six households.

Mountain View Villa Apartments, continued

Trend Report

Vacancy Rates

| 4Q07 | 2Q17 |
|------|------|
| 1.7% | 0.0% |

Trend: Market

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 0.0% | \$629 | \$0 | \$629 | \$611 |
| 2017 | 2 | 0.0% | \$760 | \$0 | \$760 | \$742 |

2BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 3.3% | \$709 | \$0 | \$709 | \$691 |
| 2017 | 2 | 0.0% | \$835 | \$0 | \$835 | \$817 |

Studio / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 2.5% | \$559 | \$0 | \$559 | \$541 |
| 2017 | 2 | 0.0% | \$715 | \$0 | \$715 | \$697 |

Trend: Comments

4Q07 No additional comments.

2Q17 The contact reported that the property maintains a waiting list of six households.

Mountain View Villa Apartments, continued

Photos



PROPERTY PROFILE REPORT

Rio Verde Cottonwood (fka Pueblo At Cottonwood)

| | |
|-------------------------------|---|
| Effective Rent Date | 4/17/2017 |
| Location | 355 South 12th Street Cottonwood, AZ 86326 Yavapai County |
| Distance | 1 mile |
| Units | 80 |
| Vacant Units | 1 |
| Vacancy Rate | 1.3% |
| Type | Garden |
| Year Built/Renovated | 1998 / N/A |
| Marketing Began | N/A |
| Leasing Began | N/A |
| Last Unit Leased | N/A |
| Major Competitors | Mountain View Villa and low-income complexes |
| Tenant Characteristics | Families |
| Contact Name | Araceli |
| Phone | 928-639-0068 |



Market Information

| | |
|-----------------------------|-------------------------|
| Program | Market |
| Annual Turnover Rate | 23% |
| Units/Month Absorbed | N/A |
| HCV Tenants | N/A |
| Leasing Pace | Pre-leased to two weeks |
| Annual Chg. in Rent | None reported |
| Concession | None |

Utilities

| | |
|-------------------------|--------------------------|
| A/C | not included -- central |
| Cooking | not included -- electric |
| Water Heat | not included -- gas |
| Heat | not included -- gas |
| Other Electric | not included |
| Water | not included |
| Sewer | not included |
| Trash Collection | not included |

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden | 40 | 650 | \$722 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 2 | 1 | Garden | 40 | 960 | \$890 | \$0 | Market | No | 1 | 2.5% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------|-------|-------------|-------|-----------|
| 1BR / 1BA | \$722 | \$0 | \$722 | \$0 | \$722 |
| 2BR / 1BA | \$890 | \$0 | \$890 | \$0 | \$890 |

Amenities

In-Unit

| | |
|---------------|---------------------|
| Balcony/Patio | Blinds |
| Carpeting | Central A/C |
| Coat Closet | Dishwasher |
| Ceiling Fan | Garbage Disposal |
| Oven | Refrigerator |
| Washer/Dryer | Washer/Dryer hookup |

Security

None

Services

None

Property

| | |
|--------------------|--------------------|
| Basketball Court | Carport |
| Off-Street Parking | On-Site Management |
| Playground | Swimming Pool |

Premium

None

Other

None

Comments

Housing Choice Vouchers are not accepted.

Trend Report

Vacancy Rates

| | |
|-------------|-------------|
| 4Q07 | 2Q17 |
| 3.8% | 1.3% |

Trend: Market

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 2.5% | \$625 | \$42 | \$583 | \$583 |
| 2017 | 2 | 0.0% | \$722 | \$0 | \$722 | \$722 |

2BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 5.0% | \$725 | \$42 | \$683 | \$683 |
| 2017 | 2 | 2.5% | \$890 | \$0 | \$890 | \$890 |

Trend: Comments

4Q07 Housing Choice Vouchers are not accepted.

2Q17 Housing Choice Vouchers are not accepted.

Photos



PROPERTY PROFILE REPORT

Sage Wood Apartments

Effective Rent Date 4/17/2017
Location 330 North 10th Street
 Cottonwood, AZ 86326
 Yavapai County
Distance 1.1 miles
Units 80
Vacant Units 1
Vacancy Rate 1.3%
Type Garden
Year Built/Renovated 2000 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors Mountain View Villa
Tenant Characteristics Families
Contact Name Renee
Phone 928-634-9000



Market Information

Program Market
Annual Turnover Rate 20%
Units/Month Absorbed N/App
HCV Tenants 0%
Leasing Pace Pre-leased to two weeks
Annual Chg. in Rent None reported
Concession None

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat not included -- gas
Heat not included -- gas
Other Electric not included
Water not included
Sewer not included
Trash Collection included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden | 40 | 578 | \$825 | \$0 | Market | No | 1 | 2.5% | N/A | None |
| 2 | 1 | Garden | 40 | 732 | \$910 | \$0 | Market | No | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------|-------|-------------|-------|-----------|
| 1BR / 1BA | \$825 | \$0 | \$825 | -\$18 | \$807 |
| 2BR / 1BA | \$910 | \$0 | \$910 | -\$18 | \$892 |

Amenities

In-Unit

Balcony/Patio
 Carpeting
 Coat Closet
 Exterior Storage
 Garbage Disposal
 Refrigerator
 Washer/Dryer hookup

Blinds
 Central A/C
 Dishwasher
 Ceiling Fan
 Oven
 Washer/Dryer

Security

None

Services

None

Property

Carport
 Off-Street Parking

Exercise Facility
 On-Site Management

Premium

None

Other

None

Comments

The contact had no additional comments.

Sage Wood Apartments, continued

Trend Report

Vacancy Rates

| 4Q07 | 1Q11 | 2Q17 |
|------|-------|------|
| 6.2% | 11.2% | 1.3% |

Trend: Market

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2007 | 4 | 7.5% | \$650 | \$8 | \$642 | \$624 |
| 2011 | 1 | 5.0% | \$550 | \$45 | \$505 | \$487 |
| 2017 | 2 | 2.5% | \$825 | \$0 | \$825 | \$807 |

2BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|-------|-----------|-------|-------------|-----------|
| 2007 | 4 | 5.0% | \$765 | \$8 | \$757 | \$739 |
| 2011 | 1 | 17.5% | \$660 | \$55 | \$605 | \$587 |
| 2017 | 2 | 0.0% | \$910 | \$0 | \$910 | \$892 |

Trend: Comments

| | |
|------|--|
| 4Q07 | Housing Choice Vouchers are not accepted. |
| 1Q11 | The leasing agent reported that the market has picked up slightly but is still slow. They accept housing vouchers but there are no tenants using them as few meet their criterias. |
| 2Q17 | The contact had no additional comments. |

Photos



PROPERTY PROFILE REPORT

Sedona Terrace

Effective Rent Date 4/24/2017
Location 50 Sombart Lane
 Sedona, AZ 86336
 Coconino County
Distance 17.6 miles
Units 15
Vacant Units 0
Vacancy Rate 0.0%
Type Garden (2 stories)
Year Built/Renovated 1971 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors None identified
Tenant Characteristics Mixed tenancy, some seniors
Contact Name Judy
Phone 928-282-4587



Market Information

Program Market
Annual Turnover Rate 7%
Units/Month Absorbed N/A
HCV Tenants 0%
Leasing Pace Pre-leased
Annual Chg. in Rent None reported
Concession None

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat not included -- electric
Heat not included -- electric
Other Electric not included
Water not included
Sewer not included
Trash Collection included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden (2 stories) | 4 | 650 | \$805 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 2 | 1 | Garden (2 stories) | 10 | 950 | \$910 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 2 | 1.5 | Garden (2 stories) | 1 | 1,000 | \$950 | \$0 | Market | No | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-------------|-----------|-------|-------------|-------|-----------|
| 1BR / 1BA | \$805 | \$0 | \$805 | -\$18 | \$787 |
| 2BR / 1BA | \$910 | \$0 | \$910 | -\$18 | \$892 |
| 2BR / 1.5BA | \$950 | \$0 | \$950 | -\$18 | \$932 |

Amenities

In-Unit
 Balcony/Patio
 Carpeting
 Coat Closet
 Refrigerator

Blinds
 Central A/C
 Oven

Security
 None

Services
 None

Property
 Central Laundry

Off-Street Parking

Premium
 None

Other
 None

Comments

The contact reported that property generally remains fully occupied, and that turnover is very low. Many residents have lived at the property for more than seven years, and that one move out a year is typical.

Photos



PROPERTY PROFILE REPORT

Shadowbrook Apartments

| | |
|-------------------------------|--|
| Effective Rent Date | 4/24/2017 |
| Location | 145 Navajo Dr. Sedona, AZ 86336 Yavapai County |
| Distance | 15.6 miles |
| Units | 54 |
| Vacant Units | 1 |
| Vacancy Rate | 1.9% |
| Type | Garden (2 stories) |
| Year Built/Renovated | 1986 / N/A |
| Marketing Began | N/A |
| Leasing Began | N/A |
| Last Unit Leased | N/A |
| Major Competitors | Villa Cortez |
| Tenant Characteristics | Mixed tenancy, some families, some seniors |
| Contact Name | Sherry |
| Phone | 928-282-1871 |



Market Information

| | |
|-----------------------------|-------------------------|
| Program | Market |
| Annual Turnover Rate | 22% |
| Units/Month Absorbed | N/Av |
| HCV Tenants | 0% |
| Leasing Pace | Pre-leased to two weeks |
| Annual Chg. in Rent | None reported |
| Concession | None |

Utilities

| | |
|-------------------------|--------------------------|
| A/C | not included -- central |
| Cooking | not included -- electric |
| Water Heat | not included -- electric |
| Heat | not included -- electric |
| Other Electric | not included |
| Water | not included |
| Sewer | not included |
| Trash Collection | included |

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|---------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden (2 stories) | 14 | 650 | \$990 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 1 | 1 | Garden (2 stories) | 14 | 682 | \$1,020 | \$0 | Market | No | 1 | 7.1% | N/A | None |
| 2 | 1 | Garden (2 stories) | 10 | 960 | \$1,400 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 2 | 2 | Garden (2 stories) | 10 | 982 | \$1,425 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 3 | 2 | Garden (2 stories) | 6 | 1,080 | \$1,570 | \$0 | Market | No | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------------|-------|-----------------|-------|-----------------|
| 1BR / 1BA | \$990 - \$1,020 | \$0 | \$990 - \$1,020 | -\$18 | \$972 - \$1,002 |
| 2BR / 1BA | \$1,400 | \$0 | \$1,400 | -\$18 | \$1,382 |
| 2BR / 2BA | \$1,425 | \$0 | \$1,425 | -\$18 | \$1,407 |
| 3BR / 2BA | \$1,570 | \$0 | \$1,570 | -\$18 | \$1,552 |

Shadowbrook Apartments, continued

Amenities

In-Unit

Balcony/Patio
Carpeting
Coat Closet
Ceiling Fan
Refrigerator
Washer/Dryer hookup

Blinds
Central A/C
Dishwasher
Oven
Walk-In Closet

Security

None

Services

None

Property

Clubhouse/Meeting
Off-Street Parking
Picnic Area

Central Laundry
On-Site Management
Swimming Pool

Premium

View

Other

Views

Comments

The contact had no additional comments.

Photos



PROPERTY PROFILE REPORT

The Terraces

Effective Rent Date 4/26/2017

Location 5700 E Market Street
Prescott Valley, AZ 86314
Yavapai County

Distance 21.7 miles

Units 226

Vacant Units 3

Vacancy Rate 1.3%

Type Garden (3 stories)

Year Built/Renovated 2003 / N/A

Marketing Began N/A

Leasing Began N/A

Last Unit Leased N/A

Major Competitors Glassford Apartments

Tenant Characteristics Mixed tenancy, some families, professionals, seniors

Contact Name Holly

Phone 928-443-9200



Market Information

Program Market

Annual Turnover Rate 20%

Units/Month Absorbed N/A

HCV Tenants 0%

Leasing Pace Pre-lease to 30 days

Annual Chg. in Rent 10% increase since 3Q2015

Concession None

Utilities

A/C not included -- central

Cooking not included -- electric

Water Heat not included -- gas

Heat not included -- gas

Other Electric not included

Water not included

Sewer not included

Trash Collection not included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|---------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 1 | 1 | Garden (3 stories) | 36 | 746 | \$995 | \$0 | Market | No | 1 | 2.8% | N/A | None |
| 1 | 1 | Garden (3 stories) | 12 | 839 | \$1,080 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 1 | 1 | Garden (3 stories) | 2 | 925 | \$1,095 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 2 | 2 | Garden (3 stories) | 36 | 1,005 | \$1,285 | \$0 | Market | No | 2 | 5.6% | N/A | None |
| 2 | 2 | Garden (3 stories) | 84 | 1,038 | \$1,300 | \$0 | Market | No | 0 | 0.0% | N/A | None |
| 3 | 2 | Garden (3 stories) | 56 | 1,125 | \$1,500 | \$0 | Market | No | 0 | 0.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-------------------|-------|-------------------|-------|-------------------|
| 1BR / 1BA | \$995 - \$1,095 | \$0 | \$995 - \$1,095 | \$0 | \$995 - \$1,095 |
| 2BR / 2BA | \$1,285 - \$1,300 | \$0 | \$1,285 - \$1,300 | \$0 | \$1,285 - \$1,300 |
| 3BR / 2BA | \$1,500 | \$0 | \$1,500 | \$0 | \$1,500 |

The Terraces, continued

Amenities

In-Unit

Balcony/Patio
Carpet/Hardwood
Coat Closet
Exterior Storage
Fireplace
Microwave
Refrigerator
Washer/Dryer

Blinds
Central A/C
Dishwasher
Ceiling Fan
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Security

Patrol
Perimeter Fencing

Services

None

Property

Business Center/Computer Lab
Clubhouse/Meeting
Garage
On-Site Management
Swimming Pool

Carport
Exercise Facility
Off-Street Parking
Picnic Area

Premium

View

Other

Premium View

Comments

The contact reported that the vacant units were pre-leased.

The Terraces, continued

Trend Report

Vacancy Rates

| 2Q13 | 4Q13 | 1Q15 | 2Q17 |
|------|------|------|------|
| 0.0% | 0.0% | 4.4% | 1.3% |

Trend: Market

1BR / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------------|-------|-----------------|-----------------|
| 2013 | 2 | 0.0% | \$790 - \$925 | \$0 | \$790 - \$925 | \$790 - \$925 |
| 2013 | 4 | 0.0% | \$892 - \$996 | \$0 | \$892 - \$996 | \$892 - \$996 |
| 2015 | 1 | 0.0% | \$895 - \$1,000 | \$0 | \$895 - \$1,000 | \$895 - \$1,000 |
| 2017 | 2 | 2.0% | \$995 - \$1,095 | \$0 | \$995 - \$1,095 | \$995 - \$1,095 |

2BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-------------------|-------|-------------------|-------------------|
| 2013 | 2 | 0.0% | \$860 - \$885 | \$0 | \$860 - \$885 | \$860 - \$885 |
| 2013 | 4 | 0.0% | \$895 - \$984 | \$0 | \$895 - \$984 | \$895 - \$984 |
| 2015 | 1 | 8.3% | \$1,030 - \$1,140 | \$17 | \$1,013 - \$1,123 | \$1,013 - \$1,123 |
| 2017 | 2 | 1.7% | \$1,285 - \$1,300 | \$0 | \$1,285 - \$1,300 | \$1,285 - \$1,300 |

3BR / 2BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2013 | 2 | 0.0% | \$945 | \$0 | \$945 | \$945 |
| 2013 | 4 | 0.0% | \$1,120 | \$0 | \$1,120 | \$1,120 |
| 2015 | 1 | 0.0% | \$1,185 | \$0 | \$1,185 | \$1,185 |
| 2017 | 2 | 0.0% | \$1,500 | \$0 | \$1,500 | \$1,500 |

Studio / 1BA

| Year | QT | Vac. | Face Rent | Conc. | Concd. Rent | Adj. Rent |
|------|----|------|-----------|-------|-------------|-----------|
| 2013 | 2 | 0.0% | \$875 | \$0 | \$875 | \$875 |
| 2013 | 4 | 0.0% | \$885 | \$0 | \$885 | \$885 |
| 2015 | 1 | 0.0% | \$963 | \$0 | \$963 | \$963 |

Trend: Comments

| | |
|------|--|
| 2Q13 | The waiting list is three to six months long. Management reported that basic cable is included in the rent. Rental rates have increased by zero to 2.2 percent since the fourth quarter of 2012. |
| 4Q13 | The contact stated that the waiting list has approximately 18 households. The rents shown in the unit breakdown include the development's premium views. |
| 1Q15 | The contact stated that the waitlist has approximately two or three households on it. One covered carport parking space is included in the monthly rent, a garage space is an additional \$100 per month. The property is currently offering a concession of \$200 off of first month's rent for vacant units. |
| 2Q17 | The contact reported that the vacant units were pre-leased. |

Photos



PROPERTY PROFILE REPORT

Villa Cortez

Effective Rent Date 4/24/2017
Location 205 E. Cortez Dr.
 Sedona, AZ 86351
 Yavapai County
Distance 15.8 miles
Units 50
Vacant Units 1
Vacancy Rate 2.0%
Type Garden (2 stories)
Year Built/Renovated 1986 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors None identified
Tenant Characteristics Mixed tenancy, some seniors
Contact Name Linda
Phone 928-282-7368



Market Information

Program Market
Annual Turnover Rate 24%
Units/Month Absorbed N/A
HCV Tenants 12%
Leasing Pace Pre-leased to one week
Annual Chg. in Rent None reported
Concession None

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat included -- gas
Heat included -- gas
Other Electric not included
Water not included
Sewer not included
Trash Collection included

Unit Mix (face rent)

| Beds | Baths | Type | Units | Size (SF) | Rent | Concession (monthly) | Restriction | Waiting List | Vacant | Vacancy Rate | Max Rent? | Range |
|------|-------|--------------------|-------|-----------|-------|----------------------|-------------|--------------|--------|--------------|-----------|-------|
| 2 | 2 | Garden (2 stories) | 50 | 850 | \$995 | \$0 | Market | No | 1 | 2.0% | N/A | None |

Unit Mix

| Market | Face Rent | Conc. | Concd. Rent | Util. | Adj. Rent |
|-----------|-----------|-------|-------------|-------|-----------|
| 2BR / 2BA | \$995 | \$0 | \$995 | -\$66 | \$929 |

Amenities

| In-Unit | Security | Services |
|--------------------|----------|----------|
| Balcony/Patio | None | None |
| Carpeting | | |
| Coat Closet | | |
| Oven | | |
| Walk-In Closet | | |
| | | |
| | | |
| | | |
| | | |
| Property | Premium | Other |
| Carport | None | None |
| Off-Street Parking | | |
| | | |
| | | |
| | | |
| | | |

Comments

The contact had no additional comments.

Photos



PROPERTY CHARACTERISTICS

Following are relevant characteristics of the comparable properties surveyed:

Location

The Subject is located in a mixed-use neighborhood that consists of commercial and retail uses, single-family homes, and multifamily developments. The Subject has good access to area amenities. The comparable properties are located within 42.7 miles of the Subject. The following table compares the Subject to comparable properties. Note that locations are compared based on a 0.5 mile radius from the properties.

INSPIRATION AT COTTONWOOD – COTTONWOOD, ARIZONA – MARKET STUDY

| LOCATIONAL COMPARISON | | | | | | |
|---|---|---|--|--|---|---|
| Radius | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles |
| Name | Inspiration At Cottonwood | Copper Creek Apartments | Elevation Apartments | Mountain Trail Apartments | Mountain View Villa Apartments | Rio Verde Cottonwood |
| Address | 270 S Candy Lane Cottonwood | 400 East Date Street Cottonwood | 5000 North Mall Way Flagstaff | 927 West Forest Meadows Street Flagstaff | 740 East Mingus Avenue Cottonwood | 355 South 12th Street Cottonwood |
| City | AZ | AZ | AZ | AZ | AZ | AZ |
| State | 86236 | 86326 | 86004 | 86001 | 86326 | 86326 |
| ZIP Code | Prescott, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area | Flagstaff, AZ Metropolitan Statistical Area | Flagstaff, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area |
| MSA | | | | | | |
| Locational qualities | | | | | | |
| Population 2016 | 891 | 1,632 | 1,200 | 3,826 | 2,477 | 2,018 |
| MSA | 225,968 | 225,968 | 141,010 | 141,010 | 225,968 | 225,968 |
| STATE | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 |
| Population 65+ 2016 | 21,44% | 24,45% | 8,58% | 8,10% | 20,23% | 22,50% |
| Median Household Income 2016 | \$30,250 | \$38,002 | \$34,660 | \$41,537 | \$29,145 | \$31,653 |
| MSA | \$42,940 | \$42,940 | \$45,436 | \$45,436 | \$42,940 | \$42,940 |
| STATE | \$51,141 | \$51,141 | \$51,141 | \$51,141 | \$51,141 | \$51,141 |
| Renter Household Percent 2016 | 58.92% | 40.78% | 14.70% | 60.49% | 60.30% | 57.31% |
| MSA | 26.15% | 26.15% | 30.85% | 30.85% | 26.15% | 26.15% |
| STATE | 31.33% | 31.33% | 31.33% | 31.33% | 31.33% | 31.33% |
| Owner Household Percent 2016 | 25.46% | 48.86% | 79.28% | 24.46% | 23.19% | 24.63% |
| MSA | 55.46% | 55.46% | 41.55% | 41.55% | 55.46% | 55.46% |
| STATE | 52.30% | 52.30% | 52.30% | 52.30% | 52.30% | 52.30% |
| Vacant Housing Unit Percent 2016 | 15.80% | 10.36% | 6.02% | 15.05% | 16.51% | 18.06% |
| MSA | 18.39% | 18.39% | 27.60% | 27.60% | 18.39% | 18.39% |
| STATE | 16.37% | 16.37% | 16.37% | 16.37% | 16.37% | 16.37% |
| Total Crime | 117 | 117 | 211 | 115 | 160 | 118 |
| Personal Crime | 90 | 90 | 122 | 62 | 104 | 80 |
| Property Crime | 121 | 121 | 223 | 122 | 168 | 124 |
| Walk Score® | 32 | 22 | 48 | 48 | 59 | 60 |
| Walk Score® Name | Car-Dependent | Car-Dependent | Car-Dependent | Car-Dependent | Somewhat Walkable | Somewhat Walkable |
| USDA Food Desert | | | | | | |
| Low Income and Low Access Census Tract | Yes | No | Yes | No | Yes | Yes |
| EPA Brownfield Site | | | | | | |
| Number of sites within Census Tract | 0 | 0 | 1 | 0 | 0 | 0 |

INSPIRATION AT COTTONWOOD – COTTONWOOD, ARIZONA – MARKET STUDY

| LOCATIONAL COMPARISON | | | | | | |
|---|---|---|--|---|---|---|
| Radius | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles | 0.5 miles |
| Name | Inspiration At Cottonwood | Sage Wood Apartments | Sedona Terrace | Shadowbrook Apartments | The Terraces | Villa Cortez |
| Address | 270 S Candy Lane Cottonwood | 330 North 10th Street Cottonwood | 50 Sombart Lane Sedona | 145 Navajo Drive Sedona | 5700 East Market Street Prescott Valley | 205 East Cortez Drive Sedona |
| City | AZ Cottonwood | AZ Cottonwood | AZ Sedona | AZ Sedona | AZ Prescott Valley | AZ Sedona |
| State | 86236 | 86236 | 86336 | 86336 | 86314 | 86351 |
| ZIP Code | Prescott, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area | Flagstaff, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area | Prescott, AZ Metropolitan Statistical Area |
| MSA | | | | | | |
| Locational qualities | | | | | | |
| Population 2016 | 891 | 2,968 | 341 | 1,507 | 1,069 | 2,126 |
| MSA | 225,968 | 225,968 | 141,010 | 225,968 | 225,968 | 225,968 |
| STATE | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 | 6,877,016 |
| Population 65+ 2016 | 21,44% | 18.90% | 37.24% | 30.66% | 15.53% | 38.95% |
| Median Household Income 2016 | \$30,250 | \$28,988 | \$55,308 | \$56,004 | \$45,469 | \$48,002 |
| MSA | \$42,940 | \$42,940 | \$45,436 | \$42,940 | \$42,940 | \$42,940 |
| STATE | \$51,141 | \$51,141 | \$51,141 | \$51,141 | \$51,141 | \$51,141 |
| Renter Household Percent 2016 | 58.92% | 56.30% | 29.86% | 28.13% | 29.25% | 35.16% |
| MSA | 26.15% | 26.15% | 30.85% | 26.15% | 26.15% | 26.15% |
| STATE | 31.33% | 31.33% | 31.33% | 31.33% | 31.33% | 31.33% |
| Owner Household Percent 2016 | 25.46% | 28.63% | 42.09% | 51.87% | 52.20% | 40.46% |
| MSA | 55.46% | 55.46% | 41.55% | 55.46% | 55.46% | 55.46% |
| STATE | 52.30% | 52.30% | 52.30% | 52.30% | 52.30% | 52.30% |
| Vacant Housing Unit Percent 2016 | 15.80% | 15.08% | 28.06% | 20.00% | 18.55% | 24.38% |
| MSA | 18.39% | 18.39% | 27.60% | 18.39% | 18.39% | 18.39% |
| STATE | 16.37% | 16.37% | 16.37% | 16.37% | 16.37% | 16.37% |
| Total Crime | 117 | 141 | 118 | 70 | 83 | 80 |
| Personal Crime | 90 | 83 | 60 | 39 | 61 | 55 |
| Property Crime | 121 | 149 | 125 | 74 | 86 | 83 |
| Walk Score® | 32 | 55 | 40 | 57 | 20 | 61 |
| Walk Score® Name | Car-Dependent | Somewhat Walkable | Car-Dependent | Somewhat Walkable | Car-Dependent | Somewhat Walkable |
| USDA Food Desert | Yes | Yes | No | No | No | No |
| Low Income and Low Access Census Tract | | | | | | |
| EPA Brownfield Site | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of sites within Census Tract | | | | | | |

We included 10 comparable developments, seven of which are located within the PMA and all of which are between 0.8 and 42.7 miles from the Subject. It should be noted that the three comparables located outside the PMA in Flagstaff and Prescott Valley, and the three comparables located inside the PMA in Sedona, are considered to offer a slightly superior location due to access to amenities and slightly superior median incomes and home values. The comparables located in Cottonwood are considered to offer similar locations compared to the Subject. The following table compares median household incomes, median home values, and median gross rents in Cottonwood, Sedona, Flagstaff, and Prescott Valley.

| LOCATIONAL COMPARISON | | | | |
|------------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| City | Population (2015) | Median HH Income | Median Home Value | Median Gross Rent |
| Cottonwood | 11,493 | \$36,440 | \$132,500 | \$751 |
| Sedona | 10,204 | \$55,135 | \$426,600 | \$1,233 |
| Flagstaff | 68,375 | \$48,680 | \$267,400 | \$1,050 |
| Prescott Valley | 40,258 | \$42,571 | \$168,900 | \$883 |

Source: US Census Bureau, 4/2017

Size, Age, and Condition

The comparable properties offer between 12 and 291 units, with an average size of 115 units. The Subject, with 172 units, is slightly above the average and should be well accepted.

The Subject is projected to be complete in January 2019 and will exhibit excellent condition. The comparables were built or renovated between 1971 and 2016. The most recently constructed development among the comparables is Mountain Trail Apartments, which was completed in 2016 and is in excellent condition, similar to the Subject. The Terraces was built in 2003 and Elevation Apartments was built in 2012, and both exhibit good condition, slightly inferior to the Subject. The remaining comparables were built or renovated between 1971 and 2000 and exhibit fair to average condition, which is inferior compared to the Subject.

Unit Size

The following table illustrates the unit sizes of both the Subject and the comparable properties that reported unit sizes.

| UNIT SIZE COMPARISON | | | | | |
|-----------------------------|----------------|---------------------|---------------------|-------------------------|--------------------------------|
| Unit Type | Subject | Surveyed Min | Surveyed Max | Surveyed Average | Advantage/ Disadvantage |
| 1 BR | 625 | 578 | 925 | 701 | -10.8% |
| 2 BR | 825 - 1,150 | 732 | 1,183 | 955 | -13.6% to 20.4% |
| 3 BR | 1,250 | 1,080 | 1,158 | 1,133 | 10.3% |

As the previous table indicates, the Subject's unit sizes vary from smaller to larger than the average sizes of the comparables. The Subject's one-bedroom unit size is within the surveyed range and slightly below the average. The Subject's proposed two-bedroom unit sizes range from slightly smaller to slightly larger than the market average. The Subject's proposed three-bedroom unit size is larger than the market average and above the surveyed range. Overall, we believe the Subject's unit sizes will be competitive and accepted in the market. We have considered the unit sizes in our achievable rent determination.

Total Number of Baths per Unit

The Subject will offer one bathroom in all 26 of the one-bedroom units and in 34 of the two-bedroom units. The Subject will offer two bathrooms in 86 two-bedroom units and all 26 of the three-bedroom units. All of the comparables that offer one-bedroom units have at least one floor plan with one bathroom and the majority of the comparables that offer two-bedroom and three-bedroom units offer at least one floor plan with two bathrooms. Three comparables offer only one bathroom in the two-bedroom units. In general, the Subject will be similar to slightly superior the comparable properties in terms of bathrooms.

Amenities

A detailed description of amenities included in both the Subject and the comparable properties can be found in the following amenity matrix.

INSPIRATION AT COTTONWOOD – COTTONWOOD, ARIZONA – MARKET STUDY

UNIT MATRIX REPORT

| | Inspiration At Cottonwood | Copper Creek Apartments | Elevation Apartments | Mountain Trail Apartments | Mountain View Villa Apartments | Rio Verde Cottonwood | Sage Wood Apartments | Sedona Terrace | Shadowbrook Apartments | The Terraces | Villa Cortez |
|------------------------------|---------------------------|-------------------------|----------------------|---------------------------|--------------------------------|----------------------|----------------------|--------------------|------------------------|--------------------|--------------------|
| Comp # | Subject | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Property Information | | | | | | | | | | | |
| Property Type | Garden (2 stories) | Garden | Garden (3 stories) | Garden (3 stories) | Garden | Garden | Garden | Garden (2 stories) | Garden (2 stories) | Garden (3 stories) | Garden (2 stories) |
| Year Built / Renovated | Proposed / n/a | 1998 / n/a | 2012 / n/a | 2016 / n/a | 1985 / n/a | 1998 / n/a | 2000 / n/a | 1971 / n/a | 1986 / n/a | 2003 / n/a | 1986 / n/a |
| Market (Conv./Subsidy Type) | Market | Market | Market | Market | Market | Market | Market | Market | Market | Market | Market |
| Utility Adjustments | | | | | | | | | | | |
| Cooking | no | no | no | no | no | no | no | no | no | no | no |
| Water Heat | no | no | no | no | no | no | no | no | no | no | yes |
| Heat | no | no | no | no | no | no | no | no | no | no | yes |
| Other Electric | no | no | no | no | no | no | no | no | no | no | no |
| Water | no | yes | no | no | no | no | no | no | no | no | no |
| Sewer | no | yes | no | no | no | no | no | no | no | no | no |
| Trash Collection | no | yes | no | no | yes | no | yes | yes | yes | no | yes |
| In-Unit Amenities | | | | | | | | | | | |
| Balcony/Patio | yes | yes | yes | yes | no | yes | yes | yes | yes | yes | yes |
| Blinds | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| Cable/Satellite/Internet | no | no | no | no | no | no | no | no | no | yes | no |
| Carpet/Hardwood | no | no | yes | no | no | no | no | no | no | yes | no |
| Carpeting | yes | yes | no | yes | yes | yes | yes | yes | yes | no | yes |
| Central A/C | yes | yes | yes | no | yes | yes | yes | yes | yes | yes | yes |
| Coat Closet | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| Dishwasher | yes | yes | yes | yes | yes | yes | yes | no | yes | yes | yes |
| Exterior Storage | no | no | yes | yes | no | no | yes | no | no | yes | no |
| Ceiling Fan | yes | no | yes | yes | no | yes | yes | no | yes | yes | no |
| Fireplace | no | no | no | no | yes | no | no | no | no | yes | no |
| Garbage Disposal | yes | yes | yes | yes | yes | yes | yes | no | no | yes | no |
| Microwave | yes | no | yes | yes | no | no | no | no | no | yes | no |
| Oven | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| Refrigerator | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| Vaulted Ceilings | no | no | yes | no | no | no | no | no | no | yes | no |
| Walk-In Closet | yes | no | yes | yes | no | no | no | no | yes | yes | yes |
| Washer/Dryer | yes | yes | yes | yes | no | yes | yes | no | no | yes | no |
| Washer/Dryer hookup | no | yes | yes | yes | no | yes | yes | no | yes | no | no |
| Property Amenities | | | | | | | | | | | |
| Basketball Court | no | no | no | no | no | yes | no | no | no | no | no |
| Business Center/Computer Lab | no | no | yes | yes | no | no | no | no | no | yes | no |
| Carport | yes | yes | no | yes | yes | yes | yes | no | no | yes | yes |
| Clubhouse/Community Room | yes | no | yes | yes | yes | no | no | no | yes | yes | no |
| Courtyard | yes | no | no | yes | no | no | no | no | no | no | no |
| Exercise Facility | yes | no | yes | yes | yes | no | yes | no | no | yes | no |
| Garage | yes | no | no | yes | no | no | no | no | no | yes | no |
| Jacuzzi | no | no | no | yes | no | no | no | no | no | yes | no |
| Central Laundry | no | no | no | no | yes | no | no | yes | yes | no | yes |
| Off-Street Parking | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes | yes |
| On-Site Management | yes | no | yes | yes | yes | yes | yes | no | yes | yes | no |
| Picnic Area | yes | no | yes | yes | yes | no | no | no | yes | yes | yes |
| Playground | no | no | no | yes | yes | yes | no | no | no | no | no |
| Recreation Areas | yes | no | yes | yes | no | no | no | no | no | no | no |
| Sauna | no | no | no | yes | no | no | no | no | no | no | no |
| Swimming Pool | no | no | yes | no | yes | yes | no | no | yes | yes | no |
| Theatre | no | no | no | yes | no | no | no | no | no | no | no |
| Wi-Fi | no | no | no | yes | no | no | no | no | no | no | no |
| Garage Fee | \$75.00 | N/A | N/A | \$95.00 | N/A | N/A | N/A | N/A | N/A | \$80.00 | N/A |
| Security | | | | | | | | | | | |
| Limited Access | no | no | yes | no | no | no | no | no | no | no | no |
| Patrol | no | no | no | no | no | no | no | no | no | yes | no |
| Perimeter Fencing | no | no | yes | no | no | no | no | no | no | yes | no |
| Video Surveillance | no | no | yes | yes | no | no | no | no | no | no | no |
| Premium Amenities | | | | | | | | | | | |
| View | yes | no | no | no | no | no | no | no | yes | yes | no |
| Other Amenities | | | | | | | | | | | |
| Other | Dog run | n/a | Dog Park | Library | n/a | n/a | n/a | n/a | Views | Premium View | n/a |

Unit Amenities

The Subject's unit amenities will include blinds, laminate and carpet flooring, central heating and air conditioning, ceiling fan, coat closets, walk-in closets, oven, refrigerator, garbage disposal, microwave, dishwasher, scenic views, and in-unit washers and dryers. Four of the comparables offer exterior storage, two offer fireplaces, and two offer vaulted ceilings, which the Subject does not. Several of the comparables do not offer ceiling fans, garbage disposals, microwaves, walk-in closets, or in-unit washers and dryers, which are all amenities that will be offered by the Subject. Overall, the Subject will be generally similar to the comparables in terms of in-unit amenities.

Common Area Amenities

Common area amenities at the Subject will include a community room/clubhouse, courtyard, picnic area, on-site management, exercise facility, and recreation areas that will likely include a dog run area. Five of the comparables do not offer a clubhouse/community room, nine do not offer a courtyard, five do not offer an exercise facility, four do not offer picnic areas, and eight do not offer recreation areas or dog parks, all of which will be available at the Subject. Conversely, three comparables offer a playground, three offer a business center/computer lab, two offer a Jacuzzi, one offers a sauna, five offer a swimming pool, one offers a theatre/media area and Wi-Fi, and one offers a basketball court, none of which will be available at the Subject. Overall, the Subject will offer a similar to superior common area amenities package relative to the comparables.

Parking

The Subject will offer 50 off-street surface parking spaces, as well as 40 detached garage spaces for \$75 per month and 172 carport spaces at no additional charge. The total number of parking spaces provided will be 262, equating to 1.5 spaces per unit. All of the comparables offer some form of off-street parking, six offer carport parking at no additional charge, and two offer garage parking for an additional charge. Additional charges for garage parking at the comparables range from \$80 to \$95 per month. Overall, the Subject's parking structure is similar to superior to the comparables as the property will include carport parking in the rent.

Security Features

The Subject will not offer any security features, similar to seven of the comparables. Three of the comparable properties offer at least one form of security, including limited access, patrol, perimeter fencing, and/or video surveillance. As such, the Subject will be similar to the majority of comparables that do not offer any security features. We believe this is appropriate within this market.

Utility Structure

Tenants will be responsible for all utility expenses, including electric cooking, electric hot water heating, electric air conditioning and heating, general electric expenses, water, sewer, and garbage expenses. The landlord will be responsible for all common area utility expenses. The rents of the comparables are adjusted to reflect differences in utilities. The amount of adjustment has been based on the current Yavapai County utility allowance schedule provided by the Arizona Department of Housing, dated December 1, 2016, which is the most recent available.

Absorption

We were able to obtain recent absorption information from two of the comparables. The following table summarizes our findings.

| ABSORPTION | | | | | |
|----------------------------|--------|---------|------------|-----------------|------------------------|
| Property name | Type | Tenancy | Year Built | Number of Units | Units Absorbed / Month |
| Elevation Apartments* | Market | Family | 2012 | 291 | 23 |
| Mountain Trail Apartments* | Market | Family | 2016 | 160 | 32 |
| Average | | | | 226 | 28 |

*Located outside the PMA

The comparables have absorption rates ranging from 23 to 32 units per month with an overall average of 28 units per month. Taking this data into consideration, as well as our estimate of demand and the low vacancy rates among market rate units in the area, we estimate the Subject will reach a stabilized occupancy of 95 percent within eight to nine months of the development's completion. This estimate equates to an absorption pace of 18 to 20 units per month.

Turnover

The following table illustrates turnover rates at comparable properties. It should be noted that Mountain Trail Apartments is currently in lease-up and has yet to experience any turnover.

| TURNOVER | | |
|--------------------------------|----------------|------------|
| Property name | Rent Structure | Turnover |
| Copper Creek Apartments | Market | 25% |
| Elevation Apartments* | Market | 27% |
| Mountain Trail Apartments* | Market | N/A |
| Mountain View Villa Apartments | Market | 35% |
| Rio Verde Cottonwood | Market | 23% |
| Sage Wood Apartments | Market | 20% |
| Sedona Terrace | Market | 7% |
| Shadowbrook Apartments | Market | 22% |
| The Terraces* | Market | 20% |
| Villa Cortez | Market | 24% |
| Average Turnover | | 23% |

*Located outside the PMA

Turnover rates range from seven to 35 percent, with an average of 23 percent. As a new family rental property, we anticipate that the Subject will experience a turnover rate of 25 percent or less annually, consistent with the competition.

Vacancy

The following table illustrates vacancy rates at the comparable properties.

| OVERALL VACANCY | | | | |
|--|----------------|--------------|--------------|--------------|
| Property name | Rent Structure | Total Units | Vacant Units | Vacancy Rate |
| Copper Creek Apartments | Market | 12 | 0 | 0.0% |
| Elevation Apartments* | Market | 291 | 10 | 3.4% |
| Mountain Trail Apartments* | Market | 160 | 32 | 20.0% |
| Mountain View Villa Apartments | Market | 180 | 0 | 0.0% |
| Rio Verde Cottonwood | Market | 80 | 1 | 1.3% |
| Sage Wood Apartments | Market | 80 | 1 | 1.3% |
| Sedona Terrace | Market | 15 | 0 | 0.0% |
| Shadowbrook Apartments | Market | 54 | 1 | 1.9% |
| The Terraces* | Market | 226 | 3 | 1.3% |
| Villa Cortez | Market | 50 | 1 | 2.0% |
| Total | | 1,148 | 49 | 4.3% |
| Total (Excluding Mountain Trail Apartments) | | 988 | 17 | 1.7% |
| Total (PMA Only) | | 471 | 4 | 0.8% |

*Located outside the PMA

Comparable properties reported vacancy rates ranging from zero to 3.4 percent with an average of 1.7 percent, with the exception of Mountain Trail Apartments which is currently undergoing initial lease-up. The comparables located within the PMA are exhibiting an overall vacancy rate of 0.8 percent and the comparables in Cottonwood reported an average vacancy rate of 0.6 percent. Overall, the majority of the comparables illustrate stabilized occupancy rates, indicating a healthy market. Three of the comparable properties reported no vacancies, with the remaining reporting vacancy of 1.3 to 3.4 percent, excluding Mountain Trail Apartments.

Overall, the comparables illustrate stable occupancy rates. Therefore, we believe the Subject will maintain a vacancy of five percent or less after the initial lease-up phase has been completed due to the fact that it is new construction and will exhibit superior condition to the comparables in an area of limited supply and strong demand. We believe this vacancy rate is reasonable given the performance of the majority of comparables in the market.

The following table illustrates the vacancy by bedroom type at the comparable properties.

| VACANCY BY BEDROOM TYPE | | | | | |
|--------------------------------|----------------|-------------------|-------------------|---------------------|----------------------|
| Property Name | Rent Structure | One-Bedroom Units | Two-Bedroom Units | Three-Bedroom Units | Overall Vacancy Rate |
| Copper Creek Apartments | Market | - | 0.0% | - | 0.0% |
| Elevation Apartments* | Market | 1.9% | 5.3% | 0.0% | 3.4% |
| Mountain Trail Apartments* | Market | 12.2% | 28.2% | - | 20.0% |
| Mountain View Villa Apartments | Market | 0.0% | 0.0% | - | 0.0% |
| Rio Verde Cottonwood | Market | 0.0% | 2.5% | - | 1.2% |
| Sage Wood Apartments | Market | 2.5% | 0.0% | - | 1.2% |
| Sedona Terrace | Market | 0.0% | 0.0% | - | 0.0% |
| Shadowbrook Apartments | Market | 3.6% | 0.0% | 0.0% | 1.9% |
| The Terraces* | Market | 2.0% | 1.7% | 0.0% | 1.3% |
| Villa Cortez | Market | - | 2.0% | - | 2.0% |
| Total | | 6.7% | 5.8% | 0.0% | 5.5% |

*Located outside the PMA

Concessions

None of the comparable properties reported offering concessions. Therefore, we do not believe that the Subject will have to offer concessions in order to compete in the market.

Rent Growth

The following table illustrates changes in rents over the course of the last year.

| RENT GROWTH | | |
|--------------------------------|----------------|---------------------------|
| Comparable Property | Rent Structure | Rent Growth |
| Copper Creek Apartments | Market | None reported |
| Elevation Apartments* | Market | 6% increase since 2Q2015 |
| Mountain Trail Apartments* | Market | None reported |
| Mountain View Villa Apartments | Market | None reported |
| Rio Verde Cottonwood | Market | None reported |
| Sage Wood Apartments | Market | None reported |
| Sedona Terrace | Market | None reported |
| Shadowbrook Apartments | Market | None reported |
| The Terraces* | Market | 10% increase since 3Q2015 |
| Villa Cortez | Market | None reported |

*Located outside the PMA

Two of the ten comparables reported rent increases since our last survey, while eight of the comparables reported rents have not changed. We believe moderate annual rental increases will be attainable for the Subject given its excellent condition and good location, provided that rents are appropriately positioned.

Waiting Lists

Only two of the comparables, Elevation Apartments and Mountain View Villa Apartments, currently maintain a waiting list. Waiting lists do not appear to be common among market rate properties in the Cottonwood

area. As a newly constructed market rate property, we do not believe it will be necessary for the Subject to maintain a waiting list.

| WAIT LIST | | |
|--------------------------------|----------------|---------------------|
| Comparable Property | Rent Structure | Wait List |
| Copper Creek Apartments | Market | None |
| Elevation Apartments* | Market | Yes - 20 households |
| Mountain Trail Apartments* | Market | None |
| Mountain View Villa Apartments | Market | Yes - 6 households |
| Rio Verde Cottonwood | Market | None |
| Sage Wood Apartments | Market | None |
| Sedona Terrace | Market | None |
| Shadowbrook Apartments | Market | None |
| The Terraces* | Market | None |
| Villa Cortez | Market | None |

*Located outside the PMA

Reasonability of Rents

The table below illustrates the Subject’s proposed rents and unit mix.

| PROPOSED RENTS | | | | |
|--------------------|----------------|-----------------|-------------|-----------------------|
| Unit Type | Unit Size (SF) | Number of Units | Asking Rent | Price Per Square Foot |
| <i>Market Rate</i> | | | | |
| 1BR/1BA | 625 | 26 | \$800 | \$1.28 |
| 2BR/1BA | 825 | 34 | \$900 | \$1.09 |
| 2BR/2BA | 1,050 | 43 | \$1,025 | \$0.98 |
| 2BR/2BA | 1,150 | 43 | \$1,125 | \$0.98 |
| 3BR/2BA | 1,250 | 26 | \$1,225 | \$0.98 |
| Total | | 172 | | |

Below are the rent comparisons between the Subject’s rents and comparable developments’ market rents. The comparable rents have been adjusted for concessions and variances in utility structure.

| RENT COMPARISON | | | | | | |
|-----------------|---------------------|----------------|--------------|--------------|------------------|------------------------|
| Unit Type | Proposed Unit Sizes | Proposed Rents | Surveyed Min | Surveyed Max | Surveyed Average | Advantage/Disadvantage |
| 1BR/1BA | 625 | \$800 | \$722 | \$1,350 | \$1,029 | -22.2% |
| 2BR/1BA | 825 | \$900 | \$800 | \$1,735 | \$1,194 | -24.6% |
| 2BR/2BA | 1,050 | \$1,025 | \$800 | \$1,735 | \$1,194 | -14.1% |
| 2BR/2BA | 1,150 | \$1,125 | \$800 | \$1,735 | \$1,194 | -5.8% |
| 3BR/2BA | 1,250 | \$1,225 | \$1,500 | \$1,745 | \$1,631 | -24.9% |

The Subject’s proposed one, two, and three-bedroom rents are within the range of the comparables. All of the Subject’s proposed rents are below the surveyed averages. The Subject will be similar to slightly superior to the majority of the comparables in terms of in-unit amenities, common area amenities, and will be superior in terms of condition. Additionally, the Subject will be the newest development in the area and will offer carport parking included in the rent with the units; thus we believe the Subject’s one, two, and three-bedroom rents are achievable with upward potential.

| RENT PER SQUARE FOOT COMPARISON | | | | | |
|---------------------------------|---------------------|--------------------------------|--------------|--------------|------------------|
| Unit Type | Proposed Unit Sizes | Subject's Proposed Rent Per SF | Surveyed Min | Surveyed Max | Surveyed Average |
| 1BR/1BA | 625 | \$1.28 | \$1.11 | \$1.91 | \$1.41 |
| 2BR/1BA | 825 | \$1.09 | \$0.80 | \$1.64 | \$1.25 |
| 2BR/2BA | 1,050 | \$0.98 | \$0.80 | \$1.64 | \$1.25 |
| 2BR/2BA | 1,150 | \$0.98 | \$0.80 | \$1.64 | \$1.25 |
| 3BR/2BA | 1,250 | \$0.98 | \$1.33 | \$1.51 | \$1.44 |

All of the Subject’s rents per square are within the surveyed range among the comparables, with the exception of the three-bedroom rents which are below the surveyed range. It is reasonable to assume that the Subject, as a newly constructed development in excellent condition, should be able to achieve similar or slightly higher than average rents on a per square foot basis. We believe the Subject’s proposed rents for the one, two, and three-bedroom units are appropriate.

Achievable Market Rents

The achievable rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of projects in the area. Novogradac & Company concluded that the Subject will be comparable to superior to the market rate competition. Achievable rents represent net market rate rent levels that we anticipate a project of the Subject’s condition and quality could reasonably achieve.

The most comparable market rate developments to the Subject are Rio Verde Cottonwood, Shadowbrook Apartments, and The Terraces. Rio Verde Cottonwood is an 80-unit market rate property and is located 1.0 miles east of the Subject site in Cottonwood in a similar location. The property offers one and two-bedroom units and is 98.7 percent occupied. The development was constructed in 1998 and exhibits average condition, which is considered inferior to the Subject’s condition. Rio Verde Cottonwood offers slightly inferior to inferior in-unit and community amenities as well as slightly superior unit sizes relative to the Subject.

Shadowbrook Apartments is a 54-unit market rate property and is located 15.6 miles northeast of the

Subject site in a similar to slightly superior location. The property offers one, two, and three bedroom units and is 98.1 percent occupied. The development was constructed in 1986 and exhibits average condition, which is considered inferior to the Subject's condition. Shadowbrook Apartments offers slightly inferior to inferior in-unit and community amenities relative to the Subject, and similar to slightly smaller unit sizes.

The Terraces is a 226-unit market rate property and is located 21.7 miles southwest of the Subject site in a slightly superior location. The property offers one, two, and three-bedroom units and is 98.7 percent occupied. The development was constructed in 2003 and exhibits good condition, which is considered slightly inferior to the Subject's condition. The Terraces offers slightly superior to superior in-unit and community amenities, and superior unit sizes relative to the Subject.

The Subject will exhibit slightly superior to superior condition when compared to these three comparables and will offer a similar to slightly inferior location compared to the comparable in Sedona and a slightly inferior location than the comparable in Prescott Valley. The Subject will offer generally similar in-unit and community amenities, along with similar to slightly smaller unit sizes. As such, we have placed the Subject's achievable one, two, and three-bedroom market rents within or slightly below rents being achieved at these three comparables.

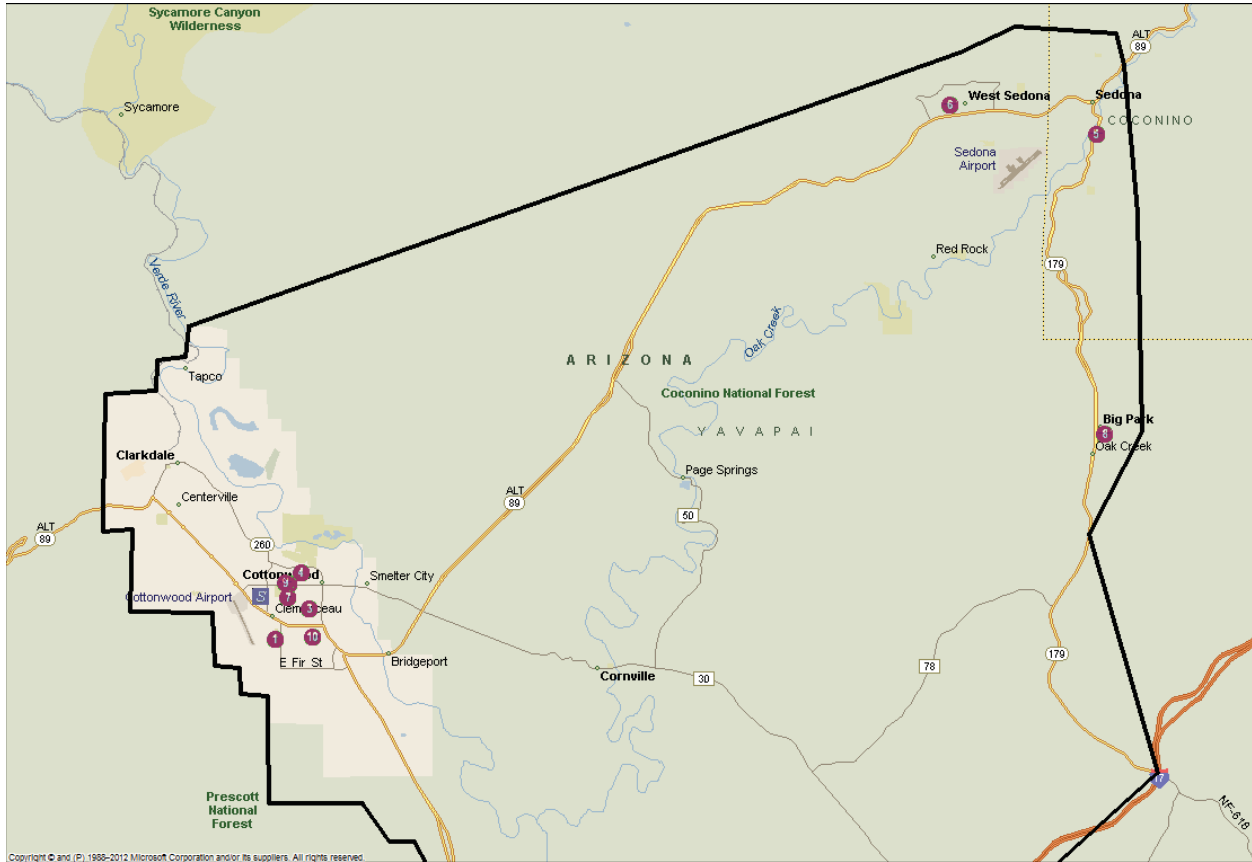
The Subject's proposed one, two, and three-bedroom net rents, as well as on a per square foot basis, are generally within the range of the competition and deemed appropriate. The Subject will be the newest development in the area. As such, we believe the proposed one, two, and three-bedroom rents are appropriate with upward potential. The estimated achievable market rents for the Subject are located in the following chart. It should be noted that we have tempered our rent conclusions slightly given the Subject's location and lack of new development in the Cottonwood market.

| ACHIEVABLE RENTS | | | | | | | | |
|------------------|-------|----------------|-------------|----------------------|------------------------|-----------------|--|-----------------------------|
| Unit Type | Units | Unit Size (SF) | Asking Rent | Rio Verde Cottonwood | Shadowbrook Apartments | The Terraces | NOVOCO's Estimated Achievable Market Rents | Achievable Market Rent/SQFT |
| 1BR/1BA | 26 | 625 | \$800 | \$722 | \$972-\$1,002 | \$995-\$1,095 | \$800 | \$1.28 |
| 2BR/1BA | 34 | 825 | \$900 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$900 | \$1.09 |
| 2BR/2BA | 43 | 1,050 | \$1,025 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$1,025 | \$0.98 |
| 2BR/2BA | 43 | 1,150 | \$1,125 | \$890 | \$1,382-\$1,407 | \$1,285-\$1,300 | \$1,125 | \$0.98 |
| 3BR/2BA | 26 | 1,250 | \$1,225 | - | \$1,552 | \$1,500 | \$1,225 | \$0.98 |

| COMPARABLES RENT PER SQUARE FOOT | | | | | | |
|----------------------------------|----------------|--|-----------------------------|----------------------|------------------------|---------------|
| Unit Type | Unit Size (SF) | NOVOCO's Estimated Achievable Market Rents | Achievable Market Rent/SQFT | Rio Verde Cottonwood | Shadowbrook Apartments | The Terraces |
| 1BR/1BA | 625 | \$800 | \$1.28 | \$1.11 | \$1.47-\$1.50 | \$1.18-\$1.33 |
| 2BR/1BA | 825 | \$900 | \$1.09 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 2BR/2BA | 1,050 | \$1,025 | \$0.98 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 2BR/2BA | 1,150 | \$1,125 | \$0.98 | \$0.93 | \$1.43-\$1.44 | \$1.25-\$1.28 |
| 3BR/2BA | 1,250 | \$1,225 | \$0.98 | - | \$1.44 | \$1.33 |

3. COMPETITIVE RENTAL DEVELOPMENTS MAP

The following map illustrates existing and proposed competitive developments. There are eight existing market rate developments in the PMA that we were able to identify through our various levels of research and interviews with local stakeholders.



MARKET RATE PROPERTIES IN THE PMA

| # | Property Name | Status | Type | Units | Distance |
|-----------------------------|---------------------------------|--------------------|-----------|------------|------------|
| 1 | Copper Creek Apartments* | Existing | Market | 12 | 0.8 miles |
| 2 | Mountain View Villa Apartments* | Existing | Market | 180 | 0.8 miles |
| 3 | Rio Verde Cottonwood* | Existing | Market | 80 | 1.0 miles |
| 4 | Sage Wood Apartments* | Existing | Market | 80 | 1.1 miles |
| 5 | Sedona Terrace* | Existing | Market | 15 | 17.6 miles |
| 6 | Shadowbrook Apartments* | Existing | Market | 54 | 15.6 miles |
| 7 | Verde Plaza Apartments | Existing | Market/RD | 52 | 0.7 miles |
| 8 | Villa Cortez* | Existing | Market | 50 | 15.8 miles |
| 9 | Taylor Huntley Village | Existing | Market | 8 | 0.7 miles |
| 10 | Ridgecrest Townhomes | Under Construction | Market | 38 | 1.3 miles |
| Total Existing Units | | | | 531 | |
| Total Proposed Units | | | | 38 | |
| Total Units | | | | 569 | |

* Used as comparable properties

Excluded properties include, but are not limited to, the properties identified in the following table.

| EXCLUDED PROPERTIES IN THE PMA | | | | |
|--------------------------------|------------|----------------|---------|---------------------------------|
| Property Name | Location | Rent Structure | Tenancy | Reason for Exclusion |
| Aspen Ridge Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Courtside Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Parkway Apartments | Camp Verde | LIHTC | Family | Affordable rents |
| Pine Creek Villas | Big Park | LIHTC | Family | Affordable rents |
| Verde Vista Apartments | Cottonwood | LIHTC | Family | Affordable rents |
| Yavapai-Apache Homes I - IV | Camp Verde | LIHTC | Family | Affordable rents |
| Cottonwood Manor | Cottonwood | Section 8 | Senior | Subsidized rents/senior tenancy |
| Mingus Pointe Apartments | Cottonwood | LIHTC/RD | Family | Affordable rents |
| Tuzigoot Village | Cottonwood | Section 8 | Senior | Subsidized rents/senior tenancy |
| Verde View Senior Apartments | Camp Verde | Section 8 | Senior | Subsidized rents/senior tenancy |
| Verde Valley Manor | Cottonwood | Section 8/RD | Senior | Subsidized rents/senior tenancy |
| Arnold Terrace Apartments | Camp Verde | RD | Family | Subsidized rents |
| Highland Square Senior | Cottonwood | RD | Senior | Subsidized rents/senior tenancy |
| Verde Plaza Apartments | Cottonwood | Market/RD | Family | Inferior condition/rents |
| Taylor Huntley Village | Cottonwood | Market | Family | Unable to contact |

4. ANALYSIS OF SUBSIDIZED SUPPLY

Not applicable since the Subject is a market rate new construction development.

Conclusion

According to our survey, the market for rental development within the PMA is good. Stabilized comparable properties reported vacancy rates ranging from zero to 3.4 percent with an average of 1.7 percent and the comparables in Cottonwood reported an average vacancy rate of 0.6 percent. The Subject will be similar to superior to the majority of the comparables in terms of in-unit amenities, common area amenities, and condition. We believe the Subject’s proposed are in line or slightly below our achievable market rents. The Subject will provide good quality housing with excellent street appeal and competitive amenities.

CHARACTERISTICS OF RENTAL UNITS IN THE PIPELINE

CHARACTERISTICS OF RENTAL UNITS IN THE PIPELINE

1. PROJECTS UNDER CONSTRUCTION

We contacted the City of Cottonwood Planning Department to obtain information regarding proposed, under construction, and recently completed multifamily developments in Cottonwood. We spoke to Christina Anderson, Planning Technician, who is aware of three developments under construction, one proposed development, and one recently completed development. The projects located within the PMA are summarized below.

| RENTAL PIPELINE SUMMARY | | | | |
|-----------------------------------|----------------|---------|------------|--------------------|
| Name | Rent Structure | Tenancy | Units | Status |
| Ridgecrest Townhomes | Market | Family | 38 | Under Construction |
| Highland Square Senior Apartments | LIHTC | Senior | 60 | Under Construction |
| Yavapai-Apache Homes V | LIHTC | Family | 38 | Under Construction |
| Yavapai-Apache Homes VI | LIHTC | Family | 35 | Proposed |
| Total | | | 171 | |

Source: Cottonwood Planning Department, Arizona Department of Housing's LIHTC Allocation Lists; 4/2017

- Ridgecrest Townhomes is a market rate development that will consist of 38 two-bedroom duplex apartment units. Ms. Anderson was unable to provide a completion date for this development; however, according to our online research, the units are expected to be available in the summer of 2017 and will compete with the Subject's units for tenancy.
- Highland Square Senior Apartments is a senior LIHTC development that will consist of 60 one and two-bedroom apartment units targeted to seniors aged 62 and older. Construction broke ground in January 2017 and is anticipated to be complete in May 2017. As a senior affordable development, the property will not directly compete with the Subject.
- Yavapai-Apache Homes V is a proposed LIHTC development that will consist of 38 two and three-bedroom units targeting families earning 40, 50, and 60 percent of the AMI. Yavapai-Apache Homes VI is a proposed LIHTC that will consist of 35 two and three-bedroom units targeting families earning 30 and 60 percent of the AMI. Construction timelines for these developments were unavailable. Both developments will not be directly competitive with the Subject due to affordable rent structures.
- Taylor Huntley Village is a recently completed market rate development that consists of eight two-bedroom units. Ms. Anderson was unable to provide further information for this development; however, according to our online research, the property opened in 2016 and is directly competitive with the Subject. Despite numerous attempts to contact the property, our calls have not been returned as of the date of this report.

2. PROJECTS IN PLANNING STAGES

We are not aware of any additional multifamily developments in the planning stages.

3. PROPOSED LIHTC PROJECTS

We researched the Arizona Department of Housing allocation list to determine if there have been any new affordable properties allocated funds within the past three years. According to the allocation lists from 2014,

2015, and 2016, there have been three recent LIHTC allocations in the Subject's PMA. Details regarding those developments are discussed in the previous section, "*Projects Under Construction*".

4. PROPOSED SENIOR SUPPLY

The Subject will target general family tenancy; as such, an elderly analysis is not applicable.

5. MAP IDENTIFYING ALL PROPOSED COMMUNITIES

There are no proposed competitive developments within the PMA.

DEMAND ESTIMATE AND ANALYSIS

DEMAND ESTIMATE AND ANALYSIS

Introduction

The Subject is a proposed market rate development. We calculated the number of income-eligible residents in this section of the analysis. To assess the likely number of tenants in the market area eligible to live in the Subject, we used Census information as provided by ESRI Demographics. The annual demand is calculated per the HUD MAP Guidelines and has been adjusted for size and income appropriate households.

1. Net Demand Analysis

Primary Market Area/Housing Market Area Defined

As previously defined, the PMA boundaries were defined based upon general neighborhood boundaries and our conversations with city officials from Cottonwood as well as local area property managers. We recognize several sub-markets exist within this PMA; however, market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. Given the opportunity to locate good quality housing, the renter base will move within these areas. Further, we believe some tenants will come from outside the PMA to live closer to their places of work. We anticipate the majority of demand will be generated from this geographic area. We estimate 30 percent of the Subject's tenants will originate from outside the PMA. However, the demand estimates have not been adjusted to reflect this potential for leakage.

Net Demand Analysis and Calculations

Per the HUD MAP Guide, the market study must include an estimate of future demand for the specific forecast period, which is estimated to be through 2021. This estimate of demand must be based on a calculation of incremental demand and must address the following five factors (identified here and in the MAP Guide as A, B, C, D, E):

a. Renter household growth during the forecast period.

Overall, between 2016 and 2021 the number of renter households in the PMA will increase from 9,913 to 10,400 households or by 97 households annually, while the number of income-qualified renter households is projected to increase by 58 households annually.

Income Appropriate Calculations

First, we estimate the Subject's minimum and maximum income levels for the project. We interviewed market rate comparables in order to ascertain minimum income requirements. According to the contacts, the general rule is the tenant must have an income of at least two and a half to three times the monthly rental rate. As such, we have taken the market rate monthly rental rate, multiplied it by three, and annualized it for our minimum income requirements. There is no upper limit for market rate units.

Secondly, we illustrate the renter household population segregated by income band in order to determine those who are income appropriate to reside in the Subject property.

Third, we combine the allowable income range with the income distribution analysis in order to determine the number of potential income-qualified households. In some cases the income-eligible band overlaps with more than one census income range. In those cases, the prorated share of more than one census range will be calculated. This provides an estimate of the total number of households that are income appropriate. The minimum and maximum income limits for the Subject's units are as follows. As the Subject will offer market rate units, there is no maximum income limit.

| INCOME LIMITS | | |
|---------------|--------------------------|--------------------------|
| Unit Type | Minimum Allowable Income | Maximum Allowable Income |
| | <i>Market Rate</i> | |
| 1BR/1BA | \$28,800 | \$100,000+ |
| 2BR/1BA | \$32,400 | \$100,000+ |
| 2BR/2BA | \$36,900 | \$100,000+ |
| 2BR/2BA | \$40,500 | \$100,000+ |
| 3BR/2BA | \$44,100 | \$100,000+ |

Based on the demand calculations detailed later in this report, approximately 57.6 percent of the renter households in the PMA earn \$28,800 or more annually as of 2016, and is projected to be 61.2 percent in 2021, the estimated minimum income requirement, and could provide demand for the Subject's units. This is in an increase of 3.6 percent over the next five years of income qualified renter households. The following tables illustrate our calculations.

| INCOME DISTRIBUTION 2016 | | | | |
|--------------------------|-------------------------|-----------------------|--------------------|--------------------|
| Income Cohort | Total Renter Households | Market Rate | | |
| | | <i>cohort overlap</i> | <i>% in cohort</i> | <i># in cohort</i> |
| \$0-9,999 | 1,029 | | | |
| \$10,000-19,999 | 1,739 | | | |
| \$20,000-29,999 | 1,626 | 1,199 | 12.0% | 195 |
| \$30,000-39,999 | 1,320 | 9,999 | 100.0% | 1,320 |
| \$40,000-49,999 | 1,033 | 9,999 | 100.0% | 1,033 |
| \$50,000-59,999 | 596 | 9,999 | 100.0% | 596 |
| \$60,000-74,999 | 786 | 14,999 | 100.0% | 786 |
| \$75,000-99,999 | 679 | 24,999 | 100.0% | 679 |
| \$100,000-124,999 | 498 | 24,999 | 100.0% | 498 |
| \$125,000-149,999 | 150 | 24,999 | 100.0% | 150 |
| \$150,000-199,999 | 212 | 49,999 | 100.0% | 212 |
| \$200,000+ | 244 | 200,000 | 100.0% | 244 |
| Total | 9,913 | | 57.6% | 5,714 |

| INCOME DISTRIBUTION 2021 | | | | |
|--------------------------|-------------------------|----------------|--------------|--------------|
| Income Cohort | Total Renter Households | Market Rate | | |
| | | cohort overlap | % in cohort | # in cohort |
| \$0-9,999 | 1,017 | | | |
| \$10,000-19,999 | 1,637 | | | |
| \$20,000-29,999 | 1,564 | 1,199 | 12.0% | 188 |
| \$30,000-39,999 | 1,291 | 9,999 | 100.0% | 1,291 |
| \$40,000-49,999 | 1,108 | 9,999 | 100.0% | 1,108 |
| \$50,000-59,999 | 641 | 9,999 | 100.0% | 641 |
| \$60,000-74,999 | 813 | 14,999 | 100.0% | 813 |
| \$75,000-99,999 | 816 | 24,999 | 100.0% | 816 |
| \$100,000-124,999 | 626 | 24,999 | 100.0% | 626 |
| \$125,000-149,999 | 242 | 24,999 | 100.0% | 242 |
| \$150,000-199,999 | 291 | 49,999 | 100.0% | 291 |
| \$200,000+ | 353 | 200,000 | 100.0% | 353 |
| Total | 10,400 | | 61.2% | 6,369 |

b. Recent trends in tenure broken down by homeownership and rental that may increase/decrease the demand for rental units.

Regarding item B, we have not assumed any significant shifting from owner to renter-occupied households. Therefore, this has not been accounted for in this analysis.

c. Replacement of existing rental units lost from the inventory due to demolition, conversion, shifting of owner units into the rental market and by other means.

Demand from the PMA will stem from several sources in addition to new growth, as discussed in *Item A*. These sources include demand from renter households that are forced from existing rental housing due to demolition or conversion of the housing units. Further, demand will stem from existing households that live in the area but move to a new home because people are searching for better housing or housing in a desired location (frictional vacancy). The calculation begins by determining the year 2016 base level eligible demand. This is then adjusted by the percentage of renters in the PMA.

This figure is then adjusted for losses of inventory via conversion or demolition (which also accounts for frictional vacancy in the market). To determine an appropriate percentage within the market we utilized/analyzed various housing characteristics.

The following table illustrates age of housing stock within the PMA.

| AGE OF HOUSING STOCK IN PMA | | |
|-----------------------------|-----------------|--------------------------|
| Years | Number of Units | Percent of Housing Stock |
| 1999-3/2000 | 1,038 | 4.1% |
| 1995-1998 | 3,685 | 14.5% |
| 1990-1994 | 3,416 | 13.5% |
| 1980-1989 | 7,571 | 29.9% |
| 1970-1979 | 5,727 | 22.6% |
| 1960-1969 | 1,938 | 7.6% |
| 1950-1959 | 737 | 2.9% |
| 1940-1949 | 300 | 1.2% |
| 1939 and Before | 948 | 3.7% |
| Total | 25,360 | 100.0% |

Source: Esri Demographics 2016, Novogradac & Company LLP, April 2017

As the table indicates, approximately 7.8 percent of the housing stock was constructed prior to 1960 in the PMA. It is reasonable to assume that a portion of the existing housing units constructed prior to 1960 will leave the market based upon the loss of functional or physical inadequacies of the units; therefore, we will assume approximately five percent of these units will leave the market, or 0.4 percent of housing units in the market.

It is also important to recognize demand for new rental housing will come from the market from households in inadequate living situations. According to the most recent Census, approximately 0.6 percent of households in the Subject’s PMA lack complete plumbing facilities in their housing units, which indicates substandard living.

We attempted to contact the Cottonwood Planning Department for information regarding demolished housing units but were unable to obtain that information. We estimate that conservatively, approximately 0.5 percent or less of the housing units (mostly single-family) in Cottonwood are demolished or converted every year within the PMA.

We believe a reconciled estimate of demolition or conversion of 0.5 percent is appropriate for this market as many of these categories likely overlap.

Further, the demand needs to be adjusted for frictional vacancy within the market. According to The Dictionary of Real Estate Appraisal 6th Edition published in 2015 by the Appraisal Institute, frictional vacancy is the amount of vacant space in the market needed for orderly operation. It allows for tenant relocations as leases roll over and expire, and is considered a typical vacancy rate in a given market operating in equilibrium. We believe frictional vacancy of 5.0 percent is appropriate in this market. The market is currently exhibiting an average vacancy rate of 1.7 percent. Therefore we will use a frictional vacancy factor of 3.3 percent (5.0 – 1.7 = 3.3 percent). The following table illustrates our conclusion:

| LOSSES TO INVENTORY VIA CONVERSION OR DEMOLITION | |
|--|-------------|
| Reconciled Estimate of Demolition or Conversion | 0.5% |
| Frictional Vacancy | 3.3% |
| Total Percentage | 3.8% |

In order to account for demand created by the previously described factors, we believe that adjusting the demand by 3.8 percent for losses of inventory via conversion or demolition, as well as frictional vacancy is conservative and reasonable.

d. The effect of any current excess vacant supply, based on an estimate of the balanced market vacancy rate.

As discussed previously in this report, the comparables in the PMA reported vacancy rates of zero to 2.0 percent. The average weighted vacancy amongst the comparables in the PMA is 0.8 percent. The low incidence of vacancies at the comparables illustrates a need for additional housing. Overall performance of the market is therefore considered good.

e. The study must reconcile the number of units in the proposed project with the demand estimate for the PMA, taking into consideration current housing market conditions, available vacancy, and forecast additions to the supply (planned and under construction).

We have accounted for unstabilized properties in the market; in this case, no competitive property in the PMA is considered unstabilized. Additionally, as illustrated previously, there are no competitive units under construction or proposed in the PMA.

The following tables summarize previously discussed calculations and estimate the net demand over the forecast period.

| NET DEMAND | | | | | | | |
|--|----------|------------|------------|------------|------------|------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Renter Households | 9,913 | 10,010 | 10,108 | 10,205 | 10,303 | 10,400 | - |
| Income-Eligible Households | 57.6% | 58.4% | 59.1% | 59.8% | 60.5% | 61.2% | |
| Income-Appropriate Renter Households | 5,714 | 5,842 | 5,972 | 6,103 | 6,235 | 6,369 | - |
| New Income Qualified Renter Growth (a) | - | 131 | 131 | 131 | 131 | 131 | - |
| Less Unstabilized Properties (c) | - | 0 | 0 | 0 | 0 | 0 | - |
| Less Proposed Rental Units (excluding Subject) (d)* | - | 36 | 0 | 0 | 0 | 0 | - |
| Plus Estimated Units Removed from Supply Due to Demolition, Conversion (b) | - | 222 | 227 | 232 | 237 | 242 | - |
| Net Annual Demand | - | 317 | 358 | 363 | 368 | 373 | 1,779 |

(a) Per Item A

(b) Per Item C

(c) Per Item D

(d) Per Item E

*Inclusive of 6% vacancy loss

According to these calculations, there are approximately 1,779 units of rental housing needed over the forecast period. The Subject will represent 172 units, or 9.7 percent of the net demand. Therefore, based on our analysis of the Subject's particular submarket, current leasing trends, and projected demand, we believe the Subject is feasible as proposed, and will be well-accepted in the market.

2. EFFECTIVE DEMAND

We have also provided an estimate of effective demand, which is the pool of households with sufficient incomes and/or applicable household size that would be expected to demand such housing during the forecast period.

Capture Rate

The capture rate is calculated by dividing the total number of units at the property by the total number of households that meet the applicable age and any income band requirements, and are appropriately sized. It should be noted that the MAP guide does not specify if renter households or total households should be utilized here. We have deferred to NCHMA guidance and have utilized only renter households within our calculations.

The first step is to determine the number of income-qualified renter households. We have previously determined this in the *Item A* discussion.

The second step is to determine if there are any age restrictions. The Subject will target the general population and will not have any age restrictions. Therefore, no further refinement is needed.

The third step is to consider which households are size appropriate. The tables on the following page outline these calculations.

The last step is the presentation of the capture rate analysis, at the conclusion of this section of the report.

Number of Appropriate Sized Households

In order to determine the number of appropriate sized households at each bedroom type, first we analyzed the number of persons in each household by renter tenure, as detailed in the following table.

| Renter Households by Persons in Household | 2016 | |
|---|--------------|---------------|
| | Number | Percentage |
| With 1 Person | 4,423 | 44.6% |
| With 2 Persons | 2,441 | 24.6% |
| With 3 Persons | 1,306 | 13.2% |
| With 4 Persons | 905 | 9.1% |
| With 5+ Persons | 839 | 8.5% |
| Total Renter Households | 9,913 | 100.0% |

Second, we made assumptions based on the average household size in the market to estimate the distribution of households by unit type. The following table details our assumptions:

| HOUSEHOLD DISTRIBUTION MATRIX | | | |
|-------------------------------|----------|-----|------|
| Household Size | Bedrooms | | |
| | 1BR | 2BR | 3BR |
| 1 person | 90% | 10% | |
| 2 persons | 50% | 50% | |
| 3 persons | | 90% | 10% |
| 4 persons | | 90% | 10% |
| 5+ persons | | | 100% |

Third, we multiplied the percentage of renter households at each household size by the distribution of those households within each bedroom type. The sum of these percentages is the appropriate percentage of renter households for each bedroom type.

| Appropriate Sized Renter Households | | | | | | |
|-------------------------------------|---|-------|---|--------|---|---------------|
| One-Bedroom Unit | | 44.6% | * | 90.0% | = | 40.2% |
| | + | 24.6% | * | 50.0% | = | 12.3% |
| | = | | | | | 52.5% |
| Two-Bedroom Unit | | 44.6% | * | 10.0% | = | 4.5% |
| | + | 24.6% | * | 50.0% | = | 12.3% |
| | + | 13.2% | * | 90.0% | = | 11.9% |
| | + | 9.1% | * | 90.0% | = | 8.2% |
| | = | | | | | 36.8% |
| Three-Bedroom Units | + | 13.2% | * | 10.0% | = | 1.3% |
| | + | 9.1% | * | 10.0% | = | 0.9% |
| | + | 8.5% | * | 100.0% | = | 8.5% |
| | = | | | | | 10.7% |
| Total | | | | | | 100.0% |

Demand Estimate by Bedroom Type

| PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE | | | |
|--|--|---|---|
| <i>Renter Household Distribution 2016</i> | | | |
| | Renter Household Size Distribution | Total Number of Renter Households | |
| 1 person | 44.6% | 4,423 | |
| 2 persons | 24.6% | 2,441 | |
| 3 persons | 13.2% | 1,306 | |
| 4 persons | 9.1% | 905 | |
| 5+ persons | 8.5% | 839 | |
| Total | 100.0% | 9,913 | |
| <i>Income-Qualified Renter Demand</i> | | | |
| | Total Number of Renter Households | % Income-Qualified Renter Households | Number Qualified Renter Households |
| 1 person | 4,423 | x 57.6% | 2,549 |
| 2 persons | 2,441 | x 57.6% | 1,407 |
| 3 persons | 1,306 | x 57.6% | 753 |
| 4 persons | 905 | x 57.6% | 522 |
| 5+ persons | 839 | x 57.6% | 483 |
| Total | 9,913 | | 5,714 |
| <i>Projected Renter Household Demand by Bedroom Size</i> | | | |
| | Number of Qualified Renter Households | | |
| 1BR | 2,998 | | |
| 2BR | 2,105 | | |
| 3BR | 611 | | |
| Total | 5,714 | | |
| <i>Capture Rate Analysis</i> | | | |
| | Developer's Unit Mix | Capture Rate | |
| 1BR | 26 | 0.9% | |
| 2BR | 120 | 5.7% | |
| 3BR | 26 | 4.3% | |
| Total/Overall | 172 | 3.0% | |
| <i>Adjusted for Leakage from Outside of the PMA</i> | | | 10% |
| 1BR | 26 | 0.8% | |
| 2BR | 120 | 5.1% | |
| 3BR | 26 | 3.8% | |
| Total/Overall | 172 | 2.7% | |

The above calculation derives an estimate of the capture rate, both overall and by bedroom type. The capture rate for one-bedroom units is 0.8 percent, the capture rate for two-bedroom units is 5.1 percent, and the capture rate for three-bedroom units is 3.8 percent. The overall capture rate is 2.7 percent.

Penetration Rate

Penetration rate is defined as the percentage of Qualified Households in the PMA that the property and similar existing and proposed competing properties must capture to fill all units and achieve stabilized occupancy. The Penetration Rate is calculated by dividing the total number of units in the competitive inventory (including the Subject property and the current and proposed relevant competitive properties) by the total number of households that meet the applicable age and any income band requirements.

The following table illustrates the existing market rate properties in the PMA that were considered in the penetration rate analysis.

| MARKET RATE PROPERTIES IN THE PMA | | | | | | |
|-----------------------------------|----------|-----------|----------------|----------------|------------|------------|
| Property Name | Status | Type | Existing Units | Pipeline Units | Total | Distance |
| Copper Creek Apartments | Existing | Market | 12 | 0 | 12 | 0.8 miles |
| Mountain View Villa Apartments | Existing | Market | 180 | 0 | 180 | 0.8 miles |
| Rio Verde Cottonwood | Existing | Market | 80 | 0 | 80 | 1.0 miles |
| Sage Wood Apartments | Existing | Market | 80 | 0 | 80 | 1.1 miles |
| Sedona Terrace | Existing | Market | 15 | 0 | 15 | 17.6 miles |
| Shadowbrook Apartments | Existing | Market | 54 | 0 | 54 | 15.6 miles |
| Villa Cortez | Existing | Market | 50 | 0 | 50 | 15.8 miles |
| Verde Plaza Apartments | Existing | Market/RD | 52 | 0 | 52 | 0.7 miles |
| Taylor Huntley Village | Existing | Market | 8 | 0 | 8 | 0.7 miles |
| Ridgecrest Townhomes | Under | Market | 0 | 38 | 38 | 1.3 miles |
| Total | | | 531 | 38 | 569 | |

As displayed in the table, we were able to identify 531 existing competitive units and 38 units in the pipeline within the PMA that will be competitive.

Market Penetration Analysis

We performed a market penetration analysis for the Subject's units.

| MARKET PENETRATION - MOST SIMILAR COMPARABLES | |
|--|--------------|
| Number of Competitive Market Rate Units - Under Construction | 38 |
| | + |
| Number of Existing Competitive Market Rate Units | 531 |
| | + |
| Number of Proposed Market Rate Units at the Subject | 172 |
| | = |
| Total | 741 |
| | / |
| Income Eligible Households | 5,714 |
| | = |
| Overall Penetration Rate | 13.0% |

The overall market penetration rate is derived by taking the number of units proposed or under construction within the PMA, combined with the number of existing competitive units and the number of the Subject's units divided by the number of income appropriate households. This yields an overall market penetration rate of 13.0 percent for the Subject's units.

3. EVALUATION OF NET DEMAND AND EFFECTIVE DEMAND

The current and anticipated supply over the next few years is minimal with no units projected to come online over the next year. As proposed, the Subject has an average overall capture rate of 2.7 percent which is low and indicates sufficient demand for the Subject. Likewise, the indicated penetration rate is 13.0 percent which is reasonable. Based on the Subject's proposed unit mix, amenity package, and close proximity to locational services and employment, the marketability of the Subject is strong in relation to the comparable properties.

FINDINGS AND CONCLUSIONS

FINDINGS AND CONCLUSIONS

1. Project Evaluation

Employment in the PMA is greatest in the accommodation/food services, healthcare/social assistance, and retail trade sectors which together represent 40.6 percent of the total PMA employment. Total employment has increased by 11.7 percent since 2013, and total employment has returned to pre-recession levels as of 2016. From February 2016 to February 2017, total employment has increased 2.0 percent, compared to an increase of 1.0 percent nationally. From February 2016 to February 2017, the unemployment rate decreased 0.1 percentage points. The national unemployment rate has decreased 0.3 percentage points over this same time period. Based on the strong recent employment growth outpacing the nation, the near term economic outlook is strong. According to the Arizona Department of Administration, job growth is expected to increase 16.7 percent from 2012 to 2022 within the Prescott, AZ MSA.

The following summarizes the Subject’s characteristics:

Location: There are many services and amenities located less than two miles from the Subject site, including Walmart Supercenter, a gas station, Verde Valley Medical Center, a public park, a pharmacy, a bank, Cottonwood Public Library, Cottonwood Elementary School, Cottonwood Middle School, a bus stop, and a grocery store. The site is also located within close proximity to several major employers.

Project Size: The Subject, with 190 units, is within the comparable range, and slightly above the average among the comparables. We believe there is adequate demand for the Subject’s units.

Unit Breakdown: The Subject will offer 26 one-bedroom units, 120 two-bedroom units, and 26 three-bedroom units. We believe the unit mix will be well accepted within the market.

Unit Sizes: The Subject’s proposed unit sizes are all within or above the comparable range and all are in line with or above the average among the comparables, with the exception of the one-bedroom unit sizes which are slightly smaller than the surveyed average. The proposed unit sizes range from 13.6 percent smaller to 20.4 percent larger than the surveyed averages. We believe the Subject’s unit sizes are appropriate for the market; however, we have taken the Subject’s unit sizes into consideration in our determination of achievable market rents.

Amenities: The Subject will offer generally similar to slightly superior in-unit and common area amenities when compared to the comparables.

Features: The Subject will be new construction in excellent condition.

Rents: Our achievable one, two, and three-bedroom rents are in line with the developer’s proposed rents.

2. Absorption

We were able to obtain recent absorption information from two of the comparables. The following table summarizes our findings.

| ABSORPTION | | | | | |
|----------------------------|--------|---------|------------|-----------------|------------------------|
| Property name | Type | Tenancy | Year Built | Number of Units | Units Absorbed / Month |
| Elevation Apartments* | Market | Family | 2012 | 291 | 23 |
| Mountain Trail Apartments* | Market | Family | 2016 | 160 | 32 |
| Average | | | | 226 | 28 |

*Located outside the PMA

The comparables have absorption rates ranging from 23 to 32 units per month with an overall average of 28 units per month. Taking this data into consideration, as well as our estimate of demand and the low vacancy rates among market rate units in the area, we estimate the Subject will reach a stabilized occupancy of 95 percent within eight to nine months of the development's completion. This estimate equates to an absorption pace of 18 to 20 units per month.

3. Impact on Existing Rental Developments

As previously stated throughout this report, the Subject's submarket is performing well, with generally low vacancy and several comparables reporting rent increases. We also reviewed the FHA housing list to see if there have been any recently built FHA properties. According to the list, there are no under construction FHA-insured multifamily developments in the PMA. Given the occupancy levels of comparables in the PMA, we do not believe that the Subject will hinder the performance of existing FHA-insured developments.

4. Senior Tenancy Description

The Subject is not an age-restricted property, thus a description of the intended occupancy regime is not applicable.

**ADDITIONAL
REQUIREMENTS/
GUIDANCE FOR INCOME
RESTRICTED PROJECTS**

ADDITIONAL REQUIREMENTS/GUIDANCE FOR INCOME RESTRICTED PROJECTS

The Subject will be a market rate development; as such, this section does not apply.

DATA, ESTIMATES, AND FORECAST

DATA, ESTIMATES, AND FORECAST

SOURCES OF DATA

Sources used in this study include data that is both written and oral, published and unpublished, and proprietary and non-proprietary. Real estate developers, housing officials, local housing authority and planning department employees, property managers and other housing industry participants were interviewed. In addition, we conducted a survey of existing, comparable properties.

This report incorporates published data supplied by various agencies and organizations including:

- U.S. Census Bureau
- City of Cottonwood
- City of Sedona
- City of Camp Verde
- Yavapai County Housing Authority
- Arizona Department of Housing
- Yavapai County Regional Economic Development Center
- Cottonwood Economic Development Corporation
- Arizona Commerce Authority
- www.trulia.com
- www.zillow.com
- www.realtytrac.com
- www.REIS.com
- US Census Bureau
- ESRI, Business Information Solutions
- Ribbon Demographics
- Bureau of Labor Statistics
- Department of Housing and Urban Development (HUD)

The scope of the work undertaken included:

- Inspecting the site of the Subject and the general location.
- Analyzing appropriateness of the unit mix, rental levels, available amenities, and site.
- Estimating market rent, absorption and stabilized occupancy level for the market area.
- Investigating the health and conditions of the multifamily market.
- Calculating income bands, given the Subject rents.
- Estimating the number of income appropriate households.
- Reviewing relevant public records and contacting appropriate public agencies.
- Analyzing the economic and social conditions in the market area in relation to the Subject.
- Establishing the Subject Primary Market Area.
- This report was prepared in accordance with Section 7.5, Content and Format of the Market Study, of the current (January 2016) HUP MAP Guide.

ADDENDUM A
Certification, Assumptions & Limiting Conditions

HUD MAP CERTIFICATION

I understand that my market study will be used by Paragon Mortgage Corporation to document to the U.S. Department of Housing and Urban Development that the MAP Lender's application for FHA multifamily mortgage insurance was prepared and reviewed in accordance with HUD requirements. I certify that my market study was in accordance with the HUD requirements applicable on the date of my market study and that I have no financial interest or family relationship with the officers, directors, stockholders, members, or partners of the lender or affiliated entities, the general contractor, any subcontractors, the buyer or seller of the proposed property or engage in any business that might present a conflict of interest.



Rebecca S. Arthur, MAI
Novogradac & Company LLP
Partner

WARNING: I hereby certify under penalty of perjury that all of the information I have provided on this form and in any accompany documentation is true and accurate. I acknowledge that if I knowing have made any false, fictitious, or fraudulent statement, representation, or certification on this form or any accompanying documents, I may be subject to criminal, civil, and/or administrative sanctions, including fines, penalties, and/or imprisonment under applicable federal law, including but not limited to 12 U.S.C § 1833a; 18 U.S.C. §§1001, 1006, 1010, 1012, and 1014; 12 U.S.C §1708 and 1735f-14; and 31 U.S.C §§3729 and 3802.

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the consultant has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report, which was furnished by others, was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the consultant did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.
10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.
11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation, the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the

author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the consultant. Nor shall the consultant, firm, or professional organizations of which the consultant is a member be identified without written consent of the consultant.

13. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the consultant is affiliated: specifically, the Appraisal Institute.
14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
19. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time. A final inspection and value estimate upon the completion of said improvements should be required.
20. All general codes, ordinances, regulations, or statutes affecting the property have been and will be enforced and the property is not subject to flood plain or utility restrictions or moratoriums except as reported to the consultant and contained in this report.
21. The party for whom this report is prepared has reported to the consultant there are no original existing condition or development plans that would subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
22. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
23. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The consultant does not warrant the condition or adequacy of such systems.
24. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The consultant reserves the right to review and/or modify this appraisal if said insulation exists on the Subject.

25. Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions. Estimates presented in this report are not valid for syndication purposes.

ADDENDUM B
Subject Photographs

Photographs of Subject Site and Street Views



View of Subject site facing southwest



View along Hwy 89A facing southeast



View of medical office uses across 89A from Subject site facing northeast



View along Hwy 89A facing northwest



View of Subject site facing east



View of Subject site facing east



View of Subject site facing southeast



View of vacant land adjoining Subject site to west



Vegetation on Subject site



Vegetation on Subject site



View of self-storage facility to west of Subject site



View of storage facility facing west from Subject site



View of adjoining service related uses



View of adjacent vacant land west of Subject site



View of for-sale vacant commercially zoned land at Justin Drive and Jennifer Drive



Medical office uses in Subject's neighborhood



Small office complex in Subject's neighborhood



View of Verde Valley Medical Center entrance on S. Willard Street and Hwy 89A



Multifamily uses in the Subject's neighborhood



Single-family home in the Subject's neighborhood



Duplexes in Subject's neighborhood



Post office in Subject's neighborhood



Gas station in Subject's neighborhood



Grocery store in Subject's neighborhood

ADDENDUM C
Qualifications of Consultants

**STATEMENT OF PROFESSIONAL QUALIFICATIONS
REBECCA S. ARTHUR, MAI**

I. Education

University of Nebraska, Lincoln, Nebraska
Bachelor of Science in Business Administration – Finance

Appraisal Institute
Designated Member (MAI)

II. Licensing and Professional Affiliation

Designated Member of the Appraisal Institute (MAI)
Kansas City Chapter of the Appraisal Institute Board of Directors – 2013 & 2014
Member of Commercial Real Estate Women (CREW) Network
Member of National Council of Housing Market Analysts (NCHMA)

State of Arkansas Certified General Real Estate Appraisal No. CG2682
State of Arizona Certified General Real Estate Appraisal No. 31992
State of California Certified General Real Estate Appraiser No. AG041010
State of Hawaii Certified General Real Estate Appraiser No. CGA-1047
State of Iowa Certified General Real Estate Appraiser No. CG03200
State of Indiana Certified General Real Estate Appraiser No. CG41300037
State of Kansas Certified General Real Estate Appraiser No. G-2153
State of Minnesota Certified General Real Estate Appraiser No. 40219655
State of Missouri Certified General Real Estate Appraiser No. 2004035401
State of Louisiana Certified General Real Estate Appraiser No. 4018
State of Texas Certified General Real Estate Appraiser No. TX-1338818-G

III. Professional Experience

Partner, Novogradac & Company LLP
Principal, Novogradac & Company LLP
Manager, Novogradac & Company LLP
Real Estate Analyst, Novogradac & Company LLP
Corporate Financial Analyst, Deloitte & Touche LLP

IV. Professional Training

USPAP Update, January 2016
Forecasting Revenue, June 2015
Discounted Cash Flow Model, June 2015
Business Practices and Ethics, April 2015
HUD MAP Training – June 2013
The Appraiser as an Expert Witness: Preparation & Testimony, April 2013
How to Analyze and Value Income Properties, May 2011

Appraising Apartments – The Basics, May 2011
HUD MAP Third Party Tune-Up Workshop, September 2010
HUD MAP Third Party Valuation Training, June 2010
HUD LEAN Third Party Training, January 2010
National Uniform Standards of Professional Appraisal Practice, April 2010
MAI Comprehensive Four Part Exam, July 2008
Report Writing & Valuation Analysis, December 2006
Advanced Applications, October 2006
Highest and Best Use and Market Analysis, July 2005
HUD MAP – Valuation Advance MAP Training, April 2005
Advanced Sales Comparison and Cost Approaches, April 2005
Advanced Income Capitalization, October 2004
Basic Income Capitalization, September 2003
Appraisal Procedures, October 2002
Appraisal Principals, September 2001

V. Real Estate Assignments

A representative sample of Valuation or Consulting Engagements includes:

- In general, have managed and conducted numerous market analyses and appraisals for various types of commercial real estate since 2001, with an emphasis on multifamily housing and land.
- Have managed and conducted numerous market and feasibility studies for multifamily housing. Properties types include Section 42 Low Income Housing Tax Credit (LIHTC) Properties, Section 8, USDA and/or conventional. Local housing authorities, developers, syndicators, HUD and lenders have used these studies to assist in the financial underwriting and design of multifamily properties. Analysis typically includes; unit mix determination, demand projections, rental rate analysis, competitive property surveying, and overall market analysis. The Subjects include both new construction and rehabilitation properties in both rural and metro regions throughout the United States and its territories.
- Have managed and conducted numerous appraisals of multifamily housing. Appraisal assignments typically involved determining the as is, as if complete and the as if complete and stabilized values. Additionally, encumbered LIHTC and unencumbered values were typically derived. The three traditional approaches to value are developed with special methodologies included to value tax credit equity, below market financing and PILOT agreements.
- Performed market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing (MAP) program. These reports meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7 of the HUD MAP Guide for 221(d)(4) and 223(f) programs, as well as the LIHTC PILOT Program.
- Performed numerous market study/appraisals assignments for USDA RD properties in several states in conjunction with acquisition rehabilitation redevelopments. Documents are

used by states, FannieMae, USDA, and the developer in the underwriting process. Market studies are compliant to State, FannieMae, and USDA requirements. Appraisals are compliant to FannieMae and USDA HB-1-3560 Chapter 7 and Attachments.

- Completed numerous FannieMae and FreddieMac appraisals of affordable and market rate multi-family properties for DUS Lenders.
- Managed and Completed numerous Section 8 Rent Comparability Studies in accordance with HUD's Section 8 Renewal Policy and Chapter 9 for various property owners and local housing authorities.
- Managed and conducted various City and County-wide Housing Needs Assessments in order to determine the characteristics of existing housing, as well as determine the need for additional housing within designated areas.
- Performed numerous valuations of the General and/or Limited Partnership Interest in a real estate transaction, as well as LIHTC Year 15 valuation analysis.

VI. Speaking Engagements

A representative sample of industry speaking engagements follows:

- Institute for Professional Education and Development (IPED): Tax Credit Seminars
- Institute for Responsible Housing Preservation (IRHP): Annual Meetings
- Midwest FHA Lenders Conference: Annual Meetings
- National Council of Housing Market Analysts (NCHMA): Seminars and Workshops
- National Council of State Housing Agencies: Housing Credit Connect Conferences
- National Leased Housing Association: Annual Meeting
- Nebraska's County Assessors: Annual Meeting
- Novogradac & Company LLP: LIHTC, Developer and Bond Conferences
- AHF Live! Affordable Housing Finance Magazine Annual Conference
- Kansas Housing Conference
- California Council for Affordable Housing Meetings

STATEMENT OF PROFESSIONAL QUALIFICATIONS

MATTHEW A. HUMMEL

I. EDUCATION

Rockhurst University – Kansas City, Missouri

Master of Business Administration - Concentration in Management and International, 2008

University of Missouri-Columbia

Bachelor of Business Administration - Finance and Banking, 2006

II. LICENSING AND PROFESSIONAL AFFLIATION

Appraisal Institute Candidate for Designation

State of Kansas Certified General Real Estate Appraiser No. G-2959
State of Washington Certified General Real Estate Appraiser No. 1102285
State of California Certified General Real Estate Appraiser No. 3002505
State of Missouri Certified General Real Estate Appraiser No. 2014030618
State of Texas Certified General Real Estate Appraiser No. TX1380146-G
State of New Mexico Certified General Real Estate Appraiser No. 03446-L
State of Michigan Certified General Real Estate Appraiser No. 1201075419
State of Minnesota Certified General Real Estate Appraiser No. 40460257
State of Illinois Certified General Real Estate Appraiser No. 553.002534

III. PROFESSIONAL EXPERIENCE

Manager - Novogradac & Company LLP
Real Estate Analyst - Novogradac & Company LLP
Researcher - Novogradac & Company LLP
December 2010 to Present

Investor Reporting Analyst - KeyBank Real Estate Capital
Insurance Specialist - KeyBank Real Estate Capital
May 2009 to December 2010

IV. PROFESSIONAL TRAINING

Educational requirements successfully completed for the Appraisal Institute

- Basic Appraisal Principles - March 2012
- Basic Appraisal Procedures - December 2012
- Statistics, Modeling, and Finance - April 2013
- General Appraiser Market Analysis Highest and Best Use - April 2013
- National Uniform Standards of Professional Appraisal Practice - May 2013
- General Appraiser Sales Comparison Approach – June 2013
- General Appraiser Site Valuation and Cost Approach – July 2013
- General Report Writing and Case Studies – August 2013
- General Appraiser Income Approach – September 2013
- Commercial Appraisal Review – September 2013
- Expert Witness for Commercial Appraisers – October 2013
- Supervisor – Trainee Course – December 2014
- The Nuts and Bolts of Green Building – March 2015
- Even Odder – More Oddball Appraisal – March 2015
- Mortgage Fraud – April 2015
- 2014-2015 National USPAP Course – April 2015
- 2016-2017 National USPAP Course – March 2017

V. REAL ESTATE ASSIGNMENTS

A representative sample of Due Diligence, Consulting, or Valuation Engagements includes:

- Prepared and managed market studies and appraisals for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, assisted living, large family, and acquisition with rehabilitation.
- Prepared and managed Rent Comparability Studies for expiring Section 8 contracts and USDA contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed and have overseen numerous market study/appraisal assignments for USDA RD properties in several states in conjunction with acquisition/rehabilitation redevelopments. Documents are used by states, lenders, USDA, and the developer in the underwriting process. Market studies are compliant to State, lender, and USDA requirements. Appraisals are compliant to lender requirements and USDA HB-1-3560 Chapter 7 and Attachments
- Researched and analyzed local and national economy and economic indicators for specific projects throughout the United States. Research included employment industries analysis, employment historical trends and future outlook, and demographic analysis.
- Examined local and national housing market statistical trends and potential outlook in order to determine sufficient demand for specific projects throughout the United States.
- Performed and managed market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing (MAP) program. These reports meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7/Appendix 7 of the HUD MAP Guide for 221(d)(4) and 223(f) programs.

VI. SPEAKING ENGAGEMENTS

- Novogradac LIHTC 101 Workshop
- Mississippi Housing Corporation Panel Speaker

STATEMENT OF PROFESSIONAL QUALIFICATIONS

Andrea M. Strange

I. EDUCATION

University of Missouri-Kansas City – Kansas City, Missouri
Bachelor of Arts – Communications, 2012

II. PROFESSIONAL EXPERIENCE

Real Estate Analyst – Novogradac & Company LLP
December 2015 to Present

Researcher – Novogradac & Company LLP
February 2014 to December 2015

Public Relations Coordinator – Sullivan Higdon & Sink
September 2012 to February 2014

III. REAL ESTATE ASSIGNMENTS

A representative sample of Due Diligence, Consulting, or Valuation Engagements includes:

- Prepared market studies for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, assisted living, large family, and acquisition with rehabilitation.
- Assisted in the preparation of Rent Comparability Studies for expiring Section 8 contracts and USDA contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Assisted in appraisals of proposed new construction, rehabilitation, and existing Low Income Housing Tax Credit properties. Analysis included property screenings, valuation analysis, capitalization rate analysis, expense comparability analysis, determination of market rents, and general market analysis.
- Prepared market studies and assisted in appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing (MAP) program. These reports meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7/Appendix 7 of the HUD MAP Guide for 221(d)(4) and 223(f) programs.
- Researched and analyzed local and national economy and economic indicators for specific projects throughout the United States. Research included employment industries analysis, employment historical trends and future outlook, and demographic analysis.
- Examined local and national housing market statistical trends and potential outlook in order to determine sufficient demand for specific projects throughout the United States.
- Conducted more than 40 site inspections for market studies and appraisals throughout the United States for various reports including proposed new construction and rehabilitation multifamily projects.

ADDENDUM D
Site/Floor Plans and Survey

Sedona Lodging Sector Compensation Report

A Report by the YC Regional Economic Development Center



Executive Summary

The hospitality sector has grown exponentially over the past decade, with tourism becoming the nation's top export generating \$2.1 trillion in national economic output and almost 15 million jobs nationwide. Tourism also tops the list in the state of Arizona for exports, pulling in \$7.7 billion in 2013. Due to this, demand for workforce across industry subsectors like lodging and food services has increased substantially. In Sedona alone there has been almost a 25% increase in total jobs for the lodging sector in the past five years.

Out of 28 top occupations, largest growth over the past five years in Sedona has been seen in the quantity of jobs for hotel, motel, and resort desk clerks with 54% growth, maids and housekeeping cleaners at 38% growth, first-line supervisors of food preparation and service with 33% growth, cooks for institutions and restaurants at 38% and 23% respective growth, and food servers at 33% growth.

Also topping the list for job growth are concierges at 40% growth, lodging managers at 26% growth, and chefs and head cooks with 15% growth, though these occupations have a lower total job count than the aforementioned list.

What does this mean for employers? Increased competition for labor in the region. Employers may strategically approach high demand occupations by looking at the difference between the 25th percentile earnings, median earnings, and 75th percentile earnings. For the top positions of lodging managers and chefs, the 75th percentile earnings are at \$30.58 and \$22.94 respectively.



Increased competition for workers among the clerk, housekeeping, and food service may require employers to aim for median to 75th percentile wages in these occupations. For desk clerks this is in the range of \$9.28 to \$10.58 per hour, for housekeeping this is between \$9.29 and \$10.63 per hour, and for the variety of food service positions this is between \$8.83 and \$11.76 per hour. Given the management experience and decision-making authority of first-line supervisors, these positions are running in the range of \$15.02 and \$20.67 per for median and 75th percentile earnings.



TOP OCCUPATIONS BY WAGE IN SEDONA

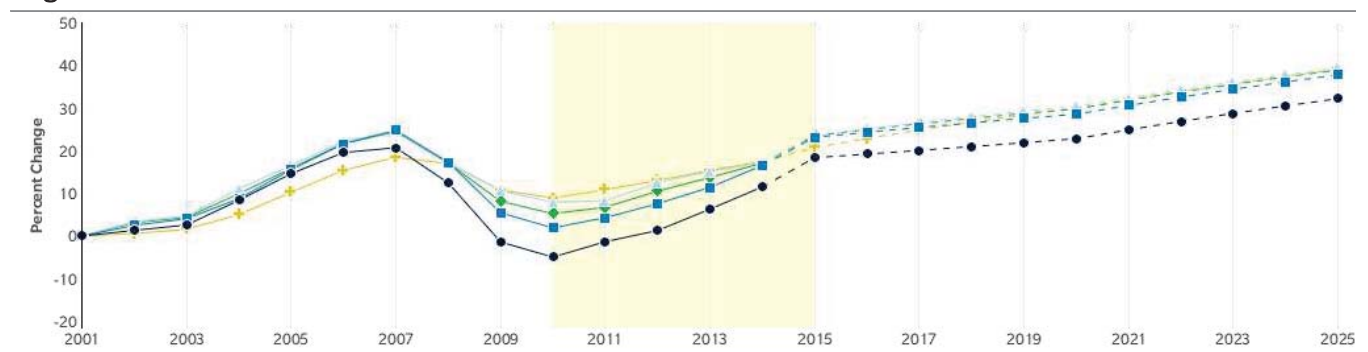
LODGING MANAGERS \$30.58
SALES MANAGERS \$27.69
FOOD SERVICE MANAGERS \$24.29
CHEFS \$22.94
FIRST-LINE SUPERVISORS \$20.67



while hires have remained at a steady incline. Average monthly job postings between 2011 and 2015 show the greatest increase in advertising for first-line supervisors, food service managers, and housekeeping. Top average monthly hires during the same time period show housekeeping at 80 positions per month, first-line supervisors at 53 positions, and desk clerks at 42 positions per month.

Overarching conditions across the lodging sector in the state show that the demand for services has increased in Sedona beyond that of the state and the county. While competition for employees will continue to increase, application of innovative workforce development programming like robust internships and registered apprenticeship programs will alleviate this pressures and assist in bring balance to the industry.

Regional Trends



| | Region | 2010 Jobs | 2015 Jobs | Change | % Change |
|---|----------------------|-----------|-----------|--------|----------|
| ● | Region | 2,131 | 2,654 | 523 | 24.5% |
| ● | Greater Verde Valley | 3,977 | 4,807 | 830 | 20.9% |
| ● | QuadCityArea | 5,426 | 6,205 | 779 | 14.4% |
| ● | Yavapai County, AZ | 9,793 | 11,494 | 1,701 | 17.4% |
| ● | Arizona | 349,671 | 387,526 | 37,855 | 10.8% |

Comparing median hourly earnings across Sedona, Yavapai and Coconino Counties, and the state as a whole may help employers garner a competitive strategy for workforce needs and movement through occupation levels, from entry-level to middle skilled and professional positions.

Occupation Summary for Lodging Staff - Sedona

| | | |
|-----------------------------|----------------------|------------------------|
| 2,654 | 24.5% | \$10.59/hr |
| Jobs (2015) | % Change (2010-2015) | Median Hourly Earnings |
| 131% above National average | Nation: 9.7% | Nation: \$12.80/hr |

Occupation Summary for Lodging Staff -Yavapai County

| | | |
|--|--|---|
| 11,494 Jobs (2015) 28% above National average | 17.4% % Change (2010-2015) Nation: 9.7% | \$11.08/hr Median Hourly Earnings Nation: \$12.80/hr |
|--|--|---|

Occupation Summary for Lodging Staff - Coconino County

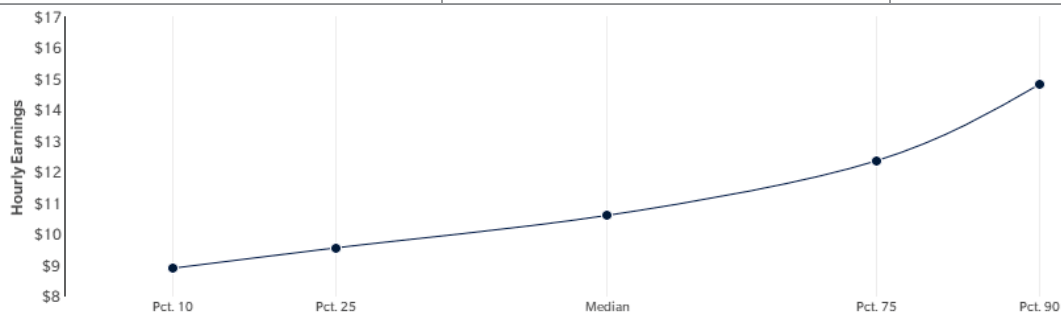
| | | |
|--|--|---|
| 14,155 Jobs (2015) 61% above National average | 12.7% % Change (2010-2015) Nation: 9.7% | \$11.34/hr Median Hourly Earnings Nation: \$12.80/hr |
|--|--|---|

Occupation Summary for Lodging Staff - Arizona State

| | | |
|--|--|---|
| 387,526 Jobs (2015) 4% above National average | 10.8% % Change (2010-2015) Nation: 9.7% | \$12.84/hr Median Hourly Earnings Nation: \$12.80/hr |
|--|--|---|

Sedona Lodging Sector Percentile Earnings

| | | |
|--|--------------------------------------|---|
| \$9.55/hr 25th Percentile Earnings | \$10.59/hr Median Earnings | \$12.36/hr 75th Percentile Earnings |
|--|--------------------------------------|---|



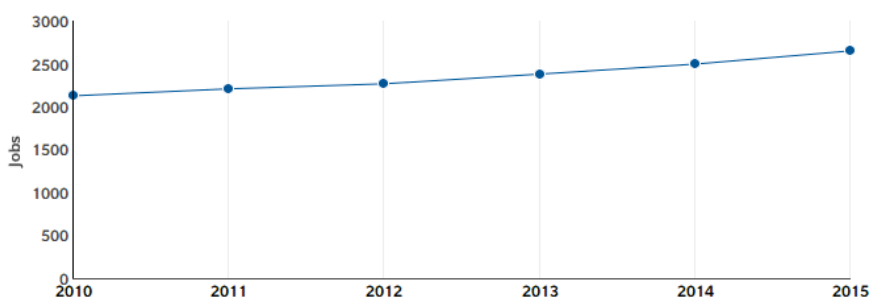
| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---------------------------------|--------------------------|-----------------|--------------------------|
| Sales Managers (11-2022) | \$24.29 | \$27.69 | \$71.92 |
| Food Service Managers (11-9051) | \$16.49 | \$18.13 | \$24.29 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|---------------------------------|------------------------|---------------------------------|
| Lodging Managers (11-9081) | \$20.78 | \$23.33 | \$30.58 |
| Security Guards (33-9032) | \$10.15 | \$11.99 | \$15.04 |
| Chefs and Head Cooks (35-1011) | \$14.72 | \$17.93 | \$22.94 |
| First-Line Supervisors of Food Preparation and Serving Workers (35-1012) | \$11.26 | \$15.02 | \$20.67 |
| Cooks, Institution and Cafeteria (35-2012) | \$8.97 | \$10.31 | \$11.65 |
| Cooks, Restaurant (35-2014) | \$10.04 | \$10.89 | \$11.76 |
| Cooks, Short Order (35-2015) | \$9.31 | \$10.40 | \$11.75 |
| Food Preparation Workers (35-2021) | \$8.72 | \$9.69 | \$10.87 |
| Bartenders (35-3011) | \$8.39 | \$8.87 | \$9.52 |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop (35-3022) | \$8.31 | \$8.91 | \$10.15 |
| Waiters and Waitresses (35-3031) | \$8.41 | \$8.92 | \$9.63 |
| Food Servers, Nonrestaurant (35-3041) | \$8.31 | \$8.83 | \$9.82 |
| Dining Room and Cafeteria Attendants and Bartender Helpers (35-9011) | \$8.35 | \$8.79 | \$9.24 |
| Dishwashers (35-9021) | \$8.36 | \$8.81 | \$9.28 |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop (35-9031) | \$8.34 | \$8.77 | \$9.20 |
| First-Line Supervisors of Housekeeping and Janitorial Workers (37-1011) | \$11.46 | \$13.18 | \$15.44 |
| Maids and Housekeeping Cleaners (37-2012) | \$8.59 | \$9.29 | \$10.63 |
| Baggage Porters and Bellhops (39-6011) | \$9.42 | \$10.34 | \$11.88 |
| Concierges (39-6012) | \$11.51 | \$14.07 | \$16.46 |
| Cashiers (41-2011) | \$8.46 | \$8.97 | \$9.61 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|--------------------------|-----------------|--------------------------|
| First-Line Supervisors of Office and Administrative Support Workers (43-1011) | \$14.64 | \$18.99 | \$25.49 |
| Bookkeeping, Accounting, and Auditing Clerks (43-3031) | \$14.32 | \$16.72 | \$19.18 |
| Hotel, Motel, and Resort Desk Clerks (43-4081) | \$8.61 | \$9.28 | \$10.58 |
| Reservation and Transportation Ticket Agents and Travel Clerks (43-4181) | \$12.32 | \$16.16 | \$21.31 |
| Bakers (51-3011) | \$9.70 | \$12.25 | \$13.44 |
| Transportation Attendants, Except Flight Attendants (53-6061) | \$9.39 | \$10.94 | \$13.24 |

Sedona Lodging Sector Job Growth

| | | | |
|---------------------------|---------------------------|----------------------------------|--------------------------------------|
| 2,131 2010 Jobs | 2,654 2015 Jobs | 523 Change (2010-2015) | 24.5% % Change (2010-2015) |
|---------------------------|---------------------------|----------------------------------|--------------------------------------|



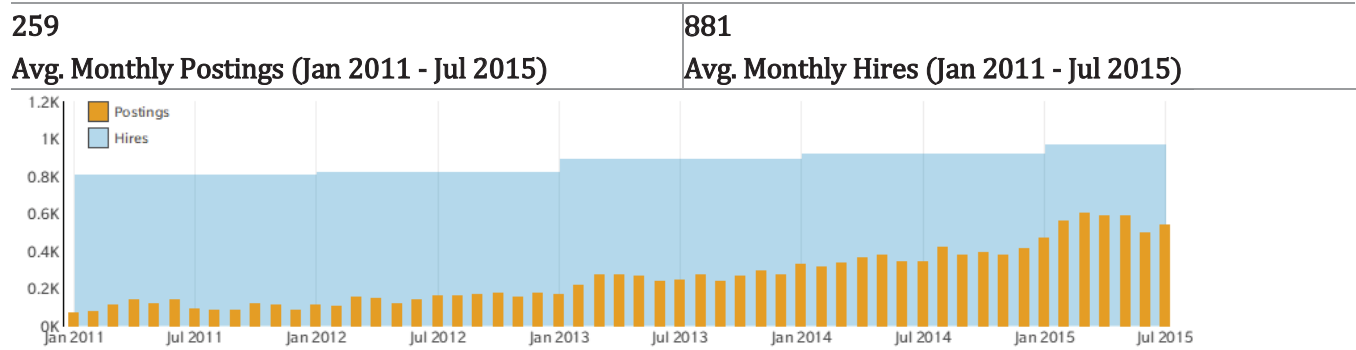
| Occupation | 2010 Jobs | 2015 Jobs | Change | % Change |
|---------------------------------|-----------|-----------|--------|----------|
| Sales Managers (11-2022) | 12 | 13 | 1 | 8% |
| Food Service Managers (11-9051) | 21 | 20 | -1 | -5% |
| Lodging Managers (11-9081) | 27 | 34 | 7 | 26% |
| Security Guards (33-9032) | 25 | 27 | 2 | 8% |
| Chefs and Head Cooks (35-1011) | 13 | 15 | 2 | 15% |

| Occupation | 2010 Jobs | 2015 Jobs | Change | % Change |
|---|------------------|------------------|---------------|-----------------|
| First-Line Supervisors of Food Preparation and Serving Workers (35-1012) | 78 | 104 | 26 | 33% |
| Cooks, Institution and Cafeteria (35-2012) | 16 | 22 | 6 | 38% |
| Cooks, Restaurant (35-2014) | 162 | 200 | 38 | 23% |
| Cooks, Short Order (35-2015) | 9 | 10 | 1 | 11% |
| Food Preparation Workers (35-2021) | 33 | 37 | 4 | 12% |
| Bartenders (35-3011) | 70 | 86 | 16 | 23% |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop (35-3022) | 14 | 17 | 3 | 21% |
| Waiters and Waitresses (35-3031) | 360 | 430 | 70 | 19% |
| Food Servers, Nonrestaurant (35-3041) | 15 | 20 | 5 | 33% |
| Dining Room and Cafeteria Attendants and Bartender Helpers (35-9011) | 59 | 72 | 13 | 22% |
| Dishwashers (35-9021) | 104 | 129 | 25 | 24% |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop (35-9031) | 67 | 80 | 13 | 19% |
| First-Line Supervisors of Housekeeping and Janitorial Workers (37-1011) | 26 | 31 | 5 | 19% |
| Maids and Housekeeping Cleaners (37-2012) | 327 | 450 | 123 | 38% |
| Baggage Porters and Bellhops (39-6011) | 6 | 7 | 1 | 17% |
| Concierges (39-6012) | 5 | 7 | 2 | 40% |
| Cashiers (41-2011) | 251 | 271 | 20 | 8% |
| First-Line Supervisors of Office and Administrative Support Workers (43-1011) | 83 | 91 | 8 | 10% |

| Occupation | 2010 Jobs | 2015 Jobs | Change | % Change |
|--|-----------|-----------|--------|----------|
| Bookkeeping, Accounting, and Auditing Clerks (43-3031) | 85 | 92 | 7 | 8% |
| Hotel, Motel, and Resort Desk Clerks (43-4081) | 237 | 365 | 128 | 54% |
| Reservation and Transportation Ticket Agents and Travel Clerks (43-4181) | 19 | 13 | -6 | -32% |
| Bakers (51-3011) | 8 | 13 | 5 | 63% |
| Transportation Attendants, Except Flight Attendants (53-6061) | 1 | 2 | 1 | 100% |

While posting intensity has increased and reached its highest proportions in years in 2015, hiring has remained at a steadily increasing rate, signaling the implementations of hiring strategies seen in healthcare and manufacturing where employers are interested in monitoring the flow of talent for potential hire.

Sedona Postings vs. Hires



| Occupation | Avg Monthly Postings (Jan 2011 - Jul 2015) | Avg Monthly Hires (Jan 2011 - Jul 2015) |
|---|--|---|
| First-Line Supervisors of Food Preparation and Serving Workers | 45 | 53 |
| Cashiers | 41 | 143 |
| First-Line Supervisors of Office and Administrative Support Workers | 28 | 36 |
| Food Service Managers | 24 | 8 |

| Occupation | Avg Monthly Postings (Jan 2011 - Jul 2015) | Avg Monthly Hires (Jan 2011 - Jul 2015) |
|---|--|---|
| Maids and Housekeeping Cleaners | 20 | 80 |
| Hotel, Motel, and Resort Desk Clerks | 12 | 42 |
| Waiters and Waitresses | 10 | 159 |
| Sales Managers | 9 | 5 |
| Cooks, Restaurant | 8 | 72 |
| Security Guards | 8 | 13 |
| Food Preparation Workers | 7 | 17 |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop | 5 | 30 |
| Dining Room and Cafeteria Attendants and Bartender Helpers | 5 | 24 |
| Dishwashers | 5 | 50 |
| First-Line Supervisors of Housekeeping and Janitorial Workers | 4 | 8 |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop | 4 | 9 |
| Cooks, Institution and Cafeteria | 4 | 16 |
| Bartenders | 3 | 42 |
| Chefs and Head Cooks | 3 | 5 |
| Bookkeeping, Accounting, and Auditing Clerks | 3 | 45 |
| Lodging Managers | 3 | 4 |
| Food Servers, Nonrestaurant | 3 | 7 |
| Baggage Porters and Bellhops | 3 | 1 |
| Concierges | 2 | 1 |
| Bakers | 1 | 5 |
| Cooks, Short Order | 0 | 5 |
| Reservation and Transportation Ticket Agents and Travel Clerks | 0 | 2 |
| Transportation Attendants, Except Flight Attendants | 0 | 0 |

The top five occupations by quantity employed in Sedona are all directly related to the lodging industry. This reflects the large impact of industry in the regional economy.

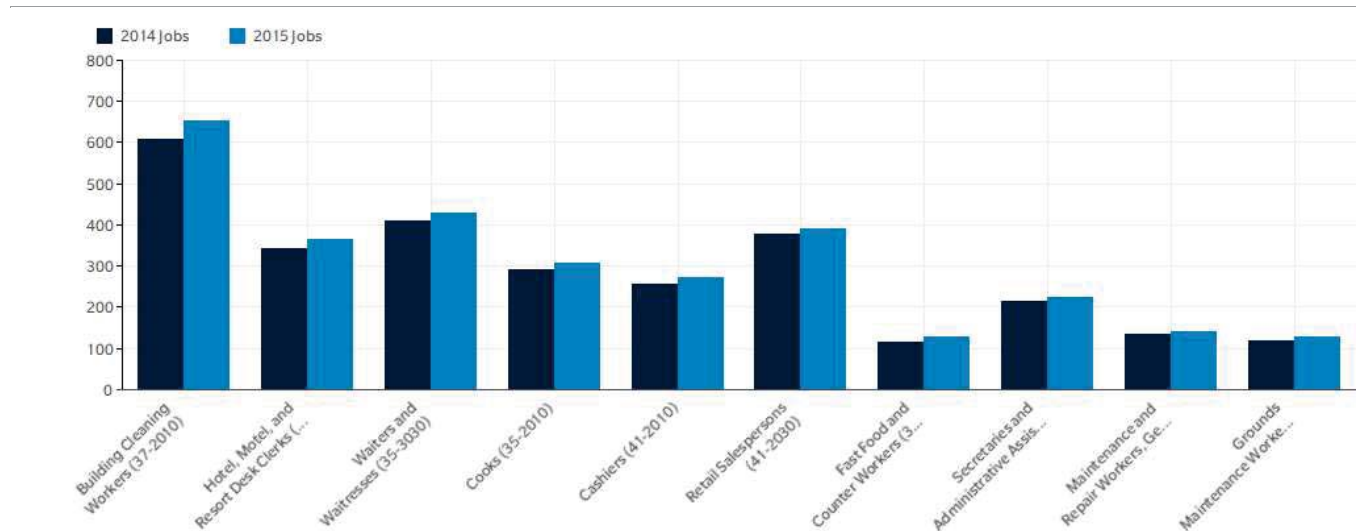
Sedona Largest Occupations



| Occupation | 2014 Jobs | 2015 Jobs | Change in Jobs (2014-2015) | % Change | 2014 Median Hourly Earnings |
|---|-----------|-----------|----------------------------|----------|-----------------------------|
| Building Cleaning Workers | 608 | 651 | 43 | 7% | \$9.63 |
| Waiters and Waitresses | 410 | 430 | 19 | 5% | \$8.92 |
| Retail Salespersons | 377 | 389 | 12 | 3% | \$10.82 |
| Hotel, Motel, and Resort Desk Clerks | 341 | 365 | 23 | 7% | \$9.28 |
| Cooks | 292 | 307 | 15 | 5% | \$10.38 |
| Cashiers | 256 | 271 | 15 | 6% | \$8.97 |
| Secretaries and Administrative Assistants | 213 | 224 | 11 | 5% | \$15.37 |
| First-Line Supervisors of Sales Workers | 179 | 185 | 6 | 3% | \$15.62 |
| Real Estate Brokers and Sales Agents | 150 | 153 | 3 | 2% | \$12.91 |
| Office Clerks, General | 137 | 143 | 6 | 4% | \$13.88 |

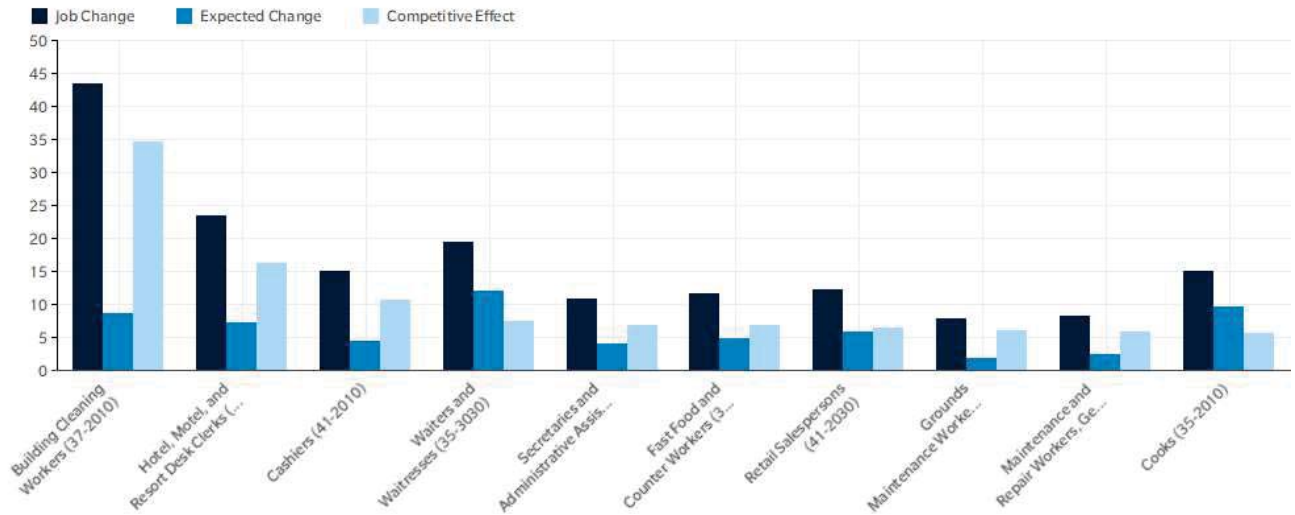
The fastest growing occupations in Sedona are directly related to the lodging industry, reiterating the impact and importance of the lodging sector in the area.

Sedona Fastest Growing Occupations



| Occupation | 2014 Jobs | 2015 Jobs | Change in Jobs (2014-2015) | % Change | 2014 Median Hourly Earnings |
|---|-----------|-----------|----------------------------|----------|-----------------------------|
| Building Cleaning Workers | 608 | 651 | 43 | 7% | \$9.63 |
| Hotel, Motel, and Resort Desk Clerks | 341 | 365 | 23 | 7% | \$9.28 |
| Waiters and Waitresses | 410 | 430 | 19 | 5% | \$8.92 |
| Cooks | 292 | 307 | 15 | 5% | \$10.38 |
| Cashiers | 256 | 271 | 15 | 6% | \$8.97 |
| Retail Salespersons | 377 | 389 | 12 | 3% | \$10.82 |
| Fast Food and Counter Workers | 116 | 127 | 12 | 10% | \$8.98 |
| Secretaries and Administrative Assistants | 213 | 224 | 11 | 5% | \$15.37 |
| Maintenance and Repair Workers, General | 134 | 142 | 8 | 6% | \$15.50 |
| Grounds Maintenance Workers | 120 | 127 | 8 | 6% | \$10.61 |

Sedona Most Competitive Occupations

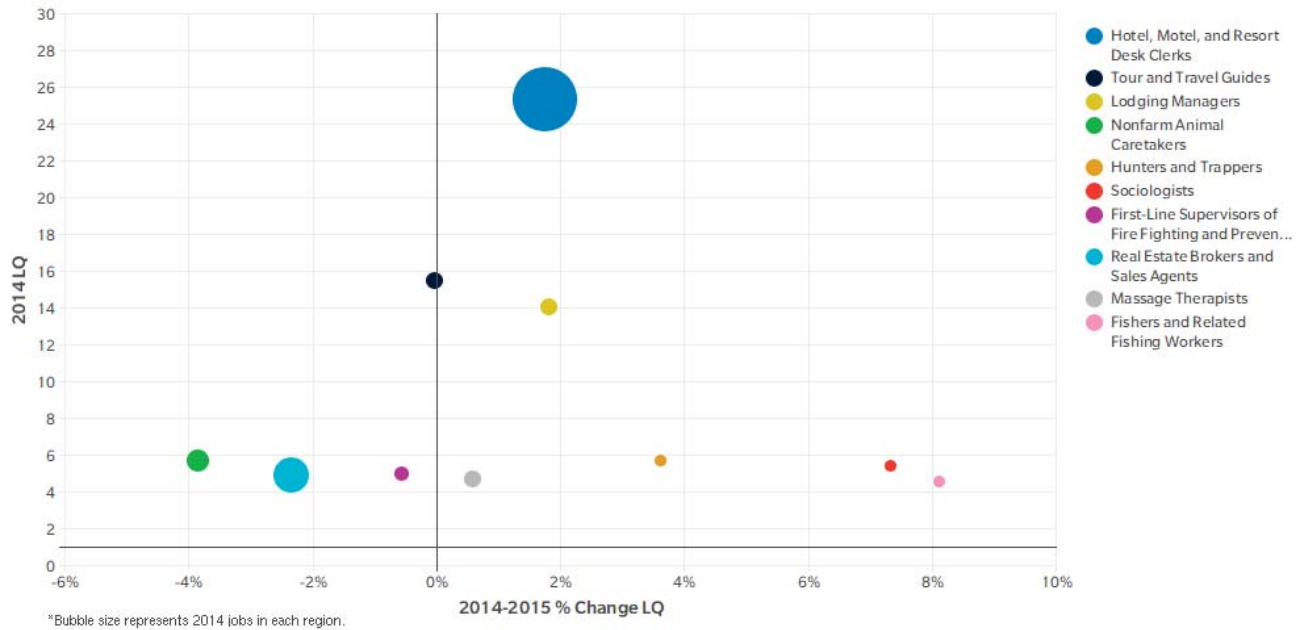


| Occupation | Job Change | Occ Mix Effect | Nat Growth Effect | Expected Change | Competitive Effect |
|---|------------|----------------|-------------------|-----------------|--------------------|
| Building Cleaning Workers | 43 | -5 | 13 | 8 | 35 |
| Hotel, Motel, and Resort Desk Clerks | 23 | 0 | 8 | 8 | 16 |
| Cashiers | 15 | -1 | 6 | 5 | 11 |
| Waiters and Waitresses | 19 | 3 | 9 | 12 | 7 |
| Secretaries and Administrative Assistants | 11 | -1 | 5 | 4 | 7 |
| Fast Food and Counter Workers | 12 | 2 | 3 | 5 | 7 |
| Retail Salespersons | 12 | -3 | 8 | 5 | 6 |
| Grounds Maintenance Workers | 8 | -1 | 3 | 2 | 6 |
| Maintenance and Repair Workers, General | 8 | -1 | 3 | 2 | 6 |
| Cooks | 15 | 3 | 6 | 9 | 6 |

Industry location quotient for 2014-2015 verifies the effects seen in job growth data and the potential for growth in the lodging sector. The location quotient gauges how much productivity is occurring in a region per industry sector compared to all regions nationally. Location Quotients (LQs) are ratios that allow an area's distribution of employment by industry to be compared to a reference or base area's distribution (in the case the U.S. as a whole). If an LQ is equal to 1, then the industry has the same share of its area employment as it does in the reference area. An LQ greater than 1 indicates an industry with a greater

share of the local area employment than is the case in the reference area. A LQ greater than 1 states that the region is producing more in that sector than other regions and signals a unique character of the region.

Sedona Highest Occupation Location Quotient

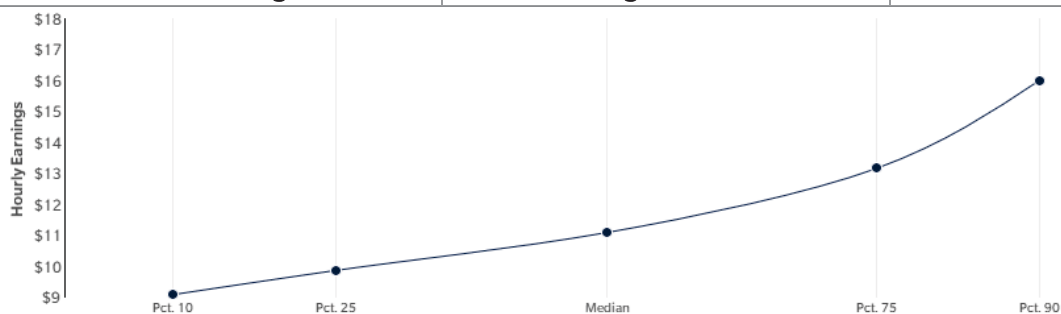


| Occupation | 2014 Jobs | 2015 Jobs | % Change | 2014 LQ | 2015 LQ | % Change LQ | 2014 Median Hourly Earnings |
|--------------------------------------|-----------|-----------|----------|---------|---------|-------------|-----------------------------|
| Hotel, Motel, and Resort Desk Clerks | 341 | 365 | 7% | 25.37 | 25.81 | 2% | \$9.28 |
| Tour and Travel Guides | 42 | 44 | 4% | 15.47 | 15.46 | 0% | \$13.64 |
| Lodging Managers | 32 | 34 | 6% | 14.08 | 14.33 | 2% | \$23.33 |
| Nonfarm Animal Caretakers | 70 | 72 | 3% | 5.74 | 5.52 | -4% | \$9.85 |
| Hunters and Trappers | 1 | 1 | 9% | 5.72 | 5.93 | 4% | \$17.04 |
| Sociologists | 1 | 1 | 14% | 5.41 | 5.80 | 7% | \$24.05 |

| Occupation | 2014 Jobs | 2015 Jobs | % Change | 2014 LQ | 2015 LQ | % Change LQ | 2014 Median Hourly Earnings |
|--|-----------|-----------|----------|---------|---------|-------------|-----------------------------|
| First-Line Supervisors of Fire Fighting and Prevention Workers | 17 | 18 | 3% | 4.99 | 4.96 | -1% | \$30.23 |
| Real Estate Brokers and Sales Agents | 150 | 153 | 2% | 4.95 | 4.84 | -2% | \$12.91 |
| Massage Therapists | 42 | 45 | 8% | 4.71 | 4.73 | 1% | \$19.88 |
| Fishers and Related Fishing Workers | 9 | 10 | 14% | 4.55 | 4.91 | 8% | \$18.35 |

Yavapai County Percentile Earnings

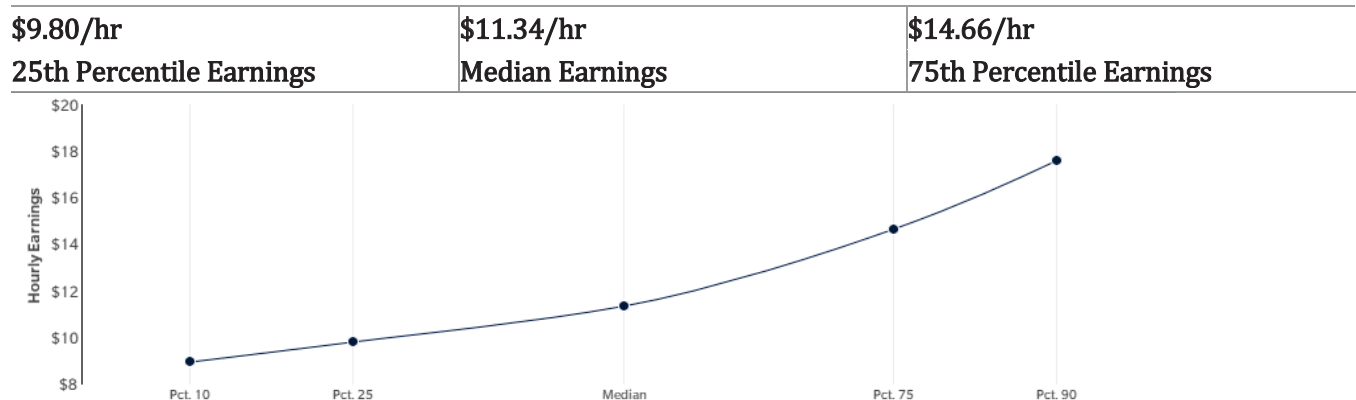
| | | |
|--|--------------------------------------|---|
| \$9.86/hr 25th Percentile Earnings | \$11.08/hr Median Earnings | \$13.16/hr 75th Percentile Earnings |
|--|--------------------------------------|---|



| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|---------------------------------|------------------------|---------------------------------|
| Sales Managers (11-2022) | \$25.11 | \$28.23 | \$80.54 |
| Food Service Managers (11-9051) | \$15.11 | \$16.56 | \$21.97 |
| Lodging Managers (11-9081) | \$20.80 | \$23.33 | \$30.56 |
| Security Guards (33-9032) | \$10.13 | \$11.95 | \$15.03 |
| Chefs and Head Cooks (35-1011) | \$14.37 | \$17.38 | \$21.97 |
| First-Line Supervisors of Food Preparation and Serving Workers (35-1012) | \$11.27 | \$15.00 | \$20.61 |
| Cooks, Institution and Cafeteria (35-2012) | \$8.94 | \$10.27 | \$11.59 |
| Cooks, Restaurant (35-2014) | \$10.05 | \$10.88 | \$11.72 |
| Cooks, Short Order (35-2015) | \$9.29 | \$10.38 | \$11.72 |
| Food Preparation Workers (35-2021) | \$8.74 | \$9.72 | \$10.90 |
| Bartenders (35-3011) | \$8.40 | \$8.88 | \$9.37 |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop (35-3022) | \$8.30 | \$8.90 | \$10.15 |
| Waiters and Waitresses (35-3031) | \$8.40 | \$8.90 | \$9.49 |
| Food Servers, Nonrestaurant (35-3041) | \$8.29 | \$8.80 | \$9.72 |
| Dining Room and Cafeteria Attendants and Bartender Helpers (35-9011) | \$8.35 | \$8.79 | \$9.24 |
| Dishwashers (35-9021) | \$8.36 | \$8.81 | \$9.27 |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop (35-9031) | \$8.34 | \$8.76 | \$9.19 |
| First-Line Supervisors of Housekeeping and Janitorial Workers (37-1011) | \$11.43 | \$13.12 | \$15.31 |
| Maids and Housekeeping Cleaners (37-2012) | \$8.64 | \$9.32 | \$10.53 |
| Baggage Porters and Bellhops (39-6011) | \$9.47 | \$10.41 | \$11.98 |
| Concierges (39-6012) | \$11.56 | \$14.12 | \$16.50 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|--------------------------|-----------------|--------------------------|
| Cashiers (41-2011) | \$8.45 | \$8.97 | \$9.60 |
| First-Line Supervisors of Office and Administrative Support Workers (43-1011) | \$14.54 | \$18.91 | \$25.48 |
| Bookkeeping, Accounting, and Auditing Clerks (43-3031) | \$14.41 | \$16.77 | \$19.19 |
| Hotel, Motel, and Resort Desk Clerks (43-4081) | \$8.61 | \$9.28 | \$10.58 |
| Reservation and Transportation Ticket Agents and Travel Clerks (43-4181) | \$12.26 | \$16.24 | \$21.50 |
| Bakers (51-3011) | \$9.57 | \$12.35 | \$13.56 |
| Transportation Attendants, Except Flight Attendants (53-6061) | \$9.42 | \$10.95 | \$13.08 |

Coconino County Percentile Earnings

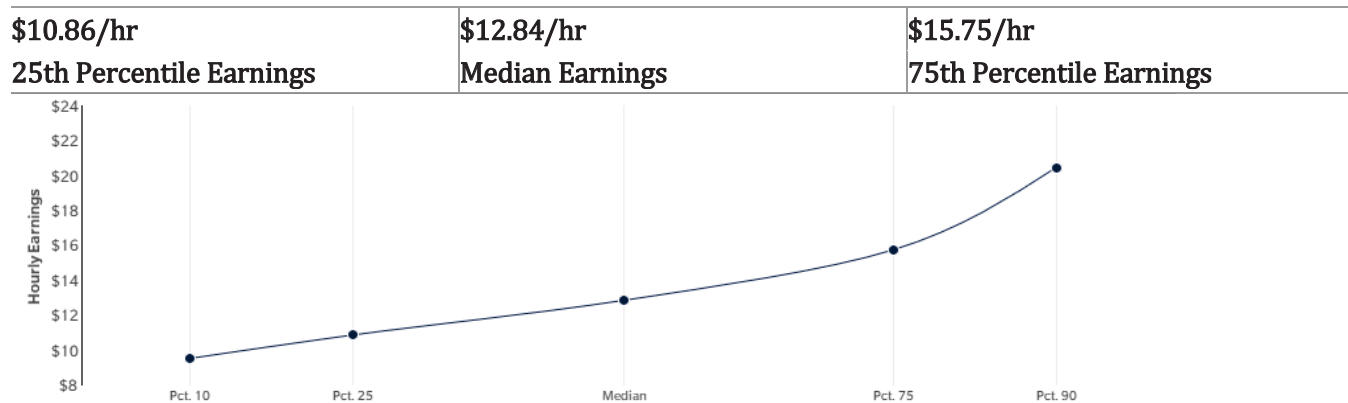


| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|--|--------------------------|-----------------|--------------------------|
| Sales Managers (11-2022) | \$26.66 | \$37.77 | \$52.17 |
| Food Service Managers (11-9051) | \$18.87 | \$22.26 | \$26.27 |
| Lodging Managers (11-9081) | \$18.99 | \$23.89 | \$34.80 |
| Security Guards (33-9032) | \$9.09 | \$11.46 | \$14.12 |
| Chefs and Head Cooks (35-1011) | \$15.49 | \$20.95 | \$32.38 |
| First-Line Supervisors of Food Preparation and Serving Workers (35-1012) | \$10.51 | \$13.60 | \$20.62 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|---------------------------------|------------------------|---------------------------------|
| Cooks, Institution and Cafeteria (35-2012) | \$13.10 | \$15.52 | \$18.64 |
| Cooks, Restaurant (35-2014) | \$9.00 | \$10.76 | \$13.03 |
| Cooks, Short Order (35-2015) | \$9.55 | \$10.82 | \$12.57 |
| Food Preparation Workers (35-2021) | \$7.99 | \$8.64 | \$9.82 |
| Bartenders (35-3011) | \$8.49 | \$9.10 | \$14.82 |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop (35-3022) | \$8.48 | \$9.06 | \$10.21 |
| Waiters and Waitresses (35-3031) | \$8.67 | \$9.61 | \$15.16 |
| Food Servers, Nonrestaurant (35-3041) | \$9.03 | \$9.65 | \$13.12 |
| Dining Room and Cafeteria Attendants and Bartender Helpers (35-9011) | \$8.33 | \$8.75 | \$9.18 |
| Dishwashers (35-9021) | \$8.48 | \$9.06 | \$10.08 |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop (35-9031) | \$8.45 | \$9.00 | \$9.89 |
| First-Line Supervisors of Housekeeping and Janitorial Workers (37-1011) | \$12.34 | \$13.82 | \$16.68 |
| Maids and Housekeeping Cleaners (37-2012) | \$8.30 | \$8.85 | \$10.11 |
| Baggage Porters and Bellhops (39-6011) | \$8.49 | \$9.07 | \$10.03 |
| Concierges (39-6012) | \$9.44 | \$11.43 | \$14.35 |
| Cashiers (41-2011) | \$8.46 | \$9.00 | \$10.09 |
| First-Line Supervisors of Office and Administrative Support Workers (43-1011) | \$16.58 | \$21.53 | \$27.25 |
| Bookkeeping, Accounting, and Auditing Clerks (43-3031) | \$11.79 | \$15.49 | \$19.42 |
| Hotel, Motel, and Resort Desk Clerks (43-4081) | \$8.63 | \$9.34 | \$11.08 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|--|--------------------------|-----------------|--------------------------|
| Reservation and Transportation Ticket Agents and Travel Clerks (43-4181) | \$12.93 | \$14.52 | \$17.97 |
| Bakers (51-3011) | \$9.19 | \$10.93 | \$13.38 |
| Transportation Attendants, Except Flight Attendants (53-6061) | \$9.12 | \$10.39 | \$12.89 |

Arizona State Percentile Earnings



| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|--|--------------------------|-----------------|--------------------------|
| Sales Managers (11-2022) | \$29.69 | \$42.80 | \$59.84 |
| Food Service Managers (11-9051) | \$15.79 | \$19.60 | \$25.87 |
| Lodging Managers (11-9081) | \$24.30 | \$29.34 | \$47.04 |
| Security Guards (33-9032) | \$9.90 | \$11.48 | \$14.69 |
| Chefs and Head Cooks (35-1011) | \$15.84 | \$20.04 | \$27.35 |
| First-Line Supervisors of Food Preparation and Serving Workers (35-1012) | \$11.25 | \$15.23 | \$20.02 |
| Cooks, Institution and Cafeteria (35-2012) | \$10.07 | \$11.79 | \$13.90 |
| Cooks, Restaurant (35-2014) | \$9.36 | \$10.74 | \$12.52 |
| Cooks, Short Order (35-2015) | \$9.28 | \$10.35 | \$11.40 |
| Food Preparation Workers (35-2021) | \$8.70 | \$9.62 | \$11.12 |
| Bartenders (35-3011) | \$8.45 | \$8.98 | \$10.50 |

| Occupation | 25th Percentile Earnings | Median Earnings | 75th Percentile Earnings |
|---|---------------------------------|------------------------|---------------------------------|
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop (35-3022) | \$8.48 | \$9.07 | \$10.54 |
| Waiters and Waitresses (35-3031) | \$8.40 | \$8.90 | \$9.49 |
| Food Servers, Nonrestaurant (35-3041) | \$8.45 | \$9.01 | \$10.48 |
| Dining Room and Cafeteria Attendants and Bartender Helpers (35-9011) | \$8.41 | \$8.92 | \$9.60 |
| Dishwashers (35-9021) | \$8.49 | \$9.08 | \$10.26 |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop (35-9031) | \$8.45 | \$9.00 | \$10.14 |
| First-Line Supervisors of Housekeeping and Janitorial Workers (37-1011) | \$12.61 | \$14.76 | \$17.69 |
| Maids and Housekeeping Cleaners (37-2012) | \$8.58 | \$9.15 | \$10.32 |
| Baggage Porters and Bellhops (39-6011) | \$8.46 | \$9.02 | \$10.09 |
| Concierges (39-6012) | \$10.26 | \$12.32 | \$14.44 |
| Cashiers (41-2011) | \$8.56 | \$9.17 | \$10.92 |
| First-Line Supervisors of Office and Administrative Support Workers (43-1011) | \$16.93 | \$21.96 | \$28.49 |
| Bookkeeping, Accounting, and Auditing Clerks (43-3031) | \$14.09 | \$17.13 | \$20.73 |
| Hotel, Motel, and Resort Desk Clerks (43-4081) | \$8.71 | \$9.61 | \$11.39 |
| Reservation and Transportation Ticket Agents and Travel Clerks (43-4181) | \$11.57 | \$15.28 | \$21.37 |
| Bakers (51-3011) | \$9.46 | \$12.10 | \$13.87 |
| Transportation Attendants, Except Flight Attendants (53-6061) | \$8.61 | \$9.23 | \$10.44 |

Appendix A Parameters

| Code | Description |
|-------|---------------------------------|
| 86336 | Sedona, AZ (in Yavapai county) |
| 86339 | Sedona, AZ (in Coconino county) |
| 86340 | Sedona, AZ (in Yavapai county) |
| 86341 | Sedona, AZ (in Yavapai county) |
| 86351 | Sedona, AZ (in Yavapai county) |

Appendix B Sources

Demographic Data

The demographic data in this report is compiled from several sources using a specialized process.

Sources include annual population estimates and population projections from the US Census Bureau, birth and mortality rates from the US Health Department, and projected regional job growth. EMSI, Economic Modeling Inc.

Industry Data

(1) For QCEW Employees, EMSI primarily uses the QCEW (Quarterly Census of Employment and Wages), with supplemental estimates from County Business Patterns and Current Employment Statistics. (2) Non-QCEW employees data are based on a number of sources including QCEW, Current Employment Statistics, County Business Patterns, BEA State and Local Personal Income reports, the National Industry-Occupation Employment Matrix (NIOEM), the American Community Survey, and Railroad Retirement Board statistics. (3) Self-Employed and Extended Proprietor classes of worker data are primarily based on the American Community Survey, Nonemployer Statistics, and BEA State and Local Personal Income Reports. Projections for QCEW and Non-QCEW Employees are informed by NIOEM and long-term industry projections published by individual states. U.D. Department of Labor, Bureau of Labor Statistics, Bureau of Economic Analysis, Arizona Department of Administration. EMSI, Economic Modeling Inc.

State Data Sources

This report uses state data from the following agencies: Arizona Department of Administration, Office of Employment and Population Statistics. EMSI, Economic Modeling Inc.

Location Quotient

Location quotient (LQ) is a way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation. It can reveal what makes a particular region unique in comparison to the national average.

Institution Data

The institution data in this report is taken directly from the national IPEDS database published by the U.S. Department of Education's National Center for Education Statistics.

Completers Data

The completers data in this report is taken directly from the national IPEDS database published by the U.S. Department of Education's National Center for Education Statistics.

Staffing Patterns Data

The staffing pattern data in this report are compiled from several sources using a specialized process. For QCEW and Non-QCEW Employees classes of worker, sources include Occupational Employment Statistics, the National Industry-Occupation Employment Matrix, and the American Community Survey. For the Self-Employed and Extended Proprietors classes of worker, the primary source is the American Community Survey, with a small amount of information from Occupational Employment Statistics.

Occupation Data

Wage estimates are based on Occupational Employment Statistics (QCEW and Non-QCEW Employees classes of worker) and the American Community Survey (Self-Employed and Extended Proprietors). Occupational wage estimates also affected by county-level EMSI earnings by industry. EMSI, Economic Modeling Inc. EMSI occupation employment data are based on final EMSI industry data and final EMSI staffing patterns.

Equifax Business-Level Data

Data for individual businesses is provided by Equifax (<http://www.equifax.com/commercial/>), which maintains a database of more than 20 million U.S. business entities. Note that in aggregate it will not be consistent with EMSI labor market data due to differences in definitions, methodology, coverage, and industry/geographic classification.

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