

Summary Minutes
City of Sedona
Planning & Zoning Commission Work Session
Council Chambers, 102 Roadrunner Drive, Sedona, AZ
Tuesday, February 19, 2019 - 3:30 p.m.

1. CALL TO ORDER & ROLL CALL

Chair Levin called the work session to order at 3:30 p.m., led the Pledge of Allegiance and requested roll call.

Roll Call:

Planning & Zoning Commissioners Present: Chair Kathy Levin, Vice Chair Randy Barcus and Commissioners George Braam, Eric Brandt – arrived at 3:31 p.m., Charlotte Hosseini, Kathy Kinsella and Larry Klein

Staff Present: Warren Campbell, Cynthia Lovely, Karen Osburn, Donna Puckett, Mike Raber and Molly Spangler.

Councilor(s) Present: Vice Mayor Martinez

2. ANNOUNCEMENTS & SUMMARY OF CURRENT EVENTS BY COMMISSIONERS & STAFF

There were no announcements.

3. APPROVAL OF THE FOLLOWING MINUTES

a. December 18, 2018

Chair Levin indicated that she would entertain a motion to approve the minutes of the December 18, 2018 meeting.

MOTION: Commissioner Kinsella so moved. Vice Chair Barcus seconded the motion. VOTE: Motion carried seven (7) for and zero (0) opposed.

4. PUBLIC FORUM: (This is the time for the public to comment on matters not listed on the agenda. The Commission may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)

Chair Levin opened the public forum and, having no public present, closed the public forum.

5. Presentation/discussion regarding city work plans in the areas of sustainability and economic development, and how these two key themes from the city's Community Plan relate to decision-making by the Planning and Zoning Commission.

Chair Levin indicated that Molly Spangler is here to give a presentation and answer any questions we might have. She then asked if Molly preferred to go through her presentation before questions were asked, and Molly indicated that she would like to address anything that comes to mind, so whatever the Chair feels. Chair Levin suggested that Molly go through her presentation in its entirety, and then the Commission will reserve questions until the end.

Presentation, Economic Development Director Molly Spangler: Molly explained that she has never discussed her role and what she is working on with the Commission, so she is here to address that and answer any questions. Her purpose is to answer the Commission's questions and help Commissioners better understand how she can be of service to the Commission.

Molly stated that economic development is not an event; it is a process. It is not when the Google Data Center comes to town or when the factory comes to town. It is a process that we aim to influence to try to enhance our community's well-being. We do this through things like partnerships with the college, businesses and other organizations and try to leverage their strengths to better our economic development. We do it through job creation and retention, public policy – a big role that the Commission plays, and we do it through diversification and quality of life improvements.

Molly indicated that the vision in the Community Plan is on page 14, and it talks about how our vision is that Sedona has a resilient economy providing the highest quality of service to its visitors and offering rewarding and diverse employment opportunities. We are doing it through things like good jobs and a diverse economy, regional cooperation and complementary industries, such as supply chain industries, and doing it through the support of our local businesses. The idea is it will turn out to be a more stable and prosperous community and a higher quality of life.

Molly stated that our Community Plan goals are to support our locally-owned businesses, recruit new businesses to help further diversify our local economy, preserve and enhance our tourist-based economic sector -- trying to understand how we can leverage that to further diversify our economy, working from an asset-based framework -- what do we have that other communities don't have and how can we sell that and further attract economic development, and then improve our transportation.

Molly explained that part of her role is really involved in economic diversification, so why is that important? Others often ask why that is important, and she goes back to you don't want to put all your eggs in one basket, so when the next bust happens, we want to be able to sustain it better. If our tourism industry is impacted, we want to ensure our other industries are robust and able to sustain that next bust. A diversified economy helps multiple businesses and helps create that sustainable cycle of activity and those dollars flowing. It makes us more resilient and helps with innovations, so not only do our companies feed off one another, they can generate new ideas and new product generation.

Molly stated that before she started her position 2½ years ago, our City Manager put together an Economic Development Action Plan with the intent that this program is to diversify our economy consistent with our Community Plan. We will focus on programs and services that foster entrepreneurship and leverage public and private resources, whether they are partners or funding at the local, regional and state level whenever that is possible, and that has been a three-year plan.

Molly indicated that starting in March, we were just awarded a grant to hire a consultant to work on an Economic Diversification Plan, so that is something we will be working on over the next 12 months, and she expects to be back talking to you about what that work looks like, but it is a way for us to take it even further.

Molly explained that we currently operate under the guiding principles that we're focusing on those primary jobs that pay above that livable wage; focusing on business creation and expansion before recruitment, because we value those local businesses that are already here, and we try to understand what it will take to help them become more sustainable, and then when there are other pieces to fill, we start looking at recruitment. We use public and private resources, whether it is through grants or partners, and we are trying to focus economic development and integrate it through our thinking. One of the things she has done in the last year, under Karen's leadership, is move to the Community Development building. It is great; they are all great people, but it is easier to be at the table, talk and get questions answered.

Molly indicated that one of the ways she likes to explain economic diversification is through these building blocks. She looks at them like ingredients in a recipe or building blocks, whatever analogy you want to think of, but these are the pieces to get us to that economic diversification, so we are looking at the base. We need a strong solid foundation of leadership, civic development and public policy, and then look at quality of life and workforce, moving up to small businesses and that recruitment. Spend some time walking through each of these building blocks, and the one that is

clearly most important is that role of civic development and public policy. It is why you are here and why we are in our positions. She routinely gets phone calls from businesses, here in Sedona or out of state looking to relocate here, asking where they can build. It is no secret that we are landlocked here, and we don't have a ton of flat available acreage, so that is one of the first questions. Then, it is what is the zoning, how high can they build, how much parking is it going to take, and oh, it will take 12 months to rezone, can you fast track; those are the questions. The other question is what are the incentives, are there funds available at the City, are there ways you can cut the code or expedite their process, because time is money.

Molly pointed out that the work that you and the staff did to update the Land Development Code, including some of those flexibilities, helped with some of those questions, like adjusting the parking standards and allowing mixed use helps. Other things that are a powerful tool are the CFAs. We had a discussion with Council last week about flexibility, whether it is on height requirements or allowing that type of flexibility. What would get us to say yes to certain flexibilities? We talked about affordable housing, economic development and what those diversification pieces could be, tying flexibility to job creation above a certain wage or tying it to a certain targeted industry that we would want to see in our overall planning. Those are some ways she is working on these pieces. Other ways are that we inform our Council on policy, and then we continue to build relationships with our partners and stakeholders to ensure a broader public policy effort.

Molly indicated next we are looking at quality of life, which are things like diverse housing options and workforce. When she talks to businesses, the number one impediment to their ability to expand or relocate is workforce. It is not just the skilled workforce; it is the availability of workforce, and the number one reason why there isn't that availability is because of affordable housing. It comes back to that quality of life and workforce component. We work on a regional labor scape; Camp Verde is also engaging in economic development efforts and so is Cottonwood, and with the lack of workforce and lack of affordable housing, we are competing for that labor, so those are issues that we are really trying to focus on. Other pieces like infrastructure development is another key piece with land availability and shovel-ready sites. We don't have a lot of flat land, so what is it going to take to get that to be shovel-ready for a developer to actually develop that property; we are working on things like roads. We looked at the road infrastructure in the Shelby-Sunset CFA. We have heard from businesses that it is an impediment to developing up there, and they want to see that road upgraded. She talks with entrepreneurs with issues of access to power and broadband. Those aren't publicly-owned utilities, but those are important pieces of infrastructure that we look at when we look at the shovel-readiness of certain sites.

Molly stated that she spends a lot of time working with existing businesses and entrepreneurs in Sedona. Small businesses come and want to know where to start; they have a great idea and are subject matter experts, but they may not understand how to put together a business plan, so what is a business plan? Are there grants and loans for them? Typically, there aren't grants for businesses, but there are sometimes loans, if you have a business plan. They also want to know how to market, put together business projections, and these are the things that she can help them with or introduce them to her partners that routinely work on this. Why do we care? We care because small business is a big deal here. One hundred percent of the businesses she meets with are small businesses. During the recovery from our last bust, 60% of those jobs were created by small businesses. They are already here in our community, they have that staying power in our community, they contribute to volunteering and civic engagement. These are the type of businesses and citizens that help build our quality of life, so we try to focus on what it takes to help them expand, whether it is help with their signage or access to capital through a loan program. What helps them be more sustainable and hire more positions?

Molly stated that she included some of her collateral material. She calls it her Small Business Resources Menu; it is a list all of all of our partners. We are not a large community where we can have a one-stop shop building and full-time service at these places, but we can try to put them together on a piece of paper and show businesses what is available to them, so she wants to introduce you to a couple of pretty powerful partners on this list. The first is the Small Business

Development Center. They help with start-ups and business planning, and we call them the SBDC. They come from the SBA, the Small Business Administration, and you may have heard of SBA loans that are federal dollars; it is a federal program. It is already paid for in our federal taxes, so the services they offer are at no additional cost to the business seeking those services. They help with training and spend a lot of time working with start-ups, but they can be really impactful with existing businesses. They help you expand your reach, your strategies, succession planning and in acquiring capital and equity, and they have an experienced team at a national level. She worked with the SBDCs when she worked in Illinois and Wyoming, and she is really fond of the team we have in Yavapai County. We have some really good folks who care about their job and have been really impactful to our businesses.

Molly indicated that next is the Northern Arizona Center for Entrepreneurship and Technology. You may know them as the incubator in Flagstaff. They work a lot with those scalable companies. They also provide virtual incubation services throughout our region and in Sedona. Most recently in the past year, we held a couple of business boot camps, very intense 3½-day business boot camps, and we had a wait list, because we wanted to keep the classes small. We had wait lists both times, and we also had a workshop in November at capacity. Our feedback is consistently that this is a good experience, and they want to have more. She is working on bringing some more NACET services to Sedona, so we can do more workshops and hands-on training.

Molly stated that one of the most exciting pieces is that she worked on a grant in partnership with the Verde Valley Regional Economic Organization to bring NACET to the Verde Valley to do a Pioneer Pitch Competition that is somewhat like a “shark tank”. It will be a 2½-day event in April, and entrepreneurs can come and network with like-minded folks and compete for cash prizes, and we will give them feedback at a nominal rate. She is excited about it; NACET has been doing this around the state in about five or six communities, and they have also done it in Nevada and Washington, so whoever wins the Verde Valley pitch competition will get to compete at a state level in Flagstaff this fall. We are hoping this creates a buzz for Sedona entrepreneurs and even investors and local citizens, so they know that this economy is out there, thriving and occurring in Sedona.

Molly indicated that one of her favorite groups to work with is the Verde Valley Regional Economic Organization (VVREO). She serves a board member through her capacity as Director at the City of Sedona, and her other counterparts in the Verde Valley also serve as board members. They are a regional collaborative focused on job creation and sustainable economic growth, because we know the issues of housing, infrastructure, quality of life and business recruitment are all at a regional level. We can play our role in Sedona, but we need to think regionally to get heads to turn as they are looking at places to relocate to and invest in. One of the great things they have is a revolving loan fund.

Molly pointed out that she also provided a Pioneer Pitch Save the Date notice, in case you are an entrepreneur wanting to compete or know of someone -- spread the word. Molly then continued to say VVREO has business loans available. They started with over \$700,000 and to date they have lent about \$500,000. They just loaned funds to Tribe Wellness on SR 89A to expand their psychiatric services. They maintain an active pipeline for funding, and they require that all of their borrowers work with the Small Business Development Center and work on their business planning, but what she likes most about this loan fund is we likely couldn't do this at the City of Sedona alone, but because we work regionally, we are able to attract grant loan funds from the USDA and distribute those regionally. Further, not everybody needs a loan, but when you start talking about loans, it is a great way for businesses to come in her door. After they sent out an article a couple of weeks ago, she had five or six calls from people wanting to talk about a loan, but after talking with them, some might be ready for loans, but others might need to be talked to about business planning or how to work on their financials, and we can refer them to another service, so they can become either bankable or use some of the VVREO loan service. It is a good carrot to use to have that dialogue to help businesses.

Molly explained that there are two types of funding; one with no limit and one with a limit of \$50,000. They have very competitive rates at 6%, the loan terms are typically around three to four years, because they want to revolve those funds, so they can give them out again. They typically do secured and collateralized loans, and they want to ensure that the business is not eligible for bank financing, because if the bank can do it, we want them to do it; that is economic activity in our community. They view their role in these loans as getting that business to a level where they are bankable after three to four years, then they can hand them off to a bank. They provide gap financing and recently did a loan where the bank was able to put in about \$50,000, but they needed an additional \$50,000, so VVREO partnered with the bank and took a second position behind the bank. The minimum is about \$25,000, and they must have that business plan.

Molly explained that once they get a complete application, they go to their committee and vet those projects, then recommend them to the full board, and within 45 days of a complete application, they can close on those loans, but a complete application means a business plan, tax forms, etc., and sometimes it can take six or seven months for people to get all of their information together, but we have some really good partners and spend a lot of time helping our existing businesses in entrepreneurial development. There are resources out there, and we are doing our best to leverage those resources.

Molly indicated that the last piece is business recruitment. Sedona is a special, unique community and we have our limitations when it comes to land and workforce, so we have to be very thoughtful about business recruitment; what fits in our community? How can we leverage the assets we have? We wouldn't want a heavy water user or somebody that would take up the traffic capacity we do have, so we want to look at what is missing, what supply chains currently exist in the Verde Valley and Northern Arizona, and see where Sedona's niche can fit, and we want to look at targeted industries. In our upcoming Economic Diversification Plan, we will be looking at what those targeted industries could be. She imagines they will be somewhat healthcare-related and maybe some ancillary professional services as they relate to tourism, like marketing or something, and we will be looking at entrepreneurial and light manufacturing, but we want to let the data tell us and understand what we can do. Sometimes, there could be surprising information that we will want to study some more.

Molly stated that she appreciates being able to be here and talk about the work she has been working on, but she wants to know how she can better help the Commission with looking through the lens of economic diversification, so let her know how she can be most helpful to you.

Commission Comments and Questions:

Commissioner Hosseini asked Molly if the existing businesses that seem to be the most active she is working with are primarily service or manufacturing – what types are they and who are your most active players? Molly indicated that a lot of the start-ups are going to have those professional services, maybe business to business services or healthcare. As we look at an industry when they are trying to get to that next level of business, she has quite a few conversations with folks, whether they are in Colorado or California, that are looking for places to expand in locations such as in the CFA or in the Cultural Park or they ask about different pieces of property around town. Some of the businesses that are working on business planning may not necessarily directly impact the decisions P&Z is making, but when you are looking at attracting an overall industry and kind of get a larger group of those, that is when you have the most influence.

Commissioner Hosseini then asked if at this point it would be mostly on the service end, because you may have inquiries, but you don't have active leads; however, Molly clarified that she is working with some active leads about locating here, whether it be for things like office space, etc., but they are looking for a larger footprint for office space. There are a couple of small manufacturing businesses here too that look at expanding, but there are not many opportunities to expand in Sedona currently, and those are the conversations when she starts working with her partners in Cottonwood or Camp Verde to see what they have. We don't want to lose them in Northern Arizona, and we still want that presence in the Verde Valley and the ability to do headquarters and those types of functions. She is also working with some folks who are looking at doing co-working space and to build that kind of

office/commercial potential, as well as entrepreneurial potential, and there are a lot of people who do home-based businesses. Entrepreneurs are location neutral; they can live anywhere in the world, so why not live in Sedona? There are plenty of reasons to do that, but if they expand, then those opportunities are limited.

Commissioner Kinsella asked if Molly tracks how many businesses she has worked with to date and how many she is currently working with, and Molly replied yes. The Commissioner then asked if those numbers were available, and Molly stated that the last she looked, it was about over 100 different businesses to date that she has worked with, but not all of them exist in Sedona, because some are businesses that are interested in being in Sedona or starting up. The Commissioner then asked if someone is referred to a partner organization, does Molly keep track of that as well, and Molly said absolutely. She has a spreadsheet to track a lot of that, but she has good relationships with VVREO, SDBC and NACET, and they talk routinely about what the clients are doing with the Small Business Development Center. Since those are federal funds, and we are dealing with confidential information, they aren't always allowed to share that information, so she follows-up with the clients and tries to develop those relationships, so we can share those stories. For instance, with the project with Mary Watson and the psychiatric services that expanded, they started talking and working with her through VVREO on a loan and worked with the SBDC, so it is kind of an all hands on deck situation with our businesses, because it is a win-win for them too. It helps the SBDC get more funding too, to celebrate those successes.

Commissioner Kinsella asked if we know how many businesses have ended up in the loan program, and Molly explained that she knows, because she chairs the loan committee, but a lot of those are still confidential, so she can't show them, although they have quite an active demand. Dr. Watson was their first large loan that came out of that entire process, but many others are either turned over to banks or they are working with the Small Business Development Center on their finances to become an eligible good borrower. Sometimes we work with people who don't have much collateral or the greatest credit, so they build those partnerships with banks to ask them to work with them on their credit score. The businesses are subject matter experts, but they don't always have that background, although they are anxious to learn. The SBDC gives them homework, and they do it.

Commissioner Kinsella stated that most of that is new businesses, but how does the ratio breakdown in terms of business retention. Molly stated that start-ups probably take more of her time than retention. Retention is harder to capture in her experience, Sedona is a hard community to keep a business open. There are cycles, and you need a lot of solid planning. A lot of people who have businesses in Sedona may not have worked in a business before or grew up with their parents in business, and because they want to be in Sedona where there is a lack of jobs, they create their own. If they are in business for 3 to 4 years, a lot of them think that is a great success, and it is; however, with these additional services, your ability to catapult to more sustainability is strong. One of the things that has been difficult is how to do a better job of getting in front of those existing businesses and getting them to understand that our services can help them too. We are trying to get out there and tell some of those stories; we need a few of the businesses to be willing to tell their own story and toot their own horn, but it is an area that is important to focus on.

Commissioner Kinsella stated that she gets concerned about service businesses versus tourism-based businesses leaving the area for real estate opportunities in other neighboring communities that might be friendlier to their model. She is thinking of a couple of businesses in Sedona that also exist elsewhere, either in Camp Verde or Cottonwood, and will the Sedona portion leave, because it is a better climate in the other communities? It is really something that we need to be conscious of. You spoke of diversification, and she is interested in making sure we have a diverse service industry that goes beyond our two big hitters.

Molly stated that if the Commissioners know of a struggling business and are comfortable sharing that information, let her know. She can reach out to them; we are a small community in many ways, and that word of mouth is some of the best ways, if you can be that bridge for her to talk with them.

Commissioner Kinsella then asked if this event is open to the public, and Molly stated that businesses are required to register. There is a VIP event on Thursday night. Friday is an all-day workshop and Saturday is open to the public to watch the pitch event. There is a cost for the brunch, because we don't know who the entrepreneurs will be, it could be from five to ten people who pitch at the live event. Some may choose not to pitch or didn't warrant moving that far in the process the day before. Commissioner Kinsella then asked where it is, and Molly stated that Thursday is at the Sedona Center at Yavapai College. We are partnering with the college on this, and on Friday, they are going to use the Clarkdale campus. Then on Saturday, it will be at Blazing M.

Commissioner Brandt asked why they call it shark tanks, and Molly explained it is a shark-tank like event. There are no sharks or mean investors there trying to attack the businesses; they will be judges who will be giving good feedback, and they are inviting investors to come, but they are not encouraging anything predatory or aggressive like *Shark Tank*. This is a pitch event where businesses can pitch and get really good feedback, and then compete for cash and in-kind prizes.

Vice Chair Barcus asked if Commissioner Brandt was asking about the television show *Shark Tank*, and Commissioner Brandt stated that he has no idea what a shark tank has to do with this. He was just at the aquarium in Scottsdale and the sharks there are incredible. Vice Chair Barcus stated this is a play off of Mark Cuban's television show. Commissioner Brandt asked what that is about, and Molly explained that businesses pitch, and there are four to five investors that would decide to invest or not. One of their teachers won on *Shark Tank*, so she will tell her story too.

Commissioner Klein indicated that he presumes that one of the big issues in getting people to move here and start businesses is the cost of and lack of affordable housing, and he read that Vermont is offering \$10,000, if you move there and start a home-based business. He then asked if the City has considered something like that or subsidizing housing to get young people to move here and start businesses. Molly explained that it is not that we haven't thought about it, but we aren't able to do that with the current state statutes on violating the gift clause; we have to find ways around that. The ways we can influence affordable housing is through the Affordable Housing Fund and looking at low-income tax credits and other diverse options. You are spot on with the lack of diverse housing options; however, when we look at places like Silicon Valley, unless people want to be there, and there is a reason why people are in those urban areas, but some people might want a rural lifestyle and the amenities of Sedona, and we are an affordable housing option to them, and that is part of those strategies where we need to dig a little bit deeper to understand how that can benefit Sedona and if that is a good fit to look at that type of recruitment model. The Commissioner then commented that it would violate the gift clause if we said if you move here we will pay you \$10,000 to start a home-based business, and Molly noted that she is not an attorney, but that question would go directly to our attorney.

Karen Osburn explained that we would have to make a case that whatever the contribution or financial incentive was, was commensurate with the community benefit or value to the community that we receive. As long as we can make that case, and typically most of those is left to the local governing board to make the decision about what is a community benefit, but it is a very gray area, and there is a very fine line between what is a gift and what can be construed and justified as a contribution for the community's benefit. Commissioner Klein commented that it is kind of like the issue with the Chamber of Commerce. Commissioner Hosseini added that she thinks she saw that on 60 Minutes for Vermont, but as she recalls it was a tax holiday or freedom from income tax if you came back and stayed X number of years or something like that, and we don't have a tax, but it was a good idea.

Vice Chair Barcus stated that a lot of communities in the Northeast and upper Midwest have been emptied, because people are migrating to where the jobs are in the cities, and there are no jobs for the kids, so they leave, and you face an aging population, which when the folks die, there are a bunch of empty houses. Many communities are able to demonstrate a community benefit by repopulating their town, because that benefits existing businesses, local government and the real estate market, etc. We don't have a surplus of homes available for people to move into here, so even though those articles are very interesting, it is sort of the opposite side of the coin. He understands and appreciates

the idea though. It is noble, and we should have that in our arsenal, but we have to demonstrate community benefits, which is tougher in a community that is as full as we are.

Vice Chair Barcus then indicated that he hears over and over that we are so constrained by land availability, so to enrich the town and preserve our community culture and remain consistent with our Community Plan, etc., what options do we have to fix the land shortage problem? At the City Council work session last week one of those was discussed, and you made a presentation at that meeting as well about vertical housing and vertical construction, rather than horizontal, so we can make better use of the space, which is consistent with sustainability, etc. He was just very disappointed that we didn't get the sustainability first, because the two fit really well together. We can either go up on existing vacant land or we can redevelop existing vacant land to highest and best use as opposed to the current use or we can expand the boundaries of the community to add additional developable space. Annexation is not something that is talked about very much in Sedona. He has only been here five years and every time he brings it up, it is like we better not talk about that right now, because apparently there is some history associated with that, but it seems that there is a lot of land to the west towards Cottonwood and the wastewater treatment plant that meets a lot of the criteria that you mentioned in your presentation. It is relatively flat; it has some modicum of services, and the power problem can be solved out there fairly easily, if electric power was an issue. He is not sure where the high-pressure gas line is; one of the high-pressure gas lines runs through his neighborhood in the Chapel area, but the wastewater line is already in, and it seems that those three things sort of mean that we don't have as many constraints on available land as seems to be the common thought.

Molly indicated that those points are spot on. We don't have easily accessible developable land, but there are opportunities and while you were talking, she was thinking about one of the strategies that we want to look at -- quality over quantity, so we want to look at the quality of businesses that are creating jobs and maybe in the targeted industry, and people who are helping with other community issues in the framework of sustainability. While redevelopment can sometimes be more costly upfront, it is a much better sustainable option than new buildings, so we have a lot of opportunity for redevelopment. Talk about increasing the height was discussed last week in the CFA, and through the process of the Community Focus Areas, we have a lot of opportunities. While we don't have cash incentives, we have a lot of opportunities when we look at the Uptown CFA or the Sunset-Shelby CFA to say if you are meeting our community goals, we can be more flexible. We want those tools, and you are also talking about the Dells, and that has been in the hopper for a future CFA eventually, but we want to consider all of those things in our diversification plan. Also, we talk about this a lot at the Community Development staff meetings as to how we can use the CFAs to address all of our needs. We are doing a good job of being creative in that, but with those constraints, we just have to be more and more creative.

Vice Chair Barcus referenced slide 11 of the presentation that says about \$43.00 remain in the local economy for every \$100 spent, and he asked what the ideal proportion of that \$100 would be, if she could get out her magic wand; where would you like to see that number? Molly indicated that for those that are not locally owned, only \$17.00 stays in the community, so she wants to further anchor what our plan says -- those local businesses really are creating that additional cash flow through our economy. If she had a business, and Warren shopped there, he would be helping her put her son through piano lessons, and those funds would go to the piano teacher versus if she was Walmart and those funds go back to Arkansas for somebody else's piano lessons, so that is one of the reasons to continue to focus on those local dollars, but certainly the higher we can go with those funds, the better.

The Vice Chair stated that he was glad that she brought up Walmart, because it segues into something he hears, and that is their biggest gripe is that they have to go to Prescott or Prescott Valley or Flagstaff to buy something, so would you consider it an economic development success if Trader Joe's decided to put a store in Sedona. Molly indicated that the demographic and data that would attract a Trader Joe's isn't here. She talks to her counterparts in Flagstaff, and they have been trying to get a Trader Joe's, and they work with. . . Vice Chair Barcus interrupted to say it is not the demographics for Whole Foods, but this store in Sedona is one of the most successful Whole Foods

stores in the chain, so we may need to educate some folks, but Costco and car dealerships and stuff like that. We have three car dealerships within a 40-mile radius. One is in Payson, one is in Camp Verde, the Ford dealership is in Cottonwood, and there is the Chevrolet dealership in Cottonwood as well, but if you want to buy a Toyota, you get to go someplace else. Part of that \$100 spent in our community, we could fix some of that if there were some locally-owned businesses like a car dealership, as an example. He is not advocating a car dealership; he is just saying we are a pretty small city, but we have a lot of people who buy a lot of stuff, and most of that stuff is purchased elsewhere. Molly added that those sales tax dollars go elsewhere.

Karen Osburn stated that a lot of that has to do with the footprint necessary to do some of that, even a small car dealership. We have recently been talking to a developer who is interested in relocating an office complex with some higher paying jobs here locally, and it has been such a struggle to find, and they are only looking for 3,000 to 4,000 sq. ft., and that is small, but we haven't been able to find it, and they are open to not just an already built space. They are open to vacant land and building, but we don't have that much available land, and then Molly mentioned the ability to fast track, because time is money, and when we have to go through a major Community Plan Amendment and a rezoning to take a piece of ground and convert it into having the entitlements that they need, so there are a lot of things working against us in terms of being able to capture some of those. Yes, we do have 10,000, and maybe with part-time residents 12,000 residents, but the tourist population isn't probably buying those kinds of items. They aren't coming on vacation and buying their car, so it is really hard to balance the things that tourists want and the things that residents want, and unfortunately, even with that number of residents, it is not usually a big enough population to support some of those other kinds of businesses; it is tough.

Molly added that while car dealerships aren't something that we have gotten a lot of requests for, the cost of the land is a little prohibitive to make the revenue stream they might be looking for, but things like boutique motorcycles, and there are certain brands, but she has had some of those calls, and that translates more into what both a potential resident or even tourist might buy. We have talked to certain companies like that, but the smaller footprint, much higher value of products sold, so they can afford those lease payments or land acquisition.

Vice Chair Barcus indicated that sustainability is an item that is prolific throughout our Community Plan in general terms, and it is more specific in other places, but it seems that a lot of communities are talking about setting carbon-neutral goals, and part of the sell of that is that it is going to employ a lot of people and bring small, medium and large businesses to their community. It really doesn't matter how big the community is, so how are we thinking about, both in the economic development area and throughout the Community Development Department, significantly changing the carbon footprint in our community to both benefit the planet and the community from an economic development standpoint? It may be addressed in your study that is starting next month.

Molly stated that McKenzie Jones is the Sustainability Coordinator, and just with her being on the City campus, she is starting to weave that message through each department, and she will be on the Economic Diversification Plan Advisory Committee as well as Darcy Hitchcock with the Sustainability Alliance, because it is not just a value; it is a goal. We want to ensure it is not just a tactic or strategy, but it is at the foundation of our overall economic diversification. From an economic development standpoint, we look at sustainability as that value, and there is that cool factor to being in a sustainable community and being more environmentally sound. It helps our marketing and attracts entrepreneurs, but there is also that direct service of potentially having them be in the professional services of reducing carbon footprints, and they can work anywhere, so why not here? Even in light manufacturing, if there is a potential that we have certain devices or solar panels or whatever that is. Is there a way we could do that in Sedona? The next question would be what does the labor force need to look like and how do we get those skills, so we certainly will be having those discussions, but McKenzie can answer what we are doing at a city level and what she is trying to put together in her action plan.

Vice Chair Barcus stated that if we decide that by 2035 we want solar panels on every business and home in the community and set that as a goal, that is an economic development plan, besides all of the collateral benefits that go to reducing the community's carbon footprint. He looks at it as tilted way more toward economic development than as the carbon footprint reduction goals are noble things, but all the jobs created for fabrication and installation are economic development, and it may be sizable enough to attract those businesses to our community or the Verde Valley, and he doesn't care where the workers come from if his goal is to reduce the carbon footprint by a substantial amount. He wants to have the same conversation when the Commission hears the sustainability, but he sees them as completely interlaced, and he hopes we can raise the community's awareness on all of the spillover benefits that will come from that besides on the job and local businesses side, especially small business that would be attracted here. Molly stated that it is an overall cultural shift as well, and she and McKenzie work closely together. She is serving on McKenzie's action plan as McKenzie is working on hers; we need to work closely together, and we do. We see those benefits of sustainability and economic development.

Commissioner Brandt indicated that it is a great idea that you are working within the Community Development Department, because that is kind of what you are doing. To him, Community Development is just the parameters of how big you can build, zoning and stuff like that. It is like the rules and regulations, but it is obviously more than that; the word is meant to be more than that. Molly stated that she loves being over there, they are some of the most thoughtful, intelligent and creative people, and they make good cakes.

Commissioner Brandt stated that part of attracting businesses is to have the worker bees, and you said a lot of people start, but if they want to grow their business, they need help, and that is probably what keeps them from growing. As we are losing more of our housing stock, are there goals and objectives for more housing, and as an aside, did he see that the apartment house on SR 89A and Dry Creek started. Warren Campbell indicated yes, the Pinon Lofts Apartments have begun. Commissioner Brandt noted that he saw them removing some trees on Friday afternoon and wondered if that is what they were supposed to be doing, but that is a good thing; there is some housing. One thought was that there are a few empty commercial buildings like the Boys and Girls Club building in this area and a couple of others, so is it possible that there is some incentive to making those into housing or is there a way for the City to propose that?

Karen Osburn indicated that she sent an email to the Commission about some of the changes incorporated at the last minute into the Land Development Code, and one was the allowance for multifamily housing in a Commercial Zoning District, so a property currently zoned Commercial could do multifamily by right, and it is the same with an Industrial. We were trying to open up the range of opportunities if someone wanted to do a higher density, smaller kind of housing, so that is one of the tools that we use to facilitate something exactly like that -- the redevelopment or new development of some of these opportunities, but whether or not we see that coming in remains to be seen. We also incorporated some additional flexibility in the Development Standards if you are within a CFA, so we have a few of those done, and we will be completing hopefully the Sunset CFA shortly, but we have a number of others to get to. Once that tool is in place, again that whole concept that time is money and trying fast track or expedite, and being able to get the kinds of development that we say we want -- you know the things that are high policy priorities for the City Council, and if Council is able to delegate some of that administrative decision-making to either the Commission or the Community Development Department so we are able to make some of these concessions to facilitate the development. We are hoping we will see some fruits from that.

Commissioner Brandt then asked what is happening with the road situation up in the warehouse district in the Shelby area, is there any movement on that? Karen indicated yes, we had the work session on that CFA last week, and Council gave staff direction to move forward with the installation of the sewer and the road rehab, so we are actually putting that as a Capital Improvement Project for this upcoming year, but that is pending the negotiation of the dedication of that street that is all privately held by a number of different property owners, although she senses that those individuals will understand and recognize the great benefit to them by the City being willing to do this; however,

going through that process of deeding over the land and negotiating that process will take some time, but the Council told us to move forward.

Commissioner Brandt stated that the other part of the equation is also having a source of good education, and it is an interesting trend that the traffic is getting heavier, but the schools are getting shallower with less kids. He then asked if there is anything planned in helping that situation, and Molly stated that she doesn't have any magical answer for that one, but she recognizes that need. One of the things that she does is work with Yavapai College quite a bit, and she serves on Dr. Perey's Executive Advisory Team to discuss what the workforce is needing and how they can remain relevant and ensure their students are getting the right skill sets. We talk to VACTE, which is a CCE vocational training program for those additional certifications for the trades, and we have a lack of trades throughout the Verde Valley, which also drives up the cost of housing, but even with the college and VACTE aggressively creating these programs, they had an open house and three people showed up. We are still marketing it as you could have this type of trade position and earn these good salaries, but people aren't showing up. She thinks it is part of a larger cultural issue that community college education/certificate training is somehow less than, and that is something we need to overcome. Those are the kinds of discussions, short of getting to everybody's dining room table, that is where those discussions happen, and everything she is saying is students 16 and above, and you are probably still talking about elementary and the vacancies there. Jobs and housing are an impediment, and when we look 20 years out, are those schools going to be more vacant or are we going to be fruitful in our efforts of sustainability and economic diversification. We are trying to move in that direction, so we can see some of those community amenities better used and not vacant as they are.

Molly then stated that on the flip side, education is an issue too for those who want to move to Arizona. We've got that to overcome as well, so when she talks to people about the opportunities and school closings, that is not always the greatest conversation. She has a wonderful education for her son, so she talks about her personal experience, but those are the realities of the struggles we deal with here. Commissioner Brandt then commented that the entrepreneurs who want to bring a business here will see that the schools are closing or need help, and that there is a way the City might be able to help, that is kind of the City and state thing, but thanks for the information.

Commissioner Braam thanked Molly for the education, an Engineer like himself doesn't think about economic development, so he appreciates the lessons. He then asked in round numbers if there has been any significant change in the percent of diversification of employers in Sedona since the mid-2000 downturn. Molly asked if the question was if there is more diversification since the 2008 bust, and the Commissioner stated yes. Molly explained that she doesn't have those numbers off the top of her head, but she can look into that. The Commissioner noted that in the years he has been here, he hasn't seen anything, so you probably have a much better idea of that. Molly indicated that she can't imagine that the number would be that significant, but it is something that she should be able to readily let him know.

Commissioner Braam then referenced the livable wage in Sedona mentioned early in the discussion, and asked what that would be. Molly explained that she uses MIT, Massachusetts Institute for Technology. They come up with a livable wage calculation each year by county. The more you drill down to the Sedona level, the data gets a little long. If you are one adult, they say \$11.78 is a livable wage, but she finds that very difficult to swallow, and even if you are in other communities outside of Sedona, that is a pretty tough wage. They go up to two adults, one working with three children is \$28.96 or \$50,000 a year, so when we talk about livable wages, she likes to look at the livable wages and median wages and try to find something within that targeted range, but this, at a base level, is commonly used for economic development and self-sufficiency wages throughout the country, although it is pretty tough to think that \$22,000 is a livable wage in Sedona.

Vice Chair Barcus indicated that in looking at the chart, he was trying to find two adults and two working. Molly explained that it would just be the two adults and with two children, it would be \$16.32 for each person, which would be around \$65,000 per year average family income. Commissioner

Braam commented that he doesn't believe that for a second, and Molly agreed that is a pretty low bar.

Vice Chair Barcus then asked what number she quotes to businesses, when she says that we are trying to recruit above a certain threshold, and Molly indicated that she doesn't quote numbers. She asks how many jobs and what are the wages. Typically, they will tell her their average wage, then she asks about the top wage earner, bottom wage earner and their median. She will then ask if they have looked at the housing prices, because paying \$16.00 per hour, they aren't going to have employees for a long time, and that is kind of the pattern we see in our workforce, so if you want to be competitive, what are you going to do? Are you buying uniforms, offering childcare; what is it? She typically doesn't quote them a wage.

Commissioner Kinsella asked if Molly had the average and median hourly wage earned in Sedona, and Molly stated that she has it, but not with her, although she can send the Commission one of the latest studies of our basic demographics and industries from Yavapai College and the Regional Development Center.

Commissioner Braam asked how closely Molly works with the Sedona Airport Authority, and are there more opportunities there for development. Molly explained that she worked with their previous director, not with the new director. Previously, she was able to tour and saw quite a bit of potential there, but that is one thing that this department can do more work on. It is a matter of capacity, but we need to understand what their limitations are with the FAA and what they can lease and can't lease, what revenue they can collect versus not, etc. The Commissioner noted that he doesn't have a long history in Sedona, so he doesn't know what the relationship between the Airport and the City is. He then asked if there a good exchange of information, or not necessarily? Karen Osburn explained that just like any other agency relationship, it sort of ebbs and flows depending on the leadership in place at the time. There has been strained relationships in the past, but the City is definitely working to try to improve that as we move forward. Commissioner Braam stated that is a great thing.

Vice Chair Barcus indicated that he would like for Molly to send the Commission this chart as well, but if you were to guess, what factor would you increase these for the City of Sedona? Would you increase it by 50% or double it, since this is for all of Yavapai County and one-third is in Coconino County, which would be more disparate than Yavapai? Molly stated that it would need to go up significantly if you are adding in a factor of quality. Are you working two jobs, three jobs and what kind of quality of life. John Stigmon with ECoNA in Flagstaff works along I-40, and he did a study there in the past year on affordable housing, and he had a team that interviewed a lot of employers there, and one of the things he found out was if someone is not making \$70,000 or above, they are going to leave Flagstaff within the next four years, because they can't afford to live there and can't have that quality. We are looking at 300% here, if that is what we are looking at, but it is significant. It is one thing to find a small one-bedroom place to rent and work two jobs, but in economic development it is not just about lining pockets, it is about building a quality of life through sustainable economic development, and we need to see higher wages for that.

Karen Osburn added that as a frame of reference, we recently participated in a forum on Affordable Housing in Northern Arizona, and one of the pieces of data she took for that presentation was a comparison between the Arizona cost of living, and it was information about the raw cost of living, and then grocery, health, housing, median home cost, utilities, transportation, and miscellaneous, and she will also send this when Molly sends the data, but these are wages for Yavapai County, which is probably inflated over what you would have in a metro-Phoenix kind of market, but Arizona was at 112% overall as a cost of living compared to the national averages, and Sedona was 153% of the national average. For housing, if the national average was 100%, Arizona was 128% and Sedona was 277%, and that was based on the beginning of 2018, and we knew that even from the beginning of 2018 home prices had gone up significantly by the end of 2018, so these are even low numbers. When you look at it in that framework, it is very significant; the adjustment would need to be significant.

Vice Chair Barcus stated that information should not be closely held, and he doesn't hear a lot of that except anecdotally. This is good aggregate data, and it complicates the City's job, the economic development efforts, and the affordable housing quandary that we seem to be in. He attended the City Council work session on the CFA for Shelby, and Linda Martinez talked about Habitat for Humanity, and she said that Habitat likes to spend \$20,000 a lot for their homes, and they hope to get it down to \$50,000 a lot in Sedona.

Karen Osburn agreed and indicated that we were on a call this morning with a developer who was looking at a site in town to do a multifamily project, and he recently contacted us and said that even with the additional density we were going to support, and as a market rate project, he could not make that pencil, and the negotiations he was currently in with the landowners was as the property owners continue to read articles in the newspaper and hear about the crisis in housing, all of a sudden, the cost of that land has gone up and up as they continue to talk about moving this project forward, and at this point, it sounds like it is not going to be able to be, so we are going to continue to have conversations and see if there is anything we can do to help facilitate that.

Commissioner Klein referenced the stats on the real estate in Sedona and indicated that the median price of a house in Sedona in 2018 was up 10%. It is up 30% in the last three years; it went from about \$440,000 to about \$570,000 in 86336. He just looked at Flagstaff and the median price per square foot is \$221; in 86336, it is \$270 some odd dollars, and in the Village, it is \$240 some odd dollars per square foot. Of course, the single biggest problem with affordable housing is that people are renting out their houses on Airbnb, because that is one of the biggest selling points. Anytime anyone gets a listing, the first thing they say in the listing is no HOA, so you know you can buy the house and rent it out by the night. It will never happen, but the single best thing that could happen for housing in Sedona would be if they reversed the law that says you can rent out houses by the night, because that has contributed to some of the houses being taken off of the rental market for monthly rentals, since people can make a lot more money renting it per night than they can per month.

Commissioner Kinsella referenced the figure of \$70,000 for people leaving Flagstaff if under that threshold, and she asked if there was any age demographic information to correlate with that, because she wonders if that pertains only to people graduating from college or if \$70,000 is a retirement income for people staying in the area, or are they also being pushed out? Molly explained that her understanding was that it was relative to the active workforce, so whatever that range would be – age 18 to 65 or 70.

Chair Levin thanked Molly for being well prepared and handling a lot of questions. She then asked if there is a place for Molly in informing Community Development, when they are reviewing proposals for rezoning or for new development. Is there a place for an economic development specialist to contribute to those recommendations that staff brings to the Commission, and in a more formal way, in her participation in our meetings? She knows that in the past, P&Z has been admonished, because there have been some Commissioners in the past that have wanted developers to really lay out their plan and justify what their investment would be and what their contribution could be to the community, so we typically don't ask those questions, but they underline a lot of our thinking about whether the development will be able to hire appropriately, and do we want more low-paying jobs in the service industry for hotels, for example. She then asked if Molly has talked with Community Development staff about having a more active role, if it is appropriate. Molly stated that in the past, she has sent comments when appropriate, if it relates to affordable housing that helps the workforce, which helps the local economy, but there continues to be a role to come in a little stronger under the support of the Community Plan and talk about how it aligns or possibly doesn't align. She and Karen have discussed that, and she has routinely invited her in. The Chair commented that it sounds like we are moving in a good direction, and Molly agreed and added that these guys are kind of awesome. Karen Osburn added that was one of the reasons that we asked for Molly to physically locate in Community Development. She attends our staff meetings, so she can be integrated into all of the things we are doing, including the planning processes that we are undergoing.

Chair Levin added that, for example, you might hear from the long-range planner about consistency with the Community Plan, when we are evaluating a proposal, but we might also hear from you as another professional. Molly indicated that she worked closely with Cynthia on the Shelby-Sunset CFA, but today, she was with a commercial real estate agent looking at some available properties and talking about what it could look like if we did that ahead of our Uptown CFA with Cynthia. Chair Levin stated that sounds excellent and you really are integrating then.

The Chair noted that we don't have future meetings on this agenda to discuss; however, Karen Osburn pointed out that, if it works for the Commission, we will try to reschedule McKenzie Jones for the next work session date.

6. 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 Planning and Zoning Commission 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.**

No Executive Session was held.

7. ADJOURNMENT

Chair Levin called for adjournment at 5:00 p.m. without objection.

I certify that the above is a true and correct summary of the work session of the Planning & Zoning Commission held on February 19, 2019.

Donna A. S. Puckett, *Administrative Assistant*

Date