



May 3, 2024

Ensemble Investments  
Sedona Best Western Expansion  
400 N. State Route 89A  
Sedona, AZ 86336

RE: BW Sedona Expansion Conceptual Development Project Letter of Intent

The Best Western Arroyo Robles represents a unique lodging project in Uptown Sedona. It includes an existing 5 story room tower and 3 acres of flat undeveloped land zoned for lodging in the Uptown area of Sedona. Ensemble Investments recognized those characteristics when we purchased the asset in December of 2019. For us this was much more than an investment opportunity; it was a responsibility to develop this project in a manner that could benefit the community while being economically viable.

We made a commitment from the outset that we would wait to conceptualize any development on the vacant land until we had operated the existing hotel in the market and participated as active members of the community. We wanted the solution to arise somewhat organically from our experiences in the market and within that community.

Community Engagement:

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Randy McGrane, a founding partner for Ensemble Investments, made it his priority to be personally involved in all aspects of this project. Randy is an Arizona resident with ties in the area. He is a summer resident of Flagstaff with a home 30 minutes from Uptown and is involved in multiple community-based organizations.

- Sedona Arts Center: The project is immediately adjacent to the Sedona Arts Center (“SAC”), so the Ensemble team met with the board of SAC before even purchasing the hotel to understand their mission and their vision for the future. It was clear this would be an essential relationship. Not only does the hotel currently provide parking to SAC on a goodwill agreement, but we see SAC as an undervalued community asset that we could elevate in developing our project. We are active patrons and have met continuously with their leadership to share our various design iterations. We feel like we are developing “our” site not Ensemble’s site and we plan to be involved long term in SAC as it plans its future.
- Parking & Traffic: Recognizing that parking and traffic were the leading cause of resident discontent, Randy volunteered on the task force that worked on the initial Forest Road Garage analysis and site selection when asked. He has studied and supports the Sedona in Motion (Sedona SIM) initiative and believes when all the pieces are in place it will make a measurable impact on the traffic experienced in the area.
- Uptown Community Focus Area (CFA): It was clear that “Uptown” was a unique sub-market in Sedona, so Randy represented the hotel as a stakeholder in the original Uptown CFA process providing comments, but more importantly listening to the comments of others. While the Uptown CFA was never adopted by the City, we continue to look to it for guidance.

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- Affordable/Workforce Housing: The overarching issue facing the region is housing, and affordable housing in particular. Randy joined the board of ECoNA (Economic Collaborative of Northern Arizona) to be part of the solution regionally. The hotel recently hosted the first board retreat of that organization at the hotel where the top priority was and is, housing. In addition, the Ensemble team has interacted regularly with Karen Osburn and Shannon Boone from the City of Sedona to examine affordable housing solutions and stay abreast of the efforts being made by the City and examine how we can assist. Ensemble as an owner operator is deeply committed to our workforce and we will continue to devote our resources to solve for housing these essential workers, not just for our project, but for the region.
- Sustainable Tourism: As we all know following the first year of the pandemic, Sedona became the “go to” place for anyone looking for leisure activities while much of the world was shut down. The combination of unrivaled beauty and abundant outdoor activities, the proximity by car to major markets, and Arizona’s reduced restrictions on travel and gathering as compared to California created a huge spike in visitors to the market. This exacerbated what was already a difficult tourism situation for the residents of Sedona. What followed was a complete rethinking of how to manage tourism in Sedona. While the hotel is part of the lodging council and a member of the chamber of commerce in Sedona, Randy recognized that the city’s efforts on tourism were the right path for both the residents and the business in Sedona. He put in his application to serve on the newly formed Tourism Advisory Board and was honored to be one of the initial 11 members asked to serve. We believe in the city’s new DMMO and the TAB. Sedona tourism is all about balance. How do we maximize the positive economic impact tourism brings, but at the same time maintain a quality of life for the residents and provide for the workers in the industry. Sustainable tourism is not new to Ensemble, and we embrace it.

#### Our Vision:

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Our years of engagement have led us to focus on maintaining this delicate balance. There are many stakeholders we need to consider and competing interests we need to solve for. This was not an easy project to conceptualize in a way that addressed the many known issues.

- Scale: Our initial visions were very grand, and we shared them with many city officials, and stakeholders in the community. It included a significant increase in the number of rooms allowed under current zoning but tried to complement that with significant and expansive public benefit including public access to canyon views, a public plaza for events, extensive parking for employees/visitors in uptown beyond the hotel's guests. While some reacted positively to the concepts, as we evolved the ideas it became clear that the best thing for the community was to limit the number of units to no more than what was allowed under current zoning. Our proposal today expands the current key count by a modest 23 keys as allowed by right.
- Public Benefit/Sedona Arts Center: We are still committed to delivering a project that will provide a benefit to the community on a smaller scale. We decided the best way to leverage our impact was to focus on uplifting the Sedona Arts Center. SAC is a long standing, cherished community institution and is located at the upper north end of Uptown. It has been, and could be again, a place where locals and visitors can both engage and gather. Therefore, our design intentionally attempts to create a natural interest for visitors to continue to walk up Main Street and discover SAC and experience another view in Uptown.
- Creekside Resort Area: In considering context of how we should position this project, we again looked to the draft CFA. The draft included an area labeled “Creekside Resort Area” that included some of the highest rated resorts in the market (L’Auberge and Amara) and also included our vacant land. We in fact intend to reposition the current Best Western into this high-end Resort market segment; complimentary to but unique from L’Auberge and Amara. This allows us to drive rate on a per key basis increasing the tax flow to the city. Not only will our proposed new rooms rent at a premium which will drive tax revenue but is



further leveraged by the fact we are extensively remodeling our existing units. This will also increase rate and tax revenue without adding additional keys. The combination is a powerful revenue boost to the city from a minimal increase in lodging units.

- Restaurant and Spa: Our proposal includes both a new restaurant offering as mentioned above and new spa. These amenities are essential to the resort lodging product we imagine, but we have attempted to be thoughtful about how we have included them. We are eliminating existing meeting space and a breakfast room from our current footprint and rebuilding the spa in the same space without adding any SF. The restaurant has been strategically located to encourage more pedestrian traffic up Main Street and engage the Sedona Arts Center. We have carefully sized the total square footage to be no more than the minimum needed to serve the overall program. Again, maximize positive impact with minimal new build.
- Workforce Housing: During our multiple design iterations, we included various numbers of workforce housing units. In our early, very dense iterations we felt we might be able to provide a “material” number of units on site. In the design we are submitting now we have opted not to include any units on site. This by no means we are not vested in being part of the solution to the affordable housing problem in the region as we eluded to above. After meetings with the city and understanding where they are at in delivering affordable housing solutions, we have come to the conclusion that at this time contributing the “in lieu” fee to the city’s fund for affordable housing will have a greater impact than the one or two units on site that our project would require. This will not be the only way Ensemble continues to be involved in addressing this pressing issue for all businesses in the region, but in terms of this specific application we believe the in-lieu fee is the best solution.
- Sustainability: The last consideration that drove the concept we are presenting today is sustainability.
  - Sustainable Tourism: This is obviously a paramount issue in Sedona and Ensemble does not have to figure out how to adapt to this. We are leaders as owner operators in the lodging industry. Our portfolio includes hotels in extremely sensitive environmental areas with properties directly on the beach in Santa Cruz, on the Marina in Long Beach, and in Carmel Valley. Recognizing the importance of promoting responsible tourism, Ensemble recently launched a “Sustainable Travel with Ensemble” program that represents a commitment to promote responsible tourism in our owner managed hotels. This program educates our guests and influences all our operations, but importantly challenges us to meet carbon footprint objectives as a promise to our guests and the communities we are in.
  - Luxury and “off the grid”: We have made a significant gesture to delivering a sustainable project constructed in a sustainable manner. The new hotel units that we are proposing are being developed in cooperation with Steel and Spark out of Phoenix, Arizona. Steel and Spark just won the innovation award at South by Southwest this year for their modular “off the grid” housing solutions. Using repurposed shipping containers equipped with an extensive solar array coupled with state-of-the-art battery technology, our rooms will represent one of the most carbon efficient executions in the lodging industry. We have worked with Steel and Spark to design a very high-end version of their standard housing unit as our guest room. These guest rooms will not only make up 100% of the lodging keys we are adding by zoning right, but we are also removing 3 of our current rooms and replacing them with these sustainable units. These units are also designed to capture and reuse all “grey” water from sinks and showers. Beyond the ongoing benefits of this sustainable unit, we will also greatly reduce the environmental impact associated with construction. There is no concrete for these units, (one of the most carbon intensive building material). They are produced in a factory and delivered on site. This significantly reduces the carbon footprint associated with normal construction while materially shortening the time the area will be disrupted by construction.
  - The Target Guest: This resort will be designed to attract the visitor that appreciates our environment. They will be paying to stay in a highly sustainable guest room, and we expect this type of guest to be one that will appreciate and participate in the type of sustainable tourism that Sedona is trying to promote.



## Design Ethos:

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Our approach to design acknowledges a few things. We have an existing 5 story concrete tower as a central part of our existing hotel footprint, and we are in Uptown which is in some ways the “urban” part of Sedona. We are not on the creek like L’Auberge or nestled in the Red Rocks like Enchantment. Furthermore, we are introducing repurposed shipping containers as a primary room type. Taking all this into consideration the design is decidedly not “Creekside cottage.” While we have a lot to evolve in the specifics of the design, the end result should present as a more contemporary design with a sense of elegant simplicity using natural materials all that highlight the expansive views.

The hotel in final form would include 82 rooms, a spa, and a restaurant with a completely renovated exterior tower, lobby, and pool. If we are approved to move forward with our project as conceived, we believe we can deliver a high impact resort to a portion of Uptown that will benefit from this revitalization. We are confident, and in fact look forward to demonstrating, that we can do so in a manner that aligns with the challenges Sedona is embracing; sustainable and responsible tourism that maximizes positive economic and minimizes the negative impact.

## Project Details:

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Sedona Land Development Code  
Uptown Community Focus Area

Existing Zoning: L Lodging  
Proposed Zoning: L Lodging (no change)

Minimum Lot Width: 60’  
Provided Minimum Width: 386’

Minimum Lot Area: Min 43,560 sf  
Total Lot Area: 229,366 sf (5.266 acres net)  
Site A Area (Legacy Property): 101,297 sf (2.36 acres net)  
Site B Area (New Development): 128,069 sf (2.96 acres net)

Required Setbacks:  
Front 15’  
Side None  
Side @ Street 10’  
Rear: None

Provided Setbacks:  
Front 93’ @ new construction  
Side 15’ @ new construction Side @ Street 92’ @ new construction  
Rear: 20’

Building Heights: Max 22’ above Natural Grade  
40’ overall  
Provided: 22’ above Natural Grade  
40’ overall

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Existing Lodging Units: 53 keys within existing tower  
Site A : Legacy Property 5 keys within north building  
1 key in separate cabin  
59 keys total

Proposed Lodging Units 51 keys within existing tower  
Site A : Legacy Property 5 existing key within north building -2 tower rooms to be repurposed for staff use  
-1 key Remove existing "cabin" unit  
3 relocated Casitas  
Site A: Proposed Lodging Units 59 keys total to Remain the Same

Site B: New Development Area  
Density Allowable 8 keys per acre  
2.941 acre \* 8 keys = 23.528  
Site A Density Proposed 23 new keys

Feedback Request:

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We would like to request feedback specifically from the fire department regarding any concerns over access, hydrant location and comfortability with the hose pull distance.

Additionally, we would like the City staff to let us know if there is any flexibility within the nonconforming height condition to allow a new elevator core and a glass guardrail. As a secondary question, if the elevator is not approvable would a minimal intervention such as a guardrail alone be acceptable?

Ensemble's Values & Experience:

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At Ensemble, our mission is to go beyond the "deal" and deliver inspiring environments and exceptional experiences for the communities we serve. Founded in 1989 by three partners who were passionate about design and the difference it can make in people's lives, Ensemble is a real estate developer, owner, and operator. Passion runs deep in all that we do. We are a company that believes in partnership, be it with our employees, investors, lenders partners, vendors, and the communities in which we operate. When we engage in an opportunity, we focus first on listening, then on solving the challenge at hand. It is a carefully honed balance of programmatic research and systematic analysis coupled with an understanding of the human and environmental impacts.

Should you have questions regarding this application, please do not hesitate to reach out. Thank you for your consideration.

Best,

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