



August 20, 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 recognizes the unique characteristics of the existing hotel and that the vacant land is one of the last undeveloped parcels of land zoned for lodging in Sedona. Since purchasing the property in 2019, we have made it a priority to not only make this a viable investment, but to responsibly develop the project in a manner that would be beneficial to the community and Uptown as a whole. 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:

---

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.

+1 (602) 277-8558  
+1 (888) 428-2228

3030 N 3rd Street, Suite 525  
Phoenix, AZ 85012

info@ensemble.net  
www.ensemble.net

---



- 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:

---

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 several 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:

---

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 Overview:

---

##### Site Overview

The project consists of two areas of work that we have been referring to as Site A and Site B. Site A (New Development) consists of a single parcel of 2.96 net acres of relatively flat land at the base of the hill of Site B. This lot is located at 45 Art Barn Lane in Sedona. The existing property (Site B - Legacy Property) consists of 2.36 net acres is located at 400 North State Route 89A. The two properties are bounded by State Route 89A to the northwest, Art Barn Road to the northeast, a currently vacant lot to the southeast and Arroyo Roble Drive to the southwest. Both properties are located within the Uptown CFA and zoned L with the permitted use as Lodging and associated uses. Site B consists of 7 separate parcels, and it is the intent of the property owner to



combine these parcels (401-13-021, 022, 023, 024, 025, 029 and 4011-30-61A) into one contiguous parcel. Parcel 401-13-060G that makes up Site A will be maintained as an independent standalone parcel.

### Project Summary

The existing property (Legacy Property) was built in 1982 and includes 53 keys within the existing tower, 5 keys in the north building and 1 standalone “cabin” for 59 total existing keys plus 2.96 acres of vacant land existing on a separate APN. The five-story building is unique to Sedona in that it was built prior to the City adopting its current LDC code and as a result, it is the only building of its height in the city limits. The property also has a unique history of fragmented construction and ownership and has not had an exterior renovation in decades. The proposed project will include a significant exterior renovation as well as a major interior renovation, the addition of 23 new keys per the allowable density on the vacant land and the removal of two existing tower keys and one “cabin” to be replaced on the Legacy Property. With the removal of 3 existing keys and the addition of 26 new freestanding casita to the remaining 52 existing keys the project’s proposed program will total 82 rooms, a spa to be located within the existing Village Retail building, a new restaurant and a new Arts Plaza to be operated in collaboration with the SAC during their events. Additionally, the project’s renovation of the existing tower will refresh the hotel’s dated street presence and make a positive overall contribution to the look and feel of Uptown. The work to the existing tower will also include adding a new pool area adjacent the existing pool and add a rooftop amenity deck.

### Existing Site Plan



## Sedona Land Development Code (LDC) highlights:

---

LDC Article 1: General Provisions

Applicable Article 1.6 D.2 Nonconforming Structures

The existing hotel has an interesting history, the concrete exterior walls, interior party wall and concrete corridor floor were originally constructed in 1970's with construction stopping due to lack of funds. This shell sat partially completed and unused until a renovation which added the enclosed the structure and added the guestroom floors was initiated in 1981. This construction happened prior to the City's adoption of the LDC or DREAM guidelines. The applicant acknowledges that the existing hotel tower meets the City's definition of a nonconforming structure. In addition to adding 23 new keys to the property, which is the primary goal of the overall submittal, it is the ownership's goal to sensitively update and upgrade this significant structure within the community. We feel that the exterior modifications proposed to the existing structure fit within the framework of "maintaining ... the nonconformity of the structure" and that the "cumulative increase in the gross floor area" is well below the 50% noted and therefore will comply with subsection 5.7.B(3)b. Our proposed exterior modifications include:

- Cleaning, removing applied detail and repainting the entire structure.
- Replacing and enlarging the guest side windows and existing sliding glass doors to enhance our guest's views.
- Adding a new elevator and restaurant to the north of the building.
- Adding a roof deck.
- Reconfiguring the existing porte cochere to create a more welcoming guest and street side experience

It is the development team's position that these additions fall within the exceptions provided by LDC Section 2.24.E, Table 2.7 in that the proposed roof deck does not extend beyond the height of the existing parapets and the height of proposed elevator is well below the allowable height extension as measured from the existing parapet and the area is well under 5% of the overall roof area.

### Proposed Site Plan





LDC Article 2: Section 16 Zoning District (Lodging L)

Outside of the acknowledge nonconformity of the existing hotel's height, the existing project and it proposed expansion meet the requirements of the Lodging Zoning District Standards:

Lot Standards (Minimum)

Width Allowed	60'	Width provided	Varies 280' at the site's narrowest
Area (Min.)	43,560sf	Area provided	229,366 sf total of Sites A & B 128,366 sf (2.96 ac) net at Site A 101,297 sf (2.36 ac) net at Site B

Setbacks

Front Yard	15'	Provided	93' to new construction
Side Yard	None	Provided	Minimum of 15' at new construction
Side Yard at Street	10'	Provided	92' to new construction
Rear Yard	None	Provided	20' minimum

Building Height for new construction (Standards of Article 2.24.E)

Max 22' above Natural Grade	Max 40' overall
-----------------------------	-----------------

All the proposed casitas and support structures are prefabricated elements that are 11' max in height including the solar array. The proposed restaurant addition to the existing tower is 17' 4" at the highest roof point as measured from the arrival side which is adjacent to 89A except for the mechanical screen and solar panels which add an additional +/- 3'. All of this is well within the standards of section 2.24. E and Table 2.7. It should be noted that due to the elevation between the first floor of the restaurant and the sidewalk along 89A the highest point of the restaurant as measured from the sidewalk is only 11'6".

Impervious Coverage

Building Coverage	60%	Provided	15% (includes both existing and proposed buildings)
Total Coverage	80%	Provided	41% (includes both existing parking and proposed walkways)

LDC Article 3: Section 3.14 Use Specific Standards

This project meets all the Use specific standards as noted in Article 3.3 C for lodging as the project is sited within a lot already zoned L. See Development Standards Section 5 for building length.

LDC Article 5: Section 3 Grading and Drainage

The proposed site will consist of 26 studio units, restaurant, outdoor patio space, a remodeled pool and a parking lot. The new parking lots will be paved and onsite paths will be concrete. Various amenity areas located along the paths throughout the new studio units will also be concrete. The site generally slopes from the northwest to the southeast. 12" HDPE pipe and inlets will be placed throughout the site to capture and convey drainage to underground detention. A 10' CMP underground detention pipe will be placed in the northern parking lot along with two 8' CMP underground retention pipes in the southern parking lot. The underground detention will be sized to

detain the 100-yr 2-hr event. A portion of the site is located within the 100-year floodplain designated in the 2021 Storm Water Master Plan Update. Historical drainage patterns will be maintained and the 100-year floodplain will be maintained. The finished floor of structures placed within the 100-year floodplain will be placed at least 1 foot above the 100-year flood elevation. Grading of the site will also be designed to assure a no-rise certification is obtained.

## LDC Article 5: Section 4 Access, Connectivity and Circulation

**General:** The proposed project consists of renovation of an existing property and the development of an underused, but disturbed lot at the bottom of the hill as a result the project will include minor updates to the existing parking and drive lanes and new parking and walkways. Upgrades to the existing property include targeted regrading of the existing parking lot to provide ADA access to the existing retail building, revising some drive isle turning radii to facilitate emergency vehicle access and regrading and restriping the parking area adjacent to the new restaurant.

The guests arriving for the new guest units will access the site through the existing curb cut along 89A utilizing the hotel's existing porte cochere and proceeding after check-in through the existing parking area to the southeast. Consistent with the existing condition, guest will then briefly access Arroyo Roble Drive turning left at the bottom of the hill into an existing parking area which will now connect into a new parking area along the southern property line of the Site A lot. Overflow parking is provided along the north property line of Site A and accessed directly off Art Barn Road. Both new lots are proposed to be paved with a permeable paving system to mitigate run off.

Pedestrian access around the site will be facilitated by an existing sidewalk along Arroyo Roble and along 89A. A new segment of sidewalk will be added along our north property line at Art Barn Road. Additionally, off site guests will be invited to engage in the site to access by way of a new accessible ramp from 89A to the restaurant and the Art Plaza during cosponsored events with the Sedona Arts Center. Throughout the site a new network of paved walkways will be developed to provide connectivity between the parking areas, amenity spaces, guest units and the restaurant and lobby. While there is not currently a greater trail system planned due to the uncertainty of the plans for the adjacent lot sidewalks to the extent we can have been added to provide access to an assumed future pedestrian / trail node.







LDC Article 5: Section 5 Parking

It is the development team's intention to develop a parking solution that accurately accommodates the site's needs with some additional overflow for the general benefit of the City. Based on the current response to the LDC the site is overparked as noted below.

Parking Study

Hotel Keys	82 keys	.5 per key +10%	46 spaces
Existing Retail	3,785sf	1/250 sf	15 spaces
New Spa Space	3,785 sf	1/250 sf	15 spaces
New Restaurant (gross)	3,720 sf	1/100 sf	38 spaces
Restaurant (Exterior Seating)	980 sf	1/100sf	3 spaces
			for space exceeding 20% of the interior space
	<u>Total Parking Required</u>	<u>117 spaces</u>	<u>5 ADA spaces</u>
	Existing Parking Provided	67 spaces	6 ADA spaces
	Proposed New Parking	79 spaces	2 ADA spaces
	<u>Total Provided Parking</u>	<u>146 spaces</u>	<u>8 ADA spaces</u>

LDC Article 5: Section 6 Landscaping, Buffering and Screening

Ownership realizes they are 'caretakers of a special place'. Floor Associates' approach to landscape design at Hotel Sedona seeks to align with Sedona's LDC and enhance the unique qualities of the site by –

- Taking cues from and preserving iconic views of the dramatic sandstone topography to the east that towers over Oak Creek Canyon.
- Preserving historic elements such as the Jordan Ditch remnant that runs through a patch of blackberries and one of the old apple trees that is hoped to be successfully grafted.
- Conserving water through the use of drought tolerant, native plant materials and also swales to slow water and recharge groundwater as possible.
- Using native and/or adapted plants and trees that reflect and provide continuity with the surrounding landscape to provide shelter and environment for guests, birds, insects and other wildlife.
- Creating a gradient of experiences as one transitions from the streetscape at the top of the property to the base at the bottom of the slope near Oak Creek Canyon. This project presents the unique opportunity to restore a vacant lot back into life enhancing spaces and microclimates.

LDC Article 5: Section 7 Site and Building Design B(3) Existing Structures / Exterior Renovation

The bulk of the proposed project consists of freestanding casitas which do not engage with the existing hotel; however, a new restaurant and new elevator is proposed as an addition to the existing hotel structure. At a gross area of 5,960sf for the total restaurant building and an additional 68sf for the elevator, the total additional area to the structure equals 6,028sf this equals 19% of the existing building. The entirety of the building will be repainted and therefore be subject to the compliant with Section 5.7.F(5).

LDC Article 5: Section 7 Site and Building Design D Site Design

As noted above the redevelopment of the property consists of the renovation of existing structures and the addition of new casitas. The new development is proposed for a site that has been disturbed and bladed by the previous ownership resulting in



almost 3 acres of almost barren land within Sedona's downtown. This proposal aims to populate this lot with low scale casitas that utilize the Spakbox prefabricated housing system. This innovative product repurposes used shipping containers into efficient off grid housing options. Our project aims to upscale the standard offering to meet the interior requirements for an elevated hospitality experience while maintaining the off-grid functionality. Inherently this approach creates a human scaled development that lightly sits on the site and naturally meets the WUI. Each container is sandblasted at the Steel and Spark manufacturing facility and allowed to naturally patina to a rust color that is complimentary to the hues of Sedona.

LDC Article 5: Section 7 F Site and Building Design

LDC Section 5.7.F(2d2) Maximum length of less than 200'

LDC Section 5.7.F(2d1) Buildings over 150' must have a minimum of 25% no higher than 16 feet.

The primary component to the new construction consists of prefabricated casitas units that average +/- 44' long and 11' +/- high which meets these requirements. The project is also proposing an addition to an existing nonconforming tower structure that is currently 130' long. This new restaurant structure would add +/- 60' to the overall length of the existing structure, which still meets this length constraint. Additionally, as mentioned in the height section this new addition meets the 16' height restriction and creates architectural interest by being back from the face of the existing hotel's façade with distinct material and textural changes.

LDC Article 5: Section 9 Public Art

Ownership is currently studying its approach to on-site Public Art or contributing to the fund. This will be defined in future submittals.

LDC Article 8: Section 4 2.b Applicability and Thresholds for Development Plan Review

Per Table 8.2 Nonresidential Section this project included both nonresidential new buildings and expansion, alteration, or modification of existing structure or site. This proposed project exceeds 5,000sf gross square feet and therefore meets the threshold requiring a Major Development Review.

Community Plan Guidelines:

---

In addition to the LDC code, it is our understanding that the Community Plan and any active CFA's serve as the other primary guiding documents to shape the project. Although we are familiar with and were involved with the formulation of the Uptown CFA process, the Uptown CFA has been put on hold and we have focused on the Community Plan as the other primary guiding document.

In order to align with the Guiding Principles and Core Values of the community plan, Ensemble will be instituting the following:

- Maximizing building energy efficiency and environmental impacts by building a room product that is fully solar powered and constructed from re-used materials
- Create a sense of community and collaborative partnerships via our relationship and shared programming with Sedona Arts Center and select local businesses
- Strengthening community livability and connections by creating an Arts Plaza for people to gather, celebrate local art & culture and share experiences
- Supporting multimodal network of transportation by providing bikes on site as well as a local hotel car service

+1 (602) 277-8558

3030 N 3rd Street, Suite 525

info@ensemble.net

+1 (888) 428-2228

Phoenix, AZ 85012

www.ensemble.net

---



- Protecting and honoring the environment by choosing innovative building methods to construct a highly sustainable room product that includes re-used materials and is powered by solar energy
- Protect and honor the heritage of the site by propagating and replanting the last Jordan apple tree
- Respecting future land use and preserving viewsheds by locating new room product on land that is designated for lodging use and locating new rooms below 89A so as to not obstruct views
- Promoting sustainable tourism via our company wide Ensemble Sustainable Tourism Program
- Limiting the impacts on the natural landscape by restoring the site with native vegetation and limiting the amount of concrete used
- Preserve the Oak Creek watershed by improving the site with indigenous species of plants and instituting water preservation and grey water recovery plans

---

#### Ensemble's Values & Experience:

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,

Randy McGrane  
Founding Partner  
Ensemble  
rmcgrane@ensemble.net  
(602) 912-8955

