



CITY COUNCIL MEETING

SPECIAL STUDY SESSION MEETING MINUTES

THURSDAY, DECEMBER 12, 2019, 5:30 PM

Hendrix Auditorium, 300 S. Granite Street
Prescott AZ 86303
(928) 777-1272

Greg Mengarelli, Mayor	
Billie Orr, Mayor Pro Tem	Cathey Rusing, Councilmember
Steve Blair, Councilman	Alexa Scholl, Councilwoman
Phil Goode, Councilman	Steve Sischka, Councilman

MINUTES OF THE SPECIAL STUDY SESSION MEETING OF THE PRESCOTT CITY COUNCIL HELD ON DECEMBER 12, 2019, in the COUNCIL CHAMBERS LOCATED AT 201 SOUTH CORTEZ STREET, PRESCOTT, ARIZONA.

I. Call to Order

Mayor Mengarelli called the meeting to order at 5:31 p.m.

Roll Call

Greg Mengarelli	Mayor
Billie Orr	Mayor Pro Tem
Steve Blair	Councilman
Phil Goode	Councilman
Cathey Rusing	Councilmember
Alexa Scholl	Councilwoman
Steve Sischka	Councilman

II. DISCUSSION

1. Update and Discussion Regarding Ongoing Arizona Eco Development Negotiations

Mayor Mengarelli opened the meeting by thanking everyone for attending, city staff for setting up the meeting, Tour Prescott for shuttling attendees, and Prescott Unified School District for opening the space. He discussed that the city has been meeting with AED for several weeks and wanted to provide an update, and reiterated that nothing has been finalized yet regarding property in the Dells and that this meeting will not supersede any part of the normal process. He also reviewed the agenda for the meeting:

Jason Gisi with Arizona Eco Development (AED)
Council Comments
City Manager Michael Lamar
Council Comments
Amber Fields with Save the Dells
Public Comment

Mr. Gisi provided a presentation to Council and the public regarding the original goal which was to annex the piece of property into the City of Prescott. He reviewed the southern portion of the piece of property, the Point of Rocks by Iron King Trail and Peavine Trail. As negotiations and discussions have taken place over the last few years, the maps have evolved and there are now larger pieces of open space. His plan would consist of a resort, the proposed open space, development along the trails. There are 457 acres of proposed open space surrounding No Name Creek, the Point of Rocks, and is truly an opportunity to preserve the Dells.

Mr. Gisi commented that from the beginning, there has been an attempt to trade with the city of Prescott for water to transfer density out of the area that everyone wants to preserve and north of Highway 89A. He described proposed development in the area south of Walden Farms with Granite Creek running along-side and stated that he would entertain relocating the proposed resort up to parcels K and L which would conform with the Prescott General Plan and allow access from the Peavine Trail and through the Dells subdivision from within their property.

Councilman Sischka asked how many access points this proposal would allow to the Peavine Trail.

Mr. Gisi stated that there is currently one access point but that with this proposal a second access point would connect from the roundabout on Highway 89 and there is potential for a third and fourth access point as well. He continued the presentation with a review of the northern portion of the property which would be for development and proposed industrial areas. This section has not changed since the original proposal.

Water would be provided by the City of Prescott to the southern corner of Section 33 (the Granite Dells Parkway interchange area) which is already owned and has an estimated dwelling unit count of 1000-1300, this would provide access to the annexed portion of property and an extension of the Glassford Hill right-of-way. Additionally the northeast portion of Section 21 would be minimum 2-acre parcels and a Williamson Valley type of development with approximately 320 dwelling units that would be watered by the City of Prescott.

Mayor Pro Tem Orr asked for clarification that the described properties would remain in Yavapai County but be serviced by Prescott water and sewer.

Mr. Gisi confirmed, water and sewer would be provided by the City of Prescott however, streets and trash collection would be private, CAFMA would provide fire services, and County Sheriff would provide law enforcement.

Councilman Blair commented that the General Plan anticipated that a portion of this area was a pre-annexation area. He also stated that wells and septic systems in that area would be of no benefit to the city or the environment, however, if water and sewer is provided it would be beneficial for the environment and the City.

Councilman Sischka asked how many years it would take for complete build-out of these areas.

Mr. Gisi stated that build-out would take place over a period of 15-20 years most likely and stated that there are a variety of different project types, so different areas will develop at a different pace. For example, on the southern piece it would be higher end/larger dwelling units which would take more time, but in the northern sections the dwelling units would be “entry level” product to meet the need for more affordable housing and will go in more quickly.

Mayor Pro Tem Orr asked for confirmation that the area near 89A would be 40/60 commercial/residential split with no more than 50/50 commercial. She also commented on what a wonderful addition for the city the resort would provide.

Mr. Gisi stated that the target would be for a 60% commercial/40% residential split, and that the resort is an integral component for the project.

Councilmember Rusing asked how much water AED is requesting from the city and how much water they are bringing in.

Mr. Gisi stated that AED is requesting 1082 acre feet in total for the whole of this project. He said that of that 1082 acre feet, AED owns 370 acre feet, and that the city has provided a nice worksheet that breaks down the usage in each area, but ultimately the issue is the value of the water. For the 1082 acre feet of water there would be 1000 acres of open space, to include 475 in southern portion surrounding the Point of Rocks and 500 acres in the northern portion to allow for the runway extension at Prescott Regional Airport.

Councilman Blair asked what the estimates are for the resort, how many rooms are planned and what the estimated number of guests and vendors would taking into consideration crossings along the Peavine Trail on a daily basis.

Mr. Gisi stated that, as of now, that has not been estimated because official annexation and rezoning process has not taken place and discussions have been focused on high level planning to ensure a meeting of the minds. Additionally, he addressed Councilmember Rusing's inquiry pertaining to his water ownership which would be added to the city's portfolio which accounts for approximately \$12,276 per acre foot and that the goal has been to come to a win/win/win deal for all parties involved.

Councilwoman Scholl requested additional detail from Mr. Gisi regarding his water rights.

Mr. Gisi stated that the water rights date to the late 1800s, and that SRP has granted certifications for use of the water for development. Additionally, certificates would need to go through ADWR to sever and transfer and designate where the water rights will be transferred to which is approximately a two year process.

Councilman Sischka asked what AED's rights are for development in the county if the property is not annexed into the city and what the requirements are for open space in the county.

Mr. Gisi stated that the 15000-acre ranch is zoned RCU2A (2 acre lots), and per the existing zoning, AED could build those lots as a matter of right, they would be serviced by utilities to create subdivisions with wells and septic tanks. The county does require 25% open space for Section 33.

Councilman Goode asked if AED would require the necessary documentation related to over-flight for any impacted areas that are in the county.

Mr. Gisi said that he would not answer that directly today, but that AED would look into it.

Councilman Blair commented that there is merit to the city providing water for county properties as there would not be the expense of life and safety but would still get the recharge, he asked if AED would consider requiring that city standards be met for development if water is provided.

Mr. Gisi stated that he has already committed to that in private meetings, as it pertains to water.

Councilmember Rusing commented that she recalls there was originally a plan to realign the Peavine Trail and asked if that was still the case.

Mr. Gisi stated that the goal would be to provide for some realignment of the Trail in certain areas and to allow for a connection all the way to Chino Valley, however, that is dependent on whether or not an annexation takes place.

City Manager Michael Lamar provided a presentation to Council and discussed the city's efforts to carve out a trail for water and responsible development in the Dells. He advised the public that all of the numerical calculations being provided are available on the city's website for additional review and that questions may be submitted to staff via email if they are not answered during this meeting.

Mr. Lamar provided an overview of the areas in the development plan which have already been agreed upon by the parties, and discussed that the figures he is providing related to water usage have been calculated from real world usage of similarly situated customers.

Southern Annexation:

- * Proposed 1000 residential units - approximately 170 acre feet
- * Proposed resort - approximately 24 acre feet
- * Total - approximately 194 acre feet

Northern Annexation:

- * Proposed 1550 residential units - approximately 263.5 acre feet
- * Miscellaneous/Mixed Industrial - approximately 25 acre feet
- * Total - approximately 288.5

Two Unincorporated Land Sections:

- * City's current offer - 2 acres per unit for both sections at approximately 101.92 acre feet

Total Approximate for All Uses:

- * Approximately 648.72 (includes 64.3 acre feet for Granite Dells Parkway which is already annexed into the city) and 25% open space requirement, all AED surface water rights would be liquidated, severed and transferred to the city, total number of housing units 3627.

Councilwoman Scholl asked that Mr. Lamar clarify what the city's total offer is for water.

Mr. Lamar reiterated that the offer is 648.72 acre feet, and that the water has to be tied to land uses.

Mayor Mengarelli also commented that AED is offering 1000 acres of open space between the south annexation and the land for the airport, which is significant.

Councilmember Rusing asked for confirmation that the difference between the city's proposal and AED's proposal is 437 acre feet of water.

Mr. Lamar confirmed.

Mayor Mengarelli asked that each member of Council speak to their comments on the city's proposal versus AED's proposal.

Councilmember Rusing stated that her concern is that we live in a desert and are in a drought with no end in sight, and that it is her understanding that our groundwater table is dropping at approximately two feet per year and we are out of safe yield. We must be able to justify sustainable growth and water manages that. There is a big decision to be made here, and the Dells and retaining open space is very important so common ground must be found.

Councilwoman Scholl thanked AED and Mr. Lamar for their ongoing work on these negotiations. She stated that the difference between 648 acre feet and 1082 acre feet is significant, but that she is comfortable with being flexible above 648 just not to 1082. Saving the Dells is important for Council as well as the public so that needs to be preserved but there also has to be flexibility.

Councilman Sischka stated that we are close to finding a resolution to all of this and that we need to find a way to come to yes. He echoed Councilwoman Scholl's comments, 648 acre feet is not going to make it, but both sides need to give a bit to find common ground on a number that will work.

Mayor Pro Tem Orr stated that she appreciates everyone being here and for being a part of the process. Over the last two years everyone has been working hard to save the Dells and we owe an applause to Mr. Lamar. She agreed with Councilman Sischka that we are very close and that she believes we will be able to get there. This is an important opportunity for our city to add 475 plus acres in the heart of the Dells and 513 acres to protect our airport so we have to make that happen. The city's proposal is low, but AED's is high so we need to be able to meet in the middle.

Councilman Goode stated that he feels the city's offer is well crafted and agrees that managing our water portfolio well and efficiently is the only legitimate way that we can manage the pace of growth that is impacting our quality of life in Prescott. Our offer is fair and achieves all of the goals for Saving the Dells. He expressed his concern that the access to the proposed resort would make use of the Peavine Trail difficult, and stated that the large gap between what the developer wants and what the city is willing to give is an issue because the potential long term impacts could be monumental. However, there is a substantial benefit to finding common ground for the developer and the community at large.

Councilman Blair stated that there are positive and negative sides to all of this, the reality is that an annexation requires a super majority and that this Council has worked hard to preserve our resources and land and we are responsible to do the right thing for our citizens. Much of the Prescott area has been annexed and that provides benefits to our community. He commented that if an agreement is not reached, there will still be development but we will not be able to have input on how that development is done and we cannot jeopardize our water for development of something that we cannot get back. Finding common ground gives Prescott the open space as well as the benefits of water conservation and up-charge for the serviced county areas so why would we not do that. He stated that he intends to work with staff and Council to come to an agreement and thanked everyone for their work during these negotiations.

Mayor Mengarelli stated that it has been a privilege to work on this with Mr. Lamar and that he is proud of where we are at currently. He echoed Councilwoman Scholl's comments and said that he is willing to continue to work hard to negotiate with AED in order to get the open space and be flexible on what we are willing to give with regard to water in order to see the benefits of those compromises.

Save the Dells Chair Amber Fields provided a presentation to Council thanking their supporters and city staff for working in good faith with Save the Dells and AED to come to an agreement that works for everyone. Five generations of her family have called Prescott home and in her opinion the Dells are part of that home. She discussed the original goal of the Save the Dells organization which was to achieve a fair annexation deal that saved 500 acres in the heart of the Granite Dells. A minimum of 620 acres would be required to reach this goal to make the land preserved continuous, and Save the Dells feels that the land they have laid out fits the General Plan and the true value of the property. Save the Dells would not oppose the transfer of city water rights as long as the 500 acres were protected as public open space, and they find the city's current offer

to be acceptable, because if this water doesn't go to AED it will go to another developer so it makes sense to use it to save the Dells and move approximately 600 houses out of the heart of the Dells into the northern portion of the property. The density is comparable to what would be able to developed in the county, but the city would get recharge and there would not be wells or septic tanks which is beneficial for our overall environment.

Ms. Fields stated that all sides have compromised and Save the Dells supports the water needed for annexation, but feels that AED's proposal goes too far beyond what is acceptable as the amount of water they want is more than they can justify for what they are proposing. Annexation into Prescott is a privilege and not a right. She addressed the 375 acre feet of AED's water claims which she said have not been adjudicated in a court of law and the city should not take that on as it is contaminated water and would require extensive expenses in order to use. Water is being discussed because it is part of the negotiations, but Save the Dells will not support a deal that overwrites the city's overall Water Policy. As negotiations continue to progress there are stipulations and the city has invited Save the Dells to continue to be involved, they would like a deadline to be set for AED and a deal to be reached which permanently protects the heart of the Dells.

Representative Noel Campbell addressed Council and thanked Save the Dells for their work, this is a legacy for the community and the state. This area is vital to our ecosystem in this region and is an economic driver for this community. He asked Council what their legacy will be and stated that they have the power to establish it with their vote on an annexation. Please preserve the Granite Dells.

Gary Beverly, Prescott resident, addressed Council regarding this trade of land for water which has its problems and a ways to go before an agreement should be made. It seems we are very close so let's finish it. He said that he supports the city's proposal because it protects the Dells, but that he feels there must be a written contract which specifies all aspects of the deal and that is available for written comment from the public. He has particular issue with the parcels north of 89A not being annexed but the Dells bargain must stand separately as well as issues with the water portion as some of the "paper water" is not sustainable. Current and future water use is a problem and makes a bad situation worse, however the ability to have all effluent go to permanent recharge and comply with current standards would be an important step in the right direction for this agreement.

Paula Burr, Prescott resident, addressed Council stating she feels it is important for people to know the city can apply for a federal grant which would cover the land that could be used for the runway extension. She stated that the price paid for other acreage in the Dells by the city in the past is meaningless because the landowner was not receiving the benefits of annexation. Mr. Gisi is asking for 300 acre feet more than can be justified by his increased density, and the fact that he does not need what he is requesting should be troubling to the Council.

JD Greenberg, Prescott resident, addressed Council regarding the wildlife in the Dells which he feels is being completely ignored and stated that the area is critical to wildlife activity in Prescott. Our Pronghorn are being lost and we cannot forget that.

Nigel Reynolds, Prescott resident, addressed Council regarding his agreement with the goals of Save the Dells. He feels that AED's proposed open space is inadequate for the heart of the Dells and that the recent election of Councilmember Rusing shows the desire of the community to preserve that land. He finds the maps provided to be very unhelpful and lacking in showcasing the important parts of the annexation.

Thomas Saback, Prescott resident, addressed Council thanking them and the citizens for their involvement throughout this process. He said that he is in support of preserving at a minimum 500 acres in the heart of the Dells, and that it is important that any effluent from water needs to go to permanent safe yield.

Jim Lundy, Prescott resident, thanked Council for working with AED but that he believes the deal a bad one which sets a negative precedent. Water is being miscalculated and recharge doesn't automatically show up it takes time. Council is taking away reliability of water system.

Jeff Martin, Prescott resident, addressed Council regarding the importance of the preservation of archaeological features and resources in the Dells. He said that he has contacted Council regarding how best to do this and reiterated the importance of the archaeological sites that surround the Dells.

Gordon Bond, Barry Wintraub and Judy Sulltrop commented that they wished to forego their time to address Council.

Walt Anderson, Prescott resident, addressed Council stating that he was pleased to see where we are at in the negotiations and that he is happy to see the love people have for the Dells. He commented that he feels we need a park in the area and it is important to preserve what we already have and we cannot lose this opportunity.

III. ADJOURNMENT

There being no further business to discuss, Mayor Mengarelli adjourned the meeting at 7:30 p.m.

GREG MENGARELLI, Mayor

ATTEST:

SARAH M. SIEP, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Study Session Meeting of the City Council of the City of Prescott, Arizona held on the 12th day of December, 2019. I further certify the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____, 2019.

AFFIX
CITY SEAL

Sarah M. Siep, City Clerk