

MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD OCTOBER 11, 2022, AT 6:00 P.M., AT THE COUNCIL CHAMBERS BUILDING LOCATED AT 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

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Mayor Elinski called the meeting to order at 6:00 p.m. Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Tim Elinski, Mayor  
Jackie Nairn, Vice Mayor  
Tosca Henry, Council Member  
Doug Hulse, Council Member  
Helaine Kurot, Council Member  
Debbie Wilden, Council Member

COUNCIL MEMBERS ABSENT

Michael Mathews, Council Member

STAFF MEMBERS PRESENT

Ron Corbin, City Manager  
Steve Horton, City Attorney  
Tami Mayes, Deputy Clerk  
Gary Davis, Senior Planner  
Kirsten Lennon, Financial Services Director

ITEMS FOR DISCUSSION, CONSIDERATION, AND POSSIBLE DIRECTION TO STAFF:

PRESENTATION OF THE INFORMATION PRESENTED AT THE HEARING ON HOUSING HELD IN SEDONA ON SEPTEMBER 26, 2022

Mr. Davis gave a PowerPoint presentation regarding the status of housing in the City and what the City is doing, following a hearing held on September 26, 2022, in Sedona for this same presentation in which Mayor Elinski, Council Member Henry, and City Manager Corbin were present. He stated it was requested that we present the same presentation to all of Council. The first item is the map that was passed out tonight, which is our current pipeline of projects that are either in the works or that are possibly on the horizon. The green ones are projects that have received zoning approval. They are ready for permits, or in permits or construction right now. The purple ones are projects that have been proposed, talked about, either submitted and in process of getting zoning permission, or on the horizon that we expect to be submitted at some point in the future. We've got Mesquite Hills, Phase 2, that is 273 units, and they are in construction with the first couple of subunits of that phase right now. Then there is Inspiration, a multi-family complex which has gone vertical. They are in construction currently, and that is a 192 unit project. San Cipriano is a 44 unit apartment complex on the northeast corner of Cherry Street and 12th Street. They received a conditional use permit approval, design review approval, and they are in permits but have not proceeded with the project. We have a few projects that have gone through the process but, for whatever reason are just sitting there. They are not waiting on the City, but on other issues that may be holding them up.

Mr. Corbin stated I've been told that there is a for sale sign on that property (San Cipriano). I think they are trying to sell it for a permitted, shovel-ready project. I don't know that they are going to move forward with the project until they find a developer.

Mr. Davis stated there is a similar project on 6th Street across from the library. That was a 56 unit complex. That has been in plan review and they should be ready to go construct pretty soon. The Bungalows is a new project that just came through plan review at the Planning & Zoning Commission a few weeks ago. It is on Main Street, the old Nackard property, 48 units in single-story, duplex/bungalow type houses. They have received their design review and can go into permits right now. We're expecting their permit application before too long.

Mayor Elinski asked if that is 48 total units or 48 bungalow units.

Mr. Davis stated it is total units, 24 buildings with 2 units each.

Mr. Davis continued his presentation, stating there are some smaller projects, Kindra Heights 2, another 20 lots on the southside of Kindra Heights. They are in construction right now on most of those. Phase 2 of the Vineyards has been in construction for a while, and we're very close to giving the green light on phase 3 as well. Some of the upcoming projects are Clemenceau Place which will go to the Planning & Zoning Commission next week. I believe it is 416 total units mixed between a few single-family, but mostly multi-family, homes, as well as some office and other uses. Silverado is an 11.5 acres project behind Walmart on Silverado and Rodeo. That was going to go in October, but they are making some changes to their site plan in response to neighborhood comments. If they get their revised master development plan in to us and give us enough time to review it before our November advertising deadline, then they can go to the November 21 Planning & Zoning Commission meeting. The Village on Birch is a 1.74 acre project with, I believe is 40 units. That is going next week for a rezone to R-3 and a general plan amendment as well. A little farther off is the remainder of The Vineyards. The original master development plan called for 555 units, which is their cap. Once they finish phase 3, that would be 91 units. There is plenty left under that cap that has been approved. We have not seen an application on Spring Creek Ranch. We have not seen an application on the 89 & Vine, now Westcott, project. We anticipate that they are going to adhere in numbers mostly to what has been approved already for about a little over 2,000 units total in that section. That will just require approval of a revised master development plan for that. There is potential on west Mingus that may come forward with development out there. The problem is access. If you put a lot of density in there, there are some impacts on Mingus Avenue that would need to be mitigated.

Mr. Corbin stated there are a couple others that I want to make Council aware of. There is a rumor about the Fains working with the Mongini property off Groseta Ranch Road near the Vineyards for some additional units there. Then there is a memory care unit that is still being discussed on the Catholic property across from the Westcott development. They met as early as last week with Mr. Whitmer to discuss water and wastewater issues up there, but they are still looking at putting some long-term care units up in that area as well.



Mr. Davis stated water/wastewater issues will be one of the major concerns for this Westcott project as well.

Mr. Davis stated this is a list of all these projects that I've mentioned. As far as multi-family units, we count about 429 units total, potential, if all those projects move forward. These are ready to go. Some of them are being held up for whatever reason. The Mountain View Apartments at the end of 7th Street, north of the post office, have been approved for another 60 units there. I don't know if that is going to go forward or not, but that is on the books as far as being approved. For single-family, as I mentioned, all the phase 2's, the Mesquite Hills, the Kindra Heights, and the Vineyards, give us a total of 314 more single-family units, potential. All of those are in construction, at least the first bits of the Mesquite Hills Phase 2. Another thing we presented on September 26 are ordinance amendments that we've made over the past two or three years that are aimed at reducing some of the barriers to development, especially infill development and what's called the missing middle housing, things that fall in the crack between single-family, one-house/one-lot, and big apartment complexes. Not much happens in between as far as new development. We're trying to move that along a little bit.

Mr. Davis then reviewed the changes made to the City's Zone Ordinance the last few years to facilitate development and construction, and stated we gave a little information on our building permit history. Hopefully, with these changes that we've made to the Zoning Ordinance, that can pick up a little bit, especially in the older parts of town for infill. That was what we did present and, hopefully, that gives you a little idea of where we're at in terms of our recent activity and possible future activity.

Council Member Hulse asked how many units were in the project behind Walmart.

Mr. Davis stated 152 is the plan.

Council Member Hulse asked if that would be multi-family.

Mr. Davis stated multi-family, two-story is the plan right now. Originally, they were proposing to have one driveway servicing all of that. The change they made that is going to bump them to November or later is they want to put in a second unit, which changes their grading plan and a lot of their other plans. The grading on part of the project, towards the residential side, could lower buildings. Probably not low enough to allow people to see over them from the west neighborhood there, but still a little bit of a reduction in the height.

Mayor Elinski stated I was asked to be there and to speak on behalf of the City at the presentation on September 26. The legislative committee was composed of, I think, three or four legislators, and then homebuilders and realtors. In my opinion, they had a solution looking for a problem. I think this is something we need to keep on top of. At our last Mayor/Manager meeting, Clarkdale Mayor Prud'homme-Bauer stated she feels like we should draft a letter stating our position on this. However, the solution that I felt like they had, and correct me if I'm wrong, was there is an appetite for abolishment of zoning. We did try to make

the point and impress upon them that up here, zoning is not the issue. Maybe this is something that needs to happen down in Maricopa County, but in Cottonwood and the other communities that were represented, it was indicated it is not an issue of zoning. Zoning isn't the impediment to getting projects built. It is a whole host of other things. As the legislature goes into session, I know the League is tracking it closely, but I think it is imperative that we do the same.

Council Member Wilden asked if they are seriously that far along.

Mayor Elinski stated yes, they are real serious.

Council Member Henry stated I walked out of that meeting very disappointed because there is a giant disconnect between what I heard from some of the members of the Housing Supply Committee. Before taking the time out of a workday to go to that committee, I had Googled the committee and their primary purpose is to identify strategies to mitigate the housing shortage in Arizona, and there was pressure from members of the committee for Sedona, Cottonwood, and greater Arizona to go vertical. Our Mayor put it perfectly and very directly, where I think others were more hesitant to be so direct in front of the committee. He said we answer to our voters, and our community members don't want just housing, a number of units on a paper. Scott and our Community Development team did an excellent job of providing good information to say we're addressing these issues or these topics ourselves in our own way; here is what we're doing. We're not the impediment to growth. All I heard was resistance. It needs to be at the State level, not the local control. We do need to remain active in our communications with the legislature. We do need to be showing up and be vocal. If there are letters, calls, emails, whatever it is, we can't be out of touch, otherwise, we will be looking at vertical to supply the housing shortages that are really a problem everywhere, but need to be addressed community by community.

Mr. Corbin stated I would strongly encourage Cottonwood to continue to try to create as much influence as possible and to build those relationships. While staff can do it, any connection you have with any of our elected leaders at the State Legislature is going to be impactful. I know that the Mayor is working through GAMA to create that allegiance from the rural communities, but it is going to be important for council members and the mayors to reach out to these elected leaders and apply pressure.

#### DISCUSSION AND DIRECTION TO STAFF REGARDING POSSIBLE REGISTRATION REQUIREMENTS FOR SHORT-TERM RENTALS

Ms. Lennon stated back in 2016, the state passed some legislation to basically limit what we could do in regards to regulating short-term rentals, along with saying that we could not require them to register as a business. That had some major repercussions around the state and other states as well have had the same issues, which is the massive growth of short-term rentals and no regulation and no one paying attention to what is going on in your neighborhood. They had parties and other problems with people renting and showing up with film crews and all sorts of things, all over the state and in other states. This year the state



decided to tackle that issue. There were several ideas and bills that came forth, and the one that made it through was SB1168. In your packet you have a draft ordinance that the League of Arizona Cities and Towns put together for us to be able to model the way we would like to use it, and it has several items on there. What it allows us to do is to require a permit, a license, or a registration for any type of short-term rental, and that can have a fee of up to \$250. It can be any type of license or registration that you would like to enact in your ordinance. It also allows for you to get emergency contact information so that you have the name and the phone number of the person who owns the property if there is an issue at their rental. It does prohibit use and allows for penalties, so you can't use it for a party house, and you can have a penalty if it is used for that purpose. It allows us to suspend any license or registration if they are not following our policy and our ordinance. It also allows for some judicial relief that is in the law itself. There are some optional items that are included in the bill. The ones we would like to implement is the neighborhood notification, and then the advertisement of their TPT on their website, or any paper anywhere that they advertise the rental of that unit. That is required currently, but they added a little bit more into this law. You have to have on your property posted inside who the owner is, how to contact them, and some other information, so that if there is an emergency it is there and available. The other optional items are requiring each property owner to have up to \$500,000 of insurance for a short-term rental on their property, and we don't want to implement that because we don't want to have to deal with tracking everyone's insurance. You can also require every renter to provide a background check and prove that they are not on the sex offender registry list, and we don't want to track that either, because that seems like a lot of work and excessive. Jerome passed an ordinance with the background checks, and we were wondering who is going to monitor that and who is going to make sure that they are actually doing what they say is in their ordinance.

Mayor Elinski asked if the Jerome ordinance is referring to each renter (background checks).

Ms. Lennon stated yes.

Mr. Horton stated it's the owners that would have to confirm and do the background check.

Ms. Lennon stated what we are suggesting and hoping to do is, we currently require a business registration for every business in the City limits. That is a small form and for most people it is a \$50 fee which is renewed annually. We would have a smaller form for the vacation rentals, just because we don't need quite as much information from them as we would from a business. It wouldn't add that much staff time because we're already doing it; it's just the number of how many vacation rentals we have in the City. The cost of the registration would pay for any additional time that it would take. Our current software tracks the process for us. It would be an easy solution to this with the ordinance, and we could draft up the ordinance and bring it back with that information to you at a later time if that's the direction we receive tonight.

Mr. Corbin stated Mr. Horton will be drafting the ordinance based on the model ordinance. We need feedback tonight to make sure we're on the right track. You technically don't have

to do this. I hope we do for two reasons. Eventually, we'll have enough finance staff to audit to ensure that everybody that has a TPT number is paying the rental tax. I checked with PD and Code Enforcement. We don't have a big problem with party houses or visitor issues in our community as some communities in the Metro area have. It would allow us to start to know how many we have, which is always a question we get.

Mayor Elinski asked if we are currently getting sales tax from Airbnb and VRBO.

Ms. Lennon stated yes.

Mayor Elinski stated I am confused on the TPT license requirement for individual owners.

Ms. Lennon stated currently it comes over to the City as Airbnb is this much, with no breakdown of where the location is, or how many houses are in a neighborhood. It is just a lump sum. If they have to post their tax ID number and file with that tax ID number, we can do better auditing and better checking of each location.

Mayor Elinski asked who posts the tax ID number.

Ms. Lennon stated the renter will have to post their own tax ID number on the website so that it is linked to them.

Mr. Corbin stated we currently do not get a rental tax from individual Airbnb owners. It comes in a lump-sum payment and they don't identify where it comes from. The goal here is that we'll be able to connect the TPT number to the actual remittance to make sure that everybody is paying.

After further discussion regarding the TPT tax, Council Member Wilden asked if Sedona has done anything as of yet.

Ms. Lennon stated I think they are working on doing some version of this ordinance as well.

Mr. Corbin stated they are still working through their draft.

Mayor Elinski stated I think this is great. We need to do something to try to have a sense of how many we have in the community. It shouldn't over burden staff, I would hope.

Ms. Lennon stated, no, I don't think we have thousands and thousands of them out there. Before 2016 we were requiring them to register as a business, and residential rentals were also required to register. It didn't decrease our revenue by that much when it stopped, so I can't imagine that it's a substantial number of houses.

Mayor Elinski stated it seems agreeable to Council and we should have City Attorney Horton draft it.

Mr. Horton stated it would be helpful if Kirsten made some recommendations about options to adopt and ones to leave aside. If Council is good with that, that's how we will tee it up.

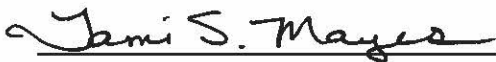
ADJOURNMENT

Mayor Elinski moved to adjourn the work session. The motion was seconded by Vice Mayor Nairn and carried. The work session adjourned at 6:40 p.m.



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Tim Elinski, Mayor

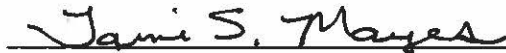
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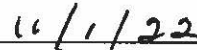
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Tami S. Mayes, Deputy Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a work session of the City Council of the City of Cottonwood held on October 11, 2022. I further certify that the meeting was duly called, and that a quorum was present.



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Tami S. Mayes, Deputy Clerk



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Date

