

MINUTES

1. **Call to Order**

Mayor Evans called the Joint City/Greater Flagstaff Chamber of Commerce Work Session of May 6, 2019 to order at 4:00 p. m.

2. **Pledge of Allegiance and Mission Statement**

President and CEO of the Greater Flagstaff Chamber of Commerce Julie Pastrick led the Council and audience in the Pledge of Allegiance and Mayor Evans read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. **ROLL CALL**

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:

ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

JULIE PASTRICK, CHAMBER PRESIDENT
BRENDA HAZLETT, CHAMBER CHAIR

Others present: City Manager Barbara Goodrich and Deputy City Attorney Kevin Fincel

4. **Public Participation:**

Public Participation enables the public to address the Council about on items that are not on the agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment on an item that is on the agenda is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public

Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak.

None.

5. Northern Arizona Military Affairs Council (NAMAC) Update

President Pastrick thanked the Council for the opportunity to meet with Council. She also thanked the Chamber's Chairman of the Board Brenda Hazlett for her attendance. President Pastrick gave a quick overview of the Northern Arizona Military Affairs Council and the reason for its creation. Councilmember Odegaard asked if the Naval Observatory is part of the partnership. President Pastrick stated that it is as well as the Flagstaff station.

6. Key issues facing the Flagstaff Business Community

President Pastrick led the discussion regarding the pathway to prosperity. She spoke about the business advocacy division and discussed the members of the division. President Pastrick stated that there is a lot of uncertainty in the business community about where the region will be in the next five years. Employers are greatly concerned about the high cost of housing in Flagstaff, and they are having a hard time with attraction and retention due to the cost of homeownership. She believes that private industry could be the solution to the housing crisis due to the demand in Flagstaff. She has heard that the cost and/or the length of time for development in Flagstaff is a drawback to private investors. The Chamber is a private sector link, and they know there are always barriers to development. President Pastrick referred to the cost of living analysis developed by the Chamber. It states that Flagstaff is 15.8% above the average cost of living. She also stated that the cost of living in Phoenix is 2.6% lower than the national average and the cost of living is 5.6% lower than the national average in Tucson. The indicators reviewed for the study were grocery, housing, utilities, transportation, healthcare, other goods and services. Flagstaff is 44.2% higher than the national average in cost of housing which is concerning because the housing supply is the greatest influencer of the economy. The Chamber asked the City to embrace growth and support existing businesses. President Pastrick stated that the Chamber wants to work with the City to improve the economic outlook of the region.

Business Attraction Manager for the City of Flagstaff Gail Jackson, spoke about the Business Attraction program. She stated that it is easier to retain businesses rather than attract them. This is done through partnerships with the Chamber, ECoNA, NACET, NAU, CCC, and others. The program has also looked at foreign direct investment and has traveled to Mexico to look at businesses that may like to move to Arizona, specifically Flagstaff, as well as promoting tourism. They have been working with Canada as well and have presented at tradeshow in key targeted sectors such as the Bioscience sector, AZ Tech Council, AZBio, and more for to attract specific businesses. They are working to attract shopping centers as well. Ms. Jackson spoke about the Flagstaff overview promotional piece and about meeting with local businesses to learn what they would like to see to stay in Flagstaff and grow. She also spoke about giving site visits to tour potential businesses around the area.

Vice Mayor Shimoni asked why Canada is purchasing land in the region. Ms. Jackson replied that there are over 100,000 Canadians in Arizona and that they like the Williams area, but she does not have a direct answer. He also asked what the reaction is of the businesses that tour Flagstaff. Ms. Jackson replied that it is dependent on the business, but that they generally love the outdoor opportunities and that they are excited about Flagstaff. He asked about the bigger struggles. Ms. Jackson replied that it is sometimes the process itself, like rezones that take some time.

Councilmember Odegaard stated that Council recently had a business listening tour with Uli at Eagle Rider and he asked if it was known how he found Flagstaff. Economic Development Director Heidi Hansen stated that there was a trade show conference with a speed dating element where they managed to create a way for the owners to come visit, and they never left Flagstaff.

Councilmember Whelan asked how the City can blend their resources with the Chamber. The group discussed holding meetings with the Chamber quarterly, inviting them to site visits, and providing the Chamber with a list of businesses that have come to Flagstaff.

Councilmember Salas asked how Flagstaff can create an economy that can benefit from the US/Mexico/Canada (Arizona Mexico Commission) agreement. Ms. Jackson stated that there is an opportunity for tourism from Mexico, although it is cheaper to do business in Mexico. Canada is a different story and a potential business met with her and Councilmember Whelan. It is less expensive to do business in Flagstaff rather than places like Vancouver and less restrictive.

Deputy City Manager Shane Dille added that the benefit that the North America Trade Agreement is that Flagstaff is a partner with the rest of Arizona and that if you look at the flow of goods over the border, that Arizona does not benefit as much as other states regarding that flow of goods. Working with the trade agreement is not looking at just tourism but also looking to bring business to Arizona. President Pastrick agreed with Mr. Dille and spoke about the flow of tourism between Arizona and Mexico. There is a 60th anniversary for the Arizona/Mexico Commission coming up in Tucson in July.

Mayor Evans stated that they learned about the Mesa Gateway Airport in regard to Mexico and that the manufactures in Flagstaff could benefit from it. It would be great to have them give a presentation to the manufactures in Flagstaff.

Councilmember Whelan stated that Canada seemed to not know the difference between northern and southern Arizona. She feels it is an important difference and that the attraction of northern Arizona is the environment. Mr. Dille replied that the focus of staff is Flagstaff First and that staff would like to bring businesses directly to Flagstaff. He added that it is important to bring businesses to Arizona in general as well. Ms. Hansen spoke about the Visit to Discover campaign. The cost of business is more expensive here, so the visitation to Flagstaff is integral to bring them to Flagstaff. Ms. Jackson added it is great to have a Flagstaff presence when they were in Montreal and that the snow and mountains resonated more with the attendees of the show.

Councilmember Whelan asked how to balance the costs of business attraction. She asked if the City is spending more to get people in Arizona than in Flagstaff. Mayor Evans added that this is a deeper discussion with Arizona Commerce Authority (ACA) and might warrant a joint statement or a meeting with ACA. Councilmember Whelan also asked about having a regional attraction plan. Ms. Hansen discussed the efforts on regional plans throughout the state.

Councilmember Odegaard commented that he and Councilmember Aslan met the Chief Information Officer for Choice Hotels, Todd Davis, at a recent NACET event. Mr. Davis stated that Flagstaff is ripe to be the Silicon Valley of Arizona and it is cheaper than California. He added that Mr. Davis would like to meet with Councilmember Odegaard to discuss partnerships to attract people from Silicon Valley to Flagstaff. Ms. Jackson added that staff has placed ads in Silicon Valley, attended trade shows, and they are reaching an influx of people from that area.

Business Retention and Expansion Manager John Saltonstall presented to the group on foreign agencies and attraction program.

Vice Mayor Shimoni wanted to know more about the grant to Praxis Plastics and how many grants are given out. Mr. Saltonstall stated that the pitch event was a pilot program and there was a total of \$10,000 for the program with \$2,000 going to marketing. There is a larger budget for the next year of \$25,000.

Chair of the Business Advocacy Committee for the Greater Flagstaff Chamber of Commerce Steve Thompson addressed the Council. He was born and raised here in Flagstaff and is a practicing commercial real estate lawyer. He stated that the Chamber vets issues that affect businesses in the region. He stated that Flagstaff has a lot of attractive qualities, and that NAU is a major source of the attraction of Flagstaff. What the businesses see is that the City has roadblocks and dead-ends. He understands that there are policies and zoning in place, but that businesses must navigate an obstacle course.

Councilmember Whelan mentioned that the City Council's job is to be an arbitrator between conflicting sides. One hand protects the character of Flagstaff and the other reaches for goals such as more housing. She said that bringing specific items to Council that they can address is useful. She added that some people in the community resent large buildings and NAU, but there is no animosity between Council and NAU.

Councilmember Salas stated that primary goal of Council is to create policy and to budget. She asked Mr. Thompson to address housing and goals. Mr. Thompson stated that when there are re-zones and a developer does what they are supposed to do and spends hundreds of thousands of dollars and thousands of hours, the denial reverberates between the whole community. He stated that there must be student housing and that there are 23,000+ students. He also added that most businesses feel that traffic is a big issue and that he would encourage extra funds from sales taxes go towards streets for transportation. He added that sales tax pressures and impact fees are also a barrier and reverberates through the community and asked Council to continue to keep fees in the forefront of the mind.

Mark Tyler addressed the Council and guests on the challenges faced by the construction industry. Councilmember McCarthy stated that the City implemented concept zoning about four years ago. Mr. Tyler stated that he has worked with City before and after the change and he has not seen a plan go forward yet.

Mr. Tyler stated that he was involved in a project for 160 rooms in 2016 in Flagstaff and 154 rooms in Scottsdale. The fees in Flagstaff were almost twice as much than in Scottsdale.

Mayor Evans added that Council needs to take a look at impact fees. The larger developers are supportive of impact fees but the smaller builders stated that impact fees would kill their business.

Councilmember McCarthy added that the last Council decided that the City should break even on the fees and that it is a balance. He added that Council has a responsibility to the community to not subsidize new development.

Brian Landover from Findlay Auto Group spoke about the automotive business. He has been in Flagstaff for 19 months and he stated that he sees two trends: Flagstaff residents have a hard time buying new cars (based on financing and cost of living increases) and losing business to other communities outside of Flagstaff that have lower sales tax. 2,300 new vehicles were purchased by residents from outside of Flagstaff.

Mr. Landover stated that the sales tax increase is coming and when the tax differential is \$800 to \$900, it is a concern for the buyer. Councilmember Salas asked that a hypothetical use tax on every car purchased outside of Flagstaff would help the auto dealers. Mr. Landover stated that he feels that changing the sales tax on large purchases would help the dealerships.

Councilmember Whelan asked if maintenance service is the larger moneymaker for the dealerships. Mr. Landover replied that both new sales and service are important, but that the purchase is more impactful currently.

Mayor Evans stated that in 2008 during the economic downturn, Council put \$100,000 in a fund for rebates on sales tax. She also mentioned that a number of Councilmembers met with Findlay to address this issue through economic vitality. She added that Economic Vitality staff are getting ready to launch a campaign on what sales tax buys for quality of life in Flagstaff. Ms. Hansen spoke about the initiative and its several prong approach.

Mayor Evans stated that the leakage of sales tax out of Flagstaff is about \$280 million. Ms. Hansen added that the visitors have no problem paying extra and stated that the locals need to be engaged again in spending.

Mr. Landover stated that the people who do business in Flagstaff know that there is a benefit in doing business locally. He added that the debt-to-income ratio has caused many turn-downs and that locals want to keep business here but escalating costs make it difficult.

Councilmember Whelan spoke about the effects of minimum wage from a study in Forbes magazine shows that increases in minimum wage decreases the number of low-paying jobs and eliminates those jobs long-term.

Vice Mayor Shimoni spoke about creating a movement with regards to spending money locally. He stated that his bicycle shop started taking pictures of local buyers to place into his social media and that it enhanced the buying experience. He is concerned about the future of the workforce.

Councilmember McCarthy addressed debt-to-earnings ratio and that the best way to address that is to address the cost of housing.

Councilmember Aslan shared that his family is a Toyota family that they recently purchased a hybrid Toyota from a dealership outside Flagstaff because they were not able to purchase the vehicle in Flagstaff. It is a challenge for the dealerships and purchasers.

7. City of Flagstaff/Chamber of Commerce Joint Legislative Discussion

Postponed to the next meeting.

8. Informational Items To/From Chamber, Council and City Manager

Ms. Hazlett thanked the Council for the opportunity to meet.

Councilmember Whelan expressed her gratitude and added that she does not want future discussions to fall through the cracks.

Vice Mayor Shimoni expressed his gratitude and said that this was a great first conversation.

Councilmember Salas shared that she has been an active member of the Chamber for 13 years. She added that this was her first ever joint meeting of the City Council and the Greater

Flagstaff Chamber of Commerce and that she is looking forward to the next steps of policy analysis and recommendations. She also looks forward to the ratification of the Arizona/Mexico/Canada Agreement and the City's support of it.

Councilmember Odeggard thanked President Pastrick for being at the meeting. He spoke about housing costs and the effect on families. He is on the Board of Directors for The Pantry and said that the responses that he saw on the collection form talked about how about 50% of some families' income goes to housing. He also stated that he saw up to three generations of family members under one roof. Housing needs to be addressed and people should not be spending half of their income on housing.

Councilmember Aslan thanked the Chamber for their participation and stated that he was in listening mode to understand the issues. He stated that he also has large concerns about the future of Flagstaff if climate change is not addressed.

Councilmember McCarthy shared that the meeting was more productive than he anticipated. He thanked the Chamber for attending and received more insight than he expected. The City needs to figure out how more housing can be built. He shared that 25% of the houses owned in Flagstaff are not owned by people who live here and that it is a frustration for him.

City Manager Goodrich thanked the Chamber as well and added that this is truly how changes are made in the community

President Pastrick shared her gratitude and shared that business has to grow for Flagstaff to stay sustainable.

Mayor Evans stated that she was excited by the meeting. She feels that it is important to have stakeholders on the dais. She added her take-aways from the meeting and stated that this meeting was a great start and that there is a good partnership between the City and the Chamber. She also thanked City staff for answering questions.

9. Public Participation

None.

10. Adjournment

The Flagstaff City Council/Greater Flagstaff Chamber of Commerce Joint Work Session of May 6, 2019, adjourned at 6:38 p.m.

MAYOR

ATTEST:

CITY CLERK