

MINUTES

1. CALL TO ORDER

Mayor Daggett called the special meeting of the Flagstaff City Council held July 8, 2026, to order at 10:06 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

Present: Mayor Becky Daggett
Vice Mayor Miranda Sweet
Councilmember Austin Aslan
Councilmember Anthony Garcia
Councilmember Khara House
Councilmember Lori Matthews
Councilmember David Spence
Staff: Joanne Keene, City Manager; Sterling Solomon, City Attorney

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Aslan read the Mission Statement of the City of Flagstaff, and Councilmember House read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC HEARING

A. Appeal of the Certificate of Economic Hardship Denial for 19 W. Birch Ave.

Senior Planner and Heritage Preservation Officer Lauren Clementino provided a PowerPoint presentation that covered the following:

CERTIFICATE OF ECONOMIC HARDSHIP APPEAL PZ-25-00106-06 19 W.BIRCH AVE
APPELLANT REQUEST
PROJECT LOCATION
PROJECT BACKGROUND
HERITAGE PRESERVATION COMMISSION REVIEW
PHASE 1 CULTURAL RESOURCE STUDY
PHASE 2 CULTURAL RESOURCE STUDY
CERTIFICATE OF APPROPRIATENESS
CERTIFICATE OF ECONOMIC HARDSHIP
APPLICABILITY
CRITERIA FOR APPROVAL
APPEAL PROCESS AND REVIEW
STAFF RECOMMENDATION
COUNCIL OPTIONS

Councilmember House asked what qualifies as a cultural resource, noting that while many terms are defined in the ordinance, "cultural resource" is not. Ms. Clementino explained that the term is defined elsewhere in the code using established criteria. She said cultural resources can include archaeological sites or other resources that have yielded, or may be likely to yield, significant information.

Councilmember Garcia asked staff to explain the basis for the original recommendation for approval and to describe how each of the six approval criteria was evaluated. Ms. Clementino stated that the required studies supported Criterion A. She explained that Criterion B, economic hardship, is broadly defined and subject to interpretation. In her professional opinion, the applicant met the criterion by demonstrating that the property's value had declined from approximately \$4 million to \$2 million, providing rental income comparisons, and documenting structural issues that would require an estimated 50 years to recover rehabilitation costs. She stated that Criterion C was also met. She explained that Criterion D, demolition by neglect, was not applicable because there was no evidence of neglect or unpermitted work. For Criterion E, she said the applicant had explored alternatives, including residential conversion and financing options, but those efforts were not sufficient to make the project feasible.

Councilmember Garcia noted that while some of the criteria are objective, others rely on professional judgment. He asked how decision-makers should evaluate those more subjective standards. Ms. Clementino acknowledged that some of the criteria are open to interpretation and that different professionals may reasonably reach different conclusions.

Capri Flagstaff LLC representative Tyler Mark, Capri Owner Jim O'Connell, and Owner of Cornerstone Environmental Caitlin Stewart provided a PowerPoint presentation that covered the following:

GRADUATE HOTEL – FLAGSTAFF
OVERVIEW
HOW WE GOT HERE
DEVELOPER'S HISTORY
PHASE 1 CULTURAL STUDIES
PHASE 2 CULTURAL STUDIES
WHERE WE'D LIKE TO GO
HOTEL ELEVATION
GARAGE RENDERINGS
LANDSCAPING SITE PLAN

INTERIOR DESIGN HIGHLIGHTS
ECONOMIC HARDSHIP
CRITERIA
ECONOMIC HARDSHIP CONCLUSION – OFFICE
ECONOMIC HARDSHIP CONCLUSION – APARTMENT
ECONOMIC HARDSHIP CONCLUSION
THANK YOU

Councilmember Matthews asked whether the building's significance was tied more to what happened to the Indigenous community than to the building itself. Mr. Mark responded that the significance was associated with the events surrounding the jail cell, not the building itself.

Councilmember Matthews summarized the appraisal, explaining that the property's highest and best use was redevelopment rather than preserving it as an office building. She noted that if the property is worth only about \$2 million as an office after a \$4 million purchase, lenders would not finance the project. Mr. Mark agreed, explaining that projected rental income after restoration would not support the cost of rehabilitation, making financing unlikely.

Vice Mayor Sweet asked what investments had already been made and what the impact of further delays would be. Mr. Mark said the team had spent more than a year preparing engineering drawings and project plans. He explained that delaying demolition would leave the property without income while continuing to incur costs.

Councilmember Aslan asked whether the hotel could be relocated on the site to preserve the culturally significant area and requested additional information about the project's financial backing. Mr. Mark said relocating the hotel was technically possible but would require additional time and expense, noting that the current layout was based on the previously approved concept plan and hotel design. Regarding finances, he said the economic hardship analysis applied only to the applicant and that affiliated entities or parent companies were not relevant to the required findings. Deputy City Attorney Kevin Fincel stated that while questions about financial backing could be asked, the Council's decision should focus on whether the applicant met the six economic hardship criteria.

Councilmember Garcia asked how proposed historical displays and interpretive features would function as community assets, questioned the appraisal process, and sought clarification on the property's valuation. Mr. Mark said the project incorporated feedback from the Indigenous Circle of Flagstaff, including a cultural trail and self-guided historical features. He explained that the original appraisal had been completed by a third party for the previous owner and provided during the purchase. He added that the claimed loss reflected the financial impact of being required to restore the building as an office rather than redeveloping the site, not a decline in the land's value. Mr. O'Connell explained that the appraisal concluded the highest and best use of the property was redevelopment. He said the purchase price was negotiated based on that understanding and that the reduction in value reflected redevelopment constraints rather than a decrease in the value of the land itself.

Councilmember Garcia asked whether any additional independent appraisals had been completed and questioned the historical findings related to the building. Ms. Stewart said the historical study examined numerous significant events, people, and records despite the loss of many city records in a flood. She explained that while important local events occurred at the building, it did not meet the threshold for national historical significance under preservation criteria, even though those events remained locally important. Ms. Clementino clarified that the building had been determined to be a significant cultural resource under both the National Register criteria and the local Flagstaff register. She explained that this designation is why the Certificate of Economic Hardship process was required before demolition could be considered. Ms. Stewart added that the level of preservation ultimately desired for the property is a policy decision for the City.

Councilmember Garcia asked about the estimated tax revenue the project would generate. Mr. Mark estimated that the project would generate approximately \$2.4 million in state and local tax revenue during construction, with additional long-term revenue over the life of the hotel.

Councilmember Matthews expressed concern that the discussion was moving beyond the Council's

role. She emphasized that the Council had been instructed to evaluate the six required findings and cautioned against focusing on issues such as building orientation or appraisal negotiations that were outside the scope of the decision.

Mowana Lomvaya addressed Council and stated she is on the Indigenous Commission but speaking for herself. She stated the Commission worked with staff and the applicant to develop mitigation measures that preserve the site's Indigenous civil rights history. She said the Commission supported demolition, a blessing ceremony, new malapai stone, and an interpretive walking trail, emphasizing that preserving the history was more important than preserving the building.

Pamela Jensen addressed Council on behalf of the Indigenous Circle of Flagstaff, she supported preserving the site's history through interpretation, a healing ceremony, and new construction. She said the focus should be on honoring the experiences of Indigenous people rather than preserving the building itself.

Kelly Tulloss addressed Council and stated she was a neighboring property owner and contractor, supported the project, saying the building had outlived its useful life and that further delays would be costly.

Mark Lamberson addressed Council and urged the Council to approve the appeal, arguing that historic preservation issues should be addressed earlier in the development process.

Michelle Linton addressed Council and supported the appeal, saying the project would revitalize a long-vacant site and encourage future investment in downtown.

Michael Mongini addressed Council and stated he was the former owner of the building. He stated previous feasibility studies found rehabilitation to be cost-prohibitive and that he had been told the building lacked historic significance when he owned it. He supported the redevelopment.

Robin Prema addressed Council and stated she was speaking for the Northern Arizona Lodging and Restaurant Association. She supported the appeal, citing the project's economic benefits and warning that further delays could discourage investment.

Alycia Hayes addressed Council and urged the City to update its historic resource inventory and improve the preservation process so historic resources are identified earlier.

Duffie Westheimer addressed Council and stated she was the Chair of the Heritage Preservation Commission but was speaking as an individual, urged the Council to uphold the Historic Preservation Commission's denial, arguing the applicant had not met several required economic hardship criteria.

John Vanlandingham addressed Council and supported the appeal, saying a one-year delay would likely leave the property vacant without preserving the building and called for improvements to the review process.

Ace Overmann addressed Council and supported the Commission's decision, saying the applicant had not demonstrated economic hardship or fully explored alternatives and that preserving historic buildings remains important.

Regina Salas addressed Council on behalf of the Northern Arizona Lodging, Tourism and Restaurant Association, she urged approval of the appeal, arguing the project would provide significant economic benefits while preserving the site's history through interpretation.

Mr. O'Connell thanked those who spoke and said that, as a third-generation owner of a 108-year-old family business, he values history but also believes businesses must adapt to survive. He explained that the hotel would include amenities for both visitors and residents, including a coffee shop, restaurant, and rooftop bar. He described how the project had been redesigned multiple times to address parking, easements, and City requests, resulting in additional public parking. He estimated the project would generate about \$34 million in property and sales tax revenue over 10 years. He acknowledged that the City's preservation process may need improvement but emphasized that the

project followed the process and complied with all applicable codes. He added that the hotel design incorporates malapai stone to reflect the existing building.

Mr. Mark added that Mr. O'Connell has invested approximately \$8 million in the project and remains committed to Flagstaff. He said the site's history would be preserved through documentation, an Indigenous trail, and interpretive features, while maintaining that preserving the existing building itself was not necessary.

Councilmember Spence asked whether the developer had considered preserving the existing two-story malapai building as the hotel's entrance or façade as part of satisfying Criterion E. Mr. Mark said the idea had been considered but was not structurally feasible because the existing building could not support the proposed development.

Councilmember Garcia asked why the Historic Preservation Commission's recommendation differed from staff's recommendation with little detail in the minutes and why no updated housing alternative analysis had been provided for Criterion E. Ms. Clementino said the commission's meeting minutes were typical and explained that the applicant could not submit new evidence after the record had closed.

Councilmember House asked for clarification on the meaning of "self-created hardship." Mr. Mark said he did not believe the hardship was self-created because the developer relied on an appraisal, an approved concept plan, and an initial Phase I study that found no historical significance when purchasing and planning the project. Deputy City Attorney Fincel read the code's definition of self-created hardship, explaining that it includes actions such as paying more than market value, failing to maintain or manage a property, or other willful or negligent acts by the owner. Mr. Mark added that the developer notified tenants and moved forward only after receiving the initial approvals and study results, and that the later historical findings were outside the developer's control.

There being no further public comment, Mayor Daggett closed public hearing.

Councilmember House thanked everyone who participated and acknowledged the difficulty of balancing competing community interests. She said the Council's role was to evaluate the six economic hardship criteria and, based on the record, she believed they had been met. She thanked the Historic Preservation Commission for its work, agreed the process should be reviewed because several criteria rely on interpretation, and supported approving the Certificate of Economic Hardship.

Councilmember Aslan stated he respected the Historic Preservation Commission's recommendation and was not convinced that Criteria D and E had been met. He believed the hardship could reasonably have been anticipated and was not persuaded that alternative development options had been fully explored.

Councilmember Matthews stated the disagreement stemmed largely from differing interpretations of the code and that the City's process needs improvement. She acknowledged the emotional testimony from the Indigenous community and said its history should be honored through interpretive features rather than preserving the building itself. She concluded the hardship was not self-created, found all six criteria had been met, and supported the appeal.

Vice Mayor Sweet stated she weighed both downtown's historic character and its economic future. After touring the building, she concluded rehabilitation was not financially feasible. She appreciated the Indigenous Commission's recommendations for interpretive features and agreed the process should be improved. She found the six criteria had been met.

Councilmember Spence stated the testimony supported all six criteria and would vote in favor of the appeal.

Councilmember Garcia stated that he supported the hotel proposal but remained unconvinced that housing alternatives had been fully explored under Criterion E. For that reason, he did not support the appeal.

Mayor Daggett thanked the public, staff, and commissioners for their participation. After reviewing the record and the Historic Preservation Commission's deliberations, she concluded the required findings had been met, supported the Certificate of Economic Hardship, and agreed the City's preservation process should be improved.

Moved by Councilmember Lori Matthews, **seconded by** Vice Mayor Miranda Sweet to grant the appeal based on the finding that the six criteria for approval of a certification of economic hardship have been established by the appellant. Thereby approving the certification of economic hardship for 19 W Birch Ave.

Vote: 5 - 2

NAY: Councilmember Austin Aslan
Councilmember Anthony Garcia

5. ADJOURNMENT

The Special Meeting of the Flagstaff City Council held July 8, 2026, adjourned at 12:52 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on JULY 8, 2026. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 1st day of September, 2026

CITY CLERK