

**MINUTES OF THE REGULAR MEETING OF THE SHOW LOW CITY COUNCIL
HELD ON TUESDAY, JANUARY 7, 2025, AT 7:00 PM IN THE CITY COUNCIL
CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY,
ARIZONA**

1. Call to Order.

Mayor Leech called the meeting to order at 7:00 p.m.

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Leech, Councilman Adams, Councilman Clark, Councilman Hatch, Councilman Judd, and Councilman Whipple.

COUNCIL MEMBERS ABSENT: Vice Mayor Kakavas.

STAFF MEMBERS PRESENT: F. Morgan Brown, City Manager; Anna Atencio, City Attorney; Justin Johnson, Deputy City Manager; Justen Tregaskes, Planning and Zoning Director; Greg Westover, Police Commander; Shane Hemesath, City Engineer; Jacob Allen, Airport Manager; Cari Bilbie, Accounting Manager; and Rachael Hall, City Clerk.

GUESTS: Stefan Wehnau, Bruce Ironside, Jim Hammett, Richard Bilbie, Curt Fernau, and others.

3. Invocation.

Councilman Judd gave the invocation.

4. Pledge of Allegiance.

Mayor Leech led the Council and audience in the pledge of allegiance.

5. **CALL TO THE PUBLIC:**

Any citizen desiring to speak on a matter that is within the jurisdiction of the City Council may do so at this time. Comments shall be limited to three minutes per person and shall be addressed to the City Council as a whole, and not to any individual member. Issues raised shall be limited to those within the jurisdiction of the City Council. Pursuant to the Arizona Open Meeting Law, the City Council cannot discuss or act on items presented at this time. At the conclusion of the call to the public, individual City Council members may (1) respond to criticism made by those who have spoken, (2) ask staff to review a matter, and (3) ask that a matter be put on a future agenda.

None.

SPECIAL EVENTS:

A. Recognition of Retiring City Employee, Cari Bilbie

Mr. Johnson said Cari Bilbie, the City's Finance Manager, had served the City for 30 years and gave an overview of Ms. Bilbie's work history. He thanked Ms. Bilbie for her service and dedication to the City.

The Council presented Ms. Bilbie with a gift and thanked her for her service to the City.

6. **CONSENT CALENDAR:**

- A. Proclamation by the Mayor Proclaiming January 20, 2025, as **MARTIN LUTHER KING, JR. DAY OF SERVICE** in the City of Show Low. (Rachael Hall)
- B. Consideration of Purchase of Water Stock Parts, City of Show Low Project No. PWOPS-3425B (Rick Austin)
- C. Consideration of Acceptance of Well No. 17 New Install, City of Show Low Project No. W-1821 Job Order No. 4 (Rick Austin)
- D. Consideration of Approval of Supplemental Agreement to Amended and Restated Operating and System Management Agreement with the Show Low/Pinetop-Woodland Irrigation Company (Anna Atencio)
- E. Consideration of Final Acceptance of Airport Pavement Management System 2023B Airfield Pavement Surface Treatment on Runway 07/25 (Jacob Allen)
- F. Consideration of Final Acceptance of Airport Pavement Management System 2022A, and Airport Pavement Management System 2022B (Jacob Allen)
- G. Consideration of Approval of Pet Allies Shelter Service Agreement (Greg Westover)
- H. Consideration of First Amendment to Agreement for Sale of Real Property with Pet Allies, Inc. (Anna Atencio)
- I. Consideration of Minutes of Show Low City Council meetings:
 - 1. Regular Meeting of December 3, 2024
 - 2. Special Meeting of December 10, 2024

COUNCILMAN CLARK MOVED TO APPROVE THE CONSENT CALENDAR AS PRESENTED; SECONDED BY COUNCILMAN ADAMS; PASSED 6 TO 0 WITH MAYOR LEECH, COUNCILMAN ADAMS, COUNCILMAN CLARK, COUNCILMAN HATCH, COUNCILMAN JUDD, AND COUNCILMAN WHIPPLE VOTING IN FAVOR.

7. NEW BUSINESS:

- A. Consideration of Commercial Hangar Lease and Operating Agreement with Aero Products Component Services, Inc. at Show Low Regional Airport (Jacob Allen)

Mr. Allen said on November 20, 2024, the City of Show Low advertised a Request for Proposals for Units 2 and 3 of the City-owned commercial hangar located at 3151 Airport Loop Road. The City received two proposals, both from Aero Products Component Services, Inc. One proposal for each of the available units. There were no competing proposals.

Mr. Allen said the terms and conditions of the leases consisted of a per unit lease rate of \$2,800.00 per month plus tax, insurance, and any applicable monthly user fees. The agreement also included an annual Consumer Price Index (CPI) increase.

Mr. Allen said Aero Products would be responsible for paying all utility costs. The term of the agreement would be for ten years with an expiration date of January 7, 2035, with the option to renew the agreement for one additional one-year period upon City approval.

Mr. Allen said staff recommended approving the Commercial Lease and Operating Agreement with Aero Products Component Services, Inc.

COUNCILMAN JUDD MOVED TO APPROVE THE COMMERCIAL HANGAR LEASE AND OPERATING AGREEMENT WITH AERO PRODUCTS COMPONENT SERVICES, INC. AND AUTHORIZE THE MAYOR TO SIGN THE AGREEMENT ON BEHALF OF THE CITY; SECONDED BY COUNCILMAN WHIPPLE; PASSED 6 TO 0 WITH MAYOR LEECH, COUNCILMAN ADAMS, COUNCILMAN CLARK, COUNCILMAN HATCH, COUNCILMAN JUDD, AND COUNCILMAN WHIPPLE VOTING IN FAVOR.

- B. Consideration of Acceptance of Savage Sewer Replacement Phase 1 Improvements, City of Show Low Project Number S-2624 and Approval of Scope Revision (Shane Hemesath)

Mr. Hemesath said at the September 3, 2024, City Council meeting, a construction contract was awarded to Apache Underground & Excavating

LLC in the amount of \$924,036.00 for the Savage Sewer Replacement Phase 1. The scope of work included the removal of an existing sewer main and the installation of approximately 2,500 linear feet of new 18-inch SDR-35 PVC sewer main. The project also included the installation of nine polymer sewer manholes, sewer services, and the replacement of asphalt and concrete removed to perform the work.

Mr. Hemesath said this project was partially funded by a Congressional Direct Spending grant obtained by the City. The grant award was for up to \$800,000.00 requiring a 20% match. Due to a low bid of approximately \$925,000.00, the City's required match was \$185,000.00, but the City was only utilizing \$740,000.00 of the grant award. As discussed during the award of the construction contract, additional scope would be identified and added to the project in an effort to utilize as much of the federal grant funding as possible during construction. A scope revision to install an additional 450 linear feet of sewer was added to this project to help reduce the scope of the next phase of the improvements and to maximize the use of the existing grant funds.

Mr. Hemesath said the work for the Savage Sewer Replacement Project Phase 1 had been completed with a total project cost of \$977,054.00. This final cost resulted in a scope revision of \$53,018.00, (80% paid with grant funds). Any matching funds would be paid by the existing line item in the budget for the project.

Mr. Hemesath said staff recommended accepting the Savage Sewer Replacement Phase 1, City of Show Low Project No. S-2624, completed by Apache Underground & Excavating LLC at a final project cost of \$977,054.00, approving the scope revision in the amount of \$53,018.00, releasing the retainage and initiating the two-year warranty.

COUNCILMAN HATCH MOVED TO ACCEPT THE SAVAGE SEWER REPLACEMENT PHASE 1, CITY OF SHOW LOW PROJECT NO. S-2624, COMPLETED BY APACHE UNDERGROUND & EXCAVATING LLC AT A FINAL PROJECT COST OF \$977,054.00, APPROVE THE SCOPE REVISION IN THE AMOUNT OF \$53,018.00, RELEASE THE RETAINAGE AND INITIATE THE TWO-YEAR WARRANTY; SECONDED BY COUNCILMAN ADAMS; PASSED 6 TO 0 WITH MAYOR LEECH, COUNCILMAN ADAMS, COUNCILMAN CLARK, COUNCILMAN HATCH, COUNCILMAN JUDD, AND COUNCILMAN WHIPPLE VOTING IN FAVOR.

- C. Consideration of Resolution No. R2025-01, Rescinding Resolution No. R2024-08, and Amending Incentive Policy for Workforce Housing (Justen Tregaskes)

Mr. Tregaskes said at its regular meeting of February 6, 2024, the City

Council adopted Resolution R2024-08. This resolution recognized the need for workforce housing in the City and provided for incentives for the construction of new multi-family and single-family housing to help address this need. Included in this resolution were qualifying income and rental/price limits. These limits were tied to the Area Median Income (AMI) for specific income levels.

Mr. Tregaskes said staff was recently approached by a local builder who would like to utilize the incentives to help construct site-built homes under the workforce housing incentives, with a proposed sales price of \$320,000 per home. After reviewing the AMI limits it was determined that the maximum financed price for a new home would have to be less than \$284,000 for a new home in order to qualify for the workforce housing incentives. He said it was staffs' belief that this number was not practical. Based on this, staff was recommending that Resolution R2024-08 be rescinded and for Council to adopt Resolution No. R2025-01, amending the Incentive Policy to Workforce Housing to reflect that the maximum financed price of a new home be raised to \$325,000, with an annual Consumer Price Index (CPI) inflationary increase in order to qualify for the workforce housing incentives. All other qualifications and requirements would remain unchanged.

COUNCILMAN ADAMS MOVED TO ADOPT RESOLUTION NO. R2025-01, RESCINDING RESOLUTION NO. R2024-08, AMENDING THE INCENTIVE POLICY FOR WORKFORCE HOUSING; SECONDED BY COUNCILMAN WHIPPLE; PASSED 6 TO 0 WITH MAYOR LEECH, COUNCILMAN ADAMS, COUNCILMAN CLARK, COUNCILMAN HATCH, COUNCILMAN JUDD, AND COUNCILMAN WHIPPLE VOTING IN FAVOR.

D. Consideration of Memorandum of Understanding with White Mountain Advisory Group (Anna Atencio)

Ms. Atencio said the lack of workforce housing continued to be an issue for most of Arizona, including Show Low. Workforce housing supported our local businesses, attracted new investments and drove long-term economic growth. The City had taken steps to increase workforce housing through development incentives. There had been a few private projects interested in pursuing the current incentives.

Ms. Atencio said the White Mountain Advisory Group (WMAG) had approached the City about a collaboration for the development of a 150-unit workforce apartment housing project. Staff held several meetings with the Advisory Group about the proposed location, scope, development and maintenance of the project. The WMAG had the knowledge and resources to assist the City in the development of the project.

Ms. Atencio said the next step would be to enter a Memorandum of

Understanding (MOU) which would set forth a framework for the collaboration and a framework for the project. The intention of the MOU was for the parties to collaborate in good faith towards the project; however, the MOU was nonbinding. Either party could terminate the MOU with 30 days' notice.

Ms. Atencio said staff recommended approving the MOU with White Mountain Advisory Group. She introduced Jim Hammett with WMAG to give a presentation regarding the workforce housing project.

Mr. Hammett said the WMAG was a collaboration of individuals who had worked together for the past 25 years who had expertise in developing workforce housing solutions with extensive multi-family development experience, broad base of capital relationships, and was an experienced developer utilizing public and private partnerships. He said the project stakeholders would include the City Council, City-appointed Advisory Committee, and local employers, community leaders and residents. He said the local development team would include Zenni Homes, Ironside Engineering, and local contractors and suppliers.

Mr. Hammett reviewed the 150-unit multi-family workforce housing rental project. The \$35 million project would include one-bedroom, two-bedroom, and three-bedroom apartments and would be modular construction for faster timelines and cost efficiency. He said the development strategy would utilize a local development team, creating an estimated \$70 million project-related economic impact for the City. He said this would provide housing solutions for educators, first responders, healthcare workers, and hospitality and service providers. He said it would enhance employer's ability to attract and retain employees.

Mr. Hammett said the location of the project would be on 14.8 acres at the intersection of East Woolford Road and 8th Street in Show Low.

Mr. Hammett said workforce housing mattered because rising housing costs due to limited inventory created by seasonal homes and short-term rentals reduced affordable workforce options. He said it would stabilize the housing market by creating inventory dedicated to workforce. It would support economic growth and enhance community well-being.

Mr. Hammett said the economic impact would be locally focused development team strategy leveraged development budget to create an estimated \$70 million economic impact for the City, provided approximately 320 direct and indirect project-related jobs, and had a \$1.61 million projected generated sales tax revenue with \$1.575 million annual resident spending. He said it would increase capacity for local construction companies and suppliers.

Mr. Hammett said the timeline would be about six months for planning and approvals, construction would start six months post-funding approval, and completion would be 18 months after construction began. Mr. Hammett gave an overview of the framework for workforce housing success. He said nationally, workforce housing required municipal participation due to restricted revenues and enforced duration for affordability amid higher development costs not being attractive to private equity investors. He said the funding model of built-to-suit and leaseback minimized the City's financial risks. Public/private partnerships shared costs and risks. Employer commitments ensured occupancy and stability. Impact investors provided patient capital focused on long-term benefits. Risk mitigation included extensive due diligence performed under the MOU, a project feasibility study, and secure impact investors commitment to fund project under favorable terms and conditions.

Mr. Hammett said immediate next steps included approval of the non-binding MOU, which would initiate the 60-day due diligence, secure funding commitment, and present findings and secure City Council approval to proceed.

Mayor Leech asked why WMAG chose Show Low as a place for this project. Mr. Hammett said he moved to Show Low recently and saw a need for workforce housing in the area. He said he had a background in workforce housing and wanted to help fulfill a need for the area.

Councilman Whipple asked why the factory for the premanufacturing of the buildings would be built and located in Taylor and not in Show Low. Mr. Hammett said the factory was already committed and being built in Taylor at the old Papermill location. He said with modular construction, moving the units to the project site was a major expense so having the factory in Taylor would help save the project over \$700,000. He said his initial conversation with Zenni Homes was to have the factory located in Show Low, but the process had already been initiated and committed to have it in Taylor.

COUNCILMAN JUDD MOVED TO APPROVE THE MEMORANDUM OF UNDERSTANDING WITH WHITE MOUNTAIN ADVISORY GROUP; SECONDED BY COUNCILMAN HATCH; PASSED 6 TO 0 WITH MAYOR LEECH, COUNCILMAN ADAMS, COUNCILMAN CLARK, COUNCILMAN HATCH, COUNCILMAN JUDD, AND COUNCILMAN WHIPPLE VOTING IN FAVOR.

8. SUMMARY OF CURRENT EVENTS:

A. Council Members

None.

B. Mayor

Mayor Leech said he along with Councilmembers Adams, Judd, and Whipple, attended the New Years Eve event for the Deuce of the Club Drop and said it was a great event.

C. City Manager

Mr. Brown said the City had begun the process to prepare the City's fiscal year 2026 budget. He said there would be town hall budget meeting specifically for citizen input on January 30, at 6:00 p.m. in the Council Chambers. All budget meetings were open to the public and a list of meeting dates was posted on the City's website.

Mr. Brown said the Turn of the Card Community Center would be celebrating spring with a free Groundhog Day Breakfast on January 31, from 6:00 to 10:00 a.m. at the Community Center located at 301 East McNeil. Everyone was invited to attend.

Mr. Brown said in public works projects, the City's contractor began block work on the Show Low Lake Spillway restroom project. Repairs would begin soon on the Sunken Manhole repair project. He thanked citizens for their patience as these important projects were completed.

9. **SCHEDULE OF MEETINGS:**

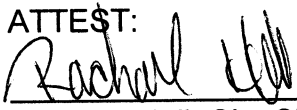
Scheduling of meetings, which may be brought up at this time.

Mr. Brown said there would be a Study Session on January 21, at 6:00 p.m. for a presentation by State Historic Preservation Office. He said there would also be a Budget Study Session on January 21, at 6:30 p.m.

10. **ADJOURNMENT:**

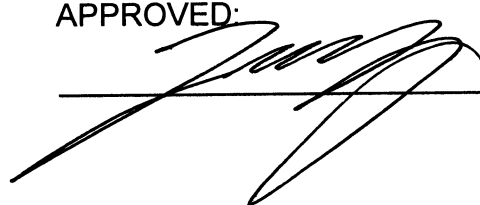
There being no further business to be brought before the Council, **MAYOR LEECH ADJOURNED THE REGULAR MEETING OF THE SHOW LOW CITY COUNCIL OF JANUARY 7, 2025, AT 7:39 P.M.**

ATTEST:



Rachael Hall, City Clerk

APPROVED:

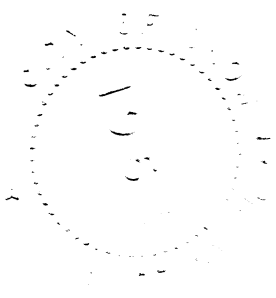


CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the City Council of Show Low held on January 7, 2025. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 21 day of January, 2025.

(SEAL)




Rachael Hall, City Clerk