MINUTES OF THE STUDY SESSION
OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

TUESDAY, OCTOBER 18, 2016
6:00 P.M.

The Town Council of the Town of Chino Valley, Arizona, met for a Study Session in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, October 18, 2016.

Present:	Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Susie Cuka; Councilmember Jack Miller; Councilmember Corey Mendoza; Councilmember Lon Turner
Staff Present:	Town Manager Robert Smith; Assistant Town Manager Cecilia Grittman; Finance Director Joe Duffy; Development Services Director Ruth Mayday; GIS/CAD/Web Technician Jan Mazy (videographer); Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER; ROLL CALL

Mayor Marley called the meeting to order at 6:01 p.m.

2) Status update and discussion regarding Agritainment (Agribusiness) uses in certain zoning districts in the Town. (Ruth Mayday, Development Services Director)

Ms. Mayday reported that in August, Council reviewed a draft ordinance that would amend the Unified Development Ordinance (UDO) and staff had updated the draft per Council's comments.

The purpose for proposed agritainment overlay was that Chino Valley's rural atmosphere set it apart from other communities. In an effort to keep the rural atmosphere alive, staff was trying to make the process easier for small ag-oriented businesses than the Conditional Use Permit (CUP) and Planned Area Development (PAD) processes. She presented an overview of the latest draft, including the following topics:

- Purpose and definitions of an agritainment overlay.
- History of proposed concept from January 2015 until now.
- Regulations pertaining to camping and campgrounds, and arenas and stables in the overlay vs. other uses.
- Overregulation of some agricultural ("ag") uses in the UDO.
- Conflicts between special event permits, festivals, and temporary use regulations in the UDO and Town Code, and ag uses being undefined.
- Current zoning classifications and uses in AR-4 and AR-5 zoning districts.
- Staff discretion vs. public hearing process.
- How zoning influenced property taxes and sales taxes.
- Town land use applications.
- Freeman Farms, property taxes, sales taxes, and UDO paving requirement.
- Appeal process for UDO interpretation.

Council expressed concern about:

- Eliminating the public review process from the overlay process.

- Conflicts between the overlay and state law regarding ag building permit exemptions.
- Inability of the Town staff to enforce an additional set of regulations due to lack of resources.
- Folks using the overlay to get around commercial oversight.
- Possibly giving an unfair advantage to some businesses.

In response to Council's questions and concerns, staff provided more detail on the following matters:

- *Code Conflicts:* A building built for an ag business was considered a commercial structure per the International Building Codes (IBC), but some of the Town's commercial requirements, such as the paving requirement, conflicted with certain ag uses. With an agritainment overlay, Council would have the discretion to waive the paving. There were also conflicts between the UDO and Town's Festival Code.
- *Agricultural building permit exemption:* Prior to the 2006 UDO, the Town, as well as other entities, exempted ag buildings from permit requirements. The 2006 UDO eliminated that exemption and the current IBC had a specific category and regulations for ag buildings, such that, once an ag structure was used for the public, it was no longer an ag structure. There was still a question, however, if the exemption still existed for property outside municipal limits. While there were state rules that would supercede some Town codes, the overlay would be an option, not a code to be imposed on whole zoning districts.
- *Ag zoning and tax law:* A property could have ag zoning without having an ag taxing base.
- *CUP process vs. overlay:* Under the CUP process, new construction required paving. Staff had the discretion to choose between asphalt, concrete, or chip seal, but could not waive it entirely. The only way around this was to amend the ordinance, appeal to the Board of Adjustment, or apply for a PAD, under which paving could be waived, but was very costly to obtain. The overlay would only require a hard packed surface. Staff could create an abbreviated CUP process, then review the UDO for further amendments.
- *Overlay oversight:* The overlay would not circumvent commercial regulations. Council could limit agritainment uses to specific timeframes, such as one per month, and after that, the use would require a CUP. Conversely, a limit such as one per month would hamper uses like animal rescues that did public activities daily.
- *Construction lending:* Commercial lenders shied away from CUPs, but agribusiness uses would not impact property to the degree that financing would be jeopardized.
- *Issues with illegal hay sales:* The legislature just repealed sales tax on ag feed stuffs, so these no longer had a competitive advantage. It was a difficult issue to for the Town, but when staff received a complaint from the public, Code Enforcement staff addressed it.

Public comment:

Helen Collins with Horses With Heart spoke about the difficulties the organization had starting its operation in Town due to the problems in the UDO. Although the overlay could be a positive addition to the Town, there were still many unanswered questions and the underlying problems in the UDO should to be addressed first.

Chris Fonoti, resident, supported the proposal, as it would bring in tourism and she had not heard about any negative effects.

Council discussion:

- As an agritainment use would change the dynamic of the neighborhood, they supported retaining the CUP requirement for a neighborhood meeting.

- Rather than create a whole new regulation, they preferred that staff create agritainment as a subset of the CUP process, with its own requirements and reliefs.

3) Presentation regarding the Manufactured Home Sales Tax Rate in the Town of Chino Valley. (Joe Duffy, Finance Director)

Mr. Duffy presented on this item:

- The Town had the highest tax rate for manufactured homes among its direct municipal competitors. The higher tax rate was a significant issue for borrowers and was causing buyers to purchase from other locations to save money.
- The financial impact of reducing the sales tax rate was estimated at $27,750-$55,500 for a 1%-2% decrease. However, reducing the tax rate could result in more homes being sold.
- As the state tax code had a specific category for manufactured homes, it would be simple to change. After a public hearing in December and submittal to the State, the earliest effective rate change date would be March 1, 2017. The requirement to post the rate change for 60 days on the website would not be needed, as that did not apply to tax reductions.

Dave Rowe, General Manager of Clayton Homes, and Executive Committee Member for the manufactured housing industry in Arizona, explained that:

- Clayton's sister companies in Mesa and Glendale were using the Town's tax rate to discourage Town homebuyers from purchasing in Town. Chino Valley did not get the sales tax for homes purchased in Mesa and Glendale as the tax code dictated that taxes were paid at the point of sale.
- In order to compete, he was having to absorb the extra tax, and due to weaker sales, the parent company was considering closing the local store. While his overhead might be less than the sister companies, corporate considered only volume.
- His only local competitor, Best Buy in Prescott Valley, was unable to offer the same advantages to buyers as Clayton, such as inhouse financing. As he believed the Chino Valley market was going to grow, he needed to be competitive.

One Councilmember commented that while the sales tax loss would be about 1% of total sales tax revenue, the business contributed to the employment base.

4) ADJOURNMENT

MOVED by Councilmember Jack Miller, seconded by Councilmember Mike Best to adjourn the meeting at 7:32 p.m.

Vote: 7 - 0 PASSED - Unanimously

Chris Marley, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 18th day of October, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 8th day of November, 2016.

Jami C. Lewis

Jami C. Lewis, Town Clerk