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CALL TO ORDER

[Time: 00:00:05]

Mayor Ortega: I call the November 20th, 2023 City Council Regular Meeting and Work Study Session to order. Clerk, Ben Lane, please conduct the roll call.

City Clerk Lane: Thank you, Mayor. Mayor David Ortega.

Mayor Ortega: Present.

City Clerk Lane: Vice Mayor Solange Whitehead.

Vice Mayor Whitehead: Here.

City Clerk Lane: Councilmembers Tammy Caputi.

Councilwoman Caputi: Here.

City Clerk Lane: Tom Durham.

Councilmember Durham: Here.

City Clerk Lane: Barry Graham.

Councilmember Graham: Here.

City Clerk Lane: Betty Janik.

Councilwoman Janik: Here.

City Clerk Lane: And Kathy Littlefield.

Councilmember Littlefield: Here.

City Clerk Lane: City Manager Jim Thompson.

City Manager Thompson: Here.

City Clerk Lane: City Attorney Sherry Scott.

City Attorney Scott: Here.

City Clerk Lane: City Treasurer Sonia Andrews.

City Treasurer Andrews: Here.

City Clerk Lane: Acting City Auditor Lai Cluff.

Acting City Auditor Cluff: Here.

City Clerk Lane: And the Clerk is present. Thank you, Mayor.

Mayor Ortega: Very good. We have Scottsdale police officers, Ryan Lowing as well as detective Dustin Patrick and firefighter Raul Skolnick, if anyone needs assistance. Also, for your information, the public restrooms are through that rectangular opening at the mezzanine level. We will begin with the Pledge of Allegiance. I will call on Betty Janik.

Councilwoman Janik: I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

Mayor Ortega: Well, I ask that we take attention, draw our own attention to the ongoing wars in other countries and the suffering that's going on in many cases, of course, fighting for their country, freedom and democracy. So, let's pause, reflecting on what is happening in the world.

Thank you. Well, we are stepping into the Thanksgiving week. Certainly a time for family gatherings and counting our blessings, but we also completed our tributes to veterans, knowing that our military forces are on guard worldwide and especially in danger in the Middle East. So, we will continue our national

giving thanks for one another, our families, and for safety of all of our military.

So, during tonight's meeting, the Council may make a motion to recess into Executive Session to obtain legal advice on any applicable item on the agenda. If authorized by the Council, the Executive Session will be held immediately and will not be open to the public. The public meeting would resume following the Executive Session. Per our Council Rules of Procedure, citizens attending City Council meetings shall observe the same rules of order and decorum applicable to members of the Council and our city staff. Unauthorized remarks or demonstrations from the audience such as applause, stamping of feet, whistles, boos, yells, and/or other demonstrations shall not be permitted. Violations of these rules could result in removal from the meeting by security staff. It also helps our meeting flow much easier.

PUBLIC COMMENT

[Time: 00:04:12]

Our next portion is agenda item is the call to the public. Public comment is reserved for Scottsdale citizens, businesses, owners, property owners to comment on non-agendized item, any non-agendized item which is not on the agenda. Advocacy for or against a candidate or ballot measure during a Council meeting is not allowed pursuant to state law and is therefore not deemed to be within the Council's jurisdiction.

No official Council action can be taken on non-agendized items. The speakers are limited to three minutes to address the Council. If you wish to speak on a non-agendized item, please check with the Clerk. Actually, for that matter, if there's an agenda item to speak on, you can also check with the Clerk. At this point, we have received two requests to speak. You would have three minutes.

Please come forward and state your name and place of residence. And we have Kyle McGinley and then Brent Bieser. Oh, I'm sorry, we'll use the standup podium over there at that end.

Kyle McGinley: This one will be a little bit easier. May I use this projector here?

Mayor Ortega: Sure.

Kyle McGinley: Thank you. Perfect. Thank you all for your time today. It's my first time here doing one of these. My name is Kyle McGinley. I'm here along with my fellow neighbors to discuss a zoning issue that our families are experiencing in South Scottsdale off of Vista Drive and Scottsdale Road known as the Vista Bonita subdivision. It is important to note that I'm not a one-man band. I have several of our neighbors here with me today that somehow voted for me to come up and present. If you guys would raise your hands to show your support. Thank you.

As you can see, there are quite a few neighbors that have been affected or impacted by a zoning issue that we are experiencing in our neighborhood. This shows where a business in question is located. Where individuals are parking in front of residences. This shows a couple of pictures here. Those vehicles parked in front of our homes oftentimes not allowing us to access drives.

We're experiencing a severe parking issue that's really not allowed us to access our homes with even our own vehicles. As you may or may not –

Mayor Ortega: Kyle, if you could turn those sideways on the projector. There you go.

[Time: 00:06:52]

Kyle McGinley: As you may or may not know, earlier this year your staff approved a use for personal care services under SR zoning for the property located at 5115 North Scottsdale Road, a business called The Dale, which we understand is salon suites. For the City of Scottsdale zoning ordinance on their website, personal service businesses are not allowed on SR-zoned land. I conducted a quick survey of other salon suite personal care service uses in the city and of the 15 that I researched, zero were in SR zoning. Rather they existed in C2/C3 zoned areas. The salon business has over 50 staff members plus clientele. The site only has 50 parking spaces.

Salon staff and client cars are spilling into our neighborhood by the dozens six days a week. The city staff mistake is causing a serious parking problem in our neighborhood and the City needs to help us. Law enforcement has already added no-parking signs directly off Scottsdale Road as cars parked were causing congestion on Scottsdale Road therefore acknowledging the problem. Note that we have met with the owner of the salon and he was generally understanding. He said that he had enlisted the help of a private valet service to help with the problem.

Note that most of the pictures shown in the presentation were taken after he instituted this new valet policy. The bottom line is that the City made a serious zoning ordinance mistake that is resulting in a terrible parking problem. Our neighborhood is zoned R1/10 and our lots are close to half an acre. SR zoning was created to protect these residential neighborhoods, not punish them. As we see it, there are really only two possible solutions: reduce the salon business to match the parking or move the salon to the correct zoning. We are not asking for any exceptions to rules, we are simply asking that you enforce the zoning ordinance as it was written. We just want to have it cleaned up.

And this is the zoning page that I pulled off the website. It shows personal care service which is what is located in the building as advertised on their website and it is not a permitted use here. Note that we do not have sidewalks in our neighborhood, and the cars are parking on street, so if we want to take our dogs out or enjoy our yards, we really have no place to do that. That's all. Thank you all.

Mayor Ortega: Thank you. We have a follow-up question from Vice Mayor Whitehead.

Vice Mayor Whitehead: You mentioned the address, but I didn't catch it.

Kyle McGinley: Yeah, it's 7239 -- oh, the property address is 5115 North Scottsdale Road.

Vice Mayor Whitehead: Okay. Thank you.

Kyle McGinley: Thank you. Do you have a Councilmember that you could assign to our case?

Mayor Ortega: Sure. Councilmember Durham and then I have a follow-up also.

Kyle McGinley: Thank you so much.

Councilmember Durham: Yes, thank you.

Mayor Ortega: You can stay there.

Councilmember Durham: You can stay up there; I think we were asking questions. Have you contacted anyone in the City about this? I think you said you contacted the --

Kyle McGinley: Yes, we contacted somebody in parking, I believe. We contacted law enforcement, and Planning. We contacted someone in Planning.

[Off microphone comment]

Mayor Ortega: You will have to come up to the front, please. And speak from the recording.

[Time: 00:10:03]

Unidentified Citizen: Sorry, my bad. So several sort of conversations have had via email and on the phone with the Tim Curtis from the Planning Department. We've also had an exchange of information with the traffic engineers and with the Police Department. We were told the police have more pressing issues in town here versus up and down our residential street. And basically, you've got the traffic engineers telling us we need to go talk to the Planning Department and the Planning Department pointing the finger to the traffic engineers that they need to do something different with parking on our street. And neither one of those really solve the zoning issue that started this whole situation.

Councilmember Durham: Thank you, Mayor.

Mayor Ortega: So, thank you. We will open a file on this. The concern I have generally speaking, is that from time to time there's some retail going on. They might sell little beauty kits or some other accessories that is not permitted in the SR zoning. I'm not saying they do, but we have to look into that, as to whether or not that's another driver that requires sales tax, licensing, and so forth. So we will follow up with you and we have your contact information. Thank you very much.

Kyle McGinley: Thank you.

Mayor Ortega: Next, we have Brent Bieser.

Brent Bieser: Good evening, Mayor and Councilmembers. I'm going to use the screen here. Actually, I

was here three weeks ago and addressed you. My name is Brent Bieser, 7317 East Vista Drive. And you are going to notice a little bit of commonality here. The property that Kyle that was just talking about is zoned SR is the one that is right down here that I'm pointing to. The one that we have been having troubles with, also zoned SR, that we've been having difficulty with for over 20 years is this office building. The address of that is 5225 North Scottsdale Road.

You will see that the DoubleTree Paradise Valley Resort is right along the border of the one that I, the subject property I'm talking about is the one that's got the orange tint to it. And several years ago, back 20 some years ago, Paradise Valley actually bought this office building and decided to write themselves an easement to allow overflow parking from Paradise Valley to dump into Scottsdale. And Scottsdale really didn't do anything about it.

I brought it to the Mayor's attention, brought it to, you know, Councilman Petticrew, and Mary Manross, I brought it to their attention and it didn't sound like there was much that they felt that they could do. And this property has recently gone through a staff review as opposed to going to any kind of a D.R. that would have been more appropriate when this was being remodeled. The big problem we're having here is that this parking is coming through here and the parcel being zoned SR has no affiliation or nothing that would be of a hotel-type of use.

[Time: 00:13:27]

Hotels are 24/7, 365 days a week. SR zonings are supposed to be quiet little office buildings like where maybe your insurance guy works or something. So what we're trying to do is to get the staff to give us some assurance that they are going to enforce zoning. They don't seem to be particularly interested. The story I sort of get is, well when we do our zoning enforcement, we kinda look at the building and we don't look at the parking lot. Well, I'm an architect, I have been doing this for 40 years, over 40 years. I never had any staff member tell me that the zoning only applies to the building.

What I'm doing is I'm basically standing here with my hat in my hand, who do we go to to get the SR zoning enforced? The staff does not seem to be interested. And I spoke with Councilman Graham about three weeks ago, he was very courteous, responded to my call the very next day. We just don't know who we are supposed to go to, to get the enforcement. We have got the zoning on our side. We just can't seem to get the city staff to, you know, basically back up the zoning. So that's my presentation. I'm happy to take any questions.

Mayor Ortega: Okay. We have Councilmember Graham.

Councilmember Graham: Thank you, Mayor. Greg, thanks for coming back to us. We had an exchange and then Brad Carr responded. Was his, what did you think of his reply?

Brent Bieser: Well, I basically was asking a very simple question. Is the city staff going to enforce the SR zoning? And I seem to get kind of this odd answer that really didn't address my pointblank question, are they going to enforce it? He said, "Well there's plenty of parking there. It's an office use and the office is

going to have its parking and it's got more than enough parking." Well, I know that.

I'm trying to figure out is the City of Scottsdale going to prevent the hotel from parking, the hotel in Paradise Valley, another jurisdiction, from parking overflow cars and whatever vehicles on the City of Scottsdale SR zone. In order for it to be a hotel property, it would have had to be an R5 or R4 to be hotel compliant. SR has nothing to do with hotel.

Councilmember Graham: Right, I was going to ask you though. Brad said that he had spoken with the hotel, and they were no longer going to use it as parking. And did that come to effect or is that?

Brent Bieser: Well, you know, I followed up on the email because I saw that you were involved with that same email and I appreciate that you have been, you know, staying Johnny on the spot with this as we have been going through it. And I asked them, that would be wonderful, can you give me some kind of documentation that would back up that they are going to stop the parking out there? Because they could say that one week and then one week later say we're changing our mind, we're going to allow it.

[Time: 00:16:30]

The big problem that's happened here is that when this parcel, when this piece of land was purchased by the hotel, back in about '96, they basically wrote themselves an easement, giving them perpetual use of this parking lot for hotel parking. And the City of Scottsdale was not a party to it. Basically, the ownership of the hotel basically just helped themselves to a Scottsdale parking lot that isn't even zoned appropriately. And what we are trying to do is we are trying to stop the problem that the staff created 25 years ago.

Councilmember Graham: But you haven't seen a downtick in the parking violations or?

Brent Bieser: Right now, the property is completely enveloped because it is going through a major remodel.

Councilmember Graham: Oh, that's right.

Brent Bieser: So, it's completely behind cages. In the beginning when the hotel very first bought it, it was a major problem. The valets would come in there, park the cars on the lot, and then instead of going back through the gate that, the penetration gate right here, they would get on to Scottsdale Road and then drag race back to the lobby to turn the cars back in.

On weekends, we would get buses idling, tractor-trailers would stage for their events and things like that, that would be there like on the weekends idling. It was a smelly mess. And then as the ownership changed, the use tended to kind of change and was volatile with the ownership and the needs of the hotel. And it seemed like it never had anything to do with the SR zoning. It was whatever was convenient to the hotel.

Councilmember Graham: Thanks, Greg. Thanks, Mayor.

Mayor Ortega: Okay. And I do notice they keep a chain across at the DoubleTree. They keep a chain across the south drive all the time which presents a problem. Seems like you've got to circulate all the way around it, except on Scottsdale Road.

Brent Bieser: Oh yeah, the access.

Mayor Ortega: Well, why don't we do this. Also check with Paradise Valley. So give them a ring over there.

Brent Bieser: Yeah, well, I will tell you. I'm sorry. Go ahead.

Mayor Ortega: I'm just asking, did they discuss that? Because there's no law against properties straddling, right, but there may be some restrictions in their original use permit at Paradise Valley. The Town of Paradise Valley.

[Time: 00:19:01]

Brent Bieser: And actually, there is a whole special use permit that was created for the shared parking, between the property. Scottsdale was not a party to it, interestingly, though. The Town of Paradise Valley basically was party to the special use permit and easement that was in Scottsdale, but it was signed basically by the authorities with the Town of Paradise Valley and Scottsdale was completely ignored or whatever. I mean it was just.

Mayor Ortega: Okay, so there's some paper trail there, out of Town of Paradise Valley. Thank you very much, and I think we can, if there's any follow up from City Attorney or our land use violation if there isn't, then we would clarify that.

Brent Bieser: So, the City Attorney then can understand more of the enforcement side of this?

Mayor Ortega: I don't know that there's a violation per se. We would have to look into that to find out either, because I see the complication when the DoubleTree chooses to chain off the drive, that's the South Drive, it's always been chained off, then basically what that's doing is its driving their traffic probably into this City of Scottsdale area off that residential street. I don't know if that's true or not, but it never made sense to me why they close off that driveway, but we will take it under advisement and I don't know that they have violated yet, but we'll look into it and get back to you.

Brent Bieser: It's mostly a history of violation and the meetings I've had with their architect and with the owner's rep, their education is that they feel they can't get out of this easement.

Mayor Ortega: Well, okay. They may feel they have rights through the Town of P.V. that we cannot obviate. We can't necessarily change that. But I'll leave it there right now. And thank you for calling it to

our attention again.

Brent Bieser: Thank you very much.

Mayor Ortega: Thank you.

CONSENT AGENDA

[Time: 00:21:13]

Mayor Ortega: We do not have minutes to approve at this meeting so we will move on to the consent agenda items 1 through 10a. And these are posted with full file backup. And as I understand it, Councilmember Graham, did you want to have any issue or consent agenda item brought for regular agenda or did you have a question that could be answered?

Councilmember Graham: I just didn't know if we had time for a presentation on items 1 and 6.

Mayor Ortega: For 1 and 6.

Councilmember Graham: Yes sir. We can just pull them, or we can?

Mayor Ortega: Well, if you have a particular question on it. If not?

Councilmember Graham: I did have a few questions. But their presentation may answer all of my questions kind of thing.

Mayor Ortega: Okay, so the presentation that we see is, it includes 390 pages, right? That's what is included.

Councilmember Graham: I only want to go through every other page.

Mayor Ortega: Well, it is 394 pages. So, either we, so at this point, what about six? You said six. That is which case? The legislative agenda for discussion and do you have?

Councilmember Graham: Is Allison or somebody available to talk to us?

Mayor Ortega: Sure, she is available, so let's handle it at the consent first if they can answer your question without pulling it to the regular agenda.

Councilmember Graham: Good idea, thank you Mayor.

Mayor Ortega: So we're calling forth city engineer, Allison Tymkiw, and this project and references the construction manager at risk. Construction phase services for Ashler Hills Park. She'll give you the overview on the presentation. Go ahead.

Allison Tymkiw: Hi, good evening, Mayor and members of Council, Consent Agenda Item 1 is the Construction Manager at Risk Construction Phase Services for the Ashler Hills Park project. This resolution is to authorize Construction Manager at Risk Contract 2023-168-COS in the amount of \$8,753,376 between the City and the Valley Rain Construction Corp for construction services for the 2019 Bond Project 55, build a 17-acre neighborhood park at Ashler Hills Drive and 74th Way.

Okay. So, this project, you've seen it a few times, this the preconstruction services with Valley Rain Construction was actually awarded back in June of 2022. Since that time, they have been working with the designer, the architect on board, to look at the project for pricing and value engineering opportunities. This is the site plan, and if you recall, the north arrow is actually oriented to the right. So you would have to flip this to actually get it oriented in space correctly.

But this basically shows the general site plan. Not a lot of detail on this one, it just shows the full site. The area on south where the parking is. We have the two turf areas in the middle of the park. There's a covered playground as well as a restroom building. There's a basketball court, eight pickle ball courts, and then the area to the north is the majority of it is undisturbed and it's going to be used as NAOS and walking trails. Okay. This is a blowup of the active area of the park. So again, it's the features that I had listed previously it just shows them a little bit more in detail.

[Time: 00:25:30]

If you note, it's a little hard to read but, at the lower right corner of the pickle ball courts is where we did add additional landscaping that was at the request of the residents and that's something that we added when we went through DRB, Planning Commission, and City Council. We also have a lot of public involvement on this project. We started public involvement virtually in September and October of 2021. We also had virtual public meetings in March of 2022. So we did hear a lot from the residents.

We had a lot of feedback and made a lot of adjustments to the site plan based on that. This is an aerial view looking from the northwest and you can see sort of in the foreground that shows where the pickleball courts are. They're set up against the existing commercial development to be as far from the residents as possible. This is the entry bridge that goes into the park from the parking lot. There have been some previous discussion on the shade structure here. Last year at our retreat, City Council asked us to look at that. We actually did value engineer that feature.

So it is still in place, but we got the price down on that quite a bit. I've shown you this picture before. This is the public art. These are shade structures that are up against the pickle ball court area. So, as you recall, the project initially, the original budget, 2019 bond project was approximately \$6.1 million. Last year, during the '23-24 CIP cycle, we requested an additional \$4.7 million in General Fund which was adopted by City Council and included in our budget on July 1 of 2023. So with that, I will answer any questions that you have.

Mayor Ortega: Continue, Councilmember Graham.

Councilmember Graham: Thank you Mayor. Allison, thank you for the presentation. So the 8.7 tonight, that's not the full price tag, because it's the 4.7 plus the 6.1 right?

Alison Tymkiw: Councilmember Graham, the 8.7 that is here tonight is for the construction contract. That's how much it is going to cost the contractor to build it. It's their guaranteed maximum price. The entire project budget was 6.1 plus 4.7. So that's what, 10.8? Did I do the math right?

Councilmember Graham: 11.1.

Alison Tymkiw: Okay. Sorry.

Councilmember Graham: So it's almost 100% over budget, you know. But I was going to ask, what kind of value engineering, savings were you able to find with the shade structures and some of the other cost drivers?

Alison Tymkiw: So for the shade structure itself, our architect looked into it and we were able to decrease the cost by using a different material, a different grade metal for it.

Councilmember Graham: We didn't have to sacrifice aesthetics or quality?

Alison Tymkiw: Councilmember Graham, no, it is still going to have the same effect.

[Time: 00:28:44]

Councilmember Graham: Okay. And then just in plain English, this is a CMAR, can you explain the difference for just the general viewer, how that, is that different than a normal fixed contract bid or open bid process?

Alison Tymkiw: Yes, Councilmember Graham, members of Council, so when we do a CM at risk contract, a construction manager at risk, it is required of us from Title 34, Arizona State Statutes to go through a qualified, a qualifications-based selection process. So it's not a low bid. We do do an RFQ, a request for qualifications. We do select our contractor based on qualifications and then we hire the contractor under a preconstruction phase services contract which I had mentioned was authorized by City Council back in June of 2022. They are on board under a preconstruction phased services contract to do pricing, look at value engineering, and then to finally develop their guaranteed maximum price.

And so then once they develop their guaranteed maximum price, which we negotiate with them, they also go ahead and bid out a lot of the subcontracts for that and then we come to you now with the contract for the guaranteed maximum price, which is the construction services contract.

Councilmember Graham: It seems like we are doing more of these construction management at risk, would this type of project historically be one of those? I would think this would be an RFP, your

standard. What was the thinking behind this one?

Alison Tymkiw: Councilmember Graham, members of Council, so basically, the construction, the way construction has been going over last several years with certain unknowns and pricing escalations, material shortages, labor shortage, everything that we explained to you before, that makes the construction manager at risk delivery method, it really helps us in that situation. So if you recall on certain projects we've come forward with a guaranteed maximum price for early procurement of materials.

Councilmember Graham: Right.

Alison Tymkiw: So we are able to secure materials at a certain price and then we come back for a GMP-2 for the actual construction. Some projects we've had several GMPs. So, yes, as of late, we've been much more successful with our contracts when we have been doing them as a CM at risk. We have been doing more lately as a CM at risk than in the past.

Councilmember Graham: Okay, I guess my question is, you answered my question, but it just kind of wondering out loud, we're doing more of those, versus sort of traditional or, you know, the standard way of procurement. It makes me wonder but you answered my questions and I have no further. It was a good presentation. I'm really excited to check off on another Bond project from 2019 Bonds.

Alison Tymkiw: Yes.

Councilmember Graham: And move forward with that. Thank you, Mayor. Thank you, Allison for your time.

Alison Tymkiw: Thank you.

[Time: 00:31:45]

Mayor Ortega: Sure. I would just comment that construction manager at risk allows a very efficient way to proceed with a project, for instance even the Fire Academy, was they could basically start digging foundations with subs as they go, versus putting out a bid package and then waiting for the lump sum amount that might have, you know, different classes of subcontractors whereas at risks, they are always quantifying them as they go and it is the most effective way.

I noticed that the subcontracts were about \$6.1 million, but then you've got the management of everything and coordination, plus a pretty hefty contingency. Did you, so moving on to item number 6 has to do with the, our policy, and this would give us a quick review of this on a consent agenda item. Dale Wiebusch will come forward and talk about our government policy and how we move forward in communication with the state and federals.

Dale Wiebusch: Dale Wiebusch, Government Relations Director. I don't have a formal presentation, but I

would be happy to answer any questions on the 2024 legislative agenda. We did meet with each of you, sometimes in pairs. Hopefully I can answer any questions that you may have.

Mayor Ortega: Go ahead.

Councilmember Graham: Thank you, Mayor. Dale, can you just go over if there were any substantive changes between the prior year and the current year?

Dale Wiebusch: Mayor –

Councilmember Graham: I'm sorry so interrupt you, can you also just for the audience, for the public, tell them what the document does, just very briefly.

Dale Wiebusch: Sure, thank you, Councilman. The legislative agenda has a couple of purposes, one of those purposes is to grant the Council's authority to the Government Relations Department to go down to the State Capital and put forth positions on the various pieces of legislation. It also spells out to our legislators the kind of things that we are interested in and makes our statements, our stands, so to speak, in front of the public.

So in terms of major changes from last year, we added a handful of pieces here and there. I don't have last year's in front of me, I apologize for that. Our basic core principles remain the same. We want to preserve our unique character and culture of Scottsdale. We want to preserve local funding and support local authority. Those are tenets that we just don't yield on. And then in our policy statement sections on prosperity, finance, livability, we did some pieces in there to get them to be more in line with words and statements that are in our General Plan. So outstanding livability, for example.

We continue to seek ways to have good quality jobs here in the city, healthcare, information technology, we want stability in our retirement systems. We want funding programs that align with city initiatives without many strings attached. We want to try to offset any local revenue losses that occurred because of state or federal actions. For example, residential rental tax, which will go away in 2025. And any kind of unfunded mandates that will limit our ability to get the best quality services for our citizens. We seek to continue to prohibit discrimination, which is kind of an odd way to say it but we want folks to have fair housing and public accommodations, regardless of sexual orientation or gender identity.

[Time: 00:35:47]

Housing affordability measures. Let's see what else do I have here? Preservation of sustainability, our Sustainability and Environmental Advisory Commission. If I got that title right, SEAC, wanted more emphasis on the sustainability portion of things so we augmented that title for them. And then we did, supporting regional transportation networks which speaks to the extension of Prop 400 which is now known as Prop 479. I see MAG in the house. And then some water management things.

One in particular, I think that is a major change, Councilman from last year, is to speak to the Wildcat

Subdivision issue. So that we have some kind of groundwater management in places that did not have it prior -- well, to any changes that we may be able to accomplish this next year. Am I getting where want to go Councilman?

Councilmember Graham: Yes, I wanted to hear from you, as far as changes from prior year and your general thoughts.

Dale Wiebusch: I think it's a stronger document. I think the work that each of you contributed to this, and our executive team and their staffs allowed us to speak more clearly to certain items. I think the core tenets, the core principles, remained the same and those have to remain the same, those are the things we always believe in. But I think augmentation of certain pieces and streamlining it. I know some cities that have these that have 8 and 10 pages and as we discussed, Councilman Graham and Councilman Durham, you were there as well, getting it down to two pages is quite a feat and there might even be room for more leanness. But that was not accomplishable this year.

Councilmember Graham: I guess maybe next year going forward sometimes there is some, it seems like a little bit of a wish list, and I would like to get it, to compress it down to one page. I think the longer that it is, the more it diminishes its effectiveness. The longer, nobody is going to read a ten-page document. We know that. Two pages. I think that if we can get more compression down to one page and kind of more nuts and bolts, and less of the wish list stuff I think that would be preferable on a go forward basis. And Tom was there in the room when he heard me talk about some of that stuff. So thank you, Dale, for presenting to us. Thank you, Mayor.

Dale Wiebusch: And just to finish, the League puts out a policy statement every year that is the resolutions that were passed, it's usually two pages. We had a graphic artist some years ago that condensed it to a foldout that was this big. And one page it says, preserve local authority, and the other page said, protect local funding.

Councilmember Graham: I get it.

Mayor Ortega: Good. I would also summarize Item Number 5 is in our Consent Agenda. It authorizes a contract with the Aarons Company who are our lobbyists and obviously they need to have direction from our Council. Our Council document is the basis to direct the and authorize our majority opinion on all areas that need to be covered. So I find the size of it very concise, and yet covers all of those areas. The other item that's on the agenda is in our work study. It has to do with short-term rentals.

So once again, that is covered in our overall wish to maintain healthy neighborhoods, to have, you know, good law enforcement and not be stripped of those powers such as happened at the state level. With that, I would go ahead, Vice Mayor Whitehead.

[Time: 00:40:01]

Vice Mayor Whitehead: Thank you, Mayor. Yeah, I actually think it was very concisely written and I

encourage every member of the Legislature to work with us and then these wish lists will get shorter and shorter. And I think everything on this list, if approved, would save our taxpayers money, improve our quality of life and reduce some of the health risks we are seeing associated. And certainly the funding is crucial because the funding is what pays for our police, our fire, our social services, and our parks. So with that, I'm motioning to approve the items, the Consent Agenda Items 1 through 10a.

Councilmember Durham: Second.

Mayor Ortega: Thank you. We have a motion and a second. Just for the record, I will open public comment, but I don't believe there are, there is any public comment on these Consent Agenda Items. Clarify that and then I would close the public comment. We have a motion and a second. Please record your vote. Okay. Thank you. Unanimous.

PUBLIC COMMENT

[Time: 00:41:17]

Next, we will move on to the public comment. We have a second opportunity for public comment and seeing none, I would close that. Another item on our agenda is a possibility of a citizen petition, according to our Charter any citizen can propose a petition and petition the Council. If so, they would have recorded it with the Clerk. And then we would have read it at this time. Clerk tells me there is no petition request, citizen petition. Therefore, I close that item.

WORK STUDY ITEM 01 – MARICOPA ASSOCIATION OF GOVERNMENTS ECONOMIC TRENDS PRESENTATION

[Time: 00:41:55]

Next, we have an opportunity to go into Work Study. And the Work Study is a session which would provide a less formal setting for the Mayor and Council to discuss specific topics with each other and the city staff and provide staff an opportunity to receive direction from the Council. To provide an opportunity for the public, public comment can occur regarding any of the Work Study Items, and we would open public comment.

Public comment would be the opportunity to speak of our Work Study Items. And seeing none, I would then close public comment. Next, we will move forward with two topics as per our agenda. The first one is Maricopa County, Maricopa Association of Governments, MAG, economic trends presentation. And I would call forward Ed Zuercher, the Executive Director of MAG. Welcome and happy to see you here.

Ed Zuercher: Thank you, Mayor Ortega and members of the City Council. It's good to be here with you today. We appreciate the invitation to come speak to you. Maricopa Association of Governments is a member agency. It has a long history of over 56 years in the region. In fact, Scottsdale has a key part in that history and that Scottsdale Mayor Bud Timms was the first Regional Council Chairman in 1967 of the Maricopa Association of Governments. A little history there the connection with Scottsdale runs deep at MAG.

As I said, MAG is a member agency. We are a regional planning organization and a council of governments. Members are 32, which is 27 cities and towns, the two counties Maricopa and Pinal, and three native nations comprise the membership of MAG. Each member has one vote sits at the Council together to speak of items that are of importance to the region. Some of those items include, transportation planning, air quality planning, human services planning, water quality, and air quality. We are here today to talk to you about another thing that happens at MAG, which is we have a staff that collects data that would not be feasible for each individual city to do on its own. So as a member agency, we are able to gather data from all 32 of our member agencies, put it together, and create information that hopefully as you have tonight will be actionable for you. So with that, we were invited to come share the information on housing and economic trends in the region. I think you will find it interesting. You will hear tonight from our director of regional analytics, Anubhav Bagley, who will run you through a presentation that has a lot of specific information to Scottsdale in comparison to the region. With that, I will turn it over to Anubhav.

Anubhav Bagley: Thank you, Ed. Mayor Ortega, members of the Scottsdale Council, thank you for having us present this data. I've done a couple of other presentations to our MAG Regional Council, and it gets to a lot of data that we have been collecting working with all of our member agencies on. And I will go through a lot of this. Please stop me if you have any questions before or after as I go through the presentation. To start with, Maricopa County is one of the fastest growing populations. We get a lot of population growth, between 2021 and 2022, we were number one according to the Census Bureau.

Obviously, we are a large county. The county is now 4.55 million people. The MSA crossed 5 million last year. We're among the top largest, top ten largest metro areas in the country. MAG estimates currently for Scottsdale City is 248,000. So Scottsdale is currently estimated for 2023 at 248,000 people residing in Scottsdale itself. Good news, unemployment rate in the Phoenix metro area is now the same as the country about 3.8%. You did see that spike, that grey line is the national line and blue is the Phoenix MSA and you saw that spike go up to about 14.5, 15% back during the pandemic and we came down. Our metro area just because of the diverse economy, we actually came back from that downturn a year faster than the nation.

Now we are the same unemployment rate, about 3.8%, holding steady at that. Some more good news inflation is now down. We actually had, Phoenix metro area was actually at about 13 some percent inflation rate, year-over-year inflation back in August of '22. This is now down to about 3.7% which is the same. That gray line is the national line, so we have come down. Though certain sectors are still higher. Housing, they're higher than the national average for rent, that's primarily rent, gas prices are higher, so there's certain sectors that are higher but we have come down quite a bit. One piece of concern that we look at is data on cost of living.

[Time: 00:47:23]

This is an index, a cost of living index that is maintained at a national level. 100 is the average for the whole country. Anybody above 100 is having a higher cost of living. It's not done for all metro areas. It's for select metro areas, for select sectors, services, et cetera. Phoenix is now ranked, our metro area is

now ranked 12th in the country.

So we are 103 so we are 3.8 points higher than the nation. Houston for example is lower and, now again, New York is way higher. New York is double our cost of living, not a big surprise. The bigger concern here is our cost of living and our ranking is increasing. Two years ago we were 18th and now we are 12th so it's not headed in the direction.

This as a region we don't want to be high on this. We want to be lower on this generally to attract the kind of workforce and jobs that we have been doing in the past. Speaking of that, our region has diversified. We are diversifying in our economy at a regional level in the past few years we've added a lot of jobs in transportation, warehousing, manufacturing, technology, you have heard all of about those. Scottsdale has added about 9.6% jobs in the past few years. A lot of them have been in the healthcare sector. Accommodation, food services, healthcare added about, 35, 36,000 jobs. Accommodation, food services, professional, technical those are all the big sectors that grew. Retail trade grew about 20,000 some jobs in the past few years.

So again, attraction of jobs is big. MAG estimates currently Scottsdale is about 207,000 jobs in the City of Scottsdale itself. And they grew by about 9.6% in the past two to three years. Talking about jobs, one the other big pieces you saw between the comparison between population and jobs, Scottsdale is a very job-rich community. Scottsdale as a city attracts a lot of workforce from the rest of the region itself. So about 80% of workers, people who work in Scottsdale live outside the City of Scottsdale. This is the regional average is about 63%.

So across the region in all of our cities, it's about 63% of their workforce comes from outside. Now, in certain areas that higher or lower. Phoenix is about 50/50, 50% of their residents leave the city and 50% come from outside. For City of Scottsdale 80% come from, live from, outside. Attractivity and attraction of that workforce in Scottsdale is essential for keeping this community vibrant and keep attracting those jobs. The other piece to think about and, again, coming from the transportation perspective, people who are living and working in Scottsdale drive about 33% longer to come in, so the distance they are travelling.

[Time: 00:50:16]

So that map is showing you, based on the survey of about half a million workers across, by every year that is done, where workers that work in Scottsdale, where do they live. So the darker concentrations, so you see the Scottsdale boundary. Darker concentrations are where the workers live and you see a lot of workforce that's coming from outside Scottsdale, even as far as, you know, Litchfield Park, Avondale, but the lighter colorization showing you where they are all coming from and that workforce and how much they're travelling to come into Scottsdale. One of the things that we keep tracking on, is data on housing completions of certificates of occupancy. At a regional level, last fiscal year, Phoenix itself or Maricopa County did about 36,000 completions. So 36,000 units were built.

This is about what was done back in 2007. So we are kind of at the pre-housing downturn. So back in

2005 or so the County was doing about 47,000 housing units per year. It dropped to about 5,900 by 2011 and we are now back at about 36,000. So that's a good trend we are building a lot of housing. We are attracting a lot of population. The thing that's very different now is back when multifamily apartments, et cetera, in 2005 was about 14% and that's now 40%. That share has shifted quite a bit and you are seeing that in the charts between the lighter and darker colors. Mayor, yes?

Mayor Ortega: Yes, I see a question from Councilwoman Janik.

Councilmember Janik: Mayor, could we quickly go back to page 7? 80% of the workers live outside of the city. My question is have you seen any trends that we are having more people live outside of the city as time goes by or fewer people outside of the city or it's kind of static?

Anubhav Bagley: Councilwoman, I don't the answer to that right now. I'm happy to check that, because this survey data we get every year and I'm happy to check that and get back to you.

Councilmember Janik: Yeah, I would appreciate that. I think that would give us some valuable information. Thank you.

Anubhav Bagley: Absolutely.

Mayor Ortega: Councilmember Graham.

Councilmember Graham: I had the same question, Anubhav. Is that, how do you say your first name sir?

Anubhav Bagley: Councilmember, that's exactly how you say it. You said it perfect.

Councilmember Graham: Did I really? Wow. I'm proud of myself. Seeing that longitudinally over time would be very instructive, because we were promised all of these knowledge workers would be remote living and writing software from their kitchen table and requiring no commute. That would be something we would be interested in, longitudinal information on that. I had a question on, and is it okay if we ask questions now or should we wait for our questions?

Mayor Ortega: Why don't we take it and bite sized.

Councilmember Graham: Are you sure Mayor?

Mayor Ortega: Go ahead just on what they have covered so far. And we see all the advanced presentations.

Councilmember Graham: Just side three. There's 80 slides, I think here so I don't want to. 82, whatever the number might be. I don't want to belabor it. Anubhav, if we can go to slide 3. I just wanted to remark that I know we get concerned. You know, I'm sorry, I meant, I guess I was referring to slides 3 through 6. With 6 being the one. We talk a lot about; we are always concerned about diversifying our

economy but this kind of shows me that our economy in Scottsdale is pretty diverse right now. I see your head nodding, so I just wanted to remark on that. I'm very pleased that the data sort of bears that out. It really wasn't a question. Just an observation.

[Time: 00:54:17]

Anubhav Bagley: Councilmember, if I may, two comments that you mentioned. One work-from-home, again through the survey we get that. That number of people working remotely from home et cetera, had actually gone up quite a bit to about 40, 45% during the big pandemic itself. That's now coming down to 24, 25%. It will be interesting to see over time how that changes. If you have interest, we're happy to provide that data by sector.

Councilmember Graham: I think we would have some interest in longitudinal information.

Anubhav Bagley: Yes, absolutely.

Councilmember Graham: What I was going to say about that is that the, now that. Are we heading towards recession or are we not? And that's one of the ways that firms are sort of doing layoffs is by requiring people to come, we are going to change our policy. There's so many factors that go. We want fewer commuter miles. We want less fumes out there that we are breathing in. But we all know that the more that streets empty and open up and the fewer people that are commuting, the fewer people use bus service and carpool because the streets are lighter, and I can get there faster. So, it is a multi-variate equation that is hard to summarize in a simple way. The other question is, back to slide 7, 15-mile commute. Can you just talk a little bit about that number on a national average basis?

Anubhav Bagley: National average, I won't have that with me, Councilmember because this survey is primarily done for Maricopa County.

Councilmember Graham: Okay.

Anubhav Bagley: And this is some data that we are very lucky to have that gives us this live/work analysis. But, yeah, what really what you are seeing is that 15.2 miles is the average for miles traveled within Maricopa County. And in general workers living outside of Scottsdale are traveling about 20, 21 miles.

[Time: 00:56:06]

Councilmember Graham: Thank you, Anubhav. Thank you, Mayor.

Mayor Ortega: Councilwoman Caputi and then Councilwoman Janik.

Councilmember Caputi: Can you pull back up the slide on the housing completions for a second.

Anubhav Bagley: Yes. I'm still trying to figure out the system.

Councilmember Caputi: Yeah, so that's cool. So basically, all of those years where we were under delivering and it took us 16 years to get back to this pre-recession level of, what? Like I said, 16 years ago and now we're finally back of where we were. All of those years not giving enough housing as the population was increasing and now, we are finally back to about where we needed to be.

Anubhav Bagley: Actually, Councilwoman, I would say that as the downturn, that big housing downturn that we had, in our estimation, we had over built at that time. And that caused that the big recession. You had a lot of foreclosures. You had a lot of distress in the market. We were like number two in the country on distress in the market. So the market has shifted since then. And at that time, that was first time in history that we have data. We actually lost population.

Where the population during that time period, the first time we saw a decline in our population. Now that you've been seeing all of this growth and particularly after the pandemic is when we really started seeing a big change in population and migration numbers.

Councilmember Caputi: Okay. I have more comments but we will rest there for a moment.

Anubhav Bagley: Thank you.

Mayor Ortega: Councilwoman Janik.

Councilmember Janik: Thank you, Mayor. Back to page 7 and Councilman Graham kind of brought this up and I wanted to maybe extrapolate from it. On page 7, about 80% of the workers in Scottsdale live outside the city. Is it fair to say that about 25% of those people, they live outside of the city but they work from home or it's hybrid so that it would only be about 60% of the workers driving back and forth? Is that a logical conclusion or is that a stretch of the data?

Anubhav Bagley: Councilwoman, I can check on that since we have data and we have that data by sector, by certain sector of the economy, and all of that. I can check on that and get back to you.

Councilmember Graham: That's a good question.

Councilmember Janik: Thank you. I appreciate it.

Mayor Ortega: Thank you, so continue with the presentation, please.

[Time: 00:58:23]

Anubhav Bagley: Thank you, Mayor. So this, basically the same data for Scottsdale on housing completions. What you have seen is 2023, Scottsdale did about 2,630 housing units and now this is fiscal year and the big piece you are seeing Scottsdale too now, is higher than what it was in 2005 in terms of

housing units completed. What's the big difference again is multifamily. Back in 2005, Scottsdale had 4% of the housing units were being were multifamily. Now it's 83%. And that's a big shift and that's also a shift that you are seeing based on land availability. Back when you had that 2005, you had a lot more land available for single family. Now you don't have that land available for single family, but your yield is higher because you are building a lot more multifamily in the land that is available at this time.

Mayor Ortega: Good. Continue.

Anubhav Bagley: Now the big thing that we also track is sales prices, et cetera, across the region and so what this chart is showing you, since 2011 to 2023 is what the sales for all homes, this is M.L.S. data that we are tracking overtime. Back in 2011 you had that dark blue, which was under 200,000, the lighter green was \$200,000 to \$300,000, that accounted for 88% of the regional sales of all home sale prices. Now in 2023, well, the dark blue under \$200,000 is pretty much gone and that under \$300,000 is about 15%. So there's a big change, big change in that affordability.

What's very interesting to me, as I've looked at this is obviously that lighter blue, \$500,000 plus did not used to be a large, that has now become a big part of our housing segment and of our sales prices. But what's interesting is this recent downturn we had the sales price, they have, you know, with interest rates going up, you've had a decrease in sales prices about 9.6% across the region. And for the first time in 12 years we are seeing some of these bars come back up. If you look at the lighter yellow color, that has come back up by about 5.5%. So there's a shift in the market in terms of pricing itself.

The same data for Scottsdale is also very interesting. Very similar trends, again the dark blue under \$200,000 is not there, even that light green \$200,000 to \$300,000 has slowly declined quite a bit. Under \$300,000 has declined about 47%. What is interesting to me here is that \$500,000 or more back in 2011 was 24% of the market in Scottsdale and that has flipped, that's now 75%, where as the rest of the market is 24, 25%. So same data provided in a different way over time. Across the region and June 2022, we had the highest median sales price, that was about \$475,000. That has now declined by 9.6%. Currently it's about \$431,000. Scottsdale was \$850,000, it's now declined \$820,000. So, Scottsdale dropped to 3.5, 4% where as across the region it's 9.6 to 10%, depending on the area et cetera, by ZIP code it changes.

[Time: 01:02:00]

What is also interesting in the existing market is last year when as you are seeing a lot of interest rates increase and there were a lot of stories about distress in the market, there will be foreclosures, we are not seeing any changes in distress in our housing market at the time. The number of foreclosures and percent of foreclosures and distress is as low as we have seen over time but what has changed is the number of days that housing is listed has increased quite a bit, but the other pieces there is a complete lack of mobility. People, currently households that currently own homes with a low-interest rate have no desire to change. They are not looking at increasing their size, decreasing the size of their home. They are staying where they are.

So we are seeing historic lows of the number of homes that are listed at this time. They are quite a bit lower than what they were. Looking at that same piece of information in terms of pricing, you have data on rents and what you've seen is that rent under \$1,000 use to be across the region, that was that dark blue. And that light green on the charts. It used to be about 93% of the market. Across the region itself, that's now 6%. Under \$500 per month for an apartment unit across the region is not available. Yes, Mayor?

Mayor Ortega: Let me go to Councilwoman Littlefield.

Councilmember Littlefield: Thank you, Mayor. I just had a question on the previous slide, where you said there's no distress, but the product isn't moving. The sales. Would that be because people have long-term mortgages that are better rates of interest or things like that than they can get today, and they don't want to get rid of those mortgages?

Anubhav Bagley: That's what we think it is, Councilwoman. What we are seeing is that the inventory of homes that people have listed it's about 30% lower than what it was last year at this time and the average days on market is up. That's what's going on. So you don't have households, families that have a good mortgage, they are now not looking at selling at this time. And so all you have is the newer homes that the builders are building that are available.

Councilmember Littlefield: It's interesting. I would be interested to watch the trend line on current rates on mortgages, whether they are going up or down.

Anubhav Bagley: They currently have stabilized, Councilwoman. The latest was they declined by about a quarter of a point. It will be interesting to see over time, where that goes and how the market reacts to that.

Councilmember Littlefield: Yes, thank you.

Mayor Ortega: Okay. Move on. Thank you.

Anubhav Bagley: On this, looking at rents. What you are seeing is the dark blue under \$500 is gone, but what you are seeing is the higher end above \$2,000 is increasing across the region is actually increased. And as I was mentioning, what we saw on the sales side, even the rental market per month has stabilized. Now these numbers what we have, do not include data on rents that include incentives, etc., this is rents itself. So the incentives may be added on to certain other things. Scottsdale has a very similar pattern, but what you are seeing in Scottsdale, is under \$400,000, sorry, so Scottsdale rent under \$1,000, if you look at the light green is not what was back in 2010, the largest share of the market now is not there. What you're seeing is the \$2,000 plus, \$1,500 to \$2,000, etc. across the board.

[Time: 01:05:39]

So rents have gone up quite a bit over time. The other piece we have noticed is rents in units and

apartment complexes that were built recently are about 25 to 40% higher than what the units were built pre-2018. So the darker line is showing you dollars per square foot for apartments that were built prior to 2018. Over the region it's about 25% higher. Scottsdale is that lighter blue line, where currently in Scottsdale, generally apartments that were built, newer apartments that were built since 2018, are about \$2.61 per square foot where as those across the region that were built before 2018 are about \$1.80. One good trend at this time is vacancy rates, the number of apartment units, number of units that are vacant has increased.

We had very low vacancy back in 2021, early 2021, during the pandemic et cetera. Scottsdale is that blue line. We only had about 4.7% of availability of apartment units at the time. Regionally, it was 4.9%. That's now anywhere between 9.5 to 10%. Yes, Mayor?

Mayor Ortega: Thank you. We will go to Councilmember Durham and then Councilmember Graham.

Councilmember Durham: Thank you, Mayor. A number of these slides on the prices of houses and apartments, there's a footnote that says they are adjusted for inflation. Our inflation rate here has been a little higher than the national average, so do these slides take into account our higher inflation rate or are they some kind of a national CPI rate?

Anubhav Bagley: Councilmember, they use our local rates where we are looking at dollar costs what that same dollar back 10 years ago versus today in this region.

Councilmember Durham: Okay, all right. Thank you.

Mayor Ortega: Councilmember Graham.

Councilmember Graham: Thank you, Mayor. Anubhav, slide 9. I'll keep my remarks very brief. That's just eye popping right there, I mean the percentage of total new housing, multifamily versus single-family. And I understand buildout, land constraints and all that but I just want to remark, that is eye popping right there, over last nine years or so. Slide 10, I'm sorry, if you explained your credentials, are you an economist?

Anubhav Bagley: I don't have an economics degree, I have a planning degree. But I have been doing this data and analysis for a quite some time.

Councilmember Graham: So, you play one on TV?

Anubhav Bagley: I play one on TV, yes.

Councilmember Graham: What happens to Scottsdale prices when the interest rates go down?

Anubhav Bagley: Oh, now you really want me to play. Councilmember, my –

Councilmember Graham: Let me sort of reframe the question. We always expect, from basic economics, that when interest rates go up, that prices would go down. But they both went up and we know, we talk about population growth and all of that. What do you, how bad would it have been if the interest rates had not spiked briefly?

[Time: 01:09:07]

Anubhav Bagley: That's such a good question. There's so many factors to that, Councilmember. One is how many units are we building.

Councilmember Graham: Right, so it's a multifarious answer?

Anubhav Bagley: Yes.

Councilmember Graham: Slide 15. Does this rent per foot, does it include all the junk fees that they're charging?

Anubhav Bagley: This includes the data.

Councilmember Graham: You see what I'm saying?

Anubhav Bagley: This includes the data that CoStar is providing us on the rent which includes all of the fees et cetera.

Councilmember Graham: Because these landlords are starting to charge you \$15 for \$20 for key cards and they look you in and it seems like there's junk fees and that really is just a way to extract more revenue. And I would wonder if those junk fees are baked into this per foot calculation

Anubhav Bagley: Councilmember, I can check this. What this does not have is any incentives. If there's times where they are giving you sign a 12-month lease and give you a month or 15 days off, this does not have any data on that.

Councilmember Graham: Okay. Thank you. Slide 16. Does it include snowbirds and owner unoccupied houses.

Anubhav Bagley: Councilmember, this only includes apartments, this is multifamily. I have some more data on second home ownership et cetera.

Councilmember Graham: Ok, thank you Mayor. Thank you, Anubhav.

[Time: 01:10:27]

Mayor Ortega: So we will be looking at more detail on the demographics of the multifamily but I will go

to Vice Mayor Whitehead now.

Vice Mayor Whitehead: Thank you, Mayor. I was going to ask about I guess the junk fees is the new correct term for what these corporate apartments complexes are charging. So, I agree with Mr. Graham that we are seeing these outrageous fees being charged. Even not new apartments. I think the vacancy is really interesting. I do my own little anecdotal annual calls on apartment complexes, and I have been seeing the vacancy rates go up, so that matches your data, mine is very anecdotal.

I want to go back to the eye-popping chart that Councilman Graham mentioned because this is where we sometimes we have misinformation get out there. So a couple of things I just want to make sure in case the public is listening. Number one, these apartments, we talk a lot about the pipeline. So these apartments were approved, you know this not the annual apartment approval because we have been very far down in apartment approvals and this, since the last couple years and so many of these apartments were approved in the 2010, 2011 time frame but just took a long time for the developers to get off their duffs and get them done.

And then number two, this is a chart that talks about new construction. This is not a percentage of our housing inventory. And that is really key because Scottsdale remains a very, we have a very high percentage of our housing inventory is single-family homes but as we do infill and as we have recovered, as we went into to the 2010s, we saw that Council approved quite a bit of multifamily. I just want to clarify that. I have several people that do listen to or watch this and so these are not approved this year and it does not reflect our housing inventory. Thanks.

Mayor Ortega: Okay, Councilwoman Caputi.

Councilmember Caputi: I like this slide and, again, I agree, Councilwoman Whitehead and then just back to my comment from earlier. The City of Scottsdale is growing about 1% per year over the last ten years. So this amount of housing, your chart looks a little, charts are always a little eye popping but, again, we are a city, you just said of 248,000 people. We are growing 1% per year. Think about that. I'm just going to leave it alone, you can see those numbers, they are all below 1% increase of our population, year after year after year, which means as our population grows up and we are not delivering that number of housing, we far below it each year up until this most recent year. Just an interesting point, it's not a question. Thank you.

Mayor Ortega: Okay. Let's look at the valley-wide and the Scottsdale demographics next.

[Time: 01:13:35]

Anubhav Bagley: So Mayor, members of Council, one other way of looking at apartments and this is generated a lot of interest, is available apartments et cetera. We have data that we constantly update on all apartment units, all apartment complexes with 50 or more units at a time. What this map is showing you by size, each apartment that currently has vacant units. Now, mind you, these are only with 50 or more. These are the ones that are not brand new. They are stabilized and been there for some

time and that size of the circle, the largest size is about 200 vacant units. And what that's telling us regionally, we have about 22,265 apartment units and the reason why this is 6% is showing you what we don't cover is we don't have those units that are under 50 located. Right?

So if you look at this, we got where these are, the darker green, et cetera. Now if we were to take this, this thing is going a little slow now. Now we start looking at rent. At \$2,000 or lesser, the ones that just turned that red circle now are not available. The less of them are 2,000 or lesser. The ones that are higher are ones in the uncolored. Now looking at \$1,500 that number goes down to 10,699 units. \$1,500 is about 30% of the median rental income of our citizens in this region. And that does not include utilities or anything extra. So we only have 10,700 some units available as of last quarter that are vacant at this time at \$1,500.

And if you look at 25% of the median rental income which comes to \$1,250, we only have 4,500 units that are available. So, when you look at this from the perspective of, where are the, so there is availability, no doubt about this. There are apartments that are available at that \$1,250 per month, again mind you without utilities, et cetera, and without any incentives. Again, this is best data we have available at this time. It's a question that you see on here is where are they located and how does that then start matching to that workforce that's coming in and driving into Scottsdale and the job-rich communities that Scottsdale or Tempe are. And that's the big question. Most of East Valley doesn't have any supply of these kind of units at this price point.

The other piece of data that we track, which also impacts housing and housing availability, et cetera, is short-term rentals. And just at the get-go, I would say that these numbers that we have may not match what the City of Scottsdale staff have. They are two different sources in how they are collected, et cetera. But over time, we've seen about a 27% reduction in short-term rental availability in Scottsdale across the region over the years, since 2021 we've seen it about 17%. So, what we are tracking is their availability, those that are available 25 to 50, 75%. That darker blue that you see on the chart, back in 2022, you had about 2,300 some units that were available 75% of the time. Now that number is about 1,600. As I said, this number will not match exactly what Scottsdale's staff have.

Mayor Ortega: So, there may be an option for full year renters rather than having short-term rentals as a possibility of releasing that with less trouble in housekeeping and all the other ordinance requirements. Councilwoman Janik.

Councilmember Janik: Thank you, Mayor. Just to verify, page 20 does not include short-term rentals? Page 21 is only short-term rentals?

[Time: 01:17:48]

Anubhav Bagley: So Mayor, Councilmember, that's a very good question. This includes all apartments that are available, apartment units that are available. Some of these could be rented for a month or two months or short-term depending on the complex and their policy.

Councilmember Janik: So this is all rental, short term and long term. Okay thank you.

Anubhav Bagley: But these are in apartment complexes of 50 units or more.

Councilmember Janik: Okay. Which is I don't know, is it less likely to have short-term units if it's a bigger unit or it doesn't matter.

Anubhav Bagley: I'm not very sure about that Councilwoman. You'll have to, I think it would be case-by-case, depending on the complex and their policy, et cetera.

Councilmember Janik: Okay. Thank you.

Mayor Ortega: Thank you, continue.

Anubhav Bagley: One other piece that we've seen change over time is institutional buyers. So that light green, and this chart has a lot of lines, but basically what we are getting to is institutional buyers, these large buyers like Opendoor, Offerpad, et cetera. This is something that happened new since the last downturn of housing. That used to be, at the peak, was about 25 to 22% depending on, Scottsdale was about 22% of all sales during that time period by month, were institutional buyers. That's now declined to about 17%. Across the region that has gone from 25% to 14%. Some of these institutional buyers have actually divested and sold most of their holdings, et cetera, at this time.

Councilmember Graham, this is the question that you were asking about, is seasonal second homeowners, investor owners, et cetera. So, what we did was we looked at all the assessor records, all the parcels, looked at their site address and where the assessor, where the tax bill was going and if it didn't match that number is about 26% in this country. So 364,000 housing units currently could classify as investor seasonal owned. These 52% are the tax record, the tax bill is going to somebody in Maricopa County itself. 42% are going to some other state, 4% are international. That same thing is about 35% for Scottsdale and the colors are not very clear but they are showing you what goes outside of Arizona versus international. Now, some of is very good.

This is what sustains our economy. We attract a lot of population that comes in, lives here in the winter months, spends their money at our retail places, et cetera. Some of this, the international side, attracts F.D.I. They come in and then decide to locate their business, et cetera, but there is a lot of this investor-owned activity that's happening across the region.

Mayor Ortega: Councilmember Graham, did you have something to add on.

Councilmember Graham: Thank you Anubhav. Just real quick, this one and the slide before. When I hear, I think when we hear investor purchased housing, we kind of shutter a little bit, but are these, we understand, you know, it also helps the sellers and the people that are here and makes our prices go up. Are these buy and hold or are they buy and sell, turn a quick profit? How long are they? What is the average hold time?

[Time: 01:21:05]

Anubhav Bagley: Councilmember Graham, this is what it stands right now. This is data as of July of this year.

Councilmember Graham: But what type of investment strategy are you seeing? Is it buy and hold? Or it varies.

Anubhav Bagley: It completely varies.

Councilmember Graham: And then investor owned does that include peoples trust or somebody has an LLC and its like one person?

Anubhav Bagley: No, Councilmember, we do not include LLCs and trusts. Because that could be somebody just keeping their home in a trust.

Councilmember Graham: Okay. Thank you, Mayor. Thank you, Anubhav.

Mayor Ortega: Continue.

Anubhav Bagley: So moving forward, this gets back to that whole question of affordability and how our housing prices have changed. So, there is a national index, that's National Association of Realtors, Wells Fargo index of home affordability which is really saying what percentage of the sales that happened month over month or quarter over quarter are affordable to the median household income. That dark blue line is Phoenix metro area, and this is only available for metro data available, and the gray line is the national line.

What you are seeing for most of the time, Phoenix metro area, we were more affordable than the national average. We are now not as affordable. Back in quarter three 2022, about 18.3% of the sales that happened were affordable. That has now gone up to 30%, nationally its about 40%. And then you can compare this to what this is to our other peer regions. Not a big surprise, San Diego is only 6%. Salt Lake is 21% but then Houston is 40%. So, I just picked a few just to show. But again, these things are essential to look at when you start to look at affordability and attraction of workforce for our vibrant economy.

One of the few last pieces I'm trying to get to is cost burdened households and this may be something you have heard of a lot before. This whole question of when you are looking at housing costs, you consider any household that's paying more than 30% of their income for housing et cetera, is cost burdened. Based on our analysis, we're finding about 256,000 households in this region, in the metro area are severely cost burdened.

This is where they are paying more than 50% of their income for housing. Obviously, they have less

income to purchase other things for discretionary spending, education, healthcare, et cetera, and all of that. So that accounts for 15% of our region. This data is available by ZIP code. What is interesting is that 27% of multifamily renters are severely cost burdened. And that number has increased over time so even during the pandemic, before the pandemic, back in the downturn, that 27% is the one that's increased. In general, households living in their own homes where they have control over the prices, the mortgage rates, et cetera, that has stayed steady. It's the multifamily piece that has gone up over time.

[Time: 01:24:11]

That number for the City of Scottsdale is about 15,900 households that are severely cost burdened. Back to residential permits, the earlier slide I was showing you was housing completions, we also collect data from all our member agencies, the county on permits that's what is being permitted. At this time, they are generally holding steady in terms of permitting about 45, 47,000 housing units over the time, back in 2010, that number had fallen down to 8300. But in 2005/06, during the time that we had seen that runup, we were in that 65,000 number itself. What's interesting, is again seeing a 25% increase in permits in the recent years, even 2023.

For Scottsdale, those permits have declined. We are seeing a big change in Scottsdale in terms of permits that are declining. And again, single family is lower than multifamily just because of land availability, et cetera, and everything else. Getting to the last few slides. One the other pieces of data that we track with our member agencies is this whole piece of developments that are in the pipeline. All of those projects that are currently happening. So, the red on the map are all projects that have been approved in some form of activity, there are permits being pulled, completions being done, et cetera. The orange color are the ones that are platted.

This map, this data does not include any of those large, huge developments that have been sitting on the books and nothing has happened to them for quite some time. So at this time, based on our analysis you have 275,000 housing units that are somewhere in that pipeline. Of those 275,000, 178,000 are active. Of those 178,000, 106,000 are not built yet. So, you do have unbuilt capacity for three years that's sitting on the books currently that is there. And then another 97,000 across the region that are platted and that could start if wanted to. So they are sitting approved but no activity has happened in those. For Scottsdale those same numbers, again, mind you, these may be a little different than what your staff is reporting to you, just because our data, we keep getting and then we update that every quarter and every mid-year, for Scottsdale those numbers are about 11,860 total in the pipeline. Of those, 4,900 are sitting unbuilt at this time and another 2,400 some are platted and built.

Mayor Ortega: Okay. At this point, I have Vice Mayor Whitehead and then we'll go to takeaways.

Vice Mayor Whitehead: I think maybe you answered the thing that I wanted to clarify. And that's again, your chart on permitted just for the average resident watching, permitted is different from approved and so we. Permitted means they are actually pulling the trigger and moving forward. And so the big issue for us and for our staff and for you is really trying to identify what is in the pipeline. I think what I heard you say is that projects that were approved ten years ago and haven't done anything are not

really in there but really that developer has entitlements and we had a really good example here.

We had a project, thousands of units that sat a hole in the ground for 10 plus years and now it's finally moving forward. So, just because they have been sitting for a long time, that developer, that landowner has the entitlements and eventually something is coming out of the ground. I just wanted to kind of clarify that. But one more thing, when you say active versus inactive. Active means they have a permit?

[Time: 01:28:04]

Anubhav Bagley: They either have a few number of permits, minimum number of permits in the last two years, or they have completions that we've seen. That's how we are keeping them as active.

Vice Mayor Whitehead: Okay. Thanks.

Mayor Ortega: Okay. Councilmember Durham.

Councilmember Durham: Excuse me, thank you. There seems to be three different colors on here and maybe it's because of the Scottsdale overlay, there's a yellow color and then the red obviously, and then inside the Scottsdale limits, it's kind of a burnt orange or I'm not sure what you would call that, but is that just a part of the overlay of the shape of Scottsdale?

Anubhav Bagley: Yes, Councilmember.

Councilmember Durham: And is this? Does this include both multifamily and single?

Anubhav Bagley: Yes, Councilmember.

Councilmember Durham: Okay. Thank you.

Mayor Ortega: Okay. Let's move to takeaways and conclusions.

Anubhav Bagley: Mayor, my last slide is basically covering some high-level conclusions where we are seeing that we have had a very robust economy. It's based on attractiveness to our region. We are seeing increasing cost of living, which could impact that attractiveness. You are definitely seeing on the housing side, decreasing in sale price, increase in vacancy, et cetera. Affordability is also increasing in a number of submarkets, et cetera. So you are seeing a lot of good changes that are happening. The item of concern really is for Scottsdale, for our region is to move in a direction that we stay attractive.

And at this stage, some recent data that we are looking at in terms of migration patterns, change of address patterns, et cetera, you are seeing a decline in migration into the state. And so that's concerning in terms of us remaining competitive to attract that labor force. In general, what we have seen over time, for the region, our birth rates have declined. Our death rates have gone up. We have an aging population of the birth rates have declined with families deciding not to have as many children, delay

having children, et cetera. So we are highly dependent, on in migration, that in net migration to continue this robust economy and for that, that's the concern to me, is, like, are we staying attractive and now do we ensure that we stay attractive in the future?

[Time: 01:30:31]

Mayor Ortega: Okay. Well, at this point, I would thank you for the thoroughness and the invitation to go deeper into the dive. Just a couple of suggestions because our own building department will fill in the particulars and has provided Council some current numbers as well, but we don't track the apartment numbers or multi as you do. So that's been very, very valuable and useful. There's two things that I believe impact the most. One is replacement mortgage and then the cost of replacing a unit with a single family or apartment. So when the rental cost is lower than the replacement cost, that's the problem.

As the inflation keeps rising, they will say we can't build it to rent it for less than \$3,000 in Scottsdale as that creeps up. So the incentive becomes not something that we necessarily control at all, because it's mortgage related or it's replacement related. When we looked at a contract earlier this evening, and looked at escalation just for a park, the cost, which you don't see all the improvements, all the PVC, controllers, site prep, and so forth, we have a couple of restrooms there but it's essentially an expensive end product. Another thing that I find interesting, we looked at where people may have a catch area of workers. Of course, a lot of workers who live in apartments work here in Scottsdale that live here and reside here, so that is a large population group.

I thought the number was about 31% in Scottsdale. In Tempe, I read that their number, in apartments or multifamily, I think Tempe was 64% so think about that. Some cities are more dependent on the multi. Whereas we still have not tipped the balance necessarily from a single-family residence, which is the almost the definition of a suburb, right, that you have a single-family neighborhood identity and so forth. We have 200,000 jobs importing but we have almost 12 million visitors a year in Scottsdale. They say it's 11.8 million. That's a lot of inflow of visitors, whether it's policing or providing amenities, retail, table service or whatever, we have a high demand for that component. We have a large component of medical tourism.

So many people come here for the medical services and then they stay in our hotels and eat in our restaurants, the rest of the family. So its pretty complex. We have a mix of probably straight up leisure or retired people in apartments, but we also depend on our character as a city with our single family residents. And the STRs you told us can occur in a single family or multi family. We're not sure how much they eat into that, but they do eat into it. And the other curious thing, I thought that I read that the turnover for apartments. If someone rents an apartment, it's usually no more than three years. They will either leave the first or second year but three is the outside. That's maybe because they have an incentive to move in, like a discount three month if you sign a two-year lease or something like that.

So there's already a turnover in the apartment world that they're dealing with. It's kind of volatile as well. All of those factors are in our pretty much market driven as the Vice Mayor said. If there was an

entitlement by the previous administration or other Councils and they haven't built it for 12 years, it was probably dormant because it didn't meet the market need and therefore it wasn't built. Whether it is going to be revived or not, it's got to be pushed against the increased costs that we have today. All the price escalation. So this is very valuable.

[Time: 01:35:51]

I'm aware the Vice Mayor asked for this report. We appreciate you coming here. I see Councilmember Graham has his hand up and I think we will move on after that. Go ahead.

Councilmember Graham: Thank you, Mayor. Anubhav. How do you know all this information?

Anubhav Bagley: Councilmember, I have a great team and a great organization.

Councilmember Graham: How do you know so much? Yeah, I learned a lot from this. You know the housing starts and we talk a lot about entitlements and occupancy permits. That's important, understanding that, communicating that, simplifying that for people is important. We got entitlements out there by the thousands that are dormant right now. Nationwide, just for example, has entitlements to build 1,000 or 1,500 apartments. I don't even know if I saw that on your colorized geographical spot but that's coming down the pike. Are you aware of that project?

Anubhav Bagley: Yes, Councilmembers. We keep track of all of these developments that have been at different stages even though they are entitled, we did not include this. The reason we have all this data is because we are charged with doing long-range projections which then feed into our long-range transportation plans and so that's why we keep maintaining and updating this data on an ongoing basis.

Councilmember Graham: A lot of the information makes me feel optimistic about where things are and where they are going. Not all of it is great, but apartments are, as the Mayor said, three years or less. People who live in apartments, it's more transient lifestyle and that's kind of good and bad. It's good from it gives you flexibility. You start with an apartment and invest and move into a community to a single family.

But on the flip side, you have people that are more transient. And so it's a consideration. The overall, I thought it was instructing and edifying presentation, Anubhav, and I appreciate you taking the time. And can we reach out in the future with questions and analytics? Oh and I just wanted to remind you, I had a few questions during this presentation that you said would you look into. I hope you get a chance to look into it.

Anubhav Bagley: Absolutely, Councilmember. I have that on my list.

Councilmember Graham: I don't know if you wrote down the questions or not. But actually some of my colleagues asked very salient questions that I'm also interested in the responses to some of their questions. Thank you, Mayor. Thank you. Nice to meet you, Anubhav.

Anubhav Bagley: Thank you, Councilmember. Thank you, Mayor.

Mayor Ortega: Okay, Vice Mayor Whitehead.

[Time: 01:38:27]

Vice Mayor Whitehead: Yeah, I just want to thank you Mr. Bagley and Mr. Zuercher for coming here. This is an amazing amount of information and considering we have a legislature that's very interested in working on this issue, this is the kind of data that allows the cities and the legislature to be on the same page. Huge service to both of you. And I want to thank Councilwoman Janik for bringing you to the Economic Development Committee and then getting you here tonight. So actually, I got credit where it was not earned. Thank you.

Mayor Ortega: Councilwoman Janik.

Councilmember Janik: Again, I want to thank you very much. It's really valuable information because it makes us have an idea of where we need to work harder for different types of development and it kind of points the direction to the future. So thank you very much, very, very good information.

Anubhav Bagley: Thank you, Councilmember.

Mayor Ortega: Councilwoman Littlefield.

Councilmember Littlefield: Thank you, Mayor. Ditto. I really appreciated hearing this and getting a much firmer idea of where we are and where we've been and where we're going. So thank you very much for your time and for your presentation.

Anubhav Bagley: Thank you, Councilmember.

Mayor Ortega: Well, very good. We are concluded with the first item of our work study. Good to see you, Ed, and enjoy the holidays.

WORK STUDY ITEM 02 – SHORT TERM RENTAL DISCUSSION AND POSSIBLE ACTION

[Time: 01:39:50]

Mayor Ortega: Next, we will go on to the topic of short-term rental response. And our presenters will be Brent Stockwell and company. So let's take it away, Brent.

Brent Stockwell: Good evening Mayor and members of the Council, as you noted, I'm one of your Assistant City Managers and I'm the team leader for the City short-term rental response team. Tonight we will be giving you an update on the current state of vacation and short term rentals in Scottsdale and update on the City's efforts on licensing, code enforcement, nuisance party response, communications,

and then we'll end up with possible ordinance changes and legislative update. This is truly a team effort. And six team members will be joining me up here to give this update today.

As a reminder, short-term rental regulation is an area that was preempted by the State of Arizona in 2016 with the passage of SB-1350. With a limited ability to license short-term rentals granted in 2022 with the passage of SB-1168. Scottsdale's ordinances both the vacation rental and the nuisance party and unlawful gathering ordinances have been written to take advantage of that limited authority. I realize that this is an area that causes great consternation and frustration to many Scottsdale residents who desire a return to the pre-2016 time, where short-term rentals of less than 30 days were prohibited here.

And for some, anything less than that is continuing cause for frustration and our team that's working on this recognizes that. So here's some facts about the current state of short-term rentals in Scottsdale. First, the number of short-term rentals varies over time and it also varies over the course of any given day. The short-term rentals because they advertise completely online can be advertising at one point in the day and not advertising at others once those desired bookings are reached. They can also advertise different information at different times of the day, and that poses a challenge for city enforcement as well.

So we typically count and report on the number of short-term rental properties that are live or recently live, and the number at the end of October was 4,105. When we add in properties that have advertised at short-term rentals at any time previously, that number jumps up to 5,039. So the number of short-term rental properties is best expressed, perhaps, as a range and also as a moving target. In addition, based on this information from the city's short-term rental technology provider, Rentalscape, the number of live properties was rising steadily from January 2021 until March 2023, when it reached 4,404 and has declined each month since then to our current estimate of 4,105. This is lower today than it was in March, but there are still 338 more properties or 9% more than it was October of 2022.

This trend is like one seen across the Valley, the MAG presentation included a slide that made this point as well. We don't have a crystal ball to tell whether this trend will continue, whether STRs have peaked and are in a decline or whether this is an anomaly and the STRs will rise again. Back in 2016, the need for state preemption was made based on the argument that individual homeowners needed extra income to be able to rent out a room in their house. This is not what we're seeing in advertisements for Scottsdale. Almost all short-term rentals advertising in Scottsdale are the main structure and are full-unit rentals. In addition, these are not only large properties that are being rented out. The vast majority are in the two-to four-bedroom range.

Changing from looking at properties to looking at stays, if you compare last year to this year, there have been a rise of nearly 44,000 stays or 18% from 2022, without even including last two months of this calendar year. However, when you look at just the last few months, compared to the same month the prior year, stays have been lower in September and October 2023 than they were in September and October of 2022. Again, no crystal ball, so we don't know whether that trend will continue. Or whether it's an anomaly.

Another fact about STRs in Scottsdale is they disproportionately are concentrated in the southern neighborhoods. The lower 16 miles of our communities south of Indian Bend has 70% of the total with about 20% between Indian Bend and Bell and the remaining 10% north of Bell. As a reminder, about half the city's population resides south of Shea. So less than half of the population of Scottsdale is disproportionately impacted by short-term rentals.

[Time: 01:45:42]

Another thing we checked is whether or not short-term rentals are owned by a few or owned by many and based on the city licensing data, about 92% of Scottsdale's licensed owners have only one property in Scottsdale. They may own others in other cities, it's just that they are only listed as the owner for one in Scottsdale, with the remainder owning more than 1 property.

As a result, there are lots of issues when talks about short-term rentals in Scottsdale, it's a very complex and complicated effort. There are lots of individual properties between 4,000 and 5,000 citywide which means there are lots of different neighbors impacted. So, for example, if every property only had four neighbors, many have more, and each neighbor has the proverbial 2.5 people living there, that's about 50,000 residents or one in every five Scottsdale residence that's impacted by a neighbor that's an STR.

In addition, there are lots of different short-term rental owners as I just noted. 92% own only one property which means a lot of different emergency contacts and a lot of different guests each week. With more than a quarter of a million stays, with an estimate of an average of six people per stay, that's nearly 2 million different guests staying at Scottsdale's STRs just this year. That's a lot of people to learn and remind of and follow Scottsdale's rules. And beyond that, as I've noted, there's lots of state preemptions and limits on local authority and there's also lots of different Scottsdale ordinance requirements.

I've counted 23 separate requirements under the vacation and nuisance party ordinances combined. This all adds up to a very complicated system which makes education enforcement challenging. For these reasons, it is not a surprise that we have received many emails from residents impacted by STRs. But our approach has been to work one by one, neighbor by neighbor, to explain what we can and what we can't do, but to make sure that we are doing all we can to urge compliance with our laws.

I'm extremely appreciative of the work that our whole short-term rental response team. You will only hear from six of them today. There's a lot more people involved in this. I'm appreciative of them to do the work that they do, while understanding that we won't be able to do what many residents want, which is to have the short-term rental next door to them shut down. So next, we are going to go into an update on our licensing efforts.

Sarah Van Goethem: Thank you, good evening Mayor Ortega and City Council, my name is Sarah Van Goethem and I am the tax and licensing manager. Can you hear me? Thank you. It's my pleasure to present to you today the update and achievements of licensing team for short-term rentals. The

application went live November 28th, 2022. As you can see, we had applications started to slowly trickle in. You got it? Thank you.

[Time: 01:48:55]

In January of 2023, a code enforcement letter went out to all possible short-term rentals and we started to see a large increase in applications. The months of January and February 2023 are where we received the most applications. Licensing staff has 7 business days to review applications and issue licenses as long as the application is administratively complete. At rollout for the license, for the first year, licensing didn't have specific positions assigned to this task. We pulled resources from licensing team and the business services department to complete the task. The team reviewed each application and verified that the transaction privileged tax number was valid, the emergency contact was local, and the applicant was either the owner of the property or an owner's designee. The majority of the applications received needed additional information. The team reached out by email and phone to help the applicants provide the correct information. The top three reasons to reach back out to those applicants was applications submitted were not submitted by the owner or we didn't have owner information. The unit number was not included on the application or the application was missing required information.

The licenses are issued within the seven business days once an application is administratively complete. Here you can see the licenses over time that we have issued. The differences in the license number totals and the applications submitted totals are due to applications being withdrawn, licenses being canceled, duplicate applications, and needing additional information from the applicants. The license is good for one year from the date of issuance of the license. As of fiscal year 2023-2024, we have added 1.5 positions to support the short-term rental license and we are happy to say we are fully staffed. The renewal process, it started October 1st, 2023. Licensees receive an email 60 days prior to expiration. They also receive a 30-day and a 15-day notice if it's necessary.

So, renewal process gives the licensee the ability to make any updates that they need to their license. The only changes that are not allowed would be to change of location or ownership change. With both of those, they require a new application. Once the changes are made and the licensee pays their \$250 license fee, then the licensing team reviews the renewal or the application and is able to issue the license within that seven business days.

In the renewal submitted and additional information is needed, an email is sent to those licensees. Even if the license is renewed early, the original issuance date stays consistent. For example, if a licensee renewed their license November 1st when they first got that email, their original license would expire January 1st, 2024 and the new renewed license would have that same January 1st date but it would be 2025. We have currently issued 105 renewal licenses and we anticipate the big push of renewals will be submitted in December and January. I will give it back over to Brent.

[Time: 01:52:57]

Brent Stockwell: Good evening again. Our code enforcement manager Alyssa Yanez is unable to be with

us tonight so I will be stepping in to present the section regarding code enforcement.

Mayor Ortega: Let me interrupt because we have Councilwoman Janik, Councilmember Durham, and Vice Mayor Whitehead with some comments.

Councilmember Janik: Thank you, Mayor. Could we go back to slide number 10? Could you just give me a little more information. You have lots of Scottsdale-specific ordinance requirements and I think you said there were 23 separate party guidelines. Can you explain that to me? I'm not sure what you mean. Is it like each H.O.A. has their own guidelines or we have guidelines in different parts of different ordinances? Does that make sense what my question is?

Brent Stockwell: Mayor Ortega, members of the Council, Councilwoman Janik, I'm sure it made sense you threw me off on trying to find slide number 10 and I didn't know which one it is. So Rebecca will help get me to slide number 10 and I will listen more carefully as you ask that question again.

Councilmember Janik: Okay. So here's my question. On slide 10, last item is lots of Scottsdale specific ordinance requirements. Are you saying that, for example, maybe each H.O.A. has a different set of guidelines or are you saying we have a lot of ordinances with maybe one section dealing with the issues of short-term rentals and party guidelines?

Brent Stockwell: Mayor, members, Councilwoman Janik, I'm saying that we have a lot of requirements in our ordinance, and I'll step over to the Elmo and I will show you the specifics.

Councilmember Janik: Okay, thank you.

Brent Stockwell: So, I put together this summary. We actually put it together before to aid in the police enforcement and code enforcement, but these are 23 separate requirements that are in the vacation rental and nuisance party ordinances each with their own citation.

And so when I'm saying there's a lot of different requirements, this is what I'm pointing out. And one of the things that we often see and perhaps you have seen this as well is residents that don't want a short-term rental next to them will start kind of working through this list because these are all things that every property has to comply with. And although all of these things are good things and we're allowed to do them and they are allowed under state law as well, it still is a lot of requirements and it's a lot of, it makes enforcement and education more challenging.

Councilmember Janik: Thank you. I'm glad I asked and I'm glad you were prepared. Thank you.

Mayor Ortega: Councilmember Durham?

Councilmember Graham: Can you leave that up Brent? Just for a second. Sorry, sorry, Mayor.

Mayor Ortega: Councilmember Durham and then Vice Mayor Whitehead.

Councilmember Durham: Thank you, Mayor. The graph on cumulative approved licenses, there's about a 3,500. And I think your figures indicate there's a little over 4,000 operating so it looks like there is kind of a gap of 500. Is that gap something to worry about or is that just?

Sarah Van Goethem: No, because our numbers include duplicates. So when we first started out, we had a lot of property managers applying and the property owners applying so we have lots of duplicates. It also includes people that have closed their license. Sorry about that.

Councilmember Durham: But what I am talking about is the gap would indicate there's roughly 500 places operating without a license, is that, is that correct?

[Time: 01:56:30]

Brent Stockwell: Mayor Ortega, members of Council, there are definitely properties still operating without a license. One thing I remember, and I may have said this to you more than a year ago when we were talking about this, is that when we talked to Airbnb about enforcement efforts they had seen in other communities that have licensing requirements, they said the third are easy because you have people that just do them and they were ready and willing to go. There's the other third that are difficult and then the last bit that is hard. It's just like the Pareto principal, you are spending 80% of your effort on the last 20%.

But it's something that we need to continue to get better at and get to that point, but it's also made challenging by the fact that they can come on and off online all the time. And so when we are trying to work on the enforcement efforts we're looking for them and then they are not online. We've talked about this with our, the Rentalscape company, and this is something that they have seen is that in other communities, I'm not saying this happens in Scottsdale, but they will see businesses change their listings after 5 and 8 to 5 because they know the inspectors work 8 to 5 and are not working after 5:00. Our technology provider is a worldwide company though, and they have people round the clock and, of course, technology, you do that around the clock. I'm just not trying to excuse it, but it's one the things that makes it more complicated.

Councilmember Durham: Thank you. And I appreciate it.

Mayor Ortega: Vice Mayor Whitehead and then Councilmember Graham.

Vice Mayor Whitehead: And I'm sure everybody agrees with me, it's amazing how far we have come in a year. We're just flying blind. So, thanks for everything that you guys are doing. On the single owners and 92%, what about LLCs? You can have one owner own 10 LLCs?

Brent Stockwell: Mayor, members of Council, Vice Mayor Whitehead. You may recall, in our ordinance we actually require the owner to be named even if it's a fictitious entity like an LLC. So, we have to have an owner or else we are not accepting that license and no license is issued.

Vice Mayor Whitehead: Okay, great. I guess I did not remember that, so thank you. And the other question is, now that we've had a year to see how the \$250 fee, whether or not the \$250 fee covers the real expense, and especially with some of these issues you are having with questions and mistakes, I wonder if we're going to reevaluate that fee and make sure it absolutely does cover the total expense for licensing.

Sarah Van Goethem: So Mayor and Councilwoman Whitehead, that's all the state allows us to do. So we are definitely, if they would allow us to do more, I'm sure we could put a presentation together that would show that we are spending more than what is actually that \$250 per applicant.

[Time: 01:59:34]

Brent Stockwell: Yes, it's \$250 or the actual cost to issue the permit, whichever is less. So the last time we looked at it, our cost is actually higher and so why \$250 is the most we could do.

Vice Mayor Whitehead: That's what I assumed. Okay. Thank you for that. Finally, that chart that you had, no, you don't have to get up. Can you send it to us by email?

Councilmember Graham: Yeah.

Vice Mayor Whitehead: That's it. Thank you.

Mayor Ortega: Councilmember Graham and then Councilwoman Littlefield.

Councilmember Graham: Thank you, Mayor, Sarah, Brent, good presentation so far. I actually kind of wanted to see that listing. If I can ask Ben, if you could email us this, like Vice Mayor Whitehead said, that would be appreciated. I was just going to ask about the cost too because we, I mean, it's so obvious that we are subsidizing short-term rentals with public safety costs and deployment and the staff time. You guys have had to go out and add more people, administratively and is there any other mechanism? Are we getting creative enough? Is there any other way we can charge, I know that's the permitting fee. Do you think that we have gone to the very edge of what we can do?

Brent Stockwell: Mayor and Councilmembers, Councilmember Graham, I will definitely get this emailed out to you. It doesn't exist before this afternoon. I thought this might be helpful to have in one place as I was putting together my remarks. So remember that short-term rentals are paying bed tax and they are paying sales tax and you may, you know one of the big issues is that the state legislature took, is taking away our ability to collect residential rental tax. But they didn't take it away for short-term rentals. So the short-term rentals will continue to pay the residential rental tax and they are going to continue to pay bed tax.

The cost of the, the cost of the police unit is being paid from the Prop 207 money, so that's the marijuana tax money. Otherwise, we could have taken it from the bed tax but the code inspectors and

the licensing inspectors, well, licensing inspectors are being paid out of the \$250 revenue which is about \$1 million a year. So there's that portion there. I wouldn't say that they are costing us more than they are bringing in.

The point I would make is this, most businesses and most people that pay sales taxes or bed taxes aren't requiring a return investment to the extent that we have to do for short-term rentals. So most of your restaurants and retail businesses and all of these other ones. There's very little service demand on the part of the City. On this one, it's definitely more on that end but I wouldn't, I wouldn't say that we're subsidizing them. It's definitely costing more than most residential properties are for sure.

[Time: 02:02:50]

Councilmember Graham: Okay. I'm not trying to be disputatious about this, but I would believe that if you add up all the cumulative costs. I mean, we see there is enforcement going on like crazy with the trash cans and the overgrowth and all that, and then you had to increase your personnel staff. We get calls. If I took your hourly rate and the rest of the staff's hourly rate and multiply it by the time that you spend on the complaints that you get from short-term rentals. Until I saw a pure direct cost accounting that shows that this was paying for itself, my default would be to believe that we are not, we are in the red on this. So, thank you, Mayor.

Brent Stockwell: I think that's a fair point. I don't get paid any more, though, the more I respond to short-term rental complaints. I get it.

Councilmember Graham: That doesn't matter though because if you are busy doing this, then we still need to do the things that you would otherwise do and so we have to hire for that somewhere else. That work still needs to happen.

Mayor Ortega: So I just want to point out that Brent is going to proceed with all the detail of the different code requirements and where there may have been, you know, a violation and so forth. So we have got about 20 pages of that to look at in detail. But if we can continue with the discussion but they have, he has other facts to present to us as well. So, Councilwoman Littlefield, but I thought I would just point that out.

Councilmember Littlefield: I just have a quick comment, Mayor. Brent, I was here when they gave this to you in a bright red bow and I just did not feel envious at all. And I thought, oh, my gosh you have a mess to handle. And you've done a fantastic job in sorting this out to date the last year. I am impressed. You have a much better handle on what's going on than we ever had before, you and your staff. And you've really started to fix an awful lot of the problems that these short-term rentals caused us. So I want to thank you. It's been very good for Scottsdale. I'm not sure our citizens realize exactly how complex and convoluted sometimes these things are. But you've done a great job, so thank you. Keep it up.

Mayor Ortega: Councilmember Durham.

Councilmember Durham: Thank you, Mayor. Do they pay the same property tax as people occupying their home or is there a different rate because it's commercial?

Brent Stockwell: Mayor Ortega, members of Council, Councilmember Durham, so they are assessed not as a primary property but as a secondary property. So they have a different tax rate, yes.

[Time: 02:05:36]

Councilmember Durham: And does that lead to a higher tax payment?

Brent Stockwell: I believe so, yes. I'm looking over at the City Treasurer to see. I'm also thinking that we have a long presentation here and, you know one the things I was planning on asking at the end, is there more information you need from us. So there was stuff that we decided not to leave in the presentation and the finances of this was something that we dropped off. It's something that we collect and so what we could do is we can get more information out to you about that too.

Mayor Ortega: And we have legislative options and other things. Let's continue with the code information portion. Obviously, the honor system doesn't work with these, with many of these.

Brent Stockwell: Yes. So I think I was where the code enforcement manager, Alyssa Yanez, is unable to be with us tonight. So I volunteered to step in to present this section. So last year our code enforcement team included nine inspectors and two short-term rental contract positions. Today we have 12 inspectors and two dedicated full-time short-term rental inspectors. This expansion represents the City's commitment to proactive and responsive code enforcement. It also demonstrates the City's commitment to strengthening our enforcement efforts especially regarding short term rental compliance.

Our inspectors have the knowledge and skills to uphold the city code and regulations. We regularly train our inspectors to ensure they can adapt to the evolving challenges within our city and our team is dedicated to continuous improvement and increasing efficiency and ensuring the highest standards.

So our team is structured to effectively address the challenges posed by short-term rentals. So the two specialized full time short-term rental code inspectors, their responsibilities include monitoring unlicensed properties that are live listing and investigating and addressing properties operating without the required licenses. They respond to complaints of advertising without a license displayed.

They follow up to ensure that the proper neighbor notification and insurance attestation are completed and received by the City. And then the broader team of the 10 area sign code inspectors, they're handling the more complex issues that may vary from complaints of nonresidential use of the property to ensure the properties are complying with zoning regulations. So that they are kind of more out in the field while the others are more in the office handling with all the online information. The area sign inspectors also address concerns relating to the properties exceeding allowable occupancy limits and they are also focusing on property maintenance standards to uphold community aesthetics, addressing

public nuisance issues that threaten community safety, and enforcing the zoning ordinances that maintain the character and integrity of our neighborhoods.

[Time: 02:08:42]

So our enforcement process overview on this slide is designed to be efficient and fair. New cases are promptly categorized and assigned to the appropriate inspector. Our inspectors then initiate a thorough investigation engaging with the complainants, property owners and managers to fully understand the issues and offer education to all parties. If a violation is confirmed, a notice of violation is issued and then the inspectors will continue to monitor and follow-up on each case. So notice of violation and then a final notice, and they'll keep going through there. I'll note that a lot of times there are multiple issues that they are addressing. They will close out one part of the case and continue to work other parts.

Our goal is to achieve voluntary compliance but in the cases of persistent noncompliance we are prepared to take legal action when necessary. As a reminder, this is going to go through City court and each case is reviewed by the City prosecutors and this is not like a traffic ticket where inspectors can just write a ticket and people pay the fine. The structured approach reflects our commitment to due process and effective enforcement. So in the first quarter of 2023, when the licensing requirements went into effect, your inspectors issued nearly 2,500 licensing cases in addition to the normal case enforcement caseload. And then those numbers decreased to 125 cases in the second quarter as many were captured in the initial proactive enforcement effort. The number has since fluctuated as our proactive measure and community outreach have taken effect.

Each case is a situation where our team is working to ensure that that short-term rental complies with ordinances. In addition, since May, when the pool barrier requirements took effect, the City has received 22 complaints regarding complaints about noncompliant pool barriers. In those cases, the code enforcement collaborates with the City's inspection services team, that's the building inspection services team, to perform the on-site inspections and education to pool owners to ensure proper safety measures are in place. That's because those requirements are so specialized that that's something that building inspection would typically do rather than code enforcement.

In the digital age, the right technology is a force multiplier. The code enforcement team and the entire short-term rental response team uses a cutting-edge software solution, Rentalscape. It enhances our ability to identify and manage short-term rentals. We have also integrated our various systems with various data sources and that integration provides our inspectors with up-to-date information, allowing them to identify potential violations more swiftly and accurately. We're continuing to collaborate with Rentalscape to improve the capabilities and enhance the tool. And we're exploring the use of predictive analytics to identify problematic problems proactively by analyzing data trends and the language used in those reviews. Again, this is an area that we are exploring with them.

We aim to detect issues before they escalate and ensure a more proactive and preventative approach. You can see on the screen, one screen shot from one property in the Rentalscape system. It's able to identify potential issues based on their review of the online advertisements. It links directly to the live

listing as well as capturing prior listings and it also helps us see when a property is booked versus available. So this is just one screen in the tool. But this is one of the things that's funded through the bed tax funds collected from short-term rentals to be able give intel to us and like I said we are working actively with them. I have a biweekly meeting with their CEO and their technologist to look at this and continue to improve this.

[Time: 02:12:29]

So we're committed to a quick response to STR complaints. The new staffing levels definitely help with this. Code enforcement has already established a strong partnership with the Scottsdale Police Department. This collaboration allows us to prioritize and respond quickly to issues related to problem STRs and I will just pause for a minute and add something here. So, because it's nearly impossible with the limited staff we have to proactively do everything, we focused on those properties that are causing police actions or generating nuisance party calls for service. Just for comparison so we have two code enforcement inspectors dedicated to short-term rentals on a volume of 4 to 5,000.

The Town of Paradise Valley next door has a one code inspector for about 250 short-term rentals. So you can imagine the staffing level that we would need in Scottsdale if we were going to try to staff to PV's level and I guarantee you, that would be even more cost prohibitive. So we're continuing to enhance the partnership with the Scottsdale PD by collaborating and identify potential violations. We are also working on new processes to reduce the number of unlicensed properties proactively. It does take a lot of time once we have been working with someone to document that case and turn it over and we definitely need to be getting better at that and we're working on that.

Our approach is evolving, leveraging technology, increased staff resources, and early intervention strategies. So if you have any questions about code enforcement, I can answer them, otherwise, I am going to get up. Here's someone that I think you will even more impressed with the work they are doing, that's Commander O'Meara from the Police Department. Commander O'Meara why don't you come on up.

Commander O'Meara: Good evening, Mayor. Good evening, City Councilmembers. My name is Jeromie O'Meara, I'm your McKellips District Commander. Geographically, that's southern part of Scottsdale from McKellips to McDonald. Within that district, we have the entertainment district, which houses our downtown section, as a new team. That's where our bike unit resides, our special project team resides, and now our newly formed short-term rental team resides as well.

My job tonight is to give you a review of the data and facts an figures from years 2022 to 2023. The information that you are going to see this evening is, as of date as the end of October this year. But before we get into the facts and the figures, the most important part of this evening, I am going to leave to Lieutenant Gollihar as he introduce the new short-term rental team to you.

Lieutenant Gollihar: Thank you, Commander. Good evening, Mayor Ortega and members of Council. As Commander said, my name is George Gollihar, I am the Lieutenant over the downtown section and the

short-term rental unit is under my section. As you can see from graph, when fully built out, the short-term rental squad will include one sergeant, four officers, and one police aide. As of November 13th, the short-term rental team has now two officers, one police aide and one Sergeant in place. They are present with us tonight and I will introduce them in a second.

We also have two additional officers that have already been chosen and are awaiting to be transferred to the unit early in 2024. The two officers that are currently on the unit are: Joshua Bayfield and Joshua Currington. The task of these two officers will be to respond to all nuisance parties citywide. They will also conduct follow-up investigations on prior incidents related to nuisance parties. They will attend community meetings and give presentations on short-term rental-related and nuisance party topics.

[Time: 02:16:42]

And then lastly, they will be a liaison to work with other city departments and community groups. We also have a police aide chosen and Katie Wolken who I also believe is in the back. Katie's task will be capturing, reporting and analyzing data from nuisance party and short-term related calls for service. She will be creating and presenting nuisance party and short-term rental related presentations. She also will be assisting with follow-up investigations of prior incidents and will liaison with other city departments like the officers.

And then lastly, we have Sergeant Eric Boles, who I believe is actually working tonight. His job is to set up the goals and strategies for the team's deployment, oversee the overall call for service response by the short-term rental team and patrol officers and he works closely with the City prosecutors and code enforcement departments collaborating on our enforcement efforts. He also is managing the team's training and equipment and needs.

Ideally as you saw earlier in the presentation, 70% of the short-term rentals are in south Scottsdale. That's one the reasons why we station them in the south portion, in the downtown district, because that's where the highest calls for service are and 70% of the calls are there. If you look, this is our new short-term rental vehicles that they will be utilizing. They are fully operational patrol vehicles with a full cage. They actually, I believe they look really cool.

They have a ghost graphic which is white graphic on a white vehicle. It's first three vehicles of the Police Department to have these graphics. We purposefully chose to use the graphics like this, one to help recruitment to get officers interested in the squad and then, two, the main function is it's a better platform for covert operations when responding to nuisance party calls throughout the city. They are able to be more covert when they are rolling into the neighborhoods to gather evidence on short-term rental and nuisance party calls. We are hopefully expected to receive the three vehicles by the end of this year. Thank you.

Commander O'Meara: Thank you, Lieutenant. So now it's my job to go into the facts and figures on the journey that the Police Department has taken regarding nuisance parties and short-term rentals since 2022. This became my initiative as a district commander a couple years ago as well. So as Brent was

saying earlier the evolution of what we have been experiencing has been ongoing and I would expect it to continue as we continue to get our staffing up to where we want it to be, and as the ordinances continue to evolve themselves.

[Time: 02:19:31]

What you can see here at this graph is in 2022, we had 1,170 calls for service in 2023. To date, we have 1,231. So we are outpacing the number of calls for service that we experienced last year. The context within this is very important. This is for nuisance parties. This is not specific to short-term rentals and we will go into those specifics here in a few minutes. When we collect this information, the nuisance party that comes into us for us to be able to accurately see what is actually occurring within the neighborhoods, we have to take a look at various different call types of service to which we are going to extract that information.

So the numbers in which you are seeing up here is going to be for anything that comes in as a disturbance, whether it's a party, juveniles, it could be for music. It could be for drunk activity. There's different ways that this call will come in. We won't know if that call for service will actually originate into a nuisance party until after the officers arrive and they determine what is occurring. But, we wanted to track that call for service as it comes in as a nuisance party because it takes the same amount of resources for us to go and do the investigation which is a very important point.

When we see the increase, we attribute that to a few different factors. Number one is the availability of information. As our communication team within the city has built out interactive website on the City of Scottsdale, that information now has become readily available for the residents as well to see where the short-term rentals are and that has added to some of the calls for service within that.

We have also have changed some of our strategies with the policing, resources that have been available to go to these calls, as well as the reduction of the call for service time. And as we can get to these calls in a more timely fashion to determine what is occurring, the quicker we can get to the call, the more accurate that information is going to be and what we are seeing. So it will go to that as well, reference that.

When we talk about short-term rentals specifically, we have seen within 2022, year-to-date to this year, we have seen an increase of about 33% in the calls to service that we can attribute to the short-term rental. What I again attribute this to is the licensing program within the City of Scottsdale. It has made it significantly easier on the enforcement side for us to identify the properties that are operating as a short-term rental and to have that information available to us in terms of who is the owner or the emergency contact to be able to get that responsible party involved.

That has been a huge asset for the Police Department for us to be able to use on our investigations when it comes to that. We have issued a significant amount of warnings in both years 2022 and 2023. On average, we are issuing 50 to 70 warnings per month depending on the activity. What we have seen in looking at the data, is the warning label itself needs a little bit of context and this is something that

you are going to start to see us differentiate over in 2024 a little bit differently.

Currently the way a warning is labeled within our system is any time the police officer arrives on scene, and makes contact with the renter or the R.P. That could be for an educational opportunity and what we are seeing in many of our encounters is exactly that. While there are warnings for actual violations in which citations could have been issued, many of the warnings that we are currently documenting is simply, here's what the ordinance is, please watch out for this activity, here's some follow up information, things of that nature.

Now that we have our police aide and Katie has already begun to dive into the numbers a little bit more, we will have the staffing resources to build again, separate that out in a better way for us to now be able to respond what was a community outreach or educational opportunity as opposed to a warning that occurred because a violation occurred. All of that being said, warnings are still a critical component of our enforcement strategy.

[Time: 02:23:32]

The very issue of how these homes every weekend someone different is in this home. So when we give a warning, we do take a look to see if it was appropriate based on repeat calls for service. I can share with you that we do not get a lot of repeat calls for service within the same night or the same groups and so the warnings are effective. That being said, with the addition of the staffing that we now have, increased, with us decreasing the response time of these calls I would continue to see citations to increase as an enforcement component within that.

But for the warnings themselves the context does matter. You can also see that within this period of time, August, September, October, significant increase. This is attributed to the change of strategy that the Police Department incorporated. We did a couple of different things differently.

Number one, we recognized in analyzing the response times that it was taking too long to get to the calls. So what we did is we changed the priority of these disturbance calls within our dispatch center to where now instead of being a low priority, it's near an emergency priority but not quite an emergency. What that has done now is greatly reduced the officers being able to get there within time of the call gets created. Our personal goal now is these calls will get handled within two hours of the origination of that event.

I'm happy to say generally speaking, we are getting to these calls within 30 to 45 minutes now in most cases. Depending on the other activity level, of course that's always going to be a variable, but that's a strong goal. The other thing that has helped significantly is we recognized the lack of resources that we had available to us on the patrol side. We have been able to dedicate three to four officers every Friday, Saturday night paying them some overtime salary, but for them to come out and be nothing other than nuisance party search and rental response team until we were able to get this team up and going. The good news is now we have a greater pool of officers that are now educated and trained in what it means for this response, it will be a nice complement to the team that's getting created currently within that.

But that's why you will see that significance of increase is because of the strategy that the police department deployed recently during the summer. As we were just discussing regarding the citations, again, year-to-date we have already issued 30. That's for nuisance party or anything that's related within the nuisance party ordinance which means failure of response by the emergency contact. Failure to identify yourself, anything that again is nuisance party related. With the dedication of the staff, again, the expectation is that they will become the subject matter experts.

They will be leading the training initiative with all the other patrol officers. They will be doing the follow-up investigations. That number should continue to increase as that team gets up and going. Current goals are very simple and they kind of feed one on top of the other and we have already kind of hit many of those talking points. But we do need to see an increase from our officers. Citations do matter.

We recognize that within the community, that it is a good deterrent to use and it's an important tool for us to use as well, if we see problemsome addresses with repeated calls for service. We also want to continue to find ways to find the reduction of response time. I have already given you our initial strategy, but part of what Sargent Bolles and Lieutenant Gollihar will continue to do now, with the actual team, is taking a look at what is the most appropriate schedule for the team, when do they actually need to be out there.

[Time: 02:27:07]

And so now that we have a basic idea of what that looks like. But the data will really be the telling tell of when do our officers need to be out there. The last part is for the successful documentation for the charging. That's important. And what we have learned is that even though it's a nuisance party, the way the ordinance, there's a lot of legal stipulations, and so the officers have to do a significant amount of evidence collection and documented in the correct way for us, not only to be able to write the citation and defend it in court and get a successful conclusion on that. And again, that will be an initiative that Sargent Bolles and Lieutenant Gollihar will continue to push forward.

Lots of opportunities and plans for the future. As you can see there is no secret that the top one there is for us to get fully staffed. We are well on our way. We've already completed our process. We have the two officers identified who we want to come next. It's simply a matter of allowing the newer officers to get done with their training and then they will join our department and then we can move some other officers over to our unit.

I can tell you that since I have been working on this project in the last two years as Brent was saying, couldn't be more impressed on how us with code enforcement, sanitation, the city manager's office, planning, legal, I have never seen one issue bring us all together as much as we have been. And so that's been a blessing in disguise within that. I don't expect that to change at all as we move forward.

But that will be something to where as we continue to develop those relationships, I'm now starting to

get phone calls from other cities. What are you guys doing? How are you doing it? I think the next step in that evolution is for us to branch out and really become that subject matter expert for the entire valley as they start to navigate this problem. Lastly as we continue to look at the data and all the information, Katie will be very busy as she starts to dive into the information. We're just scratching the surface.

We are very interested to truly see where are the problematic addresses? Where are the complaints coming from? What percent of the complaints are coming from a group of people or a community? There's a lot of things that we will be able to extract that will help us in the enforcement needs. With that, thank you very much for your time and we are available for any questions.

[Time: 02:29:18]

Mayor Ortega: Well, thank you. I see that we will move on to the communications aspect, which I believe ties well with your success rate and your plans for the future. So let's move on with communications director, Kelly Corsette.

Kelly Corsette: Thanks, Mr. Mayor, members of the City Council. I'm Kelly Corsette, Communications and Public Affairs Director. I just want to give you a high-level overview of our communications efforts to backstop all of this to date. From the beginning we focused on creating comprehensive resources for neighborhoods and also for property owners and operators and used the various communication channels to push that information out. As with anything we do in the city, the website is our home base for communication. So we created the vacation and short-term rental page that small screen shot here, it's a comprehensive page that involves lots of scrolling. There's lots of information there.

People can find this at Scottsdaleaz.gov, just search short-term rental. It's got a full range of information on the topic. Since January of 2020, the page has been visited more than 124,000 times by 80,000 unique visitors making it one of the most popular pages on our website. It's a top 20 page on our site and during that spike you saw in the earlier graph with the licensing, it was a top ten page during that timeframe. And then more recently, the I.T. folks working in partnership with everybody mentioned, developed and launched the short-term rental resource center STR.Scottsdaleaz.gov, this is the map driven portal that shows the licensing status and contact information for each of the known STRs in Scottsdale.

And this site has been visited about 4200 times since it launched just a few months ago. Now, understanding that we were launching a brand new licensing process which would generate lots and lots of questions, we created simple guides that are available on that website. The first one we launched was the guide for STR owners and operators, shown here screen right, which walks them through the licensing process, has questions and answers and provides a QR code for them to go directly to the licensing application.

The second guide here is our good neighbor guide for visitors. So this was created for STR owners and operators to print and provide at their properties so that people renting the property understood the

rules about parking and nuisance parties and solid waste and noise, and all of that. And then finally, we launched the guide for Scottsdale residents and neighborhoods which provides resources and information for people who may be having difficulty with an STR in their neighborhood so they know who to call, when, and for what. Both the owners guide and the guide for Scottsdale visitors have been downloaded around 1300 times each since they were created.

[Time: 02:32:32]

This is our Scottsdale EZ portal. So, one the various things we let people know about was how residents could report things like unlicensed properties, or issues with trash, issues with unkempt properties or related to nuisance complaints those sorts of things. This is done through the Scottsdale EZ portal which is our one-stop shop for solving problems in Scottsdale and that's seen about 1,100 EZ reports over the past year. And then finally we have supported all of these efforts with ongoing communications. As we have things to tell the community or remind the community or specific communities be they property owners, be they neighbors, we do those sorts of things through all of our various communications channels. Release on the left from August of this year told the community about the proposals that we made to the League of Arizona Cities and Towns that were adopted into the legislative agenda that Mr. Wiebusch will talk about here in a moment.

And a social media post from earlier telling people about the open data portal for short-term rentals. So that's just a quick overview. We with the citywide communications toolkit, are supporting all the things that we're doing here in Scottsdale, both for our neighborhoods and also for owners and property operators so that they understand the rules. Thank you.

Mayor Ortega: Excellent. Thank you. We'll move on, Brent, with the ordinance updates. And possible other ordinances as we move forward.

Will Brooks: Mayor Ortega, members of the City Council, my name is Will Brooks, I'm the management associate to the city manager and a member of the staff short-term rental response team. Following your direction to identify actions taken by other cities and towns, we have looked at cities short-term rental ordinances.

In addition, we have identified possible future Scottsdale ordinance language changes to address remaining challenges posed by short-term rentals. We have reviewed ordinances from nine other Arizona cities. Overall, Scottsdale's ordinance is more comprehensive. As you know, state law limits a city's ability to regulate STRs. We do have more STRs than other communities and we have carefully crafted our ordinances to comply with state law.

As a reminder, ordinances are subject to challenge in the courts and may be challenged by individual legislators as well. A city found to violate state law can have state-shared revenues withheld. There are three areas where Scottsdale's ordinances differ from other communities. The first is response time for non-emergencies. Others state a specific response time for both emergencies and non-emergencies. Scottsdale only requires a response time for emergencies.

However, state law does not authorize the requirements for nonemergency responses. Scottsdale already has many avenues available for residents to address problems, including calling the emergency contact for a property, calling the police nonemergency line, and using Scottsdale EZ for other property violations. Amending the ordinance to require a time for nonemergency responses would not improve enforcement significantly and likely would not comply with state law.

Another difference was the amount of information needed for license applications. Other cities in Arizona required evidence of insurance, attestation of neighbor notification, and evidence that the STR is registered with the county assessor's office at the time of application. Rather than following licensing issuance as in state law and in Scottsdale ordinance. Failure to comply with these requirements after license issuance can result in enforcement action, however, they cannot be used as grounds to deny a license, a state law is stringent on what can be considered.

[Time: 02:36:31]

Lastly, other cities require background checks be completed prior to every booking, rather than every stay. However, if a booking is made months or weeks in advance, the background check will not find the most recent additions to the sex offender registry, prior to the stay. Instead, Scottsdale's requirement of doing so at least 24 hours in advance prior to the stay makes it more likely that the most updated information will be found.

Next, we looked at additional ways to improve Scottsdale's ordinances to enhance public safety. Staff has identified four problems regarding nuisance parties and how the ordinance could be changed to address each one. As a reminder, a nuisance party is a social activity or a special occasion conducted in a manner that causes substantial neighborhood disturbance, this includes excessive noise and traffic, obstruction of public streets, public drunkenness, underaged drinking, fights, disturbances of the peace, and litter.

First, the ordinance doesn't currently make promoters or people would directly organize an event or party rather than the property owner, property manager, or guest clearly responsible when they organize a nuisance party. The solution that we propose is to add promoters as a responsible party under the ordinance.

Second, we want to make sure that police officers have clear authority to require all party attendees that are not residing at the property to leave after a nuisance party has been declared. The proposed solution is that after police declare a party to be a nuisance, to make it unlawful for all attendees that were not overnight guests at the STR to stay on the property.

Mayor Ortega: Right here at this point, I can agree with these six points. I think that in our experience now, we have logged in incidents of, you know, 16-year-olds renting a house and we've logged in cases where people have been promoting parties, whatever, including alcohol, dancers, and other things. Then we end up having to pick up the pieces, right? All of that interruption comes to us.

So, I would say, I'm really in favor of especially alcohol to minors and so forth, I think we can tighten those up, based on our experience. And we have one year of, more than one year of dealing with the problems. So part of the purpose today is to give you direction and I appreciate this. So I would favor that myself. And I think most of us would. Continue.

Will Brooks: Thank you, Mayor Ortega. The third problem is that people are holding special events at STRs without a special events permit. This solution would be to amend the ordinance to make it easier to enforce against special events that turn into nuisance parties and are held without a required special events permit.

Fourth problem is that parties at STRs are illegally providing alcohol, for example, requiring a cover charge for a party. The solution to this will be enhancing enforcement violations, I'm sorry, enhancing enforcement of applicable violations of state liquor laws or Title IV. This would likely not require an ordinance change. And all the proposed solutions would apply to owner occupied and long-term rental as well.

Mayor Ortega: Let me interrupt here just to say that this presentation may result in some ordinance changes, again, under advice with the City Attorney. Did you have any comments, Luis?

Luis Santella: Mayor, and members of the Council, I was going to add that these changes would apply to owner occupied and long-term rentals, but Mr. Brooks did say that at the end of his presentation.

Mayor Ortega: Yes, and go ahead. Councilmember Graham.

[Time: 02:40:36]

Councilmember Graham: Thank you, Mayor. So, yeah, one of the scenarios that I envision might be happening and this is just kind of what I've seen in my neighborhood is that when you think about like the pre-short term rental time period, if you wanted to have like a house party as underaged, if someone wanted to have, if you are underaged you would be like, oh, whose house is empty, right? Or whose house can we go to?

But with this, what they say is we don't have to deal with any of that. We'll just get somebody to book a short-term rental and we'll go throw house party with underaged drinking. So then I would wonder, like, the person that booked that, shouldn't they have some level of culpability as far as underaged drinking? That's kind of the stuff you are contemplating, right?

Luis Santella: I think I can address that best. Those types of activities are already illegal, contributing to the delinquency of minor. It's illegal for anyone to purchase, to furnish alcohol to a minor, regardless of the circumstances.

Councilmember Graham: So you think that we are already covering that.

Luis Santella: The existing laws already do cover it. The proposed draft ordinance that the staff will eventually bring forward will also tighten that up a little bit.

Councilmember Graham: Okay Luis, so in a scenario where it's like I'm going to book, you have to be 18 or 21 to book an Airbnb. Do you know what the age is?

Luis Santella: It's illegal for a person under 18 to enter a contract, but it's possible because they are not verifying the age or people are defeating it to reserve something online.

Councilmember Graham: So, you can book something being 18 years old and then throw a house party.

Luis Santella: You can claim to be over 18 and not be.

Councilmember Graham: Okay.

Luis Santella: One the provisions I think they are going to get to on the next screen talks about making it specifically illegal for someone under 18, but right now, people under 18 cannot contract anyway. So technically, it is illegal, its just not really enforceable.

[Time: 02:42:40]

Councilmember Graham: And we couldn't contemplate raising the minimum age to 21?

Luis Santella: No, we can't. Someone who is 18 is a full-fledged adult with the exception of the state or the federal government. They can vote, go to war, but they just can't drink.

Councilmember Graham: Thank you, Mayor.

Mayor Ortega: Okay. Then continuing with the presentation.

Will Brooks: In our vacation rental ordinance, there are two challenges faced, like Councilmember Graham said. The first is that minors are not clearly prohibited from renting properties. A possible solution is amending the ordinance language to ban people under 18 from renting a short-term rental. The two major STR sites have already confirmed with us that this is consistent with their policies.

The second problem is that high occupancy rates for parties and events at STRs pose a public safety hazard. As I already mentioned, the proposed change requiring party attendees to leave will help with this, but a change in the total number of people allowed on a property might address this as well. A possible solution we arrived at is to determine total number of people allowed on a property, also known as occupant load. On an occupant load is a different issue than occupancy.

Occupancy is how many people reside at a property or how many people are staying overnight. The

occupant load would set the total number of people that can safely be at a property physically at one time. The main justification for this is that high occupant loads at an STR poses a unique public safety risk. These risks include that guests are there temporarily and not familiar with escape routes, and they are not familiar with on-site safety systems, and overcrowding can lead to nuisances such as excessive noise, parking, et cetera.

Its common sense to deduce that the more people are on a property the higher chance of the event causing a public safety hazard. If, because of public safety concerns, we want to determine an occupant load limit for short-term rentals, staff recommends a minimum of 200 square feet per person. The same level used for other residential properties that are used commercially, such as care homes.

[Time: 02:44:47]

Mayor Ortega: So there you are using a code requirement and the building departments and development standards to apply that, can be defensible, in other words, we will say versus if it is a bar and, you know, a bar they allow one person per 35 square feet or whatever. It could be hundreds of people in a bar. So I like that direction as well.

It's going to the code, just like a fire extinguishers, exit markings, and so forth. And posting the occupancy would be who knows. Maybe, I hear in some jurisdictions and other states that they actually post it on the outside, occupancy shall not exceed 15 people or 12 people or two adults, three dogs, and whatever. Anyway. But we may have some requirements, we may be able to go further so that people will know by entering. Councilwoman Caputi and then City Attorney.

Councilmember Caputi: Except that if we make this rule for short-term rentals, wouldn't we also have to make it for all residences and all I'm thinking have a party that could be easily over 19 people and your children are being punished for having all of their friends in one place. Is this just for overnight stays? I mean, how do you?

Brent Stockwell: So Mayor Ortega, members of the City Council, Councilwoman Caputi, if you remember under state law, if there's a demonstrated public safety need, we could make the requirement solely for short-term rentals. For all other reasons other than a demonstrated public safety need, it has to be the same as owner occupied and single family. So what we were talking about here is using concepts from the building and fire code and applying them and building them into the vacation rental ordinance.

However, I know that Will has some important caveats while we're still on this slide that I think it's really important for the Council to hear before you weigh in on how you feel about this because I think there's some important issues to consider.

Mayor Ortega: Okay. Go ahead, Will.

Will Brooks: Thank you. And we used this 200 square foot calculation, just for reference, the occupant load limit would be 9 people at the average STR in southern Scottsdale, 15 in the average central

Scottsdale STR, and 19 people in the average northern Scottsdale STR and this rule would scale depending on the size of the property. We also looked at other ways cities addressed similar issues. The most common was using a two guests per bedroom plus two guest limit. However there are significant challenges with implementing an occupant load limit that the Mayor and Council should be aware of.

First, enforcement is very difficult. Many cities who use an occupant load limit do not enforce this rule other than when issuing a license, when licensing the STR. And this is not something that can currently be considered under state law when issuing a license. In addition, other states do not have the type of state regulation and can implement an occupant load limit more freely than in Arizona.

[Time: 02:48:02]

Occupant load limits also have to be carefully implemented so as not to infringe on the Constitutional right to peaceably assemble. Since nuisance parties are not peaceable assemblies, the city could enforce in those circumstances. And lastly, an occupant load, assigning an occupant load limit to an STR could signal to residents that we are encouraging more people at STRs rather than less.

For example, it might feel frustrating to residents if more people can occupy an STR than can reside in a single-family home. To close out my section, I hope this gives you a better understanding of our options available to us on how to better protect our quality of life to the residents here in Scottsdale.

Mayor Ortega: So perhaps at this point we can explore it, perhaps and come back at a later date with some more definition?

Brent Stockwell: Mayor, members of the Council, definitely. So what we need is your feedback at this point in time, particularly on these possible ordinance changes or any other ones and then what we will do is we can go out and we can draft an ordinance, consistent with the things we have identified and perhaps others, do public outreach on that, and bring it back.

But we wanted to make sure that you hear some of the cautions of that. I do think in looking at ordinances in other states, in particular to not address that peaceable assembly issue and apply it across the board in other cities like Austin, Texas, those requirements have been overturned in the court. So we're going to have to analyze these in more detail and make sure we are really crafting something very narrowly that it's demonstrated public safety need so your Chief Building Inspector Michael Clack is here, but he and the Fire Marshal would be doing more work and analyzing data before coming back to you on a recommendation to make sure that our recommendation is demonstrated based on the facts and the data. But we're identifying those issues for you now. Thank you.

Mayor Ortega: Councilwoman Janik and then Councilmember Durham.

Councilmember Janik: Thank you, Mayor. Thank you, Will. Really good information. Good suggestions. My first rule of thumb whenever you institute a new rule or ordinance, is that it be enforceable. So I would hope that we would take a look at all of these and make sure that it's not an undue burden to try

to enforce them and I would say that this occupant load, it might fall under that category and maybe we need to study it more, and see how it works in other communities before we work on that.

Mostly, the other ones seem very reasonable, but in the future, I would like a little bit more input to make sure that you are comfortable that they can be enforced. Okay? I think the other comment I had is if there are areas in, that slide you showed us with all of those different ordinances involved, if that can be simplified and unified maybe in some fashion, that would certainly help with enforcement as well. And I think the police would welcome anything that would simplify and maybe group together some of the ordinances.

[Time: 02:51:11]

So, for example, with garbage, there might be five different statements that have to do with leaving garbage out, well, maybe could you pull that together and make it just one rule. Too many rules, you are not going to be able to enforce them and that's true at home as well when you have too many rules for your children.

[Laughter]

Coverage 24/7, I know that was an issue when I was on the first task force on short-term rentals. We didn't have coverage in the evenings and being of course, that's when all the parties are. It's my understanding on weekends, Fridays, Thursday, Friday, Saturday, or Friday, Saturday, you have overtime hours so that we've got coverage 24/7?

Brent Stockwell: The police short-term rental unit is actually staffed during that period of time. So that, that takes care of that issue. I wouldn't say it's 24/7. It's dynamically deployed on those days when they're most likely to have nuisance parties. Again, as Commander mentioned as well, because we trained a lot of other officers in nuisance party enforcement, we have a much broader group of people citywide that are able, and informed and aware of it. So it's both of those things.

Councilmember Janik: That sounds really good. The other thing is when you get the emergency contact information, do you verify it? Do you bother to call and say, "Hey, is this real or is it fake?" Because I know in the past there were some really bad emergencies and we lost a lot of time because the name changed, the phone number was wrong, so is there an attempt maybe annually on renewal to check the emergency contact?

Brent Stockwell: So, Mayor, members of the Council, Councilwoman Janik, when we were, you know, you recall when we first issued, got the licenses, it was taking a long time, right?

Councilmember Janik: Yes.

Brent Stockwell: And that's because the licensing team was verifying every piece of data. And in order to meet the requirement and get it issued within the seven business days, we had to -

Councilmember Janik: Sure.

Brent Stockwell: Figure which things were going to go. And so that's one the things that was going to go at that point in time. Now that we have full-time code inspectors dedicated to short-term rentals and we have that police unit with the police aide and we have 1.5 license inspectors over the whole course of the year, we may be able to ramp those pieces up, but I know that's also something that the Sergeants have been doing since that we staffed that Sergeant.

We had a Sargent staffed for more than a year. And one of those things is they are calling and following up with people because we have to let them know, we have to let the owner's representative know when we have been out on the property. So those are ways that we can double check it.

Councilmember Janik: Oh, good.

Brent Stockwell: The other thing you remember, one of the changes we made that the industry was somewhat resistant to last year, but we were insisting on, and that is that there be a real person be on the other end of that emergency contact. We were definitely having more problems than we are now with this issue. And so all of these things kind of combined together.

[Time: 02:54:15]

We are not, we don't really think that's an issue at this point in time, but it's definitely good feedback and we can go back and look and see how we can do that more. We just can't slow down that license issue because that's required by state law.

Councilmember Janik: As long as you are comfortable with the compliance, I'm comfortable with it too. I just kind of wanted to bring that up. And I have to say, it's what Councilwoman Littlefield said, based on when I was on the committee three years ago, and what I see now, all of you have done a phenomenal job to get this problem under control, to have organization, to have enforcement, and to be at this stage where you can make more proposals so that we have better enforcement. Thank you very much. And I'm really proud of the City again that we have become a model for the other communities to follow. It's kind of typical of what Scottsdale does. So thank you to all.

Mayor Ortega: Thank you. Councilmember Durham and then Councilmember Graham.

Councilmember Durham: Thank you, Mayor. What's the definition of a special event? Is that one that requires admission or something like that?

Brent Stockwell: Okay. The special event ordinance is its own chapter within City Code. And generally, a special event is a temporary outdoor activity that is inconsistent with the legal use of the property under the zoning ordinance.

So what we're trying to do here is just to tie this in a knot and a bow on the issue in that there wouldn't typically be special events allowed in residential neighborhoods, but some of these events that we're really trying to make sure that we crack down, were events where they were advertising to the public on social media and more than 200 people would show up on a property.

Councilmember Durham: Right. Right.

[Time: 02:56:09]

Brent Stockwell: Clearly something that goes at the level that if it were to be done, it would require a special event permit. And so we're just trying to put a finer point on all of this and make sure that we can really enforce it. Not trying to go do special events in residential neighborhoods. That's clearly not what we are not trying to do.

Councilmember Durham: I'm generally in favor of all of these. As Councilwoman Janik said, the occupant load may be a little hard and may be hard to enforce, may be hard to write. But the rest of the things that you suggested, I encourage moving forward on all of them. And along with Councilmember Janik, I remember when we created the short-term rental group, I think it was Councilmember Janik and Milhaven, and it's amazing the amount of work that's been done. I know we urged for additional police officers, and there's been a tremendous amount of work that's been done, and I thank you and everyone else on the staff who has done that. Thank you.

Mayor Ortega: Councilmember Graham and then Vice Mayor Whitehead.

Councilmember Graham: Thank you Mayor. Brent and Will, is this the conclusion of the presentation tonight?

Brent Stockwell: No. The next part of the presentation is from your Government Relations Director, Dale Wiebusch talking about legislative action. So we have a few more slides about legislative action.

Councilmember Graham: But this concludes --

Brent Stockwell: But this is the end of the staff portion about our ordinances.

Councilmember Graham: Okay. Very good. We'll look forward to what Dale has to tell us. I just wanted to thank you, Will, Sarah, Kelly, Cindy, did you talk to us, Cindy? I don't think so but thank you. Thank you, Lieutenant Gollihar. And thank you, Commander O'Meara for talking to us tonight. I didn't have very much expectations for what you guys would be able to come up with. This exceeds my expectations.

Not because of any deficiencies, but just because I thought we were so handcuffed. I'm generally in support of a lot of where we are going here. I agree that sometimes you have to weigh the merits and demerits and figure out what is doable and what is plausible. But you know this is, we're sitting here

talking about sort of conceptually the short-term rentals but really it's kind of just, I don't know what number it would be, the 5% frequent flyers, like, the bad actors.

Do you have an idea, like a number in your head of how many houses or units in Scottsdale that might be, as we've got 100 bad actors and that's kind of spoiling the batch? There may not be an answer to that question.

[Time: 02:59:15]

Brent Stockwell: Mayor Ortega, members of the Council, Councilmember Graham. We have a philosophy that we talk about. We are trying to make it easier to do the right thing and harder to do the wrong thing. So many of the things that we have talked about tonight, are making it harder to do the wrong thing. I would say from the licensing perspective, we still have this nut of 300 to 500 properties that are on again, off again, that it's hard for us to get licensed. And we need to work on that and we need to do that better.

In terms of the nuisance party, you saw the numbers that Commander O'Meara put up there and that's all the calls and, again, the citations is a very small percentage of that. He said it was 60 and it might go up from there. And so I think with the nuisance parties like the legitimate problem properties, we are talking less than a couple hundred. And the problem with that is that it's not the same property over and over again.

It's a property and one the ones that you are familiar, the one down on Kimsey, it was a bad night. That, they're not in business anymore. They decided to go to a long-term rental and that is what happens as well. So and this is what you would hear from the short-term rental industry as well. The vast majority of them are not causing problems. They are not causing problems for the neighbors.

Councilmember Graham: Right.

Brent Stockwell: But there are a few. And ordinances are designed for the people that are violating the laws, not the ones that are complying.

Councilmember Graham: Exactly. And the vast majority of short-term rentals you don't even know that they are there, or they're operating peacefully, and we get it. I understand we're talking about that segment. Go ahead, Brent.

Brent Stockwell: If I could add one more thing, and it's particularly because many members on this team were out at a neighborhood meeting last week about short-term rentals. And one of the things that happens with residents around short-term rentals is, and I don't want to minimize this either, but there is this trauma that comes associated with it.

Because a nuisance party or even just a loud neighbor, you know, loud guests are there, people that live around short-term rentals they get nervous every time they see those out-of-state cars pull up. And so

while, I want to mention that, because that effect is happening all the time in our neighborhoods all the time, even if something is not rising to the level that would get a citation.

It's that trauma that people are afraid that this is going to be the night where they can't get sleep, or they are going to have to call the police because of it. And so, I just wanted to make sure and mention that, because when I've talked to, as you know, I have talked to a lot of people or emailed a lot of people in the city about this issue. And as I hear that, that is something that does resonate with a lot of people. They are just worried that tonight is going to be the night that they are not going to be able to sleep or they are going to have to call the police, or they are going to have to let the Council know about it. I wanted to make that caveat because I didn't want to minimize this in any way, shape, or form. Thank you.

Councilmember Graham: I appreciate that you validate that concern because we hear that. People email us and we hear about the impassioned pleas because there's nowhere to retreat. You are in your home. This is your, you know, this is your safe haven, right? And if you are blessed and fortunate enough to afford live in the City of Scottsdale and then you have sort of, you are gun shy or there's been a trauma on your street, you want to be able to, you can't retreat anywhere when you live in fear.

So it's how much of this is validating that I think is important. And then the last thing I will say and then I will conclude my responses. I've been watching Mr. Michael Clack's reactions to some of these. I have been curious wanting to pick his brain about some of the stuff we have been talking about, but maybe you can send us an email with some sort of pragmatic reaction to some of what you have heard tonight. Thank you, Mayor.

Brent Stockwell: And he has been involved in the effort to craft the ordinance as well, so the remarks that Will made, had Michael's thoughts included in them.

[Time: 03:03:31]

Mayor Ortega: Vice Mayor Whitehead, Councilwoman Caputi.

Vice Mayor Whitehead: Thank you, Mayor, sorry. I want to quickly weigh in that I support all of the ideas that Will has presented. And as long as we are thanking people, I wanted to thank our Deputy City Attorney sitting over there. And in advance, I will thank Dale and his team. I think that I agree with Councilwoman Janik that the occupancy is, I guess what did you call it? The occupant load is challenging but that would solve 90% of the complaints I get.

So I think if there's a way to just somewhat limit that, I think it's something I really favor because you could definitely still have a quality short-term rental. You don't need to have, you know, 20 people. I would love to see that. So thanks.

Mayor Ortega: Councilwoman Caputi.

Councilmember Caputi: I would just say in conclusion to echo what a lot of my other colleagues have said. Amazing job. There's just so much work. I can't even get my head around it. Obviously, I think whatever we can do, pushing up, Brent, get the state law, we should do. I can't imagine any of us would say don't. Please pursue everything that we can do within the legal guidelines.

And then, I just want to echo the comment by Councilmember Graham, it's so hard to believe that this isn't a cost to the city. I mean, when you just think about the entire new force of police officers and the code requirements and how much work you do, Brent, this has become a full-time job for you. I mean, so much extra staff, all of us taking time out of our day to answer the requests. It's just unbelievable how much drain it's been on our city.

[Time: 03:05:22]

And so I know Sergeant O'Meara made the comment that he's getting called for other cities to consult and I've heard that comment from a few other people up here as well. I know we are already maxing out the ability to charge but maybe we could charge for our expertise since we are now the gold standard in the valley, right? And then we could maybe somehow get another bit of extra revenue because, man, we probably need it. So great job, everybody. Thank you.

Mayor Ortega: Okay. So we will move on with the legislative. I do want to say that fundamentally, the problem is that we have commercial use in a residential neighborhood.

Councilmember Graham: Correct.

Mayor Ortega: That's the incompatibility that's going on here. We've always had home rentals and apartment rentals 12-month contracts, even six-month contracts, but when you just have overnight turnover and all of those complications. Hopefully as we get into the legislative, someone asked about, "How can we enforce this?" Well, we should look for legislative relief to raise the penalty above \$1,000, for instance and many cases, they capped that, and they just laugh it off, because, you know, my neighborhood they are getting like almost \$4,000 a weekend for an STR. So it's just a little slap on the wrist. So go ahead with the next measures as we look to legislative relief too.

Dale Wiebusch: Thank you very much, Mayor and Council. Pleasure to be here tonight. My role is to present to you some of the proposed legislative ideas that we are seeking in the coming session to regain some of our authority in the short-term rental arena. As was noted earlier, the City of Scottsdale was successful in getting three policy submittals approved by the League resolution process this last summer and those are now part of the League's legislative agenda.

Just as a, there were unanimous votes by every Mayor present at that meeting. And we are working already with a variety of cities and towns and the League to advance these proposals. I want to make clear one point because we did have some cities that said, "Well, we don't want to regulate." It's like, great, don't. The language will be permissive. What is good for one city may not be good for another city. That's really the essence of local control which is, I think, in all of our blood. The next legislative

session starts January 8th.

I want to also point out before I move on that it was mentioned a little bit earlier about Senate Bill 1350, which was the 2016 law that stripped our authority. It's not feasible to repeal that in this current political environment. As much as we would love to, it's not going to happen with the current situation that we have. I don't like to set up false expectations.

[Time: 03:08:45]

So the three policy proposals that we did advance are to place a cap on the total number of licenses, to limit the density in a defined geographical area, it could be a subdivision. There are multiple kinds of defined geographical areas in law, which I was not aware of until we started doing some of this research, and then also spacing issues. We are in the licensing section of the law on purpose, because we've already been granted authority to issue licenses.

That's why we are residing in that part of the law. We've already had that ability given to us. I think we have some really good stories to tell down at the Capitol, and we want to point out some of these issues for you to consider. First of all, with the cap, and I'm using a ballpark figure of 4,000 just for some easy math which I need help with often.

It decreases our housing stock which ultimately drives up home costs. We just have so many fewer houses available on the market for long-term housing. It also decreases our full-time residents. Decreased population. The City of Scottsdale and the American Community Survey, which is a separate survey than the census, gives us 2.09 people per household and that's basically because we have a lot more retirees here versus the 2.6 or 2.7 that you might see in the census survey.

That equates to about 8300 fewer people that we have in the city because of the short-term rental properties. And as was mentioned just a few minutes ago, there are increased costs associated with this. I have worked with the Treasurer's Office to get some data on certain things. Police intervention probably for this new team is somewhere in the \$650,000, \$700,000 a year range. And then, of course, we do have some decreases in shared revenue, but there is some offset because of bed tax. So I didn't want to give you, it's definitely this much or that much because it is nuanced, quite frankly.

So for the density and distance requirements, these kind of overlap because you might have a subdivision on one side of the street with a short term rental right on the street, and then over on the other side of the street, you are in a different subdivision. And so we will have to address that and how we address that, I think we can do that probably through ordinance and some careful planning. But, and this has been brought up many, many times by, I think each one of you.

You place a business inside of a neighborhood, and you have destroyed the connectivity of that neighborhood, the feeling of that neighborhood, you don't know your neighbors anymore. The Mayor and I have had conversations many times about how you don't go to school with the people across the street because they are not, they don't have school-aged kids, and it changes every weekend and it's

empty, Monday, Tuesday, Wednesday. And then certain neighborhoods are just saturated by this problem. As you well know, what is it 70% of all the short-term rentals are in south Scottsdale. So these people bare that brunt.

I really want to applaud Brent's statement related to the trauma that people feel. Because I see those emails too. And you can just feel that these people are at their wit's end and they are turning to their local government to solve the problem, even though our ability to solve the problem has been greatly curtailed by state legislation. That's what we are trying to recover some ability to control this going into the future. Let's see, we have some hindrances to advancing legislation and we have some assets. I just decided to use different words like hindrances and assets because I felt like it.

[Time: 03:13:03]

We will get a private property rights arguments from people. It's my property, I can do with it as I please. You can't tell me what to do with my property. I will hear that. There's a legislative attitude that is prevailing that says this is another way for people to make money. It's free market. We have to maintain a business-friendly atmosphere, and so people, and again, it goes into the first point, the private property rights. And then just generally some legislators that just don't like cities and towns. Doesn't matter what you did or where you're from, they just don't like us.

I worked with the League for ten years. I really know this feeling and 91 cities and towns have all had a turn at being on the list. I will guarantee you that. So we also have some assets. There are multiple cities that want to do something about this. And the force of the League is behind us as well. I'm just going to ballpark here, there's probably nine or ten cities that are hugely affected by this and some of them are represented by very high-ranking members of the majority party in both chambers.

In fact, both majority leaders are from Lake Havasu, and which is one of our allies in this fight. And as you all know, we have a really active and vocal citizenry that wants their neighborhoods back. The current system that we've employed, even though we have run up and we're going to do a little bit more enhancement of the ordinance it looks like. We have run up to the limits of the law, state law. The citizens say more. More, more, more, more, more. So what we would really like to do is have a really active citizen involvement in this campaign.

It's just not Dale and Marci and our contract lobbyists and the other members of the short-term rental team. I want the citizens of Scottsdale to tell their legislators, "We've had enough. We need to get our neighborhoods back." So we want to have an active campaign. This next slide is the front picture of our government relations page, the legislative section. I'm not saying that only these three legislators are the people to talk to, it just happens that it was numerical how this is district three. So if you go to our website, and our page, and look at the government recommendations section, you will see the legislators, their contact information, you can email them, you can actually call them.

I'm, again, having the hope and the expectations that our citizens can help drive this bus and that we can get to a place where we have more control and authority and restore the neighborhoods back to the

people who live there. With that I would be happy to take any questions.

Mayor Ortega: Sure. Councilmember Durham.

Councilmember Durham: Thank you, Mayor. Of the three that you have listed on the screen, I think Senator Kavanagh has generally been helpful to us. What is the position of the other two, Kolodin and Chaplik?

[Time: 03:16:14]

Dale Wiebusch: Mayor, Councilmembers, and Councilman Durham, as I recall, Mr. Chaplik, you know what, I don't want to misspeak. I don't have Mr. Chaplik's vote on the last measure. And there weren't measures in this last session that would apply to the situation and it is Mr. Kolodin's first year. But Mr. Kavanagh voted against the original 1350.

Councilmember Durham: Did you say that was 1350 was the original?

Dale Wiebusch: From the year of 2016. He voted against it, I believe. There were multiple votes on the bill. He was the only Republican that always voted against it.

Councilmember Durham: And the other one was 1168.

Dale Wiebusch: That was from two years ago.

Councilmember Durham: Alright, thank you.

Dale Wiebusch: Mm-hmm.

Mayor Ortega: Well, I think it's well defined that as your approach is moving forward. I think it's obvious that if the legislature does nothing, does nothing to support the city or enter bills that would deter the problem that they're actually not helping us. And that's why the entire League is 100% in support of this. I go to basically our, we are vested municipal, municipalities are vested with all zoning criteria, including distancing, density, and specifically where the state statutes say that a municipality has about 20 different roles.

They can separate commercial from residential. They are authorized to tell or designate historic areas within their municipality. They are certainly able to find or identify nuisance uses and separate those. So those are all already posted and they go through a process which is our local process, Planning Commission is vested and so forth before it comes to a town or a municipality. Now to have an exception for one type of use, is in my opinion, pretty absurd.

Someone could say, you know, Aunt Margaret cooks a great pizza and she has a great recipe, and she has a home kitchen and maybe Aunt Margaret could make money on the side and have friends over and

charge them for the pizza because it's such a great recipe. And next thing you know, the legislature could have an exception for pizza making at any house and then you have a violation of all our entire zoning program. Why have that?

They have done that essentially with rooms not occupied by the owner and created that commercial use which violates every preamble that we have. So, we think that it's, I would like to march forward with, we have also the empirical evidence that says, oh, and parking is part of the jurisdiction of zoning. It's required.

[Time: 03:19:55]

And for them to say, well, you have no control over parking, you have no control over separation of commercial and residential. You have no separation of noise or CUPs. It's like, wow. Exempting that for, let's just say, straight up capitalism, that's a bad precedent that could apply to anything, as I said, even making pizza or making cookies. The next thing you know, everybody can have a bakery anywhere they want. So, I'm optimistic, that we, and we want to monitor bills. I believe bills will be dropped in early January and if there's an absence of bills not in our favor, I think we have the right to say this is what our constituents want.

In terms of even perhaps higher penalties or some other method that we can lead to better enforcement. Essentially what happened is for five years, from 2016 to 2022, no taxes were paid, or registration was filed correctly or at all. So, for five years if you had any kind of business with no rules, it was out of control, and there was probably tens or hundreds of millions of dollars in taxes lost, as well as us having to catch up since 2022, when we had that authority.

So it is a cost to our neighborhoods, and it's a cost to the City. I think this work study has been very useful. I think we had some pretty straightforward direction and I look forward to the next progress on this subject. With that, I don't see any other hands up. Therefore, we are concluded with the work study. Please move to adjourn.

Councilmember Janik: So moved.

Mayor Ortega: Seconded. Please record your vote. We are adjourned. Thank you.