

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JUNE 18, 2019 AT 6:00 P.M. AT THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA

1. Call to Order.

Mayor Seymore called the meeting to order at 5:57 p.m.

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Daryl Seymore, Vice Mayor Mike Allsop, and Council members Rennie Crittenden, Brent Hatch, Connie Kakavas, Gene Kelley, and John Leech, Jr.

COUNCIL MEMBERS ABSENT: None.

STAFF PRESENT: Ed Muder, City Manager; F. Morgan Brown, City Attorney; Jay Brimhall, Community Services Director; Justin Johnson, Administrative Services Director; Joe Shelley, Chief of Police; Steve North, Business Development Coordinator; and Tamra Reidhead, City Clerk.

GUESTS: Bruce Ironside, Jim and Carolyn Walker, Jordan Hurley, Tracy Sweeney and others.

3. Discussion of Sports Facilities Advisory Convention/Events Center and Youth Sports Phase I Market Opportunity Report.

Mr. North said the Sports Facilities Advisory (SFA) was commissioned by the City in November 2018 to study combining sports with a convention/events facility. The facility would attract non-locals, enhance the local community, and achieve operational sustainability.

Mr. North said the report included a review of Hunden studies and market analysis, facility and business model recommendations, projected pro forma, and recommendations and next steps.

Mr. North reviewed key demographic factors of areas from 10 to 45 minutes from Show Low, including population, projected five-year growth, median age, median household income, and fees for recreational lessons. He pointed out that the median age in Show Low was higher than the national average and median household incomes were lower. However, population, median age, and median household income were all neutral factors. Population growth and fees were higher than the national average and both of these were positive factors.

Mr. North reviewed the number of potential participants in indoor sports (calculated by multiplying participation rates by drive-time population), including

basketball, tennis, volleyball, softball, and gymnastics, within a 30, 60, and 240 minute drive. He also reviewed the number of potential outdoor sports participation, including soccer, baseball, football, flag football, and lacrosse, showed sports within a 30, 60, or 240 minute drive.

Mr. North said there were no local sports facilities, but regionally, most were located in the Valley. Those facilities would be very similar to what Show Low would consider.

Mr. North said if Show Low's facility had four full-size courts, it would be competitive with greater than or equal to 38% of existing facilities. With six full-size courts, the Show Low facility would be competitive with greater than or equal to 62% of existing facilities, and with eight full-size courts, Show Low's facility would be competitive with greater than or equal to 70% of existing facilities. An important part of the study would be about "right-sizing" the facility for Show Low. SFA recommended sizing the facility to meet the threshold for competing with other facilities in the region.

Mr. North said four court model would be 91,000 square feet and was projected to cost \$20 million. A six court model would be 121,000 square feet and was projected to cost \$26 million.

Mr. North said SFA recommended a mixed business model for this facility. It would have a balance of local programs with regional sports tournaments and events. It would have year-round use to facilitate operational sustainability and/or minimize subsidies. An important component would be the internal programming, which would maximize the use of the facility, and maximize the economic impact. Tournaments and events would be outsourced to minimize work internally.

Councilman Crittenden asked what internal programming was. Mr. North said that would be programming events in the facility itself, not management of the facility.

Mr. North said projected performance based on similar facilities with a six-court model, showed total revenue was projected to average from \$3 to \$5.5 million, operational performance was projected to average from \$637,000 to \$1.9 million, and economic impact was projected to average from \$3 million to \$12 million.

Councilman Crittenden said operational performance was the amount it cost to put on an event versus what was being brought in and had nothing to do with debt. Mr. North said that was correct.

Mr. North said an indoor sport/events facility in Show Low could become a premiere venue for sports tournaments/events, attract visitors to Show Low and

drive direct spending and hotel room nights, create a sports hub that enhanced the community, and achieve operational sustainability and minimize subsidies.

Mr. North said SFA recommended performing a detailed financial pro forma to fully analyze opportunity and “right-size” the facility, creating the ideal facility layout and business model, forecasting the economic impact of tournament/events hosted at facility, and completing a project and business overview report for the ideal facility and business model. This would take place in Phase II of the study at a cost of approximately \$35,000. SFA had said several times that if they recommended a facility in Show Low after Phase II, they would put their reputation on the line that it would be successful.

Councilman Leech asked about the location for a facility of this size. Mr. North said staff had discussed several locations internally but there was no set location at this time. There were a couple locations at Show Low Bluff that would suit a facility such as this in addition to other locations in the City.

Vice Mayor Allsop asked if anyone had spoken to people who might run the facility. Mr. North said that would be part of the Phase II study to determine who could potentially run the facility and how it would be run.

Vice Mayor Allsop said a high altitude training facility in Show Low was a popular idea. With the right person or business running the facility, he felt it would be successful.

Mayor Seymore said an important component was to consider not just indoor sports and events, but also the outdoor possibilities and how that could enhance the facility.

Councilman Kelley said SFA referred to the sustainability of the facility. Every study he looked at indicated that the City should expect zero return on the actual construction cost. Mr. Muder said he wasn't sure they said zero return, but he didn't expect the City could pay the entire debt service on the facility. A lot would depend on the success of the facility

Councilman Kelley asked if the annual cost of operation and overhead would need to be lowered in order to sustain the facility. Mr. Muder said this first phase didn't answer that question.

Councilman Kelley said SFA referred to the facility obtaining sustainability, but there was no definition of what they called sustainability. Mr. Muder said sustainability referred to operation and maintenance of the facility, but staff wasn't expecting to have a \$25 million debt for the facility. Tonight's discussion was about the feasibility of a facility, not about how to pay for it.

Councilman Crittenden said most of the facilities listed in the report were in the Phoenix area. He knew there were such facilities in Prescott Valley and in Denver, Colorado. He wondered if SFA had looked at any of those facilities to see how they were performing because most of them were not in a population like Show Low's. Mr. North said he didn't know if they had looked specifically at those facilities, but this one would be quite different. The Prescott Valley events center, would seat 4,000, and one in Show Low would be quite a bit smaller. The idea behind this would be to host sporting events and bring people here to spend money in the community.

Mayor Seymore said he had seen a similar facility similar that didn't focus on seating but had six basketball courts that could be used simultaneously. The other side of the facility had indoor soccer, indoor sand volleyball, gymnastics, and coaches' rooms where teams could have meetings and then return to the courts for more training. This was a privately owned facility in Wichita, Kansas. He notices buses from all around the Wichita area that were bringing in kids to use the facilities for practices, etc. It had a broad spectrum of uses.

Mr. North said adding the sports component to the facility would not preclude it from being used for other purposes, such as trade shows, meetings, conventions, banquets, etc., in addition to sporting events.

Tracy Sweeney, a realtor with Century 21, said she had previously been in the food and beverage industry where she had managed events. She was concerned that the median age in Show Low was higher than average. Staffing such a facility could be difficult since there wasn't a large population to draw from for management and staffing. Another concern was traffic and how the City would handle having a large number of people here for events. Housing was also an issue because there wasn't a lot of affordable housing for working class people. Casa Grande built a sports facility that was initially focused on soccer but was now used mostly for local grade school events.

Councilman Leech wondered about the location of the facility because some were saying it would need to have a motel along with it. He could see that there could be problems if it were built in the middle of town. He didn't think a motel was needed as part of the project. He wondered if there was a location large enough to handle indoor and outdoor events. The location needed to allow for future expansion. Mr. North said a lot of conversations with SFA included discussion of a phased approach for the facility.

Mr. Muder said SFA didn't study any particular site. He agreed the site needed to be one that had growth potential. Show Low Bluff had that potential and the owner had tentatively committed to donate most of the land for the facility.

Bruce Ironside, who served on the City's events center committee, said he liked the consultant SFA because they had good answers to some of the questions mentioned tonight. They didn't want people up here having bad experiences. The community would have to grow with the facility. If successful, the community would be enhanced by such a project.

Councilman Leech said if the facility was built, perhaps some of the developers who had started subdivisions, but did not complete them, would consider building them out with smaller, more affordable homes. Mr. Ironside said affordable housing worked if people knew there was going to be consistency. People still took their kids to soccer and volleyball camps even when money was tight. When he first came to Show Low, the business owners really looked forward to events that helped bring money to the area. It was exciting for him at every level as a Show Low business owner and as a parent. There needed to be something here to attract young professionals and to bring Show Low's kids back here to live. He thought the facility had huge potential and he was convinced it was feasible. The same type of facility that was built in Bend, Oregon, turned their little town around and young professionals were trying to figure out a way to live there.

Councilwoman Kakavas asked what some of the challenges were that the committee discussed. Mr. Ironside said the infrastructure in City would have to grow with the facility. To be successful, the facility would have to start on a fairly large scale. That was a challenge, but there would have to be a balance with the community that didn't have the required infrastructure, restaurants, motels, etc. The fields might have to be built in the second phase because the indoor events could take place in the winter months. It would help if the facility could be successful in the usual down times. Being a smaller community was also a challenge, but the committee wanted people coming here to spend their money. SFA did have experience in not being successful, but they were very optimistic about Show Low and also very conservative. There were a lot of people that would use this facility.

Councilwoman Kakavas said this was an exciting sounding project, but her concern was for Show Low's citizens making sure there was no financial impact to them.

Mr. Ironside said when there were sporting events, people came and stayed and spent money in the community. If there was a one-day event, people usually drove there and left when the event was over. Including sports with the events center was a much better business model.

Councilman Kelley said his dream for the airport was that the City didn't have to subsidize it anymore, but it was still being subsidized. The aquatic center was also subsidized by the City. He wondered what else the City could do with \$25

million that its citizens might appreciate as much or more without the huge debt service.

Mayor Seymore said most probably never thought the City would spend \$40 million or more on the airport. He felt there was a need to go forward with Phase II to see what funding feasibilities were available and then see what the subsidy would be and if it would be worth it. The Council didn't have that information right now to make that decision.

Councilman Kelley said he was not willing to spend any more money on somebody's good guess about whether this type of facility would work or not.

Mr. Muder said it wasn't known what the subsidy would be unless the pro forma and financial analysis was done. He also didn't know how much grant money could be obtained, but it was a good possibility there was some available. When the number \$25 million was given, it didn't mean that all of that would be debt service to the City. The answer would not be known until and unless Phase II was done.

Councilwoman Kakavas asked if the City budgeted for Phase II. Mr. Muder said yes, the City budgeted for most of it but would also need some private partners to help pay for it.

Councilman Crittenden asked if there were any estimates that say what the debt would be. Mr. Muder said they had the estimated cost for four-court and six-court facilities, but the amount of usage of the facility and a detailed financial analysis had not been put together. That type of information was what was needed before moving forward and making a decision to build the facility.

Mr. North said part of the analysis would include "right-sizing" the facility for this community.

Councilman Hatch said high altitude training was something that many athletes looked for when training and Show Low had that.

Ms. Sweeney asked how long it would take to build such a facility. Mayor Seymore said it would possibly take two to three years.

Mr. Ironside said high altitude training was not included in the study. There was no way to grasp any numbers for that. SFA used real demographic information to learn how many played softball, volleyball, etc. High altitude was a tough thing to study.

Councilwoman Kakavas said she would like to see Phase II added to a Council agenda. Most of the Council members agreed.

Mr. Muder said staff would work with SFA to put a proposal together for a Phase II contract and then bring it to the Council along with funding sources so the study could be completed within budget.

4. Adjournment.

There being no further discussion, **MAYOR SEYMORE ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF JUNE 18, 2019, AT 6:44 P.M.**

ATTEST:

APPROVED:

Tamra Reidhead, City Clerk

Daryl Seymore, Mayor

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CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the **STUDY SESSION** of the City Council of Show Low held on June 18, 2019. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____, 20____.

(SEAL)

Tamra Reidhead, City Clerk