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TOWN OF JEROME

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MINUTES

SPECIAL MEETING OF THE JEROME TOWN COUNCIL JEROME CIVIC CENTER - 600 CLARK STREET - COUNCIL CHAMBERS THURSDAY, JULY 3, 2014 AT 1:00 P.M.

<p>ITEM #1:</p>	<p>CALL TO ORDER/ROLL CALL</p> <p>Mayor/Chairperson to call meeting to order. Town Clerk to call and record the roll.</p> <p><i>Mayor Check called the meeting to order at 1:00 p.m.</i></p> <p><i>Town Manager/Clerk Candace Gallagher called roll. Present were Mayor Nikki Check, Vice Mayor Lew Currier and Councilmembers Randall Hunt, Anne Bassett and Bill Phinney.</i></p> <p><i>Other staff in attendance at roll call included Deputy Town Clerk Rosemarie Shemaitis and Finance Director Rebecca Cretti.</i></p>
<p>ITEM #2:</p>	<p>LEASE OF TOWN PROPERTY – 301 MAIN STREET</p> <p>Council will review applications received for the lease of space at 301 Main Street and may award a lease for same.</p> <p><i>Mayor Check said that the lease in question is for 301 Main Street, which was formerly Knit 1 Bead 2. She noted that all the applicants, Wynne Walker, Erica and Brett Jurisin and Mike Kilpatrick and Dawn Waltman were in attendance.</i></p> <p><i>The Mayor said that Ms. Gallagher had provided a list of the criteria that Council had previously determined would be used in evaluating the applications:</i></p> <ul style="list-style-type: none"> <i>• They should be local business people</i> <i>• There should be no adverse impact to the space</i> <i>• The business should reflect the historic, artistic and creative aspects of Jerome</i> <i>• It should be a sound business that might stick around awhile</i> <p><i>Discussion ensued, including presentations by each applicant. The highlights are presented below (not necessarily in chronological order):</i></p> <p>WYNNE WALKER:</p> <ul style="list-style-type: none"> <i>• Had a successful store in Colorado for five years, and had previously lived in Camp Verde for 10 years.</i> <i>• The store she is proposing to open in Jerome is "fun and funky, like Jerome," and she will also carry consignment items. Nothing will be priced higher than \$45.</i> <i>• She loves small towns and wants to be involved in the community here. Eventually, she would like to retire in the Verde Valley and move to Jerome. She will be working towards bringing more business from Phoenix and Prescott, and making this more of a destination for the day-trippers.</i> <i>• She would need to put in dressing rooms but that would only involve a few screws in the ceiling. She might also display items on the walls, but other than that, she would not impact the space.</i> <i>• She is an avid gardener and could work on the rose garden in front of the store.</i> <ul style="list-style-type: none"> <i>o It was noted that the garden is not part of the lease but had been maintained by the previous tenant, so we would ask the new tenant to continue that.</i>

MIKE KILPATRICK AND DAWN WALTMAN:

- Owners of the Jerome Olive Oil Traders, with a retail space on Clark Street in Jerome for the last three years. That building has just sold and the dynamic has changed. They would like to stay in Jerome and find a larger space that is better suited to their needs and with more traffic.
- They also have locations in Old Town Cottonwood and in Flagstaff. They are committed to smaller communities and supporting those towns. They have hired and trained several locals and have made their store a destination. They have a lot of return customers and there are a lot of word-of-mouth sales.
- They reuse or repurpose their bottles.
- The products they sell have "Jerome" on the label, which reminds people of their visit here and also sends their friends, who have tried the product, up to Jerome.
- They might need to install a sink but will check with the Yavapai County Health Department. They noted that no oil goes down the sink – it goes into containers and is recycled for biofuel, which is used in school buses.
- The only other additions to the space would be items hung on the walls.

ERICA AND BRETT JURISIN:

- They have lived in Jerome for eleven years and Brett's brother has been a businessman here for many more years. Erica decided that she would like to make a change and, with encouragement from other business owners in town, she decided to open a store.
- Her store would sell indoor and outdoor nature-inspired gifts that are American handcrafted.
- She will be selling plants (mostly succulents), wind sculptures, wind chimes, jewelry, pottery, clothing, art and organic skin care products – and all will be inspired by nature.

GENERAL DISCUSSION REGARDING THE PROPERTY:

- Vice Mayor Currier explained that the tenant would receive the building as is, and any modifications would have to be done at their expense.
- It was clarified that the lease would begin on July 15.
- There was discussion regarding the green area going up the hill from the store. The Town has allowed a children's community garden in that space and the previous tenant had allowed water usage from their store. Since the water is not metered, it did not add to their bill. Ms. Shemaitis said that it would be up to the tenant to decide if they wanted to allow water usage from that location. Brett Jurisin commented that the Haunted Hamburger has a rain catch for that garden, and they also allow water usage from the restaurant.
- The patio area (to the left of the door, overlooking Main Street) was discussed at some length, and it was generally agreed that this area is NOT part of the lease at this time. Discussion included the following highlights:
 - If the space were to be included in the rental space...
 - The rental price would need to be adjusted accordingly.
 - It would need to be re-evaluated by Planning and Zoning for parking requirements.
 - If merchandise were to be displayed there, it would need to go before Design Review and Planning & Zoning.
 - That area was not included in the prior lease, but was considered to be a public area.
 - It was noted by Councilmember Phinney that this area is no longer being actively used as a public space. There is no longer a pay phone there and there are no benches or garbage cans.

CHOOSING A TENANT:

Ms. Gallagher had created a template for scoring each business as to its eligibility for that space. She reviewed the process with Council. Mayor Check commented that all should be objective,

	<p>not subjective, in their scoring.</p> <p>Councilmember Phinney said that Councilmembers should not have to be involved in making this decision. There could be one person in charge of making the decision, and it could be awarded to the first qualified application that is submitted. Having to make a decision based on the criteria specified makes it extremely difficult, he said, because there are not distinct differences between the applicants.</p> <p>Mayor Check stated that, usually, staff handles the leases, but in this case, there were multiple applicants. The choice is coming to Council because we have no other process set up.</p> <p>Mr. Kilpatrick asked about another town property that is coming up for rent at 500 Main Street. He wanted to know if the same process will be used. Mayor Check said that that would be discussed next on this agenda.</p> <p>Mayor Check stated that she would like to go into executive session at this time. Ms. Gallagher explained that, in order to do that, our attorney must be present. She then tried without success to reach him, and noted that he is currently on vacation. She reiterated that Council cannot enter into executive session on this item without the presence of the attorney, and explained that she left a voice message for him to call back if he is available.</p> <p>Motion: Mayor Check made a motion to move on to Item 3. It was seconded by Councilmember Phinney and the motion passed with 3 ayes, 1 nay by Vice Mayor Currier and 1 abstention by Councilmember Bassett.</p> <p>Discussion of this item continued following Item 3. See page 5.</p>
<p>ITEM #3: 2:45 pm</p>	<p>LEASE OF TOWN PROPERTY – 500 MAIN STREET</p> <p>Council will discuss the lease of Town property at 500 Main Street, formerly occupied by the Angel's Inn Gallery. Discussion may include establishing a rental rate for that property and the process of advertising for and awarding a lease.</p> <p>Councilmember Bassett recused herself and left the room at this time.</p> <p>Ms. Gallagher noted that this space has not been advertised yet but she wanted Council to decide how they would like to handle it. She explained that the rent paid by Angel's Inn was \$740.93 per month. Our attorney has advised that we are legally required to get market value for our rentals, and that is the process we have been going through with 301 Main Street by accepting applications and attempting to evaluate them with a set of established criteria. She added that it is important to get a reliable tenant that will complement the existing businesses in that area.</p> <p>Ms. Gallagher said that the Jerome Artist's Cooperative, which has been a reliable and responsible tenant, has expressed an interest in the Angel's Inn location with the idea of expanding the gallery, but there may be others with interest in that location, including some who are present at this meeting.</p> <p>Ms. Gallagher said that the space at 500 Main Street is 806 square feet, and, based on information from other landlords, the market rate per square foot would be \$1.50, which would make the rent approximately \$1,200.</p> <p>Ms. Gallagher said that she had spoken to the attorney regarding the process of renting this space. She had asked if we could simply offer it to an existing tenant (the Artist's Co-op) rather than going through the process of advertising. Mr. Sims responded that, optimally, the best thing to do is go through the same process we did with 301 Main Street, but, since there is an existing tenant in the same building, we could offer them right of first refusal. He also recommended that, as part of that arrangement, we increase their rent at the Co-op space by 10% in order to bring it closer to the market rate.</p> <p>Vice Mayor Currier asked to clarify that, if we give the right of first refusal to the Co-op, and they say yes, they would get it for around \$1,200 plus their original rent would go up by 10%. Ms. Gallagher confirmed that that was the attorney's recommendation. She added that the Co-op is currently paying about \$.62-.63 per square foot.</p> <p>Mayor Check commented that 10% would be quite a hike for the Co-op. Vice Mayor Currier agreed and said that it could be disastrous for them. Ms. Gallagher noted that it is in their lease</p>

that we can raise their rent by 10% each year, and we didn't do that last year.

Councilmember Phinney asked if there is anything in their current lease that says that the Co-op gets first right of refusal for anything. Ms. Gallagher said that there is not, and noted that their lease expires in November 2015.

Mayor Check said that she would prefer to see this property dealt with in the same fashion as the previous rental. Mr. Phinney agreed.

Mr. Currier said that he likes the idea of right of first refusal; however, he thinks that the Co-op may not want to take it.

Mark Lucas, a representative of the Jerome Artist's Co-op, commented, regarding the market value, that the Co-op provides and maintains public restrooms for the Town. Also, there are 35 local artists making a living there, so that might be considered when establishing a price.

Ms. Shemaitis stated that one reason their rent is already so low is because the bathrooms have already been taken into consideration.

Mr. Phinney asked if there are still problems with the skylight and heat loss up the stairwell. Mr. Lucas responded that there are still problems with both. Mr. Phinney said that that is also part of the reason that their rent is so low. He then asked Ms. Shemaitis about conditions at the Angel's Inn. She replied that she had just been there earlier that day with Building Inspector Barry Wolstencroft, and has recommended to Ms. Gallagher and Public Works Director Dwain Dement that now would be a good time to reroute the exhaust duct out of the Co-op.

Vice Mayor Currier asked how long it would take to reroute the duct and how long the Angel's Inn space would be unusable. Ms. Shemaitis responded that it is not usable now – it needs to be repaired, cleaned and painted – but she has not had the time to get someone in for a quote, and could not guess at the time or cost involved.

Mr. Lucas said that if the Co-op decides to take the space, they can do all the work, and faster than if the Town had to do it.

Mayor Check said that she concurs with the legal advice of our attorney that it should be rented at market value.

Motion: Mayor Check made a motion to **advertise the space at 500 Main Street at \$1.50 per square foot.** It was seconded by Councilmember Phinney.

Ms. Gallagher asked if Council would like to round it off to \$1,200.

AMENDED Motion: Mayor Check amended her motion to **advertise the space at 500 Main Street for \$1,200.** Councilmember Phinney amended his second.

Mayor Check called the question and the **motion passed with 4 ayes, 0 nays and 0 abstentions.**

Vice Mayor Currier asked if we will be advertising the space as-is. Ms. Gallagher responded that we will make the needed repairs first.

Mr. Lucas asked if the Co-op will have the right of first refusal, and when Council would need to know their decision. Discussion ensued.

While Mayor Check felt that the Co-op should submit an application for the space like other applicants, Vice Mayor Currier felt that it should be given the right of first refusal. They have been there for many years, he said, they have been good tenants and they were put there because it was a white elephant that the Town didn't know what to do with. They took it and ran with it and did a good job.

Mayor Check noted that it is a matter of saving time. If we give them the right of first refusal, she said, we will have to go through that process first, before we advertise and have other people looking at it. She added that there is no reason that we would not accept their application if submitted.

After brief further discussion ...

Motion: Vice Mayor Currier made a motion to **offer the right of first refusal to the Jerome Artist's Co-op.** It was seconded by Councilmember Phinney.

	<p>Mr. Phinney said Mr. Currier was very eloquent about his regard for the Co-op. Mr. Currier responded that he was there when it happened. Mr. Phinney said that he feels very sympathetic towards the Co-op because of that sort of thing, and he is not concerned about being in a hurry to get this space rented. We have a lot of rental spaces, he said, and it needs to be in proper condition.</p> <p>Mr. Currier said that he worked in that building for years. The building is "still a white elephant," he said, and for \$1,200, there will not be many tenants interested. It needs some major repairs, and is not a space that they can walk into and open for business.</p> <p>Ms. Shemaitis clarified that the biggest project will be rerouting the exhaust duct. The rest of it is just cosmetic repairs, including cleaning and painting. Also, she said, there is no restroom; employees would need to use the restrooms at the Co-op.</p> <p>Mr. Phinney asked Council and staff if they are actually changing policy by giving someone the right of refusal, and changing things in a way that they don't want to. Vice Mayor Currier said that he doesn't think that it establishes a precedent. The Mayor agreed. Councilmember Hunt asked, if they give the right of first refusal, does that mean that they would have to do the same for any other similar situation? Does this become policy? Mayor Check commented that it might if the tenant is adjacent. Mr. Currier said that he doesn't know of any other similar situations, and, he added, the option would need to be exercised within a reasonable amount of time.</p> <p>Ms. Gallagher suggested that the rental price and whatever Council wishes to require ... the 10% increase for existing rent and/or the need to respond within two weeks ... should be made clear upfront and included in the motion.</p> <p>Vice Mayor Currier said that he is reluctant to include the 10% rent increase – he knows that building and the Town may not be able to rent it. It could force the Co-op to close or to move, he said, then we would have a big building that nobody wants. He was around at the time, and they could not find tenants for that space.</p> <p>Mayor Check said that it sounds like the Vice Mayor does not want to change his motion. Mr. Currier agreed and said that his motion is simple: the Co-op would have the right of first refusal and he would put a time limit on it – they would have two weeks to make that decision, although that was not part of the original motion.</p> <p>Ms. Shemaitis asked for clarification of the motion.</p> <p>Vice Mayor Currier asked Council if the time frame is okay. Mayor Check said that two weeks sounds good. Councilmember Phinney noted that, with 35 artists, it may take them some time to decide.</p> <p>Sarah Krulee Harms, a representative of the Jerome Artist's Cooperative, said that they had discussed at their last meeting the option of calling an emergency meeting, so the membership could make a decision within two weeks.</p> <p>Mr. Currier amended his motion: that the Co-op will be given right of first refusal of the space at 500 Main Street, that the rent is to be \$1,200 per month, and that they will have two weeks (until July 17) to make their decision and respond.</p> <p>Councilmember Phinney amended his second.</p> <p>Mayor Check called the question and the motion passed with 3 ayes, 1 nay by Mayor Check and 0 abstentions.</p> <p>Councilmember Bassett, who had recused herself and left the room during this discussion, returned at this time and took her place once again on the dais.</p>
<p>2:15 pm</p>	<p>Discussion continued regarding the lease of space at 301 Main Street.</p> <p>Mayor Check asked if we had heard back from Mr. Sims. Ms. Gallagher replied that we had not.</p> <p>Ms. Waltman asked if inclusion of the patio area at 301 Main Street would increase the rent. Mayor Check responded that it most likely would, and that cost would be determined in a future discussion.</p> <p>The Mayor noted that Council cannot go into executive session because the attorney is not</p>

available.

Motion: Councilmember Phinney made a motion to **table this decision until Council has more information.**

Vice Mayor Currier asked if Mr. Phinney could be more specific regarding a date. There was discussion of the possibility that it could be included on the August regular meeting agenda.

Ms. Walker commented that the longer Council waits to make this decision, the harder it will be on all the applicants.

Mayor Check noted that there was no second so the motion died.

Ms. Walker asked if it would be easier for Council to make a decision if the applicants were to leave the room. The Mayor said that it is an open meeting and they are not required to leave.

Discussion then continued regarding the choice of a tenant. Vice Mayor Currier, referring to the listed criteria, noted that none of the applicants live in Jerome, but they live in the Verde Valley, and that none of the applicants would significantly impact the space. Regarding the historic, artistic and creative aspects, Vice Mayor Currier opined that Ms. Walker had the best presentation in that regard. Regarding the business plans, Mr. Currier commented the Jurisins do not really have a business plan, but the other two applicants do. He concluded that he favored Ms. Walker's application, with Mr. Kirkpatrick and Ms. Waltman coming in second.

Motion: Councilmember Bassett made a motion that **Wynne Walker be given the lease to 301 Main Street.** It was seconded by Vice Mayor Currier.

Ms. Gallagher stated that she had been unable to get the credit references in time for this meeting, so she suggested that the approval be contingent on a satisfactory credit reference.

AMENDED Motion: Councilmember Bassett amended her motion to include that the **approval be contingent on a satisfactory credit reference.** Vice Mayor Currier amended his second.

Councilmember Phinney said that he, too, favored Ms. Walker, and Councilmember Hunt commented that, based on gut feeling, presentation and the type of business she would be bringing, he is also inclined to go with Ms. Walker.

Mayor Check said that, personally, she would have liked to see a garden-inspired business, and she hopes that she eventually will. Overall, she said, she thinks that all three would be good businesses for Jerome.

Mayor Check called the question and the **motion passed with 5 ayes, 0 nays and 0 abstentions.**

Mr. Jurisin asked if Council will be choosing a "second place" business in case Ms. Walker is unable to open. Mayor Check thought that was a good idea and Ms. Gallagher agreed.

Motion: Mayor Check made a motion that **Firefly (Erica and Brett Jurisin) be given the lease to 301 Main Street, contingent on a satisfactory credit reference, if it does not work out with Ms. Walker.** It was seconded by Vice Mayor Currier.

In response to an objection by Councilmember Phinney, the Mayor clarified that the intent of the motion was to see if Council wants to have a secondary business step in if the first is not able to be awarded the lease. She noted that if Council does not wish for Firefly to be the runner up, they can make a different motion.

Councilmember Bassett said that she would be comfortable having a runner-up and suggested that they could make that selection at the next Council meeting. By then, she said, they would know if it was needed or not. She added that she is uncomfortable having one family control six businesses in the business district. Mayor Check said that it is not Council's place to make that assumption.

Mayor Check called the question and the **motion failed with 2 ayes, 3 nays by Councilmembers Hunt, Phinney and Bassett, and 0 abstentions.**

Councilmember Phinney explained that he voted "no" because he doesn't think that this is

	<i>the proper legal process, to just hurry things along. If Ms. Walker can't qualify, he said, everyone who is still eligible should be eligible on an equal basis. He said that he has no objection to the Jurisins leasing the property. Mr. Hunt and Mr. Currier agreed.</i>
ITEM #4:	ADJOURNMENT <i>Upon motion by Councilmember Hunt seconded by Mayor Check and unanimously approved, the meeting was adjourned at 2:30 p.m.</i>

Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Rosemarie Shemaitis.

APPROVE:

ATTEST:

Nikki Check, Mayor

Candace B. Gallagher, CMC, Town Manager/Clerk

Date: _____