

PRESCOTT CITY COUNCIL  
COUNCIL SPECIAL MEETING  
PRESCOTT, ARIZONA  
OCTOBER 30, 2007

A SPECIAL MEETING OF THE PRESCOTT CITY COUNCIL WAS HELD ON TUESDAY, OCTOBER 30, 2007, in the Prescott Municipal Building, 201 S. Cortez Street, Prescott, Arizona.

I. CALL TO ORDER

Mayor Simmons opened the meeting at 3:00 p.m. and asked Deputy City Clerk Lorri Carlson to call the roll, which was as follows:

II. ROLL CALL:

Present:

Absent:

Mayor Simmons  
Councilman Bell  
Councilman Blair  
Councilman Lamerson  
Councilman Luzius  
Councilman Roecker  
Councilwoman Suttles

III. Granite Dells Estates I & II

- A. Adoption of Resolution No. 3864-0832 – A resolution of the Mayor and Council of the City of Prescott, Yavapai County, Arizona, authorizing the City of Prescott to enter into a Pre-Annexation Development Agreement with Granite Dells Estates Properties, Inc. and Granite Dells Estates Properties II, Inc. and authorizing the Mayor and staff to take any and all steps necessary to accomplish the above.

City Attorney Gary Kidd introduced the current status of the Development Agreement.

He said that following discussions over the last week, modifications have been made to the Development Agreement. The first change in the proposed DA includes a new Section 5.07 that provides for good faith negotiation for owner construction of city infrastructure and reimbursement. This was suggested by Mr. Howard Mechanic at the last meeting. This is fairly standard in the Valley, in City of Phoenix development agreements to allow for public infrastructure to be constructed as part of the development agreement and then the city

reimburses based upon public bidding or public pricing. This will need dollar and cents figures in order to do a secondary agreement and further negotiation.

Mr. Kidd stated that the other change to the DA is that the developer has agreed to look at some of the consequential damages and reduce them as referred to in Item 13 regarding remedies. He said this has been one of the main concerns that the City Legal Department has had in allowing remedies and damages rather than specific performance. As a result of negotiations there has been an agreement on the part of the developer to reduce some of the consequential damages. Mr Fann has agreed to eliminate waived claim to lost profits, lost overhead, loss of inventory value, physical and emotional pain and suffering, civil rights claims, as well as exemplary and punitive damages. These are the fundamental changes that have been agreed to. Mr. Kidd said he still has concerns regarding the remedy Section 26. If a court excuses the City, the City still has to perform and would still be in default even if the court ruled in favor of the City. This is an argument where they still agree to disagree on the contract. The developer has also waived attorneys' fees. The contract is a lot better than it was last month.

Councilman Jim Lamerson commented that we have been deliberating over this for quite a long time. He asked Mr. Kidd if, in his opinion, the attorneys have come to the end of the road and if this is the best contract he could come up with. Mr. Kidd answered that depended upon the developer and that they have negotiated everything at this point of time that can be negotiated. Councilman Lamerson then asked Mr. Kidd if the City of Prescott and the taxpayers are still vulnerable according to this contract. Mr. Kidd indicated that from a legal standpoint the City Legal Department is still not completely satisfied with all the potential legal ramifications of the agreement. Paragraph 26 is still a concern as mentioned previously. Councilman Lamerson indicated that although Attorney Scott Ruby was brought in from the Valley, Mr. Kidd is the City's attorney. As such, he asked if the development agreement is an appropriate and proper contract for the City of Prescott to enter into. Mr. Kidd responded that he still has concerns about the agreement from a legal standpoint. The decision to enter into the agreement rests partly upon legal issues and partly upon policy considerations by the Council. He is not legally happy with the entire agreement in its current form.

Councilman Lamerson then addressed City Manager Steve Norwood for his advice and direction as to whether this is a balanced contract and in the best interest of the public. Mr. Norwood responded that this is not a simple yes or no answer. He reminded Council that they identified this specific property annexation as a top priority to achieve in January 2007.

The staff, specifically Craig McConnell and Mark Nietupski, has worked through many issues and will say that they can perform under the conditions of this contract. There is a question regarding the TI but that concerns ADOT, which they do not have control over. This could be put in writing so that the City would not be penalized. Mr. Norwood explained that the City could perform under this contract. Still, there are concerns for staff as well. The staff is committed to doing everything they can to make a top priority of Council happen. Mr. Norwood said that his ongoing concern, which he has expressed from the beginning, is that the City of Prescott is going to spend millions of dollars in infrastructure yet there is nothing in this agreement that requires Mike Fann to do anything. They are in a challenging market to put in this infrastructure. It will not go to waste but it is a tight market for the private and public sector. A simple annexation agreement, where the City annexes and reserves the water for the development, was not acceptable to the developer. There are a lot of advantages with this current annexation including not drilling approximately 500 wells and it will provide customers to pay for the Chino Valley Pipeline. If the City does not annex the Fann property they lose impact fees, water resource development fees, construction sales tax, and the sales tax in other areas if it is in the County. This is a Council decision. Staff has made it clear where they have concerns.

Councilman Lamerson expressed Council shares the concern that this agreement requires performance of the City and the taxpayers but not of Mr. Fann. The vulnerability aspect still exists.

Councilwoman Mary Ann Suttles asked Mr. Kidd if this is the same Development Agreement that they have been under the gun with this last month as the DA from a year ago. Mr. Kidd explained that they started with this agreement last December and have been negotiating it since that time. Councilwoman Suttles said she feels cheated that this was not brought to Council as a completed agreement, a contract ready for both parties. She said the two sides are trying to negotiate and it is too late to negotiate. She said that if Mr. Fann wants this annexation and the City wants Fann in, she doesn't understand why they are at the eleventh hour. She stated that neither party can agree on this contract and that this is supposed to be something that is in the best interests of the public and Mr. Fann, not just Mr. Fann.

Councilman Bob Roecker said that he doesn't think anyone likes the legal problems that have come up with this annexation. He came up with positive arguments for the annexation—what they can get if the City annexes this property. He provided eight reasons it is good to annex in order to prevent the following losses:

- 1) The control of the water management on the property.
- 2) Opportunity for workforce housing.
- 3) Credit for the effluent and achieving safe yield goals the City has set.
- 4) Retail sales annexation on this property. They live and die with sales tax.
- 5) Open space.
- 6) Fire, police and public school locations.
- 7) Paved roads built to city specifications.
- 8) Planned development rather than individual lot splits.

He emphasized that this property will develop, that it is prime real estate for this area. If they do not do this it will develop in the County, and years from now they will regret not annexing this property. He then asked Mr. Norwood if, given the flexibilities that have been put into this contract and given the fact that they have received approval from Mr. McConnell and Mr. Nietupski, if they can make this contract work the way it written. Mr. Norwood responded that with the stated timelines in the contract, from a staff perspective, they can meet the obligations. Councilman Roecker suggested to the Mayor and fellow council members that weighing the positives against the negatives, considering the risks with this project, the best way to go is to vote yes and move forward with this annexation.

Mayor Simmons said that he agreed wholeheartedly and that there has been a major assumption that the City is not going to live up to its part of the bargain, creating financial liabilities. He then asked Mr. Norwood if staff has confirmed that the City will be able to live up to this contract. Mr. Norwood said that is correct. Mayor Simmons asked Mr. Norwood if he has any problem committing to this project and Mr. Norwood said that the City can commit as long as the Council knows going into next year that the City will have to fund certain projects. Mayor Simmons said that if they vote this down, this is going to go down historically as when the City let Wal-Mart get away from the City 27 years ago.

Councilman Lamerson asked what happens when they invest 8-10 million dollars of the taxpayers money for the infrastructure and then due to the market it sits for 20-40 years. He also asked what happens if there is no performance on the other end to justify the investment the public has made and for various reasons no houses get built. He doesn't understand why the City has the performance to put the infrastructure in but the other party does not have the performance to build.

Councilman Luzius agreed with Councilman Lamerson. He stated that there is a great deal risk involved and that risk should be placed on the developer, not the City, and that if this were a win-win situation Mr. Fann would have made provisions for the risk involved and the citizens of

Prescott would have done their due diligence and performed as they should. At this point, he cannot say that he is in favor of this if there is a possibility of taxpayers' money being invested and then not being utilized for 15 years. Councilman Luzius went on to say that they are allotting 248 acre feet of water at bargain basement prices. If this goes on any further, they have to come to terms with what the real value and price of water. He said that right now the City of Prescott is not getting that and they need to look at those prices. He said that Mayor of Chino Valley, Karen Fann, has established a price of \$35,000 per acre; they are not getting that amount. Prescott Valley gets \$24,650 per acre of paper water, which is treated effluent. They are giving Mr. Fann a lot of water before we even start any negotiation.

Councilman Lamerson responded that it is in the best interest of the City to annex this property. It is the contract that is the problem. He has offered to Mr. Fann several times to get rid of the contract, to not have an annexation agreement. Both parties are somewhat protective. They know how much water they are providing and they are not giving him any water – the customers pay with their impact fees. He asked if both parties have the assurances of state law then why they should agree to a contract that nobody likes. He suggested that they get rid of the contract and annex the Fann property in to the City.

Councilman Blair said agreeing or not agreeing with the contract is secondary and that they have gone back to the Sam Steiger era by drawing lines in the sand of what will be annexed where. He explained the main issue is what Prescott will become in the future. Also, the annexation will become Prescott Valley or Chino Valley, not Yavapai County. One of the major missions for the Council is to protect the airport, to have commercial and industrial that is beneficial to this community; for kids and young adults to have meaningful jobs at that airport. He stated that the Council is doing a fine job by discerning this contract and allowing the property to go to the County and not protecting the airport. Just because they are the City of Prescott does not mean they can walk on people; they have done that in the past. With a contract they all take chances. If they perform they all make money. If they annex this property other property owners such as Mr. Cavan and Mr. James will more likely want to annex their property into the City as well. He stated that they all have to live with Proposition 400. Annexing Mr. Fann's property into the City of Prescott gives value to the community and value back to Mr. Fann. Councilman Blair said he will support this annexation.

Councilman Bob Bell addressed Mr. Kidd about the obligation for the infrastructure being placed on Mr. Fann as suggested by Mr. Mechanic in a previous Council meeting. At that time Mr. Kidd answered no, but now

has said it can be done. Mr. Kidd explained that the concept can be done; it is whether or not Mr. Fann himself can construct public infrastructure. This normally goes through a public bidding process, even when part of a development agreement. The developer agrees to go through the public bidding process and then is reimbursed on a percentage basis.

Councilman Bell asked Mr. Kidd if that were done in this agreement if it would take away a lot of the risk. Mr. Kidd answered yes if that could be agreed upon. Specific costs are still down the road a few months so it is not possible to agree to that at this time. This is why both parties have an agreement to agree. Councilman Bell stated this has a lot of merit and appreciates Mr. Mechanic offering the suggestion. He also said that he does not want to look upon this day as the day that the City of Prescott started to die.

Mayor Simmons asked if Mr. Fann is agreeable to take that approach and Mr. Kidd said yes and, in fact, their attorneys made that suggestion. Mayor Simmons asked if the contract can be approved under the condition that this will happen. Mr. Kidd explained the current agreement contains language that provides for the ability to do a future agreement, which relies upon a lot of trust and perhaps not a lot of law. It provides for good faith effort. This is the best that can be done with time frame given.

Councilman Lamerson stated that they have married the contract with annexation and vice-versa and that the problem is not with annexation, it is with the contract. He asked if they can approve the annexation and work out the details of the contract at a later time. Mr. Kidd answered yes, an annexation can be done without a development agreement and that because it is a pre-annexation agreement the contract does not become operative until the first day the annexation becomes operative under the terms of the current contract. He said the development agreement's effectiveness depends upon the annexation. Councilman Lamerson said he supports the annexation and does not support the contract.

Councilman Blair asked Community Development Director Tom Guice how many acres Prescott Lakes is. Mr. Guice said that it is about 1100 acres. Councilman Blair asked how many acres is the Fann Annexation and Mr. Guice stated that it is about 1140 acres. Councilman Blair asked if Prescott Lakes was once in the County. Mr. Guice said yes but that the City annexed the property first and the development agreement happened later. Councilman Blair also asked if the City performed all its due diligence under the contract with Prescott Lakes. Mr. Guice said yes. Councilman Blair stated that Prescott Lakes is a fine development and a great asset to the City of Prescott. He said this is the first step in bringing a piece of property into the City of Prescott and it will entice other property

owners to do the same. If they do not annex the Fann property this will contradict everything they have been trying to do such as secure water and recharge the aquifer based upon Proposition 400.

Councilwoman Suttles stated the City of Prescott is ready to go and it is Mr. Fann's group that is stating what they need for protection. Councilman Blair responded that if the market is not right, the property is annexed in and they have water he does not care who owns it. The City still benefits through this agreement. Mr. Kidd to some extent that is correct according to the agreement but the question is to when that is going to happen and how that is going to happen. Councilman Blair said that whatever they agree to remains with the land and Mr. Kidd confirmed that is correct.

Councilman Lamerson asked if that includes the millions of dollars that will be spent on the infrastructure but no houses will be built until such time as the market warrants. Mr. Kidd said yes, that a number of requirements have been discussed. Councilman Lamerson asked if there is a way to divorce the contract from the DA. Mr. Kidd answered it could be done if the other party was interested in annexing without the mutually acceptable development agreement approved by Council.

Howard Mechanic said that everyone is concentrating on issue of the penalties. He asked Mr. Kidd to explain the request of the developer for the applicable law that exists now to apply to this development and to site some examples. Mr. Kidd explained that they had done a rewrite to the agreement regarding this issue and that the developers had not had a chance to go through this revision. He said an example would be if the City froze existing codes and standards in the agreement but in 10 or 15 years the City has different codes and standards, then the question would be which ones should apply. Tracking those changes is critical. Mr. Mechanic stated that they all have concerns but there is no time to consider those concerns. He said another issue is annexing without the development agreement and assumed that the developer is not in agreement with that. Mr. Mechanic brought up the point made by Councilman Luzius that not enough was going to be paid for the water. He asked that according to the study being conducted on impact fees if the new construction be bound to the new rates.

Mayor Simmons reminded Mr. Mechanic and Councilman Luzius that the price of water is not on the table for discussion at this time. Mr. Mechanic and Councilman Luzius disagreed with Mayor Simmons saying they believe that it does have relevance.

Mr. Mechanic said that anybody who is going to build in the future should pay full and fair impact fees but that he does agree with Mayor Simmons, that this is not an issue here. Mr. Mechanic said he agrees with Councilman Roecker about all the annexation benefits but the positives can apply to any annexation property. He said that the question isn't whether it is positive, but rather what the deal was.

Mr. Mechanic said he is also concerned about the payback period. The cost benefit analysis should look at the sensitivity analysis, as suggested by two experts. He said the experts indicated it would take 14 years for the payback to the City to begin. Mr. Mechanic said the reason for Proposition 400 requirement for a super majority is for the City to have a deal that is good for the City. There has not been a lot of opposition from the supporters of Proposition 400. He will be very disappointed if this is not annexed and that the negotiations have come to this point. He is recommending approval of this agreement. Mayor Simmons commented that after six years he and Mr. Mechanic were actually in agreement. Mr. Mechanic said although the development agreement is not a good agreement the alternative is worse. Councilman Lamerson also agreed that they are setting a precedent for bad agreements.

Councilman Blair said that he would like to hear from anybody on why this is such a bad deal. Councilman Roecker answered that development agreements are individual issues and they are not setting precedence by accepting this transaction. He said the next development agreement stands on its own merit and confirmed this with Mr. Kidd. Mr. Kidd explained that the worst agreement becomes the template for future agreements.

Mr. Mechanic said that it is in the best interest of the developer to develop the property although it may be a longer payback than they would like to see.

Bill Kendig stated the need for the Council to have more information. As a private citizen he does not envy the Council in the decision they must make. He asked if they would vote for the contract if they were held personally liable to the conditions of it.

James Knochel said due to economic conditions this is not a local issue, it is affected by national issues. It makes the payoff a lot further down the road.

Leslie Hoy said as a member of the Proposition 400 steering committee she feels that the 57% of voters who voted for the proposition expect Council to make a good deal when an annexation of 250 or more acres

came before Council. She asked if it is not a good deal for the citizens of Prescott why they have to vote on it today. She said that the City of Prescott should not be responsible for Mr. Fann's business decision. She asked Council to delay the vote until they an agreement that is acceptable to the City.

Ed Burdick suggested that they should start thinking outside the box and that they should utilize resources larger than the City, Mike Fann and banks – the insurance companies. He also said they should tie in the expense of roads and infrastructure to progression of the development.

Councilman Blair commented that regardless of what happens, it will develop, even if it remains in the County and the development will put pressures on the City's fire, police, roads and they will not be paying for one dime of it.

Jason Gisi asked of the 8-10 million dollars that has been kicked around over the last couple of weeks, if any percentage of that was attributable to the settlement of the Country Dells lawsuit and also the fire flow issues at Centerpointe East.

Mr. Kidd answered that this agreement creates timeframes and obligations independent of that agreement or settlement; this a distinct obligation in itself.

Mark Nietupski said the TI at Side Road obligates the City to construct that under two separate agreements. The cost contribution from those two agreements is approximately \$2 million with about \$1.5 million from the City and over \$400,000 from the Country Dells folks. The remainder of a phase one would be an obligation of the City to complete that interchange.

Craig McConnell explained that in the Side Road area the settlement of litigation, Country Dells, two things came out of it: the Side Road Interchange and the provision of utilities to the Country Dells property but the City was not obligated to provide full water and sewer per the settlement requirements. He said that they have looked at future development such as Centerpointe East, which is on the Country Dells property, and the City will need to upgrade infrastructure and the other parts of Country Dells property. He continued to explain that no one is predicting that development is going to stop so upgrading service will happen with or without the Fann annexation. Next week's agenda includes a contract for the design of two major transmission facilities; one is the 18" Airport Second Feed.

Mr. McConnell said that the Centerpointe South Development Agreement requires the other transmission facility and both of these are happening with or without the Fann Annexation. He said that as they go into the future these infrastructure projects get much larger, particularly the commercial/industrial development of the Fann property. These projects are coordinated with the developer and through the CIP process as indicated in the development agreement. He said the City Council approves the CIP process so that subsequent big upgrades can be decided according to market indicators at the time. Mechanisms are in place to remain within the City's goals and priorities to maintain a first class utility system. The question is at what rate.

Jason Gisi said that large infrastructure improvements are going to be made in the area regardless of the Fann Annexation. He said that Mr. Fann currently has his legal rights in the County in regards to proceeding without a development agreement. The reason for the development agreement is that the same rights he has vested in his property today need to be vested the day he gets annexed in because according to state statute the City cannot de-annex. This goes back to most specifically traffic interchange, which is going to get built with Mike Fann paying up to \$4.6 million of it or not. He said the reality is that the property gets developed, the infrastructure gets improved, and it does not end up being a TI to nowhere.

Mr. Gisi said that in his opinion, fractured land ownership in Central Yavapai County is a thing of the past and large land owners will annex or not annex into most appropriate municipality. He said each one will require councils to look at very specific and unique development agreements. The DA is a necessary evil and it does set a precedent. However, it is a sword that cuts both ways. Mr. Gisi asked Councilwoman Suttles what it would take to have a DA the City would be happy with.

Mr. Gisi said that they are arguing over verbiage and it comes down to trust. He feels that they are at about a 5% chance of failure. He said that Mr. Kidd is understandably trying to protect the City and Mr. Fann has watered down his remedies. Mr. Gisi started meeting with Mr. McConnell about 18 months ago and was advised that the City needs a parallel route to 89A. The negotiating could go for two more years as they try to fine tune an agreement and it may or may not happen. Mr. Fann is prepared to move on if necessary.

Councilman Lamerson asked Mr. Kidd as a representative of the entire City if he can advise the Council to agree to the contract. Mr. Kidd said that the answer is the same as it was last week. The legal document has legal issues, specifically a policy issue and the remedy section, that may

expose the City of Prescott to damages. He said that he would not write this agreement this way from the point of the City.

Councilman Lamerson asked if in Mr. Kidd's best opinion the City has gone as far as it can go in negotiations. Mr. Kidd said that they have a better agreement than they have had in past attempts but probably both side are about 50% unhappy with it.

Councilman Blair commented that they have more than one staff, such as Mr. Norwood and professional engineers that said the City could meet those timelines. Councilman Lamerson said with all due respect that when he has a problem with plumbing he will call Mr. McConnell, a problem with roads he will call Mr. Nietupski, a problem with bookkeeping then he will call Mr. Woodfill but when he has a legal problem he will call Mr. Kidd.

Tommy Meredith said if they turn this down they will set the precedent for nobody to go anywhere. This town will be stagnated. There is no question about this property being developed. He said the Council has just much reason to vote in the annexation as he heard on reasons why they should not vote it in. He said this whole state has been built on developers. He is concerned about where the Council is heading and that they need to get this thing done.

**COUNCILMAN ROECKER MOVED TO ADOPT RESOLUTION 3864-0832; SECONDED BY COUNCILMAN BLAIR.**

Councilwoman Suttles asked if they were voting for A, B & C. Mayor Simmons responded that they are voting for A, but if A goes down then there will not be a vote on B or C and asked Mr. Kidd if this is correct. Mr. Kidd said that his understanding is that Mr. Fann is not willing to go forward with the annexation without approval of the development agreement. If the DA is approved then the Council will be allowed to vote on the annexation. If the annexation ordinance does not pass by a super majority then the resolution and development agreement do not go into effect.

Mayor Simmons asked Mr. Kidd if the development agreement fails and they do not vote on the annexation part, whether Mr. Fann would be able to come back to the table and not pay the annexation fees he has already paid. Mr. Kidd said that Mr. Fann would have a year to file annexation petitions. Council can move to table the ordinance or the developer can withdraw the request for annexation at this time.

Mike Fann said the bottom line is the reason for the development agreement with the annexation is to make sure any land owner has adequate access to his property and has water and sewer. Prescott owns the water and sewer and he needs to make sure he has a water allocation and a delivery of water and sewer. He asked why anyone would be annexed into a community and then be subject to whatever rules after that with no guarantee of any water, sewer and transportation. Those are the three main things he has been talking about and that is what he needs to guarantee: timely delivery of water, sewer and transportation. Councilwoman Suttles said it is coming and asked why they have to discuss the DA now rather than over the next few months. She feels that everything is on board but his group has that 2009 deadline.

Mr. Fann responded that the 2009 date is not his date, rather it corresponds with the City's other agreement. Mr. Fann and Councilwoman Suttles agreed that neither of them like the development agreement. Mr. Fann asked how he annexes into the City of Prescott without some written guarantee that he is going to have timely delivery of water, sewer and transportation. Mr. Fann said both he and the City are tied down by the agreement. He is tied to providing a four lane highway and a six lane highway and lots of water that is not for his benefit but for the benefit of the traveling public and the properties around him. The one thing that is not there is how soon he does that. As a private developer he has to contend with market conditions, ADOT and other things that he has no control over as opposed to the City who is control of their destiny. Mr. Fann said that he is required to spend millions to provide an east west connector and that the City is required to mostly what it has said it is going to do anyway.

Councilman Blair reminded Council that staff said they could meet those time frames. Mr. Norwood said that they have three items on the agenda: A is the development agreement or pre-annexation development agreement; B is the annexation itself; and C is the water service agreement. It is his understanding that Proposition 400 requires that the annexation requires a super majority. He believes that to a person everyone is in full support of the annexation. Mr. Norwood asked if the development agreement can be passed by a simple majority. Mayor Simmons said that he thinks that those who may vote against the development agreement may also vote against the annexation. Councilman Lamerson disagreed and said that everyone there agreed with the annexation – they do not like the contract.

Mr. Kidd explained the issue that if the development agreement passes by a majority that development is valid and becomes effective only upon the

annexation. The annexation itself has to be by a super majority vote. Mr. Norwood added that their first item is a development agreement and if it passes on a simple majority the next item is the annexation. It must pass by a super majority for this to take place. Councilman Lamerson said he asked Mr. Norwood to divorce the two issues and it sounds like he just did that.

Councilwoman Suttles said that if A, the development agreement, passes with a majority vote, then they go on to B the annexation. She asked that if it passes if it picks up the development agreement; Mr. Kidd answered yes. Councilwoman Suttles said if they don't like the development agreement they better not vote for the annexation. Councilman Lamerson said that is not true, that he does not like the contract and will not vote for it but he will vote for the annexation. Councilwoman Suttles said that when he votes for annexation they are voting for the contract. Councilman Roecker said that developer will not annex without approval of the contract.

Councilman Roecker called for the question.

**THE MOTION PASSED WITH COUNCILMAN LUZIUS, COUNCILMAN LAMERSON AND COUNCILWOMAN SUTTLES CASTING THE DISSENTING VOTES.**

Mr. Kidd addressed the Council to make sure they understand if they pass the annexation by a super majority or if the annexation does pass, the development agreement that just passed will become effective.

- B. Adoption of Ordinance No. 4632-0834 – An ordinance of the Mayor and Council of the City of Prescott, Yavapai County, Arizona, extending and increasing the corporate limits of the City of Prescott by annexing 1,142 acres of land located south of Highway 89A and bounded on the West by the Peavine Trail, on the east by the Prescott/Prescott Valley IGA line and Granite Dells to the South and also a 16.6 acre parcel west of the Peavine Trail, which is owned by Granite Dells Estates Properties, Inc. and Granite Dells Estates Properties II, Inc., Mike Fann, and assigning zoning classifications thereto.

**COUNCILMAN ROECKER MOVED TO APPROVE ORDINANCE 4632-0834; SECONDED BY COUNCILMAN BELL; MOTION FAILED WITH COUNCILWOMAN SUTTLES AND COUNCILMAN LUZIUS CASTING THE DISSENTING VOTES.**

- C. Approval of Water Service Agreement with Granite Dells Estates Properties, Inc. and Granite Dells Estates Properties II, Inc.

IV. Adjournment.

The Special Meeting of October 30, 2007 of the Prescott City Council adjourned at 4:43 p.m.

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ROWLE P. SIMMONS, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk