

June 4, 2015

Eva Cutro, Community Development Director
Town of Paradise Valley
6401 E. Lincoln Drive
Paradise Valley, AZ 85253

Re: SUP District (Resort) for The Ritz-Carlton, Paradise Valley, 7000 E. Lincoln Drive

Dear Ms. Cutro:

On behalf of my client, Five Star Development Resort Communities ("Applicant"), this correspondence is intended to acknowledge receipt of the draft Statement of Direction ("SOD") for Special Use Permit ("SUP") 15-01 (7000 East Lincoln Drive). In addition, the Applicant desires to respond to the SOD as well as the commentary provided by the Mayor and Town Council at their May 28th study session hearing.

At the outset, the Applicant wishes to draw the Town's attention to the nature of the application filed. Specifically, the Applicant filed for an original SUP – not a Major Amendment to the existing SUP approved in 2008. This is significant as much of the commentary at the May 28th hearing and the staff memo related to the 2008 SUP. While there is no doubt the previous approval has historical significance, and can be used as a point of reference, the application before the Town is a new one unfettered by the previous approval.

In compiling the new SUP application, the Applicant went to considerable efforts to apprise the staff, Mayor and Town Council of the application parameters as well as specifics of the proposal. In reviewing the SOD and related Council commentary at the May 28th hearing, however, it appeared as though the application itself was both a surprise and unfamiliar to the Town. This is a tremendous disappointment to the Applicant and development team given the amount of time spent in preparation and the communication, which heretofore had been excellent and generally lacked the contentious tone of the hearing. The Applicant endeavored to be cooperative and create a collegial atmosphere surrounding the SUP process. Instead, the Applicant is concerned the hearing could represent a major step backward if we cannot establish a positive working relationship in the near future.

The Applicant understands the Town may have some apprehension regarding the size and scope of a project of this magnitude. The mere size, complexity, and originality of the application should not, however, result in default opposition to an Applicant attempting to develop a world class caliber master plan benefitting both the Town and its residents. We do, however, welcome the input and guidance anticipated as part of the Statement of Direction process.

To that end, the Applicant was fully aware the application – as submitted – would require refinement and revision. This is true of every application. There is also extensive neighborhood input anticipated, and in fact, already sought which will no doubt result in amendments to the proposed land use. We look forward to that evolution and are confident it will result in an improved plan. Accordingly,

it is duly noted the Town raised concerns about the proposed heights, density and overall square footage of the request. Those items will be addressed organically through the staff, Planning Commission and neighborhood input which is anticipated as part of land use planning. The Applicant requests the Town allow the process to take place progressively rather than short circuit these efforts with numeric limitations which may have unintended detrimental impacts to the overall land use plan. Specifically, limitations at this early stage to height, coverage, density and building type all serve to undermine the Planning Commission's role as well as removing the Applicant's design freedom. We believe the SOD does is not the appropriate tool for hard limits on the Ritz-Carlton proposal.

The Town's voter-approved General Plan – which enjoyed overwhelming support by the citizens – designated the subject property as a "Development Area" meant to ". . . encourage new resort development that reflects the Town's need for fiscal health, economic diversification and quality of life" and also calls for "a variety of land uses." The Applicant is requesting the leeway to achieve those goals while recognizing the Councils' stated concerns.

Enclosed is an analysis of and a response to each of the items in the SOD. All original SOD text is shown in italics and is followed by the Applicant's response to each item in blue bold.

If you have any questions regarding the enclosed, please do not hesitate to reach out. We look forward to continuing to work with the Town and the community on this historical resort development.

Sincerely,

WITHEY MORRIS P.L.C.



By
Jason B. Morris

JBM/jt
Enclosure

cc: Kevin Burke, Town Manager
Michael Collins, Mayor
Paul Dembow, Vice Mayor
Jerry Bien-Willner, Council Member
Mary Hamway, Council Member
David Sherf, Council Member
Mark Stanton, Council Member
Maria Syms, Council Member

Applicant's Response to the Statement of Direction

SUP-15-1

Ritz-Carlton Paradise Valley

-Statement of Direction –

May 28, 2015

On May 4, 2015, the applicant, Five Star Development Resort Communities, submitted a Special Use Permit application to allow for the development of a resort hotel, residential homes, and resort retail at 7000 East Lincoln Drive.

Section 1102.3 of the Town's Zoning Ordinance states the Town Council must issue a Statement of Direction (SOD) for the Special Use Permit application within 45 days of the first staff presentation. In this case, the Statement of Direction must be issued on or before July 12, 2015.

The Statement of Direction is not a final decision of the Town Council and does not create any vested rights to the approval of a Special Use Permit (SUP). Any applicant for a Special Use Permit shall not rely upon the matters addressed in the Statement of Direction being the same as those that may be part of an approved Special Use Permit.

Therefore, the Town Council issues the following Statement of Direction for SUP-15-1, Ritz-Carlton Paradise Valley:

1. The General Plan encourages revitalization and improvement of existing resorts within the Town of Paradise Valley;
2. The General Plan categorizes this property as a Development Area, intended to focus resort development into targeted areas that are most appropriate for accommodating the variety of land uses associated with such use.
3. The General Plan further states, Development Areas are meant to encourage new resort development that reflects the Town's needs for fiscal health, economic diversification, and quality of life.
4. THE PLANNING COMMISSION SHALL REVIEW:

A. Density

Overall density is high with 1,844,650 square feet proposed.

Residential and Retail density exceed the Resort Guidelines 25% lot coverage (which may also be understated as the application uses only conditioned space to compute lot coverage). Resort lot coverage is currently at 28.5%.

Recommend that all residential and retail density not exceed the 25% lot coverage Resort Guideline (per Area) and that it be measured by total lot coverage, not conditioned space.

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Applicant's Response

In response, let us first separate and clarify the terms density, lot coverage, and square footage. Density is typically a measure of dwelling units or square feet divided by acreage. We understand lot coverage to be a percentage of the area of the site covered by buildings, but not the total square feet for a project. Total square footage is typically a calculation of all conditioned space, and in some cases, all square feet under roof, to dripline, on every floor of a building.

The Applicant is sensitive to the Town's lot coverage guidelines and has attempted to comply while still being able to create a landmark resort property. However, the Applicant hopes that the Town will afford it the same flexibility that has been given to other recent resort developments in Town. For example, as a comparison for lot coverage, Montelucia allows an overall total of 25% excluding roof overhangs or other projections; and 31% lot coverage including building footprints, overhangs, projections, canopies, shade structures, trellis, pool cabanas and miscellaneous structures. The Ritz-Carlton SUP has an overall total lot coverage of 25.7%, which we believe is an appropriate amount given the site is within a Development Area, as defined by the 2012 Voter approved General Plan, and certain flexibility is necessary to allow the project to be developed in a manner that will contribute to the fiscal health of the Town.

The lot coverage of the Resort Villas area in Montelucia is approximately 34%, which is to dripline and includes non-conditioned space. The Town's request for the Ritz-Carlton to be held to a 25% lot coverage, at dripline, for residential areas is not consistent with approved and built lot coverages in Montelucia. The Applicant proposes lot coverages (of non-conditioned space, not to the dripline) for residential and retail uses at 25.9% for Area B, 24.3% for Area C, 26.6% for mixed-uses Area D, and 27.3% for Area E. The total lot coverages for each of these areas is well under what was built and permitted in Montelucia. Furthermore, we believe lot coverage, which includes non-conditioned space, should not be included in any percentage proposed by Council. Doing so would limit the flexibility needed to provide ample shade and comfortable outdoor spaces needed to address our desert climate, and should not be penalized for providing additional outdoor public and private shaded areas.

As a matter of total square feet, Montelucia's totals reflect interior conditioned space and do not include exterior covered areas such as patios or terraces, overhangs, trellises, gazebos, pool cabanas, etc. Additionally, specifically for the Montelucia Resort Villas, the total square footage approved does not include non-conditioned spaces such as garages or outdoor dining pavilions, which are not limited by the total square footage, but are limited by the total lot coverages for the overall site. The square footage totals noted in Ritz-Carlton SUP application have been calculated using the same criteria as Montelucia and we believe the requirement to include non-conditioned space is not consistent with what the Town has requested of other SUPs.

In short, the Applicant requests the leeway to work with Planning Commission, staff and the community to address coverage issues through anticipated site plan revisions rather than designing to specific numeric limitations at this early stage in the process.

B. Residential lot size

Areas B and C are detached residential lots. Area C lots are a minimum of 12,000 square feet; Area B lots are a minimum of 9,000 square feet.

Recommend that all detached residential product in areas B and C have a much larger minimum and average lot size, with a variety of lot sizes and larger lots considered along the perimeter.

Applicant's Response

The Town may wish to approach this topic with a holistic view of the symbiotic relationship between the resort and the residential lots. Additionally, we believe greater consideration should be given to past precedents and the Development Area designation of the Property. This unique designation allows for greater latitude and creativity in regard to lot sizes and configurations. When reviewing the Town-wide data, we believe the Ritz-Carlton lot sizes are being considered without careful consideration of those approved for Mountain Shadows and Montelucia. Based on County records, Montelucia has an average lot size of 8,030 square feet, with the smallest at 6,012 and the largest at 11,249 square feet. Mountain Shadows has an average lot size of 9,285, with the smallest at 8,070 and the largest at 10,177 square feet. **The Ritz-Carlton has an overall average lot size of 10,141 square feet for Areas B and C combined, with the smallest at 9,000 and the largest at 21,500 square feet.**

At this early stage in the SOD process, it seems premature to limit the size of lots to a specific number. Rather, the SOD could provide general guidance and allow the Applicant to work with not only Town Staff, but also adjacent neighborhoods to provide the appropriate balance of lot sizes. For example, current discussions with Judson Estates should yield some changes to the plan which could otherwise be constrained by the a SOD with limiting standards. The planning process and appropriate market demands of Paradise Valley residents should be considered relative to lot size with ultimate approval duly designated by Council.

Condominiums are proposed for Areas D & E. Condominiums, as approved and built in other Paradise Valley resorts, are almost exclusively used as resort rental units that are rented through the resort itself (such as is identified for Area A-1).

Recommend that careful consideration be given to this use; including appropriateness of this product in the Town, effect on surrounding property values, and any alternative uses that could also provide the desired transition from the denser uses along the eastern border.

Applicant's Response

A condominium is legal terminology related to whether there exists fee ownership versus an undivided right to designated areas within a structure. A single-story building can be subject to a condominium plat, as could a single family home. The Applicant, having participated in the Study Session and discussed this issue with staff, believes the concern is related to the proposed structure rather than the form of ownership. As such, the Applicant remains willing to discuss the appropriate land uses and form along the municipal border and will anticipate a vigorous discussion with Planning Commission and the community at large.

It should be noted the common border with Scottsdale is developed with the most intense height and density abutting the Town and as such, this Property and Development Area is distinguishable from any other lot within Paradise Valley. With this distinction, comes unique challenges which must be addressed with creative solutions. We believe a balance should be provided between the adjacent densities and heights of the properties in Scottsdale to appropriately transition to the single family residential and resort components of the project on the western section of the site. Additionally, the portion of the Property most impacted by Scottsdale should not be restrained so

significantly that it cannot operate within the shadow of existing heights and density. There is no other area in Paradise Valley adjacent to this intensity of uses to the east of the Ritz-Carlton – and therefore the resulting master plan needs more flexibility in creating viable transition areas for the site. The luxury attached residential uses are specifically designed to be compatible with and adjacent to the intensity along Scottsdale Road. We believe consideration should be given to the possibility of allowing attached residences in the only area within the Town where it is appropriate, with the knowledge that any impact is felt first by the very residences proposed by the Applicant. During the pending SOD process, we ask that you please give consideration to what we believe is an appropriate, transitional use.

C. Heights

Heights far exceed Resort Guidelines' 36' maximum for principal structures and 24' height for accessory structures. Many principal structures are proposed at 48' and some accessory structures are proposed at 36' and 48'. While some additional height may be allotted to provide a transition or buffering from the four-story apartment and three-story office buildings located in the City of Scottsdale, a three-story – 36' maximum was anticipated, stepping down to two and then one-story.

Recommend that all four-story elements be eliminated and three-story be considered for primary structures only, and/or as a buffer along the eastern border.

Applicant's Response

The Applicant is committed to striking the appropriate balance between existing land uses and will, where necessary, address building heights and create step-down conditions to alleviate the concerns anticipated. This work, however, should occur with input from the Planning Commission and community rather than anticipating conflict without viewing the proposed elevations and cross-sections. Regardless of whether it is deemed a Primary or Secondary structure, a four-story buffer may ultimately be appropriate for portions of the Ritz-Carlton, Areas D and E, which will serve as a transition from the adjacent heights along the Scottsdale border and provide the best possible experience for homeowners, guests, and retail customers. In turn, this will allow the Ritz-Carlton resort to create and maintain a productive economic engine for the Town in perpetuity. This transition is best accomplished by meeting the height of the adjacent Multi-family complex and stepping down in height toward the west of the site. This provides a visual buffer for Paradise Valley residents and the Ritz-Carlton residents and guests from the adjacent four-story multi-family development.

Grand lobby height is not clear. Application shows up to 22' of fill under the structure with up to 6' of cut through the center of the fill area. Elevations show 22' to 47' heights on the resort structure.

Recommend that Commission fully explore the need for this proposed height including what is visible off-site and whether any height over 36' is appropriate.

Applicant's Response

The entire Lobby Building is essentially built on grade with only mirror cut and fill needed to accommodate the irregularities of the existing site grades.

The Lobby Building of the resort is primarily a two story building. The lower floor is comprised of spaces including the Grand Ballroom and the Jr. Ballroom. The upper floor is the location of the porte-cochere, the Lobby and the Lobby Lounge.

Design parameters, volume versus size ratios and a Ritz-Carlton requirement all call for ceiling heights in both ballrooms on the lower floor to be not less than 18' clear. Given this height requirement, the overall height of the lower level (when including the required interstitial and structural needs above the ceiling) is approximately 21' tall.

The guest arrival experience to the Ritz-Carlton hotel (at the Lobby Building) occurs at the upper level. Thus, the entry drive coming north off of Lincoln Drive (starting at elevation 1316') is designed with a slight incline (of less than 1.5%) over the 1,250' length of road, to arrive at the upper floor (some 21' above existing grade) at elevation 1334'. The hotel lobby level sits just 8' above the intersection of Lincoln Drive and Mockingbird Lane, which is at elevation 1326'.

The upper level of the Lobby Building is (and has to be) designed with a grand arrival for guest experience upon entry into the building. Upon entering the lobby, the view straight ahead is of Mummy Mountain. The perpendicular view to the left is a direct alignment toward Camelback Mountain. To frame Camelback Mountain with blue sky above, the ceiling height of the lobby (given the distance the guests are recessed into the interior space) must also be of meaningful height. The current sightline studies indicate these ceilings will also be 18' high. As with the lower level, when including the required interstitial and structural needs above the ceiling, the upper floor is also approximately 21' tall. Allowing for some architectural elements and elevator over-run shafts, the requested 48' of overall height is made up of two 21' tall floors plus 6' of roof top elements.

Additional information can be provided to help staff better understand the heights and fill of the Grand Lobby for the Hotel if it is helpful.

D. Retail Use

Retail square footage is proposed at over 160,000 square feet, including a grocery store-type use at 36,400 sf. Although the Resort Guidelines anticipate less retail on standard resort properties, this property is not standard - it is in a designated Development Area and is approximately four times the size of a standard Paradise Valley resort.

Recommend that the Town Council first determine its comfort level with the amount and type of retail proposed, and then determine whether the Council is: (1) comfortable with proceeding with the retail component under the Paradise Valley Zoning Code; or (2) comfortable with setting parameters on the retail component and de-annexing the retail component to Scottsdale so that it can be planned as one overall retail mixed-use plan along with Five Star's adjoining 18.5 acre Palmeraie parcel in Scottsdale. Commission may be directed to study the type of retail, amount of retail, height and setbacks on retail, hours of operations, etc.

Applicant's Response

During the recent Study Session, there was considerable discussion regarding the viability of retail in the area designated as "Area E" as well as the potential for mixed use development. The Applicant strongly supported the proposed mixed-use retail in furtherance of the General Plan's directive to "balance a need for the Town's fiscal health against a steadfast commitment to protecting adjacent low-density residential character and quality of life" within this key Development Area. The Applicant proposed development of Area E as a mix of residential and commercial uses anticipating the Town would want the new influx of tax revenue. Based on comments from the Town Council last week, the Applicant is unclear as to whether the Town

desires a mixed-use area and the associated fiscal benefits, or if the Town would, instead, prefer for Area E to be a strictly residential area.

Regarding the deannexation/annexation proposal, given the proposed timeline for this development, the applicant no longer believes this option to be viable.

E. Perimeter Setbacks

Only 25' setback is proposed along portions of Indian Bend, Lincoln, and Mockingbird Lane.

No setback is given between the proposed residential product in Area B and the north boundary of St. Barnabas.

Interior drives in Areas C & D do not meet 40' setback guidelines.

Recommend that the SUP Guideline landscape area and buffer be provided. A minimum 50' wide landscaped area shall be provided along Lincoln Drive and Mockingbird Roads and a minimum of 30' wide landscape area shall be provided along Indian Bend Road. An additional landscape buffer shall be provided at the corner of Lincoln Drive and Mockingbird Lane, as well as at the main entrance to the Resort and at the gateway to the Town.

Applicant's Response

The Applicant has already noted several areas where Town Staff is applying standards to the Ritz-Carlton which were removed, altered, or alleviated for other resorts. Other approved SUPs do not meet the SUP Guidelines related to landscape area standards. Landscape setbacks provided for SUPs in Paradise Valley include 21 feet and 47 feet along Lincoln Drive and 43 feet along Tatum Boulevard adjacent to Montelucia; and as the Applicant understands it, the Mountain Shadows SUP allows for 15 feet along 56th Street and 20 feet along Lincoln Drive.

Based on current comments, Town Staff believes a setback may be required adjacent to St. Barnabas per the Special Use Permit guidelines. Upon further analysis of this code section, the Applicant believes the setback ordinance provision was intended to be applied in a different manner and that an interior setback is not required on the Ritz-Carlton portion of Area B adjacent to St. Barnabas. As written and intended by the Town Ordinance, the required landscape setback should only be applied to a non-residential use which decides to locate adjacent to existing residential. In this case, however, new residential will be located adjacent to an existing non-residential use (St. Barnabas). The ordinance does not place the burden on the residential use to provide setbacks if the developer wishes to place residential uses adjacent to a church.

The setbacks of the interior drives adjacent to Mockingbird Lane and Lincoln Drive within Area C are designed to maximize the lot sizes – a goal shared by both the Applicant and Town Council. An increase in landscape setbacks in these areas will decrease the lot sizes. In Area D, the adjacent residential use in Scottsdale has an interior drive along the property line which has a 5 foot to 25 foot landscape setback from the property line. The request for additional landscape setback is redundant and what has been proposed for this area is sufficient.

The Applicant will, however, revisit the existing perimeter setbacks in conjunction with the total right-of-way to ensure a significant, lush and defined perimeter surrounding the community.

F. Rights-of-Way/Traffic/Parking

All roadway amenities such as sidewalks, medians, round-a-bouts, deceleration lanes, and traffic/pedestrian signals shall be reviewed and designed to meet Town Engineering Department standards.

Traffic and Parking Study shall be reviewed.

Vehicular circulation shall be reviewed. Particular emphasis shall be placed on all ingress and egress points.

Lincoln Drive shall be viewed as a "Visually Significant Corridor" in accordance with the General Plan standards and a cross section with a typical landscape treatment shall be reviewed.

Lincoln Drive is also a Gateway to the Town and special design consideration should be reviewed to reflect this entrance to the Town.

Recommend that 25' of Right of Way (ROW) dedication be required along Lincoln Drive. This differs from the 2008 SUP that allowed for a roadway easement. The 2012 General Plan has now categorized Lincoln Drive as a Visually Significant Corridor and dedication is requested to allow for development of Lincoln Drive as a Visually Significant Corridor and as a Gateway to the Town. The applicant shall identify setbacks from the post-dedication property line.

Applicant's Response

The Applicant will discuss the feasibility of this dedication and its impact on the development.

G. Additional Review Items

Landscaping plan will need more detail. Commission shall focus their review on the exterior landscaping along the Rights of Way.

Wall master plan must be examined. A meandering alternative shall be explored for the perimeter.

Monument sign placement and size parameters shall be established.

A study of the grading and drainage of the site shall be completed with emphasis on necessary retention requirements and the proposed rerouting of the natural wash.

Pedestrian and non-vehicular circulation shall be reviewed. The proposed pathway system shall designate what pathways are open to the public and which are private.

Applicant's Response

The Applicant will submit additional detail for each of these items as the SUP progresses through the process.

H. Keys to Success

The results of the Community Meeting, the Keys to Success, shall be considered when reviewing this proposal.

Applicant's Response

A summary of the ways in which the Ritz-Carlton SUP addresses the Keys to Success is provided on page III-4 of the application.

I. Stipulations

The Planning Commission may craft stipulations to address landscaping, utility and mechanical equipment screening and locations, resort operational issues, and special regulatory standards (such as hours of operation, amplified music, etc..) and other land use concerns not otherwise in conflict with this SOD.

J. Deviations from the SUP Guidelines

The Planning Commission shall address any improvements/uses that deviate from the SUP Resort Guidelines and the applicant must provide a justification for the deviation from the Guidelines.

The Planning Commission shall not address development agreement issues such as financing and phasing of construction.

The Planning Commission shall complete its review and hearing process in 120 calendar days from the first presentation to Commission (per Section 2-5-2.D.1 of the Town Code).