



City of Prescott

Workforce Housing Committee

September 6, 2023 | 10:00 AM

201 N. Montezuma Street
Council Chambers, 3rd Floor
Prescott, AZ 86301

MINUTES

1. CALL TO ORDER

Meeting called to order by Vice Chair Rocha at 10am.

2. ROLL CALL

Mike Fann - Chair (Excused)
Jonathan Rocha - Vice Chair
Randy Goodman - Member
Nicole Kennedy - Member
David Roe - Member
Anthony Teeters - Member
Arnold Urias - Member (Excused)

3. DISCUSSION & ACTION ITEMS

A. Approval of August 2, 2023 Workforce Housing Committee Meeting Minutes.

Recommended Action: MOVE to approve the minutes as presented

MOTION BY COMMITTEE MEMBER ROE TO APPROVE AUGUST 2, 2023 MEETING

MINUTES; SECONDED BY COMMITTEE MEMBER KENNEDY: PASSED (5-0)

B. Presentation & Discussion From the City Legal Department Regarding Public Records Training **and Conflict of Interest Training.**

Recommended Action: This item is for discussion only. No formal action will be taken.

Presentation given by Deputy City Attorney Matt Podracky on Public Records and Conflict of Interest training.

C. Presentation & Discussion with the City Finance Department Regarding Possible Funding Sources.

Recommended Action: This item is for discussion only. No formal action will be taken.

Staff Liaison Walton introduced Finance Director Mark Woodfill and Deputy Finance Director Lars Johnson to discuss financial opportunities and possible funding sources with the committee. Director Woodfill discussed that impact fees would not be eligible nor would it be possible to have an affordable housing impact fee or other development or building permit fee. He stated if the Committee and Council wanted a tax to establish an affordable housing fund then it could be taken to the voters. He discussed the general fund and uses and limitations with using that fund.

Committee Member Goodman asked about escrow fees for all escrow transactions that happen within the city.

Director Woodfill stated that that would be a tax.

Committee Member Goodman stated that there is a state statute that allows for a voluntary fee.

Director Woodfill asked Committee Member Goodman to send him that information and they would have Legal review it.

Committee Member Goodman asked about funding related to Indian gaming.

Director Woodfill stated that the local tribe distributes money and they designate who it goes to. He stated that he believes it's about \$70,000 and they distribute it in smaller amounts.

Committee Member Goodman asked if the committee could approach the tribe.

Director Woodfill stated that they do have a grant application process the committee could go through.

Council Liaison Cantelme asked if someone had to be under the designation of affordable housing to have the escrow fee covered by the City.

Committee Member Goodman stated the person conducting the escrow could check the box to have part of their escrow fees go to workforce housing. He stated that they would need to convince people to participate.

Council Liaison Cantelme asked if this would be something an LLC could write off at their taxes. She stated that if an entity has a designation of being an affordable home builder that there are a lot of tax exemptions that open as a corporate benefit.

Committee Member Goodman stated that he was talking about the situation of home buyers that could participate in a contribution fee associated with their escrow.

Vice Chair Rocha stated that a takeaway would be to approach escrow companies and as for the ability for people to contribute towards the workforce housing in the City of Prescott.

Deputy City Attorney Podracky stated that legally the City can't waive impact fees but the City could choose to pay impact fees for a particular project.

Director Woodfill stated that there would still need to be a funding source to pay impact fees for affordable housing projects and that could be where the escrow contribution comes in.

Deputy Finance Director Johnson reviewed different funding options used by other entities for funding sources.

Vice Chair Rocha asked if the City has excess revenue or funds and how could the City have excess revenues and funds.

Deputy Finance Director Johnson stated that the general fund is challenging because the demand is for police and fire and that the City of Prescott doesn't

have revenues far exceeding the City's needs like Sedona does.

Director Woodfill discussed the different services provided by Prescott versus what other entities provide.

Vice Chair Rocha asked how the City can get to a place where there are excessive funds or ideas that may increase the revenue for the City.

Director Woodfill discussed different avenues that the City looks at each year such as increasing fees in different departments to continue to recover costs. He stated an additional tax would be an option but that option would have to be voted on and approved by voters. If a tax were to be brought forward there would have to be a level of assurance given to what the tax would be used for which is what would be expected as well if there were a voluntary escrow fee.

Staff Liaison Walton asked if a private partner wished to contribute voluntary funds, could the City take funds from partners for these efforts.

Director Woodfill stated yes and that the City could set up a trust fund or a special revenue fund account for donations. He said it would still be a concern of what the money would be used for specifically.

Staff Liaison Walton asked what it would take to create the needed fund and if there were any requirements to set up those accounts.

Director Woodfill stated that it can be done through the budget process or by a Council motion. He stated if it's a fund for donations it would likely be a trust or grant fund but if it's a special revenue fund there are legal restrictions so it depends on the use.

Committee Member Goodman discussed providing underground utility for projects as the purpose for the money or donations that would be in the account. He also asked for the definition of impact fees versus building permit fees.

Director Woodfill stated that impact fees are designed to cover the cost to keep the service level in the community the same and to help cover costs for a new housing unit without reducing the level of service to existing customers. A building permit fee is to cover the cost of administering the building permit and includes inspections.

Committee Member Goodman asked for clarification on if housing would be part of an impact especially if it's for affordable housing for fire and police.

Director Woodfill stated that the impact fees couldn't be used for that as they are heavily regulated by the state to restrict the fees to specific capital needs.

Committee Member Goodman then discussed a program of a municipality he worked for that was successful in creating additional revenue by incentivizing citizens and he hoped the committee would be able to think outside the box to have money to help developers build infrastructure.

Council Liaison Cantelme asked what the benefits would be of the City controlling the fund due to administration costs rather than having a private entity control the fund with less restriction.

Director Woodfill said as long as it's not taxpayer monies then anyone could control the fund. Such as if a hospital put money into an account then that account could be controlled by any entity it wouldn't have to be controlled by the City.

Council Liaison Cantelme stated she would like the City to define exactly what can be done as the City to incentivize the affordable housing. She stated that a lot of the affordable housing could be through tax breaks but it's not on the City's level to do that, it's on the investor's level. She suggested a booklet with definitions of what the City can and cannot offer and what a private entity coming into the city may be able to offer or utilize such as tax breaks.

Committee Member Kennedy agreed that she would like to have more clarity as well. She asked if there could be any tax write offs if someone was donating to a fund.

Director Woodfill stated that donations to municipalities for a general public purpose are deductible in most cases but people would have to consult their private tax attorney to determine for sure.

Committee Member Kennedy asked if the committee could come up with ideas for a city administrated program.

Director Woodfill stated the City is always open to ideas but when it comes to taxing and fees there are a lot of legal hurdles but they will look into any ideas the committee would like them to.

Committee Member Goodman stated if the City controlled the funding then it would allow the committee to look forward to see what projects they could fund and when.

Director Woodfill stated that if the committee wants to maintain control of the funds then the funds should stay under the City. He stated that if it's handled by an outside entity then there is not much control. He also stated that if there was taxpayer money involved it likely would have to stay with the City.

Council Liaison Cantelme asked if the committee members were around for the marketing campaign for Proposition 443.

Director Woodfill clarified that the City did not launch a marketing campaign for a ballot issue and that it was private entities that launched the marketing campaign.

Council Liaison Cantelme stated that it is a big process to get buy in from the community for a tax. She stated that tax breaks would be incentivizing on a

federal level rather than on the municipal level. She stated that the City doesn't have excess funding.

Director Woodfill stated that only about half of the tax elections pass in the time he's been here. He stated that citizen's and interest groups have to take that initiative.

Vice Chair Rocha asked if there was an option to replace a Workforce Housing Meeting with a Study Session.

Staff Liaison Walton stated that yes, a meeting could be make into a Study Session where the focus is on one or two topics.

Vice Chair Rocha stated that it would be beneficial to have a Study Session to get into the details of items. He stated even a comprehensive list from the Finance Department of what the committee can do would be beneficial. He asked if a grant trust account was controlled by the City, how fast could it be set up.

Director Woodfill stated that the fund can be set up quickly but the question is how to get revenue into it. The City can't spend money that isn't in the budget so maybe it's something that is looked at in the next budget year.

Staff Liaison Walton stated that there is a broad spectrum of what municipalities can do when it comes to affordable housing but funds and financial isn't really one of them. The value that the City can contribute is in infrastructure support as well as loosening up some regulations such as ADUs. She stated it's important to not focus solely on funding as most of the support will be non-monetary. She stated a recommendation to Council could be that a policy be created that requires a percentage of workforce housing units in new developments and that is a simple policy.

Council Liaison Cantelme asked if the committee would be willing to explore establishing a housing authority and looking into the benefits and detriments.

Vice Chair Rocha stated that would be a great topic for the Study Session and maybe parts of Building Development, Legal, and Finance. He then opened up for public comment.

Howard Mechanic clarified that affordable housing was mentioned but the committee is talking about workforce housing which is for higher income levels so there may not be much in the way of federal tax breaks. He also stated that he doesn't see the difference between the City providing infrastructure versus the City providing money. He said as far as budget goes you either budget money or budget infrastructure, there's no difference.

Vice Chair Rocha moved onto the next item.

- D. Presentation & Discussion Regarding Accessory Dwelling Units and Zoning.
Recommended Action: This item is for discussion only. No formal action will be taken.

Planning Manager George Worley gave a presentation on Accessory Dwelling Units (ADUs) and how the code could be updated to benefit workforce housing.

Member Goodman asked if there would be full kitchens allowed in ADUs.

Mr. Worley stated yes and that the purpose of the ADU is to be a full dwelling unit; so there has to be a sleeping room, bathroom, and a kitchen that can act and operate independently from the primary house.

Member Goodman asked if the garage would be able to be converted.

Mr. Worley stated that would depend on whether or not the location could still meet the parking requirements for the main house.

Member Roe stated his association is working closely with the City of Phoenix on language and definitions of ADUs.

Mr. Worley stated that ADU's should be more or less permanently placed but that doesn't mean they have to be site-built.

Vice Chair Rocha stated he loves the idea and appreciates Mr. Worley speaking to the committee. He asked the committee if they felt this would be a good potential study session item.

Mr. Worley stated that they will create ordinance language to bring back to the committee to look at rather than a broad discussion.

Vice Chair Rocha asked what the timeframe is, how fast can this all happen, how quickly can this become policy, administration, enforcement. He stated there would need to be some oversight and enforcement to make sure it is helping workforce housing.

Mr. Worley said they would address the enforcement process as part of any ordinance change and for timing, he said they will draft something and bring it at a future meeting. He said after they receive the committee's endorsement, the ordinance would then go to Planning and Zoning Commission and then it would go to City Council. He said it could take 2-3 months.

Vice Chair Rocha asked if there was anything for manufactured overlays. He stated there are people in the County that are getting guest houses and that all takes place in 3-4 months. He stated maybe that's something that can be addressed in the language and it would increase the speed and possibly decrease the costs.

Mr. Worley stated that is something they are looking at and it may not change an overlay district but it may change a housing type allowance for ADUs specifically and only for ADUs.

Council Liaison Cantelme discussed a County program called A Home of Your Own where there are several approved blueprints that the citizen only has to pay

to have them put on a site plan. She stated that this may expedite the ADUs. She stated this would be good information to put into a pamphlet to hand to people and save them money.

Vice Chair Rocha asked if the City would be able to participate in the funding of marketing and advertising for something like this to the general public.

Mr. Worley stated that when modifications are made to the code, public outreach is part of the process and if would be something they would try to get into the newspaper or put notifications into the water bills.

Staff Liaison Walton stated that this could potentially be incentivizing for building ADUs for Workforce Housing and creating a pamphlet that talks about all the incentives that are offered would be appropriate to let the public know what we offer.

Deputy City Attorney Podracky stated that the City cannot influence the outcomes of an election but with changing a code, the City can do public outreach.

Council Liaison Cantelme asked if the committee would be interested in having a tax accountant that specializes in these types of write-offs come and speak at some point.

Vice Chair Rocha stated that's a possibility for the Study Session, and he asked Staff Liaison Walton to create a list of potential line items for the Study Session.

Staff Liaison Walton stated that throughout the discussion it sounds like the committee is coming up with a good list of possible recommendations to Council.

Vice Chair Rocha asked if the committee wanted the next meeting to be the Study Session.

Member Teeters stated that he would actually prefer the Study Sessions be on a different day. He said the committee needs to have a plan before they can get any participation or funding from corporations.

Vice Chair Rocha stated that the committee can invest more time on Study Sessions.

Staff Liaison Walton stated that she can create a list of topics for members to rate and asked when the committee would like to have the Study Session.

Committee Member Kennedy stated that she is in favor of the working meetings and that the committee should focus on defining the scope of their committee as well as education, especially on the topic of NIMBYish (Not in My Back Yard). She is concerned that the committee may come up with great ideas but without public education they'll just be squashed.

Howard Mechanic stated he supports the ADUs but asked how it related to

workforce housing. He stated that ADUs that were being built in Phoenix were mostly going to be used for grandparents, visitors, or adult children. He asked how many units of workforce housing this proposal lead will to. He asked how much it will solve this issue. He also stated there are concerns about water use and these will increase water use and growth in the community. He stated if these were used for workforce housing then the community would be more interested rather than if they were for AirBnBs. He asked what can be done so a large portion of these units would be used for Workforce Housing.

Vice Chair Rocha stated that there would be a discussion on the parameters of the ADUs and for them to be workforce housing related. He stated this is something that they'd like to get more into detail on.

Vice Chair Rocha moved onto Staff Updates.

4. UPDATES

A. Staff Updates Regarding Survey Results and Future Agenda Items.

Staff Liaison Walton stated that there would be an email sent out with work session topics. She also gave an update on the surveys. She stated that another update would come in November on the collection of that feedback. For additional agenda items, she stated we will look at additional finance options and investigate the escrow fee and grant applications for the Tribe. She stated the incentive package for builders and ADUs would be a future agenda item, as well as reviewing the housing unit for our General Plan.

Vice Chair Rocha asked where the General Plan was in the process. He asked when the committee should look to make a recommendation or adopt the General Plan.

Staff Liaison Walton stated the General Plan Committee just had their first open house and that staff will be taking element drafts to them this coming month or next month. They are hoping to have the General Plan on the ballot in 2025, which is the conclusion of the process. She stated some additional agenda items are having developers come present and possibly hearing from DJ Sheridan who has a client specifically working on workforce housing.

5. ADJOURNMENT

Meeting was adjourned at 11:45am



MIKE FANN, Chair

ATTEST:



AMBER FRASER, Staff Liaison