



City of Prescott

Workforce Housing Committee

November 30, 2023 | 1:00 PM
201 S. Cortez Street
Community Development Conference Room
Prescott, AZ 86301

AGENDA

The following Agenda will be considered by the **Workforce Housing Committee** at their meeting to be held **November 30, 2023**. Notice of this meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02.

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **DISCUSSION & ACTION ITEMS**
 - A. Presentation & Discussion Regarding the Housing Element for the General Plan.
Recommended Action: This item is for discussion only. No formal action will be taken.
4. **ADJOURNMENT**

Upon a public majority vote of a quorum of the Board, the Board may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- (1) Discussion or consideration of personnel matters (A.R.S. §38-431.03(A)(1));
- (2) Discussion or consideration of records exempt by law (A.R.S. §38-431.03(A)(2));
- (3) Discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03(A)(3));
- (4) Discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid litigation (A.R.S. § 38-431.03(A)(4));
- (5) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03(A)(5));
- (6) Discussion, consultation or consideration for negotiations by the city or its designated representatives with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city (A.R.S. §38-431.03(A)(6));
- (7) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03(A)(7)).

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on 11/22/23 at 10:00 a.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.

Sarah M. Siep

Sarah M. Siep, City Clerk



TO: MAYOR AND CITY COUNCIL
AGENDA: November 30 Workforce Housing Subcommittee Meeting
DATE: November 30, 2023
DEPT: City Manager
ITEM #: 3.A
SUBJECT: Presentation & Discussion Regarding the Housing Element for the General Plan.

ITEM SUMMARY

WHC Members Vice Chair Rocha, Member Kennedy, and Member Teeters have formed a short-term Subcommittee to create a draft of the Housing Element for the General Plan to bring back to the balance of the Committee for review prior to a presentation to the General Plan Committee in January.

BACKGROUND

The General Plan Committee requested the Workforce Housing Committee create a draft for a housing element to include in the new General Plan.

FINANCIAL IMPACT

None at this time.

RECOMMENDED ACTION

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

ATTACHMENTS

1. 2025 General Plan - Draft Housing Element - Data update for WHC Subcommittee

HOUSING ELEMENT

Introduction

This is a new element in Prescott's General Plan. Some text, previously scattered throughout other General Plan elements, has been brought together and updated with current housing data and statistics. A high-level analysis of current trends, along with concerns and recommendations are presented herein.

Neighborhoods and Housing Balance

Prescott has a variety of mixed-use and historic neighborhoods, large-lot subdivisions, apartments, master-planned communities, clustered-housing, and gated communities. Many neighborhoods are completely built out with few opportunities for additional development. Other areas have vacant parcels, which may be suitable for infill development. Portions of some existing neighborhoods are transitioning from residential to commercial or from single-family to multi-family units. This often results in development conflicts. A neighborhood street can become congested if higher infill densities result in heavier traffic loads. Additional information on the topic of traffic and circulation may be found in the Circulation Element.

Generational and Lifestyle Diversity

Prescott strives to accommodate all types of households: individuals, families with children, empty nesters, retirees and residents at all socioeconomic levels. The demographic trends over the last three decades reveal the community to be moving away from this ideal. The median age in Prescott is now 60.5 (median age in Arizona is 38.8). The average number of persons per household declined from 2.11 in 2000 to 2.03 in 2010 and seems to have leveled out at 2.02 in 2020. The numbers of families actively raising children are in decline, while the percentage of people living alone is on the rise. These conditions are a result in part from the aging baby-boomer (post World War II era) generation, as well as from large numbers of retirees who have relocated to Prescott. Another contributing factor to declining diversity has been a growing lack of low to moderate income housing options available in the community. Figure 1 shows the population dispersed through age ranges. Figure 2 focuses on Prescott's senior populations in three age categories.

Figure 1

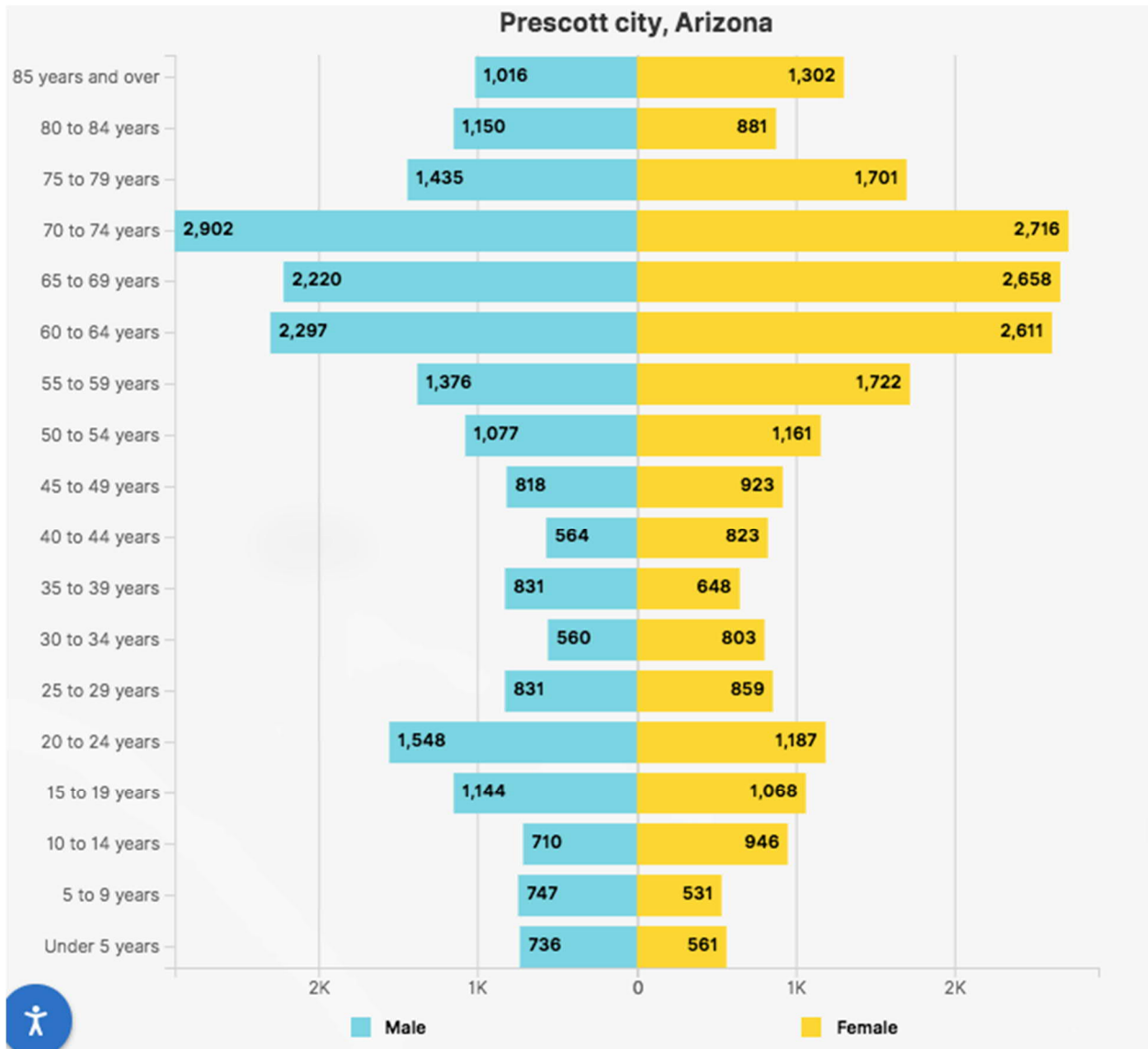
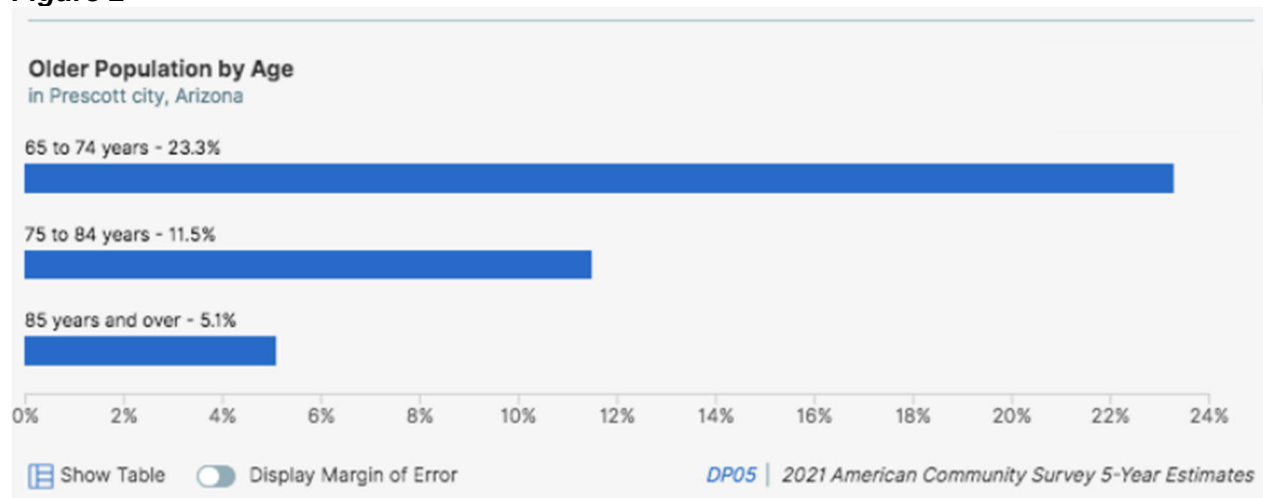


Figure 2

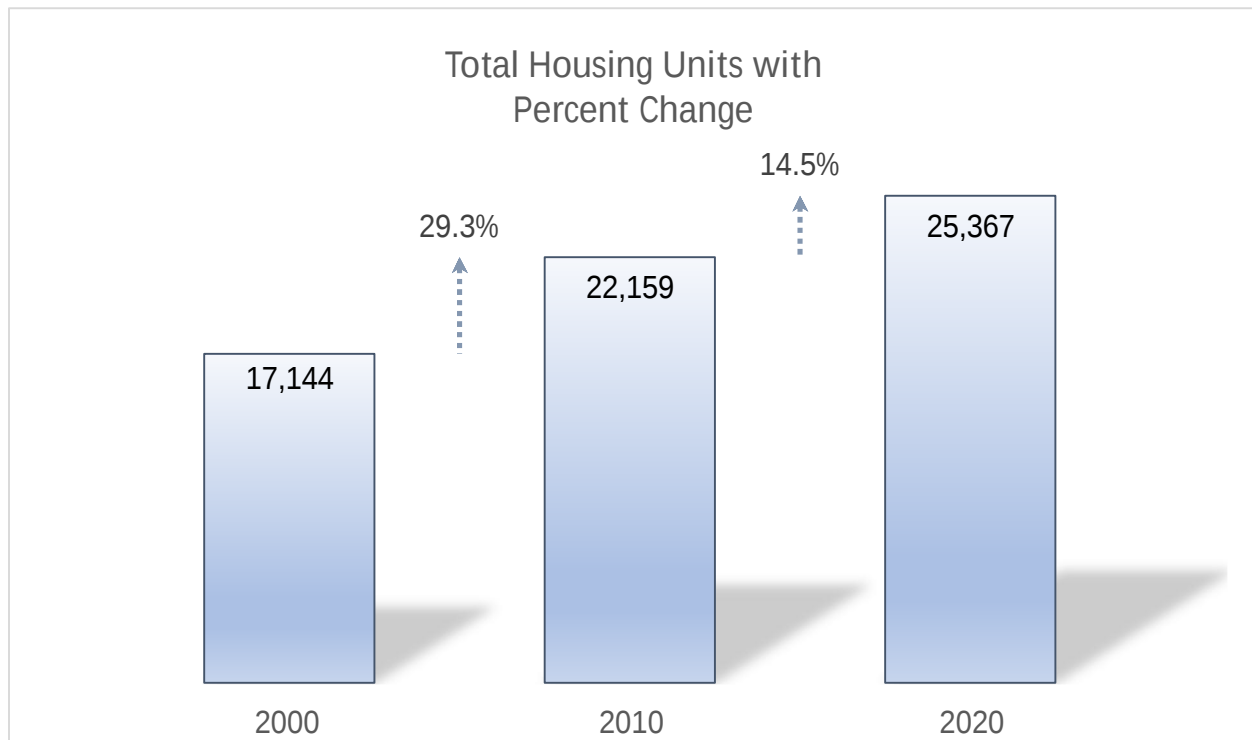


These concerns are noted in the 1990, 1997 and 2003 General Plans. Providing for the housing needs of a balanced community has been and remains a particular challenge in Prescott due to the growing percentage of the retiree population. Balanced housing needs require the promotion and availability of a variety of housing types, and encouraging sufficient numbers of housing units affordable to all income groups. In the last decade, market based housing development in Prescott consistently favored large single family home in large lot subdivisions. However, with Prescott remaining a retirement destination, smaller houses on smaller lots may occupy a greater share of the market in the next decade.

Housing trends: variety, affordability and quality

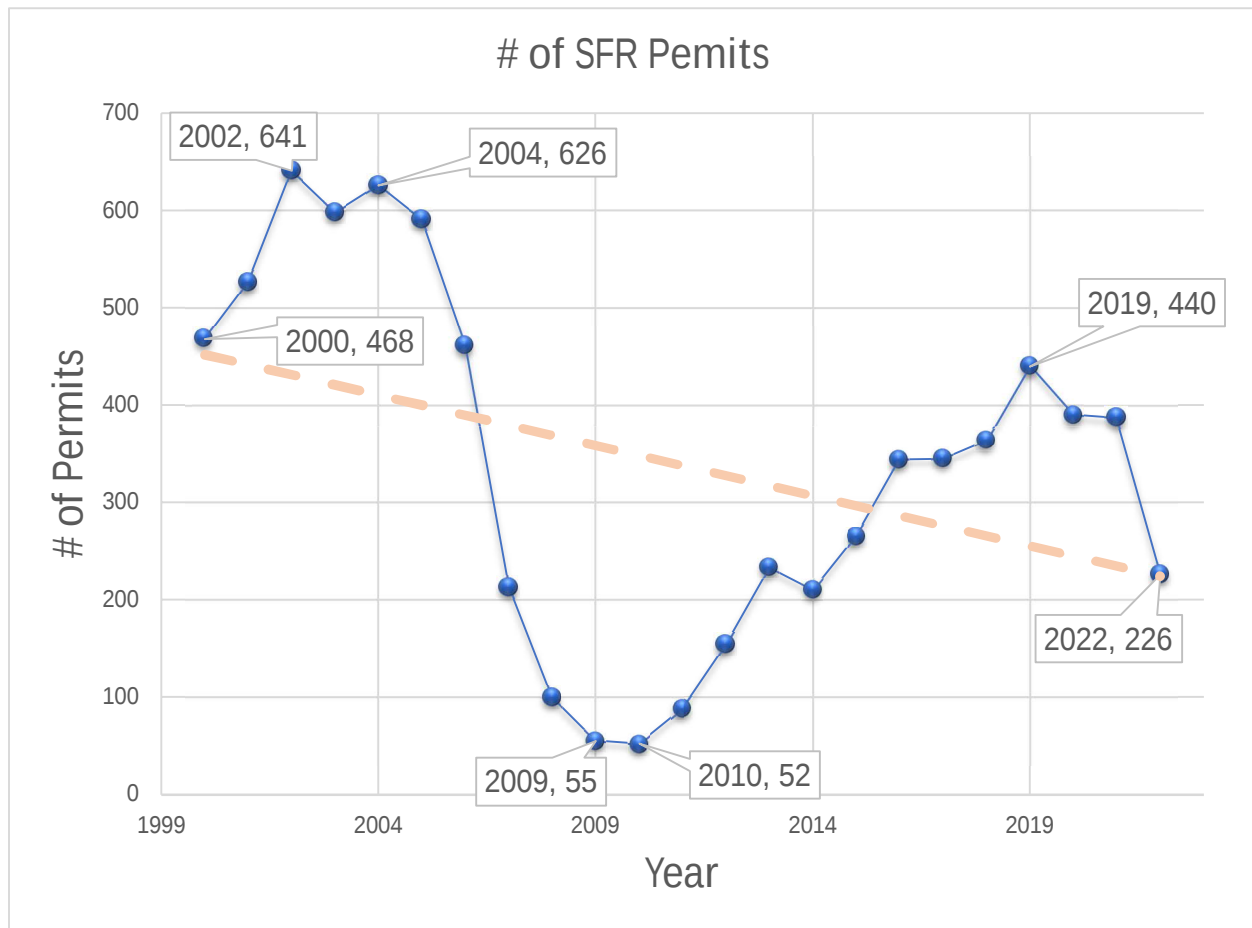
Prescott's housing stock varies in price, style, and quality depending on the neighborhood's age and location within the city. The earliest neighborhoods near downtown were built on a compact grid of small lots with modest-sized homes, many with access to mixed-use corridors - a pattern still seen today in the city's core. However, starting in the late 1970s, suburban-style subdivisions on larger lots emerged on the outskirts and rapidly expanded through the 1980s/1990s economic boom, providing new single-family housing stock. This lower-density suburban growth continued until constrained by the 2007 economic downturn. According to Census data, total housing units grew from 17,144 in 2000 to 22,159 in 2010, an increase of 29.3%. Growth slowed to 14.5% between 2010 and 2020, from 22,159 units to 25,367 units (see Figure 3).

Figure 3



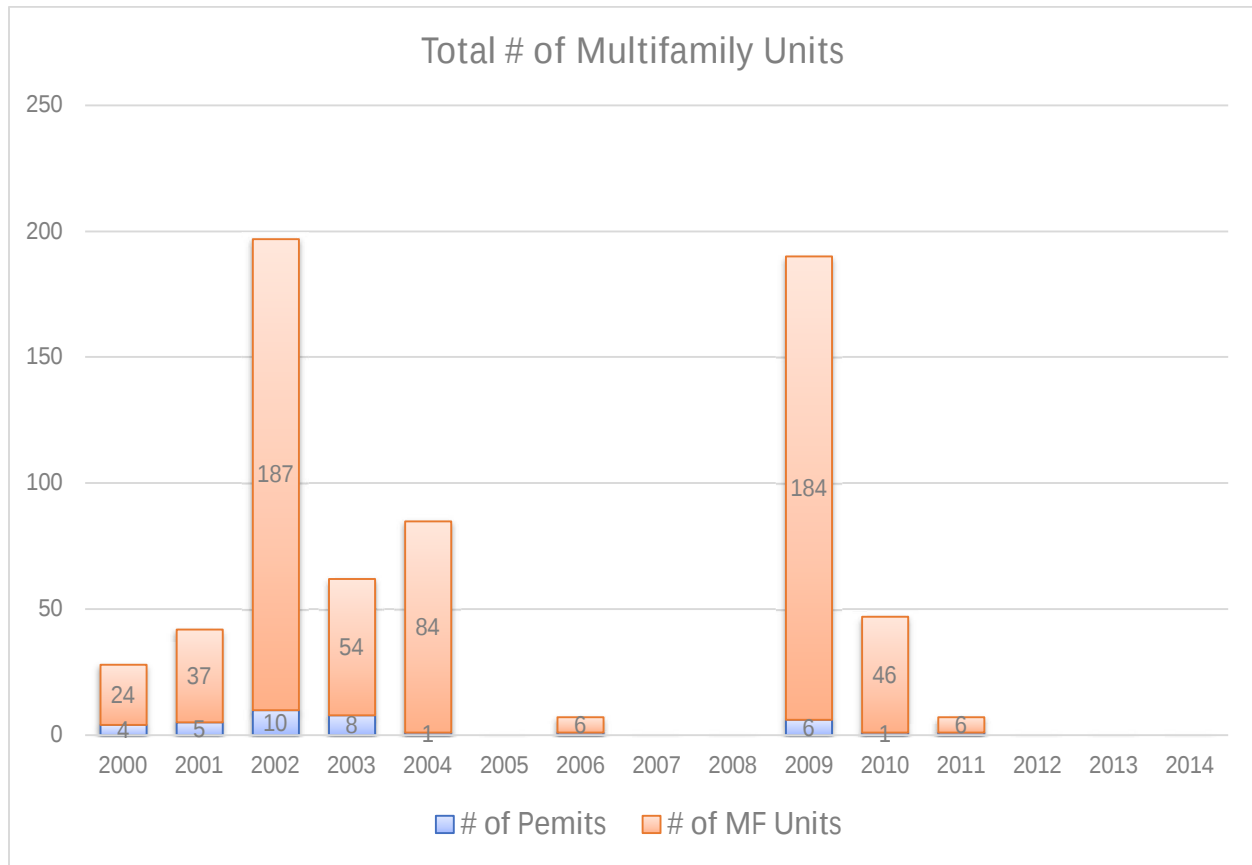
In the early 2000s, Prescott saw record numbers of single-family housing permits, with totals peaking at 641 in 2002, 598 in 2003, and 626 in 2004. However, permits dropped dramatically during the Great Recession, hitting a bottom of just 52 single-family resident (SFR) permits issued in 2010, reflecting the housing crisis' severe impact on new construction. Though single-family permits rebounded to 233 issued by 2014 as home building resumed post-recession, they peaked again in 2019 with 440 SFR permits issued that year. However, most likely due to the COVID-19 pandemic, housing permits issued once again dropped rapidly. In 2022, only 226 SFR permits were issued. (See Figure 4).

Figure 4



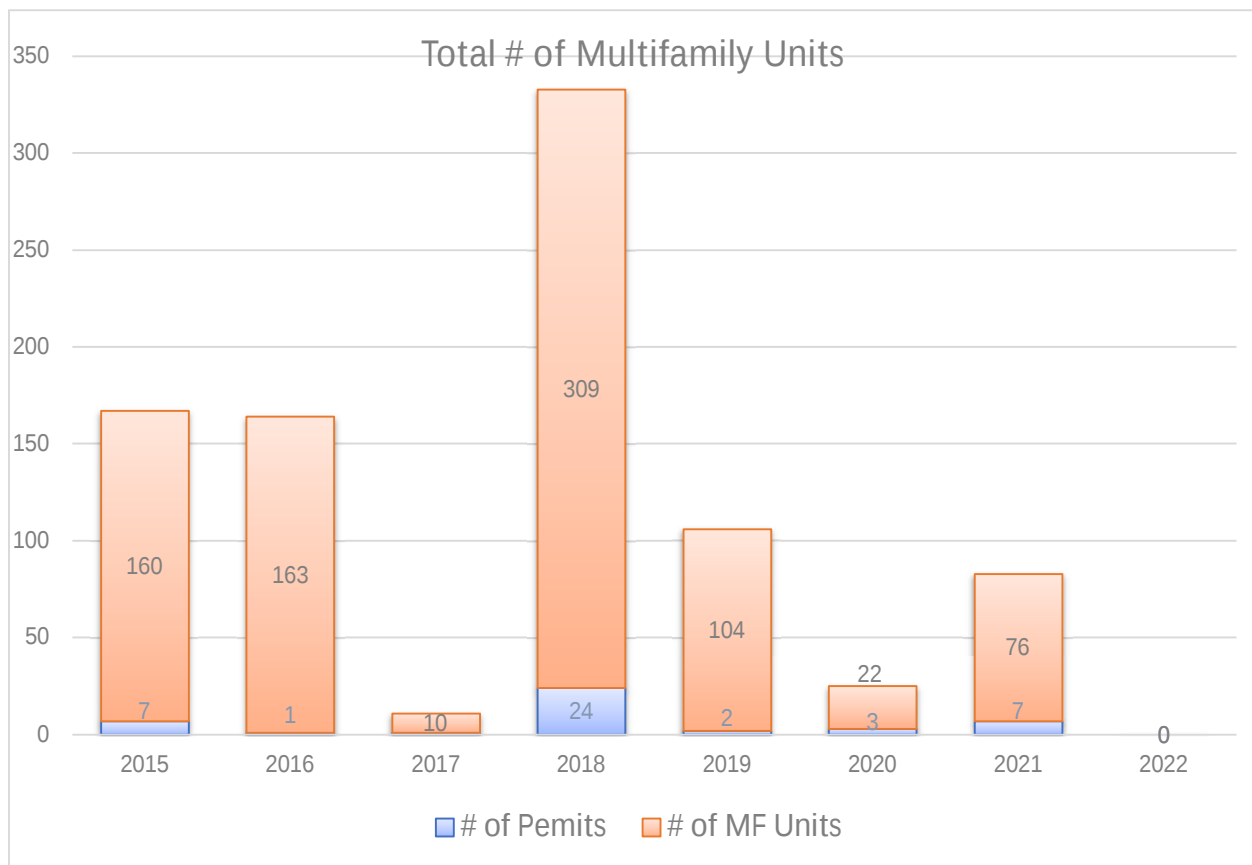
Compared to single family residential construction, there was limited multi-family residential development from 2000 to 2014 in Prescott (see Figure 5). According to building permit data, many years saw zero multi-family permits issued, reflecting a lack of focus on this type of housing during this period. With so little multi-family housing construction, Prescott's affordable housing availability was negatively impacted. There were major zoning issues, including lack of appropriately zoned multi-family sites and difficulties rezoning to higher densities. Impact fees and other costs that substantially increased on a per unit basis also discouraged multi-family projects. Additionally, community opposition to proposed multi-family housing was significant during this period. Of primary concern were higher densities, traffic impacts, effects on neighborhood aesthetics, property values, possible loss of open space, potential increased crime and threats to existing neighborhood character.

Figure 5



From 2015 to 2021 there was an encouraging uptick in multi-family permits issued in Prescott. However in 2022 no new multi-family construction permits were issued (see Figure 6). Overall the demand for multi-family housing significantly outweighs the limited supply. There have been a few higher end multi-family projects, senior care complexes, and horizontal apartment projects constructed in recent years. A recent development in Prescott is the horizontal apartment product. Currently, there are two horizontal apartment projects moving through the approval and construction process. These units are intentionally built as a rental product that is small and detached with a single-family, cottage-like feel. As the name implies, these horizontal apartments are constructed on a single large parcel and, instead of being stacked vertically, the units are nestled closely together to maximize density.

Figure 6



However, overcoming remaining barriers such as zoning issues, extended timelines for current water management policy processes, development costs, and community opposition will be key to further expanding multi-family and affordable housing options moving forward.

The Issue of Housing Affordability in Prescott

The issue of housing affordability began decades ago, but there have been no real sustainable solutions offered as many communities, including Prescott, continue to grapple with this. At the federal level, according to the National Low Income Housing Coalition, “heading into the pandemic recession, only 36 affordable rental homes were available for every 100 renter households earning below the federal poverty level” (as cited in Journal Record Staff, 2023). As of December 2022, the Arizona Department of Housing estimates that Arizona alone is nearly 270,000 units short of the current demand for affordable housing (Simplot, 2022).

The 2022 American Community Survey figures show the median housing price in Prescott remains significantly higher than prices in surrounding communities and the state. The median value of a home according to the Survey is \$386,300 (using data from 2017 to 2021). Also, home owners and renters in Prescott are spending a greater portion of their income on housing compared to the state average.

It is common knowledge that the surrounding towns of Dewey, Prescott Valley, and Chino Valley have acted as 'bedroom communities' for the workforce that supports the services within the City of Prescott. However, with high mortgage loan interest rates and high average home sales prices, even these communities have virtually no affordable housing options to offer the average working family. Without housing to support the workforce in an area, recruiting that workforce becomes more difficult especially when potential workers are from out of the area and need to relocate. As with recruitment, retention may also become an issue that impacts service levels for all industries by the lack of a quality workforce as these workers will become displaced to areas with a lower cost of living and more housing options. Therefore, it is vitally important to establish policies that support the construction of housing that is affordable to the workforce, reduce any regulatory hurdles that discourage the potential for workforce housing, and investigate alternative construction methods or materials that ultimately decreases the cost for the homebuyer.

Formulating Affordable Workforce Housing Solutions for the City of Prescott

This issue requires the implementation of various strategies to begin moving the needle on the affordable housing crisis. It cannot be solved by just Prescott, neighboring jurisdictions, nor the private developers and builders. It requires both a regional public effort and private stakeholders to come together with the community to push these types of projects forward.

The City of Prescott's Workforce Housing Committee is currently working on a housing needs assessment for participating stakeholders, as well as several specific goals and objectives related to the general strategies recommended in this section. It is anticipated that many of these goals will be put into place within 3 years with notable improvements to the workforce housing situation in Prescott by the next General Plan update.

There are various strategies that should be employed to ameliorate this issue ranging from underlying zoning flexibility, prioritization for these projects within adopted code and policies, to site layout and design approaches, to working with builders to investigate new technologies in construction techniques and methods. Production strategies may be helpful, such as developer

incentives to increase the supply of housing affordable to households at or below the median income.

Additionally, as was stated in the 2015 General Plan, a county-wide housing authority may be an effective way to influence the balance and affordability of housing. However, there are other organizational frameworks that could pull many regional stakeholders together, such as forming a community land trust, or partnering with a housing counseling agency. Regardless of the type of organization to be formed, Prescott should support the creation of a regional housing organization.

Economic development and the creation of better paying jobs in the community will raise the average household incomes and could afford families access to a greater range of housing choices. Various strategies to promote higher density development and more compact forms may reduce housing production costs and consumer prices. The rehabilitation, restoration and preservation of existing housing stock will support a greater diversity of housing options, price ranges, maintain the quality of housing stock, and maximize existing infrastructure investments.

Other challenges to the integrity and character of residential areas must be monitored and addressed as needed. Business uses infiltrating into established residential areas can have adverse effects on the peace and quiet of neighborhoods. Uses that operate in a manner significantly different than traditional single-family homes may require regulation and enforcement to a higher degree than typical residential uses.

Urban development issues

Until the 1980s, most residential subdivisions in Prescott were designed using a 7,500 to 9,000 square foot lot size. A median lot size of 22,000 or more square feet has been typical in recent years. Likewise, typical dwelling size has undergone a transformation from an average of 1,760 square feet during the '70s and early '80s to an average of more than 2,800 square feet by 2000. In late 2007, the economic slowdown caused the construction of new housing to cease. However, new residential development appears to be resuming this pattern in Prescott of high-end single family residential, in low density, large lot subdivisions located predominately away from the City center.

This continuing preference for large lot, low-density subdivisions, is a pattern typical of suburban development which has been termed “sprawl.” The lower density, combined with the trend to locate these neighborhoods at the urban fringe (as opposed to infill development) places greater demands on water, sewer and road infrastructure with more main-lines, longer main-lines and more lane miles of roads. Most of the initial costs are passed on to the home buyer and result in higher housing costs. However, all City residents inherit the costs for maintenance in perpetuity of this infrastructure.

While recent residential growth has followed this suburban pattern, new policies should aim to diversify housing options moving forward by promoting higher-density and multi-family development.

A lower density form of development also increases the community’s dependence on the private automobile as a means of transportation, with the corresponding increases in traffic volumes and demand on the road network. Reducing impediments to in-fill by clustered or other compact development types can encourage a wider variety of housing types to be built and improve the balance of housing available in the community. There are many vacant lots scattered throughout Prescott that offer opportunity for smaller scaled developments. Many of these in-fill lots offer existing water, sewer and road infrastructure that reduce the costs of development. However, there are many large parcels left vacant due to infrastructure design or construction challenges.

Effects of Zoning

Generally, zoning is used to separate industrial, commercial and residential uses and assumes that these use categories are incompatible with one another. Traditional zoning will control development intensity through parameters such as floor-area ratio, dwellings per acre, setbacks, parking ratios and automotive traffic flow.

Rezoning applications to increase density, allowing more homes per acre, are often met with opposition from neighboring residents. Decreased density encourages sprawl and discourages sustainable compact developments such as high density single-family subdivisions, clustered homes, manufactured homes or multi-family housing. There is a diminishing supply of developable land zoned for these housing types, which are often more affordable to moderate and low income households. Planned Area Development (PAD) provisions of the Land Development Code encourage the production of townhouse, clustered and patio lot housing units, however, relatively few of these housing types are available in Prescott. Solutions to sprawl, housing affordability and workforce housing will require a change in zoning in most areas to allow the addition of high density housing choices.

Cited Sources

Journal Record Staff. (2023, August 29). Company plans affordable housing complex in OKC. Journal Record [Oklahoma City, OK], NA. <https://journalrecord.com/2023/08/company-plans-affordable-housing-complex-in-okc/>.

Simplot, T. (2022, December 8). 2022 Annual report. 2022 Annual Report | Arizona Department of Housing. Retrieved from <https://housing.az.gov/2022-annual-report>

Editor **Notes for additional changes:**

- Incorporate general plan open house/survey responses on this issue. Excerpt from 2015 General Plan on this matter:

General Plan survey respondents indicated support for accommodating the housing needs of all income levels and family types in the community and support compact development types, mixed use areas and transit friendly development to accomplish this goal. However, market development trends indicate a continuing preference for low density, large lot single-family home subdivisions in Prescott. The conflict between General Plan goals of providing housing for all incomes, ages, and special needs groups and the continuing direction of current market trends suggest that housing affordability will continue to be an issue in Prescott. Housing needs and affordability are discussed further in the Land Use, Growth Area and Economic Development elements.

-