CITY OF PRESCOTT

City of Prescott
City Council - Voting Meeting

October 8, 2024 | 3:00 PM
201 N Montezuma Street
City Council Chambers, 3rd Floor
Prescott, AZ 86301

MINUTES

1. **CALL TO ORDER**
Mayor Goode called the meeting to order at 3:00 p.m.

2. **INTRODUCTIONS / ANNOUNCEMENTS**
Mayor Pro Tem Cantelme announced that the city is currently seeking applications for the Building Safety Advisory and Appeals Board as well as the CDBG Citizens Advisory Committee. Applications are available on the city's website and are due by 5:00 p.m. on Friday, October 25th. She added that the General Plan comment period is open through November 21, and the city is seeking public comment on the draft of the 2025 General Plan document. There will be a final General Plan Open House on Thursday, October 24 from 3-6 pm at the Prescott Public Library Founder's Room. Also, a Virtual Meeting Room is available for the public to review the entire draft plan and to provide comments at PlanPrescott.com.

3. **INVOCATION - Pastor Dan Hurlbert with Prescott United Methodist**

4. **PLEDGE OF ALLEGIANCE - Councilman Gambogi**

5. **ROLL CALL**
Phil Goode - Mayor
Connie Cantelme - Mayor Pro Tem
Lois Fruhwirth - Councilwoman
Ted Gambogi - Councilman
Brandon Montoya - Councilman
Eric Moore - Councilman
Cathey Rusing - Councilmember

6. **OPEN CALL TO THE PUBLIC**

A. Jim Garing addressed the Council regarding concerns that the proposed 400-unit Village at Watson Lake development contradicts the Prescott Lakes Master Plan, which requires lower density and more open space. He referenced an agreement between the city, Prescott Lakes Community Association, and others, emphasizing that this agreement has no end date and must be followed. He questioned why the Prescott Lakes Community Association wasn't consulted and whether the project had gone through the required approval process. He stressed the importance of adhering to the master plan, which is binding on all property owners.

B. Michael Broggie addressed the Council regarding concerns about a proposed 400-

unit apartment development in Prescott Lakes, stating it conflicts with the existing development agreement and the Prescott Lakes Master Plan, which has no expiration date. He emphasized that all development must be approved by the Prescott Lakes Community Association, a signatory to the agreement. He asserted that the area's current zoning and density limits are being violated, and there are not enough remaining density units or water units to support the proposed development. He concluded by stating that any changes to the master plan require approval from all signatories, including the Prescott Lakes Community Association.

C. Ralph Hess and Bonnie McMinn addressed the Council and submitted a petition for an ordinance proposing changes to the Prescott city code regarding the leasing of city-owned property. They expressed concerns about the city leasing properties below market value and emphasized the need to ensure compliance with the state Constitution's gift clause. The proposed ordinance includes requirements for tenants to provide financial documents, business plans, and feasibility studies, as well as for the city to obtain a fair market rental appraisal and hold public hearings before lease approval. They urged the Council to adopt this ordinance or collaborate on modifications to strengthen fiscal policy and governance.

7. CONSENT AGENDA

MOTION BY COUNCILMAN MONTOYA TO APPROVE CONSENT AGENDA ITEMS 7.A. THROUGH 7.F.; SECONDED BY MAYOR PRO TEM CANTELME: PASSED (7 - 0)

A. Approval of Meeting Minutes from the September 24, 2024 Study Session, and the September 24, 2024 Voting Meeting.

B. Approval of City Contract No. 2024-214A1, an Amendment to City Contract No. 2024-214 with Asphalt Paving and Supply, Inc. for the Strategic Academic Flight Education (SAFE) Complex Off-Site Drainage Improvements in the Amount of $119,961.00. Funding is Available Through an Arizona Department of Transportation (ADOT) Grant with a 10% Match.

C. Approval of City Contract No. 2025-085 with ePlus Technology Incorporated for Cybersecurity Using NCPA Contract Number 01-170 Pricing in an Amount Not to Exceed $539,324.42. Funding is Available in the IT Department Budget.

D. Approval of City Contract No. 2023-210A5, an Amendment to City Contract No. 2023-210 with FANN Contracting For a New & Revisions to an Existing Vehicle Service Road and Patch Repair on Taxiway 'D' in an Amount Not to Exceed $343,813.50. Funding is Budgeted & Available in the Airport Budget.

E. Approval for the City of Prescott Police Department to Apply for Various FY2025 Grant Funding Opportunities.

F. Approval of Acceptance of the Arizona Department of Public Safety Victims of Crime Act (VOCA) Victim Assistance Grant, Federal Grant #15POVC-23-003880-ASSI & CFDA #16.575 in the Total Grant Project Amount of $169,410.

8. LIQUOR LICENSE

A. Public Hearing and Consideration for a Location Transfer Series 7 Beer & Wine Bar Liquor License Application from Jeffrey Craig Miller, Applicant, for Prescott Athletic & Social Club. Location: 1 Kingswood Drive.

Councilmember Rusing asked if the Prescott Athletic & Social Club would be open to the public or a private club. She expressed concern for traffic in the neighborhood and said she would like more information from the applicant or owner before taking action on this.

MOTION BY COUNCILMEMBER RUSING TO TABLE ITEM 8.A.; SECONDED BY COUNCILWOMAN FRUHWIRTH: PASSED (4 - 2 - 1) COUNCILMAN MONTOYA AND COUNCILMAN GAMBOGI DISSENTING, MAYOR GOODE ABSTAINING

B. Public Hearing and Consideration for a New Series 12 Restaurant Liquor License Application from Amy S Nations, Applicant, for Wildflower Bread Company. Location: 3201 East State Highway 69.

MOTION BY MAYOR PRO TEM CANTELME TO CLOSE THE PUBLIC HEARING; SECONDED BY COUNCILMEMBER RUSING: PASSED (7 - 0)

MOTION BY MAYOR PRO TEM CANTELME TO APPROVE ITEM 8.B.; SECONDED BY COUNCILMEMBER RUSING: PASSED (7 - 0)

9. REGULAR AGENDA

A. Adoption of Resolution No. 2024-1906 Declaring the Document Titled "Chapter 3-14:Development Fees" a Public Record; and Adoption of Ordinance No. 2024-1875 Approving the Updated Development Impact Fees.

Deputy Finance Director Lars Johnson provided a presentation on the Resolution and Ordinance for possible adoption of the development impact fees. These fees are charged on new developments to fund infrastructure improvements but cannot be used for maintenance or repairs. The new fees would take effect on January 1, 2025. To receive the current rates, permit applications must be submitted by December 31, 2024 and the permit issued by June 30, 2025. Developments with their first permit issued have a 24-month window to be under the current fees, eight subdivisions have been identified as likely falling into this timeframe.

Councilman Montoya asked what would happen to current permit applications in process.

Community Development Director Chelsea Walton clarified that commercial projects undergoing pre-application must submit a complete permit application by December 31, 2024, to qualify for current development impact fees. To avoid rushed, incomplete applications, only fully complete submissions will be eligible. Once submitted, projects have six months to receive their permit, with a deadline of June 30, 2025, to lock in the current fees.

Mayor Goode asked for clarification that building permit applicants have until December 31 to submit a complete permit application with all supporting documents, then, Community Development will have six months to review and issue the building permit.

Ms. Walton confirmed and added that the development impact fees are paid at the time of permit issuance.

Councilmember Rusing inquired about a person building a custom home, if they must have all plans ready by the end of the year and why the two-year grace period doesn't apply to them. She also expressed concern that the two-year grace period for certain subdivisions could be seen as a delay in fee collection, potentially resulting in the city not collecting as many impact fees as it otherwise would. She asked how many housing units the grace period would apply to, wondering if it's around 1,000 or 2,000 homes. She expressed concern that a negotiated grace period might lead to a rush of applications for plats.

City Attorney Joseph Young clarified that the two-year grace period applies only to certain projects, mainly subdivisions, as required by statute. It does not apply to single-family or custom homes, which must follow the six-month timeline. The 24-month period is mandatory by law for subdivisions when cities increase or establish new impact fees.

Ms. Walton stated that only a few hundred homes would be eligible for this grace period, and those are mostly in mass-graded subdivisions, which generally follow a faster model home permit process.

Finance Director Mark Woodfill clarified that the 24-month grace period for residential development starts from the date the first permit was issued, not from today or January. Some subdivisions only have four months left to secure building permits at the lower rate, as their first permits were issued 20 months ago. Therefore, the potential issue may not be as significant as it seems. Commercial and industrial developments have a 24-month grace period that begins from the date of development approval, not permit issuance. However, there are very few commercial developments.

Mayor Goode stated that he thinks it's important for a list of the identified existing subdivisions eligible for the current impact fees to be published soon.

Mr. Woodfill clarified that as in previous instances, they will confirm the subdivisions and notify developers in writing that they will be subject to the old fees until a specified date. This approach has been consistently applied during past fee adoptions.

Councilman Gambogi asked if it would be prudent to postpone a decision on the item.

Mayor Goode responded that he didn't think they could.

Mr. Young responded that no immediate action is required today, but if no decision is made, the process will revert to the notice of intent stage, delaying it by approximately 90 days.

Ms. Walton added that her department will clarify what constitutes a completed permit application and submission checklists are available online to ensure that applications received by December 31 are complete and ready for review. Additionally, they are considering an on-call contract to assist with the review process, anticipating a potential influx of submissions, which may result in lower quality applications.

Councilwoman Fruhwirth thanked Ms. Walton and the team for the implementation proposal, noting concerns from stakeholders. She finds the December 31 deadline fair and sufficient, given the need for quality and timeliness, and supports the proposal.

Mayor Pro Tem Cantelme reminded the public that this is for large developments, developers, and those building custom homes. It is a fee to mitigate the impacts of growth and does not affect existing homes.

Councilmember Rusing expressed concern on the timeframe to get a permit approved for a new custom home and the possibility of a backlog.

Ms. Walton responded that her department is going to prepare for an influx as much as possible. They review weekly to see where they are at in their workload and capacity to review each application.

Councilwoman Fruhwirth inquired about the Arizona Revised Statute regarding the requirement for an advisory committee or a biannual certified audit by qualified professionals for impact fee renewal. She noted that an advisory committee was not used and asked about plans for the council to see the audit results.

Mr. Johnson responded the city has been doing biannual audits since the statute went into effect and the audit results are posted on the city website under the Budget and Finance section.

Councilwoman Fruhwirth asked about the city's code on the imposition of fees, specifically section 3-14-7(B), which allows the city manager and the applicant for a building permit to agree upon the dedication of land or other capital improvements in lieu of fees. In light of Proposition 478 and the incorporation of fees into the city's financial plan, she asked how often this provision of the code has been utilized.

Mr. Woodfill responded it has not been used often, and is required by the state to be in city code.

Councilwoman Fruhwirth suggested a revision to the city code to specify that any dedication of land in lieu of fees should exceed the city's minimum open space requirements for clarification purposes.

Mr. Young stated a clarification in the code for that section can be brought back to Council at a future date.

Councilmember Rusing said she is concerned that the process lacks transparency, oversight, public input, or Council involvement, and could lead to potential "back room deals" between the city manager and developers. She suggested rewording this section to increase transparency and accountability.

Mr. Young clarified that any agreements involving extractions and offsets are handled through contract development agreements, which require City Council approval. Although the city manager can negotiate these deals, they cannot be finalized without Council approval, providing a layer of oversight. He added that while there might not be knowledge of past issues, it is functionally unlikely that such deals would happen without transparency. He noted that this point could be further clarified in future discussions when reviewing the code rather than the impact fees being discussed today.

Mr. Johnson continued his presentation and highlighted that the water resource fee is decreasing due to the city refinancing the bond, the wastewater system and streets fees are seeing the largest proposed increases from the current rates.

Mayor Goode shared that six years ago, he sought to convince the Arizona League of Cities and Towns to make exceptions for smaller communities in collecting impact fees due to the difficulty of meeting the stringent requirements. These included using the fees within a 10-year period or refunding them if projects weren't completed. He noted that smaller communities struggle to generate enough impact fees to fund large infrastructure projects compared to larger cities. The Arizona League did not pursue the proposal due to strong opposition from the building lobby. Later, the 10-year completion requirement was relaxed for projects in progress, which has helped. Mayor Goode emphasized the importance of Proposition 478 and adjusting impact fees to keep up with the community's growth.

Councilmember Moore added the information presented to them today is not new, it is time to vote on this issue, the fees are not small but the Council owes it to the community and citizens to have growth pay for growth.

Councilman Gambogi commented he did not join the Council to make Prescott a more expensive place to live. All housing items are linked, increasing impact fees will make housing more expensive. He would be in favor of impact fees at a reduced rate of seventy percent instead of the full one hundred percent.

Councilmember Rusing asked about the Raftellis report regarding areas "A" and "B", do the areas include the Yavapai Prescott Indian Tribe and do they pay impact fees.

Public Works Director Gwen Rowitsch explained that while the Tribe pays the development impact fees for water and wastewater based on meter size, they do not pay the Water Resource fee due to their legal rights under the 1994 settlement agreement. The Tribe also pays for the portion of the treatment plant and water production facilities they use, but the resource fee is exempt.

Councilwoman Fruhwirth clarified that her vote in favor of this item aims to ensure new developments contribute fairly to infrastructure costs, not to stop growth. She expressed concern over state statutes that prevent consideration of operational costs. Highlighting the impact of rising inflation on everyone, including the city, she noted that sales tax revenue is insufficient to cover necessary impact fees.

Councilman Montoya added that the impact fees are necessary at the end of the day, it is contradictory to have citizens approve and pay additional sales tax to fund growth. He highlighted the need for accountability from new developments and noted that impact fees only cover a portion of growth-related costs. He advocated for creative incentives to attract and retain businesses, emphasizing economic development as essential for funding community services, and expressed his support for the proposal.

Mayor Pro Tem Cantelme commented that the Council has the ability to use impact fees as an incentive to attract new businesses to Prescott. She emphasized the importance of evaluating the financial benefits businesses could bring to the community when considering incentives. She also addressed the issue of workforce housing, noting that despite reduced impact fees in the past, no developers have stepped forward to create such housing, the lack of workforce housing is a complex issue not solely dependent on impact fees and reiterated the Council's role in assessing proposals on a case-by-case basis.

Mayor Goode commented that development incentives should be considered as a distinct policy that the Council can deliberate and design. He suggested that this is particularly relevant to the ongoing development in North Prescott, where attracting high-quality retail development is essential. The Mayor noted the city's heavy reliance on transaction sales tax for its general fund and overall revenue, highlighting the importance of creating effective incentives to continue growth in these areas.

Member of the public Sandy Griffis commented that she supports impact fees but is concerned that a large increase could hinder Prescott's growth. She urged the Council to monitor the situation and consider a phased implementation to avoid negative impacts. She also expressed concern over a proposed deadline for issuing permits to qualify for lower fees, suggesting it could be unrealistic due to current engineering timelines. She encouraged collaboration and creative thinking while supporting the council's efforts on this issue.

MOTION BY COUNCILMAN MOORE TO ADOPT RESOLUTION NO. 2024-1906; SECONDED BY MAYOR PRO TEM CANTELME: PASSED (7 - 0)

MOTION BY COUNCILMAN MOORE TO ADOPT ORDINANCE NO. 2024-1875; SECONDED BY MAYOR PRO TEM CANTELME: PASSED (7 - 0)

B. Presentation, Discussion, & Possible Action Regarding a Dedicated Workforce Housing Position. Funding is Available Through Grant Funding.

Special Projects Coordinator & Executive Assistant Amber Fraser provided a presentation and reviewed the details of the grant received and requirements for a dedicated Workforce Housing position. Earlier this year, the city received a $200,000 grant from the Arizona State Housing Trust Fund for a housing needs assessment and plan. They will work with Elliot D. Pollack & Company on this assessment, which is due by March 2025. Prescott Valley received a similar grant and will also collaborate with the same firm, ensuring both local and regional perspectives. Of the grant, approximately $153,900 remains after the initial contract costs. As per the funding agreement, the city plans to hire a Workforce Housing Program Manager to oversee the housing plan's implementation. The Workforce Housing Committee recommends hiring a full-time city employee to effectively address the growing demand for Workforce housing. The Council is being asked to decide whether to pursue a full-time city employee, a contracted employee, or a consulting firm for this role.

Councilman Moore left the meeting at 4:30 p.m.

Mayor Pro Tem Cantelme commented on the pros and cons of the different options available to the Council. She would like to expand the ability to hire a firm, emphasizing the need for qualified personnel to tackle the challenges of housing shortages. She noted that salaries for individuals with the necessary qualifications typically range from $120,000 to $140,000 per year. With $200,000 in grant funding, and after accounting for $46,000 allocated for the housing needs assessment, the remaining funds would only cover one year of salary for a potential hire.
She suggested considering a contractual agreement with a consulting firm instead of hiring a full-time employee. This approach would allow the city to benefit from a broader pool of expertise and resources, addressing the specific housing challenges within the community. She expressed concern about the uncertainties associated with hiring a full-time employee, especially when funding beyond the first year is uncertain. By opting for a firm, the council could gain deeper insights into what is needed to effectively attract Workforce housing while potentially pursuing additional grants in the future.

Councilmember Rusing added that she agrees that a firm would be the best option, hiring a city employee would be expensive with the cost of benefits.

Councilman Gambogi commented on the ongoing struggle with affordable housing, noting past failures and local resistance. He highlights the national shortage and the impact of economic factors that drive up costs. While he supports the proposal for affordable housing, he's skeptical about its effectiveness and prefers solutions led by the city rather than relying on increased taxation or spending.

Councilwoman Fruhwirth added that she supports a contracted approach for the affordable housing project, emphasizing the need for expertise from consultants. She expressed concern about the impact of the November 5 election and Prop 478 on city employees and the general fund, wanting to ensure the project remains unaffected regardless of the election's outcome.

Mayor Goode commented that he believes it's too early to hire a full-time staff member for the project, citing struggles within the Workforce Housing Committee to find viable solutions. He suggested exploring models like the county's "home of your own" concept to reduce housing costs for essential city employees. He highlighted the widespread nature of the issue and recommended using the grant funds to hire a consulting firm with broader expertise to identify solutions.

MOTION BY MAYOR PRO TEM CANTELME TO APPROVE A CONTRACT EMPLOYEE OR CONSULTING FIRM; SECONDED BY MAYOR GOODE: PASSED (6 - 0)

10. ADJOURNMENT

Quote: "Those who won our independence valued liberty as an end and as a means. They believed liberty to be the secret of happiness, and courage to be the secret of liberty." - Supreme Court Justice Louis Brandeis

There being no further business to discuss, Mayor Goode adjourned the meeting at 04:42 p.m.

PHILIP R. GOODE, Mayor

ATTEST:

SARAH M. SIEP, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Voting Meeting of the City Council Voting Meeting of the City of Prescott, Arizona held on October 8, 2024. I further certify the meeting was duly called and held and that a quorum was present.

Sarah M. Siep, City Clerk