

City of Prescott

Workforce Housing Committee



November 6, 2024 | 10:00 AM
201 N. Montezuma Street
Council Chambers, 3rd Floor
Prescott, AZ 86301

AGENDA

The following Agenda will be considered by the **Workforce Housing Committee** at their meeting to be held **November 6, 2024**. 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. Approval of Minutes from the October 2, 2024 Workforce Housing Committee Meeting.
Recommended Action: MOVE to approve minutes as presented
 - B. Presentation & Discussion Regarding the City's Water Policy and Workforce Housing.
Recommended Action: This item is for discussion only. No formal action will be taken.
 - C. Presentation & Discussion Regarding the City of Prescott Workforce Housing Policy.
Recommended Action: This item is for discussion only. No formal action will be taken.
4. **UPDATES**
 - A. Staff Announcements & Discussion Regarding Future Agenda Items.
5. **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 10/31/24 at 11:00 a.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.



Sarah M. Siep, City Clerk



TO: MAYOR AND CITY COUNCIL
AGENDA: November 6 Workforce Housing Meeting
DATE: November 6, 2024
DEPT: City Manager
ITEM #: 3.A
SUBJECT: Approval of Minutes from the October 2, 2024 Workforce Housing Committee Meeting.

ITEM SUMMARY

This item is for the approval of minutes taken at the October 2, 2024 Workforce Housing Committee Meeting. Staff recommends approving the minutes as presented.

BACKGROUND

None.

FINANCIAL IMPACT

None.

RECOMMENDED ACTION

MOVE to approve minutes as presented

ATTACHMENTS

1. October 2, 2024 Workforce Housing Committee Minutes

City of Prescott

Workforce Housing Committee



October 2, 2024 | 10:00 AM
201 N. Montezuma Street
Council Chambers, 3rd Floor
Prescott, AZ 86301

MINUTES

1. CALL TO ORDER

Chair Rocha called the meeting to order at 10:00am.

2. ROLL CALL

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

3. DISCUSSION & ACTION ITEMS

- A. Approval of Minutes from the September 4, 2024 Workforce Housing Committee Meeting.

MOTION BY MEMBER KRAXBERGER TO APPROVE SEPTEMBER 4, 2024 MINUTES; SECONDED BY VICE CHAIR KENNEDY: (5 - 0)

- B. Presentation, Discussion & Possible Action Regarding the City of Prescott Workforce Housing Policy.

Staff Liaison Amber Fraser gave an overview of possible policy headers.

Member Kraxberger wanted to know if there would be a policy to address barriers and remove them or reduce them.

Ms. Fraser said they will be addressed in a couple areas.

Chair Rocha added modification of development standards under incentives. He discussed his preference to have revitalization and infill incentives.

Member Urias would like the revitalization and infill to be its own section.

Member Kraxberger stated that it can be mentioned in community outreach as well to educate the public on the benefits.

Chair Rocha stated that the infill incentives are clear, but the revitalization may

demand much more detail. He asked if it should be included in the policy and the housing manager could take it from there.

Member Urias wants it to stay as a header as it can be a large instrument to address negativity.

Ms. Fraser said that it doesn't have to be voted on.

Vice Chair Kennedy stated it would be best to be fluid for the time being.

Chair Rocha asked for Zoning to be moved under incentives.

Planning Manager George Worley said most of those were incentives.

Chair Rocha asked if employee incentives had any input.

Ms. Fraser said it could be for city employees or education for the workforce as a whole.

Member Urias stated that it needs to abide by fair housing laws.

Chair Rocha said it could be City employee incentives and education.

Member Kraxberger said that discussions could happen with employers to see what options may be used to assist with downpayment assistance, or other options to get the workforce into housing rather than having turnover.

Chair Rocha stated that the headers covered most items for an outline.

C. Presentation & Discussion Regarding Water Policy and Workforce Housing.

The Water Department staff was not in attendance due to a scheduling issue so Chair Rocha requested that the water policy discussion be brought back to the November meeting.

D. Presentation & Discussion Regarding Fees, Fee Schedules, and Permit Review Timeframes.

Mr. Worley reviewed different options of fees and fee schedules and the possibility of a model plan process.

Chair Rocha stated that the committee should discuss the fees and the timeframes. He reviewed the different costs regarding the 8 units. He asked if impact fees were reimbursable. He stated that if the developer follows through on housing, could the City reimburse the fees.

Deputy City Attorney Matt Podracky said that it wasn't likely for them to be rebate-able.

Chair Rocha stated that fees could be waived or discounted if projects fall under workforce housing. He asked if funds could be diverted to a workforce housing fund.

Mr. Worley stated that the City doesn't charge any fees that are intended to be profit. All fees are reimbursement or to pay for staff time and processing. He stated that if anything was discounted, the money would come from the General Fund. He stated that all fees have to be paid for by someone.

Mayor Pro Tem Cantelme stated that any workforce housing projects could be brought to Council to have the City pay the fees but either the developer or the taxpayer pays the fees.

Chair Rocha stated that there has to be give and take to accomplish and stimulate workforce housing. He stated if the developer pays part of the fees and the City absorbs the other part, then it's a partnership. He stated that he understands that it has to be paid but that the lack of workforce housing is also a taxpayer burden.

Mayor Pro Tem Cantelme stated that from a builder's perspective, the best thing a city can do is expedite the process. She stated that time is money and reducing time is the best thing the City could do.

Vice Chair Kennedy stated that both are needed from a reduction of time and a reduction of time. She stated that the community will pay if workforce housing isn't addressed. She recommended a sliding scale for incentives.

Mayor Pro Tem Cantelme stated that there are stings to all government money.

Member Urias stated that the expense cannot just disappear, but they are working at a disadvantage. He stated that there isn't an economic study of what it's costing the City to not have a workforce. He asked if there could be an economic study about the cost of moving funds from one account to another and to determine the cost for each workforce.

Member Kraxberger stated that the developer could pay the whole fee up front and if they do what they say then they can get some funds back, but if they don't do what is expected, then they won't. It would incentivize the developer. He stated that the police and fire impact fees are minimal compared to the other departmental fees.

Mr. Podracky stated that the City could incentivize the General Fees but not the Impact Fees.

Member Goodman stated that his project was a 10-year project. He stated that the City could finance the fees over a period of time. He stated that the City doesn't need to pay the fees but they could finance them over time.

Chair Rocha stated that the fees could be deferred rather than waived or discounted. He stated that it could be an incentive and a scale to push out the paying of the fees until later.

Member Goodman stated that his project was 100% financed through the bank, and he looked at whether the developer was the one to finance and charge interest for 10 years. He stated that there would need to be cash to be able to accomplish it.

Mayor Pro Tem Cantelme discussed a project by the developer Mr. Lafferty and that his project was about 10% below market. She recommended the committee watch the videos on his projects.

Mr. Worley stated that Mr. Lafferty is willing to come speak to the Workforce Housing Committee but that he would be going in front of Council on the 22nd of October.

Mayor Pro Tem Cantelme stated that there have been artificially low impact fees since 2017. She stated that it didn't create workforce housing.

Chair Rocha stated that in a strong market, no one will touch workforce housing. He stated the difference between then and now is that the committee is trying to create a whole incentive packet. He stated that the impact fees didn't incentivize workforce housing. He stated that there is a sliding scale, deferring, and looking at other options. He stated that the deferred is a smart way to keep projects in check.

Member Kraxberger and Vice Chair Kennedy liked the idea.

Mr. Podracky stated that deferring could work for the General Fees but not Impact Fees.

Chair Rocha stated that the deferred scaling method would be all non-impact fees. He stated the impact fees could be due as far out as possible per statute.

Mr. Podracky stated that it could be based on time of permit and certificate of occupancy.

Mayor Pro Tem Cantelme stated that it was at the time of permit and that the loans could be structured down into parts.

Member Goodman stated that by deferring it would incentivize the developer to keep workforce housing.

Member Urias asked if there would be a balloon clause that they would have to pay back everything if they deviate.

Mayor Pro Tem Cantelme stated that it could be based on the grants.

Mr. Worley stated that LHTC funding is now holding participants to a 30-year timeframe but that the City could structure something similar for a different timeframe.

Chair Rocha stated that there will be contracts to hold everyone accountable.

Mayor Pro Tem Cantelme discussed a fund manager situation that would fulfill a 30-year hold.

Chair Rocha asked if the committee wanted to create the scale today. He stated if 20% plus of the project is workforce then they get a 10-year deferral and 10-20% would get a 5-year deferral.

Vice Chair Kennedy stated that looking at other municipalities' policies and bringing information back to the next meeting would be best.

Member Goodman reviewed how his project was going to be deferred.

Chair Rocha stated that the scale could be based on a percentage of a project. He stated that if a certain percentage was workforce housing, then they could defer the non-impact fees for 5 or 10 years.

Member Goodman asked why it would be different for a large project versus a small project. He stated if any project was broken out into 5 payments over 10 years, then it could be done for large or small projects.

Chair Rocha stated that there should be an incentive for a bigger project to do more.

Member Kraxberger stated that they were both saying the same thing, that each project, regardless of size, would have a percentage of workforce housing and would get a scale based on their percentage.

Chair Rocha stated that it would likely encourage a developer to build more.

Member Urias stated that he feels strongly that the door is being left open for a developer to introduce private units. He stated the unintended consequence is that 80% could be at market value. He stated that the goal should be to have 100% of projects be workforce housing.

Member Goodman stated that he is very careful about how much people pay, since neighbors talk to each other. He stated that it needs to be workforce or not.

Chair Rocha stated that LHTC works in percentages but that he understood that the hope would be 100%, but it is harder to incentivize. He stated that if they only incentivize 100% workforce housing projects, there wouldn't be anything built. He stated that having 20% built is better than having nothing built.

Mayor Pro Tem Cantelme stated that it sounds like Chair Rocha and Member Goodman are talking about two different things. She stated that all different

types of options are necessary. She recommended a financial advisor come in to the committee.

Mr. Worley stated that it's important to try not to reinvent the wheel when other areas are working towards the same thing.

Chair Rocha asked if the committee would like to look at other municipalities and bring them back to the committee.

Member Urias stated that looking at other committees and fine-tuning what others are doing to fit this area would be best.

Mr. Podracky reviewed what the timeframes are for fees.

Chair Rocha moved on from fees to review times.

Member Kraxberger stated that he likes single family ownership and increasing supply of single family ownership will help with demand. He stated that from the workforce housing developer standpoint, the time can be challenging. He stated that a pre-approved plan could be approved in 9 days, but his goal is to see what can be done for the workforce housing developer to help fast track the development plan. He stated that there have been steps in the process that have taken 6–24 months.

Mr. Worley stated the entitlement process is much longer than the permit review time.

Member Kraxberger stated that reducing the entitlement process is what he would like to work on.

Chair Rocha asked about the timeframe for a 10-lot subdivision and what fees associated with that timeframe would be.

Mr. Worley stated that the timeframe is set by meeting times and local code as well as state statute. He reviewed the process and what extended the timeframe. He stated that the timeframes can be set by the amount of review that must be done, and they could be reduced if the projects are given to the City in an easy way for the City to review them. He stated that the design is being looked at closely to make sure it won't cost the taxpayers a lot of money in the future.

Member Goodman stated that the developers don't get funding until they get a permit. He stated there is no interest on the bank loan because they won't approve the loan until the developer has a permit, so if the permit process could be sped up it would help with funding.

Member Kraxberger stated that what Member Goodman stated is the time frame issues he's been discussing.

Chair Rocha asked what an appropriate review time during the entitlement phase would be.

Mr. Worley stated that development side projects have similar timeframes to the examples. He stated that the timeframe to get to the review is how long it takes staff to actually get to that specific project and sitting in a queue, not the actual review. He stated the only options would be to add staff or move projects up and would move other projects down. He stated that including pre-prepared components would save time.

Member Goodman stated that he suggested moving workforce projects to the front, and it would initially upset people, but they would get used to it.

Mr. Worley stated that that would be the best option to address the time issues.

Chair Rocha stated that moving it up to the top of the line and adding timeframes for staff review to be done would be beneficial. He stated that this is uncomfortable but if things don't change then nothing will change, including more workforce housing. He stated that if the City were to tighten their review times then it would be clear to developers where they need to address their times.

Mayor Pro Tem Cantelme asked if the City had a spec sheet to go out to developers.

Mr. Worley stated that there is a list that is the engineering standards, but there aren't pre-approved plans for engineering.

Mayor Pro Tem Cantelme stated that one of the issues is that blueprints are given to the City that don't follow the standards, so they have to be kicked back. She stated that developers need to make sure to follow the engineering standards given by the City.

Mr. Worley stated that it's partly the fault of different areas of the state having different standards, so developers have to adjust everywhere they go.

Member Goodman stated that the City has a handout for everything. It's not something that can be boiler-plated, but the engineers need to adapt specific sites to City standards.

Mr. Worley stated that if it's a larger project, it will go through the Pre-application process where staff will direct further on where to find the requirements.

Member Goodman stated that pushing it to the front of the line should be the incentive.

Vice Chair Kennedy stated when there's full staffing that would help too.

Chair Rocha asked what the ideal timeframe would be.

Mr. Worley said you can't pick a specific timeframe for every project because every project is on a different scale.

Mayor Pro Tem Cantelme stated that if it's repetitive, then it's reviewed and permitted once it would get easier.

Chair Rocha stated that if a project is going to be reproduced, there is an option to turn the first project or house it into a model project so that it only gets faster.

Mayor Pro Tem Cantelme asked how fast a site plan review could take.

Mr. Worley stated as a whole a few weeks but much shorter for staff time.

Chair Rocha stated that other entities have turnaround timeframes.

Mr. Worley stated that the timeframe would be different for a 100 lot versus a 30 lot.

Chair Rocha asked if any threshold could be put on.

Mr. Worley stated that he could talk to other departments to see if a timeframe could be discussed.

Member Goodman stated that timeframes are challenging for if staffing shortages occur or other issues that could lead to lawsuits.

Member Urias stated it was an invitation for litigation.

Vice Chair Kennedy asked if an "on average" timeframe.

Mr. Worley stated that they could work to create an average timeframe. He stated if outsourcing occurs that it will extend the timeframe.

Member Kraxberger stated discretionary comments such as wanting an extra water line had been an issue for time on his projects. He stated that in workforce housing projects, they could remove discretionary comments and that those projects could be strictly by the code.

Chair Rocha stated that they would move the project up and if it meets the code, it's done and needs to be streamlined. He stated that with his projects, 50% or more is extended regarding discretionary comments.

Member Kraxberger stated that his projects followed engineering codes, but the City wanted discretionary items to save money for the city in the future.

Mayor Pro Tem Cantelme asked if staff was doing that because staff should not be doing that.

Mr. Worley stated that he is not familiar with that, and it does not happen in building or planning.

Member Kraxberger stated that it's in engineering and that staff has to sign off. He stated that the particular employee that did that is no longer with the City, but

it's something the City should look at to make sure it does not occur.

Chair Rocha stated that it is usually regarding what could happen in the future, not based on the current code.

Mayor Pro Tem Cantelme stated that if it's not in code, then the developer should be able to say no.

Chair Rocha stated that it needs to be added to the list.

Member Goodman stated that they don't want to get so un-discretionary that the City ends up with a 'ghetto.'

Member Kraxberger stated that the project he's thinking of and future projects need to be simple housing. They don't need to be a ghetto, but they need to be simple.

Member Goodman stated that it needs to be appealing to the public.

Chair Rocha stated that the cost of building only continues to go up and that the engineering standards need to be clear, and the code needs to be the code. He stated that the workforce housing projects need to be moved up to the front of the line and the code needs to be black and white.

Member Kraxberger stated that, from his experience, it's all been discretionary.

Chair Rocha stated that in the policy it needs to say that workforce housing projects need to be moved to the front of the line in every area.

Member Kraxberger stated that there needs to be teeth in the policy to hold developers accountable.

Mr. Worley stated that they will likely set up a different application process that will have it in writing that the developer is being held accountable and that there will be a contractual agreement.

Member Goodman stated that it is important that workforce housing stays in the workforce.

Member Kraxberger stated that deed restrictions or workforce housing restrictions need to sunset.

Chair Rocha stated that those are items that will be discussed in depth in future agendas.

Audience Member Howard Mechanic stated that the impact fees and other fees could be paid by the City and the City gets paid back over a period of time, and it should be based on a percentage of workforce.

- E. Presentation & Discussion Regarding Code Revisions for Accessory Dwelling Units (ADU).

Ms. Fraser stated that the committee isn't going to be able to change anything in the Accessory Dwelling Unit (ADU) language, but they can bring notes to the Planning and Zoning meeting or send them to staff.

Mr. Worley stated that the code change had to go to Planning and Zoning and then to Council.

Vice Chair Kennedy asked when it would go to Council.

Mr. Worley stated it would be the next available Council meeting after the Planning and Zoning Meeting.

Member Urias stated that he would like to have item D regarding utilities changed.

Mr. Worley stated that it is the code regarding guest quarters, and it helps prevent them being rented out illegally. He reviewed that the state made it to where vacation rentals could not be denied, so the code change would just allow for long term rental as well but mandating an additional water meter would be a discouragement.

Mayor Pro Tem Cantelme asked how similar the ADU code was to the Phoenix code.

Mr. Worley stated that Phoenix took it much further to discourage short-term rentals, but City staff is waiting to see if it causes a lawsuit.

Mayor Pro Tem Cantelme stated that there are building codes that aren't addressed.

Mr. Worley stated that setbacks and height are already addressed by criteria in place.

Vice Chair Kennedy asked if someone wanted separate water meters, could the code say it is up to the discretion of the property owner.

Mr. Worley stated that it isn't a problem as long as it isn't mandated, but adding separate utilities could increase impact fees for the property owner, but the property owner could do sub-metering.

Chair Rocha stated that the code itself is in the hands of Planning and Zoning Commission but the committee should see if there is anything they see that could be leveraged to encourage workforce housing. He stated that the Workforce Housing Committee could recommend for workforce ADU's to have flexibility on things like tandem parking. He stated that they could also be expedited, and fees deferred to help in this case as well. He stated he is concerned about the enforcement but that it's doable with a full-time person.

Mayor Pro Tem Cantelme asked for clarification on the parking.

Chair Rocha stated that additional parking shouldn't be mandatory if it's a workforce housing ADU.

Mr. Worley stated that the zoning aspect will look at how many parking spots a property already has and if they already have adequate parking, they won't make the property owner add more.

Member Urias discussed the Fannie Mae and Freddie Mac processes for financing and how meters and construction type could come into the discussion.

Mr. Worley stated that site built and modular are generally allowed and that there are overlay districts, and that would depend on the criteria of the zoning.

Mayor Pro Tem Cantelme asked if it needed to be on a slab.

Mr. Worley stated it doesn't have to be, but it depends on zoning requirements.

Member Goodman stated that zoning will affect meters and what APS will and will not do regarding meters.

Mr. Worley stated that ADU zoning is only for single family units, so it may have issues depending on zoning with meters.

Chair Rocha stated that APS doesn't usually look that deep into the zoning.

Member Goodman stated that they are only talking about single family.

Mayor Pro Tem Cantelme stated that sub-metering can be done for electric and water.

Chair Rocha stated that there are multifamily lots that are not manufactured home zoning. He stated that the Planning and Zoning Commission should look at specific overlay districts. He stated that the ADU's should only need to be expected to look similar to the primary residence but the construction should be flexible.

Mr. Worley stated that under the proposal, they haven't discussed whether it's a manufactured home or not. He stated it could come back later.

Mr. Mechanic asked if there was a lawsuit in Phoenix yet.

Mr. Worley stated that there hasn't been a lawsuit yet.

Mayor Pro Tem Cantelme stated it has been challenged in court.

Mr. Mechanic stated that there is a concern about vacation rentals. He stated that there isn't anything requiring someone to live on the property full-time.

F. Presentation & Discussion Regarding Community Outreach and Communications.

Vice Chair Kennedy stated that the committee is getting into the depths of the work, and it's important to start getting into the community and building community excitement. She suggested a virtual town hall in November to get the community up to speed on what has been done so far.

Chair Rocha stated that he would support that and get feedback and an understanding of the bigger pain points.

Vice Chair Kennedy asked if anyone had read the General Plan draft yet.

Mr. Worley advised the committee about Participate Prescott.

Vice Chair Kennedy stated that she was surprised by some of the verbiage.

Chair Rocha asked how far into the comment period it is.

Mr. Worley stated it had just started.

4. UPDATES

A. Staff Announcements & Discussion Regarding Future Agenda Items.

Ms. Fraser gave an overview of what will be discussed at the upcoming Council meeting, an update on the housing needs assessment, and future agenda items.

5. ADJOURNMENT

Chair Rocha adjourned the meeting at 12:10pm

ATTEST:

JONATHAN ROCHA, Chair

AMBER FRASER, Staff Liaison



TO: MAYOR AND CITY COUNCIL
AGENDA: November 6 Workforce Housing Meeting
DATE: November 6, 2024
DEPT: City Manager
ITEM #: 3.B
SUBJECT: Presentation & Discussion Regarding the City's Water Policy and Workforce Housing.

ITEM SUMMARY

The Workforce Housing Committee will discuss creating a recommendation for an amendment to the Water Policy specifically for workforce housing and to possibly include allocation for workforce housing as well as how to utilize water as an incentive to encourage workforce housing.

The attached water policy amendment is a draft that is still being reviewed by staff and staff may provide additional recommended adjustments in the meeting.

BACKGROUND

The Workforce Housing Committee has been discussing possible areas to incentivize workforce housing, one area being the water policy.

Attached is a previous version of the City's Water Policy that included a provision of specific water allocation for Workforce Housing. Within this document, please refer to Policy 1K on page 9, the table on page 10, and the page labeled 'Attachment 3' toward the end of the document.

FINANCIAL IMPACT

None at this time.

RECOMMENDED ACTION

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

ATTACHMENTS

1. Alternative Water Allocation Policy for Calendar Year 2016_Suite 1 04 28 2016



Alternative Water Allocation Policy Calendar Year 2016

Resolution No. 4328-1537
Effective May 4, 2016 to December 31, 2016

Introduction

The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA) established under the Arizona Groundwater Code of 1980. The City manages its water resources in compliance with state laws, including management plans administered by the Arizona Department of Water Resources (ADWR), that establish water management strategies to help achieve the goal of safe-yield¹ by 2025. Effective in 1999, the PrAMA is also subject to the requirements of the Assured Water Supply² (AWS) program.

The City has maintained a Designation of AWS, the highest standing that a water provider can seek from ADWR, since 1999. The Designation and Order (D&O) of AWS is a legal document. Currently, the City water portfolio consists of 24,574.84 acre-feet/year (AF/yr), of which 9466.02 AF/yr is groundwater supplies and 7,041.42 AF/yr is alternative water supplies, water that is the “alternative” to groundwater supplies. City alternative water supplies include three blocks of water: reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino sub-basin. Currently, the imported supplies (8,067.74 AF/yr) are not connected to the existing infrastructure.

Since 1999, the City has allocated water supplies according to a Water Management Policy and has placed significant volumes into contracts or reservation. In 2015, a policy decision (Resolution No. 4271-1480) was made to reduce the annual alternative water budget from 200 AF to 100 AF to extend supplies until the forthcoming D&O modification. In mid-Calendar Year 2015, the City received requests for approximately 200 AF greater than the budgeted volume of 100 AF. To address this situation, Resolution Nos. 4310-1519 (Attachment 1) and 4315-1524 were adopted by Council to set forth a time period to review the active water requests, and develop necessary water management measures and allocation policies.

This water allocation policy, effective for the remainder of Calendar Year 2016, applies to available alternative water supplies only. Policy background and components are organized as follows:

- Section 1 Prescott Active Management Area (PrAMA)
- Section 2 City of Prescott Designation of Assured Water Supply (D&O)
 - 2.a. Alternative Water Supplies
 - 2.b. Summary of General Pool and Reservations
- Section 3 City Code Sections 2-1-8, 2-1-12, and 10-1(Land Development Code)
- Section 4 City Water Management Policy
 - 4.a. Background
 - 4.b. Water Allocation Policies for 2016

¹ Safe-yield: A groundwater management goal which attempts to achieve and thereafter maintain a long-term balance between the annual amount of groundwater withdrawn in an active management area and the annual amount of natural and artificial recharge in the active management area (A.R.S.§ 45-561(12)).

² Assured Water Supply: An Assured or Adequate Water Supply determination by ADWR is required for the following: To gain approval of a subdivision plat by cities, towns and counties (A.A.C R12-15-7); to obtain authorization to sell lots from the Department of Real Estate (A.R.S.§ 45-576).

Section 1 Prescott Active Management Area (PrAMA)

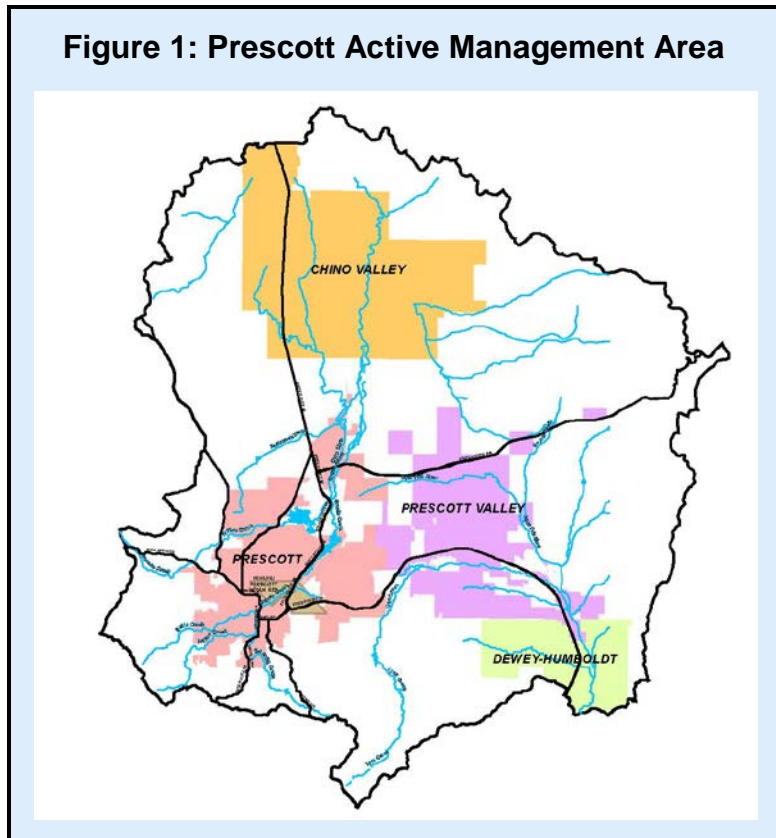
The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA), Figure 1, established under the Arizona Groundwater Code of 1980. Prescott Valley, Chino Valley, Dewey-Humboldt, the Yavapai Prescott Indian Tribe Reservation, and some surrounding areas of unincorporated Yavapai County comprise the remainder of the Prescott AMA. The City is only one entity within the PrAMA, not the regulating authority, and accounts for about 8.6% of the land area within the Prescott AMA.

Through a series of management plans administered by ADWR, the 1980 Groundwater Code establishes water management strategies that emphasize conservation, replacement of existing groundwater use with renewable supplies, recharge, and water quality management by all users within the AMA to help achieve the goal of safe-yield by 2025.

The PrAMA is also subject to the requirements of the Assured Water Supply (AWS) program. The City has maintained a D&O since 1999, which is periodically updated to reflect water resource availability. The City is currently operating under the 2009 D&O (ADWR AWS No. 86-401501.0001), with supplies remaining from the 2005 D&O.

The City of Prescott has employed management tools and policies to meet the State's strategies for conservation (e.g. public education programs and tiered water rates), replacement of groundwater with renewable supplies (e.g. reclaimed water and purchase of Watson and Willow Lake reservoirs), recharge (City's facility has been operational since late 1980s), and water quality (efforts in conjunction with Arizona Department of Environmental Quality). Further,

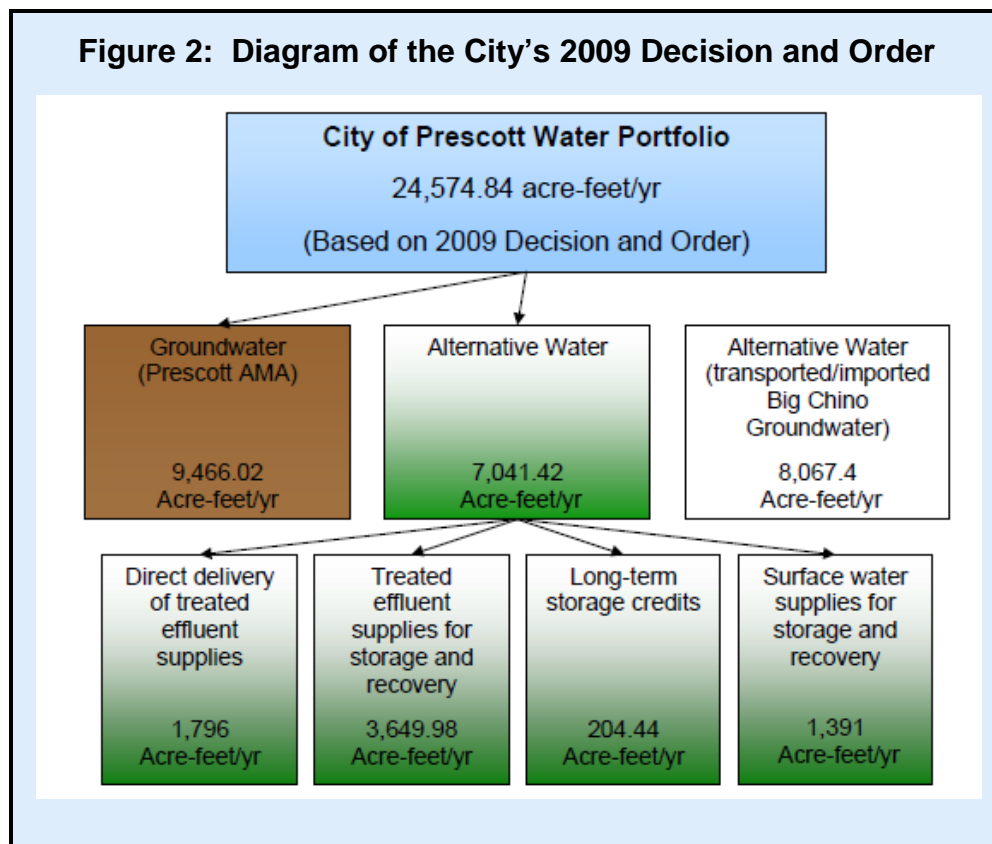
Figure 1: Prescott Active Management Area



the City of Prescott manages its water resources in compliance with Prescott AMA specific decadal management plans for reaching the AMA-wide goal of safe-yield. In September 2014, ADWR adopted the Fourth Management Plan (4MP) for the PrAMA. Requirements of the 4MP are effective January 1, 2017. Until then, the City and other regulated parties are subject to ADWR Third Management Plan. The City considers water management to be an important tool in implementing its overall growth planning and management policies, goals and objectives; and intends to manage its water resources accordingly.

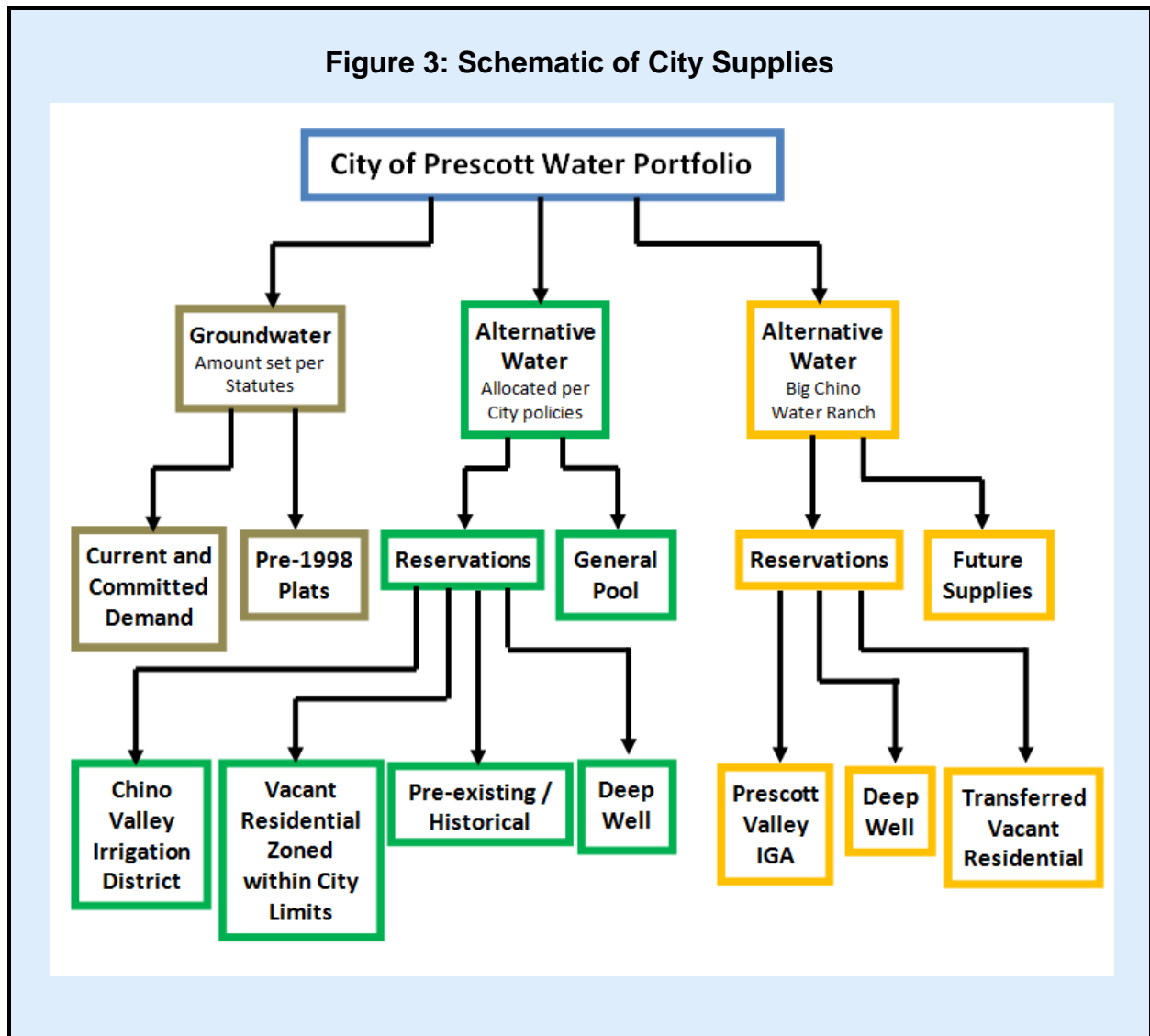
Section 2 City of Prescott Designation of Assured Water Supply Document (D&O)

A Designation of Assured Water Supply is the highest standing that a water provider can seek from ADWR, and requires the demonstration that the supply will meet the following seven criteria: physical availability, legal availability, and continuous availability for 100 years, financial capability, water quality, consistency with the management goal, and consistency with the management plan. The types, sources, and volumes of water identified by the City’s D&O, Figure 2, have changed over time. **Note that this policy addresses only the sources of alternative water supplies shown in the green boxes of Figure 2 specifically labeled “Treated effluent supplies for storage and recovery”, and “Surface water supplies for storage and recovery”. At this time, these two volumes comprise the City’s alternative supplies.**



Section 2. a. Alternative Water Supplies

Since 1999, the City has accounted for the alternative water supplies recognized in the D&O by water service agreement (WSA) contracts and reservations. The City's alternative water, water that is the "alternative" to groundwater supplies consists of reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino Sub-basin. Figure 3 provides a schematic of City supplies, including alternative water placed into contract from the General Pool or otherwise placed into specific reservations. Subcategories within the budgeting diagram are further described below. **Note that this policy only pertains to the categories "Reservations" and "General Pool" shown in Figure 3.**



Section 2. b. Summary of General Pool and Reservations

General Pool: the volume of water that is available to be allocated in accordance with Prescott City Codes 2-1-8, 2-1-12, and 10-1. A specific quantity of the General Pool available for allocation may be budgeted by Council each calendar year.

Reservation: a volume of water set aside to meet a contractual agreement or for a specific designated purpose now or at a later date. Alternative Water Reservations include:

1. Chino Valley Irrigation District
 - A. Intergovernmental Agreement, City Contract 1998-040.
 - B. Reservation volume (for municipal and industrial only) 597.5 AF/yr
 - C. As of March 23, 2016, WSAs have been written for 95.6 AF.
 - D. The volume remaining in the reservation is 501.9 AF.

2. Vacant, residentially-zoned tracts³ within City limits
 - A. Not a contractual obligation
 - B. Reservation volume 776 AF/year (adjusted in 2009, reaffirmed in 2015)
 - C. As of March 23, 2016, WSAs have been written for 144.4 AF
 - D. Resolution No. 4310-1519 transferred 200 AF of this reservation to the General Pool, and a new reservation of 200 AF was placed on the Big Chino Water Ranch supplies for this future use.
 - E. The volume remaining in the reservation is 431.7 AF.

3. Pre-Existing / Historical
 - A. The City was contractually obligated to provide water service outside of City limits to Prescott Riviera (Bk 294 Pg 439) , Rancho Vista Hills (Bk 1293 Pg 595), Ewin (Bk 222 Pg 554), and Iron Springs Water Improvement District (Bk 350 Pg 109).
 - B. Reservation volume of 58.5 AF for 195 lots, currently under review.
 - C. Since 2000, WSAs for 13.3 AF have been written leaving 45.2 AF in the reservation.

4. Deep Well Ranch
 - A. City Contract No. 2010-086
 - B. Reservation volume is 1,850 AF/yr (3 increments)
 - C. As of March 23, 2016, WSAs have been written for 29 AF
 - D. The volume remaining in the reservation is 1,821 AF

³ Tracts within City limits that have not been subdivided; they are not a subdivision lot within an platted subdivision. This reservation was based on a specific GIS query that required the land to be identified by DOR as vacant, residentially zoned in the 2006

Section 3 City Code 2-1-8, 2-1-12, and 10-1 (Land Development Code)

Three sections of the Prescott City Code address City water service. They are briefly described below; refer to the full Prescott City Code for the complete texts.

2-1-8: Provision of water to areas outside of the City limits is contingent upon:

- (A) (1) – a previously entered into valid, contractual agreement
- (A) (2) – property fronting water main with certain requirements
- (A) (3) – pursuant to an intergovernmental agreement
- (B) – Rules and Regulations
- (C) – One residential water connection per parcel

2-1-12: Water Service Connection and meter installation

- (E) – identifies the types of projects within City limits that may require alternative water supplies
- (E) (1) – requires consistency with Water Management Policy
- (E) (2) – requires consistency with General Plan
- (E) (3) – requires consistency with applicable adopted plans
- (E) (4) – in accordance with duly adopted City water budget
- (E) (5) – identifies the Council to consider the overall intent and goals of the applicable plan or policy
- (E) (6) – identifies a variance or exception may be granted by the City Council

10-1: Land Development Code

- 7.4.8 – Assured Water Supply
- 7.9 – Land Splits
- 9.10 – Subdivisions and Land Splits

Section 4 City Water Management Policy

Section 4. a. Background

Since 1999, the City's policies have evolved based on available supplies, and existing and anticipated conditions. The following factors have lead to the need for the present policy update:

1. Beginning in 2010, the City extended the 2005-2010 Water Management Policy (as amended) for three primary reasons:
 - A. Alternative water supplies remained available for allocation from the 1999 and 2005 Decision and Orders, yet this volume would be decreasing yearly as supplies were placed into contracts.

- B. As of 2010, the 2009 Decision and Order had not cleared legal challenges and would remain in litigation until September 2011.
 - C. Although the 2009 Decision and Order identified a new block of reclaimed supplies (1,471.98 AF) being available, the underpinning of those supplies was, in part, related to the importation of supplies from the Big Chino Sub-basin. Infrastructure is not in place to deliver this supply.
2. In 2010, a review of the City water portfolio was initiated to determine the status of all water contracts and any reservations that had been placed on alternative water supplies. The initial information from the review indicated that the alternative water budget for Calendar Year 2015, and subsequent years, would need to be reduced to ensure that only physically available supplies were allocated. These supplies include quantities remaining from the 1999 and 2005 D&Os, but only a portion of those projected in the 2009 D&O are actually available (approximately 92 AF/yr). The majority of reclaimed supplies (1,471.98 AF/yr) projected by the 2009 D&O have not been realized for the following reasons:
- A. Infrastructure to deliver imported alternative supplies from the Big Chino Sub-basin has not been constructed in the timeframe originally contemplated.
 - B. The lack of imported water reduced the availability of corresponding reclaimed supplies available for future allocation.
 - C. Over time, the number of City potable water connections has exceeded wastewater connections; therefore, the volume of return flows to the plants is less. Approximately 60% of the water delivered to customers is returned to the City wastewater treatment plants. This imbalance hinders maximizing recharge and recovery, a key underpinning for the City's alternative water supplies.
 - D. Surface water supplies, which are seasonal in nature, have consistently not met the volumes projected in the 2005 and 2009 D&Os.
 - E. To contribute to achievement of aquifer safe-yield, the City Charter (Proposition 400) requires permanent recharge of supplies used by annexations of 250 acres or more of property. This means that water supplied to development on such lands, and the wastewater generated, after treatment and aquifer recharge, cannot be recovered for subsequent use.
3. The Calendar Year 2015 alternative water allocation was budgeted at 100 AF; however, market conditions became favorable for land development, and by the third quarter of 2015, requests for approximately 300 AF had been received. To address this, Resolution No. 4310-1519, effective November 10, 2015, was adopted by Council to set forth a temporary 90-day suspension on new applications for alternative water, and to identify necessary policy changes. The suspension was extended by Resolution Nos. 4315-1524 and 4321-1530.

Section 4. b. Water Allocation Policies for the Remainder of Calendar Year 2016

The policies are organized in three categories: 1) Overall Requirements; 2) Resolution No. 4310-1519, Exhibit A projects (Attachment 1); and 3) Reservations. This policy addresses requests for water identified on Exhibit A, water allocations associated with active building permits, and new (post suspension) water allocation requests through December 31, 2016.

Category 1: Overall Requirements

These overarching policies comprise the basic requirements for placing alternative water supplies into water contracts. Exceptions that apply or connections to other categories have been noted.

Policy 1A – The City Manager may direct any requests for alternative water to the City Council for approval. Residential requests of less than 4 dwelling units may be approved by the City Manager administratively; 4 or more units will require Council approval.

Policy 1B – Water allocation will remain at 0.35 AF and 0.25 AF per residential unit for Single Family Residential and Multi-Family Residential, respectively.

Policy 1C – A water demand analysis satisfactory to the Water Resource Manager may be required for non-residential uses to assure infrastructure and supply sufficiency.

Policy 1D - Water service agreement applications will be accepted with the submission of a building permit, site plan, or preliminary plat application (Section 4.c.)

Policy 1E - Alternative water contracts that expire during Calendar Year 2016 will not be amended to increase the number of lots or volume of water. A one-time extension for one (1) year may be requested, however, there shall be no further entitlement to additional extensions or replacement with a new contract.

Policy 1F – For expired contracts, the associated volumes will be returned to the General Pool or original contractual reservation, as applicable.

Policy 1G – No lot splits shall be approved that require alternative water, with the exception of vacant, residentially zoned tracts identified in reservation (see Category 3), and Resolution No. 4310-1519, Exhibit A (Attachment 1).

Policy 1H – Alternative supplies shall not be allocated for uses that will not return 50% or more wastewater to the treatment plants (e.g. new turf, commercial agriculture, residential requests without sewer connection, etc.), with the exception of certain Pre-Existing/Historical Agreements (Category 3).

Policy 1I – For a project that exceeds the quantity of water available in the water budget, or requires greater than 50% of the remaining volume, the City will accept extinguished, pledged irrigation grandfather rights (Attachment 2).

Policy 1J – Any unallocated water remaining in the General Pool as of December 31, 2016, may be considered by the Council in setting the Calendar Year 2017 water budget.

Policy 1K – Workforce Housing is defined in City Code 10-1, Land Development Code (LDC) Article 11. For the purposes of water allocation, it is intended for either ownership or rental properties. Housing defined in LDC such as “Dwelling, Single Family” or “Dwelling, Attached Single Family” is housing for homebuyers earning incomes less than 120% of the median income for Prescott. Housing defined in LDC such as “ Dwelling, Duplex; Dwelling, Multiple-Family; Apartments is for housing for incomes less than 80% of the median income for Yavapai County. (Attachment 3)

Policy 1L- Contracts will be written with performance criteria to include, but not be limited to, a termination date appropriate for the type of project (large subdivision, single family home, etc.), which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated (Section 4.c.)

Policy 1M – Water service agreement applications will expire one (1) year from the date of the application.

REMAINDER OF PAGE

INTENTIONALLY BLANK

Category 2: Exhibit A Projects

Category 2 is intended for projects identified on Resolution No. 4310-1519, Exhibit A. Projects are also subject to the Category 1 requirements.

General Pool Balance = 479 acre-feet (AF)		
Set Asides		
Contractual Obligation	100 AF for use on lands identified by Bk 2099 Pg 666 and Bk 869 Pg 751 (Bullwhacker Ranch Inc). The water will be set aside for three (3) years initially, after which the volume remaining will be reviewed.	
Institutional Development	55 AF to support ERAU campus. The water will be set aside for a period of five (5) years, after which the volume remaining will be reviewed.	
Remaining General Pool = 324 AF		
Available for Allocation		
<ol style="list-style-type: none"> 1. Projects and allocations shall be divided among: Market, Workforce (ownership or rental)/Multi-family/Duplex/Apartments, and Commercial 2. Overall policies (Category 1) apply 		
Market	Workforce/MF/Duplex/Apts	Commercial
Quantity: 125 AF	Quantity: 100 AF	Quantity: 99 AF
<ol style="list-style-type: none"> A. Exhibit A projects have first priority until the end of Calendar Year 2016 or their application expires per policy 1M. B. The quantity of 125 AF is capped for Calendar Year 2016. C. Any remaining volume will be for only administratively approved (< 4 units) projects through 2016. D. No new lot splits (except those on Exhibit A) E. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. F. If a project needs more than 50% of the remaining volume, see Policy 11. G. All projects must connect to City sewer immediately for allocation. H. Project must meet all City Codes 	<ol style="list-style-type: none"> A. Exhibit A projects have first priority until the end of Calendar Year 2016 or their application expires per policy 1M. B. The quantity of 100 AF is capped for Calendar Year 2016. C. After Exhibit A projects, any remaining volume will not be issued to congregate and assisted living facilities. D. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. E. If a project needs more than 50% of the remaining volume, see Policy 11. F. All projects must connect to City sewer immediately for allocation. G. Project must meet all City Codes 	<ol style="list-style-type: none"> A. For commercial subdivisions or economic development B. Water Demand Analysis C. Must be approved by Council.

Category 3: Reservations

Reservations made by the City through contracts or other Council actions are unique. The Category 1 policies generally apply subject to the specific provisions thereof. Four such reservations are identified below.

1. The reservation for Chino Valley Irrigation District in place will not be modified by this Policy.
2. The reservation for Vacant, Residentially-Zoned Tracts within the City on January 22, 2016, was 431.7AF. Water from the current balance of this reservation is available for allocation subject to the following:
 - A. Allocations will be made for those tracts identified in 2009 and reaffirmed in 2015, at the corresponding development densities and volumes.
 - B. One allocation, up to the entire quantity reserved by the City, shall be available for each tract for which a reservation has been made, and formalized by a water service agreement. No subsequent incremental allocation for each such tract from said reserved quantity shall be made. Any remaining (unused) water for each such tract shall be returned to the General Pool.
 - C. The total quantity reserved for vacant, residentially-zoned tracts shall be reduced by the quantity of fifty (50) acre-feet each year, with said reduction to be transferred to the General Pool, effective January 1, 2017, and on each subsequent anniversary date thereafter.
 - D. Notwithstanding the foregoing, nothing shall preclude the owner of any developable property within the City or otherwise satisfying requirements of the City Code for water service from applying for alternative water that is available within a water budget adopted by the Council.
 - E. Contracts shall require written performance criteria to include, but not be limited to, a termination date of not more than two (2) years, which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated.
 - F. In the event that rezoning of a property identified as a vacant residentially zoned tract within the city limits increases the number of potential residential dwelling units, the reservation of water for said property shall not be increased at the time of such rezoning to reflect the additional demand corresponding to the increase in dwelling units; and any existing reservation shall remain in force (Resolution No. 4071-1141).

3. The reservation for Pre-Existing/Historic Agreements (Prescott Rivera, Rancho Vista, Ewin and Iron Springs) is 58.5 AF. As of January 22, 2016, the volume remaining is estimated to be 45.2 AF. This reservation remains under review.
 - A. These pre-1998 contractual agreements will be issued water consistent with the agreement provision and all current City codes.
 - B. Once said reservation has been fully placed into contracts, no further water shall be available for development of the specified properties. The corresponding water service agreements shall not expire.
 - C. Portions of the areas specified by these contracts that have been annexed into the City are no longer subject to each such contract but rather to City Code 2-1-12.
 - D. If, during the remainder of Calendar Year 2016, this reservation is found to be unnecessary (is recognized to be eligible for current and committed groundwater supplies), then the reservation will be terminated.
4. The reservation for Deep Well Ranches was effective December 24, 2009, and set forth by City Contract No. 2010-086. As of January 22, 2016, the volume remaining is 1,821 AF (921 AF non-BCWR alternatives supplies, and 900 AF BCWR alternative supplies). As provided for by said contract, nothing shall preclude the Owner from applying, now or in the future, for additional water from any sources of the City made available for development within the City.

Section 4.c. Water Allocation Process

Allocation of the City's water for development is based upon all applicable City and State of Arizona codes, policies, and adopted plans. Depending on the type of project, there are three potential pathways to possible water allocation. The City will determine the most suitable path for each project from the following list:

1. Administrative Approval (< 4 units)
 - A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
 - B. After PAC (if needed) or determination of water supply needs, submit a building permit application (includes water service agreement application).
 - C. See overall policies (Section 4.b.).

2. Site Plan Review and Approval

- A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
- B. After PAC (if needed), submit a Site Plan application (includes water service agreement application).
- C. The Site Plan review process is described in the Land Development Code Section 9.8.
- D. Concurrent to Planning Commission (LDC 9.8), the project will also be scheduled for Water Issues Committee review.
- E. Water Service Agreement (WSA) contract approval by City Council will be required at the same time of Site Plan approval.
- F. To be approved, the WSA contract shall include the following performance criteria:
 - i. A building permit application must be submitted within 1 year. A one-time extension of six (6) months will be allowed, if requested in writing before expiration of the water contract.
 - ii. The project must be completed and a certificate of occupancy obtained within the time period specified in the WSA following issuance of a building permit. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract.
- G. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

3. Preliminary Plat Review

- A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
- B. After PAC, submit a Preliminary Plat application (includes water service agreement application).
- C. The Preliminary Plat Review process is described in the Land Development Code Section (LDC) 9.8.
- D. During the Preliminary Plat review process (LDC 9.8), the project will also be scheduled for Water Issues Committee review.
- E. Water Service Agreement (WSA) contract approval by City Council will be required at the same time of Preliminary Plat approval.
- F. If approved, the WSA contract will include the following performance criteria:
 - i. A final plat must be submitted within one (1) year of approval. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract
 - ii. The final plat must be recorded within the time period specified in the WSA. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract

- G. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

Section 4.d. Water Service Agreement Application

New requests for water shall be made by submission of the updated form (Attachment 4) and subject to available supplies after Exhibit A projects (Attachment 1). All applications shall expire in one year. All projects fee in effect at the time of the application shall also be paid as a condition of water service agreement approval. *Note that an application does not entitle or guarantee a project's water supplies. Applications will be processed subject to review timeframes, and Council, Committee or Commission meeting schedules. Water contracts are subject to Council approval unless otherwise noted in this policy.*

Section 5 Calendar Year 2017

As identified in Resolution No. 4310-1519, "Any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council."

Section 6 Additional Topics

Resolution No. 4310-1519 also identified additional topics for research, discussion, and possible policy update. These items will continue to be addressed in Calendar Year 2016:

1. Determine the availability of alternative water corresponding to the 0.1AF markup on residential development, and manage this quantity separately to support commercial and industrial development.
2. Prohibit connection to City water without well abandonment.
3. Prohibit well drilling on properties served/to be served with City water
4. Require new development to connect to City sewer, whether served by groundwater or alternative water (if not otherwise contractually entitled to water service).
5. Adopt City Codes changes, where required, to implement the foregoing actions
6. Continue to research and evaluate historical agreements for commitments to serve; determine whether some subdivisions or other allocations covered by historical agreements can be shifted to Current and Committed groundwater demand.
7. Review and adjust availability and pricing of water at the EZ Street water station.
8. Develop policy to accepting Assured Water Supply Certificates brought to the City (pledged IGFRs).
9. Review current allocation volumes of 0.35 and 0.25 AF (having already identified and removed the 0.1 AF markup for commercial/industrial) applicable to single family and multi-family residential, respectively, and determine the feasibility of modifying said volumes for water-conserving development.

RESOLUTION NO. 4310-1519

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, AUTHORIZING THE CITY OF PRESCOTT TO AMEND ITS CURRENT WATER MANAGEMENT POLICY REGARDING NON-RESERVED ALTERNATIVE WATER SUPPLIES.

RECITALS:

WHEREAS, on December 30, 2009, the Arizona Department of Water Resources (ADWR) issued a Decision and Order delineating the City of Prescott water portfolio; and,

WHEREAS, the projections of alternative water supply incorporated within said ADWR-approved Decision and Order have not been achieved; and,

WHEREAS, applications for allocations of alternative water to serve new development have exceeded the amount made available by the City in its Calendar Year 2015 Alternative Water Budget; and

WHEREAS, the City deems it necessary to specify an interim period sufficient to perform a detailed evaluation and updating of the alternative water category of its overall water portfolio, during which time the acceptance of certain types of applications for allocations of alternative water will not be accepted.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:

Section 1. THAT, effective November 3, 2015, the City of Prescott hereby suspends the acceptance of applications for alternative water for 90 days from the effective date of this Resolution, with the following exceptions:

- a. Applications that have already been received and are subject to current rules for administrative approval (less than 4 dwelling units) may proceed and be approved if all other requirements are satisfied (building permit, etc.).
- b. Applications subject to the Chino Valley Irrigation District (CVID) intergovernmental agreement.
- c. Commercial/industrial applications, for which the volume of water available from the 0.1 acre-foot markup on residential allocations is to be determined and established as a separate bank for allocation purposes.
- d. Applications for which the City is contractually entitled to provide water.

- e. Other current applications for redevelopment that may require a minor quantity of additional alternative water to augment a currently recognized quantity of grandfathered groundwater.

Section 2. THAT, the reservation of 776.5 acre-feet of alternative water previously made by the City for future residential development within the city limits, 585.5 acre-feet of which remains presently available, shall be reduced to a reservation of 385.5 acre-feet.


Section 3. THAT, the 200 acre-feet of alternative deducted from the reservation described in Section 2, combined with 314 acre-feet remaining from the 1999 and 2005 ADWR Decision and Orders, shall be made available first to the projects identified by Exhibit "A" hereto, which projects shall be evaluated and prioritized in the following descending order: workforce housing, and apartments/multi-family housing.

Section 4. THAT, performance criteria pertaining to achievement of milestones for delivery of the projects for which alternative water has been requested, shall be developed by staff and included in all water service agreements prepared for consideration by the City Council.


Section 5. THAT, any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council.

Section 6. THAT, this Resolution shall in no way delay or prevent the City from issuing other permits or approvals required for land development or from reviewing applications for alternative water already filed.


PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this 10th day of November, 2015.



 CHRIS KUKNYO, Mayor Pro Tem

ATTEST:


 DANA R. DeLONG, City Clerk

APPROVED AS TO FORM:


 JON M. PALADINI, City Attorney

Table 1. Projects with a WSA application submitted

WSA Application No.	Applicant	Project	Volume Requested (ac-ft)	Market (80 ac-ft)	Workforce (20 ac -ft)	Alt. Water Reservations (ac-ft)
14-007	SJ Holms, LLC	4 multifamily dwelling units	1.0	X		
14-009	ERAU	New 66 unit residence hall, 15 AF of increased water use since 1997, and campus build out.	32.5-95.8 ¹	X		
15-004	Reek Lane Partners	70 unit apartment complex	14 ²	X		
15-003	Mendel	Single family residence from lot split	0.35	X		
15-005	Ryan	Single family residence	0.35	X		
15-006	Orefice	8 unit apartment complex	2.0	X		
15-007	Moody	Single family residence from lot split	0.35	X		
15-008	Schnitzius Family Trust	Single family residence from lot split	0.35	X		
15-009	LKD Housing Ventures	Single family residence	0.35			X
15-010	James 110 Investments, LLC	286 lot subdivision (former Centerpointe South)	100.1	X		
15-011	Hassayampa Holdings of Prescott, LLC	101 unit apartment complex	25.25	X		
15-013	Territorial 12 LLC	12 condominium units	3	X		
15-014	Diversified Development, LLC	253 unit apartment complex	63.25	X		Evaluating possible contractual entitlement (1974 agreement)
15-015	Randy Thomas	Additional demand to current groundwater allocation	1.5	X		
15-016	Robert Beyea	Relocation of duplex to create 1 SFR and a duplex on same lot.	0.5	X		
15-017	Kevin Randle	21 multifamily dwelling units.	5.25	X		
Total			>235.75	>235.75	0	0.35

Table 2. Other projects presented to PAC for which WSA applications have not been submitted

PAC No.	Applicant	Project	Proposed			
			Volume Required (ac-ft)	Market (80 ac-ft)	Workforce (20 ac-ft)	Alt. Water Reservations (ac-ft)
15-077	Land Resource (SLF, III-Storm Ranch)	410 single family units	143.5(65 ac-ft additional) ¹	X		City Contract No. 2008-013 for 79.45 ac-ft (expires 7/10/2017).
15-089	Paul Armenta	New apartment complex	3.5	X		
15-102	Robert Tubbert	Mountain Dream Apts	1.0	X		
15-106	Giving Tree Wellness Center	Greenhouses for medical marijuana	TBD*	X		
15-108	Diocese of Arizona, Inc	Chapel Rock Baseball Field	TBD*	X		
15-009	Sims Family Trust	Lot Split	0.35	X		
15-112	Judy Numbers	Convert racket club to condos	1.5	X		
15-114	I. D. Investors, LTD	Remodel 6 units at Ridge Retreats	1.5	X		
Total			>151.35	>151.35	0	79.45

¹ The applicant has proposed an increase from 227 units to 410 units. The applicant is reviewing options for augmenting the quantity of water beyond that specified by City Contract No. 2008-013 (approximately 65 ac-ft more).

² This range of water corresponds to the 253 to 280 apartment units identified in the PAC application. Note that if developed as a PAD, the maximum number of units would be 294.

*Subject to additional information from applicant.



Acceptance of Extinguishment Credits

Water Resource Management Division
201 S. Cortez St., Prescott, AZ 86303
(P) 928.777.1645 (F) 928.777.1255

Any applicant for development and/or water service within the City of Prescott water service area may acquire and present for consideration sufficient “extinguishment” credits to support their development. The volume of the credits will be required to meet the calculated 100-year demand for water.

What are extinguishment credits?

Extinguishment credits are generated when a grandfathered groundwater right is extinguished. The extinguished right can never be used again; however, the credits generated can be pledged to the City of Prescott (because they have a Designation of Assured Water Supply) to support the water requirements of a development. This policy allows for a developer to provide the water necessary to supply a development that is served via the City of Prescott water/wastewater infrastructure.

How many extinguishment credits are required for my project?

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. Multifamily residential: 0.25 AF/yr/dwelling unit
 - c. Commercial: determined per project based on Water Demand Analysis
2. Determine the 100-year water demand of your project based on the following allocations:
 - a. Multiply the annual water demand by 100 years.
 - b. This is the volume of extinguishment credits that will be required to be pledged to the City of Prescott.
3. Examples:

A forty-five lot subdivision:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. $0.35 \text{ AF/yr} * 45 \text{ single family dwelling units} = 15.75 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $15.75 \text{ AF/yr} * 100 \text{ years} = \mathbf{1575 \text{ AF}}$

100 unit apartment complex:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Multifamily residential: 0.25 AF/yr/dwelling unit
 - b. $0.25 \text{ AF/yr} * 100 \text{ multifamily dwelling units} = 25 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $25 \text{ AF/yr} * 100 \text{ years} = \mathbf{2500 \text{ AF}}$

How do I locate extinguished credits that are not yet pledged?

The Arizona Department of Water Resources Office of Assured and Adequate Water Supply should be contacted for a current list of Unpledged Assured Water Supply Credits for the Prescott Active Management Area:

- Phone: 602-771-8599
- Email: assuredadequate@azwater.gov



Workforce Housing
 Water Resource Management Division
 201 S. Cortez St., Prescott, AZ 86303
 (P) 928.777.1645 (F) 928.777.1255

This information sheet describes workforce housing as it relates to City Codes and City Water Policy. This is for information purposes only as median incomes and mortgage rates change. Contact the City for further assistance.

What is workforce housing?

“Workforce housing” is defined in City Code 10-1, Land Development Code (LDC), Article 11 as:

Housing developed with a household income paying no more than 30% of gross family income for mortgage, insurance and homeowner association fees or for rent and utilities; or which earns up to 60% of the Area Median Income of Yavapai County for multi-family rental housing; or 80% for single-family owned housing and that restricts student use per Section 42 of the Internal Revenue Code in accordance with the Internal Revenue Code and Arizona Department of Housing Guidelines.

For the purposes of water allocation, it is intended for either ownership or rentals. Housing defined in LDC as “Dwelling, Single Family” or “Dwelling, Attached Single Family” is housing for homebuyers earning incomes less than 120% of the median income for Prescott. Housing defined in LDC as “Dwelling, Duplex; Dwelling, Multiple-Family; Apartments is housing for incomes less than 80% of the median income for Yavapai County.

What information source is used by the City for determining the median income for Prescott?

The City references the data assembled by the U.S Census Bureau, American Fact Finder, which is located on the web at <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Examples:

			<u>Annual</u>	<u>Monthly</u>
Yavapai County Median Household Income	-	-	34,901.00	2,908.42
Multi-family rental housing				
Income	80%	27,920.80	2,326.73	
Available for Housing	30%	8,376.24	698.02	
Prescott Median Household Income	-	-	45,190.00	3,765.83
Single-family owned				
Income	120%	54,228.00	4,519.00	
Available for Housing	30%	16,268.40	1,355.70	

NOTE: SUBJECT TO CHANGE WITH U.S. CENSUS BUREAU UPDATES, ECONOMIC CONDITIONS, and MORTGAGE RATE VARIATIONS

If you are considering a workforce housing project, please contact:

Community Development
 201 S. Cortez
 (928) 777-1205

Water Resource Management
 201 S. Cortez
 (928) 777-1645



WATER SERVICE AGREEMENT APPLICATION

Water Resource Management Division
 201 S. Cortez St., Prescott, AZ 86303
 (P) 928.777.1645 (F) 928.777.1255

Please complete the form and submit a legible legal description on a separate sheet of paper as well as a site plan of the subject property with proposed improvements. Submit all documents and the filing fee directly to the Community Development Department at 201 S. Cortez St, Prescott, AZ 86302.

APPLICANT INFORMATION			
Applicant: _____	Contact Person: _____		
Address: _____	City/State/Zip: _____		
Phone: _____	Email: _____		
PROPERTY OWNER INFORMATION			
Property Owner: _____	Contact Person: _____		
Address: _____	City/State/Zip: _____		
Phone: _____	Email: _____		
PROJECT SITE			
Address: _____			
Current Zoning: _____		Proposed Zoning: _____	
Assessor's Parcel Number(s) of Existing Property _____ - _____ - _____ - _____ - _____			
Existing Water Service (Y/N): _____		Existing Sewer Service (Y/N): _____	
Existing Well (Y/N): _____		If Yes, Well Registry No.: _____	
PROJECT DESCRIPTION			
Is the project Residential or Commercial? _____			
Please provide brief description: _____			
# of Proposed Units: _____		# of Proposed Lots: _____	
Has a Water Demand Analysis been completed (commercial)? _____			
Has a building permit application been submitted? _____			
Has a Planning and Zoning Recommendation been made? _____			
FEES: subject to fees in effect at that time of application submittal			
<input type="checkbox"/> \$	Single Family Residence	<input type="checkbox"/> \$	Multi-Family Residence, Mobile Home Park
<input type="checkbox"/> \$	Residential Subdivision	<input type="checkbox"/> \$	Commercial Subdivision
<input type="checkbox"/> \$	Commercial Project	<input type="checkbox"/> \$	Change of Use

Applicant Signature: _____

Date: _____

OFFICE USE ONLY

PERMIT #: WSA16-_____	FEE PAID: _____	Trak It: _____	Legal Attached: _____
-----------------------	-----------------	----------------	-----------------------

ALTERNATIVE WATER ALLOCATION

Effective December 31, 1998, all residential development within the City's water service area desiring to utilize the City's water system and not having a 100-year Assured Water Supply certification, shall be required to obtain a Water Service Agreement (WSA). Water service shall only be made by agreement. Such agreements may set forth the terms and conditions of water service, including, but not limited to: volume of approved water; time periods to use or lose the water allocation; third party approval requirements; City sewer use and effluent ownership and use rights; any special fees or assessments; and stipulations and requirements regarding the use of the property to be developed as set forth in a residential development plan. Agreements for water service shall only be approved within the limits of the approved Prescott Water Budget, unless amended or waived by the Prescott City Council.

Agreements for water service shall only be approved for residential development plans, or for a commercial/industrial projects determined by the Prescott City Council to be in compliance with all applicable City development regulations, to be consistent with and conform to the City's adopted General Plan, and to be consistent with and conform to any and all adopted and applicable plans:

- (A) Specific Area Plan;
- (B) Neighborhood Plan;
- (C) Local Historic District Plan;
- (D) Circulation Plan;
- (E) Open Space, Trail, Park or Recreation Plan;
- (F) Growth Planning or Growth Management Plan;
- (G) Capital Improvement Plan;
- (H) Redevelopment Plan; and/or
- (I) Other adopted, applicable City Plan or Policy.

In determining whether a development is consistent with and conforms to the General Plan and any of the identified other applicable and adopted plans or policies, the overall intent and goals of the applicable plan or policy shall be considered, and the development plan shall also be evaluated as to whether it furthers the implementation of, and is not contrary to, the policies, goals, objectives, strategies and applicable elements of the plans and policies.



TO: MAYOR AND CITY COUNCIL
AGENDA: November 6 Workforce Housing Meeting
DATE: November 6, 2024
DEPT: City Manager
ITEM #: 3.C
SUBJECT: Presentation & Discussion Regarding the City of Prescott Workforce Housing Policy.

ITEM SUMMARY

This item is to discuss draft sections of the Workforce Housing Policy that will be recommended to Council in the future.

The attached policy is a draft that is still being reviewed by staff and staff may provide additional recommended adjustments in the meeting.

BACKGROUND

The Workforce Housing Committee had created and received Council approval on goals for Workforce Housing. One of the goals was to recommend a Workforce Housing Policy to Council.

FINANCIAL IMPACT

None at this time.

RECOMMENDED ACTION

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

ATTACHMENTS

1. Workforce Housing Policy Draft 10.28.2024



2024

Workforce Housing Policy

Effective Date: May 1, 2025

Acknowledgements

Prescott, Arizona, a picturesque city nestled in the heart of Yavapai County, boasts a rich history, stunning natural beauty, overall excellent quality of life, and a vibrant active and engaged community. However, the availability of affordable and attainable workforce housing is a critical issue requiring urgent attention.

For this reason, in November 2022, the Prescott City Council established the standing Workforce Housing Committee with the purpose of researching, reviewing and proposing recommendations to Council regarding attainable housing options and solutions for the workforce of Prescott. The City of Prescott extends its gratitude for the time and work provided by Committee Members: Mayor Pro Tem Cantelme (Council Liaison), Chairman Jonathan Rocha, Vice-Chair Nicole Kennedy, Member Mike Fann, Member Randy Goodman, Member Luther Kraxberger, Member Anthony Teeters, and Member Arnold Urias. The City would also like to extend its gratitude to all the City staff members who provided recommendations and feedback to create and improve the policy and to make its implementation effective.

Table of Contents

Section 1: Introduction.....	4
Section 1.a: Community Outreach.....	5
Section 1.b: Eligibility.....	7
Section 2: Incentive Programs	10
Section 2.a: Development Fee Incentives.....	10
Section 2.b: Prioritization and Expedited Review.....	12
Section 2.c: Modification of Development Standards.....	14
Section 2.d: Zoning.....	15
Section 2.e: Water Policy.....	16
Section 2.f: Employee Incentives.....	17
Section 3: Revitalization and Infill.....	19
Section 3: Pre-Approved Plans Program.....	21
Section 4: Funding.....	23
Section 5: Real Property.....	25
Section 7: Implementation and Monitoring.....	27
Section 7.a: Workforce Housing Designated Staff.....	27
Section 7.b: Developer Accountability, Phased Inclusion of Workforce Housing, Project Quality, and Timeframes.....	27
Section 7.c: Workforce Housing Educational Guidebooks.....	29
Section 8: Definitions.....	30

Section 1: Introduction

In many communities, middle-income workers such as teachers, firefighters, police officers, and healthcare professionals face significant challenges in finding attainable housing in or near the communities in which they work. This issue arises from a combination of stagnant wages and rising housing costs, which often force these essential workers to live far from their jobs, leading to longer commutes and increased traffic congestion.

The goal of a workforce housing policy is to create and maintain housing that is affordable for these critical workers, ensuring they can live in the communities they serve. This policy not only supports the well-being of these workers but also contributes to the overall economic stability and social cohesion of the community.

By implementing a comprehensive workforce housing policy, the City of Prescott can foster a more inclusive and sustainable environment where all of our workforce has access to safe and affordable housing.

The Workforce Housing Committee's Mission is to plan and preserve workforce housing solutions to promote a healthy and vibrant community for all.

The Workforce Housing Committee's Vision is to facilitate housing solutions to attract and retain quality employees and lead to improved service delivery and quality of life for our residents and workforce.

The City of Prescott defines the workforce as:

Using HUD and ULI definitions plus local statistics, research, and demographics, the City of Prescott defines the "workforce" as: those that earn about 60%-120% of the area's median income. Based on Prescott's current area median income (FY23) of \$76,000 for a family of four, this scale would start at \$46,020 and go to \$92,040. Workforce includes those employed in occupations vital to a community's functioning across areas like education (teachers), healthcare (nurses), public safety (police officers and firefighters), construction, and other key services.

The City of Prescott defines workforce housing as:

Workforce housing refers to residential properties, such as apartments or homes, that are designed to be affordable for individuals and families. This is different from a direct government subsidized housing program (the City of Prescott does not have a Housing Authority). The goal is to offer housing that is no more than 30% of household gross income, including utilities.

Section 1.a: Community Outreach

Workforce housing plays a crucial role in creating diverse, vibrant, and sustainable communities. Following are examples of how workforce housing enhances a community without negatively affecting home values:

- **Stabilizes the Workforce:** Workforce housing ensures that service workers, such as teachers, healthcare professionals, and first responders, can live near their workplaces. This reduces commuting times, increases job satisfaction, and ultimately leads to a more stable and reliable workforce. This, in turn, benefits local businesses and institutions.
- **Promotes Economic Growth:** A stable, well-housed workforce is vital for economic development. When workers have affordable housing options, they are more likely to remain in the area, reducing turnover costs for employers. Additionally, when employees have more disposable income due to lower housing costs, they tend to spend more in the local economy, thus stimulating economic growth.
- **Fosters a Diverse Community:** A mix of income levels and backgrounds enriches the fabric of a community. Workforce housing allows for a diverse population, contributing to a more inclusive and dynamic neighborhood. This diversity can lead to a stronger sense of community and a wider range of perspectives and talents.
- **Supports Educational Systems:** Teachers and other education professionals are essential to a thriving community. Having affordable housing options near schools helps to attract and retain high-quality educators, which in turn leads to improved educational outcomes for children.
- **Supports Healthcare Systems:** Doctors, nurses, and other healthcare professionals provide an important service to our community. Providing affordable housing options near medical facilities helps attract and retain high-quality medical professionals, which in turn leads to improved healthcare delivery.
- **Encourages Civic Participation:** When people live close to their workplaces, schools, and community amenities, they are more likely to engage in local activities and events. This fosters a sense of belonging and encourages civic participation, leading to a more engaged and active community.
- **Maintains Property Values:** Well-maintained, thoughtfully designed workforce housing has a positive impact on property values. Studies have shown that when affordable housing developments are properly integrated into neighborhoods, they do not necessarily lead to a decrease in surrounding property values. In fact, they can help stabilize property values by reducing blight and vacancy rates.
- **Mitigates Traffic and Environmental Impact:** When workers can live close to their workplaces, there is a reduction in traffic congestion, which leads to fewer environmental impacts as well as reduced stress on the public safety infrastructure.

- Addresses Housing Shortages: Many communities face housing shortages, which can lead to inflated home prices and limited availability. Workforce housing initiatives can help alleviate some of this pressure by increasing the overall supply of housing options.
- In summary, workforce housing is not only a social imperative but also an economic and community-building asset. When thoughtfully planned and integrated into a community, it can enhance the quality of life for all residents without negatively affecting property values. It contributes to a more inclusive, economically vibrant, and sustainable community for everyone involved.

Without addressing the Workforce Housing issue, recruitment and retention of quality service providers will continue to erode. Prescott residents will experience longer wait times, reduced service levels, and, in some cases, have to go outside of the area for services. Costs of local services may increase. Prescott may experience less diversity in its population, and service providers may become disconnected from the community.

The City of Prescott will conduct ongoing community outreach to gather input and foster collaboration among stakeholders, including residents, businesses, developers, and housing advocacy groups. Regular opportunities for public engagement will be held to engage the community and incorporate their feedback into housing strategies. This may include, but is not necessarily be limited to, regular Workforce Housing Committee meetings.

Section 1.b: Eligibility

The Workforce Housing Policy aims to provide attainable housing options for individuals who contribute to the local economy and community but are unable to find adequate housing within the current market. This Policy outlines eligibility criteria for both the workforce and developers seeking to participate in the incentive options.

Eligible Workforce

Workforce includes those employed in occupations vital to a community's functioning across areas like education, healthcare, public safety, construction, and other key services. The goal is to provide housing for residents who are integral to the functioning of the City, but struggle to secure housing due to rising housing costs. The following categories define eligible workforce populations:

A. Employment Categories

Eligible employees include those working in industries such as, but not necessarily limited to:

- Healthcare Workers (e.g., nurses, medical assistants, lab technicians)
- Education Professionals (e.g., teachers, teaching assistants, school administrators)
- Public Safety Personnel (e.g., police officers, firefighters, paramedics)
- Retail and Service Industry Workers (e.g., retail staff, hospitality workers, restaurant staff)
- Construction and Skilled Trades (e.g., electricians, plumbers, construction laborers)
- Government Employees (e.g., city or county government staff, public works employees)
- Manufacturing and Logistics Workers (e.g., factory workers, warehouse employees, transportation staff)

B. Income Limitations

Generally, based on HUD and ULI definitions plus local statistics, research, and demographics, the City of Prescott defines workforce as those that earn about 60%-120% of the area's median income. For example:

- A family of four earning between \$46,020 and \$92,040 annually (FY23) may qualify for workforce housing.

C. Residency Requirements

Eligible workforce applicants must fit within the above definition of workforce; and either

- Reside in Prescott or the surrounding Yavapai County area; or

- Be employed full-time within the City of Prescott, or in industries directly benefiting the community, such as healthcare, education, and public safety.

Eligible Developers

To ensure that workforce housing is developed in a timely, efficient, and responsible manner, the following criteria apply to developers seeking to participate in the program:

A. Developer Qualifications

Eligible developers may include, but are not necessarily limited to:

- For-profit real estate developers with experience in multi-family or mixed-use residential development.
- Non-profit organizations focused on workforce housing development, including community development corporations (CDCs) and housing trust funds.
- Public-private partnerships between local government entities and private developers.
- Governmental entities working jointly on workforce housing.
- Developers must demonstrate financial stability, relevant project experience, and a commitment to providing housing that meets the design standards and affordability requirements outlined by the City of Prescott.

B. Project Scope and Location

Eligible development projects must meet the following criteria:

- **Project Type:** Projects must include rental or homeownership units that cater to the eligible workforce population as defined above. This can include multi-family complexes, single-family homes, or mixed-use developments.
- **Location:** Projects must be located within the City of Prescott, with a focus on areas close to public transit, employment centers, schools, and other community amenities.
- **Design and Density:** Developments must adhere to City zoning regulations and density standards, with a minimum of 25% of the units dedicated to workforce housing.

C. Affordability Requirements

Developers must agree to maintain affordability for a minimum period of 20 years (or as stipulated by City guidelines), ensuring that rents or home prices remain within the prescribed limits for workforce households.

D. Compliance with Local Codes

Developers must comply with all applicable local building codes, environmental regulations, and sustainability standards. Preference may be given to developers who incorporate green building practices or energy-efficient features into their projects.

These eligibility guidelines for workforce housing are designed to support the smart growth of Prescott while ensuring that the housing needs of the local workforce are met in a sustainable and inclusive manner. The program prioritizes both access to workforce housing and the creation of vibrant, thriving communities that contribute to the City's long-term prosperity.

Section 2: Incentive Programs

To encourage the development of workforce housing, the City will implement various incentive programs.

Section 2.a: Development Fee Incentives

Fee Waivers and Reimbursements

The City of Prescott may waive or reimburse the following fees for developments that qualify under the Workforce Housing Program:

- Building Permit Fees
- Planning and Zoning Fees
- Other development-related fees as determined by the City
- Fee waivers and reimbursements are provided on a sliding scale, with greater reductions for projects that serve lower AMI levels. The following parameters apply:
 - Lower AMI Levels: Developments that serve households earning closer to 60% of the AMI will qualify for the highest percentage of fee waivers and reimbursements.
 - Higher AMI Levels: Projects serving households earning closer to 120% of the AMI will qualify for lower waivers and reimbursements.

All fee reductions are subject to the availability of City funding and based on the Prescott City Council's policy-making discretion. If funding is not available at the time of project approval, fee reductions may not be granted.

Eligibility and Restrictions

- Fee waivers and reimbursements are only available for developers who meet the criteria for the Workforce Housing Program, and who do not have outstanding issues related to the following:
 - Code Violations: Any property owner with unresolved building code violations will not be eligible for fee waivers or reimbursements.
 - Outstanding City Debts that are unpaid and are due and owing: Fee waivers are not available to developers with overdue debts to the City, including unpaid taxes or licensing fees.
 - Accessibility Violations: Developers with unresolved accessibility issues on past or current projects are also ineligible for fee reductions.

Deferral of Development Fees (Impact Fees) for Market-Rate Units

The City of Prescott may allow the deferral of Development Fees, specifically Impact Fees, for a workforce housing development project that is part of a Development Agreement pursuant to Arizona Revised Statute Section 9-500.05 and the Development Agreement spells out the collection of impact fees at time of issuance of a Certificate of

Occupancy pursuant to Arizona Revised Statute Section 9-463.05(10). Market-rate units within a development that includes 20% or more workforce housing units. The Impact Fees for these market-rate units may be deferred until the unit reaches the Certificate of Occupancy stage. This deferral option is designed to incentivize mixed-income developments that include significant portions of workforce housing.

By offering fee waivers, reimbursements, and deferrals, the City of Prescott seeks to make it financially feasible for developers to include workforce housing in their projects, supporting the growth and vitality of Prescott while meeting the needs of local residents.

Fees Eligibility List (Draft with Flagstaff Examples)

City Department		Fee Type	Reimbursement or Waiver
Community Development			
	Zoning Fees	Rezoning Application Fees	25% Reimbursement
		General Plan Amendment	25% Reimbursement
	Subdivision Fees	Developer Master Plan	50% Reimbursement
		DRB Concept Plan Submittal	Reimbursed
		Preliminary Plat Submittal	Waiver/Reimbursed
		Final Plat Submittal	Waiver
	Site Plan Fees	DRB Site Plan (Formal) Submittal	Waiver
		Concept Plan	Reimburse
		P&Z Review/Approval	Waiver
	Building Plan Review, Permit, and Inspection Fees	Building Permit Deposit Fees	Excluded
		Building Permit Fees	Waiver
		Plan Check Fees	Waiver
		Public Improvement Permit Fees	Waiver
		Plan Review Engineering	Waiver
		Over-the-Counter Permit Fees (standalone)	Excluded
		Development Fee (Impact Fees)	Reimburse
Utilities Department		Development Fee (Impact Fees)	Reimburse

Waiver and Reimbursement Scale (based on AMI served) for project providing up to 20% Workforce Housing (Draft with Flagstaff Examples)

AMI Served	Percentage Waived or Reimbursed
60-70% AMI	100%
71-90% AMI	75%
91-120% AMI	25%

Waiver and Reimbursement Scale (based on AMI served) for project providing greater than 20% Workforce Housing (Draft with Flagstaff Examples)

AMI Served	Percentage Waived or Reimbursed
60-80% AMI	100%
81-100% AMI	75%
101-120% AMI	25%

If a developer designs and constructs units that meet all mandatory and voluntary energy code expectations within a workforce housing development (minimum of 20% workforce units), the developer may receive a 100% waiver and/or reimbursement for all units.

Section 2.b: Prioritization and Expedited Review

The City of Prescott is committed to prioritizing workforce housing developments as part of its broader strategy to ensure attainable housing options are available for residents. To facilitate timely and efficient development, workforce housing projects will be eligible for expedited review throughout the post-entitlement planning and permitting process. The City aims to streamline these projects, ensuring they move through the approval stages faster than conventional development projects.

Prioritization and Expedited Review

Workforce housing developments will be **prioritized** in the City’s planning and permitting processes. City staff will work closely with applicants to fast-track reviews, inspections, and approvals. The goal is to expedite the review process while ensuring compliance with all relevant regulations. A timeline for review will be negotiated and included in a development agreement.

Development Types and Review Process

For the following types of developments, the applicant and City staff will jointly establish an expedited review timeline:

- **Multi-Family Developments**
- **Mixed-Use Developments**
- **Site Plans**

- **Single-Family Subdivisions**

Review timelines for **workforce housing units** may be reduced by up to **50%** compared to conventional development timelines, provided that a minimum of **10% of the units are designated as workforce housing**. If the developer wishes to have **market-rate units** included in the expedited review process, the developer must commit to providing **more than 20% workforce units** within the development. In this case, the City will encourage the submission of like units in a **block submittal** to further streamline the process.

Incentives and Commitments

Applicants are encouraged to commit to workforce housing incentives by the time of **Preliminary Plat approval**. The Community Development Director or designee will assess requests for exceptions to this timeline on a case-by-case basis.

Shared Responsibility for Timely Review

While the City is committed to expediting the review process, the speed of review depends significantly on the quality of the applicant's submittals and their responsiveness throughout the process. Developers must promptly address corrections, respond to comments, and ensure timely compliance with City requirements. Expedited review may be discontinued if the developer fails to meet these responsibilities.

Requirements for Expedited Review

In order to qualify for expedited review through the entitlement process, applicants must submit an **Workforce Housing Proposal** signed by the **Community Development Director or designee**, certifying the developer's commitment to workforce housing. This proposal must be attached to the development submittal for it to be eligible for expedited processing.

Additionally, for **Engineering and Development Services Reviews**, the applicant must include a copy of the **Workforce Housing Certification Letter** from the Housing section at the time of **Final Plat** or **Site Plan approval**. This certification ensures that the project is committed to the workforce housing goals and meets all required standards.

Compliance with Building Codes

All new buildings must comply with the building codes in effect on the day the **building permit application** is submitted. A copy of the **Workforce Housing Certification** (provided by the Housing section) must accompany each permit application for workforce units. All related documents and applications can be retrieved at the **Community Development front counter**.

By prioritizing workforce housing and streamlining the development process, the City of Prescott aims to address the growing demand for workforce housing while supporting developers in meeting the community's needs. This expedited process is designed to encourage the timely delivery of workforce housing projects, helping to build a stronger, more sustainable Prescott.

Section 2.c: Modification of Development Standards

To address the need for workforce housing, the City of Prescott recognizes the importance of creating a flexible regulatory environment that encourages developers to pursue workforce housing projects. As part of this effort, the City will modify certain development standards to reduce barriers and incentivize the construction of workforce housing. These modifications will provide greater flexibility while ensuring that developments align with community goals and maintain the city's character.

Key modifications include:

- **Fee Waivers and Reductions:** As discussed in Section 2.a
- **Expedited Review Process:** As discussed in Section 2.b
- **Density Bonuses:** The City will allow increased residential density in designated areas for developments that include a significant percentage of workforce housing units. These density bonuses will enable developers to build more units per acre than typically allowed under current zoning regulations.
- **Reduced Parking Requirements:** Developments that meet workforce housing criteria will be eligible for reduced parking requirements. This measure will lower development costs, particularly for projects located near public transportation or within walking distance of key employment centers.
- **Height and Setback Flexibility:** The City may grant variances for building height and setbacks for workforce housing projects in certain areas, particularly in mixed-use or infill development zones. This flexibility will maximize the use of land while maintaining appropriate buffers and respecting neighborhood contexts.

By incorporating these modifications to existing development standards, the City of Prescott aims to create a more supportive environment for the construction of affordable workforce housing, helping to meet the housing needs of our local workforce while preserving the character and livability of our community.

Section 2.d: Zoning

The City of Prescott recognizes zoning as a powerful tool to incentivize workforce housing. By offering targeted zoning incentives, the City seeks to encourage developers to integrate workforce housing into new developments and expand housing options for moderate-income workers. Key zoning incentives include the promotion of diverse housing types, increased density allowances, and streamlined processes for qualifying projects.

Key strategies include:

- **Accessory Dwelling Units (ADUs):** The City will support and encourage the development of accessory dwelling units (ADUs) on residential properties to increase housing options. Zoning regulations will be modified to allow ADUs by right in most residential zones, with reduced requirements for parking, setbacks, and lot size. This will enable homeowners to create additional workforce housing units in established neighborhoods without significant changes to community character.
- **Workforce Housing Types:** Zoning will accommodate a variety of housing types, including factory built, manufactured, and site built, duplexes, townhomes, small-scale multifamily units, and mixed-use developments, particularly in areas near employment centers, transit, and services. This diversification of housing types will provide more affordable options for the City's workforce while promoting neighborhood diversity.
- **Density Bonus Program:** To further incentivize workforce housing, the City will offer density bonuses in exchange for including a percentage of workforce housing units in residential developments. Developers who voluntarily dedicate a portion of their units to workforce housing will be permitted to build at higher densities than typically allowed under current zoning laws. This increase in allowable units can improve the financial viability of projects that serve moderate-income residents.
- **Voluntary Workforce Housing Inclusion:** The City will promote voluntary workforce housing inclusion by offering flexible zoning regulations for developers who incorporate workforce housing into their projects. These incentives may include relaxed height restrictions, reduced parking requirements, or modified setback standards, particularly in areas designated for higher-density or mixed-use developments. By opting into this program, developers can benefit from streamlined approval processes and additional project flexibility.

- **Project Qualifications:** For a project to qualify for workforce housing zoning incentives, a defined percentage of the units must be affordable to households earning between 60% and 120% of the Area Median Income (AMI). Developers will be required to maintain affordability for a specified period, ensuring that the benefits of workforce housing are long-lasting and accessible to local workers.

By using zoning as an incentive, the City of Prescott seeks to foster innovative housing solutions, encourage private sector participation, and increase the availability of affordable workforce housing. These measures aim to support local economic stability, reduce commuting times for workers, and strengthen Prescott's overall quality of life.

Section 2.e: Water Policy

The City of Prescott recognizes that access to water resources is a critical factor in the development of new housing projects, including workforce housing. To support the development of attainable housing for local workers, the City will offer specific water policy incentives aimed at reducing water-related costs and streamlining access to water resources for qualifying workforce housing developments. These incentives will align with the City's broader water management goals while promoting sustainable growth.

Key water policy incentives include:

- **Water Allocation Prioritization:** Workforce housing developments that meet the City's criteria will be prioritized for water allocation within the City's available water resources. By giving priority to these projects, the City aims to ensure that developers can secure the necessary water rights and connections to proceed with construction in a timely manner.
- **Reduced Water Resource Fees:** To encourage the construction of workforce housing, the City will offer reductions or waivers for water resource development fees for projects that dedicate a defined percentage of units to workforce housing. This reduction in upfront costs will make workforce housing projects more financially viable, supporting their successful completion.
- **Water Efficiency Incentives:** Developments that incorporate advanced water-saving technologies or sustainable landscaping practices will be eligible for additional incentives. These may include further fee reductions or expedited permitting processes. By promoting water-efficient designs, the City aims to balance housing growth with long-term water conservation goals.
- **Streamlined Water Permitting Process:** Workforce housing developments will benefit from an expedited water permitting process. This streamlined approach will reduce delays and simplify the approval of necessary water infrastructure for

qualifying projects. The City's expedited process will help accelerate the timeline for bringing workforce housing units to market.

- **Workforce Housing Water Policy Reference:** Developers and stakeholders are encouraged to refer to the Workforce Housing section of the City of Prescott's Water Policy for detailed guidance on the specific water-related incentives available to workforce housing projects. This section outlines all relevant water use standards, resource allocation processes, and sustainability requirements that apply to workforce housing developments.

By integrating water policy incentives into the City's workforce housing strategy, Prescott seeks to promote workforce housing solutions while ensuring responsible water management practices. These incentives are designed to reduce financial and regulatory barriers, making it easier for developers to contribute to the City's workforce housing supply.

Section 2.f: Employee Incentives

The City of Prescott is committed to fostering a stable and thriving workforce by addressing the housing needs of its employees. To support this goal, the City's Human Resources Department will actively explore and implement incentives related to workforce housing, aimed at enhancing the recruitment and retention of qualified employees who contribute to the success and well-being of our community.

The City recognizes that access to affordable, high-quality housing plays a significant role in attracting and retaining skilled employees. As part of this commitment, the Human Resources Department will focus on the following strategies:

- **Employee Housing Assistance Programs:** The City will explore potential programs that provide direct assistance to employees seeking housing within Prescott. This may include down payment assistance, rental subsidies, or housing stipends for employees who meet specific criteria, particularly those in key public service roles.
- **Partnerships with Workforce Housing Developers:** The City will seek to collaborate with developers and community organizations to reserve a portion of workforce housing units for City employees. These partnerships aim to create priority access to workforce housing options that are conveniently located near employment centers and city services.
- **Housing Education and Resources:** The Human Resources Department will continue to provide resources and information to employees on available workforce housing opportunities, housing assistance programs, and pathways to homeownership. These efforts will help employees navigate the housing market and access options that meet their needs.

- **Exploring Additional Incentives:** The City will actively explore and identify new opportunities and incentives that can further support employees in securing housing. This may include evaluating the feasibility of employer-assisted housing programs, advocating for expanded housing benefits, and integrating housing support into the City's overall benefits package.
- **Boosting Employee Recruitment and Retention:** By offering workforce housing incentives, the City aims to improve its ability to recruit and retain highly qualified employees, particularly in roles critical to public service and community development. Providing employees with stable and attainable housing options strengthens the City's workforce and ensures that those who serve the community can also live and thrive within it.

The City of Prescott will continue to prioritize workforce housing as a key component of its overall employee recruitment and retention strategy, ensuring that City employees have access to housing solutions that support their long-term success and connection to the community.

Section 3: Revitalization and Infill

The City of Prescott is committed to encouraging the revitalization of underutilized areas and supporting infill development to address the growing need for workforce housing. By focusing on the redevelopment of existing sites and encouraging higher-density, mixed-use projects in strategic areas, the City aims to create workforce housing opportunities while enhancing the vibrancy and sustainability of established neighborhoods.

Key incentives for revitalization and infill development include:

- **Priority for Infill Projects:** The City will prioritize workforce housing projects located on vacant, underdeveloped, or underutilized sites within the city's existing urban areas. By encouraging the reuse of land and buildings, the City aims to reduce sprawl, leverage existing infrastructure, and promote more efficient land use. These projects will be given expedited permitting processes and consideration for additional development incentives.
- **Financial Incentives for Revitalization:** Workforce housing projects that involve the rehabilitation of existing buildings or the redevelopment of blighted or distressed properties will be eligible for financial incentives. These may include reduced development impact fees, tax abatements, or access to grant funding for infrastructure improvements. These incentives are designed to make revitalization projects more financially attractive to developers.
- **Zoning Flexibility for Infill Sites:** Infill development that includes a workforce housing component will be eligible for flexible zoning standards, such as reduced minimum lot sizes, increased building heights, and modified parking requirements. This flexibility will allow developers to maximize the potential of infill sites, particularly in areas where higher densities are appropriate and desirable.
- **Mixed-Use Development Encouragement:** To create vibrant, walkable communities, the City will incentivize mixed-use developments that combine workforce housing with commercial, retail, or public spaces. Such projects will be encouraged in designated revitalization districts, downtown areas, and near transit hubs, contributing to both housing affordability and economic development.
- **Public-Private Partnerships for Infill Housing:** The City will seek to form public-private partnerships to facilitate workforce housing development in infill areas. These partnerships may include land acquisition assistance, infrastructure support, or coordination with community development organizations to advance workforce housing projects that benefit both developers and the community.
- **Sustainability and Historic Preservation:** Workforce housing projects that incorporate sustainable building practices or that preserve and restore historic

properties as part of their revitalization efforts will be eligible for additional incentives. These may include green building certifications, energy efficiency grants, or special zoning variances to accommodate preservation goals.

By focusing on revitalization and infill development, the City of Prescott aims to create new workforce housing opportunities in well-established neighborhoods, reduce development pressure on open spaces, and promote a sustainable, resilient community. These efforts will help ensure that workforce housing is available in areas with access to jobs, services, and transportation, while also enhancing the city's economic vitality.

Section 4: Pre-Approved Plans Program

The City of Prescott will establish a **Pre-Approved Plans Program** to support the timely and cost-effective development of workforce housing. This program, modeled after successful initiatives like Yavapai County's *Home of My Own* program, will offer a selection of pre-approved housing designs and layouts tailored to meet workforce housing needs. By providing developers and builders with streamlined design options, the City aims to reduce development costs, expedite project timelines, and promote the construction of workforce housing units.

Key features of the Pre-Approved Plans Program include:

- **Selection of Pre-Approved Designs:** The City will curate a variety of workforce housing designs, including options for single-family homes, duplexes, townhomes, and small multifamily units. These designs will adhere to local building codes and design standards, providing developers with ready-to-use plans that meet workforce housing requirements.
- **Expedited Review Process:** Projects using pre-approved designs will benefit from an expedited permitting and review process. Since the plans have already undergone pre-approval, builders and developers can bypass the typical review process for design compliance, significantly reducing the time needed to start construction.
- **Cost Savings for Developers:** By offering pre-approved plans, the City aims to reduce architectural and design costs for workforce housing projects. Developers and builders will be able to select from a range of affordable, high-quality designs without incurring the expense of custom architectural services, lowering overall project costs.
- **Adaptability for Different Lot Sizes and Needs:** The pre-approved plans will be adaptable for various lot sizes and configurations, making them suitable for infill projects, mixed-use developments, and traditional neighborhood settings. This flexibility ensures that the designs can accommodate the diverse needs of workforce housing projects throughout the city.
- **Sustainability and Efficiency:** The pre-approved housing designs will incorporate modern building practices and materials to promote energy efficiency and sustainability. This not only benefits residents by lowering utility costs but also aligns with the City's long-term environmental and housing goals.
- **Design Compatibility:** All pre-approved designs will be developed with Prescott's character in mind, ensuring that new workforce housing developments blend seamlessly into existing neighborhoods and contribute to the city's aesthetic and architectural standards.

By implementing the Pre-Approved Plans Program, the City of Prescott aims to simplify the workforce housing development process, incentivize builders to pursue workforce housing projects, and ensure that new housing is both cost-effective and of high quality. This program will contribute to the City's efforts to increase the availability of workforce housing while maintaining the charm and livability of Prescott's communities.

Section 5: Funding

To support the development and expansion of workforce housing in Prescott, the City will employ a diverse range of funding strategies designed to leverage public, private, and philanthropic resources. These funding mechanisms will help bridge financial gaps, making workforce housing projects more feasible and sustainable. The City will focus on the following funding approaches:

- **Voluntary Financial Contributions and Donations:** The City will create avenues for voluntary financial contributions from individuals, businesses, and organizations interested in supporting workforce housing initiatives. These contributions, which can include monetary donations, land donations, or materials, will be used to fund workforce housing projects, offset development costs, or provide down payment assistance to qualified homebuyers. Contributors may be recognized publicly, fostering a sense of community involvement in solving Prescott's housing challenges.
- **Grant Funding Opportunities:** The City will actively pursue state, federal, and private grant funding to support workforce housing development. This may include applying for housing-related grants from the U.S. Department of Housing and Urban Development (HUD), the Arizona Department of Housing, and other relevant agencies. Grant funding will be used to directly support the construction of new workforce housing units, infrastructure improvements, and rehabilitation of existing properties for workforce housing.
- **Grant Distribution and Pass-Through Programs:** The City will serve as a facilitator for distributing grant funds to local developers, non-profit organizations, and housing agencies engaged in workforce housing projects. As a grant pass-through entity, the City will apply for large-scale grants and distribute funds to eligible projects that meet workforce housing criteria. This ensures that local initiatives have access to financial resources while maintaining accountability and compliance with grant conditions.
- **Workforce Housing Trust Fund:** The City will explore the establishment of an Workforce Housing Trust Fund specifically earmarked for workforce housing. This fund could be supported through voluntary contributions, a portion of development fees, or other dedicated revenue streams. The trust fund would provide a stable, ongoing source of funding to support workforce housing projects, including land acquisition, construction, and down payment assistance programs.
- **Public-Private Partnerships (P3):** The City will seek to create public-private partnerships (P3s) that leverage private investment in workforce housing development. These partnerships could involve financial contributions, land use agreements, or shared resources between the City and private developers. The

City will also explore opportunities for low-interest loans or other financial incentives to encourage private-sector investment in workforce housing projects.

- **Incentives for Philanthropic Support:** The City will encourage philanthropic organizations and community foundations to support workforce housing efforts through donations and grant-making. The City will work to develop relationships with local and national foundations that have an interest in workforce housing, workforce development, and community sustainability.

By employing these diverse funding strategies, the City of Prescott aims to create a robust financial foundation for workforce housing development. This approach will reduce financial barriers for developers, increase the availability of attainable housing for local workers, and ensure that Prescott's workforce housing policy has the long-term financial backing necessary to meet the community's housing needs.

Section 6: Real Property

The availability and strategic use of real property play a crucial role in supporting the development of workforce housing in the City of Prescott. By leveraging both City-owned and privately held properties, the City aims to increase the supply of attainable housing for local workers. This approach will involve making surplus City-owned properties available for workforce housing projects, as well as working collaboratively with private property owners to encourage the development of such housing.

- **City-Owned Property**

The City of Prescott will identify and make surplus, vacant City-owned properties available for workforce housing development. These properties, which have no designated uses or purposes such as infrastructure or essential public services, will be prioritized for projects that align with the community's workforce housing needs. The City will focus on the following strategies:

- **Property Inventory:** The City will conduct an ongoing review and inventory of its property holdings to identify parcels that are vacant, underutilized, or surplus. Properties that are suitable for workforce housing development, particularly those in proximity to employment centers, transportation, and essential services, will be considered for repurposing.
- **Prioritizing Community Needs:** The City will prioritize workforce housing projects that address pressing community needs, such as housing for essential workers, public safety personnel, and moderate-income families. Projects that demonstrate long-term affordability, sustainability, and alignment with the City's housing goals will be given preference.
- **Disposition and Public-Private Partnerships:** Surplus City-owned properties may be offered through competitive processes to developers who commit to creating workforce housing. Public-private partnerships (P3s) will be encouraged, allowing the City to partner with developers to bring these projects to fruition. Additionally, the City may offer long-term leases or discounted sales prices to incentivize development on these sites.

- **Private Property**

The City of Prescott will work collaboratively with private property owners to explore opportunities for the development of workforce housing on privately held land. By offering technical assistance and potential incentives, the City seeks to encourage the private sector to contribute to addressing workforce housing shortages. Key approaches include:

- **Technical Assistance:** The City will offer technical assistance to private property owners and developers interested in pursuing workforce housing projects. This support may include guidance on zoning regulations, site

feasibility assessments, and navigation through the City's permitting processes. The goal is to reduce the complexities of development and provide property owners with clear pathways to participate in workforce housing efforts.

- **Incentives for Private Development:** To encourage private property owners to develop workforce housing, the City will explore offering incentives such as density bonuses, expedited permitting, reduced development fees, and flexible zoning options. These incentives aim to make workforce housing projects more attractive and financially feasible for private landowners and developers.
- **Partnership Opportunities:** The City will actively seek opportunities to facilitate partnerships between private property owners and housing developers. By connecting interested property owners with developers who have experience in workforce housing, the City can help foster collaborations that lead to successful housing projects.

By utilizing both City-owned and private property, Prescott aims to increase the availability of workforce housing, reduce development barriers, and meet the growing housing needs of its workforce. This dual approach will allow for more strategic and efficient use of land, ensuring that the City's workforce housing goals are met while maintaining community values and sustainability principles.

Section 7: Implementation and Monitoring

To ensure the success of Prescott's workforce housing policy, the City will establish a comprehensive approach to implementing and monitoring workforce housing initiatives, incentives, and programs. This approach will involve dedicated staff, clear accountability for developers, and the creation of educational resources for both the workforce and developers. These efforts will ensure that workforce housing projects meet community needs and are completed efficiently and with high standards.

Section 7.a: Workforce Housing Designated Staff

To effectively manage workforce housing initiatives, the City will designate staff responsible for coordinating and overseeing the implementation of workforce housing programs. These staff members will play a critical role in:

- **Program Coordination:** Designated workforce housing staff will ensure that various initiatives, including financial incentives, zoning modifications, and pre-approved housing plans, are integrated and aligned with the City's broader housing goals.
- **Developer and Stakeholder Support:** Staff will serve as the primary point of contact for developers, builders, and property owners interested in workforce housing projects. They will provide guidance on incentives, assist with permitting processes, and facilitate communication between stakeholders and City departments.
- **Monitoring and Reporting:** The designated staff will be responsible for tracking the progress of workforce housing projects, ensuring that initiatives are meeting their intended goals. Regular reports will be provided to City leadership and the community on the status of projects, funding allocation, and program effectiveness.

Section 7.b: Developer Accountability, Project Quality, and Timeframes

Ensuring accountability and maintaining high standards for workforce housing projects is critical to their long-term success. The City will implement measures to ensure that developers meet their commitments and that projects adhere to quality and completion deadlines:

- **Developer Accountability:** Developers who receive incentives or assistance from the City will be required to meet specific performance benchmarks, including delivering a defined percentage of workforce housing units, maintaining affordability standards, and adhering to environmental and design guidelines. Regular progress reviews will be conducted to ensure compliance.
- **Phased Inclusion of Workforce Housing:** To ensure equitable distribution of workforce housing units throughout development, each phase of a project must include an equal percentage of the required workforce housing units. Developers

are prohibited from deferring the construction of workforce housing until the final phases of the project. This phased approach ensures that workforce housing is integrated consistently from the start, preventing any delays or concentration of workforce units at the end of the development. Failure to meet this requirement may result in penalties or the revocation of previously granted incentives.

- **Quality Standards:** Workforce housing developments will be required to meet or exceed established quality standards for construction, sustainability, and livability. This includes the use of durable materials, energy-efficient designs, and maintaining aesthetic compatibility with surrounding neighborhoods.
- **Project Timeframes:** To prevent delays, developers will be required to adhere to agreed-upon project timelines. The City may impose penalties or revoke incentives if significant project delays occur without valid cause. Conversely, developers who complete projects ahead of schedule may be eligible for additional incentives.

To enforce developer accountability, the City of Prescott could implement the following penalties for developers who fail to meet performance benchmarks, quality standards, project timeframes, or deliver the agreed-upon percentage of workforce housing units:

- **Revocation of Incentives:** Developers who do not meet the required benchmarks could lose access to the incentives initially granted, such as density bonuses, reduced fees, or expedited permitting. The City could revoke these benefits either partially or entirely.
- **Fines or Penalties:** Financial penalties could be imposed for failing to meet deadlines or deliver the agreed percentage of workforce housing units. These fines could escalate depending on the extent of non-compliance or delays.
- **Withholding Occupancy Permits:** The City could withhold final occupancy permits until the developer meets the agreed-upon workforce housing requirements. This would prevent developers from completing or selling units until they comply.
- **Clawback Provisions:** Developers could be required to repay any financial incentives, grants, or fee reductions they received if they fail to deliver the required workforce housing units.
- **Project Completion Bonds:** The City could require developers to post a bond or financial guarantee at the start of the project, ensuring funds are available to complete the workforce housing units. If the developer fails to deliver, the City could use the bond to complete the work.
- **Disqualification from Future Projects:** Developers who consistently fail to meet performance benchmarks could be barred from participating in future workforce housing projects or receiving incentives on future developments within the City.

These consequences would serve as strong deterrents, ensuring that developers remain accountable to their commitments and contribute to the City's workforce housing goals.

Section 7.c: Workforce Housing Educational Guidebooks

To support both the workforce and developers in understanding and navigating workforce housing initiatives, the City will develop and distribute comprehensive educational guidebooks tailored to their specific needs.

- **Workforce Housing Guidebook for the Workforce:** This guidebook will provide information for residents seeking workforce housing, including eligibility criteria, available housing options, and how to apply for housing assistance programs. It will also educate residents about the benefits of workforce housing and how it supports the community's long-term sustainability and growth.
- **Developer Guidebook:** A separate guidebook will be created for developers, providing a clear overview of the City's workforce housing incentives, zoning modifications, design requirements, and available pre-approved plans. The guidebook will also outline the steps to access financial support, water incentives, and technical assistance, along with the accountability standards that developers must meet to qualify for these programs.

By implementing a structured approach to monitoring, accountability, and education, the City of Prescott aims to ensure the effective delivery of its workforce housing policy. This strategy will help build trust with the community and developers, increase housing availability, and contribute to the economic and social health of Prescott.

Section 8: Definitions

To ensure clarity and consistency in the City of Prescott's workforce housing policy, the following key terms and their definitions are provided. These definitions will serve as a reference for stakeholders, developers, and residents involved in workforce housing initiatives.

- **Accessory Dwelling Unit (ADU):** A secondary housing unit located on the same lot as a primary residence. ADUs can be used as rental housing or additional living space, and they provide an option for increasing workforce housing without significant new construction. Per the State of Arizona, municipalities cannot restrict ADUs from being used as short-term rentals.
- **Area Median Income (AMI):** The midpoint of household incomes in a specific geographic area, as determined annually by the U.S. Department of Housing and Urban Development (HUD). AMI is used to set eligibility thresholds for workforce and affordable housing programs.
- **Density Bonus:** An incentive that allows developers to build more units than typically permitted under current zoning regulations in exchange for providing a certain percentage of workforce housing units within their development.
- **Developer Accountability:** The set of expectations and performance benchmarks that developers must meet when receiving incentives or assistance from the City. This includes delivering a certain percentage of workforce housing units, adhering to project quality standards, and meeting agreed-upon timeframes.
- **Grant Pass-Through Programs:** Programs in which the City receives grant funds from state or federal sources and distributes them to local developers, non-profits, or housing agencies for workforce housing projects.
- **Infill Development:** The process of developing vacant or underutilized land within already developed urban areas. Infill development is encouraged to maximize existing infrastructure, reduce urban sprawl, and provide housing closer to jobs, services, and transportation.
- **Mixed-Use Development:** A development that combines residential, commercial, and/or retail spaces within a single property or district. Mixed-use developments are often encouraged in workforce housing projects to create walkable, vibrant communities with convenient access to amenities.
- **Pre-Approved Plans Program:** A City initiative that provides developers with a selection of pre-approved housing designs and layouts, specifically designed for workforce housing. This program expedites the permitting process and reduces architectural design costs for developers.
- **Project Timeframes:** The scheduled period during which a developer is expected to complete certain phases of a workforce housing project. Failure to meet timeframes may result in penalties or the revocation of incentives.
- **Public-Private Partnership (P3):** A collaborative agreement between a public entity, such as the City of Prescott, and a private developer or organization to finance, build, or manage a workforce housing project. These partnerships are

often used to pool resources and reduce costs for workforce housing developments.

- **Surplus City-Owned Property:** City-owned land that is vacant or underutilized, with no current or future designated uses such as infrastructure or public services. The City may make surplus property available for workforce housing projects that align with community needs.
- **Voluntary Financial Contributions:** Monetary donations from individuals, businesses, or organizations aimed at supporting workforce housing programs and developments. These contributions may fund housing assistance programs, development subsidies, or housing project costs.
- **Workforce:** Generally, based on HUD and ULI definitions plus local statistics and research, the City of Prescott defines workforce as those that earn about 60%-120% of the area's median income. Workforce includes those employed in occupations vital to a community's functioning across areas like education (teachers), healthcare (nurses), public safety (police officers and firefighters), construction, and other key services.
- **Workforce Housing:** Workforce housing refers to residential properties, such as apartments or homes, that are designed to be affordable for individuals and families. This is different from a direct government subsidized housing program (the City of Prescott does not have a Housing Authority). The goal is to offer housing that is no more than 30% of their household gross income, including utilities, prioritizing and coordinating a vetting process to identify those with the greater need.
- **Workforce Housing Trust Fund:** A dedicated fund used to support the development and preservation of workforce housing. Contributions to the fund may come from voluntary donations, development fees, or other sources of revenue.



TO: MAYOR AND CITY COUNCIL
AGENDA: November 6 Workforce Housing Meeting
DATE: November 6, 2024
DEPT: City Manager
ITEM #: 4.A
SUBJECT: Staff Announcements & Discussion Regarding Future Agenda Items.

ITEM SUMMARY

Staff will provide necessary updates, review goal progress, and discuss future agenda items. The committee will also use this opportunity to request the Chair and Vice Chair put certain items on future agendas.

Items for update: Participate Prescott website, possible Town Hall Dates, updates for WHC goal list, and update regarding the housing needs assessment

BACKGROUND

None.

FINANCIAL IMPACT

None.

RECOMMENDED ACTION

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

ATTACHMENTS

1. Updates for WHC Goals List 11.6.24

Draft Goal Tracking Matrix

Short Term Goals (1-3 years)				Priority	Status	Notes
1	Pursue Match Funding for a Full-Time Workforce Housing Facilitator Position OR Engage a Third Party to act in this role.		2	In Progress	Request to find a consulting firm or contract employee was approved by Council with a preference of a consulting firm 10.8.24	
	Objective 1: Identify Funding Sources (I.e. Stakeholder Contributions, Grants, Matching City funds, etc.)			In Progress	1 Grant received from AZDOH SHTF so far for a total of \$200,000	
2	Formalize a Third-Party Stakeholder Organization Group		1			
	Objective 1: Hold a Third-Party Stakeholder Meeting in First Quarter 2024. Initial invitees to include Dignity Health, Yavapai College, PUSD, CAFMA, Prescott VA, Prescott Chamber of Commerce, Yavapai County, YCSO, other regional partners, etc.			Complete	Second stakeholder meeting will be planned alongside the housing needs assessment process	
	Objective 2: Gauge Interest and Select Organization Type (I.e. Community Land Trust, Regional Housing Authority, etc.)			Not Started		
3	General Plan Housing Element Draft			Completed		
	Objective 1: Finalize Draft for General Plan Committee Consideration –			Completed		
4	Create Two Separate Educational Packets		7		To be done by consulting firm or contract employee	
	Objective 1: To Encourage Developers/Builders			Not Started		
	Task 1: Meet with Developers, Builders, and Other Entities to Understand Best Practices and Incentives that Encourage Workforce Housing Development			Not Started		
	Objective 2: To Help the Workforce Know What Options (I.e. Financial Programs, Housing Programs, etc.) Are Available			Not Started		
5	Research the Best Financial Program Solutions for the City and Stakeholders		5			
	Objective 1: Investigate financial programs including but not limited to Down Payment Assistance, Mortgage Assistance, Rental Assistance and Rent-to-Own Options.			Not Started	Will be part of the policy but for HR to look into with consulting firm/contract employee on what is reasonable for the City	
6	Accessory Dwelling Unit (“ADU”) Code Revision		6	Completed		
	Objective 1: Work with Planning Staff to Propose Code Modification that Encourages and Incentivizes ADU Construction to Increase Supply for Long-Term Rentals that can Serve as Workforce Housing			Completed	Recommendations were passed on to P&Z, approved to recommend to Council at 10/10/24 P&Z Meeting	
7	Create a Workforce Housing Policy for Council Consideration		4	In Progress	Starting November 2024, staff will bring draft policy for review	
	Objective 1: Research Ways to Prioritize Workforce Housing Projects within Current City Policies (I.e. Water Management Policy), as well as in Current City Codes (I.e. Building and Wildland Urban Interface Codes)			In Progress		
	Objective 2: Research Voluntary Contributions from New Commercial, Residential, and Other Development Projects (I.e. Housing Projects include percentage of Workforce Housing, Landscaping Code Adjustments, Hotels include Housing Options for Employees, or other Contribution)			In Progress		

	Objective 3: Revitalization Incentives and Adaptive Reuse Strategy		In Progress	
8	Create a City Program similar to the Yavapai County Home of My Own Program	8	In Progress	Will be included in the policy with the consulting firm/contract employee working with Com Dev to create the program
	Objective 1: Meet with Building Division on Feasibility		Not Started	
	Objective 2: Research Cost-Benefit to Initiating Program		Not Started	
9	Community Outreach	3	In Progress	
	Objective 1: Create a communications plan including but not limited to:			
	Task 1: an Education Packet with City Communications Office		Completed	
	Task 2: Engage with Local Groups and Clubs Using Standardized Messaging		Not Started	Standardized Messaging created - outreach not started
	Task 3: Maintain Neighborhood Integrity with Consistent and Compatible Housing Types		Not Started	
10	Set Up a Fund Account for Workforce Housing		Complete	
	Long Term Goals (3-5 years):	Priority	Status	Notes
1	Facilitate or Partner in Creating a Tangible Product		Not Started	
2	Create a Regional Workforce Housing Strategic Plan		Not Started	
3	Identify the Number of Units Needed		In Progress	Will likely be determined by housing needs assessment