



City of Prescott

City Council - Study Session

January 13, 2026 | 1:00 PM
201 N Montezuma Street
City Council Chambers, 1st Floor
Prescott, AZ 86301

AGENDA

The following Agenda will be considered by the **Prescott City Council** at its **Study Session** pursuant to the Prescott City Charter, Article II, Section 13. Notice of the meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02. One or more members of the Council may be attending the meeting through the use of a technological device.

Viewing & Participation

This meeting may be viewed on Channel 64, Facebook Live or on the City's website: [City of Prescott Live Meeting Feed](#)

Public comments for Council may be submitted through the City website: [Public Comment Form](#)

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **DISCUSSION**

A. Presentation & Discussion by Pollack and Company Regarding the City's Workforce Housing Strategy and Implementation.

4. **ADJOURNMENT**

Upon a public majority vote of a quorum of the City Council, the Council 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 1/8/26 at 11:00 a.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.

Sarah M. Thornhill

Sarah M. Thornhill, City Clerk



TO: MAYOR AND CITY COUNCIL
AGENDA: January 13 Study Session
DATE: January 13, 2026
DEPT: Community Development
ITEM #: 3.A
SUBJECT: Presentation & Discussion by Pollack and Company Regarding the City's Workforce Housing Strategy and Implementation.

ITEM SUMMARY

This item is for Elliot Pollack and Company to provide an update on the development of the Workforce Housing Strategic Plan. The presentation will include progress to date, preliminary recommendations, and how the strategic plan will complement the City's adopted Workforce Housing Policy Framework.

BACKGROUND

In Spring 2024, the City of Prescott applied for and was awarded a \$200,000 grant from the Arizona Department of Housing (ADOH) through State Housing Trust Funds (Contract Number 911-24) to develop a Local Jurisdiction Affordable Housing Plan in accordance with 2024 Arizona Senate Bill 1162 (SB1162).

On February 25, 2025, City Council approved the selection of Elliot Pollack and Company to complete the grant deliverables (City Contract No. 2025-139). Per the ADOH contract, the City exercised the option to engage a consulting firm in lieu of hiring a permanent Workforce Housing Program Manager. Elliot Pollack and Company conducted a comprehensive Housing Needs Assessment, which included community engagement efforts. The City's Workforce Housing Committee held a well-attended public Workforce Housing Forum on January 30, 2025, and a community survey on Prescott housing needs was conducted through March 31, 2025. Throughout the summer of 2025, Pollack and Company conducted stakeholder interviews regarding workforce housing challenges and barriers.

On September 9, 2025, Elliot Pollack and Company presented the completed Housing Needs Assessment findings to City Council. On November 4, 2025, City Council approved the City's Workforce Housing Policy Framework, which was developed by the City's Workforce Housing Committee. The consultant will now provide an update on the Strategic Housing Plan currently in development. The plan is being designed to complement the adopted Workforce Housing Policy Framework and translate the policy goals into actionable strategies and implementation steps.

FINANCIAL IMPACT

There is no fiscal impact associated with this item at this time.

RECOMMENDED ACTION

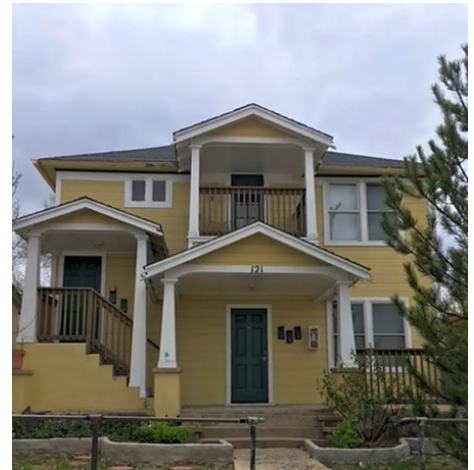
This item is for discussion only. No formal action will be taken.

ATTACHMENTS

1. Prescott Housing Needs Assessment
2. Prescott Workforce Housing Strategy Draft 12-31-25
3. Prescott Workforce Housing Strategy PPT

Housing Needs Assessment

City of Prescott, Arizona



Prepared for:
City of Prescott
May 2025

Prepared by:



Elliott D. Pollack & Company
www.arizonaeconomy.com

Table of Contents

Executive Summary	i
1.0 Background & Methodology	1
2.0 Demographic Characteristics of Prescott Population	2
3.0 Prescott Economy	10
4.0 Housing Market Dynamics	18
5.0 Barriers to Affordable Housing	29
6.0 Affordable Housing Demand & Forecast	33
7.0 Conclusions	41



Executive Summary

The City of Prescott commissioned the preparation of a comprehensive Affordable Housing Needs Assessment to address a perceived shortage of affordable housing in the community. The purpose of the Assessment is to determine the status of the local housing market and how the City's housing market is responding to the needs of current and future residents.

Independent research conducted for this report focused on historical and current housing trends, local demographics, and economic factors such as industry employment and commuting trends. The affordability "gap" for the community - the shortage of units that are needed to provide affordable housing for all segments of the population - was calculated from Census data and housing market data collected for the study. Affordability is determined by using the standard that no more than 30% of a household's income is devoted to housing costs.

Demographic Characteristics of Prescott Population

According to the Arizona Office of Economic Opportunity (OEO), Prescott had a population of 48,082 people as of July 2024. The city is the second largest community in Yavapai County, behind Prescott Valley. Since 2010, Prescott grew at a compounded annual rate of 1.4%, slightly faster than the county's growth rate of 1.3%. The city captured 20% of the county's population growth since 2010.

The population of Prescott has a median age of 60.3 years and a smaller average household size than the statewide average. A significant portion of the population of the city is retired. The prime working cohort in Prescott between the ages of 20-65 represents 44.9% of the population compared to 56.8% for the state. An adequate labor force is needed to provide services to the community including critical services such as police and fire protection. These facts could inhibit Prescott's economic growth.

The median household income in Prescott at \$69,151 in 2023 is higher than the county median but approximately 10% below the state median income. Renter households in Prescott have a median income of \$49,838, lower than the county and state median incomes.

The population forecast for Prescott suggests it will grow to more than 51,380 people by 2030 and to more than 54,280 people by 2040, an increase of 12.9% or 6,198 people. The city is forecasted to capture about 16% of the population increase of Yavapai County by 2040 and remain the second largest municipality in the county.



The above population forecast translates into demand for 3,195 housing units or an average of 213 units per year over the next 16 years. In the last few years, permitting has exceeded these levels with significant construction of duplex and apartment units.

Prescott Housing Demand 2025-2040					
	2025	2030	2035	2040	Total
Population Change	723	2,575	1,577	1,323	6,198
Housing Unit Demand	373	1,327	813	682	3,195
Unit Average/Year		265	163	136	213
Sources: AZ Office of Economic Opportunity, ACS 5-Yr Estimates					

Prescott Economy

Given its size, Prescott has a broad economy that is built on a variety of industries including manufacturing, government, media (publishing and entertainment), health care, and telecommunications. The city's unemployment rate stood at 4.5% as of March 2025, slightly above the state-wide average of 4.0%. This level of unemployment is an indicator of full employment both locally and across the state. The labor force participation rate for Prescott of 42.4% is well below the state average. Age and retirement trends can reduce the labor force participation rate. The percentage of the Prescott population over the age of 65 stands at 40.5% compared to 18.6% for the state which affects the participation rate.

In order for an economy to operate efficiently, it must have employees to provide for the daily needs of its residents as well as the employment needs of its businesses. Despite Prescott's employment growth over the past decade, the data suggests that more than 16,400 workers travel to Prescott for work. Another 11,400 of the City's residents in the workforce leave the community each day for work.

A forecast prepared by the Arizona Office of Economic Opportunity (OEO) between 2023 and 2029 suggests that Prescott's employment base will decline by 540 jobs. While Prescott's employment growth has been modest since 2013, it has been positive, growing at a compounded annual rate of 0.46%. The OEO forecast appears unreasonable given the city's assets including its industrial base near the airport. A growth forecast prepared for this study suggests the city's employment base will increase by 1,777 jobs between 2025 and 2040 to a total of 26,502 jobs.



Housing Market Dynamics

Prescott's housing inventory is comprised of 25,807 units according to the 2023 American Community Survey 5-year estimates with 22,751 of those units (88.2%) occupied on a year-round basis by permanent residents.

Prescott has a slightly higher percentage of single-family detached units, and a lower percentage of multifamily units compared to the state. The Census reports 12.6% of all housing units in Prescott are considered apartments or multifamily (buildings with five or more units in a building) compared to 16.3% statewide. Recent multifamily development may not be reflected in the U.S. Census data.

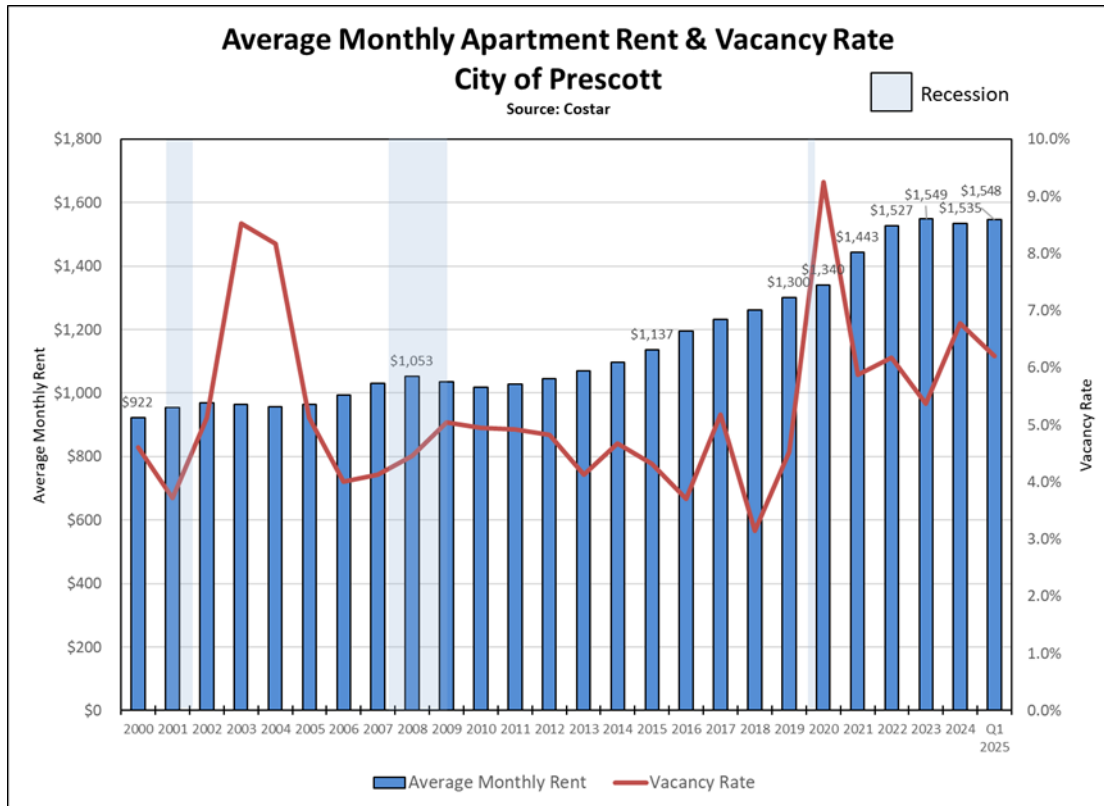
Residential building permit activity has been extremely strong since 2015 reaching a peak of 692 units in 2018. Single family permit activity has been stable over the last few years although there was a sharp drop in 2022 and 2023. Despite the rise in mortgage interest rates and new home prices, 2024 was a strong year. Permits for apartments have also been strong since 2018. Based on this construction activity, growth in Prescott is on pace to meet or exceed OEO's projected population growth over the next five years and beyond.

Apartment Inventory

The City's inventory of traditional market-rate apartment complexes of 1,647 units is comprised of medium sized complexes, the largest being 200 units in size. Missing from the inventory are complexes known as Built-To-Rent (BTR) which have become popular in the last ten years. However, one BTR complex is now under construction and nearing completion. The vacancy rate for traditional apartment units in the first quarter of 2025 is estimated at 6.2% which is close to the normal stabilized rate for the market of about 7%. This vacancy rate indicates the market is stabilized and at equilibrium. The average rent for a market-rate unit in the city in 2024 was \$1,535 per month for an average 808 square foot unit. The average rent ticked up slightly to \$1,548 in the first quarter of 2025.

In addition to the market-rate apartment inventory, there are three affordable complexes totaling 224 units including one senior complex. Another 437 units in four properties are under construction. The pipeline of future multifamily complexes includes 160 units that have been permitted for construction and another 1,278 units, mostly traditional apartments, in the planning stage. Given the current economic and capital markets environment, the timing of when the planned properties may come to market is uncertain.

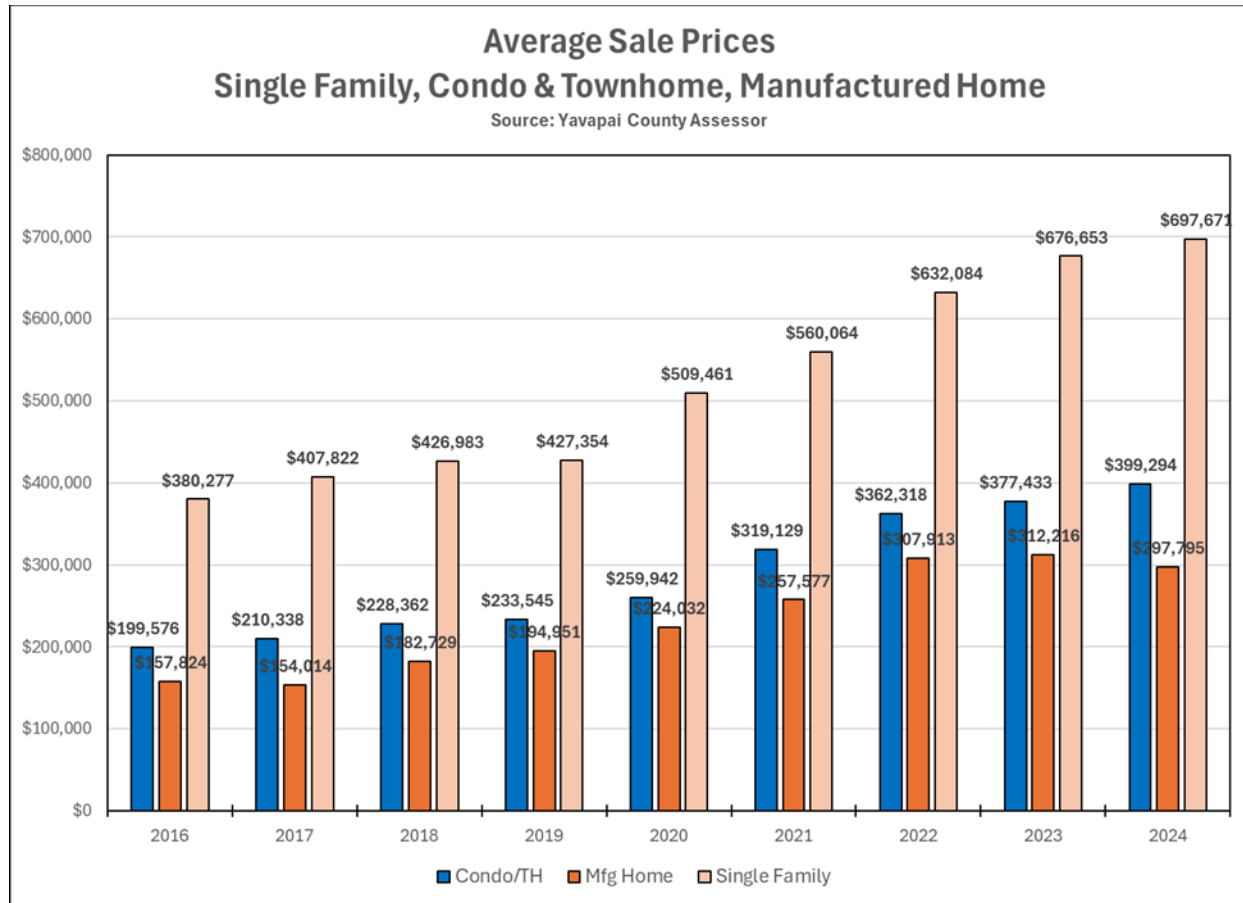




Ownership Housing Market

The price of housing in Prescott has increased dramatically over the past five years. The average single family home price has risen by 63% since 2019 (pre-pandemic) and condo/townhome properties have increased by 71%. That's an increase of \$270,000 for a single family home and \$103,000 for a condo/townhome. Mobile or manufactured homes also increased by a similar amount. Much of that increase occurred in 2021 and 2022 when single family prices jumped by 25%. The number of home sales peaked in 2021 at 2,158 sales but have since fallen to 1,148 in 2024, a 41% decline due to high mortgage interest rates and rising construction costs.





Mobile and manufactured homes are the most affordable housing option with an average price of \$298,000 in 2024. However, the availability of units may be limited with only 60 sales in 2024. Condos and townhomes may also offer some options for more affordable units. About two-thirds of the 121 sales in 2024 occurred at a price under \$400,000 with an average price of \$317,000 and an average age of the unit at 35 years. Additionally, 29 sales were for units priced under \$300,000. Limited inventory is an issue for those searching to purchase a home.

Based on the city median household income of \$69,151, with a 10% down payment and a 6.6% loan, the maximum house value the typical Prescott household can afford is \$243,000. In 2024, out of 1,147 home sales (including condos, townhomes, and manufactured homes), only 76 (6.6%) sold for less than \$300,000. The household income required to afford a housing unit at various price ranges is shown on the following table for the loan plus property taxes, home insurance, and private mortgage insurance. A home or unit with an average price of \$300,000 requires an income of \$80,500.



Prescott 2024 Housing Sales & Required Income											
Price Range	SF Sales	Condo Sales	MH Sales	Total Sales	% of Total	Loan Pmt		Total Pmt		Required Income	
						Min	Max	Min	Max	Min	Max
Less than \$200,000	4	1	10	15	1.3%		\$1,150	\$0	\$1,343	\$0	\$53,709
\$200,000-\$300,000	17	28	16	61	5.3%	\$1,150	\$1,724	\$1,343	\$2,014	\$53,709	\$80,563
\$300,000-\$400,000	51	49	29	129	11.2%	\$1,724	\$2,299	\$2,014	\$2,685	\$80,563	\$107,417
\$400,000-\$500,000	157	22	5	184	16.0%	\$2,299	\$2,874	\$2,685	\$3,357	\$107,417	\$134,272
\$500,000-\$600,000	214	10		224	19.5%	\$2,874	\$3,449	\$3,357	\$4,028	\$134,272	\$161,126
\$600,000-\$700,000	156	3		159	13.9%	\$3,449	\$4,024	\$4,028	\$4,700	\$161,126	\$187,980
\$700,000-\$800,000	127	7		134	11.7%	\$4,024	\$4,598	\$4,700	\$5,371	\$187,980	\$214,835
\$800,000-\$900,000	73			73	6.4%	\$4,598	\$5,173	\$5,371	\$6,042	\$214,835	\$241,689
\$900,000-\$1,000,000	49			49	4.3%	\$5,173	\$5,748	\$6,042	\$6,714	\$241,689	\$268,543
\$1,000,000+	118	1		119	10.4%	\$5,748		\$6,714	\$0	\$268,543	\$0
Number of Sales	966	121	60	1,147	100.0%						

Barriers to Affordable Housing

Overall, the City of Prescott has an abundance of land that can accommodate future population estimates for the foreseeable future. The zoning code and General Plan support residential uses including affordable housing. The primary barriers to affordable housing are the cost of development, water resources, and an anti-growth sentiment.

According to a recent survey of Prescott residents conducted from March to May 2025 concerning affordable housing, 70% of renters indicated they paid more than 30% of their income on housing. Some of the barriers to affordable housing noted by survey respondents were the lack of affordable for-sale units, low wages, and the lack of a down payment. Most felt rents are too high. A recent increase in impact fees by the city may also hinder development of affordable workforce housing units.

Overall, the affordable housing barriers in Prescott are limited to a few issues. The city has available land within its boundaries and future annexation areas to accommodate the projected population growth through 2040. The General Plan supports residential uses, including affordable housing. While the city's Land Development Code (LDC) may require some amendments to bring it into conformance with the Plan, the ordinance is not considered a significant barrier to affordable housing. The primary barriers to affordable housing in Prescott are the cost of development, water resources, and an anti-growth sentiment.

Housing Affordability Gap

The housing affordability gap is the difference between the rents or housing values in a community and the ability of households to afford those rents or values. **Housing affordability**



affects low- and moderate-income households the most, including many critical service occupations such as teachers, police, firefighters, nurses, and service workers.

The following table outlines the housing cost burden for renters in Prescott which totals approximately 3,380 households or 46.6% of all renters. An estimated 27.9% of renter households pay more than 50% of their incomes on housing or 2,026 households. These households are considered severely rent burdened. This latter rent burden is well above the county and state averages.

Renter Housing Cost Burden						
Gross Rent as % of Household Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Total:	7,256		28,846		923,559	
Less than 10.0 percent	164	2.3%	1,342	4.7%	35,020	3.8%
10.0 to 14.9 percent	546	7.5%	2,677	9.3%	70,637	7.6%
15.0 to 19.9 percent	828	11.4%	2,413	8.4%	104,368	11.3%
20.0 to 24.9 percent	1,086	15.0%	4,031	14.0%	115,422	12.5%
25.0 to 29.9 percent	751	10.4%	3,742	13.0%	102,684	11.1%
30.0 to 34.9 percent	550	7.6%	1,933	6.7%	80,245	8.7%
35.0 to 39.9 percent	351	4.8%	1,411	4.9%	62,372	6.8%
40.0 to 49.9 percent	453	6.2%	2,470	8.6%	83,870	9.1%
50.0 percent or more	2,026	27.9%	5,979	20.7%	207,164	22.4%
Not computed	501	6.9%	2,848	9.9%	61,777	6.7%
Total Spending More Than 30%	3,380	46.6%	11,793	40.9%	433,651	47.0%
Total Spending More Than 50%	2,026	27.9%	5,979	20.7%	207,164	22.4%

Source: ACS 2023 5-year estimate

For owner occupants, the housing cost burden is consistent with the statewide average. An estimated 3,257 owner households in Prescott or 21.0% fall into this category. Of that amount, 1,523 households are considered severely rent burdened (9.8%).



Owner Housing Cost Burden						
Homeowner Housing Cost as % of Household Income						
	Prescott Valley		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Occupied housing units:	14,212		80,054		1,873,231	
Less than 10.0 percent	3,509	24.7%	21,750	27.2%	482,151	25.7%
10.0 to 14.9 percent	2,478	17.4%	12,996	16.2%	341,879	18.3%
15.0 to 19.9 percent	2,180	15.3%	12,016	15.0%	295,596	15.8%
20.0 to 24.9 percent	1,509	10.6%	7,660	9.6%	208,141	11.1%
25.0 to 29.9 percent	1,063	7.5%	5,584	7.0%	134,621	7.2%
30.0 to 34.9 percent	622	4.4%	3,795	4.7%	89,783	4.8%
35.0 to 39.9 percent	381	2.7%	2,519	3.1%	59,715	3.2%
40.0 to 49.9 percent	695	4.9%	3,469	4.3%	72,363	3.9%
50.0 percent or more	1,719	12.1%	9,637	12.0%	167,545	8.9%
Not computed	56	0.4%	628	0.8%	21,437	1.1%
Total Spending More Than 30%	3,417	24.0%	19,420	24.3%	389,406	20.8%
Total Spending More Than 50%	1,719	12.1%	9,637	12.0%	167,545	8.9%

Source: ACS 2023 5-year estimate

The total housing affordability gap for Prescott under this methodology is 6,637 households, or approximately 29.2% of total households. Renters are the most cost-burdened households in the city on a percentage basis. The housing burden for renters at different incomes is outlined below.

- Housing cost burden falls on the lowest income households. There are 1,085 renter households earning less than \$20,000 who are burdened by rent and 777 owner households who are similarly burdened. These households are most appropriately housed in public housing units, typically owned by a government entity or non-profit, or subsidized with vouchers, with rents set at 30% of the household's income.
- There are 2,127 renter households in the city earning between \$20,000 and \$50,000 per year and 72% of them, or 1,524 households, are burdened by housing costs. This group could be served by Low Income Housing Tax Credit projects or other government subsidized housing programs targeting 30%-60% AMI households. Excluding population growth, there is still a need for 1,300 subsidized units for this income group.
- The third group of households, representing 1,565 renter households, earn between \$50,000 and \$75,000. About 32% of these households or 506 households are burdened by housing costs. Most of these households would likely qualify for workforce housing units targeting 60%-100% AMI. Additionally, a portion of these households at the higher end of the range could be candidates for homeownership assistance programs. With interest rate relief, a portion of these households could affordably purchase homes in the low \$300,000 range.



- The final group of 1,918 households earn \$75,000 or more with about 14% burdened by housing costs. Market rate apartments are affordable to this group of households. There are also many options among new and resale homes that would be affordable, especially if mortgage interest rates decline.

A further source of demand for affordable housing is households who are separated or divorced or where a spouse has died. Those households have much lower incomes relative to married couple families. In particular, households headed by a female head of household have a median income of less than \$47,000.

In summary, an estimated 6,637 households in Prescott, or approximately 29.2% of total households are burdened by housing costs, spending more than 30% of their income on housing. This number includes 3,380 renters who are burdened the most on a percentage basis and 3,257 owners. Owners have more options to resolve their housing cost issue by selling their home and moving to a lower cost unit or renting. Renters by comparison have fewer options. While there are few opportunities for homeownership for households who earn less than \$50,000, a target for first-time homeownership could be the renter households who earn between \$50,000 and \$75,000.

Prescott has an inventory of 224 affordable LIHTC units that provide some benefit to low- and moderate-income households. Housing choice vouchers are also available across Yavapai County from the Arizona Public Housing Authority. The number of vouchers that are directly used in Prescott is unavailable. However, vouchers for the county are fully committed with a long waiting list. Resources available to low- and moderate-income households are limited and do not fully address housing need.

Future Housing Demand

Prescott is expected to grow by 6,198 people between 2024 and 2040. This will create demand for at least 3,195 housing units. Taking into account a 5% vacancy rate, total housing demand should approach 3,355 units.

Following from the gap analysis, the following table outlines the future demand for housing by today's income range. Rental housing demand, much of which could be in the form of subsidized units, will be driven by households with less than \$50,000 in income. Total demand is estimated at 1,154 units by 2040. Another 1,104 units of ownership housing will be needed for critical service employees who earn between \$50,000 and \$100,000. This population may need support



to acquire housing that is within their reach. At today's interest rate, the households in this income category could afford a home ranging from \$200,000 to \$350,000.

Prescott Forecasted Housing Demand By Income			
Income Range	Households	%	Housing Target
Less than \$25,000	547	16.3%	Rental Housing
\$25,000 to \$34,999	292	8.7%	Rental Housing
\$35,000 to \$49,999	315	9.4%	Rental Housing
Total	1,154	34.4%	
\$50,000 to \$74,999	661	19.7%	Ownership Housing
\$75,000 to \$99,999	443	13.2%	Ownership Housing
Total	1,104	32.9%	
\$100,000 to \$149,999	500	14.9%	
\$150,000 to \$199,999	248	7.4%	
\$200,000 or more	349	10.4%	
Total	1,097	32.7%	
Total Units	3,355	100.0%	
Source: AZ OEO, Elliott D. Pollack & Co.			

Conclusions

Over the last five years, housing in the city of Prescott has experienced declining affordability conditions, similar to that occurring across Arizona. In total, about 29.2% of households in the community are currently burdened by their housing costs, including 46.6% of all renters. The city is projected to experience moderate growth for the foreseeable future, and affordability challenges will continue. Solutions are needed for current residents and to plan for the housing needs of future residents.

Prescott is in a strong position to address the affordability needs of its growing community. Employment forecasts suggest that the City's economy will continue to expand and could bring more high wage jobs. These jobs will have a multiplier effect, creating multiple lower wage jobs as a result. Prescott should be strategic about the types of housing units it approves to support current and future residents, especially necessary service workers.

Residential land is available in the city to accommodate future growth. A variety of housing types should be encouraged. However, addressing the housing affordability issue will not be successful unless higher density housing products are introduced to the community to offset the cost of land and construction. Incentives and affordable housing policies to attract such housing are an important element. While this report does not provide an overall strategy, suggested options for higher density housing products include the following.



- Small lot and attached ownership development, including courtyard complexes, will allow more residents who earn less than \$100,000 the opportunity for homeownership.
- Moderate and higher-density rental products, such as single-family rentals (BTRs), traditional apartments, townhomes, or duplexes placed in strategic areas can provide affordable opportunities for households earning between \$50,000 and \$75,000.
- Accessory dwelling units (ADUs) on existing lots provide affordable rental options while providing income to the property owner. We understand an ADU may not be rented separately from the principal dwelling unit on the lot under the requirements of the LDC.
- Manufactured or modular homes are now being developed on permanent foundations with enhanced design features by developers. Manufactured homes can be an affordable ownership option for Prescott.
- Subsidized housing programs targeting low-income and workforce wage households (40%-100% AMI) for multi-family housing will continue to be demanded in Prescott to support service providers who are currently burdened by housing costs. Even after new apartment communities are completed in the coming year, there will still be a large gap of need at this income level.



1.0 Background and Methodology

The City of Prescott commissioned the preparation of a comprehensive Affordable Housing Needs Assessment to address a perceived shortage of affordable housing in the community. The purpose of the Assessment is to determine the status of the local housing market and how the city's housing market is responding to the needs of current and future residents. The Assessment is designed to assess changes in the city's resident population and the impact of employment growth of the community over the last ten years.

Several key steps were required to prepare this Assessment. Independent research within this report focused on historical and current housing trends, local demographics, and economic factors such as industry employment and commuting trends.

The Housing Assessment also identifies the affordability gap for the community - the shortage of units that are needed to provide affordable housing for all segments of the population. Affordability is determined by using the standard that no more than 30% of a household's income is devoted to housing costs¹. The U.S. Census provides an estimate of the number of cost-burdened owner and renter households that are paying more than 30% of their income on housing. This essentially identifies the size of the housing gap. To determine the affordability gap, data from a variety of sources are evaluated including the U.S. Census, the American Community Survey, and private data vendors which are subscribed by this firm.

Data from the U.S. Census for the city of Prescott is limited due to its population of less than 65,000 people in 2023. The primary data source is the American Community Survey (ACS) 5-year estimates which are based on 60 months of collected data that describes the average characteristics of that five-year time period. By comparison, one-year estimates for 2023 are available for cities with a population of more than 65,000 people but are considered to have a larger margin of error than five-year estimates. The 2020 decennial census data is also readily available. This report relies on the 2023 ACS five-year estimates plus data that comes from private vendors such as Costar and Lightcast reports.

¹ The US Department of Housing and Urban Development defines "affordable housing" as housing for which the occupant is paying no more than 30% of gross income. "Attainable housing," also referred to as Workforce Housing, is defined as housing that costs no more than 30% of the gross incomes of households earning 80% to 120% of the area median income.



2.0 Demographic Characteristics of Prescott Population

2.1 Population Attributes

According to the Arizona Office of Economic Opportunity (OEO), Prescott had a population of 48,082 people as of July 2024. The city is the second largest community in Yavapai County, behind Prescott Valley. Since 2010, Prescott grew at a compounded annual rate of 1.4%, slightly faster than the county's growth rate of 1.3%. The city captured 20% of the county's population growth since 2010.

Yavapai County Population Change 2010-2024					
Place	2010	2015	2020	2024	2010-2024 Change
Camp Verde	10,900	11,504	12,147	12,390	1,490
Chino Valley	10,844	11,294	13,113	13,915	3,071
Clarkdale	4,100	4,078	4,426	4,964	864
Cottonwood	11,226	11,263	12,048	12,658	1,432
Dewey - Humboldt	3,899	3,993	4,369	4,584	685
Jerome	441	453	464	459	18
Prescott	39,825	42,143	45,985	48,082	8,257
Prescott Valley	38,832	41,216	46,991	51,532	12,700
Sedona*	7,183	7,126	7,137	7,197	14
Wickenburg*	0	17	899	1,665	1,665
Unincorporated Balance of County	83,669	85,095	89,494	94,322	10,653
Yavapai County Total	210,919	218,182	237,073	251,768	40,849
Note: *Yavapai County population only					
Source: Arizona Office of Economic Opportunity					

Population estimates only include permanent residents of the communities and do not account for the seasonal population. The table to the right provides an estimate of the Prescott seasonal population for

Seasonal Housing Units & Seasonal Population			
	Prescott	Yavapai County	Arizona
Housing Units			
Seasonal Units	2,198	9,419	172,996
Total Units	25,807	124,032	3,142,443
% Seasonal Units	8.5%	7.6%	5.5%
Potential Seasonal Population			
2023	4,264	20,533	439,410
Source: ACS 2023 5-year estimate			

2023. According to the U.S. Census, Prescott has 2,198 seasonal housing units, likely increasing the population of the city by nearly 4,300 persons for six to nine months of the year. Prescott has



a higher percentage of seasonal housing than the state. Seasonal residents can provide important economic benefits to the city by increasing retail sales and paying property taxes for their residences. For Prescott, that impact appears modest.

The population of Prescott has a median age of 60.3 years and a smaller average household size than Arizona. These factors suggest a significant portion of the population of the city is retired.

Prescott's population is influenced by a slightly lower percentage of the population under the age of 20 compared to the county and a much higher population over 65 years of age than the state. The prime working cohort in Prescott between the ages of 20-65 represents 44.9% of the population compared to 56.8% for the state. An adequate labor force is important for new employers searching for an available workforce. These facts could inhibit Prescott's economic growth.

Age & Average Household Size			
	Prescott	Yavapai County	Arizona
Median Age	60.3	55.0	38.8
Average household size	1.94	2.18	2.54
Owner-occupied unit	2.00	2.19	2.60
Renter-occupied unit	1.84	2.15	2.41
Source: ACS 2023 5-year estimate			



Population by Age						
	Prescott		Yavapai County		Arizona	
	People	%	People	%	People	%
Total	46,744		241,656		7,268,175	
Under 5 years	1,441	3.1%	9,087	3.8%	399,499	5.5%
5 to 9 years	1,328	2.8%	9,838	4.1%	437,862	6.0%
10 to 14 years	1,400	3.0%	11,565	4.8%	469,948	6.5%
15 to 19 years	2,670	5.7%	12,184	5.0%	481,492	6.6%
20 to 24 years	2,395	5.1%	10,395	4.3%	488,741	6.7%
25 to 29 years	1,825	3.9%	10,830	4.5%	503,268	6.9%
30 to 34 years	1,944	4.2%	11,015	4.6%	495,399	6.8%
35 to 39 years	1,652	3.5%	11,871	4.9%	464,248	6.4%
40 to 44 years	1,257	2.7%	10,059	4.2%	448,633	6.2%
45 to 49 years	1,865	4.0%	11,112	4.6%	422,418	5.8%
50 to 54 years	2,249	4.8%	13,003	5.4%	427,012	5.9%
55 to 59 years	3,162	6.8%	16,926	7.0%	431,854	5.9%
60 to 64 years	4,642	9.9%	22,893	9.5%	447,867	6.2%
65 to 69 years	4,757	10.2%	24,190	10.0%	411,573	5.7%
70 to 74 years	5,768	12.3%	24,373	10.1%	367,428	5.1%
75 to 79 years	4,113	8.8%	16,317	6.8%	266,581	3.7%
80 to 84 years	2,165	4.6%	8,761	3.6%	163,500	2.2%
85 years +	2,111	4.5%	7,237	3.0%	140,852	1.9%
Under 20 years	6,839	14.6%	42,674	17.7%	1,788,801	24.6%
65 years+	18,914	40.5%	80,878	33.5%	1,349,934	18.6%
Source: ACS 2023 5-year estimate						

The educational attainment of Prescott residents is well above the county and statewide averages with 41.1% of the population over the age of 25 having bachelor's degrees or higher. The number of adults with at least a high school diploma is consistent with county and state averages as is those with associate's degrees.

Educational Attainment						
	Prescott		Yavapai County		Arizona	
	Persons	%	Persons	%	Persons	%
Population 25 years and over	37,510		188,587		4,990,633	
Less than 9th grade	419	1.1%	4,224	2.2%	232,566	4.7%
9th to 12th grade, no diploma	1,028	2.7%	9,926	5.3%	311,962	6.3%
High school graduate	7,328	19.5%	46,739	24.8%	1,171,693	23.5%
Some college, no degree	9,513	25.4%	53,494	28.4%	1,187,823	23.8%
Associate's degree	3,808	10.2%	18,378	9.7%	459,127	9.2%
Bachelor's degree	8,620	23.0%	32,658	17.3%	999,535	20.0%
Graduate or professional degree	6,794	18.1%	23,168	12.3%	627,927	12.6%
High school graduate or higher	36,063	96.1%	174,437	92.5%	4,446,105	89.1%
Bachelor's degree or higher	15,414	41.1%	55,826	29.6%	1,627,462	32.6%
Source: ACS 2023 5-year estimate						



Of the 22,751 households in Prescott, about one-half are married-couple households and 46% considered non-family households. This latter category consists of single person households with another 5.6% cohabitating couples. Approximately 10,400 households are single person families where the spouse is not present, either through divorce, death of the spouse, or another reason. An estimated 739 of those single person households are living with children. Single person households often present the most demand for affordable housing since they depend largely on one income. Female householders without a spouse are at most risk to the lack of affordable housing.

Households By Type						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Total households	22,751		108,900		2,796,790	
<i>Married-couple household</i>	11,084	48.7%	53,811	49.4%	1,313,901	47.0%
With children of the householder under 18 years	1,539	6.8%	10,770	9.9%	476,095	17.0%
<i>Cohabiting couple household</i>	1,278	5.6%	8,043	7.4%	230,611	8.2%
With children of the householder under 18 years	204	0.9%	2,485	2.3%	76,683	2.7%
<i>Male householder, no spouse/partner present</i>	4,355	19.1%	19,101	17.5%	520,511	18.6%
With children of the householder under 18 years	129	0.6%	734	0.7%	38,745	1.4%
Householder living alone	3,459	15.2%	14,448	13.3%	357,324	12.8%
65 years and over	1,589	7.0%	7,778	7.1%	120,282	4.3%
<i>Female householder, no spouse/partner present</i>	6,034	26.5%	27,945	25.7%	731,767	26.2%
With children of the householder under 18 years	610	2.7%	2,520	2.3%	128,427	4.6%
Householder living alone	4,733	20.8%	19,106	17.5%	410,297	14.7%
65 years and over	2,971	13.1%	12,657	11.6%	213,433	7.6%

Source: ACS 2023 5-year estimate

The median household income in Prescott at \$69,151 in 2023 is higher than the county median but approximately 10% below the state median income. Renter households in Prescott have a median income of \$49,838, lower than the county and state median incomes. The incomes cited on the table below indicate substantial demand for affordable rental housing at various income levels.



Households By Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Occupied Units	22,751		108,900		2,796,790	
Less than \$10,000	1,342	5.9%	5,445	5.0%	137,043	4.9%
\$10,000 to \$14,999	592	2.6%	3,812	3.5%	81,107	2.9%
\$15,000 to \$24,999	1,775	7.8%	8,712	8.0%	170,604	6.1%
\$25,000 to \$34,999	1,979	8.7%	9,148	8.4%	192,979	6.9%
\$35,000 to \$49,999	2,139	9.4%	13,939	12.8%	304,850	10.9%
\$50,000 to \$74,999	4,482	19.7%	19,493	17.9%	475,454	17.0%
\$75,000 to \$99,999	3,003	13.2%	15,899	14.6%	380,363	13.6%
\$100,000 to \$149,999	3,390	14.9%	16,988	15.6%	506,219	18.1%
\$150,000 to \$199,999	1,684	7.4%	7,187	6.6%	251,711	9.0%
\$200,000 or more	2,389	10.5%	8,168	7.5%	296,460	10.6%
Mean income (dollars)	\$100,538		\$88,106		\$104,138	
Median income (dollars)	\$69,151		\$66,106		\$76,872	
Homeowner Median	\$82,261		\$74,009		\$91,561	
Renter Median	\$49,838		\$50,824		\$54,757	
Source: ACS 2023 5-year estimate						

Despite household incomes being lower than the state, median incomes in Prescott have been growing but at a pace slightly slower than that of the county and state since 2018. Median household income increased by 28.0% from 2018 through 2023 versus 36.8% for the state. Average incomes in Prescott also grew more quickly than the state at a pace of 39.9%. This indicates Prescott is attracting higher income households, which is boosting the average income numbers.



Household Income 2018 - 2023			
	Prescott	Yavapai County	Arizona
Median Income			
2018	\$54,037	\$50,180	\$56,213
2019	\$55,734	\$52,451	\$58,945
2020	\$58,562	\$53,329	\$61,529
2021	\$61,090	\$56,170	\$65,913
2022	\$66,330	\$62,430	\$72,581
2023	\$69,151	\$66,106	\$76,872
2018-2023			
% Change	28.0%	31.7%	36.8%
Average Income			
2018	\$71,861	\$65,629	\$77,221
2019	\$76,387	\$68,419	\$80,779
2020	\$85,615	\$70,548	\$84,380
2021	\$86,659	\$74,262	\$89,693
2022	\$96,801	\$83,305	\$98,569
2023	\$100,538	\$88,175	\$104,138
2018-2023			
% Change	39.9%	34.4%	34.9%
Source: 2018-2023 ACS 5-year estimate			

2.2 Population Forecast

Population estimates and projections have been gathered from the Arizona Office of Economic Opportunity (AZ OEO). The latest forecasts were published by OEO in 2023 and do not reflect the official annual population estimates for the past two years. Therefore, the OEO forecast used for this analysis has been benchmarked to the official 2024 population estimate.

Since 2020, the city has grown by an average annual rate of 1.1%, about one-half the rate of growth in Prescott Valley. Prescott has experienced an increase of about 500 people per year. The population forecast for Prescott now suggests it will grow to more than 51,380 people by 2030 and to more than 54,280 people by 2040, an increase of 12.9% or 6,198 people. The city is forecasted to capture about 16% of the population increase of Yavapai County by 2040 and remain the second largest municipality in the county. By comparison, Prescott Valley is forecasted to capture 23.7% of the county's growth through 2040.



2023-2040 Population Forecast												
Place	Actual					Forecast						
	2020	2021	2022	2023	2024	2025	2030	2035	2040	2024-2040 Change	% Change	% of County's Growth
Camp Verde	12,147	12,216	12,430	12,495	12,390	12,597	13,630	14,667	15,719	3,329	26.9%	8.8%
Chino Valley	13,113	13,429	13,662	13,833	13,915	14,205	15,349	16,179	16,910	2,995	21.5%	8.0%
Clarkdale	4,426	4,563	4,792	4,920	4,964	5,035	5,392	5,749	6,112	1,148	23.1%	3.0%
Cottonwood	12,048	12,185	12,296	12,688	12,658	12,823	13,373	13,669	13,906	1,248	9.9%	3.3%
Dewey - Humboldt	4,369	4,440	4,488	4,550	4,584	4,649	4,882	5,029	5,158	574	12.5%	1.5%
Jerome	464	467	467	463	459	459	461	463	464	5	1.2%	0.0%
Prescott	45,985	46,826	47,450	47,697	48,082	48,805	51,380	52,957	54,280	6,198	12.9%	16.5%
Prescott Valley	46,991	47,998	49,069	50,122	51,532	52,681	57,284	60,702	63,734	12,202	23.7%	32.4%
Sedona*	7,137	7,178	7,228	7,245	7,197	7,255	7,393	7,396	7,378	181	2.5%	0.5%
Wickenburg*	899	1,028	1,255	1,511	1,665	1,884	3,190	4,563	5,937	4,272	256.6%	11.3%
Unincorporated Area	89,494	90,843	92,252	93,375	94,322	95,910	101,795	105,669	108,995	14,673	15.6%	39.0%
Yavapai Total	237,073	241,173	245,389	248,899	251,768	256,302	274,127	287,044	289,438	37,670	15.0%	

Source: AZ Office of Economic Opportunity

The above population forecast translates into a significant demand for housing over 16 years totaling 3,195 units or an average of 213 units per year. In the last few years, permitting has exceeded these levels with significant construction of duplex and apartment units. However, even single-family permits have exceeded the estimated future demand outlined below. This indicates the forecast may be conservative or permit activity could be impacted by seasonal residents who are not considered permanent residents in the population estimates and forecasts produced the Arizona Office of Economic Opportunity.

Prescott Housing Demand 2025-2040					
	2025	2030	2035	2040	Total
Population Change	723	2,575	1,577	1,323	6,198
Housing Unit Demand	373	1,327	813	682	3,195
Unit Average/Year		265	163	136	213
Sources: AZ Office of Economic Opportunity, ACS 5-Yr Estimates					



Residential Building Permits City of Prescott					
Year	1-unit Units	2-units Units	3-4 units Units	5+ units Units	Total
2010	53	-	4	46	103
2011	87	-	-	-	87
2012	144	-	-	-	144
2013	234	-	-	-	234
2014	204	-	-	-	204
2015	278	4	-	160	442
2016	339	4	-	-	343
2017	322	8	-	5	335
2018	359	12	12	309	692
2019	434	4	-	104	542
2020	387	-	12	22	421
2021	383	2	-	76	461
2022	219	14	-	-	233
2023	221	4	-	148	373
2024	411	10	-	18	439
Source: U.S. Census Bureau					



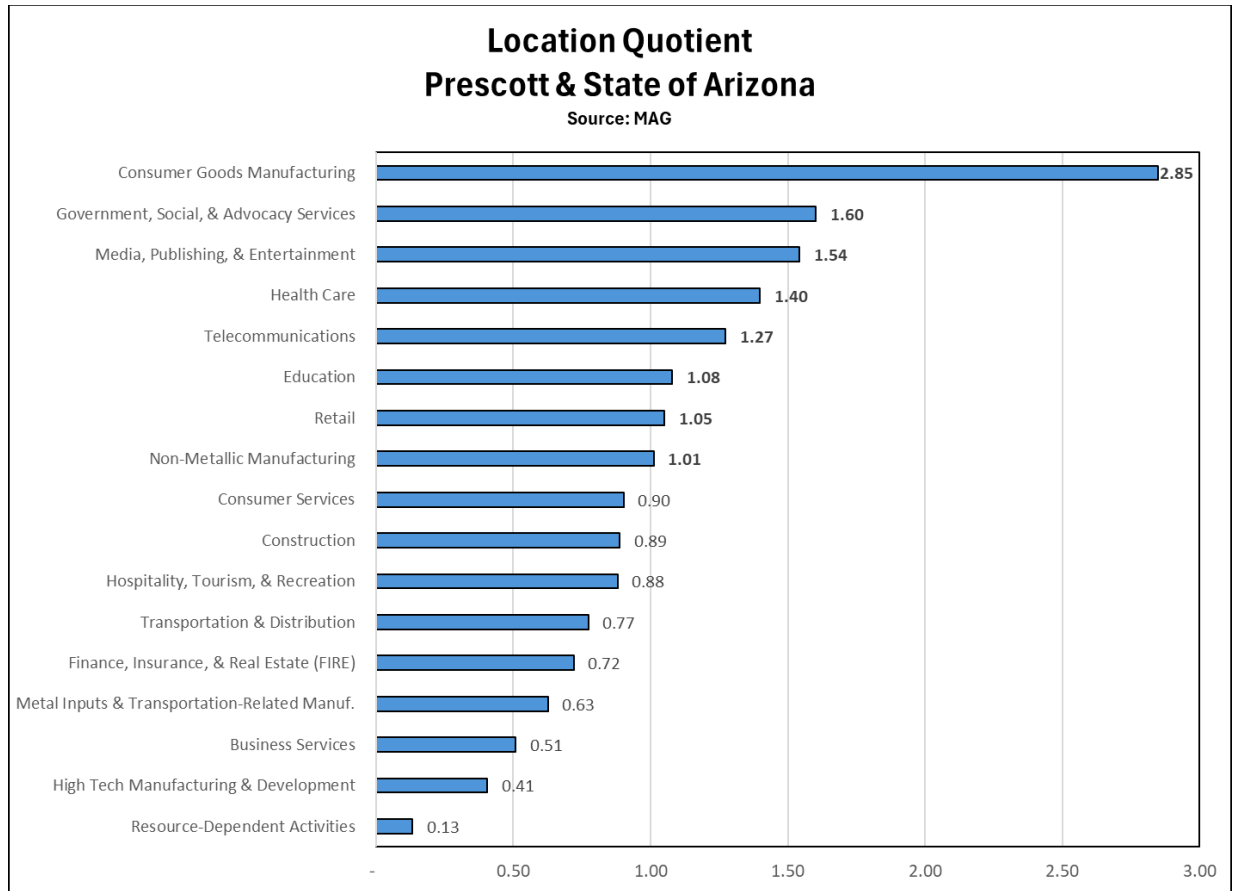
3.0 Prescott Economy

Given its size, Prescott has a broad economy that is built on a variety of industries including manufacturing, government, media (publishing and entertainment), health care, and telecommunications.

The strengths and weaknesses of a local economy can be illustrated by a very simple metric known as the “Location Quotient” or LQ. LQ compares the percentage of jobs in each industry in a community to a larger economy, such as the state. An LQ over 1.0 indicates that a particular industry has a greater presence in the local economy compared to the state – hence a strength of the local area. An LQ less than 1.0 shows the potential weaknesses of an economy.

As shown on the following chart, Prescott’s primary economic strengths are in Consumer Goods Manufacturing (2.8 LQ), Government (1.6 LQ), Health Care (1.6 LQ), Media, Publishing & Entertainment (1.5 LQ), and Telecommunications (1.3 LQ). Other industries with above average LQs include Education and Retail. Industries that are lagging in the city include Business Services, FIRE, High Tech Manufacturing, and Transportation-Related Manufacturing.





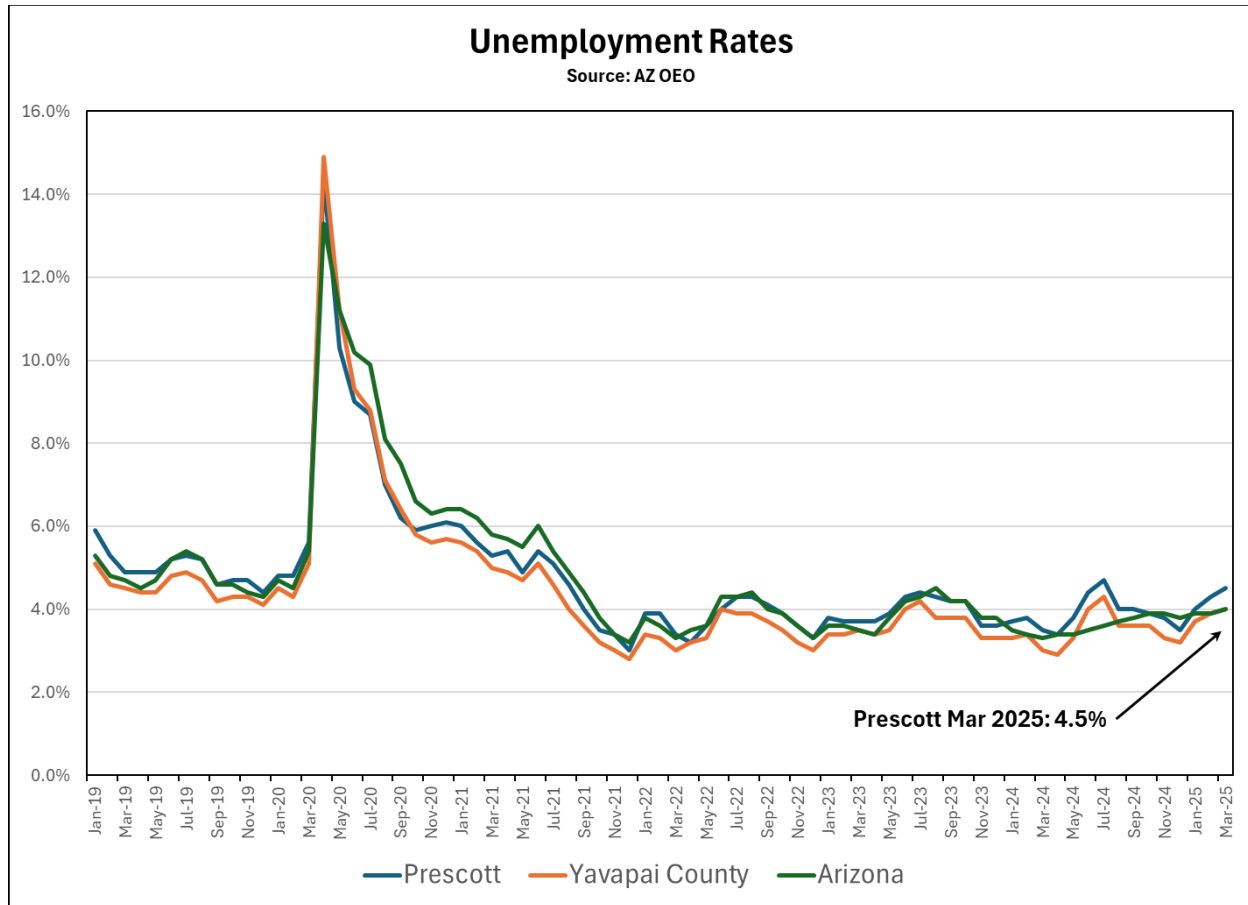
The list of major employers in the city shows that the local economy is heavily weighted towards Health Care, Education, Consumer Goods Manufacturing, and Government. Major private employers that contribute to high LQs in the local economy include Sturm Ruger, Embry Riddle, and Fann Contracting.



Major Employers		
Employer	Employees	Industry
Yavapai Community Hospital Association	1,780	Health Care
Yavapai County Government	1,410	Government, Social, & Advocacy Services
Sturm Ruger Company Inc	800	Consumer Goods Manufacturing
Yavapai County Community College District	660	Education
City of Prescott	510	Government, Social, & Advocacy Services
Prescott Unified School District 1	510	Education
Embry Riddle Aeronautical University Inc	500	Education
Fann Contracting	280	Construction
United States Department of Veterans Affairs	270	Government, Social, & Advocacy Services
Dillards	250	Retail
USDA Forest Service	250	Government, Social, & Advocacy Services
State of Arizona	230	Government, Social, & Advocacy Services
The Evangelical Lutheran Good Samaritan Society	220	Health Care
Frys Food Stores	210	Retail
Costco Wholesale	200	Retail
Empire Southwest	200	Transportation & Distribution
Walmart	200	Retail
Old Dominion University	160	Education
United States Postal Service	160	Transportation & Distribution
Lowes	150	Retail
Prescott College Inc	150	Education
Yavapai West Guidance Clinic	150	Health Care
Safeway	140	Retail
Source: MAG		

Prescott's unemployment rate stood at 4.5% as of March 2025, slightly above the state-wide average of 4.0%. This level of unemployment is an indicator of full employment both locally and across the state. Unemployment in the City has been very stable since the end of 2021 and the recovery from the pandemic. Historically, the City's unemployment level tracks closely with state levels. The City's unemployment rate hit 14.4% in April 2020 but recovered to 6.0% by November of that year.





The labor force participation rate for Prescott of 42.4% is well below the state average. Labor force participation is often correlated with educational attainment. However, even though Prescott's labor force participation rate is low, the percentage of residents in Prescott over the age of 25 with a bachelor's degree and higher is 41.1% compared to the statewide average at 32.6%. This likely reflects the educational institutions situated in the city and a highly educated retired population.

Labor Force Participation 2023			
	Prescott	Yavapai County	Arizona
Population 16 year and over	42,149	209,074	5,862,117
Civilian Labor Force	17,870	100,945	3,522,511
Employment	17,041	96,693	3,340,327
Unemployment	829	4,252	182,184
Labor Force Participation Rate	42.4%	48.3%	60.1%
Source: ACS 2023 5-year estimate			

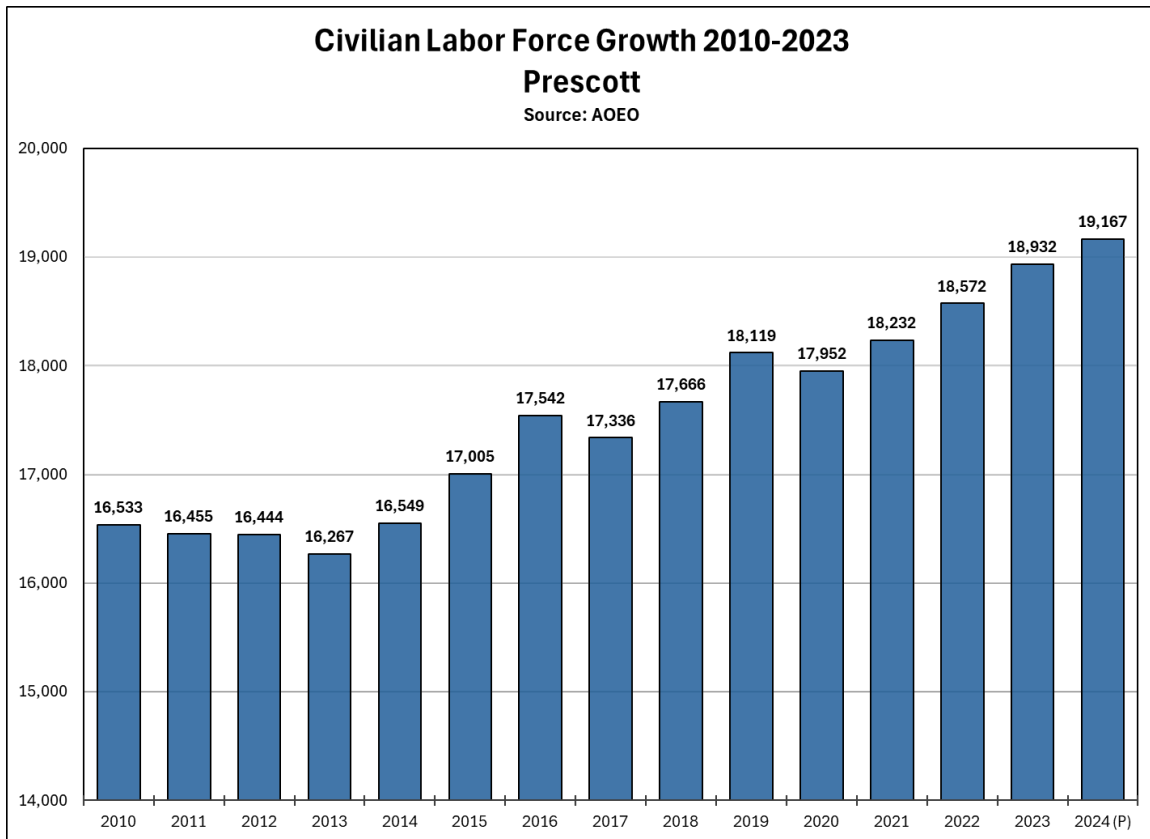


Age and retirement trends can also reduce the labor force participation rate. The percentage of the Prescott population over the age of 65 stands at 40.5% compared to 18.6% for the state which affects the participation rate. Currently, the participation rate across the country is also declining as baby boomers retire. The U.S. rate hit 67.2% in 2000; today the participation rate stands at 62.5%.

The labor force participation rate is a useful measurement for employers. The higher the rate is, the healthier the economy. This means more people are working and contributing to the economy with their wages, which translates into more retail sales tax revenue for a city. Additionally, a higher labor force participation rate may mean there are more people actively seeking employment than in the past, and employers could have more hiring options for open positions. Prescott likely depends on other communities in the Quad City area for a workforce.

The City's labor force has increased by 18% since 2013 at the low point after the Great Recession according to the Arizona Office of Economic Opportunity. At the same time, the city's population increased by 18% since 2013 as well. Therefore, employment in Prescott has kept pace with population growth.





3.1 Commuting

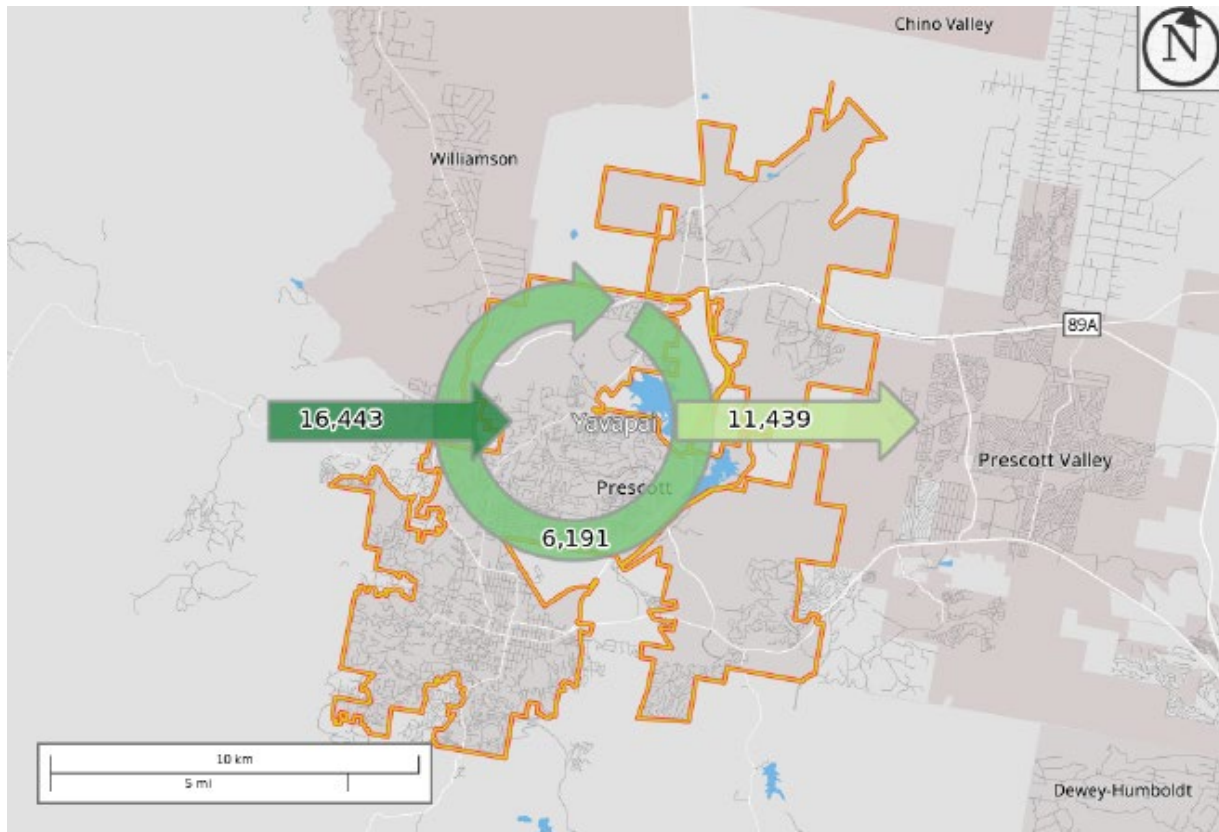
In order for an economy to operate efficiently, it must have employees to provide for the daily needs of its residents as well as the employment needs of its businesses. The availability of affordable housing for those workers is essential without forcing those employees to commute long distances to work. Affordable housing is an important economic development issue for Prescott's continued growth and financial wellbeing.

While Prescott's employment base has grown over the past decade, data from the U.S. Census indicates there is substantial commuting into the city. For instance, the data suggests that more than 16,400 workers travel to Prescott for work. Another 11,400 of the City's residents in the workforce leave the community each day for work. At the same time, 6,190 people live and work in the city. The top locations for workers leaving Prescott include Prescott, Phoenix, and Prescott Valley. The top cities for workers commuting to Prescott for employment include Prescott Valley, Chino Valley, and Phoenix. A more balanced housing market in the city could help to reduce commuting for some of these workers.



City of Prescott Commuting					
Where Employees Working in Prescott Live			Where Residents of Prescott are Working		
Community	Jobs	%	Community	Jobs	%
Prescott	6,191	27.4%	Prescott	6,191	35.1%
Prescott Valley	4,347	19.2%	Phoenix	3,257	18.5%
Chino Valley	1,301	5.7%	Prescott Valley	1,468	8.3%
Phoenix	955	4.2%	Scottsdale	631	3.6%
Williamson	592	2.6%	Chino Valley	513	2.9%
Paulden	457	2.0%	Chandler	509	2.9%
Flagstaff	378	1.7%	Flagstaff	389	2.2%
Verde Village	254	1.1%	Glendale	368	2.1%
Dewey-Humboldt	250	1.1%	Tempe	300	1.7%
Cottonwood	225	1.0%	Mesa	260	1.5%
All Other Locations	7,684	33.9%	All Other Locations	3,744	21.2%

Source: US Census On The Map



3.2 Employment Forecast

A forecast prepared by the Arizona Office of Economic Opportunity (OEO) between 2023 and 2029 suggests that Prescott's employment base will decline by 540 jobs. While Prescott's employment growth has been modest since 2013, it has been positive, growing at a compounded annual rate of 0.46%. The OEO forecast appears unreasonable given the city's assets including its industrial base near the airport. By contrast, a forecast from the Central Yavapai Metropolitan Planning Organization (CYMPO) suggests Prescott's employment base will grow slowly to 27,941 jobs by 2045.

The forecast prepared for this study uses the compounded annual growth rate of 0.46% through 2040. This conservative growth rate results in a 2040 employment base of 26,502 jobs or an increase of 1,778 jobs between 2025 and 2040. This forecast is lower than the CYMPO forecast.

Prescott Employment Forecast 2020 - 2040						
	2020	2025	2030	2035	2040	2025-2040 Change
Jobs	23,788	24,724	25,303	25,895	26,502	
Change		937	579	592	606	1,778
% Change from 2025		3.9%	2.3%	2.3%	2.3%	7.2%
Population	45,985	48,805	51,380	52,957	54,280	
Change		2,820	2,575	1,577	1,323	8,295
% Change from 2025		6.1%	5.3%	3.1%	2.5%	17.0%
Jobs to Population Ratio	0.52	0.51	0.49	0.49	0.49	
Source: AZ OEO						

An important indicator of the health of a local economy is the jobs-to-population ratio. A target for the jobs ratio is 0.50 meaning there was one job for every two residents. Very few cities other than the largest with a significant employment base reach this ratio. The ratio for Prescott in 2025 is estimated at 0.51 indicating it has a robust economy relative to its population. Due to the modest growth forecasted for the future, the jobs-to-population ratio is expected to decline slightly to 0.49. Prescott's population is expected to grow faster than its employment base but will still maintain a healthy ratio of jobs to its population.



4.0 Housing Market Dynamics

Prescott's housing inventory is comprised of 25,807 units according to the 2023 American Community Survey 5-year estimates with 22,751 of those units (88.2%) occupied on a year-round basis by permanent residents.

Prescott has a slightly higher percentage of single-family detached units, and a lower percentage of multifamily units compared to the state. The Census reports 12.6% of all housing units in Prescott are considered apartments or multifamily (buildings with five or more units in a building) compared to 16.3% statewide. Prescott also has a lower percentage of mobile homes than the county and the state. The outstanding statistic about the Prescott housing market is the percentage of duplex, triplex, and four-plex units in the city, which represent 8.0% of all housing units. Statewide, only 4.6% of housing units are in the duplex to four-plex category. Most of these units in Prescott were built during the early years of the community in its central area although modern duplex buildings can be found in newer subdivisions.

Units in Structure						
	Prescott		Yavapai County		Arizona	
	Units	%	Units	%	Units	%
Total:	25,807		124,032		3,142,443	
1, detached	17,319	67.1%	83,199	67.1%	2,015,127	64.1%
1, attached	1,412	5.5%	4,162	3.4%	160,484	5.1%
2	597	2.3%	2,936	2.4%	42,026	1.3%
3 or 4	1,477	5.7%	3,633	2.9%	104,684	3.3%
5 to 9	944	3.7%	3,253	2.6%	114,410	3.6%
10 to 19	440	1.7%	1,031	0.8%	121,050	3.9%
20 to 49	642	2.5%	1,675	1.4%	79,589	2.5%
50 or more	1,215	4.7%	2,407	1.9%	196,018	6.2%
Mobile home	1,512	5.9%	20,479	16.5%	297,155	9.5%
Boat, RV, van, etc.	249	1.0%	1,257	1.0%	11,900	0.4%
Traditional Apartment Units	3,241	12.6%	8,366	6.7%	511,067	16.3%
Source: ACS 2023 5-year estimate						

Recent multifamily development may not be reflected in the U.S. Census data.

An estimated 3,056 units in Prescott are considered vacant or 11.8% of the total inventory. Vacant units are classified in several ways including units that are in the process of being sold or rented and those used for seasonal or recreational purposes. Seasonal housing comprises 71.9% of all vacant units in the city or 8.5% the total housing inventory, a higher ratio than found in the



state. This could add another 4,300 people to the population of the city during the summer months. Some of the vacant seasonal units could be short-term rentals, but the Census does not track this type of rental housing.

Housing Vacancy Status						
	Prescott		Yavapai County		Arizona	
	Units	%	Units	%	Units	%
Total Housing Units	25,807		124,032		3,142,443	
Total Occupied Units	22,751	88.2%	108,900	87.8%	2,796,790	89.0%
Total Vacant Units	3,056	11.8%	15,132	12.2%	345,653	11.0%
For rent	270	8.8%	1,344	8.9%	52,788	15.3%
Rented, not occupied	43	1.4%	185	1.2%	12,150	3.5%
For sale only	10	0.3%	499	3.3%	19,787	5.7%
Sold, not occupied	69	2.3%	517	3.4%	13,138	3.8%
For seasonal, recreational, or occasional use	2,198	71.9%	9,419	62.2%	172,996	50.0%
For migrant workers	-	0.0%	31	0.2%	899	0.3%
Other vacant	466	15.2%	3,137	20.7%	73,895	21.4%
Seasonal Units as Percent of Total Units	8.5%		7.6%		5.5%	
Source: ACS 2023 5-year estimate						

Prescott's mix of owner-occupied units and renter-occupied units is consistent with the statewide average. Compared to Yavapai County, Prescott is more urbanized with a higher percentage of rental units.

Tenure						
	Prescott		Yavapai County		Arizona	
	Units	%	Units	%	Units	%
Total occupied units	22,751		108,900		2,796,790	
Owner occupied	15,495	68.1%	80,054	73.5%	1,873,231	67.0%
Renter occupied	7,256	31.9%	28,846	26.5%	923,559	33.0%
Source: ACS 2023 5-year estimate						

Homeownership has been robust in the city, growing markedly since 2015 after the Great Recession caused a huge dislocation of owners. Homeownership now stands at 68%, above the level found in 2000 and above the statewide average.

Homeownership			
	Prescott	Yavapai County	Arizona
2000	65.2%	73.4%	68.0%
2010	67.8%	72.5%	67.4%
2015	65.1%	69.9%	62.8%
2020	70.1%	72.6%	65.3%
2023	68.1%	73.5%	67.0%
Source: Decennial Census 2000; ACS 5-year estimate			

The inventory of occupied single-family housing in Prescott totals 15,495 units according to the 2023 U.S. Census. Approximately 13.0%

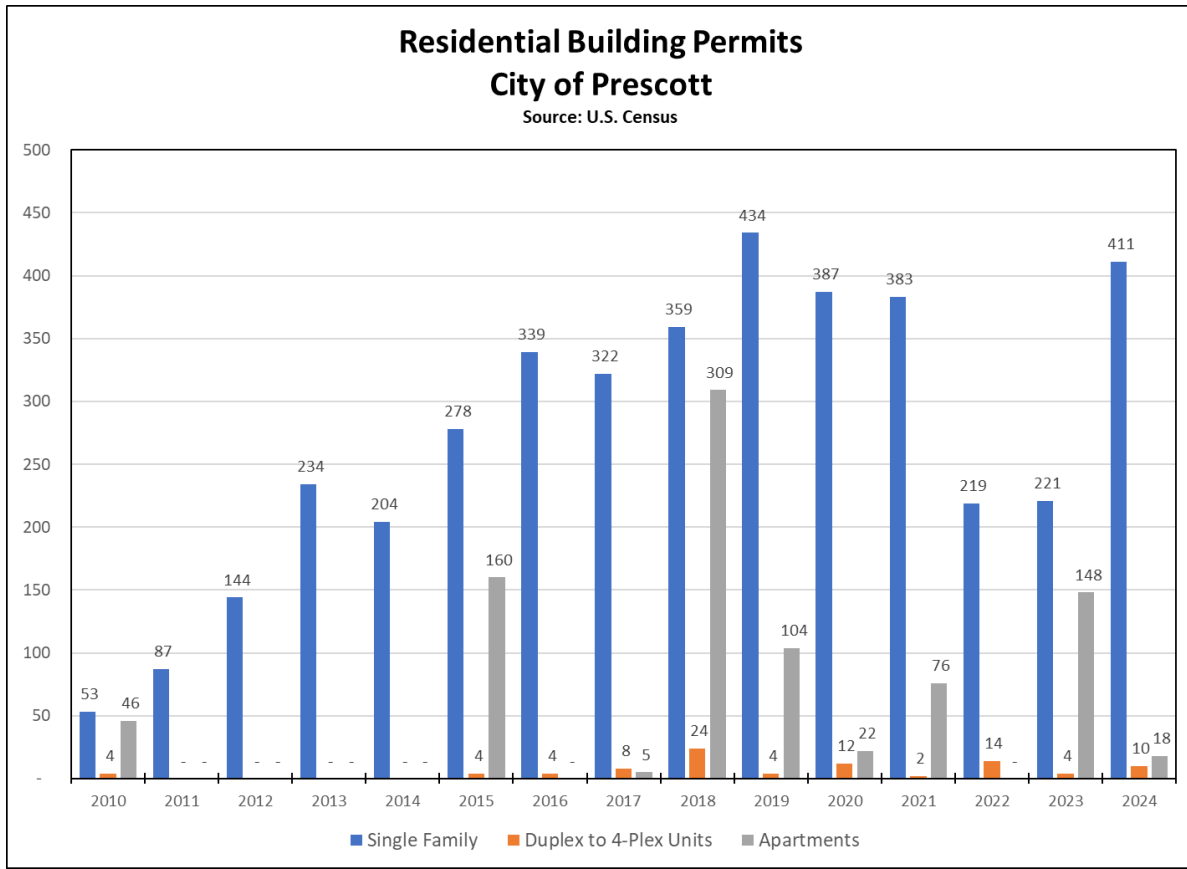


of those homes or 2,007 single family homes are rented, lower than the statewide average of 16.1%. The Census also reports that of the 7,256 rental units in the city, 28% are single family homes versus an average of 32% for the state. The city also has 1,075 units that are classified as occupied “one unit attached” which are townhomes or condo. About 25% of these units are rented compared to 33% for the state which indicates high homeownership in Prescott among these types of units.

Tenure by Occupied Units in Structure						
	Prescott		Yavapai County		Arizona	
	Units	%	Units	%	Units	%
Total	22,751		108,900		2,796,790	
Owner-occupied housing units:	15,495	68.1%	80,054	73.5%	1,873,231	67.0%
1, detached	13,393	86.4%	63,263	79.0%	1,540,834	82.3%
1, attached	804	5.2%	1,938	2.4%	95,592	5.1%
2	18	0.1%	100	0.1%	3,554	0.2%
3 or 4	101	0.7%	221	0.3%	12,973	0.7%
5 to 9	254	1.6%	379	0.5%	12,431	0.7%
10 to 19	-	0.0%	26	0.0%	6,315	0.3%
20 to 49	9	0.1%	9	0.0%	5,760	0.3%
50 or more	-	0.0%	18	0.0%	11,827	0.6%
Mobile home	862	5.6%	13,505	16.9%	175,325	9.4%
Boat, RV, van, etc.	54	0.3%	595	0.7%	8,620	0.5%
Renter-occupied housing units:	7,256	31.9%	28,846	26.5%	923,559	33.0%
1, detached	2,007	27.7%	9,859	34.2%	297,696	32.2%
1, attached	271	3.7%	1,614	5.6%	47,677	5.2%
2	533	7.3%	2,566	8.9%	33,175	3.6%
3 or 4	1,285	17.7%	3,178	11.0%	80,528	8.7%
5 to 9	601	8.3%	2,337	8.1%	88,830	9.6%
10 to 19	321	4.4%	886	3.1%	97,475	10.6%
20 to 49	572	7.9%	1,490	5.2%	61,851	6.7%
50 or more	1,048	14.4%	2,084	7.2%	162,554	17.6%
Mobile home	423	5.8%	4,170	14.5%	50,493	5.5%
Boat, RV, van, etc.	195	2.7%	662	2.3%	3,280	0.4%
Source: ACS 2023 5-year estimate						

Residential building permit activity has been extremely strong since 2015 reaching a peak of 692 units in 2018. Single family permit activity has been stable over the last few years although there was a sharp drop in 2022 and 2023. Despite the rise in mortgage interest rates and new home prices, 2024 was a strong year. Permits for apartments have also been strong since 2018. Based on this construction activity, growth in Prescott is on pace to meet or exceed OEO’s projected population growth over the next five years and beyond.





4.1 Apartment Inventory

An inventory of traditional market rate apartment complexes was conducted for this study. The inventory was prepared for complexes with 20 or more units from CoStar. The inventory outlined in the following table may not include all apartment units in smaller apartment developments but is the best information available.

The City's inventory of traditional market-rate apartment complexes of 1,647 units is comprised of medium sized complexes, the largest being 200 units in size. Missing from the inventory are the complexes known as Built-To-Rent (BTR) which have become popular in the last ten years. However, one BTR complex is now under construction and nearing completion known as The Havenly on Granite Dells Parkway. BTRs are typically single or duplex units, mostly single story, and built at a density of about 11 to 12 units per acre. Comparatively, traditional two to four-story apartment complexes are built at densities greater than 20 units per acre. BTR units typically have a rent premium of 20% over traditional apartment complexes because of the lower density and higher land cost per unit.



The vacancy rate for traditional apartment units in the first quarter of 2025 is estimated at 6.2% which is close to the normal stabilized rate for the market of about 7%. This vacancy rate indicates the market is stabilized where the supply matches demand. The introduction of new complexes will likely increase vacancies. The average rent for a market-rate unit in the city in 2024 was \$1,535 per month for an average 808 square foot unit. For the first quarter of 2025, the average rent ticked up to \$1,548. The newest complex built in 2024 is Cala Luxury Apartments with an average rent of \$2,600 per month.

Market Rate Apartment Inventory City of Prescott							
Property Name	Address	Units	Year Built	% Vacant	Avg SF	Avg Rent	Rent/SF
Cortez Circle	601 S Cortez St	38	1961	4.6%	857	\$797	\$0.93
Carleton Terrace	315 E Carleton St	32	1972	4.7%	695		
Country Club Circle	355 Country Club Cir	60	1979	1.7%	936	\$1,339	\$1.43
Yavapai Apartments	218 S McCormick St	28	1980	0.0%	485	\$752	\$1.55
623-629 Dameron Dr	623-629 Dameron Dr	22	1982	4.0%	795	\$865	\$1.09
Holiday Lodge	1141 E Gurley St	30	1982	4.7%			
1306 E Butterfield Rd	1306 E Butterfield Rd	27	1983	4.7%	598	\$1,015	\$1.70
Prescott Woodlands Apartments	824 W Gurley St	131	1985	4.0%	863	\$1,239	\$1.60
140 Bradshaw Dr	140 Bradshaw Dr	24	1987	4.7%			
Creekside Apartments	610 S Granite St	30	1987	3.7%	525	\$868	\$1.65
Prescott View Apartments	3161 Willow Creek Rd	72	1988	3.1%	718	\$1,606	\$2.24
Willow Ridge Apartments	1205 Sandretto Dr	134	1989	0.3%	745	\$1,429	\$1.92
799 Sanctuary Rd	799 Sanctuary Rd	20	1989	4.7%	896		
The Pines at Prescott	1053 Sandretto Dr	90	1994	1.8%	1,000	\$1,483	\$1.48
Stetson Condominiums	1206 Stetson Rd	29	1998	3.9%	690	\$1,144	\$1.66
Legacy At Prescott Lakes	1998 Prescott Lakes Pky	150	2000	5.4%	953	\$1,963	\$2.06
Cedar Ridge	337 Robinson Dr	30	2001	3.3%	766	\$1,296	\$1.69
Prescott Lakes	2105 Blooming Hills Dr	124	2003	6.9%	612	\$1,705	\$2.79
620 1st St	620 1st St	21	2019	4.7%	690	\$1,606	\$2.33
The Winfield at the Ranch	3470 Lee Cir	100	2020	9.4%	908	\$2,019	\$2.22
Willow Creek Apartments	3147 Willow Creek Rd	160	2020	15.4%	882	\$1,709	\$1.94
2051 Apartments	2057 Willow Lake Rd	200	2021	9.8%	771	\$1,682	\$2.18
The View Apartments	1668 Iron Springs Rd	28	2021	11.3%		\$1,080	
1130 E Gurley St	1130 E Gurley St	29	2023	4.7%			
Cala Luxury Apartments	1257 White Spar Rd	38	2024	4.7%	1,500	\$2,623	\$1.75
Totals/Averages		1,647		6.2%	808	\$1,535	\$1.93
Source: Costar, Elliott D. Pollack & Co.							

In addition to the market-rate apartment inventory, there are three active affordable complexes totaling 224 units including one senior complex. The following table outlines six complexes that were built under the Low Income Housing Tax Credit (LIHTC) program. The complexes that are



shown as shaded on the table all completed their affordable commitments under the LIHTC program and now appear to have converted to market-rate units. The newest affordable family complex is Creekview Village built in 2019 under the LIHTC bond program which offers 4% tax credits.

Low Income Housing Tax Credit (LIHTC) Apartment Inventory City of Prescott											
Property Name	Address	Units	Year Built	% Vacant	Avg SF	Avg Rent	Rent/SF	Unit Mix			
								Studios	1-BR	2-BR	3-BR
Willow Ridge Apartments	1205 Sandretto Dr	134	1989	0.3%	745	\$1,429	\$1.92	-	70	64	-
The Pines at Prescott	1053 Sandretto Dr	90	1994	1.8%	1,000	\$1,483	\$1.48	-	-	60	30
Canyon Run Apartments (Senior)	701 White Spar Rd	84	2004	10.0%	690	\$1,385	\$2.01	-	60	24	-
Village Towers (Senior)	1075 Ruth St	60	2000					-	-	-	-
Bradshaw Crossing	125 Bradshaw Dr	92	2008	0.4%	824	\$505	\$0.61	-	46	46	-
Creekview Village Apartments	519 Miller Valley Rd	72	2019	3.3%	1,223	\$1,069	\$0.87	-	-	24	48
Totals/Averages		224		1.2%	1,000	\$753	\$0.75	-	46	70	48

Source: Costar, Elliott D. Pollack & Co.

In addition to the existing apartment complexes listed above, another 437 units in four properties are under construction. Touchmark is an age-restricted property while the other three are all market-rate.

Under Construction Apartments City of Prescott						
Property Name	Address	Units	Unit Mix			
			Studios	1-BR	2-BR	3-BR
Under Construction						
Touchmark Phase III	3180 Touchmark Blvd	75				
The Havenly (BTR)	5395 Granite Dells Pkwy	200		85	82	33
Montezuma Heights	609 Bagby Dr	144	-	40	50	54
	836 Valley St	18	-	18	-	-
Total		437				
Source: City of Prescott, Costar, Elliott D. Pollack & Co.						

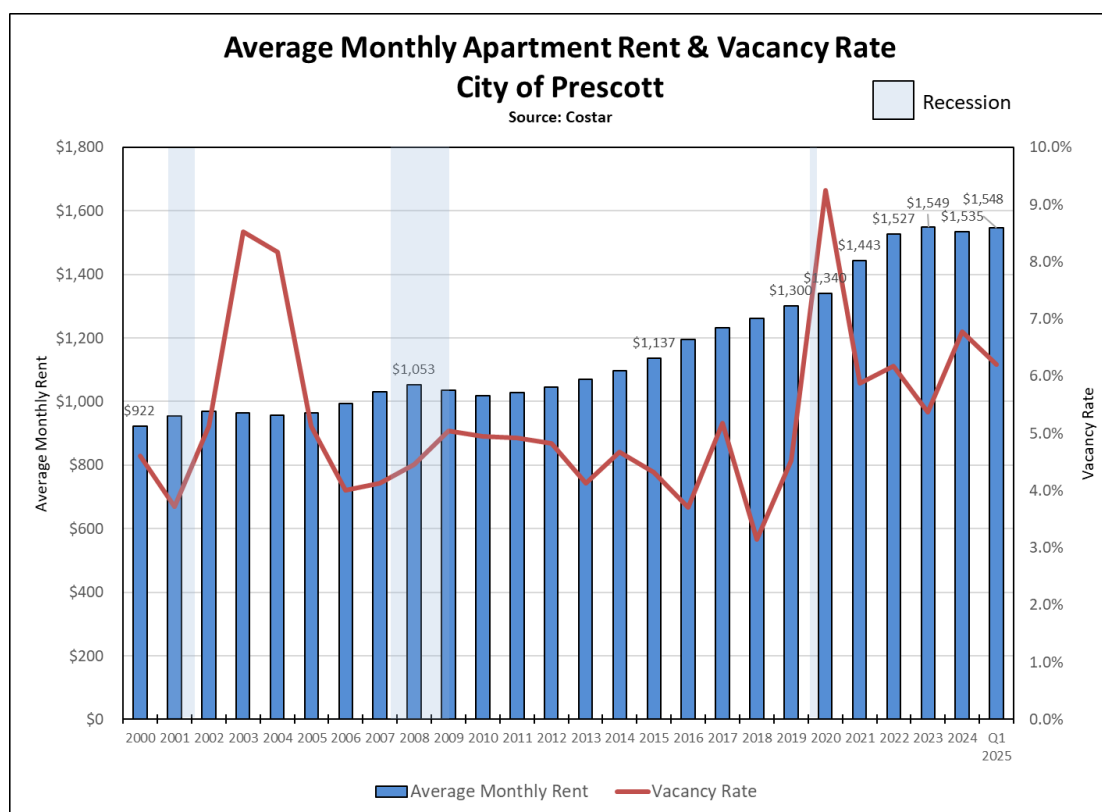
Source: City of Prescott, Costar, Elliott D. Pollack & Co.

The pipeline of future multifamily complexes shows the 437 units under construction along with 160 units that have been permitted for construction. Another 1,278 units, mostly traditional apartments, are in the planning stage. Given the current economic and capital markets environment, the timing of when the planned properties may come to market is uncertain.



Multifamily Housing Pipeline				
Unit Type	Construction	Permit	Planned	Total
Restricted Units (Independent/Assisted Living, VA)	75	-	80	155
Condo/Townhomes	-	46	-	46
Single Unit BTR	200	-	-	200
Traditional Apartments	162	114	1,198	1,474
Total	437	160	1,278	1,875
Source: City of Prescott				

The apartment market is subject to significant fluctuations in vacancy as markets reach a shortage of units, often followed by overbuilding. Vacancy rates in Prescott have been stable except for periods of overbuilding or economic recessions. Since 2006, vacancy rates have been in the 5% range except in 2020 during the pandemic. Average rents for market rate apartments in Prescott leveled off since 2022 at over \$1,500 per month.



The income required to rent the average apartment in Prescott requires an income that is typically more than the household median income for the city (\$69,151) and much higher than the median income for a renter which stands at \$49,838. The following table shows the required



Market Rate Apartments				
Unit Type	Size (SF)	Rent	Rent SF	Required Income*
Studio	555	\$1,394	\$2.51	\$61,746
1 BR	692	\$1,605	\$2.32	\$70,185
2 BR	960	\$1,820	\$1.90	\$78,798
3 BR	1,106	\$1,943	\$1.76	\$83,731
*Required income includes \$150 for utilities.				
Source: Costar, Elliott D. Pollack & Co.				

income by apartment complex based on 30% of income spent on rent plus \$150 for monthly utilities. The required income ranges from about \$61,700 for a studio apartment to \$83,700 for a three-bedroom unit. These rents are above the ability of a large segment of the population to afford a unit.

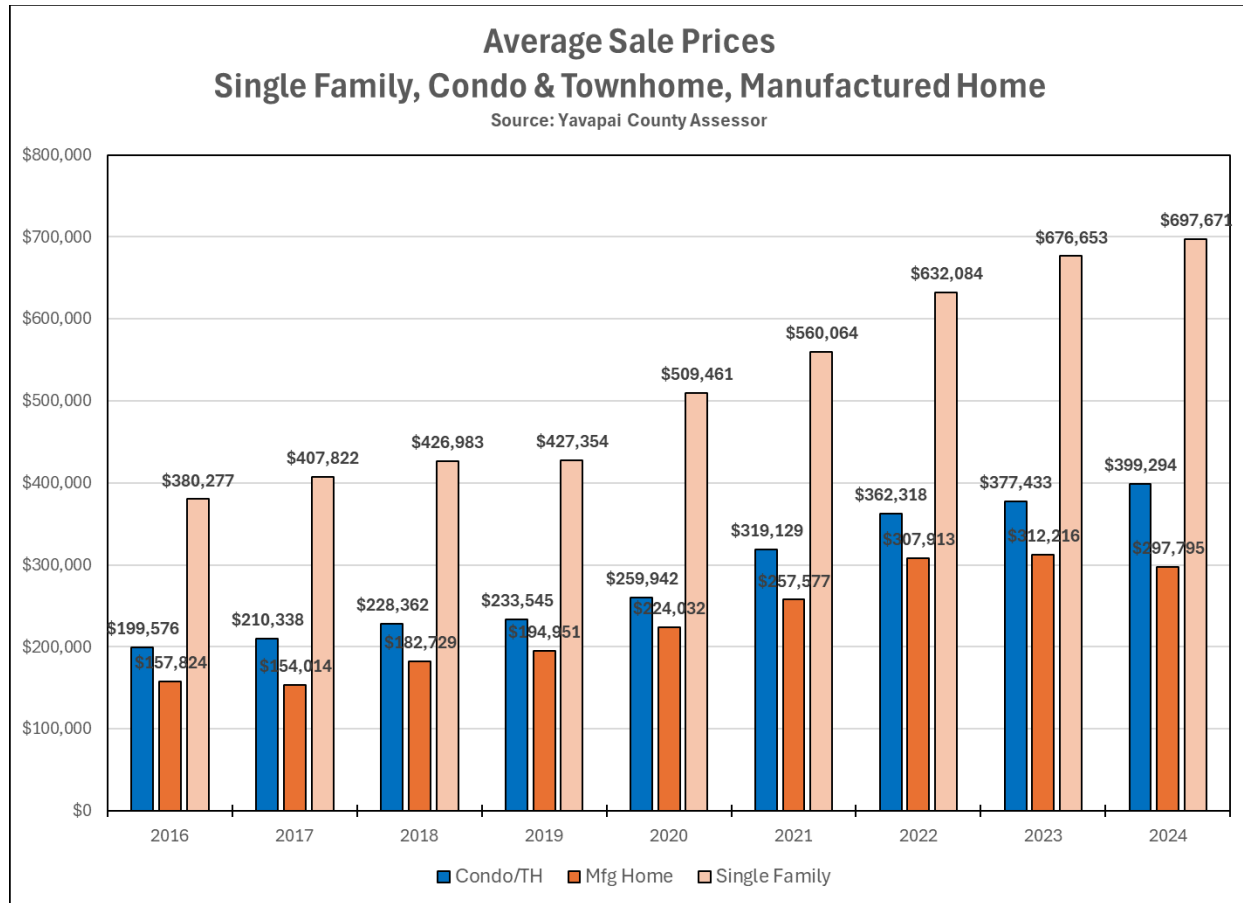
By comparison, affordable apartment units require a much lower income ranging from \$24,400 to \$50,800.

Affordable Apartments				
Unit Type	Size (SF)	Rent	Rent SF	Required Income
1 BR	809	\$460	\$0.57	\$24,400
2 BR	930	\$786	\$0.85	\$37,440
3 BR	1,067	\$1,119	\$1.05	\$50,760
Source: Costar, Elliott D. Pollack & Co.				

4.2 Ownership Housing Market

The price of housing in Prescott has increased dramatically over the past five years. The average single family home price has risen by 63% since 2019 (pre-pandemic) and condo/townhome properties have increased by 71%. That's an increase of \$270,000 for a single-family home and \$103,000 for a condo/townhome. Mobile or manufactured homes also increased by a similar amount. Much of that increase occurred in 2021 and 2022 when single family prices jumped by 25%. The number of home sales peaked in 2021 at 2,158 sales but have since fallen to 1,148 in 2024, a 41% decline due to high mortgage interest rates and rising construction costs.





Mobile and manufactured homes are the most affordable housing option with an average price of \$298,000 in 2024. However, the availability of units may be limited with only 60 sales in 2024. Condos and townhomes may also offer some options for more affordable units. About two-thirds of the 121 sales in 2024 occurred at a price under \$400,000 with an average price of \$317,000 and an average age of the unit at 35 years. Additionally, 29 sales were for units priced under \$300,000. Once again, limited inventory is an issue.

In the single-family category, only 7.5% of all sales or 72 homes were sold for less than \$400,000. Most of these homes are less than 1,500 square feet in size and built 30 to 40 years ago. They may require significant improvements but provide a household a way into the market. Two-thirds of all sales were priced between \$400,000 and \$800,000. Overall, for households looking to enter the ownership market in Prescott, the options are limited due to a small inventory of for-sale properties.



2024 Sales By Price Range City of Prescott							
Price Range	Single Family		Condo/TH		Mfg Home		Total
	Sales	%	Sales	%	Sales	%	
Less than \$200,000	4	0.4%	1	0.8%	10	16.7%	15
\$200,000-\$300,000	17	1.8%	28	23.1%	16	26.7%	61
\$300,000-\$400,000	51	5.3%	49	40.5%	29	48.3%	129
\$400,000-\$500,000	157	16.3%	22	18.2%	5	8.3%	184
\$500,000-\$600,000	214	22.2%	10	8.3%		0.0%	224
\$600,000-\$700,000	156	16.1%	3	2.5%		0.0%	159
\$700,000-\$800,000	127	13.1%	7	5.8%		0.0%	134
\$800,000-\$900,000	73	7.6%		0.0%		0.0%	73
\$900,000-\$1,000,000	49	5.1%		0.0%		0.0%	49
\$1,000,000+	118	12.2%	1	0.8%		0.0%	119
Number of Sales	966	100.0%	121	100.0%	60	100.0%	1,147
Average Price	\$697,671		\$399,294		\$297,795		\$479,866
Source: Yavapai County Assessor							

The affordable housing value for Prescott based on the city median income of \$69,151 is shown in the adjacent table. With a 10% down payment and a 6.6% loan, the maximum house value the typical Prescott household can afford is \$243,000. **In 2024, out of 1,147 home sales (including condos, townhomes, and manufactured homes), only 76 (6.6%) sold for less than \$300,000.** Manufactured homes represent an alternative option for moderately priced units, but the quality of those units may vary based on age of the unit.

Affordable Housing Payment Estimator City of Prescott	
	Calculation
House value	\$243,000
Down payment %	10%
Down payment	\$24,300
Mortgage amount	\$218,700
Interest rate	6.89%
Loan term in years	30
% of income devoted to mortgage payment	30.0%
Monthly loan payment (P & I)	\$1,439
Monthly property tax, insurance, PMI	\$294
Total monthly payment	\$1,733
Yearly income required	\$69,307
Sources: EDP Co, Freddie Mac	

The household income required to afford a housing unit at various price ranges is shown on the following table. The loan payment column is the mortgage component of a housing payment. The total payment column adds in a factor for property taxes, home insurance, and private mortgage insurance. A home or unit with an average price of \$300,000 requires an income of \$80,500. A \$400,000 unit would require an income above \$107,000. The current interest rate



environment makes it difficult for first time buyers to afford a home, assuming they can contribute a 10% down payment.

Prescott 2024 Housing Sales & Required Income											
Price Range	SF Sales	Condo Sales	MH Sales	Total Sales	% of Total	Loan Pmt		Total Pmt		Required Income	
						Min	Max	Min	Max	Min	Max
Less than \$200,000	4	1	10	15	1.3%		\$1,150	\$0	\$1,343	\$0	\$53,709
\$200,000-\$300,000	17	28	16	61	5.3%	\$1,150	\$1,724	\$1,343	\$2,014	\$53,709	\$80,563
\$300,000-\$400,000	51	49	29	129	11.2%	\$1,724	\$2,299	\$2,014	\$2,685	\$80,563	\$107,417
\$400,000-\$500,000	157	22	5	184	16.0%	\$2,299	\$2,874	\$2,685	\$3,357	\$107,417	\$134,272
\$500,000-\$600,000	214	10		224	19.5%	\$2,874	\$3,449	\$3,357	\$4,028	\$134,272	\$161,126
\$600,000-\$700,000	156	3		159	13.9%	\$3,449	\$4,024	\$4,028	\$4,700	\$161,126	\$187,980
\$700,000-\$800,000	127	7		134	11.7%	\$4,024	\$4,598	\$4,700	\$5,371	\$187,980	\$214,835
\$800,000-\$900,000	73			73	6.4%	\$4,598	\$5,173	\$5,371	\$6,042	\$214,835	\$241,689
\$900,000-\$1,000,000	49			49	4.3%	\$5,173	\$5,748	\$6,042	\$6,714	\$241,689	\$268,543
\$1,000,000+	118	1		119	10.4%	\$5,748		\$6,714	\$0	\$268,543	\$0
Number of Sales	966	121	60	1,147	100.0%						

In summary, the housing market in Prescott may offer limited opportunities for first-time home buyers to enter the market. However, the percentage of homes priced under \$300,000 represents only 6.6% of all sales. Only 18% of all sales are priced under \$400,000 and those homes could be 30 to 40 years old. Essential personnel and service workers earning moderate incomes are likely locked out of the ownership market.



5.0 Barriers to Affordable Housing

According to a recent survey of Prescott residents conducted from March to May 2025 concerning affordable housing, 70% of renters indicated they paid more than 30% of their income on housing. Some of the barriers to affordable housing noted by survey respondents were the lack of affordable for-sale units, low wages, and the lack of a down payment. Most felt rents are too high. These opinions on the obstacles to affordable housing describe important issues affecting housing opportunities in Prescott. Barriers within the housing market itself can be caused by various factors.

Barriers to affordable housing can take many forms. Housing market dynamics – supply and demand - is one barrier. Too few housing units for sale or for rent can cause an increase in prices and rents. That was one result of the pandemic in 2021 and 2022 when the demand for housing outstripped supply. Land and construction costs are additional factors. Construction costs rose during the pandemic due to shortages of labor and materials and have not subsided. Land costs can increase if a community reaches build-out with little available property for development. Zoning and development regulations are additional potential barriers that can increase the cost of construction. Following is an analysis of the potential barriers to affordable housing in Prescott.

Land Availability: The City of Prescott has adequate land area to accommodate residential growth in the future. According to the City's General Plan 2025 (which is scheduled for adoption in August 2025), based on a growth rate of 2% per year, the city would reach a population of 61,500 by 2035. This forecast estimate is above the OEO estimate outlined in this report of 52,957 in 2035. The General Plan's growth estimate is tempered by potential changes in economic conditions, the amount of flat, more easily developed ranch land that is annexed, the availability of water, market trends towards low density development, and finite growth boundaries. Regardless of the future economic and housing conditions, Prescott can likely accommodate another 3,000 plus units outlined in this report. From a land availability perspective, future housing development can easily be accommodated over the next 15 years assuming water resources and utility services are available. Overall, land availability is not a barrier to affordable housing in Prescott.

Zoning and Development Regulations: The General Plan 2025 and the City's land development code (LDC) was evaluated with respect to potential barriers. The General Plan is a comprehensive document that speaks to the need for housing diversity to support the employment needs of the local economy. It outlines a workforce housing strategy that includes education, financial



programs and solutions, community outreach, funding for workforce housing, and establishing a Community Land Trust. It recommends amending the LDC to incentivize ADU construction and to allow the renting of an ADU separately from the principal dwelling unit on the lot. The General Plan land use map provides moderate to high density uses in the central part of the city and mixed-use land uses near the airport that will support a variety of uses and residential densities.

The LDC is a modern document that incorporates the use of a Planned Area Development provision which provides flexibility in the design of unified projects, including mixed residential densities including townhomes, clustered, and patio home units. However, the LDC may need to be updated to recognize the improvement in manufactured home technology as a high-quality option for workforce housing. Updating design guidelines will also promote the introduction of manufactured homes to the community.

Overall, the Prescott General Plan 2025 provides an in-depth analysis of the workforce and affordable housing issues affecting the city, including potential action items and strategies. The City's LDC requires some amendments to bring it consistent with the Plan. The City's zoning and development requirements do not appear to be a significant barrier to the development of affordable housing and, in fact, provides a roadmap for addressing the matter.

Cost of Development: The cost of development of housing is comprised of two primary components: the land cost and the construction cost. The cost of land is typically affected by the price of housing; as prices go up so does the price of land. When there is a slowdown in housing construction, land prices typically adjust as well. Land prices can also be affected by the amount of land available for development. Communities that are near build-out will see prices rise due to the shortage of vacant land. Overall, land costs comprise anywhere between 15% and 25% of the final cost of a housing unit and are basically set by the market price of housing.

Construction costs can be quite variable and are affected by inflation, the supply of materials and labor, and various other economic factors. The pandemic of 2020 illustrated how construction activity and costs can be affected by supply chains and shortages of materials and workers. Data from the Associated General Contractors of America (AGC) indicates that since February 2020, just before the start of the pandemic, through December 2020, construction costs have increased by 36.6%. Comparatively, the consumer price index (CPI) is up 22.0%. Major construction materials that increased substantially over that time span include concrete products (up 39.8%), gypsum products for drywall (up 51.7%), and lumber (up 25.7%). New residential construction overall has increased 33.7% including 32.6% for single family construction and 34.8% for multifamily construction.



As a result, developers of affordable housing have found it increasingly challenging to build housing units that can reach those households most in need. Low Income Housing Tax Credit (LIHTC) complexes often now require numerous capital resources to finance their projects beyond just the tax credits. This may include assistance from cities and counties to finalize the project. For developers who target workforce housing for those households who make too much to qualify for an LIHTC complex (earning between 60% and 100% AMI), the situation is even more difficult because of construction costs. The alternatives for these developers include higher density projects, smaller living units, and assistance in terms of incentives from the local government. Arizona has few tools to assist with workforce housing development other than the Government Property Lease Excise Tax (GPLET) which provides property tax abatement and concessions for the project. Unfortunately, the financial benefits of the GPLET have been reduced by state legislation over the past ten years.

A comment received in interviews with stakeholders revealed that the city increased its impact fees by about 70%. For a housing unit that is less than 1,800 square feet the fee increased from \$10,835 to \$18,749. Much of the increase was related to fire services, streets, and the wastewater system. An increase of this magnitude will have an impact on the affordability of housing in the city.

For Prescott and much of Arizona, construction costs and impact fees will continue to be a major barrier for the development of affordable and workforce housing unless communities are willing to step up with financial incentives and other tools that will help make a project pencil.

Water Resources: Prescott is situated within the Prescott Active Management Area (AMA) which establishes a water management strategy for the area designed to conserve and augment groundwater supplies. Due to overdrafting of the aquifer, regulations were instituted that required new subdivisions in the Prescott AMA to demonstrate they have a 100-year supply of water. Prescott also requires verification of a 100-year supply for all residential and commercial land uses.

According to interviews with stakeholders, water is one of the primary barriers to the development of housing of all types including affordable housing. The effort to prove both legal and physical water can take as long as two years. This increases the cost of housing due to the long delay in approvals.



Anti-Growth Sentiment: There is a significant anti-growth sentiment among residents in the Quad-City area focused on water resources, traffic congestion, crime, and other issues. Prescott is attractive areas for new residents, retirees, and businesses, but some residents would like to see slower growth. Anti-growth sentiments are found in many communities across Arizona as it continues to be one of the fastest growing states in the country. For affordable housing advocates, slow growth attitudes can impact the development of all forms of housing for the local population and workforce.

Summary: Overall, the city of Prescott has available land within its boundaries and future annexation areas to accommodate the projected population growth through 2040. The General Plan supports residential uses including affordable housing. While the LDC may require some amendments to bring it into conformance with the Plan, the ordinance is not considered a significant barrier to affordable housing. The primary barriers to affordable housing in Prescott are the cost of development, water resources, and an anti-growth sentiment.



6.0 Affordable Housing Demand & Forecast

The City of Prescott is forecasted to grow by approximately 6,198 people over the next 16 years based on forecasts from the Arizona Office of Economic Opportunity (OEO). At the current average household size of 1.94 persons per unit, the demand for housing through 2040 totals 3,195 units or an average of 213 units per year. For perspective, residential building permits have averaged much higher levels of permitting since 2016, including a large number of multifamily permits in recent years. The OEO forecast may be conservative but some of the permitting activity may be related to seasonal residents which is not factored into the forecast.

6.1 Housing Affordability Gap

The housing affordability gap is the difference between the rents or housing values in a community and the ability of households to afford those rents or values. Affordability has become an issue over the past five years for many income levels due to rents and values that have increased well above the rate of inflation. At the same time, wages have not kept pace. **Housing affordability affects low- and moderate-income households the most, including many essential occupations such as teachers, police, firefighters, nurses, and service workers.**

There has been much discussion about the term “affordable housing”. “Affordable” is often associated with housing for the lowest income households. “Workforce” or “attainable” housing is often associated with the demand from critical service providers or essential personnel such as police, firefighters, nurses, schoolteachers, and others. In the context of this study, the term “affordable” will apply to all households who are burdened by housing costs or those that can’t find housing due to its cost relative to household income. Affordable housing refers to a continuum of housing demand that affects people from the lowest income levels to those earning above the area median income. A healthy economy and housing market should address all these demand sectors.

As outlined in this report, households are considered burdened by the cost of housing if rent and other housing costs total more than 30% of total household income. For a homeowner, the cost of housing typically includes a mortgage, property taxes, and insurance. For a renter, the cost of housing is rent and utilities. The U.S. Department of Housing and Urban Development also recognizes households that pay more than 50% of income towards housing known as an “severely cost burdened.” Across the country, approximately 29% of all households are considered cost burdened and about 13.4% are severely burdened.



The methodology for estimating the housing affordability gap for Prescott uses data directly from the U.S. Census that shows the number of households spending more than 30% of income on housing.

The following table outlines the housing cost burden for renters in Prescott which totals approximately 3,380 households or 46.6% of all renters. **An estimated 27.9% of renter households pay more than 50% of their incomes on housing or 2,026 households. These households are considered severely rent burdened.** This latter rent burden is well above the county and state averages.

Renter Housing Cost Burden Gross Rent as % of Household Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Total:	7,256		28,846		923,559	
Less than 10.0 percent	164	2.3%	1,342	4.7%	35,020	3.8%
10.0 to 14.9 percent	546	7.5%	2,677	9.3%	70,637	7.6%
15.0 to 19.9 percent	828	11.4%	2,413	8.4%	104,368	11.3%
20.0 to 24.9 percent	1,086	15.0%	4,031	14.0%	115,422	12.5%
25.0 to 29.9 percent	751	10.4%	3,742	13.0%	102,684	11.1%
30.0 to 34.9 percent	550	7.6%	1,933	6.7%	80,245	8.7%
35.0 to 39.9 percent	351	4.8%	1,411	4.9%	62,372	6.8%
40.0 to 49.9 percent	453	6.2%	2,470	8.6%	83,870	9.1%
50.0 percent or more	2,026	27.9%	5,979	20.7%	207,164	22.4%
Not computed	501	6.9%	2,848	9.9%	61,777	6.7%
Total Spending More Than 30%	3,380	46.6%	11,793	40.9%	433,651	47.0%
Total Spending More Than 50%	2,026	27.9%	5,979	20.7%	207,164	22.4%
Source: ACS 2023 5-year estimate						

For owner occupants, the housing cost burden is consistent with the statewide average. An estimated 3,257 owner households in Prescott or 21.0% fall into this category. Of that amount, 1,523 households are considered severely rent burdened (9.8%). It should be noted that homeowners typically have more options than renters to address their housing burden. For instance, an owner could sell the home and move to a less costly unit if one is available. Similarly, homeowners could have voluntarily increased their housing costs by taking out a second mortgage or home equity loan on the home. These factors all affect the housing burden of homeowners while renters have limited opportunities to reduce their housing burden beyond seeking a smaller or older unit or moving in with a roommate.



Owner Housing Cost Burden Housing Cost as Percent of Household Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Total owner households	15,495		80,054		1,873,231	
Less than 20.0 percent	9,452	61.0%	46,762	58.4%	1,119,626	59.8%
20.0 to 24.9 percent	1,357	8.8%	7,660	9.6%	208,141	11.1%
25.0 to 29.9 percent	1,266	8.2%	5,584	7.0%	134,621	7.2%
30.0 to 34.9 percent	658	4.2%	3,795	4.7%	89,783	4.8%
35.0 to 39.9 percent	574	3.7%	2,519	3.1%	59,715	3.2%
40.0 to 49.9 percent	502	3.2%	3,469	4.3%	72,363	3.9%
50.0 percent or more	1,523	9.8%	9,637	12.0%	167,545	8.9%
Not computed	163	1.1%	628	0.8%	21,437	1.1%
Total Spending More Than 30%	3,257	21.0%	19,420	24.3%	389,406	20.8%
Total Spending More Than 50%	1,523	9.8%	9,637	12.0%	167,545	8.9%
Source: ACS 2023 5-year estimate						

The total housing affordability gap for Prescott under this methodology is 6,637 households, or approximately 29.2% of total households. Renters are the most cost-burdened households in the city on a percentage basis. The housing burden for renters at different incomes is outlined below.

- Housing cost burden falls on the lowest income households. There are 1,085 renter households earning less than \$20,000 who are burdened by rent and 777 owner households who are similarly burdened. These households are most appropriately housed in public housing units, typically owned by a government entity or non-profit, or subsidized with vouchers, with rents set at 30% of the household's income.
- There are 2,127 renter households in the city earning between \$20,000 and \$50,000 per year and 72% of them, or 1,524 households, are burdened by housing costs. This group could be served by Low Income Housing Tax Credit projects or other government subsidized housing programs targeting 30%-60% AMI households. Prescott has three apartment communities offering subsidized rent to this target population totaling 224 units. Excluding population growth, there is still a need for 1,300 subsidized units for this income group.
- The third group of households, representing 1,565 renter households, earn between \$50,000 and \$75,000. About 32% of these households or 506 households are burdened by housing costs. Most of these households would likely qualify for workforce housing



units targeting 60%-100% AMI. Additionally, a portion of these households at the higher end of the range could be candidates for homeownership assistance programs. Alternatively, market rate apartments are positioned to offer rents affordable to households towards the middle to upper end of the income range. However, additional moderate rent units would need to be developed. With interest rate relief, a portion of these households could affordably purchase homes in the low \$300,000 range.

- The final group of 1,918 households earn \$75,000 or more with about 14% burdened by housing costs. Market rate apartments are affordable to this group of households. There are also many options among new and resale homes that would be affordable, especially if mortgage interest rates decline.

Renter Cost Burden Housing Cost as a Percent of Household Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Renter-occupied housing units:	7,256		28,846		923,559	
Less than \$20,000:	1,145		4,436		122,567	
30 percent or more	1,085	94.8%	3,911	88.2%	113,927	93.0%
\$20,000 to \$34,999:	1,269		3,868		123,065	
30 percent or more	1,062	83.7%	3,238	83.7%	109,901	89.3%
\$35,000 to \$49,999:	858		3,843		130,533	
30 percent or more	462	53.8%	2,532	65.9%	97,037	74.3%
\$50,000 to \$74,999:	1,565		5,632		177,433	
30 percent or more	506	32.3%	1,610	28.6%	82,140	46.3%
\$75,000 or more:	1,918		8,219		308,184	
30 percent or more	265	13.8%	502	6.1%	30,646	9.9%
Zero or negative income	110		310		18,839	
No cash rent	391		2,538		42,938	
Source: ACS 2023 5-year estimate						

Many homeowners are in a similar situation but have more options to alleviate their housing burden. The cost burden for Prescott homeowners is consistent with the county and state averages. The previous summary of housing prospects for renters among the different income groups is the same for owners. The development of housing for low- and moderate-income households, both rental and ownership housing products, would help to alleviate housing burden among a broad range of income levels. Those homeowners with low incomes could then use their equity to move up to newer, better housing.



Owner Housing Cost Burden Housing Cost as a Percent of Household Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Owner-occupied housing units:	15,495		80,054		1,873,231	
Less than \$20,000:	956		7,094		124,661	
30 percent or more	777	81.3%	5,425	76.5%	98,942	79.4%
\$20,000 to \$34,999:	1,777		9,381		153,271	
30 percent or more	726	40.9%	4,568	48.7%	78,585	51.3%
\$35,000 to \$49,999:	1,281		9,777		169,997	
30 percent or more	529	41.3%	3,674	37.6%	67,957	40.0%
\$50,000 to \$74,999:	2,839		13,525		291,613	
30 percent or more	690	24.3%	3,120	23.1%	80,082	27.5%
\$75,000 or more:	8,479		39,649		1,112,252	
30 percent or more	535	6.3%	2,633	6.6%	63,840	5.7%
Zero or negative income	163		628		21,437	
Source: ACS 2023 5-year estimate						

A further source of demand for affordable housing is households who are separated or divorced or where a spouse has died. Those households have much lower incomes relative to married couple families. In particular, households headed by a single person have a median income of \$68,000 and lower. When they live with their own children, the median income for households headed by a male falls to under \$50,000 and for a female head of household to less than \$47,000.

Median Family Income by Type City of Prescott			
	Households	%	Income
Total households	22,751		
<i>Married-couple household</i>	11,084	48.7%	\$96,378
With children of the householder under 18 years	1,539	6.8%	\$114,750
<i>Cohabiting couple household</i>	1,278	5.6%	n/a
With children of the householder under 18 years	204	0.9%	n/a
<i>Male householder, no spouse/partner present</i>	4,355	19.1%	\$68,000
With children of the householder under 18 years	129	0.6%	\$49,483
<i>Female householder, no spouse/partner present</i>	6,034	26.5%	\$66,167
With children of the householder under 18 years	610	2.7%	\$46,932
Source: ACS 2023 5-year estimate			

6.2 Summary

An estimated 6,637 households in Prescott, or approximately 29.2% of total households are burdened by housing costs, spending more than 30% of their income on housing. This number



includes 3,380 renters who are burdened the most on a percentage basis and 3,257 owners. As noted previously, owners have more options to resolve their housing cost issue by selling their home and moving to a lower cost unit or renting. Renters by comparison have fewer options. While there are few opportunities for homeownership for households who earn less than \$50,000, a target for first-time homeownership could be the more than 1,500 renter households who earn between \$50,000 and \$75,000.

Prescott has an inventory of 224 affordable LIHTC units that provide some benefit to low- and moderate-income households. Housing choice vouchers are also available across Yavapai County from the Arizona Public Housing Authority. The number of vouchers that are directly used in Prescott is unavailable. However, vouchers for the county are fully committed with a long waiting list. Resources available to low- and moderate-income households are limited and do not fully address housing need.

Affordability Guidelines

HUD income limits for multifamily tax subsidy projects for Yavapai County are based on the area median family income (AMFI) of \$87,300 for 2025. This means a family of four qualifies for an LIHTC complex at an income of \$54,360 (60% of AMFI). Therefore, about 7,300 households out of 22,751 households in the city or 32% (subject to household size) could potentially qualify for a tax subsidy unit.

FY 2025 Multifamily Tax Subsidy Project Income Limits								
Yavapai County, AZ								
Area Median Family Income \$87,300								
% of Median Income	Persons in Family							
	1	2	3	4	5	6	7	8
80%	\$50,750	\$58,000	\$65,250	\$72,500	\$78,300	\$84,100	\$89,900	\$95,700
70%	\$44,400	\$50,700	\$57,100	\$63,420	\$68,500	\$73,580	\$78,700	\$83,740
60%	\$38,040	\$43,500	\$48,900	\$54,360	\$58,740	\$63,060	\$67,440	\$71,760
50%	\$31,700	\$36,250	\$40,750	\$45,300	\$57,950	\$52,550	\$56,200	\$59,800
40%	\$25,360	\$29,000	\$32,600	\$36,240	\$39,160	\$42,040	\$44,960	\$47,840
30%	\$19,020	\$21,750	\$24,450	\$27,180	\$29,370	\$31,530	\$33,720	\$35,880
20%	\$12,860	\$14,500	\$16,300	\$18,120	\$19,580	\$21,020	\$22,480	\$23,920
Source: Department of Housing & Urban Development								

Allowable rents for tax subsidy complexes correspond to the size of the households as shown below. For a two-bedroom unit that could accommodate up to four people, rent for a household earning 60% of AMFI would be \$1,222. Clearly market rents in Prescott are above these levels.



FY 2025 Tax Credit Program Allowable Rents Yavapai County						
% of Median Income	0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm
60%	\$951	\$1,019	\$1,222	\$1,413	\$1,576	\$1,740
50%	\$792	\$849	\$1,018	\$1,178	\$1,313	\$1,450
40%	\$634	\$679	\$815	\$942	\$1,051	\$1,160
30%	\$475	\$509	\$611	\$706	\$788	\$870
20%	\$317	\$339	\$407	\$471	\$525	\$580
Source: Department of Housing & Urban Development						

The chart below shows Yavapai County median wages for a variety of occupations, some of which are considered critical service jobs such as firefighters, teachers, paramedics, and police officers. Beyond these critical service occupations, even waiters, construction laborers, and retail salespersons are important for a functioning economy. The monthly affordable housing cost for each occupation shows that nearly all the occupations would have difficulty affording the market rents in Prescott much less purchase a home as a single income household. The average Prescott apartment rents ranging from \$1,600 and higher are out of reach for most occupations as a single earner household.

Housing Affordability By Occupation			
Occupation	Yavapai County 2023 Median Wage	Monthly Affordable Housing Cost (30% of Income)	Monthly Affordable Rent (Less Utilities)
Retail Salespersons	\$33,886	\$847	\$747
Receptionists and Information Clerks	\$36,094	\$902	\$802
Restaurant Cooks	\$37,432	\$936	\$836
Nursing Assistants	\$38,572	\$964	\$864
Waiters and Waitresses	\$41,273	\$1,032	\$932
Construction Laborers	\$43,233	\$1,081	\$981
Pharmacy Technicians	\$44,675	\$1,117	\$1,017
Paramedics	\$45,446	\$1,136	\$1,036
Elementary School Teachers	\$48,488	\$1,212	\$1,112
Middle School Teachers	\$48,994	\$1,225	\$1,125
Firefighters	\$51,838	\$1,296	\$1,196
Secondary School Teachers	\$53,240	\$1,331	\$1,231
Police and Sheriff's Patrol Officers	\$67,315	\$1,683	\$1,583
Registered Nurses	\$91,166	\$2,279	\$2,179
Prepared by the Arizona Office of Economic Opportunity in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, April 2024			



The wage data above does not consider that a household may have two wage earners. However, for single person households, particularly headed by a female head of household or families where only one person works, the availability of affordable housing is a critical need. Census data shows that about 30% of all Prescott households have only one working member while 15% of households have two working members (only 3% of households have three working members). Another 52% have no working members of the household, mostly reflecting retired households (51% of all households in Prescott are headed by a person who is 65 years or older). Affordable housing is critical for those households with one working member and for single person households.

6.3 Future Housing Demand

As noted previously in this report, Prescott is expected to grow by 6,198 people between 2024 and 2040. This will create demand for at least 3,195 housing units. Taking into account a 5% vacancy rate, total housing demand should approach 3,355 units.

Following from the gap analysis, the following table outlines the future demand for housing by today's income range. Rental housing demand, much of which could be in the form of subsidized units, will be driven by households with less than \$50,000 in income. Total demand is estimated at 1,154 units through 2040. Another 1,104 units of ownership housing will be needed for critical service employees who earn between \$50,000 and \$100,000. This population may need support to acquire housing that is within their reach. At today's interest rate, the households in this income category could afford a home ranging from \$200,000 to \$350,000.

Prescott Forecasted Housing Demand By Income			
Income Range	Households	%	Housing Target
Less than \$25,000	547	16.3%	Rental Housing
\$25,000 to \$34,999	292	8.7%	Rental Housing
\$35,000 to \$49,999	315	9.4%	Rental Housing
Total	1,154	34.4%	
\$50,000 to \$74,999	661	19.7%	Ownership Housing
\$75,000 to \$99,999	443	13.2%	Ownership Housing
Total	1,104	32.9%	
\$100,000 to \$149,999	500	14.9%	
\$150,000 to \$199,999	248	7.4%	
\$200,000 or more	349	10.4%	
Total	1,097	32.7%	
Total Units	3,355	100.0%	
Source: AZ OEO, Elliott D. Pollack & Co.			



7.0 Conclusions

Over the last five years, housing in the city of Prescott has experienced declining affordability conditions, similar to that occurring across Arizona. In total, about 29.2% of households in the community are currently burdened by their housing costs, including 46.6% of all renters. The city is projected to experience moderate growth for the foreseeable future, and affordability challenges will continue. Solutions are needed for current residents and to plan for the housing needs of future residents.

Prescott is in a strong position to address the affordability needs of its growing community. Employment forecasts suggest that the City's economy will continue to expand and could bring more high wage jobs. These jobs will have a multiplier effect, creating multiple lower wage jobs as a result. Prescott should be strategic about the types of housing units it approves to support current and future residents, especially necessary service workers.

There is an abundance of available residential land available to accommodate future growth. A variety of housing types should be encouraged. However, addressing the housing affordability issue will not be successful unless higher density housing products are introduced to the community to offset the cost of land and construction. Incentives and affordable housing policies to attract such housing are an important element. While this report does not provide an overall strategy, suggested options for higher density housing products include the following.

- Small lot and attached ownership development, including courtyard complexes, will allow more residents who earn less than \$100,000 the opportunity for homeownership.
- Moderate and higher-density rental products, such as single-family rentals (BTRs), traditional apartments, townhomes, or duplexes placed in strategic areas can provide affordable opportunities for households earning between \$50,000 and \$75,000.
- Accessory dwelling units (ADUs) on existing lots provide affordable rental options while providing income to the property owner. We understand an ADU may not be rented separately from the principal dwelling unit on the lot under the requirements of the LDC.
- Manufactured or modular homes are now being developed on permanent foundations with enhanced design features by developers. Manufactured homes can be an affordable ownership option for Prescott.
- Subsidized housing programs targeting low-income and workforce wage households (40%-100% AMI) for multi-family housing will continue to be demanded in Prescott to



support service providers who are currently burdened by housing costs. Even after new apartment communities are completed in the coming year, there will still be a large gap of need at this income level.



DRAFT 12-31-2025



Workforce Housing Strategy & Implementation Plan

DRAFT December 31, 2025

Table of Contents

1.0 Introduction	1
2.0 Housing Strategy	5
3.0 Implementation Plan	20
4.0 Financial Analysis of Prototypical Workforce Apartment Project	24
Appendix Scenarios 1 & 2 Worksheets	31

Prescott Workforce Housing Strategy & Implementation Plan

1.0 Introduction

Over the last five years, the city of Prescott has experienced declining housing affordability, similar to that occurring across Arizona. In total, about 29.2% of households in the community are currently burdened by their housing costs (spending more than 30% of income on housing), including 46.6% of all renters. The city is projected to experience moderate growth for the foreseeable future, and affordability challenges will continue. Solutions are needed for current residents burdened by housing costs and to plan for the housing needs of future residents.

The Prescott City Council established the 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 term “Workforce” includes those employed in occupations considered essential to a community’s functioning including those in education, healthcare, public safety (police officers and firefighters), construction, and other key services. The cost of housing in Prescott has created difficulty for the City, colleges, medical centers, and local businesses to hire and retain essential personnel. The work of the Committee resulted in the adoption of the Prescott Workforce Housing Policy Framework in November 2025. This important groundbreaking document provides an initial directive for increasing the availability of attainable workforce housing in Prescott. This Implementation Plan and Strategy outlines the actions that will be required to move the City forward to solutions that will meet the goals of the Workforce Housing Policy Framework.

Prescott has a wide range of housing affordability needs. Workforce housing is an area that the city can impact at the local level through various incentives. A workforce household is defined as earning between 60% and 120% of the area’s median income. Median income is determined by family size as shown on the following chart. For the Prescott metro area in 2025, this equates to a family of four earning between \$54,360 and \$108,720.

Table 1

FY 2025 Multifamily Tax Subsidy Project Income Limits Yavapai County, AZ								
Area Median Family Income \$87,300								
% of Median Income	Persons in Family							
	1	2	3	4	5	6	7	8
120%	\$76,060	\$86,980	\$97,850	\$108,720	\$117,420	\$126,120	\$134,810	\$143,510
80%	\$50,720	\$58,000	\$65,200	\$72,500	\$78,300	\$84,100	\$89,900	\$95,700
60%	\$38,040	\$43,500	\$48,920	\$54,360	\$58,740	\$63,060	\$67,440	\$71,760
Source: Department of Housing & Urban Development								

Affordable workforce housing costs for households ranging in size from one to four persons are shown in Table 2. Costs range from \$751 for a one-person household earning 60% of AMI to \$2,518 for a four-person household earning 120% of AMI (after deducting \$200 per month for utilities).

Table 2

2025 Affordable Workforce Housing Costs Prescott Workforce Housing Policy						
Household Size	Income Range			Housing Cost Range		
	60%	80%	120%	60%	80%	120%
1 person	\$38,040	\$50,720	\$76,060	\$751	\$1,068	\$1,702
2 people	\$43,500	\$58,000	\$86,980	\$888	\$1,250	\$1,975
3 people	\$48,920	\$65,200	\$97,850	\$1,023	\$1,430	\$2,246
4 people	\$54,360	\$72,500	\$108,720	\$1,159	\$1,613	\$2,518
Note: Cost range includes \$200 per month estimate for utilities						

Prescott is in a strong position to address the affordability needs of its growing community. Given its size, Prescott has a broad economy that is built on a variety of industries including manufacturing, government, media (publishing and entertainment), healthcare, education, retail, and telecommunications. The city's unemployment rate stood at 5.0% as of September 2025, an increase from 4.0% one year earlier and slightly above the September state-wide average of 4.7%. While unemployment has increased in the city and state, the rate is still an indicator of robust employment.

However, the primary concerns with the Prescott economy are (1) a labor force participation rate for Prescott of 42.4% which is well below the state average of 60.1% and (2) the median age of the Prescott population at 60 years (40.5% of the population is over the age of 65

compared to 18.6% for the state). This raises questions about the ability of the local labor force to continue to provide services for the aging population. In order to ensure the availability of a qualified workforce, housing needs to be available for service and essential workers.

Table 3

Labor Force Participation 2023			
	Prescott	Yavapai County	Arizona
Population 16 year and over	42,149	209,074	5,862,117
Civilian Labor Force	17,870	100,945	3,522,511
Employment	17,041	96,693	3,340,327
Unemployment	829	4,252	182,184
Labor Force Participation Rate	42.4%	48.3%	60.1%
Source: ACS 2023 5-year estimate			

Workforce Housing Need

Households are considered burdened by the cost of housing if rent and other housing costs total more than 30% of total household income. For a homeowner, the cost of housing typically includes a mortgage, property taxes, and insurance (often wrapped into one payment) plus utilities. For a renter, the cost of housing is rent and utilities. According to data from the American Community Survey of the U.S. Census, 1,996 workforce households in Prescott earning between 60% and 120% of AMI are currently burdened by housing costs including 771 renters and 1,225 owners (Table 4).

Table 4 also estimates the growth in workforce households over the next 15 years totaling 1,104 households. Based on the current percentage of workforce households burdened by housing costs today, about 214 future households may find a similar situation as they search for affordable housing. However, this estimate is viewed as conservative since many workforce households entering the Prescott market in the future will likely find it difficult to find affordable housing due to the increase in construction costs over the past five years. The total current and future workforce that may be burdened by housing costs is conservatively estimated at 2,210 households.

Table 4

Existing & Future Workforce Housing Demand City of Prescott		
	Households	%
Existing Renter Workforce Households 60%-120% AMI		
\$50,000 to \$74,999:	1,565	
30 percent or more spent on housing	506	32.3%
\$75,000 or more:	1,918	
30 percent or more spent on housing	265	13.8%
Total Burdened Renter Households	771	22.1%
Existing Owner Workforce Households 60%-120% AMI		
\$50,000 to \$74,999:	2,839	
30 percent or more spent on housing	690	24.3%
\$75,000 or more:	8,479	
30 percent or more spent on housing	535	6.3%
Total Burdened Owner Households	1,225	10.8%
Total Existing Burdened Workforce Households	1,996	13.5%
Future Workforce Households 60%-120% AMI		
\$50,000 to \$74,999	661	
30 percent or more spent on housing	180	27.2%
\$75,000 to \$99,999	443	
30 percent or more spent on housing	34	7.7%
Total Potential Workforce Households	214	
Total Potential Workforce Housing Burden	2,210	
Source: ACS 2023 5-year estimate		

2.0 Housing Strategy

2.1 Preface

The Workforce Housing Policy Framework establishes Prescott's intent to address workforce housing affordability. The following Initiatives, Strategies, and Implementation Plan provide the roadmap for the commitment by the City to establish an investment in workforce housing by using incentives and land use tools that have been shown to be effective. The effort will involve both city staff and Elliott D. Pollack & Company as a third party consultant who will collaborate with the staff on various implementation activities.

There are several different administrative models for establishing a workforce housing program. In order to maintain simplicity and the ability to provide flexibility to amend the program over time, this Workforce Housing Strategy recommends reliance on two primary documents that will provide guidance on administration of Prescott's Workforce Housing program. Those documents are:

- The Workforce Housing Policy Framework as currently written and amended in the future, and
- Amendments to the Prescott LDC that will be prepared in the next year to ensure the Framework can be implemented in conformance with state law.

The Vision

As outlined in the Workforce Housing Policy Framework, 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 residents and the workforce.

The Goal

The overall goal of a Workforce Housing Policy Framework is to create and maintain housing that is affordable for critical, essential workers, ensuring they can live in the communities they serve.

2.2 Strategic Initiatives

The following Strategic Initiatives follow from the Workforce Housing Policy Framework. Strategic Initiatives are actions that need to be taken by the City to implement the Workforce Housing Policy Framework. Strategies outline specific steps that are required to achieve each Initiative.

Initiative 1: Amend the Prescott Land Development Code (LDC) to implement the Workforce Housing Policy Framework

Strategy 1.1: Adopt a new section of the LDC for Workforce Housing

A Workforce Housing text amendment to the LDC needs to be adopted to ensure actions taken by the City Council and staff in implementation of the Workforce Housing Policy Framework are consistent with Arizona State law and current provisions of the LDC. A new “Workforce Housing” section should be amended to the LDC in Section 2.0 or Section 9.0. The amendment should include the following elements.

- Define eligibility for incentives such as the minimum percentage of workforce housing units to be included in a project, the location of workforce housing projects relative to community amenities, and the types of acceptable housing units.
- Outline how the program would be administered by the city and the requirements to be placed upon the developer to ensure compliance with the program.
- Define LDC development standards modifications such as density bonuses, eligible/potential parking reductions, and other code requirements.
- Utilize the Planned Area Development provisions of the LDC, Section 9.5, to provide flexibility in site design, property development standards, and increased density for incentivized workforce housing complexes.
- Determine if the maximum densities of the PAD section of the LDC can be exceeded with the granting of a density incentive for a workforce housing complex.

Strategy 1.2: Adopt Additional LDC and City Code Amendments

- Amend the Guest Quarters and ADU section of the LDC (Section 2.5.6) to permit the rental of a Guest Quarters or ADU separately from the principal dwelling unit.
- Consider amending the Guest Quarters and ADU section of the LDC to conform to the principles of HB 2720 (A.R.S. § 9-461.18).

Recommendations for LDC Workforce Housing Amendment

- **Recommendation:** Establish the minimum percentage of workforce units planned for any project at 10%.
- **Recommendation:** Provide a sliding scale of density bonus to the percentage of workforce housing units proposed for a project. The adjacent chart is a suggestion for density bonuses.

Percentage of Affordable Units & Density Bonus	
% of Affordable Units	% Density Bonus
10%	15%
12%	18%
14%	21%
16%	24%
18%	27%
20% plus	30%

- **Recommendation:** Parking may be reduced based on a traffic and parking study and proximity to community amenities.
- **Recommendation:** Building height and setbacks may be modified from LDC standards through a PAD designation.

Initiative 2: Develop Incentive Programs for Workforce Housing Complexes

Strategy 2.1: Use Development Agreements (DA) as the Primary Instrument to Document the Conditions and Requirements of a Workforce Housing Award

- Develop a standardized Development Agreement that will outline all conditions and requirements imposed by the City on approved Workforce Housing projects including fee waivers, density incentives, deed restrictions, maintenance of units, reporting requirements, performance bonds, and other inducements.

Strategy 2.2: Establish the Level of City Contributions Toward Project Development Impact Fee Waivers

- Develop a standardized financial analysis and scoring system to determine if a project would not be feasible without a City contribution to impact fees or would be built with fewer workforce units.
- Establish a schedule of impact fee contributions for workforce housing units included in a complex such as the following.

City Contribution of Impact Fees	
% of Workforce Housing Units	% of Contribution
10% to 14%	50%
15% to 19%	75%
More than 20%	100%
Contribution would apply only to fees assessed against workforce housing units.	

- If a project includes a mix of market rate and workforce housing units, establish a process for deferral of development impact fees for market-rate units until issuance of a Certificate of Occupancy secured by a surety bond, letter of credit, or cash bond.

Strategy 2.3: Establish Non-Impact Fee Waivers for Building, Planning, Engineering, and Utility Fees

- Establish a schedule of non-development fee waivers for a workforce housing complex. Fee waivers would apply to fees normally charged against an entire project (workforce and market rate units) including Building Permit Fees, Planning and Zoning Fees, Site Plan Review Fees, Subdivision Fees, Building Plan Review and Inspection Fees, Utilities Department Fees (connection, service initiation), and other development-related fees as determined by the City. A recommended schedule is shown below.

Waiver of Non-Impact Fees	
% of Workforce Housing Units	% of Waiver
10% to 14%	50%
15% to 19%	75%
More than 20%	100%
Waivers would apply to fees assessed against the entire project.	

Strategy 2.4: Provide Standards for Expedited Review

- Provide accelerated review slots for qualified workforce housing projects with an approved Workforce Housing Certification.
- Provide outreach to qualified developers early in the process to establish a review schedule for qualified projects.

Initiative 3: Prepare Workforce Housing Proposal Documentation

Strategy 3.1: Prepare a Workforce Housing Certification Form

- Prepare a Workforce Housing Certification form that ensures compliance with program standards including targeting household earning between 60% and 120% of AMI, the percentage of workforce housing units in the project, and commits the developer to maintain affordability for 30 years. The status of the developer as a viable candidate for workforce housing development is also established.

Strategy 3.2: Develop a Standardized Review Framework

- Prepare a standardized review framework for workforce housing proposals that will allow for evaluation of Land Development Code modifications, fee waivers, density incentives, and other inducements to ensure fairness and consistency among proposals.

Initiative 4: Promote Incentives Related to Prescott's Water Policy

Strategy 4.1: Use Water Policy Incentives to Promote Workforce Housing

- Incentives such as water application approval prioritization, reduced water fees, water efficiency and conservation incentives, and a streamlined water permitting process represent some of the most important workforce housing incentives available for use by the City. Work with Water Issues Subcommittee (WIS) to establish a schedule of fee waivers and project prioritization relative to the percentage of workforce housing units proposed for a project. Semiannual water budget allocation could include a separate budget for workforce housing specific projects.

Initiative 5: Prepare for Single Family Ownership Housing Projects

Workforce housing projects that target homeownership require a different structure than rental projects to ensure the unit remains affordable for the term of the agreement with the City even though there may be different owners over the 30-year term. Prospective owners would be required to agree to certain restrictions on the resale of the unit so another qualified buyer can purchase the home at an affordable price. An important element of a ownership workforce housing unit is a Community Land Trust (CLT) that owns the land and leases the land to the buyer on a 99-year term. The owner owns only the improvements and therefore the value of the home price is reduced by 15% to 25%. When the home is sold, the price is capped, but the seller retains a portion of the equity that can be used to purchase another unit.

If a developer proposes to develop a subdivision for workforce housing, the lots would preferably be dedicated to the city or a CLT. Homes would be built by the developer and then sold to a qualified buyer with the City's overview. Deed restrictions on the home can also serve a similar purpose as a CLT.

Strategy 5.1: Consider Establishing a Community Land Trust (CLT) or Engaging an Existing CLT

- A CLT is a non-profit organization that holds title to land to preserve long term availability for affordable housing. Affordability of housing under the CLT is achieved through the separation of the ownership of the land and the improvements on the land.

Strategy 5.2: Consider Partnering with a Non-Profit Organization to Assist with Implementation of an Ownership Workforce Project

- A non-profit entity could provide home-buying counseling for buyers, assist with qualifying candidates for purchase, help with resale of workforce units, and manage a CLT.

Initiative 6: Explore In-Lieu Alternatives to Workforce Housing

As an alternative to including workforce housing in a project, a developer may desire to provide a payment in-lieu of development. In-lieu fees would likely be deposited into a dedicated affordable housing fund and would be spent on activities that directly support the creation and maintenance of workforce housing.

Strategy 6.1: Establish a Formula for an In-Lieu Fee Payment

- The cost of an in-lieu fee must be equitable and linked to the cost of developing a workforce housing unit. A study of calculating in-lieu fees in similar jurisdictions should be conducted and then adapted to City of Prescott conditions.

Strategy 6.2: Evaluate Options for the Use of In-Lieu Revenue

- In-lieu funding could be used by the City for a variety of workforce housing purposes including a down payment assistance program, land acquisition for workforce housing, low-interest gap loans, and similar options.

Initiative 7: Explore the Creation of an Infill Incentive District

Arizona Revised Statutes (“ARS”) § 9-499.10 enables cities and towns to establish infill incentive districts and adopt an infill incentive plan to encourage redevelopment in the district. Under the plan, a city may provide a variety of redevelopment incentives including expedited zoning or rezoning procedures, expedited processing of plans and proposals, waivers of municipal fees for development activities, and relief from development standards.

Strategy 7.1: Establish an Infill Incentive Plan to Expand Workforce Housing Opportunities

- The Plan will facilitate intensifying residential development in existing developed areas of Prescott, effectively using existing infrastructure. Such development will positively impact commercial development in the infill district and assist with adaptive reuse of commercial and historic buildings that are vacant or underutilized.

Initiative 8: Explore Options for Workforce Housing Funding

The commitment to support development and expansion of workforce housing in Prescott will require significant financial resources.

Strategy 8.1: Explore Creation of a Workforce Housing Trust Fund

- The fund would serve as a repository of revenue for workforce housing purposes that could come from voluntary contributions as well as dedicated revenue streams. The fund could be used to leverage private investment in workforce housing, including gap financing, down payment assistance programs, and other purposes.

Strategy 8.2: Explore Sources of Funding for the Trust Fund

- Consider funding the Trust Fund on a routine basis from City revenue sources to support the start of the Workforce Housing program. Potential funding could come from a combination of a General Fund allocation, state or federal funding, a transient occupancy tax allocation, proceeds from excess land sales, a dedicated sales tax allocation, and G.O. Bond proceeds.

Strategy 8.3: Consider the Use of Industrial Development Authority (IDA) Bonds for Workforce Housing Financing

- IDA financing at the county and city levels in Arizona has been used for direct financing and gap financing of workforce housing projects. Prescott's IDA could serve the same purpose.

Initiative 9: Explore Housing Resources for City Employees

The city is committed to the recruitment and retention of qualified employees and will consider a variety of strategies to support a skilled workforce.

Strategy 9.1: Explore Programs that Provide Assistance to City Employees

- Integrate housing support programs into the City's overall benefits package that may include downpayment assistance, rent subsidies, housing stipends, and other programs, particularly for those employees in key public service roles that require extensive training at a cost to the City.

Strategy 9.2: Provide Housing Resource Support to Employees

- Provide information to employees on housing opportunities and assistance programs. Work with workforce housing developers to reserve a portion of workforce housing units for City employees.

Initiative 10: Conduct an Inventory of Surplus City-Owned Land

Strategy 10.1: Identify City-Owned Properties that may be Suitable for Workforce Housing Opportunities

- Through the surplus land inventory, identify property that may be suitable for workforce housing based on access, utility availability, proximity to community assets, and neighborhood integration.

Strategy 10.2: Identify City-Owned Property that may be Suitable for a Land Trade

- As part of the surplus land inventory, identify properties that could be leveraged as a land swap for property with better workforce housing opportunities.

Initiative 11: Provide Resources for Implementation of the Workforce Housing Policy Framework

Strategy 11.1: Identify Staffing Resources and Consultant Contracts for on-Going Program Management of the Workforce Housing Policy Framework

The staffing resources required to continue the Workforce Housing program management are significant. Just some of the initial implementation tasks to establish a workforce housing program as outlined in the Policy Framework and this Strategy document, which will be the responsibility of City staff and consultants, include:

- Drafting LDC amendments.
- Developing a standardized financial analysis and scoring system for evaluation of workforce housing projects.
- Preparing a Workforce Housing Certification form that ensures compliance with program standards.
- Developing a Workforce Housing Guidebook and a Developer Guidebook.
- Establishing incentive programs for workforce housing units.
- Coordinating with program participants to ensure alignment with City's housing goals.
- Conducting outreach to the community.

Once the workforce housing program is established and operating, on-going program maintenance and management responsibilities will include:

- Providing developer and stakeholder support.
- Monitoring the progress of workforce housing projects, coordinating with developers/owners on qualifying applicants for housing units, and reporting on compliance with adopted policies.

- Ensuring developer accountability and identifying those who do not meet performance benchmarks.
- In conjunction with City management, identify available staff and contractors to initiate the Workforce Housing Program and additional staffing requirements as the program becomes fully implemented and workforce housing projects come online. Consider retaining private and non-profit organizations that may assist with management of certain elements of the program.

Strategy 11.2: Develop Workforce Educational Guidebooks

- Prepare (1) the Workforce Guidebook for households seeking workforce housing including educational information for City residents on the benefits of workforce housing and (2) the Developer Guidebook providing an overview of the workforce housing incentives, certification process, and accountability standards.

Strategy 11.3: Conduct a Public Outreach Campaign

- Ongoing outreach to the community and collaboration between the Workforce Housing Committee, stakeholders, residents, businesses, developers, and housing advocacy groups is vital to the success of the workforce housing program. Opportunities to engage the public will be identified to build community support for workforce housing.

Initiative 12: Consider Expanding the Tools Available to Implement the Workforce Housing Policy Framework

Strategy 12.1: Consider the Use of the Government Property Excise Lease Tax (GPLET)

- The GPLET is a primary tool available to cities to incentivize development and redevelopment of areas of the community. The GPLET allows ownership of a property to be transferred from a private entity to the municipality and leased back to the original owner. Since the government owned property is not subject to a property tax, the GPLET instead imposes an excise tax on the property which is lower than the normal property tax. The excise tax can be abated for eight years if property is situated within a Central Business District (CBD) and a Redevelopment Area (RDA).

The GPLET can help reduce the financial gap for workforce housing, infill development, and redevelopment challenges by reducing a project's operating cost. In exchange for imposing the GPLET on a residential property, some cities require a minimum percentage of units to be reserved in the project for workforce households.

Alternatively, the developer may opt to pay an in-lieu fee to the community that will be used for housing development purposes.

Strategy 12.2: Consider the use of a Construction Sales Tax Rebate as a Workforce Housing Incentive

- The construction sales tax is usually about 4% of construction cost. A rebate or reimbursement of all or a portion of the sales tax would be a significant financial incentive for workforce housing developers.

Strategy 12.3: Consider Initiating a Land Banking Program

- Land banking is focused on public entities purchasing vacant, abandoned, and deteriorated properties in order to return them to productive use. The simple acquisition of a deteriorated property can often improve the surrounding neighborhood. Sites are often suitable for workforce housing, often in infill locations.

Strategy 12.4: Work With the School District to Identify Excess Property Which May Provide Opportunities for Workforce Housing

Strategy 12.5: Work With Local Church Groups to Identify Excess Land That Could Support Workforce Housing Development

Strategy 12.6: Conduct a Comprehensive Review of the City's LDC and Development Standards to Reduce or Eliminate Barriers to Workforce Housing

Initiative 13: Promote and Support Missing Middle Housing Types

Strategy 13.1: Ensure Missing Middle Ownership Housing Products can be Accommodated within the LDC

- Following are examples of several types of ownership housing products that may serve to provide options for affordable workforce housing units. The products include six-pack cluster courts, small lot single family units, and townhomes. Product types should be evaluated to determine if the provisions of the LDC and PAD can accommodate similar units.

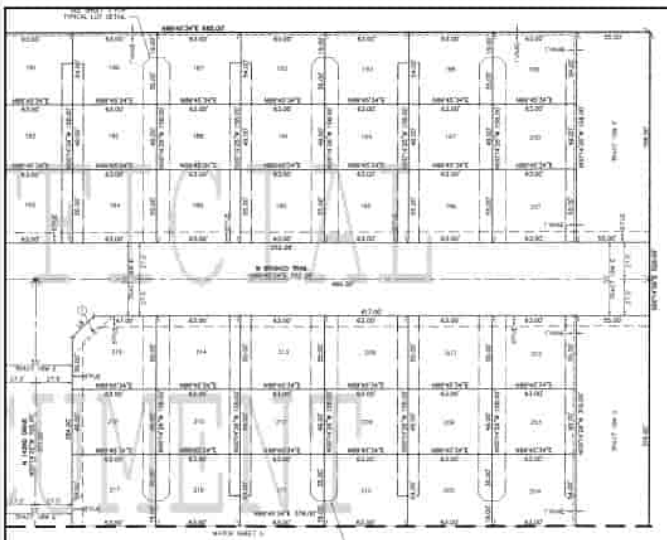
RANCHO MERCADO SURPRISE, AZ

**AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY TAYLOR MORRISON**

**NORTHEAST OF HAPPY VALLEY ROAD
AND RANCHO MERCADO PARKWAY**

6-PACK AUTOCOURT / CLUSTER HOME

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 6-8 DU/AC
- MIN. LOT SIZE: 49'X63'
- MIN. LOT AREA: 3,087 SF
- FRONT DOORS ON COMMON OPEN SPACE TRACT OR PUBLIC STREET



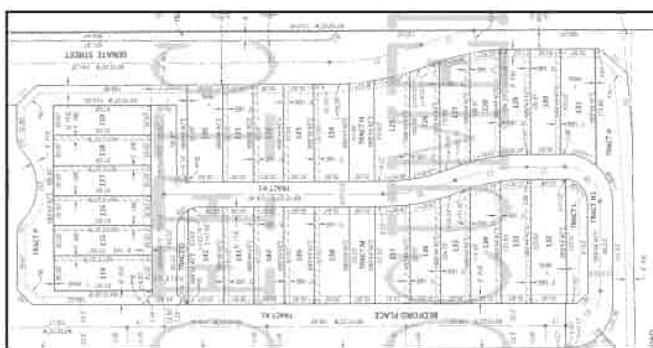
HORIZON CHANDLER, AZ

**AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY LENNAR**

**NORTHEAST OF GERMANN ROAD AND
MCQUEEN ROAD**

DETACHED, ALLEY-LOADED PRODUCT

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 6-8 DU/AC
- MIN. LOT SIZE: 30'X97'
- MIN. LOT AREA: 2,910 SF
- SIDE SETBACKS: 0' & 10' WITH 5' U.B.E.
- DOORS ON OPEN SPACE OR STREET



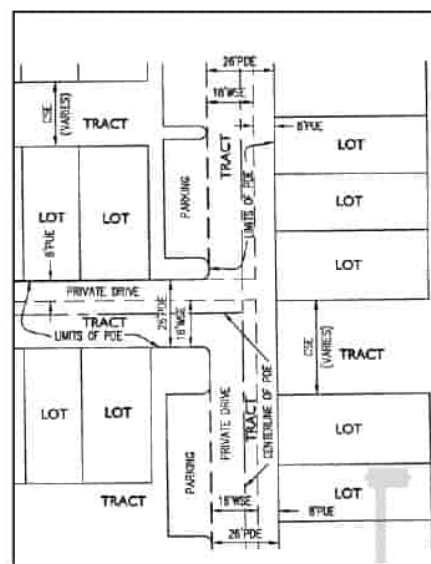
FINCHER FIELDS GILBERT, AZ

AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY LENNAR

NORTHWEST OF WILLIAMS FIELD ROAD
AND RECKER ROAD

ATTACHED, ALLEY-LOADED TOWNHOMES

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 12-18 DU/AC
- MIN. LOT SIZE: 22'X70'
- MIN. LOT AREA: 1,540 SF
- FRONT DOORS ON COMMON OPEN SPACE TRACT OR PUBLIC STREET



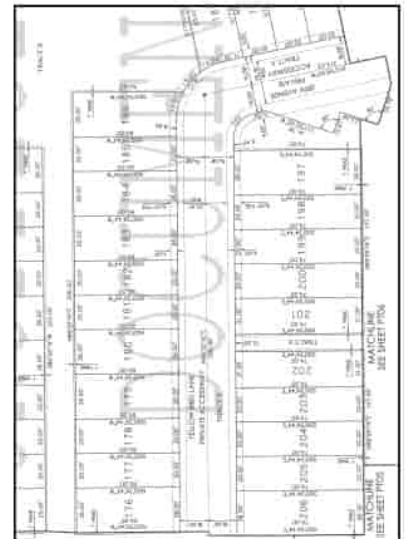
23 & 17 NORTH PHOENIX, AZ

TWO RESIDENTIAL DEVELOPMENTS BY
K. HOVNANIAN HOMES

23: NE OF NORTHERN RD AND 23RD AVE
17: NE OF INTERSTATE 17 AND JOMAX RD

FRONT-LOADED, ATTACHED TOWNHOMES

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 10-15 DU/AC
- MIN. LOT SIZE: 20'X60' WITH 3' APRON
20'X74' WITH DRIVEWAY
- MIN. LOT AREA: 1,200 SF OR 1,480 SF
- FRONT DOORS ON PUBLIC STREET



2.3 Summary of the Impact of Incentives on Workforce Housing Costs

Development incentives and workforce housing programs each affect three of the major elements of the cost of development – land cost, soft costs, and hard costs. The extent of the impact is dependent on the cost element with soft cost incentives likely resulting in the smallest impact relative to the overall cost of the project. Land costs can be effectively reduced by the use of Community Land Trusts (CLTs), use of city-owned land, and density bonuses, often in combination. Hard costs (labor and materials) are associated with financing, assistance with infrastructure improvements, and waiver of construction sales taxes. Overall, any incentives and assistance that the City can offer to a workforce housing project will help to bring the complex to fruition.

Table 5

Workforce Housing Development Tools	
Costs of Development	Tools
Land Costs 15%-20% of total costs	Community Land Trust Use of City-owned land Land Bank Density bonuses Zoning/General Plan policies GPLET City contribution to lower private land cost (Housing Trust Fund)
Soft Costs 15%-20% of total costs (Design, Entitlement, Permits)	Waiver of permit fees Waiver/reimbursement of impact fees Expedited review of plans Flexible design standards Streamlining of development requirements & processes
Hard Costs 60%-70% of total costs (Labor & Building Materials)	Waiver of construction sales tax Reduced parking requirements City assistance with infrastructure improvements Direct capital funding of development costs (Gap Financing) Industrial Development Authority Bonds Partnerships with private developers & non-profits

3.0 Implementation Plan

The Implementation Plan addresses the timeline for executing the Initiatives and Strategies outlined in the Workforce Housing Policy. The Implementation Plan identifies (1) the expected timeline for each strategy ranging from short-term (less than 1 year) to long-term (more than 2 years) and (2) the party responsible for acting on the specific strategy, whether the primary lead is a consulting firm, the City, or a joint effort between the city and its consultant. It is anticipated that a consulting firm will be involved to some extent in all actions taken in executing the Implementation Plan with transition of responsibility over time as the City gains experience in reviewing and approving workforce housing projects.

The timeline for the Implementation Plan considers the following elements:

- The time commitment on the part of staff and consultant to achieve the strategies.
- Whether a strategy depends on another strategy's completion before it can be started or completed.
- Whether parts of this strategy will require City Council approval for implementation (such as amendments to the LDC).
- Funding commitments, including staffing, that may require significant budget analysis.
- Resources of the staff to undertake the strategy.

3.1 Key Strategies

Several Strategies are key to the initial implementation of the Workforce Housing Policy Framework, without which the Framework could not be executed. The strategies listed below are all considered as short-term actions that should be completed in less than one year and include:

- Amending the LDC for workforce housing.
- Defining workforce housing incentive programs.
- Preparing workforce housing documentation such as the certification form and standardized review framework.
- Preparing a form of Development Agreement that will outline the responsibilities of the City and developer for a workforce housing project.
- Conducting a public outreach campaign to build support for workforce housing.

3.2 Implementation Process

The process of executing this Implementation Plan is expected to involve several steps to ensure community acceptance of workforce housing concepts and conformance with the vision of the Workforce Housing Policy Framework. The process will include:

- Drafting of workforce housing documents in accordance with this Implementation Plan.
- Review of documents by the Workforce Housing Committee with recommendations forwarded to Council.
- Presentation to and review of draft documents by City Council.
- Revision of documents and final presentation of recommendations to City Council.

Throughout the implementation process, **community engagement** will be a vital step to gaining feedback from the general public, business interests, and community organizations on workforce housing. Some of that engagement has already occurred. As part of the Housing Needs Assessment prepared in 2025, an online survey was conducted regarding the public's opinions on housing affordability. A total of 252 responses were collected. This firm also conducted personal interviews of 12 stakeholders as part of this study to gather further opinions workforce housing, barriers, and affordability. Further community engagement efforts will include:

- Building coalitions among community organizations,
- Fostering relationships with major employers and the Chamber,
- Coordinating engagement efforts with the Workforce Housing Committee, and
- Identifying opportunities to engage the public in workforce housing dialogue and discussion.

Coordinating with City and department leaders on initial strategy implementation and community engagement will be an ongoing effort.

The Implementation Plan should be reviewed and updated annually as the City gains experience in implementing the Workforce Housing Policy Framework. Strategies will likely change along with timing of implementation based on the response to the Policy from the community and developers and working through workforce housing proposals. Implementing the Workforce Housing Policy should be viewed as a long-term effort to improve affordability in the City that will need constant review and adjustment.

The Implementation Plan is shown below with the expected timeline for each strategy and the lead party responsible for acting on the specific strategy,

Implementation Plan Prescott Workforce Housing Policy							
Policy Initiative & Strategy	Timeline				Lead Responsible Party		
	Short Term 1 year	Medium Term 1 - 2 Years	Long Term 2 Years+	Ongoing	Consultant	City	Joint Effort
Initiative 1: Amend the Prescott Land Development Code (LDC) to Implement the Workforce Housing Policy Framework							
Strategy 1.1: Adopt a new section of the LDC for Workforce Housing	✓				X		
Strategy 1.2: Adopt Additional LDC and City Code Amendments		✓				X	
Initiative 2: Develop Incentive Programs for Workforce Housing Complexes							
Strategy 2.1: Use Development Agreements (DA) as the Primary Instrument to Document the Conditions and Requirements of a Workforce Housing Award				✓	X		
Strategy 2.2: Establish the Level of City Contributions Toward Project Development Impact Fee Waivers	✓				X		
Strategy 2.3: Establish Non-Impact Fee Waivers for Building, Planning, Engineering, and Utility Fees	✓				X		
Strategy 2.4: Provide Standards for Expedited Review		✓				X	
Initiative 3: Prepare Workforce Housing Proposal Documentation							
Strategy 3.1: Prepare a Workforce Housing Certification Form	✓				X		
Strategy 3.2: Develop a Standardized Review Framework	✓				X		
Initiative 4: Promote Incentives Related to Prescott's Water Policy							
Strategy 4.1: Use Water Policy Incentives to Promote Workforce Housing	✓						X
Initiative 5: Prepare for Single Family Ownership Housing Projects							
Strategy 5.1: Consider Establishing a Community Land Trust (CLT) or Engaging an Existing CLT		✓					X
Strategy 5.2: Consider Partnering with a Non-Profit Organization to Assist with Implementation of an Ownership Workforce Project		✓					X
Initiative 6: Explore In-Lieu Alternatives to Workforce Housing							
Strategy 6.1: Establish a Formula for an In-Lieu Fee Payment		✓					X
Strategy 6.2: Evaluate Options for the Use of In-Lieu Revenue		✓					X
Initiative 7: Explore the Creation of an Infill Incentive District							
Strategy 7.1: Establish an Infill Incentive Plan to Expand Workforce Housing Opportunities			✓			X	
Initiative 8: Explore Options for Workforce Housing Funding							
Strategy 8.1: Explore Creation of a Workforce Housing Trust Fund			✓				X
Strategy 8.2: Explore Sources of Funding for the Trust Fund			✓				X
Strategy 8.3: Consider the Use of Industrial Development Authority (IDA) Bonds for Workforce Housing Financing			✓			X	

Continued on following page

Implementation Plan Prescott Workforce Housing Policy							
Policy Initiative & Strategy	Timeline				Lead Responsible Party		
	Short Term 1 year	Medium Term 1 - 2 Years	Long Term 2 Years+	Ongoing	Consultant	City	Joint Effort
Initiative 9: Explore Housing Resources for City Employees							
Strategy 9.1: Explore Programs that Provide Assistance to City Employees		✓				X	
Strategy 9.2: Provide Housing Resource Support to Employees		✓				X	
Initiative 10: Conduct an Inventory of Surplus City-Owned Land							
Strategy 10.1: Identify City-Owned Properties that may be Suitable for Workforce Housing Opportunities		✓				X	
Strategy 10.2: Identify City-Owned Properties that may be Suitable for a Land Trade		✓				X	
Initiative 11: Provide Resources for Implementation of the Workforce Housing Policy Framework							
Strategy 11.1: Identify Staffing Resources for Workforce Housing Policy	✓						X
Strategy 11.2: Develop Workforce Educational Guidebooks	✓				X		
Strategy 11.3: Conduct a Public Outreach Campaign	✓				X		
Initiative 12: Consider Expanding the Tools Available to Implement the Workforce Housing Policy Framework							
Strategy 12.1: Consider the Use of the Government Property Excise Lease Tax (GPLET)			✓				X
Strategy 12.2: Consider the use of a Construction Sales Tax Rebate as a Workforce Housing Incentive		✓					X
Strategy 12.3: Consider Initiating a Land Banking Program			✓				X
Strategy 12.4: Work With the School District to Identify Excess Property Which May Provide Opportunities for Workforce Housing			✓			X	
Strategy 12.5: Work With Local Church Groups to Identify Excess Land That Could Support Workforce Housing Development			✓			X	
Strategy 12.6: Conduct a Comprehensive Review of the City's LDC and Development Standards to Reduce or Eliminate Barriers to Workforce Housing		✓				X	
Initiative 13: Promote and Support Missing Middle Housing Types							
Strategy 13.1: Ensure Missing Middle Ownership Housing Products can be Accommodated within the LDO	✓						X

4.0 Financial Analysis of Prototypical Workforce Apartment Project

This section provides an analysis of the Prescott Workforce Housing Policy relative to the development of a prototypical 96-unit apartment complex. The overall purpose of the analysis is to determine if the incentives provided by the City will be financially feasible for a developer, given that the Workforce Housing Policy is a voluntary program. This document outlines the results of two scenarios for achieving workforce housing units and the impact of the incentives on financial feasibility.

We are assuming an apartment complex would be built on 3.8 acres at a density of 25 units per acre. In order to determine the potential market rents that could be achieved for the complex, data for three recently built apartment communities in Prescott was collected. The results of the data are shown below with the average overall rent for the complexes at \$1,737 per month with rents ranging from \$1,496 for a studio unit to \$1,954 for a two-bedroom unit. None of the complexes have three-bedroom units and only 22% of the units are studios. The average unit size for the three complexes is 841 square feet with an average rent per square foot of \$2.07.

Table 6

Market Rent Summary					
	Unit Size				Totals/ Average
	Studios	1-BR	2-BR	3-BR	
Unit Square Feet	626	763	1,083	-	841
Unit Count	102	202	156	-	460
% Units	22.2%	43.9%	33.9%	0%	100%
Average Rent	\$1,496	\$1,692	\$1,954	-	\$1,737
Avg. Rent/SF	\$2.39	\$2.22	\$1.80	-	\$2.07
Data is based on three apartment communities: Willow Creek, 2051 Apartments, & Winfield at the Ranch. Source: Costar					

Household incomes based on family size from the U.S. Department of Housing and Urban Development for 2025 for Yavapai County are shown in Table 7. The area median income (AMI) for Yavapai County is estimated at \$87,300. The Prescott Workforce Housing Policy focuses on those households earning between 60% and 120% of the AMI.

Table 7

FY 2025 Multifamily Tax Subsidy Project Income Limits Yavapai County, AZ								
Area Median Family Income \$87,300								
% of Median Income	Persons in Family							
	1	2	3	4	5	6	7	8
120%	\$76,060	\$86,980	\$97,850	\$108,720	\$117,420	\$126,120	\$134,810	\$143,510
80%	\$50,720	\$58,000	\$65,200	\$72,500	\$78,300	\$84,100	\$89,900	\$95,700
60%	\$38,040	\$43,500	\$48,920	\$54,360	\$58,740	\$63,060	\$67,440	\$71,760
Source: Department of Housing & Urban Development								

Based on households spending 30% of their income on housing including a \$200 per month utility cost, households can reasonably afford rents ranging from \$751 per month for a single person household earning 60% of AMI to \$2,518 per month for a four-person household earning 120% of AMI. This analysis will focus on a three-person household earning 80% of AMI with an affordable rent of \$1,430 per month. Such a household would require a two-bedroom unit.

Table 8

2025 Affordable Workforce Housing Costs Prescott Workforce Housing Policy						
Household Size	Income Range			Housing Cost Range		
	60%	80%	120%	60%	80%	120%
1 person	\$38,040	\$50,720	\$76,060	\$751	\$1,068	\$1,702
2 people	\$43,500	\$58,000	\$86,980	\$888	\$1,250	\$1,975
3 people	\$48,920	\$65,200	\$97,850	\$1,023	\$1,430	\$2,246
4 people	\$54,360	\$72,500	\$108,720	\$1,159	\$1,613	\$2,518
Note: Cost range includes \$200 per month estimate for utilities						

Base Case Scenario

Based on the above assumptions, the construction cost for a prototypical 96-unit apartment complex was developed. As noted previously, the project would be developed at a density of 25 units per acre, requiring 3.84 acres of land. At an average unit size of 841 square feet, the apartment complex would total 80,736 square feet with another 3,000 square feet devoted to a clubhouse building for maintenance and administrative staff. According to city estimates, the price of land is \$180,000 per acre for a total cost of \$621,200 or \$7,200 per unit. Total construction cost of the complex is estimated at \$20.6 million and total development cost is \$23.4 million or \$243,380 per unit. Included in these estimates is nearly

\$1.7 million in city impact fees. Table 9 summarizes the Base Case for development of the property as a market rate complex without workforce units.

Table 9

96 Unit Apartment Complex BASE CASE					
Development Program					
Use	Acres	Land SF	Avg Unit SF	Units	Building SF
Apartment Complex	3.84	167,270	841	96	80,736
Clubhouse					3,000
Total					83,736
Private Land Acquisition					
Property Type	Lots	SF	Price/SF	Price/Acre	Total Cost
Lot	1	167,270	\$4.13	\$180,000	\$691,200
Total Property Acquisition & Development Cost					
Improvement Costs			Quantity	Unit Cost	Total
Building Hard/Soft Costs			83,736	\$203.90	\$17,073,770
Parking Costs			144	\$3,558	\$512,317
Landscaping Costs					\$424,724
Off-Site Costs					\$400,000
Impact Fees					\$1,698,500
Developer Fee		2.5%			\$502,733
Total Construction Cost					\$20,612,044
Contingency		10.0%			\$2,061,204
Land Purchase					\$691,200
Total Development Cost					\$23,364,449
Per Unit					\$243,380
Per SF					\$289
Source: Marshall & Swift Valuation Service					

A proforma analysis was conducted of the Base Case to determine the market rate rents that may be required to justify the development of the property (Table 10). The analysis assumes a loan equal to 70% of construction cost and a 30% equity investment by the developer. Lease-up is expected to require one year and then continue with a 93% occupancy rate thereafter. The project is expected to be sold after five years and generate a conservative 10% return on the developer's original investment. Based on these assumptions, the initial market rent in the first year of operation is estimated at \$1,850 per month, projected to rise at 3% annually. The anticipated market rate rents for the Base Case are \$113 higher than the average Prescott market rate rent of \$1,737 per month. This difference in rent is attributed to the cost of construction and financing currently available for apartment complexes. The

complexes that were used to determine a market rate rent for Prescott were all developed four to five years ago before the significant increase in construction costs that occurred in the early part of the decade. Market rents are also a function of the internal rate of return for the project (IRR) set at 10% for the five-year term of ownership by the original developer, a rather modest return on equity. Increasing the IRR to 15% to 20%, a more typical target return on equity, would only further increase market rents.

Table 10

ProForma Analysis BASE CASE							
Assumptions							
% Equity Investment		30.0%					
Project Cost		\$23,364,449					
Equity Investment		\$7,009,335					
Debt Service							
Loan Principal		\$16,355,114					
Loan Interest Rate		7.0%					
Amortization		30	Years				
Term		10	Years				
Initial Rent Per Month		\$1,850					
Initial Rent Per SF Per Month		\$2.20					
Rentable SF		80,736					
Avg. Unit Size		841					
Rent Escalation Factor		3.0%					
Expense Escalation Factor		2.0%					
Stabilized Vacancy Rate		7.0%					
Cap Rate		5.0%					
Absorption							
		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Available Units			96	96	96	96	96
Vacancy Rate			50.0%	7.0%	7.0%	7.0%	7.0%
Rented Units			48	89	89	89	89
Vacant Units			48	7	7	7	7
Revenues							
Effective Gross Income			1,065,600	2,041,476	2,102,721	2,165,802	2,230,776
Incidental Income (5.0%)			53,280	102,074	105,136	108,290	111,539
Net Revenues			1,118,880	2,143,550	2,207,857	2,274,093	2,342,315
Expenses							
Admin	\$3.76		303,456	309,525	315,716	322,030	328,471
Operating	\$2.66		214,656	218,949	223,328	227,795	232,351
Maintenance	\$1.99		160,608	163,820	167,097	170,438	173,847
Taxes/Insurance	\$1.76		142,464	145,313	148,220	151,184	154,208
Operating Expenses			821,184	837,608	854,360	871,447	888,876
Net Operating Income							
			297,696	1,305,943	1,353,497	1,402,645	1,453,439
Debt Service			(1,305,732)	(1,305,732)	(1,305,732)	(1,305,732)	(1,305,732)
Cash Flow Before Taxes			(1,008,036)	211	47,765	96,914	147,708
Project Cashflow							
Project Cashflow		(7,009,335)	(1,008,036)	211	47,765	96,914	147,708
Terminal Property Value							29,068,786
Costs of Sale, Commissions (4%)							(1,162,751)
Outstanding Loan Principal							(15,359,421)
Total Cashflow		(7,009,335)	(1,008,036)	211	47,765	96,914	12,694,322
Cumulative Cashflow		(7,009,335)	(8,017,370)	(8,017,160)	(7,969,394)	(7,872,481)	4,821,841
IRR		10.17%					

Scenarios

Two alternative development scenarios were prepared to analyze the impact of incentives on market rents. Some studies have concluded that the inclusion of workforce housing units in an apartment complex leads to higher market rents that subsidize the workforce units. This analysis is designed to test that conclusion. The two scenarios are:

- Scenario 1 - Base Case with Density Incentive and Fee Waivers:** Ten workforce units were included in the complex with a density incentive of ten additional market rate units for a total of 106 units. Addition incentives include a building permit fee waiver for the workforce units, an impact fee waiver for the workforce units, and expedited review of the project. Based on information from the City, the building permit fee for the project is \$130,493 and impact fees total \$1,698,522. For the ten workforce units, the incentive totals \$190,522. Expedited review is estimated to provide additional savings to the developer of \$150,000. The total dollar incentive is \$340,522. The average rent for workforce apartment units was assumed at \$1,430 which is the affordable rent for a two-bedroom unit and a household of three people.
- Scenario 2 - Base Case with Density Incentive, Fee Waivers, and Land Subsidy:** This scenario is similar to the above but includes a subsidy for the land purchase cost. In this scenario, it was assumed the City would provide the land for the complex or provide a subsidy equal to the land cost. The total dollar incentive is \$1,031,722 which includes \$691,200 for the land value.

The results of the analysis are shown in Table 11 with a forecast of market rents for studio units through two-bedroom units. For Scenario 1, market rents increase above the Base Case even with the density incentive and fee waivers. This is attributed to the additional development cost for the ten additional units which ultimately do not offset the cost of the workforce unit rents.

Table 11

Summary Findings						
Scenario	\$ Incentive	Forecasted Market Rents				
		Studios	1-BR	2-BR	3-BR	Average
Base Case	\$0	\$1,593	\$1,802	\$2,081	\$0	\$1,850
Scenario 1 - Base Case With Density Incentive & Fee Waivers	\$340,522	\$1,601	\$1,812	\$2,092	\$0	\$1,860
Scenario 2 - Base Case With Density Incentive, Fee Waivers, & Land Subsidy	\$1,031,722	\$1,571	\$1,777	\$2,053	\$0	\$1,825

Scenario 2, which includes the contribution for the land value, reduces the market rents below the Base Case. The additional incentive for land cost, which would be significant on the part of the city, makes a difference in market rents and makes the project more feasible in the eyes of a developer who may be willing to voluntarily participate in the Workforce Housing Program.

Conclusions

Based on this limited analysis, we conclude that incentives such as fee waivers and density incentives will marginally increase market rate rents when workforce units are included in a project. However, significant incentives, such as the contribution of land to the project or an infusion of funding from other sources, help to actually reduce market rate rents so they do not end up subsidizing the addition of workforce units in a complex.

Scenario 2 illustrates that every dollar contributed to a project by the City leverages another \$24.50 in private investment. The estimated cost of a workforce unit based on incentives provided by the City is \$103,200 including contribution of land or funds equal to the value of the land. This amount is roughly equal to the estimated turnover cost of training for a police officer and firefighter.

For this single analysis of a prototypical apartment complex, the conclusions demonstrate the potential commitment required by the City of Prescott to promote the development of workforce rental housing units. The analysis has not been vetted by local developers or members of the Workforce Housing Committee and needs further review. Additional analysis may be able to determine the extent of incentives required to promote participation by developers in creating ownership workforce housing units.

Worksheets for Scenarios 1 and 2 are provided in the following appendix.

Appendix – Scenarios 1 & 2 Worksheets

Table 12

96 Unit Apartment Complex SCENARIO 1 BASE CASE WITH DENSITY INCENTIVE & FEE WAIVERS					
Development Program					
Use	Acres	Land SF	Avg Unit SF	Units	Building SF
Apartment Complex	3.84	167,270	841	96	80,736
Clubhouse					3,000
Total SF					83,736
Density Incentive					
Affordable Units				10	8,410
Market Rate Units				86	72,326
Density Incentive				10	8,410
Total Units				106	89,146
Private Land Acquisition					
Property Type	Lots	SF	Price/SF	Price/Acre	Total Cost
Lot	1	167,270	\$4.13	\$180,000	\$691,200
Total Property Acquisition & Development Cost					
Improvement Costs			Quantity	Unit Cost	Total
Building Hard/Soft Costs			92,146	\$203.90	\$18,788,569
Parking Costs			159	\$3,558	\$565,684
Landscaping Costs					\$424,724
Off-Site Costs					\$400,000
Impact Fees					\$1,698,500
Developer Fee		2.5%			\$546,937
Total Construction Cost				\$243.36	\$22,424,414
Contingency		10.0%			\$2,242,441
Land Purchase					\$691,200
Total Development Cost					\$25,358,055
Per Unit					\$239,227
Per SF					\$275
Fee Waivers					
Density Incentive	10% Additional Units				
Building Permit Waiver					\$13,593
Impact Fees Waiver					\$176,929
Expedited Review					\$150,000
Total					\$340,522

Table 13

ProForma Analysis SCENARIO 1 BASE CASE WITH DENSITY INCENTIVE & FEE WAIVERS							
Assumptions							
% Equity Investment		30.0%					
Project Cost		\$25,358,055					
Fee Waivers/Subsidies		(\$340,522)					
Project Cost Less Incentives		\$25,017,533					
Equity Investment		\$7,505,260					
Debt Service							
Loan Principal		\$17,512,273					
Loan Interest Rate		7.0%					
Amortization		30	Years				
Term		10	Years				
Market Units		96					
Affordable Units		10					
Market Rent Per Month		\$1,860	per mon				
Affordable Rent Per Month		\$1,430	per mon				
Rentable SF		89,146					
Avg. Unit Size		841					
Rent Escalation Factor		3.0%					
Expense Escalation Factor		2.0%					
Stabilized Vacancy Rate		7.0%					
Cap Rate		5.0%					
Absorption							
		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Available Units			106	106	106	106	106
Vacancy Rate			50.0%	7.0%	7.0%	7.0%	7.0%
Market Rent Units Occupied			43	89	89	89	89
Affordable Rent Units Occupied			10	10	10	10	10
Vacant Units			53	7	7	7	7
Revenues							
Effective Gross Income			1,131,360	2,213,167	2,279,562	2,347,949	2,418,387
Incidental Income (5.0%)			56,568	110,658	113,978	117,397	120,919
Total Revenues			1,187,928	2,323,825	2,393,540	2,465,346	2,539,306
Expenses							
Admin	\$3.76		335,066	341,767	348,603	355,575	362,686
Operating	\$2.66		237,016	241,756	246,591	251,523	256,554
Maintenance	\$1.99		177,338	180,885	184,502	188,193	191,956
Taxes/Insurance	\$1.76		157,304	160,450	163,659	166,932	170,271
Operating Expenses			906,724	924,858	943,356	962,223	981,467
Net Operating Income							
			281,204	1,398,967	1,450,184	1,503,123	1,557,839
Debt Service			(1,398,115)	(1,398,115)	(1,398,115)	(1,398,115)	(1,398,115)
Cash Flow Before Taxes			(1,116,911)	852	52,069	105,008	159,724
Project Cashflow							
Project Cashflow		(7,505,260)	(1,116,911)	852	52,069	105,008	159,724
Terminal Property Value							31,156,784
Costs of Sale, Commissions (4%)							(1,246,271)
Outstanding Loan Principal							(16,446,132)
Total Cashflow		(7,505,260)	(1,116,911)	852	52,069	105,008	13,624,105
Cumulative Cashflow		(7,505,260)	(8,622,171)	(8,621,319)	(8,569,250)	(8,464,242)	5,159,863
IRR			10.13%				

Table 14

96 Unit Apartment Complex SCENARIO 2 DENSITY INCENTIVE & LAND SUBSIDY					
Development Program					
Use	Acres	Land SF	Avg Unit SF	Units	Building SF
Apartment Complex	3.84	167,270	841	96	80,736
Clubhouse					3,000
Total SF					83,736
Density Incentive					
Affordable Units				10	8,410
Market Rate Units				86	72,326
Density Incentive				10	8,410
Total Units				106	89,146
Private Land Acquisition					
Property Type	Lots	SF	Price/SF	Price/Acre	Total Cost
Lot	1	167,270	\$4.13	\$180,000	\$691,200
Total Property Acquisition & Development Cost					
Improvement Costs			Quantity	Unit Cost	Total
Building Hard/Soft Costs			92,146	\$203.90	\$18,788,569
Parking Costs			159	\$3,558	\$565,684
Landscaping Costs					\$424,724
Off-Site Costs					\$400,000
Impact Fees					\$1,698,500
Developer Fee		2.5%			\$546,937
Total Construction Cost				\$243.36	\$22,424,414
Contingency		10.0%			\$2,242,441
Land Purchase					\$691,200
Total Development Cost					\$25,358,055
Per Unit					\$239,227
Per SF					\$275
City Incentives					
Density Incentive	10% Additional Units				
Building Permit Waiver					\$13,593
Impact Fees Waiver					\$176,929
Expedited Review					\$150,000
Land Subsidy					\$691,200
Total					\$1,031,722

Table 15

ProForma Analysis SCENARIO 2 DENSITY INCENTIVE & LAND SUBSIDY							
Assumptions							
% Equity Investment		30.0%					
Project Cost		\$25,358,055					
Fee Waivers/Subsidies		(\$1,031,722)					
Project Cost Less Incentives		\$24,326,333					
Equity Investment		\$7,297,900					
Debt Service							
Loan Principal		\$17,028,433					
Loan Interest Rate		7.0%					
Amortization		30	Years				
Term		10	Years				
Market Units		96					
Affordable Units		10					
Market Rent Per Month		\$1,825	per mon				
Affordable Rent Per Month		\$1,430	per mon				
Rentable SF		89,146					
Avg. Unit Size		841					
Rent Escalation Factor		3.0%					
Expense Escalation Factor		2.0%					
Stabilized Vacancy Rate		7.0%					
Cap Rate		5.0%					
Absorption		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Available Units			106	106	106	106	106
Vacancy Rate			50.0%	7.0%	7.0%	7.0%	7.0%
Market Rent Units			43	89	89	89	89
Affordable Rent Units			10	10	10	10	10
Vacant Units			53	7	7	7	7
Revenues							
Effective Gross Income			1,113,300	2,174,847	2,240,092	2,307,295	2,376,514
Incidental Income (5.0%)			55,665	108,742	112,005	115,365	118,826
Net Revenues			1,168,965	2,283,589	2,352,097	2,422,660	2,495,340
Expenses							
Admin	\$3.76		335,066	341,767	348,603	355,575	362,686
Operating	\$2.66		237,016	241,756	246,591	251,523	256,554
Maintenance	\$1.99		177,338	180,885	184,502	188,193	191,956
Taxes/Insurance	\$1.76		157,304	160,450	163,659	166,932	170,271
Operating Expenses			906,724	924,858	943,356	962,223	981,467
Net Operating Income			262,241	1,358,731	1,408,741	1,460,437	1,513,873
Debt Service			(1,359,487)	(1,359,487)	(1,359,487)	(1,359,487)	(1,359,487)
Cash Flow Before Taxes			(1,097,246)	(756)	49,254	100,950	154,386
Project Cashflow		(7,297,900)	(1,097,246)	(756)	49,254	100,950	154,386
Terminal Property Value							30,277,452
Costs of Sale, Commissions (4%)							(1,211,098)
Outstanding Loan Principal							(15,991,748)
Total Cashflow		(7,297,900)	(1,097,246)	(756)	49,254	100,950	13,228,991
Cumulative Cashflow		(7,297,900)	(8,395,146)	(8,395,902)	(8,346,648)	(8,245,698)	4,983,294
IRR		10.07%					



Prescott Workforce Housing Strategy

January 13, 2025



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

Workforce or Missing Middle Housing



- Used to describe households earning 60% to 120% of area median income.
- These households earn too much for state or federal assistance, but not enough to affordably rent or purchase market rate housing.
- Often are referred to as critical service personnel: teachers, police, firefighters, construction workers, etc.

Demographic Characteristics



Age & Average Household Size			
	Prescott	Yavapai County	Arizona
Median Age	60.3	55.0	38.8
Average household size	1.94	2.18	2.54
Owner-occupied unit	2.00	2.19	2.60
Renter-occupied unit	1.84	2.15	2.41
Source: ACS 2023 5-year estimate			

Labor Force

Labor Force Participation 2023			
	Prescott	Yavapai County	Arizona
Population 16 year and over	42,149	209,074	5,862,117
Civilian Labor Force	17,870	100,945	3,522,511
Employment	17,041	96,693	3,340,327
Unemployment	829	4,252	182,184
Labor Force Participation Rate	42.4%	48.3%	60.1%
Source: ACS 2023 5-year estimate			



Incomes

Households By Income						
	Prescott		Yavapai County		Arizona	
	Households	%	Households	%	Households	%
Occupied Units	22,751		108,900		2,796,790	
Less than \$10,000	1,342	5.9%	5,445	5.0%	137,043	4.9%
\$10,000 to \$14,999	592	2.6%	3,812	3.5%	81,107	2.9%
\$15,000 to \$24,999	1,775	7.8%	8,712	8.0%	170,604	6.1%
\$25,000 to \$34,999	1,979	8.7%	9,148	8.4%	192,979	6.9%
\$35,000 to \$49,999	2,139	9.4%	13,939	12.8%	304,850	10.9%
\$50,000 to \$74,999	4,482	19.7%	19,493	17.9%	475,454	17.0%
\$75,000 to \$99,999	3,003	13.2%	15,899	14.6%	380,363	13.6%
\$100,000 to \$149,999	3,390	14.9%	16,988	15.6%	506,219	18.1%
\$150,000 to \$199,999	1,684	7.4%	7,187	6.6%	251,711	9.0%
\$200,000 or more	2,389	10.5%	8,168	7.5%	296,460	10.6%
Mean income (dollars)	\$100,538		\$88,106		\$104,138	
Median income (dollars)	\$69,151		\$66,106		\$76,872	
Homeowner Median	\$82,261		\$74,009		\$91,561	
Renter Median	\$49,838		\$50,824		\$54,757	
Source: ACS 2023 5-year estimate						

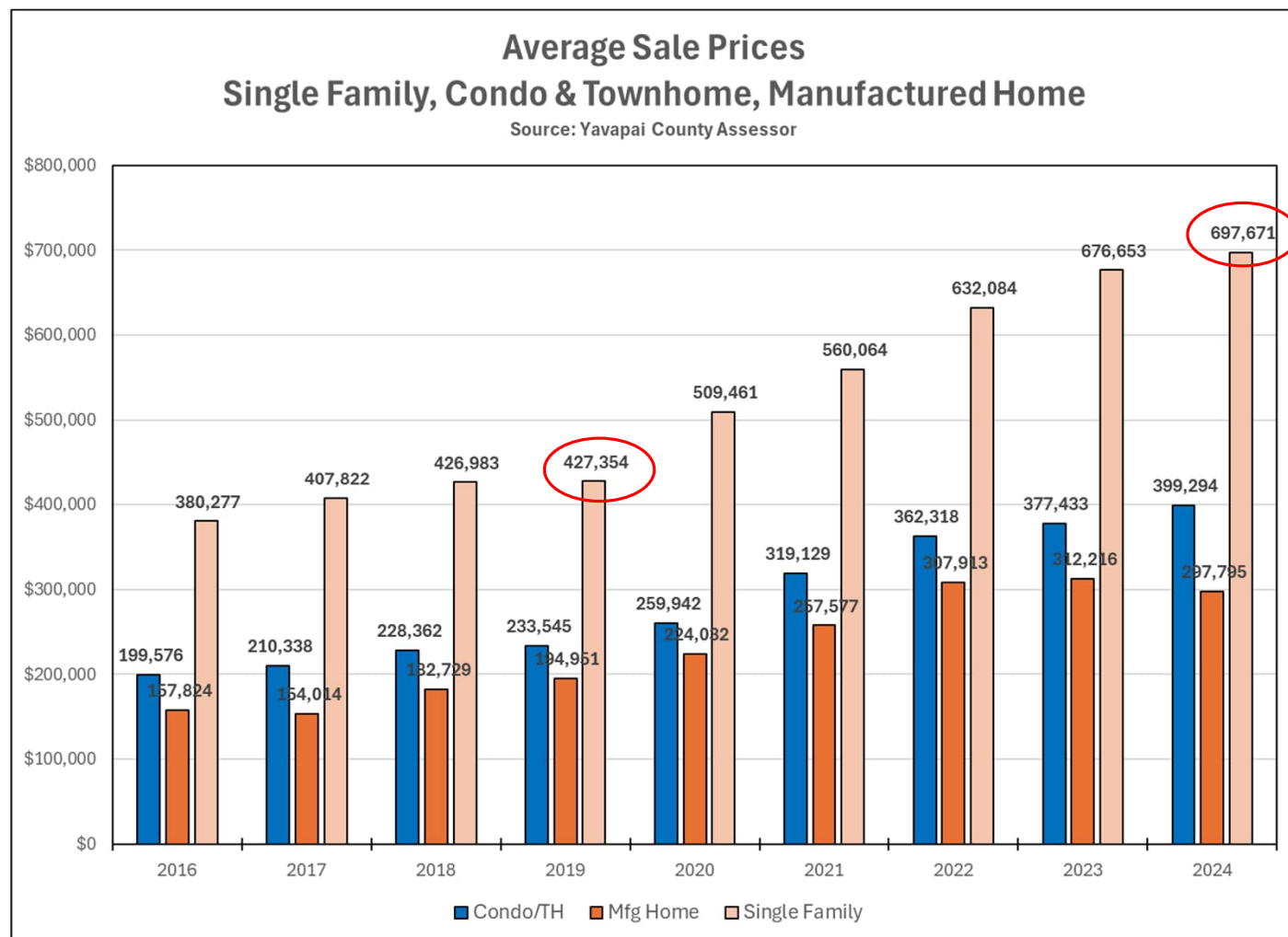
Housing Affordability



Housing Market

Single Family
prices up
+\$270,300 (63%)
since 2019

Condo/TH prices
up +\$165,700
(71%) since 2019



Housing Market

82% of home sales are above \$400,000

Prescott Housing Sales & Required Income				
Price Range	Total Sales	% of Total	Required Income	
			Min	Max
Less than \$200,000	15	1.3%	\$0	\$51,506
\$200,000-\$300,000	61	5.3%	\$51,506	\$77,259
\$300,000-\$400,000	129	11.2%	\$77,259	\$103,012
\$400,000-\$500,000	184	16.0%	\$103,012	\$128,765
\$500,000-\$600,000	224	19.5%	\$128,765	\$154,519
\$600,000-\$700,000	159	13.9%	\$154,519	\$180,272
\$700,000-\$800,000	134	11.7%	\$180,272	\$206,025
\$800,000-\$900,000	73	6.4%	\$206,025	\$231,778
\$900,000-\$1,000,000	49	4.3%	\$231,778	\$257,531
\$1,000,000+	119	10.4%	\$257,531	\$0
Number of Sales	1,147	100.0%		
Source:Yavapai County Assessor				

Affordability

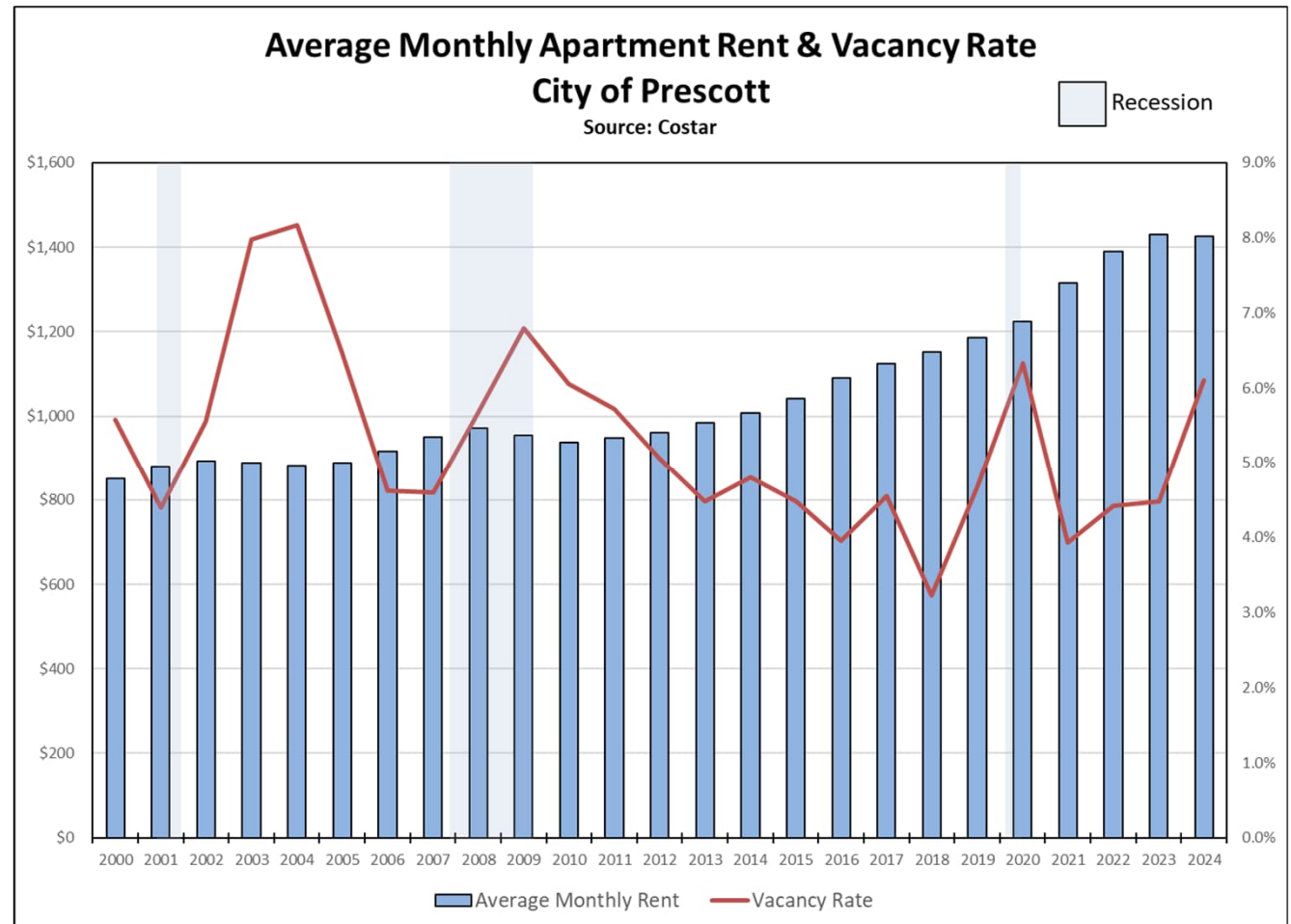
Conventional

Financing



Affordable Housing Payment Estimator City of Prescott	
	Calculation
House value	\$254,000
Down payment %	10%
Down payment	\$25,400
Mortgage amount	\$228,600
Interest rate	6.20%
Loan term in years	30
% of income devoted to mortgage payment	30.0%
Monthly loan payment (P & I)	\$1,400
Monthly property tax, insurance, PMI	\$328
Total monthly payment	\$1,728
Yearly income required	\$69,134
Sources: EDPCo, Freddie Mac	

Apartment
Vacancy
Rate
Suggests A
Relatively
Tight
Market



Apartment Affordability



Market Rate Apartments

Unit Type	Size (SF)	Rent	Rent SF	Required Income*
Studio	555	\$1,394	\$2.51	\$63,746
1 BR	692	\$1,605	\$2.32	\$72,185
2 BR	960	\$1,820	\$1.90	\$80,798
3 BR	1,106	\$1,943	\$1.76	\$85,731

*Required income includes \$200 for utilities.

Source: Costar, Elliott D. Pollack & Co.

Incomes by Occupation

Housing Affordability By Occupation			
Occupation	Yavapai County 2023 Median Wage	Monthly Affordable Housing Cost (30% of Income)	Monthly Affordable Rent (Less Utilities)
Retail Salespersons	\$33,886	\$847	\$747
Receptionists and Information Clerks	\$36,094	\$902	\$802
Restaurant Cooks	\$37,432	\$936	\$836
Nursing Assistants	\$38,572	\$964	\$864
Waiters and Waitresses	\$41,273	\$1,032	\$932
Construction Laborers	\$43,233	\$1,081	\$981
Pharmacy Technicians	\$44,675	\$1,117	\$1,017
Paramedics	\$45,446	\$1,136	\$1,036
Elementary School Teachers	\$48,488	\$1,212	\$1,112
Middle School Teachers	\$48,994	\$1,225	\$1,125
Firefighters	\$51,838	\$1,296	\$1,196
Secondary School Teachers	\$53,240	\$1,331	\$1,231
Police and Sheriff's Patrol Officers	\$67,315	\$1,683	\$1,583
Registered Nurses	\$91,166	\$2,279	\$2,179
Prepared by the Arizona Office of Economic Opportunity in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, April 2024			

What is the Housing Market Facing Today?

- Housing demand for workforce households.



Housing Forecast



Prescott Housing Demand 2025-2040					
	2025	2030	2035	2040	Total
Population Change	723	2,575	1,577	1,323	6,198
Housing Unit Demand	373	1,327	813	682	3,195
Unit Average/Year		265	163	136	213
Sources: AZ Office of Economic Opportunity, ACS 5-Yr Estimates					

Planned and under construction multifamily complexes today is estimated at 1,875 units, not counting single family permits.

Workforce Housing Burden

Total Current & Future Workforce Households		
Income Range	Households	Burdened Households
Existing Workforce Households		
\$50,000 to \$74,999	4,404	1,196
\$75,000 to \$99,999	10,397	800
Total	14,801	1,996
Future Workforce Households		
\$50,000 to \$74,999	661	180
\$75,000 to \$99,999	443	34
Total Future Workforce Households	1,104	214
Total Potential Workforce Housing Burden	15,905	2,210
Source: ACS 2023 5-year estimate		

The Workforce Housing Strategy relies on two primary documents for administration of the program

Workforce Housing Strategy



Prescott Land Development Code



Workforce Housing Initiatives

- ***Initiative 1: Amend the Prescott Land Development Code (LDC) to implement the Workforce Housing Policy Framework***
- ***Initiative 2: Develop Incentive Programs for Workforce Housing Complexes***
- Initiative 3: Prepare Workforce Housing Proposal Documentation
- ***Initiative 4: Promote Incentives Related to Prescott's Water Policy***

Workforce Housing Incentives

Workforce Housing Development Tools	
Costs of Development	Tools
Land Costs 15%-20% of total costs	Community Land Trust Use of City-owned land Land Bank Density bonuses Zoning/General Plan policies GPLET City contribution to lower private land cost (Housing Trust Fund)
Soft Costs 15%-20% of total costs (Design, Entitlement, Permits)	Waiver of permit fees Waiver/reimbursement of impact fees Expedited review of plans Flexible design standards Streamlining of development requirements & processes
Hard Costs 60%-70% of total costs (Labor & Building Materials)	Waiver of construction sales tax Reduced parking requirements City assistance with infrastructure improvements Direct capital funding of development costs (Gap Financing) Industrial Development Authority Bonds Partnerships with private developers & non-profits



Workforce Housing Initiatives

- ***Initiative 5: Prepare for Single Family Ownership Housing Projects***
- Initiative 6: Explore In-Lieu Alternatives to Workforce Housing
- Initiative 7: Explore the Creation of an Infill Incentive District
- Initiative 8: Explore Options for Workforce Housing Funding
- Initiative 9: Explore Housing Resources for City Employees



Workforce Housing Initiatives

- Initiative 10: Conduct an Inventory of Surplus City-Owned Land
- Initiative 11: Provide Resources for Implementation of the Workforce Housing Policy Framework
- Initiative 12: Consider Expanding the Tools Available to Implement the Workforce Housing Policy Framework
- ***Initiative 13: Promote and Support Missing Middle Housing Types***

Workforce Housing Alternatives

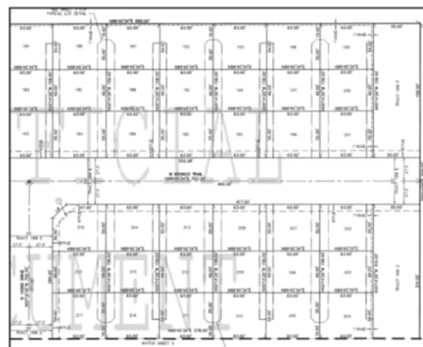
RANCHO MERCADO SURPRISE, AZ

AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY TAYLOR MORRISON

NORTHEAST OF HAPPY VALLEY ROAD
AND RANCHO MERCADO PARKWAY

6-PACK AUTOCOURT / CLUSTER HOME

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 6-8 DU/AC
- MIN. LOT SIZE: 49'X63'
- MIN. LOT AREA: 3,087 SF
- FRONT DOORS ON COMMON OPEN SPACE TRACT OR PUBLIC STREET



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

Workforce Housing Alternatives



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

HORIZON CHANDLER, AZ

AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY LENNAR

NORTHEAST OF GERMANN ROAD AND
MCQUEEN ROAD

DETACHED, ALLEY-LOADED PRODUCT

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 6-8 DU/AC
- MIN. LOT SIZE: 30'X97'
- MIN. LOT AREA: 2,910 SF
- SIDE SETBACKS: 0' & 10' WITH 5' U.B.E.
- DOORS ON OPEN SPACE OR STREET



Workforce Housing Alternatives

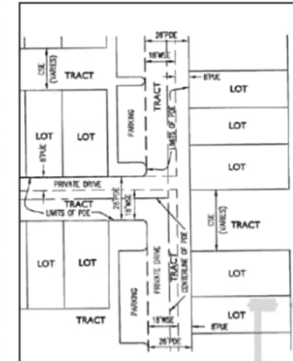
FINCHER FIELDS GILBERT, AZ

AN EXISTING RESIDENTIAL DEVELOPMENT
BUILT BY LENNAR

NORTHWEST OF WILLIAMS FIELD ROAD
AND RECKER ROAD

ATTACHED, ALLEY-LOADED TOWNHOMES

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 12-18 DU/AC
- MIN. LOT SIZE: 22'X70'
- MIN. LOT AREA: 1,540 SF
- FRONT DOORS ON COMMON OPEN SPACE TRACT OR PUBLIC STREET



Workforce Housing Alternatives

23 & 17 NORTH PHOENIX, AZ

TWO RESIDENTIAL DEVELOPMENTS BY
K. HOVNANIAN HOMES

23: NE OF NORTHERN RD AND 23RD AVE
17: NE OF INTERSTATE 17 AND JOMAX RD

FRONT-LOADED, ATTACHED TOWNHOMES

- BUILDING HEIGHT: 2-STORY
- TYPICAL DENSITY: 10-15 DU/AC
- MIN. LOT SIZE: 20'X60' WITH 3' APRON
20'X74' WITH DRIVEWAY
- MIN. LOT AREA: 1,200 SF OR 1,480 SF
- FRONT DOORS ON PUBLIC STREET



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

Implementation Plan



Considerations:

- Staff & consultant time commitments
- Does a strategy depend on another strategy's completion before it can be started?
- Whether parts of this strategy will require City Council approval for implementation (such as amendments to the LDC).
- Funding commitments/staffing that may require significant budget analysis.

Implementation Plan



Key Strategies:

- Amending the LDC for workforce housing.
- Defining workforce housing incentive programs.
- Preparing workforce housing documentation such as the certification form and standardized review framework.
- Preparing a form of Development Agreement for workforce housing.
- Conducting a public outreach campaign to build support for workforce housing.

Implementation Plan



For Each Initiative & Strategy, the Plan:

- Identifies the Timeline for undertaking the Initiative.
- Identifies the Lead Responsible Party – Staff, Consultant, or Joint Effort.

Implementation Plan

Implementation Plan Prescott Workforce Housing Policy							
Policy Initiative & Strategy	Timeline				Lead Responsible Party		
	Short Term 1 year	Medium Term 1-2 Years	Long Term 2 Years+	Ongoing	Consultant	City	Joint Effort
Initiative 1: Amend the Prescott Land Development Code (LDC) to Implement the Workforce Housing Policy Framework							
Strategy 1.1: Adopt a new section of the LDC for Workforce Housing	✓				X		
Strategy 1.2: Adopt Additional LDC and City Code Amendments		✓				X	
Initiative 2: Develop Incentive Programs for Workforce Housing Complexes							
Strategy 2.1: Use Development Agreements (DA) as the Primary Instrument to Document the Conditions and Requirements of a Workforce Housing Award				✓	X		
Strategy 2.2: Establish the Level of City Contributions Toward Project Development Impact Fee Waivers	✓				X		
Strategy 2.3: Establish Non-Impact Fee Waivers for Building, Planning, Engineering, and Utility Fees	✓				X		
Strategy 2.4: Provide Standards for Expedited Review		✓				X	
Initiative 3: Prepare Workforce Housing Proposal Documentation							
Strategy 3.1: Prepare a Workforce Housing Certification Form	✓				X		
Strategy 3.2: Develop a Standardized Review Framework	✓				X		
Initiative 4: Promote Incentives Related to Prescott's Water Policy							
Strategy 4.1: Use Water Policy Incentives to Promote Workforce Housing	✓						X
Initiative 5: Prepare for Single Family Ownership Housing Projects							
Strategy 5.1: Consider Establishing a Community Land Trust (CLT) or Engaging an Existing CLT		✓					X
Strategy 5.2: Consider Partnering with a Non-Profit Organization to Assist with Implementation of an Ownership Workforce Project		✓					X
Initiative 6: Explore In-Lieu Alternatives to Workforce Housing							
Strategy 6.1: Establish a Formula for an In-Lieu Fee Payment		✓					X
Strategy 6.2: Evaluate Options for the Use of In-Lieu Revenue		✓					X
Initiative 7: Explore the Creation of an Infill Incentive District							
Strategy 7.1: Establish an Infill Incentive Plan to Expand Workforce Housing Opportunities			✓			X	
Initiative 8: Explore Options for Workforce Housing Funding							
Strategy 8.1: Explore Creation of a Workforce Housing Trust Fund			✓				X
Strategy 8.2: Explore Sources of Funding for the Trust Fund			✓				X
Strategy 8.3: Consider the Use of Industrial Development Authority (IDA) Bonds for Workforce Housing Financing			✓			X	

Implementation Plan



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

Implementation Plan Prescott Workforce Housing Policy								
Policy Initiative & Strategy	Timeline				Lead Responsible Party			
	Short Term	Medium Term	Long Term		Consultant	City	Joint	
	1 year	1 - 2 Years	2 Years+	Ongoing			Effort	
Initiative 9: Explore Housing Resources for City Employees								
Strategy 9.1: Explore Programs that Provide Assistance to City Employees		✓				X		
Strategy 9.2: Provide Housing Resource Support to Employees		✓				X		
Initiative 10: Conduct an Inventory of Surplus City-Owned Land								
Strategy 10.1: Identify City-Owned Properties that may be Suitable for Workforce Housing Opportunities		✓				X		
Strategy 10.2: Identify City-Owned Properties that may be Suitable for a Land Trade		✓				X		
Initiative 11: Provide Resources for Implementation of the Workforce Housing Policy Framework								
Strategy 11.1: Identify Staffing Resources for Workforce Housing Policy	✓							X
Strategy 11.2: Develop Workforce Educational Guidebooks	✓				X			
Strategy 11.3: Conduct a Public Outreach Campaign	✓				X			
Initiative 12: Consider Expanding the Tools Available to Implement the Workforce Housing Policy Framework								
Strategy 12.1: Consider the Use of the Government Property Excise Lease Tax (GPLET)			✓					X
Strategy 12.2: Consider the use of a Construction Sales Tax Rebate as a Workforce Housing Incentive		✓						X
Strategy 12.3: Consider Initiating a Land Banking Program			✓					X
Strategy 12.4: Work With the School District to Identify Excess Property Which May Provide Opportunities for Workforce Housing			✓			X		
Strategy 12.5: Work With Local Church Groups to Identify Excess Land That Could Support Workforce Housing Development			✓			X		
Strategy 12.6: Conduct a Comprehensive Review of the City's LDC and Development Standards to Reduce or Eliminate Barriers to Workforce Housing		✓				X		
Initiative 13: Promote and Support Missing Middle Housing Types								
Strategy 13.1: Ensure Missing Middle Ownership Housing Products can be Accommodated within the LDO	✓							X

Financial Analysis of Incentives

Purpose of Analysis:

- From a developer's perspective, will the Workforce Housing Program make financial sense?
- Will workforce units increase market rate rents in the project?



Financial Analysis

Market Rent Summary					
	Unit Size				Totals/ Average
	Studios	1-BR	2-BR	3-BR	
Unit Square Feet	626	763	1,083	-	841
Unit Count	102	202	156	-	460
% Units	22.2%	43.9%	33.9%	0%	100%
Average Rent	\$1,496	\$1,692	\$1,954	-	\$1,737
Avg. Rent/SF	\$2.39	\$2.22	\$1.80	-	\$2.07
Data is based on three apartment communities: Willow Creek, 2051 Apartments, & Winfield at the Ranch.					
Source: Costar					

Financial Analysis

Assumptions:

- 96-unit apartment complex
- Average 841 square foot apartment unit
- 25 units per acre

96 Unit Apartment Complex BASE CASE					
Development Program					
Use	Acres	Land SF	Avg Unit SF	Units	Building SF
Apartment Complex	3.84	167,270	841	96	80,736
Clubhouse					3,000
Total					83,736
Private Land Acquisition					
Property Type	Lots	SF	Price/SF	Price/Acre	Total Cost
Lot	1	167,270	\$4.13	\$180,000	\$691,200
Total Property Acquisition & Development Cost					
Improvement Costs			Quantity	Unit Cost	Total
Building Hard/Soft Costs			83,736	\$203.90	\$17,073,770
Parking Costs			144	\$3,558	\$512,317
Landscaping Costs					\$424,724
Off-Site Costs					\$400,000
Impact Fees					\$1,698,500
Developer Fee		2.5%			\$502,733
Total Construction Cost					\$20,612,044
Contingency		10.0%			\$2,061,204
Land Purchase					\$691,200
Total Development Cost					\$23,364,449
Per Unit					\$243,380
Per SF					\$289

Source: Marshall & Swift Valuation Service

Financial Analysis

Assumptions:

- Developer achieves a 10% return on investment (ROI) after 5 years.
- Based on construction costs, market rent needed to achieve ROI is \$1,850 per month.
- Scenarios are based on 10% density incentive with fee waivers and land subsidy.

ProForma Analysis							
BASE CASE							
Assumptions							
% Equity Investment		30.0%					
Project Cost		\$23,364,449					
Equity Investment		\$7,009,335					
Debt Service							
Loan Principal		\$16,355,114					
Loan Interest Rate		7.0%					
Amortization		30 Years					
Term		10 Years					
Initial Rent Per Month		\$1,850					
Initial Rent Per SF Per Month		\$2.20					
Rentable SF		80,736					
Avg. Unit Size		841					
Rent Escalation Factor		3.0%					
Expense Escalation Factor		2.0%					
Stabilized Vacancy Rate		7.0%					
Cap Rate		5.0%					
Absorption							
Available Units			Year 1	Year 2	Year 3	Year 4	Year 5
			96	96	96	96	96
Vacancy Rate			50.0%	7.0%	7.0%	7.0%	7.0%
Rented Units			48	89	89	89	89
Vacant Units			48	7	7	7	7
Revenues							
Effective Gross Income			1,065,600	2,041,476	2,102,721	2,165,802	2,230,776
Incidental Income (5.0%)			53,280	102,074	105,136	108,290	111,539
Net Revenues			1,118,880	2,143,550	2,207,857	2,274,093	2,342,315
Expenses							
Admin	\$3.76		303,456	309,525	315,716	322,030	328,471
Operating	\$2.66		214,656	218,949	223,328	227,795	232,351
Maintenance	\$1.99		160,608	163,820	167,097	170,438	173,847
Taxes/Insurance	\$1.76		142,464	145,313	148,220	151,184	154,208
Operating Expenses			821,184	837,608	854,360	871,447	888,876
Net Operating Income							
			297,696	1,305,943	1,353,497	1,402,645	1,453,439
Debt Service			(1,305,732)	(1,305,732)	(1,305,732)	(1,305,732)	(1,305,732)
Cash Flow Before Taxes			(1,008,036)	211	47,765	96,914	147,708
Project Cashflow							
Project Cashflow		(7,009,335)	(1,008,036)	211	47,765	96,914	147,708
Terminal Property Value							29,068,786
Costs of Sale, Commissions (4%)							(1,162,751)
Outstanding Loan Principal							(15,359,421)
Total Cashflow		(7,009,335)	(1,008,036)	211	47,765	96,914	12,694,322
Cumulative Cashflow		(7,009,335)	(8,017,370)	(8,017,160)	(7,969,394)	(7,872,481)	4,821,841
IRR			10.17%				



Elliott D. Pollack & Company
Court, Merritt, Pollack, & Stevenson

Financial Analysis

Conclusions:

- Fee waivers and density incentives will likely result in increased market rents.
- Additional incentives may be needed to stabilize market rents so they do not subsidize workforce units.

Summary Findings						
Scenario	\$ Incentive	Forecasted Market Rents				
		Studios	1-BR	2-BR	3-BR	Average
Base Case	\$0	\$1,593	\$1,802	\$2,081	\$0	\$1,850
Scenario 1 - Base Case With Density Incentive & Fee Waivers	\$340,522	\$1,601	\$1,812	\$2,092	\$0	\$1,860
Scenario 2 - Base Case With Density Incentive, Fee Waivers, & Land Subsidy	\$1,031,722	\$1,571	\$1,777	\$2,053	\$0	\$1,825



Thank You!



Rick Merritt
President
480-423-9200
merritt@edpco.com
www.edpco.com