

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

MINUTES

1. CALL TO ORDER

Mayor Rusing called the meeting to order at 1:01 p.m.

2. ROLL CALL

Cathey Rusing - Mayor
Lois Fruhwirth - Mayor Pro Tem
Mary Frederickson - Councilwoman
Ted Gambogi - Councilman
Jim Garing - Councilman
Patrick Grady - Councilman
Jay Ruby - Councilman

3. DISCUSSION

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

Grants Administrator Michael McInnes introduced the discussion and presentation and stated that in Spring 2024 HUD awarded the city a grant to help address workforce housing issues. With this grant, Pollack & Company was hired to conduct a study and help establish the Workforce Housing Policy and implementation strategy. Mr. McInnes also introduced Pollack & Company President Rick Merritt to provide the presentation.

Mr. Merritt reviewed the definition of workforce or missing middle housing, Prescott's demographic characteristics, labor force participation rate, median household income in the community.

Housing Affordability:

- * Single family prices since 2019 are up approximately 63% or \$270,300
- * Condo and town home pricing is up 71% or \$165,700 in that same time
- * 82% of sales are above \$400,000 in Prescott
- * Apartment vacancy rate suggests a relatively tight market

Councilman Grady commented on the section regarding incomes by occupation and that the discrepancy makes it difficult to afford housing in Prescott. This is particularly true because the median wage is below the city's definition for workforce housing.

Councilman Ruby asked what the impacts of short-term rentals are on this issue.

Mr. Merritt responded that it is not a huge issue in this community, but it does still have an impact.

Workforce Housing Strategy:

* Relies on two primary documents for administration of the program - Workforce Housing Policy and the Prescott Land Development Code

* Initiatives

- Amend the Prescott LDC to implement the Workforce Housing Policy Framework

- Develop incentive programs for workforce housing complexes
- Prepare workforce housing proposal documentation
- Promote incentives related to Prescott's Water Policy
- Prepare for single family ownership housing projects
- Explore in-lieu alternatives to workforce housing
- Explore the creation of an infill incentive district
- Explore options for workforce housing funding
- Promote and support missing middle housing types

* The Implementation Plan has been broken out into short and long term timelines with priorities and whether the consultant or city staff will be the responsible party

* Development Tools

- Land Costs: 15-20% of total costs (community land trust, use of city-owned land, land bank, density bonuses, zoning and general plan policies, GPLET, and city contribution to lower private land costs/housing trust fund)
- Soft Costs: 15-20% of total costs (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 (waiver of construction sales tax, reduced parking requirements, city assistance with infrastructure improvements, direct capital funding of development costs, industrial development authority boards and partnerships with private developers/non-profits)

Workforce Housing Alternatives:

* Rancho Mercado in Surprise - 6-8 units as 6-pack autocourt/cluster homes

* Horizon in Chandler and Fincher Fields in Gilbert - detached, alley-loaded (garages in back)

* 23 & 17 North in Phoenix - front loaded attached townhomes

Mayor Rusing asked about manufactured home communities for Prescott to meet affordable housing needs.

Mr. Merritt responded stating that there are options for that and that is something that many communities are looking into.

Mayor Pro Tem commented on her desire to make sure that while the Council and staff are working on pursuing workforce housing, the charm and uniqueness of Prescott isn't lost.

Implementation Plan:

- * Considerations - staff and consultant time, does the strategy depend on another strategy's completion before it can be started, whether parts will require Council approval and funding commitments necessary
- * Prepare workforce housing documentation such as a certification form and standardized review framework as well as a form of Development Agreement for workforce housing specifically
- * Conduct a public outreach campaign to build support for workforce housing

Financial Analysis of Incentives:

- * From developer's perspective will it make financial sense
- * Will workforce units increase market rate rents in the project
- * Review of last three apartment complexes developed in the city - no three bedrooms, average rent at approximately \$1,700
- * Assumptions - 96-unit apartment complex, average 841 square foot apartment unit and 25 units per acre; the developer achieves a 10% return on investment after 5 years based on construction costs/market rent needed to achieve ROI is \$1,850/mo
- * Scenarios are based on 10% density incentive with fee waivers and land subsidy

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

Councilman Gambogi commented that the resident survey results showed that both housing and healthcare are issues for people that live here. He has a problem with rentals as the only option to address these issues. There are advantages to spreading the plan beyond just building new so this seems to need a lot more work.

Councilman Garing stated that he has spent some time going through the city's LDC and there are ways to provide for new avenues to develop the workforce housing policy.

Councilman Grady commented that this is a good place to start, he feels it needs input from the Workforce Housing Committee. There needs to be more priority work and find out what level of support there even is for incentives. The role of the non-profit sector is also something that needs to be looked at for partnership purposes, as well as a workforce housing trust program. Finally, he stated that if there is not the capacity to having a solely dedicated staff person for this then a consultant needs to run it.

Mayor Pro Tem Fruhwirth stated that she appreciated the breakout of short and long-term timelines related to this. From her perspective, impact fees are the taxpayers' money and would have to prove that there would be fewer losses in employee costs than the cost of reimbursement of impact fees. She added that rehabbing unused buildings for housing is another thing that should be looked

into.

Councilwoman Frederickson expressed her concern regarding the number of times waivers are mentioned in the strategy and implementation plans. She does like the land trust idea, however.

Councilman Ruby commented that real roots in the community come from homeownership and this plan doesn't provide that jump. He would like to hear more about infill programs, and a short-term rental policy in the long term is important as well. Finally, he stated there was nothing addressed related to affordable senior housing.

Mayor Rusing discussed the turn-key builders like Goreman and Company that specialize in these types of projects. It would be interesting to have one of them come and speak with the Council.

Member of the public Shea Richland addressed the Council regarding low-income senior housing. She stated that she is troubled to see that the focus is on workforce housing when single senior females are most likely to be impacted by affordable housing issues. She hopes that the consultants and Council will not turn a blind eye to that. These people need help now.

Member of the public Sue Savitt addressed the Council regarding seniors making up 40% of the population in Prescott, and they are suffering from large rent increases. She also asked if anyone has considered rent freezes or rent control to address these types of issues.

Member of the public Deborah Cook addressed the Council regarding seniors being in competition with the workforce for affordable housing. She wondered if there is any breakdown of how many seniors make less than that median rate to calculate the number of units.

Member of the public Connie Cantelme addressed the Council regarding how tough these situations are. The number one competitor for our workforce is seniors that need affordable housing. The words are used interchangeably, but the bottom line is the only people who can deliver affordable housing is the builders/developers. The Council's job is find out how they can make a profit by providing these units. There are so many proposed projects but none of them are workforce or affordable housing projects. Gorman did come up and speak with the WHC early on and need to figure out how to make their process work here. There are three ways to make it profitable: 1. taxpayers pay for it, 2. get all interested parties in the room to participate, and 3. need to engage the charities in the process.

Member of the public Susan Wielechowski addressed the Council as owner of seven assisted living homes, five in the Prescott area. She can't find people to work for her as caregivers. There is a fight on both sides of things, and there are a variety of issues with getting people to come to Prescott.

Member of the public Chris Fergis addressed the Council as an

architect/representative of Westcap Development, who have developed affordable housing campuses in Prescott. They have been unsuccessful in recent submission years because the allocation breakdown over the last few years is unfavorable here in Prescott. This year it is favorable. However, there is one section that asks about assistance from the municipality.

Mayor Rusing stated that investing in people who will become part of the community seems to be the overall consensus of the Council particularly through homeownership.

This item was for discussion only, no formal action was taken.

4. ADJOURNMENT

There being no further business to discuss, Mayor Rusing adjourned the meeting at 2:37 p.m.

Cathey Rusing

CATHEY RUSING, Mayor

ATTEST:

Sarah M. Thornhill

SARAH M. THORNHILL, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Voting Meeting of the City Council Voting Meeting of the City of Prescott, Arizona held on January 13, 2026. I further certify the meeting was duly called and held and that a quorum was present.

Sarah M. Thornhill

Sarah M. Thornhill, City Clerk