

3.0 EXISTING CONDITIONS AND TRENDS

3.1 POPULATION AND DEMOGRAPHIC TRENDS

3.1.1 Population Forecast

From 1960 to 1990, the City's population grew at an average annual rate of 3.9% per year, inclusive of annexations. Since 1990, the growth rate has slowed. From 1990 to 1995, the population grew at an average annual rate of slightly below 3% per year, without any major annexations of existing residential areas, and inclusive of a growth spurt in 1993. Beginning in 1995 and continuing through 2010, the population growth slowed to below 2%.

For the purpose of this General plan, we use the 2010 Census and assume a moderate growth rate of 2% resulting in a population of approximately 48,500 by the year 2020. Changes in economic conditions and annexation of significant tracts of flat, more easily developed ranch land could drive that number higher. However, other factors such as availability of water, market trends toward large lot, low density development, and finite growth boundaries can be expected to play a role in limiting growth over the next ten years. Consistent with articulated community values, Prescott seeks to maintain a sustainable moderate growth rate which will accommodate residents of all ages and economic status, while preserving the community's character now and into the future.

3.1.2 Changing demographics: household size, aging population and diversity

Census data from 1980, 1990, 1995, 2000, and 2010, show that there have not been significant changes in the percentage of Prescott's population comprised of individuals between the ages of 20 and 64. The more dramatic shifts have occurred at the two ends of the population age range. Youth aged 0 to 19 declined as a percentage of total population from 26.1% in 1980 to 16.8% by 2010, while adults aged 65 and over increased from 21.4% to 30.8%. These changes have significant impacts on local school district enrollment, on the labor force, and on the balance of family types and sizes in the area.

Prescott's median age increased to 54.1 years of age in 2010, accompanied by an increase in households with one or more persons aged 65 and over (from 34.8% in 1980 to 44.8% in 2010). With the aging of Baby Boomers (those born in the high birth rate years of the 1950s and 1960s), an increase in older populations is a national trend, as is an overall reduction in birth rates. Prescott reflects this trend, but is different from many other communities in

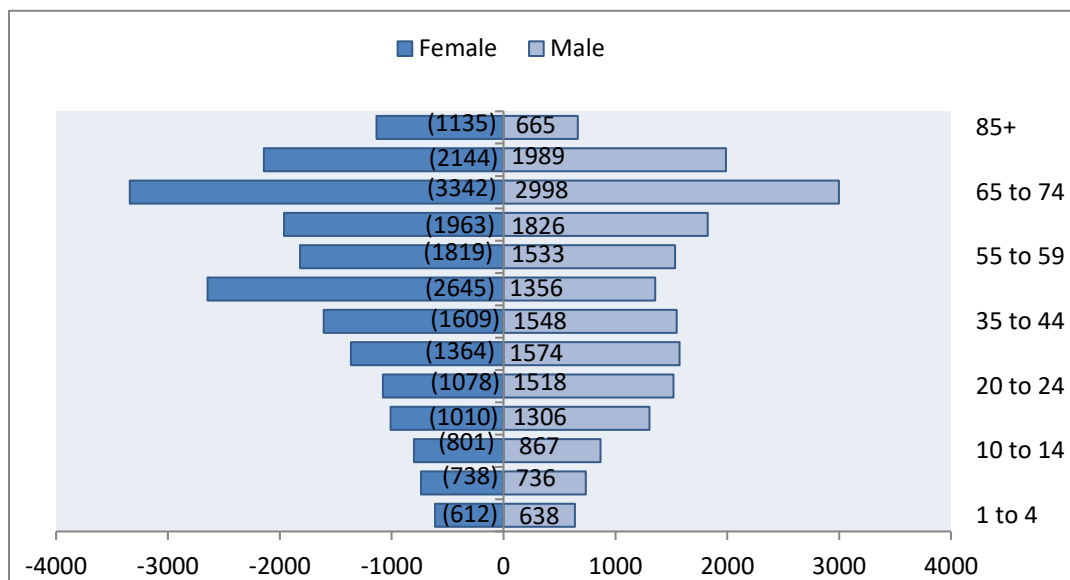
that we also have a continuing in-migration of seniors approaching retirement or already retired. Prescott is, and will continue to be a retirement destination because of its natural environment and cultural amenities. The out-migration of young people at the upper end of the 0-19 age range for educational or employment opportunities elsewhere is also a contributing factor in this trend. Telecommunication based on improved internet connectivity affect demographics as younger families seeking Prescott's quality of life are able to bring their jobs with them.

Figure 3-1 Prescott Population by Age Group

Population	1980		2000		2010	
	#	%	#	%	#	%
Ages:						
0 to 19 years	5,247	26%	6,505	20%	6,708	17%
20 to 64 years	10,503	53%	18,248	54%	20,862	52%
65+ years	4,305	21%	9,085	26%	12,273	31%
Total:	20,055	100%	33,938	100%	39,843	100%

There has also been a continual decline in the average number of persons per household. In 1980, the City's average household size was 2.52 persons. By 2000, the average household size had decreased to 2.11 persons. It dropped further, to 2.03 persons in the 2010 Census. This is a predictable result of the aging population trend discussed here.

Figure 3-2 Prescott Population Distribution by Age and Gender.



Taken from 2010 Census data

In terms of diversity, Prescott's population was 95% Caucasian in 1980. By 2010, Caucasians accounted for 92.1% of the population and Hispanics/Latino constituted 8.6% (note: there were changes in the way race was defined by the Census). The percentage of African-American residents in Prescott remained the same at 0.7% in both 1980 and in 2010. The percentage of American Indian residents dropped from 1.2% to 1.1% and Asian residents increased from 0.6% to 1.2% between 1990 and 2010.

Just as significant in terms of changing diversity are the trends in family types: the proportion of households with a wage earner (working families) compared to retiree households; and the proportion of families actively raising children to "empty nesters" are decreasing. Based on the 2010 Census, among City residents there are 16,891 persons age 16 and older who are employed, or put another way, approximately 42% of the total population participated in the workforce. In 2010, families made up 56% of Prescott's households compared to 59% in 2000. In 2010, households with a member aged 65 or older comprise 44.8% in Prescott compared to 39.4% in 2000, an increase of 5.4%. Also of note are trends for working families with younger children. In 1990, 50% of families with children under 6 years of age had both parents in the household working. By 2010 that number has risen to 64%. This may indicate that working families with young children increasingly require more than one income to meet rising living and housing costs in the community.

These trends suggest that the median age will continue to rise, Prescott's youth population percentage will continue to decline and, similar to national trends, seniors and elderly will make up an increasing proportion of the total Prescott population. All of these demographic trends, if unchanged, will further alter the community balance in terms of age groups, family types, household sizes and ratios of retirees to working residents.

3.1.3 Household income

The median household income for Prescott in 1990 was \$22,517, with the largest single concentration (24%) of incomes in the \$5,000 to \$15,000 range. The 2010 Census indicated that the median household income was \$44,224 with the largest concentration in the \$35,000 to \$50,000 range. While Prescott's median income remains slightly higher than Yavapai County as a whole, it continues to be below the statewide median income of \$50,448 in 2010.

3.1.4 Regional population trends

The City of Prescott is very much affected by the growth trends and development patterns of neighboring communities and unincorporated areas of Yavapai County. Between 1990 and 2010, the neighboring communities of Prescott Valley and Chino Valley have experienced much higher rates of growth than Prescott. The unincorporated portions of Yavapai County have also grown rapidly. The population changes for Prescott, the county and neighboring communities are shown in the table below. If the rates of growth in the region continue, Prescott's proportion of the regional population will continue to decline.

Figure 3-3 Population Counts by Jurisdiction

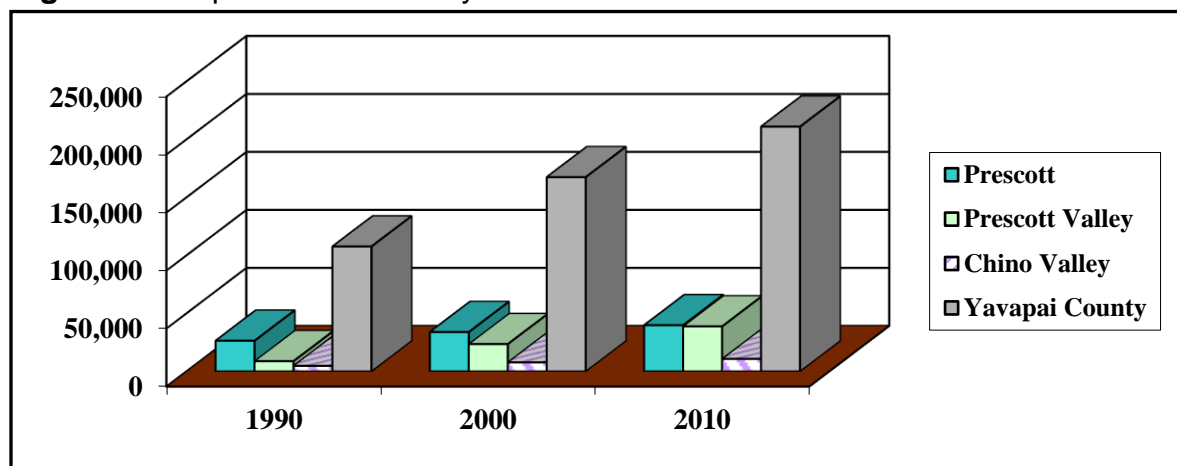


Figure 3-4 Population Percentages by Jurisdiction

Jurisdiction	1990 Population	1990 Portion Of County Population	2010 Population	2010 Portion Of County Population
City of Prescott	26,455	25.6%	39,843	18.9%
Town of Prescott Valley	8,858	8.2%	38,822	18.4%
Town of Chino Valley	4,837	4.5%	10,817	5.1%
Yavapai County	107,714		211,033	

3.2 TRAFFIC CIRCULATION & MANAGEMENT ISSUES

3.2.1 Metropolitan Planning Organization

Jurisdictions in the region, City of Prescott, Yavapai County, Town of Chino Valley, Town of Prescott Valley and the Yavapai-Prescott Tribe, have cooperated in regional transportation planning for nearly two decades through a voluntarily created planning group, the Central Yavapai Transportation Planning Organization. This group had provided a regional forum to conduct studies, coordinate transportation planning, secure transportation funds, prioritize transportation projects, and partner with the Arizona Department of Transportation in implementing a regional transportation network. With the 2000 Census, the combined

population of the Prescott/Prescott Valley area reached more than 50,000, a population threshold which triggered the establishment of a metropolitan planning organization to coordinate regional transportation planning and administer federal and state transportation funding. The Central Yavapai Metropolitan Planning Organization (CYMPO) is now the designated regional transportation planning authority with Prescott as an active participant.

3.2.2 Traffic Impacts and traffic management issues

The 1995 Central Yavapai Regional Transportation Study established that growth within Prescott and throughout the region would create long-term traffic management problems. The study included traffic projections for all of the major highways and arterials throughout the region, and proposed a number of strategies for addressing the long-term traffic management problems inherent in this fast growing region. This study, updated approximately every three years, is serving as the blueprint for long term regional transportation planning and improvements.

Projected traffic counts have been revised with each study update. The 1998 update assumed a regional population growth from approximately 81,000 in 1998 to 220,000 by the year 2018. CYMPO estimated the 2012 population within the CYMPO planning boundary was 121,783 with Prescott and Prescott Valley being 84,744 of that total. The 2006 Study update factors in the impacts of the Gateway Mall and other development along the Highway 69 corridor as well as measures the traffic relief provided by then recently constructed arterial roadways.

3.2.3 Regional Transportation Improvements

The Central Yavapai Regional Transportation study calls for a phased approach to regional transportation planning and improvements. Phase I sets forth improvements which needed to be in place when the regional population reached 100,000 in the year 2000. The majority of these improvements have been achieved. Major improvements to regional links have included Pioneer Parkway, Airport Connector, Glassford Hill Road and the widening of Highways 69 and 89. Within the City of Prescott, enhanced transportation corridors have included Prescott Lakes Parkway, the extension of Smoketree Lane, the widening of Willow Creek Road and Iron Springs Road. Regional phases included the extension of Fain Road, the 69/89 intersection, connecting Rosser between Prescott Heights and Cliff Rose, and widening of Copper Basin Road. The 1998 update recommended additional regional transportation corridors including a Prescott East Loop (Sundog Connector currently being studied) connecting State Road 69 and State Road 89 north of Yavapai Hills and a SR 69/89 connector across the Yavapai-Prescott Indian Reservation completed in early 2013.

The original 1995 Study indicated that projected traffic demand in the region could not be addressed solely by improving or building roads. In addition to recommending new transportation corridors and road enhancements to address traffic management, the study recommended significant alternative transportation components. Suggestions included carpooling, some form of public transit and the further development of multi-use trail systems region wide. The study forecasts that investments in these alternatives, along with assumptions that up to 5% of person-trips would be by some form of alternate transit and that vehicle occupancy rates would increase, could reduce projected travel counts by up to 20%, thereby extending the longevity of the road network and reducing the need to widen some transportation corridors in sensitive environmental areas (e.g. Granite Dells). Subsequent study updates continue to support these alternative transportation recommendations.

3.3 CURRENT LAND USE POLICY ISSUES

3.3.1 Annexations

As of October 15, 2013, Prescott's land area covers 42.6 square miles. An annexation policy was adopted by the City Council in 1994 with the objective to "utilize annexation as a means to help ensure cost effective and orderly service delivery, provide for a balance of land uses and tax base, protect against incompatible development adjoining the City and plan for the long term interests of Prescott". Spurred by the 1994 Strategic Plan and concerns over insufficient availability of commercial sites within Prescott, the policy also established priorities for annexations with the main priority being to annex "property with actual or potential commercial or industrial uses". Since adoption of the policy, a limited number of existing residential neighborhoods have been annexed into the City. Interest in controlling development in key areas (e.g. near the airport) as well as concerns about alternative water supplies and the recovery of effluent have contributed to the established annexation priorities.

From time to time, the City's annexation policies and priorities are reviewed, and this has been the case with land near the airport. The airport and the manufacturing, industrial and commercial uses associated with it have long been recognized as an important economic engine for the city. Based on this recognition, the City developed and adopted several plans (the Airport Master Plan, the Airport Business Plan and the Airport Specific Area Plan) to ensure the continued economic vitality of the airport, and to establish appropriate land use designations for the surrounding acreage.

Recent annexations of lands west and north of the airport, as well as, previous annexations east of the airport on both sides of SR89A have given the city jurisdiction over these prime development areas. These annexations occurred in cooperation with the land owners and with mutually agreed master development plans in place which helped assure compliance with airport protections efforts.

In addition to the requirements of State law and City Code, the annexation process for areas that are greater than 250 acres is also subject to the provisions of Proposition 400. Adopted in 2006 by the citizens of Prescott, Proposition 400 requires Council approval by a three-fourths majority, a 60 day public comment period beginning at the time of a formal recommendation by the Planning & Zoning Commission, and that all effluent generated by a project must be reserved for permanent aquifer recharge.

The Proposition 400 annexation process is divided into three parts. Step 1 is to meet with City staff to determine the feasibility of the project and identify any major issues. Step 2 is the entire annexation process including a cost benefit analysis, master plan and development agreement. Step 3 may include General Plan amendments, rezoning and a preliminary plat for the project.

In 2007, Granite Dells Estates was the first Proposition 400 annexation. The project consists of a residential, commercial and industrial subdivision totaling 1142 acres located south of the airport and Highway 89A. The project included a rezoning, preliminary plat and a master plan approval. In 2009, Granite Dells Ranch was annexed as a commercial and industrial subdivision. The annexation encompassed various properties totaling 387 acres located southeast of the airport in proximity to Side Road/Highway 89A. The project included a minor General Plan Land Use Map amendment, Airport Specific Area Plan Map amendment, rezoning and a master plan approval.

3.3.2 Land use mix and trends

The City of Prescott currently encompasses 42.6 square miles or about 27,264 acres. Residential development comprises an increasing proportion of the land uses within the city. The proportion of land use dedicated to conserving open space also increased significantly over

the last decades, reflecting a shift in public sentiment regarding the importance of open space as well as implementation of the voter approved open space initiative of 2000. In contrast, commercial and industrial uses represented a declining percentage of the total land mass of the City of Prescott. The significance of this is demonstrated in national data which indicate that, on average, residential uses require more in services per \$1.00 in taxes paid, than commercial/industrial uses which require less in services per \$1.00 in taxes paid. A balance between land uses is critical to maintaining the economic base of the community by assuring an adequate revenue stream to support City services, providing sufficient jobs and housing for City residents.

3.3.3 Housing trends: variety, affordability and quality

Prescott's housing stock varies by price, style and quality, depending upon location and age. The 2010 Census indicated that 22,159 total housing units were available in the City. Prescott's first neighborhoods were designed in a grid pattern on small lots with generally modest home sizes and were often located in or adjacent to mixed-use areas. This type of development still exists in the downtown area. A new pattern of residential development began to appear in the late 1970s and developed rapidly during the 1980s and early 1990s in the form of larger lot, single-family home subdivisions located away from commercial or mixed-use areas. This suburban pattern of development continued until the economic slowdown in 2007. Single family building permit applications are increasing, indicating that suburban home building is resuming in Prescott in 2014.

With the exception of triplexes and four-plexes built primarily as infill development in older neighborhoods, there has been limited multi-family residential development over the last 30 years. This has eased somewhat in recent years with several high end multi-family residential developments and complexes for special populations (e.g. elderly, persons with serious mental illness) being built. Zoning issues such as lack of appropriately zoned sites or difficulties in rezoning to multi-family densities, plus changes in development fees combine to create disincentives for multi-family projects. Impact fees applicable to each new housing unit were adopted in 1994 and have been adjusted several times. These increased costs, along with water and sewer buy-in fees based on the number of fixtures, have raised the per unit development cost for new multi-family housing. The *1996 Prescott Housing Needs Study* identified these issues as limiting factors in the production of less costly, more compact housing types. The study further noted "there is little vacant land zoned for multi-family housing development. In addition, the planned residential development provisions of the zoning ordinance do not lead to the production of townhouse, or clustered or compact lot housing units." Recent reductions in impact fees may encourage development of more multifamily dwellings in the future. Prescott's aging population may also provide market pressures to support senior focused multifamily housing production.

Another important factor in discouraging multi-family housing is the community perception of higher density development in general and of multi-family housing in particular. Many multi-family housing projects proposed in past years, especially those requiring rezoning, have faced opposition from opponents raising concerns about higher densities, traffic impacts, effects on neighborhood aesthetics, property values, possible loss of open space, potential increased crime and threats to existing neighborhood character.

The 1996 Prescott Housing study indicated that while the total number of new housing units produced each year was about equal to the total demand for new housing units, the production of units available within certain price ranges did not match the demand for units within those ranges. The Study identified a significant demand for units in the low to medium price range, which was not being met. The Land Use, Growth Area and Economic Development Elements of this plan encourage review and consideration of a number of means to encourage production of housing more affordable to working families. This General Plan also strongly encourages an

update of the 1996 Housing Needs Study to identify current need and establish multiple strategies to address those needs.

The 2003 *Arizona Affordable Housing Profile* included a methodology to estimate the “affordability gap” in each Arizona community, including Prescott. This gap is defined as the number of households which cannot afford, or which pay too much for, housing (either rental or purchase) at various income levels. Based on that analysis, there continues to be an inadequate supply of housing units in Prescott for households at or below the Prescott median income. This study and the need for housing balance are explained further in the Land Use and Growth Area Elements.

3.3.4 Urban development issues

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

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

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

3.3.5 Code and Regulatory issues

During the 1990s there was an increasing perception that the parameters of the existing zoning code, adopted in 1951 and substantially updated in 1980, were no longer sufficient to meet the demands of current planning and development issues. To address these concerns, a major re-write of the zoning code was initiated in 2001. The resulting Land Development Code was adopted in July 2003 with an effective date of December 31, 2004.

The new Land Development Code (LDC) incorporates previous changes in zoning and regulatory mechanisms and builds upon the experience of other jurisdictions. The LDC creates several low, medium and high intensity residential, business and employment districts. Transitional zoning classifications and stronger buffering and screening, lighting, landscaping and access management standards help integrate various uses within neighborhoods and improve compatibility between uses.

Adoption of the LDC has created opportunities for some limited proactive Zoning Map changes as the City moves to bring the zoning map into conformance with the LDC and adopted specific area, neighborhood and historic preservation plans. In addition, recognized development trends in transition areas can be addressed.

3.3.6 Development process: planning and procedural issues

In an attempt to assure fairness and equity to all participants in a planning process, Prescott has increasingly encouraged greater public participation in the planning and development process through area meetings, mailings and citizen planning groups.

Specific area plans can be developed for large, undeveloped areas of the City. These plans, usually undertaken with broad citizen and property owner participation, designate land uses for the area within the planning boundaries and also stipulate major transportation corridors along with alternative transportation objectives. These plans also address environmental concerns such as riparian areas or open space which should be protected and/or preserved as well as designating locations for mixed use village centers suitable for civic or public uses, business and commercial services and higher density or multi-family housing. Three specific area plans have been created to date: *the 1998 Prescott East Area Plan (PEAP)*, *the 1999 Willow Lake South Area Plan (WLSAP)* and *the 2001 Airport Specific Area Plan (ASAP)*. These plans now provide the planning basis for development within those areas, thus removing much of the uncertainty over what may be proposed or what will be approved for development. Any major departure from the approved plan requires an amendment to the specific area plan prior to submission of a re-zoning or other development request. This General Plan anticipates that a specific area plan will be developed for any future large undeveloped tracts as they are annexed into the City, and must be initiated by the city as a responsible method for balanced community planning.

The neighborhood planning process, undertaken with the residents, property and business owners in a neighborhood, goes beyond land use questions and considers issues of importance and significance to that particular neighborhood. The process allows the community within the neighborhood to partner with the City in addressing such concerns as traffic or crime in the area, neighborhood clean-up or property maintenance issues, and preservation of neighborhood character in addition to addressing land use, zoning or development pressures. To date, six neighborhood plans have been written and adopted by the City. The establishment of neighborhood plans, initiated by property owners for their neighborhoods within the City, continues to be encouraged.

3.3.7 Water Availability

Under a law enacted in 1980, the State of Arizona established five Active Management Areas to ensure that groundwater would not be depleted beyond the level being recharged, a condition known as "safe yield." The City of Prescott water service area is located within (and draws water from) one of these active water management areas. In addition to the City of Prescott, the Prescott Active Management Area (AMA) includes Prescott Valley, Chino Valley, the Yavapai-Prescott Indian Reservation as well as some surrounding county areas. Communities within the AMA draw groundwater based on rights, goals and policies established by the groundwater law and are further obligated to demonstrate a 100 year assured water supply. Beyond the statutory requirements, Prescott's policy is to create a sustainable water supply. The Water Element contains a more detailed analysis of water related issues.

In 1998, the Arizona Department of Water Resources (ADWR) determined that the Prescott AMA was no longer in a state of safe yield. This determination effectively capped the amount of groundwater which could be used by the jurisdictions within the AMA as a source of assured water for new development.

Since the water policies pursued by an individual jurisdiction affect all jurisdictions in the AMA, water policies are a topic of major regional interest. Regional coordination will be necessary to maintain an assured water supply for the City's and the region's anticipated population growth. The Water Resources Element of this plan addresses the goals and strategies for water resource management. The City of Prescott alone cannot achieve safe-yield within the AMA since its neighboring jurisdictions must cooperate to resolve water issues. There is currently no plan which will assure achievement of safe-yield within the AMA, therefore, safe-yield is identified as a future challenge in Prescott.

3.3.8 Environmental Commitments

The Prescott community remains committed to the conservation of environmentally significant lands and features. This commitment is reflected in community and regional partnerships with groups such as the Open Space Alliance of Central Yavapai County, the Central Arizona Land Trust, Prescott Creeks and the Town of Prescott Valley, the City's partner in efforts to protect the scenic Glassford Hill from development. Additional efforts and resources are being directed at open space acquisition, parks and recreation opportunities, public trails, air and water-quality management and protection of the national forest surrounding the City. Policies and strategies are addressed in the Open Space and Environmental Planning Elements of this plan.

3.3.9 Firewise Management Principles

Prescott is located in an environment susceptible to wildfire. Some neighborhoods, especially those along the south and west boundaries of the City are more at risk than other areas. At-risk neighborhoods and other new construction are required, by the adopted City of Prescott Wildland/Urban Interface Code, to implement vegetation management plans and to use more fire resistant building materials. This code implements much needed safety measures within the most at-risk areas of the City. Because wildfire is the most significant natural threat to Prescott, it will remain an important factor in all aspects of planning for the City.

Prescott Fire Department leadership is committed to aggressively addressing the threat of wildfire to our community and promotes Firewise Community strategies. This proactive approach to fuel mitigation and education of our citizens regarding wildfires has promoted effective public/private partnership in fire management.

3.3.10 Airport

The Prescott Airport serves the entire region, but is supported and managed by the City of Prescott. This General Plan recognizes the airport as both a transportation asset and an economic engine for the City and the region. In 2012, Ernest A. Love Field was the 3rd busiest Arizona airport in tower operations after Phoenix Sky Harbor and Phoenix Deer Valley airports. It is also one of the busiest regional airports in the country, ranking 37 out of 513 airports with control towers. This in part, is due to the close proximity and use by Embry-Riddle Aeronautical University. Its importance to the City stems from direct airport operations such as the large number of hangar tenants, general aviation services, flight training operations, cargo services, the forest service fire-fighting operations, the FAA tower and the fueling station. In addition, much of the land at and near the airport is designated for industrial uses as well as other more intense commercial operations related to the airport and includes a significant number of the region's manufacturing and technology jobs.

The 2009 Airport Master Plan, the 1997 Airport Business Plan and the 2001 Airport Specific Area Plan (ASAP) have been adopted to address Airport land-use protection and to assure the continued economic vitality and modernization of the airport infrastructure. The Town of Prescott Valley and Yavapai County have each informally agreed to accept ASAP as the basis of their future land use decisions for lands near the Airport but within their jurisdictions and planning areas. This regional cooperation in land uses is a positive example of inter-jurisdictional efforts

to protect regional assets. The Prescott Municipal Airport's regional significance and future needs are further discussed in the circulation and economic development elements of this plan.

3.4 TAX AND REVENUE ISSUES

Due to state law, the City relies primarily on the transaction privilege (sales) tax and state shared revenue, and to a much lesser degree property tax, to generate revenue necessary for providing services such as police, fire, upgrading infrastructure, building safety, parks and recreation. Sales tax is subject to economic fluctuations and primary property tax is not a viable long-term revenue source for the operation and maintenance of City services due to state constitutional limitations. These restrictions limit annual primary property tax levy increases to 2 percent plus an allowance for new construction. Without a voter approved state constitutional amendment, the community isn't able to use primary property tax as a means to generate more stable funding.

3.4.1 Revenue structure

There is a critical relationship between what the community wants to accomplish and how to finance those goals. There are four primary areas for financing City services which are subject to community control: local sales tax rate; other transaction tax rates such as transient occupancy (bed) tax; primary and secondary property tax rates; and user fees. Each of these sources of City revenue is discussed in detail in the Growth and Cost of Development Element of this plan.

The major source of revenue subject to community control is the sales tax. Under current city charter, voter approval is required for any increase in current transaction tax rates such as the retail sales or transient occupancy tax. Likewise, voter approval is needed to implement any new transaction taxes. The tax base to which those rates are applied, and sustaining growth over time, is critical. Several of the City's economic development strategies are specifically designed to ensure a reasonable, steady growth in this tax base.

Changes in the area retail market and regional economic competition for retail business are an important reason Prescott did not maintain the 8% sales tax growth rate in the early 1990s it had enjoyed in the late 1980s. In response, the City has worked aggressively to retain and expand the local sales tax base and has particularly targeted the Highway 69 corridor and the Prescott downtown for these efforts. The Gateway Mall, the largest commercial project in the City's history, opened in 2002. This project not only ensured that four of the City's top 20 sales tax producers (Sears, J. C. Penney, Lamb Auto and York Motors) would stay within the city limits for years to come, but also served to attract major retailers to the City, such as the Wal-Mart Supercenter, Lowes, and Trader Joe's. With the addition of these retail anchors, the Highway 69 area has grown into a substantial commercial corridor. These retailers expand upon the existing large businesses along the corridor to form a vital part of the City's sales tax generation which provides funding for basic City services.

In recognition of downtown's importance to the sales tax base, the City Council approved a Downtown Specific Area Action Plan in 1997. The plan's five major action items have been accomplished. The Downtown Enhancement Program was completed in June 2000 and was designed to enhance the shopper / visitor experience and make the downtown more pedestrian friendly by adding new sidewalks, landscape planters, lampposts, and benches. The Downtown Enhancement project included an investment of 3.5 million dollars in the downtown, the largest public works project ever in the City center. Perhaps one of the most important accomplishments was the formation of the private non-profit Prescott Downtown Partnership which provides leadership in the management of downtown and functions as a liaison to the City Council on downtown issues. In 1998, with property owner participation, a Historic Preservation District was formed around the Courthouse Plaza which serves to protect the historic integrity of the buildings which are so important to the City's fabric and character.

The adoption of the 2003 Land Development Code created the Downtown Business Zoning District to preserve the Downtown mixed use character. The activities listed above ensure that downtown will remain a viable business, retail, government and cultural center as well as a strong segment of the local sales tax base.

Regional competition between the various jurisdictions to attract new retail development has generated suggestions that regional cooperation may be beneficial to all parties involved. The towns of Prescott Valley, and Chino Valley and the Yavapai-Prescott Indian Tribe, facing the same economic pressures, may also be concerned about how the continuing regional economic competition will affect their respective economic growth. The Economic Development Element discusses these issues further.

3.4.2 Economic Development strategies

Maintaining the balance, quality, character and sustainability of the community are all intertwined with the health and vitality of Prescott's economy. Every community needs a healthy economic sector and a strong tax base to achieve these goals. Local availability of goods and services contribute to a self sustaining, independent community. Likewise, a solid and diverse employment base provides jobs for the workforce, contributes to a higher standard of living for all residents and supports a diversity of households. As Arizona municipalities are highly dependent on sales tax as a source of revenue to support city services, the retail sector of the economy is particularly important.

Thirty years ago, if a person went out for a pizza, chances are they ate in Prescott. In 2012, residents have many more choices about where to buy groceries or where to pick up their next restaurant meal. This process and the way it affects the ability of Prescott to provide services to its residents should be viewed as part of the region's natural growth cycle and must be treated as another challenge in the community's efforts to attract, expand and retain local business and enhance the tax base.

Important sectors of the Prescott economy include retail trade and hospitality services (including tourism), educational services, health services, construction, finance, insurance and real estate services, institutions of higher learning and government services (federal, state, county and municipal). The Prescott downtown, notable as a tourist destination, the Prescott airport, the City's industrial parks and the regional commercial development along the Highway 69 corridor are particularly recognized as economic drivers for the City.

Manufacturing and industrial jobs have become a more important segment of the local economy due in large part to the City's emphasis on attracting these employers who provide higher paying jobs and good benefits. As noted in previous General Plans as well as the 1994 Strategic Plan, a barrier to the expansion of this sector had been the lack of suitable sites for such businesses to locate. Since the mid 1990s, the City has placed a particular emphasis on quality industrial and commercial development, and has partnered with the private sector to expand commercial space and fund associated infrastructure improvements. This plan also contains goals and strategies to encourage creation of a greater percentage of industrial land available for development.

Over the last two decades, the City has sought to diversify the employment sector and expand the sales tax base. These efforts have been successful in garnering a substantial share of the retail, manufacturing and business development locating within the region over the past few years and in placing an emphasis on research and development businesses. Growth projected for the region will create additional demand for businesses and services to serve the growing population. In addition to the availability of goods and services, that population will need quality, higher paying jobs to sustain a higher standard of living. Since municipal service delivery is

highly dependent on sales tax revenues, where new businesses locate and where people shop will continue to be of tremendous importance to Prescott's future.

Destination Marketing Organizations are charged with representing a specific destination and helping the long-term development of communities through a travel and tourism strategy. Tourist development and promotion is a complex issue. To attract visitors, Prescott must develop and maintain amenities and attractions. The City's cultural heritage is an important draw for tourists along with recreational opportunities offered by area golf courses, parks, lakes, trails and the Prescott National Forest. Community groups work with the City to create events to keep Prescott a center for entertainment and culture in Yavapai County. Visitor attractions have included new events such as the Whiskey Off-Road bicycle race, Prescott Film Festival, New Year's Eve Boot Drop, Chaparral Music Fest and Ghost Talk. Signature long-time events and venues include Elks Opera House productions, Sharlot Hall Museum, Prescott Frontier Days, Acker Night, the Bluegrass Festival, Phippen Memorial Art Show and the Cowboy Poets gathering.