

6.0 GROWTH MANAGEMENT AND COST OF DEVELOPMENT

Two state mandated General Plan elements, Growth Management and Cost of Development, have been combined since they are closely related. The Growth Management section addresses planned growth, construction of necessary infrastructure and promoting the design of efficient multi-modal transportation. The Cost of Development section identifies the requirement for new development to pay the fair share of the demand for public services created, including street maintenance, trash pickup, water, sewer, parks, recreation, library, police and fire protection.

The ability to sustain municipal facilities and services is affected by the rate of growth the balance between residential and non-residential uses, and the financial tools available to the City. A secure local revenue base is necessary to establish and maintain essential City services. This requires that commercial and industrial zoning be available to complement residential zoning. Retail businesses in commercial and industrial areas provide a sales tax base, which in turn contribute revenue toward the City operating budget. Residential areas provide for a population base and also contribute to the operating budget through property taxes, which in 2012 provided 4.5% of City General Fund revenues.

6.1 EXISTING CONDITIONS & SPECIAL CHALLENGES

6.1.1 Land use mix and trends

A variety of land uses exist within the City of Prescott typical of most towns and cities. Community growth based on permit activity in the 5 year period between January 1, 2007, and December 31, 2011, indicates that 83% of permits for new buildings were residential development, mostly single-family. Multi-family and workforce housing have not kept pace with the rate of single-family development. In the last several decades, most new development occurred in the outlying areas of the City with little infill.

Development in the outlying areas and low density uses are less efficient uses of land. This causes a loss of natural viewshed as new areas are developed, and places a greater burden on water, sewer and road infrastructure. Longer utility supply lines and extended roads are more expensive to build, operate and maintain. This also increases dependence on the personal automobile for transportation and adds traffic demand on the road network. Public transit, such as bus service, is most efficient where a dense population exists in compact clusters. Suburban development tends to isolate neighborhoods from service centers and creates the opposite of the pedestrian friendly, historic atmosphere which attracts new residents and is often used to describe the character of Prescott.

6.1.2 Transition Areas and Areas of Special Study

In older areas of Prescott, uses are transitioning to higher density residential or commercial uses. Preservation of historic properties in these areas is essential to the protection of the City's culture. Land use zoning and community planning for smart growth are the principal cultural resource preservation tools in Prescott. Growth regulations, cultural/natural resource management, historic districts and neighborhood preservation are established practices here. The use and change-of-use of existing structures capitalizes on the investments of the past and will save the costs of demolition, reconstruction, maintaining historic character, and extending infrastructure. In all cases, the community will expect that new development be sensitive and compatible with existing development.

6.1.3 Wildland/Urban Interface

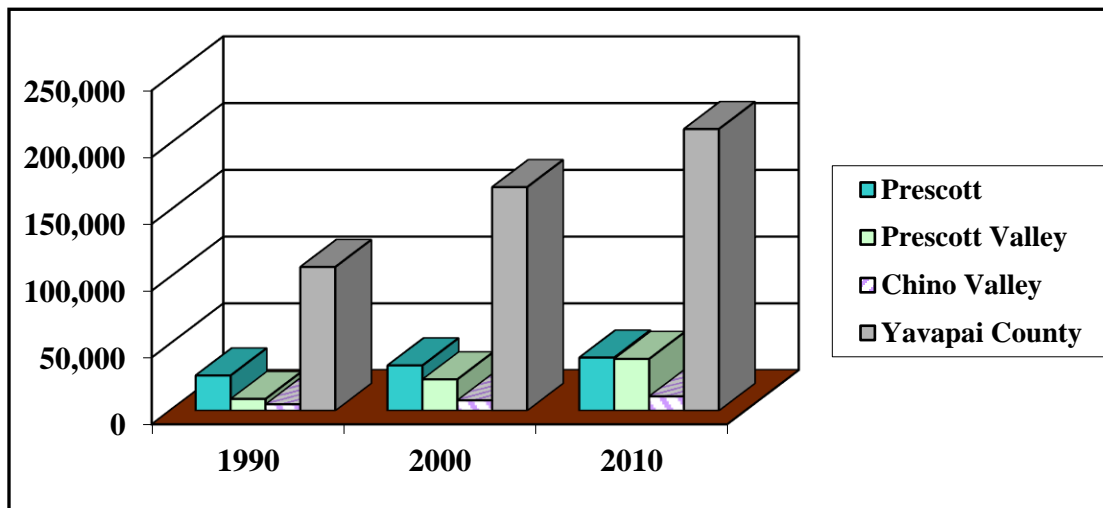
Prescott is located in the foothills of the Bradshaw Mountains, with the Prescott National Forest to the south and west. Given the proximity of the pine forests, Prescott has a high potential for wildfire and conflicts with wildlife. In 2002, the City adopted a Wildland/Urban Interface Code to address these issues and to reduce the fire danger close to the forest by requiring residents to clear brush away from all structures. The City is a member of the Prescott Area Wildland/Urban Interface Commission (PAWUIC), which was created to foster a cooperative effort among local communities to face challenges posed by development of the wildland areas in the Prescott basin. More information about the PAWUIC may be found at <http://www.pawuic.org>.

6.1.4 Regional Issues related to sustainability

Prescott and the neighboring communities of Chino Valley, Prescott Valley, Yavapai-Prescott Indian Reservation, Dewey-Humboldt and areas of Yavapai County are economically interconnected. Adjacent municipalities which see significant regional commercial development may draw away crucial sales tax revenue from Prescott.

The growth of neighboring areas also affects traffic in Prescott. In the ten years between 2000 and 2010, Prescott's population grew 15%. During the same time period, Prescott Valley and Chino Valley grew 39% and 28% respectively. Growth of the surrounding area will continue to create long-term traffic management and infrastructure challenges as residents commute throughout the region for work, housing, services and recreation.

Figure 6-1 Population by jurisdiction 1990 - 2010



6.2 GROWTH MANAGEMENT

6.2.1 Water

The City's water allocation process and the Land Development Code (LDC) are the tools for guiding and managing growth in Prescott. Water resource availability is administered by the Arizona Department of Water Resources As discussed in the Water Element; the supply of water is limited both physically and legally.

6.2.2 Transitional Areas

The LDC has several zoning districts well suited to transitioning areas. Residential Office, Neighborhood Oriented Business, and Mixed-Use zoning districts will accommodate both residential and low intensity commercial uses as an area transitions from single-family homes to multi-family homes and businesses. As listed in the Land Use Element, several transitional areas are subject to commercial development or re-development. Effective land-use planning for these areas is a tool for mitigating potential adverse impacts, such as traffic, buffering adjacent residential land uses and for future infrastructure needs.

Also presented in the Land Use Element, the LDC has provisions for Specific Area Plans, Neighborhood Plans and Overlay Districts, which are also useful planning tools for transitional areas and areas with unique circumstances. The plans and districts contain recommendations regarding mitigation strategies and identify special concerns, such as airport avigation easements, which are addressed as development occurs. Neighborhood plans offer existing residents an opportunity to influence the pattern of development and re-development occurring in their area. These plans often go beyond land use and density consideration, also addressing issues affecting the character and quality of life in the neighborhood. The use of Overlay Districts, such as the 1997 Historic Preservation Master Plan, addresses special concerns with unique land uses, and developments which span geographic areas or multiple zoning districts.

6.2.3 Open Space and Wildlife

Prescott's citizens value views, greenways, trails, parks, and wildlife corridors in development designs. Growth management plans adopted by the City Council should require open space and trail components to be included in new development. Regional cooperation allows Prescott and its neighbors to work together to protect sensitive open space areas and to link internal trails and open spaces together to provide regional access and interconnectivity of all trail systems.

To promote and conserve wildlife corridors, greenways and parks, growth management requires participation by both the City and developers when considering subdivision plats and Planned Area Developments. New developments which promote sustainability by discouraging urban sprawl, considering open space, wildlife corridor connectivity and jurisdictional boundaries should be encouraged.

6.2.5 Growth Management Goals and Strategies

Goal 1 Promote a balance of land uses to preserve and enhance neighborhoods, encourage compatible re-development, include housing that is affordable at various income levels, and to protect environmentally sensitive areas.

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2. A growth area element, specifically identifying those areas, if any, that are particularly suitable for planned multimodal transportation and infrastructure expansion and improvements designed to support a planned concentration of a variety of uses, such as residential, office, commercial, tourism and industrial uses. This element shall include policies and implementation strategies that are designed to:

(a) Make automobile, transit and other multimodal circulation more efficient, make infrastructure expansion more economical and provide for a rational pattern of land development.

(b) Conserve significant natural resources and open space areas in the growth area and coordinate their location to similar areas outside the growth area's boundaries.

(c) Promote the public and private construction of timely and financially sound infrastructure expansion through the use of infrastructure funding and financing planning that is coordinated with development activity.

- Strategy 1.1** Periodically review, revise or create Specific Area Plans, Neighborhood Plans, Overlay Districts and Redevelopment Districts as needed.
- Strategy 1.2** In cooperation with property owners, preserve and connect green belts, riparian areas, wildlife corridors and continue acquisition of targeted open space parcels.
- Goal 2** Pursue strategies to preserve and enhance the unique historic and pedestrian character of downtown.
- Strategy 2.1** Promote higher density, mixed uses, multi-modal connectivity, and pedestrian amenities in the downtown and surrounding areas.
- Strategy 2.2** Revise traffic circulation pattern, on-street parking, pedestrian paths, landscaping, and outdoor commercial areas to enhance visitor experience.
- Goal 3** Promote sustainable planning concepts for growth, new development, areas transitioning to new uses and include active citizen participation.
- Strategy 3.1** Encourage the creation of Specific Area Plans for all large undeveloped parcels, including newly annexed areas, which are currently under development pressures or anticipated to be under development pressures in the near future. These Area Plans should be reviewed and amended periodically as changing conditions and opportunities arise.
- Strategy 3.2** Encourage the use of Residential Office, Neighborhood Oriented Business, Mixed Use and Special Planned Community zoning districts as tools to redevelop transitioning areas.
- Strategy 3.3** Work with residents and businesses to produce neighborhood and/or specific area plans to guide development in areas transitioning to new uses.
- Goal 4** Encourage infill development on parcels with adequate infrastructure
- Strategy 4.1** Promote compact development and higher density development where feasible and appropriate.
- Strategy 4.2** Encourage water allocations for new developments which propose compact design such as multi-family housing, clustered homes, smaller lot sizes, smaller unit sizes, shared driveways and clustered parking.
- Strategy 4.3** Create an administrative approval process for review of new developments which maximize efficient use of existing and planned infrastructure and encourage options for all modes of transportation and Complete Streets designs.

- Strategy 4.4** Encourage location and clustering of government facilities at designated urban nodes to reduce traffic impacts, support all modes of transportation with Complete Streets designs and encourage pedestrian friendly public spaces.
- Goal 5** Promote effective management and mitigation of negative growth impacts such as light pollution, loss of landscaping, site disturbance, erosion, construction on hilltops, ridgelines, and the loss of open space.
- Strategy 5.1** Encourage development of multi-modal transportation.
- Strategy 5.2** Conduct neighborhood planning processes to address the impacts of growth in development and re-development projects within or adjacent to existing neighborhoods.
- Strategy 5.3** Encourage the donation of scenic easement by private property owners and identify scenic viewsheds worthy of protection.
- Goal 6** Develop strong community support for active growth management through sustainable development practices such as compact development and pedestrian connectivity.
- Strategy 6.1** Conduct an on-going public outreach program addressing the benefits of sustainable growth practices through available media resources such as the local public television channel Access 13, the City's website and the various local news organizations.
- Strategy 6.2** Promote compact development options by adopting alternative development and subdivision code options. Promote the use of such alternatives by providing incentives in the form of density bonuses, reduced limitations on allowable uses and reduced parking requirements.

6.3 COST OF DEVELOPMENT

The levels of service a community wants and the ability to finance those services are often out of balance. Reducing or eliminating services can risk the health, safety and welfare of a community. Cities must balance these risks against the desire of the public for new or more services because of the limited ability to generate additional revenue. In Arizona there are five primary revenue sources: sales tax, local property tax, state shared revenue, user fees, and development impact fees.

6.3.1 Sales Tax

Sales tax, also known as a privilege tax, is usually paid by the consumer at the point of sale. It is itemized separately from the base price for certain goods and services, including all construction. The tax amount is calculated by applying a percentage rate to the taxable price of a sale. Most sales taxes are collected from the buyer by the seller, who remits the tax to the City. An advantage of sales tax over other forms of taxation is that it is simple to calculate and collect. The 2013 City sales tax rate is 2%; the 2013 tax simplification legislation will have undetermined consequences.

6.3.2 City Property Tax

Primary property tax is a tax levied on real or personal property and 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 is not able to use primary property tax as a means to generate substantial funds which would decrease reliance on sales taxes. In 2012, the primary property tax in Prescott was 0.2984 per \$100 assessed value. This equates to \$59.68 for a \$200,000 home.

Secondary property taxes must be approved by voters and are used for bonded debt on capital projects. In late 2012, outstanding bond issues for the 1992 purchase of Willow and Watson Lakes were paid in full. Secondary property taxes in 2012, prior to the payment of the lake bonds, were 25 cents per \$100 assessed valuation. In comparison, 2003 secondary property taxes were 41 cents per \$100 assessed valuation.

6.3.3 Intergovernmental Revenues

Intergovernmental revenues are funds received from other governmental entities (state, federal, county, tribal, and other cities). They take the form of shared revenues, contributions for specific projects, grants and funds for joint projects. Prescott has several sources of shared revenues which are used for general operating costs, streets projects, drainage projects, library services, and numerous grant projects ranging from the airport to public safety.

6.3.4 User Fees

User fees are charged by enterprise funds for services such as water service, sewer service and recreation fees. It is beneficial to regularly update and maintain user fees to accurately represent costs of services.

6.3.5 Development Impact Fees

Impact fees are intended for growth to pay its proportional share rather than placing the entire burden for infrastructure demands created by growth on existing citizens. Examples are police, fire, water, and wastewater fees. Prescott implemented residential impact fees in 1979. A review of the costs to service new residential development must be made periodically and the fees adjusted accordingly. Consideration must also be given to the potential negative effect of impact fees on development. Prescott impact fees were last reviewed and revised downward in August 2014.

Along with impact fees, building permit fees and planning application fees are charged to pay planning and inspection costs for the development of new buildings. These fees were reviewed and revised in 2001 and became effective in March 2002. A review of building permit fees is made regularly. Periodic review of the costs of new residential construction should also be made regularly.

6.3.6 Annexations with Existing Infrastructure

Existing residential areas seeking annexation should bear the cost of bringing infrastructure, such as streets, water and sewer system, up to City standards. This is done so that current City residents do not have to bear the cost of bringing infrastructure up to standard for areas initially developed outside of the City. The exception to this policy would be where an overriding public benefit is involved, justifying a tax payer investment in infrastructure upgrades.

6.3.7 Cost Allocation Mechanisms Applied to New Development.

These are the mechanisms, allowed by state law, to assess and apportion the costs associated with new growth and development:

Impact fees: State statutes require impact fees must be paid, and also provide for establishing or increasing the cost of impact fees. The State mandated a reduction in the impact fees Cities may charge by rolling the fee amount back to 2009 levels and eliminating both the Recreation and Public Buildings fees. These fees are intended for growth to pay for itself.

In-lieu fees enable new development to pay a fee for its fair share of additional public infrastructure, rather than requiring actual construction by the developer. For example, a developer required to build half of a planned future traffic intersection, may instead pay a fee for that portion to be used when the intersection is actually built.

Buy-in fees are similar to impact fees and will recover the cost of increased capacity in a utility system. Prescott has buy-in fees for sewer which are based on the number of fixtures being installed in a new structure.

Off Site Improvements are assessments to cover the cost of maintenance and improvements to streets, sidewalks, curb and gutter and other improvements adjacent to or accessed by a new development.

Subdivision regulations include a one-time per lot maintenance and repair fee for streets accessing a subdivision.

Development Agreements are legal contracts between the City and a developer/land owner generally requiring that specific actions must be completed, such as paying infrastructure costs or submittal of permits/applications, within a specified timeframe. These contracts are for private development which can be demonstrated to have a public benefit such as tax retention or increase, enhancements to tax base, job creation, etc.

Redevelopment Districts are used to allow the city to designate specific geographic areas where public/private partnerships create or improve public infrastructure intended to benefit that specific area based on health, welfare or economic purposes.

User fees are a direct fee paid by the users of a particular public service or benefit. Examples include recreation fees, registration fees for city events and inspection fees.

Dedications of land and easements are the legal deeding of land to the City for public purposes.

Service privatization is the private financing of capital development, operation, and/or maintenance of infrastructure or services such as private roads in a subdivision which are maintained by a homeowners association.

Financing options for capital improvement projects:

Municipal Improvement Districts are voted on by property owners who will be assessed for the cost of a capital improvement project such as for paving roads or providing utilities. It requires an agreement by 50% or more of the affected landowners to establish a district. The City may issue bonds to fund the project, which are then retired by assessments placed on property owners. Assessments may be per lot or based on a formula such as dollars per linear foot or lot area.

Community Facilities Districts provide a private funding source for public infrastructure. Similar to a municipal improvement district, bonds are issued by the City based on the value of the project and retired by assessments on property owners. This mechanism is best suited for large capital projects, such as a wastewater treatment plant, which will be dedicated to the City upon completion. The process may be more complicated when multiple owners are involved.

Reimbursement Districts are a bonding mechanism in which the city builds the infrastructure and then is paid back by the developers as the area develops over a 10-15 year period. These districts are often used for water/sewer infrastructure and may be used to build streets.

In cases of an overriding public benefit, it may be appropriate for the City to absorb some or all of the cost of new infrastructure or services necessary to accommodate new development or upgrade essential city services. An example might be to establish or extend a major transportation link considered critical to the City's strategic goals. Funding sources could be general fund revenues, primary and secondary property taxes, transaction privilege (sales) taxes, bed taxes, excise taxes, voter approved bonds, Revenue bonds, and Municipal Corporation bonds.

6.3.8 Cost of Development Goals and Strategies

Goal 1 Continue to require development to pay its fair share by the use of impact fees, buy-in fees, off site improvement charges, and other legal means.

Strategy 1.1 Require developed areas seeking annexation to bear the costs of bringing infrastructure up to existing city standards, unless a clear public benefit is demonstrated justifying a waiver of standards.

Strategy 1.2 Review and update primary revenue sources and cost allocation mechanisms to assess and apportion the costs associated with new growth and development paying for itself.

Strategy 2.2 Consider the use of bonding options for major Capital Improvements such as the airport expansion, development of a convention center, or transportation related improvements.

6.4 SUSTAINABILITY OF GOVERNMENT SERVICES & INFRASTRUCTURE

Recognizing that new development impacts existing public services and facilities, the community expects new development to bear the cost of those impacts. The City will periodically establish level of service standards to be used to determine whether existing capacities will support new demands on public services and facilities. As an example, public safety (police and fire), recreation and government administration are services provided by General Fund revenues which are primarily funded by sales tax and state-shared revenue.

A feasible financial structure is maintained to support essential City services. However, the City constantly seeks to enhance productivity, efficiency, cost reduction, cost avoidance, investments and partnering. Joint projects and regional cooperation planning for growth and development, especially related to traffic circulation, open space, annexation issues and water policy, will assist Prescott in achieving a sustainable growth pattern.

The City of Prescott has faced multiple challenges in the recent economic environment. The period has been characterized by static population growth, reduced receipts from the City sales tax, reduced revenue sharing from the State of Arizona, and increased operating and capital costs. The City has weathered the worst of the recessionary period. A number of initiatives have been undertaken to access lower cost of capital, federal grants, etc.

Compared to neighboring communities, the City of Prescott has been in existence for a longer time period and has an older infrastructure network in place. This includes water and sewer distribution networks, wastewater treatment facilities and City streets. These assets require repairs, expansions, and replacements. Other factors impacting the City's financial burden are the potential costs of water importation, state imposed restrictions upon impact fees, debt loads, taxation decisions, etc. Therefore, the requisite financial obligations to provide services will be a challenge the City must meet with careful and creative revenue and cost planning.

6.4.1 Government Sustainability Goals and Strategies

- Goal 1** Emphasize joint use of government facilities.
- Strategy 1.1** Continue City/county joint projects and seek new opportunities for such partnerships and intergovernmental agreements.
- Strategy 1.2** Continue City/educational institutions joint projects and seek new opportunities for such partnerships in facilities and services.
- Strategy 1.3** Continue public/private partnerships and seek new opportunities for such partnerships.
- Goal 2** Improve regional cooperation and coordination of planning for regional growth.
- Strategy 2.1** Pursue joint planning for regional circulation, traffic management, and other projects.
- Strategy 2.2** Participate in regional planning forums such as the Central Yavapai Metropolitan Planning Organization, , the Northern Arizona Council of Governments, and the Greater Prescott Regional Economic Partnership.
- Goal 3** Apply compatible land uses within the airport influence area which permit continued development while protecting the operation of the airport.
- Strategy 3.1** Encourage the implementation by adjoining jurisdictions of the land use plan adopted within the Airport Specific Area Plan.
- Goal 4** Reduce dependency on sales tax over the long term.
- Strategy 4.1** Pursue other more stable sources of revenue, including property taxes and user fees to supplement sales tax revenue.
- Strategy 4.2** Consider the use of bonding options for major Capital Improvements.
- Goal 5** Reduce the potential for incompatible development where jurisdictional boundaries occur.
- Strategy 5.1** Coordinate infrastructure standards, development regulations and fees with neighboring jurisdictions, including Yavapai County.
- Strategy 5.2** Periodically review and update annexation policies, especially where coordination with nearby jurisdictions is conducted.