

6.0 GROWTH MANAGEMENT AND COST OF DEVELOPMENT

Two mandated 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 its fair share of the public services for which it creates demand, 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 both the rate of growth and the balance between residential and non-residential uses. A secure local revenue base is necessary to establish and maintain essential City services. This requires that commercial and industrial zoning be available to compliment residential zoning. 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 currently provides 4.5% of City 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 has 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.

Specific zoning changes, that allow for increased density through smaller lot sizes or a higher number of apartment / condominium units per acre, could create a more balanced and sustainable growth pattern to infill areas. Incentives, such as the City's current policy of an assured water supply for workforce housing, is also a benefit to higher density residential development.

Development in the outlying areas and low density uses are less efficient uses of land. This causes a loss of open space 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. Mass transit, such as bus service, is efficient only 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. The potential impacts of dissimilar land uses is mitigated in accordance with the 2003 Land Development Code. The adoption of Form-based codes, as discussed in the Land Use Element, may also be helpful in integrating dissimilar land uses.

6.1.3 Wildland/Urban Interface

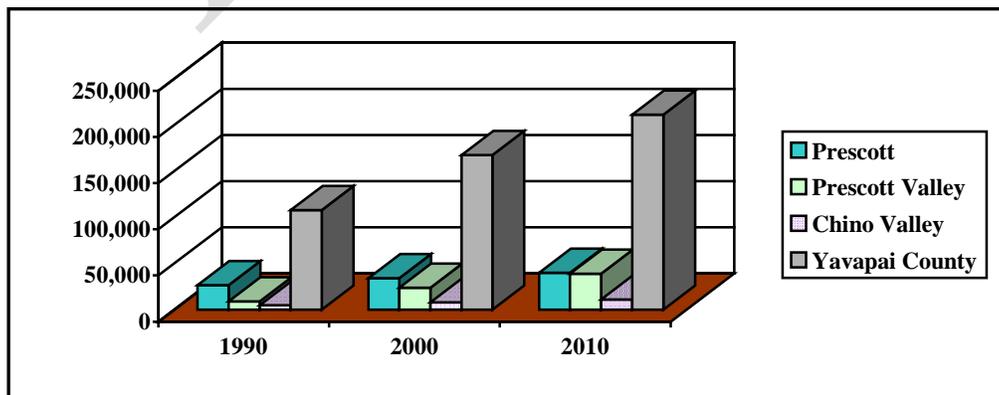
Prescott is located in the foothills of the Bradshaw Mountains, with the Prescott National Forest to the south and west. Given the proximity of the pine forests, Prescott has an increased potential for wildfire and conflicts with wildlife. In 2002, the City adopted a Wildland/Urban Interface Code to 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 Tribe, Dewey-Humboldt and areas of Yavapai County are economically interconnected. Adjacent municipalities that 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 2003 Land Development Code (LDC) are the tools for guiding and managing growth in Prescott. Water resource availability is administered by the state through the Prescott Active Management Area. As discussed in the Water Element, the supply of water is limited both physically and legally. The LDC classifies the City into zoning districts & overlay areas to protect the health, safety and general welfare of existing and future residents. The LDC is intended to protect our quality of life by implementing the goals and policies of the General Plan, regulate land use/intensity, mitigate impacts and promote conservation.

6.2.2 Transitional Areas

The LDC has several zoning districts that are 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. Proactive 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 discussed 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 Historic Preservation Master Plan, address special concerns with unique land uses, and issues that overarch geographic areas or multiple zoning districts.

6.2.3 Open Space and Wildlife

Prescott's citizens value growth management requiring viewshed, 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. By updating Prescott's 2003 Bicycle and Pedestrian Circulation Plan, a significant planning tool would be available for enhancement of this system. 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 our trail systems.

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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.

Growth must be actively managed to assure sustainability of natural resources and to further enhance quality of life. The positive benefits from growth management affect the region. Growth policies of each jurisdiction in the region affect neighboring jurisdictions. To avoid harmful or incompatible development along common boundaries, Prescott and neighboring jurisdictions pursue regional coordination.

To 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 that promote sustainability by discouraging urban sprawl, considering open space, wildlife corridor connectivity and jurisdictional boundaries should be encouraged.

6.2.4 Complete Streets

A “Complete Street” is defined as a street that safely accommodates all users including public transit vehicles, autos, pedestrians and bicyclists. Basic elements of complete streets include sidewalks, bike lanes (or wide paved shoulders), pedestrian crossing opportunities, median islands, and accessible pedestrian signals. Careful planning and development of Complete Streets infrastructure offers long-term cost savings for local and state government by reducing automotive travel. Additional information may be found in the Circulation Element.

6.2.5 Growth Management Goals and Strategies

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

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 & 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.

Goal 3. Promote sustainable planning for growth, new development, areas transitioning to new uses and include extensive citizen participation.

Strategy 3.1 Encourage the creation of Specific Area Plans with the assistance of citizen’s oversight committees 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** Cooperate 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 already served by infrastructure and water allocation.
 - Strategy 4.1** Promote compact development and higher density development where feasible and appropriate.
 - Strategy 4.2** Set aside separate water allocations for new developments that 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 pedestrian, bicycle and transit facilities to reduce traffic impacts in growth areas.
 - 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.
- 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 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 such as Form Based Codes. 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 that the community wishes to have and the ability to finance those services are often in disharmony. The provision for services is outlined in the City's 1994 Strategic Plan. Reducing services may risk the health, safety and general welfare of Prescott citizens. There are five primary revenue sources: sales tax, local property-tax, intergovernmental revenue from the state, 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 purchase. 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 2012 City sales tax rate is 2%.

6.3.2 Local Property Tax

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 substantial funds, which would decrease reliance on sales taxes. Prescott has, and is effectively locked into, one of the lowest combined municipal primary property tax/fire district rates in Arizona, reflecting the City Council and community view of seeking to reduce the total property tax burden.

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 will be paid in full. Upon complete payment of these bonds, state statutes would allow a 2 to 7 year extension of this levy with voter approval. However, the Council did not wish to extend this tax. Secondary property taxes in 2012, prior to the payment of the lake bonds were 25 cents per \$100 assessed valuation. This amount had been reduced due to periodic refinancing at favorable rates. In comparison, 2003 secondary property taxes were 41 cents per \$100 assessed valuation.

A.R.S. 9-461.05.

4. A cost of development element that identifies policies and strategies that the municipality will use to require development to pay its fair share toward the cost of additional public service needs generated by new development, with appropriate exceptions when in the public interest. This element shall include:

(a) A component that identifies various mechanisms that are allowed by law and that can be used to fund and finance additional public services necessary to serve the development, including bonding, special taxing districts, development fees, in lieu fees, facility construction, dedications and service privatization.

(b) A component that identifies policies to ensure that any mechanisms that are adopted by the municipality under this element result in a beneficial use to the development, bear a reasonable relationship to the burden imposed on the municipality to provide additional necessary public services to the development and otherwise are imposed according to law.

6.3.3 Intergovernmental Revenues

Intergovernmental revenues are funds received from other governmental entities (State, Federal, County, tribe, 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

Users fees pay for enterprise funds, which are funds used to provide self supporting fee-based services. It is beneficial to regularly update and maintain user fees to accurately represent costs of services.

6.3.5 Impact Fees

Impact fees are intended for growth to pay for itself rather than placing the burden of growth on existing citizens. Examples are water, wastewater, solid waste services and recreational 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. City impact fees were last reviewed and revised in June, 2006, and are required by the state to be updated by 2013.

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 Annexation of 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 that were 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 that impact fees must be paid, and also provide for establishing or increasing the cost of impact fees. Impact fees are currently used for library services, parks, fire, police, streets, water and sewer. 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. Reducing or eliminating impact fees will be a substantial disincentive to growth given the objections of the general population to paying for growth related costs through other cost allocation mechanisms.

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, if a developer is required to build half of a planned future traffic intersection, he may instead pay a fee for his portion to be used when the intersection is actually built.

Similar to impact fees, **Buy-in fees** will recover the cost of increased capacity in a utility system. Prescott has buy-in fees for water and 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 per lot maintenance and repair fee for streets accessing a subdivision.

Financial Assurances are funds, usually in the form of bonds, provided by private developers to ensure that money is available to cover the costs of all required infrastructure. When the developer completes the construction of required infrastructure, the funds are returned. The City may use these funds to complete required infrastructure if the developer fails to do so.

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 that 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 (mentioned earlier) 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.

Bonding 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 at least 51% 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 can be administratively cumbersome especially where 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. Often used for water/sewer infrastructure and can 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 mechanisms could be general fund revenues, primary and secondary property taxes, transaction privilege (sales) taxes, bed taxes, excise taxes, voter approved bonds, and Municipal Property Corporation bonds.

6.3.8 Cost of Development Goals and Strategies

Goal 1. Continue to require development to pay for itself by the use of impact fees, buy-in fees, off site improvement charges and other legal devices.

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.

Goal 2. Maximize the effectiveness of existing infrastructure facilities.

Strategy 2.1 Encourage infill development by giving incentives for compact forms.

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 that can then be used to quantify if existing capacities will support new demands on public services and facilities.

Public safety (police & fire), recreation and government administration are the primary costs funded by General Fund revenues. A feasible financial structure is maintained to support essential city services. However, the City must compliment sufficient funding

with 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 maintaining a more sustainable growth pattern.

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 impacts.
- Strategy 2.1** Pursue joint planning for regional circulation, traffic mitigation, and other projects.
 - Strategy 2.2** Participate in regional planning forums such as through the Central Yavapai Metropolitan Planning Organization, the Yavapai Water Committee and the Northern Arizona Council of Governments.
- 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 the potential for incompatible development where jurisdictional boundaries occur.
- Strategy 4.1** Coordinate infrastructure standards, development regulations and fees with neighboring jurisdictions.
 - Strategy 4.2** Periodically review and update annexation policies, especially where coordination with nearby jurisdictions is conducted.