# GREATER AIRPARK EMPLOYMENT AND LAND USE STUDY OVERVIEW

### INTRODUCTION AND PURPOSE

In 1999, Gruen Gruen + Associates (GG+A) conducted an analysis and forecast of the economic base of Scottsdale with a particular emphasis on the combined Airpark and Sonoran Regional Core character areas. The Airpark area is of great significance to the City because of its role as one of the largest concentrations of employment in the Phoenix Metro area. As the population in North Scottsdale has grown and the Loop 101 freeway has tied the area to the regional freeway network, the original industrial and warehouse district surrounding the Scottsdale Airport has expanded to the north and east and now includes a wide range of uses including office parks, retail centers, and mixed use developments.

With buildings in some parts of the Airpark core reaching the end of their functional lives, and the supply of vacant land along the freeway dwindling, the City commissioned a followup study of the area in late 2008. The City retained GG+A to analyze the economic base analysis of the Greater Airpark Study Area and prepare new forecasts of employment by economic sector and of potential building space demand by type of land use. GG+A was also asked to identify strategic policy implications for the Greater Airpark Community Area Plan, also being prepared at the same time by the City's Advance Planning Department. This document was prepared by the City's Economic Vitality Department from the report to summarize the key findings and recommendations of the study.

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MAP 1: GREATER AIRPARK STUDY AREA

Source: Gruen Gruen + Associates

The findings and recommendations contained in this report reflect projections of employment growth and building space demand following the recovery from the current recession. The recommendations summarized in Figure A are tied to these projections. Policy actions and recommendations are suggested to encourage the enhancement of comparative advantages and the mitigation of identified constraints in order to maintain Scottsdale's preeminent position in an increasingly competitive regional economy.

In some instances, policy adjustments are recommended to facilitate accomplishing beneficial economic development opportunities. Policy actions are also recommended in order to increase the number and type of unique attractions and venues that will appeal to both residents and visitors. Increasing the base of attractions will strengthen Scottsdale's ability to capture fiscal and economic benefits of increased tourism while also enhancing the quality of life that makes Scottsdale such a desirable place in which to work as well as live.

# FIGURE A Summary of Recommendations

	P. 6
Maintain the differentiated, positive image and cachet of the Greater Airpark Study Area	P. 6
Planning policy should encourage relatively high-density housing integrated into mixed-use developments	P. 7
<ul> <li>Encourage high density housing at appropriate locations</li> </ul>	
<ul> <li>Encourage mixed-use projects with appropriate design and use covenants</li> </ul>	
<ul> <li>Review/revise regulations on setbacks, density, height, and segregation of uses</li> </ul>	
<ul> <li>Facilitate development of office concentrations along the Loop 101</li> </ul>	
Planning policy should encourage assemblage of inefficient, small parcels and replacement of obsolete structures in core of greater airpark study area	P. 7
Augment the strength and diversity of mixed-use activity centers	P. 8
Support mixed-use centers already entitled	
<ul> <li>Reengineer review and permit process to be more predictable, clear, and uniform</li> </ul>	
Enhance WestWorld and Better Link Recreational, Tourism and Visitor Assets	P. 8
Improve Transportation, Broadband communication, and other Infrastructure	P. 9
Study how to preserve benefits induced by automotive dealerships	P. 9
Alternate tax structures	
Specialized zoning, code enforcement	
Establish A Plan for City-owned 80 Acres, including possibly:	P. 9
<ul> <li>Enhancing attractiveness of WestWorld and nearby developments</li> </ul>	
<ul> <li>Supporting nearby developments with retail or multifamily development</li> </ul>	
<ul> <li>Supporting Tourism with an event venue or visitor attraction</li> </ul>	

#### METHODOLOGY AND FINDINGS

To accomplish the study objectives, GG+A completed the following primary tasks:

- 1. Conducted field research, reviewed past surveys and studies, and conducted interviews;
- 2. Studied office, retail, and industrial space supply conditions;
- 3. Completed an econometric analysis of employment change and shifts in the share of employment by economic sector over time and between areas within the local and regional economies;
- 4. Forecast the demand for office, retail, and industrial space in the Greater Airpark;
- 5. Converted the forecast of building space demand by type of land into estimates of land needed to accommodate the forecast building space demand; and
- 6. Synthesized the tasks summarized above to identify the strategic implications for a planning policy and regulatory framework.

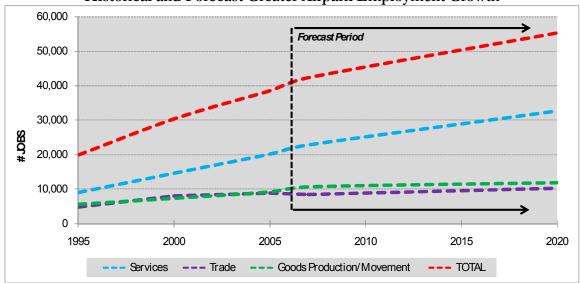
### Significant findings from the study include:

- Total private sector employment within the Greater Airpark Study Area grew by 112 percent over the past twelve years, increasing by approximately 22,500 jobs from 20,000 in 1995 to 42,500 jobs in 2007. This represents a high average annual growth rate of approximately 6.5 percent. Economic sectors comprising much of the employment growth included finance, insurance and real estate ("FIRE"), professional and business services, and retail trade.
- The Greater Airpark Study Area includes a total of approximately 5,530 acres of land (including roadways and open space). The primary non-residential land uses within the Study Area are approximately 60 percent built-out. The vast majority of undeveloped vacant land is anticipated to consist of "mixed-use neighborhoods" under the General Plan, generally encompassing most State-owned land north and south of the Loop 101. A total of approximately 1,344 acres of non-residential commercial land within the Study Area is currently vacant. The historical Airpark "core" area (south of Frank Lloyd Wright) contains less than 105 acres of available land, most of which is located in small non-contiguous sites.
- On average, approximately 696,000 square feet of space (of all types) has been absorbed each year over the past ten years within the Study Area. Office space absorption has averaged approximately 368,000 square feet of space each year, while annual retail and industrial absorption has been lower at 237,000 square feet and 168,000 square feet respectively.

- Just as office space-using employment sectors have grown more substantially than other industry sectors, the supply of office space has increased considerably more than other uses over the past 10 years.
- In comparison to space located elsewhere in the County, floor-area-ratios and employment densities within the Greater Airpark Study Area are relatively consistent with the exception of office space. The lower floor-area ratios for office space in the Study Area reflect the constraints imposed by zoning regulations.
- The primary reason firms decide to locate in the Greater Airpark relates to proximity to desirable residential areas in north Scottsdale and quality of life factors;
- Compared to GG+A survey findings in 1999, a higher proportion of employees live outside of Scottsdale than ten years ago;
- Competition has become intense and other developments located near but outside the Scottsdale boundaries of the Study Area are capitalizing on the positive image of Scottsdale and competing for businesses that formerly would have focused their search in the Greater Airpark. Office space users attracted to the Study Area are concentrated in the finance, insurance and real estate sectors, professional, technical, medical and business service sectors. The Study Area has also emerged as a location for regional and corporate headquarters.
- Land and building prices are too high to support warehousing uses. The outflow of smaller, lower margin wholesaler and industrial users and inflow of high technology users can be expected. Many flex space uses will include a high component of office space and research and development functions.
- The primary disadvantages of the Study Area for office space and flex space users, especially the traditional Airpark core, relate to a limited supply of available land for office development; higher rental rates for comparable buildings; and traffic congestion due in part to the presence of the Scottsdale Airport, which impedes traffic flows. The traffic constraints have become severe enough to influence location decisions.
- Total Greater Airpark employment is projected to grow at an annual rate of 2.1 percent between 2007 and 2020, increasing by approximately 13,000 jobs or 31 percent.

FIGURE B

Historical and Forecast Greater Airpark Employment Growth



Source: Gruen Gruen + Associates

- The employment base is forecast to continue to evolve in favor of services, primarily in the professional and business services sector. GG+A predicts that Scottsdale and the Greater Airpark, in particular, will continue to experience faster job growth than population growth by drawing workers from and serving markets well beyond the City.
- Growth in the FIRE sector is projected to constitute the second largest source of projected job growth. Together, employment in the professional and business services and FIRE sectors will constitute 44 percent of the Study Area's employment base by 2020, up from about 38 percent in 2007.
- At current typical suburban floor-area ratio densities, demand for new space results in land demand of:
  - o 89 acres for office space;
  - o 133 acres for retail space; and
  - o 102 acres for industrial, warehouse, and flex space.
- Overall, an adequate amount of land exists to serve forecast demands beyond 2020. Land currently designated under the General Plan for industrial uses can be expected to be converted in many cases to office uses. In addition, retail uses can be expected to be developed on land not designated exclusively for retail use. As indicated previously, a shortage of vacant land exists in the traditional core Airpark area, while ample land capacity exists north of the Central Arizona Project Canal.

#### STRATEGIC CONCLUSIONS AND RECOMMENDATIONS

### CONCLUSIONS FROM 1999 GG+A REPORT STILL VALID AND IMPORTANT TODAY

The 1999 GG+A report included the following conclusions:

- 1. In order to avoid physical and economic obsolescence, it will be important for the city to encourage the appropriate scale and type of development. If development is too small or inappropriately designed to be viable past 2020, future owners will not have the economic strength to properly maintain either the physical structures or the activities they contain.
- 2. Over the time period of this study, there will be a shift from the dominance of the lower intensity mixed use warehouse structure to more traditional suburban office buildings. . . . It will be important to encourage somewhat higher intensity development, which should include connectedness between buildings, the integration of support retail and services, and transportation management techniques such as bike routes and car pooling and/or shuttle service for nearby services. (page 5)

Accordingly, GG+A supplements the original conclusions and recommendations as follows.

## OVERRIDING ECONOMIC DEVELOPMENT OBJECTIVE

Wide concurrence exists among those we interviewed that Scottsdale's positive image or cachet is being challenged by adjoining communities (both the City of Phoenix and Salt River Pima-Maricopa Indian Community) which are "piggybacking" on the "Scottsdale brand" and creating intense competition for users of space and for consumers. Many developments located on the Phoenix side of Scottsdale Road and on Indian Community land advertise their projects as located in Scottsdale. The City's five-year strategic tourism plan also recognizes that Scottsdale is being challenged as a tourism destination.

3. The overriding economic development objective should be to maintain the positive image and unique cachet of the Greater Airpark Study Area. This will require adopting land use and transportation policies that facilitate clustered networks or nodes of economic and social activity that encourage innovation and productivity efficiencies by leading-edge services, technology and other businesses. Policies also need to encourage the linkage of workplaces with shopping, recreational and residential uses.

## PLANNING POLICY SHOULD ENCOURAGE RELATIVELY HIGH-DENSITY HOUSING INTEGRATED INTO MIXED-USE DEVELOPMENTS

- 4. Given the intense competition for office and retail uses that can be expected along with traffic concerns, encourage relatively high-density housing integrated into mixed-use developments at locations such as along Loop 101 interchanges and other locations which will (a) facilitate efficient, higher density development patterns, (b) allow the private market to replace obsolete building space, and (c) reduce reliance on the automobile. Higher-density housing will provide comparative advantages to office-using businesses and buttress the viability of retail and service establishments, while reducing traffic congestion.
- 5. Planning policies should encourage mixed-use developments that create harmonious and user-friendly environments with appropriate design and use covenants with built-in flexibility to permit responsiveness to shifting or unforeseen market demands. For example, multiple uses could be permitted provided that design characteristics conform to pre-determined standards related to development orientation, parking locations and amounts, and site and building design.
- 6. Setback and floor-area ratio requirements and height limitations more typically associated with a low density, separate land use suburban development pattern should be reviewed and revised to reflect the evolution of the Study Area to a more urban environment.
- 7. Given the supply competition in Phoenix and on the lands of the Indian Community, design, height, amenities and product development commensurate with the image of a premier office agglomeration should be incorporated into site planning, landscaping, parking, and access areas with signage that takes advantage of the unique visibility and highway identity of Loop 101 locations. Planning policies should facilitate new office development responding uniquely well to the preferences and needs of office space users including corporate and regional headquarters and professional, business, and technical service firms.

# PLANNING POLICY SHOULD ENCOURAGE ASSEMBLAGE OF INEFFICIENT, SMALL PARCELS AND REPLACEMENT OF OBSOLETE STRUCTURES IN CORE OF GREATER AIRPARK STUDY AREA

8. The core part of the Greater Airpark Study Area includes some smaller parcels and obsolete industrial space (e.g., to the south of the Scottsdale Airport). The core has evolved so that low-margin, low-intensity industrial uses no longer represent the highest and best use of land and urban resources. Therefore, planning policy should encourage the assemblage of small, inefficient parcels and the replacement of obsolete industrial structures in the core of the Greater Airpark Study Area.

# AUGMENT THE STRENGTH AND DIVERSITY OF IDENTIFIED MIXED-USE ACTIVITY CENTERS

The 1999 GG+A report concluded that "the scale of population growth in the area suggests the viability of a new regional center with a competitive mix of retail stores and other attractions". Since that report, among other regional-serving retail developments, the Scottsdale Quarter project located at Scottsdale Road and Butherus Drive and the One Scottsdale project located at the northeast corner of Scottsdale Road and Loop 101 have commenced development. The approximately 435,000-square-foot urban lifestyle center Kierland Commons has been developed on the Phoenix side of Scottsdale Road at Greenway Parkway and the first retail phase of the mixed-use CityNorth project at 56th Street and Deer Valley Drive off Loop 101 in northeast Phoenix has opened. Nordstrom's and Bloomingdales have been announced as anchors of a subsequent phase of this development. In addition, the one million-square-foot Palisene regional mall across the street from One Scottsdale on the Phoenix side of Scottsdale Road and Loop 101 is proposed to open in 2011-12. Market demand is not likely to support much more regional-serving retail uses than those already planned and under construction and it will be challenging for all of the existing properties and planned projects to build-out in the time frames the developers originally anticipated.

- 9. Accordingly, given the abundance of existing and planned regional-serving retail uses, rather than encouraging additional regional-serving retail developments, policy actions should be directed to augmenting the strength and diversity of the mixed-use activity nodes which have already gained entitlement (e.g., Loop 101 and Scottsdale Road and Loop 101 and Bell Road).
- 10. The development review and building permit process should be evaluated and "reengineered" to be more predictable, based on a clear planning policy framework and appropriate regulations uniformly applied, in order to alleviate the potential for higher costs and uncertainty associated with unanticipated project negotiations and requests.

# ENHANCE WESTWORLD AND BETTER LINK RECREATIONAL RESOURCES IN BELL ROAD AREA TO EACH OTHER AND TO OTHER ACTIVITY CENTERS WITHIN THE GREATER AIRPARK STUDY AREA

11. The Greater Airpark Community Area Plan should identify opportunities to better link the recreational resources in the Bell Road area such as Westworld, the TPC Desert Golf Course and the planned Desert Discovery Center. An exciting way-finding system and, ideally trail system, should tie these resources together. Trail and green space connections to development nodes elsewhere in the Study Area should be made whenever practicable. Connecting commerce and recreational assets through more pedestrian friendly green spaces will highlight Scottsdale's reputation as a special place for recreation and health and will be mutually reinforcing and help differentiate the Study Area.

### IMPROVE INFRASTRUCTURE, INCLUDING BROADBAND ACCESS

- 12. Given the evolution of the Greater Airpark Study Area to higher-order office space, research and development and high technology manufacturing, improve the infrastructure to at a minimum keep pace with development and the needs of space users. Infrastructure will need to accommodate the requirements of higher-intensity mixed-use developments.
- 13. Enhance the availability and quality of broadband access, especially on the east side of the Study Area.
- 14. Improving traffic conditions and transportation linkages will also be critical to accomplish.

# STUDY HOW TO PRESERVE BENEFITS INDUCED BY AUTOMOTIVE DEALERSHIPS

- 15. The major downward shift in sales at automotive dealerships suggests the advisability of studying how to best position Scottsdale to benefit from future automotive dealership sales and to assure their viability. For example, the City should study whether it would be advantageous to support legislation that bases sales tax on the location of the residence of the automobile buyer as opposed to location of the automobile dealership.
- 16. If automotive dealerships are intended and likely to remain at locations such as Frank Lloyd Wright Boulevard within the Study Area, a specialized zoning district and signage ordinances should be created to reflect the differences between automotive dealership uses and general commercial uses.

#### **CITY-OWNED LAND**

- 17. The City should evaluate future uses for its 80-acre land parcel at the northeast corner of Bell Road and 94<sup>th</sup> Street to improve the magnetism of WestWorld (which is planning to improve its facilities and offerings to be "best in class", including adding a permanent multi-purpose events center on the site) and associated activities as well as improve the competitive strength of the adjoining Epicenter project. For example, shared parking and shuttle system opportunities could be explored that (a) provide a central location for auxiliary parking for the visitor-related uses and activities if, in the future, State of Arizona land along Hayden Road becomes unavailable for WestWorld and major events; and (b) reduce the amount of expensive underground parking needed to accommodate office and hotel space planned for the Epicenter project.
- 18. Given the significant existing and proposed supply of office space, regional-serving retail space, and hotel uses sought for the Epicenter site, support uses such as restaurants, coffee shops and convenience services that also appeal to visitors (and residents) should also be considered for a portion of City-owned land. In addition, multi-family uses should also be incorporated. Multi-family uses will improve the

- competitiveness of the Epicenter development and support retail and other commercial uses in the vicinity of the site.
- 19. Given that existing properties and projects including Scottsdale Quarter, Silverstone, One Scottsdale, Terra Verde, and Epicenter alone (see Table VI-3) can support much more demand for office space than forecast through 2020, the City might wish to use its land to further its tourism development objectives. For example, it might explore operating a branch of the American Museum of Natural History on the site. This would require conducting pre-architectural planning and programming and negotiating an agreement with the American Museum of Natural History for the Musuem to license and provide rotating exhibits and other content that the City would operate and maintain. Another example of a tourism use option to consider includes the provision of venue space for performing arts and other visitor and user events that cannot be accommodated by the planned enhancement of WestWorld and that are too large for existing hotels to provide through their facilities.

### ADDITIONAL POLICY IMPLICATIONS

The recommendations and findings reflect evolving market conditions, and the estimates of future development in the Airpark are tempered by the amount of vacant built space and the conditions in place as the current down market recuperates. Within the overall parameters of the projected demand for commercial property, the City may choose to prioritize or emphasize certain types of development to achieve specific objectives. For instance, if the City decides to emphasize increasing sales tax and other revenues related to visitor and shopper activity in the area, there may need to be policy and investment decisions to support visitor attractions and venues that drive business and sales tax receipts, such as are described relating to the City's 80 acre parcel. The same could be true for retail as new retailing concepts emerge in the marketplace. Support for the policies could be reflected in the Area Plan and later in the General Plan.

Given the market conditions and demand forecasts, we believe it would be worthwhile to undertake a fiscal analysis of the emerging Scottsdale economy for at least the next 5-10 years. This fiscal analysis should include both long term revenue and expense forecasts and an identification of the interactions and relationships between potential changes in revenues and expenses. Without this framework, it will be difficult to identify comprehensive policy recommendations directed toward insuring Scottsdale's long-term fiscal health and high-quality service provision. The projection of revenues to pay for City services is especially important in understanding how to view land use and economic development planning for the community. This would provide an important framework as the City organizes its economic vitality strategy and commits to future growth through the General Plan.

Other identifiable measures may require policy deliberations and decisions regarding the Airpark. These could include the timing and priority of infrastructure improvements, the role of the Airport and the techniques the City may use to encourage or support development and revitalization of portions of the Airpark Area. Beyond the recommendations contained within its pages, this report is intended to serve as a foundation on which to build further policy and program considerations. Additional evaluation of the needs and potential of the Airpark should be ongoing and build on the work of this report.