

SCOTTSDALE, AZ: ELEVATING EXCELLENCE, PROMOTING PROSPERITY

A Strategic Plan for Economic Development

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TABLE OF CONTENTS

SECTION	NAME	PAGE
1	INTRODUCTION	4
2	SCOTTSDALE CITY COUNCIL STRATEGIC VIEW	6
3	DEFINING ECONOMIC DEVELOPMENT FOR SCOTTSDALE	8
4	METHODOLOGY	9
5	SNAPSHOT OF SCOTTSDALE’S ECONOMY	17
6	ECONOMIC DEVELOPMENT STRATEGIC FRAMEWORK	44
7	METRICS AND INDICATORS: ECONOMIC DEVELOPMENT PROGRESS INDEX	50
8	NEXT STEPS FOR SCOTTSDALE’S ECONOMIC DEVELOPMENT DEPARTMENT	54

SECTION 1: INTRODUCTION

Today, America's communities are confronted with a dramatically altered worldscape of opportunities and challenges. Communities and their leaders need to think beyond where they have been and aggressively adapt and pursue new approaches to assure better economic opportunities for their residents and businesses - those who are here today and those who inevitably will come in the future.

As America and Arizona continue to advance in this present economic environment, communities in Greater Phoenix, across the state, throughout the nation and around the world have been making strategic investments to be well-positioned to retain and attract the best talent and highest quality jobs, and the new technologies and opportunities that inevitably will emerge in the next several years. The days of "think locally, act globally" are obsolete. Today, communities need to think and act globally and locally if they wish to create the kind of environment that business and talent expect and demand in today's world, and to capitalize on the best and most advanced employment and earnings opportunities in the short and long term.

Scottsdale fared relatively well during the Great Recession of 2007 and its continuing aftermath, especially when compared to other cities in Arizona and across the U.S. But as the U.S. and global economies continue to move into recovery and growth, Scottsdale will be challenged because scores of other cities in the nation and across the world are seeking the very same jobs, technologies, higher education opportunities, enterprises and established firms as well.

What is intensely relevant for all American cities and states - including Scottsdale - in this post-crisis era is to recalibrate, refine and reenergize their economic development strategies. Scottsdale continues to make admirable progress on many fronts, and that progress would be all the more beneficial with a strategic framework based on significant input from Mayor, Council, City Management and a broad range of public, civic and business stakeholders, guided by independent experts and driven by data.



Scottsdale has one of the most desirable community images nationally and internationally, and unlike many Arizona and American cities, the City is in the enviable position of being able to drive its destiny. Scottsdale's highly desirable living, recreating and working environment is a result of the City's legacy of stewardship of its natural, majestic beauty and physical environment, and from the relentless pursuit of creating one of the most sought after residential, commerce and tourism communities in the U.S. and world. The City's 2001 General Plan vision for Economic Vitality exemplifies this timeless stewardship and commitment:

Scottsdale's future as a desirable place to live, work, and visit is dependent upon a dynamic, diversified, and growing economic base that complements the character of our community. Scottsdale will be regionally competitive and will attract businesses that offer employment to our citizens, provide essential services, respect our desert environment, compliment our tourist industry, and bolster our tax base. Scottsdale will celebrate and embrace its existing strengths in business and employment, as well as diversify and develop new strengths through emerging technologies and changes in the ways of doing business. Economic competitiveness and prosperity will be the means of supporting a quality of life that is distinctive among Valley communities. The competing needs of residents and businesses will be balanced so neighborhoods are protected and enhanced while business districts are competitive and attractive.

This vision is, in fact, a reality for Scottsdale. And the prospects for the City's future economic development competitiveness and stature are unparalleled. But just as all that Scottsdale is today is reflective of generations of hard work by its elected officials, public management, citizens, and business and civic leaders, all that Scottsdale can and will become requires even greater strategic vision and more arduous work because the proven methods of what worked in the past are dramatically different than those that drive economic growth and prosperity in today's globalized world. Virtually every community - whether domestic or international - should aspire to what Scottsdale offers to its residents, businesses and visitors. And the fact is that the competition for what Scottsdale presently has, and what the City aspires to retain and attract, is ferociously intensive and global.

It is within this contextual framework of global, national, regional and local dynamics that this economic development strategy has been developed. It's goal?

To elevate, enhance and ensure Scottsdale's sustained desirability as a place in which to live, learn, do business, work, recreate and visit.

SECTION 2: SCOTTSDALE CITY COUNCIL'S STRATEGIC VIEW

In May 2013, the Scottsdale City Council initiated an organizational strategic planning process that builds on the legacy of previous work and studies to drive and align the City Government's activities and investments toward key priorities. The Organizational Strategic Plan was formally approved in December 2013, and affirmed the following strategic goals for the City Government:

- ◆ Value Scottsdale's Unique Lifestyle and Character
- ◆ Support Economic Vitality
- ◆ Enhance Neighborhoods
- ◆ Preserve Meaningful Open Space
- ◆ Seek Sustainability
- ◆ Advance Transportation



Mayor W.J. "Jim" Lane



Vice Mayor
Virginia Korte



Councilwoman
Suzanne Klapp



Councilman
Robert Littlefield



Councilwoman
Linda Milhaven



Councilman
Guy Phillips



Councilman
Dennis Robbins

The Scottsdale City Council also crafted and approved a mission statement for the City of Scottsdale:

Simply better service for a world-class community.

In aligning the City Government toward the achievement of the strategic goals, several specific short-term priorities were identified in the Scottsdale City Council's process, all of which are inextricably linked, and when addressed holistically, will maximize Scottsdale's investment in these priority areas. Equally important, each of these priorities has a direct impact on

Scottsdale's economic development success and sustainability. These priorities are:

- a. Partner with residents and businesses to revitalize the McDowell Road corridor.
- b. Provide strategic support of tourism and visitor events.
- c. Create and adopt a comprehensive economic development strategy.
- d. Develop a transportation strategy that anticipates future needs.
- e. Prepare and adopt fiscally sustainable operating and capital budgets.
- f. Reinvest in a high performance organization and work culture.

From the City's perspective, to achieve Priority C of the Scottsdale City Council's Organizational Strategic Plan, *Create and Adopt a Comprehensive Economic Development Strategy*, IO.INC was engaged after a competitive RFP process. Working closely with the City of Scottsdale's Mayor, Council, City Management and Economic Development Department, the work has resulted in a comprehensive approach as to how the City Government as well as its Economic Development Department should make strategic changes and investments to significantly strengthen and enhance Scottsdale's economic competitiveness, prosperity and sustainability.



SECTION 3: DEFINING ECONOMIC DEVELOPMENT FOR THE CITY OF SCOTTSDALE

While there are few certainties in the realm of economic development, one certainty does exist: every community's aspirations and needs are unique. No single definition of economic development can encompass or define all facets of economic development for all communities. One size does not fit all.

Too often, communities approach economic development as an all-encompassing endeavor and invoke the name of economic development to justify decisions, especially with respect to land use, entitlements, investments and incentives. For Scottsdale, having a definition that clearly articulates the policy-makers' and public's aspirations, as well as economic and competitiveness realities, is fundamentally important to the City's economic development strategy.

Economic Development in Scottsdale

In Scottsdale, economic development immediately connotes the abundant tangible and intangible attributes that distinguish the community from all others. Based on our extensive research and personal interviews, it is clear that Scottsdale's hallmarks of economic development and success are directly linked to the community's distinctive and unsurpassed quality of life, its majestic natural environment, its sensible built environment, the people of Scottsdale, the quality of residential communities and housing stock, and the fact that Scottsdale offers virtually every aspect of what makes a community appealing: shopping, resorts, dining, major events, arts and culture, parks and open spaces, recreation, etc. Therefore, defining economic development for Scottsdale must fully integrate these attributes as a critical component.

According to the International Economic Development Council, in the broadest sense, economic development encompasses three major areas:

- ◆ Policies that government undertakes to meet broad economic objectives including inflation control, high employment, and sustainable growth.
- ◆ Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged.
- ◆ Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.¹

The most universal goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. Because each community has its own strengths, weaknesses, opportunities and threats related to economic development, it is important that the City of Scottsdale adopts a definition of economic development to guide its decision-making. That recommended definition is:

Through its economic development investments and programs, the City of Scottsdale retains, grows and attracts targeted sources of wealth generation to enhance the community's tax base and quality of life, preserve the natural environment and foster prosperity for all citizens.

SECTION 4: THE METHODOLOGY

A comprehensive approach was utilized in the development of Scottsdale’s economic development strategy. Once the parameters were established and confirmed, the IO.INC team utilized an interdisciplinary process to perform and complete the myriad components of this body of work. Among the major aspects of the team’s research and work:

1. Comprehensive review of existing studies and plans, local, regional, state and national.
2. Comprehensive SWOT process engaging 300 Scottsdale stakeholders.
3. Confidential interviews with major Scottsdale employers.
4. Data-driven research and analysis on best-fit sectors for Scottsdale’s economy.
5. Comprehensive global, national and state research on the selected targeted sectors.
6. Comparative analysis of Scottsdale and five comparable but aspirational cities.
7. Strategic framework to guide the City of Scottsdale in its decision-making about economic development.
8. Recommended indicators and metrics to assess Scottsdale’s economic development competitiveness and the performance of its economic development department.
9. Comprehensive review, discussion and input from IO.INC’s BrainTrust, comprised of CEOs and industry experts.

Using the universally-proven method of identifying and analyzing Scottsdale’s strengths, weaknesses, opportunities and threats (SWOT), a comprehensive review of all studies and reports on Scottsdale’s economy, including the City’s tourism strategy, character area plans, general plan updates, and a multitude of regional and state studies and reports, a short to mid-term action agenda was developed. This action agenda supports and advances the achievement of the specific priorities that the Scottsdale City Council has established as part of its Organizational Strategic Plan. IO.INC’s recommendations are aligned with the Mayor and City Council’s specific priorities and objectives that were established through this process.

IO.INC METHODOLOGY FOR ECONOMIC DEVELOPMENT STRATEGY



The SWOT Process: Engaging Scottsdale Stakeholders

IO.INC engaged 300 Scottsdale public, private and civic leaders; knowledgeable executives and professionals from the industry sectors that drive the city's economy; government officials at the federal and state levels; state, regional and local economic development leaders, and C-suite executives to provide input into the SWOT process and to review the recommended strategy and action agenda.

The SWOT process entailed both one-on-one personal interviews as well as five roundtable/focus groups representing key sectors of Scottsdale's economic base. Our team also conducted a roundtable with members of the Mayor's Scottsdale Youth Council. 230 individuals were interviewed, and 70 individuals representing major Scottsdale firms in the Advanced Business Services and Entrepreneurship sectors; major employers and quality of life organizations participated in the roundtables/focus groups. Based on this stakeholder engagement, we were able to identify common themes that transcended demographics and economic sectors.

On the following pages are four word clouds - one for each of the SWOTs - that depict those qualities/factors that were cited the most frequently by the 300 stakeholders who participated in this process. In the course of the SWOT interviews and roundtable/focus groups, many strengths, weaknesses, opportunities and threats were identified. The overwhelming majority of these observations were from Scottsdale citizens sharing their views about their community, their neighbors and how they perceive personal, business and civic life in Scottsdale. There was universal consensus about the abundance of Scottsdale's strengths. The community's weaknesses were of greatest concern to most of the stakeholders who participated in the SWOT process, as were the threats that confront the community. Without exception, all participants were excited about the richness of opportunities and future prospects for Scottsdale.

CITY OF SCOTTSDALE :: STRENGTHS

SCOTTSDALE AIRPORT / AIRPARK
DOWNTOWN REPUTATION &
DISTRICT NAME RECOGNITION
TOP EXECUTIVES & FIRMS
QUALITY OF LIFE
PUBLIC STAFF AND SERVICES EVENTS
EDUCATED & AFFLUENT PEOPLE
DESTINATION TOURISM

CITY OF SCOTTSDALE :: WEAKNESSES

DIVISIVENESS IN GOVERNMENT
LACK OF SITES BUILT-OUT
LACK OF ECONOMIC DIVIDED
DEVELOPMENT MARKETING CITY
LACK OF YOUNG TALENT
LACK OF VISION
PUBLIC/CITIZEN VITRIOL
LACK OF LAND ARROGANCE

GROW HIGH INCREASE
VALUE SECTORS CIVILITY
EMPLOYMENT CENTERS
QUALITY JOBS
MCDOWELL ROAD YOUNG TALENT
ECONOMIC DEVELOPMENT
CURE CORRIDOR HOUSING
EXPANDED TRANSPORTATION
AND TRANSIT **DOWNTOWN**



CITY OF SCOTTSDALE :: THREATS

ANTI-GROWTH ATTITUDES
UNWILLINGNESS TO “ENCLAVE”
INVEST IN FUTURE MENTALITY
LACK OF TRANSPORTATION
INCREASED **FAILED BOND**
COMPETITION **ELECTIONS**
FAILED SCHOOL OVERRIDES
HIGH COST NORTH VS. SOUTH, OLD VS.
HOUSING NEW, RICH VS. LESS AFFLUENT
ATTRACTING/ PERCEPTION
RETAINING TALENT
LIMITED CAPITAL FOR STARTUPS

Targeted Sector Identification and Analysis

Based on a comprehensive review of Scottsdale’s General Plan (2001), as well as Character Area Plans, regional, state, national and global studies and data, our team approached the targeted sector analysis with an overarching goal in mind: to identify existing and emerging target sector opportunities that strengthen and enhance Scottsdale’s quality of life, current economic base, and physical/built and natural environments. Too often, such analyses focus on the fastest-growing opportunities with little to no regard to the impact these sectors may have on the overall community.

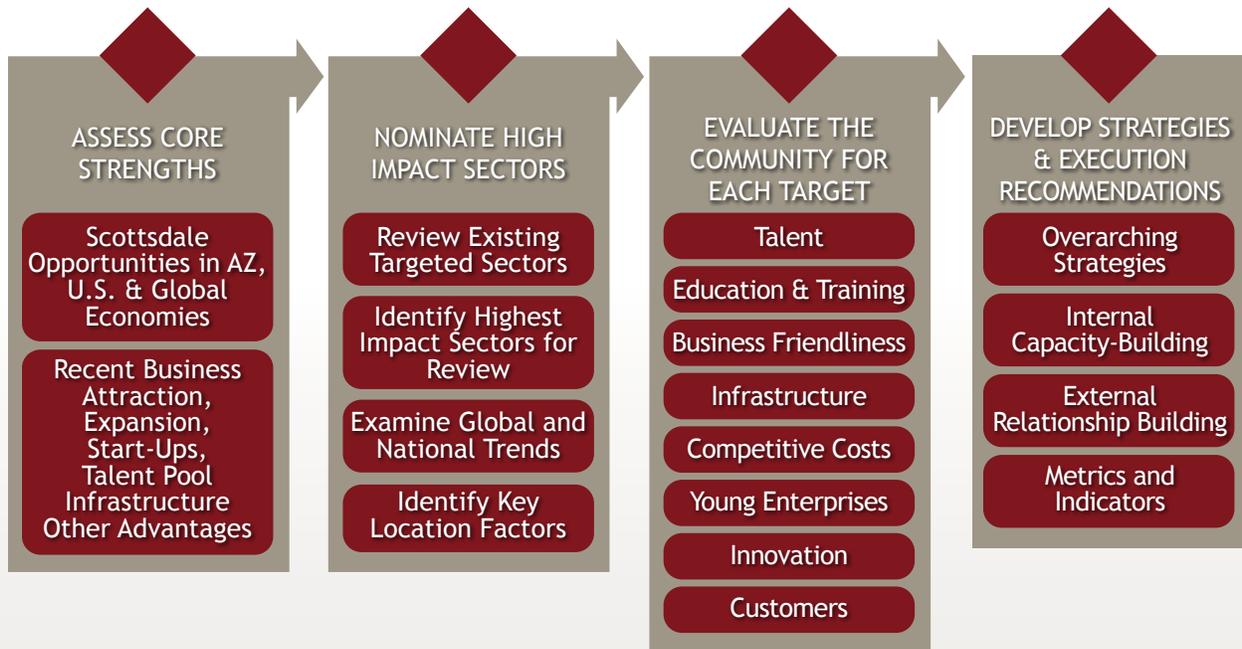
Our goal was to identify those economic sectors that can capitalize on the distinctive business location attributes and strengths of the City of Scottsdale. The sectors identified have a higher propensity to avail themselves of Scottsdale’s relative competitive strengths and are less likely to be influenced by the City’s and Greater Phoenix region’s relative competitive disadvantages. Each sector individually and combined will yield the highest impact to realize Scottsdale’s vision for economic vitality. Our analysis was designed to inform the City of Scottsdale of strategic sector opportunities that can generate the types of business and entrepreneurial investment and growth that will contribute to the community’s prosperity over the long-term.

As part of this assessment, we examined and analyzed Scottsdale’s potential to germinate, grow and retain existing and emerging industry sectors based on its extant and developable strengths. From this work, we identified, prioritized and recommended the top economic sectors that will have a long-term, favorable impact on the community. In addition, we examined emerging sectors that merited inclusion and further analysis. Statistically, we drew upon the broad range of data and reports cited previously to confirm important trends:

- ◆ Analysis of numbers of companies and numbers of employees in various industry and functional economic sectors to carefully assess the potential of business expansion, organic growth and business attraction for each of these economic sectors.
- ◆ As the analyses progressed, for each sector within Scottsdale, we clarified organic growth and decline, as well as exits and entrants by source - e.g., regional, national, international.
- ◆ For each selected targeted sector, we also analyzed national trends and global drivers in terms of their potential local impact, for better or for worse. Drawing on our extensive analysis of national and global trends in each of these sectors, as well as other geopolitical and economic risk assessments, our analyses identified sectors and sub-sectors that may be at risk, as well as sectors for which there may be new possibilities.
- ◆ Finally, selecting a sample of “typical” enterprises within each of these clusters, we engaged one-on-one dialogue to help better inform our subsequent and more comprehensive information gathering.

Throughout this foundation building phase, our team gathered sufficient evidence to point to the more in-depth analyses of the highest impact sectors for Scottsdale - both from both a risk and opportunity basis. Our work drew upon the foremost business intelligence; proprietary data sources; our extensive business location experience and that of our allied experts; industry reports and publications from proprietary and more public sources; global and national institutes and think tanks; industry and trade organizations, and global, national and state government data sources, as well as the IO.INC BrainTrust of industry and thought leaders with expertise in these sectors.

IO.INC TARGETED SECTOR ANALYSIS PROCESS



While on an overall basis, we assessed the core strengths and potential competitive advantages for the City of Scottsdale across a range of sectors, the foundational underlayment for this assessment was the analysis of each high-impact sector in depth, alert to the potential for synergy among sectors, but also focused, laser-like, on what each sector’s strategic outlook might be, including strengths, weaknesses and trends, all of which will impact the potential sustainability and growth of the selected high impact sectors.

The most compelling assessment began with examining a selected high impact sector through the eyes of business decision-makers within that sector that might consider Scottsdale for expansion or relocation.

- ◆ Based on our experience with such companies, an assessment of trends in that sector, as well as field work via interviews with local executives in that industry, enabled us to confirm the key qualitative and cost factors driving direct investment decisions.
- ◆ Although we began with the same data that is available to firms considering the City of Scottsdale (and other locations), in this analysis, we also went to the next step - conducting one-on-one discussions with executives within the sector who know first-hand the challenges as well as the strengths that the community offers. In our corporate work, these face-to-face conversations are usually the most significant factor in shaping the company’s perception of the relative attractiveness of a community - especially to the extent that they help form judgments about future - and not just current - conditions.
- ◆ We also assessed the primary gaps between the City of Scottsdale and other Greater Phoenix markets, as well as external competitor markets to determine what, or if, key strategies could enhance the City’s competitive position.
- ◆ Based on this analysis, we articulated specific strategies and their underlying rationale for each high-impact economic sector.

The targeted sector analysis resulted in a comprehensive review and validation of the following priority sectors for Scottsdale's economic development endeavors:



SECTION 5: SNAPSHOT OF SCOTTSDALE’S ECONOMY

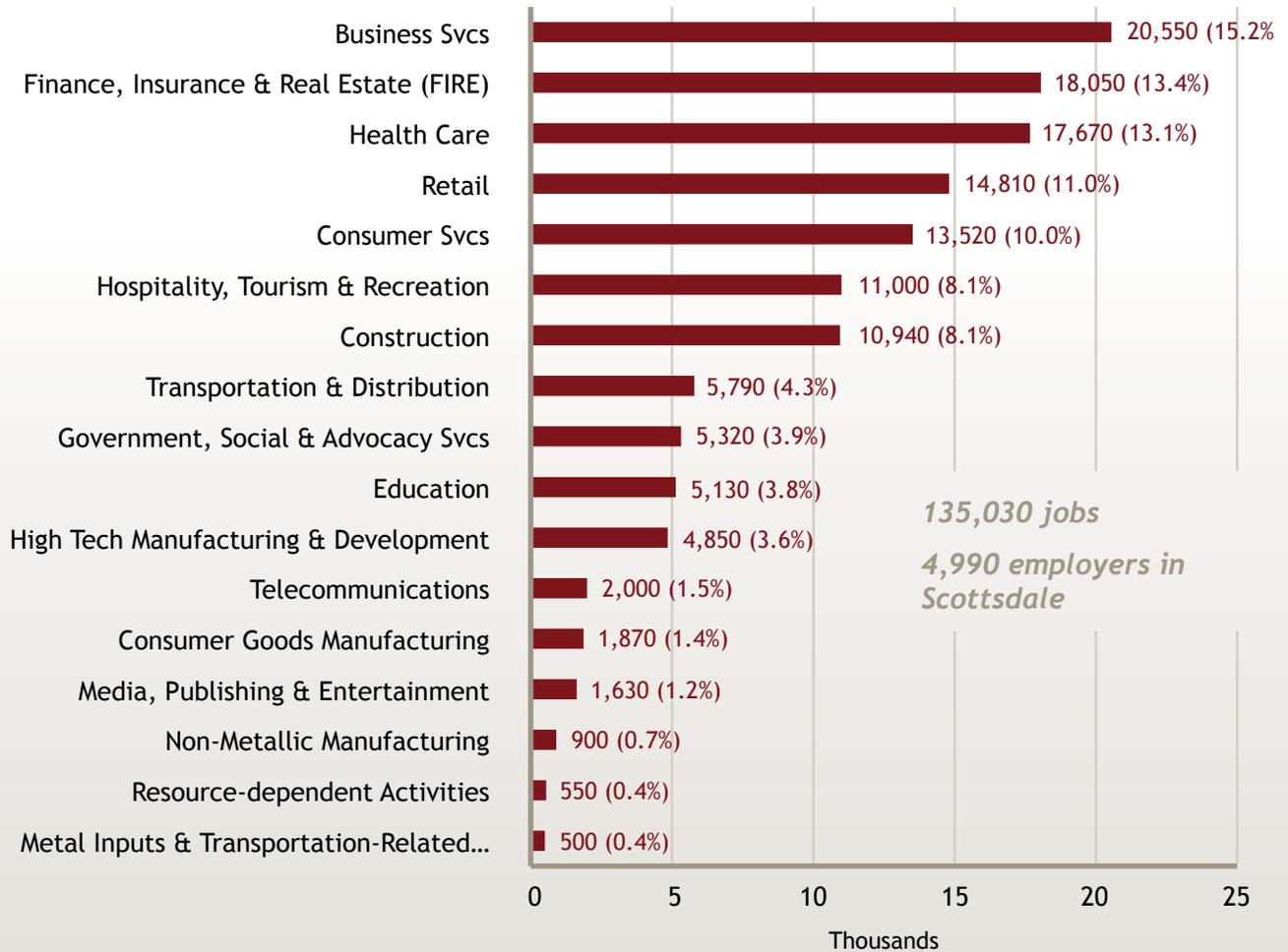
Scottsdale’s key demographic factors reflect the quality and affluence of a community that enjoys a high standard of living and high educational attainment.

A SNAPSHOT OF SCOTTSDALE, AZ - 2014	
Median Age	46
Population	219,741
Median Household Income	\$76,124 (Arizona: \$50,256)
Average Household Income	\$96,048
Per Capita Income	\$44,967
Average Household Size	2.13
Owner Occupied Households	68.1%
Median Disposable Income by Household	\$62,031
Average Disposable Income by Household	\$81,704
Median Home Value	\$261,652
Total Businesses	24,422
Total Employees in Scottsdale Businesses	143,515

Source: ESRI Business Analytics, January 2014.

As represented in the following table from the Maricopa Association of Governments, Scottsdale’s employment base is diverse, reflecting particular strengths in the Business Services (15.2 percent); , Finance, Insurance and Real Estate (13.4 percent); Healthcare (13.1 percent); Retail 11 percent), Hospitality, Tourism and Recreation (8.1 percent), and Construction (8.1 percent) sectors.

JOBS IN SCOTTSDALE BY ECONOMIC SECTOR (EMPLOYERS WITH 5+ EMPLOYEES)



Source: Maricopa Association of Governments, 2012 Employer Database. March 2014.

Major Employment Centers in Scottsdale

Scottsdale’s major employment centers include the Scottsdale Airpark, the Cure Corridor, Downtown Scottsdale, and Southern Scottsdale (McDowell Corridor).

TOP TEN JOB CENTERS, GREATER PHOENIX			
Rank	Job Center	Jurisdiction	Jobs
Region (All Employers 5+)			1,453,990
1	Deer Valley	Phoenix	48,460
2	Sky Harbor Airport	Phoenix	48,250
3	North Central Avenue	Phoenix	46,690
4	Southwest Phoenix	Phoenix	46,660
5	Northwest Tempe	Tempe	44,620
6	Scottsdale Airpark (2013 updated boundary)	Scottsdale	40,570
7	Downtown Phoenix	Phoenix	34,290
8	Southwest Tempe	Tempe	30,890
9	North I-17	Phoenix	30,860
10	South Central Industrial	Phoenix	30,100

Source: Maricopa Association of Governments, March 2014. (Note: Jobs rounded to nearest 10th).

Scottsdale Airpark

With its status as one of the largest employment centers in the State of Arizona, anchored by the Scottsdale Airport, the Scottsdale Airpark is a major economic driver for the City. Inside its 8.6 square mile area, it contains over 2,500 businesses and employs nearly 41,000 workers. It is home to some of the most prestigious companies in the Western United States, including the headquarters of Go Daddy, Taser, JDA Software, and Nautilus Insurance. Equally important, the Scottsdale Airpark is the location of significant operations of such nationally respected firms as Quicken Loans, CVS Caremark and Vanguard Financial. Scottsdale Airpark uniquely offers a concentration of a skilled workforce, transportation options and an extensive infrastructure of over 2 million square feet of commercial space. Its location at the juncture of the east-west and north-south branches of the Loop 101 Freeway allows strategic access to one of the most educated and qualified workforces in Arizona. The Scottsdale Municipal Airport generates about \$3 billion per year in economic spinoff activity with a per capita average income in the Airpark at over \$61,000.

Retail

Perhaps no other place in the State of Arizona and Southwest U.S. enjoys the reputation and panache of Scottsdale’s world-class retail offerings. Located in Downtown Scottsdale at one of the most important intersections in Arizona, Scottsdale Fashion Square is a regional retail destination as well as a shopping mecca for the 8+ million annual visitors who come to Scottsdale each year. Considered the “gold standard” for super-regional, high end enclosed shopping venues, Scottsdale Fashion Square is one of the nation’s top performing such facilities. The mall includes 1.8 million square feet and is anchored by Nordstrom, Neiman Marcus, Dillard’s, Macy’s and Barney’s of New York. Scottsdale Fashion Square also is home to the flagship location of H&M and Zara, and has more than 240 stores, ranging from Burberry to Bulgari, from Gucci to Microsoft. Presently a major expansion is underway.

Other major retail centers in Scottsdale include:

Scottsdale Quarter

- ◆ In Scottsdale Airpark, Scottsdale Road at Butherus
- ◆ 28 acres, 370,000 SF
- ◆ High value retail including Apple, Restoration Hardware
- ◆ Phase 3 construction currently underway including 22,400 SF of retail

Downtown Scottsdale (Old Town)

- ◆ Original Scottsdale retail area, from Camelback to Indian School Roads
- ◆ Approximately 65 shops, mainly boutiques
- ◆ Also includes Scottsdale’s Gallery District

The Promenade

- ◆ Opened in 2000, at Scottsdale and Frank Lloyd Wright Roads
- ◆ Approximately 1 million SF
- ◆ Medium to upper level retail including Nordstrom Rack, Great Indoors and Trader Joe’s

The Shops at Gainey Village

- ◆ Scottsdale Road at Gainey Ranch Road
- ◆ 132,000 SF on 14.3 acres, comprised principally of boutiques and high end shops and dining

Scottsdale's Primary Targeted Sectors

Utilizing the methodology for targeted sector analysis and selection described in Section 4 of this report, the following sectors have been identified as having the highest impact and best fit with Scottsdale's economic base, quality of life and physical/built and natural environment.

Advanced Business Services

Advanced Business Services (ABS) encompass regional, divisional and corporate headquarters operations; shared service centers; back-office operations; customer-contact centers and other strategic business functions that are value-and-cost-driven and dependent upon IT. These functions, which are core competencies to a domestic or global enterprise, typically require highly trained and experienced executive, professional, scientific or technical skills.² This sector was selected for analysis and identification of future potential for the City of Scottsdale because of its concentration within the City of Scottsdale and its projected employment growth in the U.S. and world economies.

Corporate, Regional, Divisional Headquarters

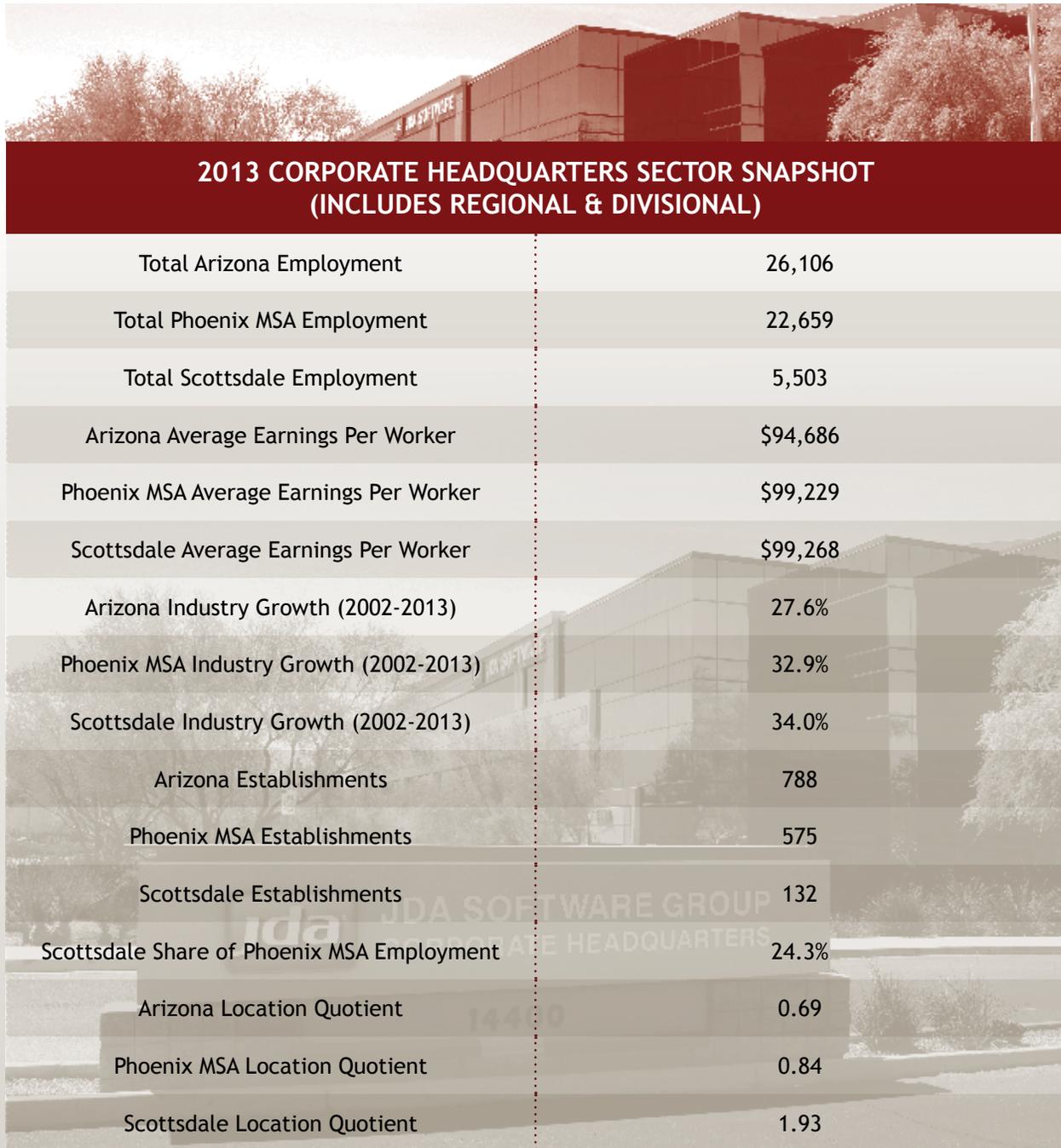
While increasingly scarce, corporate headquarters relocations are driven by a combination of many factors, frequently triggered by new leadership or ownership, changing market conditions, the need to change corporate culture, or attaining a more favorable and competitively priced business operating cost environment to achieve cost efficiencies and maximize profits. Divisional headquarters are evolving as distinct business units and are being sited to take advantage of labor force availability and cost efficiencies. As corporations seek to optimize their global footprints while retaining the maximum agility in responding to new market opportunities, geopolitical risks and other uncertainties, shared services organizations are becoming more elevated in terms of strategic business functions and are being dispersed throughout the U.S. and across the world. What historically was growth in these strategic business functions at a headquarters location, e.g., legal, treasury, human resources, R&D, etc., shared services operations increasingly are becoming centers of excellence, generating high value added support to their parents or clients, and are centers of high paying employment as well.

Divisional headquarters, as a result, fall into the same organizational framework as shared services centers, or global business service organizations, and are expected to increase their roles across the globe. Divisional headquarters serve the purpose for corporations by taking specific functions such as financial services, shared services or innovation and siting them in the optimum location with access to talent, universities, research and development facilities, and favorable labor costs.

A regional headquarters is more likely to be sited on the basis of the corporate tax environment. In recent years, there has been an impetus to move regional headquarters out of large cities into smaller communities to save on real estate costs and taxes. Corporate and regional headquarters continue to focus on access to air travel, incentives and lower cost but high quality of life environments for corporate employees.

In the Corporate Headquarters Sector, Arizona has an LQ of 0.69, Phoenix MSA has an LQ of 0.84, and Scottsdale has an LQ of 1.93.³ These figures indicate that both Arizona and the Phoenix MSA have employment concentrations in this industry that are below the national average. However,

Scottsdale's LQ indicates that corporate, regional and divisional headquarters employment is nearly two times more concentrated there than in the rest of the U.S., more than twice the concentration in the Greater Phoenix region and nearly three times the concentration in the state of Arizona.



**2013 CORPORATE HEADQUARTERS SECTOR SNAPSHOT
(INCLUDES REGIONAL & DIVISIONAL)**

Total Arizona Employment	26,106
Total Phoenix MSA Employment	22,659
Total Scottsdale Employment	5,503
Arizona Average Earnings Per Worker	\$94,686
Phoenix MSA Average Earnings Per Worker	\$99,229
Scottsdale Average Earnings Per Worker	\$99,268
Arizona Industry Growth (2002-2013)	27.6%
Phoenix MSA Industry Growth (2002-2013)	32.9%
Scottsdale Industry Growth (2002-2013)	34.0%
Arizona Establishments	788
Phoenix MSA Establishments	575
Scottsdale Establishments	132
Scottsdale Share of Phoenix MSA Employment	24.3%
Arizona Location Quotient	0.69
Phoenix MSA Location Quotient	0.84
Scottsdale Location Quotient	1.93

Source: EMSI 2013.

For Scottsdale, 2013 employment in the corporate, regional or divisional headquarters sector was 5,503. The number of headquarters jobs in Scottsdale grew by 34.0 percent between 2002 and 2013, higher than growth in both the state and region. Scottsdale contains almost one

fourth of all the corporate headquarters jobs located within the Phoenix MSA and more than 21 percent of all corporate headquarters jobs located within Arizona.⁴

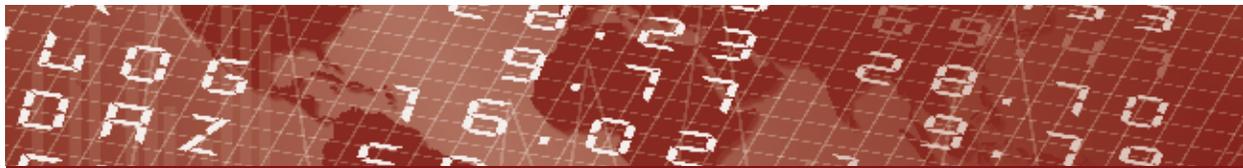
Scottsdale's location quotient for the corporate, regional or divisional headquarters sector is 1.93, indicating that it has a higher employment concentration in this sector than the U.S.⁵ In contrast, both Arizona and the Phoenix MSA have much lower concentrations of employment in this sector than the rest of the U.S. This indicates that Scottsdale is a primary address in Arizona for corporate headquarters. Scottsdale has higher employment concentrations than the nation in the following categories: Corporate, Subsidiary, and Regional Managing Offices (LQ = 1.97) and Offices of Bank Holding Companies (LQ = 1.85). It has lower than national averages for Offices of Other Holding Companies (LQ = 0.74).⁶

Financial Services Sector

Increased oversight and tighter regulations are impacting and transforming the Financial Services Sector. One of the primary issues facing this sector is that many of the regulations under which it will operate have yet to be finalized. Along with the financial crisis that began in 2007, there has been significant erosion in the public's trust in the Financial Services Sector. While the industry is becoming more acclimated to the new regulatory framework under which it is operating, new business models are emerging, aided by new technologies including data and analytics that will help the industry understand better understand and anticipate customers' needs, and develop new products and price structures. However, new competitors, unfettered by the current regulatory markets, undoubtedly will arise. Depending on their ability to meet customer demands and expectations, many financial services firms will experience a migration of their customers to these new providers.

After a downward trend in employment over the past decade, the Financial Services Sector will experience growth in the U.S. through 2022. Real output in this sector is projected to be the largest of all service providing sectors in the U.S. economy.

For the Financial Services Sector, Arizona has an LQ of 1.99, the Phoenix MSA has an LQ of 2.63, and Scottsdale has an LQ of 1.55. Scottsdale has higher employment concentrations than the nation as a whole in the following categories: Securities Brokerages (LQ = 2.78), Investment Advice (LQ = 2.16) and Financial Transaction Processing, Reserve, and Clearinghouse Activities (LQ = 1.11). While Scottsdale's overall LQ for the industry was lower than that for both Arizona and the Greater Phoenix region, Scottsdale's employment in the sector grew faster, realizing a 62 percent growth rate between 2002 and 2013.



2013 FINANCIAL SERVICES SECTOR SNAPSHOT

Total Arizona Employment	34,786
Total Phoenix MSA Employment	32,800
Total Scottsdale Employment	2,030
Arizona Average Earnings Per Worker	\$80,723
Phoenix MSA Average Earnings Per Worker	\$80,300
Scottsdale Average Earnings Per Worker	\$91,928
Arizona Industry Growth (2002-2013)	47.2%
Phoenix MSA Industry Growth (2002-2013)	33.0%
Scottsdale Industry Growth (2002-2013)	62.0%
Arizona Establishments	1,641
Phoenix MSA Establishments	1,280
Scottsdale Establishments	160
Scottsdale Share of Phoenix MSA Employment	6.2%
Arizona Location Quotient	1.99
Phoenix MSA Location Quotient	2.63
Scottsdale Location Quotient	1.55

Source: EMSI 2013.

For Scottsdale, 2013 employment in the Financial Services Sector was 2,030. The number of Financial Services Sector jobs in Scottsdale grew by 62.0 percent between 2002 and 2013, higher than growth in both the state and region. Despite the impressive growth in jobs over the past decade, only 6.2 percent of the jobs in this sector within the Phoenix MSA are located in the City of Scottsdale.⁷ As to be expected, Scottsdale's location quotient for the Financial Services Sector is lower than the state or the Greater Phoenix region at 1.55. Even so, the number indicates that Scottsdale has higher employment concentration in this sector than the U.S.⁸ Scottsdale has higher employment concentrations than the nation as a whole in the following categories: Securities Brokerages (LQ = 2.78), Investment Advice (LQ = 2.16) and Financial Transaction Processing, Reserve, and Clearinghouse Activities (LQ = 1.11).⁹

Scottsdale's current financial services sector employment reflects a more upper scale and corporate image, focused on securities and investment counseling. Growth in the financial services sector across the U.S. bodes well for the continued development of this sector in Scottsdale, especially for those organizations that need access to a talented workforce and locations that offer a high quality image. The concentration of top ranked universities and colleges, transportation access, and the region's fiber capacity make Scottsdale a prime location for future growth in the Financial Services Sector.

Insurance Services Sector

The Insurance Services Sector survived the global recession with its reputation intact, but is facing new regulatory constraints as well. The industry has experienced a slowdown in mergers and acquisitions over the past year but a number of outside industries have taken an interest in the attractive yields that have been attainable in the Insurance Services Sector.

While struggling with legacy technology, to keep growing, the Insurance Services Sector will increasingly harness new technologies such as telematics and analytics while also pursuing underserved demographic markets including Gen X, middle income households, and small business owners. As with customers of other financial services companies, customers of insurance companies are looking for specific marketing messages and offerings that meet their needs and position in life.

Talent recruitment will remain a concern for insurance services firms as the growth in the use of technologies such as social media, analytics, and cloud computing becomes more pronounced. Due to competition for workers with the same technical profiles, insurance companies may need to adjust employment models and build their analytical workforces from within their own firms or from fields not currently associated with the insurance industry.

CEOs are concerned with over-regulation, slow growth in developed markets, new business competition, and their preparedness for the implementation of new technologies. In terms of employment, the insurance industry in the U.S. is expected to increase slightly through 2022 and real output is expected to outpace many other industries.

For the Insurance Services Sector, Arizona has an LQ of 1.05, the Phoenix MSA has an LQ of 1.24, and Scottsdale has an LQ of 2.14. Scottsdale has higher employment concentrations than the nation as a whole in the following categories: Claims Adjusting (LQ = 12.55), Other Direct Insurance (except Life, Health, and Medical) Carriers (LQ = 6.59) and Other Financial Vehicles (LQ = 6.59). These LQs indicate that Scottsdale's employment concentrations in these categories are significantly higher than what exists nationwide. Growth in Scottsdale's Insurance Services Sector employment slightly outpaced that of both Arizona and the Greater Phoenix region.



2013 INSURANCE SECTOR SNAPSHOT

Total Arizona Employment	24,742
Total Phoenix MSA Employment	20,923
Total Scottsdale Employment	3,797
Arizona Average Earnings Per Worker	\$76,178
Phoenix MSA Average Earnings Per Worker	\$80,008
Scottsdale Average Earnings Per Worker	\$79,521
Arizona Industry Growth (2002-2013)	20.1%
Phoenix MSA Industry Growth (2002-2013)	15.4%
Scottsdale Industry Growth (2002-2013)	20.7%
Arizona Establishments	3,193
Phoenix MSA Establishments	2,329
Scottsdale Establishments	326
Scottsdale Share of Phoenix MSA Employment	18.2%
Arizona Location Quotient	1.05
Phoenix MSA Location Quotient	1.24
Scottsdale Location Quotient	2.14

Source: EMSI 2013.

For Scottsdale, 2013 employment in the Insurance Services Sector was 3,797 across 326 establishments, representing an increase of 20.7 percent between 2002 and 2013. Scottsdale contains 18.2 percent of the Insurance Services Sector jobs located within the Phoenix MSA.¹⁰

Scottsdale’s location quotient for the Insurance Services Sector is 2.14, higher than both the state and the region. This number indicates that Scottsdale has a significantly higher employment concentration in insurance services than other communities across the U.S.¹¹ Scottsdale has extremely high employment concentrations in the following categories: Claims Adjusting (LQ = 12.55), Other Direct Insurance (except Life, Health, and Medical) Carriers (LQ = 6.59)¹² and

Other Financial Vehicles (LQ = 6.59). Additionally, Scottsdale has location quotients of 1.68 for both Insurance Agencies and Brokerages and also Direct Property and Casualty Insurance Carriers.¹³ Overall, Scottsdale-based jobs in the Insurance Agencies and Brokerage segment has slightly decreased from 1,584 in 2002 to 1,532 in 2013. During the same time period, jobs increased from 579 to 933 in Claims Adjusting and from 895 to 1,079 in Direct Property and Casualty Insurance Carriers.¹⁴

Shared Services Sector

The Shared Services Sector is rapidly maturing and evolving from the simple outsourcing of specific business units such as information technology, data processing, or accounts payable to low cost regions, to one where higher level corporate functions are integrated into a global business services model that standardizes approaches across facilities, business units, and geographies. Shared services facilities are increasingly dispersed across the globe, with Latin America and Eastern Europe experiencing significant growth in this sector.

The increased integration of services across a multitude of functions and geographies, increasing investments in enabling technologies, and the expanded use of social media, analytics, and cloud computing allow shared services facilities to demonstrate value to user organizations. Access to new markets is a very important trend that will drive capital investment and job growth in this sector. While shared services facilities have raised their image as a career option, a talent crunch is being felt and is resulting in more automation than near-shoring. The industry is concerned about weak customer demand, a generally weak economy, and political gridlock in the U.S.

In terms of employment in the Professional and Business Services Sector, vigorous growth is predicted in the industry through 2022. Consulting, computer systems design, administrative and support services, and employment services are the fastest growing sectors in the industry.

For the Shared Services Sector, Arizona has an LQ of 1.21, the Phoenix MSA has an LQ of 1.38, and Scottsdale has an LQ of 1.71. Scottsdale has an LQ above 4 for Computer Facilities Management Services, above a 3 for Data Processing, Hosting, and Related Services; Office Administrative Services; and Employment Placement Agencies, and above a 2 for Administrative Management and General Management Consulting; Executive Search Services; All Other Professional, Scientific, and Technical Services; All Other Legal Services; and Advertising Agencies. Scottsdale far outpaces the rest of the U.S. in terms of employment concentrations in these industries.

Shared Services Sector firms are attracted to communities that already have considerable employment in headquarters operations, information technology, and financial services. They provide a service or third party function. Despite all of the technological advances in communications, proximity is still an important factor to site selection. Scottsdale also offers an environment in which professionals want to work and reside. The rapid growth in the Professional and Business Services Sector of the U.S. economy and projected growth in the shared services business model, coupled with Scottsdale's strong present concentration in this industry, indicates that the Shared Services Sector should remain a target for both, retention and attraction strategies.



2013 SHARED SERVICES SECTOR SNAPSHOT

Total Arizona Employment	175,662
Total Phoenix MSA Employment	143,119
Total Scottsdale Employment	18,753
Arizona Average Earnings Per Worker	\$54,259
Phoenix MSA Average Earnings Per Worker	\$57,061
Scottsdale Average Earnings Per Worker	\$63,425
Arizona Industry Growth (2002-2013)	9.7%
Phoenix MSA Industry Growth (2002-2013)	6.2%
Scottsdale Industry Growth (2002-2013)	12.1%
Arizona Establishments	13,565
Phoenix MSA Establishments	10,177
Scottsdale Establishments	1,869
Scottsdale Share of Phoenix MSA Employment	13.1%
Arizona Location Quotient	1.21
Phoenix MSA Location Quotient	1.38
Scottsdale Location Quotient	1.71

Source: EMSI 2013.

For Scottsdale, 2013 employment in the Shared Services Sector was 18,753. The number of shared service jobs in the Scottsdale grew by 12.1 percent between 2002 and 2013, higher than growth in both the state and region. Scottsdale contains 13.1 percent of the Shared Services Sector jobs that are located within the Phoenix MSA.¹⁵

Scottsdale's location quotient for the Shared Services Sector is 1.71, which is higher than the state or region. The number indicates that Scottsdale has higher employment concentration in the sector than the U.S.,¹⁶ and has higher employment concentrations than the nation as a whole in the following categories: Professional Employer Organizations (LQ = 7.70), Other Services Related to Advertising (LQ = 5.56) and Marketing Consulting Services (LQ = 5.28).¹⁷

Scottsdale has an LQ above 4 for Computer Facilities Management Services, above a 3 for Data Processing, Hosting, and Related Services; Office Administrative Services; and Employment Placement Agencies, and above a 2 for Administrative Management and General Management Consulting; Executive Search Services; All Other Professional, Scientific, and Technical Services; All Other Legal Services; and Advertising Agencies.¹⁸

Information, Communications and Technology Sector

The global economy is entering the “Age of Hyperconnectivity” that will radically transform how businesses and consumers interact and function together. Powered by innovation and advances in the Information, Communications, and Technology Sector (ICT), new technologies are becoming embedded and non-intrusive, while providing instantaneous, anticipatory, and intelligent communications across interconnected devices, processes, and people.¹⁹ At present, we can only communicate with a small portion of our personal and global environment, but in the very near-term, the ability to communicate with exponentially more people and devices will dramatically increase.

The digital universe is about to explode. The digital universe - specifically data - has doubled in the last two years to 2.8 zettabytes (ZB). By 2020, the amount of data present in the global digital universe will escalate to 40 ZB, doubling in size every two years. To put this into perspective, there are 700,500,000,000,000,000 (seven quintillion five quadrillion) grains of sand on all the beaches on the earth. The figure 40 ZB is equal to 57 times the amount of all the grains of sand on all of the beaches of the earth.²⁰

In 2005, only 11 percent of all global data was generated by machines or devices. By 2020 that number is expected to reach 40 percent, representing a 15 fold increase. Additionally, total global investment in information technology hardware, software, services, telecommunications, and staff is expected to grow 40 percent between 2012 and 2020.²¹

The impact of hyperconnectivity will be global, and will affect all businesses and industries as well as a substantial majority of the world’s population. With the exciting, yet disruptive, trends in ICT continually and rapidly evolving, it is difficult to predict or project with any certainty how this will play out with regards to business development and employment growth. Certainly, increased automation and workloads being undertaken by machines and devices without any human input will result in displacements in the job market, and will render some businesses and industries obsolete. However, there are entirely new industries and job categories that have yet to emerge or even be imagined. The fact is, technology is changing and evolving so rapidly, predictions made today could well be obsolete within a couple of years. Many of the megatrends analyzed in this work were remote possibilities just five years ago.

Scottsdale has distinctive attributes that directly align with the locational requirements of the ICT Sector. As noted in our interviews with major Scottsdale-based employers across a broad spectrum of sectors, one of the most important considerations for the retention and expansion of these firms, as well as the ability to recruit new firms in this sector, is directly dependent upon the ability to retain and recruit talent with the educational attainment and skills that are commensurate with the jobs that these employers have.



2013 INFORMATION, COMMUNICATIONS AND TECHNOLOGY SECTOR SNAPSHOT

Total Arizona Employment	74,169
Total Phoenix MSA Employment	54,635
Total Scottsdale Employment	10,358
Arizona Average Earnings Per Worker	\$76,650
Phoenix MSA Average Earnings Per Worker	\$82,633
Scottsdale Average Earnings Per Worker	\$93,576
Arizona Industry Growth (2002-2013)	23.5%
Phoenix MSA Industry Growth (2002-2013)	17.3%
Scottsdale Industry Growth (2002-2013)	56.7%
Arizona Establishments	5,869
Phoenix MSA Establishments	4,500
Scottsdale Establishments	1,279
Scottsdale Share of Phoenix MSA Employment	19.0%
Arizona Location Quotient	1.06
Phoenix MSA Location Quotient	1.09
Scottsdale Location Quotient	1.96

Source: EMSI 2013.

For Scottsdale, 2013 employment in the ICT sector was 10,358. The number of ICT jobs in Scottsdale grew by 56.7 percent between 2002 and 2013, significantly higher than growth in both the state and region. Nearly 20 percent of the ICT sector jobs located within the Phoenix MSA are located in Scottsdale.²²

Scottsdale's location quotient for the ICT sector is 1.96, higher than both the state and the Phoenix MSA. This number indicates that Scottsdale has a higher employment concentration in this sector than what can be found on average across the U.S.²³ Scottsdale has higher employment

concentrations than the nation as a whole in the following categories: Other Computer Related Services (LQ = 7.38), All Other Telecommunications (LQ = 4.96) and Private Computer Training (LQ = 3.75).²⁴

Additionally, Scottsdale has location quotients above 3 for Satellite Communications and for Computer Systems Design Services, and above 2 for Internet Publishing and Broadcasting, Electronic Shopping, Computer and Computer Peripheral Equipment and Software Wholesalers, and Security Systems. Of the total 10,358 jobs in the ICT Sector located in Scottsdale, 6,674 (64 percent) are in the following industries: Computer Systems Design Services, Custom Computer Programming Services, and Other Computer Related Services.²⁵

Entrepreneurship

Across the world, entrepreneurship has been recognized as a fundamental underpinning of economic growth and prosperity. According to the McKinsey Global Institute, the 21st century will be the “century of the entrepreneur”.²⁶ Globalization, technology and the residual aftermath of the Great Recession of 2007 have led to increased unpredictability and instability that is driving the creation of new business enterprises on a massive scale.²⁷

The convergence of globalization, technology and hyperconnectivity is providing an unprecedented environment for entrepreneurs across the world to create new enterprises and to contribute to innovation, growth and employment. As the world’s consuming population grows exponentially, and the world becomes more interconnected, the global landscape for new enterprise development has never been more prime for opportunity than it is today.

The basis for competition and success no longer is tied to the availability of goods, services, labor and capital. Instead, the dynamics of innovation and economic success are driven largely by the ingenuity and imagination of entrepreneurs who aspire to create new products and new solutions to address consumer and commercial needs.²⁸ Strategic speed - now an important hallmark of business success - also is a primary driver of opportunities in the entrepreneurship arena. Entrepreneurial enterprises and established businesses alike are quickly adapting to leverage their skills, know-how and resources to capitalize on these dynamics.²⁹

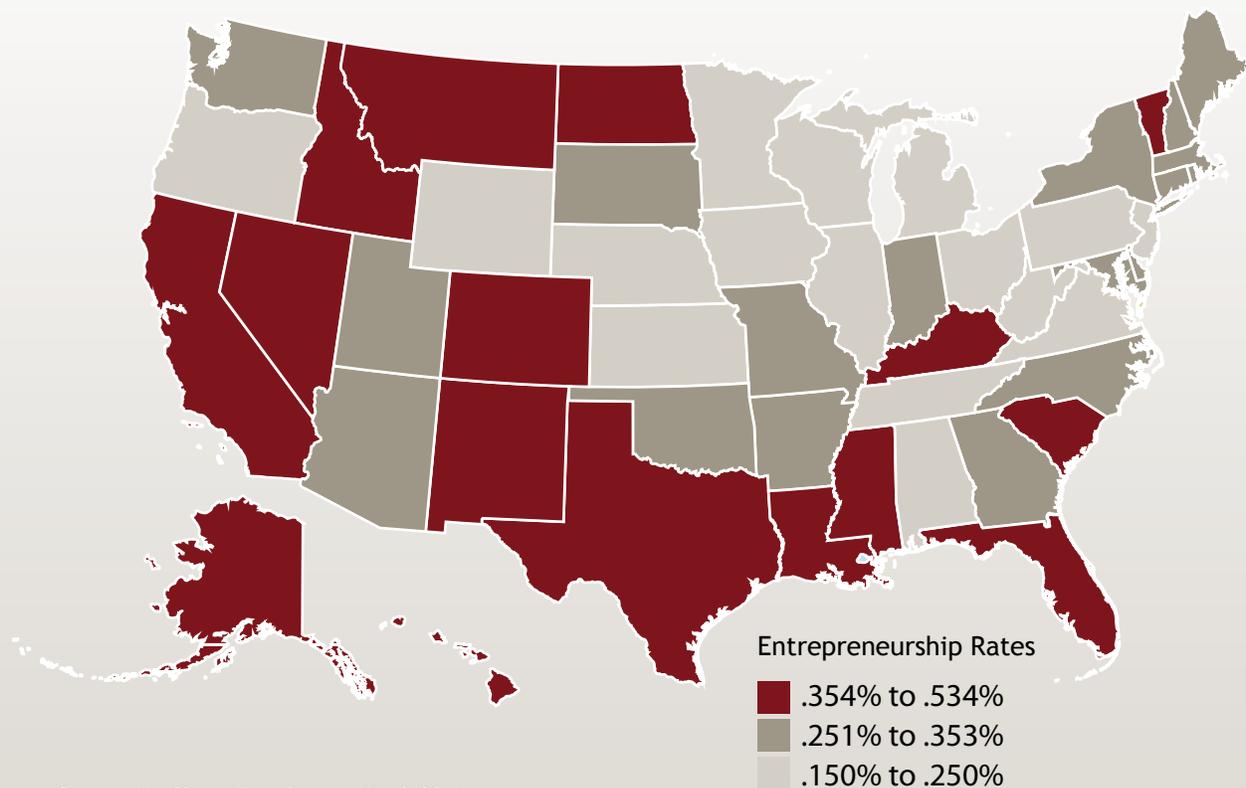
Today, entrepreneurs are recognized as important drivers of economic and social advancement, and new and young enterprises are seen as vitally important sources of innovation, job creation and productivity growth. According to the World Economic Forum, which in cooperation with Stanford University surveyed 380,000 early stage companies across the world, the top 1 percent of the firms studied accounted for 44 percent of total revenue and 40 percent of total jobs, while the top 5 percent of these firms accounted for 72 percent of total revenue and 67 percent of total jobs.³⁰

In 2011, Kauffman Foundation’s Index of Entrepreneurial Activity reported that Arizona had the highest rate of innovators starting new businesses in the U.S. That year, 520 of every 100,000 Arizonans between the ages of 18 to 64 in the state created a business, compared to the national average of 320. As with most states that suffered economic hardship during the Great Recession of 2007, Arizona’s startup rate declined in 2012 compared to the previous year: the state ranked 32nd among the 50 states for startup rates, or 0.33 percent (330 of every 100,000 Arizonans between the ages of 18 to 64 created a business. Still, Arizona’s average exceeds the U.S. average of 0.32 percent.³¹

In terms of venture capital financing for Arizona enterprises, the National Venture Capital Association reports that Arizona ranked 17th in terms of total venture capital dollars invested (\$212 million), and 24th in terms of number of deals (15) in 2012.³²

A fundamental underpinning of Arizona’s economy has been entrepreneurship and small business. The most recent data available from the U.S. government, through the U.S. Small Business Administration’s Office of Advocacy, illustrates just how damaging the Great Recession of 2007 - and its aftermath - were to the business base of the state. In examining this data, it is evident that almost every category of firm size was adversely impacted by the recession. Even with these negative impacts, firms that employ less than 20 accounted for 330,000+ workers, which represents one-third of those employed by firms with 500 or more employees.³³ (See endnotes for definitions of firms and establishments).³⁴

ENTREPRENEURIAL ACTIVITY BY STATE (2012)



Source: Kauffman Foundation, March 2014

The Kauffman Foundation’s 2013 Index of Entrepreneurial Activity ranked the Phoenix MSA 13th among the 15 top metros for entrepreneurship activity. In 2012, Greater Phoenix’s startup rate was on par with the State of Arizona: 0.32 percent, or 320 of every 100,000 persons residing in Maricopa County started a new business.³⁵

For the Greater Phoenix region, startup and entrepreneurial activity recovered significantly in 2011-2012, especially compared with the decrease that was experienced in 2010-2011. Startup activity in the Greater Phoenix region over time reflects the vagaries of the national economy, but encouragingly, the number of new startups establishments in the Phoenix MSA increased by 2,072, or by an average annual growth rate of 7.1 percent from 2011 to 2012.³⁶

For Scottsdale, based on firms that are known to and interact with the City Government, SkySong and other organizations, as well as those noted in business press, there are an increasing number of startup and young enterprises have been concentrating in the community in recent years. In interviews with the U.S. Bureau of Census Business Dynamics Statistics Division and the U.S. Small Business Administration's Office of Advocacy, which is a repository for some small business data, it was clear that data for the age of firms is not readily available for local municipalities. Because this data is not available, a snapshot comparable to those prepared for the other sectors in this report was not prepared. Given the increasing presence of startup and young firms in the City, it would be beneficial for Scottsdale to work with these Federal agencies to develop a database of information about these entrepreneurial enterprises.

Bio-Life Sciences Sector

Across the globe and across all disciplines of science and sectors of the economy, the convergence of technologies to address and solve problems in human health is accelerating. Today, the realm of bio-life sciences integrates science from information technologies, telecommunications, biotechnology, robotics, optics, sensors, materials science, physics, chemistry and nanotechnology. This convergence is changing the way business location and investment decisions are made. As the biotech industry matures, more emphasis is placed on cross-disciplinary research and development, requiring even closer collaboration with top-ranked research hospitals, institutes and universities.

The Bio-Life Sciences Sector is a major driver of the innovation economy in the State of Arizona, Greater Phoenix region and City of Scottsdale. According to the Flinn Foundation, which provided the catalyst and has served as the leader for the development and growth of Arizona's Bio-Life Sciences Sector since 2002, the biosciences in Arizona "develop treatments for health afflictions, design diagnostics to gauge and prevent illness, strengthen our food supply, develop alternative fuel sources, and much more".³⁷ There are six segments that make up the biosciences in Arizona:

- ◆ Agricultural feedstock and chemicals
- ◆ Drugs, pharmaceuticals, and diagnostics
- ◆ Medical devices and equipment
- ◆ Research, testing, and medical labs
- ◆ Hospitals
- ◆ Bioscience-related distribution

In its new bioscience roadmap for 2014 to 2025, the Flinn Foundation has identified five important goals for its work over the next decade, including enhancing and expanding Arizona's biosciences sector by focusing on five primary targets, including:

- ◆ Fostering and advancing the development of a hub of bioscience entrepreneurs and new enterprises across the state.
- ◆ Increasing the state's research organizations to convert "bench research results" into improved prevention, detection and treatment of diseases and illnesses.
- ◆ Elevating Arizona's ability to develop, educate, train and retain biosciences talent.

- ◆ Promoting Arizona nationally and globally, especially in Canada and Mexico, as a place where biosciences research, the delivery of healthcare and commercialization “seamlessly intersect”.
- ◆ Advancing even higher levels of collaboration and strengthening partnerships to ensure that Arizona maintains a leadership position in the biosciences.³⁸

Biomedical/Biotechnical Sector

The Biomedical/Biotechnical Sector includes hospitals, ambulatory surgical centers, free standing emergency centers, outpatient care centers, dialysis and imaging centers, and residential nursing facilities. For the purposes of Scottsdale’s Economic Development Strategy, the sector also encompasses biotech manufacturing fields including basic chemical manufacturing; pharmaceutical and medicine manufacturing; navigational, measuring, electromedical, and control instrument manufacturing, and medical equipment and supplies manufacturing; scientific research and development services.





2013 BIOMEDICAL/BIOTECHNICAL SECTOR SNAPSHOT

Total Arizona Employment	230,226
Total Phoenix MSA Employment	156,240
Total Scottsdale Employment	21,604
Arizona Average Earnings Per Worker	\$57,370
Phoenix MSA Average Earnings Per Worker	\$58,503
Scottsdale Average Earnings Per Worker	\$60,143
Arizona Industry Growth (2002-2013)	60.1%
Phoenix MSA Industry Growth (2002-2013)	67.1%
Scottsdale Industry Growth (2002-2013)	76.0%
Arizona Establishments	5,509
Phoenix MSA Establishments	3,648
Scottsdale Establishments	437
Scottsdale Share of Phoenix MSA Employment	13.8%
Arizona Location Quotient	0.95
Phoenix MSA Location Quotient	0.90
Scottsdale Location Quotient	1.18

Source: EMSI 2013.

For Scottsdale, 2013 employment in the Biomedical/Biotechnical Sector was 21,604 in 437 establishments, representing an increase of 76 percent between 2002 and 2013. Scottsdale contains 13.8 percent of the Biomedical/Biotechnical Sector jobs located within the Phoenix MSA.³⁹ Scottsdale's location quotient for the Biomedical/Biotechnical Sector is 1.18, higher than both the state and the region. This number also indicates that Scottsdale has a higher employment concentration in the Biomedical/Biotechnical Sector than other communities across the U.S.⁴⁰ In fact, Scottsdale has significantly higher employment concentrations in the following categories: HMO Medical Centers (LQ = 11.05), Ophthalmic Goods Merchant Wholesalers (LQ = 7.39), and All Other Miscellaneous Ambulatory Health Services (LQ = 4.69).⁴¹

While employment numbers, in absolute terms, is high in the Biomedical/Biotechnical Sector, this sector includes hospitals and other health care entities that serve the general population. With a growing population in both the state and metropolitan area, one can expect that this sector will continue to grow well into the future and serve as a fertile target sector for Scottsdale, especially in the Cure Corridor.

Scottsdale's Cure Corridor holds enormous promise and potential in the Biomedical/Biotechnical Sector. From education and research, to clinical trials and patient care delivery, Scottsdale is home to a well-established and growing concentration of healthcare and bioscience enterprises and research institutes. Anchored by Scottsdale Healthcare and Mayo Clinic along Shea Boulevard, the Cure Corridor also is home to such venerable organizations as the Virginia G. Piper Cancer Center and Translations Drug Development (TD2) executive clinical trials. Through their research, these institutions have developed breakthroughs in personalized medicine and cancer treatments for local, national and international patients, helping to extend and improve their quality of life.

Biotechnology Sector

Biotech companies search for the best talent, best research and best regulatory climate in the U.S. Today's companies in all technology sectors compete aggressively for academic superstars and actively recruit Ph.D.'s from top universities, but this is especially true for the biotech industry. The Biotechnology Sector serves a diverse set of markets including biomedical drugs, diagnostics and devices, agricultural products, and bio-based industrial products that include biofuels, bioplastics, and enzymes used in industrial chemical processes and bioremediation.⁴²

Biotechnology harnesses the application of science and technology to living organisms to develop knowledge, technologies and products that improve human lives and the health of our planet.⁴³ According to the Biotechnology Industry Organization (BIO), the world's preeminent organization for the biotech community, biotechnology has made enormous advances in helping to heal, feed and fuel the world.⁴⁴ For purposes of this analysis, the Biotechnology Sector is defined as a collection of firms that use cellular and molecular processes to produce value-add products, ranging from pharmaceuticals, medical devices to environmental pesticides.⁴⁵ The three major industry groups of the Biotechnology Sector include:

- ◆ Biotechnology - firms that are engaged in manufacturing ethyl alcohol, cellulosic and noncellulosic organic fibers, soap and other detergents, polish and other sanitation goods, surface active agents, firms that are engaged in research and development, as well as testing and medical laboratories.
- ◆ Medical Devices, Equipment and Supplies - firms that are engaged in manufacturing electromedical and electrotherapeutic apparatus, analytical laboratory instrument, irradiation apparatus, laboratory apparatus, surgical and medical instruments, and surgical appliances and supplies.
- ◆ Pharmaceuticals and Related Manufacturing - firms that are engaged in medicinal and botanical manufacturing, pharmaceutical preparation manufacturing, in-vitro diagnostic substance, and biological product manufacturing.⁴⁶

While Arizona and the Greater Phoenix region have significant concentrations in the biomedical-biotechnical sector, the presence of biotechnology is not as prevalent for the state and region.



2013 BIOTECHNOLOGY SECTOR SNAPSHOT

Total Arizona Employment	24,719
Total Phoenix MSA Employment	16,891
Total Scottsdale Employment	3,847
Arizona Average Earnings Per Worker	\$99,895
Phoenix MSA Average Earnings Per Worker	\$102,962
Scottsdale Average Earnings Per Worker	\$112,069
Arizona Industry Growth (2002-2013)	35.7%
Phoenix MSA Industry Growth (2002-2013)	31.1%
Scottsdale Industry Growth (2002-2013)	17.4%
Arizona Establishments	865
Phoenix MSA Establishments	585
Scottsdale Establishments	68
Scottsdale Share of Phoenix MSA Employment	22.8%
Arizona Location Quotient	0.76
Phoenix MSA Location Quotient	0.72
Scottsdale Location Quotient	1.57

Source: EMSI 2013.

For Scottsdale, 2013 employment in the biotechnology sector was 3,847 across 68 establishments, representing an increase of 17.4 percent between 2002 and 2013. Scottsdale contains 22.8 percent of the biotechnology jobs located within the Phoenix MSA.⁴⁷ Scottsdale's location quotient for the Biotechnology Sector is 1.57, higher than both the state and the region. This number also indicates that Scottsdale has a higher employment concentration in the Biotechnology Sector than other communities across the U.S.⁴⁸ However, one category accounts for the greatest amount of biotechnology employment in Scottsdale: Navigational, Measuring, Electromedical, and Control Instruments Manufacturing (LQ = 5.88). No other biotechnology industry in Scottsdale approached this level of employment concentration, Medical Equipment

and Supplies Manufacturing (LQ = 0.58) and Scientific Research and Development Services (LQ = 0.31) where the next two categories with measurable employment concentrations.⁴⁹

The presence of other biotechnology industries is more limited, and employment growth rates have been lower in this sector at the city, regional, and state levels. While Scottsdale has an outsized presence in the Navigational, Measuring, Electromedical, and Control Instruments Manufacturing industry, with almost six times the employment in this category than what is average across the U.S., employment in other biotechnology industries are well below national averages.

Visitor-Hospitality Trade and Commerce

To say that the tourism industry in the City of Scottsdale is significant would be an understatement. The city hosted an estimated 8.9 million visitors in 2012, with an economic impact of approximately \$3.39 billion. Scottsdale received a fiscal return of about \$1.39 from visitors for every \$1 spent in operating costs in 2012/13. Bed tax revenues contribute tremendously to the City's ability to continually reinvest in the signature events, arts and cultural amenities that contribute to Scottsdale's attractiveness to visitors. Scottsdale's bed tax revenues totaled \$13,207,414 in 2012, up 0.9 percent from 2011, and shows continued positive trends in 2013. In the past decade, the bed tax has generated more than \$93 million in revenue for the City of Scottsdale. Visitors to Scottsdale are generally of a more affluent background. The typical overnight leisure traveler to Scottsdale is 58 years old with a median household income of \$96,300, according to Behavior Research Center's 2012 City of Scottsdale Visitor Inquiry Study. The top 10 activities enjoyed most frequently by Scottsdale visitors include (in order): dining, shopping, visiting downtown Scottsdale, day trips, Native American arts & culture, Western culture & attractions, outdoor desert activities, night life, golf, spa/rejuvenation, and overnight trips to other locations in Arizona.





2013 VISITOR - HOSPITALITY SECTOR SNAPSHOT

Total Arizona Employment	164,735
Total Phoenix MSA Employment	114,720
Total Scottsdale Employment	19,572
Arizona Average Earnings Per Worker	\$33,189
Phoenix MSA Average Earnings Per Worker	\$38,629
Scottsdale Average Earnings Per Worker	\$27,920
Arizona Industry Growth (2002-2013)	13.9%
Phoenix MSA Industry Growth (2002-2013)	15.8%
Scottsdale Industry Growth (2002-2013)	13.8%
Arizona Establishments	4,211
Phoenix MSA Establishments	2,559
Scottsdale Establishments	439
Scottsdale Share of Phoenix MSA Employment	11.9%
Arizona Location Quotient	1.09
Phoenix MSA Location Quotient	1.08
Scottsdale Location Quotient	1.58

Source: EMSI 2013.

For Scottsdale, 2013 employment in the Visitor - Hospitality Sector was 19,572 across 439 establishments, representing an employment increase of 13.8 percent between 2002 and 2013. Scottsdale contains 11.9 percent of the Visitor - Hospitality Sector jobs located within the Phoenix MSA.⁵⁰ Scottsdale's location quotient for the Visitor - Hospitality Sector is 1.58, higher than both the state and the region. This number also indicates that Scottsdale has a higher employment concentration in the Visitor - Hospitality Sector than other communities across the U.S.⁵¹

Major Destination Events

- ◆ March is Spring Training month in the Valley of the Sun. The San Francisco Giants Spring Training home is in the Scottsdale Stadium, located in Scottsdale's vibrant downtown. A short drive north, the Colorado Rockies and Arizona Diamondbacks play at the Salt River Fields at Talking Stick, along Scottsdale's border with the Salt River Pima-Maricopa Indian Community.
- ◆ Barrett-Jackson Collector Car Auction, host of the World's Greatest Collector Car Auctions, was founded and maintains its headquarters in Scottsdale. Barrett-Jackson kicks off its season each year with the Scottsdale auction - a weeklong event that should not be missed.
- ◆ Scottsdale is home to the Greatest Show on Grass - the PGA's Waste Management Phoenix Open - which is held each year at TPC Scottsdale, a course that was created through an innovative partnership between the City of Scottsdale and the PGA.
- ◆ Scottsdale's Arabian Horse Show is an event like no other, bringing together majestic horses and the people passionate about them at WestWorld of Scottsdale.
- ◆ At the annual Parada del Sol, Scottsdale gets back to its Old West roots with a rodeo and one of the nation's oldest parades.
- ◆ The Scottsdale Culinary Festival is a gastronomical extravaganza of eats, drinks and everything that goes with them.
- ◆ The Russo and Steele Collector Automobile Auction holds its Scottsdale event annually in a highly personal experience in an intimate environment. The event specializes in European sports cars, American muscle cars, hot rods and customs.
- ◆ The Fiesta Bowl is held in the Valley annually with activities in Scottsdale including parties, pep rallies and The Ellie & Michael Ziegler Fiesta Bowl Center & Museum located in the heart of Downtown Scottsdale.

Higher Education Sector

*"The best employers the world over will be looking for the most competent, most creative and most innovative people on the face of the earth and will be willing to pay them top dollar for their services. This will be true not just for top professionals and managers, but up and down the length and breadth of the workforce."*⁵²

The global race for talent has accelerated rapidly in the past five years despite persistent geopolitical and economic disruptions across the world. Nations on all continents are ramping up their investments and endeavors to participate and succeed in the quest to produce the most educated and job-ready talent. The world's rapidly expanding middle class and improving educational attainment are driving a fundamental shift in the global talent pool.⁵³ While working-age populations in developed economies such as the U.S. will decrease, many emerging economies are producing just as many, if not more, college-educated workers than in established markets.⁵⁴

The bottom line: advanced economies - including the U.S. - will be producing too few of the educated workers that global business requires, and too many with only high school or vocational training. This supposition is borne out by Georgetown University research in the past four years: the United States has been under-producing workers with postsecondary education since the 1980s, and the problem is becoming even more acute.⁵⁵

Globalization and advances in technology have caused dramatic changes in the structure of work, which in turn has driven an equally dramatic increase in the demand for higher education. New occupations are emerging, while others are disappearing. Within each occupation, required skills and competencies are evolving, as the knowledge content of production processes and services accelerates.

Global demand for more college educated workers will continue to increase dramatically because of the rapid rise in skill requirements for existing jobs and those yet to emerge. Cultivating, developing, retaining and recruiting talent has become one of America's most important economic development imperatives. This imperative is all the more crucial for the U.S.' competitiveness, and has direct bearing on the ability of American states and cities - including Scottsdale - to retain and grow 21st century employment and business opportunities.



2013 HIGHER EDUCATION SECTOR SNAPSHOT

Total Arizona Employment	39,907
Total Phoenix MSA Employment	30,018
Total Scottsdale Employment	2,257
Arizona Average Earnings Per Worker	\$53,402
Phoenix MSA Average Earnings Per Worker	\$54,084
Scottsdale Average Earnings Per Worker	\$54,924
Arizona Industry Growth (2002-2013)	132.7%
Phoenix MSA Industry Growth (2002-2013)	154.0%
Scottsdale Industry Growth (2002-2013)	61.4%
Arizona Establishments	1,695
Phoenix MSA Establishments	1,205
Scottsdale Establishments	181
Scottsdale Share of Phoenix MSA Employment	7.5%
Arizona Location Quotient	1.02
Phoenix MSA Location Quotient	1.20
Scottsdale Location Quotient	0.86

Source: EMSI 2013.

For Scottsdale, 2013 employment in the higher education sector was 2,257 across 181 establishments, representing an increase of 61.4 percent between 2002 and 2013. Scottsdale contains 7.5 percent of the Higher Education Sector jobs located within the Phoenix MSA.⁵⁶ Scottsdale's location quotient for the Higher Education Sector is .86, significantly lower than both the state and the region. This number also indicates that Scottsdale has a lower employment concentration in higher education than other communities across the U.S.⁵⁷ However, Scottsdale has higher employment concentrations in the following categories: Private Technical and Trade Schools (LQ = 6.30), Private Business Schools and Computer and Management Training (LQ = 2.00), and Other Private Schools and Instruction Services (LQ = 1.41).⁵⁸

Higher education represents a growth industry for Arizona and the Greater Phoenix region. Employment growth over the past decade is in the triple digits. Private education facilities and support services follow the population and there has been a concerted effort on the part of the state and a number of municipalities in the Phoenix MSA to attract new higher educational institutions. The City of Scottsdale, while having impressive employment growth in this sector over the past decade, trails both the state and metro area in employment within this sector.



SECTION 6: AN ECONOMIC DEVELOPMENT STRATEGIC FRAMEWORK FOR SCOTTSDALE

To ensure that an ambitious but attainable economic development strategy is launched and realized over the next five years, it is important that the City of Scottsdale's framework is grounded in guiding principles that will serve as the foundational underlayment and will provide continuity for these endeavors:

Guiding Principles for Scottsdale's Economic Development Strategy

- ◆ Exemplifies the City of Scottsdale's collaborative ethos and practice.
- ◆ Builds on Scottsdale's abundance of existing assets and advantages.
- ◆ Identifies economic and entrepreneurial development opportunities that are compatible with and honor Scottsdale's existing economic drivers, employers and built environment.
- ◆ Commits to a multi-year, long-term horizon.
- ◆ Aligns the entire City - internally and externally - to a common definition, direction and priorities.
- ◆ Leverages economic development within the City's considerable investments in the community's quality of life and visitor - hospitality sector.
- ◆ Assures accountability with clearly articulated goals, indicators and metrics.
- ◆ Focuses on strengthening Scottsdale's economic sustainability and durable competitive advantage over the long-term.

Recommended Economic Development Strategic Initiatives

To ensure an effective economic development strategy for the City of Scottsdale that yields desirable results over time, it is important that the strategy and its implementation plan are grounded in these guiding principles. Equally important is the need for the Scottsdale City Council to provide the essential leadership and sustained commitment that is required. The City Manager, likewise, plays a pivotal role in ensuring that Scottsdale's economic development strategy is advanced and implemented. Many City departments have a direct role in and/or impact on Scottsdale's economic development, and need to be fully engaged in and evaluated for their contributions to Scottsdale's economic development. This focus and commitment needs to emanate from the top, and that begins with the Scottsdale City Council, with the City Manager driving the implementation and ensuring accountability. The Scottsdale Economic Development Department has a central role in many of these goals and objectives, and while in a re-building mode, is fully capable of delivering on this strategy.

Equally important will be the leadership required from the City of Scottsdale to both guide and galvanize the myriad partners engaged in the City's economic development, all of whom have a vested stake in Scottsdale's economic success and well-being. Fully leveraging and maximizing the considerable resources of Scottsdale's partners, and ensuring that their missions are aligned with the strategic vision and goals of the Scottsdale City Council, is a fundamental dynamic for Scottsdale's economic development success.

As the goal of this strategy is to *elevate, enhance and ensure Scottsdale’s sustained desirability as a place in which to live, learn, do business, work, recreate and visit*, the strategic recommendations are based on time-tested and proven approaches. Following is an action agenda with major goals and objectives for Scottsdale’s economic development framework.

SCOTTSDALE’S ECONOMIC DEVELOPMENT STRATEGIC PLAN

ACTION

1. Retain and grow existing economic drivers and employers.

- a. Provide opportunities for Mayor and Council involvement in continued regular outreach to Scottsdale’s existing employers.
- b. Engage citizens, business executives, founders and owners in City deliberations about policies and programs that impact them, such as ways in which the permitting and development process can become more user-friendly, and implement when appropriate.
- c. Continue to assist existing and new businesses—large and small—to address and satisfactorily resolve challenges that may impede the retention and expansion of their business operations in Scottsdale, such as local and state tax rates and other legislative regulations.

2. Through local, regional and state partnerships and collaboration, support efforts that will enable Scottsdale’s present and future employers to cultivate, retain and attract the talent that they need.

- a. Encourage the City of Scottsdale’s public, private and educational sector stakeholders to be active participants in talent and workforce development programs – local, regional and state.
- b. Encourage business and civic organizations to support the highest quality public K-12 education in the City of Scottsdale, recognizing that the development of a talented workforce begins in early childhood years extending through primary, secondary and postsecondary education.
- c. Ensure that the interests of Scottsdale’s citizens and businesses—small and large—are addressed in regional and state-level talent and workforce development programs.
- d. Partner with the Scottsdale Chamber and other groups to develop a “Scottsdale Welcomes You” outreach program to immediately engage new professional recruits and their spouses in community activities, boards and commissions that are in alignment with their personal interests and passions.
- e. Connect with young professionals’ organizations in the City to ensure that they are knowledgeable about Scottsdale’s economy, community and business/employment base.

ACTION

- f. Honor and demonstrate respect for diversity of all types.
- g. Expand existing and attract new postsecondary educational offerings in Scottsdale, proximate to major employment centers in the City:
 - i. Work closely with Scottsdale's public, charter and K-12 schools, Scottsdale Community College, Maricopa Community College District, state universities and other regional higher educational institutions to ensure that they are full participants in the City's economic development and are addressing the talent needs of Scottsdale's employers.
 - ii. Target and recruit specialized, premier postsecondary educational institutions that provide the best undergraduate and graduate degree programs in alignment with the present and future talent needs of Scottsdale's existing employers.

3. Invest in and strengthen present and future employment and business centers.

- a. Scottsdale Airpark Vision - In 2019, the Scottsdale Airpark area has regained its ranking as one of Greater Phoenix's top 3 employment centers, with a broad range of competitive, successful firms and enterprises that are leaders in their respective sectors nationally and globally. To achieve this:
 - i. Increase investment and leverage the marketing of the Scottsdale Municipal Airport and business location opportunities in the Airpark, to attract new and retain and grow employers already in the area.
 - ii. Connect with existing Airpark employers to ensure that their potential expansion and growth will remain in the Airpark.
- b. Downtown Scottsdale Vision - In 2019, Downtown Scottsdale has morphed from a medley of distinct areas in various stages of transition into a downtown with a thriving menu of offerings comprising the single most attractive Arizona destination for visitors, local resident entertainment, and technology and advanced business services firms and employees. To achieve this:
 - i. Support the creation of an improvement district for enhanced municipal services in Downtown Scottsdale, which will provide important tools and resources on par with other successful downtowns across the nation.
 - ii. Consider charging the Economic Development Department to develop a retail retention/attraction strategy, focusing on unique, specialized offerings; this strategy should also include a collaborative plan to work with the Gallery District to identify the potential/need to attract artists and art collectors or other tenants in the arts or culture medium.

ACTION

- c. McDowell Road Corridor Vision - In 2019, the McDowell Road Corridor is a thriving, top destination for new and young enterprises - as well as established market leaders - in emerging technologies. The McDowell Road Corridor is synonymous with where great ideas and innovations are born - a boulevard of big ideas - and is anchored by SkySong, Maricopa Community Colleges and other higher education institutions, teeming with startups, young firms, inventors and executives who value the synergy that has been created with the concentration of these activities. The area offers unique, neighborhood boutique retail services that serve the influx of new, young knowledge workers, their families and students. To achieve this:
- i. Identify and explore the deployment of other best practices/tools that have catalyzed the successful revitalization of older commercial corridors.
- d. Cure Corridor Vision - In 2019, the Cure Corridor enjoys a national and international reputation as a leading location where cutting-edge research, clinical trials, personalized medicine and health care delivery are seamlessly intersecting. Medical tourism is an important economic activity as more and more individuals and institutions learn about the offerings and resources of the Cure Corridor. Existing firms as well as new startups are thriving in the Cure Corridor, and are working collaboratively to succeed in their own business as well as to promote the Cure Corridor brand to attract research dollars, investment, more startups and top scientific and professional talent. To achieve this:
- i. Continue to work with Mayo Clinic in their endeavor to establish the Mayo Medical School in Scottsdale.
 - ii. Engage the institutional and corporate leaders and founders in Scottsdale's bio-life sciences sector to further define the Cure Corridor brand, and to formalize a platform for convenings to share information about their location and expansion needs and challenges.
 - iii. Establish a focused entrepreneurship program that is devoted to technologies and products that are in alignment with the resources of the Cure Corridor.
 - iv. Using the Cure Corridor "brand", develop a marketing program to effectively differentiate and promote the Cure Corridor to high quality medical and health related institutions, entrepreneurs and firms.
 - v. Continue to advance Scottsdale's leadership position in the bio-life sciences sector regionally and nationally with active collaboration and engagement in organizations that are promoting this sector, e.g., Flinn Foundation, Arizona Bioscience Road Map Task Force, GPEC, Arizona Commerce Authority, AZ BioIndustry Association.

ACTION

- e. State-Owned Land at 101 and Scottsdale Road Vision - In 2019, this area of the community has been planned as a signature corporate campus and is soon to announce the location decision of a “trophy” corporate headquarters that will be establishing its North American headquarters operation in Scottsdale at this location. Leading firms and developers around the nation are excited about the location prospects for this site, because it is the only site in the Greater Phoenix marketplace—and perhaps the Southwest U.S.—that can be developed as a corporate headquarters center replete with high quality amenities, including retail, dining and entertainment. The top colleges and universities in the U.S. and world are seeking to establish a presence within this campus setting to educate, train and produce the executive, management, professional and technical talent that these national and global firms will need. To achieve this:
 - i. Make working with the State Land Department a priority to address and resolve issues impeding future development and the achievement of the vision for the area. This will require significant and consistent City Council and staff leadership and commitment over time.

4. Working with local, regional and state partners, elevate Scottsdale’s engagement in the national and international economic development arena.

- a. Become the “go to” and central point of contact for Scottsdale’s existing employers—including entrepreneurs and firm founders—who are seeking to remain, expand and grow in Scottsdale. Engage other City departments to ensure that they understand and support the role of the economic development team.
- b. Intensify business appreciation, retention and expansion activities and internal lead generation strategies.
- c. Develop a marketing and communications strategy that is targeted to key decision-making audiences that impact/influence business expansion, location and startup decisions.
- d. Actively communicate Scottsdale's business investment opportunities to targeted firms, editorial boards and other decision influencers:
 - i. Conduct independent visits to firms in the U.S., while also continuing to participate in GPEC and ACA missions.
 - ii. Conduct independent visits to editorial boards and key decision-influencing industry and professional organizations that are in alignment with Scottsdale’s primary targeted sectors.
 - iii. Participate in partner outreach to targeted markets in Canada, focusing on firms for FDI and Canadian media, leveraging the Canada Arizona Business Council and Canadian Consulate General.

ACTION

5. Build a Scottsdale business location brand on par with Scottsdale's tourism brand.

- a. Strengthen collaboration with all stakeholders who have a vested interest in the success of the visitor and hospitality industry - ensure that the established tourism organizations are actively supporting Scottsdale's economic development agenda, and vice versa.
- b. Leverage City investments in tourism and hospitality to include Scottsdale business messages geared to executives and entrepreneurs who visit the city.
- c. Develop and produce high quality materials that convey the Scottsdale business image and case for doing business in Scottsdale.

6. Grow and attract quality firms and jobs - domestic and global in targeted sectors.

- a. Technology and Innovation: Information, Communications and Technology, and Entrepreneurs and Emerging Enterprises.
- b. Bio-Life Sciences: Medical Research, Health Care, Medical Tourism.
- c. Advanced Business Services: Corporate and Divisional HQ, Financial Services, Insurance Services and Shared Services.
- d. Visitor/Hospitality Commerce and Trade: Resorts/Hotels, Retail, Attractions.
- e. Higher Education Institutions.

SECTION 7: ECONOMIC DEVELOPMENT PROGRESS INDEX: METRICS AND INDICATORS

Economic development is not a science, but it is a well-established profession and practice in the U.S. Many communities have developed indicators that are measurements of the well-being of their citizens and the competitiveness and sustainability of their economic base. Others have adhered to focusing only on 20th century metrics, e.g., jobs generated, tax revenues generated, etc.

Scottsdale is a sophisticated community, with public and citizen leadership that is well-schooled, intelligent and committed to accountability. Economic development is but one of many activities of the City Government, yet it captures - and deservedly so - a very high level of focus and deliberation.

As suggested in the recommended Strategic Framework, Scottsdale's economic development endeavors are not the sole responsibility of the City's Economic Development Department. The Scottsdale City Council's Organizational Strategic Plan goals all directly impact the community's economic development. Every City department has a role in realizing these goals, and the entire City Government needs to take stock of how it impacts and achieves Scottsdale's economic development strategic framework and action agenda.



Given that all members of the Scottsdale City Government, from the elected leadership to staff throughout the organization, are contributors to Scottsdale's economic development achievements, we recommend that the following indicators be adopted to track Scottsdale's economic development progress. Additional metrics are offered specifically for the Economic Development Department and follow below.

City of Scottsdale Government Indicators/Metrics

Business Climate

- ◆ Net new firms established
- ◆ Growth in number of establishments in targeted sectors
- ◆ Cost of doing business
- ◆ Relative tax burden - corporate and personal
- ◆ Job growth rate
- ◆ Actual turnaround time improvements for development projects
- ◆ Annual Survey of Business Friendliness of Firms/Developers Doing Business in Scottsdale
- ◆ Net New Firms Established
- ◆ Internet connectivity
- ◆ Number of high speed broadband providers
- ◆ Number of commercial Internet domain names
- ◆ Women and minority-owned firms

Quality Of Life

- ◆ Per capita income
- ◆ Median household income
- ◆ Volunteerism⁵⁹
- ◆ Fitness/Health⁶⁰
- ◆ Gallup and Harris polls on QOL/Livability
- ◆ Healthcare and number of acute care hospitals, including rankings of hospitals

Workforce

- ◆ Unemployment Rate
- ◆ Average Wage Growth
- ◆ Local employers' ratings of workforce
- ◆ Labor force participation rate
- ◆ Average earnings per job
- ◆ Average wage growth
- ◆ Local employers' ratings of workforce
- ◆ Utilization of workforce development programs by Scottsdale employers
- ◆ Ratings of workforce development programs

- ◆ Creative talent - number of workers employed in STEM occupations and # of residents with STEM degrees
- ◆ Share of foreign-born talent in STEM occupations
- ◆ Percentage of the population in the 25-34 year old cohort with at least a four-year degree
- ◆ Share of workforce employed in high tech and knowledge based industries
- ◆ In-Migration as a share of population change
- ◆ Percentage of college educated workers and number of degrees granted - 2, 4 and graduate degrees
- ◆ Percentage of college educated residents and number of degrees granted - 2, 4 and graduate degrees
- ◆ High School Drop Out Rates
- ◆ Changes in ACT/SAT Scores

Education

- ◆ Changes in high school graduation rates and technical training certification
- ◆ High school graduation rates
- ◆ Changes in ACT/SAT Scores
- ◆ Percent of high school students proficient in math and reading based on standardized tests
- ◆ U.S. News College Readiness Index
- ◆ Share of adult population currently enrolled in higher education

Entrepreneurship and Young Emerging Enterprises

- ◆ Small Business Formation and Stats
- ◆ Venture Capital Invested in Scottsdale Firms
- ◆ Number of Patents Issued to Scottsdale Firms
- ◆ Value and number of IPO's

City of Scottsdale Economic Development Department Metrics

Employment Generating

- ◆ Prospects Generated
 - » Inquiries Generated/Received - need to track sources
 - » Leads Generated/Received - need to track sources
 - » Leads Converted to Prospects - need to track sources
 - » Prospects Generated - need to track sources e.g., ACA, GPEC, SEDD, Networks
- ◆ Existing Companies Visited, and In What Industry
- ◆ Visits to AZ and Out-of-State Headquarters/Parent Firms of Scottsdale Employers
- ◆ Young Enterprises Contacted/Visited
- ◆ Increase in Prospect Portfolio - Active, Inactive, Locates
- ◆ Expansions Assisted

- ◆ Retentions Assisted
- ◆ Number of Jobs Retained by Firms Assisted by SEDD
- ◆ Number of Jobs Created by Firms Assisted by SEDD
- ◆ Average Salaries of Jobs Retained/Created
- ◆ Total Private Capital Investment Invested by Firms Assisted through SEDD
- ◆ Retail Projects Assisted
- ◆ Retail Projects Developed
- ◆ 5-Year Economic Impact of All Projects Assisted through SEDD

Redevelopment/Revitalization

- ◆ Number of Projects Committed with SEDD Involvement
- ◆ Private Capital Investment Committed
- ◆ Leverage Ratio of City Dollars to Private Dollars
- ◆ Increase in Property Values/Taxes of the Project Site(s)

Sites & Infrastructure

- ◆ Occupancy/Vacancy Rates for Retail, Office and Industrial Space

Strategy Implementation

- ◆ Tracking of Strategy Initiatives - inputs and outputs
- ◆ Milestones Achieved

SECTION 8: NEXT STEPS FOR SCOTTSDALE'S ECONOMIC DEVELOPMENT DEPARTMENT

In the economic development realm, much work is on the horizon for the City of Scottsdale. Executing the recommended framework will require strong and consistent commitment and leadership from the Mayor and Scottsdale City Council, City Management, City Departments and the community's many business, civic, and educational partners. Realizing this strategic plan also will require an alignment of priorities among Scottsdale's primary economic development partner organizations.

One of the most important requirements to successfully execute this strategy will be to appropriately designate responsibility and accountability to all of those agencies, organizations and individuals who will have a direct role in implementing the recommended initiatives that have been presented.

For the Scottsdale Economic Development Department, an administrative memorandum has been prepared and submitted to the City Manager and Economic Development Director for their review. With a more streamlined focus, the Scottsdale Economic Development Department is being re-energized and is undergoing a rebuilding process as well. Accordingly, it was both appropriate and timely to clarify the vision, mission and role of Scottsdale's Economic Development Department. Advanced preparation exercises were developed and a worksession engaging all economic development staff was held to discuss and develop the department's vision and mission.

Scottsdale Economic Development Department: Vision for 2019

The Scottsdale Economic Development Department ranks among the nation's leading, best-of-class organizations and is recognized for its significant contributions to Scottsdale's quality of life, economic prosperity and global brand through its:

- ◆ High performing, certified professionals.
- ◆ Innovative, focused and solutions-driven approaches to support business and economic growth.
- ◆ Collaborative, proactive engagement of local, regional and state partners in Scottsdale's economic development.

Scottsdale Economic Development Department: Mission

Although the mission of the Economic Development Department will evolve and change with the potential Scottsdale City Council adoption of this strategic framework, it is important to note that the organization's leader and staff have a very clear sense of purpose and mission. In the last five years, partially due to the discontinuity of City Management, staff turnover and the economic downturn, the Scottsdale Economic Development Department has operated from a predominantly "reactive" mode as opposed to a "proactive" mode. Today, circumstances are very different, and moving forward, the organization's stance has to be one of a catalyst for positive change and new initiatives that will bring this strategy to fruition. A new mission statement will be developed once the Scottsdale City Council reviews and decides upon this strategic framework.

Collaboration with Partners

Every successful economic development department or organization has a well-developed network of mutually beneficial partnerships. No single organization can effectively capitalize on the broad range of opportunities and or address the many challenges that characterize economic development. For Scottsdale, it is vitally important to continue to strengthen existing partnerships as well as expand relationships, collaboration and cooperation with new partners to realize the City's ambitious economic development goals.

Scottsdale Area Chamber of Commerce - the City should work with the Chamber to help the organization become the "go-to" organization in Scottsdale for small business development and assistance.

Scottsdale Convention and Visitors Bureau - the City should ask the CVB to more effectively leverage its programs and resources to ensure that the Scottsdale business message is fully integrated into the organization's outreach and marketing. Both the CVB and Economic Development Department should work as a team to promote Scottsdale to out of state markets, media and decision-makers.

SkySong - the City has yet to fully capitalize on this unique resource, which increasingly is becoming known nationally and internationally as a highly successful incubator and nexus for innovation. Additional work is needed to identify specific ways in which SkySong and the Scottsdale Economic Development Department can work more closely together to maximize the City's investment in SkySong.

Salt River Pima-Maricopa Indian Community - the City has a long-standing relationship with the Salt River Pima-Maricopa Indian Community, which enjoys a Scottsdale address and which also is a significant contributor to the visitor-tourism destination venues for Scottsdale. The Salt River Pima-Maricopa Indian Community should be actively engaged in the City's tourism programs and economic development planning.

Greater Phoenix Economic Council - the City already is an active participant in this regional organization. Scottsdale should continue its involvement and capitalize on GPEC's strategic marketing initiatives - nationally and globally - as well as the organization's expansive network of regional relationships. Scottsdale's increased engagement in regional collaboration and cooperation beyond economic development matters is strongly encouraged.

Arizona Commerce Authority - the City could greatly benefit from a closer working relationship with the ACA, especially in terms of its marketing and outreach, joint advertising and other programs. Most especially, ACA's Innovation Challenge and other entrepreneurship and innovation endeavors should be fully integrated into Scottsdale's entrepreneurship offerings.

Other Partners - there are many organizations, especially in the entrepreneurship space, that seek to have City involvement and support, e.g., Tallwave and BioAccel. The City of Scottsdale should support these organizations by recognizing the important roles that they play in building the region's and city's entrepreneurship ecosystem.

¹International Economic Development Council, Economic Development Reference Guide. http://www.iedconline.org/clientuploads/Downloads/IEDC_ED_Reference_Guide.pdf.

²For purposes of this analysis, while the Information Technology and Communications Sector is a key component for the Advanced Business Services Sector, opportunities in the ITC sector are addressed in a separate report.

³A location quotient (LQ) is a method for quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a city or region as compared to the nation. The location quotient (or LQ) helps to identify a particular strength or point of differentiation for a community. It represents a ratio that compares the City of Scottsdale to a larger reference - the Greater Phoenix region, State of Arizona and U.S. For Scottsdale, we have utilized the LQ to quantify the relative concentration of key economic sectors. All LQs are viewed in the context of the U.S. average of 1.

According to the EMSI, the location quotient “tells a much different story than merely job numbers or job growth. Industries with high LQ are typically (but not always) export-oriented industries, which are important because they bring money into the region, rather than simply circulating money that is already in the region (as most retail stores and restaurants do). Industries which have both high LQ and relatively high total job numbers typically form a region’s economic base. Economic developers and government officials need to pay particular attention to these industries not only for the jobs they provide, but also for their multiplier effect - the jobs they create in other dependent industries like retail trade and food services”.

⁴EMSI, “Industry Regional Comparison - Corporate Headquarters”. 2013.

⁵EMSI, “Industry Regional Comparison - Corporate Headquarters”. 2013.

⁶EMSI, “Industry Regional Comparison - Corporate Headquarters”. 2013.

⁷EMSI, “Industry Regional Comparison - Financial Services”. 2013.

⁸EMSI, “Industry Regional Comparison - Financial Services”. 2013.

⁹EMSI, “Industry Regional Comparison - Financial Services”. 2013.

¹⁰EMSI, “Industry Regional Comparison - Insurance Services”. 2013.

¹¹EMSI, “Industry Regional Comparison - Insurance Services”. 2013.

¹²EMSI, “Industry Regional Comparison - Insurance Services”. 2013.

¹³EMSI, “Industry Regional Comparison - Insurance Services”. 2013.

¹⁴EMSI, “Industry Regional Comparison - Insurance Services”. 2013.

¹⁵EMSI, “Industry Regional Comparison - Shared Services”. 2013.

¹⁶IBID.

¹⁷IBID.

¹⁸EMSI, “Industry Regional Comparison - Shared Services”. 2013.

¹⁹Information, Communications, and Technology (ICT) can also be known as Information and Communication Technologies. It is similar to the Information Technology (IT) but is focused primarily on communication technologies or the access of information through telecommunications. This includes the Internet, wireless networks, cell phones, and other communication mediums. Source: TechTerms.com, “ICT”. 2014. <http://www.techterms.com/definition/ict>.

²⁰EMC Corporation, “New Digital Universe Study Reveals Big Data Gap: Less than 1% of World’s Data is Analyzed; Less than 20% is Protected”. <http://www.emc.com/about/news/press/2012/20121211-01.htm>

²¹EMC Corporation, “New Digital Universe Study Reveals Big Data Gap: Less than 1% of World’s Data is Analyzed; Less than 20% is Protected”. <http://www.emc.com/about/news/press/2012/20121211-01.htm>

²²EMSI, “Industry Regional Comparison - IT/Communications/Data Centers”. 2013.

²³EMSI, “Industry Regional Comparison - IT/Communications/Data Centers”. 2013.

²⁴EMSI, “Industry Regional Comparison - IT/Communications/Data Centers”. 2013.

²⁵EMSI, “Industry Regional Comparison - IT/Communications/Data Centers”. 2013.

²⁶McKinsey: The Power of Many - Realizing the socio-economic potential of entrepreneurs in the 21st century October 2011. http://www.g20yea.com/en/wp-content/uploads/The_Power_of_Many-_McKinsey_Report.pdf.

²⁷McKinsey: The Power of Many - Realizing the socio-economic potential of entrepreneurs in the 21st century October 2011.

http://www.g20yea.com/en/wp-content/uploads/The_Power_of_Many-_McKinsey_Report.pdf.

²⁸World Economic Forum, Global Entrepreneurship and Successful Growth Strategies of Early-Stage Companies, http://www3.weforum.org/docs/WEF_Entrepreneurship_Report_2011.pdf.

²⁹Forum Corporation Website. Retrieved March 22, 2014. <http://www.forum.com/intelligence/strategic-speed.aspx>.

³⁰World Economic Forum, Global Entrepreneurship and Successful Growth Strategies of Early-Stage Companies, http://www3.weforum.org/docs/WEF_Entrepreneurship_Report_2011.pdf.

³¹Kauffman Foundation, Index of Entrepreneurial Activity 1996-2011, March 2012. http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2012/03/kiea_2012_report.pdf.

³²National Venture Capital Association 2013 Yearbook, March 21, 2013.

http://www.nvca.org/index.php?option=com_content&view=article&id=257&Itemid=103.

³³U.S. Small Business Administration, Office of Advocacy. Personal telephone discussion with representatives on March 24, 2014. Data retrieved from Website on March 24. [http://www.sba.gov/sites/default/files/files/dynamic_stmsa\(3\).xlsx](http://www.sba.gov/sites/default/files/files/dynamic_stmsa(3).xlsx).

³⁴Distinguishing between a Firm and An Establishment: According to the U.S. Bureau of Census, an establishment is "a single physical location where business is conducted or where services or industrial operations are performed. (facility). In contrast is the Firm, which is essentially the "parent" company of establishments where there is one or more location. The Census Bureau defines the firm as "a business organization consisting of one or more domestic establishments in the same state and industry that were specified under common ownership or control. The firm and the establishment are the same for single-establishment firms. For each multi-establishment firm, establishments in the same industry within a state will be counted as one firm- the firm employment and annual payroll are summed from the associated establishments (company)". Source: U.S. Census Bureau, Statistics of US Businesses. <http://www.census.gov/econ/subs/definitions.html>.

³⁵Source: Kauffman Foundation, Index of Entrepreneurial Activity 1996-2011, March 2012. http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2012/03/kiea_2012_report.pdf.

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³⁷Flinn Foundation, Arizona's Bioscience Roadmap: 2014-2025 Advancing the Biosciences and Improving Health Outcomes, February 2014, http://www.flinn.org/file/arizona_s_bioscience_roadmap_2014-2025.pdf; Arizona Bioscience Roadmap Progress Report, <http://www.flinn.org/press-room/bio-roadmap-facts>.

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- ⁵⁷EMSI, "Industry Regional Comparison - Higher Education". 2013.
- ⁵⁸EMSI, "Industry Regional Comparison - Higher Education". 2013.
- ⁵⁹As per annual rankings on volunteering and civic life in America published by the Corporate for National and Community Service National Corporation, <http://www.volunteeringinamerica.gov/rankings.cfm>.
- ⁶⁰As measured by the U.S. Center for Disease Control and Prevention's Behavioral Risk Factor Surveillance, <http://www.cdc.gov/brfss/>; American College of Sports Medicine ranks the 50 healthiest and fittest metropolitan areas in the United States, using the American Fitness Index (AFI), <http://www.americanfitnessindex.org/>.

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