



TOURISM RELATED DOWNTOWN ECONOMIC FEASIBILITY STUDY

FOR SCOTTSDALE, ARIZONA

JANUARY 3, 2018



January 3, 2018

Ms. Karen Churchar
Director
City of Scottsdale Tourism & Events Department
7506 E Indian School Road
Scottsdale, AZ 85251

Dear Ms. Churchar:

We have completed the study process and preparation of a Tourism Related Downtown Feasibility Study for the City of Scottsdale. The scope of this Study is broad, encompassing investment concepts tied to enhancing hospitality and commercial density, investments that can build on the arts and culture brand for Downtown, investments that are needed to enhance the resident and visitor experience in Downtown, and organizational structures and resources needed to effectively manage Downtown as an economic asset.

Staff and management within departments throughout the City have been instrumental in undertaking this Study process. Particular acknowledgement is given to Tourism, Planning, Economic Development, Transportation, Scottsdale Arts and representatives from the City Managers office. We sincerely appreciate this assistance and cooperation, as well as the extensive input provided by business owners and other stakeholders that impact or are impacted by the Downtown visitor economy. We would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSLI International

Conventions, Sports & Leisure International

520 Nicollet Mall • Suite 440 • Minneapolis, MN 55402 • Telephone 612.294.2000 • Facsimile 612.294.2045

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1.0 INTRODUCTION

The visitor industry in Downtown Scottsdale plays a vital role in the economic health of the City. Visitors to Downtown inject new dollars into the economy, with only limited use of public infrastructure. Visitor spending then generates net new tax revenue, reducing the tax burden on residents.

At the same time, the competition for visitor industry market share is fierce. Communities throughout the region and around the country, many competing with Scottsdale, continue to invest in assets and amenities that are designed in part to attract visitors. To remain competitive as a destination, the City of Scottsdale has initiated this Tourism Industry Feasibility Study focusing on supportable investments that can be made to maintain and increase visitor industry market share.

An Extensive Research Process

The scope of this Study is broad, encompassing investment concepts tied to enhancing hospitality and commercial density, investments that can build on the arts and culture brand for Downtown, investments that are needed to enhance the resident and visitor experience in Downtown, and organizational structures and resources needed to effectively manage Downtown as an economic asset.

The research foundation of any tourism feasibility study has to be extensive, relying on the input, insight and experience of stakeholders within the market. We have conducted outreach to a wide cross-section of visitor industry representatives, business owners, economic development professionals and elected officials. This research

provides invaluable insight into existing destination strengths and weaknesses, and concepts for investment and initiatives that can help grow the local visitor economy. Specific initiatives undertaken over the past 12 months include the following.

- Conducted over 60 in-market interviews with stakeholders from the public and private sector.
- Led five separate focus groups with Downtown merchant associations.
- Held five town hall meetings attended by the general public to generate valuable input on study findings and recommendations.
- Toured and reviewed existing Downtown Scottsdale destination assets.
- Conducted in-depth walking tours of the Downtown that included significant interaction with local officials and businesses.
- Analyzed extensive data, research and reports on visitor industry assets and performance in Scottsdale.
- Surveyed 50 travel writers from around the country to assess unbiased opinions regarding the Downtown Scottsdale destination.
- Surveyed 200 Downtown merchants, receiving 22 completed responses.
- Conducted case study research in markets throughout the country.
- Held numerous in-market presentations and outreach sessions.

Trends Impacting Downtown Scottsdale

We know that highly sought-after visitor spending is generated by an evolving traveling public. Trends in destination preferences have to be considered in order to make strategic destination investment decisions. Several visitor industry and destination development trends considered as part of this Study are described below.

- “Live Like a Local” Travel – Visitor industry experts around the world have noted that, regardless of age, travelers are increasingly seeking deeper and more personal connections with the places they visit. In a travel trend poll of U.S. travel agents conducted by American Express in 2014, 34 percent of respondents remarked that many of their customers are seeking to immerse themselves in unique and authentic aspects of their travel destinations.
- Interactive – It is less likely that a visitor will be motivated to travel to a destination, extend their stay or return for a future visit if the attractions and assets are more passive versus allowing for direct interaction. This has significant implications for the art/culture, entertainment/festival, culinary and other sectors of the Downtown Scottsdale visitor offering.
- Culinary/Food Tourism – Seeking out authentic food experiences has become an emerging motivator for travel, according to research conducted by TrekkSoft, an international tour operator software company. In a worldwide survey of nearly 150 tour operators, respondents described food markets, tasting sessions, cooking lessons and vineyard/farm visits as growing in popularity.
- Health and Wellness – Health and Wellness Tourism is now an international trend driven by health conscious consumers seeking to enhance their well-being through travel experiences. In 2017, Booking.com found that 40 percent of travelers are interested in a health and well-being travel experience. Hospitality industry responses to this trend include locally sourced menus, improved access to recreational activities such as yoga, and wellness- or fitness-oriented events.
- Mobile/Technology – Visitors are seeking quicker and easier ways to connect with their destinations through mobile experiences. Some destinations have recently added advanced web-based systems that incorporate maps, advertising space, and local event calendars to quickly provide users with the area’s options for food, drink, shopping and entertainment.
- Downtown Residential Growth – According to the U.S. Census Bureau Population Estimates Program, 75 of the 100 largest U.S. cities’ Central Business Districts (CBD’s) have grown in population, and a majority of these markets have also experienced growth within 1- and 3-mile radii from these CBD’s. Due to a number of economic and social changes, empty nesters, young professionals and small families are choosing to live in condensed, walkable downtown neighborhoods.
- Downtown Private Sector Growth – In a 2015 study of 500 companies that moved to downtown locations between 2000 and 2015 conducted by Smart Growth America, the average “Walk Scores” surrounding their offices improved from 52 to 88. These Scores are impacted by the number of shops, restaurants, transportation and other amenities in proximity to a given site. Smart Growth America reports that private firms nationwide are demonstrating a strong preference for the walkability of downtown locations.

- Multi-Modal Streetscapes – The American Transportation Association recently published findings that highlight Millennials as “multi-modal”, meaning they are substantially more willing to bike and/or walk to a given destination instead of driving and parking a car. According to survey results as part of the study, the lower costs and health benefits associated with biking/walking are key drivers of this phenomena. As such, communities with a greater breadth of transportation options are attracting greater shares of young, professional visitors and residents.
- Leveraging Waterfronts – Both large- and mid-sized communities throughout the country have invested in their scenic waterfronts by planning and supporting the development of shopping districts, outdoor restaurants and river walks. Cities such as Grand Rapids (MI), Bend (OR), Pueblo (CO), Reno (NV) and many others have developed extensive plans and zoning adjustments to add riverside cafes, unique retail, gondolas, craft breweries and other assets that build on these invaluable natural assets.
- Downtown Festivals – Cities are increasingly investing in and supporting large scale festivals to promote their destinations to tourists and prospective visitors, and these festivals also serve as an indirect tool for greater strategic economic development purposes. According to research completed by faculty at the University of Massachusetts-Amherst, festivals such as SXSW in Austin (TX) and ArtPrize in Grand Rapids (MI) have encouraged event attendees to move to and/or start a business in these downtown locations.

These and other fundamental visitor industry and economic development trends help to inform and support recommendations presented throughout this Study.

An Existing Product Gap

The extensive research process undertaken as part of this Study has been instrumental in identifying conditions that are central to any future tourism development initiatives. We know that Downtown has a robust gallery base, but this is shrinking due to a variety of factors. There are many unique shops within the Old Town and 5th Avenue areas, but the pedestrian infrastructure can be underwhelming and a sense of “same old” is prevalent. There are several Downtown events, some of which are nationally known, but added event activity will be beneficial to generate an increased customer base. The assets that have supported Scottsdale’s past visitor industry success are now being joined by nightlife and entertainment-based development that is attracting a new audience to Downtown.

It is widely recognized that these conditions have to be addressed and that a do-nothing scenario could lead to a gradual deterioration of the private sector arts and culture landscape in Downtown. The “gap” between the product that Downtown Scottsdale can deliver and the expectations of the customer base will continue to widen. Stakeholders directly impacted by these conditions understand the need to make a course correction to grow the Downtown visitor economy, but there has not been the consensus and resource allocation necessary to make essential changes.

An Evolving Customer Base

We also know that over time the customer base will evolve in terms of age, income, preferences and other highly relevant factors that will impact how the Downtown product must respond. There has been a great deal of discussion among Downtown stakeholders as to who the target customer is: Millennials versus Boomers, or high net worth versus a younger tech-savvy generation.

Straight forward demographic and income statistics suggest that there is no one answer to this target customer question. It is true that the Millennial generation (born between 1979 and 2004) has overtaken the Boomer generation (1946 to 1964) in sheer numbers. It is also true that the Boomer generation has greater disposable income, more time to spend it, and are in a position to inherit trillions of dollars of wealth over the next several years.

According to research published by The Nielsen Company in 2012, Boomers are less likely than previous generations to save, are more tech-savvy, and tend to remain highly active.

To respond to these types of conditions, the target customer path for Scottsdale is then multi-faceted – certainly accommodate the product needs of the emerging customer base (Millennials), but absolutely continue to focus on the needs of the largest spending source (Boomers).

Destination Investment, Growth and Transformation

Incorporating the significant input from key stakeholders, case studies from markets undergoing similar challenges, demographic conditions and a variety of external research efforts, we have developed several concepts for consideration designed to enhance the tourism product in Downtown Scottsdale to better align with the needs of both the current and emerging customer base.

These concepts are organized around three levels of development, consisting of an Improvement Scenario that captures Downtown initiatives that are currently underway, a Growth Scenario that moves forward with initiatives that can be achieved in the near future, and a Transformation Scenario that should be aggressively planned for in order to maintain Scottsdale's prominent visitor industry position domestically and internationally. These Scenarios form the structure for recommendations presented herein, and are captured in the following graphic.



Within this Study, we also provide guidance for City leadership in defining the organizational structures, financial resources and a return-on-investment rational for investing in the visitor industry.

The recommendations presented herein cannot be implemented by a single entity or agency. In fact, participation from a variety of public and private sector entities will be necessary to realize the potential of Scottsdale in the visitor industry economy.

Staff and management within departments throughout the City have been instrumental as part of this Study process. Particular acknowledgement is given to Tourism & Events, Planning, Economic Development, Transportation, Scottsdale Arts and representatives from the City Managers office.

2.0 SUMMARY OF DESTINATION AND VISITOR INDUSTRY RESEARCH

Research is the foundation for any destination planning project. Short and long-term planning decisions will be made or influenced by the recommendations presented herein, and relying on a broad set of primary research unique to the Scottsdale market is critical.

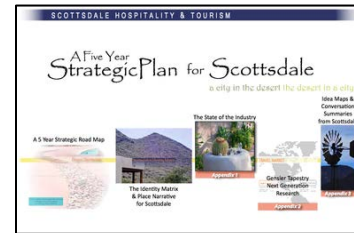
Various initiatives were undertaken to develop primary research from a wide variety of sources, including extensive local stakeholder interviews and focus groups, in-depth review of past research studies and strategic plans, surveys of Downtown merchants to collect input on the state of the area's tourism-related economic landscape, and surveys of national travel writers to gain an outside perspective of the destination.

This research and analysis is drawn on to support the recommendations presented within this Tourism Industry Feasibility Study. A summary of the results generated from various aspects of the research is included within this section.

2.1 Summary of Existing Research

Guidance provided by past research efforts can help validate and in some cases refine study efforts. The formulation of this Study draws in part from research and planning efforts that have been conducted over the past several years by the City of Scottsdale, Economic Development, Experience Scottsdale and various outside consultants.

A Five Year (Tourism) Strategic Plan for Scottsdale



Prepared in 2013 by Places Consulting, the Five-Year Strategic Plan for Scottsdale's tourism and hospitality sectors defines the City of Scottsdale's identity within the evolving tourism industry and proposes strategic initiatives to further develop the area as a visitor destination.

Key priorities featured in the Plan include:

- Enhancing and evolving downtown's vibrancy and economic performance.
- Better positioning the city as a place to live and visit for future generations.
- Developing a marquee "Arizona Central" space in Downtown that will serve as a central hub for visitors and activities.
- Improving transportation to and around the destination, including easing travel from Sky Harbor International Airport and increasing investment in bicycling infrastructure.
- Focusing on developing a more complete destination for visitors, moving away from the city's traditional reputation as a resort-centric destination.

The report also identifies the leadership, processes, infrastructure, agents and systems that would need to be in place to ensure strategic goals can be met.

Downtown Scottsdale Public Space Master Plan



Holly Street Studio Architects, in partnership with Floor Associates, is developing a Public Space Master Plan for Downtown Scottsdale with the primary goal of improving, developing and maintaining the quality of life for the City's residents and visitors.

The Plan provides a framework for creating safe, comfortable, useful and interesting public spaces. Key objectives include:

- Preserve unique Downtown Scottsdale assets.
- Create great public spaces for citizens, visitors and business.
- Plan for future generations and national trends.
- Infuse the Downtown with energy and vitality.
- Build connections between key nodes in Downtown.
- Better position the City as a place to live and visit for future generations.

The Plan stresses the importance of public spaces and Downtown walkability, two elements that are also addressed and built upon in this Study. To achieve these goals, Holly Street Studios proposes an "Emerald Necklace" that would connect several existing and proposed public green spaces in the Downtown, including Canal Convergence Park, Horse Shoe Falls, Loloma and the Civic Center Mall.

Scottsdale Destination Event Feasibility Study



In 2015, the City of Scottsdale hired Webb Management Services, Inc. to prepare a feasibility study for developing a major new destination event in and for the City.

The goal of the study was to identify events that will activate Downtown Scottsdale with increased foot traffic and activities, raise the City's international profile and reputation as a destination, expand tourism into the shoulder season, and reinvigorate the City's positioning within the overall tourism industry.

The Study's research findings highlight the importance of developing a unique experience for today's visitor and event goer, and emphasizes the importance of integrating a large scale event or festival within the authentic fabric of the community. However, the Downtown's lack of large gathering spaces, its disconnect from North Scottsdale, and the lack of corporate base in the area (for fundraising) impact the City's ability to develop a new economically impactful event.

Based on the research that was conducted, Webb Management suggests that Scottsdale could combine events, build on existing events, and/or develop a new event. Several concepts that are proposed include a "Country Music, Food and Drink Festival", a "Cool World Conference", and the "Festival of the Bicycle".

Longwoods Scottsdale 2015 Visitor Report



Commissioned by Experience Scottsdale, The Longwoods Travel USA Scottsdale Visitor Report included extensive research to lend insight into Scottsdale visitor demographics, what is driving their motivation to visit, and how that compares to national travel trends.

Key findings include:

- Total person-trips to Scottsdale grew by 3.1 percent between 2014 and 2015, while total overnight trips grew by only 2.1 percent, less than the national overnight trip growth of 2.4 percent.
- Scottsdale was visited by 4.2 million day trip visitors and 4.4 million overnight visitors.
- 48 percent of overnight visitors to Scottsdale were traveling primarily to visit friends and family, while 35 percent were traveling for leisure.
- Total spending by overnight visitors increased by 11.8 percent from 2014 to \$1.2 billion.
- The top five states of origin for overnight trips to Scottsdale were California, Arizona, Illinois, Colorado and Florida.
- The top five activities engaged in by travelers on overnight trips were shopping, fine dining, swimming, visiting a landmark/historic site, and hiking/backpacking.

Brand Positioning Research and Brand Platform



Experience Scottsdale partnered with Struck to conduct research on perspectives regarding Scottsdale's tourism brand. Results from this analysis outline the core essence of the brand, its points of competitive differentiation, and prospective visitors' motivations.

The research approach incorporated a multi-disciplinary review of the existing brand, interviews of local stakeholders, focus groups involving prospective visitors, and online surveys of past and prospective visitors. Critical findings from this research effort include:

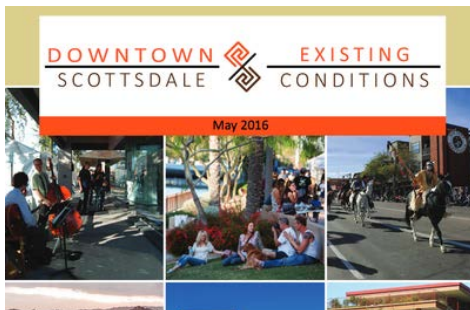
- Consumers were less familiar with Scottsdale than Palm Springs and Phoenix, but more familiar with it than notable destinations such as San Antonio, Santa Fe and Austin.
- More consumers had an intent to visit comparable warm destinations such as Palm Springs, San Diego, Las Vegas, Miami and Phoenix than Scottsdale, but Scottsdale ranked more favorably than Austin, Santa Fe and San Antonio.
- According to surveys of past and prospective visitors, factors that currently differentiate Scottsdale from competitors include the desert, Native American culture, its small town feel, golf, "western" culture and spas.
- Key elements that were cited by past and prospective visitors as lacking in Scottsdale include nightlife, events/activities, diversity, restaurants, and its mix of retail shopping.

A Strategic Plan for Economic Development



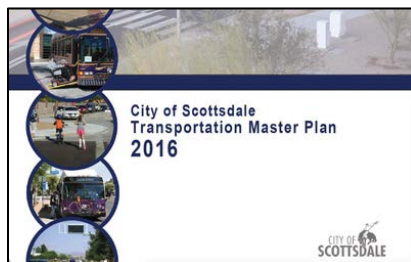
Choose Scottsdale adopted the “Scottsdale, AZ: Elevating Excellence, Promoting Prosperity” in February of 2015 to recalibrate, refine and reenergize the city’s economic development strategies in an evolving national landscape. The Plan includes a SWOT analysis of Scottsdale’s economy, highlighting strengths and opportunities such as the City’s Downtown, destination tourism, and educated/affluent residents; as well as weaknesses and threats such as the divisiveness in local government, lack of developable sites, and lack of young talent. The Plan stresses the importance of attracting more young professionals to the area for the long term prosperity of the City, and identifies the need to build a business brand on par with Scottsdale’s tourism brand.

Downtown Scottsdale Existing Conditions



Prepared by the City of Scottsdale in 2016, the Existing Conditions Report provides insight on the demographics, economics, land use, character, circulation and mobility in Downtown Scottsdale. The report highlights several significant trends and developments that have been occurring in the Downtown area, including the rapid rise in Downtown population over the last five years and the forecast of significant residential development in the short- and long-term future. Several important land use elements are also analyzed, including the land-to-improvement ratios calculated for each Downtown parcel and the construction year of each Downtown building. These data can be helpful in designating specific locations for tourism-related product development in Downtown.

City of Scottsdale Transportation Master Plan 2016



The City of Scottsdale Transportation Department created the Transportation Master Plan in 2016 to update the Plan previously completed in 2008. The Plan provides a guide to serve the residents, visitors and traveling public in Scottsdale and builds on the 2008 Plan’s emphasis on making Scottsdale’s streets safer, more accessible, and more multi-modal. The Plan proposes new (and now current) trolley routes to better serve the growing number of residents and employees in the Downtown area, and it prioritizes the development and enhancement of more bike trails and bike lanes.

In addition to these studies and plans, numerous other past research efforts have been conducted for the Scottsdale market, each with various influences on the future of the area's visitor industry. Many that were in some way helpful to the creation of this Study are listed below:

- Scottsdale CVB Visitor Industry Customer Analysis
- 2015 Downtown Scottsdale Parking Study
- Downtown Scottsdale Character Area Plan
- Downtown Plan – Urban Design and Architectural Guidelines
- 2001 General Plan
- City of Scottsdale Visitor Inquiry Study

Collectively, these as well as many other reports and data sources have provided guidance and foundational support for this Study.

2.2 View From the Stakeholders

The core of any tourism feasibility study has to be based on the input, insight and experience of stakeholders within the market. We have conducted extensive outreach to a wide cross-section of visitor industry representatives, business owners, economic development professionals and elected officials. This research provides invaluable insight into existing destination strengths and weaknesses, and concepts for investment and initiatives that can help grow the local visitor economy. A summary of the extensive outreach process is provided below.

- In-person or telephone interviews with over 60 local stakeholder organizations.

- Five focus group discussions held with the various Downtown merchants groups, including the 5th Avenue Merchants Association, the Old Town Merchants Association, the Scottsdale Gallery Association, Downtown bar ownership/management, and Downtown restaurant ownership/management.
- Five “Town Hall” meetings with the general public to provide input on research findings and preliminary recommendations. Meeting attendance ranged between 20 and 60 attendees for each session.
- Six site visits to discuss key findings with a variety of destination stakeholders.
- In-depth walking tours of the Downtown that included significant interaction with local officials and businesses.

The key findings from this outreach have been segmented into three primary components: headwinds (the challenges faced by the destination, tailwinds (aspects that can propel the Downtown Scottsdale visitor economy), and stakeholder ideas for potential visitor industry development concepts. This research summary is discussed below.

2.2.1 The Headwinds (Challenges)

Fewer Customers/Visitors

A number of Downtown merchants, public officials, City staff and local residents have noticed a drop in overall foot traffic in Downtown. Many business owners, particularly those located in Old Town and 5th Avenue, agreed that they have hosted fewer patrons over the last five years. Others have felt that some parts in the area have experienced

a gradual decrease in overall “buzz” and vibrancy, and that emerging/evolving urban experiences in nearby cities such as Phoenix, Gilbert, Tempe and Chandler are possibly impeding Downtown Scottsdale visitation levels.

Diminishing Arts Brand

Due in part to changes in art-buying trends around the world, the galleries concentrated along Main Street of Downtown Scottsdale have suffered losses in business. Stakeholders note that this has caused an increase in vacancies and a loss in the number of galleries and arts-related businesses in Downtown. Many merchants and other stakeholders highlighted the arts scenes in similar-sized destinations such as Naples (FL), Santa Fe (NM), and La Jolla (CA) as moving ahead of Scottsdale in terms of reputation, and that public and private initiatives should be employed to re-energize the area’s arts brand.

However, other art entities in the City of Scottsdale such as Scottsdale Arts, Scottsdale’s Museum of the West, the Scottsdale Artists’ School and the Cattle Track Arts Compound are highly regarded in the national arts community, and this Study explores various opportunities to unite and synergize these organizations to support the Downtown Arts District.

Lack of “High End” Walking Experience

Downtown Scottsdale and Fashion Square Mall feature a noteworthy inventory of high end retail and restaurant brands, however current conditions relevant to the Downtown pedestrian experience are lackluster. Many areas lack green space, resting areas, public

restrooms and shade, and some noted that many storefronts look dated. A significant number of stakeholders thought that significant investments should be made to beautify and enhance the Downtown walking experience.

Disconnect from Fashion Square Mall

Fashion Square Mall attracts millions of visitors throughout the year and is rated as one of the top destinations for shopping in the country, yet many of these shoppers do not venture into the rest of Downtown Scottsdale. This is partially attributable to a lack of wayfinding and infrastructure to ease travel by foot from the Mall to Downtown, and some stakeholders thought that efforts to further promote the Downtown experience to Fashion Square visitors would be beneficial.

Lack of Large Outdoor Spaces

Many downtown destinations throughout the country have invested in public placemaking to enhance the quality of life for their visitors and residents, as well as to support the development and growth of events and gatherings. However, Downtown Scottsdale lacks large plazas, green spaces and/or courtyards to host large gatherings, and many indicate that the area lacks a central point that heightens the visitor’s sense of place. Current plans to renovate Civic Center Mall and to develop areas along the Arizona Canal could help to address this challenge.

No Dedicated Visitor Transportation Option

Though the City's Transportation Department developed new trolley routes to service the Downtown's growing residential and employment bases, visitors still do not have an easy-to-use transport that quickly connects them to various points of interest in the area such as the Main Street, Old Town, 5th Avenue, Scottsdale Stadium or Fashion Square Mall. Along with wayfinding and pedestrian navigability challenges, the lack of a direct visitor sector trolley route or spine can make it more difficult for visitors to explore the entirety of Downtown.

Disagreement on Special Events

Downtown merchants have protested "tent" sales and events that compete with their businesses and take away foot traffic. At the same time, events, festivals and special programming can be key contributors to vibrant placemaking. It will therefore be important for this Study to identify event opportunities that would support the merchants as well as attract visitors.

Parking

Many residents and merchants alike perceive the lack of available Downtown parking as an important challenge. The Walker Parking Study completed in 2016 generally supports this perception, highlighting a number of parking areas that are at or near capacity on a daily basis. At the same time, some stakeholders suggested addressing the use of prime customer spaces by employees, and creating more sophisticated and informative signage and technology to

manage the existing parking supply. This may limit the need to develop significant new parking inventory.

Lack of Residential Population

Though the Downtown Existing Conditions report indicates a recent increase in the number of people living in Downtown Scottsdale, many stakeholders and local officials believe the area is still not truly a "24/7" environment at the level of other competitive/comparable communities such as Cherry Creek North (CO), La Jolla (CA), or Tempe (AZ). Hospitality businesses in these markets that are critical to the overall visitor experience are therefore supported in part by the number of people that live in the Downtown neighborhood.

Moreover, stakeholders noted that an increased Downtown population would generate more regular foot traffic and vibrancy, which enhance the visitor's sense of place and overall experience. At the same time, many noted that it is important to attract the type of resident and hospitality businesses that are reflective of the high-end Scottsdale brand.

Lack of Large Developable Parcels

Development opportunities in the Downtown area are generally limited to numerous small parcels. This can be conducive to attracting small-scale developments and businesses, however there are few opportunities for the type of development that can attract a significant number of targeted workers or residents reflective of the Scottsdale brand.

2.2.2 The Tailwinds (Strengths)

Not surprisingly, stakeholders offered significant insights into the strengths of the Downtown with respect to the visitor industry. To illustrate these opinions, we have incorporated the results of the interview process into the following word cloud.

Exhibit 2-1
Stakeholder Outreach – Downtown Strengths



Comments focused on traditional mainstays in the Downtown such as Old Town and the galleries, but also newer elements such as Scottsdale's Museum of the West, an emerging culinary scene, the increasing number of Downtown wine bars/tasting rooms and the growing prominence of Canal Convergence. The remainder of this subsection explores these and other Downtown strengths.

World Class Destination Brand

The Scottsdale brand is world class. Supporting this brand is critical to maintaining and growing high end visitor industry market share. Benefitting from the destination brand, Downtown attracts visitors domestically and internationally, hosts major events, is supported by high end shopping, offers high-end resorts and boutique hotels.

Galleries and Unique Retail

Downtown Scottsdale is home to an array of unique, locally owned retail. Art galleries, boutique shops and authentic gift shops help attract drive-in and overnight visitors to the area. It is important to support and market the unique aspects of the existing retail inventory, while at the same time responding to changing customer demographics and preferences.

Scottsdale Arts

Though the Downtown arts "buzz" is described as diminishing by some, Scottsdale Arts has been working to enhance the Downtown arts scene through the Center for the Performing Arts, the Scottsdale Museum of Contemporary Art and its Public Art initiatives. Further, attendance at Canal Convergence (organized by Scottsdale Arts) has grown substantially year over year, drawing visitors both domestically and internationally.

Diverse Hospitality Assets and Districts

Downtown Scottsdale is unique in that it offers several districts that are highly distinguishable from one another. These different neighborhoods provide visitors with a variety of different experiences within the Downtown area.

Developing Canal and Entertainment District Areas

Residential development around the Arizona Canal and Entertainment District have led to an increase in foot traffic and vibrancy in these areas. These areas also include new restaurant, bar and retail options, complimenting the more retro ambiance of the Main Street galleries, 5th Avenue and Old Town.

Fashion Square Mall

Fashion Square Mall is one of the most frequented shopping destinations in the country. This world class asset draws millions of visitors to the market and represents an opportunity to draw foot traffic further into Downtown Scottsdale.

Surrounding Landscape

Downtown Scottsdale's picturesque views of Camelback Mountain and desert landscape in the distance help establish a strong sense of place in the mind of the visitor. In addition to their inherent beauty, they remind visitors and residents that possible outdoor excursions such as hiking or desert exploration are within minutes of Downtown. Many stakeholders noted that this asset should be leveraged more and

expressed a desire to see more Downtown rooftop bars and restaurants.

Emerging Food and Wine Presence

The increase in unique, high end restaurants and wine tasting rooms has drawn national attention. As confirmed by travel writer comments discussed later in this section, these assets are now some of Downtown Scottsdale's biggest draws. Many stakeholders felt that these businesses could be packaged together with other Downtown experiences or businesses including galleries, hotels and events in order to strengthen the high-end Scottsdale experience.

2.2.3 Visitor Industry Development Opportunities

Stakeholders provided significant input into opportunities to improve the visitor industry in Downtown Scottsdale. The word cloud in Exhibit 3-2 below illustrates the various ideas and initiatives referenced by stakeholders.

Exhibit 2-2 Stakeholder Outreach – Ideas/Opportunities for Improvement



As shown, words such as “event”, “space”, “art”, “bike”, “residential”, “restaurants”, and “sidewalks” were frequently mentioned during our interviews, presentations and work sessions. Many of the on-going placemaking and planning efforts underway targeting Downtown Scottsdale are driven by these types of comments.

Some of the more prominent concepts and opportunities referenced by stakeholders are described in more detail below.

- Art/Artists – Infuse the Downtown arts scene with more vitality by including more interactive arts experiences, increasing public

investment in a designated “Arts District”, and developing signature and monumental public art.

- Event/Festival – Address Downtown vibrancy issues with events and festivals. Grow existing events such as Canal Convergence and develop casual daily programming on sidewalks and street corners.
- Open/Space – Create a central gathering point in Downtown to host events and enhance the visitor’s sense of place.
- Connect/Sidewalks/Pocket Parks/Lighting – Enhance Downtown connectivity and navigability with increased investment in the Downtown sidewalk, lighting and resting area infrastructure.
- Restaurants/Wine – Expand Downtown’s restaurant and bar inventory to create a critical mass of unique assets. Commercial development and/or redevelopment would likely be necessary to support significant increases.
- Residential – Increase the Downtown population to better support existing and potential new Downtown retail and dining.

2.3 Street-Level View – Surveys of Downtown Merchants

Working with the City of Scottsdale’s Tourism and Events Department, CSL distributed in-depth surveys to nearly 200 merchants located throughout Downtown. These surveys focused on several key subjects that relate to the economic vitality of the community as well as the potential to improve Downtown’s vibrancy and marketability. In all, 22 responses were collected, primarily from the gallery sector.

The merchants' input is important to developing well informed recommendations for enhancing the downtown Scottsdale tourism product. Collecting their perspectives and advice provides front-line knowledge of the visitor experience in downtown and how it has changed in recent years. They are essentially the eyes and ears of the visitor industry.

Surveyed merchants were first asked to describe the trend in sales at their respective business over the past five years. Half of the Downtown merchants that responded to the survey indicated that they have experienced a downward trend in sales. This correlates with comments made by some local stakeholders and visitors that the Downtown has attracted less foot traffic and/or shopping activity in recent years.

As noted, Downtown art galleries represent a significant portion of overall merchant responses, and the unique challenges to this sector (growing prominence of the online art market, competitive art operations, etc.) impact the survey results. Twenty-seven percent of respondents noted that their sales have gone up over the past five years, while nine percent indicated that sales have varied annually and another nine percent reported stagnant sales over the five-year time period.

Input from merchant groups and many individual business owners suggests that there are significant variations in the level of marketing and merchandising taking place on a business-by-business basis. Stakeholders have noted that business owners that are aggressive and creative in their sales process (including creating a social media presence) tend to outperform businesses that are less aggressive in

these areas. Many stakeholders also note that there appears to be a lack of coordination among various destination businesses and events. There can be a tendency among merchants to view coordination as potentially detrimental rather than creating a greater whole. Concern regarding the maintenance and beautification along key pedestrian corridors has also been registered by stakeholders.

Merchants were also asked to provide input on tactics they believed could increase the visitor driven customer base. Some of the general concepts they suggested are summarized below:

- Develop live music and/or street performances throughout Downtown.
- Increase investment in maintaining and enhancing Downtown storefronts.
- Enhance marketing/exposure of Downtown retail.
- Better establish local retail presence on social media and other internet channels.
- Improve communications between merchants, property owners and the public sector.

2.4 Travel Writer Insight

Electronic surveys were sent to over 500 travel editors, writers and freelancers from throughout the country to gain independent, unbiased perspectives as to the strengths and weaknesses of the Downtown

Scottsdale destination. The survey process resulted in 50 responses from various members of the Society of American Travel Writers.

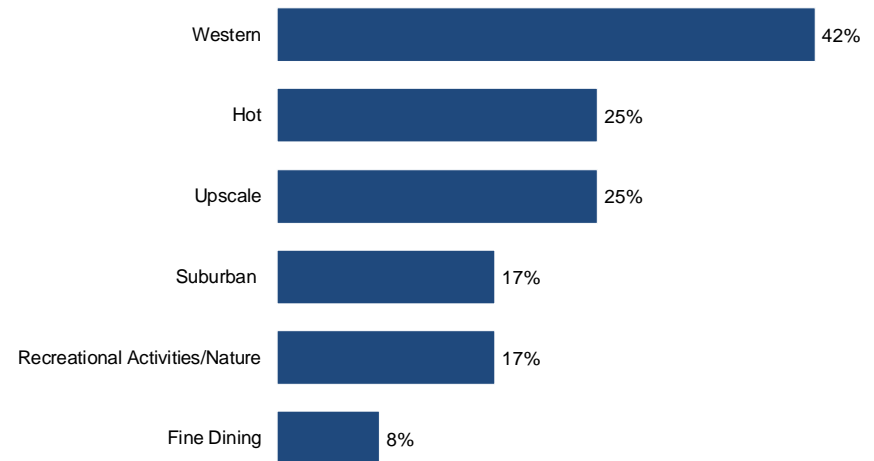
In an effort to collect initial perceptions of Scottsdale and its hospitality industry offerings, travel writers were asked a variety of questions including:

- Have you visited Downtown Scottsdale or are you familiar with the Downtown Scottsdale destination?
- What characteristics define your perception of the Downtown Scottsdale destination?
- What authentic characteristics or experiences could/should be marketed within the Downtown?
- What do you perceive as the strengths of Downtown Scottsdale?
- What do you perceive as challenges to Downtown Scottsdale?

Respondents with a familiarity of Downtown Scottsdale generally refer to its western culture, the hot climate, and its reputation as an upscale City with luxury retail and restaurant amenities.

Overall responses are summarized in the following exhibit. Note that respondents could register multiple perceptions, therefore the percentages for the various responses do not add to 100.

Exhibit 2-3
Travel Writer Survey – Perceptions of Downtown Scottsdale



As shown, 42 percent of respondents included references to Scottsdale's western atmosphere when describing their perceptions of the Downtown. Twenty-five percent noted its heat, and another 25 percent commented on its upscale image. Seventeen percent of writers noted the City's identity as a suburb of Phoenix.

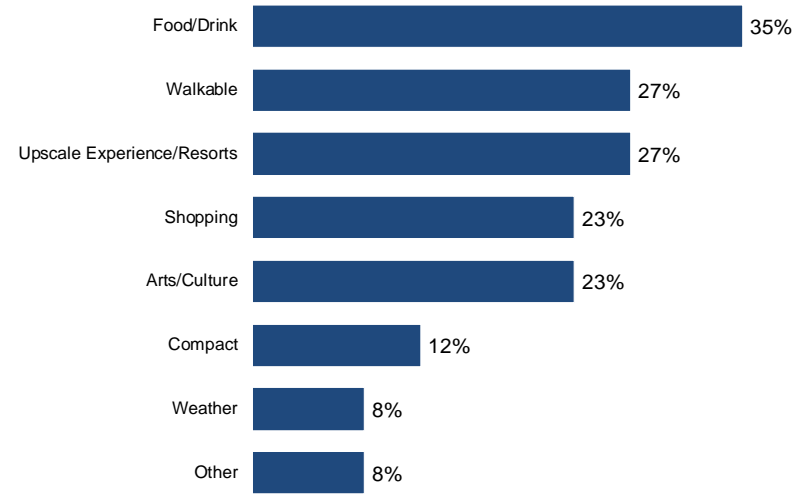
Specific responses that relate to these topics are listed below.

- *Warm climate, western themed, and conducive for outdoor activities.*
- *Friendly, cowboy, hot, dry, artistic.*
- *Upscale, luxury, shopping.*
- *I really know nothing about Scottsdale other than it's a suburb of Phoenix.*
- *I don't have a sense of Downtown, but I do know that Scottsdale is known for its fine dining.*

Surveyed writers were then asked to suggest characteristics or experiences that could or should be marketed within the Downtown. Again, respondents (52 percent) noted that the City's western atmosphere should be highlighted more extensively as well as its dining options (also 52 percent). Other less frequent recommendations included marketing the Downtown's arts and culture (41 percent), as well as its shopping options (31 percent).

When asked to list perceived strengths of the Downtown Scottsdale destination, travel writers tended to comment on the area's food and bar scene, as well as its walkability and upscale look and feel. Their responses are summarized in the following exhibit.

Exhibit 2-4
Travel Writer Survey – Downtown Scottsdale Destination Strengths



Source: Travel Writer Survey, 2016

Comments regarding food and drink typically reflected the area's emerging restaurant sector and its substantial array of unique establishments. The Downtown's walkability and upscale nature were each mentioned by 27 percent of responding travel writers, while 23 percent noted its shopping and arts/culture, respectively.

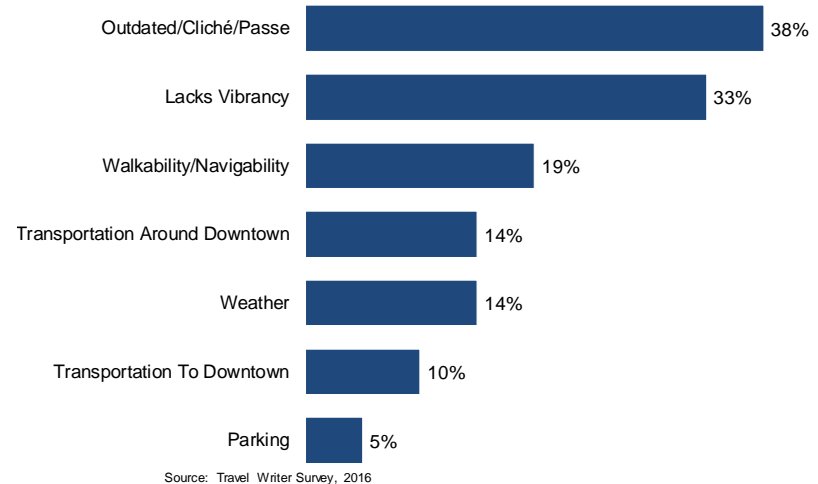
Examples of specific comments made by responding travel writers are listed below:

- *Some of the Valley's best restaurants and bars are in Downtown Scottsdale.*

- *I like going to a dinner and then a show at the Center for the Performing Arts.*
- *So many great, new independent chefs.*
- *It's walkable, interesting, and offers some unique restaurants and shops.*
- *It has a sophisticated ambiance and is a place that people want to be.*
- *A variety of shopping and arts experiences.*
- *Accessibility to/from the Downtown as well as to nearby golf resorts, soft adventure and culinary/arts pursuits.*
- *Attractive older buildings and pedestrian-friendly.*

Travel writers were also asked to list and describe the various weaknesses and/or challenges of the Downtown destination. A portion of respondents focused on the Downtown's image, with some perceiving the area to be outdated and/or no longer authentic. Others thought that Downtown lacks activity and vibrancy, and some indicated that it can be tough to navigate the Downtown on foot and/or in a vehicle. These comments are summarized in the following exhibit.

Exhibit 2-5
Travel Writer Survey – Downtown Scottsdale Challenges



As summarized above, 38 percent of the surveyed travel writers felt that Downtown's image is seen by some as outdated, "cliché" or "passé". These writers specifically highlighted elements such as "inauthentic" merchandise and the overabundance of sale signs throughout various parts of the area.

Thirty-three percent commented on the lack of vibrancy in the Downtown, noting that at various times of year the area can be too quiet and that some corridors lack exciting retail, dining or entertainment options. Others cited challenges related to the Downtown's pedestrian and vehicular infrastructure, with 19 percent of respondents indicating walkability/navigability issues, 14 percent commenting that

transportation around the Downtown is a problem, and 10 percent highlighting the difficulty of traveling from the Phoenix Sky Harbor International Airport to the Downtown. Examples of specific comments regarding these topics are presented below:

- *The older section of Downtown is kind of disjointed from the newer areas. Scottsdale needs to focus on being something distinctive. Right now, it's confusing as to what to say about Downtown, but not confusing about what to say about its elements.*
- *Perceived as sleepy, passé, un-hip by some.*
- *Some shops sell cheap souvenirs that aren't authentic.*
- *Quiet during daytime, especially weekdays.*
- *I don't like the traffic.*

Overall, travel writers appear to recognize the western aspects of Downtown as driving much of the visitor perception. At the same time, emerging strengths focused on a vibrant bar/wine and restaurant scene, and overall walkability. Primary concerns were registered regarding an erosion of the brand, deteriorating into a more cliché/outdated ambience that lacks vibrancy.

The recommendations presented later in this Study are designed to address these concerns very directly, through emphasizing unique and authentic assets, building on the art/culture aspects, placemaking, event development and other elements of Downtown vibrancy.

3.0 DESTINATION IMPROVEMENT



As previously noted, this Study considers the future of investment in the Downtown Scottsdale tourism economy in terms of three areas of focus; Destination Improvement, or the accumulation of recent and on-going Downtown initiatives; Destination Growth, or investment that can be achieved in the near term and that will contribute to steady tourism sector growth; and Destination Transformation, or longer term projects that could generate significant Downtown Scottsdale tourism economy increases.

This section provides an overview of the Destination Improvement initiatives underway or in planning stages that could enhance the visitor industry product in Downtown Scottsdale, and maintain the overall Downtown visitor industry economy.

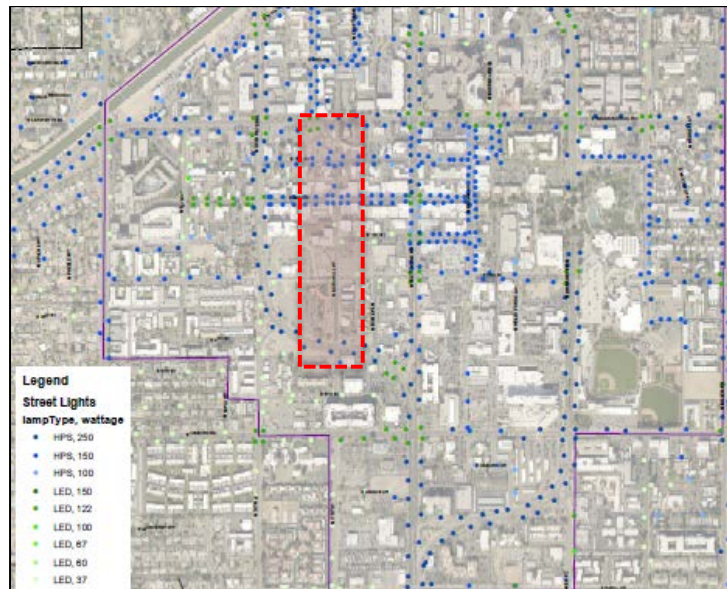
3.1 Capital Improvements and Plans

Over the last decade, City leadership has prioritized comprehensive and well-informed planning efforts to further grow Scottsdale's identity as a high-end visitor destination. These plans have laid the groundwork for recent and future capital improvement projects that have/will enhance the Downtown product. The recently drafted FY 2017/2018 Capital Improvement Budget details the City's responses to a variety of challenges and opportunities associated with the Downtown area. The Plan's five-year financial forecast includes community/neighborhood improvements, park improvements, preservation projects, public safety enhancements and transportation improvements.

Marshall Way Improvements

The public forums and individual interviews that were a part of this Study's research efforts highlighted the untapped potential of Marshall Way, the connecting road between Main Street and 5th Avenue. Outreach participants noted that the portion of the corridor leading to Main Street is seemingly unwalkable at night due to its lack of lighting and wayfinding signage. The map below illustrates this issue, highlighting existing lighting fixtures in blue.

Exhibit 3-1
Current Downtown Lighting Inventory



Marshall Way

Source: City of Scottsdale, 2017

To address these concerns regarding nighttime safety and overall pedestrian experience between 5th Avenue and Main Street, the City of Scottsdale Development Review Board recently approved the Capital Improvement project application to install new street lighting on North Marshall Way, from East Indian School Road south to North Goldwater Boulevard in the fall of 2017.

The project provides new light poles, fixtures and outlets for ambient lighting in order to create a lighted pedestrian path along North Marshall Way. The light poles and luminaries are consistent with the lights installed within the downtown planning area, specifically on Indian School and Chaparral Roads. The light poles incorporate urban and architectural design that addresses human scale and incorporates a pedestrian-oriented environment at the street level. In addition to the lighting improvements, sidewalk improvements will address Americans with Disabilities Act (ADA) requirements.

A signature public art installation is also being planned for the intersection at Indian School Road and Marshall Way. This will enhance the sense of place and aesthetic of the immediate area, and will help to encourage increased exploration up and down the corridor. Tourism development funds of \$150,000 are being used for the installation's planned construction.

Main Street Improvements

Main Street will undergo several improvements over the next five years that will enhance the visitor experience and the navigability of the area. The City Council recently approved \$2.3 million in funding for

improvements to the Street, including the addition of trees, water/irrigation, double mast lights and new tinted sidewalks. A total of \$80,000 has been reserved for landscape enhancements, including new flora and bench installations. A new public restroom is also being developed to accommodate resident and visitor demand for public Downtown facilities. These improvements are expected to be completed in 2019.

Entertainment District Enhancements

In response to visitor and resident demand for a safer Entertainment District experience, the Council recently approved \$400,000 in funds to add ten new streetlights to the Entertainment District area and along Indian Plaza. These lights will allow for safer travel in and around the District, and will enhance its appeal to visitors who are unfamiliar with the area. This project will be designed and likely completed in 2018.

Civic Center Mall Municipal Use Master Plan

Master planning and conceptual design services are being completed to update the Civic Center Mall and enhance its functionality as a community gathering space. The primary goal is to create a more desirable and useful center for community activities including an “event ready” venue which will allow the destination to compete in attracting large scale events for residents and visitors. The Master Plan also addresses necessary repairs to infrastructure of the Mall. The result will be a visual, phased planning document that outlines both needs and aspirations of the City of Scottsdale for its central civic space in the

form of a Municipal Use Master Site Plan (MUMSP) Update and Conceptual Design.

Moreover, the project will open the space to surrounding areas in the Downtown and enhance the accessibility and visibility of the Mall to passersby. This Plan will be a significant element of the broader Downtown Public Space Master Plan that is discussed herein, and will serve as a vital component to enhancing the Downtown pedestrian experience.

Downtown Public Space Master Plan

Holly Street Studios and Floor Associates have been retained by the City of Scottsdale to design a Public Space Master Plan for Downtown. This Plan will identify opportunities to connect various Downtown “nodes” via wider walkways, shading, trees and small rest areas, as well as multi-modal roadways and corridors.

Existing and potential new community gathering spaces represent the Plan’s “nodes” and include areas such as the Civic Center Mall, the undeveloped Loloma parcel between the Scottsdale Artists School and Scottsdale’s Museum of the West, the Horseshoe Falls area at the intersection of Marshall Way and Indian School Road, and the Canal area. The Destination Growth and Destination Transformation Scenarios discussed herein build on the recommendations presented in this Plan and incorporate many of its elements.

Scottsdale Stadium Municipal Use Master Plan

The City of Scottsdale has hired the architecture firm of Populous to create a master plan for future upgrades, expansion and growth of the Scottsdale Stadium. The Stadium represents one of Downtown's most valuable visitor industry assets, drawing thousands of visitors annually during the San Francisco Giants Spring Training.

3.2 Events and Promotions

Downtown Scottsdale hosts several one of a kind, world class events and its brand has long been associated with luxury, fashion, art and western culture. However, the results from community outreach and out-of-market interviews suggest that the Downtown and its ties to these vital brand components should be better highlighted to the surrounding East Valley region. In response, plans for new events, activities and seasonal promotions have been recently implemented. These initiatives are further detailed throughout the remainder of this sub-section.

Downtown Activation

The City's of Tourism Department, Scottsdale Arts, and local businesses have recently led individual and combined efforts to better activate Downtown Scottsdale for the visitor. Several notable initiatives are described below.

- Downtown Clean Team – The Department of Tourism has recruited over 100 volunteers to devote over 3,700 cumulative

hours to staff informational carts and kiosks. These Clean Team members help visitors navigate the Downtown and promote the area's restaurants and shops.

- Small Business Training – In partnership with several private entities, Economic Development has led several workshop sessions to educate the City's small business owners on topics such as social media account management, PR, product/market fit, and others.
- Updating the Aesthetic – Downtown maintenance teams have recently pruned Downtown palm trees, refurbished Old Town benches, and planted flowers to enhance the visual aesthetic of the area.
- New Special Events – Inaugural special events such as the Final Gold Palette ArtWalk, Date Night at the Stadium, Global Waters Dances, and Crushbrew Festival have attracted visitors to the Downtown and have helped strengthen and diversify the Downtown brand.

Scottsdazzle

To address the lack of activity during the holiday season in Downtown Scottsdale, the Department of Tourism initiated "Scottsdazzle" in December of 2016. This event combined live music, a tree lighting ceremony, public art, entertainers, unique events, unique décor, dining, and shopping to draw drive-in visitation to Downtown and enhance the area's vibrancy during an otherwise quiet period.

Western Week

To build on the popular Parada del Sol event, the Tourism Department initiated Western Week in February of 2017. This Western-themed week of activities highlights some of the City's most unique brand components and includes Native Trails (an outdoor festival celebrating Native American culture), Western novel author meet and greets, Western themed art exhibits and lectures (including a Western-themed special ArtWalk), a special Downtown Farmer's Market, and the ceremonious arrival and mail delivery of the Hashknife Pony Express.

Décor/Banners

Over the summer of 2017, the City added new street pole banners to the Arts District and Southbridge. To better distinguish these key Downtown assets, the new banners will highlight the beautiful public art pieces that represent each Downtown district. Banners were also installed along 5th Avenue earlier in 2017 as part of its 60th anniversary celebration.

City leadership has also indicated that future banners and wayfinding signage throughout the Downtown will also be significantly influenced by on-going branding research described later in this section. Findings and recommendations will support aesthetic choices such as color, font, wording, etc. City officials are also discussing incorporating similarly branded "tours" and "maps" within a new mobile friendly website. These plans will improve the Downtown's aesthetic, walkability and navigability.

Expansion of Canal Convergence

After a successful 80,000-attendee event in 2017, the Scottsdale City Council unanimously approved \$650,000 in funding to support and expand Canal Convergence. Funding comes from the Tourism Development Fund derived from bed-tax collections. The funding will provide for two temporary art installations on the Canal Banks for this November and will support the upcoming event's transition from four consecutive days to ten days, including two weekends.

The event will move from February to November to draw additional visitation in the shoulder season and to further support Downtown Scottsdale and Scottsdale's tourism industry. Canal Convergence will be held Friday and Saturday evenings from 4 p.m. to 10 p.m. on February 23-24, 2018 and March 2-3, 2018 before it transitions to a 10-day event in November 2018.

3.3 Downtown Branding, Marketing and Advertising

City leadership and other local stakeholder entities have identified the need to further invest in marketing Scottsdale's unique Downtown. As a result, the City and Experience Scottsdale have combined efforts to strategize and execute various branding, advertising, and beautification tactics.

A brand awareness campaign is being developed to help drive additional local visitors to Downtown Scottsdale. The Tourism Department retained the advertising agency HAPI to create the strategy. The firm has conducted research to evaluate perceptions of

Downtown Scottsdale held by residents in both Scottsdale and the Phoenix metro area.

Facilitated by the Scottsdale firm Brand Outlook, the research consists of four focus groups comprised of people living in the East Valley metro area. To gain deeper insight into residents' perceptions of Downtown to assist in developing the campaign, an online survey was also conducted with 500 people from the Phoenix area and 200 residents from the Tucson area. Key findings from this research effort are presented below.

- Brand associations – focus group participants associated Downtown Scottsdale with shopping and fine dining first and foremost, followed by nightlife. Words that participants used to describe Downtown include “energetic”, “hip”, “touristy”, and “pricey”.
- Regional recognition – when asked to rate where they prefer to enjoy nightlife and/or dining out, Downtown Scottsdale received more votes from survey respondents than both Downtown Tempe and Downtown Phoenix.
- Perception of change – a significant majority of survey respondents indicated that Downtown Scottsdale has been changing over the past several years “for the better” Respondents from around the Phoenix Metro Area felt as though the Downtown is catering increasingly to Millennials.
- Parking issues – when asked what barriers exist that may keep them from visiting Downtown Scottsdale, respondents most frequently cited the difficulty in finding a parking spot.

The research confirms that Downtown Scottsdale is a vibrant, progressive area that provides a diverse product offering, and is continuing to evolve. These findings, among others, helped to inform HAPI's efforts to develop creative concepts and marketing strategies that reach target audiences.

Experience Scottsdale has employed more prominent focus on the Downtown product in recent marketing and advertising initiatives. The organization incorporates Downtown Scottsdale into almost every aspect of their programming – from marketing and communications to convention sales and tourism activities. For example, Experience Scottsdale's website includes dedicated Downtown content, including influencer stories like “Scottsdale's Wine Tasting Rooms” and “Downtown Scottsdale's Old Signs and Wonders.”

Further, Downtown Scottsdale is incorporated into many of Experience Scottsdale's press kit releases, including the culinary, art, architecture, shopping and nightlife releases. Stories about Downtown also are incorporated into monthly media newsletters and quarterly “What's New” press releases that are distributed to domestic and international media.

3.4 Transportation and Parking

Accessibility and navigability are vital to the visitor experience in any urban destination. As highlighted in the Destination and Visitor Industry Research section, Downtown Scottsdale has somewhat of a traffic, parking and navigability challenge, as perceived by many stakeholders.

City leadership and other local entities have recently employed several initiatives to respond to these issues, which are detailed below.

Trolley Route Modifications

After developing new general and express trolley routes to service the growing daytime population in Downtown in 2016, the City's Transportation Department now plans to develop a simplified visitor-oriented "spine" route that will connect Fashion Square Mall to key visitor hot spots such as 5th Avenue, Main Street, Old Town and Scottsdale Stadium. This will shorten travel times for the Downtown visitor, as well as better expose the rest of Downtown to the considerable number of visitors that frequent Fashion Square Mall.

Biking – Routes and Interpretive Signs

In an effort to encourage and support multi-modal transportation and bicycle tourism, the City recently launched the first of several planned self-guided bicycle tours. The Mountain Vista route consists of a 2.3-mile loop that begins and ends at Main Street and Brown Avenue. The route includes signage, two stops where mountain views are framed and interpretive panels that tell a story about the mountains.

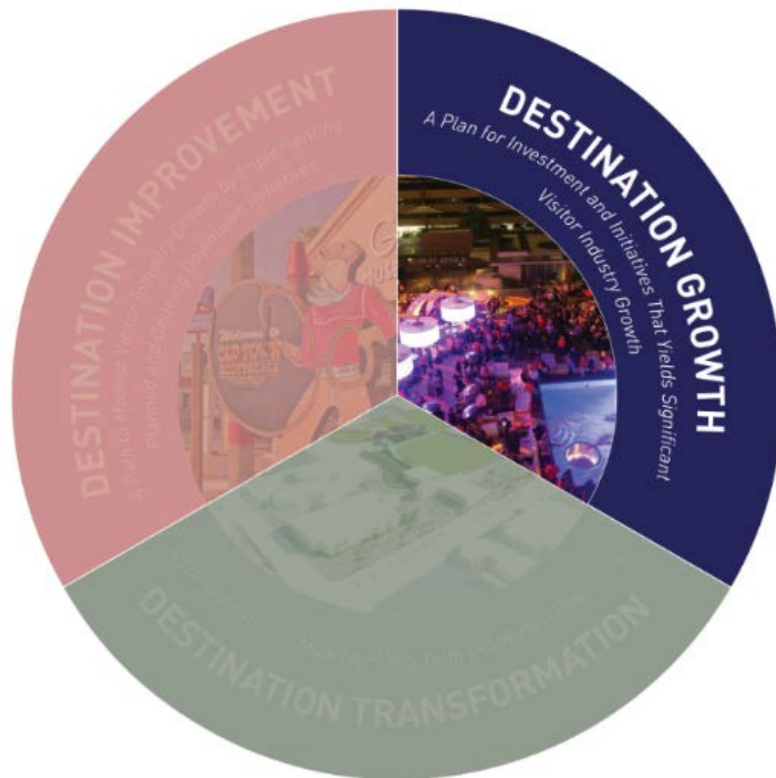
The route was a collaborative effort between several City departments, including Transportation, Tourism, Economic Development, Planning and the Police Bicycle Unit. Members of the cycling community also provided ideas for interpretive signage and ways to encourage biking in Downtown. Two additional self-guided bike routes are also currently under development.

Parking Management Solution

In reply to Walker Parking Consulting's findings regarding inefficient parking management in the Downtown's Entertainment District and other areas, the City issued an RFP for a new Downtown Parking Management Solution. A provider was selected in 2017, and a pilot program will be established wherein on-street spaces throughout the Entertainment District (the northeastern portion of Downtown) will be fitted with sensor technology to monitor and manage the three-hour parking limit in the area.

If the pilot program is determined to be successful, City officials will consider expanding the management service to other areas of Downtown, in addition to its various parking garages.

4.0 Destination Growth



The Destination Improvement Scenario discussed in Section 3.0 focuses on improvements currently being made in Downtown Scottsdale to help support the viability of the visitor industry. As noted above, these efforts are vitally important, but are not likely sufficient to grow the Downtown visitor economy, and may not be sufficient to even retain existing visitor industry market share.

The Destination Growth Scenario is designed to create momentum towards a stabilization and steady increase in visitor levels for Downtown. The concepts described herein are based on the significant input of stakeholders in numerous sectors that are impacted or impact the success of Downtown Scottsdale. We have assembled these concepts, added refinement and insight based on our external research and experience, and developed various case studies to illustrate project potential.

The initiatives should be considered a near to mid-term priority, with planning and execution generally targeted for the next five to eight years. Certainly, the up-front planning process should include extensive stakeholder and community input.

4.1 Re-Energize Arts & Culture Brand Through Arts District Investment

Downtown Scottsdale is home to Canal Convergence, one of the nation's most successful art events. Scottsdale Public Art, Scottsdale's Museum of the West, Cattle Track, the Scottsdale Museum of

Contemporary Arts, the Scottsdale Center for the Performing Arts, Scottsdale Artists' School, and other assets combine to create a foundation that supports the national and international brand of Scottsdale as an arts and cultural destination.

At the same time, local stakeholder outreach and external visitor industry analysis suggests that the full tapestry of public and private innovation and creativity in support of the arts and cultural brand is lacking. Reference has been made to a "lack of buzz" that can be sold to the visitor industry.

The Product Gap and Target Customer

As noted in the Introduction to the Study, Downtown certainly has a robust gallery base, but this is shrinking due to a variety of factors. There are many unique shops as part of the Old Town and 5th Avenue areas, but the pedestrian infrastructure is underwhelming and a sense of "same old" exists. There are several Downtown events, some of which are nationally known. But added event activity could help generate an increased customer base. Stakeholders directly impacted by these conditions understand the need to make a course correction, but there hasn't been a consensus and resource allocation necessary to make essential changes.

It is widely recognized that a do-little scenario will only lead to continued deterioration of the private sector arts and culture landscape in Downtown. The "gap" between the product that Downtown Scottsdale

can deliver, and the expectations of the customer base will continue to widen.

There has also been a great deal of discussion among Downtown stakeholders as to who the target customer is: Millennials versus Boomers, or high net worth versus a younger tech-savvy generation. Straight forward demographic and income statistics suggest that there is no single answer to this target customer question.

It is true that the Millennial generation (born between 1979 and 2004) has overtaken the Boomer generation (1946 to 1964) in sheer numbers. It is also true that the Boomer generation has greater disposable income, more time to spend it, and are in a position to inherit trillions of dollars of wealth over the next several years.

To respond to these types of conditions, the target customer path for Scottsdale must be multi-pronged – certainly accommodate the product needs of the emerging customer base (Millennials), but absolutely continue to focus on the needs of the largest spending producer (Boomers).

Incorporating the significant input from key stakeholders, case studies from markets undergoing similar challenges, demographic conditions and a variety of external research efforts, we have developed several concepts for consideration designed to develop the arts and cultural product in Downtown Scottsdale to better align with the needs of both the current and emerging customer base.

Art, Culture and Hospitality Partnering – Grapes & Galleries

As noted previously, there are many distinct assets in Downtown Scottsdale that draw visitors for an art and culture experience. While there are definite weaknesses within some of these individual components that need to be addressed, there are also opportunities to create experiences that tie together these assets and optimize their benefits to the Downtown visitor economy.

The asset partnering concept encourages sales, marketing and social media efforts that create experiences including gallery, wine bar, restaurant, hotel and entertainment aspects. Imagine a three-day experience starting with a stay in a unique Downtown hotel, followed by a Thursday ArtWalk and “urban wine tour” at various locations; groups could then frequent an event at the Center for the Performing Arts or Scottsdale’s Museum of the West on Friday night, and visit the unique shops in 5th Avenue, Old Town and Fashion Square Mall during the day. Finally, they could spend Saturday experiencing the surrounding desert environment, biking and or relaxing with nighttime yoga or other outdoor festivities in existing and newly developed green spaces.

Redefining the downtown experience as more than just a variety of separate assets will require a dedicated effort to work with relevant businesses to create a framework that allows for joint marketing, packaged costs and exclusive elements unique to this experience. The

packages could be seasonally adjusted, and tied to the various events held in the Downtown throughout the year.

The case study below summarizes a version of this combined experience concept, known as the Grapes and Galleries event in Cherry Creek North, Colorado.

Grapes and Galleries (Cherry Creek North, CO)

Started by the Cherry Creek North Business Improvement District in 2009, the Grapes and Galleries Tour is described by BID officials as a “walkable art experience”. Local restaurants and wine tasting rooms throughout the area partner with Cherry Creek North gallery owners and provide food and beverage within the galleries.



Taking place over four days, event attendees pay \$125 to take the tour and attend an after party at the local JW Marriott. BID officials estimate that the event attracts approximately 600 participants per day. Proceeds go toward the region’s Home Builders Foundation.

Cross Promotion – Galleries and Major Events

There are numerous major national and international events held in Scottsdale annually. These include Barrett-Jackson (drawing 200,000 attendees over an 8-day show); Waste Management Phoenix Open

(nearly 600,000 attendees at this unique, five-day sporting and entertainment event); Scottsdale Celebration of Fine Art, Scottsdale Arabian Horse Show, Parada Del Sol, Arizona Sun Circuit Quarter Horse, and the Charles Schwab Cup Championship, among others.

The customer base at many of these events tends to fit the target market for many Downtown retail and hospitality businesses, and preliminary conversation with planners at several of these events indicate an interest in creating greater linkages with Downtown assets. Efforts to package Downtown assets (perhaps centered on the emerging Arts District concept) with these major events should be considered. This will require working with event management to incorporate the Downtown experience into their marketing materials, as well as reference to the various events in efforts to market Downtown.

Target Complimentary Businesses for the Arts District

A critical component to any successful visitor district is the creation of critical mass or like density. The galleries in Downtown Scottsdale have historically created this type of critical mass, however the closing of numerous businesses has had a diluting effect. The unique businesses in the Old Town and 5th Avenue area have maintained more of a contiguous core, however, storefront vacancies in these areas could lead to a dilution of the desired retail consistency.

At the same time, various complimentary businesses such as wine bars and higher end restaurants have occupied many of the vacant

Downtown spaces. These businesses have begun to create a complimentary critical mass of culinary and wine tasting, with a target customer that often closely matches the high end and unique retail businesses in the Downtown. Examples of initiatives undertaken in selected markets to maintain a brand focused and consistent hospitality density are summarized below.

Examples of District Character Protection

Palo Alto, CA

The City of Palo Alto recently extended an ordinance that will prevent existing retail space from being converted to office or other commercial use. Also, personal service establishments such as nail salons and barber shops will not be allowed to locate in identified areas of town.

Naples, FL

The Naples Zoning Department developed a city ordinance to protect the character of the 5th Avenue District in Downtown Naples. This ordinance disallows chain restaurants, salons, office space and other types of entities from filling vacancies within the District. Local officials indicate that the ordinance has successfully protected the high-end image of the area and that its retail store owners are emphatically supportive of the policy.

Aspen, CO

The City of Aspen recently adopted an ordinance that will prevent chain stores from filling vacancies in the city's downtown core. Stores with 11 or more locations or those that do not meet specific criteria regarding façade, signage, and merchandising are not allowed to establish a location in downtown.

In Scottsdale, there are relatively few zoning or other planning guidelines that encourage desired businesses and at the same time discourage businesses that, while viable on a stand-alone basis, may not support or may even harm the Downtown as a visitor destination.

The City of Scottsdale should develop guidelines, potentially as part of the zoning regulations, to restrict certain business types from sensitive hospitality districts in the Downtown area. These restrictions can be limited to very defined areas that tend to drive the destination brand for the Downtown, and can be limited in terms of the types of establishments that are required to locate outside defined districts.

The City should also work very closely with property owners to identify and support the attraction of businesses that support the Downtown brand. The various options for Downtown management that are discussed later in this Study can play an important role in both developing appropriate policies related to business attraction and interacting with property owners to manage these policies in a manner that supports economic development without harming the unique and marketable ambience in key areas of the Downtown.

International Juried Event for Emerging Arts

Within the Downtown gallery community, there are many establishments whereby the owner is the primary or featured artist. As the inventory of galleries erodes, the opportunity for the visitor to “experience” the process of making art is also diminished. In a national

and even international environment whereby the unique, authentic experience is in effect the product being sold, it is critical that simply displaying art does not become the primary feature of the Scottsdale gallery.

There are many ways to bring the artistic process to the visitor – in fact Cattle Track Arts and Preservation offers a visitor direct interaction with the artist, as well as numerous events and exhibits. In addition, Scottsdale Public Art administers a Creative Residency program that recruits established and up and coming artists to live and work in studio spaces throughout the City. It would be highly impactful if some combination of the two programs were available directly within the Downtown area, proximate to the existing base of galleries.

To this end, consideration should be given to working with Scottsdale Public Art to further develop its program to invite several prominent, emerging artists from around the world to Scottsdale for up to a one-year residency centered in the Downtown area, working in partnership with the galleries. If successful, the program would help create greater national and international exposure, or a spirit of “did you know that you can interact with internationally-known artists currently working in Scottsdale, as well as a select group of rotating emerging artists?” The potential increase in fine art customer base would benefit all existing Scottsdale artists and/or gallery owners.

The program would require identifying a storefront or storefronts in the Downtown area that could house both studio space and ideally second level living quarters for the artists. The selection of artists would involve

a juried process led by gallery owners, the Arts Council, Scottsdale Artists School and other related parties. All work prepared by the artists would be displayed at several of the existing Scottsdale galleries, with proceeds perhaps supporting the Gallery Association and Scottsdale Arts. By undertaking this type of program, the visitor (or resident) could experience even more access to the artistic process real time.

4.2 Downtown Art Installations and Music Programming

Beyond supporting the Arts District concept, investment in monumental, recurring and programmed art and music throughout the Downtown can be highly beneficial for supporting the brand and attracting new visitors and customers. These areas of investment are discussed throughout this section.

Monumental Art

A monumental art piece that is successful as an attraction transcends traditional public art and creates a branding focal point for a destination. Many markets around the world have successfully created these types of pieces, much like the Spoonbridge and Cherry in Minneapolis or the Big Blue Bear outside the convention center in Denver. These pieces can be important focal points for the visitor and resident, and can create significant social media opportunities for destination marketing. Examples of these monumental installations are shown below.

Exhibit 4-1 Examples of Monumental Public Art



Findings from our stakeholder outreach suggest that the development of more large scale, signature public art pieces in Downtown Scottsdale could help support the unique art and culture brand of the destination, helping to increase overall visitation. New pieces would help build on existing work including Soleri Bridge and the Jack Knife Statue.

To be successful as a visitor industry asset, any new installation should address the following parameters.

- A large scale project, creating a significant vertical presence.
- A prominent location, helping to accommodate visitation.
- A location that allows for events and activities such as live music, yoga, and community gatherings in adjacent space.
- A kinetic and/or sound component that creates a point in time each day for a visitor experience.
- A close tie to unique and authentic history and/or natural amenities in the area.
- An international competition to select the artist and concept.
- Potential for a “set” of interactive/interrelated pieces, bookending the Downtown.
- A theme for the piece that is not necessarily controversial, but thought provoking.

There are several sites in the City that likely represent the most appropriate locations for a project with this degree of visibility. These are shown in the following exhibit.

Exhibit 4-2
Potential Monumental Art Sites



Potential sites for monumental pieces include key “gateway” locations along highly visited corridors that would signify entry into various districts. Specific examples include the segue from Main Street into Civic Center Mall, the Indian School Road and Marshall Way intersection, and the Canal area. Discussions are on-going as to a large sculpture (known as the Jackrabbit) at Indian School Road and

Marshall Way. Final decisions as to this project should be made only in coordination with a Downtown-wide monumental art planning process.

A marquee installation addressing the concepts described above will likely require funding in the range of \$1 million to \$2 million depending on size and the materials used. Once funding is secured (from public and private sources) the City will need to work extensively with local stakeholders including Scottsdale Arts to create and issue an RFP for the selection of an artist.

Downtown Art Trail

A robust infrastructure of public art can include the concept of a sculpture trail – with the benefit of drawing visitors through various parts of a downtown as opposed to concentrating in a single area. The Downtown stakeholder research indicated that declining foot traffic is a major threat to their business model. The opportunity therefore exists in Downtown Scottsdale to enhance linkages between key visitor areas by creating a unique art trail, potentially encouraging visitors to walk along Marshall Way between the 5th Avenue area and Main Street/Scottsdale Museum of the West/Scottsdale Artists School.

An illustration of a potential Art Trail location is provided, with examples of the types of art pieces that would be fitting for the Trail.

Exhibit 4-3
Downtown Art Trail Concept



The Trail could feature between 10 to 20 high quality, rotating installations. These temporary pieces should be highly interactive and eye catching, like Los Tramos procured by Scottsdale Arts in the Spring of 2017 (pictured top-right in Exhibit 4-3). They should provide entertaining and hands-on opportunities that can engage, educate and inspire residents and visitors.

Installations that double as musical instruments, exercise equipment or interactive light shows are becoming increasingly popular in cities around the world, and with today's internet and social media technologies, video and photos of these innovative works can quickly become viral.

The Trail could also include other styles of public art, including sculptures, mosaics and murals. The potential for a larger sculpture garden near Scottsdale's Museum of The West was also raised during the stakeholder input process. This would serve as an appropriate start/endpoint for the Art Trail product.

The City, through the appropriate downtown entity (discussed later in this Study) should be tasked with enlisting key stakeholders to identify locations for the installations and to procure artwork through some form of juried competition, potentially involving the general public in some cases. Leadership for the process could be provided by the Arts Council, Scottsdale Gallery Association, Cattle Track, Scottsdale Artists' School and other key participants. Pieces would remain in place for a defined period of time, after which they could be auctioned off, with proceeds helping to support local arts organizations.

The unveiling and auction process could be tied to an existing or new arts-oriented event. Costs for the project could vary significantly depending on the type/quality of art selected for the Trail, but cost elements such as the purchasing of art, installation, maintenance, insurance and potential landscaping will need to be considered.

Arts and Music Programming

A robust Downtown entertainment product should include significant programmed arts and music experiences. These do not include large

events (discussed later in this section), but rather focus on small activities such as individual performers, indoor and outdoor artist exhibits, and other elements designed to create vibrancy.

A process for permitting and scheduling artists to perform in various areas and at various times throughout Downtown, requiring only a nominal payment. The scheduling could tie to major destination events and activities including Scottsdale ArtWalk, Spring Training, events at the Center for the Performing Arts Center, and Arizona Restaurant Week.

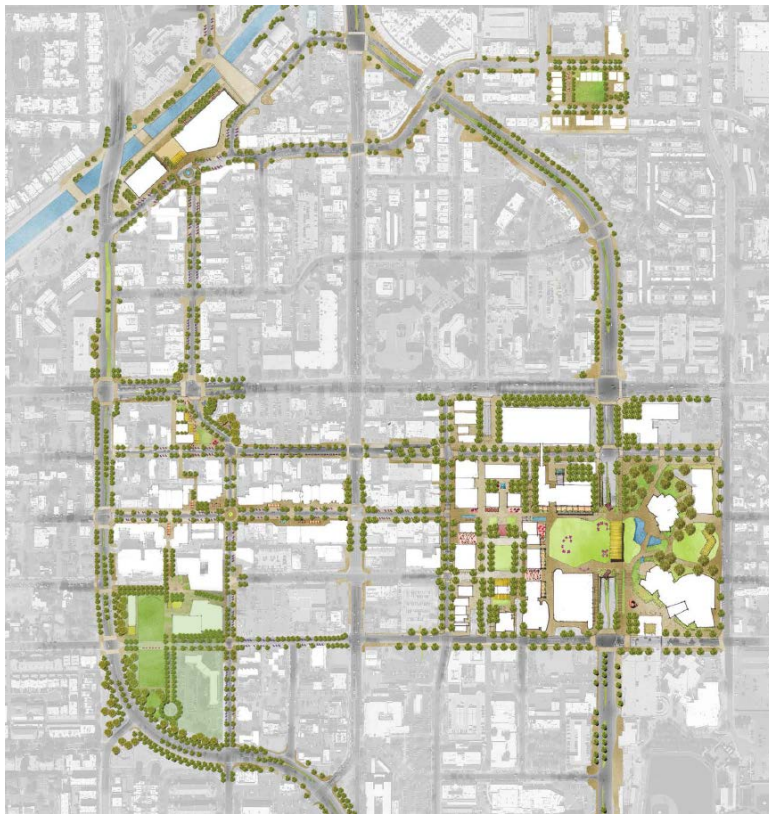
Later in this section, we discuss the development of public art parks and other spaces throughout Downtown that can accommodate these types of smaller arts and music programming.

4.3 Public Space Master Plan and Walkability

Holly Street Studios has been working with the City to develop a Public Space Master Plan. The straightforward goal of these efforts is to create pedestrian linkages between key Downtown assets including Civic Center Mall, Loloma, corridors including Main Street and Marshall Way, the Canal and other areas.

These critical linkages are intended to incorporate green space, shade structures, public art and other features unique to the destination. The following exhibit presents an overview of areas impacted by Holly Street Studios' work.

Exhibit 4-4
Holly Street Studios Public Space Master Plan



As part of this Visitor Industry Feasibility Study, three key areas highlighted in Exhibit 4-4 – Civic Center Mall, Loloma and the Indian School Road/Marshall Way intersection – are considered in terms of their ability to enhance the Downtown Scottsdale visitor economy.

Civic Center Mall

Significant assessment and planning for the Civic Center Mall area has taken place. The existing Mall area provides many features including landscaped green space, walking paths, water features and small event areas. However, there are no clear pedestrian access points into the Mall area, particularly from Main Street. Also, much of the Mall area is segmented into smaller spaces that can make it difficult to produce events, showcase public art and create a recognizable public gathering space. An image of the planning document prepared by Holly Street Studios is presented in Exhibit 4-5.

Exhibit 4-5
Holly Street Studios Civic Center Mall Plan



Elements of the Holly Street Studios plan that address these challenges and take advantage of opportunities to increase Downtown visitation include the following.

- Creation of public/open space, suitable for increased event activity that can draw visitors from outside Scottsdale.

- Enhanced connection to hospitality assets along Main Street, creating a larger footprint of galleries, shops, restaurants and public space.
- Opportunities to enhance bike paths.
- Opportunities for public art installations.
- Improved amenities for family travelers.

The City should continue to pursue this initiative, recognizing its importance in supporting efforts to increase Downtown visitation.

Loloma

The Loloma parcel is located in the area generally bordered by Goldwater Boulevard, Marshall Way and East 1st Street. The site area includes the existing Scottsdale Artists' School to the southwest of the parcel, and existing Scottsdale's Museum of the West plaza area to the northwest. The majority of the east side of the parcel is vacant and city-owned, and represents a potential for various green space and commercial development.

Populous has prepared several plans for the site area, one focusing on significant green space, and a second that includes a greater element of commercial development. Representative images for these options are presented on the following page.

Exhibit 4-6

Opportunity Commercial Development atop Loloma Parcels



As noted, the Park option provides for significant green space that could be used for events, public art and general pedestrian access. From a location perspective, the site may lack a presence in the primary visitor areas or pedestrian connectors, resulting in fairly limited visitor use on a non-event basis. At the same time, the City-owned land holds significant commercial value, and increasing commercial and residential density could create valuable revenue streams that could be used for other visitor industry development uses.

We have explored the financial value of potential future Loloma site commercial development, with the expectation that this captured value could be used for other visitor industry development initiatives. A summary of potential property tax revenues for future development on the site area is presented below. The assumed value of property tax per square foot of space was derived by analyzing existing commercial property collections throughout the Downtown.

Exhibit 4-7

Estimates for Potential Property Tax Revenue

Square Footage of Commercial Space	Property Tax per SF of Office Space	Incremental Property Tax Collections per Year
50,000	\$1.29	\$64,400
100,000	\$1.29	\$128,900
200,000	\$1.29	\$257,700

As shown, depending on the size of the project, commercial development on the Loloma site could generate between \$60,000 and \$260,000 per year in property tax revenue. These represent incremental revenues, as the current Loloma parcel is publicly owned and therefore does not currently generate property tax revenues for the City and/or County.

Key features of this Loloma development approach include:

- Public/private partnerships that result in incremental property and sales tax revenue generation.
- Monetizing the value of the public land through a lease or sale to provide funds for other Downtown development priorities.
- Retaining of a green space linking the southern end of the site through Scottsdale's Museum of the West towards Main Street.
- Creating more of a 24/7 vibrancy from residents, office workers and visitors.

Given the lack of a central Downtown presence, limited ability to impact Downtown visitor levels, and ability to generate funds for more impactful projects, we recommend that portions of the Loloma site be used for future commercial and residential development. This development could help address the importance of added Downtown office and residential space discussed later in this Study.

Centrally Located Public Green Space

Developing a public green space more centrally located in the Downtown area could be instrumental in tying together various Downtown districts. A space with sufficient square footage could help draw visitors both north and south, helping to create pedestrian linkages between areas such as the Canal and Main Street.

The existing Horseshoe Falls area has been identified by Holly Street as an opportunity for improved green/landscaped space, however the footprint (approximately 9,000 square feet of space) may not create sufficient area to serve as a monumental or hub gathering spot for Downtown.

Consideration should be given to developing a strategy to acquire selected parcels centrally located in the Downtown area in order to create a viable central gathering spot. Features of this space could include the following.

- Public art, helping to create a monumental component that draws pedestrians north and south between Main Street and the 5th Avenue area.
- Built-in infrastructure to allow for community and special event production.
- Shaded seating in highly landscaped areas to allow for relaxing pedestrian experiences.

- Family amenities including water features and artist inspired hands-on fixtures.
- Various elements that help define the site as a central gathering space for the Downtown.

As one example, a large public area encompassing parcels on both sides of Marshall Way could help create a focal point for Downtown for developing these types of features. Spaces like this exist in many downtown areas, with examples presented below.

Santa Fe Plaza – Santa Fe, NM
Historic 2-acre city square hosting events, festivals and pedestrian gatherings



City Garden – St. Louis, MO
2.9-acre urban park, sculpture garden, and event space



KIC Park, Shanghai, China - 2 acre public gathering spot
Originally referenced by Holly Street Studios for the ISR/Marshall Way site



In order to fund any necessary land acquisition, City officials and relevant agencies should evaluate existing City real estate holdings and develop a strategy to divest non-strategic assets in order to help acquire parcels in the Downtown area that can significantly enhance the resident and visitor experience.

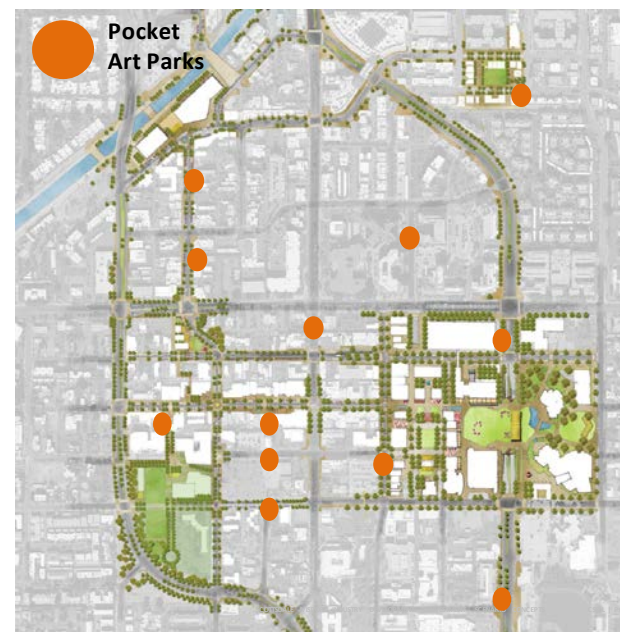
4.4 Pocket Art Parks

Downtown Scottsdale offers a series of prominent focal points for the visitor – Main Street galleries, Old Town, Scottsdale Stadium, museums, unique retail along Marshall Way and the 5th Avenue area, Fashion Square Mall, the Entertainment District and the Canal area. However, the pedestrian experience in moving within and between these areas is highly inconsistent, and often less than inviting. As noted previously, Holly Street Studios is developing a Downtown pedestrian plan that will include landscaping, shade and other enhancements along key routes.

To add to this, we suggest the development of a series of pocket art parks – spaces that incorporate seating, shade and sound, all infused with a public art component. Downtown could support at least 10 to 12 of these spaces, strategically located along key pedestrian areas, helping to draw visitors between key focal points and greatly enhancing the overall visitor and resident experience.

The following exhibit illustrates potential locations for these pocket art parks.

Exhibit 4-8
Destination Growth – Pocket Art Park Locations



As noted above, Main Street, 1st Street and 2nd Street would each feature several of these areas, enhancing the walking experience along key assets such as Old Town, Scottsdale Stadium, the Civic Center Mall and the Main Street galleries.

These spaces would extend up Marshall Way, helping to establish a stronger link between the northern and southern portions of Downtown. Specific features could include a varying array of amenities and décor, such as:

- seating,
- tables,
- shade,
- green space, gardens, flora, etc.,
- public art,
- bike racks/bike share docks; and,
- wayfinding/maps.

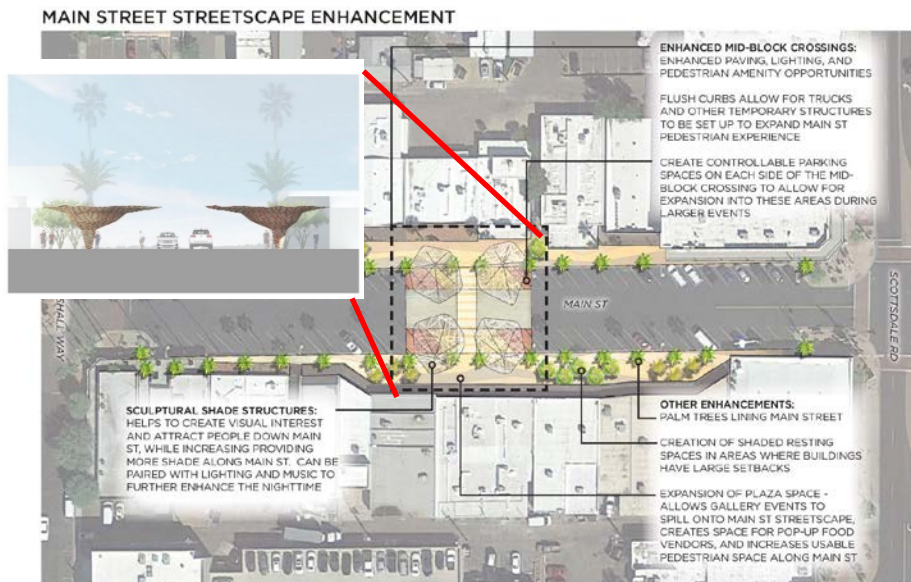
Populous has created several very basic images that illustrate a before and after condition for these types of spaces, as presented on the following page.

Exhibit 4-9
Destination Growth – Pocket Art Park Examples



Combining resting areas and shaded covering at key crossing points along Main Street could also allow for an enhanced pedestrian experience. This mid-block concept is reflected in the following image.

Exhibit 4-10
Envisioned Main Street Enhancements



Source: Populous, 2017.

Pocket art parks and mid-block crossings represent conceptual approaches to creating public art/shade structures in key pedestrian areas. Extensive planning and community engagement will be needed to finalize location and design for these types of projects.

This effort would likely require a budget upward of \$5.0 million to \$10.0 million depending on the size and design of the final spaces. Stakeholder engagement will be important in identifying initial locations for these areas. A case study for the development of these spaces is presented below focusing on a BID-led 2009 “Art Garden” project initiative in Cherry Creek North, (CO).

“New North” Project (Cherry Creek North, CO)

Cherry Creek North’s BID financed and managed the design and construction of “The New North”, an \$18.5 million effort to retain and attract visitors while protecting and preserving the District’s character.



The \$18.5 million raised through general obligation bonds issued by the BID in 2009 (they were one of the first BID’s to issue bonds), and improvements included new landscaping to beautify and conserve water, new lighting, increased wayfinding signage, and 20 new “art and garden” stations.

These “art and garden” stations can include flora, benches, public art installations (bronze statues). Labor to complete the project was provided by the city of Denver, and local officials have noted a substantial increase in foot traffic, population and office space since completion of the project. BID management noted that the new “art gardens” have greatly enhanced the neighborhood’s sense of place, and that the flora and statues are now a significant part of their brand.

4.5 Shoulder Season Festivals to Drive Visitation

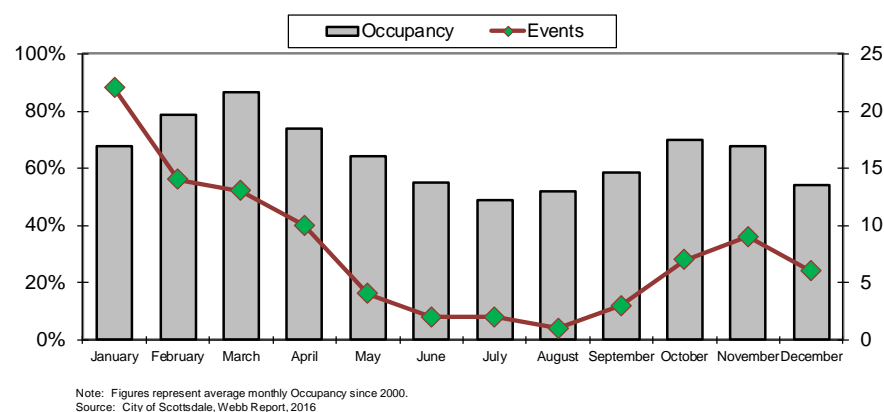
Events and festivals can generate significant visitation for a destination, strengthen its brand and benefit the local resident base. This is certainly the case with Canal Convergence, drawing 80,000 visitors to Scottsdale in 2017.

Research and stakeholder comments support the notion that there are numerous additional opportunities to develop new and unique large-scale festivals in Downtown Scottsdale that would increase the area's regional and national exposure as well as generate substantial foot traffic and vibrancy.

Based on data and analysis from the previously discussed 2016 Webb Report, stakeholder research, and a review of the existing calendar of events and case study research, there are several opportunities for new events and/or festivals for the Downtown area that should be explored. These would take place during the market's shoulder seasons such as early fall and late spring and would draw incremental foot traffic to support Downtown businesses during these otherwise slower times.

Exhibit 4-11 from the Webb Report highlights the City's seasonal opportunities to add more special events to its calendar, focusing on monthly hotel occupancy in Downtown.

Exhibit 4-11
Destination Growth – City of Scottsdale 2015 Special Events



As shown, leisure travel months such as April, May, September, October and November each feature ten or less special events. The relatively moderate temperatures during these months would enable special events to draw a significant amount of local and non-local attendees. Therefore, new event development should be prioritized for these key shoulder periods. It should be noted, however, that relatively high hotel occupancy rates in April and October could constrain event growth.

The remainder of this subsection explores several potential event concepts that would be appropriate for the Scottsdale brand and that cater to various Scottsdale visitor segments.

Plein Air Painting Competition

To gain exposure for the Downtown arts scene, the City, Scottsdale Arts, the Scottsdale Galleries Association, the Scottsdale Artists School and Arizona State University School of Art could work together to create a Downtown-wide outdoor painting event and/or competition. Outdoor demonstrations, painting classes and auctions led by SGA artists and owners could take place in larger event areas such as Civic Center Mall, while amateur/local artists would paint in an array of “pocket art parks” and smaller open space throughout the Downtown.

Auction and sales components would importantly raise revenues for the organizations such as Scottsdale Gallery Association and Scottsdale Arts. For instance, the Plein Air Easton Art Festival in Easton, (MD) sold over 325 pieces for approximately \$370,000 over just two-and-a-half days in 2015. Further, art enthusiasts attending the event could also generate business for Downtown galleries and other retail/restaurant businesses.

Scottsdale arts organizations, including the Scottsdale Artists’ School, could also work to recruit regional and national talent. These artists could interact with crowds in large outdoor event areas, and could lead lectures/classes in the Center for the Performing Arts. For example, the Plein Air Convention and Expo in Santa Fe, (NM) invites over 80 of the world’s top painters and 900 amateur artists to participate in indoor/outdoor painting demonstrations and workshops. This event is produced and promoted by Plein Air Magazine, a potential partner/sponsor for starting a similar event in Downtown Scottsdale.

Luxury Car Brand Drive-In

The City and local event producers could partner with organizations such as the Ferrari Club of America to create a Downtown-wide drive-in that would invite owners from around the region to display their cars along the streets of Downtown Scottsdale for a day (or multiple days).

Cars on 5th (Naples, FL)

Organized by a partnered effort between the 5th Avenue BID in Naples, (FL) and the Ferrari Club of America, Cars on 5th is a one day event that takes place in the heart of Downtown Naples. Over 500 Ferrari, Lamborghini, and Porsche owners from throughout the state of Florida park and exhibit their cars on closed streets throughout Downtown. The event attracts between 30,000 and 40,000 spectators per year.

The event’s labor force is comprised of volunteers from both the BID and the Ferrari Club, and the event generates approximately \$25,000 in revenue for the BID (each participant/car owner must pay a \$50 fee to participate). Local galleries and merchants in the area report a significant spike in sales and foot traffic during the event and indicate that it is one of their most successful days of the year.



In addition to attracting a large number of affluent, luxury car owners to the area, the spectacle of the event would attract people from around the East Valley as well as generate significant PR exposure for Downtown. Further, the City could also recruit involvement from WestWorld during the Barrett Jackson car auction and invite car owners to temporarily display their cars in Downtown as part of the event. The case study on the previous page details Cars on 5th in Naples, (FL) that demonstrates this concept. As described, downtown-related entities and the local Ferrari Club (or another potential luxury car club) could partner to promote and supply labor for the event while recovering these costs by charging a \$50 participation fee. Due to the nature of the event, it would be important for City leadership to plan for day-long street closures.

Health/Fitness/Yoga Festival

There are several brand elements unique to Downtown Scottsdale that can help form a basis for a health, fitness and lifestyle event. Catering to a growing number health conscious Millennials and Baby Boomers across the country, elements of such an event could include modern healthy living aspects, sports medicine and training, various competition/skills elements, food and beverage components, educational lectures and symposiums, music and celebrity appearances.

The recently developed Palm Springs International Health and Fitness Festival could serve as a model for this type of event in Downtown Scottsdale. Additional detail is provided in the adjacent case study.

Palm Springs International Health and Fitness Festival – (Palm Springs, CA)

The Palm Springs International Health and Fitness Festival is a 3-day interactive and educational festival showcasing sustainable and holistic living with a low cost \$5.00 admission. The inaugural event was held at the Palm Springs Air Museum in November 2015, and was intended to showcase Palm Springs as a world leader in health and fitness. Event planners estimate attendance in the first year approximated 7,500, but expect it to grow to over 20,000 within ten years and foresee moving to the Palm Springs Convention Center to accommodate the growth.

Some of the unique aspects of the Festival include an adult obstacle course, a bicycle agility course, NFL player autograph signings, craft beer offerings, healthy/organic food samplings from local restaurants, and educational seminars.

Sponsors and partners of such events in Downtown Scottsdale could include Arizona State University, professional sports teams, local restaurants, craft beer/distillery/wine tasting room representatives, yoga studios, athletic/fitness clubs and organizations, area hospitals, and lifestyle resorts in or near Downtown.

Going forward, the City should engage in discussions with ASU, the HonorHealth Medical, Mayo Clinic and various health organizations regarding health-related workshops, educational materials and/or exhibits, informative lectures, etc. More informal health/lifestyle sessions or exhibitions could be held at various existing and newly developed outdoor spaces throughout downtown, as well as within several of the larger Downtown hotel properties (such as the Saguaro

or Hotel Valley Ho). Millennial- or young professional-related programming could be held at various locations within the Entertainment District or Fashion Square Mall.

Outdoor Concert Series

A new outdoor concert series in Downtown would feature a variety of popular/local acts playing in a variety of spaces throughout the area. As recommended within the 2016 Webb Report, such an event could center around a particular brand-relevant genre (such as country music) and major acts could perform at WestWorld while more secondary, but still nationally recognized acts, could perform at Scottsdale Stadium, the Center for the Performing Arts and/or large outdoor event spaces at Civic Center Mall, Loloma Park or along the Canal. Smaller acts could perform at spaces such as Scottsdale's Museum of the West, Horseshoe Falls, or pocket art parks.

Other Considerations

The event concepts discussed above represent possible options that tie to relevant Scottsdale brand elements while also significantly enhancing Downtown foot traffic, vibrancy and exposure. City and community stakeholders should work to identify specific event formats, dates and venue locations. The partnerships could use the events to generate funding for various Downtown-oriented organizations.

There will be numerous initiatives that have to be undertaken in order to introduce any of the event concepts described above. The process of forming an organizing committee, developing funding sources,

private sector partnerships, volunteer coordination and other efforts will require significant community commitment. Moreover, the public infrastructure, green/event space and parking management investments discussed throughout this Study will be vital to optimizing the size and layout of future special events.

4.6 Increase Resident Population

Downtown restaurants, retail, entertainment and other businesses thrive in an environment that generates customers that are visitor, resident and worker based. A sufficient population base is therefore critical for any thriving urban destination, certainly one that creates and supports amenities designed to attract the visitor.

As of 2015, there were approximately 4,020 residents in Downtown Scottsdale. As of March, 2017 there were approximately 770 residential units under construction. The population is projected to reach 6,100 in 2020.

We have approached the question of appropriate targets for future population levels in Downtown Scottsdale from several perspectives.

The following Exhibit summarizes various analyses focusing on supported population base.

Exhibit 4-12
Residential Growth Calculations

Downtown	Population per Square Mile	Population per Retail Establishment
Cherry Creek North, CO	6,619	6.7
La Jolla, CA	6,188	11.1
Tempe, AZ	7,542	79.5
Walnut Creek, CA	3,103	3.9
Pasadena, CA	12,309	21.3
Santa Fe, NM	2,294	3.7
Laguna Beach, CA	5,469	13.2
Median	6,188	11.1
Scottsdale	2,022	3.6
Growth to Meet Median	6,188 x 1.31¹	11.1 x 735²
Future Targets	8,100	8,200

(1) Based on Downtown Scottsdale area of 1.31 square miles.

(2) Based on 735 retail establishments in Downtown including restaurants, misc. retail, food stores, etc.

When considering the current population levels in comparable markets on a total and per-square mile basis, a Downtown Scottsdale population level of approximately 8,100 can be supported. Applying average ratios of downtown population base to hospitality businesses in comparable markets, a Downtown Scottsdale population base of approximately 8,200 could be supported.

For example, applying the Downtown projected 2020 population base of 6,100 to existing restaurant, retail and other hospitality businesses, Downtown Scottsdale will have 8.3 people per establishment, versus 11.1 for the comparable set. An increase in Downtown population to 8,200 would be required to reach the average population to establishment ratio. The 8,200 resident level is established as a goal for the Destination Growth Scenario.

Reaching the goal of 8,200 residents would require development of approximately 1,050 in additional units (beyond those under construction). Given the status of on-going residential planning initiatives, this would appear achievable by 2025.

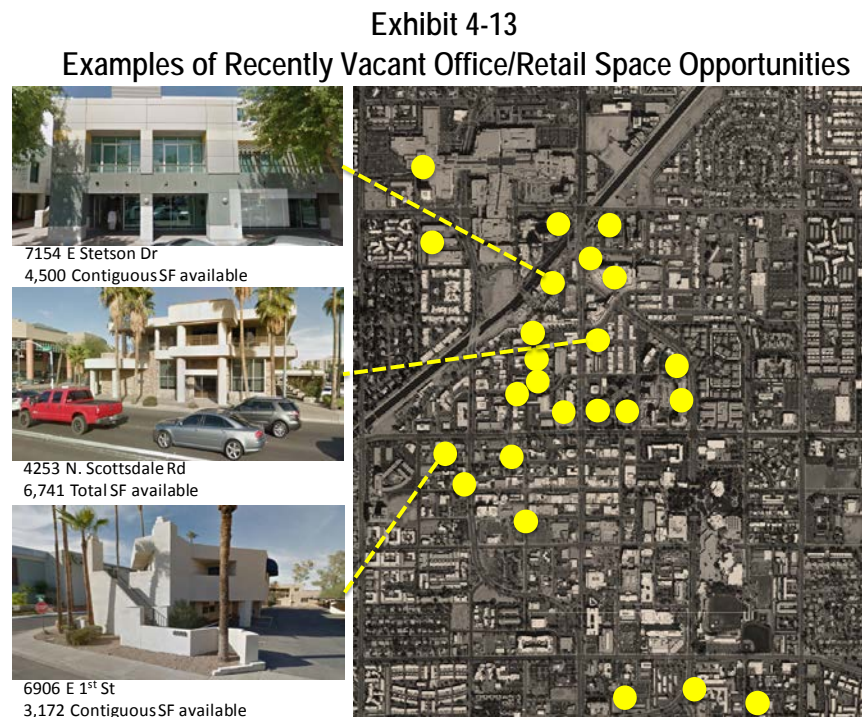
4.7 Creative Class Recruitment

Even with a relatively large geographic area, Downtown Scottsdale provides relatively few opportunities for large-scale campus type office space development. At the same time, a robust employee base provides support for restaurant, retail, entertainment and other assets that are of high value to the visitor.

We view future large new build commercial office projects in the downtown area as potentially viable, particularly as longer-term projects. Various discussions have in the past taken place with developers regarding these types of projects, and should continue, as described in the Destination Transformation Scenario discussion presented in Section 5.0.

In the nearer, or mid-term, there are significant opportunities to attract smaller businesses (2,000 to 5,000 square feet of space) into existing vacant buildings, and potentially into small new-build projects. The City (either through a department or a contracted entity as discussed in Section 6.0) should implement various initiatives to both secure and retain desirable, brand relevant businesses in the Downtown area. The “tool kit” to be used for these initiatives is discussed later, and could include revolving loan funds, grant programs, fee waivers, façade improvement programs, marketing support and other initiatives.

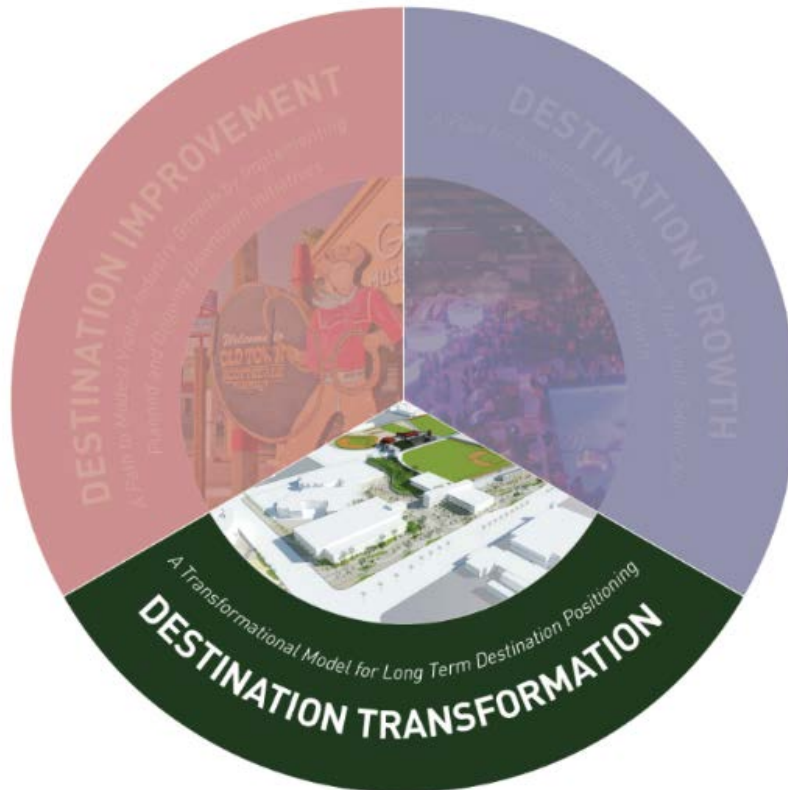
There are numerous mid-sized properties throughout Downtown that were vacant as of mid 2017, and that could house newly attracted office/retail tenants that help to support the Scottsdale brand. A map highlighting several of these properties is presented in the following exhibit.



Source: Levrose Real Estate

We also suggest that the types of businesses targeted for Downtown Scottsdale should lean towards the “creative class”. This includes businesses such as technology firms, architects, designers, advertising/marketing, finance/legal and researchers. These businesses can be either start-ups or established companies that prefer the more open space layouts with amenities for their workforce including roof-top space, open lounges, daycare facilities, fitness centers and collaboration areas. The type of space suitable for these businesses can include retrofitted class B or even C space, or new build.

5.0 DESTINATION TRANSFORMATION



The previously discussed Destination development scenarios focus on improvements currently being made, and improvements that should be pursued in order to affect a continued trend of visitor asset investment and industry growth for Downtown Scottsdale. This final scenario – Destination Transformation – is designed to create a path to more significant long-term visitor industry growth for the Downtown area. Pursuing these initiatives will help to realize substantial, transformational growth in the quality of the visitor experience and the positive impact of the visitor industry on the City of Scottsdale.

The study and planning for these initiatives should be considered a near term priority. While not always immediately implementable, the transformational initiatives will require significant up-front planning, including extensive stakeholder and community input. In some cases, this planning and input process may result in substantial changes to these Downtown visitor industry development initiatives. It is also likely that new ideas and initiatives will be raised during this planning process.

5.1 Downtown Scottsdale 10,000 - Increase Resident Population

As noted in the Destination Growth Scenario discussion, sufficient population base is typically required to support the restaurant, retail and entertainment business within any thriving and vibrant destination.

In the Destination Growth section, the viability of reaching 8,200 Downtown Scottsdale residents was discussed, helping to support

existing dining and retail business. The increased resident base would also enhance pedestrian density, helping to create a more desirable visitor destination.

National research focusing on urban residential base often suggests that approximately 10,000 residents are needed in a downtown area to create a critical mass able to support a thriving, self-supporting neighborhood. This includes significant dining, retail, entertainment and other amenities important to attracting visitors.

As previously noted, there were approximately 4,020 residents in Downtown Scottsdale as of 2015. As of March, 2017 there were approximately 770 residential units under construction. The population is projected to be 6,100 in 2020. Reaching the Destination Growth scenario goal of 8,200 residents would require development of approximately 1,050 in additional units (beyond those under construction). Given current planning initiatives, this would appear achievable by 2025.

Maricopa Association of Governments has projected Downtown Scottsdale population levels at 8,790 by 2030, and 11,290 by 2040. Reaching 10,000 residents would require the development of an additional 900 units beyond those currently under construction or new units referenced in the Destination Growth scenario. Given the various mixed use/residential projects being discussed within the local development community, and assuming implementation of the initiatives described in this Study, reaching 10,000 units by 2030 is recommended as an appropriate planning target.

5.2 Increase Commercial Space

Successful downtowns often serve as an employment and hospitality center for their respective regions. Their significant daytime workforces help to support successful downtown retail and restaurants, which in turn improves the quality of the downtown's visitor experience. Due to competition in the hospitality sector from other areas in Scottsdale and other communities in the East Valley, increases to office, retail and dining sectors will be important in order to maintain and enhance visitor industry market share.

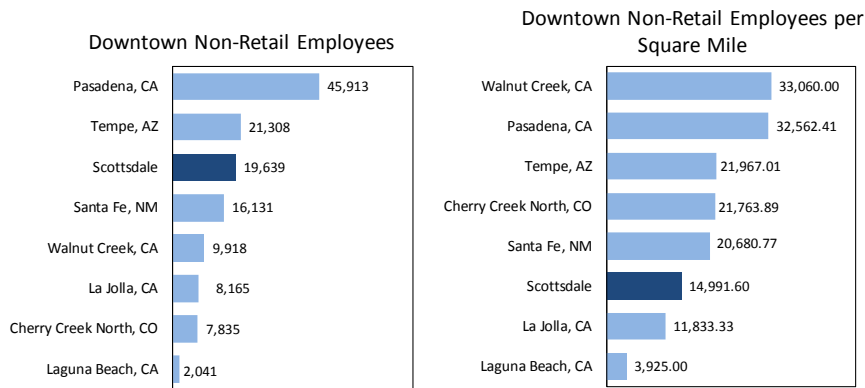
Growth targets for commercial office and restaurant/retail space in Downtown Scottsdale, tied to objectives of supporting visitor asset and industry growth, are presented below.

Commercial Office Space

According to Costar, Downtown had just under 3.6 million square feet of office space in 2016 with a vacancy rate of 11.65 percent. Vacancy rates in 2015 and 2014 were 7.7 percent and 9.4 percent, respectively. The area's inventory of office space has remained relatively static since 2006, at between 3.5 million and 3.8 million total square feet.

According to ESRI (an economic and demographic research data source), there are approximately 19,600 employees in the 1.31 square miles of Downtown Scottsdale. As noted in the following exhibit, this ranks third among the set of comparable markets reviewed for this analysis.

**Exhibit 5-1
Downtown Non-Retail Employment**



However, on a per-square-mile basis, this ranking drops to sixth among the eight markets reviewed. We also note that the number of downtown employees per retail store and restaurant in Downtown Scottsdale ranks fifth and sixth among the eight markets reviewed, respectively.

Taking current conditions and comparable market data into consideration, we have developed the following space analysis focusing on future development targets for the commercial office sector in Downtown Scottsdale.

**Exhibit 5-2
Comparable Market Non-Hospitality Employment and Space Analysis**

Downtown	Retail Employees	Eating and Drinking Employees	Non-Hospitality Employees	Non-Hospitality Employees per Square Mile
Cherry Creek North, CO	5,691	1,635	7,835	21,764
La Jolla, CA	3,449	1,876	8,165	11,833
Tempe, AZ	1,406	1,036	21,308	21,967
Walnut Creek, CA	4,440	1,571	9,918	33,060
Pasadena, CA	20,082	4,442	45,913	32,562
Santa Fe, NM	4,107	2,214	16,131	20,681
Laguna Beach, CA	1,688	959	2,041	3,925
Median	4,107	1,635	9,918	21,764
Scottsdale	8,881	4,175	19,639	14,992

Comparable Market Gap in Downtown Employee Base (1)	8,872
Square Feet per Employee	130
Adjustment for Unique Factors (2)	35%
Targeted Increase in Downtown Office Space	749,658
Absorption Needed to Reach 7.5% Vacancy	120,772
Supportable Construction Target	628,886

(1) 6,772 employees per square mile multiplied by 1.31 square miles in DT Scottsdale.
 (2) Lack of large parcels, property assembly challenges, heavy visitor industry space use, and significant public space use negatively impact ability to develop large Downtown commercial projects.

There are several points that should be considered in reviewing this chart.

- For each market reviewed, the total retail, eating/drinking and non-hospitality employees are presented.
- The non-hospitality employment figures are then adjusted to reflect a per-square-mile basis. The median number of employees per-square mile averages 21,764.

- The 14,992 downtown employees per-square mile in Scottsdale is approximately 6,772 less than this median, representing a gap of 8,872 on a per-square mile basis.
- As previously noted, there are several important factors that make it difficult to develop large blocks of commercial office space in Downtown Scottsdale, including challenges in assembling sufficiently large parcels for large-scale development. If we assume that this condition limits future development by only two major projects, this could represent upwards of 400,000 square feet of lost space, or approximately 35 percent of future supportable square footage. We have therefore adjusted the “gap” between Downtown Scottsdale and the comparable markets downward by 35 percent.
- Assuming a 130 square foot of space per person, this yields a gap in square footage of approximately 749,658 square feet of space. We also assume that absorption of existing square footage could generate an added 120,772 square feet of leased space and corresponding increases in downtown employees.
- This yields a final gap of 628,886 square feet of commercial office space in Downtown Scottsdale. This represents an eventual 17.5 percent increase over existing downtown office space. Note that a portion of this gap will be addressed through the more modest infill investments described in the Destination Growth Scenario.

We suggest that reaching this level of developed office space will be a long-term process, but is one that is critical to creating support for restaurant, retail and other hospitality sectors that are critical to the success of the visitor industry in Scottsdale.

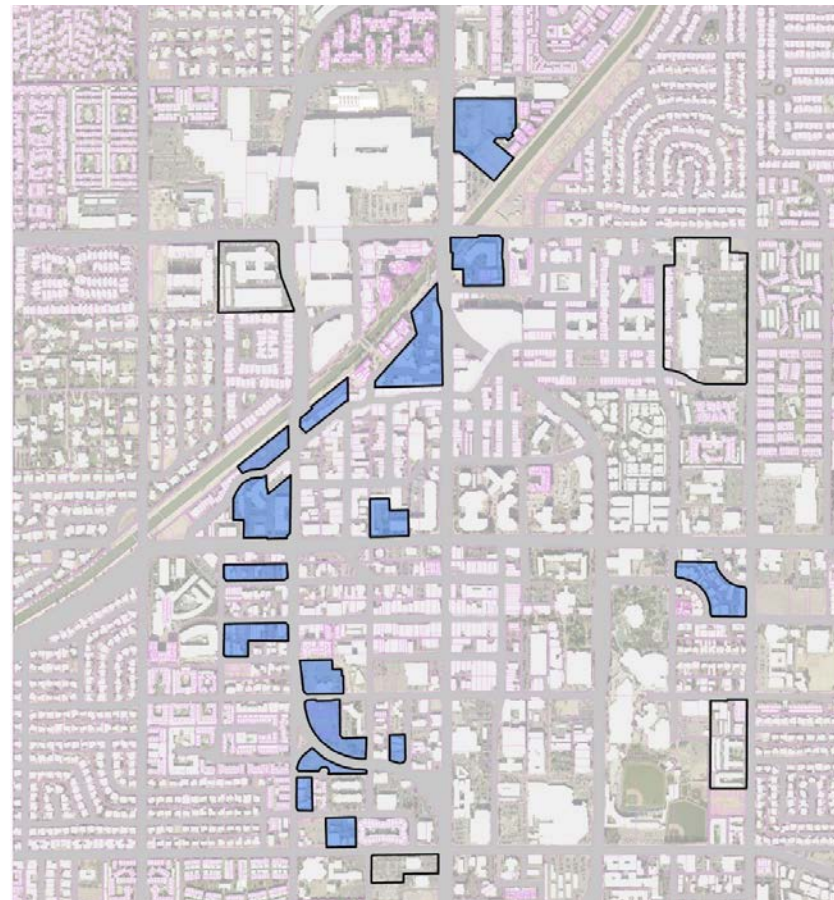
There are several challenges inherent in developing office density in Downtown Scottsdale that have been considered as part of this analysis.

- Limited Large Developable Parcels – Opportunities for larger commercial and residential development include the Loloma site, various locations along the Arizona Canal, and air rights over a redeveloped 2nd Street Garage adjacent to the Civic Center Library and Scottsdale Stadium (discussed later in this section).
- Building Scale – There are various restrictions to the height and density for development in Downtown Scottsdale, generally designed to reflect the scale of existing building stock to protect against development that would create massing out of scale with existing Downtown structures. We recommend that these restrictions be loosened for selected parcels, including the larger parcel development sites noted above. Structures of approximately 10 stories would be beneficial in attracting corporate and residential development needed to support the Downtown visitor industry infrastructure. At this height, a 25,000 square foot leasable floor plate could provide for as much as 225,000 square feet of commercial development, excluding lobby space.
- Significant Hospitality Industry Development – Downtown Scottsdale provides significant square footage of hospitality development, including retail, dining and hotel space. This can limit the available footprints for commercial office space.
- Existing and Planned Public Space – There are several large public and natural areas in the Downtown that preclude any type of development, including Civic Center Mall and the Canal.

Even with a relatively large geographic area in Downtown Scottsdale, the factors noted above will somewhat limit the ability to develop future commercial office space.

We also suggest that the types of businesses targeted for Downtown Scottsdale should continue the model described in the Destination Growth Scenario of leaning towards the “creative class” sectors such as technology firms, architects, designers, advertising/marketing, finance/legal and researchers. The type of space suitable for these businesses can include retrofitted class B or even C space, or new build. Downtown Scottsdale can provide numerous sites including a limited number of larger locations for future redevelopment or new build. The adjacent exhibit presents several of these parcels.

Exhibit 5-3
Potential Downtown Office/Residential Space Development Sites



This map highlights public and privately held parcels that have been identified as having significant “redevelopment” potential. Sites not shaded represent secondary options. The above summary is simply presented as an example of development opportunities, recognizing

that these types of sites will change over time. In addition, there are dozens of mid-sized structures located throughout Downtown that are currently vacant that could accommodate creative class office space.

Ultimately, the buildout of office space in Downtown Scottsdale will include a limited number of large scale new build projects, as well as numerous smaller new construction and adaptive reuse projects. Successfully achieving commercial space development goals will help to support the Downtown area’s evolution into a vibrant, 24/7 neighborhood environment.

Retail and Restaurants

A well developed restaurant and retail base is critical to support a visitor industry economy. The retail base in Downtown Scottsdale is unique, offering an extensive array of galleries and specialty shops.

As previously noted, the Downtown employee and population base is comparatively low on a per restaurant or retail establishment basis. As part of the Destination Growth Scenario, a target for future Downtown Scottsdale population base was set at 8,200, based on comparative market statistics. A target of 10,000 was set as part of this Destination Transformation Scenario, based largely on national studies that indicate a downtown population of this size begins to create necessary critical mass to support a vibrant neighborhood and amenities including grocery, pharmacy and other support businesses.

Comparable market data have been used to assess potential support for added retail and eating/drinking establishments in Downtown Scottsdale. This assessment is summarized below.

**Exhibit 5-4
Retail/Restaurant Growth Calculation Table**

Downtown	Retail Stores	Eating and Drinking Places	Population	Population per Retail*	Population per Eating/Drinking
Cherry Creek North, CO	358	66	2,383	6.7	36.1
La Jolla, CA	383	115	4,270	11.1	37.1
Tempe, AZ	92	57	7,316	79.5	128.4
Walnut Creek, CA	240	77	931	3.9	12.1
Pasadena, CA	813	262	17,355	21.3	66.2
Santa Fe, NM	485	104	1,789	3.7	17.2
Laguna Beach, CA	215	53	2,844	13.2	53.7
Median	358	77	2,844	11.1	37.1
Scottsdale (current pop.)	735	211	2,649	3.6	12.6
Scottsdale (8,200 residents)	735	211	8,200	11.2	38.9
Scottsdale (10,000 residents)	735	211	10,000	13.6	47.4
Population per-establishment gap				2.5	10.3
Number of New Supportable Establishments**				104	58
<small>*(This figure includes Eating/Drinking establishments)</small>					
<small>**[Added retail and eating/drinking inventory needed to reach comparable market median ratios]</small>					

Several points can be made when reviewing this chart.

- The median population per retail and eating/drinking establishment among comparable markets is 11.1 and 37.1, respectively. Current ratios in Downtown Scottsdale are significantly below these levels.
- These data suggest that increases in population and workforce in Downtown Scottsdale will be important to supporting existing retail

and restaurant establishments, and to growing the number of these businesses in the future.

- With an increase in population to 8,200 as recommended in the Destination Growth section, population to retail and eating/drinking establishments begin to align with downtown population levels.
- Once population levels reach closer to 10,000, increased retail and eating/drinking establishments could be supported, with a recommended target of 104 new retail and 58 new eating/drinking establishments. These targets also reflect potential growth at Fashion Square Mall.

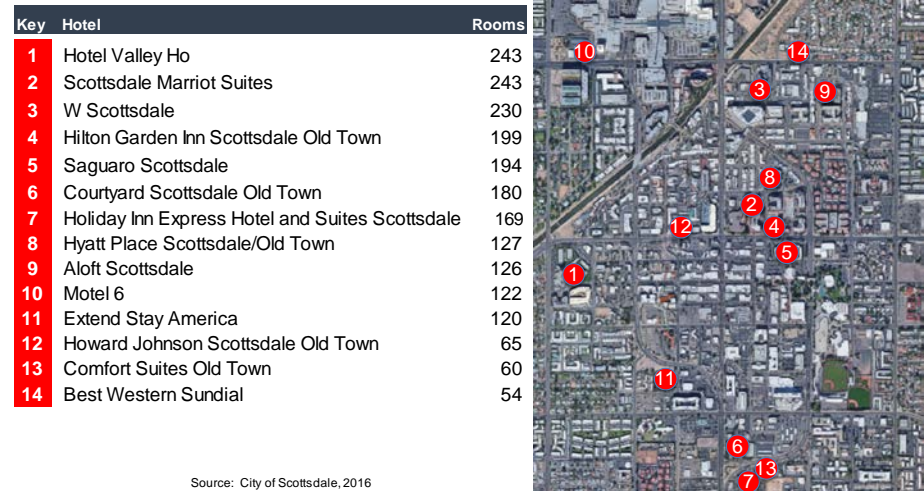
In keeping with the current hospitality assets and overall high-end brand of Downtown Scottsdale, aggressive support for attracting retail and eating/drinking establishments that tend towards non-chain, unique and authentic should be maintained.

It should be noted that the assessments used to identify targeted increases in office, retail and eating/drinking establishments are not at the level of a full feasibility study. Added assessments specific to these areas may, over time, be useful.

5.3 Develop a New Hotel and Conference Center

The hotel inventory in Downtown Scottsdale currently consists of approximately 14 properties encompassing 1,800 sleeping rooms. The following chart summarizes the location and room count for existing downtown hotels.

Exhibit 5-5
Existing Downtown Scottsdale Hotel Inventory



Source: City of Scottsdale, 2016

Occupancy rates for downtown hotels averaged in the 70 percent range over the past several years, with average daily rates (ADR) reaching \$150 in 2015. City-wide ADR's are typically \$25 to \$35 higher than downtown rates.

Given the high domestic and international profile of the Scottsdale brand, including wide acceptance in the event planner community as a desirable destination, a modestly sized hotel/conference center in the Downtown area would have a likelihood of financial viability (with limited or no public participation in the hotel component), and could help generate significant levels of non-local visitation.

Key parameters identified for the project include the following.

- 300 rooms, four-star national brand.
- Full service bar/restaurant, plus lobby bar.
- 25,000 square feet of sellable meeting/banquet space.
- Sufficient space for registration of event attendees.
- Significant pre-function areas to allow for open-space learning, or informal gathering of event attendees to address relevant topics and discussions.
- Outdoor plaza space (with tenting ability) allowing for receptions, meetings and other event functions.

The level of city participation would likely be limited, perhaps including potential financial support for a portion of the conference space. In most markets, the public sector will provide funding for a portion of these costs, often times tied to the cost of the larger conference space. Given rate and occupancy data for Downtown Scottsdale, we expect that the public sector financial contribution could be somewhat or even very limited compared to national averages.

A fairly large site area will be needed for the project, potentially three to four acres, depending on whether structured or surface parking is developed. Further planning efforts should include a more detailed feasibility study and eventually developing and issuing a Request for Letters of Interest from prospective developers.

5.4 Develop New Citywide Festival

With an expanded Canal Convergence and several new signature special events/festivals during its shoulder seasons (as discussed in the Destination Growth section), Downtown Scottsdale will greatly enhance its visibility and reputation as a host site for unique and exciting special events.

Beyond these initiatives, there are numerous long-term opportunities to develop a new large-scale, citywide festival that would center around Downtown and its event spaces. The goals for an event of this scale would be to significantly increase foot traffic and room night generation in Downtown during gaps in Scottsdale's event calendar.

The 2016 Webb Report suggests the several options for a major new festival, and specifically highlights concepts tied to country music, sustainability, YouTube and bicycles, among others. It also notes that there is a gap for a fall event that ties together arts/entertainment, food, and/or Western/Native American themes.

Regardless of the specific theme that is chosen for a new citywide event, trends in the national event industry suggest that today's attendees are seeking unique, immersive experiences, as well as multi-layered "destination events" that include a variety of activities and themes. A new citywide event in Scottsdale should incorporate these elements as well as other signature components that strongly tie to the Scottsdale brand. The case studies on the following page exemplify nationally recognized events that have successfully blended these concepts.

ArtPrize – (Grand Rapids, MI)

What began in 2009 as a “social experiment” has evolved into the most-attended public art event in the world, according to The Art Newspaper. The 19-day international art competition includes more than 1,550 art works featured throughout more than 160 Grand Rapids venues. In addition to live creation and exhibitions of art installations, the event also includes a series of lectures, films and live music within various downtown venues. A recently completed study found that during the 19-day event, there were more than 400,000 visitors to Grand Rapids from all 50 states and 47 countries generating \$22.1 million in net-new economic impact.

The event was started and managed by Art Prize, a private 501(c)3 non-profit entity. A significant portion of its marketing and advertising is funded and managed by Visit Grand Rapids, the city’s local convention and visitors bureau. The event extensively involves the local community, featuring over 800 volunteers from around the area, accounting for 13,000 total man hours.



Since many of the ArtPrize installations are developed on/within privately held properties, event leadership has developed a unique mobile “dating” app that allows private downtown business owners interested in participating in the event to select the specific artist that they would like to partner with. Two winners of the event are selected through juried and public voting, respectively, and are each awarded \$250,000. This money is provided by private foundations.

Life is Beautiful – (Las Vegas, NV)

Founded in 2013 by Rehan Choudry, the Life is Beautiful Festival is an example of a large-scale festival started by a public-private partnership. The event features four different components: music, art, food and education. The festival spans an entire weekend in the heart of Las Vegas, taking over 18 city blocks and generating approximately \$20 million in economic impact over its three days.

The Festival features over 75 musical acts in a concert series taking place at several stages throughout the city, along with an art exhibition/competition in which artists compete for the opportunity to create murals on the interior and exterior of the “Art Motel”. Other top artists are also invited to decorate various buildings throughout the downtown.

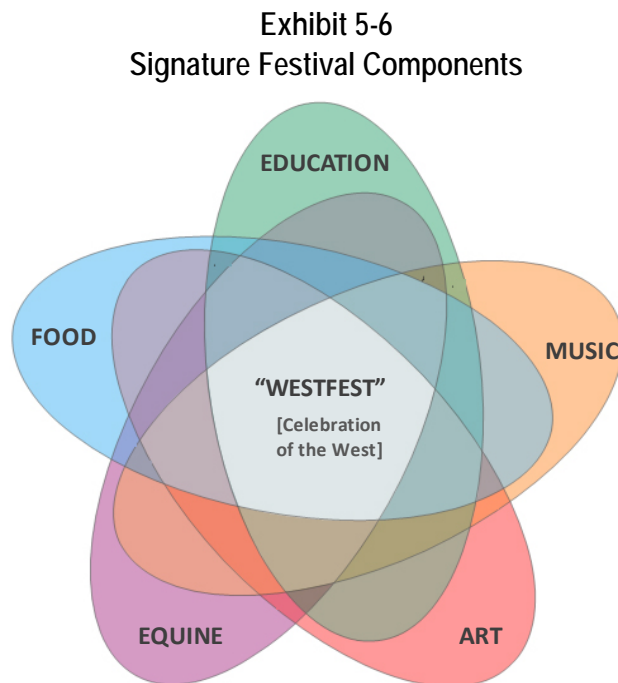
The event’s education component features lectures from top creative talent, entrepreneurs and innovators from dozens of industries, as well as “underdogs from humble beginnings”, all in the middle of Downtown Las Vegas.



The high-quality food options are also a distinct component of the Festival as top chefs from around the country serve their culinary creations at the event’s Culinary Village, which includes craft cocktails, wines and beers from around the world.

As demonstrated by ArtPrize and Life Is Beautiful (as well as Canal Convergence), major events that encompass a downtown must be able to attract a large diverse audience through a signature theme/concept tied to a variety of sub-events.

The illustration in Exhibit 5-6 summarizes the various elements that should be considered for a potential new event, characterized as “WestFest” (this is not a recommendation for the actual name, which should be decided/voted on by civic leadership and members of the community).



The five components included in the illustration above (art, music, education, food and equine) would give visitors a reason to spend multiple days in the Downtown Scottsdale destination and throughout the City, and would help attract a wide variety of visitor types seeking different types of experiences.

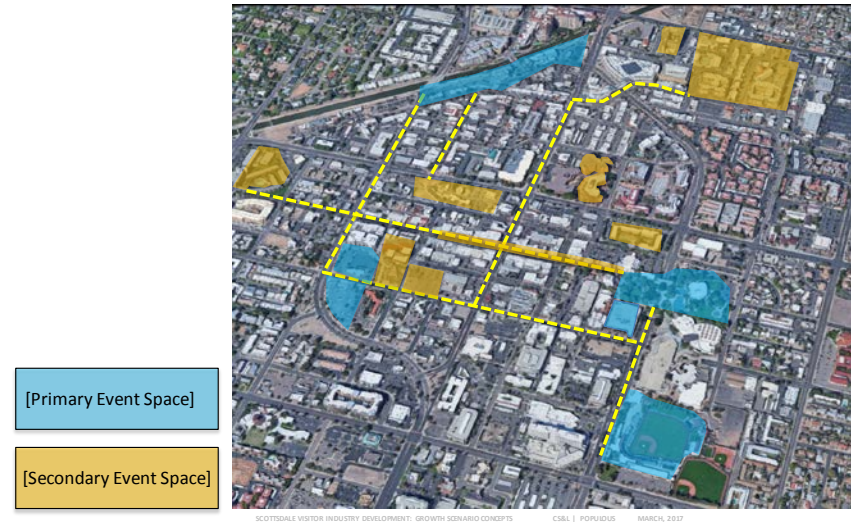
A summary of how each of these five components could be developed is presented below.

- **Education** – The event could have a sustainability focus and feature lectures, seminars, banquets and tradeshow that invite academics and professionals from the world’s “green” industries. Arizona State University, regional foundations and regional corporations represent potential partners.
- **Music** – Major entertainment acts could perform in existing and newly developed outdoor venues throughout the downtown and in other venues citywide. A nighttime “headliner” could perform in Scottsdale Stadium, while smaller amateur acts and street performers could perform at street corners or pocket parks. Scottsdale Arts, LiveNation and/or other promoters represent potential partners.
- **Art** – To avoid replicating the uniqueness of Canal Convergence, this event would include a focus on traditional and/or Western fine arts. Public demonstrations, art auctions, and/or grand openings of public art installations should be considered. Scottsdale Arts, Scottsdale Artists’ School, the Scottsdale Gallery Association, Scottsdale’s Museum of the West, Cattle Track and other cultural entities represent potential partners. Attracting Cowboy Artists of America participation could also be targeted.

- Equine – Many stakeholders suggested a horse parade through downtown (perhaps partnering with Parada del Sol) or live roping demonstrations in a public gathering space. This could also tie to one of the major equine events that take place at WestWorld. Visitors could also participate in desert group rides that originate from Downtown. WestWorld, Parada del Sol and various other equine organizations represent potential partners.
- Culinary – In keeping with a sustainability focus, the event’s food offerings could include high quality “farm-to-table” food and drink sourced from regional farmers, craft breweries, wineries and distilleries. This could also tie to a restaurant week concept, wherein the Downtown’s restaurants could offer three-course meals for a specified fixed rate. “Cooking sustainable recipes” could be the theme for live cooking demonstrations in Downtown. Yelp, celebrity chefs and local restaurants represent potential partners.

It will also be important to consider the geographic scope of the event. The following exhibit illustrates potential primary and secondary sites for various event functions.

Exhibit 5-7
Potential Sites for New Downtown Festival



As shown, the event would leverage Downtown’s public spaces and planned walkability to connect various nodes of activity. Scottsdale Stadium, Civic Center Mall and the Canal would each host various music, art and/or tradeshow event components, while smaller scale programming would occur in Loloma Park, Scottsdale’s Museum of the West, Horseshoe Falls Park, the Entertainment District and downtown hotel properties.

This effort will require the City (or a representative entity) to act as a “quarterback” and conduct extensive upfront planning and negotiation with prospective partners. A long term, phased growth plan should be implemented, and financial losses should be planned for during the event’s first two to three years. The City will also have to review its

event ordinance and potentially change/adapt its policies as appropriate to accommodate the event's various theaters of activity.

It will be important to establish partnerships with key corporate sponsors from around the Scottsdale and East Valley area. Larger corporate entities in the area such as HonorHealth Medical, GoDaddy, Yelp, Fender and others should be contacted, as well as possible national partners in the entertainment industry such as LiveNation, YouTube and others. Other local stakeholders will need to provide significant assistance for the event as well, including the area hotels, resorts, restaurants/bars, Downtown merchants/gallery owners, venue owners, cultural organizations, Talking Stick Resort and Arizona State University.

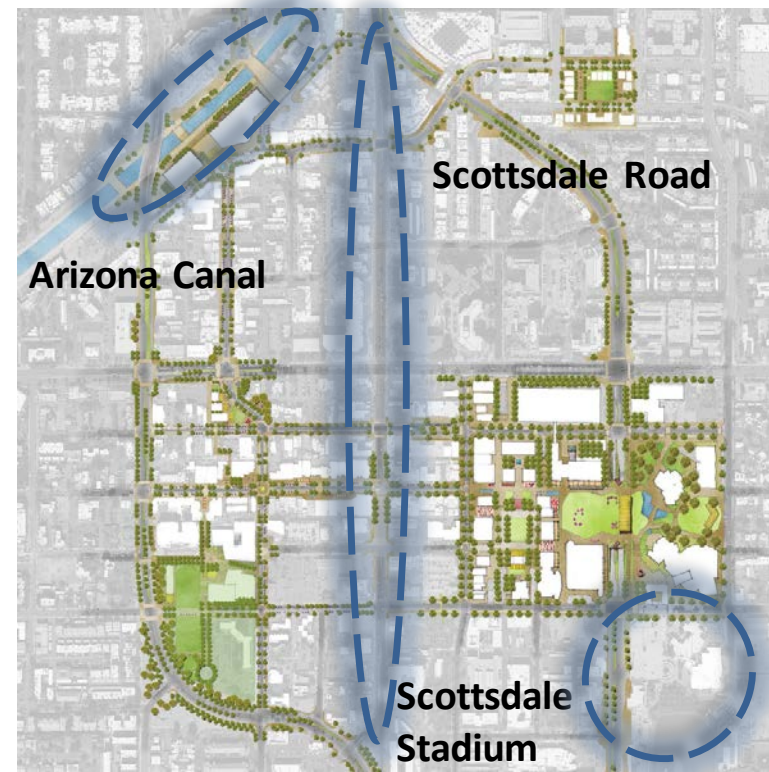
5.5 Large-Scale Transformational Project Development

Previous recommendations contained herein have focused on substantial improvements to the pedestrian/customer experience in Old Town/Main Street, Marshall Way, the 5th Avenue area and other areas that are critical to the vibrancy of Downtown Scottsdale. Investment in these areas has been considered a fairly near term priority, requiring efforts to prevent an erosion of the quality of experience in these key areas.

The final component of the Destination Transformation Scenario offers longer term transformational potential for the downtown area, and focuses on major public space projects in three areas: Arizona Canal, Scottsdale Road and Scottsdale Stadium. These areas are highlighted

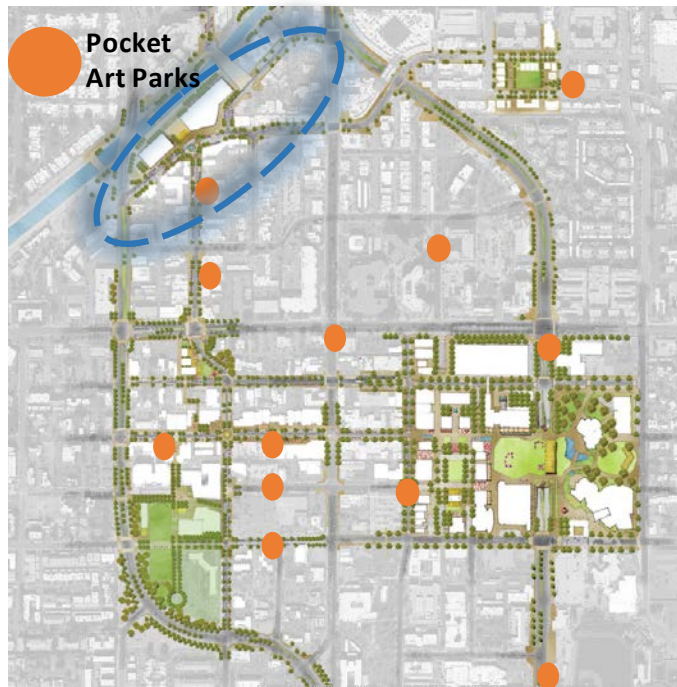
in the following exhibit, and discussed in greater detail throughout the remainder of this section.

**Exhibit 5-8
Opportunity Areas**



Source: Holly Street Studios, 2017.

TRANSFORMATIONAL DEVELOPMENT CONCEPT ONE - THE ARIZONA CANAL



Source: Holly Street Studios, 2017.

The downtown portion of the Arizona Canal has become a focal point for relatively high-end residential, office, dining and retail development. The canal area abuts the unique and important hospitality areas along Stetson Drive, 5th Avenue, 6th Avenue, Marshall Way and Craftsman Court to the south, and various developments including Fashion Square Mall to the north.

Based on our analysis and the important planning work of Holly Street Studios and Populous, three Canal area development concepts designed to increase visitor activity and resident quality of life have been identified and are discussed throughout this section.

Before further defining these concepts, we have prepared a set of planning guidelines that should help govern any large-scale projects along the downtown stretch of the Canal, as listed below.

- Create active public event space (interior and/or exterior) to allow for programmed events and general pedestrian access.
- Provide extensive integration into surrounding hospitality areas, and in no way create pedestrian circulation barriers.
- Help to create a natural link between Fashion Square Mall and key areas of Downtown to the south.
- Include a significant public art presence associated with the development.
- Develop robust amenities for bicycle transportation, including bike racks and/or bike share docks.
- Surface, structured and/or subterranean parking should be provided, potentially developed through joint public/private partnerships.
- Incorporate elements of health, wellness and sustainability.
- The project should be inviting for both visitors and residents, creating a public market or community square atmosphere that is active a majority of time.

These elements represent some of the more critical need areas for Downtown Scottsdale, and would help to make the development around the Canal one of the true visitor “focal points” for Downtown, the City of Scottsdale and the Phoenix metro area. The three specific development concepts for the Canal, incorporating the above guidelines, are described below.

Canal Central / Canal Corridor

Originally described as an Arizona Central concept, development in this area has long been evaluated by Holly Street Studios and discussed by City leadership and stakeholders. The project would combine community gathering space, mixed use retail, residential, office and parking, as well as a visitor center. With adjacency to 5th Avenue, Stetson Boulevard and Marshall Way, the site represents an important connector between areas north of the canal and the pedestrian access points south towards Main Street. The following diagram highlights the location for the various Canal Central/Canal Corridor concepts.

Canal Central/Canal Corridor Site



There are two general concepts for development in this area, each addressing key guidelines previously described. The first concept includes large public plaza space, with limited commercial development. This could be considered more of the Canal Central concept, and is reflected in the image on the following page.

Canal Central Concept – Public Gathering Space



Source: Populous, 2017.

As noted above, significant open/covered plaza space is created, centered on the 5th Avenue/Horse Fountain area. Realization of this plan would require some demolition of existing storefronts, and careful planning for relocation of tenants would need to take place.

Another development alternative for this site area was recently evaluated by Holly Street Studios – focusing on a Canal Corridor project, and is reflected in the following image.

Canal Corridor Concept – Shopping District



Source: Holly Street Studios, 2017.

This alternative includes more significant multi-story commercial development with a walkable “portal” connecting the Canal bank to the 5th Avenue/Horse Fountain area. The commercial opportunities could create greater pedestrian activity and help address future need for office, residential and hospitality development.

In both cases, an enhanced experience for the pedestrian is critical, including a pedestrian bridge across the Canal to Fashion Square Mall. Necessary land for the proposed development is currently in private hands, and some form of public/private development agreement may be required to facilitate the development of sufficient commercial square footage while creating important public elements of the project.

Public Plaza (Stetson at Marshall Way Bridge)

The area on the southern bank of the Canal adjacent to the Marshall Way Bridge and extending across Stetson, encompassing portions of 6th Avenue, and reaching the north side of 5th Avenue has been evaluated by Holly Street Studios for the potential development of a Public Plaza. The development would consist of significant green space, indoor/outdoor components and a public market. The location of this potential development is illustrated below.

Public Plaza Site



As with other development concepts along the Canal, there would be a displacement of existing businesses, and careful planning would have to take place to accommodate relocation efforts. Displaced businesses could also become tenants in newly configured/developed space.

This site could serve as the “headquarters” for existing events such as Canal Convergence as well as potential new citywide festivals, offering both open green space and covered “open-air” space. As with the plaza space concept for the Canal Central concept, regularly scheduled programming such as yoga classes, outdoor lectures or demonstrations could be hosted at the plaza.

The Plaza could also include a new public market, which would house locally owned retail and food vendors, as well as weekly farmer’s markets to serve visitors and the neighborhood’s growing population. It could also incorporate different “pavilions” or “wings” that each tie to various Arizona and/or Scottsdale brand elements. For instance, the project could feature authentic Native American shops, desert themed businesses and those that offer regionally-grown product.

Assuming future Downtown population growth, this type of indoor/outdoor street market could generate significant pedestrian vibrancy, spurring foot traffic both north and south. To further define its designation as a central community space, it could also offer an extensive array of sculpture, murals, bike racks and bike share docks. We recommend that efforts be made to investigate the feasibility of such a project, using public markets in Grand Rapids (MI), Columbus (OH) and Seattle, (WA) as successful examples of a potential project for Downtown Scottsdale.

Illustrations prepared by Holly Street Studios are presented below, followed by case studies of successful public markets in the downtowns of Columbus, (OH) and Grand Rapids, (MI).

Public Plaza Concept (street level)



Public Plaza Concept (overhead view)



Source: Holly Street Studios, 2017.

Downtown Market – (Grand Rapids, MI)

The Downtown Market is a mixed-use facility that opened in 2013, and has become a national model for highly creative, community service-oriented and entrepreneurial public market operations. Half of the \$30 million project costs were funded by state tax credits, TIF financing, city grants and parking fees. The private sector provided \$12 million while the state of Michigan contributed a \$3 million “Revitalization” loan.



The 23-vendor indoor market hall provides fresh food, educational and entrepreneurial opportunities and food related activities designed to promote locally produced food and locally made products. The market also offers:

- Seasonal outdoor farmers market
- Incubator kitchen
- Kid-friendly demonstration kitchen
- A green roof
- Private event space
- Classes and events

The Market is privately owned and operated, and was estimated to generate \$2.0 million in revenues and \$1.5 million in expenses by a feasibility study conducted prior to its construction. Facility management reports that the building has exceeded both these estimates.

North Market – (Columbus, OH)

Adjacent to the Greater Columbus Convention Center on the periphery of downtown Columbus, the North Market houses an array of locally owned establishments, including sit-down dining, produce, flower shops, meat/poultry counters, bakeries, cookware stores, and gift shops. The North Market also hosts special programming for residents and visiting groups/conventions including, live music, open houses, festivals, cooking classes, and demonstrations.



North Market management views the Market as an incubator for local entrepreneurs. A portion of the tenant mix at the Market includes food truck establishments that viewed the Market as a cost-effective opportunity to open a small permanent location.

The Market operates on a \$1 million annual budget. To establish direct connectivity to the heart of downtown Columbus, the North Market features a bus stop and a bike share dock for visitors to quickly navigate the destination from the Convention Center/North Market district.

Soleri Bridge (Scottsdale and Camelback)

The third opportunity for potential Arizona Canal development focuses on the area south of the Soleri Bridge and the highly visible nexus of the Canal and Scottsdale Road. The Bridge itself represents a marquee architectural and public art feature for the City, however the area surrounding the Bridge does not provide sufficient space or amenities to fully take advantage of the site from an event or pedestrian perspective.

To achieve a significantly more impactful site area, redevelopment of parcels bordered by the Canal, Scottsdale Road and 6th Avenue would have to take place. The existing structures in this area are significantly underutilized from a destination development standpoint. The general site area is highlighted in the aerial image on the following page.

Soleri Bridge Site



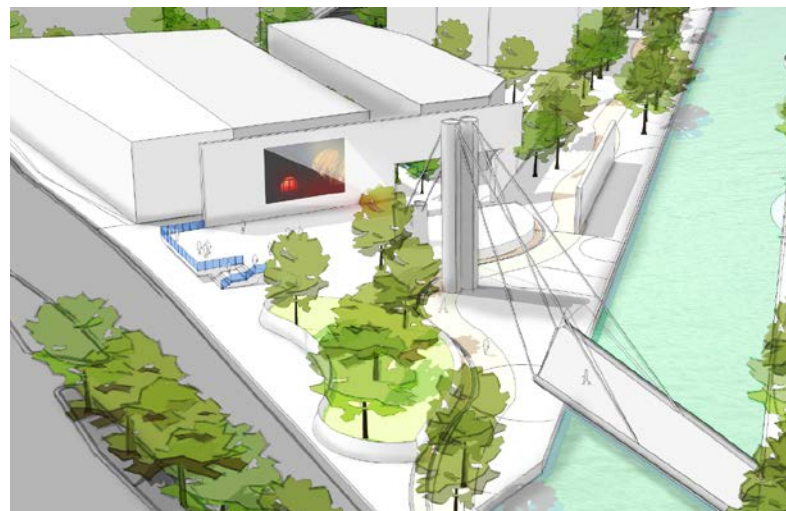
A potential redevelopment project in this area would leverage the grand scale of the Soleri Bridge and build on its uniqueness as a monumental public art piece. The transformation of low scale, dated buildings along Scottsdale Road into elements that could include open plazas, hospitality/hotel facilities, restaurants, retail and other elements would be significant. Conceptual images of potential development concepts are presented to the right.

Soleri Bridge Concept 1



Source: Populous, 2017.

Soleri Bridge Concept 2



Source: Holly Street Studios, 2017.

As reflected in these images, various levels of facility and plaza space development could take place, with features including large scale digital boards to present unique light and entertainment productions, bike-friendly assets, public art and other features.

As with other Canal area development opportunities, reinventing the Soleri Bridge area will require extensive coordination between private property owners, developers and the City.

TRANSFORMATIONAL DEVELOPMENT CONCEPT TWO - ENHANCE THE SCOTTSDALE ROAD EXPERIENCE

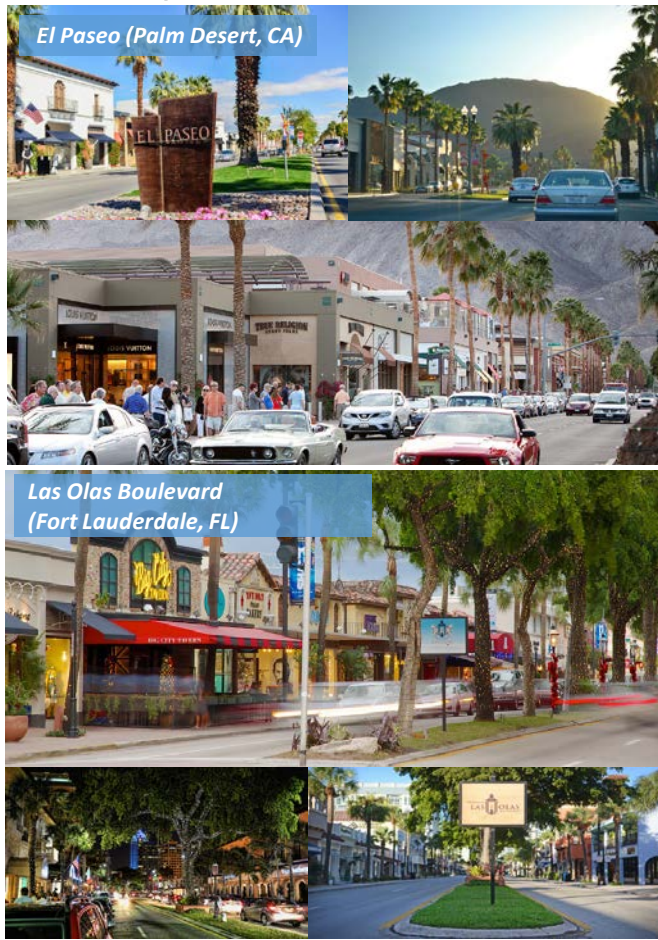
Scottsdale Road is the primary thoroughfare through Downtown Scottsdale, accommodating an average of approximately 8,000 to 9,500 vehicles per day traveling north and south through Downtown. The pedestrian and aesthetic quality of the Road runs counter to the high-end brand of the destination. One could argue that the poor visual appeal of the Road serves as a constant hindrance to efforts to maintain and enhance the destination brand.

Specific issues include a lack of a consistent and quality median presence, poor pedestrian/sidewalk experience, lack of general landscaping, and a lack of consistent commercial density. Extended waiting times at stoplights along Scottsdale Road and the significant width across multiple lanes of traffic are damaging to the Downtown pedestrian experience. The following images provide examples of these issues.



Many comparable destinations benefit from pedestrian-friendly avenues that include an array of retail and restaurants as well as wide, walkable sidewalks, public art and monumental entrances. Specific examples in Palm Desert, (CA) and Fort Lauderdale, (FL) are shown below.

Exhibit 5-9
Examples of Destination Boulevards



El Paseo and Las Olas Boulevard each feature notable medians accentuated by monumental entry signs, landscaping and a significant tree line. The quantity and quality of retail on both streets attracts significant foot traffic, which is accommodated by wide and walkable sidewalks. Businesses along these boulevards include both hospitality oriented (restaurants/retail) as well as banks, real estate offices, high-end salons and similar establishments. This type of dense development generates a sense of pedestrian-friendly activity while maintaining a robust level of vehicle traffic. With careful long-term planning, Scottsdale Road could achieve a similar aesthetic.

To achieve these goals, renovation plans should include the following elements.

Widening and Enhancement of Sidewalks

With a moderate expansion of existing sidewalks and the narrowing of traffic lanes, pedestrian safety and navigability along Scottsdale Road would be greatly enhanced. The following exhibit prepared by Populous illustrates this concept. As shown, five feet of sidewalk and/or bike lane space could be added to Scottsdale Road by narrowing each of the traffic lanes by one foot. Similar to the Emerald Necklace concept developed by Holly Street Studios for enhanced Downtown pedestrian walkability, these sidewalk enhancements should include natural and/or structured shade to help protect pedestrians from the summer heat.

Exhibit 5-10 Scottsdale Road Streetscape Enhancements



Source: *Populous*, 2017.

Signature Median

As pictured previously, El Paseo and Las Olas both have signature medians that create a distinct horizontal presence as a defining feature. Flora, large trees, lighting and public art installations are featured along their medians, enhancing their sense of place. Scottsdale Road's median has a sparse and inconsistent presence of flora and trees, occasionally incorporating elements of desert at points along the Road.

Significant opportunity exist to beautify and better distinguish Scottsdale Road by creating a median that is more identifiable and unique. This can include a consistent presence of palm trees, raised beds for plantings unique to the destination, lighting features and public art. Design experts should be retained by the City to create a comprehensive design standards document for Scottsdale Road focusing on these elements.

Signature Gateway Monuments

Scottsdale Road combines with Drinkwater Boulevard and Goldwater Boulevard to create a significant north/south corridor through Downtown Scottsdale. Very generally, traffic seeking a timely passage through Downtown can use Drinkwater/Goldwater connections, with travel along Scottsdale Road providing greater visibility and access to hospitality and commercial establishments, but with longer travel times. With a significant enhancement to Scottsdale Road, a signature, high-end boulevard is created, and the role of Scottsdale Road is further established as the preview and access point to hospitality/commercial establishments.

To announce this to pedestrian and vehicle traffic, a monumental gateway piece should be developed that signifies entry into the signature Boulevard for the City. Locations at both the north and south end of Scottsdale Road should be identified: potentially at the intersection with Goldwater Boulevard to the North and the intersection with Drinkwater Boulevard to the south.

Monuments could also be developed for various intersections with East/West roads such as Main Street. An example of this type of feature, incorporating shade, public seating, technology and art was prepared by Populous, and is illustrated in the following exhibit.

Exhibit 5-11

Potential Monumental Gateway Concept for Scottsdale Road

MONUMENTAL ENTRY FEATURES



Source: Populous, 2017.

Density and Infill

Existing development along Scottsdale Road includes hospitality establishments (galleries, shops and dining), commercial development (office, bank, real estate, etc.), and vacant/parking lots. The mix of hospitality and commercial is common along major visitor destination boulevards. However, the lack of consistent development density detracts from the pedestrian experience along Scottsdale Road. As part of the overall economic development strategy for Downtown, the City should develop and utilize tools that help to secure infill development along the Road, including the development of outdoor seating restaurants/café's. There are also several "inactive" wide setbacks at various points along the Road's sidewalks. Consideration should be given to creating pocket art parks, kiosks, temporary structures and/or permanent additions to existing buildings to bring the building fronts towards a newly widened, shaded and landscaped sidewalk.

These efforts can focus on unique local businesses, as well as more standard commercial and national chain establishments. A block by block assessment should be conducted to identify sites that would ideally be developed, and efforts to work with property owners should be undertaken. A discussion of various economic development approaches and tools to be used for these types of efforts is presented later in this Study.

TRANSFORMATIONAL DEVELOPMENT CONCEPT THREE – 2nd STREET / SCOTTSDALE STADIUM AREA

As discussed previously in the Destination Growth Scenario, plans are in place to significantly redevelop the Civic Center Mall area and to enhance its integration into other nearby Downtown areas. In addition, there are more advanced redevelopment concepts prepared by Holly Street Studios that would go well beyond current Municipal Use Master Site Plan, involving more substantial transformations of both the Civic Center Mall and the adjacent site area south to 2nd Street (with a reopening of 2nd Street connecting to Scottsdale Road). The plan would also help to link together various disjointed “micro plazas” throughout the area to develop a large, more unified public space that provides a more significant sense of place. An image of this concept prepared by Holly Street Studios is presented in Exhibit 5-12.

Exhibit 5-12
Civic Center Mall Development / 2nd Street Reopening



The parking structure that spans 2nd Street (which is currently past its useful life cycle according to local officials) would be demolished and rebuilt to allow a significant improvement to pedestrian flow, development of new pavilions and terraces, botanical features, event lawns, public art gardens, and the exposing of the Scottsdale Library towards 2nd Street. Combined with the Civic Center Mall redevelopment plan, reinventing the area to 2nd Street could also increase Downtown Scottsdale’s ability to accommodate large, visitor-oriented outdoor events and festivals.

This development represents a very significant improvement to current conditions, and should certainly be included as a long-term transformational priority for the City.

Beyond the Civic Center Mall plans, further transformational development concepts encompassing the area surrounding Scottsdale Stadium have been created in order to continue and amplify the pedestrian linkages, event potential and commercial/hospitality development potential for the area.

These conceptual plans, developed by Populous, are summarized in the following image.

Scottsdale Stadium Redevelopment Concept



Source: Populous, 2017.

As noted above, the capacity contained in the 2nd Street Garage is redeveloped on the site south of 2nd Street, with opportunities for air rights and/or restaurant/retail/commercial liner buildings towards Scottsdale Road. Setbacks are called for that help continue the pedestrian connectivity from the Civic Center Mall area to the Stadium. Added development in the left field area of the Stadium would provide for a significantly enhanced entrance strategy, with added retail and restaurant opportunities.

* * * * *

No visitor industry asset, whether a hotel, attraction or an entire downtown, can maintain market share without continued maintenance, and occasional transformational development. The concepts presented in this section are designed to provide for this transformational progress, all geared towards creating a significantly enhanced destination for both residents and visitors. Combined or in stages, this type of development will result in the ability to attract meaningful increases in visitor industry spending for the Downtown.

6.0 DOWNTOWN VISITOR INDUSTRY ORGANIZATIONAL AND FUNDING APPROACHES

It is critical that an effective management structure be in place to facilitate many of the recommendations contained in this Study. Issues related to Downtown marketing, beautification, infrastructure improvement, customer/business service, event organization, public art and many other areas require structures and resources in order to be addressed effectively.

In this section, we review the current organizations and structures in place for Downtown Scottsdale management, summarize relevant case studies in similar markets focused on creative destination development, and present recommendations for implementation in Scottsdale. Appendix A to this report summarizes all primary recommendations, budgets, impacts and timeframe for development.

6.1 Summary of Current Organizational Efforts

As in most downtowns, there are numerous organizations and industry sectors that impact the vibrancy of Downtown Scottsdale. A brief description of City departments (as described by the City) and industry stakeholder groups is presented below.

- Tourism Department – coordinates support and expansion of tourism, events, arts, and culture in Scottsdale.
- Planning and Development Department – works in partnership with the community to physically and aesthetically shape the City

through long-range and current planning services, building plan review and inspections and code enforcement.

- Economic Development Department – supports the business retention, expansion, attraction and entrepreneurial ecosystem and development that is critical to Scottsdale's economic health and sustainability.
- Public Works Department – provides many of the City's core services including trash and recycling, street maintenance, traffic management and construction management of City roads, buildings, parks and infrastructure.
- Police Department – provides public safety services to residents, business owners and visitors.
- Transportation Department - plans and engineers the City's street system and coordinates trolley, bus and other alternative transportation services.
- Parks & Recreation Department – (office of the Department of Community Services) - provides parks and recreation services and programs including maintenance services for various areas throughout Downtown.
- Scottsdale Arts – a unique umbrella organization with three operating divisions – Scottsdale Center for the Performing Arts, Museum of Contemporary Art and Scottsdale Public Art. Scottsdale Arts offers diverse, high-quality arts experiences to hundreds of thousands of Scottsdale residents and visitors annually.

- Merchant Associations – includes the Scottsdale Gallery Association, Old Town Merchants Association and the 5th Avenue Merchants Association.
- Salt River Project – the oldest multipurpose federal reclamation project in the United States. Oversees the Arizona Canal area, including permitting and approvals for development.
- Building Owners/Developers – includes the various private sector individuals and entities that significantly impact the look, feel and vibrancy of the Downtown area.
- Tenants/Merchants – the diverse retail, restaurant, hospitality and many other entrepreneurs that create the uniqueness and vibrancy in Downtown.

As part of our research, we have conducted extensive stakeholder interviews, including outreach to each of the organizations noted above. Based on this outreach, we have developed the following exhibit highlighting key Downtown management roles and responsibilities, and have summarized several important findings that can be used to guide the development of recommendations.

**Exhibit 6-1
Downtown Scottsdale
Roles and Responsibilities**

City Department	Downtown Responsibility
Tourism & Events	Asset Maintenance Marketing Events Merchant Interaction Contract Management Downtown Ambassadors
Economic Development	Business Attraction Business Assistance
Planning & Development	Downtown Plan New Development Zoning Ordinance Downtown Design Guidelines
Transportation	Downtown Transportation
Public Works	Asset Maintenance
Parks & Rec	Asset Maintenance
Police & Fire	Public Safety

As outlined above, the Tourism Department houses responsibility for a significant share of the City's downtown initiatives, with Economic Development focused on large scale Citywide business development issues. Other departments generally have a particular focus in areas such as planning, maintenance, transportation and safety. Various contracted entities also impact Downtown Scottsdale including Scottsdale Arts and Experience Scottsdale.

Other important observations based on stakeholder interviews and site visits include the following.

- Tourism interacts in some way with each of the other City departments that have a role in the Downtown.
- Public Works and Parks & Recreation play a significant role in Downtown maintenance. There is no highly active, single coordinator for these efforts.
- The resources for the various departments that are focused on Downtown maintenance are very limited. The lack of funding has resulted in a deterioration of the Downtown pedestrian condition.
- The Economic Development Department does not have the resources or tools needed to aggressively compete for brand-appropriate businesses in the Downtown area.
- The funds allocated to marketing the Downtown to metro area and regional visitors are very limited, negatively impacting the ability to attract regional visitors.
- Unique and local merchants are the lifeblood of the Downtown retail experience. However, many of these merchants do not have the resources or experience to stay current with emerging social media, marketing and merchandising trends.
- There are numerous storefronts in the Downtown area that are vacant or that now house businesses that are not congruent with the brand of the destination. More aggressive relocation outreach to targeted businesses could be beneficial.

- The Downtown trolley is in place to support residents, employees and visitors. A simpler visitor-focused route directly accessing key visitor assets would be beneficial.
- As the Downtown population increases, and as more and larger commercial projects are developed, added fire protection services will be needed.

In many cases, these challenges are starting to be addressed – particularly in areas such as lighting and landscaping, with additional planning efforts under way in areas such as transportation, Civic Center Mall redevelopment and other Downtown placemaking efforts.

To further address the structure and resource needs discussed above, we have developed the following set of recommendations.

6.2 Defined Downtown Organizational Responsibilities

As noted above, there are various coordination and resource challenges that can negatively impact the quality of the experience in Downtown Scottsdale. It is very important that a primary entity be empowered to “manage” the Downtown, both from the perspective of providing services, and coordinating the services provided by other departments.

We have developed a preliminary concept designed to address these challenges, as summarized in Exhibit 6-2.

Exhibit 6-2
Downtown Scottsdale Management Entity
Roles and Responsibilities



As noted above, we suggest that a Downtown entity (referred to as Downtown Scottsdale, Inc. for purposes of this Study) be charged with a variety of functions related to Downtown management and coordination. There are several organizational approaches and legal structures for forming such an entity (as discussed later in this section). Regardless of legal structure, several important elements relative to the Downtown Scottsdale, Inc. mission and management responsibilities are outlined below.

Mission and Responsibilities

It will be critical to clearly define the mission and responsibilities for the new organization. For example, the current role of the Tourism & Events Department to *coordinate support and expansion of tourism, events, arts, and culture in Scottsdale* could be modified to specify the following:

Downtown Scottsdale, Inc. (or otherwise named entity) is the organization responsible for place-management, marketing and experience development in Downtown Scottsdale.

Specific responsibilities or commitments that can be made to Downtown stakeholders could include the following.

- Keep the Downtown area clean, eventful, entertaining and attractive.
- Provide some elements of basic Downtown cleaning and light maintenance services, and help direct Parks & Recreation and the Public Works Departments regarding more substantial maintenance and repair needs in the Downtown area.
- Produce and provide advice and guidance regarding the hosting of special events in the Downtown area.
- Market the Downtown to regional area residents and businesses.
- Provide advice and guidance to City management, the development community, business owners, arts and cultural organizations, and other relevant entities (stakeholders) regarding Downtown strategic planning.

- Provide assistance and guidance to Downtown business owners on marketing, merchandising and related needs (See Baltimore case study below).

Retail Academy (Baltimore, Maryland)

The Baltimore Downtown Partnership recently developed a new Retail Academy program to educate current and future tenants within the Downtown about best practices in the retail and restaurant industries. This program was a partnered effort with Google's "Put Your Business on the Map" program and importantly includes an emphasis on educating business owners, tenants and private investors on modern state of the industry customer service practices and the use of social media marketing and website creation/management.

The goal of the program is to improve the service and business operations of smaller, non-chain retail and restaurant properties in the Downtown and to help boutique-like properties that are unique to the destination attract more patrons and increase their visibility and presence on the internet.

Moreover, using criteria provided by Google, Downtown Partnership staff performed an extensive evaluation of the web pages of each locally owned store in the downtown. Navigability, page layout, and informational content (such as store hours, product deals, etc.) were some of the metrics that were measured.

- Establish a network of relationships with building and land owners to help hospitality, residential and commercial development.
- Assist with the process of identifying and attracting businesses that are reflective of the Downtown Scottsdale brand.
- Provide advice and guidance to key stakeholders regarding Downtown transportation and parking issues.

- Administer various programs to incentivize unique and local businesses to locate or remain Downtown.

It is critical that Downtown Scottsdale, Inc. provide a combination of in-house services, while helping to manage the services provided to the Downtown by other departments and stakeholder groups.

6.3 Legal Structure

There are two primary models that could be pursued in order to empower this type of Downtown entity; a City department model or a contracted non-profit corporate model. Both are described below.

City Department Model

This would most closely reflect the existing model, organized around the existing Tourism Department which dedicates a majority of its efforts to the Downtown area. The department would absorb each of the responsibilities noted above, and would fulfill these responsibilities through a combination of internal department staff and financial resources, and through helping to coordinate the resources of other departments and entities that impact Downtown such as Public Works, Parks & Recreation and Transportation. Added staff and operating resources would be required to fulfill these responsibilities. A general target of \$1.5 million in resources beyond the current Tourism Department budget should be set.

Public Non-Profit Corporation

In many communities, a non-profit corporation is formed to lead efforts in managing the public aspects and visitor/resident/worker experience in a downtown area. The corporation is provided funds from the public sector (often including funds generated through a Business Improvement District), and a contract is put in place to specify the types of services to be provided by the corporation on behalf of the city.

These organizations operate on behalf of the city and are typically governed by a board that consists of elected officials, city management, major downtown property owners, business leaders and other stakeholders with unique insights into the downtown.

We also note that a downtown organization would manage a recommended Business Improvement District for the Downtown Scottsdale area, as well as a Foundation for securing funding for specific Downtown initiatives. These concepts are described later in this section.

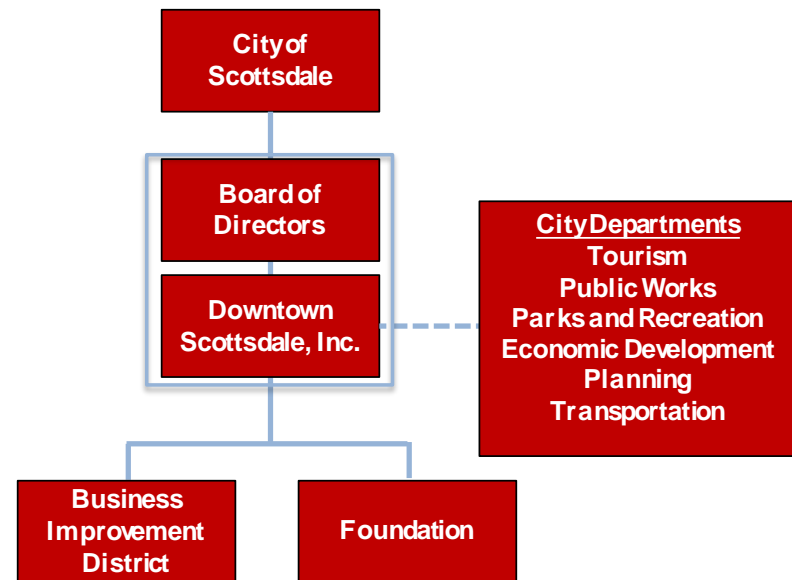
The non-profit concept provides a valuable combination of City participation in key governance issues and the independence for executive management to implement day-to-day operations based on this governance. The ability to adopt policies and procedures that allow for timely decision making, to attract and compensate professional staff, and to incorporate input from high-level destination business executives represent important strengths of the non-profit model.

We therefore recommend that this model be pursued as part of the Downtown management strategy, and that legal assistance be retained

to begin the process of officially forming a non-profit entity, based on the mission, responsibilities and structures defined herein.

A conceptual organizational chart is presented below outlining the various Downtown Scottsdale, Inc. responsibilities and connections to the City.

Exhibit 6-3
Proposed Downtown Management Organization Structure



To illustrate this model, case studies for Tempe, Grand Rapids and Cherry Creek North are summarized on the following pages.

DOWNTOWN TEMPE AUTHORITY (Tempe, AZ)

The Downtown Tempe Authority (DTA) was created in 1993 in response to an increasingly dynamic economy and environment in the downtown district. The primary purpose of the new organization was to provide enhanced management and promotional services for the benefit of the district's business and property owners.

The Authority's duties include providing business resources and assistance to participating merchants, managing cleaning, parking and security services for the downtown, and developing and marketing downtown event/festival activity. To ensure that a significant amount of the downtown asset is represented in the Authority's decision making, the BID's by-laws state that four of the eight downtown property owners with the highest assessed total property value must serve on the Board of the BID.

The DTA receives approximately \$900,000 in district assessments, \$366,000 in private contributions, \$375,000 in parking management fees, and \$272,000 from partnerships (total income per year is \$2.3 million). Major expense items include salaries and wages (\$551,000), business development (\$100,800), cleaning and beautification (\$264,000), marketing (\$314,000), and programming (\$290,700).

There are 13 staff positions at the DTA, including an Executive Director; five department heads focused on Marketing, Business Relationships, Operations, Placemaking and Finance; four service staff; and, several assistances. An organizational chart is presented later in this section.

Notable recent DTA initiatives include the formation of "Beyond the Brick" programming, a weekly series of concerts at Hayden Square Amphitheater; a downtown-wide "scavenger hunt" event involving 14 temporary public art installations, and; the recruitment of Fashion Horde to open their first physical store in downtown Tempe.

DOWNTOWN GRAND RAPIDS INC. (Grand Rapids, MI)

DGRI was established in 2013 to serve as the managing entity for the Downtown Development Authority (DDA), the Downtown Improvement District (DID) and a downtown area Tax Increment Finance Authority (TIFA). These entities are overseen by a Mayor-appointed board of directors, with added guidance provided by a 100-member Board of Advisors. The DID was established in 2000 as a funding mechanism to create and maintain a vibrant downtown core. The assessment generates approximately \$1 million in revenues annually. Annual expenses include approximately \$519,000 for downtown maintenance and beautification, landscaping and irrigation repair, \$87,000 for marketing and communications, \$220,000 on snowmelt operations, and \$100,000 for the Ambassador Program.

The Downtown Development Authority (DDA) was created in 1980 to help catalyze public and private investment in downtown Grand Rapids. In addition to the nearly \$6 million in funding collected through a TIF, the DDA also generates annual revenues from parking lot rentals, local event sponsorships and the occasional sale of downtown property.

The DDA allocates approximately \$1.3 million annually for downtown business development incentive programs and \$1.2 million a year in public infrastructure such as streetscaping, river activation, park and building improvements. Other major expenses include \$275,000 in downtown marketing and inclusion efforts, \$225,000 for the Downtown Ambassador Program and \$125,000 for event production such as Movies in the Park. The DDA also has the authority to issue bonds for projects, with current annual debt service obligations at approximately \$200,000.

DGRI staffing includes positions such as Chief Outcomes Manager, VP of Planning and Development, Communications Coordinator, Special Events Manager, Community Relations Coordinator, Project Specialist, Graphic Designer and Executive Director. There are a total of 11 management/administrative staff, and approximately 5 to 10 DID Ambassadors.

CHERRY CREEK NORTH BUSINESS IMPROVEMENT DISTRICT (Cherry Creek North, CO)

Located approximately three miles outside of Downtown Denver, Cherry Creek North has developed into the Denver metro area's marquee mixed-use district due to its walkability, upscale image, and adjacency to Cherry Creek Shopping Center (the region's largest shopping mall). Today, there are over 600 businesses located throughout this 0.4-square mile area.

Since 1989, the Cherry Creek North Business Improvement District (BID) has been working to plan, manage and promote Cherry Creek North (CCN) as a premier retail, restaurant, office, hotel and residential destination. With its full-time staff of nine employees, the BID focuses on four key areas to benefit the area's retailers: consumer marketing, merchant outreach, physical environment enhancement, and parking management. The financial summary below details the BID's revenue and expense items in 2016.

	2016
Operating Revenues	
Property Assessments	3,690,796
Parking Management	233,700
Gift Card Sales	50,000
Other	86,200
Total Operating Revenues	4,060,696
Operating Expenses:	
Salaries and benefits	892,300
Marketing	672,000
Outreach	160,000
General & administrative	401,046
Capital Projects and Maintenance	630,804
Bond Repayment	1,119,639
Parking Operations	191,000
Events	70,000
Other	30,361
Total Operating Expenses	4,167,150
Net Operating Deficit	(106,454)

Cherry Creek North BID officials note that they were one of the first BID's nationally to issue general obligation bonds in 2009. BID proceeds helped finance and manage the design and construction of an \$18.5 million streetscape project that added 20 "art and garden" stations throughout the district.

Note: Operating deficit funded throughout previous fund balances.

6.4 Budget and Staffing Needs

Significant financial and staff resources are required to manage the public aspects and experience of a downtown, particularly an area as large as Downtown Scottsdale.

As noted in the Tempe case study presented above, the budget for their organization is approximately \$2.3 million with 13 full-time positions. Similar organizations around the country operate with budgets that can often range between \$1.0 and \$4.0.

In Grand Rapids, their Business Improvement District generates \$1.0 million annually, with other sources including tax increment financing generating approximately \$6.0 million annually. Other revenue accrues from parking rental, event fees and other sources. Occasional property leasing or sales can also generate significant income for the downtown development entity.

The current Tourism Department budget is approximately \$2.0 million not including funds passed through to contracting entities such as Experience Scottsdale and Scottsdale Arts, and summarized in the following exhibit.

**Exhibit 6-4
Summary of 2016-17 Tourism & Events Expenditures**

Downtown Marketing & Advertising	\$164,269
Event Production & Promotion	538,991
Downtown Product/Activation	132,951
Downtown Lighting	160,000
Studies & Research	275,718
Salaries and G & A	764,000
Total	\$2,035,929

Expenses above include salaries for 6 full time and 1 part time staff.

For a new Downtown Scottsdale, Inc., we suggest an initial annual operating budget of approximately \$3.5 million. A general breakdown of this budget is presented in Exhibit 6-5.

**Exhibit 6-5
Summary of 2016-17 Tourism & Events Expenditures**

Downtown Marketing & Advertising	\$488,750
Event Production & Promotion (1)	600,000
Downtown Product/Activation	100,000
Downtown Lighting	160,000
Studies & Research	150,000
Business Development Tool Kit (2)	350,000
Maintenance/Cleaning (3)	600,000
Salaries and G & A	1,051,250
Total	\$3,500,000

(1) Includes on-going funds for Scottsdazzle

(2) Does not include an initial \$250,000 for revolving loan fund

(3) Including contracted services.

Note that this budget does not include annual financial support for Canal Convergence, currently set at \$650,000 for the current year. Funding support for the next three to five years should be budgeted for in order to develop the event into a longer term, need period room night generator.

Specific areas of expenditure, organized around potential operating departments, will include:

- Downtown marketing (including coordination with Experience Scottsdale) will require added resources. The Tourism Department currently conducts advertising and marketing efforts targeting residents in the metropolitan area, while the focus of Experience

Scottsdale is on attracting national and international visitors to the broader Scottsdale product.

- Event production and promotion (including coordination with Scottsdale Arts). Tourism Department currently makes large investments in developing events to support Downtown vitality. This approach should continue, and addressing the event development recommendations contained herein will require additional resources. This does not include funding for planning and operating a new large signature event for the Downtown. This will require a separate source of revenue, combining public and private investment.
- Downtown product/activation includes securing small performances throughout the downtown, particularly during ArtWalk and other events. With the development of pocket art parks, there will be significantly more opportunities to continue these efforts.
- Downtown lighting is an existing expense focused on installing and maintaining seasonal lighting. We expect that this expense will continue.
- Studies and research are critical to assessing current and future customer needs, identifying challenges to Downtown product, and helping to direct the expenditures of the organization.
- Business attraction and support tools will require further investment, as discussed later in this section. Communication with Downtown business groups, developers, City management and other stakeholder interaction will be critical. This will include extensive outreach to property owners and tenants, as well as

management of the marketing/merchandising contractor to assist Downtown businesses referenced earlier in this section.

- Maintenance/cleaning (including contracted services) focuses on landscaping, beautification, general cleaning and other aspects of Downtown appearance (including interaction with Event Production and Parks Departments). This is a critical and visible responsibility for a Downtown oriented public corporation. This also includes administration of a “Clean Team” program with approximately 7 to 10 staff supporting cleaning efforts and interacting with Downtown visitors, residents and workers.
- Salaries and general/administrative costs will increase given greater organizational responsibilities. Recommended staffing levels include an Executive Director; two staff each for marketing/advertising, maintenance and event promotion/production; one marketing director, seven to ten Clean Team members; and two administrative positions.

The budget should be reviewed annually through the budget process developed in conjunction with the City. Sources of funds for Downtown Scottsdale, Inc. can also include direct City payments, parking fees (should such a fee be implemented), event revenue, advertising/sponsorship revenue, and public and private grants. These funding sources are discussed in more detail later in this section.

6.5 Creation of a Business Improvement or Revitalization District

It is very common nationally for some form of improvement district to operate in downtown areas. These entities are typically tasked with various maintenance, marketing, visitor assistance, event planning and beautification tasks. Funding sources typically include assessments on downtown property owners. For Scottsdale, we recommend the creation of such a BID to help fund maintenance, beautification and the “Clean Team” concept previously referenced.

In Arizona, there are several options for developing such a district, including the creation of an Enhanced Municipal Services District or a Revitalization District. Each require approval of property owners, and each are designed to provide various services beyond those provided by the city. A Revitalization district is likely the most appropriate model for Downtown Scottsdale, and is referred to herein as the BID.

A legal entity for Downtown Scottsdale should be established to allow for collection of fees and the provision of specific services. However, in order for such an initiative to succeed, there are several core principles that should be considered, as summarized below.

- **Build Consensus** – It has been shown time and time again that failure to be inclusive in the discussion and formation of any concept for Downtown Scottsdale will create significant hurdles to progress. It will be important that the process of designing and approving some form of BID include significant stakeholder outreach and participation. Downtown Scottsdale, Inc. should lead this effort by designing and implementing an outreach plan.

- **Clearly Defined Mission** – There are many stakeholders in the Downtown area that may be concerned that efforts to improve the destination are really more efforts to create a modern and generic Downtown. It will be critical to define the elements that make Downtown Scottsdale unique, and to mark these as critical to maintain under any BID plan.
- **Clearly Defined Roles** – It will be important to define the need for and benefit of the maintenance, cleaning, marketing and beautification roles of the BID.
- **Robust Stakeholder Involvement** – The board-level guidance given to the District should be led by Downtown stakeholders, with Downtown Scottsdale, Inc. charged with day-to-day implementation of Board direction.
- **Method of Annual Reporting** – It will be important to define measurable goals for the BID, and the tactics and strategies used to achieve these goals. The Annual Report should also include a summary of actual performance versus goals, reasons for variance, and a description of research-based initiatives for the following year.

As the outreach and approval process moves forward, it will be critical to emphasize the importance of the above elements. Downtown Scottsdale, Inc., working with experienced legal support and other City departments, should initiate a process inclusive of the following initiatives.

- Define the Revitalization BID boundaries.
- Define and initiate the legal and approval process.

- Define the necessary budget and resulting property assessment.
- Identify the desired board structure and begin to identify board candidates.

The board of the BID should include representation from elected officials, City management, major property/business owners, and representatives from selected business owner groups. Appointment of board members can allow for Council/Mayor control of City appointments, and a nominating committee of the BID appointing other members, subject to the category specifications noted above. Efforts to seek executive level representation from various sectors for the board should be made to help introduce best practice governance, strategy and planning insight.

The Director of a new Downtown Scottsdale, Inc. (or other high level executive in the organization) should oversee the BID. Approximately 7 to 10 field staff or Clean Team members should be retained, with one senior Clean Team position allocated to manage the staff and reporting to the BID/Downtown Scottsdale, Inc. executive.

6.6 Development of a Downtown Foundation

Opportunities exist to establish an independent foundation to support Downtown development. Such a foundation would allow for contributions from individuals, businesses and other foundations/trusts to support specific initiatives including monumental public art, art trail projects, pocket art parks and land acquisition in support of public space development.

This approach to Downtown revitalization has been utilized in markets such as Pittsburgh, (PA) and Baton Rouge, (LA) where private 501(c)3 foundations have been established to supply their respective downtowns with the financial means to plan and develop new buildings, neighborhoods and public use areas. The Pittsburgh Foundation's mission statement reads:

"The Pittsburgh Foundation works to improve the quality of life in the Pittsburgh region by evaluating and addressing community issues, promoting responsible philanthropy, and connecting donors to the critical needs of the community."

These foundations/trusts are commonly governed by a board directors made up of local philanthropists and leaders in the business community. Funding comes primarily from private contributions, but these entities will often own real estate, stocks and other assets to support desired investment. The Baton Rouge Area Foundation operates with an annual budget of \$4 million, supported through various contributions and investment income.

City of Scottsdale leadership should consider this type of foundation structure, working with legal counsel to begin the process of developing bylaws and other governing documents. From a management perspective, the foundation could operate under the new Downtown Scottsdale, Inc. organization, helping to provide funding for initiatives included in and beyond Downtown Scottsdale 2.0.

6.7 Interaction With Other City Departments

As previously noted, Downtown Scottsdale, Inc. would have to interact with numerous City departments including Public Works, Parks & Recreation, Economic Development and Planning.

The focus of interaction with Public Works and Parks & Recreation is on Downtown maintenance. As the “eyes and ears” of Downtown, Downtown Scottsdale, Inc. should have a process for directing portions of the overall Downtown maintenance scheduling and prioritization.

We do not envision any significant transfer of staff from other departments to Downtown Scottsdale, Inc. Rather the new entity would help provide strategic planning guidance as to how these staff and resources would be deployed in a manner that is coordinated with other Downtown related investment.

6.8 Added Downtown Business Development Tools

Often times, the local and unique storefront businesses that are critical to the success of Downtown Scottsdale can have difficulty in securing financing, negotiating with building owners, convincing building owners to invest in needed property improvements, and other important success factors.

Any successful development entity will benefit from a robust “tool kit” to be used in retaining and attracting targeted businesses. The Economic Development department is able to fund modest efforts such as small business training programs and a business promotion window program,

however funding is very limited for these efforts. In addition, the primary focus for the Department is on larger citywide economic development issues including larger business relocation efforts.

We recommend that Downtown Scottsdale, Inc. undertake responsibility to develop a “micro” strategy for Downtown business attraction (with the support of the Economic Development Department), focused on individual storefronts and smaller development projects. For larger commercial and hospitality development projects, the Planning and Economic Development Departments would play a much larger role.

If a decision is made not to create a Downtown Scottsdale, Inc. as a new non-profit economic development entity for Downtown, the City, likely through the Economic Development Department could assume these storefront business development responsibilities. This would require added staff and financial operating resources inclusive of at least two full time positions and approximately \$350,000 in operating funds.

The set of development tools implemented by to increase Downtown storefront vibrancy could include several of the following.

- Revolving Loan Fund – These programs provide development and operational capital for businesses seeking to locate into a downtown area. Loans are offered at low interest rates (2 percent to 3 percent), with payback periods of up to 10 years. Loan amounts can range from several thousand dollars for specific operational or marketing needs, to tens of thousands of dollars for project development needs. Risk levels for these loans are

typically above those for traditional bank loans, however various forms of collateral (including project equity) are typically required for revolving loan participation. Funding for the loan program can be provided from private/foundation sources, or public sector participation at the local, state and/or federal level. The loan disbursements will then “roll over” as business owners make payments. It will be important to establish some form of loan review committee, with responsibilities to protect the base capital amount as carefully as possible, while providing loans that can positively impact the restaurant, retail, residential and other commercial base in the Downtown. It may be necessary to provide occasional infusions into the loan fund to maintain desired capital levels.

- Grant Program – Grant programs are typically provided to businesses and/or property owners for project development costs, often capped at a percentage of the private investment amount or a nominal dollar figure. Funds could also be used for legal, architectural, engineering and other support initiatives. This type of technical assistance program is currently in place in Phoenix. Criteria for awarding grants can include potential for job generation, level of local ownership, projects that are unique to the destination (non-chain), location of the project in defined need areas, etc. Programs can be designed to encourage adaptive reuse of existing vacant structures in order to help create desired density. It is useful to identify project types that are restricted from the program, including any adult-oriented business, gaming operations, pawn/gun/knife businesses, etc.
- Tenant Assistance Program – A business relocation effort can benefit from the availability of various forms of tenant technical assistance. These efforts can help a potential business (or

developer) navigate various City requirements related to permitting and licensing, as well as interaction between tenant and building owner including the site selection and lease negotiation process.

- Facade Improvement Program – These can be grant or loan-based programs, with a goal of retaining and improving the front face of buildings in important areas of Downtown. The programs can provide straight grants, or can match some portion of private investment. These programs can help facilitate elimination of non-historic additions, provide structural improvements, enhance beautification and support Downtown development in other relevant ways. Projects should be considered for structures in defined areas that tend to support smaller scale retail, restaurant, residential and other commercial projects (which encompasses much of the development in Downtown Scottsdale). Consideration could also be given to incorporating a window wrap program that uses vacant storefronts to place advertising for Downtown events, activities and businesses..
- Fee Waivers – In some cases, local permitting and other fees can cause challenges for local entrepreneurs with relatively little capital. It may be useful to consider a waiver program for qualifying targeted businesses that can add to the unique and authentic environment in the Downtown area.
- Vacancy Programs – The concept of “pop-up” retail initiatives has been used in many markets nationally. The program helps facilitate agreements between building owners with vacant street level space and local entrepreneurs that bring creative ideas for a business with limited capital. A short-term agreement is negotiated at little or no rent, allowing for a proof-of-concept period for a local business. Ideally, a longer-term market-rate lease is negotiated

subsequent to the test period. A committee of Downtown stakeholders could evaluate potential business opportunities and help match entrepreneurs with building owners. Various grant and loan programs could also be used to support the local entrepreneur.

- Marketing Support and Assistance – Existing and potential future local businesses in Downtown Scottsdale represent a foundation for the retail and restaurant visitor appeal. However, in many cases, the small staff at these businesses do not have the resources or expertise with respect to marketing, merchandising and social media. As noted previously in this Study, consideration should be given to establishing a contract position within Downtown Scottsdale, Inc. to provide one-on-one guidance to these business owners, helping to elevate the exposure and performance of key unique and authentic Downtown businesses.
- Buy Local Campaign – The Economic Development Department is exploring a potential “Buy Local” campaign that would encourage metro area residents to purchase from the type of locally owned and operated establishments that are concentrated in Downtown. This initiative could be included in the recommended increased marketing budget for Downtown Scottsdale, Inc. referenced earlier. Consideration is being given to efforts to promote Downtown businesses to larger employers in the area, linking merchants to targeted demographics. These efforts would potentially include a sponsored gift card program to create an increasing base of repeat customers for Downtown merchants.

Funding for these initiatives should be included in the overall Downtown Scottsdale, Inc. budget. Funding for a revolving loan fund should

initially target \$200,000 to \$250,000, and the annually funded programs (including necessary staff costs for marketing support and assistance) should be resourced at between \$300,000 and \$350,000 annually.

6.9 Potential Funding Sources

We have evaluated potential sources of revenue to fund the types of Downtown investment initiatives described herein. Funding from these or other sources will be necessary for various capital investment, development partnerships, marketing, visitor industry infrastructure, maintenance and other initiatives.

The broad revenue sources discussed herein may require local approval, or may even require state legislative action. We have not attempted to evaluate likelihood of implementation, but have simply identified funding sources that are somewhat common in other markets, or that are reflective of opportunities unique to Scottsdale. These funding sources are discussed below.

Business Improvement District Assessment

There are several legal options for establishing an entity that can assess and collect fees from business owners in a downtown area. Since disbanded, this course of action was initiated in Scottsdale in 1997, seeking to generate approximately \$500,000 in assessments and \$250,000 in private contributions. Establishing a new entity under the conditions noted previously in this section is recommended.

The City should work with an experienced legal team to develop an assessment apparatus that raises at least \$2.0 million annually, significant less than the \$3.7 million generated in Cherry Creek North and the 90-square block Phoenix Business Improvement District which generates approximately \$3.7 million annually from assessments. The Phoenix BID, operated as part of Downtown Phoenix, Inc., funds marketing, Clean Team programs, light maintenance, urban design and streetscape, stakeholder outreach, event support and other areas.

The ownership group for Fashion Square Mall will benefit from the destination growth and transformation recommendations presented herein, and should be encouraged to participate in the assessment structure.

Under recently signed HB 2440, a petition signed by more than 50 percent of assessed land owners must be secured in order to approve an assessment district. Including Fashion Square Mall in a Downtown Scottsdale district would likely help to address this requirement. The City of Phoenix is challenging the new law in court as part of a newly established assessment district for Roosevelt Row.

Combining a \$2.0 million assessment total with a portion of the current Tourism & Events budget could generate funds sufficient to reach the targeted \$3.5 million annual budget for a Downtown Scottsdale, Inc. and would also allow for a modest annual amount for potential future capital projects.

The remaining \$500,000 of the existing tourism & Events budget would remain to support an on-going City department that is focused on grant

applications, special event permitting and administering contracts with Experience Scottsdale, Scottsdale Arts and Museum of the West.

Local Option Sales Taxes

There are numerous markets nationally that rely on voter-approved sales taxes to fund various types of public projects. In many cases, successful application of a local option sales tax relies on (1) a defined term, after which the tax expires, and (2) use of tax proceeds to fund a defined list of projects versus general economic development initiatives.

According to the Tax Foundation, 38 states including Arizona allow for approval of local option sales taxes. In Scottsdale, the local option tax is 1.65 percent, resulting in a total sales tax of 7.95 percent when combined with state and county taxes. A summary of total sales tax rates in selected Maricopa County is presented below.

Glendale	9.20 percent	Mesa	8.05 percent
Phoenix	8.60 percent	Scottsdale	7.95 percent
Tempe	8.10 percent	Chandler	7.80 percent

A voter-approved increase in the Scottsdale assessment could be structured to remain within the range of other Maricopa County cities. A prime example of a successfully applied local option sales taxes in Oklahoma City is summarized in the case study on the following page.

CASE STUDY

Transformation of Oklahoma City through the MAPS Program

Oklahoma City was economically stressed in the 1990's, with representatives of prospective business relocation targets citing a poor quality of life as an impediment. City officials prepared an economic development and investment plan that involved a voter approved sales tax increase to fund projects selected by the community. Key elements of this plan included the following.

- A slate of projects is identified by city leaders to go before the voters for approval. The set of projects address needs and amenities for a wide variety of demographic groups in order to generate community-wide support, and projects are voted on as a group, versus individually.
- A specified increase in the sales tax is required (1.0 percent), and all projects are funded out of this revenue, with no debt incurred. An operating endowment for each project is also funded out of sales tax proceeds.
- A volunteer Citizens Advisory Committee is appointed to recommend architects, help develop planning documents and identify contractors. These findings and recommendations are presented to city council for approval.
- The Program is overseen by a volunteer citizen's advisory committee, whose recommendations for architects, plans and construction documents, contractors, and change-orders are forwarded to city council for approval.

The term of the original MAPS program was five years, with the sales tax expiring at the end of this term. The following projects were funded over this period.

- Renovation to the Civic Center Music Hall.
- Renovations and expansion to the Cox Convention Center and construction of Bricktown Ballpark (AAA baseball stadium).
- Renovations to the Oklahoma State Fairgrounds.
- Construction of Ford Center, now Chesapeake Energy Center and home to the NBA Thunder.

- Construction of the Bricktown Canal to help establish a vibrant entertainment district.
- Construction of a dam and recreation structures on the Oklahoma River, allowing for world class canoe, kayak and rowing competitions.
- Development of a new library and learning center.
- Development of a new trolley bus system for the downtown and surrounding areas.

Combined, these projects have been significantly transformative for the city, and have helped to spur hundreds of millions of dollars in private sector investment in the community.

Due to the success of the first MAPS program, voters approved a second "MAPS for Kids" sales tax increase (again 1.0 percent), raising \$700 million to pay for significant upgrades and investment to over 100 schools in the Oklahoma City school district. The duration of the tax was seven years.

In 2009, voters for a third time approved a large scale MAPS program, this time a 1.0 percent increase raising \$777 million for projects including the following.

- A new state-of-the-art downtown convention center and Oklahoma State Fairgrounds upgrades.
- A massive, 70-acre public park in the downtown area.
- A new streetcar/transit system.
- New senior health and wellness centers throughout the city.
- Oklahoma River improvements, including RIVERSPORT Rapids whitewater rafting and kayaking center.
- Biking and hiking trail system upgrades to improve interconnectivity.
- Neighborhood sidewalk construction.

The three MAPS programs have dramatically improved the quality of life for residents in Oklahoma City, and created a significantly more desirable destination for visitors. With MAPS 3 expiring at the end of 2017, consideration is being given to a 2-year MAPS 4 that could generate sufficient funds to resurface every road and bridge in the city.

For Scottsdale, the FY2016 sales tax base approximated \$9.9 billion, with downtown sales tax base (including Fashion Square Mall) at \$732 million. Potential revenue generation from various increments in sales tax both City-wide and in Downtown are summarized below.

**Exhibit 6-6
Summary of Potential Scottsdale Sales Tax Assessment
Revenue Generation**

Incremental Rate	City-Wide	Downtown (1)
0.05%	\$4,935,310	\$365,985
0.10%	\$9,870,619	\$731,970
0.15%	\$14,805,929	\$1,097,955
0.20%	\$19,741,238	\$1,463,940
0.25%	\$24,676,548	\$1,829,925
0.50%	\$49,353,095	\$3,659,849

(1) including Fashion Square Mall

As noted above, a five-one hundredths percent sales tax increase would generate approximately \$4.9 million Citywide and \$366,000 in the Downtown. These annual collection levels increase significantly at the one-half of one percent rate, reaching \$49 million Citywide and \$3.7 million in the Downtown. Under each of these scenarios, the total Scottsdale sales tax would still be below rates in Phoenix and Glendale. Assuming a five-year assessment is approved at 0.5 percent (with the assessment then expiring), bonding against the annual revenue at 3.0 percent could potentially generate \$226 million from Citywide collections, and \$16.7 million from Downtown collections.

Prepared Food and Beverage Tax

We also see the implementation of prepared food and beverage taxes in many markets throughout the country in order to fund public hospitality industry projects. Taxes such as prepared food or restaurant taxes can be assessed in a number of ways, including on a city-wide basis, within a district, on restaurants with a minimum gross revenue (helping to avoid small/fast food restaurants), on restaurants that serve alcohol, etc. These types of restrictions can be designed to focus more on establishments that cater to visitors.

In Scottsdale, the only tax on prepared food and beverages is the generally applied sales tax. A sample of other markets with various separate prepared food taxes is presented below based on Tax Foundation data.

Milwaukee	0.05 percent
Charlotte	1.00 percent
Kansas City	1.23 percent
Chicago	1.25 percent
Indianapolis	2.00 percent
Omaha	2.50 percent
Minneapolis	3.00 percent
Denver	4.00 percent

Based on estimates of gross restaurant sales City-wide and in the Downtown, the following potential revenue generation levels have been prepared.

**Exhibit 6-7
Summary of Potential Scottsdale Restaurant Tax Assessment
Revenue Generation**

Incremental Rate	City-Wide	Downtown (1)
0.05%	\$487,909	\$63,936
0.10%	\$975,818	\$127,873
0.15%	\$1,463,727	\$191,809
0.20%	\$1,951,636	\$255,746
0.25%	\$2,439,545	\$319,682
0.50%	\$4,879,091	\$639,364

(1) including Fashion Square Mall, based on CY 2015 data

As noted above, a five-one hundredths percent restaurant tax would generate approximately \$488,000 City-wide and \$64,000 in the Downtown. These collection levels increase at the one-half of one percent rate, reaching \$4.9 million City-wide and \$639,000 in the Downtown. Assuming a five-year assessment is approved at 0.5 percent (with the assessment then expiring), bonding against the annual revenue at 3.0 percent could potentially generate \$22.3 million from City-wide collections, and \$2.9 million from Downtown collections.

Downtown Parking Fee

There are currently no fees charged for parking in Downtown Scottsdale. This is viewed by many business owners as a competitive advantage for the market. At the same time, there are challenges with Downtown workforce parking that absorbs inventory for visitors, creating shortages at certain times.

Charging for parking in a Downtown area is not uncommon, with rates charged in selected comparable markets summarized below.

**Exhibit 6-8
Parking Fees – Comparable Markets**

Market	Downtown Street Parking Fee
Cherry Creek North, CO	\$1.00 per hour
La Jolla, CA	Free
Laguna Beach, CA	\$1.00 to \$2.00 per hour
Naples, FL	Free
Pasadena, CA	\$1.25 per hour
Santa Fe, NM	\$2.00 per hour
Tempe, AZ	\$1.50 per hour for public, \$3.00 per hour for private
Walnut Creek, CA	\$2.00 per hour

As noted above, six of the eight markets reviewed implement some type of parking fee, ranging from \$1.00 to \$2.00 per hour. Based on past Walker Parking studies of Downtown Scottsdale parking usage, we have prepared the following estimates of potential parking revenue at various hourly rates for the Downtown.

Exhibit 6-9
Summary of Potential Scottsdale Parking Fee Revenue Generation

Hourly Rate	Low	High
\$0.25	\$ 722,857	\$ 924,437
\$0.50	\$1,445,715	\$ 1,848,875
\$1.00	\$2,891,430	\$ 3,697,750
\$1.50	\$4,337,145	\$ 5,546,625
\$2.00	\$5,782,860	\$ 7,395,500

These revenues can be significant, particularly at the \$1.00 to \$2.00 hourly rate range. Parking fee structures can also allow for a period of free parking to accommodate Downtown customers shopping or eating for a several hour period. Further analysis as to the impact of this approach on revenue generation would be needed.

We also note that technology exists that allows for online payment, the ability to extend parking time using smart phones, sensor technology that can monitor time-in-space for each vehicle, and the use of high definition cameras as part of the parking infrastructure to monitor safety in the surrounding area.

City Budget Allocation

The City currently allocates annual funding through Special Revenue Funds for streetlights, transportation and the Tourism Department. These funds are tied to specific sources of revenue such as transient occupancy taxes.

General funds are used for major department expense including Public Works, Public Safety and Community and Economic Development. Consideration could be given to reallocating funds to increase budgets for departments with responsibilities in the Downtown areas. For example, with a 10 percent increase in the Public Works budget, approximately \$3.3 million could be raised annually to be used for Downtown projects including pocket art parks, green space development and walkability initiatives. Other departmental allocations/increases could also be considered, however each of these would require expenses reduction in other line items, or increases in revenue to offset the costs.

City Bond Issue

It is common across the country for a city, county or other local entity to issue bonds to pay for various destination capital improvement projects. These can include conference centers, art and cultural venues, roadway/sidewalk beautification, support for public/private partnerships for residential/ commercial/ hospitality projects, and other such initiatives.

The City of Scottsdale does have the capacity to issue General Obligation Bonds in the near future, but this is not a practice that is often approved by City Council. Moreover, with only two percent of the City's population residing in Downtown, it may be unlikely that the City's residents would approve of any significant spending of the Scottsdale's General Fund solely for Downtown.

Consideration could be given to a much broader bond issue funding various city-wide economic development projects, of which selected Downtown projects could be included.

likely provide annual revenue streams sufficient to support major development initiatives.

Tax Increment Allocations

Consideration could be given to implementing a program used in Phoenix that funds various infrastructure needs for vacant and difficult to develop buildings or parcels. In these cases, the infrastructure needs have prevented financially viable development of the site/building. Once the infrastructure improvements are made and a tenant occupies the space, 50 percent of the sales tax generated by the project is allocated back to the improvement fund. As this revenue is largely incremental, there is little impact to general fund revenues.

Various Development Fees

Beyond revenue sources that are tax, bond or BID based, several limited options also exist. It should be noted that these options do not generally provide significant sources of annual revenue.

For instance, impact or development fees for private Downtown development projects could contribute to a pooled fund which would then be allocated to pay for public sector costs associated with Downtown Growth or Downtown Transformation recommendations. Similarly, permit fees or resources gained from Downtown land transactions could be reserved to fund Downtown projects instead of being added to the City's General Fund. None of these sources would

7.0 ASSESSMENT OF PROJECT COSTS AND BENEFITS

We have considered the primary visitor industry recommendations presented herein from the perspective of conceptual costs and economic benefits. In some cases, it may be possible to develop quantified cost and benefit estimates for a particular recommendation – a new festival would be in this category. In some cases, a project may have no major City-born costs, but would have significant quantifiable economic and fiscal benefits. These projects could include residential or office development.

In other cases, a recommended initiative may not lend itself to estimates of specific impacts – energizing the arts and culture brand for the destination would reflect this type of project.

Within this section, the costs and benefits of recommended visitor-generating initiatives are presented in two categories:

- Quantifiable Project Specific Impacts – those for which the benefits can be quantified, based on specific estimates of visitation and associated benefit increase.
- Quantifiable General Impacts – those for which benefits are considered in aggregate, expressed as percentage increases to current Downtown visitation and associated impacts.

It is important to note that the cost estimates developed for this Study are conceptual in nature. More detailed analysis of project scope and costs will be necessary at a later point.

7.1 Quantifiable Project Specific Impacts

Recommended visitor-generating projects that can be quantified from a cost and benefit standpoint include:

- Major and secondary festivals
- Two scenarios for increasing Downtown resident population
- Two scenarios for developing added commercial office space
- Developing a new hotel/conference center

We have developed the chart on the following page highlighting the relevant project costs (expressed as one-time and on-going) and benefits (expressed in terms of fiscal and economic impact).

Exhibit 7-1 Summary of Project Quantifiable Costs and Benefits

	Costs		Benefits		
	Public Sector	Private Sector	Fiscal Impact	Economic Impact	
Destination Growth Initiatives	Shoulder Season Festivals	<ul style="list-style-type: none"> Public sector budget of \$300,000 per event \$900,000 total for three events 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$65,400 in sales tax revenue per year \$58,600 in hotel tax revenue per year 	<ul style="list-style-type: none"> 30,000 new visitors 6,000 overnight visitors and 24,000 daytrippers \$4.0 million in new taxable spending in Downtown per year \$5.7 million in new total economic output per year
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Costs primarily incurred by the private sector 	<ul style="list-style-type: none"> \$315 million assuming 1,050 new units at 1,200 s.f. per unit and \$250 per square foot construction cost 	<ul style="list-style-type: none"> \$103,500 in incremental property tax per year \$1.4 million in incremental sales tax per year 	<ul style="list-style-type: none"> 2,100 new Downtown residents \$54.4 million in new taxable spending \$80.8 million in total economic output per year
	Creative Class Office Recruitment	<ul style="list-style-type: none"> \$100,000 per year allocated to facade improvements, interior build outs, fee waivers, etc. 	<ul style="list-style-type: none"> \$ 12 million assuming 120,800 s.f. of renovated space at \$100/s.f. for renovation costs 	<ul style="list-style-type: none"> \$57,500 in incremental sales tax per year generated from new employees in Downtown 	<ul style="list-style-type: none"> 930 new Downtown employees \$3.5 million in taxable spending per year \$5.0 million in new total economic output per year
Destination Transformation Initiatives	Develop a New Hotel and Conference Center	<ul style="list-style-type: none"> Costs primarily incurred by the private sector. 	<ul style="list-style-type: none"> \$125 million assuming 300 rooms at \$350,000 per room for construction costs, plus 50,000 square feet of built conference area at \$400 per s.f. construction costs 	<ul style="list-style-type: none"> \$386,900 in sales tax revenue per year \$515,100 in hotel tax revenue per year 	<ul style="list-style-type: none"> 75,100 new visitors per year 24,500 non-local convention/event attendees 50,600 net new leisure visitors \$23.5 million in new taxable spending per year \$34.5 million in new total economic output per year
	Develop New Citywide Festival	<ul style="list-style-type: none"> \$2.5 million investment per year from the public sector. Average loss of \$250,000 per year for first four years until event breaks even at year five. \$1 million per year from sponsorships 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$130,000 in sales tax revenue per year \$143,400 in hotel tax revenue per year 	<ul style="list-style-type: none"> 34,800 new visitors per year 9,800 overnight visitors and 25,000 day trippers \$6.3 million in new taxable spending per year \$8.5 million in new total economic output per year
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Costs incurred by private sector 	<ul style="list-style-type: none"> \$270 million assuming 900 new units at 1,200 s.f. per unit and \$250 per square foot construction cost 	<ul style="list-style-type: none"> \$88,800 in incremental property tax per year \$1.1 million in incremental sales tax per year 	<ul style="list-style-type: none"> 1,800 new Downtown residents \$46.6 million in new taxable spending per year \$69.2 million in new total economic output per year
	Increase Commercial Space	<ul style="list-style-type: none"> Costs incurred by private sector 	<ul style="list-style-type: none"> \$157 million assuming approximately 630,000 s.f. of built space at \$250 pers.f. construction costs 	<ul style="list-style-type: none"> \$1.3 million in incremental property tax generation per year \$299,300 in incremental sales tax per year generated from new employees in Downtown 	<ul style="list-style-type: none"> 4,800 new Downtown employees \$18.1 million in new taxable spending per year \$27.1 million in new total economic output per year

As noted in Exhibit 7-1, we expect relatively little up-front or on-going costs for the selected projects given their private sector nature. Developing a large-scale festival represents the primary up-front and on-going cost.

It must be noted that even though the public sector direct financial commitment to hotel, conference, office and residential development may be limited, the City will still be required to dedicate significant staff resources to working with developers to negotiate acceptable project agreements. In some cases, these types of negotiations and discussions are currently underway.

From a cumulative benefit standpoint, the projects considered above could generate the following incremental impacts:

- Growth in Downtown visitor base by 139,000 visitors
- 3,900 new Downtown residents
- 5,700 new Downtown employees
- \$256.4 million in annual taxable spending (2017 dollars)
- \$5.6 million in combined annual property, sales and hotel tax collections (2017 dollars)

7.2 Quantifiable General Project Impacts

There are numerous visitor-generating recommendations that can materially improve the competitive position of Downtown Scottsdale, but at the same time, the benefits of these improvements are difficult to quantify.

These projects include the following.

- Reenergizing the arts and culture brand for Downtown.
- Investing in significant Downtown public art and entertainment programming.
- Further developing the public space master plan and walkability initiatives.
- Developing pocket art parks with entertainment programming capacity.
- Investing in large-scale transformational development along the Canal, Scottsdale Road and the 2nd Street/Stadium area.

The models developed to assess the overall impact of this set of initiatives are generally based on growth factors applied to existing Downtown visitation, spending and tax generation impacts. Project costs and overall aggregate impacts are summarized in the exhibit on the following page.

Exhibit 7-2
General Project Impacts by Scenario

	Costs		Benefits	
	Public Sector	Private Sector	Fiscal Impact	Economic Impact
Destination Growth Initiatives	Re-Energize the Arts and Culture Brand <ul style="list-style-type: none"> \$250,000 per year to lease space for the artist residency program \$150,000 per year to market and administer the artist residency program 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$691,000 in tax collections per year 	<ul style="list-style-type: none"> 329,200 new visitors \$28.4 million in new taxable spending \$40.4 million in new total economic output per year
	Downtown Art Installations and Music Programming <ul style="list-style-type: none"> \$3.0 million for two monumental pieces \$262,500 per year for installation and maintenance of temporary art trail 	<ul style="list-style-type: none"> Limited 		
	Public Space Master Plan and Walkability Initiatives <ul style="list-style-type: none"> Costs not determined for Civic Center Mall plan implementation. Costs for Loloma incurred by private sector \$499,500 to develop public art-oriented park on publicly held parcels 	<ul style="list-style-type: none"> Limited 		
	Install Selection of Public Pocket Art Parks <ul style="list-style-type: none"> \$127,500 for each art park Total project cost between \$1.3 million and \$1.5 million 	<ul style="list-style-type: none"> Limited 		
Destination Transformation Initiatives	Large Scale Transformational Project Development - Arizona Canal <ul style="list-style-type: none"> Cost incurred by public sector could vary greatly depending on public/private partnership established. Parking for Arizona Canal will depend on inventory. 	<ul style="list-style-type: none"> Cost incurred by private sector could vary greatly depending on public/private partnership established. Parking for Arizona Canal will depend on inventory. 	<ul style="list-style-type: none"> \$1.5 million in tax collections per year 	<ul style="list-style-type: none"> 628,800 new visitors \$60.4 million in new taxable spending \$87.5 million in new total economic output per year
	Large Scale Transformational Project Development - Scottsdale Road <ul style="list-style-type: none"> \$2.0 million per block. 	<ul style="list-style-type: none"> Limited 		
	Large Scale Transformational Project Development - Scottsdale Stadium <ul style="list-style-type: none"> Limited to infrastructure. 	<ul style="list-style-type: none"> Undetermined at this point. 		

As noted, the cumulative impacts of these previously listed initiatives would vary depending on the investment scenario that is pursued. Exhibit 7-2 lists the annual impacts associated with the Destination Growth scenario, which is estimated to result in an increase of 329,000 visitors, \$691,000 in tax collections, \$28.4 million in taxable spending, and \$40.4 million in total economic output. Complete implementation of the transformational projects included in the Destination Transformation scenario would attract an additional 629,000 visitors generating \$1.5 million in tax collections, \$60.4 million in taxable spending, and \$87.5 million in total economic output.

In addition to the various development recommendations presented herein, a new approach to how Downtown is managed from a public sector standpoint has been recommended as part of this Study. Given the material increase in marketing, business support efforts, business improvement district and other initiatives associated with a new Downtown Scottsdale, Inc., we believe that Downtown visitation will be positively impacted.

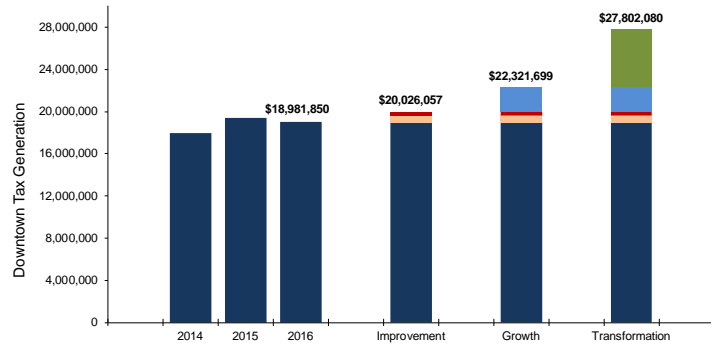
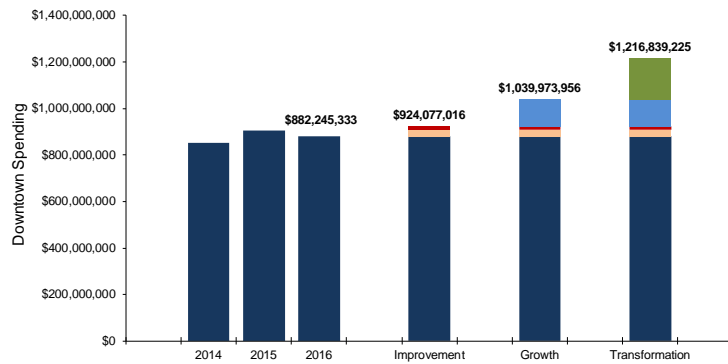
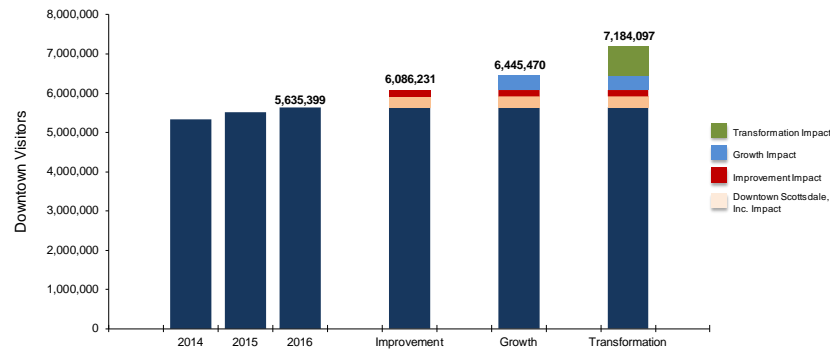
As previously noted we assume that a well-resourced, professionally staffed Downtown organization will in and of itself generate a five percent increase in Downtown visitation and associated impact, or an additional 282,000 visitors.

7.3 Summary of Visitor Generating Investment Impacts

Throughout this section, we have presented assessments of potential costs and economic benefits associated with various investment in growing the magnitude of the visitor industry in Downtown Scottsdale.

The following exhibit illustrates the combined impact of each Development Scenario discussed herein, adding together the incremental Downtown visitation levels, direct spending and total tax generation for Destination Investment, Destination Growth, Destination Transformation and a new Downtown Scottsdale, Inc.

**Exhibit 7-3
Summary of Impacts by Scenario**



Note: Estimates are based on full implementation of each investment scenario detailed herein.
Source: City of Scottsdale, 2017

Depending on the projects pursued, the positive impacts generated in Downtown Scottsdale would be significant. If all the initiatives are executed, it is estimated that annual Downtown visitation levels could grow by just over 1.5 million, representing a 27.5 percent increase over current levels. Given the resulting estimated increase in permanent resident and workforce populations, spending levels in Downtown could increase by as much as 38 percent (from \$882.2 million to \$1.2 billion) and total associated Downtown tax generation could grow by 46 percent (from \$19.0 million in 2016 to \$27.8 million).

8.0 INVESTMENT INITIATIVE TIMING AND IMPLEMENTATION TEAMS

Defining the initiatives that are most likely to protect and enhance the visitor industry market capture for Downtown Scottsdale is an important, highly researched and highly collaborative effort. Equally important is defining the next steps – answering questions as to which organizations should continue to be involved; and what is a reasonable timeframe to expect results.

A summary of organizational involvement in moving each primary recommendation forward, along with a discussion as to project timeframe is presented within this section.

8.1 Organizational Involvement in Recommended Initiatives

We have assessed each of the recommended visitor industry development initiatives from the perspective of the types of local organizations that should be involved in planning and implementation. It should be noted that we assume active participation on the part of the City Managers office for each of these initiatives.

The list of organizations, public and private, that should in some way be involved in future Downtown planning and development is extensive, and includes the following.

- Cattle Track
- City Legal Team
- Corporate Sponsor(s)
- Department of Economic Development
- Downtown Scottsdale, Inc.
- Fashion Square Mall
- Gallery Association
- Hotel ownership and management
- Local Hotels and Merchant Associations
- Major Event Producers
- Merchant Associations
- Museum of the West
- Other Organizations as Appropriate
- Outside Legal Advisors
- Parks Department
- Planning & Development Department
- Private Developers
- Salt River Project
- San Francisco Giants
- School Districts
- Scottsdale CVB
- Tourism Department
- Transportation Department

It is also important to establish a leadership role for planning each of the recommended destination development initiatives. The following chart summarizes these recommended lead organization(s).

	Destination Growth Key Implementation Partners		Destination Transformation Key Implementation Partners		Downtown Organizational Approach Key Implementation Partners			
Destination Growth Initiatives	Shoulder Season Festivals	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 	Destination Transformation Initiatives	Develop a New Hotel and Conference Center	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 	Downtown Organizational Approach	Create a New Downtown Scottsdale, Inc. Organization	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 		Develop New City-Wide Festival	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 		Create a Business Improvement District, managed by Downtown Scottsdale, Inc.	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development
	Creative Class Office Recruitment	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 		Increase Residential Population	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 		Enhance Financial Tools to Encourage Desired Downtown Development	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development
	Re-Energize Arts & Culture Brand	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Arts Council 		Increase Downtown Commercial Space	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 			
	Downtown Art Installations and Music Programming	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 		Large-Scale Transformational Project Development	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 			
	Implement Public Space Master Plan and Walkability Initiatives	<ul style="list-style-type: none"> Planning & Development Department Downtown Scottsdale, Inc. 						
	Install Selection of Public Pocket Art Parks	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Planning & Development Department 						

8.2 Implementation Timing Outline

We have developed an assessment of the potential timing for planning and implementing the various visitor-generating recommendations presented throughout this plan.

The timing is segmented into specific periods: years one and two, three to five, and six to ten. The overall project timeline focusing on Destination Growth, Destination Transformation and Downtown Organizational initiatives is presented on the following pages. This timeline is not intended to be a detailed schedule of the extensive project planning steps that will have to be undertaken, but rather provides a general guide for planning and development timeframes. The work groups recommended previously in this section should be tasked with developing the more detailed implementation plans for each recommendation. A description of initiatives that should be considered by time period is presented below.

Year One and Two - Significant planning work takes place during this period. For various real estate development projects that can positively impact the visitor industry, this includes identifying potential development sites, defining the level of public input under various public/private arrangements, and reviewing the land assets controlled by the City and identifying new strategies. For the various festival recommendations, years one and two should be used to formalize working groups to refine the recommendations in terms of theme, dates, locations and budget. Initiatives relating to the arts/culture brand and public art should begin, focused on developing implementation plans and budgets. Public space investment will proceed, focused on Civic Center Mall and planning for Pocket Art Parks.

Studies specific to the potential hotel/conference center can continue, with targeted development taking place in later years. Initial planning can also continue for transformational development in the Canal, Scottsdale Road and Stadium area. The City is in discussion with various developers regarding portions of these initiatives. Efforts to create design and planning standards for Scottsdale Road should also continue. The recommended Downtown Scottsdale, Inc. organization should also be created during the first two-year period.

Years Three through Five - During this period, formal City approval for various private sector initiatives in the residential and commercial office sector could potentially be provided. Approved festivals will be initiated and monitored, art/culture and public art initiatives will continue. Development of Pocket Art Parks will take place. Continued progress on enhancing the Downtown arts/culture brand will continue. Towards the end of this period, public/private initiatives should be undertaken to secure the recommended hotel/conference center, potentially including a RFP/RFQ process. Under ideal circumstances, various elements of the major destination transformational projects including those along the Canal, Scottsdale Road and near the Stadium will commence.

Years Six through Ten - The development of the proposed hotel/conference center will take place, and continued investment in the destination transformational projects will continue. The performance of all other investments undertaken during the previous five years will continue to be monitored.

	Project Description	Destination Growth - Project Timing & Implementation Overview			
		Year 1 to 2	Year 3 to 5	Year 6 to 10	
Destination Growth Initiatives	Shoulder Season Festivals	<ul style="list-style-type: none"> Develop added festivals during shoulder season to drive visitation and downtown foot traffic during need periods. Target shoulder months such as September or May and consider ideas such as a plein air painting competition, luxury brand car drive-in, fitness/yoga festival, outdoor concert series or other concepts. 	<ul style="list-style-type: none"> Formalize working group. Identify and review event concepts. Identify potential event sponsors. Review and adjust City Events Ordinance as necessary. Recommend dates and funding. 	<ul style="list-style-type: none"> Initiate selected shoulder season events. Measure attendance and other metrics and adjust production as appropriate. 	<ul style="list-style-type: none"> Measure attendance and other performance metrics and adjust event production as appropriate.
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Increase Downtown population to 8,200, representing a goal of 1,050 new residential units beyond those currently under construction. 	<ul style="list-style-type: none"> Identify Downtown parcels and building repurposing options. Identify any viable public sector incentives for future residential development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. Continue developer discussions regarding the Loloma parcels. 	<ul style="list-style-type: none"> Approve private sector development. Finalize public/private development agreements for new Downtown residential development. 	<ul style="list-style-type: none"> Continue construction.
	Creative Class Office Recruitment	<ul style="list-style-type: none"> Attract smaller, creative class office tenants such as tech firms, architects, and designers to existing buildings/parcels in the Downtown area by utilizing economic incentives. 	<ul style="list-style-type: none"> Identify Downtown parcels and building repurposing options. Identify any viable public sector incentives for future office development. Market Downtown Scottsdale to potential creative class businesses. 	<ul style="list-style-type: none"> Continue to solicit potential creative class office tenants. 	<ul style="list-style-type: none"> On-going development
	Re-Energize Arts & Culture Brand	<ul style="list-style-type: none"> Implement greater partnerships between art, culture and hospitality businesses. Cross-promote galleries and major events. Target complimentary businesses for the Arts District. Establish a prominent emerging artist-in-residence program for Downtown. 	<ul style="list-style-type: none"> Formalize working group. Develop a specific implementation plan and budget. Begin implementation. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives.
	Downtown Art Installations and Music Programming	<ul style="list-style-type: none"> Develop one to two pieces of large scale monumental art in highly visible areas. Develop a Downtown Art Trail featuring 10 to 20 high quality, periodically rotating installations. Implement Plan for added Downtown Art and Music Programming. 	<ul style="list-style-type: none"> Formalize working group. Develop a specific implementation plan and budget. Begin implementation. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives.
	Implement Public Space Master Plan and Walkability Initiatives	<ul style="list-style-type: none"> Finalize planning and investment in Civic Center Mall to develop additional public/open space, an enhanced connection to Main Street, bike paths, public art and other amenities. Finalize public/private sector planning for Loloma to develop a mix of commercial and green space to the area. Consider acquisition of key downtown parcels for added public space. 	<ul style="list-style-type: none"> Finalize Civic Center Mall and Loloma planning - begin implementation. Review potential sites for larger centrally located green space footprint in the Downtown area. Prepare CIP for Civic Center Mall Negotiate development agreement for Laloma site 	<ul style="list-style-type: none"> Continue implementation of Civic Center Mall and Loloma projects. Potential parcel acquisition for added Downtown green space. 	<ul style="list-style-type: none"> Potential development of added Downtown green space.
	Install Selection of Public Pocket Art Parks	<ul style="list-style-type: none"> Spaces that incorporate seating, shade and sound, all infused with a public art component. At least 10 to 12 of the public spaces, strategically located along key pedestrian areas, helping to draw visitors between key focal points and greatly enhancing the overall visitor and resident experience. 	<ul style="list-style-type: none"> Formalize working group. Identify and rank potential sites. Retain planner/arts community to design spaces. Initiate CIP budget request. 	<ul style="list-style-type: none"> Begin implementation of Pocket Art Park plan. 	<ul style="list-style-type: none"> Continue implementation of Pocket Art Park plan.

		Destination Transformation - Project Timing & Implementation Overview			
		Year 1 to 2	Year 3 to 5	Year 6 to 10	
Destination Transformation Initiatives	Project Description				
	Develop a New Hotel and Conference Center	<ul style="list-style-type: none"> Develop a 300 rooms, four-star hotel with 25,000 square feet of sellable meeting/banquet space. Site area with three to four acres, Downtown location walkable to destination assets. 	<ul style="list-style-type: none"> Conduct a potential site assessment in the Downtown area. Ideal sites may not be available for several years. Begin discussions with existing hotel/property owners regarding interest in a new conference center/hotel project. 	<ul style="list-style-type: none"> Issue RFQ/RFP for hotel/conference center development proposals. 	<ul style="list-style-type: none"> Initiate project construction.
	Develop New City-Wide Festival	<ul style="list-style-type: none"> There are numerous long-term opportunities to develop a new large-scale, citywide festival that would center around Downtown and its event spaces. The goals for an event of this scale would be to significantly increase foot traffic and room night generation in Downtown during gaps in Scottsdale's event calendar. The event could combine education, music, art, equine and culinary aspects unique to Scottsdale. 	<ul style="list-style-type: none"> Formalize working group. Identify and review event concepts. Identify potential event sponsors. Review and adjust City Events Ordinance as necessary. Recommend dates and funding. 	<ul style="list-style-type: none"> Initiate Festival Opening. Monitor attendance, financial and other metrics. 	<ul style="list-style-type: none"> Continue to monitor attendance, financial and other metrics.
	Increase Residential Population	<ul style="list-style-type: none"> Increase population to 10,000, representing a goal of 900 new residential units beyond those called for under the Destination Growth Scenario. 	<ul style="list-style-type: none"> No major initiatives necessary. 	<ul style="list-style-type: none"> Refine past work in identifying Downtown parcels and building repurposing options. Refine public sector incentives for future residential development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. Continue discussions with prospective developers regarding new projects. 	<ul style="list-style-type: none"> Approve private sector development. Finalize public/private development agreements for new Downtown residential development. Initiate construction.
	Increase Downtown Commercial Space	<ul style="list-style-type: none"> Based on comparable market research, there is a potential gap between existing and supportable commercial office space in Downtown Scottsdale of approximately 629,000 square feet. A portion of this gap will be addressed through the more modest infill investments described in the Destination Growth Scenario. With population levels at 10,000, increased retail and eating/drinking establishments could be supported, with a recommended target of 104 new retail and 58 new eating/drinking establishments. 	<ul style="list-style-type: none"> Refine past work in identifying Downtown parcels and building repurposing options. Refine opportunities for public sector participation in future commercial development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. 	<ul style="list-style-type: none"> Finalize public/private development agreements for new Downtown commercial development. Approve private sector development. 	<ul style="list-style-type: none"> Continue construction.
Large-Scale Transformational Project Development	<ul style="list-style-type: none"> Development along Arizona Canal, inclusive of Canal Central/Canal corridor project adjacent to 5th Avenue, Stetson Boulevard and Marshall Way; a Public Plaza at Marshall Way Bridge and Stetson; and development of space on parcels opening towards Soleri Bridge. Significantly enhancing the Scottsdale Road pedestrian experience generally between East Camelback and East Osborn Road. This would include widening and enhancements to sidewalks, developing a signature median, developing signature gateway monuments, and encouraging greater infill density. Developing the 2nd Street and Scottsdale Stadium area to include demolition of the 2nd Street parking structure, redeveloping parking capacity, creating added green space towards the Stadium, and developing sites for commercial projects. 	<ul style="list-style-type: none"> Continue/initiate discussions with relevant developers/land owners. Continue planning process, including elements of public/private partnerships. Continue with architectural/design standards preparation for the projects. Continue working with the Giants on Stadium/site area improvements. Solicit bids for demolition and reconstruction of 2nd Street parking structure. Conduct outreach to existing business owners that are impacted by these projects. Develop any needed relocation plans. 	<ul style="list-style-type: none"> Initiate construction projects. Continue outreach to existing business owners. 	<ul style="list-style-type: none"> Continue public sector construction projects. Continue outreach to existing business owners. 	

		Downtown Organizational Approach - Project Timing & Implementation Overview			
Project Description		Year 1 to 2	Year 3 to 5	Year 6 to 10	
Downtown Organizational Approach	Create a New Downtown Scottsdale, Inc. Organization	<ul style="list-style-type: none"> • Create a new public non-profit corporation to help management of Downtown interests on behalf of the City. • Provide for an annual budget of approximately \$3.5 million. 	<ul style="list-style-type: none"> • Retain outside legal advisors experienced in this area. • Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. • Finalize funding plan. • Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review.
	Create a Business Improvement District, managed by Downtown Scottsdale, Inc.	<ul style="list-style-type: none"> • The board of the BID should include representation from elected officials, City management, major property/business owners, and representatives from selected business owner groups. • Appointment of board members can allow for council/mayor control of City appointments, and a nominating committee of the BID appointing other members, subject to the category specifications noted above. • Efforts to seek executive level representation from various business sectors for the board should be made to help introduce best practice governance, strategy and planning insight. 	<ul style="list-style-type: none"> • Retain outside legal advisors experienced in this area. • Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. • Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review.
	Enhance Financial Tools to Encourage Desired Downtown Development	<p>These tools could include:</p> <ul style="list-style-type: none"> • Revolving loan fund • Grant program • Facade improvement program • Fee waivers • Vacancy Programs • Business Marketing Support and Assistance 	<ul style="list-style-type: none"> • Retain outside legal advisors experienced in this area. • Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. • Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to specific financial tools. 	<ul style="list-style-type: none"> • Monitor performance and report to City. • Make any necessary adjustments to specific financial tools.

APPENDIX:

Summary of Destination Growth Initiative Costs and Benefits

	Project Description	Costs		Benefits		
		Public Sector	Private Sector	Fiscal Impact	Economic Impact	
Destination Growth Initiatives	Shoulder Season Festivals	<ul style="list-style-type: none"> Develop added festivals during shoulder season to drive visitation and downtown foot traffic during need periods. Target shoulder months such as September or May and consider ideas such as a plein air painting competition, luxury brand car drive-in, fitness/yoga festival, outdoor concert series or other concepts. 	<ul style="list-style-type: none"> Public sector budget of \$300,000 per event \$900,000 total 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$65,400 in sales tax revenue per year \$58,600 in hotel tax revenue per year 	<ul style="list-style-type: none"> 30,000 new visitors 6,000 overnight visitors and 24,000 daytrippers \$4.0 million in new taxable spending in Downtown per year \$5.7 million in new total economic output per year
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Increase Downtown population to 8,200, representing a goal of 1,050 new residential units beyond those currently under construction. 	<ul style="list-style-type: none"> Costs incurred by private sector 	<ul style="list-style-type: none"> \$315 million assuming 1,050 new units at 1,200 s.f. per unit and \$250 per square foot construction cost 	<ul style="list-style-type: none"> \$103,500 in incremental property tax per year \$1.4 million in incremental sales tax per year 	<ul style="list-style-type: none"> 2,100 new Downtown residents \$54.4 million in new taxable spending \$80.8 million in total economic output per year
	Creative Class Office Recruitment	<ul style="list-style-type: none"> Attract smaller, creative class office tenants such as tech firms, architects, and designers to existing buildings/parcels in the Downtown area by utilizing economic incentives. 	<ul style="list-style-type: none"> \$100,000 per year allocated to facade improvements, interior build outs, fee waivers, etc. 	<ul style="list-style-type: none"> \$12 million assuming 120,800 s.f. of renovated space at \$100/s.f. for renovation costs 	<ul style="list-style-type: none"> \$57,500 in incremental sales tax per year generated from new employees in Downtown 	<ul style="list-style-type: none"> 930 new Downtown employees \$3.5 million in new taxable spending per year \$5.0 million in new total economic output per year
	Re-Energize Arts & Culture Brand	<ul style="list-style-type: none"> Implement greater partnerships between art, culture and hospitality businesses. Cross-promote galleries and major events. Target complimentary businesses for the Arts District. Establish a prominent emerging artist-in-residence for Downtown. 	<ul style="list-style-type: none"> \$250,000 per year to lease space for the artist residency program \$150,000 per year to market and administer the artist residency program 	<ul style="list-style-type: none"> Limited 		
	Downtown Art Installations and Music Programming	<ul style="list-style-type: none"> Develop one to two pieces of large scale monumental art in highly visible areas. Develop a Downtown Art Trail featuring 10 to 20 high quality, periodically rotating installations. Implement Plan for added Downtown Art and Music Programming. 	<ul style="list-style-type: none"> \$3.0 million for two monumental pieces \$262,500 per year for installation and maintenance of temporary art trail 	<ul style="list-style-type: none"> Limited 		
	Implement Public Space Master Plan and Walkability Initiatives	<ul style="list-style-type: none"> Finalize planning and investment in Civic Center Mall to develop additional public/open space, an enhanced connection to Main Street, bike paths, public art and other amenities. Finalize public/private sector planning for Loloma to develop a mix of commercial and green space to the area. Build public park amenities atop 9,000-square foot parcel at Indian School Road/Marshall Way intersection. Consider acquisition of key downtown parcels for added public space. 	<ul style="list-style-type: none"> Costs not determined for Civic Center Mall plan implementation. Costs for Loloma incurred by private sector \$499,500 to develop public art-oriented park atop publicly held parcels 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$691,000 in tax collections per year 	<ul style="list-style-type: none"> 329,200 new visitors \$28.4 million in new taxable spending \$40.4 million in new total economic output per year
	Install Selection of Public Pocket Art Parks	<ul style="list-style-type: none"> Spaces that incorporate seating, shade and sound, all infused with a public art component. At least 10 to 12 of the public spaces, strategically located along key pedestrian areas, helping to draw visitors between key focal points and greatly enhancing the overall visitor and resident experience. 	<ul style="list-style-type: none"> \$127,500 for each art park Total project cost between \$1.3 million and \$1.5 million 	<ul style="list-style-type: none"> Limited 		

Summary of Destination Growth Initiatives Implementation

	Project Timing & Implementation Overview				
	Project Description	Key Implementation Partners	Year 1 to 2	Year 3 to 5	Year 6 to 10
Shoulder Season Festivals	<ul style="list-style-type: none"> Develop added festivals during shoulder season to drive visitation and downtown foot traffic during need periods. Target shoulder months such as September or May and consider ideas such as a plein air painting competition, luxury brand car drive-in, fitness/yoga festival, outdoor concert series or other concepts. 	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 	<ul style="list-style-type: none"> Formalize working group. Identify and review event concepts. Identify potential event sponsors. Review and adjust City Events Ordinance as necessary. Recommend dates and funding. 	<ul style="list-style-type: none"> Initiate selected shoulder season events. Measure attendance and other metrics and adjust production as appropriate. 	<ul style="list-style-type: none"> Measure attendance and other performance metrics. Adjust event production as appropriate.
Increase Downtown Resident Population	<ul style="list-style-type: none"> Increase Downtown population to 8,200, representing a goal of 1,050 new residential units beyond those currently under construction. 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Identify Downtown parcels and building repurposing options. Identify any viable public sector incentives for future residential development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. Continue developer discussions regarding the Loloma parcels. 	<ul style="list-style-type: none"> Approve private sector development. Finalize public/private development agreements for new Downtown residential development. 	<ul style="list-style-type: none"> Continue construction.
Creative Class Office Recruitment	<ul style="list-style-type: none"> Attract smaller, creative class office tenants such as tech firms, architects, and designers to existing buildings/parcels in the Downtown area by utilizing economic incentives. 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Identify Downtown parcels and building repurposing options. Identify any viable public sector incentives for future office development. Market Downtown Scottsdale to potential creative class businesses. 	<ul style="list-style-type: none"> Continue to solicit potential creative class office tenants. 	<ul style="list-style-type: none"> On-going development
Re-Energize Arts & Culture Brand	<ul style="list-style-type: none"> Implement greater partnerships between art, culture and hospitality businesses. Cross-promote galleries and major events. Target complimentary businesses for the Arts District. Establish a prominent emerging artist-in-residence for Downtown. 	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 	<ul style="list-style-type: none"> Formalize working group. Develop a specific implementation plan and budget. Begin implementation. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives.
Downtown Art Installations and Music Programming	<ul style="list-style-type: none"> Develop one to two pieces of large scale monumental art in highly visible areas. Develop a Downtown Art Trail featuring 10 to 20 high quality, periodically rotating installations. Implement Plan for added Downtown Art and Music Programming. 	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 	<ul style="list-style-type: none"> Formalize working group. Develop a specific implementation plan and budget. Begin implementation. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives. 	<ul style="list-style-type: none"> Continue implementation of agreed-on initiatives.
Implement Public Space Master Plan and Walkability Initiatives	<ul style="list-style-type: none"> Finalize planning and investment in Civic Center Mall to develop additional public/open space, an enhanced connection to Main Street, bike paths, public art and other amenities. Finalize public/private sector planning for Loloma to develop a mix of commercial and green space to the area. Build public park amenities atop 9,000-square foot parcel at Indian School Road/Marshall Way intersection. Consider acquisition of key downtown parcels for added public space. 	<ul style="list-style-type: none"> Planning & Development Department Downtown Scottsdale, Inc. 	<ul style="list-style-type: none"> Finalize Civic Center Mall and Loloma planning- begin implementation. Review potential sites for larger centrally located green space footprint in the Downtown area. 	<ul style="list-style-type: none"> Continue implementation of Civic Center Mall and Loloma projects. Potential parcel acquisition for added Downtown green space. 	<ul style="list-style-type: none"> Potential development of added Downtown green space.
Install Selection of Public Pocket Art Parks	<ul style="list-style-type: none"> Spaces that incorporate seating, shade and sound, all infused with a public art component. At least 10 to 12 of the public spaces, strategically located along key pedestrian areas, helping to draw visitors between key focal points and greatly enhancing the overall visitor and resident experience. 	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Planning & Development Department 	<ul style="list-style-type: none"> Formalize working group. Identify and rank potential sites. Retain planner/arts community to design spaces. Initiate CIP budget request. 	<ul style="list-style-type: none"> Begin implementation of Pocket Art Park plan. 	<ul style="list-style-type: none"> Continue implementation of Pocket Art Park plan.

Summary of Destination Transformation Initiatives Costs and Benefits

	Project Description	Costs		Benefits		
		Public Sector	Private Sector	Fiscal Impact	Economic Impact	
Destination Transformation Initiatives	Develop a New Hotel and Conference Center	<ul style="list-style-type: none"> Develop a 300-room, four-star hotel with 25,000 square feet of sellable meeting/banquet space. Site area with three to four acres, Downtown location walkable to destination assets. 	<ul style="list-style-type: none"> Costs largely incurred by the private sector 	<ul style="list-style-type: none"> \$125 million assuming 300 rooms at \$350,000 per room for construction costs, plus 50,000 square feet of built conference area at \$400 per s.f. construction costs 	<ul style="list-style-type: none"> \$386,900 in sales tax revenue per year \$515,100 in hotel tax revenue per year 	<ul style="list-style-type: none"> 75,100 new visitors per year 24,500 non-local convention/event attendees 50,600 net new leisure visitors \$23.5 million in new taxable spending per year \$34.5 million in new total economic output per year
	Develop New Citywide Festival	<ul style="list-style-type: none"> There are numerous long-term opportunities to develop a new large-scale, citywide festival that would center around Downtown and its event spaces. The goals for an event of this scale would be to significantly increase foot traffic and room night generation in Downtown during gaps in Scottsdale's event calendar. The event could combine education, music, art, equine and culinary aspects unique to Scottsdale. 	<ul style="list-style-type: none"> \$2.5 million investment per year from the public sector. Average loss of \$250,000 per year for first four years until event breaks even at year five. \$1 million per year from sponsorships 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> \$130,000 in sales tax revenue per year \$143,400 in hotel tax revenue per year 	<ul style="list-style-type: none"> 34,800 new visitors per year 9,800 overnight visitors and 25,000 day trippers \$6.3 million in new taxable spending per year \$8.5 million in new total economic output per year
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Increase population to 10,000, representing a goal of 900 new residential units beyond those called for under the Destination Growth Scenario. 	<ul style="list-style-type: none"> Costs incurred by private sector 	<ul style="list-style-type: none"> \$315 million assuming 1,050 new units at 1,200 s.f. per unit and \$250 per square foot construction cost 	<ul style="list-style-type: none"> \$88,800 in incremental property tax per year \$1.1 million in incremental sales tax per year 	<ul style="list-style-type: none"> 1,800 new Downtown residents \$46.6 million in new taxable spending per year \$69.2 million in new total economic output per year
	Increase Commercial Space	<ul style="list-style-type: none"> Based on comparable market research, there is a potential gap between existing and supportable commercial office space in Downtown Scottsdale of approximately 629,000 square feet. A portion of this gap will be addressed through the more modest infill investments described in the Destination Growth Scenario. With population levels at 10,000, increased retail and eating/drinking establishments could be supported, with a recommended target of 104 new retail and 58 new eating/drinking establishments. 	<ul style="list-style-type: none"> Costs incurred by private sector 	<ul style="list-style-type: none"> \$157 million assuming approximately 630,000 s.f. of built space at \$250 per s.f. construction costs 	<ul style="list-style-type: none"> \$1.3 million in incremental property tax generation per year \$299,300 in incremental sales tax per year generated from new employees in Downtown 	<ul style="list-style-type: none"> 4,800 new Downtown employees \$18.1 million in new taxable spending per year \$27.1 million in new total economic output per year
	Large-Scale Transformational Project Development	<ul style="list-style-type: none"> Development along Arizona Canal, inclusive of Canal Central/Canal corridor project adjacent to 5th Avenue, Stetson Boulevard and Marshall Way; a Public Plaza at Marshal Way Bridge and Stetson; and adjacent to the Soleri Bridge. Significantly enhancing the Scottsdale Road pedestrian experience generally between East Camelback and East Osborn Road. This would include widening and enhancements to sidewalks, developing a signature median, developing signature gateway monuments, and encouraging greater infill density. Developing the 2nd Street and Scottsdale Stadium area to include demolition of the 2nd Street parking structure, redeveloping parking capacity, creating added green space towards the Stadium, and developing sites for commercial projects. 	<ul style="list-style-type: none"> <u>The Arizona Canal</u> - Cost incurred by public sector could vary greatly depending on public/private partnership established. Parking for Arizona Canal would approximate \$18.8 million. <u>Enhance the Scottsdale Road Experience</u> - \$2.0 million per block. <u>2nd Street / Scottsdale Stadium Area</u> - Limited to Infrastructure 	<ul style="list-style-type: none"> <u>The Arizona Canal</u> - Cost incurred by private sector could vary greatly depending on public/private partnership established. Parking for Arizona Canal will depend on inventory. <u>Enhance the Scottsdale Road Experience</u> - Limited <u>2nd Street / Scottsdale Stadium Area</u> - Undetermined 	<ul style="list-style-type: none"> \$1.5 million in tax collections per year 	<ul style="list-style-type: none"> 628,800 new visitors \$60.4 million in new taxable spending \$87.5 million in new total economic output per year

Summary of Destination Transformation Implementation

	Project Description	Key Implementation Partners	Project Timing & Implementation Overview			
			Year 1 to 2	Year 3 to 5	Year 6 to 10	
Destination Transformation Initiatives	Develop a New Hotel and Conference Center	<ul style="list-style-type: none"> Develop a 300-room, four-star hotel with 25,000 square feet of sellable meeting/banquet space. Site area with three to four acres, Downtown location walkable to destination assets. 	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 	<ul style="list-style-type: none"> Conduct a potential site assessment in the Downtown area. Ideal sites may not be available for several years. Begin discussions with existing hotel/property owners regarding interest in a new conference center/hotel project. 	<ul style="list-style-type: none"> Issue RFQ/RFP for hotel/conference center development proposals. 	<ul style="list-style-type: none"> Initiate project construction.
	Develop New Citywide Festival	<ul style="list-style-type: none"> There are numerous long-term opportunities to develop a new large-scale, citywide festival that would center around Downtown and its event spaces. The goals for an event of this scale would be to significantly increase foot traffic and room night generation in Downtown during gaps in Scottsdale's event calendar. The event could combine education, music, art, equine and culinary aspects unique to Scottsdale. 	<ul style="list-style-type: none"> Downtown Scottsdale, Inc. Scottsdale Arts 	<ul style="list-style-type: none"> Formalize working group. Identify and review event concepts. Identify potential event sponsors. Review and adjust City Events Ordinance as necessary. Recommend dates and funding. 	<ul style="list-style-type: none"> Initiate Festival Opening. Monitor attendance, financial and other metrics. 	<ul style="list-style-type: none"> Continue to monitor attendance, financial and other metrics.
	Increase Downtown Resident Population	<ul style="list-style-type: none"> Increase population to 10,000, representing a goal of 900 new residential units beyond those called for under the Destination Growth Scenario. 	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 	<ul style="list-style-type: none"> No major initiatives necessary. 	<ul style="list-style-type: none"> Refine past work in identifying Downtown parcels and building repurposing options. Refine public sector incentives for future residential development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. Continue discussions with prospective developers regarding new projects. 	<ul style="list-style-type: none"> Approve private sector development. Finalize public/private development agreements for new Downtown residential development. Initiate construction.
	Increase Commercial Space	<ul style="list-style-type: none"> Based on comparable market research, there is a potential gap between existing and supportable commercial office space in Downtown Scottsdale of approximately 629,000 square feet. A portion of this gap will be addressed through the more modest infill investments described in the Destination Growth Scenario. With population levels at 10,000, increased retail and eating/drinking establishments could be supported, with a recommended target of 104 new retail and 58 new eating/drinking establishments. 	<ul style="list-style-type: none"> Department of Economic Development Planning & Development Department 	<ul style="list-style-type: none"> Refine past work in identifying Downtown parcels and building repurposing options. Refine opportunities for public sector participation in future commercial development. Consider acquiring viable sites by selling off non-strategic city-owned parcels. 	<ul style="list-style-type: none"> Finalize public/private development agreements for new Downtown commercial development. Approve private sector development. 	<ul style="list-style-type: none"> Continue construction.
	Large-Scale Transformational Project Development	<ul style="list-style-type: none"> Development along Arizona Canal, inclusive of Canal Central/Canal corridor project adjacent to 5th Avenue, Stetson Boulevard and Marshall Way; a Public Plaza at Marshal Way Bridge and Stetson; and adjacent to the Soleri Bridge. Significantly enhancing the Scottsdale Road pedestrian experience generally between East Camelback and East Osborn Road. This would include widening and enhancements to sidewalks, developing a signature median, developing signature gateway monuments, and encouraging greater infill density. Developing the 2nd Street and Scottsdale Stadium area to include demolition of the 2nd Street parking structure, redeveloping parking capacity, creating added green space towards the stadium, and developing sites for commercial projects. 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Continue/initiate discussions with relevant developers/land owners. Continue planning process, including elements of public/private partnerships. Continue with architectural/design standards preparation for the projects. Continue working with the Giants on Stadium/site area improvements. Solicit bids for demolition and reconstruction of 2nd Street parking structure. Conduct outreach to existing business owners that are impacted by these projects. Develop any needed relocation plans. 	<ul style="list-style-type: none"> Initiate construction projects. Continue outreach to existing business owners. 	<ul style="list-style-type: none"> Continue public sector construction projects. Continue outreach to existing business owners.

Summary of Downtown Organizational Approach Costs and Benefits

	Project Description	Costs		Benefits	
		Public Sector	Private Sector	Fiscal Impact	Economic Impact
Downtown Organizational Approach	Create a New Downtown Scottsdale, Inc. Organization <ul style="list-style-type: none"> • Create a new public non-profit corporation to help management Downtown interests on behalf of the City. • Allow for an annual budget of approximately \$3.5 million. 	<ul style="list-style-type: none"> • Allocate \$3.5 million per year to fund Downtown Scottsdale Inc. • \$40,000 to retain legal assistance in forming the organization 	<ul style="list-style-type: none"> • N/A 		
	Create a Business Improvement District, managed by Downtown Scottsdale, Inc. <ul style="list-style-type: none"> • The board of the BID should include representation from elected officials, City management, major property/business owners, and representatives from selected business owner groups. • Appointment of board members can allow for council/mayor control of City appointments, and a nominating committee of the BID appointing other members, subject to the category specifications noted above. • Efforts to seek executive level representation from various sectors for the board should be made to help introduce best practice governance, strategy and planning insight. • Develop an associated foundation to provide funding for initiatives included in and beyond Downtown Scottsdale 2.0. 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • \$652,600 in tax collections per year 	<ul style="list-style-type: none"> • 281,800 New Visitors • \$26.1 million in new taxable spending • \$29.6 million in new total economic output per year
	Enhance Financial Tools to Encourage Desired Downtown Development <ul style="list-style-type: none"> • Revolving loan fund • Grant program • Facade improvement program • Fee waivers • Vacancy Programs • Business Marketing Support and Assistance 	<ul style="list-style-type: none"> • \$350,000 per year as part of Downtown Scottsdale Inc.'s \$3.5 million budget 	<ul style="list-style-type: none"> • N/A 		

Summary of Downtown Organizational Approach Implementation

	Project Description	Key Implementation Partners	Project Timing & Implementation Overview			
			Year 1 to 2	Year 3 to 5	Year 6 to 10	
Downtown Organizational Approach	Create a New Downtown Scottsdale, Inc. Organization <ul style="list-style-type: none"> Create a new public non-profit corporation to help management Downtown interests on behalf of the City. Allow for an annual budget of approximately \$3.1 million. 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Retain outside legal advisors experienced in this area. Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. Finalize funding plan. Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	
	Create a Business Improvement District, managed by Downtown Scottsdale, Inc. <ul style="list-style-type: none"> The board of the BID should include representation from elected officials, City management, major property/business owners, and representatives from selected business owner groups. Appointment of board members can allow for council/mayor control of City appointments, and a nominating committee of the BID appointing other members, subject to the category specifications noted above. Efforts to seek executive level representation from various sectors for the board should be made to help introduce best practice governance, strategy and planning insight. 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Retain outside legal advisors experienced in this area. Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to mission, budget, staffing, etc. warranted based on the review. 	
	Enhance Financial Tools to Encourage Desired Downtown Development <ul style="list-style-type: none"> Revolving loan fund Grant program Facade improvement program Fee waivers Vacancy Programs Business Marketing Support and Assistance 	<ul style="list-style-type: none"> Planning & Development Department Department of Economic Development 	<ul style="list-style-type: none"> Retain outside legal advisors experienced in this area. Conduct extensive stakeholder outreach to define mission and gain buy-in for the concept. Secure Council approval and create and execute necessary legal documents. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to specific financial tools. 	<ul style="list-style-type: none"> Monitor performance and report to City. Make any necessary adjustments to specific financial tools. 	