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Which Way Scottsdale?

Scottsdale 2.0: Next Version

MORRISON INSTITUTE FOR PUBLIC POLICY

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Funders of *Which Way Scottsdale?*

"Intrigued by the Morrison Institute for Public Policy report, *Five Shoes Waiting to Drop on Arizona's Future*, we retained the Institute to conduct a similar research-driven look at Scottsdale's past, present and future."

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Scottsdale Healthcare

Scottsdale Insurance

Southwest Jets

The Dial Corporation

Wells Fargo Bank

Which Way Scottsdale?

Scottsdale 2.0: Next Version

To borrow a phrase from the software world,
"Scottsdale 1.0" was a great success.
But the shelf life of great places is getting shorter,
and now it's time to start working on "Scottsdale 2.0."

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Executive Summary

Scottsdale 2.0: Next Version

It's been more than five decades now since Scottsdale incorporated as a city. During that time, the city emerged as one of the most well-known communities in the Western United States — or, as the local slogan says, "The West's Most Western Town." From the 1950s onward, Scottsdale combined upscale resorts, an outstanding arts and culture scene, and a spectacular natural setting to create a cachet that few other cities anywhere in the nation could match. So powerful was the Scottsdale name that the city focused on competing nationally with other brand-name towns, rather than operating within the context of metropolitan Phoenix.

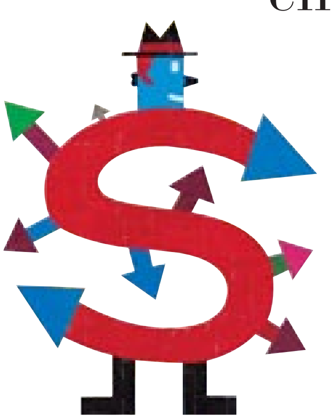
To borrow a phrase from the software world, "Scottsdale 1.0" was a great success. But the shelf life of great places is getting shorter, and now it's time to start working on *"Scottsdale 2.0."* The ingredients of a successful "quality" place are changing. Surrounding towns are beginning to develop a cachet. Greater Phoenix has become a big and important metropolitan area in which all communities must work together to succeed. And, for the first time ever, Scottsdale is beginning to run out of land.

All these things mean that *Scottsdale 2.0* will necessarily be a very different place than Scottsdale 1.0 was. And *Scottsdale 2.0* will require a lot of work to succeed. The city will have to build on Scottsdale 1.0's assets as a place — the resorts, the rapid job growth, the natural environment, the upscale reputation. Yet at the same time, *Scottsdale 2.0* will be required to transform the city to meet the challenges of the 21st century. And it will have to do so according to a new set of rules for cities and towns throughout the country and the world.

There are at least three "new basics" that Scottsdale will have to confront.

- First, quality of place will count more than ever. As more and more businesses and workers are adjusting to the reality that the home or business location decision is a real choice, cities that thrive will have to be attractive places for people to live and work.
- Second, it's turning out that some of the most important "magnet" features of cities and regions are created, not inherited. While inherited features such as climate, natural resources, and population are important draws, other critical features are "built" — open space, unique urban amenities, vibrant street life, live music venues, top-notch entertainment, airports, trade associations, universities, and research consortia.
- Third — and perhaps most important for Scottsdale — success going forward doesn't just happen. You can't "sit on your lead." The new century will be a highly competitive one — especially as cities and regions realize things like world-class universities, vibrant downtowns, and strong industry networks are "buildable" through public and private sector actions and thus can be had by nearly anyplace that puts its mind to it.

So, *Which Way Scottsdale*? What steps must the city and Scottsdale's civic leaders take to bring this transformation about? This new agenda separates itself naturally into five signature issues — each one of which is the subject of a subsequent chapter in this report.



An executive summary of the five signature issues follows.

Legacy at Risk

How Can Scottsdale Retain and Enhance Its Great Quality of Place?

High quality of place has been Scottsdale's brand for years. But there's no guarantee that Scottsdale will continue to be the "800-pound gorilla" when it comes to quality of place. Other cities in the region are starting to emulate Scottsdale's amenities package and several have already eclipsed Scottsdale's lead in such things as entertainment venues. But the challenge is not just a case of keeping up a superior mix of traditional quality of life amenities

Redefining Greatness

How Can Scottsdale Shape its Niche in a New Era?

Scottsdale, like most of metro Phoenix, has dealt up to now with only the first wave of growth — and Scottsdale's role has been to skim off the cream of that growth to create a distinctive and successful community. Now, however, the first wave is over — at least for Scottsdale. With "build-out" only 20 years away, and with its onetime "jewels" aging, Scottsdale faces the question of its aspirations. How does the city want to define its niche

The Scottsdale Story

How Can the "Three Scottsdales" Work Together?

Because of its unusual geography, Scottsdale can be a difficult city to "hold together." Despite a long history of public involvement in the planning process, civic leaders say that it is difficult to engage people who live in different parts of the city in a meaningful conversation about the future of the city as a whole. Although this may seem disappointing, it is perfectly understandable, for one simple reason: In many ways, Scottsdale is not one city, but

Region on the Rise

How Can Scottsdale Play with "360-degree Vision"?

When Scottsdale first emerged as a nationally known city five decades ago, metropolitan Phoenix was a small region without much national presence — and Scottsdale itself was geographically separated from Phoenix. But times have changed. Scottsdale is now a fairly large city that is part of one of the largest and most important metropolitan areas in the United States. The region is making three "big bets" on its future — genome research,

Tougher Agenda

How Will "Can-do" Scottsdale Get Past the "Stopsdale" Reputation?

Scottsdale 2.0 is not just an extension of Scottsdale 1.0. It requires a whole different set of assumptions that the civic leaders and citizens have never addressed before. Fact is, the city is running out of land and the ample tax revenues derived from new growth will no longer be available. Thus, as hard as making Scottsdale 1.0 happen was, *Scottsdale 2.0* represents a much

— galleries, stadiums, museums, and parks. For years now, other cities such as Austin and Seattle have been working off a new list of golden attributes that extend far beyond the standard lifestyle amenities. This new list contains a mix of assets that open the door to creativity and entrepreneurship. Bottom line: "Quality of place" means something different — and something more — than it used to. Unless Scottsdale commits to competing in this new arena, the city is sure to find its legacy at risk. Page 6

Residents Say Scottsdale is…

Source: Wright Consulting Services, 2002.

going forward — and, equally important, how does Scottsdale get there? Given the city's economic successes in the 1990s, some will be skeptical about any wake-up call. But the reality is *Scottsdale 2.0* will have a much slower pace of development than Scottsdale 1.0. Moreover, the idea is not just to compete occasionally with Phoenix, or stay a step ahead of Tempe, but rather to make *Scottsdale 2.0* a recognized city of the 21st century. Page 14

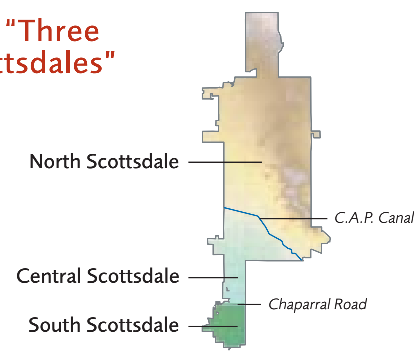
Much Slower Pace of Development In the Future

	Average Annual Growth Rates 1990-2000	Average Annual Growth Rates 2000-2020*
Population	4.5%	1.7%
Housing Units	4.5%	1.6%
Employment	3.8%	2.8%
Retail Space	5.6%	
Commercial Acres		1.8%

* Based on 2002 General Plan.

three. And now that the first generation of suburban growth in Scottsdale is almost complete, these "three Scottsdales" have been cemented in place. All three are different, and they are likely to become more different in the future. The challenge for *Scottsdale 2.0* is to bring the different parts together so that Scottsdale does not become *Splitsdale*. Page 22

The "Three Scottsdales"



Arizona State University, and (playing off the other two) a push to top-tier science and technology status. Scottsdale is behind the curve in hooking into all three — and must think strategically about how to be part of this effort. Page 30

Scottsdale's Strengths Among Five Priority Industry Clusters

Industry Clusters*	Share of Total Employment in Scottsdale Greater than County Average
Aerospace	
Electronics/Information Technology	
Software	X
Biotechnology	
Advanced Business Services	X

* Key export-oriented clusters targeted for regional economic development efforts.

Source: Greater Phoenix Economic Council/ ASU Center for Business Research, 2002.

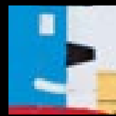
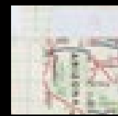
tougher agenda — careful use of remaining available land to achieve a set of strategic objectives and a different economic foundation. Success under these circumstances requires new tools, new thinking, and new commitments by everyone to Scottsdale as a "can-do" place. Page 38

The Question of "What Matters" Has Acquired a New Level of Urgency:

Scottsdale Today Has Less than 4,000 Acres of Vacant and Developable Land.

	(Acres Outside Open Space Preserves)
North Scottsdale	3,000
Central Scottsdale	750
South Scottsdale	200
TOTAL	3,950

Source: Solimar Research Group, 2002.

How Can Scottsdale Retain and Enhance Its Great Quality of Place?

Legacy at Risk

With knowledge the new resource, silicon the new steel, and the Internet the new railroad, more and more companies and skilled workers can perform their jobs almost everywhere, and that gives them unprecedented choices about where they live and work. But location freedom does not mean location indifference. Knowledge workers get to choose — and they know what's on their list.

Mainly, these talented workers and immigrants are looking for high quality of life, which includes everything from good schools to recreational choices to natural beauty to vibrant downtowns. But they are also looking for "smart places." That is, talented Americans want to be around other talented people because, among other things, they can keep on top of the latest ideas and information. They also want to be in cities and regions with great universities and learning opportunities.

Scottsdale possesses enormous assets that are particularly relevant as the nation shifts to a knowledge-based economy. Indeed, the city is proof that high quality of place — the combination of natural beauty, climate, culture, recreation, intellect, and lifestyle — is a key spark for the type of chain reaction that many believe will lead to prosperity in the 21st century. This success comes from both good fortune and deliberate actions. Its good fortune starts with its inherited assets — climate, Sonoran Desert, spectacular scenery, Native American population. Yet its legacy also stems from deliberate private and public steps to create luxury resorts, world-class golf courses, and easy access to the desert experience.

Underlying Scottsdale's success, though, is a worry: Having established its quality-of-life legacy long ago, might Scottsdale "sit on its lead" and begin to lag in excellence and innovation?

Residents are very satisfied living in Scottsdale.

77%

report total satisfaction.

But it's not a good time for Scottsdale to "sit on its lead."

Even though real city expenditures jumped from $732 per resident in 1980 to $1,149 in 2000 — an increase of 57% — residents are split on quality of place trends:

a majority indicate little, if any, positive change over past 5 years.

When Scottsdale residents were asked to indicate which "one city in the Valley is doing the best job on" nine different quality of place attributes, they picked Scottsdale for a number of them.

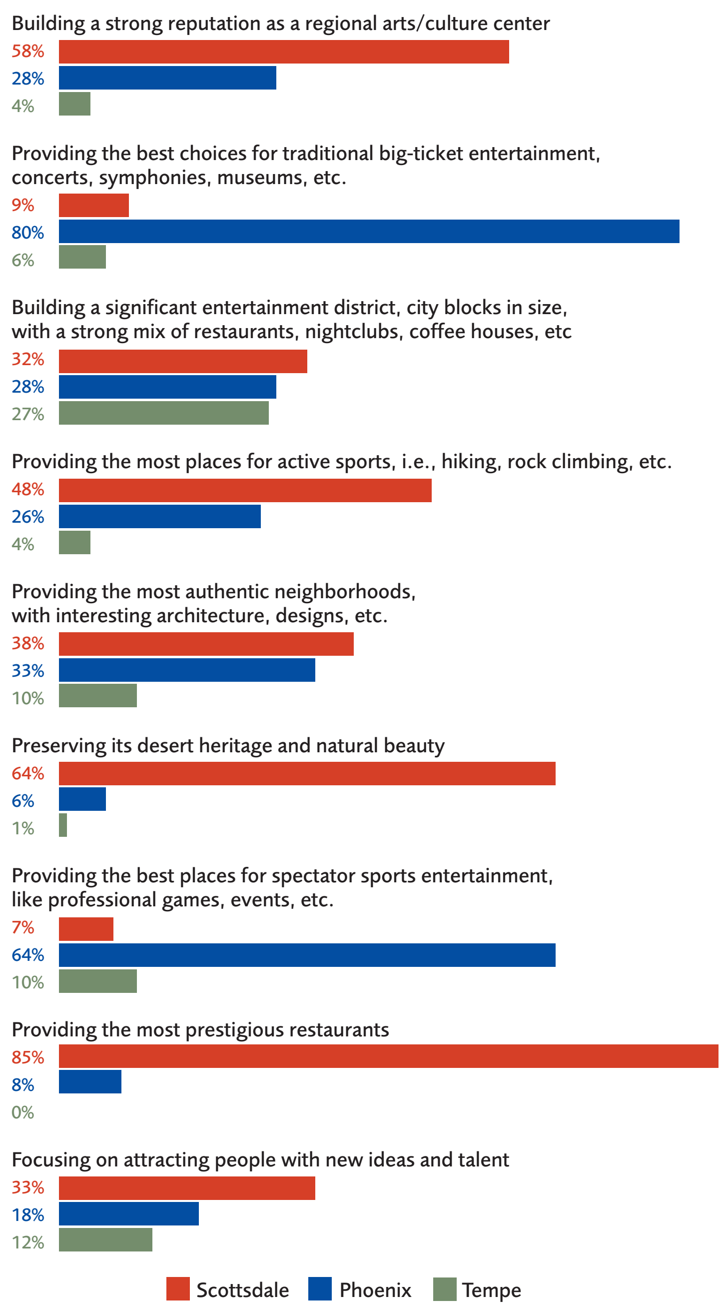
However, one in three residents surveyed said another city in the region is "best at" —

- building arts and cultural reputation
- providing places for active sports (hiking, biking)
- offering authentic neighborhoods
- attracting people with new ideas and talent

60% chose another city as "best at" building a significant entertainment district. Even more chose another city, Phoenix, as best at big ticket entertainment and spectator sports.

Best City in the Valley at …

Scottsdale Residents' Choices:*



* See end note 2 for survey details.

For example, other cities in the region are starting to emulate Scottsdale's amenities package and several are on track to supplant Scottsdale as a leader in such things as entertainment venues, high-end retail, and luxury resorts. Even though Scottsdale is still an enviable address, the city can not afford to be complacent about either its image or the assets that provide its cachet.

In addition, many U.S. cities — from Seattle to Chicago to Denver — are upping the ante when it comes to distinctive amenities. Compared to Seattle's experience music project, Austin's live music scene, or Santa Monica's new live-work downtown, for example, Scottsdale's art galleries, cultural festivals, and downtown retail shops may not seem so alluring.

But the challenge is not just a case of keeping up a superior mix of traditional quality of life amenities — galleries, stadiums, museums, parks. For years now, other cities such as Austin and Seattle have been working off a new list of golden attributes. This new list contains a mix of assets that open the door to creativity and entrepreneurship. For example, cities are finding that diversity, both in amenities and in people, is a new factor in quality-of-life report cards. That's largely because diversity helps open the door to creativity; that is, people learn the most by interacting with people who are least like them. Bottom line: There is a lot more than ever "in play" when it comes to defining quality of place.

Six Character Define

As Scottsdale's leaders move forward to shape *Scottsdale 2.0*, they need to evaluate how the city can match up its assets to the six characteristics that are emerging as important to successful and highly valued places in the 21st century.[1] Scottsdale has some of these characteristics in spades; others are present but are underdeveloped; still others are missing but can be developed. The six characteristics can best be described as follows:

1. NATURAL ENVIRONMENT counts for a lot.
Not surprisingly, if a person can locate anywhere, he or she will go where there's a pleasant climate and beautiful scenery. In this regard, Scottsdale has most of the rest of the nation beat. The city also has a competitive advantage within the Phoenix region — partly because of its proximity to the McDowell Mountains and partly because of the effort it has taken to preserve those mountains.

1 RED FLAG

Natural Environment: The Big Question — Who Pays?
Scottsdale is already way ahead of almost every other city in the region — and in the nation — in preserving open space. But the critical final piece of the McDowell Sonoran Preserve comes with a big price tag still to be paid. The final 10,000+ acres of the preserve — currently still state trust lands — could cost as much as $1 billion, far beyond the city's own ability to pay.

Red Flags indicate definite alarms that Scottsdale faces in each of the six areas.

istics

Quality Places

2. But natural features aren't enough. Places must have DISTINCTIVE URBAN AMENITIES as well.

There is growing evidence that people are drawn to communities that offer particular attributes they desire — a live music scene, perhaps, or lots of quality restaurant choices. Not all urban amenities, however, act as a magnet for talent. Instead, it's those "peculiar attributes" which are difficult to duplicate and which cater to highly educated people that are emerging as real "competitive features" for locales.

Scottsdale has long used its once-distinctive residential environments, its downtown art galleries and its ample stock of resort hotels as distinctive features. But these are not likely to be enough in the 21st century. Many other places will provide high-end master-planned communities and resorts. Even in the Phoenix area, other downtowns are emerging more rapidly than downtown Scottsdale. For *Scottsdale 2.0* to succeed, the city must determine which components of the community are truly distinctive — rather than historically important or simply a higher-end version of the same old thing.

2

RED FLAG

Urban Amenities: First Class — Or Not?

Scottsdale's numbers on a recent Morrison Institute for Public Policy survey of Valley residents do not show it leads the region on most key quality of place measures. Scottsdale's Valley-wide image is strong only for providing prestigious restaurants and preserving its desert heritage. It is Valley residents' second choice, behind Phoenix, for providing authentic neighborhoods and building a reputation as an arts and cultural center. It is the choice of less than a fifth for the other dimensions.

Best City in the Valley at ...

Valley Residents' Choices:*

* See end note 2 for survey details.

Six Characteristics Define Quality Places – Continued

3. CHOICE matters in the talent war.

In striving to become a talent Mecca, a city is smart to offer something for everyone. Specifically, cities should pay close attention to the diverse lifestyle preferences of three key, highly mobile talent groups:

> **Young talent:** skilled knowledge-industry professionals, scientists, and engineers in their twenties and thirties who want to live in exciting places.
>
> **Baby Boomers:** managers and professionals in their forties and fifties who are now "empty nesters" and contemplating "active retirement" and may look for places where they can easily go back to school or start new businesses.
>
> **Immigrants:** Highly skilled, entrepreneurial immigrants are moving to places that have open, tolerant social structures, a range of community choices, and dynamic fast-growing economies.

Scottsdale 1.0 achieved major league status as a place to retire and slow down. This was partly because it was an upscale town in a retirement region. But Scottsdale also built its own image and amenity package around this reputation. For *Scottsdale 2.0* to succeed, the city needs to rethink its assets and image from the viewpoint of other key talent groups. Creative people and technology entrepreneurs may not be seeking the same place-based amenities as vacationers and retirees. And the city will have to reinvent itself even to maintain dominance in the retirement market. Baby boomers won't retire the same way their parents did.

3 RED FLAG

Retirement Lifestyle Tag

National business executives, site selection consultants, and business writers and editors overwhelmingly see the Phoenix region generally — and Scottsdale in particular — as a place to retire and vacation, not to find technology and vibrancy.

Perceptions of Metropolitan Phoenix

	National Business Media	Business Executives	Site Selection Consultants
Describing Greater Phoenix	1.Retirement 2.Vacation/Touristy 3.Sprawling 4.Too Hot 5.Good Place for Golf 6.No Water	1.Retirement 2.Vacation/Touristy 3.Too Hot	1.Retirement 2.Vacation/Touristy 3.Sprawling 4.Too Hot 5.Techno-Advanced
Industries Associated with Greater Phoenix	1.Retirement 2.Tourism	1.Retirement 2.Tourism	1.Electronics 2.Financial Services 3.Retirement 4.Tourism 5.High Technology

Source: Greater Phoenix Economic Council, 2002.

4. Being a SMART, INNOVATIVE place matters.

"Smart people like to be with other smart people," observes Harvard University scholar Juan Enriquez. Snobbery doesn't fuel this drive for clustering, he says, so much as awareness that learning and the most rapid advances tend to take place through face-to-face interaction and information exchange. Sharing knowledge, skills and experience is simply easier when people and businesses are in close proximity to each other. Institutions like universities, design schools, and specialized research centers are also "smart" attributes that draw top talent and industries to a given location. *Scottsdale 2.0* will have plenty of smart people from the business world. The city must match those assets up with the region's other "smart" assets, such as nearby Arizona State University.

4 RED FLAG

Got Talent — but Not Diversity

Scottsdale is an excellent place to find:

- Highly educated people and people who work in managerial or professional occupations, both of which are indicators of traditional economic prosperity.

But Scottsdale is not the place to find:

- Ethnic diversity and people in their 20s and 30s, which are among the most important indicators in the new economic model.

44% percent of residents hold a college degree; 47% are managerial and professional workers; 88% of the residents are non-Hispanic white, far above the county's 66%. Scottsdale ranked last among the eight largest cities in African Americans and Hispanics. Scottsdale's median age of 41 is 8 years greater than the county total and the highest of the eight largest cities.

5. It's not just about physical attributes. Intangibles such as "HIPNESS," TOLERANCE, AND ENTREPRENEURIAL CULTURE are part of the calculation.

Richard Florida, author of *The Rise of the Creative Class,* believes people look for the same things in a city that they look for in a company: energy, amenities, inclusiveness, and sense of fun. Talented and creative people want to be where the action is and where the interaction is. That is where they find unique life experiences — and that's where their ideas stand the chance of coming to fruition. Scottsdale has some of these attributes — such as the nightclub scene in the downtown — but its generally upscale resort orientation and gated communities often work against tolerance and diversity rather than promoting them.

5

RED FLAG

Hip, Tolerant, Entrepreneurial City? Depends on Who You Ask

Scottsdale sees itself as hip, tolerant, and entrepreneurial, as revealed by the residents survey.

Residents Say Scottsdale…

* See end notes for survey details.

Yet other research suggests a different image in the world's eyes. As cited in red flag #3, key national opinion leaders see the area teeming with retirees and vacationers. This is a significant DISCONNECT which suggests serious consideration of Scottsdale's image locally, nationally, and globally.

Scottsdale also sees itself as a place that welcomes diverse groups. But the "welcome diverse groups" positives peak among residents in the north and men, and are lowest among lower income residents, women, and minorities. In short, there appears to be a real disconnect on this issue as those impacted by it are less positive, while those least impacted are much more positive. And not to be overlooked is the fact that nearly one out of every three of the residents surveyed said Scottsdale is not welcoming of diverse groups.

6. SPEED is a vital amenity.

Evidence increasingly suggests that the ease with which individuals can move around a city and get things done looms large in a place's attractiveness. As time becomes more valuable, those individuals who can locate anywhere will particularly avoid areas where movement is too difficult, too time consuming, and hence too expensive. To attract talent, then, places will need effective transportation options.

Having a rich variety of amenities and services available locally also helps attract and retain talented people. But these must be timely, and so the city itself must be speedy in carrying out its planning, regulatory, and permitting roles. Unfortunately, speed and timeliness have not been recent hallmarks of Scottsdale's governmental operations.

6

RED FLAG

Traffic Congestion: #1 On-going Complaint

Downtown and Scottsdale Airpark — two places that thrive on interaction — face the greatest challenges. People are discouraged from visiting Downtown Scottsdale because of parking and traffic, say residents (Behavior Research Center Survey, Fall 2001), and movement around the Airpark is stymied by street design and the airport's location, which bisects a critical employment center.

What these six characteristics add up to is a more complex calculation of quality of place than simply good climate, living costs, and basic entertainment. The new calculation is based on much more. Today's "magnet" locales tend to be places with great universities, an atmosphere in which arts and creativity flourish, where unique cultural and recreational opportunities abound, and where entrepreneurial behavior is nurtured. And "quality of place" advantages that these communities possess are not accidental but the result of combined strategic effort and sustained civic effort — and, therefore, can be had by nearly anyplace that puts its mind to it.

Which Way Scottsdale?

Staying A Great Place

Decades ago, Scottsdale taught the rest of the region — and, indeed, much of the rest of the nation — how to become a "brand-name" great place. But the definition of a great place is changing — and Scottsdale is in danger of being left behind. As the table below shows, Scottsdale has been increasingly copied — or even trumped — by surrounding cities in the place competition. The competitive tempo of Greater Phoenix has picked up. And nationally the place competition is getting tougher as well. The challenge for *Scottsdale 2.0* is differentiation. Being "the first, the best, or the only" is the key. Unless Scottsdale commits to competing at an ever-higher level, it is sure to find its legacy of "firsts," "bests," or "onlys" at risk.

that was **then**	this is **now**
Indian Bend Wash: a new concept called a greenbelt, takes an unusual piece of land and turns it into a series of parks, recreational centers, golf course and lakes	**Rio Salado and Tempe Town Lake:** Tempe and Phoenix together transform a dry Salt River, a big regional eye sore, into a huge lake and nature preserve
Early Stadium Dreams: Scottsdale Stadium Opens and Spring Training begins	**Too Many to Count:** 3 Spring Training Stadiums in the West Valley alone, plus NFL football and NHL hockey
Hottest Housing: McCormick Ranch opens as Arizona's first master-planned community	**Coolest Housing:** Phoenix's Willow Loft Project and Camelback Esplanade Place sell urban buzz.
Scottsdale Downtown buzzes with weekly art walks, annual Culinary Festivals, and Scottsdale Center for the Arts, a key performing venue	**All the Valley's a Stage:** Freeway system makes Phoenix's theater cluster easily accessible and Tempe throws the grandest festival of all: New Year's Eve Block Party
Scottsdale named Best Resort Community by Zagat Resort/Survey	**Luxury Resorts Open in Phoenix** using a Scottsdale address
High-art Triumvirate: Scottsdale works to have "SOB" the mark of a cultured city – symphony, opera, ballet	**Bilbao Effect:** Cities build signature one-of-a kind arts and cultural draws (Guggenheim in Bilbao, Experience Music Project in Seattle)
Scottsdale's Visible Creative Talent such as architects Frank Lloyd Wright and Paolo Soleri drew in more creative talent	**Greater Phoenix Brings** Dr. Jeffery Trent to the region to draw more top-tier bioscience researchers and entrepreneurs

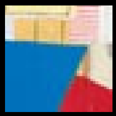
There are at least three "new basics" that cities and regions throughout the country and world will have to confront in the 21st century:

- First, quality of place will count more than ever. As more and more businesses and workers are adjusting to the reality that the home or business location decision is a real choice, cities that thrive will have to be attractive places for people to live and work.

- Second, it's turning out that some of the most important "magnet" features of cities and regions are created, not inherited. While inherited features such as climate, natural resources, and population are important draws, other critical features are "built" — open space, unique urban amenities, vibrant street life, live music venues, top-notch entertainment, airports, trade associations, universities, and research consortia.

- Third — and perhaps most important — the new century will be a highly competitive one — especially as cities and regions realize things like world-class universities, vibrant downtowns, and strong industry networks are "buildable" through public and private sector actions and thus can be had by nearly anyplace that puts its mind to it.





How Can Scottsdale Shape Its Niche In a New Era?

Redefining Greatness

Scottsdale, like most of metro Phoenix, has dealt up to now with only the first wave of growth — and Scottsdale's role has been to skim off the cream of that growth to create a distinctive and successful community. In fact, while it is often characterized as a suburb of Phoenix, Scottsdale is one of the major employment centers in the region. Now, however, the first wave is over — at least for Scottsdale. With "build-out"only 20 years away,* and with its onetime "jewels" aging, how can Scottsdale re-position itself?

In the changing context described in part one, finding a strategic role or identity has become increasingly important for a city. Every city has a role to play in the regional, national, and world economy. But that role isn't accidental or driven entirely by the market. Most often it's because a city and its people recognize their community's assets and its potential and they create a strategy for positioning their city in the world.

What are the choices a city could make? A number of scholars and practitioners counsel urban <u>and</u> suburban areas to find one or more roles or niches from among four general categories.

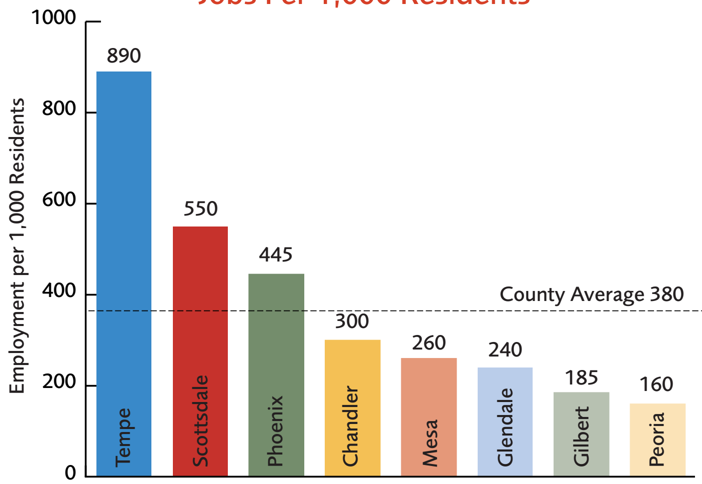
- *Be a hub of creativity* and specialize in ideas, designs and plans for new products and services. Several studies confirm that urban areas are good at generating and moving ideas, as Harvard economist Edward Glaeser says — especially if they are home to major research universities and corporations attracted to or created by the area's talent. Boston and Raleigh-Durham-Chapel Hill are two localities with this identity.

- *Be a hub of makers* and build economies and identities around sophisticated manufacturing with a high-tech focus. "Producer localities," as the Milken Institute calls them, excel in execution; they are places where world-class manufacturers gravitate. Chandler, Boise and Cedar Rapids fit the description well.

* "Build-out" is the time in the future when all development consistent with the General Plan has occurred.

Scottsdale is a major employment center in the region.

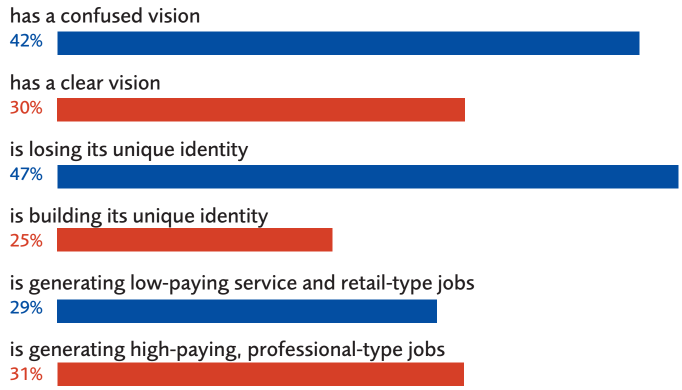
Jobs Per 1,000 Residents



Source: Morrison Institute for Public Policy/ASU Center for Business Research, 2002.

Even so, the residents aren't sure what type of industries the city's economy is based on. More importantly, they see the city losing its unique identity and failing to have a clear vision.

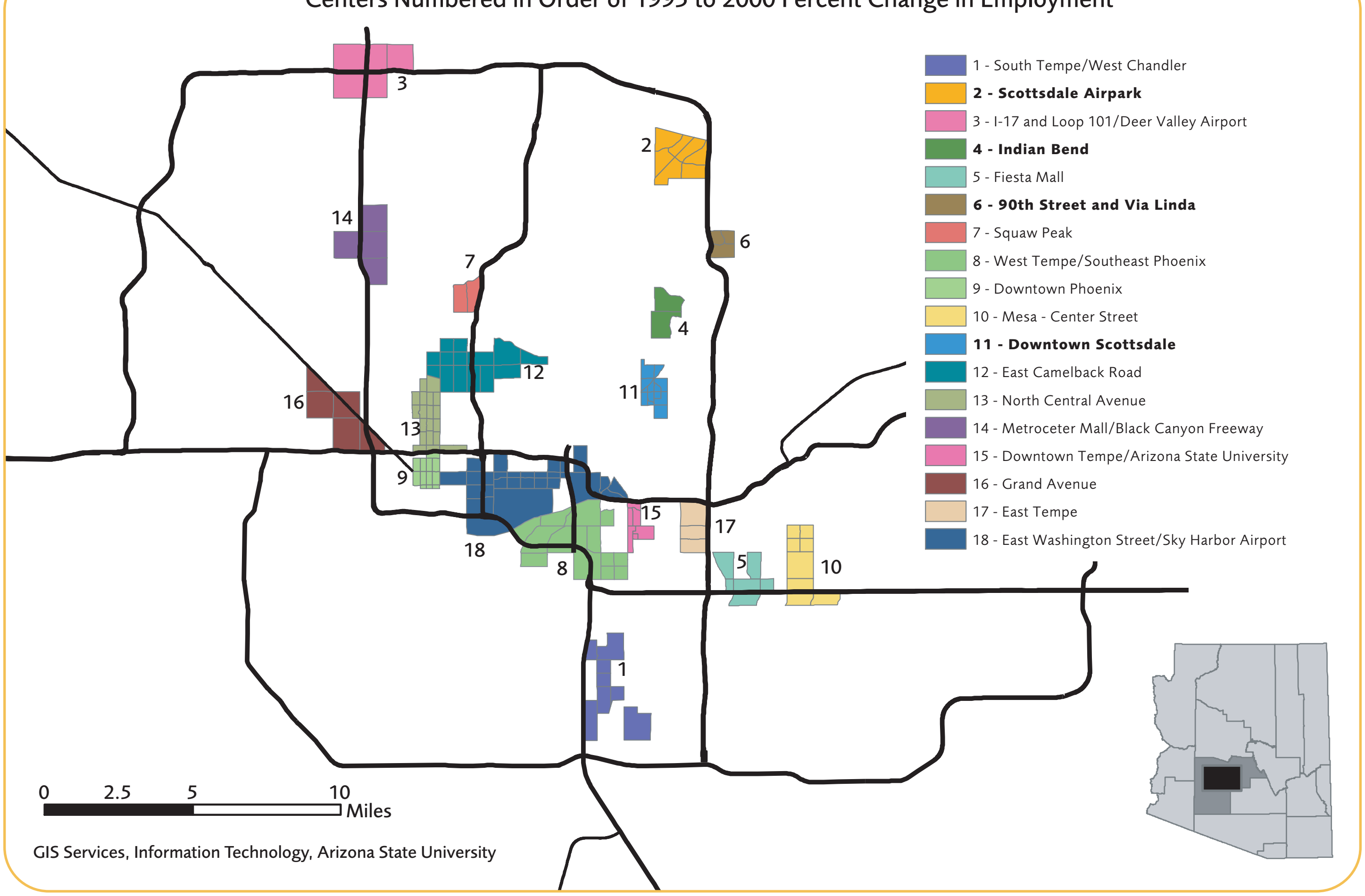
Residents Say Scottsdale...



* See end notes for survey details.

Change in Employment within 18 Employment Centers in the Region[3]

Centers Numbered in Order of 1995 to 2000 Percent Change in Employment



GIS Services, Information Technology, Arizona State University

The gain in the 18 centers represented a 41% growth rate between 1995 and 2000, compared to 28% in the county. The growth rate in the 4 Scottsdale centers was 72%, compared to 48% in the Scottsdale MPA.

Source: ASU Center for Business Research/Morrison Institute for Public Policy, 2002.

- *Be a hub of connecters* and serve as places of global connections and cultural exchange. These are centers of trade like Miami and Los Angeles. But they may also excel in tourism, which is, in large part, about making connections — people to places in the case of vacationers and people to people in the case of conventions and executive retreats.

- *Be a hub of entertainment* and specialize in facilities, amenities and entertainment venues that attract visitors and draw talent. As incomes rise, the demand for pleasant local environments, luxury goods and services, and unique experiences will surely continue to increase. This development — along with unprecedented location freedoms — suggests to one scholar that "if cities are to succeed, one of their functions must be to please consumers."

Scottsdale will probably never be — nor aspire to be — a hub of makers. In fact, Scottsdale's average business size is only 28 employees, the smallest in the region. But it could and should play aspects of all three other types of "hubs" to create a cutting-edge role for itself. And the true test of a city's and region's cutting edge performance is what it does that is valued by the rest of the world.

Scottsdale 1.0 Niches

Of course, Scottsdale is no stranger to this kind of discussion. A decade ago, the city grasped the need for finding its niche much more readily than most other cities. As the result of a community visioning process, the city selected "four themes" in 1992 to both describe and guide its "special place in the broader regional, national and global economy." The themes are:

Sonoran Desert: This theme recognizes the magnetic quality of the desert southwest. It draws global visitors and new talent to the city. It inspires creativity and a sense of well-being. "While not everyone in Scottsdale identifies with the old west, we are all indisputably a part of the heritage of the desert southwest and all that implies," wrote the citizens.

Resort Community: The second theme recognizes the city's high-end resort cluster and the fact that tourism is an important global industry. "Scottsdale should not try to indiscriminately attract great numbers of people but rather it must undertake a highly focused pursuit of those persons who represent a good fit for the high quality and culture of our community." The theme describes the positive connections between resort facilities and residents' quality of life and even mentions resorts as "a natural kind of connection between people from all parts of the planet."

Scottsdale 2.0 will have a much slower pace of development

Table 1: Average Annual Growth Trends: 1990-2000 Versus the Future As Envisioned by the 2002 General Plan

SCOTTSDALE 1.0				
Time Period	Population	Housing Units	Retail Space (sq. ft.)	Employment
1990	130,000	67,000	6,181,000	89,000
2000	203,000	105,000	10,619,000	129,000
Average Annual Growth Rate	4.5%	4.5%	5.6%*	3.8%

SCOTTSDALE 2.0				
Time Period	Population	Housing Units	Commercial Centers	Employment
2000	203,000	105,000	2,001 acres	129,000
Build Out**	283,000	145,000	2,867 acres	225,000
Average Annual Growth Rate 20-year Horizon	1.7%	1.6%	1.8%	2.8%

* Includes the loss of Los Arcos Center

** Build Out = the time in the future when all development consistent with the General Plan has occurred. The General Plan is not specific in the timing of build out, but the city's planning process has been based on a 20-25 year horizon, so that two sets of implied annual growth rates have been calculated. A 20-year period is shown; a 25-year period results in even lower growth rates in all categories.

Sources: Population and Housing, 1990 and 2000 Census and City of Scottsdale 2002 General Plan. Retail Space: 1990 and 2000, Arizona Real Estate Center. Commercial Centers: City of Scottsdale General Plan. Employment: City of Scottsdale, Office of Economic Vitality 2002 Economic Trends and 2002 General Plan.

Arts and Culture: "By now the arts are as natural to Scottsdale as is its Sonoran desert setting." This identity should be cultivated even more in the future, said the report, as "futurists are predicting that the arts will gradually replace sports as society's primary activity."

Health and Research: This is the city's nod to creativity and innovation. The theme emphasizes creating an "interactive center for emerging biotechnology industry" as a compliment to its emerging world-class health center anchored by the Mayo Clinic and Scottsdale Healthcare.

A decade ago, Scottsdale was ahead of its time. Only since then have experts such as Rosabeth Moss Kanter (*World Class: Thriving Locally in the Global Economy*, 1995), Richard Florida (*The Rise of the Creative Class*, 2001), and Harvard's Edward Glaeser (*The Functions of the City in the 21st Century*, 2000) publicized the idea of cities and suburbs finding niches as knowledge hubs, creative communities, and "entertainment machines."

But the city didn't follow through on its "four themes" strongly enough to claim greatness. The city has moved forward in protecting its desert environment, but completing that vision is likely to cost between $500 million and $1 billion. Scottsdale is still a well-known resort community but the new luxury resorts in metropolitan Phoenix are still going elsewhere. Downtown Scottsdale still has a base of arts and culture, but it is losing out to downtown Tempe, downtown Phoenix, and other venues. As for health and research: Despite the Mayo and Scottsdale Healthcare base, it's not the city of Scottsdale, but Phoenix that invests big to build strength in bioindustry in the region (See "Taking Stock" sidebar).

Some residents will see Scottsdale's economic successes in the 1990s and be skeptical about any wake-up call. But the reality is *Scottsdale 2.0* will have a much slower pace of development than Scottsdale 1.0. (Table 1). Moreover, the idea is not just to compete occasionally with Phoenix, or to stay a step ahead of Tempe, or even to give Austin a worry or two, but rather to make *Scottsdale 2.0* a recognized city of the 21st century.

Taking Stock: Health and Research — Facts and Opinions

Scottsdale Recognized Early the Opportunity

- **1987 Mayo Clinic opens in Scottsdale and immediately raises the city's chances to stand out globally.**
- **1992 Scottsdale targets health and research for a niche.**
- **Biomedical research takes off in the US — doubling between 1993-1999 to $47 billion.**
- **Late 1990s, Scottsdale Healthcare System makes biggest investment in redevelopment at downtown campus; establishes the Piper Cancer Center at Shea campus.**

But Missed Later on Opportunities to "Build Up" and Accumulate Momentum

- **Despite the city's vision and Mayo Clinic and Scottsdale Healthcare base, two other "signature" projects locate elsewhere:**
- **1996 Mayo Clinic Hospital opens in northeast Phoenix.**
- **Translational Genomics Research Institute (TGen) and International Genomics Consortium (IGC), expected to "jump-start" Arizona's bioindustry, go to downtown Phoenix.**
- **Phoenix commits: land; $31 M for design/build of IGC/TGen headquarters; $12 M for operations.**
- **Local leaders involved in attracting TGen/IGC didn't consider Scottsdale as a site beyond clinics and labs because of its reputation for volatile politics and missteps.**

Taking Stock:
Arts and Culture — Facts and Opinions

Foundations Laid More in the 1970s and 80s than 1990s

- 1971 – First Scottsdale Arts Festival held
- 1973 – Art Walk begins
- 1974 – Symphony forms
- 1975 – Center for the Performing Arts opens — now 27 years old
- 1983 – Scottsdale Artists School opens
- 1988 – Public art program initiated
- 1999 – Museum of Contemporary Art opens

Minor Draw for Tourists

- The art scene is not among the top four reasons people visit Scottsdale. (Scottsdale Tourism Study, 2001)
- Only 2% of residents typically recommend performing arts activities to guests.
- While 88% of tourists visit downtown, only 13% go to a museum or art gallery.
- Only 21% of tourists visit the Scottsdale Center for Performing Arts. (Behavior Research Center Study, 2001)

More Unique and Eclectic Options Necessary

- "New museums and cultural facilities" would influence more residents to visit downtown Scottsdale. (Behavior Research Center Study, 2001)
- Young professionals prefer artistic events that do not require advance ticket purchase, are more accessible, and are located near vibrant street scenes. (Richard Florida, 2002)
- Non-traditional artistic events seem to appeal to the growing Hispanic population.
- Globalization has increased divide between a few successful artistic institutions and all others. (AEA Consulting, 2002)
- The Heard Museum, the Phoenix Boys Choir, and Childsplay are, according to one national consultant, the region's true "stand outs" from a national reputation.

Becoming More of a Regional Identity...And Challenge

- Big performance venues are clustering in Phoenix: Symphony Hall, the Orpheum Theatre, the Herberger Theater, and the Civic Plaza.
- Performance venues are scattering throughout the Valley: Chandler Center for the Arts, Gammage Auditorium, and new facilities in Mesa and Surprise.
- There is no region-wide strategic planning mechanism for arts and culture to address funding and capacity issues.

Mixed Messages About Strengths

- The Phoenix/Scottsdale/Tempe combination ranked 15th on AmericanStyles list of the 2002 Top 25 Arts Destinations.
- But Phoenix metro ranks 48th in the "Places Rated Almanac" for arts criteria and 131st for arts criteria in Money Magazine's "Best Places to Live."

What's Ahead —

As global and technology trends converge into an economy in which rapid and constant innovation is the standard, cities are starting to position arts and culture differently — as a key pillar for a creative community not simply as an entertainment venue or tourist attraction. They are focusing on the catalytic connections between technology, the arts, and entrepreneurship. "Sparks fly at the intersections of disciplines. That's where ideas come from," said former mayor Paul Schell, explaining his vision for Seattle "as a place where the creative experience can flourish."

Taking Stock:
Resort Community — Facts and Opinions

New Resorts Are Locating Elsewhere in the Valley

- Westin Kierland Resort and Spa in Phoenix.
- Marriott Desert Ridge Resort and Spa in Phoenix: 950 guestrooms, making it the largest luxury resort in Arizona.
- The Cibola Vista Resort and Spa opening in Peoria in 2010.
- Scottsdale has little contiguous land left on which to build new resorts. Water issues could limit future golf courses.
- In Scottsdale, low-end motels are growing more quickly than resorts: 1995-2000 percent increase in rooms by type: luxury/resort 18%; moderate 36%; limited service 162%.

Occupancy Rates Are Slipping

- The total number of rooms available in Scottsdale increased by 4,400 between 1995 and 2001. However, occupancy rates declined from 76.3% to 59.5% during this same period.
- Scottsdale has not developed specialized resorts to fulfill demand for unique niche lodging. A third of the total travel market can now be classified as "geotourists." They have high incomes, education levels, and travel frequently.
- Boutique hotels, which are generally located in downtown areas, tend to achieve above average occupancy rates and per diem spending. Scottsdale does not yet have any boutique hotels. (ERA, 2002)

What's Ahead —

- Competition: Markets with most new hotel rooms under construction: Phoenix 2,320; Miami 2,329; San Diego 2,985; Houston 3,394; Orlando 5,400. (USA Today, November 2002)
- Travel Industry Trends: Travelers are looking for active travel, creative travel, learning while traveling, geotourism.
- Resorts and hotels are increasingly key for pulling together geographically scattered staff and executives for shared learning and face-to-face interaction.

So, once again, Scottsdale faces the question of its aspirations. What does it want to focus on and, equally important, does it want to be *good or great* at it?

Being Great Isn't Easy

Of course, it is easy to settle for just being "good." "That is one of the key reasons why we have so little that becomes great," argues management guru Jim Collins in his widely-acclaimed book, *Good to Great*. "Good is the enemy of great."

Making the leap requires confidence and discipline. Confident organizations on good-to-great paths set their goals and strategies based on deep understanding about their strengths and weaknesses. Companies that don't make the leap, set their goals and strategies based on bravado. (See sidebar, The "Physics" of Good to Great, for more details.)

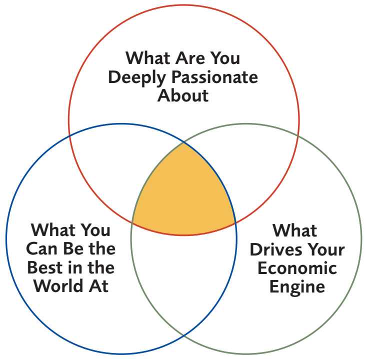
And once these organizations are on the right path, they retain the discipline to do what ever it takes to become the best within carefully selected arenas — and equally important, to not do the things that don't fit.

As Scottsdale's leaders move forward to shape *Scottsdale 2.0*, they can benefit from the good-to-great principles uncovered by Collins and others after years of study. For instance, Scottsdale 1.0 displayed a number of the pitfalls to greatness described by Collins — easy to settle for good, bravado about the "Scottsdale magic,"and inconsistent execution of its 1992 cutting-edge vision themes. Civic leaders and elected leaders will need to correct this pattern if they have aspirations of greatness for *Scottsdale 2.0*.

The "Physics" of Good to Great

In his two books *Good to Great* (2001) and *Built to Last* (1995), Jim Collins introduces the "physics" of good to great, which he says applies not just to corporations, but to all organizations and even communities. The idea is transferable because it's ultimately about one thing: "how you take a good organization and turn it into one that produces sustained great results, using whatever definition of results best applies to your organization."

Interlocking Circles: If organizations pursue goals and strategies that fall in the middle of the three intersecting circles–what it is passionate about, what it can be the best in the world at, and what best drives a sustained profitable economic engine–then success will likely follow.



Stockdale Paradox: Confront the brutal facts of your current reality AND retain unwavering faith that you will prevail in the end. Confronting the brutal facts clarifies the values an organization/community truly holds as core versus those that it would like to hold. Brutal facts clarify what must be done to stimulate progress.

Culture of Discipline: Keep pushing. Much of the answer to the question of "good to great" lies in the discipline to do whatever it takes to become the best within carefully selected arenas and then to seek continued improvement from there. "It's really just that simple. And it's really just that difficult," says Collins.

The Flywheel: "The flywheel image captures the overall feel of what it was like inside the companies as they went from good to great. No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no wrenching revolution. Good to great comes about by a cumulative process–step by step, action by action, decision by decision, turn by turn of the flywheel — that adds up to sustained and spectacular results."

The Doom Loop: The flywheel is about consistency and the doom loop is about inconsistency. Those on the doom loop lurch back and forth and stray far outside the three circles. They push in one direction, then stop, change course, and throw it in a new direction — always looking for a miracle moment or big program.

BHAGs (pronounced bee-hag, short for Big Hairy Audacious Goal) is a huge and daunting goal — like a big mountain to climb. It is clear, compelling, and people "get it" right away. A BHAG serves as a unifying focal point of effort and helps galvanize people to strive toward a finish line. "Bad BHAGs are set with bravado; good BHAGs are set with understanding."

Which Way Scottsdale?

Shaping the City's Role

The "three interlocking circles" framework is the kind of simple-but-not-easy approach that Scottsdale can use to stimulate the kind of dialogue and debate, autopsy and analysis, and decision making required to set goals and strategies for *Scottsdale 2.0*. That Scottsdale needs to decide — crystallize — what it stands for and how it measures success going forward is firmly grounded in both residents' and civic leaders' views.

- As Figure 1 shows, over 40% of Scottsdale residents surveyed see the city losing its unique identity and being without a clear vision. Forty-two percent of the residents surveyed characterize the city as a place where business, government and citizens are not in sync on issues facing the city.
- The "Best At" survey shows that it is a good time for Scottsdale to be rigorous in its assessment of what it is best at — and what it wants to be best at. The data show some significant differences in how Scottsdale sees its strengths and how the region sees them. A process to benchmark Scottsdale against other similar cities across the country could help reconcile the different views.
- Information that Morrison Institute for Public Policy gathered through stakeholder interviews and roundtable discussions reveal a broad understanding among civic leaders and elected officials that the city is, indeed, in transition. And there appears to be some agreement already on what the city is "shifting from" and "shifting to." For example, at the September 2002 roundtable discussion approximately 40 civic leaders and stake-holders completed a written survey and their responses depict a city in transition (see Table 2).

Thus, there appears to be a cadre of citizens and leaders aware of the need — and the opportunity — to engage in vigorous dialogue and debate, infused with the brutal facts, to collectively decide on *Scottsdale 2.0*'s passions, ambitions, and economic engine.

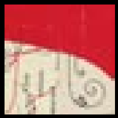
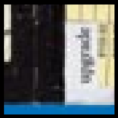
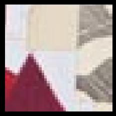
Table 2: Scottsdale is Changing...

from	to
A city that once served as a bedroom community	A city that has become a major employment center
A city built on tourism and land development	A city building on small high tech companies and entrepreneurs in the knowledge economy
A city renowned for its world-class resorts	A city in which its top hotels are being eclipsed by mega-resorts located nearby in Phoenix
A city that possessed abundant undeveloped land for growth and new projects	A city that needs to refocus development goals on in-fill and revitalization projects
A city where the most profitable investment strategy was to attract high-end tourists and home buyers	A city where the most profitable investment strategy will be attracting top "knowledge" talent
A city that successfully marketed its western heritage and wide-open spaces	A city where open spaces have moved farther away from town

Source: Common views gathered from stakeholder interviews and September 2002 roundtable discussion.

Figure 1: How Scottsdale Residents Describe/Rate Their Community*

* Structure of the question: If 1 means Scottsdale is building on its unique identity and 10 means Scottsdale is losing its unique identity, how do you rate it? (See end notes for more details.)

How Can the "Three Scottsdales" Work Together?

The Scottsdale Story

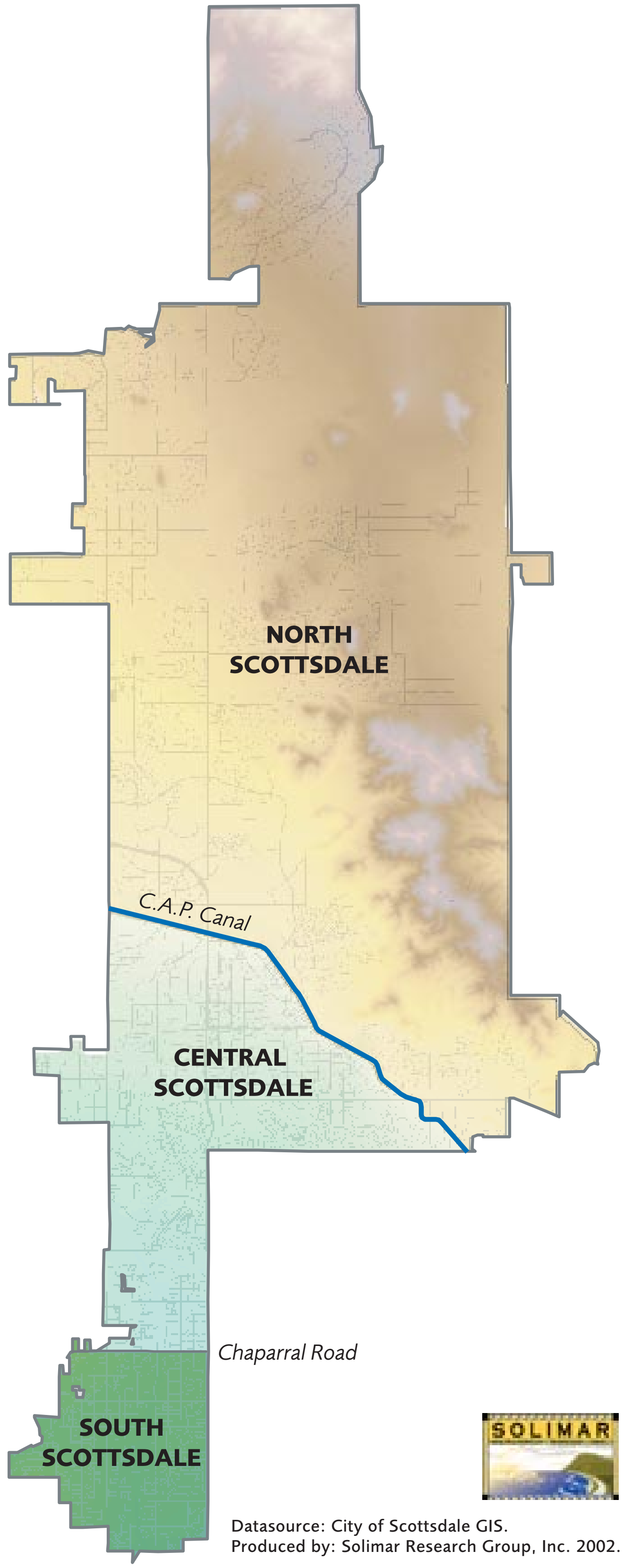
Everybody knows that Scottsdale is unlike most other places. But one important aspect is the city's unusual geography. From only two square miles in the 1950s, it has grown to almost 200 square miles today. It is more than 30 miles from north to south, and it stretches up to 10 miles across. The city grew northward from downtown, so that the original parts of Scottsdale are much closer to Tempe, Phoenix, and even Mesa than they are to the northern reaches of Scottsdale itself.

Every city is, in some sense, a federation of different districts and neighborhoods. But Scottsdale is a federation more than most. One consequence of this unusual geography is that Scottsdale can be a difficult city to "hold together." Despite a long history of public involvement in the planning process, civic leaders say that it is difficult to engage people who live in different parts of the city in a meaningful conversation about the future of the city as a whole. Although this may seem disappointing, it is perfectly understandable, for one simple reason: In many ways, Scottsdale is not one city, but three. And now that the first generation of suburban growth in Scottsdale is almost complete, these "three Scottsdales" have been cemented in place.

Virtually everything about Scottsdale divides strongly into these three pieces:

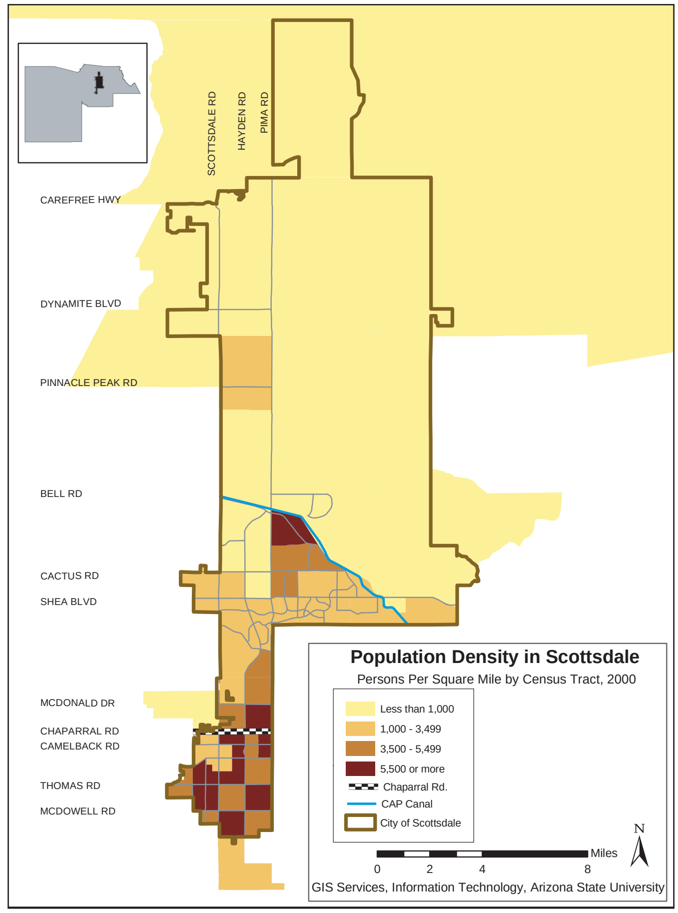
- North Scottsdale: The rural northern sections of the city, including low-density residential areas and the McDowell Sonoran Preserve, north of the Central Arizona Project Canal.
- Central Scottsdale: The city's midsection, stretching from Chaparral Road to the Central Arizona Project Canal — an area that includes most of the master-planned communities dating from the 1970s and 1980s as well as the Airpark employment center.
- South Scottsdale: The oldest part of Scottsdale, including downtown, the Los Arcos area, and all territory from the southern boundary up to Chaparral Road.

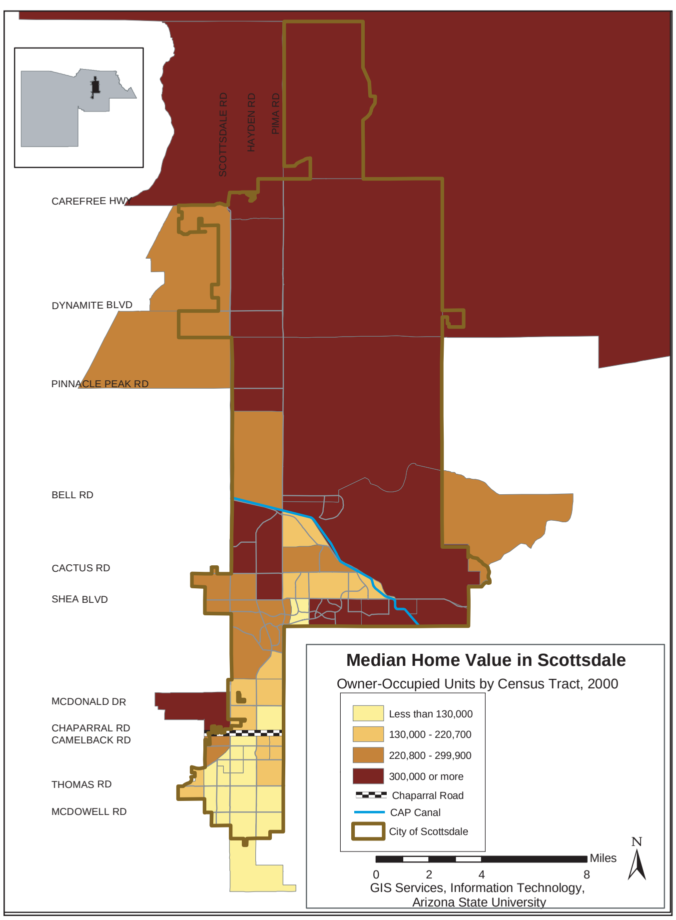
The "Three Scottsdales"

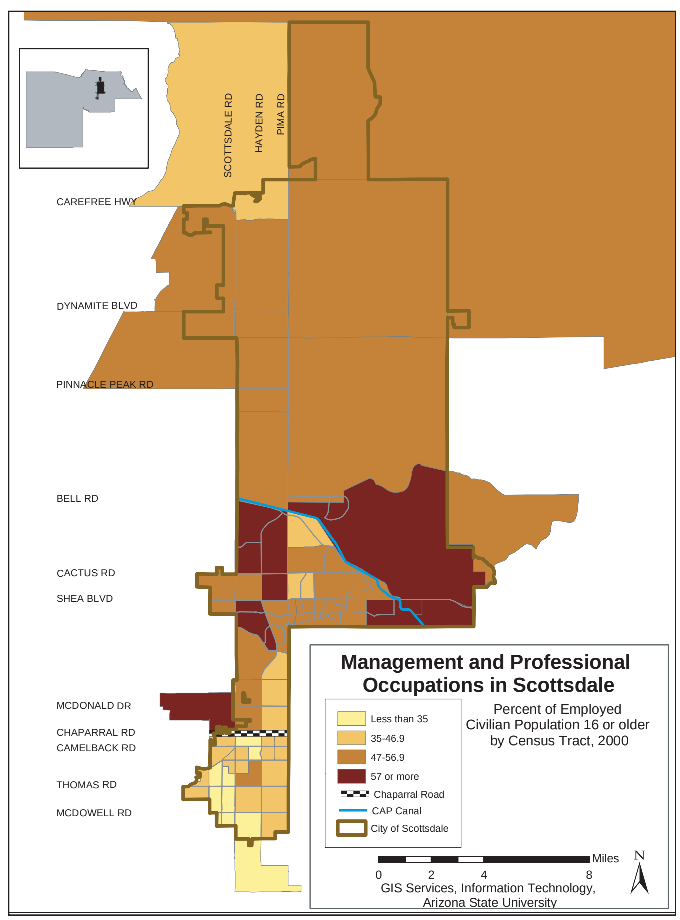


Datasource: City of Scottsdale GIS.
Produced by: Solimar Research Group, Inc. 2002.

Each of the "three Scottsdales" has strong and established forms, and each plays a specific role in the community.







As the "three Scottsdales" mature, they are likely to become more different from one another in the future than they are now. And any attempt to unify the city around a common vision will require the city to acknowledge the different character of the three Scottsdales and how each one will play a role in *Scottsdale 2.0*. At the same time, the vision and strategy must bring the different parts of the city together so that Scottsdale does not become *Splitsdale*.

Simply put, the "three Scottsdales" are:

- **South Scottsdale:** The oldest part of Scottsdale, including downtown, the Los Arcos area, and all territory from the southern boundary up to Chaparral Road.
- **Central Scottsdale:** The city's midsection, stretching from Chaparral Road to the Central Arizona Project Canal — an area that includes most of the master-planned communities dating from the 1970s and 1980s as well as the Airpark employment center.
- **North Scottsdale:** The rural northern sections of the city, including low-density residential areas and the McDowell Sonoran Preserve, north of the Central Arizona Project Canal.

The character of these three Scottsdales is a reflection of many things, including their proximity to the rest of the metropolitan area and to natural features, as well as the development patterns — and the development attitudes — that were prevalent when they were developed.

South Scottsdale was built out by the 1960s. At the time of its completion, south Scottsdale — located approximately 10 miles east of downtown Phoenix — was on the outskirts of the metropolis and, therefore, seemed small town and almost rural in character. Originally, south Scottsdale revolved around the current downtown, which — though low-rise — includes many different neighborhoods and commercial districts. The Los Arcos district still contains Scottsdale's original "auto row," and many residential neighborhoods consist of modest homes that are still inexpensive by Scottsdale standards.

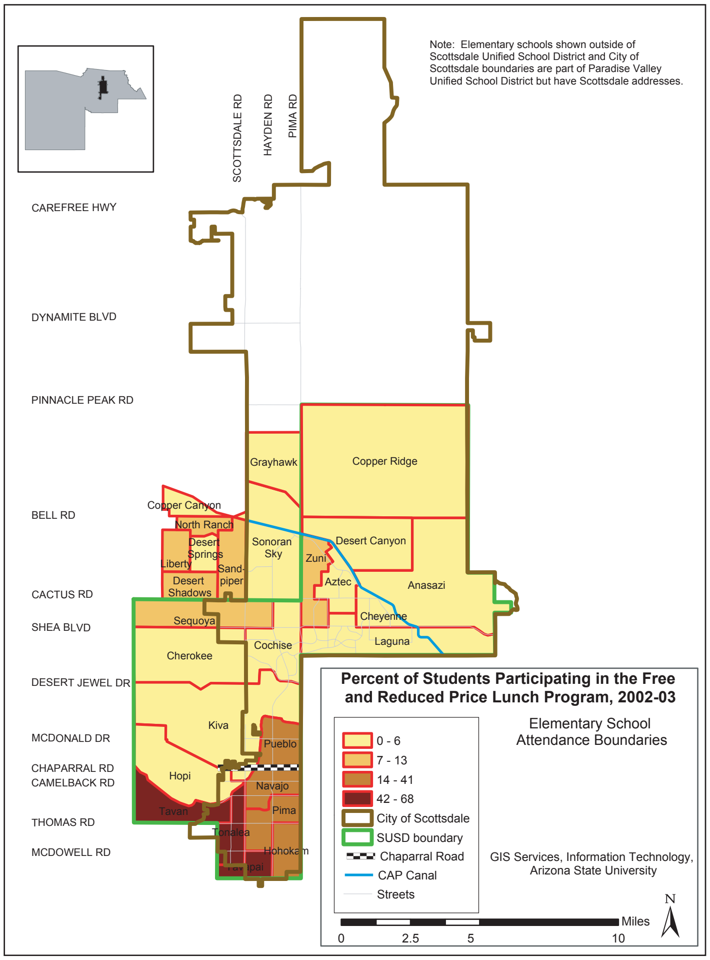
Central Scottsdale is a mixture of many different types of neighborhoods and communities. But it is characterized predominantly by older master-planned communities, such as McCormick Ranch, and the burgeoning job centers around the Scottsdale Airpark. Although some land around the Airpark remains vacant, central Scottsdale was mostly built out by the 1980s, and it represented a shift in character from the developments found in south Scottsdale.

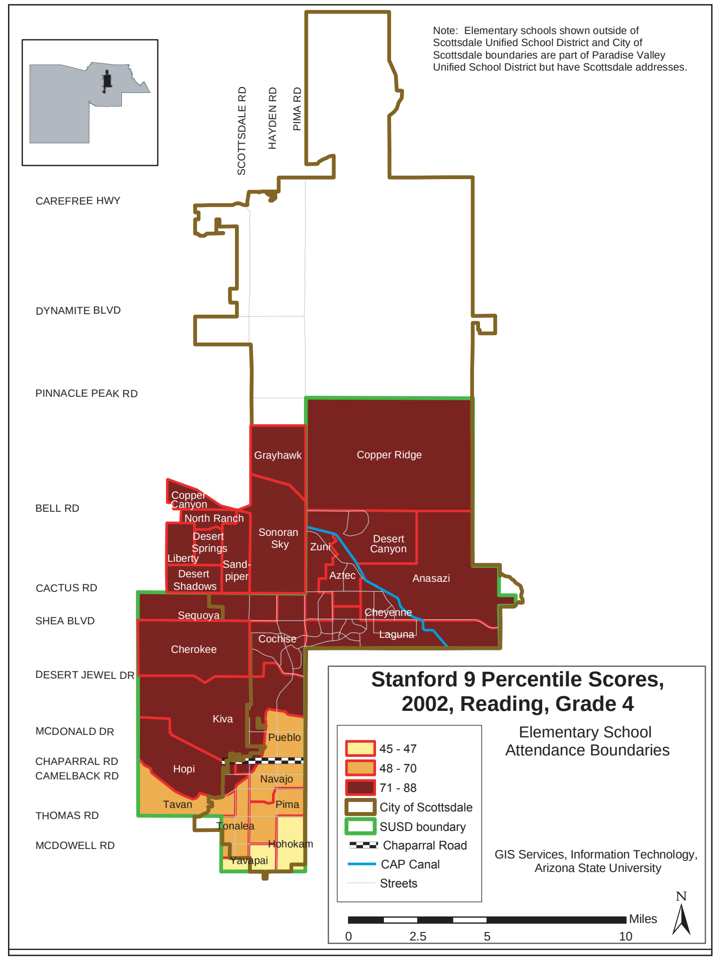
Most of north Scottsdale was not even annexed to the city until the 1980s, and its subsequent growth has followed a completely different pattern than Scottsdale had ever seen previously. Much of north Scottsdale has either already been preserved (through the McDowell Mountain Preserve) or is slated for conservation by the city as part of the open space acquisition program. Residential development is generally low-density and designed in a way that fits in much more closely with the natural environment. There are few job centers except those commercial locations that serve local neighborhoods, although the proximity to the Airpark area is clearly part of north Scottsdale's upscale appeal.

The Template Is Set

Virtually everything about Scottsdale divides strongly into these three pieces. South Scottsdale, the oldest part of the city, is characterized by lower incomes, more poverty, lower educational attainment, lower home prices, more apartments, and greater population density. North Scottsdale, the newest part of the city, is a reverse image of south Scottsdale, featuring higher incomes and home prices and lower population density. Central Scottsdale falls between the other two areas on almost every indicator — although central Scottsdale has three key employment centers, including the city's largest employment center, the Airpark area. It also has a significant resort cluster.

The "three Scottsdales" are different when it comes to K-12 education as well. Perhaps the most dramatic difference is in education, where school district and individual school boundaries have accentuated the geographical differences. Poverty, low educational attainment, and poor educational test scores are much higher in south Scottsdale than in the north and central. And every statistical indicator suggests that these differences are getting bigger, not smaller.





In the future, south Scottsdale will continue to be a diverse place and may attract some new development. Central Scottsdale's master-planned neighborhoods will remain similar to the way they are now, while the Airpark area will likely see recycling of land to higher-density commercial uses. North Scottsdale will remain low-density and rural in character, especially if the city's hoped-for purchases of state trust lands eventually are accomplished.

In other words, Scottsdale's "urban template" is now more or less complete. All three Scottsdales have strong and established forms, and each plays a specific role in the community. For Scottsdale to thrive in the future, each of the three Scottsdales must build on its own role and work together. Among other things, this means that they must do a better job of relating to each other and to surrounding communities. And, as mature communities, the three Scottsdales must know what their "assets" are and how best to use them in shaping *Scottsdale 2.0*.

Can the City Avoid Being "Splitsdale"?

Of course, instead of pulling together, Scottsdale could become "Splitsdale" — with the different parts of town drifting further apart and, in particular, the affluent north pulling away from the more diverse south.

The greater the differences become, the more Scottsdale risks becoming "Splitsdale." *Scottsdale 2.0* must interweave the fates of all three Scottsdales in a meaningful way — so that the people of south Scottsdale have a vested interest in the open space of the north, and the people of north Scottsdale believe in the revitalization strategy for south Scottsdale.

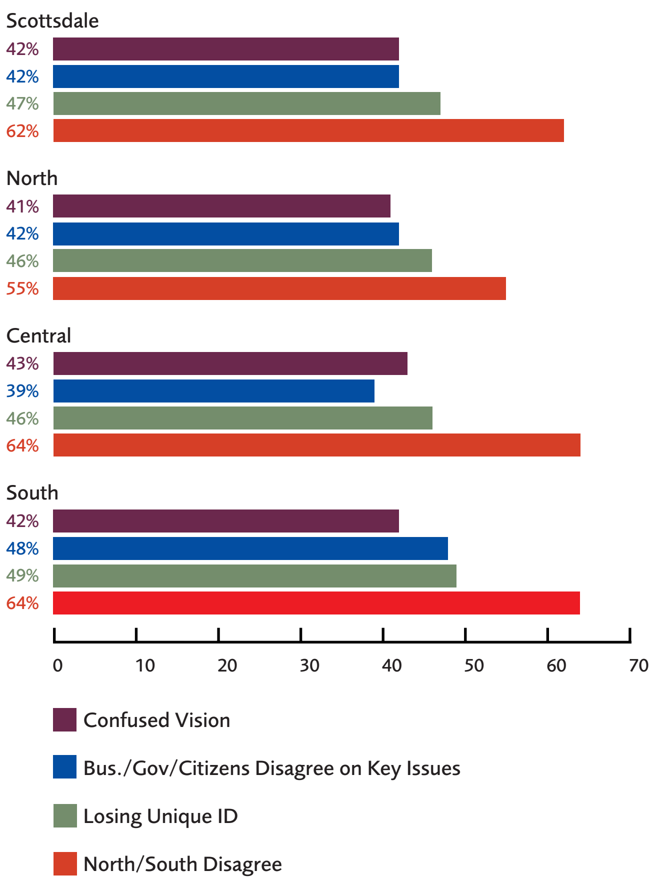
Pulling together around education benefits the whole as well. Each part of the city faces its own education challenges. North and central Scottsdale have some of the best schools in the region, which is an important benchmark. But, to continue its quality of life cachet

— and continue the flow of executives and leading industries into the area — Scottsdale must increasingly benchmark its schools against the best in the country. Compared to the nation, Scottsdale's standing is not at the very top. For example, fourth grade students rank below the top 20% of students in the nation on Stanford 9 tests. Scottsdale students were in the 79th percentile for math and 77th for reading.

Even with these differences, however, the *mindset* of the three Scottsdales is more similar than different. Residents of different parts of the city often say they have great differences, and it is true that the residents survey by Morrison Institute for Public Policy and Wright Consulting revealed some significant differences between the attitudes of north Scottsdale residents and others. But the same survey also revealed that most residents actually are concerned about many of the same things — including the north-south divide itself. Residents of all three Scottsdales list the divides in the city — the north/south divide and the strife between business, government, and citizens — as the biggest negative characteristics of the city. They also agreed — in roughly equivalent numbers — that having a confused vision and losing the city's unique identity are important areas of concern.

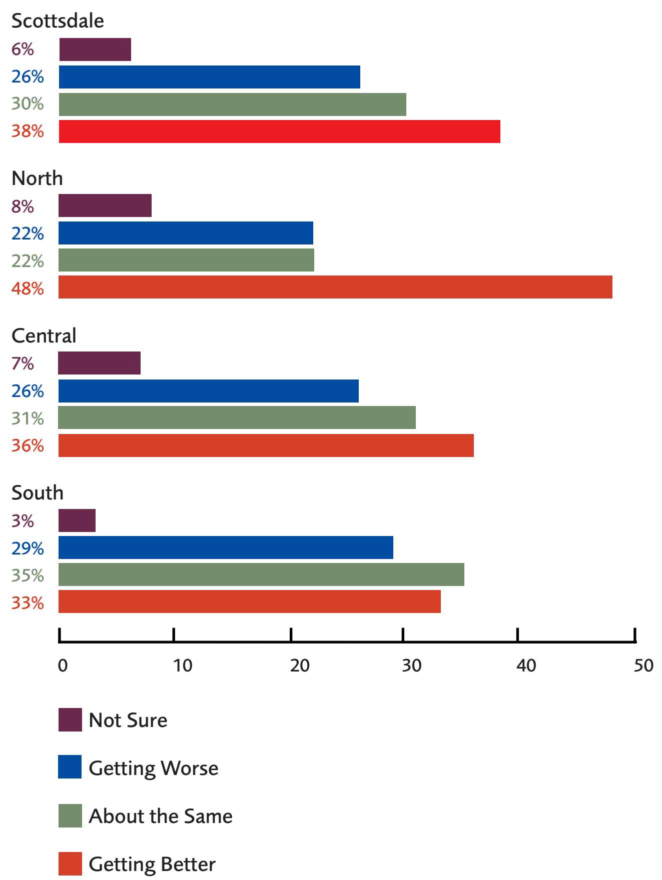
Although these particular survey results might seem to focus on the negative, they seem to suggest a commonality of concerns among citizens that could be used to help build a more unified — though diverse — city in the future.

Residents of All "Three Scottsdales" are Concerned About the Same Things...



Scottsdale Residents Only, as % of Negative Responses. See end notes for survey details.

North Scottsdale Residents are the Most Positive About Quality of Place Trends



See end notes for survey details.

Which Way Scottsdale?

Choosing a Future for Downtown

Even though there are "three Scottsdales," choosing a future for downtown matters to all of them. It's critical to the city's image, draw, and well-being.

The city has been focusing intensely on downtown. A number of consultant reports and citizen surveys provide recommendations for everything from street signs to potential tenants to improve the area's economics and image.

But Scottsdale's approach is not strategic. There are many plans for big real estate projects that could stop the decay and retail sales leakage. However, great cities and great downtowns are rarely built on one or two big things. Greatness requires connecting the big projects to a grand vision and that, in turn, requires a thousand little things, all of which are moving the city forward in the same desired direction. In other words, when it comes to downtown, Scottsdale is a "project town" seriously in need of strategy. The city must decide on a long-term direction and stay the course.

One idea — offered in the spirit of stimulating creative thinking — is to make south Scottsdale, starting with downtown, a place where technology, entertainment and the arts interact to spur the kind of creativity driving the economy today.

Table 3, *The Evolving Face of Downtowns*, provides a framework for imaging such a place. It also suggests an imperative: successful downtowns evolve — adding layer by layer, decade by decade — in response to changing trends. And based on the broader transformation of the US economy as a whole, this is a good "decade" to cultivate an identity for downtown as a hub of creativity of all sorts — entertainment, culture, technology.

Table 3: The Evolving Face of Downtowns

	Retail/Service (1950s-1970s)	Entertainment (1970s-1990s)	Creative (1990s-2010s)
Economic Identity	Place for commerce and goods	Place to visit for fun or access special services	Place to create and incubate new knowledge of all sorts — technology, entertainment, culture
Main Customers	Real estate developers Mom & Pop stores Retail centers	Suburban families Tourists Conventions Business people looking for special services (e.g. government, law)	Knowledge workers Entrepreneurs Universities Information-based services Artists
Key Amenities	High rises Shopping centers Parking	Big stadiums Entertainment complexes Museums/Parking	Cultural diversity Night life Networks Fiber-optics Live-work Compact Density
Downtown Leadership	Competes for real estate and big retail	Competes for big sports teams, retail, and entertainment facilities	Competes for talent, "soft"-technology firms, and smaller-scale amenities
Success Measures	Sales tax revenue Corporate headquarters Job gain	Event attendance Sales tax revenue Lively atmosphere Residential gain	Start-ups Entrepreneurs Venture capital Residential gain "Coolness" 24/7 access

Source: The Downtowns of the Future, 2001.

To work, a creative center needs to be strong in the core requirements of creativity — expertise, diversity, and interaction. In other words:

- **It's a place of intense concentration of all sorts of economic activities** — to the old downtown add an overlay of new entertainment facilities and an overlay of some parts of the new information and digital economy that thrive in dense, mixed-use environments.
- **It's a place of diversity, both in amenities and in people,** because unusual environments and perspectives help spark human creativity. Plus there is mounting evidence that demographic groups traditionally attracted to downtown areas such as young professionals, artists, singles and empty-nesters put little stock in the traditional tools of downtown development — big stadiums, large convention centers, and high-rise office complexes. Instead, they seek regions that offer smaller-scale quality-of-life amenities (such as parks, bike paths) and areas full of thriving cafes, restaurants, music venues, art galleries, and live-work spaces.
- **It's a place that facilitates spontaneous dialogue and easy interaction.** As the Starbucks phenomenon reveals, most Americans have a renewed yearning for neighborhood-scale "places" where they can have informal meetings and feel connected to their community. For companies whose lifeblood is creativity, personal contact matters even more because the most rapid advances take place through face-to-face interaction and information exchange.

By abandoning the traditional idea of downtown Scottsdale as a high-end retail and touristy location, and focusing instead on the somewhat "funky" opportunities provided by unique arts and culture, live-work spaces, even research facilities, the city could reposition downtown — and south Scottsdale — more broadly within the region in a way that will help it prosper in the 21st century.

Opportunity Knocks

South Scottsdale is actually well positioned to make this kind of a move — but only if Scottsdalians recognize the "brutal facts" about their downtown today, to wit:

- It's not the cutting-edge downtown of the region. That honor belongs to Tempe.
- It's much bigger than most small-city downtowns and has several different districts, making it difficult to place a concentrated effort everywhere in the downtown.
- Instead of high-end shops, many parts of downtown actually contain older, low-end buildings that don't lend themselves easily to demolition or to expensive renovation.

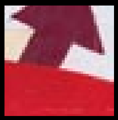
There are some significant land parcels "in play" now — Waterfront Canal, the old Smitty's site and Los Arcos — so decisions about new directions should be made quickly.

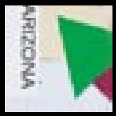
All these things may seem like negatives. But, in fact, they can be turned into positives — if the city is willing to create a coherent strategy to stimulate new activity in the downtown. Scottsdale has a struggling downtown. But it also has many environments and distinctive "expertise" such as the Culinary Institute and Scottsdale Artists School — in an area already known as a nightspot and in close proximity to downtown Tempe and Arizona State University. This could be a recipe for success — if the city is willing to alter its view of what its downtown should be and take advantage of the opportunities to turn negatives into positives.

The Evolving US Economy

"The first 100 years of our country's history were about who could build the biggest, most efficient farm. The second 100 years were about the race to build efficient factories. The third 100 years are about ideas."

Seth Godin, Fast Company, August 2000





How Can Scottsdale Play With 360-Degree Vision?

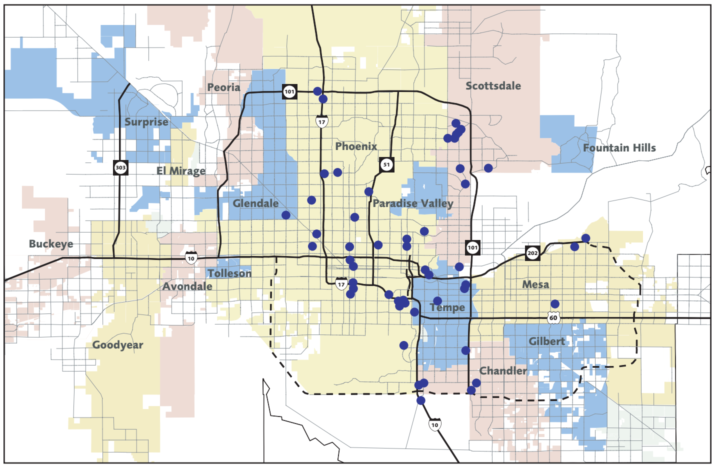
Region On The Rise

When Scottsdale first emerged as a nationally known city in the 1950s and 1960s, metropolitan Phoenix was a small region without much of a national presence. Scottsdale itself was geographically separated from Phoenix. And as it gained a national reputation, Scottsdale competed as a resort city with other resort cities quite independently of the metro Phoenix context.

But times have changed. Scottsdale is no longer a small and isolated resort community. Rather, it is a fairly large city that is now part of one of the largest and most important metropolitan areas in the United States (Table 4). Although Scottsdale's own growth is slowing down, it is profoundly affected by rapid growth and change in surrounding communities — especially Phoenix and Tempe, but also other fast-growing suburbs such as Mesa and Chandler, parts of which are actually closer to downtown Scottsdale than north Scottsdale is. Downtown Scottsdale's struggles are related, in part, to the renewal of downtown Tempe and other changing urban dynamics in the region. The Airpark's success as a job center is due partly to its attractive geographical location in metropolitan Phoenix — not just to the fact that it is in Scottsdale. Most recently, the opening of the 101 Freeway has dramatically altered Scottsdale's relationship to the rest of the region — further linking the Airpark area to the metropolis while further isolating the downtown.

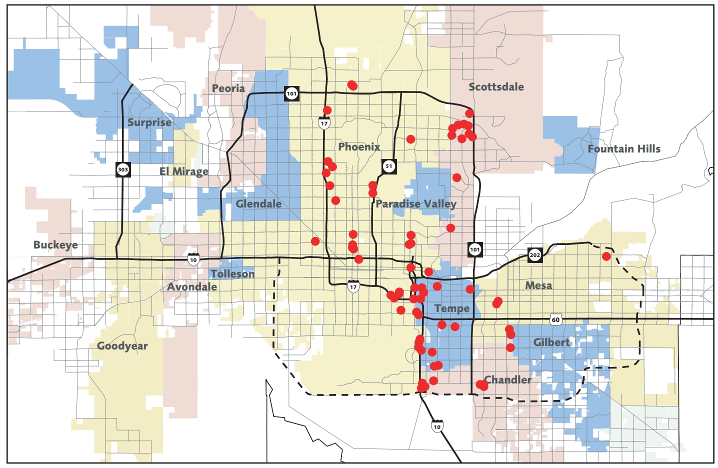
Within the region, Scottsdale has geography on its side. The key ingredients of the knowledge economy — brainpower, innovation and entrepreneurial activity — are clustered on the east side of the Valley in Scottsdale and nearby areas.

Companies with Research and Development Facilities



Source: The Greater Phoenix Knowledge Economy, December 2001, Greater Phoenix Economic Council.

Fast-Growth High Technology Companies



Source: Business Journal Book of Lists, 2001/Greater Phoenix Economic Council.

Scottsdale is part of one of the most important metropolitan areas in the U.S.

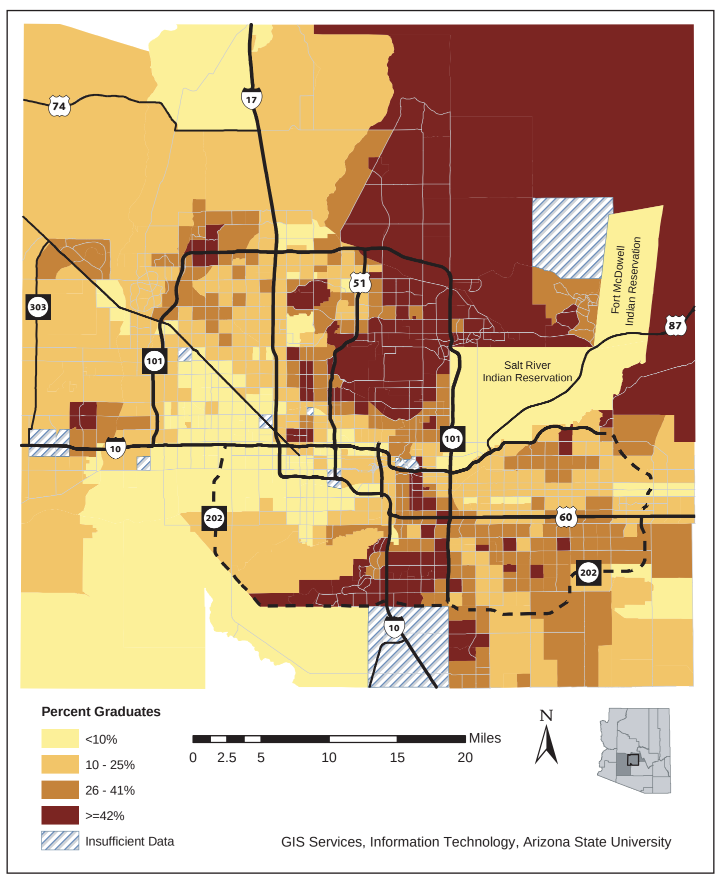
Table 4: Top-rated Regions ranked by technology economy, tolerance, and creativity

Metro Area	Milken Tech-Poles	Composite Diversity Index	Metro New Economy Index	Creativity Index
San Francisco	1	2	1	1
Boston	2	6	8	3
Seattle	3	5	3	5
Washington	4	3	6	8
Dallas	5	15	12	10
Los Angeles	6	1	20	12
Chicago	7	11	19	15
Atlanta	8	14	11	13
Phoenix	**9**	**21**	**16**	**19**
New York	10	4	17	9
Philadelphia	11	32	18	17
San Diego	12	7	5	3
Denver	13	17	7	14
Austin	14	8	2	2
Houston	15	18	14	7

Sources: 1. America's High-Tech Economy, Milken Institute, July 1999. 2. Richard Florida and Gary J. Gates with data from 1990 U.S. Decennial Census Public Use Microdata Sample (5%). 3. A Metropolitan New Economy Index, Progressive Policy Institute, 2001. 4. The Rise of the Creative Class, Richard Florida, Basic Books, 2002.

College Graduates in Maricopa County

Percentage of Population Age 25 or Older by Census Tract, 2000



And these relationships will only become more important in the future. Even if Scottsdale's own urban template does not change much, the regional dynamics surrounding the city will continue to reorganize themselves. In order to compete in the 21st century, Scottsdale will have to acknowledge — and build on — the regional context of metropolitan Phoenix that is now an undeniable part of Scottsdale's own situation.

Economic Ties

This will require two different and related approaches — one economic, the other geographic. Economically, Scottsdale has traditionally been viewed as a resort city, catering to high-end tourists and business meetings with little regard for the region within which these economic activities operate. Yet Scottsdale as a resort community has always been part of metropolitan Phoenix — and, indeed, has helped create metropolitan Phoenix as it exists today.

Over the last fifty years, Scottsdale itself has benefitted from an informal cycle of economic development. Business executives from elsewhere have traditionally come to Scottsdale to vacation or for business meetings; after becoming enamored of the town they buy a house; and eventually they move, expand, or start a business there. But this cycle has not benefitted Scottsdale only. It has also benefitted metropolitan Phoenix as a whole by bringing to the region experienced business executives who want to expand the region's jobs base. Even if the business resorts and the executive homes are in Scottsdale, many of the businesses and jobs those executives create are in Phoenix and elsewhere in the region, not just in Scottsdale.

As the regional dynamics change — and Scottsdale transforms itself into *Scottsdale 2.0* — this economic development model may continue, but Scottsdale itself is likely to play a somewhat different role. As it traditionally played itself out, this economic model was heavily dependent on new development located on raw land in Scottsdale. Scottsdale was always able to provide the newest luxury resorts and the newest executive homes, thus priming the pump for new business growth that would occur in both Scottsdale and Phoenix.

As Scottsdale runs out of land, however, the cycle may operate somewhat differently. The luxury resorts may be constructed elsewhere — or they may involve a renovation of existing Scottsdale resorts, many of which are now located in built-up areas rather than on the metropolitan fringe. And while north Scottsdale in particular will continue to have an executive home cachet, some high-end executive homes may be built elsewhere as well.

These changes may seem threatening to Scottsdalians at first. But if the city views itself more strongly in the context of metropolitan Phoenix they need not be, for one important reason: No matter whether Scottsdale has the land to provide the newest luxury resorts and executive homes, *the city is now strongly established within metropolitan Phoenix as a business and jobs center*. (Figure 2) The Airpark area is growing rapidly as a business center and can continue to do so even as land becomes scarcer. Older business land can be recycled for more intense purposes. For the first time ever, Scottsdale's jobs and tax base can benefit from resort and technology growth taking place *elsewhere in the region*, not just in Scottsdale.

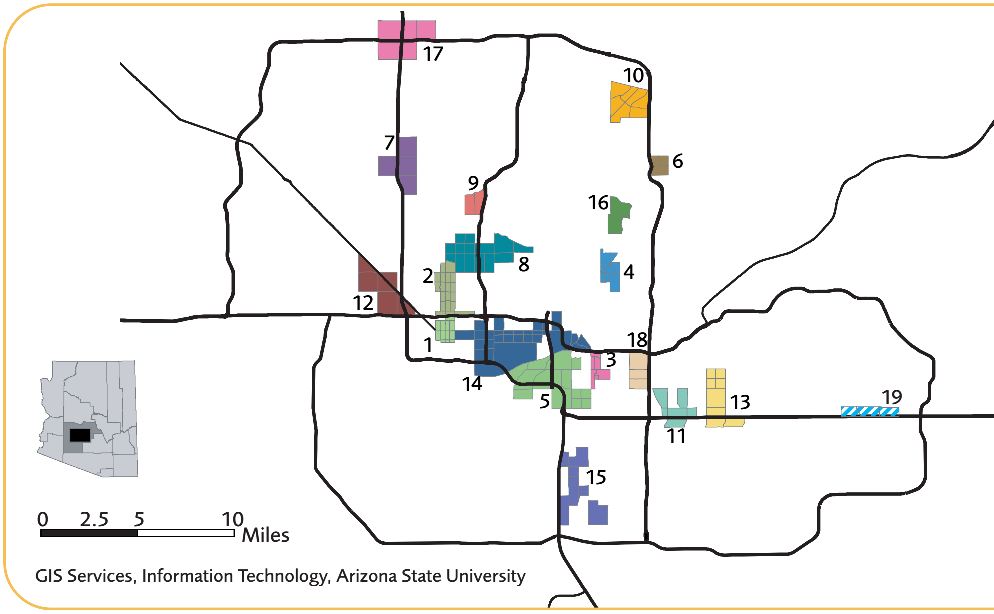
One example is the Fiesta Bowl. This major college bowl game is a significant regional event that does not take place in Scottsdale and probably never will. Yet even as the location of the game shifts across the Valley — from Tempe to Glendale — Scottsdale made a deal with bowl officials to direct visitors to Scottsdale area hotels in future years. Thus, Scottsdale will combine its own regional assets (resort hotels) with a regional asset that's not located in Scottsdale (the Fiesta Bowl) to bring visitors and economic activity into the city.

Furthermore, as this discussion suggests, Scottsdale's ability to think regionally depends a great deal on how the city views its own internal dynamics. The "three Scottsdales" are all different from one another and each one relates to the rest of the metropolis in a different way. For Scottsdale to play with 360-degree vision, the city must understand how each of these relationships is an asset.

New Energy from the South

The revitalization of south Scottsdale, for example, will not succeed unless the city gets a firm grasp on the area's role within the region and its relationship to surrounding areas. It is now an older "inner-ring suburb," and as such has more in common with older parts of Phoenix and Tempe than with north Scottsdale.

Figure 2: 18 Employment Centers in Maricopa County Numbered in Order of Employment Density,* 2000



* Employment per square mile. Source: ASU Center for Business Research/Morrison Institute for Public Policy, 2002.

The 18 centers account for 43% of the county's total employment and nearly 60% of its employment gain from 1995 to 2000. Scottsdale's four centers account for half of its employment and two-thirds of the city's total employment gain.

		2000		1995 TO 2000 CHANGE			
Employment Center	**Square Miles**	**Employment**	**Employment Density***	**Employment**	**Employment Density***	**Percent**	**Core****
Downtown Phoenix***	1.211	35,601	29,398	9,949	8,216	39%	P
North Central Avenue	2.777	53,729	19,348	10,987	3,956	26%	P
Downtown Tempe/ASU****	1.044	14,112	13,517	2,366	2,266	20%	S
Downtown Scottsdale	**1.645**	**18,269**	**11,106**	**4,828**	**2,935**	**36%**	**T**
West Tempe/Southeast Phoenix	7.734	78,720	10,178	26,348	3,407	50%	S/T
90th Street and Via Linda	**0.936**	**8,076**	**8,628**	**3,125**	**3,339**	**63%**	**O**
Metrocenter Mall/Black Canyon Freeway	3.857	32,475	8,420	5,789	1,501	22%	S
East Camelback Road	5.730	40,243	7,023	9,788	1,708	32%	N/T/P
Squaw Peak	1.112	7,685	6,911	2,788	2,507	57%	N
Scottsdale Airpark	**3.436**	**22,135**	**6,442**	**11,683**	**3,400**	**112%**	**T**
Fiesta Mall	2.471	15,579	6,305	6,743	2,729	76%	T/N
Grand Avenue	4.461	28,101	6,299	4,251	953	18%	T/P/O
Mesa – Center Street	3.444	18,998	5,516	5,350	1,553	39%	N/T
East Washington St./Sky Harbor Airport	10.884	58,694	5,393	7,414	681	14%	S/N/P
South Tempe/West Chandler	5.645	29,304	5,191	16,657	2,951	132%	N
Indian Bend	**1.528**	**7,921**	**5,184**	**4,032**	**2,639**	**104%**	**N**
I-17 and Loop 101/Deer Valley Airport	4.971	24,334	4,895	12,742	2,563	110%	O
East Tempe	2.034	9,519	4,680	1,439	707	18%	S
Total, 18 Employment Centers	64.920	503,495	7,756	146,279	2,253	41%	
Developing Employment Center: Superstition Springs	1.485	6,860	4,620	4,429	2,982	182%	O

* Employment per square mile. ** Core(s) in which employment center is located. If more than one, listed in order of the land area in each core. P = primary, S = secondary, T = tertiary, N = near-tertiary, O = outside core. *** The State Capitol area should be included with Downtown Phoenix, but because of data omissions it has been excluded. **** The 1995 employment estimate for Arizona State University was adjusted to be consistent with the 2000 estimate.

Note: Employment is that in establishments of five or more employees. Data: Maricopa Association of Governments.

South Scottsdale includes the many neighborhoods of downtown, several modest older residential neighborhoods, the Los Arcos/McDowell commercial corridor, and some older job locations such as General Dynamics (formerly Motorola). All of these aspects have at least as much to do with surrounding communities as they do with the rest of Scottsdale.

In particular, south Scottsdale can benefit from its proximity to Arizona State University and the revitalization of downtown Tempe, which is located four miles to the south of downtown Scottsdale. The contrast between downtown Tempe and downtown Scottsdale helps frame the opportunities for south Scottsdale. At first glance, this contrast may seem dismal for Scottsdale, because downtown Scottsdale struggles mightily while downtown Tempe has been far more successful in revitalization. However, there is an important lesson and an important opportunity contained within the contrast. *The lesson lies in the simple fact that, as the first landlocked city in Greater Phoenix, Tempe had to turn its attention inward in order to thrive. As the second landlocked city in the region, Scottsdale must do the same.*

Table 5: Lessons from Landlocked Tempe: The City Thrives

	Tempe	Scottsdale
Jobs per 1,000 residents	890	550
Employment growth 1995-2000 (numeric)	36,800 jobs	36,100 jobs
Downtown employment growth 1995-2000	20%	36%
# among region's 18 fastest growing employment centers	4	4
Percent of total employment in export-oriented industries*	59%	48%

Source: Maricopa Association of Governments Database. * See end note 4.

The opportunity lies in understanding downtown Scottsdale's possibilities in relation to the rest of the region, not just in relation to the rest of Scottsdale. Downtown Scottsdale was the birthplace of the Scottsdale cachet, which included high-end shopping and an upscale artsy atmosphere. But the revitalization of downtown Scottsdale must focus not on re-creating the past, but on creating a new future based on the assets the area has. Downtown Scottsdale still has some distinctive shopping areas; it has the Scottsdale name; and it has an inner-ring suburban location. It also has a distinctive stock of fairly inexpensive older buildings that could house all kinds of activities that are getting priced out of downtown Tempe and elsewhere. And with 11,000 jobs per square mile, it is one of the densest employment centers in the entire region. The city can take advantage of these opportunities only by understanding south Scottsdale as a regional asset, not as an asset to the city alone.

Economic Energy from the "Invisible" Border

Central Scottsdale has many fine older master-planned communities, that are mostly built-out, as well as one of metropolitan Phoenix's hottest business centers, the Airpark area, and a desirable location that has been enhanced by the opening of the 101 Freeway. The future of central Scottsdale too is best understood in this regional context rather than in the context of Scottsdale alone.

Traditionally, the appeal of Scottsdale — and the appeal of metropolitan Phoenix generally — has been based on the attractiveness of the newest master-planned communities. Thirty years ago, the master-planned communities in central Scottsdale, such as McCormick Ranch, represented the "big thing" in the metropolitan area. Now, however, most of central Scottsdale is "built out" with master-planned communities that are gradually maturing and taking on a particular character. They reflect the design principles of the time they were built, rather than the principles Scottsdale pursues today — for example, there is very little integration of the natural environment into these developments.

At first glance, this situation might suggest that the older master-planned communities are in some way a liability to Scottsdale, because under traditional thinking they cannot compete with today's "newer models." However, nowadays, the master-planned communities of central Scottsdale must be understood in their context as a regional asset. They still represent outstanding living environments. And, unlike some of the newer developments in north Scottsdale and elsewhere in the region, their proximity to the metropolitan area is enviable. They are located virtually adjacent to the Airpark area and along the new 101 Freeway Corridor. In a region that is becoming far more spread out and more congested, well-planned communities that feature proximity will become more and more important.

Meanwhile, the Airpark area is perhaps Scottsdale's most important regional asset at this point. And its close proximity to Phoenix — traditionally viewed by Scottsdale leaders in competitive terms — must be viewed as an asset as well.

The Airpark business center that straddles the Scottsdale-Phoenix line is one of the region's hottest employment centers. It contains more than 20,000 jobs and that number doubled between 1995 and 2000. This enviable position is only likely to increase in the future. Close proximity to the new freeway, to good residential neighborhoods on both sides of the line, to the area's newest "designated meeting spot" — Kierland Commons — on the Phoenix side, and to the executive homes of north Scottsdale mean that the Airpark is only likely to gain in strength as a business center in the future.

For Scottsdale, the most difficult problem with the Airpark area appears to be the "border problem." Phoenix has far more vacant land in this area than Scottsdale does; the Phoenix land has a Scottsdale postal address; and Phoenix is aggressively focusing on retail and resort sales as a way to produce more revenue for the city.

RED FLAG

Salt River Pima Maricopa Indian Community

The economic development plans for this community could give Scottsdale another "border problem" unless the city initiates some strategic alliances.

The retail sales issue is one that Scottsdale cannot ignore. But the other factors — the Phoenix land and the Scottsdale postal addresses in Phoenix — should be viewed as regional assets that Scottsdale can use for its own long-term benefit. Business interest in the Airpark area will continue to grow because of the land base in Phoenix. In some cases, the short-term outcome may appear to favor Phoenix rather than Scottsdale. But in the long run, business growth on the Phoenix side of the line will only further cement the Airpark's reputation as a business center. And, over time, this will encourage more intensive re-use of already urbanized land on the Scottsdale side. Jobs and tax revenue on the Scottsdale side will increase as a result, and nearby communities in Scottsdale will continue to be viewed as desirable places to live because of the proximity.

The Magical Sonoran Desert

North Scottsdale will probably always retain its cachet as a high-end location to live and as an important part of Scottsdale's amenity package. These too are regional assets that can work to Scottsdale's advantage if they are well understood and strategically used.

North Scottsdale's master-planned communities are likely to remain distinctive forever, because of their relatively low density, their internal design, and their strong relationship to the natural environment. They will provide executives with a "close to nature" experience that is also close to the Airport, the freeway system, and the business and cultural opportunities of metropolitan Phoenix. These communities will continue to draw executives to Scottsdale even if their businesses are located elsewhere.

North Scottsdale's open space preserves are significant not just for the residents but also for Scottsdale's business community. Part of Scottsdale's resort appeal has always been its close proximity to a spectacular desert environment. As metropolitan Phoenix has grown, however, the desert has moved farther and farther away from Scottsdale's resorts. At the same time, those resorts — now located in urbanized areas — have aged in a way that makes them less and less competitive.

To retain its vacation cachet — and continue the flow of executives and businesses into the area — it is clear that Scottsdale needs to rethink its "assets" and its strategy. Perhaps it should sell tourism as a diverse set of experiences all over the city rather than just the experience of staying at a single resort. Shopping and golf play an important role in this experience, but so does open space, adventure, authentic culture, and education (cooking schools and art classes). Among many other things, Scottsdale's preserves provide an open-space experience that is in a fixed location in fairly close proximity to the Valley's resorts. Like virtually everything else about *Scottsdale 2.0*, the open space preserves and creative culture must be understood as an asset to the city and to the region, and a component of Scottsdale's *business success* as well as its quality of life.

Which Way Scottsdale?

Connecting to the Region's 'Big Bets'

Scottsdale 1.0 had the luxury of thinking of itself as an island — and it succeeded in those terms. But *Scottsdale 2.0* will not succeed unless it effectively exploits the connections to the rest of Greater Phoenix. In particular, Scottsdale must connect to the region's "Three Big Bets":

- **Arizona State University** — Proposition 301, which citizens approved in 2000, earmarks $1 billion over 20 years distributed among all three universities to expand external funding for university research, technology transfer, and new business development. Citizens have recognized that top-tier universities are a critical infrastructure for the 21st century.
- **Genomics** — $90 million was raised in 2002 to "jump-start" the bioscience industry. The region is also developing a "road map" to scale-up Arizona's efforts and activities over the next five years in three areas of existing or emerging strengths — cancer therapeutics, neurological sciences and bioengineering.
- **Industry clusters** — Greater Phoenix Economic Council targets five export-oriented, knowledge-intensive clusters to build regional strengths in: high technology, software, biomedical, aerospace, and advanced financial services — all sectors that can deliver high income jobs and propel other development.

Right now, Scottsdale is behind the curve in hooking into all three big bets. But *Scottsdale 2.0* could be well positioned to cash in on all three.

Big Bet No. 1

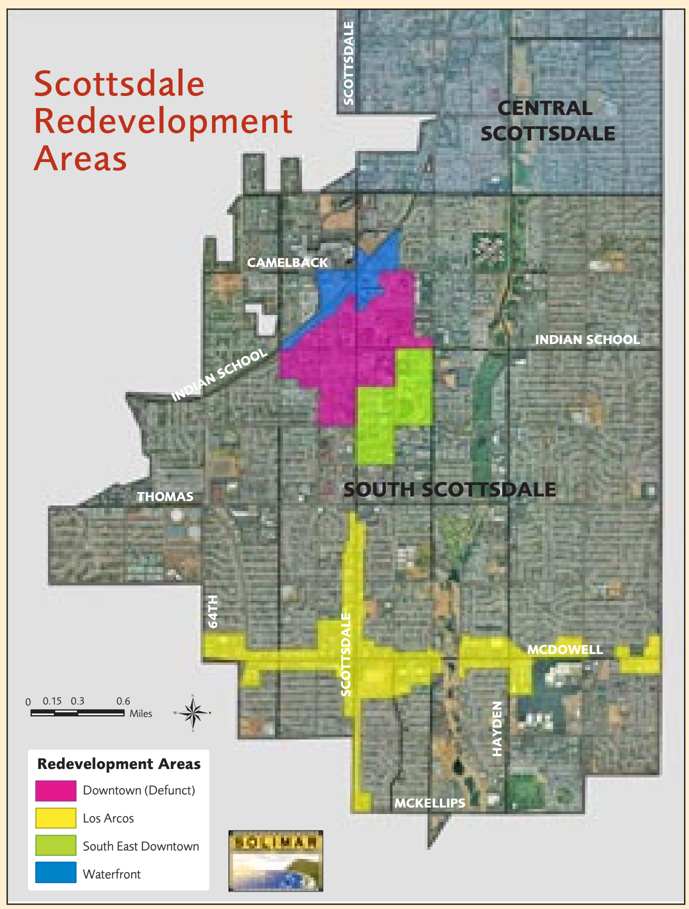
is only four miles away from Scottsdale. Under the leadership of its new president, Michael Crow, Arizona State University (ASU) has committed itself to becoming the model of the "new American university" — a university that is innovative in countless ways, but most importantly in the way it connects with its region and with surrounding communities. ASU plans to be valuable not only as a talent producer but as a talent magnet and as a technology generator. Scottsdale can take advantage of the big bet on ASU by partnering with the university on a wide variety of community projects — workforce training, the arts, economic development — and by carving out a niche for south Scottsdale in incubating spin-off businesses and perhaps as a future site for satellite campus or new research facility.

LIGHT RAIL TRANSIT

RED FLAG

The new system will provide even stronger linkages between downtown Phoenix and downtown Tempe. Scottsdale is not part of this new system, and thus could easily lose its standing within the Tempe-Phoenix-Scottsdale knowledge triangle.

Los Arcos/McDowell Corridor (yellow area): Turning Proximity into Strength — proximity to "know-how" (ASU and General Dynamics) and to downtown amenities



Projector: Arizona State Plane Central Region Redevelopment Area.
Produced by: Solimar Research Group, Inc. 2002.

Big Bet No. 2

Big Bet No. 2 is a bet that Phoenix has won — for now. Despite the 1992 Scottsdale vision's emphasis on health and research, the region's big push in genomics — the Translational Genomics Research Institute, or TGen — will be located at Copper Square in downtown Phoenix. Scottsdale may capture some high-income residents from the TGen effort, but it won't capture its "fair share" of jobs and business spinoffs automatically. To be an economic winner in the Greater Phoenix genomics game, Scottsdale must move quickly and strategically on many of the notions contained in sections one and two in this report — in particular, stake out a role for the city and *keep pushing* — do whatever it takes to become the best within carefully selected areas.

Big Bet No. 3

Big Bet No. 3 is the regional bet on science and technology-focused clusters of industries and entrepreneurs. These companies aim to compete in global markets on the basis of innovation and must be staffed by well-educated, highly paid workers to do so. These entrepreneurs recognize that, these days, the true test of a region's economic performance is not the volume of production or the number of jobs, but *the value its products and services provide to the rest of the world*.

The Phoenix region's strategy is to excel in five clusters which are focused on trade and export from the region:

Aerospace • Software • Biomedical • Electronics/information technology • Advanced business services

Right now, Scottsdale's strength in these 5 areas is in software and advanced business services.

To connect with big bet No. 3, Scottsdale cannot sit back. The city must craft a visionary strategy for how to link development opportunities in south Scottsdale and the Airpark area with economic opportunities spilling out of the genome project, Arizona State University, and regional industry cluster strategy.

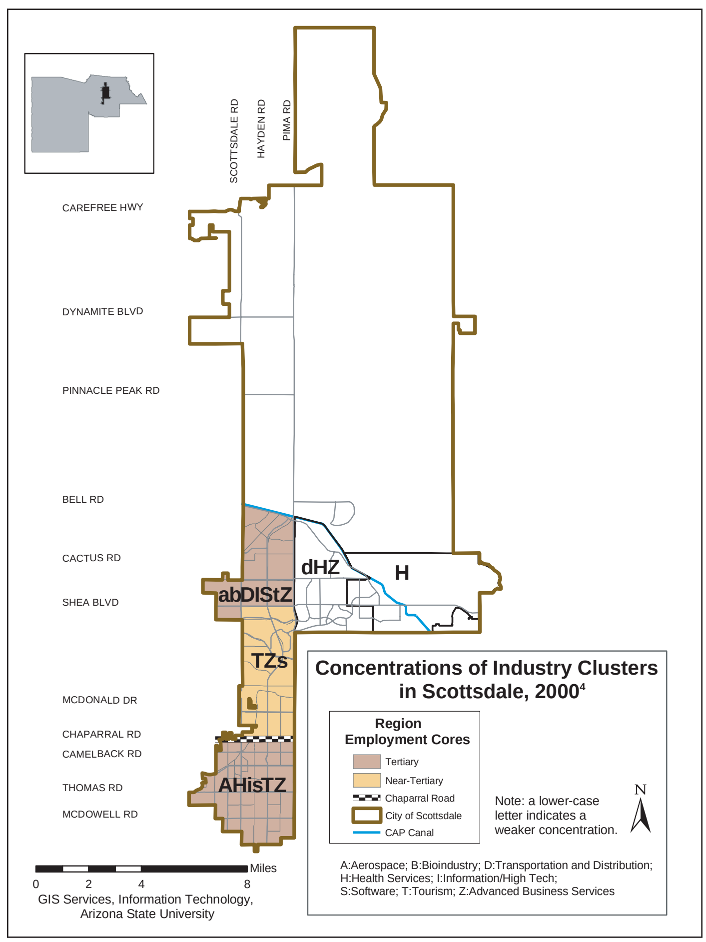
Fortunately, a citywide strategy to hook up to the "Three Big Bets" can be built off of Scottsdale's existing employment assets. Scottsdale is home to more than 100,000 jobs. And while many of its strongest sectors are related to tourism, the city also has some employment clusters that can connect to the big bets both geographically and economically. South Scottsdale — the part of the city closest to Arizona State University — has a regionally significant cluster of businesses in aerospace and aviation, led by General Dynamics. Central Scottsdale — near the Airport — has regional strength in software, information technology, and advanced business services.

Industry Cluster Mix Ranked by Percentage Total Employment for Scottsdale and County*

	Scottsdale	County
Business Services	18.0%	14.0%
Tourism	17.0%	10.0%
Aerospace	4.5%	4.5%
Transportation	4.0%	6.5%
Software	3.0%	2.5%
Electronics/IT	2.0%	4.0%
Biotechnology	.8%	.9%
Agriculture	.6%	1.5%
Plastics	.4%	.5%

Employment in Key Traded Industry Clusters, 2000. Data: Maricopa Association of Governments.

*Shaded cells = 5 priority clusters.



Data: Maricopa Association of Governments.
Source: Morrison Institute for Public Policy/ASU Center for Business Research.

How Will "Can-Do" Scottsdale Get Past the "Stopsdale" Reputation?

Tougher Agenda

In 1954, Scottsdale got its first four stop signs. Soon after that, the city was dubbed "Stopsdale." Fast forward to 2000 and the city has, once again, gained a "Stopsdale" reputation. To many, Scottsdale has become a place of volatile politics and missteps. Developers report that the city has become a difficult and cumbersome place to do business, which they attribute in part to lack of a cohesive vision. Opportunities to engage in large scale redevelopment in Scottsdale under these circumstances, they say, no longer compare favorably with opportunities in other regional cities.

But others — nationally, regionally, and locally — also expressed this view to Morrison Institute for Public Policy during interviews and a citizen survey. It seems, despite a strong history of good planning and strong public involvement, Scottsdale's reputation as a "can-do" city has slipped.

The figure on the facing page recaps the history of this turn of events, as best as it can be gleaned through interviews, surveys, reports and articles. But, importantly, it also shows that the tide may be turning again — back to a city that gets things done. If so, the timing couldn't be better because the city faces a whole new set of challenges as *Scottsdale 2.0*.

From "Can-Do" Scottsdale to "Stopsdale" and Back Again

Frontier Community: Founding - 1940s

- Residents built the town's first school-house in 1896.
- In 1919 the town obtained electricity from a unique hydroelectric plant on the Arizona Canal.
- Merchants dubbed Scottsdale the "West's Most Western Town" in 1947 and installed horse watering troughs downtown a year later.

Large-Scale Development: 1950s

- In the mid 1950s, Scottsdale Stadium was built. The Baltimore Orioles baseball team used it for Spring Training.
- Motorola opened a major plant in 1957, which spurred a substantial boom in Scottsdale's population.
- Numerous resorts and guest ranches, including the Valley Ho, The Safari, and the Sun Down Ranch, opened. This development, combined with new art galleries and unusual boutique shops, helped tourism to become a major industry for Scottsdale.

Focus on Downtown: 1960s

- Two important shopping malls opened; Fashion Square in 1961 and Los Arcos in 1969.
- Scottsdale successfully constructed its first hospital, the airport, and the downtown Civic Center Complex.

Sophisticated Style, Growing Northward: 1970s -1980s

- The Scottsdale Center for the Arts, the Scottsdale Symphony, and the Art Walk all came into existence in the mid 1970s, securing Scottsdale's reputation as an arts destination.
- The natural environment was improved by the passage of ordinances to protect the McDowell Mountains and the desert flora. The city created the Indian Bend Wash Greenbelt Flood Control Project.
- The city's development moved northward when Scottsdale Airpark became a top employment center, the Mayo Clinic opened, and the city annexed 185 square miles of land.

Development Challenges: 1990s

- The upscale Scottsdale Galleria shut down in 1993.
- Voters rejected the proposed $650 million Canals of Scottsdale project which would have created an entertainment area that resembled Venice.
- The plans to develop the failing Los Arcos mall by building a new stadium for the Phoenix Coyotes hockey team along with a retail and entertainment hub fell through *after* the site had been razed.

New Hope in the New Millennium: 2000s

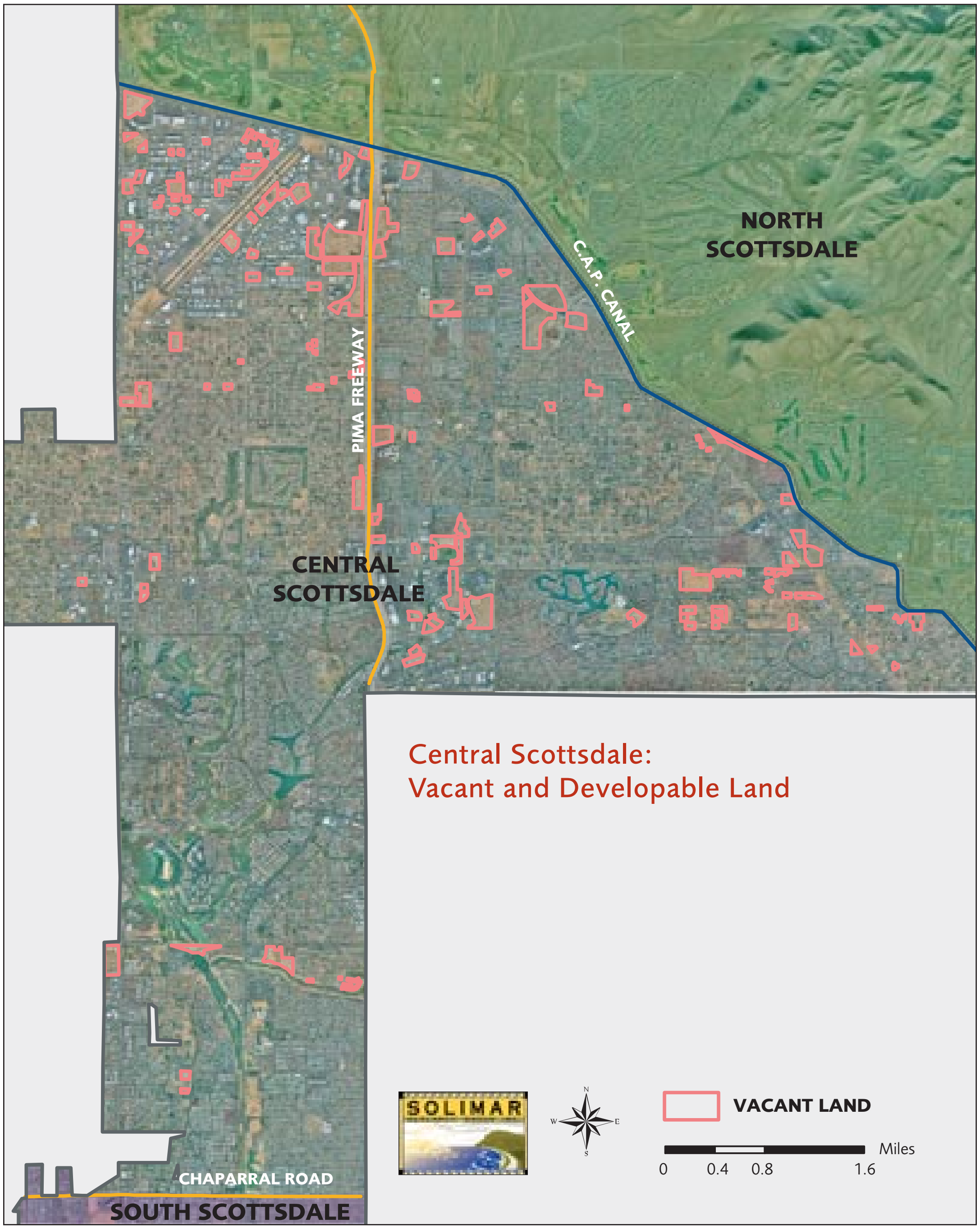
- The Scottsdale Galleria has finally been renovated to provide office space for high-tech and telecommunications businesses.
- The city has begun a beautification project along the downtown canal banks.
- A private developer plans to build condo and retail space on the north canal.
- Based on the Residents Survey, citizens are *slightly more positive* than negative on Scottsdale leadership. For example, 34% of respondents describe Scottsdale leadership as "Can-Do" and effective, while 26% describe it as "Can't Do" and ineffective. Another third, though, are neutral or don't have a strong impression one-way or the other.

The Stopsdale phenomenon appears to stem from concern that more growth will harm the quality of life of people who live in Scottsdale now. But this view is firmly rooted in the Scottsdale 1.0 model — the notion that the future of Scottsdale will consist mostly of developing large chunks of raw land into large development projects. And, from the other side of the fence, much of the emotional charge arises from the city's financial dependence on the Scottsdale 1.0 model — most specifically a sales-tax-driven tax system that derives large revenues from new growth and development.

But there are three realities about *Scottsdale 2.0* that render the Stopsdale debate increasingly irrelevant and present different challenges as well.

The first is that the city is running out of land, meaning that a basic tenet of *Scottsdale 2.0* must be the careful use of remaining available land to achieve a set of strategic objectives that the city can agree on.

Central Scottsdale contains about 750 acres of vacant and developable land.



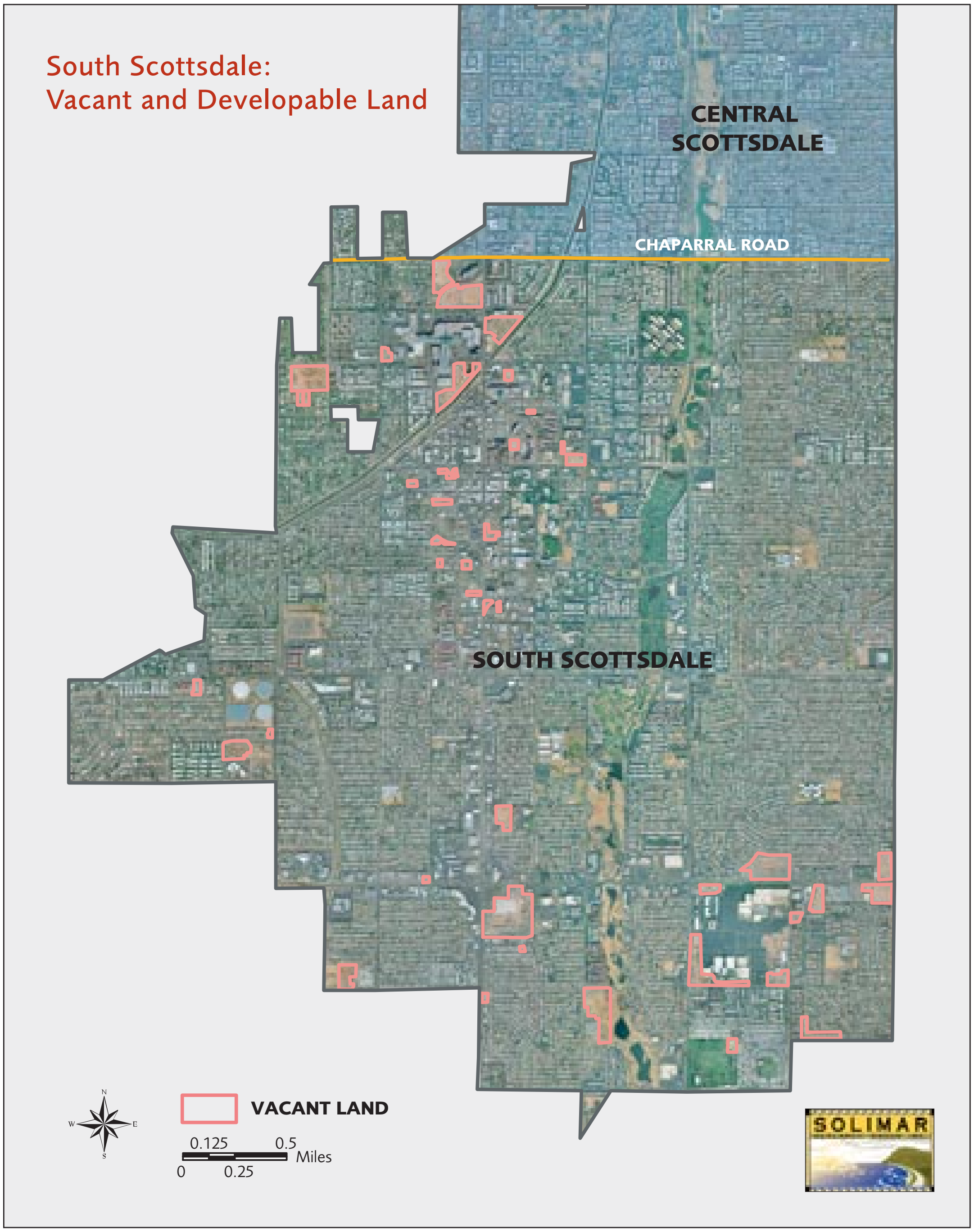
Vacant land was identified through interpretation of 2002 aerial photographs. Using ArcGIS, plots of vacant land were manually geocoded, and the acreages of each were computed by GIS software and aggregated for each of the three sections of the city. No attempt was made to classify land by zoning. All calculations should be viewed as estimates.

Datasource: City of Scottsdale GIS. Produced by: Solimar Research Group, Inc. 2002.

The second is that the ample tax revenues derived from new growth will no longer be available, meaning *Scottsdale 2.0* must be placed on a different economic foundation anyway.

And third is the simple fact that, as hard as making Scottsdale 1.0 happen was, *Scottsdale 2.0* represents a much tougher agenda. It requires new tools and new thinking.

South Scottsdale contains less than 200 acres of vacant and developable land.



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Projector: Arizona State Plane Central Region. Datasource: City of Scottsdale GIS. Produced by: Solimar Research Group, Inc. 2002.

Built Out, Hemmed In

Like most cities in metropolitan Phoenix, Scottsdale 1.0 fed itself by annexation. Between 1960 and 1987, the city grew from just a few square miles in south Scottsdale to more than 180 square miles stretching some 30 miles north to south. The era of annexation is over for Scottsdale, however. Since 1987, Scottsdale has annexed just a few miscellaneous pieces of land in the northern part of the city, while the previously ample land resources of the city have gradually been consumed, either by new development or by open space purchases.

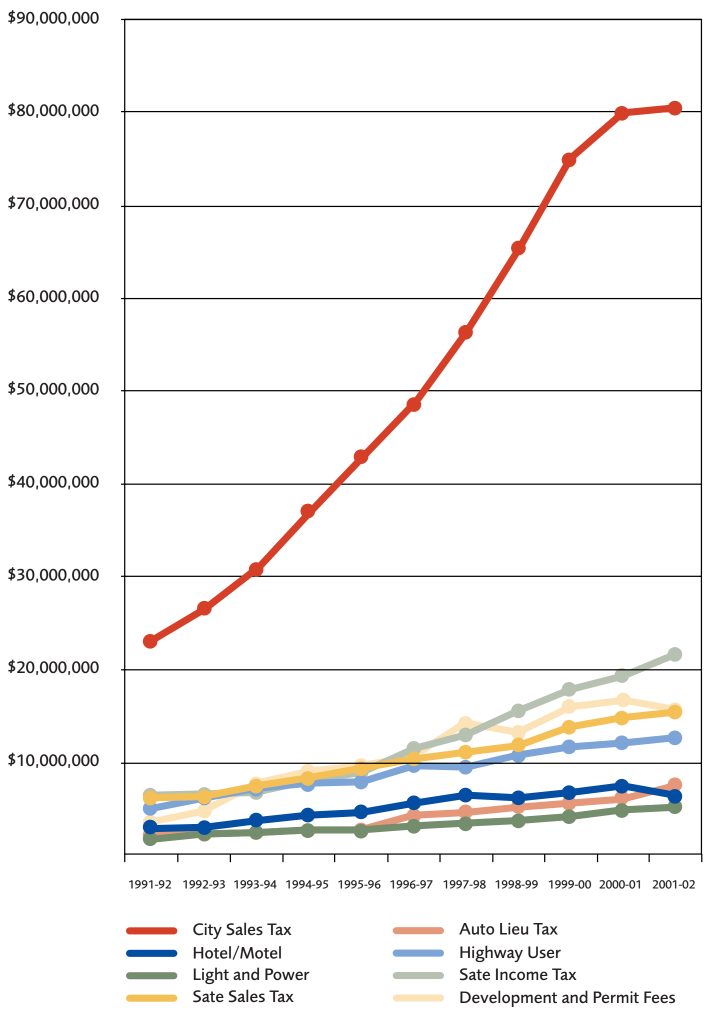
Now, however, not much undeveloped land remains except for that which is slated for open space preservation. South Scottsdale contains less than 200 acres of vacant and developable land. Most of this land is slated for commercial use; there are very few vacant residential parcels remaining. Central Scottsdale contains about 750 acres of vacant and developable land, although much of the commercial and industrial land around the Airpark could be recycled for more intense use at a later date. In north Scottsdale, there are only about 3,000 acres remaining that are vacant and are located outside the city's open space preserve boundaries.

All told, Scottsdale today has less than 4,000 acres of vacant land that is located outside the city's open space preserve boundaries. This represents only 3.4%

of the city's land area of about 117,000 acres (184 square miles).

It is this fact, more than any other, that will make *Scottsdale 2.0* different from Scottsdale 1.0. **The remaining vacant land must be used judiciously and strategically to achieve the city's future goals.** In particular, this means facilitating the recycling of land at the airport and stimulating new residential, business, and investment interest in south Scottsdale. These two steps, in turn, require strategic thinking about Scottsdale's relationship to the region as that relationship is described in the section above. The remaining vacant land outside the preserve boundaries in north Scottsdale will undoubtedly be the subject of political battles within the city, but the eventual outcome will probably be a continuation of north Scottsdale's pattern of high-end, low-density housing in a naturalistic setting.

Figure 3: Scottsdale Elastic Tax Receipts*
FY1991-92 to FY 2001-02
(Adjusted for inflation to 2002 Dollars)



* Elasticity refers to the tendency of a tax to move in tandem with personal income in a state.

Source: City of Scottsdale.

In this sense, the "Stopsdale" battle over Scottsdale 1.0 is almost over. The question now is how to avoid a "Stopsdale" approach to *Scottsdale 2.0*. The results so far are not encouraging. No matter what the merits of the project, the battle over recycling the Los Arcos site — which caused a developer to withdraw a major proposal — harmed the city's reputation as a place to do business. And disbanding the downtown redevelopment area — no matter what its real impact might be — furthered this image. It is clear that, especially in south Scottsdale, the city must reach agreement on what its strategic objectives are for recycling land. Once those objectives have been agreed on, development projects that further those goals must be easier, not harder, to approve.

In acreage terms, the biggest unknown for *Scottsdale 2.0* is whether the city's open-space preserves will be completed as they are currently envisioned. Currently, only about 12,000 acres, or one-third of the 36,400 acres designated for the McDowell Sonoran Preserve, have been permanently set aside. Of the remainder, the city hopes to acquire at least 16,000 acres of State Trust Lands that have been classified for conservation. But the price tag of this acquisition appears to be somewhere between $600 million and $1 billion, a figure that is almost certainly beyond the financial capacity of the city alone. If the State Trust Lands are not acquired, the template of *Scottsdale 2.0* might be altered considerably. Although the land would likely be built out in the same low-density fashion as the rest of north Scottsdale, it would likely add several thousand new housing units to the city's mix and could potential re-stimulate the "Stopsdale" battles that have characterized north Scottsdale during the build-out of Scottsdale 1.0. Such battles could distract the city from pursuing a larger strategy for *Scottsdale 2.0*, and it would behoove civic leaders to understand what the options and consequences might be if the acquisition does not eventually go through.

Table 6: Scottsdale Building Permits as Percentage of Regional Total

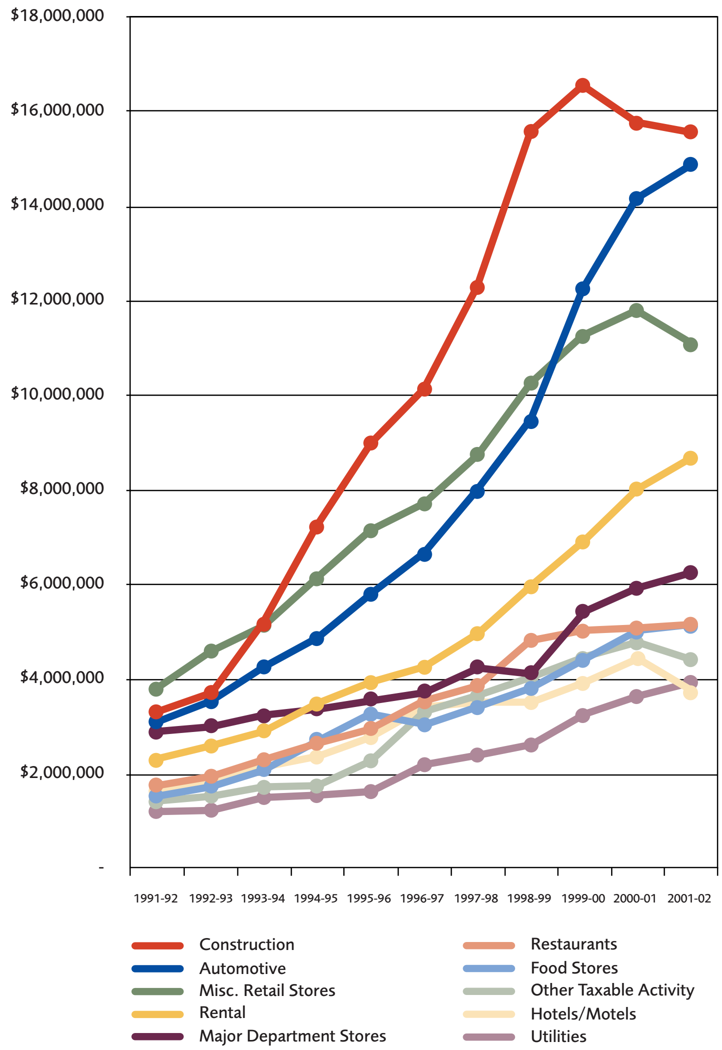
		1990	1995	2001
Total Residential	**Number of Permits**	1,936	4,595	2,670
	Percent of County Total*	14%	12%	6%
Single Family	**Number of Permits**	1,167	3,185	1,610
	Percent of County Total	11%	12%	5%
Apartments	**Number of Permits**	769	1,377	1,045
	Percent of County Total	39%	17%	12%
Commercial	**Number of Permits**	210	835	1,005
	Percent of County Total	14%	31%	27%
Industrial	**Number of Permits**	2	2	6
	Percent of County Total	0.7%	1%	4%
Total Permit Value (000)		385,303	800,717	820,382
Percent of County Total		15%	15%	9%

*Percent figures are Scottsdale's share of Maricopa County total.

Source: Arizona Real Estate Center, W.P. Carey School of Business, ASU.

Figure 4: Scottsdale Sales Tax Receipts FY1991-92 to FY 2001-02

(Adjusted for inflation to 2002 Dollars)



Source: City of Scottsdale.

Slipping Revenues

The Stopsdale approach to *Scottsdale 2.0* could potentially have a major impact as well on the quality of life of city residents because of the impact on Scottsdale's city treasury. Many of the high-quality amenities that Scottsdale residents enjoy are made possible by Scottsdale's traditionally ample flows of tax revenue. On a real (adjusted for inflation) per capita basis, city expenditures jumped from $732 per person in 1980 to $1,149 in 2000 — an increase of 57%. The greater share of this growth *occurred during the 1990s; real per capita spending levels jumped 36% between 1990 and 2000 versus a 16% increase for the 1980s*. But even as the Stopsdale battle has raged, these tax revenues have resulted, in large part, from continued development on raw land — and on the tourist economy, which will continue to play a vital role, but perhaps not a central role, in *Scottsdale 2.0*.

Like most municipalities in Arizona, Scottsdale is heavily dependent on sales tax revenues (Figure 3). This is why so many of the city's land use and land recycling issues revolve around retail sales, the concern over downtown, the debate over Los Arcos, the border war with Phoenix around the Airpark (where Phoenix has captured most of the retail sales), and so forth. And it is true that real growth in sales tax revenue has come to a standstill in Scottsdale in the last two years, partly as a result of declining economy.

But this focus on retail sales has obscured several important but subtle trends. First, tourism from all sources accounts for about 9% of Scottsdale's operating revenues. Most of this comes from tourist spending — but almost 30% of this comes from bed tax, and bed tax as revenue has been virtually stagnant in Scottsdale since 1998 (Figure 3). After six years of double-digit growth, bed tax declined in real dollars in 1998-99, rose again for two years, and then dropped heavily after 9/11. Clearly, Scottsdale's tourist economy is suffering — not just from the after-effects of September 11, 2001, but more importantly from competition. The number of hotel rooms in Greater Phoenix grew by 33% between 1996 and 2000. Scottsdale's resort attractions are aging and there is no new land on which to build new ones easily.

Second, revenue from construction and real estate development is a large and (until recently) growing part of the Scottsdale city treasury — but it too is now stagnant, and as the city runs out of land it can be expected to decline. One in five sales tax dollars in the city comes from sales tax on construction items. And revenue from development fees and permits has increased four-fold in real dollars in ten years (from $4 million to $16 million in 2002 dollars). Yet these revenues peaked in 2000-01 and declined, in real terms, in 2001-2002 to their 1999-2000 level. And given the slow-growth pressure in north Scottsdale and the open space acquisition program, these fees and permit revenues will also decline.

About 80 percent of new residential construction has been low-density custom homes in the northern areas. While dollar value of single family permits continued to rise, the number of single family permits fell by almost 50 percent between 1995 and 2001, and Scottsdale's share of total metro area single family permits dropped from double-digit levels in the 1990s to less than 5 percent in 2001 (see Table 6).

Finally, it's important to note that more retail sales taxes in the city come from local residents, not tourists — and that considerable taxes are generated in smaller, specialty stores not just in major department stores. Much of these retail sales occur in conventional settings, such as the big-ticket auto dealerships and retail sales near workplaces. (Sales tax revenues in the Los Arcos and Air Park areas have remained strong for these reasons.) However, with overall retail sales stagnant, the trends suggest that the city's best bet is not with tourists — or with big generic malls — but with a retail strategy that dovetails nicely with a "new economy niche." As was said under section 1, knowledge workers and creative industries tend to gravitate toward *distinctive* and specialized places — often with spending in mind.

Tougher Agenda

During the 1990s, there was still enough raw land to accommodate a great deal of new development even if projects were reduced in their size or delayed in their timing.

Scottsdale 2.0 does not have that luxury, however. With its land resources dwindling, the city can no longer afford to be unclear about the specifics of new development — where, how much, and what type. Clearly, retail sales must continue to be a priority. But so too must be timely development in the designated areas. And strategic recycling of already urbanized land is essential as well. Such development is often trickier and more time-consuming than so-called "greenfield" development, and so it must be expedited if the city is to staunch the loss of development fees and sales-tax dollars on which it is so dependent.

Scottsdale 1.0 was about suburban development. *Scottsdale 2.0* is about something much tougher — a post suburban agenda that requires a different mindset and different tools as well.

Table 7: The Agenda is Tougher, The Tools Must Be Different and Stronger Too

shifting from	shifting to
Wide open spaces	Vibrant, mixed-use centers
Focus on quality of life at home	Focus on quality of life in the neighborhood, the community, the region
Strict controls that seek to manage new suburban development	Design standards that seek to make every block individual and distinguished
Preservation of open space	Restoration of "greyfields" (aging or abandoned malls)
Development impact fees to pay for new, large-scale infrastructure and amenities	Incentives that seek to recycle underutilized land and old buildings

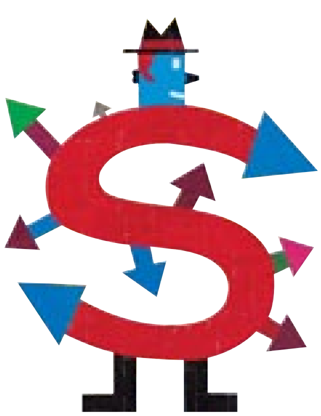
Which Way Scottsdale?

Riding the Post-suburban Wave, Scottsdale-style

At first glance, Scottsdale's "tougher agenda" doesn't look like much fun. Who wants to make the transition from being land-rich to being land-poor, or from open space preservation to revitalizing distressed neighborhoods — especially when most neighboring cities are still playing the suburban growth game with lots of cheap land?

The answer lies in the essence of Scottsdale as a high-quality community. Scottsdale 1.0 focused on creating high-quality suburban environments and attracting high-quality residents and businesses. The goal of *Scottsdale 2.0* doesn't have to be different. It's just that the context — and the tools — have changed.

All throughout the West, as small "cachet" towns — Santa Barbara comes to mind — have begun to run out of land, they have simply allowed the "high quantity" growth go to other, cheaper areas. These cachet towns know they can't compete for even high-quality "greenfield" development — nor do they want to. Instead, they are focusing on exploiting the high-quality urban environments they have created in the first wave of suburban growth to stimulate a second wave of high-quality growth. Despite high cost, small size, and little developable land, Santa Barbara has maintained its high quality and also emerged as one of the leading high-tech startup centers in the nation. Running out of land doesn't mean Scottsdale is behind the curve. It means Scottsdale is ahead of the curve — able to focus on the neighborhoods and communities it has already created to capture high-quality opportunities for *Scottsdale 2.0*.



A concluding list of recommendations follows.

Shaping Scottsdale

Scottsdale 2.0 is not just an extension of Scottsdale 1.0. It requires a whole different set of assumptions that the civic leaders and citizens of Scottsdale have never addressed before. Scottsdale has done a lot of things right over the last fifty years, but it would be dangerous to take success for granted in the future. And more specifically, it would be folly to assume that past success will guarantee future results. The success of a place these days depends on a whole new set of factors — and, as it becomes landlocked and mature, Scottsdale is becoming a different kind of place. So it would behoove the city to bear a few things in mind as it moves forward to shape *Scottsdale 2.0*. These include the following:

First, there's no guarantee that Scottsdale will continue to be the 800-pound gorilla when it comes to quality of place. High quality of life has been Scottsdale's "brand" for years. A big part of that "brand" or image comes from being an early vacation spot for the rich and famous. Another part comes from being an early adopter of environmental protections and from leading in open space preservation. Still another contributor to its grand legacy comes from its commitment to public art and easy access to distinctive recreational venues (from horse back riding to hiking to gallery hopping). But other communities in the region and across the US are matching and even surpassing Scottsdale's early, innovative quality of place initiatives and protections. You can't rest on your laurels.

Second, Scottsdale must acknowledge its own "realities of place" — it contains several different kinds of communities, and it is part of a larger regional community. Scottsdale is not one city but three, all of which are Scottsdale — but each of which is unique and different. Now that Scottsdale is becoming landlocked, these different "places" are not likely to alter their fundamental nature. Rather, each must be viewed as a very special asset that will play a particular role in shaping *Scottsdale 2.0*. Similarly, the time is long past that Scottsdale could view itself in isolation. It is part of a large and vibrant metropolitan area. That metropolis — and Scottsdale's specific place in it — are also assets that must be understood and channeled if *Scottsdale 2.0* is to succeed.

And third, the people of Scottsdale must have a vision for what Scottsdale 2.0 will be. The world that shaped Scottsdale 1.0 is now a part of history. That history has left a remarkable legacy, which many in Scottsdale want to cling to or do not want to have to rethink. But that's a recipe for failure — or, at best, mediocrity — in the 21st century. Scottsdale and its residents must have a realistic understanding of the world around them and how that world has changed. Yet they must also have a strong and positive vision of how *Scottsdale 2.0* can manage and take advantage of these changes to be better than Scottsdale 1.0. This rethinking will require the city and its people to leave "Stopsdale" behind and move forward with a vision that is not a continuation of the last generation of the city's growth — but, rather, a new vision of how Scottsdale can continue to be a great place in the 21st century.

End Notes

1. Six characteristics of quality places. Morrison Institute for Public Policy's six characteristics are based on several sources, including research by Richard Florida, Edward Glaeser, Collaborative Economics Inc, Milken Institute, Joel Kotkin, Bill Bishop and Morrison Institute.

2. Citizen Survey, Wright Consulting Services. Morrison Institute for Public Policy commissioned a citizen survey to determine how residents of both the region and Scottsdale view the city's image relative to long term positioning issues. Wright Consulting Services designed measurements to determine position from both a "global," that is region-wide, perspective and a "local," that is Scottsdale-specific, perspective.

Part I: Region-wide "Best at" Survey

Part one of the survey asked respondents throughout the region to indicate which "one city in the Valley is doing the best job on"...a variety of *quality of place* issues, including:

- Building a strong reputation as a regional arts/culture center;
- Providing the best choices for traditional big ticket entertainment, concerts, symphonies, museums;
- Building a significant entertainment district, city blocks in size, with a strong mix of restaurants, nightclubs, coffee houses;
- Providing the most places for active sports, i.e., hiking, rock climbing, swimming;
- Providing the most authentic neighborhoods, with interesting architecture, designs;
- Preserving its desert heritage and natural beauty;
- Providing the best places for spectator sports entertainment, like professional games, events;
- Providing the most prestigious restaurants;
- Focusing on attracting creative people with new ideas and talent.

Part II: Residents Survey

Part two of the survey was directed to Scottsdale residents only. In this part, Scottsdale residents were asked to describe Scottsdale through semantic differential scales. (Semantic differentials have a positive end and a negative end to the scales. For example, one measurement used in this study is: "if 1 means Scottsdale is hip, cutting edge and innovative and 10 means it is boring, stodgy and stuck in the past, how do you rate it?").

The bottomline of this survey is that Scottsdale's image among residents on a wide range of dimensions is extremely weak. Less than a majority of residents rate Scottsdale positively on every single one of the measures. Positive ratings are highest on characteristics such as "hip/cutting edge" and "diverse groups are welcome." On most measures, only a third or less rate Scottsdale positively. They are lowest on measures such as "north/south residents increasingly agree on issues," leaders and citizens are in sync on issues" and "Scottsdale is building on its unique identity."

Not only are positive ratings low but negative ones are higher and, in some cases, quite substantially so. For example, a strong majority (62%) rates Scottsdale negatively on whether residents in the north and south increasingly agree on key issues. In short, more residents are negative in their image ratings of Scottsdale than positive. This finding is very important for leaders to understand and internalize.

Evidence of Disengagement:

Finally, the data show a profound disengagement — a lack of definition — on the part of most residents with their own city. The fact that a substantial number of residents are neutral in their ratings (100% minus the positive and negative percentages) and all three ratings show close to the same proportion of residents indicates that Scottsdale doesn't connect enough with them to have defined an image for them. Where there is definition or decisiveness, most are unflattering to the city. For example, the data show a clearly positive plurality only on the characteristics of "hip/cutting edge" and "diverse groups are welcome." That's it.

Sample Size:

The region-wide "Best At" data were generated from a representative sample of a 1,001 full-time Maricopa county resident heads of household age 18 years and over. The Scottsdale sub-sample data and residents survey were generated from a representative sample of 401 full-time Scottsdale resident heads of household age 18 years and over. A telephone data collection methodology was used. All analyses are based on the industry-standard 95 percent level of confidence. The region-wide data have a margin of error of +/- 3.2 percentage points and the Scottsdale data have a margin of error of +/- 5.0 percentage points.

3. Employment Centers. The Maricopa Association of Governments (MAG) assigns employment locations to three types of geography in its databases. The largest are Metropolitan Planning Areas (MPAs), which include entire cities and the surrounding areas. MPAs are composed of several Regional Analysis Zones (RAZs), which are typically six to twenty square miles. RAZs define core employment areas and are composed of Traffic Analysis Zones (TAZs). TAZs are between one-eighth mile and two miles and are used to define employment centers. To qualify as an employment center, employment in an aggregation of TAZs must exceed 7,250 and the employment per square mile must exceed 4,650.

Across the Valley, a total of eighteen areas qualified as employment centers in 2000. Half of these did not qualify in 1995, illustrating the impact of the Valley's rapid growth in the 1990s. Employment in the eighteen centers account for 43 percent of the county total, in just 65 square miles, less than 1 percent of the county total. The eighteen centers accounted for 57 percent of the county's employment gain from 1995-2000.

Four employment centers were identified in Scottsdale in 2000. Combined, the four centers accounted for half of the Scottsdale MPA's employment despite making up just 4 percent of its land area. Nearly two-thirds of the employment gain between 1995 and 2000 occurred in the four centers.

- *Downtown Scottsdale*- Extending from Chaparral Road to Osborn Road, generally between 68th Street and Miller Road
- *Scottsdale Airpark*- Boundaries generally run from Scottsdale to Pima Roads and from Thunderbird Road to the Aqueduct
- *90th Street and Via Linda*- Indian Community boundary to Shea Boulevard and from the 101 Freeway to 96th Street
- *Indian Bend*- Extending from McCormick Parkway to McDonald Drive (with Indian Bend Road running through the middle of the center) and roughly from Scottsdale Road to Hayden Road

4. Regional economies are composed of three types of industries: traded or export-oriented, supplier or linkage, and local industries. While local industries (retail, real estate, health services) account for the majority of employment in regional economies, traded industries are the dynamic core of a regional economy. Traded industries generate wealth through national and international sales and, in turn, stimulate supplier and local serving industries. Striking the right balance between a diverse industry base and a specialized one is part of the recipe for building "clusters" or critical mass of related industries.

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