

SCOTTSDALE

Developers 'knocking on the door,' but will Scottsdale listen?

**Sam Kmack**

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Scottsdale nixed a policy meant to encourage construction in Old Town on Sept. 5, in a largely symbolic vote that recommits the city to its limited development approach in the face of an expected economic downturn.

The policy was called the Downtown Infill Incentive Plan. It gave developers a way to request special zoning — such as permission to build taller than is typically allowed — in the area between North 68th Street and North Miller Road, between East Earll Drive and East Chaparral Road.

Officials adopted it in 2010 to help keep Scottsdale's economic engine running when development stalled during the Great Recession. A total of 13 projects took part in the program, and some of the largest included:

Optima Sonoran Village, an 11-story apartment complex on ten acres near North 68th Street and East Camelback Road. The developer requested a wide range of zoning exceptions under the infill program, from increased height limits to larger walls to more units.

The Scottsdale Collection, a mixed-use complex with more than 500 housing units near North Brown Avenue and East Camelback Road. The 150-foot-tall project requested height increases, exemptions from parking space rules and permission to build closer to roads under the incentive plan.

Blue Sky, another mixed-use project that included 530 units on a five-acre site along Scottsdale Road. The developer requested height and density exceptions under Scottsdale's incentive program.

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The policy's revocation won't take those breaks off the table because officials can still approve them through separate zoning rules. Developers will only lose expedited permitting and certain fee waiver perks, which were never used under the program anyway.

That's why the move was about sending a message: Scottsdale's limited development council isn't out to court developers for the sake of economic activity, even as it faces an upcoming recession, revenue cuts, and millions in unfunded needs ranging from park rangers to infrastructure projects.

"What we're removing is an invitation. An encouragement to amend our development standards," Councilmember Solange Whitehead said. "Every developer can still come forward and ask for (the) Eiffel Tower, but we're not encouraging it."

She added that "We sent a message to the future that we have guidelines for a reason. ... A council should have legitimate reasons to override these standards. It should not just be, 'Here's an available tool to use.'"

Nixing the incentive is the latest chapter in a yearslong tug-of-war between those who want to constrain development in favor of preserving Scottsdale's suburban character, and those who believe the city needs more construction to meet economic and housing needs.

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The difference is that the city is facing ongoing fiscal challenges, including the loss of \$53 million in revenue by 2026, or the equivalent of 80% of the fire department's operating budget.

Those in Whitehead's camp remain confident they can make ends meet anyway. They believe Scottsdale's downtown is enticing enough for developers that the city can continue being ultra-selective, maintaining a healthy economy without making any special tweaks to development guidelines.

"I think the best news is that we don't need (the incentive) anymore," Councilmember Betty Janik said, referring to Old Town's evolution since 2010. "We're now a thriving downtown. We have builders knocking down our door who want to build in our downtown."

Reporting from the Daily Independent casts doubt on the last part of Janik's statement. The article cites a downturn in rezoning requests this year. Only six were received as of Aug. 15,

which is down from 11 and 16 during the same timeframe last year and in 2018.

Councilmember Tammy Caputi chalked it up to Scottsdale stonewalling developers since she took office in 2021. She said that the city has approved only a “handful” of proposals since then, creating a situation where construction lawyers “tell their clients not to bother.”

Caputi saw the repeal of Scottsdale’s infill initiative as the latest message to developers that officials “don't want new investment,” but ultimately voted to kill the plan as a concession to her colleagues because she viewed it as largely inconsequential from a policy perspective.

She likened the decision to “removing your appendix if it's not giving you any pain,” adding, “Why? Because they're trying to send a message that we don't want new investment.”

For now, development in Scottsdale is chugging along as projects that were approved years ago by more pro-development councils come to fruition. The Daily Independent’s analysis found that 122 building applications had been pulled in the first seven months of 2023, or nearly three times the rate in 2022.

But that pipeline has a finite number of projects, so it won't last forever if more aren't added. And Caputi worries that if Scottsdale enters rough economic waters, its current attitudes toward construction may come back to haunt.

“High amenities and open space with low property taxes can only happen if we have a vibrant economy. We can't have all these awesome things and low tax rates, and not have economic vitality and cool things happening,” she said. “If you want to say 'no' to all the new development, then be prepared for more tax rate hikes. That's just math.”