

**NOTICE OF REGULAR MEETING
OF THE
ECONOMIC DEVELOPMENT REVIEW BOARD**

WHEN: MONDAY, AUGUST 12, 2024

WHERE: CAREFREE TOWN COUNCIL CHAMBERS
33 EASY STREET, CAREFREE, AZ 85377

LIVESTREAM: [CAREFREE YOUTUBE CHANNEL](https://www.youtube.com/@Carefree.AZgov)
<https://www.youtube.com/@Carefree.AZgov>

TIME: 5:30 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Economic Development Advisory Board of the Town of Carefree, Arizona and to the general public that the members of the Board will hold a meeting open to the public. For any item listed on the agenda, the Board may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

The agenda for the meeting is as follows:

CALL TO ORDER

ROLL CALL

REGULAR AGENDA:

1. Town Center Retail Optimization Report and Discussion
2. Adjournment.

DATED this 8th day of August, 2024.

TOWN OF CAREFREE


BY: Samantha Gesell, Planning Clerk

Items may be taken out of sequence



FOR SPECIAL ACCOMMODATIONS

Please contact the Planning Clerk, 8 Sundial Circle (PO Box 740), Carefree, AZ 85377; (480) 488-3686, at least two working days prior to the meeting if you require special accommodations due to a disability.

*All official Town Council and Commission meetings are scheduled to be held in-person within Council Chambers, located at 33 Easy St.

**TOWN OF CAREFREE
ECONOMIC DEVELOPMENT ADVISORY BOARD
STAFF REPORT**

MEETING DATE: 08/12/2024
SUBJECT: Town Center Retail Optimization Report and Discussion
PREPARED BY: Steve Prokopek, Economic Development Director

SUMMARY:

Earlier this year, Commissioner Burns presented a revenue forecast for the Town of Carefree. As part of this report, Economic Development provided a high level assessment of the opportunities within Carefree to meet projected revenue shortfalls that will impact the Town's service levels and capital funding. The attached report takes a more granular look into Town Center. The report is a current snapshot of uses within the retail sector, and the estimated level level of sales tax revenue. The report then examines the economic potential, under the current guidance of planning documents, and provides observations and recommendations as we continue to implement the recommendations of the Village Center Redevelopment Plan. These observations are a culmination of input Economic Development has received from businesses, commissioners, council members, residents and other town staff.

As we continue to move forward, this report is to provide a basis to address the critical issues, which are generally summarized into the following categories:

1. Review and Recommend Zoning Ordinance and Design Review Changes
2. Code enforcement
3. Evaluate and make further recommendations on the Town Center market position
4. Assess the physical infrastructure and strategies to address commercial retail buildings
5. Evaluate necessary capital improvements and Town investment strategy
6. Evaluate the use and future of the Desert Gardens as a public space and attraction

Staff presentation will provide a summary of the report, current progress, and proposed next steps for addressing these key issues.

ACTION NEEDED:

Item is for discussion only

Attachments

TC Retail Opportunity Report
Retail Use Map

Carefree Town Center Retail Optimization Study

Purpose

The Town of Carefree is dependent upon retail sales to fund both public services and public capital improvements. As part of a revenue outlook prepared and presented by Commissioner Burns, the Economic Development Department examined the economic opportunities with Carefree to meet future financial obligations of the Town. There are three primary economic opportunity centers in Carefree. 1. Carefree Highway and Cave Creek Road 2. NWC Carefree Highway and Tom Darlington. 3. Carefree Town Center

This report focuses on the economic value and potential for the Carefree Town Center, which in 2022 was designated as the Town of Carefree Central Business District and the Village Center Redevelopment Area. The report also addresses observations impacting the ability of Town Center to reach its potential, while providing recommendations on achieving maximized sales tax potential. Note: The analysis uses sales tax estimates, and not actual collections.

Carefree Town Center is a mixed-use low density commercial core. The area was created as part of the original Carefree master development plan, and platted and zoned in 1959. The area has slowly developed over time, and has been mostly dominated by small local owned businesses. Today's commercial mix includes grocery, restaurants, hospitality, art galleries, home goods and apparel, health and wellness services, gift shops, and general office.

Property ownership is fairly fragmented and there is a mix of owner-occupied single occupancy users and multi-tenant for lease buildings. There is no dominant architectural style, and several of the core buildings on Easy Street do not have onsite parking. The Town of Carefree provides approximately 420 shared public parking spaces, as well as manages the 4-acre Carefree Desert Gardens and Sanderson Lincoln Pavilion.

As the Town of Carefree is primarily funded by sales tax, with limited sales tax opportunities within Carefree, ensuring the long term retail health of Town Center is paramount. The area retail currently generates about \$1,500,000 in annual sales tax, not including the hospitality venues, which combined, add approximately an \$900,000 in annual revenue.

While the Town's primary retail area has a high level of occupancy, 92%, there are several issues that are creating under The first two 1. Percentage of actual retail business in retail spaces 2. Per square foot retail revenue below market expectation 3. Heavily dependent upon a handful of users and restaurants, and if they close, such as Ace Hardware. All together, these have an impact of approximately \$400,000 in missed opportunity.

This report takes a current snapshot of the Town Center retail environment and provides insights and recommendations on threats to generating sales tax and future opportunities to maximize sales tax revenue.

Ultimately, this information is the intended to be a basis for assisting in decisions as we implement the Village Center Master Plan, in a dynamic and evolving environment, to allow the Town Center to meet the established vision. The importance of the economic success of Town Center is integral to the economic success of the Town of Carefree.

Background and Analysis

This analysis examines the occupancy, occupancy types, building conditions, uses, public infrastructure, events and any other factors that impact the retail viability of the Carefree Town Center. In general, this area is defined as the area bordered by Tom Darlington Dr. Cave Creek Rd. and Bloody Basin Rd. It also captures Mariachi Plaza on the southwest corner of Tom Darlington Dr. and Cave Creek Rd. See Attachment A for a reference Map The following chart outlines the uses, square footage and percent of total within the retail district.

Use	Total Square Feet	Percent
Restaurant	34800	13%
Retail	89350	33%
Service	54355	20%
Office	15150	6%
Studio	2300	1%
Food Store	36950	14%
Wholesale	2300	1%
Manufacturing	400	0%
Storage	3800	1%
Public Service	12100	4%
Vacant	21900	8%
Total	273405	

Furthermore, the area focuses on the buildings and land areas suited for retail vs. office or service buildings. The target total for sales tax generating retail use is 75% to 80%.

Sales Tax* Producing	Square Feet	Percent
Yes	166500	64%
No	93945	36%
	260445	

*Does not include Vacant Space

Exhibit A provides a coded use map of the retail areas along with an occupancy and

In general, the total occupancy levels for the developed portions, of the retail area, currently sits at about 92%, which is an increase from the 2020 estimate of 75%. Many reasons have lead to increased occupancy including increased visitor traffic, which in general is up 17% over the past 3 years and 7% over the past year. Contributing to this increase are the Hampton by Hilton Hotel, the rebrand of Civana, and addition of Athens on Easy.

While traffic and occupancy levels are up, the total retail utilization of prime retail area is at 65%. A more optimal percentage would be 75% to 80%, with 20% to 25% of traffic driving services and other retail (non-profit thrift shops).

The current estimated retail revenue for Town Center, excluding lease sales tax, is roughly \$1,500,000. This chart below shows retail sales tax at various per square foot retail revenue assumptions. Current assumptions are \$300 per square foot. This takes into account existing retail square feet. \$350 per square foot is an target for increase over the next 5 years. Additionally, the estimated retail sales tax for Civana and Hampton Inn are shown. Together they add an approximately \$900,000.

Estimated Town Center Revenues

PSF	Revenue	Tax	Civana Hampton	Total TC Retail Tax
\$200	\$33,300,000	\$999,000	\$900,000	\$1,899,000
\$250	\$41,625,000	\$1,248,750	\$900,000	\$2,148,750
\$300	\$49,950,000	\$1,498,500	\$900,000	\$2,398,500
\$350	\$58,275,000	\$1,748,250	\$900,000	\$2,648,250
\$400	\$66,600,000	\$1,998,000	\$900,000	\$2,898,000
\$450	\$74,925,000	\$2,247,750	\$900,000	\$3,147,750
\$500	\$83,250,000	\$2,497,500	\$900,000	\$3,397,500

Potential for New Revenue

Infill and Redevelopment

Infill and Redevelopment offer a potential for new development the table below outlines this opportunity to add \$355,000 in new sale tax revenue via new retail development. This potential assumes the sites are developed/redeveloped as retail.

Redevelopment Opportunity

Property	Net SF	PSF Rev	Net Revenue	New Tax
Shell	1000	\$400	\$400,000	\$12,000
Town Hall	6000	\$500	\$3,000,000	\$75,000
11 Sun Dial	5000	\$500	\$2,500,000	\$62,500
Los Portales	3000	\$300	\$900,000	\$22,500
Total New Tax				\$172,000

Infill

Property	Square Feet	PSF Rev	Net Revenue	New Tax
Berocal	4000	350	\$1,400,000	\$35,000
Gersten	12000	350	\$4,200,000	\$105,000
A-Development	4800	350	\$1,680,000	\$42,000
Total New Tax				\$182,000

Total New Infill and Redvelopment

\$354,000

Retail Maximization

As stated earlier, if the Town could maximize the percentage of retail to closer to 80%, an additional \$240,000 in sales tax revenue would be generated. This is reflected, along with Infill and Redevelopment in the following table, providing a total potential retail outlook for Town Center. This outlook shows the potential for maintain the same level of per square foot revenue and what projections look like if we can increase the per square foot revenue.

	\$300 PSF	\$350 PSF
Estimated Sales Tax	\$2,398,500	\$2,648,250
Revenue Projection 80% Retail	\$2,638,260	\$2,927,970
Add Infill and Redevelopment	\$2,992,260	\$3,281,970

Summary

In summary, the Town has the opportunity to maximize its annual retail sales tax collections, within the Town center area, by an additional \$550,000 to \$800,000.

Opportunity to Maximize and Optimize Retail in Town Center

The following are staff observations regarding the issues impacting the retail sales tax viability of Town Center. The first set of observations addresses issues relating to tenancy. The second set of observations is in regard to environmental observations impacting Town Center as a quality retail center.

Observations on Retail Tenancy and Retail Revenue

1. **Better Definition of Targeted Market.** Carefree Town Center wears two hats as a primary tourist destination and market retail amenity. The growth of the restaurant base has increased local market visitation and the hotels have brought in more destination based stays.
2. **Lack of pedestrian Infrastructure.** In particular the lack of linkage between Lucky Lane and Carefree Drive on Easy Street. Non-continuity of the pedestrian retail mall on Easy Street has led to more drive-up traditional office.
 - a. Chamber of Commerce Building
 - b. Carefree Plaza
3. **Non-Conforming uses.** This is becoming a more prevalent problem. Specifically
 - a. Filthy Animal – Manufacturing
 - b. Free Spirit Gallery – Self Storage without Special Use Permit
 - c. Celestial Artisan Meadery – Wholesale distribution
 - d. Museum in Galleria building

Note: This study only examined the retail sector, but it has been noted by building safety and Fire Marshall, that many office spaces throughout town may have non-conforming uses such as Man Caves and storage.

4. **Below Market Commercial Property Inventory.** Key retail properties on Easy Street are not to market quality expected in Carefree. Several buildings have seen little reinvestment and are in disrepair and decline. This has an impact on not only the quality of tenancy, but the effectiveness of the businesses to draw foot traffic. The primary thing driving current tenancy is lack of total retail inventory to meet increasing demand and the location of these buildings.
 - a. Shell Station
 - b. Los Portales
 - c. Warren Building
 - d. Sundancer Plaza
 - e. 37417 N. Tom Darlington
5. **Underutilized Properties**
 - a. Town Hall – 3,800 SF office space on prime retail parcel
 - b. 11 Sundial – 5,000 SF vacant bank on prime retail location

6. **Seasonal Businesses.** Many business on Easy Street are seasonal, with some are only open for 6 months out of the year. Revenue on Easy Street takes a significant drop during the Summer, with many businesses relying heavily on outside visitor traffic.
7. **Inconsistent Business Hours.** One of the largest complaints from visitors is the inconsistent hours and percentage of businesses open at any given time.
8. **Non-Retail on Easy Street.** as a prime pedestrian retail destination, Easy Street has a significant number of uses not providing direct retail services that could be located in other locations in Town Center
9. **Lack of pedestrian residential.** Retail needs customers. Pedestrian retail needs a base of local pedestrian residential to support it. Increased internal residential and improved pedestrian linkage to adjacent residential would increase the trips and usage of Town Center retail.
10. **Non-Profit Retail.** Non-Profit retail, such as thrift shops, do generate traffic, but do not generate sales tax revenue. An appropriate mix will drive local market traffic, but too much diminishes the ability to generate sales tax revenue.

Observations on General Retail Environment

1. **Private Business Signage.** There is no cohesion of signage and a lack of area signage has littered the right of way with A frames and feather banners. While the Town has a sign code, there are no real uniform sign guidelines that tie the area signage together. While some development do have comprehensive signage plans, in general, signage from building to building has little cohesion, and in many cases tenant directory signs are not accurate.
2. **Cohesive Design Guidelines.** While the Town has guidelines, there is no common theme or elements of design for Town Center, nor is there any specific architectural design control.
3. **Code Compliance.** Many buildings are out of compliance, or meet the bare minimums. A more concerted effort from the Fire Marshal and Building Safety has discovered many tenant improvements built without permits, occupancies that do not match the Certificate of Occupancy, or buildings that can't produce a valid Certificate of Occupancy.
4. **Business Licensing Process.** Business Licenses are processed manually, and many businesses believe that a business license allows them the right to operate a business in a space. While a license does allow for a specific business to operate, it needs to operate within a space in accordance with zoning and a Certificate of Occupancy.
5. **Circulation and Parking.** While the Town does have sufficient parking at the time, much of the parking is distributed without cohesive signage and pedestrian walkways. As the Town adds more restaurants, the demand and requirements for parking increases. There is a mix of public and private parking and in some cases public parking is subsidizing buildings with onsite parking. One such circumstance is 11 Sundial Circle, with many tenants parking on Sunshine Way instead of the private lot.
6. **Lack of code enforcement.** The Town does not actively enforce compliance from businesses and property owners to comply with the Zoning ordinance.
7. **Successful Reinvestment.** Carefree has experienced several properties see new investment in the past 4 years, including Spanish Village, Athens on Easy and Grind and Gears. These reinvestments have brought a fresh look, have been financially successful, and have increased the per square foot revenue of these spaces. Spanish Village is a proven model that the market can sustain significant reinvestment and provide investors with a positive return on investment.
8. **Lack of Individual Branding.** Outside of Spanish Village and Carefree Marketplace, no other development has a branded website or marketing collateral to market tenants. Multi-tenant property owners, in general, do not provide building marketing or building branding.

Recommendations

1. Consider the use of a Town Center Stakeholder Advisory Committees consisting of a diverse group of businesses, property owners, residents and experts to provide objective guidance to EDAB and Town Council as we implement the Village Center Redevelopment Plan
2. Have further discussion on the Position Strategy for Town Center, and develop a tenancy mix strategy that is appealing to both local market residents and tourists
3. Continue to build events and attractions that create an experience based retail experience that maximizes the use of the gardens and Sanderson Lincoln Pavilion.
4. Implement the Comprehensive Signage Plan
5. Complete and implement the Circulation and Parking Plan
 - a. Expand the reach and feel of Easy Street from Lucky south to Carefree Drive
 - b. Focus on connecting parking to retail
 - c. Connect adjacent neighborhoods with pedestrian and multimodal pathways
 - d. Connect Carefree Marketplace and Mariachi Plaza
 - e. Identify areas to add parking for new growth in restaurant uses and increased development opportunity, this includes ways to use private parking in off hours for evening and weekend traffic
6. Create a Town Center Capital Improvement Plan focused on public improvements that will further enhance and enable the retail potential of the Town Center by increasing private investment, attracting quality retail tenants and increasing the overall visitor traffic
7. Relocate Town Hall and bring in a quality retail use
8. Automate the permitting, business licensing, C of O and inspection processes.
9. Review all licensing forms, processes and costs and ensure that information is available that outlines the processes and requirements to potential businesses.
10. Review and make recommendations to improve code enforcement on non-complying uses and buildings not in conformance with code.
 - a. Process for assessing and removing non-conforming businesses
 - b. Provide adequate process to allow for businesses to become compliant
 - c. Process must be equitable
11. Revitalize underperforming properties
 - a. Work with existing building owners on improving quality retail tenancy
 - b. Implement a Town Center façade improvement program
 - i. Percentage public matching funds for façade improvements
 - ii. In accordance with design criteria
 - iii. Multiple bids
12. Address blighted properties
 - a. Buildings behind the Shell Station have been declared a public nuisance and unoccupiable. The Town will look to remove these unsafe structures.
 - b. Parking area at 11 Sundial Circle. This dilapidated parking area is owned by 11 Sun Dial, but under a joint use contract with adjacent properties. The owner and manager of the parking lot has refused to comply with the maintenance requirements of the agreement and the Town is seeking to move forward with specific performance under the contract.

13. Review and amend the Commercial Zoning Ordinance

- a. Need to address the buildings on Ed Everett that were originally built and zoned for more intense commercial use, and have legacy uses that do not conform to the current code. This can be done by exploring a secondary commercial category (C2).
- b. In conformance with the Village Center Master Plan, allow residential infill on sites that have limited commercial value by Special Use permit, and to where residential would add foot traffic and direct demand for Town center retail.
- c. Have a discussion on length of annual operation to determine what is storage and what is reasonable seasonal business.
- d. Create a more comprehensive building signage plan for Town Center retail that allows for more obvious and tasteful on building signage, in particular parapet signage. Signage should allow for building branding signage and adequate tenant directory signage.
- e. Review onsite parking requirements that limit integrated mixed-use
- f. Review Design Guidelines
 - i. Put together a stakeholder group to review the current guidelines
 - ii. Discuss architectural conformity, themes, colors, design elements
 - iii. Discuss density, and site development requirements
 - iv. Develop Town Center Specific Guidelines and review process
- g. Work with business and to prepare a comprehensive promotional strategy including business events, such as Third Thursday Art Night.

Summary and Parting Thoughts

In summary, the Town Center has seen positive visitor growth, new investment and a commitment to develop an environment conducive to experience based retail. There is potential to further maximize the opportunity and ensure that the Town Center remains a key economic generator.

The Town of Carefree has the opportunity to increase its annual cashflow by \$550,000 to \$800,000, which justifies making capital investments. It must be thoughtful on how this investment is made, as not all investment can be directly correlated to a direct revenue outcome. Therefore, careful analysis should be made before and after investment decisions are made, and the Town can capture its proposed investment strategy in a Town Center Capital Improvement Plan.

The Town has already initiated improving Town processes and code enforcement to ensure that businesses are licensed and operating in safe and appropriate spaces. Improving these processes will add greater value to spaces and overall create a more user- friendly business experience.

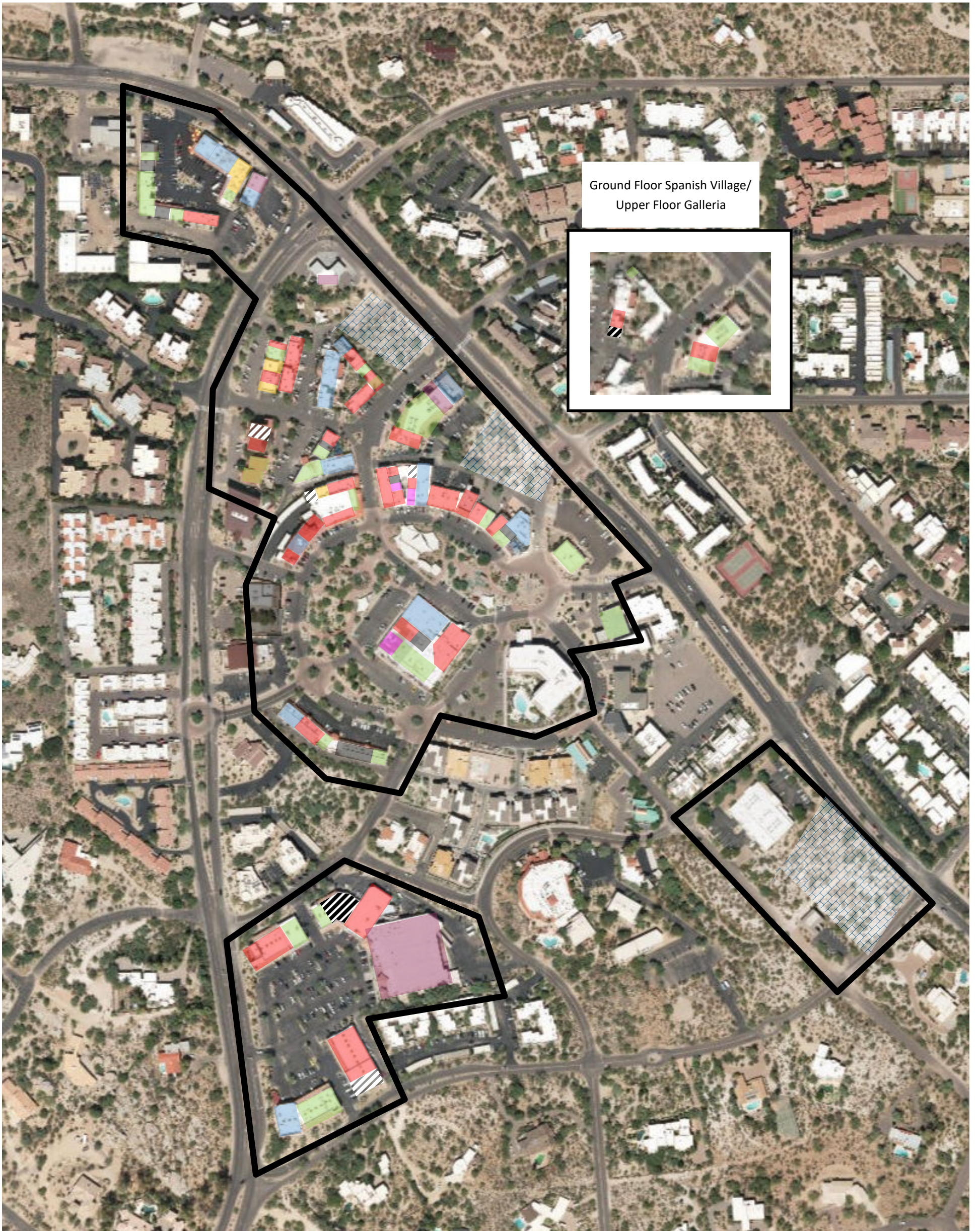
The Town and private property owners can benefit through public private partnerships. The more public money can be tied to direct private investment, the easier it is to determine expected revenue outcomes and justify public expenditures. Additionally, the Town can achieve better overall parking efficiencies on a thoughtful shared parking management plan between the Town public spaces and available private onsite spaces

The largest hurdle to overcome is the concept of design and development guidelines. The Town Center has little cohesion, and its charm stems from its eclectic nature. However, there are concerns of over intensification vs. small town charm. This study assumes that development will occur within the existing guidelines for density and heights. If the Town chooses to increase upon this, then a more detailed parking analysis will probably need to occur to accommodate for any further increased development intensity.

There are many opinions, ideas and thoughts on what Town Center is, should be and could become. While there is general direction provided in the General Plan and Village Center Redevelopment Plan, it's important to continuously seek community input on the implementation of key strategies over time. Therefore, it is recommended that as key implementation steps are being considered, we broaden the scope of stakeholder engagement. This process worked well to create a quality comprehensive signage plan and implementation strategy, that was ultimately approved with consensus from stakeholders and unanimously by Council.

With the success of the signage stakeholder group, there has been interest in using this process to further move forward on key items related to Town Center. Therefore, prior to moving forward, it is important that we come to a consensus on the process for engagement and evaluation, and consider how the public is engaged in addressing what has been identified as the key issues.

1. Review and Recommend Zoning Ordinance and Design Review Changes
2. Code enforcement
3. Evaluate and make further recommendations on the Town Center market position
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5. Evaluate necessary capital improvements and Town investment strategy
6. Evaluate the use and future of the Desert Gardens as a public space and attraction



- Restaurant
- Retail
- Service/Public Service
- Food Store
- Office
- Non-Conforming Manufacturing, Wholesale, Storage
- Studio
- Infill Lots

Exhibit A
Carefree Town Center
Uses Within Retail Buildings