



**Economics Research Associates**

**DOWNTOWN TUCSON HOUSING  
OPPORTUNITY STUDY**

Prepared for  
**City of Tucson**

Submitted by  
**Economics Research Associates  
Kaneen Advertising & Public Relations, Inc.**

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## I. Summary Findings and Recommendations

The City of Tucson retained Economics Research Associates (ERA) to analyze market opportunities for housing development in downtown Tucson, and preliminary steps the City should consider taking to foster its development. Kaneen Advertising and Public Relations assisted ERA in organizing focus group interviews for this assignment.

Tucson's investment of hundreds of millions of dollars over several years in infrastructure, cultural, public facility, and urban design improvements to the downtown area, through its Rio Nuevo initiative, is leveraging significant private investment. According to Rio Nuevo, residential project totaling \$250 million in investment have recently been developed, are under construction, or are planned and in design, and the number of projects is growing. The experience of other cities that have revived downtown housing markets is that major public investment begets private investment, and it appears that Tucson is no exception.

Unlike some other downtowns, Tucson defines its greater downtown area broadly to include more than just the Central Business District (CBD) or urban core. Tucson's greater downtown area also includes traditional and historic neighborhoods, such as Barrio Hollywood, Barrio Anita, Dunbar Spring, West University, Pie Allen, Iron Horse, El Presidio, Armory Prk, Santa Rita Park, West Ochoa, Santa Rosa, Barrio Viejo, Kroeger Neighborhood, and Menlo Park. These distinct neighborhoods provide a variety, richness, and historical context to develop multiple types of urban housing for households with different incomes and preferences.

This report presents a summary of our findings regarding the downtown housing market's potential. This analysis addresses opportunities in Downtown Tucson as a whole. More focused analysis and research is needed for specific sub-district plans and individual projects. The following presents this report's main findings and recommendations.

### ***Downtown Housing Forecasts***

- ERA estimates that downtown Tucson may add from 4,700 to almost 7,000 new housing units from 2005 to 2020, for over 310 to almost 470 units per year on average. This rate would equal approximately 11-16 percent of the City of Tucson's average annual residential permits and a significant share of the city's multi-family permits.
- The targeted groups for urban housing may include the following:
  - Young professionals;
  - University-related staff and post-graduate students;
  - Empty-nester adults;

- Retirees;
  - Downtown and central area workers;
  - Second-home buyers;
  - Other adults without children;
  - Two wage-earner households with jobs in opposite directions from downtown that find downtown central to their commutes;
  - People newly relocating to the Tucson region;
  - Others.
- It is anticipated that the support for downtown housing should continue to rely on young adults, which are stable market segment proportionately. The University of Arizona nearly is a constant source for generating potential new demand from post-graduates, faculty, and staff who want to be near the university, but not within student communities. The middle-aged population will be important, because of their buying power and ability to finance home purchases with built-up equity, but their share of the downtown market may soften overtime as their numbers decrease proportionately. Empty nesters and retirees will become increasingly important as the “baby-boom” generation ages.
  - Downtown housing markets typically have a lower than average proportion of families, particularly among market rate homeowners, because of the lifestyle, educational, and recreational needs of children. The greater downtown Tucson, however, does include traditional barrios and historic neighborhoods with single-family homes and bungalows. While land costs and limited parcels make it more difficult to build infill single-family homes, there may be opportunities for small-lot infill projects, townhomes, and smaller multi-family housing projects within the neighborhoods that may appeal more to urban families than the higher density housing in the downtown core.
  - The recommended housing types for the downtown market that the City should consider include the following, recognizing that the City of Tucson’s definition of Downtown includes neighborhoods that are adjacent to the Central Business District:
    - Attached and small lot townhouses in selected infill sites within the surrounding neighborhoods;

- Multi-family condominiums and rental apartments, with common amenities, from 3-6 stories (wood-frame construction over a platform), built over “tuck-under” parking (half-grade above and half below grade);
  - Higher density multi-family for-sale housing with subterranean parking when warranted by sales prices and land costs, most likely in the urban core;
  - Mixed-use development where warranted to create urban commercial districts on the street level;
  - Loft development, either as adaptive re-use, new construction, and/or live-work space;
  - A limited number of high-rise towers within the CBD, particularly for retirees, empty-nesters, and professionals seeking secure buildings with views and amenities, and possibly concierge services;
  - Affordable low and moderate-income housing.
  - Apartments ranging between 700 and 1,100 SF and condominium units ranging between 900 and 1,500 SF, based on recent comparable projects
- The market has experienced rising prices due to historically low interest rates, higher quality products and appeal. With rising interest rates, prices are likely to stabilize.
  - Given the target markets and the issue of affordability in Tucson’s moderate-income economy, most product types would probably be the townhouses, condominiums with tuck-under parking, and lofts. These units appeal to multiple markets and can be designed to meet a variety of price points.
  - How parking is addressed is a key consideration, particularly regarding the cost of construction. Surface lots and garages are the least costly, but subterranean parking with multiple underground levels and ventilation systems integrate well with the urban environment, but are expensive. Above grade structured parking is less costly. Many markets have found the one-level of “tuck-under” parking (half-level below and half-level above grade) and above-grade parking structures, skinned with housing, commercial uses, landscaping and other forms of screening in selective locations are affordable solutions that allows development to meet a broader range of price points at higher densities. The City’s parking ratios and requirements will play an important role in encouraging or discouraging housing, particularly if subsidies are to be avoided.
  - Based on interviews and the focus group input (response notes are in Appendix D), downtown developments should consider the following features:

- Units in uniquely designed buildings can be smaller than average for the metro area as long as quality is maintained and the units are affordable on a monthly cost basis;
- Security is an important consideration, but security can be provided by activating the street and designing defensible spaces, and not just by providing limited or guarded access;
- Parking must be available and accessible since automobiles are necessary in Tucson, but the number of spaces provided per unit can be less than in the suburbs;
- Access to recreational amenities, such as pools, spas, weight rooms, is a plus, but not necessary within the building if these services are available at off-site facilities nearby, such as athletic clubs. Demand for these facilities on-site may vary by price point and whether the units are for-sale or rent;
- Views, such as mountain or urban views, are important and will command a premium, but there are limits to this premium given the market's generally moderate buying power;
- Access to quality schools are important to households with children;
- Access to a vibrant, pedestrian-oriented, and culturally interesting neighborhood street district is important, and perhaps one of the most distinguishing features that urban housing can provide over the typical suburban housing in the Tucson metro area.

### ***Implications for Downtown Housing***

ERA reviewed demographic and employment trends and characteristics, the regional and downtown housing market, interviewed developers and downtown stakeholders, held two focus groups of randomly selected residents, prepared case studies of how two cities organized themselves to create a downtown housing market, and prepared a preliminary simple pro-forma to estimate the residual land value of two different types of urban housing prototypes. The following presents the implications for downtown housing derived from this research and analysis, which are presented in subsequent sections of this report.

### **Demographics**

- During the 1990s, downtown Tucson was a stagnate area within the center of a relatively fast growing region. Its share of regional population declined during the decade, from

8.8 percent to 7.3 percent, which, though lower, is high compared to many downtown markets. Downtown has the opportunity to capture a share of significant regional growth. Recent population growth in downtown and surrounding neighborhoods since 2000 is encouraging.

- The downtown population is predominately white and Hispanic, though compared to the region, racially and ethnically more diverse. This diversity is an attribute for many people seeking urban living environments.
- While downtown Tucson has a disproportionately high share of young adults and teenagers, it has a disproportionately lower share of other age cohorts, including the important “empty-nester” market (people whose children have grown and left home) which is growing as the baby-boomer generation ages. During the 1990s, downtown has been losing market share across the board among all age groups. There appears to be some appeal among adults without children, particularly the young adult professional and post-graduate population, which downtown can develop further, but downtown needs to do more to penetrate the growing empty-nester market.
- The downtown Tucson adult population’s education attainment is somewhat bifurcated. Downtown has a proportionate share of residents with college and graduate degrees, below average ratios of people with high school degrees and some college experience, and a high proportion of people without high school degrees, in particular with less than a 9<sup>th</sup> grade education. This reflects the socio-economic variety of the downtown neighborhoods, with areas that appeal to educated professionals or persons affiliated with the university, and areas that have concentrations of people, workers, and perhaps immigrants with less education – a common characteristic of downtown markets, particularly if the downtown market is defined to include adjacent neighborhoods.
- Downtown Tucson has a much lower share of higher-income and middle-income households and a much higher share of lower-income households. Income in real terms is growing, but not as fast as in the region. Downtown Tucson would benefit from improving the diversity of incomes within the community to enhance support for downtown commercial development, improve the downtown jobs/housing linkages, and increase capacity for reinvestment. However, the needs of downtown Tucson’s lower income residents and neighborhoods need to be addressed as well.
- The home ownership rate in downtown Tucson is below the regional average and could be improved, although downtown should continue to have a higher than average proportion of renters.

## Employment

- The regional job growth is fueling housing demand, a portion of which downtown Tucson intends to capture. In 2000, 7.7 percent of Pima County employees worked in downtown Tucson, and 5.5 percent in the CBD. The City Planning Department estimates that in 2000, downtown had 26,900 jobs, of which almost 19,400 were in the core.
- Most of downtown's employment and growth has been in the public sector. Private sector employment in the downtown zip code area 85701 has been relatively flat, even though private sector employment has been growing regionally.
- Downtown residents are disproportionately represented in sectors that are growing, such as Services, Education, and Government, and their associated occupations.
- A concerted effort to increase downtown employment, particularly re-asserting downtown Tucson's position as a private-sector employment center in the region, would help generate demand for downtown housing.
- Given the limited size and growth of downtown Tucson's employment base, the downtown housing market cannot rely simply on proximity to downtown jobs to generate significant demand. Downtown Tucson will have to position itself as a desirable, central, alternative residential community from which people can commute to their jobs throughout the region, some of which will be within downtown. Links to the adjacent university employment district is an important opportunity.

## Population and Employment Forecasts

- Jobs are forecasted to grow regionally from 350,600 in 2000 to 652,400 in 2030, for a 2.1 percent compounded annual growth rate. The relatively strong job growth rates projected for the region will generate potential demand for downtown housing if downtown Tucson can be positioned to compete with regional alternatives.
- The City Planning Department forecasts that Downtown will increase its employment base by 17,500 from 2000 to 2030, of which 13,600 are in the downtown core.
- Pima County is forecasted to add 196,000 residents from 2000 to 2010, while the City of Tucson is projected to increase its population base by 109,000.
- City forecasts project that downtown census tracts will add almost 12,700 people from 2005 to 2030, or over 500 people per year. While the 1.01 percent annual growth rate implied is a reversal of historical trends, it is less than half of the citywide and

countywide projected growth rates and is a reasonable expectation if downtown can reposition itself.

## **Residential Market Trends**

- Based on building permit trends, citywide housing demand has averaged about 3,100 units per year since 1995, and is growing. Single-family home comprise three-quarters of this demand and apartments twenty percent of demand, indicating that small-unit multi-family housing such as duplexes, town homes, tri-to-four-plexes, potential types of downtown housing, particularly in the downtown neighborhoods, are still a niche market of only 190 units per year. Apartments, another form of downtown housing, averaged only 619 units per year citywide since 1995. As Tucson approaches build-out, the higher density small unit product should become more popular. However, Tucson and the region still have significant capacity for single-family housing growth. Consequently, higher density housing associated with downtown housing will have to appeal to the market on its own competitive merits because of the lifestyle it offers, rather than because regional market forces demand it.
- The growing rate of home sales (new and re-sales) indicates an increasingly active housing market. The growing number of households searching to buy housing each year increases the number that might investigate downtown housing as an alternative. Over the last three years, condominium sales have comprised 14.3 percent of home sales in the Tucson metro area, though most of this has been suburban product.
- Much of this interest is a result of historically low mortgage interest rates and, to a lesser extent, buyers who finance their purchases with surplus equity from homes in other higher valued markets. If interest rates rise considerably, demand for ownership housing and/or appreciation rates may subside and demand for rental units may increase.
- While a townhouse and condominium market exists, it is relatively limited and focused on suburban communities that offer a recreational desert lifestyle to buyers. Downtown housing will compete with these products and also smaller lot single-family homes. The recent activity in downtown housing, with over 800 units, is introducing a new product and urban lifestyle to the Tucson market. The introduction of new products to a market typically carries additional risk; however, the positive market acceptance of these downtown developments offered so far bodes well. It remains to be seen if this market is a product niche that is benefiting from pent-up demand in an underserved market for this type of housing, or if it can be sustained.
- The seasonal home market in Pima County accounts for approximately three percent of total housing units, or 10,622 units, which is another potential source of demand for downtown housing. However, buyers from other urban regions in the country who are

seeking a desert, recreational lifestyle in Arizona generate much of this demand. Consequently, the second home market is expected to be a contributor but not a driver of downtown housing demand.

### ***Recommendations for Implementation***

- Based on the experience of other downtowns that have successfully created housing markets and ERA's experience, ERA suggests that the City consider the following actions:
  - Work with the downtown communities, developers, and commercial interests to formulate a strong vision for downtown housing, not just as a type of product or individual developments, but as comprehensive residential neighborhoods with services and amenities, building upon the City's *SMART Housing for Downtown Tucson* effort;
  - Plan for and invest in regionally attractive, unique downtown commercial developments or districts concurrently with housing efforts, but phase commercial initiatives in increments that the market can support;
  - Focus and cluster initial residential development efforts in a district or few districts, rather than random scattered developments, to create a critical mass of activity and a large enough neighborhood to support commercial services and create a neighborhood identity;
  - Strategically make public investments in infrastructure, amenities, parking, transportation, and land to leverage private residential investment;
  - In partnership with the region's other jurisdictions, formulate regional policies that steer future growth towards the region's core to discourage sprawl, encourage investment in urban neighborhoods, and utilize the region's infrastructure efficiently.
  - Initiate the formation of a private and public network of allied regional and local advocates for downtown housing, including the region's environmental, business, and academic communities;
  - Form a downtown task force of Council appointed urban developers, architects, organizations and communities to work with City staff to reform zoning, environmental review, and approval process to expedite development approval and attract capital, building upon the recent efforts to review City processes.

- Consider and investigate alternative organizational forms, such as an expanded role of Rio Nuevo, or a public, quasi-public, or private downtown development corporation, to act as a catalytic development organization for downtown housing. This entity could help plan and finance infrastructure and amenities for downtown housing and neighborhood services, expedite the review and approval process, secure strategic parcels for housing development, and/or joint venture in selected downtown housing and mixed-use developments on behalf of the City.

## **II. Demographic Context**

Changing demographics has fueled downtown housing in many urban markets throughout the United States. Traditionally, downtown markets have appealed disproportionately to adults without children, such as young adults, childless middle-aged adults (single and married), couples whose children have grown and left home (commonly referred to as “empty nesters”), and retirees.

Families with children also live in downtown housing, though proportionately not as much as in suburban locations, particularly in southwestern cities, because of their needs for larger spaces to accommodate larger households, concerns about child safety, demand for recreational facilities, and the tendency for suburban locations to offer better quality schools.

The expanded definition of downtown in Tucson, however, includes older single-family neighborhoods and traditional barrios that have a rich history of multi-generational communities. Linkages among the downtown neighborhoods provides Tucson the opportunity to create a downtown housing environment with sub-districts that provide different product types for people at different stages of life or with different housing preferences.

This section describes the demographic context and trends in which downtown housing development will take place. Selected data are presented in this section, with detailed tables and charts in Appendix A for reference.

### ***Population***

#### **Regional Growth**

Pima County’s population grew by 26.7 percent, from 666,000 in 1990 to 844,000 in 2000, for a healthy 2.4 percent compounded annual growth rate (CAGR). This growth, however, was significantly less than the 37.9 percent population growth registered for the State of Arizona between 1990 and 2000.

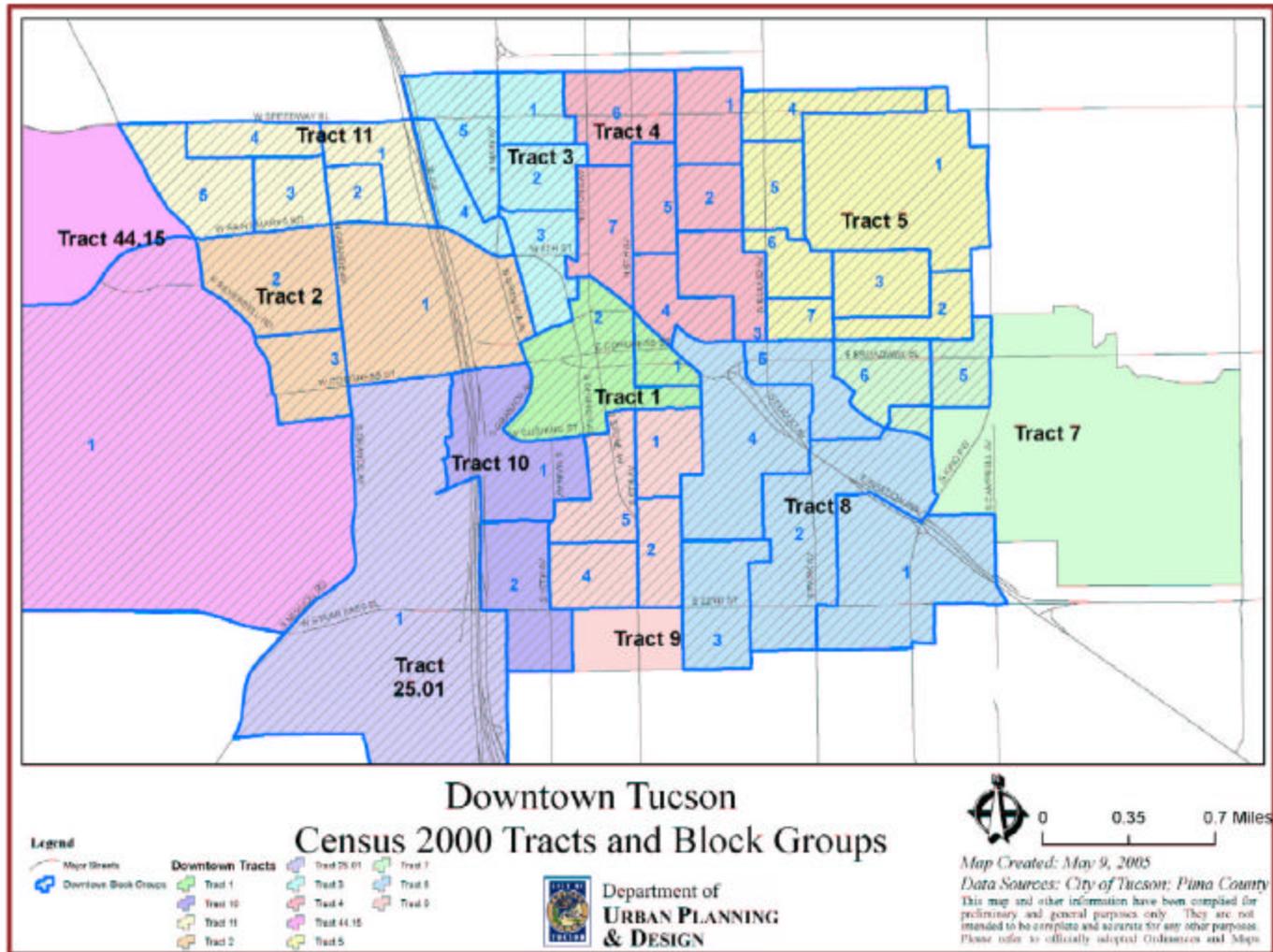
In terms of absolute population growth, Pima County ranked 27<sup>th</sup> in the nation. The Tucson Metro area (which also grew by 26.7 percent during the decade) was the 37<sup>th</sup> fastest growing metro area in the country, just behind Portland-Vancouver and ahead of Santa Fe.

According to the City of Tucson, Department of Urban Planning estimates, the countywide population grew to 955,800 by 2005, for a slightly higher 2.5 percent annual growth rate since 2000.

#### **Downtown Growth**

For the analysis, the downtown area included census tracts (CT) 1 through 5, CT 7 through CT 11, block group (BG) 1 of CT 25.01 and BG 1 of CT 44.15 (which was 44.01 in the 1990 census), as shown in Exhibit II-1.

## Exhibit II-1 Downtown Tucson Census Tracts



This area includes the Central Business District (CBD) and surrounding neighborhoods such as Menlo Park, El Presidio, Pie Allen, Iron Horse, Armory Park, Santa Rita Park, and Barrio Viejo, as shown in Exhibit II-2.

The population in Downtown Tucson did not increase between 1990 and 2000, while the city increased its population more than 20 percent during the same period, from 405,000 to 487,000, for a 1.9 percent annual growth rate.

Table II-1 shows 1990 and 2000 population in downtown Tucson, City of Tucson, Pima County and the State of Arizona.

**Table II-1 1990 and 2000 Population for Downtown Tucson, City of Tucson and Pima County**

	<u>1990</u>	<u>2000</u>	<b>Numeric Change 1990-2000</b>	<b>Percent Change 1990-2000</b>	<b>Average Annual Growth Rate 1990-2000</b>
Downtown Tucson	35,558	35,591	33	0.1%	0.0%
City of Tucson	405,000	487,000	82,000	20.2%	1.9%
Pima County	666,000	844,000	178,000	26.7%	2.4%
Arizona	3,747,000	5,169,000	1,422,000	38.0%	3.3%

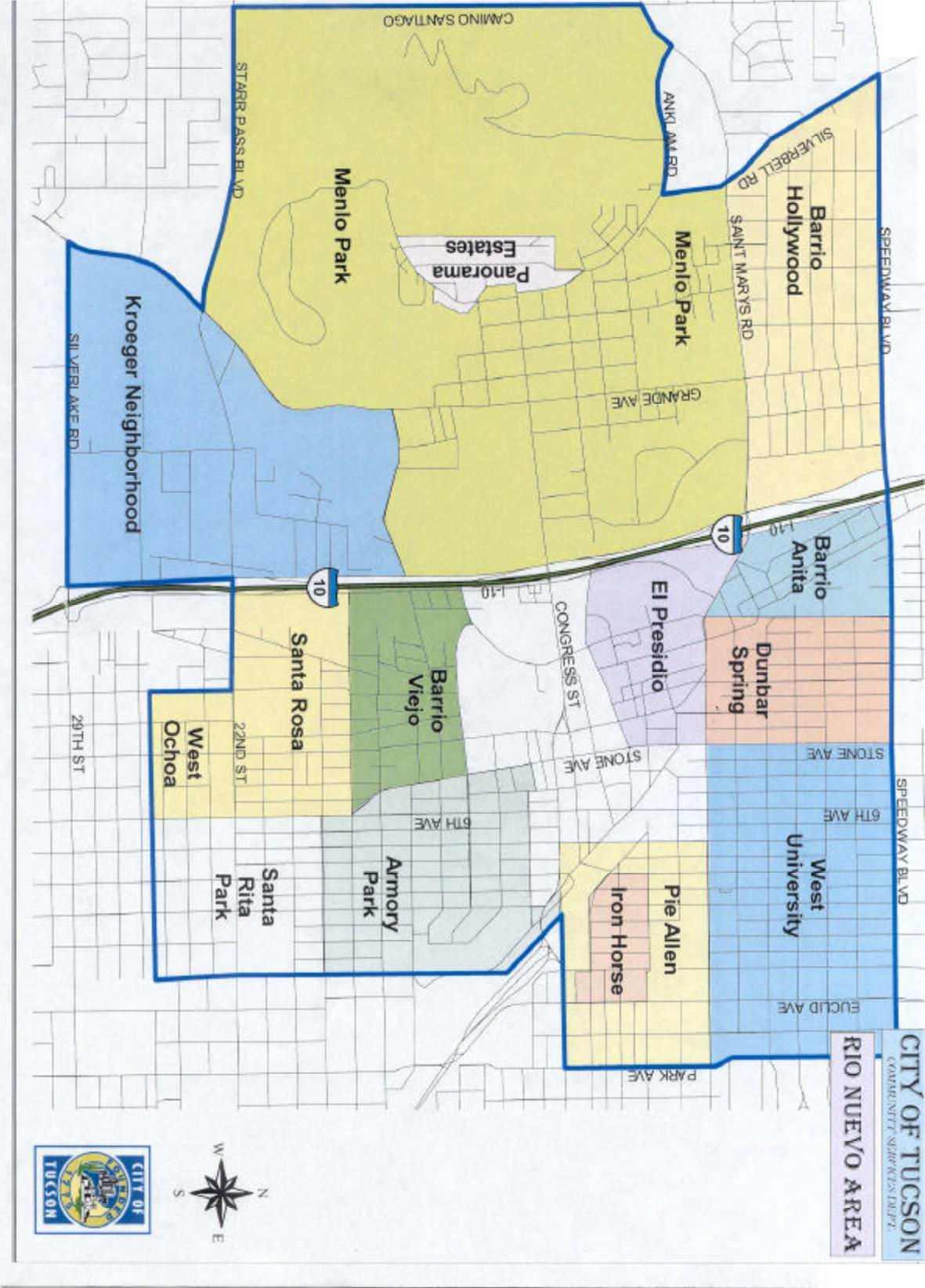
Source: US Census, Economics Research Associates

Therefore, during the 1990 to 2000 decade, the region grew at a fairly rapid rate, the city grew but at a slower rate, and the downtown did not grow at all. Downtown saw its population share of the city decrease from 8.8 percent in 1990 to 7.3 percent in 2000, while the city of Tucson saw its share of Pima County decrease from 60.8 percent in 1990 to 57.7 percent in 2000.

Within downtown, the areas with larger populations are census tracts 2, 4, 5 and 7, roughly corresponding with Menlo Park, southeast 6<sup>th</sup> St. and Stone Avenue, Pie Allen, and Iron Horse neighborhoods. Although total population in the downtown area did not vary, the portions of census tracts 1 (CBD), 5 (Pie Allen/Iron Horse) and 44.15 (Menlo Park/Star Pass) within downtown registered population increases higher than 10 percent, while census tract 8 (Armory Park/Santa Rita Park/Park Avenue) saw its population decrease by 30 percent, and census tract 10 (Barrio Viejo and south) declined by 45.4 percent. Demographic data regarding subsets of downtown are presented in Appendix A.

More recent 2005 population estimates for downtown Tucson specifically do not exist. However, estimates do exist for the complete census tracts of which all or a portion of which are within downtown Tucson. In 2005, there are approximately 44,136 people in these tracts, compared to 40,393 in 2000, for a 1.8 percent annual growth rate. Growth occurred in all of the census tracts. Therefore, it appears that population growth in downtown and surrounding neighborhoods is a relatively recent phenomenon.

**Exhibit II-2 Downtown Tucson Neighborhoods**



## **Race and Hispanic Origin**

Downtown has a lower share of whites and a higher share of minorities. Still, two-thirds of the population is white.

Although downtown traditionally has a higher proportion of Hispanics. The Hispanic population appears to be declining there and growing in the suburban areas within Tucson and outside Tucson instead.

The Hispanic population in the downtown area decreased 7.0 percent or 1,123 people between 1990 and 2000. In contrast, the Hispanic population in the city of Tucson and Pima County increased significantly during the 10-year period, 48.7 percent and 53.9 percent respectively. Of the 86,800 new Hispanic residents in 2000 in Pima County, 65.8 percent or 57,000 lived in the City of Tucson.

The Non-Hispanic population in the downtown area grew by 1,156 people, or 5.9 percent between 1990 and 2000. Non-Hispanics in the city of Tucson and Pima County increased by 8.4 percent and 17.8 percent respectively during the same time period. Of the 90,000 new Non-Hispanic residents in Pima County in 2000, 24,100 or 26.8 percent lived in the City of Tucson.

## **Age**

The proportion of the total population under 9 years of age and between 20 and 34 years of age in downtown Tucson, the city of Tucson, and Pima County decreased in 2000 compared to 1990. Conversely, the proportion of the total population in age cohorts 10 to 19 and 35 to 54 increased during this period

The proportion of the total population between 55 and 64 years of age decreased in downtown Tucson and the city of Tucson between 1990 and 2000 while increasing in Pima County.

Compared to the city of Tucson and Pima County, downtown Tucson had a higher proportion of its population between 10 to 19 and 20 to 34 years of age, while the proportion of its total population between 35 and 54 years of age and seniors was lower.

## **Education**

The ratio of population 25 years and older with their educational level less than 9<sup>th</sup> grade was almost twice in downtown in the city as a whole, and more than twice than Pima County. Though the downtown population had a comparable share of people with graduate or professional degrees and college degrees than the larger areas, the downtown population on average had lower educational attainment because of its larger share of adults who did not graduate from high school. Appendix C shows schools in downtown Tucson and their grades, enrollment and student-teacher ratios.

## Population Origin

The downtown population is more transient than the countywide population. According to the 2000 census, 62 percent of residents of downtown tracts lived somewhere else five years earlier in 1995, compared to 54 percent countywide. Approximately 30 percent lived in a different county five years earlier, compared to 20 percent of Pima residents. Therefore, almost half of downtown residents were new to the region five years earlier. Approximately 5 percent of residents of downtown tracts lived outside the United States five years earlier, compared to 3 percent countywide.

## Households

For the household analysis, ERA included the Downtown Core, which is the area bordered by the I-10 freeway, St. Mary's, UPRR and 3<sup>rd</sup> Avenue and 14<sup>th</sup> and Cushing Streets. This area encompasses, approximately, CT 1, BG 1 of CT 2 and BG 3 of CT 3<sup>1</sup>. According to the US Census, the city of Tucson and Pima County experienced an 18.3 percent and 26.8 percent increase between 1990 and 2000 respectively, while downtown Tucson lost 194 households and the downtown core added 5 households during the same time period, as shown in Table II-2.

Downtown Tucson saw its share of total households in the City of Tucson decrease from 7.6 percent in 1990 to 6.3 percent in 2000, while the city of Tucson saw its share of households in Pima County fall from 62.2 percent in 1990 to 58.0 percent in 2000.

**Table II-2 1990 and 2000 Downtown Core, Downtown Tucson, City of Tucson and Pima County Households**

<u>Households</u>	<u>1990</u>	<u>2000</u>	<u>% Change</u>
Downtown Core	1,445	1,450	0.3%
Total Downtown	12,328	12,134	-1.6%
City of Tucson	162,978	192,884	18.3%
Pima County	262,129	332,497	26.8%

Source: 1990 and 2000 U.S. Population Census

The change in households within the downtown area was not even, with CT 3 and 8 decreasing by 93 and 259 households respectively.

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<sup>1</sup> As per City of Tucson definition, fax sent to ERA on 11-30-05.

## Household Size

The average household size in the City of Tucson was 2.58 for owner-occupied homes and 2.24 for renter-occupied homes, only slightly less than the 2.59 for owner-occupied homes and 2.26 for renter-occupied homes in Pima County.

Compared to 1990, the 1-person household category in 2000 increased its share of total households in all geographies except the downtown core, while the 2-person household category increased in the downtown core, downtown Tucson and Pima County, and decreased in the City of Tucson. These results, combined, made 1-person households the category with the largest share of total households in the City of Tucson. The 3 and 4-person household category decreased their share of total households for all areas except the downtown core.

In 2000, approximately 69 percent of households in census tracts that are wholly or partially within downtown were family households, less than the 72 percent in the city of Tucson and 82 percent in Pima County. The remainders are non-family households, such as unrelated individuals living together.

## Income Distribution

In 1990, 39.6 percent of all households in Pima County and 46.0 percent in the City of Tucson earned less than \$20,000, compared to 65.0 percent of all households in downtown Tucson and 66.9 percent in the downtown core. Households earning more than \$20,000 and less than \$50,000 accounted for 42.3 percent in Pima County and 41.7 percent in the City of Tucson, much higher than the 28.1 percent and 27.5 percent of all households in downtown Tucson and the downtown core respectively.

The share of households earning more than \$50,000 in 1990 was significantly higher in the city of Tucson and Pima County, with 12.3 percent and 18.1 percent respectively, compared to 6.9 percent and 5.7 percent of total households for downtown Tucson and the downtown core.

In 2000, 24.9 percent and 30.6 percent of all households in Pima County and the City of Tucson respectively earned less than \$20,000, compared to 44.8 percent of all households in downtown Tucson and 55.3 percent in the downtown core. Households earning more than \$20,000 and less than \$50,000 accounted for 40.0 percent of total households in Pima County and 43.0 percent in The City of Tucson. In downtown Tucson and the downtown core, 38.6 percent and 33.4 percent of all households respectively earned more than \$20,000 and less than \$50,000 in 2000.

In 2000, the share of households earning more than \$50,000 was twice as much in Pima County than in downtown Tucson, with 35.1 percent, compared to 16.6 percent downtown. In the city of Tucson, 26.5 percent of all households earned more than \$50,000. Only 11.2 percent of households in the downtown core earned more than \$50,000.

Compared to Pima County and the city of Tucson, downtown Tucson and the downtown core areas have a higher share of low-income households and a lower share of high-income households.

Median household income in the city of Tucson increased from \$29,219 in 1989 to \$30,981 in 1999, in constant 1999 dollars, for a 0.6 percent compounded annual growth rate (CAGR). During the same time period, the median household income in Pima County increased from \$34,127 in 1989 to \$36,758 in 1999, in constant 1999 dollars, for a 0.7 percent CAGR. Median household income in both The City of Tucson and Pima County were lower than in the State of Arizona, with \$37,001 in 1989 and \$40,558 in 1999, in constant 1999 dollars, for a 0.9 CAGR.

An overall median household income figure for the census tracts and portion of census tracts within downtown Tucson is not available; however, Exhibit A-8 in Appendix A shows median household income by census tract in the city of Tucson in 2000. The lighter shades represent lower median household incomes and the darker shades represent higher median household income. As shown in the Exhibit, the downtown area has the lowest income in the region, with the north and eastern parts of the city with the highest income levels.

## **Household Tenure By Age of Householder**

The downtown core and downtown census tracts have a much lower percentage of homeowners than the city or county as a whole. Only 15.8 percent and approximately 40 percent of the households within the downtown core and downtown census tracts are homeowners, compared to 54 percent in the City of Tucson and 64 percent in Pima County as a whole.

Relative to the county as a whole, homeowners in downtown tracts are disproportionately older as of the 2000 census. Approximately 36 percent of homeowners are 65 years and older, compared to 30 percent countywide. While less than the countywide ratio, 38 percent of downtown homeowners are middle-aged adults between 35 and 54 years old. Downtown tracts have a slightly higher share of young adults 25-34 years old that are homeowners and somewhat lower share of 55-64 year olds that are homeowners – two age cohorts often associated with downtown housing in other markets.

Young adults that are 34-years or younger are disproportionately represented among the renters in downtown tracts, 52 percent compared to 44 percent countywide. Downtown's share of seniors is comparable to the countywide share.

**Table II-3 Household Tenure By Age of Householder, 2000**

	<b>Downtown Core</b>	<b>Downtown Tracts</b>	<b>Pima County</b>
Owner occupied:	241	5,508	213,620
Householder 15 to 24 years	0%	1%	1%
Householder 25 to 34 years	7%	11%	10%
Householder 35 to 44 years	9%	16%	20%
Householder 45 to 54 years	20%	22%	22%
Householder 55 to 59 years	30%	9%	9%
Householder 60 to 64 years	4%	6%	8%
Householder 65 to 74 years	14%	17%	16%
Householder 75 to 84 years	11%	13%	11%
Householder 85 years and over	5%	6%	3%

	<b>Downtown Core</b>	<b>Downtown Tracts</b>	<b>Pima County</b>
Renter occupied:	1,284	8,270	118,730
Householder 15 to 24 years	19%	24%	17%
Householder 25 to 34 years	23%	28%	27%
Householder 35 to 44 years	19%	16%	21%
Householder 45 to 54 years	14%	14%	15%
Householder 55 to 59 years	2%	4%	4%
Householder 60 to 64 years	4%	4%	3%
Householder 65 to 74 years	9%	6%	5%
Householder 75 to 84 years	7%	4%	5%
Householder 85 years and over	3%	1%	2%

Source: U.S. Census, 2000

### **III. Employment Context**

Housing demand is strongly linked to job generation. Without jobs and the income they provide, most families and individuals cannot afford new housing costs. Retirees supported by retirement income, people supported by transfer payments, people supported by savings, second home buyers, students supported by parent income, and homebuyers using accumulated equity or wealth are among the exceptions. Nevertheless, there is a strong correlation between job growth and housing demand.

The nature of the regional economy also strongly influences how much housing cost the market is able to support and the depth of particular price-point niches.

Finally, housing demand for a particular area within a region, such as downtown, is influenced by the location's accessibility to jobs and the nature of these jobs. This section discusses some of the employment context that could influence demand for downtown housing.

#### ***Employment***

##### **Regional Employment**

Non-farm employment growth trends in the Tucson MSA have typically mirrored national economic cycles; however, the region's reliance on leisure services, defense, and the aerospace industry have caused more severe economic cycle impacts.

According to the Arizona Department of Economic Security, in 2004, there were 351,500 non-farm employments in Pima County, as shown in Table III-1.

During the 1990-2004 period, approximately 100,000 non-farm jobs were added in the Tucson MSA, with a 2.4 percent CAGR. The sectors with highest growth were Professional and Business Services, with a 4.8 percent CAGR, Educational and Health Services with a 3.3 percent CAGR, Construction with a 3.2 CAGR, and Information with 3.0 percent CAGR. The Other Services and Government sectors also experienced strong growth.

The Manufacturing sector presented positive growth between 1990 and 2000, but dropped sharply between 2000 and 2004, for an overall CAGR of 0.77 percent. The share of manufacturing jobs has fallen from 10.0 percent in 1990 to 8.0 percent in 2004.

**Table III-1 Tucson MSA (Pima County) Sectoral Employment Trends**

	1990	1995	2000	2004	Average Annual Growth Rate 1990-2004
<b>Natural Resources and Mining</b>	2,200	2,200	1,800	1,200	-4.24%
<b>Construction</b>	14,900	20,600	22,900	23,300	3.25%
<b>Manufacturing</b>	25,500	27,400	32,900	28,400	0.77%
<b>Trade, Transportation, and Utilities</b>	45,300	51,600	55,000	54,300	1.30%
Wholesale Trade	5,900	6,700	7,500	7,300	1.53%
Retail Trade	33,700	37,200	38,700	39,300	1.10%
Transp., Warehousing, and Utilities	5,700	7,700	8,800	7,700	2.17%
<b>Information</b>	5,100	6,500	7,900	7,700	2.99%
<b>Financial Activities</b>	11,900	11,600	14,800	15,400	1.86%
<b>Professional and Business Services</b>	21,400	33,800	43,500	41,400	4.83%
Professional and Tech. Services	9,400	12,800	15,600	14,200	2.99%
Management of Companies	1,200	3,200	2,600	2,300	4.76%
Administrative and Waste Services	10,800	17,800	25,300	24,900	6.15%
<b>Educational and Health Services</b>	30,000	35,500	42,000	47,500	3.34%
<b>Leisure and Hospitality</b>	29,500	34,800	39,900	37,800	1.79%
Arts, Entertainment, and Recreation	5,000	5,300	5,100	5,200	0.28%
Accommodation and Food Services	24,500	29,500	34,800	32,600	2.06%
<b>Other Services</b>	10,000	10,200	13,000	14,700	2.79%
<b>Government</b>	55,900	68,400	76,300	80,000	2.59%
<b>Total Non Farm</b>	<b>251,700</b>	<b>302,600</b>	<b>350,000</b>	<b>351,700</b>	<b>2.42%</b>

Source: Arizona Department of Economic Security and Economics Research Associates

## Resident Employment

Exhibit III-1 shows employment by industry in 1990 for people living in the downtown core, downtown Tucson, the city of Tucson, and Pima County.

As shown in the exhibit, retail trade represented the largest share of total employment for all areas, with 19.1 percent and 20.4 percent of downtown core and downtown Tucson residents, 21.4 percent for the city, and 19.9 percent for Pima County.

Downtown residents had a particularly higher than average share of employment in educational services; business, personal, entertainment, and recreation services; and professional, real estate, and related services.

It should be noted that the US Census changed and added employment by industry categories between 1990 and 2000.

Exhibit III-2 shows resident employment by industry in 2000. Retail trade services declined significantly as a percentage of total jobs in all three areas. Educational services represented the largest share of total employment in downtown Tucson, with 21.9 percent of downtown jobs, compared to 21.4 percent for the city of Tucson and 19.9 percent for Pima County. The second largest industry category in downtown, and higher than average compared to the city and county, is arts, entertainment, recreation, accommodations & food services.

In the year 2000, the ratio of resident jobs-per-household in the three areas analyzed were as follows:

**Table III-2: Average Jobs/Household 2000**

<b>Area</b>	<b>Average Jobs/Household</b>
Downtown Tucson	1.29
City of Tucson	1.12
Pima County	1.12

Source: U.S. Census 2000

Households within downtown Tucson tend to be supported by more jobs than households in the city and county as a whole.

### ***Resident Employment By Occupation***

Detailed occupations for downtown residents were compared to the city and county as a whole, as reported by the census. Table III-3 presents those occupations that were disproportionately represented among downtown residents compared to either the city or the county, or both. The percentages do not add to 100 since some occupations are subsets of larger occupation categories. Downtown residents appear to be disproportionately represented among managerial, professional, health technical, educational, and service occupations.

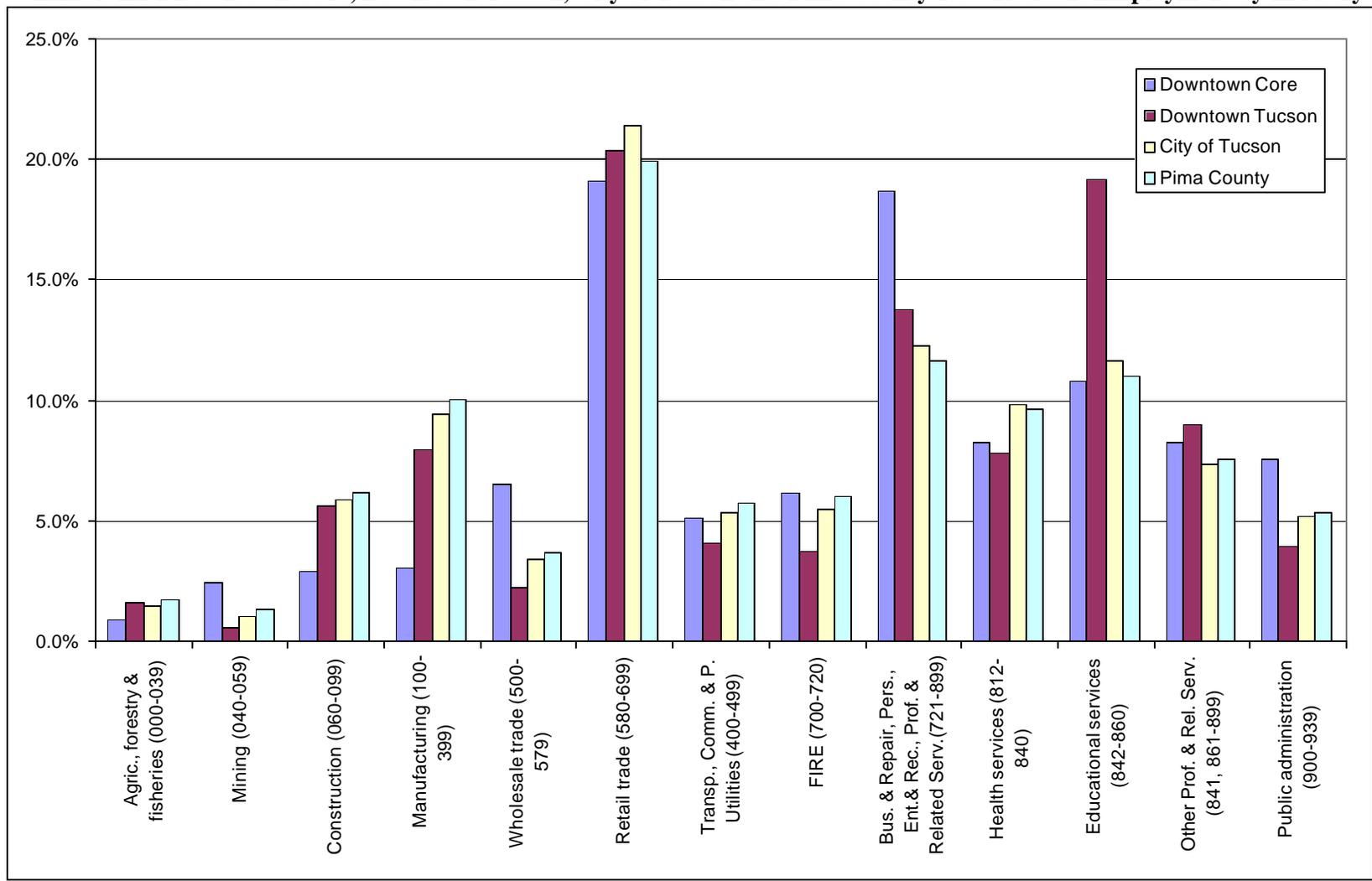
**Table III-3: Selected Downtown Resident Occupations**

<b>Occupation (1)</b>	<b>% of Total Downtown Resident Jobs (1)</b>
Management, professionals & related	18%
Professional & related	13%
Life, physical, & social science	2%
Education, training, & library	4%
Post-secondary teachers	2%
Other teachers, instructors	1%
Arts, design, entertainment, sports, media	2%
Art and design	1%
Entertainment, performers, sports & related	1%
Media & communications	1%
Health technologists & technicians	1%
Service occupations	10%
Food preparation & serving related	4%
Cooks & food preparation	2%
Food & beverage serving	1%
Buildings & grounds cleaning and maintenance	3%
Supervisors & other personal care services	1%
Office & administrative support services	5%
Other office and administrative support services	2%
Painters & paper hangers	1%
Production occupations	4%
Other production occupations	2%

(1) Includes categories that are subsets of more general categories, so percentages should not be added.

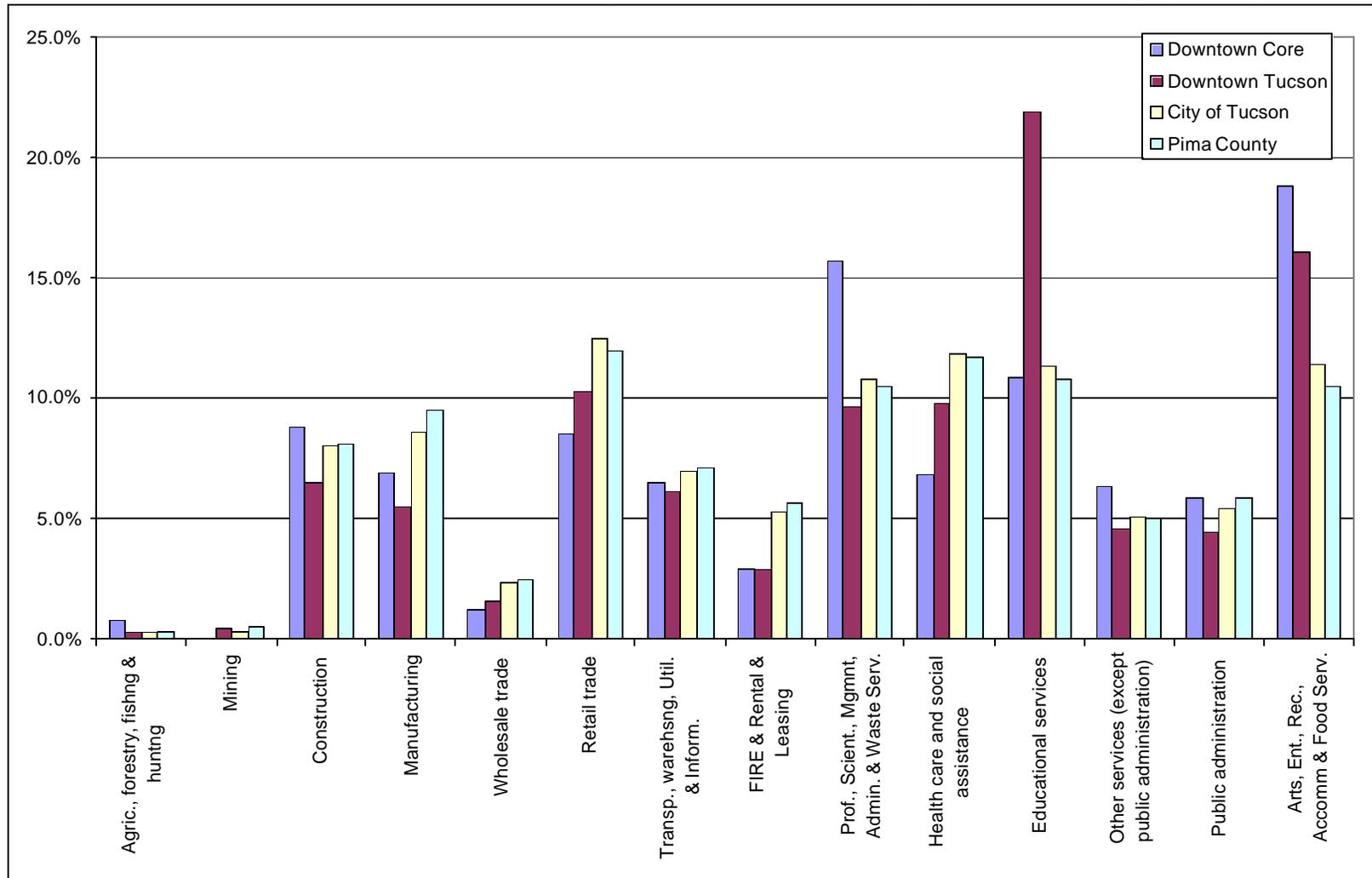
Source: U.S. Census, 2000

**Exhibit III-1 Downtown Core, Downtown Tucson, City of Tucson and Pima County 1990 Resident Employment by Industry**



Source: 1990 US Census

**Exhibit III-2 Downtown Core, Downtown Tucson, City of Tucson and Pima County 2000 Resident Employment by Industry**



Source: 2000 US Census

## ***Employment Within Downtown***

Most downtown employment is in the public sector. Using the downtown and Central Business District definitions according to Transportation Analysis Zones (TAZs), which is larger than just the Zip Code 85701 area, the City of Tucson Planning Department estimates that 26,932 people worked in the greater downtown area in 2000, including both public and private sector employment, of which 19,351 worked within the Central Business District. The CBD, as defined by the City of Tucson, includes TAZ 1 through 22, 24 and 26.

In the year 2000, the number of people working in downtown comprised 7.7 percent of all people working in Pima County, and the people working within the CBD comprised 5.5 percent of the countywide jobs. As shown in Table III-4, downtown jobs are forecasted to grow at somewhat below the countywide job growth rate, but still at a fairly rapid rate, adding almost 17,500 jobs during the period, or over 580 jobs per year. The downtown core is forecasted to add over 13,600 jobs during the same time period, or over 450 jobs per year on average.

**Table III-4  
Downtown Job Forecasts 2000-2030**

	<b>2000</b>	<b>2030</b>	<b>% Change</b>	<b>CAGR</b>
Downtown Core	19,351	32,994	70.5%	1.8%
Downtown	26,932	44,427	65.0%	1.7%
Pima County	350,600	652,400	86.1%	2.1%

Source: City of Tucson Planning Department

Approximately 7,000 people work within the private sector in zip code area 85701 within downtown Tucson. However, private sector downtown employment has been gradually declining in absolute amounts and as a percentage of countywide employment. Table III-5 compares private sector downtown employment (zip code 85701) with Pima County employment from 1994 to 2002, the last year employment data is available on a zip code basis from the U.S. Department of Commerce's County Business Patterns.

Non-farm private sector employment within zip code 85701 has fluctuated year to year, but has generally declined since 1994, while Pima County's employment has gradually increased. Consequently, this area's share of regional employment has fallen from 3.2 percent in 1994 to 2.3 percent in 2002, a 28 percent decline in market share.

**Table III-5 ZC 85701 and Pima County Non-Farm, Private Sector Employment  
1994-2002**

<b>Year</b>	<b>Zip Code 85701</b>	<b>Pima County</b>	<b>ZC 85701/Pima County</b>
1994	7,646	241,671	3.2%
1995	6,586	247,225	2.7%
1996	6,368	253,420	2.5%
1997	7,646	266,388	2.9%
1998	7,241	268,142	2.7%
1999	7,080	278,669	2.5%
2000	6,307	293,382	2.1%
2001	7,526	293,987	2.6%
2002	6,807	293,113	2.3%

Source: U.S. Department of Commerce, County Business Patterns

### ***The University of Arizona***

The University of Arizona’s proximity to downtown presents a significant opportunity. It is a major employer, generator of student and post-graduate demand, and an attractor of new residents to Tucson. The University has transferred some administrative facilities to downtown offices in order to free-up space on campus for other uses. It is a major sponsor and investor in proposed Rio Nuevo cultural facilities, in particular the planned science museum.

The University of Arizona has almost 37,000 students, or 34,500 full-time equivalent students; almost 14,500 employees, or over 11,700 full-time equivalent employment. According to University data, most students and staff cluster within Wards 3 and 6, primarily north and east of the campus. The adjacent neighborhood just west of campus is popular with students.

Downtown Tucson is a potentially appealing location, particularly for some staff and post-graduates, given its proximity to campus and unique urban environment, especially if public transportation linkages are improved. While the University of Arizona is not planned to increase enrollment significantly, employment is expected to increase as research and institutional functions grow. This may cause the relocation of more administrative facilities off campus, including downtown Tucson.

## IV. Population and Employment Forecasts

According to City of Tucson data, downtown Tucson is forecasted to add more than 12,600 people between 2005 and 2030, for a 28.7 percent change and a 1.01 CAGR, which is greater than historical trends. Census tracts 2, 5 and 25.01 are projected to add 1,240, 2,790 and 3,400 new residents during the 25-year period respectively.

Census tracts 3, 25.01 and 44.15 are forecasted to increase their population by more than 50.0 percent between 2005 and 2030.

Table IV-1 shows the City's population forecasts by census tract for Downtown Tucson between 2005 and 2030.

**Table IV-1 2005-2030 Downtown Tucson Population Projections**

	2005	2010	2015	2020	2025	2030	Numeric Change 2005-2030	Percent Change 2005-2030	Average Annual Growth Rate 2005- 2030
CT 1	643	702	766	833	893	941	298	46.42%	1.54%
CT 2	5,026	5,291	5,582	5,878	6,119	6,271	1,246	24.78%	0.89%
CT 3	1,628	1,815	2,017	2,228	2,423	2,586	958	58.88%	1.87%
CT 4	3,894	4,046	4,215	4,383	4,508	4,567	673	17.28%	0.64%
CT 5	10,535	11,125	11,770	12,428	12,972	13,330	2,795	26.53%	0.95%
CT 7	5,438	5,585	5,750	5,911	6,009	6,017	579	10.65%	0.41%
CT 8	1,728	1,788	1,854	1,920	1,966	1,983	255	14.78%	0.55%
CT 9	3,389	3,546	3,719	3,894	4,031	4,109	721	21.27%	0.77%
CT 10	938	990	1,048	1,107	1,156	1,188	251	26.76%	0.95%
CT 11	3,177	3,315	3,467	3,620	3,738	3,801	624	19.63%	0.72%
CT 25.01	6,008	6,674	7,395	8,144	8,836	9,410	3,402	56.63%	1.81%
CT 44.15	1,733	1,906	2,093	2,287	2,463	2,607	874	50.40%	1.65%
<b>Total DT</b>	<b>44,136</b>	<b>46,784</b>	<b>49,677</b>	<b>52,633</b>	<b>55,114</b>	<b>56,811</b>	<b>12,675</b>	<b>28.72%</b>	<b>1.01%</b>

Source: John Beall, Dept. of Urban Planning, City of Tucson and Economics Research Associates

The City of Tucson is forecasted to add almost 110,000 people between 2000 and 2010, which represents 55.6 percent of the total growth forecasted in Pima County and 7.0 percent in the State of Arizona. Table IV-2 shows population forecast for the city of Tucson, Pima County and the State of Arizona for 2010.

**Table IV-2 City of Tucson, Pima County and State of Arizona Population Projections**

	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>Numeric Change 2000-2010</b>	<b>Percent Change 2000- 2010</b>	<b>Average Annual Growth Rate 2000-2010</b>
City of Tucson	331,000	405,000	487,000	596,000	109,000	22.38%	2.04%
Pima County	542,000	666,000	844,000	1,040,000	196,000	23.22%	2.11%
Arizona	2,785,000	3,747,000	5,169,000	6,735,000	1,566,000	30.30%	2.68%

Source: US Census, L. William Seidman Research Institute, College of Business, Arizona State University, Economics Research Associates

Table IV-3 shows employment projections by industry in the Tucson Metro Area (MSA). The mining and services sectors are forecasted to grow more than 120.0 percent during the 30-year period, while Transportation, Communication and Public Utilities (T.C.P.U.) is expected to increase its employment base by 10.0 percent during the same time period.

All of the sectors are projected to add jobs from 2000 to 2030, with most jobs by far in the Services sector, followed by Trade, and Government. In terms of growth rates, the three fastest growing sectors anticipated are Mining, Services, and Trade. Finance, Insurance, and Real Estate (FIRE), an important sector traditionally for office and downtown markets, is projected to add 9,700 jobs over a 30-year period, or almost 325 per year, for a 1.8 percent annual growth rate.

The Trade, Services and the Government sectors account for 85.0 percent of the total employment growth during the 30-year period. The development over time of the Rio Nuevo cultural, entertainment, and visitor facilities will increase employment within downtown. Most of these jobs are expected in the Services sector. Given these forecasts, services and government, and to a lesser extent FIRE, will probably be the driving forces behind downtown employment growth.

**Table IV-3 2000-2030 Tucson MSA Employment by Industry Projection**

	2000	2010	2020	2030	Numeric Change 2000-2030	Percent Change 2000- 2030	Average Annual Growth Rate 2000-2030
Mining	1,900	2,100	3,100	4,300	2,400	126.32%	2.76%
Construction	21,900	23,900	29,600	34,100	12,200	55.71%	1.49%
Manufacturing	33,000	40,200	46,200	52,800	19,800	60.00%	1.58%
T.C.P.U.	12,000	13,100	13,300	13,200	1,200	10.00%	0.32%
Trade	72,600	85,800	112,300	142,300	69,700	96.01%	2.27%
F.I.R.E.	13,800	16,000	19,800	23,500	9,700	70.29%	1.79%
Services	119,200	159,900	208,800	266,200	147,000	123.32%	2.71%
Government	76,200	89,000	103,300	116,000	39,800	52.23%	1.41%
<b>Total</b>	<b>350,600</b>	<b>430,000</b>	<b>536,400</b>	<b>652,400</b>	<b>301,800</b>	<b>86.08%</b>	<b>2.09%</b>

T.C.P.U. = Transportation, Communication & Public Utilities

F.I.R.E. = Finance, Insurance, and Real Estate

Source: Tucson Planning Department and Economics Research Associates

## V. Residential Market Trends

This section examines residential trends in downtown Tucson and the city of Tucson.

### ***Building Permits***

Between 1995 and 2004, the City of Tucson has granted an average of 2,321 permits per year for single-family homes, with 2000 the year most permits were issued (2,876) and 1995 the least (1,731). Permits for single-family homes grew steadily between 1995 and 2000, and dropped since, as shown in Table V.1.

Excluding mobile homes, the City of Tucson has added, on average, 3,129 dwelling units per year, of which, 74.2 percent are single-family homes and 19.8 percent are apartments. From 1995 to 2004, Tucson has averaged 2,321 single-family permits, 190 town home, duplex, and tri-&-four-plex permits; and 619 apartment permits.

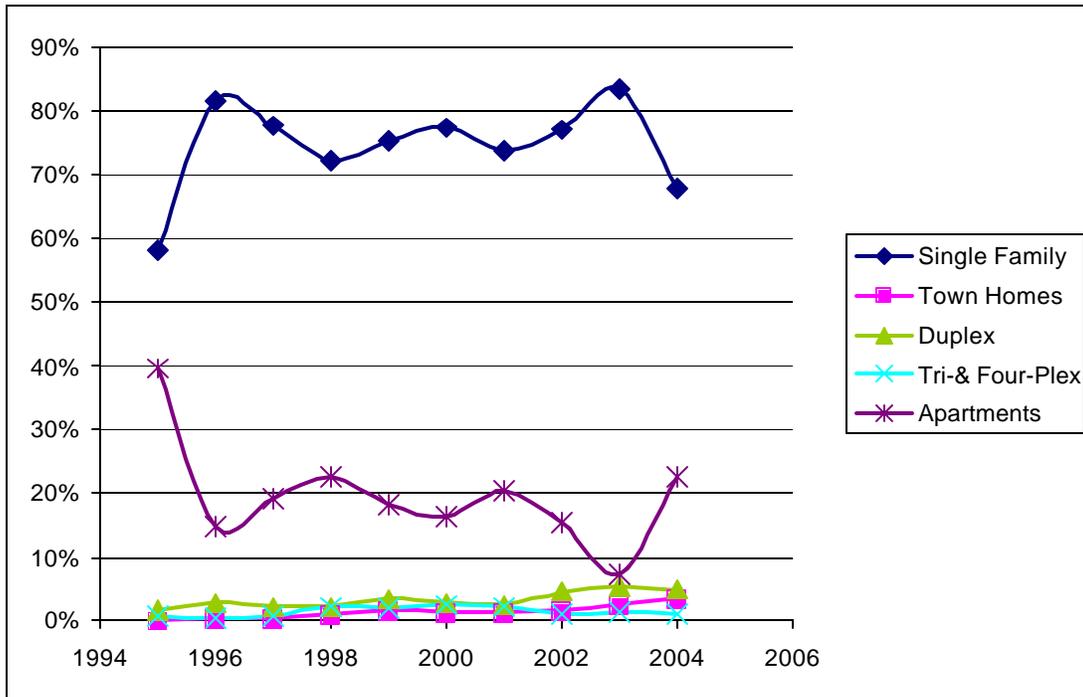
**Table V-1 1995-2004 Building Permits by Category in The City of Tucson**

Year	Single Family	Town Homes	Duplex	Tri-& Four-Plex	Apartments	Total Excluding Mobile Homes	Mobile Homes	Total
1995	1,731	0	50	20	1,175	2,976	544	<b>3,520</b>
1996	1,957	8	68	6	358	2,397	525	<b>2,922</b>
1997	2,055	10	56	20	507	2,648	390	<b>3,038</b>
1998	2,550	31	81	76	797	3,535	644	<b>4,179</b>
1999	2,657	58	118	67	641	3,541	615	<b>4,156</b>
2000	2,876	41	104	90	612	3,723	559	<b>4,282</b>
2001	2,534	42	88	77	703	3,444	611	<b>4,055</b>
2002	2,355	52	146	29	475	3,057	547	<b>3,604</b>
2003	2,353	72	156	33	207	2,821	373	<b>3,194</b>
2004	2,137	106	160	33	714	3,150	372	<b>3,522</b>

Source: City of Tucson Department of Planning and Design

Exhibit V-1 shows the direct relationship between single-family home permits and apartment permits per year. There appears an inverse relationship between single-family permits issued and apartment permits issued over time. As interest rates fall, ownership housing becomes more affordable, which increases demand for ownership housing among who might otherwise rent, thus reducing demand for apartments unless this demand is replaced by migration and new households (such as an increase in adult children moving out on their own). Conversely, as interest rates rise, ownership costs increase and more households choose to rent instead, increasing demand for apartments.

**Exhibit V-1 1995-2000 Share of Total Building Permits in The City of Tucson**



Source: City of Tucson Department of Planning and Design

**Sales Trends**

Residential sales in the Tucson Metropolitan Area increased steadily between 1997 and 1999, decreased 1.5 percent in 2000 and increased more than 9.0 percent every year thereafter as mortgage interest rates fell to historical lows. Total home sales increased 9.1 percent between 2001 and 2002, 10.3 percent between 2002 and 2003 and 16.4 percent between 2003 and 2004.

Table V-2 shows residential sales by type of home for the Tucson Metro Area between 1997 and 2004. As shown in the Table, single-family home sales more than doubled in 2004 compared to 1997, town homes and condominium sales increased 55.4 percent, while mobile home sales in 2004 decreased 43.9 percent compared to 1997 sales. Total home sales in the Tucson Metro Area doubled in 2004 compared to 1997 figures.

Despite a steady increase in total townhouses and condominium units during the seven-year period, the share of single-family homes with respect to total home sales per year in the Tucson Metro Area has increased from 78.5 percent in 1997 to 85.6 percent in 2004, while the share of townhouses and condominiums has decreased from 17.0 percent in 1997 to 13.2 percent in 2004, as shown in Exhibit V-2.

**Table V-2 1997-2004 Tucson Metropolitan Area Residential Sales**

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	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Single Family Homes</b>	6,650	8,013	9,018	8,927	9,984	10,971	12,192	14,559
<b>Townhouse/Condos</b>	1,444	1,572	1,721	1,715	1,842	1,985	2,168	2,245
<b>Mobile Home</b>	378	435	505	435	316	295	258	212
<b>Total</b>	<b>8,472</b>	<b>10,020</b>	<b>11,244</b>	<b>11,077</b>	<b>12,142</b>	<b>13,251</b>	<b>14,618</b>	<b>17,016</b>

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Source: Tucson Association of Realtors, Economics Research Associates

Exhibit V-3 shows the average sales price and days on market between 1997 and 2004, according to the Tucson Association of Realtors. The average sales price for all property types increased more than \$73,000 during the seven-year period, an increase of 55.3 percent. Furthermore, the average sales price for all property types increased 21.3 percent between 2002 and 2004, from \$169,063 to \$205,188 respectively.

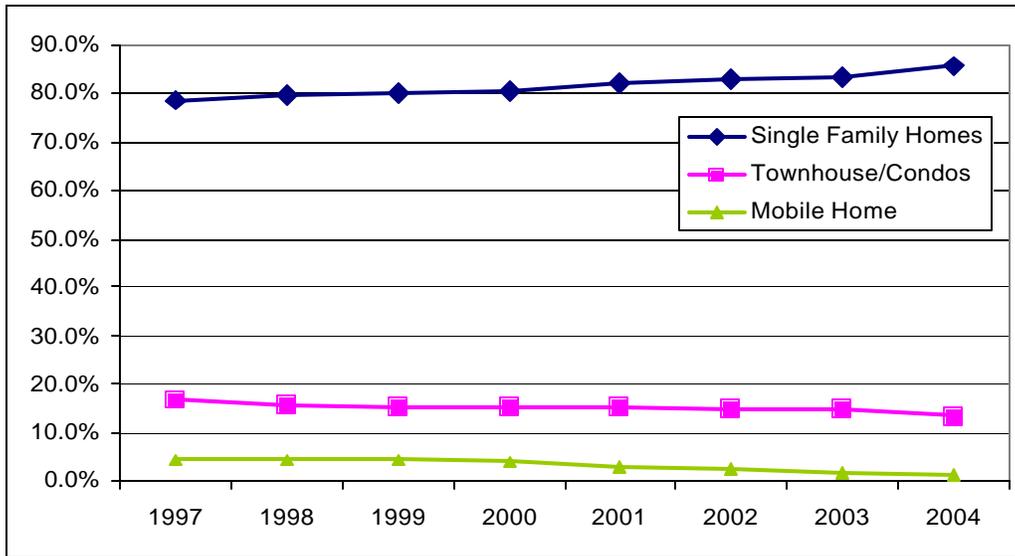
The increases in average sales price, coupled with the significant reduction in average days on the market signal to a strong Tucson Metro real estate market, fueled by job growth and historically low interest rates. Between 1997 and 2004, the average days on the market for all property types decreased from 78 to 49 for a 37.2 percent decrease.

## **Condominiums and Townhouses**

According to the MeyersGroup, during the 1<sup>st</sup> quarter of 2005, 44 townhouse/multiplex units sold, a 69 percent increase from the 1<sup>st</sup> quarter of 2004, and 44 condominium units sold, a 529 percent increase from the same quarter during the previous year. Among the projects selling units, the average monthly sales rate per project for townhouse/multiplex projects was 3.67, versus 1.30 the same period of the prior year. The monthly sales rate per project for condominiums was 11.09, versus 1.41 the same period of the prior year.

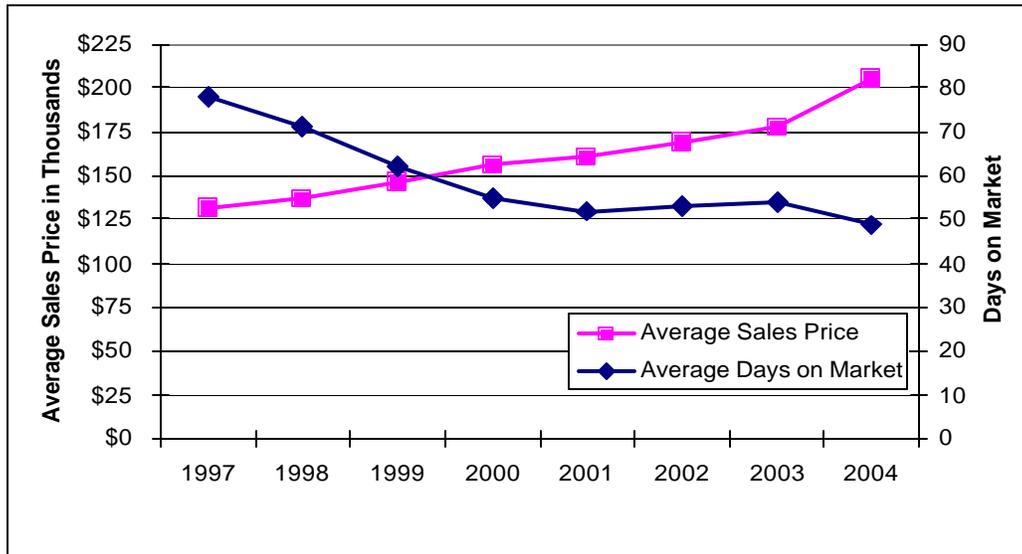
There were approximately 118 unsold townhouse/multiplex units during the 1Q, 2005, compared to 705 during the same time the prior year, and 47 unsold condominium units versus 15 during 1Q, 2004. Thus, much of the unsold inventory during early 2004 was absorbed, leaving few units available on the market.

**Exhibit V-2 1997-2004 Tucson Metro Area Share of Total Building Permits by Type**



Source: Tucson Association of Realtors, Economics Research Associates

**Exhibit V-3 1997-2004 Average Sales Price and Days in Market in the City of Tucson**



Source: Tucson Association of Realtors, Economics Research Associates

The median and average prices and size per unit were as follows:

**Table V-3: Median and Average Price for Townhouses and Condominiums,  
1<sup>st</sup> Quarter, 2005**

	<b>Square Feet Per Unit</b>	<b>Price</b>	<b>Price Per Square Foot</b>
<b>Median:</b>			
Townhouses/multiplex	1,458	\$170,690	\$122.90
Condominiums	968	\$156,900	\$155.89
<b>Mean Average:</b>			
Townhouses/multiplex	1,431	\$158,760	\$111.03
Condominiums	1,075	\$171,809	\$159.91

Source: The MeyersGroup

At the time there were five active townhouse developments and three active condominium developments by production builders. Most of the activity by production builders is in the suburban communities in northeast Tucson, southeast Tucson, and Oro Valley north. The projects typically were targeting retirees, professional couples, empty nesters, and singles. The townhouses were on lots ranging from 2,000 to 5,500 square feet. The condominiums typically were two-story suburban products.

There are few examples of the type of urban housing envisioned for downtown Tucson. One condominium project, West University Court, is near Downtown at Euclid and 6<sup>th</sup> Street, and sold condominium units ranging from 1,205 to 1,870 square feet, for \$182,400 to \$249,900, or \$134 to \$151 per square foot.

### **New Downtown Housing**

Table V-4 shows planned, under construction or nearly finished residential projects in Downtown Tucson. Twelve of the fourteen projects in Downtown are for-sale projects, adding 762 units to the downtown ownership housing stock and two rental projects adding 110 units. Combined, these projects account to a total \$211 million in reported value, or an average of \$277,000 per unit, which is significantly greater than the value reported for suburban townhouses and condominiums.

Although interest rates are slowly rising, they are still historically low. Continued population and job growth are likely to continue fueling home ownership in the Tucson Metro Area. According to brokers and sales agents interviewed, owners of housing in high cost markets in other states, such as west and east coasts, and, in particular, California have generated some demand for Tucson ownership housing. The cost of housing in Tucson compared to these other markets is much lower and a relative bargain. People from these other states can buy Tucson housing, either

to relocate to, own as a second or seasonal home, or speculate, with their surplus equity from their other home.

**Table V-4 Downtown Tucson Residential Projects**

<b>Project</b>	<b>Type</b>	<b>Units</b>	<b>Price</b>	<b>Value</b>	<b>Status</b>
1 Court and Meyer	For Sale	5	<\$150 to \$325k	\$1.5 M	Occupied
2 Barrio Viejo Townhomes	For Sale	5	<\$150 to \$325k	\$1.5 M	Occupied
3 Franklin Court	For Sale	7	\$325+	\$2.5 M	Near Completion
4 Osborne Place	For Sale	8	<\$150k	\$2.0 M	Occupied
5 Academy Lofts	For Rent	50	\$800 to \$2,000/month	\$10.0 M	Under Construction
6 Ice House Lofts	For Sale	51	<\$150 to \$325+	\$12.0 M	Near Completion
7 Presidio Terrace	For Sale	60	\$150 to \$325+	\$16.0 M	Design
8 La Entrada Apartments	For Rent	60	N/A	\$4.6 M	Under Construction
9 The Post/Thrifty Block Lalo Guerrero Barrio Viejo	For Sale	61	\$150 to \$325+	\$22 to \$25 M	Planning & Design
10 Senior Housing	For Sale	62	<\$150k	\$4 M	Occupied
11 Armory Park Del Sol	For Sale	93	\$200 to \$325+	\$33 M	50% Complete
12 Paseo Estrella	For Sale	104	\$150 to \$200	\$18 M	Under Construction
13 Depot Plaza Mercado District of Menlo	For Sale	106	<\$150 to \$325k	\$34 M	Planning
14 Park	For Sale	200	<\$150 to \$325+	\$50 M	Planning & Design

Source: City of Tucson Planning Department

### ***Rental Market***

During the 1<sup>st</sup> quarter of 2005, the Tucson Metropolitan Area had a total of 20,604 rental units, of which, 20.6 percent are Class A units, 28.4 percent Class B, and 51.0 percent Class C. According to Realfacts, the age of the rental units ranges between 1961 and 2002, with the average age year built 1984.

Of the total rental housing stock, 51.2 percent are 1-bedroom units and 39.8 percent 2-bedroom units, as shown in Table V-5.

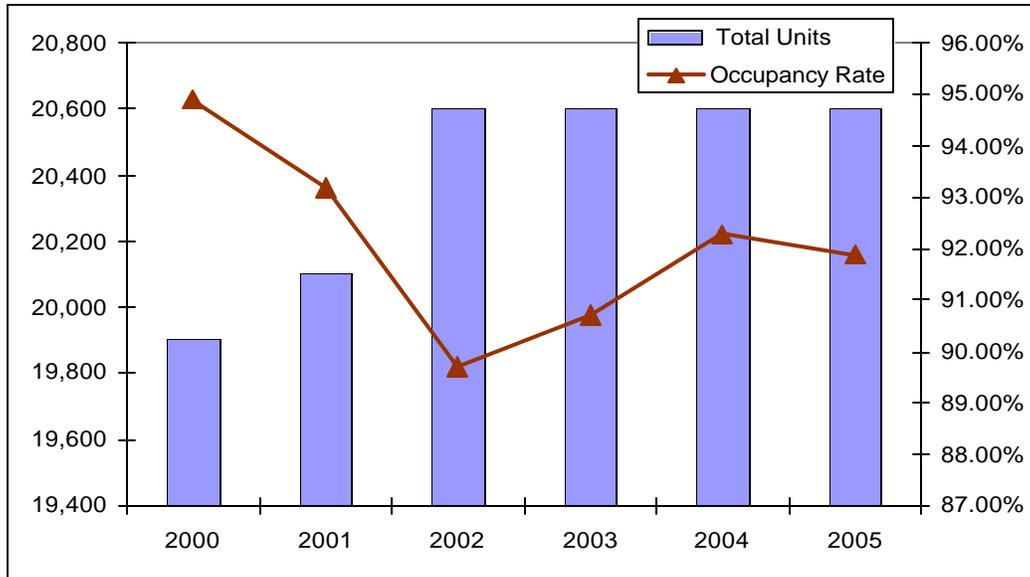
**Table V-5 1<sup>st</sup> Q2005 Tucson Metro Area Rental Market by Unit Type<sup>2</sup>**

	Units	% of Total	Avg. SF	Avg. Rent	Avg. Rent/SF/ Month
<b>Studio</b>	528	2.6%	413	\$ 416	1.01
<b>1 Br</b>	10,550	51.2%	627	\$ 536	0.85
<b>2 Br</b>	8,201	39.8%	951	\$ 716	0.75
<b>3 Br</b>	1,286	6.2%	1,164	\$ 865	0.74
<b>4 Br</b>	39	0.2%	1,299	\$ 930	0.72
<b>Total</b>	<b>20,604</b>	<b>100%</b>	<b>785</b>	<b>\$ 626</b>	<b>0.80</b>

Source: Realfacts 1Q2005 and Economics Research Associates

Exhibit V-4 shows total rental units and occupancy rates in the Tucson Metro Area between 2000 and the 1<sup>st</sup> quarter of 2005. With the addition of 200 rental units in 2001 and 500 in 2002, the occupancy rate fell, from 94.9 percent in 2000 to 93.2 percent in 2001 to 89.7 percent in 2002. Occupancy rates improved in 2003 and 2004, absorbing 206 units and 330 units respectively, but slightly fell again in the 1<sup>st</sup> quarter of 2005. Home sale increases in the Tucson Metro Area during recent years have also decreased occupancy rates in the rental market.

**Exhibit V-4 1997-2004 Occupancy Rate and Total Rental Units in Tucson Metro Area between 2000 and the 1st quarter of 2005**



Source: Realfacts 1Q2005 and Economics Research Associates

<sup>2</sup> Average SF and Rents are weighted averages of: 1b Jr. 1br, 1br-1bth, 1bd-1.5bth and 1bd TH; for 2br, 2bd-1bth, 2bd-1.5bth, 2bd-2bth and 2bd TH. For 3br, 3bd-1.5bth, 3bd-2bth and 3bd TH.

Table V-6 shows average monthly rents for the Tucson Metro Area between 2000 and the 1<sup>st</sup> quarter of 2005. Average rents include new and existing units. Rates increased the most in 2001 and 2002, years when new rental units entered the market, signaling higher rents for the new units. Rent increases have constantly remained under inflation rates, signaling affordable conditions for renters, and the need to keep rents lower than monthly ownership costs.

**Table V-6 2000 to 1Q 2005 Tucson Metro Area Rental Trends**

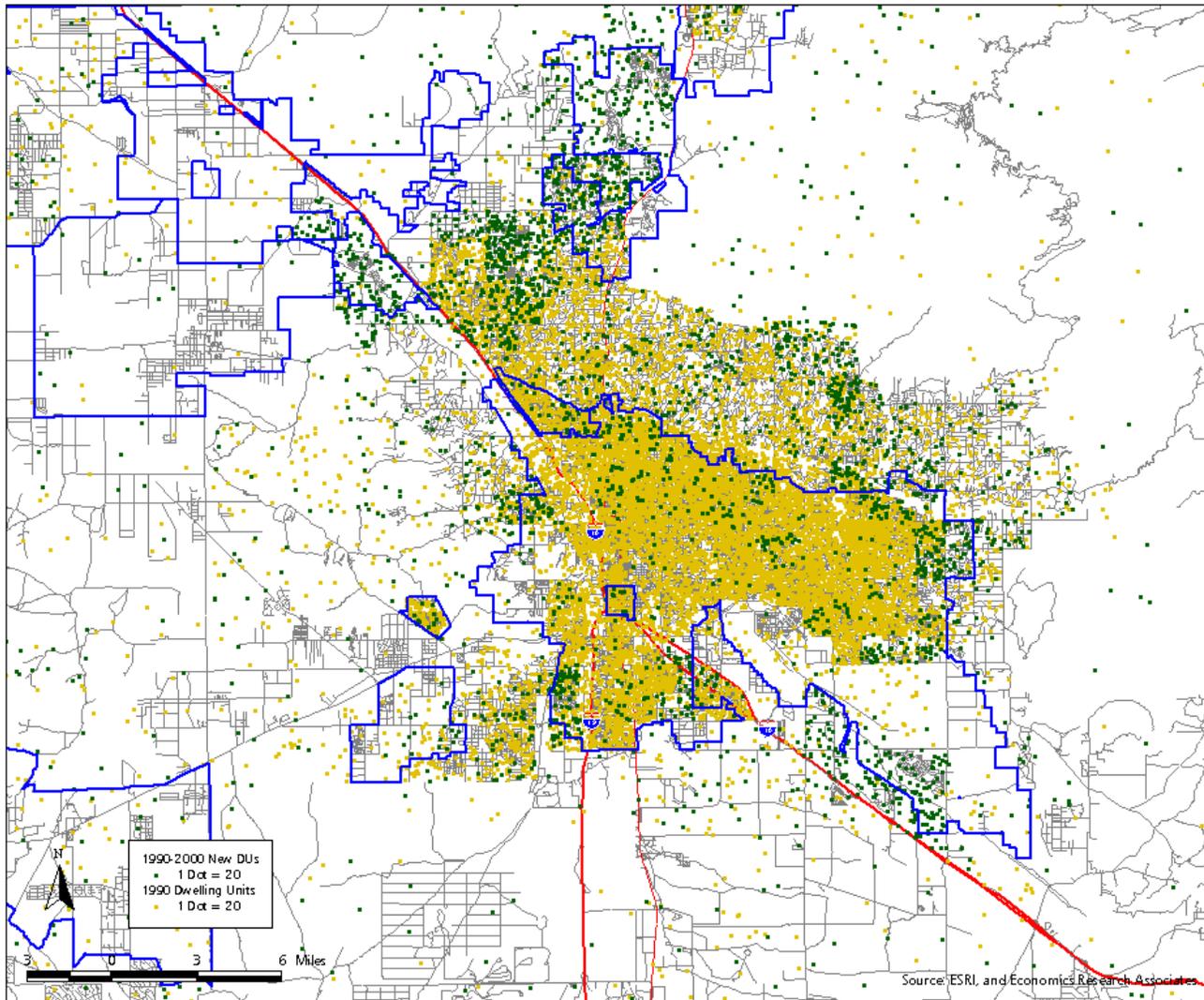
	<b>Avg. Monthly Rent</b>	<b>Numeric Change 2000-2005</b>	<b>Percent Change 2000-2005</b>
2000	\$568	N/A	N/A
2001	\$584	\$16	2.8%
2002	\$604	\$20	3.4%
2003	\$611	\$7	1.2%
2004	\$620	\$9	1.5%
2005	\$626	\$6	1.0%

Source: Realfacts 1Q2005 and Economics Research Associates

The Central area market, which includes downtown, tends to have older rental stock on average, typically has lower than average rents, typically 7-10 percent lower than the regional average, but also lower than average vacancy rates.

Exhibit V-5 presents a dot density overlay of dwelling units in the Tucson area during 1990 and incremental units between 1990 and 2000. The exhibit shows that the distribution of new dwelling unit growth is more scattered about the downtown, which is unlike the decades of the 1970s and 1980s, when new development concentrated almost exclusively to the northwest of downtown. The more recent development pattern suggests that downtown Tucson is regaining some of its centrality relative to the regional population, and that centrality bodes well for future downtown retail and office development.

**Exhibit V-5**  
**City of Tucson Dwelling Unit Growth 1990-2000**



## **VI. Downtown Housing Forecast**

This section presents ERA's housing forecast for Downtown Tucson.

### ***Downtown Housing Demand***

#### **Estimated Total Units Demanded**

Tables VI-1 presents projected housing demand for downtown Tucson generated from regional employment growth in five-year increments to 2020. Considering new employment generation per period, and applying the average workers per household ratio for Pima County in 2000, ERA estimated demand for housing units per period for Pima County.

To estimate household demand for downtown Tucson, ERA obtained downtown Tucson's share of total Pima County households in 1990 and 2000, 4.7 percent and 3.7 percent respectively. The decrease in share was attributable to regional household growth, except in the downtown area. ERA also considered the share of recently occupied units in downtown, which appeared to comprise less than 1 percent of regional household growth. More recently, new projects under construction or near completion represent less than 3 percent of regional household growth.

Based on City data, approximately new downtown residential units are occupied, 365 are under-construction or near completion, and 427 are in the planning and design phase, so the rate of downtown development is growing. However, assuming a two period from planning and design to construction and occupancy, the total 872 units will equal an annual absorption of approximately 218 units per year on average.

With the above information, ERA considered low, median and high scenarios. Each scenario assumes that the City and private developers position downtown Tucson to capture a share of the regional housing market in a concerted way.

Since Downtown's share of Pima County households decreased considerably in 2000 compared to 1990, as households in downtown remained the same while they grew in Pima County, continuance of historical trends and conditions would lead to very limited growth, below the low scenario estimated here. The almost 900 units recently occupied, currently under-construction, or planned is encouraging that past trends are changing.

**Table VI-1 Projected Downtown Tucson Housing Demand Potential  
2005-2020**

	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>
<b>Pima County Employment Forecast</b>	350,600	390,300	430,000	483,200	536,400
Total Increase in Employment by Period		39,700	39,700	53,200	53,200
Average Workers Per Household		1.12	1.12	1.12	1.12
Pima County Households Generated		<b>35,446</b>	<b>35,446</b>	<b>47,500</b>	<b>47,500</b>
<b><u>Downtown Capture of Pima County HH</u></b>					
Low Scenario			2.5%	3.0%	3.5%
Moderate Scenario			3.0%	3.5%	4.0%
High Scenario			4.0%	4.5%	5.0%
<b><u>New Downtown Tucson Households</u></b>					
Low Scenario			886	1,425	1,663
Moderate Scenario			1,063	1,663	1,900
High Scenario			1,418	2,138	2,375
<b>Seasonal/Non-Wage Income HH Factor</b>			1.05	1.1	1.15
<b><u>New Downtown Tucson Households</u></b>					
Low Scenario			930	1,568	1,912
Moderate Scenario			1,117	1,829	2,185
High Scenario			1,489	2,351	2,731
<b><u>Housing Demand @ 95% Occupancy</u></b>					
Low Scenario			979	1,650	2,013
Moderate Scenario			1,175	1,925	2,300
High Scenario			1,567	2,475	2,875
<b><u>Cumulative New Downtown Tucson HH</u></b>					
Low Scenario			1,031	2,681	4,693
Moderate Scenario			1,237	3,162	5,462
High Scenario			1,650	4,125	7,000

Source: Economics Research Associates

A factor was added to account for potential new housing demand from second home buyers and people with non-wage incomes, such as retirees moving to the region, students supported by family income, and people on transfer payments.

The low scenario assumes that downtown begins to capture a share of regional demand, reaching downtown Tucson's year 2000 share of countywide households by 2020. The high scenario assumes Downtown's market share exceed its year 2000 share of countywide households. The medium scenario falls between these two, with a market share increasing, exceeding its year 2000 share of countywide households shortly after 2015. For all scenarios, ERA assumed downtown Tucson's capture rate will grow over time as the downtown housing market matures.

Under these assumptions, ERA estimates that downtown Tucson may add from 4,700 to over 7,000 new housing units from 2005 to 2020, for over 310 to almost 470 units per year on average. This rate would equal approximately 11-16 percent of the City of Tucson's average annual residential permits.

## **Tenure**

Of this amount, 50-70 percent of the new housing stock should be ownership housing, depending on mortgage interest rate trends. In the near-term, if interest rates remain relatively low, ownership housing should dominate the market and generate greater value. This ratio of ownership housing is significantly greater than downtown Tucson's current 40 percent homeowner ratio, but even with the addition of almost 8,500 housing units, of which 70 percent are owner-occupied, the ownership rate in downtown Tucson would be about 50 percent, still below but approaching the citywide ownership rate and still well below the countywide ownership rate.

The opportunity for ownership housing in the near term is greater in the downtown neighborhoods than in the CBD. Given that the CBD might be considered more risky because of its limited residential development, particularly for ownership housing, and caution given the state of commercial retail development there, lack of activity after work hours, and security concerns, CBD development in the near term may have to lead with luxury rental units, perhaps built to condominium standards for future conversion.

## **Age and Income**

According to population forecasts, the proportion of regional population in selected age groupings are projected to change as shown below:

<b>Year</b>	<b>20-34 years</b>	<b>35-54 years</b>	<b>55-74 years</b>	<b>75+ years</b>
2005	21%	27%	17%	8%
2015	21%	24%	22%	8%
2025	20%	22%	23%	10%

Relative to 2005, the young adult population has a relatively stable share of population, while the middle-aged cohorts' share is expected to decline, and the pre-retiree/retiree is expected to grow significantly. The young adult and pre-retiree/retiree age cohorts are mostly associated with higher density urban housing because they tend to have fewer children per household. However, the middle-aged population is still important, particularly those without children.

Given these demographic trends, it is anticipated that the support for downtown housing should continue to rely on young adults, which are stable proportionately, and, increasingly, on empty nesters and retirees as these segments grow significantly. The middle-aged population will be important, because of their buying power, but their share of the downtown market may soften overtime as their numbers decrease proportionately.

## ***Type of Housing***

### **Residual Value Analysis**

A preliminary and simple residual land value analysis was conducted of two hypothetical scenarios to test the potential financial feasibility of urban housing. The first scenario is a hypothetical low-rise wood-frame housing project built on a platform with parking half-level below and half-level above grade utilizing natural ventilation. The second scenario is a hypothetical high-rise, underground parking project. Development costs for both scenarios were based on RS Means data for the Tucson region, while sales price per square foot data was obtained from ERA Realty, which provided Tucson MLS comps for the downtown area. The low-rise scenario provides residual land values estimated at \$24.4 per square foot of land area, while the high-rise scenario estimates residual land values at \$44.0 per square foot. These values exceed the reported price of land in most areas of downtown neighborhoods, though not necessarily the price of properties with improvements that must be purchased and properties in the higher-value commercial core. This analysis is presented in Appendix B. The preliminary results indicate that new downtown housing could be financially feasible under the right cost and revenue conditions for these typical types of products.

## Suggested Housing Types

Recognizing that downtown Tucson includes the neighborhoods adjacent to the central business district, ERA recommends the following housing types for the downtown area:

- 3 to 6 story multi-family condominiums and rental apartments with common amenities and “tuck-under” parking;
- Multi-family for-sale housing with subterranean parking when financially feasible by sales prices and land costs;
- Loft development, either as adaptive re-use, new construction, and/or live-work space;
- Townhouses in selected infill sites in surrounding neighborhoods;
- Limited number of high-rise towers within the CBD targeted to retirees, empty-nesters, and professionals seeking secure buildings with views and amenities;
- Affordable low and moderate-income housing.
- Mixed-use development where warranted;

ERA believes that townhouses, tuck-under parking condominiums and lofts would be the most appealing for downtown, given Tucson’s moderate-income economy.

## **VII. Case Studies**

The two case studies presented below – Albuquerque and San Diego – were chosen because of each city’s ability to create a downtown housing market from a limited pre-existing market, within a southwestern, sunbelt city context, and the lessons they offer about organizing public/private partnerships to create their new markets.

### ***Downtown Albuquerque***

Founded in 1706 by the Spanish, Albuquerque is the largest city in the State of New Mexico. In 2000, there were 448,600 residents in the city and 750,000 in its metropolitan area.

Albuquerque’s downtown declined during the 1950’s and 1960’s, with the population moving out to new communities in the outskirts of the city. Auto accessibility was a contributing factor to this trend. Recreation and shopping activities shifted to the suburbs, substantially decreasing downtown’s share of the city’s retail supply.

As was the case with many cities in the United States, downtown Albuquerque emptied after 5.00 pm everyday, with few after-hour activities.

### **Early Redevelopment Efforts**

The first attempt to revitalize the downtown area started with a \$28 million federal fund for the Tijeras Urban Renewal Project. The Civic Plaza, Police Station, Convention Center, Regent Hotel, United New Mexico Bank and First Plaza were a direct result of this effort. The Tijeras Project successfully increased property taxes in the area.

To continue the revitalization trend in the downtown area, local interest groups needed new sources of revenue, as federal funds had been exhausted. In the mid-1970’s, The Metropolitan Redevelopment Act (MRA) enabled the Albuquerque Center Incorporated (ACI) to organize and provide a framework for new sources of funding for the downtown area. The City of Albuquerque, Bernalillo County, and the private sector partnered to form ACI.

The MRA allowed the creation of privately financed bonds with the incentives of municipal bonds. The bonds offered qualified investors competitive interest rates and tax exemptions for ten years. These incentives attracted enough money to redevelop entire downtown sections, balancing construction of new buildings, revitalizing old buildings, re-incorporating retail, and high-density housing.

Several buildings were renovated during this period, including the Old First National Bank Building, the Wool Warehouse Dinner Theater, Cooper Square, and Rosenwald Building, among

others. New office buildings added during the second phase included Sunwest Bank, Albuquerque Bell Telephone Company, and Federal Credit Union. In addition, a high-density residential complex was built on Silver Street.

The third phase of Albuquerque's redevelopment efforts included a higher degree of public outreach, focusing on creating a sense of place for the downtown area that would attract outside visitors as well as local residents. In the early 1990's, additional hotel space, bars, nightclubs and restaurants were built to cater to the after-hours crowd. The Convention Center expansion was also built during this period.

Besides new buildings in downtown Albuquerque, including the Federal Courthouse, First State Bank, and the Civic Plaza Renovation, several public art projects have increased the vitality and attractiveness of the downtown area. These projects were mainly the result of effective collaboration between public and private entities, including the local merchants' organization, known as Downtown City Center Council.

## **Recent Redevelopment Efforts**

These previous efforts created some important public buildings and a few private buildings in downtown, but sustained private investment did not follow in a major way – an organization was needed to stimulate private investment. By 1998, downtown had 25,000 jobs in the finance and utility sectors, professional services and government, (a 20 percent drop over the previous twenty years in a metro area that was growing), but little housing and retail services.

In 1998, local civic and business leaders formed the nonprofit Downtown Action Team (DAT) organization to create a community-wide strategy and implementation plan for the downtown area. Despite past efforts, downtown still contained many underutilized lots with surface parking and empty storefronts, with little vibrancy after working hours. At that time, no major private sector building permit had been issued in prior 15 years, despite all of the public sector investment.

In 2001, the Historic District Improvement Company (HDIC), led by Christopher Leinberger, was formed to demonstrate to private investors and developers that private development in downtown Albuquerque was feasible. HDIC is a partnership of McCune Charitable Foundation of Santa Fe, New Mexico and Arcadia Land Company, a New Urbanist development company that built one of the first and most renowned communities employing New Urbanism principles – Seaside, Florida. McCune Charitable Foundation, the largest foundation based in New Mexico, and a supporter of "Smart Growth," invested \$6 million of equity, or 4 percent of its asset base, to form HDIC.

A focus of HDIC's development was a six-block redevelopment district on primarily surface parking lots that the City owned since the 1960s. The initial catalytic development was the 110,000 square foot, \$20 million Century theater block, with a 14-screen movie theater, specialty retail and office space. A second project included the adaptive re-use of an old 53,000 square foot building, the Crossroads, at the historic intersection of Route 66 and the 16<sup>th</sup>-century Spanish Royal Road, into a cluster of specialty shops, restaurants, and pubs

The City and HDIC became investment partners. The City invested \$12 million in the form of land, parking structures, infrastructure, and tax abatements. HDIC agreed to pay the city 25 percent of HDIC's cash flows in years 6-11 and 50 percent from year 25 until 125 percent of the initial investment is returned or year 20, whichever comes first. The City also estimated that it might receive approximately \$30 million in net tax revenues from the site's redevelopment over a twenty-year period, plus the induced tax benefits on surrounding sites.

HDIC, which is taking a long-view for its returns, will receive 100 percent of the cash flow during the first five years, most of which is dispersed to conventional real estate investors with shorter-term return requirements, then 75 percent during years 6-11, 50 percent from years 12 through 20, and 100 percent from year 21 on.

These investments have started to create a market for downtown housing. They helped create a walkable, mixed-use, culturally diverse environment that is convenient. This new environment is beginning to find a market that was not being served in the sprawling Albuquerque metro area. They have also inspired other new urban developers, such as Paradigm & Company, to revive an area called Edo (East Downtown) and to convert Albuquerque High School into 54 loft apartments. Other housing projects include HDIC's \$15 million, 80,000 square foot Gold Avenue lofts, with 32 condominium lofts, office condos, and retail space, a 109-unit luxury apartment complex, and a planned supermarket on a old Greyhound Bus terminal site into a supermarket, with 200 to 250 mixed-income residential units. The first 220 new residential units in the area were developed in 2001 at rates approximately 20 percent above the highest rates in the city at that time. Rents and home prices have risen ever since. In 2003, Downtown rents were from \$1.04 to \$1.15 per square foot, compared to top rates of \$0.87 per square foot in the city. For-sale lofts were selling for \$232 per square foot, twice the highest rates in Albuquerque at the time.

While there has been some commercial success, the housing market is still in the process of proving itself, with some for-sale projects selling at slower than anticipated absorption rates.

## **Related Actions**

A key ingredient in downtown's transformation and attraction of private investment was a dramatic change in the zoning code. The new code, called Downtown 2010, streamlined the

development process, allowing for zoning approval in a day, building permit approval in three weeks, administratively, and flexibility for height and density.

Other supporting actions included a free downtown trolley route, \$25 million of new parking garages, a new transit center, a business improvement district, street conversions, and new public buildings.

To address gentrification, an important concern among existing low-income residents, the Albuquerque Civic Trust was organized that uses fees paid by the market-rate private investment to help provide and preserve affordable housing, commercial space, and public space downtown.

Downtown's revitalization, combined with other initiatives, have inspired regional "Smart Growth" efforts, that, in turn, will help support future downtown housing development. In 2003, the Albuquerque Alliance for Active Living with the 1,000 Friends of New Mexico, with a \$200,000 grant from the Robert Wood Johnson Foundation, formed to lobby for land use policies that encourage future growth towards Albuquerque, including urban infill in its downtown, and away from sprawl, in an integrated and pedestrian-oriented fashion that efficiently utilizes existing infrastructure and charges development in areas without infrastructure the full marginal cost of development, through impact fees. Some of the active developers of downtown Albuquerque, including the Historic District Improvement Corporation and Arcadia Land Company are members of the Alliance.

Since 1998, Downtown Albuquerque has received more than \$450 million in public and private investment, which is in the process of transforming even more Albuquerque's downtown.

## ***Downtown San Diego***

### **Beginnings**

In the late 1960s, as suburban San Diego flourished, the downtown area had experienced severe decline. Downtown properties could not generate enough revenue to cover basic city services such as fire and police protection.

In 1972, the city's mayor, Pete Wilson, created an aggressive program for revitalizing downtown and alleviating its economic and physical blight. He sought to bring retail and commercial businesses back downtown to create a strong job base. He also wanted to make downtown more attractive to residents and create a regional hub of government.

Through the use of California's Community Redevelopment Law, in 1975, Wilson and the San Diego City Council created the Centre City Development Corporation (CCDC), a public non-

profit corporation acting on behalf of the City and the Redevelopment Agency. CCDC was charged with developing a livable and vibrant downtown community by facilitating public-private partnerships, engaging in strategic planning and urban design, acquiring property, and implementing relocation programs. In addition, the corporation was responsible for public improvements and public financing for downtown projects.

CCDC began with four redevelopment projects totaling 325 acres: Horton Plaza, the Marina, Columbia, and the Gaslamp Quarter. With the adoption of the Centre City Redevelopment Project in 1992, CCDC's area of responsibility was expanded to include nearly all of the 1,500 acres within downtown San Diego.

## **Project Area Formation and Tax Increment**

The creation of a redevelopment project area requires a detailed evaluation, which is a lengthy process involving numerous public hearings in accordance with State law. A determination and designation of blight must be found for the area and a plan developed. The plan adopted for an area by the redevelopment agency must be consistent with the City of San Diego's General Plan and must outline specific purposes and objectives. Once a project area has been designated, CCDC then negotiates and monitors developments coming online, acquires and sells land within the area, provides public improvements, and organizes relocation programs. Additionally, CCDC is involved with strategic planning and urban design for downtown through initiating projects, reviewing development proposals, developing financial programs, and assisting developers in the assembly sites for all types of development, including low- and moderate-income housing projects.

CCDC and its Board are also primarily responsible for reviewing and approving projects that comply with the adopted Downtown Community Plan. A master Environment Impact Report (EIR) is certified with the adopted Downtown Community Plan, relieving developments that comply from having to prepare full environmental impact reports. If a plan amendment is proposed, however, the process goes through the more conventional city approval and environmental review processes, including the Planning Commission and City Council.

This project review and approval system significantly expedites project approval and reduces carrying costs for developers, which attracts capital to downtown. Developers also have a strong incentive to comply with the adopted community plan which provides all property owners, agencies, and the public relatively more certainty.

The major financial instrument of CCDC is tax increment financing. Once a redevelopment project is adopted, the assessed valuation of property within the project's boundaries determines the base year value. The difference between that value and the higher value after all properties' improvements within the district after the base year is the tax increment. Tax increment funds are used to finance public improvements, write-down land costs, and other public purposes. As

required by State Law, a minimum of 20 percent of tax increment is set-aside for low and moderate-income housing.

## **The Evolution of Housing**

CCDC initially concentrated its housing development within the Marina Redevelopment Project Area. The first major housing developments downtown in the 1980s were subsidized by writing down land costs, and ranged from a townhouse planned unit development (PUD), condominium flats, to a high-rise luxury condominium tower. The developments were relatively limited and were inward focused complexes, accessible through secure common entrances, with no or few units directly accessible to the street. Most projects that were not high-rises provided their parking on one-level built a half-level below and a half-level above grade, with natural ventilation.

Horton Plaza, an open-air and fanciful regional shopping center that was more integrated with the downtown fabric was built in the late 1980s. This development generated new enthusiasm for downtown, and began to attract suburban consumers to downtown for shopping. Private property owners were slowly rejuvenating the historic Gaslamp Quarter, but this did not lead to a significant amount of new housing other than single-room occupancy developments. The San Diego Convention Center was developed in the early 1990s, which, combined with Horton Plaza and the residential neighborhood that developed in the Marina District, helped accelerate the Gaslamp Quarter's revitalization.

The recession of the early-1990s brought downtown housing development to a virtual halt. The most recent developments that opened just as the recession emerged fell in value. CCDC continued with planning and implementing public improvements, such as the Martin Luther King Promenade linear park and urban design improvements to Broadway to help prepare downtown for new development. Eventually, the recession began to subside by the mid-1990s, but property owners and developers were still cautious. Jonathon Segal, an architect-developer, saw an opportunity with remnant lots within the Marina District that were too small or constrained to interest the larger merchant builders. He developed the first small-scale walk-ups and flats on these sites that directly accessed and related to the street scene. His developments were successful and proved that there was a demand for smaller scale urban housing and walk-ups.

During the mid-1990s, CCDC wanted more housing to develop, but was frustrated that property owners were not responding. In a major move, CCDC issued an umbrella developer request-for-proposals (RFP) that for nine properties. While CCDC encourage property owners to joint venture with experienced developers and enter into owner-participation agreements with the Agency, CCDC was willing to use its eminent domain powers to initiate development on specific parcels. CCDC also retained the right to mix and match developer proposals with specific parcels.

This action, combined with the preparation of a master EIR to expedite the development approval process, energized the downtown housing market. BOSA Development, from Vancouver, B.C., saw an opportunity with high-rise luxury condominiums with Pacific Ocean views that few local developers were willing to risk after having experienced the recession of the early 1990s and the notable devaluation of one tower. Their success inspired other major development companies, such as Forest City Enterprises, local developers, and new small development companies formed specifically to build urban housing.

In addition, CCDC invested in public facilities and services that would help support and downtown housing environment. One notable project that the CCDC helped subsidize was the development of Ralph's supermarket within the heart of downtown. Built with a brick façade and underground parking, across the street from Horton Plaza, the Ralph's demonstrated to the market that downtown San Diego was a serious residential neighborhood, with services, and not just a cluster of individual developments.

Other districts have since emerged as residential sub-districts of downtown, such as Harbor View/Little Italy, East Village and the Ballpark District, Cortez Hill, infill development within the Gaslamp Quarter, and other blocks. CCDC has not had to subsidize residential development, except for affordable low and moderate-income housing, in years. As activity has increased, so have density and land values.

## **Results**

After 26 years of work, CCDC has invested \$410 million public dollars to leverage \$2.4 billion in private developments. Taxes on sales, hotel rooms, and properties have increased more than \$48 million annually. More than 6,000 permanent jobs and 16,000 construction jobs were created. Today more than 20,000 people live downtown. The public-private efforts led by CCDC have resulted in 5,210 new housing units, 5.7 million square feet of Class A office space and 4,555 new hotel rooms. Numerous structures throughout downtown were dramatically rehabilitated many within the Gaslamp Quarter Historic District.

By 2025, commercial and residential development is expected to accommodate 50,000 residents and 150,000 jobs. CCDC is working to create another 25,560 housing units, 14.4 million square feet of office space and 1.5 million square feet for service, entertainment, and retail uses. More neighborhood parks as well as improvements to infrastructure and open spaces are also in the works.

## **The Residential Vision for Downtown**

The commitment to downtown housing was not accidental. In the late 1980s-early 1990s, the mayor formed a downtown visionary committee led by Ernie Hahn, founder of the Hahn

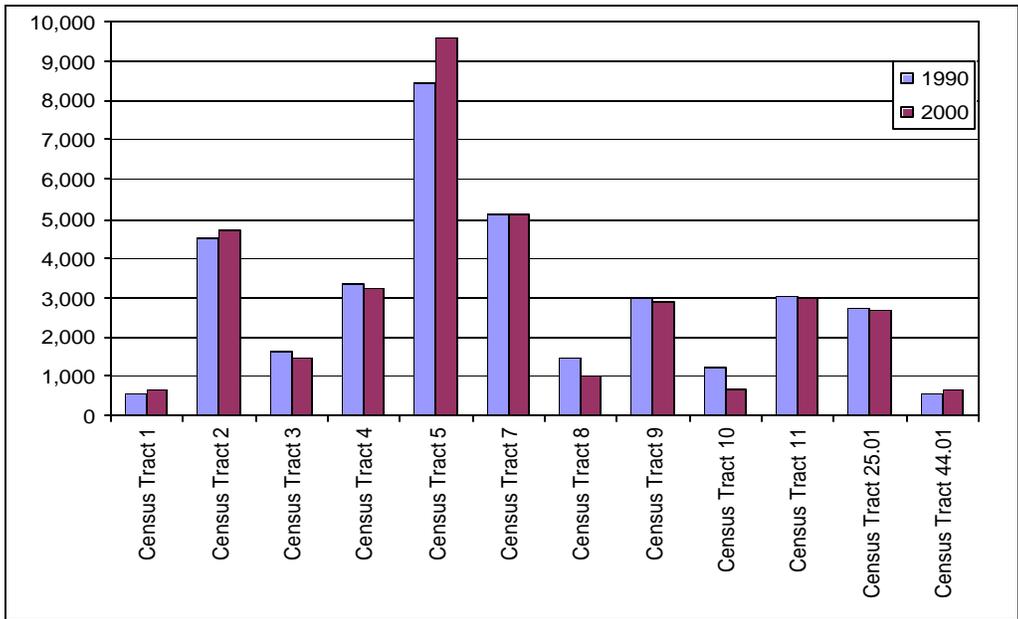
Company, one of the largest regional shopping center developer/owners in the United States, the developer of Horton Plaza, and a San Diego resident, to develop a downtown strategy. They concluded that downtown San Diego, due to its proximity to Los Angeles, would not be a major financial center (especially after the collapse of the Savings & Loan industry) or corporate headquarters center. While downtown would be a regional government, financial, and professional center, it has a unique opportunity to become a major tourism and residential center, because of its location on the bay and the Pacific Ocean, its proximity to Balboa Park, its central location in the region, and its investment in tourism infrastructure. The investment in tourism and residential infrastructure and amenities reinforce each other since they aim to create attractive places for people.

On a regional level, in the late 1990s-early 2000s, the City updated the vision element of its General Plan and adopted the Strategic Framework Plan, otherwise known as the “City of Villages Plan”. This policy document, in concert with the regional growth management plan, placed emphasis on creating walkable, mixed-use districts served by transit, and identified downtown San Diego as the major center of the region appropriate for the highest density residential development. Downtown San Diego was also one of the few communities in the City where the introduction of higher density was not controversial.

Other private organizations support downtown housing, including Citizens Coordinate for Century 3 (San Diego’s oldest planning advocacy organization), the Council for Design Professionals, San Diegans Inc., the San Diego Downtown Partnership, the district council of the Urban Land Institute, the local chapters of AIA, APA, and ASLA, the downtown Business Improvement Districts and merchants associations, East Village Association, Sierra Club, the Chamber of Commerce, an association of downtown developers, etc. This policy support from a regional and community perspective brings strength to public and private downtown housing efforts.

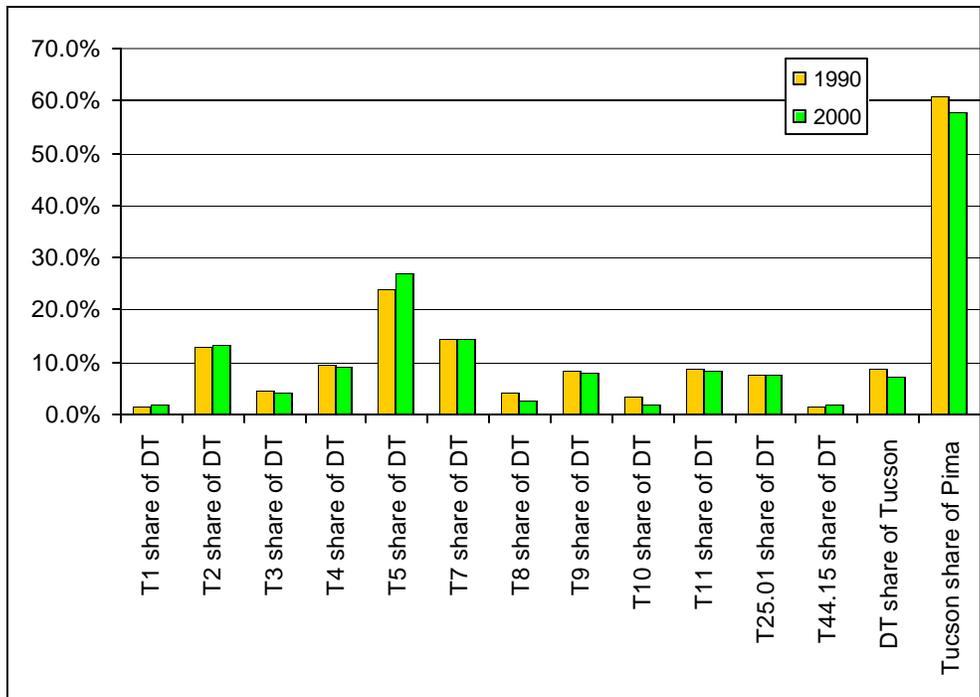
## Appendix A – Demographic Context Exhibits

**Exhibit A-1 1990 and 2000 Population in Downtown Tucson by Census Tracts**



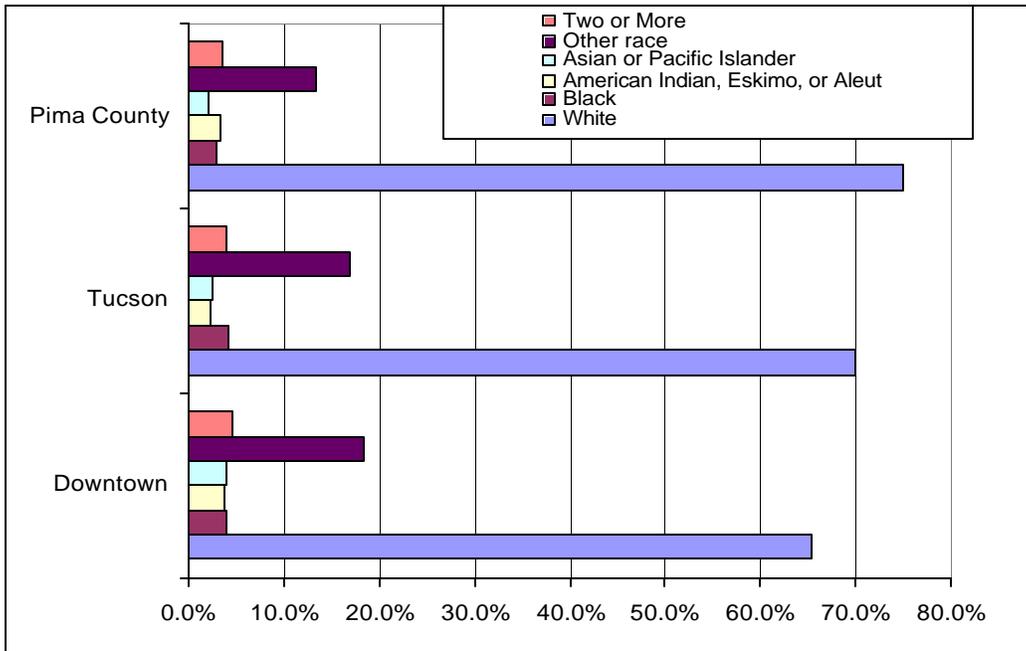
Source: 1990 and 2000 U.S. Population Census

**Exhibit A-2 1990 and 2000 Census Tracts Share of Downtown Tucson, Downtown Share of City of Tucson and City of Tucson Share of Pima County Population**



Source: 1990 and 2000 U.S. Population Census

**Exhibit A-3: 2000 Downtown, City, County Population By Race**



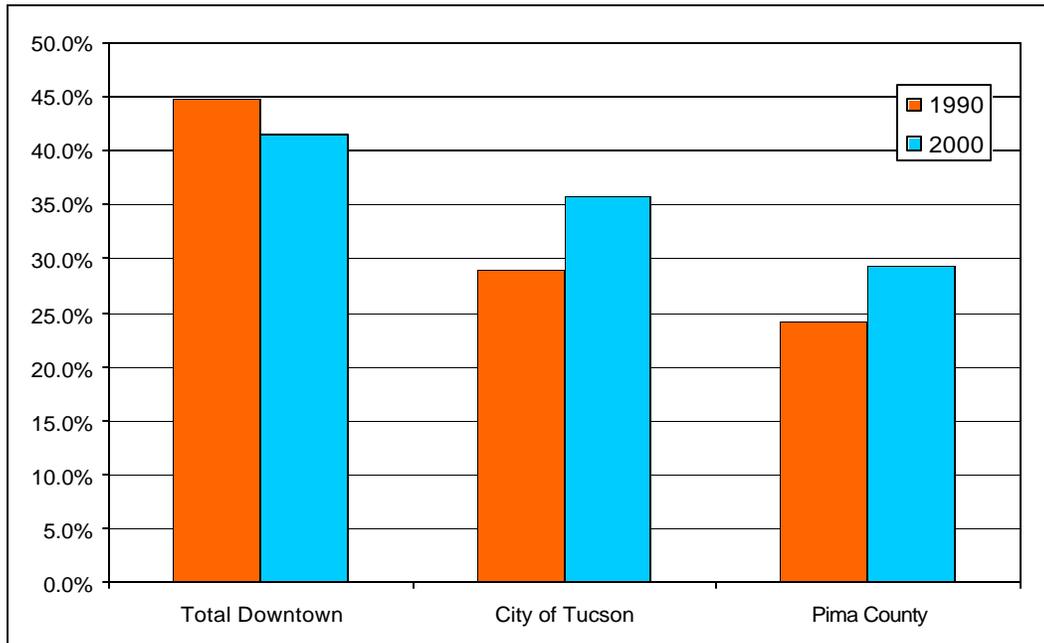
Source: 2000 U.S. Population Census

**Table A-1 1990 and 2000 Downtown Tucson, City of Tucson and Pima County Hispanic and Non-Hispanic Population**

	1990		2000		1990-2000 % Change	
	Hispanic Origin	Non Hispanic	Hispanic Origin	Non Hispanic	Hispanic Origin	Non Hispanic
Total Downtown	15,968	19,590	14,845	20,746	-7.0%	5.9%
City of Tucson	117,267	288,123	174,354	312,237	48.7%	8.4%
Pima County	161,053	505,827	247,861	595,885	53.9%	17.8%

Source: 1990 and 2000 U.S. Population Census

**Exhibit A-4 1990 and 2000 Hispanic Share of Downtown Tucson, City of Tucson and Pima County Population**



Source: 1990 and 2000 U.S. Population Census

**Table A-2 Downtown Tucson, City of Tucson and Pima County 1990 and 2000 Share of Total Population by Age Group**

Age Groups (Years)	Downtown Tucson		City of Tucson		Pima County	
	1990	2000	1990	2000	1990	2000
<b>Total Pop</b>	35,558	35,591	405,390	486,591	666,880	843,746
0-9	11.7%	9.3%	14.4%	14.3%	14.3%	13.7%
10-19	20.3%	22.9%	14.0%	14.2%	13.9%	14.1%
20-34	35.6%	32.3%	29.2%	25.4%	25.4%	20.9%
35-54	17.4%	21.7%	22.2%	27.0%	24.3%	28.4%
55-64	5.4%	4.8%	7.5%	7.2%	8.3%	8.7%
65-74	5.4%	4.8%	7.3%	6.0%	8.3%	7.5%
75+	4.2%	4.3%	5.3%	5.9%	5.4%	6.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

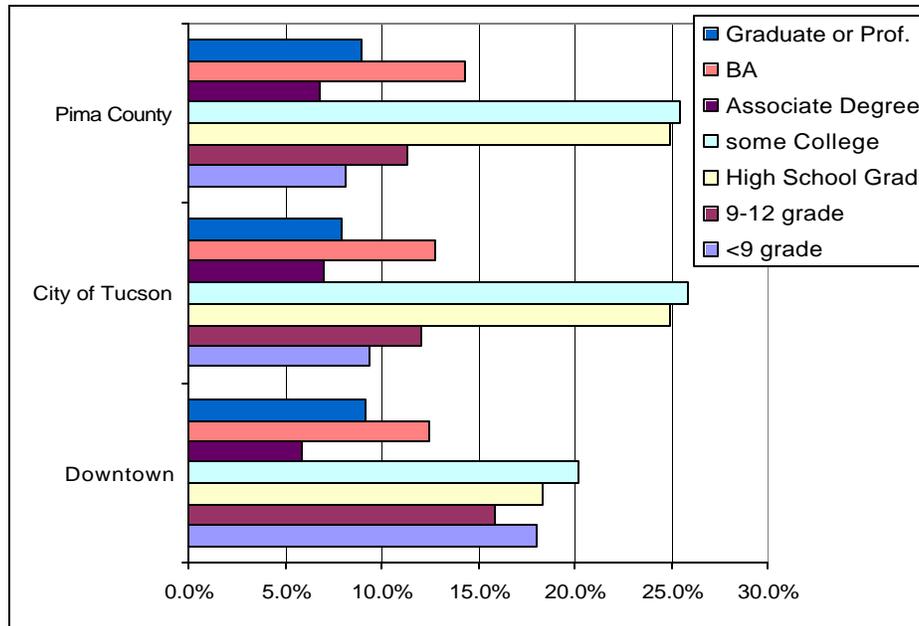
Source: 1990 and 2000 U.S. Population Census

**Table A-3 1990 and 2000 Population by Age Group for Downtown Tucson, City of Tucson and Pima County**

Age Groups (Years)	Downtown Tucson			City of Tucson			Pima County		
	1990	2000	% Change	1990	2000	% Change	1990	2000	% Change
<b>Total Pop</b>	35,558	35,591	0.1%	405,390	486,591	20.0%	666,880	843,746	26.5%
0 to 9	4,177	3,295	-21.1%	58,572	69,380	18.5%	95,541	115,496	20.9%
10 to 19	7,205	8,160	13.3%	56,754	69,047	21.7%	92,929	118,784	27.8%
20 to 34	12,662	11,481	-9.3%	118,464	123,356	4.1%	169,291	176,625	4.3%
35 to 54	6,178	7,740	25.3%	90,111	131,516	45.9%	162,196	239,772	47.8%
55 to 64	1,912	1,698	-11.2%	30,299	35,077	15.8%	55,666	73,402	31.9%
65 to 74	1,922	1,691	-12.0%	29,505	29,309	-0.7%	55,167	63,103	14.4%
75+	1,502	1,526	1.6%	21,685	28,906	33.3%	36,090	56,564	56.7%

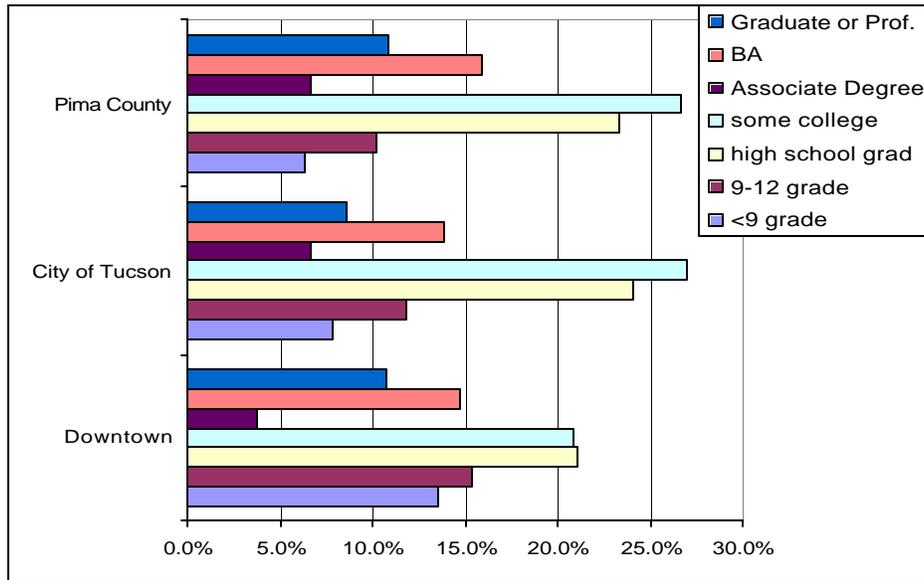
Source: 1990 and 2000 U.S. Population Census

**Exhibit A-5 1990 Educational Attainment by Share of 25+ Population for Downtown Tucson, City of Tucson and Pima County**



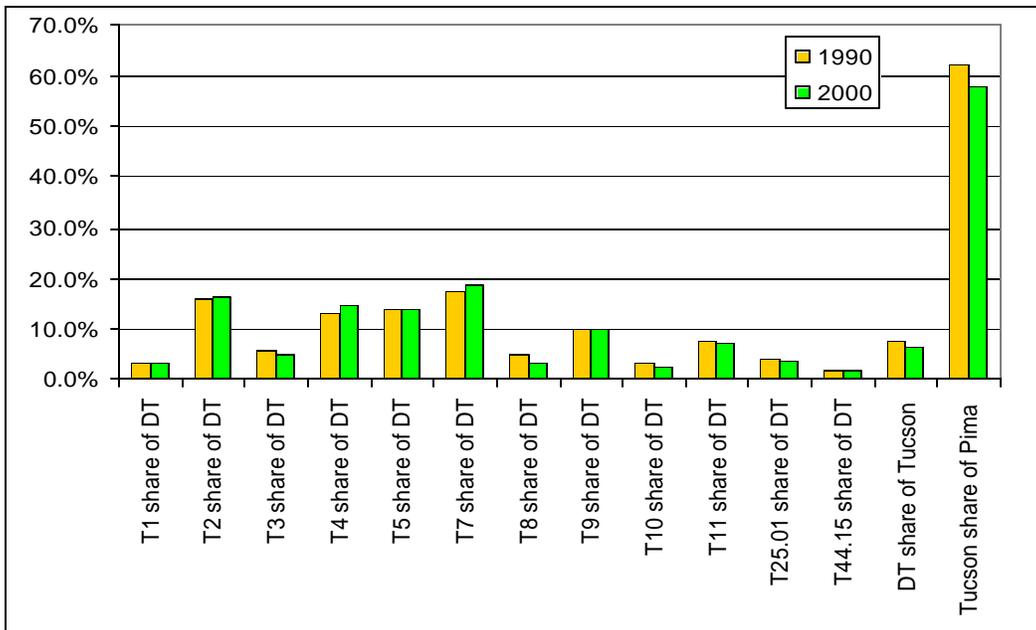
Source: 1990 U.S. Population Census

**Exhibit A-6 2000 Educational Attainment by Share of 25+ Population for Downtown Tucson, City of Tucson and Pima County**



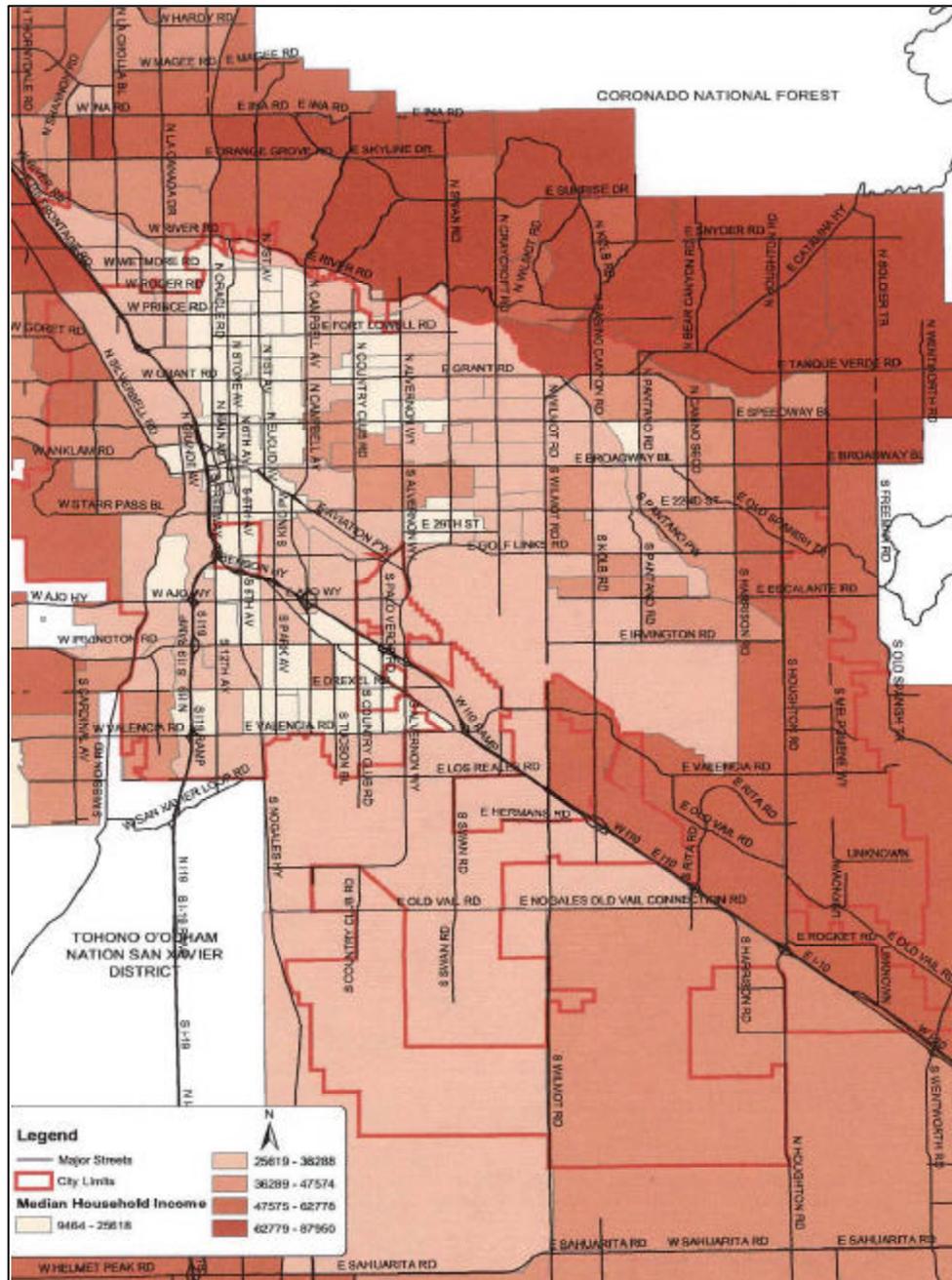
Source: 1990 and 2000 U.S. Population Census

**Exhibit A-7 1990 and 2000 Census Tracts Share of Downtown Tucson, Downtown Share of City of Tucson and City of Tucson Share of Pima County Households**



Source: 1990 and 2000 U.S. Population Census

## Exhibit A-8 City of Tucson 2000 Median Household Income Distribution by Census Tract



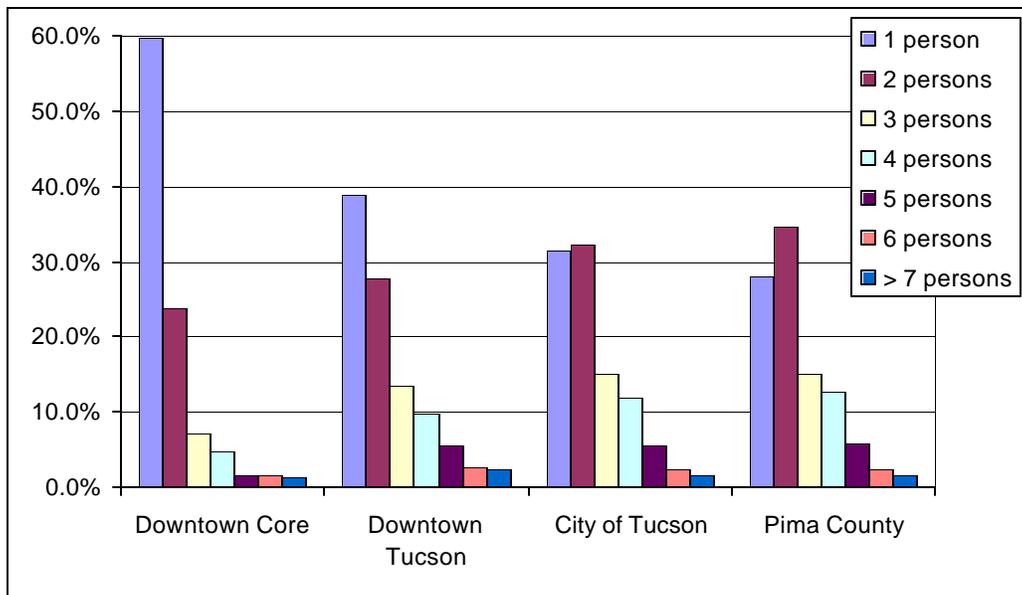
Source: City of Tucson and Economics Research Associates

**Table A-4 1990-2000 Change in Households for Downtown Census Tracts**

<b>Downtown Census Tracts</b>	<b>1990</b>	<b>2000</b>	<b>Change</b>
Census Tract 1	403	406	3
Census Tract 2	1,967	1,998	31
Census Tract 3	687	594	(93)
Census Tract 4	1,603	1,767	164
Census Tract 5	1,701	1,665	(36)
Census Tract 7	2,149	2,286	137
Census Tract 8	628	369	(259)
Census Tract 9	1,216	1,219	3
Census Tract 10	380	301	(79)
Census Tract 11	911	852	(59)
Census Tract 25.01	470	442	(28)
Census Tract 44.01	213	235	22

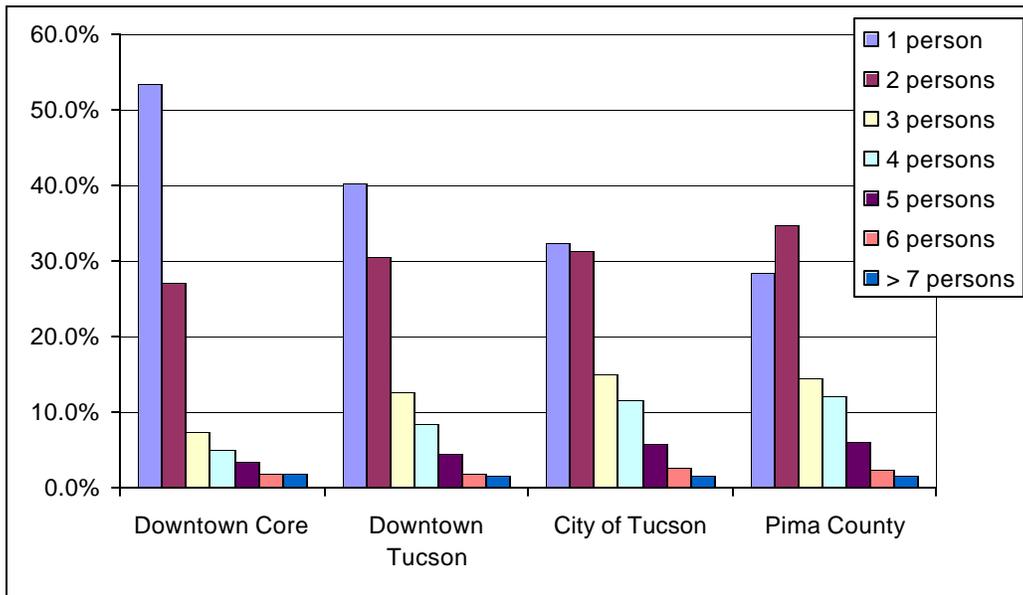
Source: 1990 and 2000 US Census

**Exhibit A-9 1990 Downtown Core, Downtown Tucson, City of Tucson and Pima County Households by Household Size**



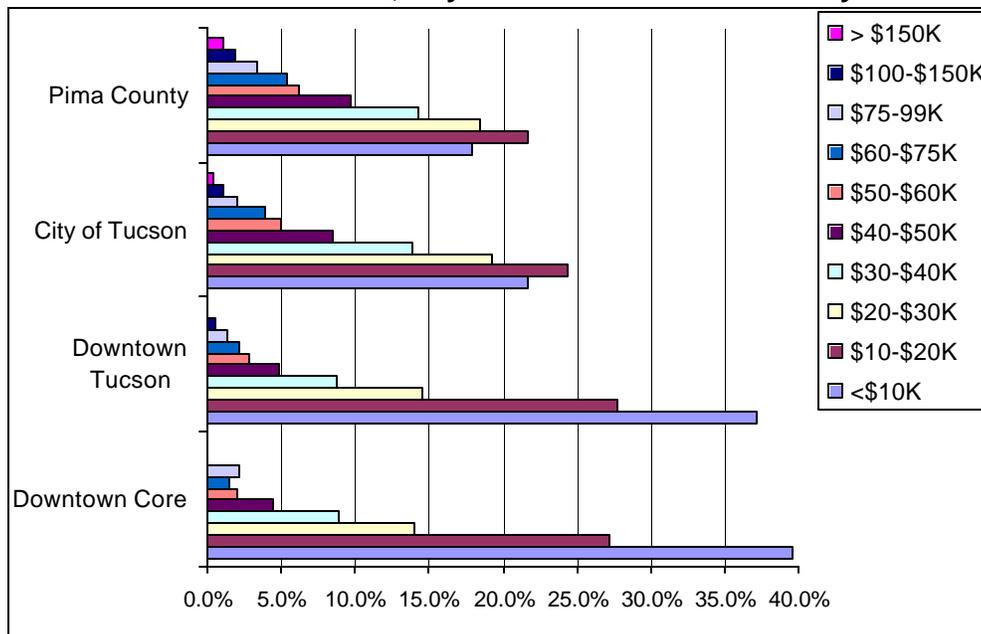
Source: 1990 and 2000 U.S. Population Census

**Exhibit A-10 2000 Downtown Core, Downtown Tucson, City of Tucson and Pima County Households by Household Size**



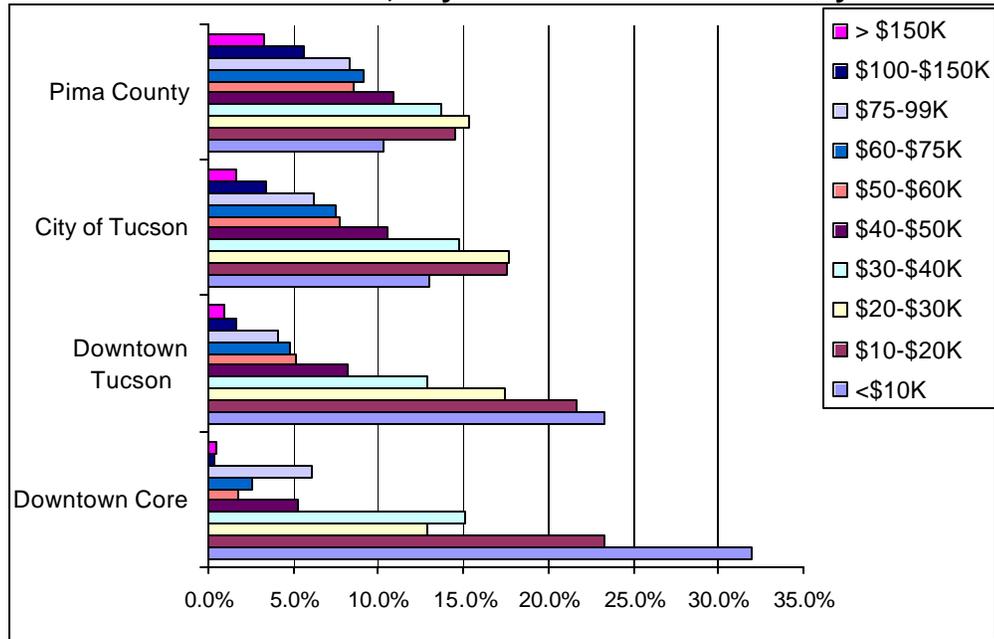
Source: 1990 and 2000 U.S. Population Census

**Exhibit A-11 1990 Household Share by Income Category for the Downtown Core, Downtown Tucson, City of Tucson and Pima County**



Source: 1990 and 2000 U.S. Population Census

**Exhibit A-12: 2000 Households Share by Income Category for the Downtown Core, Downtown Tucson, City of Tucson and Pima County**



Source: 2000 U.S. Population Census

## Appendix B – Residual Value Tables

**A-1 DOWNTOWN TUCSON HOUSING PROTOTYPE  
LOW-RISE/TUCK-UNDER PARKING ASSUMPTIONS**

<b>Lot Size</b>	<b>50,000</b>
<b>Maximum Coverage</b>	<b>90%</b>
<b>Lot Available for Construction</b>	<b>45,000</b>

<b>Floor Area Ratio</b>	<b>2</b>
<b>Maximum Construction SF</b>	<b>100,000</b>

<b>Square Feet Breakdown</b>	<b>Percentage</b>	<b>SF</b>
- Residential	100%	100,000

<b>Parking Spaces</b>		
- Residential *	1.5	118

\* 1.5 parking spaces per residential unit

\* Capacity of 118 parking spaces per tuckunder parking level

Source: Economics Research Associates.

**A-2: DOWNTOWN TUCSON HOUSING PROTOTYPE - LOW-RISE/TUCK UNDER PARKING  
REVENUES FROM RESIDENTIAL PROPERTY SALE**

<b>Unit Type</b>	<b>Total Residential SF</b>	<b>Average Size per Unit</b>	<b># of Units</b>	<b>Square Footage Per Unit</b>	<b>Price Per Unit</b>	<b>Price Per Square Foot</b>	<b>Total Sales Revenue</b>
Condominium Units	100,000	1,275	78	1,100	\$231,000	\$210.00	\$18,124,615
<b>Total</b>			<b>78</b>				<b>\$18,124,615</b>

**Residential Revenue**

Total Sales		\$18,124,615
Cost of Sale	4%	<u>(\$724,985)</u>
<b>Net Residential Revenue</b>		<b>\$17,400,000</b>

**Revenue per SF** **\$174**

Source: Economics Research Associates.

**A-3: DOWNTOWN TUCSON HOUSING PROTOTPYE - LOW-RISE/TUCK UNDER PARKING COST ASSUMPTIONS**

**Project Square Footage**

Residential for Sale 100,000

Underground Parking (Residential Spaces only) 118 1 tuck-under parking level

	<b>Total</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per Acre</b>	<b>% of Total</b>
Direct Costs, Residential /1	\$8,800,000	\$88			63%
Direct costs, Tuck Under Parking	\$823,846		\$7,000		6%
Subtotal Direct Costs	\$9,623,846				68%
Residential Impact Fees	\$392,308		\$5,000		3%
Sewer Capacity Fee	\$235,385		\$3,000		2%
Plan Check Fees	\$5,000				0%
Building Permit Fees	\$4,000				0%
School Fees (Residential)	\$300,000	\$3			2%
Water Capacity Fee	\$235,385		\$3,000		2%
Other Soft Costs /2	\$2,887,154				21%
Financing Costs /3	\$384,954				3%
Subtotal Indirect Costs	\$4,444,185				32%
<b>Total Development Cost (excluding land)</b>	<b>\$14,068,031</b>				<b>100%</b>

1/ Includes site improvements, demolition, construction cost, contingency, etc.

2/ Based on 30% of direct costs

3/ Based on 4% of direct costs

Source: Economics Research Associates

**A-4: DOWNTOWN TUCSON HOUSING PROTOTYPE - LOW-RISE/TUCK-UNDER PARKING RESIDUAL LAND VALUE ESTIMATE**

<b>Revenues</b>	<b>Amount</b>
For-sale Housing Revenue	\$17,400,000
<b>Total Sources of Revenue</b>	<b>\$17,400,000</b>
<b>Costs</b>	
Direct Costs	\$9,623,846
Indirect Costs (Soft Costs, Financing & Fees)	\$4,444,000
<b>Total Costs Excluding Land</b>	<b>\$14,067,846</b>
Developer Profit	15% \$2,110,177
<b>Total Costs Excluding Land</b>	<b>\$16,178,023</b>
<b>Net Available for Land Costs</b>	<b>\$1,221,977</b>
Per S.F. of Land Area	\$24.4

Source: Economics Research Associates

**B-1: DOWNTOWN TUCSON HOUSING PROTOTYPE  
HIGH-RISE/UNDERGROUND PARKING ASSUMPTIONS**

<b>Lot Size</b>	<b>50,000</b>
<b>Maximum Coverage</b>	<b>50%</b>
<b>Lot Available for Construction</b>	<b>25,000</b>

<b>Floor Area Ratio</b>	<b>6</b>
<b>Maximum Construction SF</b>	<b>300,000</b>

<b>Square Feet Breakdown</b>	<b>Percentage</b>	<b>SF</b>
<b>- Residential</b>	<b>100.0%</b>	<b>300,000</b>

<b>Parking Spaces</b>		
<b>- Residential</b>	<b>1.2</b>	<b>303</b>

Source: Economics Research Associates.

**B-2: DOWNTOWN TUCSON HOUSING PROTOTYPE - HIGH-RISE/UNDERGROUND PARKING  
REVENUES FROM RESIDENTIAL PROPERTY SALE**

<b>Unit Type</b>	<b>Total Residential SF</b>	<b>Average Size per Unit</b>	<b># of Units</b>	<b>Square Footage Per Unit</b>	<b>Price Per Unit</b>	<b>Price Per Square Foot</b>	<b>Total Sales Revenue</b>
Condominium Units	300,000	1,188	253	1,100	\$275,000	\$250.00	\$69,444,444
<b>Total</b>			<b>253</b>				<b>\$69,444,444</b>

**Residential Revenue**

Total Sales		\$69,444,444
Cost of Sale	4%	(\$2,777,778)
<b>Net Residential Revenue</b>		<b>\$66,667,000</b>

**Revenue per SF** **\$222**

Source: Economics Research Associates.

**B-3: DOWNTOWN TUCSON HOUSING PROTOTPYE - HIGH-RISE/UNDERGROUND PARKING  
COST ASSUMPTIONS**

**Project Square Footage**

Residential for Sale 300,000

Underground Parking (Residential Spaces only) 303 Multi-level underground parking

	<b>Total</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per Acre</b>	<b>% of Total</b>
Direct Costs, Residential /1	\$31,500,000	\$105			56%
Direct costs, Underground Parking	\$7,575,758		\$25,000		14%
Subtotal Direct Costs	\$39,075,758				70%
Residential Impact Fees	\$1,262,626		\$5,000		2%
Public Facility Commercial (DIF)	\$7,150			\$20,764	0%
Sewer Capacity Fee	\$757,576		\$3,000		1%
Plan Check Fees	\$5,857				0%
Building Permit Fees	\$4,687				0%
School Fees (Residential)	\$900,000	\$3			2%
Water Capacity Fee	\$757,576		\$3,000		1%
Other Soft Costs /2	\$11,722,727				21%
Financing Costs /3	\$1,563,030				3%
Subtotal Indirect Costs	\$16,981,229				30%
<b>Total Development Cost (excluding land)</b>	<b>\$56,056,987</b>				<b>100%</b>

1/ Includes site improvements, demolition, construction cost, contingency, etc.

2/ Based on 30% of direct costs

3/ Based on 4% of direct costs

Source: Economics Research Associates

**B-4: DOWNTOWN TUCSON HOUSING PROTOTYPE - HIGH-RISE/UNDERGROUND PARKING  
RESIDUAL LAND VALUE ESTIMATE**

<u>Revenues</u>	<u>Amount</u>
For-sale Housing Revenue	\$66,667,000
<b>Total Sources of Revenue</b>	<b>\$66,667,000</b>
<u>Costs</u>	
Direct Costs	\$39,075,758
Indirect Costs (Soft Costs, Financing & Fees)	\$16,981,000
<b>Total Costs Excluding Land</b>	<b>\$56,056,758</b>
Developer Profit	15% \$8,408,514
<b>Total Costs Excluding Land</b>	<b>\$64,465,271</b>
<b>Net Available for Land Costs</b>	<b>\$2,201,729</b>
Per S.F. of Land Area	<b>\$44.0</b>

Source: Economics Research Associates

## Appendix C – Downtown Tucson Schools

School	Address	Phone	Grades	Enrollment	Student-Teacher Ratio	Administrator	Downtown Core
Calli Ollin Academy	200 N. Stone Ave., Third floor	882-3029	9 to 12	116	1:20	Magdalena Verdugo or Shannon Dinelev	Y
Cape School-Juvenile	130 W Congress	740-8451		175	1:22		Y
Carrillo Magnet School	440 S. Main	225-1200	3 to 5	214		María Marin	Fringe
City High School	48 E. Pennington St.	623-7223	9-12 by 2005	120	1:18	Carrie Brennan	Y
Davis Bilingual Elementary Magnet School	500 W. St. Mary's Road	225-1400	K to 5	259		Christopher Loya	N
Downtown Alternative High School	39 N. 6th Ave.	622-2979	9 to 12	27		Linda Schloss	Y
Drachman Primary Magnet School	1089 S. 10th Ave.	225-1500	K to 2	240		Gloria Barnett	N
Menlo Park Elementary School	1100 W. Fresno	225-2100	K to 5	364		Patricia McElroy	N
Pima Vocational High School	97 E. Congress	903-0102	9 to 12	150	1:15	Gloria Proo	Y
Pio Decimo	848 S. Seventh	622-8201	Pre-K				N
Safford Magnet School	200 E. 13th St.	225-3000	Pre K to 8	760		Theresa Ross	N
Santa Cruz Catholic School	29 W. 22nd St.	624-2093	PreK-8	175	1:15	Donna C. Gary	N
Second Chance Highschool	118 S Fifth	882-4471	9 to 12	59			Y
Self Advancement School	130 W Congress	740-8451	9 to 12	33			Y
Zimmerman Elementary	130 W Congress	740-8451	K to 6	10			Y
<b>Total Enrollment</b>				<b>2702</b>			

## Appendix D – Focus Group Session # 1 Notes

### Questions and Comments FOR FOCUS GROUPS FOR TUCSON DOWNTOWN HOUSING STUDY

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#### Focus Group Session 1

Wednesday, July 20, 2005

#### Questions:

1. How long have you lived in downtown?

#### RESPONSE:

Respondent 1: Now lives near UA, but lived DT all his life

Respondent 2: Lives DT (for 13 years) and used to commute to DT to work  
before retiring

Respondent 3: Lives on Tucson's northwest side, but used to commute to DT to  
work

Respondent 4: Works DT but lives on the east side

Respondent 5: Works DT but does not live DT

Respondent 6: Lives near University of Arizona

Respondent 7: Lives DT

Respondent 8: Lives near UA, came to Tucson from Seattle area to attend college.  
After graduation he remained in Tucson.

2. Why did you move to downtown?

#### RESPONSE:

Now lives near UA, but lived DT all his life

Has lived near or in DT Tucson all her life and used to work DT before retiring

Old buildings appeal to me

3. Would you consider moving out to other parts of the city?

#### RESPONSE:

The people who live DT enjoy it and want to stay.

4. Do you consider the downtown area to be more or less expensive than other parts of the city?

**RESPONSE:**

More expensive to live DT—they are charging as much for a 1 bedroom as you would pay for a whole house elsewhere.

Housing DT is overpriced for a 2 bedroom

Ice House Lofts are outrageously priced

Bought downtown due to family illness needs, have kids and difficult to find something with more bedrooms, only could find smaller houses, property rates have doubled and are expensive. Californians are coming in and buying downtown, fixing up properties and reselling for more. Sam Hughes is more desirable for same price and it is nicer, greater sense of community, competing with expensive homes downtown.

Downtown residents that have been there for a long time are being pushed out by rising property taxes.

Downtown rent is high.

5. Has your property or your rent increased in value in recent years?

**RESPONSE:**

The consensus was that yes, because of the new housing being built DT, the property values have increased.

Property values are high, it is a good investment.

6. What are the advantages to living in downtown?

**RESPONSE:**

People are looking for the convenience of downtown living, turn key, no yard to maintain. Some people like single family but more people are looking for condo living.

7. What amenities do you like in downtown?

**RESPONSE:**

There are things to do right near you – culture, parks, and independent film theatre  
Easy to get around & walk, it is not necessary to use a car.

Open park area for kids, DT promotes a cohesiveness of people

A neighborhood feel as an alternative to urban sprawl, not having to drive would be nice.

Convenient to live near bars

Mix of moods, levels of establishments

Lots of restaurants, jazz music, brings in tourists, excitement, safe, security

8. What amenities do you think downtown should have to attract more people to live?

**RESPONSE:**

Parking is a problem

DT is isolating, no grocery stores; don't come downtown much because there is not much open; Armory Park neighborhood is solid; there are buildings and houses going up. It seems dynamic, but there is no real gathering place and therefore I don't see it as a destination. I must drive three or four miles for groceries. I don't go north from my neighborhood into downtown. I like the idea of living so central.

More eclectic persons more likely to not miss amenities, recreational facilities would be nice DT, leisure walk areas, pool, etc.

Each section of Tucson is like own little city, don't have to leave area because it has everything you need. It would be great if it was like that DT, schools, stores, groceries, etc. Would like to see something like the Campbell and 6<sup>th</sup> Street area "Sam Hughes Place."

Downtown has long blocks without much shade or ambiance, no good spots for pedestrians to cross streets, needs to be more pedestrian friendly, shouldn't have to meander around to find shade in the heat.

Arts and crafts, music on street corners, break dancing all out of the norm. Everyone likes the street performers but does the city allow it?

Would like to see things like a Trader Joe's, little co-op on 4<sup>th</sup> but can't do serious grocery shopping. The farmers market offers limited groceries, so you have to leave downtown to go to grocery store.

Has a friend that works DT but didn't want to give up his space and property since he only lives 3 miles away. He'd rather commute to DT for work.

- a. Do you work in downtown?
  - i. If yes, how do you get to work?

**RESPONSE:**

Drive car and find parking DT

Ride a bike

- ii. If not, where do you work? How far away is it?

**RESPONSE:**

Now lives near UA, but lived DT all his life

Lives DT (for 13 years) and used to commute to DT to work before retiring

Lives on Tucson's northwest side, but used to commute to DT to work

Works DT but lives on the east side

Works DT but does not live DT

Lives near University of Arizona

Lives DT

Lives near UA, came to Tucson from Seattle area to attend college. After graduation he remained in Tucson.

- b. If you live and work in downtown, is not commuting an advantage or are commutes easy enough?

**RESPONSE:**

Couples may have hard time if both don't work downtown.

Not bad to commute.

- c. How many people work in your Household? Is downtown a central location?

**RESPONSE:**

Tucson Residents outside of downtown:

- d. Have you considered living in downtown?

- i. If yes, what are the main factors stopping you from moving to downtown?

**RESPONSE:**

Remembers downtown stores and weekend shopping; would have considered living downtown back when she worked downtown; but not as appealing now, too far to drive for groceries and other things to do; patio homes on Granada used to look appealing to her

- ii. If not, why not?

**RESPONSE:**

No schools, no convenient stores downtown; was NE Campbell and Speedway, now moving downtown, likes how there is always something going on downtown, good energy

Not ideal for children; maybe okay for couples and singles; too much traffic, too many bars that make too much noise

- e. What is your perception of downtown?

**RESPONSE:**

Not safe, inconvenient, expensive housing, limited housing options

- f. What would change your mind in considering downtown a housing alternative?

**RESPONSE:**

Less expensive rent/price of housing

- g. Why did you choose to live where you live?

**RESPONSE:**

Enjoys the convenience, the excitement of DT

To be close to family

All Residents:

- h. Do you rent or own your home?

**RESPONSE:**

Some own, but most rent

- i. Have you seen an increase in property values and rents in downtown?

**RESPONSE:**

The consensus was Yes.

- j. Have you seen an increase of interest (funds and families) in the downtown area in recent years?

**RESPONSE:**

See new businesses, such as restaurants opening

New housing is being built/remodeled

- k. Do you have children at home?

**RESPONSE:**

[We didn't ask this question]

- l. Would you pay a premium for views of Tucson?

**RESPONSE:**

No, most said they wouldn't pay extra for views of Tucson.

Yes, a couple people said they would pay extra for views of Tucson.

- m. Are amenities in downtown projects necessary to compete with suburban developments?

**RESPONSE:**

Yes, such as shopping, groceries, convenience stores

Landscaping, shade, parks

- n. How would downtown Tucson compare with other areas of the city regarding safety?

**RESPONSE:**

The park on 22<sup>nd</sup> and 4<sup>th</sup> Avenue has lots of vagrants, security is important to a lot of people and downtown does not reflect safety and security; the group agreed there is a

common perception amongst people that downtown is not a safe area; nothing seems accessible downtown, seems like a lot of buildings that are just there;

One lady commented that when she worked downtown she did not feel threatened or unsafe although she believes there is that perception; downtown needs more police presence; lots of people walk at night and haven't had a problem – not a lot of people out either, does not feel threatened at night.

Community center is a great place, but need walking path and lights for night walking. Need more community center activities to bring people out.

Security presence – DT would lose the stigma of being unsafe

- o. What areas in the region compete with downtown the most?

**RESPONSE:** West University area is similar to DT

Both areas have a lot of similarities; however, downtown is more slow paced while the university area is more fast paced; downtown closes too early; would like to see more patio dining; more bikes would be nice downtown; one guy just got back from Portland and commented on how different it is there, the buses run every fifteen minutes and there is a metro to bring you into downtown.

Downtown-more mature feel, culture

UA-frat kids, transient, rent gets jacked up when students come back into town

- p. What are the main differences between the downtown market and other markets in the region?

**RESPONSE:**

More variety of housing types, values, are offered in other parts of the city

More variety and/or convenient grocery stores, malls, activities in other parts of the city

- q. What types of homes would you like to see in downtown Tucson? Have they changed through time?

**RESPONSE:**

Single family

Condos

Patios, balconies

Yards (small or large)

- r. How would you like the downtown area to look in 20 years? What is your vision?

**RESPONSE:**

24-hour places, cafes with late hours, people out late.

DT to reserve areas for people with less money.

Hope it doesn't become generic, bring in more money is important to support smaller shops, keep it cultural and keep charm, hope that shops won't only cater to people with money.

Places that offer good variety that aren't chain stores to give money to hometown companies.

Would like to see it more like 4<sup>th</sup> Ave., but with structures that have stores on lower level and homes on top.

- s. Are there any downtowns that Tucson should look at as models?

**RESPONSE:**

Santa Fe, NM – pricey but good energy and local

Portland

San Antonio – things open late, has lots of convention business

Boston – better going out atmosphere, don't have that here

Vancouver – jazz, hotels, shops, families, ice cream

Baltimore Harbor

San Francisco – parks, common places, don't want concrete jungle like Phoenix

Don't like many things about Mill Ave in Tempe—it's too corporate, too trendy, it's sterile, too uptight

City in comparable size to Tucson...Albuquerque – but their downtown vacates at 5:00 pm

- t. How could the city encourage more people to move downtown?

**RESPONSE:**

DT Tucson has a marketing problem because it looks rundown here.

Sometimes will go to a couple of restaurants or bars that are more neighborhood feeling, but only about a dozen places.

Not enough parking structures—never know when they close and cost of each.

There's a lack of awareness to restaurants and hangout, need more advertising.

Need better signage for parking structures and more collaboration with owners.

Would like to see more businesses open.

Have noticed the DT Personality Posters hanging in DT windows...a marketing campaign advertising DT Tucson.

The city isn't making improvements, only on the outskirts but the inner city is lacking.

- u. How could developers encourage more people to move downtown?

**RESPONSE:**

Build more affordable housing for all income levels.

- v. What transportation method do you use to get to work?

**RESPONSE:**

Variety of transportation: Walk, bike, automobile

- w. Is the morning and afternoon rush hour commute a hassle for you?

**RESPONSE:**

No

- x. Do you consider that having a strong downtown to be important to the region's economy?

**RESPONSE:**

All participants agreed that a strong downtown is vital to Tucson's economy

## Appendix E – Focus Group Session # 2 Notes

### Questions and Comments FOR FOCUS GROUPS FOR TUCSON DOWNTOWN HOUSING STUDY

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#### Focus Group Session 2

Thursday, July 21, 2005

#### Questions:

9. How long have you lived in downtown?

#### RESPONSE:

Respondent 1: born and raised in Tucson works on the east side, just moved to DT, 40 minute commute

Respondent 2: age 45, grew up west of 1-10, just moved to the east side of 1-10 DT, not working now, looking for something different. Nice not to own a vehicle but hard when it is hot.

Respondent 3: lives, works, shops, recreates in DT. Does not own vehicle, 2 years DT, works at Trans America Bldg., moved to Tucson for the U of A.

10. Why did you move to downtown?

#### RESPONSE:

Chic, close to everything, 4<sup>th</sup> Ave. w/in walking district, housing has sense of culture

Felt alienated from U of A crowd after graduation, too young to live in that district, feels more at home DT

Enjoys her neighbors, makes them dinner, visits them, wants to see that in the future

Came here for a change, the weather. Unique environment, “Small big city,” lacks amenities that make it a sustainable environment, i.e. not being able to always get a cup of coffee or have a place to meet w/ friends, don’t quite have that here. Likes café near house-locally owned, likes distinct atmosphere

Grew up on east side, likes look of DT, great landlord, knows all of her neighbors, tighter community than urban areas. Parents hate her as a single female living downtown, told not to live

DT growing up due to muggers and crime. Friends think she pays too much, but she thinks it is worth it for the location.

11. Would you consider moving out to other parts of the city?

**RESPONSE:**

All preferred living downtown as opposed to other parts of the city

12. Do you consider the downtown area to be more or less expensive than other parts of the city?

**RESPONSE:**

DT is too expensive for food, shopping, etc., it is not affordable

13. Has your property or your rent increased in value in recent years?

**RESPONSE:**

Sold her 86-year-old historic home in DT and it sold quickly at a high price

14. What are the advantages to living in downtown?

**RESPONSE:**

Historic, unique atmosphere, nightlife is nearby without having to drive

15. What amenities do you like in downtown?

**RESPONSE:**

Moved to Phoenix before DT and hated it because there was no culture, keep it historic and unique looking

Would like to see things stay the same, keep the old architecture

Likes how they are all different and unique

Different city than you may think, things to do, unique environment, unlike any other city

16. What amenities do you think downtown should have to attract more people to live?

**RESPONSE:**

Depends on money, co-op on 4<sup>th</sup> & empire market (if you have more money to spend), major chains, would like to see dry cleaning, hardware store, convenience stores.

Stops at places on way home you have to drive things are not available downtown, does everything after work cause it is not DT

Thinks DT currently promotes the segregation of different income levels

**Are there places where people do mix in public venues, such as restaurants?**

Pat's Chili Dogs - Not down town (located on St. Mary's w of I-10)

Not Just Java – DT area by library

Hotel Congress – All ages, professionals, teachers, students, young people

El Minuto- Good mix, inexpensive

Diversity that intertwines helps curb problems, helps acceptance of other people, that needs to be created

On Stone there is a public garden but no shade so it is hardly used. There's a nice garden at University and Euclid with a courtyard and I would like more places like that in DT, lots of trees

Would rather have higher density city that a yard or more out door space

- y. Do you work in downtown?
  - i. If yes, how do you get to work?

**RESPONSE:**

Doesn't work now, but doesn't have a car

Lives and works DT, just walks to work

- ii. If not, where do you work? How far away is it?

**RESPONSE:**

Drives to the east side of Tucson for work, about 14 miles

- z. If you live and work in downtown, is not commuting an advantage or are commutes easy enough?

**RESPONSE:**

Commutes aren't too bad because I'm going against most of the traffic as I head east  
Not having to commute is an advantage

- aa. How many people work in your Household? Is downtown a central location?

**RESPONSE:**

Just herself

Just himself

2 teenage daughters

All Residents:

- bb. Do you rent or own your home?

**RESPONSE:**

All rent

- cc. Have you seen an increase in property values and rents in downtown?

**RESPONSE:**

Debra: sold her 86-year-old historic home in DT and it sold quickly at a high price

- dd. Have you seen an increase of interest (funds and families) in the downtown area in recent years?

**RESPONSE:**

All participants said they feel like DT is a neighborhood

Yes, we have common ground

Yes, I refer to my apartment as a house

Yes, neighborhood feel

Hispanics and the social/higher density lifestyle of DT, do they like it or would they be willing to live/move to it?

DT is more for younger generations, would like to see DT liven up and change, Tucson wants to keep small town feel but it is not small anymore we need to change

Variety of neighbors, more diverse neighbors in Redondo, musicians, newscasters, U of A students, retired, many are not originally from Tucson

Artistic and from Chicago

**Are most of your neighbors from other cities?**

All: yes

ee. Do you have children at home?

**RESPONSE:**

Has two teenage daughters

ff. Would you pay a premium for views of Tucson?

**RESPONSE:**

Like the views from Redondo Towers, currently on the 3<sup>rd</sup> floor, thinks people would pay more to have good mountain views

Would not pay A LOT more for views, afraid that it would limit the type of people here if you charged more

Never considered having a view, never had one before so its not important

gg. Are amenities in downtown projects necessary to compete with suburban developments?

**RESPONSE:**

Has membership to Gold's Gym, uses parking garage, just having a gym here is nice, it has a spa and it's indoors w/ air conditioning

Has membership to Gold's, amenities are not a big deal to him

Loves her balcony, each room has access to balcony, like porch at old house

Doesn't have one (a balcony or porch) but it would be nice for friends that smoke

Has back patio and large back wall, its very small

**Parks or Plazas that people mix?**

Kids go to mall or hang out at home, hopes TCC will get involved and bring in bands and entertainment, cater to a younger crowd

Not aware of any

Cafes, library, need more central places

It's nice to have somewhere to go, it promotes neighborhood friendliness

- hh. How would downtown Tucson compare with other areas of the city regarding safety?

**RESPONSE:**

DT has bad rap, but that is usually from people who haven't been DT in a long time.

U of A kids don't leave Congress area, doesn't get patrolled, hassled by bums

Doesn't see DT environment different than any other area

Can't pretend there are not problems, more money will help clean things up

Her front door is just a walk up with a security gate, parking is an issue by the houses, likes to be able to park on the street makes it feel less like corporate America

- ii. What areas in the region compete with downtown the most?

**RESPONSE:**

Malls and grocery stores and convenience stores in other parts of the city are convenient and nearby

- jj. What are the main differences between the downtown market and other markets in the region?

**RESPONSE:**

There are not enough venues, wants to see more livelihood, need more shade spots, Tucson weather is not always conducive to being outside, needs to be able to cater to all types of income levels in order to keep diversity DT, wants more outdoor entertainment –they used to have it but not any more

Cost of entertainment is an issue because kids have parents with little money and there is nothing DT to keep them out of trouble

DT needs people, it's empty, must be cleaned up aesthetically. Years ago, everyone did their shopping DT, there were lots of shops years ago for all age groups, entertainment, Fox theatre, DT Saturday night. Now those people go to malls, DT is too expensive for food, shopping, etc., not affordable, seems to cater to people age 70 and over DT has unsavory characters, but they are just a part of the city

- kk. What types of homes would you like to see in downtown Tucson? Have they changed through time?

**RESPONSE:**

DT has heart to it

Some people are afraid Condos will make DT turn into Phoenix

Cookie cutter image to condos that exist

Caters to one specific income

What does the word “culture” mean to people? It varies

His friends worry that rent will go up

People are worried about encroachment, drove around in Tucson when relocating and just looked for a cool place to live and found it in DT

Tucson is segregated, and DT changes will be tough but it can work

- ll. How would you like the downtown area to look in 20 years? What is your vision?

**RESPONSE:**

Chic, friendly, can be around a lot of people, more personable than the malls, a place where everyone knows your name

- mm. Are there any downtowns that Tucson should look at as models?

**RESPONSE:**

[We didn't ask this question]

- nn. How could the city encourage more people to move downtown?

**RESPONSE:**

Change is good but...protect diversity, authenticity, familiarity in relationships

- oo. How could developers encourage more people to move downtown?

**RESPONSE:**

Build a variety of housing for a variety of income levels, maintain historic architecture

- pp. What transportation method do you use to get to work?

**RESPONSE:**

Drives a car

Does not own a car, walks or uses the bus

Does not own a car and walks to work DT

- qq. Is the morning and afternoon rush hour commute a hassle for you?

**RESPONSE:**

Congress during rush hour is awful, most of my friends who commute to DT just by-pass traffic and take 22<sup>nd</sup> or Speedway. I don't think they will relocate to DT...they'll just keep complaining.

- rr. Do you consider that having a strong downtown to be important to the region's economy?

**RESPONSE:**

All participants agreed that a strong downtown is vital to Tucson's economy

**Compared to your friends, co-workers, etc. are your opinions typical?**

Yes, when they saw the place I live in they liked it and the feel of it, "our chance to start something new"

Her friends were looking forward to it (Rio Nuevo) happening but want to maintain the culture, would like to see DT holiday decorations she remembered as a kid

Atypical

