



**Economic &
Planning Systems**

*Public Finance
Real Estate Economics
Regional Economics
Land Use Policy*

FINAL REPORT

TUCSON MODERN STREETCAR STATION AREA MARKET ANALYSIS

Prepared for:

City of Tucson

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I. EXECUTIVE SUMMARY

PURPOSE OF THE STUDY

The City of Tucson (City) is planning the development of a Modern Streetcar to serve the city center. The Modern Streetcar will operate along a four-mile stretch, connecting the downtown area to the University of Arizona (U of A). The system is a “starter line” that can be expanded in the future to serve in new corridors. To capitalize on this new transit service, the City is promoting transit-oriented development (TOD) throughout the Modern Streetcar Corridor, with particular emphasis around four planned station areas.

Economic & Planning Systems, Inc. (EPS) was retained by the City of Tucson to conduct market research and conceptual development programming at the four planned station areas. The market analysis will help identify the types of development best-suited for the specific station area given current and expected future market and economic conditions.

SUMMARY OF FINDINGS

GENERAL MARKET OVERVIEW

- The Tucson region has and is expected to continue to be one of the fastest growing metropolitan regions in the country. The continued rapid population growth suggests that there will be future demand for all types of housing. With Young Professionals and Empty Nesters accounting for more than half of expected growth, smaller housing product types, such as condominiums and loft, will likely become more prevalent in the market.
- Tucson’s economy has also expanded significantly, and provides a diversified breadth of jobs serving both the local population and national and international markets. The government sector forms the foundation of the economy, but includes major military and educational employers as well as local and regional government jobs. The job base is expected to continue to grow, generating additional demand for office development, as well as retail space.
- Tucson is a favorite destination for travelers, providing beautiful landscapes, world-renowned recreation opportunities for leisure travel; the well-attended Annual Gem, Mineral, and Fossil Showcase; and the University Medical Center El Tour de Tucson bicycle race. These factors already make Tucson a prime hotel location, and future growth projections for the Leisure and Hospitality industry indicate that hotel demand will continue to be strong.

TRENDS IN COMPARABLE REGIONS

- National studies show that transit improvements and services have a demonstrable and significantly positive impact on real estate values for residential and commercial uses, as developments near transit are in higher demand than similar developments farther from transit.
- Higher development values and demand can support higher density development near transit, including multifamily residential, office, and retail in both single-use and mixed-use formats.
- Tempe, Boulder, and Austin are western cities that have grown in a traditional, low-density “sprawl” pattern but are now attracting higher density, mixed-use projects as a result of demographic shifts and changing preferences for housing types and workplace locations. This trend has been evident even in advance of transit improvements in these cities.
- The positive impact of transit on market dynamics is particularly evident in places with high populations seeking non-traditional housing, such as cities with major universities, and where urban services and amenities are already in place, such as established commercial areas.
- To date, Tucson has not had a significant amount of high-density and/or mixed-use development that is typical of TOD. However, several recent examples have been successful in the market, and plans are advancing for still more. In addition, the area’s production of multifamily housing has increased significantly in the past decades.
- Given the trends observed in other similar cities and the nascent trends in the Tucson region, it is reasonable to project that the Tucson market will show increasing demand for higher-density housing and mixed-use development. The introduction of the Modern Streetcar in Tucson can help to catalyze this type of development in station areas that are attractive and accessible to downtown workers, University students, young professionals, and empty nesters.

MARKET FINDINGS BY STATION AREA

4th Avenue Station Area

- The 4th Avenue commercial district, with over 100 shops, restaurants, and bars, is a popular shopping destination serving Downtown employees and local residents, as well as being heavily oriented toward the students at the University of Arizona. The area surrounding the 4th Avenue stations has a number of parcels that are vacant or underutilized, and represent significant physical opportunities for redevelopment.

- The 4th Avenue station area is an attractive location for housing for students and young professionals. The area's ability to attract housing development will be further enhanced when the Modern Streetcar is completed and operating, and as the University of Arizona adds several thousand students as planned. EPS projects that as many as 1,020 housing units could be in demand within one-half mile of the 4th Avenue stations through 2020, and that the developable sites near the stations could accommodate several hundred of these housing units.
- Located just beyond downtown Tucson, the 4th Avenue area is currently a location for smaller office users, especially professional services (lawyers, design firms, etc.). The streetcar service will enhance the viability of office development in this area. The planned courthouse complex at 7th and Stone is likely to contribute to the demand for office.
- With restaurants and bars in the immediate neighborhood and close proximity to both downtown (including the convention center) and the University, 4th Avenue has the potential to support some hotel development. Like office space, hotels are also expected to be a minor part of the supportable demand in the station area, compared to the demand for housing. A smaller, mid-priced hotel (80 to 100 rooms) may be supportable in the area, particularly as the Modern Streetcar enhances connections to other nearby travel destinations.
- While 4th Avenue is a well-known and vibrant retail and entertainment district in Tucson, the real estate lease rates suggest that the area does not generate the same level of sales as are experienced at Main Gate Square and other retail districts. EPS has conservatively projected demand for about 24,000 square feet of retail space based on the potential to add local population, employment, and hotel visitors to the station area. While projected demand may be conservative, it is significant because it represents incremental growth to an already established retail district. This conservative approach can help to avoid the frequent problem of over-estimating retail demand and creating more retail space that remains vacant or underutilized and diminishes the strength of the area's existing retail core.

University and Tyndall Station Area

- The University and Tyndall station area is located at the western edge of the University of Arizona campus, and is home to an increasingly vibrant and high-performing area for retail and restaurants (Main Gate Square). Much of the land in this area is controlled by the Marshall Foundation, which generates revenues for its mission by developing and leasing various types of commercial property.
- The residential market in the University and Tyndall area is very strong, with students representing a strong and growing base for housing demand that yield significantly higher-than-average apartment prices. Based on general population growth projections and the University's expected increase of about 2,000

students within the next three years, EPS estimates that as many as 880 new housing units could be in demand within a half mile of the station area through 2020. The majority of these would be rental units, although support for for-sale housing is also evident, even for students.

- The University and Tyndall area offers some office space for professional services as well as University-related functions. With the addition of streetcar transit, the area should become increasingly attractive for office development, although the limited size of many of the opportunity sites is likely to constrain the size of individual office buildings. EPS projects potential demand for as much as 275,000 square feet of office space within a half mile of the station area through 2020. Tenants are likely to continue to include professional services and University-related offices, as well as potential spin-offs for University faculty, such as consultancies, think-tanks, clinics, etc.
- The Marriott hotel in this station area has very strong performance indicators, and hoteliers have expressed interest in developing additional properties in the University and Tyndall station area. A mid-priced hotel of 100 to 150 rooms could take advantage of proximity to the University and overflow demand from the Marriott, plus enable larger business, conference, and recreational events to be held locally.
- Main Gate Square's retail development has grown and revitalized significantly in the past few years. Retail lease rates are strong, and the growing student and general population growth indicates continuing support for retail development. Main Gate Square also serves as an entertainment location, with numerous bars and restaurants and plans for a multiplex theater. While many of the prime retail properties (on major streets) are already developed, opportunities for additional retail development (roughly 31,000 square feet) and/or enhancement of the performance of existing retail are evident. Projected demand may be conservative, but it is significant because it represents incremental growth to an already established retail district.

Helen and Campbell Station Area

- The Helen and Campbell station area is located at the northeast corner of the University of Arizona campus, adjacent to both the campus and upscale residential neighborhoods. The most notable features of the station area are the Arizona Health Sciences Center (AHSC) and University Medical Center. Parcels and buildings in this station area are somewhat larger than in the other station areas studied.
- Residential development in the Helen and Campbell station area is supported by the University population of students and employees, as well as professionals working downtown and in other regional office centers. The incomes and home prices in this neighborhood are higher than in the other neighborhoods studied,

indicating a comparative advantage for housing demand. With general population growth and benefits conferred by the streetcar, EPS projects that as many as 815 housing units could be in demand in this station area through 2020. The University has planned for the development of approximately 600,000 square feet of mixed use in the area, which can accommodate a portion of the demand if developed for residential use.

- The major medical facilities and the University present significant anchors around which office spaces are likely to cluster. To date, much of the private office space in the Helen and Campbell station area has been medical office, and this trend is likely to continue and expand as the region's population grows. However, the introduction of the streetcar will also enhance the area's attractiveness for office space generally, and this station area more than the other two has the physical capacity, accessibility, and market presence to attract larger office buildings. EPS has projected that as much as 275,000 square feet of office space may be in demand in this area through 2020.
- Adjacent to the University and the medical facilities, this station area offers a unique position for hotel development. A mid-rise but lower-value hotel, the Four Points Sheraton, is being planned for redevelopment as a higher-priced, urban style "aloft" brand hotel, one of the first such branded hotels by the internationally prominent Starwood hotel chain. This investment decision, as well as the strong performance of the nearby Marriott and Arizona Inn hotel properties, indicate potential for still more hotels in this station area. A mid-priced hotel of roughly 100 to 150 rooms should be supportable in this station area in the future.
- Campbell Avenue and Speedway are two major regional surface streets that intersect near the Helen and Campbell station. These two streets are developed with numerous strip commercial developments, especially along Speedway. Major regional competition exists for upscale retail development, particularly in the northern areas of the region where much of the upper-income housing is located. Rather than being a regional destination, demand for retail in the station area is likely to be driven largely by the local population, employment, and hotel visitors, which is projected to support as much as 14,800 square feet of retail space.

II. INTRODUCTION AND BACKGROUND

TUCSON MODERN STREETCAR

The proposed Modern Streetcar is scheduled to begin operation in 2010. It will operate a four-mile route from the University Medical Center (Helen Street and Campbell Avenue) to west of the downtown area (Congress Street and Avenida de Convento). The system will serve central Tucson, including the downtown area, the 4th Avenue commercial district, the U of A, and the AHSC. The ridership is expected to consist of individuals traveling to and from downtown to the University of Arizona and points in between, including the retail and entertainment establishments along 4th Avenue. The goal is to create a system that not only offers affordable and accessible mobility within the area, but can also promote economic and TOD. Ideally, the improved access and the concentration of activity at station areas will support infill and higher density development that can add to the vitality and sustainability of the urban fabric.

Individual station areas can have a transforming effect on surrounding neighborhoods and commercial districts. In newly developing areas, transit station access supports higher density and mixed-use in what otherwise may be a more traditional suburban setting, reducing sprawl and providing more choice in housing opportunities and employment access than might otherwise be available. Where new systems are added through existing developed areas, transit stations can serve as a catalyst for revitalization and economic development, attracting capital investment in redevelopment of older uses to take advantage of improved accessibility.

Transit systems can also transform whole corridors within urban areas. Improved accessibility and a series of transit stations can connect commercial activities, labor force, jobs, and services along the entire corridor. Capital investment around station areas, together with the competitive advantages of improved accessibility and identity within the market place, can help to resuscitate declining areas throughout the length of the transit corridor.

DESCRIPTION OF STUDY AREAS

While the Modern Streetcar system is expected to have as many as 21 stations along its initial four-mile length, EPS was retained by the City of Tucson to explore the development opportunities at four specific station areas. Recent planning efforts of the City of Tucson have placed an emphasis on infill and redevelopment in the Rio Nuevo and downtown areas through which the western end of the Tucson Modern Streetcar alignment passes. These efforts are providing the framework for development which will benefit the Streetcar project. Therefore, the efforts of the Transit-Oriented Development (TOD) Work Program developed for the Tucson Modern Streetcar project focus specifically on the stations along 4th Avenue and around the University of Arizona, along the eastern end of the alignment.

The market analysis will help identify the types of development best-suited for the specific station area given current and expected future market and economic conditions. The subject station areas are as follows:

- 4th Avenue/8th Street
- 4th Avenue/mid-block between 7th and 6th Streets
- University Boulevard/Tyndall Avenue (Main Gate)
- Helen Street/Campbell Avenue (end-of-the-line station)

In planning for land uses around transit stations, it is typical to consider the surrounding area that is within walking distance of the transit station. National studies have shown that the propensity of people using the transit decreases dramatically outside of a half-mile radius of the station, roughly a ten-minute walking area. For this reason, EPS has evaluated market demands and performance indicators within a half-mile radius of the proposed modern streetcar stations, as shown in **Figure 1**. In many cases, the greatest influence of transit on land uses is observed within quarter mile of the station area. In describing physical opportunities for development (i.e., sites that are vacant or underutilized and could be subject to future development), EPS has focused most attention on sites within the quarter-mile radius of the stations.

There are a number of factors and jurisdictions that can affect the type and amount of future development at the station areas and along the Modern Streetcar corridor. Therefore it is important to understand the development priorities and policies of these jurisdictions and the implications these can have for each of the station areas. In addition to private developers, business owners, and land owners, there are a number of organizations that contribute to development along the Modern Streetcar corridor.

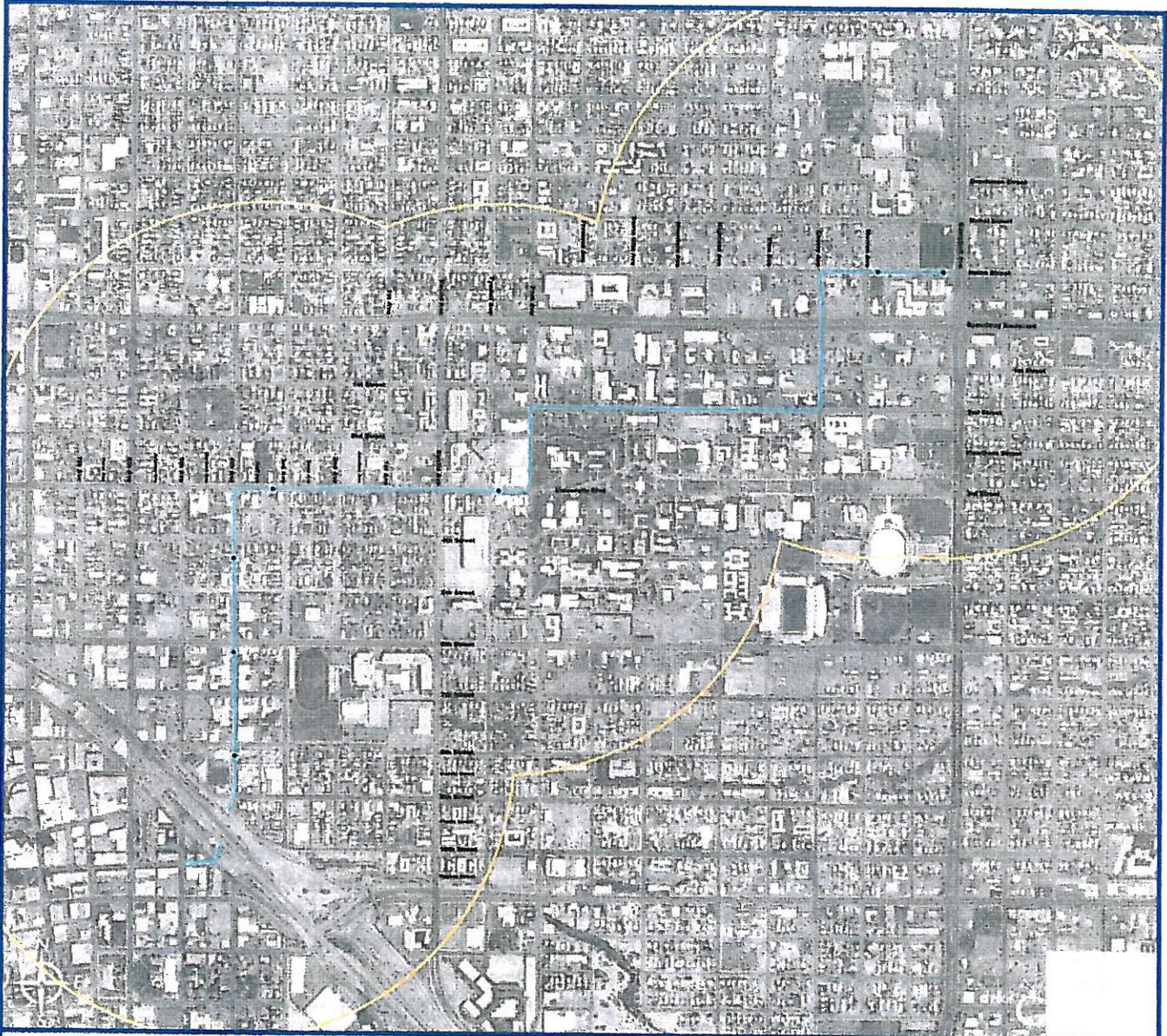
UNIVERSITY OF ARIZONA

The University of Arizona is the 3rd largest employer in Pima County and is the largest locally based employer with 10,348 employees. Established in 1885, the University now has 182 buildings on 387 acres in Tucson. In fall 2006, there were approximately 36,800 students with a majority being undergraduate students (77 percent). Of the students that matriculate each year, approximately 65 percent are Arizona residents. The University expects the student population to increase by 5 percent within the next three years, resulting in roughly 2,000 additional student enrollees. The University of Arizona is currently in the process of updating the Comprehensive Campus Plan and estimates that student population may be upward of 44,000 by 2020.

Figure 1

1/2 Mile Study Area Map

TRANSIT ON THE MOVE



LEGEND

-  Streetcar Route
-  Streetcar Station
-  1/2 mile Study Area

North
Not to Scale
11.05.07

HDR S. R. BEARD
& ASSOCIATES

The University of Arizona has a main campus northeast of Downtown Tucson, with additional campus buildings/facilities in the areas surrounding the main campus. The University has future expansion and development plans that are outlined in their 2003 Comprehensive Campus Plan. The Plan provides guidelines for development to 2010 within a planning area of 490 acres, including some adjacent properties not currently controlled or occupied by the University. According to the Comprehensive Campus Plan the goal of future University development is the creation of open space, building sites, and pedestrian paths that link the various campus sites into a unified whole. The aim is to create a distinct University environment through the development with increased density on underutilized land, such as surface parking lots.

The development of University-owned land is not subject to regulation and review by the City of Tucson. University development plans go through courtesy review with the City and the neighborhood associations that border the University campus. The duration of the review process is typically one year and tends to be a collaborative process.

MARSHALL FOUNDATION

The Marshall Foundation is a nonprofit foundation that was established in 1930 by Louise Marshall, the first female professor at the University of Arizona. The Marshall Foundation is governed by a Board of Directors comprised of five members and one student from the University. The Foundation's funds are generated through revenues from real estate investments. Since its inception, the Foundation has contributed over \$11 million to more than 200 local organizations and to the University for scholarships and special needs.

The Marshall Foundation owns and manages most of the two block area on University Avenue between Park Avenue and Euclid Avenue. This shopping district, just west of the University campus, is called Main Gate Square. Main Gate Square has a number of restaurants and retailers that appeal to the University population. The Marshall Foundation currently has plans to develop more restaurant and entertainment facilities in the two block area. It is important to note that the Marshall Foundation is not involved in residential development.

CITY OF TUCSON

The City of Tucson, in conjunction with local organizations, is involved in efforts to revitalize the downtown area. These revitalization efforts can impact the type of development that occurs along the Modern Streetcar corridor.

Tucson Regional Economic Opportunities

Tucson Regional Economic Opportunities, Inc. (TREO) is the lead economic development agency for the greater Tucson area. TREO promotes economic expansion through programs and services that support the creation of new businesses, the growth of existing businesses, and the attraction of new businesses. These business development resources include the Empowerment Zone and the Enterprise Zone.

The entire area served by the Modern Streetcar is within both the Tucson Empowerment and Enterprise Zones. The Empowerment Zone includes approximately 17.25 square miles within the urban core of the Tucson Metro Area. The Enterprise Zone Program designates the area within the Zone to be eligible for federal business tax credits by the United States Department of Housing and Urban Development. The tax credits are a mixture of tax financing and workforce training incentives. The Enterprise Zone Program provides state income tax credit for the creation of qualified new jobs and property tax credit for qualified businesses within the Zone. These business incentives promote economic development within Downtown Tucson, which can affect real estate development along the Modern Streetcar corridor.

Rio Nuevo

In addition to the business development resources promoted by TREO, Rio Nuevo is Tucson's downtown redevelopment project. Approved by voters in 1999, this 10-year tax-increment-financing (TIF) district is expected to generate \$850 million, with a net present value of approximately \$585 million, to be used for the renovation of historic venues and other projects such as the University of Arizona Science Center, the Arizona State Museum, and the Tucson Arena. The Rio Nuevo Master Plan was adopted in 2001 and plans for a mix of housing, commercial space, and an expanded Tucson Convention Center with associated hotels.

Rio Nuevo is currently involved with a number of projects, such as the University of Arizona Science Center, the Mercado District of Menlo Park, and a proposed arena in Tucson. These projects, once completed, will impact ridership for the Modern Streetcar and development potential along the Modern Streetcar corridor through an increase in residents of and visitors to downtown Tucson.

III. REGIONAL MARKET CONDITIONS

While the specific opportunities for development at each station area depend on factors such as site availability, site access, adjacent uses, and the characteristics of local households and employers, the regional demographic and market trends for the Tucson Metro Area and its submarkets influence the types of development feasible and best-suited for the planned station areas.

POPULATION

PIMA COUNTY

Pima County has grown rapidly over the past 15 years. According to the United States Census in 1990, of the nation's 3,141 counties, Pima County was the 68th largest. By 2005, Pima County was the nation's 45th largest county. In November 2006, Pima County's population reached 1 million. As shown in **Table 1**, between 1990 and 2006 the population grew approximately 48 percent, an average of 20,100 additional residents annually. This growth is expected to continue in future years. Between 2006 and 2020 the annual growth is expected to be roughly 24,700 people, even more annual growth (though a smaller proportionate increase) than occurred from 1990 to 2006.

CITY OF TUCSON

The City of Tucson has experienced growth similar to that of the County. In 1990, the City was the 34th largest city in the United States and by 2000 it was the 30th largest. In 2005, Tucson was the 32nd largest city in the United States. As shown in **Table 1**, the population grew approximately 33 percent from 1990 to 2006, an average of 8,400 additional residents annually. The City's Department of Urban Planning and Design estimates that the City of Tucson will grow more rapidly in future years, adding approximately 13,400 residents annually until 2020. As of 2005, the working-age population (ages 15-64) comprised approximately 66 percent of the City's population. Based on population projections by age cohort for Pima County, between 2006 and 2020 the growth in the working-age population will account for approximately 49 percent of the expected total growth in the County.¹ More specifically, approximately 55 percent of total growth in the County will consist of Young Professionals (ages 20 to 34) and Empty Nesters (ages 55 to 74), over the same time period.

¹ Based on official projections by the Arizona Department of Economic Security. Members of the Pima Association of Governments and the City of Tucson believe that the projections are too low, especially for the later periods, and do not reflect the more youthful forces of migration. As such, the State's projections are believed to make the future population of Pima County appear older than it is actually likely to be.

Table 1
Historical and Projected Population and Households
Tucson Modern Streetcar Market Analysis; EPS #16108

	Historical				Projected			1990-2006				2006-2020			
	1990	2000	2006	2010	2020	Net Change	% Change	Avg. Annual Change	Avg. Annual Growth Rate	Net Change	% Change	Avg. Annual Change	Avg. Annual Growth Rate		
City of Tucson															
Population	405,390	486,699	539,228	586,860	727,392	133,838	33.0%	8,365	1.8%	188,164	34.9%	13,440	2.2%		
Households	162,685	192,891	214,832	233,809	289,798	52,147	32.1%	3,259	1.8%	74,966	34.9%	5,355	2.2%		
Persons/Household	2.49	2.52	2.51	2.51	2.51	0.02	-	-	-	0.00	-	-	-		
Pima County															
Population	666,880	843,746	988,991	1,077,800	1,335,366	322,111	48.3%	20,132	2.5%	346,375	35.0%	24,741	2.2%		
Households	261,792	332,350	389,367	424,331	525,735	127,575	48.7%	7,973	2.5%	136,368	35.0%	9,741	2.2%		
Persons/Household	2.55	2.54	2.54	2.54	2.54	-0.01	-	-	-	0.00	-	-	-		

Source: US Census; Tucson Update from the City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

The continued rapid population growth in Pima County and the City of Tucson indicate that there will be future demand for all types of housing and retail. With Young Professionals and Empty Nesters accounting for more than half of the expected growth, smaller housing product types, such as condominiums and lofts, will likely become more prevalent in the market. Overall population growth will also result in increased demand for retail, and will provide an expanding labor force that will support more workplace development, such as office space.

EMPLOYMENT

The Pima County economy has also expanded significantly over the past 15 years, with the University of Arizona serving as an anchor institution. Pima County's 2006 unemployment rate was 4 percent in 2006, which is slightly lower than the State of Arizona's unemployment rate of 4.1 percent. Since 1990, Pima County has recorded an unemployment rate consistently lower than the rate for Arizona.

The government sector forms the foundation of the County's economy, representing approximately 21 percent of total non-farm employment in 2006. By comparison, the government sector only represents 14 percent of total non-farm employment in the State of Arizona. The relatively large size of the government sector in Pima County can be attributed in part to the University of Arizona, a public university and the 2nd largest employer in the Tucson Metro Area. The area's largest employer is Raytheon Missile Systems (11,184). The 3rd largest employer is Davis-Monthan Air Force Base (8,233).² As shown in **Table 2**, the service sector is also a significant part of the economy with Trade, Transportation, and Utilities; Educational and Health Services; and Professional and Business Services being some of the largest industries.

As shown on **Table 2**, Pima County's industries have gained 132,600 jobs since 1990, representing an average annual growth rate of 2.7 percent. Between 1990 and 2006 employment growth outpaced population growth, 52.7 percent versus 48.3 percent, respectively. Professional and Business Services, Construction, and Educational and Health Services led job growth, while the Natural Resources and Mining sector lost jobs over the same time period. It is projected that employment growth will continue at an average annual growth rate of approximately 2 percent, adding a total of about 124,400 jobs by 2020. The largest expected growth will occur in the service sector with Leisure and Hospitality experiencing the largest growth, 2.9 percent annually, followed by Professional and Business Services at 2.8 percent annually. This is consistent with the expectation that future growth will be driven by working age people moving to the City for employment opportunities.

² Tucson Regional Economic Opportunities, www.treoaz.com.

Table 2
Tucson Metro Area Historical and Projected Employment
Tucson Modern Streetcar Market Analysis; EPS #16108

Industry	Historical				Projected			1990-2006			2006-2020		
	1990	2000	2006	2010	2020	Net Change	% Change	Avg. Annual Growth Rate	Net Change	% Change	Avg. Annual Growth Rate		
Natural Resources and Mining	2,200	1,800	1,600	1,400	900	-600	-27.27%	-1.97%	-700	-43.75%	-4.03%		
Construction	14,900	22,900	27,600	26,700	27,100	12,700	85.23%	3.93%	-500	-1.81%	-0.13%		
Manufacturing	25,500	32,900	29,100	30,800	33,000	3,600	14.12%	0.83%	3,900	13.40%	0.90%		
Trade, Transportation, and Utilities	45,300	55,000	61,400	67,800	83,900	16,100	35.54%	1.92%	22,500	36.64%	2.26%		
Information	5,100	7,900	7,100	7,800	8,800	2,000	39.22%	2.09%	1,700	23.94%	1.55%		
Financial Activities	11,900	14,800	17,600	19,600	25,800	5,700	47.90%	2.48%	8,200	46.59%	2.77%		
Professional and Business Services	21,400	43,500	47,400	54,000	69,700	26,000	121.50%	5.10%	22,300	47.05%	2.79%		
Educational and Health Services	30,000	42,000	52,900	58,800	75,000	22,900	76.33%	3.61%	22,100	41.78%	2.52%		
Leisure and Hospitality	29,500	39,900	42,000	47,500	63,000	12,500	42.37%	2.23%	21,000	50.00%	2.94%		
Other Services	10,000	13,000	15,000	16,900	21,600	5,000	50.00%	2.57%	6,600	44.00%	2.64%		
Government	55,900	76,300	82,600	87,600	99,900	26,700	47.76%	2.47%	17,300	20.94%	1.37%		
Total Nonfarm Employment	251,700	350,000	384,300	418,900	508,700	132,600	52.68%	2.68%	124,400	32.37%	2.02%		

Source: City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

The strength in job growth indicates continued support for real estate development. Specifically, future hotel and office developments can be sustained by the relatively large growth in the Leisure and Hospitality industry and office-based employment.

RESIDENTIAL MARKET

The Pima County population has grown rapidly for the past several decades and as a result, residential development has also grown rapidly. Single-family housing has experienced the largest growth and remains the largest portion (51 percent) of the City's 227,900 housing units in 2005, as shown in **Table 3**³. As it did throughout the country, Tucson area residential development accelerated between 2000 and 2006. Tucson's multifamily housing stock grew substantially in recent years. Of the 18,111 total new units added to the City since 2000, nearly one-third (6,000 units) were new multifamily units. In the previous decade, multifamily construction represented less than 18 percent of newly built homes.

Along with the substantial residential growth, housing prices have also increased in the Tucson Metro Area. As shown in **Table 4**, the median sales price has more than doubled in the past 10 years.

CENTRAL SUBMARKET

The Tucson Metro Area can be broken into submarkets that vary in the mix of residential product types as well as the performance of the residential properties. All of the areas served by the proposed Modern Streetcar fall within the Central submarket.

According to the March 2007 Monthly Statistical Digest, produced by the Tucson Association of Realtors Multiple Listing Service, Inc., the average sale price in the Central submarket is lower than the average sale price for the Tucson Metro Area, \$218,720 versus \$276,486, respectively. The lower median sales price may be attributed to the larger proportion of smaller sized homes sold in the Central submarket; 46 percent were 2 bedrooms or less compared to 30 percent for the broader Tucson area. However, the Central submarket appears to perform better than the Tucson Metro Area in the pace of home sales. In March 2007, homes in the Tucson Metro Area averaged 67 days on the market, whereas the Central submarket averaged 56 days. In addition, of the 14 submarkets, the Central submarket had the second highest number of units sold.

³ Table 3 indicates a decrease in the number of single-family attached units between 2000 and 2005. Based on communications with the City, this decrease is likely the result of sampling error based on the smaller sample size used by the American Community Survey and not any substantial change in this housing product type.

Table 3
Housing Units: City of Tucson, 1990-2005
Tucson Modern Streetcar Market Analysis; EPS #16108

Year	Total	Single-Family		Multi-Family			Mobile	Other	Occupied	% Vacant
		Detached	Attached	2 to 4	5 Plus					
1990	183,338	82,421	15,830	13,803	54,386	14,463	2,435	162,685	11.3%	
2000	209,792	102,023	17,586	15,665	57,278	16,325	915	192,946	8.0%	
2005	227,903	115,430	16,683	18,074	60,869	16,449	398	208,342	8.6%	
1990	100%	45%	9%	8%	30%	8%	1%	--	--	
2000	100%	49%	8%	7%	27%	8%	0%	--	--	
2005	100%	51%	7%	8%	27%	7%	0%	--	--	
<u>1990-2000</u>										
Total Change	26,454	19,602	1,756	1,862	2,892	1,862	(1,520)	30,261	(3.2)	
Annual Growth Rate	1.4%	2.2%	1.1%	1.3%	0.5%	1.2%	-9.3%	1.7%	-3.3%	
<u>2000-2005</u>										
Total Change	18,111	13,407	(903)	2,409	3,591	124	(517)	15,396	0.6	
Annual Growth Rate	1.7%	2.5%	-1.0%	2.9%	1.2%	0.2%	-15.3%	1.5%	1.3%	
<u>1990-2005</u>										
Total Change	44,565	33,009	853	4,271	6,483	1,986	(2,037)	45,657	(2.7)	
Annual Growth Rate	1.5%	2.3%	0.4%	1.8%	0.8%	0.9%	-11.4%	1.7%	-1.8%	

Source: U.S. Census Bureau; Economic & Planning Systems, Inc.

Table 4
Tucson Metro Area Median Home Prices, 1997-2007
Tucson Modern Streetcar Market Analysis; EPS #16108

Year	Median Sales Price	Annual Change	
		Amount	Percent
1997	\$102,500	--	--
1998	\$110,000	\$7,500	7.3%
1999	\$115,500	\$5,500	5.0%
2000	\$117,000	\$1,500	1.3%
2001	\$124,700	\$7,700	6.6%
2002	\$127,678	\$2,978	2.4%
2003	\$137,500	\$9,822	7.7%
2004	\$156,500	\$19,000	13.8%
2005	\$190,000	\$33,500	21.4%
2006	\$218,000	\$28,000	14.7%
2007	\$222,700	\$4,700	2.2%
<u>Annual Growth Rate</u>			
1997-2007	--		8.1%

Source: Tucson Association of Realtors, March 2007 Residential Sales Overview; Economic & Planning Systems, Inc.

It is important to note that within the Central submarket there are a number of historical neighborhoods with relatively higher home values and these neighborhoods have been able to maintain these higher values. According to Trulia.com, a real estate search engine, the average sales price from April 2007 to June 2007 in the historic Sam Hughes neighborhood was \$318,674. The average sales price in West University was \$294,243, over the same time period.

CONDOMINIUMS

Condominiums are becoming an important aspect of the residential housing market, evidenced by the largest growth rate of this housing product type from 2000 to 2006. In March 2007 the median sales price of a condominium in the Tucson Metro Area was \$171,900 and sales represented approximately 34 percent of the market.⁴

There have been a number of recent condominium developments in the Tucson Metro Area. Many of these developments consist of low-scale buildings that are one to two stories. The Post in downtown Tucson is proposed to be a six-story, mixed-use development with 52 condominium units, approximately 13,000 square feet of ground floor retail, and a parking garage. The condominiums are one- and two-bedroom units ranging in size from 651 square feet to 2,248 square feet.

Condominium conversions from apartments are another type of condominium development that is occurring in the Tucson housing market. An example of a condominium conversion development is Campus Walk Condominiums, at the intersection of Euclid Avenue and 2nd Street. The development consists of 88 renovated two-bedroom, 1,100-square foot, two-story townhouse style units. Some of the amenities include a pool, wireless study lounge, and built-in barbeque area. The condominiums are priced starting from \$199,000. While there are a few condominium conversion projects, according to commercial brokers, the sales of apartment complexes for conversion to condominiums slowed in 2006. Six complexes sold for conversion in 2006, down from 12 complexes in 2005.⁵

APARTMENTS

Apartments are an important residential product type in Tucson, especially with the relatively large University of Arizona student population. Multifamily housing with five units or more is the second largest product type in Tucson, comprising 30 percent of all residential units.

⁴ Tucson Association of Realtors Multiple Listing Service, Inc. "Monthly Statistical Digest." March 2007.

⁵ CB Richard Ellis. "Tucson, Arizona: 2007 Market Outlook."

The apartment market has improved over the past few years, as shown in **Table 5**. Rents have steadily increased over the past six years. The vacancy rate increased from 2000 to 2002 but has steadily declined since 2002. The increase from 2000 to 2002 is the result of a large amount of new apartment construction and negative absorption over the same time period. Similar effects were observed throughout the nation, as the dot-com bust resulted in job reductions and lower demand for rental housing, at the same time that many projects conceived during the dot-com boom were just being completed.

The apartment market can be divided into submarkets that vary in performance and supply. The Northwest submarket, an area with much new development, commands the highest rents while the Northeast submarket has the lowest vacancy rate, as shown in **Table 6**. The Central submarket, which includes all of the areas served by the proposed Modern Streetcar, is comprised of relatively older properties. As such, rents in the Central submarket are lower than rents in the Tucson Metro Area generally. It is important to note that while rents in the Central submarket are relatively low, over the past year rent in this submarket increased by almost 7 percent, the third highest increase of all the submarkets.

In 2006, there was construction of an additional 138 units in the Tucson Metro Area. Hendricks & Partners, an apartment sales and research firm, estimates the construction of just over 300 new units in the Tucson Metro Area in 2007 and approximately 500 new units in 2008. The rising trend in apartment construction is a positive indicator for the apartment market.

OFFICE MARKET

TUCSON METRO AREA

The Tucson Metro Area office market is moderately strong. After very high vacancy rates of more than 20 percent in 1990, office vacancies have decreased significantly to about 12 percent in 2006, as shown in **Table 7**. Since 1990, the growth in total office square feet has outpaced population and employment growth, 57.7 percent versus 48.3 and 52.7 percent, respectively. In addition, since 2003, average asking lease rates have increased and were approximately \$22 per square foot at year-end 2006.⁶ The trends in office supply and vacancy rates since 1990 are shown in **Figure 2**, while the trends in vacancy and rents since 2000 are shown in **Figure 3**. In 2006, the region's occupied office space grew by approximately 135,900 square feet resulting in positive office absorption for the 16th consecutive year. While regional vacancy rates are still relatively high at 12 percent and rents are relatively modest, the positive trends on both measures, combined with the strong projected growth in office-based employment, suggest that office development will continue to be attractive in the region for the foreseeable future.

⁶ CB Richard Ellis, "MarketView, Tucson Office," Year-end 2006.

Table 5
Apartment Market Trends: Tucson Metro Area, 2000-2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	2000-2006										Annual Growth Rate	
	2000	2001	2002	2003	2004	2005	2006	2006 Change	Net Change	% Change		
Rent	\$533	\$549	\$555	\$560	\$570	\$578	\$608	\$75	\$75	14.1%	14.1%	2.2%
Vacancy Rate	7.9%	8.5%	10.7%	9.3%	8.5%	7.3%	7.0%	(0.9)	(0.9)	-11.4%	-11.4%	-2.0%

Source: Hendricks & Partners Apartment Forecast 2007; Economic & Planning Systems, Inc.

Table 6
Apartment Market Indicators: Tucson Metro Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Submarkets	Vacancy		Avg. Rent Increase		Average Rent	
	2007	2006	2007	2006	2007	2006
West Tucson	6.00%	9.80%	6.00%	-1.40%	\$694	\$655
Northwest Tucson	6.70%	6.20%	2.60%	2.90%	\$735	\$696
Northeast Tucson	5.60%	6.20%	2.60%	2.90%	\$723	\$705
East Tucson	5.80%	7.20%	8.80%	0.60%	\$606	\$557
Central Tucson	7.10%	7.00%	6.90%	1.60%	\$562	\$526
South Tucson	6.60%	7.30%	7.30%	4.50%	\$538	\$501
Totals	6.50%	7.00%	6.20%	2.00%	\$620	\$584

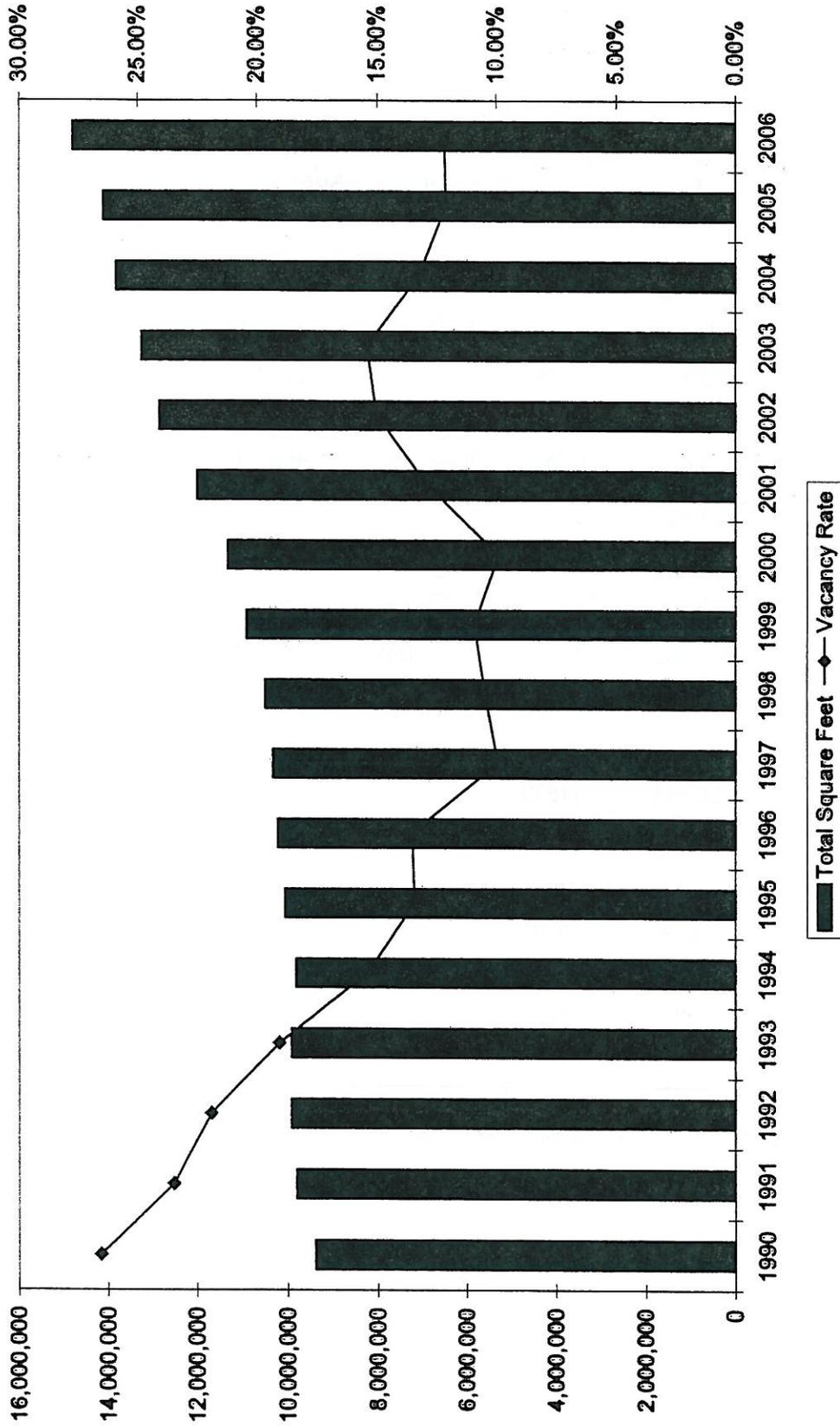
Source: Hendricks & Partners Apartment Update 2007; TREO; Economic & Planning Systems, Inc.

Table 7
Office Market Trends: Tucson Metro Area, 1990-2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	Total Square Feet	Vacancy Rate	Occupied Office Space	Year-To-Year Absorption
3Q1990	9,372,205	26.55%	6,883,885	--
3Q1991	9,801,553	23.47%	7,501,129	617,244
3Q1992	9,910,957	21.92%	7,738,475	237,347
3Q1993	9,911,527	19.10%	8,018,425	279,950
3Q1994	9,810,134	15.42%	8,297,411	278,986
3Q1995	10,043,150	13.47%	8,690,338	392,926
3Q1996	10,206,667	13.57%	8,821,622	131,285
3Q1997	10,316,838	9.95%	9,290,313	468,690
3Q1998	10,479,215	10.48%	9,380,993	90,681
3Q1999	10,889,426	10.93%	9,699,212	318,218
3Q2000	11,308,060	9.91%	10,187,431	488,220
3Q2001	11,980,948	12.91%	10,434,208	246,776
3Q2002	12,828,358	15.03%	10,900,256	466,048
3Q2003	13,226,726	15.43%	11,185,842	285,586
3Q2004	13,805,188	13.25%	11,976,001	790,158
3Q2005	14,085,210	12.12%	12,378,083	402,082
3Q2006	14,779,889	12.19%	12,978,221	600,138
<u>1990-2000</u>				
Total Change	1,935,855	(16.6)		--
Annual Growth	1.9%	-9.4%		--
<u>2000-2006</u>				
Total Change	3,471,829	2.3		--
Annual Growth	4.6%	3.5%		--
<u>1990-2006</u>				
Total Change	5,407,684	(14.4)		--
Annual Growth	2.9%	-4.7%		--

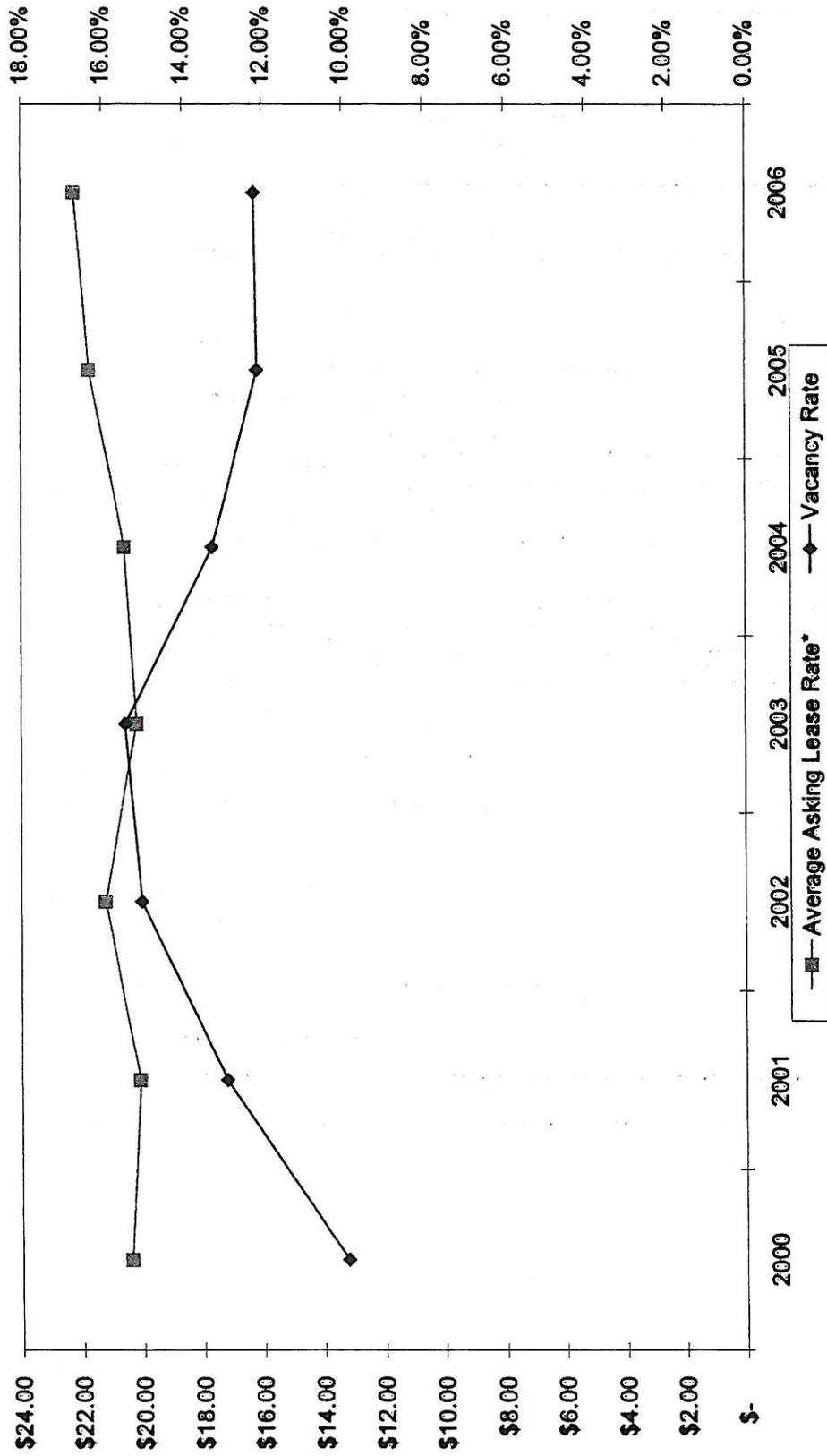
Source: City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

Figure 2: Total Office Supply/Vacancy Rate, 1990-2006



Source: CB Richard Ellis. "MarketView: Tucson Office." Year-end 2006.

Figure 3: Office Market Trends, 2000-2006



* Average asking lease rates were taken from a bar chart included in the Tucson Office MarketView report.

Source: CB Richard Ellis, "MarketView: Tucson Office" Year-End 2006; City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

SUBMARKETS

According to commercial brokers, the Tucson Metro Area office market can be divided into six submarkets – Northwest, West Central, East Central, Northeast, North Central, and Downtown. These submarkets vary in terms of the size of the office supply, as well as performance of the office properties. The entire area served by the proposed Modern Streetcar is within the Downtown submarket.

In addition to the office buildings downtown, there are only two large concentrations of office in the Tucson Metro Area. The two concentrations of office buildings are found along Campbell Avenue and River Road (just west of Campbell Avenue) and the Williams Center, which is located at Broadway Boulevard and Craycroft Road. The Williams Center is in the East Central submarket, which has the largest supply of office space, as shown in **Table 8.**⁷ The Williams Center is considered Tucson's financial center, is situated along two major roadways providing easy accessibility, and is close to a number of residential neighborhoods. Some of the tenants include Alliance Bank, Charter Funding, and Scottrade. The offices along Campbell and River Road are in the North Central submarket. Of the six submarkets, the North Central submarket had the highest net absorption and one of the lowest vacancy rates in 2006. Some of the tenants in this area include medical services, insurance companies such as Farmers Insurance, and a number of real estate offices. Many of the office buildings in the North Central submarket are relatively new, its location along major roadways make it easily accessible, and the office buildings are relatively close to the affluent neighborhoods north of River Road. These factors contribute to the relatively stronger office market in the North Central submarket.

Downtown Submarket

The Downtown submarket is the center for the region's city, county, state, and federal offices. There are also a number of consulting and engineering firms that like to locate near the governmental offices. There has been little new construction in recent years. As shown in **Table 8**, the vacancy rate in the Downtown submarket is higher than the vacancy rate for the Tucson Metro Area, 16 percent versus 12 percent, respectively. Similarly, there is negative net absorption and no new construction Downtown. According to commercial brokers, the perception of limited parking deters businesses from locating in the Downtown area. Businesses that do locate downtown must provide parking for their employees, which equates to an additional cost of \$2.50 per square foot per year. As a result, lease rates in the Downtown area tend to be slightly lower than lease rates in other parts of the Tucson Metro Area. Businesses tend to also want to locate close to their employees, which is why the largest supply of office space is located outside of the Downtown area where the largest residential growth has occurred.

⁷ The totals from **Table 10** differ from those in **Table 9** because the market coverage in **Table 10** only includes all competitive office buildings 10,000 square feet and greater in size.

Table 8
Office Market Indicators: Tucson Metro Area, 2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Submarket	Gross Rentable Area	Vacancy Rate	Net Absorption	New Construction
Northwest	1,424,014	6.33%	(20,665)	60,817
West Central	471,300	10.00%	(3,745)	0
East Central	2,320,876	13.88%	118,965	193,036
Northeast	808,204	18.81%	(36,740)	19,156
North Central	1,703,618	8.54%	181,264	115,377
Downtown	1,213,403	16.00%	(103,213)	0
Total	7,941,415	11.98%	135,866	388,386

Source: CB Richard Ellis, MarketView: Tucson Office Year-End 2006

HOTEL MARKET

Tucson is a favorite travel destination, providing world-renowned spas and golf courses. With beautiful landscapes and vistas, Tucson is surrounded by five mountain ranges and is home to numerous State Parks. In the beginning of each year, Tucson hosts the Annual Gem, Mineral, and Fossil Showcase, which is the world's largest marketplace of its kind. The Gem show brings in an estimated 50,000 out of town visitors.

Tucson is also home to Arizona's largest annual cycling event, El Tour de Tucson. In addition to the bike race, some other El Tour de Tucson events includes a 5K and 10K Run/Walk and a two-day Wellness Conference. This year 11,000 cyclists are expected to participate. In 2006, El Tour de Tucson drew 8,248 cyclists, 2,700 volunteers, and 27,000 spectators. The event is expected to bring in approximately \$50 - \$70 million to the local economy during the year.⁸

Tucson is also the spring training site for the Colorado Rockies, the Arizona Diamondbacks, and the Chicago White Sox. As a result, the tourism and hospitality industry is an important aspect of the area's economy and is expected to experience the largest growth in the future. Tucson has approximately 3.5 million visitors per year, with an estimated economic impact of \$2 billion annually.⁹ These factors make Tucson a prime hotel location.

Visitors from Mexico are an important market segment for the tourism industry in Tucson. According to the Metropolitan Tucson Convention and Visitor's Bureau over 22 million visitors cross the border to shop and play in Tucson. While Mexico visitors have a substantial economic impact, most are day-trippers. Only about 16 percent spend at least one night in Tucson.

There are currently 135 hotels in Tucson for a total of 14,572 rooms, as shown in **Table 9**. A majority of the hotels are located in the East, the Airport, and the Foothills. The hotels in these areas account for approximately 57 percent of all hotel rooms in Tucson. With the Williams Center and the concentration of offices in the East, the hotels in the East serve many business travelers. A number of hotels in the Foothills are luxury hotels and resorts with spas and golf courses serving more leisure travelers. As in most cities, there is also a concentration of hotels around the Tucson airport.

By early 2008 there is expected to be an additional four hotels with a total of 519 rooms, as shown in **Table 10**. Three of the four new hotels will be located near the Tucson airport. The Embassy Suites Tucson – Paloma Village will be in the North Central area, at the intersection of N. Campbell Avenue and E. Skyline Drive. In addition to new hotel construction there is the redevelopment of existing hotel properties. There are plans for the construction of an "aloft" hotel on the site of the Four Points Tucson

⁸ Perimeter Bicycling Association of America, Inc., News Release, October 11, 2007.

⁹ Metropolitan Tucson Convention and Visitor's Bureau

Table 9
Tucson Hotels, 2007
Tucson Modern Streetcar Market Analysis; EPS #16108

Name of Establishment	Properties	Open Date	Rooms
Downtown			
Hotel Arizona	--	Jun 1972	307
Hotel Congress	--	Jun 1919	40
InnSuites Hotels Tucson City Center	--	Jun 1960	260
La Quinta Inns Tucson Downtown Starr Pass	--	Jun 1984	98
Super 8 Tucson Convention Area	--	Dec 1989	68
Days Inn Tucson Convention Center	--	Jun 1954	122
Howard Johnson Express Inn Tucson Downtown	--	Jun 1968	107
Travelodge Tucson Downtown	--	Dec 1996	42
The River Park Inn	--	Jun 1971	<u>174</u>
Subtotal	9		1,218
The Foothills			
Hampton Inn Suites Tucson Mall	--	Sep 1998	109
La Posada Lodge & Casitas	--	Jan 2003	72
TownePlace Suites Tucson	--	Jul 2001	77
Best Western InnSuites Hotel & Suites	--	Jun 1981	159
Flamingo Suites	--	Jun 1980	52
Westward Look Resort	--	Jun 1965	244
Country Inn & Suites Tucson	--	Jan 1987	156
Hacienda Del Sol Guest Ranch	--	Jun 1929	30
Westin La Paloma	--	Jun 1985	487
Windmill Suites @ St Philips	--	Feb 1992	122
The Golf Villas Oro Valley	--	Nov 1997	67
Hilton El Conquistador Tucson	--	Jun 1982	428
Catalina Inn	--	Feb 2002	50
The Lodge @ Ventana Canyon	--	Jun 1985	50
Canyon Ranch Health Resort	--	Jun 1979	175
Loews Ventana Canyon Resort	--	Jun 1984	398
Desert Golf Vacation Rentals	--	Dec 2005	<u>70</u>
Subtotal	17		2,746
The University and North Central			
Quail Inn	--	Feb 1946	18
Oasis Motel	--	--	49
Amazon Motel	--	--	30
Tiki Motel	--	--	20
Holiday Inn Express Hotel & Suites North Tucson Mall	--	Jan 2004	105
No Tel Motel	--	Jan 1956	19
Mountain View Motel	--	Jan 1976	21
Frontier Motel	--	--	20
Terrace Motel	--	--	22
Dream House Motel	--	--	21
Sunland Motel	--	Feb 1962	19
Best Western Royal Sun Inn & Suites	--	Jun 1971	79
Hacienda Motel	--	--	51
Wayward Winds Lodge	--	Jun 1958	41
College Place	--	Jun 1961	195
Copper Cactus Inn	--	--	24
Econo Lodge Tucson	--	Jun 1965	48
Riviera Motor Lodge	--	--	22
Tucson Inn Motor Hotel	--	--	66
Best Western Executive Inn	--	May 1961	129
Super 8 Tucson Downtown	--	Jun 1972	39
University Inn	--	--	39
Highland Tower Motel	--	--	24
Flamingo Hotel	--	Jun 1952	79
Comfort Suites Tucson	--	Jun 1998	87
Four Points Tucson University Plaza	--	Jun 1971	150
Marriott Tucson University Park	--	Dec 1996	250
Arizona Inn	--	Jun 1930	86
Varsity Clubs Of America	--	May 1997	<u>60</u>
Subtotal	29		1,813

Table 9
Tucson Hotels, 2007
Tucson Modern Streetcar Market Analysis; EPS #16108

Name of Establishment	Properties	Open Date	Rooms
Airport			
Country Inn & Suites Tucson Airport	--	Feb 2000	83
Fairfield Inn Tucson Airport	--	Jan 1999	86
Holiday Inn Express Hotel Tucson Airport	--	Nov 1997	98
La Quinta Inn & Suites Tucson Airport	--	Sep 1996	143
Best Western Las Brisas Hotel	--	Jun 1982	150
Amerisuites Tucson Airport	--	Aug 1997	120
Redwood Lodge	--	--	25
Studio 6 Tucson	--	Feb 1986	120
Quality Inn Tucson	--	Jun 1985	97
Hampton Inn Tucson Airport	--	Jan 1987	126
Benson Motel	--	--	22
Palo Verde Inn	--	Nov 1984	173
El Pais Motel	--	--	40
Courtyard Tucson Airport	--	Oct 1988	149
Embassy Suites Tucson International Airport	--	Jan 1982	204
Super Inn Motel	--	Jun 1990	20
Voyager Inn	--	Jun 1996	65
Scotsman Motel	--	Jun 1964	16
Travel Inn	--	Jun 1986	47
Clarion Hotel Airport Tucson	--	Oct 1986	188
Comfort Suites Tucson Airport	--	Jan 1999	82
Holiday Inn Tucson Airport	--	Dec 1981	301
Crossland Suites Tucson Butterfield Drive	--	Apr 1998	117
Red Roof Inn Tucson South	--	Jun 1977	118
Days Inn Tucson Airport	--	Jan 1997	65
Fairfield Inn Tucson I 10 Butterfield	--	Jan 1996	65
Subtotal	26		2,720
East			
Radisson Suites Tucson	--	Dec 1985	299
Residence Inn Tucson	--	Jul 1985	128
Hilton Tucson East	--	Feb 1987	233
La Quinta Inns Tucson East	--	Jun 1977	140
Chateau Sonata	--	Jun 1985	144
Doubletree @ Reid Park	--	Nov 1974	295
Clarion Hotel Randolph Park	--	Jun 1967	157
Viscount Suite Hotel	--	Nov 1986	216
Days Inn & Suites Tucson	--	Jun 1980	68
The Lodge On The Desert	--	Jun 1936	35
Embassy Suites Tucson Williams Center	--	Jun 1975	142
Residence Inn Tucson Williams Centre	--	Dec 2004	120
Super 8 Tucson East	--	Aug 1993	42
D M Motel	--	Jun 1960	16
Courtyard Tucson Williams Centre	--	Dec 1996	153
Sheraton Hotel & Suites Tucson	--	Jun 1985	216
Extended Stay America Tucson Grant Road	--	Apr 1997	120
Comfort Suites Tucson	--	Apr 1982	90
Ramada Foothills	--	Jun 1984	113
Tanque Verde Ranch	--	--	74
Subtotal	20		2,801
South			
Econo Lodge Tucson	--	Jun 1980	87
Quality Inn Tucson Airport	--	Jun 1968	136
Economy Inn	--	Jan 1966	18
Budget Inn Motel	--	--	35
Travel Inn	--	--	47
Motel 6 Tucson 22nd Street	--	Apr 1975	99
Star Motel	--	Mar 1965	20
Lazy 8 Motel	--	Jun 1976	48
Knights Inn Tucson	--	Jun 1974	94
Motel 6 Tucson Airport	--	--	146

Table 9
Tucson Hotels, 2007
Tucson Modern Streetcar Market Analysis; EPS #16108

Name of Establishment	Properties	Open Date	Rooms
Arizona Motel	--	Jun 1930	32
Americas Best Value Inn Tucson	--	Jun 1972	95
Western Inn	--	--	<u>120</u>
Subtotal	13		977
Northwest			
InTown Suites Ina Rd	--	Aug 2001	121
Motel 6 Tucson East	--	--	118
Omni Tucson National Resort & Spa	--	May 1962	167
Comfort Inn Tucson North	--	Oct 1996	60
La Quinta Inn & Suites Tucson Northwest Marana	--	Mar 2001	65
Wild Horse Ranch	--	--	20
Travelodge Tucson	--	Dec 1994	69
Super 8 Marana	--	Mar 1999	67
Holiday Inn Express Hotel & Suites Marana	--	Jan 2002	84
White Stallion Ranch	--	Jun 1958	40
Lazy K Bar Guest Ranch	--	Jun 1936	24
Days Inn & Suites Marana	--	Mar 2000	61
Red Roof Inn Tucson North	--	Dec 1996	<u>133</u>
Subtotal	13		1,029
West			
Hampton Inn Tucson North	--	Jan 1997	92
Holiday Inn Express Hotel Tucson	--	Aug 1998	67
Marriott JW Starr Pass Resort & Spa	--	Jan 2005	575
Starr Pass Golf Suites	--	Jun 1994	80
Motel 6 Tucson	--	--	111
Rodeway Inn Grant Road @ I 10	--	Jun 1967	146
Super 8 Tucson	--	Dec 1997	65
Ramada Limited Tucson	--	Jan 1973	<u>132</u>
Subtotal	8		1,268
Total	135		14,572

Source: Smith Travel Research; Economic & Planning Systems, Inc.

Table 10
Tucson Metro Area New Hotel Development
Tucson Modern Streetcar Market Analysis; EPS #16108

Name of Establishment	Address	Scheduled Opening	Rooms
Hilton Garden Inn - Tucson Airport	6575 S. Country Club Road	Early 2008	125
Residence Inn By Marriott	2660 E. Medina Road	Fall 2007	124
Tohono O'odham Nation's Desert Diamond Hotel-Casino	7350 S. Nogales Highway	Fall 2007	150
Embassy Suites Tucson - Paloma Village	6350 N. Campbell	June 2007	<u>120</u>
Total			519

Source: Smith Travel Research; Economic & Planning Systems, Inc.

University Park, on the corner of Campbell Avenue and Speedway Boulevard. Aloft hotels is a division of Starwood Hotels & Resorts Worldwide (of which Four Points is also a division) and was conceived as a sister brand to the company's W Hotels. The mid-priced hotel is intended to change the perception of mid-priced hotels with a more sophisticated design and the formation of the lobby as a social hub. The target demographic is the under-36 crowd, specifically young, tech-savvy travelers.

Following a national downturn in the hospitality industry in 2001 and 2002, the strength of the Tucson area hotel market has increased over the past five years. The occupancy rate and average daily rate have increased since 2002, as shown in **Table 11**, and overall hotel revenues have increased by 40 percent in the same time period.

As the revitalization of Downtown Tucson continues there is opportunity for hotel development, especially with its close proximity to the Convention Center. Opportunities for hotel development also exist in the areas around the University of Arizona. The Marriot Tucson University Park on 2nd Avenue and Tyndall Avenue is one of the best performing hotels in the Tucson Metro Area with an average occupancy rate of over 80 percent. At present, upscale hotels and resorts are generally located in the Foothills, but there is the Arizona Inn, which is located in central Tucson. The plans for the new "aloft" hotel also indicate growing interest in upscale hotel development in central Tucson. These positive trends in the hotel market along with the expected increase in the Leisure and Hospitality sector indicate that there is potential for new hotel development in the region, and within the Modern Streetcar corridor.

There are currently 14,572 rooms in the Tucson area and approximately 42,000 employees in the Leisure and Hospitality industry. This equates to around 0.35 rooms per employee. The Leisure and Hospitality industry is expected to add about 21,000 jobs by 2020. With a current ratio of 0.35 rooms per employee, this suggests that the Tucson area can accommodate an additional 7,350 hotel rooms.

RETAIL MARKET

TUCSON METRO AREA

The Tucson Metro Area retail market is moderately strong. As shown in **Table 12**, the vacancy rate has steadily decreased since 2003, but remains at 8.7 percent – a figure that reflects a general balance between supply and demand. Since 1990, total retail square feet has increased by 39 percent. However, the growth in retail space has not kept pace with population growth. A relatively low median income of \$41,521 in Pima County (U.S. median income is \$46,242) may contribute to the slower growth in retail space, as lower incomes mean lower expenditure potential. In the first quarter of 2007, Arizona had the 34th lowest cost of living index in the United States.¹⁰ The average asking lease

¹⁰ Missouri Economic Research and Information Center, www.missourieconomy.org.

Table 11
Hotel Market Trends: Tucson Metro Area, 2001-2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Year	Occupancy	Average Daily Rate	Revenue
2001	61.8%	\$81.32	\$263,293,768
2002	59.6%	\$79.70	\$253,976,989
2003	61.1%	\$76.85	\$252,371,805
2004	62.9%	\$78.48	\$267,003,681
2005	65.9%	\$87.42	\$324,732,143
2006	68.2%	\$93.38	\$356,161,204

Source: Smith Travel Research; Economic & Planning Systems, Inc.

Table 12
Retail Market Trends: Tucson Metro Area, 1990-2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	Total Square Feet	Vacancy Rate	Occupied Retail Space	Year-To-Year Absorption
2Q1990	30,390,448	14.51%	25,980,794	--
2Q1991	30,835,398	13.98%	26,524,609	543,815
2Q1992	31,370,842	14.73%	26,749,917	225,308
2Q1993	31,712,800	12.60%	27,716,987	967,070
2Q1994	32,424,693	11.38%	28,734,763	1,017,776
2Q1995	33,496,096	11.32%	29,704,338	969,575
2Q1996	34,551,955	11.35%	30,630,308	925,970
2Q1997	34,969,413	10.61%	31,259,158	628,850
2Q1998	35,285,831	10.11%	31,718,433	459,275
2Q1999	35,853,340	10.58%	32,060,057	341,623
2Q2000	36,750,385	9.44%	33,281,149	1,221,092
2Q2001	37,755,832	10.03%	33,968,922	687,773
2Q2002	38,534,269	10.34%	34,549,826	580,904
2Q2003	39,268,351	11.27%	34,842,808	292,982
2Q2004	40,355,569	9.80%	36,400,723	1,557,915
2Q2005	40,832,892	8.97%	37,170,182	769,458
2Q2006	42,244,229	8.67%	38,581,654	1,411,473
<u>1990-2000</u>				
Total Change	6,359,937	(5.1)		--
Annual Growth	1.9%	-4.2%		--
<u>2000-2006</u>				
Total Change	5,493,844	(0.8)		--
Annual Growth	2.3%	-1.4%		--
<u>1990-2006</u>				
Total Change	11,853,781	(5.8)		--
Annual Growth	2.1%	-3.2%		--

Source: City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

price has increased since 2000 and is currently \$18.08 per square foot per year. The trends in retail supply and vacancy rates are shown in **Figure 4**, while the trends in vacancy and rents are shown in **Figure 5**.

SUBMARKETS

According to commercial brokers, the Tucson Metro Area retail market can be divided into six submarkets – Northwest, West, Southwest, Southeast, Northeast, and Central. These submarkets vary in terms of the size of the retail supply, as well as performance of the retail properties. The performance of the various submarkets is shown in **Table 13**.¹¹ The area served by the proposed Modern Streetcar is entirely within the Central submarket.

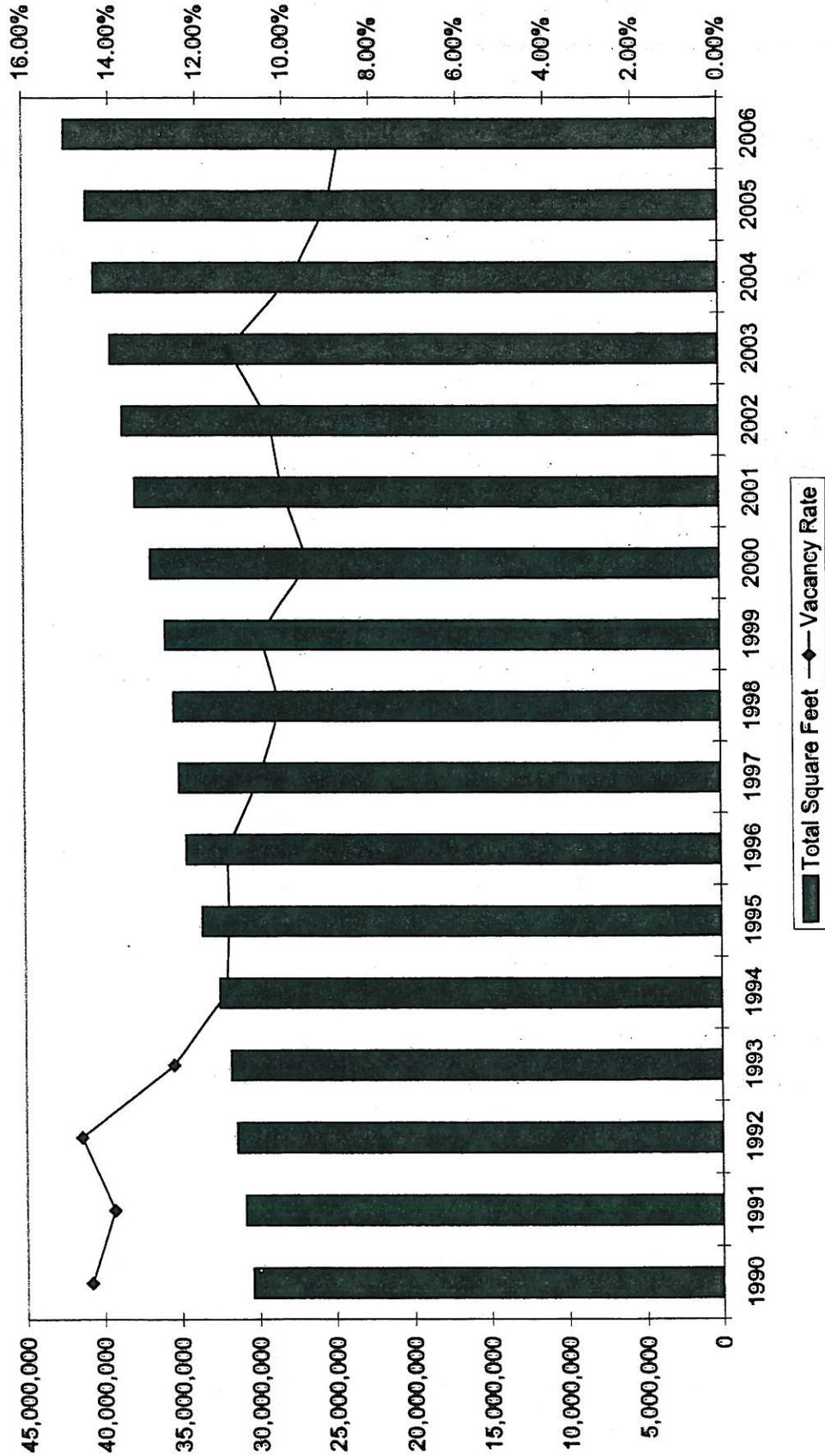
The best performing market in the Tucson Metro Area is the Northwest submarket, as shown in **Table 8**. The Northwest submarket, which includes the Tucson Mall and the La Encantada shopping center, as well as the newer retail centers along Campbell Avenue just south of River Road, has the highest concentration of retail. The Tucson Mall is approximately 1.3 million square feet and is the largest shopping center in Southern Arizona. It is located at N. Oracle Road and W. Wetmore Road. With over 200 specialty shops and five department stores it is a shopping destination attracting customers from the broader Tucson area. A number of the retail centers in the Northwest submarket are relatively new and cater to those with higher incomes. The La Encantada shopping center on the corner of North Campbell Avenue and East Skyline Drive opened in 2003 and includes higher-end retailers, such as Tiffany & Co. and Louis Vuitton. Being the only upscale shopping center of its kind in Tucson, La Encantada serves as a regional retail center, drawing on sales from the nearby area, as well as from the broader Tucson area. With many high income residents, especially within the direct vicinity of La Encantada, the Northwest submarket has a competitive advantage to other areas in the Tucson Metro Area. The residents within a mile radius of La Encantada have a median household income of approximately \$100,900, which is more than double the County's median income of \$41,521. The larger expenditure potential of the area attracts new retail development.

Central Submarket

The Central submarket is not performing as well as the Northwest submarket and the Tucson Metro Area as a whole. While the Central submarket has approximately half the amount of retail as the Northwest submarket, it also serves a different clientele. Many of the retail establishments in the Central submarket, specifically the areas served by the Modern Streetcar such as 4th Avenue and Main Gate Square, largely serve the students of the University of Arizona. As such, the retail establishments are smaller in scale with products that appeal to this niche community. In addition, the lower income of the

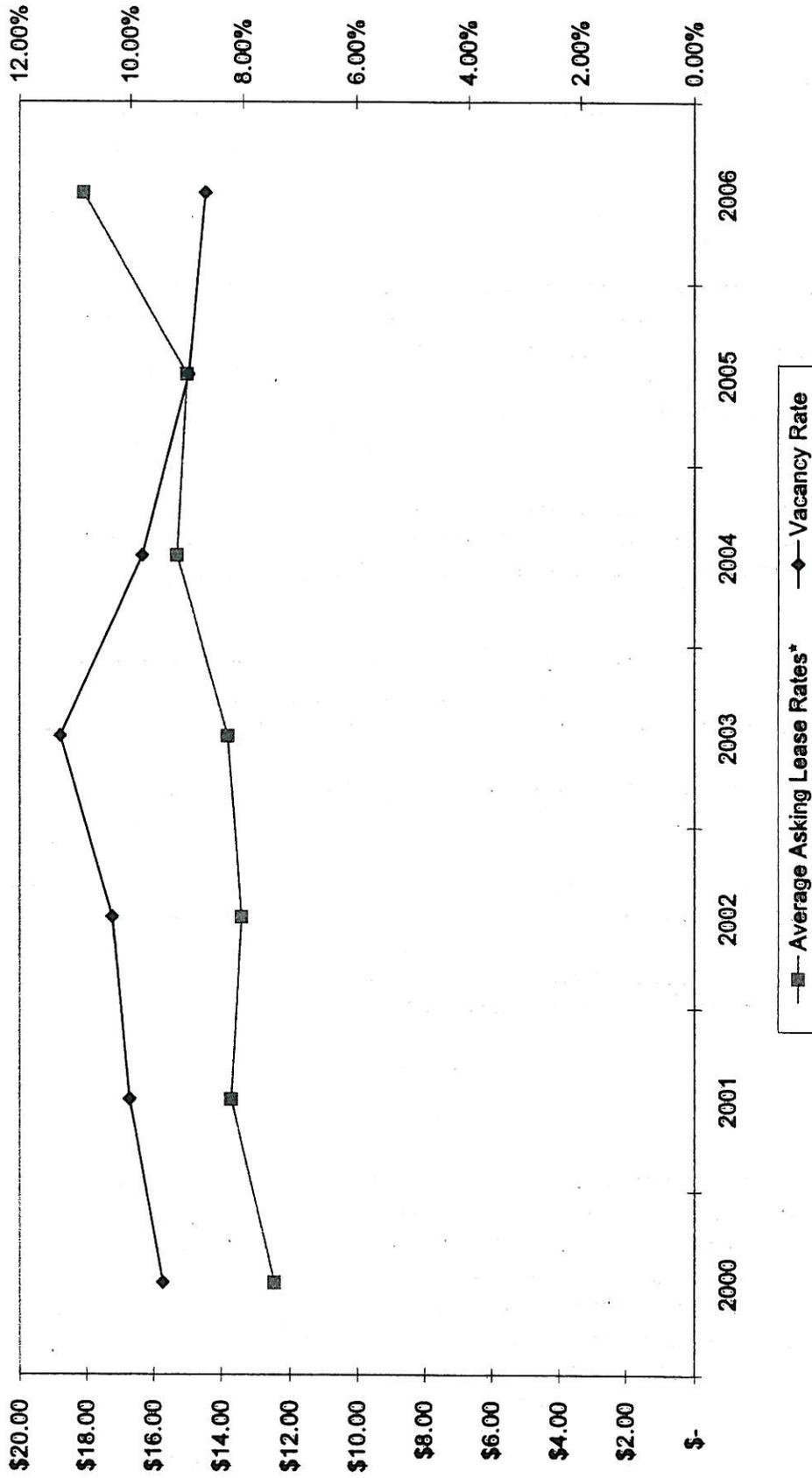
¹¹ The totals from **Table 8** differ from those in **Table 7** because the market coverage in **Table 8** only includes all competitive retail buildings 50,000 square feet and greater in size.

Figure 4: Total Retail Supply/Vacancy Rate, 1990-2006



Source: CB Richard Ellis. "MarketView: Tucson Retail." Year-end 2006.

Figure 5: Retail Market Trends, 2000-2006



* Average asking lease rates were taken from a bar chart included in the Tucson Retail MarketView report.

Source: CB Richard Ellis, "MarketView: Tucson Retail" Year-End 2006; City of Tucson Department of Urban Planning & Design; Economic & Planning Systems, Inc.

Table 13
Retail Market Indicators: Tucson Metro Area, 2006
Tucson Modern Streetcar Market Analysis; EPS #16108

Submarket	Gross Rentable Area	Vacancy Rate	Net Absorption	New Construction
Northwest	6,838,159	4.96%	434,282	338,955
West	573,719	4.52%	(1,830)	0
Southwest	3,363,579	6.40%	307,497	300,000
Southeast	4,068,567	10.74%	155,343	149,592
Northeast	1,001,241	9.89%	10,165	14,000
Central	3,136,625	9.94%	(48,899)	0
Total	18,981,890	7.52%	856,558	802,547

Source: CB Richard Ellis, MarketView: Tucson Retail Year-End 2006

students limits the types of businesses that would be attracted to the area. It is important to note that shopping districts in the Central submarket, such as Main Gate Square and 4th Avenue are regionally recognized as a place to go for special occasions (e.g., entertainment, dining, specialty shopping, etc.) as opposed to a location for everyday shopping.

In 2006, 20,000 square feet of retail, restaurant, and entertainment space was constructed at Main Gate Square and additional retail/entertainment space is being planned in this area as well. In spite of the potential challenges to retail in the Central submarket, new construction and the expected future growth in the student population at the University of Arizona indicate that there are opportunities for additional retail in this area.

IV. MARKET TRENDS BEYOND THE TUCSON REGION

Transit-oriented development describes a particular type of development pattern of “high-density mixed-use cluster of development around a public transit station.”¹² The densities and land uses of each development in a TOD vary based on the site specifications. There are few examples of dense residential housing or mixed-use developments in Tucson. Most of the multifamily, condominiums, or mixed-use developments are low-scale buildings that are three stories or less. The Sam Hughes Place project, constructed in 2004, and the proposed Post project in Downtown Tucson are two of the few projects that reflect TOD design principles in Tucson. Both of these projects are discussed elsewhere in this report. Because of the relative dearth of TOD-style projects in the Tucson area, EPS has surveyed national trends and development trends nationally and in comparable cities to understand what market forces are at work that are likely to affect development in Tucson’s Modern Streetcar corridor in the future.

BENEFITS OF TOD

Higher-density developments and TOD are increasingly gaining acceptance and favor around the country. The proportion of “traditional” two-parent households with children, which has driven preferences for sprawling single-family homes in the past, is shrinking. About 30 years ago, these families made up 40 percent of American households, while they currently comprise 24 percent of the households.¹³ The single parent, empty nester, couple with no children, and single-person households, who make up the majority of households, have different real estate needs. The National Personal Transportation Survey suggests that these households are more interested in a “24/7 lifestyle, cultural richness and diversity of walkable urban neighborhoods,” which higher-density and mixed-use districts can provide.¹⁴ TOD residences tend to be smaller and easier to maintain than single-family homes and are usually closer to employment centers, bars, restaurants, and shopping that create a vibrant urban environment.

Higher-density developments and TOD create a more environmentally sustainable community. Higher-density developments create more walkable neighborhoods, which results in less automobile trips. According to the Institute of Traffic Engineers, condominium and apartment dwellers average between 5.6 and 6.3 auto trips per day compared to 10 per day for low-density communities.¹⁵ Placing housing near transit also encourages people to get out of their cars and use public transportation, thus

¹² MacDonald, Joe “Communicating TOD’s Benefits”,

<http://www.planning.org/conferencecoverage/2007/tuesday/tod.htm>

¹³ *Hidden In Plain Sight: Capturing the Demand for Housing Near Transit*. Washington, D.C.: Center for Transit Oriented Development, September 2004 pg. 13

¹⁴ *Ibid*

¹⁵ Haughey, Richard M. *Higher Density Development: Myth, and Fact*. Washington, D.C.: ULI- the Urban Land Institute pg. 17

reducing pollution and congestion. Residents located within a half mile from transit are five times more likely to use public transit than others living further away.¹⁶

Additionally, the Center for Transit Oriented Development reports that households living in a transit zone, described as a household within a half mile or less of a transit stop, own on average 0.9 cars compared to an average on 1.6 cars in the metro region as a whole.¹⁷ In fact, using public transit and owning fewer cars can increase disposable income by saving on transportation costs. Other benefits include the preservation of other land uses such as farms, forests and open space. By concentrating growth in higher densities land is used more efficiently and there is less need to expand costly services such as utility lines, police and fire services, and schools.

High-density developments and TOD provide balanced housing options in the community to keep the economy thriving. According to Price Waterhouse Coopers, "access to a large and diverse labor pool is the most important factor in making corporate decisions on locations."¹⁸ Higher-density projects provide housing choices for all income groups and different age groups because they tend to be more affordable than single-family homes and provide the amenities that younger and older demographics are seeking. Providing more affordable housing and transportation options for households in all stages of life promotes a balanced and diverse labor force which can make the community a more desirable place for investment and corporate location.

GENERAL IMPACTS OF TOD

Transit lines and transit station areas can have a transforming effect on surrounding neighborhoods and commercial districts. Public transit does not, in and of itself, generate new regional growth but it can focus growth around a planned project area. This is particularly relevant to the City of Tucson, which is expected to add 133,000 new residents and 124,000 new jobs between 2006 and 2020. Trends have shown that these new residents and jobs tend to locate on the periphery of the City. However, the increasingly important consideration of proximity to transit and the construction of the Modern Streetcar can help attract new residents and new jobs to central city areas creating more opportunities for infill development and higher densities.

In newly developing areas or areas in transition, like Downtown Tucson, transit station access supports higher-density and mixed-use development in what otherwise may be a more traditional suburban setting, reducing sprawl and providing more choice in housing opportunities and employment access than might otherwise be available.

¹⁶ Renne, John Luciano. *Transit Oriented Development: Measuring Benefits, Analyzing Trends, and Evaluating Policy*. New Brunswick, New Jersey: Rutgers, State University of New Jersey pg. 29

¹⁷ *Hidden In Plain Sight: Capturing the Demand for Housing Near Transit*. Washington, D.C.: Center for Transit Oriented Development, September 2004 pg. 21

¹⁸ Haughey, Richard M. *Higher Density Development: Myth, and Fact*. Washington, D.C.: ULI- the Urban Land Institute pg. 34.

A study conducted by Randall Crane and Marlon Bournet found that cities in the Los Angeles metro area zoned the land closest to the station areas for commercial uses rather than residential. The study noted that cities are more likely to build high-density residential buildings around station areas if the sites are primarily anchored by commercial uses.¹⁹ The creation of a mixed-use transit area expands employment, residential, and retail options for residents without the need for a car.

A study conducted by Cervero and Landis in 1992 found that Bay Area Rapid Transit (BART) had a strong influence on the built form along the Walnut Creek-to-Concord axis, namely in "concentrated, mixed use development."²⁰ Over four million square feet of new office space was developed around the Walnut Creek station between 1973 and 1992, and there has been "considerable amount of multifamily residential development within a quarter-mile radius of BART stations."²¹

In Atlanta the presence of the Metropolitan Atlanta Rapid Transit Authority (MARTA) was credited for "making higher densities possible" in North Park.²² It is also important to note that while higher densities can be supported by mass transit, land-use regulations around the station must allow for this intensification. In the 1970s Boston completed the extension of the subway to Cambridge but did not change the zoning around the stations. This resulted in little commercial or residential development around the station area.²³

When new transit systems are woven into existing developed areas, transit stations can serve as catalysts for revitalization and economic development, attracting capital investment for the redevelopment of older uses to take advantage of improved accessibility. In Dallas, one study reveals the total value of new investment completed, underway, or planned near a Dallas Area Rapid Transit (DART) station from 1999 to 2005 was about \$3.3 billion. While not all of the investment can be attributed to DART, developers note that "in many instances proximity to DART rail was one of the critical factors guiding the site location decision."²⁴ The improved access and the concentration of activity at station areas support infill and higher density development that can add to

¹⁹ Boarnet, M. and Randall Crane. *L.A. Story: A Reality Check for Transit Based Housing*. University of California at Berkeley Transportation Center (March 1995).

²⁰ Cervero, R. and J. Landis. "Suburbanization of Jobs and the Journey to Work: A Submarket Analysis of Commuting in the San Francisco Bay Area." *Journal of Advanced Transportation*, 26, 3 (1992).

²¹ Transit Cooperative research Program. TCRP Report 16, "Transit and Urban Form." (1996)

²² *Ibid.*

²³ *Ibid.*

²⁴ Weinstein, B.L. and Terry L. Clower. *The Estimated Value of New Investment Adjacent to DART LRT Station: 199-2005*.

the vitality and sustainability of the urban fabric. In San Diego developers noted that being near the Trolley station was a "major part of their marketing efforts in leasing space."²⁵

Studies have found price premiums for almost all land use types around transit stations, particularly office and multifamily uses, which generate the highest and next highest premiums, respectively. In a study done by the University of Texas, property valuation around DART stations increased more quickly than property not located by a transit station. Between 1997 and 2001, office buildings near DART increased in value 53 percent more than comparable properties not near light rail and residential properties increased 39 percent more than properties not served by light rail.²⁶ In San Diego similar results were found regarding multifamily and commercial land. There was a 46 percent premium for condominiums and a 72 to 91 percent premium for commercial uses near transit stations. In fact, retail establishments located adjacent to Trolley stations commanded an average of 167 percent more in rent than property only half a block away from the station.²⁷ The price premiums allow developers to pay more for the underlying land, and/or use higher-density and higher-cost construction formats (such as steelframe buildings or structured parking) while maintaining the project's financial feasibility. As a result, the density of development tends to be higher near transit stations, which also enhances ridership potential.

EVOLVING MARKET FOR TOD AND HIGHER DENSITY IN COLLEGE CITIES

The demographics and situational characteristics of a college town lend itself well to high-density development and TOD. College towns have a relatively large population of young people looking for housing. They prefer vibrant places that are accessible to shops, bars, restaurants, and school. Because they tend not to have children they do not need or want large single-family homes that are expensive to buy and maintain. TOD and higher-density development provide housing that is close to various activities and accessible to public transportation for travel to work or school. Below we examine three western college cities and their experience with higher densities and TOD. These examples are indicative of the market acceptance and increasing demand for higher density, mixed-use developments in areas that have traditionally experienced suburban style development. Tucson has the opportunity to capitalize on the increasing demand for these product types and can increase densities, through developments that are appropriate for Tucson and the station areas.

²⁵ Cervero, R. and Michael Duncan. Land Value Impacts of Rail Transit Services in San Diego County. National Association of Realtors (June 2002).

²⁶ Weinstein, B. and T.L. Clower. *DART Light Rail's Effect on Taxable Property Valuation and Transit Orient Development*. Dallas Area Rapid Transit (January 2003).

²⁷ Cervero, 2002, op cit.

TEMPE, ARIZONA

Downtown Tempe, home to one of the largest universities in the country, Arizona State University (ASU), has been transformed into a vibrant, mixed-use, high-density area. For years, new homes were built primarily on Tempe's edges until the City was hemmed in by surrounding communities. As a result, the City had to look upward instead of outward as it continued to grow. Although some detractors bemoaned the escalating densities of Downtown, the higher-density developments seem to be extremely popular. Mill Avenue, the City's "main street", located a few blocks away from the ASU campus and once known for "biker bars and drunken brawls",²⁸ is now a thriving mixed-use area with housing, retail shops, bars and restaurants. The success of the redevelopment effort is illustrated in the growth of Tempe's tax base, \$5.3 million over ten years (1992-2002).²⁹

With the bustle of Mill Avenue and the adjacent Tempe Town Lake, Tempe has seen a boom in high density residential. Some of these high-density residential developments include:

- North Shore Condominiums: 134 condominium units in a five-story tower
- Centerpoint Condominiums: 800 condominium units in four, 22-story towers
- Edgewater at Hayden Ferry Lakeside: 40 luxury condominium units in an eight-story tower

Developers express that enhanced public transportation and the construction of the proposed light rail will only strengthen the trend towards higher density development. The benefits of these new developments were described by the Economic Development Director, "High-rise buildings in our city's core allow more businesses to locate in our community such as Smith Barney, KPMG, SunCor and others. It allows more people to live in our city's center, creating a 24/7 environment which is economically successful and sustainable."³⁰ Developers are finding that these new towers that place housing close to employment are creating a vibrant environment that is attracting a range of clients from the 20-something crowd to empty nesters. Future residents of a new condominium tower are excited about the amenities close by saying, "You have banks, restaurants, grocery stores, and shops (within walking distance). We're certainly going to be taking advantage of that."³¹

²⁸ Groff, Garin "High-rises to replace flour mill as Tempe icon," Tribune, Sept 24, 2006.

²⁹ Davis, Lisa "Finding Room for History in the Desert: Can Tempe Afford-or Afford Not-To Keep Its Oldest House? Next American City, Issue 4 February 2004.

³⁰ Malloy, Amy "The Valley Grows Up" Arizona Association for Economic Development vol. 33.9, October, 2006.

³¹ Sagon, Erica "Buyers who want to move up creating hot demand for high rises" The Arizona Republic, Mar 13, 2005.

Demand for high-density living in Tempe is so strong that some residential towers have waiting lists of over 1,000 buyers. This demand allows developers to charge a premium with some luxury condominiums fetching \$200 to \$800 per square foot compared to \$118 per square foot for a single-family home.³² Even as the City has successfully incorporated higher-density development it still has not lost its past. Many old buildings have been renovated and music can still be heard from the downtown street musicians, while the sellers of hemp jewelry peddle their wares on the sidewalk.

In addition to the luxury developments occurring along Mill Avenue and Tempe Town Lake there are a number of proposed projects on Apache Boulevard, along the light rail line. These developments include more mixed-use or student-oriented projects. Some of these projects include:

- Campus Suites on the Rail: includes 964 student beds in 299 residential units, 10,000 square feet office space, and 12,000 square feet retail on 7.5 acres
- Spence Avenue Lofts: an eight unit townhome development in the Apache Boulevard Redevelopment Area
- Campus Towers: a three-story student housing building

The recent experience in Tempe illustrates that a traditionally lower-density, desert-climate city can attract and support a significant amount of higher density residential development, especially in areas well-served by local retail and services and transit and near a large university.

BOULDER, COLORADO

Boulder is home to the University of Colorado, a public institution with roughly 30,000 students. With a city population of 100,000 and an urban growth boundary, which is completely build out, Boulder is left with redevelopment as its only path for growth. As a result of the urban land boundary restrictions, the City has struggled with high housing costs and traffic congestion. To continue to grow in a sustainable fashion, the City has committed to higher density and TOD as directed in the Boulder Valley Comprehensive Plan. Not only has the City dedicated itself to TOD and higher-density development, but so has the Denver Metro Region. Metro Vision 2030, a long-range plan for the growth and development of the Denver metropolitan area, encourages denser development in urban centers such as Denver's Central Business District (CBD), Boulder's CBD, and Englewood City Center. The Metro Vision 2030 goes on to discuss that urban centers will rely on "transit and other transportation connections to stimulate and focus development activity."³³

³² Ibid

³³ Metro Vision 2030 Plan, Denver Regional Council of Governments, Adopted January 19, 2005.

In accordance with these values set forth in the City's and region's planning documents, Boulder currently has higher-density and TOD projects in various stages of the planning process. Almost complete is the 28th Street corridor which converted an auto-oriented roadway into a multi-modal transportation corridor (auto, bus, bicycle, and pedestrian modes). The key feature of the plan was the seven bus transfer stops that linked the new regional bus services connecting Boulder and Denver with the local high frequency bus services. Key destinations for travel in the area include the University of Colorado campus and a major commercial district. The redevelopment of the corridor has resulted in numerous urban infill projects gradually transforming the corridor into a "stylistically diverse, mixed-use, pedestrian-friendly neighborhood with a high percentage of affordable housing."³⁴

Recently Boulder finished plans for the Boulder Transit Village, to be located at 30th and Pearl. The site will include a commuter rail line station, bus transit center, and a small parking structure. A high density residential area with about 207 housing units and about 16,000 square feet of retail space is planned for the remainder of the land. The proposed development will serve as a transit hub for the area with connections to all forms of transportation in the area.

In 2006 the Holiday Neighborhood was completed. Once a drive-in theater, the 27-acre site was developed into a mixed-use, mixed-income community. Now the community features 330 housing units, ranging from single story to three story units, parks, a community garden, shops, restaurants, and offices, all within walking distance from bus stops. Wild Sage, a cohousing development similar to a typical condominium development in the neighborhood, was 75 percent pre-sold to a diverse range of buyers from young couples to empty nesters, indicative of the market's desire for this product type. In addition, appreciation ranged between four and 13 percent for the four units that have been sold since the development's completion in 2006.³⁵

Boulder provides an additional example of a lower-density, western college town in which market forces have demonstrated support for higher-density development, especially near transit.

AUSTIN, TEXAS

Austin is home to the University of Texas, a public institution with roughly 50,000 students located a few miles from downtown. In 1979 Austin adopted the "Austin Tomorrow Comprehensive Plan" the general plan for the City. Although the plan is over 25 years old, the goals to "enhance the relationship between the transportation system and adjacent land uses" and "improve existing pedestrian environments and

³⁴ Jones, Ellen Dunham "Suburban Retrofits, Demographics and Sustainability", Places vol.17.2, 2005 (p.8-19).

³⁵ Stern, Julie D. "Wild Sage Cohousing", ULI Development Case Studies vol.36.2, 2006.

adequately provide for pedestrian amenities in proposed urban development” are still relevant. The “Tomorrow Plan” was a precursor to the 1997 Traditional Neighborhood Development (TND) Ordinance which promotes compact, mixed-use, pedestrian friendly development land use patterns. More recently, in 2005, after the commuter rail line was approved, the City adopted a TOD Ordinance which established a two-phase approach in implementation of the ordinance.

During phase I, six TOD boundaries were established and classified as one of four types of districts: neighborhood center TOD, town center TOD, regional center TOD, and downtown TOD. Neighborhood TOD centers are located in neighborhood commercial centers and have the lowest density of all classifications. Town centers have moderate densities relative to the other classifications and are found at major commercial, employment or civic centers. A regional center TOD is located at the juncture of regional transportation lines with a major commuter service or employment center and allows greater densities to other classification except for downtown TOD. Downtown TODs are located in highly urbanized areas and allow the highest densities including high rise development.

Each TOD district is further divided into three zones: the gateway zone, 300 to 500 feet from the platform; the Transition zone, the area at the periphery of the TOD district; and the Midway Zone located in between the transition zone and the gateway zone. The gateway zone provides the highest level of transit integration with buildings oriented towards the station, ground floor retail with office or residential uses on upper floors, and accommodates the highest densities and building heights. The midway zone is predominately residential but may include retail and office uses along with a variety of building heights and densities. The transition zone is predominately residential and development intensity is compatible with existing development outside the TOD district. It has the lowest density and building heights. During Phase II, a Station Area Plan is created that establishes regulation and incentives needed to achieve the transit oriented development patterns and design characteristics for each TOD district. Currently, Austin is beginning the second phase of the TOD ordinance and the rail is expected to begin service in 2008.

And although Austin is still working on implementing TOD districts, high-density high rise residential, commercial and mixed-use developments are already being built in and around downtown. Before the approval of the rail in 2004 Austin already boasted some popular high rise residential buildings. These include:

- Austin City Lofts (2004): a 14-story, 82-condominium-unit building
- Cambridge Towers (1999): a 15-story, 169 unit residential high rise
- Nokonah (2002): an 11-story, 95 unit building

After the approval of the rail many more mixed-use high-rise developments have been completed or are under construction. According to the City’s pipeline there are over 50 projects proposed or under construction in downtown and over half of them are mixed-

use or residential towers. The 5 Fifty Five, completed in 2005, combines Austin's Hilton Hotel with 99 units in a 31-story high rise. In 2006, the 13-story, 240-unit Milagio condominium complex was completed and had sold out before completion. Currently, "360," a 44-story, 430-unit, mixed-use, high-rise building with 15,000 square feet of retail and restaurant space, is 88 percent sold out and is expected to open spring 2008. Another residential high rise, The Shore, with 192 units rising 23 stories, is already sold out with completion expected in 2008. It is calculated that downtown condominium sales grew by 33 percent between 2004 and 2006 while the larger Austin market only grew by 27 percent.³⁶

Outside of Downtown Austin, across the freeway in a historically lower-density area, higher-density mixed-use projects are also being built. In the last few years, urban loft-style buildings such as the Pedernales Lofts, Saltillo Lofts, and lofts at 6th + Brushy have been constructed along the future rail line, with more units in the planning and construction stage. In addition, a new affordable housing project, "Villas on Sixth," has been built along the rail line in the same neighborhood, and was one of the earlier new projects. All of these projects, including the public housing project, are mixed-use developments with ground floor retail and office space.

The success of these projects and the projected new developments exemplifies the growing preference for higher-density, transit-oriented living in Austin. According to real estate developers and realtors, demand for downtown high rise building remains strong as "as baby boomers, young professionals, empty-nesters and others seek an urban lifestyle."³⁷ Indeed, where low-rise multifamily buildings were considered "pioneering" in and around downtown Austin a few years ago, the market has so embraced urban living that mid-rise and now high-rise residential buildings are becoming common.

RELEVANCE FOR TUCSON MODERN STREETCAR PLANNING

Tucson is home to the University of Arizona, a public institution with approximately 36,800 students and 10,348 employees. The campus is located within a few miles of Downtown Tucson. Tucson has experienced significant population and employment growth over the past 15 years, which is expected to continue in future years. Similar to the cities previously discussed, the growth in Tucson has mainly occurred on the City's edges. Unlike the other cities, Tucson has not yet seen high density housing projects and has yet to construct the Modern Streetcar. However, given the similarities between the cities, national research and the case studies from Tempe, Boulder, and Austin indicate the following trends relevant to Tucson:

³⁶ D'Arcy, Paul "The Downtown Condo Market:2003-2006", Austintowers.net, January 27, 2007

³⁷ D'Arcy, Paul "The New Austin Luxury Condo Market", Austintowers.net, July 01, 2007

1. Transit improvements and services have a demonstrable and significantly positive impact on real estate values for residential and commercial uses, as developments near transit are in higher demand than similar developments farther from transit.
2. Higher development values and demand can support higher density development near transit, including multifamily residential, office, and retail in both single-use and mixed-use formats.
3. Western cities that have grown in a traditional, low-density “sprawl” pattern are now attracting higher-density, mixed-use projects as a result of demographic shifts and changing preferences for housing types and workplace locations. This trend has been evident even in advance of transit improvements.
4. The positive impact of transit on market dynamics is particularly evident in places with high populations seeking non-traditional housing, such as cities with major universities, and where urban services and amenities are already in place, such as established commercial areas.
5. Given the trends observed in other similar cities, it is reasonable to project that the Tucson market will show increasing demand for higher-density housing and mixed-use development. The introduction of the modern streetcar in Tucson can help to catalyze this type of development in station areas that are attractive and accessible to downtown workers, University students, young professionals, and empty nesters.

V. 4TH AVENUE STATION AREA

There are two stations planned along 4th Avenue: one at 6th Street and another at 8th Street. Based on the close proximity and similar characteristics of these stations, they will be treated as one station area for the purposes of this analysis.

LOCATION DESCRIPTION

The 4th Avenue stations are located in the center of the 4th Avenue commercial district that extends from 9th Street to University Boulevard. Located between Downtown and the University of Arizona, the 4th Avenue district offers over 100 shops, restaurants, and bars. The commercial district has a unique character with funky boutiques and a number of restaurants and bars creating a vibrant nightlife. The 4th Avenue commercial district is a popular destination for the entire Tucson region – it has been voted “best urban experience” in regional publications – and serves Downtown employees and local residents as well as being heavily oriented toward the students at the University of Arizona.

The 4th Avenue commercial district is primarily comprised of relatively low-scale buildings, typically not more than one or two stories in height. Most buildings directly on 4th Avenue are single-use retail or commercial buildings, including some that have multiple tenants in the same building. While the district is best known for its boutiques, restaurants, and bars, other properties on 4th Avenue include churches and light industrial businesses.

On weekends and special events the commercial district is served by the Old Pueblo Trolley, which operates historic electric streetcars along 4th Avenue and University Boulevard to the University of Arizona’s Main Gate. The 4th Avenue commercial district is also home to the Fourth Avenue Street Fair which takes place twice a year, once in the spring and once in the winter. The Street Fair is free to the public and consists of over 400 arts and crafts booths, food vendors, and entertainment. The Street Fair draws crowds of 200,000 to 350,000 and is ranked as one of the top visual arts fairs in the country.

The commercial district is surrounded by a number of residential neighborhoods, including the historic Iron Horse neighborhood to the East and the West University neighborhood to the North. These neighborhoods offer a mix of single-family and multifamily housing, plus other uses including Tucson High Magnet School, a magnet school for technological studies and performing arts, and a locally-serving commercial corridor on 9th Street perpendicular to 4th Avenue.

To the west of 4th Avenue are a number of blocks occupied by light industrial, wholesale/retail, and some office properties. This triangular area, tucked between 4th Avenue and the railroad tracks south of University Boulevard, is active but considered underutilized, and represents a strong opportunity for redevelopment for more urban

uses. Indeed, plans for loft-style housing are already emerging and/or in place for some properties in this area. Property ownership patterns in this western area also suggest potential for redevelopment, as numerous contiguous parcels have been assembled and controlled by single entities, offering opportunities for projects of adequate scale to enable redevelopment of properties that are currently generating positive revenues.

HDR|SR Beard, along with City staff, has identified a number of sites in the 4th Avenue station area that are either vacant or underutilized, creating opportunities for redevelopment. There are 34 identified opportunity sites, for a total of 644,300 square feet, or roughly 15 acres. These sites include a number of surface parking lots, as well as vacant parcels.

DOWNTOWN LINKS

Downtown Links is a design project started in 2005 by the Tucson Department of Transportation as part of the voter-approved long-range Regional Transportation Authority (RTA) plan. Downtown Links is intended to provide links between Barraza-Aviation Parkway and Interstate 10, Broadway Boulevard and the 4th Avenue district, and Downtown and the neighborhoods to the north. The project consists of a four-lane roadway that parallels the north side of the Union Pacific Railroad tracks, enhanced pedestrian and bicycle access, and the connection of Barraza-Aviation Parkway to 22nd Street and Interstate 10. The goal is to create a Downtown avenue that is pedestrian-friendly, while providing opportunities for traffic to bypass Downtown. Construction is expected to begin in 2011, which is when funding from the RTA is expected to be available. Once completed, Downtown Links is expected to increase accessibility to the 4th Avenue district, which can impact the development in the 4th Avenue area as well as the Modern Streetcar corridor.

HISTORICAL AND PROJECTED GROWTH TRENDS

POPULATION AND HOUSEHOLDS

According to the Pima Association of Governments (PAG), a planning organization that provides historical data and projections of population, housing units, and jobs by industry for the Traffic Analysis Zones in Pima County, in 2000 roughly 4,800 people lived within a half-mile of the planned stations on 4th Avenue. According to PAG, the 4th Avenue station area had a lower population within a half-mile of the station than either of the other two modern streetcar station areas being studied. However, of the station areas in this study, the 4th Avenue station area is projected to have the fastest population growth rate. Future population growth in the station area is expected to continue at about 1.9 percent per year, as shown in Table 14. From 2000 to 2020, population within

Table 14
4th Avenue Stations Historical and Projected Population and Employment, 2000-2020
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	2000	2010	2020	2000-2010		2000-2020	
				Number	% Change	Number	% Change
<u>Population</u>							
1/4-Mile Radius	1,376	1,540	1,703	164	11.9%	327	23.8%
1/2-Mile Radius	4,802	5,891	6,979	1,088	22.7%	2,177	45.3%
1-Mile Radius	19,075	21,912	24,749	2,837	14.9%	5,674	29.7%
<u>Dwelling Units</u>							
1/4-Mile Radius	755	863	971	108	14.3%	216	28.6%
1/2-Mile Radius	2,605	3,270	3,936	665	25.5%	1,330	51.1%
1-Mile Radius	9,339	10,594	11,850	1,256	13.4%	2,512	26.9%
<u>Employment</u>							
1/4-Mile Radius	1,811	2,140	2,469	329	18.2%	658	36.3%
1/2-Mile Radius	11,836	14,845	17,853	3,008	25.4%	6,017	50.8%
1-Mile Radius	25,730	31,426	37,122	5,696	22.1%	11,392	44.3%
<u>Employment Excluding Retail [1]</u>							
1/4-Mile Radius	1,097	1,351	1,605	254	23.2%	508	46.3%
1/2-Mile Radius	10,022	12,375	14,728	2,353	23.5%	4,706	47.0%
1-Mile Radius	22,541	27,229	31,918	4,689	20.8%	9,378	41.6%
<u>Office-Based Employment [2]</u>							
1/4-Mile Radius	653	777	901	124	19.0%	248	38.0%
1/2-Mile Radius	4,798	6,323	7,848	1,525	31.8%	3,050	63.6%
1-Mile Radius	10,607	12,958	15,309	2,351	22.2%	4,702	44.3%

Source: Pima Association of Governments (PAG); Economic & Planning Systems, Inc.

[1] Includes service and other employment.

[2] Includes Finance, Insurance, and Real Estate and Service employment.

a half mile is expected to increase by 45.3 percent, which represents an increase of about 109 people per year. This projected growth is expected to be similar to that of the County and the City.

POPULATION CHARACTERISTICS

The characteristics of the population within the 4th Avenue station area differ from those of the City and the County, which is likely the result of the close proximity to the University of Arizona. A number of University students reside within the station area, resulting in a relatively high percentage of nonfamily households and a high proportion of residents between ages 15 and 34, as shown in **Table 15**. Similarly, since students have lower incomes, the median household income in the station area is less than that of the City, \$25,426 versus \$34,241, respectively. However, it is important to note that the median household income may understate these residents' purchasing power, since students often have additional undocumented sources of income (e.g., support from parents).

EMPLOYMENT

According to PAG, in 2000 there were roughly 11,830 employees working within a half mile of the 4th Avenue stations in a variety of industries. Comparing this figure to the local population, it is clear that the immediate 4th Avenue area is much more oriented toward business activity than as a residential neighborhood. With the quarter-mile radius of the station area encompassing much of the 4th Avenue commercial district, the retail industry is an important component of employment in the 4th Avenue area. Within a quarter mile of the station, retail comprises approximately 40 percent of employment. As the distance from the stations increases (half-mile and one-mile radii), the proportion of retail employment decreases, as shown in **Table 14**. There are also a number of professional offices in the station area (e.g., law offices, real estate services, etc.).

Of the three station areas, the 4th Avenue station area is expected to experience the largest employment growth. According to PAG and as shown on **Table 14**, between 2000 and 2020, total employment is expected to increase by 50.8 percent, an increase of approximately 300 jobs per year. Excluding employment growth in the retail sector, employment is expected to increase by 47 percent, approximately 235 jobs per year. This indicates that a great majority of the expected job growth (roughly 80 percent) is expected to be in industries other than retail.

The 4th Avenue station area is also proximate to Downtown Tucson (within one mile), where an estimated 21,100 people are currently employed. In the Downtown area, the most prominent industries include the service industry and the government sector.

Table 15
 4th Avenue Stations Demographic Information, 2007
 Tucson Modern Streetcar Market Analysis; EPS #16108

Item	1/4-Mile Radius		1/2-Mile Radius		1-Mile Radius		Citywide (2005) [1]		Pima County (2005) [1]	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	% Total
Average Household Size	1.65	--	1.63	--	1.76	--	2.44	--	2.47	--
<u>Household Type</u>										
Family	54	21.5%	361	18.8%	1,461	23.8%	121,080	58.1%	229,559	62.9%
Nonfamily	197	78.5%	1,564	81.2%	4,684	76.2%	87,262	41.9%	135,615	37.1%
Total	251	100.0%	1,925	100.0%	6,145	100.0%	208,342	100.0%	365,174	100.0%
<u>Tenure of Occupied Housing Units</u>										
Owner-Occupied	53	21.1%	350	18.2%	1,265	20.6%	111,948	54.9%	244,915	65.9%
Renter-Occupied	198	78.9%	1,575	81.8%	4,880	79.4%	92,071	45.1%	126,455	34.1%
Total	251	100.0%	1,925	100.0%	6,145	100.0%	204,019	100.0%	371,370	100.0%
<u>Age</u>										
0-14	45	10.4%	263	8.0%	1,162	6.6%	111,185	21.9%	186,844	20.7%
15-34	224	52.0%	1,718	52.4%	12,122	68.4%	163,435	32.2%	249,459	27.6%
35-54	117	27.1%	856	26.1%	2,888	16.3%	128,412	25.3%	242,607	26.9%
55-64	25	5.8%	217	6.6%	789	4.4%	42,587	8.4%	95,354	10.6%
65 and over	20	4.6%	223	6.8%	774	4.4%	61,743	12.2%	128,456	14.2%
Total [2]	431	100.0%	3,277	100.0%	17,735	100.0%	507,362	100.0%	902,720	100.0%
Median Age	30.6	--	30.9	--	22.3	--	32.4	--	36.3	--
Median Household Income	\$25,426	--	\$20,953	--	\$21,623	--	\$34,241	--	\$41,521	--

Source: Claritas; US Census; Economic & Planning Systems, Inc.

[1] Citywide and Pima County values are from the 2005 American Community Survey.

[2] Because of rounding, population totals may differ slightly from those reported by the U.S. Census.

RESIDENTIAL MARKET ASSESSMENT

LOCAL ACTIVITY

Consistent with housing in Tucson generally, many of the residential units in the station area and the surrounding areas are single-family housing. Multifamily housing is more prevalent closer to the University of Arizona, at the University and Tyndall station area. As previously discussed, home sales prices in the Central submarket (the Central submarket includes the areas served by the proposed Modern Streetcar) are lower than sales prices in the Tucson Metro Area, \$218,720 versus \$276,486, respectively. Consistent with the housing in the Central submarket, housing units in the 4th Avenue area are smaller and older, which contribute to the lower average sales prices.

The multifamily housing market in the 4th Avenue area is stronger than the market in the broader Tucson area, which is the result of the area's close proximity to the University of Arizona. A survey of asking apartment rents in the areas near the University indicates that the average rent is \$821, as shown in **Table 16**. This is much higher than the average rent of \$608 for the Tucson Metro Area. The relatively higher rents in the 4th Avenue area and the regional trend towards more multifamily product types present an opportunity for the development of such multifamily units in the station area.

There are few examples of higher-density residential or mixed-use developments, ideal for TOD, in Tucson. One example is the Ice House Lofts, a 51-unit condominium complex east of downtown. Completed in 2005, Ice House Lofts is the reuse of an 80-year old ice house. The units ranged in size from 650 to 2,300 square feet and in price from \$130,000 to mid \$400,000, or approximately \$200 per square foot. Absorption expectations were exceeded. However, the project was completed when the residential retail market was very strong. The buyers were generally professionals between the ages of 30 and 40. Some buyers were investors purchasing smaller units and others were new college graduates.

As discussed in **Chapter II**, there are a number of condominium or loft-style projects in the pipeline in the Tucson area. The plans for higher density residential or mixed-use developments likely reflect the successful development of similar projects around the country, as discussed in **Chapter III**. For example, the El Mirador development on the north end of downtown has recently moved forward with an application for zoning changes. The project is expected to include 220 hotel rooms, 150 condominium units, and a brewpub to be operated by Nimbus Brewing Company on 3.6 acres.

DEMAND PROJECTIONS

According to PAG, in 2000 there were approximately 2,600 dwelling units within a half-mile radius of the 4th Avenue stations. By 2020 the number of dwelling units is

Table 16
Survey of Asking Rents for Apartments near the University of Arizona
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Rent	Square Feet
Casa Blanca Apartments	819 North 1st Avenue	\$519	600
		\$809	1,240
Casa Espana	1725 N. Park Avenue	\$860	890
		\$1,140	1,090
University Manor Apartments	1525 N. Euclid Avenue	\$1,440	1,240
		\$424	330
Tiburon	128 South 5th Avenue	\$609	660
		\$505	400
Capistrano Apartments	2929 E. 6th Street	\$580	625
		\$665	890
Palm Shadows Apartments	1815 E. Speedway Boulevard	\$500	425
		\$635	625
Totals		\$800	810
		\$9,486	9,825
Weighted Average		\$821	

Source: Rent.com (accessed on 9/25/07); Economic & Planning Systems, Inc.

expected to increase 51 percent, or 1,330 by units, as shown in **Table 14**. However, these growth projections are based on a modeled distribution of regional growth, and could be exceeded in any local area given the right mix of market conditions, product types, and amenities.

According to the City's Department of Urban Planning and Design, about half of the region's population growth will consist of Young Professionals (ages 20 to 34) and Empty Nesters (ages 55 to 74). These groups have housing preferences and needs that are consistent with TOD. Young Professionals frequently prefer multifamily housing, such as condominiums or apartments that are close to work and accessible to amenities, such as entertainment and restaurants. Empty Nesters often tend to want to downsize housing space, maintenance, and costs resulting in the preference for condominiums or semi-detached homes like duplexes and townhouses. Active Empty Nesters also desire easy accessibility to retail, entertainment, and restaurants.

In 2000, roughly 1 percent of the City's total population lived within a half mile of the 4th Avenue station area. Assuming that the 4th Avenue station area is able to capture roughly 1 percent of total population growth in the City through 2020, the station area population would increase by about 1,880 people between 2006 and 2020. With an average of 1.84 persons per dwelling unit (based on the year 2000 ratio of population to dwelling units in the half-mile station area radius), it is expected that there could be demand for an additional 1,020 residential units in the station area by 2020.

PROSPECTS FOR STATION AREA

The 4th Avenue station area is well-positioned to support additional residential development, as evidenced by the planned loft-style development on 5th Street. The 4th Avenue district provides a number of shopping, entertainment, and dining options desired by those looking for a more urban lifestyle. Located between the University of Arizona and downtown Tucson, the construction of the Modern Streetcar can increase the desirability of the 4th Avenue area through enhanced accessibility of these locations for work and/or entertainment. The benefits of accessibility are further increased as the revitalization of downtown continues and the University of Arizona and Main Gate Square expands.

Residential demand in the station area could easily be greater than the supply possible on the opportunity sites. Assuming that all the 4th Avenue opportunity sites (15 total acres) were developed for multifamily or mixed-use residential uses at an average of 35 dwelling units per acre, the result would be roughly 520 additional residential units, or just over half of the projected demand by 2020. This average density could be achieved with a mix of townhomes (roughly 20 units per acre), three- to four-story apartments or condominiums (roughly 35 units per acre), and mid-rise residential of six to seven stories (roughly 60 units per acre).

Given the relatively higher rents and close proximity to U of A, a high portion of the 517 residential units should be multifamily units. In 2000, about 81 percent of occupied housing units within a half-mile radius of the station were renter-occupied. However, recent regional construction trends have strongly prioritized for-sale housing over rental construction. As such, EPS projects that approximately 50 percent, or 260 units can be multifamily rental units, while the remaining 260 units would be a combination of for-sale townhomes and condominiums.

Based on the absorption and pricing of the few higher density projects in Tucson, residential developments in the station area can obtain approximately \$200 per square foot. According to a survey of apartment rentals in the University of Arizona area, multifamily developments can achieve approximately \$800 per month in rents. These figures can inform feasibility analyses conducted for this station area.

In spite of the reluctance to construct higher-density developments, there is indication that the market may be moving toward higher densities in the future. Out of town developers have expressed interest in developing higher-density, mixed-use projects in the 4th Avenue area, which indicates market support for these types of developments. In addition, commercial brokers have expressed that the areas around the university are the best locations in the City for mixed-use development.

OFFICE MARKET ASSESSMENT

LOCAL ACTIVITY

The office market in the Downtown submarket, which includes the 4th Avenue station area, is not performing as well as the Tucson Metro Area overall. The vacancy rate in the Downtown submarket is higher and lease rates lower than that of the Tucson Metro Area. New office developments and concentrations of office space are locating on the periphery of the City to be closer to the concentration of residential units and to take advantage of larger vacant development parcels.

Currently there are limited office properties in the 4th Avenue station area. The offices that exist are predominantly small professional offices, such as real estate services and law offices. Through broker listings, EPS has conducted a survey of current office asking rents by property for the 4th Avenue station area and its surrounding areas. The search yielded only one vacant property that was within a quarter mile of the station area, with an asking lease rate of \$18.00 per square foot per year, as shown in **Table 17**. Expanding the survey to include available properties within a mile radius of the stations yields 24 available properties. Yearly lease rates range from \$12.00 to \$24.39, with a weighted average of \$17.24. This is consistent with lease rates in downtown Tucson, but is less than the \$22 per square foot average asking lease rate for the Tucson Metro Area.

Table 17
Survey of Asking Rents for Office Properties, 4th Avenue Station Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Stories	Miles	Lease Type
			Yr.	Month			
First Baptist Church Educational Building	222 E. 5th St.	28,340	\$18.00	\$1.50	3	0.23	Triple Net
	639 N. 6th Ave.	6,300	\$17.00	\$1.42	2	0.28	Modified Gross
	721 N. 4th Ave.	5,678	\$17.50	\$1.46	1	0.29	Full Service Gross
Sears Executive Center	55 N. 6th Ave.	9,500	\$15.00	\$1.25	3	0.31	Triple Net
	140 E. 4th St.	3,700	\$17.50	\$1.46	2	0.35	Modified Gross
Bates Estate 2nd Floor	283 N. Stone Ave.	2,000	\$15.00	\$1.25	2	0.36	Modified Gross
Bates Estate	281 N. Stone Ave.	800	\$18.00	\$1.50		0.36	
Julian Drew Building	186 E. Broadway Blvd.	3,349	\$16.00	\$1.33		0.38	Modified Gross
Ash Ally 2	300 N. Ash Alley	1,053	\$16.00	\$1.33		0.40	Modified Gross
Ash Ally	286 N. Ash Alley	2,000	\$16.00	\$1.33	1	0.41	Modified Gross
	127 N. Stone Alley	3,593	\$18.00	\$1.50		0.41	Modified Gross
	70-80 W. Franklin St.	600	\$48.00	\$4.00	1	0.41	Full Service Gross
Pioneer Building	100 N. Stone Ave	6,816	\$19.00	\$1.58		0.42	Full Service Gross
Bank of America Plaza	33 N. Stone Ave.	4,453	\$12.00	\$1.00		0.45	Full Service Gross
The Chase Building	2 E. Congress St.	12,200	\$21.00	\$1.75	10	0.46	Full Service Gross
	33 W. Congress St. Ste.215	861	\$24.39	\$2.03		0.47	Full Service Gross
	54 W. Congress St.	6,599	\$14.00	\$1.17		0.48	Triple Net
Aviation Point	700 E. Broadway Blvd.	9,542	\$16.00	\$1.33		0.48	Modified Gross
Unisource Energy Tower	1 S. Church Ave.	30,088	\$25.00	\$2.08	23	0.51	Full Service Gross
La Placita Village	110 S. Church Ave.	9,539	\$18.50	\$1.54		0.56	Full Service Gross
The Owl's Club	378 N. Main Ave.	3,533	\$20.00	\$1.67		0.63	Full Service Gross
	376 S. Stone Ave.	6,000	\$12.00	\$1.00		0.75	Modified Gross
	130 W. Cushing St.	4,067	\$17.50	\$1.46		0.77	Modified Gross
	1430 N. Sixth Ave.	5,370	\$12.60	\$1.05		0.94	Triple Net
Total/Weighted Avg.		165,981	\$18.55	\$1.55			

Source: Loopnet.com, Economic & Planning Systems, Inc.

While the government sector is expected to continue to be a large component of employment in the Tucson Metro Area, the service sector is expected to experience the fastest growth in the next 20 years. The fastest growth is projected to be in the Leisure and Hospitality industry, followed by Professional and Business Services and Financial Activities.

PAG employment projections indicate that the 4th Avenue station area will experience this same trend in the growth of the service sector. According to PAG, employment within a half-mile radius of the station area is expected to increase by an average of 300 jobs per year from 2000 to 2020. As such, by 2020 there will be an increase of about 4,200 jobs. Excluding retail, job growth is projected to be an average of 235 jobs per year, for a total of 3,300 jobs by 2020. Consistent with regional trends, much of the job growth is expected in the service sector, which has specific office needs such as smaller space for professional or medical offices.

PAG employment projections are based on a large regional model that does not necessarily reflect market-based opportunities and dynamics within the station area. As such, EPS uses a different approach in projecting potential employment growth in the station area. As of 2000, office-based employment within half-mile of the station area represented 2 percent of the region's office-based employment.³⁸ Assuming that the station area maintains this same proportion of the region's employment, there is potential for an additional 2,000 office-based jobs by 2020. The smaller employment projection seems more realistic given the built-out nature of the area and the paucity of current office properties.

PROSPECTS FOR STATION AREA

With the largest projected employment growth of all the station areas in this study and an advantageous location between Downtown and the University of Arizona, the 4th Avenue station area is well-situated for office development. However, with few existing office properties, it appears that the current supply is not enough to meet the projected demand. Assuming that each additional employee will require approximately 275 square feet of office space, the market can support an additional 550,000 square feet of office space by 2020. Based on the current asking prices, office properties can achieve rents of approximately \$17 to \$18 per square foot, although national studies indicate that these prices should increase significantly as the transit improvements are installed.

This supportable amount of office in the station area can be enhanced with the construction of the courthouse complex on the site bounded by Stone Avenue, Toole Avenue, and Alameda Street. The proposed project will have 10 levels, including a sub-level for the arrival and departure of defendants, as well as secure parking for judges

³⁸ Office-based employment is assumed to exclude Natural Resources and Mining; Construction; Manufacturing; and Trade, Transportation, and Utilities.

and select staff. The proximity of the courthouse complex has the potential to increase the demand for legal offices, or other complimentary office uses, in the 4th Avenue station area.

While many of the properties in the 4th Avenue station area are single-story buildings, there is potential for denser, mixed-use developments that include office space off of 4th Avenue. The tenants will likely be smaller professional offices, much like those that currently exist in the area. Larger multi-story office developments are not well-suited for this area, based on available land constraints and the area's nearness to Downtown which currently has large multi-story office developments that are not performing very well.

HOTEL MARKET ASSESSMENT

LOCAL ACTIVITY

The tourism and hospitality industry is an important aspect of Tucson's economy and the industry is projected to experience the fastest growth over the next 20 years. Tucson is a favorite travel destination, providing world-renowned spas and golf courses, as well as natural and cultural attractions, such as State Parks and museums.

The strength of the Tucson area hotel market has increased over the past five years. The occupancy rate and average daily rate have increased since 2002 and overall hotel revenues have increased by 40 percent in the same time period. There are currently 14,572 rooms in the Tucson area and approximately 42,000 employees in the Leisure and Hospitality industry. This equates to around 0.35 rooms per employee.

The 4th Avenue area provides a more urban experience for visitors to Tucson. There is a number of entertainment, dining, and shopping options within a relatively small, pedestrian-friendly area. In addition to the attractions along 4th Avenue, there are entertainment and dining options in nearby Downtown. Southwest of the 4th Avenue district, the historic Congress Hotel and Rialto Theatre offers nightlife, entertainment, and dining. In addition, 4th Avenue is easily accessible to the downtown businesses and government offices and the convention center as well as the University of Arizona, which drive much of the region's non-leisure travel. With the introduction of the modern streetcar, this accessibility will be further enhanced, making the 4th Avenue station area a vibrant and convenient hotel location.

Currently, there are no hotel properties within the 4th Avenue station area. The nearest hotels are located in Downtown and close to the University of Arizona. Built in 1919, the 40-room Congress Hotel is the closest hotel to the station area, located within one-half mile of the 4th Avenue area. With antique iron beds, vintage radios, and an attached nightclub the Congress Hotel is geared towards tourists desiring a more urban experience. Rooms at the Hotel Congress range in price from \$59 to \$109 per night,

which is comparable to the City's average daily rate of approximately \$93.00. Within one mile of 4th Avenue area is the successful 250-room Marriott Tucson University Park. This modern hotel caters to visitors and business travelers. Rooms range in price from \$79 to \$229 per night, which is generally higher than the average daily rate for the City. Another nearby hotel is the historic Arizona Inn, located in the Blenman-Elm Neighborhood near the eastern end of the U of A campus. Built in 1930, the resort hotel has 95 individually decorated rooms and suites on 14 acres of gardens. Amenities include clay tennis courts and an award winning dining room. This hotel caters more to leisure travelers looking for service and amenities. Room rates range from \$169 to \$409 per night.

Consistent with new residential and office development, new hotel development is occurring in the peripheral areas of Tucson, such as the Embassy Suites on Campbell Avenue and Skyline Drive. However, as discussed earlier, hotel redevelopment is occurring in the central Tucson area with the conversion of the Four Points Tucson to a more upscale "aloft" hotel. Additionally, there are plans for the construction of El Mirador at the north end of downtown. The project is expected to include 220 hotel rooms, 150 condominiums, and a brewpub to be operated by Nimbus Brewing Company.

PROSPECTS FOR STATION AREA

The strong regional hotel market indicates that there is opportunity for hotel development in the 4th Avenue station area. The hotel development could capture visitors to Downtown, the University of Arizona, and the broader Tucson area. The Modern Streetcar would improve the area's accessibility, making it more attractive to visitors. Additionally, there are numerous restaurant and entertainment opportunities within walking distance. However, there is no proven hotel success directly in this station area, and the availability of land and required congruence with the surrounding residential neighborhoods constrain development opportunities.

Therefore, EPS projects that a smaller scale hotel with 80 to 100 rooms would be most appropriate, given the availability of land and the scale of surrounding neighborhoods. Hotel development of this scale would represent roughly 1 percent of the number of rooms expected in the Tucson region through 2020 – a conservative figure. Based on current room rates at the nearby Congress Hotel and the region's average room rate, these rooms in the 4th Avenue area are likely to achieve rates of roughly \$95 per night.

RETAIL MARKET ASSESSMENT

LOCAL ACTIVITY

The 4th Avenue commercial district is well established, with its own character that sets it apart from other commercial areas in Tucson. However, within the greater 4th Avenue station area there are various clusters of retail. The businesses along 4th Avenue consist mainly of student-oriented shops, bars, and restaurants. Some of these include The Other Side (vintage clothing), Majestick Tattoo, Bison Witches Bar & Deli, Magpies Gourmet Pizza, and Plush. To the west of 4th Avenue, many of the businesses are industrial or have an industrial component, in addition to the retail. These include Benjamin Plumbing Supply and WGW Woodworking, a maker of custom doors and furniture. Another retail cluster is along 9th Street, between 4th Avenue and Euclid Avenue. This retail is generally neighborhood-serving, including food markets and laundromats. An Ace Hardware recently opened on the northwest corner of 9th Street and Euclid Avenue.

According to commercial brokers, 4th Avenue receives a good amount of pedestrian traffic because of its close proximity to the University of Arizona. Of the three station areas being studied in this assignment, 4th Avenue station area retail commands the lowest yearly lease rates, at approximately \$12 to \$14 per square foot. However, the vacancy rate, approximately 6 percent, is lower than the vacancy rate found in the other station areas and the broader Tucson area. Retail space that is most in demand ranges from 800 to 1,400 square feet. Restaurants may demand a slightly larger space.

Through broker listings, EPS has conducted a survey of current retail asking rents by property for the 4th Avenue station area and its surrounding areas. The search did not yield any properties that are within the quarter-mile station area radius. However, there were a number of properties that are within approximately a half-mile radius of the stations, as shown in **Table 18**. Yearly lease rates range from \$8.04 to \$15.96 per square foot with a weighted average of \$10.93, which is far less than the average asking lease rate for the broader Tucson area, approximately \$18.00. Currently, there are no known plans for additional retail development in the 4th Avenue station area.

PARKING

Sufficient parking is a concern expressed by surrounding neighborhood residents and business owners in the 4th Avenue commercial district. Business owners are concerned that insufficient parking will deter potential customers from visiting the shopping district, thus decreasing revenues. Neighborhood residents expressed the concern that new development without additional parking for customers will further exacerbate what they believe to be a shortage in parking that then overflows into their residential streets.

Table 18
Survey of Asking Rents for Retail Properties, 4th Avenue Station Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Miles	Lease Type
			Yr.	Month		
The Arizona Hotel	25 N. 6th Ave.	8,000	\$8.04	\$0.67	0.33	Triple-Net
	41-47 S. 6th Ave.	2,970	\$9.72	\$0.81	0.37	Modified Gross
	1 E. Congress St.	3,183	\$15.00	\$1.25	0.45	Triple-Net
	52 W. Congress St.	<u>2,751</u>	<u>\$15.96</u>	<u>\$1.33</u>	0.48	Triple-Net
Total/Weighted Avg.		16,904	\$10.93	\$0.91		

Source: Loopnet.com, Economic & Planning Systems, Inc.

The current supply consists of street parking and surface parking lots located on 4th Avenue at 9th Street, 7th Street, 6th Street, and 5th Street. There are plans for a new parking structure that could potentially accommodate some of the 4th Avenue commercial district parking needs. The parking structure will be a 2-story structure with 165 spaces on the Tucson High School campus. The parking structure is intended to be for high school faculty and staff during the daytime, with the possibility of shared use with 4th Avenue at night and on weekends. The structure is scheduled for completion in May 2008.

While the provision of adequate parking is a valid concern, it may be addressed so as to not present a substantial obstacle to new development. First, the construction of the Modern Streetcar is expected to ease the burden of automobile trips. The expectation is that more residents of surrounding neighborhoods and visitors to the 4th Avenue commercial district will travel on the Modern Streetcar, thereby reducing automobile travel and the associated need for parking. Second, shared parking ideas, such as the shared use for the planned parking structure on the Tucson High School campus, may be a creative solution to providing parking for areas that differ in times of peak usage.

Finally, the existing underutilized parcels to the west of 4th Avenue may present opportunities for a large public parking structure as part of a major redevelopment project. Funding for such a parking garage could come from 4th Avenue merchants, parking fees paid for by shoppers, public grants or loans, and/or the developers of an intensified mixed-use neighborhood in this area.

DEMAND PROJECTIONS

Population Generated Demand

Population growth generally results in greater demand for retail goods and services to serve new households. It is expected that there will be potential for an additional 1,020 households in the station area by 2020. This is based on the station area capturing 1 percent of the City's population growth with an average of 1.84 persons per dwelling unit. According to the Bureau of Labor Statistics (BLS), residents of the West Region spend approximately 34 percent of their income on non-grocery retail expenditures.³⁹ Assuming that the median household income for these new residents within a half mile of the station is comparable to the current residents (\$20,953), by 2020 the additional households will generate approximately \$7.3 million in non-grocery retail sales.

The growth in non-grocery retail sales will not be wholly captured by the local station area market. Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 10 percent of non-grocery sales are expected to be captured in the station area. As a result, by 2020 approximately \$727,000 of additional

³⁹ U.S. Bureau of Labor Statistics. "Consumer Expenditure Survey for the West Region," 2004-2005

non-grocery retail sales generated by new households is expected to be captured in the station area.

It is important to note that these estimates for additional non-grocery retail sales may be understated because of students' undocumented sources of income. According to a study of the University of Arizona's economic and tax revenue impacts for fiscal year 2004, a survey of University students indicated that the average monthly expenditure per student is \$1,735, or \$20,820 annually.⁴⁰ Given that the average household size of 1.63 persons in the half-mile radius of the 4th Avenue stations and that most students do not live alone, a typical student household would have an average *expenditure potential* of \$33,940, annually. This is roughly 62 percent greater than the median household income within a half-mile radius of the station.

However, not all of the new households in the station area will be student households. As such, EPS estimates that additional non-grocery retail sales generated by new households by 2020 can be up to 50 percent higher than the value estimated using reported median household income. Factoring in students' larger expenditure potential, by 2020 approximately \$1.1 million of additional non-grocery retail sales generated by new households is expected to be captured in the station area. Assuming that non-grocery retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$1.1 million in non-grocery retail sales by 2020, the 4th Avenue station area population growth can support an additional 3,600 square feet of non-grocery retail space.

The absence of chain stores likely means that residents travel outside of the station area for many of their retail purchases. The addition of new households can increase the market support for chain retailers, which can result in the local capture of a larger portion of non-grocery retail sales.

Employment Generated Demand

Employment growth also results in greater demand for retail goods and services. Employee retail spending close to the office generally consists of lunch, spending during the workday, and spending after work but before arriving home. According to the International Council of Shopping Centers, an office worker spends approximately \$3,000 annually on retail expenses close to the office, as shown in **Table 19**. EPS has projected that there may be an additional 2,000 office employees within a half-mile radius of the station area by 2020. These employees will generate an additional \$6 million in retail sales in the local area. Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 75 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$4.5 million of additional retail sales generated by employment growth is expected to be

⁴⁰ Student monthly expenditures include housing, groceries, eating out, retail, transportation, insurance, books/supplies, entertainment and recreation, healthcare, leisure travel, and childcare and child activities. Monthly expenditures exclude tuition.

Table 19
Office Spending Patterns
Tucson Modern Streetcar Market Analysis; EPS #16108

Spending Closer to Office [1]	Overall Total	Suburban	Downtown Total	Downtown Ample [2]	Downtown Limited [3]
Annual spending closer to office [4]	\$2,954	\$3,290	\$2,787	\$2,861	\$2,630
Weekly spending closer to office	\$57	\$63	\$54	\$55	\$51
Daily spending closer to office	\$8	\$9	\$8	\$8	\$7

[1] Spending closer to the office includes spending during lunch, spending during the workday, and spending after work but before arriving home.
 [2] Defined as average to above average retail density.
 [3] Defined as weaker or below average retail density.
 [4] Annual spending accounts for vacation and holidays of 20.

Source: International Council of Shopping Centers: Office Worker Retail Spending Patterns 2004; Economic & Planning Systems, Inc.

captured in the station area. Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$4.5 million in retail sales by 2020, the 4th Avenue station area employment can support an additional 15,000 square feet of retail space.

Visitor Generated Demand

With the opportunity for a hotel development and the growth of the hospitality and leisure industry, additional visitors to the 4th Avenue area results in greater demand for goods and services. According to the "Arizona Tourism Statistical Report 2004," prepared by the Arizona Office of Tourism, a domestic overnight visitor spends an average of \$105.61 per person per day. Approximately 45 percent of spending, or \$47.52, is on retail purchases.⁴¹ It is expected that there will be an additional 82 visitors in the 4th Avenue area, per day. This is based on the development of an 80-room hotel in the 4th Avenue area, an average party size of 1.5 persons for domestic overnight visitors⁴², and a hotel occupancy rate of 68 percent. This results in roughly an additional \$3,878 in retail spending per day, or \$1.4 million annually.

Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 50 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$700,000 of additional retail sales generated by hotel visitors is expected to be captured in the station area. Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$700,000 in retail sales by 2020, the 4th Avenue station area hotel visitors can support an additional 2,300 square feet of retail space.

Grocery Stores

Residents have expressed the desire for a grocery store in the area. There are a few smaller-scale food markets within the station area, such as Food Conspiracy Cooperative on 4th Avenue and New Empire Food Market on 9th Street. The nearest grocery store is Safeway Food & Drug on Broadway Boulevard and Campbell Avenue, which is approximately two miles away.

A typical grocery store, such as Safeway, is typically 50,000 square feet. A specialty grocery store, such as Whole Foods, is typically 20,000 square feet. In addition to the building size, a grocery typically requires at least 4 spaces per 1,000 square feet of leasable space, with each parking space requiring an average of 325 square feet of land. As such, a typical grocery store in the station area would require approximately 115,000

⁴¹ Retail spending consists of expenditures on food, shopping, and entertainment.

⁴² According to the 2004 Arizona Tourism Statistical Report, prepared by the Arizona Office of Tourism, overnight business visitors have a higher preponderance of hotel stays. 71 percent of business travelers stay in a hotel, compared to 48 percent for domestic overnight visitors. As such, the average party size of 1.5 persons for a domestic overnight business visitor was used to determine the potential for additional retail sales from hotel visitors.

square-feet of land (over 2.6 acres). A specialty grocery store would require roughly 46,000 square feet of land (just over one acre). These space estimates can be reduced through alternative parking solutions, such as a reduction in required parking, underground parking, or shared use of a parking garage.

The additional households expected by 2020 will further increase the desire for a new grocery store in the area. According to the BLS, residents of the West Region spend approximately 6 percent of their income on grocery retail expenditures.⁴³ Given the expectation of 1,020 additional households by 2020 and assuming that the median household income for these new residents is comparable to the current residents (\$20,953), by 2020 the additional households will generate approximately \$1.3 million in grocery retail sales.

Most people tend to shop for groceries at the nearest grocery store or market. As such, much of the growth in grocery retail sales can be captured by the local market. Given the location of the nearest grocery store and the small markets currently in the area, approximately 70 percent of grocery retail sales are expected to be captured locally. As a result, by 2020 approximately \$900,000 of additional grocery retail sales is expected to be captured in the station area.

It is important to note that these estimates for additional grocery retail sales may be understated because of students' undocumented sources of income. According to a study of the University of Arizona's economic and tax revenue impacts for fiscal year 2004, a survey of University students indicated that the average monthly expenditure per student is \$1,735, or \$20,820 annually.⁴⁴ Given that the average household size of 1.63 persons in the half-mile radius of the 4th Avenue stations and that most students do not live alone, a typical student household would have an average *expenditure potential* of \$33,940, annually. This is roughly 62 percent greater than the median household income within a half-mile radius of the station.

However, not all of the new households in the station area will be student households. As such, EPS estimates that additional grocery retail sales generated by new households by 2020 can be up to 50 percent higher than the value estimated using reported median household income. Factoring in students' larger expenditure potential, by 2020 approximately \$1.3 million of additional grocery retail sales generated by new households is expected to be captured in the station area. Assuming that grocery retail establishments yield approximately \$400 in sales per square foot and that there is potential for an additional \$1.3 million in grocery retail sales by 2020, the 4th Avenue station area can support an additional 3,250 square feet of grocery retail space.

⁴³ U.S. Bureau of Labor Statistics. "Consumer Expenditure Survey for the West Region," 2004-2005

⁴⁴ Student monthly expenditures include housing, groceries, eating out, retail, transportation, insurance, books/supplies, entertainment and recreation, healthcare, leisure travel, and childcare and child activities. Monthly expenditures exclude tuition.

Therefore, it does not appear that there is sufficient demand to support a grocery store, given a grocery store's typical square footage requirements.

PROSPECTS FOR STATION AREA

As a regionally known shopping destination, 4th Avenue presents a unique marketing advantage for new retail development. However, retail properties yield comparatively low retail lease rates and there has been limited recent retail development. This is partly because of the older properties in the area, the lack of centralized management, and the absence of centralized parking.

Numerous urban plans have overstated the amount of retail space supportable in specific areas, only to find upon implementation that much of the space remains vacant or underutilized. As a conservative measure and in light of the strong competition for retail spending in other areas of the City and region, EPS has estimated the amount of retail that could be supported based on projections of new population, employment, and hotel visitor growth within the half-mile area around the 4th Avenue stations. These projections, discussed above, would yield support for about 24,000 square feet of retail beyond what already exists in the 4th Avenue area. Adding in support from growing populations in other station areas, this square footage might be doubled to roughly 48,000 square feet of space.

In any event, EPS believes it prudent to not overestimate the retail square footage supportable in the 4th Avenue station area. By planning for a relatively small increase to existing supply, the station area plans can help to ensure that the new retail space and the existing retail spaces on 4th Avenue and on other nearby streets is in demand, hopefully achieving higher rents than is currently the case.

VI. UNIVERSITY AND TYNDALL STATION AREA

LOCATION DESCRIPTION

The station at University Boulevard and Tyndall Avenue is one block west of the main entrance to the University of Arizona. The station is in the center of Main Gate Square, a shopping district owned by the Marshall Foundation. Main Gate Square consists mainly of restaurants, retail, and some entertainment uses. There are over 20 restaurants, many with outdoor seating. Retail includes apparel for men and women, specialty stores, and salon services. The properties on the north side of Main Gate Square are newer than the properties on the south side. The shopping district serves mainly university students, university staff, and neighborhood residents. In addition to the commercial properties of Main Gate Square, the Marriott Tucson University Park is a 250-room hotel located within the University and Tyndall station area.

The area north of Main Gate Square consists mainly of relatively low-scale buildings, typically not more than one or two stories in height. Many of the buildings are homes that have been converted to office and are occupied by the University of Arizona. Some of these buildings have been classified as historic. Other properties include banks, University buildings, and quick-serve restaurants.

The station area is bordered by a few residential neighborhoods. To the west is the West University Neighborhood and to the south is the historic Iron Horse Neighborhood. These neighborhoods offer a mix of single-family and multifamily housing. Within the station area, south of Main Gate Square, there are a number of University dormitories, as well as a University-owned graduate student apartment complex.

Consistent with commercial areas, parking is a concern in Main Gate Square for visitors and residents of the area. As a result, the Marshall Foundation has constructed the Tyndall Garage on Tyndall Avenue and 4th Street. The garage has over one thousand spaces and is available for short-term and long-term parking. In addition, there is a surface parking lot at Tyndall Avenue and 1st Street. This is a valet lot that charges \$3.

HDR|SR Beard, along with City staff, have identified a number of sites in the University and Tyndall station area that are either vacant or underutilized, creating opportunities for redevelopment. There are 14 identified opportunity sites, for a total of 396,100 square feet, or roughly 9 acres. These sites include a number of surface parking lots, as well as vacant parcels.

HISTORICAL AND PROJECTED GROWTH TRENDS

POPULATION AND HOUSEHOLDS

According to PAG, roughly 9,300 people lived within a half mile of the planned station at University and Tyndall. The population growth rate in the University and Tyndall station area has been below that of the County and the City. Future population growth within a half-mile radius of the station area is expected to continue at about 0.6 percent per year, as shown in **Table 20**, while the City and the County expect growth of about 2 percent per year. Compared to these larger areas, the University and Tyndall station area is largely built out, which contributes to the slower local population growth. It should be noted that PAG's projections are based on a large regional model that reflects current zoning and does not necessarily reflect market-based opportunities as are being discussed in this report.

POPULATION CHARACTERISTICS

With a portion of the U of A campus within the station area, the population characteristics largely reflect the significant student population included in the station area. The median age in the station area is 24 years compared to 32.4 years for the City, as shown in **Table 21**. The large student population also accounts for the large percentage of nonfamily households, 85.8 percent. The median household income for the station area is the lowest of the three station areas at \$14,322 (median household income in the City is \$34,241), which is consistent with a substantial student population residing in the station area. Students typically have low incomes, which are reflected in the very low-median income for the station area. However, the low-median income in the area may not represent the actual expenditure potential for the area, as evidenced by the relatively successful Main Gate Square. Many students have undocumented sources of income (e.g., student loans, parental support, etc.), which means the reported median household income understates the actual spending potential for the area.

EMPLOYMENT

According to PAG, there were roughly 2,200 employees working within half-mile of the University and Tyndall station in a variety of industries. The success and presence of Main Gate Square within the station area is reflected in the composition of employment, as shown in **Table 20**. The retail industry comprises one-third of total employment in the area and is expected to remain a large proportion of employment in future years. Other employment in the station area is mainly University-related (e.g., administrative offices) and professional services.

Table 20
University and Tyndall Station Demographic Projections, 2000-2020
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	2000	2010	2020	2000-2010		2000-2020	
				Number	% Change Annual %	Number	% Change Annual %
<u>Population</u>							
1/4-Mile Radius	2,518	2,709	2,900	191	7.6%	383	15.2%
1/2-Mile Radius	9,264	9,843	10,422	579	6.3%	1,158	12.5%
1-Mile Radius	20,744	22,643	24,541	1,899	9.2%	3,798	18.3%
<u>Dwelling Units</u>							
1/4-Mile Radius	1,095	1,145	1,196	50	4.6%	100	9.2%
1/2-Mile Radius	4,321	4,399	4,477	78	1.8%	157	3.6%
1-Mile Radius	9,990	10,536	11,082	546	5.5%	1,092	10.9%
<u>Employment</u>							
1/4-Mile Radius	975	1,021	1,068	46	4.8%	93	9.5%
1/2-Mile Radius	2,197	2,330	2,462	132	6.0%	264	12.0%
1-Mile Radius	11,721	13,965	16,210	2,245	19.2%	4,489	38.3%
<u>Employment Excluding Retail [1]</u>							
1/4-Mile Radius	517	544	572	28	5.4%	55	10.7%
1/2-Mile Radius	1,470	1,571	1,673	102	6.9%	203	13.8%
1-Mile Radius	9,092	10,780	12,468	1,688	18.6%	3,377	37.1%
<u>Office-Based Employment [2]</u>							
1/4-Mile Radius	511	538	566	28	5.4%	55	10.8%
1/2-Mile Radius	1,307	1,385	1,464	79	6.0%	157	12.0%
1-Mile Radius	7,528	8,955	10,382	1,427	19.0%	2,854	37.9%

Source: Pima Association of Governments (PAG); Economic & Planning Systems, Inc.

[1] Includes service and other employment.

[2] Includes Fire, Insurance, and Real Estate; Service; and Public Service employment. Public Service employment is included because of the adjacency of the University of Arizona.

Table 21
 University and Tyndall Demographic Information, 2007
 Tucson Modern Streetcar Market Analysis; EPS #16108

Item	1/4-Mile Radius Total	Percent	1/2-Mile Radius Total	Percent	1-Mile Radius Total	Percent	Citywide (2005) [1] Total	Percent	Pima County (2005) [1] Total	% Total
Average Household Size	1.86	--	1.76	--	1.78	--	2.44	--	2.47	--
<u>Household Type</u>										
Family	54	14.2%	304	18.5%	1,712	22.6%	121,080	58.1%	229,559	62.9%
Nonfamily	326	85.8%	1,342	81.5%	5,854	77.4%	87,262	41.9%	135,615	37.1%
Total	380	100.0%	1,646	100.0%	7,566	100.0%	208,342	100.0%	365,174	100.0%
<u>Tenure of Occupied Housing Units</u>										
Owner-Occupied	45	11.8%	272	16.5%	1,553	20.5%	111,948	54.9%	244,915	65.9%
Renter-Occupied	335	88.2%	1,374	83.5%	6,013	79.5%	92,071	45.1%	126,455	34.1%
Total	380	100.0%	1,646	100.0%	7,566	100.0%	204,019	100.0%	371,370	100.0%
<u>Age</u>										
0-14	22	2.9%	158	1.6%	1,218	5.8%	111,185	21.9%	186,844	20.7%
15-34	555	73.6%	8,572	89.3%	14,743	70.5%	163,435	32.2%	249,459	27.6%
35-54	118	15.6%	609	6.3%	3,267	15.6%	128,412	25.3%	242,607	26.9%
55-64	34	4.5%	151	1.6%	847	4.1%	42,587	8.4%	95,354	10.6%
65 and over	25	3.3%	112	1.2%	829	4.0%	61,743	12.2%	128,456	14.2%
Total [2]	754	100.0%	9,602	100.0%	20,904	100.0%	507,362	100.0%	902,720	100.0%
Median Age	24.03	--	20.2	--	22.7	--	32.4	--	36.3	--
Median Household Income	\$14,322	--	\$22,609	--	\$22,081	--	\$34,241	--	\$41,521	--

Source: Claritas; US Census; Economic & Planning Systems, Inc.

[1] Citywide and Pima County values are from the 2005 American Community Survey.

[2] Because of rounding, population totals may differ slightly from those reported by the U.S. Census.

Of the three station areas, the University and Tyndall station area is expected to experience the smallest employment growth. According to PAG, between 2000 and 2020, total employment within a half-mile radius of the station is expected to increase by 12 percent, an increase of only about 13 jobs per year. A majority of these added jobs (roughly 77 percent) are expected to be in office-based industries.

The University and Tyndall station area is just west of the University of Arizona campus and includes some of the eastern portion of the campus. The University of Arizona is the County's third largest employer, with approximately 10,350 jobs. As a result, the U of A has a significant employment presence in the University and Tyndall station area.

RESIDENTIAL MARKET ASSESSMENT

LOCAL ACTIVITY

Unlike the other station areas, single-family residential units do not dominate the housing market in the University and Tyndall station area. There is a mix of both single-family and multifamily residential units, which is the result of university student influence. There are a number of student-oriented housing developments in the station area, from the recently converted Campus Walk condominiums to the La Aldea graduate student apartments. According to PAG, in 2000 there were approximately 1,095 dwelling units in the station area. By 2020 the number of dwelling units within a half-mile radius of the station is expected to increase 3.6 percent, or 160 units, as shown in **Table 20**. Currently, there are no known plans for additional residential development in the University and Tyndall station area.

As previously discussed, home sales prices in the Central submarket (the Central submarket includes the areas served by the proposed Modern Streetcar) are lower than sales prices in the Tucson Metro Area, \$218,720 versus \$276,486, respectively. Consistent with the housing in the Central submarket, housing units in the University and Tyndall area are smaller and older, which contributes to the lower average sales prices.

The multifamily housing market in the University and Tyndall area is stronger than the market in the broader Tucson area, which is the result of the area's close proximity to the University of Arizona. A survey of asking apartment rents in the areas near the University indicates that the average rent is \$821, as shown in **Table 16**. This is much higher than the average rent of \$608 for the Tucson Metro Area. The relatively higher rents in the University and Tyndall area and the regional trend towards more multifamily product types present an opportunity for the development of such multifamily units in the station area. In addition, the on-campus housing capacity at the U of A is approximately 5,700 undergraduates and 300 graduate students. Therefore a significant portion of the roughly 37,000 University students live in off-campus housing, creating further opportunities for multifamily development.

Based on the proximity to the University of Arizona and student need for housing, denser developments can be found in the station area and the areas surrounding the University campus. Sam Hughes Place is a mixed-use development to the east of U of A at East 6th Street and N. Campbell Avenue. Constructed in 2004, Sam Hughes Place consists of 55 condominiums and 18,000 square feet of retail. According to Town West Development, it was difficult to appraise the units because of the lack of comparable projects in Tucson. However, the units sold quickly at \$300,000 to \$400,000 per unit (approximately \$300 per square foot), which was above the conservative appraised value. All the units were sold before construction was complete. The buyers were largely parents of university students, but some of the buyers were professionals.

DEMAND PROJECTIONS

According to the City's Department of Urban Planning and Design, a majority of the population growth will consist of Young Professionals (ages 20 to 34) and Empty Nesters (ages 55 to 74). These groups have housing preferences and needs that are consistent with TOD. Young Professionals often prefer multifamily housing, such as condominiums or apartments that are close to work and accessible to amenities such as entertainment and restaurants. Empty Nesters often want to downsize housing space, maintenance, and costs resulting in the preference for condominiums or semi-detached homes like duplexes and townhouses. Active Empty Nesters also desire easy accessibility to retail, entertainment, and restaurants.

Assuming that the University and Tyndall station area is able to capture roughly 2 percent of total growth in the City (the percentage of the City's population within a half of a mile of the station in 2000), or about 3,760 people, between 2006 and 2020 with an average of 2.14 persons per dwelling unit (based on the year 2000 ratio of population to dwelling units in the half-mile station area radius), EPS projects that there could be demand for an additional 1,760 residential units in the station area by 2020.

PROSPECTS FOR STATION AREA

There is opportunity for additional residential development in the University and Tyndall station area. The local amenities create a more urban style of living. Main Gate Square provides shopping, dining, and entertainment opportunities, while the University of Arizona and its associated attractions provide educational and cultural opportunities. There will be the added benefit of increased access to jobs through the easy accessibility between the U of A and downtown Tucson provided by the Modern Streetcar.

It is likely that future residential development in the University and Tyndall station area will mainly be occupied by students, as evidenced by the experience of Sam Hughes Place. The student population in the University and Tyndall station area lends itself to the denser residential developments that are ideal for TOD. Commercial brokers believe

that the university area is one of the best locations in the City for mixed-use development consisting of residential and retail because of the local amenities (restaurants, culture, retail, etc) and access to both U of A and Downtown. Additionally, the success of Sam Hughes Place shows that mixed-use development can be successful in the station area.

Assuming that all the opportunity sites not owned by the Marshall Foundation (approximately 7 acres) are developed for multifamily or mixed-use residential uses at an average of 35 dwelling units per acre, the result is an additional 245 residential units.⁴⁵ This is less than 1/4 of expected demand by 2020, indicating that housing demand is less problematic in the station area than the availability of sites, and that practically any site offered for housing is likely to be greeted with enthusiasm by the market.

In 2000, 84 percent of occupied housing units within a half-mile radius of the station area were renter-occupied. While the market has recently shown a strong preference for for-sale housing and the Sam Hughes Place project indicates that some students do live in homes purchased by their parents, the great majority of new housing in the University and Tyndall station area should be rental rather than for-sale. EPS estimates that 75 percent of the housing in demand should be rental, while only 25 percent should be for-sale. Based on asking rents in the areas surrounding the University of Arizona the multifamily units can achieve rates of approximately \$820 per month. Based on the absorption and pricing of the few higher density projects in Tucson, including the nearby Campus Walk Condominiums and Sam Hughes Place, for-sale residential developments in the station area can obtain approximately \$250 per square foot.

OFFICE MARKET ASSESSMENT

LOCAL ACTIVITY

The office market in the Downtown submarket, which includes the University and Tyndall station area, is not performing as well as the Tucson Metro Area overall. The vacancy rate in the Downtown submarket is higher and lease rates lower than that of the Tucson Metro Area. New office developments and concentrations of office space are locating on the periphery of the City to be closer to the concentration of residential units.

The office properties in the University and Tyndall station area consist predominantly of converted residential houses. The University of Arizona drives the office market in this area. The University migrated to the area approximately 10 years ago and occupies most of the office properties. There are also a few small professional offices, such as financial services. The vacancy rate in the University and Tyndall area is slightly lower

⁴⁵ There is no indication that the Marshall Foundation is interested in residential development.

than that of the Tucson Metro Area, 9 percent versus 12 percent, respectively. Unless new office developments are constructed or the University vacates the office space it currently occupies, there is not a great deal of property for other office tenants.

Through broker listings, EPS has conducted a survey of current office asking rents by property for the University and Tyndall station area and its surrounding areas. The search did not yield any vacant properties within a quarter-mile radius of the station area (see **Table 22**). However, there are a number of available office properties within a one-mile radius of the station. Yearly lease rates range from \$12.00 to \$24.39, with a weighted average of \$17.24. According to commercial brokers, the yearly office lease rates in the station area range from \$18 to \$20 per square foot, which is less than the \$22 per square foot average asking lease rate for the Tucson Metro Area.

While the government sector is expected to continue to be a large component of employment in the Tucson Metro Area, the service sector is expected to experience the fastest growth in the next 20 years. The fastest growth is projected to be in the Leisure and Hospitality industry, followed by Professional and Business Services and Financial Activities. PAG employment projections indicate that the University and Tyndall station area will experience this same trend in the growth of the service sector. According to PAG, employment in the half-mile radius of the station area is expected to increase by an average of 13 jobs per year from 2000 to 2020. Office-based employment growth within a half-mile radius of the station area is projected to be an average of 10 jobs per year, from 2000 to 2020. Consistent with regional trends, much of the job growth will be in the service sector, which has specific office needs such as smaller space for professional offices.

PAG employment projections seem rather low, especially given the region's relatively large projected population and employment growth. As of 2000, office-based employment within the half-mile radius of the University and Tyndall station area represented 1 percent of the region's office-based employment.⁴⁶ Assuming that this area maintains this same proportion of the region's employment, there is potential for an additional 1,000 office-based jobs by 2020. The larger employment projection seems more realistic given the relatively large projected growth in the region and the benefits associated with the construction of the Modern Streetcar as discussed earlier, such as higher demand and values for commercial development near transit.

PROSPECTS FOR STATION AREA

The University of Arizona dominance of the office market in the University and Tyndall station area limit the office development opportunities. Office expansion will likely be University-driven, as evidenced by the planned Marshall Foundation development on Park Avenue and 2nd Street, which is expected to include a six- to eight-screen movie

⁴⁶ Office-based employment is assumed to exclude Natural Resources and Mining; Construction; Manufacturing; and Trade, Transportation, and Utilities.

Table 22
Survey of Asking Rents for Office Properties, University and Tyndall Station Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Month	Stories	Miles	Lease Type
			Yr.					
Fist Baptist Church Educational Building	721 N. 4th Ave	5,678	\$17.50		\$1.46	1	0.37	Full Service Gross
	222 E. 5th St.	28,340	\$18.00		\$1.50	3	0.53	Triple Net
	639 N. 6th Ave.	6,300	\$17.00		\$1.42	2	0.56	Modified Gross
Aviation Point	140 E. 4th St.	3,700	\$17.50		\$1.46	2	0.59	Modified Gross
	700 E. Broadway Blvd.	9,542	\$16.00		\$1.33		0.73	Modified Gross
	1430 N. Sixth Ave.	5,370	\$12.60		\$1.05		0.77	Triple Net
Bates estate 2nd Floor	283 N. Stone Ave.	2,000	\$15.00		\$1.25	2	0.83	Modified Gross
Bates Estate	281 N. Stone Ave.	800	\$18.00		\$1.50		0.83	
Ash Ally 2	300 N. Ash Alley	1,053	\$16.00		\$1.33		0.86	Modified Gross
Julian Drew Building	186 E. Broadway Blvd.	3,349	\$16.00		\$1.33		0.87	Modified Gross
Ash Ally	286 N. Ash Alley	2,000	\$16.00		\$1.33	1	0.87	Modified Gross
	127 N. Stone Alley	3,593	\$18.00		\$1.50		0.92	Modified Gross
Pioneer Building	100 N. Stone Ave	6,816	\$19.00		\$1.58		0.92	Full Service Gross
Madaras Gallery	1555 E. Broadway Blvd.	2,938	\$18.50		\$1.54	2	0.95	Modified Gross
Bank of America Plaza	33 N. Stone Ave.	4,453	\$12.00		\$1.00		0.96	Full Service Gross
The Chase Building	12,200	12,200	\$21.00		\$1.75	10	0.97	Full Service Gross
	33 W. Congress St.	861	\$24.39		\$2.03		0.98	Full Service Gross
	54 W. Congress St.	6,599	\$14.00		\$1.17		0.99	Triple Net
Total/Weighted Avg.		105,592	\$17.24		\$1.44			

Source: Loopnet.com, Economic & Planning Systems, Inc.

theatre, University classrooms and/or University offices. However, with the redevelopment of underutilized parcels and the attractive amenities available locally, there is also potential for office development not driven by the University of Arizona.

The lack of vacant office space suggests that the current supply is not enough to meet the projected demand. Assuming that each of the 1,000 additional employees projected in the station area will require approximately 275 square feet of office space, the market can support an additional 275,000 square feet of office space by 2020. Some demand is likely to come from businesses looking for office space close to Downtown, but not in Downtown, such as law or architecture offices. As found around other university campuses, additional demand is likely to come from University offices, as well as potential business off-shoots of University professors or researchers, such as consultants, think tanks, clinics, etc. Office space will be for professional services and should be less than 5,000 square feet, as this is the size in highest demand, according to commercial brokers. Based on current asking office lease rates, new office properties can command about \$18 per square foot.

HOTEL MARKET ASSESSMENT

LOCAL ACTIVITY

The tourism and hospitality industry is an important aspect of Tucson's economy and the industry is projected to experience the fastest growth over the next 20 years. Tucson is a favorite travel destination, providing world-renowned spas and golf courses, as well as natural and cultural attractions, such as State Parks and museums.

The strength of the Tucson area hotel market has increased over the past five years. The occupancy rate and average daily rate have increased since 2002 and overall hotel revenues have increased by 40 percent in the same time period. There are currently 14,572 rooms in the Tucson area and approximately 42,000 employees in the Leisure and Hospitality industry. This equates to around 0.35 rooms per employee.

The University and Tyndall area is a destination for visitors to Tucson and the University of Arizona. Main Gate Square is pedestrian-friendly with plenty of dining and entertainment options. The area is linked to the 4th Avenue commercial district by the Old Pueblo Trolley, which serves the area on weekends and special events.

There is one hotel located within the station area, the Marriott Tucson University Park, on the southwest corner of Tyndall Avenue and 2nd Street. This 250-room hotel is very successful, with an average occupancy rate of 85 percent. Rooms range in price from \$79 to \$229 a night depending on season and room type, which is significantly higher than the average daily rate of \$93 for the City. The Marriott Tucson University Park is one of the few hotels within walking distance of the University of Arizona.

The other hotel within walking distance of the University is the Four Points Tucson on the southwest corner of Campbell Avenue and Speedway Boulevard. Built in 1971, the 150-room hotel is smaller and has older facilities than the Marriott. Rooms at Four Points Tucson range from \$59 to \$259 per night. Currently, there are plans to demolish this hotel and build an "aloft" Hotel. Aloft hotels is a division of Starwood Hotels & Resorts Worldwide (of which Four Points is also a division) and was conceived as a sister brand to the company's W Hotels.

Also nearby is the historic Arizona Inn. Tucked in a residential neighborhood, the hotel has 95 individually decorated rooms and suites over 14 acres of gardens. Built in 1930, the hotel also offers large private homes for rental. Room rates range from \$169 to \$409 per night.

Consistent with new residential and office development, most new hotel development is occurring in the peripheral areas of Tucson. However, as discussed earlier, hotel redevelopment is occurring in the central Tucson area with the conversion of the Four Points Tucson to a more upscale "aloft" hotel.

PROSPECTS FOR STATION AREA

There is a strong hotel market in Tucson, especially close to the University of Arizona. Visitors to the U of A have limited hotel options close to the University campus. The number of sporting events, University attractions, and special events create a strong hotel market in the University and Tyndall station area. However, future hotel development in the station area is constrained by the availability of land. The parcel for the Arizona Historical Society is large enough to accommodate a development similar in scale to the Marriott Tucson University Park. Some other opportunity sites may be able to accommodate a smaller-scale hotel with 80 to 100 rooms.

The Leisure and Hospitality industry is expected to add about 21,000 jobs by 2020. As of 2000, 1 percent of the region's employment was within a half-mile radius of the University and Tyndall station. Assuming that this area maintains this same proportion of the region's employment, there is potential for an additional 210 leisure and hospitality jobs by 2020. With a current ratio of 0.35 rooms per employee, this suggests that the University and Tyndall area can accommodate an additional 74 hotel rooms. Based on current room rates, these rooms can achieve rates of about \$140 per night.

However, the strong performance of the Marriott Tucson University Park suggests that the University and Tyndall station area could accommodate more than 74 additional hotel rooms. In addition, the Marshall Foundation has indicated that various hoteliers have expressed interest in a hotel development in the area. The market indicators suggest that the area can support a larger hotel, specifically a mid-priced business hotel with roughly 100 to 150 rooms. This represents only 2 percent of the projected increase in hotel rooms for the Tucson area (7,350 rooms).

RETAIL MARKET ASSESSMENT

LOCAL ACTIVITY

The Marshall Foundation-owned Main Gate Square dominates the supply of retail properties in the University and Tyndall station area. Main Gate Square has undergone a very successful five-phase redevelopment effort. Since 2003, the number of retailers has grown from 11 to 20 and the number of restaurants has increased from 21 to 31. Businesses in Main Gate Square consist of a combination of national chains, as well as independently-owned business. Some of the national chains include Urban Outfitters, American Apparel, Dunkin Donuts, Jamba Juice, and Johnny Rockets.

Over the same time period, Main Gate's 34 percent vacancy rate decreased to its current rate of approximately 8 percent. The retail properties in Main Gate Square tend to command higher yearly lease rates than those achieved in the Tucson Metro Area (approximately \$18.00 per square foot), suggesting that retail in Main Gate Square is relatively more successful. The properties on the north side of Main Gate Square command yearly lease rates ranging from \$25 to \$30 per square foot. The yearly lease rates on the south side are slightly lower, ranging from \$18 to \$22 per square foot, because these properties are older. Lease terms are usually 5 to 10 years. Main Gate Square competes with malls and lifestyle centers. The nearest retail competition is Park Place Mall, on Broadway Boulevard just west of Craycroft Road. The nearest competition for nightlife is 4th Avenue.

In 2006, approximately 20,000 additional square feet of retail, restaurant, and entertainment space was completed at Park Avenue and University Boulevard, as part of a larger mixed-use building with office space on upper floors. In response to the expressed desire for more restaurants by the student population, a bakery and sushi restaurant is expected to occupy some of this completed space. A six- to eight-screen movie theatre with shared U of A film studies use is being considered for the remainder of the space.

Through broker listings, EPS has conducted a survey of current retail asking rents by property for the University and Tyndall station area and its surrounding areas. The search yielded two properties within the half-mile radius of the station area (see **Table 23**). The number of available retail properties increased when the survey was expanded to include available retail properties within a one-mile radius of the station. Yearly lease rates range from \$8.04 to \$30.00 with a weighted average of \$17.25. This is comparable to the average asking lease rate for the broader Tucson area, approximately \$18.00. However, it is important to note that the lease rates for the properties in the survey tend to decrease as distance from the station increases, indicating that properties within the quarter-mile radius (Main Gate Square) command higher lease rates. This is a positive indicator for the potential for new retail development in the station area, although optimal sites (located on major streets) are scarce.

Table 23
Survey of Asking Rents for Retail Properties, University and Tyndall Station Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Miles	Lease Type
			Yr.	Month		
Main Gate Square Phase IV	Euclid & University	25,000	\$30.00	\$2.50	0.07	Triple Net
Main Gate Square Phase V	Euclid & University	33,000	\$24.48	\$2.04	0.07	Triple Net
Arizona Bookstore	501 N. Park	5,400	\$15.96	\$1.33	0.33	Triple Net
Tommy Tucker T-Shirt Building	930 N. Stone Ave.	3,000	\$20.04	\$1.67	0.73	Triple Net
The Arizona Hotel	25 N. 6th Ave.	8,000	\$8.04	\$0.67	0.84	Triple Net
	41-47 S. 6th Ave.	2,970	\$9.72	\$0.81	0.87	Modified Gross
Former Douglas Wal-Mart	204 W. 5th St.	53,874	\$8.50	\$0.71	0.92	Triple Net
Sunrise Place	NEC Speedway Blvd. and Kolb Rd.	1,200	\$30.00	\$2.50	0.95	Triple Net
	1 E. Congress St.	3,183	\$15.00	\$1.25	0.96	Triple Net
	52 W. Congress St.	<u>2,751</u>	<u>\$15.96</u>	<u>\$1.33</u>	0.99	Triple Net
Total/Weighted Avg.		135,627	\$17.25	\$1.44		

Source: Loopnet.com, Economic & Planning Systems, Inc.

DEMAND PROJECTIONS

Population Generated Demand

Population growth generally results in greater demand for retail goods and services to serve new households. It is expected that there will be potential for an additional 1,760 households in the station area by 2020. This is based on the station area capturing 2 percent of the City's population growth with an average 2.14 persons per dwelling unit. According to the BLS, residents of the West Region spend approximately 36 percent of their income on non-grocery retail expenditures.⁴⁷ Assuming that the median household income for these new residents is comparable to the current residents within a half-mile of the station (\$22,609), by 2020 the additional households will generate approximately \$14.3 million in non-grocery retail sales.

The growth in non-grocery retail sales will not be wholly captured by the local market. Given the types of retail in the station area and the nearest competition, approximately 20 percent of sales are expected to be captured locally. This capture rate exceeds EPS's estimate for the 4th Avenue station area because of the availability of more diverse and brand-name "shoppers goods" stores (such as clothing, services, etc.) in Main Gate Square than at 4th Avenue. As a result, approximately \$2.9 million of additional non-grocery retail sales is expected to be captured in the station area.

It is important to note that the estimates for additional non-grocery retail sales may be understated because of students' undocumented sources of income. According to a study of the University of Arizona's economic and tax revenue impacts for fiscal year 2004, a survey of University students indicated that the average monthly expenditure per student is \$1,735, or \$20,820 annually.⁴⁸ Given that the average household size of 1.76 persons in the half-mile radius of the University and Tyndall station and that most students do not live alone, a typical student household would have an average *expenditure potential* of \$36,640, annually. This is roughly 62 percent greater than the median household income within a half-mile radius of the station.

However, not all of the new households in the station area will be student households. As such, EPS estimates that additional non-grocery retail sales generated by new households by 2020 can be up to 50 percent higher than the value estimated using reported median household income. Factoring in students' larger expenditure potential, by 2020 approximately \$4.3 million of additional non-grocery retail sales generated by new households is expected to be captured in the station area. Assuming that non-grocery retail establishments yield approximately \$300 in sales per square foot and that

⁴⁷ U.S. Bureau of Labor Statistics. "Consumer Expenditure Survey for the West Region," 2004-2005

⁴⁸ Student monthly expenditures include housing, groceries, eating out, retail, transportation, insurance, books/supplies, entertainment and recreation, healthcare, leisure travel, and childcare and child activities. Monthly expenditures exclude tuition.

there is potential for an additional \$4.3 million in non-grocery retail sales by 2020, the University and Tyndall station area population growth can support an additional 14,300 square feet of non-grocery retail space.

Employment Generated Demand

Employment growth also results in greater demand for retail goods and services. Employee retail spending close to the office generally consists of lunch, spending during the workday, and spending after work but before arriving home. According to the International Council of Shopping Centers, an office worker spends approximately \$3,000 annually on retail expenses close to the office, as shown in Table 19. EPS has projected that there may be an additional 1,000 office employees within a half-mile radius of the University and Tyndall station by 2020. These employees will generate an additional \$3 million in retail sales in the local area. Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 75 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$2.3 million of additional retail sales generated by employment growth is expected to be captured in the station area. Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$2.3 million in retail sales by 2020, the University and Tyndall station area employment can support an additional 7,500 square feet of retail space.

Visitor Generated Demand

With the opportunity for a hotel development and the growth of the hospitality and leisure industry, additional visitors to the University and Tyndall area results in greater demand for goods and services. According to the "Arizona Tourism Statistical Report 2004," prepared by the Arizona Office of Tourism, a domestic overnight visitor spends an average of \$105.61 per person per day. Approximately 45 percent of spending, or \$47.52, is on retail purchases.⁴⁹ It is expected that there will be an additional 102 visitors in the University and Tyndall area, per day. This is based on the development of a 100-room hotel in the University and Tyndall area, an average party size of 1.5 persons for domestic overnight visitors⁵⁰, and a hotel occupancy rate of 68 percent. This results in roughly an additional \$4,847 in retail spending per day, or \$1.7 million annually.

Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 50 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$885,000 of additional retail sales generated by hotel visitors is expected to be captured in the station area. Assuming that retail

⁴⁹ Retail spending consists of expenditures on food, shopping, and entertainment.

⁵⁰ According to the 2004 Arizona Tourism Statistical Report, prepared by the Arizona Office of Tourism, overnight business visitors have a higher preponderance of hotel stays. 71 percent of business travelers stay in a hotel, compared to 48 percent for domestic overnight visitors. As such, the average party size of 1.5 persons for a domestic overnight business visitor was used to determine the potential for additional retail sales from hotel visitors.

establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$885,000 in retail sales by 2020, the University and Tyndall station area hotel visitors can support an additional 3,000 square feet of retail space.

Grocery Stores

Residents have expressed the desire for a grocery store in the area. Currently there are no grocery stores or food markets in the University and Tyndall station area. There are a few smaller-scale food markets within one-mile of the station area, such as Food Conspiracy Cooperative on 4th Avenue and New Empire Food Market on 9th Street. The nearest grocery store is Safeway Food & Drug on Broadway Boulevard and Campbell Avenue, which is approximately 1.5 miles away. The additional households expected by 2020 will further increase the desire for a new grocery store in the area.

According to the BLS, residents of the West Region spend approximately 6 percent of their income on grocery retail expenditures.⁵¹ Given the expectation of 1,760 additional households by 2020 and assuming that the median household income for these new residents is comparable to the current residents within a half-mile radius of the University and Tyndall station (\$22,609), by 2020 the additional households will generate approximately \$2.4 million in grocery retail sales.

Most people tend to shop for groceries at the nearest grocery store or market. As such, much of the growth in grocery retail sales will be captured by the local market. Given the location of the nearest grocery store and the small markets currently in the area, approximately 70 percent of grocery retail sales are expected to be captured locally. As a result, by 2020 approximately \$1.7 million of additional grocery retail sales could be captured in the station area.

It is important to note that these estimates for additional grocery retail sales may be understated because of students' undocumented sources of income. According to a study of the University of Arizona's economic and tax revenue impacts for fiscal year 2004, a survey of University students indicated that the average monthly expenditure per student is \$1,735, or \$20,820 annually.⁵² Given that the average household size of 1.76 persons in the half-mile radius of the University and Tyndall station and that most students do not live alone, a typical student household would have an average *expenditure potential* of \$36,640, annually. This is roughly 62 percent greater than the median household income within a half-mile radius of the station.

However, not all of the new households in the station area will be student households. As such, EPS estimates that additional grocery retail sales generated by new households by 2020 can be up to 50 percent higher than the value estimated using reported median

⁵¹ U.S. Bureau of Labor Statistics. "Consumer Expenditure Survey for the West Region," 2004-2005

⁵² Student monthly expenditures include housing, groceries, eating out, retail, transportation, insurance, books/supplies, entertainment and recreation, healthcare, leisure travel, and childcare and child activities. Monthly expenditures exclude tuition.

household income. Factoring in students' larger expenditure potential, by 2020 approximately \$2.5 million of additional grocery retail sales generated by new households is expected to be captured in the station area. Assuming that grocery retail establishments yield approximately \$400 in sales per square foot and that there is potential for an additional \$1.3 million in grocery retail sales by 2020, the increased University and Tyndall station area population can support an additional 6,270 square feet of grocery retail space. Therefore, it does not appear that *new* residential development will generate sufficient demand to support a grocery store, given a grocery store's typical square footage requirements (at least 20,000 square feet for a specialty store, and 50,000 square feet for a standard supermarket).

The Marshall Foundation has discussed the potential development of a Trader Joe's in the station area. The market for a Trader Joe's differs from that of a typical grocery store. Trader Joe's is more flexible in the design of their stores, with a square footage requirement ranging from 8,000 to 15,000 square feet. The parking requirement is 65 shared parking spaces, which may be accommodated in the two parking garages in the area.⁵³

The nearest grocery store is roughly 1.5 miles away (Safeway), which suggests that a new Trader Joe's would draw a significant portion of sales away from the existing supermarket. While Trader Joe's will likely draw sales away from the Safeway, the portion may not be as large as expected because of the specialized products that are sold at Trader Joe's. As a result, the Trader Joe's may not compete directly with the Safeway, as there are many products at Safeway that are not available at Trader Joe's.

The typical trade area for a Trader Joe's is a 5-mile radius, with a population target of 90,000 in that area. There are approximately 300,000 people within a 5-mile radius of the University and Tyndall station, which is well above Trader Joe's population density requirement. However, three other Trader Joe's stores are within a 5-mile radius of the University and Tyndall station, as well as each other. The nearest Trader Joe's store is located at Campbell Avenue and Limberlost Drive, approximately 4 miles away. Assuming that the trade area for the new Trader Joe's is a 2-mile radius (half the distance between the existing store on Campbell and Limberlost), there are approximately 58,000 people in the trade area, which is less than the population requirement of 90,000. A new store in the University and Tyndall area would likely negatively impact the performance of the existing stores, as their trade areas will be reduced.

Movie Theater

The Marshall Foundation is considering the development of a six- to eight-screen multiplex theater as part of its next project, on a parcel located on the southeast corner of Tyndall Avenue and 1st Street. The success or failure of a movie theater has many

⁵³ TradeDimensions International, Inc. "2006 Retail Tenant Directory".

components, including film distribution rights and other operating considerations beyond the basic questions of supply and demand.

While there is a 20-screen theatre at the El Con Mall (within approximately 2 miles of the station), there are positive indicators that suggest that a six- to eight-screen theatre can be successful. The Marshall Foundation conceives of the theater serving as a screening venue for the University's film program. These students and faculty members would use the theater beyond the typical patronage. In addition, the University campus has roughly 10,000 employees and 37,000 students, many of whom are frequently on campus and will likely patronize the theater. Examples of theater operations around similar college campuses, such as UC Berkeley, indicate that multiple theaters within close proximity can be successful.

PROSPECTS FOR STATION AREA

The recent successful expansion of Main Gate Square indicates that there are opportunities for additional retail development. Retail will most likely be student-oriented convenience retail, consistent with existing properties. The opportunity for retail that attracts consumers from beyond the local area is enhanced by the increased accessibility provided by the Modern Streetcar.

Numerous urban plans have overstated the amount of retail space supportable in specific areas, only to find upon implementation that much of the space remains vacant or underutilized. As a conservative measure and in light of the strong competition for retail spending in other areas of the City and region, EPS has estimated the amount of retail that could be supported based on projections of new population, employment, and hotel visitor growth within the half-mile area around the University and Tyndall station. These projections, discussed above, would yield support for about 31,000 square feet of retail beyond what already exists in University and Tyndall area. Adding in support from growing populations in other station areas, this square footage might be doubled to roughly 62,000 square feet of space.

In any event, EPS believes it prudent to not overestimate the retail square footage supportable in the University and Tyndall station area. By planning for a relatively small increase to existing supply, the station area plans can help to ensure that the new retail space and the existing retail spaces in Main Gate Square and on other nearby streets is in demand.

VII. HELEN AND CAMPBELL STATION AREA

LOCATION DESCRIPTION

The Helen Street and Campbell Avenue station area is bordered by residential neighborhoods to the west, north, and east and the University of Arizona to the south. Some of the bordering properties are University-owned and others are privately-owned. Two main roads serve this station area: Speedway Boulevard and Campbell Avenue. Campbell Avenue is a major north-south road, lined with strip malls and commercial development. It is also the eastern entrance to the University of Arizona. Speedway Boulevard is also a major east-west road that is lined with strip malls, commercial development, and some University-owned buildings.

The Helen Street and Campbell Avenue station area includes the AHSC and the University Medical Center (UMC). Both facilities are owned by the University of Arizona. The AHSC is home to U of A students exploring a wide variety of health care disciplines, including the Colleges of Medicine, Nursing, Pharmacy, and Public Health. The AHSC campus consists of 48 acres, employs approximately 5,000 people, and has classes for more than 2,000 undergraduate and about 500 graduate students. Also on the AHSC campus is the University Medical Center, which is a private, nonprofit hospital affiliated with the U of A. UMC has 355 beds and is the teaching hospital for the Colleges of Medicine, Nursing, and Pharmacy. Established in 1971, UMC is Arizona's only academic medical center.

The station area is bordered by a few residential neighborhoods. To the east is the historic Blenman-Elm and Catalina Vista Neighborhoods and to the west is the North University Neighborhood. These neighborhoods offer a mix of single-family and multifamily housing. The commercial properties in the Helen and Campbell station area are relatively low-scale buildings, typically not more than one or two stories in height. The southwest and northeast corners of Campbell Avenue and Speedway Boulevard are commercial centers comprised mainly of fast-food and quick service restaurants. They are considered underutilized and present opportunities for redevelopment. The Four Points Tucson hotel is located on the southeast corner of Campbell Avenue and Speedway Boulevard, and is planned for redevelopment for an up-scale "aloft" hotel (discussed below). The University of Arizona has long-range plans for the development of the northwest corner. According to the University's Comprehensive Campus Plan 2003, the University plans for a mixed-use development consisting of three buildings for a total of approximately 615,000 gross square feet. The planned uses are currently unknown.

HDR|SR Beard, along with City staff, have identified a number of sites in the Helen and Campbell station area that are either vacant or underutilized, creating opportunities for redevelopment. There are 18 identified opportunity sites, for a total of 743,900 square feet, or roughly 17 acres. These sites include a number of surface parking lots, as well as vacant parcels.

HISTORICAL AND PROJECTED GROWTH TRENDS

POPULATION AND HOUSEHOLDS

According to PAG, in 2000 roughly 700 people lived within a quarter mile of the planned station on Helen and Campbell. Of the station areas included in this study, the Helen and Campbell station area is projected to have the smallest population growth. Future population growth in the station area is expected to continue at about 0.4 percent per year, as shown in **Table 24**, while the City and the County expect growth of about 2 percent per year. Compared to these larger areas, the Helen and Campbell station area is largely built out, which contributes to the slower local population growth. It should be noted that PAG's projections are based on a large regional model that reflects current zoning and does not necessarily reflect market-based opportunities as are being discussed in this report.

As discussed earlier, the University of Arizona student population is expected to increase by about 2,000 students in the next three years. The proximity of the Helen and Campbell area suggest that a portion of these students may reside in the area contributing to additional population growth.

POPULATION CHARACTERISTICS

The population located within the Helen and Campbell station area differs significantly from the population found in the other station areas. There appears to be less of a student population influence in the station area, as shown in **Table 25**. On average, the residents within the station area tend to be older than the residents in the other station areas, although the median age is still just 25.9 years. The median household income is higher than that found in the City, \$41,087 versus \$34,241, respectively. The distribution of income shows that there are a disproportionate number of households with incomes less than \$15,000 (20 percent within a half-mile radius of the station versus 11 percent in the City) and incomes of \$75,000 or more (27 percent within a half-mile radius of the station versus 22 percent in the City). The Blenman-Elm and Catalina Vista Neighborhoods are both wealthy neighborhoods that contribute to the higher median household income. Similar to the other station areas, there is a large proportion of nonfamily households, 71 percent.

EMPLOYMENT

According to PAG, in 2000 there were roughly 5,600 employees working within a half mile of the Helen and Campbell station in a variety of industries. Unlike the other station areas, retail employment is not a substantial component of total employment in the Helen and Campbell station area, as shown in **Table 24**. Retail employment

Table 24
Helen and Campbell Station Demographic Projections, 2000-2020
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	2000-2010			2000-2020					
	2000	2010	2020	Number	% Change	Annual %	Number	% Change	Annual %
Population									
1/4-Mile Radius	697	726	755	29	4.1%	0.4%	58	8.2%	0.4%
1/2-Mile Radius	5,591	5,688	5,784	96	1.7%	0.2%	192	3.4%	0.2%
1-Mile Radius	19,920	20,974	22,027	1,053	5.3%	0.5%	2,107	10.6%	0.5%
Dwelling Units									
1/4-Mile Radius	312	326	339	13	4.3%	0.4%	27	8.6%	0.4%
1/2-Mile Radius	2,421	2,330	2,240	-91	-3.7%	-0.4%	-182	-7.5%	-0.4%
1-Mile Radius	9,352	9,373	9,394	21	0.2%	0.0%	43	0.5%	0.0%
Employment									
1/4-Mile Radius	590	620	649	30	5.1%	0.5%	60	10.2%	0.5%
1/2-Mile Radius	1,690	1,776	1,863	86	5.1%	0.5%	173	10.2%	0.5%
1-Mile Radius	5,691	5,948	6,204	257	4.5%	0.4%	513	9.0%	0.4%
Employment Excluding Retail [1]									
1/4-Mile Radius	476	502	527	26	5.4%	0.5%	51	10.8%	0.5%
1/2-Mile Radius	1,390	1,466	1,542	76	5.5%	0.5%	153	11.0%	0.5%
1-Mile Radius	4,272	4,487	4,703	216	5.0%	0.5%	431	10.1%	0.5%
Office-Based Employment [2]									
1/4-Mile Radius	468	494	519	25	5.4%	0.5%	51	10.9%	0.5%
1/2-Mile Radius	1,356	1,432	1,507	76	5.6%	0.5%	151	11.1%	0.5%
1-Mile Radius	3,942	4,153	4,365	211	5.4%	0.5%	422	10.7%	0.5%

Source: Pima Association of Governments (PAG); Economic & Planning Systems, Inc.

[1] Includes service and other employment.

[2] Includes Fire, Insurance, and Real Estate; Service; and Public Service employment. Public Service employment is included because of the adjacency of the University of Arizona.

Table 25
Helen and Campbell Station Demographic Information, 2007
Tucson Modern Streetcar Market Analysis; EPS #16108

Item	1/4-Mile Radius Total	Percent	1/2-Mile Radius Total	Percent	1-Mile Radius Total	Percent	Citywide (2005) [1] Total	Percent	Pima County (2005) [1] Total	% Total
Average Household Size	1.92	--	1.96	--	1.92	--	2.44	--	2.47	--
<u>Household Type</u>										
Family	77	28.9%	356	35.1%	1,991	32.7%	121,080	58.1%	229,559	62.9%
Nonfamily	189	71.1%	657	64.9%	4,100	67.3%	87,262	41.9%	135,615	37.1%
Total	266	100.0%	1,013	100.0%	6,091	100.0%	208,342	100.0%	365,174	100.0%
<u>Tenure of Occupied Housing Units</u>										
Owner-Occupied	63	23.7%	379	37.5%	2,388	39.2%	111,948	54.9%	244,915	65.9%
Renter-Occupied	203	76.3%	633	62.5%	3,704	60.8%	92,071	45.1%	126,455	34.1%
Total	266	100.0%	1,012	100.0%	6,092	100.0%	204,019	100.0%	371,370	100.0%
<u>Age</u>										
0-14	40	7.3%	199	7.9%	1,211	6.4%	111,185	21.9%	186,844	20.7%
15-34	339	62.0%	1,470	58.2%	12,658	67.1%	163,435	32.2%	249,459	27.6%
35-54	107	19.6%	485	19.2%	2,968	15.7%	128,412	25.3%	242,607	26.9%
55-64	33	6.0%	194	7.7%	1,056	5.6%	42,587	8.4%	95,354	10.6%
65 and over	28	5.1%	179	7.1%	979	5.2%	61,743	12.2%	128,456	14.2%
Total [2]	547	100.0%	2,527	100.0%	18,872	100.0%	507,362	100.0%	902,720	100.0%
Median Age	25.9	--	25.5	--	22.2	--	32.4	--	36	--
Median Household Income	\$41,087	--	\$41,009	--	\$33,059	--	\$34,241	--	\$41,521	--

Source: Claritas; US Census; Economic & Planning Systems, Inc.

[1] Citywide and Pima County values are from the 2005 American Community Survey.

[2] Because of rounding, population totals may differ slightly from those reported by the U.S. Census.

represents approximately 18 percent of total employment in the half-mile radius of the station. With the presence of the AHSC and the UMC, the health services industry is an important aspect of employment.

According to PAG, between 2000 and 2020, total employment is expected to increase by 10.2 percent, an increase of only about 3 jobs per year. This projected growth is much less than the County's projected employment growth of 2 percent annually. It should be noted that PAG's projections are based on a large regional model that reflects current zoning and does not necessarily reflect market-based opportunities as are being discussed in this report.

RESIDENTIAL MARKET ASSESSMENT

LOCAL ACTIVITY

The housing in the Helen and Campbell station area and its immediate surroundings are mainly single-family units. The neighborhoods surrounding the station area, Catalina Vista and Blenman-Elm, are relatively wealthy and consist mainly of single-family homes.

According to Trulia.com, a real estate search engine, between March and May 2007 the average sales price of a home in the Blenman-Elm and Catalina Vista neighborhoods was \$377,000. This is much higher than the average sales price in both the Central submarket (\$218,720) and the Tucson Metro Area (\$276,486).

The multifamily housing market in the Helen and Campbell area is stronger than the market in the broader Tucson area, which is the result of the area's close proximity to the University of Arizona. A survey of asking apartment rents in the areas near the University indicates that the average rent is \$821, as shown in **Table 16**. This is much higher than the average rent of \$608 for the Tucson Metro Area. The relatively higher rents in the Helen and Campbell area and the regional trend towards more multifamily product types present an opportunity for the development of such multifamily units in the station area. In addition, the on-campus housing capacity at the U of A is approximately 5,700 undergraduates and 300 graduate students. Therefore a significant portion of the students lives in off-campus housing, creating further opportunities for multifamily development.

Similar to the other station areas and the broader Tucson Metro Area, there is limited residential development ideal for TOD. However, the larger-scale developments, such as the Four Points Tucson hotel and the AHSC buildings in the Helen and Campbell station area indicate that denser development is possible in the area. Much of this development is along Campbell and Speedway. There is some multifamily housing in the station area, such as the Palm Shadows Apartments on Campbell and Speedway. Currently there are no planned residential projects in the station area.

DEMAND PROJECTIONS

The population of the City of Tucson is expected to increase by about 47,600 between 2006 and 2010. Between 2010 and 2020, the population is expected to increase by about 140,500 people. According to the City's Department of Urban Planning and Design, a majority of the population growth will consist of Young Professionals (ages 20 to 34) and Empty Nesters (ages 55 to 74). These groups have housing preferences and needs that are consistent with TOD. Young Professionals frequently prefer multifamily housing, such as condominiums or apartments that are close to work and accessible to amenities, such as entertainment and restaurants. Empty Nesters often tend to want to downsize housing space, maintenance, and costs resulting in the preference for condominiums or semi-detached homes like duplexes and townhouses. Active Empty Nesters also desire easy accessibility to retail, entertainment, and restaurants.

In 2000, roughly 1 percent of the City's population lived within half mile of the Helen and Campbell station. Assuming that the Helen and Campbell station area is able to capture roughly 1 percent of total growth in the City through 2020, the station area population would increase by about 1,880 people, between 2006 and 2020. With an average of 2.31 persons per dwelling unit (based on the year 2000 ratio of population to dwelling units in the half-mile station area radius), it is expected that there could be demand for an additional 815 residential units in the station area by 2020.

PROSPECTS FOR STATION AREA

Access to two major corridors (Campbell Avenue and Speedway Boulevard) and proximity to the University of Arizona, University Medical Center, and downtown Tucson make the Helen and Campbell area a desirable area to live. These benefits will be enhanced with the construction of the Modern Streetcar, as accessibility between these locations is increased.

The existing larger-scale buildings, the potential to capitalize on the growing student population, and the large number of employees at U of A, AHSC, and UMC can enable the denser, mixed-use development ideal for TOD. All of the projected housing demand can be accommodated in the Helen and Campbell area, assuming that all the opportunity sites are developed for multifamily or mixed-use residential uses at an average of 50 dwelling units per acre (approximately 850 units). However, it is highly unlikely that all available land would be dedicated solely for residential use. As a result, there is sufficient housing demand to support additional residential development. Based on the absorption and pricing of the few higher density projects in Tucson, for-sale residential developments in the station area can obtain approximately \$250 per square foot.

The case studies illustrate that the construction of transit can have a transforming effect, resulting in luxury condominiums, as well as student-oriented housing, as seen along Mill Avenue and Apache Boulevard in Tempe. Given the relatively higher rents and

close proximity to U of A, a portion of the 815 residential units should be multifamily rental units. In 2000, 63 percent of occupied housing units within half-mile radius of the Helen and Campbell station were renter-occupied. However, recent regional construction trends have strongly prioritized for-sale housing over rental construction. As such, EPS projects that approximately 50 percent, or 425 units, can be multifamily rental units, while the remaining 425 units would be single-family housing. Based on asking rents in the areas surrounding the University of Arizona the multifamily units can achieve rates of approximately \$820 per month.

The University of Arizona, through the long-range planning in the 2003 Comprehensive Campus Plan, and property owners have expressed interest in denser, mixed-use development. This indicates market support in the Helen and Campbell area for these types of developments.

OFFICE MARKET ASSESSMENT

LOCAL ACTIVITY

The office market in the Downtown submarket, which includes the Helen and Campbell station area, is not performing as well as the Tucson Metro Area overall. The vacancy rate in the Downtown submarket is higher and lease rates lower than that of the Tucson Metro Area. New office developments and concentrations of office space are locating on the periphery of the City to be closer to the concentration of newer upscale residential units.

There are few office properties within a quarter-mile radius of the Helen and Campbell station. However, as a complement to the AHSC and UMC, there are a number of medical office buildings along Campbell Avenue, north of Speedway Boulevard. The new Arizona Center's outpatient cancer clinic is located on the corner of Campbell Avenue and Allen Road. As such there is also a cluster of medical office buildings in the surrounding areas. In addition to the medical office buildings there are offices for professional services, such as financial services and real estate development, as well as some University of Arizona offices along Helen Street.

The office properties along Campbell Avenue are well-occupied. Commercial brokers estimate that the vacancy rate in the area is comparable to that of the Tucson Metro Area, approximately 11 percent. A smaller office size, approximately 2,500 square feet, is in highest demand, which is consistent with the smaller size of medical offices. Yearly lease rates range from \$18 to \$20 per square foot for full service. Through broker listings, EPS has conducted a survey of current office asking rents by property for the Helen and Campbell station area and its surrounding areas. The search did not yield any vacant properties that were within a quarter-mile radius of the station area. Expanding the survey to include available properties within a 1.5-mile radius of the station yielded a number of properties (see Table 26). Yearly lease rates range from

\$11.04 to \$22.00 per square foot with a weighted average of \$16.63. It is important to note that the property closest to the station, Tucson Medical Square, has the highest yearly lease rate of \$22.00 per square foot. This suggests that the office market within the station area is relatively strong, in comparison to other surrounding areas.

While the government sector is expected to continue to be a large component of employment in the Tucson Metro Area, the service sector is expected to experience the fastest growth in the next 20 years. The fastest growth is projected to be in the Leisure and Hospitality industry, followed by Professional and Business Services and Financial Activities. PAG employment projections indicate that the Helen and Campbell station area will experience this same trend in the growth of the service sector, especially with regard to the Educational and Health Services industry. According to PAG, employment within a half-mile radius of the station area is expected to increase by an average of nine jobs per year from 2000 to 2020. Consistent with regional trends, much of the job growth will be in the service sector, which has specific office needs such as smaller space for professional offices.

PAG employment projections seem rather low, especially given the region's relatively large projected population and employment growth. As of 2000, office-based employment within half-mile radius of the Helen and Campbell station area represented 1 percent of the region's office-based employment.⁵⁴ Assuming that this area maintains this same proportion of the region's employment, there is potential for an additional 1,000 jobs by 2020. The larger employment projection seems more realistic given the relatively large projected growth in the region and the benefits associated with the construction of the Modern Streetcar as discussed earlier, such as higher demand and values for commercial development near transit.

PROSPECTS FOR STATION AREA

The prevalence of office properties surrounding the station area, specifically medical office, and strong lease rates indicate that there is a market for office development. The dominant health services industry and easy accessibility from Campbell Avenue and Speedway Boulevard create a development opportunity. The office development can be a complementary use to the AHSC and UMC (medical office) or for other professional services that require a smaller office size of approximately 2,500 square feet. There is also an opportunity for mixed-use in the station area, as the highly trafficked Speedway and Campbell, coupled with potential travelers on the Modern Streetcar, creates a consumer base necessary to support the denser development.

⁵⁴ Office-based employment is assumed to exclude Natural Resources and Mining; Construction; Manufacturing; and Trade, Transportation, and Utilities.

Table 26
Survey of Asking Rents for Office Properties, Helen and Campbell Station Area
Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Miles	Lease Type
			Yr.	Month		
Tucson Medical Square #4	1601 N. Tucson Blvd.	1,314	\$22.00	\$1.83	0.62	Modified Gross
Madaras Gallery	1555 E. Broadway Blvd.	2,938	\$18.48	\$1.54	1.12	Modified Gross
	3127E. 2nd St.	1,250	\$15.96	\$1.33	1.12	Modified Gross
	2221 E. Broadway Blvd.	1,087	\$15.48	\$1.29	1.15	Full Service Gross
	2311 E. Broadway Blvd.	2,240	\$12.96	\$1.08	1.17	Modified Gross
	3131 E. 2nd St.	2,100	\$17.04	\$1.42	1.17	Modified Gross
Miramonte Plaza	620 N. Country Club Rd.	2,757	\$15.48	\$1.29	1.21	Modified Gross
	721 N. 4th Ave.	5,678	\$17.52	\$1.46	1.28	Full Service Gross
	1430 N. 6th St.	5,370	\$12.60	\$1.05	1.38	Triple Net
Aviation Point	700 E. Broadway Blvd.	3,162	\$16.56	\$1.38	1.42	Triple Net
American Antique Mall	3128 Grant Rd.	5,000	\$11.04	\$0.92	1.44	Modified Gross
First Baptist Church Education Building	222 E. 5th St.	28,340	\$18.00	\$1.50	1.45	Triple Net
	639 N. 6th Ave.	6,300	\$17.04	\$1.42	1.48	Modified Gross
	140 E. 4th St.	<u>3,700</u>	<u>\$17.52</u>	<u>\$1.46</u>	1.50	Modified Gross
Total/Weighted Avg.		71,236	\$16.63	\$1.39		

Source: Loopnet.com, Economic & Planning Systems, Inc.

The lack of vacant office space in the station area suggests that the current supply is not enough to meet the projected demand. Assuming that each additional employee will require approximately 275 square feet of office space, the market can support an additional 275,000 square feet of office space by 2020. Likely office tenants may include medical office, but also research related facilities to complement the University's medical and nursing schools.

HOTEL MARKET ASSESSMENT

LOCAL ACTIVITY

The tourism and hospitality industry is an important aspect of Tucson's economy and the industry is projected to experience the fastest growth over the next 20 years. Tucson is a favorite travel destination, providing world-renowned spas and golf courses, as well as natural and cultural attractions, such as State Parks and museums.

The strength of the Tucson area hotel market has increased over the past five years. The occupancy rate and average daily rate have increased since 2002 and overall hotel revenues have increased by 40 percent in the same time period. There are currently 14,572 rooms in the Tucson area and approximately 42,000 employees in the Leisure and Hospitality industry. This equates to around 0.35 rooms per employee.

The hotels in the Helen and Campbell area and its surrounding areas attract customers visiting the University of Arizona and downtown Tucson, as well as visitors to the University Medical Center. There is one hotel located within the station area, the Four Points Tucson, on the southeast corner of Campbell Avenue and Speedway Boulevard. The 150-room hotel was built in 1971 and is one of the few hotels within walking distance of the U of A campus. Room rates range from \$59 to \$259 per night.

Currently, there are plans to demolish the Four Points Tucson and build an "aloft" Hotel. Aloft hotels is a division of Starwood Hotels & Resorts Worldwide (of which Four Points is also a division) and was conceived as a sister brand to the company's W Hotels. The mid-priced hotel is intended to change the perception of mid-priced hotels with a more sophisticated design and the formation of the lobby as a social hub. The target demographic is the under-36 crowd, specifically young, tech-savvy travelers.

The Marriott Tucson University Park hotel is the nearest hotel that competes directly with the Four Points Tucson. The 250-room Marriott has newer facilities, with room rates ranging from \$79 to \$229 a night. Northeast of the station area, in the Blenman-Elm Neighborhood, is the historic Arizona Inn. Built in 1930, the resort hotel has 95 individually decorated rooms and suites on 14 acres of gardens. Amenities include clay tennis courts and award winning dining room. This hotel caters more to leisure travelers looking for service and amenities.

Consistent with new residential and office development, new hotel development is occurring in the peripheral areas of Tucson. However, as discussed earlier, hotel redevelopment is occurring in the central Tucson area with the conversion of the Four Points Tucson to a more upscale “aloft” hotel.

PROSPECTS FOR STATION AREA

Of the station areas included in this study, the Helen and Campbell station area has the greatest potential for hotel development. The University of Arizona, the University Medical Center, high visibility location along two major corridors, close proximity to Downtown and businesses along Speedway Boulevard and Campbell Avenue, and availability of land combine to create a well-suited location for future hotel development. The strong performance of the Marriott Tucson University Park, which is less than one mile away, also indicates the high demand for hotel in the area. The construction of the Modern Streetcar will only strengthen the hotel market in this area, as accessibility to University of Arizona attractions, Downtown, and the 4th Avenue commercial district is increased. Given the availability of land in the area, a larger-scale hotel development similar to the existing Four Points Tucson, planned “aloft” hotel, and the Marriott Tucson University Park is possible.

The Leisure and Hospitality industry is expected to add about 21,000 jobs by 2020. As of 2000, 1 percent of the region’s employment was within a half-mile radius of the University and Tyndall station. Assuming that this area maintains this same proportion of the region’s employment, there is potential for an additional 210 leisure and hospitality jobs by 2020. With a current ratio of 0.35 rooms per employee, this suggests that the Helen and Campbell area can accommodate an additional 74 hotel rooms. Based on current room rates, these rooms can achieve rates of \$140 per night.

However, the strong performance of the Marriott Tucson University Park suggests that the University and Tyndall station area could accommodate more than 74 additional hotel rooms. In addition, the redevelopment of the Four Points Tucson to an upscale hotel and the proximity of the resort-like Arizona Inn suggest that the area can support a larger hotel, specifically a mid-priced business hotel with roughly 100 to 150 rooms. This represents only 2 percent of the projected increase in hotel rooms for the Tucson area (7,350 rooms).

RETAIL MARKET ASSESSMENT

LOCAL ACTIVITY

Both Campbell Avenue and Speedway Boulevard are major corridors with a number of commercial properties. There are commercial centers on the northeast and southwest corners of Campbell and Speedway. HDR|SR Beard and City staff have identified these commercial centers as opportunity sites with redevelopment potential. The commercial

properties within the station area are older and tend to be student-oriented convenience retail, such as quick service and fast food restaurants. There is nearly 100 percent occupancy among the retail properties. The retail market can be enhanced by additional pedestrian traffic, as opposed to student vehicular traffic passing through from one university destination to another.

Through broker listings, EPS has conducted a survey of current retail asking rents by property for the Helen and Campbell station area and its surrounding areas. The search did not yield any vacant properties that were within a quarter-mile radius of the station area. Expanding the survey to include properties within a one-mile radius of the station yielded a few properties. (see **Table 27**) Yearly lease rates range from \$15.96 to \$30.00 per square foot with a weighted average of \$26.01, which is higher than the regional average and comparable to the top pricing at the University and Tyndall station's Main Gate development.

DEMAND PROJECTIONS

Population Generated Demand

Population growth generally results in greater demand for retail goods and services to serve new households. It is expected that there will be potential for an additional 815 households in the station area by 2020. This is based on the station area capturing 1 percent of the City's population growth with an average of 2.31 persons per dwelling unit. According to the BLS, residents of the West Region spend approximately 40 percent of their income on retail (grocery and non-grocery combined) expenditures.⁵⁵ Assuming that the median household income for these new residents is comparable to the current residents (\$41,009), by 2020 the additional households will generate approximately \$13.4 million in retail sales. The growth in retail sales will not be wholly captured by the local market. Given the types of retail in the station area and the nearest competition, approximately 10 percent of sales are expected to be captured locally. As a result, approximately \$1.3 million of additional retail sales is expected to be captured in the station area by 2020.

⁵⁵ U.S. Bureau of Labor Statistics. "Consumer Expenditure Survey for the West Region," 2004-2005

Table 27
 Survey of Asking Rents for Retail Properties, Helen and Campbell Station Area
 Tucson Modern Streetcar Market Analysis; EPS #16108

Name	Address	Sq. Ft.	Lease rate		Miles	Lease Type
			Yr.	Month		
Arizona Bookstore	501 N. Park	5,400	\$15.96	\$1.33	0.55	Triple Net
Main Gate Square Phase IV	Euclid & University	25,000	\$30.00	\$2.50	0.57	Triple Net
Main Gate Square Phase V	Euclid & University	33,000	\$24.48	\$2.04	0.57	Triple Net
Sunrise Place	NEC Speedway Blvd. and Kolb Rd.	<u>1,200</u>	<u>\$30.00</u>	<u>\$2.50</u>	0.86	Triple Net
Total/Weighted Avg.		64,600	\$26.01	\$2.17		

Source: Loopnet.com, Economic & Planning Systems, Inc.

Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$1.3 million in retail sales by 2020, the Helen and Campbell station area population growth can support an additional 4,300 square feet of retail space by 2020.

Employment Generated Demand

Employment growth also results in greater demand for retail goods and services. Employee retail spending close to the office generally consists of lunch, spending during the workday, and spending after work but before arriving home. According to the International Council of Shopping Centers, an office worker spends approximately \$3,000 annually on retail expenses close to the office, as shown in Table 19. EPS has projected that there may be an additional 1,000 office employees within a half-mile radius of the Helen and Campbell station by 2020. These employees will generate an additional \$3 million in retail sales in the local area. Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 75 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$2.3 million of additional retail sales generated by employment growth is expected to be captured in the station area. Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$2.3 million in retail sales by 2020, the Helen and Campbell station area employment can support an additional 7,500 square feet of retail space.

Visitor Generated Demand

With the opportunity for a hotel development and the growth of the hospitality and leisure industry, additional visitors to the Helen and Campbell area results in greater demand for goods and services. According to the "Arizona Tourism Statistical Report 2004," prepared by the Arizona Office of Tourism, a domestic overnight visitor spends an average of \$105.61 per person per day. Approximately 45 percent of spending, or \$47.52, is on retail purchases.⁵⁶ It is expected that there will be an additional 102 visitors in the Helen and Campbell area, per day. This is based on the development of a 100-room hotel in the University and Tyndall area, an average party size of 1.5 persons for domestic overnight visitors⁵⁷, and a hotel occupancy rate of 68 percent. This results in roughly an additional \$4,847 in retail spending per day, or \$1.7 million annually.

Given the types of retail in the station area and the nearest competition, EPS estimates that approximately 50 percent of sales are expected to be captured in the station area. As a result, by 2020 approximately \$885,000 of additional retail sales generated by hotel

⁵⁶ Retail spending consists of expenditures on food, shopping, and entertainment.

⁵⁷ According to the 2004 Arizona Tourism Statistical Report, prepared by the Arizona Office of Tourism, overnight business visitors have a higher preponderance of hotel stays. 71 percent of business travelers stay in a hotel, compared to 48 percent for domestic overnight visitors. As such, the average party size of 1.5 persons for a domestic overnight business visitor was used to determine the potential for additional retail sales from hotel visitors.

visitors is expected to be captured in the station area. Assuming that retail establishments yield approximately \$300 in sales per square foot and that there is potential for an additional \$885,000 in retail sales by 2020, the Helen and Campbell station area hotel visitors can support an additional 3,000 square feet of retail space.

PROSPECTS FOR STATION AREA

The lack of retail establishments, other than quick serve and fast food restaurants, suggest that there is opportunity for new retail developments. In order to be successful, the retail must be able to attract a consumer base broader than the current student consumer base. This is necessary to compete with Main Gate Square and 4th Avenue, which are established and successful retail districts. The Modern Streetcar and the planned pedestrian walkway linking the AHSC and UMC with the main University campus can increase the foot traffic in the station area, which can help increase the potential consumer base. The potential for additional pedestrian traffic can also support denser mixed-use development.

EPS has estimated the amount of retail that could be supported based on projections of new population, employment, and hotel visitor growth within the half-mile area around the Helen and Campbell station. These projections, discussed above, would yield support for about 14,800 square feet of retail beyond what already exists in the Helen and Campbell area. Adding in support from growing populations in other station areas, this square footage might be doubled to roughly 29,600 square feet of space.

SD 3-3: Downtown Development and Infrastructure Projects (City of Tucson Downtown Infrastructure Study)

FINAL FOR UTILITY PROJECTIONS

DOWNTOWN DEVELOPMENT & INFRASTRUCTURE PROJECTIONS

Print Date = 3/29/2007

DATA subject to change at any time

#	Project	Developer	Acres	Bldg SF	Estimated Condo, Retail, Office, Other Space Quantities	Residential Units	Office	Other
Projects starting in 0-18 mos								
Q-1	44 Broadway I	Ken Schwabe	1.0	40,000		1000		
Q-1	Cardo Amaza Block	City of Tucson	1.0	100,000	8,500	30		
Q-3	City/County Courts I	City of Tucson/Pima Co.	3.5	375,000	14,375	86		
Q-4	Cultural Plaza/Mission complex	City of Tucson	16.0	44,000				375,000
Q-5	Diamond Rock Plaza	HSL/Roger Karber	3.5	510,000	50,000	0	100,000	44,000
Q-6	Downtown Fire Station	City of Tucson	2.8	67,000				360,000
Q-7	Julian Drive Block	Reiss Building	1.0	64,375	8,810	48	8,810	67,000
Q-8	Lefts on 5th Avenue	VantagePoint/Geo. Pflakon	2.0	120,000	28,750	91		8,212
Q-9	Mercado District	Rio Development	14.0	400,000	100,000	254		
Q-10	MLK Block	WDD/City of Tucson	1.9	156,400	15,000	176		
Q-11	Pueblo Terrace	Reliance/Peggy Noonan	1.2	134,500	4,200	120		
Q-12	Rialto Block/Congress	Rialto/Biggers	0.6	38,880	16,964	13		8,922
Q-13	Sania Rita Rowent/Condo	Prattney Developments	2.4	211,875	24,091	96		89,120
Q-14	The Post	Beum Partners	0.5	78,850	10,000	47		
	Total acreage and square footage starting in next 18 mos		51.3	2,349,882	281,199	960	168,810	951,254
Projects starting in 19-36 mos								
Q-15	200 Block	WDD	1.0	185,000	15,000	140		
Q-16	Avne	City of Tucson	5.8	300,000				300,000
Q-17	El Mirador	Town West/Jim Horvath	1.9	209,875	66,000	150	10,000	
Q-18	La Florida	Beum Partners	3.5	218,000	28,000		180,000	
Q-19	Monte Park 12-acres	City of Tucson	14.3	550,000	100,000	400	50,000	
Q-20	Museum complex	City of Tucson	16.0	390,000				390,000
Q-21	Plaza Centro	Gesie/Jim Campbell	2.4	152,400	32,400	120		
Q-22	Police Department TENTATIVE	City of Tucson	0.3	80,000				80,000
Q-23	Stable Block/Bradyway	Reiss Building	0.5	79,600	17,950	40	19,000	
Q-24	Renegade Trunk Ctr	City of Tucson	2.0	135,025	45,000	25	20,000	45,000
Q-25	Sixth Avenue & Toole	City of Tucson	1.4	63,000			52,000	11,000
Q-26	TDC Expansion	City of Tucson	1.0	45,000				45,000
	Total acreage and square footage starting in 19-36 mo		50.1	2,455,400	304,200	875	332,000	871,000

Court Building
Museum/historic recreations
Excl existing 200 hotel rms
Fire station w/dorms for 14 firemen
Artist studio space

Excl existing 91 units @ MLK

Theatre
Hotel

Museums

Crime Lab

Multiplex

Bus Stn

Meeting rms

FINAL FOR UTILITY PROJECTIONS

DOWNTOWN DEVELOPMENT & INFRASTRUCTURE PROJECTIONS

DATA subject to change at any time Print Date = 3/29/2007

#	Project	Developer	Acres	Bldg SF	Estimated Condo, Retail, Offices, Other Space Quantities					
					Retail	Residential SqFt	Residential Units	Office	Other	
Projects starting in 3-5 yrs										
Y-1	44 E Broadway II	Ron Schwabe	0.3	90,000	15,000	50,000	50	25,000		
Y-2	Bacous Lot, Broadway/Stone	Buck Bacous	0.5	21,000	31,625	168,375	168	21,000		
Y-3	Block 175	DDC	2.2	200,000	8,000	72,000	72	20,000		
Y-4	Fourth Ave./Birney	Powell/Heller	1.2	100,000	35,000	500,000	425			
Y-5	I-10 frontage @ Cushing - 22nd	Private development	25.0	535,000	43,124	0	0			156,876
Y-6	Nonville Exhibition Cir	Alan Norville/Eric Hutchens	3.0	200,000	10,000	80,000	65			
Y-7	Plaza San Agustin	Private development	1.0	90,000	14,375	65,625	66			
Y-8	Pueblo Garage	Buck Bacous	1.3	80,000	14,375	30,000	30			35,625
Y-9	Steinfeld West Triangle	Private development	1.1	90,000	15,000	40,000	40	20,000		125,000
Y-10	Warehouse District South of RR	City of Tucson/Private development	3.8	200,000	186,499	1,006,000	916	86,000		317,501
Total acreage and square footages starting in 3-5 yrs										
Projects starting after 5 yrs										
Y-11	I-10 frontage @ Congress, se	Private development	5.7	80,000	75,000			5,000		
	San Sulita	Tucson St. Mary's Suite	6.0	345,000	50,000	295,000	295			
	Chase Bank lot	Private development	0.2	50,000	10,000	40,000	40			
	DDC Council lot	Private development	0.4	80,000	8,000	64,000	64	8,000		
	Library Plaza South	City of Tucson	0.5	150,000	7,187	142,813	143			
	Library Plaza West	Private development	0.3	100,000	10,000	90,000	90			
	5th Center Redevelopment	Private/Profit development	6.6	500,000	20,000	50,000	50	100,000		330,000
	Mission Site	Joe Millstone	5.0	137,805	75,000	62,805	63			
	Pima Co pkg lot @ Wway	Pima County	0.7	145,000	25,000	120,000	120			
	Reliance Tower II pad	HUB Properties	0.5	150,000	8,000	71,000	71	71,000		
	TCC parking lots	City of Tucson/Private development	12.7	480,000	150,000	150,000	150	60,000		40,000
	Thomas Lee site	City of Tucson	2.7	100,000						100,000
	Warehouse District North of RR	Private development	64-82th	100,000	100,000		100			
Total acreage and square footages starting after 5 years					438,187	1,185,616	1,186	244,000		470,000
TOTAL BUILDOUT OF PROJECTS LISTED					1,210,086	4,142,412	3,936	770,810		2,609,755

Note: all data is estimated and subject to verification

Projects that are shaded should be carefully considered. They have utility service today. However, future development is anticipated to be substantially more intense on the lots.

Additional comments:

Total retail buildout is probably ambitious.

Total residential is probably on the low side.

Exhibit hall

Artists studios

Artists studios

Health services

Boutique hotel

Hotel

Mixed Infill

SD 3-4: Tucson Development Projects Database

Plaza San Agustín	Private interests promote mixed-use development concept for key location in vicinity of Stone & Ochoa.	Over the years several proformas have been run on the project. However, given recent construction cost escalation, current real estate market and property assemblage complexities, a developer has not moved forward with the project.	COT should reaffirm its interest in this project, and its intent to provide technical assistance and appropriate financial assistance once a developer takes on the project.	Ongoing
Warehouse Arts District	Redevelop an arts-based destination district, including the preservation of historic warehouses, new infill development and public improvements.	Area-wide property disposition and development planning on hold pending legal (real estate) issues at State level.	Continue discussions with State AG to effectuate transfer of properties in ways that augment Warehouse Area goals. Work with Warehouse Arts Management Organization on area master planning (land use and zoning) to guide future development.	Ongoing
Downtown Links	Construct linkage(s) between Barraza Aviation Parkway at Broadway and I-10.	An alternative to the preferred alignment is being developed that is intended to lessen impacts on existing historic and other properties.	Seek citizen input and advisory committee's endorsement so that final engineering design can commence.	Mar-08
Modern Streetcar	New transit system connecting the UA with the downtown and the neighborhoods served by the system.	Environmental clearances under review, alignment generally established, federal funds being sought to supplement RTA funding.	Complete engineering and award construction contracts end-'08, start construction early-'09.	- System operational Fall 2011
44 Broadway	Adaptive reuse of former federal court annex building.	Predevelopment.	Developer continues to revise floor plans, elevations and amenities for feasibility purposes.	
Former Santa Rita Hotel	Pathways' plans for substantial rehabilitation and reuse and complementary new construction tabled due to market.	Property owner (Lopez) has stated intentions to pursue a renovation project, linking connected with his Hotel Arizona redevelopment project.	TBD	
Lofts at 5th Avenue	Vantage Point LLC condo development on former YMCA site at 6th Street.	Site cleared, entitlements obtained, some marketing had commenced. Project adversely affected by real estate market conditions, on hold, and at same time property/project has been offered for sale.	TBD	

Current Projects
Jan-08

	Description	Status	Next Steps	Timeframe
4th Avenue Underpass	New multimodal link to the downtown.	In construction.	Complete construction.	Spring 2009
Plaza Centro	Oasis Tucson (aka/Campbell) proposed mixed-use development at 4th & Toole/Congress.	Construction start pending completion of underpass project. Negotiating terms of development agreement, including public participation in infrastructure and parking.	Obtain M/C approval of development agreement.	Mar-08
6th & Toole	Highly visible development parcel for disposition, which could include permanent Greyhound facility and/or other commercial uses.	Site development guidelines, general building programming and preliminary architectural design complete.	Determine final real estate disposition plan.	Mar-08
Depot Plaza	COT - Williams & Dame Development joint venture mixed-use project.	Market rate apartment renovations underway, and should be complete Summer 2008. Underground parking garage designed and permitted. Future public building design substantially complete. Future private building conceptual design commenced.	Complete garage construction to facilitate future public and private vertical developments.	Jan-09
Ronstadt Transit Center	Reconfigure transit operations to make Congress and 6th frontages, and all air rights above the center, available for private redevelopment.	Concept studies completed earlier. COT now beginning examination of transit options as relates to RTA.	Evaluate design options, identify sources of funds, and develop disposition plan.	Jan-10
Rialto Block	Biggers/Martin partnership to do multiphase redevelopment of block bounded by Congress, 5th, Broadway and Herbert.	Historic building renovations underway, including street level storefronts and 2nd floor apartments. Long range plans for build out of the block are being formulated.	Collaborate with COT and adjacent property owners on subsurface public parking garage for the east end and for individual projects support.	Spring 2008

The Post	Bourn Partners mixed-use project on Congress between Stone & Scott.	Project was to break ground in July 2007, delayed due to adverse market (presales) and escalating construction costs. Project is permitted for construction, Bourn has firm construction loan financing commitment. Intends to break ground as soon as construction contracts are negotiated.	Complete bid negotiations (underway at present) and commence construction.	Feb-08
63 E. Congress	JW Miller rehabilitation of former McClellan's building (akadowntown events center) for commercial and retail uses.	Tenant improvements underway for sushi restaurant under lease. Owner marketing remaining space. Property recently offered for sale.	Will build out as leased up.	Ongoing
Mercado District	Rio Development mixed-use project on 13 acres south of W. Congress in Menlo Park.	All land development activity complete. Approximately 16 homes under construction.	Continuing home sales and construction. Get related commercial projects in the ground.	2 to 3 years
Avenida del Convento / Clearwater	New public roadway and infrastructure system to support private west side redevelopment efforts.	Avenida built. Clearwater complete from Avenida to Mission.	Build extension of Clearwater from Santa Cruz River to Avenida in conjunction with new bridge. Construct roundabout in Mission at Clearwater.	2009
Monier Building	Gadsden Company signature mixed-use building along the Avenida in the Mercado District project.	Building designed and soft bid.	Developer intends to put into construction so that it and streetcar are completed on same critical path.	2010
Mercado San Agustin	Gadsden Company signature commercial building in the Mercado District project.	Building program and design complete, tenant mix established, lease negotiations and marketing of available space ongoing.	Grading permitted, commence construction.	Spring 2008
West Side Archaeological Investigations, Landfill Remediation & Flood Mitigation	COT predevelopment activities to facilitate private and institutional investments.	Landfill bio-reactor in full operation to clear part of the area, and landfill excavations in others complete. Multiple flood and drainage engineering plans underway. Fill imported to site for future flood mitigation and for other backfilling purposes. Archaeological investigations complete. Engaging Tohono O'odham nation in discussions about how best to interpret discoveries made on site.	Execute engineering plans in conjunction with future development.	TBD

AZ History Museum	Relocation of facility from UA campus to the west side of downtown.	Negotiating predevelopment agreement to advance funds for architectural programming and preliminary building and site design.	Museum proceeds predevelopment A&E, and establishes and maintains a design and construction schedule to achieve facility opening in August 2011.	Ongoing
West Side Neighborhood Library	A dedicated 5,000sf community resource to be developed within the AZ History Museum facility.	The Museum has preliminary agreements with Pima County regarding future operations. This library will have an e-emphasis.	Design and development in conjunction with Museum work.	Ongoing
AZ State Museum	Relocation of portions of ASM collections and programming from UA campus to west side of downtown.	An IGA was approved in August 2007 providing funding for design and development of a joint facility with the UA's science center. Following that, building programs and design concepts are being developed and evaluated.	Advance design development, leading to a planned late-2008 construction start, with completion and opening scheduled for August 2011.	Ongoing
UA Science Center	UA development of a multipurpose science and learning center.	An IGA was approved in August 2007 providing funding for design and development of a joint facility with the UA's science center. Following that, building programs and design concepts are being developed and evaluated.	Advance design development, leading to a planned late-2008 construction start, with completion and opening scheduled for August 2011.	Ongoing
Tucson Children's Museum	Relocation and expansion of TCM on the west side of downtown.	TCM is seeking funds to complete its financing package for the project. TCM has completed a programming analysis, and is preparing to supplement its master plan / feasibility analysis with additional visitor and operating projections.	Complete site planning with COT and partners as soon as possible, and, continue identifying sources of funds to supplement COT commitment. TCM would like to open August 2011, that being largely dependent upon funding and fundraising ability.	Ongoing
Tucson Origins Heritage Park	Reconstruction and interpretation of mission, gardens, and rich archaeology; historic buildings; riparian restoration and trails; and public park and festival areas.	Construction documents are near completion for historic buildings. The gardens may go into construction in spring 2008. Cultural plaza and parking garage designs are near complete. Interpretive plans are being developed in collaboration with community and institutional partners.	COT must fund construction of garage and plaza, to be coordinated with related building schedules. COT must determine long range operating entity / plan and resolve Origins Center programmatic scope.	Ongoing

<p>Remaining West Side Acreage</p> <p>COT offered for sale and development 14 acres of vacant land adjacent the Santa Cruz, and further bordered by the cultural campus to the south and the Mercado District to the west.</p>	<p>A committee, comprised of COT and neighborhood reps, has been evaluating proposals from Williams & Dame Development and the Gadsden Company. Responses to questions posed by the committee following interviews were to have been delivered by January 18th, or in the alternative, the teams may chose to joint venture.</p>	<p>The committee will require clarity of joint development team members and their respective roles, and will formulate a recommendation for the M/C based upon conformity with stated goals and objectives in the RFA and RFP processes leading up to this point. Contractual agreement(s) will then be negotiated and presented to the M/C for approval.</p>	<p>Spring 2008</p>
<p>Santa Cruz River Bridge</p> <p>A new structure linking the west side community with the greater downtown.</p>	<p>Design team under contract with COT sought community input on functional and aesthetic objectives. A conceptual design has been developed. The bridge will carry vehicular traffic, bikes, pedestrians and the streetcar. Plan is start construction Fall-2008, and complete it Fall-2009.</p>	<p>Seek input on design, finalize it.</p>	<p>Feb-08</p>
<p>Presidio Terrace</p> <p>A 1+ acre development site in the El Presidio neighborhood.</p>	<p>Plans put forth by Presidio Terrace LLC (aka/Peggy Noonan) failed to advance and the development agreement was terminated. The site is highly desirable. COT will work with the Partnership to bring the property to the market.</p>	<p>Discuss disposition options and timing with Partnership. (This will require collaboration with the neighborhood and TMA.)</p>	<p>Mar-08</p>
<p>EI Mirador</p> <p>Town West mixed-use project at Stone & Franklin.</p>	<p>M/C approved sale and development agreement in November 2007. Agreement also obligates TW to contribute to affordable housing trust fund, and, to contribute to the preservation and restoration of the historic Steinfeld Warehouse.</p>	<p>TW is in predevelopment phase, e.g., advancing design development, exploring financing options, conceiving marketing plans, investigating commercial leasing opportunities, conducting additional due diligence, develop construction documents, etc.</p>	<p>2008-2009</p>
<p>Greenway</p> <p>A multiuse recreational trail generally following the alignment of the EI Paso and Southwestern Rail Line.</p>	<p>A master plan was completed, and with RTA and other funding sources, COT is proceeding with design and implementation on a phased basis.</p>	<p>Finalize scope of work and negotiations with selected team.</p>	<p>Feb-08</p>

Arena	New 12,500-seat multipurpose facility to be built in the vicinity of the TCC.	A design/build team was selected in a competitive process. A development fee agreement was subsequently negotiated in order to prepare a building program, preliminary design and cost estimates.	Complete negotiations on design/build construction and related contracts. Establish construction schedules based upon financing plans and the development schedules for convention hotel and TCC expansion.	Spring 2008
Convention Center Expansion	Increase meeting room space and provide related service amenities in order to improve the TCC's competitive position.	Feasibility (business) analyses completed and multiple expansion scenarios (physical and financial) developed.	Select preferred expansion option based upon overall feasibility and financing plans. Develop timetable for expansion in conjunction with arena and hotel development plans. Commence negotiation of necessary contractual agreements.	Spring 2008
Hotel Developments	New Sheraton convention headquarters hotel and renovation and reflagging of Hotel Arizona.	Development teams selected by M/C following competitive process. Negotiations have commenced on predevelopment services agreements and real estate transaction(s).	Complete predevelopment agreements for M/C consideration.	Feb-08
TCC area master planning and redevelopment	Mixed-use redevelopment of all surface parking lots in the area following and complementing center expansion and hotel and arena developments.	Development partners selected by M/C following competitive process. Negotiations have commenced for planning and owner's rep services, and for the acquisition of Norville property.	Complete agreements for M/C consideration.	Spring 2010
I-10 Reconstruction	Widening mainline between Prince and 22nd. Reconstruction and improvements to affected underpasses.	Underway.	Complete construction.	Spring 2010
Performing Arts Center	Renovation of "The Curisio" located at 6th & 14th for reuse (again) as visual and performance arts center and incubator.	Structural evaluations complete. Pima County contributing funds toward phase 1 rehab work. Long term operational plans to be developed by COT P&R and a non-profit.	Phase 1 rehab plans complete and submitted for approval. Construction is expected to start in March. Additional funds required for subsequent rehab phases.	Ph. 1 done September 2008
200 Block West Broadway	Redevelopment parcel at 5th & Broadway owned by Williams & Dame Development. Future mixed use project with public participation in parking.	WDD in concept planning. COT to engage WDD and other stakeholders in discussions about shared underground parking facilities and timing.	Continue discussions with east end stakeholders on parking needs and development of it at this locations and others adjacent.	Ongoing

Infrastructure, Streetscape & Parking	Multiyear upgrading of under- and aboveground infrastructure to meet future development demands. M/C has earmarked \$170m.	The first phase will focus generally and necessarily on the modern streetcar alignment. An RFP for professional services has been prepared, and, a \$37m budget has been established.	Release RFP, and obtain contract approvals.	Mar-08
Facade Improvement Program	Make financial assistance available to merchants and property owners for exterior improvements.	The program concept / funding was included in the 2007 infrastructure study. It is envisioned that the program will be developed and implemented by the Downtown Partnership.	Establish capitalization strategies and eligibility criteria. Negotiate requisite management agreement(s).	TBD
Essential Neighborhood Infrastructure Upgrades	Improve lighting, landscaping and paving in Barrios Sin Nombre and Viejo, and, undertake essential drainage and flood mitigation work.	It has been the oft-stated intentions of the M/C that revitalization activities not have unintended negative consequences on neighborhoods. The infrastructure study affirmed that. A preliminary budget has been established.	Working with ward offices, engage the neighborhoods in design preference discussions and establish construction schedules.	Spring 2008
Julian-Drew Block Redevelopment	Rulney rehabilitation of a substantial mixed-use building at 5th & Broadway.	Rehabilitation plans have been completed.	Developer will commence project once the scope and timing of public infrastructure projects directly affecting the property are clear.	TBD
Former Reilly Funeral Home Renovation	Fenton acquisition and substantial rehabilitation of historic commercial property on Pennington & Scott.	Developer exploring reuse and financing options.	Complete improvements and open.	Summer 2008
Historic Depot Market / Restaurant	Oseran/Rulney development in COT-owned property. Space formerly operated as Central Bistro.	Lease approved by M/C. Tenant improvement plans nearing completion.		
Historic MacArthur Bldg Redevelopment	COT-owned historic property to be offered for sale and restoration.	Public offices planning relocation. There is interest in having the Downtown Partnership represent COT in disposition activity.	Establish timelines for office relocation. Develop agreement with Partnership.	Spring 2008

<p>Preservation of Historic Former Marist College</p>	<p>Diocese of Tucson-owned property suffering from long-term neglect and in danger of structural failure. Property is a 3-story adobe building constructed in 1915.</p>	<p>Diocese is entertaining offers to acquire the property from qualified entities with acceptable re-use options. Economic feasibility is the primary impediment.</p>		<p>TBD</p>
<p>Joint Courts Facility</p>	<p>Pima County-led development of a 350,000sf courts complex on 4+ acres at Stone & Toole. Concept planning envisions a building of approximately 8 stories, and, a multilevel parking garage with ground floor retail spaces.</p>	<p>COT and PC have had discussions about design collaboration. Project was expected to be through design in late-2007, and construction complete in 2010. However, PC presently engaged in lengthy archaeological clearances at the site.</p>	<p>Complete archaeology work. Undertake utility relocation work along Alameda. Establish revised project schedule.</p>	<p></p>
<p>Cushing - 22nd / I-10 Frontage Corridor Redevelopment</p>	<p>COT owns substantial real estate in this corridor, representing very significant future private sector redevelopment opportunity. Most likely redevelopment scenarios would include market and affordable and workforce housing appropriate for the area, together with neighborhood-serving commercial uses.</p>	<p>COT is undertaking appropriate seller due diligence and is examining options for consolidation and/or relocation of public facilities within the area site.</p>	<p>Engage the community in a process to establish shared vision for the area prior to RFO/RFP processes.</p>	<p>Spring 2008</p>
<p>Downtown Neighborhoods Real Estate Tax Relief Programs</p>	<p>COT, Pima County and State offer programs to age- and to income-eligible homeowners. COT does not want neighborhoods of downtown suffering tax increases disproportionate to city-wide averages.</p>	<p>Following meetings with neighborhood leaders and residents, staff has formulated recommendations to improve COT's current program effort.</p>	<p>Submit report and recommendations to Downtown Subcommittee for discussion and approval.</p>	<p>Feb-08</p>
<p>Affordable Housing Policy Development</p>	<p>Affordable and workforce housing is a community-wide issue. COT has it's own goals and policy statements, and has position papers and reports from a variety of sources. M/C endeavor to ensure that downtown development contributes to affordable housing production activity in the community to the greatest extent feasible and practicable.</p>	<p>Affordable housing has been part of every project approval discussion, and since every project is unique, goals and objectives have been established on a case by case basis.</p>	<p>Begin affordable housing dialogue at the subcommittee level in January 2008. Staff is prepared to review: past practices, policies and performance; existing housing stock affordability; affordable, workforce and other housing trends here and elsewhere.</p>	<p>Ongoing</p>

