

# CENTRAL AVENUE CORRIDOR

## ECONOMIC DEVELOPMENT STRATEGY

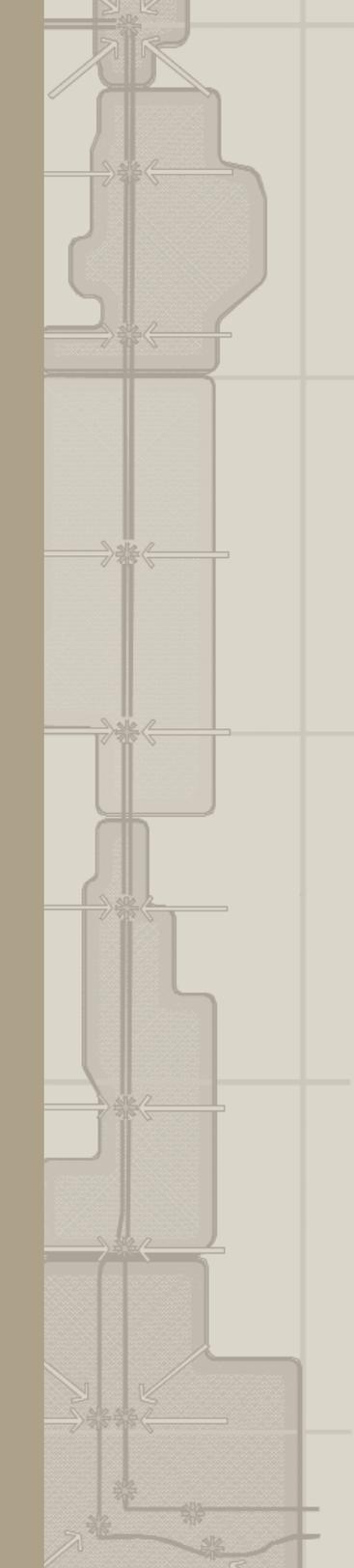


SUMMARY REPORT

CITY OF  
PHOENIX

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COMMUNITY  
ALLIANCE

VALLEY  
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RAIL



## Introduction

Situated in the center of the Greater Phoenix region, the Central Avenue Corridor is a major employment center that features the highest concentration of office space in the metropolitan area. In 2004, construction of a regional light rail transit (LRT) system that will serve the Corridor is scheduled to begin. The planned LRT system creates an opportunity to alter and strategically plan new commercial and residential development in the corridor, while creating a unique and vibrant live, work and play environment.

On September 19, 2002, the City of Phoenix, the Phoenix Community Alliance and Valley Metro Rail held a day-long Central Avenue Corridor workshop for community leaders and real estate professionals to:

- **Examine development patterns and recent trends in the Corridor;**
- **Understand the current, intermediate and long-term market challenges within the Corridor; and**
- **Consider how light rail transit will affect future development in the Central Avenue Corridor.**

The workshop participants included property owners, private and institutional investors, developers, brokers, community leaders and design firms. For purposes of the workshop, the Central Avenue Corridor was defined as the area generally bounded by Camelback Road to the North, Van Buren Street to the South, 3rd Street to the East and 3rd Avenue to the West (the "Corridor"). As a follow-up to the workshop, the City and the Phoenix Community Alliance along with EDAW conducted a design exercise in the spring of 2003 to further develop, define and illustrate the mixed-use/transit oriented development concepts that were discussed at the workshop.



## Workshop Overview

The workshop included presentations by city staff on the light rail project and its economic development vision. Additionally, presentations were made by experts in the fields of real estate brokerage and development on successful mixed-use transit oriented development projects throughout the nation.

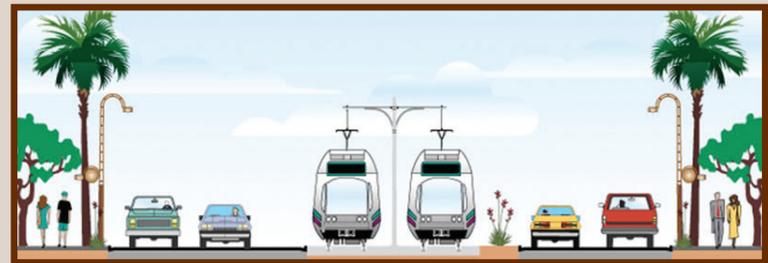
**Office Market** - The Central Avenue Corridor was once a vibrant office and retail location that experienced strong growth during the '60s, '70s and '80s but since 1991, there have been no new high-rise office buildings constructed in the Corridor. The Valley's robust growth of the '90s largely benefited suburban markets to the detriment of the Corridor with new suburban developments exacerbating the Corridor's inability to recruit and retain office tenants. As a result, over the last several years, the Corridor has experienced negative net absorption. Office vacancy rates have increased market-wide, while vacancy rates in the Corridor have remained constant. The Corridor's current vacancy rate is actually lower compared to the overall office market while average rental rates are significantly below that of other office sub-markets.

**Residential Market** - Recently, the Corridor has experienced an influx of high-end urban residential development projects. Since 1999, more than 1,000 units have been developed on Central Avenue. Currently the rental market in the Corridor is overbuilt. Occupancy rates for rental units in the Corridor are consistent with other areas however; owners are offering significant concessions to attract tenants. The lack of amenities in the Corridor has made it difficult to attract people to live in the Corridor. Successful mixed-use projects, seen elsewhere in Phoenix and throughout the nation, will not yet work in the Corridor due to a lack of population base and current demographics.

**Mixed-Use/Transit Oriented Development** - The development of a light rail system will generate new opportunities for Transit Oriented Development within the Corridor. Transit Oriented Development (TOD) is defined as a compact, mixed-use development located near transit stations, designed for pedestrian convenience and comfort, generating activity 24 hours a day, seven days a week. TOD's can create exciting activity centers and provide a sense of community. Well-designed TOD's should provide walkable "villages" built around public plazas with a mix of building types, combining residential, office, shopping, entertainment and civic uses. Parking should be integrated into shared structures internal to the site.

Transit Oriented Development can benefit the community in many ways by creating new neighborhoods, providing alternatives to suburban housing, addressing changing demographics and making transit more convenient and appealing. Successful TOD's require market demand, infrastructure and appropriate zoning. Transit alone is not enough.

Transit Oriented Developments are harder to design, entitle, finance and build than other real estate projects. Land values are generally at a premium and projects are more expensive to design, entitle, build and lease. In order to be successful, these projects require specialized, well-capitalized, developers who can endure the initial up-front challenges and wait longer for return on investment.



# Transit Oriented Development Conceptual Phasing

**Current Intersection:** Northeast Corner of Central & Indian School Road



**PHASE ONE**



**PHASE TWO**



**PHASE THREE**



## Group Discussions and Recommendations

Break-out sessions were convened to strategically assess four key areas: Employment, Housing, Entertainment/Lifestyle Amenities and Mixed-use Development. Participants in each group used the following objectives to guide their discussion:

- 1. Identify the intermediate (before light rail) and long-term (after light rail) threats and opportunities for the Corridor;**
- 2. Delineate ways of strengthening the relationship between existing neighborhoods and future development;**
- 3. Prioritize potential sites for development; and**
- 4. Develop strategic action steps and initiatives to address the challenges and opportunities identified.**

## Threats

The Corridor suffers from a growing inventory of outdated buildings with small and inefficient floor plates, low ceiling heights and insufficient parking ratios that do not meet the needs of today's office users. Office buildings are unable to compete with other sub-markets because they lack critical telecommunications infrastructure and often have higher operating costs. In addition, the Corridor lacks needed amenities such as upscale restaurants, entertainment venues and pedestrian oriented streets. These factors contribute to an absence of a defined image for the Corridor.

In addition, the Corridor has yet to achieve the needed residential density and the demographics to create market opportunities. Overpriced land sites and fragmented property ownerships are impediments to assembling appropriate sites for development. Other factors inhibiting development include:

- **Neighborhood opposition to new projects,**
- **Incompatible zoning ordinances and**
- **The complex nature of financing for mixed-use development projects.**

Furthermore, the lack of available tools and incentives for economic development limit the ability to create public/private partnerships. Lastly, businesses located along the Corridor will experience disruptions during light rail construction making it difficult to market vacant space and retain tenants.



## Opportunities

The potential for new development in the Corridor is strong given the number of vacant sites located near planned light rail stations. Development of light rail in the Corridor provides great opportunities to create "Districts" and promote a unique character near transit stations. Additionally, the Corridor offers many cultural, arts and entertainment venues/activities to build upon. Recent and planned residential development projects can also capitalize on the trend toward urban living. In order to derive the maximum potential from new development opportunities, local visionary developers should team with well-capitalized national developers experienced in mixed-use transit-oriented development.

The Central Avenue Corridor has the beginnings of many crucial elements that can ultimately attract a critical mass of knowledge workers to the area. Central Avenue already has an abundance of fiber optic capacity however; many older buildings are not "tech-friendly." Existing and outdated buildings in the Corridor can be retrofitted and modernized for adaptive reuse. Unique and exciting work spaces can be created to attract more contemporary users such as design firms or software developers.



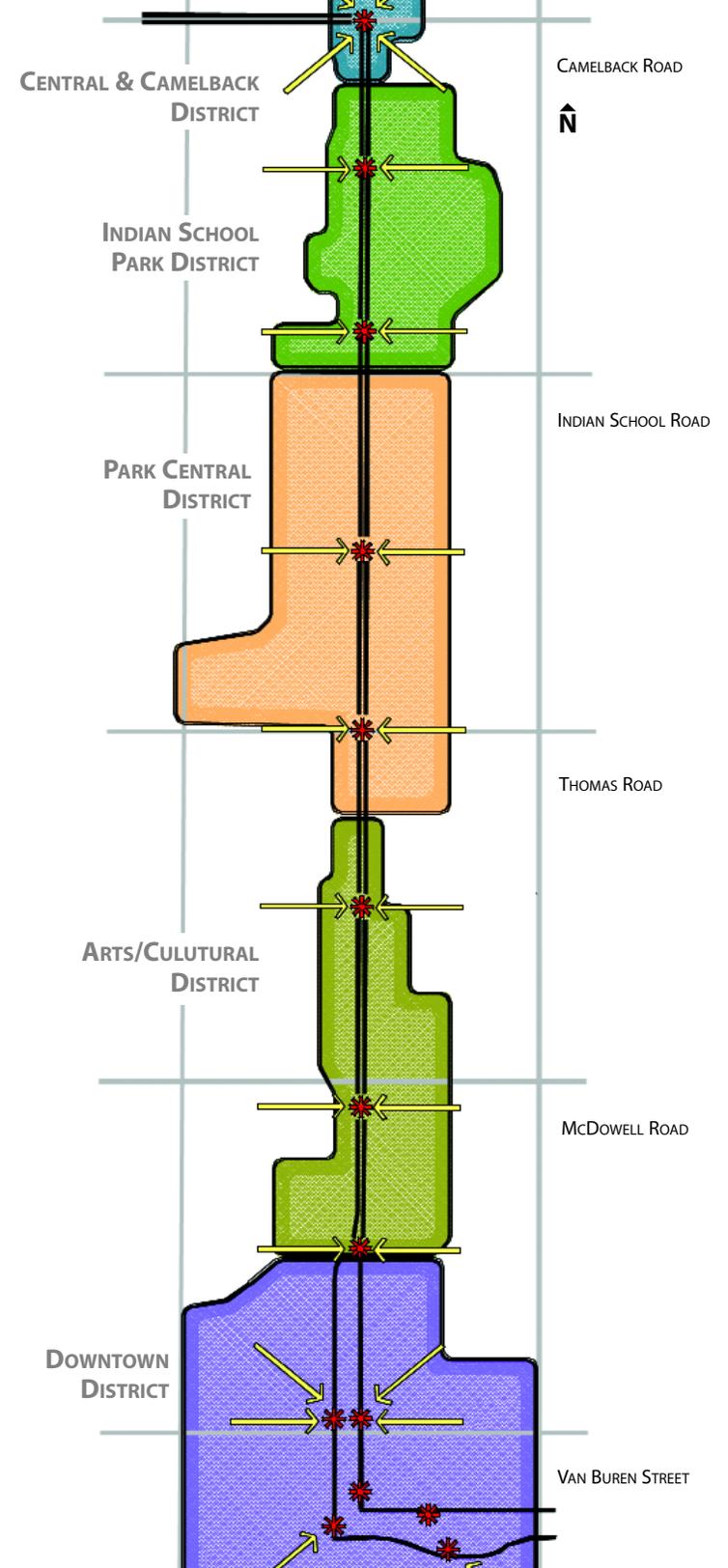
## Defining the Districts

The Urban Land Institute's 2001 panel study on light rail and economic development in Phoenix characterized Central Avenue as being "too long, too wide and no fun". The light rail line on Central Avenue from Camelback Road to Downtown covers more than five miles and may be better defined by development zones or districts to celebrate the unique character, landmarks and amenities within each district. To that end, five zones or "Districts" have been identified along the Central Corridor from Downtown to Camelback Road. It is the intent of the District descriptions to provide a characterization of the existing development and provide focus for future development.

The boundaries for each District are not established lines, but are intended to initiate dialogue with the stakeholders and neighborhoods. It is important, as the Districts develop, to insure a focus on comfortable pedestrian linkages between the rail stops, employment centers and residential development.

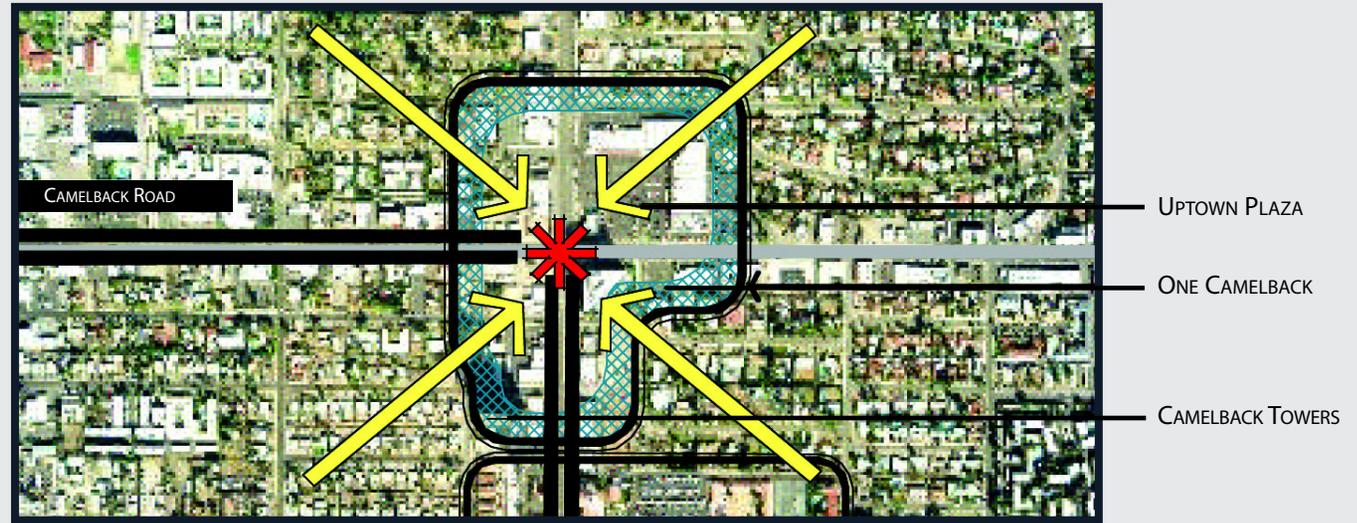
Each district will be described in further detail and the adjacent map is provided to illustrate their locations.

\* Denotes light rail transit station.



## Camelback and Central District

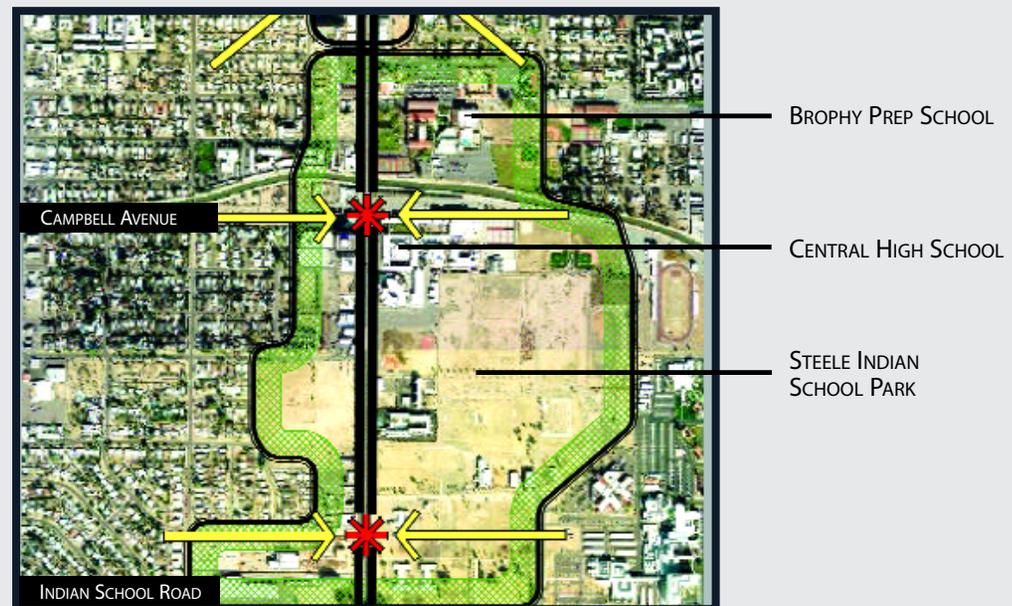
The Camelback and Central District is the smallest of the districts, containing the area between Highland Avenue north to Missouri Avenue. This District has the opportunity to create a dynamic mixed-use development of up-scale shops and high quality office and residential units. The transit stop at the corner of Camelback and Central is planned to be located out of the street right-of-way, allowing a signature development that will fully integrate the rail stop into the development. This District can build on the prominent location of Central and Camelback and can become a premier location along the rail line.



## Indian School Park District

The Indian School Park District is located between Highland Avenue and Indian School Road. The Indian School Park District is envisioned as a transition district from the high-rise Park Central District immediately to the south to a mid to low-rise mixed use office and residential development. This District will capitalize on the "Park" to become a recognizable location.

The Steele Indian School Park provides a primary focal point and address for future development. The incorporation of "green fingers" extending from the park into future developments strengthens the identity of the Park District. The opportunities for development include mid-rise office, residential and neighborhood serving retail. The scale of the development should provide a transition from mid-rise development along Central to low-rise and single story along existing neighborhoods.



## Park Central District

The Park Central District, located between Indian School Road and Virginia Avenue, has the highest existing concentration of high-rise office and building density along the Central Corridor. This District provides one of the highest concentration of employment and when combined with St. Joseph's Hospital will generate a high volume of transit riders.

The existing Park Central Mall represents an available land area to create a high density mixed-use development that would add to the employment base while providing opportunities for high density residential, retail and entertainment.

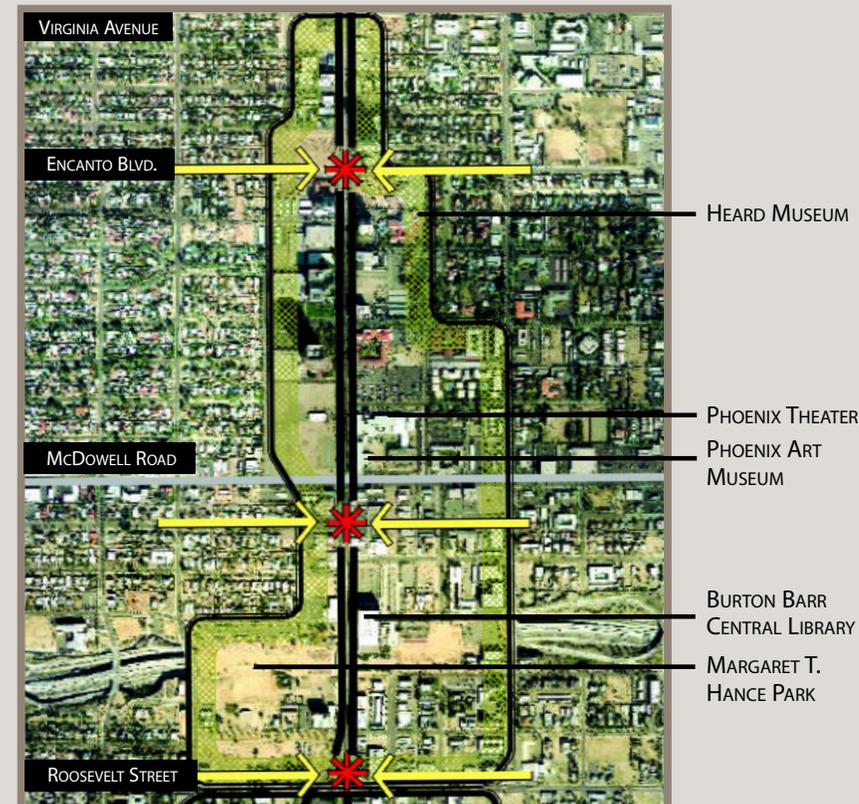


## Arts and Cultural District

The Arts and Cultural District, located between Virginia Avenue and Roosevelt Street, is well on its way as defining itself as the "Arts District" within Phoenix. The key components within the District are the Phoenix Art Museum, the Heard Museum and the Phoenix Library. In addition, the Roosevelt Neighborhood is the emerging arts community as well as the revitalization of the Willo Neighborhood. These two neighborhoods represent somewhat intact neighborhoods that have very close access to the Central Corridor.

Current and recently constructed residential projects combine mixed-use as well as creating a character that reinforces the identity of this District. The relationship with the adjacent Downtown District provides an opportunity for future cultural arts to locate within this District including symphony halls, theatre and museums.

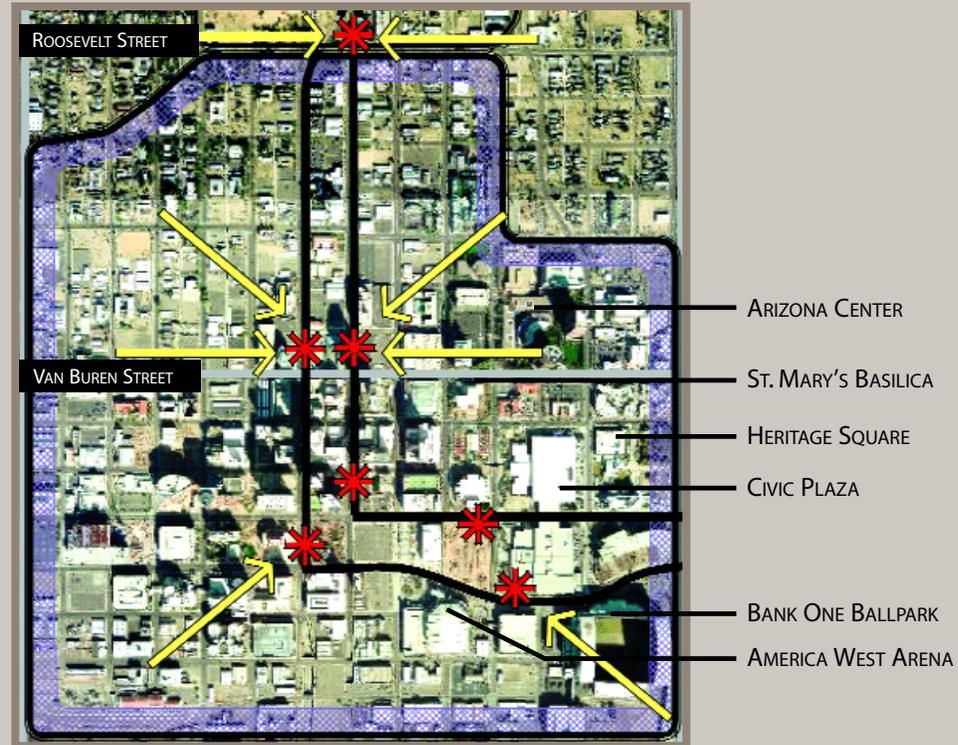
Additionally, the Margaret T. Hance Park is developing into an important open space for the inner-city residents and has the opportunity to continue to reinforce the cultural diversity of the city with installations such as the Japanese Friendship Garden and the Irish American Cultural Center.



## Downtown District

The Downtown District is the area of highest density and concentration of high rise office and residential, civic attractions and government centers. The Downtown District will continue to be the primary location of high-rise development, civic and sports attractions.

The fringe development of the Downtown District provides an opportunity to rehabilitate historic structures and provide sites for mixed-use infill for a variety of residential products and retail experiences. The low to mid-rise development within the fringe will provide the transition to the existing neighborhoods, while providing convenient services within walking distance.



## Priority Development Sites

There are several opportunity sites along the Corridor with potential for development. The workshop participants reviewed the opportunity sites and identified the following locations as the key high-impact potential development sites in need of near-term attention, planning and promotion:

### **Park Central, Central Avenue and Earl Drive**

Pad sites are available for retail development and the remainder of the site is available for expansion of the existing office campus. Residential development has been contemplated.

### **Southwest Corner of Central Avenue and Camelback Road**

Opportunity for high-density mixed-use development, in need of environmental clean-up and non-conforming billboard eradication.

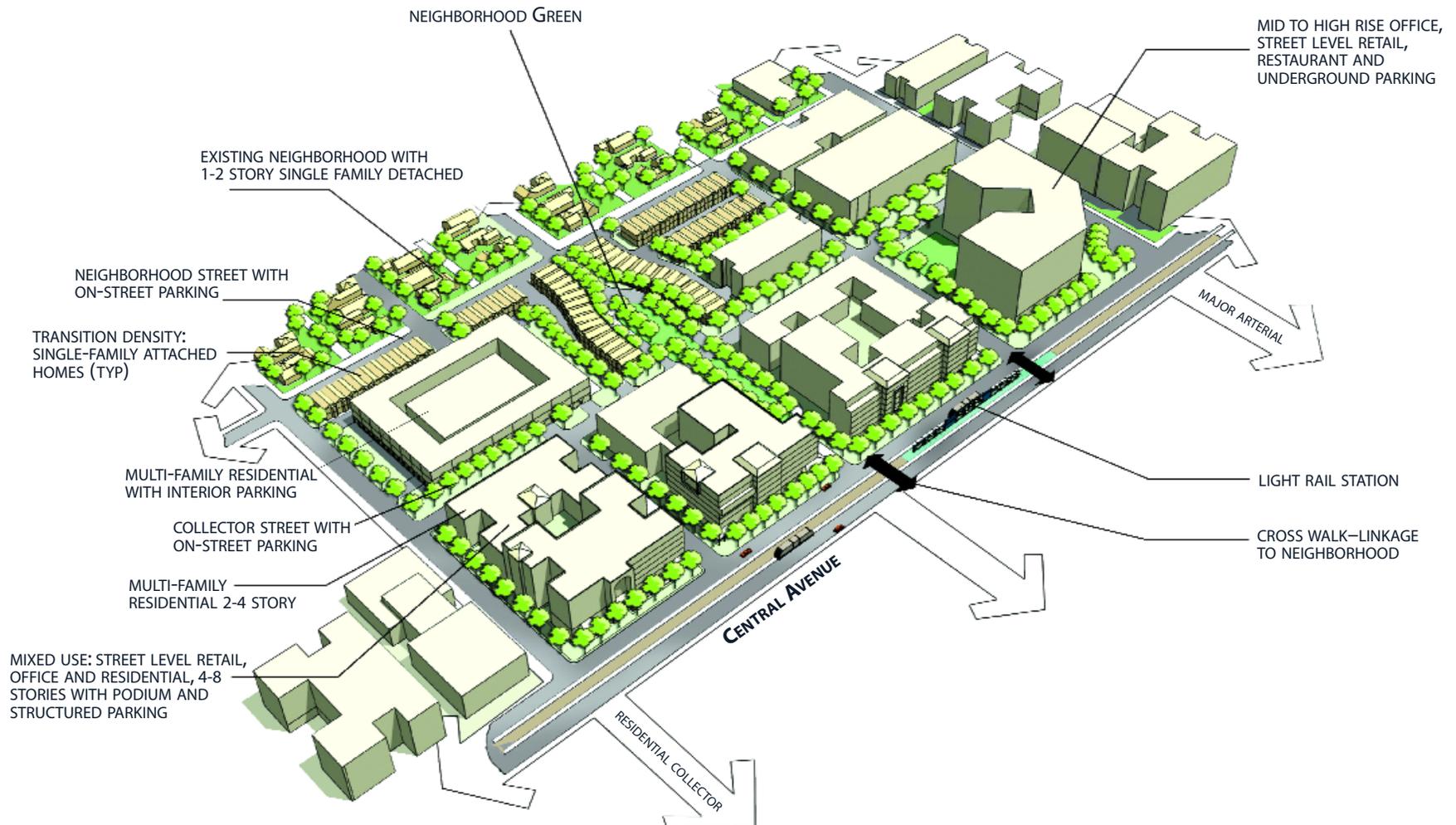
### **Northeast Corner of Central Avenue and Indian School Road**

Mixed-use development site, with single ownership and adjacent 75 acre Steele Indian School Park.

## Strengthening the Relationship between Neighborhoods and New Development

Neighborhoods need to recognize the need for density and what it brings to the Corridor (amenities/retail/vibrant area, and increased property values), while developers need to commit to and develop high-quality projects. Amenities such as pedestrian and bicycle connections should reach far into adjacent neighborhoods. Developers should take an approach of balancing of interests: address financial feasibility issues with the community up front to diffuse the misperception of lucrative activities and focus on what is necessary to achieve reasonable financial returns. Like any other business venture, developers must work towards a reasonable return on investment. Strong interaction with existing organizations and community groups to discuss development plans is essential.

### NEIGHBORHOOD TRANSITION:



## Key Messages, Initiatives and Action Steps

The Central Avenue Corridor Workshop participants reviewed and prioritized the strategic initiatives and action steps developed in the break-out sessions. During the consensus building process, five key message points emerged. These key messages along with the priority initiatives and action steps are outlined below:

### MAKE INFILL DEVELOPMENT EASIER

- Streamline the development process by reducing timeframes for entitlements and building permits.
- Create a flexible, comprehensive mixed-use zoning ordinance that encourages density and intensity, integrates with historic neighborhoods and addresses development standards through strict design guidelines.
- Reduce, defer or abate development fees for high-quality infill projects.
- Identify and establish new redevelopment areas to facilitate site assembly and revitalization.

### CREATE A UNIFIED, GRAND IDENTITY FOR CENTRAL AVENUE

- Explore the creation of Business Improvement Districts for marketing and image building.
- Utilize arts programs and events to promote the Corridor and the coming of light rail (e.g. First Fridays)

### EXPAND THE RANGE OF ECONOMIC DEVELOPMENT TOOLS

- Study incentives available in other communities and results generated.
- Pursue legislation to allow for Tax Increment Financing (TIF).
- Pursue bond issues to finance the acquisition and assembly of land for redevelopment.

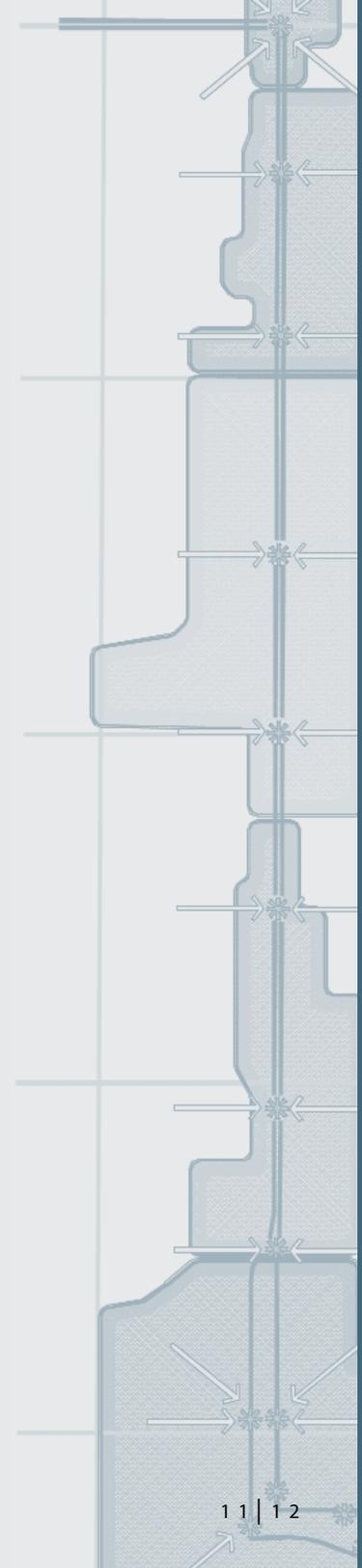
- Create special incentive zones to level the playing field with development opportunities in fringe areas.
- Provide assistance/incentives to retain tenants in the Corridor during light rail construction.

### ENSURE A MULTI-MODEL CORRIDOR THAT ACCOMODATES PEDESTRIAN, BICYCLE AND VEHICULAR CIRCULATION

- Incorporate shade trees into the plant palette for Central Avenue to encourage light rail ridership and pedestrian access.
- Traffic planning should address the need for left turns on and off of Central Avenue from major intersecting arterial streets.

### DEVELOP AND PROMOTE PUBLIC/PRIVATE PARTNERSHIPS

- Collaborate with organizations such as National Association of Industrial and Office Properties, Valley Partnership, Morrison Institute, Valley Forward, Urban Land Institute, League of Cities and Towns, etc. to lobby for urban revitalization incentive programs at the City, State and Federal level.
- Explore the creation of Business Improvement Districts.
- Property owners should retrofit and modernize existing buildings to attract targeted user groups who can function within existing office confines.



## Conclusion

The Central Avenue Corridor Workshop is a key step in the planning process for economic development strategies in the Corridor. Earlier steps include a Market Analysis that studied the market and identified development opportunities. Next, the City commissioned an Urban Land Institute (ULI) panel study which evaluated the viability of development for specific sites within the Corridor, as well as other sites within the light rail corridor. Through this Workshop, the City completed its next phase of economic development planning, by building consensus amongst real estate brokers, developers and community representatives.

Through the input of these participants, the City identified that infill development must be made easier, and that this would not happen automatically. There is a need for intervention, with the development of tools such as a mixed use zoning ordinance, aggressive incentive programs, the creation of a "grand identity" and the promotion of this identity through events and light rail attractions. If developed and adopted, these tools will go a long way in closing the gap between the City's vision, the reality of the market, and the perceptions of the owners/investors, developers and brokers within the community.

Additionally, the City and the real estate community recognize that private efforts in the marketing, positioning and modernizing of existing buildings in the Corridor, as well as Business Improvement Districts, should be promoted as opportunities to augment the City's efforts. With this information, the City will further develop and promote economic development strategies and actions for the Corridor.

The Phoenix Community Alliance (PCA) has adopted the five key messages along with the priority initiatives and action steps as part of their 2003-04 Strategic Plan. The Alliance will continue to work with the real estate community and the area stakeholders on an implementation plan. Together with the City, PCA will periodically assemble the group to report on progress and assess additional action items required.



The participants in the Central Avenue Corridor Workshop represented a wide range of stakeholders in the Central Avenue Corridor. The City of Phoenix, Phoenix Community Alliance and Valley Metro Rail wish to thank the following workshop participants who gathered to develop the vision and recommendations to establish the Central Avenue Corridor as a unique and vibrant place to Live, Work and Play.

## Workshop Participants

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