

Consultant: Restaurants, retail may hold promise for McDowell

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A project that combines retail and restaurants would make the most financial sense to potential developers in the McDowell Road Corridor but only on the area's few larger sites, a new study says.

Consultant Aaron Gruen of Gruen Gruen + Associates reviewed various scenarios for the McDowell Corridor/South Scottsdale Task Force at its Wednesday evening meeting. His study says typical projects, such as apartments, hotels or townhouses, are unlikely to turn a profit without regulatory breaks from the city, lower land prices or improvements in the economy.

The bottom line is the market on its own is not likely to produce the types of changes to make southern Scottsdale more competitive and desirable," Gruen told the task force.

The McDowell task force is charged with recommending ways to market the tired corridor, which in pre-freeway days thrived with auto dealerships and a shopping mall, and to recommend any needed changes in rules and policies to the City Council.

Private development in the area has been scant due to a combination of factors, Gruen's report found. They include:

Property owners who have put unrealistically high prices on their properties.

Some owners bought in recent years when prices were higher, Gruen said, and want to recoup their investments. Others have smaller properties that carry higher prices per square foot or were purchased for the buyers' own use. Others see the Scottsdale location as desirable and expect the city's revitalization efforts to help, he said.

The small size of many properties limits the number of residential or office units a developer can build, which limits the income the property can generate. Some 40 percent of parcels fronting McDowell and Scottsdale roads are smaller than a half-acre and just 11 percent are larger than 4 acres, the report said.

Scottsdale's requirements for parking, setbacks and other open spaces also limit the numbers of buildable units and, therefore, the income from a new project.

Gruen recommended that Scottsdale simplify its recently adopted rules for planned unit developments, possibly creating rules tailored to south Scottsdale's shallow land parcels. He also suggested the city add a sunset clause that would impose deadlines for a developer to take advantage of new zoning. Another recommendation was that the city provide necessary parking for projects.

He also recommended that the city make it easier to assemble parcels and change uses, perhaps by reducing fees, ensuring quicker processing or increasing the allowable size of buildings.

Gruen's findings updated his firm's 2007 report on the corridor. Since then, Gruen said, the Valley has been hit by job losses, tight lending, soaring office-vacancy rates and declining rent rates.

Without profitable rents, owners are less likely to maintain or upgrade their properties, which contributes to the McDowell Corridor's deterioration, Gruen's report says.

He thinks the office and tourism markets won't rebound until 2014 but sees a brighter picture for retail and restaurants in the area.

The reason I'm more optimistic about retail than offices is we still have underlying purchasing power," he said. "People are still eating out, and there really is a need for more restaurants in southern Scottsdale."

The task force also heard from Habitat for Tomorrow, a loosely knit organization that envisions a corridor featuring sustainable horticulture, consistent architecture and alternative-energy sources. Representative Philip Goldfeld said the group proposes a multimedia production/entertainment venue and a naturopathic venue on the nearby Salt River Pima-Maricopa Indian Community but said a feasibility study is still needed and potential clients have yet to make formal commitments to the projects.