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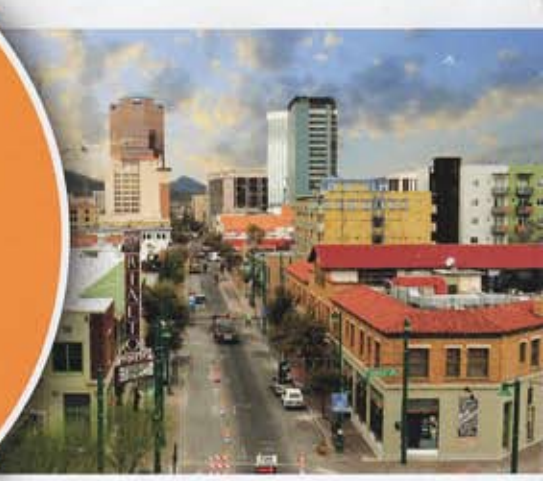
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THE REGION'S BUSINESS MAGAZINE

BANKING ON DOWNTOWN



10



REASONS FOR OPTIMISM

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BANKING ON DOWNTOWN



10 REASONS FOR OPTIMISM

By Dan Sorenson

The recent settlement between the Rio Nuevo District and the City of Tucson lifted the dark cloud of litigation from downtown revitalization efforts and revealed new cause for optimism about the city center's future.

The settlement lets the two sides get back to what they should be doing – which is encouraging development of a livable and prosperous downtown.

Here's a little-known fact – between 2008 and 2013 the combined public and private investment in downtown totals nearly $800 million, according to the Downtown Tucson Partnership. About $90 million is projected for 2014.

The settlement means Rio Nuevo dropped its lawsuits against the city and assigned ownership of some properties that were disputed. It also restricts Rio Nuevo from spending any money on anything beyond its present commitments until it has made official plans to proceed on work on the Tucson Convention Center and hotel development.

There is still the lingering possibility of some action resulting from investigations by the Arizona Attorney General, the FBI and the IRS. Though those investigations continue, the new leaders of the formerly warring parties – Tucson Mayor Jonathan Rothschild and Rio Nuevo Board Chairman Fletcher McCusker – did clear the way for progress.

They, and other key private and public downtown figures, say there are already many accomplishments and more projects in motion on which to base optimism. The clouds have lifted and the forecast is for brighter days ahead.

1 New out-of-town investors bring dollars downtown

To date the majority of development downtown has been local money. But now out-of-towners are interested. Three recently announced additions to the burgeoning downtown restaurant line up, in the Rialto Block alone, are by out-of-town companies. Diablo Burger, Proper and Good Oak Bar, backed by a pair of successful Flagstaff restaurateurs, have acquired space in the Rialto Building across the street from Hotel Congress.

Rio Nuevo's McCusker sees this as particularly encouraging, a turning point for the revitalization effort. And these investments mean jobs, before and after the dust settles. Hotels are also a hot priority. Stay tuned…

Developer Scott Stiteler is a partner in the Rialto block and owns the block that has Hub Restaurant & Ice Cream-ery and Playground and the opposite side of the street containing Sparkroot and Xoom Juice. He estimates establishments in those areas alone could generate 500 jobs.

Stiteler said having so much space downtown requires that he never consider any lease in isolation. He looks at the impact on nearby properties with an eye toward creating a destination area at Congress and Fifth – where people can go to spend a day or night, not just a

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SIGNIFICANT PUBLIC INVESTMENT 2008-2013

Project	Cost
• Central Energy Plant Repairs	$8,400,000
• City-County Courthouse	$140,000,000
• FBI Building	$21,500,000
• Fire Central	$36,700,000
• Fourth Avenue Underpass	$46,000,000
• Infrastructure Improvements (Rio Nuevo)	$37,700,000
• MLK Housing	$21,400,000
• Modern Streetcar	$196,000,000
• Plaza Centro Garage and Retail	$6,500,000
Total	**$589 million**

Source: Downtown Tucson Partnership

GREATER DOWNTOWN PRIVATE CAPITAL INVESTMENT 2008-2013

Private Investment by Sector	Cost
• Housing, Multi-family	$90,912,829
• Housing, Single-family	$8,200,000
• Office	$81,140,591
• Retail	$11,019,000
• Restaurant/Bars	$12,434,691
• Entertainment	$ 4,926,000
• Hotel (room upgrades)	$25,000
Total Investments	**$209 million**
Projected Private Investment in 2014	**$89.5 million**

Source: Downtown Tucson Partnership

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single stop at a restaurant or bar. To date, by design, he said he's not dealt with chains seeking space downtown. He said chains are inevitable, but he first wants to create an identity with local and relatively unique establishments. A new restaurant by the owners of 47 Scott – Saint House – featuring Caribbean cuisine (jerk spices, fish dishes, etc.) in a space in the Hub block fits that description. Stiteler said the restaurant is under construction and expected to open in August.

2 Once students move downtown, retail will follow

Several private-sector dorm-style apartment buildings in or near downtown that are under-construction, in planning stages or already completed will bring an almost overnight resident population to downtown.

The Cadence student apartments, now under construction on the north side of the Rialto Theatre, will combine five floors of apartments above a common area, pool and other amenities and retail space fronting Congress Street. The population boom from Cadence and other residence construction could bring about an investment tipping point – enough residents to justify retail needed to make downtown a self-contained community, according to Downtown Tucson Partnership CEO Michael Keith.

He said the "number crunchers for the bigger retailers, drug stores and grocery stores need to see a certain number of rooftops. But lenders want to know if there are sufficient amenities to support their investment. The influx of more than 800 new residents may be prove to be the turning point. Keith said he believes there's more construction activity in downtown Tucson right now than anywhere in the Western U.S.

Stiteler said he sees the retail stage coming soon. "I left a lot of spaces that I could have leased to restaurants or bars. I've left them open so I have space when that (retail) comes. That's a 2014 and 2015 experience. No doubt student housing will make it easier for retailers to get comfortable," he said.

3 Improved venues complete the arts scene

A soon-to-be renovated TCC Arena should fill a gap for major music act tours that have been skipping Tucson for many years. It will complete an otherwise full palate of music, theater and art venues including the Fox and Rialto theaters, the Temple of Music & Art, TCC Music Hall, Leo Rich Theater, some smaller independent live theaters – plus the Tucson Museum of Art and Museum of Contemporary Art in Tucson (MOCA) and several commercial visual art galleries.

Under the terms of the Rio Nuevo settlement, there must be an official notice to proceed on the TCC work and the construction of new hotel space before Rio Nuevo can spend any new money. Rio Nuevo has already appointed a project manager and hired an architect for the TCC Arena remodel.

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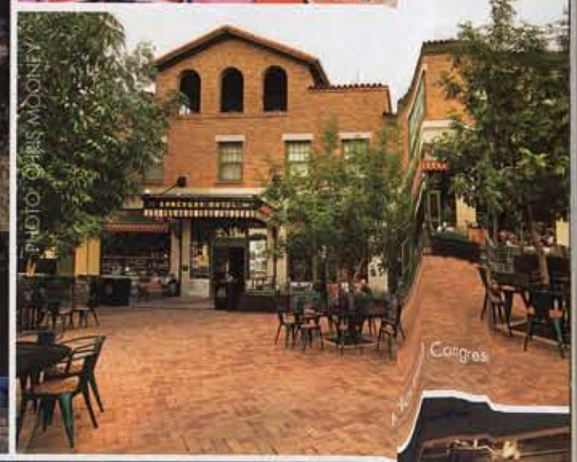
Fox Tucson Theatre


Chef Janos Wilder
Downtown Kitchen + Cocktails

Rialto Theatre

PHOTO: BAIF WALKER


Tucson Arts Brigade


PHOTO: CHRIS MOONEY

Congress


Residence Student Housing


Randi Dorman & Anne Marie Russell of MOCA

PHOTO: BAIF WALKER

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By this time next year, Rio Nuevo's Fletcher McCusker said the tired and outdated TCC Arena will have a much needed infrastructure upgrade and repair. This will include nuts-and-bolts items as basic as repairing seating in the arena, fixing restrooms and building a respectable "green room." (Those acts that venture into the rarely used arena now use the UA Ice Cats hockey team's crusty locker room – not exactly the fabulous digs expected by Gaga and stars.) "We want to change the fan experience and get back to a venue we can be proud of," McCusker said.

4 Vertical development mixes residents & business

So-called "vertical development" means new high-rise construction, as well as renovation & preservation of existing residential and commercial buildings, will – and in some cases already does – provide housing for other age groups and new commercial space. Tucson-based Peach Properties and Holualoa Companies recently partnered in the renovation of the former Armory Park Apartments, re-named the Herbert. The 144-unit, eight-story building of one-bedroom and studio apartments is expected to open this summer. Amenities will include an exercise facility, massage room, a flex-space common area and lobby. And One East Broadway, a seven-story building planned for the northeast corner of Broadway and Stone Avenue next to Chase Bank, will combine 26,000 square feet of office, 4,100 square feet of retail, 24 apartments and 119 parking spaces. The private sector has invested more than $99 million in single- and multiple-family housing over the past five years, according to the Downtown Tucson Partnership. Also in the works: a 160-unit apartment complex near the Mercado, which is a joint venture of Holualoa Companies and the Gadsden Company.

5 Modern street car means you can get there from here

Construction of the urban light rail system linking the university, medical center, Fourth Avenue, downtown and the future Mission Gardens is nearing completion.

Roughly $100 million of the $196 million project lies within downtown.

When the construction fences come down and the accompanying streetscaping is completed, it may seem like an overnight facelift for the downtown stretches of Congress and Broadway – like a teenager's acne clearing up the same day the braces come off.

A number of new residential developments along the route are touting the streetcar among their amenities.

The Sun Link Tucson Modern Streetcar is just part of the transportation component for the new downtown. A portion of the Ronstadt Transit Center could be used, or it could end up moved or incorporated in a private development on its current location. The city council is currently considering a land swap involving the Ronstadt Transit Center property for 28 acres of pristine desert land, known as Painted Hills, west of Silverbell Road and now owned by a Dallas police and fire pension fund.

Downtown Partnership's Keith said the city is interested in preserving the westside desert property and is doing a "best practices" study, investigating ways other cities have incorporated transit stations into buildings. The station could end up underground, below a mixed use retail-residential-office building, or adjacent to it on property between the current transit center and the west end of the train station on Toole Avenue.

And, after decades, plans are inching ahead to connect the Barraza-Aviation Parkway between its present terminus at Broadway just east of downtown and Interstate10 via a new railroad underpass near North Ninth Avenue and West Sixth Street. RTA plans call for the design phase to be completed by January 2015. The underpass will be topped by a deck park, now in the planning stages, which could include a dog park, coffee cart, public art and shade structures.

6 Corporations drawn to Tucson's downtown

First there was Madden Publishing, quickly followed by Providence Service Corp. and construction of the UniSource Building. Since then Sonoran Institute, FC Tucson and New York Life have settled downtown. Now McCusker, after retiring from Providence, the company he founded in 1996, announced a new company – Sinfonia Healthcare – with offices downtown of course. This time he's in converted warehouse space on Toole Avenue just east of Stone Avenue. The private sector has invested more than $80 million in office space over the past five years, according to the Downtown Tucson Partnership.

7 Attracting, expanding the creative class

An almost invisible core of progressive arts and new media firms are giving downtown a bit of the hip patina Austin enjoys.

Brink Media, operating out of a small building in the barrio south of the TCC, builds websites, sometimes producing videos for them as well, and creates and manages social media campaigns for every type of client from the National Guard to countries (tourism sites for Holland and Monaco), political campaigns (The Democracy Fund) and Hollywood studios ("Spring Breakers" starring James Franco and Selena Gomez).

Another Downtown business nearly invisible to the public, the Wave Lab Recording Studio, adds to Tucson's music scene reputation, bringing in national acts (including recent sessions with Neko Case and Tucson's own national act, Calexico) to record or mix new recordings.

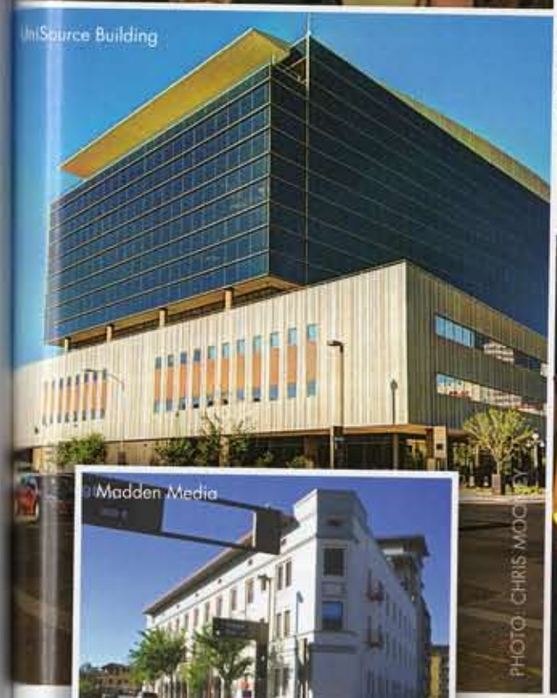
McCusker, a musician and rock music fan, believes a great-

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Children's Museum Tucson
From left – Michael Lurio, Valerie Greenhill and Dev Sethi
PHOTO: CHRIS MOONEY


Arizona Theatre Company

Tucson's modern streetcar will be much like this one in Portland, Ore.


UniSource Building
PHOTO: CHRIS MOONEY

Madden Media


Maynards Market & Kitchen




Providence Service Corp.

Businesses / Projects by Sector

• Housing, Multi-family	6
• Housing, Single-family	36
• Office	23
• Retail	38
• Restaurant/Bars	48
• Entertainment	4
• Hotel (room upgrades)	1
Total	**156**

Source: Downtown Tucson Partnership

NEXT STEPS

- Identify streetscape improvement funding
- Expand arts district
- Create open space opportunities
- Support small business retention and expansion
- Incentivize private sector housing

Source: Downtown Tucson Partnership

Developable Lots

- Light Industrial
- Office, Commercial, Residential
- Commercial
- Mixed Use



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er-than-the-sum-of-its-parts music and arts synergy is a key component in downtown's future. With his business, and personally, he's supported the Rialto Theatre and backed efforts such as the music-rich 2nd Saturdays and concerts at the Fox Tucson Theatre.

Developer Stiteler also has a co-working project in the works in the massive space upstairs in the Rialto Building. Co-working is a concept for providing short-term rental and longer-term office and meeting/conference space. Already common in several larger cities including San Francisco, it's a popular arrangement for startups and small new companies in need of space.

8 UA Downtown serves as urban think tank

The University of Arizona's move downtown is designed to create an urban laboratory where faculty, students, businesses and government can collaborate. In addition to offering several master's degree programs and other classes, this "incubator for talent" will advance research in sustainable urban design, planning and policy. It gives student interns the opportunity to be part of the professional life of downtown Tucson. It also adds a street-level UA bookstore. Next up? Pima Community College is exploring opportunities in the heart of downtown.

9 Restaurants, nightclubs, entertainment reach critical mass

Instead of diluting the potential crowd, the opening of new restaurants has drawn more customers. Most of the new restaurants downtown seem to beating the industry's grim mortality rate statistics. They are part of the entertainment cycle formed with theaters, nightclubs, bars and semi-regular events such as 2nd Saturdays, Meet Me at Maynard's Monday group walk/runs, Club Crawls, art walks and gallery nights, the annual All Souls Procession, Parade of Lights and other recurring events that are bringing growing crowds downtown.

10 Yes Virginia, there is parking downtown

The $6.5 million Plaza Centro Garage, which will also include retail space on the bottom floor, has increased public parking capacity near the Rialto Theatre on the west side of the railroad tracks between the Broadway and Fourth Avenue underpasses. A number of other recent public and private projects already have their own covered parking or are including it in their plans. In all, there are more than 15,000 parking spaces downtown.

Biz





George Hanson
Tucson Symphony Orchestra



Fourth Avenue Underpass


Old Pueblo Grand Prix







Jenny Rice & Kade Mislinski
Playground & Hub