



Town of Oro Valley Main Streets Market Study

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Executive Summary

In the last two decades, the Town of Oro Valley has experienced tremendous growth, and has evolved from a predominantly snowbird/retiree destination to a mature community for all ages. An affluent city, Oro Valley is known for its beautiful residential communities, golf courses, and its green initiatives. Dubbed the "Upscale Tech Mecca" of Southern Arizona, Oro Valley is home to over 10 high tech firms and has a median household income nearly 50% higher than the U.S. median.

As with many fast-growing suburban towns in the Southwest, Oro Valley serves as a bedroom community to urban Tucson. Now at 85% built out, and emerging from the Great Recession, residents are seeking a stronger sense of community, which has prompted the Town to develop the Main Streets Concept Plan.

Main Streets Concept Plan Market Study

The Town of Oro Valley solicited a Main Streets Market Study to understand and evaluate the environment and opportunity for real estate development and/or redevelopment over the next 5-10 years to support the Oro Valley Main Streets Concept Plan. The information will be essential to the success of Oro Valley Main Streets and will have a large role in grounding policy, design and development proposals within the context of market conditions.

The study's scope of work includes an in-depth analysis of the housing market--existing and new housing affordability, occupancy and demand; the office market--office space trends, development capacity, market saturation, lease rates; the retail market—retail trends and market saturation; parking analysis of current and future parking needs to support Main Street areas; and incentive tools to facilitate the realization of a vibrant center for Oro Valley.

Key Findings

This study has evaluated the environment and opportunity for real estate development and/or redevelopment over the next 5-10 years to support the Oro Valley Main Streets Concept Plan. As the information in this study will be essential to the success of Oro Valley Main Streets and will have a large role in grounding policy, design and development proposals within the context of market conditions, both quantitative and qualitative research methods have been utilized.

In order for any development/redevelopment strategy to be successful at creating a vibrant Oro Valley Main Streets area, population density must be increased, especially in and around the Main streets areas. To accomplish this, more and diverse housing needs to be brought on line, both single family and multi-family, that is affordable to young families and single professionals. As Oro Valley's population grows through the increased diversity of housing, a wider range of retail and office concepts will be developed and supported.

Millennials (20% of Oro Valley population) and baby boomers (35% of Oro Valley population) will continue to drive housing, retail and office trends given their preferences for smaller scale, community-focused lifestyles.

Overall Recommendations

- Further planning and laying the foundation for success of the Main Streets Concept Plan
- Augment development regulations and zoning to allow for market driven multi-use development to support Main Streets concept plan and eliminate barriers to re-development. One municipal tool that could minimize the barriers to reuse is the creation or revision of local zoning ordinances to incentivize reuse and ease some of the financial development hurdles.
- Establish an infill incentive district/overlay district or redevelopment district
- Fast track and incentivize higher density residential development in infill locations which will increase population base to support added businesses in the Main Street areas. Municipal fees can make a big difference in the affordability of higher density housing.
- Establish a fund to acquire available sites in order to support Main Streets concept plan. Oro Valley could acquire title to vacant or abandoned properties to utilize for its own purposes (such as a school, library or community center) or to better control and manage redevelopment and associated financial incentives.
- Establish framework for redevelopment of vacant big box stores

Residential Opportunities

Successful Main Street redevelopments need a combination of population density and disposable household income to support vibrant multi-use centers. In order to support the proposed Main Streets areas, Oro Valley needs to increase population density and housing diversity overall and especially around the Main Streets areas. Fueled by regional job growth, housing demand is strong over the next 3-5 years at 200 – 400 units per year. The ability to bring on line more diverse housing options will increase these projections significantly.

Near term (3 – 5 years)

- **Increase residential density** – Adding 400+ units per year adds approximately 1,000 new residents.
- **Develop a variety of housing types**, i.e. multi-family and attached product, to attract diversity of residents including single young professionals, young families and single mature women.
- **Target the \$300,000 and under homebuyer to capture larger market share.** Home sales priced under \$300,000 represent 80% of the resale market sales but only 36% of new home sales market wide. This is a huge opportunity for Oro Valley to increase market share.

Longer term (5+ years)

- Add mixed-use developments with ground floor retail and multi-family units above to accommodate the live/work lifestyle.
- **A conservative projection of housing demand is a total of 200 new housing units per year— 150 new single family permits and 50 multifamily permits.** This assessment considers the trend

of decreasing housing affordability in Oro Valley, average household growth projections through 2050 and historical performance.

- **An aggressive projection of housing demand is 400 new housing units per year—325 single family permits and 75 multifamily permits.** This assessment considers the opportunity to grow market share by delivering more attached housing at lower price points in close proximity to existing community amenities. It also considers a higher estimate of population growth through 2050 and historical performance. Over a ten year period, this could add 4,000 new housing units, which adds up to 10,000 new residents to Oro Valley. In addition to adding new residents, increasing housing diversity would draw in more young families and young professionals.

Office Space Opportunities

Increased job growth in the region will generate build to suit office development, especially at Innovation Park where there is ample space for new development and the Town's high tech employers and hospital are located. Population growth and the opening of an ASU campus and the UA veterinary school will also spur office development.

Near term (3-5 years)

Given the limited inclination for spec office development, the opportunity for office space within the Oro Valley Main streets areas is the development of the office retail experience such as co-working space combined with a coffee shop that would appeal to Millennials and self-employed Baby Boomers. A co-working space/coffee house space would need to be a ground floor space, while a co-working space alone can be a second floor space above retail, similar to Connect Co-working in downtown Tucson. It is estimated that the Oro Valley submarket could support approximately 5,000 square foot of co-working space.

La Canada/Lambert

The vacant 15,000 square foot former Big 5/CVS store at the southeast corner of La Canada and Lambert is a suitable location for a coffee shop/coworking space given its access and visibility.

Longer term (5+ years)

Oracle/1st

For an identified end user, there is space for a larger office development at the 14 acre Mercado del Rio site which would book-end the Main Streets area at Oracle/1st.

Retail Space Opportunities

Population growth within Oro Valley will increase demand for new retail, however, in the last ten years, Oro Valley has doubled its retail space, adding over one million square feet, some of which has not yet been completely absorbed and vacancy may increase in the near term with the continued consolidation of big box stores. As in other markets, vacant big box stores present opportunities to be creatively repurposed for a variety of uses including apartments, schools, libraries, indoor sports facilities, etc. Targeting local businesses that provide experience-based retail and local flavor is a strategy that is utilized successfully in Main Street areas.

La Canada/Lambert

Near term (3 - 5 years)

Establish coordination between the property owners and the Town to work collectively to fill vacant spaces and undeveloped pads with market driven uses that support the Main Streets concept goals.

With its “local” Main Street focus, existing locally owned restaurants and neighborhood scale, potential concepts for La Canada/Lambert include:

- A creative multi-use concept focused around food and beverage driven by a local chef. An example of this is Fox Restaurant Concepts’ The Yard which is under construction in the former Grant Road Lumber space. (The 20,000 square foot concept will feature a Culinary Dropout restaurant and bar, a gaming area, as well as The Coop, a 150-person private dining and event space.)
- Create gathering and social spaces in addition to sales spaces which creates value for the center owner and the tenants because consumers stay in the center longer.
- In keeping with the theme “Delight in Nature”, emphasize health and wellness retail and activities.

Longer term (5+ years)

- Redevelop vacant big box retail store into small neighborhood scale multi-use use anchored by healthy grocer, i.e. Natural Grocers.

Oracle/1st

With its “regional” Main Street focus, existing national and regional retailers and regional scale adjacent to Oracle Road, Oracle/1st has the opportunity to be a Main Street area not just for Oro Valley, but to potentially draw visitors from the western Catalina Foothills.

Near term (3 - 5 years)

- Establish coordination between the property owners and The Town to work collectively to fill vacant spaces and undeveloped pads with market driven uses that support the Main Streets concept goals.
- Look for opportunities to create more walkability and break up the linearity within the centers.
- Mercado del Rio multi-use concept anchored by market driven high density residential.

Longer term (5+ years)

Redevelop vacant big box stores adding experience-oriented uses and residential uses. Adaptive reuse and redesign of abandoned big box retail locations requires property owners, developers, and municipalities to get creative and be committed in pursuing reuses that fill the specific retail needs of their geographic markets. Potential tenants for adapted big box locations are those that can take advantage of some of the features of these abandoned stores, such as large open spaces, ample parking and a centralized location close to major transportation routes. Some of these alternative reuses of big box locations include: apartments/condominiums, hospitals/health care clinics, museums, churches, commercial gyms, and offices.

Parking Strategies

The parking analysis identifies that there is ample parking to accommodate the existing uses in the Main Street study areas based on the current parking inventory. The Town should consider leveraging the parking reductions and shared parking models to incentivize development opportunities in the Town. The application of these models can facilitate infill development and redevelopment in the Main Street areas. As development opportunities to increase density and the mix of uses, parking facilities (i.e. parking structures) will need to be considered to accommodate the increased parking needs. Alternative transportation should be emphasized at the Main Street locations to encourage bike, transit and car sharing programs. Please note that current arrangement of property ownership requires a collaborative process to achieve shared parking strategies to accommodate redevelopment and introduce new infill development in the Main Street Areas.

The long term potential for each of the Main Street Areas can be summarized as follows:

Lambert/La Canada Main Street Area

This area has the potential for an additional net built area of 177,000 to 312,000 square feet in addition to 222,850 existing built square feet for a total of up to 535,000 square feet. Parking could be provided for 1,600 total cars with a parking ratio of 3 to 4 cars per 1,000 square feet. This area may have the most existing constraints in place of the two zones studied, including: small and noncontiguous parcels of undeveloped land (pad sites), adjacent topography (ridges), and multiple property owners.

Oracle/First Main Street Area

This area has the potential for an additional net built area of 421,000 to 776,000 square feet in addition to 638,650 existing built square feet for a total of up to 1,415,000 square feet. Parking could be provided for 4,245 total cars with a parking ratio of 3 to 4 cars per 1,000 square feet. This area has the potential for the largest total square feet and additional square feet by taking advantage of underutilized existing parking lots and conventional, lower density retail development. In addition, the Mercado Del Rio area may have the least existing constraints of the two zones studied, including: largely undeveloped parcels are available, parcels have been improved and are shovel-ready for development, and one property owner for the undeveloped parcels.