Key Findings and Conclusions: Growth, Land Use Absorption, and Economic Development at Superstition Vistas

SUPERSTITION VISTAS ECONOMIC DEVELOPMENT SUBCOMMITTEE | OCTOBER 20, 2008

RCLCO

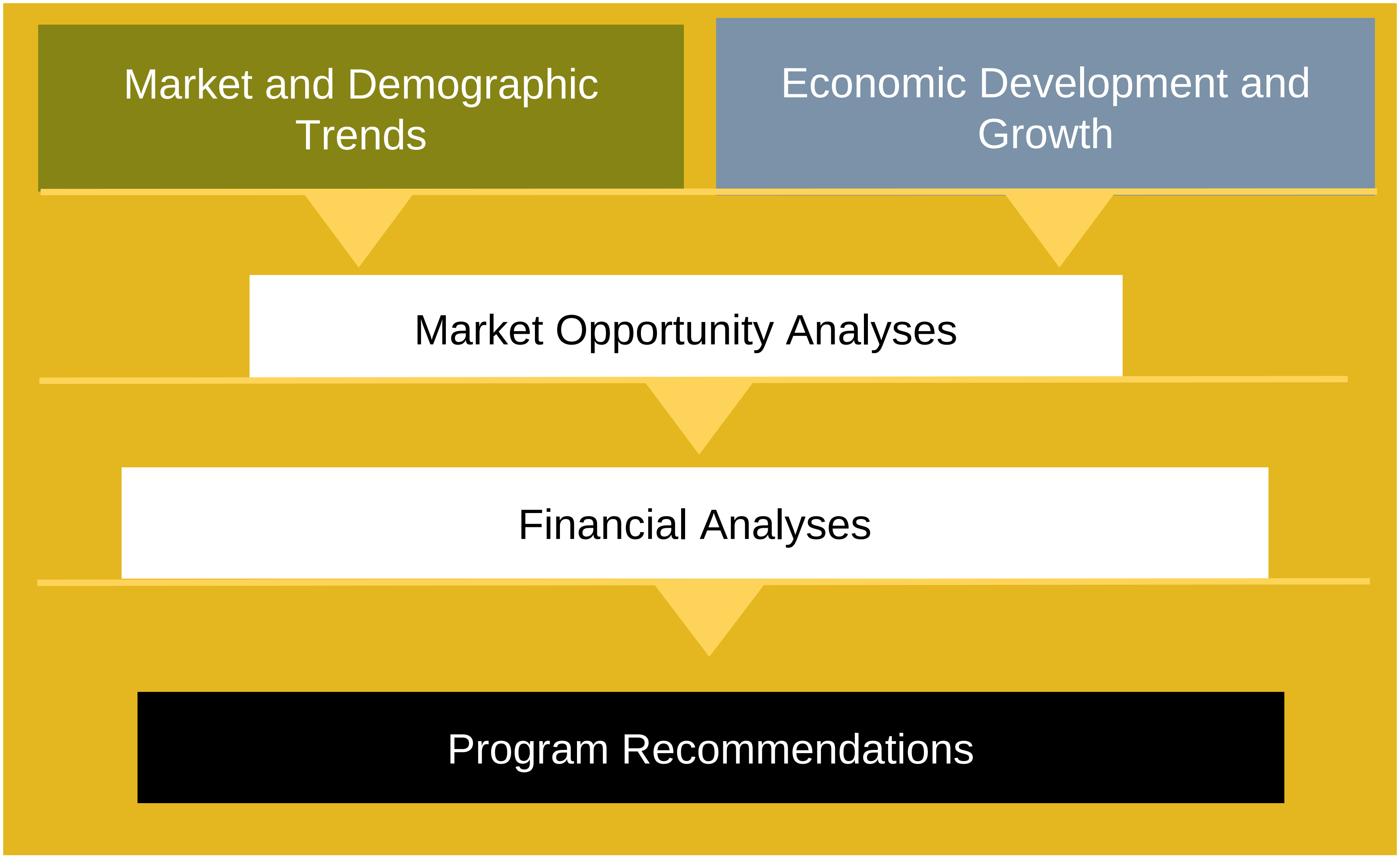
ROBERT CHARLES LESSER & CO. REAL ESTATE ADVISORS

AGENDA

- Background/Objectives
- Regional Growth Context:
  - Phoenix MSA/Regional Growth and Demographics
  - Land Availability and Supply
- Superstition Vistas:
  - Growth/Capture Projections
  - Land Use Projections and Absorption
- Economic Development:
  - Greater Phoenix/Regional Outlook
  - Implications for Superstition Vistas

Background/Objectives

RCLCO CONTRIBUTIONS TO THE TEAM



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ECONOMIC DEVELOPMENT FOCUS

Economic Development and Growth

- Determine **long-term local, regional and national economic development** influencing future development in greater Phoenix area
- Project the likely **magnitude, types and locations of future jobs** in the region and evaluate the potential of Superstition Vistas to become a **regional job center**
- Provide strategic direction regarding the scale of various land uses and catalysts that could **facilitate and accelerate** the economic development of the region and Superstition Vistas
- Present concepts for **potential economic development catalysts** for Superstition Vistas that could influence how and when Superstition Vistas develops

ASSESS DEMOGRAPHIC AND ECONOMIC

Assess the economic context

- Long-term trends influencing the region overall and the Southeast Valley specifically
  - Demographic / Socio Economic
  - Employment
- Build on what's "known"
  - Compile and review recent economic development studies

Analyze and synthesize projections regarding likely magnitude, job types and locations of future job growth in the region

Assess the potential economic activities that could be drivers for the Southeast Valley

Evaluate the potential for Superstition Vistas to become a regional job center

FORECAST LONG TERM DEMAND BY LAND USE

Mix of land uses that could facilitate and accelerate economic development

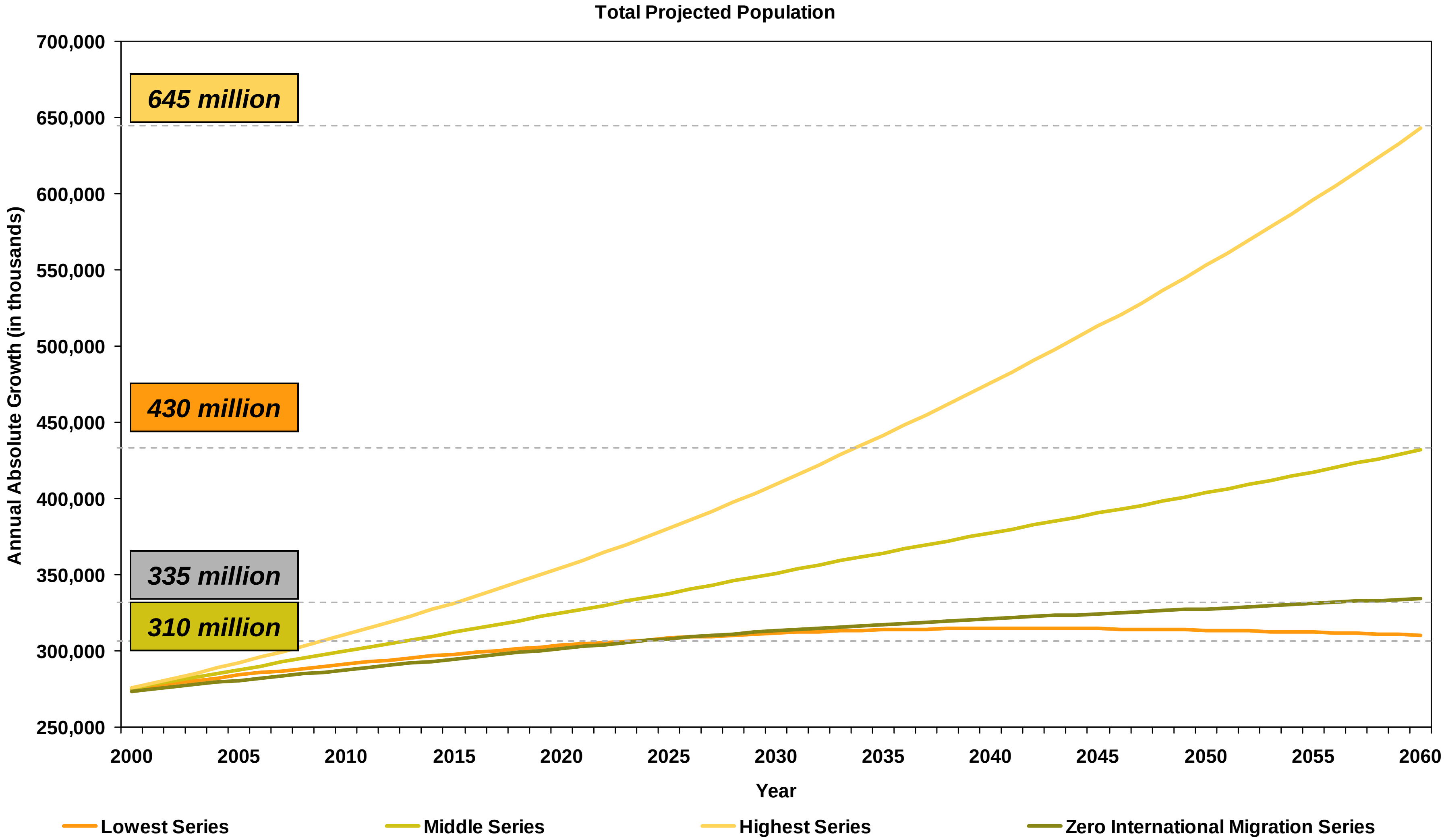
- Residential
- Research and Development
- Office / Business
- Industrial
- Commercial Retail
- Education
- Corporate campuses

Type of environments, e.g.:

- Urban cores
- Town centers
- Transit-oriented developments

Phoenix MSA/Regional Growth and Demographics

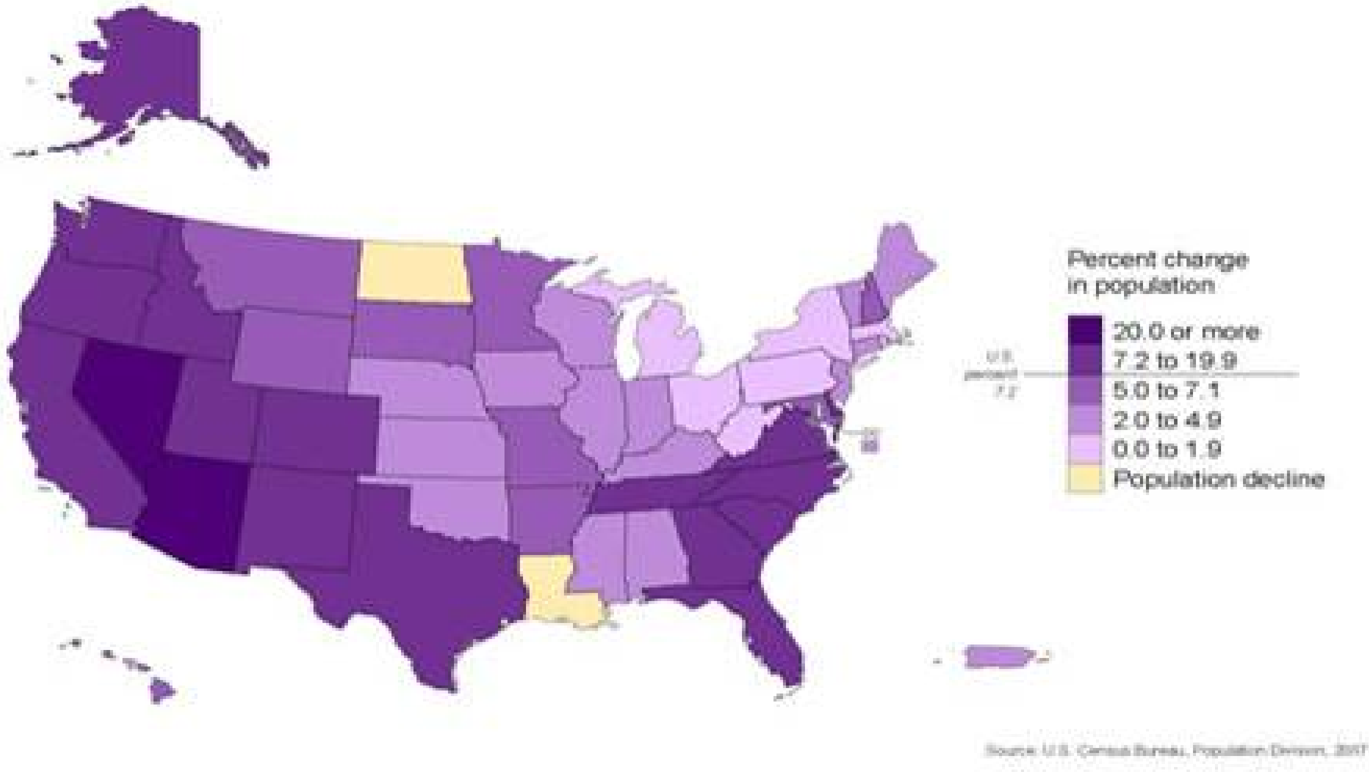
UNITED STATES POPULATION IS PROJECTED TO REACH BETWEEN 310 AND 645 MILLION BY 2060



SOURCE: US Census

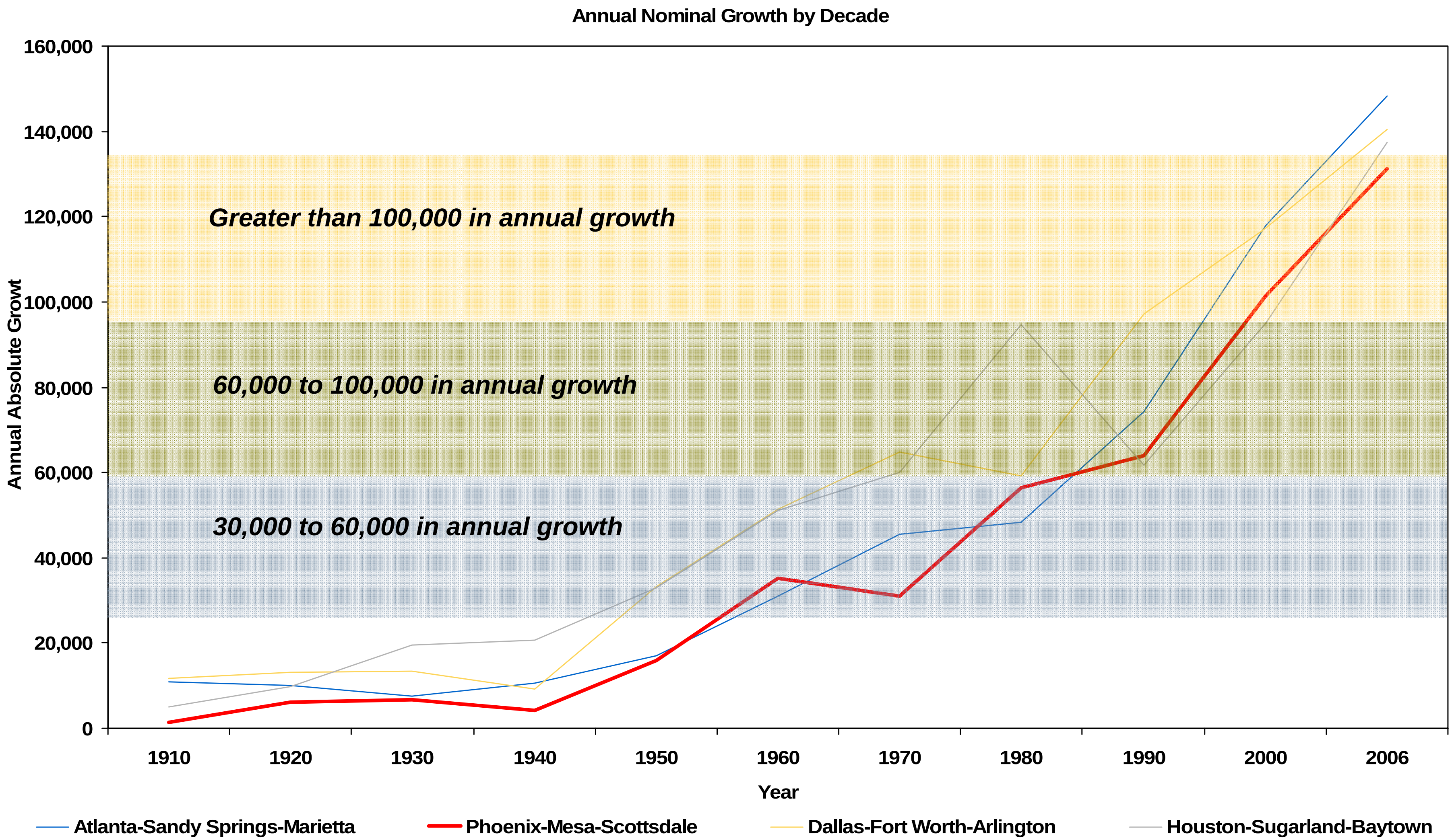
GROWTH SHIFTS TOWARD THE WEST AND THE SOUTH ARE EXPECTED TO CONTINUE

Percent Change in Population in U.S. and Puerto Rico
2000-2007



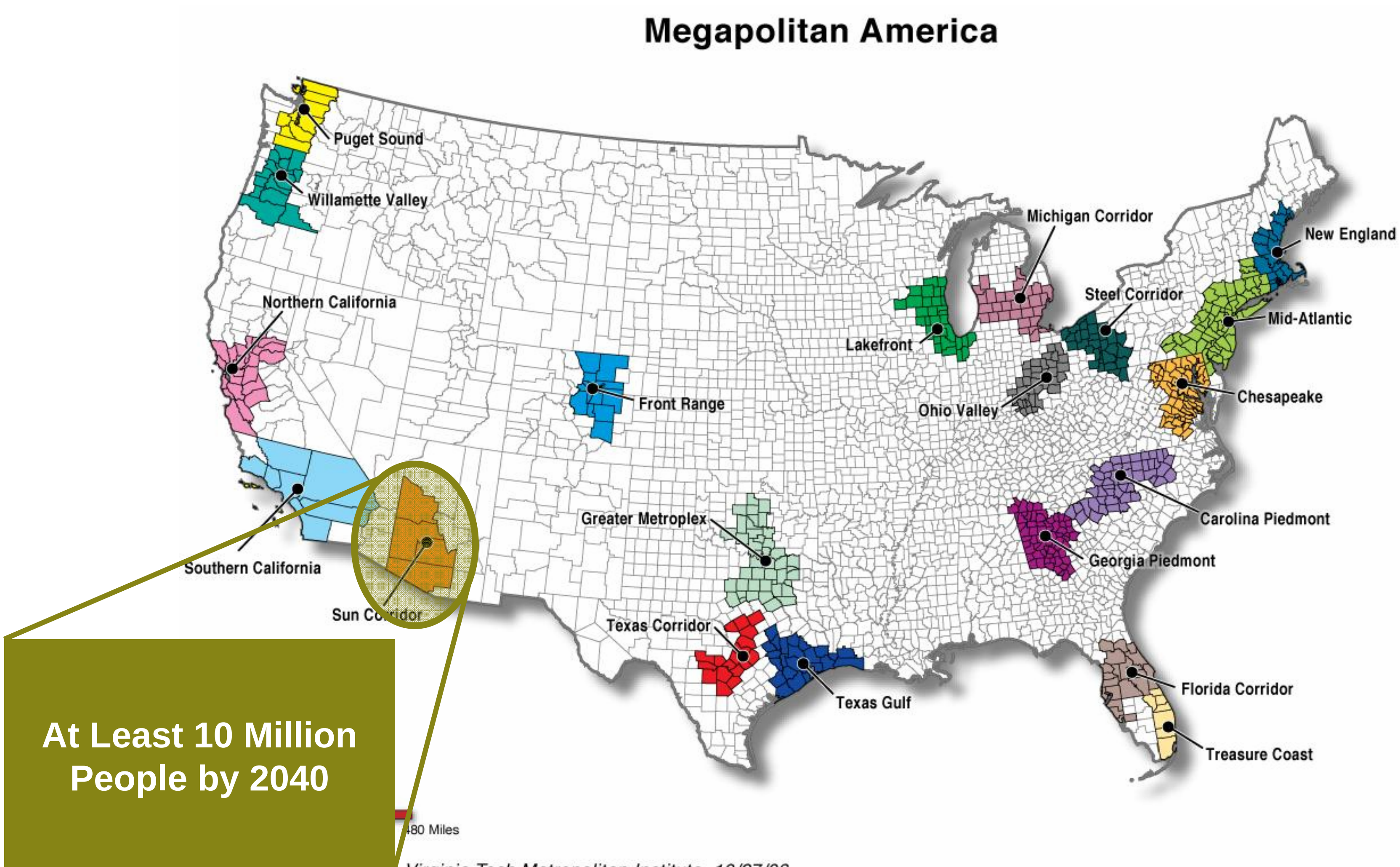
SOURCE: U.S. Census Bureau

SUNBELT CITIES' GROWTH HAS FOLLOWED A SIMILAR PATTERN IN RATE AND MAGNITUDE



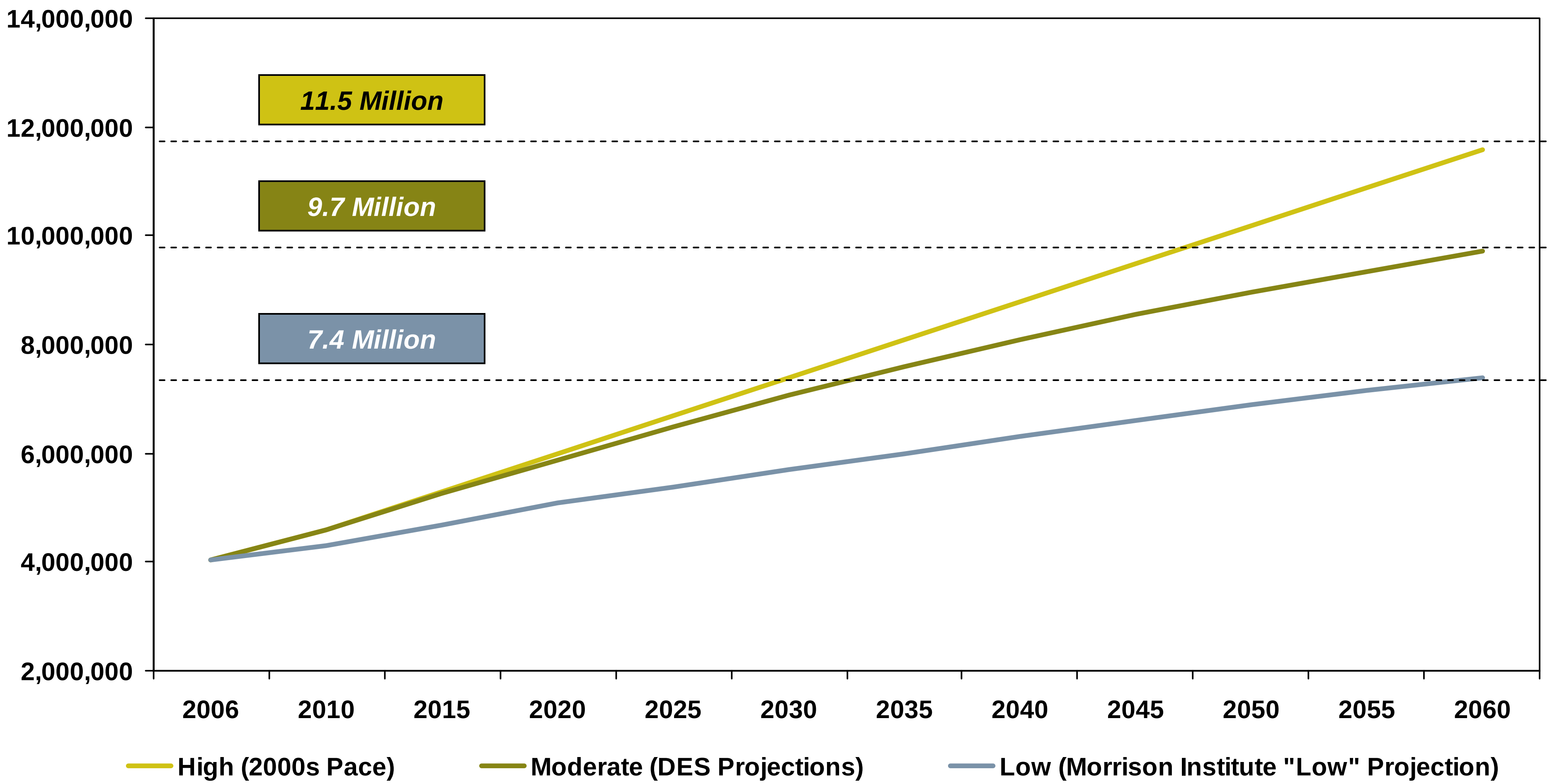
SOURCE: US Census

100 MILLION PEOPLE WILL BE ADDED TO THE U.S. POPULATION BY 2040; 60 MILLION IN 20 MARKETS



Virginia Tech Metropolitan Institute, 10/27/06

ALL SCENARIOS POINT TO SIGNIFICANT PHOENIX GROWTH: GROWS BY 3.4 TO 7.5 MILLION BY 2060



SOURCE: DES Annual Estimates; DES Projections; Morrison Institute

SEVERAL PHOENIX MSA GROWTH ASSUMPTIONS UNDERLIE 3 KEY GROWTH SCENARIOS

PHOENIX MSA GROWTH SCENARIOS

HIGH	MEDIUM	LOW
• Politically willing and able to accept continued growth • Growth encouraged by smart planning and land remains easily accessible • Phoenix remains a value alternative to other regions • Economy is diversified; job market is strong • Air transportation to Phoenix improves and is expanded • Environmental factors (air pollution, natural resources) improve	• Ambivalent about planning for growth • Relative cost of living stays the same; California maintains a similar net out migration • Air transportation continues current trajectory	• Unwilling and unable to accept growth • Disamenities with increasing population deter growth • Cost of living increases • Sky Harbor and Phoenix-Gateway Airports do not accommodate a higher capacity • Unable to overcome physical/political barriers to growth • Economy is not well diversified; weak job market

PROJECTIONS BASED ON DIFFERENT HISTORICAL GROWTH PERIODS

	HIGH SCENARIO	MEDIUM SCENARIO	LOW SCENARIO
SOURCE:	Observed Growth Pace, 2001-2006	DES projections	Morrison Institute Low MSA Growth Scenario
ASSUMPTIONS:	• Similar to growth seen from 2001 to 2006 • This nominal growth is the new standard for Greater Phoenix growth	• Attempts to follow growth cycles experienced in other metro areas • A higher growth rate in the near term that then slows after 2030	• Similar to nominal growth seen in the 1970s and 1980s • Recent growth from 2000 to 2006 was an aberration
AVERAGE ANNUAL NOMINAL GROWTH, 2007-2060 :	140,000 people[1]	100,000 people	60,000 people

[1] 140,000 annual population change was calculated from DES Historical Annual Estimates on www.workforce.az.gov and based on interviews with local experts.

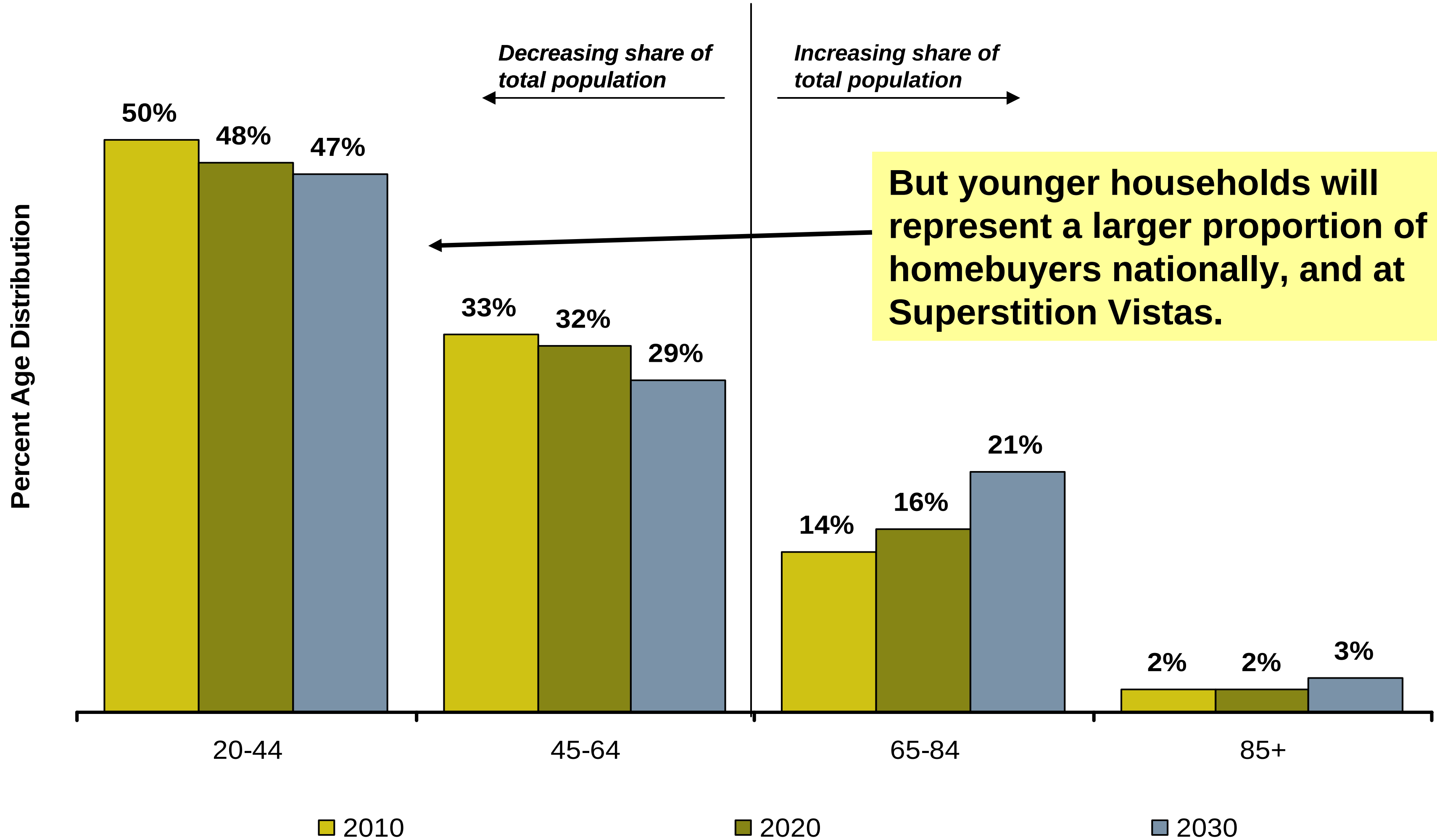
Demographics

DEMOGRAPHIC, ECONOMIC DIFFERENCES BETWEEN GENERATIONS INFLUENCE REAL ESTATE DEMAND

GENERATION	BORN	2008 AGE	2008 % OF NATION	2008 # OF PEOPLE
Eisenhowers	Before 1946	63+	17%	51M
Baby Boomers	1946 – 1964	44 – 62	25%	75M
Generation X	1965 – 1980	28 – 43	22%	66M
Echo Boomers/Gen Y	1981 – 1999	9 – 27	26%	78M
Post Echo/Gen Z	After 2000	0 – 8	10%	30M

- **For the first time in their history, the proportion of homeowners among the Baby Boomers may begin to decrease in the next decade.**
- **Generation Y will begin to become homeowners in large numbers during the next decade.**

HOUSEHOLDS 65+ WILL INCREASE IN POPULATION SHARE THROUGH 2030 IN MARICOPA COUNTY



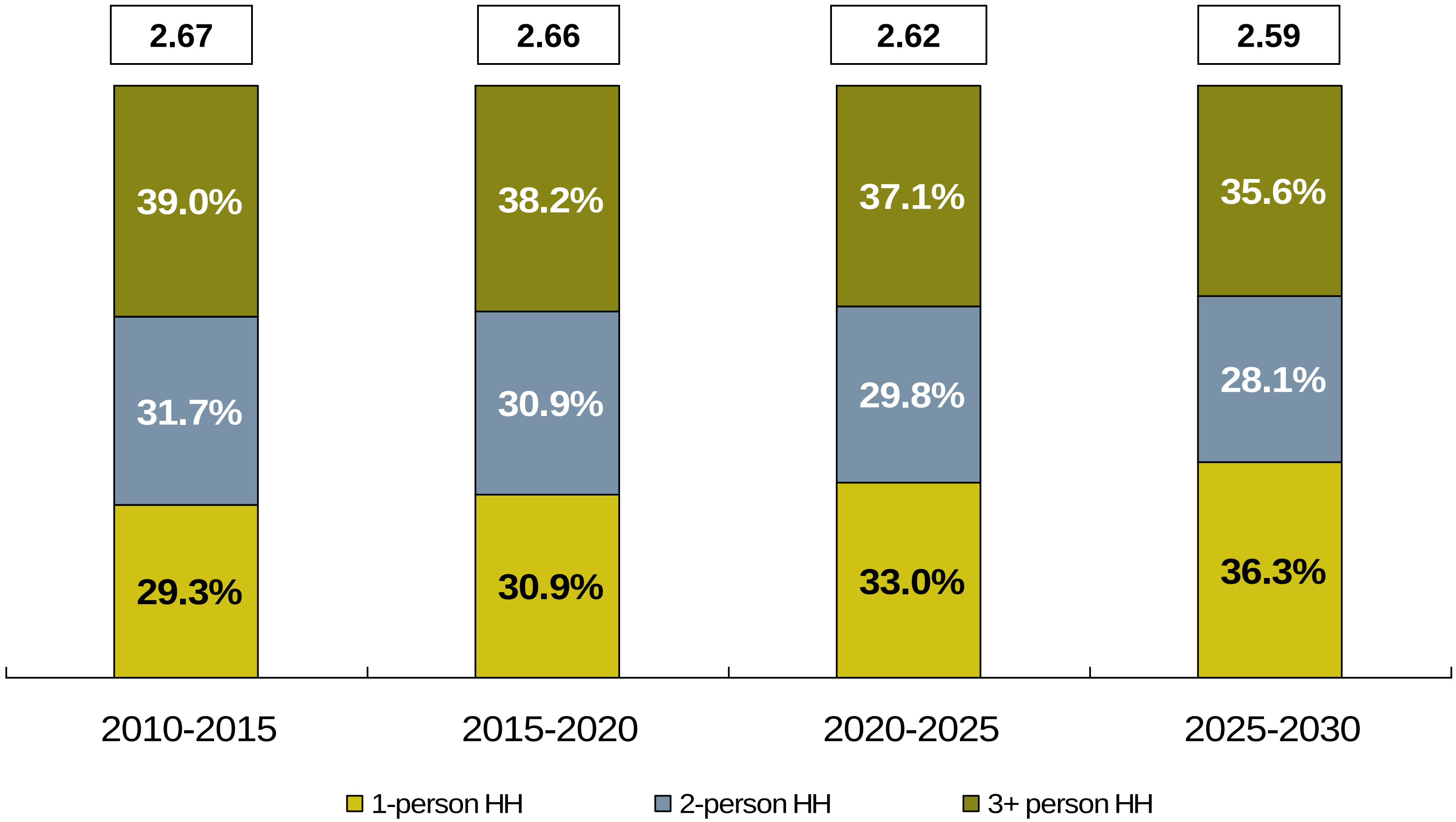
But younger households will represent a larger proportion of homebuyers nationally, and at Superstition Vistas.

NOTE: Distribution reflect data for Maricopa County

SOURCE: MAG

OVERALL HOUSEHOLD SIZE WILL DECREASE AS 1-PERSON HOUSEHOLDS INCREASE IN PHOENIX

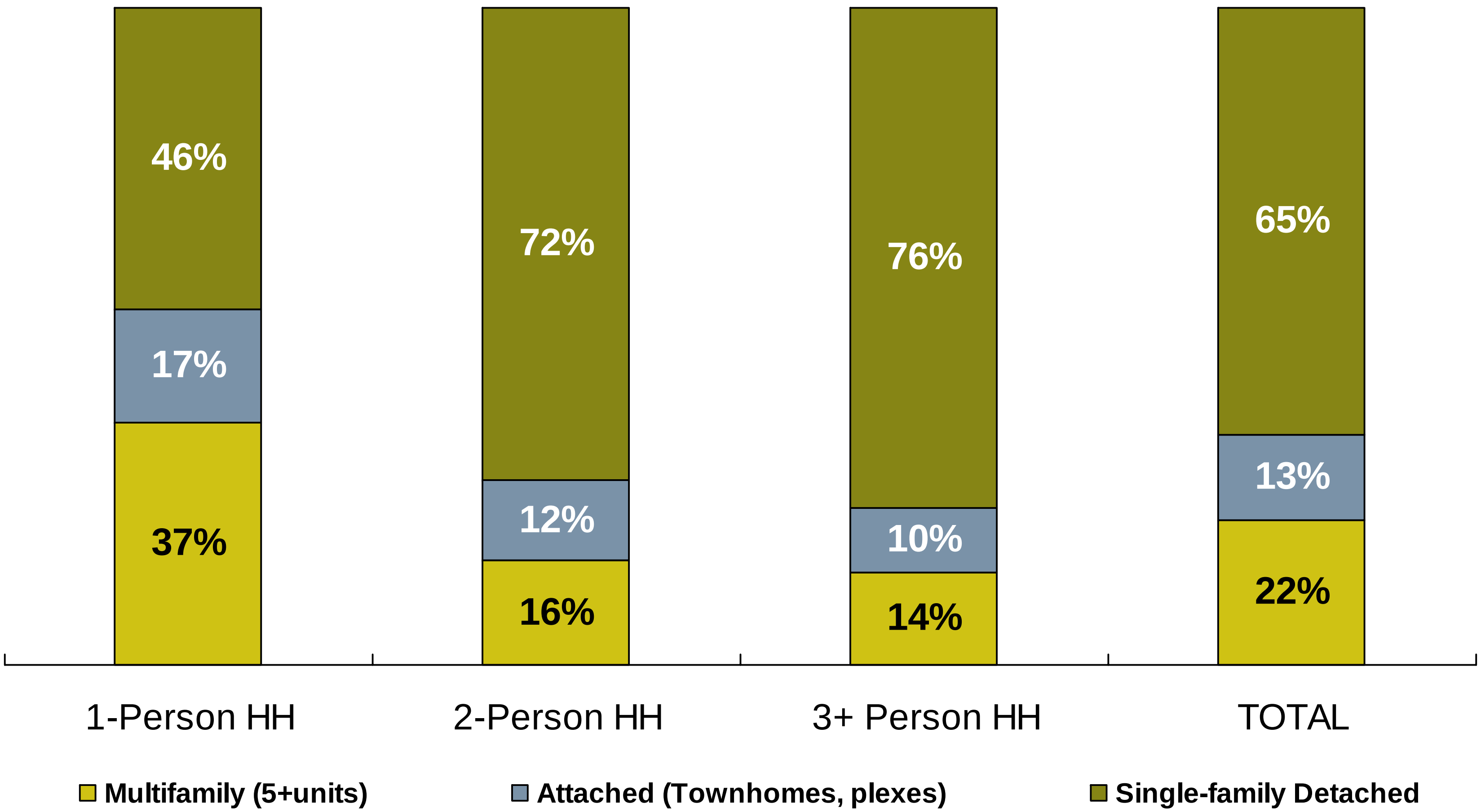
Share of Growth in Household Size Among New Households, Phoenix MSA 2010-2030



SOURCE: MAG

TENDENCY TOWARD MULTIFAMILY HOUSING INCREASES AS HOUSEHOLD SIZE DECREASES

Housing Type Distribution by Household Size, Phoenix MSA 2006



NOTE: Assumes that household composition for Superstition Vistas will be similar to that of the Phoenix MSA.
SOURCE: US Census

NEIGHBORHOOD TYPE PREFERENCE IS INFORMED BY COMMUTING CONSIDERATIONS

NEIGHBORHOOD PREFERENCE	PERCENT OF THOSE IN THE MARKET TO BUY A HOME	PERCENT OF AMERICANS
City	15%	13%
Suburb Close to a City	38%	33%
Suburb Farther Out From City	19%	18%
Rural	27%	35%

- **Top Priorities When Choosing Where to Live:**
  - 79% commute time
  - 75% easy access to highways
  - 75% having sidewalks and places to walk
  - 57% having a large house on a large lot

SOURCE: National Survey on Communities, 2004; NAR Smart Growth America

HOUSING WILL BE DISTRIBUTED ACROSS VARIOUS NEIGHBORHOOD TYPES

- **"Center City":[1]**
  - Geographical center of the nearest city
  - Contains concentrations of high-rise office and residential buildings
  - Typically contains a mixtures of uses in close proximity to one another
  - Proximity to cultural resources
  - Housing options include condos and rental apartments
- **"Metro Core": [1]**
  - Dominated by lower-rise buildings in a "main street" format
  - Emphasis on walkability and proximity to transit
  - Homes may be located adjacent to local-serving retail
  - May contain historic building and historic storefronts
- **Traditional Neighborhood Design (TND) Community**
  - Emphasis on walkable community with easy access to parks
  - Homes usually closer to the street
  - Streets are narrower with wider, tree-lined sidewalks
  - Homes may be slightly smaller with a higher level of finish
  - Centered around retail, restaurants, services and offices

[1] Names have been changed from the original survey to clarify the neighborhood types. In the survey, "Center City" is referred to as "Urban Core," "Metro Core" is referred to as "Traditional Downtown."

SOURCE: RCLCO

HOUSING WILL BE DISTRIBUTED ACROSS VARIOUS NEIGHBORHOOD TYPES

- **Master Planned Community:**[1]
  - Large-scale developments with wide range of prices and styles
  - Emphasis on coherent architectural styles and consistent landscaping
  - Offers array of amenities and multiple non-residential land uses
- **Suburban Neighborhood:**
  - Emphasis on interior square footage and homes on separate lots
  - Navigated by automobile, some sidewalks to connect green space
  - May have organized groups such as HOAs that facilitate interaction

SOURCE: RCLCO

NEIGHBORHOOD PREFERENCE BY HOUSING TYPES:
WHERE DO PEOPLE WANT TO LIVE BASED ON THEIR TYPE OF HOME?

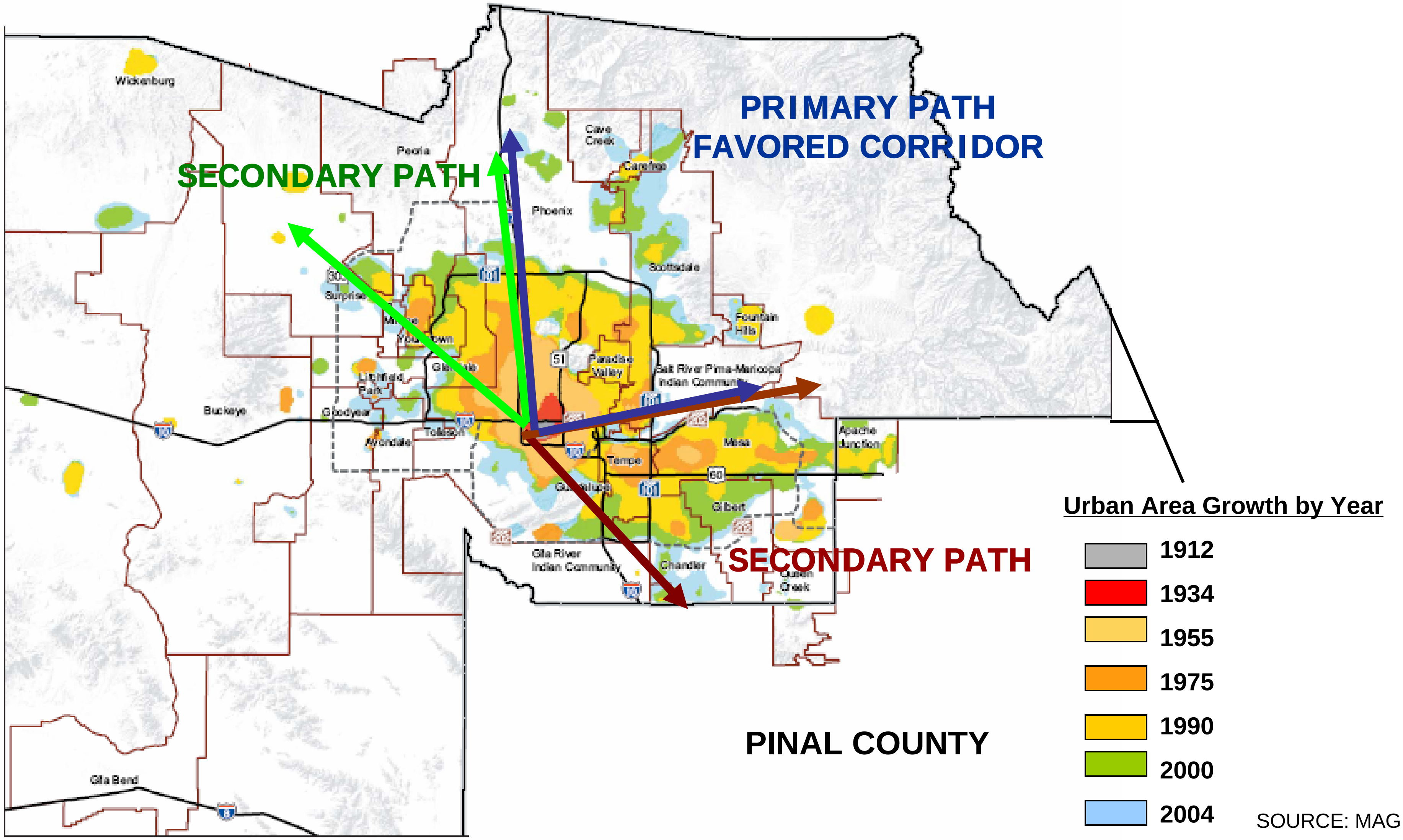
NEIGHBORHOOD PREFERENCE BY PREFERRED HOUSING TYPE, 2007			
	MULTI-FAMILY	ATTACHED	SINGLE-FAMILY DETACHED
Center City	15%	1%	4%
Metro Core	22%	3%	5%
TND	19%	16%	11%
MPC	25%	41%	26%
Suburban Neighborhood	21%	40%	54%
TOTAL:	*100%*	*100%*	*100%*

- Higher density product types are not solely limited to city settings: more than half of multifamily home dwellers express preference to be in a more suburban setting.
- Overall consumer preference will likely shift with demographic changes (older, smaller households, etc.).

SOURCE: RCLCO Consumer Research, Summer 2007

Land Availability and Supply

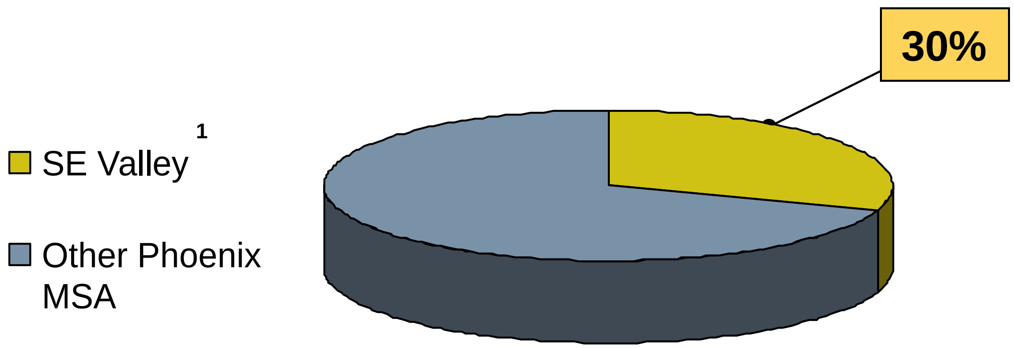
GROWTH HAS EVOLVED BASED ON NATURAL AND POLITICAL BARRIERS – MULTIPLE PATHS OF GROWTH



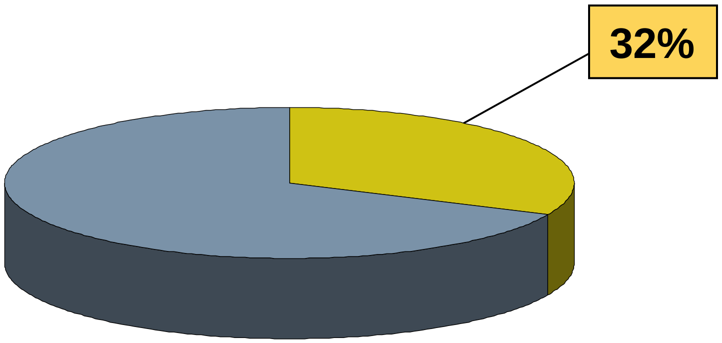
SOURCE: MAG

SINCE 1990, SOUTHEAST VALLEY HAS CAPTURED A HEALTHY 31% OF PHOENIX MSA GROWTH

Population Growth, 1990-2000



Population Growth, 2000-2006



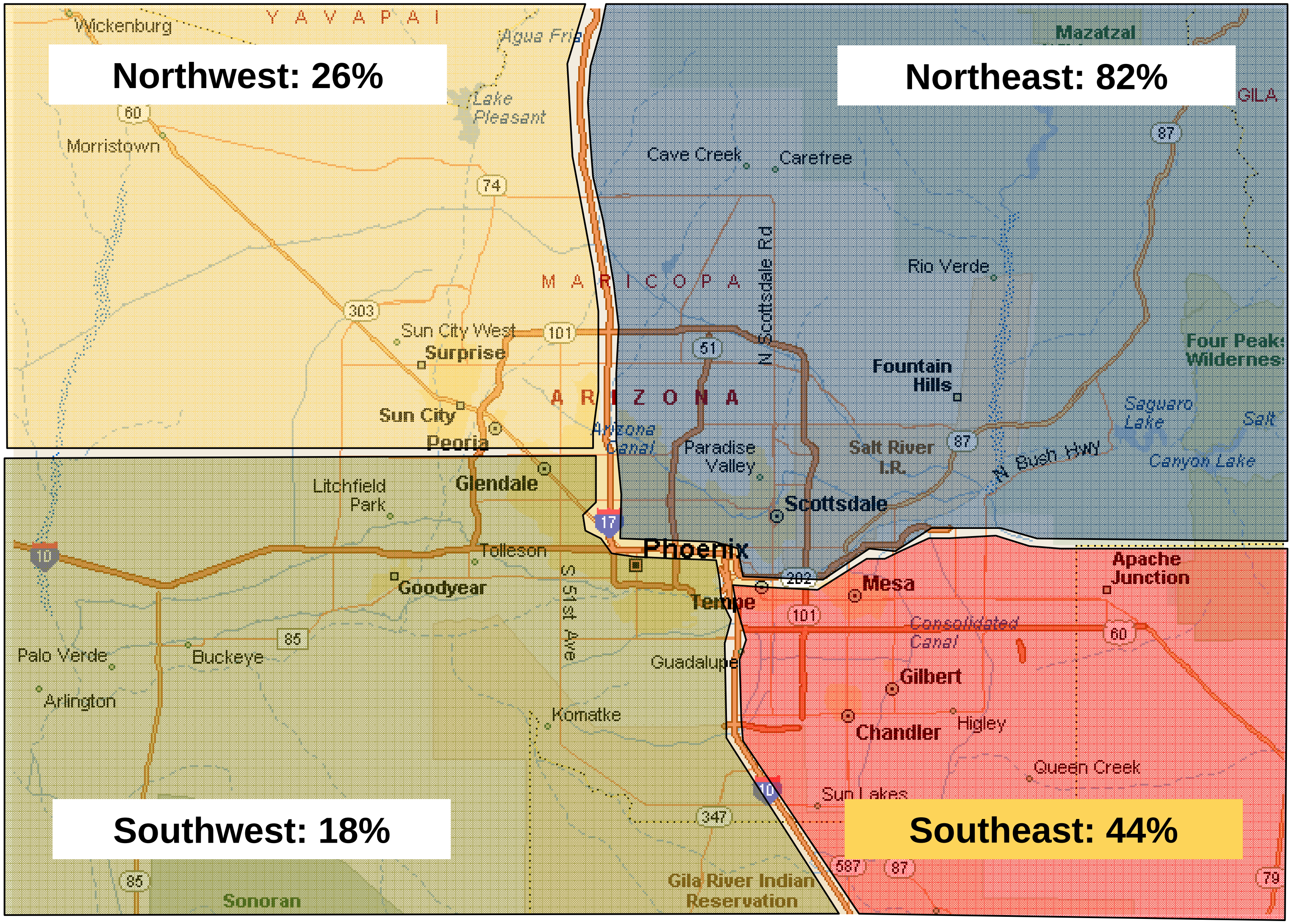
POPULATION	1990	2000	2006	SHARE OF GROWTH, 1990-2006	SHARE OF MSA POP., 2006
Phoenix MSA[2]	2,238,480	3,251,876	3,805,123		
SE Valley[1]	575,902	882,636	1,059,672	31%	28%

[1] Includes the cities of Tempe, Mesa, Chandler, Gilbert, Guadalupe, Queen Creek, and Apache Junction.
[2] Includes Maricopa and Pinal Counties (even though Pinal County only become part of the MSA in 2000.

SOURCE: U.S. Census; RCLCO

ALL ELSE BEING EQUAL, HOUSING CONSUMERS PREFER THE VALLEY'S EASTERN QUADRANTS

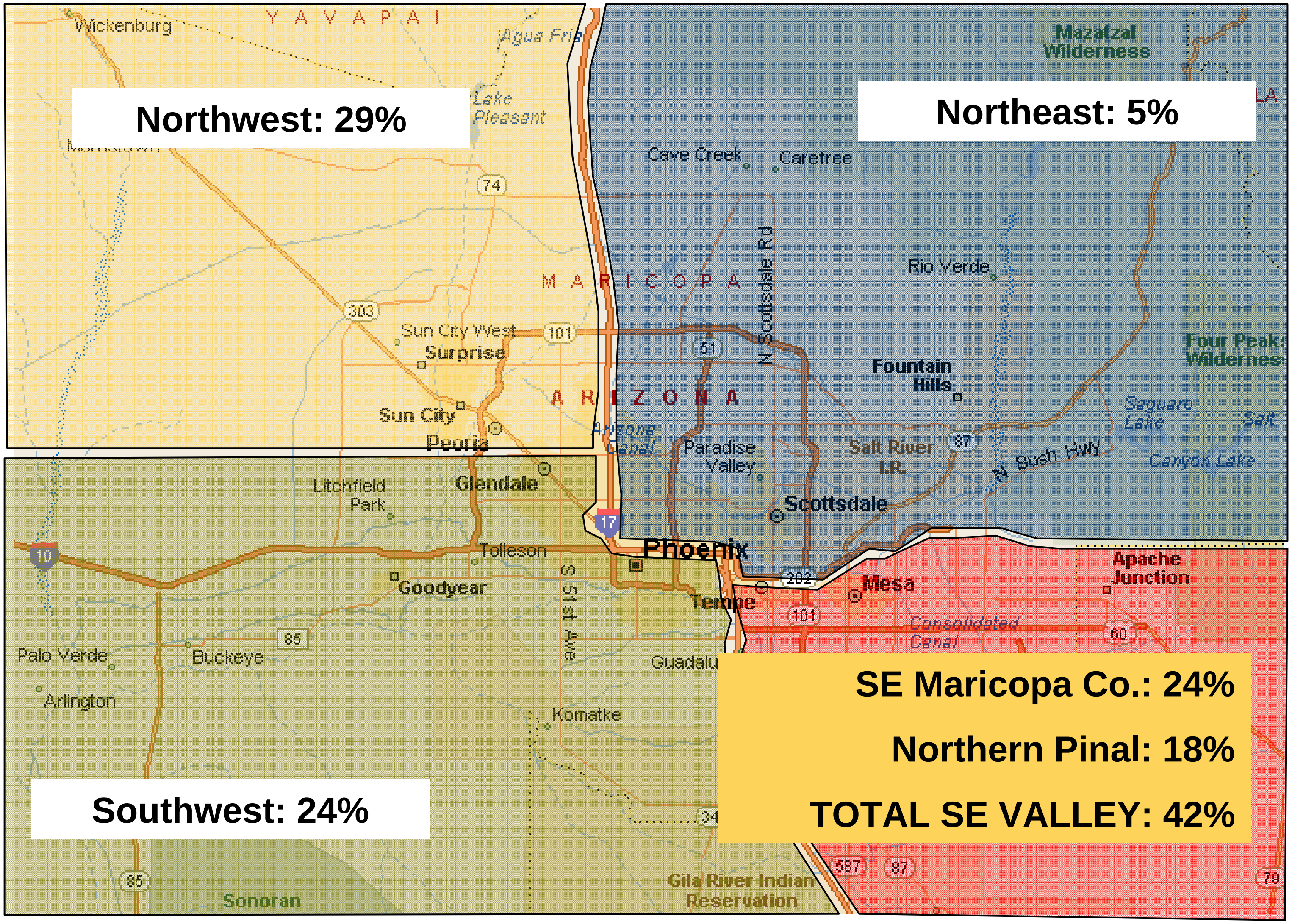
% of potential homebuyers indicating they would consider buying a home in each area (based on 2006 RCLCO surveys)



SOURCE: RCLCO

NORTHERN PINAL COUNTY HAS BECOME THE SUCCESSOR TO GROWTH IN SE MARICOPA COUNTY

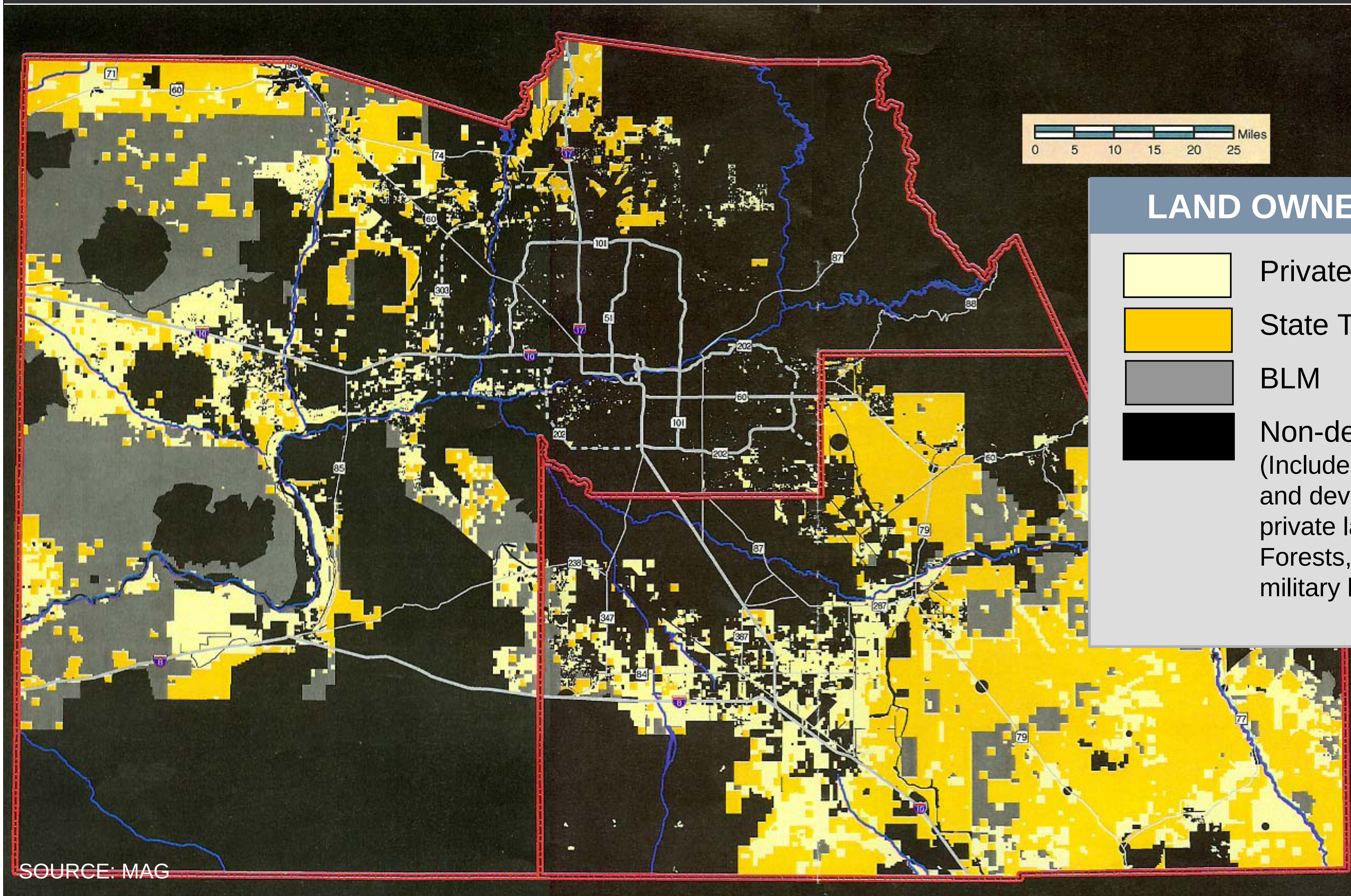
% of total new home sales for projects selling 2004-2006



SOURCE: Hanley Wood, RCLCO

DEVELOPABLE LAND IN THE PHOENIX MSA

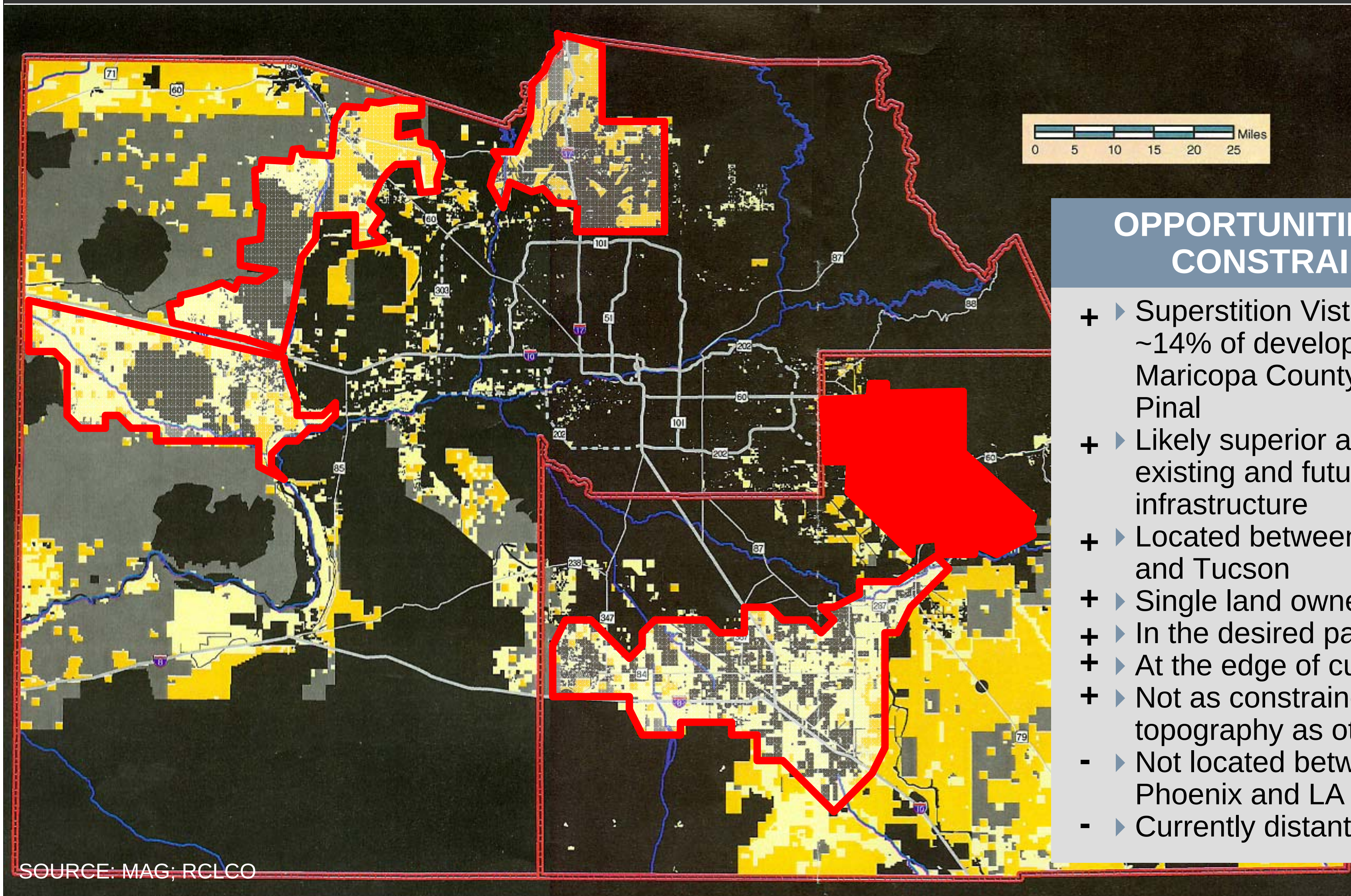
MOST AVAILABLE LAND IS LOCATED ON THE EDGES



SOURCE: MAG

SUPERSTION VISTAS HAS RELATIVE ADVANTAGES

SCALE, INFRASTRUCTURE, TOPOGRAPHY, OWNERSHIP



SOURCE: MAG; RCLCO

OPPORTUNITIES AND CONSTRAINTS

- \+ Superstition Vistas contains ~14% of developable land in Maricopa County, Northern Pinal
- \+ Likely superior access to existing and future infrastructure
- \+ Located between Phoenix and Tucson
- \+ Single land owner
- \+ In the desired path of growth
- \+ At the edge of current growth
- \+ Not as constrained by topography as other areas
- \- Not located between Phoenix and LA (I-10)
- \- Currently distant from jobs

Superstition Vistas Growth/Capture Projections

SUPERSTITION VISTAS HOUSEHOLD GROWTH
BASED ON MSA GROWTH, SUPERSTITION VISTAS CAPTURE

PHOENIX MSA GROWTH SCENARIOS

CAPTURE SCENARIO	HIGH	MEDIUM	LOW
HIGH	High-high	Medium-high	Low-high
LOW	High-low	Medium-low	Low-low

SEVERAL PHOENIX MSA GROWTH ASSUMPTIONS UNDERLIE 3 KEY GROWTH SCENARIOS

PHOENIX MSA GROWTH SCENARIOS

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• Politically willing and able to accept continued growth • Growth encouraged by smart planning and land remains easily accessible • Phoenix remains a value alternative to other regions • Economy is diversified; job market is strong • Air transportation to Phoenix improves and is expanded • Environmental factors (air pollution, natural resources) improve	• Ambivalent about planning for growth • Relative cost of living stays the same; California maintains a similar net out migration • Air transportation continues current trajectory	• Unwilling and unable to accept growth • Disamenities with increasing population deter growth • Cost of living increases • Sky Harbor and Phoenix-Gateway Airports do not accommodate a higher capacity • Unable to overcome physical/political barriers to growth • Economy is not well diversified; weak job market

DIFFERENCES BETWEEN CAPTURE SCENARIOS
JOB CREATION AND NECESSARY INFRASTRUCTURE

CAPTURE SCENARIO		
	HIGH	•Necessary infrastructure •Necessary employment •Employment core develops near Phoenix-Mesa Gateway ***and*** elsewhere on Superstition Vistas
	LOW	•Lacks adequate infrastructure •Does not develop as a regional job center •Develops as a bedroom community, following typical growth patterns on the fringe

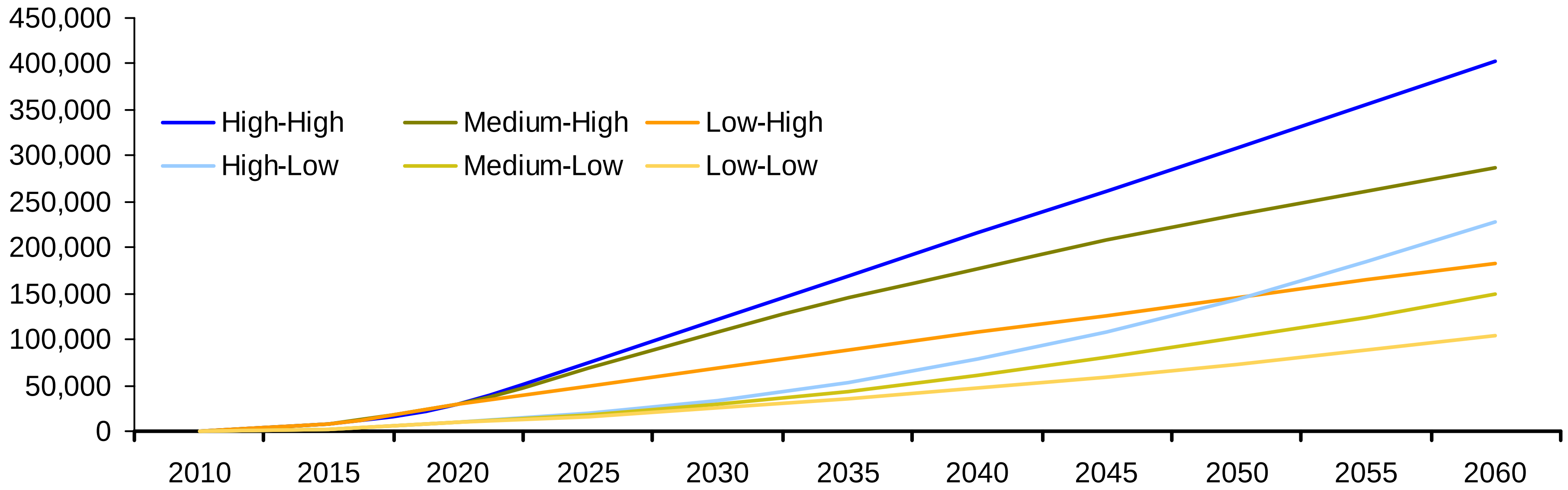
HIGH-HIGH SCENARIO BOOSTS SUPERSTITION VISTAS BY 4X OVER LOW-LOW SCENARIO

PHOENIX MSA GROWTH SCENARIOS

CAPTURE SCENARIO	HIGH	MEDIUM	LOW
HIGH (15%)	Population: 1,051,000 Households: 405,800	Population: 741,000 Households: 286,100	Population: 476,000 Households: 183,800
LOW (8%)	Population: 596,000 Households: 230,100	Population: 386,000 Households: 149,000	Population: 261,000 Households: 100,800

SUPERSTITION VISTAS POPULATION PROJECTIONS RANGE FROM 261,000 TO OVER 1 MILLION

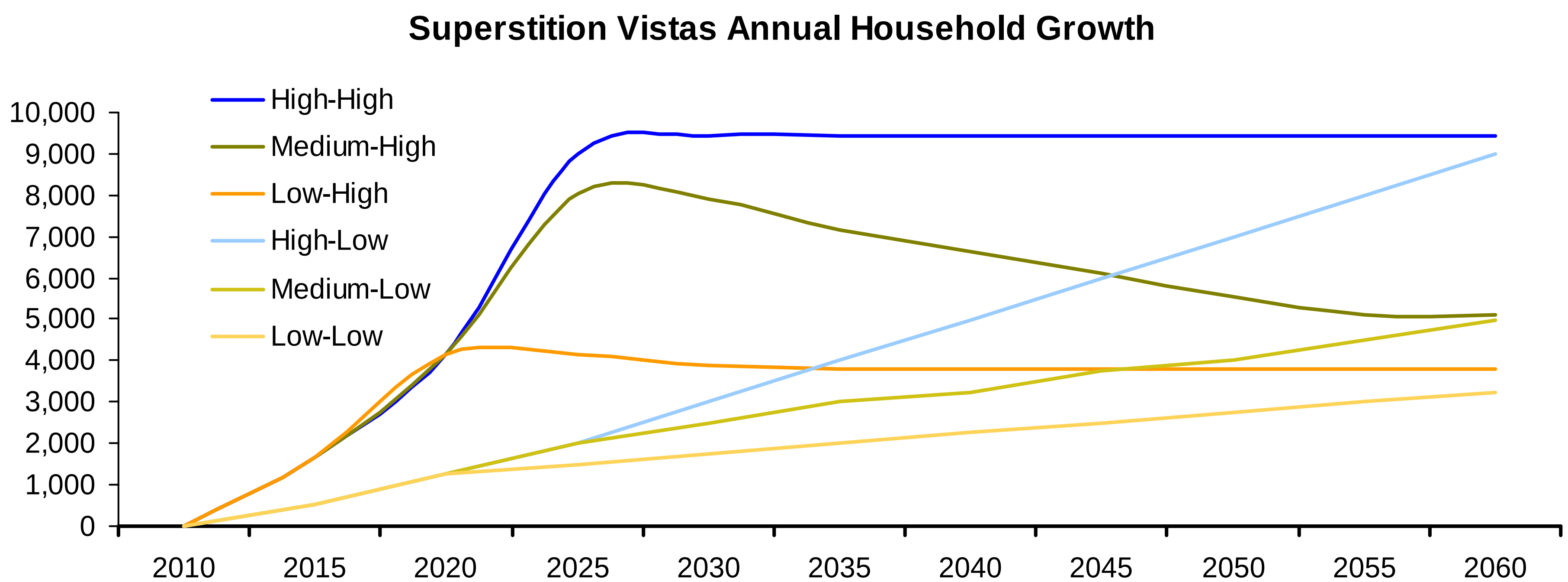
Superstition Vistas Cumulative Households by 2060



Superstition Vistas Average Annual Household Growth 2010-2060

LOW-LOW	LOW-HIGH	MEDIUM-LOW	MEDIUM-HIGH	HIGH-LOW	HIGH-HIGH
2,000	**3,700**	**2,800**	**5,700**	**4,000**	**8,000**

SUPERSTITION VISTAS POPULATION PROJECTIONS RANGE FROM 261,000 TO OVER 1 MILLION

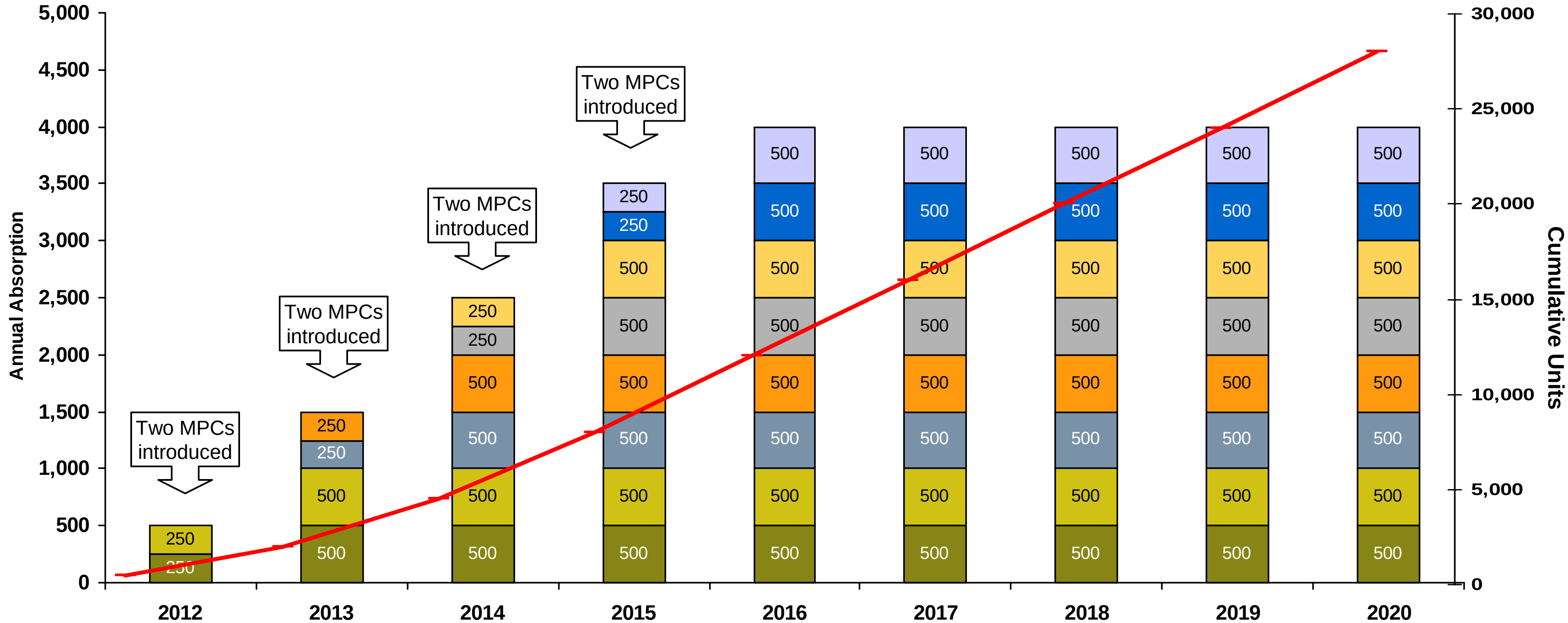


Superstition Vistas Average Annual Household Growth 2010-2060

LOW-LOW	LOW-HIGH	MEDIUM-LOW	MEDIUM-HIGH	HIGH-LOW	HIGH-HIGH
2,000	3,700	2,800	5,700	4,000	8,000

HIGH-HIGH SCENARIO: TWO NEW MPC'S WILL BE INTRODUCED EACH YEAR FOR A TOTAL OF 8 MPCS

Projected Annual Absorption (Right Axis) and Cumulative Housing Units (Left Axis)

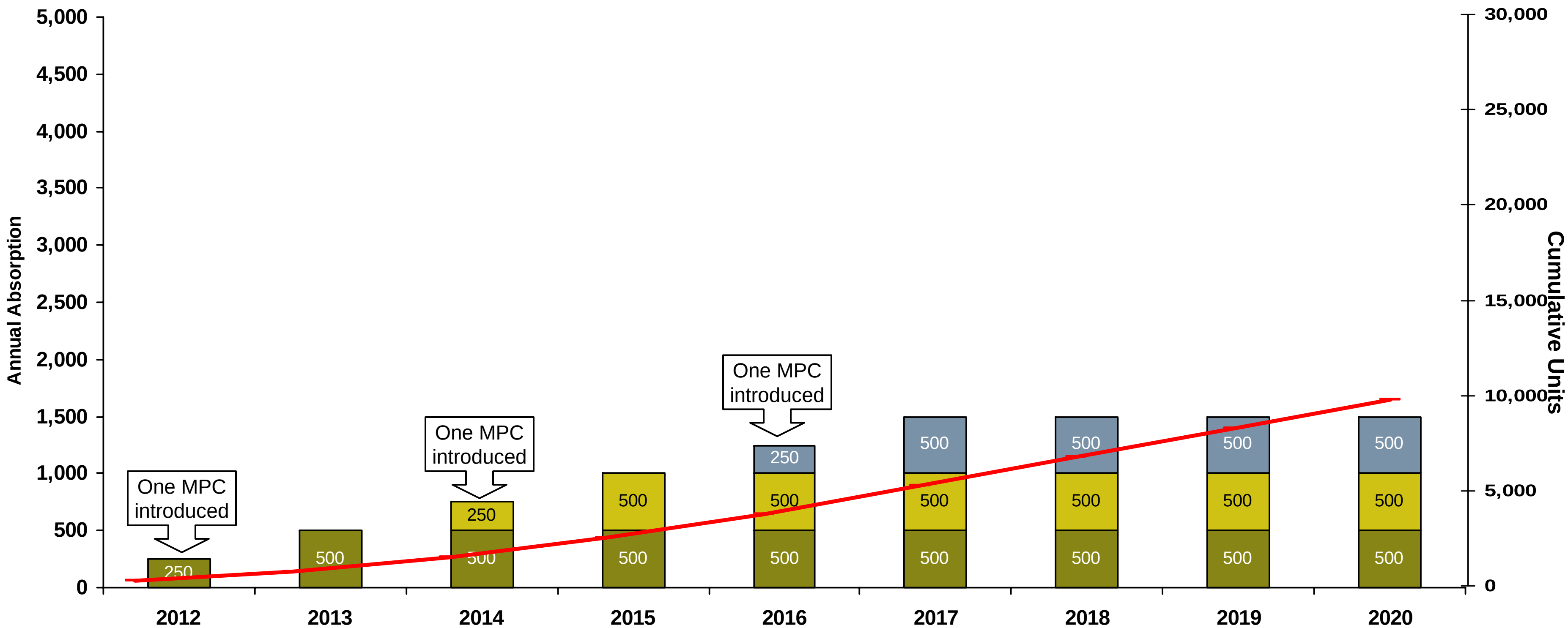


- **In line with High-High Scenario assumptions, growth is rapid in the first ten years (similar to historical performance in other expanding Phoenix submarkets).**
- **Beginning with land sales in 2010, assumes a sub-area of Superstition Vistas could support up to eight active master-planned communities (MPCs) in the first decade:**
  - **2 MPCs coming becoming active each year;**
  - **Each MPC stabilizes at 500 units, with the first year absorbing 250 units.**

SOURCE: RCLCO

LOW-LOW SCENARIO: ONE NEW MPC WILL BE INTRODUCED EVERY TWO YEARS FOR A TOTAL OF 3 MPC'S

Projected Annual Absorption (Right Axis) and Cumulative Housing Units (Left Axis)

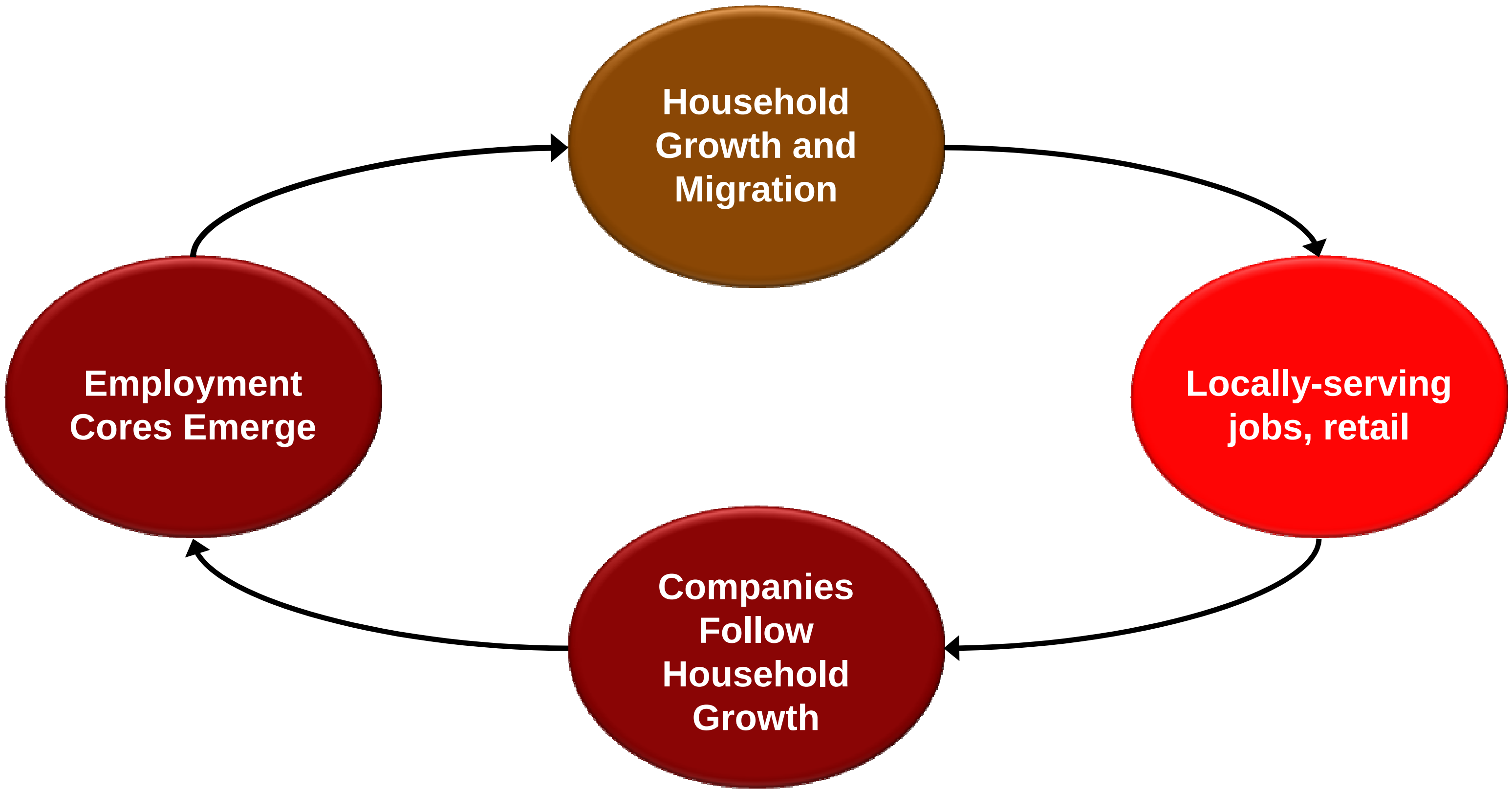


- **In line with Low-Low Scenario assumptions, Superstition Vistas develops as a commuter bedroom community.**
- **Beginning with land sales in 2010, assumes a sub-area of Superstition Vistas supports three active master-planned communities (MPCs) in the first decade:**
    - **1 MPC coming becoming active every two years;**
    - **Each MPC stabilizes at 500 units, with the first year absorbing 250 units.**

SOURCE: RCLCO

Superstition Vistas Land Use Requirements

EMPLOYMENT CORES AT SUPERSTITION VISTAS
HOUSEHOLD GROWTH IS LIKELY THE ORIGINAL CONDITION



The goal of economic development is preservation of future opportunity and value by leveraging and preserving existing assets, and positioning the property for the future.

LAND USE DEMAND METHODOLGY:
GROWTH EQUATES TO NEEDS FOR SPACE AND LAND USES

RESIDENTIAL

Unit Type Tendency:
Multifamily
Attached
Single-family

↔ **Neighborhood Preferences**

=

Total Unit Types in:
City Center
Metro Core
TND
MPC
Suburban Neighborhood

EMPLOYMENT

Assume: Jobs: HH Ratio
Assume: Job Sectors Breakdown

→

% of Office
% Industrial
% Civic/Other

X

Square Foot of Space per Employee

=

Space Demanded in:
Office
Industrial
Civic

RETAIL

Expenditures per Household in:
Neighborhood-serving
Power
Regional
Lifestyle

÷

Average Sales per Square Foot

=

Number of Centers:
Neighborhood-serving
Power
Regional
Lifestyle

HIGH-HIGH SCENARIO 2060 SUMMARY
ASSUMES AN EMPLOYMENT DISTRIBUTION SIMILAR TO MSA

UNIT TYPE	RESIDENTIAL HOUSEHOLDS					
	CENTER CITY	METRO CORE	TND	MPC	SUBURBAN NEIGHBORHOOD	*TOTAL*
Multifamily	13,000	20,000	16,500	22,000	19,000	90,500
Attached	250	1,500	8,500	21,500	21,000	52,750
Single-family	10,500	13,000	29,000	67,000	142,000	261,500

EMPLOYMENT				
2060 EMPLOYMENT	TOTAL OFFICE SPACE (SF)	TOTAL INDUSTRIAL SPACE (SF)	CIVIC/OTHER SPACE (SF)	TOTAL RETAIL SPACE (SF)
528,000	39,635,000	87,030,000	76,670,000	31,120,000

Total employment is calculated based on jobs-to household relationships and job sector breakdown assumptions, which are then translated into employment space.

NOTE: Neighborhood designations are based on RCLCO consumer research indicating neighborhood preference by unit type.
SOURCE: RCLCO

LOW-LOW SCENARIO 2060 SUMMARY

ASSUMES AN EMPLOYMENT DISTRIBUTION SIMILAR TO SE VALLEY

UNIT TYPE	RESIDENTIAL HOUSEHOLDS					
	CENTER CITY	METRO CORE	TND	MPC	SUBURBAN NEIGHBORHOOD	*TOTAL*
Multifamily	NA	8,000	4,000	5,500	4,500	22,000
Attached	NA	450	2,000	5,500	5,000	12,950
Single-family	NA	6,000	7,000	17,000	35,000	65,000

EMPLOYMENT				
2060 EMPLOYMENT	TOTAL OFFICE SPACE (SF)	TOTAL INDUSTRIAL SPACE (SF)	CIVIC/OTHER SPACE (SF)	TOTAL RETAIL SPACE (SF)
107,000	7,752,000	14,898,000	13,930,000	7,730,000

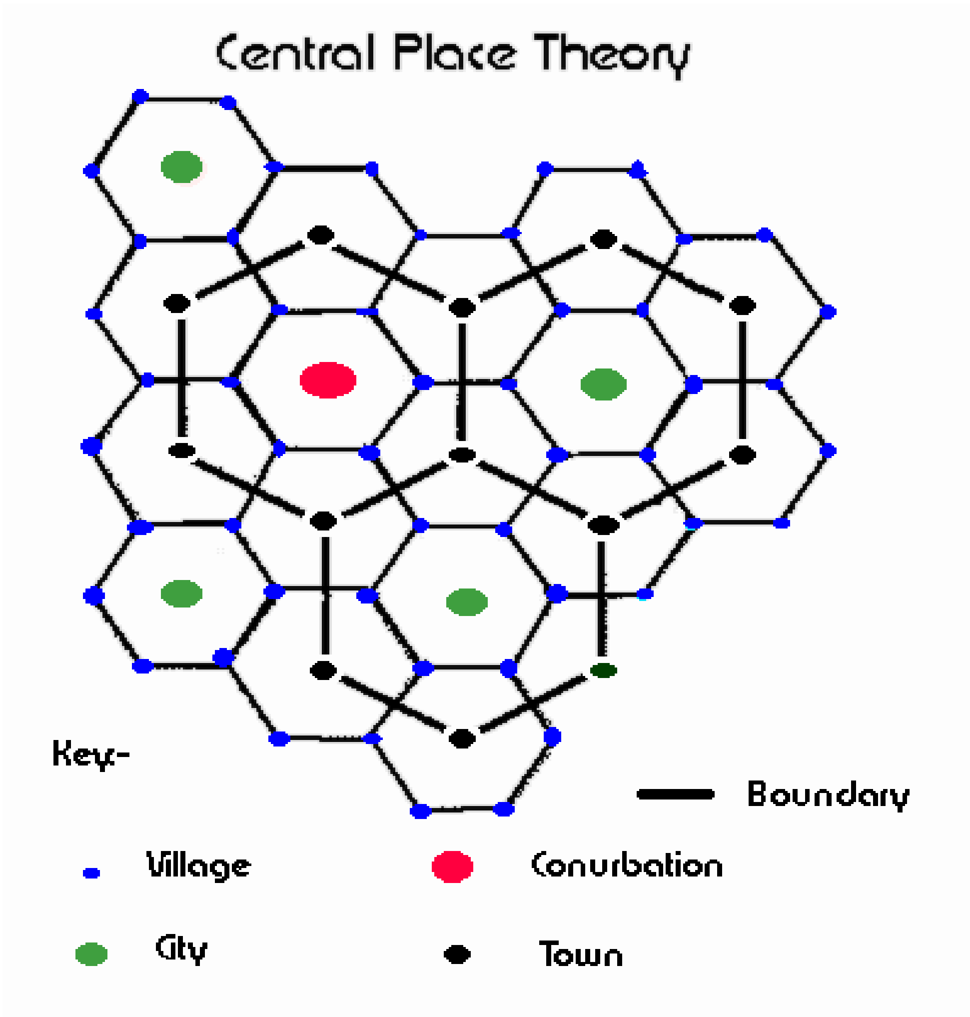
Total employment is calculated based on jobs-to household relationships and job sector breakdown assumptions, which are then translated into employment space.

NOTE: Households with preference for an urban core were absorbed by the traditional downtown. Neighborhood designations are based on RCLCO consumer research indicating neighborhood preference by unit type.

SOURCE: RCLCO

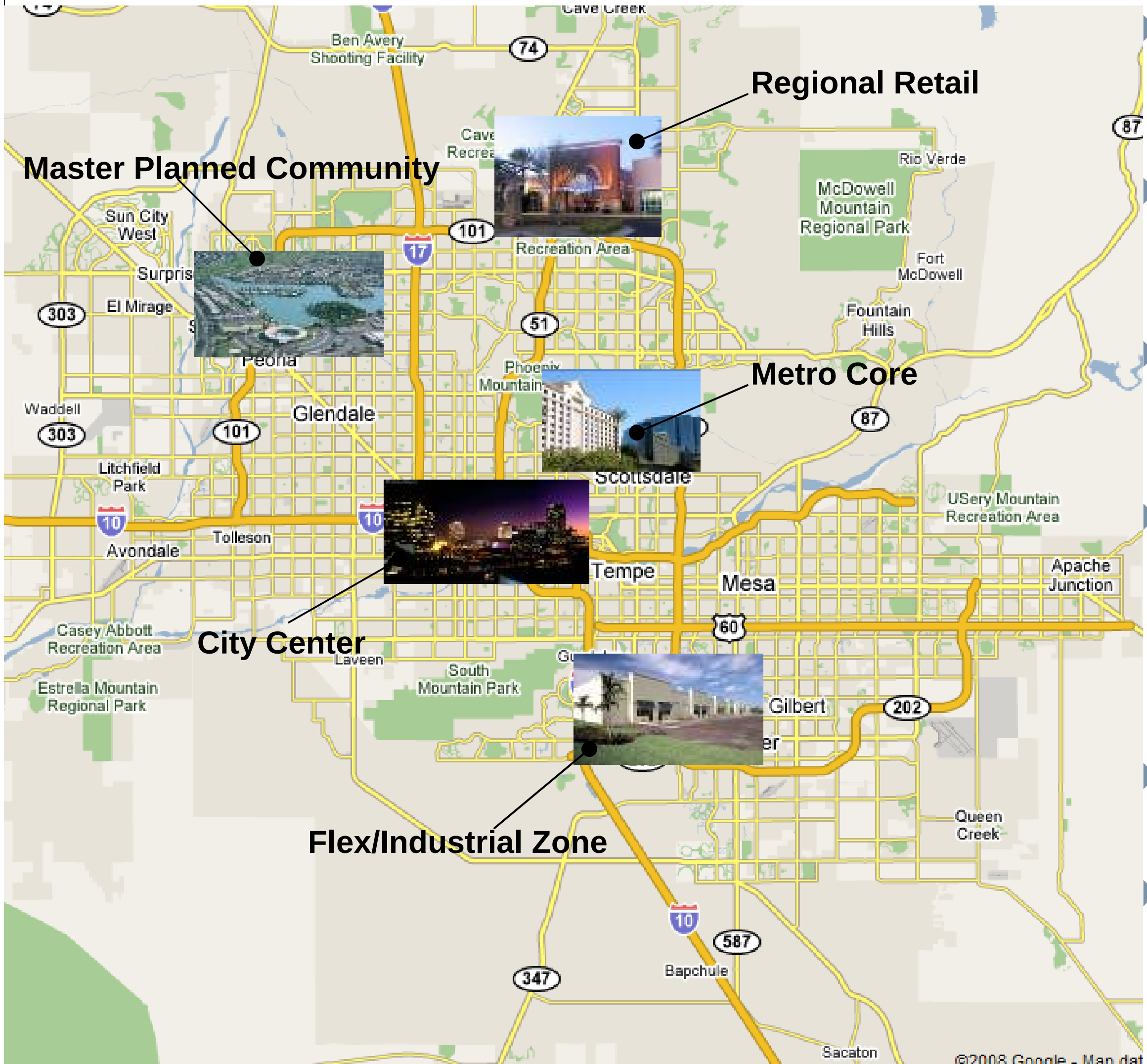
Land Use Absorption

"CENTRAL PLACE THEORY"
DESCRIBES THE DISTRIBUTION OF URBAN CENTERS/CORES



- Different hierarchies of centers with different market areas exist
- Centers are regularly spaced
- Centers tend to form in a hexagonal pattern, the most efficient pattern for travel between centers

MARKET ABSORPTION IS CALCULATED BY DEFINING THE "CORES" AND MODULES NEEDED AT BUILD-OUT



- Calculate the total required space for all land uses at build-out for the different growth scenarios.
- Assume urban development to be organized into a series of "cores" or building modules.
- Based on analysis into cores nationally, describe the land use make-up of cores by land use type.
- Allocate the build-out requirements to the cores.

- Feeds into financial optimization analysis.
- Allows us to test the impacts of various economic catalysts and strategies.

TYPES OF DEVELOPMENT BUILDING BLOCKS
35% OF EMPLOYMENT LOCATES IN "CORES"

- **Center City** (Downtown Phoenix, Downtown Los Angeles)
  - A "downtown" with mixed uses including heavy office, retail, entertainment, and residential
  - Total employment is approximately 10% of metro area employment
  - Households are 85-90% multifamily
- **Metro Core** (24th and Camelback, Century City)
  - Less dense than a center city; continues to be mixed-use at a smaller scale
  - Total employment is approximately 5% of metro area employment per core
  - Households are 70% multifamily
- **Town Center** (Kierland Commons, Old Town Scottsdale/Waterfront)
  - Traditional "Main Street" with mix of civic, retail, and office
  - Total employment is 0.5% of metro area employment per core
  - New town centers often associated with master-planned communities
- **Business Park** (Gainey Ranch)
  - 2% of total employment per park
  - 90% is office space
- **Stand-alone Industrial** (Phoenix/Tempe Gateway, Superstition Springs)
  - 1% of total employment per module
  - 90% is industrial space

TYPES OF DEVELOPMENT BUILDING BLOCKS
RESIDENTIAL, RETAIL MODULES

RESIDENTIAL

- **Master Planned Community** (Anthem, Estrella, Power Ranch)
  - Average 4,000 households per MPC
  - 70% single-family detached
- **Traditional Neighborhood Design** (Celebration, neighborhoods within Verrado)
  - Average 1,000 households per TND
  - 55% single-family detached, 45% attached/multifamily
- **Residential Subdivision**
  - Average 500 households per subdivision
  - 95% single-family detached

RETAIL

- **Neighborhood Retail**
  - Neighborhood-serving uses (supermarkets, post offices, etc.)
  - ~120,000 SF
- **Power Retail**
  - Community-oriented, large format ("big box") retailers
  - ~500,000 SF
- **Regional Retail**
  - Destination malls with anchor and in-line tenants
  - ~1 Million SF
- **Lifestyle Retail**
  - Destination retail, higher emphasis on entertainment and dining
  - ~250,000 SF

SUPERSTITION VISTAS' CAPTURE OF GROWTH TIED TO ITS POTENTIAL TO BECOME DENSE, "URBAN"

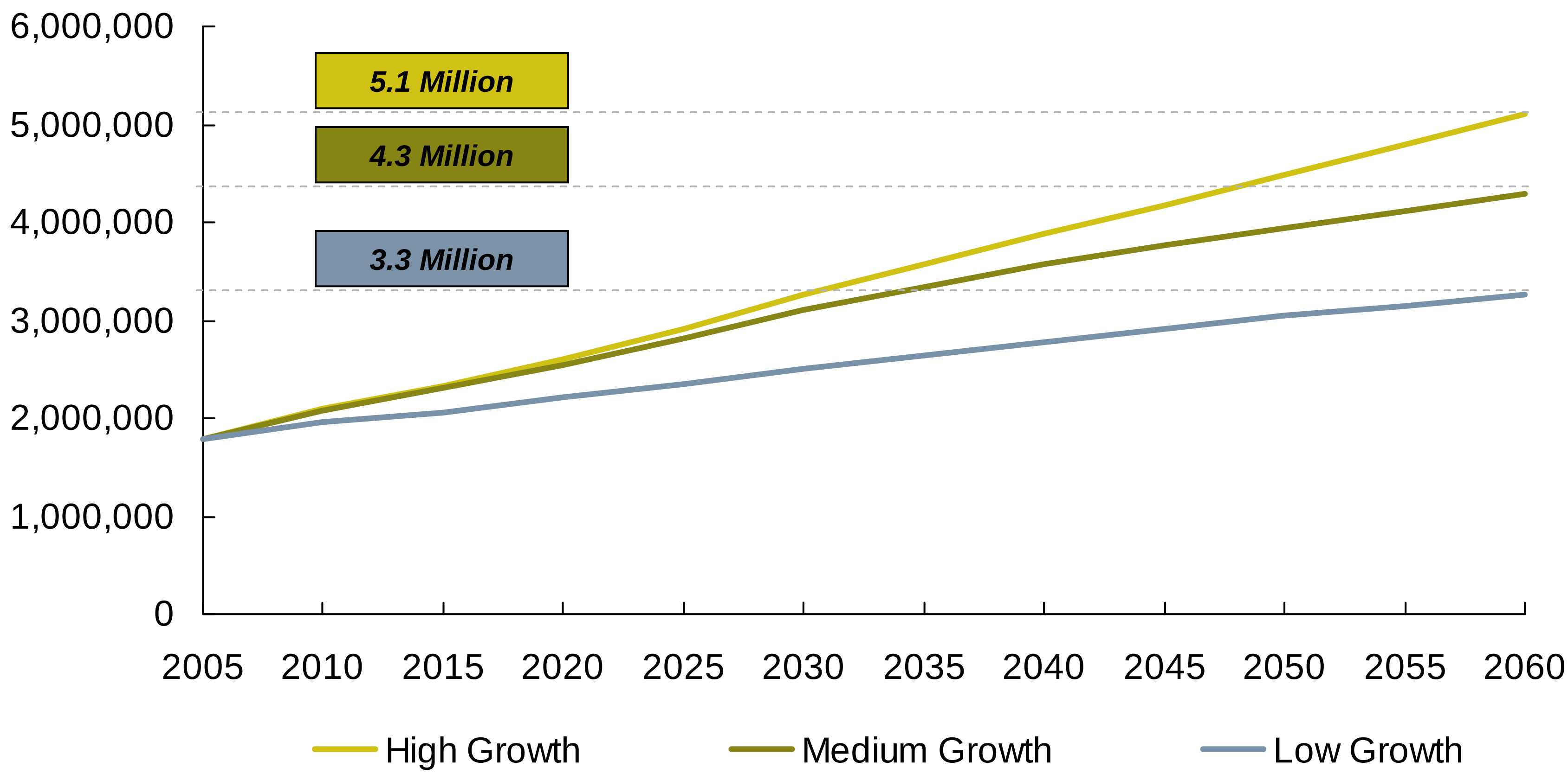
- The high capture scenarios assume the ability (in terms of demand and infrastructure accommodation) to develop a dense, mixed-use urban city center.
- The low capture scenarios assume the area is more suburban, with smaller, more distributed employment cores.

CORE TYPE	NUMBER OF CORES PRESENT	
	HIGH GROWTH-HIGH CAPTURE	HIGH GROWTH-LOW CAPTURE
City Center	1	0
Metro Core	3 to 4	Demanded employment space organized into Town Centers, less dense formats

Economic Development – Greater Phoenix

PHOENIX MSA EMPLOYMENT POTENTIALLY GROWS BY BETWEEN 1.5 AND 3.3 MILLION JOBS BY 2060

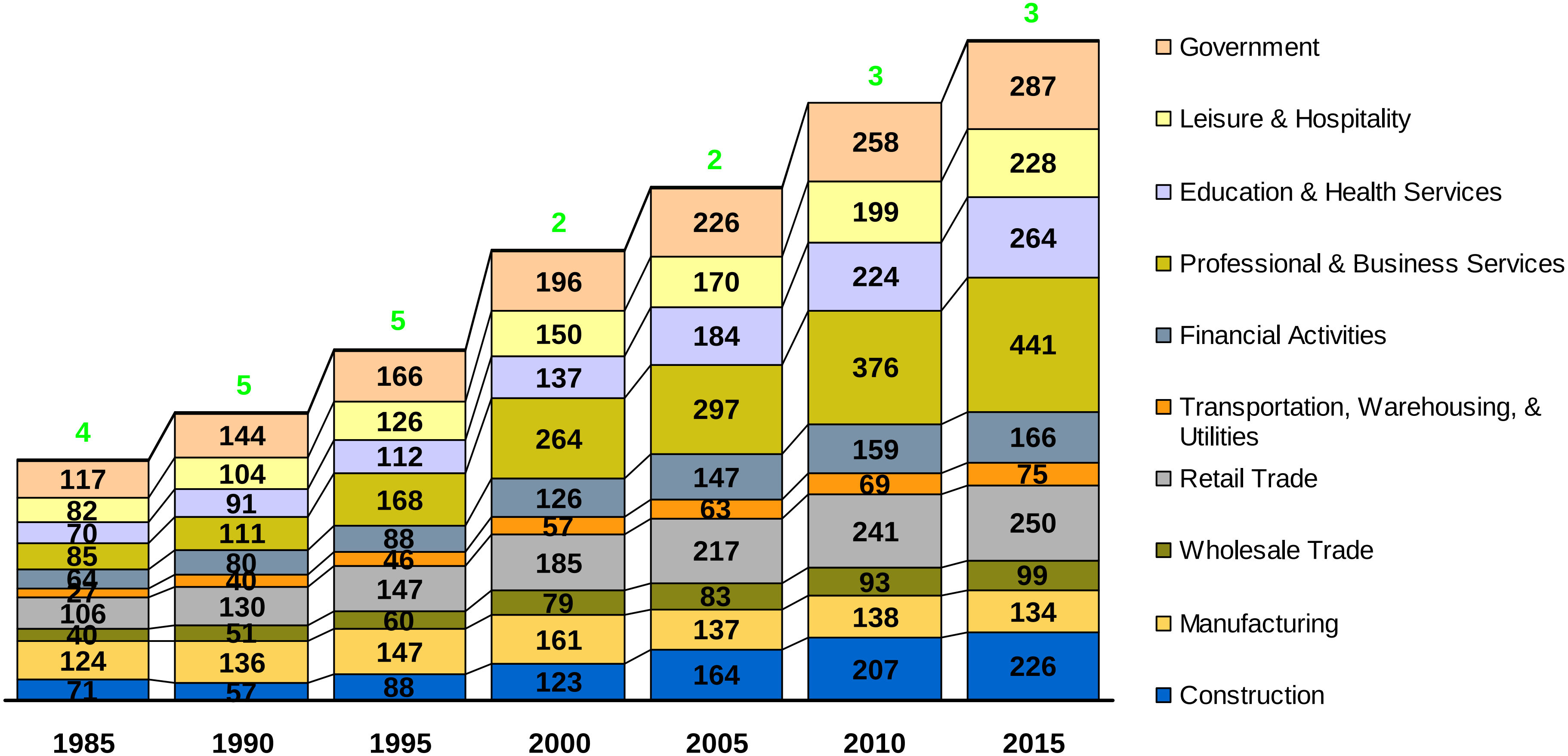
Phoenix MSA Employment Projections
2005-2060



SOURCE: Economy.com; RCLCO

PROFESSIONAL/BUSINESS, EDUCATION/HEALTH, AND LEISURE & HOSPITALITY OUTPACE OTHER SECTORS

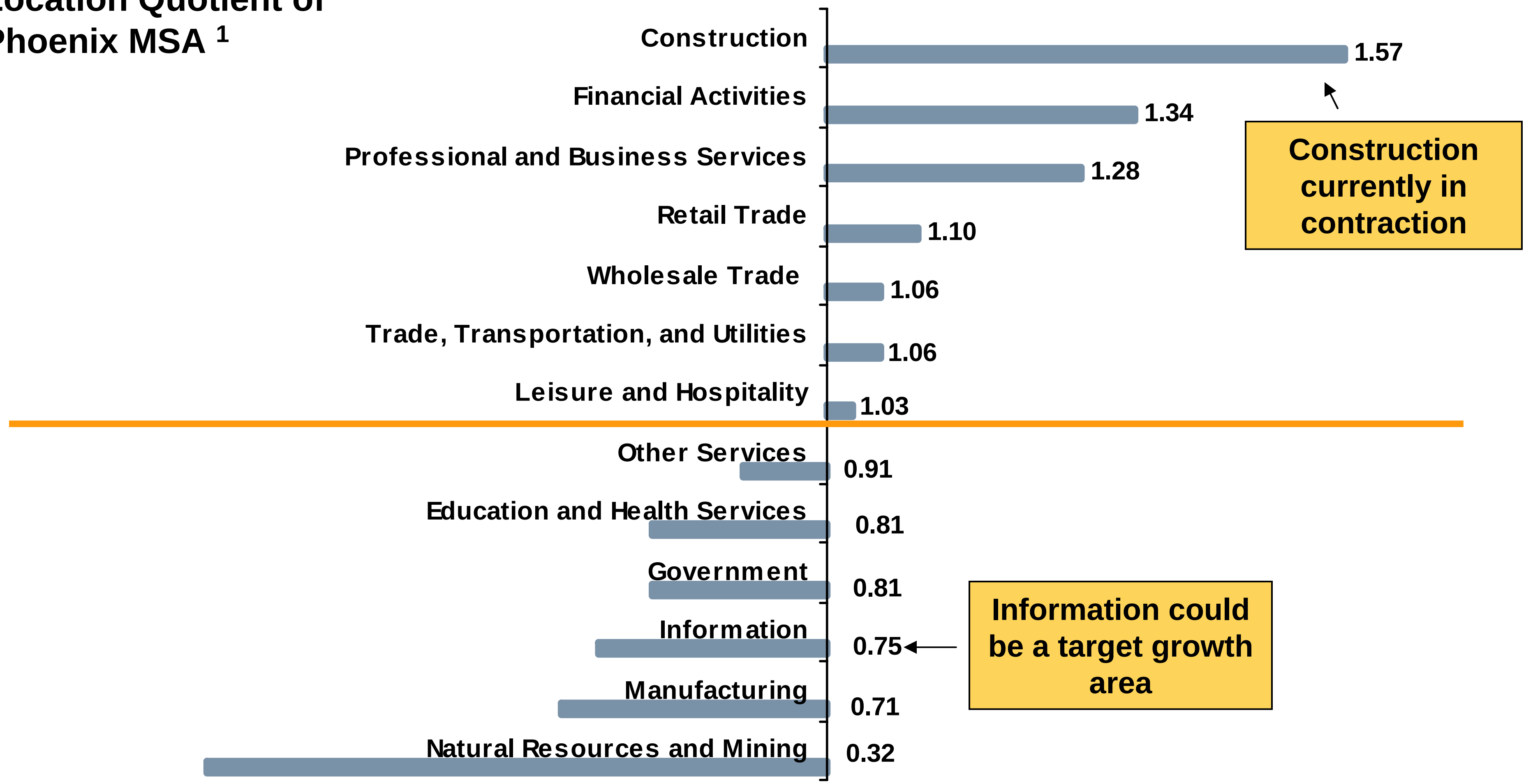
Phoenix MSA Employment By Sector
Number of Employees in Thousands



SOURCE: Economy.com

HEALTHY PROPORTION OF JOBS IN HIGH WAGE INDUSTRIES (FINANCE, PROFESSIONAL SERVICES)

Location Quotient of Phoenix MSA [1]



[1] A location quotient is the ratio of an industry's share of local employment to the industry's share of the national economy.
SOURCE: *Percent of total employment – BLS January 2008 preliminary employment*

ECONOMIC DEVELOPMENT IN THE PHOENIX MSA
EMPHASIZES HIGH-VALUE, HIGH-SKILL JOBS

- Economic development organizations' **target industries** for Phoenix require high-skilled employees at different levels (managers, engineers, technicians, etc.):
  - Advanced Business and Financial Services
  - Aerospace
  - Bioscience Technologies
  - High-tech (especially semi-conductors, medical devices)
  - Sustainability Technologies
- The **Southeast Valley** currently has **strong competencies** in some of these sectors (aerospace, high-tech), which **Superstition Vistas might leverage** in its economic development strategy.
- Superstition Vistas may **add to the economic base** by attracting job sectors currently underrepresented in the area or metro area:
  - **Advanced Business and Financial Services**: A high-paying sector with healthy growth potential, development of Phoenix-Mesa Gateway Area may help bring these industries to the far East Valley.
  - **Sustainability Technologies**: Currently do not have a "home" in Phoenix, and may be attracted to a sensitively-planned Superstition Vistas.
  - **Information**: Underrepresented in Phoenix, and would choose to be located near higher education, convenient air travel.

NOTE: Critical success factors are a result of interviews with Craig Ringer (CAAG), David Valenzuela (Phoenix-Mesa Gateway Economic Development), Paul Ringer (CAEDF), Rod Miller (GPEC), Dennis Jenkins (Central Arizona College), Tom Rex (Morrison Institute), Rob Lang, (Virginia Tech).

TO CONTINUE TO ATTRACT JOBS, GREATER PHOENIX MUST KEEP SUPPLYING KEY INGREDIENTS

BUSINESS TOP SITE SELECTION CRITERIA	
RANK	**ATTRIBUTE**
1	Labor Costs
2	Highway Accessibility
3	Corporate Tax Rate
4	State & Local Incentives
5	Availability of telecomm. services
6	Tax Exemptions
7	Occupancy & Construction Costs
8	Availability of Skilled Labor

SOURCE: SURVEY, SITE SELECTION MAGAZINE 2007

- The economic development ingredients required by the types of jobs and industries Greater Phoenix is currently targeting should prove to be enduring assets:
  - Develop necessary **physical infrastructure** (transportation, electronic, telecommunications) early, and plan for retrofitting
  - Attract the types of **high-skilled employees** (households) that employers will want to follow with a variety of housing types, excellent education system, and a **high quality of life**
  - Seek to take advantage of synergies with **Higher Education** to build the labor pool and attract high-value employers
  - Support the further development of **air travel** in Phoenix
    - Sky Harbor becomes a major international airport
    - Phoenix-Mesa Gateway becomes a highly convenient alternative for regional flights

NOTE: Critical success factors are a result of interviews with Craig Ringer (CAAG), David Valenzuela (Phoenix-Mesa Gateway Economic Development), Paul Ringer (CAEDF), Rod Miller (GPEC), Dennis Jenkins (Central Arizona College), Tom Rex (Morrison Institute), Rob Lang, (Virginia Tech).

IMPLICATIONS FOR ECONOMIC DEVELEOPMENT
SUPERSITION VISTAS

BUSINESS TOP SITE SELECTION CRITERIA	
RANK	**ATTRIBUTE**
1	Labor Costs
2	Highway Accessibility
3	Corporate Tax Rate
4	State & Local Incentives
5	Availability of telecomm. services
6	Tax Exemptions
7	Occupancy & Construction Costs
8	Availability of Skilled Labor

SOURCE: SURVEY, SITE SELECTION MAGAZINE 2007

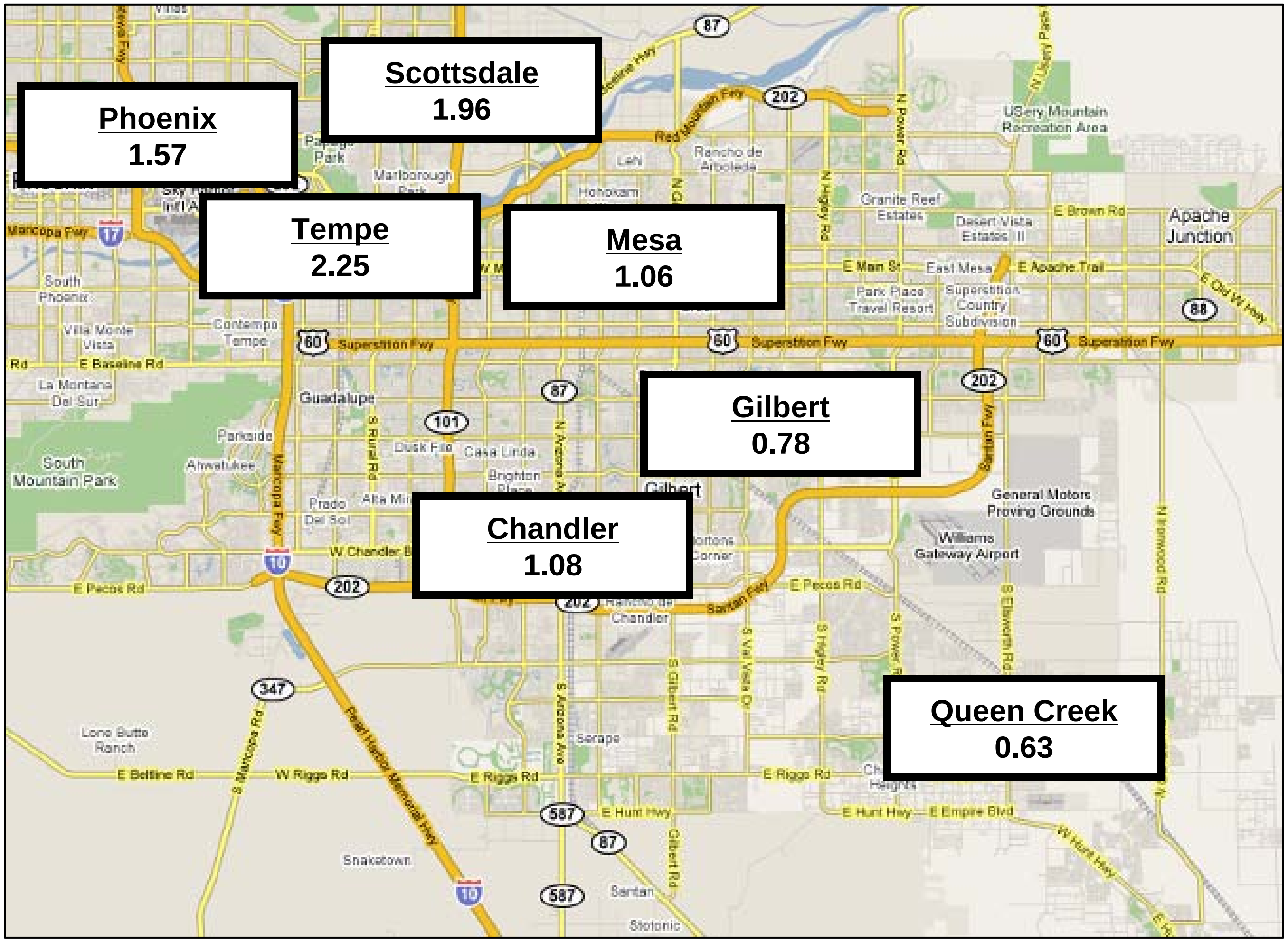
- Plan to create necessary **physical infrastructure** (transportation, electronic, telecommunications) early
    - Prepare to provide access to road transportation (**major arterials**, **freeways** currently, **light rail** in the future)
        - Freeway and arterial **interchanges** are key locations for major economic development
    - **Existing rail and ROW** could attract industrial uses to Superstition Vistas but insufficient as a primary economic catalyst for household growth
        - Major industrial or distribution users are more likely to be attracted to **primary rail corridors and intermodal centers**
        - Heavy **industrial users don't want neighboring land uses** with potential to eventually disrupt their operations
- To attract the types of **high-skilled employees** (households) that employers will want requires a **focus on excellent education system**, and a **high quality of life factors**

NOTE: Critical success factors are a result of interviews with Craig Ringer (CAAG), David Valenzuela (Phoenix-Mesa Gateway Economic Development), Paul Ringer (CAEDF), Rod Miller (GPEC), Dennis Jenkins (Central Arizona College), Tom Rex (Morrison Institute), Rob Lang, (Virginia Tech).

Economic Development – Superstition Vistas

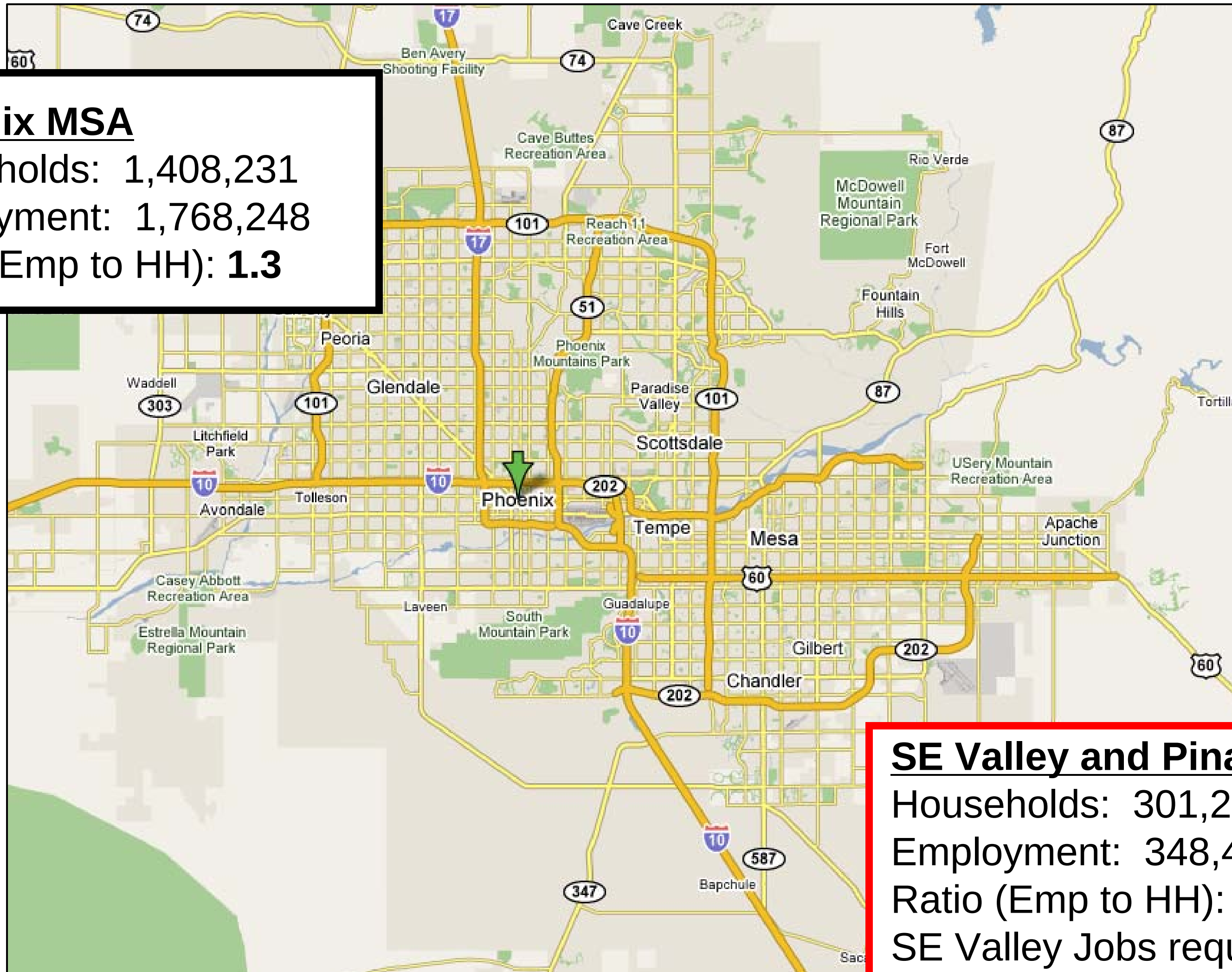
JOBS TO HOUSEHOLD RATIOS DECREASE IN THE SOUTHEAST VALUE, PARTICULARLY OUTLYING AREAS

Jobs: Household Ratios in Select Cities
2007



SOURCE: Claritas

THE SOUTHEAST VALLEY NEEDS 30,000 MORE JOBS TODAY TO REACH "BALANCED" RATIO OF 1.3

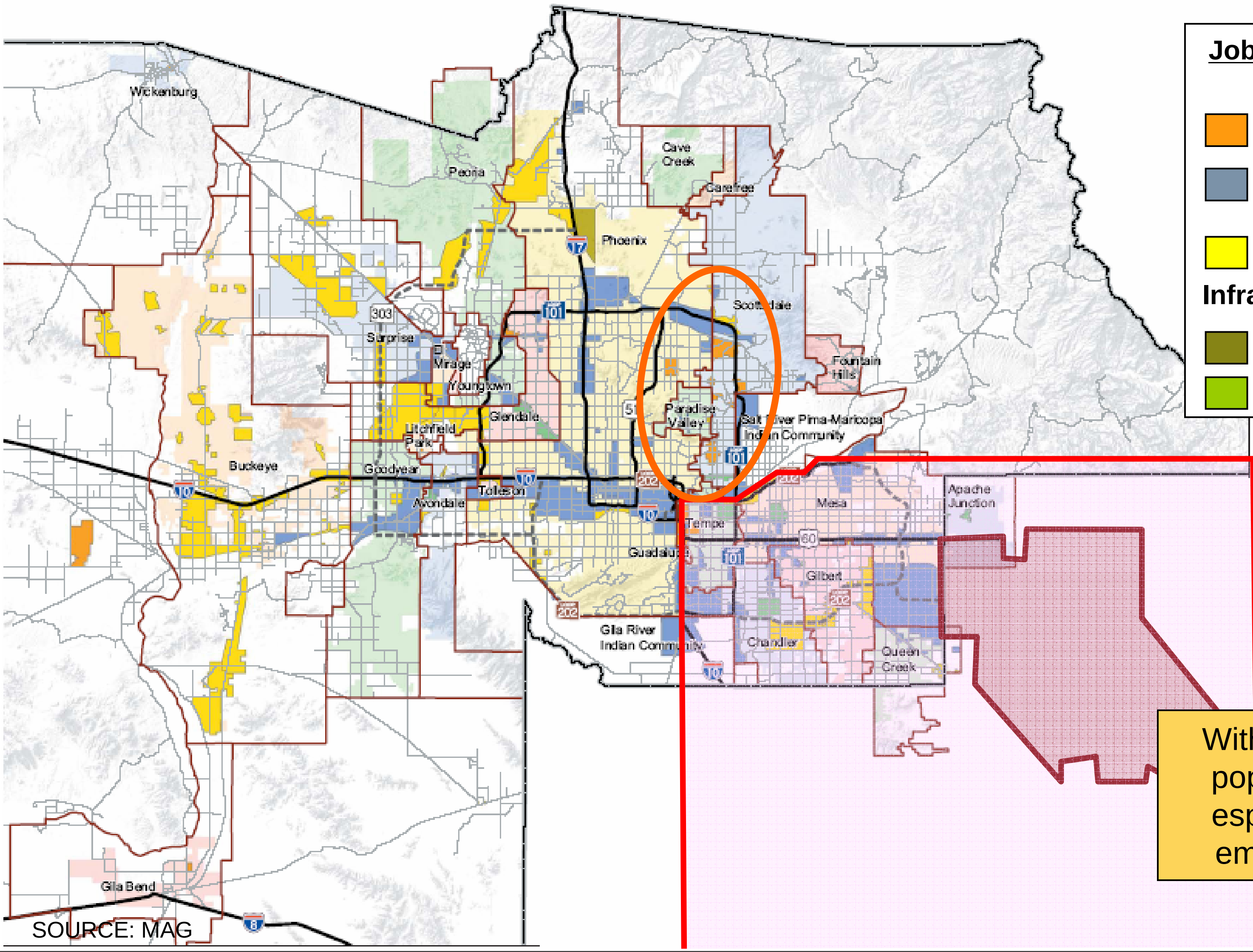


Phoenix MSA
Households: 1,408,231
Employment: 1,768,248
Ratio (Emp to HH): **1.3**

SE Valley and Pinal
Households: 301,286
Employment: 348,482
Ratio (Emp to HH): **1.16**
SE Valley Jobs required
to reach MSA ratio: **29,855**

SOURCE: Claritas

JOB CENTERS CURRENTLY CLUSTER IN NORTHEAST
EXPANSION POTENTIAL EXISTS THROUGHOUT MARKET



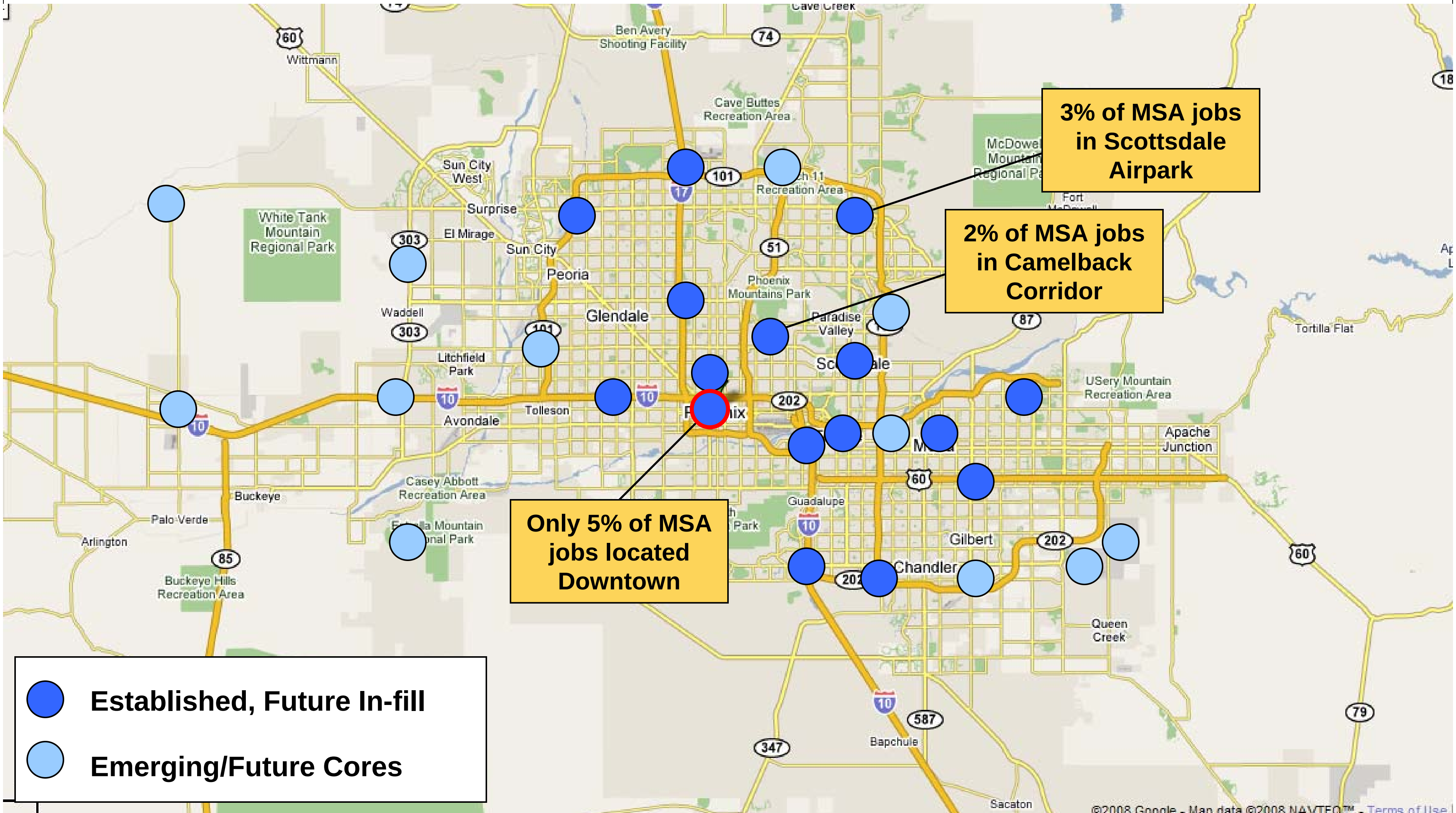
SOURCE: MAG

Job Centers by Development Stage

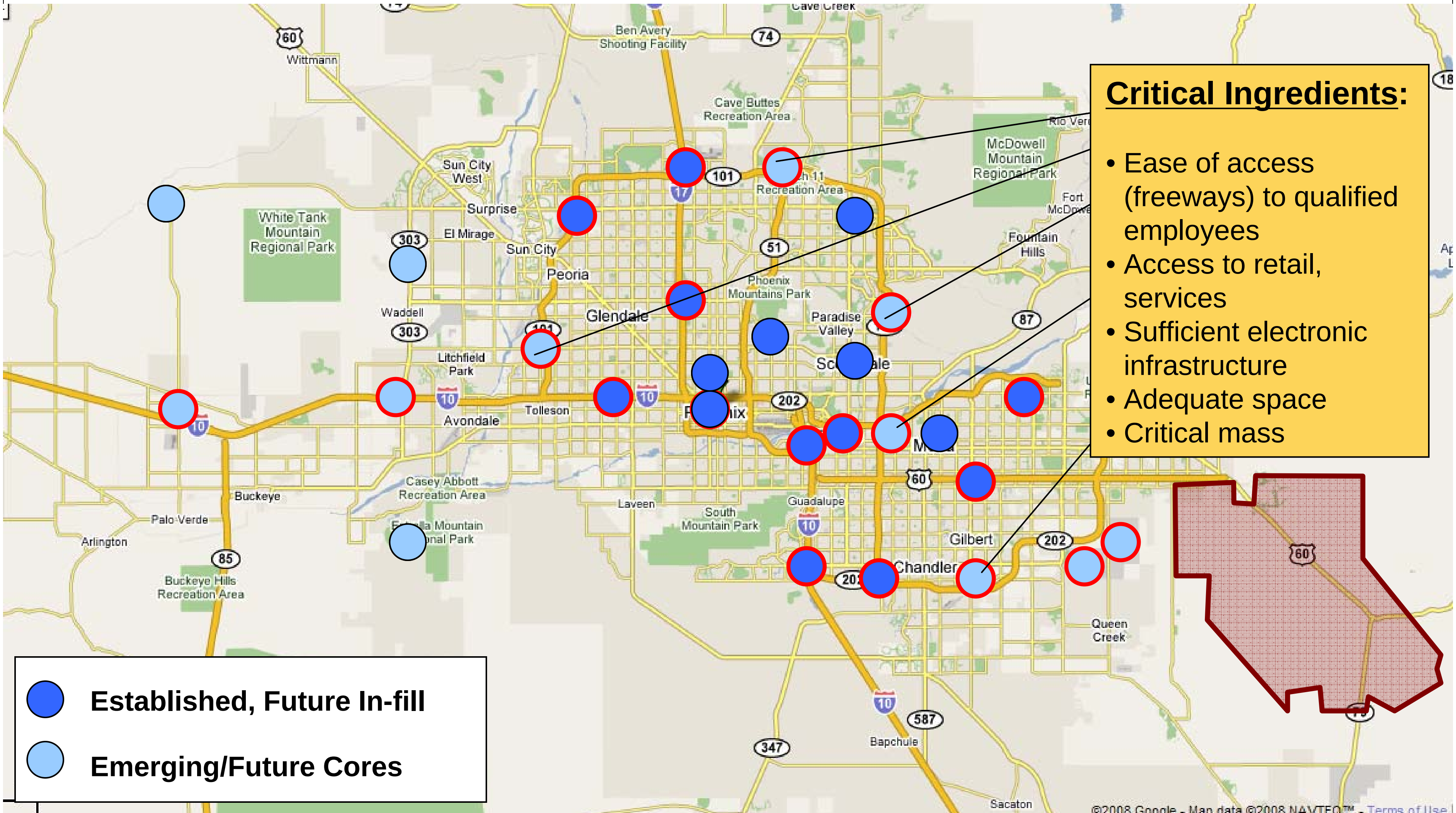
- Existing – Built Out
- Existing – Expansion Potential
- Future – No Infrastructure
- Future – Infrastructure
- Revitalization Center

With ~30% of the MSA population, SE Valley especially needs new employment centers.

PHOENIX IS A MULTI-CENTRIC CITY
EMPLOYMENT IS BROADLY DISTRIBUTED BEYOND DOWNTOWN



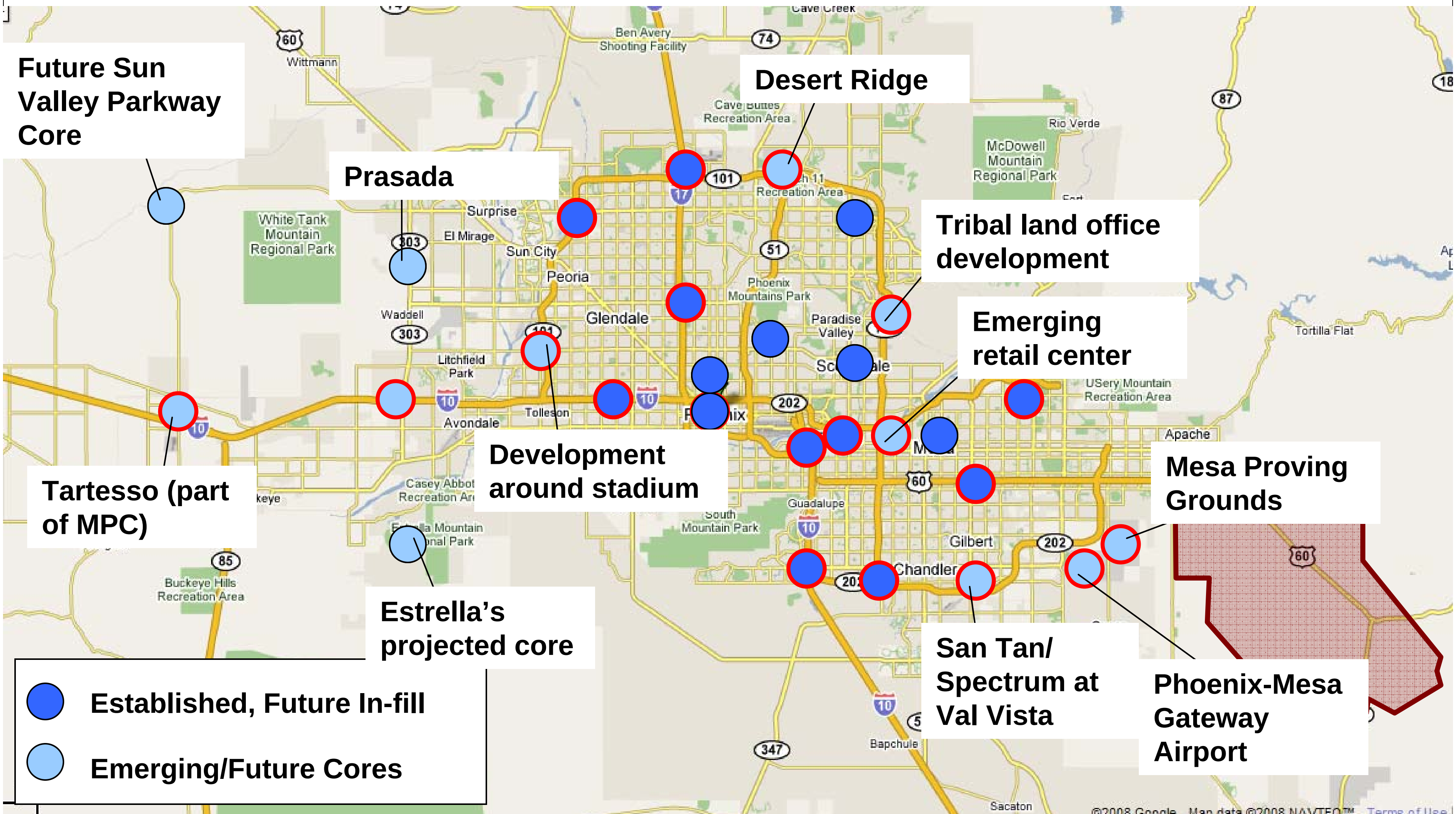
FREEWAY ACCESS IS VITAL FOR EMERGING CORES
INTERCHANGES PARTICULARLY FOSTER CORE DEVELOPMENT



Critical Ingredients:

- Ease of access (freeways) to qualified employees
- Access to retail, services
- Sufficient electronic infrastructure
- Adequate space
- Critical mass

FREEWAY ACCESS IS VITAL FOR EMERGING CORES
INTERCHANGES PARTICULARLY FOSTER CORE DEVELOPMENT



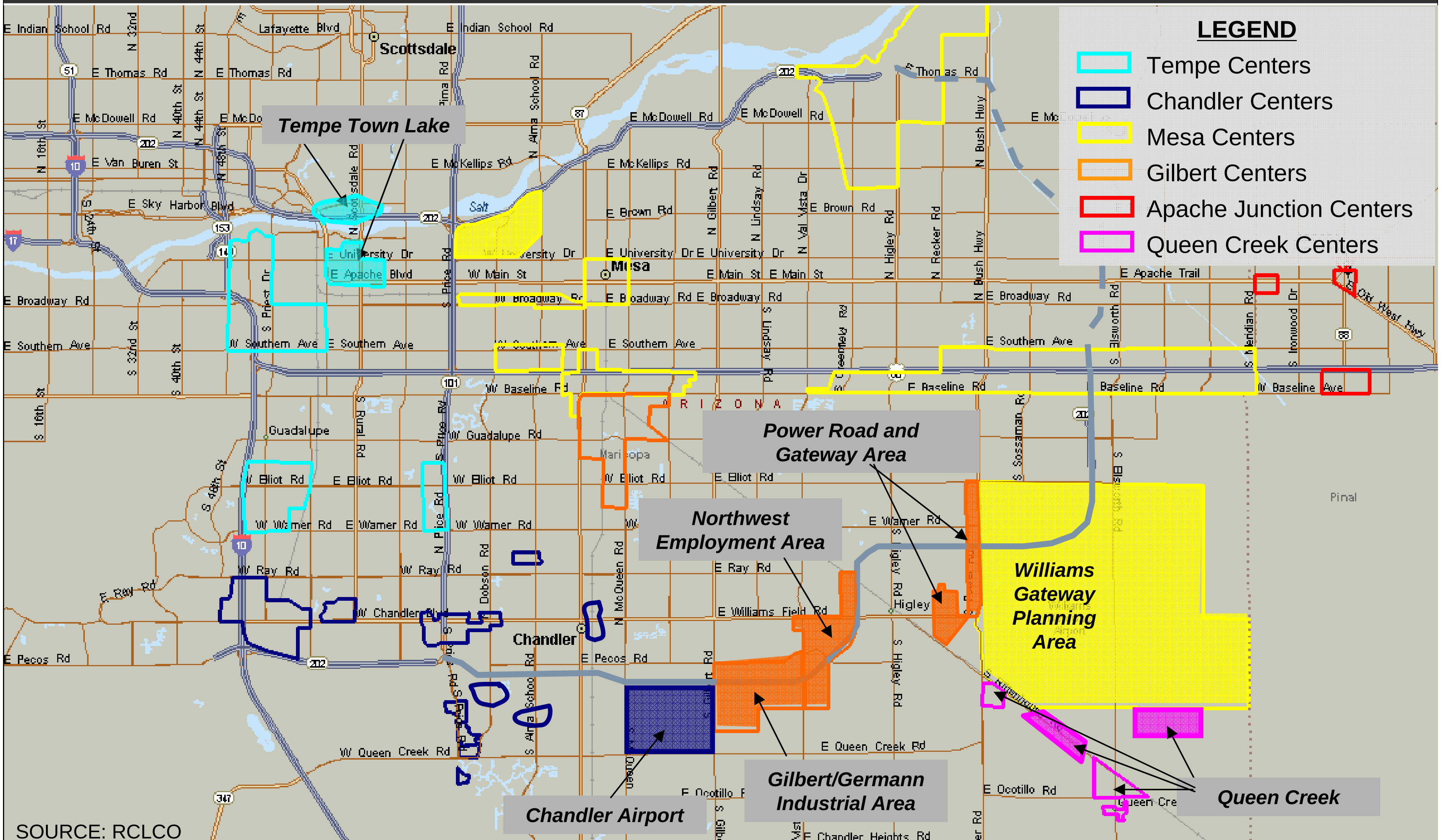
HEAVY RAIL-ORIENTED LAND USES

The potential exists to leverage the existing railroad and its right of way to attract industrial uses to Superstition Vistas.

Though this asset contributes to developing a diverse economic base in the area, its not likely to be a primary economic catalyst for Superstition Vistas' economic and household growth:

- **Major industrial or distribution users are more likely to be attracted to primary rail corridors and intermodal centers (featuring a combination of at least two of the following: freeway, rail, air, port).**
  - **Though the potential exists to eventually develop this within Superstition Vistas, the distribution of existing infrastructure and connections to other trade regions (particularly Los Angeles/Inland Empire) suggests that other parts of Maricopa and Pinal Counties would hold competitive advantages relative to Superstition Vistas.**
- **Users currently attracted to land along the rail spur in Superstition Vistas would likely not be drivers of additional economic growth in the immediate area**
  - **The most likely candidate uses are heavy industrial users featuring potentially high environmental externalities, and therefore little desire for neighboring land uses with potential to eventually disrupt their operations**
- **At the same time, most heavy industrial uses would still be accommodated by significant amounts of developable industrial land in the Southeast Valley with relatively better current access to freeways, rail, and employees**

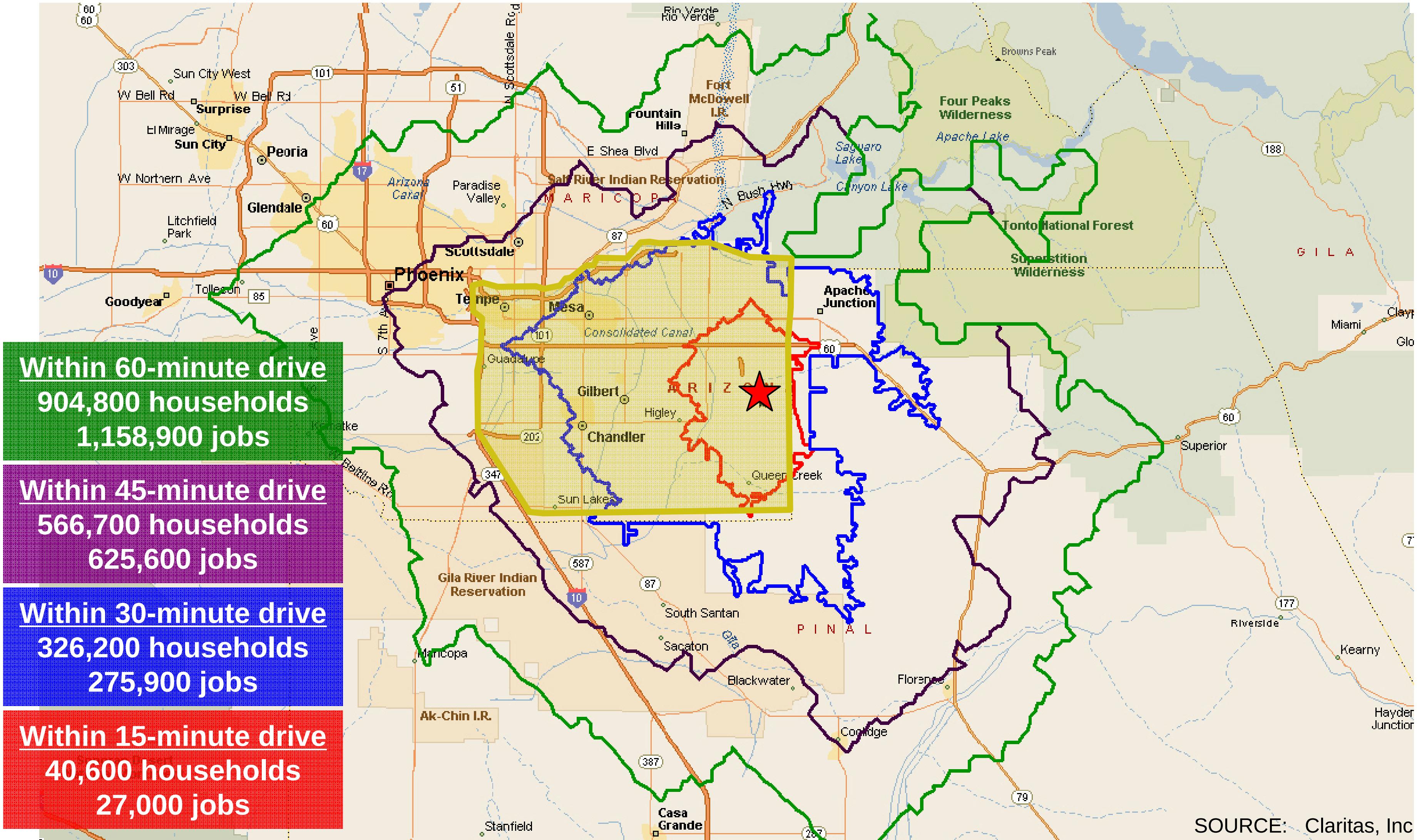
EXISTING CENTERS HAVE CAPACITY FOR CURRENT GROWTH
WILLIAMS GATEWAY, SAN TAN HAVE HUGE POTENTIAL FOR YEARS TO COME



SOURCE: RCLCO

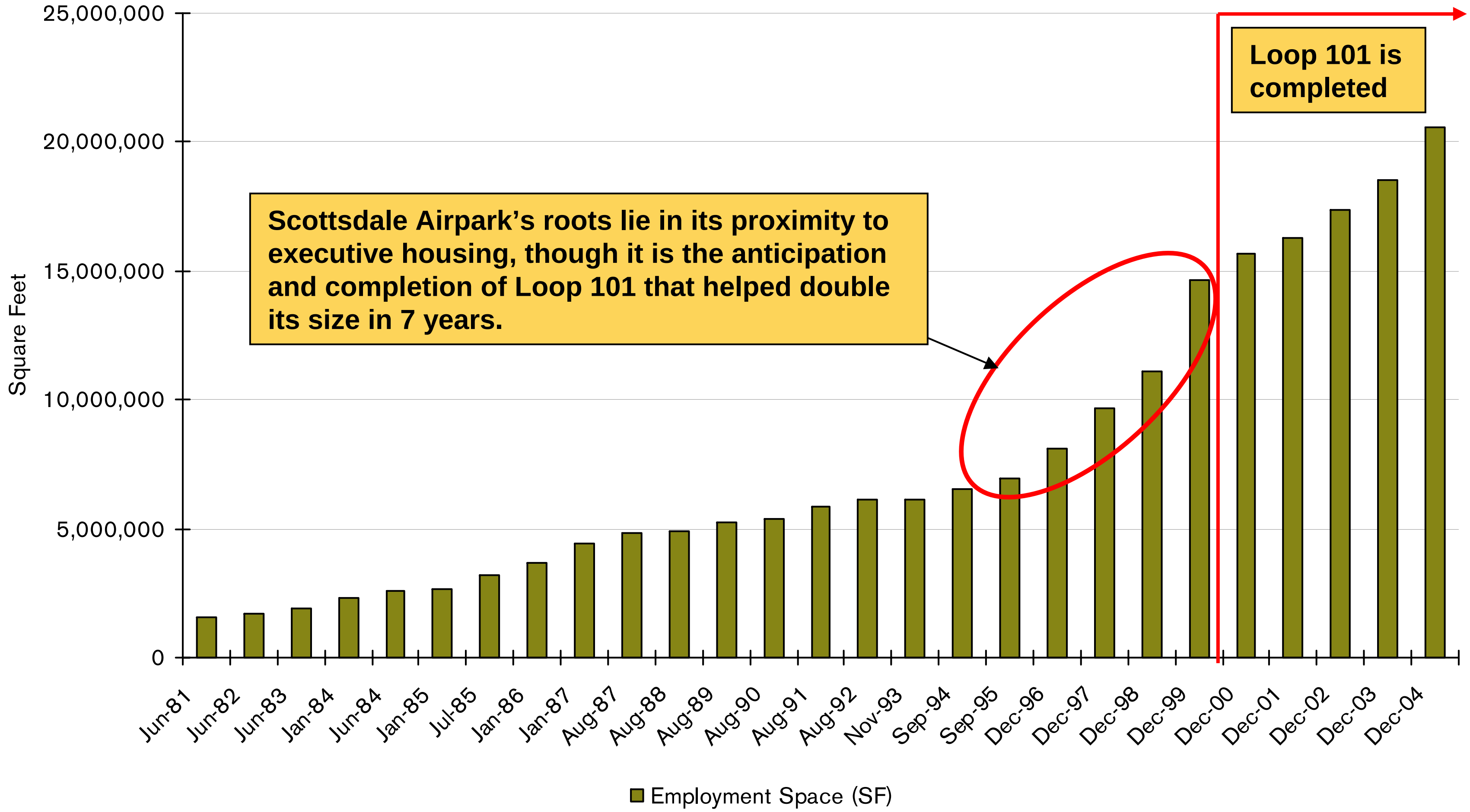
DRIVE TIMES TO PHOENIX-MESA GATEWAY AIRPORT

LARGE NUMBERS IN REACH, BUT REQUIRE NEW PATTERNS



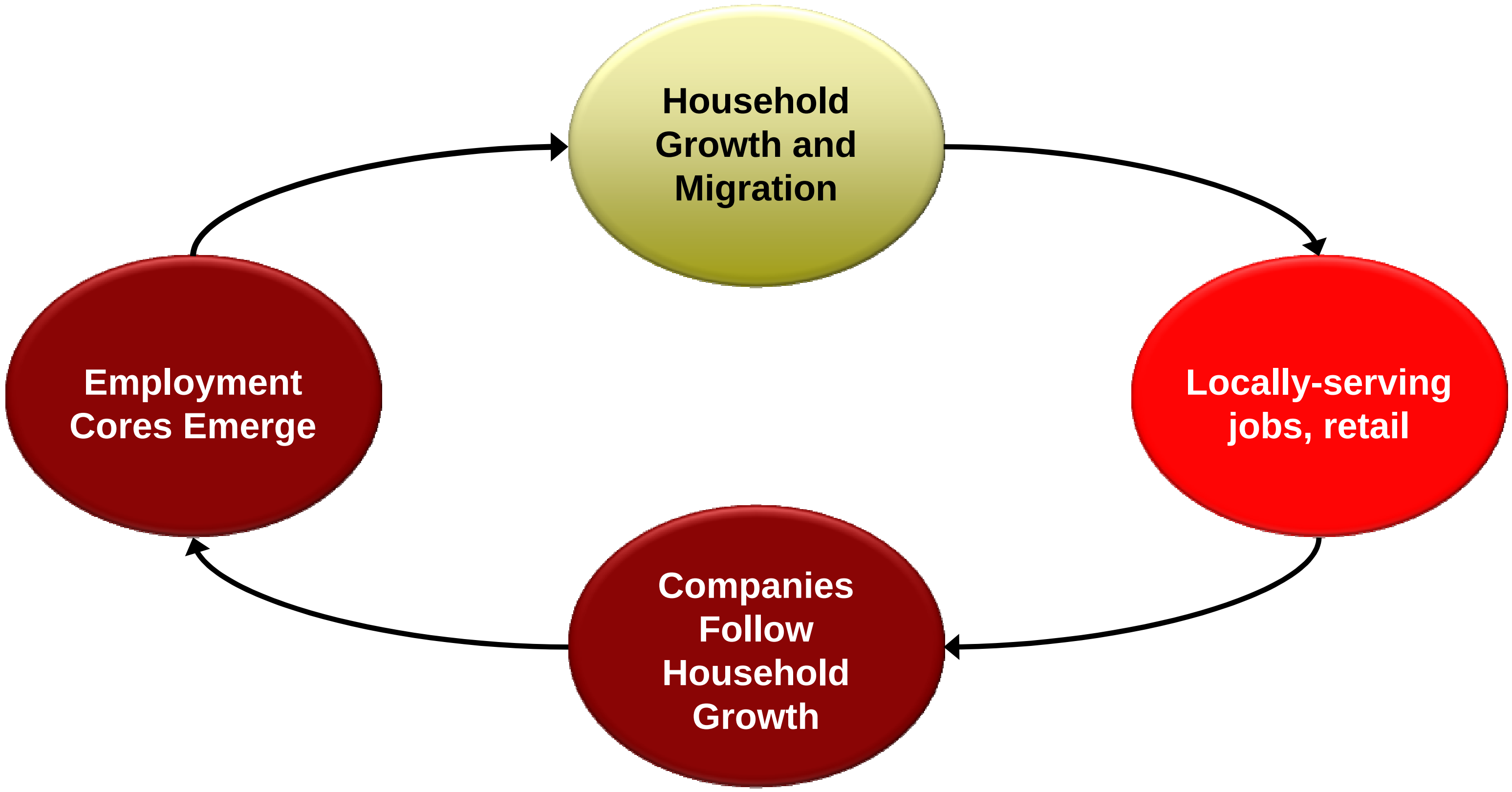
SCOTTSDALE AIRPARK'S GROWTH HIGHLIGHTS THE ROLE OF TRANSPORTATION INFRASTRUCTURE

Employment Space Inventory Growth at Scottsdale Airpark
1981-2004



SOURCE: Colliers Classic; RCLCO

EMPLOYMENT CORES AT SUPERSTITION VISTAS
HOUSEHOLD GROWTH IS LIKELY THE ORIGINAL CONDITION



The goal of economic development is preservation of future opportunity and value by leveraging and preserving existing assets, and positioning the property for the future.

SUPERSTITION VISTAS ECONOMIC DEVELOPMENT
STRATEGIC OUTLINE

Leverage Strategic Advantages

Scale	• Superstition Vistas' vast "blank slate" enables planners and developers to envision on a grand scale. • Potential opportunities exist for those users needing more land than is available elsewhere
Consolidated Ownership	• Having one owner allows for the development of a coherent vision, and for the creation of value over the long-term.
Public/Private Investment	• The significant interest from the private and public sectors in the development of Superstition Vistas provides valuable social capital to accomplish large initiatives.

Positioning for the Future

Sufficient Infrastructure	• As emerging economic development depends on access to transportation (freeways currently, light rail in the future), plan for infrastructure to preserve future jobs on site.
Sufficient "Grid"	• A large number of freeway and arterial interchanges allows for greater mobility, benefiting economic development.
Open Space Network	• An aggressive open space strategy, for both recreational and sustainability purposes, is essential to fostering a high quality of life, and therefore economic development.
Range of Housing	• A wide variety of housing types and affordability levels ensures job access for employees at all levels.

CATALYSTS MOVE SUPERSTITION VISTAS BEYOND EXISTING GEOGRAPHIC AND ECONOMIC CONTEXT

The low capture scenario assumes little catalyzing activity: accessory uses follows household growth, with little coordinated planning.

TYPE OF CATALYST	REQUIRED INTENSITY OF CATALYST TO ACHIEVE *LOW SCENARIO* CAPTURE
Higher Education	*Community college*
Phoenix-Mesa Gateway Influence	*As-is (focused on cargo shipping, Boeing)*
Freeways	*End of freeway "spur"*
Commuter Rail	*None*
Heavy (Freight) Rail	*Minimal infrastructure (connects to the grid)*
Health Care/Health Sciences	*Household-driven (standard suburban health care)*
Major Employer Campuses/National Headquarters	*Locally-driven*
Open Spaces and Parks/Recreation	*Based on minimum municipal requirements*
Resort/Hospitality/Tourism/Entertainment	*Hotels serve local households and business*
Cultural Amenities	*Libraries, basic public amenities*
Energy Sustainability/Climate	*No public vision*

CATALYSTS MOVE SUPERSTITION VISTAS BEYOND EXISTING GEOGRAPHIC AND ECONOMIC CONTEXT

A medium capture scenario depends upon greater public and private interest and investment in Superstition Vistas, though likely without a guiding "grand vision."

TYPE OF CATALYST	REQUIRED INTENSITY OF CATALYST TO ACHIEVE *MEDIUM SCENARIO* CAPTURE
Higher Education	*ASU Satellite campus develops*
Phoenix-Mesa Gateway Influence	*As-is (focused on cargo shipping, Boeing)*
Freeways	*End of freeway "spur"*
Commuter Rail	*One way, end of line*
Heavy (Freight) Rail	*Minimal infrastructure (connects to the grid)*
Health Care/Health Sciences	*Household-driven (standard suburban health care)*
Major Employer Campuses/National Headquarters	*Regional HQs begin to follow affordable labor*
Open Spaces and Parks/Recreation	*Based on minimum municipal requirements*
Resort/Hospitality/Tourism/Entertainment	*Some resort tourism presence (1 or 2 resorts)*
Cultural Amenities	*Libraries, basic public amenities*
Energy Sustainability/Climate	*Initiatives follow accepted best practices*

CATALYSTS MOVE SUPERSTITION VISTAS BEYOND WHAT GEOGRAPHIC AND ECONOMIC FORCES CAN

A high capture scenario makes early investments in several catalyzing factors that allow Superstition Vistas to become a nationally significant urban place.

TYPE OF CATALYST	REQUIRED INTENSITY OF CATALYST TO ACHIEVE *HIGH SCENARIO* CAPTURE
Higher Education	*New public or private university on site*
Phoenix-Mesa Gateway Influence	*Significance of John Wayne Airport*
Freeways	*Viable alternative to I-10 leads through SV*
Commuter Rail	*Connections to Phoenix and Pinal, within SV*
Heavy (Freight) Rail	*Minimal (connects to the grid)*
Health Care/Health Sciences	*Destination health campus, emphasis on research*
Major Employer Campuses/National Headquarters	*Several regional HQs, one or two national HQs*
Open Spaces and Parks/Recreation	*Comprehensive regional open space strategy*
Resort/Hospitality/Tourism/Entertainment	*Visitation patterns established; resort/convention hotels*
Cultural Amenities	*Cultural facilities of regional importance*
Energy Sustainability/Climate	*Leading edge of best practices*

ECONOMIC DEVELOPMENT: SUMMARY

- Strategy: Rather than search for the "silver bullet" work to bring identified catalysts to bear on SV
- Households will lead employment in any scenario – economic development will hinge on creating a quality of life and close proximity of skilled workforce at Superstition Vistas
- Emphasize transportation infrastructure and maximize flexibility to accommodate employment with early commitment and investment in planning – create and preserve options
- Given the scale of Superstition Vistas, plan for a diversified economic mix built around road and transit access, higher education and hight quality of life
- Superstition Vistas must offer a variety of housing options across affordability and density spectrums
- A commitment to sustainability and open space strategy will reinforce Superstition Vistas as a draw for employers and employees alike

Key Findings and Conclusions: Growth, Land Use Absorption, and Economic Development at Superstition Vistas

Superstition Vistas Steering Committee | March 18, 2008; Updated October 21, 2008

ROBERT CHARLES LESSER & CO. REAL ESTATE ADVISORS