

# MEMORANDUM

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DATE: May 11, 2009

TO: Superstition Vistas Steering Committee Peer Review

FROM: RCLCO

SUBJECT: Underlying Assumptions and Argument in Support of Household and Employment Growth Projections for Superstition Vistas Arizona State Trust Land

## Introduction

RCLCO (Robert Charles Lesser & Company, Inc.) is conducting the demographic, economic, and financial analyses for the Comprehensive Planning and Visioning Plan for Superstition Vistas, a 275-square mile tract of contiguous Arizona State Trust Land to the immediate east of Maricopa County. Sponsored by the Superstition Vistas Steering Committee, the planning and visioning process aims to provide regional leaders and planners with tools to ensure that Superstition Vistas is a leading “mega-development” in terms of its vision, sustainability, quality of life, and economic and financial performance.

“Phase 1” of RCLCO’s process involved developing the benchmarks for population and employment growth in both the Phoenix MSA and Superstition Vistas, and translating this growth into demand for a variety of land uses: residential, commercial (office and retail), industrial, and civic/other uses. The range of growth projections for Superstition Vistas, not to mention the MSA, depends on a series of assumptions regarding regional growth in population and employment, state land policy, infrastructure, development execution, and many other factors.

Our assessment of these factors suggests that the Phoenix MSA will continue to be among the top metropolitan recipients of national population and employment growth in coming decades. Superstition Vistas, moreover, is among the best-positioned major land holdings in the metropolitan area to accommodate this growth, though only as public and private interests maintain adequate investment in policy changes and land planning.

## Phoenix MSA Growth

The Phoenix MSA (herein referred to as “Phoenix”), which consists of Maricopa and Pinal Counties, has been among the fastest-growing cities in the United States for several decades,<sup>1</sup> and most experts expect it to continue its rapid pace of growth. The city has benefited from the broader demographic shift from the Northeast U.S. to the south and west, as well as out-migration from California as households seek Phoenix’s significantly lower cost of living. As Phoenix continues to offer sunny weather and affordable living, it can continue to expect significant annual population growth, with employment attracted by similar quality of life factors and the availability of skilled labor.<sup>2</sup>

The range of future growth scenarios for Phoenix depends on its capacity to continue to offer these significant amenities, as well as its ability to reduce or mitigate potential disincentives arising from growth, such as traffic and congestion, environmental degradation, crime, lack of open space, etc. In addition, a weak and/or undiversified regional economy could also stifle Phoenix’s potential to capture a significant share of national population growth.<sup>2</sup>

The general assumptions and calculations underlying the range of household growth scenarios are outlined in Table 1. Though RCLCO recognizes that any of the scenarios outlined below are plausible, Phoenix would likely have to alter its current policy and planning trajectories to pursue the “low” growth

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**Table 1:**

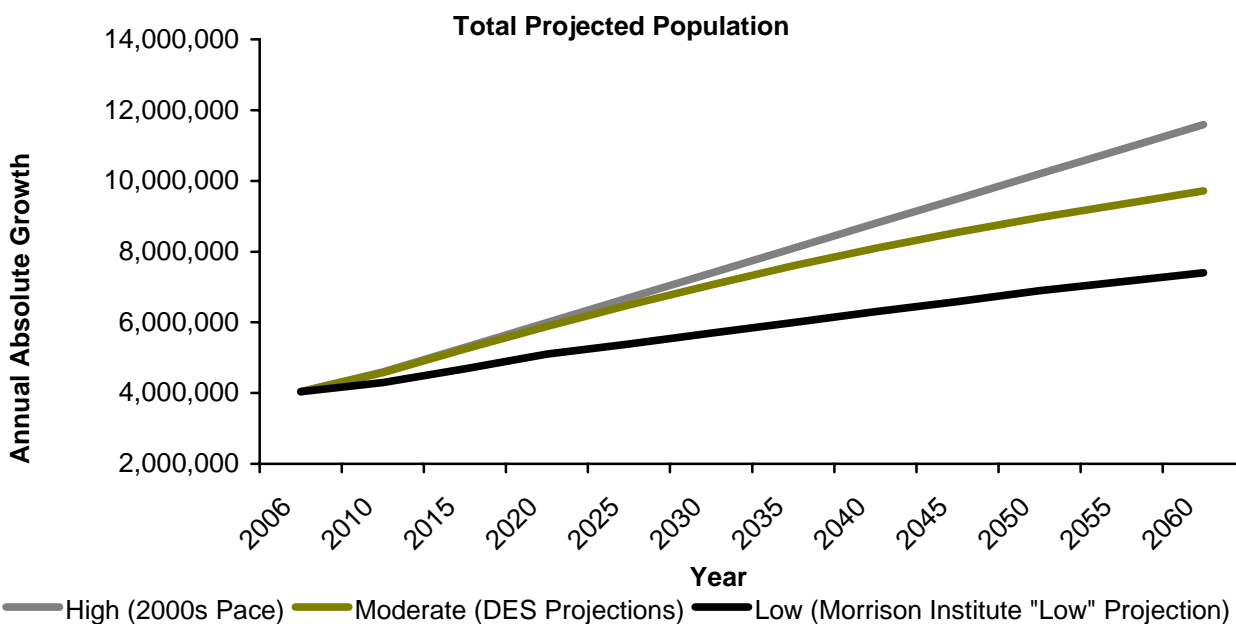
HIGH	MEDIUM	LOW
<ul style="list-style-type: none"> <li>Phoenix is politically willing and able to accept continued growth</li> <li>Growth is encouraged by smart planning, and land remains easily accessible</li> <li>Phoenix remains a value alternative to other regions</li> <li>Economy is diversified; job market is strong</li> <li>Air transportation to Phoenix improves and is expanded</li> <li>Environmental factors (air pollution, water resources) improve</li> </ul>	<ul style="list-style-type: none"> <li>Phoenix is ambivalent about planning for growth</li> <li>Relative cost of living stays the same; California maintains similar net out-migration</li> <li>Air transportation continues current trajectory</li> </ul>	<ul style="list-style-type: none"> <li>Phoenix is unwilling and unable to accept growth</li> <li>Disamenities with increasing population deter growth</li> <li>Cost of living increases</li> <li>Sky Harbor and Phoenix-Mesa Gateway Airports do not accommodate a higher capacity</li> <li>Unable to overcome physical/political barriers to growth</li> <li>Economy is not well diversified; weak job market</li> </ul>

Assumes that Phoenix follows its 2001-2006 nominal pace of growth through 2060 (approx. 140,000 new persons annually) <sup>3</sup>

Assumes the Department of Economic Security's (DES) projections (approx. 100,000 new persons annually)

Assumes a return to the nominal pace of growth in the 1970s and 1980s (approx. 60,000 new persons annually) <sup>4</sup>

**Chart 1:**



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scenario. As Phoenix's growth is primarily fueled by the broader demographic trends described above, the more likely future path is likely somewhere between the "medium" and "high" projections. The difference in growth would therefore depend on changes to the national growth rate, as well as on Phoenix's ability to respond to traffic and environmental factors, and to further expand its economy through such actions as amplifying its access to air travel.<sup>5</sup> Between now and 2060, therefore, Maricopa and Pinal Counties will need to accommodate between 5.7 and 7.5 million more people, or about 2.2 to 2.9 million households.<sup>6</sup>

## Superstition Vistas Growth

The Phoenix MSA's growth in households and jobs translates to aggregate demand for housing units and different types of employment space. Superstition Vistas' growth occurs as it captures a share of this demand; its "competition" for this capture includes other land holdings throughout the MSA that have the capacity to develop new housing and employment space. Superstition Vistas' capture rate therefore depends on its desirability – based on a broad set of factors, many of which can be influenced by policy and planning – in relation to other developable areas.

Based on analysis of the other developable areas in Maricopa and Pinal Counties, Superstition Vistas is the sub-region of developable land that is best-positioned, from the perspective of both consumer desirability and "smart growth" standpoints, to capture at least its fair share of Phoenix's significant growth:

- The Maricopa County portion of the Southeast Valley has captured approximately 30% of the MSA's growth since 1990,<sup>7</sup> and, given, sufficient land supply, would likely continue to do so. Superstition Vistas, at the eastern end of the Southeast Valley, also lies in the direction of this important path of growth in Phoenix,<sup>8</sup> and will likely act as a successor to the Southeast Valley as existing Maricopa County cities reach build-out. This role is currently played by "leapfrog" development in Pinal County, though Superstition Vistas would likely offer a superior geographic location when it becomes available.
- In addition to infill sites throughout the currently urbanized and urbanizing areas, which will continue to be developed to accommodate the growth, other large sections of developable land include large areas of vacant land, such as:
  - State land holdings to the north of Phoenix along the I-17 corridor;
  - State and private land to the north and west of the White Tank mountains;
  - Large areas of private land to the south of I-10, west of Highway 85;
  - Private land to the along I-8 up to the Gila River Indian Reservation, throughout Pinal County;
  - State trust land, with some private land, in Pinal County along I-10 toward Tucson.<sup>9</sup>
- All of these large sections of developable land will likely be required to accommodate the 5.7 to 7.5 million new people in the Phoenix MSA between 2008 and 2060, though Superstition Vistas likely stands to capture more than its "fair share:"
  - Superstition Vistas is the largest tract of contiguous developable land within the current path of Phoenix's growth; on the basis of its physical "fair share" alone, it would likely capture a significant percentage of Phoenix's future growth.
  - Unlike any other sub-region of significant developable land, Superstition Vistas is controlled by a single land owner, the Arizona State Land Department, and therefore has the opportunity to accommodate growth through a broader regional planning effort, rather than through simply reactive development.
  - As mentioned above, Superstition Vistas lies in a desired path of growth and would likely act as a successor to the fast-growing Southeast Valley.
  - As suggested by national scholars of regional development, Phoenix and Tucson are likely emerging as a "megapolitan" region – a large region including two or more large

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metropolitan areas connected by significant transportation infrastructure, such as the Interstate Highway System, and acting as complementary economic systems. I-10 is the primary transportation infrastructure connecting Phoenix and Tucson, but as the region grows, parallel, multimodal infrastructure will be necessary. Further, as a result of the land development constraints caused by the Gila River Indian Reservation, Superstition Vistas represents a potential link between Phoenix and Tucson – and therefore could occupy a strategic economic position in the future, attracting jobs and households.<sup>10</sup>

- o In the near-term, the western, northern and southern edges of Superstition Vistas (those most likely to develop first given their proximity to current development), likely have generally superior access to existing transportation infrastructure and jobs than other large sections of available land, both within Superstition Vistas and elsewhere in the MSA.<sup>11</sup>

Though the region would benefit from Superstition Vistas’ capacity to handle future growth, the extent of development of Superstition Vistas depends immediately on State Trust Land policy and actions and the delivery of adequate infrastructure. Superstition Vistas’ size is significant enough to accommodate the population of a new city, and may warrant a different planning and sales approach from the existing model, which generally supports incremental sales for a series of master-planned communities. In addition, without adequate transportation infrastructure anticipating the growth that Superstition Vistas is posed to capture, the sub-region’s development will stall, sending growth in other, potentially more remote locations in the Phoenix area.<sup>12</sup> Economic development, including a wide range of jobs both near and on the property, is a necessary ingredient for Superstition Vistas’ future growth, though the degree of to which this area can reach its economic development potential will depend on adequate transportation infrastructure.

The extent of success of these three factors – State Trust Land policy, delivery of transportation and other infrastructure, and economic development – outline RCLCO’s range of capture scenarios for Superstition Vistas. For each of the three Phoenix growth scenarios outlined above, we have assigned two Superstition Vistas capture scenarios – “high” and “low” capture scenarios – that assume two differing degrees of success at delivering the required policy and planning factors to Superstition Vistas.<sup>13</sup> Table 2 shows the range of different growth projections for Superstition Vistas by 2060.

**Table 2**

TOTAL POPULATION BY 2060	HIGH MSA GROWTH	MEDIUM MSA GROWTH	LOW MSA GROWTH
High Superstition Vistas Capture	1,050,000	745,000	477,000
Low Superstition Vistas Capture	515,000	329,00	219,000

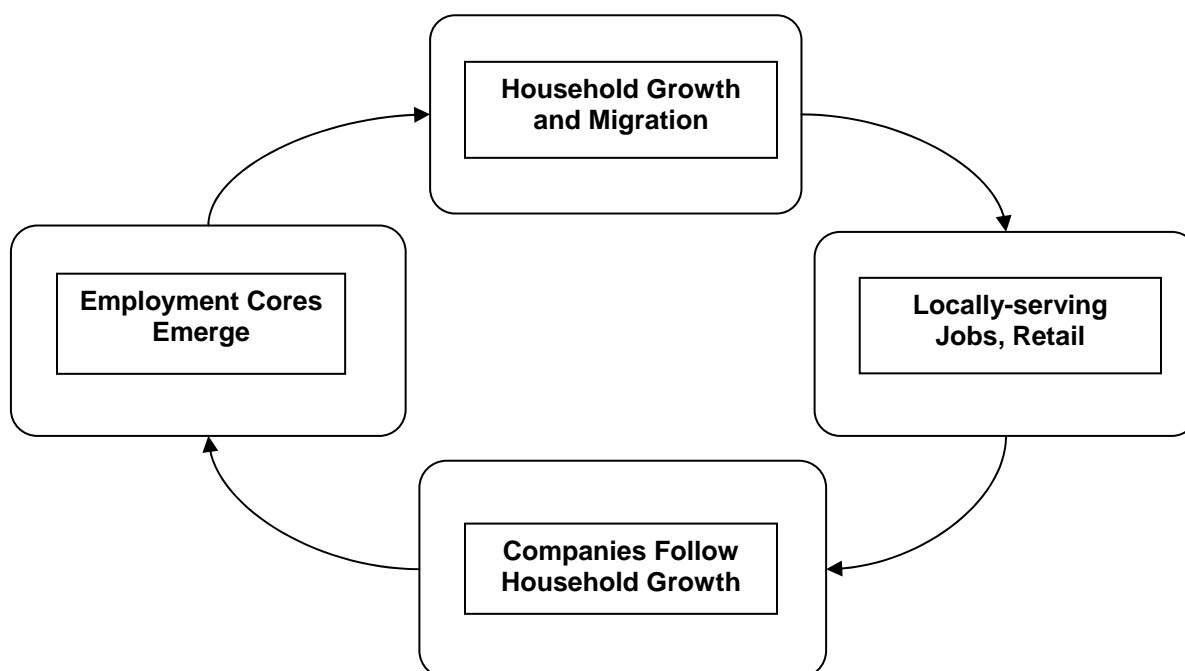
Even the low capture scenarios involve considerable growth at Superstition Vistas based on the site’s scale. It is important to note, though, that for those growth projections featuring the “low” Superstition Vistas capture rate, the Phoenix MSA’s growth must be accommodated elsewhere. As noted above, however, growth at Superstition Vistas would likely be **desirable** from a smart growth standpoint, as it would not involve “leapfrog” development and would likely occur as part of a regional planning exercise spearheaded by a single land owner (the State of Arizona). Growth at Superstition Vistas would also be **desired** by housing and employment space consumers, as would take place within an existing desired growth corridor and is closer to quality jobs, retail, and services than other large land tracts.

**Economic Development at Superstition Vistas**

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Planning and development of adequate transportation infrastructure will allow Superstition Vistas to accommodate economic development, also, turning the sub-region into a more self-sufficient economic unit, and therefore a more sustainable development pattern. A self-sufficient economy at Superstition Vistas would likely feature a jobs-to-household ratio of 1.3, similar to the Phoenix MSA and to the national economy. Economic development in the region would likewise spur additional housing development at Superstition Vistas, creating a positive cycle that drives the “high” capture scenarios outlined above (see Chart 2).<sup>14</sup> Table 3 outlines the assumed number of jobs and corresponding employment space necessary for each of the six household growth scenarios.<sup>15</sup>

**Chart 2**



**Table 3**

Scenario	2060 Employment Space Demanded					
	Employment	Office	Industrial/Fle x	Civic/Other	Retail	Total
High-High “Scottsdale”	795,000	75,270,000	162,640,000	97,200,000	31,120,000	366,230,000
High-Low Phoenix MSA	299,000	22,440,000	49,280,000	43,420,000	17,640,000	132,780,000
Medium-High Phoenix MSA	372,000	27,920,000	61,320,000	54,020,000	21,940,000	165,200,000
Medium-Low Phoenix MSA	194,000	14,560,000	31,980,000	28,170,000	11,430,000	86,120,000

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Low-High Phoenix MSA	239,000	17,940,000	39,390,000	34,700,000	14,090,000	106,120,000
Low-Low SE Valley	107,000	7,750,000	14,900,000	13,930,000	7,730,000	44,310,000

Though the land would most likely feature a predominance of housing – likely in master-planned communities – in its early years, employers would eventually follow employees to Superstition Vistas, particularly as early development begins to establish a sense of place and high quality of life, and as it features a range of housing types, from rentals and entry-level units to executive housing. Superstition Vistas will further benefit from its unique attributes within the region, such as those outlined above under the discussion about its growth, but also including its proximity to the Phoenix-Mesa Gateway airport, which currently has aggressive plans to grow and establish itself as a major regional air travel hub in the Southeast Valley.

Moreover, significant public and private interest in the development of Superstition Vistas has the potential to drive economic development in the sub-region sooner than would be anticipated solely by market forces. “Catalyst” developments, such as universities or national/regional corporate headquarters, could spur early economic development, as could aggressive initiatives and cooperation by local and regional economic development agencies. Sufficient transportation infrastructure must be planned and developed, however, to accommodate this economic development potential.

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<sup>1</sup> Based on population growth statistics from the US Census.

<sup>2</sup> From interviews with Tom Rex (Morrison Institute), Robert Lang (Virginia Tech Megapolitan Institute), Craig Ringer (CAAG), David Valenzuela (Phoenix-Mesa Gateway Economic Development), Paul Ringer (CAEDF), Rod Miller (GPEC), and Dennis Jenkins (Central Arizona College).

<sup>3</sup> The 140,000 annual population change was calculated from DES Historical Annual Estimates and based on interviews with local experts.

<sup>4</sup> Growth is based on the Morrison Institute’s “low” MSA growth scenario from the following publication: Rex, Tom, *Superstition Vistas: Demographic Issues*, Morrison Institute, July 2005.

<sup>5</sup> Based on comments from interviews with Robert Lang.

<sup>6</sup> Calculations based on data from the US Census and DES Population Projections.

<sup>7</sup> Based on data from the US Census.

<sup>8</sup> Based on RCLCO research, the Southeast Valley is a “secondary” preferred growth corridor in Phoenix, and Superstition Vistas comprises the majority of available developable land in that path of growth.

<sup>9</sup> From information from the Maricopa Association of Governments.

<sup>10</sup> Per interview with Robert Lang.

<sup>11</sup> Based on interviews with Tom Rex, Robert Lang, Craig Ringer, David Valenzuela, Paul Ringer, Rod Miller, and Dennis Jenkins.

<sup>12</sup> Ibid.

<sup>13</sup> The high capture scenario assumes the necessary infrastructure is readily available and that an employment core develops near Phoenix-Mesa Gateway and elsewhere on Superstition Vistas. The low capture scenario assumes a lack of adequate infrastructure and that the area develops as a bedroom community, following typical growth patterns on the fringe with no regional job center.

<sup>14</sup> Tom Rex (Morrison Institute), *Superstition Vistas: Demographic Issues*. The chart is also similar to one employed by Elliott Pollack to describe employment growth in the Phoenix-Mesa Gateway Planning Area.

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<sup>15</sup> RCLCO calculations are driven by jobs-to household relationships and job sector breakdown assumptions. We translate these into employment space based on space per employee assumptions typical for Phoenix.