VOLUME 8 ISSUE 3

$5.99 MAY-JUN 2019
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✦ THE HEIGHT OF A THREE-STORY BUILDING: AMERON'S CAP PIPE

✦ RIDING THE BIGGEST PIPES: AMERON'S MASSIVE CAP SIPHONS

✦ NO WATERTIGHT ALIBI: PHOENIX'S REDWOOD PIPELINE

✦ WATER FLUMES: ARIZONA'S ORIGINAL LAZY RIVER

HANDLING THE PRESSURE: HOOPER CONCRETE PIPE CO.

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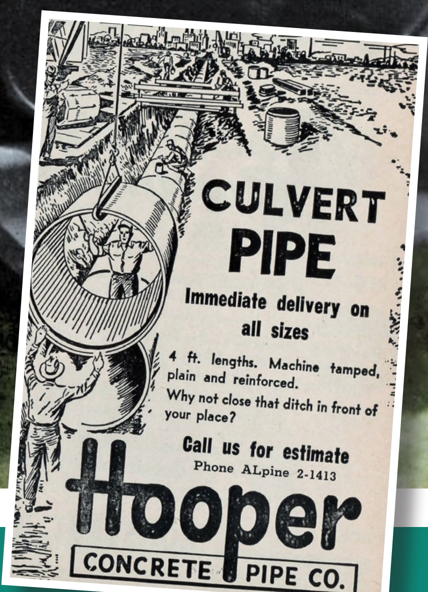

ARIZONA'S TIMELESS MAGAZINE

ARIZONA Contractor & Community

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Publisher
William Horner
Billy@arizcc.com
Butter Pecan

Editor
Douglas Towne
Douglas@arizcc.com
Peppermint

Contributors
Mint chocolate chip
Brian Adigwu
Alison Bailin
Dave Endres
Carly Hanson — Mint chocolate chip
Jeff Kronenfeld — Caramel sea salt
Steve "Ping" Pingleton — White Chocolate Raspberry
Benjamin Tate
Mark C. Vinson — Cookie dough

Production Manager
Laura Horner
Laura@arizcc.com
Strawberry

Magazine Advisor
Chuck Runbeck

Vanilla
Barry Warner
Barry@arizcc.com

Advertising
602-931-0069
Arizcc.com/advertise

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Serving Contracting Firms and the Arizona Community... *Then & Now*

Arizona Contractor & Community (ACC) magazine is published bi-monthly (Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, and Nov/Dec). ACC is a professional publication designed for the contracting industry, engineers, architects, equipment rentals, suppliers, and others interested in Arizona and its history.

WHAT'S TRENDING IN INFILL DEVELOPMENT?

BENJAMIN TATE

Infill development is currently experiencing a renaissance in the Valley and in metropolitan areas across the U.S. There is no single cause for this. Instead, it is a confluence of economic factors, lifestyle trends, and significant changes in transportation technology and infrastructure. Since the Great Recession in 2008, the trend toward suburban sprawl and new development on the fringes of the Valley has dramatically reversed.

Over the last decade, Phoenix and surrounding municipalities have exploded with infill growth and development. Congestion on Valley freeways and the availability of convenient public transit like the Valley Metro light rail have incentivized residents to move closer to urban cores and reduce their commutes. More recently, ridesharing, bike sharing, and other technology-based services have dramatically increased the convenience of transportation within urban corridors.

Mixed Use and Evolving Zoning

As residents began to move back into urban centers, development trends toward urban infill projects intensified. Demand for new housing, retail, and food and beverage opportunities in urban areas drove development toward city centers. Mixed-use developments, in particular, have proven successful in Central Phoenix, such as The Osborn Marketplace at the southwest corner of Seventh Avenue and Osborn, and The Colony at Seventh Street and Missouri.

One of the most common challenges with infill development is zoning. More often than not, infill sites are vacant or underutilized because the existing zoning is no longer compatible or consistent with the surrounding area. In some instances, the uses permitted by the current zoning are no longer desirable or economically viable. In others, the limitations imposed by the zoning district's development standards (setbacks, height, lot coverage, etc.) do not offer sufficient scale or intensity to justify redevelopment.

Land planning trends have evolved to meet these needs. Municipalities have adopted zoning codes and ordinances geared towards encouraging and facilitating infill development, offering flexibility in development standards and incentivizing greater commercial intensity and residential density. The City of Phoenix, for example, has adopted the Walkable Urban Code for the Central Avenue corridor, following the light rail along its path from Downtown Phoenix, through Midtown, and into Uptown.

The Walkable Urban Code is designed to facilitate and encourage growth and redevelopment along the Central Corridor by offering additional density, height, lot coverage, and reduced parking requirements. The developmental flexibility and opportunities for additional density and intensity are tailored toward large-scale, mixed-use developments that activate the street frontages and offer a more walkable environment.

Future Trends

The Tax Cuts and Jobs Act of 2017 established a tax incentive program to encourage and incentivize development in economically-distressed communities designated as Opportunity Zones. The Opportunity Zone program allows individuals to reduce, and under certain circumstances avoid, their tax liability on capital gains from other investments by investing those funds in Opportunity Zone development.

The Opportunity Zones themselves are census tracts designated by the states and certified by the U.S. Department of the Treasury. To qualify, each census tract must meet certain area median income (AMI) requirements to be considered economically distressed. Maricopa County contains 61 Opportunity Zones and includes areas of Downtown Phoenix, the I-17 corridor, Grand Avenue corridor, Downtown Tempe, and Downtown Scottsdale. Many of these areas are largely developed but in need of significant economic revitalization. Consequently, much of the development opportunity in these areas will be through infill development and will likely face many of the zoning obstacles described above.

As developers and investors become more familiar with the Opportunity Zone program and its tax advantages, development and competition for suitable sites in these areas will follow suit. The financial incentives offered by the program all but ensure that infill development will trend toward these areas and lead to significant redevelopment in Opportunity Zones throughout the Valley and the U.S.

Images courtesy of Dustin Revella

Benjamin Tate is a land use and zoning attorney at Withey Morris, PLC, joining the firm in 2017. He is a second-generation Phoenix native with deep roots in the Valley and a passion for development.