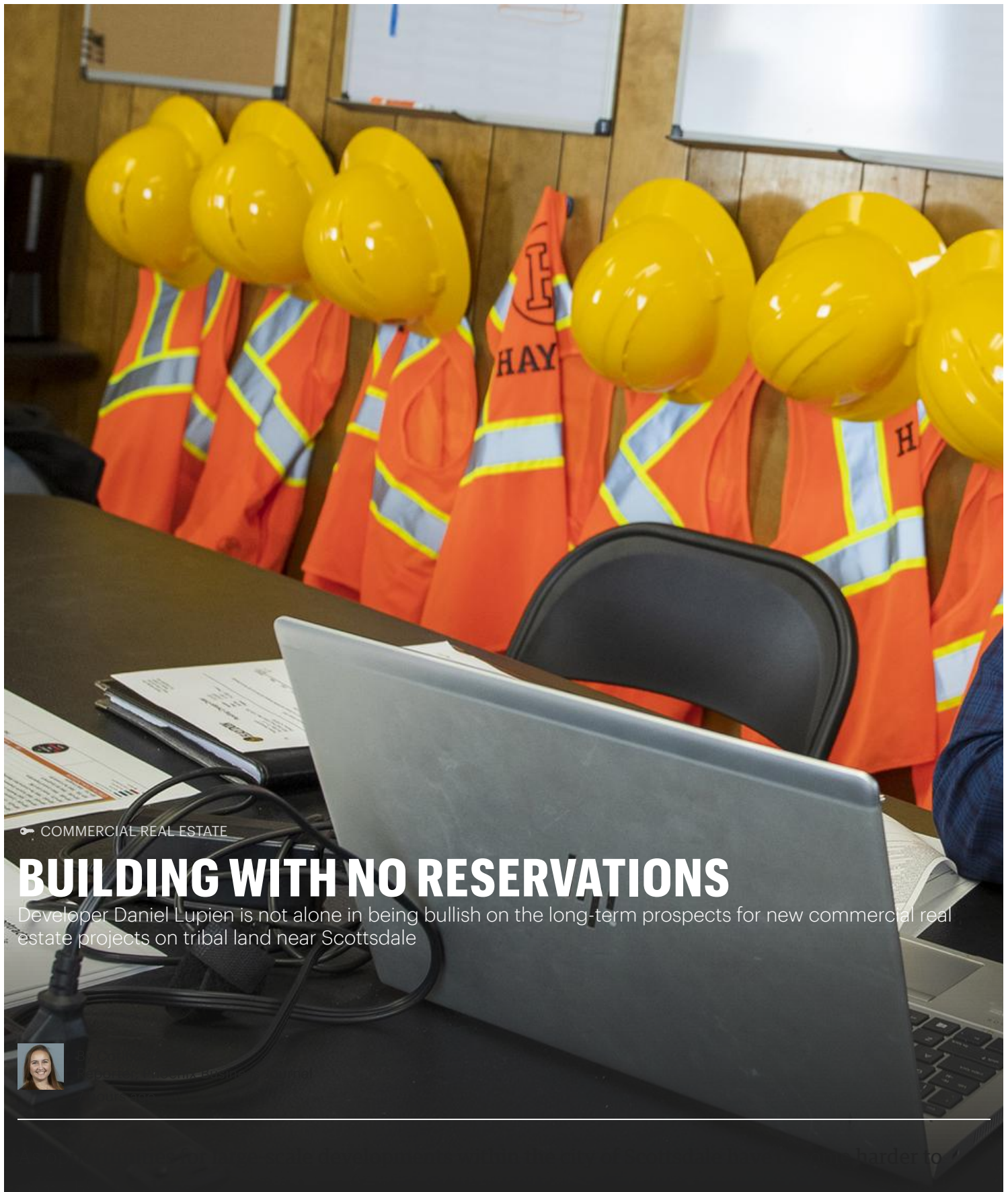


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COMMERCIAL REAL ESTATE

BUILDING WITH NO RESERVATIONS

Developer Daniel Lupien is not alone in being bullish on the long-term prospects for new commercial real estate projects on tribal land near Scottsdale



Community, which has quickly become a destination for a slew of commercial projects.

In the past five years, nearly 1.7 million square feet of commercial space has come online on the reservation, according Newmark Knight Frank research. That slice of the Valley is home to Salt River Fields, the spring training home of the Arizona Diamondbacks, as well as the Great Wolf Lodge, Medieval Times restaurant and Arizona's only White Castle burger restaurant.

Development in the corridor has nearly doubled in the past five years, and the area now encompasses about 3.5 million square feet of developed space. The reservation is directly east of Scottsdale, and is bounded by Pima Road on its western edge.

What's more, the area has also seen some massive office leases in recent years, including McKesson, which leased 395,879 square feet across three buildings and International Cruise and Excursions, which leased 149,544 square feet in the submarket. Buildings on the community have Scottsdale addresses, but have to gain approval from the tribe, not the city.

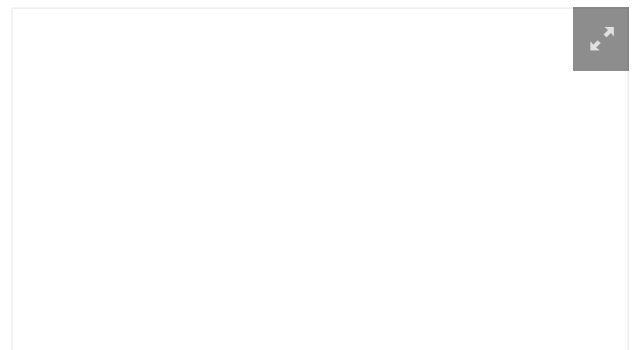
Even in the face of the Covid-19, which has brought sweeping changes to office and retail real estate, one of the area's most active developers has chosen to move forward with new projects in the reservation corridor because of his optimism about the area's long-term future.

"We are still fully committed to the trade area and the market," Daniel Lupien, principal of Palmer Development said. "We have high hopes for success, not just for our projects but for the neighborhood."

Long-term leases

Land on the reservation cannot be sold, so developers operate on long-term leases. The area has become a destination for commercial development in part because only Native American tribal members can live on the reservation, thus barring large-scale residential development beyond the needs of those members.

"I have faith in the market, faith in Scottsdale and faith in the corridor," Lupien said. "We've originated five new (lease) deals since March. It's a testament to the land. If we were in any other location, we probably would have made a different decision, but Scottsdale freeway frontage is valuable."



Daniel Lupien of Palmer Development: 'I have faith in the market, faith in Scottsdale and faith in the corridor.'

JIM POULIN / PHOENIX BUSINESS JOURNAL

Retail development

The corridor has also become a hotspot for different types of retail development, including an array of car dealerships. The \$13 million Mark Kia auto dealership recently completed construction at the Scottsdale AutoShow at Salt River development.

Jason Morris, a partner with Withey Morris, worked to get entitlement approval on the Pavilions at Talking Stick retail power center, which was subject to a massive redevelopment by De Rito Partners. The project took three years, and Morris said the tribal leadership at the time was looking forward to seeing progress on that property.

“When you look at what’s happening in Scottsdale, there is a more restrictive council attitude, but there’s vacant land next door with a jurisdiction that has a much more aggressive economic development attitude,” Morris said.

Read more: [Valley tribal president says more commercial real estate opportunities expected](#)

Typically, cities have to spend a lot of money to take care of the residential side of their operations, Morris said. However, because people who are not tribal members cannot live in the Salt River Pima-Maricopa Indian Community, neighboring Scottsdale takes the majority of the residents but the reservation gets the benefit of the economic activity.

Morris’ work on the Pavilions project aimed to “breathe new life” into the old power center, which was developed in 1989. The property, adjacent to Loop 101, now includes Octane Raceway, iFly indoor skydiving and other entertainment and retail uses.

The process for getting projects approved in the community is similar to that of a city, Morris said, and community leaders and the tribe’s council consider “every use is a long-term use.”

“Just like every municipality has its own personality, outlook and mission, every tribal community has its own personality, outlook and mission,” Morris said. “Real estate is about location, but the next level is what type and when.”

Freeway frontage in demand

Morris, who has also worked on notable Scottsdale projects, including zoning approval for the Papago Plaza redevelopment that is underway at McDowell and Scottsdale roads, said he expects the city and the tribe to both see growth in the future as the area continues to change.

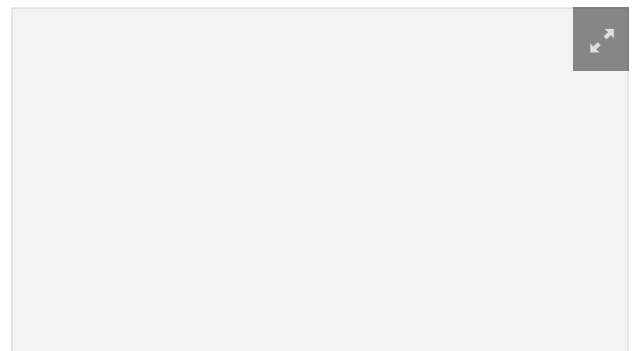
“I don’t think it’s going to be exclusive to one or the other,” Morris said. “Scottsdale has some great redevelopment opportunities that we are seeing. Competition only makes things better. It doesn’t destroy one or the other. I think it’s great Scottsdale has viable competition on its doorstep.”



The coronavirus pandemic did cause Lupien to shift plans for his \$157 million planned speculative office project, called the Sydney. That development was planned to be built completely speculatively, but Lupien said he now intends to wait until there are tenant commitments in place to move forward with construction.

Lupien is the developer of the Block at Pima Center, a 22-acre mixed-use project that includes White Castle, which had crowds of customers that waited in line longer than three hours when it opened last October. The Block also include several other restaurants, including Rusty Taco, Starbucks and Texas Roadhouse.

In January, Palmer Development broke ground on the Edge, a 15-acre mixed-use project near Loop 101 and 90th Street. The project, designed by Butler Design Group, will include a four-story, 212,000-square-foot office building and several retail buildings, totaling about 22,000 square feet. However, the pandemic has shifted some of the plans for retail spaces. Instead of sit-down, full-service restaurants that had originally been in the plans for the project, Lupien said he is instead courting fast-casual users that have drive-thrus. Open pads with a drive-thru in Scottsdale can be hard to come by, so Lupien said he expects his options to be popular for users.



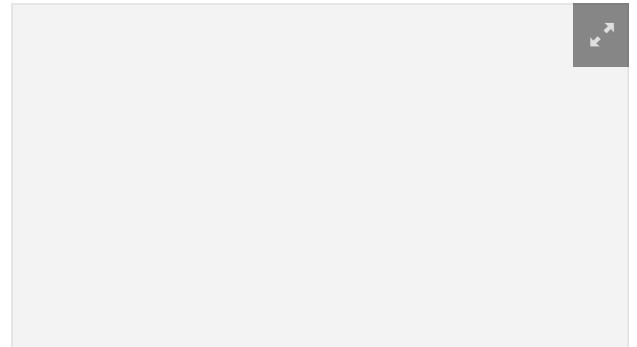
An artist's rendering shows the planned office complex at the Edge development at Loop 101 and 90th Street.

PROVIDED BY DANIEL LUPIEN

“We are trying to figure out where the new voids are,” he said. “Retail is still in demand, and we are right on schedule and right on budget for both the Edge and the Block. There’s still a void for these types of businesses.”

As more notable developments take place in the community, Morris said he expects the energy in the area to only grow.

“Developers don’t like uncertainty and they don’t like to be pioneers,” he said. “There’s such a risk in pioneering, but that has gone away.”



Despite the economic effects of the coronavirus, construction on multiple sites on tribal land, including this site at 90th Street and Pima Road, is going full speed ahead.

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Morris said the tribe was forward-thinking when the Loop 101 alignment was decided, and both sides of the freeway frontage in that area are on tribal land, making the area desirable to developers for its high visibility.

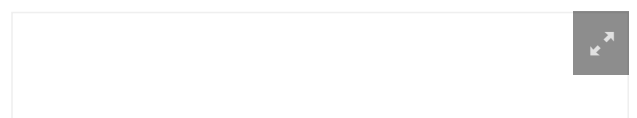
“As soon as you have a freeway alignment set, you can be sure there are developers waiting in the wings,” he said.

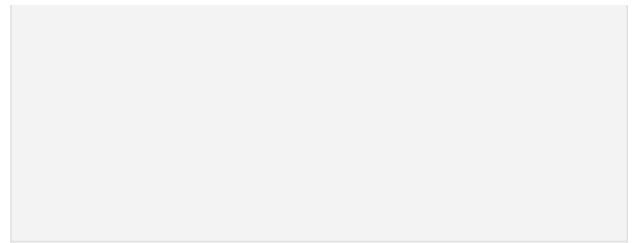
Tomas Gorny, the CEO of Nextiva, said the Scottsdale business communications company considered moving its headquarters, which was already on the reservation, into a speculative development in Tempe when it was time to expand its capacity. However, the company instead will move into a new headquarters on the reservation less than two miles from its existing location. The easy access from the freeway was a major selling point for Nextiva, which has employees commuting from all directions, and Gorny worried about traffic concerns in Tempe.

“It wasn’t about the reservation,” Gorny said. “We wanted the opportunity to create an open environment. We weren’t married to the space as much as easy access.”

Construction of the first phase of Nextiva’s headquarters began just as the coronavirus was spreading in early March. The first phase includes 100,000 square feet with the ability to add another 150,000, Gorny said.

“We wanted to be sure we could build a campus feel, we can create a community environment within us,” he said.





Tomas Gorny, CEO of Nextiva
NEXTIVA

Gorny said the tribe asked Nextiva to incorporate design elements of the reservation into the design of the new headquarters, which has not meshed with all companies that have considered building on the reservation.

Not every deal to build on tribal land comes to fruition. Axon Enterprise Inc., the maker of law enforcement body cameras and Taser stun guns, had previously announced it was moving its headquarters from Scottsdale to the reservation, but in October 2019, the company announced in a filing with the Securities and Exchange Commission that it had been unable to secure design approval with tribal leadership and scrapped the plans of moving there.

The company has since made an agreement with the city of Scottsdale, heavily laden with incentives, to buy land within the city for its new headquarters building.

Despite that hiccup, developer Lupien said it is easy to see why the reservation is more popular for commercial projects.

“Just look at a Google Earth photo of Scottsdale and you can see where development will be,” he said.

See some key locations of projects already completed and in the works on tribal land near Scottsdale in the map below:



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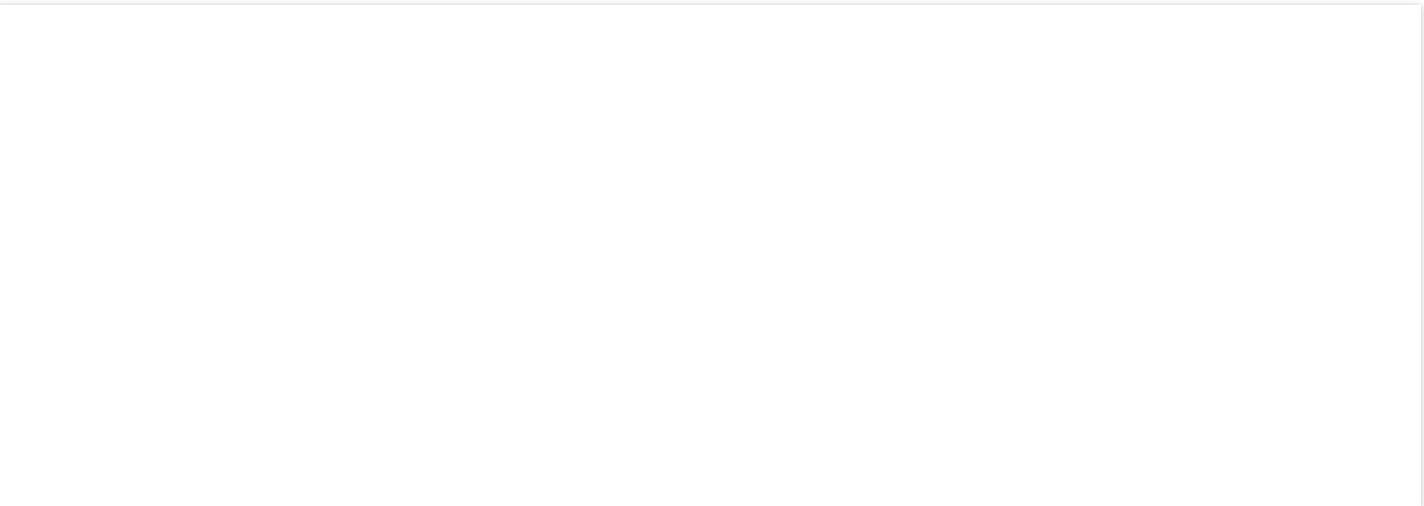


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