

# THE ARIZONA REPUBLIC



# Mixed-use project moves ahead

## City Council OKs Chandler's South Shore

By Luci Scott  
THE ARIZONA REPUBLIC

On a large parcel in south Chandler, developers are planning what they and city officials envision as the next great urban-living experience.

South Shore would mix townhomes and lofts with shops, restaurants and office space. It

would feature a 1.6-acre lake, fire pits, artwork, fountains, lush landscaping and a place for concerts.

Nestled in the 43 acres would be more than 120 townhomes, a clubhouse, office buildings and perhaps a five-story boutique hotel.

"It will be Chandler's Kierland Commons," said Christine

Mackay, the city's director of economic development, referring to the northeast Phoenix center that many consider the gold standard in the Valley when it comes to mixed-use projects.

The Chandler City Council last week approved the proposal.

South Shore would be the largest upscale, mixed-use com-

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BERKUS DESIGN STUDIO  
Shops, restaurants and possibly a boutique hotel would mix with 120 townhouses at Chandler's \$150 million South Shore community.



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## Chandler mix-used project defies recession

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munity to date in Chandler. It comes at a time when other mixed-use projects are kicking up — and, in some cases, falling down — during a recession.

Aside from competition with one another, developments like South Shore face the more immediate challenge of getting financing given the credit market has virtually dried up, said Jay Butler, director of realty studies in the Morrison School of Management and Agribusiness at Arizona State University.

“There are a lot of issues as to when they’ll be able to come out of the dirt,” Butler said.

Butler and other experts say that unless projects are already under way, neither banks nor private lenders were likely to be interested.

Tim James, research professor of economics at ASU, notes that developers are working in a time when “retailing in general is pretty horrible,” especially in metro Phoenix.

“We have got quite a lot of overbuild, so there are too many developments now,” James said. “And for many stores trying to open in this climate, there is not sufficient demand.”

The economy has already stalled some projects, notably Elevation Chandler south of Chandler Fashion Center and Centerpoint in Tempe, both of which are in bankruptcy.

When the economy does pick up, competition among the projects for home buyers and retail tenants will likely be fierce.

In Chandler alone, three other mixed-use projects — a concept that aims to create a space where people can live,

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**Tim James**  
ASU economics professor

work, shop and play — are in the works:

» The Metropolitan, planned for west of Chandler Fashion Center. Developers hope to break ground next year.

» San Marcos Commons in downtown Chandler. Some of the townhomes are already occupied, but construction on the retail and office portion has yet to begin.

» Downtown Ocotillo, south of Queen Creek Road between Price and Dobson roads. Some retailers and restaurants in the 30-acre development are already open.

That’s not to say South Shore faces insurmountable obstacles.

R.L. Brown, co-owner of Home Builders Marketing and a real-estate expert, said Chandler may have “sounder opportunity” than many other spots. The city boasts a strong employment base and solid residential communities, he said.

The average household income in Chandler is \$74,172, and the median is \$72,037, compared with an average of \$64,537 and a median of \$46,961 in Phoenix.

“A Chandler location, I would think, would be a plus, good times or bad,” Brown said. South Shore is being devel-

oped by Doug Stephan of Scottsdale-based Nautica Development Group and Scottsdale investor Barry Talley.

Construction, expected to cost more than \$150 million, could begin early in 2010, with the first phase finished in mid-2011, Stephan said.

The timing isn’t horrible, either, Stephan said, because he expects the permitting process with the city alone to take about a year.

By the time construction starts, “we certainly expect (the economy) to be better,” he said.

Hotel Indigo, a boutique-hotel brand owned by InterContinental Hotels Group, has signed a letter of intent, Stephan said. Two four-story office buildings are also part of the plan.

“It was very important to us to create a destination rather than a drive-by retail center,” he said.

» San Marcos Commons in downtown Chandler. Some of the townhomes are already occupied, but construction on the retail and office portion has yet to begin.

