



# Land scarce for industrial users

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Heavy industrial space in the Valley is becoming increasingly scarce as communities continue to reduce the amount of such land in their general development plans.

As a result, businesses that provide basic services that residents rely on - but often do not want to be located near - are finding it more difficult to expand.

"I think there are certain sets of uses that no matter how the economy changes and evolves, you're always going to need that kind of zoning," said Grady Gammage, a Phoenix attorney who specializes in issues of land use and zoning.

Heavy industrial businesses include junkyard operators, scrap-metal recyclers and machine-shop owners.

Ironically, in the past decade, the Valley's industrial base has grown from about 170 million square feet of building space to about 240 million square feet, said Pat Feeney, a senior vice president with CB Richard Ellis in Phoenix.

That growth has had a negative consequence: The increase in the number of buildings has devoured about 4,500 acres of land.

And population growth is putting increased pressure on an already-stressed market.

The reason is twofold. First, consider the cosmetic factor. Many fast-growing Valley communities do not view such businesses as attractive.

Critics point out that these businesses tend to be smaller employers, that their existence can drive down neighboring property values and that they can be eyesores.

So obtaining special heavy industrial zoning for vacant land can be almost impossible in some communities.

"I really don't foresee any area of our community that would really be appropriate for that type of use for the future," said Dean Svoboda, long-range planning director for Avondale.

The second problem is that some areas that do contain heavy industrial zoning are located in districts that are marked for redevelopment.

New businesses that would have been able to locate in those places before now are blocked or face more stringent restrictions.

"There clearly is a shortage of heavy industrial-zoned land available for sale within the infill locations of Greater Phoenix," said Michael Haenel, a senior vice president in Grubb & Ellis/BRE Commercial LLC's Phoenix office.

Phoenix's "Opportunity Corridor" is one example of a redevelopment area that could put a bigger strain on businesses that need heavy industrial space, said Pete Bolton, senior managing director of CB Richard Ellis' Phoenix office.

The corridor is an area that stretches from downtown Tempe to the state Capitol. In 2005, Phoenix Mayor Phil Gordon announced the area as being ripe for redevelopment.

Bolton said he supports the idea, but questions how redevelopment will occur without displacing many of the heavy industrial businesses that are located within the area.

"That's the only cog in Mayor Gordon's wheel right now, and that is these guys have no place to go," Bolton said. "They're considered dirty industry."

### **A needed service**

While such businesses may not be major economic drivers, owners of the companies point out that their services - which include outside storage of materials; mechanical and chemical processing; and materials recycling - still are important to the Valley.

Jay Robie has experienced the pains of trying to find heavy industrial space in the Valley.

Robie and his partners run a scrap-metal recycling business southwest of downtown Phoenix. More than a year ago, they realized they were outgrowing their two locations and needed more land.

After being outbid on several for-sale properties, the business owners were contemplating leasing space.

"I figured with industrial property like that you would have time to negotiate and try to work out the best deal that you could," said Robie, general manager of CMS/Morrell LLC. "I was kind of surprised to learn we were actually used as a way to drive up the bids of other people."

Eventually, they found a 5.7-acre parcel zoned for heavy industrial use near one of their current locations. They are in the process of taking over the space from the seller, PCT Distribution LLC.

### **High prices**

Valley property brokers say Robie's situation is common among heavy industrial users looking for land.

The special-use space is not completely obsolete in the Valley. Pockets of it exist around Phoenix Sky Harbor International Airport, as well as Deer Valley Airport in north Phoenix, and in Mesa near Williams Gateway Airport. Land also is available in Chandler near Chandler Municipal Airport.

Because of the shortage, any land usually isn't on the market for long, and it commands a high price.

PCT Distribution LLC did not even have time to advertise its property officially before Robie, his partners and their broker came knocking.

"We were flabbergasted, to say the least," said Pamela Valdez, vice president of the family-owned furniture distribution company. "We just kind of put it up. We hadn't even done any advertising on it. Within a week, it was sold."

The property, located near 33rd Avenue and Lincoln Street, contains about 85,000 square feet of enclosed warehouse space, Valdez said, which helps CMS/Morrell curb several of the issues surrounding outside storage of materials.

Robie said the business has not decided what it will do with its two other locations.

"We haven't decided because properties are so hard to come by," he said. "We're really afraid to give up any of it."

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