

Phoenix looks to northern, southern outlying areas for future economic growth



From left, Christine Mackay, community and economic development director, City of Phoenix, Nick Wood, partner, head of zoning and land use department, Snell & Wilmer, Sarah Porter, director, Kyl Center for Water Policy, Arizona State University and Jerry Roberts, executive managing director, Cushman & Wakefield were the panelists on Aug. 17 at the Business Journal's Phoenix Growth Summit held at Papago Golf Club.

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The city of Phoenix is not even close to being built out.

In the next 20 years, the Arizona capital is planning for exponential growth with hundreds of thousands of new jobs, especially in the north and south parts of the city.

The growth in Phoenix, which is home to nearly 1.7 million people, has been booming along with other Sunbelt markets in part because [of the arrival of Taiwan Semiconductor Manufacturing Co.](#), the resurgence of advanced manufacturing in the U.S. and the large migration to the area.

Christine Mackay, the economic development director for the city of Phoenix, said at the Business Journal's Phoenix Growth Summit panel event on Aug. 17 that she has never seen economic activity levels in Phoenix reach its current frenetic pace. About 160 people attended the sold-out event, sponsored by Salt River Project.

"It's a crazy time to be in Phoenix," Mackay said. "Phoenix is the 'it girl' right now. We're going to grab as much as we can while we can. We're going to sleep later."

Since Taiwan Semiconductor Manufacturing Co. announced its plans to invest \$40 billion for a huge computer chip production facility being built in north Phoenix, Mackay said about 40 semiconductor sector companies are either already on the ground in the Valley or are considering opening here to support the chipmaker and other companies wanting to be part of that momentum.



Image: Phoenix Business Journal

The Taiwan Semiconductor Manufacturing Co. plant under construction in north Phoenix.

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Before the Covid-19 pandemic, she said about 2% of the city's business pipeline was international – now it's 30%. And that pipeline includes companies from across the globe, not just Taiwan.

"This is about advanced manufacturing, this is about innovation, this is about game-changing technology that are happening all over Phoenix," Mackay said.

In the next decade, the city expects to see the Biscuit Flats area in north Phoenix, where TSMC is located, as well as the [South Mountain corridor along the Loop 202](#), to explode with new jobs, companies and development.

In total, Mackay said the north Phoenix corridor is expected to see 80,000 jobs and the Loop 202 corridor in the Laveen village area to see about 100,000 jobs.

Downtown Phoenix recovering from pandemic

Downtown Phoenix is also hurtling back from the Covid-19 pandemic. Recent data shows that activity in the city's downtown area [was 72% recovered since before the pandemic](#) in the second quarter of this year.

While the office market has struggled since the pandemic, the growth of residential in downtown has helped offset the decrease in activity for restaurants and retailers. Some office buildings are also in the process of being converted into mixed-use projects, which will help lower downtown's 26% vacancy rate.

Coming Friday online and in the Business Journal's weekly print edition: A special report on the fast-track growth happening in Laveen, from reporter Audrey Jensen

Jerry Roberts, an executive managing director for Cushman & Wakefield, said that the best and most expensive office buildings with all-time high rents in Phoenix are the newer buildings with amenities and modern features, which he said makes up about 20% of the market.

Office buildings such as the [Renaissance in downtown Phoenix](#), which has landed big leases in recent months in new speculative suites, and [the Grove in the Camelback area](#), are where tenants are moving.



Jerry Roberts, executive managing director, Cushman & Wakefield.

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The other 80% of buildings are struggling to bring back employees because of a lack of amenities driving people back to work in person, Roberts said.

"The name of the game is trying to get a reason to get your employees back to the office," Roberts said.

Mackay said downtown now has 11 cranes, mostly for major residential projects, and a sprinkling of commercial buildings.

How Phoenix is supporting its growth

To prepare for the growth, community leaders have also been working on solutions to expand water, power, infrastructure and education. Through American Rescue Plan Act funds, Mackay said about 1,000 students have been trained in semiconductor technician skills and are being hired for local jobs.

The White House also recently designated the city of Phoenix as [one of five workforce hubs](#) across the country, which will help up-skill existing labor and train a future workforce for manufacturing industries.

"What that does is gives us assets and an ability to work with the thought leaders across the country to work toward best practices, work toward programs and stackable credentials and training programs," Mackay said.



From left, Phoenix Business Journal Editor-in-Chief, Greg Barr, moderates the Phoenix Growth Summit panel that included Christine Mackay, community and economic development director, City of Phoenix, Nick Wood, partner, head of zoning and land use department, Snell & Wilmer, Sarah Porter, director, Kyl Center for Water Policy, Arizona State University and Jerry Roberts, executive managing director, Cushman & Wakefield.

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Housing is also a big piece of the puzzle to support the expanding population and workers. The city recently looked at accessory dwelling units to help bring in additional housing in Phoenix.

Nick Wood, an attorney for Snell & Wilmer who represents major projects and land deals across the city, said Phoenix officials should focus on building denser and higher as well as opening the doors for duplex homes, which allow for rentals on second floors of homes.

"What makes it great is it allows for the workforce to buy a home and pay the mortgage, because now you have a unit upstairs that you can rent out," Wood said. "We're challenged to provide adequate housing for everybody."



Nick Wood, partner, head of zoning and land use department, Snell & Wilmer, left, and Sarah Porter, director, Kyl Center for Water Policy, Arizona State University, at the Phoenix Growth Summit held Aug. 17 at Papago Golf Club.

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As for water concerns, Sarah Porter, director at Arizona State University's Kyl Center for Water Policy, said Phoenix is set up better than most Valley cities with a diverse water portfolio consisting of the Salt and Verde Rivers, Colorado River, groundwater and recycled wastewater through a future water purification plant.

"Phoenix is in pretty darn good shape for its water portfolio. It isn't facing some of the constraints on growth that we're seeing in the more outlying areas of the Valley," said Porter.

Phoenix is one of many cities in the Valley that has a 100-year assured water supply designation and is not as reliant on groundwater as younger cities. Because of this, Porter said Phoenix is unlikely to be impacted by the [recent moratorium on housing subdivisions reliant on only groundwater](#).

Industrial projects such as TSMC also plan to recycle much of the water being pulled out of the existing supply for semiconductor processing, said Mackay.

Porter noted that increased density in housing such as apartments can also help with water sustainability, as well as the housing shortage in the Valley.

Mackay said the city has been working to dispel myths or misinformation about Phoenix's water and workforce supply.

"We're in the crosshair of everyone now who sees us as their competition," Mackay said.

"We're a big city competing now not just in Arizona, we're competing across the globe.

They want what we have and we're not giving it up."