

# Bridge to Where?

SCOTTSDALE'S SOUTHBRIDGE DEVELOPMENT WAS TOUTED AS THE CITY'S NEXT BIG HOT SPOT. BUT A SLUGGISH ECONOMY HAS LEFT PLANS FOR THIS MUCH-ANTICIPATED CONCEPT HANGING.

**F**RED UNGER WALKS INTO his third-floor boardroom overlooking the south bank of the Arizona Canal and spreads a 3-by-3-foot aerial photograph of downtown Scottsdale out on the table.

Like a football coach diagramming a game-winning play, Unger marks up the laminated photo with black, red and green pens.

He draws a circle around nearly 2 million square feet of retail space contained within the walls of Scottsdale Fashion Square. He outlines the historic Old Town district that serves as the cultural heart of Scottsdale.

And in between, he sketches the five phases of SouthBridge, an ambitious development meant to serve as a pedestrian-friendly link between Scottsdale Fashion Square and Old Town Scottsdale. At least, that was the game plan when Unger drew it up at the behest of city officials seeking to clear out the dilapidated buildings they believed deterred foot traffic between the mall and Old Town.

But between the first and second phases of the SouthBridge project, Unger's winning play encountered a defense that even he couldn't immediately overcome.

"A funny thing happened along the way," Unger says. "Phase One was up and built, and then we had the financial meltdown. Globally as well as locally, everything has come to a grinding halt. There is no market to speak of for selling residential condos, the banks are not lending and everybody is kind of frozen in place."

SouthBridge's first phase - including 140,000 square feet of office space and one-of-a-kind restaurants and shops - was completed last winter after an investment of \$41 million, including \$5 million that the city kicked in to landscape the canal's edge and build a pedestrian bridge and public parking garage.

The plan originally called for four more phases stretching from Scottsdale Road to the Hotel Valley Ho. A decade of development would result in 12 three-story brownstones, 11 lofts sitting over retail, 42 condominiums with retail and a restaurant, and a boutique hotel with more condos and retail.

Unger blots each phase with an X as he explains the economic conditions that led to the halt in construction.

Even SouthBridge's first phase has struggled. A design flaw at Foodbar, a Euro-

pean-style urban café, forced Unger to close the restaurant while it underwent significant and costly architectural renovations. It reopened this fall as the more upscale Metro Brasserie.

Unger dedicated 30,000 square feet to The Mix, a collection of unique, independently owned shops ranging from toy and linen sellers to the pet boutique Oh My Dog!. But with consumer spending down and without the marketing muscle of established, deep-pocketed chains, The Mix has struggled to lure shoppers across the canal.

"There's going to be a shakeout of some of the weaker concepts throughout the city, and we're seeing it here at SouthBridge," Unger says. "There's a repositioning in The Mix shops where they've gotten down to the strong concepts."

It hasn't been all bad news for SouthBridge, however. During the buildup to Super Bowl XLII, ESPN set up shop on the pedestrian bridge beneath Unger's office and brought valuable exposure to the development. SouthBridge is also adding more cultural events, including concerts and culinary exhibitions, to its calendar in an effort to lure more first-time visitors.

Despite the economic slowdown, SouthBridge is moving forward.

In September, the city approved a plan that would allow Unger to replace one of the residential phases with a three-story, 125-

unit luxury hotel. Financed by Oakland Athletics owner Lewis Wolff, the hotel would be a part of Westin's new extended-stay concept, Element. (Negotiations between Unger and Wolff had not been finalized at press time.)

In some ways, Unger has been fortunate with SouthBridge. He sold rather than leased SouthBridge's office space to tenants and liquidated his supply last December. He gave himself a bigger cushion by selling The Mix shops and four of the seven restaurants to industry veterans Jennifer Croll and Peter Kasperski, respectively.

By the time the Valley felt the full effects of the financial crisis, SouthBridge's first phase was sold out and future phases were waiting for city approval and subsequently put on hold. As a result, Unger can afford to be philosophical about the future of SouthBridge and the development craze that helped lead to the country's economic crisis.

"Some people were just wild people, but all of us in the business got lulled into the sense that the good times would continue indefinitely," Unger says. "I have been through three downturns at my age. This one appears to be approaching the worst I've seen, so it's incredibly scary. Fortunately, SouthBridge was where it was when things slowed down. Otherwise, I'd be sitting here managing a problem project."

— Matt Simpson



PHOTO BY NICOLE RUEGNER