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LAND EXCHANGE

Phoenix Indian School Development Plan Adversely Affects Property Value





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General Government Division

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July 25, 1991

The Honorable Daniel K. Inouye, Chairman
The Honorable John McCain, Ranking Minority Member
Select Committee on Indian Affairs
United States Senate

The Honorable J. Bennett Johnston, Chairman
The Honorable Malcolm Wallop, Ranking Minority Member
Committee on Energy and Natural Resources
United States Senate

The Honorable George Miller, Chairman
The Honorable Don Young, Ranking Minority Member
Committee on Interior and Insular Affairs
House of Representatives

The Honorable William D. Ford, Chairman
The Honorable William F. Goodling, Ranking Minority Member
Committee on Education and Labor
House of Representatives

This report, which is required under Public Law 100-696, analyzes the development proposals and rezoning process followed for the Department of the Interior's Phoenix Indian School property in Arizona. It provides information and analyses to help you determine how the development plan for the Indian School site affects the government's interests.

We are sending copies of this report to the Arizona congressional delegation, the Secretary of the Interior, the Secretary of the Department of Veterans Affairs, the Mayor of Phoenix, the President of the real estate division of the Barron Collier Co., and other interested parties.

Major contributors to this report are listed in appendix II. If you have any questions concerning this report, please contact me on (202) 275-8676.

L. Nye Stevens
Director, Government Business
Operations Issues

Executive Summary

Purpose

Public Law 100-696 authorizes the possible exchange of government-owned property formerly occupied by the Phoenix Indian School in Arizona for environmentally sensitive land in Florida. The 111-acre Indian School site is potentially one of the most valuable undeveloped real estate parcels in the Southwest, depending upon how the City of Phoenix allows the property to be developed. Public Law 100-696 requires GAO to analyze the development proposals for the Indian School property, the final development plan, and the final plan's effect on the property's potential value. (See pp. 8-12 and 27-28.)

Background

Public Law 100-696, enacted on November 18, 1988, authorized the possible exchange of part of the Department of the Interior's land formerly occupied by the Phoenix Indian School for about 108,000 acres of environmentally sensitive land in Florida owned by entities controlled by the Collier family and a cash payment of about \$35 million representing the difference in the estimated value of the properties. In May 1988, GAO reported that the value of the Indian School site could not be determined until the City of Phoenix decided how a developer could use the property.

The law set a minimum value of \$80 million on the Indian School land and required that it be reappraised after Phoenix decides how it can be developed. The value of the property is dependent largely upon the amount of commercial development that the city will permit on the site. The law required Collier to pay the higher of \$80 million or the newly appraised value. The law will expire on November 18, 1991. After that date, Interior will no longer have authority to exchange the Indian School site.

Public Law 100-696 authorized Collier to work with the city to reach an agreement on how the site would be developed. It also gave 20 acres of the Indian School site to Phoenix for use as a park and 16 acres to the State of Arizona and the Department of Veterans Affairs for veterans care facilities.

GAO analyzed the development alternatives considered for the Indian School site and the specific plan ultimately proposed by the City Council. A specific plan is a development plan forming the basis for rezoning the property. (See pp. 8 to 16.)

Results in Brief

Nine alternative proposals were considered by various city planning groups for the school site, which is located about 3 miles from downtown Phoenix in the northern portion of the Central Avenue corridor. They had varying amounts of proposed commercial space, parkland, hotels, and residential housing. The specific plan chosen for the Indian School site, not one of the nine alternatives, reflected the Phoenix City Council's desire to limit competition to downtown development, increase residential housing, and obtain as much parkland as possible for the city. To achieve these objectives, the plan allowed less commercial space than what the city had proportionally allowed developers in other projects and what some real estate experts considered to be reasonable.

Had Phoenix allowed as much commercial development as deemed reasonable by Interior's contract appraiser and GAO's consultant, the government potentially could have realized more than the \$80 million minimum price established in Public Law 100-696. Given the specific plan's open-ended, potentially costly requirements for reducing traffic impacts and improving open space, GAO did not determine the property's value. However, the specific plan greatly diminishes the property's value from the \$80 million specified in Public Law 100-696.

GAO's Analysis

Two of the nine development alternatives were proposed by a Land Use Planning Team consisting of Collier and city representatives. The Phoenix planning department considered six other alternatives. The Phoenix planning commission recommended a ninth. The alternatives had varying proposals for commercial space, parkland, hotels, and residential housing. Allowed commercial development ranged from none to 6.5 million square feet. Required parkland ranged from the 20 acres provided for in Public Law 100-696 to 90 acres. The City Council's June 25, 1991, specific plan for the Indian School site, which was not one of the nine alternatives, allows 1.4 million square feet of office space and 100,000 square feet of retail space on the site, and requires 1,200 residential units to be built and 40 acres to be set aside for parkland.

The City Council selected a specific plan that contained lower amounts of commercial development than some other proposals to (1) protect developments downtown, where the city has made investments to encourage revitalization, (2) reverse what the Mayor termed "rezoning excesses of the 1980s," and (3) maximize the amount of parkland for the city. (See pp. 17 to 23.)

Indian School Property Value

The City Council's limit on the amount of commercial space that could be built on the Indian School site was significantly lower than what some real estate experts felt could be the property's highest and best use. The specific plan was inconsistent with past zoning approvals for other real estate developments in the Central Avenue corridor. Phoenix has allowed about twice as much office space along the Central Avenue corridor as it has allowed downtown.

City officials said they approved an appropriate amount of development for the Indian School site, given that the property lies outside a "village core," an area designated for the greatest development. Phoenix had approved construction of other major commercial developments outside the village core along Central Avenue, Phoenix's main thoroughfare bordering the Indian School site, that were proportionally larger than the amount of commercial development contained in the specific plan. GAO did not find any other instance where the city required a developer to provide parkland as a condition of approving commercial development. Phoenix does require developers to devote 50 percent of their lots for "open space," but that space is not the equivalent of parkland since it can be and often is used for parking.

In April 1991, before the specific plan was submitted, Interior's contract appraiser estimated the property's value to be higher than \$80 million on the basis of a highest and best use of 4.4 million square feet of commercial development. GAO did not estimate the property's value based on the specific plan because the plan is unclear about the developer's liability and potential costs for reducing traffic impacts and improving the open spaces for public use. However, the property's value based on the city's plan is considerably less than \$80 million. Thus, by limiting development on the Indian School site to 1.5 million square feet of commercial development, Phoenix has adversely affected the potential value of this federal government asset.

GAO continues to believe that the Indian School site is potentially one of the most valuable undeveloped urban properties in the Southwest. City officials said they will not increase the amount of commercial development permitted on the site before November 18, 1991, when Public Law 100-696 expires. If the present or a subsequent city council increases the amount of commercial development permitted on the site, the property's value could increase considerably. (See pp. 24 to 29.)

Recommendations

GAO is not making recommendations in this report.

Agency Comments

GAO did not obtain written comments on this report from the Department of the Interior or other interested parties. However, GAO discussed the matters contained in this report with Interior officials on July 23, 1991. They agreed with GAO's facts and analyses in the report. Interior officials said they, too, were concerned about the effect the city's plan had on the Indian School property's value and that this report adequately reflected that concern. They added that the Indian School property would be put up for bids on August 1, 1991; that bids would be received until October 31, 1991; and that Interior plans to select the best qualifying offer by November 15, 1991. (See p. 30.)

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Abbreviations

GAO General Accounting Office

Introduction

Background

Public Law 100-696, enacted on November 18, 1988, authorized the exchange of the Phoenix Indian School for land in Florida owned by entities controlled by the Collier family and ratified an Exchange Agreement that the Department of the Interior and Collier reached on May 12, 1988. The Exchange Agreement provided that Collier would exchange four tracts of environmentally sensitive land Collier owned in southern Florida for a portion of land occupied by the Phoenix Indian School in Arizona, plus a payment by Collier to the government of \$34.9 million. The land in Florida was valued at \$45.1 million.

In May 1988, we reported that two appraisals of the Indian School property done for the Department of the Interior in 1987 did not conclusively value the school property.¹ The value of the property is dependent largely upon the amount of commercial development that Phoenix will permit on the property. We concluded that additional appraisals would not resolve the matter until the city decided on future zoning of the site. The 1987 appraisals were based on assumptions of 11 million and 5.4 million square feet of development on the site, and they valued the property at \$160 million and \$122 million, respectively.

Although the Exchange Agreement described the four tracts of Florida land, it did not specify the total amount of Florida acreage that Interior would receive. The Department of the Interior has said that about 108,000 acres of Collier land are in these 4 tracts, which are located near the Florida Everglades and the Big Cypress National Preserve. The agreement specified that of the total 110.97 acres at the Phoenix Indian School, (1) 11.5 acres would be given to the Veterans Administration (now the Department of Veterans Affairs), (2) 4.5 acres would be given to the State of Arizona for a veterans nursing home, and (3) 20 acres would be given to the City of Phoenix. Thus, Collier would receive 74.97 acres of the school site. Collier was also allowed to retain the oil, gas, and other mineral rights to the Florida properties.

The Exchange Agreement also authorized Collier to initiate and pursue actions to plan for developing and rezoning the Phoenix Indian School property. Such actions had already begun by the time the Exchange Agreement was signed. On July 1, 1987, Collier and the City of Phoenix entered into a Planning and Development Agreement to identify a process Phoenix and Collier would follow to jointly plan the development of

¹Land Exchange: New Appraisals of Interior's Collier Proposal Would Not Resolve Issues (GAO/GGD-88-85, May 11, 1988).

the Indian School property. In the Planning and Development Agreement, Phoenix and Collier agreed to create a mixture of commercial, residential, and civic uses in the development of the Indian School property.

In ratifying the Exchange Agreement, Public Law 100-696 recognized the Planning and Development Agreement and its requirement that the city and Collier should proceed in preparing a "specific plan," which is a development plan for the property and will lead to its eventual rezoning. Public Law 100-696 set a minimum value of the Indian School land at \$80 million and set forth additional requirements for the proposed exchange. First, the law required Interior to obtain an independent appraisal of the Indian School to determine its value within 45 days following submission of the specific plan. Second, it required Interior to put the Indian School property up for public bid if Collier did not wish to pay the independently appraised value of the property. However, the property could not be acquired by Collier or a third party for less than \$80 million even if the appraisal was lower than \$80 million. Third, Public Law 100-696 allowed Collier to match the highest bid received, plus an additional 5 percent of the bid price.

Further, the law provided that if a party other than Collier acquires the school property, Collier will be paid \$49.4 million for its Florida properties, less any payments previously paid by Interior to acquire the Florida property, plus costs Collier has incurred in planning and rezoning the Indian School. The law also permitted Phoenix to purchase additional acres of the Indian School property from the final purchaser.

Public Law 100-696 also required us to report to your Committees within 30 days after a specific plan for rezoning the Indian School site had been submitted. Our report was to analyze the specific plan, alternative development proposals considered, reasons the alternatives were rejected, and the effect of rezoning proposals on the potential value of the property. We were also required to provide a second report within 60 days after Interior accepted an offer for the school site on all actions taken after the specific plan was submitted and how they related to the property's value.

The Planning and Development Agreement between Phoenix and Collier, executed on July 1, 1987, and amended on December 21, 1988, required that a Land Use Planning Team, consisting of Phoenix and Collier representatives, make recommendations regarding preparation of the specific

plan to a Mayor/Council Subcommittee. The Mayor/Council Subcommittee, consisting of the Mayor and two City Council members, was charged with accepting, rejecting, or modifying the recommendations of the Land Use Planning Team regarding preparation of the specific plan before the plan was submitted to the city for processing consistent with state and local law.

On March 12, 1991, the Land Use Planning Team submitted its recommendations for a specific plan to the Mayor/Council Subcommittee, which subsequently asked the full City Council for advice on the recommendations. On March 20, 1991, the City Council voted unanimously to reject the Land Use Planning Team's recommendations because, among other objections, the recommendations had not been reviewed by various city departments, as required by city ordinance. On March 21, 1991, the Subcommittee followed the City Council's advice and rejected the Land Use Planning Team's recommendations. On March 26, 1991, the Land Use Planning Team decided not to exercise its appeal rights under the agreement in regard to the Mayor/Council Subcommittee's rejection; it chose instead to treat the March 12, 1991, recommendations as the specific plan.

Also, on March 26, 1991, the Land Use Planning Team sent letters to the city, the Secretary of the Interior, and the Comptroller General of the United States, informing them that it had submitted the "specific plan" to Phoenix on March 26, 1991. In a letter to the Land Use Planning Team on April 2, 1991, the Mayor and City Council said they rejected the Land Use Planning Team's recommendations because the action the Planning Team attempted to take was beyond its legal authority.

On May 6, 1991, we informed your Committees that we did not believe that a specific plan as contemplated by the legislation and agreements entered into by Collier had been submitted, because the Land Use Planning Team's action did not conform to the requirements of the Planning and Development Agreement or Arizona state law and city ordinances regarding specific plans.

Members of the Mayor/Council Subcommittee said the Subcommittee not only objected to the Land Use Planning Team's circumvention of the specific plan process as contemplated by the legislation and agreements, but to the content of the Land Use Planning Team's recommendation as well. Specifically, the Subcommittee members said the Land Use Planning Team's plan (1) included too much commercial development, (2) did not contain enough parkland, (3) conflicted with the city's general plan,

which encourages development in village cores and downtown, (4) did not include sufficient housing, and (5) would compete with other developments downtown and along Central Avenue.²

On June 25, 1991, the Phoenix City Council voted to accept a conceptual specific plan for the Phoenix Indian School site. The approved concept would allow 1.5 million square feet of office and retail space and required 1,200 residential units. The plan also required that 20 acres of improved open space be granted to the city and located adjacent to the 20 acres granted to the city under Public Law 100-696.

Appraisal of the Indian School Property

Public Law 100-696 requires Interior to appraise the Indian School property within 45 days after the specific plan is submitted. Congress included the appraisal requirement in Public Law 100-696 to determine the property's fair market value after a zoning proposal for the site was submitted. Specifically, section 402(m)(4) of Public Law 100-696 requires the appraisal to be "based upon the zoning requirements stated in such Specific Plan."

On March 26, 1991, when the Land Use Planning Team sent a copy of its recommendation to Interior, officials from Interior did not determine whether that recommendation constituted submission of a specific plan to the city that would trigger the appraisal requirement. In fact, from March 1991 to June 1991, Interior did not take a position regarding submission of the specific plan but encouraged the city and Collier to work out an agreement regarding the dispute on their own. Nonetheless, on April 17, 1991, Interior instructed a contract appraiser to submit an appraisal of the Indian School land by April 25, 1991.

On April 22, 1991, Interior's appraiser, Mr. Greg Lee, of Burke Hansen, Inc., Tucson, Arizona, appraised 56 acres of the Indian School site at more than \$80 million.³ At our suggestion, Interior instructed the appraiser on May 1, 1991, to revise the appraisal to reflect the actual

²Village cores are nine areas within Phoenix that the city has designated for the greatest commercial development. The Phoenix Indian School site is not located within a village core, but it borders the Encanto village core.

³Interior officials asked that we not divulge the appraised value. They did not want to provide a benchmark for the bidding process.

number of acres to be exchanged.⁴ The appraisal was subsequently revised to reflect the appropriate amount of acreage. The dollar value was not affected, however.

Interior's appraiser based his valuation of the Indian School property on its "highest and best use."⁵ The appraiser assumed that the site would contain nearly 4.4 million square feet of office and retail development, compared to the Land Use Planning Team's rejected recommendation that had over 6.5 million square feet of commercial development. The appraiser reduced the Land Use Planning Team's development to a level he assumed would be appropriate considering the present oversupply of office space in Phoenix. He was also concerned about future traffic problems surrounding the site.

In a July 8, 1991, follow-up letter to Interior, Mr. Lee said the specific plan approved by the city on June 25, 1991, substantially reduced the property's value from the value he estimated in April 1991, but he did not give a specific value. He said the plan does not represent the property's highest and best use as evaluated by a reasonable and prudent person. Mr. Lee expressed particular concern about placing a 40-acre city park in the middle of a commercial development, saying the developer would not be able to control an environment likely to attract transients and undesirable park visitors.

On July 11, 1991, Interior offered the Indian School land to Collier for \$80 million. Collier rejected Interior's offer on July 17, 1991. As a result, Interior will put the property up for public bid. Public Law 100-696 sets the minimum acceptable bid at \$80 million and allows Collier to match the highest bid received plus 5 percent.

Location and Current Zoning of the Indian School Property

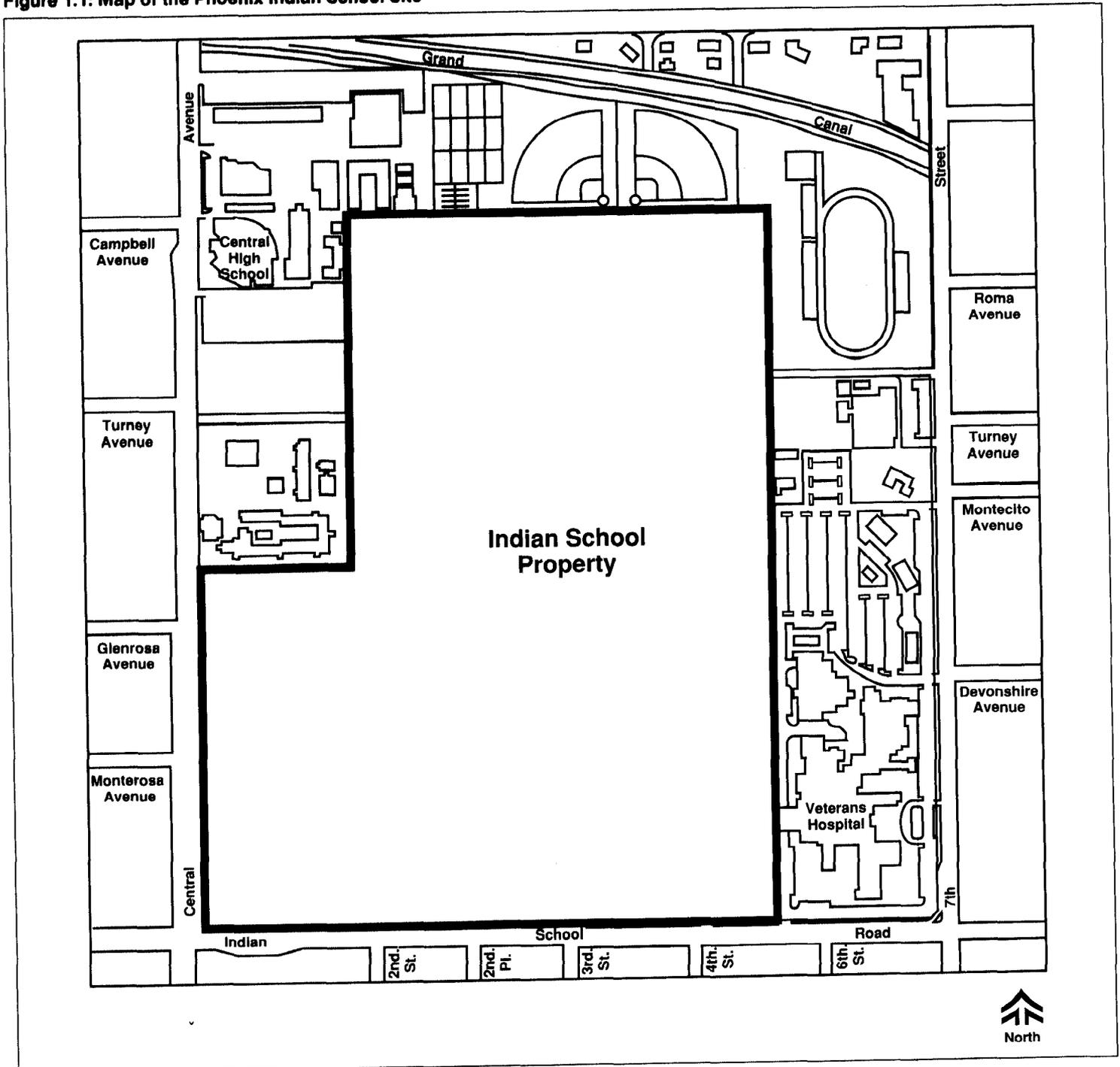
The 111-acre Indian School site is located about 3 miles from downtown Phoenix in the northern portion of the Central Avenue corridor. It lies on the northern border of the Encanto village core, which is one of nine village cores the city has designated for the greatest development. Central High School is located to the north of the site, and the Carl T.

⁴Interior's appraiser assumed that the site contained 104 acres. However, the correct size of the site is 110.97 acres. The appraiser also assumed that the city would receive 32 acres for parkland, not the 20 acres provided in Public Law 100-696.

⁵According to *The Appraisal of Real Estate*, by the American Institute of Real Estate Appraisers, highest and best use of property is defined as "the reasonable and probable use that supports the highest present value." The book lists the criteria of best use as physically possible, legally permissible, financially feasible, and maximally productive.

Hayden Veterans Affairs Medical Center lies to the east along 7th Street. Indian School Road runs to the south of the site, and Central Avenue borders to the west. Third Street, which runs north to south, runs into the southern portion of the site at Indian School Road. (See fig. 1.1 for a map of the site.)

Figure 1.1: Map of the Phoenix Indian School Site



Source: City of Phoenix planning department.

The Indian School site currently is zoned “R-5”—a multifamily residential district. The R-5 zoning was established to accommodate housing for the Indian School and for the adjacent Veterans Hospital. It allows residential uses at densities of 43.5 to 52.2 dwelling units per acre with building heights limited to 4 stories, or 48 feet. Office space for professionals, hotels, and clubs also are permitted, but buildings are limited to 2 stories, or 30 feet, in height. The City Council may grant waivers to exceed the 2-story height limitation for office use up to a maximum of 4 stories, or 56 feet.

Objective, Scope, and Methodology

Public Law 100-696 requires us to analyze (1) the specific plan proposal for developing the Phoenix Indian School site in Arizona, (2) alternative development plans considered, (3) the reasons the alternatives were rejected, and (4) the effect of the plan on the potential value of the property.

To analyze the specific plan and the alternatives, we reviewed the process that Phoenix and Collier followed to develop the plan. This included reviewing the city’s and the Land Use Planning Team’s alternative development proposals for a specific plan. We reviewed comments made by the city and the public citizen groups regarding the size and type of development, parkland, and amenities that would be required.

We interviewed the Mayor of Phoenix, members of the City Council Indian School Subcommittee and the Land Use Planning Team, staff of the Phoenix planning department, the Phoenix planning commission chairman, the president and general manager of the Phoenix Chamber of Commerce, a representative of the Sierra Club, the president of Collier’s real estate division, Interior’s contract appraiser, Interior officials, and the chief executive officer of the Valley National Bank in Phoenix. In addition, we reviewed the planning and development agreement between Collier and Phoenix, the exchange agreement between Collier and Interior, and Public Law 100-696.

We also reviewed the city planning department’s analysis of specific plan alternatives to determine the basis for its recommended levels and types of development, parkland, and amenities. We also compared the amenities and open spaces the city required for other developers on large projects in Phoenix. In addition, we reviewed the city’s general development plan and zoning ordinances to determine the levels and types of developments that are permitted in the city.

To determine why the alternatives were rejected, we reviewed comments in public meetings held by the city made by citizens and interviewed city officials. We also reviewed the Phoenix planning department's analysis of the alternatives to examine its basis for rejecting the alternatives.

To help us assess the effect of the specific plan on the property's value, we retained the services of a real estate consultant, Mr. John D. Dorchester, president of Real Estate Sciences, Inc., of Winnetka, Ill. Mr. Dorchester, who was the consultant on our May 1988 report on the exchange, is a member of the Appraisal Institute and is a Counselor of Real Estate, and he has over 30 years of real estate analysis experience for private, corporate, and government clients. Mr. Dorchester reviewed Mr. Lee's appraisal of the property, the development alternatives considered, and the specific plan.

We also retained the services of a Phoenix law firm, Gammage and Burnham, to provide information regarding development densities for other major commercial real estate projects in Phoenix. Mr. Grady Gammage and Mr. Michael Withey, partners in the firm, and Ms. Roberta Barrett, a land use planner, advised us. These individuals have extensive experience in local land use, zoning, and public land use matters.

We did our work from April through July 1991 in accordance with generally accepted government auditing standards. We discussed our findings with Interior officials, and we have incorporated their comments where appropriate. (See ch. 4.)

Alternatives Considered and Rejected

Nine development alternatives were proposed for the Indian School property. The Land Use Planning Team developed two alternatives, the Phoenix planning department developed five other alternatives and recommended a sixth, and the Phoenix planning commission recommended a ninth alternative. The nine alternatives had varying levels of commercial space, parkland, hotels, and residential housing and are discussed in detail in appendix I.

The City Council accepted a plan different from the nine alternatives considered. According to the City Council, its plan was meant to protect existing Phoenix developments, primarily in the downtown area, from competition and to obtain additional parkland for the city without paying for it.

Land Use Planning Team Alternatives

The Land Use Planning Team developed two alternatives and recommended that the developer be allowed to construct about 6.5 million square feet of office and retail space on the site, 32 acres of parkland, 1,195 residential units, and 575,000 square feet of hotel space. The recommendation was based on a plan developed by an urban planning firm, the Jerde Partnership, of Venice, California. Land Use Planning Team members said that in forming their recommendation they considered public comments received during 23 public meetings that the team held on the Indian School site from April 1989 to March 1991.

Phoenix Planning Department Alternatives

On April 29, 1991, the Phoenix planning department released five development alternatives for the Indian School property. These alternatives ranged from designating 90 acres of the site as a park, to constructing nearly 6.3 million square feet of office and retail space with a 27-acre park. The amount and location of office, retail, park, and residential development contained in the alternatives varied and were intended to reflect different comments received from citizen committees and boards and the general public.

Table 2.1 summarizes the planning department's five alternatives.

Table 2.1: Comparison of the Planning Department's Five Alternatives

	Alternatives				
	1	2	3	4	5
Square feet of office space	0	1,350,000	2,080,000	3,150,000	5,706,000
Square feet of retail space	0	150,000	230,000	350,000	580,000
Total square feet of office and retail space	0	1,500,000	2,310,000	3,500,000	6,286,000
Hotel rooms	0	350	750	750	750
Maximum number of stories	0	20	22	24	24
Overall floor-to-area ratio ^a	0	.49	.65	1.10	2.06
Floor-to-area ratio along Central Avenue	0	1.54	1.95	2.64	3.0
Residential units	0	1,246	658	658	1,040
Residential acreage	0	42	19	18.8	32
Residential units per acre	0	30	35	35	24
Acres of park	90	20	40	40	27

^aA key indicator of development density is the floor-to-area ratio, the amount of buildable square footage in relation to the amount of the property's land square footage. The city measures floor-to-area ratios on the basis of the area extending to the middle of the roads surrounding the site, which are the measurements shown in this table. The real estate community, however, generally computes floor-to-area ratios by measuring only to the borders of the site, rather than to the middle of the surrounding streets.

Source: City of Phoenix planning department.

Alternatives 2 through 5 required the developer to contribute 1/10 of 1 percent of the total project construction cost to a mass transit fund, form a transit management association, and provide an easement to allow light rail access to the site. Three historic buildings on the site would be preserved under all of the planning department's alternatives.

On May 31, 1991, the Phoenix planning department recommended a plan including 3 million square feet of office and retail space, 950 residential units, 40 acres of parkland, and construction of an Indian Cultural Center. This plan was not one of the five alternatives it had originally considered.

The planning department consulted with various city departments and obtained public comments on development alternatives through about 30 public meetings held from April through June 1991. Although public comments varied, the city planning department summarized them into three categories: (1) the city's economic interests would not be served if it approved more high-rise development along Central Avenue, which is

Phoenix's main thoroughfare and borders the Indian School site, given the present oversupply of existing office space and land zoned for office development, (2) the city should consider and review potential development on the site as it would any other property similarly located along Central Avenue, and (3) major public facilities and amenities should be part of any development on the property, such as housing, preservation and use of historic buildings, and Native American cultural facilities.¹

Phoenix Planning Commission Recommendation

On June 10, 1991, the Phoenix planning commission, a seven-member advisory board appointed by the City Council, recommended that the council ask the Arizona congressional delegation to introduce new legislation that would (1) cancel Public Law 100-696, (2) set aside the parcels for the Department of Veterans Affairs and Arizona Veterans Home, as provided for in Public Law 100-696, (3) appropriate \$35 million for a Native American trust fund, and (4) give the remaining 95 acres to Phoenix for a park.

The planning commission also recommended that if Congress refused to cancel Public Law 100-696, development on the site should be limited to 1.8 million square feet of office space, the developer should be required to build 1,500 residential units, and the developer should be required to donate another 20 acres for a park, for a total of 40 acres. The planning commission said it based its recommendation on comments it received during public meetings and the commission's judgment as to what would be the best land use plan for the site.

Selected Proposal

On June 25, 1991, the Phoenix City Council submitted a proposed specific plan for the Indian School site. The specific plan was not one of the alternatives considered by the Land Use Planning Team, the Phoenix planning department, or the Phoenix planning commission. The Council's plan included the following major elements:

- 1.4 million square feet of office development;
- 100,000 square feet of retail development;
- 1,200 residential units;
- 40 acres of parkland;²

¹The vacancy rate for commercial office developments in Phoenix was 30 percent during the first quarter of 1991.

²The specific plan requires the developer to improve 20 acres of open space to normal park standards adjacent to the 20 acres granted to the city for parkland under Public Law 100-696.

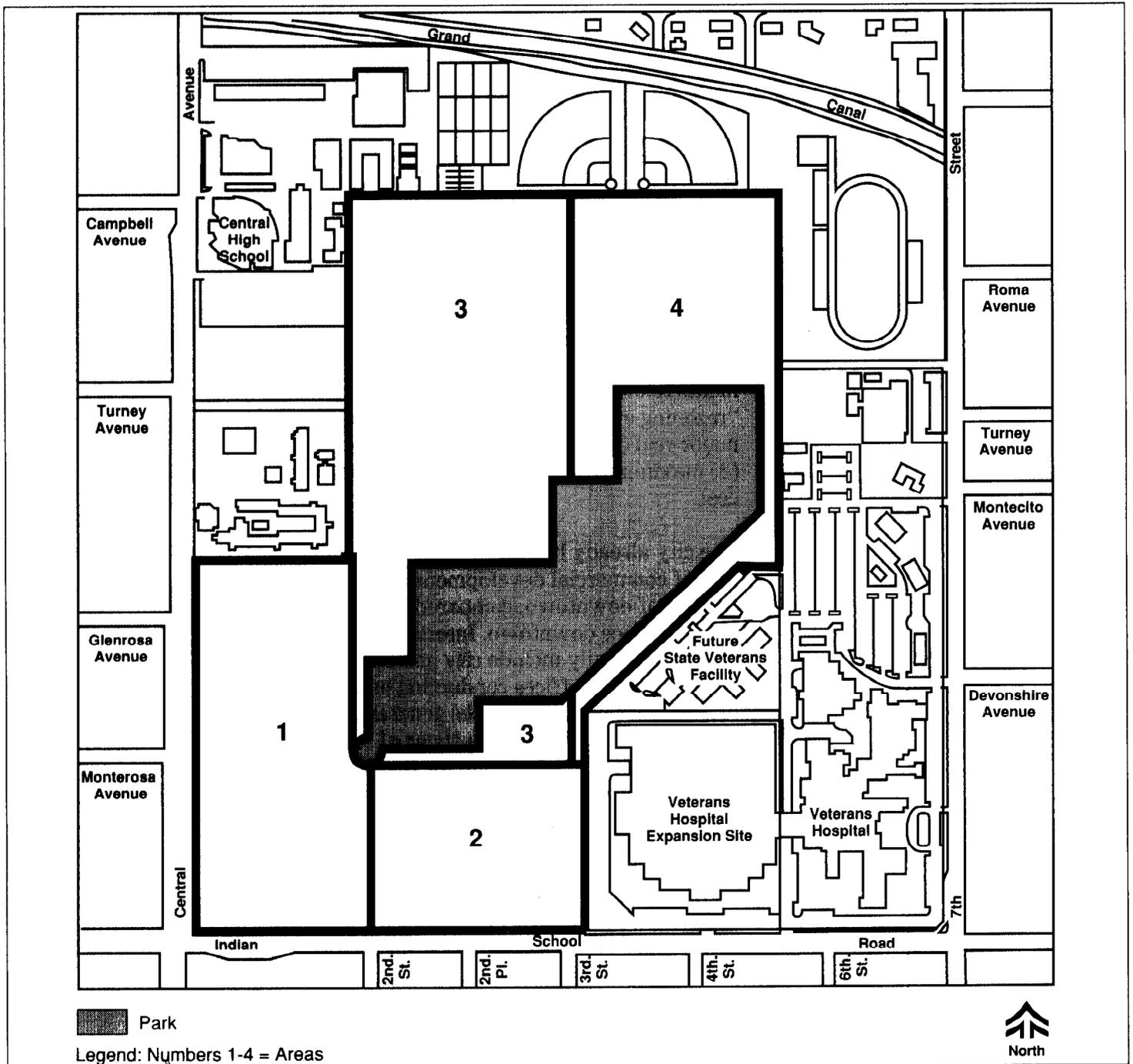
- a 16-story height limitation for buildings along Central Avenue and 4 stories elsewhere;
- an 18-month moratorium on construction during which time the city said it would explore new ways to acquire the site, or portions of it, for its own use; and
- developer participation in a transportation management association, contribution to a mass transit fund, and provision of on-site and off-site mitigation of transportation impacts.

The plan also said that the city would prefer that the entire site be donated to the city for use as a park. In the alternative, the city proposed the above development plan for the property.

The specific plan did not require the developer to provide significant amenities, such as building an Indian Cultural Center, which were contained in some of other alternatives.

Figure 2.1 is a map of the Council's specific plan, and table 2.1 lists the major elements of the specific plan.

Figure 2.1: Map of the Specific Plan



Note: The exact location of 20 of the 40 acres of parkland is not yet determined.
 Source: City of Phoenix planning department.

Table 2.2: Major Elements of the Specific Plan

	Areas		
	1-2	1-4	3-4
Square feet of office space	1,400,000		
Square feet of retail space		100,000	
Maximum number of stories		4-16 ^a	
Number of residential units		1,200 ^b	
Acres of parkland			40

^aSixteen-story height limit on Central Avenue (area 1); 4-story limit elsewhere.

^bTwo hundred residential units must be in area 2.

Source: City of Phoenix planning department.

The City Council said it submitted a specific plan that contained lower amounts of commercial development than some of the other proposals to (1) protect developments downtown, where the city has made investments to encourage redevelopment, (2) reverse what the Mayor termed “rezoning excesses of the 1980s,” which resulted in the approval of major real estate developments outside the downtown area, and (3) maximize the amount of parkland that the city could obtain without cost.

The city already has allowed development of nearly 10.9 million square feet of commercial development along the Central Avenue corridor outside of downtown, compared to nearly 5.3 million square feet of commercial space downtown. Interior’s appraiser said that downtown tenants typically include city and state government offices and attorneys and other offices conducting business with these government offices. He said other offices generally prefer midtown Phoenix locations. The chief executive officer of a prominent Arizona bank told us that while it was admirable for the City Council to encourage development downtown, it was unfair to treat the Indian School project differently than others have been treated.

The president and general manager of the Phoenix Chamber of Commerce said the Council’s specific plan will cause the city to miss an opportunity to increase its tax base, create jobs, and offer visitors an attraction such as an Indian Cultural Center. The Chamber of Commerce official also said the city has ignored the site’s unique size, which would allow construction of a mixed-use development that could attract major tenants, such as a corporate headquarters, to Phoenix.

Moreover, city officials said Phoenix has not required other developers to give land to the city for park space. The city does require that half of all commercial office lots be "open space," but that space can be and often is used for parking.

The Mayor of Phoenix and other City Council members said they will not consider increasing the amount of commercial development to greater than 1.5 million square feet before November 1991. The city is expected to complete approval of the specific plan within 18 to 24 months, but it is planning to approve major plan elements by November 18, 1991, when Public Law 100-696 expires. When the law expires, Interior will no longer have authority to exchange the Phoenix Indian School site.

Effect on Potential Value

The Council's specific plan does not permit as much commercial development as deemed reasonable by Interior's contract appraiser, our consultant, and certain representatives from the Phoenix community. To the extent that the commercial development is so limited, the property's potential value is adversely affected.

Specific Plan Development Is Lower Than Other Developments

Phoenix selected a development plan allowing relatively less commercial space than had been granted in past zoning decisions for buildings along Central Avenue.

For example, assuming that 80 percent of the 1.5 million square feet of commercial development allowed in the plan were located on Central Avenue, the floor-to-area ratio for the Central Avenue portion of the site would compute to 1.38 and the overall floor-to-area ratio for the site would compute to .38.¹ By comparison, the five highest floor-to-area ratios of buildings constructed from 1982 to 1991 along Central Avenue in noncore areas have floor-to-area ratios ranging from 2.23 to 2.99, as shown in table 3.1.

Table 3.1: Existing Office Buildings in Noncore Areas on Central Avenue With the Highest Floor-To-Area Ratios

Location	Square feet ^a	Floor-to-area ratios	Year built
Greyhound Center			
Southwest corner of Central and Palm	975,400	2.99	1991
Opus			
2800 N. Central	220,000	2.80	1984
Opus			
2800 N. Central	393,160	2.73	1988
Phelps Dodge Tower			
2600 N. Central	336,000	2.46	1982
One Camelback			
1 W. Camelback	280,430	2.23	1985

^aCommercial gross square feet.

Source: City of Phoenix development coordination office and planning department.

Further, since 1984 the city has approved developments not yet built along Central Avenue with floor-to-area ratios significantly higher than

¹The specific plan allows office development along Central Avenue and Indian School Road (areas 1 and 2 on fig. 2.1). For comparison purposes, our consultant advised us to assume that 80 percent of the commercial space would be built in area 1, which is along Central Avenue. It is conceivable that a developer could in practice build more than 20 percent of the commercial space in area 2, which borders Indian School Road.

1.38. The floor-to-area ratios of the eight approved buildings not located in core areas along Central Avenue and having the highest floor-to-area ratios are shown in table 3.2.

Table 3.2: Planned Developments in Noncore Areas on Central Avenue With the Highest Floor-To-Area Ratios^a

Location	Square feet ^b	Floor-to-area ratio	Year zoning approved
Central and Willetta	674,508	4.42	1985
Northwest corner of Central and Wilshire	429,329	3.20	1989
Southwest corner of Central and Palm	975,400	2.99	1987
Northwest corner of Central and Encanto	656,800	2.77	1985
Central and Glenrosa	1,700,000	2.69	1984
Southwest corner of Central and Camelback	417,000	2.35	1985
Southwest corner of Central and Grand Canal	720,000	2.08	1987
Northeast corner of Central and Coronado	602,000	1.91	1990

^aAddresses not assigned until buildings are constructed.

^bCommercial gross square feet.

Source: City of Phoenix zoning case files.

Three existing buildings on Central Avenue, not in village core areas, are higher than the specific plan's 16-story height limitation. In 1984, the city approved zoning for a 500-foot building, which is about 42 stories according to the planning department, that is to be constructed across the street from the Indian School site in a noncore area on Central Avenue.

City officials said that development on the Indian School site should be limited because it is located in a noncore area. The Indian School site borders the northernmost section of the Encanto village core. The southern side of Indian School Road is within the Encanto village core, while the northern side is not.

The city's general plan, which the City Council adopted in 1985 and which incorporates the village core concept, says it "does not propose inflexible boundaries between land use designations . . . but rather is a flexible guide to achieving balanced growth." The general plan also says that development along Central Avenue as the principal street of Phoenix should be continued. In addition, a city planning department report on the Indian School site dated May 28, 1991, said the following:

"Existing policy makes little distinction between property located inside or outside of the cores or the Arts District if it fronts Central Avenue. This has created a substantial inventory of potential high rise property with little distinction in market value. There is thus little incentive to locate within the cores or the Arts District other than image."²

Appraisers' Views on the Specific Plan

Mr. Lee, Interior's contract appraiser, informed Interior in a July 8, 1991, follow-up letter to his April 22, 1991, appraisal of the Indian School site that the specific plan meant that his earlier appraisal was no longer realistic because the plan would cause the developer to lose control over the site. He said a public park of this size in this area of Phoenix would possibly attract transients and undesirable park visitors. As a result, he said, apartment developers and institutional lenders would be hesitant to invest in the site.

Mr. Lee also said that a "Class A" mixed-use office development cannot be created with building heights limited to 16 stories along Central Avenue and 4 stories elsewhere. Mr. Lee said:

"Given the complete dismantling of the Land Use Planning Team's recommended plan, it is possible the subject site is being positioned for acquisition as a 95-acre park. By public policy and public parkland requirements, the private development potential of this premiere mixed use property has been severely injured. The city's proposed plan has modified the high-end, mixed-use appeal into a mediocre mid-rise office and apartment development."

Mr. Dorchester, our consultant, agreed with Mr. Lee and said the specific plan does not permit as much commercial development as seems reasonable.

The city based its decision on comments received at public meetings and subjective judgment as to what would be the best use for the property. The city did not prepare an economic analysis study of the alternatives, which could have provided estimates on how each would affect employment, tax revenues, and other areas of the Phoenix economy.³

²The Arts District is an area located north of downtown along Central Avenue where the city has encouraged artistic-related uses, such as theatres and museums.

³In its May 28, 1991, report on the Indian School property, the city estimated that 1.4 million square feet of commercial development would generate about \$758,500 in annual property and sales tax revenue, that 1.7 million square feet of commercial development would generate about \$1.2 million in annual property and sales tax revenue, and that 3 million square feet of commercial development would generate about \$1.6 million of annual property and sales tax revenue. However, these levels of commercial development do not correspond with the amounts contained in the five alternatives.

Mr. Dorchester, our consultant, said that due to the size of the site, the opportunities it has for development, and its important cultural heritage, the city should have done a study to show the economic linkage of the Indian School site with the downtown area, the Central Avenue corridor, and the Phoenix community at large.

A city planning official said they did not prepare an economic impact study because (1) they did not have enough time, (2) they did not know how to do such a study, (3) any study would be criticized by groups both advocating and opposing development, and (4) they anticipated reaching an agreement with Collier so that a study would not be required.

Mr. Dorchester, our consultant; Mr. Lee, Interior's contract appraiser; the president and general manager of the Phoenix Chamber of Commerce; the chief executive officer of a prominent Arizona bank; and members of the Land Use Planning Team, all said that despite the current depressed and overbuilt market for office space in Phoenix, a successful 20 year or more office development project on the Indian School site could serve as a magnet for businesses seeking to relocate to the Southwest, adding jobs and revenue to the city's tax base, and provide a catalyst for new growth. They said a successful development could spill over into other areas of the city and enhance, rather than reduce, the viability of the downtown office market.

City Council members said that public citizens, the local Sierra Club, and commercial property owners on Central Avenue expressed the views that developing the site will exacerbate traffic problems in Phoenix, the school site should be set aside as a park, Central Avenue views of the mountains should be preserved, and the site should be used for Native American cultural activities.

Indian School Property Value

We continue to believe that the Indian School site is potentially one of the most valuable parcels of undeveloped urban real estate in the Southwest. However, for its maximum potential value to be achieved, the property would have to be accorded the maximum reasonable degree of commercial development.

Interior's contract appraiser declined to place an estimated value on the Phoenix Indian School property for several reasons. First, he does not believe the City Council's plan represents a realistic highest and best use of the property. Second, if the Council's proposed zoning action did in

fact represent a redefined highest and best use, he would have to completely reassess the property, which would take several weeks. Mr. Dorchester, our consultant, agreed and added that more complete and detailed information on the plan's open-ended requirements for the developer for improving open space and reducing traffic impacts would have to be obtained and analyzed.

Mr. Dorchester was of the opinion that Mr. Lee's April 1991 appraisal, which was higher than \$80 million, was well researched and well presented. Mr. Dorchester thought that the Lee appraisal could be characterized as cautious and reflective of current market problems, but that it did not sufficiently deal with the property's potential beyond historical Phoenix development trends. Mr. Dorchester said the April 1991 Lee appraisal likely reflected anticipated property value, assuming no significant demand were induced by a major national or international development team.

Further, Mr. Dorchester thought it would be incorrect to value the property under a different size and allocation assumed by Mr. Lee because the City Council proposed a plan which Mr. Dorchester thought essentially may be infeasible to develop. Mr. Dorchester said that applying Mr. Lee's individual component values to the specific plan's allowed quantities of office, retail, and residential space would indicate a value of between \$42 million and \$45 million prior to adjustments for costs of reducing traffic impacts and improving open space.

Mr. Dorchester thought that the Council's development plan may be infeasible to develop because it (1) limits development of the 110.97 acre site to 31.2 acres, (2) greatly limits commercial development but requires high density residential units, (3) greatly limits building heights, (4) establishes open-ended, potentially costly requirements for traffic reduction and open space improvements on the developer, and (5) includes requirements only on the developer and none on the city.

Conclusions

Had Phoenix allowed as much commercial development as deemed reasonable by Interior's contract appraiser and our consultant, the government could potentially have realized more than the \$80 million minimum price established in Public Law 100-696. Given the open-ended, potentially costly requirements for reducing traffic impacts and improving open space on the developer in the specific plan, we are not estimating the specific dollar effect of the Council's specific plan on the potential market value of the property. However, we believe that the specific plan

reduces the property's potential value considerably from the \$80 million minimum price set in Public Law 100-696. We also believe that if this or a subsequent city council increases the amount of commercial development permitted on the site, the property's value could increase considerably.

Agency Comments

We did not obtain official comments on this report from Interior. However, on July 23, 1991, we discussed our report with Interior officials. They agreed with our facts and analyses. The Interior officials asked that we not divulge the specific valuation of the Indian School property done by their contract appraiser on April 22, 1991. They said that divulging this value could establish a benchmark for bidders, which they sought to avoid. We agreed to their request.

The Interior officials said they were concerned about the specific plan's effect on the Indian School property's value. They also said our report adequately reflected that concern.

They added that the Indian School property would be put up for bids on August 1, 1991; that bids would be received until October 31, 1991; and that Interior plans to select the best qualifying offer by November 15, 1991.

Development Alternatives Considered for the Indian School Site

Of the nine alternatives proposed for development of the Indian School site, two alternatives were considered by the Land Use Planning Team, six were considered by the Phoenix planning department and one was considered by the Phoenix commission. These alternatives are discussed in detail in this appendix.

Land Use Planning Team Alternatives

On March 26, 1991, the Land Use Planning Team recommended that the Indian School site be developed with 6.5 million square feet of office and retail space, 1,195 residential units, and a 32-acre park. The highest buildings on the site were to be 24 stories. The recommendation was intended to respond to some public comments that the site provided a unique opportunity to develop an intense, mixed-use, pedestrian-oriented project with many amenities. It also was intended to reflect other public comments that the developer should develop and maintain a significant amount of park area.

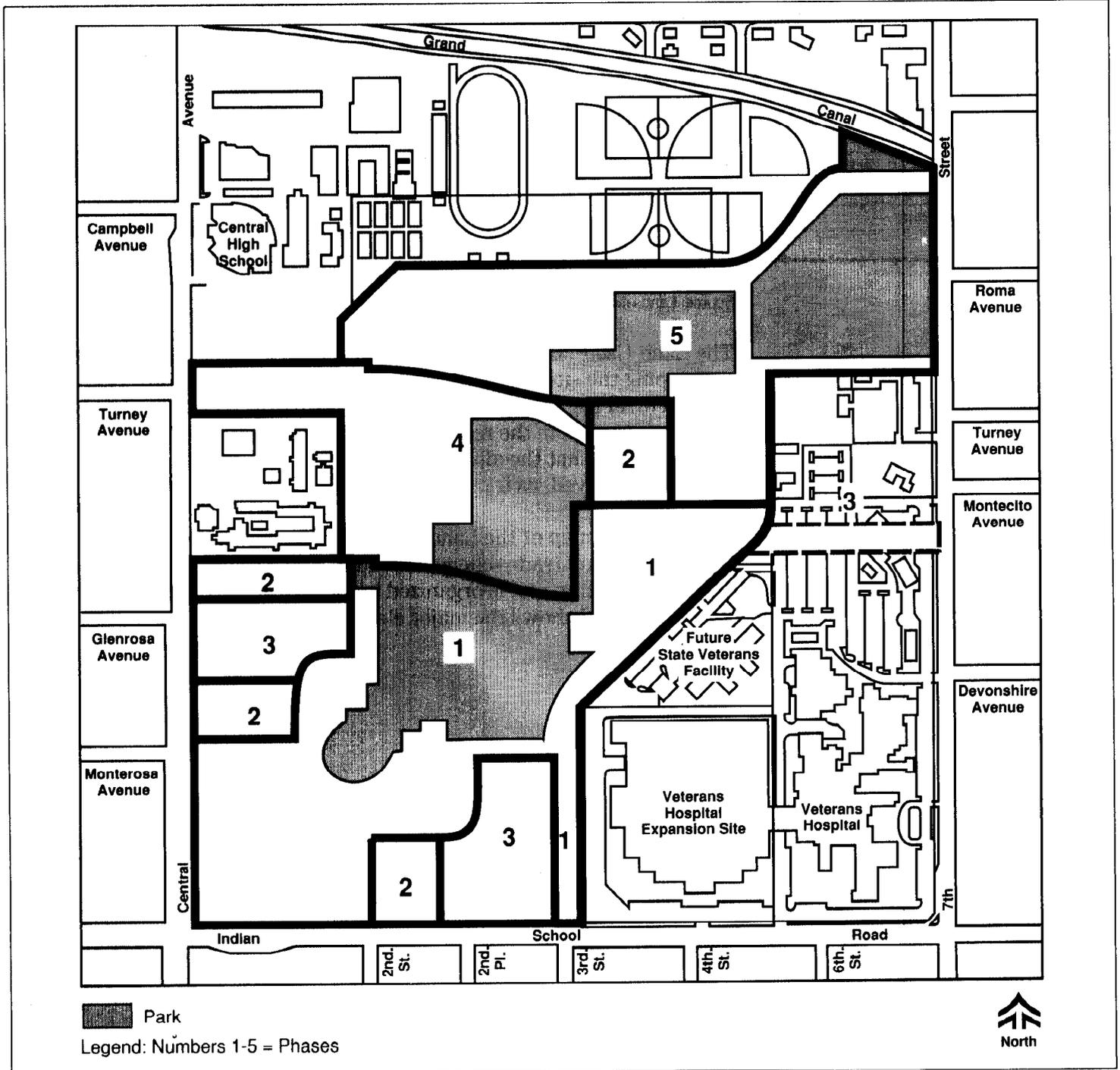
The Land Use Planning Team held 23 public meetings from April 1989 to March 1991. The Planning Team considered public comments regarding preservation of historic buildings and location and configuration of park options, but it did not present any alternative uses of commercial, retail, and hotel space configurations.

Under the Land Use Planning Team's suggested alternative, Collier would trade 8 acres of land currently occupied by the Central High School track and football field, located above the Indian School site's northeast corner, for land on the site located west of the northeast corner. The developer would use the Central High School property for access to the site through 7th Street. This scenario was contingent upon the approval of the school board.

Figure I.1 is a map of the Land Use Planning Team's recommendation incorporating the Central High School land trade scheme. Figure I.1 was developed by the Land Use Planning Team's urban planner, the Jerde Partnership, which organized it by phases of development over 28 years. Table I.1 shows the major elements of the Land Use Planning Team's recommendation, by phases of development.

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Figure I.1: Map of Land Use Planning Team's Recommendation With the Central High School Land Trade



Source: Land Use Planning Team.

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Table I.1: Major Elements of the Land Use Planning Team's Recommendation With the Central High School Land Trade

	Phases of development					Total
	1	2	3	4	5	
Years	1-5	6-10	11-15	16-18	19-28	28
Square feet of office space	1,410,000	1,050,000	1,211,000	842,000	1,394,000	5,907,000
Square feet of retail space	345,000	40,000	115,000	50,000	55,000	605,000
Total square feet of office and retail space	1,755,000	1,090,000	1,326,000	892,000	1,449,000	6,512,000
Square feet of hotel space	300,000	0	275,000	0	0	575,000
Number of residential units	530	210	0	300	155	1,195
Acres of park	14	7	a	a	a	32

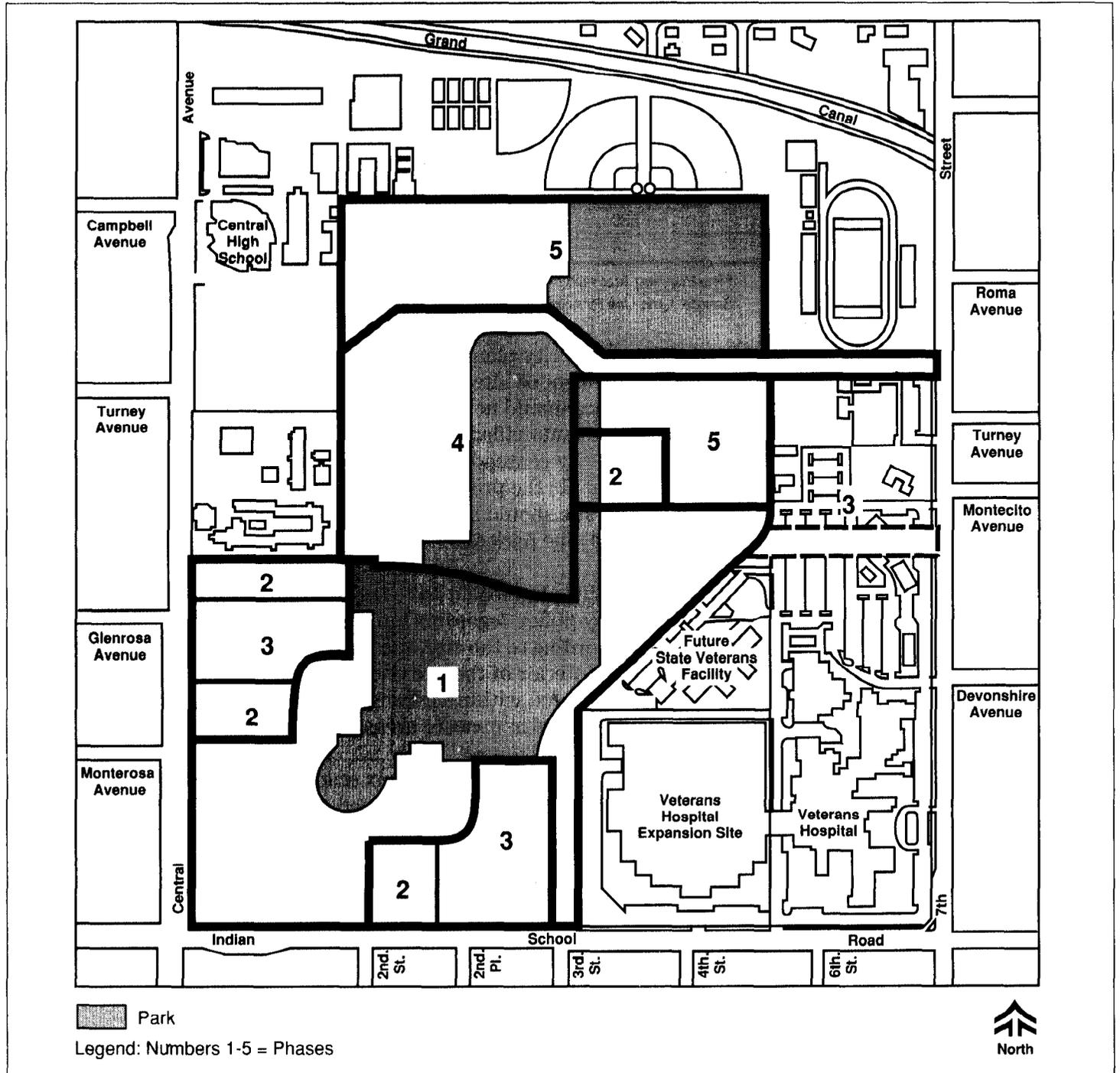
^aThe Planning Team did not specify the phases that the remaining 11 acres of park would be added.
Source: Land Use Planning Team.

The Land Use Planning Team also considered a second alternative for developing the site. Under this alternative, no land would be exchanged with Central High School. This alternative had 200,000 less square feet of office space than the recommended alternative. The Planning Team recommended that the alternative with the Central High School land trade be approved, as it provided better access to the entire site.

Figure I.2 is a map of the Land Use Planning Team's recommendation without the land trade scheme. The map also was developed by the Jerde Partnership and is organized by phases of development over 28 years. Table I.2 shows the major elements of figure I.2, by phases of development.

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Figure I.2: Map of Land Use Planning Team's Recommendation Without the Central High School Land Trade



Source: Land Use Planning Team.

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Table I.2: Major Elements of the Land Use Planning Team's Recommendation Without the Central High School Land Trade

	Phases of development					Total
	1	2	3	4	5	
Years	1-5	6-10	11-15	16-18	19-28	28
Square feet of office space	1,367,000	1,030,000	1,190,000	967,000	1,184,000	5,738,000
Square feet of retail space	345,000	50,000	115,000	65,000	30,000	605,000
Total square feet of office and retail space	1,712,000	1,080,000	1,305,000	1,032,000	1,214,000	6,343,000
Square feet of hotel space	300,000	0	275,000	0	0	575,000
Number of residential units	530	210	0	300	155	1,195
Acres of park	14	7	a	a	a	32

^aThe Planning Team did not specify the phases that the remaining 11 acres of park would be added.
Source: Land Use Planning Team.

According to the city planning department, the Land Use Planning Team's recommended alternative conflicted with some public comments that the project should not compete with existing and planned development in the Encanto village core, Central Avenue, and downtown Phoenix. The city contended the plan also was contrary to some public comments that (1) the project should not exacerbate traffic in the area, (2) the entire site should be a park, (3) mountain views should be preserved, and (4) the park should consist of at least 40 acres.

Approval of this plan would have required exceptions or modifications to existing city policy regarding building heights outside village cores. However, according to the city, the height of buildings on Indian School Road and the interior of the site under this alternative—ranging from 10 to 16 floors—fell within the range that the city had approved for other developments in noncore areas along Indian School Road.

Phoenix Planning Department Alternatives

The planning department of Phoenix studied five alternatives for the site's development, including one based on the Land Use Planning Team's recommendation, and recommended a sixth alternative for approval by the City Council. The city held 30 public meetings on these 5 alternatives during April to June 1991, receiving comments on the pros and cons of each alternative.

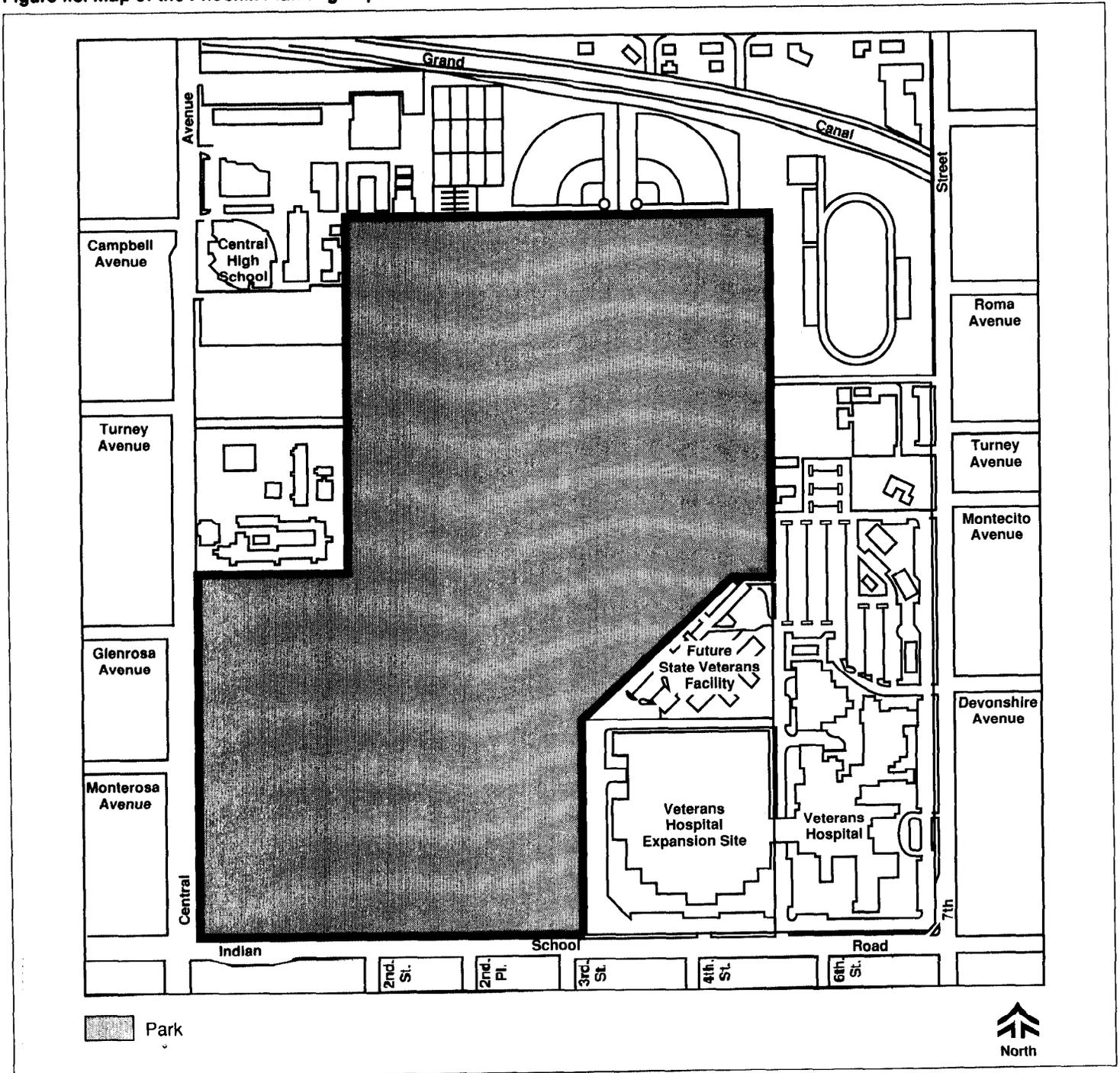
Alternative 1

Alternative 1 involved developing the entire site—95 acres—as a city park.¹ Alternative 1 was intended to respond to some public comments that the city should establish a large central park that would be easily accessible to the public. Some citizens espousing this alternative said that the benefits would include opportunities to continue a cultural presence and use by Native Americans, to preserve historic buildings and mountain views, and to create a park compatible with the desert environment. Figure I.3 is a map of alternative 1.

¹The entire Indian School site contains 110.97 acres. After 11.5 acres are provided to the Department of Veterans Affairs and 4.5 acres to the Arizona Veterans Service Commission, the site consists of 94.97 acres. The city assumed incorrectly that the site contained 106 acres, leaving 90 acres for parkland under this alternative after 16 acres are allocated for veterans' uses.

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Figure I.3: Map of the Phoenix Planning Department's Alternative 1



Source: City of Phoenix planning department.

Alternative 1 conflicted with other public comments concerning the cost of acquiring and maintaining park, comments that the park should not compete with other city parks and programs for scarce city resources, and concerns about losing economic benefits of developing the site.

If the city had decided to purchase the site for the park, the cost would have been \$80 million—the minimum value of the property set under Public Law 100-696. According to the city, the \$80 million would have been raised through a bond issue and/or special property tax. In 1988, Phoenix voters approved nearly \$85 million for citywide park development, park administration, and programs for an 8-year period, of which \$12 million was provided to acquire parkland citywide. However, the city and public comments on alternative 1 demonstrated little interest in raising taxes or issuing bonds to pay for a 95-acre park on the Indian School site.

Another idea associated with this alternative was for the city to purchase the Indian School property for less than \$80 million after the legislation authorizing the land exchange expired, assuming Collier did not choose to exchange the property. This scenario would have required new federal legislation allowing the city to purchase the property at a lower value. City officials said they estimated that the property's value as a park would be between \$35 million and \$50 million, which the city would have had to raise.

Still another idea was for the federal government to donate the Indian School property to Phoenix. However, city officials said they considered this idea unlikely due to lack of congressional interest.

Alternative 2

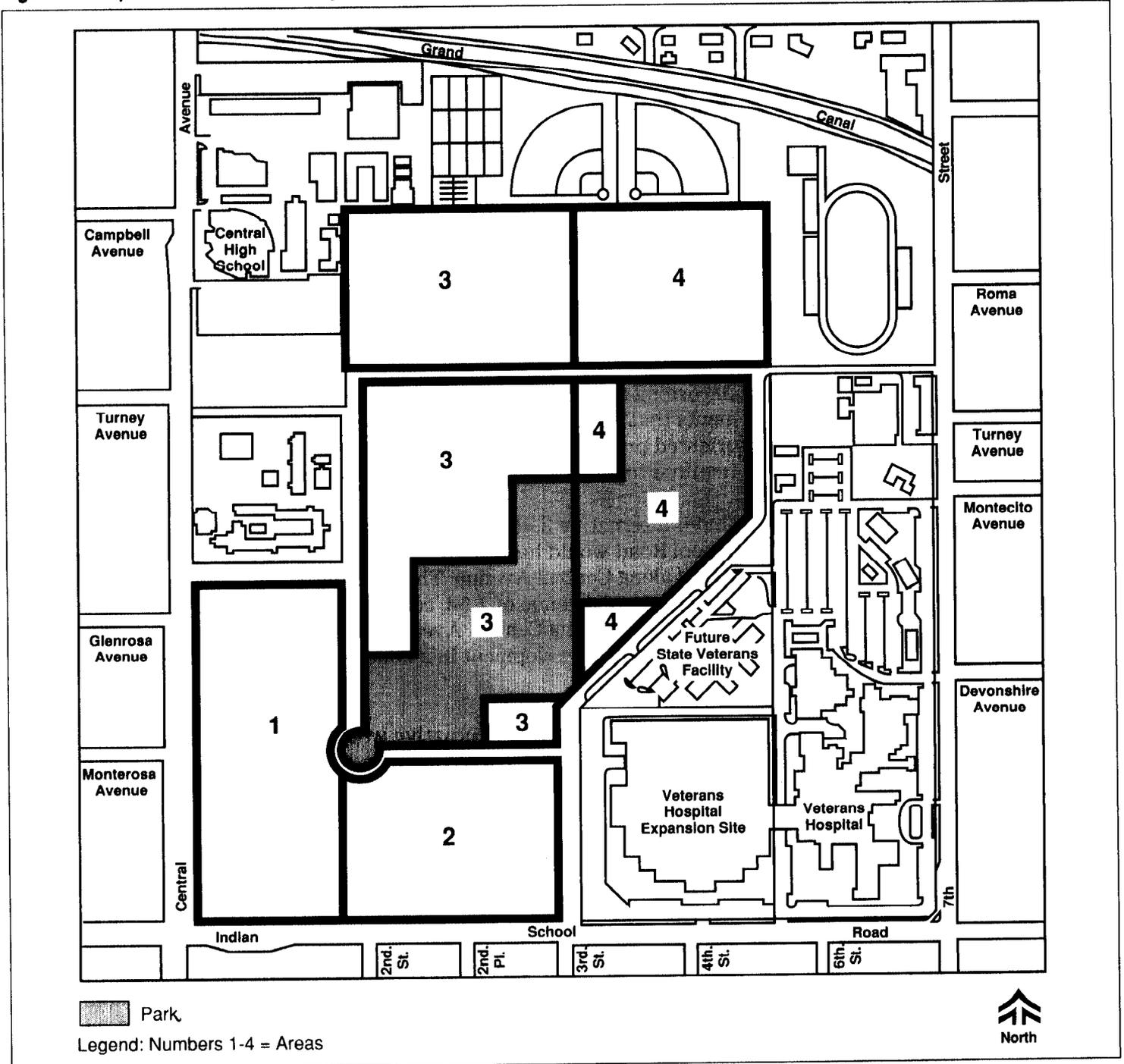
Alternative 2 included 1.5 million square feet of office and retail space, 1,246 residential units, 350 hotel rooms, and a 20-acre park. Alternative 2 was intended to reflect some public comments that development should be limited so that it would not (1) compete with other developments along Central Avenue, (2) detract from the Encanto village core, or (3) exacerbate traffic along Central Avenue. Alternative 2 also responded to some public comments that high-rise buildings should be allowed along Central Avenue, but that height and density should decline rapidly moving east on the site. In addition, this proposal was drafted to reflect some public comments that development should be consistent with existing plans and development patterns, not compound traffic in the area, and preserve mountain views.

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Figure I.4 is a map of alternative 2, and table I.3 summarizes the type of development considered for alternative 2.

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Figure I.4: Map of the Phoenix Planning Department's Alternative 2



Source: City of Phoenix planning department.

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**Table I.3: Major Elements of the Phoenix
Planning Department's Alternative 2**

	Areas				Total
	1	2	3	4	
Square feet of office space	1,040,000	310,000	0	0	1,350,000
Square feet of retail space	100,000	50,000	0	0	150,000
Hotel rooms	350	0	0	0	350
Residential units	0	0	899	347	1,246
Maximum number of stories	20	6	4	4	
Acres of park	0	0	10	10	20
Floor-to-area ratio ^a	1.54	.7	0	0	.49

^aA key indicator of development density is the floor-to-area ratio, the amount of buildable square footage in relation to the amount of the property's land square footage. The city measures floor-to-area ratios on the basis of the area extending to the middle of the roads surrounding the site, which are the measurements shown in this table. The real estate community, however, generally computes floor-to-area ratios by measuring only to the borders of the site, rather than to the middle of the surrounding streets.
Source: City of Phoenix planning department.

According to the city, alternative 2 conflicted with some public comments that the development should be an intense mixed-use pedestrian-oriented project with many amenities, and that the developer should be required to develop and maintain a significant amount of park area.

Under alternative 2, development along Central Avenue and Indian School Road would have been much lower than some other developments along Central Avenue. This alternative had a floor-to-area ratio along Central Avenue of 1.54, compared to an existing building in a noncore area along Central Avenue with a floor-to-area ratio of 2.99, and a planned development in a noncore area along Central Avenue with a ratio of 4.42.

The city estimated this alternative would have eventually increased traffic by about 6 percent at the intersection of Central Avenue and Indian School Road.

Alternative 3

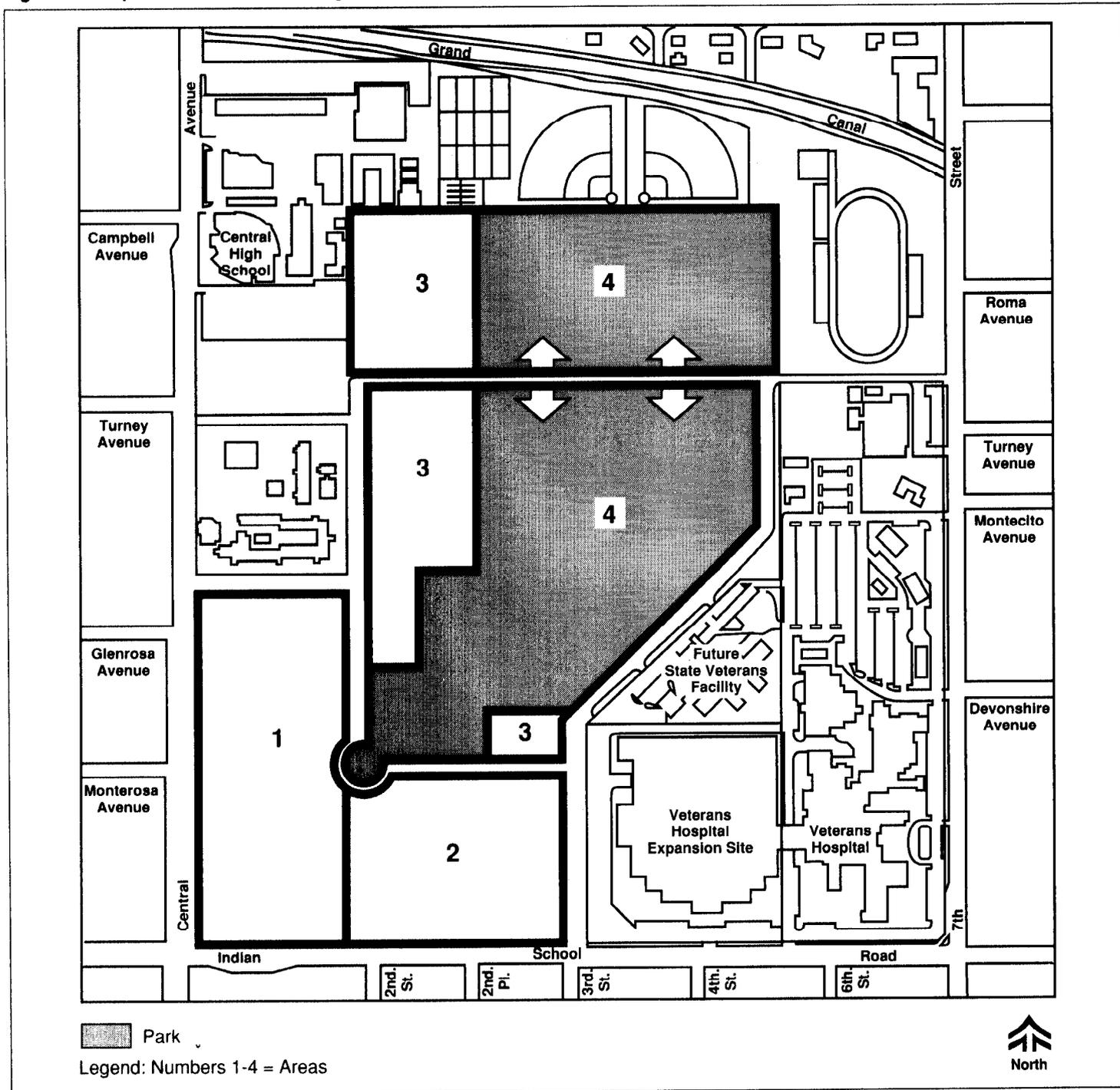
Alternative 3 involved over 2.3 million square feet of office and retail space, 658 residential units, 750 hotel rooms, and a 40-acre park. The proposal consisted of 1.7 million square feet of office and retail development along Central Avenue, with a maximum building height of 20 stories, and about 380,000 square feet with a maximum height of 8 stories along Indian School Road. Alternative 3 was based on the planning department's analysis of the amount and density of office and retail space that a private developer could have expected the city to approve for a similar site, on the basis of existing city policies and the city's

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record of past zoning approvals. Figure I.5 is a map of alternative 3, and table I.4 summarizes the type of development considered for alternative 3.

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Figure I.5: Map of the Phoenix Planning Department's Alternative 3



Source: City of Phoenix planning department.

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**Table I.4: Major Elements of the Phoenix
Planning Department's Alternative 3**

	Areas				Total
	1	2	3	4	
Square feet of office space	1,600,000	340,000	140,000	0	2,080,000
Square feet of retail space	100,000	40,000	90,000	0	230,000
Hotel rooms	400	350	0	0	750
Residential units	0	0	658	0	658
Maximum number of stories	22	8	4 ^a		
Acres of park	0	0	16.1	23.9	40
Floor-to-area ratio	1.95	.78	.14	0	.65

^aThis 4-story building height limitation would have applied to office buildings only; residential buildings could have been higher.

Source: City of Phoenix planning department.

Alternative 3 was intended to respond to some public comments that the Indian School site should be treated in a manner similar to other major developments along Central Avenue and that the developer should be required to develop and maintain a significant amount of park area.

Alternative 3 proposed development along Central Avenue with floor-to-area ratios of 1.95, which is lower than some other existing buildings along Central Avenue in noncore areas. One existing building on Central Avenue in a noncore area has a floor-to area ratio of 2.99. A planned development along Central Avenue in a noncore area has an approved floor-to-area ratio of 4.42.

Alternative 3 required the developer to donate an additional 20 acres of park to the city, for a total of 40 acres. According to the city, new policy may be needed before a developer can be required to provide public amenities beyond pedestrian and community improvements in open space areas, such as housing. Public amenities provided with projects with the floor-to-area ratios contained in this alternative typically include only pedestrian improvements, off-site mass transit improvements, and mass transit easements.

The city planning department estimated that alternative 3 would eventually increase traffic by about 6 percent at the Central Avenue and Indian School Road intersection.

Alternative 4

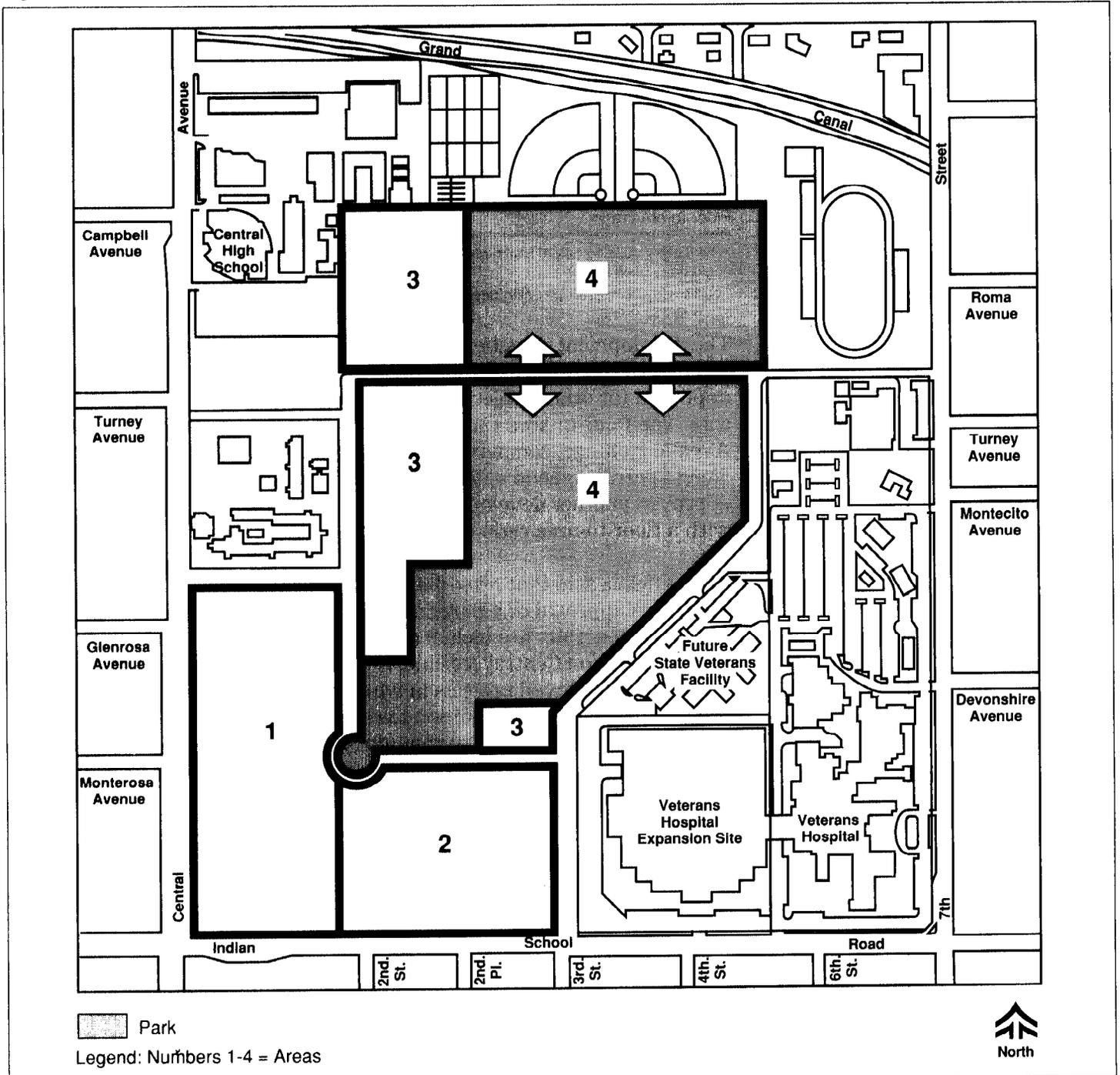
Alternative 4 included about 3.5 million square feet of office and retail space, 658 residential units, 750 hotel rooms, and a 40-acre park. Alternative 4 contained the highest amount of development that the city

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planning department proposed for the site. The plan was intended to respond to some public comments that the site should provide a unique opportunity for developing an intense, mixed-use, pedestrian-oriented project with many amenities, and that the developer should be required to develop and maintain a significant amount of park. Figure I.6 is a map of alternative 4, and table I.5 summarizes the type of development considered for alternative 4.

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Figure I.6: Map of the Phoenix Planning Department's Alternative 4



Source: City of Phoenix planning department.

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**Table I.5: Major Elements of the Phoenix
Planning Department's Alternative 4**

	Areas				Total
	1	2	3	4	
Square feet of office space	2,150,000	700,000	300,000	0	3,150,000
Square feet of retail space	150,000	80,000	120,000	0	350,000
Hotel rooms	350	400	0	0	750
Residential units	0	0	658	0	658
Maximum number of stories	24	10	8 ^a		
Acres of park	0	0	16.1	23.9	40
Floor-to-area ratio	2.64	1.60	.25	0	1.10

^aThe 8-story building height limitation would have applied to office buildings only; residential buildings could have been higher.

Source: City of Phoenix planning department.

The development densities contained in alternative 4 along Central Avenue were lower than some floor-to-area ratios that the city has approved for other projects along Central Avenue outside the village core. The floor-to-area ratio for this alternative was 2.5 for the Central Avenue frontage, compared to an existing building in a noncore area along Central Avenue with a floor-to-area ratio of 2.99. The city has approved another development in a noncore area along Central Avenue with a floor-to-area ratio of 4.42.

City officials said that providing public amenities such as parks does not guarantee approval of a particular level of development, but that such amenities generally are included in projects that have the highest floor-to-area ratios on Central Avenue. However, they could not provide any example of approved projects in which the developer was required to provide parkland as a condition to receiving a particular floor-to-area ratio. The officials indicated that alternative 4 would have included dedication, construction, and maintenance of a 20-acre public park and restoration of the historic structures for public use.

The planning department expected this alternative would have eventually increased traffic by about 13 percent at the Central Avenue and Indian School intersection.

Alternative 5

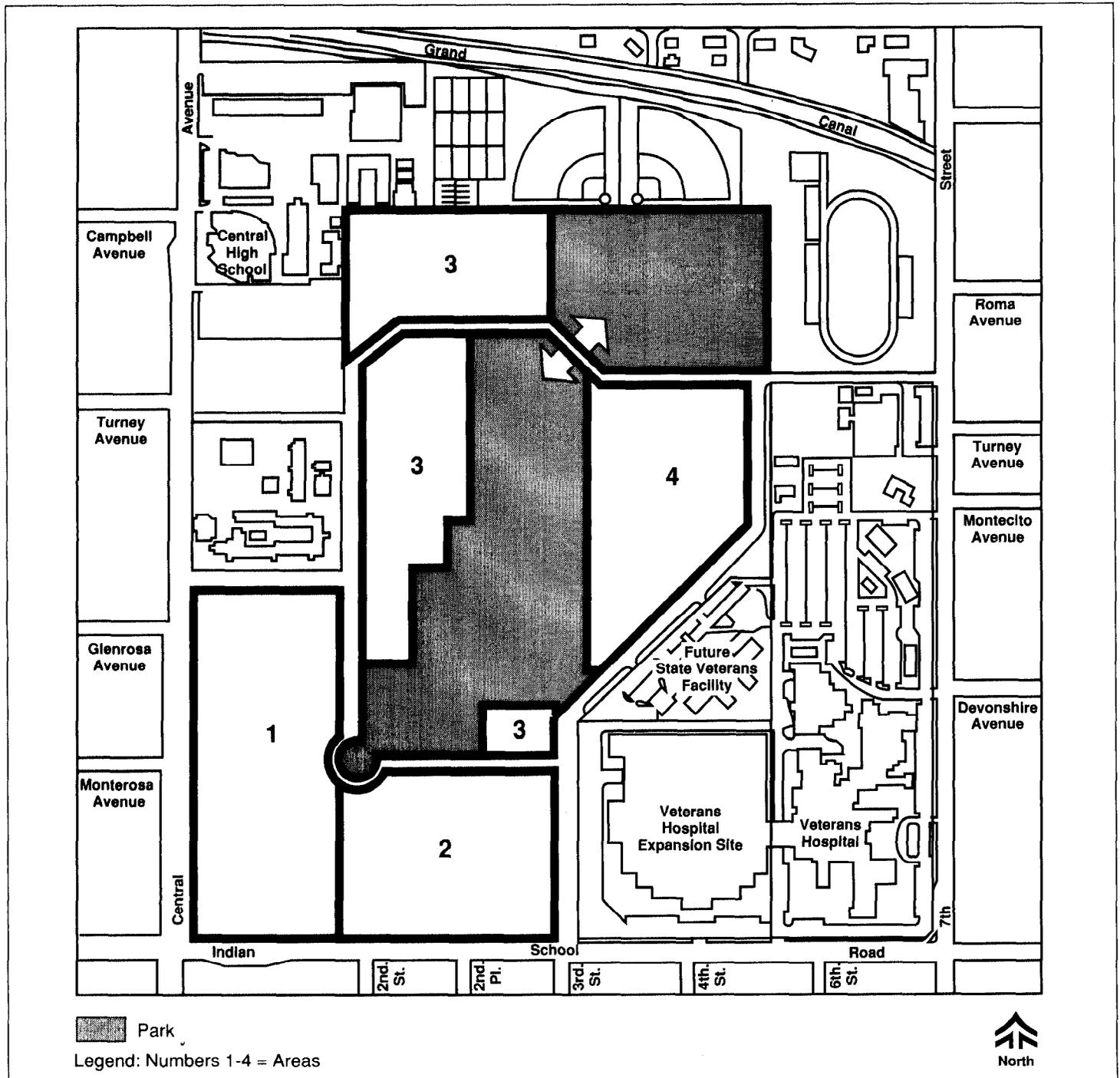
Alternative 5 was based on the Land Use Planning Team recommendation, which was rejected unanimously by the City Council in March 1991. This alternative included about 6.3 million square feet of office and retail space, 1,040 residential units, 750 hotel rooms, and a 27-acre park. Alternative 5 was intended to respond to some public comments

**Appendix I
Development Alternatives Considered for the
Indian School Site**

that the site should provide a unique opportunity to develop an intense, mixed-use, pedestrian-oriented project with many amenities. It also was intended to reflect other public comments that the developer should develop and maintain a significant amount of park area. Figure I.7 is a map of alternative 5 as interpreted by the city planning department, and table I.6 summarizes the type of development proposal for alternative 5.

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 Development Alternatives Considered for the
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Figure I.7: Map of the Phoenix Planning Department's Alternative 5



Source: City of Phoenix planning department.

**Appendix I
Development Alternatives Considered for the
Indian School Site**

**Table I.6: Major Elements of the Phoenix
Planning Department's Alternative 5**

	Areas				Total
	1	2	3	4	
Square feet of office space	2,395,000	1,160,000	1,731,000	420,000	5,706,000
Square feet of retail space	215,000	110,000	225,000	30,000	580,000
Hotel rooms	350	400	0	0	750
Residential units	0	0	620	420	1,040
Maximum number of stories	24	22	18	12	
Acres of park	0	0	14.5	12.5	27
Floor-to-area ratio	3.00	2.60	1.80	.74	2.06

Source: City of Phoenix planning department.

The Land Use Planning Team's recommendation contained 32 acres of parkland. However, when the city incorporated the Land Use Planning Team's recommendation into alternative 5, it excluded 5 acres of parkland because the planning department did not consider 5 acres of landscaping and parking for cars as parkland.

The city estimated alternative 5 would have eventually increased traffic by (1) 22 percent over the existing conditions at the intersection of Central Avenue and Indian School Road and (2) 26 percent at the Indian School Road and 7th Street intersection.

**Phoenix Planning
Department
Recommendation**

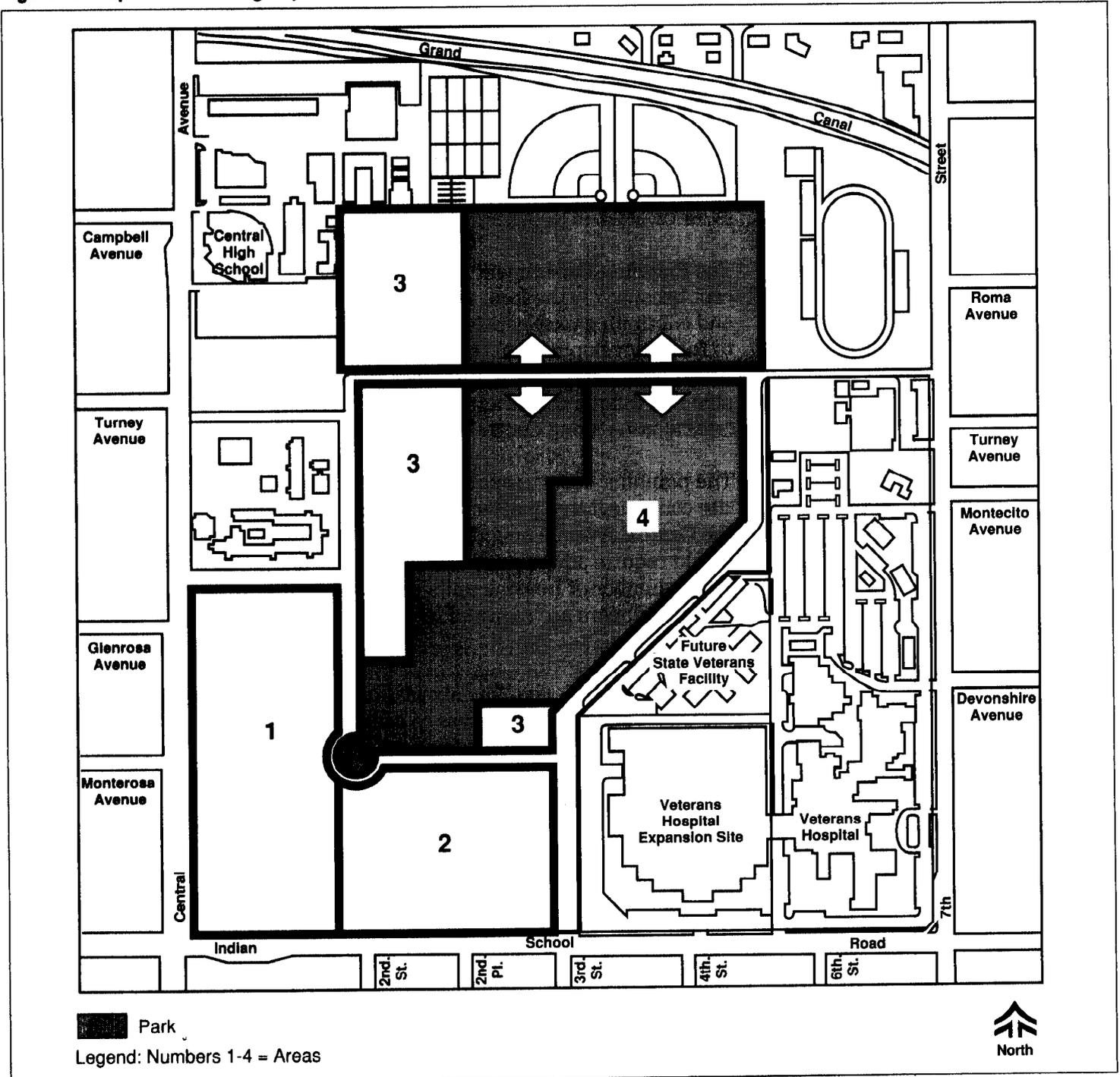
On May 31, 1991, the Phoenix planning department recommended that the City Council approve a development concept that would have allowed a base level of 1.5 million square feet of office and retail development, with a maximum of up to 3 million square feet if the developer met various requirements, including: (1) participate in a transportation management association and contribution to a mass transit fund, (2) mitigate on-site and off-site transportation impacts, (3) landscape and design buildings and entryways "appropriate to the image of Central Avenue as the premiere street in Phoenix," (4) develop 950 residential units, (5) provide 40 acres of open space and parkland, (6) construct an Indian cultural center, and (7) allow public use of any vacant parcels as interim public accessible open space until development occurs, or the city purchases the parcels.

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Figure I.8 is a map of the planning department's recommendation, and table I.7 summarizes the type of development proposed for the recommendation.

Appendix I
 Development Alternatives Considered for the
 Indian School Site

Figure I.8: Map of the Planning Department's Recommendation



Source: City of Phoenix planning department.

**Appendix I
Development Alternatives Considered for the
Indian School Site**

**Table I.7: Major Elements of the Phoenix
Planning Department's Recommendation**

	Areas				Total
	1	2	3	4	
Square feet of office and retail space	2,234,000	766,000	0	0	3,000,000
Residential units	0	0	950	0	950
Maximum number of stories	24	10	0	0	
Acres of park	0	0	17.8	22.2	40
Floor-to-area ratio	3.00	1.6	0	0	1.0

Source: City of Phoenix planning department.

The Planning Department said it recommended this development concept because (1) the local and projected future economy had changed, and continuing past policies for Central Avenue would make it difficult to focus development in the Encanto village core, downtown, and in the Arts District, (2) the site provided an opportunity to create highly desirable and unique public amenities, and (3) transportation had become a critical issue along Central Avenue.²

The planning department concluded that intense development on the site could negatively affect the local real estate development market and the Central Avenue neighborhoods. The planning department's concept would require adoption of new city policy linking development density to the number of housing units provided on the site and the public amenities developers are required to provide.

**Phoenix Planning
Commission
Recommendation**

On June 10, 1991, the Phoenix planning commission recommended that the City Council ask Congress to cancel Public Law 100-696 and give all remaining acres to the city for a park after the parcels specified under Public Law 100-696 have been given to the Department of Veterans Affairs and to the State of Arizona for a veterans nursing home. The planning commission recommended that if Congress refused to cancel Public Law 100-696, a range of development from 1.2 million square feet to 1.8 million square feet of office space should be allowed. At 1.2 million square feet of office development, the commission recommended that the developer (1) participate in a transportation management association and contribute to a mass transit fund, (2) mitigate on-site and off-site transportation impacts "as deemed appropriate," (3) landscape and construct building design and entryways "appropriate to the image

²The Arts District is an area located north of downtown along Central Avenue where the city has encouraged artistic-related uses, such as theatres and museums.

of Central Avenue as the premiere street in Phoenix and the Indian cultural image of the site," and (4) have on-site pedestrian amenities and moderately improve on-site public plazas.

At the maximum level of 1.8 million square feet of development, the planning commission recommended that, in addition to the minimum requirements above, the developer (1) build 1,500 residential units, (2) limit retail construction to 180,000 square feet, (3) not develop any part of the site except for park or open space for 18 months after a specific plan has been approved, (4) provide another 20 acres of parkland, for a total of 40 acres, (5) construct an Indian cultural center and (6) allow public use of any vacant parcels of open space until development occurs or the city purchases the land.

The planning commission's recommended development concept was based on the same three points on which the planning department's recommendation was based: (1) the local and projected future economy have changed since Public Law 100-696 was enacted, and continuing past policies for Central Avenue would make it difficult to focus development in the Encanto village core, downtown, and in the Arts District, (2) the site provided an opportunity to create "highly desirable and unique public amenities," and (3) transportation has become a critical issue along Central Avenue. The planning commission also concluded that intense development on the site could negatively affect the local real estate development market and Central Avenue neighborhoods.

The planning commission said its recommendations were intended to reflect some public comments that (1) development size should be consistent with other development along Central Avenue, (2) the financial community recognized the importance of planned growth, (3) housing is essential to the viability of the Central Avenue corridor, and (4) public amenities should be developed on the site at little or no cost to the public.

Like the planning department's recommendation, the planning commission's concept would also require adoption of new city policy linking development density to the number of housing units provided on the site and the public amenities developers are required to provide. The planning commission did not develop a map of its recommendation.

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