

The Growth Machine is Broken

On Phoenix's fringe, a huge piece of state land could become a smart-growth playground, or the same old sprawl.

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By John Dougherty

we are here we cannot turn back
soon we hold out our hands
full of money
this is the desert
it is all we have left to destroy
--Richard Shelton, from *Sonora for Sale*

KEN SWEAT RAMBLES DOWN A DESERT WASH in the shadow of central Arizona's craggy Superstition Mountains. The 20-foot-wide arroyo is lined with a tangle of palo verde and mesquite trees, and the thick mats of spring desert grasses are flourishing in the clear March sunlight. The Arizona State University biologist pauses to point out a robust several-hundred-year-old ironwood tree. He seems surprised -- and delighted -- to see it.

The ancient ironwood and jumble of desert trees capture occasional runoff flowing down the wash, creating and nourishing a canopy that provides food and shelter for rabbits, deer, javelinas, coyotes and birds, he explains. The wash also provides a desert highway for animals, large and small, to move between nearby mountain highlands and the Gila River to the south. Although washes like this one occupy less than 5 percent of the Sonoran Desert, they support 90 percent of its bird life. "Washes in a desert ecosystem are the areas in the local landscape that support the highest levels of biodiversity," he says.

This is just one of hundreds of washes weaving across 175,000 acres of lowland that drain the Superstitions and wilderness highlands at the eastern edge of the Sonoran Desert. During summer monsoons, these same washes transform into raging streams. So much water sometimes flows through this portion of desert that the U.S. Army Corps of Engineers constructed miles and miles of flood-control dams to keep Phoenix's nearby eastern suburbs from being overwhelmed by water.

Tucked in between the Superstitions to the north and east and some 4 million people to the west, this stretch of desert has endured more than a century of grazing and years of off-road-vehicle abuse. But this expanse is special. Because it's owned by the state, it remains largely intact and has been spared the blade of the drive-'til-you-qualify development that has overwhelmed much of the surrounding landscape.

At least, it's been spared so far.

Over the last decade, as the Arizona growth machine overheated, the importance of this land near Phoenix has grown. There are four neighboring cities looking to expand, and powerful real estate interests eager to assist them. The 275-square-mile swath of state trust land -- dubbed Superstition Vistas -- has room for hundreds of thousands of new houses. Their construction and sale would generate hundreds of billions of dollars. And the sale of the land would generate much-needed cash for the state and its public schools.

But putting all that land up for sale at once play havoc with the local real estate market. Therefore, the state -- if it chooses to sell the land -- has little choice but to portion it out in smaller parcels over time. In order to maximize

returns -- and avoid chaotic overnight growth -- a comprehensive plan for the entire parcel needs to be in place from the beginning.

And that's why a group of urban planners, conservationists, elected officials and real estate developers got together in 2003. They saw a future for the state land that is sharply different from the kind of exurban sprawl for which Phoenix is notorious. If Superstition Vistas is built as planned, it will be a utopian city instead of a sprawling mess -- an environmentally sustainable network of villages and towns separated by swaths of open space. It will be a model, proponents say, for how Phoenix should grow into the future.

"Seldom in the history of the U.S. has there been a chance to envision the future of one piece of property, this strategic, and this close to a major metropolitan region," says an Arizona State University report commissioned by Superstition Vistas' backers. "Never has any such opportunity been coupled with public ownership and public education benefiting from the proceeds of development."

Critics, however, are less enthusiastic. They question the involvement of some of the same real estate figures who for years promoted unsustainable suburban sprawl in the Phoenix area. And they wonder whether the project makes sense -- replacing the unbroken chain of washes and cacti with roads and houses in a place that gets just eight inches of rain per year in order to create what is essentially a large-scale laboratory for testing theories of sustainable development. No matter how advanced the planning, the fact remains: Any development out here will suck up dwindling water supplies and bring yet more gas-guzzling traffic to roads in the smoggiest section of the Phoenix metroplex.

"This is just about selling more houses," says Sandy Bahr, conservation outreach director of the Grand Canyon Chapter of the Sierra Club. "That's all. It's the same old pattern of developing sprawl."

But a funny thing happened on the way to the real estate sales office. The hyperactive Arizona growth machine from which the Superstition Vistas project sprang has suddenly and unexpectedly run out of steam. The housing market collapse has hit the Phoenix area harder than just about anywhere else in the nation. Developers who were flush with cash a few years ago have been dragged down with the rest of the industry. And some of those hard-hit developers were the major players behind Superstition Vistas. Indeed, the first parcel in the project to be auctioned off has already gotten mired in the financial mud.

Optimists see this as just a temporary slowdown; the real estate boom that has defined Phoenix for decades will rise again, stronger than ever, they believe. They're convinced that it's more important than ever to forge ahead with huge planning efforts like Superstition Vistas. But others see the real estate crunch as an opportunity to do something radical. Here's this big, undeveloped chunk of desert: Why not just leave it alone?

Last year, the Morrison Institute for Public Policy at Arizona State University published a report about the Sun Corridor, the Arizona megalopolis that stretches roughly from Prescott in the north to the Mexican border in the south. The corridor is anchored by Phoenix and, to a lesser extent, Tucson, and today holds about 5.2 million people, scattered over some 32,000 square miles. The report is alarming, and not just for its science-fiction-like prologue, which is written from the perspective of someone in 2035. It borders on the apocalyptic at times: "In 2022, the cover of *Newsweek* had proclaimed the Sun Corridor 'the new dustbowl.'" It also predicts that the southern Arizona megapolitan population will burgeon to 10 million by 2040, requiring some 3.7 million housing units and 2.4 million acre-feet of water.

Perhaps most sobering is the tone of inevitability that pervades the report. "Supported by federal revenues, the national Sun Belt shift, and local investments," the report says, "leaders in Phoenix ... assumed early on that growth would come and growth was good." If leaders tried to rein in that growth, they'd run up against a morass of land-use policies. The state's local governments "entitle" -- or give initial approval to -- developments far ahead of actual construction. Entitlements are almost impossible to reverse because of a measure, passed by state voters in 2006, that forces governments to pay property owners if land-use regulations hurt the value of their property. As a result, municipal planners have little authority over the private land that makes up 36 percent of the Sun Corridor.

"Far from being a blank slate," says the Morrison report, "much of the Sun Corridor's form is already set in car-dependent, high-consumption patterns."

Another 27 percent of the megapolitan area is made up of big chunks of state land, including more than a half-million acres adjacent to Phoenix and Tucson, and another 1.2 million acres in Pinal County. In the past, most of this land -- totaling 9.3 million acres statewide -- was leased for grazing. More recently, though, developers -- who have a lot more cash at their disposal than ranchers do -- have been gobbling it up, particularly in urban areas.

During the last six years, as the housing boom peaked, the State Land Department disposed of about 20,000 acres -- out of some 475,000 acres on the Phoenix urban fringe -- generating \$1.7 billion in sales. Developers have succeeded in imbuing the transactions with a rosy sheen: They are the "highest and best use" of the land, since the proceeds are deposited in a trust that benefits public schools. Critics, however, point out that the revenues generated by that trust make up only a tiny part of school funds, less than 2 percent. In fact, each new development -- and each new school that has to be built to serve it -- ends up costing the schools more money, offsetting the benefit.

Conservationists have tried more than once to reform the state land disposal process. They've attempted to change the rules to make it easier and less expensive for cities and counties to buy state land for preservation purposes, and they've asked the voters to permanently set aside hundreds of thousands of acres of state land. Thus far, though, homebuilding, real estate and ranching interests have succeeded in killing such efforts.

Meanwhile, State Land Commissioner Mark Winkleman wants to sell state land more quickly. By being so slow to dispose of its land, he says, the state inadvertently forces developers to leapfrog, or build out private parcels that are disconnected from transportation corridors and municipal services. The construction of thousands of homes in scattered subdivisions along the Hunt Highway corridor immediately east of Superstition Vistas, for example, created traffic nightmares that forced Pinal County to spend \$88 million on a 17-mile parkway that has done little to alleviate congestion. It was a nightmare that could have been avoided, Winkleman says, if enough state land had been sold off first.

That brings us back to Superstition Vistas -- the most significant piece of the state lands in question. Over the next 50 years, the sale of land in this area alone could generate at least \$9 billion for the trust fund, according to the State Land Department. And development here would increase Phoenix's urban area by about one-third, unleashing billions of dollars as homes, businesses, schools and parks for another 1 million people are built.

In 2002, Charles Backus, then the new president of the East Valley Partnership -- a coalition of community leaders from the eastern suburbs of Phoenix -- began the charge to plan that development. The Land Department, however, lacked the funding, staff or expertise to do sophisticated planning for even small parcels of state land, let alone a 275-square-mile project. Backus suggested that the private sector and municipalities initiate the process with the State Land Department involved as needed. The department held monthly meetings where the "stakeholders" laid out the framework for transforming state trust land from desert to concrete. A steering committee was formed, made up of business leaders, elected officials and Arizona real estate veterans. The committee also brought in nonprofit conservation and planning groups, including the Lincoln Institute of Land Policy and the Tucson-based Sonoran Institute.

The land is actually ideal for the project, according to John Shepard, deputy director for strategic programs and advancement for the Sonoran Institute. That's because it's "not ecologically significant" and lies near existing transportation corridors, including freeways, a regional airport and a rail line. Rather than cover it with strip malls and parking lots and cookie-cutter garage-burbs, the group sees an opportunity to plan a series of New Urbanism-style walkable villages that can respond to climate change and slash water use. "We have a hunch there is a way to build a community that will have amazingly better results than we have seen so far," says Armando Carbonell, senior fellow at the Cambridge, Mass.-based Lincoln Institute.

"Superstition Vistas is pretty innovative," says Rosemary Shearer, executive director of the Superstition Area Land Trust, a conservation group seeking to protect 25,000 acres of the state-owned desert foothills from development. "It is acknowledging that growth is going to come. Like it or not it is going to come, so we should be planning for it."

The steering committee commissioned the Morrison Institute to prepare a \$200,000 study, written by Phoenix real estate attorney Grady Gammage, that offered different scenarios for best developing the state land. The report, released in April 2006, included three overarching visions for the land, each of them more environmentally sustainable than Phoenix as it currently exists. It also suggested innovative ways to guide the area's growth. More importantly, the report provided intellectual justification for the further expansion of landlocked cities onto state trust land.

"The East Valley cities recognized their future was tied to expansion onto state trust lands, and they wanted to have a plan to make that happen," says Glen Collins, a former deputy state land commissioner.

Even as Gammage wrote the report, the state was already moving forward with the sale of the first parcel of land for Superstition Vistas, 1,030 acres known as Lost Dutchman Heights. Though the housing bubble was already showing signs of a leak -- Phoenix home prices peaked in June 2006 -- there were good reasons to bid high on the land. The developer who bought Lost Dutchman Heights, Land Department officials said in published interviews, would be in a key position to develop the rest of the Superstition Vistas, a project worth tens of billions of dollars.

Among the companies clamoring for that opportunity was Actus Lend Lease Communities, a multinational corporation. Actus had been brought on by the Land Department in late 2005 to develop plans and engineering for the Lost Dutchman parcel. Shortly thereafter, Actus hired Gammage as a legal consultant, a position he continued to hold even as he wrote the Morrison Institute report. Gammage says he was open about his position with Actus Lend Lease, revealing it to the Land Department, the Morrison Institute, East Valley Partnership and others. "It was disclosed to all, and they felt no conflict presented," he says. But his dual roles were never disclosed to the public, so the report's readers had no idea that the author developing scenarios for selling off state-owned property was also working with a developer who was seeking to buy some of that very same property.

Because it had the initial planning contract on the Lost Dutchman land, Actus went into the December 2006 auction with an advantage: It had intimate knowledge of the value of the parcel -- which seemed to be diminishing, thanks to the deepening real estate slump. A state land auction earlier in the year on another urban parcel failed to net a sale, and it seemed unlikely that anyone would meet the \$45.3 million starting bid. So it was a shock when Desert Communities Inc., a troubled Las Vegas homebuilder, competed vigorously against Actus in the bidding, driving the price up to \$58.6 million. It was even more of a shock when Desert Communities won. Land Department officials said publicly that Rhodes Homes Inc. -- the owner of Desert Communities -- would set a new standard for sustainable development. But in an internal e-mail soon after the sale, Winkleman suggested otherwise.

"When is Rhodes going to implement progressive/non profitable design standards for the project?" former State Deputy Land Commissioner Richard Hubbard asked Winkleman in an e-mail. The land commissioner's response was telling: "I'm sure that Rhodes will be very publicly minded in their planning activities. Rhodes has \$200M in the bank, who needs to make a profit?"

Perhaps Rhodes wasn't as flush as Winkleman thought. Desert Communities missed its first \$6 million payment to the Land Department in December 2007, then missed another in December 2008. Future payments appear in doubt: This March, Desert Communities' parent company, Rhodes Homes, filed for bankruptcy.

Meanwhile, the Morrison Institute report helped the Superstition Vistas steering committee raise more than \$1.6 million to pay for more detailed conceptual plans for the project. Salt River Project, the state's second-largest electric utility, which will provide power to the proposed new city, contributed about \$450,000 to help pay for the plans being prepared by Robert Grow Consulting, a Salt Lake City planning firm. Grow is expected to present a report later this spring that will include four development scenarios, ranging from traditional development models to a "super sustainability" model with a reported goal of zero net carbon increase.

Only then will the general public finally get a detailed look at the various development scenarios for Superstition Vistas -- six years after initial planning got under way. Still, the public's role -- which has thus far been minimal -- remains in doubt. There is no formal public entity presenting the proposed Superstition Vista development plans, and the steering committee -- unlike, say, a county government -- is not required to incorporate public suggestions.

And it appears that public attempts to research the impact of sustainable development in the area are being stymied. Arizona State University's School of Sustainability wants to erect an environmental monitoring station on the property to measure the changes induced by urbanization of the desert. But the Land Department has refused to allow it to do so. According to internal e-mails, the department is concerned that the data collected "would be used to hinder our future dispositions" of trust land. Winkleman, who said he wasn't aware of this, refused to comment.

No matter what plans the steering committee comes up with, the State Land Department has limited ability to make future developers at Superstition Vistas abide by them. Local zoning ultimately will be determined by the municipality that oversees actual development of the property. And the four cities -- Mesa, Apache Junction, Florence and Queen Creek -- that are competing to annex portions of the state land have shown little enthusiasm for reining in growth.

Winkleman says the State Land Department can exercise some influence over how development is implemented by requiring municipalities to sign comprehensive development agreements. If they refuse to go along, Winkleman says, the Land Department could refuse to allow the state land to be annexed. Others are working on a ballot measure that would allow the Land Department to create binding master plans on state lands before they are sold at auction. Achieving even minimal reform of antiquated state land management rules has proven to be difficult, but with the homebuilders on the skids, it may be easier now.

In 2007, in a community a few miles west of Superstition Vistas, the earth swallowed a horse that fell into a half-mile long crack that suddenly appeared after heavy rains. The desert ground had opened in a fissure -- the result of pumping too much groundwater too quickly, a problem that has plagued parts of Arizona in recent years. Usually, the earth sinks, or subsides, before fissures form. As it happens, between 1992 and 2000, approximately 15 percent of Superstition Vistas sank about one foot. The Department of Water Resources has recently found several significant fissures on the Lost Dutchman Heights portion of Superstition Vistas, including one next to a flood-control dam on the western end of the property, which could require a \$4 million fix.

It's an alarming sign that sustainable development in arid Arizona may be a bit of an oxymoron, especially where water's concerned. "You don't want to be building on top of those things or even close," says Brian Conway of the state Department of Water Resources. Land Commissioner Winkleman agrees that development can't go forward until the fissure problem is solved, or at least understood. And forget about sucking up groundwater to supply new houses: "We have no idea what's going to happen if they put a bunch of groundwater wells in that area," says Conway.

Still, Arizona water supply managers are confident that there's enough water for Superstition Vistas. The Colorado, Salt and Verde rivers could provide water for up to 12 million people if most non-Indian agriculture was eliminated, according to state projections. Groundwater supplies, plus treated effluent, can provide water for another 6 million. If that's not enough, water managers are working on plans to desalinate water from the Sea of Cortez and ship it to California in exchange for California's share of the Colorado River. "The ability to get water to Superstition Vistas is not the biggest problem," says Larry Dozier, general manager for the Central Arizona Project, which delivers Colorado River water to Arizona farms, cities and Indian tribes.

Even if it all goes according to plan -- and assuming that climate change doesn't diminish current supplies and that farmers prove willing to sell their water -- Superstition Vistas will have to compete against a lot of other developments to keep the sprinklers on. Fifty years from now, when the latter phases of the development come online, water in Arizona will not be cheap. Desalination uses huge amounts of energy; the state might even have to build a new power plant before it can realize its Sea of Cortez desal dreams. "Bringing in water is going to be

expensive," says Mike Hutchinson, the Superstition Vistas project manager. "We can't be building subdivisions like we did before in terms of water use."

The Superstition Vistas planners have always talked about cutting water use. One scenario, "Simple Green," calls for limiting the aggregate use to 100 gallons per day per person across the entire project -- about half of what Phoenixians use today. But given the growth projections for Superstition Vistas, that's still a lot of water. Even in a "low growth" scenario, the land could house 270,000 people by 2060, according to the Morrison Institute report. High growth? 900,000.

All these growth projections were formulated before the current downturn. Today, the vision of "Superstitionville" as an island of sustainability -- a sort of release valve for the overheated urban-fringe pressure cooker -- seems almost moot. Instead of exploding, the pressure cooker appears to be imploding. As of March, there were 80,000 homes on the market in the Phoenix metro area, with more on the way, and one in every 86 homes in Pinal County, where Superstition Vistas is located, had experienced foreclosure activity. In fact, the population of Phoenix may even be *shrinking*.

"Things are bad enough that you have to change the character of how you talk about growth," Gammage says, acknowledging that the projections in his Megapolitan and Superstition Vistas reports now seem a bit skewed. "Will it come back? Are we really going to grow that much? It seems a little out of tune; it's like playing off-key music."

The project's visionaries see Superstition Vistas as a sort of buffer set against the typical Arizona sprawl. Today, it looks more like a detached outlier, not unlike the leapfrog development it was supposed to help Phoenix avoid. If the land were developed today, its residents would face a long, energy-intensive drive to the city's center. Assuming they had a reason to go there, given the dwindling supply of jobs these days.

Still, Gammage and others believe growth will resume, at least to some extent, probably stabilizing at what used to be the "normal Arizona growth level" before the most recent boom where the population of Maricopa County -- which includes Phoenix and its eastern suburbs -- was increasing by 100,000 people per year. Now more than ever, says Gammage, good planning is important for Superstition Vistas.

"The risk, with housing prices coming down and land prices coming down," he says, "is that the tendency when demand returns is to go back to business as usual. And there will be pressure on the State Land Department, which right now can't sell anything, to try to sell stuff." Winkleman, the land commissioner, echoes the sentiment, saying now is "not the time to lose our focus" on the Superstition Vistas model.

Sandy Bahr of the Sierra Club agrees that growth will probably return, maybe even as a stampede to develop the fringes of the city. Yet she sees opportunity in the downturn: a chance, perhaps, to stop the likes of Superstition Vistas from ever happening.

"I think it (the downturn) buys us time in the short term and may give us an opportunity to pull together a measure that would help to conserve them (state lands)," says Bahr. "It also buys us time to try and shift some policies that would require that sprawl development really pay for itself. That would make this mega-development far from the city centers look a lot less attractive."

The Morrison Institute report, *The Treasure of the Superstitions*, lays out three possible scenarios for the future of Superstition Vistas. Each imagines a livable, well-planned, green collection of new cities. In "Thinking Big," urban areas are focused around pre-built infrastructure. In "Simple Green," homes are powered by the sun, residents water their cacti gardens with effluent, streets and houses are made from material that reduces the heat-island effect that has turned Phoenix's once-cool evenings into concrete ovens. And "Superstitionville" is a new urbanist's dream, with "true downtown" areas in each subdivision and no fences allowed.

It's an appealing vision. As Utah planner Robert Grow put it: "Planners would think they'd died and gone to heaven with the opportunity to plan something like (Superstition Vistas), and I'm one of them." Indeed, this huge parcel of land could be a smart-growth testing ground. Imagine a well-planned, sustainable city arising on the edge of Phoenix, the very metropolis that epitomizes all that's wrong with exurban sprawl. It could provide a role model for the rest of the Sun Corridor. "This is a test case and a unique opportunity," says Winkleman. "If we can do something like this, then we will be successful. If we don't, then we will have failed."

But this is clearly a large-stakes gamble on a vast area of land, especially considering that smaller test pieces already exist. The Phoenix metro area contains more than 300,000 acres of vacant, developable state trust land -- not including Superstition Vistas -- along with some 120,000 acres of available private land. Much of that land is already next to roads, schools and waterlines, and some of it is near the urban core, which is where people tend to be moving in these days of suburban blight and higher gas prices.

There is one scenario that is conspicuously absent from all the promoters' reports: Simply leaving the land as it is. There is virtually no cost to the state to leave the land undeveloped and there is no requirement in state statute that the land must be sold at any particular time. The plans do include preserving 25,000 acres of desert highlands next to the Superstition Wilderness Area, but the remaining 150,000 acres of lowland desert is generally viewed as a sacrifice zone. The land's value to the visionaries, it seems, lies entirely in its potential as a smart-growth-planning playground.

"From a conservationist's point of view, it has no environmentally sensitive things that need to be preserved for future generations," says Backus, the early proponent for planning Superstition Vistas. "If you're going to build houses, let's build houses there instead of up against the mountainside. It's not a wasteland, but it is just desert scrub."

Biologist Ken Sweat and other conservationists have a starkly different view. At the moment, Superstition Vistas is still just a vast, undeveloped section of desert, covered by cactus and threaded by washes, their sandy bottoms etched with the tracks of lizards and snakes and javelinas. To give this up in the name of sustainability seems, quite simply, unsustainable.

"If our civilization is to ever embrace sustainability, it would seem prudent to begin now," says Sweat. And the best way to do so, he says, is to "preserve what natural spaces are left, and plan better to use the landscapes we have transformed in the past to help meet the needs of the future."

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