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Freeway land cost skyrockets

ADOT scrambles to buy lots

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In early 2003, landowners in Ahwatukee Foothills offered to sell the Arizona Department of Transportation the piece of their 80 acres that stood in the path of the proposed South Mountain Freeway.

With no cash to spend on the unfunded freeway, the state declined.

Today, ADOT is scrambling to buy that same land, which has been sculpted into individual lots awaiting the construction of multimillion-dollar homes.

One real estate boom later, desert dirt is a lot more expensive these days.

ADOT purchased four lots last month along the proposed Pecos Road route for nearly \$2 million, 2 1/2 times what the previous owner paid 20 months earlier.

At least a half-dozen other landowners are interested in the state's offer.

"We are attempting to limit the potential burden on taxpayers," ADOT spokesman Matt Burdick said. "Our window of opportunity to prevent these homes from being built is now."

Plans place the freeway's eastern leg along Pecos Road, but ADOT has not finalized the route.

ADOT said its efforts to buy before owners build is a "calculated risk" to avoid spending taxpayer money to demolish new luxury homes costing \$1 million to \$3 million.

The costly transactions in the Foothills 80 underscore the ways that planning lags and limits on ADOT's ability to restrict development are draining the state's transportation coffers.

Rising acquisition costs have helped push the South Mountain Freeway's \$2 billion price tag to more than double the 2002 estimate.

Playing catch-up game

The Foothills 80 is a burgeoning development of 90 custom homes nestled in the farthest western corner of Ahwatukee Foothills.

Twenty-seven of those lots sit in the path of the proposed South Mountain Freeway, the long-delayed Phoenix bypass that ADOT wants to start building by 2008.

They are among the up to 850 homes that the state would have to buy if the 22- to 26-mile freeway is built.

In late 2005 and early 2006, ADOT contacted the owners of 16 threatened lots in the

Foothills 80 who had not yet broken ground.

The goal, ADOT officials said, was to get owners to sell the land before building expensive homes that the state will have to buy anyway. No similar offer has been made to property owners anywhere else along the alignment.

The first owner to accept the state's offer was Brian Patterson, 38, a Phoenix resident who owned four lots in the freeway's alignment.

Patterson bought the lots in August 2004 for an average of \$192,250 each. He sold them to ADOT 20 months later for an average of \$488,475 each.

"The offer the state made was better than any offer I had with the Realtor when I was trying to sell it," Patterson said. Whereas a private buyer undoubtedly would have paid less based on the lot's location in the right of way, ADOT makes offers based on the market value of similar properties unaffected by freeways.

Six more owners, half of them out-of-state residents, have told the state they want to sell.

Their requests await approval by the ADOT director.

Dean Lorti is a partner with Desert Lake Custom Homes, a small company that owns Lot 34 in the Foothills 80.

The company planned to build its first spec home there. They didn't want to see the house bulldozed if the freeway goes through, so they're offering the land to the state.

"It just doesn't make sense to go through all that, even though yes, we'd make a lot more money" by selling a finished house, he said.

Desert Lake is asking ADOT for \$540,000 for the lot and more than \$93,000 in engineering expenses, as well as another \$50,000 for "the expense of our time that we think should be reimbursed," according to a letter to ADOT from Lorti.

A Desert Lake partner bought the lot in November 2004 for \$275,000.

Freeway funds uncertain

Phoenix approved the final plat for the Foothills 80 in November 2003. Ground broke on the first house last year.

The land's owners offered to sell the right of way to ADOT before any dirt was turned, but ADOT declined, saying in a January 2003 letter that the agency was "not prepared to do any advance purchases in the area of your development."

"When we offered it to them it was totally raw land," said John Cochran of Calabrea Development LLC.

At the time, Burdick said, Proposition 400 - a half-cent sales tax to fund transportation needs in the Valley over the next 20 years - had not passed. ADOT didn't know if it was going to have the money to build the South Mountain Freeway.

Even though a preliminary route has been on the books since 1985, the state did not define the right-of-way line until October 2005 and wasn't sure which houses to buy.

In the 20-year gap since the freeway was proposed, the Valley's growth has sped ahead of transportation planning and funding.

ADOT does not have the authority to limit building on land it doesn't own. In other words, it cannot prevent private owners from developing their land any more than it can stop cities from continuing to approve developments within freeway rights of way.

As a result, taxpayers are stuck with a higher bill for more and more properties on

freeway sites.

Acquisition costs for the South Mountain freeway are estimated at \$1 billion, with \$332 million of that for Ahwatukee alone. The total bill for the freeway could be as high as \$2.4 billion, more than double the 2002 estimate of \$1.1 billion.

"They're never going to catch up, even if no one else comes to the Valley," said Noah Clarke, an economist with the Goldwater Institute. "You can't expand without taking people's homes, which you shouldn't do."

ADOT delays have frustrated planners.

"From my perspective, we should (have been) acquiring the land years ago," said Peter Eno, ADOT right-of-way coordinator.

"The study has to go through its process, and there's no way of hurrying that up."

Transportation officials say change is going to have to come from the Legislature.

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