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## Prime parcels set to fetch millions

*Land Department looks for buyers with deep pockets*

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Let the next wave of bidding wars begin.

Home builders are already queuing up to pay top dollar for prime pieces of state land across metropolitan Phoenix that will be auctioned off next year.

The Arizona State Land Department plans to sell sites from Peoria to Pinal County to the developer willing to pay the highest price.

During 2005, the Land Department took in a record \$515 million from deals, more than the state agency made in its first 80 years of existence. It sold a total of 2,550 acres during the past year, nearly all in the Valley. The auctions drew multiple bids that pushed prices to new highs.

In 2006, the state agency could sell twice that much land in metro Phoenix, based on the auctions planned so far.

"The state has the most valuable vacant land in many parts of the Valley, particularly in the northeast," said Ron Coleman, a principal with Scottsdale-based Arizona Land Advisors.

The Land Department manages about 9 million acres that Arizona received from the federal government when it became a state. By law, the 93-year-old state agency must sell the land for the highest possible price. Money raised at the auctions is deposited in a fund worth more than \$1 billion. Most of the income from the trust goes to the state's schools. Reform is being proposed that would let the Land Department set aside some of the acreage for preservation and sell other sites to cities and groups that want to preserve it.

### Big deals ahead

In the northeast Valley, the Land Department plans to sell four highly sought-after parcels in Desert Ridge next year, as well as one of the last pieces of land Fountain Hills can annex to grow. It is also auctioning off smaller sites in Carefree that are bound to sprout million-dollar homes.

In the West Valley, a few sizable parcels in Peoria near the Loop 303 alignment will go on the block. In the southeast Valley, an auction is planned for the first piece of Apache Junction's Superstition Vistas, as well as land near Phoenix's South Mountain.

Many builders that have jumped over state land to go farther out and develop homes and shopping centers have been eyeing these parcels.

Market watchers say that even if home building slows slightly next year, state land will still be a hot commodity because of the continued growth forecast for Arizona.

State Land Commissioner Mark Winkleman said prices won't likely shoot up like they did during the past year, but "no one is predicting for prices to drop."

Land costs soared with metro Phoenix's meteoric 55 percent run-up in home prices in 2005. In July, a piece of residential state land in Desert Ridge sold for \$319,950 an acre. In early 2004, a similar piece of state land in the development sold for

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\$260,000 an acre.

The Land Department plans to begin selling more land outside the Valley in 2006, including residential parcels in Tucson, Yuma, Lake Havasu City and Prescott Valley.

Many of those areas have housing affordability problems because there's little private land to build on. The sales should help give developers more options, Winkleman said

### Land's best use?

The Land Department could again sell parcels to cities and conservation groups wanting to preserve the land as open space if an overhaul of the state agency's operating system goes through. Supporters are gathering signatures to get an initiative for state land reform on the November ballot.

The plan could fix a broken system of preserving land and give the state the authority to more efficiently manage its most valuable real estate, changes that proponents say would help send more money to Arizona's public schools.

"It's good for Arizona in the long term," said John Wright, president of the Arizona Education Association. "Reform will let the State Land Department provide more planning and management, and that will benefit K-12 schools."

Much of Arizona's trust land is in remote areas, where it is leased to ranchers or others

Reform calls for changing the state Constitution so some land could be sold for conservation. The Constitution now says all public lands must be sold for the "highest and best use."

The initiative could mean 694,000 more acres of open space for Arizona

The Land Department had been able to sell preserve land to groups under the Arizona Preserve Initiative. But the initiative was suspended in 2004, after protests from some Tucson activists. The preserve initiative didn't exclude anyone from bidding on preserve land, but parcels set aside under the program carry a deed restriction that forbids any use but open-space preservation.

Land conservation advocates say setting aside more preserve land would boost the value of other state land.

Even with the big sales planned next year, the Land Department is just beginning to tap some of its prize parcels.

In 2007, it will begin auctioning sites in one of its most valuable assets, the 2,200-acre Palisene site, formerly known as Paradise Ridge. The site is sandwiched between Desert Ridge and the upscale Scottsdale community Grayhawk. Mall developer Westcor wants to build a high-end shopping center there.

Real estate analysts say the Palisene site is worth at least \$1.5 billion.

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