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Report to Congressional Committees

February 1992

LAND EXCHANGE

Phoenix and Collier Reach Agreement on Indian School Property

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February 10, 1992

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 Section 402(m)(2) of the Arizona-Idaho Conservation Act of 1988, Public Law 100-696, analyzes actions taken by the Department of the Interior, the Barron Collier Co., and the City of Phoenix since the June 25, 1991, submission of a development plan for the Phoenix Indian School property in Arizona. It contains information to help you assess the value received by the government from the disposition of the Indian School property.

Public Law 100-696 ratified an agreement between Collier and Interior and authorized the exchange of part of the Interior Department's former Phoenix Indian School property for 108,000 acres of environmentally sensitive land in Florida owned by the Collier family and $34.9 million in cash payments to set up two Indian trust funds. The $34.9 million represents the difference in the estimated values of the properties. The exchange was complicated because it involved several parties who were each to receive benefits and was intended to meet a market value standard—i.e., Collier's properties and payments were to equal the value of the government property in Phoenix that Collier received. The law stipulated several conditions for the exchange and required Collier to work with the City of Phoenix to determine how much commercial development would be permitted on the school site. The amount of commercial development allowed would determine the site's value and the ultimate

price Collier, or another interested party, would pay. However, the law set a minimum $80 million value for the school property.

Results in Brief

Most conditions to exchange the Florida and Arizona lands under Public Law 100-696 have been met. Sixteen acres of the school land will be used for medical care facilities for veterans. The City of Phoenix will have 77 acres of parkland—57 acres more than provided by law. The government will acquire 108,000 acres of environmentally sensitive land near the Everglades. Arizona Indians are to receive $34.9 million for two educational trust funds. Collier will be able to build 4.7 million square feet of commercial space at two sites in Phoenix. However, limitations on the permitted uses of the Indian School land placed by the City of Phoenix, and Collier's right to match the highest bid, were key reasons no competing bids for the property were received. Thus, Congress' intent to test the value of the land by exposing the school site to meaningful competitive bidding was not met.

For several reasons, we cannot conclude that the Florida properties, along with the $34.9 million to be paid by Collier to the Indian trust funds, equal the value of Collier's portion of the Indian School property. The Florida land, which was possibly overvalued in 1988, has not been revalued since then, and its value could have decreased, like other real estate in the United States. The value of the Indian School property, reduced by the city's efforts to obtain additional parkland, cannot be determined using professional appraisal methodologies without making assumptions that the city's allowed zoning represents the property's highest and best use.

We do not question the authority of the City of Phoenix to determine how privately-owned property should be used because localities decide land zoning issues in the United States. However, the city's actions in this exchange raise the question of whether a locality should have the authority to use zoning as a means of acquiring land in federal disposition programs without compensation to the federal government if the goal is to maximize the return to the federal government. But we recognize that maximizing return is not always the primary goal. Because the Phoenix exchange depended on the actions of several entities, each operating for different interests, conflict arose in their attempts to meet the intent of the exchange. Such natural conflict raises the issue of how future exchanges can be designed to accommodate the demands of several parties and still meet a market value standard.

Background

Public Law 100-696, enacted on November 18, 1988, authorized the exchange of the Phoenix Indian School property for land in Florida owned by the Collier family. The law ratified an exchange agreement that Interior and Collier reached on May 12, 1988. The exchange agreement provided that Collier would exchange four tracts of environmentally sensitive land it owned in southern Florida for a portion of land occupied by the Phoenix Indian School, plus a payment of $34.9 million by Collier for two Indian educational trust funds. In 1988, Interior valued the Florida land at $45.1 million.

In determining the value of the Florida land, Interior appraised three of the four tracts. For the fourth tract, Interior relied on appraisals prepared for the State of Florida and the Federal Highway Administration in conjunction with determining the level of compensation due to the Colliers resulting from the construction of Interstate Highway 75. Although Interior planned to pay Collier the difference between the appraised value of the fourth tract less the compensation paid by Florida and the Federal Highway Administration, we reported in 1988 that the appraisal for the fourth tract was possibly overvalued by approximately $3 million to $4 million. We concluded that this tract was possibly overvalued primarily because the appraiser attached a premium value to this tract because it would have highway frontage for which Collier had previously received compensation.[1] Thus, while Collier was receiving damages from the highway program for a loss in the value because of highway construction, Interior was paying a premium value for the remaining property because of the highway.

Although the exchange agreement described the four tracts of Florida land, it did not specify the total acreage that Interior would receive. Interior officials said the four tracts contain about 108,000 acres, which are located near the Florida Everglades and the Big Cypress National Preserve. Collier was allowed to retain the oil, gas, and other mineral rights to the Florida properties. The law and exchange agreement specified that of the total 110.97 Phoenix Indian School acres, 11.5 acres would be given to the Veterans Administration (now the Department of Veterans Affairs) for expansion of an adjacent veterans hospital, 4.5 acres would be given to the State of Arizona for a veterans nursing home, and 20 acres would be given to the City of Phoenix for a park. The site also contains about 2.85 acres of rights-of-way. Thus, Collier would receive 72.12 acres of the school site.

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

Our May 1988 report concluded that two 1987 Interior appraisals of the Indian School property did not conclusively value the school property. The value of the property was dependent largely upon the amount of commercial development that Phoenix would permit on the property. We also concluded that additional appraisals would not resolve the matter until the city decided on future zoning of the site. Section 402(m)(1) of Public Law 100-696 required us to report on the school property's value within 30 days after a specific plan for the site was submitted.[2]

Section 402(m)(4) of Public Law 100-696 also required Interior to appraise the Indian School property within 45 days after the specific plan was submitted. In March 1991, the Land Use Planning Team, a committee consisting of Collier representatives and Phoenix citizens and chaired by Mr. Burton Barr, former Majority Leader of the Arizona House of Representatives, recommended a development plan for the school site.[3] Mr. Barr's team recommended 6.5 million square feet of commercial development. Interior officials later instructed a contractor to appraise the school property. In April 1991, Mr. Greg Lee, Interior's contract appraiser, estimated the value of the Indian School property at $85 million on the basis of his professional judgment of the amount of office and retail development that would be appropriate for the site.

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 have allowed the developer to build 1.5 million square feet of office and retail space and required the construction of 1,200 residential units. The city's development concept was much smaller than the development that Interior's appraiser and the Barr team thought appropriate. The city's 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. After the city's June 25, 1991, approval of a conceptual specific plan, Mr. Lee reported to Interior that he was unable to determine the school land's value because the plan was not based on the property's "highest and best use."[4]

[2]Under Arizona law, a specific plan is a development plan for the property leading to rezoning.

[3]On May 6, 1991, we informed your Committees of our opinion that the Land Use Planning Team's recommendation did not constitute submission of a specific plan as contemplated by the legislation and agreements entered into by Collier as well as Arizona state law and city ordinances regarding specific plans.

[4]According to The Appraisal of Real Estate, by the American Institute of Real Estate Appraisers, highest and best use 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.

In July 1991, we reported that the conceptual specific plan greatly diminished the school property's value below the $80 million minimum value set under Public Law 100- 696.[5] We said that the city's plan reflected the council's desire to limit development to the downtown and village core areas, and to obtain as much parkland as possible. The plan also allowed less commercial space than some real estate experts considered reasonable. We concluded that had the city allowed more reasonable development, the property would have been worth more than $80 million.

No Bids Received

On July 11, 1991, Interior offered the Indian School land to Collier for $80 million, as required under Section 402(h) of Public Law 100-696. On July 17, 1991, Collier rejected Interior's offer. On August 1, 1991, Interior put the school property up for public bid, as required under Section 402(h)(2)(A) of Public Law 100-696. Under Section 402(h)(7) of Public Law 100-696 and paragraph 2(a) of the exchange agreement, Collier still had until December 11, 1991, to accept the government's offer to trade the land.

After Collier rejected the government's initial offer, Interior contracted with the Federal Property Resources Service of the General Services Administration (GSA) to sell the property. GSA's national marketing effort included placing advertisements in 20 newspapers, developing a list of specialized developers, distributing sales brochures, sending marketing materials to parties, making telephone solicitations, and giving tours of the site to four prospective bidders. According to GSA, the marketing effort cost about $200,000.

GSA solicited offers from August 1, 1991, through October 30, 1991, but no bids were received. Interior and GSA officials attributed the lack of interest in the property primarily to the commercial development restrictions the city adopted in the conceptual specific plan in relation to the minimum $80 million price established in Public Law 100-696. A marketing firm hired by GSA to assist in the sales effort surveyed prospective bidders concerning their reasons for not bidding on the property. Reasons given for not bidding included the depressed real estate market, lack of financing, Collier's right to overbid, the short time period allowed to obtain financing and arrange development plans, and the need to negotiate further with the city over the property's use.

[5] Land Exchange: Phoenix Indian School Development Plan Adversely Affects Property Value (GAO/GGD-91-111, July 25, 1991). At the request of Interior officials, we did not divulge Mr. Lee's appraised value in our July 1991 report. Interior officials were concerned that revealing the value would set a benchmark for the bidding process.

On December 4, 1991, the Phoenix City Council approved a final specific plan for the Indian School site. The specific plan (1) allowed 1.5 million square feet of commercial space, (2) required the developer to build 1,200 residential units, (3) set a maximum building height of 12 stories,[6] and (4) included a 40-acre park. A map of the specific plan is provided in appendix I.

In contemplation of trading city-owned land located in downtown Phoenix with Collier for Indian School property, the Phoenix City Council included a "contingent expanded park provision" in the December 4 final specific plan.[7] The provision indicated that if the city obtained 80 percent of the Indian School site (exclusive of the property designated for veterans' uses), the developer (1) could build 1.7 million square feet of commercial space, (2) was not obligated to build any residential units, and (3) could construct buildings up to 20 stories in height. Table 1 compares the specific plan with and without the contingent expanded park provision.

Table 1: Elements of the Specific Plan With and Without the Contingent Expanded Park Provision

	With provision	Without provision
Maximum square feet of commercial space	1,700,000[a]	1,500,000
Maximum number of stories	20	12
Minimum number of residential units	0	1,200
Minimum acres of parkland	74[b]	40

[a]The developer could build up to 1.7 million square feet of commercial space contingent upon providing certain landscaping along Central Avenue.

[b]Eighty percent of the school site, less 16 acres designated for veterans' uses and less 2.85 acres of rights-of-way, is 74 acres. The final agreement between Phoenix and Collier specified that the city would have 77 acres of the school site after trading the downtown property.

Source: City of Phoenix Planning Department.

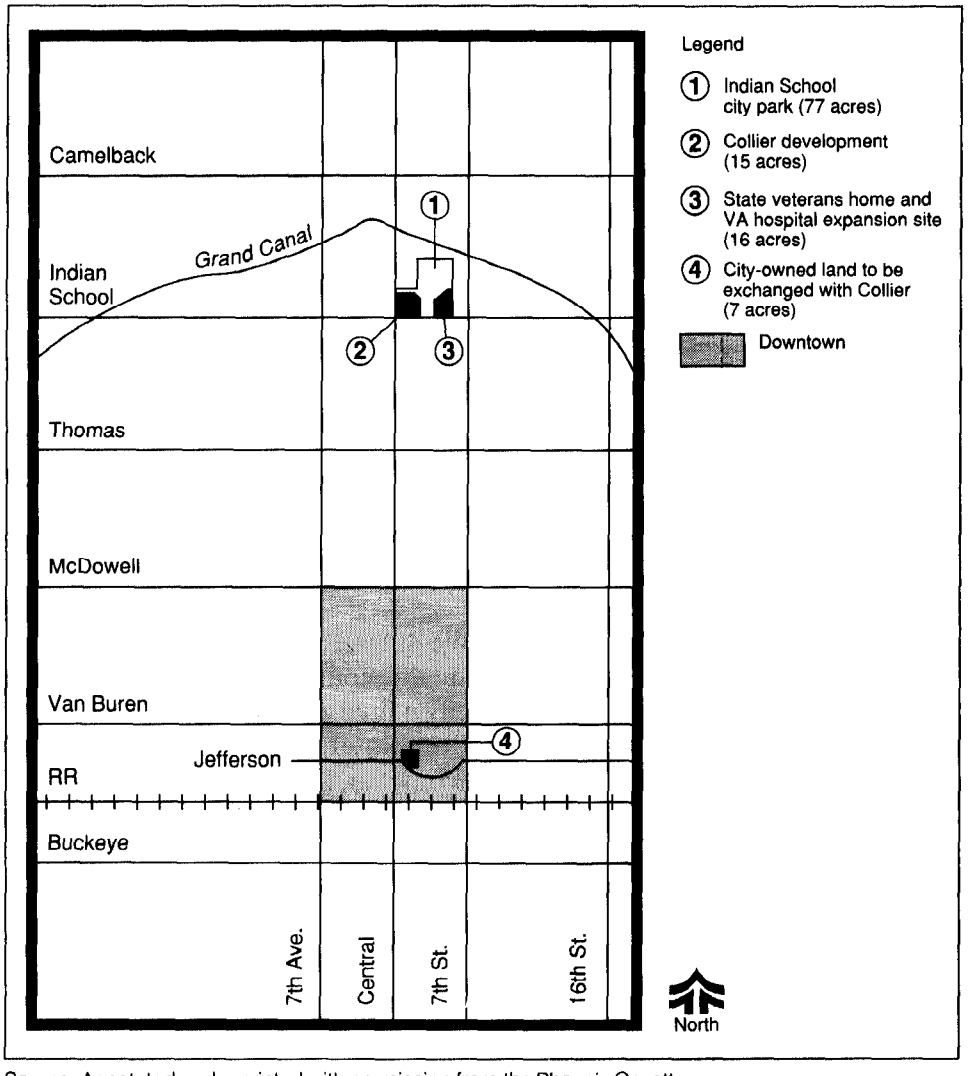
On December 11, 1991, the City of Phoenix and Collier agreed that after Collier's trade of land with the government, Collier would exchange an additional 57 acres of the Indian School land for a leasehold interest and development rights for about 7 acres of city-owned property in downtown Phoenix. Including the 20 acres of the school property granted to the city under Public Law 100-696, the city would have 77 acres of the site for a

[6]The June 25, 1991, conceptual specific plan set a maximum building height of 16 stories.

[7]On September 11, 1991, Collier announced its intention to begin negotiating with the city to trade the properties.

park. Collier would retain 15 acres of the school property at the corner of Central Avenue and Indian School Road and have 7 acres of land for development in downtown Phoenix. The city placed no commercial development limits on the downtown site, and Collier plans to build about 3 million square feet of commercial space on that site. A map showing the locations of the school properties and downtown blocks involved in the trade is shown in figure 1. A map of the Indian School site based on the trade of land between the city and Collier is provided in appendix I (see fig. I.2).

Figure 1: Location of the Indian School and Downtown Trade Properties



Source: Annotated and reprinted with permission from the Phoenix Gazette.

A point of contention between Collier and the city was who would pay to remove asbestos from certain buildings on the portion of the school site designated for the city park. Interior and the city each said it had no legal obligation to remove the asbestos and would not pay for the removal. However, on December 10, 1991, Collier agreed to pay up to $837,000 to remove the asbestos, the estimated cost of removal based on an environmental study the city commissioned.

The exchange agreement authorized Collier to exercise its right of exchange under Public Law 100-696 within 3 years after its November 18, 1988, enactment. However, paragraph 2(a) of the exchange agreement gave Collier 30 days after notice by Interior that no bids were received to finally decide whether to accept the government's offer to exchange the properties. Collier received notice on November 12, 1991, that no bids were received. Therefore, Collier had until December 11, 1991, to decide. On December 11, 1991, Collier notified Interior that it would accept the government's offer to trade the properties, contingent upon reaching an acceptable agreement regarding collateral to secure the Indian educational trust funds payments.

Requirement for This Report

Public Law 100-696, Section 402(m)(2), required us to provide a second report within 60 days after Interior accepted an offer for the school site on "all actions taken subsequent to the submission of the Specific Plan relative to disposition of the Phoenix Exchange Property, particularly as they relate to the value received by the United States and the process by which such value was determined." This report responds to that requirement.

We did our work by monitoring actions since the June 25, 1991, submission of the specific plan affecting the property's value, including the city's final zoning action. We also hired a consultant, Mr. John D. Dorchester, President of Real Estate Sciences International, Inc., Winnetka, Ill., to help us determine the school property's value. We have included a detailed description of our objective, scope, and methodology in appendix II. A chronology of events after the June 25, 1991, specific plan submission is contained in appendix III.

Highest Probable Market Price

Mr. Dorchester, our consultant, estimated the highest probable market price for the Indian School property, based on the December 4, 1991, specific plan without the contingent expanded park provision to be about $27 million. Mr. Dorchester cautioned that $27 million should not be considered an appraised value but should be considered the maximum potential price expected for the site assuming feasibility of development and no further cost implications for the developer. He thought that because these assumptions were questionable, the site's probable market price would be lower than $27 million, perhaps considerably less.

In his calculations, Mr. Dorchester used unit values contained in Mr. Lee's April 1991 appraisal, which valued the school property at $85 million after deducting $15.7 million for developer obligations such as park construction and building demolition. Mr. Lee's appraisal was based on his judgment that the site would contain 4.4 million square feet of commercial space, a 32-acre park, and 884 residential units. Mr. Dorchester also deducted $837,000, which was the city's estimated cost of removing asbestos from the school buildings, from his estimate of the property's highest probable market price. Mr. Dorchester's calculations are shown in table 2.

Table 2: Calculation of the Highest Probable Market Price for the Indian School Property

	Number of units	Unit price	Total
Square feet of office space	1,400,000	$16.25	$22,750,000
Square feet of retail space	100,000	28.00	2,800,000
Residential units	1,200	15,000.00	18,000,000
Subtotal			**$43,550,000**
Less			
Developer obligations for park construction and building demolition			(15,700,000)
Asbestos removal			(837,000)
Total			**$27,013,000**

Source: Generated by John Dorchester; based on Greg Lee's April 1991 appraisal and the Phoenix estimate for asbestos removal.

Mr. Dorchester agreed with Mr. Lee's analysis that the Indian School property may be infeasible to develop, given the specific plan's commercial development restrictions, residential housing requirement, and park provisions. For example, Mr. Dorchester questioned whether the amount of commercial development allowed would be able to support the need for

the plan's relatively high requirement for residential housing and whether a residential developer or institutional lender would risk placing capital for a commercial and residential project next to a large park where the developer would not be able to control access.

Further, although Mr. Dorchester prepared an estimated market price of the property, he said it was impossible to appraise the school property on the basis of the specific plan because to appraise the property he would have had to (1) assume that the specific plan will not be challenged in court and that the plan represents the property's highest and best use, (2) estimate demand and absorption for land uses contemplated on the site, (3) analyze the effects of the park area on the commercial and residential developments, and (4) define specific development cost requirements, including possible off-site development costs.

Mr. Dorchester was unable to determine the value of the Indian School site on the basis of the specific plan's contingent expanded park provision, which allows Collier to trade school land for city-owned property in downtown Phoenix. He did not have enough economic data concerning the agreement between Collier and the city, which includes complicated tax abatements for Collier on the downtown property, to determine their effect on the school property value.[8] Thus, the value of the downtown property is contingent on its real estate value plus its value to an investor on the basis of tax advantages.

Mr. Dorchester believes that had the Indian School property been owned privately, it would have received more development allowances than the city allowed in the specific plan. He said that a private owner would have followed a different process in dealing with the city and would have (1) done a more detailed economic study aimed at understanding the property's role in the social, economic, and governmental base of Phoenix; its linkage with downtown and the Central Avenue corridor; and its economic contribution to the community as a whole; (2) argued for the property's highest and best use more proactively than the passive representation of the Interior Department; (3) had more data to plan and present alternatives to the views of special interest groups; and (4) sought judicial relief from the specific plan's development restrictions.

[8]An appraisal commissioned by Phoenix of the downtown trade property valued the two city blocks, plus access to two adjacent streets, at between $8.35 million and $10 million. The appraisal did not consider the value of the tax incentives the city offered Collier.

Indian Educational Trust Funds

Section 403(c)(2) of Public Law 100-696 allows the Secretary of the Interior to decide whether Collier should pay for the Indian educational trust funds in 30 annual payments or in one lump sum. On September 25, 1991, the Secretary of the Interior decided that Collier should pay the $34.9 million Indian educational trust funds in 30 annual interest payments, with the principal due in the last payment. Collier and Interior are still negotiating how that payment will be secured. Interior is proposing that a mixed portfolio of land, letters of credit, and Florida mineral rights be used as collateral. Interior plans to resolve the collateral issue and close the land exchange by June 11, 1992.[9]

Conclusions

The conditions to exchange the Florida and Arizona lands under Public Law 100-696 have substantially been met. The Department of Veterans Affairs will receive 11.5 acres of the school land to expand its medical facilities. The State of Arizona will receive 4.5 acres of the school property on which to build a veterans nursing home. The City of Phoenix will have 77 acres for a park on the former school site—57 acres more than provided in the law. The federal government will acquire nearly 108,000 acres of environmentally sensitive land in Florida. And Arizona Indians are to receive $34.9 million in educational trust funds, to be paid by Collier. In addition, as a result of the agreement with the city, Collier will receive development opportunities at two sites in Phoenix and will be able to build about 4.7 million square feet of commercial space.

However, Congress' intent to test the value of the Phoenix Indian School property through a meaningful competitive bidding process was not met. First, Collier could have accepted the property for $80 million, and the property would not have gone to competitive bidding, but Collier chose not to. Also, the city's specific plan limitations on the site's potential use, which were in place before the solicitation was issued, were cited as one of the most significant reasons why no bids were submitted after Collier rejected the $80 million offer. The right of the Colliers to overbid also was cited as an important factor in the lack of bids. Taken together, these factors indicated that the process established for the bidding had shortcomings.

We cannot conclude that the Florida properties, along with the Indian trust funds of $34.9 million, equal the value of the Phoenix Indian School

[9]Paragraph 25(a) of the exchange agreement allows closure to occur later than 180 days after Collier's December 11, 1991, acceptance of the government's offer to exchange the lands upon mutual agreement by Interior and Collier. However, Interior officials said they would be unwilling to extend the closing date.

property that Collier will receive. First, Public Law 100-696 did not contemplate a revaluation of the Florida property, which may have decreased in value since it was valued in 1988, like other real estate generally. Also, as we reported in 1988, a portion of the Florida property was possibly overvalued by $3 million to $4 million because Collier was receiving compensation for damages because of highway construction programs and additional value from Interior because the property would front the highway.

Second, the Indian School property became the subject of a trade between the city and Collier. We could not determine the economic value of the trade between these two parties because we did not have enough data concerning the agreement. However, as we reported in July 1991, we believe the value of the Indian School property has been considerably reduced by the city's specific plan. Further, a private owner of the school site, without the ancillary agreements with the City of Phoenix for developing other properties, would likely have sought judicial relief from the provisions in the specific plan. Without a resolution of this issue, the highest and best use of the property could only be speculatively assumed by an appraiser. Further complicating the appraisal was the economic feasibility of the specific plan's residential development requirements.

We believe that in authorizing the exchange in 1988, Congress contemplated that by granting the City of Phoenix 20 acres for a park and by establishing the planning process and competitive bidding requirements, the highest potential economic value would be ensured for the Phoenix Indian School site. We do not think that the government has received the highest potential economic value for the site because of the city's specific plan limitations.

We do not question the authority of the City of Phoenix to determine how privately-owned property should be used because localities decide land zoning issues in the United States. However, the city's actions in the Collier exchange raise the question of whether a locality should have the authority to use zoning as a noncompensation means of acquiring land in federal disposition programs if the goal is to maximize return to the federal government. But we recognize that maximizing return is not always the primary goal. Further, since the Collier exchange depended on the actions of several entities, each operating for different interests, conflict arose in their attempts to meet the intent of the exchange. Such natural conflict raises the issue of how future multiparty exchanges can be designed to

accommodate the demands of the parties and still meet a market value standard.

Agency Comments

On February 5, 1992, we discussed a draft of this report with Interior and GSA officials. They generally agreed with our facts and analyses. Interior officials said that they had considered whether to more aggressively represent the property's maximum commercial potential but decided not to because they believed that Interior's intervention would not be well received in Phoenix and would ultimately be counterproductive. Interior officials also said they believed that GSA did its best to market the property. Interior and GSA officials suggested minor changes that we incorporated, as appropriate, throughout the report.

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. Copies will also be made available to others upon request.

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

L. Nye Stevens
Director, Government Business
Operations Issues

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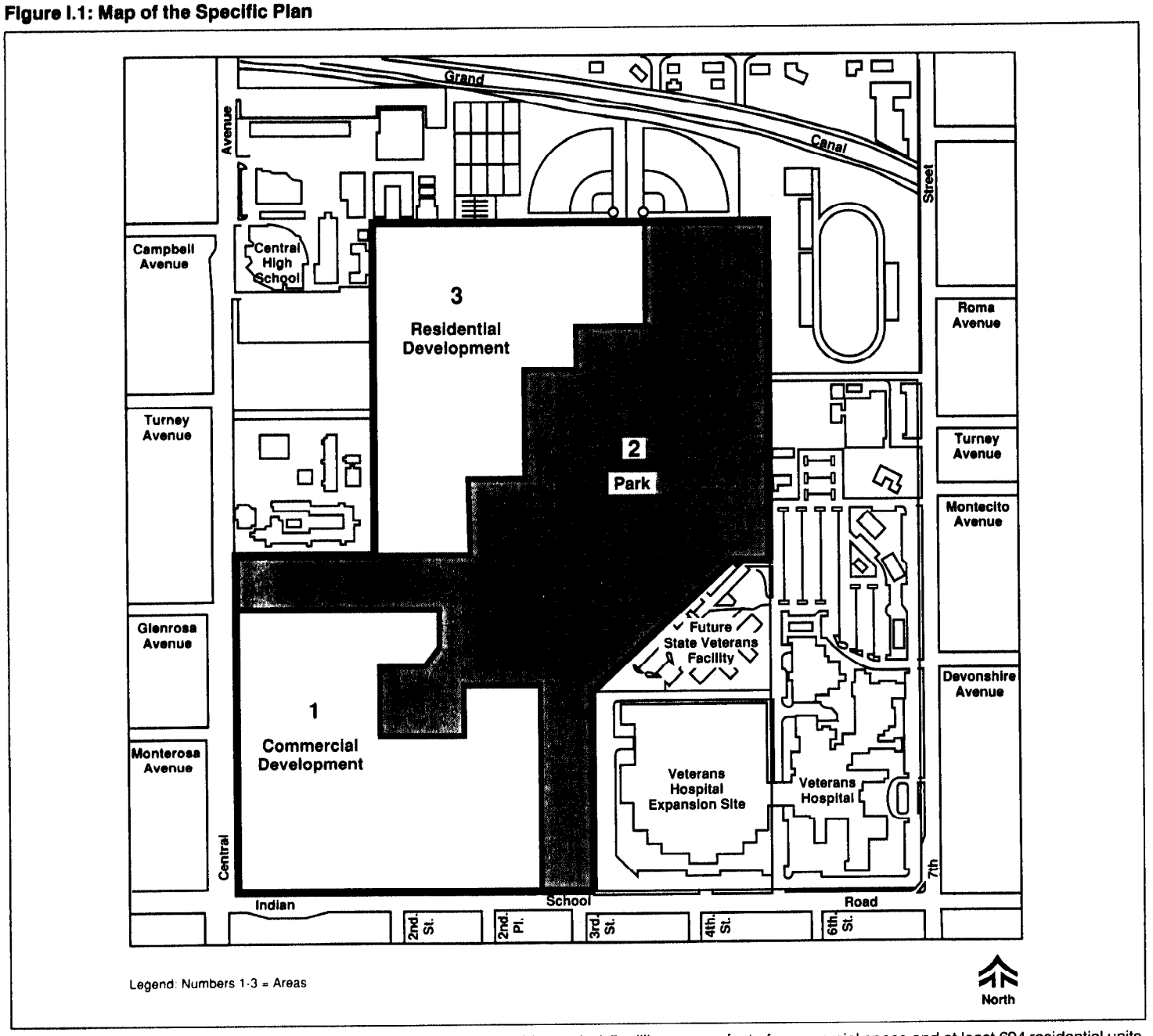
Abbreviation

GSA General Services Administration

Phoenix Indian School Maps

On December 4, 1991, the Phoenix City Council approved a final specific plan for the Indian School site. The specific plan (1) allowed the developer to build 1.5 million square feet of commercial space on the site, (2) required the developer to build 1,200 residential units, (3) set a maximum building height of 12 stories, and (4) included a 40-acre park. Figure I.1 is a map of the specific plan.

Figure I.1: Map of the Specific Plan

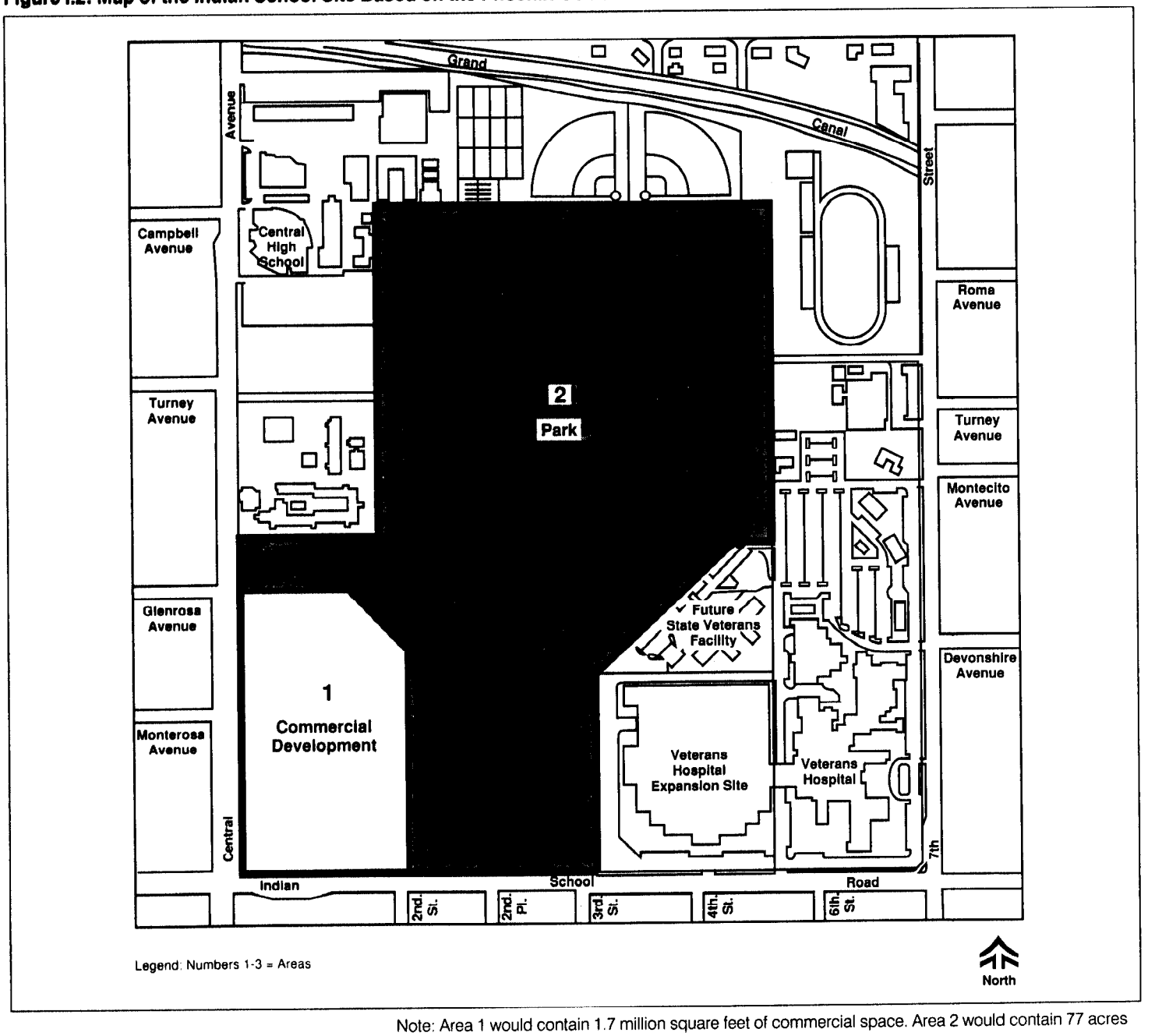


Note: Area 1 would contain 1.5 million square feet of commercial space and at least 694 residential units. Area 2 would contain 40 acres of parkland. Area 3 would contain at least 506 residential units.

Source: City of Phoenix Planning Department.

On December 11, 1991, the City of Phoenix and Collier agreed that following Collier's trade of Indian School land with the government, Collier will exchange an additional 57 acres of the school land for leasehold interests and development rights for about 7 acres of city-owned property in downtown Phoenix. Figure I.2 is a map of the Indian School site based on the trade of land between the city and Collier.

Figure I.2: Map of the Indian School Site Based on the Phoenix-Collier Trade



Note: Area 1 would contain 1.7 million square feet of commercial space. Area 2 would contain 77 acres of parkland.

Source: City of Phoenix Planning Department.

Objective, Scope, and Methodology

The Arizona-Idaho Conservation Act of 1988, Public Law 100-696, directed us to report on "all actions taken subsequent to the submission of the Specific Plan relative to disposition of the Phoenix Exchange Property, particularly as they relate to the value received by the United States and the process by which such value was determined."

To accomplish this objective, we monitored actions taken by the City of Phoenix, the Department of the Interior, the General Services Administration (GSA), and the Barron Collier Co. since the June 25, 1991, submission of the specific plan. We reviewed the steps taken by GSA to market the school property, including the placement of advertising and Federal Register notices, use of mailing lists, distribution of sales brochures, and other efforts to reach potential bidders. We also interviewed GSA and Interior officials, the Mayor of Phoenix, staff of the Phoenix Planning Department, staff of the Phoenix Community and Economic Development Department, the President of Collier's real estate division, and Collier's attorneys.

In addition, we reviewed the city council's final zoning action for the school site taken on December 4, 1991. We hired a consultant to help us determine the effect of the city's action on the value of the Indian School site. Our consultant was Mr. John D. Dorchester, Jr., President of Real Estate Sciences International Inc., of Winnetka, Ill.. Mr. Dorchester was the consultant on our May 1988 and July 1991 reports on the exchange, is a member of the Appraisal Institute, and is a Counselor of Real Estate. He has over 30 years of real estate analysis experience for private, corporate, and government clients. Mr. Dorchester reviewed the June 25, 1991, specific plan, the December 4, 1991, final zoning action for the site, Greg Lee's April 1991 appraisal of the Indian School property, and the agreement between the city and Collier to exchange city- owned property downtown for a portion of the Indian School land.

We also reviewed recommendations by Phoenix's Planning Commission and Planning Department regarding final zoning for the site, reports assessing environmental concerns on the school property, and the agreement between the city and Collier to exchange the properties.

We did our work from July 1991 through February 1992 in accordance with generally accepted government auditing standards.

Chronology of Events

June 25, 1991—The Phoenix Indian School specific plan was submitted; it allowed the developer to build 1.5 million square feet of commercial space on the site.

July 11, 1991—The Department of the Interior offered the Indian School land to Collier for $80 million.

July 17, 1991—Collier rejected Interior's offer to purchase the school land for $80 million.

July 30, 1991—The Phoenix Planning Department held an open house to notify the public of the specific plan preparation and to receive questions and comments regarding the process and the document.

August 1, 1991—GSA offered the school property for public bid.

August 29, 1991—The Phoenix Planning Commission initiated a specific plan application.

September 5, 1991—The Planning Department released the initial specific plan draft. The department presented the initial draft to various boards, commissions, and committees for comments.

September 25, 1991—The Secretary of the Interior decided on the form of payment regarding the Indian educational trust funds, allowing the purchaser to make 30 annual interest payments, plus a final principal payment.

October 10, 1991—The Phoenix Planning Department released the specific plan "hearing draft."

October 16, 1991—The Phoenix Planning Department held an open house to distribute the draft specific plan and receive questions and comments.

October 23 and 30, 1991—The Phoenix Planning Commission held public hearings regarding the specific plan. The commission recommended that the developer be allowed to construct 1.8 million square feet of commercial space on the site.

October 30, 1991—The bidding period on the school property ended. No bids were received.

November 12, 1991—Collier received notice from Interior that no bids were received on the school property.

December 4, 1991—The Phoenix City Council adopted final zoning for the school site, allowing the developer to build 1.7 million square feet of commercial space. The final zoning action was 100,000 less square feet of commercial space than what the Phoenix Planning Commission recommended the developer be allowed to build on the school site.

December 10, 1991—Collier agreed to pay $837,000 to remove asbestos from the school buildings.

December 11, 1991—Collier agreed to exchange 57 acres of the Indian School property for two city-owned blocks in downtown Phoenix. Collier gave notice to Interior that it accepts the government's offer to exchange the properties.

Major Contributors to This Report

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