

Inside Tract: How Builder Del Webb Maneuvered to Win Prime Las Vegas Parcel

Its Lobbyist, a Pal of Babbitt , Used a Federal Program That Swaps Land for Land

Nevada Senator Lends a Hand

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Page A1

LAS VEGAS -- Gary Ryan was the federal government's top land manager here back in 1994 when he was summoned to a meeting with Sen. Harry Reid of Nevada. The senator wanted to talk about a deal involving 4,700 acres of prime federal land.

Arizona's Del Webb Corp., which wanted to acquire and develop the acreage, had filed an application under a program in which the government swaps chunks of public land for privately held parcels that it deems environmentally sensitive.

When he showed up for his meeting with Sen. Reid, Mr. Ryan also found a lobbyist for Del Webb waiting for him. Over the next couple of years, Mr. Ryan would get to know the lobbyist, a burly man named Donald Moon , very well. To consummate the proposed land swap, Mr. Ryan says, Mr. Moon "tried to push the envelope at every opportunity," frequently invoking the names of Sen. Reid and another of his friends, Interior Secretary Bruce Babbitt .

Sen. Reid, too, minced few words in arguing for the deal. The Del Webb land exchange, the senator told Mr. Ryan, was "to be put on the top of the pile and not have to go to the end of the line."

It isn't widely known, but just about every week, on average, some agency of the federal government trades public land for property owned by private interests. The Bureau of Land Management, an agency of the Interior Department, is the biggest federal landowner, controlling about 270 million acres. With little fanfare, it swaps tens of millions of dollars worth of land with developers each year.

But a growing number of critics say the BLM's land-swap program is too susceptible to political meddling and too generous to developers, especially here in Las Vegas, where land values are high and big parcels scarce. "If they're connected to a politician, it makes it almost impossible to say no," Mr. Ryan says. In a 1996 audit, the Interior Department's inspector general rebuked the BLM for its handling of four Nevada land swaps, saying the agency gave up land worth millions of dollars more than what it got in return.

The Del Webb exchange has intensified the criticism. Three lawsuits have been filed in Las Vegas federal court seeking to block it, and the Interior Department inspector general has begun a formal investigation, looking into complaints from current and former BLM officials who say the deal was irregular in a number of ways. A close look

at the case reveals the complex maneuvering, both political and corporate, that these land-swap deals can involve.

Moreover, the Del Webb matter raises uncomfortable new questions for Mr. Babbitt, at a time when he faces Justice Department scrutiny of unrelated allegations that he let Democratic political contributions influence his department's rejection of an Indian casino project. Mr. Babbitt himself once represented Del Webb in its efforts to acquire land from the BLM. And throughout the period that the land swap was being negotiated with an agency of his department, Mr. Babbitt was in business with Mr. Moon, the Del Webb lobbyist, in a separate land venture.

Mr. Babbitt recused himself in writing from the Del Webb transaction, and his spokesman, Michael Gauldin, says the secretary played no role in his department's consideration of it. Mr. Babbitt properly reported his business relationship with the lobbyist to the department's ethics officer and others, Mr. Gauldin says.

But Interior Department records show that Mr. Babbitt did become involved at one delicate juncture: Just before the department's inspector general released its critical 1996 audit, Mr. Babbitt endorsed a plan under which the Del Webb exchange and five other proposed Las Vegas-area swaps would be placed on a "priority" list, ensuring that they would continue to move forward at a time when other exchange applications were being put on hold.

Del Webb eventually obtained rights to the land for the equivalent of about \$10,900 an acre, a price other developers dismiss as too low.

The stakes for federal land exchanges are especially high in the Las Vegas area, partly because so much land here is controlled by a company founded by Howard Hughes. He bought 25,000 acres in the 1950s, and his Howard Hughes Corp., now owned by Maryland-based Rouse Co., remains the largest nongovernment landowner in the Las Vegas Valley.

The warm climate, lack of a state income tax and glittering casinos have made this a top retirement destination and an irresistible market for developers such as Del Webb. The publicly held Phoenix company is known for its Sun City age-restricted communities, in which attractive middle-market homes are nestled around golf courses and lavish recreational facilities.

Del Webb's effort to obtain land from the BLM began in the early 1990s. It had a Sun City in Las Vegas, built on land acquired from Hughes, and wanted to expand. Although Hughes was willing to sell more land, it would be in small, partly developed parcels; Del Webb wanted a big tract of raw land. "To remain in that market, we had to do a land exchange," says Scott Higginson, a Del Webb vice president.

Mr. Babbitt represented Del Webb in this effort and other matters --visiting the BLM's Las Vegas office and phoning BLM employees -- until shortly before January 1993, when he became interior secretary and thus the BLM's boss.

In late 1993, Del Webb hired Mr. Moon to work on the land exchange. It wasn't because of his Babbitt ties, says Del Webb Chairman Philip Dion: "I hired a guy who I believed had experience with land exchanges," he says. "We didn't hire him to be an influence-peddler between us and Bruce Babbitt." (Eventually, he says, he took Mr. Moon off the case, worrying that his methods were too aggressive.)

Mr. Moon says he met Mr. Babbitt in the mid-1980s, when Mr. Babbitt was Arizona governor and Mr. Moon was a county prosecutor. They became friends a few years later when Mr. Babbitt, having lost a bid for the Democratic presidential nomination, went into private practice as a lawyer. Mr. Moon says he referred clients to the ex-governor. And in 1990 they jointly invested in 144 acres of land in Prescott, Ariz., where Mr. Moon lives, hoping to sell lots to wealthy Californians pouring into the picturesque mountain town. Sales are on hold pending clearance to shut off a right-of-way through the land, but Mr. Babbitt retains about a 12% interest in the project. There are four partners in all.

Mr. Moon lives in a discreetly concealed mountain retreat, expressing disdain for neighbors who let their homes show above the tree line. Profane and outspoken, fond of beer and cigars, he remarks that "the missionaries need not call here."

In Las Vegas, Mr. Moon says, Del Webb was having trouble getting the land it sought from the BLM. It had its eye on 4,000 acres west of the city near the Red Rock National Conservation Area. But there was a bill in Congress to expand the Red Rock, and at one point this bill was amended to include the 4,000 acres the company wanted. Del Webb's Mr. Dion contends that landowner Howard Hughes Corp. had a lot to do with this move, "trying to stoke the furnace and screw us up." A Hughes executive, Mark Brown, denies this, saying "our only interest was to make sure that the process was followed and the land was appraised at fair value."

Mr. Moon managed to stall the legislation. As an Arizona company, Del Webb had close ties with home-state Republican Sen. John McCain, who used his Senate prerogative to hold up the measure. (A McCain spokesman says the senator was concerned that it treated Del Webb unfairly.) But Nevada's legislators all wanted a conservation bill passed, and Mr. Moon couldn't get the 4,000 acres removed from it. "When you're beat, you're beat," he says.

It was time for Plan B. That involved an alternative land exchange, in which Del Webb would go after a 4,700-acre federal parcel south of Las Vegas.

Mr. Moon says he used Sen. McCain's hold on the conservation bill to arrange a meeting in Sen. Reid's office with Robert Armstrong, the assistant interior secretary in charge of the BLM. There, Mr. Moon asked Mr. Armstrong to write a letter stating the BLM's commitment to move the alternative land swap swiftly through the bureaucracy.

Sen. Reid "was saying, 'These guys [Del Webb] can kill this bill' and 'Hey, give me some help here, Bob,'" Mr. Moon says. Mr. Armstrong "sympathized," he adds, but declined to provide the letter.

Sen. Reid doesn't dispute this account but says he was only seeking BLM assistance within the regulations. "We didn't tell them to approve it," the senator says. "We just didn't want [Del Webb] to lose their place in the pecking order."

Mr. Moon settled instead for a letter signed by the entire Nevada congressional delegation expressing support for the alternative swap. Sen. McCain lifted his hold, and the conservation bill passed, Mr. Moon says. The lobbyist then proceeded to use the letter like a cudgel, driving BLM officials hard to honor the deal he had made with the Nevada delegation.

He interpreted the delegation's letter liberally. For instance, Del Webb had spent millions of dollars processing the first, unsuccessful land swap. Mr. Moon told BLM employees in Las Vegas that the letter's recommendation "that Del Webb be given credit to the extent possible for its previous investments" meant the BLM should credit the earlier payouts toward the company's costs in processing the second proposed exchange.

Mr. Moon wasn't bashful about using Mr. Babbitt 's and Sen. Reid's names with BLM employees. "He'd say, `Both of them support this exchange,'" the agency's Mr. Ryan says. "` I don't want to have to give them the bad news that you've missed this deadline.'" Mr. Moon says he did use their names but didn't threaten to pull strings to get lower-level people overruled.

Sen. Reid acknowledges that Del Webb held a fund-raiser for him at its Phoenix headquarters in late 1994, raising \$8,000 from Del Webb employees and \$2,000 from Mr. Moon . "I frankly raise a lot of money in Arizona," Sen. Reid says. But he says the contributions had no effect on his stance toward the land exchange. He says he supported the Del Webb exchange because the developer is a good corporate citizen that builds attractive homes for the elderly and employs thousands of Nevadans.

During his three years on the project, Mr. Moon says, he dined several times with his friend Mr. Babbitt . He kept the interior secretary abreast of developments on the Del Webb deal, Mr. Moon says, but didn't ask for his help. He acknowledges that "I might have said, `I'm working on this land exchange, and your people are being real a----- --,'" Or, "` BLM's got serious troubles' -- I might have said that."

Mr. Babbitt 's spokesman says the interior secretary never discussed the Del Webb land swap with Mr. Moon , and didn't know Mr. Moon was dropping his name.

In January 1996, as the Interior Department's inspector general prepared its audit of Las Vegas-area land exchanges, BLM staffers in Nevada reviewed their procedures for handling applications for such swaps. Then they put together a list of six to be designated priorities, including Del Webb 's. In Washington, Secretary Babbitt reviewed the list. "I believe we have now reached consensus and closure on Nevada land exchanges," he wrote in a memo approving it. "The overall organization and priority setting . . . looks OK to me."

In the same memo, Mr. Babbitt reiterated his "policy of not being involved in decisions on specific proposals involving Del Webb in Nevada." His spokesman, Mr. Gauldin, contends that approving the priority list didn't amount to an official action on the Del Webb exchange.

Mr. Moon says citing Messrs. Babbitt 's and Reid's names ultimately didn't help Del Webb 's cause. In fact, he says, his relationship with Mr. Babbitt was a hindrance, prompting suspicious bureaucrats and others to subject the exchange to especially close scrutiny. "No land exchange," Mr. Moon says, "ever jumped through the hoops this one did." With that, the company's Mr. Dion heartily agrees.

But one hurdle was of its own making. When Del Webb first wrote to the BLM proposing a land swap, it had no environmentally sensitive land to offer in exchange. In most successful swaps, developers don't write to the agency until they have

options on land the BLM might want, says Larry Sip, a retired BLM employee. "When Del Webb initially came in," he says, "they had no land to offer."

So Mr. Moon says he checked with the BLM about which Nevada lands it might be interested in. One thing it wanted to do was expand central Nevada's Stillwater National Wildlife Refuge. Del Webb began buying ranches near the refuge and looking into other property.

Another way this deal was different: The developer insisted on choosing its own appraiser for the federal land it wanted. Del Webb 's Mr. Higginson concedes this was unusual but says the appraiser -- from Del Webb 's home city of Phoenix -- knew the Las Vegas market well.

The amount of the appraisal would, of course, establish how much land Del Webb had to supply in return. The Interior Department's inspector general now is investigating the process that led to the initial appraisal, which placed the Las Vegas land's value at just \$9,000 an acre. A second appraisal that was eventually ordered valued it at \$10,900 an acre, while one commissioned by plaintiffs suing to stop the deal put it at \$36,000 an acre.

To some critics, such disparities show an inherent problem with land swaps: the difficulty of valuing raw land. Charles Hancock, a retired BLM employee and critic of the land-exchange process, says appraisers, like expert witnesses, tend to shade their findings in favor of whoever pays their bills. The BLM could get far more for its land by auctioning it, he says, and then could buy any sensitive land it wanted. Mr. Gaudin says the Interior Department isn't opposed to such a process, but in most cases the law won't allow it. Department spokeswoman Stephanie Hanna notes that BLM "land exchanges have become an increasingly important component of the Interior Department's ability to acquire land that needs protection."

In any case, the Del Webb deal soon hit another snag. Churchill County, near the Stillwater refuge, complained that expanding the refuge would endanger the county's drinking-water supply. To address the concern, Mr. Moon was soon shepherding through the office of Churchill County Manager B.J. Selinder an odd cast of characters, Mr. Selinder says. "The first guy looked the part of a rancher -- cowboy hat, handlebar mustache, jeans, boots," he says. "Later, he brought in a Harvard professor."

Mr. Moon also did some more namedropping. "He said he was doing the same job Babbitt used to do for Del Webb before he became interior secretary," Mr. Selinder says. He "intimated that he had a direct line to the secretary." Mr. Moon 's account is a little different: He says he had had dinner with Mr. Babbitt not long before meeting Mr. Selinder and merely told the county official that "the Stillwater conservation area is very important to Babbitt."

In October 1996, the BLM released a long-awaited notice of decision to grant the Del Webb swap. Five opponents, including Mr. Hancock, the Sierra Club and the Churchill County Commission, filed protests, raising various concerns. Utah Republican Rep. James Hansen, chairman of a key subcommittee, also objected. After two days of meetings in early 1997, BLM officials decided to require a second appraisal of the land near Las Vegas. (The value of the land to be traded for it wasn't a particular

issue.) Mr. Moon says he advised Del Webb not to cooperate in getting a second appraisal.

At this point, Del Webb chairman Mr. Dion says, he decided to remove Mr. Moon from the project, fearing that "his tactics didn't reflect well on our company" and that "his style wasn't going to get it done." Mr. Moon 's version is that he himself told Del Webb he didn't want to continue with the somewhat bizarre process, that "I didn't want to sign up for another trip to Disneyland."

The second appraisal, commissioned by the BLM, came in at \$10,900 an acre, and the exchange got a second go-ahead at that price. Del Webb will take the parcel in two phases. It is starting work on the first 1,900 acres now.

Mr. Gauldin, Mr. Babbitt 's spokesman, sees the end result as a defense of the interior secretary: "If you review it and jack up the price," he says, "it hardly sounds like doing a favor for the person seeking the land."

Mr. Moon says he is through trying to arrange big land swaps with Washington. Leaning back in an Adirondack chair and surveying the dun-colored mountains outside his Prescott home, he says he yearns for a quieter life. "I'm thinking," he says, "of becoming a teacher."