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Work begins on professional park

Phoenix Business Journal - by [Jan Buchholz](#)

Clarius Partners LLC, a Chicago development company, has broken ground on the 60-acre SkyWay 202 Professional Park at the southwest corner of Loop 202 and 40th Street in Phoenix.

The first structure to be built is the \$57 million, 94,000-square-foot Southwest Orthopedic and Spine Hospital. It's full speed ahead as soon as the ground dries out from the rain, according to Steven Duncan, managing principal of Clarius.

"I say there's more dirt-moving equipment there than anywhere in the Valley," he said.

The site was leased from the Arizona State Land Department after the development firm won an auction in March 2006. The lease amount over 65 years is \$238.8 million.

Deputy Land Commissioner Vanessa Hickman said the Land Department is thrilled that the project is moving forward and that Clarius is current on its payments.

Hickman said numerous parties that won auctions during the run-up in land values in the mid-2000s have returned land to the state because they were unable to move forward with development plans.

"We've seen a substantial amount of land returned to inventory," she said.

However, like the SkyWay 202 site, infill parcels continue to draw interest. No auctions are scheduled in the near future.

Finding the right kind of project for the site has been a challenge given that the economy has changed dramatically since Clarius picked up the land at the height of the real estate frenzy nearly four years ago. Duncan said the SkyWay project has taken a long time to get off the ground because of the economy and numerous site-plan changes.

"We're on our 42nd site plan. We've tried a number of things with this site," Duncan said. "We've changed our focus, and we're pursuing hospital deals."

The Southwest Orthopedic and Spine Hospital is a joint venture of 37 orthopedic physicians, San Francisco-based **Catholic Healthcare West** and Dallas-based **United Surgical Partners International Inc.** It is scheduled to open in January 2011.

Clarius was introduced to the hospital group through Mindy Korth, executive vice president of **CB Richard Ellis**. Korth, who represents United Surgical, said the deal was an exercise in patience.

"The way this deal came about was many years in the making," Korth said.

United Surgical wanted to draw doctors from throughout the Valley, and Loop 202 was considered a pivotal corridor for expediting that objective. But three years ago, land prices were through the roof and there were very few usable parcels.

"That's a strategic site that is vacant, has infrastructure and is ready to build," Korth said.

She also noted that it is within the Discovery Triangle, an area that runs from downtown Phoenix to downtown Tempe to Arizona State University's SkySong in Scottsdale. The city of Scottsdale has yet to buy into Discovery Triangle promotional efforts.

Clarius is in serious talks with another company — which, based on proposals, would be constructing a larger building than the hospital.

"I really can't say who it is, but we have exchanged proposals," Duncan said.

The site is zoned for a maximum of 800,000 square feet of commercial space, but the completion of the professional park could be many years down the road given the economy.

Clarius was formed in 2009 by Duncan and Kevin Matzke. The duo previously worked together with Houston-based Hines Interests LP and had been working in partnership with Higgins Development Group of Chicago on the Loop 202 site.

Ultimately, Clarius took over the development with the group's financial source, Chicago-based Walton Street Capital.

Duncan, who lives in Chicago, said he makes about 40 trips a year to Phoenix. The company has a local office at Hayden Ferry Lakeside in Tempe.

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