



The Road to Ruin

BY BARRY YEOMAN

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hen it comes to building highways, the N.C. Department of Transportation doesn't let the environment stand in its way.

Just ask the people of Sunset Beach, a small barrier island where wood storks and loggerhead turtles still nest. Two years ago, a group of Sunset Beach residents and property owners sued the government, charging that DOT had tried to build a high-rise bridge without assessing the environmental damage the structure would cause. In the short environmental document it did produce, DOT pooh-poohed the idea that the 65-foot-high bridge would attract condominium towers and other high-density development to the quiet island near the South Carolina border.

After a three-day trial, U.S. District Judge W. Earl Britt agreed DOT had broken both federal and state laws by publishing a report that "cannot be supported by human experience or any...known social, scientific, developmental and traffic engineering principles."

The department's reasoning, Britt wrote, "is so utterly devoid of common sense and inconsistent with [the law] that it cannot be taken seriously."

The Sunset Beach bridge is not an isolated case. In fact, *The Independent* has uncovered four ways DOT bends the rules to build its roads, sometimes as favors to big-money campaign donors. These discoveries came during an eight-month investigation into the ways campaign contributions shape the state's highway system—wasting millions in taxpayer money, harming the environment and paving over human communities.

Sometimes, DOT operates right at the edge of the national and state Environmental Policy Acts, following the letter but disregarding the spirit. Other times, the department appears to cross the double yellow line of the law.

Only the purest environmentalists advocate a complete halt to highway construction. Most pragmatists agree North Carolina needs to build or upgrade some roads—to improve safety, increase access to remote areas, and make up for the planning mistakes of years past.

But even the most needed highway can wreak havoc on air, water and wildlife. "Every time we build a new road, it's another habitat

destroyed," says Mark Jacobson, a national transportation-reform activist. A four-lane freeway can weaken certain animal species by cutting off their migration routes and increasing their in-breeding. Highway noise interferes with animal mating, and sedimentation from road construction threatens water quality.

The effects go beyond the actual construction. New roads attract more cars, increasing toxic emissions into the air. And the building of urban outer loops encourages suburban sprawl, which forces people to generate even more air pollution by driving longer distances every day.

According to the N.C. Department of Environment, Health and Natural Resources, road-building in this state has disrupted natural forest-fire cycles and the succession patterns of rare plants.

DOT has not been immune from the growing environmental awareness of the '90s. Over the last few years, the department has hired more planners and scientists—people who understand the effects highways have on air and water. "The agency has a highly capable environmental staff," says R. Wilson Laney, a biologist with the U.S. Fish and Wildlife Service. "They have taken great pains to staff up in that regard."

Other state agencies have seen the results of DOT's care. "Now we're being involved much earlier than we ever were in the past," says Renee Gledhill-Earley, environmental review coordinator for the State Historic Preservation Office.

In one of its most forward-looking innovations, DOT has started using a new computer program to route highways around environmental danger zones. With the Geographical Information System, "highway planners will be able to look at a screen and see wetlands, see historic sites, see areas where there may be endangered species—and pick routes," says Transportation Secretary Thomas Harrelson. DOT is using the system on a trial basis.

Still, the Martin administration often sees environmental regulations simply as a barrier to road-building.

In December, the governor wrote a letter to Vice President Dan Quayle, asking the federal government to lift some of the rules that slow down highway construction. Martin urged the President's Council on Competitiveness, which Quayle heads, to consider allowing states to begin road projects before they have met all the environmental requirements.

Saying highway-building will help North Carolina and the nation climb out of its economic slump, Martin wrote, "Economic recovery is too important to our nation to be stifled by

bureaucratic inefficiency." In March, Quayle's council agreed to several of Martin's proposals, which will speed up the construction of highways through wetlands.

Speeding up highway construction remains DOT's No. 1 priority, despite the steps the department has taken toward greater environmental sensitivity. For instance, DOT takes pride in the speed with which a new highway along North Topsail Beach got finished recently—even though the private developer who built the road through the fragile barrier island was cited for dozens of environmental violations. (See "The Toll at Topsail Beach.")

In this second week of our five-part series, here are the four ways DOT continues to walk right at the edge of state and federal law—over the edge:



DOT makes its decisions—then does the studies.

Before DOT decides where to build a highway—or whether to build one at all—it must study the road's impacts, according to state and federal law. The department is supposed to prepare a document with information about wetlands, noise, endangered species, historic properties—everything it needs to make an informed decision.

That's how it *should* work. In practice, DOT often moves backwards. First it decides to build a road—and then it publishes a report to justify its decision. "That is the normal process," DOT engineer Wade Hoke testified in a court hearing this year. "You decide on the route, and then you evaluate the environmental effects."

That might explain why, in the words of DOT chief preconstruction engineer Tommy Peacock, "I can't think of a project where we've gone through the environmental study and decided the road was not justified."

If DOT does make decisions before researching the environmental consequences, then the department violates both the National Environmental Policy Act and the N.C. Environmental Policy Act. Time and again, the courts have ruled that environmental documents should not serve merely as "rationalizations" for decisions already made.

DOT officials say they follow the law to the letter. "The decision [to build a road] is based on an environmental document," says Jack Ward, manager of the department's planning and environmental branch.

But people who have reviewed North Carolina road projects for other agencies have different memories.

"The thing that was frustrating to me was that decisions were being made without environmental studies taking place," recalls Julie Moore, who reviewed highway programs for the state Natural Heritage Program before moving to Georgia recently. "The environmental branch—their information was plugged in so late in the process that the decisions were already made. Once you have a line on a map, it's almost too late to make changes."

A classic example was the Duraleigh Road Connector in Raleigh, which has now been delayed because of action by the state legislature. To accommodate an influential highway contractor, DOT officials decided to move Duraleigh's original route—three years before the state finished researching the environmental consequences of their decision.

At the center of the Duraleigh Road controversy is the Durham-based Nello L. Teer Co., which operates a 238-acre rock quarry on Raleigh's Crabtree Creek. The Teer Co., one of the oldest and biggest highway contractors in the state, has a longtime reputation for the clout it carries in political circles. Two of the company's past three presidents and their relatives have donated at least \$7,450 to Gov. Martin and \$15,700 to other Republicans since 1983. The firm also donated \$2,000 toward Gov. Martin's first inauguration.

The \$23 million Duraleigh connector was conceived as a link between North Raleigh and Research Triangle Park. The route first proposed by DOT passed through land south of Crabtree Creek owned by the Teer Co. Even though the city of Raleigh prohibited the quarry from expanding south of the creek, the Nello Teer Co. claimed the original proposal would have cost the firm millions of dollars.

To protect its mining operation, the contractor drew up some alternate plans, and offered "substantial concessions" if DOT built one of those alternatives. Nello Teer's main alternative would have destroyed several acres of mature hardwoods and pines, according to the Duraleigh Citizens Association. It also would have routed heavy truck traffic near several Raleigh neighborhoods and allowed the quarry to expand its operations nearer to those homes.

"The operation of the large rock crusher that greets us daily at 6:30 a.m. would be inexcusable if it were even closer than it is now," wrote resident Charles Parker in a letter to a Board of Transportation member.

The state began its environmental studies in 1988, ostensibly to pick a route. A report by DOT geologist W.L. Moore called Teer's preferred routes "the least geotechnically desirable corridors." The best route, Moore wrote, was the one opposed by Teer. He added that with "advanced planning and negotiations," DOT could limit the harm to Teer's mining operations.

But by then, DOT had begun meeting regularly with the Nello Teer Co. Both DOT and Teer officials deny working out a route before the completion of the environmental studies. But state records show that in 1987, even before the studies began, the state had secretly made its decision. The minutes of a DOT internal

meeting in December 1987 say, "Nello Teer favors alternate 1....Alternate 2—Can be eliminated." Other documents make it clear that, early on, DOT had chosen the route almost identical to one of the routes the Teer Co. designed.

And in 1989, a year before DOT finished the studies, the Teer Co. bought two tracts of land adjacent to the current quarry. The company paid \$900,000—more than 20 times the land's assessed value. According to road opponent Jill Heaton, that land would have been useful for mining—but only if the Nello Teer Co. had advance knowledge of DOT's decision. Reached for comment, Nello Teer spokesman J.T. Boone said, "Our lawyer advises us not to speak to you."

Not until 1990, when DOT completed the environmental study, did it publicly adopt the Nello Teer Co.'s preferred route as its own. But now DOT has placed Duraleigh Road on hold until 1998; when legislators learned the road would pass through Umstead State Park, they passed a bill making it harder for the state to go forward with its plans.

Nello Teer marketing manager Ray Crouse, who negotiated the Duraleigh situation with DOT, sees no connection between campaign contributions and the road. "Good gracious, no," says Crouse, himself a \$400 donor to Gov. Martin. "We weren't in bed with them, as we've been accused. We just followed a normal procedure, and they listened."

2 DOT ignores the long-term impacts of roads.

When it wants to build a road, DOT must study more than the environmental effects of the actual construction. The department must

evaluate the long-term impacts of having a highway in a certain location, according to state and federal law.

Planners refer to those long-term effects as "secondary impacts," and they usually relate to real-estate development. In Sunset Beach, the law required DOT to look at the new condominiums and shopping centers a high-rise bridge might bring—and evaluate how the new development would affect the coast. DOT didn't do that.

In fact, a review of DOT's environmental documents shows the agency rarely offers any serious discussion of long-term impacts. That's ironic coming from a department that proudly links roads with jobs.

"The highway lobby sells roads by claiming we'll have positive secondary economic effects. However, when they prepare their environmental documents, they say that the secondary impacts are not their responsibility," says Bill Holman, a lobbyist for the Sierra Club and the Conservation Council of North Carolina.


"I think we do address secondary impacts," says DOT's Jack Ward. "I think it's very difficult to address. How good a job we do, different people would have different opinions."

Assistant Transportation Secretary Jim Sughrue says real-estate development sometimes "would take place anyway," with or without a new road, releasing DOT from the responsibility to evaluate those long-term impacts.

That was DOT's contention when it wanted to widen and pave Red Mill Road in eastern Durham County, the only direct link between Interstate 85 and the Treyburn mini-city. Treyburn is being built by one of Gov. Martin's strongest financial backers, Durham developer W. Clay Hamner Jr.

Since Martin took office, Hamner has contributed \$13,975 to the governor's coffers and

STEAMROLLER OF THE WEEK



This week's steamroller award goes to Assistant Transportation Secretary Jim Sughrue for his convincing response to last week's issue.

In Part 1 of our "Highway Robbery" series, *The Independent* documented three cases in which the N.C. Department of Transportation wasted a total of \$8 million in taxpayer money to satisfy big-time political campaign contributors. Our findings were drawn from DOT's own voluminous files, along with state and federal campaign finance reports.

The article described a bypass around a country club whose members are among Gov. Jim Martin's biggest financial supporters; a driveway to a textile mill owned by a company whose officers gave more than \$40,000 to Republican candidates; and a freeway that appears to have been rerouted to satisfy a quarry owner who gave more than \$22,000 to GOP candidates and conservative PACs.

After the Institute for Southern Studies released the report at a press conference, reporters asked Sughrue to respond to the findings. The assistant secretary didn't substantively challenge a single fact in our report.

"They've got a piece of bastard journalism they're trying to legitimize through the legitimate press," he told the Associated Press.

Besides, he told the *Asheville Citizen-Times*, the story hadn't uncovered anything new. It was "sort of a joke."

hosted a Martin fund-raiser that brought in \$25,000. That event was organized by Hamner business associate Tom Drew, who personally contributed another \$4,000 to the governor. Hamner's business partner, Terry Sanford Jr., gave Martin \$500. What's more, Treyburn hosted a golf tournament last year that raised \$11,000 for TEAM PAC, a committee that aids Republican candidates.

Treyburn officials say they never discussed Red Mill Road with DOT.

When DOT began planning the widening, it prepared a document saying, "The project will not have a significant adverse impact on air, noise or water quality in Durham County."

But federal agencies rebelled, saying DOT had ignored the fact that Red Mill Road would spur Treyburn's growth. They also claimed the widening and paving could be the first step in building a four- or six-lane highway between I-85 and Treyburn. One engineering study, completed for Treyburn, predicted Red Mill Road would eventually become a "parkway" to accommodate the mini-city.

In a rebuke to DOT, Sheppard Moore of the U.S. Environmental Protection Agency wrote, "The proposed project [will] presumably encourage and facilitate the Treyburn development."

Treyburn, which sits in the watershed that provides Raleigh's drinking water, "would entail the conversion of approximately 5,500 acres of predominantly rural, agricultural lands to residential industrial and recreational use," wrote Bruce Blomhard of the U.S. Interior

Department. "It would be located in an extremely sensitive area from a fish and wildlife standpoint."

But DOT maintained it did not have to weigh the effects of Treyburn when deciding whether to widen and pave Red Mill Road. "Because...there are indications that Treyburn will go forward regardless of whether or not the proposed improvements to Red Mill Road take place, NCDOT finds it unreasonable to conclude that Treyburn is a secondary impact," the department said.

So Red Mill Road got built without the Martin administration's ever looking at whether the road would affect the largest—and potentially most disruptive—new development in Durham County.



The state plays funding games to avoid tough federal laws.

The No. 1 rule governing highway funding is this: If you ask the feds for money, you must play by the feds' rules. That means complying with tough federal laws designed to protect natural resources and historic properties.

Until three years ago, North Carolina's DOT routinely depended on federal dollars to build its primary and interstate highways. That changed in 1989, when the legislature created the \$9 billion Highway Trust Fund. Suddenly DOT had a pot of money that enabled it to build roads with only state dollars—and to follow laxer state laws.

"It is imperative we do not continue to follow federal procedures and standards unless the project is to be federally funded," wrote then-state highway administrator George Wells in a 1989 memo. "I am confident the potential payoff in time...and the dollars which can be saved are very significant."

When that memo became public, environmentalists and preservationists raised a stink. So did the state's news media. "North Carolina's track record offers little reassurance" the environment will be protected, the now-defunct *Raleigh Times* editorialized. "In almost every case, the state has waited for federal law—backed by the threat of withholding funds—before it moved to restrain the unrestricted rape of the landscape by developers and road-builders."

Gov. Martin and then-Transportation Secretary James Harrington tried to assure the public the environment would in fact be protected. "Contrary to what you read in the newspapers, the Department of Transportation is undertaking its responsibility for developing this program in an environmentally sensitive manner," Martin wrote to Lavon Page, president of the Conservation Council of North Carolina.

But three years later, the concerns of DOT's critics have been borne out. *The Independent* has found several cases in which DOT ran up against tough federal regulations—environmental or historical—and switched to state funding.

One of them occurred in the southern Piedmont, where DOT plans to build a highway called the Albemarle Northeast Connector. Work was proceeding apace until the state discovered the road would run through the historic Moss-Coble Farm. Built near a mineral spring believed to have medicinal properties, the 137-acre farm features a well-preserved 1912 farmhouse and a varied collection of outbuildings on a picturesque rolling landscape.

Because the farm is eligible for the National Register of Historic Places, federal law barred the construction of the road through the farm unless no feasible alternative existed. North Carolina has no equivalent state law.

DOT recognized it would have to change the route if it continued to accept federal funding. To get the road built quickly and along its preferred corridor, the department simply switched to state funding.

"I don't care how the funding's done, as long as it gets done fast," explains Board of Transportation member James Nance, who championed the road. Without the Northeast Connector, he says, traffic currently goes through a residential neighborhood where children play in the streets. "I sit here and see all the small children by the busy highway. I don't know how to put a price on a child's life."

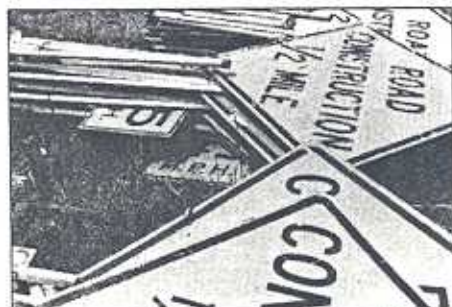
Documents in the State Historic Preservation Office indicate that DOT rejected an alternative route that would have gotten the Northeast Connector built while avoiding the Moss-Coble Farm.

DOT admits it switches funds to avoid federal requirements. "The federal process has

been abused from time to time," says Assistant Secretary Sughrue. He explains that some properties are declared eligible for the National Register not because of their historic value, but because someone wants "to block a road."

As a result, Sughrue says, "We're gun shy."

Is this legal? "We always attempt to obey the law, and we believe we're doing so," says Sughrue. In fact, the law is ambiguous. But at least twice since Congress passed the National Environmental Policy Act, judges have ruled that states cannot shift money back and forth to avoid federal regulations. In one case, a U.S. Court of Appeals judge in Texas ruled, "The State may not subvert [the law] by a mere change in bookkeeping or by shifting funds from one project to another." It would take another judge to decide whether North Carolina's DOT is following the law.



The most needed construction can destroy habitats and threaten wetlands. PHOTO BY M.J. SHARP



DOT "piece-meals" road projects.

Last year, DOT asked the N.C. Division of Environmental Management to look at a rural highway that the state planned to widen. So Environmental Management staffer Eric Galamb hopped in a car and drove the 110-mile round trip between Winston-Salem and Rockingham County, where he evaluated the effect the project would have on wetlands.

Eight weeks later, DOT asked Environmental Management to do another evaluation—of another stretch of the same highway. So Galamb had to make another trip to Rockingham County. Not only did the second trip waste 110 miles

"Big-picture planning is not what the DOT does, and I don't think they've been asked to," says Renee Gledhill-Earley.

and three hours—but it ensured that the state would never learn the *total* effect of the project.

That's called "piecemealing": the dividing of road projects into small segments for environmental review. DOT does this with most major roads, splitting them into as many as a dozen pieces. Sometimes piecemealing is legal, but other times it violates the National Environmental Policy Act.

RUNNING THE YELLOW LIGHT

There are various ways to skirt environmental laws—some legal, some not. Here are some of the Department of Transportation's most recent tactics:

ROCKINGHAM COUNTY

N.C. 14
DOT sent a state investigator to evaluate two stretches of the same road during two consecutive months, assuring that the full wetlands impact of the road-widening would never be known.

REIDSVILLE

DURHAM COUNTY

Red Mill Road
DOT created a direct link between Interstate 85 and Treyburn—but never studied whether the 5,500-acre mini-city would affect a sensitive watershed area.

DURHAM
RALEIGH

WAKE COUNTY

Duraleigh Road Connector
Highway officials secretly picked a route to satisfy Nello Teer Co.—the year before it started researching the environmental consequences of that corridor.

STANLY COUNTY

Albemarle Northeast Connector
When a new highway was headed through the historic Moss-Coble Farm, in violation of federal law, the state simply switched from federal to state funding.

ALBEMARLE

BRUNSWICK COUNTY

Sunset Beach bridge
DOT claimed that a high-rise bridge would not attract condominiums and shopping centers to the quiet island. "Literally devoid of common sense," said a federal judge.

NORTH TOPSAIL BEACH

SUNSET BEACH

ONSLOW COUNTY

New River Inlet Road
The state allowed developer F. Roger Page to build a road on fragile North Topsail—without looking at the damage his road might cause. The new road ends just beyond Page's Villa Capriani.

Judges have ruled that, in some cases, piecemealing undermines federal law. Here's why: Each small segment of a road project might cause minor harm to the environment. But taken together, the whole project might cause serious harm. If DOT studies a road in little pieces, it never learns the effect of the entire highway.

DOT officials maintain that, for construction purposes, they have good reasons to divide a project into segments: It allows the department to build the road as funds become available, and to spread the money around to different contractors. But there's no reason DOT can't farm out segments to builders and still do an environmental review of the whole project.

"Regardless of why it's done, the net effect is to reduce the apparent impact of the highway," says Laney of the Fish and Wildlife Service. "It makes it more difficult for the federal or state agencies to assess the full impact of a roadway when it's split up into segments."

Transportation officials also say it would be too difficult to prepare an environmental document for an entire long road. "The process would not be efficient if we did that," says DOT's Jack Ward. "It would just be something we couldn't manage." Engineer Tommy Peacock says the department complies with the law by breaking road projects into "usable sections" for review.

the department also never researches the total effect of the miles of asphalt it lays each year.

"Big-picture planning is not what the Department of Transportation does, and I don't think they've been asked to," says Gledhill-Earley of the State Historic Preservation Office.

That problem might become more acute in coming years, as the state proceeds with its \$9 billion road program. Just as DOT doesn't examine the effects of entire roads, it has no plans to study the environmental impact of the new Highway Trust Fund.

It might be 20 or more years before we begin to see the full extent of the air, water and wildlife damage wrought by the most ambitious highway-building program in North Carolina history. ■



Some of DOT's specific tactics, such as piecemealing, point to a broader issue. Not only does DOT routinely fail to understand the impacts of single highways—



The Toll at Topsail Beach

BY BARRY YEOMAN



The road to North Topsail Beach runs along lush maritime forest, curving from the ocean north to the sound. It continues past bulldozers and real-estate billboards

until it reaches the stucco walls and terra cotta roof of Villa Capriani. "Multi-level pools with waterfalls," promises the sign outside the mock villa. "Tropical courtyards and gardens." The road passes between palm trees and tennis courts, then turns back toward the ocean.

Suddenly, New River Inlet Road grows narrower and wetter. Artificial sand dunes sit bulldozed against the road to hold back the sea. On stormy days, cars detour onto a makeshift gravel road a few feet inland. Ahead, condominium towers loom.

To the uninitiated, it's just a surreal scene on the North Carolina coast. But this seaside tableau—the new road, the "villa" with its palm trees, the bulldozed dunes—are symbols of an inside deal between the N.C. Department of Transportation and a Winston-Salem businessman.

It's a deal that set off a chain of broken promises, political pressures and failed real-estate ventures. It's a deal that helped DOT avoid the most basic environmental regulations. And it's a deal that helped pour more than \$15,000 into Gov. Martin's re-election campaign.



New River Inlet Road was one of the few remaining coast roads that ran right along the beach, with no buildings between the asphalt and the surf. It traversed most of North Topsail Beach, one of the most fragile stretches of the North Carolina coast.

North Topsail is so fragile that the federal government will no longer spend money that might encourage development on the undeveloped parts of the island. Duke University geologist Orrin Pilkey calls Topsail the most dangerous barrier island on the East Coast in terms of hurricane evacuation.

As recently as the mid-'70s, just three or four beach cottages dotted the northern end of Topsail. Then a handful of developers began erecting high rises and condos. Now, at the northern tip, dense thickets of tall buildings hover over the ocean. "If you'd'a come here 15 years ago, you'd'a have to sleep in your car," says developer Marlow Bostic. "Now a thousand families can come here and enjoy the beach."

Bostic and his partner, F. Roger Page Jr., had big plans for the undeveloped parts of North Topsail. Page once said he wanted to turn the beach into "Page Island," a four-mile stretch of motels, condominium towers and shops—"like Gatlinburg, Tennessee." One brochure describes Page Island as "a spirited rejection of the predictable, even a daring blueprint for the future." Bostic, not quite so mellifluous, hoped to build "monster" high rises, 18 to 25 stories tall.

Bostic, a Rose Hill native, is best known among state regulators for his environmental record—24 citations for various projects from 1978 to 1987, including the illegal storage of toxic chemicals and the dumping of sediment into wetlands. Bostic considers himself a scapegoat, and believes the skyline he and Page created has made North Topsail a more attractive place. "It makes me feel good," he once said. "I know I've whupped somebody."

Roger Page has a different reputation. A Winston-Salem developer and oilman, he gives generously to several small Christian colleges (he himself never went to college) and rides around in a chauffeured Rolls Royce. He has owned night clubs and a black-oriented radio station, and dabbled in oil refining, liquid fertilizer and tractor sales. The FBI and the IRS have investigated his business dealings but never charged him with wrongdoing.

Throughout the 1970s and early '80s, Page

and Bostic developed a tight business relationship as they shaped the landscape of North Topsail. That relationship set the stage for the saga of New River Inlet Road—and the environmental and financial tolls that North Carolina is only beginning to pay.



For some people, New River Inlet Road was one of North Carolina's most magnificent highways. For Page and Bostic, it just got in the way. The two men wanted to build Villa Capriani—an Italian-style condo development—right on the ocean. But the road interfered.

So Page and Bostic offered to spend their own money to reroute the road—in essence, build a new road on the sound side of the narrow island. In exchange, the state would give the two developers much of the old roadbed, a piece of real estate that would increase the value of their investment by tens of millions of dollars.

The state liked the prospect of a free road. After all, part of the existing road often washed out and legitimately needed to be relocated.

On the other hand, environmentalists thought it was a terrible idea. While parts of the road needed to be moved, relocating the whole road would open up the island to intense development, which the island's fragile ecosystem couldn't sustain.



Developer Roger Page built the new North Topsail Beach road up to his Villa Capriani resort—and then walked away from his promise to build the rest of the road. PHOTO COURTESY OF THE WILMINGTON STAR-NEWS



As DOT negotiated with Marlow Bostic, the developer was racking up violations ranging from the illegal storage of toxic chemicals to the dumping of sediment into wetlands. PHOTO BY DON STURKEY/COURTESY OF THE CHARLOTTE OBSERVER

"The beautiful public beaches on the island will be ruined as large buildings encroach," wrote Jim Kennedy, then a resource analyst with the N.C. Coastal Federation, in a letter to the local county commissioners. "The buildings will gradually collapse on the beaches or else the state will succumb to political pressure for sea walls. The beaches will be ruined either way." Cleaning up collapsed condos could ultimately cost the state millions, the federation claimed.

What's more, the sound was a prime seafood nursery. Shellfishers believed that running the road through creeks, salt marshes and canals—and opening up the island to become another Gatlinburg—would worsen the runoff of gasoline, oil and other poisons. That runoff could permanently close oyster beds and ruin the fishers' livelihood.

In fact, the state had already acquired the land to move the road to higher ground. But that corridor didn't sit far enough back for Page; it would still get in the way of his condos.

Groups like the Coastal Federation asked the state to prepare a detailed Environmental Impact Statement before giving Page *carte blanche* to move the road. "An environmental statement would show there was a vastly better way to manage the situation," the federation's Kennedy says. But DOT refused to compile even the minimum document required for state-built roads. The department maintained that Page was building the road privately; therefore, the state didn't need to look at the damage the road would cause.

Billy Rose, a retired DOT deputy secretary, believes the state intentionally used a private developer to avoid studying the environmental impact. "I'm sure that was a factor. That's bad, when you use a procedure to circumvent the law," he says. "You're breaking the law, as far as I'm concerned."

Bostic, who later dropped out of the road deal but remains Page's partner in other real-

estate projects, says an environmental document served no purpose. "It's just a bunch of paperwork," he says. "It's an unnecessary expense."

The deal Page and Bostic were cutting with the state had other unusual features. For instance, DOT said it needed an 80-foot right-of-way to build a wide enough road to handle traffic as the island's tourist population swelled. But in the agreement DOT and the developers were negotiating, Page and Bostic only had to provide 60 feet, with the promise of 20 more feet in the future.

According to one DOT document, "The dedication of an 80-foot right-of-way at this time would significantly restrict development due to county setback and Coastal Area Management Act requirements." Once the developers built their oceanfront structures, Page and Bostic could provide the additional 20 feet of right-of-way. By then it would be too late to comply with the building requirements.

When he first approached DOT about moving New River Inlet Road—during the administration of Democratic Gov. Jim Hunt—Page was a strong financial supporter of gubernatorial candidate Rufus Edmisten, also a Democrat.

But when Republican Jim Martin beat Edmisten, DOT and Page had not yet signed the deal. So Page went to see the governor's new local Board of Transportation member, Republican B. Tommy Pollard.

A Jacksonville businessman who was once convicted of attempted murder stemming from a truck-stop brawl, Pollard had become a major player in Eastern North Carolina politics, coaxing GOP dollars from the Democratic stronghold. He and his family gave \$3,950 to Martin's first gubernatorial bid, and he went on to raise \$350,000 for the governor four years later.

"Mr. Page said, 'I know we were on the wrong side of the election, but this is a good

viable project,'" recalls Pollard, who is now a state senator and congressional candidate. (Bostic, however, was on the right side. He gave \$1,000 to Martin in 1984.) Pollard agreed—and rallied the Martin administration behind the deal.



Because North Topsail is covered by the state's Coastal Area Management Act, Page had to get permits from the N.C. Department of Natural Resources and Community Development (NRCD) before he could build the road. David Owens, former director of NRCD's Division of Coastal Management, remembers the special treatment Page received.

Fifty-one times, Owens received calls from NRCD's top brass on the 14th floor of Raleigh's Archdale Building. That was highly unusual; the top brass usually trusted the coastal-management professionals to do their job without political interference. "This is one of the very few projects in my 10 years in coastal management that was handled that way—out of about 10,000 permits I was involved in," he says.

Sometimes when NRCD's political leadership intervened in the Topsail case, it was to request a relatively modest permit change. Other times it was to make sure the coastal-management staff was moving the permitting along quickly. "The 14th floor was not saying, 'You've got to give these people exactly what they want.' It was a much more subtle proposition," Owens says. Sometimes the governor's office intervened too, complaining in one memo of the "bureaucratic problems we are having with the Topsail Beach matter."

"When you're going over to meet in the governor's office—no one ever brings out the checkbook and says, 'This person is a big campaign contributor,'" Owens says.

Despite the 51 phone calls, NRCD officials deny they tried to influence Owens or the permitting process. "The policy of this department has never been to succumb to pressure, but to evaluate the permit on technical grounds," says Don Follmer, a spokesman for the newly reorganized Department of Environment, Health and Natural Resources.

Then came the big request. Page wanted to divide the road into two separate projects. That would allow him to build immediately the portion of the road that leads up to his Villa Capriani. The second piece of the road—the part in immediate danger of washing out—would wait until he acquired all the right-of-way land from the various property owners along the way.

Both the Coastal Federation and the Division of Coastal Management warned against splitting the project, predicting that Page would build the road up to Villa Capriani and then stop. "We told DOT: If you allow this to be split, you're giving up your leverage and these people may walk away from Phase 2," said coastal-management director Owens.

What's more, Attorney General Lacy Thornburg wrote a pleading letter to the Martin administration, saying he had "grave reservations about the lawfulness" of dividing the project.

But DOT said it trusted Page to build the whole road, even if he split the project into two segments. "A lot of people were skeptical, but I was not one of them," says Board of Transportation member Pollard. "I felt Mr. Page was an honorable man and he would do what he said he would do. He seemed like a man of great integrity." Besides, says Pollard, "It was my understanding the state had pretty much a fool-proof contract."

After several meetings, including one in the governor's conference room, Owens believed he had no recourse. Under pressure from his superiors, he issued the permit.



Page built the first phase of the road—the part he believed would profit him. Along the way, government regulators cited him for taking short cuts that imperiled the environment. "They started building the road in places other than where it was staked out," Owens recalls. "They wanted to fill in wetlands rather than building bridges over them. They said, 'Ooh, our engineers now tell us it will cost us five times as much to build a bridge as to fill the wetland in.'" One letter from NRCO ordered Page to "cease and desist" from 24 violations.

Glenn Morton, a construction crew supervisor, told the *Jacksonville Daily News*, "Everything was rushed. The guard rails were not up to standard....The road had to be opened so the villa could open. Do whatever it takes just to get the road done. The road was rushed to meet the deadline of the Villa Capriani."

Bostic calls the state's environmental regulations excessive. "Do you remember they had a snail darter that was holding up some big damn thing?" he asks. Bostic says the situation on North Topsail was similar—with the state requiring Page to build bridges over marginal wetlands. "They built the rattlesnakes a nice home, but it cost millions of dollars."

Then, even before Page completed the road, Board of Transportation member Pollard convinced his colleagues to accept the new road into the state system without an final inspection.

Pollard explained that Page was in a hurry to open Villa Capriani because his sales deadlines loomed, with \$20 million riding on the deal. "It seemed at the time that the state ought to help him consummate the project," Pollard says. "If the pre-sales had fallen through, we may have broken Roger Page. He would have had to be a strong horse to survive that financial loss."

So Villa Capriani opened. Then, after the state accepted the portion of New River Inlet Road that benefited Page, he announced he could not acquire the land to build the second phase. What's more, he had hit financial hard times. Units at the villa were selling at bargain-basement prices—as low as \$45,000 during one hour-long sale last year.

Page walked away from the road project, refusing to build the part of the road that most needed relocating. He claimed he had signed the agreement to move the whole road under "duress and strain."

"His defaulting on the agreement surprised no one in the world except DOT," says the Coastal Federation's Kennedy.

Actually, DOT knew that there was a good chance Page would default. After a 1987 meeting with the developers, state highway administrator William Marley Jr. wrote, "If developer can't get this remaining [right-of-way], state may have to step in and do the work."

Even Bostic says he and Page knew it would be difficult—though not impossible—to acquire all the land they needed to build the second phase. One particular landowner would hold out until "we caught him down here and chloroformed him," Bostic says. "If that didn't work, we'd have to call on the Lord."

But Pollard believes that Page intended to finish the road had his luck and money lasted.

"I don't want to say he wanted to build a monument to himself," the former Board of Transportation member says. "But I think he believed it would be a legacy to leave behind."

Page failed to return repeated phone calls.



Now DOT plans to move the portion of the road Page walked away from. The state has sued Page, demanding that he pay for the relocation. But the department doubts it will ever see the \$4.6 million it plans to spend. "Page is financially backed against a wall," say the minutes of one meeting between DOT officials and a Page attorney.

In the meantime, a temporary gravel road prevents islanders from getting stranded during storms, and signs warn tourists to keep off the artificial dunes.

Along the new road—which the state has already spent \$25,000 to repair—the signs are more inviting. "Watch us grow," promises the CEPCO group, named for Page associate

Charles Padgett. "Last available ocean-to-sound parcels," boasts Ocean Ridge Realty, owned by Bostic. Still, not much real estate has been built along the new road. "We're all broke," Bostic told a reporter last month after he and Page lost a \$1.4 million fraud lawsuit in an unrelated case.

Villa Capriani has changed management companies, and construction of a proposed second and third phase of the resort has been suspended.

DOT continues to maintain that it got taxpayers the best possible deal. "The people of the state benefited by having a road built free of charge, much sooner than we could have built it," says Transportation Secretary Thomas Harrelson.

And at election time, Page remembered his friends. The developer and his wife gave \$8,250 to Gov. Martin. His three lawyers, all active in the negotiations with the state, threw in another \$3,725. Page associates Charles Padgett and John Starling contributed \$4,000.

And in 1989, the state GOP held its Elephant Stampede fund-raiser at North Topsail Beach. The Stampede was organized by Tommy Pollard, the man who went to bat numerous times for Page. As part of the deal, Republi-

cans visiting North Topsail for the event—a golf tournament and \$15-a-plate barbecue dinner featuring Gov. Martin and Lt. Gov. Jim Gardner—got to stay at the St. Regis Resort at a reduced rate. St. Regis was owned by—whom else?—Marlow Bostic and Roger Page. ■

ABOUT THE SERIES



Highway Robbery," a five-part series running from May 20 to June 17, examines how campaign contributions influence the state's \$1.6 billion annual transportation budget.

To research the series over eight months, we examined thousands of documents at eight state agencies and interviewed more than 150 people, including state employees, local planners, transportation experts, community residents, environmental leaders and elected officials.

The dollars described in the series as supporting "Republican causes" were tracked through (1) a database created by the Institute for Southern Studies of contributors to Gov. Jim Martin, Lt. Gov. Jim Gardner and the N.C. Republican Party since 1983; (2) Federal Election Commission printouts of contributors to presidential and congressional candidates, along with national PACs; and (3) a database compiled by the Washington-based Center for Responsive Politics of large donors to the national political parties.

Except for figures from other news re-

ports, our totals generally do not include contributions to local or state legislative races.

Research for this series was funded by the Durham-based Institute for Southern Studies as part of a larger study of how private money influences public policy. Founded in 1970, the Institute is a non-partisan research center and publisher of *Southern Exposure* magazine.

As the first part of its Money & Politics Project, the Institute determined that lobbyists spend more than \$10 million to influence each session of the N.C. General Assembly—yet the source and purpose of most of that money remained unreported due to loopholes in the state ethics laws. Reforms passed in the 1991 legislature will close many of those loopholes.

Support for the Institute's Money & Politics Project comes from the Z. Smith Reynolds, Mary Reynolds Babcock, Arca, MacArthur and Skinner foundations.

Independent intern David Richardson provided substantial research assistance for the series.