

# The Manzano Mesa Subdivision

## MANAGEMENT OF PUBLIC PROPERTY FOR ENTERPRISE PURPOSES

by Charles O. Atwood

As is the case with most profit-motivated enterprise, risk in an inherent factor in doing business. This is not unusual in itself. However, when a public school district decides to become a land developer and assumes risk for the sake of making profit, the decision is both unusual and enlightening.

Albuquerque Public Schools is the largest school district in the state of New Mexico and is the 25th largest public school district in the United States. Approximately one-third of the public school students in New Mexico are educated by Albuquerque Public Schools. The school district educates more than 91,000 students and employs more than 10,300 teachers and other professionals. It operates 121 schools. The school district's annual operating budget exceeds \$349 million. The estimated replacement value for school-owned buildings (more than nine million square feet) is \$739 million. Albuquerque Public Schools is a major economic and educational force in New Mexico.

In addition to its other property assets, the school district owns more than 870 acres of vacant, undeveloped land. This includes the Manzano Mesa subdivision. The subdivision is located in Albuquerque's southeast heights region near Kirtland Air Force Base and Sandia National Laboratories. It includes more than 390 acres of the school district's vacant land inventory.

Interestingly enough, the property was secured for both education and land speculation purposes. In 1953, Dr. John Milne was superintendent of schools. Dr. Milne has long been recognized as an innovative educational leader. He served as superintendent of schools for 45 years, finally retiring in 1956.

One of Dr. Milne's pet projects was the acquisition of vacant land for speculative investment and school purposes. He purchased the property later renamed the Manzano Mesa subdivision in 1953 from the New Mexico State Land Office for \$132,000, or \$275 per acre. Even by 1953 standards, this was a far-sighted but politically outlandish proposal. Dr. Milne was clearly purchasing the property for the purpose of "banking" the land to engage in land speculation—but he couldn't say that. In review of the records, Dr. Milne states his reasons for purchasing the property were to create a "space for the driver training program and parking." In addition, he refers to assisting the federal government in the time of national emergency by providing "warehouse space and airfield space." This is a reference to the school district's role in assisting Kirtland Air Force Base during World War II.

Whatever Dr. Milne's reasons, his decision was approved, and the land was purchased and banked.

In 1960, the property was master planned for a residential subdivision but never developed. In 1980, a large

portion was programmed for sale to Lockheed Aircraft Company contingent upon Lockheed's decision to relocate a portion of its manufacturing operation to Albuquerque. Lockheed decided to stay in California.

Over the years, development of the Manzano Mesa property languished due to a lack of financial motivation to act. More significantly, subsequent school administrations lacked the real estate development expertise needed to dispose of the property in a business-like manner.

New Mexico was entering its fourth consecutive year of a farm/ranch and mining industry recession. Both industries are critical to New Mexico's economic well-being. This was followed by a real estate depression in 1987. New Mexico, Texas, Colorado and Arizona were devastated by the failure of numerous financial institutions such as banks, and savings and loan associations. This business cycle continued until early 1992, and now appears to be over. However, the New Mexico farm/ranch and mining industries have never recovered through their pre-1981 levels.

At the same time, the state legislature was confronted with increased demands for educational funding for public schools. Needless to say, the state's tax base had eroded considerably. In an effort to cause school districts to be more creative and less dependent upon the state legislature, it requested Albuquerque Public Schools to

evaluate its land holdings and dispose of excess real property.

At the time of my arrival to Albuquerque Public Schools in January, 1986, and that of my technical assistant, Ms. Stella Lucero, the school district had just completed a comprehensive inventory of its land holdings. Our work began immediately to identify and dispose of vacant land being held in excess of future school construction needs. This was a particularly challenging assignment in view of the declining economic situation in New Mexico. However, the school district was successful in this effort and sold several excess properties. The proceeds were applied to other capital construction projects.

By board of education policy, land sale proceeds are directed to the school district's capital fund. These monies are used for the construction of new schools, building additions and renovations, and the purchase of school sites. Sale proceeds are not used for employee salaries, utility payments, equipment purchases or other recurring expenses.

In July, 1987, the board of education agreed to market up to one hundred acres of the Manzano Mesa subdivision contingent upon its review and approval of an updated land-use master plan.

In Albuquerque, this means securing the city of Albuquerque's approval of a zoning map amendment for mixed land-use development. City approval of a subdivision is always made contingent to its approval of a bulk land plat, or subdivision plat, and the prior negotiation of a subdivision improvement agreement for construction of utility, roadway and drainage improvements. In making the decision to develop the Manzano Mesa property to its highest and best economic use, the city came to regard the school district as a private land developer. Therefore, the city gave the school district no special consideration for securing development approval. In fact, at times it appeared the school district was being held to an even higher standard than a private developer.

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It took considerable time and patience to secure the city's approval. In addition, the school district received an intimate education in the trials of the Albuquerque land development process. We also came to understand how costly land development can be.

Fortunately, the school district had secured the consulting expertise of the A. Wayne Smith and Associates land use planning firm. During the process, which lasted two and one-half years, Mr. Smith elected to retire and sold the firm. The Manzano Mesa project was assigned to two of his employees, Ms. Karen Marcotte and Mr. Jim Strozier. Ms. Marcotte and Mr. Strozier formed their own firm, Consensus Planning, and continued the project without any loss of continuity or momentum. Both

individuals deserve credit for helping the school district to navigate through the complexities of the city's development process. Further, recognition of the school district's engineering consultants, Brasher Engineering and Jeff Mortensen and Associates is merited. These firms assumed the responsibility for project engineering upon abandonment of the project, and quite literally the community of Albuquerque by the original engineering consultant. The Brasher and Mortensen firms stepped in and picked up the assignment.

In reference to the land-use project, the time lines to secure approval were incredible. Board of education approval to market the property was originally secured in July, 1987. City approval of a final bulk land plat was in-

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## Subdivision

nally secured on June 6, 1991. Countless steps, procedures, and negotiations were completed along the way. Some were necessary for school district purposes—most were required by the city of Albuquerque.

First of all, and most fundamental, a means to pay for project costs and consultant services was needed. The board of education clearly stated that it did not want its existing capital construction program either diminished or affected by the estimated \$250,000 planning and engineering expenditure. This was solved in November, 1987, when the board agreed to sell a different parcel of land for \$325,000 and to direct \$250,000 of the sale proceeds to the Manzeno Mesa land planning effort. This made financial sense as the estimated cost for land use planning amounted to almost 2 cents per square foot. The cost to recapture this expenditure was minimum compared to the value of more intense land uses if such uses were approved.

A major selling point for the subdivision to the city of Albuquerque was the school district's offer to dedicate rights of way for a major Albuquerque southside parkway through the property. Acquisition of these rights of way along with additional rights of way through Kirtland Air Force Base will allow connection of Interstate 25 (north/south freeway) to Interstate 40 (east/west freeway) by a loop road.

Dedication of these rights of way preserved the roadway corridor for highway construction purposes and protected it from encroachment by private development. This has saved New Mexico taxpayers a considerable amount of money.

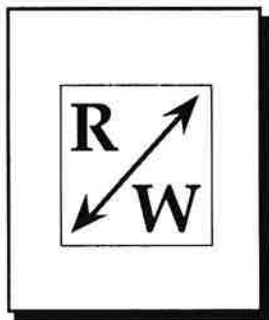
The school district will benefit by encouraging the construction of this major roadway through the subdivision. More intense and valuable land uses, such as employment generating and commercial zoning, are located near or on the roadway corridor. These land uses have replaced existing residential zoning. At the same time, the roadway alignment issue has been resolved removing it as a potential obstacle to development.

The master plan addressed several significant environmental issues. Buffering existing residential zoning from the Gibson parkway was accomplished by the creation of the employment and commercial zone areas. Mitigation of existing on-site environmental issues included timing construction activities not to intrude upon the nesting habits of resident burrowing owls and the relocation of a threatened plant species—the grama grass cactus. Both are protected by state and federal law. In the case of the burrowing owls, the U.S. game and fish department was most helpful in sharing the mating and housing habits of the animal. Also, the school district got to know an environ-

mental group that calls itself the Friends of the Prairie Dog. The federal government and the environmental group brought the burrowing owl issue to the school district, but they also provided assistance to deal with it.

The proximity of Kirtland Air Force Base and the local commercial airport to the subdivision set up a confrontation concerning the location of noise contour lines (the 65 Ldn) and the potential exaction of an avigation easement for overhead aircraft. The city originally demanded an avigation easement without having put in place the regulatory basis for the exaction. Significantly, upon investigation by Consensus Planning, it was discovered that the city's own data refuted the city's contention that the 65 Ldn noise contour line extended into the subdivision. The city simply couldn't prove its case. Unfortunately, the appeal process took five months and cost the project valuable time and money. Ultimately, the city's Environmental Planning Commission upheld the school district's and developer's appeal finding the avigation easement requirement to be unjustified.

The primary motivation for the project is enterprise and profit generation. Before zone map amendment, the entire subdivision was zoned for single-family residential land for development but converted the remaining land to more intense, and profitable, land



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uses. This includes 50.4 acres of multi-family land, 14.9 acres of commercial land, 11.2 acres of office-zoned land, and most importantly, 117.8 acres of industrial or employment zoned land.

The creation of the commercial zone and office zone is justified to service the anticipated neighborhood growth caused by development of the residential portion of the Manzano Mesa subdivision. However, creation of the industrial/employment zone is critical to regional development.

As mentioned earlier, the Manzano Mesa subdivision abuts federally owned property occupied by Kirtland Air Force Base and Sandia National Laboratories. Both entities are growing and are vital to the local economy. It is anticipated that either the base, the labs, or their multitude of subcontractors will need the industrial/employment zoned property. The Manzano Mesa property, due to both its location and zoning, will lend itself to long-term lease or sale arrangements.

Phase one calls for marketing of single-family residential zoned property. This benefits the development of the project as we create a residential base needing the service of other land uses such as the commercial and office zones.

The actual phase development/disposal plan is proceeding as projected. A local residential developer, Charles Haegelin, has secured the option to purchase the first 100 acres of single-family residential zoned land. It is being taken down in phased development of 15-acre parcels. Sale of phases one and two, Willow Wood subdivision (formerly a portion of the Manzano Mesa subdivision) have generated almost \$1.1 million in proceeds for the school district. Phase three Willow Wood subdivision, was projected to take place in March/April 1994. Upon complete development of all seven phases of the Willow Wood project, more than 500 new homes will have been constructed. An additional 110 acres of single-family residential zoned land is then available for development if strong market conditions continue. Partnership with an experienced and knowledgeable developer such as Mr. Haegelin, has been an enormous benefit to the Manzano Mesa project. Just as importantly, development of the project's residential base both enhances the value and marketability of the remaining non-residential zone and uses.

Recent developments concerning the Manzano Mesa subdivision are most encouraging. The original land use plan incorporated a 10.7-acre park site. It is located next to a 12.7-acre school site. The city of Albuquerque now wishes to expand its original plans to acquire an additional 25-30 acres of land for a regional park and multi-generational recreational center. The land the city has selected may take down proposed multi-family and commercial zoned property. In addition, the school district plans to construct a neighborhood elementary school in the subdivision funded in its next bond issue period, years 1995-2000. Construction of the new school will conform to the school district's long-term construction plan and will have the ancillary effect of benefiting the school district's land development.



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Subdivision

In 1993/1994, the market for both multi-family residential land and the industrial/employment land began to recover from the mid-1980s real estate decline. The school district now plans to actively market these land uses in Manzano Mesa subdivision phase three.

If the Manzano Mesa subdivision had retained its original single-family residential zoning designation, its approximate current market value would be \$14.1 million.

Upon completion and full market absorption of the entire mixed-use subdivision for private development, the school district estimates sale proceeds in the vicinity of \$26 million. Net profits may well exceed \$23 million. That's not bad for an original \$132,000 investment. Furthermore, the school district accrued a \$12.3 million benefit or \$1.50 per square foot, by engaging in good land-use planning.

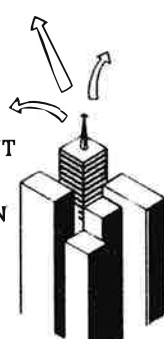
It's important to note the land development advantages a school district or other public/governmental entities enjoy. First of all, in New Mexico, governmental entities do not pay property taxes. Next, state law forbids governmental entities to assume long-term debt without voter approval. In the case of Albuquerque Public Schools, this has meant that the school district acquires vacant land by cash purchase. Therefore, the school district isn't concerned about interest or holding costs. More importantly, due to the permanent nature of the school district, it's positioned to plan for and act on long-term investments. A public entity can better withstand the cyclical nature of the real estate market and time its disposals to take advantage of "up" markets. Public institutions should be allowed to invest in their future. They are best positioned to weather bad economic times and to benefit when economic recovery occurs.

In conclusion, the Albuquerque Public School District enjoys the benefit of owning a very valuable land asset. While the costs of development are significant, it is worthwhile to assume these costs and develop the property. The benefits of development will accrue to the school district, the local taxpayers, and ultimately the public school students. □

*Charles Atwood is a 1971 graduate of the University of New Mexico—Bachelor of University Studies. In 1978, he received his master of arts in Public Administration from the University of New Mexico. From 1972 through 1985, he was employed by the New Mexico State Highway and Transportation Department beginning as a right-of-way agent trainee and spending the last five years of his tenure as Assistant Right of Way Manager. In 1986, he was employed by the Board of Education, city of Albuquerque, N.M., as its property manager. Mr. Atwood is a member of the New Mexico Roadrunner Chapter 53 since 1981. He is currently serving as Region 9 representative of the International Property Management Committee (IPMC).*

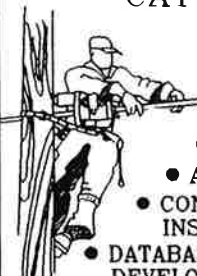
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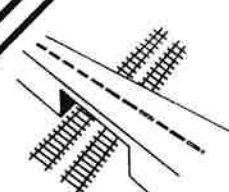
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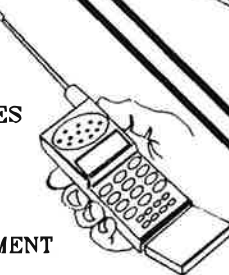


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