



Land development often used for economic gain for schools such as UNM

By Carrie Seidman

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When the University of New Mexico's Board of Regents revealed a proposal to develop a retirement complex on part of the school's North Golf Course acreage, it didn't take long for the surrounding community to express its shock and opposition.

But, in fact, using university land for income and development is hardly a novelty — it's a tradition in New Mexico and a growing trend across the nation.

"There's a long history of universities in New Mexico making every attempt they can to diversify their revenue streams in order to ensure their physical viability," said David Harris, UNM's executive vice president for administration, who was serving as the school's acting president when the golf course proposal first drew fire. "Land is one option."

UNM is fortunate to have a "luxury of land" and a record of using it to financial advantage, Harris said.

For example, in 2003 the university sold the Winrock Mall land on which it held a ground lease for \$25.9 million, creating an endowment now worth more than \$33 million. UNM is currently a 15 percent participant in the research park at Mesa del Sol — an area where the school owns approximately 500 acres — and gains a steady revenue stream from leased properties.

What was different in the case of the golf course proposal was the location of the land, which is surrounded by residential property.

"This is not really a new phenomenon," Harris said. "What makes it striking is that we've been talking about lands very near the core campus.

"People live around these properties and have ownership in them," he added. "It's very different to do a large-scale development in an urbanized area."

In such cases, it's important the proposed changes enhance or improve the living environment for those affected, as well as being consistent with the mission goals of the university, Harris explained.

The golf course proposal is currently on hold as UNM's President David Schmidly convenes a task force of citizens to provide feedback on what might be acceptable to the community.

The other development proposals UNM is currently considering — 11 bids obtained through a request for information sent out to about 150 developers across the nation — are in more commercial areas and are unlikely to produce similar controversy.

But while the university might have learned a lesson about how to break the news to the public, the recent upset won't change on-going plans for future development of UNM's available land.

In fact, the university recently hired Jones, Lang LaSalle — a real estate consulting firm with headquarters in Chicago — to aid in assessing the best use of its properties and structure future development deals.

"The question is always how do you integrate what goes on in the community setting with what goes on in the surrounding areas?" said Tim Eachus of that firm, which has assisted several universities in a similar fashion. "How do you have a development that serves both?"

Such public/private partnerships — known in the business world as P3s — are rapidly increasing, at with educational institutions and local governments, Eachus said. As state funding of public universities has tapered and institutions' costs to be competitive have escalated, the trend has become a common way for schools to make up the deficit.

Dozens of colleges, both public and private, have already teamed with developers to create privatized student housing, an option UNM has also considered.

Schools lucky enough to have land available are creating partnerships that provide them with the best of all possible worlds: increased income, improved facilities and no major capital outlay on the part of the institution.

It also can mean increased costs don't have to be passed on in the form of tuition hikes.

"Where (schools) have assets that can produce return and they can get the proper parties involved in facilitating that, it can bring in revenue so the burden doesn't fall on the students," said George Williford, senior vice president of First Southwest Company in Dallas, a financial adviser to UNM.

In Texas, where he is based, Williford said, several of the major public universities pushed the legislature to remove tuition and fee limitations to make up their deficits — to the point where the cost to the student became close to that of private colleges in the state.

"And I've heard President Schmidly and the regents say they do not want that to happen at UNM," Williford said.

Unlike Texas, New Mexico is in "the fortunate position" of being land rich, he added. Regents own in excess of 100,000 acres statewide, some of it far from campus centers.

But as financial demands increase, development can creep closer to the core campus, especially for schools located in urban areas. A good example is currently underway on the New Mexico State University campus in Las Cruces.

In early December, the NMSU Board of Regents approved a lease of 3.8 acres of property at the southeast corner of University and Union avenues that will bring a \$30 million hotel to the campus within the next two

years. The board had earlier approved a lease of an adjacent 8-acre parcel to the city for convention center facilities.

The hotel is part of the university master plan's concept to create a new "face" for the university and integrate the school and the city, according to Michael Rickenbaker, NMSU's director of facility planning and construction. It is estimated to bring investment by the private sector in the tens of millions of dollars.

More important though, said Ben Woods, the university's senior vice president of planning, physical resources and university relations, is the planned symbiotic relationship between the hotel and the school. Built into the development agreement are internships and opportunities for students in the university's well-respected hotel-management program.

"By providing land for the hotel, we created a cash stream back to the institution, but we also created some of the lab space we needed for our hotel program," said Woods. "And we created that without having to invest capital funds or increase our operational expenses."

Woods said the hotel and convention space will also alleviate the lack of adequate facilities for hosting academic conferences which has hurt the university in the past.

About five years ago, NMSU identified five parcels of land it considered "ripe for development and surplus to academic needs," Wood said, which resulted in these current projects. UNM began a similar master planning effort about two years ago and has yet to complete the process.

But the university has already entertained similar ideas about an on-campus hotel — once proposed for where the technology park now stands and another time for the University Stadium parking lot.

"Those ideas have been floated a couple of times," said Mel Eaves, a member of the Board of Regents and chairman of the Finance and Facilities Committee. "There is certainly a possibility that we may do that at some point."

David Harris, who weathered the worst of the golf course controversy, agreed — but not without a caveat.

"I think it is conceivable and feasible," he said. "But again, location is the key."



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