CITY OF SANTA FE V. KOMIS REVISITED: AN ANALYSIS OF THE ACTUAL IMPACTS OF CONSTRUCTION AND OPERATION OF THE SANTA FE BYPASS ON THE VALUE OF NEARBY REAL ESTATE

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ABSTRACT

The Santa Fe Bypass for transport of transuranic waste (TRU) to the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico has been constructed and is operational (as of 2000). This paper presents a review of actual empirical data from the sales of real estate in the Santa Fe City/County area since the filing of the City of Santa Fe v. Komis lawsuit in 1988. The data analyzed covers the time period from 1989 through the last quarter of 2001.

INTRODUCTION

On November 14, 1988, the City of Santa Fe, New Mexico brought a partial taking condemnation proceeding against John and Leonia Komis to obtain approximately 43 acres of their private ranch for construction of the Route 599 Bypass around the City of Santa Fe for the transport of transuranic waste (TRU) to the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico. The Komises countersued and received a jury award that included damages for an anticipated loss of market value of their remaining property, due to public perception of risks associated with the use of the future Bypass for TRU waste shipments. A public opinion poll, conducted by a research firm, was the key evidence supporting this portion of the award. In 1992, the jury award was upheld on appeal to the New Mexico Supreme Court. Since this decision, the Komis case has been consistently cited by opponents of radioactive waste transportation as evidence of the adverse impact on transportation corridor property values from such transportation and has been used to arouse community opposition to potential shipments and shipping routes.

Public Law 102-579 of the 102nd Congress, dated October 30, 1992, commonly referred to as the WIPP Land Withdrawal Act, mandates that a highway bypass be constructed around the City of Santa Fe for the transport of transuranic wastes from the Los Alamos National Laboratory to the WIPP. The law requires that a bypass be in place, or sufficient funds allotted to the State of New Mexico for the construction of the bypass, prior to commencement of such shipments. In accordance with the Act, the U. S. Department of Energy Carlsbad Area Office directed sufficient funds to the State of New Mexico for construction of the bypass.
It has been thirteen years since the Komis lawsuit was filed. The Santa Fe Route 599 Bypass has been constructed and is now operational (as of 2000). A paper presented by other authors at the WM '01 Symposium provided their general impression of the impacts of the Bypass on local real estate, based on a drive through the area and conversations with local realtors.* This paper presents a review of actual data from the sales of real estate in the Santa Fe City/County area during the period since the filing of the Komis’ lawsuit, and an analysis of the apparent impacts of the construction and early operation of the Bypass on the values and sales of nearby real estate.

To develop this analysis, the authors conducted an initial data search and telephonic interviews to identify land parcels on which to focus consideration, and to assess the availability of data for the parcels, as well as to develop an initial impression of trends. Representatives of several groups and local government offices were consulted and interviewed, including the Santa Fe Association of Realtors (SFAR), Santa Fe County Clerk’s Office, and Santa Fe City/County Assessor’s Office.

It was determined from these interviews that, due to New Mexico’s “non-disclosure” statute, the most useful data set is the sales data collected and archived by SFAR. These are the direct sales records (home and residential land sales) that are reported by individual realtors throughout the region. The data are compiled quarterly in SFAR’s “Sold Books.”

The authors visited the Santa Fe area and the Bypass to confirm the earlier identification of key land parcels on which to focus the analyses; to collect the available data on these parcels; to view the identified parcels; and to conduct follow-up interviews. To access the SFAR data it was necessary for the authors to become an Associate Member of SFAR.

THE DATA

The data collected from the archived SFAR Sold Books and analyzed by the authors covers the time period from 1989 (the year following the filing of the Komis’ lawsuit) through the last quarter of 2001. Geographic coverage includes the entire Santa Fe City/County environs, and is subdivided by twenty (20) geographic regions. The geographic regions that are of primary significance to the analyses are the four regions that contain, or are contiguous to, Route 599, although the analysis includes the total of the 20 City/County-wide regions to distinguish trends.

Each individual sales record in the data set contains geographic region identification number; type of sale (home or land); street address; sold price; and a query number to identify the original sales listing. There are approximately 31,200 individual sales records in the data set reviewed.

Sales of commercial properties were not analyzed. The number of commercial sales was found to be insignificant (e.g. no sales in three of the four areas near the Bypass during 1989-1994) and insufficient to provide any basis for identifying trends. It is also believed that a comparison of the limited commercial property sales would be of questionable value due to differences in the nature of commercial properties (e.g. an office building vs. a sand and gravel operation).
Explanation of Santa Fe City/County MLS Geographic Areas

The geographic coverage of the real estate sales data from the SFAR includes the City of Santa Fe and Santa Fe County. The City/County area includes twenty Multiple Listing Service (MLS) geographic areas designated by number (1-16 and 24-27). Four of the 20 Santa Fe City/County MLS real estate sales areas surround or adjoin the Route 599 Bypass, Veterans Memorial Highway (see Figure 1): Northwest of the City (Area 25); City Northwest (Area 2); La Cienega (Area 6); and the Airport Road/Agua Fria Area (Area 13).

Area 25 consists primarily of low-density housing set on rolling hills with panoramic views of the surrounding country-side and mountains. It is the largest area, which surrounds or adjoins the Route 599 Bypass (the northern and central areas of the Bypass).

Area 2 adjoins the southern side of the northern end of the Bypass. Areas 6 and 13 adjoin (on either side) the southern end of the Bypass.

Area 2 includes large tracts of City of Santa Fe-owned lands (the City owns more than 50 percent of the lands in Area 2, including most lands near the Route 599 Bypass). These lands are designated on City of Santa Fe future-use planning documents as “open space.” This limits the volume of residential and vacant land sales in Area 2.

Figure 1: Santa Fe SFAR MLS Areas Surrounding or Adjoining the Bypass
The marketability and value of properties located along the Bypass in Area 13 and some areas of Area 6 are impacted by other (than the Bypass) considerations. The City Airport and an Equestrian Center/Racetrack are located adjacent to the Bypass in Area 6 (directly across the Bypass from Area 13). In addition, historic development near the Bypass in Areas 6 and 13 has been primarily mixed industrial/commercial use (e.g. the airport, equestrian center/racetrack, a municipal landfill, a lumberyard, sand and gravel operations, a junkyard, commercial storage facilities). Lower income housing (e.g. trailer parks, rental apartments, small single-family dwellings) also predominates in Area 13.

FINDINGS

Number of Residential Sales: Steady Growth in Numbers of Sales Overall; Significant Growth Along the Bypass Route

For the combined Santa Fe City/County geographic area for the time period from 1989 through 2001, the total number of annual residential sales grew steadily, from 1,079 sales in 1989 to 1,583 in 2001. The last five years (1997 – 2001) witnessed dramatic increases in residential sales (1,391 in 1997; 1,867 in 1998; 2,266 in 1999; 1,449 in 2000, and 1,583 in 2001). For the four geographic areas bracketing the Route 599 Bypass (Areas 2, 6, 13, and 25), the number of sales remained steady at around 10 percent of total sales through the period, and then jumped significantly to more than 17 percent in 2001. There was no diminution in the percentage of total sales of these areas attributable to construction of the Bypass, and a sharp increase in percentage coinciding with completion and operation of the Bypass.

Excepting Area 2 which, as noted above, includes large tracts of City-owned land which limits development, percentage increases in the annual number of sales of residential properties (over the baseline year of 1989) in the Areas near the Bypass have generally exceeded the percentage increases in the annual number of sales of residential properties in Santa Fe City/County as a whole. This appears to indicate an increased demand over time for residential properties in these areas adjacent to the Bypass as compared to the City/County as a whole.

In 1989, the total number of Area 25 residential sales was 32, which amounted to less than 3 percent of total City/County residential sales. Over the period of the study, the number of sales in Area 25 steadily increased. In 2000, the year in which construction of the Bypass was completed, residential sales in Area 25 totaled 103, representing more than 7 percent of total City/County residential sales. During this same period, Area 25 reached and maintained a position of having the highest annual average and median sales prices for residential property among all twenty City/County MLS Areas (see discussions below).

Even the areas impacted by mixed use and the other limiting factors noted above have experienced notable growth since completion of the Bypass. Area 13 showed a dramatic increase in sales from 20 in 2000 to 112 in 2001, as the result of new development. Area 6 also experienced a recent sharp increase in sales from 44 in 2000 to 69 in 2001 (an increase of 57 percent).
Average Annual Residential Sales Prices: Steady Increase in Average Sales Prices Overall; Spectacular Growth Along the Bypass Route

For the combined Santa Fe City/County geographic area for the period 1989 – 2001, the average annual sales prices grew significantly from $162,631 in 1989 to $305,295 in 2001, an 88 percent increase. This positive growth in annual average sales price was steady over the entire period. For the key geographic area bracketing the Bypass (Area 25), the growth in average annual sales price was spectacular: from $291,722 (1989) to $678,800 (2001), a 133 percent increase. Area 25 consistently had the highest average annual sales price of any of the four geographic regions adjacent to the Bypass for every year during the time period considered. At $291,675, the average annual sales price of a residential property in Area 25 during the baseline year of 1989 was the third highest among the twenty MLS Areas comprising the Santa Fe City/County Area. In 2001, the average annual sales price of a residential property in Area 25 was $678,800, the highest among Santa Fe City/County MLS Areas and more than $140,000 higher than the average in any other MLS area.

Increases in the average annual sales prices of residential properties in three of the four areas near the Bypass (Areas 25, 2, and 6), as a percentage of baseline 1989 average sale prices in these areas, have outpaced the increases in average annual residential sales prices in the Santa Fe City/County area as a whole. For 2001, the percentage increases were 133 percent, 142 percent, and 111 percent over the 1989 baseline for Areas 25, 2, and 6, compared to 88 percent for the City/County as a whole.

Construction of the Bypass had a positive impact on the total number of annual sales and on the average annual sales prices of residential properties. The difference in total annual sales for Area 25 between 1989 and 2001 is approximately $47 million, reflecting significantly greater numbers of sales in 2001 (83 vs. 32 in 1989) and a much higher average sales price in 2001 ($678,800 vs. $291,722 in 1989). A high positive growth in aggregate annual sales (in total dollars) is a good indication of a positive economic impact attributable to construction of the Bypass.

The remaining three geographic areas contiguous to the Bypass (Areas 2, 6, and 13) all had positive growth in average annual sales prices of residential properties over the period considered. Area 2 experienced a 142 percent increase; Area 6 had a 111 percent increase; and Area 13 (near the airport) had a more modest gain of 17 percent. No area had a negative growth rate, and three of the four geographic areas adjoining the Bypass (Areas 25, 2, and 6) experienced growth rates in average annual sales prices exceeding 100 percent and exceeding the growth rate for the entire City/County area (88 percent) during the period considered.

Figure 2 depicts average annual residential sales prices over the period 1989 – 2001 for each of the four MLS areas adjoining the Bypass Route, as well as for the entire Santa Fe City/County.
Median Annual Residential Sales Prices: Steady Growth in Median Annual Sales Prices Overall; Significant Growth Along the Bypass Route

For the combined Santa Fe City/County geographic area over the period 1989 – 2001, there was a steady increase in median annual residential sales price, with significant growth over the last five years of the period (1997 – 2001).

For Area 25, the geographic area that brackets much of the Bypass Route, the change in median sales price is also significant, growing from $280,000 in 1989 to $660,000 in 2001 (an increase of 136 percent). When coupled with the previously-discussed growth in the number of annual residential sales, we can say that more homes are currently being sold at significantly higher prices than previously in this area. In 2001, the median annual sales price of a residential property in Area 25 of $660,000 was the highest median sales price among all twenty City/County Areas, and more than $120,000 higher than any other MLS Area median sales price.

Adjoining geographic areas (Areas 2, 6, and 13) also experienced significant growth in median annual sales prices. Both Area 2 (140 percent increase) and Area 6 (101 percent increase) experienced growth rates of more than 100 percent over the period considered; Area 13 (near the airport) had a more modest growth rate of 58 percent.
Since much of Area 25 consists of new development, the significant growth in the number of sales, average sales price, and median sales price suggests that the Route 599 Bypass has had a stimulative impact in “unlocking” access to this area. More people are buying more expensive houses than ever before along the Bypass.

*Figure 3 depicts the median annual residential sales prices over the period 1989 – 2001 for each of the four MLS areas adjoining the Bypass, as well as for the entire Santa Fe City/County.*

![Figure 3: Median Annual Sales Prices of Residential Properties in Areas Along the Bypass and for the City of Santa Fe/Santa Fe County (Combined Total)]

No summary data on City/County (combined) median price was available for 1989 - 1991 and 1997 - 1999.

Source: E.J. Bentz & Associates

*Figure 3: Median Annual Sales Prices of Residential Properties in Areas Along the Bypass and for the City of Santa Fe/Santa Fe County (Combined Total)*

**Number of Vacant Residential Land Sales: Steady Growth in Numbers of Sales Overall; Significant Growth Along the Bypass Route, Especially in Later Years**

For the combined Santa Fe City/County area during the period 1989 through 2000, the number of vacant residential land sales grew from 347 in 1989 to 627 in 2000. However, this trend masks ups and downs in intervening years. The later years (1998 – 2000), during completion and initial operation of the Route 599 Bypass, saw a sustained growth in the number of sales (507 in 1998; 630 in 1999; and 627 in 2000), before sales fell back to 504 in 2001.
Area 25, the key geographic area bracketing the Route 599 Bypass, reflected the overall trends (up and down), but achieved significantly greater growth rates in the number of vacant land sales in the later years: from 66 in the baseline year of 1989, to 154 in 1998; 162 in 1999; and 162 in 2000. In 1989, vacant land sales in Area 25 represented 19 percent of total City/County vacant land sales; in 2000 and again in 2001, Area 25 represented 26 percent of total City/County vacant land sales. This confirms realtor and county official interviews that described Area 25 as a growing area of new developments, especially of upscale housing. This is further confirmed by the sales price statistics discussed in the next section.

The annual percentage of the number of vacant land sales out of total residential sales in Area 25 has never been less than 53 percent (with a high of 71 percent in 1993), whereas the City/County-wide percentage of vacant land sales has never exceeded 36 percent. This suggests a continuing high demand for vacant land in Area 25 (compared to City/County-wide demand) for new development and construction of high-end custom homes.

Of the three remaining geographic areas adjoining the Bypass (Areas 2, 6, and 13), Areas 2 and 6 both experienced growth rates over the period that also reflected the ups and downs of the City/County totals. However, similar to Area 25, both of these areas showed a consistent increase in sales during the last two years (1999 and 2000). The numbers of sales for both areas during 2000 (the first year the Bypass was operational) was 300 percent higher than in the baseline year of 1989, before decreasing commensurate with the decrease experienced in the overall Santa Fe City/County area.

Area 13 experienced a dramatic increase in the number of sales of vacant residential land during 2001, similar to the gains it experienced in 2001 for sales of houses. Only one vacant residential land parcel was sold in Area 13 during 2000. In 2001, ten vacant parcels were sold. This information, along with the previously-discussed residential sales data, suggests that Area 13 is experiencing a period of rapidly increased development.

**Average Annual Residential Land Sales Prices: Steady Increase in Average Sales Prices Overall; Significant and Dramatic Growth Along the Bypass Route, Especially in Later Years**

For the combined Santa Fe City/County geographic area over the period 1989 – 2000, the average annual residential land sales price grew steadily, from $110,117 in 1989 to $188,737 in 2000, before dipping to $147,309 in 2001. This represented an increase of 71 percent in 2001 over the base year of 1989. The trend masks ups and downs over the time period, with the most significant increases occurring over the last few years (1998 – 2000), at a time when the Route 599 Bypass construction was being completed and the highway became operational.

For Area 25, the key geographic area bracketing the Bypass, the change in average annual residential land sales price was dramatic, rising from $87,038 in 1989 to $296,566 in 2000 - an increase of 241 percent - before dipping to $247,654 in 2001. Prior to 2001, with minor fluctuations, the Area 25 average sales price was consistently increasing over the period, with significant annual increases in the later years representing the completion and opening of the Route 599 Bypass. Years 1997 through 2000 represented annual increases in average sales price...
over the baseline of 100 percent (1997); 146 percent (1998); 190 percent (1999); and 241 percent (2000). In 2000, Area 25 had the highest average annual sales price for residential land of all of the four Bypass MLS geographic areas, and almost twice the average of the entire City/County geographic area. This is significant, since the average annual sales price for vacant residential land in Area 25 in 1989 ($87,038) was below the total City/County average annual sales price ($110,117).

Increases in the average annual sales prices of vacant land in Areas 25 and 6, as a percentage of 1989 baseline prices, have exceeded the increases for the Santa Fe City/County area as a whole every year since 1989, usually by wide margins. For 2000, the percentage increases over the 1989 baseline were 241 percent and 226 percent for Areas 25 and 6, respectively, compared to 71 percent for the City/County as a whole.

At $87,038, the average annual sales price of vacant land in Area 25 during the baseline year of 1989 was the ninth highest among the 20 Areas comprising Santa Fe City/County, and more than $245,000 less than the highest average MLS Area sales price. By 2000, the average annual sales price of vacant land in Area 25 had risen to a high of $296,566, the highest among Santa Fe City/County Areas with more than three recorded sales. Only Area 13 with one sale at $1,447,680 and Area 15 with three sales averaging $523,333 - including one sale at $1,570,000 - had higher average residential land prices in 2000.

Areas 2 and 6 also enjoyed growth in average annual sale prices through 2000 at 42 percent and 226 percent, respectively, over the baseline year. Area 13, as previously discussed, primarily consists of trailer parks, apartments, and commercial/industrial development in the vicinity of the airport. With the exception of a single sale in 2000 of $1,447,680 (3,361 percent higher than the baseline year), the average annual sales price in Area 13 remained relatively flat through 2000, with significant annual fluctuations reflecting low numbers of sales.

As noted above, the combined Santa Fe City/County average annual land sales price dropped from $188,737 in 2000 to $147,309 in 2001. This represents a decrease of 22 percent, and is consistent with historic ups and downs in the area’s vacant land sales market. Two of the Areas surrounding the Bypass (Areas 2 and 25) also experienced substantial decreases in 2001, but to a lesser extent than the overall Santa Fe City/County geographic area. The average annual sales price in Area 2 decreased by 14 percent, from $122,494 in 2000 to $105,308 in 2001. Area 25 experienced a decrease in average annual sales price of approximately 16 percent, from $296,566 in 2000 to $247,654 in 2001. However, Area 25 continued to have an average annual sales price of more than $100,000 above the average for the overall City/County geographic area.

Area 6 experienced a substantial increase in the average annual sales price of vacant residential land, from $69,206 in 2000 to $88,333 in 2001 (an increase of more than 27 percent). As noted above, Area 13 had only one sale of vacant residential land in 2000, at a whopping $1,447,680, skewing any comparison with 2001 sales. While the average annual sales price of vacant residential land in Area 13 during 2001 obviously represents a substantial decrease in sales price at $132,550 for ten sales, it compares favorably with the City/County geographic area average of $147,309 (especially considering historic Area 13 sales), and appears to signal growing demand for vacant residential land in Area 13.
Although this analysis is based on summary sales data that does not include the size of the land parcels, we believe that the data does indicate a trend of increasing desire to purchase land in the areas surrounding the Bypass.

*Figure 4 depicts the average annual residential land sales prices over the period 1989 – 2001 for the four MLS areas adjoining the Bypass Route and the entire Santa Fe City/County.*

For the combined Santa Fe City/County geographic area over the period 1989 – 2000, the median annual sales price grew steadily, from $60,000 in 1989 to $122,000 in 2000 (an increase of 103 percent), before falling back to $102,000 in 2001 (a decrease of 16.4 percent as compared to 2000).

The median annual sales price for vacant land in Area 25, the key geographic area bracketing the Route 599 Bypass, grew significantly over the period, from $85,000 in 1989 to $199,000 in 2000 (an increase of 134 percent), before dropping back to $185,000 in 2001 (a decrease of only 7 percent, as compared to the above decrease of 16.4 percent). The median annual sales price...
increases for Area 25 were particularly robust in the later years of the period, as the Bypass was completed and became operational. In 1997, the median annual sales price in Area 25 represented an increase of 87 percent over the baseline; in 1998, 108 percent over the baseline; in 1999, 141 percent over the baseline; and in 2000, 134 percent over the baseline. Area 25 currently has the highest median annual sales price of any of the four Bypass regions; it has dominated the area high-end for residential land sales over the latter years of the period.

Of the remaining areas adjoining the Bypass, Areas 2 and 6 showed steady growth, with the 2001 median annual prices showing a 22 percent increase for Area 2 and a spectacular 335 percent increase for Area 6 over the baseline year. Neither of these areas experienced a decrease in median annual sales price during 2001. With the exception of the single sale in 2000 at $1,447,680, the median annual sales price in Area 13 remained relatively flat over the period, with significant fluctuations reflecting the relatively low number of sales prior to 2001.

SUMMARY

The authors’ review and analysis of sales data from the Santa Fe City/County area during the period since the filing of the Komis’ lawsuit reveals that the construction and subsequent operation of the Route 599 Bypass has not negatively affected real property values along the Bypass route. To the contrary, it is apparent from the data that the Bypass has actually had a significant positive economic impact on real property values. The Bypass appears to have “unlocked” areas for residential development which previously had limited accessibility, and to have increased the marketability and value of nearby properties at rates that have generally outpaced the combined Santa Fe City/County area trends.

FOOTNOTE