

**Transcript of KMYR series on The Public Affair:
“New Mexico’s Billion Dollar Rip-off”
Aired sometime in late 1975**

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Albuquerque Museum, gift of Zane Blaney

This radio program is a five-part series by Larry Barker on land fraud in New Mexico. Interviews with Arizona Attorney General Bruce Babbit and New Mexico Attorney General Tony Anaya, along with executives of land development companies in New Mexico.

Keywords and topics: land use, land fraud, Attorney General, Tony Anaya, Bruce Babbit, Rio Rancho Estates, A.M.R.E.P., Morris Shenker, land development, county commissions, 1973 Subdivision Act, subdivisions, fraud

NOTE: This series was recorded poorly. Please play the audio back slower than normal speed to properly hear the content.

ZANE BLANEY: On “The Public Affair”, a special KMYR news white paper.

[background music]

New Mexico’s Billion Dollar Rip-off: an investigative report by Larry Barker.

TONY ANAYA: There have been people murdered because of investigations that have been underway in land fraud.

BRUCE BABBIT: Anybody who buys unimproved lots in remote subdivisions is taking a very substantial economic, uh, possibly legal risk.

[background music]

BLANEY: This is KMYR News with a special white paper report.

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[unintelligible]

LARRY BARKER: Few New Mexicans would argue with the State that the Land of Enchantment is a good place to live. It has high mountains, clean air, clear skies and lots of sunshine. It's the kind of place thousands of people seek out for vacations and relaxation. It's the kind of place many people like to invest in. There's plenty of wide open spaces for the wise investor to build a retirement home or just a nice place in the country. But more and more those wide open spaces are getting fewer and fewer where land development has become a big business in the Southwest. And as with any big business, there are the crooks and the cheats. New Mexico's Attorney General has confirmed that land fraud is, quote "The biggest rip-off in the State of New Mexico." [unintelligible] Attorney General Tony Anaya, "As far as where you can find land fraud, it's widespread all over the state, um, so [unintelligible]. It's also widespread in terms of the magnitude of the problem. We have identified, what we feel are [unintelligible], bordering the neighborhood of a billion dollars in the last several years. [unintelligible]"

The figure of a billion dollars is almost mind-boggling, but perhaps the thing that is most disturbing is that some land developers are controlled, operated, bankrolled or in some way associated with organized crime. In Arizona, people have actually been murdered because of land fraud investigations. In New Mexico, we have evidence to show that in one county, applications are routinely approved by county commissioners on the approval of a planning and zoning committee whose chairman is a developer himself, and that gentleman's own development is in serious violation of multiple state and local ordinances.

A common practice of the large land developers in the Southwest is to sell the land out of state in the East or the Midwest. Unfortunately, in this manner, perhaps ninety percent of those people purchasing land never see their property before investing thousands of hard-earned dollars. How do you sell land sight unseen? Rio Rancho Estates Public Affairs Director, Jim Colgrove [??], provides some details.

JIM COLGROVE: Well, you know, if you're selling pants you can have a store-front and put your goods in the window and land is a little difficult to do that. So, we [unintelligible] invite people to dinner parties where we show a movie of people

enjoying our land. Uh, we ask them to sign a contract [unintelligible]. The person contracts to buy some land and they have up to seven years to pay it off. If the person visits here and does not like his land, within six months, he can get his money back and move to another area.

BARKER: Today land developers have emerged with a tarnished image. They are looked upon with a suspicious eye by consumers. I spoke with S.N.F. Legal Counsel, Dan Bayliss.

DAN BAYLISS: For some reason, there's a lot of talk bandied about that land development in general is an easy way to rip-off the public for lots of money because you can go and find out, for example, that, uh, a developer pays a thousand dollars an acre for the land and he turns around and sells it for three thousand a lot, and he gets three lots out of an acre. And people says, he's really sticking it to the public because he's making such an obscene profit. What people don't realize is that that thousand dollars an acre what he paid for the land, but he financed the purchase, so he ends up paying about two thousand dollars an acre for that stuff by the time he gets done paying for it. He sells it for two thousand dollars a lot and he pays probably about twenty-five percent in total sales commission, and selling expenses. He's got an office to maintain, then he's got to pay his engineers to survey it and mark it and stake it. I'm not saying that the land development business is not an easy way to – is not a way to make money. We have a profit margin that probably compares favorably with General Motors or any large industry. But to accuse a developer of making unfair profit because he pays fifty dollars for the land and sells it for a thousand dollars is like accusing General Motors as a rip-off artist because they pay fifty dollars a ton for steel and they sell it for a thousand dollars a ton.

BARKER: This week on "The Public Affair", we will look at some specific land developments, ways to avoid being cheated, and the business of land fraud. Tomorrow, we will discuss some tactics of crooked land developers. I'm Larry Barker on "The Public Affair".

[06:45]

[background music]

BLANEY: New Mexico's Billion Dollar Rip-off. Today, part two. An investigative report by Larry Barker.

[audio of advertisement of land in the Southwest]

[music]

BARKER: In the Southwest, particularly in New Mexico and Arizona, fraudulent land sale numbers in the billions of dollars. Today, we'll take a look at some of the tactics. Usually, land sold under suspicious means will be remote, barren, and for the most part, worthless. However, the big land companies promote these parcels usually out of state, in colorful, expensive brochures showing wildflowers, lush greenery, and rustic backdrops such as a windmill or an old wagon. The prose is enough to bring old P.T. Barnum back from the grave. Quoting from one brochure, "The setting sun throws a mantle of shining gold across the peaks of far mountains, sending nearby buttes and mesas into stark purple relief as evening seeps into the valley." Or how about quoting, "Here where the first Indians came and the Conquistadors of Spain, the pioneers of the Old West, now a happy, carefree way of life awaits you in a land bright with promise for all your tomorrows." Almost always you will find some sort of claim to the effect that the value of your land will always go up. You can't lose by buying land. Arizona Attorney General, Bruce Babbit:

BRUCE BABBIT: Most of the remote stuff today -- I think it is a fact, uh, that what you buy today will have no resale value of any significance for the foreseeable future. The reason for that is the subdivision will have no value unless they get developed. And most never will. The reason that you can't redevelop is because the only person who can resell the land effectively is the developer because he has the public relations, uh, the advertising. And he's not about to resell your lot for you. He's got an inventory. He's got thousands upon thousands of lots. The fact is that there's virtually no value except the value that arises from the ability to persuade people, uh, in misleading fashion. People are many times astonished to find their lot, and they can't resell it for ten percent of the value. Maybe thirty years down the road there'll be a city there and they will have bought a small piece of a new Manhattan. The statistical chances of that happening are very, very remote.

BARKER: How does a typical land scheme work? First, a developer will move in, find a good choice piece of raw land in a remote part of the state. Then subdivide the land and may or may not follow the proper procedures of getting that land legally platted. Then carves up that land into a number of individual lots. For most of those lots, they get the victim to pay so much down and so much per month, then fix that contract, sells it to a financial institution, get his money immediately, and then skips town. In a very short time, he's gone from a raw piece of land to contracts to [unintelligible]. And the ones left holding the bag are the victim and the financial institution. Although the financial institution can still collect the money from the consumer. Attorney General Babbit elaborates:

BABBIT: I think the most common and dangerous problem is ours is a hard sell. Americans, historically, have placed a great value on having ground beneath their feet that they own and the notion of being a landowner in the West is, uh, has the elements of the powerful and the [unintelligible]. The slick promoter plays on all those things and pretty soon the person is buying something that they haven't seen. I don't think anybody ever dreamed about land they haven't seen. Secondly, I think, uh, that the inducement of paying sixty dollars now, thirty-five dollars a month for the next eight years. [unintelligible] Make people do things that they wouldn't otherwise do. It's easier to up fifty dollars down now and not worry about the payments you're going to put up the next eight years.

BARKER: New Mexico's Attorney General, Tony Anaya:

TONY ANAYA: It would be ideal if the consumer would view land, view the piece of property before he ever bought it. Most of these [unintelligible] probably ninety-nine percent of the sales are made out of state. The, uh, consumer never sees – never sees the piece of property before he signs the document. So, if he could see the property, chances are he probably wouldn't buy it. Uh, the reason he wouldn't buy it is because when it's represented to him, it's actually misrepresented to him. Told and shown pretty pictures of beautiful greenery and lush trees, grass, and [unintelligible] rock.

BARKER: Tomorrow, more tactics than the mob.

[music]

I'm Larry Barker on "The Public Affair".

[12:50]

[music]

BLANEY: Larry Barker's investigative report continues. New Mexico's Billion Dollar Rip-off. Today, part three.

BARKER: According to Attorney General Tony Anaya, New Mexico has more subdivided land than any other state. What happened is not too surprising considering the size and overall beauty of New Mexico. But as most New Mexicans know, some of the land is barren. Worthless expanses of harsh desert. In New Mexico, water is the key to life and where that resource is lacking, life cannot [unintelligible] itself. However, lack of water does not deter some developers from selling and misrepresenting the land here. One commonly used tactic by fraudulent land developers is to promise the buyer everything from golf courses and swimming pools to club houses and shopping centers. Then, for some reason, these facilities never materialize. I asked Attorney General Tony Anaya about promises made to consumers.

ANAYA: They're not told that there isn't water. They're not told that, uh, what will happen with respect to roads. They're not told about improvements. There may be exaggerations with respect to, uh, development in the area. They may be told that there's an industrial park going in. Sure it may be on a drawing board, but that industrial park may never be built, if it is, it may be fifty years away. So the basic thing the consumer needs to do beyond looking at the piece of property is to look at the representations that are made. Ask questions. Uh, when is that industrial park going to go in? When are the roads going to go in? Uh, when -- How can we get utilities out there? What's the problem with the water? Can we drill our own well? Are you going to provide water for us? What do the New Mexico laws say on these various subjects? Uh, can we actually construct once we -- when the water and everything else is available, is there anything to prohibit us from constructing on this site? Besides the representation that is made, the consumers need to start asking questions about many things that aren't pointed out to them. And I've already mentioned some of these, in terms of roads and so on.

BARKER: One aspect of land fraud that has both federal and state officials doubly concerned is evidence that show organized crime's involvement in land

development. In Arizona, where investigation into fraud has been the most extensive in the country, underworld tactics have surfaced. Political payoffs, murder, and death threats. Arizona Attorney General, Bruce Babbit:

BABBIT: My feeling is that by definition as organized crime is when you have business operations swindling people out of hundreds of billions of dollars. The modern sophisticated accounting. The promotional [unintelligible] If that's not organized crime, I don't know what is.

BARKER: New Mexico's Attorney General, Tony Anaya:

ANAYA: There have been people literally murdered because of investigations that they had underway in land fraud. There have been people that have mysteriously died in plane crashes after their partners have taken out a half a million dollars worth of insurance bonds. There are people that have turned up missing or dead after either testifying or being subpoenaed to testify before grand juries. It's a big operation. We're talking New Mexico has at least – at least a billion dollar, uh, business in the past few years. You start talking that kind of money, uh, you got a very serious concern on our part in terms of what is it going to lead to once we start investigating and prosecuting. But, uh, we cannot really be deterred by that, we have to just press ahead.

BARKER: In New Mexico, underworld connections with developers has been difficult to prove. There are suspicions, though. One name that pops up frequently is that of St. Louis lawyer Morris Shenker, who is currently owner of S.N.F. Corporation, formerly [unintelligible] in Albuquerque. On one level, Shenker is a highly dedicated, successful, brilliant lawyer. A philanthropist and fundraiser for humane causes. On another level, though, he appears not so angelic. Several years ago, *Life Magazine* conducted its own investigation into Mr. Shenker's affairs. Quoting a 1967 *Life Magazine* article: "Morris Shenker is not only a [unintelligible] lawyer and broker of teamster pension [unintelligible], but has spent most of his career representing gangsters and gamblers in St. Louis and Las Vegas." Also, from that same article, quote "Shenker himself currently is associated in a [unintelligible] venture in Pocatello, Idaho, with two mob [unintelligible]. One of whom, Cindy Wyman, Shenker represented before the [unintelligible] Committee for Organized Crime." And finally, from a 1970 article, quote "Maury Shenker is the foremost lawyer for the mob in the U.S. His relations

with the nation's top hoodlums", Life's investigation shows, "goes far beyond legal representation." S.N.F. Corporation legal counsel, Dan Bayliss:

BAYLISS: From what I know of Mr. Shenker's activities – and I am not – I've only met the man on four or five occasions, so don't take my word as gospel. I would say his business is primarily that of a law practice. He has an extensive office in St. Louis. But his private investments are in, uh, land development and apartment complexes, um, the Dunes hotel in Las Vegas and other related real estate oriented activities.

BARKER: He has met, uh, on one or two occasions, at length with members of organized crime. I'm sure you –

BAYLISS: Yes, no question about it. And you'll find that that's, um, the tag that most criminal lawyers carry around with them if you represent people accused of crimes. You invariably get tagged with the label of having connections with the underworld. When Mr. Shenker approached our company – I used to work for [unintelligible]. We investigated Mr. Shenker as thoroughly as we could because we heard the rumors the same as everybody else. And the only thing we were able to find out about Mr. Shenker is he is probably one of the most heavily-investigated individuals in the country. Um, the F.B.I. the Internal Revenue Service, the Nevada Gaming Association, anybody who gets involved in the gambling establishment in Nevada has to be personally licensed and they make a background investigation, back to since he was born. And he's been investigated by more people than anybody else I know. And as far as we have been able to tell, all of these investigations have come up clean. They haven't been able to find Mr. Shenker guilty of anything. They haven't found him even suspicious enough to indict him. He's been given a clean bill of health by everybody who's looked at him.

BARKER: It should be made clear we have no evidence of any wrongdoing on Mr. Shenker's part or on that of S.N.F. Corporation. However, his background is widely known and on that basis, there is cause for at least some suspicion. Tomorrow, Rio Rancho and a look at the law.

[music]

I'm Larry Barker on "The Public Affair".

[20:20]

[music]

BLANEY: New Mexico's Billion Dollar Rip-off: an Investigative report by Larry Barker. Today, part four.

BARKER: One of the largest developments in the Albuquerque area is Rio Rancho Estates, about ninety-one thousand acres on the west mesa. Rio Rancho is owned by a New York conglomerate, AMREP, and has been selling land for some time, most of their sales being made out of state. According to one Rio Rancho official, most people who sign contracts have never actually seen the land first. In March 1975, the Federal Trade Commission issued a complaint against AMREP charging false misrepresentation of their property, deceptive practices, and unfair competition. In October, a federal grand jury indicted AMREP officials with seventy counts of mail fraud and ten counts of violations of the Interstate Land Sale Full Disclosure Act. The indictment charge, among other things, AMREP attempted to defraud purchasers of lots in Rio Rancho by representing they were a sound and risk-free financial investment and failed to disclose to purchasers that they would not be able to use the lots they'd purchased. As a result of the charges, Rio Rancho has halted land sales. How's the indictment affected Rio Rancho? Public Affairs Director, Jim Colgrove:

COLGROVE: Oh, it's hurt us. Adverse publicity has hurt us and we are no longer spending in New York right now. If anything, bad publicity, there's a rash of publicity here, oh about a dozen years ago, involving New Mexico developments. And that hurt the entire industry, the good developers as well as the bad ones. But anytime there's adverse publicity, it of course, hurts.

BARKER: Much of Rio Rancho land has been referred to by the news media as barren, desert lots. Colgrove continues:

COLGROVE: I certainly wouldn't call it desert. You see trees growing here and so on. *Time Magazine*, by the way, uh, drove past our eighty-unit motel, past thousands of homes, past, uh, a religious convent under construction, past our shopping center, through a residential area and actually down a street being paved to get to the place that they said was typical of Rio Rancho and showed a piece of tumbleweed – a twisted piece of mesquite or something, and a dried

water puddle which looked parched, and that's where they took their picture. If they had used a wide angle lens, they'd have shown the many houses nearby.

BARKER: One of the problems facing state officials in terms of prosecution of fraudulent land sales is that New Mexico's laws are relatively weak in dealing with this type of fraud. Attorney General Tony Anaya:

ANAYA: There haven't been any prosecutions, uh, which may be kind of shocking because we probably – well, not probably—it appears that New Mexico has more subdivided land than any other state in the Union, period. Uh, we probably have more fraudulent land sales than any other state in the Union in terms of acreage. But the district attorneys have never been fully staffed, they've never had the expertise to do anything in this area. The Attorney General has never, uh, effectively moved in this area in the past. So, we feel that our land fraud unit – we spent the first four months really investigating, trying to document the extent that we've been able to up to now of land fraud in the state, we effectively have at this point probably as much information about land fraud in New Mexico as any other state has about land fraud in their state. Where we have fallen behind – where we haven't taken the initiative has been in terms of prosecution.

BARKER: How do you prevent fraudulent subdivisions from getting started in the first place? Anaya continues:

ANAYA: The 1973 Subdivision Act, if properly enforced, can be very effective in this area. Because there are a number of requirements placed upon the county commission and upon the respective county commissions and upon the subdivider. There are a number of things that they have to comply with. There are a number of opportunities for state agencies to comment, uh, upon particular subdivisions. Uh, we were able to, uh, put a temporary halt at least until we get additional information on one subdivision recently in Valencia County. It would have been a very major subdivision, so we – the most effective weapon that we can use in that regard, uh, or preventive measure would be trying to get the county commissions to be knowledgeable of the law and to work with us, uh, and not to be [unintelligible] by developers.

BARKER: If the 1973 Subdivision Act were strictly enforced by the county commissions, its likely fraud and misrepresentation in land sales would sharply

decline. But local enforcement is surprisingly hard to achieve. Tomorrow, some tips and what you should know about buying land.

[music]

I'm Larry Barker on "The Public Affair".

[25:25]

[music]

BLANEY: The Billion Dollar Rip-off. Today, Larry Barker concludes his report on land fraud in New Mexico.

BARKER: As we have seen this week, land development is big business in New Mexico. And while it would be incorrect to charge all land developers with fraud, anyone who either is considering buying land or who had bought land ought to be acutely aware of who they are dealing with. When buying land, one must maintain an air of skepticism, lest he or she risk being swindled or disappointed. The Attorney Generals of Arizona and New Mexico are cracking down on the most flagrant schemers, but the consumer still remains highly vulnerable to slick promoters offering nothing but desert wasteland at exorbitant prices. When considering the purchase of land, what should you look for? Arizona Attorney General, Bruce Babbitt:

BABBIT: First of all, you'd better not listen to any promises about what's going to be there. And, you better go out and look at what you're buying. Actually go out and look at it. Uh, and you better buy what's there not what somebody is promising is going to come, uh, ten or twenty years down the road. The second way – I think if you are buying unimproved land in Arizona, you really want to a minimum see an attorney and make sure that you've got the title policy, the contents of which they clearly understand. And a personal matter, I frankly think, uh, and this is a personal matter – that anybody who buys unimproved lots in remote subdivisions is taking a very substantial, uh, economic and possibly legal risk. Any purchaser – any consumer ought to be extremely wary of buying land that's advertised in remote subdivisions where there's nothing in the ground.

BARKER: It is important to realize that the people who are cheated in land fraud is not limited to unsuspecting citizens with little knowledge of the law. Lawyers can and are victims of swindles as well. Also, remember even if you see the land before buying, it is still possible to be cheated. However, you can protect yourself. In some instances, you may invalidate the contract up to seventy-two hours after signing. If you sign and then discover months later you have been defrauded, you still have to go on paying the finance company until you're obligation is halted through proper legal channels. Before signing, though, get a licensed engineer to personally inspect and perform soil composition and water depth tests on your lot. Next, go to the county clerk's office, where your land is located. Ask about zoning, tax assessment, plans for roads there, et cetera. Next, check out the developer. Who is he? What has he done before? Where? How successfully? You should check with both the Attorney General's office and the Better Business Bureau, as well as – and this is essential – the Department of Housing and Urban Development to find out about complaints. We have the address if you need it. Finally, any developer selling lots less than five acres in size is required to give you a H.U.D. disclosure report. Also, it wouldn't be a bad idea if you picked up a copy of New Mexico's 1973 Subdivision Act for details. Most important, don't sign anything without talking to a lawyer. If all of this seems like a lot of trouble, remember you are talking about thousands of dollars that could easily go right down the drain. Now, if you're pretty sure you have been cheated, there are two things you should do immediately. First, contact the Attorney General's Land Fraud Unit in Santa Fe. And second, obtain a lawyer. Next, blab your experience to the media. Promoters hate this kind of publicity because it tends to lead to nasty investigations. Do you have a good chance of getting your money back?

Attorney General Tony Anaya:

ANAYA: It really depends on so many ands, ifs, or buts, that it's difficult to say yes you would, or no you wouldn't. Your chances of ever getting your money back, or ever getting full return are nil. In terms of getting your full money back are probably nil. In terms of getting some restitution, uh, it may be. Again, it depends on a lot of factors in terms of how many people were involved, uh, where the individual is now, what assets has he left behind? Uh, we have found from experiences in other states that by the time you catch up to one of these individuals, or they're one step ahead of the state or the feds – the federal law

enforcement officials – by the time they’ve flown the coop, to borrow your phrase, it’s too late. There is no money left, or you can’t find the individual or you can’t find his assets, and, uh, so the chances of recovering become very dim.

[singers singing “This Land Is Your Land”]

BARKER: What can we, as consumers, do to keep developers honest? There’s just about only one way and that involves keeping a close watch on your county commissioners. Before a subdivider can set up a business, he must go before a county commission and have his plat approved. Unfortunately, because most county commissioners are only part-time officials, they lack a good understanding of the subdivision laws. It is suspected some may even be in collusion with developers. When it comes to election time, grill your county commissioners about subdivisions. Make sure they take a tough stand on developers’ plans. Go to county commission meetings and ask lots of questions. If anyone on the county commission or on the planning and zoning commission is a developer himself, a serious conflict of interest exists. This is your chance to halt New Mexico’s billion dollar rip-off.

[music]

I’m Larry Barker on “The Public Affair”.

[31:44]

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