

Luxury home development on Lake Travis fails

Vizcaya joins Rocky Creek Ranch in foreclosure.

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AMERICAN-STATESMAN STAFF
Tuesday, August 11, 2009

A luxury residential development on the south shore of Lake Travis was posted for foreclosure Monday, the second major land foreclosure in Central Texas in just over a month.

San Francisco-based Haas & Haynie had planned to build a \$120 million development, Vizcaya (Spanish for an elevated plain), on 1,050 acres of the former Covert family ranch off Bee Creek Road near Pace Bend Park. But the Coverts have listed the property for the Sept. 1 foreclosure auction, according to a posting at the Travis County clerk's office.

The developer defaulted on a \$20.4 million loan for the project, according to the posting. It did not say how far behind the developer was on the payments.

Austin attorney David Armbrust, who worked on getting the development permits for Vizcaya, said he expects more such filings in the coming months.

"We're now at the tip of the iceberg for commercial foreclosures," including large residential developments, Armbrust said.

Officials at Haas & Haynie did not return requests for comment.

Duke Covert, whose family owned the land and holds the note, said the family "liked the proposed Vizcaya project and regret that it did not work out financially as planned."

"We have owned and cared for the land for generations," he said. "If and when the land is developed, we sincerely hope it will be carried out in a responsible manner."

The project, on one of the last large undeveloped Lake Travis tracts with water access, was to include an 18-hole Reese Jones-designed golf course along with a marina and trails.

When Haas & Haynie announced the project in April 2007, executives said they would preserve the character of the sloping, wooded terrain. The development called for 450 to 500 custom homes to be built over 10 years.

In January 2008, a Haas & Haynie vice president said he expected the project to break ground sometime that year. Haas & Haynie has developed golf course communities in Scottsdale, Ariz.; Whitefish, Mont.; and Jackson Hole, Wyo.

"I hate to see it fail, because it was a great project and well-received by the local community and the Travis County commissioners," Armbrust said.

He said the developer had been moving forward until a few months ago, when he said "they were going to slow things down" and have discussions with their partners regarding financial matters.

The Vizcaya foreclosure posting follows Legacy Texas Bank's takeover last month of a subdivision Kerby Development planned for the 468-acre Rocky Creek Ranch in western Travis County.

The developer had borrowed \$19.5 million, and the bank reclaimed the property for \$17 million, according to Real Estate Foreclosures Inc.

Armbrust said banks have been reluctant to foreclose on such projects in recent months because they were in such turmoil themselves. "Now they're getting stabilized, trying to figure out what the true value of their loans are," and are taking back projects in default.

"My crystal ball tells me that we're just at the beginning of an ugly few months in our market," Armbrust said. "We're going through this very difficult process of resetting the market and the prices, and it's going to be painful for a few months."

However, the next 12 to 18 months will present "an incredible opportunity to buy land here," for development or conservation, Armbrust said. "There's going to be some incredible bargains on raw land."

George Cofer, executive director of the Hill Country Conservancy, agreed.

"We haven't seen the bottom yet, and I think we're going to continue to see huge adjustments in prices that are going to result in some great opportunities for conservation buys."

Whether the money to buy the land will be there is another matter, said Cofer, whose group negotiates with landowners to purchase development rights to ensure that the land is preserved as open space.

Cofer said it will take creative financing and quick action for cities, counties, land conservation trusts and others to take advantage of what he said are "extraordinary opportunities."

Any open-space bond proposition would have to be put to voters, and with jurisdictions grappling with tight budgets and uncertain or declining property tax revenue, it will be difficult for them to make projections on whether they will have the ability to issue and pay off bonds for open-space purchases, he said.

Cofer said that he would be surprised if there were to be a large open-space bond package now but that he is "eternally optimistic."

Armbrust said he thinks that by early next year, the market will "start looking normal again."

"By the first of the year, things will be looking much brighter," he said. "Austin has a long history of making quick recoveries from economic downturns."

Courtesy of JB Goodwin