

Bank reclaims Rocky Creek Ranch development

By Shonda Novak
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In one of the largest recent land foreclosures in Central Texas, the lender on 468-acre Rocky Creek Ranch off Hamilton Pool Road has taken back the project, where developers had hopes of building hundreds of homes in one of the first large subdivisions along that scenic road.

Plano-based Legacy Texas Bank foreclosed last month, reclaiming the property. Kerby Development had borrowed \$19.5 million, according to Real Estate Foreclosures Inc. But the company filed for liquidation bankruptcy last month, according to court records.

Owner James Kerby did not return a phone call to his office.

The Kerby Development Web site says the project would have 396 high-end home sites and an estimated \$54 million in revenue, with the first phase of construction to be completed in 2008.

Now, a padlocked gate blocks entry to the property. Roads are visible winding through the site, and while some lots are ready for homes, none have been built.

Mays Davenport, director of corporate development for Legacy Texas Bank, said the bank took it back after the mortgage went into default.

"We try to work with our customers the best we can to help them keep their property," Davenport said.

But he said the bank's hand is forced when "at some point it becomes obvious they're not going to be successful."

Rocky Creek Ranch is one of numerous large residential projects planned or under construction in the Texas 71-Lakeway area, and like several of them, it encountered opposition from some environmentalists and neighbors.

"It's a poorly planned development in the wrong location," said Bill Bunch, executive director of the Save Our Springs Alliance, an environmental watchdog group. "Perhaps now someone will buy the land and preserve it."

Rocky Creek Ranch and the Belvedere development were the drivers for extending a main surface water line further west along Hamilton Pool Road a few years ago.

The opposition to Rocky Creek led to the creation of the Hamilton Pool Scenic Corridor Coalition, a neighborhood group that opposed dense development in the area and had an estimated 1,000 members who signed a petition against the water line.

Gene Lowenthal, president of the coalition, said his hope is that the bank sells the development to "a responsible developer who will maintain a good relationship with the neighborhood."

"It's not just a neighborhood issue, but also an environmental issue," said Lowenthal, who lives adjacent to Rocky Creek Ranch.

In 2007, Lowenthal and other neighbors reached an agreement with Kerby to help protect Rocky Creek, which runs through the ranch. The creek feeds Barton Creek.

Kerby agreed to reduce the number of lots from the original 468 and accepted provisions to protect the creek against spills from a planned wastewater treatment plant. It has not been built.

Charles Heimsath, a real estate consultant, said Rocky Creek Ranch was intended to be a high-end subdivision with high-volume builders purchasing lots and building homes.

"Production builders are now very cautious about making a commitment to an unproven (new) subdivision, and without the proceeds from lot sales it is very difficult — and in this case, impossible — to make the note payments for the land and infrastructure loan," Heimsath said.

Mark Sprague, the Austin partner with Residential Strategies Inc., which tracks and forecasts the market, said Rocky Creek Ranch is in an area with an oversupply of lots ready for development.

"Short term, it's going to be a very competitive marketplace to build in because there's just way too much supply out there," Sprague said, adding that developers will need to discount their lots to sell them.

However, Sprague said that for the long term, that market will perform well for several reasons, including the area's desirable Lake Travis school district and its proximity to lakes and golf courses.

In addition, Sprague noted that the excess supply of lots could be absorbed if the market were to turn quickly.

For now, the housing market slowdown has stalled development in the area.

"We've seen very little construction in this area since the beginning of 2008," Lowenthal said. "Things just seem to have come to a halt."

But the developer of Sweetwater, a nearby project that also encountered environmental opposition, said he is ready to move forward.

Bill Gunn, who is developing the project with several partners, said he plans to have 140 lots ready to build on in about six months.

Original plans for Sweetwater, along Texas 71 near Bee Creek Road, called for all of the 1,540 lots to be sold by 2018, Gunn said.

None has been sold, which Gunn said was due in part to the market's slowing and to difficulties with permits, including a lawsuit over a spray-irrigation permit for effluent. The lawsuit was dismissed in October, he said.

Now, Gunn said he and his partners don't expect to sell the last lots until 2022.

"It's tough, and we expect it to remain so at least another 12 months, and we hope it doesn't go beyond that," he said.

Gunn said his lots will be for homes priced from \$300,000 to \$400,000. He said homes in that price range are in demand and will continue to be, once the job market begins recovering.

Courtesy of JB Goodwin