

Three proposed MUDs may yield major developments in Austin

One calls for 15,000 homes, more than 3.8M s.f. of commercial near F1 site southeast of Austin

Premium content from Austin Business Journal - by Jacob Dirr , ABJ Staff

Friday, January 28, 2011

Three proposals to establish municipal utility districts are in the works, potentially foreshadowing major growth in untouched areas of the region.

If approved, the districts could be the impetus for tens of thousands of new homes, millions of square feet of new commercial space and an untold number of construction jobs.

A municipal utility district, or MUD, is a political subdivision with taxing power to provide water, sewage, drainage and other services within its boundaries. MUDs are sometimes annexed by their home cities. They can be created by cities, the Texas Commission of Environmental Quality or state lawmakers.

Obtaining government approval is the start of the process to develop the land, said Pete Dwyer of Dwyer Realty, who said he has done six MUDs. He is not involved in the three currently proposed.

Once approved, a developer will front the money — or get lenders to do so — to build infrastructure using strict bidding and review procedures. The land is gradually sold to builders, who sell or rent to commercial or residential owners, thus creating a tax base.

After enough of a tax stream is established, bonds are sold and the revenue from the sale is used to reimburse the developer, which theoretically made money from the land deals.

In recent months, three MUD developers have filed papers at Austin City Hall and the Capitol: Fossil Creek, Rio De Vida and Pilot Knob.

Pilot Knob

The largest is the Pilot Knob MUD, a conglomeration of five MUDs filed with the city in October, planned near William Cannon Drive and U.S. Highway 183.

According to city officials, the 2,214-acre Pilot Knob MUD — estimated to require \$482.2 million in bonds — is proposing:

- 5,660 single-family units
- 2,420 townhomes
- 6,730 multifamily units
- More than 3.8 million square feet of commercial space
- A 40-bed hospital and an 850-room hotel

The Pilot Knob MUD is due west of the planned Formula One racing complex and research park, and owned by Carma Easton Inc. **E. Scott Lineberry** is listed as the point of contact, according to city records.

Rio De Vida

Another MUD, called Rio De Vida, was proposed to the city in December by Dallas-based Texas Industries Inc. This one is proposed to cost \$405 million in bonds and could rival Pilot Knob in size. It will seek to create a community with 15,530 residents and about 9,000 jobs, according to city records.

In all, Rio De Vida proposes 1,370 single-family homes, 1,143 townhomes, 1,505 “condo mansions” and 4,055 “urban” apartments.

Dwyer predicts that Pilot Knob and Rio De Vida won’t have trouble getting financing because of the companies behind them.

Carma Easton Inc. is a subsidiary of Carma Developers Ltd., a Calgary, Alberta-based company that specializes in master-planned communities. TXI (NYSE: TXI), meanwhile, lost \$38.9 million, or \$1.40 per share, last year but also began fiscal 2010 with \$20 million of cash and ended it with \$75 million of cash and had another \$89 million available in credit.

Fossil Creek

The latest MUD proposal, Fossil Creek, matches the same footprint as a zoning plan submitted to the city in 2005, on about 293 acres at Killingsworth and Cameron roads, in the Northeast Austin extraterritorial jurisdiction.

While submitted records for the project are thin on details, about 792 single-family lots and 130 mixed-use lots are planned, including about 40 acres devoted to commercial space, said lawyer **John Joseph** of Coats Rose Yale Ryman & Lee PC.

The bond estimate is not yet known, according to records.

Local developers **Jay Hanna** and **Tim Sawtelle** were behind the 2005 plan, according to records, but could not be reached.

Joseph said neither is still involved. The new landowner is a business entity, based in Arizona, called Cameron & Killingsworth, whose principals are unknown.

Courtesy of JB Goodwin