

# Foreclosures, late payments plague area housing developer

## Suppliers have been filing claims for payments since January, county records show.

By [Kate Miller Morton](#)

AMERICAN-STATESMAN STAFF

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**The California-based development team Pacific Summit Partners entered the Austin market with a bang in 2005, investing more than \$100 million in land from Southwest Austin to Liberty Hill in just two years, with plans to build thousands of homes.**

**Now financial troubles such as foreclosures and ballooning late payments have jeopardized or erased those plans, as Pacific Summit Partners and its associated partnerships and companies have fallen behind on payments for nearly everything needed to build homes, including land, concrete, shingles, pipes, carpet and blinds.**

Pacific Summit isn't the only developer or builder struggling to pay bills as the Central Texas real estate market slows, according to vendors and market researchers. But the extent of the group's financial problems stand out in large part because they are more exposed to the sharp downturns in the West Coast housing markets than most investors building here.

Messages left for Pacific Summit principals William Lo and Steve Levenson were not returned.

**At least 141 of the 326 acres involved in Pacific Summit's highest-profile local project, Lakeline Station near U.S. 183 and RM 620, have been posted for foreclosure** after the group failed to make at least one quarterly payment to the landowner, William Savage, according to documents provided by a foreclosure reporting service, RexReport.com.

About 230 acres near Liberty Hill have already been foreclosed on and are again on the market, listed for sale on a commercial real estate Web site.

Pacific Summit had planned to build as many as 885 homes there in a project called Highland Meadows, where a municipal utility district had already been established.

Construction appears to have come to a halt at the two projects where the developers had already started building: Aviara in Oak Hill and the Fairways at Steiner Ranch.

Since November, about two dozen suppliers have secured or attempted to secure scores of liens on properties owned by Pacific Summit and several affiliated partnerships and companies, including the home builder Pacific Century Homes, according to claims filed with the Travis County clerk's office.

Most of the lien filings involve Aviara and the Fairways, and some are nearly identical as suppliers tried to place a claim on individual houses and condominiums where the same materials were installed.

The late payments claimed in these documents include a couple of bills for more than \$1 million for initial work on sewer, drainage and water systems; invoices for hundreds of thousands of dollars worth of carpet; and thousands of dollars owed for smaller things such as marble countertops and custom closets.

Suppliers began filing for liens in November, four months after Pacific Summit was chosen by Capital Metro to develop a 20-acre rail stop site across from the developer's Lakeline Station project.

It is unclear how much the partnerships owe. Some suppliers have been repaid in full, and some have settled for less than they were owed. Many, including High-Tech Carpets Inc., have received at least partial payment but hope to eventually receive more.

"I'm not resigned to the fact that I'll have to write all of this off, but this is by far the worst collection problem in the 15-year history of my company," said Michael Patino, owner and president of High-Tech Carpets, which is owed nearly \$175,000.

Pacific Summit Partners is a joint venture between Pacific Century Group, headed by Lo, and Summit Partners, headed by Levenson. The partnership was formed specifically to buy and develop properties in Austin.

Pacific Century Group, described as an "umbrella company" on its Web site, oversees a group of affiliated real estate development and investment enterprises operating in Texas, California and Arizona.

Founded in 1994, Pacific Century Homes is one of the affiliated companies and is frequently listed as the general contractor on lien filings.

Numerous lawsuits for breach of contract have been filed against the home builder in California since the beginning of the year, and the chamber of commerce in El Centro, Calif., recently reported that Pacific Century Homes had halted work on at least three projects in the area.

It appears building has halted here as well.

At Aviara, a large sign advertising garden homes starting at about \$300,000 and condos starting at about \$200,000 still stands, but what should have been a busy construction site was quiet this week.

More than a dozen houses and condos sit in various states of completion, and the development is secured behind a locked gate and patrolled by a security guard.

No one answers the phone number listed for the sales office.

Three model homes are up and for sale at the Fairways at Steiner Ranch, but no work appeared to be going on this week at several houses partially built nearby.

Several Pacific Summit subcontractors say their problems with the company began almost immediately after they started working for it.

Blanco Concrete LLC began laying foundations and driveways for Pacific Century Homes at the Fairways at Steiner Ranch development in late 2007.

Jon Cobb, a managing member of Blanco Concrete, said Pacific Century Homes fell behind on payments even though his company had agreed to payment cycles of 30 days instead of the more typical weekly or bi-weekly payments.

"The first three slabs we did they paid us in 45 days," Cobb said. "The next three we did for them there was no payment and no answer for when we were going to get paid."

Pacific Century Homes eventually owed the company about \$150,000. Blanco and Pacific Century Homes reached a settlement about a month ago in which Blanco was able to collect about 80 percent of what it was owed.

Cobb said the California developers and home builders weren't the only ones to owe his company money, and a few owe him even more.

Blanco Concrete rarely wrote off bad debt before last year, Cobb said, and this year there will be significantly more.

"It's going to be a lot," he said.

Patino, at High-Tech Carpets, said that national home builders such as KB Homes and Pulte are paying on time, but some companies are not.

"The big nationals have definitely slowed down but are still paying their bills," Patino said. The small "local guys and the guys from out of town are the guys having trouble. We've got to really stay on top of those."

**Mark Sprague, a partner in the residential real estate research firm Residential Strategies, said not many large planned developments are in deep financial trouble in Austin, far fewer than in Dallas or San Antonio.**

Sprague said most of those projects belong to developers from outside the region, particularly those such as Pacific Summit that are heavily invested in real estate in the West.

Sprague said those developers make up only a "very small piece of the market" in Austin.

#### **A look at Pacific Summit's fiscal woes**

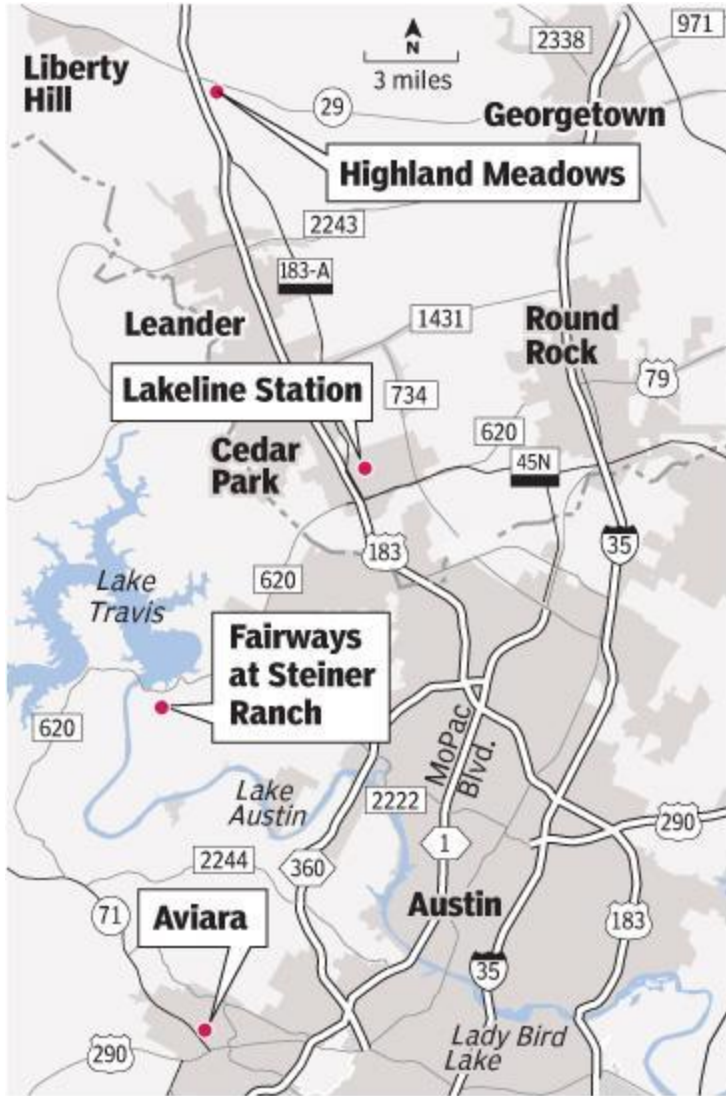
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About 230 acres near Liberty Hill have been foreclosed on and are back on the market. Original plans for the Highland Meadows project there called for as many as 885 homes.

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**Courtesy of JB Goodwin**



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