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## Leander TOD developers try to get on track

Market conditions delay ambitious plans

Austin Business Journal - by [Kate Harrington](#) ABJ Staff



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Cap Metro's commuter rail will service Leander later this year but development around the station isn't on track yet.

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**Many Central Texas analysts are predicting that the worst of the Austin area's housing market woes may be over.** But as the dust settles, developers of some of the region's largest real estate projects -- including those that will make up the 2,300-acre Leander transit-oriented development -- face difficult decisions as they move their projects from conceptual to tangible.

The Leander TOD is planned to take shape around the northernmost stop on **Capital Metropolitan Transportation Authority's** commuter rail that will run on a 32-mile track from the North Austin suburb to downtown Austin. While that rail is scheduled to begin service this fall, the TOD's progress has been slower - projects that planned to turn dirt in mid-2007 have not yet broken ground. And, city officials say, some TOD projects are being reshaped to include mixed use elements deemed more desirable for the market.

The question on everybody's mind, says Leander Economic Development Director Kirk Clennan, is whether the money will come back now that Central Texas has weathered the credit crunch. But even finding consensus on that question isn't simple.

According to Lance Hughes, equity won't be as much of a problem for the commercial real estate market as the residential side. Hughes, owner of **Hughes Capital Management**, is planning a roughly 160-acre project in the Leander TOD's most central spot around the commuter rail terminus.

That project, in the densest part of the TOD that includes Cap Metro's rail stop, is moving forward with its master plan. Leander City Manager Biff Johnson says the TOD's denser projects that incorporate commercial and retail space, like Hughes', are having an easier time moving forward than those with single-family residential components.

Dallas-based **WY Atlantis** is planning another of the TOD's larger projects, Villages of Messina. That development is planned to bring about 700 single-family homes, up to 400,000 square feet of office and retail space, and as many as 2,000 multifamily units to Leander. Allen Jones, partner with Dallas-based WY Atlantis, says the group has held off on the residential portion of the Villages of Messina project until the market cools off. Original projections called for the project to break ground in mid-2007.

But, Jones says homebuilders' need to secure 2009 inventory should drive them to start buying lots again, and he estimates the project will break ground in the third or fourth quarter of this year.

Mark Sprague, a partner with **Residential Strategies Inc.**, says it's incredibly difficult for developers and analysts alike to figure out where the market is right now, both residentially and commercially.

What's more, he says, there's pressure on developers to deliver product for 2009 though absorption may be slower than anticipated once the planned residential and commercial space is completed.

"There's not an equity group in the country that's comfortable doing large deals," Sprague says.

While he says he thinks the TOD will still come together, the prospect of slow absorption combined with a lack of industry and high gas prices could hold prospective homebuyers back from locating in TOD homes.

Traffic in home sales has picked up south of FM 1431 where there's a higher concentration of professional jobs, Sprague says, but to the north there is less industry and that means people are less willing to buy homes in outlying areas with the knowledge that they will have to commute to a job.

"There's no easy solution," he says. "Do I think the market will turn positive? Absolutely. But if I'm an equity person, I'm sitting on the sidelines."

Pix Howell, urban design officer for the city of Leander, says despite the wait for banks to loosen up with money, the city is starting to see more interest now from commercial developers who want to move ahead with TOD projects. At the same time, he says, developers who had planned single-family detached projects in the TOD are now trying to bring in more retail and commercial elements.

"If you look at the market overall around the country, mixed-use projects maintained a momentum, whereas single land use projects did not during the slump," Howell says.

**Courtesy of JB Goodwin**