



Spanish Oaks developers seeking new terms from lender

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Owners of Spanish Oaks, a 911-acre luxury residential and golf course development in Bee Cave, are in talks with their lenders to revise the terms of a \$32 million loan and avert foreclosure.

Daniel Porter, Spanish Oaks' original developer, said that the problem arose when a recent appraisal valued the project at less than the amount required under the terms of the loan from Comerica Bank.

Porter said he couldn't disclose the appraisal amount.

Spanish Oaks, south of Texas 71 and Bee Cave Road, is among the high-end residential projects in Central Texas to run into financial headwinds from the economic downturn. Several others ended up in foreclosure, but Porter said Comerica has indicated its willingness to work with the owners to forestall that outcome.

Under the original vision, the project was to have been completed by 2012 with 436 homes — an estimated \$600 million worth of real estate, Porter said.

To date, 270 lots have been sold and 125 homes have been built, with an average price of \$1.5 million. Golf Digest has ranked Spanish Oaks Country Club as one of the top private golf courses in the country.

The project is owned by Spanish Oaks LP, a partnership consisting of Ross Perot Jr.'s Hillwood Development Co. LLC, which owns 65 percent; Discovery Land Co. LLC, with 15 percent; and Porter's CCNG Realty Inc., with 20 percent.

Hillwood and Discovery, the project's managing partner, were brought in as investors in 2005, pumping in \$20 million along with CCNG, Porter said.

Sales began in April 2002, with the first 25 lots selling that year at an average price of \$130,000, Porter said.

In 2004, CCNG sold 65 lots at an average of \$160,000. Lot prices peaked in 2008 when they averaged \$500,000.

But just 12 lots were sold in 2008, and only six were sold last year, averaging \$424,000, Porter said.

"It was like a rock falling out of the sky," Porter said of the sales.

"A lot of people are wanting to do something to try to keep this project from falling into a bad way financially," Porter said. "It's too good a project."

The loan negotiations involve the golf course, unsold lots and undeveloped land. Porter said the partners have invested \$70 million, including the golf course, roads and utilities.

For now, the golf course remains open to members and their guests, although the clubhouse has reduced hours and laid off some employees.

Porter said CCNG has made an offer to the partnership to buy the golf course. A letter of intent was signed, but no binding agreement was reached.

"It's a great project and a great golf course," Porter said. "The members love it. We just have to work through this."

Discovery oversees Spanish Oaks' golf club, development and sales operations.

In a statement Friday, Michael Meldman, chairman and CEO of Discovery, said the company is working with "the membership and our majority partners to address long-term plans" for the club's operation.

Todd Platt, CEO of Hillwood Investments, said the partners are hoping to find a way to transfer the course to its members.

An attorney for Comerica did not return messages seeking comment.

David Armbrust, Porter's attorney, said that Spanish Oaks has suffered from the slowing economy.

"I think Spanish Oaks is kind of a poster child for the effect the economy has had on western Travis County from the standpoint of a drop in property values that has affected raw land, developed land and individual homes," Armbrust said. "The problem is, there are no transactions, really."

Appraisers can use such market activity to set property values.

Other area projects also have been hit by the lingering economic slump.

Last year, the 468-acre Rocky Creek Ranch off Hamilton Pool Road, where 396 upscale homes were envisioned, became one of the region's biggest residential foreclosures. CB Richard Ellis began marketing the property in November for \$17.5 million.

Other foreclosure actions included Vizcaya, a luxury residential development planned on the south shore of Lake Travis; MDR Hollows LP, developer of the Hollows resort on the north shore of Lake Travis; and Avaña, a proposed 1,000-acre residential development at Texas 45 and Escarpment Boulevard.

Spanish Oaks originally encompassed 1,211 acres, but 120 acres were sold to Cypress Realty Inc., which later sold 88 of those to developers of the nearby Shops at the Galleria.

CCNG owns another 77 acres at Spanish Oaks that allow for mixed-use commercial development, Porter said.

Armbrust thinks the region is at the tail end of the major foreclosures and "things are looking up," with more buyers kicking the tires for deals.

Despite its financial distress, Armbrust said Spanish Oaks is "a great project," and "with an improving economy, the future is bright."

"They need some consideration from the bank at this point to get from here to there," Armbrust said.



Courtesy of JB Goodwin