

Lender reclaims Spanish Oaks at foreclosure auction

Golf community sold in foreclosure to Comerica Bank for \$29 million

By [Shonda Novak](#)

AMERICAN-STATESMAN STAFF
Tuesday, Sept. 7, 2010

Spanish Oaks, a residential and golf course community west of Austin, has been reclaimed by its lender, the latest casualty of the prolonged downturn in the real estate market. The fate of the 18-hole golf course remains uncertain.

Comerica Bank bought the project, including its golf course and all unsold lots and undeveloped land, at a foreclosure auction Tuesday at the Sweatt Travis County Courthouse. Comerica paid about \$29 million, said David Armbrust, attorney for Daniel Porter, Spanish Oaks' original developer.

That money will be credited against the outstanding loan balance of about \$32 million, Armbrust said. The original loan was for \$34.4 million.

Spanish Oaks had been owned by a partnership of Ross Perot Jr.'s Hillwood Development Co.; CCNG Realty, Porter's company; and Discovery Land Co., which was the managing partner.

Comerica first posted the 911-acre project for the Aug. 3 foreclosure auction after an appraisal valued Spanish Oaks at less than the amount required under the loan terms.

Spanish Oaks, south of Texas 71 and Bee Cave Road, is one of several large Central Texas projects, both residential and commercial, that have ended up in foreclosure during the recession, which hit the high-end market particularly hard.

Joseph Arenson, a partner with Scottsdale, Ariz.-based Discovery Land, said the owners had been in talks with Comerica for more than a year. In recent months, the owners has been hopeful that an agreement could be worked out to avoid foreclosure, including revising the loan terms, but that was not to be.

"They needed to protect their asset, and that's why they chose to foreclose," Arenson said.

An attorney for Comerica declined to comment, as did Porter.

Hillwood and Discovery Land were brought in as investors in 2005, infusing \$20 million along with CCNG.

In a statement, Hillwood said that it "regrets any inconvenience the foreclosure causes residents and members of the Spanish Oaks community and golf club, just as we regret our own losses on this project. Our expectations were high, but the national economic troubles that began in 2008 continue to cause serious problems in the real estate market — including, unfortunately, for Spanish Oaks."

Arenson said the golf course is closed, at least for the time being. He said some members are in discussions with Comerica about trying to buy the golf course assets, but he did not know the status of those talks.

The golf course has more than 100 members, Arenson said, most of whom own lots or houses in Spanish Oaks.

"We love Spanish Oaks, we love Austin, we love the market," Arenson said. However, he said the project ran counter to a Discovery Land core principle: using a minor amount of debt to finance a project.

"With Comerica's loan, there was a little too much debt for the project to support" when lot sales plummeted during the downturn, Arenson said. "We still think it's a great (project) and we still think the market's good, but it needs to be capitalized properly to sustain itself in today's market."

The vision for Spanish Oaks was to have a completed project by 2012 with 436 homes — an estimated \$600 million worth of real estate, Porter said in March.

But as of March, only 270 lots had been sold and 125 homes built, with an average price of \$1.5 million.

Despite the foreclosure, Armbrust said he thinks Spanish Oaks will be one of the first projects to recover as the economy rebounds.

"I think it has all the right fundamentals," Armbrust said, including roads, utilities and a "great location" in the scenic Hill Country. "I think it's just unfortunately out of sync right now with the market."

Charles Heimsath, a local real estate consultant, said he agreed that Spanish Oaks "is positioned to compete well for the high-end market."

"But that segment is recovering very slowly, and because of the oversupply of high-end lots, there will be significant downward pressure on lot prices," Heimsath said.

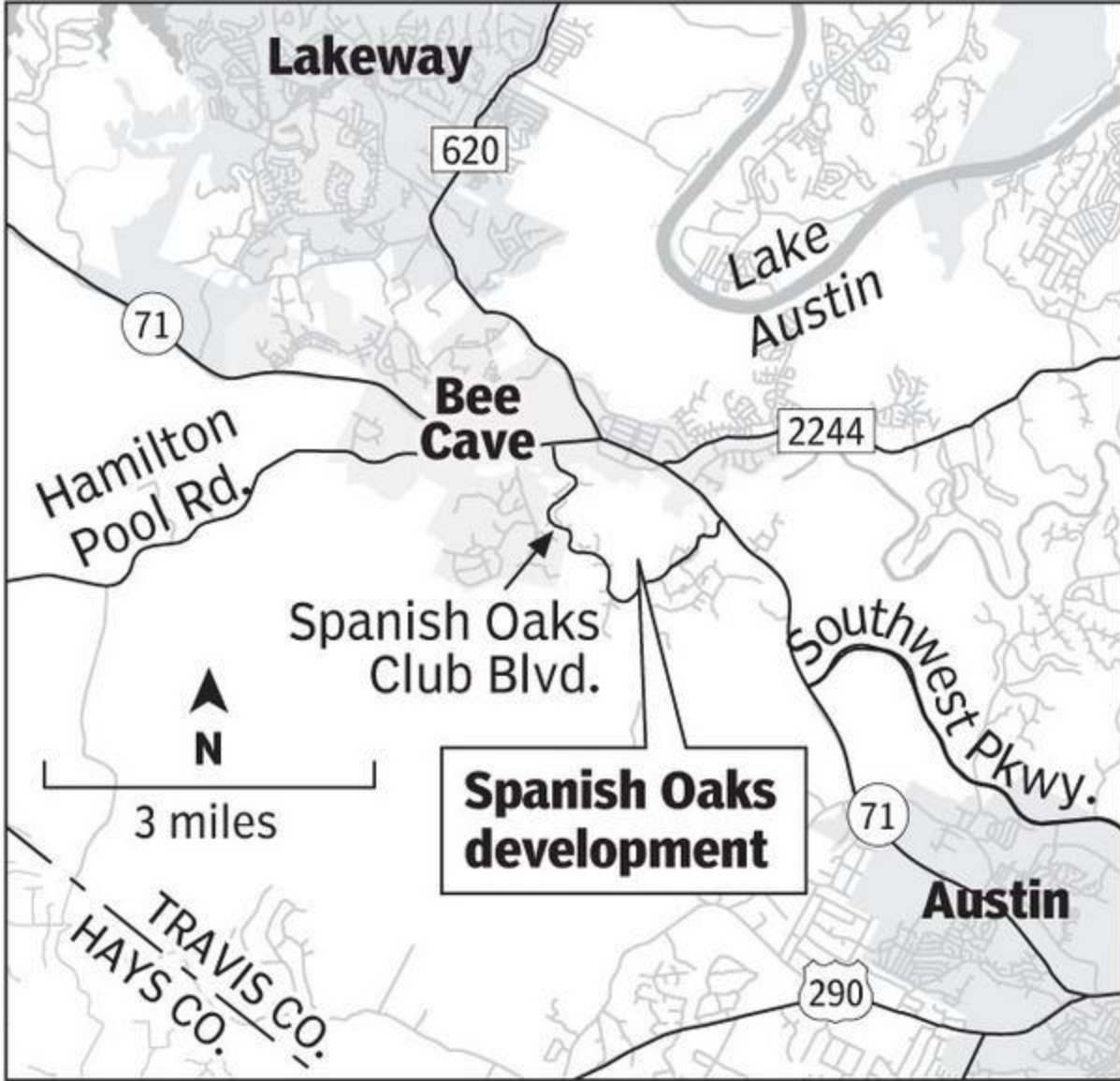
As for the golf course, Armbrust said the bank intends to "maintain and preserve" it even though it is closed. Armbrust said that as far as he knows, Comerica doesn't have a transition plan for the golf course.

The next chapter for Spanish Oaks, Armbrust said, will be for a prospective buyer or buyers to make a proposal to Comerica to buy part or all of the project.

Heimsath predicts there will be "an abundance of interest in purchasing the developed lots and land, at a substantial discount."

"The real question is whether Comerica will sell at today's real (but discounted) value and book a loss, or hold the property and hope for a rapid market recovery. Recent experience with similar properties is the latter," Heimsath said in an e-mail.

Courtesy of JB Goodwin



Robert Calzada AMERICAN-STATESMAN