

# THE LAUNCH REPORT

## 4Q21 NEWSLETTER

### JOHNSON DEVELOPMENT SERVICES CANDELA AMENITY CENTER - RICHMOND, TEXAS



**LAUNCH**

DEVELOPMENT FINANCE ADVISORS





## Guest Corner - Michael Cox, President, Johnson Development Services

This issue of *The Launch Report* is dedicated to the memory of Larry Johnson, founder of [Johnson Development Corporation](#) ("JDC"), who passed away on January 5, 2022. During his long career, Larry created one of Texas' most successful real estate companies, elevating the development of master planned communities ("MPC") to new levels with lifestyle as the focus. The market reacted positively to this approach as reported by RCLCO Real Estate Consulting ("[RCLCO](#)") who ranked JDC as having more bestselling MPCs than any other developer in the nation over the past decade. Based on the RCLCO 50 Top Selling Master Planned Communities of 2021, JDC had three communities in the top 50 selling communities: [Sienna](#), [Woodforest](#), and [Cross Creek Ranch](#).



Larry Johnson, Founder  
Johnson Development Corporation



Michael Cox, President  
Johnson Development Services

## Interview with Michael Cox - President, Johnson Development Services

By Carter T. Froelich, CPA

I was working with Michael Cox, President of Johnson Development Services ("JDS"), an affiliate of JDC, to set up a Guest Corner interview with Larry and Michael when Larry unexpectedly passed away. While the teams at JDC and JDS are still grieving the loss of their founder and friend, Michael graciously agreed to move forward with the interview in keeping with Larry's motto: "You have to line up every day."

### 1. The development industry lost an icon and JDC lost its founder, Larry Johnson. What do you see as Larry's legacy as it relates to the master planned development industry in general and Texas specifically?

Larry was a legend in our industry, in the truest sense of the word. In development terms, Larry was making places for living before "placemaking" was even a concept. As one of the first innovators in the MPC space, his contributions are as impactful to master planned community development as those inventors in the early days of the computer industry are to our communication today through the internet.

Larry set a high bar for leaders in our industry to follow, both professionally and personally. For us, what really set Larry above and apart was his focus on qualitative aspects of our communities. The underlying question is always "How does it live and how can we make it better?" Diligent pursuit of that ultimate objective creates a tangible value for our builder partners and homebuyers and has created a benchmark for others. Today, there are tens of thousands of people who enjoy the quality of life Johnson Development Communities has to offer. As a company, we will continue to follow the path he forged for us in honor of his legacy.





## Interview with Michael Cox - President, Johnson Development Services, Continued

By Carter T. Froelich, CPA



### 2. What was the greatest lesson you learned from Larry Johnson?

There were so many, but two lessons come to mind instantly.

The first: *be firm but fair in all your dealings with clients and partners.* Larry taught us that we must be mindful of their interests as well as our own. He always strove to find the value in and respect all constituencies: clients, consultants, professionals, trades, and home builders. As a quick example, we had been asked by a great long-term client to sell an asset in a specific market. The sale was very compelling, and I was excited about the opportunity. When I shared it with Larry, he recommended against it based on his evaluation that while the deal was indeed a good one for us, we would be abandoning some of our valued builder clients and partners. It was a tough deal to walk away from, but it was the right and fair thing to do.

The second: *Always remember the families who will live in our communities are our ultimate client.* Larry was sincerely committed to creating quality places for people to live and raise their families. He never stopped looking for ways to improve every aspect of our communities, and he would consistently encourage us to go the extra mile to make each community a special place. To him, it was a privilege and an honor that he took to heart every day.

As to how he taught us, I would share that Larry was more than a great listener, he was a masterful observer. He was never one to sit you down and say, "do it this way." Rather than provide exact instruction, he would instead suggest, "we may want to consider this." More often, he would tag along throughout the thought process on a topic or issue asking guiding questions, many of which eventually led our ideas and decisions in an all-new direction. He would then let you decide how to proceed. In this way, Larry imparted innumerable lessons to us all through his day-to-day presence.





## Interview with Michael Cox - President, Johnson Development Services, Continued

By Carter T. Froelich, CPA

Although I didn't immediately recognize it for what it was, Larry was coaching me with his decades of experience and wisdom and his thoughtful insight. I can now see very clearly the influence he had on my life, both professionally and perhaps more importantly personally. It's an influence that I feel certain will last well into the future.

### 3. Over the years JDC has had a myriad of projects in RCLCO's Top 50 Selling Master Planned Community ratings. What are the ingredients that JDC uses to keep developing top selling master planned communities?

Each community has different challenges and offers unique selling opportunities, so there is not an exact formula or list of ingredients that make every successful community. There are common elements of course, like lifestyle, amenities, and open space design, but no one formula. I am asked from time to time about how I develop communities. My standard response is always the same, "I've been doing this since the early 80s and when I figure it out, I will let you know." In my career no two communities have ever been the same.

### 4. What is the most significant learning experience you have had over your long career as it relates to the development of MPCs or real estate in general?

I started out as an accountant and have had just about every other job you can have in the development business. In all that time and in all those positions, the most valuable lesson learned is the ability to create consensus. Although it sounds simple, creating consensus by facilitating communication was a big "aha" moment. As developers, we coordinate a lot of communication with multiple people--clients, professionals, lenders, partners and buyers-- who rely on us to do our job so they can do theirs. It takes a lot of time and effort to build consensus, but it pays dividends both in the short and long term.

Another moment of revelation was when I truly realized just how big an impact we, as developers, have on so many lives. Every participant in the development process represents their businesses, associates, employees, and sometimes even their families. Knowing how much others depend on what I do helps me realize that what I do directly and indirectly affects hundreds of families and thousands of individuals. I take that obligation very seriously and am honored to be in a position to make a positive difference. In other words, I learned that *what we do, as developers, truly matters*.







## Interview with Michael Cox - President, Johnson Development Services, Continued

By Carter T. Froelich, CPA

### 5. What advice would you give the new generation entering the master planned community development business?

As a developer you get to create lifestyles and communities for families that, if you do it right, will be around for generations. I would offer that it is incredibly rewarding to return to a community years later and see it going strong. It is a real pleasure to hear someone tell you that they grew up in a place that you created—and a thrill to hear that those same people now want to raise their own families in your community.

I would tell people beginning their careers in development to always remember that what they do matters and so many are counting what they accomplish; to practice the art of patience and adopt a consistent, even rhythm in all you do, because community development is a long game; and to value every aspect of the industry as it is all interconnected.

I would also emphasize the importance of taking every opportunity to wear as many hats as possible so that you are able to gain a 360-degree perspective, learning from those around you and amassing the necessary insight and wisdom. In this industry, you have to have the requisite real-life education, experience, relationships, and dynamic thinking that you develop only after having been in the industry and seeing it from all sides.

Finally, and most important, I would also encourage them to have fun--because it is the greatest business in the world.







## Common Reimbursement Errors that Will Cost You Time and Money

By Curry Froelich

Over the years Launch's reimbursement team has processed hundreds of millions of dollars of reimbursement requests for our clients in Arizona, California, Colorado, Nevada and Texas. During this time, we noted 9 common errors or oversights that our clients were committing that was costing their staff untold hours of wasted time, money and delaying their receipt of reimbursement proceeds. The common errors are outlined and discussed in our Video Podcast entitled [Reimbursement Processing – These Common Errors will Cost you Time and Money](#) in which Carter Froelich and I spend 20 minutes diving into these common errors.

In general, the most common reimbursement processing errors are:

1. Non-Compliance with required public procurement requirements.
2. Contracting multiple infrastructure projects with one construction contract.
3. Failure to pay prevailing wages / missing certified payrolls (CA / NV).
4. Seeking reimbursement for infrastructure not eligible for reimbursement.
5. Underestimating eligible project costs to allow for full use of construction funds.
6. Ensuring consistency of project name descriptions referencing between invoices, lien releases, contracts and change orders.
7. Treating reimbursement processing as an afterthought and having to play catch-up.
8. Mixing reimbursable construction costs with non-reimbursable construction costs in the Job Cost System.
9. The Land and Legal Departments not communicating with the Operations and Accounting Departments.

*For more information on how Launch can assist your company to accelerate its receipt of reimbursements, with the Launch Reimbursement System™ contact Curry Froelich, Launch Reimbursement Services Manager at 1-855-970-0003 ext. 4356 or email at [curryf@launch-dfa.com](mailto:curryf@launch-dfa.com).*

## How are the Top MPC's Financing Infrastructure?

By Carter Froelich, CPA and Pam Giss

RCLCO published its [150 Top Selling Master Planned Communities of 2021 Report](#) ("Report") and the professionals at Launch updated their financing matrix to detail how these top selling communities are financing their infrastructure.

As provided on the following page, 46 of the 50 communities shown in the Report, utilize some type of public financing mechanism to finance their public infrastructure costs. The 46 communities using public financing constitute 92 percent of the total home sales within the top selling master planned communities, demonstrating the importance of special taxing districts to access long term, low interest financing for master planned community development.



# THE 50 TOP-SELLING MASTER-PLANNED COMMUNITIES

## INFRASTRUCTURE FINANCING MECHANISMS

YEAR-END 2021

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Rank	MPC (1)	MSA (City, State) (1)	Units Sold	Public Financing / District (Y/N)	Special District Financing Metrics (2)					
					Sample Avg. Home Price	Sample Annual Prop. Tax (excluding District)	Sample Annual District Tax Payment (calc)	Sample Annual Total Property Taxes (calc)	Est. Prop. Tax as % of Sample Home Price (calc)	Est. Net Const. Proceeds for Sample Lot
1	The Villages	The Villages (FL)	4,004	Y	\$375,000	\$6,149	\$1,582	\$7,731	2.06%	\$22,790
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, FL)	2,574	Y	\$710,000	\$4,726	\$1,214	\$5,941	0.84%	\$16,800
3	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, NV)	1,619	Y	\$710,000	\$8,154	\$1,028	\$9,182	1.29%	\$13,394
4	Cane Bay Plantation	Charleston-North Charleston (Charleston, SC)	1,147	N						
5	Ontario Ranch	Riverside-San Bernardino-Ontario (Ontario, CA)	1,070	Y	\$507,200	\$5,709	\$4,337	\$10,045	1.98%	\$68,000
6	Wellen Park (formerly West Villages)	North Port-Sarasota-Bradenton (Venice, FL)	951	Y	\$500,000	\$7,712	\$1,569	\$9,282	1.86%	\$19,301
7	Cadence (3)	Las Vegas-Henderson-Paradise (Henderson, NV)	864	Y	\$391,000	\$3,124	\$1,940	\$5,064	1.30%	\$29,101
8	Valley Vista	Las Vegas-Henderson-Paradise (North Las Vegas, NV)	860	Y	\$458,000	\$3,524	\$567	\$4,091	0.89%	\$7,276
9	On Top of the World	Ocala (Ocala, FL)	832	Y	\$498,000	\$4,362	\$549	\$4,911	0.99%	\$7,600
10	Mission Ridge	El Paso (El Paso, TX)	811	Y	\$240,000	\$3,548	\$888	\$4,436	1.85%	\$13,289
11	Inspirada	Las Vegas-Henderson-Paradise (Las Vegas, NV)	741	Y	\$500,000	\$4,975	\$1,188	\$6,163	1.23%	\$14,127
12	Nocatee	Jacksonville (Ponte Vedra, FL)	738	Y	\$600,000	\$7,839	\$2,469	\$10,308	1.72%	\$30,363
13	Viera	Palm Bay-Melbourne-Titusville (Melbourne, FL)	732	Y	\$350,000	\$3,910	\$217	\$4,127	1.18%	\$3,020
14	Babcock Ranch	Punta Gorda (Punta Gorda, FL)	714	Y	\$375,000	\$7,018	\$1,484	\$8,502	2.27%	\$20,529
15	Bridgeland	Houston-The Woodlands-Sugar Land (Cypress, TX)	713	Y	\$425,000	\$2,529	\$2,486	\$5,015	1.18%	\$40,016
16	Tamarron	Houston-The Woodlands-Sugar Land (Katy, TX)	711	Y	\$375,000	\$6,112	\$1,800	\$7,912	2.11%	\$36,905
17	Latitude Margaritaville	Deltona-Daytona Beach-Ormond Beach (Daytona Beach, FL)	707	N						
18	Balmoral	Houston-The Woodlands-Sugar Land (Houston, TX)	704	Y	\$340,000	\$1,624	\$2,584	\$4,208	1.24%	\$52,797
19	Lake Nona	Orlando-Kissimmee-Sanford (Orlando, FL)	685	Y	\$350,000	\$3,597	\$580	\$4,177	1.19%	\$8,808
20	RainDance	Greeley (Windsor, CO)	683	Y	\$585,000	\$2,349	\$1,773	\$4,122	0.70%	\$23,746
21	Magnolia Point	Dallas-Fort Worth-Arlington (Royce City, TX)	660	Y	\$215,000	\$3,740	\$1,505	\$5,245	2.44%	\$27,397
22	Great Park Neighborhoods	Los Angeles-Long Beach-Anaheim (Irvine, CA)	655	Y	\$1,500,000	\$15,066	\$6,915	\$21,981	1.47%	\$85,042
22	Skye Canyon	Las Vegas-Henderson-Paradise (Las Vegas, NV)	655	Y	\$400,000	\$4,589	\$633	\$5,223	1.31%	\$7,788
24	Ave Maria	Naples-Immokalee-Marco Island (Ave Maria, FL)	646	Y	\$400,000	\$3,462	\$1,941	\$5,403	1.35%	\$25,442
24	Sienna	Houston-The Woodlands-Sugar Land (Missouri City, TX)	646	Y	\$370,000	\$5,501	\$2,368	\$7,869	2.13%	\$39,585
26	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, AZ)	643	Y	\$600,000	\$3,443	\$1,604	\$5,047	0.84%	\$23,586
27	Epperson	Tampa-St. Petersburg-Clearwater (Wesley Chapel, FL)	634	Y	\$375,000	\$3,480	\$1,803	\$5,283	1.41%	\$24,948
28	Daybreak (4)	Salt Lake City (South Jordan, UT)	633	Y	\$310,000	\$1,915	\$225	\$2,140	0.69%	\$2,646
29	Tradition	Port St. Lucie (St. Lucie, FL)	613	Y	\$400,000	\$9,120	\$716	\$9,836	2.46%	\$9,329
30	Westlake	West Palm Beach-Boca Raton-Delray Beach (West Palm Beach, FL)	608	N						
31	Verrado	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	604	Y	\$480,000	\$2,177	\$950	\$3,128	0.65%	\$12,859
32	Sierra Vista/Sterling Lakes	Houston-The Woodlands-Sugar Land (Arcola, TX)	579	Y	\$285,000	\$7,675	\$1,311	\$8,986	3.15%	\$25,261
33	Breckenridge Forest	Houston-The Woodlands-Sugar Land (Spring, TX)	578	Y	\$235,000	\$5,239	\$1,093	\$6,332	2.69%	\$20,183
34	Nexton	Charleston-North Charleston (Charleston, SC)	576	Y	\$430,000	\$2,679	\$2,146	\$4,825	1.12%	\$28,387
35	Latitude Margaritaville - Hilton Head	Hilton Head Island-Bluffton-Beaufort (Hardeeville, SC)	566	Y	\$400,000	\$5,822	\$101	\$5,923	1.48%	\$1,386
36	eTown	Jacksonville (Jacksonville, FL)	548	Y	\$470,000	\$7,357	\$749	\$8,106	1.72%	\$10,982
37	River Islands	Stockton-Lodi (Stockton, CA)	545	Y	\$500,000	\$6,465	\$1,672	\$8,137	1.63%	\$23,130
38	Santa Rita Ranch	Austin-Round Rock (Liberty Hill, TX)	515	Y	\$375,000	\$7,054	\$2,493	\$9,547	2.55%	\$48,462
39	Bexley	Tampa-St. Petersburg-Clearwater (Land O Lakes, FL)	510	Y	\$305,000	\$3,745	\$2,198	\$5,943	1.95%	\$27,418
40	Sunfield	Austin-Round Rock (Buda, TX)	504	Y	\$370,800	\$7,148	\$2,021	\$9,169	2.47%	\$33,782
41	Pecan Square	Dallas-Fort Worth-Arlington (Northlake, TX)	502	Y	\$325,000	\$5,681	\$2,291	\$7,972	2.45%	\$41,112
42	Valley Ranch	San Antonio-New Braunfels (San Antonio, TX)	498	Y	\$305,000	\$6,065	\$2,654	\$8,718	2.86%	\$49,011
43	Heartland	Dallas-Fort Worth-Arlington (Heartland, TX)	482	Y	\$350,000	\$11,134	\$1,960	\$13,094	3.74%	\$35,168
44	Tehaleh	Seattle-Tacoma-Bellevue (Bonney Lake, WA)	477	N						
45	Meridiana (5)	Houston-The Woodlands-Sugar Land (Rosharon, TX)	467	Y	\$387,000	\$9,491	\$3,173	\$12,664	3.27%	\$63,122
45	Woodforest	Houston-The Woodlands-Sugar Land (Montgomery, TX)	467	Y	\$330,000	\$5,401	\$2,096	\$7,496	2.27%	\$38,146
47	Union Park	Dallas-Fort Worth-Arlington (Little Elm, TX)	460	Y	\$520,000	\$11,080	\$1,940	\$13,020	2.50%	\$34,306
48	Cross Creek Ranch	Houston - The Woodlands - Sugar Land (Fulshear, TX)	457	Y	\$510,000	\$9,779	\$2,397	\$12,176	2.39%	\$44,926
49	Elyson	Houston-The Woodlands-Sugar Land (Katy, TX)	456	Y	\$272,000	\$4,877	\$1,006	\$5,884	2.16%	\$17,302
50	Vistancia	Phoenix-Mesa-Scottsdale (Peoria, AZ)	454	Y	\$655,600	\$5,529	\$826	\$6,355	0.97%	\$12,389
Total Home Sales or MPC's Utilizing Special Taxing Districts/Average			38,498	46	\$442,709	\$5,689	\$1,718	\$7,407	1.78%	\$26,977
Percentage of Home Sales Occurring Within MPC Using Special Taxing Districts			92%							

Source: RCLCO Real Estate Consulting & Launch Development Finance Advisors, LLC

(1) Per RCLCO's Top Selling Master-Planned Communities Report - Year-End 2021.

(2) Estimates Only. Figures are not intended to represent the financing history of the specific MPC. Figures were derived from publicly available information including but not limited to: public offering statements, sales data, developer websites, district websites, county treasurer's websites, property tax billings, and county assessor's websites. MPC's frequently contain multiple financing districts, and the data included in the table assumes a sample property in a single district.

(3) According to the Redevelopment Association of Nevada, the Henderson Redevelopment Agency provided a \$208 million tax increment subsidy to Cadence to finance infrastructure costs. Allocation of subsidy across lots is an estimate only.

(4) The City of South Jordan, UT requires the special assessment bonds to be prepaid by the developer at the time the lot is sold to a builder.

(5) Also located in Tax Increment Reinvestment Zone #2.

LEARN MORE AT [WWW.RCLCO.COM/TOP-SELLING-MPCS](http://WWW.RCLCO.COM/TOP-SELLING-MPCS)





## MPC Development - What a Long (and Longer / more Expensive) Strange Trip It's Been

By Carter T. Froelich, CPA

Taking the article heading from a play on the Grateful Dead's "Long Strange Trip" sums up what the master planned community ("MPC") development industry has experienced in 2021 and the first quarter of 2022 as it works to provide super pads and/or finished lots to home builders. In a nutshell, it's taking longer and more money to get product to market.

More specifically:

1. Excess infrastructure capacity created during the last run up has been utilized requiring new infrastructure facilities to be constructed.
2. Jurisdictions are taking longer to approve entitlements and construction plans.
3. Once infrastructure and / or sitework has been completed, it's taking the jurisdictions longer to inspect and accept the facilities.
4. Contractors and utility companies are behind in their installations.
5. Labor and material costs continue to rise increasing the costs of lots and homes.
6. Construction materials delays cause delays in completion causing costs to escalate.
7. Jurisdictions demand gold-plated infrastructure or the "Bentley of Infrastructure" as one client puts it.

Despite these challenges all developers and builders are experiencing the same obstacles and I believe the outlook for MPCs that are located in good school districts, in close proximity to transportation corridors, provide life-style amenities, programming, and ample outdoor space will continue to achieve meaningful sales figures in 2022.

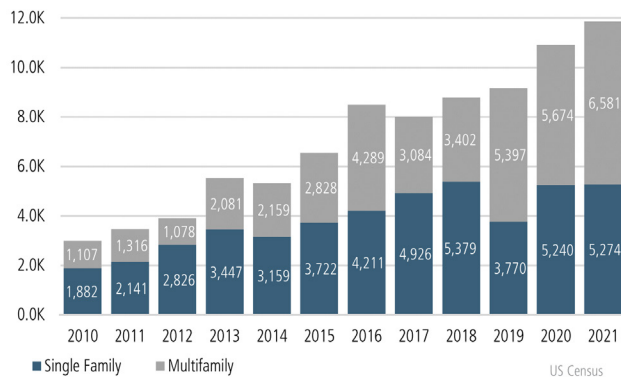
For more information contact Carter Froelich, CPA at 1-855-970-0003 ext. 4355 or email at [carter@launch-dfa.com](mailto:carter@launch-dfa.com)



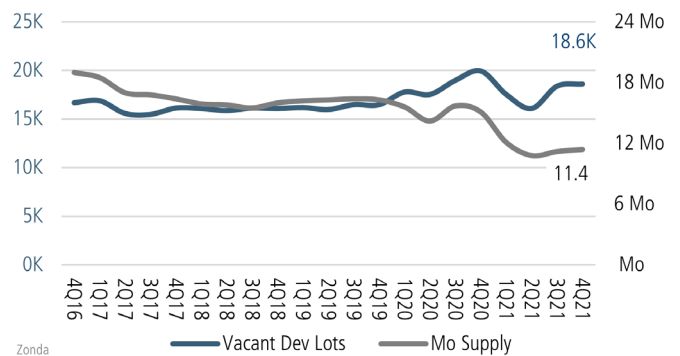


## MARKETS AT A GLANCE - UTAH, BOISE, LAS VEGAS (4Q21)

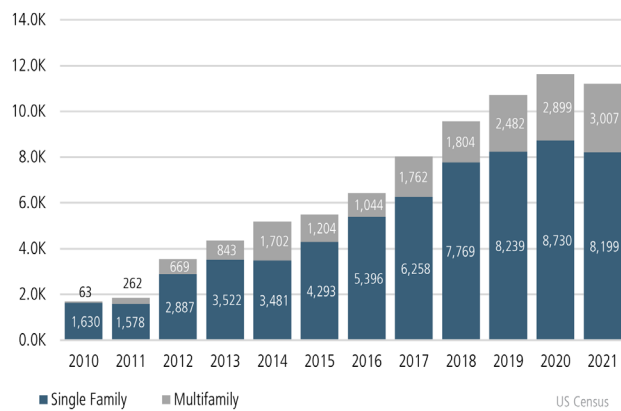
### Utah Single Family & Multi-Family Permits



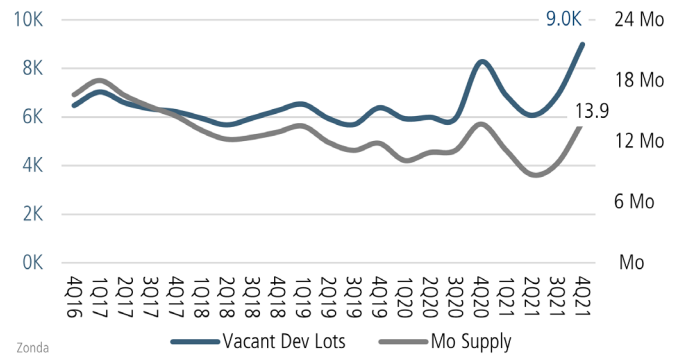
### Utah Vacant Development Lot Supply



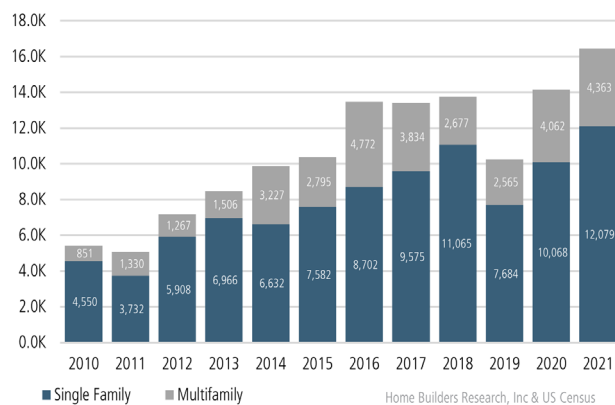
### Boise Single Family & Multi-Family Permits



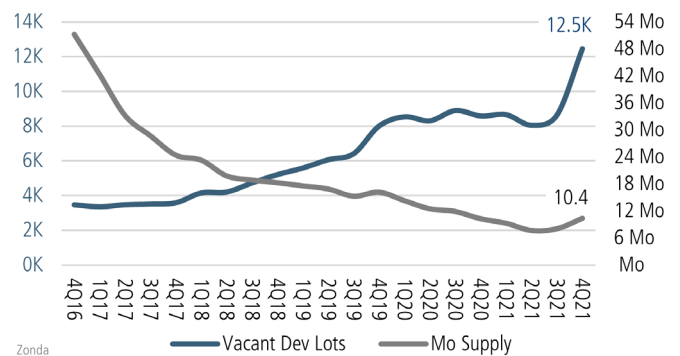
### Boise Vacant Development Lot Supply



### Las Vegas Single Family & Multi-Family Permits



### Las Vegas Vacant Development Lot Supply

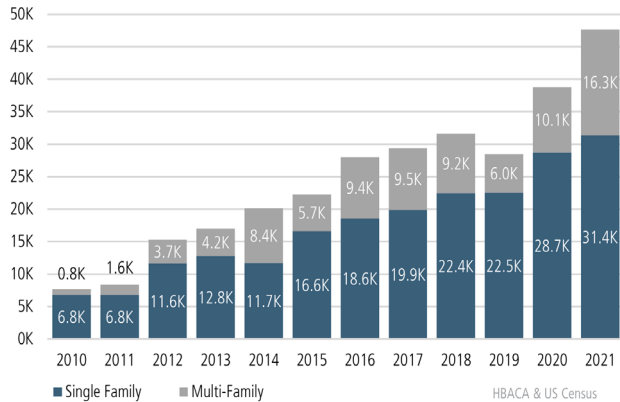




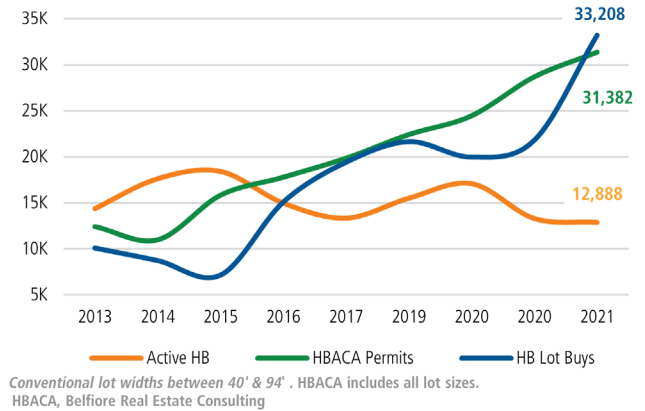


## MARKETS AT A GLANCE - PHOENIX, RENO, TUCSON (4Q21)

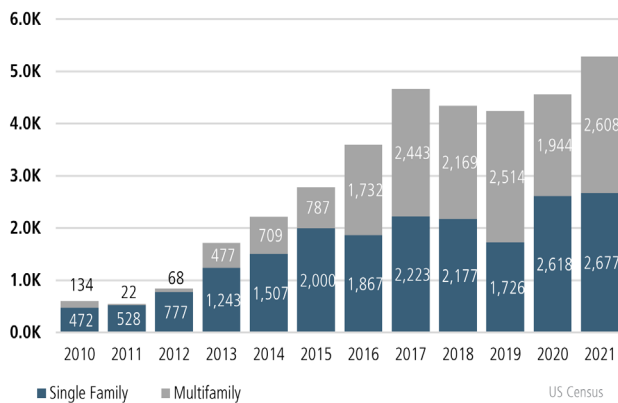
### Phoenix Single Family & Multi-Family Permits



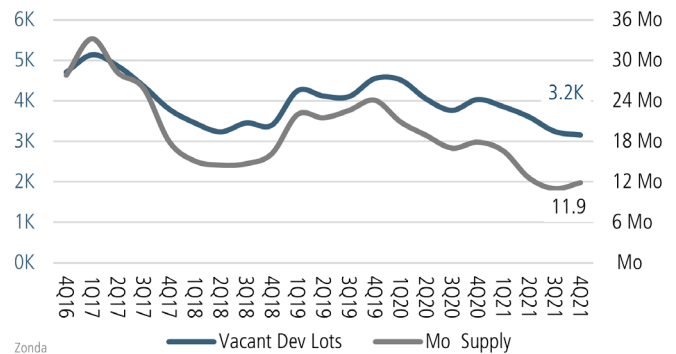
### Phoenix Finished Lot Inventory vs. Permits



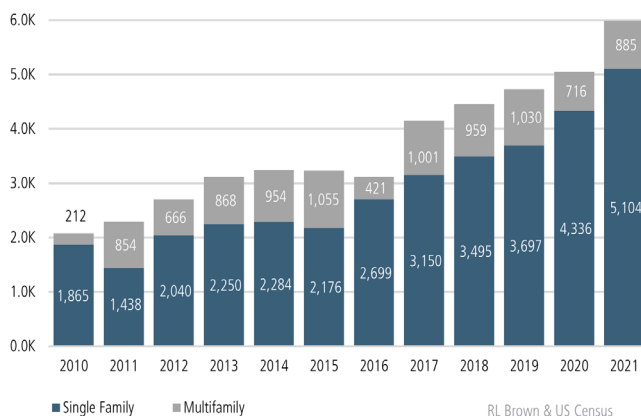
### Reno Single Family & Multi-Family Permits



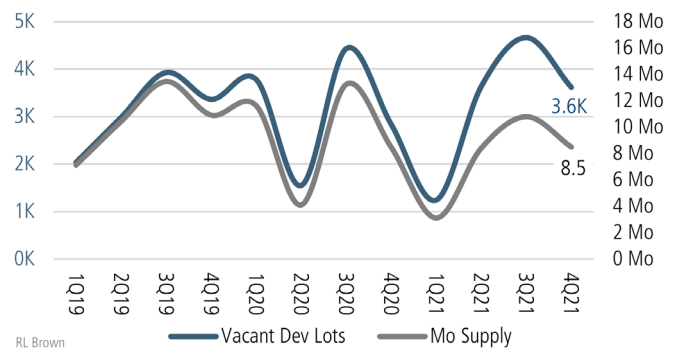
### Reno New Vacant Developed Lots & Months Supply



### Tucson Single Family & Multi-Family Permits



### Tucson Vacant Development Lot Supply

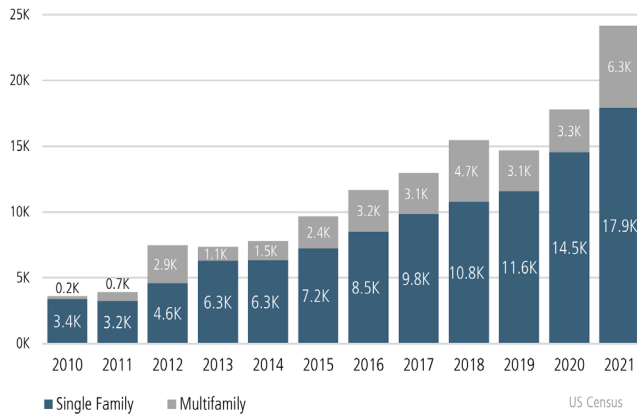




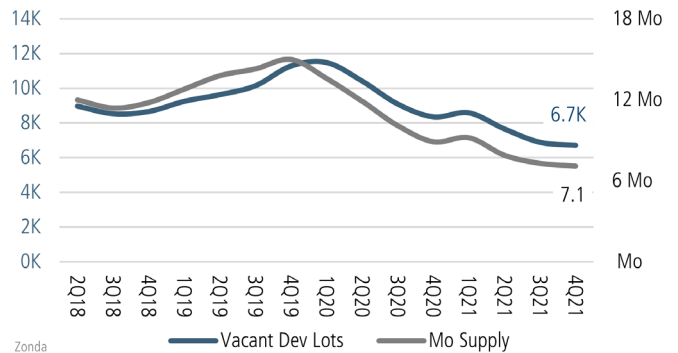


## MARKETS AT A GLANCE - NASHVILLE, ATLANTA, ALBUQUERQUE (4Q21)

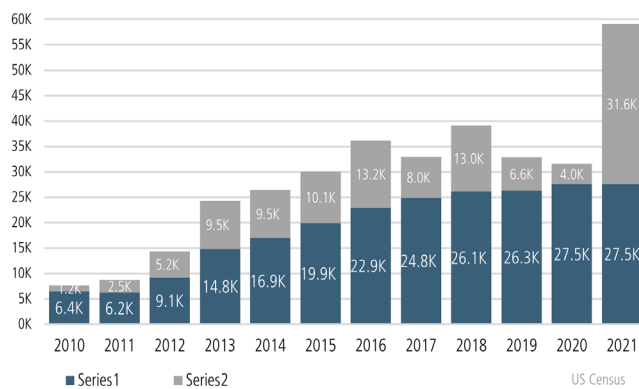
### Nashville Single Family & Multi-Family Permits



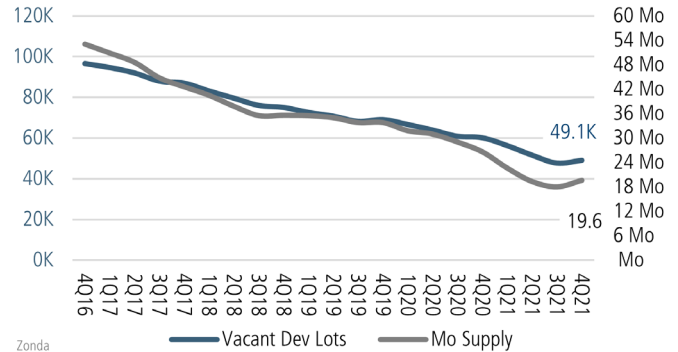
### Nashville Vacant Development Lot Supply



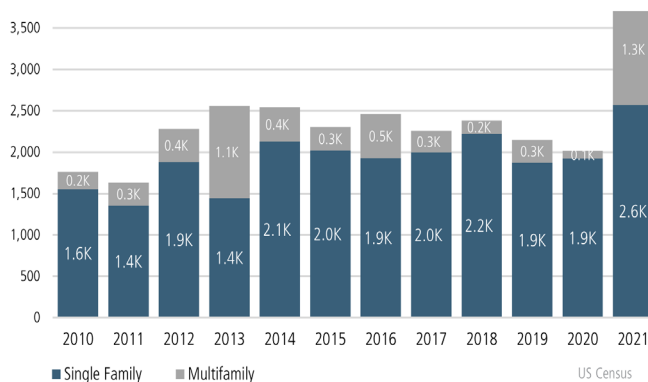
### Atlanta Single Family & Multi-Family Permits



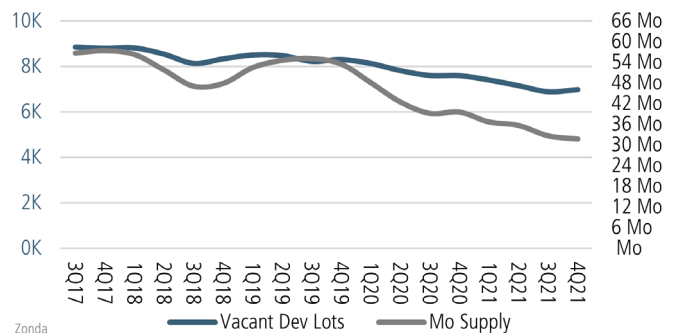
### Atlanta Vacant Development Lot Supply



### Albuquerque Single Family & Multi-Family Permits



### Albuquerque Vacant Development Lot Supply

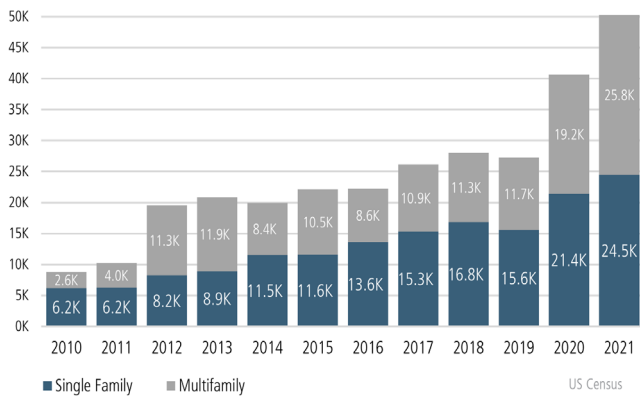




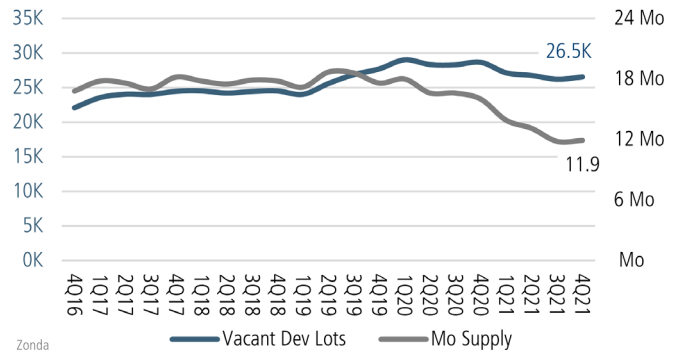


## MARKETS AT A GLANCE - AUSTIN, HOUSTON, DALLAS (4Q21)

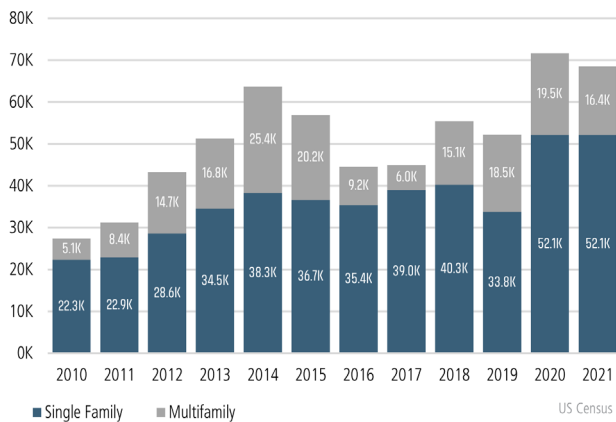
### Austin Single Family & Multi-Family Permits



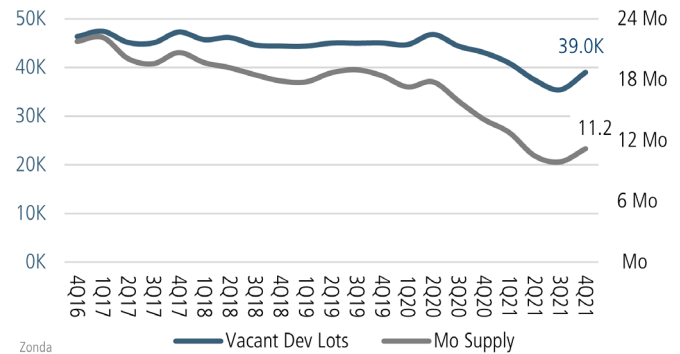
### Austin Vacant Developed Lot Supply



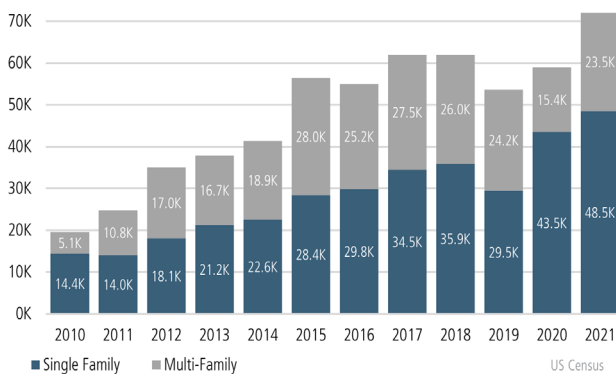
### Houston Single Family & Multi-Family Permits



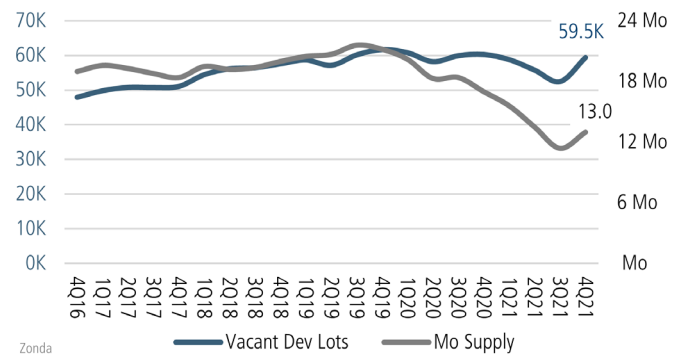
### Houston Vacant Developed Lot Supply



### Dallas Single Family & Multi-Family Permits



### Dallas Vacant Developed Lot Supply

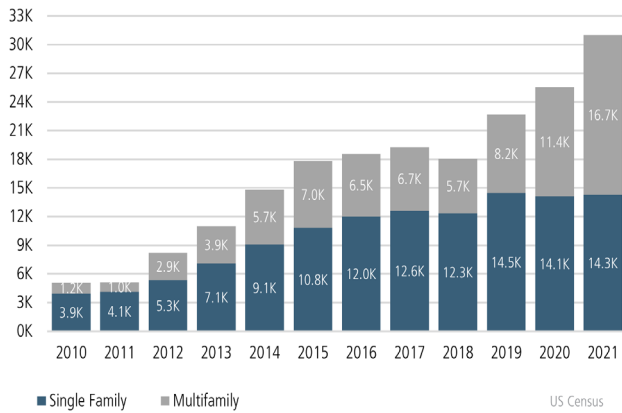




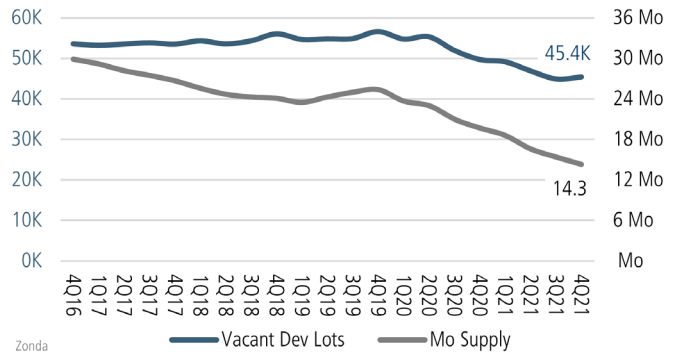


## MARKETS AT A GLANCE - ORLANDO, TAMPA, CHARLOTTE (4Q21)

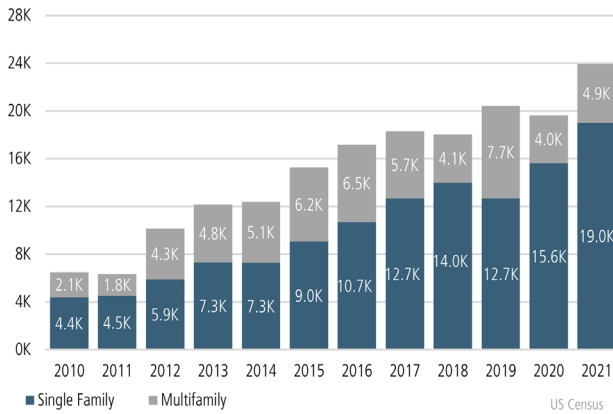
### Orlando Single Family & Multi-Family Permits



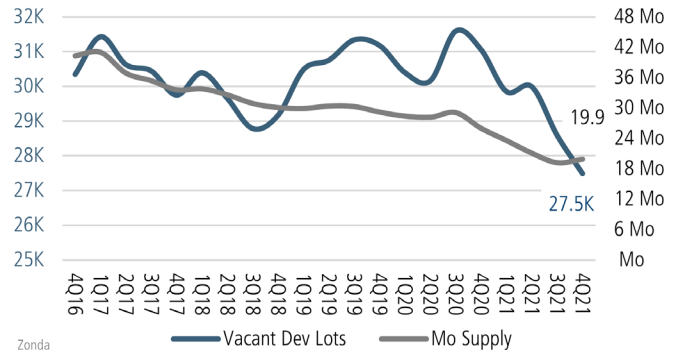
### Orlando Vacant Developed Lot Supply



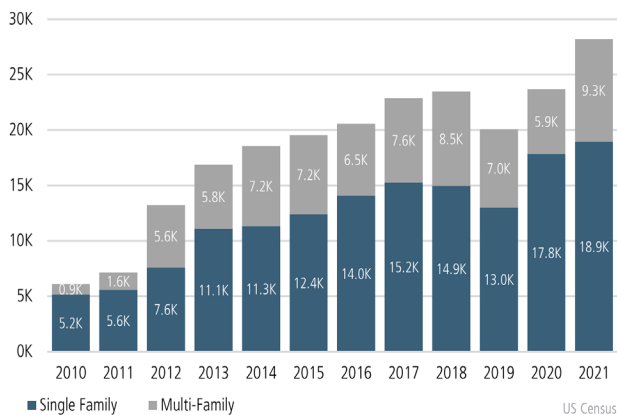
### Tampa Single Family & Multi-Family Permits



### Tampa Vacant Developed Lot Supply



### Charlotte Single Family & Multi-Family Permits



### Charlotte Vacant Developed Lot Supply

