

# THE LAUNCH REPORT™

# Q4 2025



**LAUNCH**®

DEVELOPMENT FINANCE ADVISORS

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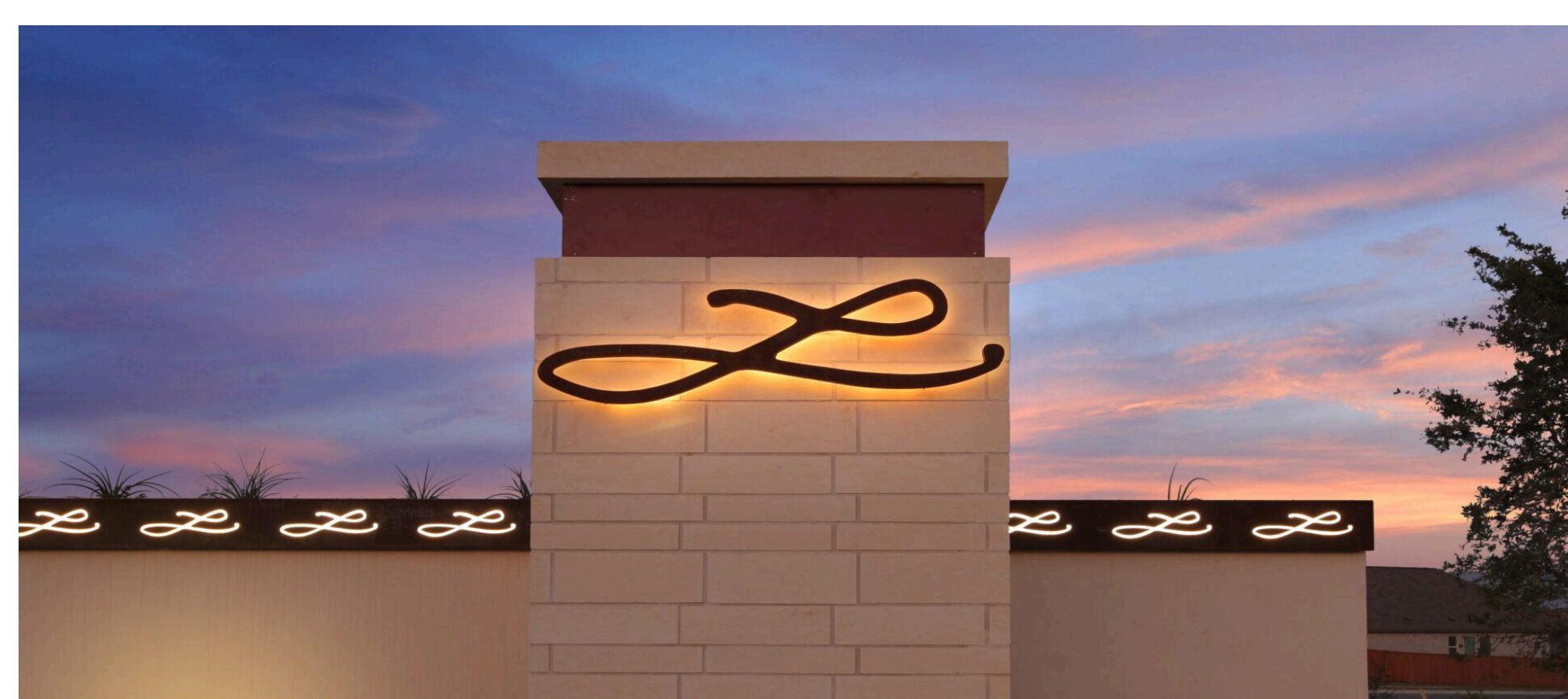
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# REFLECTING ON 2025

As we reflect on the close of 2025, I want to personally thank you for your continued trust and partnership. This year brought meaningful progress for our clients, our team, and the development and homebuilding community that we are privileged to serve.

Despite challenges in the broader market, our work this year demonstrated the essential role that innovative and disciplined infrastructure finance strategies play in advancing development.

In 2025, Launch closed **\$343.1MM** of Texas non-recourse, tax-exempt MUD Forward Funding **Launch Bonds®**, with an additional **\$384.8MM** anticipated to close in Q1 2026. This outcome reflects just one of our team's innovational financing vehicles that Launch created to assist our clients: finance infrastructure, reduce costs and mitigate risks, all with the goal of enhancing project profitability and returns.

## Firm Performance and Project Impact

Across the country, Launch supported a wide range of development efforts that required new approaches to district financing, entitlement strategies, cost management, and reimbursement timing. Some of our most significant contributions this year included:

- Created **17 new special taxing districts** across the country to support the long-term tax-exempt, non-recourse financing of public improvements; combining long-term financing with long-term development timelines.
- Issued the first tax-exempt, non-recourse, **Land Secured Launch Bond™** to finance a developer's pro-rata share of a wastewater treatment plant.
- Supported the issuance of **\$314.8MM** in special taxing district bonds around the country to fund essential public infrastructure.
- **Negotiated 23 development agreements** and/or special taxing district financing agreements with jurisdictions across the country.
- Completed **6 fiscal impact studies** to assist clients with secure entitlements for projects in 3 different states.
- Worked with homebuilders and/or homebuilding associations in 4 states to **push back on jurisdictional development impact fee increases**.
- Assisted developers and home builders in their due diligence activities surrounding 8 projects around the country.
- Developed **13 custom cash-flow models** for our client's exclusive use.
- Tracked and processed the submittal of over **\$253.2MM** in special district reimbursements through-out the country using the **Launch Reimbursement System®**.
- Managed the operations of **13 special taxing districts** in multiple states.

These accomplishments were possible because of the strength of our team. Taken together, these efforts represent meaningful progress toward the goal of enhancing project profitability and long-term returns; they also demonstrate Launch's unique ability to integrate infrastructure finance with broader development strategy.

Thank you for the trust, collaboration, and partnership you extended to our firm this year. It is a privilege to support the visionaries who are building the communities of tomorrow.

On behalf of our entire Launch team, I look forward to the opportunities ahead and to working alongside you in 2026.

With gratitude,



**Carter Froelich, CPA**  
Founder & National Managing Principal



A SMARTER WAY TO FUND

# REGIONAL INFRASTRUCTURE

BY CARTER FROELICH | [CARTER@LAUNCH-DFA.COM](mailto:CARTER@LAUNCH-DFA.COM)



Oversized or regional public infrastructure (“Infrastructure) has always been one of the largest and most misunderstood line items in residential development. Roads, utilities, drainage, and public improvements are essential to delivering housing, yet the way these costs are funded often works against the very projects they are meant to support.

Today’s market has made that tension more visible. Capital is more expensive. Margins are thinner. Deals that once penciled easily now require careful thought and precision. In this environment, Infrastructure is no longer just a cost to be minimized. It is a capital strategy that must be structured thoughtfully, early, and with clear intent.

Too often, the first developer into an area is expected to build oversized Infrastructure that benefits future development, while carrying the financial burden for years. That timing mismatch erodes land value, strains cash flow, and introduces unnecessary risk. There is a better way.

## RETHINKING THE TRADITIONAL MODEL

The traditional approach is straightforward. The developer fronts the cost of Infrastructure and hopes reimbursement comes later through some combination of future development, public funding, or negotiated agreements. In practice, those reimbursements are frequently delayed, diluted, or uncertain.

This model might have worked when capital was cheap, and timelines were forgiving. It does not work well in today’s environment. Writing large checks early in the life of a project, while waiting years to recover those dollars, can materially impact returns and reduce flexibility at exactly the wrong time.

Infrastructure funding should not be treated as an afterthought. It should be addressed as part of the initial land strategy, alongside entitlements, absorption, and capital structure.

## SHARED BURDEN CREATED BETTER OUTCOMES

A more effective approach is to recognize that much of the infrastructure built for a project serves more than one parcel, builder, or phase. When that is the case, costs should be shared accordingly.

Special purpose taxing districts in general and special assessment in particular, provide a framework to allocate infrastructure costs across all benefiting properties. Rather than forcing the first developer to carry the the full infrastructure cost burden, these mechanisms spread costs over time and across landowners who ultimately benefit from the improvements.

When structured correctly, district financing aligns payment with benefit. It creates predictability for developers, transparency for builders, and a sustainable funding source for public improvements.

## REIMBURSEMENT SHOULD BE TIMELY AND ENFORCEABLE

Reimbursement agreements are another underutilized tool. Many jurisdictions have reimbursement policies in place, but they are often vague or poorly implemented. The result is uncertainty around if, when, and how reimbursement will occur.

Developers who take a proactive approach can improve outcomes significantly. This starts with clearly identifying which Infrastructure components provide regional or downstream benefit. From there, agreements should define reimbursement amounts, triggers, and timing in clear and enforceable terms.

The most effective agreements are those that tie reimbursement to objective events such as plat recordation or building permit issuance, not distant milestones that depend on full build out. Timing matters. Recovering capital sooner improves project performance and reduces risk.

## PHASE INFRASTRUCTURE WITH THE MARKET

Not all infrastructure needs to be built on day one. Overbuilding early can tie up capital long before it is needed and expose projects to unnecessary carrying costs.

Phasing infrastructure in line with market demand and absorption allows developers to defer costs until there is revenue to support them. This does not mean cutting corners or avoiding commitments. It means matching investment to actual need and revisiting legacy assumptions that no longer apply.

In many cases, phasing strategies can be incorporated into development agreements and capital improvement plans with the cooperation of local jurisdictions. Most cities want projects to succeed and are open to thoughtful, well supported proposals.

## FAIRNESS SUPPORTS LONG TERM VIABILITY

At its core, smarter Infrastructure funding is about fairness. The first developer should not subsidize everyone who follows. Builders, landowners, and future phases that benefit from shared Infrastructure should contribute their fair share.

When Infrastructure costs are allocated appropriately and paid at the right time, projects become more viable, capital is deployed more efficiently, and communities grow in a more sustainable way. These outcomes benefit not just developers and builders, but also municipalities and homeowners.

## MOVING FORWARD

In today’s market, managing Infrastructure is no longer just about controlling costs. It is about controlling timing, managing risk, and protecting capital. Developers and builders who integrate infrastructure strategy early in the life of a project will be better positioned to navigate uncertainty and deliver strong results.

As we look ahead, the projects that succeed will be those that treat Infrastructure as a strategic asset, not a necessary evil. A smarter approach to funding Infrastructure is not only possible. It is essential.

## CONTACT CARTER

For more information on how Launch can assist in the infrastructure financing of your project, contact **Carter Froelich, CPA** at [carter@launch-dfa.com](mailto:carter@launch-dfa.com).

The background of the image is a photograph of the Texas State Capitol building in Austin. The building's iconic dome is on the left, topped with the Statue of Liberty. Two flags, the United States flag and the Texas state flag, are flying on a pole in the center. The sky is a clear, bright blue.

# SB 2038 & DE-ANNEXATION

WHAT TEXAS DEVELOPERS NEED TO KNOW

BY JOSE ALMAZAN | [JOSEA@LAUNCH-DFA.COM](mailto:JOSEA@LAUNCH-DFA.COM)

## SB 2038 IN PLAIN ENGLISH

**Senate Bill 2038 (SB 2038)** is a Texas law that gives certain landowners and residents a way to petition for release from a city's extraterritorial jurisdiction (ETJ). In simple terms, if your land is in a city's ETJ but not actually inside the city limits, you may be able to get out and the city has to follow a specific statutory process.

The 2025 Texas Supreme Court decision in *Elliott v. City of College Station* confirmed that cities must honor the statutory release process under SB 2038. This ruling reinforced the law's enforceability, effectively opening the door for more landowners to pursue removal from a city's ETJs.

### What Is An ETJ And What Changes After Release?

An ETJ is the area outside a city's limits where the city still has some regulatory authority, mainly over subdivision and plating. Cities use ETJs to control how land is developed before potential annexation.

#### After An ETJ Release:

- City subdivision and plating rules no longer apply.
- County rules and regulations govern instead.
- Existing city agreements (like development agreements or MUD consents) may be affected.

## WHY THIS MATTERS TO YOUR MUD REIMBURSEMENT

If you're counting on MUD bond reimbursements to get paid back for infrastructure, de-annexation can complicate things. Here's why:

- **MUD creation and city consents:** Creating a MUD often requires city consent when land is in the ETJ. If you de-annex, you may lose that consent and will then need to go through the local county's review and recommendation.
- **Development agreements:** Existing agreements may reference city standards or tie reimbursements to city approval processes.
- **Attorney General bond review:** The Texas AG reviews MUD bonds before issuance. Questions about consent, jurisdiction, or agreement validity can slow or block approval.

## TIMELINE COMPARISON

- **Typical First-Bond Timing (with city consent in place):** 18–24 months from MUD creation to first bond issuance.
- **De-Annexed Project Timing:** 24–36+ months (longer if AG review raises jurisdictional questions or if county processes are slower).

## MUD BONDS: OPPORTUNITIES AND CHALLENGES

MUD reimbursement bonds remain the standard path for getting paid back for public infrastructure in Texas. After de-annexation:

**Opportunities:** You're no longer subject to city development standards that may have been more restrictive or expensive. County rules may be more flexible.

**Challenges:** The AG may question whether the MUD was properly created without city consent, or whether existing development agreements are still enforceable. This can delay bond approval and your reimbursement.

## THE LAUNCH BOND®: OPPORTUNITIES AND CHALLENGES

**Launch Bonds®** represent an alternative reimbursement and financing path used by some Texas' largest developers to their development projects MUD reimbursements. Launch Bonds help bridge timing gaps between when MUD eligible improvements are constructed and when they are reimbursed.

**Opportunities:** For projects facing extended timelines due to de-annexation or AG review delays, Launch Bonds provide earlier access to capital. This can help developers maintain cash flow while waiting for MUD bond resolution.

**Challenges:** Like any financing tool, Launch Bonds still depend on clean underlying documentation and strong project fundamentals. De-annexation issues that affect MUD bonds may also create questions for any MUD reimbursement-dependent financing.

## QUICK RISK TABLE

Where SB 2038 Helps	Where SB 2038 Can Slow Reimbursements
<ul style="list-style-type: none"><li>• Escape restrictive city development standards</li><li>• Avoid costly city infrastructure requirements</li><li>• Gain flexibility under county regulations</li><li>• Remove threat of future annexation</li><li>• Potentially faster permitting in some counties</li></ul>	<ul style="list-style-type: none"><li>• Loss of city consent for MUD creation</li><li>• AG may question jurisdictional authority</li><li>• Existing development agreements at risk</li><li>• Longer timeline to first bond issuance</li><li>• Potential litigation from cities</li></ul>

## WHAT TO DO BEFORE YOU SPEND SERIOUS MONEY

- Review existing city development agreements and MUD consents for ETJ-related provisions.
- Consult with MUD bond counsel about how de-annexation affects your reimbursement path.
- Understand county subdivision and infrastructure requirements before assuming they're easier.
- Model your cash flow under both standard MUD timing and extended de-annexation timing.
- Ask your attorney about the current state of litigation—things are still evolving.
- If considering Launch Bonds or other alternative financing, ensure your documentation supports it.

## BOTTOM LINE

SB 2038 gives Texas developers a real option to exit a city's ETJ, and the courts have signaled that cities must follow the law. But freedom from the ETJ comes with trade-offs—especially if you're counting on MUD and/or Launch Bonds to get reimbursed for infrastructure.

Before you pursue de-annexation, understand how it affects your MUD creation, your existing agreements, and your timeline to bond issuance. For projects where timing is critical, explore whether the Launch Bonds make sense—but always make sure your underlying documentation is solid.

The law is still being tested in the courts, so stay in close contact with experienced counsel as you navigate these decisions.

## CONTACT JOSE

For more information on how Launch may assist you in navigating SB 2038 and formulating meaningful infrastructure strategies, including **The Launch Bond®**, contact **Jose Almazan** at **josea@launch-dfa.com** and put your next project on the launching pad.



THE HIDDEN RISK OF

# CALIFORNIA FEES

BY CARTER FROELICH | [CARTER@LAUNCH-DFA.COM](mailto:CARTER@LAUNCH-DFA.COM)

In California, builder fees (“Fee(s)”) are one of those line items that some people assume will sort itself out once a project is entitled and moving toward permits. In reality, Fees are often one of the most underestimated and most disruptive costs in the development process, especially when they are inaccurately estimated during due diligence leading to an unpleasant surprise at the permit window.

We see this issue repeatedly across both residential and mixed-use projects. A Fee that looks reasonable on paper during early underwriting can quietly turn into a major budget br when permits are pulled, threatening project feasibility, financing assumptions, and even construction schedules.

## FEES - WHAT THEY MEAN AND HOW THEY CAN BE WRONG

Fees typically include plan check Fees, impact Fees, building permit Fees, inspection Fees, and a range of trade specific or valuation-based charges imposed by the local jurisdictions. While Fee schedules are usually published, they are rarely straightforward.

Fees are often calculated based on valuation methodologies that differ by city, square footage assumptions that change as plans evolve, construction type or occupancy classifications, and phasing decisions that were not finalized during entitlement.

There are Fees across multiple categories and jurisdictions, each tied to assumptions that may or may not be accurate by the time a project reaches permit. It's important to understand that small changes in valuation inputs or scope can materially change the total Fee burden.

## THE PERMIT WINDOW SURPRISE

The real problem emerges at permit time.

By then, developers have often locked in financing, negotiated builder contracts, finalized pro-formas, and committed to delivery timelines.

If Fees are recalculated at permit issuance using updated valuations or interpretations of the code, projects can face unexpected six, seven or even eight figure increases. These increases are rarely optional and are almost always required upfront, creating immediate cash flow pressure.

We have seen projects stall not because the Fee itself was unreasonable, but because it was never accurately forecasted. The issue is not the Fee. It is the timing and the surprise.

## WHY INACCURATE FEES CREATE BROADER PROJECT RISK

Underestimating Fees does not just impact the construction budget. It ripples across the entire project.

Financing risk arises when lenders require re-underwriting or additional equity. Schedule risk appears when permits are delayed while disputes or recalculations are resolved. Political risk increases when developers are forced into late stage negotiations with jurisdictions under pressure. Infrastructure funding gaps can occur when Fee increases crowd out dollars intended for offsite improvements or public infrastructure.

In California's current environment, where margins are already tight, these Fee risks are amplified and must be addressed not only as it relates to sellers, but buyers must also be given comfort that the Fees being reported as part of the due diligence process are accurate.

## WHY ESTIMATING FEES EARLY IS CRITICAL

The best way to avoid permit time shocks is to estimate Fees early and as accurately as possible, because once a project reaches permits, there is very little flexibility left in the budget or schedule.

Early estimates inform land value, financing assumptions, and deal structure, all of which are difficult to unwind later. When Fees are underestimated, the correction does not show up until permits are pulled, at which point the costs are immediate and unavoidable.

Accurate early estimates also allow developers to evaluate tradeoffs while there is still time to adjust scope, phasing, or financing strategy. This level of upfront diligence is especially important for projects using land secured or cash flow-based infrastructure financing, where unexpected permit costs can disrupt funding plans and create downstream delays well beyond the building department.

## A SMARTER APPROACH TO FEE FORECASTING

At Launch Development Finance Advisors (“Launch”), we see Fees as part of the broader fiscal ecosystem of a project, not an isolated cost. When Fees are properly estimated and coordinated with financing and entitlement strategy, they become predictable.... no more permit window surprises. When they are ignored or oversimplified, they become a project risk. To mitigate this risk, our Builder Fee Report is built to public-accounting standards, with audit-ready support

The takeaway is simple. Don't jeopardize your project's profitability and return with inaccurate Fees.

Getting Fees correct does not just protect the budget; it protects the project.

## CONTACT CARTER

For more information on Fees and **The Builder Fee Report**, contact **Carter Froelich, CPA** at **[carter@launch-dfa.com](mailto:carter@launch-dfa.com)**.

# PODCAST

BY CARTER FROELICH



## CONVERSATIONS SHAPING THE FUTURE OF INFRASTRUCTURE DEVELOPMENT

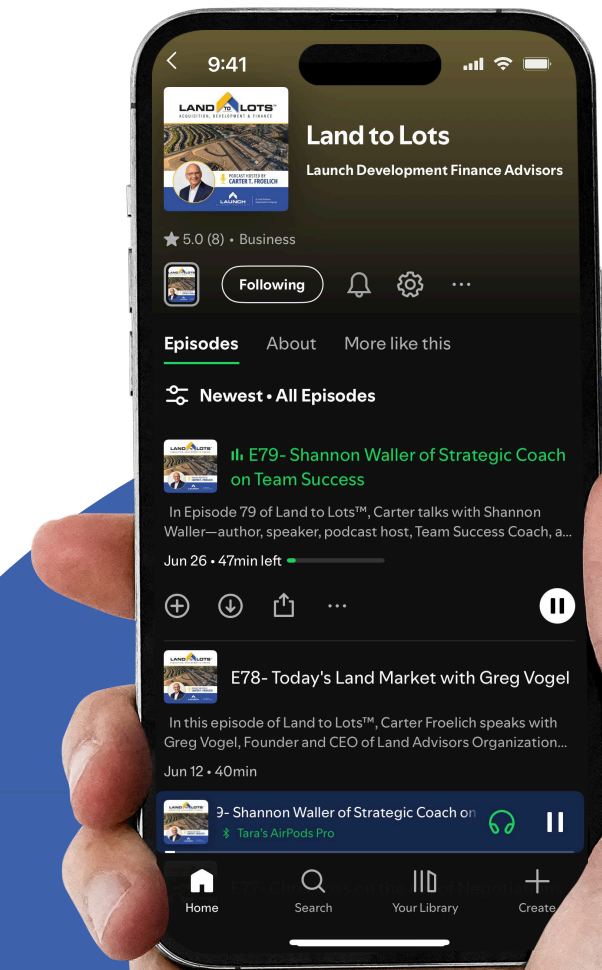
Q4 BROUGHT DEEP CONVERSATIONS WITH INDUSTRY LEADERS—SUCH AS JEFF MCQUEEN, DAVID O'REILLY, AND ROSS MARTIN—FOCUSING ON KEY THEMES IN DEVELOPMENT FINANCE, INFRASTRUCTURE, PROJECT ECONOMICS, AND RISK MANAGEMENT.

## LATEST FROM THE **LAND TO LOTS™** PODCAST

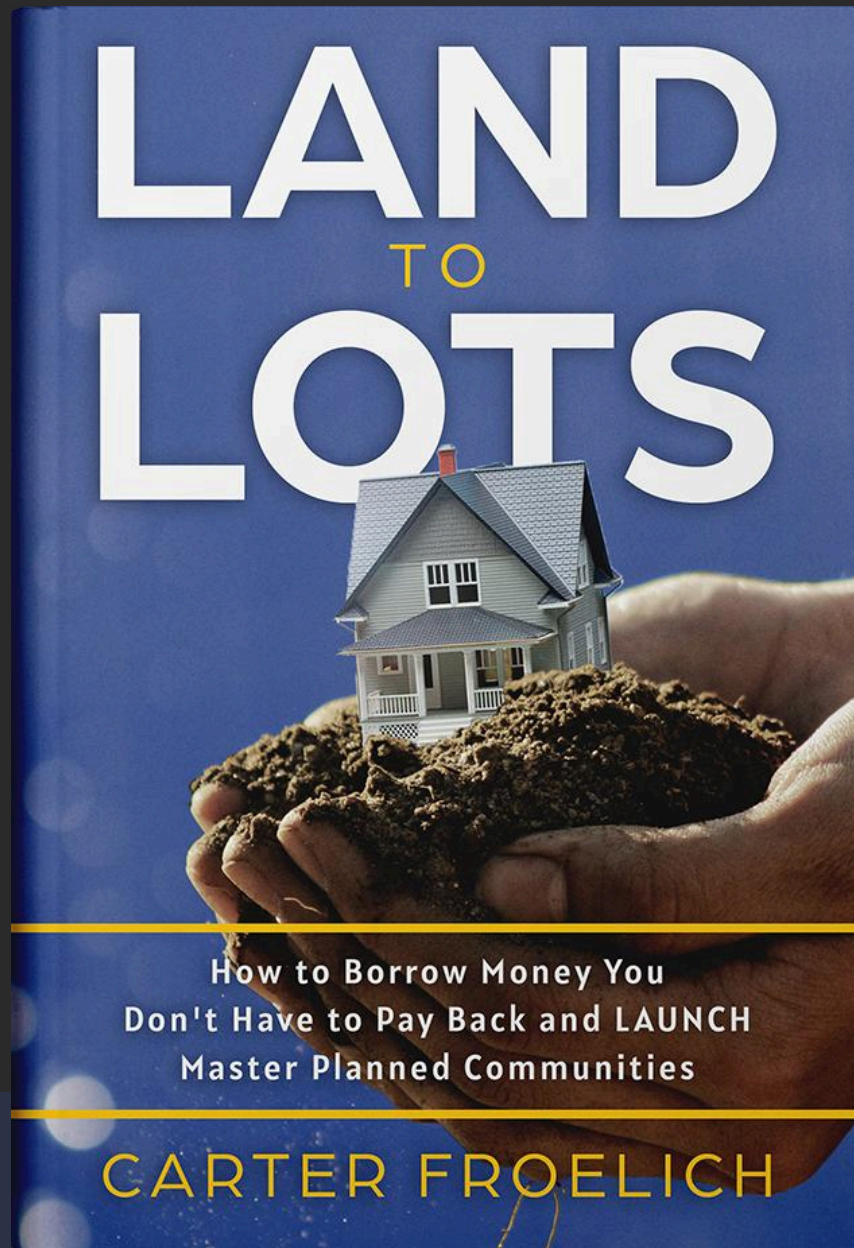
Over the last quarter, we've added the following podcasts to our library.

- E91** [Episode 91 - The Rise of Texas MMDs with Ross Martin of Winstead PC \(Part 1\)](#)
- E90** [Episode 90 - Developing for the Long Term with David O'Reilly of Howard Hughes Holdings \(Part 2\)](#)
- E89** [Episode 89 - Developing for the Long Term with David O'Reilly of Howard Hughes Holdings](#)
- E88** [Episode 88 - How Seabrook Land Company Built a Thriving, Walkable Coastal Town](#)
- E87** [Episode 87 - Interview with Geoff Woods](#)
- E86** [Episode 86 - The Active Adult Market with Jeff McQueen of Shea Homes](#)

Subscribe to the **Land to Lots™** Podcast wherever you listen to your podcasts.



# BOOKS

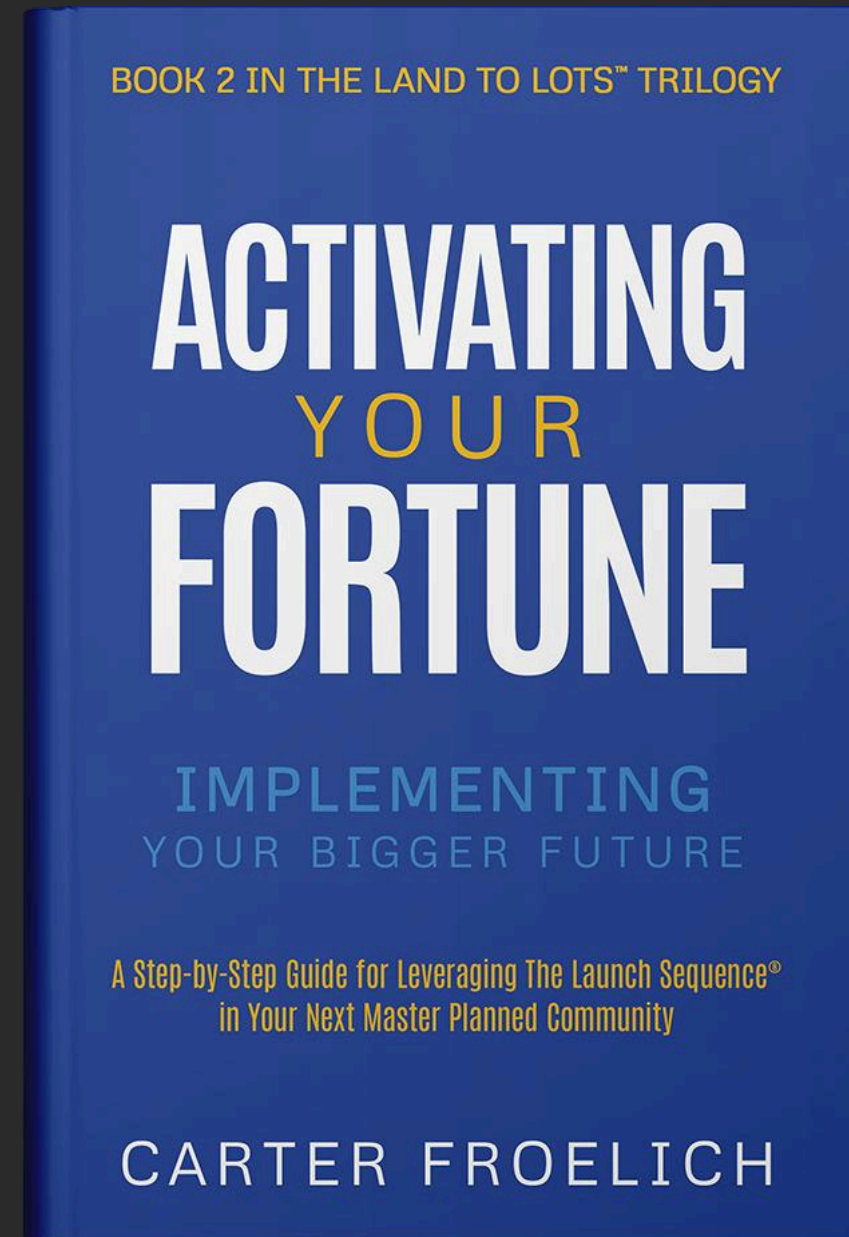
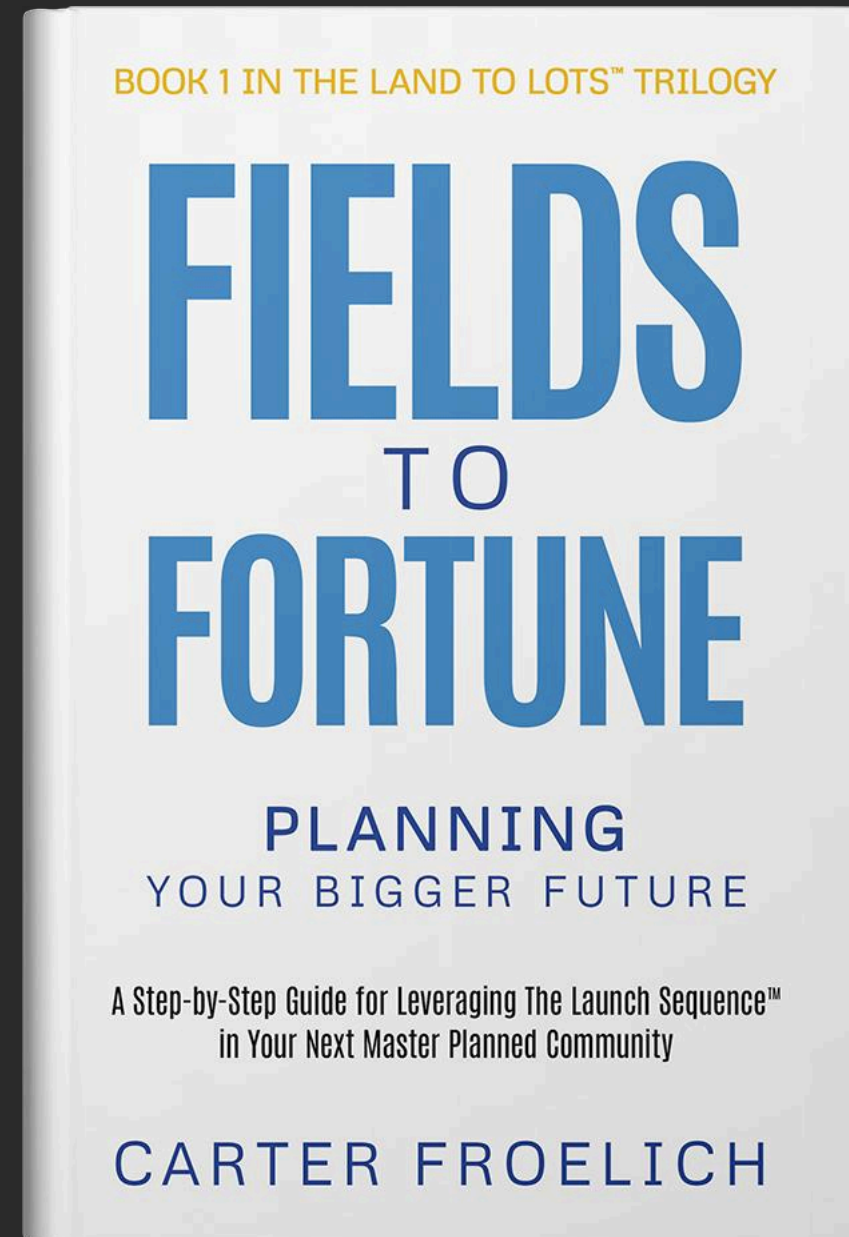


## LAND TO LOTS

explores special district financing—showing how developers can structure smart, non-recourse infrastructure funding that future users repay, reducing capital costs.

## FIELDS TO FORTUNE

introduces **The Launch Sequence™**, a powerful planning framework that aligns vision, finance, and execution.

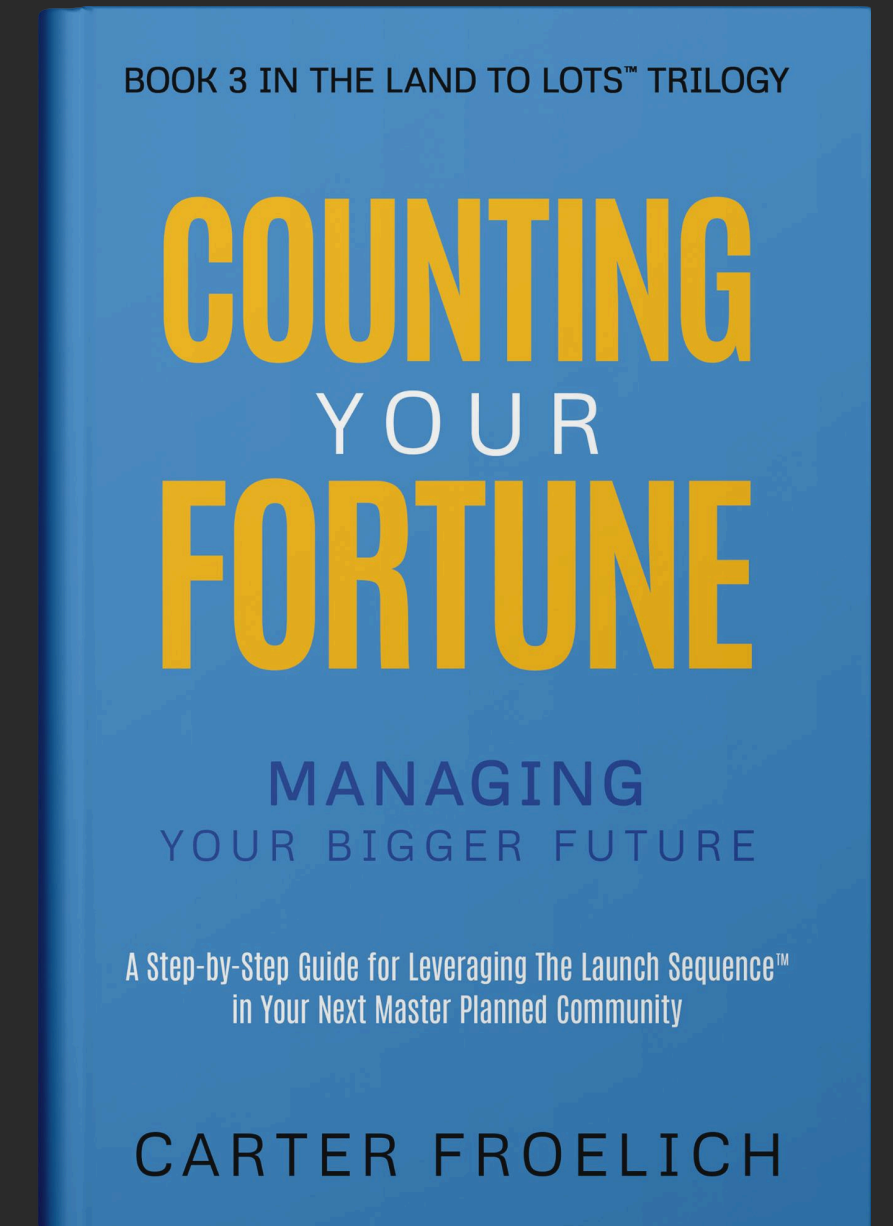


## ACTIVATING YOUR FORTUNE

takes those concepts into the field, delivering step-by-step tactics to safeguard project intent and drive financial performance during implementation.

## COUNTING YOUR FORTUNE

reveals the secret for management of the financing associated with your master planned community.



# BOOKS

## ENGINEERING LAND VALUE

What if a better understanding of a formula could boost the value of your land by 20%?

That's the power of truly understanding land residual analysis and being able to substantiate your value conclusions with confidence.

In *Engineering Land Value*, Carter Froelich breaks down land residual analysis into a practical playbook, equipping you with the tools to enhance land value or swiftly identify non-viable projects before you commit.

**PRE-ORDER NOW!**

# ENGINEERING LAND VALUE

The Proven Framework to  
Reduce Risk, Unlock Cash,  
and Maximize Returns

CARTER FROELICH