

Johnson Development Services starts new community near Grand Parkway with landmark loan



Another new master-planned community is coming to northwest Harris County.

Johnson Development Services said it broke ground on the community on the northwestern curve of the Grand Parkway off Hopfe Road earlier this year.

The company, an affiliate of Houston-based Johnson Development Co. that manages the development of boutique communities, secured a \$41.8 million loan from Houston-based First Continental to fund the acquisition of the land and development of the first phase.

Johnson Development purchased the 318-acre tract last October. The company declined to name the seller, but according to Harris County tax records, the previous owner was an entity affiliated with Florida-based Avanti Properties Group.

At full build-out, the yet-to-be-named community could have around 1,300 homes, said Jeff Corbett, executive vice president with First Continental.

Johnson Development expects first-phase lots to be delivered by the third quarter of next year. The company has selected Drees Homes, Perry Homes and Westin Homes as the builders for that phase, which will include about 306 homesites.

No details are available yet on the home sizes or expected price range. Eleven acres will be set aside for community amenities.

First Continental's landmark loan

The loan is the largest yet for 30-year-old First Continental. It's the company's ninth loan for Johnson Development Services and the second under First Continental's master-planned communities fund, which it launched in the beginning of this year.

The first loan from this fund, for \$29.7 million, was for [Johnson Development's Briggs Ranch, a 2,100-home community in the San Antonio area.](#)

First Continental's prior loans for residential lot acquisition and development usually ranged between \$5 million and \$15 million, Corbett said.

"As a result of the banking industry really pulling back or being very shy as it relates to newer originations as they work through the challenging environments and rising rates," he said, "we've seen this opportunity to step into the role of a bank and do some of these larger loans with the high-quality development customers that banks would otherwise have financed if they weren't going through their own challenges."

Michael Cox, president of Johnson Development Services, echoed that, adding that underwriting criteria has become tougher and banks are requiring more collateral for a loan.

"Some lenders are leaving the lending market altogether," he said in an email. "This is what makes First Continental's (master-planned community) lending so attractive and a greater option for us. Their platform fills a gap in the lending world that is needed for land developers."

First Continental continues to raise money for the fund and expects to do "a handful" more similar-size loans for master-planned community development in the main Texas markets as well as in select other states, mostly in the South and Southeast, Corbett said.

About 5 miles southwest of Johnson Development Services' new community, Johnson Development Co. is building [Jubilee, a 1,622-acre master-planned community in Hockley just south of U.S. Highway 290. Jubilee started home sales earlier this year.](#)