

February 20, 2008

## Slowdown Hits Towns at Outskirts of Texas Boom

By [LESLIE EATON](#)

LAVON, Tex. — Once little more than a speed trap 25 miles northeast of Dallas, this town started to boom about a year ago, as turreted stone castlettes and modest brick bungalows began springing up in what had been wheat fields.

Big Dallas seemed to be knocking on little Lavon's door. Thousands of lots were laid out and hundreds of houses built, as developers tried to meet what seemed to be an insatiable appetite for inexpensive single-family homes. Land values soared, the population hit 2,500, and by November, the city was finally flush enough to afford a full-time police department.

But that was when the knocking stopped. Banks were no longer giving mortgages to anyone who could fog a mirror. "For sale" signs went up and stayed up. Weeds, not houses, sprouted on the scraped-earth plots.

And now the city government, which had counted on years of growth, is short of money. Plans for a new City Hall have been suspended, street paving jobs have been postponed, and there is even the prospect that programs and personnel will be cut, said J. Michael Jones, the city marshal and chief administrator.

"I say that very quietly," Mr. Jones added, "because I don't want to panic our citizens or our employees."

Unlike many other states with housing troubles, [Texas](#) as a whole is booming, continuing to attract new residents and create jobs. But across the state's outermost exurbs, formed by waves of new housing, building has ground almost to a halt.

These were not towns built on the speculation that soaring home prices would continue forever, like many developments in Florida and on the West Coast. These bedroom communities of bedroom communities were built because land was cheap, jobs were plentiful and mortgage rates were low. But now, in some of the fastest-growing counties in the country, home to places with names like Venus, Ponder and Fate, building permits dropped by as much as 40 percent last year, often on top of declines in late 2006.

"It's slowed down pretty much everywhere," said Jimmie C. Honea, chief appraiser for Collin County, which in addition to Lavon includes much bigger towns and cities like McKinney, Plano and Wylie.

There are other signs of trouble. Home sales, which had been holding up well across the state last year, started to fall sharply in the fall, and by December they were down almost 20 percent in Austin, Houston and San Antonio, and about 25 percent in Dallas and Fort Worth.

And foreclosures, generally high in North Texas, hit record levels this month, according to Foreclosure Listing Service in Addison, a suburb of Dallas. When the federal [Department of Housing and Urban Development](#) sent out letters on Feb. 8 offering help to homeowners in areas "experiencing a disturbing home foreclosure rate," Texas was

third on the list after California and Florida.

This weakness is all the more striking because of the state's continuing growth. Texas has been attracting far more new residents than any other state, according to the [Census Bureau](#), which reports that the state's population increased by half a million in the year that ended July 1. Dallas added 65,800 jobs last year, more than any other city in the nation except New York; Houston was No. 3.

But even Texas cannot escape the consequences of a housing boom that has gone bust.

It is faring better than other states with deep economic woes, like Michigan, or those where housing prices soared to speculative levels, like Florida. So far, the price of houses here has remained relatively firm, and is increasing in well-established (and expensive) areas like Highland Park, which abuts Dallas, said James P. Gaines, a research economist at the Real Estate Center at [Texas A&M University](#).

Outside those older areas, however, builders have responded quickly to the slowdown, cutting new construction to the lowest level in a decade and selling their inventories, said Edward L. Wilson Jr., a partner at Residential Strategies Inc., a consulting firm in Dallas. While that may make good business sense, it is bad news for the communities that were banking on growth.

The Rev. Clinton R. Bratcher, pastor of the First Baptist Church of Lavon, said that his congregation was providing more emergency financial aid for workers who used to build houses in town. And financial stress is causing more families to seek his help, Mr. Bratcher said. "Preachers are free and available," he said, "so we do a lot of counseling."

Those financial stresses extend to the city government. Building permits, which were projected to provide almost a third of the city's \$1.7 million in revenues, recently plunged from 25 to 30 a month to zero or one, said Mr. Jones, the city marshal.

Slower growth also affects how much money the city makes on things like trash collection, Mr. Jones said, not to mention property and sales taxes. (Lavon only recently got its first chain store, an everything-for-a-dollar place.) City officials are bracing for a revenue shortfall of several hundred thousand dollars, but if it reaches \$500,000, "it would be devastating," Mr. Jones said.

Driving around Lavon, he described how far the city had come from just a few years ago, when it could not afford to hire anyone to fix its mostly gravel roads and had to hold volunteer "patching parties."

Now most roads are paved. Thanks to developers, Lavon has a police station and trucks for the volunteer fire department, and the first new public school in decades is under construction behind a new subdivision. And Mr. Jones has big dreams — for a gazebo, for more green space, even for a grocery store to save residents the five-mile drive to the [Wal-Mart](#) in Wylie.

He also would like to rescue the old City Hall, once a school built by the W.P.A. in 1939; it was closed to the public last year after he fell through the floor. And he wants to get more people hooked up to the sewer system, which now serves only the biggest development, Grand Heritage.

All that will take more money, and therefore more new residents. Optimism is part of every developer's DNA, of course, but builders express confidence in the future of Grand Heritage. Bowen Family Homes plans to start

building again “real soon,” said William Hoot, comptroller of the company’s Texas operations and a resident of Grand Heritage.

And Paul S. Cheng, whose World Land Developers created Grand Heritage, is sticking by his long-term forecast of 5,000 or more new houses, filled with residents attracted by the subdivision’s baronial “amenities center,” complete with several pools and a splash park.

But even those who most appreciate Lavon’s charms may find it hard to buy there right now, especially if they have to sell a home first. Mr. Jones, the city marshal, said he needed to sell his house in Wylie if he was to achieve another dream, that of living in Grand Heritage.

“The slowdown in the housing market,” he said, “impacts my ability to move back to Lavon.”

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