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## Zombie neighborhoods: Derelict for years, vacant subdivisions' future still hazy

By Bobby **Magill**

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A lone basketball hoop with a torn net stands forlorn and derelict in the center of a cul de sac at the northwest corner of the Dry Creek subdivision out by a set of railroad tracks.

There used to be 120 or so mobile homes in Dry Creek, a circuit of vacant streets west of Timberline Road lodged between the old Fort Collins Downtown Airpark runway and the tracks on Vine Street. In 2006, when Dry Creek's prospective residents no longer could get loans for mobile homes two years before the housing bubble burst, the developer moved the residents out and shut Dry Creek down.

Only the asphalt skeleton of a neighborhood remained.



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You could call Dry Creek a zombie neighborhood - a subdivision victimized by the housing bubble whose lots were platted, streets were paved and, in many cases, the utilities were installed, but either homes were never built or only a few homes appeared with most of the development remaining vacant.

Dry Creek wasn't alone.

"There are quite a few zombie neighborhoods," said Sean Dougherty, a Realtor with Re/Max Alliance.

The zombie lots make up the bulk of Larimer County's 1,296 vacant planned unit development lots, a statistic the Larimer County Assessor's office reported in its Abstract of Assessments and Levies for the 2011 tax year. In all, Larimer County has 15,000 vacant residential lots, county data show.

Many of the zombies feature million-dollar views - Longs Peak stands prominently on their western horizons - and come with million-dollar names including Serratoga Falls, Clydesdale Estates, Auburn Estates and Union Place.

In the case of the 26-lot Auburn Estates, west of Larimer County Road 3 north of Mulberry Street near the county line, the developer's bank failed and he lost financing.

Today, the subdivision sits derelict with real estate agent Mitch Weiner's name posted at the entrance.

Weiner, of Cherry Creek Properties, is marketing the neighborhood on his website as the "Auburn Estates Sustainable Solar Village."

But Auburn Estates could be sold off in a short sale. The entire neighborhood, without a solar panel in sight, is listed for sale for \$1.5 million.

Then there's the partially developed Serratoga Falls, where \$800,000 spec homes were built before the developer had a grand opening in August 2008.

"We just couldn't have come out at a worse time," Re/Max agent DJ Johnson said, whose name is posted at the Serratoga Falls entrance as one of the listing agents for the lots.

"I am completely out of it," he said Thursday. "It's bank-owned. I'm not going to take it (the listing agent sign) down because I get phone calls. There's not a real estate person involved in it now."

And many of the remaining lots sit there vacant — each with a spectacular view of Longs Peak.

If developers went to the expense and the trouble of building a neighborhood infrastructure, they really believed the project was going to work, Dougherty said.

"Those are the developers who really thought something was going to happen," he said. "They were then surprised and they ended up getting foreclosed upon when they overextended."

Every zombie neighborhood has its own story.

Dry Creek's story began in 1997 when Uniprop Inc. developed Dry Creek to be a 241-lot mobile home park. That lasted only a few years until 2006 when only half the lots were occupied.

"Our reasons for closing that was that there was a lack of financing available," said Glenn Couch, Uniprop regional vice president. "I think we were beginning to see the unraveling of the housing market at that time."

Prospective residents, he said, couldn't get chattel loans — mortgages on homes that aren't attached to the land they sit on.

"Getting that type of financing was getting more increasingly difficult," he said. "We suspected that it wasn't going to be long before we saw the (housing industry collapse)."

So, Uniprop closed the park and let Dry Creek sit derelict.

Today, new houses are being framed and residents are moving in.

"We started in June of last year," said Gary Hoover of Hartford Development Corp., whose Encore Homes began buying lots from Uniprop and building houses on them, he said.

"We did the same thing with WildWing," he said.

### **Back from the dead**

As some zombie neighborhoods languish, there are signs of life.

Hoover is behind the redevelopment of both Dry Creek and WildWing, a zombie neighborhood which sits on Timnath Reservoir, where a 282-acre expanse of lots originally designed for high six- and seven-figure homes has been sitting dormant since the original developer's bank foreclosed on WildWing four years ago.

"We're going to bring it back to life because we think the market is ready for lakefront lots," Hoover said. "The lots ranged from \$200,000 to \$350,000."

Thanks to the lakefront views of the mountains, that's how much the land alone was being sold for before the housing bubble burst.

Today, Hartford envisions marketing WildWing lots for between \$65,000 and \$280,000.

"We'll probably have houses starting in the next 45 days," Hoover said. "I think it's going to move pretty fast, but we have 282 lots, so I think that's going to take us six to seven years for full build-out."

The southern half of Dry Creek also has been resurrected from the dead, with its developer offering \$180,000 new homes with \$1,000 down and \$1,000 monthly payments.

The sales pitch: "You can buy yourself a nice 1,200 to 1,800 square-foot house with a garage for less than it costs to rent one in Fort Collins," Hoover said.

And, he said, homebuyers aren't being shy about offering up their down payments.

"We're selling a house about every other day," Hoover said. "It's much better than expected."

#### **Pent-up demand**

Chalk buyer enthusiasm for homes in Dry Creek and elsewhere up to pent-up demand, said Eric Thompson, president of The Group in Fort Collins.

Fewer new homes have been built in Fort Collins in the last five years than there has been demand for, and now the market dynamics are right for builders to start building again, he said.

Zombie neighborhoods were developed at a time where the market was oversupplied and the banks were overreaching, he said.

Now, partly thanks to the oil and gas industry expanding in Northern Colorado, affordable neighborhoods such as Dry Creek are as popular as ever and vacant neighborhoods once considered for multimillion-dollar homes are getting a second look from developers after sitting dormant for years, he said.

"I see some wonderful things happening," Dougherty said. "What I see is the fact that these lots that were originally listed — let's say they were listed at \$150,000 for the lot, and then you'd build on top of that. Some of these lots are being picked up for \$15,000 a lot. That makes that property feasible to develop."

In other words, new homes that would have cost \$600,000 before the bubble burst could now cost \$400,000, he said.

"That home is now within reach of many more people," he said. "That's huge."

Any builder, he said, who can amass enough vacant lots is going to win in the new housing race.

But that's part of the problem today, despite that Larimer County has a 10-year supply of vacant lots available for builders, said Dave Pettigrew, a broker for Prudential Rocky Mountain Realtors and a Coloradoan columnist.

For a builder to get going on the development of a new neighborhood, the builder would likely need to secure money to build a few speculative houses to attract buyers, he said.

"The big problem now is you can't get any money to spec anything as far as the bank's concerned," he said. "Most banks are very, very leery of speculative building, and consequently, builders' hands are kind of tied."

Until banks start lending on spec again, filling vacant, platted lots with homes is going to be a slow process, he said.

"In the Fort Collins area, you can't build a detached home for \$200,000 anymore," Pettigrew said. "Between permits and water taps and any other thing, \$250,000 to \$300,000 is kind of a starting point. It's difficult for buyers to qualify even if they want to try."

With both builders' and buyers' hands still tied, it could be a decade before homes are built on all the county's vacant residential lots, he said.

"It's a challenge, and I don't know what's going to bring us out of the doldrums," Pettigrew said. "If we had new-construction homes, we could get them sold, but we can't get them built."

**Caption:** An open window in a nearly-complete home provides a bleak view of vacant mobile home pads and hookups Thursday at the Dry Creek subdivision in Fort Collins. Dawn Madura/The Coloradoan

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