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Dear Client:

Most of the political attention is focused right now on the next election – the party primaries in less than a month, 3/12/02. That’s understandable. But, now’s the time to seriously zero in on the all-important “local” Election Day 5/4/02. Because now is when decisions are being made to actually shape the ballot for Austin schools.

In the May election, **six of the nine non-salaried seats** on the Austin Independent School District’s (AISD) Board of Trustees – including the at-large posts currently held by the **President and Vice President** – will be on the ballot. Depending upon decisions being made now, there could be a new majority on the school board. And the majority could hold for a while, because AISD trustee terms extend for four years.

The makeup of the board is likely to change dramatically now that AISD President **Kathy Rider**, who has been on the board for 10 years, says she will not seek re-election to her at-large seat. Also, Board Secretary **Loretta Edelen** and trustee **Olga Garza** have said they will step down. **Patricia Whiteside** is the only trustee who has said she *will* seek re-election. That leaves Vice President **Doyle Valdez** (elected at-large) and **Olga Garza**, who’ve not said what they will do.

Two heavyweight candidates have already surfaced for the two at-large leadership positions: Greater Austin Chamber of Commerce staff vice president **John Fitzpatrick** and former State Senator **Joe Christie** (who is “thinking” about it). The rest of the board is elected by geographical district.

Under new rules this year, you will not be able to vote directly for President and Vice President. **The board will elect their two leaders from among themselves** after the election. This makes it more important than ever for a “workable majority” to be in place. That’s possible now with 2/3 of the seats up for election.

During the terms of the six Trustees whose positions are up for election in May, controversy has swirled around the AISD board and the District itself. In fact, AISD gained the dubious distinction of being the first school district to be convicted of a criminal charge. It will be interesting to see if **those who have been critical of the District translate their criticisms into candidacies**. The first day to file as a candidate is 2/19/02, with the deadline for filing a month later.

Something's happening within the Texas Republican ranks that you need to keep an eye on. Normally, Texas business organizations tend to fall in lockstep behind the slate of GOP political candidates. Now, two very high profile, important organizations have both endorsed the same Democrat, over a well-financed Republican, for statewide office.

Both the Texas Association of Business and Chambers of Commerce (TABCC) and the Texas Civil Justice League (TCJL) have endorsed former Democrat State Comptroller **John Sharp** over Republican State Land Commissioner **David Dewhurst** for Lieutenant Governor. Sharp is the only Democrat endorsed by these two groups.

The TABCC, as its name implies, is the statewide advocacy group that **carries the water for businesses, large and small**, in Texas. The TCJL is the largest state tort reform association in the nation, representing more than 2,800 business and individuals to **"eliminate frivolous lawsuits" against businesses**. These two groups are now putting their muscle behind Sharp.

This is a significant move that could mean **big trouble for Dewhurst's fall ambitions**. Dewhurst will spend millions of his own dollars to win the LtGov's job. He's already running a bunch of TV ads right now, even though he doesn't have an opponent in the GOP primary. So he'll run a strong race.

But the move by these two business organizations signals that Sharp should be able to raise a lot of money that would normally be cut off from a Democrat seeking statewide office. And, remember, without this backing four years ago, Sharp came within a whisker of beating **Rick Perry** for LtGov while Perry was riding **George W. Bush's** long gubernatorial race coattails.

Is this about Dewhurst's perceived weakness or Sharp's perceived strength? It's a little bit of both. The TCJL said Democrat Sharp "has a long distinguished record as a **pro-business** member of the Texas House and Senate" and "as Comptroller of Public Accounts during the budget crises of the early 1990s, he came up with ways to **save the taxpayers billions of dollars**." Dewhurst, on the other hand, despite three years as Land Commissioner, **hasn't seemed to ignite a spark with his fellow Republicans** and, privately, some will tell you he's miffed a few of the party faithful and even some fellow officeholders.

Another thing that makes these endorsements of Sharp a little more telling. Austin's former Mayor **Kirk Watson** has been courting business support — making a big deal about how he has successfully worked with the business community in Austin, before resigning to run as a Democrat for Attorney General. But, these two groups still endorsed Republican former Supreme Court Justice **Greg Abbott** over Watson for Attorney General.

It's much too early to declare Sharp a winner in this **state that has voted heavily Republican** in recent years. But, it is interesting to see what's happening, positively, for Sharp long before he faces off one-on-one with Dewhurst this November. This is one to watch.

During the go-go days of the past few years, Austin's housing prices were increasing at such a fast pace they were raising the cost-of-living here to *much* higher than any other Texas metro area. Now that "go-go" has turned to "slow-slow," what's happening to the price of homes compared to our Texas neighbors?

The good news is the **median price of existing homes** in Austin in the 4th quarter 2001, compared to the same quarter 2000, is **down by 1%** and all other Texas metro areas are up – some as much as 9.8% (San Antonio). The bad news is Austin still has a much higher median existing home price than other Texas cities.

(This is totally off the subject, but it reminds me of the "good news-bad news" joke President **George W. Bush** told in Washington recently: "We just received a message from **Saddam Hussein**. The good news is that he's willing to have his nuclear, biological and chemical weapons counted. The bad news is he wants Arthur Andersen to do it!")

Back to the topic at hand. **Austin's 4th quarter median price tag of an existing home was \$151,700**, according to the National Association of Realtors. And, as we said, that was down 1%. The median price in Dallas was \$129,200 (+2.4%). In Houston, it was \$124,600 (+4.8%). The San Antonio median price was \$105,000 (+9.8%). All others were below \$100,000.

So, what's ahead for the Austin housing market? *Smart Money* magazine's February issue **ranks the Austin housing market number one in the nation**. The pub used a formula that considered a number of factors, such as recession resistance, projected job growth, building permits likely 'to be issued (as projected by Economy.com) and the recent trend in housing affordability, according to the Austin Chamber. Austin is well positioned.

The Chamber also points out that American METRO/STUDY reports housing starts are expected to **stabilize through the first half of 2002 and then expects new home construction to pick up again once the economy improves**.

The company, which tracks new home construction, noted the number of new **home closings totaled 11,703 in 2001 – higher than the 11,247 total in 2000**. On the other hand, new housing *starts* in 2001 (9,796) were down by a huge amount from 2000 (12,107). That's why the first half of this year will be slower.

Of course, one of the big determinants of the health of residential real estate in Austin is out of the control of anyone in the Austin area. We're talking about interest rates. Right now, long-term mortgage rates are at a very low point, keeping monthly payments low for homebuyers. **You can look for those rates to ratchet up a bit this year**, if the national economy is not shocked by some unforeseen event. If the interest rates start rising at a pretty good clip, it's a pretty good bet homebuyers may jump back into the market to try to lock in a reasonably low rate – thereby cause a sales surge.

When you examine the declining 2001 numbers for Austin-Bergstrom International Airport, the damage done to air travel in Austin is very clear. And the trend track was still downward at year's end, even though in previous years December showed an uptick.

Until 9/11/01, Austin's air travel was tracking right along with the record-setting year 2000 – in spite of a slowing economy. Of course, **September's travel took a nosedive** when all air traffic was grounded nationwide for several days. So how bad was it after September?

In the 4th quarter, **air travel dropped to levels we haven't seen in four years.** Austin air travel did not come close to the record year of 2000 in the 4th quarter. It was even way below 1999s numbers. It was barely ahead of the traffic patterns in 1998. And it was not that much better than the 4th quarter in 1997.

The airlines serving the Austin market paid the price. Even though market-leader Southwest Airlines, alone among major air carriers, made a small profit in 2001, its Austin travel was down 4% for the year. American Airlines was down 8%, Delta down 10%, Continental down 4%, United down 7%, and America West down 7%. Only the carrier with the least Austin passenger traffic, Northwest, was up – 2%.

Hook 'Em, Politicians! Did you know three former members of UT Austin football teams are seeking statewide office? And they're all Democrats. **Julius Whittier**, the first African American to start for the Longhorns (it was 1971; **Darrell Royal** was the coach) is a Dallas lawyer running for the Texas Court of Criminal Appeals. **Marty Akins**, a Royal quarterback in the early 1970s, is running for State Comptroller, after flirting with a race for governor. And **Ed Cunningham**, an offensive lineman and captain of the 1989 Longhorns, is running for the US Senate. Akins is a retired attorney, ranching in Marble Falls, and Cunningham is a sports attorney living in Austin.

Speaking of politics, **Dr. Louis Overholster** likes what **Will Rogers** had to say: “The more you read and observe about this politics thing, you've got to admit each party is worse than the other!”

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