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Dear Client:

**The five main adult stages of life – singles, couples, families, empty nesters and retirees — generally have different criteria when choosing places to live. How does Austin stack up?**

In general terms, singles lean to a scintillating night life. Families and young couples with kids look for great education. Retirees rank healthcare highly. Many areas promote their appeal to certain groups. For instance, Florida and Arizona have reputations as great places for retirees (“where New Yorkers go to die,” wisecracked one wag).

Our friends at **Kiplinger.com** joined forces with **Bert Sperling**, co-author of *Cities Ranked & Rated* and host of BestPlaces.net, to pick the perfect US cities for each life stage. They call them “Smart Cities.”

“Key to our Smart Cities list were places where you could buy an **attractive house** for \$300,000 to \$400,000 or less,” noted Kiplinger. “Access to **quality health care** was also a must, as was a **strong economy**. Once we narrowed down the list, we traveled to the cities that bubbled to the top to speak with residents and savor the flavor of their neighborhoods.”

**You’ve heard that Austin is a great place for singles with our young population, but does this mean it’s not good for retirees or empty nesters?** Obviously one person’s perfect place to live may not be another’s cup of tea. But what did these independent researchers find as they examined cities all around the country? You may be surprised.

**Austin is the only city in the United States that ranked in the Top Five in all the stages of life – singles, couples, families, empty nesters and retirees.** Our city is head and shoulders above all others as a place to settle in a single city for life. This is an important finding. The closest competitor was Minneapolis-St. Paul that ranked in four of the five. No other city in the US came close.

These rankings reinforce why Austin is a city where relatively few leave for other places while, at the same time, the city is a powerful magnet for many who are seeking a great place to live and work. (Maybe a new motto should be: “Those who live here, stay here.”) Also, these results explain to some degree the highly-acclaimed diversity of the area. While many may stay in one place, their **views and values may change as they move through various life stages – contributing to the divergence of views and involvement in various aspects of city life.**

**Most homeowners stay in the same house about seven years. So, you would think the 30-year mortgage might be changing, and you would be right. But, the change may not be in the direction you are thinking.**

We like to keep you abreast of what is happening in the market place, so we regularly look for trends to keep you ahead of the curve. The 30-year fixed-rate mortgage is the most common home loan in America today. So where is it headed? **Five percent of all new mortgages in the US are now being written for a term of 40 years.** (It's 25% in the trend-setting state of California.) The 40-year mortgage was first introduced last year, so this could be a major move.

**But now, the 40-year mortgage has been surpassed in length by the 50-year mortgage.** Why is this happening? Well, the obvious answer is the borrower is assuming the monthly payments will be lower, thereby allowing the homebuyer to afford more house for the same monthly payment as a less-expensive home.

**But is this a realistic approach?** I mean, after all, how many are buying homes with the goal of staying in the house 50 years, pay off the debt, burn the mortgage, and retire happily ever after in the same house into which they moved 50 years ago? This is a rare occurrence in today's world.

So, the real question is: **do longer-term mortgages markedly improve affordability?** **Harold D. Hunt**, a research economist at TexasA&M's Real Estate Center, says "contrary to what most homebuyers would expect," longer-term mortgages "may be **less affordable than the 30-year conventional loan.**"

"Mortgages with amortization periods longer than 30 years **offer Texas borrowers little in terms of increased affordability,**" Hunt says. "For a \$100,000 loan, the largest reduction in monthly payments is about \$33. The 40-year and 50-year loans are substantially less effective at reducing the outstanding balance than the 30-year loan."

"It is natural to assume that a longer amortization period works in favor of the borrower if interest rates increase significantly," he continued. "This analysis demonstrates that the exact opposite is true. **Affordability would actually decline.**" He says the longer-term loans "should be viewed with skepticism by anyone intending to keep a mortgage ten years or less."

Most 40-year and 50-year loans require conversion to an annual Adjustable Rate Mortgage after a specified term following origination – meaning interest rates can fluctuate when the trigger point is reached and in subsequent years. As a result, "the 40-year and 50-year loans make even **less sense if a borrower intends to retain the mortgage more than ten years,**" especially when compared to the 30-year loan, where the interest rate is locked-in for the entire period. This is one trend that could be short-lived.

## Concerned about your high utility bill? Here's a way to reduce your wastewater charges.

Austin's water utility began wastewater averaging this week. This is a process where, between November and March, the agency will measure customer's water use for three consecutive monthly billing periods.

What does the agency do with this measurement? **The water use for the two monthly billing periods with the lowest daily total is averaged** and becomes the basis for wastewater charges for the upcoming year. Monthly bills are based on the customer's wastewater average or actual water use, whichever is lower.

The Utility uses late fall and winter months to calculate wastewater averages because it says less *outdoor* water is used during this period and, therefore, measurements better show *indoor* use. So, to crank upcoming bills a bit lower, **customers should conserve water during these averaging months**. For more info, go to [www.cityofaustin.org/water/](http://www.cityofaustin.org/water/). The bills with the new wastewater averages will show up April 2007.

## For years now, you've heard about "outsourcing" – the condition where US companies set up operations in foreign lands, primarily to access cheap labor pools, thereby reducing the number of jobs in the US. But what about "insourcing?"

Wasn't it Texan **Ross Perot**, while campaigning as an Independent for President against **Bill Clinton** and **George H. W. Bush**, who exclaimed that "the giant sucking sound you hear is US jobs moving out of the country?" Since that time, outsourcing has been frequently criticized.

But what about *insourcing*, where foreign companies set up shop in the US and hire US workers? It's happening a lot. South Korea's Samsung is making a multi-billion dollar investment in Northeast Austin. And just look down IH35 to San Antonio to see the impact Japanese automaker Toyota is having on the Alamo City's economy. **Thousands of Texas workers have been hired as a result of Toyota's heavy investment in the state.**

As a result, **Texas is among the leading states in attracting jobs from foreign companies – third in the nation.** According to the Organization for International Investment, approximately 341,200 Texans are employed by companies headquartered abroad. California is #1 (547,000) and New York #2 (377,000). Following #3 Texas are Florida (238,400) and Illinois (235,600).

**Insourcing employment accounts for 4% of private-sector jobs in Texas.** Some 27% of all foreign-owned firms in Texas are in the manufacturing sector. These companies support 92,600 manufacturing jobs in the Lone Star State. When the Samsung Austin facility is up and running – it won't be long – these numbers and percentages will increase.

**The nation's first university/private movie production company and the fledgling UTAustin Film Institute (UTFI) have been up-and-running for 1 1/2 years. So, how are they doing?**

“This has been an exceptional year for UTFI and Burnt Orange Productions (BOP),” exclaimed UTFI’s Executive Director, **Tom Schatz**. Investors in BOP voted to roll over profits – yes, actual, bottom-line, profits — from the sale of the film *The Quiet* to be used in the production of its fourth feature film, *Elvis and Annabelle* (starring **Mary Steenburgen, Joe Montegna, Keith Carradine, Max Minghella** and **Blake Lively**).

Principal photography for *Elvis and Annabelle* was completed in May and post-production is being completed as we speak. An Austin screening for the film is planned 11/30/06. ***Elvis and Annabelle* has been submitted for entry to the Sundance Film Festival** and word should be coming down any day now on whether the film has been accepted for showing at the festival.

BOP’s third film, *Homo Erectus* (starring **David Carradine, Ali Larter, Gary Busey, Talia Shire** and **Tom Arnold**) has just been completed and submitted to the Slam Dance Film Festival. Its anticipated release date, pending its purchase by a distributor, is summer of 2007.

These films are **designed to make a profit** and compete for the mainstream movie-going dollar. They are low-budget compared to the standard Hollywood flicks, so if they can attract viewers they stand a good chance at making money.

In addition, because UTFI and BOP owe their genesis to UTAustin, they have achieved **academic goals as well**. To date, UTFI has provided internship opportunities for 215 UTAustin students campus-wide, and early tracking records of graduated interns indicate that **77% of the students who have worked on at least one production are now working film industry professionals**, both locally and nationally.

**Dr. Louis Overholster** believes a fine is a tax for doing wrong and a tax is a fine for doing well!

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