

THE

Neal Spelce

# AUSTIN LETTER

[www.AustinLetter.com](http://www.AustinLetter.com)

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

Volume 29, Number 6

May 11, 2007

Dear Client:

**Following two years of drought, Austin recorded the wettest April on record and now is in the midst of the “greenest” spring in recent memory. Given these dramatic weather swings, what is the future of Austin’s water supply?**

Not just over the past couple of years, but as recently as a few months ago, Austin area residents were bombarded with dire warnings about water conservation. Then the rains came. Just in the past week or so, the Lower Colorado River Authority (LCRA) reported that rains added a combined total of 33,000 acre-feet of water – **roughly enough to supply the City of Austin with water for two to three months.**

Lake Travis, the flood-control lake that rises and falls each year, is steadily rising as we speak and this week should reach about 673 feet above mean sea level. **This puts the lake more than two feet above the average elevation for May.** To give you a perspective, the last time the elevation of Lake Travis was above 670 feet was September 2005.

But what about the future? The 2007 State Water Plan prepared by the Texas Water Development Board (TWDB) analyzes estimates of water supplies in each region of the state. The region that impacts most of our metro area (and then some) has been designated as the “Lower Colorado” region. **It starts upstream in the Hill Country and follows the Colorado River through Austin to the Gulf of Mexico** – the area served by the LCRA.

The TWDB suggests the Lower Colorado region has a “growing vulnerability to drought as the years pass.” But it also adds this region is “prepared to add substantially to available water supplies.” In fact, the TWDB projects the Lower Colorado region **“will add enough water capacity to provide for all needs” in the area.** The TWDB goes even further to forecast this region **“will actually enjoy a comfortable surplus.”** The projection covers population growth to 2060.

This is not true for other regions in Texas, particularly the obvious portions of the state where you would expect water problems, such as the Panhandle, West and Far West Texas. As for us, **this does not mean water management strategies will *not* be implemented.** In fact, the forecast suggests management of water *is* part of this area’s projected surplus. But it also means that, even in periods of drought, the water future for this area holds positive promise.

**Even as Austin housing fundamentals remain strong, foreclosure filings surged in other areas of the nation. In fact, one state had a one-for-every-75-households foreclosure rate.**

RealtyTrac, an online marketer of foreclosure properties, reported the number of filings climbed 27% in the 1<sup>st</sup> quarter compared with the 4<sup>th</sup> quarter of 2006, and 35% from the same quarter a year earlier. Put it another way: **There were more than 430,000 foreclosure filings nationwide, one for every 264 households.** The filings include everything from default notices to auction sale notices to actual bank repossessions.

**Nevada had the highest foreclosure rate** where there was one for every 75 households. You'll recall we reported a couple of years ago the Las Vegas area was undergoing a boom in speculative real estate investing during the red-hot housing market years of 2004 and 2005. We further reported many analysts were warning of a **"bursting housing bubble."** Well, the bubble burst, prices dropped and the speculators are taking bad beatings.

**Colorado recorded the second-highest foreclosure rate** with one filing for every 111 households. **Numerically, California had more filings than any other state** at 80,595. This accounted for nearly one of every five foreclosures in the nation and was more than double the number from a year ago.

**Florida filings also climbed precipitously** to 45,156 – up 52% for the quarter and 55% over last year. **Among metro areas, Detroit got hammered the most.** It recorded 16,351 foreclosures during the quarter – one for every 51 households, five times the national average. Las Vegas was a close second with one per 57 households. **Three central California cities were also hit hard:** Riverside/San Bernardino, Sacramento and Stockton took third, fourth and fifth place.

Foreclosures are expected to continue to increase all year as many of the numerous **adjustable-rate mortgages written during 2004 and 2005 hit the dates of their first re-sets**, when their interest rates can increase by three percentage points or more. The re-sets may turn barely affordable loans into totally unaffordable ones for borrowers, forcing them to go into default.

Where does the Austin area fit into this scenario? The best advice is to keep your eye on the economy. So far, so good. **The Austin region's economy continued to grow during the first quarter of 2007, with strong job growth and in-migration and low unemployment.** This bodes well for job-related relocations to the area, said **Eldon Rude**, director of Metrostudy's Austin division. This results in strong demand for homes.

What *is* tapering-off in Austin is the number of new homes planned and constructed by the big national homebuilders who are slowing nationally to ease the impact of bad housing markets elsewhere. **In Austin's case, this could mean less supply while the demand stays steady.** Result: look for prices for Austin homes to continue to rise as long as the demand is there.

**With the problems Democrats and Republicans are having sorting out presidential candidates (and not-yet-declared candidates), comes now a wild card. Shades of Texan Ross Perot!**

No presidential candidate has yet emerged as the clear favorite to secure the nomination of either party – though most are trying mightily to get a decisive edge. And as they struggle with their announced opponents, both Democrat and Republican hopefuls are looking back over their shoulders at well-known, but as yet unannounced candidates. We're talking about former VP **Al Gore** for the Dems, and former Speaker **Newt Gingrich** and former USSenator **Fred Thompson** for the GOP. Right now, the presidential scramble is really a free-for-all.

And in the midst of all this, the buzz is building around a **possible independent candidate** who could siphon votes from both parties. Playing the role created by billionaire Texas businessman **Ross Perot** in 1992 could be billionaire New York City Mayor **Michael Bloomberg** in 2008. The possibility is intriguing.

You start with our initial observation: no candidate in either party has a huge lead. In fact, several polls indicate a general malaise and indifference to all the candidates. Add to this a “**pox on both your houses**” **mentality** seething among many voters and you have a willingness to at least consider an independent. As a Democrat-turned-Republican, he could be positioned as a real independent (or wishy-washy, depending upon where you're coming from).

Bloomberg made his considerable fortune providing news and analytic technology in the business communications field. He has more media savvy than Perot and as much money. One news report said “**He has already told friends he could easily spend \$500 million of his own money on an independent run** and could snap-up middle-of-the-road voters from both parties.”

**An independent can steer clear of the money-draining, reputation-damaging party primaries**, and emerge as a relatively unscathed candidate after the Ds and Rs have devoured their own just seeking the party nomination.

The hardest aspect of running for president as an independent may be simply getting on the ballot. **Each state has different, stringent requirements to qualify as an independent.** It takes a well-funded organizational effort just to get on the ballot. For instance, **Ralph Nader** managed to get on the ballot in only 34 states in 2004 – some of those after court fights.

Then assuming Bloomberg gets on the ballot, he faces the winner-take-all Electoral College, where **a candidate must get the most votes in a single state to get any of those state's votes in the Electoral College.** Perot, for instance, received 19% of the popular vote, but no votes in the Electoral College. So, can Bloomberg win?

One political observer was quoted in *The Wall Street Journal* as saying he didn't think Bloomberg “stands a chance in hell.” But, he added: “I also think anything could happen.”

**This is a scary story, especially if you have well-to-do friends or relatives living in Texas along the border with Mexico. The extortion racket is expanding and escalating on the Texas side.**

Left unchecked, this criminal activity could **escalate into violence in Texas**, similar to what is now occurring south of the border. This is the warning issued by Austin-based Stratfor, the well-respected private company that provides security briefings for its worldwide clients.

**“Since mid-April, at least a dozen attorneys and an unknown number of bankers have received phone calls from a man threatening to harm them or their families unless money is paid immediately.** The caller, who speaks with a Spanish accent, provides a significant amount of personal information about the targets, such as names, addresses, habits and the birthdates and schools of family members,” reports Stratfor.

“The caller then orders the targets to wire a certain amount of money to various Western Union offices in Mexico, threatening ‘bad things’ will happen if they fail to pay,” Stratfor continued. “The amount of the extortion demand is unclear, but the victims are given just **30 minutes to send the money. They are told that if the money is even one minute late, they and their families will suffer the consequences** – a tactic designed to prevent targets from thinking rationally, and thus to increase the chances that they will pay. The tactic apparently has worked.”

These calls are very similar to schemes that are common in Mexico. “The extortionists appear fearless of law enforcement involvement,” added Stratfor. “This is cause for concern, especially considering that the extortion payments are being directed to Mexico, where drug cartels and other criminals often have killed lawyers and judges. Having already demonstrated a disregard for the law – and the attorneys who practice it – **these extortionists could progress to more violent means to influence them.**”

**Dr. Louis Overholster** has a campaign slogan for politicians who make “mis-statements:”  
“You Always Know Where He Stands, Because You Always Know Where His Foot Is!”

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 4105 Bee Creek Rd, Spicewood, TX 78669. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



Editor/Publisher