

THE

Real Estate

AUSTIN LETTER

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Dear Client:

Did you know that in less than 35 years, more than a million people will be packed within the boundaries of Williamson County (Round Rock, Georgetown), and the populations of Bastrop and Hays (San Marcos) counties will triple? Get ready for a wild ride in the metro area.

You may recall we told you 1/5/07 that by 2040, the Austin-Round Rock metro area “is projected to surpass San Antonio to become the third largest metropolitan area in Texas. And San Antonio is not sitting still, by any measure.” But we didn’t drill deeper to show you what was **going to happen individually to each of the five counties** in the Austin-Round Rock metro area. All five counties will feel the population impact. Look at this.

The Capital Area Metropolitan Planning Organization (CAMPO) has adopted a growth scenario laid out by the State Demographer, **Steve Murdock**: By 2035, Travis County’s population will reach 1,555,300 ... Williamson County, 1,026,500 ... Hays County, 371,200 ... Bastrop County, 215,500 and Caldwell County, 82,100. **This means Williamson, Hays and Bastrop counties are in the process – right now – of tripling in population.** Think about this. It’s amazing!

Travis County, while going from 896,800 to 1,555,300, is not tripling because it is starting with such a large base. But, do the math: **more than 650,000 more people are starting to squeeze into Travis County now. And almost 700,000 more are moving into Williamson County now.** Wow! Williamson will get more new people than Travis in the years ahead – and Travis is exploding. Even the smallest county in our metro area, Caldwell (Lockhart, Luling) while not tripling in population is more than doubling — from 35,400 to 82,100.

To keep this in perspective, this growth is not something that will suddenly explode in about 35 years. **It is happening now – and will continue to happen throughout this time frame.** You’re living in the midst of this, as we speak.

You can take some comfort in the fact that CAMPO has **adopted these growth projections for use in planning infrastructure needs for the metro area.** And while this forecast is sobering to say the least, it has seemed to us (over the past three decades we’ve been chronicling the developments in the Austin area in this newsletter) that most growth projections have in reality fallen short of what actually happened. Stay tuned – and hang on.

When examining *population* growth, you must analyze *job* growth to answer the age-old question of how do you go back-and-forth to work. If you think traffic is a nightmare now, what happens when you add 1.6 million *more* people to Travis, Williamson and Hays counties?

Ideally, most folks say they would like to live close to where they work. But, for many, that ain't gonna happen – especially when you consider cost, schools, lifestyle choices, etc. So if traffic gridlock is something to avoid, it is **important to consider first of all where the people are going to be *living* and where they are going to be *working*** – before you can come up with transportation solutions.

Take the projections in the previous story. If 1,026,500 people are going to be living in Williamson County 30 years from now, is the entire workforce in that population going to be working in Williamson County? Especially with the job center of the metro area in Travis County? Nope. **A huge chunk of those folks are going to live in Williamson County and work in Travis County**, as many do now. So, what does this do to our transportation infrastructure?

The Capital Area Metropolitan Planning Organization (CAMPO) is the government agency responsible for developing a comprehensive regional transportation plan for Williamson (Round Rock, Georgetown), Travis (Austin) and Hays (San Marcos) counties. **CAMPO determines which transportation projects receive Federal and some State funds.** It is a vitally important body (that is undergoing transformation – but that's another story for another time).

CAMPO is projecting after the 30-year growth period the **job-to-population ratio in Williamson County will be only 39%. In Hays County, it will be 37% while in Travis County it will be 66%.** The southern part of Williamson County closest to Travis County will have some job growth, but the bulk of the metro area jobs will be in Travis County.

San Marcos is about the only area of Hays County that is expected to experience major job growth. **Therefore, as now, many of the new residents of Hays County will trek north to jobs in Travis County.**

It's pretty easy to see that the explosive population growth in all three counties is going to have an **enormous impact – even, exponential – on traffic patterns, as residents go back-and-forth to work.** And as anyone knows who has tried to navigate major roadways in these three counties, the ever-lengthening morning and afternoon rush hours are becoming daily nightmares – *now*.

The transportation planning task is enormous. Especially when you consider it takes **many, many years of construction and interruption to implement whatever plans are finally approved.** This includes roadways, rail, etc. There will be pain and complaints as the process unfolds, but nothing like the pain if nothing is done.

Are local taxes rising faster than family incomes? Taxing entities – school districts, the city, the county, etc. – raise taxes independent of the others. But a family must pay *all* taxes. And in the past few years, local families have been getting the short end of the stick.

Concerned that the *combined* impact of rising local taxes was too much for ordinary families to bear, the Real Estate Council of Austin (RECA) in 1992 began an annual study that **compared the rise in combined local taxes to the increase in family income**. From the outset, it was understood to be an imperfect tool, just a trend-line marker.

But the first year's tally affirmed in cold numbers what many people felt. Combined taxes that year rose nearly 12%, while family income went up only 4%. And for four years thereafter, the RECA Index showed that **not once did family income rise even 4%, while the governments' tab to taxpayers grew at least 6.6% each year**.

Fast forward to 2007. What is most striking about this year's Index is that the trend line seems relentless. Tax creep seems inexorable. **Last year, the combined cost of governments rose 8.5%, while median income for a family of four rose 3.4%**.

During the course of 17 years, local family income has risen 92%, but the combined governments' cost has risen 179% — nearly twice as fast as family income. Put it another way: An average family living an ordinary life last year paid \$5,939 in combined local taxes. **This was 8.5% of the family's income, up from 5.9% in the year the Index began**.

"When does it stop?" asked Silver Garza, RECA's president. "Already this trend has forced many families to move to the fringes of our region. Many teachers, police and public safety workers, small business workers and other valuable contributors to our community simply **cannot afford to live here anymore**. Affordability is an enormous challenge."

The bulk of the local tax burden comes in the form of property taxes that hit people where they hurt. "Theoretically, you can stop buying to cut down on sales tax. You can turn off the air conditioner to cut down on the utility transfer. But property taxes rise unabated, even when a family's income drops or a family wage earner loses a job," said Garza. "The only way out for ordinary families is to sell their home, or cancel a lease and move. And that's unacceptable."

And now, the *potential* for another hike in the property tax has had a level of review and approval removed by the Texas Legislature. A newly-signed law allows the Travis County Hospital District to **bypass the Travis County Commissioners Court and ask the voters directly for an election to seek a property tax increase**. But a spokesperson for the district said it has no plans to raise property taxes.

Just three weeks after we ruminated on New York Mayor Michael Bloomberg's possible run for president as an independent, comes now a respected Washington publication that says odds are Bloomberg will pull a Ross Perot and run. Talk about a jumbled race.

“Will Michael Bloomberg run for president as an independent? And if he does, will it matter? Odds are yes on both counts,” report our friends at *Kiplinger Forecasts*. It goes on to say “The New York City mayor and Wall Street billionaire is **planning to enter the race, despite public denials.**” This has got to send the staffs of the leading Dem and GOP candidates into another round of “what-iffing,” even as they re-draw their campaign strategy due to the shifting of primary election dates to earlier in 2008. (The staffers may earn those high salaries, after all.)

If you recall our 5/11/07 story on the difficulties facing an independent candidacy, you may wonder at the logic behind a Bloomberg candidacy. **“He believes the nominees of the top parties are likely to be polarizing, creating an opening for a pragmatist such as himself with ideas and leadership skills,”** posits *Kiplinger*.

Further, Bloomberg advocates point out he could wear the independent label convincingly as he was a lifelong Democrat that turned Republican to run for mayor in 2001. **And his approval ratings in NYC are sky high.** They also say he can top the formidable hurdle of getting on all 50 state ballots by spending a billion bucks of his own money to cover campaign and ad costs.

While not saying Bloomberg could actually win the presidency, *Kiplinger* says he could win a few states – enough to deny the others an Electoral College majority (remember the closeness of the Bush-Gore balloting) and throw the election into the USHouse of Representatives. My-oh-my, that would be something! Finally, time is on Bloomberg's side. As he goes about getting on various state ballots, he can let the **Dems and GOPers cut on each other a while before he comes riding to the rescue on a white horse.** At least this may be his thinking.

Dr. Louis Overholster already has a campaign slogan for an arrest-prone big city mayor if he runs as an independent: “Mayor Marion Barry – Getting Rid Of Drugs, One Gram At A Time!”

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